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WPA FOUNDATION OF
GIANT AGRICULTURAL ECONOMIES
NEW JERSEY

State of New Jersey
Milk Control Board

Report of the New Jersey
Milk Control Board

May 24, 1933 — June 30, 1935

Trenton, N. J.

December, 1935



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Members of New Jersey Milk Control Board

MAY, 1933—MAY, 1935

WILLIAM B. DURYEE, *Chairman*
JAMES E. RUSSELL*
NILS B. SWENSON
JOHN V. BISHOP

JUNE, 1935—

WILLIAM B. DURYEE, *Chairman*
DAMON G. HUMPHREYS, *Vice-Chairman*
MRS. OAKLEY W. COOKE
FLOYD E. BECKER
JOHN V. BISHOP

*Resigned in June 1934, succeeded by Mr. Bishop.

Report of The New Jersey Milk Control Board

TWO YEARS' WORK IN MILK CONTROL

by

WILLIAM B. DURYEE, *Chairman*

The dairy industry is one of New Jersey's most important businesses. A conservative estimate of the investment in the production and distribution of milk, based upon recent surveys, reaches the imposing sum of \$275,000,000. Because the unit of sale is small and is priced in pennies, the aggregate value of our dairy industry has never been fully recognized from the economic viewpoint.

Looked at from the angle of public health, the existence of a safe and adequate milk supply for the people of New Jersey cannot be over-estimated. Milk is seen to be more nearly a universal food than any other product when its use in fluid form, in dairy products, and in other ways, is taken into account. Far more attention has been paid to safeguarding the milk supply by state and municipal health departments than to safeguarding any other food product.

Milk production and milk consumption reached an all-time peak in 1929. When consumer buying power dropped in the latter part of that year and continued to decline in succeeding years, the highly geared production machine could not be readjusted and economic disaster ensued. The cycle of cow numbers continued in its increasing phase, and there was no way to adjust the milk supply quickly to the effective demand. The situation grew progressively worse until 1933, when the downward spiral of prices threatened to completely disrupt the industry. All the progress that had been made by the industry itself and by public regulation for decades was in jeopardy. Riots were of almost daily occurrence in many areas as producers found themselves facing bankruptcy and the loss of their farms, which were their homes.

At that time, citizens looked to state governments for aid in economic crises as much as to the federal government. Marches on state capitals resulted in numerous legislative investigations to determine the causes of chaos in the dairy industry and to establish curative measures. These investigations showed that prices paid to pro-

ducers for milk were entirely too low to justify continuance of production; that surplus supplies of milk, even though small in comparison with the total volume, were being forced on the market regardless of price and were unsettling every semblance of price stabilization; and that large and previously powerful distributors and cooperative associations were as helpless as the small individual producer in so far as ability to cope with the situation was concerned.

ESTABLISHMENT OF BOARD

Faced with insistent demand that some drastic remedy be attempted in what appeared to be an almost hopeless situation, the Legislature of New Jersey passed in May, 1933, a bill entitled, "An Act to Regulate and Control the Purchase, Distribution and Sale of Fluid Milk and Cream and to Create a State Board of Milk Control." This act provided for the establishment of the New Jersey Milk Control Board.

The act, known as Chapter 169, Laws of 1933, was sponsored in the House of Assembly by Assemblyman Marcus W. Newcomb and in the Senate by Senator S. Rusling Leap. A special message by Governor A. Harry Moore urged its passage, and the bill as signed by him on May 23, 1933, carried the following statement of legislative intent:

1. It is declared that the Legislature of the State of New Jersey, in the exercise of the police power reserved to the State in order to protect the public health and welfare of the inhabitants of this State, does hereby declare this act to be an emergency law, necessary for the immediate preservation of the public peace, health and safety.

The reason for such necessity is that evils consisting as hereinbefore recited, of unfair, unjust, destructive and demoralizing practices are now being carried on in the production, sale and distribution of milk for human food, which are likely to result in the undermining of health regulations and standards, the demoralization of the agricultural interests of this State engaged in the production of milk, and the creation of conditions inimical to the health of milk consumers. Such conditions have progressed to the point that there is immediate danger not only to the public health, but also to the public peace and safety, and it is the intent of this act to correct those unfair, unjust, destructive, and demoralizing practices.

The act made it mandatory that the state secretary of agriculture serve as a member of the board, directed the State Board of Health to choose one of its members to serve, and left the appointment of the third member with the Governor. Dr. James E. Russell, of Lawrenceville, was the member chosen by the Board of Health, and Nils B. Swenson, a milk producer of Hackettstown, was named by

Governor Moore. After about a year's service, Doctor Russell resigned and was succeeded by John V Bishop, of Columbus, who was also a member of the Board of Health.

Soon after organizing, the board chose as executive secretary, L. Bergen Burk, whose experience in regulatory work and ability to grasp the new problems in this untried field have contributed greatly to the measure of success attending the board's efforts. Mr. Burk's record of work done in the important field of administration is presented later in this report.

BENEFITS OF MILK CONTROL

A discussion of the work of the Milk Control Board should include a presentation of the benefits that have been derived from it by the public and by the industry, and there should also be presented the assets and liabilities of milk control as viewed by the board. Producers have been benefited in a number of ways by milk control. Returns to producers under milk control have been practically double those in the period immediately preceding the passage of the Milk Control Act. This means that some \$15,000,000 has been added to producers' incomes during the two years of the board's work.

The added income received by producers has not only made possible a better standard of living for producers and their families, but has also created a better economic situation in dairying communities throughout the state and in other states supplying the milk. Old debts have been paid, buildings have been improved, new and better equipment for production has been installed, and there has been created a feeling of stability and greater security among all producers.

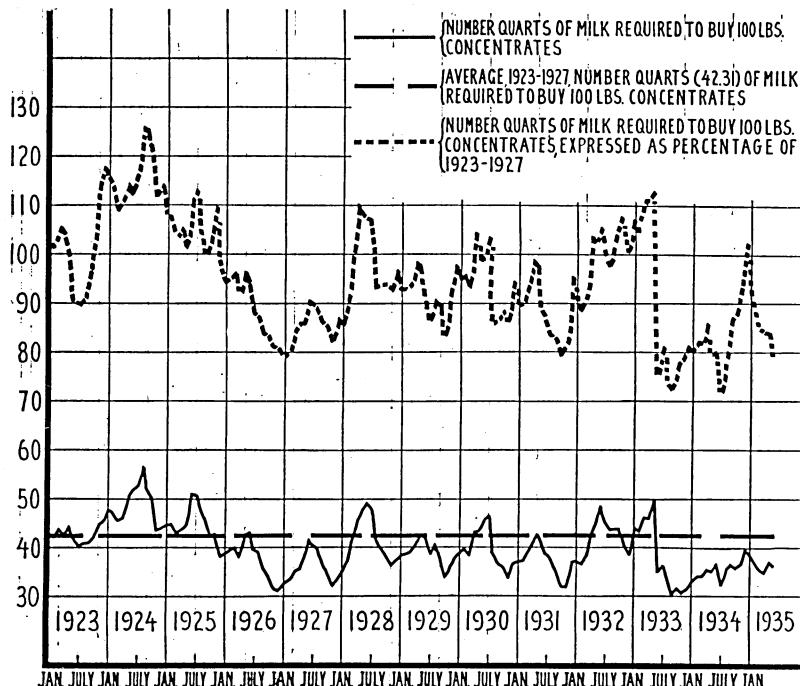
EXPLANATION OF CHART I

The data in Chart I measure the condition of the New Jersey dairy industry in terms of the concentrates-milk ratio, or the average number of quarts of milk required in a given month to buy 100 pounds of feed concentrates. During 1932 and the first five months of 1933, the quantity of milk exchanged by New Jersey farmers for 100 pounds of concentrates was considerably higher than normal. After June, 1933, however, when the Milk Control Board began to regulate the industry, the exchange value of milk increased markedly. This means that the farm price of milk was raised proportionately more than the price of feed concentrates. This action on

the part of the board was necessary in order to improve the financial condition of farmers, which was very grave at the time the board was established.

The meaning of the unbroken line in the chart is evident. When farmers pay a great deal, in terms of milk, for feed concentrates they have financial difficulties. On the other hand, when less milk is exchanged for feed concentrates, the condition of the dairy farmers is improving. The line representing the average (1923-1927) number of quarts of milk required to buy 100 pounds of concentrates is taken as normal, or it is assumed that during the year 1923-1927 the relationship between the farm price of milk and the price of feed concentrates was balanced. The average quantity of milk required during these 60 months to buy 100 pounds of concentrates was 42.31 quarts. During 1932 and the first five months of 1933, the quantity ran considerably above the normal, reaching 50 quarts in May, 1933. Accordingly, the condition of the dairy farmers became desperate.

CHART I



The condition of the New Jersey dairy industry as measured monthly by the concentrates-milk ratio from 1923 to June, 1935, inclusive.

The first thing that the Milk Control Board did was to fix the farm price of milk at a reasonable level in order to bring the relationship between the farm price of milk and the price of concentrates to a normal level. The broken line represents the number of quarts of milk exchanged for 100 pounds of concentrates expressed as percentages of the 1923-1927 level. For example, January of any year is compared with the average January of the years 1923-1927; February, with the average February, etc.

The Milk Control Board has served as a clearing house for the discussion of problems affecting producers and dealers, particularly in relation to the quantity of milk needed to meet seasonal demand. This has created a much better adjustment of production to demand and has helped to supply the dealer with milk in such quantities as he can use to the greatest advantage of the producer. Hauling charges for milk, which had approached the proportions of a "racket" in many instances before the board's inception, have been almost entirely eliminated. This has been done by pricing milk at the country point or at the farm instead of at the city receiving station. This has undoubtedly caused some inequities in costs of milk to some dealers, but it has established a uniformity of price and of purchase conditions such as had not before prevailed in the state. It can be concluded, therefore, that the board's operations have been helpful to producers through the establishment of safer markets, greater returns, better adjustment between production and consumption, and uniform basis of payments.

In relation to the effect of the board's operations on dealers, the benefits have been principally along the lines of stabilizing the market and preventing destructive price competition and disrupting competitive practices. While the "spread" has been reduced, the establishment of minimum consumer prices has enabled the dealer to remain in business if his operations are fairly efficient and he pays his producers the amounts the board has set for their product.

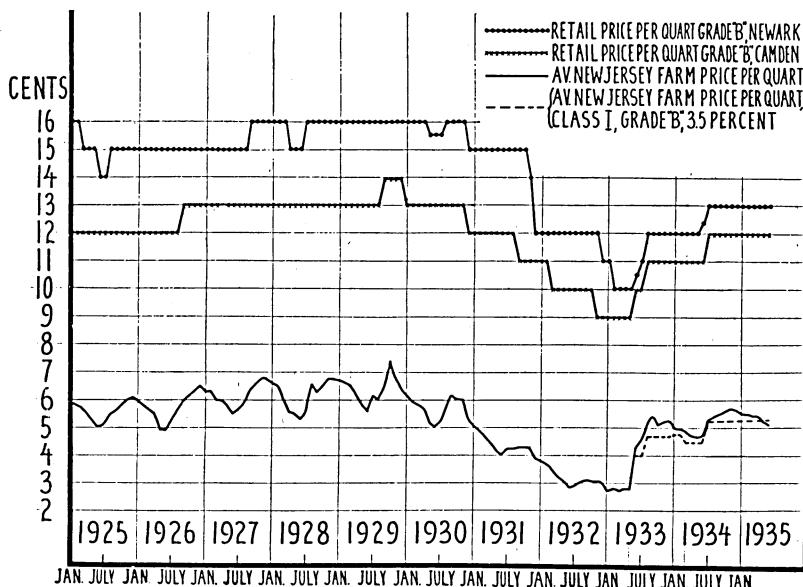
Before the advent of regulation by the Milk Control Board, unscrupulous dealers were selling what was purported to be Grade A milk at ridiculously low prices in many communities. The term, "Grade A," which had been built up over a period of years as a sign of quality of milk, had been discredited in these communities and there was little relation between quality and grade designation. By establishing quality standards for Grade A milk, effective throughout the state, the board restored consumer confidence in the term "Grade A," and the dealer who was marketing a milk of superior

quality under this designation was free from unfair competition. In passing, it may be noted that in the act providing for the continuation of milk control, the provision empowering the board to prevent misbranding of this type has been omitted.

