Federal Regulation of FLUID MILK MARKETING in the CLINTON, QUAD CITIES, and DUBUQUE Marketing Areas

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PREFACE

This report is the sixth in a series of studies undertaken by the Research Division of the Dairy Branch, Production and Marketing Administration, United States Department of Agriculture, to provide: (1) A history of Federal programs regulating the marketing and pricing of fluid milk in various markets; and (2) a factual basis on which to appraise the economic effects of such programs. Each of the markets studied typifies certain marketing and pricing structures or special marketing problems. Previous reports in the series covered the fluid milk markets of Philadelphia, St. Louis, Duluth-Superior, Minneapolis-St. Paul, and Kansas City.

The Clinton, Iowa, milk market provides examples of some of the problems relative to: Regulating a small market; the growth and eventual intermingling of milk supply and distribution areas; and the difficulties encountered and created by the Office of Price Administration in establishing and maintaining price ceilings during World War II. Because of their nearness to the Clinton milk marketing area, the Quad Cities (Davenport, Iowa, and Rock Island, Moline, and East Moline, Illinois) and Dubuque markets influenced the establishment and evolution of the Clinton milk marketing order. Histories of the Quad Cities and Dubuque markets are included in this publication, mainly to account for their influence on the Clinton market.

Acknowledgment is made for the assistance of a number of persons who contributed to the preparation of this report, particularly to E. H. McGuire, Market Administrator for the three areas covered in the study, and his assistant, J. V. O'Meara, both of whom supplied unlimited information and assistance and who read the report in its several stages of preparation; to E. W. Caveney, who wrote a first draft on part of the material relating to the Clinton market; and to William G. Sullivan, Marketing Agreements Division of the Dairy Branch, Production and Marketing Administration, who gave the manuscript a careful review and made many helpful suggestions.

The study on which this report is based was made under the authority of the Agricultural Marketing Act of 1946 (RMA, Title II).

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SUMMARY

The development and economic effects of Federal milk regulatory programs on the marketing and pricing of fluid milk in the three areas--Clinton and Dubuque, Iowa, and the "Quad Cities" (Davenport, Iowa, and Rock Island, Moline, and East Moline, Ill.)--are covered in this report. In 1944, milk producers in Clinton faced unfavorable marketing and pricing conditions relative to producers in the Federal order markets of the Quad Cities and Dubuque and to producers of uninspected milk shipped to competing condenseries and cheese factories. Wartime maximum price regulations contributed to these unfavorable conditions. As a result, milk producers in the Clinton area requested a Federal milk order, and Order No. 70 was promulgated and became effective October 1, 1944.

Federal milk licenses were used in the Quad Cities from 1934 until 1940 and in Dubuque from 1934 to 1936, when the licenses were replaced by Federal milk orders. The three markets were regulated by separate orders until December 1, 1951, when the ever-growing interdependency of the Quad Cities and Clinton markets led to their consolidation into one marketing area to be regulated by a single Federal milk order.

Many changes have taken place in the supply, distribution, utilization, and pricing aspects of milk in these markets during the period of Federal regulation. Chapter VII of this report carries an analysis of the developments, and Chapter VIII carries an evaluation of those developments or effects of particular importance.

Through the Federal milk order, producers for the Clinton market solved serious marketing problems and obtained significant increases in the price of milk. The milk prices established by the order responded more quickly to price changes for related dairy products and to changes in net returns from other agricultural enterprises than did prices before the order became effective.

Marketing and pricing practices adopted under the Federal milk order have contributed toward marketing efficiencies and a stabilized pattern of producer prices (and hence producer returns). Only partial success was achieved in encouraging a supply of milk that would meet the general needs of the market and be in better balance with year-round demand. Of special interest was the abandonment of a "take-off-and-pay-back" plan originally designed to counteract the seasonality of milk production.

The consolidation of the Clinton and Quad Cities orders appears to have been the logical way of making more efficient the separate marketing and pricing systems for fluid milk in the two areas.

The check-weighing and check-testing activities of the Market Administrator's office, together with the classification plans and reporting and auditing features of the regulations, promoted more harmonious relationships between distributors and their producer-suppliers. These practices also helped distributors discover operating inefficiencies and plant losses previously unknown.

The Federal milk orders, and particularly the one applied to the Clinton market, have been important factors in the growth and continued strength of producer cooperative associations.

FEDERAL REGULATION OF FLUID MILK MARKETING IN THE CLINTON, QUAD CITIES, AND DUBUQUE MARKETING AREAS

By Alexander Swantz, agricultural economist, Dairy Branch, Production and Marketing Administration

I. INTRODUCTION

The study on which this report is based was one of a series designed to provide a history of Federal programs regulating the pricing and marketing of fluid milk, in various marketing areas, and an analysis of the impact these programs have had on the marketing structure of the fluid milk industry in the areas under study. As of December 31, 1952, 49 markets were being regulated by Federal milk orders. In each instance, the regulatory programs were developed to meet important problems in the pricing and marketing of fluid milk in the separate marketing areas. The transition toward governmental regulation of fluid milk markets has progressed far enough to provide a basis for appraising the effects of these regulatory programs. Moreover, at the present time the regulatory program is an expanding one, with additional markets requesting Federal milk orders to replace, modify, or strengthen existing marketing practices and price-determining methods.

It is hoped that this report, as well as the other reports in this series, may prove helpful to persons concerned with the marketing of fluid milk in the Clinton, Quad Cities (Davenport, Iowa, and Rock Island, Moline, and East Moline, Ill.), and Dubuque production areas as well as to persons concerned with the solving of milk-marketing problems in other areas of the United States or to persons interested in the general subject of fluid milk marketing. Taken together, this series of reports should provide a broader and more substantial basis for evaluating not only the efficacy of the regulations under study but of the marketing agreement and order program in general.

An effort was made originally to study the development and effects of a comprehensive milk regulatory program on fluid milk markets similar in size and structure to the Clinton, Iowa, market. It soon became apparent, however, that the location of Clinton in the midst of a number of large fluid milk markets regulated by Federal milk orders, and its ever-developing interdependency with the Quad Cities market, made in necessary to study similar developments in the Quad Cities and Dubuque markets. Therefore, this report covers developments in the three markets, although the primary purpose of analyzing the operation and effects of Federal regulation on a small fluid milk market has been retained by presenting a much more detailed analysis of its operations in and effects on the Clinton market.

Scope of the Study

This report begins with a brief description of the structure and organization of the Clinton fluid milk marketing area and its milk production area (which includes important parts of the production and marketing areas of the Quad Cities and Dubuque markets). A detailed analysis was made of the conditions and problems which led to requests for a milk regulatory program in the Clinton market. Changes in the provisions of the Federal milk order and its amendments are described, together with reasons why they were made. Then follows a synopsis of the marketing conditions and problems in the Quad Cities and Dubuque areas, together with a resume' of the provisions and workings of the various regulatory programs of the Federal Government which were adopted by the markets in an attempt to help solve their problems. Techniques and policies of administration were analyzed with a view toward improving the efficacy of the particular regulation and the program in general.

An attempt was made to appraise: (1) The effectiveness of the milk order program in solving the types of fluid milk marketing problems faced by markets located or organized similarly to the three markets covered in this report; (2) the effects of the pricing and marketing policies of the orders in terms of the objectives of the enabling act, as amended, which authorizes the milk order program; and (3) the effects of the regulation on the consumption, production, and marketing of fluid milk and its products in the Clinton marketing area.

Source of data

Data for this study were obtained from many sources. The information pertaining to the scope and techniques of the Federal programs and to the exact provisions contained in the regulations as promulgated for the markets were obtained from the files of the Dairy Branch of the Production and Marketing Administration, U. S. Department of Agriculture. The official hearing records and the recommended decisions of the U. S. Department of Agriculture (USDA) were examined and analyzed to provide the information pertaining to the proposals advanced by different interests in the markets and the economic considerations which influenced the provisions actually incorporated into the milk marketing orders. Information concerning the structure and organization of the fluid milk markets, the history and scope of the local sanitary regulations, and the conditions in the fluid milk markets which preceded Federal regulation were obtained from personal interviews and from information contained in the records and files of the USDA, the records of the Office of Price Administration (OPA) now contained in the National Archives in Washington, D. C., published reports of the U. S. Bureau of Census, data on file in the office of the Market Administrator for the markets concerned, publications of the USDA, and similar sources. The records of the Market Administrator and of the Dairy Branch of the Production and Marketing Administration (PMA), USDA, provided a wealth of detailed statistical data pertaining to nearly all aspects of the markets, particularly for the years since the advent of Federal regulation.

II. THE CLINTON FLUID MILK MARKET

Location of the market

Clinton is located on the Mississippi River in the mideastern part of Iowa where the river forms the boundary with Illinois. This city of 30,000 inhabitants contains over one-half of the entire population of Clinton County, Iowa, and it serves as an important manufacturing, retailing, and trading center for the 100-mile area between Dubuque, Iowa, and the Quad Cities area of Iowa and Illinois. (Fig. 1.) Business activity in Clinton is largely industrial, comprising the manufacture of food products, lumber millwork, the processing of animal feeds, and the fabrication of iron and steel machinery and equipment. Clinton is also an important railroad center. Data from the U. S. Bureau of the Census indicates that in 1950 the population of Clinton totaled 30,151; other towns in the vicinity of Clinton include Fulton, a residential community of 2,712 population located across the river in Illinois; DeWitt, 22 miles west, with a population of 2,644; Camanche (1,212 population), a factory town 6 miles down the river from Clinton; and Albany (492 population), a village 5 miles south of Fulton, in Illinois.

The population of this area is mostly of North European extraction, with Irish, German, Scandinavian, and Belgian nationalities predominating. Important cities in the general area of Clinton include Dubuque, Iowa (49,528 population), 60 miles upriver; Cedar Rapids, 75 miles to the west with a population of 72,149; the Illinois cities of Sterling (12,761 population and 25 miles away), Dixon (11,532 population and 39 miles away), and Rockford-Freeport (115,394 population and 70 miles northeast from Clinton); and the Iowa-Illinois metropolitan area known as the "Quad Cities" (with a total population of 233,012) located on the Mississippi River approximately 40 miles to the south of Clinton.

Type-of-Farming Areas

The milk production area for the Clinton market is a part of the eastern meat-producing area of Iowa and of the northwestern Illinois mixed livestock farming area. (Fig. 2.) The feeding of livestock (principally beef cattle and hogs) provides the principal source of income to farmers. Clinton County is one of the most important cattle-feeding counties in the United States. The land is generally of good to high agricultural potentiality, and varies in topography from level to rough. In the hilly sections considerable land must be kept in hay or pasture; other sections are intensive grain and hog-production areas.

In contrast to the meat-producing area, which constitutes most of the Clinton marketing area, the northern part of the milkshed lies in an area which contains a considerable amount of rough or rolling land more adaptable to the production of hay and pasturage. Dairying is more

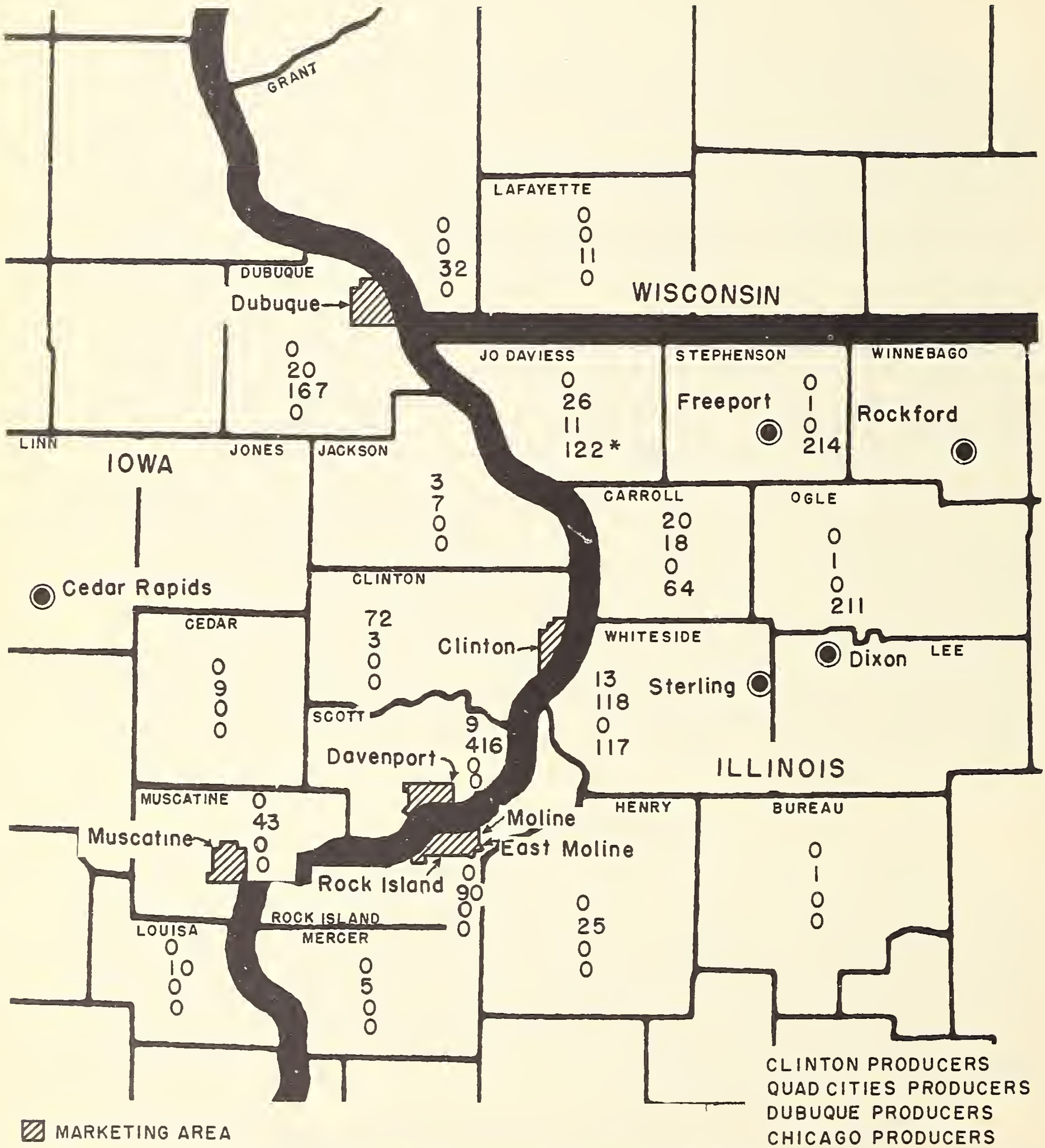

FIGURE 1.—The marketing and production areas of the Clinton, Dubuque, and Quad Cities fluid milk market. (Figures appearing in each county indicate the number of producers supplying milk to each market.)

FIGURE 2.—Type-of-farming areas in Iowa and Illinois.

important in this area than elsewhere in the State, and marketing facilities for dairy products are highly developed. This is the general area in which the Dubuque, Iowa, marketing area is located.

Table 1 shows the relative importance of the various agricultural enterprises (expressed as a percentage of the total value of all farm products sold) in the counties surrounding the Clinton market and in the States of Iowa, Illinois, New York, and Wisconsin, as well as comparable data for the United States. These data indicate the relative importance of livestock production in the general area of the Clinton market; the value of livestock products was about 8 times greater than the value of dairy products in the 7 Iowa counties and about 6 times greater in value in the 5 Illinois counties.

Supply of Milk

The Clinton marketing area always has depended on Illinois producers for a part of its milk supply. Table 2 shows that in 1950, for example, an average of 121 dairy farmers held permits from the Clinton health department and sold milk in the city; 35 of these producers (about 29 percent) were Illinois farmers who furnished about 34 percent of the total producer milk received by the Clinton market. (Table 3.) During the years 1949-51 about 32 percent of the total market receipts came from Illinois. This important interstate movement of milk into the Clinton market was heaviest during the fall and winter months when Clinton handlers purchased emergency supplies of milk from Illinois condenseries as well as from Quad Cities area producers on the Illinois side of the river. Several handlers and butterfat buyers regularly operated cream routes in Illinois, purchasing cream to be manufactured into butter. Clinton handlers also purchased large quantities of cream from the Argo Fey and Morrison, Ill., condenseries to meet their table cream requirements.

The milkshed from which Clinton handlers regularly draw milk lies almost entirely within the two counties of Clinton, Iowa, and Whiteside, Ill. The Clinton milkshed lies within the Quad Cities milkshed, and is in part overlapped by the Dubuque milkshed. In the early 1940's milk trucks from the Quad Cities market picked up milk from producers located only a few miles from Clinton on the Iowa side of the river, and milk routes of handlers located in both markets converged on the Illinois side of the river. These conditions permitted producers to shift from one market to another depending on the price relationships which existed at the time.

During World War II Quad Cities handlers also supplied the U. S. Army General Hospital at Clinton with milk; on the same route they sold milk to Clinton stores for retail trade. Shortly thereafter, a major handler in the Quad Cities market was selling milk, produced by Quad Cities producers, at wholesale in the Clinton marketing area and a Clinton handler was selling milk, produced by Clinton producers, at wholesale and retail in the Quad Cities marketing area. By late 1951 the growing interdependence of the two marketing areas led to their being combined into a single marketing area subject to a single Federal milk order.

Table 1.--Total value of all farm products sold and the value of specific products, expressed as a percentage of all farm products, in the United States, in the States of Iowa, Illinois, New York, and Wisconsin, and in selected counties in Iowa and Illinois, 1949

Area	Total value of all farm products sold	Value of specific farm products expressed as percentage of total value of all farm products sold				
		Dairy	Poultry	Other livestock	All crops	Forest products
	Dollars	Percent	Percent	Percent	Percent	Percent
United States	22,043,106,149	14.0	8.3	32.7	44.4	0.6
States:						
Illinois	1,361,630,393	9.3	4.8	42.6	43.2	.1
Iowa	1,635,350,322	7.1	7.4	65.9	19.6	1/
New York	632,599,207	50.5	12.7	10.9	25.3	.6
Wisconsin	764,629,479	52.0	7.0	29.9	10.5	.6
Illinois counties:						
Carroll	15,162,738	14.2	5.7	73.5	6.6	1/
Henry	33,452,241	3.8	2.8	75.5	17.9	1/
Jo Daviess	12,502,150	25.0	5.6	65.3	3.9	.2
Rock Island	10,873,846	7.4	5.4	69.4	17.8	1/
Whiteside	25,243,303	13.9	3.8	57.1	25.2	1/
Iowa counties:						
Cedar	24,963,164	5.6	3.8	81.2	9.4	1/
Clinton	30,891,570	4.5	3.0	82.9	9.6	1/
Dubuque	17,856,663	20.1	6.0	70.8	3.0	.1
Jackson	14,686,084	9.9	4.0	78.7	7.3	.1
Louisa	11,278,660	3.3	3.0	70.5	23.1	.1
Muscatine	14,455,372	8.2	3.3	68.4	20.1	1/
Scott	18,056,740	14.5	4.0	67.4	14.1	1/

1/ Less than 0.05 percent.

