ASSEMBLY AGRICULTURE COMMITTEE MINUTES

FEBRUARY 25, 1975

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

MEMBERS ABSENT: None

GUESTS: Louis Bergevin, Nevada Cattleman's Association
Sid Collier Nevada Auction Yard, Inc.
Tom Gallagher, Gallagher Livestock, Inc.
Edmund R. Bawmettler, University of Nevada, College of Ag.
Fred Warren, State Department of Agriculture
John Olsen, Assoc. Nev. Dairymen Inc.
Betty Bastdoff, Arden Dairies
Brand Bastdoff, Arden Dairies
Barry Brooke, Model Dairy, Inc.
Dennis Baughman, Las Vegas Review-Journal
Herb Witt, Chairman, Nevada Dairy Producers Council
S. D. Mastroianni, State Div. of Health
James Edmundson, State Div. of Health
Clarence Cassady, Dairy Commission
Randall Capurro, Nevada Dairy Distributors
John Picetti, Dairyman, President Associated Nevada Dairymen
Newell Mills, All-Jersey of Nevada
Bruno Biasi, Bunkerville, Nevada
Dale G. Hunt, Bunkerville, Nevada, Dairyman & Commissioner

The meeting was called to order by Chairman Tom Hickey for the purpose of hearing further testimony on AB 29, which abolishes the Dairy Commission, and AB 203 and 204.

Chairman Hickey began with AB 29, which abolishes the Dairy Commission and called upon Clarence Cassady, Administrator, of the Nevada State Dairy Commission. Mr. Cassady read a prepared statement to the committee, a copy of which is attached to these minutes and herewith made a part of this record (Exhibit I).

Mr. Hickey asked Mr. Cassady what was the basic difference between State Dairy Commission and the Federal Marketing Order. Mr. Cassady stated that he felt the basic difference was that the order does not base price on the cost to the producer, etc., and it does not regulate amount of milk in the market. He also added that the Dairy Commission takes into consideration cost of producing, distributing and selling milk as well as making surplus milk unprofitable. Finally, the Dairy Commission functions within the State of Nevada by citizens of the state while the people running the federal marketing order are just doing a job.

Mr. Hickey then asked Mr. Cassady to explain the higher prices found in Nevada for milk as compared to California. Mr. Cassady stated that as California has nearly 22 million people in their market, they have a much higher volume which cannot compare in anyway to Nevada. He further cited the situation in Salt Lake City where some milk may be purchased cheaper but yet the number 1 label is higher.

Mr. Jeffrey asked what the margin of profit on the three levels of industry are. Mr. Cassady stated that they have built in a certain factor of about a 10% return on the investment for the producers. With the distributors they add 10% to cost but with the retailer they are at a real loss. They have hired a research man to try to run down the cost to retailer. This has been a real problem.

Mr. Jeffrey asked if the problem with the retailer could not be solved by the Dairy Commission's subpoena power. Mr. Cassady stated that they found it easier to seek cooperation but they may have to resort to this subpoena power. Independents in Nevada do cooperate but they don't control much of the market anymore.

Mr. Jeffrey then asked Mr. Cassady how they set the price of milk if they have not idea about the retailer's margin. Mr. Cassady replied that they have to go by their sworn testimony given under oath where the markets say they need between 18-20%. This is about what the other states also do.

Mr. Price referred to previous testimony submitted by Mr. Cameron regarding the coop as a nonprofit organization and that all their people shared equally. He stated that he failed to see how the Commission could break out the Nevada people only in order to have a fair return to the Nevada producer without being tied in with producers in Utah. Mr. Cassady said that traditionally Southern Utah was part of the Las Vegas market and shared in the prices set by the Dairy Commission. If a member of a cooperative wishes to share his profit then the Dairy Commission has not control over it. But the price of all milk no matter who producers it in Nevada is $9.46. This price to produce milk will not really vary that much in the surrounding areas. Sacramento is about $9.46 and Los Angeles is about $9.80. Mr. Cassady further stated that he found it very disturbing that you have these large super coops where the management is becoming all powerful and getting more powerful than the marketing order they are under.