The Milk Control Board has undertaken to regulate, through its orders, competitive practices and prices as between dealers, and, wherever a fair degree of cooperation from the industry was obtainable, practices which were nefarious to the better element have been eliminated.

By far the largest group affected by milk control are the consumers. While it is the duty of a public agency to seek fair play and equity among all of the groups affected by its operations, it must necessarily give great consideration to the welfare of this, the numerically largest group affected by its activities. The consumer is the ultimate judge of the work of the board and of the dairy industry. If prices are too high, the consumer has the power of remedying the

CHART II



Prices paid by consumers for one quart of milk delivered in Newark and Camden; average (blended) New Jersey farm price of milk per quart, and average New Jersey farm price per quart for Class 1, Grade B milk containing 3.5 per cent butterfat.

This chart illustrates the relationship between the retail and the farm price of milk. It is evident that, after the Milk Control Board began its functions, the farm price of milk increased considerably, and that the spread between the retail and the farm price diminished.

condition; if prices are so low that quality suffers, there is an immediate reaction from consumers. Therefore, at every session of the board there has been present in invisible form the final arbiter on its decisions—the consumer. With a recognition on the part of the board of the importance of consumers to the milk industry, their interests could not be overlooked. As a matter of fact, it can be concluded that consumers have been materially benefited by the activities of the board. While prices were necessarily advanced to permit the industry to continue to function, prices in centers of consumption today are lower than they have been since 1918, with the exception of the extremely low period of demoralization.

The business of distributing milk is highly competitive. With the removal of price competition by reason of the board's fixing of minimum prices, the competitive urge remained and has taken the form of competition for improved quality. The butterfat content of market milk has been increased, sanitary standards enforced by dealers themselves have been raised, delivery service has been improved, every possible step has been taken to please customers, and secure trade has been stimulated.

If we are to list the assets of milk control, certainly the resulting of greater stability of prices and of the industry generally should not be overlooked. There has been an absence of strikes and disorderly practices, and the industry has been placed on a higher plane than it previously occupied. Greater attention to quality factors has been made possible. The very existence of the dairy industry on eastern farms has been conserved by milk control. A court has been created to adjust disputes and serve as a place for discussion and action on mutual problems of producers and dealers. There has been greater public confidence in prices established by control agencies than prevailed under price-fixing by the milk industry.

LIABILITIES OF MILK CONTROL

That there are liabilities as well as assets to milk control probably needs no amplification. Certainly, students of milk control on a national and state basis have pointed out our shortcomings in detail. The Milk Control Board has been closer to the problems of the industry than its critics can possibly be and it has had no illusions on the subject of liabilities. A few of these may be listed as follows:

1. The narrowing of the "spread" by establishing minimum prices to New Jersey producers and New Jersey consumers has led

- (a) To efforts on the part of dealers to buy their supplies of milk out of control areas, and,
- (b) To materially increasing the butterfat content of milk. This has been detrimental in some instances to producers within the State of New Jersey where minimum prices are established, and to some producers whose purebred or grade herds do not produce milk with a sufficiently high percentage of butterfat to enable them to hold their outlets. The problem confronting owners of Holstein herds is particularly acute. Many farmers in the state have built up Holstein herds over a period of years and have reached a highly efficient basis. Solely because of butterfat competition in making sales to consumers, these men find themselves in a very difficult position.
2. There has been difficulty in obtaining cooperative working relations and mutual understanding between a portion of the distributing industry and the control board. This has led to the creation of an antagonistic attitude on the part of some distributors and a feeling that state regulation and private initiative are incompatible. Naturally, this prevents a united effort to approach and solve problems confronting the dairy industry as a whole.
3. There is likely to be too much dependence by producers and dealers on state control as a means of solving all of the problems confronting the dairy industry. This has led in many instances to the belief that it is the duty of the state board to create adequate incomes for those in the industry. It also has created a lack of harmonious understanding in regard to the proper field for state control and probably in many instances has fostered the belief that it is the state's duty to do for the individual what he is unable to do for himself in his strictly private affairs. Wherever this is true, it is a definite liability upon the persons affected, because the field of government action should be limited to fundamental factors.
4. There has been a lack of public recognition of the difficulties of milk control and a lack of appreciation of the amount of funds needed to perform so difficult a job properly. This has made it impossible for the board to pro-

ceed along certain lines which it believes essential to the proper performance of its duty. With an investment of approximately \$275,000,000 in the production and distribution of milk in New Jersey, with endless ramifications and differences in local problems, the board, with a few thousand dollars to spend for services cannot do as good a job as the industry deserves.

5. One of the greatest problems of the board, and perhaps the outstanding liability, is the difficulty of enforcing its regulations. While the tendency on the part of the industry was to cooperate with the board because of the appalling conditions which brought about its establishment, it was not long before old habits reasserted themselves and ways and means were studied to avoid compliance with its orders. Whenever a single dealer refuses to comply with the board's orders to his own financial benefit, that order becomes unfair and discriminatory to all dealers who do comply.

Probably the New Jersey Milk Control Board has concentrated on enforcement to a greater extent than any other milk control board in the country. The assessment of penalties and the revocation of licenses are not pleasant duties, nor do they redound to the popularity of the board when they are invoked, especially in the case of those adversely affected. However, the board has believed that no order should be issued unless it can be enforced and that it should be in effect only so long as it is complied with. As certain individuals become more skillful in learning how to avoid the board's regulations, or in actually defying the board, sometimes through resorting to legal stays, the difficulties of price regulation are greatly increased. Necessarily, the board must face this situation and base its policy upon what is reasonably possible to accomplish rather than to create two classes in the industry—those who comply with its orders and those who do not.

In fairness to those affected by its regulations, it should be said that the board has recognized that in establishing orders of state-wide application many local situations have not been taken care of and some orders that are effec-

tive over a wide area are in some instances and in some localities unduly oppressive and restraining.

6. In considering liabilities of milk control, we should list the danger of creating artificial conditions, to which, the longer they are continued, the greater will be the eventual reaction. One of the greatest dangers of control, in view of the power vested in milk control boards by state legislatures, is procedure based upon prejudice or pet schemes rather than upon consideration and factual evidence. Necessarily, the New Jersey board is confronted at every turn with pressure from groups to do certain things which may be sincerely advanced as likely to be of material benefit. In spite of the study that has been given many of these recommendations before they were adopted, some have been found to create an effect entirely opposite to that which was expected and to set in motion a train of circumstances which were not and could not be anticipated. The establishment of regulations and prices without sound bases is certain to create artificial conditions and constitute liabilities that will hamper any program of milk control.

MILK CONTROL AND COOPERATIVE ASSOCIATIONS

The individual producer transacting business with a dealer is at a serious disadvantage. That this has been recognized is attested by the formation of associations of producers to deal unitedly with distributors. The cooperative associations exist in many forms. Some of them serve simply as bargaining organizations for their members, and others combine with this function the direct selling of their members' product.

Milk control boards were established because of conditions beyond the control of cooperative associations. Then, the operations of the boards removed the cooperatives' former function of bargaining with dealers for a reasonable price. This has no doubt been a factor in creating whatever misunderstanding there may be between cooperative association leaders and milk control bodies. The New Jersey Milk Control Board has never believed that its duty was to supplant organized effort among dairymen. The board has called cooperative leaders into conference from time to time to consider the coordination of the work that naturally falls into the field of state regulation on the one hand and into the field of cooperative effort on the other.

The cooperative association is better qualified than a state board to render specific services to producer-members. It would be a serious blow to the dairy industry if cooperative associations were weakened as the result of milk control. Organization among dairymen has a long history, and its growth has been slow and sometimes painful. Milk control bodies are newcomers in the industry, and they need the guidance and suggestions of associations of producers that have been battling for many years with many problems confronting control bodies. If milk control in one phase or another is to be a permanent fixture of our economic life, early consideration should be given to relations between such bodies and cooperative associations to the end that each may do what it is best qualified to perform for the industry.

At a conference of cooperative leaders and members of the Milk Control Board, it was agreed that the following activities are essentially duties of cooperative associations:

1. Promotion of a quality control program.
2. Bargaining by individual cooperatives with the dealer or dealers for the sale of their members' milk.
3. Checking weights and tests for their members who are delivering milk to dealers.
4. Securing outlets for members' milk; assuring the members, if possible, a market at all times.
5. Notifying producer-members of prices to be paid by the cooperative association or the dealer.
6. Publication of a producers' organ to carry timely information to its membership.
7. Assessing each producer a stipulated sum per hundred-weight to be set aside as a special cash reserve to pay producers for milk delivered to a dealer in the event of bankruptcy.
8. Sponsoring legislation favorable to producers.

These are the functions of milk control boards as outlined at the conference:

1. Securing reports from all dealers as to prices paid producers.
2. Auditing dealers' books.
3. Requiring the public posting of prices to be paid for milk.
4. Requiring the filing of all agreements entered into be-

tween cooperative associations and dealers with the control board.

5. In some states licensing and bonding acts are administered by the control boards, and it was felt that this project should be continued and strengthened by further legislation if possible.

There is enough disunity in the dairy industry without the creation of any unfriendly feelings between milk control boards and cooperative associations. A willingness on the part of both to frankly discuss the problem will be helpful in promoting the welfare of the entire industry.

WEAKNESSES OF THE DAIRY INDUSTRY

The Milk Control Board believes it desirable to call attention to certain weaknesses of the dairy industry that should have the attention of its leaders. The fluid milk industry needs public support and recognition of its services. In view of the many complicated problems confronting the industry, it seems the height of folly to waste energy on internal dissension. Some dealers appear to be quite unable to recognize the public responsibility which they assume in going into the milk business. Many are not qualified by temperament or training to adequately conduct the business of distributing a highly perishable food and one which is the mainstay of life in thousands of families. Some of these irresponsible elements feel that it is perfectly legitimate to take advantage of the statements of leading scientists regarding the necessity for their product and at the same time carry on practices which are nefarious in so far as the public they serve is concerned and in so far as their competitors are concerned. If the industry is to base the value of its product upon scientific approbation, then it cannot evade the responsibility of placing the industry on a high plane of ethics and public service.

We have learned that some dealers make a practice of threatening their producers with the loss of a market or with a reduction in price if the producers do not observe some of the non-essential regulations that are imposed upon them. These threatening gestures seem in some cases to constitute a complex in dairy industry that is manifested in dealing with others than producers. Time and effort could well be spent in the development of friendly relations with producers by dealers and in the establishment of better public relations in general. It probably would be surprising to learn what a large part unfavorable producer relations have played in the distributor's efforts

in marketing his milk. This is particularly true in those fluid milk markets where producers are in close contact with city purchasers. Unquestionably, there is a great field for expanding a relations program as between dealers and producers, in spite of the fact that some dealers and some producers apparently cannot realize that their interests are mutual and they continue to regard each other as mortal enemies.

Since the establishment of milk control, an impetus has been given to the creation of better public relations between distributors and consumers or the general public. This has been largely done by individual distributors or distributing companies, and it has been done well in a few instances as seen from the board's viewpoint. On the other hand, organizations of distributors, which might be called dairy chambers of commerce, have spent most of their efforts in opposing legislation which they deemed unfavorable, rather than in promoting favorable legislation and in establishing a broad program of good public relations.

