



Agricultural Marketing Service

CALIFORNIA FEDERAL MILK MARKETING ORDER FINAL DECISION

WHAT HANDLERS NEED TO KNOW

The USDA Agricultural Marketing Service (AMS) administers the Federal Milk Marketing Order (FMMO) program as authorized by Congress under the Agricultural Marketing Agreement Act of 1937. Federal orders regulate beverage milk handlers based on the location of their beverage milk sales. Producers are not regulated by the federal orders, but nevertheless benefit from the regulatory provisions by selling milk to regulated handlers.

The 10 existing FMMOs regulate over 64 percent of milk produced in the United States. USDA, based on an evidentiary record, has proposed that a California FMMO be established. This handout outlines the recommended provisions of a California FMMO and the impact to handlers. The California FMMO becomes effective only if at least two-thirds of the eligible producers voting in the referendum, or if the eligible producers who supplied more than two-thirds of the milk represented in the referendum, vote in favor of the proposed California FMMO.

Will my plant be regulated under the California Federal Milk Marketing Order (FMMO)?

- ▶ To become a regulated handler, your plant must qualify as a pool distributing plant or a pool supply plant.

Does my plant qualify as a pool distributing plant?

- ▶ To qualify, your plant must meet the pooling standards for the California FMMO:
 - ▶ handles Grade A milk;
 - ▶ processes beverage milk products for consumer sales; and
 - ▶ sells beverage milk products in California.
- ▶ If your plant meets these standards, your plant will become regulated on the California FMMO, regardless of the physical location of your plant.

What is a fully regulated pool distributing plant?

- ▶ A plant that processes at least 25 percent of the total milk it receives into beverage milk products, with at least 25 percent of the plant's beverage milk products sold in California.
- ▶ This is referred to as a 25/25 route disposition standard.

What is a partially regulated pool distributing plant?

- ▶ A plant that processes and distributes beverage milk products within California, but does not meet the 25/25 route disposition standard.
- ▶ Under this designation a plant is still required to account to the FMMO pool for all beverage milk products sold in California.

My plant processes ultra-pasteurized or aseptic fluid milk products with an extended shelf life. How is my plant affected by the FMMO?

- ▶ If your plant is physically located in California and processes at least 25 percent of its total milk received into extended shelf-life beverage milk products, then your plant will be considered a fully regulated distributing plant, regardless of the location of your sales.

How does my plant qualify as a regulated pool supply plant?

- ▶ Your plant ships 10 percent of its total milk receipts to:
 - » fully or partially regulated pool distributing plants on the California FMMO; **OR**
 - » plants of a producer-handler; **OR**
 - » fully regulated distributing plants on any FMMO.
- ▶ Plants meeting the 10 percent shipping standard can then pool all the milk associated with the plant.
- ▶ Plants meeting these standards become regulated, regardless of the physical location of the plant.

How do I become a producer-handler?

- ▶ Producer-handlers operate a farm and a distributing plant at their sole enterprise and risk. The distributing plant cannot have fluid milk sales greater than 3 million pounds per month.
- ▶ You must request producer-handler status which is determined by the Market Administrator.

How do I qualify to be exempt?

- ▶ Exempt plants are exempt from the pricing and pooling provisions of the order, but must meet minimum reporting requirements.
- ▶ To qualify as an exempt plant, your plant must meet one of the following exemption criteria:
 - ▶ Have route disposition and sales to other plants of no more than 150,000 pounds per month;
 - ▶ **OR** be operated by a government, college, or university with no commercial sales.
- ▶ You must request exempt status which is determined by the Market Administrator.

What is a diversion?

- ▶ Diversions happen when a pool plant (distributing or supply) needs to move milk to another plant for efficient disposition. Pool plants can divert milk to nonpool plants in California, Arizona, Nevada, and Oregon and still be allowed to pool all the milk associated with the plant.

How do diversions affect my standing as a pool plant?

- ▶ In California, diversions are limited to 90 percent of all pooled milk receipts of the pool plant. For example:
 - » A pool supply plant that delivers 10 percent of total receipts to a pool distributing plant is then eligible to divert up to 90 percent of milk receipts to a nonpool plant. In this situation, 100 percent of the milk would be priced and pooled by the order.
 - » A pool distributing plant is allowed to divert 90 percent of its total milk receipts, and 100 percent of the plant’s milk receipts would be priced and pooled by the order.