Mr. Price stated that Mr. Mann had referred to last year's price increase which had been based at one point on cost of hay and feed going up, but yet when these costs came down the milk price stayed where it was. He was curious why this was so. Mr. Cassady said that this was really misunderstood by the press in that at this same time the price of cartons went up and with the feed price going down the producers still didn't come out with any raise.

Mr. Price asked if there was any type of legislation which would make it easier to get information that would be beneficial. Mr. Cassady stated that he would have to think about that. They do have the subpoena power and are using information available from other states.

Mr. Jeffrey stated that he does not understand how the Commission can set a price on milk if it does not know the margin of profit at the store. He said figures show bulk milk is cheaper in Southern Nevada than in Los Angeles or San Francisco, yet the store price of milk in Nevada is up nine cents or more per gallon. Mr. Cassady stated that they do have a study on this very thing going on at the present time. He added that California was a larger market and has been in business longer. At the moment the California market is very chaotic and they suspect that milk prices are being subsidizes by higher prices on other items.

Mr. Hickey asked Dr. Baumettler of the University of Nevada if the University had made any studies of this and what were their conclusions. Dr. Baumettler submitted the letter from Dean Bohmont (Exhibit II) and stated that the University had conducted several studies and the results of these studies agreed with what Mr. Cassady had testified there today.

Mr. Price asked if there was anything that set penalties for people that should be submitting information. Mr. Cassady stated that the distributors and producers were very cooperative but with the retailers they have had to except sworn testimony which the Commission is now beginning to question. He further stated that they realize that the producer has to produce more than is necessary for Class I need and therefore have built this into the costs.

Dr. Robinson asked Mr. Cassady what it is about him and his job that makes him so unpopular. Mr. Cassady stated that as an enforcement regulator it is very difficult to get and maintain friends. He stated that he has had to "step on people's corns" and you do this enough and you are going make enemies and get criticism.

Dr. Robinson futher asked if Mr. Cassady's decisions can be appealed by the people they effect. Mr. Cassady answered that the Dairy Commission sets policy and he attempts to carry it out. He further stated that any decisions he makes are not final and can be and are often overruled by the Commission.

Mr. Price asked what type of time schedule is used to get information and agendas forwarded to the Commission members so they can be properly prepared for the meeting. Mr. Cassady stated that in a public hearing there is no way they can forward the information that will be presented to the Commission but that the Commission usually takes some period of time to assess that which is put before them and make their decisions.

Mr. Getto stated that there had been a great deal of criticism from producers that there was such a long interval between when they ask for raises and when they actually get them. Mr. Cassady said that there had been some problems in the past but with the hay and grain formula they have they feel that this is solved.

Mr. Getto said that the Commission had been accused of protecting the inefficient producer. Mr. Cassady said that they take the median cost for the producer and use that, so a few inefficient ones do remain but that eventually this median cost will be higher and higher and thus the inefficient one will be weeded out.

Mr. Getto asked what was a reasonable return to which Mr. Cassady said that they feel 10% was reasonable.

Mr. Hickey asked Mr. Cassady to submit to the committee more information on the lack of cooperation of the retail stores. Mr. Cassady assured the committee that he would.

Herb Witt, Chairman, Nevada Dairy Producers Council, presented a statement to the committee, a copy of which is hereto attached and made a part of this record. (<u>Exhibit III</u>)

Newell Mills, All-Jersey of Nevada, from Fallon, Nevada, supported the statement of Mr. Witt and stated that they favor the continuation of the Dairy Commission. He said that additional consumer representation is desirable. He said that he feels that their interests and interests of the public are best served by continuation of the Dairy Commission.

John Picetti, Associated Nevada Dairymen, stated that they also support the statement of Mr. Witt and they also wish to see the continuation of the Dairy Commission.

Dr. Edmund R. Baumettler of the School of Agriculture at the University of Nevada, where he has been employed since 1958, stated that his office has done independent studies as well as studies in conjunction with the Dairy Commission and the information they have received compares favorably with the information offered at the meeting today. The costs of other products in Nevada have increased more than dairy products have. The prices producers pay for their feed have increased as well as other costs and it is justifiable that these costs are passed along. He feels there is good reason to continue the existence of the Commission.

Mr. Getto asked if the University had computed any correlation between the price of a quart of milk to the average dollar earned. Dr. Baumettler stated that they are available at the University but that he did not have them with him, Mr. Hickey requested that he submit them in writing.