The fluid milk industry in some respects is in a vulnerable position, with competition of other products than fluid milk constituting increased hazards daily. It would seem to be good sense to undertake for a trial period of a year or more a program definitely related to improving producer and general public relations, in so far as distributors are concerned. Producers have a responsibility and should play their part in such a program through their organizations or as individuals. Furthermore, control boards have their responsibilities in this field, and certainly public regulation can be carried on with a far greater degree of efficiency and success if the industry under regulation enjoys public confidence. It is our belief, then, that distributors, producers, cooperative organizations, health officials and the Milk Control Board might well unite in an effort to put the dairy industry on a sound footing with the public and present with unanimous accord the story of fluid milk. It is the feeling of the board that its duties extend beyond those of strictly regulatory and repressive acts, in view of abuses that milk control boards have been called upon to correct. The board feels that very soon there should be created an attitude of sympathetic guidance, of promoting the welfare of the dairy industry, and of joining with all other interested agencies in this effort.

Probably the dairy industry is in a period of transition from a strictly private business to that of a semi-public nature. A great deal of talk is heard of making milk a public utility. This would

surely place the industry in a position far from the conception of previous decades. Those who discuss most glibly the public-utility aspect of milk control have not gone very far in the ramifications which such a procedure entails. Both producers and dealers need to reckon with this trend of thought. If public control becomes 100 per cent effective, the consumer will have the predominant voice and the producer may have far less to say about the price to be paid for his product than he has today. Furthermore, there is a lack of public appreciation and understanding of the factors involved in receiving, processing, and distributing milk and in the quality control programs that are in effect in the great proportion of the industry. Public-utility control, if and when it comes, may disregard such important factors as these. Whether or not there is to be a greater or lesser degree of public control, the fluid milk industry needs sound internal and public relations, and a united program looking to this end cannot be safely delayed.

DIFFICULTIES IN MILK CONTROL

The general public, in so far as it gives any consideration at all to governmental regulatory functions, lacks the remotest conception of the difficulties in regulating the production and distribution of milk. Reference is made from time to time to the possibility of milk becoming a public utility and the functions of the regulatory body are likened to those exercised by public utility commissions. Such commissions have their own problems of course, but the regulation of milk is a far more complicated procedure than the regulation of electric light and power companies. In the first place, electricity is generated by man-made machines which can be turned on and off at will. The production of milk has followed rather definite cycles over periods extending to 12 and 14 years.

Weather and crop conditions have a very direct effect upon the amount of milk which the regulatory body is called upon to control. These cannot be foreseen in advance nor prepared for with any degree of assurance. Sudden, even though temporary, increases in the supply of milk available, as a result of production changes or shifts in markets, bring the milk control agency face to face with the problem of preventing the collapse of the market as the result of forces which neither it nor any other human agency can control.

Utility regulatory bodies have only a few production and distribution units to supervise, whereas milk control boards find a tremendous number of units involved. The farms that produce milk for the New Jersey market, including those in and out of the state, total

more than 50,000. Some of these farms do not ship milk to this market all of the time, but at one period of the year or another they do send their product to New Jersey for sale.

When it comes to the problem of controlling distribution, the Milk Control Board has to undertake the regulation of some 2,500 dealers who deliver milk to consumers in the state. In addition, there are probably at least 10,000 stores, principally chain and independent grocery stores, where milk is sold. Furthermore, some milk is sold direct from farms to consumers who live in rural areas and who go directly to the source of production to secure their needs. It is only necessary to point out the number of units which are involved in milk production and distribution to indicate the size of the problem to be handled, and this does not take into account the demands of some 4,000,000 consumers in the state, who, particularly in periods of financial depression, are inclined to "shop" for the lowest-priced product obtainable.

Furthermore, the interests of those engaged in distributing milk, and in producing it for that matter, are in continual conflict. Dealers contend that stores should not sell milk at all, or, if they do, it should be placed on the basis of accommodation to consumers and prices should be at least equal to those prevailing on doorstep deliveries. On the other hand, stores contend that, if consumers are willing to do their own delivering of milk, they should be given some economic advantage. The Milk Control Board, because of legal and economic reasons, has provided that stores may sell milk to consumers at a price one cent below that prevailing on milk delivered to the doorstep by the dealer.

In addition to those dealers who purchase milk from producers, process and bottle it and sell it to the consumer under a single name, there are operators of country plants who buy a large volume of milk, process and bottle the milk, and deliver it to others, known as "subdealers," in urban areas, who in turn sell the milk to consumers under their own or another's name. A number of questions have been raised as to the desirability and economic justification of such a method of distribution, and it brings a great many serious problems of regulation. However, there is little evidence of any curtailment in the amount of milk being thus sold, and there is apparently sufficient spread between the price paid to the producer and paid by the consumer to permit this system to continue. Seventy-three per cent of the milk sold in New Jersey is handled by dealers who purchase the milk from producers and sell it themselves to consumers;

20 per cent is sold through subdealers; and 7 per cent is sold by producer-dealers. About 20 per cent of the total is re-sold through store outlets.

There is general recognition of the need for experts in the field of utility regulation, and utility boards are adequately financed so that the skilled personnel needed can be obtained. Milk control seems to be thought of as a strong-arm procedure in which the board by some method of legerdemain determines what the price should be and by drastic enforcement measures compels an unwilling industry to abide by its decisions. Nothing could be more fallacious than this. Control must be based upon a definite economic background and must be of such a nature as to make it possible for the majority of those engaged in the industry to comply. The only result of attempting to enforce unreasonable and unfair regulations is to create such a wide condition of non-compliance that the efforts of the board are unavailable and the regulations ignored by all except those who cannot afford to defy public bodies for fear of losing the public good will on an extended scale.

If milk control is to be successful there will need to be developed without delay trained experts and economists who will have the greatest influence in determining milk regulation policies. Men of this type cannot be obtained for a pittance; they must be assured of adequate compensation, and security of their positions. Otherwise, they will go into private industry, where their abilities and services will be recognized and appreciated.

The Milk Control Board has to deal with a highly perishable food. It must establish such regulations as will facilitate the rapid transportation and delivery of the product to the consumer. Furthermore, milk is a daily necessity in thousands of homes, and public health and human welfare depend upon its being handled in a sanitary and expeditious manner. Regulations which would apply to less perishable articles or those which can be purchased by the consumer in larger quantities at one time do not apply to milk. Regulations having in mind the special qualities of the product to be controlled must be worked out so as not to interfere with the flow of milk from the dairy farm to the home.

Probably the greatest difficulty confronting the Milk Control Board is the fact that the industry before the establishment of the board had never been under any economic regulation. Because of the very large number of units involved in the production and distribution of the product, it has always been a highly competitive field, and de-

structive practices that are inherent in such intensive competition have been present for a long time. Complete lack of ordinary business ethics and regard for the public welfare have been present in too large a degree in the milk distribution field for its own good. A great deal of stress has been laid by many distributing units on the sincere statements of public health authorities regarding the nutritional value of the product which they sell, and especially its essential qualities as a food for children. While using these statements on the one hand as a means of interesting the public in the product, they are in too many cases inclined to use selfish and anti-social methods in distribution. Naturally, persons with these tendencies do not yield readily to public control, and while seeking to utilize every asset of such regulation, they consistently fight against efforts of the Milk Control Board to bring their business to a basis that is compatible with the public interest and welfare. To attempt to bring under control almost overnight literally thousands of individuals and corporations previously unregulated, and in many cases guided only by the principles of self-preservation and jungle law, requires great resourcefulness on the part of the public body involved.

The regulations of the Milk Control Board affect three important classes of persons whose economic status is directly involved. An earnest attempt must be made to see that only regulations are imposed which are fair to producers, dealers and consumers. This means that the board has to see to it that producers receive a sufficient price for their milk to continue production and maintain modern sanitary standards; that dealers have sufficient income to maintain efficient distributing methods; and to keep the price to consumers as low as possible. There is necessarily a conflict of interest between these groups and a background of antagonisms that have been built up with the years. The dealer is the prime factor in so far as criticism is concerned. Both producer and consumer have been misled, by persons who should know better, into believing that the dealer is a parasitic growth upon the industry.

It is our belief that the antagonism between the various factors in the dairy industry has been lessened to some extent by the functioning of the board. Producers and dealers have, by discussion of mutual problems, gotten a better conception of the difficulties each group faces. At the same time, there remains a great opportunity for further efforts along this line. To be successful, these efforts must be based upon mutual confidence rather than suspicion. If we

arrive at a time when no group expects the other to do the impossible and all groups reach the conclusion that the Milk Control Board cannot correct all of the ills in the industry, there will be established a base for a recognition of individual and group responsibility for unfavorable conditions rather than attempting to saddle them upon some other group or official body which is not responsible for them and in many cases is quite unable to quickly correct all the abuses which seem to be inherent in the milk industry as we know it today.

PRICE FIXING

Milk control implies price-fixing. In every instance in this country and abroad where milk control bodies have been created there has been established, through orders, either definite prices or minimum prices for the product as it moves from the farm to the consumer. It is generally assumed that milk control has been created not so much for the purpose of regulating the industry as with the object of providing a reasonable return to producers. It is true that the New Jersey board and many similar boards have, along with price-fixing, established regulations which amount to codes of fair practices. Attention must be given to the true function of milk control, particularly if we assume that the economic emergency which caused its creation is passing from the scene. This phase will be treated in a later section of this report dealing with the future of milk control.

Under milk control, the prices received by, and the incomes of, producers have been materially increased. While several factors other than milk control may have entered into this improvement, it is recognized that milk control has been of first importance in bringing about a more satisfactory level of milk prices to producers. While returns to producers have varied, depending upon the particular dealer's market and his selling ability, the basis and range of such variance have been sufficiently uniform to materially lessen shifting of producers from one dealer to another, which is in itself a disturbing market influence. Milk prices have had greater public confidence under milk control than previously under announcement by dealers. While there has been some opposition by consumers to established prices, it appears that these minimum prices as fixed by the board have been received with a very large degree of public confidence.

The price-fixing regulations have reduced the "spread" of the dealer, that is, the difference between the amount received by the

producer and the amount paid by the consumer. Complaint is rather general on the part of distributors that, under the board's price-fixing regulations, they do not have sufficient margin upon which to operate efficiently and allow a proper return on the investment and provide a profit. On the other hand, price-fixing has stabilized the market and dealers have been given a basis upon which they can adjust their operations with a knowledge that there will not be sporadic changes which will upset their calculations. With the establishment of the "spread" which the board has deemed adequate, dealers have been compelled to cut costs, and it is generally admitted that greater efficiency prevails in the distribution industry today than before the establishment of the Milk Control Board.

The Milk Control Board's responsibility is primarily that of acting in the interest of the public. A low "spread" necessarily results in the elimination of inefficient dealers and compels economies in the operations of all distributing factors. This policy is sometimes criticized as likely to lead to fewer units of distribution and presumably larger ones, thus creating a tendency toward monopoly. This is not necessarily true. It is evident that there are many dealers with a relatively small volume of milk who are able to compete successfully on equal terms with larger distribution units.

From the standpoint of the public welfare, there seems to be no advantage in a multiplicity of dealers serving the same area. The dairy industry would, in general, be benefited by having only financially and morally responsible dealers, and while the loss of business of the inefficient is to be deplored from their viewpoint, both producer and consumer, as well as the distribution part of the dairy industry itself, will benefit from the elimination of those who are irresponsible. Price-fixing therefore has a very definite effect upon the trend of the dairy industry as a whole, and prices that are established must be studied from the angle of, and effect on, the industry for the longer term, fully as much as upon the immediate result to be attained.

The question of the necessity of minimum price regulations has been previously raised. In spite of all the criticism that inevitably comes to any price-fixing body, there is practically no sentiment for the elimination of prices paid to producers by dealers and charged by dealers to consumers. Producers in New Jersey who have seen their incomes increased by some \$15,000,000 in the two years of the Milk Control Board's existence favor the retention of the principle of price-fixing.

In spite of the weaknesses of price regulation, which must necessarily have inequalities and be at best a compromise, it is apparent that the initiative for the removal of prices must come from the board itself, since there is no demand for its elimination on the part of those affected by it. It is necessary for the board to look beyond the immediate situation and try to evaluate the long-time results of price-fixing policies. It is so well known that price-fixing eventually leads to serious dislocations that it has come to be regarded with complete distrust by most economists as a means of even taking care of a short-time emergency period. It may be several years before the full result of the board's price-fixing policies over the past two years can be fully determined. That there will be effects which we do not now foresee can be taken for granted.

