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May 4, 2009

Mr. Paul Kyburz  
Federal Order # 30 Market Administrator  
4570 West 77<sup>th</sup> Street, Suite 210  
Minneapolis, MN 55435-5037

Dear Mr. Kyburz.

The Maine Dairy Industry Association (MDIA) submitted Proposal No. 18 in the Class III and IV price hearings held in 2007 and offered data, views and arguments in its support at the Pittsburgh, PA session of the hearing, July 9-11, 2007 (tr. pp. 2593-2745).

Your office generously provided data for the Federal Order # 30 marketing area that helped illuminate our proposal, and we are grateful for that.

However, a number of questions arose at the hearing about data that would expand the understanding of interested parties about the proposal and its effects. These data were not available to MDIA prior to the hearing.

We hereby request that your office assist us assembling data that is available to you, but not to us. This information could then be used to inform interested parties, who could then further evaluate our proposal.

Here is a list of the information that was identified at the hearing that would be useful, but we were not able to provide:

1. **More complete definition of the "competitive price zone"**. We identified the competitive price zone as the territory in which a significant amount of competition for producer milk took place. We chose to measure this by selecting counties in which the regulated purchasers of milk represented a Herfindahl index of .33 or less. A Herfindahl index is obtained by squaring the market shares of each of the participants in the market, in this case a county, and then summing them. For example, a Herfindahl index of .33 represents a minimum of three equal-sized competitors. Market shares were based on milk volume, not on the number of producers.

Unfortunately, we only had data for the Upper Midwest market. Please make your best efforts to collect similar data for the milk procurement areas for all Federal milk orders. Specifically, we would like to identify all the counties in the nation in which three or more, four or more and five or more handlers regulated by any Federal order purchase milk during a representative month, such as the most recent December or May for which data are available.

In addition, we would like to identify all the counties for which a Herfindahl index of .25 or less, .33 or less, and .50 or less can be calculated.

Each of these definitions: three or more handlers competing, four or more handlers competing, five or more handlers competing, Herfindahl index of .25 or less, Herfindahl index of .33 or less, and Herfindahl index of .50 or less, could be considered an alternative "competitive price zone".

2. **Proportion of producer milk, by state, encompassed in the competitive price zone.** There was significant concern at the hearing about whether the competitive price zone was representative of the national market for milk. There is no definitive way to determine this, but it is possible to calculate the proportion of the Federal milk order supply of milk represented by the competitive price zone, both in total and by state. We request that once each of the competitive price zones has been determined in (1), above, that the milk included in that competitive price zone be divided by the total federal order milk in each state and in total.
3. **Variation in milk prices within the Federal order system.** Concern was expressed during cross examination that competitive pay prices in the competitive price zone would not accurately reflect geographic differences in the value of manufacturing milk. This concern was especially relevant to markets close to California.

While we cannot predict the variation that would exist if our proposal was adopted, it is possible to measure the amount of producer price variation that exists today. We request that you and the other market administrators compile weighted average pay prices to producers by state, net of the current producer price differentials, to measure the residual manufacturing value of milk. This would provide evidence of existing differences in the manufacturing value of milk in different parts of the country.

As we have discussed, we would like similar data for milk that is not Federally regulated, such as in Idaho or California. We realize that you do not collect such data, and are working to gather that data on our own. We will keep you informed about our progress with this effort.

Thank you for your consideration of this request.

Sincerely,

/s/ Daniel Smith

Daniel Smith

on behalf of MDIA

/s/ Paul Christ

Paul Christ