Mr. Getto asked if the University has figures for the total investment in the dairy industry. Dr. Baumettler stated that they have figures for "model" dairies, that he knows there are fewer dairy farms today than in recent past, and that a ton of hay cannot even be produced for $62.

Mr. Getto asked Doc Mastrionni about the prison and University dairy farms. Doc Mastrionni stated that the farm at the prison has a very good record.

Mr. Dale Hunt, Chairman of the Commission and independent producer in Southern Nevada and Mr. Bruno Biasi, also producer in Southern Nevada, offered into evidence a copy of the transcript of the Federal Marketing Order hearing held in Las Vegas December 16, 1975. A copy of which can be seen in the Secretary's office but is not attached to these minutes. He stated that his Class I usage has been down to as low as 50% of his total production. He also stated that he visited the supply palnt discussed previously by Mr. Cameron in Minersville and discovered that there was nothing there but a dairy with no facilities for storing milk. There were about 500 cows being milked "bucket" style. One holding tank held 5600 gallons and one 2100 gallons and one 1800. They were very dusty and had not been used at all. Mr. Hunt stated that Mr. Cameron had testified that five loads of milk a day had been stored there. Regarding the "upcharge" placed on Class I milk by the Nevada Dairy Commission raising the Federal Order price paid producers in that order by $1/CWT, Mr. Hunt stated that before the Coop, producers sold their milk directly to their distributor. Now the cooperative sells its member's milk to the distributors and the Coop is also receiving the "upcharge" being received by Nevada producers for milk coming into Nevada. In Salt Lake City, the Coops have set their own "upcharge" on their milk whereas in Nevada the Dairy Commission sets it to make sure that all producers get it.

Mr. Hickey advised Mr. Hunt that the Agriculture Committee planned to make inquiry into violations of Federal laws regarding milk being brought into Nevada as Class III and so and sold as Class I. Mr. Hunt informed Mr. Hickey that under the Federal Order, Nevada has no authority over this practice and that anyone can bring milk into the Order even though it is not needed. He also stated that the Commission does have authority over the activities of the coop in Nevada and that because the upcharge was set by the Commission, the independent producers of which there are four are able to receive this upcharge directly from their distributor.

Mr. Biasi stated that he voted against the Federal Order because the Order was not set up by Nevada producers, but mostly producers from Utah. Nevada producers thought the Class I usage would go up to 90% but instead it went down to 50%. The original 26 producers entering the Federal Marketing Order went to as high as 56, diluting the price the Nevada producers received. He claims that as a member of the Federal Order it is costing him between $800 to $1,000 a month.

Mr. Hunt demonstrated to the committee how the Lake Mead Cooperative keeps the Minersville operation legal by shuffling milk back and forth thus causing surplus milk and lowering the Class I usage of their milk. He further stated that the federal order set the price and the state the upcharge which is suppose to go back to the dairyman. In the coop this goes back to the coop and from what he has heard from Nevada members the producers are not receiving it.

Mr. Hickey asked if they had any solution to the problem. Mr. Hunt stated that to keep the Dairy Commission would help in that without it the large coop would wipe out the small dairyman that does not belong.

Mr. Hunt went on to say that some of the Nevada members of the coop were unhappy but there is nothing they can do because they are outvoted by the Utah members, and if they quit shipping their milk to the coop they cannot do any business in this area for 3 years, so they are stuck with it.

Mr. Hunt finished his statement by saying that he did not feel that the Lake Mead Cooperative was a nonprofit organization.

As there was not further testimony on AB 29, Chairman Hickey called for AB 203 and AB 204 to be heard.

Fred Warren, Nevada Department of Agriculture, stated that the State Board conveys their apologizes for submitting this bill before they had the desired amendment. They recommend that AB 203 be amended to read a license for broker, dealer, commission merchant to cash buyer should be $60 instead of $100 and license as an agent shall be $40 instead of $50.

He stated that these were primarily submitted to offset the costs of operation. Originally these fees were established in 1961 and costs have risen considerably since then.

AB 204 also carries an amendment. The license fee to operate a public livestock autction shall be $150 not $250 per year. He stated that there are only two public auctions in the State and they are licensed annually. This increase would help defray expenses of the Department. They furnish brand inspectors at each weekly sale.

