

## CALIFORNIA DEPARTMENT OF AGRICULTURE



1220 N Street  
Sacramento  
95814

May 15, 1968

TO THE PERSON ADDRESSED

Enclosed is a fourth draft of the proposed pooling plan for fluid milk and a notice reopening the public hearing to consider this pooling plan.

This fourth draft has been developed after taking into consideration all of the testimony and evidence received to date.

We urge all interested persons to attend the hearing. However, in accordance with our announced procedure, those of you who wish to express your comments in writing regarding the enclosed plan are invited to do so. In order for your written comments to be considered, they must be received no later than June 10, 1968.

Sincerely

A handwritten signature in cursive script that reads "W. J. Hunt, Jr.".

W. J. Hunt, Jr.  
Assistant Director  
Marketing Services

Enclosures

CALIFORNIA  
DEPARTMENT OF AGRICULTURE

FOURTH DRAFT OF  
PROPOSED  
POOLING PLAN FOR FLUID MILK  
AND FLUID CREAM

MAY 15, 1968



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CALIFORNIA DEPARTMENT OF AGRICULTURE  
PROPOSED  
MILK POOLING PLAN

Article 1. Definitions

Section 1 100. The definitions contained in Chapter 2 and Chapter 3, Part 3, Division 21 of the Agricultural Code govern the construction of this Plan.

Section 2 101. "Act" shall be known and may be cited as the "Agricultural Code".

Section 3 102. "Person" means any individual, firm, corporation, partnership, trust, incorporated or unincorporated association, nonprofit cooperative association, nonprofit cooperative marketing association, nonprofit corporation, or any other business unit or organization.

Section 4 103. "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 5 104. "Producer" means any person, as defined pursuant to Section 102 (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 15 114. It includes the nonprofit cooperative association in any transaction in which such association functions as a producer pursuant to Section 61831 of Chapter 2.

Section 6 105. "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, or operates any other plant which disposes of fluid milk products directly or indirectly in the pool area;
- (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~~ a distributor pursuant to Section 61832 of Chapter 2 in the operation of such plants;

- (c) A duly incorporated federation of cooperative associations of producers which has authority from its member cooperative associations of producers to market their milk;
- (ed) 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 7 106. "Pool plant" means:

- (a) Any milk receiving, processing, bottling, or manufacturing plant (except the plant of an exempt producer-distributor and the plant of any state or local government agency) located in California with sales 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 shall make all of its quota milk available for Class 1 use and must actually dispose of no less than the percentages or amounts specified below of its pool milk or any one of the components of such 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 each of the months of August through November, 30 percent;
  - (2) All other months, 10 percent During each of the months of December through July, 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 § 107. "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 § 108. "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 <sup>sublet</sup> production of milk by the producer; or
- (c) A producer located south and east of San Geronio 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.

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Section ~~10~~ 109. "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~~ 108 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~~ 110. "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~~ 109.

Section ~~12~~ 111. "New producer" means any person qualified as a producer under Section ~~5~~ 104 who does not have a production base or pool quota.

Section ~~13~~ 112. "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~~ 113. "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~~ 114. "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 in excess of~~ ten day's production of such producer during the months of August through January shall qualify as pool milk and any milk which does not meet Grade A standards as determined by the appropriate health authority shall not be eligible for diversion.



Section ~~16~~ 115. "Quota milk" means that amount of pool quota 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~~ 116. "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 of production delivered or diverted in the month.

Section ~~18~~ 117. "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 or his pool quota, whichever is greater, multiplied by the number of days of production delivered or diverted in the month.

Section ~~19~~ 118. "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; Sasta-Tehama; Siskiyou; Southern Metropolitan and Ventura-Santa Barbara.

Section ~~20~~ 119. "Immediate family" means either spouse and the children or parents of either or both or their legal heirs or the legatees or beneficiaries of either spouse, including trusts in which the family or either spouse or their children are the principal beneficiaries.

Section ~~21~~ 120. "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~~ 121. "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~~ 122. "Equalization point" means a pool quota which is equal to 95 percent of the producer's individual production base.

