ASSEMBLY AGRICULTURE COMMITTEE

FEBRUARY 18, 1975

MEMBERS PRESENT: Chairman Hickey
Mr. Price
Mr. Coulter
Mr. Jeffrey
Dr. Robinson
Mr. Getto
Mr. Howard

MEMBERS ABSENT: None

GUESTS: Max Hafen, Lake Mead Coop.
Charles Camerson, Lake Mead Coop.
Dee M. Hughes, Lake Mead Coop.
Earl C. Born, Market Administrator, USDA
David E. Derr, Deputy Director, Dairy Div., U.S.D.A.
Herb Witt, Farm Bureau, Dairy Producers Council
Orvis E. Reil, Interested Citizen
James A. Edmundson, Nevada Health Division
S. D. Mastroianni, Nevada Health Division
Clarence Cassady, Dairy Commission
John O. Olsen, Associated Nevada Dairymen
John Picetti, Dairyman, President A.N.D.
Barbara Picetti, Dairyman
Dale G. Hunt, Dairyman, Dairy Commission
Bill Canepa, Dairy Commission

Chairman Hickey called the meeting to order 8:10 a.m. on February 18, 1975 stated the purpose of the meeting was to hear further testimony on AB 29, Abolishes the Dairy Commission.

David Derr, Deputy Director, Dairy Division, Department of Agriculture stated that the Division was responsible for order formulation. There are 61 federal marketing orders regulating fluid milk sales. The department has authority under the Agriculture Agreement Act of 1937 as amended. They begin action at the request of producer groups who make specific request for consideration of an order. Department investigates to assertain whether conditions exist where an order would be helpful and whether adequate producer support is available to vote an order in. This is promulgated by a public hearing where interested parties have opportunity to participate. Proponents have the responsibility to submit detailed proposal of terms and provisions. After the hearing, the department reviews record and drafts a preliminary order. Interested parties have opportunity to file exceptions. These are again reviewed and the department drafts final decision with respect to the proposed order. Order can only be installed with a vote of 2/3 of the producers and is in effect until the Secretary of Agriculture decides that continuation would have no effect or more than 50% of the producers indicate their desire to withdraw.

Mr. Getto questioned Mr. Derr on the Great Basin Market Order and why it would effect somebody in Winnemucca. Mr. Derr stated that he was not familiar with this particular case, but the handler is not regulated by virtue of his location, the location of the plant to which the milk is delivered determines the regulation of the market order over him.

Mr. Getto asked if there was a fee charged under the federal order. Mr. Derr stated that not as such. He stated that there was the cost of administering the order which is assessed directly on the regulated handlers.

Mr. Derr went on to explain the difference between fully regulated and partially regulated plants. He explained that fully regulated plants or producers do more than 50% of their business under the order while partially regulated just do part of their entire business under the order. Safeway is an example of a partially regulated store.

Dr. Robinson asked if milk produced under one marketing order could be shipped into another. Mr. Derr stated that it could but it would have to be priced according to the market order into which it was shipped, and abide by the regulations of that order.

Mr. Price asked if the federal marketing order determines the price of milk to the consumer. Mr. Born stated that it determines minimum price of milk to the producer.

Mr. Price asked if the minimum was the same throughout the marketing order. Mr. Derr stated that the minimum was the same but that some areas provide for transportation costs to be added.

Mr. Price then asked if it was possible that the consumers in Las Vegas were paying for milk based on a $9.54 base price for producers when the producer was actually being paid a lower price because of federal marketing order. Mr. Derr stated that the milk is paid by the location of the plant.

Mr. Price asked Mr. Derr to give the committee an idea of the areas not yet covered by a marketing order. Mr. Derr listed these areas. Then Mr. Price asked if any area under an order had actually been withdrawn by the producers in the past. Mr. Derr stated that Mississippi had withdrawn at the request of over 50% of the producers.

Mr. Price went on to ask if Mr. Derr knew of any plan to merge the Lake Mead area with any other area. Mr. Derr stated that he was not aware of any such plan.

Mr. Jeffrey asked if the Utah milk producers under this federal market order were paid the marketing order price or the price established by the Nevada Dairy Commission. Mr. Born stated he was not sure as they have not yet audited the books of Anderson Dairy, which would be the dairy which would have this situation.

Mr. Getto asked about the administrative assessments and how much they actually were. Mr. Derr stated that they were currently 4¢/100 lb weight. Just enough to cover the costs of operating the order.

Mr. Hickey asked what the position of the federal marketing order was in relation to coops. Mr. Derr stated that they really are not involved in a coop. They do watch to see how they are set up and that they are run according to the regulations of the federal marketing order. They do have to approve it as a qualified coop.

Mr. Hickey asked Mr. Derr about the dumping of milk under the federal marketing order or the regulations regarding excess milk. Mr. Derr stated that this varies from market to market and then cited some statistics about the utilization of milk throughout the states. Lowest utilization was in the Minnesota-North Dakota area in November with 27% utilization and the highest utilization was in Southeastern Florida with 96% during the same period. The Lake Mead area was 65% for that same period which was down 12% from the previous year.

Mr. Earl Born, Market Administrator for the Lake Mead Federal Marketing Order was the next speaker. Mr. Born gave a brief background on how the Lake Mead Federal Marketing Order came into being and stated that it was up to his office to see that it was regulated according to the order issued. They set class price by computing uniform prices, make out handler report forms, which the handler must submit each month. Also make audit forms and see that all handlers pay the same for milk which is at least the minimum set by the order.

Mr. Getto asked if under the marketing order, does the consumer have any imput. Mr. Born stated that he does but there is rarely any consumers interested enough to come to the hearings they have.