Mr. Getto stated that he was quite interested in the Brand Division and the total collected last year and the total costs. He stated that they had emergency funds in the past and what had happened to this. Mr. Warren stated that at this time there were no emergency funds available.

Mr. Getto stated that he felt it would behoove the committee to have subcommittee to really study Brand Inspection Division of Department of Agriculture.

Mr. Gallagher, Gallagher Livestock, Inc., Fallon, Nevada stated that he felt that these increases were way out of line. He stated that the trader was only raised $20 while the public auction was raised $50 and yet the trader was a transient who contributed nothing to this state and the public auction was located in the state and people involed lived here and contributed much to the economy of the state. Also, public auction does provide a service to the department in that they collect all fees.

Mr. Collier, Nevada Auction Yeard, Inc., stated that they agreed with what Mr. Gallagher said and that he would like to add that the volume of business they are doing is way down from 1961. He stated that he felt that this is very unfair as they do collect fees and everything else for the brand division.

Mr. Bergivin, Nevada Cattlemen's Association, stated that they are very concerned about this as the department is continually raising fees over the last three years. Inspection of a cow has gone from 10¢ to 30¢ and a cow with calif from 10¢ to 60¢. He stated that he felt there was something wrong with the department. Farmers presently pay a head tax of 28¢ which is suppose to defray costs. Mr. Bergevin stated that he agrees with Mr. Getto's suggestion as he feels there is a dire need for investigation of the brand division of the department.

Chuck White, Farm Bureau, stated that he wishes to add is support of what had been said and they feel there is no justification at this time for these raises. He also stated that he would like to see a complete audit of the division.

As there was no further testimony, Chairman Hickey adjourned the meeting.

Respectfully submitted,

Sandra Gagnier
Assembly Attache

ASSEMBLY

AGENDA FOR COMMITTEE ON AGRICULTURE

Date Feb. 25, 1975 Time 8:00 a.m. Room 240

Bills or Resolutions to be considered	Subject	Counsel requested*
AB 29	Abolishing the Dairy Commission (Witnesses to be heard): Nevada Dairy Commission State Health Division State Agriculture Department University of Nevada Industry Producers Distributors Retailers Consumers	
AB 203	Increases annual license fees for livestock brokers, dealers, commission merchants cash buyers and agents.	
AB 204	Increases license fees required to operate a public livestock auction.	

*Please do not ask for counsel unless necessary.

Exhibit I

STATE OF NEVADA
DAIRY COMMISSION
February 25, 1975

Before the Assembly Agriculture Committee
The Honorable Thomas Hickey - Chairman

Gentlemen:

My name is Clarence J. Cassady and I am employed in the capacity of Administrator for the State of Nevada Dairy Commission. With your indulgence, I would like to make a few comments about the Commission and its reasons for existence:

The dairy industry in Nevada in the early 1950's was in a chaotic condition. At that time the average dairyman milked about fifty cows. This required more than twice the number of dairy farmers currently operating, and approximately three times as many processing plants existed then as compared to now.

Qaulity was at best uneven at production and distribution levels. Competition at the wholesale level can best be described as self destructive.

Farmers were powerless to comand reasonable prices because these were not determined until after their milk was delivered. So many small operations were involved that everyone had to scramble for a market. Complaints of short weights and low tests were frequent and many times justified. Processors delivered ten or twelve brands in the Reno Area alone and the competition was ruinous. Producers were played off one against another by processors and processors were similarly treated by their customers.

The conditions within the industry were so depressing that it was dying on the vine at a time when Nevada was really starting on its remarkable growth.

The principal efforts to establish a Dairy Commission was put forward by dairy farmers. Their position was the least attractive and they required substantial legislative help if they were to survive. The 1955 session established the Commission, but little or no effect could be felt until after additional legislation was adopted at the 1957 session. This was fortified during the 1959 session. Since this time, the Statutory provisions governing the Commission have remained substantially intact. It should be brought out that this legislation was in response to a dire need in the industry.