Section 123. "Call shipment" means a delivery of quota milk by a pool plant to the pool plant of an unrelated handler for Class 1 use upon request of or by direction of the director.

Section 124. "Month" means one of the twelve calendar months into which the year is divided.

Article 2. Eligibility for a Production Base  
and Pool Quota.

Section ~~100~~ 200. The director shall compute and establish 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~~ 108), 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~~ producer 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~~ producer 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~~ 104 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~~ 602 for producer-distributors.

Article 3. Adjustment of Production Base  
and Pool Quota

Section ~~200~~ 300. After August 31 and 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 ~~per~~ of 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~~ 301. The total new Class 1 milk usage, if any, estimated in accordance with Section ~~200~~ 300 shall be allocated as pool quota first to producers who qualify for assignment under the provisions of Section ~~202~~ 302, 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~~ 502 shall be considered as a single producer for purposes of these computations.
- (c) Eighty percent of the new quota milk 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. The new Class 1 milk usage allocation base for each producer shall be one-half his production base plus four times the difference between his production base and his pool quota.~~
  - (2) ~~Add the results of all computations made under Subparagraph (1) hereof. Divide the result obtained for each producer under Subparagraph (1) hereof by the total of the results obtained 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. The result obtained from the computation under Subparagraph (2) hereof 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, either the milk fat or solids-not-fat component is equal to or less than 3.5 pounds milk fat or 8.5 pounds solids-not-fat of the equalization point of any producer, his pool quota for each component shall be increased to his equalization 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. Any new pool quota remaining, after allocation assignments pursuant to subparagraphs (1), (2), (3) and (4) hereof have raised all such pool quotas to the equalization point, shall be prorated to all producers by dividing the pool quota of each producer by the sum of the pool quotas of all producers to establish the percentage of total new pool quota remaining which shall be assigned to each producer.~~
- (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 303 402 in accordance with the following provisions:
- (1) ~~A new producers engaged in milk production prior to the effective date of this pooling plan shall be assigned a production base equal to not more than 90 percent of the average production base of producers in the pool. 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 not more than 20 percent of the computed production base so determined.~~



~~(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 2) 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(e)~~ 500(h), (j) and (k) and ~~401(h)~~ 501(c).

Section ~~202~~ 302. 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 the 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~~ 303. 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~~ 301(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~~ 301(d) shall be excluded from any computation for the assignment of new quota pursuant to Section ~~201~~ 301(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~~ 301(c)~~(5)~~.

Section ~~204~~ 304. Cooperative associations which receive allocations of pool quota pursuant to this Article shall assign such pool quota to individual producer members of such 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 ~~291~~ 301(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 ~~295~~ 305. 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 Geronimo 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~~ 400. A new producer, as defined under Section ~~12~~ 111, 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~~ 401. 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~~ 402. 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~~ producers who entered the milk production business as market milk producers after December 31, 1966.
- (c) Third priority shall be given to ~~producers who converted from produced manufacturing grade milk prior to January 1, 1967~~ producers to market milk producers after December 31, 1966.
- ~~(d) Fourth priority shall be given to producers who began milk production subsequent to January 1, 1967.~~
- (e d) Applications of new producers qualified under Paragraphs (a), (b) and (c) ~~and (d)~~ hereof will be processed in sequence of priority 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 401 500. ~~The director will approve~~ The director's approval of the transfer of production base and pool quota from one person to another if he is satisfied shall be predicated on his determination 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~~ producer.
- (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~~ 60 days after discontinuing the production of pool milk. If no transfer is made within the ~~30~~ 60-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~~ 700.
- (j) Any producer who received production base and pool quota under the hardship adjustment provisions of Section ~~600~~ 700 shall not be eligible to transfer all or any part of his the production base or pool quota assigned to him under the hardship provisions of Section 700 or any amount less than the total production base or pool quota exclusive of the hardship assignment. If the producer sells the total production base and pool quota, exclusive of the hardship adjustment, within two years of such adjustment the base and quota so assigned shall revert to the pool for reallocation, 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) hereof.
- (l) Any producer transferring a portion less than his entire production base and pool quota shall not be eligible to acquire production base and pool quota, except pursuant to Section 301, 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 ~~400~~ 501. A production base and pool quota may be transferred to or from a producer, who is not a member of a cooperative association, to another or from any other eligible 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 ~~402~~ 502. The production base and the pool quota of active member producers of a cooperative association shall belong to the individual producer but ~~may~~ shall 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~~ shall 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~~ 503. All transfers of production base and pool quota shall be recorded by the director in a manner consistent with the purposes of this Plan, including public disclosure of the terms of such transfers upon request.

