



August 25 Action Alert

*** Contact State Lawmakers***

Urge California State lawmakers to Oppose AB 2730

**A bill put forward by
CDFA Secretary Karen Ross to deregulate
the largest class of milk, Class 4
and end minimum pricing and pooling regulations
on 80 percent of all milk produced in the state.**

**The sponsor of AB 2730 is the
Chair of the Assembly Agriculture Committee Susan Eggman, D-Stockton
The Cosponsor is
the Chair of the Senate Agriculture Committee Cathleen Galgiani D-Stockton**

**CDFA Secretary Ross and her allies in the Legislature
Are attempting to pass AB 2730 with no public debate or discussion
Prior to the August 31, 2014 Deadline for this legislative Session**

CDC is opposed to the draft legislation for a number of reasons, but primarily because it would lead to the deregulation of Class 4 milk pricing, the largest Class of milk totaling 80 percent of all milk sold. **Dairy farmers in federal order states are given the opportunity to vote when significant changes are made to milk pricing regulations, but Secretary Ross and her allies in the legislature are attempting to gut dairy producer pricing regulations in the final days of the legislative session.** Secretary Ross is claiming that the legislation is a consensus reached by the Dairy Future Task Force. CDC President Joe Augusto sits on that task force and no votes were taken and no consensus has ever been reached.

Impact on Dairies: No other state the size of California has considered deregulation on this scale. CDC called on Secretary Ross to uphold the current regulations calling for California prices to be in reasonable relationship with other states. Last month the difference between the 4b and federal order Class III totaled \$2.81 per cwt. **Secretary Ross refuses to uphold the current regulations and instead is attempting to eliminate regulation of the largest class of milk, Class 4.**

Impact on Quota Program: The level of deregulation called for in the draft bill would jeopardize the state quota program by July 1 of 2015 if it were adopted. **On July 1, up to 50 percent of Class 4 milk could be sold outside of the pool and not subject to minimum pricing or pooling regulations which would threaten the state dairy quota system that dairy producers have invested in over many years.**

AB 2730 would shift virtually all risk to dairy producers: The debate over forward contracting or as dubbed in AB 2730 “alternative marketing agreements” is not a new one. CDFA completed a study after legislation to allow forward contracting outside of the pooling system was considered and rejected in the state legislature in 2000. The study titled, “**Dairy Marketing Study,**” stated that under forward contracting, “the handler is assured of a long-term, fixed raw product cost for the milk under contract, and the **producer under contract is left to bear all of the risk of**



price increases and decreases.” Back in 2000, the aim was to ensure that all sales were accountable to the pool, but under AB 2730, all of the alternative marketing agreements could be completely outside of the pool which is of even greater concern to CDC.

According to USDA NASS statistics, California prices are the lowest in the nation. Deregulation of dairy prices would drive prices even lower. The minimum pricing and pooling system has ensured that dairy farmers in California can receive at least a minimum price for their milk which was critical when prices dropped and remains an important factor in their ability to stay in operation. *Secretary Ross’s bill would tie the 4b and 4a prices to federal order prices at levels ranging from \$1.00 below to 50 cents below by July 1, 2016, but only for milk that is pooled. It is the handler’s decision, not the producer’s to participate in the pooling system. The handler is not bound by any pooling or minimum pricing regulations.*

USDA Hearings conclude that unlimited de-pooling is inequitable: The USDA document states: “*The ability of manufacturing handlers and cooperatives to engage in the unlimited de-pooling and re-pooling of manufacturing milk has been found to be inequitable to both producers and handlers in certain situations based on rulemaking proceedings.*” Three extensive Federal order hearings focused on the de-pooling and re-pooling of manufacturing milk issue. Years were spent examining the de-pooling issue and its ramifications at federal order hearings and it was concluded that unlimited de-pooling is inequitable for both producers and processors.

**Contact Key Members of the Assembly and Senate Agriculture Committees
Urge them to vote against AB 2730**

Assembly Agriculture Committee

Chair of the Susan Eggman, D-Stockton - Jim Collin 916-947-0955

Vice Chair Kristin Olsen, R-Modesto – Matt Tyce 916-319-2012

Richard Pan, D-Sacramento - Burnadette Lawrence 916-319-2009

Mariko Yamada, D-Davis – Laura Ayala 916-319-2004

Senate Agriculture Committee

Chair Susan Galgiani, D-Stockton – Ann Megaro 916-651-1508

Anthony Canella, R-Ceres – Sharon Gonsalves 916-651-4012

Tom Berryhill, R-Modesto – Mathew Gallagher 916-651-4014

Contact your senator and assembly member:

Contact Information for other Central Valley Lawmakers:

Assembly Member Rudy Salas, D-Hanford – Yolanda Sandoval 916-319-2032

Assembly Member Adam Gray, D-Merced – Brendon Hughes 916-319-2021

Assembly Member Connie Conway, R-Tulare – Leigh Carter 916-319-2026

Assembly Member Jim Patterson, R-Fresno – Christina Nelson 916-319-2023

Assembly Member Henry Perea, D-Fresno – Jesse Cuevas 916-319-2031

Senator Andy Vidak, R-Hanford – Jim Kjol 916-651-4016

Senator Jean Fuller, R-Bakersfield – Julie Sauls 916-651-4018

For more information contact the CDC office at 209-632-0885