With the possible exception of public utilities, no other industry is as completely regulated by governmental authority. From the moment the cow becomes part of a milking herd to the time the housewife makes her purchase, this vital and necessary food is subject to production, transportation, processing, storage, distribution, sanitation, and marketing regulations by a number of various agencies.

To aid the dairy industry with the complexities of production, processing, distribution and sales a July 1972 Agriculture Economic Report, No. 229, Economic Research Service, United States Department of Agriculture, states that there were 62 Federal Milk Marketing Orders. In addition, 37 states and Puerto Rico had some milk regulation.

Of these, 18 states established minimum producer prices, 16 were authorized to set wholesale prices; and of these 16, 14 are excercising this authority. Fifteen states were authorized to set retail price; 13 were doing this.

Twenty-nine states have trade practice regulations. An additional eight have milk promotion plans, of which six do the same. Puerto Rico utilizes all of the above listed programs. (There has been some current changes in the above), in short, public policy recognizes a special need to regulate and stabilize the milk industry.

It follows that when competitive pressures force dairy farms to cut quality and sanitary corners or to drive milk processors into uneconomic marketing practices without lasting benefit to consumers in general, such pressures become a matter of public concern. A combination of three factors makes control of such competitive pressures necessary:

1. Unlike public utilities, the milk industry is highly competitive. Where public utilities are controlled by government, the franchises they receive effectively destroy competition, thereby protecting the large investments usually required. Naturally this condition does not exist in the dairy industry. Controlled competition among industry members is a guarantee to the public of quality products that in many cases exceed the minimum standards set for them. But indiscriminate competition leads to price wars, the unfair elimination of business competitors, lessening of service, and poorer quality products to the consumer.

2. It is also true that the demands for fresh fluid milk fluctuate from day to day and cannot be anticipated. Likewise, the daily production of milk at the ranch is subject to variations over which even the most efficient producer has no control. The producer must therefore gear his production so that all reasonable fluctuations of production and consumer demand are considered. Any milk over and above that placed in the bottle must then be converted into other milk products such as cheese, evaporated milk, powdered milk, ice cream & cottage cheese etc., and be sold by distributors at lower prices than fluid milk with correspondingly lower prices to producers. Distributors, on the other hand, cannot be expected to return to producers the premium attached to the production of fresh fluid milk when such milk has to be utilized in manufacturing grade products. However, distributors must be assured of a continuing supply of milk for processing in order to justify their investment and meet their daily bottling commitments. The existence therefore of an excess or a shortage of milk is a constant threat to the stability of the market.

3. Since milk cannot be stored, producers are most vulnerable to any change affecting the stability of their market. Cows don't stop eating because the milk farmer loses his fresh fluid milk market, and, facetiously, when you put more in a cow's mouth than you take out of her udder, utter disaster is not far away. With unstable markets, the dairy farmer cannot afford to put money into improving either his herd or into capital outlays that would enable him to produce a better and more healthful product. Stabilization plans counteract this downward pull by establishing minimum prices for fluid milk. At the end of a given period a distributor settles his account with the producer by paying him a blended price, respresenting the price brought by the milk used as fluid milk and the lesser price brought by the milk converted into other milk products. The minimum price of fluid milk, however, includes a fixed element of cost that affords the producer a constant factor of protection against speculation at his expense in the distribution of milk. If the distributor were under no compulsion to

pay a minimum price, he could seek to shift to the producer the risk of speculation in a fluctuating market by paying him the lowest possible price, not only for fluid milk but for milk converted into other milk products. Conversely, this daily supply of a perishable product requiring immediate turnover of such supply minimizes the distributor bargaining power. Without assistance, standards of production quality by both the producer and distributor would soon show adverse effects.

Let's examine objections most often raised:

1. That these government regulations are stifling competition and preventing free enterprise. This is true with all public utilities; milk is so closely tied to the public interest as to be considered in the light of a public utility. [illegible] Unlike such utilities the milk dealer has competition and since rules are prescribed by government regulation, he must compete not on price, but on quality of product and service. Eliminated are all the misleading advertising gimmicks used to sell merchandise. The consumer is assured of getting fair value for his purchase.

2. Price fixing places an umbrella over the marginal or submarginal operator. If prices were established to allow such borderline operator to continue operating, competitors would soon displace this brand in the market. with [illegible] quality and service ~~However~~, Since the Commission is bound to act only in the public interest, the prices established are usually the median average. Marginal operators must either become efficient or get out of business. Past experience bears this out since a number of producers and distributors have gone out of business.