Furthermore, the simple right of a public body to fix prices on a universal article of food gives that body a power which can be used for economic benefits or for the purpose of currying favor with one or another element of the population. It seems apparent to the Milk Control Board that eventually price-fixing, if it is continued, will be based upon the economic demands of the largest element in the population, which is, of course, the consumer. The board has attempted to keep in mind the consumer viewpoint in all of its regulations. No matter what may be the principal interests of those who, around a board table, fix prices on milk, there is always present the audible or inaudible voice of the consumer of the product upon which the price is fixed.

It would be quite feasible for the board to gain a great deal of temporary public favor by establishing prices to consumers below those now prevailing. However, any such policy would be disastrous in the long run and the consumer would eventually pay dearly for a temporary price advantage. It is our belief that, essential as health regulations are in relation to milk products, none of them is valid or effective when the income of producers and dealers falls to a point where self-preservation becomes the principal factor and the quality of the product takes decidedly a secondary place, since quality is costly.

In this connection it should be pointed out that the competitive spirit never completely disappears, even under a system of state-wide price regulation. As soon as price stability is attained, competition spreads to other fields. As has been pointed out, the consumer is now getting the highest percentage of butterfat in milk that has ever prevailed before. This is the result of dealers using

a deep cream line and other factors of quality as selling points rather than price.

COORDINATION OF STATE AND FEDERAL CONTROL

The effort of the New Jersey Milk Control Board in endeavoring to coordinate the functions of the state and federal government in milk control constitute a strenuous but futile chapter. Before any decisions in this field were made by any of the higher courts, it became apparent to the board that the old well-established principles of federal and state powers would eventually be restated in the case of milk control by the courts.

When the New Jersey Milk Control Act was passed, a milk marketing agreement was being promulgated for the Philadelphia milk shed. Included in the area covered by the agreement were the following counties in New Jersey: Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, and Salem. Numerous conferences were held with representatives of the Agricultural Adjustment Administration, and the Philadelphia milk shed agreement was placed into effect late in August, 1933. This agreement fixed minimum prices to producers in Pennsylvania and other states supplying the Philadelphia market but provided that New Jersey producers would be paid according to the regulations of the New Jersey Milk Control Board.

Under the terms of the agreement the AAA assumed full responsibility for regulating producers' prices on all milk or cream shipped in interstate commerce to New Jersey. Producer prices in the agreement were comparable to those being enforced by the New Jersey Milk Control Board. Unfortunately, the agreement was not enforced. Numerous requests were made to the AAA officials that steps be taken to bring violators into court. When it became apparent that it would be necessary to institute legal proceedings, the agreement was withdrawn, and no proceedings have been instituted against those who wilfully violated the marketing agreement.

Since the federal government functions on the basis of delegated authority, and that authority includes only the field which individual states cannot cover, for example, interstate commerce, early efforts were made to secure federal cooperation on the interstate phase of milk control. Any attempt to relate the efforts that have been made by the New Jersey board in this field would be of little interest because so little was accomplished. The proposals, however, included a plan according to which the states and the federal government would join to control milk to be sold in the New York

metropolitan area. They also included a proposal for joint action by the New York and New Jersey milk control boards with the federal government. Because these proposals were fruitless, a determined effort was made to establish a basis of cooperation between the federal government and the State of New Jersey in the regulation of milk passing in and out of New Jersey.

Although the federal authorities seemed to encourage efforts toward federal-state cooperation, and considerable time was spent in the City of Washington in intensive efforts to effect such cooperation, there was never any indication that those with authority to act ever gave any serious consideration to the proposals that were made. However, the cooperation of all those in the Agricultural Adjustment Administration who helped in drafting the plans gave every evidence of being sincere, and there was ample recognition on the part of all who took part in the discussions of the importance and necessity for such joint action as the states proposed.

Milk control in its very essence calls for stability in the market. Naturally, this stability cannot be maintained if, as in the case of New Jersey, half of the milk produced for consumption is under regulation and the other half is not. The failure of the federal government to act along any of the lines proposed, or to suggest any other procedure to the states, has been attributed by some persons to the belief that federal authorities believe that complete control can be obtained over all milk by federal action regardless of whether the milk is in interstate commerce or not and regardless of the existence of state control boards. Since no official reason has ever been advanced for failure to act, and since no explanation has ever been given for "pocket-vetoes" of the states' plans, we are not in a position to state whether or not this theory is correct. We can only point to a record of initiative and strenuous effort, and of the complete failure to secure any tangible results.

DANGER OF ABOLISHING CONTROL

The Milk Control Board believes that the chaotic conditions which prevailed before the board's establishment will soon be forgotten. Undoubtedly, the producers, and especially the distributors, will see only the liabilities of milk control because they will overlook the assets, forgetting the conditions which prevailed before control. It is quite possible that efforts will be made to discredit milk control, and these efforts may be successful. It is the belief of the board that if such efforts succeed, a price war in some parts of the state will ensue which will make previous history in this field seem mild

in comparison. These price wars will be staged to increase sales volume at the expense of other distributors and to eliminate weaker financial competitors.

Every price war has resulted in the producer paying the bill. Assuming that milk control is done away with and that price wars do ensue, the producers affected will again appeal for governmental aid, and the next chapter in milk control may call for a far more rigid and stringent regulation of the industry. The board feels, therefore, that it is important for leaders in the industry, including representatives of both producers and distributors, to endeavor to work out a system of governmental control which will be moderate in the extent to which the government enters the business, but sufficient to insure that the paramount public interest prevails. After all is said and done, this is the prime consideration, and it is entirely possible with the lessons that we have learned on all sides, that all those concerned will now be able to meet on common ground and determine upon a policy for the fluid milk industry that will preserve individual initiative, while at the same time the general welfare is safeguarded.

Governmental domination and dictatorship over the milk industry is certainly not desirable. The fluid milk industry should not be subject to the disruptive influences of its own destructive elements. The domination of either of these influences can well result in the elimination of the fluid milk industry as we know it today. The Milk Control Board sincerely believes that if those with prejudices and antagonistic complexes on all sides can be eliminated from conferences and can be kept from destroying the work of those with a constructive viewpoint, great advances can be made and a sound foundation laid for years of progress in fluid milk production and distribution.

LEGAL ASPECTS OF MILK CONTROL

Since the development of milk control will inevitably hinge upon court decisions, and the paths that it follows will be charted by the courts of the land, it is advisable to study the effect of the important decisions on milk control to date.

In New York there have been three cases which have established a trend in so far as the powers of state boards are concerned. In the *Nebbia* case, the United States Supreme Court affirmed the right of the Milk Control Board to fix resale prices, and stated that such price regulation was not in conflict with the Fourteenth Amendment to the Constitution.

In the Hegeman Farms case, the Supreme Court decided that the lack of sufficient spread was not a cause for dealers evading the price regulations of the board and left the inference that it was not necessary for the control board to establish such prices as would guarantee a return to all distributors in the industry regardless of their efficiency.

In the Seelig case, the United States Supreme Court, to which the case was finally carried, decided that the control board could not regulate the price of that milk which was produced in other states and sold within the jurisdiction of the board. The court decided that this principle applied to milk in original containers, which was construed to be the cans in which the milk was shipped. This decision makes it impossible for a state milk control board to prevent milk from being bought at lower prices in adjoining states, and it prevents those states in which the milk is produced from regulating it if it is to be shipped in interstate commerce. This decision had a far-reaching effect on milk conditions in the State of New Jersey, since approximately half of the milk consumed in the state is produced outside its borders and by this decision became free of control as to prices paid producers. Dealers were thus enabled to purchase milk at prices that were lower than those established by the Milk Control Board, and, by shopping around, some supplies at these prices could be found, with the result that some dealers were able to make profits which did not accrue to those distributors who operate entirely within the boundaries of the state.

In New Jersey, the Court of Errors and Appeals passed upon the constitutionality of the Milk Control Act on May 21, 1935. It upheld the right of the Legislature to establish a milk control board and to vest that board with power to fix reasonable minimum prices, basing its decision largely upon the public health factors involved.

The United States Supreme Court has not yet passed upon the right of the Agricultural Adjustment Administration to fix prices for milk. This federal agency withdrew from fixing resale prices and has confined its efforts entirely to producer prices in those markets where it has operated. Until the highest court passes on the validity of federal price regulation, the establishment of prices on milk in interstate commerce by the federal government is of doubtful status, and it seems quite clear to the New Jersey Milk Control Board that prices cannot be established by federal edict on milk produced and sold within the same state.

PROGRESS AND MILK CONTROL

It was the firm belief of the Milk Control Board that efforts to achieve stabilization should not be at the expense of progress. Government regulation tends to formalize all procedure and to confine all activity within prescribed limits. The board took the position from the start that it was not its job to "freeze" the dairy industry in any set pattern, but to leave at all times the opportunity for new developments. It should be said that this objective is not easily attained, so far as the industry is concerned.

The exercise of initiative by those capable of developing it has an unsettling effect on the rest of the dairy industry, since it may be compelled to follow the new road if it is found to be one of progress and successful. The board was asked to curb practices which were not particularly harmful in themselves, but which, if allowed to continue, would compel others to follow. Some of these practices, of course, had to be checked, but in other cases the board felt that a free rein should be given to the dairy industry.

A case in point is the development of the so-called paper container for milk. Experiments had been under way for some time in the development of a satisfactory paper or pasteboard container for use in selling milk through stores. This was a source of annoyance to firms that had no facilities for such a procedure and who wished to keep the distribution of milk entirely in glass. Pressure was brought to require that milk sold in paper containers be priced at one cent above that sold in glass, particularly where a bottle deposit was required.

The final decision of the board was that its prices should relate entirely to milk and not to the container. Therefore, the same price was established on all milk, whether sold in glass bottles or in pasteboard containers. This decision was reached after a number of hearings and discussions had been held and seemed to be the only economic solution of that difficult problem. It was not the prerogative of the board to decide whether all milk is eventually to be distributed in glass bottles or in other types of containers. The eventual result will be decided by the industry and by the public, particularly as the latter expresses its favor for one or the other type of container. It was definitely not the board's duty to try to direct trends by price variations or to place one type of container at a price advantage over another type simply on the ground of new methods causing a disturbance in routine of the dairy industry.

THE FUTURE OF MILK CONTROL

If we are to judge from past experience in the field of governmental regulation, it is a safe prediction that public regulation of the milk industry will continue. Efforts to overthrow it may be temporarily successful, but the precedent has now been established, and, if price collapse can be obviated under control, or it avoids discredit from any other cause, the outlook is for continued government regulation in one form or another.

One type of regulation would be that under which the government completely dominates the industry. Under this plan the producing industry would be regimented, a moderate return on capital invested might be allowed, but in all surface aspects at least, the dairy industry would become a public utility. If such a procedure should become a fact, the industry might easily meet the fate of the railroads, which apparently have been regulated to death.

Another type of regulation would involve agreements reached between producers and dealers, and approved by the Milk Control Board as in the public interest, would be enforced by the board and compliance compelled by means of penalties upon violators of the agreement. This would restore and strengthen the bargaining power of cooperative organizations and would permit adjustments from time to time in accordance with the location of the market.

It seems inevitable that one or the other of these procedures will be followed. The board, in its attempts to foster a program along the latter line, has not been successful, probably because of inertia on the part of producers and dealers who have preferred to let the board take the initiative and the responsibility as well.

The future of milk control will depend to a large degree upon the approach taken by the control agencies to the problems involved. Starting from scratch and without any precedents to follow, the Milk Control Board has taxed the mental and physical resources of the members and of those whom it has called in for advice. The board has held 106 meetings in its two years of existence. This has meant at least two meetings a week during time taken from the regular duties of the members, and the meetings have been of the kind that extends from morning until late at night. This studious and conscientious approach to the problems involved will be as necessary in the future as it has been in the past, because new problems will develop and the dairy industry, never being in a static condition, will require constant and resourceful effort if a good job of public service is to be done.

