



Agricultural Marketing Service

CALIFORNIA FEDERAL MILK MARKETING ORDER FINAL DECISION

WHAT PRODUCERS NEED TO KNOW

The USDA Agricultural Marketing Service (AMS) administers the Federal Milk Marketing Order (FMMO) program as authorized by Congress under the Agricultural Marketing Agreement Act of 1937. Federal orders regulate beverage milk handlers based on the location of their beverage milk sales. Producers are not regulated by the federal orders, but benefit from the regulatory provisions by selling milk to regulated handlers.

The 10 existing FMMOs regulate over 64 percent of milk produced in the United States. USDA, based on the evidentiary record, has proposed that a California FMMO be established. This handout outlines the recommended provisions of a California FMMO and how producers can qualify to have their milk pooled on the California FMMO. These recommended provisions become effective only if at least two-thirds of the eligible producers voting in the referendum, or the eligible producers who supplied more than two-thirds of the milk represented in the referendum, vote in favor of the proposed California FMMO.

If you are an Independent Producer:

- You are not a member of an approved Capper-Volstead cooperative.
- You must ensure 1-day's production is physically received at a pool plant during the first month you want to qualify as a producer.
- If you lose your qualification, you can requalify by shipping 1-day's production to a pool plant.

If you are a Cooperative Member:

- Your Cooperative must be an approved Capper-Volstead cooperative.
- Your Cooperative should ensure that your milk qualifies to pool.
- Your Cooperative may act as a handler making the pooling decision.

How would I qualify as a producer?

- ▶ You produce Grade A milk.
- ▶ Your milk is received at a pool plant.

How would my milk qualify to pool?

- ▶ At least 1-day's milk production must be physically received at a pool plant during the first month you want to qualify as a producer.
- ▶ If you lose your qualification, you can requalify by shipping 1-day's production to a pool plant.

Who would decide to pool my milk?

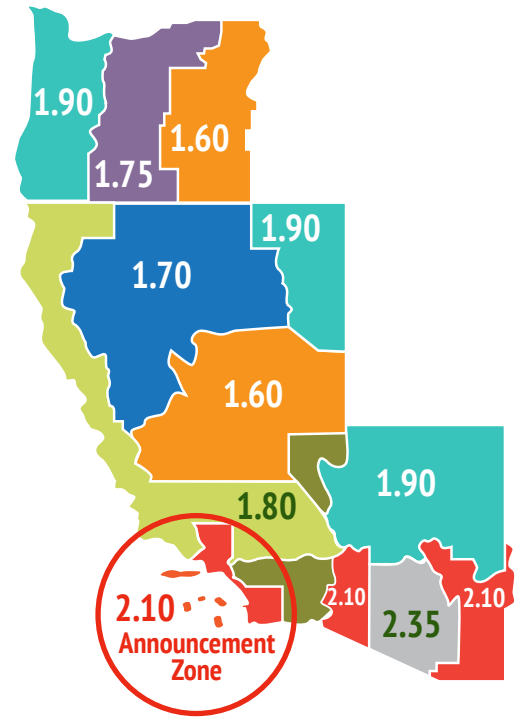
- ▶ Handlers and cooperative handlers, **not individual producers**, make the pooling decision.

How would I get paid for my milk?

- ▶ A California FMMO would calculate a **uniform blend price** reflecting the use of all milk that handlers elect to pool for the month. Uniform blend prices reflect the standard component tests (i.e., 3.5 percent butterfat) while your actual payments reflect the components present in your milk. As a qualified producer, you would be paid a price per pound of butterfat, protein, and other solids you produce, as well as a **producer price differential** per hundredweight (cwt) of milk pooled. A California FMMO would enforce minimum producer payments on pooled milk. Cooperatives would still have the ability to reblend all money received to their members. Premium payments are not enforced by the FMMO.

- ▶ **A producer payment includes:**
 - ▶ **Prices per pound** of the Class III values of butterfat, protein, and other solids contained in your milk.
 - ▶ **A Producer Price Differential (PPD)**
 - » A PPD is the remaining market value of your milk after accounting for the Class III component values.
 - » It is paid on a per cwt basis.
 - » The PPD is adjusted by location. The adjustment is the difference between the **\$2.10 announcement zone** in Los Angeles County, California, and the location of the plant where your milk is delivered.
- ▶ **Authorized Deductions:**
 - » CDFA-administered quota assessment.
 - » National Dairy Promotion and Research Board assessment.
 - » California FMMO Market Administrator Assessment if services are provided to producers (excluding cooperative members already receiving marketing services).
 - » Producers receiving FMMO marketing services would be assessed a maximum of \$0.07 per cwt on their pooled milk. Services include verifying, weighing, and testing producer milk; providing market information for producers not receiving such services from a cooperative.
 - » Other deductions authorized in writing by you, the producer.

PRODUCER PAYMENT ZONES for Oregon, California, Nevada & Arizona



How would AMS calculate my payment?