3. Why regulate milk alone - not other foods? The answer is basically simply, no other food fills such a primary necessity in the survival of human life. Indeed, milk has often been referred to as nature's most perfect food. Meat, fruit, and vegetables can be dried, canned or frozen, but nothing can replace a fresh glass of milk.

It must be remembered, that restrictions are not imposed basically to aid a faltering or inefficient industry, but are for the protection and welfare of the general public.

Now, let's take a look at the program the Commission has developed within the framework of its statutory mandate. First, let's look at the producer side. The Commission has established a system of classified prices for milk received by processors. This means that the use to which milk is put determines its value. Fluid milk commands a higher price than milk used in the manufacture of by-products and classified prices prevent the manufacturing milk price from forcing down the fluid milk value, especially during surplus periods. As pointed out previously, even with the Commission setting minimum prices, over half of the dairymen have gone out of business over the last twenty years. This rate of attrition is similar to the national trend among dairy farms generally.

Another principal area of producer stability is found in the contracts the Commission requires between dairymen and the processors to whom they sell.

To enforce minimum prices and contractual obligations, the Commission has developed an audit program to ensure proper payments. From reports submitted, the Commission is able to develop significant statistical data for the dairymen's use in looking at his industry, its trends, prices, etc.

The Commission, in establishing minimum prices to producers, has developed cost accounting information and techniques which enable dairymen to develop and compare their own operation in a uniform manner.

As to the processor, the Commission's tasks are more involved because the business is more complex. Producers are tied to milk plants through long term contracts and on the surface it appears that producers don't compete with one another. No such appearance exists in the wholesale and retail sale of milk and dairy products. As previously mentioned, the Commission establishes minimum prices to dairymen. This has the effect of guaranteeing uniform raw product costs to processors. Minimum wholesale prices similarly give retailers assurance that they are buying at the same price as their competitors. To prevent excessive costs (ultimately born by the consumer) the Commission regulates the amounts and kinds of equipment and services distributors may furnish customers and induces wholesale purchasers to acquire such equipment themselves through minimum price consideration.

The cost of furnishing credit to customers has always been a substantial business burden. A large company might well gain control of the marketplace by extending credit beyone the ability of smaller firms. The Commission limits this cost by providing maximum credit terms that may be extended.

The auditing and statistical functions mentioned in connection with the Commission's producer-oriented operations hold as well for distributors.

Retailers, like the processors who furnish them their dairy products, are assured on the one hand that they are buying competitively and on the other that none of their competition is allowed to sell at prices below the minimums established by the Commission.

Who pays for this? The consumer, of course. The question that seems uppermost in the minds of some people is whether the consumer is paying too much. Theanswer is no. Compare the prices of other food products and milk is still one of the best bargins to be found in the store. The U. S. Department of Labor Consumer Price Index for December, 1974, shows an overall price index of 155.4 using 1967 as a base. Food, all items, has an index of 169.7, dairy products are shown at 155.3.

In 1967 the half gallon minimum price in Reno was 57 cents. Today it is 80 cents. ~~This~~ This is equivalent to a consumer index of 140.4.

A look at the value of the Nevada Dairy Industry would reveal that today in Nevada there are approximately 12,000 head of dairy cows in commercial herds. Investment value in dairies run between $1,000.00 and $1,500.00 per head. Using the low end of this range, we conservatively estimate a total capital investment of 12 million dollars in Nevada dairy farms. The 12,000 dairy cows will require approximately 6 million dollars worth of hay and 3.5 million dollars worth of grain annually. Other operating costs such as veterinarian fees, repairs, insurance, taxes, etc. will push the value to the Nevada economy from dairy expenditures past 15 million dollars annually.