## Article 6. Producer-Distributor Options

Section 500 600. 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 501 601. Any producer-distributor who ~~produces~~ produced and sells ~~sold~~ less than 200 gallons of fluid milk for Class 1 purposes, per daily average, prior to the effective date of this Plan, 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 502 602. Any producer-distributor ~~qualifying~~ who qualifies for exemption under Section 500 600 or Section 501 601 and ~~electing~~ elects 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 504 603. Any producer-distributor ~~qualified~~ who qualifies for exemption from the pool pursuant to Section 500 600 or Section 501 601, but ~~electing~~ elects 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. *original*

Section 604. Any producer-distributor who begins active operation after the effective date of this Plan and produces and sells less than 200 gallons of fluid milk for Class 1 purposes, per daily average, shall be exempt from this pool plan.

Section 503 605. Any producer-distributor ~~claiming exemption~~ who is exempt from the provisions 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 502 602.

Article 7. Hardship and Inequity Consideration

Section ~~600~~ 700. 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 or from Federal and State eradication programs for disease control.~~ Producers may request a 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~~ 701. 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~~ 90 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~~ 702. 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~~ 703. 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~~ 704. 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.

Article 8. Handler Reports of Receipts and Utilization  
Classification and Assignment

~~Section 700 800. On or before the seventh day of each month,~~  
Each handler and each exempt producer-distributor shall submit a  
report ~~to the director on prescribed forms the following information~~  
~~for the previous month each month which shall be postmarked no later~~  
~~than the eighth day of the month for mail transmittal, or physically~~  
~~delivered to the director no later than the tenth day of the month.~~  
Such report shall be on forms prescribed by the director and shall  
contain the following information for the previous month:

- (a) Handlers operating one or more pool plants shall report for each of such plants the following:
- (1) Total receipts of pool milk from all individual producers by components, including the distributor's own ranch production. The amount of such milk which is qualified as quota milk, base milk and overbase milk for each producer shall be shown separately by the individual components thereof; provided that handlers qualified under Section 6(b) may report quota, base or overbase milk on a combined basis for all member milk received at the plant. Such total receipts shall also be shown by components as quota milk, base milk and overbase milk;
  - (2) Bulk receipts of fluid pool milk from cooperative associations acting operating in their capacity as handlers under producers pursuant to Section 6(e) 104, but not including receipts to be reported under Subparagraph (d) hereof. The total pounds and components of such milk shall be listed separately, as quota milk, base milk and overbase milk.
  - ~~(3) Bulk receipts of milk, skim milk and cream from other pool plants each listed separately showing the pounds of product, the milk fat content thereof, and the name and location of the plant or handler from which received, and the classification as Class 1, Class 2 or Class 3 to which such milk shall be assigned pursuant to Section 701(a)(3);~~
  - ~~(4) Receipts of packaged Class 1 items from pool plants with each item listed separately by product showing pounds of product and milk fat content thereof, together with the identification and location of the plant from which received;~~

