

## ASSEMBLY AGRICULTURE COMMITTEE MINUTES (LAS VEGAS)

MARCH 8, 1975

MEMBERS PRESENT: Chairman Hickey, Vice Chairman Price, Mr. Coulter and Mr. Jeffrey

MEMBERS ABSENT: Dr. Robinson, Mr. Hetto and Mr. Howard (all excused)

GUEST SPEAKERS: Brad Robertson, Lake Mead Coop. Association  
 Rex W. Lundberg, Nevada State Consumer Affairs Div.  
 S. F. McCann  
 Sam Simpkin, Nevada Dairy Commission  
 Tom Mulroy  
 Ken Pilkington  
 Charles Levinson, Consumer League of Nevada  
 F. W. West  
 M. J. Hoesly  
 John Featherson, Producer, Overton  
 Brandt Bostdorff, Arden Farms

A special meeting of the Assembly Agriculture Committee was called to order by Chairman Hickey at the North Las Vegas City Hall at 10:00 a.m. on March 8, 1975. The purpose of the meeting was hear additional testimony on AB 29, which abolishes the Nevada State Dairy Commission, as well as the Senate Bills dealing with the Dairy Commission structure, SB 28 and 178.

The first person to speak was Sam Simpkin, Consumer Representative of the Nevada Dairy Commission. Mr. Simpkin began by stating that as a Consumer Representative on the Dairy Commission he would like to speak for and on behalf of retention of the Nevada State Dairy Commission. He stated that he felt this was vital and necessary for protection of the consumer. Also for the protection of the third largest industry in the State. He further stated that some of the things the Commission has had to contend with are not the fault of the people of the State of Nevada but rather should be laid at the feet of governmental officials in Washington, D.C. To emphasis his point he quoted from the article in the Las Vegas Review Journal. Mr. Simpkin stated that he felt that the Commission does need revision so that it would be more evenly balanced as the present 6-3 ratio is not equitable. (A copy of the newspaper article is herewith attached as Exhibit I.)

Another thing that the Nevada Dairy Commission is faced with is the regulating of the price of dairy products. Mr. Simpkin cited the situation in the past of large scale sales of wheat to foreign nations. This has raised the price on the basis feed for dairy cattle. In his opinion, by allowing the unlimited export of feed and grain to foreign, this has directly been the cause of such high product prices in dairy industry, meat and anything else that is connected with this industry. These are some of the things that the people of Nevada and the nation as a whole are not aware of, nor have they been given adequate coverage in the newspapers to support the actions of the Nevada Dairy Commission in establishing

the minimum prices on the production, processing and retail prices of the dairy products. He further stated that he believes that working under such a handicap the Dairy Commission has done an equitable job in maintaining the prices at the low level that we find here. He suggested that the committee check the increases of dairy products as compared to other food products. They will find that dairy products have risen at a much lower pace than other products.

Mr. Jeffrey stated that during previous hearings held in Carson City and around in the State, it came to light that there was no factual input from the retail stores on margin of profit etc. He asked Mr. Simpkin if this was true and that if it were, perhaps the problem was with the Commission in that they did not use their powers of subpoena. Mr. Simpkin stated that they never have received documented information from the retail sector of the industry but must taken action on only verbal testimony where the retail testifies that they need between 18-22% to break even. He stated that he did not believe that this was an actual fact. Furthermore, Mr. Simpkin stated that to his knowledge, the Dairy Commission had never used their power of subpoena.

Mr. Price asked if Mr. Simpkin found the information that the members receive before each hearing to be adequate to do any studying or preparation for the meeting. Mr. Simpkin stated that they did not receive information in advance of the meeting but they do receive adequate information from producer and distributor level before making any decision but that information was lacking from the retail level.

Mr. Price then asked if they had ever thought about cutting the profits on the retail level unless they come up with some information. Mr. Simpkin stated that they hadn't in that way but that they had discussed and thought about eliminating the retail minimum price. As yet Mr. Simpkin stated that he had not had the forces to get this passed.

