September 29, 2006

Hearing Clerk  
United States Department of Agriculture  
Stop 9200  
Room 1031  
South Building  
1400 Independence Ave., S.W.  
Washington, DC 20250-9200

Re: Docket No. AO–14–A74, et al.; DA–06–01

Thank you for the opportunity to submit this post-hearing brief regarding the proposed updating of the Class III and IV make allowances. Glanbia urges you to issue an interim final rule updating make allowances, as soon as possible. Specifically, updated make allowances should be no lower than those costs of processing, adjusted for marketing and increased energy costs, reflected in the recently completed study by Cornell University and submitted by Cornell’s witness at the September 14-15 hearing.

Current make allowances reflect cost data that are more than seven years old and which no longer reflect actual market costs. The failure to update make allowances has placed an increasingly intolerable strain on many dairy processors. Glanbia, along with representatives from several dairy processors and related organizations, offered testimony at the January 2006 hearing. Among other things, witnesses explained how outdated the current make allowances had become.

It has been eight months since the January 2006 hearing and still no change has been announced. The federal order system continues to operate as if processors still faced 1997-99 costs, even though their true costs are much higher. Very substantial recent increases in energy costs have only made things worse.

USDA recently reopened the make allowance hearing to receive evidence regarding a recently completed Cornell University study of the processing costs for products on which the USDA minimum milk prices are set. While we believe the data submitted in January 2006 hearing were adequate to update the current, outdated make allowances, we believe that the new Cornell study provides the best available data for setting make allowances. We therefore support its use by USDA for that purpose.
At the recent hearing, a witness representing Cornell University addressed the reliability of the new data as a basis for setting make allowances. The witness presented a “total population” weighted average cost of processing for commercial cheese plants outside of California. Because that is the population to which the make allowances will apply, this weighted average cost (20.28 cents per pound) should be the starting point for setting cheese make allowances. The weighted average cost of processing for the surveyed whey (19.41 cents), butter (11.08 cents) and nonfat dry milk (14.23 cents) plants should be the starting point for setting the make allowance for those products.

Moreover, since the Cornell data did not include marketing costs, we urge USDA to add 0.15 cents to the surveyed cost data for each of the commodities surveyed, in order to capture this necessary expense in the make allowance. USDA took this same step when it last set make allowances.

Finally, the Cornell data offers a basis for updating the energy costs components of the make allowance, in order to reflect increased energy costs between the time periods covered by his survey data and the end of 2005. We strongly urge that USDA include that energy adjustment, but also urge that the USDA leave consideration of ongoing, future adjustments to make allowances to a later hearing.

Glanbia urges USDA in the strongest possible terms to issue a decision as soon as possible. We believe the already pressing need for action, has only become more urgent. Please issue an interim final decision as soon as possible to adopt make allowances no lower than those reflected in the Cornell data concerning the costs of processing, adjusted for marketing costs and increased energy costs.

Sincerely,

Jeffry O. Williams  
President & CEO  
Glanbia Foods, Inc.