In a virtual meeting held Thursday August 27, all 15 members of the Producer Review Board (PRB) gathered online to go through an agenda covering a number of topics. What follows in this article is a more detailed review of yesterday’s PRB meeting compared to others I have done in the past because this is a pivotal moment in the life of the California dairy industry. While the PRB meeting was on Zoom and accessible by anyone, the most participants I saw was 79. So, a lot of folks who are impacted by this issue were not able to witness the meeting. Here’s my best effort to accurately communicate what happened.

Before getting into the agenda there was a question of the California Department of Food and Agriculture (CDFA) from PRB member Craig Gordon, who asked about the Quota ownership of the individual PRB members. CDFA attorney Michelle Dias said that the Department was not prepared to get into the issue of Quota ownership of individual PRB members, but that later in the agenda there would be a general report on Conflict of Interest rules. This was followed by an enforcement report from Donald Shippelhoute, the manager of the Quota Implementation Plan (QIP) program. For the most part, the assessments for the QIP are being collected in full and on time. There is a small amount of money that is in dispute and CDFA, with assistance from the State Attorney General’s office, is seeking collection of these funds. Mr. Shippelhoute also reviewed the monthly balances of the QIP fund. Since the May increase in the assessment to $0.365, the fund has stabilized and now appears to be able to cover the Quota payments with the assessments collected.

Next came the legal report from the CDFA attorney. Ms. Dias reported on the STOP QIP lawsuit in which the Superior Court Judge ruled that the Legislature did not intend to require that a hearing be held to establish the QIP. There was quite a bit of back and forth between PRB member Craig Gordon and the CDFA attorney regarding CDFA’s position on this issue. CDFA’s lawyer said that CDFA’s position was outlined in detail in the court briefing papers. The court issued the final order on August 17 and STOP QIP has until October 17 to appeal the decision if they would like.

The CDFA lawyer then reported on the results of the hearing on STOP QIP’s petition to hold a referendum to suspend Chapter 3.5 of the Food and Agriculture code. The Administrative Hearings Judge who presided in this case, Judge Timothy Aspinwall, issued his findings on July 24, which found that the petition itself was legally deficient since it sought to terminate the QIP program through a voting process in Chapter 3.5 that was not designed to be a termination vehicle. The Judge stated in his opinion that there was a lot of compelling testimony from all sides on the underlying issue of Quota, but that none of that testimony was considered in his decision because he found that the petition itself was legally deficient. Attorney Dias reported that STOP QIP had filed a motion to reconsider the decision on August 5, CDFA responded on August 11 that there is no opportunity for a Motion to Reconsider in the CDFA hearing process. On August 14 Secretary Ross signed the recommended decision and made it her official decision on the STOP QIP chapter 3.5 petition. STOP QIP has 30 days to seek a judicial review of the
Secretary’s decision. Again, there was a significant back and forth between Mr. Gordon of the PRB and the Department regarding the procedure that led to this outcome.

Next Ms. Dias reviewed Conflict of Interest laws as they pertain to the Producer Review Board. The Political Reform Act spells out the rules for a board that is essentially made up of stakeholders such as PRB. There is not a conflict of interest if the benefit of a particular action is not for the specific individual board member. If the impact or benefits are applicable to everyone then there is no conflict of interest. Mr. Gordon again raised questions about the potential for conflict of interest by members of the PRB. He said that he had been in communication with the Fair Political Practices Commission (FPPC) and had received some information from them. Ms. Dias suggested that anyone can file a complaint with the FPPC and offered to review the communication Mr. Gordon had with FPPC. She also stated that if anyone thought they had a conflict of interest, then they should recuse themselves from the discussion and vote on any issue they thought they had a conflict on.

The next issue was the discussion on the United Dairy Families of California (UDFC) petition for a referendum on a plan to adjust the Regional Quota Adjusters (RQAs) right away and terminate the QIP on March 1, 2025. Mr. Gordon informed the PRB that he felt he had a conflict of interest on this issue and would not be participating in the discussion or any votes. Mr. Shippelhoute presented a table which showed that adjusting the RQAs statewide to achieve an effective $1.43 quota differential would have the effect of lowering the QIP assessment by about $0.025 per cwt. [Authors note: At a $1.43 differential, each individual pound of Quota SNF generates $5 per month of Quota revenue. If you count the months to March 1, 2025, you could calculate the amount of residual value generated by each pound of Quota SNF should that become the QIP termination date.]