Mr. Coulter then asked Mr. Simpkin how he felt about the Senate bills to which Mr. Simpkin stated that he was fully in accord with SB 28.

Mr. Price asked if Mr. Simpkin felt there was any necessity to set categories for the consumer side of the Commission. Mr. Simpkin stated that he did not feel that it would make that much difference.

Mr. Jeffrey then went back to eliminating the retail minimum and asked Mr. Simpkin if it was his desire to see the retail price minimum eliminated but the controls maintained on the other levels. Thus private enterprise would control the price for the retailer. Mr. Simpkin stated that he really wasn't in favor of this but it was an attempt to get the retailer to come forth and plead his case. He further stated that he felt if they (the retailer)

felt they were going to lose the support of the minimum price they would be forced to come and give some facts and figures to the Commission.

Thomas Mulroy, representing himself, presented a statement to the committee, a copy of which is herewith attached and made a part of this record. Mr. Mulroy also stated that whether the composition of the commission should be equally divided or not should be carefully considered. He felt there should be enough balance on the commission to eliminate road blocks in decision making. He also stated that he felt it should be an unequal number (say 9). Mr. Mulroy said that he did not feel that any board or commission could function without input from the industry and therefore suggested that there be 2 from producers, 1 distributor or producer-distributor and 1 market owner and 5 consumers. Of the consumers, if the committee felt they should be spelled out, there should be 1 from business other than connected with dairy, 1 from a nonprofit consumer organization such as the Consumer League, 1 senior citizen and 2 at large. (Exhibit II)

Charles Levinson, President of the Consumer League, spoke next on the bill. A summary of his testimony is herewith attached and made a part of this record. (See Exhibit III).

Ken Pilkington, North Las Vegas representing himself, stated that he would be completely against the abolishment of the Nevada Dairy Commission. Mr. Pilkington stated that he had served on the commission in 1964 as a representative of the dairy producers.

He stated that he had learned a great about the business during this time and that he had been considered somewhat of a rebel. Although he had been appointed to look out for the small producers he had ended up looking out for the consumer. He then cited several experiences he had had on the commission.

He stated that he felt the Dairy Commission was needed to protect the small dairy farmer. Mr. Pilkington stated that he felt that control of the Dairy Commission was with Mr. Cassady and that Mr. Cassady predetermined most of the decisions made by the Commission.

He then cited the situation in the Southern Nevada where home delivery is not longer available. Mr. Pilkington ended his statement by saying that there was a definite problem in the Commission. He felt it could be with the industry having control and that the consumer should have more say. But yet he added that he would hate to see the consumer have control as most of the consumer representatives do not have the interest or time to properly spend on this Commission.

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Mr. McCann, representing himself, presented a statement to the committee, a copy of which is attached and made a part of this record. (Exhibit IV).

Mr. Jeffrey stated that there was a fear among the producers that if the Dairy Commission was abolished and the free market exists, the small producer will be put out of business by outside large corporations. After which the prices will go way up as the large corporations have control. Mr. McCann stated that this was possible but that the consumer always has the right to refuse to buy the product.

Mr. Jeffrey then asked if Mr. McCann felt that the problem was within the Commission itself. Mr. McCann stated that he did and cited the situation of Safeway coming in in 1971 and asking for a price reduction which was refused. Yet, 60 days later the Commission raised the price of milk 5¢ a quart.

Mr. Price asked Mr. McCann how he would feel about under the federal marketing order only without the Dairy Commission and stated that the federal marketing order was still a price control situation. Mr. McCann stated that under the order you are a part of a larger area rather than just one little area. He further stated that in Utah, which is also under the same order, the price of milk is cheaper. He ended his statement by saying that the consumer in Nevada is not served by the Dairy Commission.

F. W. West, Las Vegas, representing himself, stated that he felt that the Commission should be abolished, as they are not doing their job. The law of supply and demand could do a better job. If the price were to go up without the Dairy Commission in existence, the public can always quit buying the product until the price is driven down just as they have done with cars.

