

# Cooperative Proposal for a California Federal Milk Marketing Order

Submitted on behalf of the member owners of:

California Dairies, Inc.

Dairy Farmers of America, Inc.

Land O'Lakes, Inc.

# Cooperative Proposal Team

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California Dairies, Inc.  
Dairy Farmers of America, Inc., and  
Land O'Lakes, Inc.

# Agenda

1. Marketing Area Definition
2. Marketwide Pool Administration
3. Distribution of Marketwide Pool
4. Other Provisions

# Characteristics of Proposal

1. The marketing area will be the State of California
2. Classified milk uses will be the same four class system of product classification found in all FMMO's
3. Class prices for milk will follow the FMMO system:
  - Class I differentials will be as established in 7 C.F.R. part 1000
  - Class II, III & IV prices will be established using the same end product formulas used in all FMMO's

# California Class I Differentials



- Assigned to all U.S. counties during Federal Order reform effective January, 2000 and apply to the plant location where milk received first

# Characteristics of Proposal

4. Handlers will pay classified use values into the marketwide revenue pool
5. All California plants purchasing milk from California grade A dairy producers will be pool plants. No voluntary depooling of any class of milk will be permitted.
6. Appropriate plant and producer definitions will provide for the pooling of producers and plants outside the state of California

# Characteristics of Proposal

7. A system of transportation subsidies to move milk from production areas to qualifying Class I and II processing locations will be established.

# Transportation Subsidies Under CA FMMO

- A. Modified the CA transportation subsidy program
  - 1) Multiple zone system replaced by mileage basis & three zones
  - 2) Three zones: Northern CA, Southern CA & intra Southern CA
- B. Shipments to Class I and II plants eligible for transportation credits
- C. Attempted to keep overall cost to marketwide pool revenue neutral
- D. May be adjusted monthly by a diesel fuel index



# Characteristics of Proposal

8. Producer payment dates will provide for a partial and final check each month on dates that generally track other FMMO's