- ~~(5) Receipts of certified or guaranteed raw milk from dairy farmers other than producers showing the volume and milk components as well as the source thereof;~~
  - ~~(6) Receipts of milk and other Class 1 items from any source not otherwise reported which meet the appropriate sanitary requirements for fluid use in the area where they are to be disposed of showing the pounds of product, milk components thereof, and location and identification of the source;~~
  - ~~(7) Receipts of milk or other dairy products in fluid form from any source, including producers, which do not have approval of any health department for disposition as Class 1 milk or which the director agrees does not meet the standards of the distributor as contained in Section 627J.5 of the Agricultural Code;~~
  - ~~(8) The pounds and milk fat and milk solids not fat content of any item other than a fluid product used in the plant either for the manufacture of a Class 2 or Class 3 product or the production, fortification, or reconstitution of Class 1 products;~~
  - ~~(9) The beginning inventory of all milk, skim milk or cream or other Class 1 milk items on hand in the plant whether they are in bulk or packaged form;~~
  - ~~(10) Plant handling and plant to plant haul or other credits which have been authorized by the director;~~
  - ~~(11) Such other information as the director shall require in order to effectuate the purpose of Chapter 3 of the Agricultural Code.~~
- (b) Cooperative associations acting as handlers under Sections ~~6(c)~~ 105(b) and 105(d) marketing milk to distributors which is to be reported pursuant to Paragraph (a)(2) hereof or diverting pool milk to nonpool plants shall report to the director on or before the seventh day of each month for the preceding month on forms approved by the director with respect to such milk as follows:
- (1) The total pounds of pool milk received for marketing by the association from producer members or patrons (but not received as pool milk at the association's plant), and in the case of any producers whose quota and base are not combined with those of other producers into a single base by the cooperative



~~association, the total pounds of milk and other components thereof received from each such producer; The total receipts of pool milk from producer members as quota milk, base milk and overbase milk according to the component parts thereof;~~

- (2) ~~The total pounds of pool milk received from producer members and patrons whose bases and quotas are combined by the cooperative for marketing purposes, which qualified after allowance for any milk reported under Section 700(a)(1) as quota milk, base milk, and overbase milk, according to the component parts thereof;~~

The total receipts of pool milk from nonmember producers as quota milk, base milk and overbase milk according to the component parts thereof;

- (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.~~

Receipts of quota, base and overbase milk as reported pursuant to Subparagraphs (1) and (2) hereof shall be reduced in sequence beginning with quota by the amount of bulk shipments to other handlers.

(c) Each handler reporting pursuant to Paragraphs (a) and (b) hereof shall maintain detailed and summary records of the following information:

- (1) Bulk receipts of milk, skim milk and cream from other pool plants each listed separately showing the pounds of product, the milk fat content thereof, and the name and location of the plant or handler from which received, and the classification as Class 1, Class 2 or Class 3 to which such milk shall be assigned pursuant to Section 801(c);

- (2) Receipts of packaged Class 1 items from pool plants with each item listed separately by product showing pounds of product and milk fat content thereof, together with the identification and location of the plant from which received;

- (3) Receipts of certified or guaranteed raw milk from dairy farmers other than producers showing the volume and milk components as well as the source thereof;

- (4) Receipts of milk and other Class 1 items from any source not otherwise reported which meet the appropriate sanitary requirements for fluid use in the area where they are to be disposed of showing the pounds of product, milk components thereof, and location and identification of the source;
- (5) Receipts of milk or other dairy products in fluid form from any source, including producers, which do not have approval of any health department for disposition as Class 1 milk or which the director agrees does not meet the standards of the distributor as contained in Section 62715 of the Agricultural Code;
- (6) The pounds and milk fat and milk solids-not-fat content of any item other than a fluid product used in the plant either for the manufacture of a Class 2 or Class 3 product or the production, fortification, or reconstitution of Class 1 products;
- (7) The beginning inventory of all milk, skim milk or cream or other Class 1 milk items on hand in the plant whether they are in bulk or packaged form;
- (8) Plant handling and plant-to-plant haul or other credits which have been authorized by the director;
- (9) Receipts of milk rejected for Class 1 purposes and related quota adjustments pursuant to Section 115;
- (10) Such other information as the director shall require in order to effectuate the purpose of Chapter 3 of the Agricultural Code.