The PRB members then started to ask questions. PRB member Art Van Beek asked if a petition could address two different issues, in this case, both a change to the RQAs and a termination date. The answer was yes it can. There was a question about the process of getting to a decision on a referendum. The answer was that a discussion by the PRB was the first step, and CDFA intended to hold a public hearing on the petition soon. PRB member Arie De Jong asked about the signatures on the UDFC petition and if they were notarized. The answer was that notarization of signatures was not required, but the CDFA staff in reviewing the signatures did compare signatures with those signatures of the same producers on other documents CDFA had in their possession, such as Quota transfer documents etc. CDFA officials verified they were satisfied that the signatures on the petition were valid and they had no reason to believe there was any fraud. PRB member Will Dyt asked about the timeframe for a decision from the Secretary and it was clarified by the Department that the Secretary had 30 days to respond to any recommendation from the PRB on an issue involving the QIP. Ms. Dias also indicated that the UDFC petition was being acknowledged by the CDFA as a Chapter 3.0 petition which requires a hearing. She reported that CDFA had already lined up Judge Timothy Aspinwall, who presided at the June Chapter 3.5 STOP QIP hearing to preside at a hearing on the UDFC petition. Ms. Dias explained that while the Judge would be expected to make a recommendation, the Secretary retains full discretion on what course of action to take. The meeting was opened to public comment and a question was asked by dairy farmer Richard Wagner whether the termination date in the petition could be changed. The answer was that the Secretary could consider any testimony on that, but that the petition was specific about the date.

PRB member Fred Fagundes then made a motion to have the PRB recommend that the Secretary deny the UDFC petition. Arie De Jong supported the motion. PRB member John Moons expressed his opinion that with the change to a Federal Milk Marketing Order, producers now
see the impact of the Quota program in their milk checks and that they deserve a chance to be heard on the Quota issue. PRB member Joey Fernandes said that UDFC had developed their proposal over an extended period of time with lots of input from the producer community and that denying the petition was not something he could support. PRB member Chuck Ahlem said that the PRB should recommend moving the petition forward to a hearing. There was some discussion about trying to amend the motion to deny, but it was decided to proceed with a vote on the motion to deny. A roll call vote was taken and voting in favor of the motion to deny the UDFC petition were PRB members Bordessa, De Jong, Fagundes, Van Beek and Van Steyn. Voting against the motion to deny were PRB members Ahlem, De Groot, Douma, Dyt, Fernandes, Moons, Nunes, Vander Poel and Van Groningen. Abstaining was PRB member Gordon. The vote was 5 yes, 9 no and 1 abstain. The motion failed.

Next, a motion was made by PRB member Fernandes to recommend to the Secretary that a hearing on the petition be held. Will Dyt supported the motion. There was more discussion about what the hearing would allow for any changes to the proposal. Ms. Dias said that the purpose of the hearing was to have an unbiased and experienced Judge gather all of the information anyone would want to submit on the issue and prepare a recommendation based on the information and the law for the Secretary to consider. Ms. Dias reiterated that the Secretary would consider all the information gathered before making her decision. There was then a roll call vote on the motion which stated that the PRB considered the petition valid and recommend a hearing on the petition. Voting in favor of the motion were PRB members Ahlem, De Groot, Douma, Dyt, Fernandes, Moons, Vander Poel, Van Beek, Van Groningen and Van Steyn. Voting no were PRB members Bordessa, De Jong, Fagundes and Nunes. Abstaining was PRB member Gordon. The vote was 10 yes, 4 no and 1 abstain. The motion passed.

The next item on the agenda was Public Comment. There was no public comment, but PRB member Craig Gordon attempted to bring up his tabled motion from the last PRB meeting that sought to suspend the QIP assessment for one year. The CDFA attorney said the tabled motion was not on the agenda and could not be considered. There were no other PRB members who spoke up to bring the issue forward and there being no other business, Chairman Fred Douma adjourned the meeting.

Geoff Vanden Heuvel is Director of Regulatory and Economic Affairs for the Milk Producers Council, a dairy farmer trade association representing California dairy families from across the Golden State.