# Characteristics of Proposal

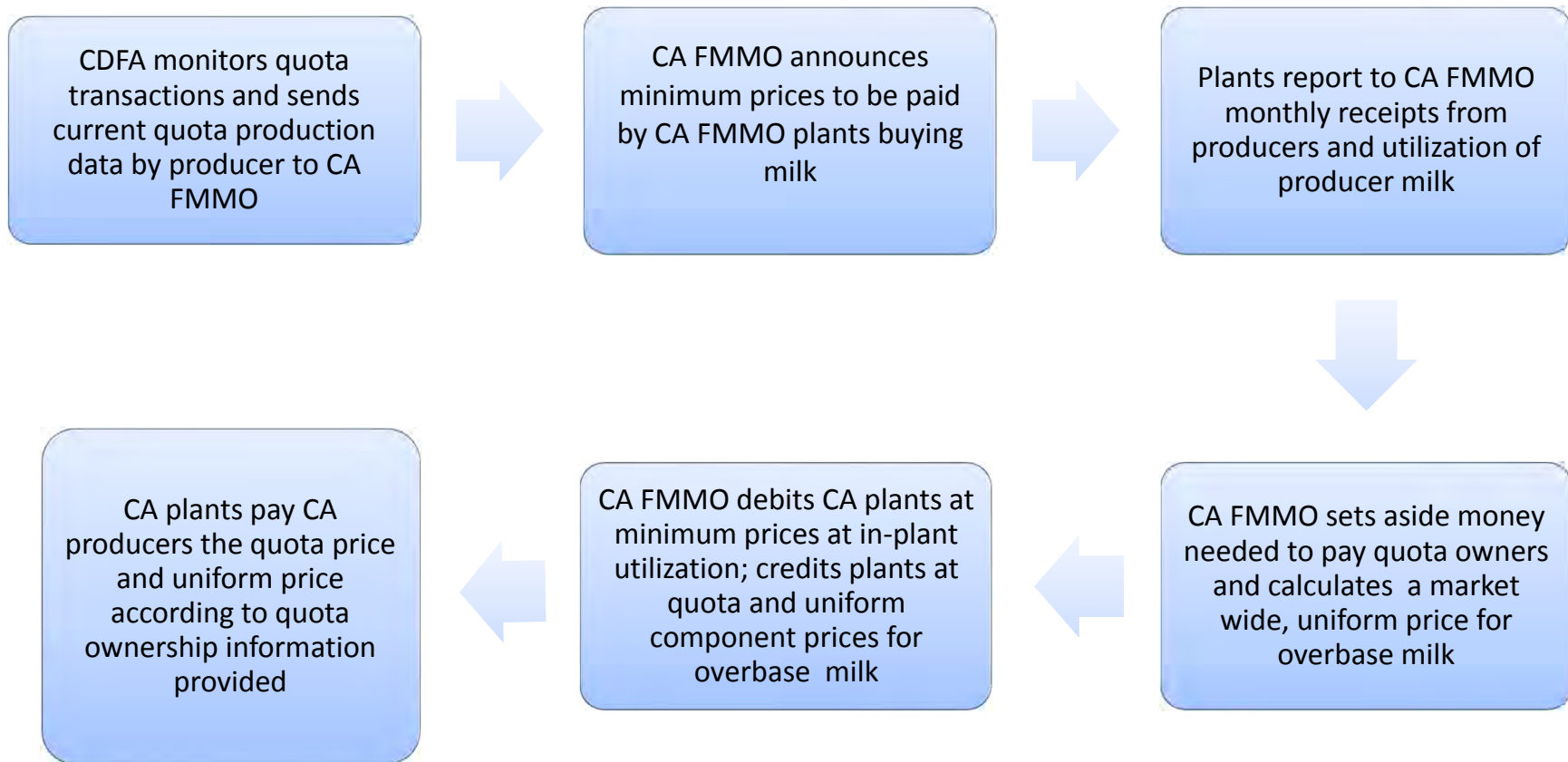
9. The California state quota system will remain fully intact. Operation of the FMMO pool and the California quota program will be jointly administered by CDFA and USDA pursuant to a memorandum of understanding.
10. Quota premium values will be payable to quota holders

# Administering Payments to Quota Owners

*A cooperative effort between CDFA and CA FMMO to preserve quota*

Each month, CDFA verifies:

1. *List of producers with quota*
2. *Quota transfers among producers within the month*
3. *Quota payment rates after adjusted for location of producers (i.e., RQAs)*



# Characteristics of Proposal

11. All producers will get paid uniform component values at a geographically uniform (non-location adjusted) rate

# Characteristics of Proposal

12. All handlers and cooperatives will be required to file monthly reports with the Market Administrator (MA) of the California FMMO
13. Verification of producer weights and tests will be provided for as presently done in the FMMO system

# Characteristics of Proposal

14. Multiple component pricing (MCP) will be applicable both to handlers and producers

# Multiple Component Pricing (MCP)

- A. Most FMMO's use MCP
- B. Current California pricing uses MCP
  - 1) Components: fat & SNF (+ carrier on Class 1)
- C. CA FMMO will follow other FMMO's
  - 1) Class I fat & skim
  - 2) Class II fat & SNF
  - 3) Class III fat, protein & other solids
  - 4) Class IV fat & SNF
- D. FMMO Class III formula will bring more revenue into marketwide pool to be shared amongst producers

# Characteristics of Proposal

15. Fortification of milk for Class I uses to meet the California fluid milk standards will be accommodated through a fortification allowance to Class I handlers



# Characteristics of Proposal

16. Uniform classification and allocation of milk for pooling purposes
17. Producer-handlers will operate under the uniform FMMO provisions
18. Complete audit procedures will be prescribed and conducted by FMMO MA with assistance from CDFA as necessary to audit quota program

# Cooperative Proposal Summary

## Major Provisions

- A. California quota preserved and co-administered with CDFA
- B. Inclusive pooling to address disorderly marketing conditions
- C. Transportation credits to improve efficiency of servicing customers

# Questions