Should the Legislature decide not to abolish the Commission, Mr. West stated that he would prefer SB 178 to SB 28 as he did not feel that having representatives from different groups would make that much difference.

He concluded his statement by saying that he felt in general all over the country the consumer has little protection. Small interest groups are protected but the consumer is not.

M. J. Hosely, representing himself, stated that he too was in favor of abolishing the Dairy Commission. Mr. Hoesly gave a brief background of himself, stating that he was raised on a dairy farm in Wisconsin. He felt that they should not be guaranteed a profit and if they can't make a go of it then their business should be turned into something else. He said that he felt that the majority of Nevadans are subsidizing this industry, especially the small unprofitable dairyman and that should the Dairy Commission be abolished a few incompetent ones will fall by the side. If the Dairy Commission were

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abolished the local dairy would have to compete or go out of business.

Mr. Brad Robertson, Lake Mead Coop Association, stated that he was available for any questions the committee may have.

Mr. Hickey asked if he worked as a dairy producer. Mr. Robertson stated that he worked for the co-op as fleet manager for this area. Mr. Robertson was unable to answer Mr. Price's questions regarding restrictions put on producers if they decide to withdraw.

Mr. Robertson answer Mr. Hickey's question regarding trucking within the order by stating that they only go into Utah and not into Colorado. He further stated that he had been to Minersville often. Mr. Hickey asked how much milk was shipped from there this last month to which Mr. Robertson said about 50% but the committee would have to check with the office to make sure.

Mr. Price then asked Mr. Robertson to describe the Minersville operation to which Mr. Robertson stated that there was a tanker there and a office with records. He said that all he really knew about the operation of the co-op was in the trucking end.

Mr. Featherston, Producer from Overton, stated that he felt that the Dairy Commission should be kept in force but that would be in favor of some changes on it, as it was less than perfect.

He stated that he would like to see something in the bill that would make sure the producer gets the full Nevada price for his milk. He cited the situation in Southern Nevada regarding the Hiland Dairy Coop. which started out as a small group and has grown to a large conglomerate. He stated that it would cost him about \$40,000 to leave the Coop and therefore you have to belong whether you want to or not. He explained how he could withdraw by either going completely out of business or selling out his production rights. Either way he would be out of business.

Mr. Lundberg, Nevada State Consumer Affairs Division, was the next speaker. A summary of his statement and questions asked him is herewith attached and made a part of this record. (Exhibit V)

Mr. Bostdorff, Arden Farms, was the final speaker for the day. He stated that he supported the need for the Dairy Commission but not necessarily in the present makeup. He stated that the price of milk to the distributor is increasing as they have to serve local schools, hospitals, etc. Safeway and other out of state conglomerates can just take the high volume business and thus can say that they can sell at a lower price. He

completed his statement by saying that the small distributor cannot stay in business to serve only the little people and yet compete with the large conglomerates.

As there was no further testimony to be heard, Chairman Hickey thank those who had appeared the adjourned the meeting.

Respectfully submitted,

SANDRA GAGNIER,  
Assembly Attache

Las Vegas R-T-

March 7

# Committee approves dairy bill

WASHINGTON (AP) — A bill that government economists say would raise the consumer price of milk by 8 cents a gallon, butter 20 cents a pound and cheese 10 cents a pound has won House Agriculture Committee approval.

The measure raising the regulated floors on the prices of dairy products, wheat, corn and cotton was approved Thursday by a 32 to 8 vote.

The measure would increase dairy price supports to 85 per cent of parity. President Ford vetoed such legislation after the last Congress.

If grain prices were to fall this year below the proposed new target prices, which is considered unlikely, the measure could cost the taxpayers a maximum of \$1.72 billion.

This figure would represent the payments to farmers to make up the difference between the market price and the target, as estimated by government economists.

The Agriculture Department, meanwhile, announced it has removed export curbs on grain and soybeans that had been imposed last Oct. 7 as a means of conserving dwindling U.S. supplies of major farm commodities.

The curbs, begun after the Soviet Union put in large orders for U.S. corn and wheat, required prior approval from the department for major shipments of wheat, corn, soybeans and soybean meal.

