

## Quota Implementation Plan

Public Forum Notes

July 29, 2024

Sonoma County Agricultural Commissioner's Office

133 Aviation Blvd #110

Santa Rosa, CA 95403

Seven producers and/or interested parties were in attendance along with Department staff. The forum began with a brief introduction by John Suther, forum moderator, followed by a Department presentation on the proposed changes to the QIP, made by David Ko. Mr. Frank Konyn was the first industry member to speak. The proposed changes to the QIP were authored by him and he gave a brief overview of the changes followed by questions from other industry members, summarized below. *Please note that the answers below were given by Mr. Konyn unless indicated otherwise.*

*Disclaimers: The comments made by producers and/or interested parties have not been verified. This summary includes information about a presentation Mr. Frank Konyn made during the forum as well as his feedback to questions asked by attendees. Mr. Konyn is a member of the PRB but he was not delegated authority by the Board or the Department to speak on their behalf. Accordingly, all his statements should be considered his personal opinion as a California milk producer. Finally, in the interest of brevity and clarity some questions and/or comments, particularly those made several times, may have been edited or shortened in this summary.*

By way of introduction, Mr. Konyn stated that he is a dairyman from San Diego County. He authored the proposed changes to the QIP to bring the QIP payout more in line with current Class 1 sales. He has put together extensive spreadsheets and ran the data and feels confident that he has come up with a number that does just that. His proposal was based off a previous proposal first made during the United Dairy Families hearings and referendum (but not what the referendum ultimately was voted on). His intent is that this proposal is a compromise vote for all industry members, as it brings quota more in line with its original intention and will hopefully bring more unity to the industry rather than division on this topic.

Mr. Konyn believes that the quota premium payout of \$1.00 is a fair return, additionally the state will get rid of the Regional Quota Adjusters as well as make language changes to the definition of hardship and producer within the QIP Plan.

**Question:** Is the validity of every single ballot verified? Or a certain percentage?

**Department Answer:** Every single ballot is verified.

**Question:** If this referendum was approved, the payout price would go down to \$1.00 and then looked at again in five years?

**Frank Konyn:** Yes, to maintain the payout price to be in line with sales generated from Class 1. The payout price could theoretically go up or down.

**Clarification from CDFA:** Reviewing the payout amount in five years is not part of the formal proposal. It would be up to the PRB to make that determination to send a recommendation to the Secretary. As currently written, the proposal does not change the QIP Plan language requirement to forgo a referendum to change the payout amount.

**Question:** If the payout is reduced will the assessment fee producers pay be reduced too?

**Frank Konyn:** Yes, less money being paid out would translate to a lower assessment rate. The PRB reviews and makes a recommendation to the Secretary regarding the assessment rate, the assessment rate is tied as closely as possible to the needs of the Department in terms of making the quota payments.

**Department Clarification:** Using data from April 2023 to March 2024, the Department estimates the new assessment would range from SNF pound 0.0239 to 0.0268 or \$0.21 - \$0.23 per hundredweight.

**Question:** Doesn't the assessment pay for the quota? How is it tied to Class 1?

**Frank Konyn:** The assessment, which is on all milk, pays for the quota. When quota started, it was intended to equal class 1 sales but now there is not enough class 1 sales to equal the current quota payout. In essence the difference is made up from the other classes of milk.

**Question:** Does this change the "mailbox price" received from the FMMO?

**Department clarification:** The FMMO is completely separate.

**Question:** Tying the quota payout to Class 1 may have made sense under the California Milk Marketing Order, but with the change to the FMMO is that still true?

**Frank Konyn:** This proposal is to tie the quota payout to class 1 sales, as was the historical intent of quota. Doing so seems fair, currently the payout is larger than class 1 sales so then you have to take money from the other classes to cover quota.

**Department clarification:** There wouldn't be a technical attachment to Class 1.

**Question:** Isn't the assessment on all classes of milk? How does this change the assessment on other classes of milk?

**Department clarification:** Yes, the assessment is on all classes of milk. This proposal won't change the assessment on certain classes of milk.

**Question:** Will the Co-ops block vote?

**Department Answer:** No. A ballot will go to each producer.

**Question:** It seems that for many quota holders this is going to be a cut in income. Why should producers support this?

**Frank Konyn:** This proposal is trying to be fair to both quota holders and non-quota holders. It tries to return the quota payout back to class 1 sales, which was the original intent of the quota. It hopes to take the tension out of the industry so that there can be greater unity in the industry as a whole.

**Question:** There is confusion on your statement regarding the mailbox price producers receive for their milk. Class 1 sales do not generate income to pay for quota. This proposal doesn't say it is going to attach the quota payout to Class 1 prices in any way, nor has it been attached to Class 1 in close to 30 years. Does the Department believe that the mailbox price producers receive will go up as a result of this referendum?

**Department clarification:** We don't know. We don't have an answer because we don't deal with prices.

**Frank Konyn:** As a state-wide aggregate, mailbox price will go up, if you lower the assessment it will go up. Yes, some quota holders are going to lose in their mailbox price, the assessment and RQAs may offset that to some extent, but ultimately for some producers the mailbox price is likely to go down.

**Question:** The industry voted through referendum to keep quota when we went to the FMMO, but this proposal feels like a changing direction on this. Is there anything in this proposal that would stop a referendum intent to end quota altogether?

**Frank Konyn:** No, but this is a compromise for both sides, so hopefully there would be less tension in the industry.

**Question:** To return to your statement regarding this proposal tying the quota payout to back to class 1. You are trying to say that your idea is to move the quota payout in line with what it should be if it were tied to class 1, right?

**Frank Konyn:** Yes, that is accurate.

**Question:** This is a “middle of the road” proposal, as you describe it, but perhaps there is some intent in this proposal to just get quota holders to agree to give it up altogether. Are you trying to phase it out?

**Frank Konyn:** The PRB stated that it was supportive of increasing the payout if the price of class 1 were to go up. The payout could potentially be raised or lowered down the road.

**Question:** A change to the quota payout would mean another referendum, correct?

**Department clarification:** A change to the payout is a substantial change to the plan. That would require a referendum.

**Frank Konyn:** *My understanding is different. This current time there are significant changes to the Plan but future changes to the payout, suggested by the PRB, would not require another referendum. Furthermore, it was the intent of the proposal and the PRB Board to include language that would allow for the review of numbers and the subsequent change to a quota payout every five years.*

**Department clarification:** It is the intent of both the public forums and the public hearing to review the proposal and identify any additional changes needed. There is still time to make changes before the ballot is sent out. The Department will review Mr. Konyn’s suggestion with the PRB Chairman and the Secretary. If any changes are made to the proposal we have presented to you, it will be sent out to the industry prior to the hearing and the referendum.

**Question:** What is the term of PRB board membership? If this is to be reviewed every five years it would mean that potentially different board members will be doing that review?

**Answer:** The term is two 3-year terms.