



October 22, 2018

**DAIRY COUNCIL OF CALIFORNIA
INTERIM ASSESSMENT CALCULATION PROCESS**

The California Department of Food and Agriculture (Department) recently conducted a public hearing to receive testimony and evidence from the dairy industry and the general public regarding a proposed interim process for calculating Dairy Council of California (Council) assessment obligations once the new Federal Milk Marketing Order takes effect on November 1, 2018. The process would be revenue-neutral to the Council and will result in minimal changes to each producer's and handler's fees. The need for an interim process exists because the Department will no longer receive the necessary data to calculate the Council assessment owed by each producer and handler once the transition from a State milk pricing and pooling system to the new Federal Milk Marketing Order (FMMO) occurs.

Historically, the Council assessments have been collected through the pool accounting procedures. As of November 1, 2018, the Department will no longer receive the necessary proprietary handler data collected under pool accounting procedures which assigns Class 1 milk utilization to dairy producers. This data is necessary to calculate the two-tiered Council assessment paid by each California producer with one portion based on Class 1 utilization and a lower rate for all other classes.

Given that the pool accounting procedures are referenced in the Council Law, the Law will need to be amended to incorporate changes to how producer assessments will be calculated. Until amendments are enacted, a revenue-neutral, interim assessment collection process that best mirrors each producer's assessment obligations under the current system must be adopted.

The Dairy Council's Board of Directors considered alternatives for calculating assessment obligations once the Milk Pooling Plan becomes inactive. The alternatives considered were based on analysis performed by Department staff. The Council recommended a proposed procedure for consideration at a public hearing which was held on September 10th in Sacramento.

All testimony presented, either at the hearing or submitted in writing prior to the hearing supported the alternative recommended by the Council. Based upon the unanimous support of the industry, the Department is implementing the proposed, interim assessment calculation process until necessary amendments to the Dairy Council Law are adopted.

For more information regarding this hearing, please view all hearing documents on our CDFA website: https://it.cdfa.ca.gov/igov/docs/2018_DairyCouncilAssmnt_Hearing_Main_Page2.pdf or contact Amy Uber of the Department's Marketing Branch at 916-900-5018. For more information regarding the activities of the Dairy Council, please contact Tammy Anderson-Wise, Dairy Council CEO, at 916-263-3560.

Sincerely,

Robert Maxie, Chief
Marketing Branch

