

CALIFORNIA DEPARTMENT OF AGRICULTURE



Room 228
1220 N Street
Sacramento 95814

January 19, 1968

TO THE FORMULATION COMMITTEE MEMBERS AND ALTERNATES

Enclosed are two of the Articles of the Third Draft of the pooling proposal which the Department will present at the forthcoming hearing.

There will be substantial changes in some of the procedures in this Third Draft, as related to the first two drafts of the Proposed Pooling Plan. More detail will be incorporated into the reports and payments to producers which we believe will clarify many of the questions which would otherwise have been raised.

The computation procedures of the handler obligations and the computation procedures of the quota, base and overbase prices have been changed to permit the establishment of differentials which could more closely reflect transportation or marketing costs. Provision has also been made for alternative procedures in the allocation or distribution of country plant handling allowances and second haul costs.

We have arranged advanced mailing on these Articles to the Committee members and alternates in the interest of giving you as much opportunity as we can to review this important portion of the proposed plan as it will be presented.

The pool price determination under Article 10 of the Second Draft will still be part of the proposal presented at hearings and will be presented as an alternate to Article 9 enclosed.

Earl Coke
Director of Agriculture

By *L. R. Walker*

L. R. Walker
Senior Milk Economist
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Enclosures

Article 9. Computation of Handler Obligation and
Quota, Base and Overbase Pool Prices

Section 800. The pool obligation of each handler for each of his plants or for a cooperative association acting as a handler under Section 6(c) shall be computed by the Director as follows:

- (a) Multiply the quantities of milk fat, nonfat skim milk solids and fluid carrier component in each class as computed pursuant to Section 702(k) times the appropriate price announced for each class by the Director, f.o.b. such handler's plant or the nonpool plant to which diverted.
- (b) Add or subtract an amount determined by multiplying the pounds of Class 1 milk disposed of to retail or wholesale outlets in marketing areas having a different price than that in which the handler's plant is located by the respective differences in Class 1 prices between the such other marketing areas and the area in which the handler's plant is located. (Note: This provides a credit with respect to Class 1 milk disposed of in market areas with lower prices, and a charge in areas with higher prices.)
- (c) Quantities to be deducted from various classes pursuant to Section 702(c) through (h) which cannot be so deducted shall be deducted from a different class as specified in Section 702(j) and an appropriate credit or charge made with respect to the obligation of such handler.
- (d) Subtract here (or in the alternative under Section 901(c)) the country plant handling allowances or other marketing charges permitted the handler by order of the Director under the applicable stabilization and marketing plan.

Section 801. The total pounds of milk in each class and the pool value thereof shall be computed by the Director as follows:

- (a) (1) Determine the pounds of Class 1 milk as computed for each handler under Section 702(k) and combine into one total sum the obligations of all handlers for such Class 1 milk;
- (2) Add or subtract any adjustments computed pursuant to Sections 800(b) and 800(c) which represent modifications in the actual obligation of all handlers for Class 1 milk.

- (b) Make a similar determination of the total pounds and value of Class 2 milk for all handlers.
- (c) Make a similar determination of the total pounds and value of Class 3 milk for all handlers.

Section 802. Computation of Quota Pool Price. The Director shall compute and announce a quota pool price f.o.b. market (or base zone) for each of the components of milk according to the procedure set forth in this section as soon as possible each month, but no later than the 25th day of each month, for milk received from producers during the preceding month, provided that if such price is not announced on or before the 13th day of the month he shall announce a preliminary estimate of such price on the 13th which shall be subject to later adjustment if the computed price is different.

- (a) Compute the total value of the quota pool for all handlers by assigning to such quota pool the total value or a proportionate share of the total value of the Class 1, Class 2 and Class 3 milk, in sequence, beginning with Class 1, as necessary to reflect the total pounds of pool milk which qualified as quota milk for all producers in the market except for the quota milk of producer-distributors which was assigned to Class 1 under Section 700(b).
- (b) Add or subtract an amount as necessary to reflect the net amount of location adjustments which will be computed with respect to the quota milk received in different areas or zones of the State during the month. This amount shall be computed by the Director as follows:
 - (1) Determine the cost of hauling bulk whole milk for an efficient operator moving such milk on a regular basis in the largest size over-the-road milk tankers commonly used in the State.
 - (2) The Director shall announce a location differential for pool plants or nonpool plants located in prescribed areas (or zones) based on distance between the primary producing areas and the consuming areas of the State, such differential to reflect the cost as determined under Subparagraph (1) hereof of transporting a hundredweight of milk.

- (3) Multiply the pounds of quota milk received at pool plants or diverted to nonpool plants in each area or zone by the appropriate differentials as announced by the Director (provided that the resulting price for fluid carrier shall not be less than zero in any area or zone), and add or subtract the resulting figure from the total value of quota pool milk (depending on whether the net credits for location differentials are a minus or plus figure respectively).
- (c) Add not less than half of the balance on hand in the producer equalization fund for the respective component of milk.
- (d) Subtract the sum of any amounts computed under Paragraph 800(d). (If that section is retained.)
- (e) Subtract a figure equal to not more than one percent of the resulting balance, plus or minus any amount necessary to eliminate any fractional cents in the announced price.
- (f) Divide the resulting sum by the pounds of quota milk computed under Section 802(a). The resulting figure shall be the quota pool price f.o.b. market (or base zone).

Section 803. Computation of Base Pool Price. The Director shall compute and announce a base pool price and, if necessary, an estimated price for milk received from producers during the preceding month at the same time as he announces the quota pool price, in accordance with the following procedure:

- (a) Multiply the pounds of overbase milk received by all handlers times the appropriate price applicable to such milk and add the value of quota milk as computed pursuant to Section 802(a);
- (b) Subtract the total amount obtained under Paragraph (a) hereof from the pool obligation of all handlers as computed under Section 800(a), (b), and (c);
- (c) Divide the remaining value of each of the component parts of milk by the pounds of production base pool milk, and round the resulting figure to the nearest whole cent. The price so computed shall be the base pool price.

Section 804. Computation of Overbase Pool Price. The Director shall compute and announce an overbase pool price for each of the components of milk on or before the 13th day of each month for milk received from producers during the preceding month as follows:

Needs provisions for a differential on Class I regardless of which pool it is in.

Must make provision for Sept 22 CI

- (a) Determine the Class 3 price for each marketing area and compute the average thereof;
- (b) Round the average price to the nearest whole cent. The result shall be known as the overbase pool price.

Article 10. Reports and Payments to Producers
and Equalization of Returns

Section 900. All persons acting as handlers under Paragraph 6(a) shall give a written report on or before the 15th day of each month to each individual producer and each cooperative association acting as a handler under Section 6(c) from whom pool milk is received during the preceding month, which report shall show all relevant information concerning the payments due such person including the following:

- (a) The amount of product delivered;
- (b) The amount of product paid for (in each component) as quota milk, base milk, and overbase milk, at the respective prices, as announced by the Director;
- (c) The dollar value and applicable rate of each authorized deduction made from the gross payment;
- (d) Any premiums showing basis of computation and amount;
- (e) Adjustments for previous months, if any;
- (f) Other information as may be required on forms acceptable to the Director.

Section 901. Payments to Producers. Each handler shall pay individual producers or cooperative associations acting as handlers under Section 6(c) from whom milk is received or diverted by such handler at no less than the rates herein specified and no later than the dates indicated:

- (a) On or before the last day of each month an advance payment for milk delivered by such producer or cooperative association during the first 15 days of the month at a rate approximately equal to that which is expected to prevail for the entire month, but no less than the Class 2 price for the preceding month, plus or minus any adjustment due such person if the quota or base prices for milk received during the preceding month should differ from the estimated prices as announced pursuant to Sections 802 and 803.

- (b) On or before the 15th day of the month a settlement for all milk delivered by such producer or cooperative association during the preceding month at the rates specified below subject to deductions for advance payments under Paragraph (a) hereof, for actual cost of hauling the milk from ranch to plant of first receipt, and for assignments or other proper charges authorized in writing by the producer or required pursuant to this plan.
- (1) Quota milk delivered during the preceding month as determined pursuant to Section 16 or in accordance with notice received from the Director pursuant to Paragraph (d) of this section, shall be paid for at the quota price estimated by the Director in accordance with Section 802 as adjusted for the location of the plant (and subject to any deduction computed pursuant to Paragraph (c) of this section).
 - (2) Base milk delivered during the preceding month shall be paid for at the base price estimated by the Director in accordance with Section 803.
 - (3) Overbase milk delivered during the preceding month shall be paid for at the price announced by the Director.
- (c) (Alternate provision to Section 800(d))
The total of any country plant handling allowance or other marketing charges permitted by the Director shall be computed for the handler's plant and deducted prorata from payments to producers or cooperative associations supplying milk to such plant in accordance with the following procedures:
- (1) Compute the total quota milk received at the plant (or diverted) from producers or cooperative associations and divide such total into the quota milk delivered by each such producer or cooperative association to obtain percentages which shall total 100;
 - (2) Multiply the percentage computed under Subparagraph (1) hereof for each producer or cooperative association times the total of the plant allowances or other charges. The resulting amounts may be deducted from the respective payments to producers and cooperative associations for quota milk.

- (d) In the case of cooperative associations acting as handlers under Paragraph 6(c) of this plan or producers whose milk is received at more than one pool plant or nonpool plant, the Director shall make a separate determination as to the amount of quota, base and overbase milk delivered by each such association or producer and assign such milk as quota, base, or overbase milk to each handler pooling such milk according to a plan which will minimize the work involved in computing and making payments, and notify the handlers and producers of such assignment.

Section 902. Any handler qualified under Section 6(a) which receives milk, skim milk, or cream at his pool plant(s) from plants operated by cooperative associations functioning as handlers under Section 6(b) shall pay the associations for such milk, skim milk, or cream no later than the dates specified by the Director at no less than the appropriate minimum class prices f.o.b. the cooperative association's plant.

