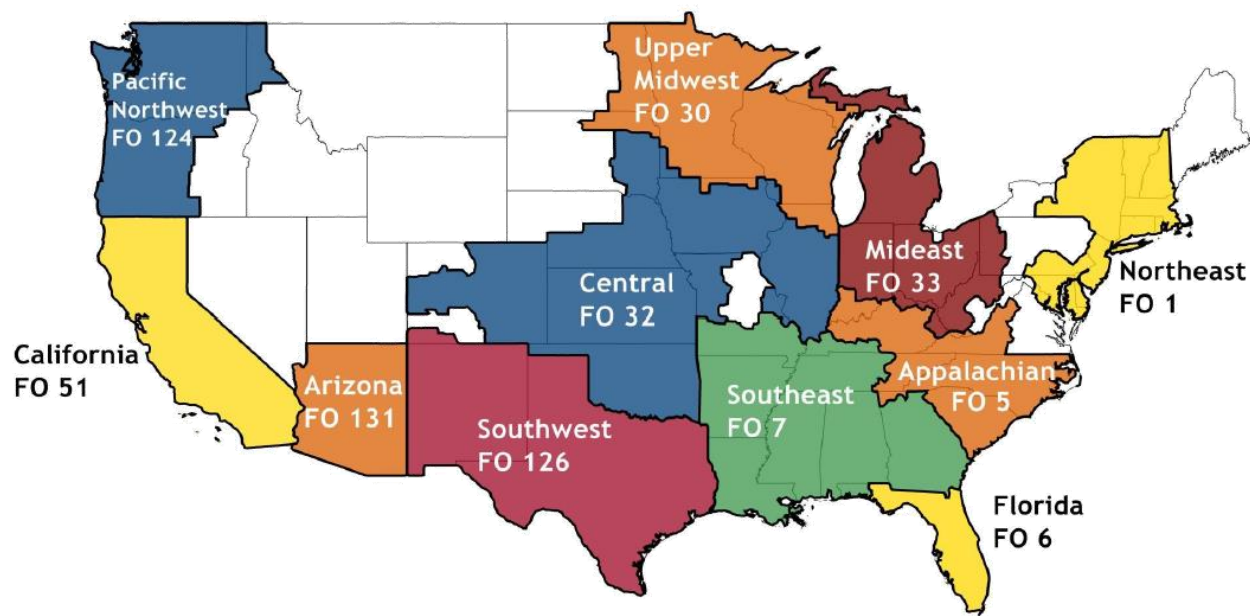


Agricultural Marketing Service

Creating Opportunities for American Farmers and Businesses

California Creamery Association Meeting June 26, 2018



Agenda

- **Rulemaking Process:** *A look back*
- **Implementation:** *Next steps*
- **Timetable:** *How do we transition from state to federal?*

CA FMMO: A Look Back

- Public Hearing: September – November 2015
- Briefing Period: November 2015 – May 2016
- Recommended Decision: February 14, 2017
- Final Decision: April 2, 2018
- Producer Vote: April 2 – May 5, 2018
- Final Rule: June 8: 2018

How did we determine producer approval?



- Producers eligible to vote supplied CA with Grade A milk during May 2017.
- USDA-FMMO approved Cooperatives could bloc-vote on behalf of members.
- Votes were on the **entire order** as proposed, not individual provisions.

How did we determine producer approval?



- The order was approved since “YES” ballots were received by either:
 - ✓ 2/3 of voting producers OR
 - ✓ 2/3 of voting milk volume
- Final Decision issued June 8, 2018

Where are we in the Rulemaking Process?