- (~~e~~ d) 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~~ e) 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 701 801. 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~~ Each handler reporting pursuant to Sections 800(a) and 800(b) shall maintain detailed and summary records of his utilization or disposition of such receipts as follows, when applicable:

- ~~(a) Handlers reporting under Section 700(a) shall report for each pool plant the following:~~
- (1 a) 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 b) 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 c) 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 d) 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 e) 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 f) 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 g) 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 h) 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 i) 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 j) Disappearance of milk fat or skim milk not to exceed three percent thereof shall be classified pro rata 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 make and retain full and complete records of receipts, use, disposition and handling of all milk or milk products received in his plant and inventories thereof, the director may at his discretion classify any disappearance of milk fat or skim milk as Class 1.
- ~~(k) Cooperative associations acting as handlers under Section 6(c) shall report the disposition of milk receipts reported pursuant to Section 700(b) at the same time and on forms prescribed by the director as follows:~~
- ~~(1) The pounds and milk fat and solids not fat content and destination of pool milk delivered to pool plants;~~
- ~~(2) The pounds and milk fat and solids not fat content and destination of pool milk diverted to plants other than pool plants and the 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.~~

Section 702 802. Assignment of Usage. The total utilization of milk fat, milk solids not fat, and liquid carrier reported by each handler pursuant to Section 700 shall be computed and classified in accordance with Section 701 and assigned as Class 1, Class 2, or Class 3 or otherwise to the receipts of such handler in accordance with the following procedures. Each handler shall compute by components the utilization of milk received pursuant to Section 800 and shall classify such receipts in accordance with Section 801 and assign as Class 1, Class 2 or Class 3 such receipts in accordance with the following procedures:

- (a) ~~In the case of~~ Any cooperative association acting as a handler under Paragraphs ~~6(e)~~ 105(b) and 105(d), shall deduct any amounts marketed in their capacity as a producer to pool plants of other handlers;
- (b) A producer-distributor who qualifies otherwise as an exempt producer-distributor but has elected to become a part of the initial pooling plan may assign the quota milk received from his own farm production to his own Class 1 use;
- (c) Fluid milk or other dairy products approved by the appropriate health authority for fluid disposition in the State of California, which are received from sources outside the State and used by the handler for his fluid business, shall be assigned as possible on a pro rata basis to Class 1, Class 2, and Class 3 milk according to the utilization of all pool milk included under this plan in such handler's plant;
- (d) Inventories of milk, skim milk or cream or other Class 1 items on hand or in transit at the beginning of the month shall be assigned to milk in ~~different~~ the various classes in accordance with their classification in the prior month to the extent possible;
- (e) Certified or guaranteed raw milk receipts from dairy farmers who are not producers shall be assigned to any Class 1 dispositions of such milk as possible, and any remainder shall be assigned under Paragraph (1) hereof;
- (f) Milk, skim milk, or cream or other Class 1 products received in packaged form from other pool plants shall be deducted from Class 1 use;
- (g) Milk, skim milk, or cream received in bulk form from other pool plants as such plants are defined under Section 105(a) shall be deducted from the proper classes of utilization in accordance with its assignment pursuant to Section ~~701(a)(3)~~ 801(c);

- (h) Nonfat solids in dried or condensed form used in the production, fortification or reconstitution of Class 1 items shall be deducted as possible from Class 3 and Class 2 respectively with any appropriate monetary adjustments;
- (i) All other receipts of milk fat or nonfat milk or fluid carrier in any form except pool milk shall be deducted either from Class 3 or Class 2 use (but not Class 1 use) according to actual use, provided that such other receipts may not be assigned to a greater proportion of the Class 2 use in the plant than pool milk in excess of the remaining Class 1 use unless it can be shown that pool milk could not have been used for any specified Class 2 use which use shall then be excluded in computing the minimum proration called for under this Paragraph;
- (j) In case any receipt cannot be deducted from the appropriate classification as required under this Section, it shall be deducted at this point from a different classification and compensating monetary adjustment made in accordance with Section ~~800(e)~~ 900(b);
- (k) The remaining utilization in each class by each component represents the amount of pool milk received from producers and cooperative associations for which the handler will be charged as an obligation to the pool pursuant to Section 900, and ~~will~~ shall include any amount by which the handler's dispositions (reported under Section ~~701~~ 801) exceeded his receipts (reported under Section ~~700~~ 800).