Section 903. "Producer Equalization Fund." The Director shall establish and maintain a separate fund known as the Producer Equalization Fund into which he shall deposit all amounts received from handlers pursuant to Sections 904 and 906 and out of which he shall make payments pursuant to Sections 905 and 906. The amounts in the fund shall be subdivided into milk fat, nonfat solids, and liquid carrier accounts. Should this plan be terminated at any time after it has become effective, any remaining balance in this fund shall be distributed on a prorata basis as determined by the Director to producers who are supplying milk to handlers at the time of such termination.

Section 904. Each handler shall make payment to the Director on or before the second day after receiving notice of any amount due pursuant to this section of the amount computed as follows; provided that any amount not paid within five days after such notice shall be increased by five percent:

- (a) The Director shall compute the gross amount, if any, due from such handler to individual producers or cooperative associations acting as handlers under Section 6(c) at the rates specified in Paragraph 901(b) as adjusted for location differentials but not including any other adjustments.

- (b) Subtract the sum computed pursuant to Paragraph (a) hereof from the pool obligation of such handler computed pursuant to Section 800 if such pool obligation is larger than the amount owed to producers. The resulting figure shall be known as the handler's net pool obligation.
- (c) The net pool obligation computed pursuant to this section or Section 905 shall be adjusted each month by any amounts as necessary if the quota or base prices announced by the Director pursuant to Sections 902 or 903 should differ from his estimated price.

Section 905. If the pool obligation of the handler as computed under Section 800 is less than the amount owed producers under Section 901(b) the Director shall make payment of any difference to such handler from funds available in the producer equalization fund on the 14th day of the month or as soon thereafter as funds are available, provided that if adequate funds are not available on the 14th a proportionate distribution of available funds shall be made to all handlers entitled to receive payments.

Section 906. Adjustment of Obligations. Whenever audit by the Director of a handler's books or records or other examination of his operations reveals that the reports of such handler or his payments made pursuant to this plan were in error, the Director shall promptly notify such handler of the nature and amount of the error. If the error caused underpayments by such handler to producers or the Director, the handler shall make payment of the additional amounts due no later than 15 days after receiving such notice. If the error caused overpayments by such handler to the Director, a refund of any amount due the handler shall be made promptly.

CALIFORNIA DEPARTMENT OF AGRICULTURE



1220 N Street
Sacramento
95814

January 25, 1968

NOTICE OF PUBLIC HEARING

In accordance with the provisions of Chapter 3, Part 3, Division 21 of the California Agricultural Code, the Director of the California Department of Agriculture hereby notices a public hearing to be held at the following locations beginning at 9:30 a.m. on the dates indicated:

<u>Location</u>	<u>Date</u>
Old State Building Assembly Room 217 West First Street Los Angeles, California	February 6, 1968
Veterans Memorial Hall 609 West Center Street Visalia, California	February 13, 1968
California Department of Agriculture Assembly Room 1220 N Street Sacramento, California	February 19, 1968
Public Health Building Room 123 2151 Berkeley Way Berkeley, California	February 28, 1968

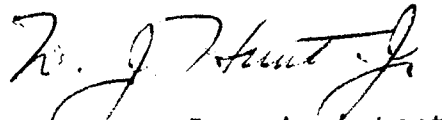
The hearing is for the purpose of receiving testimony and evidence with respect to the attached Proposed Pooling Plan which was developed under the authority of Chapter 3, Part 3, Division 21 of the California Agricultural Code for the following milk marketing areas established pursuant to the provisions of Chapter 2, Part 3, Division 21 of the California Agricultural Code: Calaveras-Tuolumne, Central Coast Counties, Del Norte-Humboldt, Fresno, Imperial County, Inyo-Mono, Kern County, Madera-Merced, North Central Valley, Northern Sierra, Redwood, San Diego County, San Luis Obispo, Shasta-Tehama, Siskiyou, Southern Metropolitan and Ventura-Santa Barbara.

Evidence and testimony will be received on all issues pertinent to the final formulation of a pooling plan which will accomplish the purposes of Chapter 3, Part 3, Division 21 of the California Agricultural Code.

This hearing is being held at the different locations in order to afford all interested persons an opportunity to participate.

Producers, distributors and other interested parties are urged to attend and present information pertinent to this hearing.

Earl Coke
Director of Agriculture

By 
W. J. Hunt, Jr., Assistant Chief
Division of Marketing Services

Attachment

CALIFORNIA
DEPARTMENT OF AGRICULTURE

PROPOSED
POOLING PLAN FOR FLUID MILK
AND FLUID CREAM

JANUARY 25, 1968

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CALIFORNIA DEPARTMENT OF AGRICULTURE
PROPOSED
MILK POOLING PLAN

Article 1. Definitions

Section 1. The definitions contained in Chapter 2 and Chapter 3, Part 3, Division 21 of the Agricultural Code govern the construction of this plan.

Section 2. "Act" shall be known and may be cited as the "Agricultural Code."

Section 3. "Person" means any individual, firm, corporation, partnership, trust, incorporated or unincorporated association, nonprofit cooperative association, nonprofit corporation, or any other business unit or organization.

Section 4. "Director" means the Director of the California Department of Agriculture or any employee of such Department duly assigned by him or delegated to perform the functions required pursuant to this plan.

Section 5. "Producer" means any person (other than an exempt producer-distributor or one who produces certified or guaranteed raw milk and does not elect to be subject to this plan) that produces fluid milk in the State of California from five or more cows in conformity with the applicable health regulations of the place in which it is sold as market milk and whose bulk fluid milk or bulk fluid cream is received at a pool plant or diverted by a handler pursuant to Section 15.

Section 6. "Handler" means any person functioning in one of the following capacities:

- (a) A person (other than a cooperative association) who operates one or more pool plants;
- (b) A duly incorporated cooperative association of producers which operates one or more pool plants and has authority from its individual producer members to market their milk and receive payment therefor in its capacity as the operator of such plants;

- (c) A cooperative association in its capacity as the marketing agent for producer milk with respect to the milk of its member producers which it markets and receives payment therefor under authority of contracts or agreements with its individual members, which milk is not received at a plant operated by the cooperative or diverted therefrom.

Section 7. "Pool plant" means:

- (a) Any milk receiving, processing, bottling, or manufacturing plant, (except the plant of an exempt producer-distributor) located in the pool area which receives fluid milk from one or more dairy farmers in California who hold market milk permits, provided that, in order to qualify under this paragraph, after this plan has been in effect for five months such plant must have no commitments which do not allow it to make all of its milk available for Class 1 use and must actually dispose of no less than the percentages or amounts specified below of its pool milk, including milk received from other handlers, on routes as Class 1 milk to retail or wholesale customers in the pool area or as net shipments to other pool plant(s) which use such milk for Class 1 dispositions.

(1) During the months of August through November, 30 percent;

(2) All other months, 10 percent;

(3) During any month when the director declares that an adequate quantity of fluid milk is not available in any area any handler may be required by the director to make all of his quota milk available for use as Class 1 milk;

provided, that handlers operating more than one plant may, upon application to and approval by the director, be permitted to combine any of his pool plants which are closely associated so far as actual operations are concerned for purposes of computing the above percentages or amounts.

- (b) Any plant located in California which does not receive fluid milk from dairy farmers but which processes, packages or manufactures milk or milk products or imitation milk, if Class 1 milk is disposed of from such plant to retail or wholesale customers in the marketing area.

Section 8. "Base period" means the historical period of fluid milk production for usage in the pool area beginning with the first day of July 1966 and ending with the last day of December 1966, both days inclusive.

Section 9. "Production base," otherwise known as "base," means the quantity computed by the director pursuant to paragraph (a), (b) or (c) of this Section, subject to the rules contained in Article 2 hereof.

- (a) The total pounds of fluid milk marketed by the producer to distributors in the pool area during the base period divided by 184, except that if the producer did not market fluid milk during the entire base period his total marketings of such milk during the period shall be divided by the number of actual days of production so marketed but not less than thirty days; or
- (b) The amount specified in contracts with distributors or the allocation to members of cooperative associations which contracts or allocations provided that the distributor or cooperative association was required to accept a larger amount of fluid milk from such producer than the producer actually produced during the base period, provided that a producer who elects to have his base computed pursuant to this paragraph shall furnish documentation or proof concerning his contract or allocation to the director within thirty days following official notice to the producer of his assignment of production base. The amount computed pursuant to this paragraph shall be subject to approval by the director and shall be established on a daily average basis for the entire 184 day period and shall not take into consideration any actual production of milk by the producer; or

- (c) A producer located south and east of San Gorgonio Pass may elect in lieu of the base computed for him pursuant to paragraph (a) or (b) of this Section to have a base computed by multiplying the pounds of fluid milk delivered by such producer to distributors during the calendar months of December 1965 and January and February 1966 by 4 and the result divided by 365. The election pursuant to this paragraph must be stated in writing and delivered to the director not later than thirty days after the producer is officially notified of his production base as computed pursuant to paragraph (a) or (b) of this Section.

Section 10. "Class 1 usage base" means the quantity computed by the director equal to the pounds per day of fluid milk marketed by a producer to distributors in the pool area and assigned to Class 1 during the base period (including any fluid milk sold for Class 1 use to a United States military installation), provided that a producer whose milk was not received by a fluid milk distributor during a portion of the base period shall have his Class 1 usage base computed by dividing the total of his milk assigned to Class 1 during this period by the number of days during which he marketed fluid milk any of which was assigned to Class 1, or by thirty, whichever is larger, and provided further that the amount computed pursuant to this Section may not exceed the producer's production base. A producer electing to have his production base computed pursuant to paragraph (c) of Section 9 shall have his Class 1 usage base computed by multiplying the pounds of his milk assigned to Class 1 during the period specified in that paragraph by 4 and dividing the result by 365.

Section 11. "Pool quota," otherwise known as "quota," means a quantity equal to 1.1 times the Class 1 usage base, as determined for the producer pursuant to Section 10.

Section 12. "New producer" means any person qualified as a producer under Section 5 who does not have a production base or pool quota.

Section 13. "Milk," for purposes of this plan, means the lacteal secretion from one or more cows, including the

milk fat, nonfat solids, and fluid carrier portions thereof, each to be computed and accounted for separately.

Section 14. "Fluid milk" means any and all milk that is produced in conformity with applicable health regulations for market milk of the place where such milk is to be consumed.