The future of milk control, therefore, presents several alternative courses. The selection of the one to be followed will depend upon the character and type of control and upon the attitude of the industry's leaders. Policies of drifting and laissez-faire on the one hand and of contentious bickering on the other can only result in stronger, and perhaps radical, government action which will forebode evil to the constructive forces that have brought the dairy industry to even its present state of efficiency and wellbeing.

ACKNOWLEDGMENT

The Milk Control Board takes this opportunity to express its appreciation to all those who have assisted in any way in its work. The cooperation of a large number of agencies and organizations in supplying data and in responding with advice has been a very large factor in whatever measure of success the board has attained.

REPORT OF THE EXECUTIVE SECRETARY

by
L. BERGEN BURK

A vast amount of office and field work has been involved in the Milk Control Board's duties of stabilizing the New Jersey dairy industry. When the board was established in May, 1933, it was immediately faced with the necessity of assembling a working personnel and of instituting the procedure to be followed in its work. This section of the report deals with the work involved in administering and enforcing the Milk Control Board Law and the orders promulgated by the board.

THE BOARD'S ORDERS

Order No. 1 of the New Jersey Milk Control Board fixed the price, to consumers, of Grade A milk at 13 cents per quart, and of Other-Than-Grade-A milk (Grade B), at 10 cents. It also established prices to stores and others.

Order No. 2 established the minimum price, to producers, of Grade A milk at \$2.44 per hundredweight, or 5½ cents per quart, and of Other-Than-Grade-A milk at \$1.88, or 4 cents per quart. This order also prescribed, for the first time in the history of the state, definite standards for Grade A milk. These standards were:

- (1) Milk so designated shall contain not less than 11.5 per centum total solids and not less than 3.5 per centum butterfat and comply with all sanitary regulations of the Department of Health of the State of New Jersey.

- (2) Grade A milk shall be cooled to a temperature of fifty degrees Fahrenheit or below within sixty minutes from the time of production and maintained at such temperature at all times; provided, however, that morning's milk need not be cooled between the time of milking and time of delivery to receiving station, if such delivery is made before eight o'clock A. M. Standard Time.
- (3) The cows used in the production of Grade A milk shall be examined semi-annually by a veterinarian, and all animals found to be unhealthy by such examination, or at any other time, shall be removed from the herd. Milk sold as Grade A shall have been produced by cows which have been tuberculin tested and maintained under state and federal cooperative supervision.
- (4) Grade A milk to be pasteurized shall contain not more than 100,000 bacteria before pasteurization, and not more than 30,000 after pasteurization. Grade A milk sold raw shall contain not more than 30,000 bacteria at any time prior to delivery to the consumer.
- (5) All milk designated as Grade A shall be mechanically filled and mechanically capped and the cap shall completely cover the pouring lip of the bottle.

The first order of the Milk Control Board increasing producers' prices, established a price which was to be paid for all milk received from them. On June 29, 1933, the board issued Order No. 6, which prescribed a method of payment on the straight norm and excess basis. Each producer was given a norm based on the monthly average of his shipments during the period June 1, 1932, to May 31, 1933. The full quantity of the producers' norm was to be paid for at the fluid (Class 1) price, and all milk shipped in excess of the norm was to be paid for at a lower price (called the excess price unless this excess milk was used for fluid consumption, in which case it was to be paid for at the fluid milk, or Class 1, price). This method of payment for milk purchased continued until January 1, 1934, when it was modified by the insertion of a cream (Class 2) price. Norm milk was to be paid for at either of two prices, the fluid milk (Class 1) price, or the cream (Class 2) price, according to its utilization. Excess milk was to be paid for according to its utilization at any of three prices, the fluid milk (Class 1) price; the cream (Class 2) price; or the manufacture (Class 3) price.

On February 15, it was found necessary to decrease prices to producers by approximately one-fourth of a cent per quart. The decreased price continued until July 1, 1934, when prices to producers were increased three-fourths of a cent per quart. All the orders promulgated by the board that affect prices to producers and consumers have been summarized for the various marketing areas of the state for Grade A milk and Other-Than-Grade-A milk (Grade B), and have been incorporated in Table 1.

Since the first of July, 1934, there have been no changes in consumer prices in any marketing area of the state or in producers' prices for Class 1 milk. The price of Class 2 milk was increased on February 1, 1935, by 15 cents per hundredweight, and on several occasions the method of payment for excess milk has been modified.

A number of orders have not been included in this summary. Many of them have governed the establishment of prices on sales of milk between dealers, or from dealers to subdealers. Others have provided or specified the procedure which should be followed by dealers in their method of bookkeeping.

On July 1, 1933, the state was divided into five marketing areas in accordance with varying marketing conditions peculiar to each section. The marketing areas follow:

Area Number 1 includes Mercer, Burlington, Atlantic, Cape May, Cumberland, Salem, Gloucester, and Camden counties, except those sections included in Area Number 2.

Area Number 2 includes all shore points between Brigantine Inlet and Cape May, including the municipalities of Egg Harbor and Mays Landing and the territories adjacent to these shore points that are naturally included in such marketing area.

Area Number 3 includes the portions of Monmouth and Ocean counties bordering on the Atlantic Ocean, including the coastal area designated as the north shore resort section. The municipalities of Morgan, Keyport, Red Bank, Long Branch, Asbury Park, Lakewood, Toms River, and points south to Brigantine Inlet, which separates the counties of Ocean and Atlantic, are included in this area.

Area Number 4 includes Bergen, Passaic, Essex, Hudson, Union, Morris, Somerset, and Middlesex counties.

Area Number 5 includes Sussex, Warren, and Hunterdon counties and the sections of Monmouth and Ocean counties not included in Area Number 3.

TABLE I
PRICE CHANGES, JUNE 1, 1933, TO OCTOBER 11, 1935
GRADE A MILK

Date	Order Number	AREA I				AREA II				AREA III				AREA IV				AREA V				
		Producer		Resale		Producer		Resale		Producer		Resale		Producer		Resale		Producer		Resale		
		Pro- ducer	Re- sale	Price	Varia- tion																	
June	2	1	\$.052	...	\$.13	...	\$.052	...	\$.13	...	\$.052	...	\$.13	...	\$.052	...	\$.13	...	\$.052	...	\$.13	...
July	—	7	.052	...	.13	...	.052	...	.14	+.01	.052	...	.14	+.01	.052	...	.14	+.01	.052	...	.13	...
Aug.	10	9	.06	+.008	.14	+.01	.06	+.008	.15	+.01	.06	+.008	.15	+.01	.06	+.008	.15	+.01	.06	+.008	.14	+.01
Sept.	14	—	.0565	-.0035	.14	...	.0565	-.0035	.15	...	.06	...	.15	...	.06	...	.15	...	.06	...	.14	...
Feb.	27-28	—	.0537	-.0028	.14	...	.0537	-.0028	.15	...	.0578	-.0022	.15	...	.0578	-.0022	.15	...	.0578	-.0022	.14	...
July	B-2, B-3	B-1	.0613	+.0076	.15	+.01	.0613	+.0076	.16	+.01	.0654	+.0076	.16	+.01	.0654	+.0076	.16	+.01	.0654	+.0076	.15	+.01
Net increase in price per quart.			+.0093		+.02		+.0093		+.03		+.0134		+.03		+.0134		+.03		+.0134		+.02	

OTHER THAN GRADE A

June	2	1	\$.04	...	\$.10	...	\$.04	...	\$.10	...	\$.04	...	\$.10	...	\$.04	...	\$.10	...	\$.04	...	\$.10	...
July	—	7	.04	...	.10	...	.04	...	.11	+.01	.04	...	.11	+.01	.04	...	.11	+.01	.04	...	.10	...
Aug.	10	9	.0475	+.0075	.11	+.01	.0475	+.0075	.12	+.01	.0475	+.0075	.12	+.01	.0475	+.0075	.12	+.01	.0475	+.0075	.11	+.01
Feb.	27-28	—	.0450	-.0025	.11	...	.0450	-.0025	.12	...	.0450	-.0025	.12	...	.0450	-.0025	.12	...	.0450	-.0025	.11	...
July	B-2, B-3	B-1	.0527	+.0077	.12	+.01	.0527	+.0077	.13	+.01	.0527	+.0077	.13	+.01	.0527	+.0077	.13	+.01	.0527	+.0077	.12	+.01
Net increase in price per quart.			+.0127		+.02		+.0127		+.03		+.0127		+.03		+.0127		+.03		+.0127		+.02	

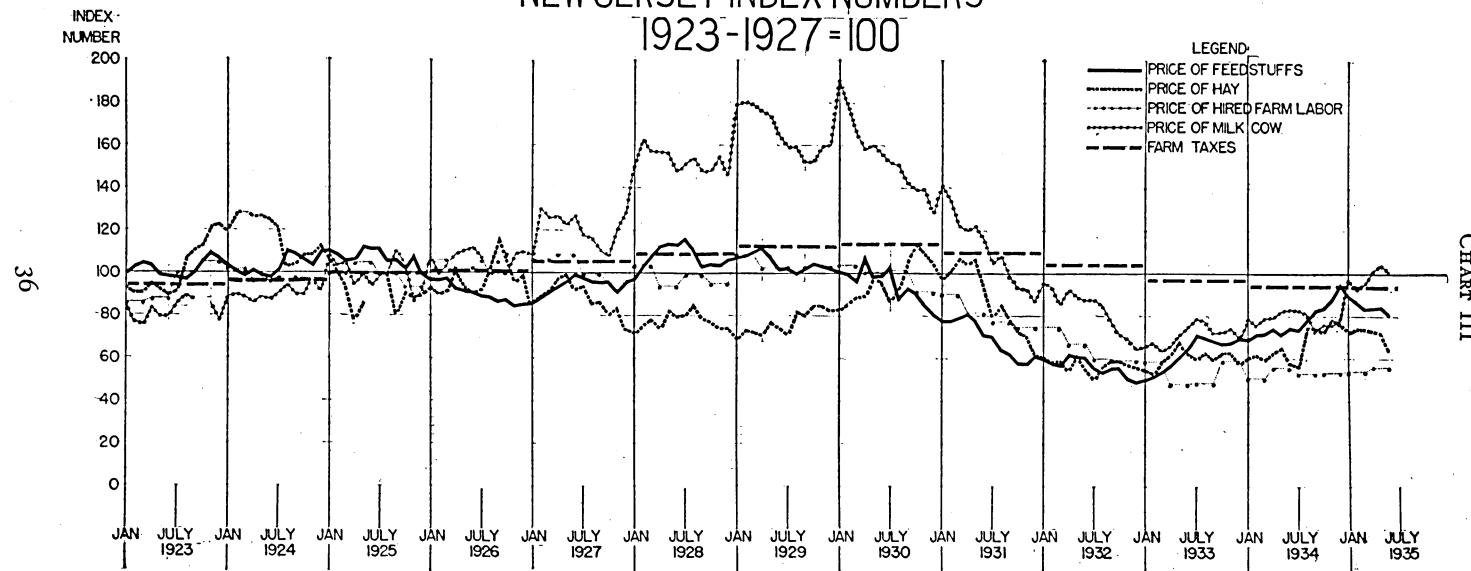
PROCEDURE IN FIXING PRICES

The board, after the fullest deliberation, formulated a definite policy that would be followed in the establishment of prices to producers, consumers, and others, and, through the cooperation of D. T. Pitt, of the State Department of Agriculture, began a scientific and detailed study involving the following subjects:

1. The trend in the cost of production of milk, measured by taxes and the price of feed concentrates, hay, farm labor, and milk cows.
2. The cost of living in the United States, the weekly New Jersey factory payroll, and the purchasing power of the New Jersey factory payroll.
3. The New Jersey average farm price of milk.
4. The concentrates-milk ratio, or the number of quarts of milk required in a given month to buy 100 pounds of feed concentrates.
5. The price paid by New Jersey consumers for milk.
6. The dealers' "spread," or the difference between the price paid by dealers for all classes of milk and the price paid by consumers for milk and milk products.
7. Many other statistical problems pertaining to milk control.