- pounds of butterfat produced **x** butterfat price
- + pounds of protein produced **x** protein price
- + pounds of other solids produced **x** other solids price
- + (cwt of milk **x** PPD*)
- Authorized Deductions

- = Producer Payment

How would the California FMMO announce classified milk prices?

- ▶ AMS publishes prices for components as well as Class II, III, and IV milk in the Announcement of Class and Component Prices released no later than the 5th of the following month and located at: www.ams.usda.gov/mnreports/dymclassprices.pdf

EXAMPLE POOL PRICE ANNOUNCEMENT

USDA United States Department of Agriculture
Agricultural Marketing Service Dairy Programs

**FEDERAL MILK ORDER No. 1
Northeast Marketing Area**
89 South Street, Boston MA 02111-2671
Mailing Address: P.O. Box 51478
Boston, MA 02205-1478
Tel.: (617) 737-7199 — Fax: (617) 737-8002
email: NortheastOrder@fedmilk1.com
website: www.fmmone.com

Albany: 302A Washington Avenue Ext. Albany, NY 12203-7303
Tel.: (518) 462-4410 Fax: (518) 464-6468
Alexandria: P.O. Box 25826 Alexandria, VA 22313-8626
Tel.: (703) 549-7000 Fax: (703) 549-7003

JANUARY 2018 POOL PRICE ANNOUNCEMENT

Producer Milk	Percent	Pounds	Minimum Class Price
Class I	33.4	762,059,432	\$18.89
Class II	23.7	541,627,441	14.11
Class III	25.8	589,661,458	14.00
Class IV	17.1	389,279,157	13.13
Total Producer Milk	100.0	2,282,627,488	

Computation of Uniform Price (per cwt @ Suffolk County, MA - Boston)		Class III & Producer Component Prices	
Producer Price Differential	\$1.70	Protein Price	\$1.6612 /lb
Class III Price (@ 3.5% Butterfat)	\$14.00	Butterfat Price	2.4531 /lb
Statistical Uniform Price (@ 3.5% Butterfat)	\$15.70	Other Solids Price	0.0787 /lb
Statistical Uniform Price (@ Average Pool Component Tests)	\$17.15	Nonfat Solids Price	0.5235 /lb

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL				
	Product Pounds	Price per cwt/lb.	Component Value	Total Value
Class I— Skim	746,054,756	\$10.23	76,321,401.54	
Butterfat	16,004,676	2.5200	40,331,783.52	
Less: Location Adjustment to Handlers			(2,841,999.73)	\$113,811,185.44
Class II— Butterfat	30,901,319	2.4601	76,020,334.88	
Nonfat Solids	47,319,865	0.6333	29,967,670.48	105,988,005.36
Class III— Butterfat	28,209,990	2.4531	69,201,926.45	
Protein	18,604,017	1.6612	30,904,993.04	
Other Solids	33,482,675	0.0787	2,635,086.51	102,742,006.00
Class IV— Butterfat	15,532,766	2.4531	38,103,428.28	
Nonfat Solids	34,669,538	0.5235	18,149,503.16	56,252,931.44
Total Classified Value				\$378,794,128.24
Add: Overage—All Classes				106,074.49
Inventory Reclassification—All Classes				59,130.90
Other Source Receipts	1,188,803 Pounds			47,290.75
Total Pool Value				\$379,006,624.38
Less: Producer Component Valuations @ Class III Component Prices				(352,640,161.49)
Total PPD Value Before Adjustments				\$26,366,462.89
Add: Location Adjustment to Producers				12,716,279.42
One-half Unobligated Balance—Producer Settlement Fund				686,133.80
Less: Producer Settlement Fund—Reserve				(943,999.25)
Total Pool Milk & PPD Value	2,283,816,291 Producer pounds			\$38,824,876.86
Producer Price Differential		\$1.70		
Statistical Uniform Price		\$15.70		

(Selected pool and price statistics on reverse side)

Erk F. Rasmussen, Market Administrator

*Adjusted for location

When are producer prices announced?

- ▶ **Producer Prices Announced:** On or before the 14th day after the end of the month.
- ▶ While prices are announced at the standard 3.5 percent butterfat, payments would be based on what you actually produce.

When would I get paid?

- ▶ **Partial Payment:** On or before the last day of the month for milk received during the first 15 days of the month.
- ▶ **Final Payment:** No later than the 19th day after the end of the month for milk received during the month.
- ▶ **Payments to Cooperatives:** Moved 1 day earlier for both partial and final payments.

How would my milk be classified under a Federal Order?

- ▶ Uniform FMMO classification provisions ensure handlers have the same minimum regulated cost of raw milk based on use.

California State Order Class	Proposed FMMO Class	Product
Class 1	Class I	Fluid
Classes 2 & 3	Class II	Soft products
Class 4b	Class III	Hard cheeses
Class 4a	Class IV	Butter & powders

For more information, visit www.ams.usda.gov/caorder or contact Californiainfo@ams.usda.gov / (202) 720-4392