Section 15. "Pool milk" means the fluid milk received by a handler from producers at a pool plant or diverted by a handler from a producer's ranch to a milk plant other than a pool plant for the account of such handler, provided that after this plan has been in effect for five months no milk claimed as so diverted from any producer which exceeds 200 percent of the milk received from such producer at a pool plant shall qualify as pool milk.

Section 16. "Quota milk" means that amount of pool milk delivered by a producer during the month which is not in excess of the pool quota of such producer, multiplied by the number of days in the month, less the number of days on which such producer was either degraded by the appropriate health department or had milk rejected as specified in Section 62715 of Chapter 3 of the Agricultural Code.

Section 17. "Base milk" means that amount of pool milk delivered by a producer during the month which is in excess of the quota milk of such producer but not in excess of his production base, multiplied by the number of days in the month.

Section 18. "Overbase milk" means that amount of pool milk delivered by a producer during the month which is in excess of the producer's production base multiplied by the number of days in the month.

Section 19. "Pool area" means all the territory within the geographic boundaries of the following marketing areas as established by the Director of Agriculture pursuant to Chapter 2, Part 3, Division 21 of the Agricultural Code: Calaveras-Tuolumne; Central Coast Counties; Del Norte-Humboldt; Fresno; Imperial County; Inyo-Mono; Kern County; Madera-Merced; North Central Valley; Northern Sierra; Redwood; San Diego County; San Luis Obispo; Shasta-Tehama; Siskiyou; Southern Metropolitan and Ventura-Santa Barbara.

Section 20. "Immediate family" means either spouse and the children or parents of either or both or their legal heirs.

Section 21. "Price" means the minimum price as announced by the director at which milk shall be accounted for to the pool by distributors or the minimum price payable to producers or associations of producers for quota milk, base milk, or overbase milk.

Section 22. "Exempt producer-distributor" means any person who qualifies and who continues to qualify under the appropriate options to be excluded from the pool pursuant to the provisions of Section 62708 and Section 62722 of the Agricultural Code and who has not elected pursuant to Article 6 hereof to become a part of the pool. A person who qualifies under the standards for operating outside the pool as contained in the foregoing two sections of the Code after the effective date of this plan may apply to the director for a determination of his status.

Section 23. "Equalization point" means a pool quota which is equal to 95 percent of the producer's individual production base.

Article 2. Eligibility for a Production Base
and Pool Quota

Section 100. The director shall compute a production base and pool quota for each person who qualified as a producer during the base period, subject to the following requirements:

- (a) If a producer operated more than one dairy farm holding valid market milk permits during the entire base period (or during the months of December 1965 and January and February 1966 for producers whose production base is computed under Paragraph (c) of Section 9), a separate production base and pool quota shall be computed for deliveries from each such dairy farm. If such farms were not operated separately for the entire base period they shall be combined for computing base and quota.
- (b) Only one production base and one pool quota shall be computed for a single production unit which was jointly owned or operated by one or more persons during the base-forming period.
- (c) No person shall be assigned a production base or pool quota unless he produced and marketed milk continuously from December 31, 1966, until the date this plan becomes effective, except that a person who otherwise qualified for a production base and pool quota who entered military service after July 1, 1966, may be excused from this requirement provided that he reentered or reenters production within six months after being released from active military duty.
- (d) Producers of certified milk or guaranteed raw milk who qualify under Section 5 hereof shall have the option to be included in the plan at the time of the adoption of the initial pooling plan, provided they so state in an application to the director submitted no later than the effective date of the plan. Admission to the pool plan at a later date by such producers shall be on the basis of the production base and pool quota computed according to the same procedure provided under Section 502 for producer-distributors.

Article 3. Adjustment of Production Base and Pool Quota

Section 200. Prior to November 1 of each year after this plan has been in effect for six months or more, the director shall estimate the total new Class 1 milk usage on a daily basis for all producers in accordance with Section 62707(e) of the Agricultural Code. Such estimates shall take into consideration the actual increase in Class 1 usage for all distributors in the most recent September-August twelve-month period not previously allowed for and shall be adjusted for the director's estimate of the increase in total Class 1 requirements during the next succeeding twelve-month period plus any amount of quota forfeited or no longer used by other producers. In determining the new Class 1 milk usage to be assigned pursuant to this Article, the director shall not have as an objective either increasing or decreasing the percentage of the total pool quota milk which shall be assigned to Class 1 use.

Section 201. The total new Class 1 milk usage, if any, estimated in accordance with Section 200 shall be allocated as pool quota first to producers who qualify for assignment under the provisions of Section 202, and thereafter as follows:

- (a) No allocation shall be made to any producer or cooperative association whose pool quota is equal to or greater than his equalization point.
- (b) A cooperative association which elects to have the base and quota assignments of its producer members or patrons combined in accordance with Section 402 shall be considered as a single producer for purposes of these computations.
- (c) Eighty percent of the new quota not previously assigned shall be allocated if possible to producers who established base during the base-forming period in accordance with the following provisions:
 - (1) Multiply the production base of each producer who has not reached equalization by .95 and from the result deduct such person's pool quota.
 - (2) Add the results of all computations made under Subparagraph (1) hereof.

- (3) Divide the result obtained for each producer under Subparagraph (1) hereof by the result obtained under Subparagraph (2) hereof. The result obtained from this computation shall determine the percentage of total new pool quota which shall be assigned to each such producer.
 - (4) If, after these computations, the pool quota of any producer is within 50 pounds (on a whole milk equivalent basis) of his equalization point, his pool quota shall be increased to such point.
 - (5) To the extent that new quota to be assigned pursuant to this paragraph cannot otherwise be assigned under the provisions hereof, it shall be prorated to all producers on a basis to be prescribed by the director.
- (d) The remainder of the total new Class 1 usage shall be available to allocate as pool quota along with production base as specified to new producers based on the system of priority prescribed in Section 303 in accordance with the following provisions:
- (1) New producers engaged in milk production prior to the effective date of this pooling plan shall be assigned a production base computed by the director on the total pounds of fluid milk produced and marketed during the twelve-month period immediately preceding his application divided by the number of days production marketed or 30 days, whichever is more. The pool quota computed by the director for such producers shall be an amount equal to 20 percent of the computed production base.
 - (2) New producers who entered milk production after the effective date of this pooling plan shall be assigned a production base which is representative of the minimum size efficient dairy operations located in the same production area as determined by the director. The pool quota for each such new producer shall be an amount equal to 20 percent of the computed production base.

- (3) Any such pool quota not assignable under this section shall be added to the amount to be assigned under Paragraph (c) hereof.
- (e) There shall be no forfeiture of any pool quota, including that assigned pursuant to this Article, except as provided under Sections 400(c) and 401(h) and (k).

Section 202. Producers, including producers who are members of cooperative associations, who experienced obvious hardship occurring during the base-forming period shall have production bases and if necessary pool quota adjusted (based on market growth since the base period) as promptly as possible after the effective date of this plan. Thereafter, any hardship which occurred during the base-forming period shall, if approved by the review board and the director, be considered as grounds for the adjustment of production base and pool quota as necessary, provided that any increased quota shall be assigned pursuant to Section 201 hereof, such assignment to equal no less than two-thirds of the difference between such producer's pool quota and his equalization point computed after the new assignment of production base under this section.

Section 203. No producer who did not qualify for a base and quota by virtue of milk production during the base-forming period shall be allocated any new base or quota under this Article except in accordance with Section 201(d) until all producers who earned base during the base-forming period or received hardship adjustments for that period have reached their equalization point. Any base allocated to new producers pursuant to Section 201(d) shall be excluded from any computation for the assignment of new quota pursuant to Section 201(c)(3), even though such quota might be transferred to another producer, or held by a producer who has acquired other quota. All producers may share in quota distributed pursuant to Section 201(c)(5).

Section 204. Cooperative associations which receive allocations of pool quota pursuant to this Article shall assign such pool quota to individual producer members of such association in accordance with the bylaws or regulations of the association subject to the following conditions:

- (a) No producer may be assigned quota in excess of his equalization point except as the association receives quota assigned pursuant to Section 201(c)(5).

- (b) All assignments of quota to individual producers shall be reported promptly to the director;
- (c) The assignment of quota to individual producers shall be effective on the first of the month next following the notification by the director of the allocation of new pool quota under this section.

Section 205. Producers who do not in the months of September, October, and November of any year market a total amount of pool milk equal to their pool quotas multiplied by 91 shall lose production base equal to the difference between the daily average amount of milk marketed during those months and their pool quota. Provisions of this section shall not apply to producers south and east of San Geronio Pass or in Del Norte, Humboldt and Siskiyou Counties. Forfeiture of production base pursuant to this section may be appealed to the director who will refer such appeal to the review board upon whose recommendation the director may waive the forfeiture required under this provision.

Article 4. New Producer Entry

Section 300. A new producer as defined under Section 12, who wishes to enter the pool after the effective date of the pooling plan may make application to the director on forms provided by the director.

Section 301. Any new producer applicant who receives production base and pool quota pursuant to the provisions of Article 5 subsequent to his application as a new producer shall no longer qualify as a new producer and shall thereafter participate in the pool in the same manner as all other pool producers.

Section 302. The director shall give priority to new producer applications as follows:

- (a) First priority shall be given to producers of fluid milk whose marketing contracts were cancelled prior to the historical period established for the determination of production bases and pool quotas, and who have had an uninterrupted history of commercial production since such contracts were cancelled.
- (b) Second priority shall be given to market milk producers who were in production prior to January 1, 1967, as manufacturing milk producers and who have converted to market grade producers after January 1, 1967.
- (c) Third priority shall be given to producers who produced manufacturing grade milk prior to January 1, 1967.
- (d) Fourth priority shall be given to producers who began milk production subsequent to January 1, 1967.
- (e) Applications of new producers qualified under Paragraphs (a), (b), (c) and (d) hereof will be processed in sequence beginning with the person who has been continuously in commercial production for the longest period of time as documented in such applications.

