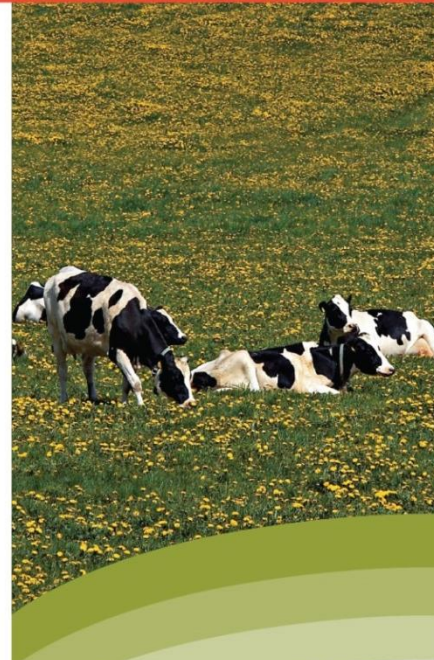
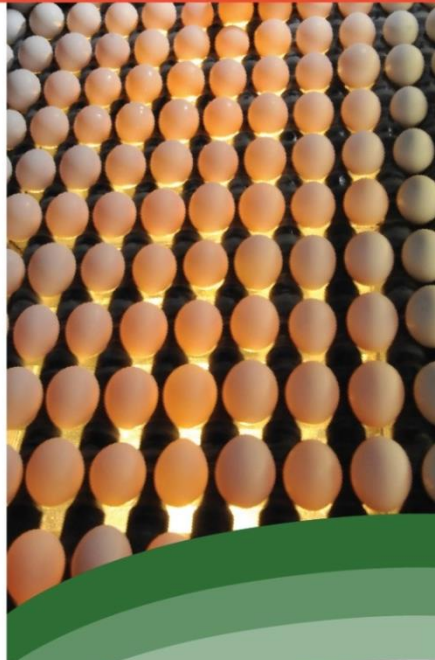




United States Department of Agriculture

Agricultural Marketing Service

Creating Opportunities for American Farmers and Businesses





Agricultural Marketing Service

Creating Opportunities for American Farmers and Businesses

Handler Training Module 2: Qualify for the Pool

Educational materials
prepared by USDA AMS Staff

Module 2: How to Qualify for the Pool

Content:

- Producer Milk Qualifications
- Distributing Plant Qualifications
- Diversion Limits
- Unit Pooling / System Pooling
- How do I qualify the first month?

Module 2: How to Qualify for the Pool

Producer Milk Qualifications

“A producer is always a dairy farmer; a dairy farmer is not always a producer.”

Producer Milk – §1051.13

Producer Milk - the skim milk (or skim equivalent), including nonfat components, and butterfat in milk of a producer that is:

- Received at a Pool Plant directly from a producer or cooperative (9c Handler)
 - Milk will be priced at the location of the plant where first received
- Received by a 9c Handler in excess of the quantity delivered to Pool Plants
- Diverted by a Pool Plant to another Pool Plant
 - Milk diverted shall be priced at the location of the plant to which diverted

