FEDERAL REGULATION OF MILK MARKETING in the DULUTH - SUPERIOR AREA

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PREFACE

This report is one of a series of studies of the operation of Federal milk marketing orders in different fluid milk markets of the country which has been undertaken by the Dairy Branch, Production and Marketing Administration, of the United States Department of Agriculture. The studies have been financed with funds made available under the Research and Marketing Act of 1946.

Each of the studies attempts to describe the history of regulation in relation to the special problems of milk marketing in each area. The promulgation of milk marketing orders and their amendment from time to time are usually made in response to these marketing problems. The studies provide an opportunity to review the record after sufficient time has elapsed to give all who are concerned with milk regulation an opportunity to gain a perspective on the events that have occurred.

It is believed that the facts and discussion contained in this report will be useful to persons interested in the Duluth-Superior milk market and to others who may be interested in the general subject of regulation of milk marketing.

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By Edmond S. Harris and Joel L. Blum, Agricultural Economists

SUMMARY

Conditions Prior to the Order

Duluth, Minn., and Superior, Wis., are adjacent cities situated at the western end of Lake Superior. The population of Duluth is a little over 100,000 and that of Superior is about 35,000.

During the early 1930's, the income of dairy farmers supplying milk for these cities was seriously affected by the low prices paid by handlers who were faced with a shrinking market for milk owing to the severe decline of consumer purchasing power. Many producers attempted to improve their situation by distributing their own milk directly to consumers or to stores and restaurants in the market. To gain a place in the market for their raw milk, they had to offer it at prices which were lower than those charged by the established handlers who sold pasteurized milk. This made it more difficult for the remaining producers to sell their milk to handlers at satisfactory prices.

In 1937, the Twin Ports Cooperative Dairy Association was unable to contract for the sale of all its milk to established handlers, so it decided to purchase its own facilities for the distribution of its members' milk. The intense competition among handlers for fluid milk sales, which followed this action, further disrupted the marketing of milk in the area.

Issuance of the Order

In January 1941, the Twin Ports Cooperative Dairy Association and the Arrowhead Cooperative Creamery Association requested the Secretary of Agriculture to call a public hearing on a proposed milk marketing order for the Duluth-Superior marketing area. The Secretary, acting under the Agricultural Marketing Agreement Act of 1937, held a hearing in Duluth on February 20. On the basis of the evidence in the hearing record, the Secretary issued Order 54, which was made effective on May 5, 1941, following approval by more than two-thirds of producers, as required by the Act.

Order 54 required handlers to pay minimum prices to producers in accordance with the use made of the milk. Two use classes were established. Fluid milk, flavored milk, and milk drinks were in Class I, and fluid cream and all manufactured milk products were in Class II. All producers supplying handlers in the market were to be paid a uniform price on the basis of a marketwide pooling arrangement.

The price per hundredweight of Class I milk was established in the original order by adding a differential (adjusted seasonally) to the Class II price. The Class II price was established by a formula based on the wholesale price of 92-score butter at Chicago.

Order 54 has been amended seven times since it was made effective in May 1941. In addition, a part of the pricing section was suspended for a temporary period. Most of these actions modified the pricing provisions of the order. The classification plan and some other aspects of the order have also been changed by these amendments.

Accomplishments of the Order

Among the order's accomplishments during its 10 years of operation in the Duluth-Superior market, may be listed the following:

(1) Establishment of orderly marketing of milk by farmers. In place of the inequalities of producer returns and the periodic depression of their returns due to price wars among handlers contending for larger shares of the fluid milk market, the order provided a plan which equalized costs of milk among dealers handling varying proportions of fluid milk sales, established minimum prices of milk for various uses, and distributed the proceeds of sales among producers in a manner acceptable to them.

(2) Assurance to farmers of a continuous market. The order removed the condition whereby some producers were cut off the fluid milk market and cooperative associations had to manufacture an undue proportion of surplus milk during months of flush production.

(3) The pricing of milk in relation to changing conditions of supply and demand. The pricing of milk under the order was more consciously related to supply and demand conditions than had been the case in the years prior to its issuance. The influence of retail price wars on farm prices of milk was eliminated.

(4) Creation of a public hearing procedure. This procedure provides a more open and democratic means of arriving at prices and marketing arrangements than was provided by private conferences between producers and distributors.

(5) Provision of impartial administration. The order has been more impartially administered than could any industry agreement which might be set up to accomplish similar objectives. The rights of handlers to appeal decisions of the Market Administrator and the auditing of books and records of all handlers in the market help to assure fair administration.

Other Aspects of Order Appraisal

In addition to the above accomplishments, the study of the order's operation leads to these conclusions on the following matters:

(1) Continuity of Order. The improvements in marketing stability and the gains made by producers would be jeopardized if the order were to be discontinued in the Duluth-Superior market.

(2) Impact on handlers. The order has not resulted in any injury to the position of handlers, as a whole, in the market. By equalizing payments, however, the order has changed the relative costs of procuring supplies for individual handlers in the market. It has also provided encouragement to producer-distributors to market their milk through other handlers. Although the order was a factor in hastening the decline in the numbers of handlers and producer-distributors, these declines were part of a long-run trend resulting from factors operating outside the order, such as changing health regulations and the tendency of smaller handlers to merge with larger ones.

(3) Impact on consumers. Consumers in the market do not appear to have incurred any disadvantage because of the order's operation.

(4) Impact on the producer associations. The function of the producer associations under the order does not appear to have been diminished. The existence in the market of two associations which, under the Agricultural Marketing Agreement Act, may vote approval or disapproval of the Secretary's decisions on changes in the order, could conceivably jeopardize the order's continuity and may lead to excessive competition for new members. The order has improved the competitive position of the associations, in their capacity as handlers, by equalizing the costs of surplus milk among all handlers in the market.

(5) Effect on producer returns. The order affects returns of producers in several ways: (a) By equalizing returns of producers, (b) by providing seasonal differences in returns; and (c) by providing for more gradual changes in returns in relation to changing conditions of supply and demand. Also, the marketing and pricing mechanisms of the order might be expected to serve as a brake on short-term deterioration of producer prices in a period of general economic crisis. It is not possible to determine the effect of the order on total producer returns beyond what they would have been in this market in the absence of Federal regulation. By itself, however, the order in its present form is not capable of affecting appreciably the total returns of producers, over a long period.

(6) Milk supplies. The pricing provisions of the order have provided the incentive for a steady increase in production per producer during the years of its operation. However, a shortage of supplies from shippers

whose milk is inspected has developed in the low-production season during most of these years because of: (a) The increased demand for milk caused by the war, (b) the decline in the number of producers because of stricter health standards and other factors, and (c) the decline in the number of producer-distributors. The order has not been an effective instrument for encouraging more even production of milk through the year. The incorporation in the order on January 1, 1951, of the so-called Louisville Plan for providing incentives to producers to greater fall production is the most serious effort which has been made to deal with this problem under the order.

(7) Wartime experience. The existence of the order in the Duluth-Superior market facilitated the operation and enforcement of special wartime programs relating to the dairy industry. The Market Administrator was appointed to administer War Food Order 79 (establishing sales quotas on fluid milk, cream, and byproducts) in the Duluth-Superior market.

I. THE DULUTH-SUPERIOR MILK MARKET PRIOR TO FEDERAL REGULATION

The Marketing Area

The Duluth-Superior milk marketing area, as defined in the Federal marketing order, is located in the northwestern part of Wisconsin and in the northeastern part of Minnesota, at the western end of Lake Superior. It comprises the cities of Duluth and Cloquet in Minnesota and Superior in Wisconsin. In 1950, these cities had a combined population of 146,820. The total population of the three cities has been quite stable for the last 30 years, as shown by the data in table 1.

Table 1.--Population of the Duluth-Superior marketing area, April 1920, 1930, 1940, 1950

Year (April)	Total marketing area	Duluth	Superior	Cloquet
	Number	Number	Number	Number
1920	143,715	98,917	39,671	5,127
1930	144,358	101,463	36,113	6,782
1940	143,505	101,065	35,136	7,304
1950 1/	146,820	104,066	35,091	7,663

1/ Preliminary.

Bureau of the Census.

The cities of Duluth and Superior are situated at the head of the Great Lakes waterway. They are primarily shipping centers, although they are also important as trade and service centers for a large surrounding farm area. Several rail lines converge on the cities carrying iron ore and grain from the Northwest. Both of these products are then reshipped on lake steamers to points of use. On return trips, coal and other products are brought to the Twin Ports by boat to be reshipped by rail to other cities.

The Duluth-Superior milk market was served, in June 1941, by 22 proprietary handlers who purchased at least part of their supplies from producers or from other handlers, and by 109 producers who distributed milk of their own production. Two producers' cooperative associations were also engaged in the distribution of fluid milk in the market.

Two organizations of milk dealers, the Duluth Milk Dealers' Association and the Superior Milk Dealers' Association, served member dealers in their respective cities as a means of clearing market information and working for the improvement of the industry. A bottle exchange also was in operation to receive stray bottles collected by route men for return to member handlers.

Milk ordinances were enacted in both Duluth and Superior in the early 1930's. These ordinances were in operation in 1941, when the first Federal hearing was held. Under their provisions, all farms from which milk was shipped to the Duluth-Superior market for fluid use, had to be certified by local health authorities on the basis of their inspections. These health authorities kept permanent records of producers so certified and the health departments of Superior and Duluth had a reciprocal agreement to use uniform standards and accept each other's certification. All the cream used for bottling purposes was supposed to come only from inspected farms, although there is some evidence that this provision was not always strictly enforced. Milk used for flavored milk and milk drinks, however, and milk used for manufacturing purposes was permitted to come from uninspected farms.

The Supply Area

The supply area for the Duluth-Superior milk market is within a radius of about 40 miles of the two cities. The actual area within which the supply of milk is produced is quite irregular, having its greatest extent to the west and southwest in Minnesota, and to the east in Wisconsin. In other directions, the extent of the supply area is limited by sections of rough, nonproductive land and by Lake Superior. (See fig. 1.)

The United States Department of Agriculture estimated that there were about 1,215 producers shipping milk to the market immediately prior to the February 1941 hearing. Of this number 525, or 43 percent, operated farms in Wisconsin, and 690, or 57 percent, operated farms in Minnesota. 1/ This estimate did not include about 125 producer-distributors in the market. On the basis of information acquired after the order was in operation, the total number of producers was probably underestimated by about 150.

The supply area for the Duluth-Superior milk market is in a region which is generally more suited to dairy operations than to other types of farming. The land is level or gently rolling, but much of it is rough or wooded. Milk production is the most important source of cash income from farming in the area. County agents who testified at the hearings, estimated that from 70 to 85 percent of the annual cash income from farming is received from the sale of milk. Dairy farms are small in size compared with those in most dairy areas, herds of about 10 or 12 cows predominating. 2/

1/ Record of the Duluth-Superior Milk Hearing, Feb. 20, 1941, Exhibit 2.

2/ An increase in output of milk per farm has taken place during the years of order operation. See page 48.

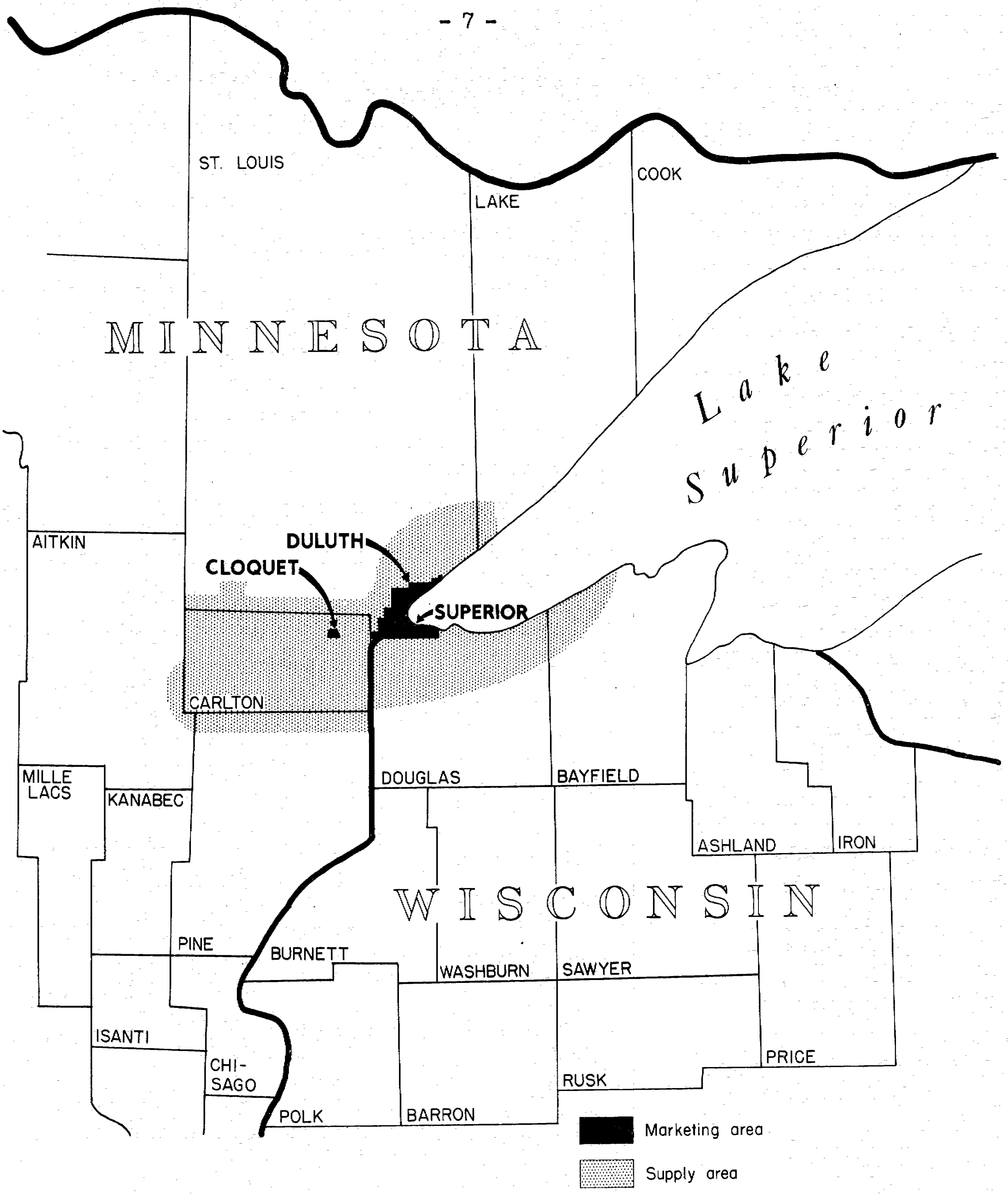

Figure 1.— Duluth-Superior milk marketing area and supply area, 1950

Source: Market Administrator.

The balance of cash income is received from poultry and eggs, berries, potatoes, cabbages, and a few other crops produced within the supply area. The major farm crops in this area are hay and grain for the feeding of dairy cows. Because of unsuitable climatic and soil conditions, no attempt is made to raise corn and practically no hogs are kept by farmers. Many dairy farmers are employed in part-time work in the industries of the area. Lumbering, paper mills, shipyards, and local manufacturing offer part-time and seasonal employment to farm operators and farm workers. The attraction of such opportunities varies with changes in general economic conditions, it being greater when wage rates are high in relation to milk prices.

The production of milk in the supply area for the Duluth-Superior market is highly seasonal in character. In 1941, total receipts of milk in the market during June (the month of highest production) were 1.75 times as great as receipts during November (the month of lowest production). The severity of the winters and the length of the barn-feeding period are factors causing a sharp decline in milk production during that season of the year. The so-called flush or high period of production usually begins in May, and lasts until about the end of June.

The main manufacturing outlets for milk produced in the supply area for the Duluth-Superior market, at the time the order went into effect, were for the manufacture of butter, skim milk powder, and ice cream. Dried casein was produced by some plants in conjunction with their butter manufacturing operations. In the vicinity of the supply area, several cheese plants provided an additional manufacturing outlet for milk produced by dairy farmers. Table 2, compiled from data presented at the first milk hearing, shows the number of the various types of dairy manufacturing plants, available as outlets to farmers, located within or adjacent to the Duluth-Superior supply area, in 1938. Of the 89 plants available at that time, 71 were equipped to manufacture butter, 6 had facilities for making dried skim milk, 21 for making dried casein and 7 for making dried buttermilk. In addition, 19 plants were equipped to make cheese, 16 to make ice cream, and 1 to make evaporated buttermilk.

Early History of the Market

Beginning about 1926, the supply of milk for the Duluth-Superior market increased without a corresponding growth of demand for fluid milk and cream. An increasing proportion of the total market supply had to find a market in the lower price surplus outlets, such as butter and cheese. 3/ The situation of dairy farmers in the supply area became more serious when the effects of the general economic depression, which began in 1930, were felt in the Duluth-Superior market.

3/ Record of the Duluth-Superior Milk Hearing, Feb. 20, 1941, Exhibit 2.

Table 2.—Number of plants manufacturing dairy products within or adjacent to the Duluth-Superior supply area, classified according to type of product manufactured in 1938 1/

Type of product manufactured	Minnesota	Wisconsin	Total
	Number	Number	Number
Butter	26	11	37
Butter, cheese	—	3	3
Butter, dried casein	1	5	6
Butter, dry milk	1	1	2
Butter, ice cream	4	1	5
Butter, dried buttermilk	6	—	6
Butter, dry milk, dried casein	1	2	3
Butter, cheese, dried casein	2	5	7
Butter, dried buttermilk, evaporated buttermilk	1	—	1
Butter, ice cream, cheese, dried milk	1	—	1
Ice cream	2	8	10
Cheese	—	3	3
Cheese, dried casein	1	4	5
Total	46	43	89

1/ Includes the counties of Aitkin, Carlton, Pine, and St. Louis in Minnesota and Bayfield, Burnett, Douglas, Sawyer, and Washburn in Wisconsin.

Compiled from data in Exhibit 2, Record of the Duluth-Superior Milk Hearing, Feb. 20, 1941.

The extremely low prices which prevailed for all manufactured dairy products during the period from 1930 to about 1935, depressed the returns to milk producers to a very low level. These low prices for manufactured dairy products reduced the value of manufacturing milk to less than $1 a hundredweight. The supply of milk was so much in excess of the requirement for fluid products that some handlers were able to purchase their supplies of milk for these purposes at prices only slightly higher than those for manufacturing. Many producers decided to distribute their own milk directly to consumers, because handlers could not offer them a satisfactory market for this milk. These producer-distributors often sold their milk at "distress" prices, which increased the disorganization of the market.

The situation in Wisconsin and Minnesota is indicated by the data in tables 3 and 4. In 1933, Wisconsin creameries paid an average price of only 90 cents a hundredweight for milk, cheese factories paid 91 cents, condenseries $1.04, and fluid milk distributors $1.25. It should be noted that these are average figures for the year and that they apply to Wisconsin as a whole, rather than to the Duluth-Superior market. In both Minnesota and Wisconsin, the index numbers of prices paid for butterfat fell, during 1932 and 1933, to less than half the 1923-29 average.

Two producer cooperative associations, the Twin Ports Cooperative Dairy Association and the Arrowhead Cooperative Creamery Association, have been prominent in the history of the Duluth-Superior market. The organization and history of these two associations were described in the report of the Department of Agriculture which was presented as an exhibit at the first public hearing. 4/

Both of these associations are of the operating type, distributing and processing the milk of their members as well as serving as bargaining organizations for the sale of milk to handlers in the market. The membership of the two associations comprises about two-thirds of the active shippers in the market. The entire membership of the Arrowhead Association is in the State of Minnesota, while the Twin Ports Association has members in both Minnesota and Wisconsin.

The Twin Ports Cooperative Dairy Association, with its headquarters in Superior, Wis., was organized in 1916 as a bargaining organization having for its purpose the increasing of returns to producers by bargaining collectively for the sale of milk to handlers. In 1925 the association built its first plant for processing surplus milk products, and in 1927 this plant was greatly expanded with a capacity about 4 times that of the original surplus plant and able to make skim and whole milk powder, butter and cottage cheese. In 1937 the Twin Ports Association constructed its first plant for pasteurizing and bottling milk for fluid distribution. The association by 1941 was operating a number of wholesale milk routes distributing milk to stores in both Superior and Duluth.

The Arrowhead Cooperative Creamery Association was organized April 1, 1925 for the purpose of processing and distributing the milk produced by its members. The headquarters of this association are in Duluth, and unlike the Twin Ports Association, all of its members are located in the State of Minnesota. However, the Arrowhead Association, according to the Department report, was, at that time, distributing milk to homes and stores in both Superior and Duluth. The processing operations of the association included the manufacture of butter, ice cream, milk powder (roller-type process), cottage cheese, and American cheese.

The two associations perform a number of services for their members in the course of acting as their agencies for disposal of their milk. Among these services are: (1) Check-testing and check-weighing of milk, (2) the furnishing of market information, (3) the sale of milk cans, and (4) the

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4/ Record of the Duluth-Superior Milk Hearing, Feb. 20, 1941, Exhibit 2.

Table 3.--Average prices paid Wisconsin farmers for milk by creameries, cheese factories, condenseries, and fluid milk distributors, 1926-40

Year	Average prices per hundredweight paid by--			
	Creameries	Cheese factories	Condenseries	Fluid milk distributors
	Dollars	Dollars	Dollars	Dollars
1926	1.86	1.80	2.04	2.25
1927	2.02	2.05	2.24	2.34
1928	2.04	2.00	2.27	2.39
1929	1.94	1.84	2.12	2.43
1930	1.57	1.49	1.69	2.12
1931	1.12	1.07	1.25	1.58
1932	.83	.81	.92	1.28
1933	.90	.91	1.04	1.25
1934	1.05	1.00	1.16	1.39
1935	1.23	1.27	1.35	1.55
1936	1.45	1.42	1.60	1.80
1937	1.51	1.48	1.63	1.95
1938	1.21	1.16	1.31	1.71
1939	1.13	1.14	1.25	1.58
1940	1.31	1.30	1.40	1.73

Compiled from data published by the Wisconsin State Department of Agriculture.

Table 4.--Index numbers of average prices received by farmers for butterfat, Minnesota and Wisconsin, 1930-40 (1923-29 = 100)

Year	Index of average prices	
	Minnesota	Wisconsin
1930	81.9	81.2
1931	59.8	60.7
1932	42.2	45.3
1933	44.6	47.4
1934	53.9	55.0
1935	65.3	66.4
1936	74.8	75.8
1937	78.1	78.7
1938	62.4	64.4
1939	56.8	59.3
1940	66.4	68.7

Compiled from data in Exhibit 2, Record of the Duluth-Superior Milk Hearing, Feb. 20, 1941.

sale of manufactured milk products to members at wholesale prices.

Both of the associations sell milk to handlers mainly for fluid disposition in the market. However, neither of them, in 1941, had written contracts with handlers. All sales to handlers were made on a flat-price basis without regard to the ultimate utilization of the milk sold.

In 1941, there were several other organizations of producers in the supply area for the Duluth-Superior milk market. Among these were: (1) The Head of the Lakes Milk Producers' Union, (2) the Farmers Union, and (3) the Farm Bureau. These organizations carried out activities of an educational nature and had legislative programs which they sponsored.

During the early 1930's, the producers' associations, which were attempting to handle almost the entire surplus for the market, were placed in a disadvantageous position. Handlers were able to buy their supplies for fluid distribution from independent producers at a very low price, but still provide these producers a return which was higher than the blended returns to members of the association. As a result, the associations found it difficult to retain their membership, and independent producers had a strong financial incentive to retain their independent status.

As falling wage rates and widespread unemployment caused a sharp curtailment of the demand for fluid milk and cream in the market, competition among handlers for the reduced market became more intense. Prices to consumers were cut sharply, but as the greater part of the reduction was passed on to producers and as only a partial restoration of consumption resulted from these price cuts, the economic condition of producers was not alleviated, and competition among handlers failed to become stabilized at the new price levels.

In 1935, the Twin Ports Cooperative Dairy Association attempted to improve the foregoing situation through a Federal milk license. They petitioned the Secretary of Agriculture for a public hearing on a proposed license for the Duluth-Superior sales area, under the provisions of the Agricultural Adjustment Act of 1933. A proposed license was drawn up by the Dairy Section of the then Surplus Marketing Administration, Department of Agriculture, and discussions were held during January 1935, in an effort to agree on a hearing date. At that time, however, nothing further was done on the matter. All the dealers and about half the producers in the market opposed the plan. 5/ Further efforts by the Twin Ports Association during 1937 and 1938 to obtain Federal regulation failed for the same reason.

5/ Kellogg, D. H. History of Twin Ports Cooperative Dairy Association 1916-1944, published by the Twin Ports Cooperative Dairy Association, Superior, Wis., p. 42.

Conditions Leading to Regulation

The conditions existing during the early 1930's tended to turn normal competition among handlers, and between handlers and the producers' associations, into destructive channels, which culminated early in 1937 in the failure of the Twin Ports Cooperative Dairy Association to reach a contractual agreement for the sale of milk to handlers. Faced with the loss of the fluid market for its members, and considering its bargaining strength too weak at the time to arrive at a satisfactory contract for the sale of milk to handlers, this association purchased its own facilities for pasteurizing, bottling, and distributing the milk of its members.

Competitive strife in the market did not abate at this time. Although the bargaining position of producers, through their associations, was stronger than it had been for some years, the excess milk supplies on the market were still a cause of serious market disturbances. Handlers opposed the entry of the producers' associations into the distribution field and a price war ensued which brought resale prices below the level necessary to leave a margin to cover handling costs.

