



Findings of the California Department of Food and Agriculture Regarding a Public Hearing Held on May 5, 2025 to Consider A Petition to Terminate the Quota Implementation Plan

Background

Quota Implementation Plan

In 2017 California market milk producers took part in an industry vote that authorized the California Department of Food and Agriculture (CDFA or Department) to issue the Quota Implementation Plan (QIP¹), a stand-alone program to administer quota, if a federal milk market order was adopted in California. In 2018, the United States Department of Agriculture (USDA) made effective the California Federal Milk Marketing Order (FMMO). The FMMO and the QIP took effect on November 1, 2018. The QIP is promulgated under Section 62757 of the California Food and Agricultural Code (FAC).

QIP is a program by which California dairy producers are paid a higher amount for raw milk covered by quota than for milk not covered by it. The premium for quota-holders is funded by dairy producers through deductions from the California milk shipped to California milk processing plants. The current quota assessment to pay the premium is \$0.335/cwt (\$0.0385/lb. of SNF). Prior to the QIP's inception, quota existed as part of the California Milk Pooling Plan.

Reason for the Hearing

On August 6, 2024, CDFA received a petition entitled "Petition to Terminate the QIP #5". Per the procedures for handling petitions outlined in Section 1103 of the QIP, the Department performed a review of the petition signatures and their respective reported volume and determined that the twenty-five percent (25%) threshold had been achieved. In calculating the qualified signatures, the Department utilized producer data from June 2024, as it was the most current producer information available when the petition was received. A summary of the petitions received from eligible Market Milk producers is on the following page.

¹ The formal name of the CDFA program that administers the Quota Implementation Plan (QIP) is the Quota Administration Program (QAP). Notwithstanding, the industry routinely utilizes the term QIP to refer to both the Plan and the Program. These findings honor that practice and utilizes QIP and QAP interchangeably throughout the document.

Total Number of eligible Market Milk Producers on the list:	787
Number of valid petitions received from eligible Market Milk producers:	197
Percentage of valid petitions received from eligible Market Milk producers:	25.03%
Total reported production volume (in product pounds) as of June 2024:	3,305,913,595
Total reported production volume (in product pounds) represented by those submitting valid petitions as of June 2024:	1,091,584,622
Total reported percentage of production volume represented by those submitting valid petitions as of June 2024:	33.02%

Table 1: Summary of Petitions Received

Accordingly, the petition was referred to the Producer Review Board (PRB or Board) for review. The PRB is the advisory board appointed by the Department to advise the Secretary in the administration of QIP. At their meeting held on December 17, 2024, the Board reviewed and discussed the merits of the petition and passed a motion recommending to the Secretary that the petition go to an industry referendum. After due consideration, the Secretary concurred with the PRB's recommendation and, on February 24, 2025, issued a notice stating that the Department plans to conduct a referendum vote among California market milk producers to consider whether the QIP should be immediately terminated. Before moving forward with an industry vote, CDFA decided to conduct a public hearing. A hearing was held on May 5, 2025, to seek industry insight on the proposal and to provide feedback to the Department about the petition.

Petition to Terminate the QIP #5 Hearing

Notification

CDFA conducted a public hearing at the Stanislaus County Ag Commissioner's Office in Modesto, CA to receive comments on a petition to terminate the QIP. A hearing was called pursuant to Article 3, Section 58061, being Chapter 1 of Part 1, Division 21 of the FAC, which permits CDFA to conduct investigations, make surveys, and assemble facts which are pertinent to marketing and to the formulation, administration or amendment of any marketing order, agreement or program which is authorized by any law now in effect or which may hereafter be enacted. At the hearing, all affected California market milk producers and other interested persons were invited to present their testimony about the petition to terminate QIP.

Due notice of the hearing was provided to California market milk producers and the public through an official Notice of Public Hearing issued on April 4, 2025. The notice included a link to the petition:

https://www.cdfa.ca.gov/dairy/pdf/notices/2024_08_06_Petition_to_Terminate_the_QIP_5.pdf. Additionally, the notice described the various ways that interested people could submit testimony for this hearing. Mr. John Suther, Branch Chief, in the Department's

Bureau of Livestock Identification, presided over the hearing. Mr. Joe Monson, Mr. Ben Kardokus, and Mr. David Ko, with the Department's Marketing Services Division, served on the hearing panel.