Officials said they would continue, however, to monitor exports of those commodities by requiring dealers to report sales of 100,000 tons or more within 24 hours of the transactions. Weekly listings of all export commitments also will continue.

The Soviets agreed to limit their 1974-75 grain purchases to 1 million tons of corn and 1.2 million tons of wheat — about two-thirds of their original order — when the export curbs were imposed.

But an Agriculture Department official said the Russians were told Thursday they now may purchase more grain if they wish.

Rep. Peter Peyser, R-N.Y., said he would fight on the House floor for defeat of the support bill as unnecessary and "outrageously inflationary."

He said he would not support reported plans by Rep. William C. Wampler of Virginia, the Agriculture Committee's top Republican, to propose on the floor a substitute measure more acceptable to President Ford.

That substitute, when offered by Peyser in committee, was trounced 33-7. It would raise the target prices for the 1975 grain and cotton crops only as much as a 1976 crop target escalator already in the law would, were the escalator applied now.

The bill would raise the target price of wheat 63 per cent to \$3.10 a bushel; of corn, 51 per cent to \$2.25; and of cotton, 26 per cent to 48 cents a pound.

# \$5.9 billion job

FBI

My name is Thomas A. Mulroy. I am retired and have resided in Clark County for 25 years. I have been employed in administrative positions with private business, with the State of Nevada and with Clark County.

During the period from May 1959 until June 1965 I was employed by the State in the capacity of area supervisor for the Nevada Dairymen Commission. In my experience, I have found that the position of any public administrator is not an easy one, charged, as they are, with carrying out the will of the Commission they serve, whether it be a City Commission, County Commission, Insurance Commission, Real Estate Commission, or any other. Such Commissions are called upon to make hard decisions, not always arrived at by unanimous consent, and it is the job of the administrator and his, or her, staff to implement the Commission's directive, in accordance with the law, without regard to personal opinion.

Boards and Commissions are very necessary to the public interest, when the business requires administrative control. Legislatures of the past have determined in what areas supervisory order was needed, and thus created Boards or Commissions to exercise the necessary supervision. In their creation the Legislature determined the structure of same and established the membership balance to best serve the need as it was determined at that point in time; but leaving to future Legislatures the responsibility to review, and modify if needed.



the Commission, they, in their wisdom, had created.

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What prompted the Legislature of 1957 to create the Nevada Dairy Commission? I believe the answer to that question was prompted by the recognition that milk is a unique product and that an orderly and adequate supply was vital to the health and welfare of not only Nevada's children, but men and women as well. This premise finds no challenge anywhere. Where there are no state regulations, there are, and will be, federal regulations.

The basic law of economics is that of supply and demand. When supply outruns demand in the textile business, the lumber business, the steel mill or the auto manufacturer, the producer quickly cuts back on production by stopping the machines or stoking the furnace. Not so in the milk business. The farmer can't just say, "Bossie, we got problems, so, please, no milk tomorrow. We're shutting off the milking machine and would appreciate it if you could stoke your furnace until demand improves".

I believe that analogy makes the point that administrative control is needed and that the 1957 Legislature was right in its recognition of this fact. They established the Commission to regulate the ups and downs and dips of the milk curve. In the years I was employed by the Commission, I watched the Commissioners struggle,

in open meeting, and after meetings, attempting to reconcile the different needs of the different segments of the industry and pricing was always <sup>205</sup> <sup>206</sup> the most difficult item to be resolved.

The commissioners I have seen and worked with were, like any commission, of different types, different temperments, from different parts of the state and with divergent views. Their sessions were not always sweetness and light, but then I have heard it said of some public bodies, "they're so harmonious, it scares me".

To summarize, I would say that from the outset in 1958, and through subsequent changes in membership and intermittent legislative changes in the law, the Dairy Commission has carried out the legislative mandate. The commissioners and their administrator and the staff have worked hard to do a good job. Some structural change may be to the good, but don't throw out the baby with the bath water. The orderly flow of milk from the producer to the distributor to the store to the consumer is vital to the public interest and, may I add, at the right price.