In 1940, about half the milk produced for the Duluth-Superior market was utilized for manufacturing milk products. As previously stated, these surplus operations were not distributed evenly over the entire market, but were handled mainly by the two cooperative associations and by one or two of the large proprietary handlers in the market. It was testified at the public hearing that, during 1940, the two cooperative associations actually sold as fluid milk only about 28 percent of their milk which was inspected by the health authorities and eligible for consumption in that form. The majority of the proprietary handlers were engaged in the business of distributing fluid milk and fluid cream only.

Prior to the adoption of the order, all milk for the Duluth-Superior market was purchased from producers on a flat-price basis without regard to its ultimate use disposition. Each handler, purchasing from producers, paid a fixed price with differentials for butterfat content and deductions for hauling. Each of the cooperative associations pooled the proceeds of their sales to handlers with the returns from their own distribution and manufacturing operations, and paid their members a uniform price for their milk, with differentials for butterfat content and deductions for hauling. Handlers, who had confined their operations mainly to fluid milk and cream distribution, were in a position to pay their producers from 10 to 15 cents more per hundredweight than the blend returns received by cooperative members, and at the same time they obtained their supplies for fluid use at a lower price than did the cooperative handlers.

In 1940, the Twin Ports Cooperative Dairy Association once more began a drive for Federal regulation, and succeeded in enlisting the support of the Arrowhead Cooperative Creamery Association. These two

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organizations together comprised approximately 70 percent of the fluid milk shippers. It was felt by leaders of the two producer associations that a Federal program would be of benefit to all producers, inasmuch as it would stabilize conditions of marketing and handlers would be put on an equitable competitive basis. Delas Kellogg, Manager of the Twin Ports Cooperative Dairy Association, summarized his expectations from a Federal order as follows:

> We realize that a Federal marketing order for this market will have no effect upon the value of manufactured dairy products. We do believe that such an order will improve the income of the dairy farmers in this area to the extent that they will have an opportunity to obtain a fair return for that part of the milk required for resale purposes.
>
> In requesting a Federal order for this market, the Arrowhead and the Twin Ports Associations are doing so with the hope that the basic principles involved in giving each producer his fair share of the resale market and requiring each producer to share equally in the surplus and that of requiring every handler to pay the same and a reasonable price for milk for resale purposes, will alleviate to some extent these distressed conditions on dairy farms. 6/

6/ Record of the Duluth-Superior Hearing, Feb. 20, 1941, p. 23.

II. ISSUANCE OF MILK MARKETING ORDER 54

Proposed Marketing Order

The Twin Ports Cooperative Dairy Association and the Arrowhead Cooperative Creamery Association, in January 1941, requested the Secretary of Agriculture to hold a public hearing on a proposed marketing agreement and order regulating the handling of milk in the Duluth-Superior marketing area.

The proposal submitted by the two associations was drafted along the general lines of the other orders in effect at that time. Handlers were to be required to make reports for each monthly delivery period and to pay for milk received from producers on the basis of the utilization made of such milk. Two classes of milk were proposed: Class I was all milk disposed of in the form of fluid milk, flavored milk, and flavored milk drinks; Class II was all milk used to produce a milk product other than those specified in Class I and all milk accounted for as actual plant shrinkage, not in excess of 3 percent of the total receipts from producers.

Producers supplying the market were to receive a uniform price for milk of a standard butterfat content, under a marketwide pooling arrangement. Price differentials were provided, based on variations in the butterfat content of the milk supplied by each producer.

The proposed order set up the usual plan for administration by a market administrator named by the Secretary and it specified his powers and duties. Handlers were required to pay for the cost of administering the order. The market administrator was required, under the proposal, to perform certain services, such as the supplying of market information and the checking of weights and tests of milk, for those producers who did not receive similar services from a cooperative association. The cost of performing these services was to be met by the producers who received them.

Public Hearing on the Proposed Order

The notice of hearing was issued by the Secretary of Agriculture, February 3, 1941, and the hearing was held at Woodman Hall in Duluth on February 20. All of the proprietary handlers who were represented at the hearing opposed Federal milk marketing regulation. The Russell Creamery Company of Superior and the Bridgeman-Russell Company of Duluth, the two largest proprietary handlers in the market, testified at the hearing in favor of specific changes in the proposal of the two cooperative associations. 7/

7/ Record of Duluth-Superior Hearing, Feb. 20, 1941.

Some of the opposition was based on the fact that the proposed order would exempt producer-distributors from its pricing and pooling provisions. This, in the opinion of some proprietary handlers might further disrupt the marketing situation because they would be unable to compete with these producer-distributors while paying their own producers the minimum prices required by the order.

The most serious criticism leveled at the proposed order was that it would give an unfair competitive advantage to the cooperative associations which competed for fluid sales with proprietary handlers. One witness stressed his position that he considered a cooperative association, engaged in the actual distribution of milk to consumers, was outside its "legitimate" sphere of operations. The Chief of the Dairy Division, in his memorandum to the Administrator of the Surplus Marketing Administration, stated:

> It is our belief that the attached agreement will not result in any unfair competitive advantage to the cooperative associations in their capacity of distributors but will, through the equalizing of the surplus burden of the market, do much to change the character of competition from a destructive to a constructive type.

With respect to a contention that cooperatives could pay their member producers a lower return than the minimum blend price for their milk, the Solicitor of the Department of Agriculture advised the Secretary that, if this were done, the cooperative would soon begin to lose its members.

Issuance of Order 54

A marketing agreement regulating the handling of milk in the Duluth-Superior marketing area was tentatively approved by the Secretary of Agriculture on April 16, 1941. This marketing agreement contained provisions formulated on the basis of testimony taken at the public hearing. In accordance with the instructions of the Secretary, the tentatively approved marketing agreement was presented to handlers operating in the marketing area for their signatures. At the same time a referendum was conducted among producers, who were engaged in the production of milk for sale in the marketing area during the month of January 1941 (determined by the Secretary to be a representative period), to determine whether producers favored the issuance of an order having terms similar to those of the agreement.

During the referendum, 1,076 producer ballots were cast. Of this number, 992 favored the issuance of an order regulating the handling of milk in the marketing area, 49 opposed such an order, and 35 ballots were disqualified for one reason or another. Thus, the issuance of the order was favored by 95 percent of the eligible producers who voted in the referendum. 8/

Order 54, regulating the handling of milk in the Duluth-Superior marketing area, was signed by the Secretary of Agriculture on April 30, 1941, and went into effect on May 5. The marketing agreement also went into effect on the same date, as it had been signed by the two cooperative associations who, as handlers, marketed more than half the milk in the area.

The Secretary appointed E. H. McGuire as Market Administrator for the new order. Mr. McGuire was a graduate of the University of Missouri whose experience had provided him with a broad knowledge in the field of Federal regulation of milk marketing. He had, for several years, been Assistant market administrator of the Kansas City milk license and was later appointed market administrator for the Springfield, Mo., and Wichita, Kans., areas.

Terms of Order 54

Order 54, as issued by the Secretary of Agriculture, contained the following provisions: 9/

Marketing area.--The Duluth-Superior marketing area was defined to include the cities of Duluth and Cloquet in Minnesota and Superior, Wisconsin. While Cloquet was not adjacent to the other two cities, testimony at the hearing indicated that similar sanitary requirements for milk prevailed in the three cities and that handlers in Duluth and Superior sold milk in Cloquet. The Department considered it would be administratively unwise to include the territory between Cloquet and the other two cities in the marketing area as that would bring under the order, small handlers whose operations were generally noncompetitive with handlers in these three cities.

Handler.--The order defined a "handler" as any person who disposes of milk, as milk, in the marketing area.

Producer.--The term "producer" was defined to mean any person who, under certification by local health authorities, produces milk which is

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8/ Memorandum to the Secretary, Final Results of Referendum on Issuance of Marketing Agreement and Order for the Duluth-Superior Marketing Area, E. H. Harmon, Referendum Agent.

9/ Throughout the discussion of these provisions, where references are made to the reasons for any particular decision of the Department, the following document has been used as the source: Memorandum to the Administrator, Surplus Marketing Administration, from the Chief of the Dairy Division, transmitting for tentative approval of the Secretary a marketing agreement regulating the handling of milk in the Duluth-Superior marketing area.

received at the plant of a handler, from which plant milk is disposed of as milk in the marketing area.

A "new producer" was also defined in the order as any producer who did not regularly sell milk for consumption in the market during a period of 30 days immediately prior to the effective date of the order. This definition was included, because under the pricing provisions of the order, such new producers were to receive the surplus price for all their milk for at least 2 months. 10/

There was some opposition to this feature of the order. The Department's decision to incorporate it, was based on the testimony that many producers came on the fluid market during short periods of the year, when production was far in excess of fluid needs, and went off the market during the winter months when their milk was most needed. The Department thought the new producer provision might be a stabilizing influence on the market, by recognizing the service performed by those producers who regularly shipped milk to the market at all times of the year.

Classes of utilization.--Two classes of milk were provided for under the order. Class I milk was: (1) All milk used for fluid milk, flavored milk, and flavored milk drinks, (2) milk, the utilization of which could not be established from the handler's accounts as Class II milk, and (3) actual plant shrinkage in excess of 2 percent of the total receipts of milk. Class II milk was: (1) All milk used for fluid cream and milk used for all products not specified in Class I, and (2) actual plant shrinkage not exceeding 2 percent of the total receipts of milk.

There was some testimony presented by handlers at the hearing to the effect that flavored milk and flavored milk drinks should be considered a surplus use. It was also testified by one of the local health officers that handlers were permitted to use uninspected milk in the making of flavored milk drinks. The decision of the Department to place these products in Class I was based on the fact that they would normally compete directly with fluid milk for sales in the market, and the evidence in the hearing record that, in practice, handlers used inspected milk in making flavored milk drinks.

10/ Section 8c (5) (D) of the Agricultural Marketing Agreement Act of 1937 permits the incorporation, in the order, of a section:

> . . .Providing that, in the case of all milk purchased by handlers from any producer who did not regularly sell milk during a period of 30 days next preceding the effective date of such order for consumption in the area covered thereby, payments to such producer, for the period beginning with the first regular delivery by such producer and continuing until the end of two full calendar months following the first day of the next succeeding calendar month, shall be made at the price for the lowest use classification specified in such order. . . .

Milk sold by handlers to other dealers.--In order to make certain that all milk received by handlers from producers would be classified, the order provided that: (1) Milk or skimmed milk disposed of by a handler to another handler, or to a person who was not a handler but who distributed milk or manufactured milk products, was classified as Class I milk, subject to verification by the Market Administrator; milk or skimmed milk sold to a handler who received no milk from producers or new producers was considered Class I milk; (2) milk, skimmed milk, or cream received by a handler from a producer-handler was considered as Class II milk; if the receiving handler disposed of such milk, skimmed milk, or cream as Class I milk, the Market Administrator added to the total value of milk the difference between (a) the value of such milk, skimmed milk, or cream at the Class II price, and (b) its value at the Class I price.

Minimum prices.--The price per hundredweight for Class I milk testing 4 percent butterfat was the Class II price plus 55 cents for the delivery period from April through August inclusive, and 65 cents from September through March. The Class II price was 4 times the wholesale price per pound of 92-score butter, at Chicago, plus 25 percent thereof.

The price for Class I milk was, according to the Department, designed to insure flexibility and to provide an incentive to fall and winter production. The Chief of the Dairy Division, in recommending that this formula be adopted, stated that the major part of the milk produced in this area was for manufacturing purposes and that the health requirements were not as stringent as in many other fluid markets. This, he believed, made it desirable to keep a close relationship between the price of milk for fluid use and the price of milk for manufacturing purposes. He pointed out also that production was highly seasonal and that a number of producers came on the fluid market during the summer months and went off the market during the winter months, thus making it desirable that producers be given an incentive to supply milk for the market more uniformly throughout the year.

The Dairy Division had submitted a proposal for a special price for milk which might be distributed to low-income consumers under a relief program approved by the Secretary. Although there was no coordinated relief program with respect to the distribution of milk in the market at the time of the hearing, it was expected that provision for a special price for milk which could be distributed under such a program in the future would facilitate the distribution of milk to low-income consumers and prove a desirable outlet to producers in the market.

Under the order, the price of Class I milk to low-income consumers was the Class I price, minus 40 cents.

Milk sold outside the marketing area.--The order established a zone beyond the marketing area, within which handlers disposing of Class I milk had to pay the Class I price. Handlers were allowed to pay a lower price for milk disposed of as Class I milk outside of this zone. This price was established by the following formula: 4 times the average price per pound of 92-score butter at wholesale in the Chicago market, plus 25 percent thereof, plus 20 cents. If a competing dealer in an outside market showed that this price gave the handler an unfair competitive advantage in the cost of his milk, after allowing for the handler's transportation cost, the Market Administrator was required to adjust the price accordingly.

Pooling.--All producers in the market were paid a uniform price on the basis of a marketwide pooling arrangement. Two of the leading proprietary handlers in the market strongly opposed the marketwide pooling arrangement and suggested that the Department adopt an individual-handler pool plan in its place. Marketwide pooling was considered by the Department to be the only method which would help to eliminate the unfair financial burden upon the cooperatives due to their handling of a disproportionate share of surplus milk.

Producer-handlers.--The order provided that handlers who received no milk from producers other than milk of their own production were exempt from its pricing and pooling provisions. They were required only to make reports as requested by the Market Administrator.

For the handler who received milk from other producers or new producers in addition to that of his own production, the quantity of milk of his own production was deducted pro rata from his total Class I and Class II milk (after excluding receipts of milk from other handlers).

The following comment on the foregoing provision was made by the Chief of the Dairy Division in his memorandum to the Administrator:

> It was testified at the hearing that several handlers in the market had integrated their businesses so as to produce milk to serve their distributive operations. It was pointed out at the hearing that the institution of a Federal marketing program providing uniform class prices for all handlers in the market would encourage this type of operation and would give such handlers an unfair competitive advantage unless they were required to participate in the marketwide pool. . . . While the producer-handler competition is no doubt an important factor in this market, where they handle about one-fourth of all the milk of the market, it nevertheless appears unwise from an administrative standpoint to bring these handlers under the pricing and pooling provisions of a Federal marketing program. The situation with respect to these producer-handlers can, however, be carefully observed while the program is in effect and if it appears that pricing and pooling provisions must be applied to some types of producer-handler operations in this market in order to effectuate the purpose of the act, an appropriate amendment can then be made.

Butterfat differential adjustment.--Prices paid by handlers and returns to producers were adjusted by a butterfat differential. For each one-tenth of 1 percent variation from 4-percent in the butterfat content of milk, the differential was an amount equal to one-fortieth of the Class II price.

Expense of administration.--The expense of administering the program was met under the order by payments from handlers not exceeding 3 cents per hundredweight with respect to all milk purchased from producers or produced by handlers during each delivery period. Cooperatives paid the administrative expense on milk received at their plants, but not on milk delivered by cooperative members to the plants of other handlers.

Deduction for marketing services.--Except for members of a cooperative association, each handler was required to deduct an amount not to exceed 3 cents per hundredweight (the exact amount was to be determined by the Market Administrator, subject to review by the Secretary) from the payments made to producers and to pay such deductions to the Market Administrator. This money was to be used by the Market Administrator for supplying market information to producers, and for verification of weights and tests of milk received from such producers. There was considerable opposition from handlers at the hearing to the exemption of cooperatives from this requirement. They claimed that this exemption would give a competitive advantage to these organizations. The Department considered it desirable, in the interest of promoting market stability to permit the Market Administrator to perform essential marketing services for those producers who were not otherwise receiving them through a cooperative association.

III. AMENDMENTS TO ORDER 54

Order 54 has been amended six times since it was made effective in May 1941. In addition to these amendments, one suspension order has been issued. The substance of each of these actions and the conditions under which they were issued are described in the following sections.

Amendment of February 1, 1942

In the fall of 1941, the Twin Ports Cooperative Dairy Association and the Arrowhead Cooperative Creamery Association requested that the Secretary of Agriculture call a public hearing to consider a proposal to amend the class price provisions of the order. The hearing was held in Duluth on November 26, to consider this proposal and other changes suggested by the Dairy Division of the then Surplus Marketing Administration.

The associations requested the addition of a skim milk factor in the formula used for establishing minimum class prices under the order. This was requested for the purpose of reflecting the value of nonfat dry milk solids. The wartime demand for nonfat dry milk solids had increased their value and the associations contended that the price formula which was then related only to the value of butter, did not reflect the full value of whole milk. Because of this, they said that producers for the fluid market were receiving less for their milk than were the dairy farmers in the milkshed who were producing milk for manufacturing purposes. The latter were not required to meet sanitary inspection by local city health authorities.

The amendment to Order 54 was issued on January 28, 1942, and became effective on the first day of February. The marketing agreement also continued in the same form as the amended order.

Minimum Class Prices

The addition of the skim milk factor in the Class II price formula was for the purpose of reflecting the value of nonfat dry milk solids. It had the effect of raising both the Class I and Class II prices by 27 cents per hundredweight, because both prices were based on this formula. For Class I milk disposed of to low-income consumers under a program approved by the Secretary, the price was 47 cents under the Class I price. It had previously been 40 cents less than the Class I price.

The Consumers' Counsel 11/ opposed the proposed price changes. He objected to the raising of the Class I price on the grounds that it would decrease consumption and increase surpluses. He suggested raising the Class II price and lowering slightly the Class I price, which also would have resulted in raising the blended price. The position of the Administrator of the Surplus Marketing Administration was that if the price of Class II milk went too high, it would make butter manufacturing, the main outlet for Class II milk, unprofitable. 12/ The testimony presented by handlers at the hearing, supported the price changes recommended by the cooperative associations.

The new price formula for Class II milk was: Four times the average wholesale price per pound of 92-score butter at Chicago, plus 25 percent thereof, plus an additional half cent for each one-tenth cent that the average price per pound of nonfat dry milk solids (f.o.b. factory, human consumption) is above 7 cents.

The amended order deleted the provision for a lower price for Class I milk sold beyond a certain distance from the marketing area. These outside sales were mainly to camps operated by the Civilian Conservation Corps and to summer vacationists in resort communities. An administrative ruling had already priced milk sold to CCC camps at the regular Class I price. The Department, on the basis of testimony presented at the hearing, decided that a lower price was not justified for milk sold to vacationists at resorts outside the marketing area.

Other Changes

The paragraphs of the order relating to producer-handlers, transfers of milk among handlers, butterfat differentials to producers, and emergency milk were rewritten for purposes of clarification, without substantially changing their meaning.

A provision, whereby a market advisory committee might be established, was incorporated in the order. Producers, handlers, and consumers were each permitted to certify to the Secretary the names of three individuals for membership in this committee. Upon approval of the Secretary, the nine selected individuals were to constitute the market advisory committee. Each member of the market advisory committee was to serve for

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11/ In the organization of the Agricultural Adjustment Administration, provision was made for a Consumers' Counsel with a staff of assistants. One of his functions was to participate in the formulation of regulatory programs to see that an adequate supply of farm produce for the consumer was maintained and that such programs would not result in undue spreads between farm and retail prices. The office of Consumers' Counsel was discontinued in the latter part of 1942.

12/ Memorandum to the Secretary from the Administrator, Surplus Market. Admin., Jan. 6, 1942.

a term of 1 year. The committee was to have the power to recommend to the Secretary amendments for consideration at public hearings. Such a committee has not been established in the market up to this time, although the provision is still a part of the order.

Appointment of O. F. Kirkendall, November 1, 1942

O. F. Kirkendall was appointed Market Administrator by the Secretary of Agriculture, to succeed Mr. McGuire, who took over the administration of a new Federal milk order in Memphis, Tenn. Mr. Kirkendall, a former dairy farmer, had been a director of the Iowa-Nebraska Milk Producers' Association and had had previous experience in the administration of milk orders. In 1933, when the first licenses and agreements were being established by the Department, he was a member of industry committees which had helped to establish the first agreements and licenses for midwest markets. In February 1934, he had been appointed Assistant Market Administrator for the Omaha-Council Bluffs market and later became Acting Market Administrator of the order for that market and for the Sioux City, Iowa, market.

Amendment of June 21, 1943

The proceedings for a proposed amendment to the orders regulating the handling of milk in 20 marketing areas, Duluth-Superior included, were initiated by the Food Distribution Administration, of the War Food Administration, a wartime agency, of which this work later became a part, to consider an emergency price provision proposed to prevent a decline in the price of milk under the orders due to wartime subsidy programs or price roll-backs. In a memorandum to the War Food Administrator, the Director of Food Distribution explained the need for the proposed amendment, as follows:

> The Dairy and Poultry Branch has made an examination of the provisions of these milk marketing orders in the light of recent price ceiling regulations on dairy products and in the light of recently announced programs providing for price roll-backs and subsidy payments on butter. The effect of these wartime programs is to change, in many instances, the prices paid to producers in these Federal order markets for milk used in particular products. It is believed that these changes were not intended by the regulations or the subsidy programs and that action should be taken as quickly as possible to counteract such effects . . . .
>
> The effect of the amendment will not be to increase Class I prices in any of the Federal order markets and therefore the amendment will have no influence upon retail

> milk prices. It is believed, therefore, that there will be little, if any, objection to the proposed amendment and there is every reason to believe that it will be unanimously approved by producer groups. The amendment will prevent Class I price declines in New York and Boston and will also prevent declines in the prices for surplus milk in practically all of the Federal order markets and will probably increase slightly the prices for surplus milk in a few of the markets where the effect of the cheese subsidy program and of price ceiling regulations has already been demonstrated.

The hearing on this proposed amendment to the 20 orders was held in Washington, D. C., May 28, 1943. The amendment was issued June 12 and became effective on June 21. The agreement was terminated because, in its amended form, it was not signed by any of the handlers in the market.

Emergency Price Provision

On the basis of testimony presented at the public hearing, which supported the proposal, the Department issued the amendment, directing the Market Administrator to use, in computing class prices, the price quotations specified in the order, plus any subsidy payments associated with the price quotations. Provision was made for using the applicable maximum uniform price of the Office of Price Administration in the event that the specified price was not available. If neither was available, the War Food Administrator was authorized to determine an equivalent or comparable price.

Amendment of July 20, 1943

A public hearing was held in Duluth on June 4, 1943, at the request of the Twin Ports Cooperative Dairy Association and the Bridgeman-Russell Company. The major issue developed at the hearing was concerned with the level of Class I and Class II prices. Two minor changes proposed by the Dairy and Poultry Branch of the Food Distribution Administration were also discussed at the hearing.

The amendment to the order was issued by the War Food Administrator, on July 16, 1943, and became effective 4 days later. The marketing agreement, in this amended form, was signed by handlers of more than 50 percent of the milk in the market. This reinstated the agreement which had been discontinued at the time of the previous amendment.

Minimum Class Prices

The proposal of the Twin Ports Association and the Bridgeman-Russell Company was to increase the prices for Class I and Class II milk. This was to be accomplished by raising the skim milk factor in the Class II formula from half a cent to seven-tenths of a cent and by fixing the Class I price differential at 65 cents the year-round, thus eliminating the 10-cent reduction from April through August.

The proposed change in the skim milk factor would have the effect of increasing the price of Class II milk by about 13.5 cents per hundredweight. Representatives of handlers and of the two producer associations, who testified, were in full accord that the Class II price should be raised. In support of this, it was pointed out that the Class II price in Duluth was substantially below the prices being paid by nearby manufacturing plants for milk for similar use and that unless the order price were increased, producers would probably shift deliveries from the Duluth market to these manufacturing plants.

The order at that time established the Class I price at 65 cents above the Class II price from September through March, and 55 cents above the Class II price during the remaining months. At the hearing, the Twin Ports Association testified in support of their proposal to fix the differential at 65 cents the year-round. The Bridgeman-Russell Company was willing to leave the differential as it was.

Other witnesses, however, who testified on behalf of proprietary handlers and on behalf of the Arrowhead Cooperative Creamery Association, claimed that they would be unable to absorb any increase in the Class I price and that under the then prevailing ceiling prices it would be impossible for them to pay higher prices to producers unless they were granted relief by the Office of Price Administration. It was suggested that the Class I differential be reduced by an amount approximately equal to the proposed increase in the Class II price.

The latter proposal met with the approval of the Department and was included in the amendment issued by the War Food Administrator. The price of Class I milk for each delivery period was established at 52 cents above the Class II price. In the computation of the Class II price, the proposal to raise the value of the skim milk factor by substituting seven-tenths of a cent for one-half cent in the formula was accepted by the Department and included in the amendment.

Other Changes

Two amendments proposed by the Dairy and Poultry Branch for administrative purposes were incorporated in the order. They provided for the substitution of the term "War Food Administrator" for the term "Secretary" wherever the latter appeared in the order and authorized the War Food Administrator to delegate certain of his powers to agents.

Congress had passed legislation under which a number of functions, including the issuance of marketing orders, had been transferred from the Secretary to the War Food Administrator. The Solicitor's Office had ruled that the term "Secretary" should be changed to "War Food Administrator" in the orders, so that no legal questions would arise.

Suspension order of June 12, 1946

On June 12, 1946, the Acting Secretary of Agriculture, suspended certain parts of the order relating to price computations and to the announcement of prices. These parts were suspended until July 31, 1946. The effect of this suspension was to relate temporarily, the minimum class prices under the Duluth order, to the price of butter for the current month instead of the price of butter for the preceding month.

The Office of Price Stabilization had lifted the ceiling price of butter on May 29, 1946. The suspension action relating to the order made certain that producers in the Duluth-Superior market would benefit immediately by having the higher butter prices reflected in their own returns.

