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FINDINGS AND CONCLUSIONS OF THE DIRECTOR OF THE CALIFORNIA DEPARTMENT OF FOOD  
AND AGRICULTURE UPON THE STABILIZATION AND MARKETING PLANS, AS AMENDED,  
FOR MARKET MILK FOR THE DEL NORTE-HUMBOLDT, NORTHERN CALIFORNIA,  
SOUTH VALLEY, AND SOUTHERN CALIFORNIA MARKETING AREAS

WHEREAS, a consolidated public hearing for the purpose of considering amending the existing Stabilization and Marketing Plans for Market Milk for the Del Norte-Humboldt, Northern California, South Valley, and Southern California Marketing Areas was duly and regularly called and held in Sacramento, California, on May 6, 1985; and

WHEREAS, pursuant to the provisions of Chapter 2, Part 3, Division 21 of the Food and Agricultural Code, full and proper notice of said hearing was regularly given by mail in accordance with the provisions of Section 61994 of said Code, to all producers, producer-handlers, and handlers of record with the California Department of Food and Agriculture, who may be subject to the provisions of the Stabilization and Marketing Plans for Market Milk for said Marketing Areas; and

WHEREAS, said hearing was called pursuant to petitions from representatives of the dairy industry; and

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

WHEREAS, petitioners and other interested parties presented testimony and evidence which demonstrated the need for a Class 1 price freeze at the current levels until October 1, 1985, with an adjustment at that time of approximately 26¢ per hundredweight to partially offset an estimated 75¢ per hundredweight reduction which is expected to occur by that time; and

WHEREAS, as set forth with more particularity in the administrative record of the proceedings herein, based on evidence at said hearing, and as supplemented in the record thereafter, it is hereby found and concluded that:

1. All Class 1 prices in the Stabilization and Marketing Plans for the period June 1, 1985 through September 30, 1985 be frozen at the April-May 1985 price levels; and
2. The Class 1 base price for fluid be increased by \$0.0029 per pound and the solids-not-fat be increased by \$0.0004 per pound in the Stabilization and Marketing Plans to offset the April 1, 1985 support price reduction impact of approximately 26¢ per hundredweight on the Class 1 price; and

WHEREAS, the Director hereby adopts said concurrent Economic Basis for Findings and Conclusions on Material Issues;

NOW, THEREFORE, after due deliberation upon the full consideration of the facts and evidence adduced, the Director of the California Department of Food and Agriculture hereby finds that the Stabilization and Marketing Plans now in effect in said Marketing Areas are no longer in conformity with the standards prescribed in said Chapter 2, and that the same will not tend to effectuate the purposes of said Chapter 2 without amending said Plans, and that amendments to said Stabilization and Marketing Plans for Market Milk for said Marketing Areas are proper and necessary in order that said Plans shall continue to conform with the standards prescribed in, and shall continue to tend to effectuate the purposes of said Chapter 2; and

The Director of the California Department of Food and Agriculture hereby further finds that amendments to the Stabilization and Marketing Plans for Market Milk for said Marketing Areas, and each and every part of said amendments to said Plans, identified as Del Norte-Humboldt Order Number One Hundred Two (102), Northern California Order Number Eleven (11), South Valley Order Number Twenty-eight (28), and Southern California Order Number Twenty-seven (27) are necessary to accomplish the purposes of said Chapter 2 and hereby determines that said Plans, as Amended, will tend to accomplish the purposes of said Chapter 2 within the standards therein prescribed.

All testimony and items of evidence submitted by all parties to these proceedings, whether or not specifically mentioned herein, have been considered in rendering these findings and conclusions.

Clare Berryhill  
Director of Food and Agriculture

By *Vernon L. Shahbazian*

Vernon L. Shahbazian, Chief  
Milk Stabilization Branch

Date May 15, 1985

ECONOMIC BASIS FOR FINDINGS AND CONCLUSIONS ON MATERIAL ISSUES PRESENTED  
FOR CONSIDERATION FOR AMENDMENT OF STABILIZATION AND MARKETING PLANS  
FOR MARKET MILK FOR THE DEL NORTE-HUMBOLDT, NORTHERN CALIFORNIA,  
SOUTH VALLEY, AND SOUTHERN CALIFORNIA MARKETING AREAS

A hearing was held on May 6, 1985 in response to a petition from representatives of Southern California dairy producer organizations for the purpose of reviewing the effect of the April 1, 1985 reduction in the Federal milk support price on the California Class 1 milk price. The change in the support price is reflected directly in the California Class 4a price. The change in the Class 4a price is then reflected in the Class 1 price through the Class 1 price formula as one of the inputs, with a weighting of 42%. The hearing was called after consultation between the industry and the Department, at which time it was agreed that such a review would be made.

