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FINDINGS AND CONCLUSIONS RELATIVE TO AMENDMENTS
TO THE POOLING PLAN FOR FLUID MILK

The following findings and conclusions are based on material issues raised at a public hearing held on March 9, 1971, in Los Angeles and concluded on March 16, 1971, in Sacramento, California. This hearing (a concurrent Pooling and Producer Price Hearing) was for the purpose of giving consideration to nonsubstantive amendments to the Pooling Plan currently in effect.

Nature of Hearing

It was the purpose of the Department to respond to petitions from both producers and distributors requesting an opportunity to present testimony and evidence contingent to amendment of the Pooling Plan. Issues which were presented during the course of the hearing were as follows:

1. Redefinition in the Pool Plan of "receive milk".
2. Elimination of location differentials for bulk milk moving from zero location differential areas to lower location differentials.
3. Amend definition for "Pool Plant".
4. Amend definition of "quota milk".
5. Change the designation of milk on inventory at the end of the month from Class 2 to Class 4.
6. Consider request by San Joaquin County for assignment of base and quota to the previously exempt herd.
7. Set aside portions of transfer quota to assist equalization.
8. Assign quota on natural flow concept.

FINDINGS

Redefinition of "Receive Milk" in Pool Plan

There was a request primarily by a representative of a Southern California-based cooperative to redefine the term to "receive milk" in the Pooling Plan to allow surplus milk produced in Southern California to be accounted as having been received with only token delivery to a plant such as driving to the lot, or driving past the plant, or simply phoning the information that the taker was moving from the plant's general area towards plants in the San Joaquin Valley, where such milk would be received for processing. This procedure should not be accepted as actual receipt of milk. Production of milk in excess of usage in the southern market must bear whatever economical stress is placed against it in the same manner as milk produced in any other area, is handled. The definition to "receive milk" is explicit and is designed to designate the plant which basically contracts, receives, and either processes or utilizes such milk.

Elimination of Location Differentials on "Reverse Flow Milk"

A request was made to eliminate the location differential at the plant of first

receipt for bulk milk shipped from the Southern Metropolitan Areas into the San Joaquin Valley for processing when it is not needed in the southern markets for fluid purposes. The main thrust of this request is parallel to that which would be defined "to receive milk". In recent months, production of market-grade milk in excess of utilization for the Southern Metropolitan Area has created a problem. This "surplus" milk must be transferred out of the southern area in order to find sufficient plant capacity to utilize the milk in some other classification other than Class 1. This request to eliminate the location differential at the valley plant should not be allowed. Central Valley producers who market their milk at a local valley plant would not be treated equitably with producers who produce milk elsewhere, if only local milk bore a location differential deduction. Additionally, the excessive production in the southern market should not be encouraged by special consideration but should be subject to all economic pressure contingent to its production.

Amend Definition For "Pool Plant"

It was requested that the definition of a "Pool Plant" should be amended to provide that the penalty levied on excess movements of milk to non-pool plants during the months of September, October and November of each year may be suspended upon the notification of the Director. With the current full supply available at most times of the year, it may be more efficient for the Director to relax the requirements which limit the amount of milk that may be directly diverted without penalty. The current supply does not always require shipments to a pooling plant in order that all quota needs be met.

Change in Inventory Classification

At the present time, milk in inventory at the end of the month is designated as Class 2 by requirement of the Pooling Plan. This requires readjustments each month from this classification to whatever usage "inventory milk" is ultimately utilized. Under the proposed plan, the bulk milk inventory of pool plants has been removed from any classification designation. An additional classification or category is created and is referred to as "inventory milk". The flooring cost of this "inventory milk" will be at the Class 4 level. The purpose for this amendment is to allow more efficient recording and accounting within the pool operation.

Special Request For San Joaquin County Dairy Herd

The county council of the San Joaquin County requested that the Department make special findings to grant to their dairy herd, which was previously exempted from the pool, a base and quota. They requested this so that they may transfer their herd to private control and to allow the private party to gain the base and quota usage to which the county was not entitled. It was determined this should not be granted in that this private party would be given special consideration different from any other private party who must follow defined procedures for entry into the pool.

Set Aside For Transferred Quota

There was a suggestion that when that quota is transferred from one party to another that a portion of each transferred quota be set aside and issued as new quota. The purpose of the suggestion was to speed equalization. Regardless of the merit of this suggestion it cannot be implemented as the result of the hearing. Such a procedure would require a legislative change.

Assignment of Quota on Natural Flow Concept

At the inception of the Pooling Plan, fat and solids-not-fat quota was assigned on utilization during the base-forming period for each of the components. This resulted in some instances of a fat and solids-not-fat quota issuance which was not in relationship to the natural amounts of each component found in the milk being produced on a particular dairy. Subsequent to this assignment, the producer review board has made some concession to put the fat and solids-not-fat into a closer relationship for those parties who could demonstrate hardship. It was requested at this hearing to bring all milk into the natural flow for assignment on base and quota. It was not fully supported by a large segment of those testifying at the hearing. Substantial opposition to the concept would indicate that a referendum which would be required to make such a substantial change, could not pass. The Bureau feels that such a basic change in assignment of quota would be a substantial change and obviously would have to go to referendum before a change in the Pool Plan could be made.

Technical Changes

The Department proposed amendments to the Pooling Plan of a technical nature which would not change the thrust or substance in any portion of the existing Pool Plan but would either clarify or update language that would enable more efficient operation of the Pool Program. These proposed changes were issued prior to the hearing and were available at the hearing for all participants to study and to make comment upon. Favorable assent was indicated from the persons who testified on the proposals. These technical changes have been implemented in the new proposed Pooling Plan.

All other issues presented by interested parties were considered by the Department and rejected. There are no further proposed changes to the Plan at this time.

Jerry W. Fielder
Director of Agriculture

By



R. A. Abbott, Milk Economist
Bureau of Milk Stabilization

FINDINGS OF THE DIRECTOR OF THE CALIFORNIA DEPARTMENT OF AGRICULTURE
UPON THE POOLING PLAN FOR FLUID MILK, AS AMENDED

A public hearing to consider amendments to the Pooling Plan for Fluid Milk, as Amended, was duly and regularly called and held in Los Angeles, California, on March 9, 1971, and in Sacramento, California, on March 16, 1971, under the provisions of Chapter 3, Part 3, Division 21 of the Agricultural Code, full and proper notice of this hearing was given to all producers, producer-distributors and distributors of record with the California Department of Agriculture, who may be subject to the provisions of the Pooling Plan by mail in accordance with the provisions of Section 62184 of said Code.

At said hearing, all persons were afforded an opportunity to be heard and testimony and evidence, both oral and documentary, were offered and received.

After due deliberation upon and full consideration of the facts and evidence adduced, the Director of the California Department of Agriculture hereby finds the following:

1. The Pooling Plan for Fluid Milk, as Amended, is no longer in conformity with the standards prescribed in Chapter 3, and will not tend to effectuate the purposes of Chapter 3 without amendment.
2. The amendments are necessary to effectuate the purposes of Chapter 3 and will accomplish the same within the standards prescribed in Chapter 3.
3. The Pooling Plan for Fluid Milk, as Amended, and identified as the Pooling Plan for Fluid Milk, as Amended, and made effective by Milk Pooling Order Number Fifteen (15) effective June 1, 1971, is necessary to accomplish the purposes of Chapter 3 and will accomplish the purposes of Chapter 3 within the standards therein prescribed.

Jerry W. Fielder
Director of Agriculture

By 

R. A. Abbott, Milk Economist
Bureau of Milk Stabilization

Dated: May 25, 1971