The question of suspending a part of a section of a marketing order involved a legal issue under the statute. This legal problem is discussed in an opinion of the Solicitor to the Secretary of Agriculture, dated October 17, 1945. The opinion was rendered on a similar use of the suspension power in relation to the New York order. In his opinion, the Solicitor stated:

> The Congress recognized that, in view of the variative circumstances from time to time in milk marketing, situations may arise in which it is necessary or appropriate, in order to keep the regulation in accord with the policy of the statute, to change an order by merely suspending a provision in the order. The statute provides that the Secretary '<u>shall</u>, whenever he finds that any order . . . , or any provision thereof, obstructs or does not tend to effectuate the declared policy of this title, terminate or suspend the operation of such order or such provision thereof.' (Section 8c (16)(A) of the act. The underscoring is supplied.) Of more significance, however, is the plain provision in the statute that any such suspension is not 'an order within the meaning of this section.' (Section 8c (16)(C) of the act.) It is only with respect to an order or an 'order amending an order' that a public hearing must be held and requisite producer approval obtained. (This includes, also, the price adjustments referred to in the last sentence in section 8c (18) of the act inasmuch as any such price adjustment may be made effective only by means of an

order or an order amending an order.) The Congress foresaw that instances may arise in which a provision in an order should be suspended--and the statute provides that a provision may be suspended--by the Secretary even though the suspension is equivalent in effect to an amendment.

The formula for the calculus of price is, of course, a basic part of the milk marketing order. A part, i.e., a 'provision,' of that formula is to be suspended. The statute contains no definition of the term 'provision.' It merely states that 'any provision' shall be suspended or terminated if the Secretary finds that the provision thus suspended or terminated no longer tends to effectuate the declared purpose of the act. It has been held that 'legislation when not expressed in technical terms is addressed to the common run of men and is therefore to be understood according to the sense of the thing, as the ordinary man has a right to rely on ordinary words addressed to him. (Addison v. Holly Hill Fruit Products, 322 U.S. 607.) Unless the contrary appears, statutory words are presumed to be used in their ordinary and usual sense, and with the meaning commonly attributed to them. (DeGanay v. Lederer, 250 U.S. 376, 381; Old Colony R.R. v. Commissioner of Internal Revenue, 284 U.S. 552, 560; United States v. Stewart, 311 U.S. 60, 63; Deputy v. duPont, 308 U.S. 488.) We see no reason, in this instance, to attribute any technical or other special meaning to this language of the statute. The part of the formula which is to be suspended is a part of a scheme for the determination of price for Class I-A milk. The part of the formula, however, which remains in effect during the period of the suspension is a clear, comprehensive statement as to the price for Class I-A milk. We are unable, therefore, to say that the part of the order which is being suspended is not a 'provision' of the order. (The definition of 'provision' as set forth in Webster's New International Dictionary, 1940 edition, p. 1995, indicates that a proviso, condition, clause, or other part of a sentence may be regarded as a 'provision.')

Amendment of November 1, 1946

The Twin Ports Cooperative Dairy Association petitioned for a public hearing to receive evidence on its proposals to establish a separate class for milk disposed of by handlers in the form of fluid cream and for increasing the prices of milk for use as fluid milk and fluid cream. No amendments were proposed by the handlers, but several were submitted by the Dairy Branch of the Production and Marketing Administration 13/ to bring

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13/ With a reorganization of the Department of Agriculture following World War II, the Production and Marketing Administration was created, and the work relating to the regulation of milk became a function of that agency.

the order up to date from an administrative standpoint.

A new health ordinance, modeled after the U. S. Public Health Code, had been adopted in Duluth and Cloquet, and the city of Superior was considering the adoption of an identical ordinance. The new health ordinance provided for more rigid sanitary regulations than had prevailed in the past. To meet these regulations, the associations contended that it was necessary for producers to spend considerable sums of money for new buildings and equipment in order to produce approved milk.

The notice of hearing was issued January 25, 1946, and the hearing was held on February 12, at Duluth. On May 22, the Production and Marketing Administration issued a public report of its findings on the proposed amendments, and the industry was given until August 12 to file exceptions, but none were filed.

The amendment to the order was approved by more than two-thirds of the eligible producers voting in the referendum, and it was made effective on November 1. 14/ The marketing agreement, as amended, was signed by handlers of more than 50 percent of the milk in the market and became effective at the same time.

Classes of Utilization

The new ordinance required that milk used for fluid cream conform to the same production standards as required for fluid milk. In this respect, the new ordinance was similar to the previous ordinance, but the expense of meeting the new requirements materially increased the cost of producing inspected milk for use as cream.

The amendment to the order was identical with that of the proposal. It provided for three classes of milk instead of two. Class I milk was all milk disposed of in the form of fluid milk, flavored milk, flavored milk drinks, and unaccounted-for milk. Class II milk was all milk disposed of as cream for consumption in fluid form. Class III milk was all milk used for products other than those specified in Class I and Class II and milk accounted for as actual plant shrinkage, but not exceeding 2 percent of a handler's total receipts of milk.

Minimum Class Prices

The Department concluded that the record of the hearing supported the need for price increases. In a memorandum to the Assistant Administrator of the Production and Marketing Administration, the Director of the

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14/ The Arrowhead Cooperative Creamery Association did not vote in favor of this amendment. The amendment received the producer approval required by the act when a sufficient number of unaffiliated producers voted for it.

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Dairy Branch cited evidence presented at the hearing, which indicated that the new ordinance would greatly increase the costs of producing milk for the Duluth-Superior marketing area. The Director of the Dairy Branch considered that a substantial price increase would be required to maintain an adequate supply of milk for the market:

> From the above evidence it is apparent that a substantial price increase will be needed to insure the area a sufficient supply of milk. There has been during the past year a constant decrease in the number of producers, and at the present time this market has insufficient milk to meet its fluid requirements during the late fall and early winter. In July 1943, the date of the last amendment to the order, there were 1,381 producers on the market. By December 1945, the number had decreased to 1,264, a decline of almost 10%. The record indicates that these producers abandoned dairying altogether, since they found it unprofitable in view of rising costs and prices. For the same reason it was impossible to induce replacements to come on the market.

The Department of Agriculture did not grant the full price increase requested by producers. In its final action the Department gave consideration also to the testimony of Raymond Russell, spokesman for the Russell Creamery of Superior, that a greater financial incentive was desirable to help farmers produce more milk during the fall and winter months. In his recommendation, the Director of the Dairy Branch stated:

> We feel however that a lesser amount would be sufficient. Were the full increase granted for the entire year, producer returns would be increased an average of 38 cents per hundredweight. The amendment which we are recommending would result in an increase of approximately 28 cents per hundredweight. . . .
>
> Because of the increasing seasonality of production on the Duluth market, production during November 1945 was only 50% of the production during June 1945. We feel that the bulk of the increase should be granted during the months when production is lowest. During the months of May, June, July, and August, this market has a heavy surplus, yet from October to January, supplies do not equal demand. We feel that the proposed pattern of price increase will provide a fall and winter price, enough higher than the price during the flush months to encourage fall production. Thus, the proposed prices, in addition to compensating producers for meeting the new health ordinance, should result in a more uniform flow of milk, and eliminate the shortages which now occur in the fall and winter months. There is ample justification in the record for seasonal pricing.

In line with this recommendation, the pricing provisions for Class I and Class II milk were changed to read as follows:

> Class I milk. "For each of the delivery periods of September to April, both inclusive, the price for Class III milk for such delivery period plus $1.00. For each of the delivery periods of May, June, July, and August the price for Class III for such delivery period plus 60 cents."
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> Class II milk. "For each of the delivery periods of September to April, both inclusive, the price for Class III milk for such delivery period plus $0.60. For each of the delivery periods of May, June, July, and August, the price for Class III milk for such delivery period plus 35 cents."

Under this arrangement, the Class I price was increased 48 cents per hundredweight during September through April, and 8 cents per hundredweight during May through August. Milk for fluid cream was placed in a separate class, which was priced 60 cents per hundredweight higher than its previous price during the fall-winter months and 35 cents per hundredweight higher during the spring-summer months.

Other Changes

A number of incidental changes were made necessary by the change in the number of classes. Also, in order to bring the order up to date administratively the term "Secretary" was substituted for "War Food Administrator," wherever the latter term appeared in the order.

Amendment of February 22, 1949

On the suggestion of members of the industry, the Department of Agriculture called a public hearing to consider a proposal for the amendment of all Federal milk orders so as to establish a "statute of limitations" on claims arising under the orders. The notice of hearing on the proposed amendment was issued on July 18, 1947. In recommending that the hearing be held, the Director of the Dairy Branch, PMA, stated:

> The amendments to be discussed, while prepared by the Dairy Branch, are the result of proposals made generally from within the industry and from market administrators. The experience derived from the administration of milk orders for a period of years has demonstrated to all concerned the necessity of arriving at some means for permitting handlers to close their books after a period of time on the possibility of further billings from market administrators. Equally apparent is the necessity for the protection after a certain

period of market regulation from surprise or neglected claims which could accumulate to the point of exhausting one or another of the various administrative funds.

The amendments are sought with the purpose of protecting both handlers and producers from the possibility of bankrupting handlers or of the orders themselves, as the result of an accumulation of unanticipated liabilities in excess of ordinary reserves. Insofar as the orders are concerned, an accumulation of demands could result in producers going unpaid for current deliveries of milk. Such a situation would operate to the disadvantage of consumers and handlers of milk, as well as of producers, and would probably be contrary to the declared policy of the act.

After several years of regulation, the necessity for permitting some disposition to be made of vast accumulations of business records is also pressing. 15/

The hearing was held at Washington, D. C., on July 30, 1947. Representatives of producers and handlers attending the hearing were unanimously in favor of the principle of the "statute of limitations" on claims. Considerable discussion developed as to the best way in which it could be worked out. The Assistant Administrator of the Production and Marketing Administration issued a recommended decision on September 27, 1948. The final decision was issued on January 26, 1949, by the Secretary of Agriculture. 16/

More than two-thirds of the producers supplying each marketing area during the representative period (August 1948) approved the amendment to the order. It was issued February 18, 1949, and went into effect February 22. The marketing agreement in the Duluth-Superior market was terminated because it was not signed by handlers of more than 50 percent of the volume of milk in the market.

15/ Memorandum on notice of hearing on proposed amendments to orders regulating the handling of milk, from the Director of the Dairy Branch to the Assistant Administrator, PMA, June 18, 1947.

16/ An amendment to the General Regulation issued under the Agricultural Marketing Agreement Act of 1937, on February 17, 1947, provided that as soon as practicable following the termination of the period allowed for the filing of post-hearing briefs the Assistant Administrator shall file a recommended decision containing a preliminary statement with respect to such issues and an appropriate proposed marketing agreement or order effectuating his recommendations. The recommended decision as well as any exceptions to the Assistant Administrator's proposal are then submitted to the Secretary who after due consideration renders a final decision which includes a statement of his findings and conclusions. These amendments were issued by virtue of authority vested in the Secretary of Agriculture by the Agricultural Marketing Agreement Act of 1937, as amended, and the Administrative Procedure Act passed by Congress June 11, 1946.

Operation of the "Statute of Limitations"

The amendment as issued by the Secretary, provided a "statute of limitations" on claims arising under the orders, to operate in the following manner:

1.--An obligation to pay a handler money, which such handler claims to be due him under the terms of an order, terminates 2 years after the end of the calendar month during which the milk involved in the claim was received if an underpayment is claimed, or within 2 years after payment was made if a refund is claimed. If the handler, within such period of time, files a petition claiming such money, the time limitation does not apply.

2.--The obligation of a handler to pay money terminates 2 years after the last day of the calendar month during which the Market Administrator receives the handler's report of utilization of the milk involved in such obligation. If within such 2-year period, the Market Administrator notifies the handler in writing that such money is due and payable, the time limitation does not apply.

3.--If a handler fails to make his books and records available to the Market Administrator and the latter notifies him to that effect in writing, the time limitation does not begin to run until such books and records are made available.

4.--The time limitation does not apply in the case of "fraud or willful concealment of a fact, material to the obligation, on the part of a handler."

5.--The time limitation did not apply to obligations as to which administrative proceedings or court actions were instituted before July 1, 1949. This allowed all interested parties at least 6 months to see if there were any outstanding obligations which might be terminated by the claims limitation amendment and to take appropriate measures to protect their interests in such obligations.

6.--Handlers are required to retain records for 3 years after the end of the delivery period to which such records relate, unless specifically requested by the Market Administrator to keep certain records on hand for a longer period.

Amendment of May 1, 1949

The Arrowhead Cooperative Creamery Association and the Twin Ports Cooperative Dairy Association petitioned for a hearing to consider a proposed amendment to increase the Class I differential by 40 cents and the Class II differential by 25 cents per hundredweight during the delivery period of May, June, July, and August, 1949. The differentials under the order then current were 60 cents and 35 cents, respectively, during the above months and $1 and 60 cents during all other months. The proposal was to eliminate, for the current year, the seasonal drop in the differential for the two classes.

The notice of hearing was issued March 22, 1949, and the hearing was held at Duluth on March 30. The amendment to the order was issued on April 27, following approval by more than two-thirds of producers, and became effective on May 1.

Minimum Class Prices

On April 15, the Secretary announced his decision to maintain during May through August 1949, the fall-winter price differentials. The usual administrative procedure of the recommended decision and opportunity to file written exceptions was omitted because of the urgency of the situation. The omissions were requested at the hearing and no testimony was presented in opposition.

A memorandum from the Solicitor to the Secretary of Agriculture, dated April 13, 1949, described the conditions surrounding the issue as follows:

> The hearing record discloses an emergency condition in the market production area arising from a severe and unprecedented drought in 1948, following less than normal rainfall in the fall of 1947, and followed by continued lack of precipitation in early 1949. Hay crops and pastures suffered to such an extent that not only was it necessary for producers to expend inordinate sums for feed, but the effect on pastures will be felt during the current year even though initial lack of rainfall should be alleviated. Many producers have abandoned dairying, and more have been forced to reduce their herds. Uncontradicted evidence in the hearing record indicates that in view of the uniform price to producers having dropped to approximately $1 lower than a year ago, an additional drop in the class differential starting on May 1 will result in further abandonment of dairy operations and curtailment of herds to such an extent that the market will be short of a sufficient supply of pure and wholesome milk. It is concluded that the maintenance of the present $1 and 60 differentials through the normally flush season is necessary during the current year because of abnormally high costs of production.

Amendment of January 1, 1951

During the summer and fall of 1950, dissatisfaction developed among producers because of the increased costs of production which had taken place following the outbreak of war in Korea. The minimum prices under the order had been lowered seasonally on the first of May and most producers felt that the reduced prices were unsatisfactory in view of production conditions. A newly organized dairy farmers' union had enlisted the support of many producers in the area and engaged in the picketing of a number of milk plants in an effort to obtain higher prices. Handlers also were becoming alarmed because many producers were curtailing production owing to the alternative opportunities for employment in expanding defense industries. Many farm workers and small farm operators were taking part-time or full-time jobs in these industries.

The Twin Ports and Arrowhead Associations requested the Secretary to hold a hearing to consider raising the Class I price and a number of other proposed changes in the Duluth-Superior order. Their proposals included: (1) An increase in the differential in the Class I pricing formula from 60 cents to $1 for the months of May through August, (2) the adoption of a plan to encourage more even production throughout the year, (3) the extension of the marketing area, (4) a reduction of the number of classes of milk from three to two, with cream and cultured buttermilk being placed in Class I, (5) a method of accounting for milk on the basis of its skim milk and butterfat content, and (6) the pricing of milk on the basis of 3.5 instead of 4 percent butterfat content.

The Dairy Branch of PMA added two proposals of its own for consideration at the hearing. One of these provided for an increase in the maximum administrative assessment from 3 to 4 cents per hundredweight. The other proposal was made to clarify the order with respect to the treatment of a handler's excess sales of skim milk and butterfat. No proposals were advanced by handlers.

The notice of hearing was issued on November 9, 1950, and the hearing was held at Duluth on the 29th of the same month. On the basis of this hearing an amendment was issued by the Secretary effective January 1, 1951. The usual recommended decision by the Assistant Administrator of the Production and Marketing Administration was omitted on the Secretary's finding that the delay necessarily involved in the preparation and publication of such a decision, with time allowed for exceptions by interested parties, would defeat the purposes of the amendment. In his decision, the Secretary stated: "Immediate action must be taken if an amendment is to meet effectively the urgent supply and demand problem sought to be alleviated and relieve the disorderly marketing conditions which threaten the stability of the market."

Minimum Class Prices

The amendment raised the May-August price differential in the Class I formula from 60 cents to $1. The September-April differential was raised from a $1 to $1.15. These permanent increases were supplemented by a temporary provision which established the differential through April 1951 at

$1.23 per hundredweight. This increase in the Class I price was somewhat higher than that which had been requested in the proposals of the producers' associations upon which the hearing was held. However, at the hearing itself representatives of the associations indicated that the production outlook was becoming progressively worse and a somewhat greater increase than that proposed would be required to remedy the situation.

As a basis for the higher price, the Department cited the following facts in the hearing record: (1) A decline in receipts of producer milk since August 1950 by about 4 or 5 percent under receipts during the same period of 1949, (2) sales of milk "a little higher" during the fall of 1950 than in 1949, and (3) a decline in the number of producers since the midsummer of 1950 and a slightly greater seasonal decline in the average daily production per producer between August and October than had occurred during the previous year. During the first 7 months of 1950, monthly receipts from producers averaged 15 percent higher than for the previous year, but the Department did not consider this to be as important as some of the other considerations because this increase was due to an increase in the number of producers. 17/

In summarizing some of the factors causing this adverse change in the supply situation, the Department stated: "Conversion to the production of inspected milk among dairymen in the milkshed has been arrested and production per farm has sharply declined because prices have not kept pace with rising costs and dairymen are able to find more lucrative employment in the mines, mills, and factories of the region."

Plan to Encourage More Even Production

The so-called Louisville Plan was adopted by the Department as a means of leveling out seasonal production. Under this plan, 8 percent of the funds in the pool would be deducted in computing the uniform price during each of the months of May, June, and July, and one-third of the total amount deducted would be restored in computing the uniform price during each of the months of October, November, and December. This was substantially the plan proposed by the producers' associations and was supported by the only handler who testified at the hearing.

The hearing record showed that production of milk for the Duluth-Superior market had been highly seasonal, the June production averaging about twice that of November. As a consequence, the market has had burdensome surpluses in the flush months and frequently insufficient milk from regular producers to meet the fluid requirements of the market from October through December. The Department stated that the 40-cent differential in

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17/ See part IV, p. 49, for an analysis of how additional producers came on the market during this period in connection with mergers of small cooperative associations with the larger associations in the Duluth-Superior market.

the Class I price formula which had been provided between the spring and fall months had proved inadequate as an incentive to bring about increased fall production. In comparing the difference between the incentive payments under the two plans, the Department pointed out that the average difference in the uniform price between June and November had approximated 65 cents during the past 4 years, and that it was estimated that, under the plan which it was adopting, the difference in uniform prices to producers would be about $1.75 for those months. This could not be achieved by merely adjusting the differential in the Class I price formula without seriously affecting sales of milk in the market.

Classes of Utilization

The Department adopted the producers' proposal, which was not opposed at the hearing, to revise the system of classification of milk so as to put milk used for cream and for buttermilk in Class I. This had the affect of reducing the number of classes from three to two. The Department, in making this decision, stated:

> All three health ordinances in the marketing area require that milk used for fluid cream must comply with exactly the same standards and come from the same farms as milk disposed of for consumption in fluid form as milk. . . . buttermilk is required to conform to the standards established for milk. Customarily all buttermilk sold in the market is made from inspected milk.

Proposed Extension of the Marketing Area

The Department decided that the marketing area should not be changed as had been proposed by the producers' associations. This decision was based on evidence in the hearing record which indicated that the health regulations in the areas proposed to be included were not comparable to those in force in Duluth and Superior and that much of the milk distributed in these areas would not meet the standards prevailing in the present marketing area. The Department concluded that "If all milk disposed of in the proposed area were to be regulated, it would result in pooling together two quite different grades of milk and would substantially reduce the uniform price received by producers since the bulk of the additional milk would be used for manufacturing."

Other Changes

The amendment changed the method of computing the amount of milk in each class to provide a more exact accounting for skim milk and butterfat. The Department pointed out that the "milk equivalent" method which had been used in the order up to this time, resulted in figures which "did not represent the actual utilization in these classes and resulted in a distortion of market statistics."

The administrative assessment was increased from 3 cents to a maximum of 4 cents per hundredweight. This was based upon information presented at the hearing that the costs of operating the office of the Market Administrator had increased materially in recent years.

The pricing of milk was changed by the amendment from a 3.5 percent butterfat basis to a 4 percent butterfat basis. This was done to make prices in the Duluth-Superior market comparable with other milk prices in Wisconsin and Minnesota. The only handler who testified at the hearing opposed this step because it would interfere with the continuity of data in the Duluth-Superior market.

The amendment also clarified the provisions with respect to the treatment of a handler's excess sales of skim milk and butterfat in accordance with the proposal of PMA's Dairy Branch.

IV. OPERATION OF ORDER 54

Order 54 has been in continuous operation in the Duluth-Superior milk market for almost 10 years. During this period, many changes have taken place in the market. Some of these changes were influenced by the order, whereas others were brought about mainly by other factors, such as the change in general economic conditions, wartime demands for milk and milk products, and changes in local health regulations. In this part, certain factual observations of the order operation and an analysis of market changes that have taken place during this period will be given. An appraisal of the order, based on this material and on the factual analysis already presented in this report, will be made in the next part.

Changes in Class Prices

During the greater part of the period in which the order has been in operation, the minimum class prices which handlers have been required to pay tended to increase (see table 15, Appendix D). This increase was held in check by price ceilings and producer subsidies during part of the war period, but it was resumed in mid-June of 1946, when price ceilings and subsidies were removed. Peak prices were reached in the fall of 1946 and again in the first few months of 1948. Since March of 1948, class prices have tended to decrease.

Table 5 shows a comparison of the price of milk for use as fluid milk and the price of milk for manufacturing use from 1942 through 1950. For the year 1942, the price of milk for fluid use averaged 61 cents, or 28 percent higher than the price of milk for manufactured use. The differential over the manufacturing price was smaller during the following years, amounting to 56 cents in 1943 and 52 cents for the next 2 years. By 1946, the fluid-use price was only 17 percent above the price of milk for manufacturing use. This was caused by the influence of wartime price ceilings on retail milk prices, which made it necessary to hold down the Class I price, in the face of higher production costs, to prevent an undue "squeeze" on the operating margins of handlers. Producers were compensated for their higher costs by direct subsidy payments. The differential between the prices of milk for the two uses widened appreciably with the lifting of ceiling controls in the middle of 1946. In 1949, the average differential was $1 and in 1950 it was 87 cents. In percentage terms, it can be noted from the table that the 1949 and 1950 differentials were very close to the 27.9 percent differential that prevailed in 1942.

Producer Prices and Producer Returns

The uniform price payable to producers each month for 4 percent milk under the order is computed by multiplying the established class prices by

Table 5.--Prices of milk used for fluid milk and for manufacturing, under the Duluth-Superior order, 1942-50

Year	Prices of milk used for 1/		Differential	
	Fluid milk 2/	Manufacturing 3/	Amount	Percentage of manufacturing price
	Dollars	Dollars	Dollars	Percent
1942	2.788	2.179	0.609	27.9
1943	3.250	2.688	.562	20.9
1944	3.336	2.816	.520	18.5
1945	3.307	2.787	.520	18.7
1946	4.133	3.533	.600	17.0
1947	4.651	3.785	.866	22.9
1948	5.278	4.411	.867	19.7
1949	4.459	3.459	1.000	28.9
1950	4.275	3.408	.867	25.4

1/ Average of monthly prices.
2/ Class I price.
3/ Class II price from January 1942 through October 1946. Class III price from November 1946 to December 1950.

Compiled from reports of Market Administrator.

the amount of milk in each class for all handlers, summing the resulting totals, and dividing by the total amount of milk. The uniform price is commonly known as a blend price. These prices are shown in table 15 of Appendix D.

For more than 2 years after the order became effective in May 1941, the blend price increased sharply. This rise was due to the increase in class prices and to the fact that a higher proportion of milk was being used in Class I as a result of wartime demands for fluid milk. The average blend price on a 4-percent basis was $2.01 for May through December 1941, $2.49 for the 12 months of 1942, and $3.01 for 1943.

From the fall of 1943 until June 1946, the blend price in the Duluth-Superior market was fairly stable except for seasonal variations. This was the period of price ceilings and production payments to dairy farmers. During this period producers for the Duluth-Superior market were receiving production payments that ranged from 25 to 60 cents per hundredweight. They received these payments in addition to the blend prices under the order. The production payments received monthly are shown in table 17, of Appendix D.

Following the removal of price controls and production payments, the blend price moved very sharply upward to a peak of $5.73 in November 1946. On an annual basis, the trend continued upward for the next 2 years. In 1945, the average blend price was $3.12; in 1946, it was $3.97; in 1947, it was $4.51; and in 1948, it was $5.19. For the year 1949, the average monthly blend price dropped to $4.19, a decline of $1 per hundredweight. This reflected a decline in class prices as well as a drop in the percentage of Class I utilization from 72.0 percent of producer receipts in 1948 to 60.3 percent in 1949. The average price for 1950 declined another 19 cents to $4 per hundredweight.

Table 6 shows the approximate change in the purchasing power of 100 pounds of milk sold by producers supplying the Duluth-Superior market during the period of regulation. This index of purchasing power is computed by dividing the annual average blend price per hundredweight received by producers for 4 percent milk (including dairy production payments) for each year by the index of prices paid by farmers in the United States for commodities purchased and adjusting the resulting figures to a 1941 base. The index of the purchasing power of milk adjusted in this manner increased to 135 in 1946 but declined to 103 for 1950.