Hearing Record

The petitioners requested at the hearing that the April 1 support price drop of 50¢ per hundredweight be offset in such a way that there would be no effect on the Class 1 price. This offset would have to be accomplished by an increase in the Stabilization and Marketing Plan base prices for Class 1 milk in an amount which would be equal to the decrease generated by the lower Class 4a price input to the formula. The petitioners supported their position by citing high cost of production in the Southern California area and the fact that a large cheese plant will begin operations in the near future in Southern California which will require an additional milk supply. Additional support for their position was based on the uncertainty currently in the market due to the unknown impact of the pending Federal Farm Bill.

The second witness was a representative of a large cooperative in the South Valley Marketing Area who indicated that there was no economic basis upon which an offset could be justified, but was in support of a freeze of the Class 1 price until October 1, 1985. The witness testified that the formula should be allowed to go upward or downward based on the economic conditions of the times and that prices should not be adjusted simply to prevent downward movements. However, he offered a compromise which would in effect freeze the current Class 1 price from June 1 through September 30, and would concurrently adjust the Order base prices in the Stabilization and Marketing Plans in such a way that when the formula becomes operative again on October 1, there would be an adjustment in the Class 1 price to offset the impact of the April 1 support price reduction.

The next witness, representing a membership extending from Kern County north to the Oregon border, supported the idea of the offset, citing that there were many dairy farmers who found themselves in a difficult cash flow situation at the present time. Under questioning, he stated that a compromise would be acceptable which would freeze the current Class 1 price until October 1 and would thereafter offset the effects of the April 1 50¢ per hundredweight support price drop.

The fourth witness, a representative of Consumers Union, opposed the proposal of the petitioners. He further indicated that Consumers Union had been in on the development of the automatic Class 1 price formula and had agreed that such a formula would remove the Class 1 price from political intervention. He further indicated that should the Department interfere with the operation of the formula simply because it was moving the Class 1 price downward, Consumers Union would consider that once again the Class 1 price program to be in the political arena.

The last witness, representing a marketing cooperative located in the South Valley Marketing Area supported a Class 1 price freeze effective June 1, although he expressed reservations about interrupting the workings of the Class 1 price formula.

The witness for the petitioners did not reappear on the stand to address the compromise issue. At the time he was on the stand, he did indicate under questioning that the freeze concept with an adjustment to offset the April 1, 1985 price support decrease would be better than allowing the formula to continue without any adjustment.

#### Background

On April 1, 1985, the Federal Payment-In-Cash (P.I.C.) program was terminated. This program had been instituted by the Federal Government in an attempt to reduce milk production nationwide. The termination had the following effects: Elimination of the 50¢ assessment on all milk including Class 1, and the lowering of the support price by 50¢ per hundredweight on April 1.

There also is provision for an additional 50¢ reduction on July 1 if sales to the Commodity Credit Corporation continue at the present high levels. The termination of the assessment on April 1 has the effect of reducing the cost of production by 50¢ per hundredweight because the assessment had been considered to be a non-avoidable tax and had administratively been included in the state's cost of production index. The discontinuance of this assessment as a cost as of April 1 will reduce the Class 1 price effective October 1, 1985 by approximately 22¢ per hundredweight.

The two support price decreases plus the elimination of the assessment as a cost of production will collectively cause an approximate 75¢ per hundredweight reduction in price, which will factor into the Class 1 price on October 1 through the formula.

#### Conclusions

After review of the cost of production, the supply of milk available to the market, and current California prices relative to other prices for milk, it is apparent that the standards upon which prices are based do not support a change in the workings of the Class 1 price formula. However, there is and has been considerable uncertainty as to what the market will be in the upcoming year because of the unknown impact of pending Federal legislation. At this time there is no conclusive program upon which producers can make necessary business determinations.

The first inclination of the Department is to allow the formula to function without remedial action. However, there are other considerations, namely:

- (1) The uncertainties in the market based upon the pending Federal farm program and its unknown impacts; and
- (2) The fact that a 75¢ per hundredweight decrease in the Class 1 price would occur in a precipitous manner.

Because of the destabilizing effects of these factors, the Department should freeze the Class 1 price at current levels, at least until October 1, 1985, with an adjustment at that time of approximately 26¢ per hundredweight to partially offset an expected 75¢ per hundredweight reduction which will occur by that time.

Summary

The Department should:

1. Freeze all Class 1 prices in the Stabilization and Marketing Plans for the period June 1, 1985 through September 30, 1985; and
2. Beginning October 1, 1985, when the freeze ends, adjust the base prices on the skim milk portion in the Stabilization and Marketing Plans, to offset the April 1, 1985 support price reduction impact of approximately 26¢ per hundredweight on the Class 1 price.