Article 5. Transfer of Base and Quota

Section 400. A production base and pool quota may be transferred from a producer, who is not a member of a cooperative association, to another person only after compliance with the following:

- (a) Application is made on forms approved by the director for approval of transfer by the holder of production base and pool quota at least 30 days prior to date of transfer.
- (b) Written notice of approval from the director must be received by the producer requesting the transfer before such transfer may become effective.
- (c) Applicants for production base and pool quota transfers (transferor and transferee) must certify in the application that all matters relating to the transaction have been fully disclosed and documented. Any misrepresentation of facts or falsity in statements by either party shall constitute cause for forfeiture of all or any portion of the production base and pool quota under consideration for transfer.

Section 401. The director will approve the transfer of production base and pool quota from one person to another if he is satisfied that such transfer is bona fide and not with the intent and purpose to circumvent or evade any provision of this plan, subject to the following conditions:

- (a) A cooperative association of producers may permit transfers of production base and pool quota among its member producers in accordance with the bylaws, articles of incorporation or marketing agreements of such association, subject to the provisions of Paragraphs (b) through (h) of this section, provided that such association notifies the director of such transfer prior to the effective date thereof.
- (b) No transfer of production base which does not accompany transfers of quota in accordance with the other paragraphs of this section will be permitted except by a producer who has no pool quota. Such producer may transfer a minimum amount of production base equivalent to the quantities specified in Paragraph (e) of this section.

- (c) Any transfer of a portion of a producer's pool quota shall carry with it the same quantity of production base and the transferor shall lose a percentage of his production base equal to the percentage of his pool quota which is so transferred. A producer may transfer his entire quota or base to another person in accordance with the provisions of this Article, provided that such transfer shall include the entire base and the entire quota of such person.
- (d) The transfer of production base and pool quota may be made only to a person (except a cooperative association) who qualifies as a producer or who the director determines may qualify as a producer, except that the production base and pool quota of an active producer may be held in trust but not otherwise used by another entity for the purpose of collateral for financing or liquidation of assets or facilitating reorganization of the assets of a producer.
- (e) The transfer of production base and pool quota may not be made in amounts of less than 300 pounds of milk equivalent (computed in terms of components thereof) or the entire production base and pool quota, whichever is less.
- (f) Any transfer of production base and pool quota shall become effective for pool computation purposes on the first day of the month following the day the transfer is agreed to by the parties involved and approved by the director.
- (g) Any producer may transfer his pool quota and production base from one location to another without regard to whether the real property used in such production is owned or leased by such producer.
- (h) Any producer going out of business may sell or transfer the production base and pool quota held by such producer to any one or more dairy farmers holding valid market permits or any person whom the director determines is entitled to hold such a permit within 30 days after discontinuing the production of pool milk. If no transfer is made within the 30-day period such base and quota shall revert to the pool.

- (i) Any producer who has acquired production base and pool quota pursuant to this section during the preceding twelve-month period shall not be eligible to transfer production base or pool quota to another producer except as this may be permitted under the provisions of Section 600.
- (j) Any producer who received production base and pool quota under the hardship adjustment provisions of Section 600 shall not be eligible to transfer all or any part of his production base or pool quota within two years of the receipt of his hardship adjustment.
- (k) Production base and pool quota issued under the hardship provisions shall revert to the pool for reallocation in the event the holder of such production base and pool quota discontinues milk production within the two-year period as provided in Paragraph (j).
- (l) Any producer transferring production base and pool quota shall not be eligible to acquire production base and pool quota within the twelve-month period following such transfer.
- (m) Transfers of production base and pool quota to a member or members of the transferor's immediate family shall not be limited by the provisions of Paragraphs (i), (j), (k) and (l) of this section, but the member of the family receiving such base shall be subject to any restrictions which would have been applicable had the base and quota not been so transferred.

Section 402. The production base and the pool quota of active member producers of a cooperative association shall belong to the individual producer but may be assigned to the custody and control of the cooperative association. A cooperative association may combine the bases and quotas of members and patrons assigned to it into a single base and quota for purposes of accounting for milk marketed under this plan, provided that bases and quotas of nonmember producers may be assigned to custody and control of the cooperative association and combined with other bases and quotas only when the association accounts to such producers on a patronage basis for milk delivered by them.

Section 403. All transfers of production base and pool quota shall be recorded by the director in a manner consistent with the purposes of this plan.

Article 6. Producer-Distributor Options.

Section 500. A producer-distributor, including a producer-distributor of certified or guaranteed raw milk, as defined under Section 62708 of the Agricultural Code shall not be subject to this plan if his purchases of bulk or packaged fluid milk, fluid skim milk, or fluid cream do not exceed an annual average of 50 gallons per day or five percent of his total fluid milk sales, whichever is greater, provided that such producer-distributor had retail sales for his own account of not less than $66\frac{2}{3}$ percent of his total Class 1 sales, unless such producer-distributor makes written application to the director to be included under this plan.

Section 501. Any producer-distributor who produces and sells less than 200 gallons of fluid milk for Class 1 purposes, per daily average, shall be exempt from this pool plan unless he makes written request to the director for entry into the pooling plan by the effective date of such plan.

Section 502. Any producer-distributor qualifying for exemption under Section 500 or Section 501 and electing to be excluded from the pool may subsequently be admitted to the pool upon written request to the director. His production base and pool quota shall then be computed on the basis of his production and Class 1 usage history for the base period specified herein, or the most recent six-month July through December period, whichever is less.

Section 503. Any producer-distributor claiming exemption from the provision of any pooling plan by reason of the provisions of this Article, who at some subsequent date loses exemption by failure to meet the requirements for the exemptions set forth shall automatically be deemed to have applied for and become subject to the plan on September 1 following any year ending August 31 during which the director determines he is no longer entitled to exemption, and his admittance into such pool shall be on the basis of the production base and pool quota calculations pursuant to Section 502.

Section 504. Any producer-distributor qualified for exemption from the pool pursuant to Section 500 or Section 501 but electing to become a part of the initial pool plan shall have the right to deduct his entire pool quota from his own Class 1 sales before being required to account to the pool.

Article 7. Hardship and Inequity Consideration

Section 600. Producers may file a written request with the director for relief from an alleged hardship resulting from conditions beyond the control of the producer, such as fire, flood, storms and other acts of God, and for review of inequities resulting from certain pool plan provisions relative to:

- (a) Production base and pool quota allocations and assignments.
- (b) Eligibility for production base and pool quota.
- (c) Producer-distributor exemption provisions.
- (d) Provisions affecting production base and pool quota transfers.
- (e) Loss of production base.

Section 601. Any requests for hardship or inequity review relative to the initial assignments of production base and pool quota shall include:

- (a) A request in writing within 30 days after the initial notice of the production base and pool quota has been received by the producer from the director.
- (b) An explanation of the issue or issues for which the review is requested with full details.
- (c) The extent of relief requested.

Section 602. All requests for hardship or inequity relief shall be reviewed by members of the producer review board. The director may establish one or more review boards from the twelve-member producer review board and may assign a member of his staff as a secretary to assist the board.

Section 603. In reviewing a case, each such board may request the applicant to appear for oral interview and the board shall submit its recommendation in writing to the director, along with a summary of its findings, on each case. The recommendation shall either reject the request or indicate the extent of relief recommended and the effective date for such relief.

Section 604. The review board recommendations shall be subject to approval or modification by the director, who shall notify the producer in writing of the decision within 15 days after receiving the recommendations from the review board.

- (3) In the case of producers or patrons whose milk is not included under Subparagraph (2) hereof the pounds of such milk which qualified as quota milk, base milk, or overbase milk, according to the component parts thereof, separately for each producer.
- (c) Each exempt producer-distributor shall report each month to the director his receipts of fluid milk and other milk products, from his own farm and other sources, his Class 1 dispositions and such other information as the director may require.
- (d) The operator of any milk processing or packaging plant not otherwise required to report pursuant to this section from which Class 1 milk is disposed of to retail or wholesale outlets in the pool area shall submit monthly reports to the director which shall show the following:
 - (1) The total pounds and milk fat content of each item disposed of as Class 1 milk in the pool area;
 - (2) The total pounds and milk fat content of items disposed of as Class 1 milk in areas outside the pool area;
 - (3) The total pounds and milk fat content and source of its receipts of fluid milk or other products containing milk fat or nonfat milk solids which have the appropriate health department approval for disposition as Class 1 milk;
 - (4) Such other information as the director may find necessary to effectuate the declared purposes of this plan.

Section 701. Each handler required to report his receipts under Section 700 shall at the same time report on forms prescribed by the director his utilization or disposition of such receipts as follows:

- (a) Handlers reporting under Section 700(a) shall report for each pool plant the following:
 - (1) The total pounds and milk fat content of each Class 1 product disposed of to retail and wholesale outlets according to stabilization or other area where such distribution is made, including a separate statement as to the pounds of nonfat solids used for fortifying (but not reconstituting) Class 1 products;

- (2) The total pounds of Class 2 and Class 3 products produced in the plant during the month and the total milk fat and solids-not-fat contained therein or represented thereby;
- (3) The pounds and milk fat content and destination of bulk milk, cream, or skim milk transferred in bulk to other pool plants and the classification claimed therefor, provided that such classification shall be Class 1 unless the receiving plant handler agrees to another classification in his report submitted to the director for the month and has such other use available for assignment to the products transferred pursuant to this subparagraph;
- (4) The pounds and milk fat content and destination of packaged fluid (Class 1) items transferred to other pool plants or nonpool plants all of which shall be classified as Class 1;
- (5) The pounds and milk fat content and destination of fluid milk, cream, and skim milk or other fluid items transferred in bulk or packaged form to exempt producer-distributors which shall be classified as Class 1;
- (6) The pounds and milk fat content and destination of milk, skim milk or cream transferred in bulk or diverted to nonpool plants and the claimed classification thereof, provided that if such classification is other than Class 1 the classification of the product shall be changed at a later date if the director is unable to verify its use in lower priced classes;
- (7) The inventory of packaged milk, cream, skim milk, or other Class 1 items on hand in the plant at the end of the month which shall be classified as Class 1;
- (8) Inventories of bulk milk, skim milk and cream on hand in the plant at the end of the month which shall be classified as Class 2;
- (9) Milk, skim milk or cream or packaged Class 1 items in transit at the end of the month to other pool plants which shall be classified as Class 1;
- (10) Disappearance of milk fat or skim milk not to exceed three percent thereof shall be classified prorata to the utilization in and disposition from the plant with any excess shrinkage above three percent classified as Class 1; provided, however, if the operator of the plant does not

Section 703. Producer Payroll Reports.