Table 6.--Index of prices paid by farmers in the United States; average price received by producers and index of purchasing power of milk in the Duluth-Superior market, 1941-50

Year	Index of prices paid by farmers 1/ (1910-14 = 100)	Average price received by producers 2/	Index of purchasing power of milk 3/ (1941 = 100)
		Dollars	
1941	132	4/ 2.01	100
1942	152	2.49	108
1943	170	3.09	119
1944	182	3.58	129
1945	189	3.62	126
1946	207	4.25	135
1947	240	4.51	123
1948	259	5.19	132
1949	250	4.19	110
1950	255	4.00	103

1/ From Agricultural Prices, Bur. Agr. Econ., Jan. 1950 and Dec. 1950. Includes interest, taxes, and wage rates for hired farm workers.

2/ Simple average of uniform prices per hundredweight for 4 percent milk under Order 54. Dairy production payments to producers included from Oct. 1943-June 1946.

3/ Computed by dividing the average price received by producers by the index of prices paid by farmers in the United States, adjusted to a 1941 base.

4/ Beginning May 5, 1941.

Two additional tables (18 and 19) are included in Appendix D to help in evaluating the economic position of producers under the order. Table 18 shows the value of producer milk received by handlers, by months, since 1933. Table 19 shows the average daily value of producer milk, by months, for the same period. From an inspection of the data in table 18, it can be seen, for example, that despite the drop in prices under the order during 1949, total returns to producers have been fairly well maintained. This was because production during 1949 was considerably greater than it had been the previous year. As shown in table 19, however, the decline in the value of milk is reflected more clearly on a producer basis during 1949 because the number of producers on the market had increased somewhat.

Resale Prices and Handler Subsidies

Tables 20 and 21 in Appendix D, show selling prices of milk at stores and for milk delivered to homes in Duluth, since 1919, as reported to the Bureau of Agricultural Economics. It may be noted that there were many months during the price wars of the 1930's and early 1940's when it was not possible for the Bureau to report prevailing prices of milk in the city of Duluth.

During November and December of 1942, the Department of Agriculture paid subsidies to handlers in the Duluth-Superior market. The purpose of these subsidies was to enable handlers to pay higher prices to producers without exceeding the resale price ceilings for milk established by the Office of Price Administration.

These ceilings had been established at the March 1942 levels and the increase since that time in the Class I price under Order 54 had created a "squeeze" on handlers in the Duluth-Superior market. A letter, dated November 4, 1942, from the Department of Agriculture to the Economic Stabilization Director, described the need for handler subsidies in this market due to rising costs of milk for fluid use:

> Specifically, in the case of the Duluth-Superior area, the prices specified in the applicable Federal order are based on the value of manufacturing milk, plus a premium designed to cover the additional costs of producing and marketing milk of a quality suitable for fluid use. The premium was determined following a public hearing and a careful analysis by the Department of all factors affecting the production and marketing of milk in the area. As a result of changes in the value of manufacturing milk, the Class I price of fluid milk in the Duluth-Superior area has risen from $2.681 in March to $3.213 in November.

Subsidies during November and December 1942, were paid on the volume of Class I milk handled. The amount of the subsidy was the difference between the then current Class I price and the March 1942 Class I price.

This was 53.2 cents in November and 54.7 cents in December. The subsidy program was terminated at the end of December, when resale price ceilings were adjusted in the market.

Operation of the Marketwide Pool

As explained in part I, the inequality of returns to groups of producers supplying the market was a prime cause of dissatisfaction prior to the introduction of the Federal order in the Duluth-Superior market. The operation of the marketwide pooling plan has largely removed this cause of dissatisfaction because, under this plan, each producer in the market is assured a minimum price per hundredweight, regardless of the handler to whom he sells his milk. The only variation from this minimum blend price required by the order is based on differences in the butterfat content of each producer's milk. Butterfat differentials established by the order are shown in table 15, Appendix D.

Inasmuch as the prices provided under the order are minimum prices only, handlers in the Duluth-Superior market have at times paid premiums to their producers. One of the most common forms of premium payment has been the payment of the blend price to new producers, although, under the "new producer clause" in the order, handlers were permitted to pay the lowest class price to such producers for a period of two full calendar months following the date of such producers first shipment to the market (see p. 18). The payment of such premiums to new producers was due to the competition among handlers for additional sources of milk to meet increased demands during the war and the immediate postwar period. Since June 1, 1949, there is no evidence that premiums are being paid to new producers.

Total premiums paid by handlers in the Duluth-Superior market have not usually been very great. During 1948, for example, reports of the Market Administrator indicate that a total of $13,908.25 was paid in premiums. Of this amount, $12,083.25 was paid to new producers and $1,825 to regular producers. Most of this latter amount was represented by a 5-cent-per-hundredweight premium paid by one of the smaller handlers in the market. This handler, it is reported, has paid the premium since 1941, probably to meet the competition of one of the cooperatives in his area which pays patronage dividends to its members. A few very small handlers have followed the practice of paying their producers in advance of the Market Administrator's announcement of the uniform price. These advance payments, based on the handlers estimate of the Market Administrator's announcement of the uniform price, usually include a slight premium. Less than 20 producers are involved in receiving this kind of premium. Slight premiums are involved in the case of several handlers who either absorb the hauling tax for their producers or who do not deduct the marketing service charge from the checks of producers who are not members of cooperatives.

The highest premium payments during the period of the order's operation were made from July 22 to August 31, 1950. The seasonal drop of 40 cents in the differential in the Class I pricing formula, which had taken effect at the beginning of May, created considerable dissatisfaction among producers in the market. They were faced with higher costs following the outbreak of war in Korea and most of them felt that they needed more money to maintain production. Following collective bargaining negotiations between the cooperatives and the proprietary handlers, an agreement was reached for each handler to pay premiums to its own producers so as to make their returns equal to those that they would have received if the Class I price had been 40 cents above the order minimum price. This premium was not equalized among the handlers through the marketwide pool. Therefore, those handlers (including the cooperative associations) with a relatively low proportion of Class I sales had to pay a premium somewhat higher than 40 cents per hundredweight on their own Class I milk. Handlers with a relatively high proportion of Class I sales paid somewhat less than 40 cents per hundredweight on such milk.

The marketwide pool, in conjunction with the classified price plan, serves also to equalize competitive conditions among the handlers in the market. As noted in part I, the competitive struggle among the handlers for shares of the fluid market to avoid the financial burden of handling surplus milk was a prime cause of disruption to orderly marketing conditions prior to the adoption of the order.

Under the pricing and pooling arrangements of the order, each handler pays for milk in accordance with the use he makes of it, but his particular utilization does not affect the returns received by his producers. This type of arrangement is, in theory at least, a means by which all handlers may be required to share the burden of whatever surplus milk (that is, milk in excess of fluid requirements) must be handled in the market at any given time.

In practice, of course, the competitive situation among handlers in the market is affected also by the relationship of the class prices established under the order. If, for example, the price of milk for manufacturing use is unduly low, a competitive advantage is given to those handlers in the market who possess manufacturing facilities and whose utilization of milk in the manufacturing class is greater than the average for the market. If the price for such milk is unduly high, such handlers are penalized and eventually they may refuse to accept all the milk offered to them by producers. 18/

Receipts of Milk

The monthly receipts of inspected milk from producers, producer-handlers, and handlers' farms, during the period of regulation are shown

18/ For a fuller discussion of the problem of pricing milk for manufacturing use see The Pricing of Surplus Milk in the Chicago Market, by Robert W. March, Prod. and Market. Admin., U. S. Dept. Agr., Nov. 1949, pp. 11-12. (Processed.)

in table 10, Appendix D. Until 1949, these receipts, on an annual basis, remained fairly constant. The most marked change in annual receipts, during the period of regulation, occurred in 1949, when they increased by more than 20 percent over the total for the previous year. Receipts by years were as follows:

Year	Total receipts Million pounds
1942	87.2
1943	87.9
1944	90.3
1945	90.2
1946	87.7
1947	87.3
1948	83.2
1949	101.6
1950	109.7

During the period of the operation of the order, there has been a marked decline in the amount of milk received from handlers' own farms and in the amount of milk sold by producer-handlers. As a result, the percentage of total receipts of milk by handlers from producers has increased from about 83 percent in 1941 to very near 98 percent in 1950. Table 7, shows the percentage of total receipts of milk from producers, from handlers' own farms, and from producer-handlers, by years, during the period of regulation.

Table 7.--Percentage of milk in the Duluth-Superior market supplied by producers, by handlers' own farms, and by producer-handlers, 1941-50

Year	Producer	Own farm production	Producer-handlers
	Percent	Percent	Percent
1941 1/	83.1	3.1	13.8
1942	85.7	2.9	11.4
1943	87.7	2.5	9.8
1944	89.6	2.6	7.8
1945	91.4	2.2	6.4
1946	92.9	2.3	4.8
1947	95.9	1.0	3.1
1948	96.9	1.0	2.1
1949	97.5	.8	1.7
1950	97.8	.7	1.5

1/ May 5 - December 31.

Compiled from reports of the Market Administrator.

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Producer receipts of milk for the market have been subject to wide seasonal variations. Receipts during the month of June are normally almost twice those for the month of November. Table 8 shows an index of seasonal variation in average deliveries of milk per producer for selected periods. The effect of the upward trend of production during these years was removed in computing these indexes. The method used is described in a footnote to the table. It can be seen from this table that there has been no reduction in seasonality of production during the period of regulation. In fact, there has been a tendency for seasonality of production to increase. Part of this tendency may be attributed to the substantial elimination of seasonal differentials in class pricing during the war and part of the post-war period.

Table 8.--Index of seasonal variation in average daily deliveries of milk per producer supplying the Duluth-Superior marketing area, selected periods 1/

Month	1942-43	1944-46	1947-49
January	82.7	81.1	82.5
February	89.6	93.9	88.1
March	99.2	97.7	104.0
April	107.6	109.6	117.1
May	119.3	120.5	128.7
June	136.7	138.9	140.2
July	122.8	128.0	122.7
August	108.0	106.6	100.9
September	98.9	93.9	90.7
October	84.1	80.1	77.1
November	73.6	72.3	71.8
December	77.5	77.4	76.2
Average	100.0	100.0	100.0

1/ Obtained by computing a 12-month moving total of the average daily deliveries of milk per producer for each month, centered at the seventh month. Each original entry was then divided by the corresponding moving total and the result expressed as a percentage. These percentages were then grouped by months for the selected periods (1942-43, 1944-46, 1947-49), and for each period the mean percentage for each month was obtained. Then, for each period, the monthly means were expressed as a percentage of the average of the 12 monthly means for that period.

The butterfat content of milk received from producers has remained quite constant on an annual basis during the period of the order (see table 14, Appendix D). There has been a seasonal variation amounting to about 12 percent in the amount of butterfat per hundred pounds of milk. The average percentage of butterfat has varied from about 3.9 percent in April to about 4.4 percent in October.

Use of Milk by Classes

Since the beginning of the order, there has been a marked tendency for a higher proportion of milk in the market to be sold as Class I. (See table 13, Appendix D.) During the last 8 months of 1941, about 43 percent of producer receipts was sold for use as fluid milk and fluid milk drinks. During 1942, about 47 percent was sold for these purposes. During the next 8 years, the percentage of Class I utilization increased each year by from 3 to 6 percent, reaching a high point of 70 percent in 1948. In 1949, the percentage of Class I utilization dropped rather sharply to about 58 percent. In absolute terms, the amount of Class I utilization in the market has increased for every year of order operation. Even in 1949, when the percentage of Class I utilization had dropped, the number of pounds of Class I milk utilized (57.2 million pounds) exceeded the amount utilized in 1948 by over 1 million pounds. The drop in the percentage of Class I utilization was due entirely to the large increase of total receipts of milk during the year.

During the first 7 years of the order (1941 through 1947), the supply of milk from regular producers was not sufficient to meet the fluid requirements of the market. During at least some months of each of these years, a number of handlers had to draw on outside supplies to meet the fluid milk and cream needs of their customers.

Until November 1946, producer receipts which were used for fluid cream and for manufacturing purposes were in the same class (Class II). At that time, Class II became a separate class for fluid cream and milk used for manufacturing became Class III. On January 1, 1951, milk used for fluid cream was placed in Class I, and Class II again became the manufactured use class. It may be noted from the data in table 13, that the percentage of Class III milk has increased sharply during 1949 (from 15.2 percent in 1948 to 27.0 percent in 1949) and that this increase continued until the fall of 1950.

It should be borne in mind that the data in table 13 do not reflect the actual utilization of all milk in the Duluth-Superior market. They show essentially the amounts of milk to which the minimum class prices established in the order are applied. The actual utilization in the market is affected by such factors as the use of outside sources of supply during certain periods and by sales of producer milk made outside the limits of the marketing area as defined in the order. A further distortion has arisen from the procedure of accounting for milk under the order. The amendment of January 1, 1951, provides an exact method of accounting for skim milk and butterfat in each class. Prior to that time, milk was accounted for on a volume basis. It was necessary to provide some method of reconciling total milk classified with total producer receipts, because the butterfat percentage in milk and milk products sold differs from the percentage of butterfat in milk received from producers. The distortion of market statistics which occurred prior to the amendment is described by the Department as follows:

> The present order provides that Class I shall be accounted for on the actual volume of milk contained in Class I products, but in the lower classes the amount of milk is determined by taking the whole milk equivalent of the butterfat contained in each class. If the sum of the resulting figures varies from receipts an adjustment is made in the lowest class. Accordingly, the resulting figures do not represent the actual utilization in these classes and result in a distortion of market statistics. 19/

Number of Producers and Size of Dairy Operations

The number of producers and producer-handlers supplying the Duluth-Superior market during the period of regulation is shown in table 11, Appendix D. In the first few months of the order there were approximately 1,500 producers and producer-handlers supplying the market. Following that time, the trend was generally downward until the fall of 1948, when the market was supplied by a little more than 1,100 producers. From September 1948 until the first months of 1950, the number increased, it being about 1,400 in the latter months.

The general decline in producer numbers was due, at least in part, to two factors: (1) The relative attractiveness of manufacturing outlets for milk and of nonfarm job opportunities, particularly during the war period, and (2) the introduction of stricter health regulations requiring a greater investment on the part of dairy farmers supplying the market.

From 1941 to 1948, the number of producer-handlers declined from 110 to 5. Many producers had entered the business of distribution because of low producer returns during the 1930's. Most of them welcomed the opportunity of shipping their milk to regular handlers when they were assured of a reliable outlet for their milk at reasonable prices. The new health ordinances, adopted by Duluth and Superior in 1946, also contributed to the decline in the number of producer-handlers. It was difficult for them to meet the pasteurization and other requirements of the new ordinances.

Although the number of producers on the Duluth-Superior market has declined somewhat during the period of regulation, the average size of the individual dairy enterprise has increased. Table 12, Appendix D, shows the average daily deliveries of milk per producer, by months, from May 1941 through December 1949. In 1942, the average daily delivery each month for the 12-month period was 153 pounds per producer shipping to handlers in the market. By 1949, the corresponding figure was 211 pounds, an increase of almost 40 percent in the output of the individual dairy farm.

19/ Decision of the Secretary of Agriculture with respect to a proposed marketing agreement and to an order, amending the order, as amended, Dec. 28, 1950.

It can be seen from the same table, that the average scale of the few remaining producer-handler operations in the market is considerably larger than it was at the beginning of the order. In 1942 producer-handlers had an average daily delivery of 356 pounds, whereas in 1949 the average daily delivery was 964 pounds.

The percentage of producers on the market who are members of one of the two cooperative associations has increased slightly during the period of regulation. According to the data contained in reports of the Market Administrator, about 66 percent of producers (including producer-handlers) belonged to cooperative associations in October 1941. By November 1949, about 70 percent of all shippers were cooperative members.

Change in the Supply Area

The relationship of the net returns to producers supplying the market and those offered by nearby manufacturing plants and by other types of farm enterprises plays an important part in determining the number of producers supplying the market, and the extent of the supply area. The policies of the producer cooperatives and of handlers buying from independent producers and the inspection policy of the health departments, also affect the number of new producers who may come on the market. For example, the paying of premiums to new producers (see p. 43) offset any handicap which the order's provision for lower prices to such producers for a temporary period might have imposed upon them. On the other hand, the raising of the sanitary standards for milk in 1945 added to the difficulty of new producers coming on the market.

During 1948 and 1949, the Arrowhead and Twin Ports Cooperative Associations accepted the membership of several smaller cooperatives by the merger process. The first of these mergers took place in September 1948, when the Arrowhead Association accepted the members of the Kettle River Creamery. Three months later the Twin Ports Association took in the members of the Oulu Cooperative Creamery at Iron River. During 1949, two other small cooperatives merged with Twin Ports: Port Wing Cooperative Creamery in April and Wright Cooperative Creamery in May. These mergers resulted in an addition of about 300 producers to each of the associations. 20/

Decline in the Number of Handlers

During the first 2 years of Federal order operation, a marked decline took place in the number of proprietary handlers operating in the Duluth-Superior market. From June 1941 to June 1943, the number of such handlers declined from 22 to 12. Four handlers had consolidated their operations into United Dairies, a new company whose stock was owned by the Bridgeman-

20/ Record of the Duluth-Superior milk hearing, Nov. 29, 1950, p. 26.

Russell Company. Since that time there has been little change in the number of such handlers. The number of producer-handlers on the market, as has been previously noted, also declined rather sharply during the first 2 years of the order. In 1949, only 5 producers were engaged in the distribution of their own milk. These 5 producer-handlers, in June 1949, accounted for 1.4 percent of total receipts of milk in the market. In June 1941, producer-handlers had accounted for about 12 percent of total receipts. In November 1949, the 5 producer-handlers distributed approximately 3 percent of the total fluid milk sales in the market. Table 9 shows the number of handlers of various types operating in the marketing area during June of each year from 1941 through 1949.

Table 9.--Number of handlers in the Duluth-Superior marketing area during June of each year, 1941-49

Month and year	Cooperative handlers	Proprietary handlers: Buying from producers 1/	Proprietary handlers: Buying entire supply from other handlers	Producer-handlers	Total
	Number	Number	Number	Number	Number
June:					
1941	2	18	4	109	133
1942	2	14	2	80	98
1943	2	8	4	57	71
1944	2	8	4	41	55
1945	2	7	5	32	46
1946	2	8	4	20	34
1947	2	8	4	12	26
1948	2	8	5	5	20
1949	2	8	5	5	20
1950	2	8	5	5	20

1/ Handlers in this category may receive part of their supply from their own farms or from other handlers.

Compiled from data supplied by Market Administrator's office.

In November 1949, there were 19 handlers (counting United Dairies and its parent company, Bridgeman-Russell, as one handler) who were distributing milk in the Duluth-Superior market. Five of these were producer-handlers. The 2 cooperative associations were among the 3 largest handlers. These 3 distributed 54.8 percent of the fluid milk in the market in November 1949. The next 3 largest handlers accounted for 26.0 percent of the total fluid sales in the market, while the 14 small handlers accounted for 19.2 percent during the same month. The number of handlers according to the percentage range of fluid milk sales handled, in November 1949, was as follows:

Number of handlers	Percentage range of fluid sales (by individual handlers)
13	0-4.9
2	5-9.9
1	10-14.9
2	15-19.9
1	20-24.9

Compliance with Order 54

The authority of the Federal Government to regulate the handling of milk in the Duluth-Superior market was challenged very soon after Order 54 was issued in May 1941. Nine milk distributors located in the Minnesota part of the marketing area contended that they were not legally bound by the order and refused to comply with its provisions. They based their contention on their belief that their handling of milk was not involved in interstate commerce and that therefore the Federal Government had no jurisdiction over their business.

On July 29, 1941, Government attorneys filed suit on behalf of the Department of Agriculture in the Federal District Court against these nine handlers. The case was tried by Judge G. H. Nordbye of the U. S. District Court on November 4. 21/

At the trial, attorneys for the handlers presented evidence to show that all of the milk purchased by the defendants was produced by dairy farmers residing in the State of Minnesota. This milk was delivered to plants of the handlers that were located in Minnesota, where it was pasteurized and bottled. The milk was then distributed by these handlers to Minnesota consumers or to stores and other outlets for resale to consumers in Minnesota. On the basis of these facts, which were not disputed by the Government, the attorneys for the handlers asked the court to rule that the Federal Government had no jurisdiction over these particular handlers and to free them from any obligation to comply with Order 54.

The Government attorneys argued that it was essential for the order to apply to intrastate handlers to the extent that their distribution of milk was bound up with operations of other handlers whose business was clearly interstate in character. The Government contended that the interstate character of the Duluth-Superior milk market had been demonstrated clearly at the first hearing. At that time it was shown that several handlers receive their milk supplies from producers located in both Minnesota and Wisconsin. Also, it was shown that substantial quantities of milk were moved by handlers between Duluth and Superior in the process of distributing milk to consumers and to stores or other wholesale outlets.

21/ United States v. Bay View Dairy Company, et al.

On April 15, 1942, Judge Nordbye ruled in favor of the Government. He entered an order granting the motion for a summary judgment which had been asked for by the Government attorneys. This summary judgment directed the defendant handlers to file with the Market Administrator all reports which were required under the order from the date on which it had been made effective. They were further required to pay all funds due and owing to the Market Administrator for the producer settlement fund, for expenses of administration and for marketing services. Judge Nordbye issued the final judgment on the case on May 18, 1942.

Judge Nordbye's decision was based on previous rulings of the U. S. Supreme Court. These rulings had established the fact that the Federal Government's power to regulate interstate commerce involves the necessity of regulating certain intrastate transactions which, if unregulated, would impede the proper regulation of interstate commerce. He cited a Supreme Court ruling (February 2, 1942) in the case of the United States v. Wrightwood Dairy Company. In its decisions on that case the Supreme Court stated:

> . . . We conclude that the national power to regulate the price of milk moving interstate into the Chicago, Illinois, marketing area, extends to such control over intrastate transactions there as is necessary and appropriate to make the regulation of the interstate commerce effective, and that it includes authority to make like regulations for the marketing of intrastate milk whose sale and competition with the interstate milk affects its price structure so as in turn to affect adversely the Congressional regulation.
>
> We think it clear that Congress, by the provisions of Sec. 8c (1), conferred upon the Secretary authority to regulate the handling of intrastate products which by reason of its competition with the handling of the interstate milk so affects that commerce as substantially to interfere with its regulation by Congress; and that the statute so read is a constitutional exercise of the commerce power. Such was the view expressed in United States v. Rock Royal Cooperative, Inc., supra, 568. We adhere to that opinion now.

Within a few months after Judge Nordbye's decision was issued, four of the nine handlers (Bay View Dairy, Barnum Creamery, Pine Hill Dairy, and Zenith Creamery) paid all money owed to the Market Administrator and were in full compliance with the order. Two other handlers (Quality and Service Milk, and Springdale Dairy) had paid part of their past obligations to the Market Administrator and had made satisfactory arrangements for payment of the balance. These two handlers had discontinued their business as independent dairies and affiliated with a new company called United Dairies which was established by the Bridgeman-Russell Co. Central Dairy, another defendant handler, went out of business in October 1942 without having paid any of the money owing to the Market Administrator. This amounted to a little more than $1,600.

The two remaining violators (Duluth Milk Company and Lester River Dairy) continued operating as handlers, but refused to pay their obligations to the Market Administrator or to make satisfactory arrangement for such payment. In December 1942, Judge Joyce of the U. S. District Court, heard arguments presented by the Duluth Milk Company and by the Government attorney regarding the terms of settlement. The Judge allowed this company a 9-month stay of execution of the court's previous judgment, providing they paid $150 per month on their past obligations and the balance at the end of that period. This account was satisfactorily settled on the basis of the Judge's order.

In May 1943, A. H. Anderson, owner of the Lester River Dairy, was ordered to appear before the U. S. District Court to show cause why he should not be adjudged in contempt of the court's judgment of May 18, 1942. After hearing Mr. Anderson's arguments claiming that he was unable to remain in business and pay his past obligations to the Market Administrator, Judge Nordbye ordered him to pay his account in full (a little more than $5,000) by July 1, 1943. On June 22, Mr. Anderson filed a motion with the court seeking a modification of the May 1943 order. Mr. Anderson contended that he needed a long time in which to reorganize his business and gradually pay off his obligations. The Market Administrator contended that this was not necessary and that Lester River Dairy could raise the necessary funds through a bank loan. After hearing these arguments, Judge Nordbye denied the motion of Lester River Dairy. On August 7, 1943, Lester River Dairy submitted to the Market Administrator $5,536.14 in full satisfaction of its obligations.

Since that time, there have been no violations of Order 54 necessitating court action. There have been occasional disagreements between handlers and the Market Administrator with respect to interpretations of particular provisions of the order, but none of these have involved what might be called willful violations of the order and they have all been settled as they arose on an administrative level.

Marketing Services

The order provides that handlers shall deduct an amount, not exceeding 3 cents per hundredweight (the exact amount to be determined by the Market Administrator), from payments for milk received at their plants from producers who are not members of cooperatives. These deductions are paid to the Market Administrator to be used by him to provide "market information to, and for verification of weights, sampling, and testing of milk received from such producers."

Since October 1941, deductions for marketing services, which the Market Administrator has required, have amounted to only 1 cent per hundredweight. During 1949, this rate of deduction provided an income of about

$3,100. In accordance with the terms of the order, these funds are kept in a separate account from the funds which are used to meet the general expenses of administering the order.

In order to provide marketing services to producers who are not members of cooperative associations, the Market Administrator maintains a laboratory equipped for the testing of samples of milk for butterfat content. Samples of milk of all nonmember producers are taken once each week at the handler's plant by the technician in charge and are brought to the laboratory and tested for butterfat content. Samples of finished products of handlers are also tested each week. Records of the results of all tests are retained in the Market Administrator's files. The tests are later compared with those on handlers' reports of receipts and utilization of milk, and with those on producer payroll reports. Significant variations in the tests are brought to the attention of handlers, and frequently result in retesting or in having the handlers involved give special attention to the accuracy of future tests.

