

**PONDEROSA DAIRY'S
EXPLANATION OF THE TECHNICAL DETAILS OF ITS PROPOSED ADDITIONAL PROVISION**



***PRESENTED TO THE UNITED STATES DEPARTMENT OF AGRICULTURE,
DAIRY DIVISION AND INTERESTED PARTIES***

***MAY 5, 2015, Chico, CA
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May 7, 2015, Palmdale, CA***

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Objective: If the Department holds a hearing to consider adopting a California Federal Milk Marketing Order, Ponderosa Dairy requests that the Department also consider the adoption of an additional provision to ensure that out-of-California raw milk received at California plants with fluid milk sales is afforded the opportunity to remain outside of the California FMMO pool while allowing the Department to enforce classified pricing.

Proposed Language with Modifications:

7 C.F.R. 1050.76

- ❖ Repeat the language of 1000.76 (a)-(d) re-labeled as 1050.76 (a)-(d)
- ❖ Add new subsection (e)

Any handler may elect partially regulated distributing plant status for any plant located within the California marketing area with respect to receipts of milk from farms located outside of the California marketing area. Such plant shall with respect to such receipts make an election as provided for in 1050.76 and shall meet the reporting and payment requirements in paragraph (a) or paragraph(b) of this section with respect to such receipts.



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- ❖ A handler under a new California FMMO with fluid milk sales could elect partially regulated status with respect to that volume of milk received from outside of the California marketing area.
- ❖ This means the plant would either be required to: (i) pay into the California pool a compensatory payment under subsection (a); or (ii) under subsection (b) show that on that volume of out-of-area milk, the handler paid at least the plant blend.
 - A compensatory payment under subsection (a) would reflect the difference between the uniform price and the Class I price.
 - Plant blend for purposes of subsection (b) is the average value of all uses at the plant based on the application of classified prices. E.g. A plant with 50% Class I with a California FMMO classified price of \$20.00 and 50% Class III with a California FMMO price of \$15.00 would have a plant blend of \$17.50.



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- ❖ *Under this proposal, California handlers processing fluid milk would be required to file reports regarding non-California receipts and utilization and would have to comply with payment deadlines included in section Part 1050.76.*

- ❖ *This proposal largely maintains the status quo for raw milk from outside of California in that it allows those fluid plants that have, as a result of market forces, been paying out-of-state producers the plant blend, to continue this practice.*
 - *The proposal differs from the status quo in that the plant blend determined under a California FMMO would be dictated by the applicable classified prices adopted as part of the FMMO; whereas the plant blend is currently based on California state classified prices.*

 - *The proposal differs from the status quo in that the FMMO rather than the market will determine the actual minimum price out-of-area supplying dairy farmers will receive.*