- (a) Handlers shall furnish to the director such information as he deems necessary for the proper establishment of a production base and pool quota for each individual producer at such time and in the form requested by the director.
- (b) Handlers shall report to the director each month for each producer at the time specified by the director as follows:
 - (1) Handlers other than cooperative associations shall submit copies of each producer's monthly statement of accounting and payment furnished the producer in accordance with Section 900 hereof;
 - (2) Cooperative associations may submit a copy of the statement as called for under Subparagraph (1) hereof or in lieu thereof a list of producer members or patrons showing milk receipts from such producers and other information as the director requires.

Section 704. Brokers or agents shall be subject to the same reporting requirements as specified for distributors or may be required to submit other types of reports as determined to be necessary by the director.

Article 9. Computation of Handler Obligation and
Quota, Base and Overbase Pool Prices

Section 800. The pool obligation of each handler for each of his plants or for a cooperative association acting as a handler under Section 6(c) shall be computed by the director as follows:

- (a) Multiply the quantities of milk fat, nonfat skim milk solids and fluid carrier component in each class as computed pursuant to Section 702(k) times the appropriate price announced for each class by the director, f.o.b. such handler's plant or the nonpool plant to which diverted.
- (b) Add or subtract an amount determined by multiplying the pounds of Class 1 milk disposed of to retail or wholesale outlets in marketing areas having a different price than that in which the handler's plant is located by the respective differences in Class 1 prices between such other marketing areas and the area in which the handler's plant is located. (Note: This provides a credit with respect to Class 1 milk disposed of in marketing areas with lower prices, and a charge in areas with higher prices.)
- (c) Quantities to be deducted from various classes pursuant to Section 702(c) through (h) which cannot be so deducted shall be deducted from a different class as specified in Section 702(j) and an appropriate credit or charge made with respect to the obligation of such handler.
- (d) Subtract here (or in the alternative under Section 901(c)) the country plant handling allowances or other marketing charges permitted the handler by order of the director under the applicable stabilization and marketing plan.

Section 801. The total pounds of milk in each class and the pool value thereof shall be computed by the director as follows:

- (a)
 - (1) Determine the pounds of Class 1 milk as computed for each handler under Section 702(k) and combine into one total sum the obligations of all handlers for such Class 1 milk;
 - (2) Add or subtract any adjustments computed pursuant to Sections 800(b) and 800(c) which represent modifications in the actual obligation of all handlers for Class 1 milk.

- (b) Make a similar determination of the total pounds and value of Class 2 milk for all handlers.
- (c) Make a similar determination of the total pounds and value of Class 3 milk for all handlers.

Section 802. Computation of Quota Pool Price. The director shall compute and announce a quota pool price f.o.b. market (or base zone) for each of the components of milk according to the procedure set forth in this section as soon as possible each month, but no later than the 25th day of each month, for milk received from producers during the preceding month, provided that if such price is not announced on or before the 13th day of the month he shall announce a preliminary estimate of such price on the 13th which shall be subject to later adjustment if the computed price is different.

- (a) Compute the total value of the quota pool for all handlers by assigning to such quota pool the total value or a proportionate share of the total value of the Class 1, Class 2 and Class 3 milk, in sequence, beginning with Class 1, as necessary to reflect the total pounds of pool milk which qualified as quota milk for all producers in the market except for the quota milk of producer-distributors which was assigned to Class 1 under Section 702(b).
- (b) Add or subtract an amount as necessary to reflect the net amount of location adjustments which will be computed with respect to the quota milk received in different areas or zones of the State during the month. This amount shall be computed by the director as follows:
 - (1) Determine the cost of hauling bulk whole milk for an efficient operator moving such milk on a regular basis in the largest size over-the-road milk tankers commonly used in the State;
 - (2) The director shall announce a location differential for pool plants or nonpool plants located in prescribed areas (or zones) based on distance between the primary producing areas and the consuming areas of the State, such differential to reflect the cost as determined under Subparagraph (1) hereof of transporting a hundredweight of milk;

- (3) Multiply the pounds of quota milk received at pool plants or diverted to nonpool plants in each area or zone by the appropriate differentials as announced by the director (provided that the resulting price for fluid carrier shall not be less than zero in any area or zone), and add or subtract the resulting figure from the total value of quota pool milk (depending on whether the net credits for location differentials are a minus or plus figure respectively).
- (c) Add not less than half of the balance on hand in the producer equalization fund for the respective component of milk.
- (d) Subtract the sum of any amounts computed under Paragraph 800(d). (If that section is retained.)
- (e) Subtract a figure equal to not more than one percent of the resulting balance, plus or minus any amount necessary to eliminate any fractional cents in the announced price.
- (f) Divide the resulting sum by the pounds of quota milk computed under Section 802(a). The resulting figure shall be the quota pool price f.o.b. market (or base zone).

Section 803. Computation of Base Pool Price. The director shall compute and announce a base pool price and, if necessary, an estimated price for milk received from producers during the preceding month at the same time as he announces the quota pool price, in accordance with the following procedure:

- (a) Multiply the pounds of overbase milk received by all handlers times the appropriate price applicable to such milk and add the value of quota milk as computed pursuant to Section 802(a);
- (b) Subtract the total amount obtained under Paragraph (a) hereof from the pool obligation of all handlers as computed under Section 800(a), (b), and (c);
- (c) Divide the remaining value of each of the component parts of milk by the pounds of production base pool milk, and round the resulting figure to the nearest whole cent. The price so computed shall be the base pool price.

Section 804. Computation of Overbase Pool Price. The director shall compute and announce an overbase pool price for each of the components of milk on or before the 13th day of each month for milk received from producers during the preceding month as follows:

- (a) Determine the Class 3 price for each marketing area and compute the average thereof;
- (b) Round the average price to the nearest whole cent. The result shall be known as the overbase pool price.

Article 10. Reports and Payments to Producers
and Equalization of Returns

Section 900. All persons acting as handlers under Paragraph 6(a) shall give a written report on or before the 15th day of each month to each individual producer and each cooperative association acting as a handler under Section 6(c) from whom pool milk is received during the preceding month, which report shall show all relevant information concerning the payments due such person including the following:

- (a) The amount of product delivered;
- (b) The amount of product paid for (in each component) as quota milk, base milk, and overbase milk, at the respective prices, as announced by the director;
- (c) The dollar value and applicable rate of each authorized deduction made from the gross payment;
- (d) Any premiums showing basis of computation and amount;
- (e) Adjustments for previous months, if any;
- (f) Other information as may be required on forms acceptable to the director.

Section 901. Payments to Producers. Each handler shall pay individual producers or cooperative associations acting as handlers under Section 6(c) from whom milk is received or diverted by such handler at no less than the rates herein specified and no later than the dates indicated:

- (a) On or before the last day of each month an advance payment for milk delivered by such producer or cooperative association during the first 15 days of the month at a rate approximately equal to that which is expected to prevail for the entire month, but no less than the Class 2 price for the preceding month, plus or minus any adjustment due such person if the quota or base prices for milk received during the preceding month should differ from the estimated prices as announced pursuant to Sections 802 and 803.
- (b) On or before the 15th day of the month a settlement for all milk delivered by such producer or cooperative association during the preceding month at the rates specified below subject to deductions for advance payments under Paragraph (a) hereof, for actual cost of hauling the milk from ranch to plant of first receipt, and for assignments or other proper charges authorized in writing by the producer or required pursuant to this plan.

- (1) Quota milk delivered during the preceding month as determined pursuant to Section 16 or in accordance with notice received from the director pursuant to Paragraph (d) of this section, shall be paid for at the quota price estimated by the director in accordance with Section 802 as adjusted for the location of the plant (and subject to any deduction computed pursuant to Paragraph (c) of this section);
 - (2) Base milk delivered during the preceding month shall be paid for at the base price estimated by the director in accordance with Section 803;
 - (3) Overbase milk delivered during the preceding month shall be paid for at the price announced by the director.
- (c) (Alternate provision to Section 800(d))
The total of any country plant handling allowance or other marketing charges permitted by the director shall be computed for the handler's plant and deducted prorata from payments to producers or cooperative associations supplying milk to such plant in accordance with the following procedures:
- (1) Compute the total quota milk received at the plant (or diverted) from producers or cooperative associations and divide such total into the quota milk delivered by each such producer or cooperative association to obtain percentages which shall total 100;
 - (2) Multiply the percentage computed under Subparagraph (1) hereof for each producer or cooperative association times the total of the plant allowances or other charges. The resulting amounts may be deducted from the respective payments to producers and cooperative associations for quota milk.
- (d) In the case of cooperative associations acting as handlers under Paragraph 6(c) of this plan or producers whose milk is received at more than one pool plant or nonpool plant, the director shall make a separate determination as to the amount of quota, base and overbase milk delivered by each such association or producer and assign such milk as quota, base, or overbase milk to each handler pooling such milk according to a plan which will minimize the work involved in computing and making payments, and notify the handlers and producers of such assignment.

Section 902. Any handler qualified under Section 6(a) which receives milk, skim milk, or cream at his pool plant(s) from plants operated by cooperative associations functioning as handlers under Section 6(b) shall pay the associations for such milk, skim milk, or cream no later than the dates specified by the director at no less than the appropriate minimum class prices f.o.b. the cooperative association's plant.

Section 903. Producer Equalization Fund. The director shall establish and maintain a separate fund known as the Producer Equalization Fund into which he shall deposit all amounts received from handlers pursuant to Sections 904 and 906 and out of which he shall make payments pursuant to Sections 905 and 906. The amounts in the fund shall be subdivided into milk fat, nonfat solids, and liquid carrier accounts. Should this plan be terminated at any time after it has become effective, any remaining balance in this fund shall be distributed on a prorata basis as determined by the director to producers who are supplying milk to handlers at the time of such termination.