Mr. Born explained briefly how the minimum price was determined and that it was computed monthly. (See Attachment I)

Mr. Hickey asked if they were aware that the number of Nevadans represented by the Lake Mead Coop were in the minority. The majority are Utah producers. Mr. Born stated that the order is promulgated as a result of a petition from a group of producers which the department believes to be representing the majority of the producers in the market area. Their purpose is to establish price level which will create proper balance between supply and demand.

Mr. Hickey then asked what was the basis for determining the quantity of milk in the area. Mr. Born stated that this was strictly supply and demand.

Mr. Hickey asked what would happen if they eliminated the Dairy Commission. Could federal marketing order compete with large corporations such as Safeway. Mr. Derr stated that if the Dairy Commission were withdrawn the federal order would continue to operate and any plant doing any business would somehow be regulated.

Charles Cameron, Manager of the Lake Mead Coop, also Manager of Western Colorado Milk Producers, Inc. and Coordinator of Western Dairymen, Inc. spoke next. Mr. Cameron read a prepared statement (see attachment II) and then answered questions from the committee.

Mr. Price began by asking if the Lake Mead Coop as a organization belonged to any larger groups. Mr. Cameron stated that they were members of Western Dairymen Coop. and the Utah, Nevada & Colorado Coop.

Then Mr. Price asked Mr. Cameron about the flow of milk from other areas into the Las Vegas area. Mr. Cameron stated that the Minersville plant which had been previously referred to was a supply plant and was used as a reserve supply of milk to keep a supply always available.

Mr. Price asked if the producers in the Lake Mead Coop generally supply enough milk. Mr. Cameron stated that they now supply more milk than is needed so this extra milk is shipped elsewhere.

Mr.Price asked about the structure and bylaws of the Coop. Mr. Cameron explained them briefly stating that the Coop was run by a board of directors who must respond to the members or be voted out.

Mr. Price asked what the Lake Mead Coop paid the producer as a blend price last month, to which Mr. Cameron replied that it was $8.60/100 lb. and all producers were the same regardless of location.

Mr. Cameron went on to explain how the blend price is obtained for the Lake Mead Coop.

Mr. Price then asked if the retail price of milk in Las Vegas was not somehow tied to the price of milk that is sold in Utah or shipped out. Mr. Cameron replied that this is not true in that the retail price is based on price Nevada processors pay the producers. Milk shipped into Nevada recieves the price set by the Nevada Dairy Commission and this is passed onto the consumer.

Mr. Price asked if the number of producers had increased or decreased in this area in the past three years. Mr. Cameron stated that it had stayed about the same. When the order came in the Lake Mead area was depressed and they brought in some producers, but at this time it is now staying about the same.

Mr. Price asked about where the largest supplier of milk that is consumed in the Lake Mead area is. Mr. Cameron stated that it is Mesquite, Nevada.

Mr. Hickey asked if they are shipping more milk out then is being ~~used how much were they exporting.~~ Mr. Cameron stated that there had been some importing of milk in the past but that this was not true at the present time. They exported over a million lbs. in February. This is being hauled by the Western Coop.

Mr. Hickey then asked for breakdown on the cost of milk to the Lake Mead Coop and what the various classes are. Mr. Cameron stated that he could not really do this without a calculator and his various records which he did not have with him. He did estimate that about 80% is sold as Class 1 milk, priced at $9.47 /100 lb. and about 10% goes into Class 2 at about $6.95 and about 10% goes to Class 3 at about $6.80. The average would be about $8.23/100 lb. Class 1 is the fluid milk, Class 2 is cottage cheese and ice creams and Class 3 is manufactured dump, etc.

Mr. Hickey asked Mr. Cameron to list his board of directors for the record. Mr. Cameron stated that Dick Shurtliff, President, and Less Marshal, Faye Marshal, Dee Hughes and Max Hafen, are Directors.

Mr. Hickey asked what would happen to the coop if the Dairy Commission was abolished. Mr. Cameron stated that he did not feel it would have any bearing on the coop, that the coop is stable enough to take care of themselves.

Mr. Price asked if the coop had been very cooperative with the Nevada Dairy Commission in supplying them with requested information and with data and within the time limits specified. Mr. Cameron stated that they felt there was a great deal of duplication between Dairy Commision requests and those of the federal government and they wished there was better communication between the two to eliminate this.

Mr. Price asked if the non-Nevada members of the coop benefited in any manner by the decisions of the Dairy Commission. Mr. Cameron stated that they are affected because when their milk comes into the market they receive the Nevada price as established by the Nevada Dairy Commission. He also stated that he would have to say that non-members in Nevada do receive higher prices for their products since the only return the full blend price to their producers of everything sold all over the market order area.

Mr Price asked if the Lake Mead Coop is a member of at least two larger coops what per capita is paid from the Lake Mead Coop to this larger coops. Mr. Cameron stated that there is no set fees but each coop pays a percentage of the expenses. Lake Mead Coop pays 3% of the bills.

Mr. Price stated therefor there is a flow of money exchanged between these coops.

Mr. Price also asked if the Lake Mead Coop or any of the coops that it belonged to had made any political contributions. Mr. Cameron stated that there had been no political contributions made by any of these coops that the contributions were strictly from the Big Three.

Mr. Hickey asked if there was a move on to merge these coops. Mr. Cameron stated that there has been a study being conducted by that is still on the drawing boards. He stated that they would have to be satisfied that their producers would be receiving the same amount as they presently do before they would consider any merger.

