



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

Karen Ross, Secretary

August 16, 2024

**Notice of Public Hearing to be held via Zoom on
Monday, September 9, 2024
Related To Proposed Changes to The Quota Implementation Plan**

ALL CALIFORNIA MARKET MILK PRODUCERS AND INTERESTED PARTIES ARE INVITED TO PARTICIPATE IN A PUBLIC HEARING TO DISCUSS PROPOSED CHANGES TO THE QUOTA IMPLEMENTATION PLAN:

Date and Time

September 9, 2024
Beginning at **10:00 a.m.**

How to Connect

Join by Zoom: <https://us02web.zoom.us/j/84248601086>
Meeting ID: 842 4860 1086
Passcode: 4^5WBjb*

Join by Telephone: 1-669-444-9171
Meeting ID: 842 4860 1086
Passcode: 04670783

BACKGROUND

On May 1, 2024, the Producer Review Board (PRB) recommended to the California Department of Food and Agriculture (CDFA or Department) to amend the Quota Implementation Plan (Plan). The Department concurred with the PRB's recommendation and added a technical item for consideration. In the last few weeks CDFA hosted a series of informal public forums geared to provide the industry the opportunity to learn about the proposal before the question of whether the changes should be made is issued to a vote. At the public forums the Department received suggestions for additional modifications. In order to be able to evaluate the new submissions from producers the Department postponed the hearing that was scheduled to take place as part of its outreach process. The hearing will now take place on **Monday, September 9, 2024**.

After due consideration of the suggestions received, the Department determined that the additional modifications proposed by industry members deviate from the language the PRB reviewed and recommended. A summary of the proposed amendments to the Plan is provided below. The complete text of the the proposal can be found in Exhibit "A" (attached).

SUMMARY OF PROPOSED CHANGES

The PRB's proposed changes to the Plan consist of three parts that, per the PRB's request, are to be considered together:

1. Reducing the current quota premium payout from \$1.70/cwt (0.195/lb. of SNF) to \$1.00/cwt (0.115/lb. of SNF).
2. Eliminating the Regional Quota Adjusters (RQAs).

3. Clarifying the language about “hardships” by adding the details that were part of the former Pooling plan.

A technical change proposed by the Department:

4. Rewording the definition of “Producer” to enhance clarity.

HEARING PROCEDURE AND PARTICIPATION

All affected California market milk producers and other interested persons are invited to present their testimony about the proposal to amend the Plan during the public hearing. Witnesses (individuals interested in speaking during the hearing) will be able to sign-up to do so upon login; the hearing transcript, comments, and materials presented will be combined to form the official hearing record. The Hearing Officer will determine the order for calling on witnesses; each witness will be sworn in and will be asked to identify themselves by name and affiliation.

At this event presenters may choose to provide testimony by video, or by telephone. In order to ensure everyone has the ability to fully participate using the remote options, instructions will be provided at the beginning of the hearing; technical guidance will be available at all times.

Each witness will be able to speak for up to 20 minutes. Hearing panel members may ask questions from witnesses to clarify the input received. The hearing officer will allow questions by members of the audience about information entered to the record by the Department; the questions must be directly pertinent to the call of the hearing. Additionally, any member of the audience may submit questions to the hearing officer for possible use by the hearing panel. Questions from witnesses must be related to their testimony and directly pertinent to the call of the hearing.

Please direct any questions regarding the meeting schedules and locations to Alka Ram at 916-900-5012. Questions about the Quota Administration Program or the mechanics of the referendum should be directed to David Ko at 916-900-5012.

Sincerely,

Kathy Diaz

Digitally signed by Kathy Diaz
Date: 2024.08.16 06:29:41 -07'00'

Kathy Diaz, Director
Marketing Services Division

Attachment

Proposed Changes to the Quota Implementation Plan (QIP)

Additions are shown in **bold** and deletions are shown in ~~strikethrough~~.

Actual recommended changes to QIP language for the referendum:

Article 1. Definitions

“Act” shall be known and may be cited as the “Food and Agricultural Code”.

“Assessable milk” means market milk received from California producers at a California plant.

“Assessment” means money collected to administer a stand-alone quota program or to fund quota premiums.

“Bulk market milk” means milk, cream, or skim milk, other than packaged products, from market milk sources.

“Dairy ranch” and “dairy farm” are synonymous to mean a commercial production facility which produces milk.

“Family Transfer” means the transfer of quota between spouses, direct lineal descendants and their spouses, direct lineal ancestors and their spouses, and registered partners.

“Handler” means any person who operates one or more plants in California or that engages in the operation of selling, marketing, or distributing in California of Bulk Market Milk he or she has produced or purchased or acquired from a producer, or a duly incorporated cooperative association of producers which has authority from its individual producer members to market their milk and receive payment therefore.