Producers often bring samples of milk of their individual cows to the laboratory to have butterfat tests made. These are used by the producers to determine which cows should be retained in their herds or disposed of in their culling programs. The Market Administrator also collects and publishes statistics related to the marketing of milk. These statistics are mailed out each month to all nonmember producers on the market.

Administrative Expense

The order provides that the cost of administration shall be paid for by handlers. An amount not exceeding 4 cents per hundredweight with respect to all milk received is paid to the Market Administrator for each delivery period. Prior to January 1, 1950, the maximum assessment was 3 cents. In the case of a cooperative association, the payment is made only on milk which is received at a plant operated by such association.

From May 1941 through September 1943, the Market Administrator required the maximum assessment of 3 cents per hundredweight in order to meet the expenses of administering the order. From October 1943 through May 1948, he reduced the assessment to 2 cents per hundredweight. During part of this period, the Market Administrator was required to administer War Food Order 79 (requiring handler quotas on sales of milk, cream, and fluid milk products) for which he received 1 cent a hundredweight from handlers. The outlays of the Market Administrator were reduced during this period, because he was not able to obtain the personnel required to keep up to date with his auditing work. From June 1948 to December, 1950, the assessment for administrative expense was 3 cents per hundredweight.

During 1949, this assessment provided the Market Administrator's office with an income of $29,222.21. Expenses for the year were about $1,400 less than income. The main items of expense incurred during the years were:

Salaries and services, $22,922.53; travel, $1,009.22; and rent, $990. The costs of operating the office of the market administrator increased materially during 1950 because of higher costs of office supplies and equipment, rent, and wages of employees. Total income was less than expenses for the latter months of the year, which was cited as the reason for raising the maximum assessment from 3 to 4 cents on January 1, 1951. 22/

22/ See footnote 20, p. 49.

V. APPRAISAL OF ORDER OPERATION

Federal regulation of milk marketing got its start during the critical years of the general economic depression of the 1930's. Although the order for the Duluth-Superior market was not issued until 1941, some of the conditions which brought the order into being were outgrowths of disruptions due to the depression. (See p. 13.) The greater part of the order's operation in this market has been affected by the war and by conditions of postwar adjustment. The process of general price inflation which has taken place during almost the entire period has provided an additional test of the regulatory devices incorporated in the order. On the basis of the order's operation in the Duluth-Superior market up to this time, the discussion and analyses of the preceding parts provide a considerable basis for appraising its usefulness and limitations. Some of the accomplishments of the order are described and special aspects of the Federal program of milk regulation as it relates to this market are discussed in the following paragraphs.

Accomplishments of the Order

1. Orderly marketing of milk by farmers.--Order 54 established an orderly process by which farmers could sell their milk in the Duluth-Superior market. It achieved this primarily through the devices of a classified price plan and marketwide equalization.

The extent of this accomplishment and its importance may be appreciated only by reference to conditions in the market prior to the issuance of the order. As shown in part I, the Duluth-Superior milk market was not a free competitive market. A few of the larger handlers controlled the major part of fluid milk sales and milk prices did not necessarily move in response to changes in the various elements of supply and demand. The market was torn by internal strife among handlers, and especially between one of the large producer organizations and the proprietary handlers, for shares of fluid sales. Moreover, this contention for shares of the fluid market arose out of basic differences among handlers in methods of payment for milk and in amounts of milk handled for various uses.

Prior to the issuance of the order, the pricing of milk was primarily a reflection of conscious strategy by major handlers or of handler and producer groups seeking market control. The "price wars" and "price agreements" which developed out of this situation were becoming a costly burden upon farmers, handlers, and consumers. The order provided a plan which: (1) Equalized costs of milk among handlers with varying proportions of fluid milk sales, (2) established minimum prices of milk for various uses, and (3) distributed the proceeds of sales among producers in a manner acceptable to them. This was a major achievement in this market.

2. Assurance to Farmers of a Continuous Market.--Closely related to the establishment of a procedure for the orderly marketing of farmers' milk is the order's specific accomplishment of assuring a continuous market for such milk. Prior to the issuance of the order, proprietary handlers tried to buy only as much milk from inspected shippers as they needed for sales of fluid milk and cream. In some cases, certain producers would be arbitrarily cut off the market for temporary periods. Another result of this practice was that the cooperative associations were required to handle a disproportionate share of milk which could not find a fluid market. This caused a financial loss to their members.

Under the classified price plan, those handlers who were in a position to utilize milk in excess of the markets' fluid-use requirements were not disadvantaged financially in relation to other handlers who were equipped only for the marketing of fluid milk and cream. The order, therefore, provided the means by which all farmers, whose operations were approved by the local health authorities, could participate in the Duluth-Superior market on an equal basis.

3. The pricing of milk in relation to changing conditions of supply and demand.--The history of the order operation indicates that the pricing of milk under the order was more consciously related to supply and demand conditions than had been the case in the years immediately prior to its issuance. 23/ Because the market, prior to the order, was not a free competitive one, the strategies of the various elements in the market for a share of the fluid market played an important part in the pricing process. The prices paid to farmers for their milk were at times depressed unduly because handlers (including the producers' associations in their capacity as handlers) were engaging in a retail "price war." The order eliminated this particular hazard to the farm price structure and, at the same time, removed one factor that helped to make it possible for handlers to indulge in such price wars. As long as handlers could not pay producers less than the minimum order prices, they would be forced to bear the full financial loss of selling milk below cost.

In the negotiations between the producers' associations and proprietary handlers, the relative bargaining strength of the two sides at a particular time did not always reflect accurately the underlying supply and demand conditions. Under the order, the public hearing required all parties to concentrate on the economic conditions relating to the supply and demand for milk in the market to provide the Department with a factual basis for establishing prices. In the absence of a free competitive market to accomplish a similar purpose, this appears to have been a major accomplishment of Federal regulation.

4. Creation of a Public Hearing Procedure.--The holding of public hearings to consider problems of milk marketing and milk pricing has some

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23/ See especially part III, where price changes under the order are discussed in relation to evidence received at public hearings.

definite advantages over industry meetings and price bargaining conferences. The latter methods were used in the Duluth-Superior market before the issuance of the order. Meetings among handlers to discuss marketing problems do not always bring together all interested parties. Decisions are sometimes made, or courses of action decided upon, which are biased in favor of certain handlers or of certain types of handler operations.

A similar defect is inherent in the bargaining conferences between handler and producer groups. Some producers are not represented and usually some handlers are not represented. Too often, insufficient attention is given to factual information regarding supply and demand conditions in the market, especially when such conferences are held under conditions of economic stress that distract the parties from a careful appraisal of such conditions.

The use of industry meetings and price bargaining conferences as a basis for making decisions which apply to the market as a whole has the further defect that the general public is usually not permitted to be represented, although many of the matters discussed, and the decisions taken, affect the interests of the consuming public. The public hearing procedure under the order provides an open forum for the discussion of all milk marketing problems as well as an effective means of bringing together the necessary information for the determination of milk prices. It is a means of lifting the veil of secrecy from such matters and enables all parties at interest to present evidence and discuss any problem covered by order operation. 24/

The value of the public hearing procedure has been enhanced during the period of the operation of the Duluth-Superior order by new rules of procedure for the issuance of orders and amendments. Under these rules, a tentative decision is publicly issued by the Department, which shows fully the relationship of each element of the decision to the evidence in the hearing record. Interested parties are then given a period in which to file objections to any part of this tentative or recommended decision prior to a final decision by the Secretary. (See Appendix A.)

5. Impartial administration of the order. In a number of markets, attempts have been made by organized handlers and producer groups to establish a marketwide plan of milk marketing to solve the type of problems which beset the Duluth-Superior market prior to the order. 25/ Apart from other defects of this type of agreement from a public-interest standpoint, it was very difficult for the industry to establish a means for the impartial

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24/ "The price-making procedure is in most instances more democratic under public control than it was when prices were established by bargaining within the industry." Leland Spencer, Impact of Marketing Agreements and Orders on the Marketing of Milk, Jour. of Farm Econ., Vol. XXXII, No. 4, Part 2; Nov. 1950.

25/ Some of these plans were set up by Dr. Clyde L. King as so-called arbitration agreements, which became well known in the early 1930's. Dr. King, at that time, was a professor of marketing at the University of Pennsylvania.

administration of such marketing plans. The Duluth-Superior order, as is the case with all Federal orders, is administered by a Market Administrator appointed by and responsible only to the Secretary of Agriculture. Thus a means is provided for the impartial administration of the terms of an order.

To further insure the impartiality of administration, any handler in the market has the right of appeal to the Secretary of Agriculture for a review of any part of an order or any decision of the Market Administrator that he feels is not in accordance with the law. Handlers have a further right to appeal any action that they feel is discriminatory or otherwise illegal by bringing suit in a Federal District Court. The auditing of the books and records by employees of the Market Administrator gives further assurance to all handlers that none is permitted to take unfair advantage by paying producers less than the minimum order prices or by making inaccurate or incomplete reports to the Market Administrator.

The first court tests which determined the over-all validity of the order itself, showed handlers that the order would be enforced with respect to every handler in the market. (See p. 51.) This, together with the impartial administration of the terms of the order, provides the necessary assurance that the marketing price plan established in the order may be safely relied upon by a handler in the conduct of his business.

Scope of Federal Milk Regulation

As an aid to the understanding of the limitations of the Duluth-Superior order, it is desirable to review briefly the restricted scope of Federal milk regulation. Part of this stems from the fact that Federal regulation of milk marketing got its start during the depression period as a means of improving the economic well-being of dairy farmers. This was the objective of the Agricultural Adjustment Act, which in 1933 incorporated the first provisions for regulation, and it has been retained as the major objective of the Agricultural Marketing Agreement Act of 1937, which currently provides the legislative authority for the issuance of milk marketing orders. (See Appendix A.)

With this limited, although very important objective, the act does not authorize the Secretary to regulate the entire marketing process even within a given marketing area. In the Duluth-Superior area, the order has no direct control over the quality of the milk supply, provides no plan of marketing milk from the milk distributor to the consumer, and does not regulate the prices which such distributors may charge consumers, or stores, restaurants, and other establishments which resell milk to consumers. Further, the order exercises no direct control over the physical movements of milk from the farm of the producer to the city pasteurizing plant nor does it direct the movement of milk among handlers (the classification and pricing structure established in the order does, however, affect these movements).

Federal regulation of milk marketing in the Duluth-Superior area, as in all fluid milk markets, introduces a minimum of regulation commensurate with the protection of the interests of dairy farmers who supply milk for the market. This regulation of a part of the marketing process retains a maximum of freedom of private enterprise (both individual and cooperative) and does not impair or interfere with local and State governments in their responsibility for establishing quality and sanitary standards for the production and handling of milk, inspecting dairy farms and milk plants, and testing milk to see that it meets the required standards. 26/ Because Federal regulation is only partial regulation of the milk marketing process, two questions have been raised from time to time by economists and others: (1) Should an order be withdrawn after it has achieved marketing stability and the economic position of producers has improved?; (2) are the orders predicated on a producer bias which fails adequately to protect the interests of handlers or consumers? We cannot, of course, attempt generalized answers to these questions on the basis of our study of the Duluth-Superior order. This study does, however, indicate answers to these questions as far as they relate to this particular market.

The answer to the first question depends on whether the conditions in the Duluth-Superior market, with which the order is concerned, are themselves of a transient character. The fact that Federal milk marketing regulation got its start in the critical period of the economic depression of the 1930's has encouraged an impression that the marketing problems dealt with are depression born and that once a Federal order has "patched things up," the market should be able to go along nicely without an order, at least until another depression. In the case of the Duluth-Superior market, however, the study indicates that this philosophy of regulation cannot be applied. The market was seriously disrupted by the depression but the basic marketing problems were aggravated rather than caused by it. (See p. 13.)

The Duluth-Superior order was not made effective until 1941, long after the depression had run its course. The market mechanisms introduced by the order were designed to solve problems which had beset this market prior to 1940 and which persisted after there had been a considerable measure of economic recovery. The classified price plan and the marketwide pooling system were based upon marketing arrangements already made by organized producers and handlers in some of the larger fluid milk markets and which were already spreading to other markets beset with similar problems. If the order were withdrawn from the Duluth-Superior market, it is very probable that the producers' organizations and the proprietary handlers would try to continue with marketing arrangements similar to those under the

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26/ The Federal Government and a number of States have experimented with marketing regulations of a more comprehensive nature than the present Federal orders. The early Federal licenses and agreements established schedules of resale prices and elaborate codes of "fair trade," or competitive practices to be observed by handlers. Several States still control resale prices for milk, cream, and related products.

order. 27/ They would use at least some of the devices now incorporated in the order as a means of "regulation" under some kind of industry-bargaining arrangement or agreement.

The choice, from an economic standpoint, is not whether or not the marketing of milk in the Duluth-Superior area is to be regulated. It is rather one of whether it is to be regulated by the industry or by a Government agency. If the order were to be withdrawn, prices would be established by collective bargaining instead of by the Secretary of Agriculture on the basis of a public hearing. Some kind of price classification and pooling procedures would be continued to avoid the recurrence of problems of unequal producer payments and disputes among handlers over sharing the costs of handling surplus. Moreover, in the Duluth-Superior market, where two large producer cooperatives are operating, a serious problem would be faced in achieving uniformity of marketing plans for the market as a whole. Even if both cooperatives were to reach an agreement with the major handlers in the market, there would always be the problem of extending its terms to cover all handlers and nonmember producers. 28/

The second question raised by the order's regulation of only a part of the marketing process is whether it adequately protects the interests of handlers and consumers in the Duluth-Superior market. This market is, of course, unusual in that there are two producer cooperative associations, both of which operate as distributors and manufacturers. The relation of the order to the several types of handlers in the market is left for a separate discussion under the heading, "Impact of the Order on Handlers," p. 68. With respect to handlers as a whole, however, probably the most important points are that the order does not establish margins nor does it limit the number of producers or control the total supply of milk which they offer for sale in the Duluth-Superior market. Under these circumstances, it would appear unlikely that the order could operate in a discriminatory fashion against handlers as a whole.

Conditions in the Duluth-Superior market during the period of the order's operation would seem to support this view. Although the total number of handlers has declined, the remaining handlers have found the distributing business sufficiently profitable to invest the necessary additional capital for the expansion of their businesses and the market has never faced a shortage of distributive facilities.

27/ The order could be terminated on the initiative of the Secretary or of producers in the market, or by the Congress in repealing the basic legislation authorizing the orders.

28/ The legal aspects of marketing plans growing out of collective bargaining have not been resolved by the courts. The Department of Justice has, in the District of Columbia, for example, prosecuted cooperative and handler officials for continuing with a marketing plan similar in its mechanics to one which was provided for in a Federal order which had been terminated.

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Consumers in the Duluth-Superior market have evinced little interest in the public hearings that have been held by the Department either prior to the issuance of the order or with respect to the several amendments to the order. This apathy of consumers may be partly attributed to the fact that the establishment of prices at the consumer level is not involved at these hearings. There are, however, two other factors which have operated to protect the interest of consumers under the order. In the first place, since the order cannot restrict the total supply of milk, producer prices must be kept closely in line with supply and demand conditions in the market over any long-time period. This is in line with the interests of producers as well as consumers in the market, and the review of the Secretary's price determinations in part III has shown that this objective was rather consciously adhered to. In addition, the Duluth-Superior market has continued to be a strongly competitive one at the resale end. Handlers have shown a strong tendency to go after additional customers using such devices as quantity discounts and limited price concessions to expand their sales.

Perhaps the only important way in which consumers' interests may be affected by the order, under present circumstances, is in the relationship of the Class I to the surplus-use price. If the Class I price is unduly raised in relation to the surplus-use price, consumers would have to pay a higher price for their milk, on the assumption that the increased cost of fluid milk would be passed on to them by handlers. 29/ In the preceding section, the relationship of these prices has been compared and no tendency toward widening the gap between these two prices (on a proportionate basis) has been found during the period of the order's operation. (See p. 40.)

Under these circumstances, there has been little incentive for consumers to take a greater part in the public hearings in this market. The situation is not, however, a static one. The almost complete elimination of producer-handlers who represented a highly competitive aspect of the distributive business and the decline in the number of other handlers may at a later time create a change in the situation. If, for example, the remaining handlers should exercise a greater control over the resale price structure and should use this control to unduly widen their margins, it is likely that consumers would become more interested in the details of the milk regulatory process. This has been the case in some other markets under Federal orders, even though the orders themselves did not actually establish prices at the resale level.

Producer Organizations Under the Order

The two producer associations in the Duluth-Superior market have played a vital part in connection with the order. As described in parts I and II, these associations were responsible for initiating Federal regulation in

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29/ See, for example, the opposition of the Consumers' Counsel of the Department of Agriculture to the order amendment of February 1, 1942, described in part III, p. 23.

this market. Since that time, they have represented producers at hearings on prices and on other matters pertaining to the order. They have also taken much responsibility for initiating improvements in the order.

Under the order, public hearings replaced collective bargaining negotiations. The order does not, however, reduce the need for cooperative associations to advance the interests of their members and of all dairy farmers in the market. Their function of initiating changes in the order and of representing producers at public hearings appears to be just as important as their previous function in collective bargaining. 30/

The Agricultural Marketing Agreement Act provides that at least two-thirds of producers (by number or by volume of milk marketed) must approve the terms of an order, before the Secretary of Agriculture may make it effective. This requirement also applies to the issuance of any amendment to an order. In determining whether the required proportion of producers approve or disapprove an order or an amendment, the act permits a cooperative association to vote on behalf of its entire membership. This creates certain problems in the Duluth-Superior market, where there are two producer cooperatives of almost equal size, both of which are engaged in the distribution of milk to stores and consumers in addition to functioning as bargaining agents for their members in selling milk to proprietary handlers and carrying out manufacturing operations. Specifically, these problems are related to: (1) The continuity of the order, and (2) competition of cooperatives for new producers.

The joint support of the Arrowhead and the Twin Ports cooperatives is required to assure the continuous operation of the order in the Duluth-Superior market. Failure to achieve such joint support was responsible for a considerable delay in the adoption of the order in the first place. (See p. 12.) The amendment of November 1, 1946, was approved by only one of the cooperatives, which indicates how precarious the continuity of the order may become, although in this case the necessary two-thirds approval was indicated in the producer referendum. 31/ Each cooperative must of

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30/ "Continuous vigor and initiative on the part of cooperatives are important to successfully operate and improve Federal milk marketing programs. The cooperative must be alert in critically appraising and proposing desirable changes in pricing and related provisions. Experience in marketing producers' milk, under changing economic conditions, clearly indicates that constant examination and periodic changes in the pricing mechanism are necessary in most markets. The ability of cooperatives to initiate changes in the programs, as conditions require, largely determines the degree to which the programs are dynamic and useful instruments." Edmond S. Harris and Irwin R. Hedges, Formula Pricing of Milk for Fluid Use, Farm Credit Admin., U. S. Dept. Agr., Dec. 1948.

31/ If the amendment had not received the required producer approval, the Secretary would have to suspend or terminate the order unless he found that the order without the amendment could continue to carry out the purposes of the act.

necessity consider any change in the order, not only as it affects the position of producers as a whole but also as it affects the position of the cooperative as a distributor of fluid milk and as a manufacturer of milk products.

The relation of the two cooperatives as competitors in the handling of milk, creates an incentive for each of them to organize new producers to ship milk to the Duluth-Superior market. The retention of voting strength is a matter of considerable importance. Neither association would be satisfied with a situation where the other was able, by itself, to vote approval or disapproval of changes in the order. There is some danger that this competition for new producers may lead to an uneconomic expansion of the supply area. The supply area was extended appreciably between 1947 and 1949, as the two cooperatives accepted the membership of several smaller cooperatives that previously had been supplying manufacturing plants. (See p. 49.) For several years prior to 1947, the market had been chronically short of milk for fluid requirements. However, the sharp increase in Class III usage (from 15.2 percent in 1948 to 27.0 percent in 1949) shows how easily the situation could change to cause an overexpansion of the supply area. (See p. 47.)

The Order and Producer Returns

The Agricultural Marketing Agreement Act makes three policy references to the level of milk prices to be paid to producers under the orders. Section 2 declares that it is the policy of Congress--

> "Through the exercise of the powers conferred upon the Secretary of Agriculture under this title, to establish and maintain such orderly marketing conditions for agricultural commodities in interstate commerce as will establish prices to farmers at a level that will give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the base period. . . ."

The base period for milk, according to this section of the act, is to be August 1909-July 1914. However, this is modified by section 8e, which authorizes the Secretary of Agriculture to use all or part of the period August 1919-July 1929 as a base period if he finds that the purchasing of milk for the earlier period cannot be satisfactorily determined from available statistics.

The above provisions relate to agricultural commodities other than milk, which are covered by the act. In paragraph 18 of section 8c, however, special policy conditions are laid down with respect to milk prices:

> . . .The level of prices which it is declared to be the policy of Congress to establish in section 2 and section 8e shall, for the purposes of such agreement, order, or amendment, be such level as will reflect the price of feeds, the available supplies of feeds, and other economic conditions which affect market supply and demand, for milk or its products in the marketing area to which the contemplated marketing agreement, order, or amendment relates. . . .

Whenever the Secretary finds, on the basis of the hearing evidence, that parity prices are not reasonable in view of these economic conditions, "he shall fix such prices as he finds will reflect such factors, insure a sufficient quantity of pure and wholesome milk, and be in the public interest." A finding to this effect was made by the Secretary when the Duluth-Superior order was issued and has been made in connection with each amendment relating to prices. Thus the provisions of paragraph 18 of section 8c of the act have guided the Secretary in his price-making decisions with respect to the Duluth-Superior market.

The changes in the average producer prices each year under the order and the corresponding indexes of purchasing power of milk sold at these prices are described in part IV. (See p. 39ff.) The actual effect of the order on producer returns cannot be judged with any degree of confidence because we do not know what these returns would have been in the absence of an order. The problem of estimation is especially complicated because of the unusual conditions of demand and supply which prevailed during the war and postwar period. Certain inferences may be drawn, however, from the nature of the order and the manner of its operation.

The order, by itself, is not capable of affecting appreciably the total returns of producers in the Duluth-Superior market, over a long period of years, primarily because it contains no devices for controlling the supply of milk. Moreover, in this market, there do not appear to be any effective means outside the order for achieving such a result. In any case, restrictions upon supply due to local health regulations, cooperative policies in admitting new members, etc., could affect the price of milk quite independently of whether or not the market is regulated by an order. 32/ The "new producer" clause, previously described, could operate as a temporary discouragement to a new producer coming on the market but its affect would be so slight that it cannot be considered as a significant impediment at any time. During periods of milk shortage in the Duluth-Superior market,

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32/ In discussing the possible effects of Federal and State milk marketing orders, Dr. Leland Spencer of Cornell University concedes that in the absence of "natural or man-made barriers against increased supplies" such orders can have little bearing upon long-run returns.". . . in marketing areas such as Minneapolis and St. Paul, Chicago, and Des Moines, milk prices could not be raised much above those obtainable by collective bargaining without attracting greatly increased supplies." Leland Spencer, Impact of Marketing Agreements and Orders on the Marketing of Milk, Jour. of Farm Econ., Vol. XXXII, No. 4, Part 2, p. 993. Nov. 1950.

handlers actually nullified this clause by paying premiums to new producers which put their returns on a par with regular producers from the very beginning of their deliveries. (See p. 43.)

While the order can have little, if any, effect upon the long-run returns of producers as a whole in the Duluth-Superior market, there are several ways in which it affects the returns of producers. The marketwide pool equalizes the returns of producers (with the exception of new producers who, for a short period, can be paid less than the uniform price). The order affects, also, the seasonality of returns by providing for higher prices during the fall and winter months. These seasonal incentives can play an important part in adjusting supply and demand on a seasonal basis and are discussed more fully in following paragraphs in considering the relation of the order to milk supplies. Another way in which the order affects producer returns, is by providing for more gradual price changes than might otherwise take place. The establishment of milk prices on a formula basis tends to make producer prices sensitive to even slight changes in the economic conditions which affect the market value of milk. Periodic hearings at which evidence is received on all economic factors affecting the market for milk and the impartial review of such evidence help to assure that changes in pricing formulas will be made in line with changes in actual conditions so that they will continue to keep milk prices in an approximate alinement with such conditions. Under conditions of severe economic stress, such as might be brought on by a general economic crisis, the marketing and price mechanisms of the order might be expected to serve as a brake on short-term deterioration of producer prices. The order could not prevent a decline of producer prices, but it could avoid the extremely low prices which accompanied the chaotic marketing conditions that developed in this and other milk markets during the worst period of the economic depression of the thirties. 33/

The Order and the Supply of Milk

As described in preceding parts, several factors combined to make it difficult to maintain milk supplies in a close relation to demand during the greater part of the period in which the order has operated. These included: (1) The adoption by the cities of Duluth and Superior of stricter standards for producers supplying fluid milk, (2) the requirement by these cities that all milk sold to consumers must be pasteurized, (3) the attractiveness of wage scales in war industries to farm operators and farm workers, (4) the increase in cost of milk production, and (5) the growth in demand for fluid milk and cream on the part of consumers during the war and part of the postwar period.

The decline in the number of producer-handlers and in handlers' own

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33/ Instances occurred, for example, in the Duluth-Superior market, where the price of milk was so low for some months that it failed to cover hauling and other charges for certain producers.

farm production placed a greater share of responsibility upon producers for supplying the needs of the market. (In 1941, producers supplied 83 percent and in 1950, they supplied 97.8 percent of total market receipts.) This, combined with the increase in the demand for fluid milk and cream, resulted in a shortage of "regular" supplies during the fall and winter seasons of relatively low production. To make up the deficit, some handlers had to purchase additional supplies from sources outside the normal supply area. (See p. 47.) During part of the war period, handler quotas on sales of milk, cream, and fluid milk products were established under War Food Order 79. These quotas were established in fluid milk markets throughout the country for the purpose of conserving milk and making it available for essential manufacturing uses.