It will be realized that a tremendous amount of statistical work and research was involved in this project, especially since it covered the decade prior to June 1, 1933. Many charts by Mr. Pitt were prepared, on which the data essential to the work of the Board were plotted. These charts enabled the board to study the relative position of every item which must be taken into account in the establishment of prices in the interest of the consumer and producer. The charts attracted widespread attention, with the result that milk control boards of other states have adopted them as guides.

NEW JERSEY INDEX NUMBERS
1923-1927 = 100



Index numbers of factors measuring the trend of the cost of production of milk in New Jersey, January, 1923—June, 1935.

NEW JERSEY INDEX NUMBERS

PRICE OF MILK AND COST OF PRODUCTION, 1923-1927 = 100
 PURCHASING POWER, 1927 = 100

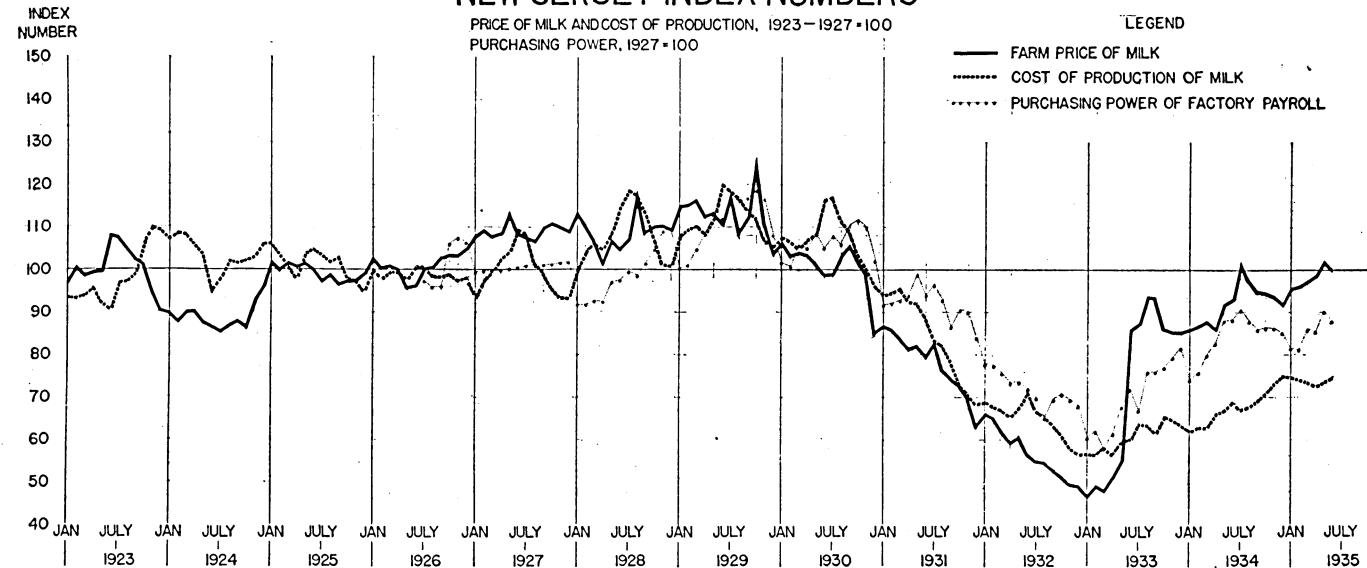


CHART IV

New Jersey index numbers of the farm price of milk, the cost of production of milk, and the purchasing power of the factory payroll.

EXPLANATION OF CHART IV

It is evident from the data plotted in Chart IV that the farm price of milk was at an unreasonably low level during the latter part of 1931 and during 1932 and the first five months of 1933. The Milk Control Board brought the price up to a sound level. The purchasing power of the factory payroll serves as an indication of the ability of the average wage earner to buy milk and other commodities and to pay for them. The lowest point in the purchasing power of the consumer was registered during March, 1933. In April, 1933, it showed a definite upward trend and in June, 1935, it stood at about 88 per cent of its level during June, 1927.

The cost of production of milk declined during the last two months of 1932 and the first four months of 1933 to about 58 per cent of its level during the corresponding months of 1923-1927. In May, 1933, it began to rise and in June, 1935, it became about 72 per cent of its level during June 1923-1927. The chart shows the quantitative relationship existing between the factors plotted, and guides the Milk Control Board in shaping its policy as far as farm prices and consumers' prices are concerned.

PRODUCTION CONTROL

It was realized at the outset that some method would have to be devised to stabilize production, or more milk would be produced than many dealers would be able to distribute in fluid form. After careful consideration, a plan was devised according to which each dairyman would be allowed to produce the same quantity of milk per month as he had produced from June 1, 1932, to May 31, 1933. The plan provided that the total quantity produced between these dates would be divided by 12 and the quotient would be known as the producer's "norm", or allotted production. The quantity of milk produced above this norm, or base, the plan provided, would be paid for at a lower price, in order that increased production might be discouraged.

Many producers have applied to the board for adjustment of their norms. In many instances, tests for tuberculosis, or Bang's disease, or various difficulties beyond the control of a producer had depleted his herd during the period which was used for the establishment of norms. Considerable time has been devoted to the adjustment of these norms in such instances, but it has been necessary to decline other applications for increases, as there have been no factual data submitted to the board to warrant such increases.

In many instances where a large number of producers are selling to dealers, committees composed of three or more dairymen have been formed. These committees have, to a considerable extent, made recommendations to the board regarding the adjustment of norms. This has been especially helpful, as these committees have given applications for adjustments thorough examination and their recommendations have been helpful in administering this plan of production control.

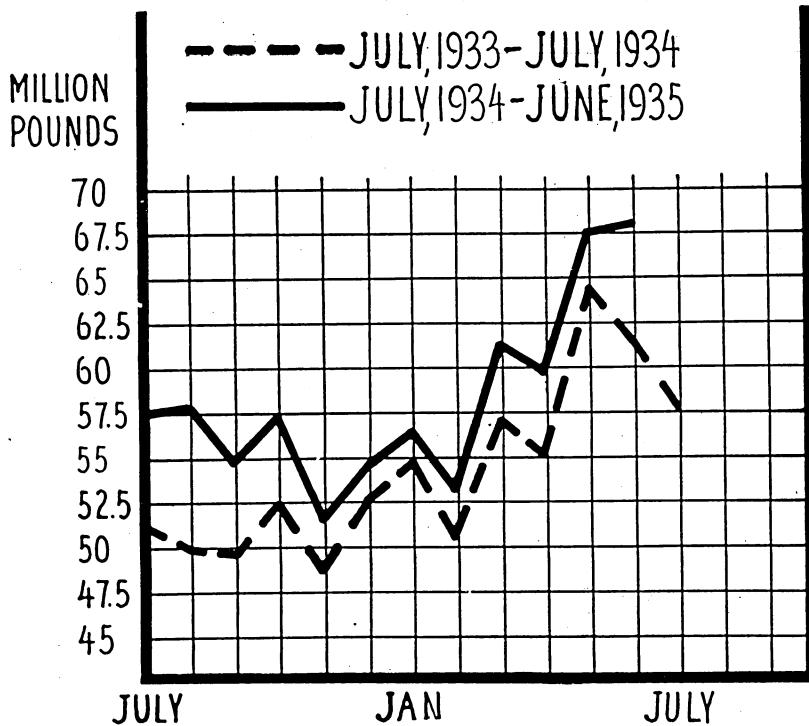
A review of milk production in New Jersey since July 1, 1933, indicates that it has increased considerably. Increased production has in many instances resulted in producers being paid a larger amount for Class 2 (cream) utilization. In establishing its production control system, the Milk Control Board foresaw the possibilities of increased production and has on many occasions pointed out to the dairy interests of the state the necessity of stabilizing production if the dairymen are to receive the benefits of the Class 1 (fluid price) for a large percentage of their milk. Table 2 presents detailed figures on the amount of milk produced each month by dairymen who sell to dealers and by dealers who produce as well

as buy milk, but does not include milk produced and distributed by producer-dealers.

TABLE 2
COMPARISON OF THE PRODUCTION OF GRADE A AND OTHER-
THAN-GRADE-A MILK IN 1933-34 and 1934-35

	1933-34	1934-35	Increase	Per cent of Increase
	Pounds	Pounds	Pounds	
July	44,456,173	52,142,484	7,686,311	17.29
August	43,169,812	52,247,537	9,077,725	21.03
September	43,974,478	49,015,518	5,940,740	13.79
October	46,184,446	51,227,029	5,042,583	10.92
November	42,687,976	46,037,841	3,349,865	7.85
December	46,345,600	48,952,740	2,607,140	5.63
January	48,622,484	50,913,575	2,291,091	4.71
February	44,612,387	47,896,694	3,284,307	7.36
March	50,398,609	55,354,299	4,955,690	9.83
April	49,127,517	53,557,044	4,429,527	9.02
May	58,356,465	61,236,842	2,880,377	4.94
June	55,301,623	61,826,168	6,524,545	11.80
	572,337,870	630,407,771	58,069,901	10.15

CHART V



Monthly production of milk in New Jersey from July, 1933, to June, 1935.

The data embodying the quantity of milk purchased by dealers from producers plus the quantity marketed by producer-dealers plus the quantity produced by dealers' herds. The chart shows the upward trend that has prevailed in milk production on New Jersey farms. Since the Milk Control Board began to function, the number of milk cows in the state has increased by more than 20,000 head.

COST OF PRODUCTION

In order to determine the cost of production, a widely representative group of items has been taken into consideration. These items include taxes and the price of concentrates, hay, farm labor, and milk cows. These are plotted on Chart III. All of these items were combined in one index of the cost of production, and for comparative purposes, this index is shown on Chart IV. The charts are brought up to date each month.

The index number of the cost of production of milk shows that the cost began to decline in the fall of 1930, and that it reached its lowest level in February, 1933, when it was 56.6 per cent of its level during the period 1923 to 1927, which is considered the normal period. In March, 1933, the index number began to increase, thus adding to the difficulties of milk producers. All items entering into the cost of production, with the possible exception of farm taxes, have increased, and the index number is approximately 75 per cent of its level during the normal period.

The index number of the farm price of milk has been plotted. The farm price of milk began to decline in the fall of 1930. In January, 1933, dairy farmers received only 47 per cent of the normal price, and in February, 1933, they received only 49.4 per cent of the normal price. In comparing the index numbers of the cost of production with those of the farm price of milk during 1931 and 1932 and the first five months of 1933, we find that the cost of production was decreasing at a slower rate than the farm price of milk. The dairy farmers were, therefore, in a very unsatisfactory financial condition.

With the organization of the Milk Control Board the index number of the farm price of milk at once increased to 87. It has remained above the cost of production index number, and reached 100 in May, 1935.

DEALERS' SPREAD

The dealers' spread is a highly controversial subject and has been found by the board to vary considerably in the different marketing areas. There has been considerable variation in payments to employees of milk companies in the northern half of the state and the southern part. With a view to determining the cost of receiving, processing, and distributing milk, the Milk Control Board has made

a comprehensive study of all operating costs, including in its study a number of companies who have cost accounting records available. In certain instances, the board's auditors have assisted dealers in setting up records to accomplish this end. These studies have been carried on in each of the milk marketing areas of the state and have included dealers who process and bottle milk that is subsequently delivered to the consumer by subdealers. It is believed that these studies show a more accurate picture of distribution costs in New Jersey than has heretofore been available.

In many instances, the board's auditors have devoted a great deal of time in helping dealers compile the necessary material, and in allocating costs to the various operations involved in the distribution of milk. In other instances dealers' records have been found to be incomplete or inaccurate which necessitated the reconciliation of various items of cost with the dealers' books. Much has been accomplished, and it is hoped that these studies may be continued over a period of years and that through the cooperation of the dealer the procedure for determining costs can be considerably simplified.

