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CHEESE COMPANY

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DATE: September 13, 2005

TO: The Honorable Mike Johanns

FROM: John Fridirici

OPERATOR: Sandy Reehl

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COMMENTS:

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September 13, 2005

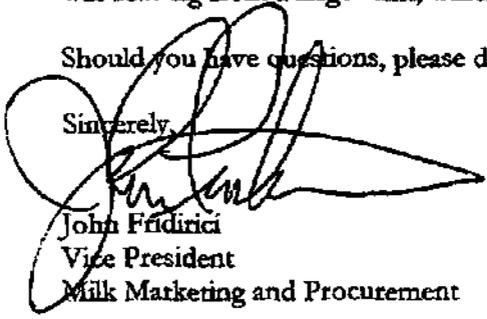
The Honorable Mike Johanns
Secretary, U.S. Department of Agriculture
1400 Independence Avenue, S.W.
Washington, DC 20250

Dear Mr. Secretary:

When you visited the Wisconsin State Fair, I addressed issues to consider for the Farm Bill in '07. I was reading from a larger text, which is enclosed.

Should you have questions, please do not hesitate to call.

Sincerely,



John Fridirici
Vice President
Milk Marketing and Procurement

JIF/slr
enclosure

c: Senators Feingold, Kohl
Representatives Baldwin, Green, Kind, Moore, Obey, Petri, Ryan, Sensenbrenner
Laurie Fischer (DBA), Shelly Mayer (PDPW), IDFA

Faxed 9/13/05

Comments – Thursday, August 4, 2005
USDA Wisconsin Farm Bill Forum
Wisconsin State Fair
West Allis, WI

My name is John Fridirici, Vice President of Milk Marketing and Procurement of Grande Cheese Company of Brownsville, WI.

Grande Cheese Company is a proprietary cheese company manufacturing ... "The finest Italian cheeses money can buy!" We employ more than 600 Associates. We purchase more than 1.5 billion pounds of milk annually, from 180 producer dairies considered by many to be the finest in the country. Our trademark cheeses are sold nationally and our trademark whey products are sold globally.

As you contemplate the "2007 Farm Bill", I ask you to use the "marketplace" more and "regulation" less to price milk. The Support Program, MILC, and the Federal Market Order System mixed with NASS survey, CME cash and futures markets frustrates participants. Forward contracting, a risk management tool in commodity markets, was legislatively denied many market participants, but not all, in December. The Support Program limits the value of hedging and therefore the use of futures, and is in direct conflict with the MILC program. At the recent CME Dairy Forum, floor traders expressed their frustration with pricing very succinctly—"Your industry is so complex, no one can help you." And I add, they know pricing and markets.

The marketplace for any product or service has thousands of consumers and suppliers that make it work. These market participants rely on price and common sense to coordinate their activities. If prices are distorted or hidden by regulation, participants can be unknowingly misled. The extensive regulation of the dairy industry, and of milk prices specifically, baffles common sense and fundamental economic principles, driving potential participants out of the market.

Today, marketplace winners and losers are too often determined in the political arena rather than in the competitive market arena. The costs associated with the inefficient use of resources and talents are unknowable. Old-fashioned principles of service, quality, hard work, and "common sense", are suffocated by product definitions, manufacturing protocols, and specifically, price regulation. Diligent government employees are denied doing the "best things" for the industry because the political process is a process of compromise. The best ideas are negotiated off the table in the search for the lowest common denominator acceptable to the political power brokers. This is not a good business model. Innovation and best practices honed in competition are smothered by jockeying for political and regulatory advantage.

The "unintended consequences" must be significant. While I applaud you for holding these sessions, you'll hear from a very small portion of the marketplace participants and have no chance to hear from potential new participants with new ideas to improve the future well being of the industry. Only a marketplace energized by competition and an opportunity to attract new supporting participants can move the industry forward.

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Comments – SDA Wisconsin Farm Bill Forum

In closing, years of regulation have focused on protecting local milk supplies. Today's industry is national, if not global. Regulation cannot easily adapt to the magnitude of technology changes on the farm, in transportation, distribution, and processing and cannot anticipate the future.

My point: Do whatever you can to reduce the complexity of regulation, particularly as it relates to pricing, and its intrusiveness in the marketplace if you want to improve the dairy industry.

Marketplace references:

- The Death of Common Sense by Philip Howard.
- I, Pencil by Leonard E. Read. Available free to all at www.fee.org (Foundation for Economic Education). It is an excellent "story" of how the free market works.
- "The Entrepreneur as American Hero" (March 2005 *Imprimis* newsletter) on the Hillsdale College website at <http://www.hillsdale.edu/imprimis/2005/March/>.

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