Section 904. Each handler shall make payment to the director on or before the second day after receiving notice of any amount due pursuant to this section of the amount computed as follows; provided that any amount not paid within five days after such notice shall be increased by five percent:

- (a) The director shall compute the gross amount, if any, due from such handler to individual producers or cooperative associations acting as handlers under Section 6(c) at the rates specified in Paragraph 901(b) as adjusted for location differentials but not including any other adjustments.
- (b) Subtract the sum computed pursuant to Paragraph (a) hereof from the pool obligation of such handler computed pursuant to Section 800 if such pool obligation is larger than the amount owed to producers. The resulting figure shall be known as the handler's net pool obligation.
- (c) The net pool obligation computed pursuant to this section or Section 905 shall be adjusted each month by any amounts as necessary if the quota or base prices announced by the director pursuant to Sections 902 or 903 should differ from his estimated price.

Section 905. If the pool obligation of the handler as computed under Section 800 is less than the amount owed producers under Section 901(b) the director shall make payment of any difference to such handler from funds available in the producer equalization fund on the 14th day of the month or as soon thereafter as funds are available, provided that if adequate funds are not available on the 14th a proportionate distribution of available funds shall be made to all handlers entitled to receive payments.

Section 906. Adjustment of Obligations. Whenever audit by the director of a handler's books or records or other examination of his operations reveals that the reports of such handler or his payments made pursuant to this plan were in error, the director shall promptly notify such handler of the nature and amount of the error. If the error caused underpayments by such handler to producers or the director, the handler shall make payment of the additional amounts due no later than 15 days after receiving such notice. If the error caused overpayments by such handler to the director, a refund of any amount due the handler shall be made promptly.

Article 11. Authority and Duties of Pool Manager

Section 1000. The pool manager shall have the authority to act for the director in effectuating the terms and provisions of this plan and shall perform any or all the duties required of the director in the administration of this plan. Such duties shall include, but are not limited to, the following:

- (a) Maintain records and reports which accurately reflect the operation of the plan, including the receipt and disbursement of all money handled.
- (b) Verify all reports and payments by each handler, including cooperative associations, subject to the provisions of this plan through audit of the books, records and accounts of such handler, and the examination of his operations or other verification which he deems relevant.
- (c) Notify each handler of such information as is necessary in determining the values for all milk utilized and the obligation of each handler under Sections 904 and 906 of this plan.
- (d) Announce the uniform or blend prices for quota milk, base milk, and overbase milk.
- (e) Notify each handler of the rate of deduction from producer payments determined by the director to be necessary to cover the cost of administering this plan and of the time and method of making such deductions.
- (f) At his discretion publicly announce the name of any handler who has not made payment as required pursuant to Sections 901, 904 and 906 and exclude them from the computations involved in determining quota and base prices if this should become necessary.
- (g) After the director has computed a production base and pool quota for each producer from information obtained pursuant to Section 703(a), notification of such determination shall be given each of the following:
 - (1) Individual producers of their production base and pool quotas;
 - (2) Each handler of the production base and pool quota of individual producers from whom milk is received on a regular basis;
 - (3) Each cooperative association of the production base and pool quota of individual members and nonmember patrons of such association.

Article 9. Computation of Handler Obligations and Quota, Base and Overbase Pool Prices.

Section 800. The pool obligation of each handler for each of his plants and for a cooperative association acting as a handler under Section 6(c) shall be computed by the director as follows:

- (a) Plant handling charges and plant-to-plant hauling charges, as well as any other authorized charges pertinent to the marketing of bulk milk, cream, or skim milk, shall be computed in dollar amounts and deducted from the respective usage class values pursuant to Paragraph (b) hereof.
- (b) Pool prices for each usage class shall be computed by dividing the accumulated value of each component in each class, after deducting the applicable marketing expenses under Paragraph (a), by the respective weights involved. Prices shall be rounded to the nearest sixth decimal.

Example: .9354535 - change to .935454;
.9354545 - change to .935454.

- (c) Usage class prices computed pursuant to Paragraph (b) shall be blended into a price for each of the components for the quota pool, the base pool, and the overbase pool receipts. Such blend prices shall be calculated as follows:
 - (1) The percentages of Class 1, Class 2, and Class 3 usage within the quota pool shall be multiplied respectively by the component price for Class 1, Class 2, and Class 3, as such component prices are computed pursuant to Paragraph (b) hereof, with the combined total of these extensions comprising the blend price of each component in the quota pool;
 - (2) The percentages of Class 1, Class 2 and Class 3 usage within the production pool shall be multiplied respectively by the component price for Class 1, Class 2 and Class 3, as such component prices are computed pursuant to Paragraph (b) hereof, with the combined total of these extensions comprising the blend price of each component in the base pool;
 - (3) The percentages of Class 1, Class 2 and Class 3 usage within the overbase pool shall be multiplied respectively by the component price for Class 1, Class 2 and Class 3 as such component prices are computed pursuant to

Paragraph (b) hereof, with the combined total of these extensions comprising the blend price for each component in the overbase pool.

Section 801. The director shall combine the information reported by all pool plants located in the same marketing area in such manner as to show the marketing area total of each component of fluid milk received and the totals by components in the quota pool, the base pool and the overbase pool.

Section 802. Unadjusted prices which shall be applicable to all fluid milk marketed through pool plants located within the same marketing area shall be computed as follows:

- (a) A quota pool blend price shall be computed by the extension of the class percentages within the quota pool as computed pursuant to Section 800(c)(1) times the respective Class 1, Class 2 and Class 3 price applicable in the marketing area, with the combined total of these extensions comprising the unadjusted quota pool price applicable to fluid milk received by plants located in the marketing area.
- (b) A base pool blend price shall be computed by the extension of the class percentages within the base pool as computed pursuant to Section 800(c)(2) times the respective Class 1, Class 2 and Class 3 price applicable in the marketing area, with the combined total of these extensions comprising the unadjusted base pool prices applicable to fluid milk received by plants located in the marketing area.
- (c) An overbase pool blend price shall be computed by the extension of the class percentages within the overbase pool as computed pursuant to Section 800(c)(3) times the respective Class 1, Class 2 and Class 3 price applicable in the marketing area, with the combined total of these extensions comprising the unadjusted overbase pool price applicable to fluid milk received by plants in the marketing area.

Section 803. The unadjusted prices computed pursuant to Section 802 shall be adjusted as follows:

- (a) The quota pool prices for each marketing area, pursuant to Section 802(a), shall be extended by the total quota pool volume as recapped for each marketing area pursuant to Section 801. The combined dollar value for all marketing area quota pools so extended shall be divided into the net pool-wide dollar value of the quota pool based on actual usage. The resulting percentage shall be extended at the quota pool price for each component for each of the marketing areas as computed pursuant to Section 802(a) to arrive at the final adjusted quota pool price for each marketing area.

- (b) The base pool price for each marketing area, pursuant to Section 802(b), shall be extended by the total base pool volume as recapped for each marketing area pursuant to Section 801. The combined dollar value for all marketing area base pools so extended shall be divided into the net pool-wide dollar value of the base pool based on actual usage. The resulting percentage shall be extended at the minimum base pool price for each component for each of the marketing areas as computed pursuant to Section 802(b) to arrive at the final adjusted base pool price for each marketing area.
- (c) The overbase pool price for each marketing area, pursuant to Section 802(c), shall be extended by the total overbase pool volume as recapped for each marketing area pursuant to Section 801. The combined dollar value for all marketing area overbase pools so extended shall be divided into the net pool-wide dollar value of the overbase pool based on actual usage. The resulting percentage shall be extended at the overbase pool price for each component for each of the marketing areas as computed pursuant to Section 802(c) to arrive at the final adjusted overbase pool price for each marketing area.

Section 804. The director shall notify each pool plant of the adjusted quota pool, base pool and overbase pool prices to be paid to producers by pool plants by marketing area of location.

APPENDIX

EXTRACTS FROM THE AGRICULTURAL CODE OF CALIFORNIA

CHAPTER 3. EQUALIZATION POOLS

62700. The production and distribution of fluid milk and fluid cream is hereby declared to be a business affected with a public interest. The provisions of this chapter are enacted in the exercise of the police powers of this state for the purpose of protecting the health and welfare of the people of this state.

62701. It is hereby declared that fluid milk and fluid cream are necessary articles of food for human consumption; that the production and maintenance of an adequate supply of healthful milk of proper chemical and physical content, free from contamination, is vital to public health and welfare, and that the production, transportation, processing, storage, distribution and sale of fluid milk and fluid cream in the State of California is an industry in whole and in part, affecting public health and welfare; that unfair, unjust, destructive and demoralizing trade practices have appeared within this industry and these practices constitute a menace to the health and welfare of the inhabitants of this state by threatening the stability of this industry and by thereby endangering the assurance to the people of the State of California of the maintenance of an adequate supply of this necessary commodity; that it is a policy of this state to promote, foster and encourage the intelligent production and orderly marketing of commodities necessary to its citizens, including fluid milk and fluid cream, and to eliminate speculation, waste, improper marketing, unfair and destructive trade practices, and improper accounting for milk purchased from producers.

62702. It is recognized by the Legislature that currently the powers conferred upon the director by Chapter 2 (commencing with Section 61801) of this part are inadequate to enable the dairy industry to correct existing evils, develop and maintain satisfactory marketing conditions, and bring about and maintain a reasonable amount of stability and prosperity in the production of fluid milk and fluid cream; and that to accomplish these purposes, and particularly to insure to consumers within California an adequate and continuous supply of pure, fresh, and wholesome milk at fair and reasonable prices, including a reasonable estimate of the additional supply which is needed to provide for normal fluctuations in production and in consumer demand for such products, such powers must be supplemented by the powers conferred in this chapter upon the director to equalize gradually the distribution of class 1 usage among the producers of this state.

62703. In effectuating the purposes of this chapter, a production base and a pool quota shall be established for each producer pursuant to Section 62707. The establishing of these bases and their functions shall be as provided in the pooling plan formulated by the director pursuant to the provisions of this chapter.