Clare Berryhill  
Director of Food and Agriculture

By *Vernon L. Shahbazian*

*R. A. Abbott*

Vernon L. Shahbazian, Chief  
Milk Stabilization Branch

Robert A. Abbott, Special Assistant  
Marketing Services

Date May 15, 1985

*Revised*

FINDINGS AND CONCLUSIONS OF THE DIRECTOR OF THE DEPARTMENT OF FOOD AND  
AGRICULTURE WITH RESPECT TO ISSUES CONSIDERED AT THE CONCURRENT PUBLIC  
HEARING ON THE POOLING PLAN AND THE STABILIZATION AND MARKETING PLANS  
HELD ON OCTOBER 2, 1984

WHEREAS, a public hearing on the Pooling Plan for Market Milk, as Amended, was held concurrently with a consolidated public hearing on the Stabilization and Marketing Plans for all milk marketing areas in Sacramento, California, on October 2, 1984; and

WHEREAS, pursuant to the provisions of Chapter 2 and Chapter 3, Part 3, Division 21 of the Food and Agricultural Code, full and proper notice of said hearing was regularly given by mail in accordance with the provisions of Section 61994 of said Code, to all producers, producer-handlers, and handlers of record with the California Department of Food and Agriculture, who may be subject to the provisions of the Stabilization and Marketing Plans for Market Milk and the Pooling Plan for Market Milk; and

WHEREAS, said hearing was called at the instance of the Director and pursuant to a petition from the dairy industry; and

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

WHEREAS, the Director hereby adopts the concurrent Economic Basis for Findings and Conclusions on Material Issues; and

WHEREAS, as set forth with more particularity in the administrative record of the proceedings herein, based on evidence at said hearing, and as supplemented in the record thereafter, it is hereby found and concluded that amendments should be made to:

1. Article 9.2, Section 921.2, Subsection (d), Item 2, Sub-item (i), of the Pooling Plan for Market Milk by increasing the transportation adjustment for ranch to plant shipments for plants located in the Southern California area which receive market milk from dairy farms located in the Fresno, Kings, and Tulare Counties, and which are over 75 miles away, by two cents (\$0.02) per hundredweight, increasing the current adjustment from thirty-four cents (\$0.34) per hundredweight to thirty-six cents (\$0.36) per hundredweight.
2. Article III, Section 300.2, of the Stabilization and Marketing Plans by increasing the maximum transportation credit for quantities of market milk and market skim milk shipped in bulk form to the San Diego, Riverside, Orange, or Los Angeles deficit counties, from the designated supply counties of Tulare, Kings and Fresno by two cents (\$0.02) per hundredweight, raising the twenty cent (\$0.20) per hundredweight credit from Tulare County to twenty-two cents (\$0.22) per hundredweight, and the twenty-three cent (\$0.23) per hundredweight credit from Kings and Fresno Counties to twenty-five cents (\$0.25) per hundredweight.

WHEREAS, the above-mentioned amendments applicable to the Pooling Plan for Market Milk are not substantive in nature, they shall be adopted without the necessity of a referendum.

NOW, THEREFORE, after due deliberation upon the full consideration of the facts and evidence adduced, the Director of the California Department of Food and Agriculture hereby finds that the Stabilization and Marketing Plans and the Pooling Plan for Market Milk now in effect in said Marketing Areas are no longer in conformity with the standards prescribed in said Chapters 2 and 3, and that the same will not tend to effectuate the purposes of said Chapters 2 and 3 without amending said Plans and that amendments to such Stabilization and Marketing Plans and such Pooling Plan for Market Milk are proper and necessary in order that said Plans shall continue to conform with the standards prescribed in, and shall continue to tend to effectuate the purposes of, said Chapters 2 and 3; and

The Director of the California Department of Food and Agriculture further finds that amendments to the Stabilization and Marketing Plans for Market Milk for said Marketing Areas, and each and every part of said Plans, identified as Del Norte-Humboldt Order Number One hundred (100), Northern California Order Number Nine (9), South Valley Order Number Twenty-six (26), and Southern California Order Number Twenty-five (25), and Pooling Plan Order Number Forty-nine (49) are necessary to accomplish the purposes of said Chapters 2 and 3 and hereby determines that said Plans, as Amended, will tend to accomplish the purposes of said Chapters 2 and 3 within the standards therein prescribed.

All testimony and items of evidence submitted by all parties to these proceedings, whether or not specifically mentioned herein, have been considered in rendering these findings and conclusions.

Clare Berryhill  
Director of Food and Agriculture

By *R. A. Abbott*

Robert A. Abbott, Acting Chief  
Bureau of Milk Stabilization

Date 11/14/84