Mr. Hickey asked if the Department of Agriculture encouraged large coops to merge or don't they care. Mr. Cameron stated that they do keep an eagle eye and watch to make sure that this is kept right under Capper Volstead Act.

Mr. Hafen and Mr. Hughes, Directors of the Lake Mead Coops and dairymen in the Mesquite area, presented a statement for the committee's consideration. (See attachments III and IV)

Mr. Jeffrey asked Mr. Hughes if he thought the Dairy Commission was working against the best interests of the producer. Mr. Hughes stated that it sure seems that way.

Phyllis Berkson, Consumer Representative on the Dairy Commission, asked Mr. Hafen to explain how he receives the $9.47 when the federal marketing price, which he is under, is $8.23.
Mr. Hafen stated that he felt this was already been explained in previous testimony. Mrs. Berkson went on to ask him if this was not as a result of action taken by the Nevada Dairy Commission. Mr. Hafen did admit that this was true.

Mr. Price stated then that any increased allowed by the Nevada Dairy Commission was watered down by the coop and distributed over the entire market area. Thus as long as they were members of the coop any price increase was going to be watered down.

Mr. Hafen stated that belonging to the coop was their own decision and Mr. Hughes stated that he felt that the coop did help their producers in many ways.

As there was no further discussion Mr. Hickey adjourned the meeting at 10:30 a.m.

Respectfully submitted

Sandra Gagnier,
Assembly Attache

ASSEMBLY

AGENDA FOR COMMITTEE ON AGRICULTURE

Date 2-18-75 Time 8:00 p.m. Room 240

Bills or Resolutions to be considered	Subject	Counsel requested*
AB 29	Abolishes the Dairy Commission David Derr, U. S. Department of Agriculture Charles Cameron, Lake Mead Coop	

*Please do not ask for counsel unless necessary.

Attachment I

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
Dairy Division

Area Code 303
757-4981

4411 E. Kentucky Ave.
Denver, CO 80222

OFFICIAL ANNOUNCEMENT OF MINIMUM CLASS PRICES

Prices Per Cwt. Milk of 3.5% Butterfat Content

Eastern Colorado, Great Basin, Lake Mead, and Western Colorado Marketing Areas

FOR JANUARY 1975

	Eastern Colorado	Great Basin	Lake Mead	Western Colorado 4/
Class I Price 3/	$9.06	$8.66	$8.36	$8.76
Class I B.F. Differential 5/	$.085	$.078	$.078	$.078
Class II Price	$6.95	$6.95	$6.95	$6.85
Class II B.F. Differential	$.080	$.077	$.077	$.080
Class III Price 6/	$6.80	$6.80	$6.80	$6.80
Class III B.F. Differential	$.080	$.077	$.077	$.080

SEE BACK OF THIS ANNOUNCEMENT FOR DETERMINATION OF SKIM VALUES

FOR FEBRUARY 1975 1/

Class I Price	$9.10	$8.70	$8.40	$8.80
Class I B.F. Differential	$.087	$.080	$.080	$.080

1/ February Class I Price released by this office on January 3, 1975, rescinded by Administrative action.

FOR MARCH 1975 2/

2/ March Class I Price to be announced on March 5, 1975.

3/ Class I prices subject to location adjustments when applicable.
4/ Class III price lower of Basic Formula Price or Chicago Butter/Spray Powder Price Formula
5/ B.F. Differentials per 1/10 of One Percent Butterfat.

PARTIAL PAYMENT

6/ Minimum price to be paid producers on or before February 28, 1975 for milk delivered February 1-15, except as follows:

a. Eastern and Western Colorado Handlers pay cooperatives on or before February 26,1975.
b. Great Basin Handlers pay 1.2 times Class III Price ($6.80 x 1.20 = $8.16)
c. Great Basin Handlers pay cooperatives on or before February 25, 1975 .
d. Lake Mead Handlers pay Market Administrator on or before 25th day of the month.

Price Quotations and Formula Prices Used to Compute Class Prices*	Jan. 1975	Dec. 1974
Minnesota-Wisconsin Mfg. Grade Milk Price (3.5%) per cwt.	$6.80	$6.41
Chicago 92-Score Butter per lb.	.6682	.6532
Chicago Area Spray Powder (Month Ended 25th Day) per lb.	.5673	.5674

* The average barrel cheese price no longer computed.

Released: February 5, 1975

Earl C. Born
Market Administrator

JANUARY 1975

		Eastern Colorado	Great Basin	Lake Mead	Western Colorado
Differential Value of 3.5 Lbs. Butterfat					
	Class I	$2.975	$2.730	$2.730	$2.730
	Class II	2.800	2.695	2.695	2.800
	Class III	2.800	2.695	2.695	2.800
Value of 100 lbs. Skim Milk					
	Class I	$6.085	$5.930	$5.630	$6.03
	Class II	4.150	4.255	4.255	4.05
	Class III	4.000	4.105	4.105	4.00

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
Dairy Division

LAKE MEAD MARKETING AREA
Federal Order No. 139

Phone 757-4981

4411 E. Kentucky Ave.
Denver, CO 80222

OFFICIAL ANNOUNCEMENT OF UNIFORM PRICE - JANUARY 1975

Uniform Price $7.97   Skim Value $5.24   Producer Butterfat Differential $.078

Summary of Handler Obligations and Uniform Price Computation

Producer Milk	Percent	Total Pounds	Avg. B/F%	Value at Order Price
Class I	68.24	6,942,375	3.1385	$560,806.01
Class II	5.68	577,633	5.6806	49,844.29
Class III	26.08	2,653,276	4.8420	207,839.66
Total	100.00	10,173,284	3.7271	$818,489.96
Less Class I Location Adjustment				8,801.02
Add: Value of Overage				4.10
Reclassification Charge §60(c)(1)or(2)				1,056.91
Class I per §.44(a)(11)		163,306	2.3716	11,553.68
Handler's Net Pool Obligation				$822,303.63
Less Butterfat Adjustment to 3.5%				16,583.85
Add Producer Location Adjustment				18,425.85
Add Producer Settlement Fund Reserve				4,050.00
Less Producer Settlement Fund Reserve $.04227 Rate/cwt.				4,369.41
Uniform Price and Value: Pounds 10,336,590 $7.97 Rate/cwt. (3.5% milk f.o.b. 0-40 mile zone)				$823,826.22

