

General Comment: At this time I would like to comment on the changing of the “make allowance” on class 3 and class 4 milk. I do not have a problem with increasing the make allowance to cover the increased cost that manufacturers have incurred since the original make allowances were put in place. However, before implementing the changes I request that the secretary of agriculture immediately implement U.S. Code Title 7, Chapter 100, Subchapter 4, Section 5253, which implements the class 3 and class 4 pricing formulas. The original pricing formulas were stated in April of 1999 and can be found in the federal register. At that time Congress felt that there was need for additional time for comment, and further comments on the formulas were made. I find one comment made in volume 65 page 76837 of the federal registry to be quite informative. It stated that the current situation in the non fat dry milk powder NASS surveys would not allow the true cash value of products to be used in the formulas. Going back to the original formula, forward pricing was to be excluded in the collection of the NASS survey pricing. At some point in time the AMS has given the directive to NASS to include the words ? Sales in which the selling price was set (and not adjusted) 30 or more days before the transaction was completed.? I would like to know who gave this authority to the AMS. This change has cost dairy farmers and the United States citizens millions of dollars in lost milk income and payments through the milk income loss program. To help the person not familiar with the current milk pricing formulas, the NASS survey prices for dry whey, butter, non fat dry milk, and cheddar cheese are used in the formula to set milk prices. Many manufacturers of these products are currently using NASS prices plus a premium to price their products on a contractual basis. The situation that is occurring presently with non fat dry milk powder is what has brought this to a dire situation. NASS survey prices have ranged 55 to 65 cents below cash prices, as seen by non contracted product and Chicago Mercantile Exchange prices. This has cost dairy farmers millions.

To fix this problem, I understand the need for the AMS to know the amount of product sold to insure the American public ample product and suggest making two reporting lines on the survey form. One for forward priced sales as stated in the law, and one for cash sales which should be used in the pricing formula.

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