

April 21, 2006

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

RE: Milk in the Upper Midwest Marketing Area, Docket No. AO-361-A39; DA-04-03B

On behalf of Family Dairies USA, I am submitting the following comments and exceptions to the recommended decision of the Upper Midwest Area published February 22, 2006.

Family Dairies USA is a Dairy Cooperative with 3,700 members and has pooled its members' milk on Federal Order # 30, the Upper Midwest Marketing Area, Federal Order 32, the Central Marketing Area, and Federal Order #33, the Mideast Marketing Area.

Family Dairies USA opposes the recommended decision. The option to engage in the practice of de-pooling in response to price inversions has been a longstanding part of the Federal milk order system. The recommended decision severely discourages de-pooling by establishing a limit on the volume of milk a handler may pool during the months of April through February to 125% of the volume of milk pooled in the prior month; and 135% limit during the month of March. The recommended decision is a complete change in pooling philosophy forcing handlers to share money generated from manufactured milk products to offset a low Class I price.

One of the primary purposes of the Federal Order System is to assure an adequate supply of milk for the Class I market. De-pooling has no impact on the amount of milk available to the Class I market as the decision to de-pool milk is made after milk is delivered to the market. In addition, contractual supply agreements assure continuous milk supplies for Class I plants. De-pooling therefore does not effect the amount of milk available to serve the Class I market. Today, access to the Class I market is actually limited due to consolidation in the marketplace.

The recommended decision does not address the cause of negative PPD's, specifically the inversion of classified prices. The recommended decision should not be adopted and instead, the entire Federal Order system should be revisited.

Respectfully submitted,

Don Desjarlais
General Manager
Family Dairies, USA