62704. The director is authorized to develop a proposed pooling plan and to designate the proposed areas in which the plan will be made effective. He shall appoint fluid milk producers, and representatives of producers, to be the members and alternate members of a formulation committee, reasonably representative of all producers and areas to be included in such proposed pooling plan, which committee shall advise with and assist the director in the establishment of the proposed pooling plan area and in the formulation of the proposed pooling plan. Such pooling plan shall include all areas covered by stabilization and marketing plans under Chapter 2 (commencing with Section 61801) of this part except any relatively isolated region of the state may be excluded therefrom, if the director after a public hearing finds that the inclusion of the region is not practical or in conformity with the purposes of the pooling plan, or if he finds that the producers in any such relatively isolated region do not desire to be a part of either their own or one of the pools.

62705. After the director, with the advice and assistance of the formulation committee, has formulated the proposed plan, which shall be within 90 days of the effective date of this chapter, he shall hold one or more public hearings in each proposed pooling area to be affected by the proposed plan for the purposes of considering modification of the proposed boundaries and formulating the pooling plan which will best accomplish the purposes of this chapter. Notice of such public hearings shall be given to each producer, including each member of cooperative marketing associations, who ships fluid milk to a distributor and to each distributor who receives fluid milk from producers. The procedures for the giving of notice and the conducting of such hearings shall be the same as those provided in Article 13 (commencing with Section 62181) of Chapter 2 of this part for public hearings on stabilization and marketing plans.

62706. The pooling plan shall prescribe the pooling area to be covered by each pool. Any such pooling area shall mean and include a large sales and consuming center together with all intermediate and secondary cities, towns and rural areas, which depend upon and receive their fluid milk supplies from a common producing and supply area, and including the fluid milk producers who produce fluid milk for such sales and consuming area, and including the fluid milk processing plants which receive, process or distribute the fluid milk supplies for such an area.

In establishing pool areas the director shall take into consideration the fact that some producers and processors may produce, or process and distribute, respectively, fluid milk for more than one pool area and therefore may qualify for inclusion and participation in more than one pool. Producers who so qualify for participation in more than one pool shall be permitted to do so on the basis of the proportions of their shipments of fluid milk to each pool area.

62707. The formulation committee shall make recommendations to the director for inclusion in the pooling plan, and the director shall include in the pooling plan, the following:

(a) The establishment of one or more pools throughout the state.

(b) The base period to be used by the director in determining the production and class 1 usage bases of each producer directly affected by the pooling plan. Such base period shall mean an historical period of fluid milk production for, and usage in, the pool area which the committee finds is reasonably equitable to all producers directly affected by the pooling plan, and will tend to effectuate the declared purposes of this chapter. The historical period shall not include any production after January 1, 1967.

As to a producer south and east of San Gorgonio Pass, his production base may at his option, be four times his production in the months of December, 1965, and January and February, 1966.

If a producer, during any such base period, had a valid contract with a distributor, or as a member of a cooperative association had an allocation, which provided that the distributor or cooperative association was required to accept a larger amount of fluid milk from such producer than the producer actually produced during such period, on proof satisfactory to the director of such contract or allocation, the producer may, at his option, have the amount specified in the contract or allocation established as his production base.

(c) The establishment of a class 1 usage for each producer, which shall be the amount of his production of fluid milk accounted for as class 1, and any fluid milk sold for use as class 1 to a United States military installation but which was not accounted for as class 1.

(d) The allocation to each producer within any pool of a pool quota, which, initially, shall be 110 percent of that producer's class 1 usage, as determined in subdivision (c).

(e) The determination of new class 1 usage and the allocation of pool quota based thereon in a manner consistent with effectuating the purposes of this chapter.

All producers who have not reached the equalization point shall share in such allocation of pool quota on the basis of a formula which shall give substantial weight to each producer's production base, but which at the same time shall allocate a larger percentage to hardship cases and low class 1 usage producers.

Such allocations shall be made on the basis of each individual producer, with each cooperative association considered as a single producer. The cooperative associations of producers shall reassign any new quota to their own members subject to the provisions of Section 62710.

No allocation shall be made to any producer for any new pool quota in excess of the equalization point as expressed in subdivision (c) of Section 62712.

Annually, within not more than two months after August 31 of each year, the pool quota shall be adjusted to reflect any such additional pool quota. It is intended that such increase shall generally reflect the increased class 1 usage which developed during the preceding year, adjusted for the director's estimate of class 1 requirements for the succeeding year, allocated in the manner specified in the pool plan. There shall be no downward adjustment of pool quota below the quota initially established pursuant to this chapter.

(f) The establishment of production bases and pool quotas for new fluid milk producers who wish to enter the pooling plan after the effective date of the plan. The recommendations of the committee shall be reasonably equitable to both such new producers and to participating producers and consistent with effectuating the purposes of this chapter.

(g) The transfer of production bases and pool quotas from one fluid milk producer to another under conditions so designed as to prevent abuses in such transfers and to avoid the development of excessive values for such bases and quotas.

(h) Any and all other matters necessary and desirable to effectuate the provisions of this chapter.

The recommendations of the formulation committee and the pooling plan may provide exceptions from the plan's general application for individual cases of hardship.

62707.5. If a portion of the pool quota of any producer is transferred, it shall carry with it the same quantity of production base, and the producer making a partial transfer of his pool quota shall lose a percentage of his production base equal to the percentage of his pool quota which is so transferred. If a producer transfers his entire production base to one person, his entire pool quota shall also be transferred to the recipient of the production base, and, if a producer transfers his entire pool quota to one person, his entire production base shall also be transferred to the recipient of the pool quota.

All transfers of production base and pool quota shall be recorded by the director in a manner consistent with the purposes of this chapter. Permanent records shall be maintained by the director of all transactions in either production base or pool quota.

Any person who purchases or otherwise acquires a producer's business or a portion of a producer's business prior to the operative date of the pooling plan shall succeed to that same proportion of the producer's production base and pool quota.

62708. "Producer-distributor" for purposes of this chapter is any person that is both a producer and a distributor of fluid milk or fluid cream. For the purposes of this chapter a producer-distributor is a producer in any transaction which involves the delivery of bulk fluid milk or bulk fluid cream which was produced by him to a distributor, or any nonprofit cooperative association of producers and is a distributor in any transaction which involves the purchase by him of fluid milk or fluid cream, the pasteurization or packaging of fluid milk or fluid cream, or the sale or delivery of packaged fluid milk or packaged fluid cream to any person.

A producer-distributor, including partnerships or corporations with common ownership, where the ownership of the producing entity is substantially proportionate to the ownership of the distributing entity, shall have the option, at the time of the adoption of the initial pooling plan under this chapter, to have a production base and pool quota established as a part of the pooling plan provided for in this chapter, or to elect to operate entirely outside of the pool for producer payment purposes. This option is available only in such cases where the producer-distributor on January 1, 1967, exercised complete and exclusive control over the operation and management of a plant at which he processes milk received from his own milk production facilities, except for purchases in bulk or packaged fluid milk, fluid skim milk or fluid cream which do not exceed an annual average of 50 gallons per day or 5 percent of his total fluid milk sales, whichever is greater, and only in such case as the producer-distributor had retail sales for its own account of not less than $66\frac{2}{3}$ percent of its total class 1 sales.

Any producer-distributor, as herein defined, electing to become a part of the pool shall have the right to deduct his entire pool quota from his own class 1 sales before being required to account to the pool, irrespective of the fact that the average class 1 usage in the pool for that month may be less than 100 percent of the pool quota in that pool.

Any producer-distributor electing to be excluded from the pool may at any later time be admitted to the pool, but with only the production base and pool quota to which he would have originally been entitled or his existing production and class 1 usage at the time of such admittance, whichever is less.

62709. Producers who do not, in the months of September, October, and November of any year, market the amount of fluid milk equal to their pool quota, shall lose the production base equal to the difference between the average amount of milk marketed and their pool quota.

The provisions of this section shall not apply to producers south and east of San Geronio Pass or to producers in Del Norte, Humboldt, and Siskiyou Counties. The director may waive the provisions of this section in any case in which he finds that production was restricted by causes beyond the control of the individual producer.

62710. The production base and the pool quota for milk shipped through a cooperative association shall belong to the individual producer but shall be assigned to the custody and control of the cooperative association and the production base and pool quota may be transferred only in accordance with the articles of incorporation, bylaws, or marketing agreements of such association. The cooperative association shall continue to be treated as a single producer, both for producer payment purposes and for pool settlement purposes.

62711. Each producer shall be paid the highest usage for that amount of his fluid milk production which is equal to his pool quota and shall be paid the next highest usage for the difference between his pool quota and his production base under the production pool hereinafter designated and the lowest usage for all milk produced in excess of his production base under the overproduction pool hereinafter designated.

62712. (a) The director may require distributors, including cooperative associations acting as distributors, to make reports at such intervals and in such detail as he finds necessary for the operation of the pool. In conjunction with the pools authorized by this chapter, the director may require distributors to make payments into a settlement fund for fluid milk received and the director may provide for the disbursement of moneys from the settlement fund in the course of administering such pools. The director may employ a pool manager to operate each pool and may permit such pool manager to employ such other necessary personnel and incur such expenses incidental to the operation of the pool as the director finds are necessary.

Distributors who have a financial obligation to the pool resulting from the operation of the pooling plan shall pay such obligations to the pool manager each month as requested. All of such moneys shall be deposited in a bank or banks approved by the director, and shall be paid out by the pool manager to distributors who have pool credits resulting from the operation of the pooling plan. All financial operations of each pool shall be audited by Department of Agriculture at least once annually. The director may require distributors to make such deductions from amounts due to producers as he finds are necessary to establish a reserve fund to insure prompt payment to producers.

(b) The pool manager shall effectuate the purposes of Section 62711 by designating the percentage of each price class (i.e., classes 1, 2, and 3) to be paid within each pool settlement classification (i.e., quota pool, production pool, and overproduction pool), and in so doing he shall allocate the highest usage available, first to the quota pool, next to the production pool, and last to the overproduction pool.