Charles Levinson, Consumer League of Nevada and Chairman of the Food Quality Committee of the Consumer League for 12 years, spoke in favor of abolishing the Dairy Commission. He stated that the main reason for their objections to the Commission to be the high prices in Nevada for milk products in relationship to the surrounding states. They have made studies and have data regarding other states histories.

He stated that they have testified before the Dairy Commission over the last three years and nothing has happened. As a result of the hearings held last July they are presently involved in a law suit and are awaiting the decision on this.

Mr. Levinson went on to say that in the Dairy Commission there is a built in conflict of interest. Every member of the Dairy Commission who is voting on an issue with the exception of the consumers is automatically either voting for a profit or a loss for himself. He cited the difficult position of the producer. If he votes against the distributor, he stands the chance of losing his market.

Mr. Levinson then went on to the voting record of the members. The consumer has voted both for and against price raises depending upon supporting evidence. He does not know of any member of the Commission who is involved in the industry who has ever voted against a raise.

He went on to say that this is a state commission and yet they operate under a shroud of secrecy. The data that they collect is unavailable to the public which is a violation of their own code. There are some consumer members of this commission who have been on it for over 14 years and have never seen any raw data. It is always censored by members of the commission or the staff itself, so that in many cases they have voted on raises without any information. There is a real lack of data ever presented.

The League objects to the method the Commission uses to compute data. He cited a report from the Dairy Commission from April 1974. Data submitted indicated that they took information from 5 distributors and averaged cost and included a 10% and thus justified a price raise. Their own statistics however indicated that 3 of these distributors were making excess profits already and yet the Commission at this time voted to pass through an increase.

The League objects to the way the statistics are computed as the has never been a profit and loss statement submitted to the Commission. The price set for distributor is based upon percentage of sales. They do not know to this day whether the distributor is making 20% or 2000% return on his investment. All they know is that he is making a percentage on sales. This is a very dangerous way to comput prices.

They also object to the fact that retailer refuses to furnish data and sometimes the distributor also refuses. He cited the case of the Lake Mead Coop which discourages their producers from furnishing information.

Also object to the refusal of the Dairy Commission to use its own powers and yet they still vote.

The producer in Nevada gets one of the lowest prices for his milk products and yet the retail price is the highest of the surrounding states.

Mr. Levinson stated that the effect of the Dairy Commission has been only to fix prices not protect the industry. The number of producer has been reduced. They refuse and have abrogated their responsibility regarding sanitation and health. This is a function of the State Board of Health. Cost to the consumer has not been reduced. Also, the Commission makes no effort to control production. At this time when there is excess production the farmers in this area are increasing the size of their herds.

The Dairy Commission in itself is a violation of the basic principles of the Constitution. It has a built in conflict of interest. It has served no useful purpose and has not accomplished its purpose nor fulfilled the legislative intent.

Mr. Levinson went on to say that by maintaining the high prices the Commission has perpetuated bad practices. It guarantees a built in profit. It has become a tool of the industry. Therefore the Consumers League recommends that the Nevada State Dairy Commission be abolished.

Mr. Hickey asked Mr. Levinson to submit models for computing prices. Mr. Levinson stated that they really did not have any but he would research this and submit something for the committee. Mr. Hickey stated that they needed some type of guidelines that they could perhaps incorporate into the statutes.

Mr. Hickey further stated that it would be pretty extreme to abolish the Commission in that in the end it may hurt the consumer.

Mr. Levinson stated that perhaps this was true but that if the Commission were restructured with a 5-4 consumer ratio you would still have an automatic 4 yes votes on any raise. Also, the league was worried about who would be placed on the Commission for the consumers. For example, a banker might be self serving as they have loans out to these industry people. It is difficult to assure that you will have say 5 or 6 or even 7 really independent thinking individuals on the Commission.

Mr. Levinson stated that they would rather see a Commission made up of 6 consumers and 3 industry as they do realize the value of the input from the industry .