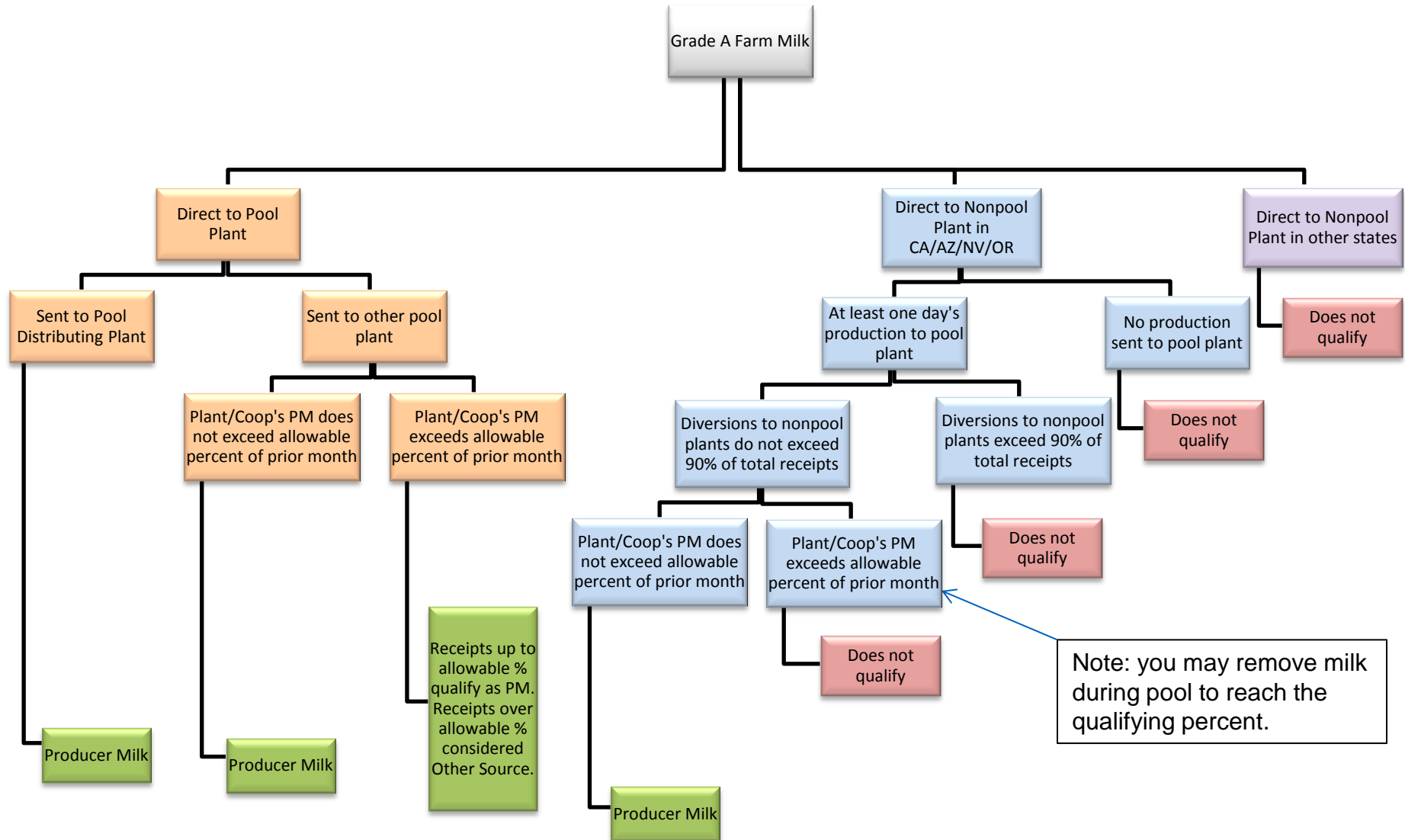
Producer Milk (continued)

- Diverted by a Pool Plant or a 9c Handler (Cooperative) to a Nonpool Plant located in the States of California, Arizona, Nevada, or Oregon, subject to:
 - **At least one day's production** of a dairy farmer is physically received as Producer Milk at a Pool Plant during the first month the dairy farmer is a producer.
 - If a dairy farmer loses producer status, the dairy farmer's milk is not eligible for diversion unless at least one day's production of the dairy farmer has been physically received as Producer Milk at a Pool Plant during the first month the dairy farmer is re-associated with the market.
 - Note: This can be any day during the month

Producer Milk (continued)

- The quantity of milk reported by a handler for the months of **April through February may not exceed 125%**, and for **March may not exceed 135%**, of the producer milk receipts pooled by the handler during the prior month.
 - Milk diverted to Non-Pool plants reported in excess of this limit shall be removed from the Pool
 - Milk in excess of this limit received at Pool Plants, other than Pool Distributing Plants, shall be classified pursuant to §1000.44(a)(3)(v) and (b) Classification of Producer Milk
 - Milk physically received at a Pool Distributing Plant in excess of the previous month's pooled volume shall not be subject to the 125% and 135% limitation
 - Milk qualified as Producer Milk of any Federal Order and continuously Pooled in any Federal Order for the previous 6 months shall not be included in the computation of the 125% and 135% limitation

Producer Milk Flow Chart



Module 2: How to Qualify for the Pool

Distributing Plant Qualifications

Pool Distributing Plant Qualifications

- 25% or more of the fluid milk product received is:
 - utilized as route disposition, and
 - transferred as packaged fluid milk product to other distributing plants

- 25% or more of such route disposition and transfers are within the FO 51 marketing area

- A distributing plant located in the marketing area that processed at least 25% of their milk into ultra-pasteurized or aseptically processed fluid milk products

For more information, see §1051.7 (a)&(b)

Pool Supply Plants

- A plant in which not less than 10 percent of the Grade A milk received from dairy farmers and coop members is shipped to, and physically received at the following plant:
 - Pool Distributing Plant
 - Producer-handlers
 - Partially regulated distributing plant (Class I only)
 - Fully regulated distributing plants under other federal orders (Must be agreed Class I)

For more information see §1051.7(c).