Nevada processing plants handle some 60,000 gallons of milk per day. The cost department of the California Bureau of Milk Stabilization in 1970 estimated that a capital investment of 80 dollars was required for each gallon of daily capacity. On this basis the total investment in plant and equipment by Nevada processors would be close to 5 million dollars. ([illegible]) The wholesale value of annual sales of dairy products in Nevada exceeds 30 million dollars, while the estimated value of dairy animals sold for meat purposes exceeds one million dollars. The dairy industry is not a small industry in Nevada's economy

In conclusion, I cannot emphasize too strongly that a viable milk industry in Nevada cannot exist without some form of governmental intervention. Milk must be sold when fresh. A holding action by dairymen is impossible. Milk is produced on a daily basis and the cost of producing milk also accrues on a daily basis. The cost of feed necessary to produce unsold milk can never be recovered. Dairymen have an approximate lead time of three years in building their herds starting at conception and ending in the first production. The investments required for this type of operation demands that the industry be stable. This can only be accomplished, in practical terms, by government intervention.

Let's not forget the consumers in Nevada. They have a right to reasonably priced milk of uniformly high quality in amounts sufficient to meet their needs and at the time when they choose to buy it. It seems unlikely that these consumer needs can be met by a chaotic industry.

Exhibit L

UNIVERSITY OF NEVADA

RENO LAS VEGAS

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MAX C. FLEISCHMANN
COLLEGE OF AGRICULTURE
DEAN AND DIRECTOR
RENO CAMPUS 89507

RESIDENT INSTRUCTION
EXPERIMENT STATION
COOPERATIVE EXTENSION

Feb 16, 1975

Hon. Thomas Hickey, Chmn
Assembly Agr. Committee
Legislative Building
Carson City, Nev.

Dear Tom:

Your letter of Feb 12, 1975 concerning the Dairy Commission Bill AB 29 arrived on Friday. Since Monday is a holiday, I will respond with a composit view from several specialists from the college. A more detailed analysis can be provided later if you believe it would be helpful.

The general impression of the specialists who are informed about the problems of the dairy industry and pricing structure are of a common mind that Nevada needs its own regulatory commission.

The pricing documents do not support the popular statement that the cost of milk in Nevada is far out of line. For example the April 1974 comparison of 3.5% milk shows that 8 cities out of 13 may have a maximum price higher than Nevada where the minimum price becomes the maximum. A comparison of the 2% quarts out of store pricing shows a price variation of 10 to 80% within a given city. The 18% spread between Portland/Salem where the towns are within 30 miles should cause pause for those who wonder about pricing 450 miles away and across state lines.

Dairy production in Nevada, where much of the concentrates must be freighted in, is a very different production cost situation compared to states with an abundance of feed grain and forage. The 10% average higher price on the 3.5% milk quarts compared to the 11 selected cities out side of Nevada speaks well for tthe management of Nevada Dairies! One must ask if it is no t worth 3¢ for the Nevada Legislature to control its own prices and milk quality rather than being a dump ground of surrounding states who will supply outlying areas in time of abundance and not be around when the local consumption will meet its production.

Milk prices do not always go up. In fact if the Dairy business provided such a high rate of return compared to investment we would not have a reduction in Dairy numbers. The national trend is for less dairy cattle and less producing units. Only through some pricing controls will Nevada be able to keep any production going in this state. The Dairyman should be awarded a fair profit.

The Governor and other responsible leaders suggest a logical comperamise. A restructured commission that includes responsible consumers as well as representatives of the Dairy Industry. To ignore the producer or the consumer is to miss the purpose of the commission.

Sincerely Yours,

Dale W. Bohmont
Dean

Exhibit III

Nevada Farm Bureau
Dairy Producers Council

Mr. Chairman and members of the Assembly Agriculture Committee:

My name is Herb Witt. I am chairman of the Nevada Farm Bureau Dairy Producers Council. I am a dairy farmer producing hay and grain as feed for my dairy herd of 130 cows.

Dairy farmers of Nevada wish to take this opportunity to reaffirm their support for the continuance of the Nevada State Dairy Commission. The Dairy Commission performs a very vital service to dairy farmers by:

1. keeping production and usage records of all classes of milk.
2. audits and determines payment for class usage
3. requires that buyers be bonded
4. convenes public hearings to determine and review raw milk production costs.

We submit that a state Dairy Commission best serves the interests of the industry and the consumers because of the vast distances between our markets and the scattered nature of dairy production areas. The dairy industry is now a very important segment of the Nevada agricultural economy ranking third with cattle and hay. Nevada possesses the necessary ingredients for an ever growing dairy industry and with the certainty of such growth, it is ever more necessary that a state agency guide and direct this development.