Compiled from preliminary data, U. S. Census of Agriculture, 1950.

Table 2.--Number of producers classified as to location, Clinton, Quad Cities, and Dubuque markets, 1948-51

Year	Clinton		Quad Cities 1/ 3/		Dubuque		
	Iowa	Illinois	Iowa	Illinois	Iowa	Illinois	Wisconsin
	Number	Number	Number	Number	Number	Number	Number
1948			395	108			
1949	94	38	474	217	165	7	41
1950	86	35	499	244	169	10	44
1951	2/ 84	2/ 27	518	293	165	11	41

1/ Grade A producers.
2/ Average for January-November.
3/ In 1951 twelve producers were located in Wisconsin and shipped to the market during July-December.

Table 3.--Receipts of producer milk, classified as to State of origin, Clinton, Quad Cities, and Dubuque markets, 1948-51

Year	Clinton		Quad Cities 1/		Dubuque		
	Iowa	Illinois	Iowa	Illinois	Iowa	Illinois	Wisconsin
	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1948			78.5	21.5			
1949	66.3	33.7	71.0	29.0	72.6	2.7	24.7
1950	66.0	34.0	68.4	31.6	71.5	3.4	25.1
1951	2/ 71.4	2/ 28.6	3/ 62.1	3/ 36.8	72.7	3.7	23.6

1/ Grade A producers.
2/ January-November.
3/ Wisconsin producers supplied 1.1 percent.

Distribution of Fluid Milk and Cream

In 1950 the Clinton marketing area was serviced by four distributors, two of whom (Sanitary Farm Dairies, Inc., and Elmwood Farm Dairy) were located in Clinton and two of whom (Sturtevant Dairy Products Company, Inc., of Rock Island, Ill., and Iowana Farms Milk Company of Bettendorf, Iowa) were subject to the Quad Cities order but sold milk in Clinton. 1/ The two local handlers distributed fluid milk and cream on both wholesale and retail routes; the out-of-town handlers supplied only wholesale outlets. One of the local distributors was affiliated with a dairy corporation which operated distribution plants in other Midwest markets; the local plant also serviced outlets in the Quad Cities marketing area. The other handler located in Clinton was organized on a partnership basis, and serviced outlets only in the local marketing area. The Sturtevant Dairy Products Company, Inc., of Rock Island, Ill., in addition to supplying the Clinton market, also was one of the principal handlers in the Quad Cities market. In early 1944, just prior to the promulgation of the Federal milk order, there were four distributors located in and supplying the Clinton market. Of these, two have since ceased operations.

Prior to the price fixing era of the OPA and the Federal milk order, milk distributors on the Clinton market used varying methods for determining prices to be paid producers for milk. One method was a surplus computation of the simplest sort; any milk used for separation for fluid cream sales and all milk used in manufactured products was considered "surplus" and paid for at a lower price than was the milk used for fluid milk sales. The purchasing distributors computed the percentage of milk diverted to the "surplus" uses by using their records of final disposition of milk for all the various products. Testimony at the public hearing called to consider a Federal order for the Clinton market indicated that producers were not only dissatisfied with the level of prices but also doubted that the quantities of milk diverted to surplus uses were as large as handlers claimed.

Probably the method most widely used for paying producers was to pay a straight price per pound of butterfat contained in the whole milk regardless of whether the milk was used for fluid purposes or diverted into manufactured products. The paying price per pound of butterfat was determined largely by the paying prices of nearby condenseries and cheese factories for uninspected milk. Some dairies had used this method continuously for a number of years prior to World War II. When OPA regulations first became effective in 1943, they specified a definite maximum price per pound of butterfat contained in the whole milk. After that, all the local dairies began to pay producers the specified price on a straight butterfat content basis.

1/ A third handler (Peerless Milk Products Company of Rock Island, Ill.) from the Quad Cities market began distributing fluid milk, cream, and related products at the wholesale level in the Clinton marketing area on January 1, 1951.

City Milk Ordinances

When Order No. 70 became effective on October 1, 1944, the production of milk for the Clinton market was regulated by a local milk ordinance adopted by the city in 1942. The enforcement of the ordinance was entrusted to a City Milk Inspector who supervised a milk inspection department under the Department of Health. The formal standards of the ordinance provided for the inspection of dairy plants and equipment and dairy barns and premises for sanitation, and for the inspection of dairy herds for tuberculosis and Bang's disease. There were no provisions which required tests or set standards relating to sediment, temperature, and methylene blue tests. There were varying opinions as to how stringently the ordinance was enforced, but much of the testimony at public hearings was to the effect that the enforcement was loose, particularly as applied to the production and handling of milk on farms.

In at least two instances the Clinton milk ordinances had a significant effect on local milk procurement and marketing practices. The first instance occurred in the fall of 1943. In earlier years, fluid milk distributors in Clinton bought emergency supplies of fluid milk from Illinois condenseries when local production fell short of the market's needs. This emergency milk was inspected for quality by the Clinton inspector using the standards set forth in the local ordinance. During the short production months in 1942, local distributors imported emergency milk from manufacturing plants located at Erie and Mount Carroll, Ill. In the fall of 1943 the Clinton inspector ruled that milk obtained from those sources was unsatisfactory as to quality and forbade its distribution in the city. As a result, local distributors had to rely on an approved cooperative association in the Quad Cities market for supplemental milk supplies.

In October 1944, the ordinance was amended to prohibit distributors from receiving milk produced more than 25 miles from the city limits of Clinton and prohibited the distribution of any milk not pasteurized within 10 miles of the local city limits. One of the largest distributors in the Quad Cities market had obtained a significant portion of the volume of fluid milk sales in Clinton. Local producers and distributors objected to his entry into the Clinton market--a market which they considered as their own--and the amendment to the ordinance excluded him. Charges and countercharges were exchanged between the outside distributor and the local fluid milk interests (principally through newspaper advertisements), but the Quad Cities distributor was kept out of the Clinton market. However, a new group of officials was elected to the city government at the next election, and the new administration restored the permit of the Quad Cities distributor to distribute milk in Clinton.

Shortly after its election, the new group of officials in the city government also adopted a new milk ordinance for Clinton and the regulation was made effective on February 12, 1946. Although the new ordinance did not differ greatly in its formal terms from the old one, it was modeled more closely after the standard milk ordinance and code recommended by the U. S. Public Health Service.

Shortly after the new ordinance became effective, a new inspector was hired. The new ordinance was rigidly enforced, and many producers were denied permits to continue shipping milk into the local market. The strictness of the new inspection and enforcement policy is indicated by the fact that between January and November 1946 the number of producers holding permits declined from 200 to 147--a decrease of 25 percent.

The present ordinance (1946) prohibits the sale of any raw or pasteurized milk or fluid milk product in the city of Clinton that does not meet its Grade A standards nor the standards of ordinances of other areas with equivalent requirements which are properly enforced. Distributors and producers who serve the market must have health department permits. Producers obtain their permits free of charge but the city collects a fee of $25 from each milk plant, which fee includes a permit for one distribution truck. For each additional truck a $5 permit is required. The inspector is required to inspect each dairy farm and milk plant at least once every 6 months and to take at least four samples of milk and cream (on separate days) from each farm and each milk plant for the purpose of making bacterial counts and as a protection against adulteration. The health officer also is required to enforce the ordinance in accordance with the interpretations contained in the current edition of the milk ordinance and code recommended by the United States Public Health Service.

Producer Cooperative Associations

Iowa producers first attempted to form cooperative associations for the sale of milk to distributors in 1916 when the fluid milk producers in the Des Moines marketing area formed the Des Moines Milk Producers Association. The producers looked to the association as a means of obtaining higher prices and improved marketing conditions in general. To forestall legal difficulties coincident with bargaining for prices, the organization was incorporated in 1917 and its name was changed to the Iowa Dairy Marketing Association. Its purpose was to establish local associations in each of the fluid milk markets where centralized distribution had developed and at the height of its effectiveness the Iowa Dairy Marketing Association was composed of locals in 10 of the more important Iowa markets. One of these locals was organized in Dubuque in 1920. After 1922 the State-wide Iowa Dairy Marketing Association began to break down and subsequent efforts to reorganize a system of local cooperatives were without results until 1933 when Mid-west Non-stock Cooperative Dairies was formed. The latter federation was organized principally to aid local associations in obtaining benefits of the marketing agreements program then under development by the Agricultural Adjustment Administration. 2/

Seven other associations were organized and developed during the period 1917-23, but none of them affiliated with the Iowa Dairy Marketing Association. The earliest of these independent cooperatives was an organization known as the Clinton Milk Producers Company, Inc., formed at Clinton,

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2/ Cooperative Fluid Milk Associations in Iowa. By Paul E. Quintus and T. G. Stitts. Circ. C-105. Farm Credit Admin. U. S. Dept. Agr.

Iowa, on November 20, 1917. The express purpose of this association, comprised of 30 farmers, was to raise producers' prices for fluid milk. Producers in the Clinton marketing area had become dissatisfied with prices which the distributors paid them and concluded that a cooperative association would be able to bargain effectively with distributors and increase milk prices. No sooner had the Clinton Milk Producers Company been formed than the distributors professed a fear that somehow their milk supply would be taken away from them. As a result, the distributors began paying prices which were satisfactory to the producers without resort to bargaining of any sort between the cooperative association and the distributors. 3/

The raising of prices by the Clinton distributors in 1917 made unnecessary at that time any action on the part of the newly formed cooperative association. Because of the distributors' new price policy, the cooperative was dissolved without ever becoming an active association.

Dairy farmers in the vicinity of Clinton made no further effort to organize a producer cooperative until early in 1944. Once again dissatisfaction with the prices being paid by distributors was strong enough to provoke a demand among a small group of producers for the formation of an effective bargaining association. In the course of their efforts to organize the association, the producers concluded that: (1) The Federal milk order program had been an important factor in assuring producers satisfactory prices and stable marketing conditions in nearby fluid markets, notably Quad Cities and Dubuque; and (2) a producer organization could be instrumental in obtaining an order for the Clinton market.

As a result of these efforts, the Clinton Cooperative Milk Producers Association, Inc., was organized on February 18, 1944 (and incorporated on March 6, 1944), when 18 incorporators subscribed to a set of articles of incorporation proposed for the prospective producers' cooperative. The association was formed principally to act as a bargaining agency for its members for the sale of milk in the Clinton market.

The Articles of Incorporation of the association state that it was formed for the following purposes:

a. To secure the benefits of bargaining power by exclusive sale of each member's milk; acting as the sole agent of the members;

b. To improve the quality of the milk produced by complying as far as practicable with suggestions of competent public authorities, and in particular the city milk inspector of Clinton, Iowa;

c. To secure for members information and facts essential to the business of milk production;

d. To secure the benefits of the Division of Cooperative Marketing in the Bureau of Agricultural Economics of the United States Department of Agriculture; 4/

3/ Records of Farm Credit Administration. U. S. Dept. Agr. Washington, D. C.

4/ Division intended was the Cooperative Research and Service Division, Farm Credit Admin. U. S. Dept. Agr.

e. To arrange for independent testing of milk;

f. To secure opportunity for artificial insemination.

The association is managed by a board of directors composed of 9 members (5 of whom constitute a quorum for the transaction of business) who have general charge of all the business of the corporation. Three directors of the board are elected annually to serve terms of 3 years. The officers are chosen from among the directors.

Membership in the Clinton Cooperative Milk Producers Association 5/ is available to producers of milk and milk products who subscribe for membership and sign an agency contract with the association. The membership lasts 1 year but is automatically renewed unless notice of termination is given during the month of October to be effective the following June 1. However, in actual practice, only those persons actively engaged in the production of milk are allowed to vote or participate actually in the meetings and business affairs of the association.

Operating costs of the cooperative originally were met by assessments of 2 cents per pound of butterfat handled through the cooperative's contract. Since September 1, 1947, the activities and services of the association have been financed by the receipt of the marketing services deductions collected from producers' payments as authorized by Federal Order No. 70.

Shortly after its formation, the CCMPA began actively to seek a Federal milk order for the Clinton market.

5/ CCMPA, when used hereafter, refers to the Clinton Cooperative Milk Producers Association.

III. CONDITIONS IN THE CLINTON MARKET PRIOR TO FEDERAL REGULATION

During the years just prior to the start of World War II, the fluid milk producers supplying Clinton became more dissatisfied with the marketing and pricing conditions under which they had to sell their milk. First of all, they were acutely aware of the fact that the prices they received for whole milk were considerably lower than those received by producers of whole milk for the Quad Cities and Dubuque markets. In addition, individual producers expressed dissatisfaction with their business relationships with local handlers, particularly as to the handling and pricing of surplus milk (milk not needed for fluid uses) and the verification of weights and tests. These producers were unorganized, and they had to rely entirely on the buyer of their milk for the weighing and testing of their milk shipments; also, they had little opportunity to do other than accept the buyer's method of pricing producer milk.

During that period, the actual level of prices for producer milk in the Clinton market was determined largely by the prices paid for uninspected whole milk by condenseries and cheese factories located in nearby areas of Illinois and Iowa. For the most part, distributors hauled the milk in their own trucks directly from the producers' farms to bottling plants and paid for the milk on a straight price per pound of butterfat. Under those conditions, prices to Clinton producers were under little pressure to advance during 1941 and 1942; after the advent of the OPA, prices to Clinton producers were pegged at approximately the pre-OPA level.

The unfavorable marketing and pricing conditions experienced by fluid milk producers supplying the Clinton market (relative to producers of milk for the Quad Cities and Dubuque markets and, by 1941, to producers of uninspected milk for competing condenseries and cheese factories) were aggravated seriously by the advent of the war and the emergency conditions of 1941-42. The data in table 4 and figure 3 indicate the relationship which existed between the prices paid for 3.5 percent whole milk by Clinton distributors and the prices paid for whole milk by alternative or comparable outlets during the years 1941-44.

Conditions in the Clinton market prior to the issuance of the Federal milk order were influenced significantly by other Federal regulations governing the price of milk and milk products during the years 1941-46. 6/ During most of that period fluid milk distributors were subject to controls on maximum prices of (1) fluid milk and cream at the retail and wholesale level and (2) raw milk at the producer level. Under authority of the Emergency Price Control Act of 1942, the Price Administrator issued the General Maximum Price Regulation, on April 28, 1942, to become effective

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6/ For a complete description of all these regulations, see "Federal Milk Marketing Orders and Dairy Programs in World War II," by G. Foelsch, Agriculture Monograph No. 12. Prod. Mktg. Admin., U. S. Dept. Agr.

Table 4.--Minimum prices for Class I milk under applicable Federal milk regulations for Clinton, Quad Cities, and Dubuque markets, and the average of prices paid per hundredweight by 18-Midwest condenseries for milk containing 3.5 percent butterfat, by months, 1941-44

Year and month	Clinton 1/	Quad Cities: Grade A	Quad Cities: Non-Grade A	Dubuque	18-Midwest condenseries
	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.
1941					
January	1.82	2.40	2.10	2.35	1.45
February	1.82	2.40	2.10	2.35	1.44
March	1.82	2.40	2.10	2.35	1.47
April	1.82	2.40	2.10	2.35	1.57
May	1.75	2.40	2.10	1.95	1.68
June	1.75	2.40	2.10	1.95	1.78
July	1.75	2.40	2.10	1.95	1.95
August	1.75	2.40	2.10	1.95	2.06
September	1.82	2.40	2.10	1.95	2.13
October	1.82	2.40	2.10	2.35	2.18
November	1.82	2.40	2.10	2.35	2.22
December	1.82	2.79	2.54	2.65	2.23
Average	1.80	2.43	2.14	2.21	1.85
1942					
January	1.92	3.10	2.90	2.90	2.21
February	1.92	3.00	2.80	2.80	2.08
March	1.92	2.90	2.70	2.70	1.96
April	1.92	2.78	2.58	2.58	1.89
May	1.92	2.75	2.55	2.55	1.87
June	1.92	2.71	2.51	2.51	1.81
July	1.92	2.69	2.49	2.49	1.81
August	1.92	2.82	2.62	2.62	1.97
September	1.92	2.92	2.72	2.72	2.11
October	1.92	3.05	2.85	2.85	2.26
November	2.10	3.06	2.86	2.86	2.35
December	2.10	3.23	3.03	3.03	2.52
Average	1.95	2.92	2.72	2.72	2.07
1943					
January	2.10	3.45	3.25	3.25	2.58
February	2.10	3.45	3.25	3.25	2.58
March	2.10	3.45	3.25	3.25	2.58
April	2.27	3.45	3.25	3.25	2.59
May	2.27	3.45	3.25	3.25	2.59
June	2.27	3.45	3.25	3.25	2.59
July	2.27	3.45	3.25	3.25	2.59
August	2.38	3.46	3.26	3.26	2.60
September	2.41	3.50	3.30	3.30	2.60
October	2.41	3.50	3.30	3.30	2.66
November	2.44	3.55	3.35	3.35	2.70
December	2.56	3.60	3.40	3.40	2.72
Average	2.30	3.48	3.28	3.28	2.62

See footnote at end of table.