Section 703 803. Producer Payroll Reports. Handlers shall report to the director for each producer at the time specified by the director as follows:

- (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.~~

(b) Handlers other than cooperative associations shall submit on a monthly basis copies of each producer's monthly statement of accounting and payment furnished the producer in accordance with Section 1000 hereof.

(c) Cooperative associations shall submit either a copy of the statement as called for under Paragraph (b) hereof or in lieu thereof a list of producer members, nonmembers or patrons showing milk receipts from such producers and other information as the director requires.

Section 704 §04. 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(a) shall be computed by the director as follows:~~

Section 900. Each handler including any cooperative association acting in its capacity as a handler pursuant to Section 105(b) shall compute and report the total pool obligation for each of its plants and any cooperative association acting in its capacity as a handler pursuant to Section 105(d) shall compute and report its total pool obligation each month at the same time as such handler reports pursuant to Section 800 on forms prescribed 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. Multiply the quantities of each milk component in each class as computed pursuant to Section 802(k) times the minimum price established for each class for the marketing area where sold or used.~~
- (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.) Quantities to be deducted from various classes pursuant to Section 802(c) through (h) which cannot be so deducted shall be deducted from a different class as specified in Section 802(j) and an appropriate credit or charge made with respect to the obligation of such handler.~~
- (c) ~~Quantities to be deducted from various classes pursuant to Section 702(e) 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. Subtract the plant-to-plant hauling allowances on shipments of bulk milk, cream and skim as permitted the handler under the applicable stabilization and marketing plan.~~



- (d) ~~Subtract here (or in the alternative under Section 901(e)) the country plant handling allowances or other marketing charges permitted the handler by order of the director under the applicable stabilization and marketing plan. Appropriate monetary adjustments shall be made in accordance with Section 802(h).~~
- (e) The remaining amount represents the net value of the handler's pool obligation.

Section 801 901. The total pounds of milk in each class and the pool value thereof shall be computed by the director as follows: The director shall compute from reports submitted pursuant to Section 900 the total pounds of milk by components in each class and the pool value thereof 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.~~

Combine the reports of all plants located in the same marketing area in such manner as to show the total usage by components in each class and the total net value of each component by class.

- (b) ~~Make a similar determination of the total pounds and value of Class 2 milk for all handlers. Add the respective totals as obtained for each marketing area under Paragraph (a) hereof to arrive at the poolwide totals of class usage by components and their respective net values.~~
- (c) ~~Make a similar determination of the total pounds and value of Class 3 milk for all handlers. Divide the total net value for each class by the total pounds for each respective class to determine the poolwide blend price for each component by class.~~
- (d) Compute the blend prices for each marketing area by components for Class 1, Class 2 and Class 3 usages obtained pursuant to Paragraph (a) hereof by dividing the net dollar value of each component by the respective pounds of such component.

Section 902. The director shall compute the total quota pool, base pool and overbase pool for each component by the addition of the amounts reported pursuant to Sections 800(a) and 800(b).

Section 903. The director shall compute the class usages within the total quota pool, base pool and overbase pool by component parts thereof as follows:

- (a) Compute the total usage of the quota pool by assigning the proportionate share of the Class 1, Class 2 and Class 3 pounds in sequence beginning with Class 1 as necessary to reflect the total pounds of pool milk in the quota pool for all producers, except for the quota milk of producer-distributors which was assigned to Class 1 under Section 802(b).
  - (1) Divide the pounds of Class 1 within the quota pool as computed pursuant to Paragraph (a) hereof by the total quota pool pounds to arrive at the percentage of Class 1 usage within the quota pool.
  - (2) Divide the pounds of Class 2 within the quota pool as computed pursuant to Paragraph (a) hereof by the total quota pool pounds to arrive at the percentage of Class 2 usage within the quota pool.
  - (3) Divide the pounds of Class 3 within the quota pool as computed pursuant to Paragraph (a) hereof by the total quota pool pounds to arrive at the percentage of Class 3 usage within the quota pool.
- (b) Compute the total usage of the base pool by assigning the proportionate share of the remaining Class 1, Class 2 and Class 3 pounds in sequence beginning with Class 1 as necessary to reflect the total pounds of pool milk in the base pool.
  - (1) Divide the pounds of Class 1 within the base pool as computed pursuant to Paragraph (b) hereof by the total base pool pounds to arrive at the percentage of Class 1 usage within the base pool.
  - (2) Divide the pounds of Class 2 within the base pool as computed pursuant to Paragraph (b) hereof by the total base pool pounds to arrive at the percentage of Class 2 usage within the base pool.
  - (3) Divide the pounds of Class 3 within the base pool as computed pursuant to Paragraph (b) hereof by the total base pool pounds to arrive at the percentage of Class 3 usage within the base pool.