Because of the unusual conditions, it is difficult to appraise the effectiveness of the order in equating supply and demand. On the whole, the pricing provisions of the order have provided the incentive for a steady increase in production on the part of those producers who remained on the market. This was sufficient to compensate not only for the decline in producer numbers but also for the decrease in producer-handler and handlers' own-farm production. It was a common occurrence among fluid milk markets in all parts of the country that supplies from producers were not sufficient to completely satisfy the wartime demand for fluid milk and cream.

The order does not appear to have been an effective instrument for encouraging a more even production of milk throughout the year. The analysis of seasonality of production indicates that the production of milk has become somewhat more seasonal during the period of the order's operation. (See p. 46.) Some of the special conditions involved were also indicated in connection with the analysis, but this shortcoming of the order could have serious consequences in the market, where the extreme variation between spring and fall production constitutes a potential source of marketing instability, especially during a period of general economic depression.

The attainment of more even production does not of course depend entirely upon the order. Educational work on the part of cooperatives and other agencies can play an important part in assisting producers to overcome the natural obstacles to getting a greater part of milk production during the fall and winter months. The evidence at hand, however, indicates that the pricing formulas under the order have not provided a sufficient incentive to producers to achieve a greater uniformity of production throughout the year.

The adoption of the so-called Louisville Plan on January 1, 1951, represents the most serious effort to deal with this problem under the order. This plan should provide a greater financial incentive for dairy farmers to produce milk more evenly during the year. (See p. 36.) However, as farmers' practices change rather slowly, the success of the new plan in the Duluth-Superior market may depend on how long it is retained in the order and the degree of support it receives in terms of co-ordinated educational effort by cooperatives and others. The importance of time and education is borne out by testimony at the public hearing in November 1950. In reply to a question as to whether he felt the Louisville Plan would result in a more uniform supply of milk, Raymond Russell, representing the Russell Creamery Company, said:

> I think with education of the farmers, that it will. I think we as handlers and the cooperatives need to do an awful lot of educational work with the farmers to do it . . . . The farmers would get . . . $1.50 a hundred more. Well, I think if the farmers were educated to that, that we would really have more of a tendency on their part to do it. . . . /We must do/ a job of telling the farmer what the difference is. 34/

D. H. Kellogg of the Twin Ports Association stressed the time element, stating:

> It is my opinion that it will take quite a number of years, several years, before we will begin to see any marked results from this Louisville Plan. I think as time goes on, producers in this area will try to get their heifers bred in the early winter months so that they will freshen in the fall, and gradually, as time goes on, that they in that way will build up a fall freshening herd. . . . 35/

Impact of Order on Handlers

The order has in various ways influenced the competitive relationship among handlers in the Duluth-Superior market. Perhaps the most important effect of the order upon handlers has been brought about through equalization of payments on a marketwide basis. This has changed the relative costs of procuring supplies of milk among different handlers in the market in comparison with their procurement costs prior to the order. As between cooperative associations, operating as handlers, and proprietary handlers, the order has somewhat strengthened the position of the former. Another effect of the order, especially during the first few years of its operation, has been the encouragement which it gave to producer-distributors to cease operation as distributors and to market their milk through other handlers, including the cooperative associations.

Prior to the adoption of the order, handlers purchased milk on a flat price basis and those with the least proportion of surplus milk above their fluid sales gained a competitive advantage over other handlers. This placed the cooperative associations at a disadvantage in competition with proprietary handlers, during the years immediately prior to the order, when there were

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34/ Record of Duluth-Superior Hearing, Nov. 29, 1950, p. 90 ff.
35/ Record of Duluth-Superior Hearing, Nov. 29, 1950, p. 143.

abnormally large surpluses of milk on the market. Their primary responsibility was to their member producers and, in order to market all their milk, they had to manufacture a good part of it into surplus products so that the cost of their handler operations became abnormally high and they were able to return less money to their members. (See p. 12ff.)

The classified pricing provisions accompanied by the marketwide pooling plan under the order changed this situation. It put all handlers on the same cost basis in procuring supplies of milk for fluid distribution. This involved a fundamental change in competitive relations among handlers and was undoubtedly a factor in the adjustments which took place during the years immediately following the adoption of the order. The number of proprietary handlers declined from 22 to 12 between June 1941 and June 1943. Several of the handlers who discontinued business had found that their costs of procuring supplies were higher because they could no longer benefit by not carrying a proportionate share of the surplus milk in the market. Part of the decline in numbers occurred when 4 handlers merged their operations to form a single company whose stock was owned by one of the large proprietary handlers in the market. (See p. 49ff.)

These readjustments were undoubtedly hastened by the order, but they were also part of a long-run trend toward concentration of the milk distribution business not only in the Duluth-Superior market but in other city markets throughout the country. There is every reason to believe that, even without the order, when the amount of surplus milk on the market was reduced and the bargaining position of cooperatives was strengthened to the point where all handlers had to pay the same price for milk for fluid and surplus uses, some handlers would have been forced to drop out of the market or to merge their operations. In view of the war situation, it is unlikely that the order precipitated these adjustments by more than a few years.

Although the classified price plan and marketwide equalization were essential to remedy a basically unstable competitive situation in the Duluth-Superior market, these devices also had the effect of reducing one incentive to efficiency in the procurement of milk supplies. When a handler purchased his supplies on a flat price basis, he had a strong incentive to keep his proportion of surplus, above his fluid milk sales, to a minimum. 36/ This was especially the case of small handlers who produced a good proportion of their own milk supplies and bought additional supplies from a few other producers who were more efficient than the average producer from the standpoint of producing a relatively even supply throughout the year. This type of small handler was apt to rely on this kind of efficiency to maintain his operations in competition with larger handlers. Whatever disadvantage may result in this respect from marketwide equalization, however, appears to

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36/ This incentive is not lost entirely under marketwide pooling, especially in the case of those handlers who do not have facilities for processing surplus milk, but such handlers must pay the Class I price (instead of a presumably lower flat price) for all milk used in fluid distribution.

have been more than compensated by its correction of the broader problem of properly apportioning the necessary cost of carrying the market's surplus milk. The major problem of surplus handling was caused by the fact that many handlers did not take the responsibility for accepting the full annual supply of any particular group of producers. These handlers purchased only enough milk for their fluid requirements and left the cooperatives with the problem of processing the surplus.

The cooperative associations were the chief gainers from equalization. The order removed a clearly unfair situation where these users were forced to manufacture a disproportionate share of surplus over their fluid milk sales. In doing this, however, the order removed some of the incentive to competition for fluid milk sales. As long as all handlers had to pay a Class I price for milk sold for fluid use, it was not as important for each distributor to compete as intensely as before for a share of such sales.

In this connection, the relationship of the fluid (Class I) price to the surplus (now Class II) price is an important factor in the competitive situation in the market. A relatively high Class I price in relation to the Class II price operates to the disadvantage of those handlers whose operations are almost entirely in the distribution of fluid milk and cream. Conversely, it puts the handlers who manufacture most of the milk products in the market in a stronger position. In the preceding part, the prices of milk used for fluid milk and for manufacturing, from 1942 through 1950, are compared. During this period there appears to have been no tendency to widen the differential between the fluid milk and manufacturing milk prices in percentage terms, although the absolute dollars-and-cents difference between the two prices has substantially increased. (See p. 40.)

The virtual disappearance of producer-handlers as an important competitive factor in the Duluth-Superior market has been rather a spectacular development during the period of the order. During the first few years of the order's operation from 1941 to 1945, when the number of producer handlers declined from 109 to 32, the order undoubtedly played a part. It did this by creating a stable and continuous market for producers which encouraged many producer-handlers to discontinue the distribution of milk and to market their milk through the cooperative associations. Inasmuch as these producer-handlers were not regulated by the order, they were not in any sense "driven out of business" through the order's operation. During this period, the opening of opportunities for employment in war industries was also an incentive, especially to some of the smaller producer-handlers, to discontinue their operations as distributors. The decline in the number of producer-handlers after 1945 (from 32 to 5) must be attributed primarily to the changed health requirements in the market, particularly the requirement that all milk distributed must be pasteurized.

The Order in Wartime

During World War II, it was found necessary to supplement the order in the Duluth-Superior area with a number of special orders and subsidy programs designed to further the war effort. These were part of a national program for the conservation of manpower and critical materials in the distribution of fluid milk and related products, the conservation of milk and butterfat, and the provision of extra financial incentives for the production of milk. The operation and enforcement of these wartime programs were facilitated, in the Duluth-Superior market, by the fact that the order had already achieved relatively stable conditions of milk marketing. The availability of reports from handlers as required by the order and the experience of handlers in the record keeping necessary for making these reports were factors promoting compliance with the provisions of these various programs. The Market Administrator was able to perform valuable services in interpreting the provisions and in supplying information to handlers relating to the programs.

The Market Administrator was appointed to administer War Food Order 79 (establishing sales quotas on fluid milk, cream and byproducts) as it applied to the Duluth-Superior market. The expense of administering War Food Order 79 was undoubtedly reduced because of the fact that the office and facilities for administering the order already existed in this market. It is probable also that the efficiency of its administration was enhanced by the experience which the Market Administrator had already developed with handlers in the market.

APPENDIX A

BACKGROUND OF FEDERAL MILK REGULATION

Legislative History

Federal regulation of milk marketing began in 1933 with the passage of the Agricultural Adjustment Act. This was emergency legislation passed by Congress to deal with the agricultural phase of the great economic depression. The primary objective of the act, of which the provision for regulation of milk marketing was but a part, was the relief of "the existing national economic emergency by increasing agricultural purchasing power."

The Agricultural Adjustment Act provided that the Secretary of Agriculture, in his efforts to carry out this objective, would have power "to enter into marketing agreements with processors, associations of producers, and others engaged in the handling, in the current of interstate or foreign commerce, of any agricultural commodity or product thereof ... ." In addition, the act permitted the Secretary to issue licenses to eliminate unfair marketing practices or charges. The act, as passed by Congress in 1933, did not specify any of the terms or conditions that might be included in a marketing agreement or in a license. The provisions actually incorporated in the early marketing agreements and licenses were based largely on the marketing practices which had already been established through collective bargaining, between dairy farmer cooperatives and milk distributors, in some of the larger city markets.

The act gave discretionary power to the Secretary of Agriculture as to whether to enter into marketing agreements or to issue licenses or to do both in regulating the marketing of milk in any area. In the beginning, emphasis was placed by the Secretary on marketing agreements with farmer cooperatives and milk distributors. Until January 1934, these early agreements provided for price fixing, at consumer and producer levels, and bore considerable similarity to the NRA codes which were at that time being set up in various industries. In January 1934, the Department of Agriculture announced a broad change in dairy policy. This change involved the abandonment of resale price fixing and of the marketing agreement phase of its regulatory programs.

On August 24, 1935, the Agricultural Adjustment Act was amended "with a view to insure its constitutionality and to strengthen, clarify, and simplify the legislative bases of the adjustment program." 37/ This amendment was due in part to the Supreme Court decision, rendered the previous May, in the NRA-Schechter Poultry Case. The decision had thrown considerable doubt on the constitutionality of many phases of the Agricultural Adjustment Act. The 1935 amendment sought to strengthen the marketing regulation part of the act. It prescribed the use of marketing

37/ Report of the Agricultural Adjustment Administrator: 1937-38, p. 13.

agreements and orders, in place of licenses, and provided a definite procedure by which the Secretary could enter into agreements and issue orders. It provided that orders could, under certain conditions, be issued by the Secretary without an agreement. It also prescribed the terms which could be incorporated in orders, and it specifically limited their application.

In order to clarify further the legal status of regulatory programs for milk and other farm products, Congress passed the Agricultural Marketing Agreement Act of 1937. This act reenacted, amended, and supplemented the marketing agreement provisions of the Agricultural Adjustment Act, as amended in 1935. Its major provisions, particularly as related to the terms which could be incorporated in agreements and orders, were much the same as those provided in the 1935 amendment.

Objectives of Regulation

When Federal milk marketing regulation was started in 1933, it was thought that it might be used to raise prices as an alternative approach to the adjustment features of the Agricultural Adjustment Act. Gradually, a different concept was developed of the role which could be played by such regulation. The emphasis began to shift to stability in milk marketing. Milo Perkins, the Associate Administrator of the Agricultural Adjustment Administration, in a 1939 report to the Secretary, emphasized some of the limitations of regulation from the standpoint of increasing returns to dairy farmers. He wrote:

> "Over a longer period of time, because of freedom in most markets of entry into the milk-producing business, and because of the lack of differentiation of the product of individual producers, probably no income advantage can be secured to milk producers other than that attributable to the development of stabilized conditions in the market, to decreases in the risks involved in milk production, or to other similar factors."

The Agricultural Marketing Agreement Act of 1937 calls for the achievement of parity prices and stable marketing conditions. The act related these two objectives in its declaration of policy:

> "It is hereby declared to be the policy of Congress - (1) Through the exercise of the powers conferred upon the Secretary of Agriculture under this title, to establish and maintain such orderly marketing conditions for agricultural commodities in interstate commerce as will establish prices to farmers at a level that will give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the base period ...."

The act requires that minimum prices to be paid farmers for milk must be established at levels which will reasonably reflect economic conditions affecting the supply and demand for milk (such as the price and availability of feeds), and will assure an adequate supply of milk for the market.

The changes in general administrative policy with respect to the issuance and operation of milk marketing orders, under changing economic conditions, were described recently by H. L. Forest, Deputy Director of the Dairy Branch. In a talk before a convention of the Association of Agricultural Workers at Biloxi, Miss., on February 11, 1950, he stated:

> "From 1934 to 1937 the underlying philosophy in the issuance of these marketing agreements and orders was to get the price of milk up .... Regulatory provisions were instituted for the purpose of raising prices to farmers during periods of surplus even though it was evident that increased prices might at the same time further intensify the surplus problem. Consideration could not be given to this matter, however, because of the insistent need for helping to reestablish the farmers' standard of living. We were dealing with an emergency and using emergency means for doing it. At that point the principles employed were not devoted to aligning the forces of supply and demand.
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> "By 1940 it had become evident that a program of increasing milk prices in any market already oversupplied with milk could not continue indefinitely. Measures more consistent with long-run conditions were becoming increasingly necessary. Emergency measures were no longer adequate if this regulatory program was to continue. Attempts were being made to apply more realistically the standards of price fixing set forth in the act. In essence, these standards said that prices should be fixed at levels which would result in a reasonable adjustment of supply and sales in the market. Our attention became centered on the problem of fixing prices which would tend toward equating supply and demand in markets under regulation."

Provisions of Federal Orders

A certain amount of discretion is permitted the Secretary of Agriculture under the Agricultural Marketing Agreement Act as to the specific terms to be included in milk marketing orders. 38/ The structures of the orders currently regulating the marketing of fluid milk in almost 40 city markets in the United States are basically quite similar. The important terms common to most of the orders are described below:

Definitions.--Three important terms defined in the orders are "marketing area," "handler," and "producer." The definitions of the marketing area and of the term "handler," determine the applicability of the regulations established in the order. It is also necessary to include a clear understanding as to which dairy farmers in the vicinity of the market are to receive payments and services as prescribed in the order. This is achieved in the definition of the term "producer."

Classification of milk.--All of the milk sold by handlers subject to the order is classified according to the purpose for which it is used. The two or more use classes established in the orders are designed to segregate the milk according to its value to the handler. They provide the basis for the classified price plan common to all the orders.

Minimum class prices.--The orders provide for minimum prices (or methods of computing minimum prices) to be paid by handlers for milk of standard butterfat test disposed of in each use classification. This price is usually f.o.b. the market but it may be established f.o.b. a specified distance from the market. Price differentials are provided for milk containing more or less butterfat than the standard. Location differentials are usually provided where part of the milk supply is received at country stations.

Payments to producers.--Federal orders provide two methods whereby the value of milk may be prorated among individual producers. These are the marketwide pool and the individual-handler pool. Under a marketwide pool, all producers are paid a uniform price on the basis of the utilization of milk by all handlers in the market. Under the individual-handler pool, all producers delivering milk to the same handler are paid a uniform price based on this handler's utilization. Under both methods of pooling, the uniform price applies to milk of a specified butterfat content. It is subject to adjustments for variation in butterfat test and may be subject to location differentials.

Marketing services for producers.--Orders may provide for deductions to be made by the Market Administrator from payments to producers to permit him to supply them with market information and to verify weights, samples,

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38/ Under the act, the Secretary may enter into an agreement with handlers, providing they handle at least 50 percent of the milk in the marketing area. Even when such an agreement is signed, it has been necessary, in the case of fluid milk markets, for the Secretary to issue an order to enforce its terms on those handlers who have not signed the agreement. Essentially, the Secretary's power to regulate fluid milk marketing is embodied in his authority to issue orders.

and tests of milk. Where such services are performed for its members by a producers' cooperative association, these deductions are not made by the Market Administrator.

Expense of administration.--Each of the orders is administered by a person, called a Market Administrator, who is selected by the Secretary of Agriculture. The expenses of administration are borne by handlers in the market through a charge made by the Market Administrator based on the amount of milk handled.

Reports of handlers.--The orders provide for regular reports to be submitted by handlers to the Market Administrator. These reports, together with the authority of the Market Administrator to examine the books and records of handlers, provide the basis for administration of the orders. On the basis of these reports and the examination of the books and records, violations are reported and, when necessary, court action is instituted to bring handlers into compliance.

Formulation and Issuance of Orders

The Agricultural Marketing Agreement Act of 1937 requires that a public hearing must be called by the Secretary, after due notice, prior to the issuance of a marketing order. It requires also that an order shall not be issued unless it has been determined by the Secretary that the issuance of the order is favored by at least two-thirds of the producers (by number or by volume of milk marketed) supplying the market which is to be regulated by the order. These requirements of the act have been supplemented by specific rules of procedure. The steps now required for the development and issuance of a milk marketing order are summarized in the following paragraphs:

Steps preliminary to the hearing.--Action on an order is usually initiated by a cooperative association of milk producers. The cooperative association submits a petition to the Secretary of Agriculture requesting a hearing on a proposed order. A draft of the proposal usually accompanies the petition. The Secretary, upon receipt of the petition and the producers' proposed order, may direct that an investigation be made of conditions in the market and of the facts set forth in the petition to determine whether a hearing should be called. If it is decided to proceed, a notice is issued setting forth the time and place of the public hearing on the proposed order.

The public hearing.--The public hearing is presided over by a hearing officer appointed by the Secretary. At this hearing all interested parties, including producers, milk handlers, and consumers, are given an opportunity to present testimony relating to: (1) The interstate aspects of the commerce in milk in the marketing area, (2) the need or desirability for an order, and (3) the specific terms which should be incorporated in any order which might be issued. Following the taking of oral testimony, a time is allowed for the filing of briefs based on the record.

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The recommended decision.--Based on the testimony presented at the hearing, a recommended decision is made by the Assistant Administrator of the Production and Marketing Administration. This recommended decision comprises a tentative order and indicates the basis in the hearing record for its issuance. A stated period of time, up to 20 days, is allowed for interested parties to examine the recommended decision and to file exceptions to any part of it.

The final decision.--The exceptions filed to the recommended decision are considered and changes in the tentative order are made if they are deemed necessary or desirable. The final decision is then issued by the Secretary of Agriculture. The order in its final form becomes effective, at a date specified by the Secretary, if he finds that such order is approved by at least two-thirds of the producers (by number or by volume of milk marketed in the area). If the order provides for an individual-handler pool, it must be approved by three-fourths instead of two-thirds of the producers. Producer approval is usually determined through a referendum. In such a referendum, a co-operative association which meets certain requirements of the act is permitted to vote for its members.

Amendment, Suspension, and Termination of Orders

Orders usually are amended in the same manner as the original orders are developed and issued. Where evidence in the hearing record indicates that the time involved in issuing a recommended decision would cause too great a delay in adjusting the order to meet the needs of the market, this preliminary step may be omitted. To cope with emergency situations, the Secretary is authorized under the act to suspend an order or any provision of an order. An order may be terminated by the Secretary if he finds it is no longer carrying out the purposes of the act. The act requires that an order must be terminated at the request of a majority of producers in the market, provided that such majority is found to produce more than 50 percent of the milk for the market.

APPENDIX B

SUMMARY OF THE CURRENT ORDER

Presented below, in outline form, is a summary of the main provisions of Order 54, in its present form, (as of May 1951). Technical accuracy has necessarily been sacrified in the interest of brevity and simplicity. Should the reader wish to make a careful study of the order, the complete text should be consulted.

Definitions

Marketing Area:

Minnesota - Cities of Duluth and Cloquet.

Wisconsin - City of Superior.

Handler:

Person who disposes of milk for consumption as fluid milk in the marketing area.

Producer:

Person who, under certification of health authorities, produces milk that is received at a handler's plant from which milk is disposed of as milk in the marketing area.

Classification of Milk

Use classes:

Class I - Fluid milk, skim milk, buttermilk, flavored milk, and flavored milk drinks, cream and cream mixtures for fluid consumption, and unaccounted-for milk.

Class II - All milk other than Class I and shrinkage up to 2 percent of total receipts.

Interhandler transfers:

Milk, skim milk, or cream disposed of by a handler to another handler is Class I, except that it may be classified otherwise if verification by Market Administrator shows that it was not utilized as Class I, provided that the receiving handler is not a producer-handler.

Milk, skim milk, or cream received by a handler from a producer-handler is considered Class II. If used as Class I, receiving handler must pay the pool the difference between the Class I and Class II prices.

Outside purchases:

"Emergency milk" (milk from outside sources received under a permit from health authorities) is deducted on a pro rata basis from each class.

Other outside milk is deducted from the class in which it is used, but receiving handler must pay the difference between the Class I and Class II prices if used in Class I. This payment need not be made on outside milk or cream used in Class I to the extent that producer milk was not available for such use.

Outside sales:

Milk or skim milk disposed of by a handler to a nonhandler is classified as Class I milk, if the nonhandler disposes of milk for consumption as fluid milk. Otherwise such milk is classified as Class II milk.

Cream disposed of by a handler to a nonhandler is classified as Class I, if the nonhandler disposes of any cream for consumption as cream. Otherwise it is classified as Class II.

Method of accounting for milk:

Weights of skim milk and butterfat are accounted for separately. Upon completion of classification the butterfat test of each class is determined.

Minimum Prices

Class Prices:

Class prices are established for milk testing 3.5 percent butterfat f.o.b. the market. The minimum prices required to be paid for milk by handlers are:

Class I - Class II price plus $1 for the months of May through August; Class III price plus $1.15 for all other months.

Class II - Price per pound of 92-score butter at Chicago from the 25th of the second preceding month through the 24th of the preceding month, times 3.5, times 1.25, plus 7/10 cent for each 1/10 cent that the price per pound of nonfat dry milk solids (average f.o.b. gross factory price reported by the American Dry Milk Institute) is above 7 cents.

Butterfat differential:

For each 1/10 of 1 percent variation from 3.5 percent butterfat a differential in the prices paid by handlers is made. This differential is the price per pound of Chicago 92-score butter, times 1.25, divided by 10.

Outside sales:

Milk sold outside the marketing area is priced the same as milk sold in the marketing area.

Producer Payments

Type of pool:

Producers' returns are computed each month on a marketwide pool plan. Under this plan all producers receive the same return for 3.5 percent milk, regardless of the utilization of milk by individual handlers. A "new producer" clause is provided, whereby new producers receive the Class II price for their milk for a period beginning with the date of his first delivery and including two full calendar months following such first delivery.

On milk received from producers during May, June, and July, 8 percent of the pool value is deducted. The fund established by these deductions is held by the Market Administrator until payments are made for milk delivered during the following October, November, and December. The fund is then divided into three equal parts and included in the uniform price computation for each of these months.

Butterfat differential:

For each 1/10 of 1 percent variation from 3.5 percent butterfat in the test of a producer's milk, a differential is made in the uniform price which he receives. This differential is the price per pound of Chicago 92-score butter, times 1.25, divided by 10.

Other Provisions

Producer-handlers:

Handlers who distribute only milk of their own production are exempt from regulatory provisions. Reports may be required by the Market Administrator.

Expense of administration:

Handlers pay administrative costs not to exceed 4 cents per hundredweight.

Special producer provisions:

Deductions, as authorized by members, are turned over to the cooperative associations.

A marketing service charge not to exceed 3 cents per hundredweight is deducted for nonmembers.

Market advisory committee:

Representatives of producers, handlers, and consumers may certify to the Secretary of Agriculture the selection of three individuals by each group for membership on a market advisory committee. This committee may make recommendations to the Secretary regarding amendments to the order. 39/

39/ Such a committee has not been established (as of May 1951).

APPENDIX C

CHRONOLOGICAL HISTORY OF FEDERAL REGULATION IN DULUTH-SUPERIOR MARKET

<u>1941</u>

Feb. 3	Notice of hearing on proposed marketing agreement and order issued by Secretary Wickard.
Feb. 20	Hearing held in Duluth.
Apr. 16	Marketing agreement tentatively approved by Acting Secretary Appleby. Order issued directing a referendum among producers to ascertain their approval of order.
Apr. 20	August 1919 - July 1929, proclaimed by Secretary Wickard as base period for computation of parity prices.
Apr. 30	Order 54 (and marketing agreement) issued by Secretary Wickard.
May 5	Effective date of Order 54 (and agreement).
May 7	Designation by Secretary Wickard of E. H. McGuire as Market Administrator.
Nov. 14	Notice of hearing on proposed amendment to Order 54 issued by Robert H. Shields, Assistant to the Secretary.
Nov. 26	Hearing held in Duluth.