Table 4.--Minimum prices for Class I milk under applicable Federal milk regulations for Clinton, Quad Cities, and Dubuque markets, and the average of prices paid per hundredweight by 18-Midwest condenseries for milk containing 3.5 percent butterfat, by months, 1941-44--Continued

Year and month	Clinton 1/	Quad Cities: Grade A	Quad Cities: Non-Grade A	Dubuque	18-Midwest condenseries
	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.
1944					
January	2.56	3.61	3.41	3.41	2.74
February	2.56	3.61	3.41	3.41	2.74
March	2.56	3.59	3.39	3.39	2.69
April	2.56	3.48	3.28	3.28	2.60
May	2.56	3.45	3.25	3.25	2.59
June	2.77	3.45	3.25	3.25	2.58
July	3.01	3.46	3.26	3.26	2.59
August	3.01	3.46	3.26	3.26	2.60
September	3.01	3.48	3.28	3.28	2.64
October	3.11	3.51	3.31	3.31	2.64
November	3.11	3.51	3.31	3.31	2.64
December	3.11	3.51	3.31	3.31	2.64
Average	2.83	3.51	3.31	3.31	2.64

1/ Distributors average paying price prior to October 1944. Federal Order No. 70, bringing the Clinton market under the minimum pricing provisions of a Federal Order, became effective October 1, 1944.

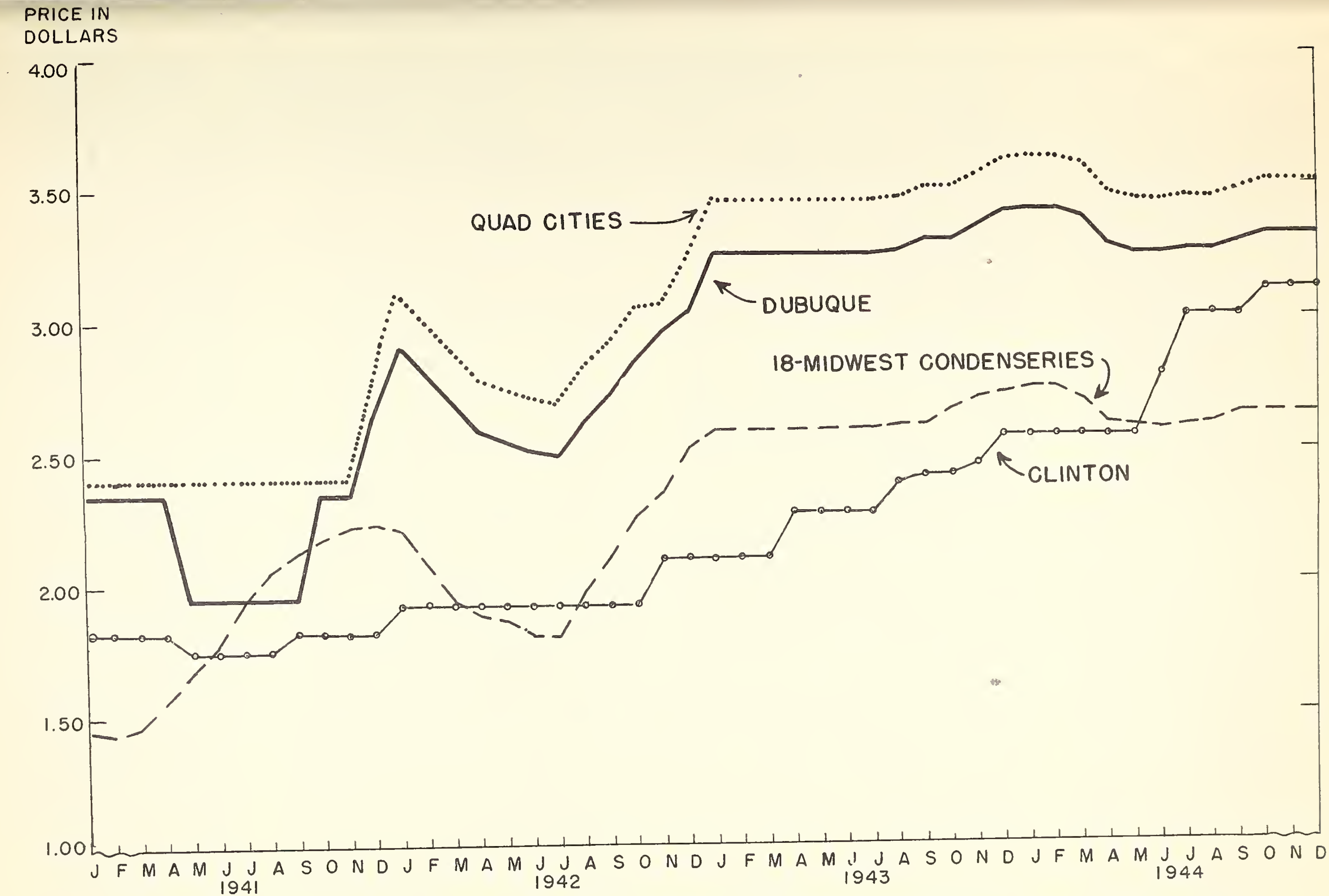

Figure 3.--Relationship existing between prices paid for 3.5 percent whole milk at Clinton, Quad Cities, Dubuque, and by 18 Midwest condenseries, 1941-1944.

May 18, 1942. This regulation established universal price ceilings on all major "cost-of-living" items. The regulation "froze" the price that any retailer could charge for a product at the same level that he charged during the base period of March 1 to 31, 1942. Supplementary regulations were issued to adjust any inequities. These regulations fixed the retail prices for fresh (fluid) milk and cream sold in glass or paper containers in the Clinton market. The ceiling price for retail sales of fluid milk was 12 cents a quart. Wholesale sales of these products were brought under similar price controls (using the same base periods) by Amendment No. 21 to the GMPR on August 7, 1942. The ceiling price for wholesale sales of fluid milk was 10 cents a quart.

Prices paid producers for raw unprocessed milk destined for human consumption in fluid form were not subject to price controls until February 13, 1943, or about 1 year after similar controls were established on retail and wholesale sales of fluid milk by distributors. During the interim, the prices to producers for raw milk had continued to increase as a result of three principal factors: (1) The increased prices of manufactured dairy products forced fluid milk distributors to increase their prices to producers in order to prevent the diversion of their raw milk supply to manufacturing outlets; (2) the increased demand for fluid milk encouraged distributors to bid competitively for milk supplies located beyond their normal production areas; and (3) organized producers continued to demand higher prices to help offset increases in production costs. As a reflection of these forces, higher minimum producer prices already had been established in about 26 fluid markets in the United States, operating under Federal milk orders and in many areas under the jurisdiction of State milk control boards.

These forces had increased producer prices to such an extent by early 1943 that the OPA was faced with numerous petitions from distributors for individual adjustments in retail and wholesale prices of fluid milk to help offset the "squeeze" on their operating margins. In an effort to halt these pressures for continued price increases and thereby retain the prevailing retail price structure, the OPA established ceiling prices for milk at the producer level at the highest price paid by such purchasers for milk received during January 1943. These maximum producer prices applied only to bulk milk sold for ultimate human consumption in fluid form; it did not affect bulk milk sold by producers for manufacturing purposes. This regulation was known as Maximum Price Regulation 329 and was made effective on February 13, 1943. Under its terms, a maximum price of 68 3/4 cents per pound of butterfat applied to all sales of milk by local producers to Clinton handlers.

An important provision of MPR 329, particularly from the standpoint of future development in the Clinton market, was the requirement that the maximum price to producers in those marketing areas regulated by Federal milk orders be the prices paid during the base period of January 1943, "or the minimum producer price established under the provisions of the Agricultural Marketing Agreement Act of 1937, as amended, whichever is higher." 7/ This provision was required by terms of the Emergency Price

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7/ Section 1351.402, MPR 329 of February 13, 1943.

Control Act itself. It permitted a measure of exemption from OPA price ceilings on producers' prices and was the basis for the price increase given producers in the Clinton marketing area by the issuance of Federal Milk Order No. 70 in 1944.

The regulation also authorized the regional offices of the OPA to adjust maximum producers' prices within their areas if such action was necessary to prevent an existing or threatened local shortage of milk, or to increase producers' prices whenever the distributors' margins could absorb the increase without altering the retail levels established under the Emergency Price Control Act.

The maximum price paid producers by Clinton handlers during January 1943 was 68 3/4 cents per pound of butterfat, and this price was established as the maximum permitted Clinton producers under the provisions of MPR 329. The original ceiling price payable by Clinton distributors had been in effect about 7 months when they applied to the Regional Office of the OPA for an increase. Not only had the supply of locally produced milk begun to decrease seasonally but it had become apparent to the distributors that the maximum price permitted their producers was too far below the level of prices being paid by alternative outlets in the same production area to prevent the diversion of large quantities of market milk to manufacturing and other alternative uses. For example, all the cheese factories in the Clinton area were paying up to 5 1/4 cents more per pound of butterfat than Clinton distributors were allowed by the OPA to pay producers. At the same time, Quad Cities distributors were paying $3.25 per hundredweight of 3.5 percent Grade B milk, or about 93 cents per pound of butterfat. This meant that even though the production areas of the two markets overlapped, Grade B producers in the Quad Cities market received over 24 cents per pound of butterfat (or 84 cents per hundredweight of 3.5 percent milk) more for their milk than did Clinton producers.

In addition to requesting the increase in producer prices, Clinton distributors agreed to absorb the extra costs involved in paying producers a price of not to exceed 73 cents per pound of butterfat. It was felt that an increase of slightly more than 4 cents per pound of butterfat would be enough to prevent further diversion of milk to local cheese factories and to the Quad Cities, particularly in view of the restrictions on the use of trucks and tires and of cost of transporting milk to the latter market. The Regional Office of the OPA was empowered to act, since the retail and wholesale price levels would not be affected, and that office approved a new maximum producers' price of 73 cents per pound of butterfat ($2.56 per hundredweight of 3.5 percent milk). The new price ceiling 8/ became effective November 26, 1943.

Although the Clinton price was now in closer alignment with prices paid by manufacturing outlets, local producers' prices remained well below the levels prevailing in the Quad Cities market. This disparity in maximum prices payable to producers by distributors in the two marketing areas, continued to encourage the diversion of milk supplies to the Quad Cities. This diversion became so heavy, and it so limited the supply of milk

8/ Issued as Region VI Order G-18 under MPR 329.

available to Clinton distributors that they in turn began to rely more heavily on Quad Cities distributors for necessary supplies of milk. For example, data indicated that in December 1943 Clinton distributors purchased from Quad Cities distributors milk which originally had been purchased by the producers' cooperative in Quad Cities from farmers in the Clinton area. This milk cost Clinton handlers $1.06 per pound of butterfat and a hauling charge of 45 cents per hundredweight; yet the maximum producers' price in the Clinton market was fixed at 73 cents per pound of butterfat.

These conditions prompted distributors in the Clinton market to file an appeal for a further increase in maximum prices shortly after regional Order G-18 was issued, but the appeal was denied on the grounds that the Clinton maximum producers' price of 73 cents per pound of butterfat was competitive with the local cheese market for whole milk. Most of the milk was being diverted to the Quad Cities market, however, and Clinton distributors and producers alike realized that such diversion would continue until prices were brought nearer in line with those prevailing in the Quad Cities market. Clinton distributors continued to discuss with OPA representatives their problem of being subject to lower ceiling prices at both the producer and resale levels than surrounding markets. Labor organizations of the area also joined with the distributor and producer groups in an effort to obtain another adjustment in prices which all parties felt was necessary to maintain more adequate supplies of milk.

The problem of obtaining another increase in the ceiling price for producer milk in the Clinton market was more difficult in early 1944 than it was in 1943 because such an increase in the producer price had to be accompanied by an increase in wholesale and retail prices. This fact, coupled with the fact that the population of Clinton, Iowa, was greater than 25,000, meant that the adjustment could not be made by the Regional Office of the OPA, but had to be approved by the Administrator of OPA in Washington, D. C. The Administrator, in turn, was operating under the "Hold-the-line" Executive Order issued by the President on April 8, 1943.

Prices for producer milk in the Quad Cities market continued to stay out of line with the maximum prices fixed by OPA for the Clinton market, for two reasons: (1) The Quad Cities market price was determined by a Federal milk order which set the producers' price for non-Grade A Class I milk at 70 cents per hundredweight over the average paying price of 10 nearby condenseries; and (2) the prices paid by these condenseries for manufacturing milk were not controlled. Data in the files of the OPA indicated that on January 15, 1944, for example, the average paying price of the 10 condenseries was $2.70 for 3.5 percent milk, a price which was about 5 cents per hundredweight above the economic price on which OPA regulations for manufactured milk products was based. By March 1944, the minimum order price for non-Grade A Class I milk in the Quad Cities market was 80 cents per hundredweight higher than the Clinton price for the same grade of milk.

Dissatisfaction with the prices being paid by Clinton distributors became so great during the fall of 1943 and the winter of 1944 that producers in the marketing area undertook steps to form a producers' cooperative bargaining association. The feeling prevailed that an effective association could be more successful in obtaining relief from the low price ceilings than could individual farmers acting on their own behalf. Even though they continued to petition the OPA for more price adjustments, it soon became apparent to the producers in the new association that a Federal milk order patterned after the one in operation in the Quad Cities market probably would provide the most appropriate means of obtaining an immediate price increase for producer milk as well as to help hold Clinton prices in a more stable relationship with respect to prices prevailing in the Quad Cities market and those paid by competing condenseries and cheese factories.

By the time the distributors and producers again petitioned the OPA officials for an increase in the producer and resale price ceiling in early 1944, OPA officials recognized that a price adjustment of some sort was necessary to halt further diversions of milk away from the Clinton fluid milk market. The problem was to determine the amount of the needed price increase. Producers supplying the Clinton market asked that their ceiling price on milk be increased to the level of the blended price paid Quad Cities producers--93 cents per pound of butterfat in whole milk, which is equivalent to $3.26 per hundredweight of 3.5 percent milk. Clinton distributors, on the other hand, asked for permission to pay producers a new ceiling price of 80 cents per pound of butterfat in whole milk, which is equivalent to $2.80 per hundredweight of 3.5 percent milk. In addition, distributors petitioned for an increase of 1 cent per quart in the retail and wholesale price of milk (to 11 cents per quart at wholesale and 13 cents per quart at retail).

After making a detailed analysis of the pricing data submitted by producers and distributors, the Food Price Analysis Unit of the OPA felt that the producers' request for a price of 93 cents per pound of butterfat (the Quad Cities blend) was unjustified on the basis that some differential always had existed between the producer price in the Quad Cities market and the Clinton market. Officials of the OPA also felt that a 93-cent price in Clinton would disrupt the milk supply of the smaller towns in the vicinity of Clinton. An examination of the data contained in the official Docket shows that the officials had differing opinions on the amount of price increase needed to prevent further diversions of milk to the Quad Cities market. Although the Food Price Section recommended a new ceiling price of 83 cents per pound of butterfat ($2.91 for 3.5 percent milk), the ceiling price actually promulgated by the OPA was 86 cents per pound of butterfat, which is equivalent to $3.01 per hundredweight of 3.5 percent milk. The higher ceiling price on producer milk (that is, the 86 cents rather than the 83 cents price) was approved by the OPA in Washington, D. C., on the basis that the War Food Administration was considering a Federal milk order for the Clinton market (with prices close to the Quad Cities price) and that "86 cents price may head off this action while 83 cents price will not." 9/

The price analysis data also indicated that Clinton distributors already had absorbed producer price increases of about $1.15 per

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9/ Telegram from Price Executive, OPA Washington, to Price Executive, OPA Regional Office Chicago. June 1, 1944.

hundredweight since March 1942 (the effective period of OPA resale price ceilings). Data on operating costs submitted by Clinton distributors indicated that they could not absorb further increases in producers' prices without endangering their financial structure and probably being forced to quit distributing fluid milk. Other analyses showed that a 1-cent per quart increase in wholesale and retail prices for Clinton distributors would give them, on the average, an operating margin and a profit position close to that which existed during the base period 1936-39 and during the period just prior to the granting of the new 86-cent-per-pound ceiling price on producer milk.

Acting on these data and recommendations, the Director of the Office of Economic Stabilization directed the OPA to increase the ceiling price which distributors could pay producers in the Clinton area from 73 cents to 86 cents per pound of butterfat. In turn, the Regional Office of the OPA was authorized to increase the ceiling price on wholesale and retail sales of fluid milk in the Clinton market, which the Regional Office did by authorizing a 1-cent-per-quart increase in such resale prices. These changes, which were embodied in Region VI Order No. G-70 under SR No. 15 to the GMPR, under MPR 290, and under MPR 329, became effective on June 17, 1944.

During the same period in early 1944 in which OPA was considering a price increase for the Clinton market, local producers had decided to try other measures to obtain more equitable treatment for the market. As pointed out above, the first step taken by producers in that direction was the formation of a producers' cooperative association which would act as a bargaining agency for farmers on all future price negotiations. The producers who were instrumental in organizing the association soon concluded that (1) the Federal milk order program was responsible for the more satisfactory marketing and pricing conditions for fluid milk in the markets adjoining Clinton (and with which Clinton competed), and (2) any producer prices promulgated by a Federal milk order would supersede the price ceilings on producer milk established by the OPA. Acting on that basis, the newly formed Clinton Cooperative Milk Producers Association, Inc., submitted a formal petition to the Dairy and Poultry Branch, War Food Administration, on April 27, 1944, requesting the issuance of a Federal milk order for the Clinton marketing area.

Although the hope of obtaining relief from the low ceiling on producer prices was the primary reason why the newly formed CCMPA began to work actively for the issuance of a Federal milk order in Clinton, their testimony also indicated a dissatisfaction with their relationships with local distributors and a concern for the long-range competitive position of dairying against alternative farm enterprises (particularly beef cattle and hogs) in the Clinton production area. Consensus was that (1) only by insuring more equitable pricing and marketing conditions could enough production of high-quality milk be assured for the Clinton market, and (2) having minimum producer prices established by the USDA through the terms of a Federal milk order was the most practicable way of obtaining such prices and marketing conditions. In regard to their relations with distributors, producers for the Clinton market were dissatisfied as to the degree of reliability they could attach to distributors' reporting of milk usage. The producers suspected that distributors were returning "surplus" prices for milk during periods of the year when there was no surplus milk on the market, but when--on the contrary--the distributors actually were disposing of substantially all their milk in fluid form. Producer suspicions in this respect were strengthened by refusals on the part of some of the distributors to allow CCMPA representatives to review their records, or to permit them to verify butterfat tests. Furthermore, producers suspected distributors of under-reporting the results of the butterfat tests. These dissatisfactions were not conducive to desirable marketing relationships between local distributors and producers, and, added to the unsatisfactory pricing relationships in the Clinton market, provided area producers with a strong incentive to desert the Clinton market in favor of supplying milk to distributors from Quad Cities or to nearby manufacturers.