“Hardship” means a challenge to the management and operation of a dairy due to ~~the operation of this plan~~ ***conditions beyond the control of the producer; such as, fire, floods, storms, and other acts of God, or from federal and State eradication programs for disease control.***

“Manufacturing milk” means milk, cream, or skim milk, the source of which did not have the approval of any public regulatory or health authority for disposition as market milk.

“Market milk” means milk, cream, or skim milk that is produced in conformity with applicable regulations of the appropriate public regulatory or health authority for disposition as market milk.

“Milk” for purposes of this Plan, means the lacteal secretion from one or more cows, including the milk fat, solids not fat, and fluid carrier portions thereof, each to be computed and accounted for separately.

“Milk fat or fat” for purposes of this Plan, means the fatty portion of milk.

“Month” means any one of the 12 calendar months.

“New producer” means any person qualified as a producer who does not have quota and meets all the requirements for new entry.

“Person” means any individual, business unit, or organization.

“Plants of governmental agencies” means any governmental agency that produces, processes, and consumes in its own facilities only its own production.

“Producer” means any person, ***including members of cooperative associations***, that produces market milk in the State of California from five or more cows ~~and includes members of cooperative associations~~.

“Producer Review Board” means a review board appointed by the Secretary composed of no less than 12 members to advise the Secretary in the administration of this Plan.

“Qualifying period production” is the lesser of 150 pounds of fat and 375 pounds of solids-not fat or the average daily production of fat and solids not fat marketed to a milk plant located in the State of California during the 91-day period of September, October, and November immediately preceding the date of application or initial allocation, whichever is less.

“Quota” means a daily allocation of pounds of fat and solids not fat contained in market milk for the purpose of receiving a payout from funds collected from an assessment on all market milk produced and delivered in California. Nothing in this Plan is intended to affect the amount of quota owned by producers as of the date of implementation of this Plan.

“Quota eligible days” means the number of calendar days in the month less the number of days on which a producer is degraded in accordance with procedures established by an appropriate public regulatory or health authority.

“Quota milk” means that amount of fat and solids not fat contained in milk delivered by a producer during the month which is not in excess of the quota of such producer multiplied by the number of quota eligible days in the month.

“Quota Premium” means money paid to producers based on their ownership of quota.

“Quota Revenue” means revenue collected from producers of market milk, for the sole purpose of paying a premium to holders of quota.

“Receive milk” means to convey milk physically into a milk plant where it is utilized within the plant, or stored within such milk plant and transferred to another plant for utilization.

~~“Regional Quota Adjuster” means an adjustment to quota premiums, based on the location of the dairy farm to which quota is assigned.~~

“Secretary” means the Secretary of the California Department of Food and Agriculture and his or her authorized designee.

“Solids Not Fat” means any milk solids that are not fat and will be measured using the standard milk testing methods used in a Federal Milk Marketing Order.”

Article 5. Hardship Consideration

Section 500. Producers may request relief from hardship to the Producer Review Board, include the basis for which the review is requested, and the extent of relief requested.

The Producer Review Board may request the applicant to submit additional information or documents as it deems necessary and appear for oral interview. The Producer Review Board shall submit its recommendation in writing to the Secretary, along with its findings. The recommendation shall include support of the request, denial or partial relief and indicate the extent of relief recommended and the effective date for such relief.

The Producer Review Board recommendations shall be subject to approval or modification by the Secretary, who shall notify the producer in writing of the decision within 15 days after receiving the recommendations from the Producer Review Board.

Hardship requests will be limited to provisions regarding: (a) eligibility for pool quota; (b) pool quota allocations and assignments; (c) provisions regulating transfer of pool quota; (d) loss of pool quota; and (e) other matters relating to assignment or use of quota.

Article 7. Computation of Handler Obligation

Section 700. A quota assessment shall be due and payable as directed by this Plan. Failure to pay any such

assessment on time may result in the additional assessment of penalties and fines and court action for the collection of the assessment.

Assessments shall be collected from the handlers of market milk. A handler that pays any such assessments for and on behalf of any producer may deduct such producer assessments from any money which is owed the producer by the handler.

Section 701. The net obligation of each handler shall be computed by multiplying the pounds of solids not fat handled by the quota assessment rate, and deducting an amount calculated by multiplying the pounds of quota solids not fat by ~~\$0.195 reduced by the applicable regional quota adjusters.~~ **\$0.115.**

The quota of active member producers of a cooperative association shall belong to the individual producer, but shall be assigned to the custody and control of the cooperative association. A cooperative association may combine the quotas assigned to it by members and nonmembers into one quota for purposes of accounting for milk marketed, provided the quotas of the nonmembers may be so combined only if such cooperative association accounts to the nonmembers on a patronage basis.

Section 702. Handlers shall remit payment owed to the Secretary and the Secretary shall remit payment to any Handler owed money pursuant to this Plan on the 16th of each month.

