May 15, 2017

Office of the Hearing Clerk
United States Department of Agriculture
Room 1031-S
Washington, D.C. 20250-9200

RE: Comments on Recommended Decision – Docket No. AO-15-0071; AMS-DA-14-0095

Milk Producers Council (MPC) is a dairy farmer trade association, representing dairy families throughout California. Our 120 members account for about 10 percent of the state’s milk herd, consisting of both producer-cooperative owners and independent producers. We respectfully submit these comments on the Recommended Decision to establish a California Federal Milk Marketing Order (FMMO).

MPC believes that USDA correctly found that conditions in California justified the promulgation of a FMMO for California. We agree that bringing California into the FMMO system will help insure the integrity of the FMMO system in the entire country. Key to our support for a California FMMO is the adoption of the same pricing provisions that apply in all other FMMOs. This will create a long-needed level playing field for California producers as well as a leveling of the playing field between California and the dairy industry currently subject to FMMO regulation in the rest of the country. In addition, the ability of the FMMO to regulate out of state milk greatly enhances the opportunity for orderly market conditions in California, which is simply not possible under the current system where the state regulates the market.

We appreciate the approach the Recommended Decision took with regards to allowing for the continuance of the California quota program. We note that for this to be successful, the California Department of Food and Agriculture (CDFA) will have to accept and implement the quota program outside of the actual control of the FMMO. We are hopeful that CDFA will accept this responsibility, but note that nothing is final about that yet.

We also note that the Recommended Decision rejected Proposal 1’s scheme of an order-wide uniform producer blend price in favor of adopting location differentials in the calculation of blend prices to producers. We understand why USDA took this approach and we can support it provided that the transportation subsidy system that was also in Proposal 1 does not re-emerge in a Final Decision.
differential approach works successfully without a transportation subsidy system in virtually all the other FMMOs. We oppose any producer funded transportation subsidy system that might be suggested by others that would deduct producer revenue from the pool.

With regards to performance requirements for participating in the FMMO pool, MPC continues to prefer and support inclusive pooling, which was outlined in Proposal 1, as the best way to assure the broadest participation in the FMMO pool possible. We realize that the Recommended Decision did not go that route and established a performance standard for participating in the pool at 10 percent Class 1 utilization. If inclusive pooling is not part of the Final Decision, we believe that given the geography and characteristics of the California market, that a 10 percent performance standard is too high. California producer groups throughout this process have encouraged rules that would facilitate as much milk being in the pool as possible. We support a reduction of the performance percentage to 7.5 percent or lower. We also support tighter re-pooling requirements. The recommended Decision established a 125 percent re-pooling limitation, which we think is too loose for a California FMMO. We support lowering that threshold to 110 percent to act as a stronger disincentive to jump in and out of the pool.

In summary, MPC appreciates the promulgation of a California FMMO. We see it as a great step forward for establishing orderly and equitable marketing of milk, not only in California, but throughout the nation. We trust USDA will take into consideration our comments and suggestions and we look forward to a Final Decision that we can enthusiastically endorse.

Sincerely,

Kevin Abernathy
General Manager