A preliminary investigation of conditions in the Clinton market by a representative of the Dairy and Poultry Branch, USDA, revealed that an order might be the most logical solution to their milk pricing and marketing problems. On May 27, 1944, the Assistant to the War Food Administrator signed the official notice that a public hearing would be held in Clinton, Iowa, beginning on June 21, 1944, to receive evidence relative to the terms of the marketing agreement and order proposed for the local marketing area by the CCMPA. In spite of the efforts of the OPA to forestall the consideration and subsequent approval of the Federal milk order (by granting the increases in producer and resale prices 3 weeks after the USDA announced an intention to call a public hearing to consider the order and only 4 days before the hearing itself), the public hearing was held as scheduled, and the CCMPA devoted all its efforts toward getting the USDA to issue an order for the Clinton market.

Shortly after the terms of the proposed order were announced by the USDA, representatives of local milk distributors asked officers of the CCMPA to meet with them and discuss the advisability of both parties dealing directly with one another in the negotiation of milk prices and marketing practices. Their position was that the interested parties could negotiate satisfactory prices and agree on desirable marketing practices without effecting such changes through a Federal milk order. Officers of the producers association believed, on the other hand, that any agreement reached by direct negotiation between the cooperative and the distributors would satisfy neither and would be open to constant attack from both sides. Representatives of the producers' group also felt that local distributors had not formulated a plan which would assure producers equitable payments for and accurate accounting of milk usage. Producers reiterated their earlier testimony at the public hearing that the order was not sought as a temporary expedient, but was looked upon as a means of insuring stable marketing and pricing conditions for an extended period of time.

Similar proposals by distributors had eliminated the influence of a producers' cooperative association in the period during World War I. Producers now refused to forego their efforts to obtain an order, however. Distributors retaliated by threatening to buy only enough milk during the spring flush season to meet fluid requirements (rather than receive all the milk produced and process the surplus into manufactured dairy products).

Their position was that they could not afford to buy all the milk produced at the prices set forth by the proposed order. The CCMPA appraised these claims as unfounded, however, and continued to work for the promulgation of the order.

IV. FEDERAL REGULATION BY MILK ORDER NO. 70

Order No. 70 as promulgated in 1944

Issuance of Order No. 70

The CCMPA's description of the unsatisfactory pricing and marketing conditions for fluid milk in the Clinton market, presented in a letter to the U. S. Department of Agriculture 7 weeks after the Cooperative was incorporated, constituted the initial step in obtaining a Federal milk order for the Clinton marketing area. The Dairy and Poultry Branch's investigation of conditions revealed that a milk order appeared to be the most logical solution to the problems in the local market. Acting on this information, the local cooperative association prepared a statement on their milk marketing problems and formally requested the U. S. Department of Agriculture to call a public hearing to consider the issuance of an order.

The formal petition of the local association provided for two classes of milk: Class I, which would include all milk for fluid uses, flavored milk, and milk drinks, and cream--those products normally associated with the "fluid milk industry"; and Class II, milk used for all manufactured dairy products. The petition also proposed that the price for Class I milk should be 50 cents per hundredweight higher than the average of prices paid by ten condenseries located in the general area of the Clinton market and that the price for Class II milk should be based on the market value of 92-score butter in Chicago and the price for casein. Representatives of the producers association felt that the diversion of producers from supplying the Clinton market to supplying nearby condenseries (with a resultant decrease in the amount of milk available to the fluid market) could be halted by fixing the Class I price at a somewhat higher level than the prices paid by competing condenseries located in Illinois. Producers also felt that a premium of 50 cents per hundredweight for Class I milk would provide a sufficient differential to compensate themselves for the added costs involved in meeting the health requirements established by the City of Clinton. The Class II price was made dependent on butter and casein prices, since these items figured so prominently in the usage of Class II, or surplus milk. The association also suggested that producers' returns should be distributed through the medium of a market-wide pool. In accordance with the established procedure, all fluid milk handlers in the marketing area were furnished with copies of the association's proposals and were asked to submit additional or alternative proposals of their own. None was submitted, however, and a public hearing was set for June 21, 1944.

The public hearing was held in the City Hall at Clinton, Iowa, on June 21 and 22, 1944, at which time testimony was received from representatives of the CCMPA, the War Food Administration, the Clinton Labor

Congress, Clinton distributors of milk, and individual milk producers serving the Clinton market.

The CCMPA, as chief proponent of the proposed marketing order, was called upon for testimony on the need for Federal regulation and on the extent of interstate commerce in milk in the marketing area. 10/

The representatives of the producers association presented an account of marketing conditions in the Clinton area with particular emphasis on local prices and their inadequacy when compared with prices being paid by alternative outlets for locally produced milk. Producers' representatives testified that the trend of farmers shifting from dairying to the raising of livestock would continue until adjustments were made in the prices for producer milk, and that a continuation of this trend would have serious repercussions on the supply of milk available to the Clinton market. It was pointed out that in recent years there had been an insufficient supply of milk to meet the fluid requirements of the local market except during the spring months of high production. The spokesman for the producers' cooperative association also recounted the dissatisfaction which producers had experienced during the previous years because of distributors' operating and pricing practices. The spokesman also testified that producers had noticed that more desirable marketing conditions prevailed in the federally regulated milk markets than in the unregulated markets, and this speaker felt that orderly marketing conditions could be restored in the Clinton market only by the issuance of a milk order.

There was little doubt but that Clinton was an interstate market. Producers' testimony indicated that about 20 percent of the farmers holding permits issued by the Clinton Health Department resided in Illinois, and that large quantities of emergency milk were regularly purchased by distributors from condenseries located in Illinois. In addition, a large part of the Clinton milk supply originated in the Quad Cities market, which by the very location of its specified boundaries, was interstate since it included cities on both the Iowa and Illinois sides of the Mississippi River. Other issues were raised during the public hearing by distributors of milk and by a representative of the Clinton Labor Congress (this representative was also a member of the Labor Committee of the OPA and a member of the local rationing board). (These issues are discussed under the heading "Terms of Order No. 70, as Promulgated in 1944.")

The Director of Distribution of the War Food Administration issued the proposed marketing agreement and order of the U. S. Department of Agriculture for regulating the handling of milk in the Clinton market on August 2, 1944. All persons in the market were accorded an opportunity to file exceptions to the decision. No exceptions were submitted, however.

10/ The Agricultural Marketing Agreement Act of 1937 provides that the Secretary of Agriculture may issue orders covering the "...handling of such agricultural commodity, or product thereof, as is in the current of interstate or foreign commerce, or which directly burdens, obstructs, or affects, interstate or foreign commerce in such commodity or product thereof."

On that basis, the milk order for the Clinton market was tentatively approved by the War Food Administrator on September 6, 1944, at which time it was directed that a referendum be conducted among the producers actually engaged in the production of fluid milk in the marketing area during the month of June 1944. Also, a tentatively approved marketing agreement was submitted to the Clinton distributors of milk, but no distributor signed the agreement. The referendum for producer approval, and for final issuance of the order, involved only the ballot cast by the CCMPA. At that time the association represented 116 producers, comprising 67.4 percent of all the producers eligible to vote in the referendum. 11/ The War Food Administrator and the Director of Economic Stabilization signed the Federal milk order in late September, and the regulation became effective in the Clinton market on October 1, 1944.

Responsibility for administering the order was assigned to E. H. McGuire, who at that time was also serving as Market Administrator of the Quad Cities and Dubuque, Iowa, markets. The Market Administrator's staff in the Federal Building at Rock Island, Ill., was adequate to take care of the small amount of additional work needed in administering the Clinton order; therefore, no office was established in Clinton. Handler reports were processed and producer prices were calculated in the Rock Island office, and all expenses incurred were prorated on the basis of the approximate amount of time and other factors involved in operating the three Federal orders.

Shortly after Federal Order No. 70 was issued, the Market Administrator established a laboratory in Clinton where a trained technician check-weighed and tested producer shipments of milk to local handlers and check-tested packaged products sold by handlers to consumers in the area. The Market Administrator calculated the amount of each handler's obligations and the amount of producer payments on the basis of reports submitted by handlers and the tests conducted at the laboratory.

Terms of Order No. 70, as Promulgated in 1944

Federal Order No. 70, which became effective October 1, 1944, was similar in scope and operating procedure to orders which had been promulgated in other markets by the Secretary of Agriculture since 1936. The following section is a resume' of the important provisions of the marketing regulation, together with a synopsis of the issues which developed around the provisions at the first public hearing.

Definitions. The "marketing area" in which all handlers were regulated by the order was established to include the territory lying within the corporate limits of the City of Clinton and the City of Camanche, in addition to that part of Camanche Township lying east of sections 2, 11, 14, 23, 26, and 35. This area represented the territories normally served by milk distributors in the Clinton market. A "handler" (distributor)

11/ For a discussion of the issues involved in the approval of the CCMPA as a qualifying cooperative association under terms of the enabling act, see pages 146-149.

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was defined to include any person who purchased or received milk, all or a portion of which was disposed of as Class I milk in the marketing area. Any cooperative association which diverted milk from a handler's plant in the marketing area to a plant which did not qualify as a handler under the Clinton order was also considered to be a handler under the terms of the order. A "producer" included any person who, under certification of the health authorities of the City of Clinton, produced milk which was received at the plant of any handler under terms of the order.

These definitions delimited the handlers and milk producers who would be subject to or benefit from the terms of the order. No one at the public hearing objected to these definitions. Extending the marketing area to include parts of Camanche Township brought in several communities normally served by a Clinton handler as well as areas with large manufacturing establishments which utilized large quantities of milk, but which also were supplied by Clinton handlers. Limiting the scope of the definition of producers to those farmers producing milk under certification from the health authorities of the City of Clinton meant that the pricing provisions of the order did not apply to farmers who produced milk only for manufacturing purposes. This decision was in accord with terms of the health ordinance which permitted handlers to receive milk only from producers who were approved by the City of Clinton. The definition of a handler excluded those plants engaged exclusively in the manufacture and sale of ice cream and manufactured dairy products.

Classification of milk. The order provided for but two classes of milk: (1) Class I, which included those fluid milk products such as milk, flavored milk drinks, skim milk, buttermilk, and cream-products, normally associated with the fluid milk industry, which must be processed from milk produced on farms approved by local health authorities; and (2) Class II, those manufactured dairy products not specified as Class I and which may be made from milk produced on farms not having approval of the health department. Rules were also set up to govern the classification of milk transferred between handlers and between handlers and non-handlers, and a different method of computing the amount of dealers' obligations for milk received from producers was inaugurated. Handlers were required to account for all skim milk as well as butterfat and different butterfat differentials were then established for each class of milk. This system approximated separate pricings for the butterfat and the skim milk in milk, and helped to insure that each handler paid exactly the same price for butterfat or skim milk used to produce products of the same type.

The only objection to the classification plan came from dealers who testified that the Class I price was too high for milk used for cream. They proposed at the public hearing that cream be priced in a separate class at a level somewhat lower than the Class I price. The decision of the USDA to leave cream in Class I was based on the conclusion that the dealers' request arose from a lack of understanding of the methods proposed for computing their obligation to producers under terms of Order No. 70. Dealers were not required to pay the Class I price for each hundredweight of milk used to produce cream. Under terms of the order, only the butterfat would be priced at the Class I level and the remaining skim milk would be priced separately as either Class I or Class II depending on the use made of it by the dealer. Thus, were a dealer to separate milk to get cream and use the skim milk for Class II products, his cost per hundred pounds of milk would be approximately 45 cents less than the full Class I price. It was also proposed that cottage cheese be classified as a Class I product, but representatives of the USDA felt that there was insufficient evidence in the records to justify the higher classification. No other objections were raised against the classification plan that was adopted, nor against the method used for computing handlers' obligations under terms of the order.

Class prices. Order No. 70 contained two formulas for determining the minimum prices for milk and cream sold by producers to Clinton handlers. One formula fixed the price for Class I milk at 50 cents per hundredweight more than (1) the average of prices paid by nine condenseries located in Illinois and one condensery located in Wisconsin or (2) the price computed by the Market Administrator in accordance with a "butter-cheese" formula. The price paid by condenseries was determined by averaging the basic prices paid by the condenseries per hundredweight of 3.5 percent milk during a period beginning with the sixteenth day of the previous month and ending with the fifteenth day of the current month.

The price for Class II milk was determined by the following "butter-casein" formula: (1) Multiply by 3.5 the average wholesale price per pound of 92-score butter at Chicago and add 20 percent; (2) subtract 6 cents from the average price per pound of unground casein in carlots f.o.b. drying plants in the Chicago area, multiply by 2.3; and then (3) add the two results from (1) and (2). All handlers were required to pay this "butter-casein" formula price for all butterfat and skim milk used in Class II products.

The class prices and butterfat differentials contained in the order were the same as those proposed by the producers' association at the time of its request for a public hearing. No testimony in opposition to the general level of class prices was received at the public hearing. The testimony indicated that the principal competition for the Clinton milk supply came from some of the condenseries included in the formula for Class I prices. It was felt that the premium of 50 cents per hundredweight over the condensery pay price for Class I milk provided a blended price with sufficient margin to compensate Clinton producers for the added costs of complying with the production requirements of the local health department. At the same time, the formula would cause the price to fluctuate with the prices paid by competing condenseries--thus maintaining a fixed relationship between the two competing outlets for locally produced milk. Also, the 50-cent premium was expected to result in a blended price to producers on the Clinton market that would be comparable to the blended prices received by producers in the Dubuque and Quad Cities markets.

The butterfat differential on Class I milk was fixed to represent the approximate market value for butterfat disposed of in the form of fluid cream and the Class II butterfat differential was fixed to represent the value of butterfat used in the manufacture of butter. The representatives of the USDA felt that the use of a different butterfat differential for each class would permit a greater equalization of costs among handlers than would the use of a single butterfat differential.

The prices provided for in Order No. 70 were slightly lower than the current maximum prices established by the OPA, although they represented an increase over the maximum OPA prices in effect at the time the USDA announced the public hearing on the proposed Federal order. Representatives of the USDA did insert in the order an emergency provision whereby the War Food Administrator could halt a Class I price change whenever it appeared that the public interest required such action. This was to protect handlers against the possibility that producer prices might rise sharply and they would be "squeezed" between rising producer prices and a fixed ceiling on resale prices. Order No. 70 required that under such circumstances the Class I price would be the price for the previous delivery period.

Payments to producers. The Clinton order provided for a market-wide pool without a base rating plan. Each handler's obligation to the market-wide pool was based on his utilization of all milk received from producers. The Market Administrator was required to compute the uniform price to producers per hundredweight of milk as well as the butterfat differential on or before the ninth day after the end of each month. Furthermore, he was required to notify all handlers of this price and make a public announcement of the computations. Order No. 70 also provided for a producer-settlement fund as a safeguard for producers against error in payment and delinquency in payments from handlers. The producer-settlement fund was maintained by the Market Administrator for the purpose of receiving payments from handlers for their obligations to the pool and for reimbursing handlers for payments to producers that were in excess of their obligation to the pool. The amount of money retained in the producer-settlement fund was adjusted regularly by adding to the pool obligation at least one-half the cash balance in the producer-settlement fund each month, and by adding to the fund not less than 4 cents nor more than 5 cents per hundredweight of milk delivered during the current month. Handlers were further required to pay their producers, on or before the last day of the month, an advance payment of $2 a hundredweight for milk received during the first 15 days of the month. On or before the fifteenth day after the end of the month they were required to make full payment, for all milk purchased, at not less than the uniform price per hundredweight as computed by the Market Administrator.

Order No. 70 also directed each handler to withhold an amount not exceeding 5 cents per hundredweight (the exact amount to be determined by the Market Administrator, subject to review by the War Food Administrator) from money due producers and to pay such deductions to the Market Administrator. The Market Administrator was directed to use this money for the purpose of verifying weights, samples, and tests of milk received by handlers from producers during the delivery periods and to provide such producers with market information. In the event that a producers' cooperative association actually rendered similar services for its members, and was considered by the War Food Administrator to be a properly qualified association under provisions of the "Capper-Volstead Act" of February 18, 1922, the handlers were required to pay over such deductions to the cooperative associations for rendering the services to its members.

No opposition was raised at the public hearing to any of the above-mentioned provisions and they were adopted in the form proposed by the producers' association.

Other provisions. The costs of administering Order No. 70 were to be met by a 5-cent assessment against each handler for each hundredweight of milk received, during a month, directly from producers, from producers' cooperative associations, or for milk produced by a handler. The order specified, however, that a cooperative association pay the administrative assessment only on that milk received by the association from its producers or on that milk the association caused to be delivered to a plant which did not sell milk in the marketing area. The local Market Administrator was also empowered to set a lower rate of assessment, subject to review by the War Food Administrator, if such lower assessment would return enough money to pay the costs of administering the order.

Handlers at the public hearing questioned the need for the 5-cent-per-hundredweight administrative assessment against them, but did not press their objections when it was explained that an assessment of 5 cents would be needed to meet the expenses of administering the order in view of the small volume of milk handled in the market each month. In any event, handlers were protected by the provision which permitted a reduction in the assessment if a lower rate would return an amount sufficient to meet the actual expenses incurred in administering the order. Other provisions set forth the detailed procedures to be followed by the Market Administrator in administering the terms of the regulation. These provisions were more or less identical with those contained in milk orders already under operation in other markets, and they were accepted by all parties in the market as being necessary and adequate.

Order No. 70, as amended April 1, 1946

Order No. 70 had been in effect little more than 5 months when the CCMPA suggested that a public hearing should be held to consider certain changes in the regulation. Seven months later, on October 18, 1945, the board of directors of the CCMPA voted to request formally a public hearing for the consideration of certain revisions of the order. The request was forwarded to the USDA and an official notice was issued calling for a public hearing to be held at the City Hall in Clinton, Iowa, on December 6, 1945.

The proposals of the CCMPA were designed to provide for: (1) Three classes of milk instead of two; (2) a new basis for the classification of milk when transferred to handlers operating outside the jurisdiction of the Clinton order; (3) a basis for pricing the new class of milk; (4) the payment for milk to each producer by the Market Administrator rather than by individual handlers; and (5) a basis for encouraging more even production by the adoption of a modified version of the so-called "Louisville plan." The handlers serving the Clinton market were advised of the recommended changes suggested by the CCMPA, but none of the handlers submitted alternative or additional proposals.

