

LAMERS DAIRY

Dairyland's Best

N410 Speel School Road
Appleton, WI 54915

Phone 920-830-0980
Fax 920-830-1418

January 8, 2007

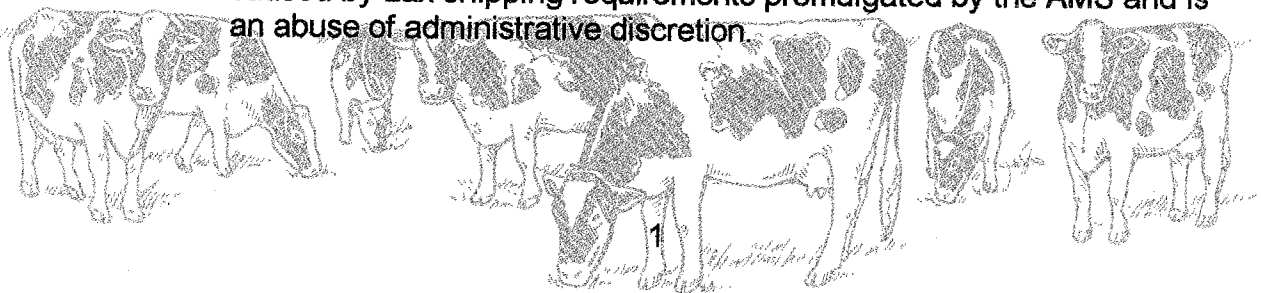
Hearing Clerk
United States Department of Agriculture
Room 1031-Stop 9200
1400 Independence Avenue SW.
Washington, DC 20250-9200

EXCEPTIONS TO PROPOSED RULES
DOCKET NO. AO-14-A74, et al.; DA-06-01

RECEIVED
2007 JAN 17 AM 9:43
OALJ/OHC
USDA

STATEMENT OF COMMONLY KNOWN FACTS

1. The primary purpose of Federal Orders under the AMAA is to maintain an adequate supply of fresh fluid milk to the consuming public.
2. This is done by establishing a minimum price for producer milk according to use which will accomplish this end.
3. Only Grade "A" milk is regulated and may be shipped to fluid plants.
4. Because the market wide pool negates the ability of the Class I price to attract milk to fluid use. This constitutes disorderly marketing.
5. This then follows that the Grade "A" blend price is being used to attract milk for use for manufactured dairy products. **This is not authorized by the Act.**
6. This in turn caused producers to seek out the Grade "A" price which flooded the Grade "A" market.
7. An adequate supply of milk for fluid use is equal to 120% of Class I utilization. This equals a 20% reserve.
8. There is approximately a 100 % reserve supply nation wide and 400% in order 30, which can not possible be used in the fluid market. This is caused by Lax shipping requirements promulgated by the AMS and is an abuse of administrative discretion.



9. This resulted in "artificially high" Class I prices in order to attract milk to fluid use. Because of the market wide pool, this does not happen without shipping requirements which in turn are misguided and misused. To cause fluid milk consumers pay artificially high prices which are diluted and used to subsidize prices for manufactured uses is not in the public interest, promotes disorderly marketing and perverts the purpose of the Act.
10. Because receipt of "manufacturing grade" milk diminished, the MW series was replaced with the basic formula for pricing Class III and IV milk as a result of the above.
11. While manufacturing plants perform as balancing plants for fluid plants, **it was never intended that manufacturing plants should use a blended grade "A" producer milk price through the market wide pool, to attract Grade "A" milk to be used for manufacturing in competition with fluid plants. This again is an abuse of the intent of the Act and is a result of the abuse of administrative discretion.**

FLAWED PRICING SYSTEM

The above referenced dockets prove that the basic formula pricing structure is flawed and pooling standards which promote more than adequate supplies of Grade "A" milk do not allow manufacturing plants to price their milk relative to their income and costs as was prevalent under the MW series.

The proposed adjustments to make allowances do not and cannot adequately apply justly to different manufacturing product and plant size operations.

Given the above, government regulation does not even belong there. It is an abuse of administrative power and it unjustly distorts the purpose of the AMAA and is arbitrary and capricious.

It is stated under **General Findings**, (b) The parity prices of milk as determined pursuant to section 2 of the Act are not reasonable in view of the price of feeds, available supplies of feeds, available supplies of feeds, and other economic conditions which affect market supply and demand for milk in the marketing areas, and the minimum prices specified in the tentative marketing agreements and the orders, as hereby proposed to be amended, are such prices will reflect the aforesaid factors, ensure a sufficient quantity of pure and wholesome milk and be in the public interest;

Untruths and Distortions

The increase make allowance will lower prices to producers, allow greater pooling of milk for manufacturing and will not diminish supplies of milk in order 30 in the short term. Because of increase margins. this will also give manufacturers more money with which to compete with fluid plants for Grade "A" milk.

Remedy

A fix to the problems can only be a reduction of the artificially high Class I prices and an individual handler pool. This would allow an MW series, a free market for manufacturers and free market base pricing for federal orders. Under an individual handler pool, Class I & II moneys would go to those producers actually supplying the Class I & II markets. This is what the Act intended.

CONCLUSION

The make allowances should not be changed in favor of the above remedy. The AMS would then provide a true and just service to the industry.

Respectfully submitted,



Richard J. Lamers, COB
Lamers Dairy, Inc.
N410 Speel School Road
Appleton, WI 54915