<u>1942</u>

Jan. 19	Marketing agreement tentatively approved by Secretary Wickard. Order issued directing a referendum among producers to ascertain their approval of amended order.
Jan. 28	Amendment to Order 54 issued by Acting Secretary Appleby.
Feb. 1	Effective date of amendment to Order 54 (and agreement).
Oct. 8	Designation by Thomas J. Flavin, Assistant to the Secretary, of J. G. Herlest as Acting Market Administrator.
Oct. 27	Designation by Thomas J. Flavin, Assistant to the Secretary, of O. F. Kirkendall as Market Administrator.

<u>1943</u>

May 22	Notice of hearing on "emergency price" amendment to all orders then in effect issued by J. W. Tapp, Acting War Food Administrator.

May 25	Notice of hearing on proposed amendment to Order 54 issued by J. W. Tapp, Acting War Food Administrator.
May 28	Hearing held in Washington, D. C., on "emergency price" amendment to all orders.
June 4	Hearing held in Duluth (in accordance with May 25 notice).
June 4	Report issued by C. W. Kitchen, Acting Director of Food Distribution, on proposed "emergency price" amendment.
June 12	"Emergency price" amendment issued by Chester C. Davis, War Food Administrator.
June 21	Effective date of "emergency price" amendment to Order 54.
June 29	Marketing agreement (based on June 4 hearing) tentatively approved by Jesse W. Tapp, Acting War Food Administrator. Order issued directing that a referendum be held among producers to ascertain their approval of amending the order.
July 16	Amendment issued to Order 54 by Marvin Jones, Acting War Food Administrator.
July 20	Effective date of amendment to Order 54 (and of marketing agreement).

1946

Jan. 25	Notice of hearing on proposed amendment to Order 54 issued by S. P. Peyton, Acting Assistant Administrator, Production and Marketing Administration.
Feb. 12	Hearing held in Duluth.
June 12	Order issued by N. E. Dodd, Acting Secretary of Agriculture, suspending certain provisions.
Sept. 6	Marketing agreement (based on February 12 hearing) tentatively approved by Charles F. Brannan, Acting Secretary of Agriculture. Order issued directing that a referendum be held among producers to ascertain their approval of an amendment to Order 54.
Oct. 18	Amendment issued to Order 54 by N. E. Dodd, Acting Secretary.
Nov. 1	Effective date of amendment to Order 54 (and of marketing agreement).

1947

July 18	Notice of hearing on a "claims limitation" amendment to all orders issued by E. A. Meyer, Assistant Administrator, Production and Marketing Administration.
July 30	Hearing held at Washington, D. C., on "claims limitation" amendment.

1948

Sept. 27	Recommended decision issued by F. R. Burke, Acting Assistant Administrator, Production and Marketing Administration, on "claims limitation" amendment.

1949

Jan. 26	Final decision on "claims limitation" amendment issued by Secretary Brannan.
Feb. 18	"Claims limitation" amendment to Order 54 and to other orders issued by A. J. Loveland, Acting Secretary.
Feb. 22	Effective date of "claims limitation" amendment.
Mar. 22	Notice of hearing on proposed amendment to Order 54 issued by S. R. Newell, Acting Assistant Administrator, Production and Marketing Administration.
Mar. 30	Hearing held in Duluth.
Apr. 15	Final decision on amendment to Order 54 issued by Secretary Brannan.
Apr. 27	Amendment to Order 54 issued by Secretary Brannan.
May 1	Effective date of amendment to Order 54.

1950

Nov. 9	Notice of hearing on proposed amendment to Order 54 issued by Roy W. Lennartson, Acting Assistant Administrator, Production and Marketing Administration.
Nov. 29	Hearing held in Duluth.
Dec. 28	Final decision on amendment to Order 54 issued by Secretary Brannan.
Dec. 29	Amendment to Order 54 issued by Secretary Brannan.

1951

Jan. 1	Effective date of amendment to Order 54.

APPENDIX D

STATISTICAL DATA RELATING TO THE DULUTH-SUPERIOR MARKET

Table 10.--Receipts of milk from producers, Duluth-Superior marketing area, May 1941-December 1950 1/

Year and month	Producers 2/	Own farms of handlers 2/	Producer-handlers 3/	All producers
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
1941				
May 5-31	7,372	240	1,093	8,705
June	8,141	245	1,141	9,527
July	7,512	249	1,068	8,829
August	6,435	268	987	7,690
September	5,282	221	1,025	6,528
October	4,978	200	940	6,118
November	4,316	202	925	5,443
December	4,659	208	918	5,785
Total	48,695	1,833	8,097	58,625
1942				
January	4,837	223	897	5,957
February	4,725	208	842	5,775
March	6,200	249	864	7,313
April	6,639	243	903	7,785
May	7,989	284	960	9,233
June	8,594	260	958	9,812
July	7,941	221	907	9,069
August	7,121	186	829	8,136
September	5,971	177	734	6,882
October	5,355	169	683	6,207
November	4,527	154	650	5,331
December	4,840	164	667	5,671
Total	74,739	2,538	9,894	87,171
1943				
January	5,183	171	689	6,043
February	5,133	163	677	5,973
March	6,372	192	732	7,296
April	6,862	208	757	7,827
May	7,825	211	779	8,815
June	8,992	217	803	10,012
July	8,356	201	787	9,344
August	7,221	179	753	8,153
September	6,403	176	730	7,309
October	5,390	155	675	6,220
November	4,430	142	609	5,181
December	4,925	148	626	5,699
Total	77,092	2,163	8,617	87,872

See footnotes at end of table.

Table 10.--Receipts of milk from producers, Duluth-Superior marketing area, May 1941-December 1950 1/ - Continued

Year and month	Producers 2/	Own farms of handlers 2/	Producer-handlers 3/	All producers
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
1944				
January	5,283	158	617	6,058
February	5,441	152	606	6,199
March	6,732	192	658	7,582
April	7,316	222	645	8,183
May	8,123	243	696	9,062
June	9,355	241	683	10,279
July	8,871	247	663	9,781
August	7,536	222	597	8,355
September	6,658	204	502	7,364
October	5,788	187	479	6,454
November	4,744	134	433	5,311
December	5,060	146	481	5,687
Total	80,907	2,348	7,060	90,315
1945				
January	5,358	143	506	6,007
February	5,177	126	448	5,751
March	6,637	140	516	7,293
April	7,296	153	540	7,989
May	8,352	176	551	9,079
June	9,661	206	577	10,444
July	9,325	220	532	10,077
August	7,728	192	482	8,402
September	6,802	178	442	7,422
October	5,891	161	410	6,462
November	4,909	140	381	5,430
December	5,301	152	404	5,857
Total	82,437	1,987	5,789	90,213
1946				
January	5,607	154	357	6,118
February	5,335	143	352	5,830
March	6,722	164	416	7,302
April	7,445	170	433	8,048
May	8,890	189	445	9,524
June	9,842	204	448	10,494
July	9,111	199	401	9,711
August	7,221	173	364	7,758
September	5,757	147	312	6,216
October	5,060	160	242	5,462
November	4,885	158	224	5,267
December	5,561	184	220	5,965
Total	81,436	2,045	4,214	87,695

See footnotes at end of table.

Table 10.--Receipts of milk from producers, Duluth-Superior marketing area, May 1941-December 1950 1/ - Continued

Year and month	Producers 2/	Own farms of handlers 2/	Producer-handlers 3/	All producers
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
1947				
January	6,179	72	223	6,474
February	6,043	64	214	6,321
March	8,054	77	225	8,356
April	8,453	84	265	8,802
May	9,089	87	283	9,459
June	9,880	90	305	10,275
July	9,000	88	291	9,379
August	6,787	73	252	7,112
September	5,801	60	193	6,054
October	4,995	60	150	5,205
November	4,396	57	147	4,600
December	5,011	63	160	5,234
Total	83,688	875	2,708	87,271
1948				
January	5,340	68	140	5,548
February	5,207	62	135	5,404
March	6,833	66	136	7,035
April	7,537	75	155	7,767
May	8,654	85	161	8,900
June	9,082	86	175	9,343
July	8,272	71	160	8,503
August	6,974	58	153	7,185
September	6,112	51	135	6,298
October	5,577	57	125	5,759
November	5,300	61	136	5,497
December	5,752	69	136	5,957
Total	80,640	809	1,747	83,196
1949				
January	5,993	70	144	6,207
February	5,894	64	138	6,096
March	7,884	75	150	8,109
April	8,793	78	169	9,040
May	10,600	89	171	10,860
June	10,962	82	163	11,207
July	10,303	73	149	10,525
August	9,526	68	151	9,745
September	8,366	59	145	8,570
October	7,281	52	125	7,458
November	6,473	52	125	6,650
December	6,960	59	129	7,148
Total	99,035	821	1,759	101,615

See footnotes at end of table.

Table 10.--Receipts of milk from producers, Duluth-Superior marketing area, May 1941-December 1950 1/ - Continued

Year and month	Producers 2/	Own farms of handlers 2/	Producer-handlers 3/	All producers
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
1950				
January	7,195	63	130	7,388
February	7,130	57	128	7,315
March	9,525	69	153	9,747
April	10,280	70	159	10,509
May	10,843	72	155	11,070
June	12,607	83	170	12,860
July	11,918	71	139	12,128
August	9,911	61	138	10,110
September	7,983	56	118	8,157
October	6,928	59	100	7,087
November	6,233	52	101	6,386
December	6,805	52	117	6,974
Total	107,358	765	1,608	109,731

1/ For definitions of producers and of subgroups shown in this table see pages 17, 18, and 20.
2/ Milk subject to pooling. Data through September 1950 based on audits of handlers' records. Data for October-December 1950 based on handlers' reports.
3/ Based on producer-handlers' reports.

Compiled from reports of the Market Administrator.

Table 11.--Number of producers supplying milk to the Duluth-Superior marketing area, May 1941-December 1950 1/

Year and month	Producers 2/	Own farms of handlers 2/	Producer-handlers 3/	All producers
	Number	Number	Number	Number
1941				
May 5-31	1,361	11	110	1,482
June	1,360	10	109	1,479
July	1,359	11	104	1,474
August	1,352	13	97	1,462
September	1,347	13	94	1,454
October	1,323	11	94	1,428
November	1,327	11	92	1,430
December	1,307	10	92	1,409
Simple average	1,342	11	99	1,452
1942				
January	1,308	12	89	1,409
February	1,308	10	86	1,404
March	1,320	10	84	1,414
April	1,342	9	84	1,435
May	1,359	9	83	1,451
June	1,348	8	80	1,436
July	1,353	7	79	1,439
August	1,371	6	73	1,450
September	1,336	5	70	1,411
October	1,328	5	65	1,398
November	1,326	5	62	1,393
December	1,320	5	59	1,384
Simple average	1,335	8	76	1,419
1943				
January	1,322	5	58	1,385
February	1,319	4	57	1,380
March	1,332	4	57	1,393
April	1,343	4	57	1,404
May	1,339	4	58	1,401
June	1,329	4	57	1,390
July	1,324	4	56	1,384
August	1,323	4	55	1,382
September	1,309	4	54	1,367
October	1,302	4	50	1,356
November	1,302	4	47	1,353
December	1,285	4	46	1,335
Simple average	1,319	4	54	1,378

See footnotes at end of table.

Table 11.--Number of producers supplying milk to the Duluth-Superior marketing area, May 1941-December 1950 1/ - Continued

Year and month	Producers 2/	Own farms of handlers 2/	Producer-handlers 3/	All producers
	Number	Number	Number	Number
1944				
January	1,284	4	44	1,332
February	1,282	4	45	1,331
March	1,294	4	41	1,339
April	1,299	4	41	1,344
May	1,300	4	42	1,346
June	1,318	4	41	1,363
July	1,314	4	39	1,357
August	1,313	4	37	1,354
September	1,303	4	36	1,343
October	1,293	4	36	1,333
November	1,272	3	32	1,307
December	1,244	3	34	1,281
Simple average	1,293	4	39	1,336
1945				
January	1,235	3	35	1,273
February	1,229	3	34	1,266
March	1,251	3	34	1,288
April	1,261	3	33	1,297
May	1,279	3	32	1,314
June	1,283	3	32	1,318
July	1,279	3	30	1,312
August	1,267	3	29	1,299
September	1,285	3	29	1,317
October	1,270	3	27	1,300
November	1,266	3	26	1,295
December	1,236	3	26	1,265
Simple average	1,262	3	31	1,295
1946				
January	1,231	3	23	1,257
February	1,228	3	24	1,255
March	1,248	3	24	1,275
April	1,260	3	22	1,285
May	1,266	3	21	1,290
June	1,280	3	20	1,303
July	1,272	3	20	1,295
August	1,255	3	20	1,278
September	1,257	3	20	1,280
October	1,239	4	16	1,259
November	1,246	4	15	1,265
December	1,237	4	15	1,256
Simple average	1,252	3	20	1,275

See footnotes at end of table.

Table 11.--Number of producers supplying milk to the Duluth-Superior marketing area, May 1941-December 1950 1/ - Continued

Year and month	Producers 2/	Own farms of handlers 2/	Producer-handlers 3/	All producers
	Number	Number	Number	Number
1947				
January	1,246	3	13	1,262
February	1,255	3	13	1,271
March	1,287	3	13	1,303
April	1,244	3	13	1,260
May	1,231	3	12	1,246
June	1,220	3	12	1,235
July	1,235	3	12	1,250
August	1,243	3	12	1,258
September	1,186	3	10	1,199
October	1,178	3	7	1,188
November	1,211	3	7	1,221
December	1,211	3	6	1,220
Simple average	1,229	3	10	1,243
1948				
January	1,198	3	5	1,206
February	1,196	3	5	1,204
March	1,215	3	5	1,223
April	1,206	3	5	1,214
May	1,174	3	5	1,182
June	1,152	3	5	1,160
July	1,144	3	5	1,152
August	1,123	3	5	1,131
September	1,156	3	5	1,164
October	1,186	3	5	1,194
November	1,200	3	5	1,208
December	1,198	3	5	1,206
Simple average	1,179	3	5	1,187
1949				
January	1,174	3	5	1,182
February	1,173	3	5	1,181
March	1,183	3	5	1,191
April	1,201	3	5	1,209
May	1,241	3	5	1,249
June	1,271	3	5	1,279
July	1,327	3	5	1,335
August	1,335	3	5	1,343
September	1,340	3	5	1,348
October	1,364	3	5	1,372
November	1,389	3	5	1,397
December	1,398	3	5	1,406
Simple average	1,283	3	5	1,291

See footnotes at end of table.

Table 11.--Number of producers supplying milk to the Duluth-Superior marketing area, May 1941-December 1950 1/ - Continued

Year and month	Producers 2/	Own farms of handlers 2/	Producer-handlers 3/	All producers
	Number	Number	Number	Number
1950				
January	1,407	3	5	1,415
February	1,403	3	5	1,411
March	1,412	3	5	1,420
April	1,408	3	5	1,416
May	1,415	3	5	1,423
June	1,415	3	5	1,423
July	1,404	3	5	1,412
August	1,407	3	5	1,415
September	1,401	3	5	1,409
October	1,399	3	5	1,407
November	1,393	3	4	1,400
December	1,428	3	4	1,435
Simple average	1,408	3	5	1,416

1/ For definitions of producers and of subgroups shown in this table see pages 17, 18, and 20.
2/ Milk subject to pooling. Data through September 1950 based on audits of handlers' records. Data for October-December 1950 based on handlers' reports.
3/ Based on producer-handlers' reports.

Compiled from reports of the Market Administrator.

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Table 12.--Average daily deliveries of milk per producer supplying the Duluth-Superior marketing area, May 1941-December 1950 1/

Year and month	Producers	Own farms of handlers	Producer-handlers	All producers
	Pounds	Pounds	Pounds	Pounds
1941				
May 5-31	201	808	368	218
June	200	817	349	215
July	178	731	331	193
August	154	663	328	170
September	131	565	364	150
October	121	585	323	138
November	108	613	335	127
December	115	673	322	132
Weighted average	151	676	340	168
1942				
January	119	599	325	136
February	129	742	350	147
March	152	803	332	167
April	165	899	358	181
May	190	1,017	373	205
June	213	1,084	399	228
July	189	1,019	370	203
August	168	1,001	366	181
September	149	1,180	350	163
October	130	1,093	339	143
November	114	1,024	350	128
December	118	1,057	364	132
Weighted average	153	918	356	168
1943				
January	126	1,103	383	141
February	139	1,460	424	155
March	154	1,545	415	169
April	170	1,732	443	186
May	189	1,704	433	203
June	226	1,807	470	240
July	204	1,620	453	218
August	176	1,443	442	190
September	163	1,468	451	178
October	134	1,248	436	148
November	113	1,184	432	128
December	124	1,198	439	138
Weighted average	160	1,451	435	175

See footnote at end of table.

Table 12.--Average daily deliveries of milk per producer supplying the Duluth-Superior marketing area, May 1941-December 1950 1/ - Continued

Year and month	Producers	Own farms of handlers	Producer-handlers	All producers
	Pounds	Pounds	Pounds	Pounds
1944				
January	133	1,277	453	147
February	146	1,314	464	161
March	168	1,555	517	183
April	188	1,846	524	203
May	202	1,956	535	217
June	237	2,012	555	251
July	218	1,991	548	233
August	185	1,788	520	199
September	170	1,697	465	183
October	144	1,505	429	156
November	124	1,489	451	135
December	131	1,572	456	143
Weighted average	171	1,674	495	185
1945				
January	140	1,532	467	152
February	150	1,502	471	162
March	171	1,504	490	183
April	193	1,698	545	205
May	211	1,893	555	223
June	251	2,292	601	264
July	235	2,373	572	248
August	197	2,066	536	209
September	176	1,980	508	188
October	150	1,729	489	160
November	129	1,557	489	140
December	138	1,636	502	149
Weighted average	179	1,815	519	191
1946				
January	147	1,651	501	157
February	196	1,958	618	208
March	174	1,769	558	185
April	197	1,885	656	209
May	227	2,036	684	238
June	256	2,272	747	268
July	231	2,144	647	242
August	186	1,858	586	196
September	153	1,629	520	162
October	132	1,288	488	140
November	131	1,319	499	139
December	145	1,482	473	153
Weighted average	178	1,723	578	188

See footnote at end of table.

Table 12.--Average daily deliveries of milk per producer supplying the Duluth-Superior marketing area, May 1941-December 1950 1/ - Continued

Year and month	Producers	Own farms of handlers	Producer-handlers	All producers
	Pounds	Pounds	Pounds	Pounds
1947				
January	160	772	554	166
February	172	760	588	178
March	202	833	559	207
April	226	930	680	233
May	238	941	760	245
June	270	995	846	277
July	235	944	784	242
August	176	780	679	182
September	163	675	642	168
October	137	642	692	141
November	121	638	698	126
December	133	681	859	138
Weighted average	187	799	686	192
1948				
January	144	730	899	148
February	150	715	930	155
March	181	713	879	186
April	208	839	1,035	213
May	238	908	1,041	243
June	263	953	1,165	268
July	233	766	1,031	238
August	200	624	986	205
September	176	565	898	180
October	152	608	807	156
November	147	680	907	152
December	155	746	880	159
Weighted average	187	737	954	192
1949				
January	165	747	928	169
February	179	751	987	184
March	215	802	967	220
April	244	869	1,126	249
May	276	954	1,106	280
June	287	916	1,088	292
July	250	784	962	254
August	230	738	974	234
September	208	657	967	212
October	172	562	806	175
November	155	583	828	159
December	161	636	835	164
Weighted average	211	750	964	216

See footnote at end of table.

Table 12.--Average daily deliveries of milk per producer supplying the Duluth-Superior marketing area, May 1941-December 1950 1/ - Continued

Year and month	Producers	Own farms of handlers	Producer-handlers	All producers
	Pounds	Pounds	Pounds	Pounds
1950				
January	165	675	840	168
February	181	675	920	185
March	218	745	989	221
April	243	782	1,058	247
May	247	770	1,003	251
June	297	919	1,135	301
July	274	764	897	277
August	227	662	889	230
September	190	625	782	193
October	160	634	644	162
November	149	573	841	152
December	154	561	941	157
Weighted average	209	699	881	212

1/ Computed from unrounded figures used in compiling tables 10 and 11. For definitions of producers and of subgroups shown in this table see pages 17, 18, and 20.

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Table 13.--Producer milk receipts, classification, and percentage of total in each class, Duluth-Superior marketing area, May 1941-December 1950

Year and month	Total producer receipts 1/ (100%)	Use classification of milk: Class I 2/ Volume	Class I 2/ Percentage of total	Class II Volume	Class II Percentage of total	Class III 3/ Volume	Class III 3/ Percentage of total
	1,000 pounds	1,000 pounds	Percent	1,000 pounds	Percent	1,000 pounds	Percent
1941							
May 5-31	7,372	2,172	29.5	5,200	70.5		
June	8,141	2,426	29.8	5,715	70.2		
July	7,512	2,676	35.6	4,836	64.4		
August	6,435	2,779	43.2	3,656	56.8		
September	5,282	2,642	50.0	2,640	50.0		
October	4,978	2,747	55.2	2,231	44.8		
November	4,316	2,641	61.2	1,675	38.8		
December	4,659	2,666	57.2	1,993	42.8		
Total	48,695	20,749	42.6	27,946	57.4		
1942							
January	4,837	2,668	55.2	2,169	44.8		
February	4,725	2,450	51.9	2,275	48.1		
March	6,200	2,689	43.4	3,511	56.6		
April	6,639	2,686	40.5	3,953	59.5		
May	7,989	2,765	34.6	5,224	65.4		
June	8,594	2,724	31.7	5,870	68.3		
July	7,941	3,033	38.2	4,908	61.8		
August	7,121	3,178	44.6	3,943	55.4		
September	5,971	3,076	51.5	2,895	48.5		
October	5,355	3,406	63.6	1,949	36.4		
November	4,527	3,266	72.1	1,261	27.9		
December	4,840	3,218	66.5	1,622	33.5		
Total	74,739	35,159	47.0	39,580	53.0		
1943							
January	5,183	3,207	61.9	1,976	38.1		
February	5,133	2,935	57.2	2,198	42.8		
March	6,372	3,334	52.3	3,038	47.7		
April	6,862	3,300	48.1	3,562	51.9		
May	7,825	3,404	43.5	4,421	56.5		
June	8,992	3,253	36.2	5,739	63.8		
July	8,356	3,516	42.1	4,840	57.9		
August	7,221	3,630	50.3	3,591	49.7		
September	6,403	3,492	54.5	2,911	45.5		
October	5,390	3,833	71.1	1,557	28.9		
November	4,430	3,605	81.4	825	18.6		
December	4,925	3,500	71.1	1,425	28.9		
Total	77,092	41,009	53.2	36,083	46.8		

See footnotes at end of table.

Table 13.--Producer milk receipts, classification, and percentage of total in each class, Duluth-Superior marketing area, May 1941-December 1950 - Continued

Year and month	Total producer receipts 1/ (100%)	Class I 2/ Volume	Class I 2/ Percentage of total	Class II Volume	Class II Percentage of total	Class III 3/ Volume	Class III 3/ Percentage of total
	1,000 pounds	1,000 pounds	Percent	1,000 pounds	Percent	1,000 pounds	Percent
1944							
January	5,283	3,543	67.1	1,740	32.9		
February	5,441	3,389	62.3	2,052	37.7		
March	6,732	3,663	54.4	3,069	45.6		
April	7,316	3,473	47.5	3,843	52.5		
May	8,123	3,683	45.3	4,440	54.7		
June	9,355	3,483	37.2	5,872	62.8		
July	8,871	3,660	41.3	5,211	58.7		
August	7,536	3,962	52.6	3,574	47.4		
September	6,658	3,874	58.1	2,784	41.8		
October	5,788	4,138	71.5	1,650	27.8		
November	4,744	4,087	75.1	657	13.9		
December	5,060	3,955	78.2	1,105	21.8		
Total	80,907	44,910	55.5	35,997	44.5		
1945							
January	5,358	4,108	76.7	1,250	23.3		
February	5,177	3,770	72.8	1,407	27.2		
March	6,637	4,194	63.2	2,443	36.8		
April	7,296	4,023	55.1	3,273	44.9		
May	8,352	4,217	50.5	4,135	49.5		
June	9,661	4,051	41.9	5,610	58.1		
July	9,325	4,157	44.6	5,168	55.4		
August	7,728	4,327	56.0	3,401	44.0		
September	6,802	3,944	58.0	2,858	42.0		
October	5,891	4,397	74.6	1,494	25.4		
November	4,909	4,117	83.9	792	16.1		
December	5,301	4,043	76.3	1,258	23.7		
Total	82,437	49,348	59.9	33,089	40.1		
1946							
January	5,607	4,196	74.8	1,411	25.2		
February	5,335	3,830	71.8	1,505	28.2		
March	6,722	4,312	64.2	2,410	35.8		
April	7,445	4,134	55.5	3,311	44.5		
May	8,890	4,274	48.1	4,616	51.9		
June	9,842	4,085	41.5	5,757	58.5		
July	9,111	4,509	49.5	4,602	50.5		
August	7,221	4,524	62.7	2,697	37.3		
September	5,757	4,245	73.7	1,512	26.3		
October	5,060	4,661	92.1	399	7.9		
November	4,885	4,330	88.6	553	11.3	2	.1
December	5,561	4,244	76.3	1,235	22.2	82	1.5
Total	81,436	51,344	63.1	30,008	36.8	84	.1

See footnotes at end of table.