HANDLER DATA - JANUARY 1975

A. Handlers Operating Pool Plants

	Location
1. Distributing Plants	
Anderson Dairy	Las Vegas, NV
Arden Farms	Las Vegas, NV
Vegas Valley Farms	Logandale, NV
Western General Dairies, Inc.	Cedar City, UT
2. Supply Plants	
Lake Mead Cooperative Assn.	Minersville, UT

B. Cooperative Associations

1. Handlers Pursuant to §1139.9(b) or (c)	
Lake Mead Cooperative Assn.	Las Vegas, NV
Western General Dairies, Inc.	Midvale, UT

C.	Partially Regulated Distributing Plants	Location
	Knudsen Food Products, Inc.	Los Angeles, CA
	Lucky Stores, Inc.	Buena Park, CA
	Safeway Stores, Inc.	Los Angeles, CA
D.	Unregulated Supply Plants	
	Arden Mayfair, Inc.	Los Angeles, CA
	Carnation Company	Downey, CA
E.	Producer-Handlers	
	Rulon Cox	St. George, UT

Released: February 11, 1975

Earl C. Born
Market Administrator

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
Dairy Division

Area Code 303
757-4981

4411 E. Kentucky Ave.
Denver, CO 80222

OFFICIAL ANNOUNCEMENT OF MINIMUM CLASS PRICES
Prices Per Cwt. Milk of 3.5% Butterfat Content

Eastern Colorado, Great Basin, Lake Mead, and Western Colorado Marketing Areas

FOR DECEMBER 1974

	Eastern Colorado	Great Basin	Lake Mead	Western Colorado 2/
Class I Price 1/	$9.12	$8.72	$8.42	$8.82
Class I B.F. Differential 3/	$.090	$.083	$.083	$.083
Class II Price	$6.56	$6.56	$6.56	$6.46
Class II B.F. Differential	$.078	$.075	$.075	$.078
Class III Price 4/	$6.41	$6.41	$6.41	$6.41
Class III B.F. Differential	$.078	$.075	$.075	$.078

SEE BACK OF THIS ANNOUNCEMENT FOR DETERMINATION OF SKIM VALUES

FOR JANUARY 1975 (As Announced December 5, 1974)

	Eastern Colorado	Great Basin	Lake Mead	Western Colorado
Class I Price	$9.06	$8.66	$8.36	$8.76
Class I B.F. Differential	$.085	$.078	$.078	$.078

FOR FEBRUARY 1975

	Eastern Colorado	Great Basin	Lake Mead	Western Colorado
Class I Price	$8.71	$8.31	$8.01	$8.41

1/ Class I prices subject to location adjustments when applicable.
2/ Class III price lower of Basic Formula Price or Chicago Butter/Spray Powder Price Formula.
3/ B.F. Differentials per 1/10 of One Percent Butterfat.

PARTIAL PAYMENT

4/ Minimum price to be paid producers on or before January 31, 1975 for milk delivered January 1-15, except as follows:

a. Eastern and Western Colorado Handlers pay cooperatives on or before January 29, 1975.
b. Great Basin Handlers pay 1.2 times Class III Price ($6.41 x 1.2 = $7.69)
c. Great Basin Handlers pay cooperatives on or before January 28, 1975.
d. Lake Mead Handlers pay Market Administrator on or before 25th day of the month.

Price Quotations and Formula Prices Used to Compute Class Prices	Dec. 1974	Nov. 1974
Minnesota-Wisconsin Mfg. Grade Milk Price (3.5%) per cwt.	$6.41	$6.76
Chicago 92-Score Butter per lb.	.6532	.6888
Chicago Area Spray Powder (Month Ended 25th Day) per lb.	.5674	.5694
Barrel Cheese Price - Wisconsin Assembling Points per lb.	.6850	.7329

Released: January 3, 1975

Earl C. Born
Market Administrator

DECEMBER 1974

	Eastern Colorado	Great Basin	Lake Mead	Western Colorado
Differential Value of 3.5 Lbs. Butterfat				
Class I	$3.15	$2.905	$2.905	$2.905
Class II	2.73	2.625	2.625	2.730
Class III	2.73	2.625	2.625	2.730
Value of 100 lbs. Skim Milk				
Class I	$5.97	$5.815	$5.515	$5.915
Class II	3.83	3.935	3.935	3.730
Class III	3.68	3.785	3.785	3.680