California Federal Milk Marketing Order Key Points:

- Pooling
- Administrative Decisions for Orderly Transition
- Pricing
- Classification
- Quota

CA FMMO Key Points: Pooling Standards

Standards are:

- Tailored to the local marketing order
- Performance-based
- Designed to encourage service to Class I market

Standards determine:

- ✓ **Plants** eligible to pool their milk supply
- ✓ **Producers** eligible to have their milk pooled
- ✓ **Milk** eligible to be pooled

CA FMMO Key Points: Pooling Provisions

- Class I fully regulated plants **must** pool
- Class II, III, and IV manufacturing plants have the option to pool
- Farmers must be **qualified as a producer** so their milk is eligible for pooling
- **Handlers** make pooling decisions

Administrative Decisions for Orderly Transition

1. Waive the initial 1-day touch base requirement for any producer (including producers outside California) that regularly supplied a California plant during the previous year.

At least one day's production was delivered to a California plant during the month (in any of the last 12 months)

Administrative Decisions for Orderly Transition

2. Create a supply plant system consisting of all manufacturing plants that would have been part of the CSO. This system will apply through July 2019 when a new system would normally be requested.

*This is **optional** for all manufacturing plants. The grandfathered system for plants without pooling arrangements will apply Nov 18 – Jul 19. However, if they elect not to pool in Feb then they are no longer grandfathered in the system and will be out until either establishing a new pooling arrangement or become part of a new system starting in Aug 19*

Administrative Decisions for Orderly Transition

3. Waive the repooling percentages for the first 3-months of the order. The normal stated levels will apply thereafter.

The repooling percentage would first apply to the March pool based on February's pounds.


Administrative Decisions for Orderly Transition

4. Require a supply plant located outside of California to transfer milk to a qualifying plant in order to participate in the California FMMO pool.

Milk must be unloaded into the plant and reloaded to be considered a qualifying transfer.

CA FMMO Key Points: How are prices announced?

EXAMPLE

 CALIFORNIA MARKETING AREA FEDERAL MILK ORDER NO. 51					
United States Department of Agriculture Agricultural Marketing Service Dairy Program		Tel.: (530) 682-2037 — Fax: (844) 206-7024 email: market.admin@cafmmo.com website: www.cafmmo.com			
Mailing Address: 211 W Court St, Ste. 38 Woodland, CA 95695-2053					
EXAMPLE					
STATISTICAL UNIFORM PRICE ANNOUNCEMENT					
Producer Milk	Percent	Pounds	Minimum Class Price		
Class I	15.0	150,000,000	\$18.37		
Class II	10.0	100,000,000	\$16.77		
Class III	45.0	450,000,000	\$16.24		
Class IV	30.0	300,000,000	\$16.05		
Total Producer Milk	100.0	1,000,000,000			
Computation of Uniform Price (per cwt in Los Angeles County, CA)		Component Prices			
Producer Price Differential	\$0.60	Butterfat Price	\$2.0000 /lb		
Class III Price (@ 3.5% Butterfat)	\$16.24	Protein Price	2.1000 /lb		
Statistical Uniform Price (@ 3.5% Butterfat)	\$16.84	Other Solids Price	0.1500 /lb		
Statistical Uniform Price (@ Average Pool Component Prices)	\$18.05	Nonfat Solids Price	0.8000 /lb		
COMPUTATION OF PRODUCER PRICE DIFFERENTIAL					
Class	Product Pounds	Price per cwt./lb.	Component Value	Total Value	
Class I—	Skin	146,700,000	\$9.50	13,936,500.00	
	Butterfat	3,300,000	2.6300	8,679,000.00	
	Less: Location Adjustment to Handlers			(375,000.00)	\$22,240,500.00
Class II—	Butterfat	5,000,000	2.9000	13,035,000.00	
	Nonfat Solids	8,700,000	0.1500	7,858,000.00	20,891,000.00
Class III—	Butterfat	16,515,000	2.4000	42,939,000.00	
	Protein	14,850,000	2.1000	31,185,000.00	
	Other Solids	25,650,000	0.1500	3,847,500.00	77,971,500.00
Class IV—	Butterfat	13,500,000	2.8000	35,100,000.00	
	Nonfat Solids	28,100,000	0.8000	20,880,000.00	55,980,000.00
Total Classified Value				\$176,883,000.00	
Add: Overage—All Classes				10,000.00	
Inventory Reclassification—All Classes				50,000.00	
Other Source Receipts				50,000 Pounds	
Total Pool Value				\$176,945,000.00	
Less: Value of Producer Butterfat				38,315,000 2.8000 (96,619,000.00)	
Value of Producer Protein				31,575,000 2.1000 (66,307,500.00)	
Value of Producer Other Solids				57,375,000 0.1500 (8,606,250.00)	
Total PPD Value Before Adjustments				\$2,412,250.00	
Add: Location Adjustment to Producers				3,500,000.00	
One-half Unobligated Balance—Producer Settlement Fund				100,000.00	
Less: Producer Settlement Fund—Reserve				(412,250.00)	
Total Pool Milk & PPD Value				\$6,000,000.00	
Producer Price Differential		\$0.60			
Statistical Uniform Price		\$16.84			