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Chairman Hickey and members of the Agriculture Committee:

I sincerely appreciate the opportunity that this committee has given to the people of Southern Nevada to voice their opinions regarding AB-29.

It seems that professional lobbyists and/or special interest groups always have the necessary financial backing to appear at the State Capitol to either promote or defeat any bill that may affect their small group. I for one feel that for the Legislature to conduct all sessions and committee meetings solely in the Capitol, is doing a grave injustice to the people of Nevada. I do not intend to suggest that each piece of legislation that is referred to committee must have hearings in Southern Nevada. I do feel that each and every highly controversial bill such as the Equal Rights Admendment, this Dairy bill, the possible annexation bill for Clark County, etc. be brought before the citizens in Southern Nevada.

AB-29 is technically a bill to do away with the Nevada Dairy Commission. I call it a bill to do away with the great Dairy ripoff. Assemblyman Mann is to be commended for his efforts to do away with the legalized larceny granted by the self serving interests on the Dairy Commission for lo~~x~~ these many years.

By this time I am sure that every segment of the Dairy Industry has been heard in sessions in Carson City. You must have been shown charts and graphs, heard reports of surveys, listened to so called expert testimony, all of which was slanted to impress you with the so dire consequences if the Dairy Commission were abolished.

I guess that if I were living off the fat of the land and being subsidized by the consumer, I would stand up and holler bloody murder if someone was trying to take all this away from me. Subsidizing is the exact word, and that ladies and gentlemen is exactly what the Dairy Commission is doing with your money. They are subsidizing the Dairy Industry with inflated minimum milk pricing.

On Tuesday of this week, I had the opportunity to buy milk in the Los Angeles area. The retail store price was 35 cents for one quart and 70 cents for the half-gallon.

This is six cents a quart or twelve cents per half-gallon less than what we are currently paying for milk in Southern Nevada. Ask yourself the logical question, WHY? Are we getting some super duper fancy dan type of milk that is only available to Nevadan's? The answer is HELL NO. We are getting the exact same grade A homogenized milk being sold throughout the western U.S. What we are getting, is a first class clip job from the Dairy Industry via the Dairy Commission.

Let us say for a minute that I am a producer, wholesaler, or retailer. I find that my operating costs are going up. It is now time for a friendly get together with the boys where I casually mention that with rising costs it is time to get some more for ourselves. Everyone agrees that we should all make more money, and after all we are the law, so we will order it. Naturally, the actual price rise will come under the guise of public hearings conducted by our co-horts on the Dairy Commission. Those poor consumer representatives will be fighting their usual losing battle. We are the Dairy Industry, we are the Dairy Commission, WE ARE THE LAW.

Until such time as the price fixing powers are removed from the Dairy Commission and milk returns to the open market, we will never provide any incentive for improvement, cost reductions, or modern management. Safeway stores which is now the number one food chain in volume in America has tried to sell milk at lower prices. Their cost reduction programs and more efficient management has shown they can sell for less and still make a substantial margin of profit. Their efforts have been rebuffed by the Dairy Commission. With this sense of reasoning, there will never be any attempt to reduce costs or improve operations. The consumer will continue to pay for the mistakes and mis-management by the members of the dairy clique.

If I as an individual approach my employer and request a pay raise to compensate for the increased cost of living, I may very well be refused. He will most likely tell me that I am getting the average for my classification in this part of the country, and that if I can't re-arrange my costs, I had better make other arrangements. In short, either make do or quit. In the Dairy Industry, 35 cents a quart is still a profit making venture throughout Southern California. They wouldn't be selling milk for that if in fact they were losing money. So why should we be giving an extra 17% clear profit over and above the profit to be made at 35 cents a quart. My answer to members of the Dairy Industry is that if you can't hack it at the 35 cents a quart retail price, then get the hell out. I am sure there are many deserving welfare recipients in Nevada. This welfare handout and that is what welfare is a gift, is utterly ridiculous.