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
Dairy Division

LAKE MEAD MARKETING AREA
Federal Order No. 139

Phone 757-4981

4411 E. Kentucky Ave.
Denver, CO 80222

OFFICIAL ANNOUNCEMENT OF UNIFORM PRICE - DECEMBER 1974

Uniform Price $7.82   Skim Value $5.02   Producer Butterfat Differential $.080

Summary of Handler Obligations and Uniform Price Computation

Producer Milk	Percent	Total Pounds	Avg. B/F%	Value at Order Price
CLASS I	65.59	6,378,135	3.2425	$523,409.77
CLASS II	5.83	566,424	6.2536	48,855.29
CLASS III	28.58	2,779,094	4.3762	196,402.97
TOTAL	100.00	9,723,653	3.7420	$768,668.03
Less Class I Location Adjustment				5,867.64
Add: Value of Overage				.79
Class I per §.44(a)(11)		134,613	2.8311	10,050.14
Handler's Net Pool Obligation				$772,851.32
Less Butterfat Adjustment to 3.5%				18,101.35
Add Producer Location Adjustment				16,475.85
Add Producer Settlement Fund Reserve				3,875.00
Less Producer Settlement Fund Reserve $.0424 Rate/cwt.				4,184.42
Uniform Price and Value: Pounds 9,858,266 $7.82 Rate/cwt. (3.5% milk f.o.b. 0-40 mile zone)				$770,916.40

HANDLER DATA - DECEMBER 1974

A. Handlers Operating Pool Plants

1. Distributing Plants

	Location
Anderson Dairy	Las Vegas, NV
Arden Farms	Las Vegas, NV
Vegas Valley Farms	Logandale, NV
Western General Dairies, Inc.	Cedar City, UT

2. Supply Plants

Lake Mead Cooperative Assn.	Minersville, UT

B. Cooperative Associations

1. Handlers Pursuant to §1139.9(b) or (c)

Lake Mead Cooperative Assn.	Las Vegas, NV
Western General Dairies, Inc.	Midvale, UT

C. Partially Regulated Distributing Plants	Location
Knudsen Food Products, Inc.	Los Angeles, CA
Lucky Stores, Inc.	Buena Park, CA
Safeway Stores, Inc.	Los Angeles, CA
D. Unregulated Supply Plants	
Arden Mayfair, Inc.	Los Angeles, CA
Carnation Company	Downey, CA
E. Producer-Handlers	
Rulon Cox	St. George, UT

Released: January 9, 1975

Earl C. Born
Market Administrator

February 11, 1975

Inter Office Memo

TO: Earl C. Born, Market Administrator

FROM: C.W. Martin

SUBJECT: COMPARISON OF CLASS I PRICES BETWEEN FEDERAL ORDER AND STATE OF NEVADA

The following prices were in effect for the months indicated in the Las Vegas, Nevada area.

Month	F.O. 139 Class I Price	State of Nevada Mim. Price for Cl.I Usage	Diff. *	Cedar City Loc Adj.	Pri Di Ce Ci
September 1974	$7.89	$9.33	$1.44	-27	1.7
October "	7.99	9.33	1.34	-27	1.6
November "	8.29	9.33	1.04	-27	1.3
December "	8.42	9.52	1.10	-27	1.3
January 1975	8.36	9.46	1.10	-27	1.3

*State price over Federal Order Prices.

C W Martin

C. W. Martin

Attachment II

It was the Nevada Producers who petitioned the Department for a Federal Order Program to bring the pricing inequities out to be solved. Before the Order was in effect a handler went into Utah and set up a seperate Cooperation to buy milk from the Utah producers and brought into the Market for less money than the Nevada Producers were receiving. The Federal Order, under their pooling system does not allow one producer more money for his milk than another, regardless of where he lives or how far from the Market he is. However, the producer has to pay his own costs of getting the milk to the Market.

I am not taking any pot shots at the Commission, but, the Commission cannot regulate interstate shipment, unless everyone cooperates. And in past history there has not been too much cooperation.

Producers were forced into subsidizing the handlers to some extent and individual producers were not strong enough to phase out these activities until they formed the Cooperative as their bargaining agent. They could not solve the problems that were ahead of them. The Nevada Producers were watching their market disintagrate to outside milk production such as California and Utah. This is when the old Clark County Milk Producers petitioned the Departnent for a Federal Order. At the Promagation Hearing there was no opposition to the Order from any handlers or producers in the marketing area. When the referendum was held there was only five descinding votes if my memory is correct

One of the provisions that was put into the order and which is common to and in nearly ever other Federal Order in the country is the so-called "supply plant" provision. This section authorizes as a pool plant any plant which ships more than 50 percent of its producer receipts during the months of August through February to pool distributing plants which are those plants who actually bottle and distribute milk on routes in the marketing area.

~~It is recognized in all Federal markets~~ that for amarket to be stable and be able to supply the consumer needs, it must carry a reserve supply of milk to meet the needs of the processors all during the year. There are seasonal fluctuations in the consumer needs in the market and just because the bottling plant just works four or five days during the week, the dairy herds produce milk ever day of the week. If the processors needs were the same every day of the week and every week of the year, then a reserve supply of milk ~~not~~ might be quite as important but that is not the way things work.

Since a reserve supply of milk is necessary it has fallen on the cooperative to bear the burden and distribute the costs of carrying such a reserve equitably among its member producers. Since the U. S. Department of Agriculture recognizes this need and cost to the producers it usaally writes each Federal Order with a supply plant provision in order to handle this situation.

The supply plant provisions permits the operator to keep the reserve supply of milk pooled even though probably all of it must go for manufacturing purposes at one time or another, but it is always available to the pool distributing plants whenever needed. Milk for manufacturing purposes has a leeser value than that put into the bottle and if all an operator could draw for his milk would be the manufacturing price, then he would not stay in business long. By the use of this provision, the operator can always have a reserve supply of milk available but still draw the same amount for the milk as that put into the bottle. If the reserve supply were not available, and the operator of a distributing plant needed more milk for a particular day, then if he could locate it, it would probably cost a considerable premium because of the short notice given the supplier. With the reserve supply available because of the supply plant provision. the cost of the milk is spread evenly and more importantly there is assurance that the milk will be available on short notice.

