

Vella Cheese Company of California, Inc.  
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July 16, 1996

Richard M. McKee  
Director Dairy Division  
AMS, USDA  
Room 2968, South Building  
P.O. Box 96456  
Washington, D.C. 20090-06456



Dear Mr. McKee;

References made to your notice on the Public Forum on Dairy Price Discovery Techniques, which will be held in Madison, WI on July 29th. In this notice you invited written comment on the five questions to be addressed during the forum which might culminate in some policy regarding pricing of dairy products.

Since I do not feel competent as a small manufacturer, to discuss the first four items because my size plant will never be in your pricing loop, I would like to address item #5 and to cast my vote that prices be collected on a regional basis.

The reasoning behind this is that we in California, be we large or small manufacturers, are at a grave disadvantage when being compared to the Mid West and to the Mountain States. As an example, our labor is Unionized in the majority of our plants and we are thus subject to wages, hours and retirement provisions which neither of the two aforementioned areas are to any major extent.

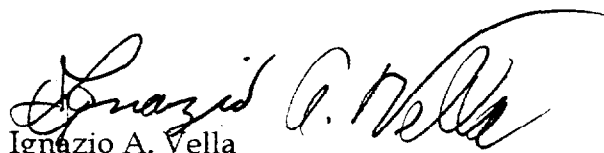
Another example is, that our freight rates, especially on the West Coast, are much higher than those in the Mid West and Mountain areas and are often the cause of California products and even Oregon and Washington production being non competitive.

However, the worst example of blanket costing analysis is our Public Utility structure. The California cost for light and power has been reckoned at 43%

higher than comparable usage's in the Mid West. This has had a great impact on California Plants because it raises issues not only in manufacturing but in the disposal of whey and other manufacturing by products.

Since you kindly suggested that any of us who might have some views on these issues contact you, I have availed myself of the invitation.

Sincerely,  
Vella Cheese Company of California, INC.

  
Ignazio A. Vella  
CEO