DEALERS' MONTHLY REPORTS

The orders of the board provide that all dealers purchasing milk from producers within or outside of the state shall file a report by the twentieth of the month covering purchases and sales for the previous month. Dealers have also been required to make payments to producers not later than the sixteenth of the month following that in which shipments were made. Attached to the report are several schedules which facilitate the work of auditing. Each dealer is required to show on a schedule the name of each producer from whom milk is being purchased; the producer's norm; the amount of milk delivered; the butterfat test; the quantity and percentage used for fluid purposes (Class 1) and the price and amount paid for it; the quantity of milk separated into cream (Class 2) and the price and amount paid for it; and the pounds of excess milk delivered, if any, and its utilization and price. If deductions were made, these must be reported, together with the net amount paid to each producer for his deliveries during the month. Each of these reports is carefully checked and audited.

Since the board was established there have been approximately 365 dealers filing reports each month. Aside from the auditing of these reports, the auditors are engaged in making

detailed examinations of dealers' books and records. In the event that errors or discrepancies are discovered by the auditors, the board directs that repayments be made, and these must be reported in each case on a special form provided for the purpose. This form must be properly notarized.

Dealers importing milk into the state are required to execute additional schedules showing the total amount of milk imported, the price paid for it, whether it is purchased from a dealer or producer, the butterfat content, whether it is sold as fluid milk (Class 1) or separated into cream (Class 2) or used for manufacturing purposes, the shipping point from outside the state, with freight rate to its delivery point, and, if it is hauled by tank truck or transported in cans, the trucking rates.

RETURNS TO PRODUCERS

It has been authoritatively estimated that the total value of dairy products produced within the state during the five-year period from 1923 to 1927 was about twenty-one million dollars annually. In 1932, the value of dairy products declined to about twelve million dollars, and, if the same trend of prices had continued during the whole of 1933 the total 1933 value would have decreased to about ten million dollars.

Table 3 shows in detail the classifications of Grade A milk purchased from producers by dealers from July 1, 1933, to June 30, 1935. Table 4 gives the same information relative to Other-than-Grade-A milk (Grade B.) If we include dealers' herds and producer dealers we find from Tables 5 and 6 that the work of the Milk Control Board has increased the total value of dairy products between July 1, 1933, and June 30, 1935, by approximately \$15,000,000. These figures do not include the increase to producers residing in other states who have been selling milk in New Jersey. While the work of the board has benefited the dairy farmer of this state, it must be remembered that producers of other states have benefited materially through increased returns for dairy products.

During the past two years, producers have been receiving a price which is more equitable than that received during the 18 months before the advent of the Milk Control Board. The average producer's return has been increased about 87.6 per cent during this period. Through the regulation of prices to consumers and producers, the milk industry has gradually rehabilitated itself.

TABLE 3
GRADE A PRODUCTION PURCHASED BY DEALERS FROM NEW JERSEY PRODUCERS OF MILK

Fiscal Year 1933-1934	Classification (Pounds)						Total Quantity Purchased	Total Amount Paid	Average Price Per Cwt.
	Norm	Per Cent of Total	Separated	Per Cent of Total	Excess	Per Cent of Total			
July	13,135,669	95.67			594,757	4.33	13,730,426	\$ 334,426.32	\$2.44
August	12,028,485	94.82			656,600	5.18	12,685,085	360,250.85	2.84
September	11,960,694	95.22			600,326	4.78	12,561,020	365,782.03	2.91
October	12,572,022	93.55			866,722	6.45	13,438,744	385,988.90	2.87
November	11,555,895	91.55			1,066,916	8.45	12,622,811	341,690.28	2.71
December	11,995,366	89.50			1,407,686	10.50	13,403,052	383,487.75	2.86
January	11,962,615	87.09	645,022	4.69	1,128,444	8.22	13,730,081	384,654.96	2.80
February	10,621,261	89.01	418,584	3.51	892,608	7.48	11,932,453	333,001.64	2.79
March	11,662,557	84.35	839,808	6.07	1,324,016	9.58	13,826,381	377,049.05	2.73
April	10,657,270	85.80	391,599	3.15	1,373,102	11.05	12,421,971	364,271.62	2.93
May	11,419,812	76.95	1,744,883	11.76	1,675,866	11.29	14,840,561	399,047.71	69.2
June	11,289,623	79.62	1,710,055	12.06	1,179,075	8.32	14,178,753	377,208.51	2.66
Totals	140,861,269	88.38	5,749,951	3.61	12,766,118	8.01	159,377,338	\$4,406,859.62	\$2.77
Fiscal Year 1934-1935									
July	10,326,075	83.17	1,265,672	10.19	823,067	6.64	12,414,814	\$ 373,426.56	\$3.01
August	10,055,476	84.55	1,142,306	9.61	604,865	5.84	11,802,647	377,143.56	3.17
September	9,891,649	85.93	1,057,832	9.19	561,145	4.88	11,510,626	366,435.68	3.18
October	10,297,442	89.99	754,436	6.60	389,957	3.41	11,441,835	377,940.83	3.30
November	9,906,227	90.04	699,390	6.36	396,802	3.60	11,002,419	365,467.86	3.32
December	10,029,205	86.88	873,856	7.57	640,202	5.55	11,543,263	374,056.53	3.24
January	9,877,034	86.81	1,010,382	8.88	490,661	4.31	11,378,077	370,312.56	3.25
February	9,948,033	86.05	1,258,866	11.42	278,816	2.53	11,021,715	348,732.20	3.16
March	10,571,105	84.15	1,420,444	11.31	571,254	4.54	12,562,803	386,189.42	3.07
April	10,119,051	83.17	1,645,485	13.52	402,323	3.31	12,166,859	380,012.44	3.12
May	10,335,852	79.25	1,843,403	14.13	863,903	6.62	13,043,158	404,226.38	3.10
June	10,317,281	78.15	1,748,288	13.24	1,136,788	8.61	13,202,357	396,215.77	3.00
Totals	121,210,430	84.66	14,720,360	10.28	7,249,783	5.06	143,180,573	\$4,520,159.79	\$3.16

TABLE 4
OTHER-THAN-GRADE-A PRODUCTION PURCHASED BY DEALERS FROM NEW JERSEY PRODUCERS OF MILK

Fiscal Year 1933-1934	Classification (Pounds)						Total Quantity Purchased	Total Amount Paid	Average Price Per Cwt.
	Norm	Per Cent of Total	Separated	Per Cent of Total	Excess	Per Cent of Total			
July	27,422,902	96.62			960,264	3.38	28,383,166	\$ 543,679.87	\$1.92
August	26,876,250	95.66			1,218,799	4.34	28,095,049	609,305.03	2.17
September	26,347,288	95.45			1,254,956	4.55	27,602,244	612,996.84	2.22
October	28,388,800	95.46			1,348,176	4.54	29,737,066	660,071.35	2.22
November	26,652,751	96.82			875,275	3.18	27,528,026	613,264.29	2.23
December	27,887,115	94.33			1,674,659	5.67	29,561,774	649,987.96	2.20
January	27,974,984	89.14	1,091,552	3.48	2,315,281	7.38	31,381,817	662,519.86	2.11
February	26,753,689	90.93	1,270,255	4.32	1,399,331	4.75	29,423,275	623,932.68	2.12
March	28,850,472	87.01	1,201,035	3.62	3,105,941	9.37	33,157,448	671,113.31	2.02
April	28,060,242	85.21	2,002,614	6.08	2,868,473	8.71	32,931,329	666,763.71	2.02
May	30,933,830	78.79	2,714,233	6.91	5,611,275	14.30	39,259,338	755,354.95	1.92
June	30,353,292	82.56	2,257,984	6.14	4,155,536	11.30	36,766,812	723,311.28	1.97
Totals	336,501,705	90.01	10,537,673	2.82	26,787,966	7.17	373,827,344	\$7,792,301.13	\$2.08
<hr/>									
Fiscal Year 1934-1935									
July	30,566,104	86.35	2,295,445	6.48	2,537,054	7.17	35,398,603	\$ 827,150.70	\$2.34
August	30,269,976	83.87	2,995,347	8.30	2,826,586	7.83	36,091,909	830,180.21	2.30
September	29,161,245	87.12	2,168,219	6.48	2,144,577	6.40	33,474,041	786,515.82	2.35
October	31,573,517	89.34	1,631,525	4.62	2,134,913	6.04	35,339,955	844,377.99	2.39
November	27,905,018	90.32	1,870,844	6.06	1,118,872	3.62	30,894,734	758,788.67	2.46
December	29,807,592	90.39	1,669,638	5.06	1,501,429	4.55	32,978,659	803,174.90	2.44
January	30,748,715	88.29	1,699,981	4.88	2,376,924	6.83	34,825,620	825,547.69	2.37
February	28,893,008	88.29	2,486,396	7.60	1,347,419	4.11	32,726,823	776,254.88	2.37
March	32,799,835	86.62	2,607,671	7.13	2,367,350	6.25	37,864,865	888,031.88	2.35
April	31,098,048	84.82	3,089,105	8.43	2,474,935	6.75	36,662,088	852,548.09	2.33
May	32,716,631	76.20	4,626,045	10.77	5,592,858	13.03	42,935,534	949,790.58	2.21
June	33,362,928	76.86	5,056,856	11.65	4,985,185	11.49	43,404,969	946,234.85	2.18
Totals	368,902,617	85.28	32,287,072	7.46	31,408,102	7.26	432,597,800	\$10,088,596.26	\$2.33

TABLE 5
ESTIMATED INCOME OF NEW JERSEY DAIRYMEN IF MILK CONTROL BOARD HAD NOT BEEN
ESTABLISHED

	Production (Pounds) By 6,346 Dairymen	Average Price Per Cwt.	Value To 6,346 Dairymen	Average Income Per Dairyman	Average Monthly Income Per Dairyman
First Fiscal Year	647,669,566	\$1.29*	\$ 8,354,937.40	\$1,316.57	\$109.71
Second Fiscal Year	700,533,606	1.29*	9,036,883.52	1,424.03	118.67
Total, Two Fiscal Years	1,348,203,172	—	\$17,391,820.92	\$2,740.60	\$114.19

* The average price is based on the average prices for the five months prior to the inception of the Milk Control Board.

TABLE 6
PRODUCTION AND INCOME OF NEW JERSEY DAIRYMEN UNDER THE MILK CONTROL BOARD

	Production (Pounds) By 6,346 Dairymen	Average Price Per Cwt.	Value To 6,346 Dairymen	Increased Value To 6,346 Dairymen	Average Income Per Dairyman	Average Increased Income Per Dairyman	Average Monthly Income Per Dairyman	Average Increased Monthly Income Per Dairyman	
48	First Fiscal Year, 1933-34	647,669,566	2.29*	\$14,831,633.06	\$ 6,476,695.66	\$2,337.16	\$1,020.59	\$194.76	\$ 85.05
	Second Fiscal Year, 1934-35	700,533,606	2.54*	17,793,553.59	8,756,670.07	2,803.90	1,379.87	233.66	114.99
	Total, Two Fiscal Years	1,348,203,172		\$32,625,186.65	\$15,233,365.73	\$5,141.06	\$2,400.46	\$214.23	\$110.04

*Average prices taken from Table 5.