The Dairy Commission was formed during the years before re-apportionment when the so called cow counties controlled the Legislature. In those days, a very small part of the voters of the State could control the destiny of the entire State. It was during this time that this extremely partisan legislation was passed forming the Dairy Commission. To add insult to injury, membership of the Commission was restricted to the industry. Their actions over the years speak for themselves. They have run rampant over the citizens of this State with utter disregard for anything but their own selfish interests. And now with the evidence firmly established that proves their guilt beyond a reasonable doubt, they are whimpering and pleading and asking you the members of the jury to return a verdict of not guilty. Yes ladies and gentlemen, as members of the Legislature, you are in reality members of a jury deciding the fate of the already indicted Dairy Commission. If you vote not to do away with the Dairy Commission and against AB-29, you are returning a verdict of not guilty and saying in effect that you see nothing wrong with the dairy ripoff. A vote for AB-29 and abolition of the Dairy Commission is a vote to repeal an injustice heaped onto the public many years ago.

It is my understanding that the members of the State Legislature are responsible people who supposedly are serving the over all bests interests of the citizens of this State as a whole. If this concept is true, and you are not dedicated to serving special interests, then AB-29 should pass with an overwhelming majority and the Dairy Commission should be dead. However, I am naive enough to believe that maybe one, or two, or three, or four, or more of the members are serving special interests. If that were not true, we would not have seen defeat of the Equal Rights Admendment recently in the Senate.

Already I have heard about compromise on the Dairy bill. The big hearted dairy interests have offered to include more consumer representation on the Commission. Not a majority by any means, but an equal number. As one consumer representative on the Commission has said, this would only lead to repeated deadlocks on each vote.

If anyone is genuinely interested on compromise, here is an offer that is too good for anyone to turn down. (1) The Dairy Industry pleads nolo-contendre to the charge of rape of the citizens of Nevada over the years. (2) The price fixing powers of the Dairy Commission are abolished and milk price goes free on the open market. (3) The rest of the Dairy Commission remains as is.

Consumer protection has been sadly lacking, and as a result the citizens have had to pay and pay. For once in your life you have the opportunity to stand up and say enough is enough. Remember ladies and gentlemen, no person can serve two masters. You are either for the minority special interest dairy group, or for the majority the citizens of the State of Nevada. You will be judged by your vote.

S. F. McCann  
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Rex Lundberg, Nevada State Consumer Affairs Division, gave a brief background of his personal history and stated that he or his representative had attended all of the Dairy Commission meetings and felt that they do have some expertise in this field. He gave a brief background on how the Commission came about.

Contrary to the producer, the distributor and the retailer are not in the same situation. He stated that in the case of the retail store, why is it that in the whole store, milk is the one item that is price controlled. Why is it that the middleman is covered under the umbrella of a Dairy Commission and have the protection of minimum price, when no competitor in a different field has the same right. It has been stated that if there was no Commission the price would go out of sight. Right now there is no maximum price only a minimum. If the prices could or should have gone up there was nothing to stop them now.

Mr. Lundberg stated that he was present at the hearing where Safeway asked for a decrease in the minimum and was turned down.

He stated that there were two parts to any discussion on the Dairy Commission. The first was the actual makeup of the Commission. He stated that he has actually witnessed ill veiled threats, abuse of language etc. Some are on tape and some are just witnessed. No notes are taken of those periods of Commission meetings that are not public hearings.

Historically, one Commission Member has never appeared, several others have on occasion never shown up, one person has resigned and for a period of time there were actually only four industry members and this necessitated having one member of the consumer group vote with them in order to get anything passed. Mr. Lundberg stated that he observed a great deal of activity in the halls trying to get this consumer to vote with them.

Mr. Lundberg stated that he did agree that expertise was needed in this type of Commission. There should be representatives from all sides. But when it comes down to voting on what should be the price he cannot agree that that vote should be controlled by vested interest parties. Consumers have voted both ways if there has been a proven need.

This Commission is operating because it was established by Nevada Legislature and the statutes are for the best interest of the people of Nevada.