Few agricultural commodities offer consumers a voice in the pricing of a product. A state controlled agency makes it possible for consumers to be heard frequently at the local level.

At a recent meeting of the Dairy Producers Council, producers moved to offer for this committee's consideration the following commission composition

5 Industry members as follows:

- 2 producers
- 1 producer distributor
- 1 distributor
- 1 retail store

5 consumers as follows:

- 1 owner of a small business (exclusive of dairy industry)
- I representative of Senior Citizens Group
- 1 representative of Consumers League
- 1 consumer at large
- 1 representative from the financial institutions

With the expertise offered by members with this background, we feel that responsible consideration for the problems facing the dairy industry will be adequately guaranteed and that an adequate supply of milk at a fair and reasonable price will result.

Thank You

Herbert P. Witt
Chairman
Nevada Farm Bureau
Dairy Producers Council
3/24/75

Exhibit IV (Not refered to in Minutes

STATE OF NEVADA

LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING

CARSON CITY, NEVADA 89701

LEGISLATIVE COMMISSION

LAWRENCE E. JACOBSEN, Assemblyman, *Chairman*

INTERIM FINANCE COMMITTEE

FLOYD R. LAMB, Senator, *Chairman*

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ARTHUR J. PALMER, *Director*

PERRY P. BURNETT, *Legislative Counsel*
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February 11, 1975

M E M O R A N D U M

TO: Assemblyman Lloyd W. Mann

FROM: Mary Lou Love, Deputy Researcher, Office of Research MLL

RE: Milk prices in Western States

The top portion of the enclosed chart shows average prices set for milk producers by federal pricing orders. Some Nevada producers are included in the Great Basin area and in the Lake Mead area.

The bottom part of the chart reflects retail prices for 1/2 gallon whole and skim milk in certain cities for November 1974. Nevada prices were provided by the state Dairy Commission and represent minimum retail prices. Stores could markup from these prices, but generally they are representative of store prices in Nevada.

I am also enclosing a study report issued by Virginia. This report contains valuable data on the dairy pricing situation across the United States, as well as showing Virginia's approach to the problem. I found it a most helpful introduction to the very complicated subject of milk pricing.

MLL/jd
Encl. (2)

PRICES SET FOR MILK PRODUCERS
IN SELECTED FEDERAL ORDER MARKETS
(December 1974)

Market Order	Fluid Milk Price 1/ (per cwt/)	Average Producer Price (per cwt.)	Average Producer Price (per 1/2 gal.)
Eastern Colorado	$9.12	$8.42	.36
*Great Basin	8.72	7.71	.33
*Lake Mead	8.42	7.82	.34
Western Colorado	8.82	8.35	.36
Black Hills	8.77	7.61	.33
Central Arizona	9.34	8.42 1/	.36
Greater Kansas City	8.56	7.71	.33
Nebraska-Western Iowa	8.42 1/	7.45	.32
Oregon-Washington	8.77	7.99	.34
Puget Sound	8.67	7.43	.32
Rio Grande Valley	9.17	8.64	.37

1/ Base Zone

*Areas where federal milk orders control Nevada milk prices.

Source: Market Administrators Report, U.S. Department of Agriculture, January 1975.

AVERAGE RETAIL MILK PRICES
FOR U.S. AND SELECTED CITIES*

	United States	Western NV	Eastern NV	Southern NV	Los Angeles Long Beach	San Francisco Oakland	Seattle	Dallas	Kansas City
Whole Milk (1/2 gal.)	77.6¢	80.0¢	83.0¢	80.0¢	71.4¢	72.0¢	77.7¢	81.4¢	82.6¢
Skim Milk (1/2 gal.)	73.4¢	72.0¢	75.0¢	72.0¢	61.5¢	NA	75.5¢	74.2¢	79.0¢

*Material for the chart was taken from a U.S. Department of Labor report on retail food prices in November 1974 in certain cities. Nevada milk prices are minimum retail prices set by the state Dairy Commission for the three marketing divisions. Eastern Nevada milk prices are set only for the Ely, Ely City, McGill and Elko areas.

Office of Research
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