The above-named proposals were discussed at the public hearing held in Clinton on December 6, 1945. Producers and handlers were in general agreement as to the need for the proposed amendments, and they also approved the manner in which the proposals were formulated. So little controversy developed at the hearing that the USDA did not issue a recommended decision for review and possible exception before drafting the amending order into a form to be signed by the industry and voted on by the producers. No handler distributing milk in the marketing area approved the proposed marketing agreement, but the amendments were made effective on April 1, 1946, by the issuance of an order amending the original order. The amended order was issued, after it had been approved by the CCMPA representing more than two-thirds of the producers eligible to vote in the referendum, by the Secretary of Agriculture, and by the Economic Stabilization Director (on behalf of the President of the United States).

The 1946 amendment to the Clinton order brought about several important changes in the regulation of prices for producer milk in the Clinton marketing area. One of these changes provided for three classes of milk instead of the two in the original order. The classification of Class I products remained unchanged, but the original Class II group, which consisted of all manufactured dairy products, was separated into two classes--a new Class III which included butter, American-type Cheddar cheese, casein, skim milk used as animal feed, and plant shrinkage, and a revised Class II which contained all other manufactured dairy products. The object of the new classification was to divide manufactured dairy products into two groups so that they could be priced separately and thereby would return to producers a higher blend price which would be commensurate with the value of manufactured products processed from the milk. The original order, by grouping such products as ice cream and evaporated and condensed milk in the same class as butter, cheese, and casein, had permitted handlers under the order to purchase milk to be used for such products at a price substantially below that paid by competing condenseries. The CCMPA testified in favor of the new classification; no parties opposed it at the public hearing. One handler proposed that cream be reclassified as a Class II product rather than a Class I product until such time as local handlers could obtain a price adjustment from the OPA. After a considerable discussion of the issues involved, it appeared that the handler's contention was not that cream was improperly classified in Class I, but that the resale price of cream in the Clinton market was too low in relationship to the producer price in Clinton and the resale prices for cream in other markets. Representatives of the CCMPA felt that a reclassification of cream into Class II would also necessitate a realignment of class prices, and offered instead to help the handler seek relief from the OPA through an increase in resale prices. The proposal was withdrawn by the handler and cream remained classified as a Class I product.

The second change provided for several new provisions relating to the classification of milk and cream when transferred from the plant of a handler under the Clinton order. The original order provided that all milk, skim milk, and cream transferred from the plant of a handler to the plant of a non-handler who distributed fluid milk should be classified as Class I and that milk sold to a manufacturing plant should be classified as Class II. The first provision had caused a hardship on the handler, in the Clinton market, who ordinarily disposed of surplus milk by shipping it to the plant of a distributor in a nearby city not subject to the Clinton order. The milk, in this instance, was manufactured into condensed milk; yet, because of the above provision, it was classified and paid for at Class I prices, resulting in a financial loss to the handler. Because of the limited manufacturing facilities in the marketing area, it was not always possible to dispose of seasonal surpluses directly to plants engaged solely in manufacture. Under such circumstances, handlers alleged that unless this provision were altered, they would be unwilling to accept all the milk produced in the spring months.

Producers hesitated to support such a change in the classification of milk transferred to other distributors because of a fear that some handlers might abuse the privilege with a resultant lowering of the blended price to producers. They felt that handlers should be granted relief, however, and proposed that such milk be classified according to its use as certified by the handler, subject to reclassification upon audits by the Market Administrator. It was also suggested at the hearing that all such milk be classified as Class II, since the handler involved planned to dispose of such milk for Class II purposes. Because of the eventuality that such milk in the future might be disposed of for Class I or Class III as well as Class II purposes, the USDA held that it should be classified strictly according to its actual end use. The order did provide that milk sold to a manufacturing plant be classified as Class II for purposes of computing the monthly pool, subject again to reclassification if audits showed that such milk were used in a different class. It was felt, however, that few adjustments would be needed after audits, principally because the major outlets for surplus milk of the Clinton market would be the condenseries at Argo Fey and Morrison, Ill., and the ice cream manufacturers in Clinton. All these uses were classified as Class II.

A third change instituted a slightly different method for computing prices for Class II and Class III (surplus) milk. Milk used in the manufacture of those dairy products in Class III (butter, cheese, casein, skim milk used as animal feed, and plant shrinkage) was priced on the same basis as Class II milk in the original order; that is, on the market value of butter and casein. It was felt that this procedure would permit handlers to dispose of distress milk without incurring an actual loss.

The new order required that all milk used in the new Class II group (all manufactured dairy products except those in Class III) be priced at the average price paid by ten Illinois condenseries in the general vicinity of the Clinton market or the alternative butter-cheese formula, whichever was the higher. Three of the condenseries actually were in competition with the Clinton market for milk supplies. Because ice cream and evaporated and condensed milk constituted the three major products now classified as Class II, it was felt that the condensery pay price represented the best measure of the value of milk used for such purposes.

The butterfat differentials to handlers were revised moderately under the new order. The Class I differential was changed slightly to bring it into a proper relationship with the market price of cream and the Class II and Class III differentials were set at a level which reflected the value of butterfat when used in the manufacture of Class II and Class III products.

The fourth change was a provision unique in a Federal milk order which permitted Clinton handlers to pay producers directly or to make the payments to the Market Administrator, who would in turn pay the producers. Order No. 75, covering the Cincinnati market, provided that payment be made by handlers through the Market Administrator, but there was no option of direct handler-to-producer payment in that particular order. All other orders provided that payments be made by handlers directly to producers.

This new procedure was proposed by representatives of the CCMPA and had their support at the public hearing. The producers felt that membership in their cooperative association was too small in numbers, and the volume of milk involved was not enough, to justify their receiving payments from handlers and paying producers themselves. Producers' representatives also testified that handlers were in favor of the proposal, largely because it would relieve them of a considerable amount of administrative work and expense. It was pointed out that the Market Administrator was required to compute the amount due each producer in the process of verification of accounts, and that the only added burden to his office would be the actual writing of the checks. The Market Administrator testified that such a plan would facilitate the auditing work of his office as well as eliminate much duplication of efforts of all parties in the market. The optional features were not discussed at the hearing but representatives of the USDA felt it would be advisable to provide handlers with an opportunity to make payments directly to producers if they chose to do so.

The fifth change provided for the "take-off-and-pay-back" plan of instituting a seasonal change in prices to producers. Testimony indicated that the Clinton market, like other markets, had a much greater supply of milk than it needed in the spring months and had insufficient milk to supply fluid requirements during the fall months. The CCMPA proposed that a version of the "Louisville plan" should be incorporated into the order in an effort to make the price of milk during the fall months sufficiently higher than the price of milk in the spring surplus months that farmers would find it profitable to produce milk on a more even year-round basis. This was accomplished under the order by withholding 20 cents per hundredweight from the uniform price during the months of May and June and adding the amount withheld to the uniform price in three equal payments during the months of September, October, and November.

All parties at the hearing recognized that the spring surplus was burdensome to the market and that disposal of this excess supply had created a serious problem. They also recognized that production in the fall months had been well below the total sales of Class I products and that it had been necessary for local handlers to purchase emergency milk outside the market to supply the need. Producers felt that a differential of about 60 cents per hundredweight between prices in the fall months and the spring months would be necessary to bring about the desired adjustments in milk production. They also testified that the plan had succeeded in increasing by about 20 percent the supply of milk during the fall months in the Louisville market and that a similar increase in fall production in the Clinton market would provide sufficient milk for fluid purposes (and thereby eliminate the necessity for importing emergency milk). Evidence indicated that a deduction of 20 cents per hundredweight during the months of May and June 1945 would have resulted in an average difference of about 50 cents per hundredweight in the blended price between the months of surplus production and short milk supplies in 1945; on that basis, it was determined that a 20-cent deduction would be adequate to solve the local problem. Producers also favored the "take-off-and-pay-back" plan because the price of milk to the consumer remained the same throughout the year.

A question on a possible weakness in the "take-off-and-pay-back" plan was raised by the representative of the USDA attending the public hearing. The questioning was directed toward the possibility of "fund-raiding," whereby producers would enter the market during the fall months when a premium was being paid and withdraw from the market as soon as the deduction became effective. Producers testified that the objection was unfounded; that a producer supplying the nearby manufacturing plants could not qualify for the Clinton market without spending a considerable sum of money in the improvement of his dairy premises as a prerequisite to obtaining health department certification, and would not incur the financial obligation unless he intended to become a regular supplier of the Clinton market.

Several minor changes were made in Order No. 70 to clarify its administration--most of the changes were made necessary by the addition of the third class of milk to the classification plan and by the provision permitting the Market Administrator to pay producers.

Suspension of Pricing Provisions of Order No. 70, 1946

Two pricing provisions of Order No. 70 were suspended during the summer of 1946. The first suspension was effective for the period of June 12 to July 31, 1946. It came about as a result of a decision of the Office of Economic Stabilization, announced on May 29, which increased the ceiling price on butter and cheese, effective June 17. One effect of this decision was to increase the paying prices of evaporating plants during June. In accordance with the provisions of Order No. 70, however, Clinton handlers were to pay producers for milk delivered in June on the basis of the average of prices paid by condenseries during May 15 to June 15. As a result of this provision, the higher prices paid by nearby condenseries would not be reflected immediately in the Class I price for the Clinton market.

The suspension was initiated by the USDA and was also applied to five other markets operating under Federal milk orders. The suspension was put into operation by omitting the words "...the period beginning with the 16th day of the previous month and ending with the 15th of..." from the pricing provision of the order. This suspension applied to the period between June 12 and July 31--after that time the higher prices being paid by condenseries would be reflected adequately under terms of Order No. 70.

The effect of this suspension was to base the price for Class II milk (and, as a result, Class I milk) during that period on the actual prices being paid currently for 3.5 percent milk at the ten condenseries designated in the order. This action was taken by the Secretary of Agriculture under the authority of the enabling legislation which permits action necessary to effectuate the declared policy of the act.

The same authority was used in the suspension of another portion of Order No. 70 on July 31, 1946. This second suspension excluded a plant from the list of ten plants used by the Market Administrator in determining the average of prices paid for milk for manufacturing purposes by the condenseries. This average price was the basis for the price of Class I and Class II milk in the Clinton market. The plant excluded from the price computation by this suspension had abandoned its manufacturing operation and had commenced the sale of fluid milk, apparently in the Chicago marketing area. Under the circumstances, it was felt that the prices reported paid by this plant no longer reflected a proper value of manufacturing milk. The suspension forestalled any price raising effects this action of the condensery might have had, and permitted local handlers subject to the order to pay a more competitive price for milk used in manufacture.

Order No. 70, as amended, August 1, 1947

The mutual interdependency of the Clinton and the Quad Cities markets began to manifest itself in the latter part of 1946. At that time a major handler subject to the Quad Cities order was selling milk, produced by Quad Cities producers, in the Clinton marketing area and a Clinton handler was selling milk, produced by Clinton producers, at retail in the Quad Cities marketing area. Not only did this situation create serious administrative problems (if the two orders were interpreted literally all the milk of each handler would be pooled under both orders and each handler would be required to equalize returns to producer through the producer-settlement fund set up under each order), but such a procedure would result in serious inequities in the cost of milk to different handlers operating under each of the orders. The same situation applied to the Quad Cities market, and it became apparent that the two orders would have to be amended to clarify the status of handlers who operated under both. The problem was made more urgent by the fact that there was a difference in the Class I price in the two orders. Under the circumstances, the Clinton handler had a distinct competitive advantage over Quad Cities handlers in the sale of milk in the Quad Cities marketing area.

Clinton milk producers were also faced with a new problem by the end of 1946. The City of Clinton adopted a standard Grade A milk ordinance, effective February 1946, and undertook a strict enforcement of its provisions. The Clinton producers had been subjected to inspection under an earlier ordinance which contained provisions not greatly different from those in the new regulation, but enforcement under the old ordinance had been very lax and producers did not comply with many of its provisions or requirements. When the new ordinance took effect a considerable number of producers either lost their permits to supply the Clinton market or voluntarily withdrew because of their inability or unwillingness to meet the new production requirements. Faced with this situation, the CCMPA requested the USDA to call a public hearing to consider an increase in the Class I price to help offset the increased costs of production of Grade A milk.

A public hearing to consider these two problems was set for February 28, 1947. On that date, the hearing was held at Clinton, Iowa, and it followed by 1 day a public hearing which was held in Rock Island, Ill., to consider similar (and related) problems in the Quad Cities market. There was little discussion at the public hearing, other than explanation of the status of handlers who simultaneously sold milk in the two order markets. The difference in Class I prices provoked some opposition from Clinton handlers, however, although the principal handler opposed the size of the proposed increase rather than any increase in producer prices. The Assistant Administrator of Production and Marketing Administration, USDA, announced the recommended decision on May 21, 1947. There were no exceptions to the decision and the new Order No. 70, amending the earlier order, was signed on July 24, 1947, and made effective on August 1, 1947.

Order No. 70, as amended, effective August 1, 1947, provided for the following changes:

(1) It exempted any handler, determined by the Secretary of Agriculture to have his principal business in another marketing area regulated by another Federal milk order, from most of the provisions of the Clinton order, except that such a handler was required to (a) file reports of his total receipts and utilization of milk with the Market Administrator of the Clinton order and permit the Administrator's office to verify such reports, and (b) in the event that the price for Class I milk in such handler's "home" market was less than the price for similar milk under the Clinton order, he was required to pay into the producer-settlement fund under the Clinton order an amount of money which would offset the difference in prices paid for all milk used for his Class I sales in the Clinton market.

The above-named proposals were made by the Dairy Branch, PMA, USDA, to correct a specific problem which had arisen under the Clinton and Quad Cities orders. The need for such corrective action was explained at the public hearing. The changes, as adopted, insured that the minimum price paid for milk by a handler outside the local marketing area would not be less than the price paid by a handler subject to all the provisions of the local milk order. In addition, the payment of any price differences into the local pool served to protect local producers against the loss of part of their market to producers in other areas. The only objection to any part of these proposals came from the CCMPA. The president of the association proposed that whenever milk was sold in other Federal order markets by Clinton handlers, and when the price of such milk was higher than the Clinton order price, the price to local producers should be that prevailing in the market where sold. The USDA denied the latter proposal for lack of a valid basis on which the order could set prices for that part of the Clinton milk supply at a higher level than originally found necessary to insure an adequate supply of pure and wholesome milk for the Clinton market. The same technique of requiring payments to the producers' settlement fund under conditions of differing minimum price levels was also applied to the Quad Cities market through its milk order. It was felt that with these new provisions to the orders, the two markets could operate side by side without risking the consequences of an improper pricing relationship between them.

(2) It increased the Class I (fluid milk) price by 20 cents per hundredweight, establishing it at 70 cents per hundredweight over the average of prices paid by area condenseries or the price resulting from the alternative butter-cheese formula instead of the 50 cents specified in the original order.

Producers requested the higher Class I price as necessary to compensate for the increased cost of production which resulted from the rigid enforcement of the new Grade A Milk Ordinance recently adopted by the City of Clinton. Producers requested an increase of 50 cents per hundredweight over the existing price and presented considerable evidence at the public hearing in an effort to substantiate the need for such a price increase. A Clinton handler pointed out that there was little difference between the written requirements of the new ordinance and those of the ordinance which it superseded, but producers testified that the original ordinance was not enforced strictly and that they were able to supply the market without meeting all the requirements set forth in the regulation. They also testified that the number of producers on the Clinton market had declined from 198 in February 1946 to 146 in January 1947, the period during which strict enforcement of the ordinance became effective. Various members of the CCMPA presented testimony on the amount of capital expenditures and increased operating costs incurred by them in meeting the requirements of the new ordinance.

The principal handler in the Clinton market filed a brief in support of a modest increase in Class I prices, but suggested that an increase of 20 cents per hundredweight would be ample to insure an adequate supply of milk for the Clinton market.

He also proposed that the increase be limited to fluid milk and not applied to cream and bottled milk byproducts. However, since handlers' obligations were computed on a volume basis, and since no change was proposed in the butterfat value, the USDA held that there would be very little difference in the net effect of the handler's proposal and the provisions of the recommended decision.

The final decision of the USDA was that producers would have to receive an average increase of 15 cents per hundredweight on their entire production to meet the extra costs incurred by them as a result of the strict enforcement of the health regulation. Since 75 percent of the milk produced for the Clinton market was utilized as Class I, it was felt that an increase in the Class I price of 20 cents per hundredweight would increase the producers' blend price by the required 15 cents. The decision of the USDA also pointed out that the proposed increase of 20 cents per hundredweight would bring the producer price under the Clinton order in line with the price paid producers for Grade A milk under the Quad Cities order, thus tending to level out the differences in buying prices to handlers under the two orders in the adjacent markets.

Order No. 70, as amended, May 1, 1949

The interdependence of the Clinton and Quad Cities markets was emphasized again in 1948 when milk supply and price conditions in the Clinton market became seriously disrupted as a result of pricing changes instituted in the Quad Cities order. Beginning in 1948, separate pools for Grade A and non-Grade A milk were established in the Quad Cities market. The health department also began to enforce the Grade A milk ordinance more rigidly. The resultant shortage of Grade A milk in the Quad Cities market caused the Grade A blend price in the Quad Cities to increase almost to the Class I level. This, in turn, caused the Quad Cities blend price to be considerably higher than the Clinton blend price, which was based on a lower Class I price and a lower utilization. Clinton producers responded to this situation by shifting to Quad Cities market; handlers in the Quad Cities market encouraged this transfer by actively soliciting their production of Grade A milk. As a result, shipments of Grade A milk into the Clinton market had fallen below the levels necessary to meet the requirements for Class I sales. Representatives of the CCMPA moved to restore a desirable balance of prices between the two markets by requesting a public hearing to consider amendments to the Clinton order which would bring prices in the two markets into proper balance.