Another reason for this provision in this order, is that when the demand for conumser milk is cut back, the supply plant operator takes the milk into his supply plant and ships it then to the best market available. With the large distances in this Western area, this becomes doubly important because of the location differental necessarily a part of each order.

The supply plant has a two-fold purpose and is used that way by the Lake Mead Cooperative. In order to assure the consumers of an adequate supply of pure and wholesome milk, a reserve supply of milk is always immediately available whatever the fluctuations of the market, and when the demand for milk drops drastically for a short period of time, the supply plant operator can take this surplus of milk off of the market and realize the best possible return to the producer without forcing him to quit production or dump his milk. In other words there is always reserve milk available and on the other side of the coin, the producer is assured of a steady market for his milk regardless of whether the plant operates on the same day that the producer and his cows do.

The Lake Mead Cooperative is the operator of the supply plant in the Lake Mead marketing area, and operates the plant in strict compliance with the restrictions placed on it by the Federal Order. As a result we have been able to adequately supply the bottling handlers even in emergency situations and has at the same time satisfied the milk producers whether from Nevada or Utah that they had a steady market for their milk without forcing them out of business of dumping milk down the drain. Isn"t that what you as representatives of the people are elected to do?

In my previous testimony I have referred to a cooperative and Lake Mead cooperative several times. Possibly I should explain the purposes and the operation of a cooperative.

The Lake Mead Cooperative Association is an opganization of milk producers located in the States of Nevada and Utah, chartered under the laws of the State of Utah and recognized by the U. S. Department of Agriculture as a qualified cooperative under the Capper Volstead Act of the Congress of the United States.

This cooperative is primarily a bargaining cooperative although we do operate a supply pool plant at Minersville, Utah for the handling of bulk raw milk only as discussed previously. We have approximately 26 member producers who supply a large share of the milk consumed in the Las Vegas area.

As explained previously prior to the incorporation of this cooperative there were about 4 groups of producers who were disorganized, unable to speak as one voice, and thus not strong enough to bargain with the purchasers of their product.

The main purpose of the cooperative is to obtain for the member producers the highest possible price for the production of the members. In order to accomplish this objective, the cooperative gets involved in every possible phase of marketing of the milk: obtaining high prices, assuring a constant market, quality control and improvement, hauling at the least possible cost the milk to market, and any other facet of marketing that will be to the benefit of the individual producer and the market as a whole.

The cooperative is a nonprofit organization, with the distribution of any excess of income over expenses back to the producers. The cooperative is the producer and not a separate organization. The Federal Orders have determined that payment by the buying handlers to the cooperative constitutes payment to the producers for the milk produced and does not regulate or control the reblending price paid to member producers.

Since the Lake Mead Cooperative was organized it has accomplished the following marketing problems for the members.

1. It was instrumental in obtaining the Federal Order for the Lake Mead Marketing area, which has dramatically stabilized the market and kept many producers still in business.

2. It has given the member producers an effective bargaining voice with the handlers and secured supply contracts with the handlers.

3. It has drastically reduced the hauling rates that were in effect at the time of organization and has prevented what would have been large increases in the then hauling rates.

4. It has enabled the producers to acquire their own fleet of hauling equipment to assure hauling at cost and the availability of such equipment.

5. It has enabled the producers to become members of surrounding and larger bargaining cooperatives for the most efficient movement of surplus milk at the lowest hauling cost and sold at the highest price available.

6. Most importantly it has returned to the producers in one way or another, the highest return for their product that was possible and has guaranteed them a market for ALL of their milk.

7. It has made them independent and not subject to the whims or vagaries of the purchasers of their product.

As stated before Lake Mead Cooperative is a nonprofit organization operating solely for the benefit of its member producers. During the year the milk is marketed first to the distributing pool plants at prices determined by the Federal Milk Market Administration, and the rest marketed to the highest price available consistent with the hauling costs. The returns of all of the sales are then combined into one figure. From this amount certain marketwide costs as approved by the Board of Directors are deducted and the resulting figure is divided by the pounds of milk produced during the month to arrive at a blend price that is paid to the member producers regardless of into which class of use or market that their individual milk waseventually channeled during the month. The pounds produced by each member are priced at this blend from which certain individual deductions such as hauling, assignments and insurance are deducted to arrive at the net pay price of the producer.

At the end of the fiscal year, if there is any income in excess of exoenses left over, it is distributed to the members in the form of cash or preferred stock. Every effort is made to keep this figure at the lowest possible amount through the reduction of exoenses to cost or below.

One final benefit to the market as a whole that the Lake Mead Cooperative been responsible for is the institution of a quality control program that is becoming more effective as time goes by. Prior to the Cooperative there was no or very little quality control performed and when the program is fully implemented and effective it will have assured the consumers of the pure and wholesome milk spoken of elsewhere in this testimony. The latest service being performed for the buying handlers is the calibration of the bulk tanks that is used as the measuring device to determine the pounds of milk produced.

Even though the cooperative is an organization of the producers primarily for their benefit, it also provides services for the benefit of the consumers and the buying handlers as well.

It was necessary to first form the cooperative so that they would have the necessary numbers and milk under one organization to approve the order if the Department of Agriculture determined that it was necessary.

After a petition submitted by this cooperative was received by the Department of Agriculture, they sent out marketing specialists to determine whether or not a need for a Federal order existed and was feasible. After this marketing specialist was given the facts as to the total lack of stability in the market, the inequity in paying the producers by the processing handlers, the subsidization and kickbacks forced on the dairy farmers, the exhorbitant hauling rates and the fact that the milk was in interstate commerce, a notice of hearing was issued and the public hearing held in the latter part of 1972. Althoug the Nevada State order was in effect, it was not and could not control the milk of the Utah producers, which milk was needed to fill the requirements of the Las Vegas handlers.