Table 13.--Producer milk receipts, classification, and percentage of total in each class, Duluth-Superior marketing area, May 1941-December 1950 - Continued

Year and month	Total producer receipts 1/ (100%)	Use classification of milk					
		Class I 2/		Class II		Class III 3/	
		Volume	Percentage of total	Volume	Percentage of total	Volume	Percentage of total
	1,000 pounds	1,000 pounds	Percent	1,000 pounds	Percent	1,000 pounds	Percent
1947							
January	6,179	4,494	72.7	1,147	18.6	538	8.7
February	6,043	4,084	67.6	1,054	17.4	905	15.0
March	8,054	4,525	56.2	1,332	16.5	2,197	27.3
April	8,453	4,465	52.8	1,431	16.9	2,557	30.3
May	9,089	4,656	51.2	1,631	18.0	2,802	30.8
June	9,880	4,316	43.6	1,428	14.5	4,136	41.9
July	9,000	4,714	52.3	1,497	16.6	2,799	31.1
August	6,787	4,934	72.7	1,202	17.7	651	9.6
September	5,801	4,565	78.7	1,081	18.6	155	2.7
October	4,995	4,662	93.3	333	6.7		
November	4,396	4,382	99.7	14	.3		
December	5,011	4,574	91.3	436	8.7		
Total	83,688	54,361	65.0	12,586	15.0	16,741	20.0
1948							
January	5,340	4,587	85.9	753	14.1		
February	5,207	4,232	81.3	855	16.4	120	2.3
March	6,833	4,682	68.5	1,134	16.6	1,017	14.9
April	7,537	4,562	60.5	1,218	16.2	1,757	23.3
May	8,654	4,647	53.7	1,464	16.9	2,543	29.4
June	9,082	4,518	49.7	1,291	14.2	3,273	36.1
July	8,272	5,081	61.4	1,146	13.9	2,045	24.7
August	6,974	4,997	71.7	1,060	15.2	917	13.1
September	6,112	4,649	76.1	981	16.0	482	7.9
October	5,577	4,766	85.5	748	13.4	63	1.1
November	5,300	4,707	88.8	581	11.0	12	0.2
December	5,752	4,761	82.8	949	16.5	42	0.7
Total	80,640	56,189	69.7	12,180	15.1	12,271	15.2
1949							
January	5,993	4,837	80.7	843	14.1	313	5.2
February	5,894	4,451	75.5	915	15.5	528	9.0
March	7,884	4,908	62.3	1,293	16.4	1,683	21.3
April	8,793	4,820	54.8	1,406	16.0	2,567	29.2
May	10,600	4,731	44.6	1,432	13.5	4,437	41.9
June	10,962	4,620	42.1	1,381	12.6	4,961	45.3
July	10,303	4,884	47.4	1,499	14.6	3,920	38.0
August	9,526	5,098	53.5	1,537	16.1	2,891	30.4
September	8,366	4,619	55.2	1,316	15.7	2,431	29.1
October	7,281	4,685	64.4	1,219	16.7	1,377	18.9
November	6,473	4,750	73.4	1,016	15.7	707	10.9
December	6,960	4,817	69.2	1,163	16.7	980	14.1
Total	99,035	57,220	57.8	15,020	15.2	26,795	27.0

See footnotes at end of table.

Table 13.--Producer milk receipts, classification, and percentage of total in each class, Duluth-Superior marketing area, May 1941-December 1950 - Continued

Year and month	Total producer receipts 1/ (100%)	Class I 2/ Volume	Class I Percentage of total	Class II Volume	Class II Percentage of total	Class III 3/ Volume	Class III 3/ Percentage of total
	1,000 pounds	1,000 pounds	Percent	1,000 pounds	Percent	1,000 pounds	Percent
1950							
January	7,195	4,784	66.5	1,061	14.7	1,350	18.8
February	7,130	4,386	61.5	1,053	14.8	1,691	23.7
March	9,525	4,963	52.1	1,334	14.0	3,228	33.9
April	10,280	4,593	44.7	1,348	13.1	4,339	42.2
May	10,843	4,879	45.0	1,449	13.4	4,515	41.6
June	12,607	4,633	36.7	1,377	11.0	6,597	52.3
July	11,918	4,882	41.0	1,569	13.2	5,467	45.8
August	9,911	5,135	51.8	1,429	14.4	3,347	33.8
September	7,983	4,957	62.1	1,175	14.7	1,851	23.2
October	6,928	5,085	73.4	959	13.8	884	12.8
November	6,233	4,936	79.2	1,014	16.3	283	4.5
December	6,805	4,876	71.7	1,161	17.1	768	11.2
Total	107,358	58,109	54.1	14,929	13.9	34,320	32.0

1/ Milk subject to pooling. Does not include milk from handlers' own farms.

2/ Includes school milk and outside market sales. From May 5, 1941, to November 1, 1946, Class I figures include "other source" milk and Class II figures have been reduced correspondingly so that the two classes add to total producer receipts.

3/ Class III established November 1, 1946, by amendment to Order 54.

Compiled from reports of the Market Administrator. 1941 through September 1950 based on audits of handlers' records; October-December 1950 based on handlers' reports.

Table 14.--Percentage of butterfat in producer milk, Duluth-Superior marketing area, May 1941-December 1950

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Annual average 1/
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1941					2/4.1	4.1	4.0	4.2	4.4	4.5	4.4	4.3	4.2
1942	4.2	4.0	3.9	3.9	4.1	4.1	4.1	4.1	4.3	4.4	4.4	4.3	4.1
1943	4.2	4.1	4.0	3.9	4.0	4.1	4.1	4.3	4.4	4.4	4.4	4.2	4.1
1944	4.1	4.0	4.0	3.9	4.0	4.1	4.1	4.2	4.4	4.5	4.4	4.3	4.2
1945	4.2	4.1	4.0	3.9	4.0	4.1	4.1	4.1	4.3	4.4	4.4	4.3	4.1
1946	4.2	4.0	4.0	3.9	4.1	4.0	4.0	4.1	4.3	4.4	4.3	4.2	4.1
1947	4.1	4.1	4.0	3.9	4.0	4.1	4.1	4.1	4.3	4.4	4.3	4.2	4.1
1948	4.1	4.0	4.0	3.9	4.0	4.1	4.1	4.1	4.2	4.4	4.3	4.3	4.1
1949	4.2	4.1	4.0	3.9	4.0	4.1	4.0	4.0	4.2	4.4	4.3	4.2	4.1
1950	4.1	4.0	3.9	3.9	4.0	4.1	4.0	4.1	4.2	4.3	4.3	4.2	4.1

1/ Average weighted by volume.
2/ May 5-31.

Compiled from data reported to the Market Administrator. 1941 through September 1950 based on audits of handlers' records; October-December 1950 based on handlers' reports.

Table 15.--Minimum prices for milk of 4-percent butterfat content, and butterfat differential, per hundredweight, Duluth-Superior marketing area, May 1941-December 1950

Year and month	Minimum price, f.o.b. handler's plant, paid by handlers for milk classified as-- Class I 1/	Class II	Class III 2/	Uniform price payable to producers 3/	Butterfat differential for each 1/10 of 1 percent variation from 4 percent
	Dollars	Dollars	Dollars	Dollars	Cents
1941					
May 5-31	2.294	1.744		1.89	4.4
June	2.320	1.770		1.90	4.4
July	2.267	1.717		1.91	4.3
August	2.298	1.748		1.96	4.4
September	2.480	1.830		2.12	4.6
October	2.408	1.758		2.09	4.4
November	2.438	1.788		2.14	4.5
December	2.378	1.728		2.07	4.3
Simple average	2.360	1.760		2.01	4.4
1942					
January	2.408	1.758		2.09	4.4
February	2.690	2.040		2.33	4.4
March	2.681	2.031		2.27	4.3
April	2.546	1.996		2.21	4.3
May	2.652	2.102		2.28	4.6
June	2.711	2.161		2.32	4.7
July	2.648	2.098		2.33	4.5
August	2.671	2.121		2.37	4.6
September	2.945	2.295		2.75	5.1
October	3.059	2.409		2.86	5.3
November	3.213	2.563		3.06	5.7
December	3.228	2.578		3.02	5.7
Simple average	2.788	2.179		2.49	4.8
1943					
January	3.243	2.593		2.97	5.7
February	3.254	2.604		2.98	5.8
March	3.270	2.620		2.99	5.8
April	3.180	2.630		2.89	5.8
May	3.190	2.640		2.86	5.8
June	3.185	2.635		2.83	5.8
July 4/	3.216	2.667		2.96	5.8
August	3.296	2.776		3.13	5.8
September	3.289	2.769		3.05	5.8
October	3.289	2.769		3.14	5.8
November	3.296	2.776		3.20	5.8
December	3.296	2.776		3.16	5.8
Simple average	3.250	2.688		3.01	5.8

See footnotes at end of table.

Table 15.--Minimum prices for milk of 4-percent butterfat content, and butterfat differential, per hundredweight, Duluth-Superior marketing area, May 1941-December 1950 - Contd.

Year and month	Minimum price, f.o.b. handler's plant, paid by handlers for milk classified as--			Uniform price payable to producers 3/	Butterfat differential for each 1/10 of 1 percent variation from 4 percent
	Class I 1/	Class II	Class III 2/		
	Dollars	Dollars	Dollars	Dollars	Cents
1944					
January	3.310	2.790		3.14	5.8
February	3.324	2.804		3.13	5.8
March	3.338	2.818		3.10	5.8
April	3.324	2.804		3.05	5.8
May	3.345	2.825		3.06	5.8
June	3.345	2.825		3.01	5.8
July	3.345	2.825		3.05	5.8
August	3.345	2.825		3.10	5.8
September	3.331	2.811		3.13	5.8
October	3.338	2.818		3.20	5.8
November	3.359	2.839		3.27	5.8
December	3.324	2.804		3.21	5.8
Simple average	3.336	2.816		3.12	5.8
1945					
January	3.310	2.790		3.19	5.8
February	3.310	2.790		3.17	5.8
March	3.317	2.797		3.12	5.8
April	3.303	2.783		3.07	5.8
May	3.289	2.769		3.03	5.8
June	3.303	2.783		3.00	5.8
July	3.303	2.783		3.02	5.8
August	3.324	2.804		3.10	5.8
September	3.324	2.804		3.12	5.8
October	3.324	2.804		3.20	5.8
November	3.317	2.797		3.25	5.8
December	3.261	2.741		3.14	5.8
Simple average	3.307	2.787		3.12	5.8
1946					
January	3.282	2.762		3.15	5.8
February	3.324	2.804		3.18	5.8
March	3.331	2.811		3.14	5.8
April	3.331	2.811		3.10	5.8
May	3.331	2.811		3.05	5.8
June 4/	3.564	3.044		3.26	6.4
July	4.518	3.998		4.25	8.7
August	4.396	3.876		4.22	8.4
September	4.479	3.959		4.36	8.6
October	4.778	4.258		4.75	9.3
November	5.721	5.321	4.721	5.73	10.4
December	5.538	5.138	4.538	5.47	10.0
Simple average	4.133	3.633	4.630	3.97	7.6

See footnotes at end of table.

Table 15.--Minimum prices for milk of 4-percent butterfat content, and butterfat differential, per hundredweight, Duluth-Superior marketing area, May 1941-December 1950 - Contd.

Year and month	Minimum price, f.o.b. handler's plant, paid by handlers for milk classified as-- Class I 1/	Class II	Class III 2/	Uniform price payable to producers 3/	Butterfat differential for each 1/10 of 1 percent variation from 4 percent
	Dollars	Dollars	Dollars	Dollars	Cents
1947					
January	5.590	5.190	4.590	5.48	10.1
February	4.965	4.565	3.965	4.75	8.6
March	4.750	4.350	3.750	4.42	8.4
April	4.849	4.449	3.849	4.48	8.9
May	3.913	3.663	3.313	3.68	7.8
June	3.780	3.530	3.180	3.49	7.5
July	3.892	3.642	3.292	3.69	7.8
August	4.147	3.897	3.547	4.11	8.4
September	4.821	4.421	3.821	4.73	9.1
October	5.167	4.767	4.167	5.21	9.9
November	4.753	4.353	3.753	4.82	8.8
December	5.190	4.790	4.190	5.23	9.8
Simple average	4.651	4.301	3.785	4.51	8.8
1948					
January	5.660	5.260	4.660	5.69	10.7
February	5.699	5.299	4.699	5.68	10.5
March	5.681	5.281	4.681	5.48	10.4
April	5.428	5.028	4.428	5.12	9.7
May	5.217	4.967	4.617	5.01	10.3
June	5.070	4.820	4.470	4.83	9.9
July	5.165	4.915	4.565	5.05	10.1
August	5.127	4.877	4.527	5.05	10.0
September	5.384	4.984	4.384	5.37	9.5
October	5.321	4.921	4.321	5.38	9.2
November	4.851	4.451	3.851	4.86	8.1
December	4.728	4.328	3.728	4.73	7.7
Simple average	5.278	4.928	4.411	5.19	9.7
1949					
January	4.864	4.464	3.864	4.82	8.1
February	4.784	4.384	3.784	4.67	8.0
March	4.576	4.176	3.576	4.30	7.8
April	4.354	3.954	3.354	4.01	7.6
May	4.265	3.865	3.265	3.83	7.4
June	4.282	3.882	3.282	3.82	7.4
July	4.274	3.874	3.274	3.90	7.3
August	4.312	3.912	3.312	4.00	7.4
September	4.421	4.021	3.421	4.08	7.7
October	4.442	4.042	3.442	4.20	7.7
November	4.452	4.052	3.452	4.33	7.7
December	4.478	4.078	3.478	4.29	7.8
Simple average	4.459	4.059	3.459	4.19	7.7

See footnotes at end of table.

Table 15.--Minimum prices for milk of 4-percent butterfat content, and butterfat differential, per hundredweight, Duluth-Superior marketing area, May 1941-December 1950 - Contd.

Year and month	Minimum price, f.o.b. handler's plant, paid by handlers for milk classified as--			Uniform price payable to producers 3/	Butterfat differential for each 1/10 of 1 percent variation from 4 percent
	Class I 1/	Class II	Class III 2/		
	Dollars	Dollars	Dollars	Dollars	Cents
1950					
January	4.481	4.081	3.481	4.25	7.8
February	4.428	4.028	3.428	4.15	7.7
March	4.456	4.056	3.456	4.07	7.7
April	4.362	3.962	3.362	3.88	7.5
May	3.926	3.676	3.326	3.65	7.5
June	3.927	3.677	3.327	3.58	7.5
July	3.916	3.666	3.316	3.62	7.5
August	3.932	3.682	3.332	3.70	7.5
September	4.366	3.966	3.366	4.09	7.6
October	4.438	4.038	3.438	4.27	7.8
November	4.505	4.105	3.505	4.41	7.9
December	4.562	4.162	3.562	4.39	7.9
Simple average	4.275	3.925	3.408	4.00	7.7

1/ From May 5, 1941, to Feb. 1, 1942, the price of milk disposed of under a program approved by the Secretary of Agriculture for the sale or disposition of milk to low-income consumers, including persons on relief, was the regular Class I price less 40 cents. From Feb. 1, 1942, to July 16, 1943, the price was 47 cents less than the regular Class I price. The milk distributed under this program was 43,655 pounds during April, May, and June 1942.

2/ Class III established November 1, 1946, by amendment to Order 54.

3/ Under the order, the minimum price payable to new producers is the lowest class price.

4/ Class prices are averages, weighted by volume, of the class prices applicable under the order, as follows:

		Class I	Class II
		Dollars	Dollars
July 1943:	July 1 -19	3.175	2.625
	July 20-31	3.275	2.755
June 1946:	June 1 -16	3.331	2.811
	June 17-30	3.831	3.311

Compiled from data reported by the Market Administrator.

Table 16.--Uniform price per hundredweight for milk of average butterfat content, with dairy production payments added when applicable, f.o.b. Duluth-Superior marketing area, May 1941-December 1950 1/

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
1941					1.934	1.944	1.910	2.048	2.304	2.310	2.320	2.199
1942	2.178	2.330	2.227	2.167	2.326	2.367	2.375	2.416	2.903	3.072	3.288	3.191
1943	3.084	3.038	2.990	2.832	2.860	2.888	3.018	3.304	3.282	3.672	3.732	3.576
1944	3.548	3.480	3.500	3.492	3.410	3.418	3.358	3.566	3.962	4.090	4.102	3.984
1945	3.906	3.828	3.720	3.612	3.280	3.308	3.528	3.608	3.744	4.032	4.082	3.914
1946	3.866	3.780	3.740	3.642	3.558	3.710	4.250	4.304	4.618	5.122	5.904	5.586
1947	5.581	4.836	4.420	4.391	3.680	3.565	3.768	4.194	5.003	5.606	5.084	5.426
1948	5.797	5.680	5.480	5.023	5.010	4.929	5.151	5.150	5.560	5.748	5.103	4.961
1949	4.982	4.750	4.300	3.934	3.830	3.894	3.900	4.000	4.234	4.508	4.561	4.446
1950	4.328	4.150	3.993	3.805	3.650	3.655	3.620	3.775	4.242	4.504	4.647	4.548

1/ Uniform price for average test (table 14) computed by applying the butterfat differential to the price for the basic test (table 15). Dairy production payments added for the months of Oct. 1943 through June 1946 (table 17).

Table 17.--Dairy production payments per hundredweight of milk, Minnesota-Wisconsin, October 1943-June 1946

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
1943										30	30	30
1944	35	35	50	50	35	35	35	35	60	60	60	60
1945	60	60	60	60	25	25	45	45	45	60	60	60
1946	60	60	60	60	45	45						

Compiled from Dairy Production Program Statistics, PMA, Dec. 1946.

Table 18.--Value of producer milk received by handlers, Duluth-Superior marketing area, May 1941-December 1950 1/

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
1941					2/142,569	158,262	143,479	131,802	121,687	114,990	100,143	102,444	1,015,376
1942	105,340	110,082	138,065	143,864	185,832	203,428	188,594	172,038	173,349	164,514	148,863	154,462	1,888,431
1943	159,855	155,942	190,514	194,320	223,800	259,689	252,179	238,595	210,147	197,929	165,312	176,107	2,424,389
1944	187,426	189,344	235,604	255,473	277,002	319,743	297,890	268,749	263,807	236,745	194,593	201,576	2,927,952
1945	209,280	198,153	246,907	263,546	273,929	319,595	328,965	278,839	254,676	237,540	200,374	207,472	3,019,276
1946	216,764	201,662	251,414	271,151	316,299	365,134	387,197	310,807	265,875	259,155	288,406	310,627	3,444,491
1947	344,874	292,257	355,998	371,168	334,472	352,243	339,101	284,641	290,218	280,005	223,482	271,881	3,740,340
1948	309,582	295,747	374,435	378,554	433,560	447,669	426,109	359,172	339,834	320,564	270,457	285,328	4,241,011
1949	298,592	279,976	339,000	345,903	405,978	426,860	401,806	381,019	354,219	328,227	295,235	309,459	4,166,274
1950	311,417	295,876	380,332	391,151	395,759	460,772	431,435	374,118	338,644	312,053	289,656	309,510	4,290,723

1/ Computed by using uniform price, and including dairy production payments, for milk of average butterfat content (table 16). Producer receipts were the unrounded figures used in compiling table 13.
2/ May 5-31.

Table 19.--Average daily value per producer of milk supplied to handlers, Duluth-Superior marketing area, May 1941-December 1950 1/

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
1941					2/3.89	3.89	3.40	3.15	3.02	2.80	2.51	2.53
1942	2.59	3.01	3.39	3.58	4.42	5.04	4.49	4.06	4.33	3.99	3.75	3.77
1943	3.89	4.22	4.60	4.81	5.41	6.53	6.16	5.82	5.35	4.92	4.22	4.43
1944	4.72	5.08	5.88	6.56	6.89	8.10	7.32	6.60	6.74	5.89	5.09	5.22
1945	5.47	5.74	6.36	6.97	6.92	8.30	8.29	7.11	6.59	6.05	5.27	5.40
1946	5.68	7.41	6.51	7.17	8.08	9.50	9.82	8.01	7.07	6.76	7.73	8.10
1947	8.93	8.32	8.93	9.92	8.76	9.63	8.85	7.38	8.15	7.68	6.15	7.22
1948	8.35	8.52	9.92	10.45	11.92	12.96	12.00	10.30	9.79	8.74	7.50	7.69
1949	8.22	8.50	9.24	9.60	10.57	11.18	9.75	9.20	8.81	7.75	7.07	7.16
1950	7.14	7.51	8.70	9.25	9.02	10.86	9.92	8.57	8.06	7.21	6.92	7.00

1/ Computed by multiplying average daily deliveries from producers supplying milk subject to pooling (table 12) by the uniform price (table 16).
2/ May 5-31.

Table 20.--Dealers' selling prices per quart of milk, retail, bottled, delivered to homes, Duluth, Minn., 1921-50

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
1921	15	15	14	12.5-13	12	11.5-12		13	12-13	13	13	13
1922	12	11	10	10	10	10	10	10	11	12	12	12
1923	12	12	12	12	12	12	12	12	13	13		13
1924	13	13	13	12	12	12	12	12	13	13		13
1925		13	13		12	12	12	12			13	
1926	13	13	13	12	12	12	12	12		12	12	12
1927	12	12	12	12	12	12	12	12			13	13
1928	13	13	13	12	12	12	12	12	12	13	13	13
1929	13	13	13	13	13	12	12		12	13	13	12
1930	12	12	12	12	12	11	11	11		12	12	11
1931	11	11	11	11			10	10	10	11	11	11
1932	11	11		10	10							
1933									9		9	10
1934	10	10	10	10	10	10		10	10	11	11	11
1935	11	11	11		11	11		11	11	11	11	11
1936	11	11	11	11	11	11	11	11	11	11	11	11
1937	11	11	11	11	11	11	11	12-14	12	12	10	10-12
1938	12	10	10	10	10-12	10	10	10	10	10	10	10
1939	10	10	10	10	10	10	10	10	10	10	10	10
1940	10	10	10	8-10	8-10	9-10	9-10	9-10	9-10	9-10	10	10
1941	11	11	11	11	11	11	11	11	11-12	12	11-12	12
1942	12	12	12	12	12	12	12	12	12	12	11-12	11-12
1943	12-13	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5
1944 1/	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5
1945 1/	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5
1946 1/	13.5	13.5	13.5	13.5	13.5	13.5	16.5	16.5	16.5	16.5	16.5	16.5
1947 1/	16.5	16.5	16.5	16.5	15.5	15.5	15.5	16.5	17.5	18	18	18
1948 1/	19	19	19	19	19	19	19	19	20	20	20	20
1949 1/	20	20	19	19	19	19	19	19	19	19	19	19
1950	19	19	19	19	18	18	18	19	19	19	19	19

1/ May 1944-Jan. 1949, discount of 1 cent per quart on 3 or more quarts delivered at one stop. Feb.-Dec. 1950, discount of 1 cent per quart if total for month is 80 quarts or more.

Compiled from Bureau of Agricultural Economics, Fluid Milk Prices in City Markets. Selling prices are for that quality of milk commonly sold in the market. Prior to Jan. 1947, prices applicable during early part of the month. Jan. 1947 through 1950, latest prices in effect up to the 10th of the month.

Table 21.--Selling prices per quart of milk, retail, bottled, sold at stores, Duluth, Minn., 1921-50

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
1921		15	14	13		12		13	13	13	13	13
1922	12	11-12	10	10	10	10	10	10	9-11	12	12	12
1923	12	12	12	12	12	12	12	12	13	13		13
1924		13	13	12	12	12	11	12	13	13		13
1925		13	11-13		12	12	12	10			11	
1926	11	11	11	10	10	10	12	12		12	12	12
1927		11-12	12	12	11-12	11-12	11-12	11-12			13	13
1928	13	13	13	12	12	12	12	12	12	13	13	13
1929	13	13	13	13	13	12	12		12	12-13	13	12
1930	12	12	12	12	12	11	11	11		12	12	11
1931	11	11	11				10	10	10	11	11	11
1932	11	11			8							
1933									7-9		8-9	9-10
1934	9-10	9-10	9-10	9-10	9-10	9-10		9-10	9-10	10-11	11	11
1935	11	11	10-11		10-11	10-11		11	11	11	11	11
1936	11	11	11	11	11	11	11	11	11	11	11	11
1937	11	11	10-11	10-11								
1938	10			8		8		8				8
1939	8		8	8								
1940												
1941	11								9-11	9-11	9-11	9-11
1942	9-11	9-11	10-11	10-11	10-12	10-11	10-11	10-11	9-11	10-12	9-11	9-11
1943	10-12	12.5	12.5	12.5	12.5	11.5-12.5	11.5-12.5	11.5-12.5	11.5-12.5	11.5-12.5	11.5-12.5	11.5-13.5
1944	11.5-13.5	11.5-13.5	11.5-13.5	11.5-13.5	11.5-13.5	11.5-13.5	11.5-13.5	11.5-13.5	11.5-13.5	11.5-13.5	11.5-13.5	11.5-13.5
1945	11.5-13.5	11.5-13.5	11.5-13.5	11.5-13.5	11.5-13.5	11.5-13.5	11.5-13.5	11.5-13.5	11.5-13.5	11.5-13.5	11.5-13.5	11.5-13.5
1946	11.5-13.5	11.5-13.5	11.5-13.5	11.5-13.5	11.5-13.5	11.5-13.5	14.5-16.5	14.5-16.5	14.5-16	14.5-16	14.5-16	14.5-16
1947	14.5-16	14.5-16	14.5-16	14.5-16	13.5-15	13.5-15	13.5-15	14.5-16	15.5-17	16-18	16-18	16-18
1948	17-18	17-18	17-19	17-19	17-19	17-19	17-19	17-19	18-20	18-20	18-20	18-20
1949	18-20	18-20	17-19	17-19	17-19	17-19	17-19	17-19	17-19	17-19	17-19	17-19
1950	17-19	17-19	17-19	17-19	16-18	16-18	16-18	17-19	17-19	17-19	17-19	17-19

Compiled from Bureau of Agricultural Economics, Fluid Milk Prices in City Markets. Selling prices are for that quality of milk commonly sold in the market. Prior to Jan. 1947, prices applicable during early part of the month. Jan. 1947 through 1950 latest prices in effect up to the 10th of the month.