To accomplish this purpose, representatives of the CCMPA suggested two amendments. Their first proposal was to increase the price differential for Class I milk over the condensery-pay price from 70 cents to 1 dollar per hundredweight. Their second proposal was to remove from the existing order the so-called "Louisville plan" of seasonal pricing which had been included in the Clinton order on April 1, 1946, in an effort to correct the seasonality of production in the Clinton market. This plan had been in operation only 3 years, but local producers had become dissatisfied with it. There was no take-out or pay-back plan in either the Quad Cities or Dubuque markets, and part of the dissatisfaction of Clinton producers with the plan appeared to stem from the practice of a group of producers who shipped to the market during the months of short production when the pay-back was being made, but whose shift from the Clinton market to the Quad Cities market came during the period of ample production when the deductions were being made from producers payments.

Representatives of the Dairy Branch, PMA, USDA, took advantage of the opportunity to propose the discontinuance of the butter-casein formula then used in determining the price of Class III milk. The Dairy Branch's decision was prompted by the fact that so little casein was being manufactured that the price quotation was no longer representative of the value of milk used for manufacturing purposes. The Branch suggested instead that the price for Class III milk should be based on the price of cheese in the Chicago market.

The public hearing was held at Clinton, Iowa, on January 10, 1949, following the official notice of such hearing issued on December 20, 1948. Representatives of the CCMPA proposed at the hearing a different system for pricing Class I milk than that which they proposed at the time the hearing was called. Except for this change, the issues discussed at the hearing were those proposed by the CCMPA and the Dairy Branch. No testimony was offered in opposition to any of the proposals at the hearing--all parties being united in the desire to bring the Clinton order into agreement with the provisions of the Quad Cities order. The Assistant Administrator for Marketing, PMA, acting upon the recommendations of the Dairy Branch, approved a recommended decision on the proposals on March 1, 1949.

The two handlers who supplied the Clinton market filed a joint exception to the recommended decision, but the exceptions requested that the decision also change the classification plan for milk and consolidate under one marketing order the Clinton and Quad Cities marketing area. These suggestions were overruled because the notice of hearing and the hearing records contained no proposals to amend the Clinton order in those respects. For the same reason, the handlers' request for a reopening of the public hearing to discuss their two proposals had to be denied. The new order, as amended and made effective on May 1, 1949, adopted the findings and conclusions of the recommended decision without change. It was approved by members of the CCMPA, who represented more than two-thirds of the producers supplying milk to the Clinton marketing area during the representative period of December 1948.

Order No. 70, as amended May 1, 1949, provided for changes in three important aspects of the regulation:

(1) It increased the price for Class I milk to the same level as that which prevailed in the Quad Cities market. It also provided that the Clinton prices be computed and permitted to vary in substantially the same manner as provided for Class I prices in the Quad Cities order. These changes were accomplished by having the formula for Class I prices provide a differential over Class II prices of 90 cents per hundredweight during the months of January, February, and March, and a differential of $1.15 for the months of July through December. The existing differential of 70 cents per hundredweight was retained for the months of April, May, and June. To bring prices in both markets in line, it was also necessary to apply the same Class I premiums to the same basic prices and to make sure that both orders included the same Class I butterfat differentials. Accordingly, the Class I price in the Clinton market was based on the Class II price for the previous delivery period, and the Class I butterfat differential was based on the price of butter during the preceding delivery period, as was done in the Quad Cities market.

Clinton handlers supported the producers association in their request for higher Class I prices. Handlers and producers alike contended that comparable prices had to be fixed for the two markets if Clinton was to avoid further loss of its producers to the Quad Cities market (and thereby prevent a serious shortage of Grade A milk in the local market during the months of short supply). Representatives of the CCMPA had originally proposed that the Class I price be increased by widening the Class I differential from 70 cents to $1 per hundredweight for each month of the year. The association abandoned its proposal, however, when it became apparent that such a plan would not bring Clinton prices into line with the Quad Cities prices. The association agreed instead that the differential should be changed to conform to the Quad Cities market (which varied seasonally).

The principal handler in the Clinton market proposed an almost identical plan for increased prices which varied seasonally in conformance with the Quad Cities market; this approach was favored because handlers in the two cities competed for a sizable volume of producer milk and desired to be on an equal basis with respect to the prices paid producers. All the testimony at the hearing emphasized that the wide differences in producer prices between the two markets since May 1948 had been responsible for the shifting of about 20 percent of the producers from the Clinton market to the Quad Cities market. These losses made the shortage of milk to the normally deficit Clinton market more acute than ever. Testimony indicated that handlers were required to import more emergency milk during the fall of 1948 than in any previous year; during the period of July through November Class I sales actually exceeded the volume of producer receipts. All parties at the public hearing favored the changes requiring the Clinton order to use the same basic prices and the same Class I butterfat differential as those in the Quad Cities order so as to bring the prices in the two markets more closely in line with one another. Handlers favored another modification which would have reduced the number of condenseries used in the Clinton order to include only those condenseries also used in the Quad Cities order. Other testimony indicated that the two additional condenseries under the Clinton order had negligible effect on the Class II price. The average condensery-pay price was very nearly the same in both orders. No objections were registered against the new Class I prices either at the public hearing or in the exceptions filed by handlers after the recommended decision had been announced.

(2) The amendment of May 1949 also removed from the existing order the "take-off-and-pay-back" plan of seasonal price adjustments originally intended to help correct the wide seasonal variations in milk production in the local market. There was no clear indication that the local version of the "Louisville plan" was not at least partially successful in reducing the seasonal variation of production, but testimony at the hearing indicated that such deletion was advisable for two reasons. First of all, the Quad Cities market employed a plan of varying seasonal differentials to encourage the production of milk in the fall of the year. This plan was reasonably effective there and it was apparent that uniform prices could not be maintained between the two markets unless both markets operated on identical plans. The belief prevailed that a substantial difference in the Class I differential between the months of short supply and surplus production would be as effective as the Louisville plan in leveling out milk production seasonally; therefore, the Clinton order was changed to conform to the provisions of the Quad Cities order. This action was certainly consistent with the policy of bringing the two orders into balance with one another. Secondly, the producers were highly dissatisfied with the operation of the "take-off-and-pay-back" plan as it had operated in the Clinton order. Producers' testimony indicated that more farmers favored receiving the full value for their milk as it was produced rather than have a deduction during the surplus production months and have an additional amount added to the price announced by the Market Administrator in the fall of the year. The most serious objection seemed to stem from the practice of a group of producers who entered the Clinton market during the fall of the year and participated in the pay-back feature of the plan, but who withdrew from the Clinton market and transferred their production to the Quad Cities

market shortly after the time the deduction feature of the plan took effect during the spring of the year. The producers' representative testified that the members of his association understood the so-called "Louisville plan," and would probably favor it, if there were some way of limiting the benefits of the pay-back feature in the fall of the year to those producers who participated in the take-off feature in the spring of the year. He also testified that some producers preferred the Quad Cities market to the Clinton market because they could escape the Louisville plan and benefit by the seasonal variation in Class I prices. For these reasons, the "take-off-and-pay-back" plan was dropped from the Clinton order and replaced by the plan of varying Class I prices seasonally as was done in the Quad Cities market.

(3) The amendment also provided a new basis for computing the Class III price. The existing formula based the price of Class III milk on a butter-casein formula. The manufacture of casein had practically ceased by early 1949, however, and the Market News Service of the USDA contemplated the discontinuance of the Chicago casein quotation on which the Class III price in the Clinton order was based. This change had been suggested by the Dairy Branch, PMA, USDA, whose testimony at the Clinton hearing indicated that a similar change was contemplated in the Quad Cities order. The Dairy Branch first proposed that the butter-casein formula be replaced by one based on the wholesale price per pound of cheese (known as "twins") in the Chicago market, but evidence presented at the public hearing indicated that a more desirable formula would be one based on the price of Cheddars on the Wisconsin Cheese Exchange. The last-named formula was chosen as one that would return a price comparable to the butter-casein formula over an extended period of time if the wholesale price per pound were multiplied by 8.4. Then, too, the same formula already applied to the Quad Cities market, and such a change would insure that surplus prices in the two markets would be maintained on a comparable basis.

As an added precaution, the Dairy Branch inserted a provision which prevented the Class III price from dropping below the value of the butterfat in whole milk when calculated at the rate of the butterfat differential. An identical provision was inserted in the Quad Cities order.

Proposed amendments to Order No. 70, January 3-4, 1951

In December 1950, the CCMPA joined with the Illinois-Iowa Milk Producers Association and the Quality Milk Association (the two last-named organizations serve the Quad Cities market) in submitting a joint request for a single public hearing to consider proposed price increases under the Clinton and Quad Cities orders on the basis of a claimed emergency. The proposed amendments would have extended the $1.15 differential for Class I milk through the months of January, February, and March and increased the differentials for the months of April, May, and June to 95 cents per hundredweight. These proposals, in effect, provided for a 25-cent-per-hundredweight increase in the Class I price during the first 6 months of the year 1951. The Class I and Class II price under the Quad Cities order would have been increased by an identical amount.

The producers' associations based the need for the higher prices for Class I milk on three principal points, as follows: (1) Supplies of Grade A milk were inadequate to meet market requirements during the greater part of the preceding 3 years, a situation which necessitated the importation of sizable quantities of emergency milk from sources outside the marketing area; (2) the impending seasonal price decreases for Class I milk would create a greater imbalance between supply and demand for bottled milk and cream, since many farmers indicated an intention to shift from the production of Grade A milk to alternative agricultural enterprises in spite of the increased demand for bottled milk and cream in the two markets; and (3) the production area of the two markets extended into the production area for the Chicago market where public hearings had already been held on similar proposals to extend the winter differentials into the flush production months. Testimony at the public hearing also intimated that producers desired an immediate change in the differentials before Congress might impose regulations designed to forestall further price increases on most commodities. The official notice of hearing was signed December 26, 1950, and called for a joint public hearing on the proposals to be held at the City Hall, Rock Island, Ill., beginning January 3, 1951.

The joint public hearing was held on January 3-4, 1951, and was attended by representatives of the three petitioning producers' associations and by representatives of handlers in both markets. The major part of the testimony was presented by the two cooperative associations in the Quad Cities market, although the Secretary-Treasurer of the CCMPA testified in favor of the proposed price increase, as applied to the Clinton market. The producer groups opened their testimony with the proposal that the 25-cent-per-hundredweight proposed increase in prices for the first 6 months of 1951 be applied to the entire year, and not just to the emergency situation. Handlers' representatives objected vigorously to this move, holding that the meeting had been called to consider an emergency situation and that the evidence and proposals should be directed toward that end rather than using the present public hearing to effect a permanent increase in the Class I differential. The hearing officer ruled that the proposal could not be changed; therefore, the producer groups presented testimony in support of the original proposal to increase Class I prices because of the claimed emergency.

Producers' testimony indicated that the emergency measures were required because of the failure of prices of manufactured dairy products and the condensery-pay price to rise as rapidly as prices of other agricultural commodities and the principal items affecting farmers' cost of production. This situation not only discouraged Grade B producers from qualifying as Grade A producers (and entering the two markets) but it also encouraged existing producers to shift from dairying to producing livestock or to entering other agricultural enterprises. At the same time, the rapid expansion of industrial mobilization for defense purposes had increased consumers' incomes, with a resultant effect on the demand for fluid milk and cream. Producers felt that under such circumstances the market would face a continuing shortage in the supply of milk which could be alleviated only by a 25-cent increase in the Class I price.

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On the other hand, handlers pointed out that (1) the prices for manufactured dairy products and the condensery-pay price (both important factors in determining the level of the base price for milk in the two markets) had risen substantially since the time of the producers' request for an adjustment in prices, and (2) that the prices for Class I milk (Class I and Class II in the Quad Cities market) were then in a much more favorable relationship to other commodity prices than they would have been if a 25-cent-per-hundredweight increase had been applied to the base price prevailing at the time of the request for an emergency hearing. Cross-examination of the producers' witnesses indicated that the request for an immediate price increase was based, at least in part, on a feeling that the Class I differential should be widened before the imposition of any price ceiling or price freezes by an act of Congress. The position of the CCMPA was that any price increase promulgated for the Quad Cities market would of necessity have to be applied to Clinton to preserve orderly marketing conditions in the two interdependent markets.

On February 16, 1951, the USDA issued a recommended decision that the Class I differential should not be changed in either order. The decision of the USDA to deny the emergency price increases was predicated on evidence which indicated that substantial increases in dairy product prices during the latter part of December had increased the formula prices in the Quad Cities and Clinton markets enough so that the emergency, if it existed, had since vanished. The recommended decision pointed out that dairy product prices probably would continue at relatively high levels and local fluid milk prices would thereby be maintained at levels as high or higher than those sought by the producers' cooperatives at the time the emergency hearing was requested.

The decision of the USDA not to amend the order as a result of the hearing of January 3-4, 1951, took into consideration the fact that the emergency request was part of a plan to revise differentials on a permanent basis. It was felt that any changes in the differentials should be considered only on a long-time basis after due consideration of all provisions of the order, including classification, seasonal pricing, and the general level of prices, as well as the possibility of merging the Quad Cities and Clinton marketing areas under a single order.

Producers and handlers were given an opportunity to take exception to the recommended decision of the Assistant Administrator, PMA, but no exceptions were filed. Accordingly, the Secretary of Agriculture signed a final decision on March 23, 1951, which denied the request for emergency increases of the Class I price in the Clinton market as well as the Class I and Class II prices in the Quad Cities market.

Consolidation of Order No. 44 and Order No. 70, December 1, 1951

The culmination of the growing interdependence of the Clinton and Quad Cities markets occurred in 1951 when the two marketing areas were brought together under a single Federal order. It will be remembered that Clinton handlers proposed a consolidation of the two orders 2 years earlier when they filed exceptions to the recommended decision of March 1, 1949. After that time all changes proposed for the Clinton order had been offered in conjunction with proposals to change the Quad Cities order in a similar manner at the same time.

The proposal to merge the two marketing areas was submitted jointly by the CCMPA and the two producer cooperative associations operating in the Quad Cities marketing area; the merger to be accomplished by extending the Quad Cities marketing area to include the marketing area of the Clinton order and then terminating the Clinton order. Other requests of the three associations included: (1) Increases in Class I prices of 35 cents per hundredweight January through March, 10 cents April through June, and 40 cents July through December; and (2) a change in the classification plan to combine in one class all fluid milk products usually required to be produced from Grade A milk and divide manufacturing milk into two classes. The proposed classification plan was similar to that in effect in the Clinton market.

Two other proposals for extending the marketing area of the combined orders were submitted prior to the public hearing. The Dubuque Cooperative Dairy Marketing Association, of Dubuque, Iowa, proposed that the area be extended to include all the territory covered by the Federal order for the Dubuque, Iowa, market; a handler under the Quad Cities order proposed that territory contiguous to the present marketing areas, but not included in either of the orders, be included in the marketing areas of the new order. Other changes suggested were to eliminate the emergency milk provisions then included in both orders and to make such minor changes as would improve the administration of the new order.

The joint public hearing was held in Rock Island, Ill., May 21-24, 1951, and the recommended decision was issued about 3 months later. Each of the three producer cooperative associations serving the two marketing areas filed exceptions to the recommended decision, as did a major handler in the Quad Cities market. None of the exceptions was against the decision to consolidate the two marketing areas under a single order, rather the exceptions were directed against certain individual provisions of the proposed new order. Two of the producer associations objected vigorously to the classification of nonfat dry milk solids as a Class III product instead of Class II and to the decision to deduct 6 cents for manufacturing costs when calculating the Class III butterfat differential. A major proprietary handler filed exceptions against: (1) The refusal to expand the marketing area; (2) the establishment of a Class III for surplus milk which included nonfat dry milk solids; (3) the revision of Class I prices and tying them to the level of prices in the Chicago market; (4) the emergency milk provision as written; (5) giving utilization data of individual plants to producer cooperative associations; (6) the failure to provide location differentials on milk from country plants; and (7) the failure to prescribe requirements for country plants which desire to be included in the marketwide pool. In the last exception, the major proprietary handler was joined by a major producers' cooperative association.

All three producer groups took exception to the recommendation that the producer butterfat differential should be equal to the simple average of the butterfat differentials to handlers. The producer groups pointed out that the uniform price was a weighted average value of whole milk according to its use by handlers. Their position was that the producer butterfat differential should reflect the weighted average value of the butterfat in milk according to its classification. The final decision adopted the latter plan. Since the producers' butterfat differential is merely a means of prorating among producers the total amount of money paid by handlers for milk, this action did not affect the cost of milk to handlers.

The final decision did not adopt any other changes over those of the recommended decision. It was signed by the Secretary of Agriculture on October 2, 1951, and submitted to the cooperative associations in the market for approval. One of the associations in the Quad Cities market, representing about one-half of the producers, immediately approved the issuance of the amended order. The two remaining associations, also representing about one-half of the producers in the two markets, refused to approve the amended order. The associations that objected to the amending order stressed the fact that the new regulation did not include location differentials. Another reason appeared to be a feeling on the part of the major association (shared by a major handler in the market) that the new order would benefit unduly the other cooperative association operating in the Quad Cities market. With respect to the problem of location differentials, however, it should be noted that the objecting association opposed them at the public hearing and in their post-hearing brief. Only after the recommended decision had been issued did the group urge their adoption. At the same time, the objecting association suggested that the hearing be reopened to receive additional evidence on the matter. This request was denied in the final decision because of the apparent urgency to promulgate the other changes, but the association was advised it could petition for a new hearing to consider the problem. The CCMPA was the second association to oppose the amending order. This association stated that it favored the new order but voted against it to avoid being drawn into the controversy between the two large cooperative associations serving the Quad Cities market

Apparently, another factor which influenced the decision of the two associations to vote against the amending order was the knowledge that, under similar circumstances in 1944, a failure to approve an amending order meant that the old order remained in full force and effect. 12/ After that time, however, the issuance of Federal milk orders was brought under the provisions of the Administrative Procedures Act. This meant that the Secretary of Agriculture's finding that the new provisions were necessary to effectuate the purposes of the Agricultural Marketing Agreement Act of 1937, as amended, had to be made in the final decision (which is prior to the time the amendment is submitted to producers for approval) rather than after producer approval, which was the case with the 1944 amendment. Under these circumstances, the USDA is committed to a prior course of action on amendments which differ substantially from the terms of the order then effective, and the order either must be approved or, lacking producer approval, must be suspended. When informed of these alternatives, the two objecting producer groups reconsidered their positions and voted instead to approve the issuance of the amended order. Accordingly, the amended order was made effective December 1, 1951.

12/ See discussion under Chapter V, p. 63.