The promulgation hearing was held, a recommended decision was issued and after the submission of briefs a final decision was issued and approved by the necessary majority of producers and then the final order was issued by the Secretary of Agriculture for the purpose of assuring an adequate supply of pure and wholesome milk for the consumers in the Lake Mead Marketing Area. The fact that the order was issued demonstrates conclusively that the practices in effect before the order would not promote a stable market and was not equitable and fair to all of the producers whether they were Nevada or Utah producers. The milk from both the Nevada and Utah producers are needed to fulfill the bottling requirements of the Lake Mead marketing area.

The Lake Mead Cooperative is a very small Co-op and has not participated in political funding of any kind. We have found it difficult enough to hold our own together.
The statement that - without the Commission - milk would be used as a loss leader does not hold true. Under a Federal Order System, the minimum is set by formula. Shoud a processor wish to sell at a lower price it is by his determination, not from purchasing at a lower price.

Lake Mead feels that unless the State Milk Commission can get a provision to pool all milk that services the market, we cannot support it. I have attended several hearings in the past and my testimony is on record. We also feel that the represenative producer from our area should be removed, as he is a captive producer and responds to the whims of Processors, in fear of losing his market.

3 FACTORS ON MILK PRICES and how to understand them

by TRUMAN F. GRAF
Department of Agricultural Economics
University of Wisconsin-Madison

Excerpted from a presentation at the Cheese Industry Conference at Utah State University, Logan, Utah September 13, 1974.

Six major factors affecting farm milk prices are: (a) supply-demand, (b) Federal milk orders, (c) state milk orders, (d) Minnesota-Wisconsin manufacturing milk price series, (e) dairy import regulations and (f) protein pricing.

Here I'll deal with three of those factors. All are going to require adjustments.

FEDERAL MILK ORDERS

Almost three-fourths of all Americans — 143 million people — live in areas covered by Federal milk orders which price 57% of U.S. milk production and 80% of milk eligible for fluid use. Even though some of you are not covered by Federal milk orders (California, for example), nevertheless, the magnitude of milk regulated under Federal milk orders heavily influences even areas not federally regulated. What happens to Federal orders, therefore, is of extreme importance.

Thirty-nine percent of milk priced by Federal milk orders is used for manufactured dairy products. As more milk converts to grade A, more milk for manufactured products will be priced by Federal milk orders. This will put severe stress on Federal milk orders, particularly in areas of high "B" concentration and low class I utilization. For example, if all the Wisconsin grade B milk in 1973 had converted to grade A and attached to the Chicago Regional Order, class I utilization in that market would have been cut in half (to 22%) and blend prices would have declined 21 cents per cwt.

Intense pressures will develop for consolidation of orders, or interorder pooling, as a way of "spreading the costs." Proposals to merge Minnesota, Iowa, North Dakota and South Dakota orders illustrate these pressures.

We now have 61 Federal milk orders. I project no more than 10, and possibly as few as 5, by the end of this decade — with more volume and geographic coverage, including at least some of you not now covered by Federal milk orders. Many of you will also be merged with Federal milk orders in other parts of the country, like it or not. It's something you will have to adjust to.

STATE MILK ORDERS

Milk orders authorize minimum retail prices in 16 states, minimum wholesale prices in 17 states and minimum farm prices in 19 states. Twenty-nine states also regulate trade practices, such as sales below cost, price distribution, discounts and rebates.

State milk orders are under increasing attack by consumer groups and will likely be faced with even more severe challenges in the future. Recent examples: (a) the Nebraska milk law authorizing minimum wholesale and retail prices has been declared unconstitutional; (b) the Virginia milk commission now has authority to set minimum retail prices only under emergency conditions, and consumers have a four-to-three majority on the board; (c) the Wisconsin State Board of Agriculture accepted the recommendation of the department staff for repeal of minimum price markup at wholesale and retail. Also, a proposed law to establish minimum wholesale and retail prices for selected dairy products never got off the ground in the legislature.

State milk control will have to be four-square in order to survive. They're "closer to home" than Federal milk orders and easier to attack. Also, minimum retail and wholesale pricing regulatory powers attract consumer critics like flies.

State milk control boards are going to have more and more consumer representation in the future as consumer groups become more vocal — and more powerful. You may not like it, but that's how it's likely to be, and the dairy industry will have to adjust.

PROTEIN PRICING

There are many advantages and justifications for protein pricing of milk, both to handlers in class prices and to producers in blend payouts, and in my opinion, it should be and will be adopted on a broad scale throughout this country. Here's why:

1. Without protein pricing, farmers with a high level of protein relative to fat are not getting paid for the extra protein, even though it's valuable nutritionally and moneywise. In this regard the relationship of protein to fat varies considerably among cows and herds. For example, Ontario, Canada, which has been continuously testing the milk from 19,000 dairy herds twice weekly for the past four years found:*

(a) even though on the average milk has more fat than protein, averaging about 3.6% fat and 3.2% protein, nevertheless, 600 of the 19,000 herds in every test period had a higher protein than fat content. Over 50 herds had more protein than fat in all test periods to date; (b) feeding and management are main determinants of

U of A Calf Management Seminar

Dairy calf raisers are encouraged to participate in a calf raising seminar to be held Tuesday, February 4th at the Agricultural Extension Center, 4341 East Broadway, Phoenix.