(c). Compute the total usage of the overbase pool by assigning the proportionate share of the remaining Class 1, Class 2 and Class 3 pounds in sequence beginning with Class 1 as necessary to reflect the total pounds of pool milk in the overbase pool.

(1) Divide the pounds of Class 1 within the overbase pool as computed pursuant to Paragraph (c) hereof by the total overbase pool pounds to arrive at the percentage of Class 1 usage within the overbase pool.

(2) Divide the pounds of Class 2 within the overbase pool as computed pursuant to Paragraph (c) hereof by the total overbase pool pounds to arrive at the percentage of Class 2 usage within the overbase pool.

(3) Divide the pounds of Class 3 within the overbase pool as computed pursuant to Paragraph (c) hereof by the total overbase pool pounds to arrive at the percentage of Class 3 usage within the overbase pool.

~~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.~~

Section 904. The director shall compute and announce a quota pool price for each of the components of milk according to the procedures set forth in this Section as soon as possible each month but no later than the 20th day of each month.

(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). A quota pool price shall be computed for each marketing area by the extension of the Class 1, Class 2 and Class 3 percentages within the quota pool as determined pursuant to Section 903(a) times the respective blend prices applicable to each such marketing area pursuant to Section 901(d). The

resulting sum of the extensions hereof shall be the unadjusted quota pool price for such marketing area.

- (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: The director shall compute the adjusted quota pool price by components for each marketing area in accordance with the following procedure:~~
- (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. Multiply each class percentage as computed pursuant to Section 903(a) times the poolwide prices for each respective class as computed pursuant to Section 901(c) and add the results of these extensions;~~
  - (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; Multiply the result obtained in Subparagraph (1) hereof times the total poolwide quota pounds as computed pursuant to Section 902,~~
  - (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). From the preceding month's calculations, determine the difference between the total net value of pool milk computed pursuant to Section 901(b) and the total value computed, prior to any allowable deductions, pursuant to Section 1001, Paragraph (b). If the value computed pursuant to Section 901(b) is the greater, add the difference to the amount computed pursuant to Section 904(b)(2) hereof. If the value computed pursuant to Section 901(b) is the lesser, subtract the difference from the amount computed pursuant to Section 904(b)(2) hereof.~~

- (4) Add not less than half of the balance on hand in the producer equalization fund for the respective component of milk;
- (5) Subtract a figure equal to not more than one percent of the resulting balance;
- (6) Divide the resulting sum by the poolwide quota pounds as computed pursuant to Section 902;
- (7) Compute the difference between the results computed pursuant to Subparagraphs (1) and (6) hereof. Add or subtract this difference from the unadjusted quota pool price for each marketing area as computed pursuant to Paragraph 904(a) (depending on whether the result computed pursuant to Subparagraph (6) hereof is respectively greater than or less than that computed pursuant to Subparagraph (1) hereof). The resulting figure rounded to the nearest fourth decimal shall be the quota pool price for the applicable marketing area.
- ~~(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 900(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 905. The director shall compute and announce a base pool price for each of the components of milk at the same time as he announces the quota pool price. Such base pool price shall be computed for each marketing area by the extension of the Class 1, Class 2 and Class 3 percentages within the base pool as determined pursuant to Section 903(b) times the respective blend prices applicable to each such marketing area pursuant to Section 901(d). The resulting sum of the extensions hereof, rounded to the fourth decimal, shall be the base pool price for such marketing area.