TABLE 7
AVERAGE PRICE RECEIVED BY NEW JERSEY DAIRY FARMERS FOR 100 POUNDS OF MILK

	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	5 Year Avg. 1923-27
January	\$2.63	\$2.43	\$2.76	\$2.78	\$2.92	\$3.07	\$3.11	\$2.88	\$2.35	\$1.79	\$1.27	\$2.32	\$2.59	\$2.70
February	2.69	2.36	2.68	2.69	2.92	3.01	3.08	2.77	2.30	1.75	1.32	2.31	2.57	2.67
March	2.57	2.35	2.65	2.63	2.81	2.79	3.03	2.71	2.19	1.62	1.26	2.23	2.53	2.60
April	2.54	2.31	2.57	2.56	2.77	2.60	2.88	2.64	2.08	1.52	1.31	2.27	2.52	2.55
May	2.37	2.08	2.41	2.28	2.69	2.54	2.69	2.41	1.95	1.44	1.31	2.13	2.42	2.37
June	2.54	2.04	2.35	2.27	2.56	2.47	2.61	2.33	1.88	1.34	2.02	2.16	2.37	2.35
July	2.63	2.09	2.38	2.45	2.63	2.62	2.87	2.42	1.98	1.35	2.09	2.51		2.44
August	2.70	2.24	2.55	2.59	2.75	3.05	2.81	2.66	1.97	1.41	2.38	2.52		2.57
September	2.77	2.38	2.62	2.78	2.97	2.95	3.04	2.86	2.02	1.44	2.44	2.56		2.70
October	2.78	2.39	2.68	2.85	3.06	3.03	3.44	2.81	2.01	1.42	2.42	2.61		2.75
November	2.71	2.65	2.79	2.95	3.15	3.15	3.16	2.82	2.00	1.41	2.38	2.68		2.85
December	2.59	2.75	2.84	3.01	3.13	3.14	2.98	2.45	1.83	1.41	2.41	2.64		2.86

Each month the amount of money paid to New Jersey farmers is carefully tabulated and the average net return per 100 pounds of milk is thereby determined. This is shown in detail in Table 7.

Hitherto, various estimates of the volume of milk produced in New Jersey, its total value and the amount of milk imported from other states, have been made. The tables included in this report are actual compilations and not estimates.

There are certain variations in importations from month to month. However, the trend appears to be downward within the state, and indicates that 48.8 per cent of our total milk requirements were secured from other states for the first year under the Milk Control Board, and 46.3 per cent for the second year. A large portion of the milk purchased in nearby states is used for separation into cream, for the manufacture of ice cream, and for making other dairy products.

New Jersey is one of the few states which has experienced increased sales of milk during the past year. This is especially interesting since reports indicate from neighboring states that sales are continuing to decline despite the increased purchasing power of consumers. It is therefore felt that statistics on this subject are of especial interest. Table 8 includes Grade A, Other-than-Grade-A (Grade B) and fluid cream sales for the years 1934-35 in comparison with sales for manufacture during the year 1933-34.

It will be noted that the combined sales decreased during the months of May and June, 1935, which is considered unusual. Weather conditions were adverse to increased consumption during these two months. These losses have been more than covered by favorable weather conditions, and increased summer population at the shore and mountain resorts of this state during the summer months.

It is regrettable that Grade A milk sales show a slight decrease for 1934-35 as compared with 1933-34. These are shown in detail in Table 9. These losses, however, are more than off-set by the increased sales of Other-Than-Grade-A (Grade B) milk which show a net increase of 27,723,344 pounds during the last fiscal year or a net gain of 4.4 per cent (Table 10).

Cream sales have also been tabulated and are shown in Table 11. The sales for 1934-35 were slightly below those of 1933-34.

TABLE 8
 COMPARISON OF TOTAL SALES BY DEALERS
 (Pounds of Grade A Milk and Other-Than-Grade-A Milk and Cream in
 Equivalent Pounds of Milk)

	1933-34	1934-35	Increase	Per Cent of Increase
July	93,437,013	100,829,720	7,392,707	7.91
August	92,310,001	99,003,792	6,693,791	7.25
September	87,318,342	91,182,509	3,864,167	4.43
October	86,291,713	91,572,403	5,280,690	6.12
November	79,531,006	86,612,756	7,081,750	8.90
December	83,825,817	84,901,719	1,075,902	1.28
January	87,158,070	86,764,859	—393,211	.45*
February	78,805,707	81,111,546	2,305,839	2.93
March	89,893,805	92,201,066	2,307,261	2.57
April	90,815,571	91,135,513	319,942	.35
May	102,680,969	97,118,916	—5,562,053	5.42*
June	101,127,714	95,293,756	—5,833,958	5.77*
Totals	1,073,195,728	1,097,728,555	24,532,827	2.29

* Indicates Decrease.

TABLE 9
COMPARISON OF GRADE A MILK SALES BY DEALERS
(Pounds)

	1933-34	1934-35	Increase	Per Cent of Increase
July	17,086,288	16,633,975	-452,313	2.65
August	16,161,125	16,259,911	98,786	.61
September	15,349,533	15,637,454	287,921	1.88
October	15,872,466	15,635,953	-236,513	1.49*
November	14,763,399	14,894,609	131,210	.89
December	14,991,690	15,335,902	344,212	2.30
January	15,623,103	15,446,846	-176,257	1.13*
February	14,059,541	13,785,359	-274,182	1.95*
March	15,379,946	15,215,180	-164,766	1.07*
April	15,395,349	14,518,833	-876,516	5.69*
May	16,416,525	15,656,785	-759,740	4.63*
June	15,078,471	15,968,108	-889,637	5.57*
Totals	184,099,278	187,067,073	-2,967,795	1.59*

* Indicates Decrease.

TABLE IO
COMPARISON OF OTHER-THAN-GRADE-A MILK SALES
BY DEALERS
(Pounds)

	1933-34	1934-35	Increase	Per Cent of Increase
July	52,777,526	59,231,822	6,454,296	12.23
August	54,297,826	59,066,182	4,768,356	8.78
September	52,450,120	55,055,698	2,605,578	4.97
October	51,787,409	56,928,898	5,141,489	9.93
November	48,804,102	53,944,541	5,140,439	10.53
December	50,561,439	52,104,279	1,542,840	3.05
January	52,087,305	53,542,898	1,455,593	2.79
February	47,988,177	49,312,672	1,324,495	2.76
March	52,618,777	54,832,487	2,213,710	4.21
April	52,403,893	53,427,012	1,023,119	1.95
May	56,868,931	55,191,067	-1,677,864	2.95*
June	56,721,944	54,453,237	-2,268,707	4.00*
Totals	629,367,449	657,090,793	27,723,344	4.40

* Indicates Decrease.

TABLE II
COMPARISON OF SALES OF CREAM BY DEALERS, IN
EQUIVALENT POUNDS OF MILK

	1933-34	1934-35	Increase	Per Cent of Increase
July	23,573,199	24,963,923	1,390,724	5.90
August	21,851,050	23,677,699	1,826,649	8.36
September	19,518,689	20,489,357	970,668	4.97
October	18,631,838	19,007,552	375,714	2.02
November	15,963,505	17,773,606	1,810,101	11.34
December	18,272,688	17,461,538	-811,150	4.44*
January	19,447,662	17,775,115	-1,672,547	8.60*
February	16,757,989	18,013,515	1,255,526	7.49
March	21,895,082	22,153,399	258,317	1.18
April	23,016,329	23,189,668	173,339	.75
May	29,395,513	26,271,064	-3,124,449	10.63*
June	28,437,662	25,762,048	-2,675,614	9.41*
Totals	256,761,206	256,538,484	-222,722	.09*

* Indicates Decrease.

LICENSES

The 1933 Milk Control Board Act provided for the licensing of all dealers, processors, subdealers, or stores that buy milk from producers or others for sale, transportation, importation, storage, or manufacture, or that sell, transport, import, manufacture, store, or distribute milk within the state.

During the board's first fiscal year from July 1, 1933, to June 30, 1934, 2,245 licenses were issued to dealers and 3,060 to storekeepers. During the second year, which ended June 30, 1935, the number of dealers' licenses issued was 2,605. Eighty-six licenses were cancelled, and 117 applications for licenses were pending at the close of the fiscal year. These dealers have been classified as follows:

Area	Reporting Dealers	Sub-dealers	Producer-Dealers	Totals
1	106	16	273	546
2	4	12	16	32
3	23	82	45	150
4	191	1,046	388	1,625
5	36	103	144	283
Totals	360	1,410	866	2,636

The new Milk Control Board Act, which became effective on June 1, 1935, provided for the continuation until June 30, 1935, of all licenses which were issued by the old Milk Control Board.

The examination, approval, and issuance of a large volume of licenses involves a tremendous amount of clerical and investigational work. Strict attention must be given to all details. Applications improperly executed or submitted with inaccurate information must be returned for correction.

ENFORCEMENT

During June, 1933, which was the first month of the Milk Control Board's existence, its inspectors devoted all of their time to advising

and instructing dealers and producers on the orders and regulations of the board. The inspectors, however, were required to submit reports on all violations which were discovered. Records of these were carefully compiled for future reference.

In July, 1933, when it was found that a dealer was continuing to violate the board's orders summons were issued for the violator's appearance at the board's offices and warnings were given. In August, a more vigorous policy was adopted and penalties were assessed against a great majority of dealers who appeared at the board's offices for hearings. As may be expected, the majority of violations have been: operating without a license, price cutting, making improper payments to producers, and failing to file reports. The secretary of the board has conducted 1,351 hearings. The amount of penalties collected since the first of June, 1933, is presented in the following summary:

Fines collected, 1933-34	\$4,983.02
Fines collected, 1934-35	7,776.07
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Total collections	\$12,759.09
Outstanding penalties and balances as of	
June 30, 1935	1,384.50
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Total	\$14,143.59

Orders have been served upon 28 dealers requiring them to appear before the board to show cause why their applications for licenses should not be denied or their licenses revoked. As a result, 14 licenses have been revoked.

Two hundred and four cases have been filed in District, or Common Pleas courts throughout the state. A majority of these have been settled without the necessity of trial. Each court case consumes a considerable amount of time in its preparation, for it is essential, first, to gather the necessary evidence on which to base the suit, and second, to subpoena witnesses requisite to the case and make arrangements for the trial. Delays are frequently encountered by opposing counsels asking for adjournments. This is only one item of regulatory procedure, but indicates the amount of time and expense involved.

A number of injunction suits have been filed and successfully prosecuted during the board's existence. In certain instances, deal-

ers have been enjoined from selling or distributing milk to consumers, stores, and others at less than the minimum prices fixed by the Milk Control Board. Other suits have been filed to restrain dealers from engaging in business after their licenses were revoked or their applications for licenses denied.

COOPERATION WITH THE STATE ERA

This Milk Control Board has enjoyed the closest cooperation with the State Emergency Relief Administration, which has been buying large quantities of milk for relief purposes. A system was devised whereby the state was given a discount of 10 per cent for all milk purchased for relief purposes. This plan, because of its simplicity, has been effective, and has eliminated the difficulties which have been encountered in other states in distributing milk to persons on relief. This system has been considered by neighboring states as a model and in several instances has been adopted by them.

COOPERATION WITH OTHER MILK CONTROL BOARDS

Cordial working relations have been established with the New York and Pennsylvania milk control boards, and numerous conferences have been held concerning intrastate and interstate matters. Certain administrative procedures have been formulated at these conferences, including methods of securing evidence, its preparation for presentation in court proceedings, and procedure which would be most effective in enforcing the orders which are promulgated by the milk control boards. Many constructive ideas have been secured at these conferences.

PUBLIC HEARINGS

The board has held a number of public hearings in the State House, in the board's offices, and in various parts of the state. Each member of the board has contributed generously of his time to meeting with health officers and others who are vitally interested in the development of a program for the benefit of the dairy industry of the state.

PERSONNEL

Since the very beginning, the board's staff has been inadequate to carry on the tremendous volume of work involved in administering the Milk Control Act. It is impossible to review in this report the amount of stenographic work involved.

For the first fiscal year, July 1, 1933, to June 30, 1934, the total amount appropriated for the board was \$32,503. For the next fiscal year, from July 1, 1934, to June 30, 1935, the total appropriation only amounted to \$36,990. The total appropriations for the two years only represented an expenditure on the part of the state of \$72,493, and a large portion of this was for the purchase of permanent equipment, which may be considered as an investment.

The staff of the board has been supplemented by ERA projects for a large portion of the time. This has contributed materially to the board's work, especially in the compilation of statistical data, which could not have been accomplished had it not been for the cooperation of the State Emergency Relief Administration.

The amount of work involved in one phase of administration may be secured from the following summary of the number of pieces of mail which have been handled by the staff since its organization.

August, 1933 to June 30, 1935

	Incoming Pieces of Mail	Outgoing Pieces of Mail
1933-34	19,671	44,448
1934-35	24,936	63,841
	44,607	108,289