Class I FO Pricing Exceptions

- Partially Regulated Plants
- Producer-Handler Plant
- Exempt Plants

Partially Regulated Plants

- A plant that has Class I sales and Route Disposition in a Federal order marketing area but fails to meet the distributing plant standards for the marketing area and:
 - Is not regulated by another Federal Order
 - Does not meet the Producer-Handler criteria
 - Does not meet the Exempt Plant criteria

For more information see §1000.8.

Producer – Handler

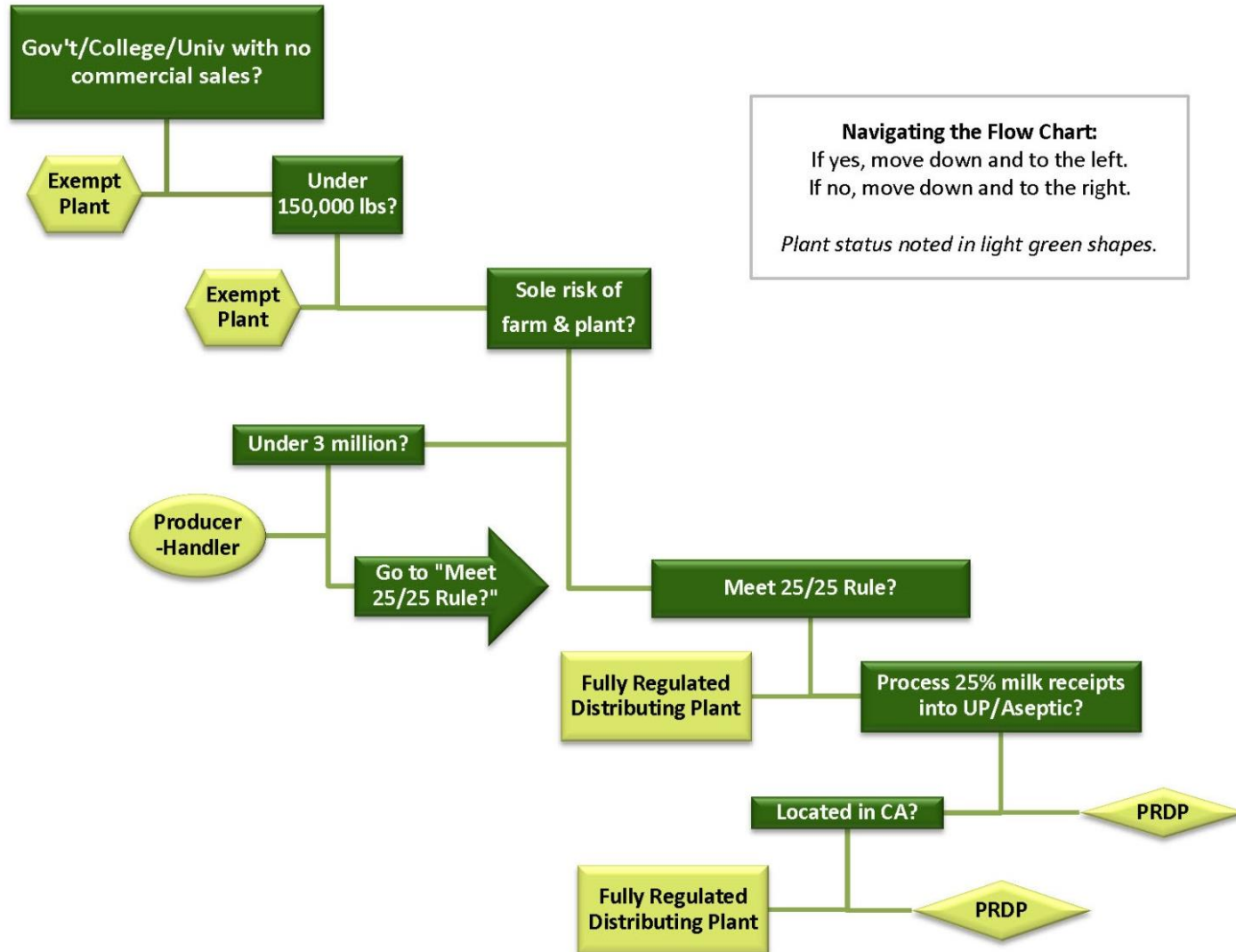
- Total Route Disposition and Packaged Sales of fluid milk to other plants during the month **does not exceed 3 million pounds.**
- Care and management of the dairy animals, facilities, and other recourses are under exclusive control, ownership, and management of the Producer-Handler – “Sole risk and enterprise”
- All products must be from own-farm production, pool handlers, or plants fully regulated by any Federal order
- Must receive less than 150,000 pounds of fluid milk products from any Federal Order regulated handler, unless own farm production is less than 150,000 pounds