~~Section 904. 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.~~

Section 906. The director shall compute and announce an overbase pool price for each of the components of milk at the same time as he announces the quota pool price. Such overbase pool price shall be computed for each marketing area by the extension of the Class 1, Class 2 and Class 3 percentages within the overbase pool as determined pursuant to Section 903(c) times the respective blend prices applicable to each such marketing area pursuant to Section 901(d). The resulting sum of the extensions hereof, rounded to the fourth decimal, shall be the overbase pool price for such marketing area.

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

Section ~~900~~ 1000. On or before the last day of each month, all persons acting as handlers ~~under pursuant to Paragraph 6(a)~~ Section 105(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 ~~producer under pursuant to~~ Section ~~6(e)~~ 104 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~~ 1001. ~~Payments to Producers.~~ Each handler shall pay individual producers or cooperative associations acting as ~~handlers producers under pursuant to~~ Section ~~6(e)~~ 104 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.~~ On or before the 15th day of the month, each handler shall pay each producer the approximate value for milk received during the last half of the preceding month. This payment shall be at a rate not less than the applicable Class 2 price for that month.

(b) On or before the ~~15th~~ last day of the month, each handler shall make final payment to each producer for the total value of milk received during the preceding month at not less than 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 made under this Paragraph and Paragraph (a) hereof, for actual cost applicable charges of hauling the milk from ranch to plant of first receipts, and for assignments or other proper charges authorized in writing by the producer or required pursuant to this plan under Chapters 1, 2 and 3, plus a payment for the approximate value for milk received during the first 15 days of the month.

(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 announced by the director in accordance with Section 802 904, 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 announced by the director in accordance with Section 803 905.

(3) Overbase milk delivered during the preceding month shall be paid for at the overbase price announced by the director in accordance with Section 906.

(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 by components for the handler's plant and deducted pro rata 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;~~ Divide the total dollar amount of the plant handling allowance by the total quota milk received at the plant (or diverted) from producers or cooperative associations to obtain the rate;



(2) Multiply the percentage rate computed under Subparagraph (1) hereof times the quota amount 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 gross amounts due producers and cooperative associations for quota milk as computed pursuant to Paragraph (b) hereof.

~~(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 1002. ~~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 1003 and 906 1005 and out of which he shall make payments pursuant to Sections 905 1004 and 906 1005. The amounts in the fund shall be subdivided into milk fat, and 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 pro rata basis as determined by the director to producers who are supplying milk to handlers at the time of such termination.

Section 904 1003. 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 total gross amount, if any, due from such handler to individual producers or cooperative associations acting as handlers producers under Section 6(e) 104 at the rates specified in Paragraph 901(b) Section 1001(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~~ 900 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 Section 902 or 903 should differ from his estimated price.~~

Section ~~905~~ 1004. If the pool obligation of the handler as computed under Section ~~800~~ 900 is less than the amount owed producers under Section ~~901(b)~~ 1001(b) the director shall make payment of any difference to such handler from funds available in the producer equalization fund ~~or~~ by the ~~14th~~ 25th day of the month or as soon thereafter as funds are available, provided that if adequate funds are not available on the ~~14th~~ 25th day of the month, a proportionate distribution of available funds shall be made to all handlers entitled to receive payments.

Section ~~906~~ 1005. ~~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.

Section 1006. For purposes of ascertaining the correctness of reports submitted, the director shall have access to and may inspect the records of handlers pursuant to Section 61934 of Chapter 2.

Article 11. Authority and Duties of a Pool Manager

Section ~~1000~~ 1100. ~~The~~ A pool manager shall ~~have the authority to act for the director to the extent authorized by the director~~ under the law in effectuating the terms and provisions of this Plan and shall perform any or all the duties ~~required~~ authorized ~~of by~~ 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~~ 1003 and ~~906~~ 1005 of this Plan.
- (d) Announce the ~~uniform or~~ blend prices for quota milk, base milk, and overbase milk applicable for each marketing area.
- (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~~ 1001, 1003 and 1005 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)~~ 803(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 and cooperative associations acting in their capacity as a producer pursuant to Section 104 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.