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December 14, 2007

George Gomes, Undersecretary
California Department of Food and Agriculture
1220 N Street
Sacramento, CA 95814

RE: Nominations for CDFA Committee – Whey Value in the 4b Formula

Dear Undersecretary Gomes,

For many years MPC has been a strong proponent of including a producer value for whey solids in the California 4b formula. We were the lead petitioner in 1997 when this issue was first formally presented to the department. Over the last 10 years MPC has offered several specific different alternatives for establishing a whey solids value in the class 4b formula. These proposals attempted to address the fundamental differences that exist between the values derived from whey solids as opposed to the conventional method used to extrapolate a producer value from butter, powder and cheese prices. Just last year, MPC proposed a method to broaden the product values that were considered in the formula to include Whey Protein Concentrate.

Unfortunately, the hearing process did not lend itself to a serious industry consideration of our suggestions. The department economists on the hearing panel seemed quite strong in their view that producers were not entitled to any share of the whey solids value. So no progress was made in finding an industry consensus on this issue. Appointing a committee to wrestle with this is an important start, but absent strong direction and a mandate from the Secretary this could be an exercise in futility.

We support the Secretary's decision to establish what should amount to a producer/processor negotiation committee. However, in situations like this, in order for there to be success, each side must believe they have something to lose. Unfortunately for producers, the department economists who staff the hearing panels for the Secretary have well-known views and a bias, which lines up quite strongly with the predominant cheesemaker views on this issue. One could ask, "Why should cheesemakers engage in good-faith negotiation when the department staff is so clearly on their side?" The Secretary must make clear that he expects all of us to bargain in good faith if the committee is to have any chance of coming to a broadly acceptable solution.

The Board of Directors of Milk Producers Council has discussed who we should nominate to the Secretary for consideration. We have decided to nominate three people. Each would offer something unique. Their bios are attached:

1. **Geoffrey Vanden Heuvel**
Vice President, Milk Producers Council
Dairy Producer

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2. **Arthur Marquez**
Director, Milk Producers Council
Dairy Producer

3. **Robert VandenHeuvel**
General Manager, Milk Producers Council

Thank you for your consideration of these three individuals. They would undoubtedly be a valuable asset to this important committee.

Sincerely,

Sybrand Vander Dussen
President