Mr. Lundberg stated that he would prefer that the term "consumer" be removed and instead use the term "public".

Mr. Lundberg stated also that the so-called minimum price is actually price fixing. The minimum price set at each level is actually the fixed price that everybody sells it at. The convenient store may sell milk at 10¢ or so higher a half gallon but this is still price fixing.

Mr. Lundberg then went on about what would happen if the commission was abolished. The federal government would take care of the

producer and although Mr. Lundberg's main concern is the consumer, he stated that he still felt concern for the producer. The producer does deserve protection, perhaps in some form as now. The rest of the sector concerned should be left competitive.

His division has done a number of studies over the years and have some very interesting statistics. Mr. Lundberg believes that it is an accurate statement to say that the distributors and the retailers have a guaranteed profit and not a guaranteed return. This is determined by totalling up all the costs involved and after arriving at the figure adding 10% for profit. There is no incentive in labor negotiations, selection of materials, machinery etc. to cut costs. Whatever costs they can justify they will get 10% over that.

The producer does not have this 10% over cost but rather on investment. This is also the way that California does it.

Mr. Lundberg stated that there is not information presented to the Commission before the meeting and the members have no idea what is going to be said. They expect verbal information not backed up by data as a basis for raising prices. Mr. Lundberg said that he was not saying that these people are not telling the truth but from some of the statements presented he does not think they know what they are talking about.

Mr. Lundberg stated that he felt it was necessary to reduce the number of industry members on the Commission because the information that is presented for proper voting is financial records and those members of the industry would be looking at the financial records of their competitors. Therefore this information is censored and edited by the staff and there are errors and misinterpretation made.

Mr. Lundberg went on to say that the total absence of the retail stores at the hearings leads them to believe that they must be getting a pretty good profit or they would be concerned.

Mr. Lundberg went on to discuss discount mechanism. In California, the retailer sells milk for the same price as is set for him to buy it but yet he can make a profit for he is allowed a discount. Mr. Lundberg stated that he has tried to work with the Commission on this and has also suggested some time of reverse discount. Discount mechanism is allowed by State law but as yet the commission is opposed to it.

Mr. Lundberg further stated that State law also requires that if there is going to be a raise of price at all three levels, a minimum of information must be supplied. At the present time that space that has been left for the retail information has been left blank with a notation to be filled in later. How can the Commission set minimum prices for retail stores if they do not know what their costs actually are. This information has been deliberately covered up.

If the Commission were to be abolished, the federal order would probably expand. Mr. Lundberg stated that he would be in favor of the abolishment of the Dairy Commission if there were not other

alternatives. This is a very complex market situation. Do not think the answer to the problem is abolishing the Commission. He stated that he would say that a modification is necessary somewhere between the existing structure and total abolishment. Mr. Lundberg stated that they would prefer to see a 6 consumer to 3 industry group. As far as the functions of the Commission they do not feel that beyond the producer level there needs to be any control or protection.

Recommend that minimum prices except for producers be eliminated.

Recommend that the Commission address themselves to the unfair trade practices. Function of the Commission was to protect the industry which was necessary years ago, but it is no longer necessary as the market can easily be reached, present cows are more efficient and the dairy farm of today is a more efficient type of industry.

Recommend that the committee take one look at the Commission fiscal note. Of the money that was received by the Commission if FY 69-70, FY 70-71, FY 71-72, 99.61% was from product assessments. .3% was from other sources. The other sources are penalties, license fees, and miscellaneous. Therefore, less than 4/10 of 1% comes from the function of regulation.

Mr. Lundberg stated that he had presented to the Dairy Commission some ideas about determining minimum price of the various dairy products. They cannot determine anything for the retail stores as they will give out no information. He further stated that he believes that other than for the producer a price structure is not even necessary. Would advise that something be included that would prohibit the selling of milk products below cost. He also stated that this is a regulator commission with the function to regulate and instead they direct all their time to setting prices.

Mr. Hickey asked if these type of suggestions had ever been made to the Commission. Mr. Lundberg stated that it had in some form or another at every meeting.