For more information see §1051.10

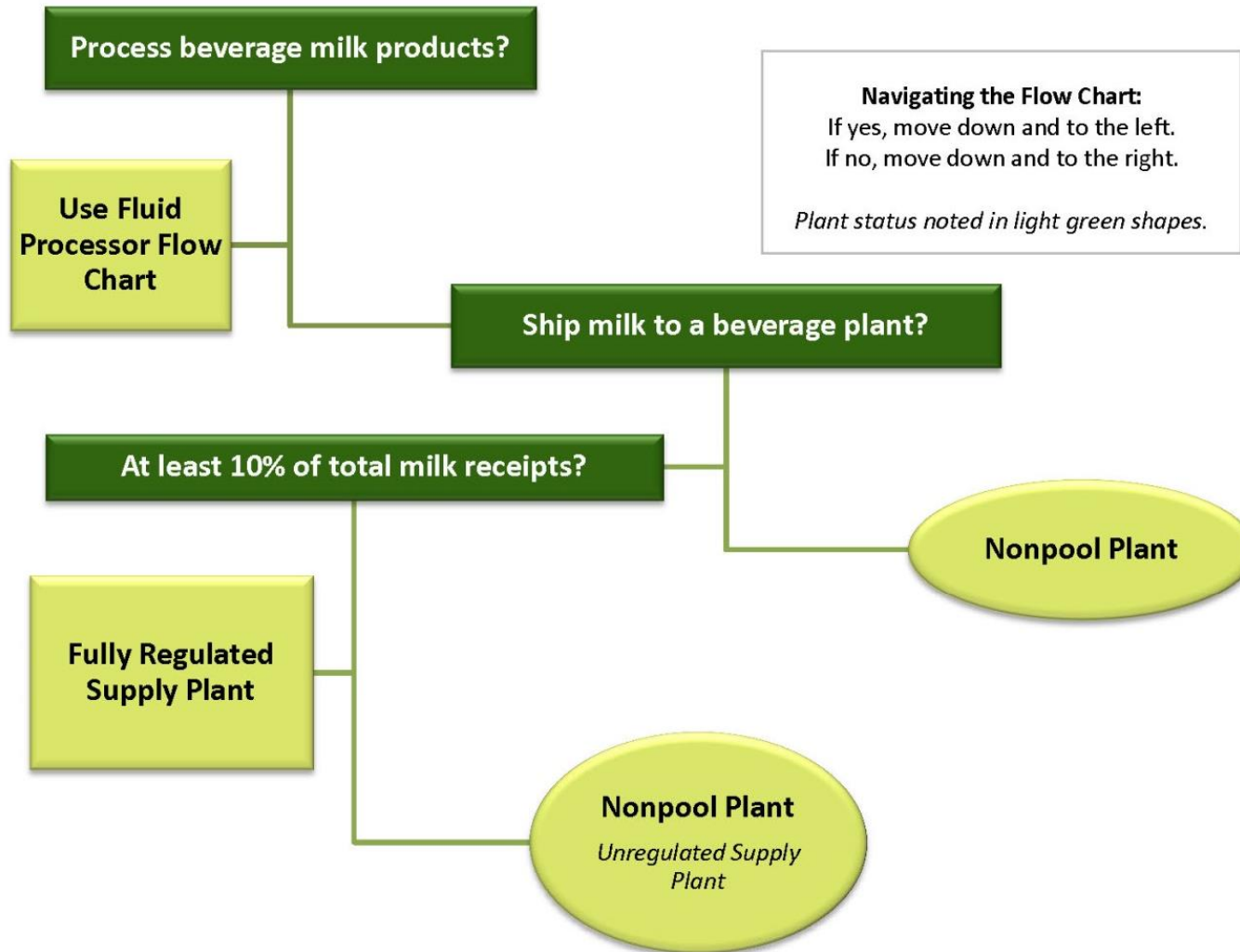
Exempt Plants

- Exempt from pricing and pooling provisions of any order
 - A plant operated by a government agency with no route disposition in commercial channels
 - A plant operated by a duly accredited college or university
 - All fluid milk products are disposed of through the operation of its own facility
 - No route disposition in commercial channels
 - Total route disposition is for individuals or institutions for charitable purposes without remuneration
 - Route disposition and packaged sales of fluid milk products to other plants of **150,000 pounds or less** during the month
 - (Note – status can change from month to month)

Fluid Processor Flow Chart



Manufacturing Plant Flow Chart



Module 2: How to Qualify for the Pool

Diversion Limits

Diversions

What does a diversion to a non-pool plant mean?

- Direct delivery of milk from a farm to a non-pool plant that can still remain pooled and priced under the qualifying order
 - Used by pool plant operators and cooperatives acting as handler to attract an adequate milk supply to meet Class I needs
 - Limit standards must take into account reserve supplies needed for Class I use, the balancing needs of the market, and the seasonality of production

Diversion Limits

- The quantity of milk diverted by a 9c Handler may **not exceed 90 percent** of the producer milk receipts reported by the 9c Handler (Cooperative)
- The quantity of milk diverted to a Non-Pool plant by a Pool Plant may **not exceed 90% of the Grade A milk** received as producer milk
- Diverted milk is priced at the location of the plant to which diverted
- Diversions are limited to nonpool plants in California, Arizona, Nevada, or Oregon

Module 2: How to Qualify for the Pool

Unit Pooling & System Pooling

Unit Pooling

Two or more plants that are operated by the same handler and located in the marketing area may qualify for pool status as a unit

- Must meet the total and in-area route disposition requirements of a pool distributing plant
 - At least one of the plants must qualify as a pool distributing plant
 - Other plants must process 50% or more Class I or II products
 - The operator of the unit must notify the MA in writing prior to the first day of the month for such status to be effective