(c) All pool quotas initially determined pursuant to Section 62707, except as modified pursuant to Section 62709, shall be recognized and shall not in any way be diminished, and all quotas shall not hereafter be increased beyond 95 percent of the individual's production base. This 95 percent shall be designated the "equalization point."

(d) When the pool quota of every producer in a pool has reached the equalization point any additional class 1 usage shall be apportioned among producers of the adjacent pool or pools selected by the director as most appropriate for carrying out the purposes of this chapter.

62714. After the director has established pools, each distributor shall report to the director the total production bases and total pool quotas of the producers that are shipping to the distributor and the total receipts and class 1, class 2, and class 3 usage of the distributor and any other information determined by the director as necessary to carry out the operation of the pool.

62715. Any individual distributor purchasing milk from a producer shall continue to have the right to specify quality requirements that are more stringent than standards set by public regulatory or health authorities, and to specify these standards in a contract with the producer, provided that all contract quality requirements by the distributor are identical as to all producers under contract with that distributor. The distributor may reject milk for class 1 purposes if it fails to meet these specified standards, and may continue to reject such milk continuously until it again meets these standards. Any such rejected milk must be picked up separately from all other milk, and the contract shall give the producers the unqualified right to sell this rejected milk to others. In the event the rejected milk is not sold or used for class 1 purposes, the producer's pool quota shall be reduced by an amount equal to the amount of pool quota milk rejected during the period in which it is rejected. The producer's pool quota shall be restored to its full amount when all his production meets the specified standards.

The quality standards specified shall be subject to review by the director, and the purported failure of a producer to meet these standards shall be subject to impartial laboratory tests or such other procedures as the director may find necessary to prevent abuse.

62716. Following the required hearing, the director shall submit the pooling plan to producers concerned for their approval or disapproval in a statewide referendum.

The approval or disapproval of individual producers voting in this referendum shall be kept confidential.

Each producer shall have one vote and such vote shall be individually cast so that there will be no block voting. The director shall prepare a ballot. The ballot form shall be substantially as follows:

Ballot

Shall the proposed pooling plan be made effective?

Yes _____ No _____

The director may reveal the names of producers whose votes have been received to both proponents and opponents of the plan.

The referendum shall be set for a period of 60 days. The director may at his own discretion or upon a proper showing, extend the referendum for a period not to exceed 30 days.

62717. If the director finds that producers on a statewide basis have assented in writing to the proposed pooling plan submitted to them for assent, the director shall place the proposed pool plan into effect. The director shall find that producers have assented to the plan if he finds on a statewide basis that:

(a) Not less than 51 percent of the total number of eligible producers in the state shall have voted in the referendum; and

(b) 65 percent or more of the total number of eligible producers who voted in the referendum who produced 51 percent or more of the total amount of fluid milk produced in 1966 in the state by all producers who voted in referendum approve the plan; or

(c) 51 percent or more of the total number of eligible producers who voted in the referendum who produced 65 percent or more of the total amount of fluid milk produced in 1966 by all producers who voted in the referendum, approve the plan.

If the plan is not approved, the director may resubmit the plan, or submit a new plan, at any time after six months from the date the director announces the pool plan was not approved.

The director may amend the plan, after notice and public hearing has been given in the same manner as is provided in Article 13 (commencing with Section 62181) of Chapter 2 of this part for stabilization and marketing plans, if he finds that the amendment is necessary to effectuate the purposes of this chapter. After the hearing, the director upon his own motion may make nonsubstantive amendments to the plan. The director may make substantive amendments to the plan only if producers assent to the proposed amendments at a referendum conducted in the same manner and in the same number as provided for the referendum approving the pooling plan.

The director may terminate the plan on a statewide basis after notice and public hearing has been given in the same manner as is provided in Article 13 (commencing with Section 62181) of Chapter 2 of this part for stabilization and marketing plans, if he finds that the plan is no longer in conformity with the standards described in, or will not tend to effectuate the purposes of, this chapter. Such hearing may be held upon the motion of the director, and shall be held upon receipt of a petition signed by producers representing not less than 25 percent of the total number of all producers and not less than 25 percent of the total production of all producers.

The director shall submit the termination of the plan on a statewide basis in a referendum conducted in the same manner as provided for initial approval of such plan if, after notice and public hearing has been given in the same manner as is provided in Article 13 (commencing with Section 62181) of Chapter 2 of this part for stabilization and marketing plans, he finds that a substantial question exists as to whether or not producers desire the plan to continue and shall submit the plan for termination upon receipt of a petition requesting termination signed by producers representing not less than 25 percent of the total number of all producers and not less than 25 percent of the total production of all producers. The plan shall be terminated if termination is favored by the same percentage of producers producing the same amount of fluid milk as required to initiate the plan.

62718. The pools established shall be administered by the director. Each distributor shall deduct from moneys owed producers and pay to the director the amount necessary to cover the cost of administering the pool plan, but not to exceed two cents (\$0.02) per hundredweight of fluid milk.

The amount of such fee shall be paid to the director on or before the 30th day following the last day of the month in which such fluid milk or fluid cream was received.

The director may fix such fee at a lesser amount and may adjust such fee from time to time.

In the event any distributor fails to pay to the director the fee provided for in this section on or before the date specified in this section, the director may add to such unpaid fee an amount not exceeding 10 percent of such unpaid fee to defray the cost of enforcing the collection of such unpaid fee. The distributor shall not be entitled to pass this penalty on to the producer.

All moneys received under the provisions of this section shall be deposited in the State Treasury to the credit of the Department of Agriculture Fund.

62719. The director shall, from nominations submitted by producers, appoint a review board composed of no less than 12 members to advise him in the administration of the pool plan. The director shall appoint three members of the first board for a one-year term, three members for two-year terms, three members for three-year terms, and three members for four-year terms. Thereafter all appointments shall be for a term of four years and no member may be appointed to more than two four-year terms. The board members shall be producers and not more than three may be producer-managers of associations and not more than two shall be producer-distributors. The board members shall give proportionate representation to all areas of the state, with due regard to the relative production and usage of fluid milk in the various areas of the state. Each member of the review board shall be paid not less than twenty-five dollars (\$25) or more than thirty-five dollars (\$35) per day plus travel expenses, including expenses for lodging

and meals, which are incurred in the attendance at board meetings or in conducting the business of the board; all per diem and expenses being subject to approval by the director.

62720. No pooling plan formulated pursuant to this chapter shall restrict the free movement of fluid milk and no pooling plan shall result in an unequal raw product cost between distributors in the same marketing areas.

62721. No pooling plan shall control the production of fluid milk except insofar as may otherwise be specifically authorized in this chapter.

62722. Pooling plans shall not apply to the production of goats milk or producer-distributors who produce and sell less than 200 gallons of fluid milk used for class 1 purposes per day unless they specifically request entry into the pool at the time of the adoption of the initial pooling plan for that area. Producers of certified milk or guaranteed raw milk shall have the option, at the time of the adoption of the initial pooling plan under this chapter, to be subject to such plan, and accordingly to have a production base and pool quota established for such producer, or to be excluded from such plan.

(a) Any such producer of less than 200 gallons of fluid milk per day, or any such producer of certified milk, or any such producer of guaranteed raw milk, electing to be excluded from such plan, may at any later time be admitted to the pool, but with only the production base and pool quota to which he would have originally been entitled or his existing production and class 1 usage, whichever is less.

(b) Any producer claiming exemptions from the provision of any pooling plan by reason of the provisions of Section 62708 or this section, who loses his exemption by failure to meet the requirements for exemptions set forth in those sections shall automatically be deemed to have applied for and become a part of a producer pool on September 1st following any year ended August 31st during which the director determines he is no longer entitled to exemption, and his admittance into such a pool shall be on the basis of the production base and pool quota calculations as set forth in those sections.

62723. Unless the context otherwise requires, the definitions contained in Chapter 2 (commencing with Section 61801) of this part govern the construction of this chapter.

62724. This chapter does not modify the provisions of Chapter 1 (commencing with Section 61301) nor Chapter 2 (commencing with Section 61801) of this part, except as may be necessary to effect the purposes of this chapter. If necessary to effect the purposes of this chapter, the director, in establishing the minimum prices which shall be paid for fluid milk to producers, may establish minimum producer prices applicable at the producer's place of production.

62725. The director is authorized to use moneys in the Department of Agriculture Fund derived from assessments and fees collected pursuant to provisions of Chapter 2 (commencing with Section 61801) of this part, to the extent necessary to defray the expenses incident to the formulation and making effective the pooling plan pursuant to this chapter; provided, that as soon as sufficient moneys are available from fees collected pursuant to this chapter, all such amounts shall be repaid.

62726. The director is the instrumentality of this state for the purpose of administering and enforcing the provisions of this chapter and to execute the legislative intent which is expressed in this chapter, and is hereby vested with the administrative authority which is described in this chapter. Notwithstanding other laws to the contrary, in the event a milk marketing order under the jurisdiction of the United States Department of Agriculture or other appropriate federal agency, is created by referendum or under the applicable laws and procedures relating thereto, in this state or in any geographical area within this state, the provisions of this chapter or any part thereof which is in conflict with such federal order, or which is unnecessary or is a duplication thereof, shall be suspended in the geographical area covered by and during the existence of such federal order. The director shall take such steps and procedures as are necessary to wind up and conclude the administration and enforcement of the provisions of this chapter, or any part thereof, prior to the suspension date.

62728. The director shall terminate any pooling plan in effect in any marketing area without notice or hearing at any time that there ceases to be a stabilization and marketing plan in force and effect in such marketing area, establishing minimum prices to be paid to producers, unless minimum prices payable by distributors to producers for fluid milk in such marketing area are subject to a federal milk marketing agreement or order which is not in conflict with, or in duplication of, the pooling plan.

62729. The director or his assistants, deputies, agents, or other employees, are authorized to travel out-of-state in order to carry out the purposes of this chapter.

62730. Any violation of any provision of this chapter, or any regulations adopted pursuant to this chapter shall be punishable, and shall have the same effect, as a violation of Chapter 2 (commencing with Section 61801) of Part 3, of Division 21.

62731. This chapter shall be known as the Gonsalves Milk Pooling Act.