How is my milk classified under a Federal Order?

- ▶ Uniform FMMO classification provisions ensure handlers have the same minimum regulated cost of raw milk based on use.

AREA FOR ALLOWABLE MILK DIVERSIONS



California State Order Class	Proposed FMMO Class	Product
Class 1	Class I	Fluid
Classes 2 & 3	Class II	Soft products
Class 4b	Class III	Hard cheeses
Class 4a	Class IV	Butter & powders

How does a cooperative qualify as a pooling handler?

- ▶ The cooperative must be qualified by USDA as a Capper-Volstead cooperative; **AND**
 - » The cooperative meets the pool distributing or pool supply plant qualification standards; **OR**
 - » The cooperative markets and delivers milk to pool plants on behalf of producers.

How do I elect to pool milk?

- ▶ If you are a fully regulated distributing plant, you are required to pool 100 percent of your milk receipts.
- ▶ If you are a partially regulated distributing plant, you account to the pool for your fluid milk sales in California.
- ▶ If you are a pool supply plant, you have the choice of how much diverted milk to pool. You must pool the milk physically received at your plant.
- ▶ If you are a pool plant, you can pool up to 125 percent of the volume you pooled last month during April through February, and 135 percent during March.

How do I account to the pool?

- ▶ Handlers account for the use-value of their pooled milk.
- ▶ Handlers pay for the actual components received based on the classification of the milk.

Classified pricing resources

- ▶ The Agricultural Marketing Service's (AMS) Dairy Program uses formulas to derive component prices for butterfat, nonfat solids, protein, and other solids based on market supply and demand.
- ▶ AMS determines the component prices using data collected weekly for the National Dairy Products Sales Report (NDPSR). The weekly survey of plants producing particular specifications of cheddar cheese, butter, nonfat dry milk, and dry whey can be found at:
www.ams.usda.gov/mnreports/dywdairyproductssales.pdf
- ▶ AMS publishes the base Class I price and the Class II skim milk price in the Announcement of Advanced Prices and Pricing Factors released no later than the 23rd of the preceding month and located at:
www.ams.usda.gov/mnreports/dymadvancedprices.pdf
- ▶ AMS publishes prices for components 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 and located at:
www.ams.usda.gov/mnreports/dymclassprices.pdf
- ▶ You can find detailed information on the price formulas at:
www.ams.usda.gov/resources/price-formulas

What if I don't qualify for regulation?

- ▶ If your plant does not meet any of the above outlined standards, it is considered a nonpool plant. Your plant would not be associated with the California FMMO and would have no minimum regulated payment obligation to the pool.

As a nonpool plant, can I receive pooled milk?

- ▶ Yes, your nonpool plant can receive pooled milk from a regulated handler. The regulated handler must account to the marketwide pool for the use value of all the milk it elects to pool.
- ▶ Nonpool plants must maintain books and records to enable FMMO auditors to verify pool milk volume and utilization.

As a nonpool plant, how can I pool my milk supply?

- ▶ Meet the pool supply plant standard of the FMMO; **OR**
- ▶ Deliver milk to a regulated pool plant; **OR**
- ▶ Establish a marketing arrangement with a pool handler.

For more information, visit www.ams.usda.gov/caorder or contact Californiainfo@ams.usda.gov / (202) 720-4392

Important FMMO dates to remember:

- Advanced Class Prices Announced: 23rd of the previous month.
- Final Class Prices Announced: 5th of the following month.
- Producer Prices Announced: on or before the 14th of the following month.
- Handler Reports to Complete:
 - » Receipts and Utilization: 9th of the following month.
 - » Producer Payroll: 20th of the following month.
- Handler Payments through the Producer Settlement Fund (PSF):
 - » Handler Payments into the PSF: 16th of the following month.
 - » Handler Payments out of the PSF: 18th of the following month.
- Handler Payments to Producers:
 - » Partial Payment to Cooperatives (first 15 days of the month): 2nd to last day of the month.
 - » Partial Payment to Independent Producers (first 15 days of the month): Last day of the month.
 - » Final Payment to Cooperatives: 18th of the following month.
 - » Final Payment to Independent Producers: 19th of the following month.