Petition Language

The language in the petition states that the petitioners wished to immediately terminate the QIP and request that CDFA conduct a referendum in accordance with the procedures set forth in California Food & Agriculture Code, Sections 62716 and 62717, and 62719. If the referendum passes, the QIP would be immediately terminated.

The Board

The Producer Review Board is established by Section 62719 of the FAC. The PRB is composed of fifteen (15) producer members and two (2) producer alternates who shall give proportionate representation to all areas of the state, with regard to the relative production and usage of fluid milk in the various areas of the state. The term of office is four years; terms of office are staggered among board members. A producer may serve two terms and is not eligible for re-appointment thereafter.

The Board is advisory in nature and makes recommendations to the Secretary regarding the administration of QIP. The PRB generally advises the Secretary on matters related to quota premium assessment rates, hardship considerations, the 5-year effectiveness survey, producer petitions, and non-substantive amendments, along with any number of other administrative activities. If the Secretary finds, after review, that the recommendations of the Board are consistent with the authorities and purposes of the QIP and applicable laws, beneficial to the state's dairy industry and general public, and consistent with CDFA's policies and procedures, the recommendations are approved.

Overview of the Hearing Testimony

Seven persons testified during the May 5, 2025 hearing. The following is a compilation of the main points expressed in the hearing testimony. It should be noted that a substantial portion of the testimony received was related to overarching items related to QIP, but not necessarily directly related to the call of the hearing. This summary of comments is limited to statements related to the hearing.

Comments in support of the termination of the QIP:

- The QIP is illegal. It has not been duly authorized through the APA.
- CDFA is not being transparent.
- No merits that this is a good program for our industry.
- Program was intended to end in 1985 once equalization was achieved.
- With the FMMO there is no reason for the Quota program to be in existence, it has no legitimacy.
- It's a zero sum game for the industry.
- It would help our industry a tremendous amount [If the QIP was terminated].
- You don't mind taking my cash assets every single month, but we can't take away your asset, the Quota.

Comments in opposition to the termination of the QIP:

- People invested in this [Quota]. People made business decisions.
- The industry voted to have a quota payment. The QIP was voted in with a two-thirds vote.
- It's not stealing money, it's a huge investment.
- Getting rid of quota with no compensation is really contrary to the way we do business here in America.
- I understand the frustration of dairymen that do not own any Quota. But every person who dairies in California knew that being in the dairy industry requires paying into the Quota system, and every dairymen, including Quota owners, pay into it.
- I should not be punished because I chose to invest in Quota while others chose to invest in land, cows or whatever.
- Our Quota was bought through a lot of hard work, creativity and smart investing. The returns are high, and any good businessman would know that if they want good ROI they should have bought quota.

Comments about the PRB:

- The PRB is not representative or fair of the industry.
- The PRB *did* make a recommendation to the Secretary to hold a referendum on this petition.

The comments and testimony received during the hearing highlighted the opposing opinions and feelings regarding quota and the QIP program. The testimony was broadly related to whether the QIP program should stay in place or not. Testimony was also received on alternate proposals for terminating the program, historical context of QIP, the Federal Milk Marketing Order, the Department and the PRB.

Conclusions

Under Article 3, Section 58061 of the FAC, CDFA is permitted to assemble facts which are pertinent to marketing and to the amendment of any program currently authorized by law. CDFA will incorporate to its official records for the industry referendum to consider Petition #5 the testimony and exhibits that gathered during the hearing.

A producer referendum will be held in the same manner as the referendum to consider the implementation of QIP, per the requirements of Section 1101 of the QIP. Ballots will be mailed to all market milk producers of record in the state in early June 2025.

Kathy Diaz

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Kathy Diaz, Director
Marketing Services Division
California Department of Food and Agriculture

Date: June 6, 2025