The program will be aimed at the person who has the day to day responsibility of calf raising. "We welcome the dairymen but we want his calf raiser there," stated Otis Lough, U of A Dairy Extension Agent.

Three basic areas will be covered; Nutrition, Physiology, Disease Prevention and Control.

The morning session will deal with fundamentals upon which a sound calf raising program can be built. The afternoon session will be devoted to the development of such programs.

The program outline follows:

CALF RAISING SEMINAR

10:00 a.m.	Current economic outlook for raising replacement heifers — Otis Lough, Maricopa County Extension Dairy Agent.
10:15 a.m.	Physical Development of the Calf — Dr. Gerald Stott, Head U of A Dairy and Food Science Department.
10:45 a.m.	Feeding the calf — Dr. Jim Schuh, U of A Dairy and Food Science Department.
11:15 a.m.	Minimizing calf diseases — Dr. Ed Bicknell, U of A Extension Veterinarian.
12:00 Noon	No host lunch will be available.
1:00 p.m.	Panel: A Calf Raising Program
	Dr. Stott — Maternity care of cow and calf
	Dr. Schuh — A good calf feeding program
	Dr. Bicknell — A good disease prevention and control program
1:45 p.m.	Discussion, Questions, Answers and Recommendations
2:45 p.m.	Adjourn

Attachment III

My name is Max Hafen and I operate a dairy farm at Mesquite, Nevada with production in the 900,000 pound range and have been a producer of milk in that area for 30 years. I am presently on the Board of Directors of the Lake Mead Cooperative Association and am in complete agreement with thier operations and policies as presented here by the Manager of the Cooperative.

I was one of the producers who were instrumental in having a Federal Order brought into this area and after a year and half of operation am personally completely satisfied with the progress that has been made in the increased price for the milk, much greater stability in the market, and more importantly the fact that we do not have to subsidize handlers ~~or make kickbacks to them.~~

At the time the Federal Order was first thought of, we felt that it was the only salvation not only for the Nevada producers but also for the Utah producers who were a part of the market then and who were taking a considerable beating from the processors. According to the information we have been able to get, our Nevada production is not sufficient to meet the needs of the Las Vegas consumer demands and since additional out of state milk had to be brought in, we felt it much more advisable to have it controlled by the Federal Government in the same manner that we were so that all producers were to be treated equal and share equally in the entire market. The Federal Order has done this, in addition to stabilizaing the market and given the milk producers independence to the extent that they are not at the mercy of the handlers and have to pay them in one way or other in order to sell them milk and stay in the dairy business.

From what we know, the Nevada state order is trying to counteract the good effects of the Federal Order by making the market unstable through the unequal payments to producers and is trying to make us dependent on the few processors who buy our milk. The Nevada State order is not working for the benefit of the Nevada producers. Thank you.

Attachment IV

My name is Dee Hughes and I am amilk producer from Mesquite, Nevada with production in the area of 700,000 pounds of milk per month. I have been in the milk business at Mesquite for 22 years and hope to continue for some time to come. I am on the Board of Directors of the Lake Mead Cooperative and have been since the beginning and was one of the producers who was instrumental in having a Federal Order put into this area. ~~Prior to the order I also was in the position of having to make under the table payments to processors in order to stay in the business of selling my milk and was subject to the whims and vagaries of the handlers.~~

My peace of mind and pocketbook is in the best shape ever, for with the Federal Order in effect, I can plan ahead with the assurance that I will have a market for my milk and that I will receive the same price as other producers supplying the Las Vegas area and are not subject to ~~the~~ subsidizing the processors. With the Federal Order in effect, milk from California cannot be brought into the market and force us out of business for the Federal Order will force them to pay as much for that milk as for the Nevada or Utah milk.

It is my understanding that the State Order cannot do that because it controls only Nevada producers and since there is not enough milk produced in Nevada to supply the Las Vegas needs, milk must be brought in from surrounding states such as Utah and California and if that milk is not under the same control as ours, then the processors will again have us at a disadvantage.

The Federal order has stabilized the market, equalized payments, eliminated the kickbacks and given the Nevada producers their fare share of the Nevada market. The Nevada State Order is not working in conjunction with the Federal Order as other statds do, but is trying to negate all of the benefits realized from the Federal Order and if allowed to continue in this manner can only work to the detriment of the Nevada producers. Nevada producers cannot make themselves into an island but must work, cooperate, and share with producers from surrounding areas and particularly Utah producers for they have helped us furnish all of the milk necessary for Las Vegas and kept California milk from flooding us.

Dairy Com

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STATE OF NEVADA
DEPARTMENT OF HUMAN RESOURCES
DIVISION OF HEALTH
BUREAU OF ENVIRONMENTAL HEALTH
CARSON CITY, NEVADA 89701

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February 3, 1975

MEMORANDUM

To: Assemblyman Thomas Hickey

From: Ernest N. Scruggs, Commissioner on Food & Drug ENS

Subject: List of Dairymen in the Lake Mead Coop. (Federal Order)

SOUTHERN NEVADA

1. Featherston
2. Robinson
3. Bunker
4. Hughes
5. Hafen
6. L. D. S., Las Vegas
7. Alamo Dairy
8. Schofield

SOUTHERN UTAH

Minersville:

1. Minersville Dairy
2. Cow Palace
3. James Cram
4. Ralph Pearson

St. George:

1. Eldon Gentry
2. Schuyler Everett
3. William Seegmiller
4. Elmer Herman
5. Ed Cotton
6. Art Rogers
7. Richard Shurtliff
8. Carl Gerow

Veyo:

1. Claude Braswell
2. Fenton Bowler

Washington:

1. Paxman Brothers

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