



United Dairy Families of California

Petition to Amend the Quota Implementation Plan (QIP)

The undersigned joins the Petition of United Dairy Families of California to amend the QIP to sunset the QIP effective March 1, 2025 and to equalize regional quota adjusters such that the quota premium in all counties equals \$1.43 / cwt. The specific proposed amendments to the QIP language are provided below.

We submit this Petition to amend the QIP pursuant to the Secretary's authority in Division 21, Part 3, Chapter 3, Sections 62716 and 62717; Chapter 3.5, Section 62757; Articles 8 and 11 of the QIP; and the Department Procedures for Handling Petitions Requesting Changes to or the Termination of the Quota Implementation Plan dated April 3, 2019 ("Department Procedures").

Justifications for Proposed Amendments to the QIP:

This petition is the result of a yearlong producer led process to discover a consensus plan for Quota. The components of the proposal developed through that process are amendments to Article 8 and Article 11 specified below.

Sunset the QIP Effective March 1, 2025:

Sunsetting the QIP effective March 1, 2025 provides an equitable duration of five years, recognizing that many dairy producers will need to adjust their business models and possibly change the location of their operations. A five-year sunset provides time for producers to prepare for termination of the QIP, as opposed to a sudden termination, which would have major negative economic impacts on California's Dairy Industry. A sunset will provide certainty regarding the program duration and could stabilize the market price for quota for the remainder of the program. This proposal provides a cumulative payment of \$300 per pound of quota, distributed over 60 months. Further, the proposed five-year sunset attracted balanced support from dairy producers responding to our surveys.

Equalize Regional Quota Adjusters:

Regional Quota Adjusters should be equalized such that the quota premium in all counties throughout California equals \$1.43 / cwt. This change would cause QIP assessments to decrease by approximately \$.03 / cwt. RQAs were originally developed in the 1980s to address equity issues resulting from the elimination of location differentials in the State. They were designed alongside a system of transportation credits to reflect the location value of fluid milk based on the distance to cities. With the adoption of the California FMMO, location differentials were reinstated, and transportation credits were eliminated. Hence, the geographic variation in pricing provided by RQAs no longer serves the original purpose.

Upon the Department's certification of this Petition, we welcome a transparent, inclusive process that provides producers an appropriate forum for self-determination through a producer referendum on the amendments proposed in this Petition. To that end, we ask that the Secretary promptly schedule a meeting of the Producer Review Board in accordance with Section 62757 of Chapter 3.5, Section 1103 of the QIP, and the Department Procedures. Alternatively, or in addition, we ask that the Secretary promptly schedule a public hearing pursuant to Chapter 3, Sections 62716 and 62717.

See attached supplemental background document outlining the process that led to this petition.



United Dairy Families of California

Based on the justifications provided above, the undersigned joins the Petition of United Dairy Families of California to amend the QIP as set forth below to sunset the QIP effective March 1, 2025 and to equalize regional quota adjusters such that the quota premium in all counties equals \$1.43 / cwt.

Article 8: Regional Quota Adjuster

Section 800. The Secretary shall determine a regional quota adjuster for each market milk producer based on the geographical location of the dairy farm as set forth below:

- (a) A negative ~~27 14~~ cents (~~-\$0.27 14~~) per hundredweight, (~~-\$0.031034 - \$0.12644~~) per pound of quota solids not fat, is assigned to dairy farms located within the counties of: Alpine, Amador, Butte, Calaveras, Colusa, El Dorado, Glenn, Lassen, Madera, Mariposa, Merced, Modoc, Monterey, Nevada, Placer, Plumas, Sacramento, San Benito, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Stanislaus, Sutter, Tehama, Trinity, Tuolumne, Yolo, and Yuba.
- (b) A negative ~~27 5~~ cents (~~-\$0.27 05~~) per hundredweight, (~~-\$0.031034 - \$0.05747~~) per pound of quota solids not fat, is assigned to dairy farms located within the counties of: Alameda, Contra Costa, Del Norte, Humboldt, Lake, Marin, Mendocino, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, and Sonoma.
- (c) A negative 27 cents (~~-\$0.27~~) per hundredweight, (~~-\$0.031034~~) per pound of quota solids not fat, is assigned to dairy farms located within the counties of: Fresno, Kings, and Tulare.
- (d) A negative 27 ~~20.5~~ cents (~~-\$0.27 - \$0.205~~) per hundredweight, (~~-\$0.031034 - \$0.23563~~) per pound of quota solids not fat, is assigned to dairy farms located within the counties of: Kern, San Luis Obispo, and Santa Barbara.
- (e) ~~A negative 27 cents (-\$0.27) per hundredweight, (-\$0.031034) per pound of quota solids not fat~~ ~~No regional quota adjuster~~ is assigned to dairy farms located within the counties of: Imperial, Inyo, Los Angeles, Mono, Orange, Riverside, San Bernardino, San Diego, and Ventura.

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Article 11: Administration

Section 1104. The Plan shall remain in effect until March 1, 2025. Effective March 1, 2025, the Plan shall be terminated.

_____	_____
Dairy Name	Phone Number
_____	_____
Producer Number under the QIP (CDFA-issued pool shipper number)	Email Address
_____	_____
Physical Dairy Ranch Address	Average monthly milk volume
_____	_____
*Name of Owner/Producer of record	Quota pounds (Optional)
_____	_____
*Signature of Owner/Producer of record	Date of Signature

*The listed owner and signer of the petition must be the owner of the record as reported to the CDFA and the QIP program.

Sign and return to: United Dairy Families of California, Inc. 5211 W. Goshen Ave. #111 Visalia, CA 93291 or scan and email to dairyfamilies@gmail.com



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Supplemental background document to United Dairy Families of California's Petition to Amend the Quota Implementation Plan (QIP)

Background:

The California Federal Milk Marketing Order (FMMO) and the QIP took effect as of November 1, 2018. Soon thereafter, opposition to the quota program began to surface in the producer community. The recent dissension is due in part to the FMMO requirement that the quota assessment appear as a line-item authorized deduction on producers' milk checks. Notwithstanding the fact that quota has always been a producer-funded program, this visibility into the assessments has sparked a divisive debate. The resulting uncertainty around the program has also caused a market reaction. The average market price for quota solids-not-fat pounds has declined from \$483 / pound in October 2018 to \$230 / pound in January 2020—a 52% drop in just 15 months.

In an effort to bring unity to an increasingly divided community, United Dairy Families of California formed in early 2019 for the purpose of providing a forum for all California dairy families to discuss the future of quota. Dairy Families has worked hard over the last several months to elicit from the producer community a consensus plan to reform the quota program. Dairy Families facilitated an inclusive and transparent three-phase process led by Dr. Marin Bozic and Matt Gould. In Phase I, 11 initial reform proposals were discovered. Through live producer surveys, Phase II and Phase III narrowed those proposals down to one.

This process was a collaboration that included support from several key stakeholders in the industry, including three dairy farmer-owned cooperatives (California Dairies, Inc., Dairy Farmers of America, Inc., and Land O'Lakes, Inc.) and three dairy farmer trade organizations (California Dairy Campaign, Milk Producers Council, and Western United Dairies). The process also included support from the STOP QIP Tax Coalition.