The issues considered at the public hearing and the resulting changes effected by the amended order were as follows:

(1) The Federal order for the Clinton market, Order No. 70, was consolidated with Federal Order No. 44 which regulated the handling of milk in the Quad Cities marketing area. The merger of the two orders was effected by adding the marketing area regulated by the Clinton order to the Quad Cities marketing area and terminating Federal Order No. 70 which regulated the handling of milk in the Clinton market. With respect to the other proposals to expand the area under Federal regulation, the recommendation was that the Dubuque market should remain an independent marketing area regulated by Federal Order No. 12 and that no territory other than that already regulated by the Clinton and Quad Cities orders should be included in the marketing area under the consolidated order.

The merger of the Clinton and Quad Cities orders was proposed and supported by the three producer cooperative associations serving the two marketing areas. Handlers generally favored the merger, although the support of the Milk Foundation of the Quad Cities was qualified to the extent that they favored a merger provided the classification plan of the Quad Cities order was retained in the consolidated regulation. The gist of the testimony was that the structure of the fluid milk industry in the two marketing areas had so changed and had become so interdependent that they were in fact a single homogeneous market. This was evidenced by the extensive overlapping and intermingling of routes from both areas for the procurement as well as the distribution of milk, by the active competition for supplies and sales between the two groups of handlers in the territory lying between and adjacent to the two marketing areas, and by the full reciprocity between the respective city health departments. It was evidenced further by the fact that it was necessary to hold public hearings and amend the orders in both markets whenever an adjustment was necessary in either market and that average yearly returns to producers under both orders virtually were the same in 1949 and 1950.

For practically opposite reasons, there was opposition to merging the Dubuque marketing area with that of the Clinton and Quad Cities markets. It was pointed out that no reciprocity existed between the health departments of Dubuque and the cities in the Clinton-Quad Cities area, that there was little overlapping of milk procurement routes, and that no milk was regularly disposed of in the marketing areas by handlers from the other marketing areas. Under these circumstances, any surplus in the Dubuque market would not be available to aid the Clinton and Quad Cities markets during months of short supply, and the merging of these areas probably would have an adverse effect on the blended price to producers in the Clinton-Quad Cities area.

One of the handlers proposed and testified in favor of expanding the Clinton-Quad Cities marketing area to include all of Rock Island County, in Illinois, and Clinton, Scott, and Muscatine counties, in Iowa. The request was denied on the grounds that, except for the cities already under Federal regulation, the area is mostly rural in character, contains only one city with a population which exceeds 2,500 (Muscatine, population approximately 21,000), and the area had no adequately enforced Grade A health regulations.

A brief filed on behalf of all three producers' associations pointed out that since the order applied only to Grade A milk, extending the marketing area to include these counties would not change the number of handlers nor the quantity of milk regulated.

(2) The consolidated Order No. 44 provided for three classes of milk, as did the Clinton order. Class I included all skim milk and butterfat (including reconstituted skim milk) sold in the form of fluid milk, skim milk, buttermilk, flavored milk and milk drinks, cream, and concentrated milk for fluid use. This classification varied from that in the Quad Cities order because it combined flavored milk drinks, buttermilk, and cream in the same class with fluid milk. The new Class I consisted of all the products required to be made from Grade A milk, plus concentrated milk. Health authorities had not made a formal ruling on the requirements for milk to be concentrated, but it was included in Class I because evidence in the hearing record indicated that a suitable product could be made only from milk meeting the same requirements which applied to fluid whole milk. In addition, the product was considered to be competitive with fluid milk, and, when used in concentrated form, a substitute for cream.

The amended order continued the practice of having two classes for surplus milk, but it changed somewhat the manufactured products included in each of the classes. The new Class II continued to include skim milk and butterfat used to produce evaporated milk, condensed milk, ice cream, mixes for ice cream and frozen desserts, cottage cheese, and "other milk products not specified" elsewhere. To these products were added milk and cream sold to wholesale bakeries, candy manufacturers, and soup companies, yoghurt, and aerated products. Producers originally proposed that the aerated products be placed in Class I, but during the hearing asked that they be classified as Class II products.

Class III in the new order contained the same products as Class III in Clinton and Class IV in Quad Cities except that nonfat dry milk solids was included in Class III rather than in Class II where it had been previously because it was considered as "other milk products not specified." The product was being manufactured by a handler under the order; and the three producers' associations, in their request for a public hearing on the issues, had requested that it be classified as a Class III product. Since nonfat dry milk solids is a concentrated storable product, it was considered proper to classify it in the same class as cheese, butter, and casein. A proposal was made to classify bulk condensed skim milk in the lowest use class along with nonfat dry milk solids, but this was denied on the basis that the principal market for milk solids in bulk condensed form was the local ice cream industry, and it appeared proper to continue classifying condensed skim milk in the same class with ice cream and ice cream mix.

(3) In the consolidated order, the structure of class prices was revised in several respects. The principal change correlated Class I prices in the Quad Cities area with Class I prices in the Chicago, Ill., marketing area. Past relationships between the two markets were to be maintained by fixing the Class I differential in the Quad Cities market 25-cents-per-hundredweight higher each month than the Class I differential

in the order regulating the Chicago market. To accomplish this, the Class I differential in the Quad Cities market was increased 5 cents per hundredweight during the months of January, February, March, May, and June; it was increased 25 cents during April; and the differential was decreased 20 cents during December. This action increased the average Class I differential for a year from 97 1/2 cents to $1 per hundredweight. However, the Chicago order contained a supply-demand adjustment that could cause the Class I differential to be increased or decreased automatically within fixed limits as the relationship between producer shipments and Class I sales varied from a normal seasonal pattern set forth in the Chicago order. It was apparent that this price adjustment in the Chicago order could at times operate to narrow the spread between Quad Cities and Chicago prices. To forestall such an action, a "floor" was placed under the Quad Cities price by a proviso that the Class I price in the Quad Cities should not be less than the Class I price announced for the 70-mile zone under the Chicago order, plus 20 cents. However, no provisos were inserted in the Quad Cities order to lower its Class I differentials whenever the supply-demand adjustment in the Chicago order lowered the Class I price in Chicago. It was felt that any reduction in Quad Cities prices below the levels established in the local order would not only retard the development of an adequate supply of milk for the market, but might cause some producers, already in the market, to shift from dairying into other farm enterprises.

The Class II price, which also was the basic formula for determining the Class I price, was changed only slightly under the consolidated order. It continued to be the higher of a butter-cheese formula or the average of prices paid by manufacturing plants in the general area of the markets, except that a plant in Iowa (Carnation Company at Waverly) was added to the list of six Illinois plants whose basic or field prices were averaged to obtain an alternative paying price for Class II milk. Producers proposed that the 18-condensery-pay price figure should be used as a basis for pricing rather than the Illinois plants then used on the basis that using such plants would keep the prices in the Quad Cities market more closely aligned with those in the Chicago market. The recommended decision pointed out that both price series followed similar patterns with the prices paid by Illinois plants averaging about 5 cents per hundredweight under the 18-condensery-pay price. Because several of the Illinois plants compete actively with Quad Cities and Clinton handlers for milk produced in the milkshed, it was felt that their paying prices were more representative of local conditions than the 18-condensery-pay price. The Carnation Company plant at Waverly, Iowa, was added to the list of Illinois plants to reflect local conditions in those areas of Iowa close to the Quad Cities and Clinton milkshed. Approximately the same level of Class I prices was made to result from the paying prices of the Illinois-Iowa plants (instead of the 18-condensery-pay price) by keeping the Class I differential 5 cents higher than it would have been had the 18-condensery-pay price been adopted. The butter-cheese formula was continued on the basis that it established another "floor" under both Class I and Class II prices whenever prices paid by the condenseries fell below their normal relationship with the value of manufactured dairy products.

The Class III price was changed to provide a butter-powder formula as an alternative to the cheese formula used previously. The addition of the butter-powder alternative was prompted by the fact that a plant with drying facilities recently had become subject to the provisions of the Quad Cities order. The butter-powder formula used the average daily wholesale price of 92-score bulk butter at Chicago during the delivery period, less 6 cents, and multiplied by 1.2 and then by 3.5. To this result was added an amount computed by taking an average of the weighted average carlot price per pound of nonfat dry milk solids (spray and roller process for human consumption) f.o.b. manufacturing plants Chicago area for the period from the twenty-sixth day of the immediately preceding month through the twenty-fifth day of the current month, less 6 1/2 cents, and multiplied by 8.2 and then by 0.965. One effect of the butter-powder alternative, based on the commodity prices of that time, was to increase somewhat the minimum producers price for Class III milk.

The butterfat differentials to handlers for Class I and Class II were continued at the rates provided for in the existing orders, but the one for Class III milk was reduced enough to reflect the same relationship between the values of butterfat and skim milk as that which existed between them in computing the price for Class III milk. A handler proposed to reduce the Class I differential from 1.40 to 1.25 percent of the butter price, but the proposal was not adopted.

(4) The emergency milk provisions in the consolidated order were modified to limit the amount of imported milk handlers could allocate to Class I during the periods when the market did not receive enough producer milk to meet its requirements. Prior to this change, the order permitted handlers to import unlimited quantities of emergency milk whenever the Market Administrator determined that the supply of producer milk available to any handler was insufficient to meet his Class I requirements. Importations of large quantities of such emergency milk tended to depress the uniform price to producers. Producers favored the complete deletion of the provision and asked that all imported milk be designated "other source" milk (which was allocated to the lowest use classification in a handler's plant, thereby making the uniform price to producers higher than it would have been had importations been considered "emergency" milk). Handlers, on the other hand, proposed to remedy the situation by limiting the amount of imported milk that could be designated as "emergency" milk, suggesting an amount equal to the difference between receipts from local producers and 110 percent of Class I sales. The latter suggestion was adopted in the recommended decision. This plan permitted retention of the emergency milk provisions until such time as the supply of producer milk increased enough to meet market needs, yet it prevented any unnecessary dilution of the uniform price to producers at a time when producers needed a price incentive to increase production. Based on the fact that during September 1950 to February 1951 producer receipts plus imports of emergency milk averaged 108 percent of Class I disposition, the Quad Cities-Clinton order provided that receipts of other than producer milk constituted "emergency" milk up to the difference between receipts from local producers and 108 percent of Class I sales.

(5) The producer butterfat differential was revised in the consolidated order to be equal to the weighted average value of the butterfat according to its actual classification and use by haulers. Considerable

trouble was experienced in determining how to calculate this differential. During the public hearing producer witnesses favored having the differential equal to the average price paid for butterfat by handlers. The recommended decision, on the other hand, contained a provision that it should be equal to the simple average of the class butterfat differentials paid by handlers.

All three producer associations objected to the method set forth in the recommended decision, asking instead that a weighted average be used. The USDA, in the recommended decision, felt that the use of a simple average of the class butterfat differentials not only would avoid the excessive seasonal increases and wide monthly variations of the weighted average but it would more nearly represent the value of butterfat in excess of the 3.5 percent standard. In the final decision, the USDA acceded to the producers' exceptions, at the same time pointing out that this differential did not affect the cost of milk to handlers.

(6) The maximum rates of assessment against handlers and nonmember producers for administration and for marketing services were set at 3 and 6 cents per hundredweight, respectively. These rates were the same as those which had prevailed in the Quad Cities market; the Clinton market had a maximum rate of 5 cents per hundredweight for both purposes. A suggestion was made that the merging of the Federal orders might result in enough economies of administration and operation to justify a reduction in the maximum rates of assessment. In the recommended decision, it was pointed out, however, that the two orders already were administered jointly from a single office and with the same staff of employees, hence the economies in administering the order and the marketing service program would not be great enough to justify such a reduction in the maximum rate of assessment. It was reemphasized that the rates provided for were maximum rates, and that the actual rates of assessment could be reduced whenever operating experiences demonstrated that a lower rate would provide enough income to cover the costs involved. The amounts of money in the administrative and marketing services funds existing separately under the two orders were consolidated because the new order affected the same handlers and producers as those who had been affected by the separate orders.

A change of some importance was the decision that "other source" milk and "emergency" milk classified as Class I should be subject (along with producer milk) to the assessment for administrative expenses. It was felt that such a change would apportion the expenses of administering the order more equitably among all handlers.

(7) Except for a minor change in the date (from the fifth to the seventh of the month) when handlers had to file receipts and utilization reports with the Market Administrator, the remaining provisions of the combined order were essentially the same as comparable provisions of the current Quad Cities order. As a result, two provisions of the current Clinton order which affected payments to producers were omitted from the combined order. One of these omissions was the proviso that handlers could pay the Market Administrator a lump sum covering the full utilization value of milk purchased from producers, and the Market Administrator then was required to pay the individual producers who supplied milk to

that handler. The provision was omitted from the new order on the grounds that only one handler in Clinton was exercising this option at the time of the hearing. The other provision of the Clinton order required handlers to make advance payments to producers at the mid-point of the delivery periods. This change was made on the basis that no one requested its retention. In addition, it was pointed out that nothing in the combined order would prevent handlers from continuing to make such advance payments to producers if they so desired. In fact, it was noted that such advance payments had been made to producers in the Quad Cities market, as well as in other markets, which did not require advance payments.

Three other proposals were not adopted. One of these proposals would have required, among other things, that country plants ship a certain percentage of their receipts to the fluid milk market as Class I milk before their operations could be included in the market-wide pool. The other two proposals called for the establishment of location differentials on milk moved from country plants to the marketing area and the deletion of the requirement that the Market Administrator advise a producers cooperative association of any difference between a handler's reported utilization of milk received from the association and the association's own report of utilization. With respect to the last proposal, if an association knew the utilization of milk in individual plants, it could make a more equitable distribution of milk among handlers to assure utilization in the highest class possible--with resultant benefits to marketing efficiency. In the recommended decision, it was concluded that (1) no need existed at that time for establishing any pooling requirements for country plants, and (2) that the presented evidence was too limited and inconclusive (in view of the intricate competitive relationships involved) to justify promulgating location differentials in the new consolidated order.

The only testimony that related to any other provisions in the order recommended their continuance, and this was done, except for slight changes in text required by the addition of some of the new provisions discussed earlier in this report.

V. FEDERAL REGULATION OF THE QUAD CITIES FLUID MILK MARKET

One of the most important aspects of the fluid milk industry in Clinton, Iowa, is its location as a small market in the midst of a number of much larger fluid milk consuming areas. (See Chapter II.) All these markets draw at least a part of their Grade A raw milk supplies from the same general production area in northeastern Iowa and northwestern Illinois counties. In some counties, particularly in Illinois, the competition for milk supplies is so keen that producer price changes in one market must be accompanied by similar price changes for the remaining markets to prevent the diversion of milk. Thus, any study of the problems of marketing fluid milk in Clinton must take some account of the pricing and marketing practices in these other markets, particularly Quad Cities and to a lesser degree Dubuque. The Quad Cities and Dubuque markets came under Federal regulation in 1934, and they have remained under one or another type of Federal program since that time.

The Quad Cities Market

The Quad Cities marketing area--by far the largest of the three markets--is located on both the Iowa and Illinois sides of the Mississippi River approximately 40 miles south of Clinton. The Quad Cities area comprises the four cities of Davenport, Iowa, and Rock Island, Moline, and East Moline, Ill., with a total population of 233,012, as of April 1, 1950. The Quad Cities constitute the largest farm implement manufacturing center in the United States. Related industries include foundries, aluminum, pattern making, die making, and the manufacture of tools and metal wheels. The Rock Island Arsenal ranks among the largest of all the arsenals in the United States and, together with the farm implement manufacturing plants, employs a major portion of the labor of the area. Other industries in the area, consisting of some clothing and toy manufacture, candy factories, breweries, and several wood-working mills, are relatively less important.

The production area from which the Quad Cities market draws its milk supplies covers 14 counties in Iowa and Illinois. Of the 793 Grade A producers supplying the Quad Cities market in March 1951, 416 producers (supplying 48 percent of the milk) were located in Scott County, Iowa, 118 (supplying 17 percent of the milk) were located in Whiteside County, Ill., and 90 producers (supplying 11 percent of the milk) were located in Rock Island County, Ill. (See table 5.) This production area is an important agricultural region, with corn the most important crop and the production of livestock (particularly beef cattle and hogs) the principal source of farm income.

During 1950, 95 percent of the milk sold by Quad Cities handlers was marketed through two producer cooperative associations--the Quality Milk Association of Moline, Ill., and the Illinois-Iowa Milk Producers Associations of Davenport, Iowa. In December 1950, the two associations had a

Table 5.--Number and location of Grade A milk producers supplying Quad Cities, Clinton, and Dubuque handlers, by States and counties, February and March, 1951

State and county	Producers supplying Quad Cities handlers 1/		Producers supplying Clinton handlers 2/		Producers supplying Dubuque handlers 1/		Producers supplying Chicago handlers 2/	
	Producers	Percentage of total production	Producers	Percentage of total production	Producers	Percentage of total production	Producers	Percentage of total production 3/
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Iowa								
Cedar	9	1.1	0	0.0				
Clinton	3	0.4	72	56.6				
Dubuque	20	4.2	0	0.0	167	70.3		
Jackson	7	1.2	3	5.3				
Louisa	10	1.0	0	0.0				
Muscatine	43	5.1	0	0.0				
Scott	416	48.6	9	4.6				
Total	508	61.6	84	66.5	167	70.3		
Illinois								
Bureau	1	0.0/	0	0.0			0	
Carroll	18	2.9	20	23.1			64	
Henry	25	2.9	0	0.0			0	
Jo Daviess	26	3.7	0	0.0	11	3.9	4/ 122	
Mercer	5	0.5	0	0.0			0	
Ogle	1	0.0/	0	0.0			211	
Rock Island	90	11.1	0	0.0			0	
Stephenson	1	0.0/	0	0.0			214	
Whiteside	118	17.3	13	10.4			117	
Total	285	38.4	33	33.5	11	3.9	728	
Wisconsin								
Grant					32	17.4		
Lafayette					11	8.4		
Total					43	25.8		
Total	793	100.0	117	100.0	221	100.0	728	

1/ March 1951. 2/ February 1951. 3/ In the specified counties only. 4/ Includes producers in both Jo Daviess and Lee Counties.