Section 703. Funds in the Milk Pooling Equalization fund from the operation of The Pool Plan for Market Milk shall be used to manage the cash flow needs of the Quota Implementation Plan.

~~Article 8. Regional Quota Adjuster~~

~~Section 800. The Secretary shall determine a regional quota adjuster for each market milk producer based on the geographical location of the dairy farm as set forth below:~~

~~(a) A negative 11 cents (- \$0.11) per hundredweight, (- \$.012644) per pound of quota solids not fat, is assigned to dairy farms located within the counties of: Alpine, Amador, Butte, Calaveras, Colusa, El Dorado, Glenn, Lassen, Madera, Mariposa, Merced, Modoc, Monterey, Nevada, Placer, Plumas, Sacramento, San Benito, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Stanislaus, Sutter, Tehama, Trinity, Tuolumne, Yolo, and Yuba.~~

~~(b) A negative 5 cents (- \$0.05) per hundredweight, (- \$.005747) per pound of quota solids not fat, is assigned to dairy farms located within the counties of: Alameda, Contra Costa, Del Norte, Humboldt, Lake, Marin, Mendocino, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, and Sonoma.~~

~~(c) A negative 27 cents (- \$0.27) per hundredweight, (- \$.031034) per pound of quota solids not fat, is assigned to dairy farms located within the counties of: Fresno, Kings, and Tulare.~~

~~(d) A negative 20.5 cents (- \$0.205) per hundredweight, (- \$.023563) per pound of quota solids not fat, is assigned to dairy farms located within the counties of: Kern, San Luis Obispo, and Santa Barbara.~~

~~(e) No regional quota adjuster is assigned to dairy farms located within the counties of: Imperial, Inyo, Los Angeles, Mono, Orange, Riverside, San Bernardino, San Diego, and Ventura.~~

~~Section 801. For each producer, who is not a member of a cooperative association, the total pounds of quota solids not fat shall be multiplied by the appropriate per pound of solids not fat regional quota adjuster in effect at the producer's dairy farm where the milk was produced.~~

~~Section 802. For each cooperative association, calculate the amount of daily solids not fat quota allocated to producer members with the same regional quota adjuster and multiply it by the appropriate per pound of solids not fat regional quota adjuster.~~

~~Section 803. Adjustments to regional quota adjusters shall be subject to approval by Producer referendum.~~

Article 9. Quota Revenue Assessment and Program Administration Assessment

Section 901. The Secretary shall review and/or adjust the quota premium assessment rate as needed. The rate of assessment shall be computed by dividing the quota premium paid to producer, ~~net of Regional Quota Adjusters~~, for the most recent 12 month period by the pounds of assessable solids not fat produced in those 12 months.

The initial assessment rate shall not exceed \$0.0436 per pound of solids not fat (approximately \$0.3800 per cwt, assuming 8.7 pounds of solids not fat per cwt).

Section 902. The Secretary shall review and/or adjust the program administration assessment rate as needed to cover the cost of administering the Quota Implementation Plan. The initial assessment rate shall be \$0.0030 per hundredweight of assessable milk, but not to exceed \$0.0200 per hundredweight.

Article 10. Reports and Payments to Producers

Section 1000. Handlers shall provide each individual producer from whom milk was received or diverted to California plants during the preceding month with a written report on or before the 19th of the month. The report shall include the following:

- (a) The amount of milk, milk fat, and solids not fat received from the producer or diverted;
- (b) The amount of product paid for as quota solids not fat and the revenue;
- (c) The dollar value and applicable rate of quota assessment deducted from the producer; and
- ~~(d) The rate and amount of Regional Quota Adjuster deducted from the producer.~~

Section 1001. Handlers shall pay a premium to producers who own quota computed by multiplying the ~~producers~~ *producer's* monthly pounds of quota solids not fat by ~~\$0.195 minus any deduction for regional quota adjuster~~ **\$0.115**.

Section 1002. All assessments shall be adjusted through the handler's obligation account for the month following the notification by the secretary of the assessed amount.

Section 1003. Handlers shall deduct a fee from payments made to producers for all milk received or diverted each month in an amount calculated by multiplying the pounds of solids not fat handled for the producer by the quota revenue assessment rate. Handlers shall also deduct a fee from payments made to producers for all milk received or diverted each month in an amount calculated by multiplying the hundredweights of milk by the program administration assessment rate.

The amount of such fee shall be paid to the Secretary on or before the 16th day following the last day of the month in which such market milk was received or diverted. In the event the handler fails to pay this fee, the handler shall pay a penalty amount which shall be equal to 10 percent of such unpaid fee. All monies received under the provisions of this section shall be deposited in the State Treasury to the credit of the Department of Food and Agriculture Fund.

Section 1004. The Secretary shall have access to and may inspect the records of handlers upon reasonable notice.