(Selected pool and price statistics on next page)

Cary Hunter, Acting Market Administrator

- AMS publishes component prices as well as Class II, III, and IV milk in the **Announcement of Class and Component Prices** released no later than the 5th of the following month, located at www.ams.usda.gov/mnreports/dymclassprices.pdf.
- Producer prices are announced **on or before the 14th day after the end of the month.**
- While prices are announced at the standard 3.5% butterfat, payments are based on **what you actually produce.**

CA FMMO Key Points: How are producer payments calculated?

Pounds of butterfat produced **x** butterfat price

+ Pounds of **true protein** produced **x** protein price

+ Pounds of other solids produced **x** other solids price

+ (cwt of milk **x** PPD*)

- Authorized Deductions

= Producer Payment

*Adjusted for location

CA FMMO Key Points: CSO and CA Classification

CSO Class	California FMMO Class	Product
Class 1	Class I	Fluid
Class 2 & 3	Class II	Soft products
Class 4b	Class III	Hard Cheeses
Class 4a	Class IV	Butter and Powders

CA FMMO Key Points: CA Quota Recognition

- California Quota Program will remain separate from FMMO.
- CDFA will continue to maintain, administer, and enforce the program, independent of the FMMO.
- Quota recognition in the CA FMMO will be through an **authorized deduction** in payments due to producers.
- CDFA will determine and announce the deduction amount.

Implementation: what are the next steps?

- FMMO employees will hold 3 handler training sessions in July.
- All trainings will have a large group session on the Monday morning of the training week—the rest of the week will be reserved for individual sessions.

Upcoming Sessions:

LOS ANGELES AREA (ONTARIO, CA)

July 16-20

Group Training: July 16
9am-1pm

Embassy Suites by Hilton Ontario Airport
3663 E. Guasti Road Ontario, CA 91761
(909)-605-0281

CENTRAL VALLEY AREA (CLOVIS, CA)

July 23-27

Group Training: July 23
9am-1pm

Clovis Veteran's Memorial District
808 4th Street Clovis, CA 93612
(559)-299-0471

BAY AREA (WALNUT CREEK, CA)

July 23-27

Group Training: July 23
9am-1pm

Embassy Suites by Hilton Walnut Creek
1345 Treat Blvd. Walnut Creek, CA 94597
(925)-934-2500

Registration Information

- Register for a group training session by sending a completed registration form by **July 6, 2018** to:

MARKET.ADMIN@CAFMMO.COM

- If you would like to schedule an individual visit **at your plant** with FMMO employees to discuss specifics of your operations and FMMO responsibilities, use the above email address to send your request.
- For registration forms and additional information, please refer to the CA FMMO website:

WWW.CAFMMO.COM

- *Space may be limited and is not guaranteed until you have received email confirmation. There is no cost to attend these training sessions.*

Timetable: Transition from State to Federal

July 2018: Handler training sessions

August - October 2018: Handler reporting practice

October 17, 2018: California FMMO effective date

November 1, 2018: All parties required to adhere to regulations

Until a permanent location is determined, the California FMMO office will be located at:

USDA Service Center Office
221 W. Court St. Suite 3B
Woodland, CA 95695-2983
(530) 662-2037

email: market.admin@cafmmo.com
website: www.cafmmo.com