

August 30, 2017

Candace Gates
CA FMMO Coordinator
California Department of Food and Agriculture
1220 N Street
Sacramento, CA 95814



Re: Quota Implementation Plan

Dear Ms. Gates:

Our view regarding Quota:

- Quota was instituted as a way to incentivize Class 1 producers to join the pool.
- Incentives are mostly one-time events or short-term conditions. Quota should have evaporated a long time ago.
- That Quota has survived this long has changed its original intent from an incentive to an entitlement, like bit-coin or phantom stock. The only real value it has is in the belief in it. Pity the banker who allows its inclusion as a hard asset on a balance sheet.
- The now entitled Quota holders ("Haves") take the first (nominally) \$1.70/cwt of Quota-covered pooled Grade A milk out of the pool under the current California pooling plan.
- The balance of the pooled dollars is then shared among the "Haves" and the other producers ("Have-nots"). Thus, the "Have-nots" have given up a portion of the pooled dollars to the "Haves".
- Again, the "Have-nots" are paying the "Haves" out of their portion of the pooled dollars. Any understanding by "Have-nots" that processors are somehow funding this entitlement is incorrect.
- The "Have-nots" have been, and are currently being, misled about this fact by the "Haves" and much of the producer community leadership.
- With the institution of a Federal order (pending), the statutory and regulatory language in the California pooling system is moot and cannot be used to support a new Quota program. Any attempt to do so takes language meant for a specific and potentially defunct system and makes it impossible to understand or administer. A complete removal of all prior legislative authority for a California milk pricing and pooling system for dairy is required. Any program which will be ancillary to a FMMO would need its own, new, clean, clear and understandable statutory construct.
- Expanding the assessment base of Quota covered milk to include shipments into non-pooled plants (said shipments being made primarily by "Have-nots") violates 50 years of legal construct and custom.

There; we've said what we see and feel about this matter. We recognize that the future of California Dairying lies with the producer community but hope they are fully and factually informed about the decision(s) they are making. Federal orders don't guarantee minimum prices on most milk and quota moves from a pooling program to an assessment program; a different world entirely.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott D Hofferber".

Scott D Hofferber, CFO

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