For more information see §1051.7 (d)

System Pooling

A system of two or more Supply Plants operated by one or more handlers

- Each plant is located within the marketing area
 - Coops may not use 9c shipments to qualify supply plants located outside the marketing area
- Written request must be submitted by July 15 to the Market Administrator to qualify for the period of August through July of the following year

For more information see §1051.7 (e)

Module 2: How to Qualify for the Pool

How do I qualify the first month?

Flexibility During Transition

Touch Base:

- Waive the initial 1-day touch base requirement for any producer (including producers outside California) that regularly supplied a California plant during the previous year.
 - At least one day's production was delivered to a California plant during the month (in any of the last 12 months).

Flexibility During Transition

Re-pooling Percentages:

- Waive the re-pooling percentages for the first 3-months of the order. The normal stated levels will apply thereafter
- *The re-pooling percentage would first apply to the March pool based on February's pounds*

Flexibility During Transition

System Pooling:

- Create a supply plant system consisting of all manufacturing plants that would have been part of the CSO. This system will apply through July 2019 when a new system would normally be requested.

Flexibility During Transition

System Pooling (cont'd.):

- *This is **optional** for all non-pool plants. The grandfathered system for plants without pooling arrangements will apply Nov 2018 – Jul 2019. However, if they elect not to pool in Feb 2019 then they are no longer grandfathered in the system and will be out until either establishing a new pooling arrangement or become part of a new system starting in Aug 2019. They could setup a split plant in Feb 2019 to allow varying volumes for the remainder of the grandfathered system period.*

Flexibility During Transition

Out of State Supply Plants:

- Require a supply plant located outside of California to transfer milk to a qualifying plant in order to participate in the California FMMO pool.
 - Milk must be unloaded into the plant and reloaded to be considered a qualifying transfer. This is an administrative decision that will continue until further notice.