Source: Market Administrator.

total membership of 1,366 producers, 742 of whom were Grade A producers and 624 of whom were non-Grade A producers. Membership was fairly evenly divided between the two groups. During the same period, 28 producers who shipped to the market were not members of any cooperative association of producers. Each association operates manufacturing facilities in which to process its surplus milk. The Illinois-Iowa Milk Producers Association plant is located at Davenport, Iowa, and this plant is equipped to manufacture butter, condensed skim milk, and casein. The Quality Milk Association's plants are located at Moline, Ill., and at Mount Carroll, Ill. The Moline plant is equipped to manufacture Cheddar cheese, butter, and condensed buttermilk and the Mount Carroll plant specializes in the manufacture of butter and roller process nonfat dry milk solids.

In 1950 the marketing area was serviced by 21 handlers. One of the handlers was the Illinois-Iowa Dairy, owned and operated by the Illinois-Iowa Milk Producers Association. In addition to their fluid milk operations, 12 handlers owned and operated manufacturing facilities of their own. Of these plants, 10 were used in the manufacture of ice cream, 9 in the manufacture of cottage cheese, and 2 were used to manufacture condensed skim milk. In addition to being served by local handlers, the marketing area was supplied by Sanitary Farm Dairies, Inc., Clinton, Iowa, a handler whose plant was located in the Clinton market.

Each of the cities in the marketing area have adopted, and rigidly enforce, health ordinances which require that all the Class I milk products distributed in the area be made from Grade A milk. All the ordinances are patterned after the Standard Milk Ordinance recommended by the United States Public Health Service, and each city in the marketing area recognizes the certifications of each other. Davenport, Iowa, was the first of the group to adopt a Grade A ordinance, doing so in 1940. It was followed by Rock Island, Ill., in 1942, by Moline, Ill., on June 1, 1948, and by East Moline and Silvis, Ill., on September 1, 1949. The ordinances in effect during World War II were loosely enforced because of the difficulty in obtaining materials and supplies to comply with the quality standards. A shortage of locally produced Grade A milk postponed further the strict enforcement of the ordinances until January 1, 1949. The adoption of a Grade A ordinance by East Moline and Silvis on September 1, 1949, brought all the cities under the standards of the United States Public Health Service's Code, and their Grade A ordinances remain effective at the present time. The expenses of inspection and administration of the ordinances are met by appropriated funds of each city with the exception of Davenport, Moline, and Rock Island where the expenses of the health department are met by an assessment, against handlers, amounting to 2 cents per hundredweight of Grade A milk marketed as Class I and Class II in the cities. In the latter case, producers and handlers voluntarily agreed to share the expense of the assessment. The total sum collected is allocated to each city on the following basis: 40 percent to Davenport; 30 percent to Moline; and 30 percent to Rock Island. In addition to the efforts of the city health departments, periodic inspections are made by the State Department of Health of Iowa and the Illinois Department of Public Health to insure compliance with the minimum health standards established by each State.

Regulation of the Quad Cities Market by Federal Milk License No. 58

The Quad Cities market first came under Federal regulation on June 1, 1934, with the promulgation of Federal Milk License No. 58. The efforts to get a Federal license for the market began in 1933, and as a result a public hearing was held in Washington, D. C., on August 29, 1933, to consider the need for and the type of regulation best suited to the Quad Cities market. No license was issued at that time, however, apparently for two principal reasons: (1) By late 1933 the USDA was evolving a new policy with respect to the type and scope of regulation needed by fluid milk markets (because of the difficulty in enforcing the type of license already in effect), and the Department did not wish to issue a license for the Quad Cities before a firm policy had been established; and (2) the controversy between the two producer cooperative associations operating in the Quad Cities marketing area was so serious that the USDA had no desire to enter the market with a license which contained provisions not agreed upon beforehand by both groups.

The new USDA policy was established in February 1934. The new policy provided for licenses which fixed minimum prices for producer milk and allowed resale prices to be set by forces of competition between handlers. Minimum resale prices were to be established in those markets where producer-distributors were an important distributive element, however, principally as a protection against the possibility that low resale prices by this group would endanger market stability and the producer price level established by the license.

Another effort on the part of the Quad Cities market to obtain a license which would be consistent with the new national policy resulted in a public hearing which was held in Davenport, Iowa, on March 5 and 6, 1934. The differences between the two producer groups were not resolved at the meeting, however. The Quality Milk Association (which owned and operated a surplus manufacturing plant), on the one hand, wanted a license for the market which would provide for a pooling of producer returns, thereby forcing all groups to share the burden of surplus milk. The Illinois-Iowa Milk Producers Association (a bargaining cooperative), on the other hand, wanted a license for the market which would merely fix the price to the producer and allow the market to operate on a status quo basis. Moreover, indications were that milk prices in the Quad Cities, both to producers and to consumers, were kept at an unusually low level because of the intense competition between the two producers' cooperative associations for fluid milk and cream volume.

After the hearing, several conferences were held with local market interests in a serious effort to issue a license which would be acceptable to the market groups and yet would be consistent with the new national policy. Agreement was reached on a regulation, Federal Milk License No. 58, which was frankly viewed as a temporary measure to stabilize local marketing conditions and to effect an immediate increase in prices to producers until such time as the market could be organized on a more harmonious and permanent basis.

Federal Milk License No. 58, effective June 1, 1934, contained the following major provisions:

(1) A classification of all milk used by handlers into four classes, with a minimum price to producers for each class of milk. Class I milk was whole milk consumed as such, Class II was milk used for cream, Class III was milk used for evaporated milk, ice cream, and ice cream mix, and Class IV was milk used for all other uses. The minimum price for Class I milk was set at $1.60 per hundredweight (compared with a price of well under $1 per hundredweight during the previous year). A formula fixed the producers' price for Class II milk at 3.5 times the average wholesale price of 92-score butter at Chicago during the delivery period, plus 20 percent, plus 20 cents per hundredweight. The minimum price for Class III milk was set at the price paid for 3.5 percent milk under the Marketing Agreement for Evaporated Milk (approved September 8, 1933) as it applied to the area in which the Quad Cities market was located. In the event that the marketing agreement would be terminated, the license provided that the price for Class III milk should be determined by the same formula as the price for Class II milk, except that it would be 10 cents per hundredweight less. The minimum producers' price for Class IV milk was determined by a formula which took 3.5 times the average price of 92-score butter at wholesale at Chicago during the delivery period and added 10 percent of that amount.

(2) A schedule of minimum resale prices for 5 types of milk and cream at the wholesale and retail level. Whole milk containing 3.9 percent butterfat or less had a minimum price of 7 1/2 cents per quart and whole milk containing 4.0 or more percent butterfat had a minimum price of 8 cents per quart. Retail cream testing 22-percent butterfat or less had a minimum price of 22 cents per quart, cream testing 23- to 30-percent butterfat had a minimum price of 29 cents per quart, and cream of 31-percent butterfat or more had a minimum price of 35 cents per quart. These minimum resale prices were established by the license in accordance with the new USDA policy of fixing minimum resale prices only in those markets where a substantial portion of the fluid milk sales were made by producer-distributors. Evidence indicated that about 45 percent of the fluid milk sales in the Quad Cities area at that time were made by local producer-distributors.

(3) Producer-distributors were exempted from the pooling provisions of the license (although they had to abide by the schedule of minimum resale prices). This exemption was not generally granted to other markets; apparently it was granted in this instance to remove the objections raised by producer-distributors to any form of equalization pool. 13/

(4) Producers' returns were based on a straight equalization pool plan without a base and surplus plan, and the Market Administrator was required to compute the blended price to producers based on the total value of all milk delivered by producers according to the classification and use

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13/ For a more complete discussion of the role of producer-distributors under Federal milk licenses, see pp. 34-41 of "Early Development of Milk Marketing Plans in the Kansas City, Mo., area. Marketing Research Report No. 14. Dairy Branch, Production and Marketing Admin. U. S. Dept. of Agr. (May 1952.)

made of the milk by distributors. The license also provided for the collection of information from producers relative to their production during the preceding 2 1/2 years, with the understanding that the information so gathered could be used later by the Market Administrator to establish a base and surplus plan for the entire market.

(5) The license also contained protective clauses which required security from distributors to assure payment for milk bought from producers. It also carried guarantees to producers of the right to check the tests and weights of milk as reported by the distributors.

(6) New producers were permitted to enter the market, but the license required that such producers would receive the Class IV price for their milk for a period of 3 months, excluding any emergency periods, before being permitted to share in the blended price.

(7) The license also provided for deductions of 2 cents a hundredweight from payments to producers to provide funds for administering the license. Producers not members of any cooperative association were obliged to pay an additional amount equal to the deductions paid by members of cooperative associations for receiving market services, but not to exceed 4 cents per hundredweight. The deductions from nonmembers had to be kept in a separate fund by the Market Administrator and used to render similar benefits (such as market information, check testing and weighing, and guaranteeing against loss by default of distributor) as the members of producer cooperatives enjoyed by reason of similar payments to their own associations.

(8) These provisions were binding upon all distributors who handled milk or cream for ultimate consumption in the Quad Cities Sales Area. The "Quad Cities Sales Area" was defined to include the territory lying within the corporate limits of the cities of Davenport, Bettendorf, and Princeton, Iowa; Rock Island, Moline, East Moline, and Silvis, Ill.; together with certain territory lying within the townships of Davenport, Rockingham, Pleasant Valley, Blue Grass, and Buffalo in Scott County, Iowa, and South Moline, Moline, Black Hawk, Coal Valley, Hampton, Colonna, and Bowling in Rock Island County, Ill.

First Amendment, Effective September 1, 1934

The Quad Cities license was amended September 1, 1934 (just 3 months after it had been instituted as a temporary measure by the USDA), after requests for, and approval of, such action by the Illinois-Iowa Milk Producers Association, The Quality Milk Producers Association, the Independent Milk Producers Association, and the Market Administrator. Not only did the amended version of the license represent a more permanent basis on which the market could be administered but it was more acceptable to the USDA since it now conformed in scope and language with licenses in effect in other fluid milk markets. The special features of the amended license included the following:

(1) It established a complete base and surplus plan to go into effect immediately.

(2) It revised the provisions relating to producer-distributors so that milk sold in excess of delivered bases or milk bought from other producers was included in the computation of the blended price to producers.

(3) It increased the Class I price to producers from $1.60 to $1.85 per hundred pounds of 3.5 percent milk, in part to reflect the influence of a firm butter market and in part to compensate for the severe drought conditions throughout the production area. No changes were made in the formulas for Class II, Class III, or Class IV milk, yet the advance in butter prices meant an automatic upward adjustment in producers' prices for such milk.

(4) It increased the minimum resale prices by 1/2 cent per quart, about equivalent to the advance in price to producers.

(5) The size of the sales area was reduced by eliminating the town of Princeton, Iowa, and part of Blue Grass and Buffalo townships in Scott County, Iowa, and Colonna and part of Bowling townships in Rock Island, County, Ill.

At that time regulations of the USDA authorized the amending of licenses without recourse to a new public hearing each time if the subject matter contained in an amendment had already been discussed at an earlier public hearing. Since each of the provisions of the Quad Cities license changed by the first amendment had been discussed at the public hearings held on August 29, 1933, and March 5 and 6, 1934, the amended license was made effective on the basis of written requests from the market interests without recourse to another public hearing.

Second Amendment, Effective October 22, 1934

The extreme drought condition which prompted the Class I price increase on September 1, 1934, was relieved by ample rainfall shortly after the amendment was made effective, and the market continued to face a surplus of milk rather than an expected diminution in supply. Producer groups and distributors alike realized that the new circumstances necessitated a downward adjustment in the minimum producers' price, and they met together to negotiate a new Class I price. After a period of negotiation, all the groups requested the USDA to expedite an amendment which would lower the Class I price 15 cents per hundredweight to a new level of $1.70. No other changes were to be made in the regulation. Accordingly, the Secretary of Agriculture approved the change in the Class I price and made the amendment effective October 22, 1934.

Third Amendment, Effective February 26, 1935

Three months later the two producer cooperative associations and their dealers and the Davenport Milk Dealers Association jointly requested the USDA to increase the minimum price for Class I milk 20 cents to $1.90 per hundredweight, to change the amount of the butterfat differential, and to increase the minimum resale price 1 cent. These changes were requested on the basis that the average price of 92-score butter at Chicago had increased substantially since late summer, that milk production had fallen below the levels of the previous year, and that feed prices had risen since the date of the previous price change. It appeared that economic conditions justified the approval of the requested changes and the license was amended, effective February 26, 1935.

"Stand-Still" Period, August 26, 1935-January 31, 1940

The power to raise or lower the specified minimum producer price was taken away from the USDA by amendments to the Agricultural Adjustment Act, approved on August 26, 1935. The act (1) substituted "orders" for "licenses," (2) provided that existing licenses could be continued, but (3) it did not provide a basis for changing licenses in any respect. Under these circumstances, License No. 58 remained operative in the Quad Cities market until January 31, 1940. During that interval the producer groups and the distributors supplemented the provisions of License No. 58 with special agreements regulating the price of producer milk. 14/ These agreements were considered as premiums (of varying amounts) above the license price. On this basis, the Class I price was changed twice during the "stand-still" period; the market interests negotiated a price increase of 30 cents per hundredweight to $2.20 in August 1936 and a price decrease of 10 cents per hundredweight to $2.10 in June 1938. In addition, several changes in the Class IV price were also negotiated during the 4-year period between the active licensing program and the issuance of the Federal Milk Order No. 44.

Regulation of the Quad Cities Market by Federal Milk Order No. 44

Federal Milk License No. 58 had been an important factor in restoring orderly marketing conditions to the Quad Cities market by enhancing producer prices, assuring producers an equitable distribution of returns through pooling, and assuring handlers equal treatment through minimum prices and market-wide reporting to, and auditing by, the Market Administrator. However, it suffered from inflexibility because it could not be amended. The two producers' associations, recognizing this inherent weakness, requested the USDA to improve the market's regulatory program by issuing an up-to-date Federal Milk Order under terms of the Agricultural Marketing Agreement Act of 1937.

14/ For accounts of pricing agreements under licenses in other markets, see "Economic Effects of Federal Regulation of the Minneapolis-St. Paul Fluid Milk Market." By Alexander Swantz. Marketing Research Report No. 11. Dairy Branch, PMA, USDA (May 1952) pp. 46-49. Also, "Early Development of Milk Marketing Plans in the Kansas City, Mo., Marketing Area." By Edmond S. Harris. Marketing Research Report No. 14. Dairy Branch, PMA, USDA (May 1952) pp. 44-55.

Acting on that request, the Secretary of Agriculture issued notice of a public hearing which was held on August 2-4, 1939, for the purpose of considering the replacement of Federal Milk License No. 58 with a Federal Milk Order. The hearing was reopened on October 18, 1939, to receive additional evidence on the economic changes which had taken place in the market since the original public hearing--changes occasioned by the passage of a new health ordinance by the city of Davenport and the outbreak of war in Europe. It was determined that the evidence in the official record indicated the need for continued regulation of the Quad Cities market, and the Secretary of Agriculture approved a tentative marketing agreement on December 14, 1939. However, handlers of more than 50 percent of the volume of milk sold in the marketing area refused or failed to sign the proposed agreement, and the Secretary approved the issuance of an order after it had been approved by over two-thirds of the producers who participated in a referendum.

Accordingly, Federal Milk License No. 58 was suspended on January 31, 1940, and Federal Milk Order No. 44 became effective on February 1, 1940.

Order No. 44, as Promulgated

The terms of the new order did not differ greatly from the terms of the license which it superseded or the supplemental price agreement in effect between the producers and dealers of the Quad Cities market. The order continued the existing price for Class I milk ($2.10), but provided that the Class I price to Grade A producers should be $2.40 when the Davenport ordinance or the Illinois Grade A ordinance went into effect. The order fixed a specific price for Class II milk whereas the license priced such milk by a formula; Class III and Class IV milk were priced by the same formulas in the order as those that had been used in the license.

The order also provided for the continuation of a market-wide pool with base-rating--the bases were alloted to producers in substantially the same manner as that under the license. Although handlers testified in favor of a three-class system of milk classification, the order continued the four-class system used by the license. Some changes were made in the make-up of the classes, however, the most important being the classification of chocolate milk and milk drinks as Class II rather than Class IV and the classification of unaccounted-for milk as Class I. The marketing area defined in the order was the same as the marketing area in the license except for the addition of South Rock Island Township in Illinois. The order was administered by the same person who had administered the license.

Order No. 44, as Amended December 15, 1941

The original Federal Milk Order No. 44 remained effective for about 2 years before it was amended on December 15, 1941. The changes instituted by this amendment were to have important effects on the Clinton market in later years. Of particular importance was the decision to replace specified minimum Class I and Class II prices with formulas which automatically changed the minimum prices as changes occurred in the prices paid producers by 10 evaporated milk plants located in the nearby areas. The respective minimum prices for Class I and Class II milk were fixed at 70 cents and 25 cents per hundredweight higher than the average condensery-pay (Class III) price, with an additional premium of 20 cents per hundredweight for Grade A milk in each class. The Class III price was to be equal to the average prices paid by the 10 condenseries rather than being the price computed according to the marketing agreement for evaporated milk (as issued by the Secretary of Agriculture on May 31, 1935).

The decision to switch to the above-mentioned basis of establishing minimum Class I and Class II prices in the Quad Cities market was influenced in part by the fact that evaporating plants located near the market began paying sizable premiums over the price established by the marketing agreement for evaporated milk. The new basis also was designed to reflect a level of producer prices which would keep local producers from shifting to other outlets. Finally, the new basis provided one of the reasons for the wide difference in prices paid producers in the Clinton and Quad Cities markets during most of World War II. The amended order also provided for several additional changes which affected the classification and pricing of Class III and Class IV products and made other minor changes of an administrative character.

Order No. 44, as Amended April 1, 1944

A new marketing agreement was formulated by the USDA as a result of the public hearing held at Rock Island, Ill., on November 3 and 4, 1943. After slight revisions, because of earlier industry exceptions, provisions under the new marketing agreement were issued as an amended Federal Milk Order No. 44, by the War Food Administrator, and made effective on April 1, 1944. This version of the order did not establish a separate pool for Grade A milk as had been proposed by the Milk Inspector of the City of Davenport, Iowa, but it did include changes designed to clarify many provisions of the previous regulation. Many of the previous provisions were indefinite or their intent had been stated in general terms; the numerous revisions spelled out the procedures in explicit terms. The changes also: (1) Affected the definition of terms; (2) reclassified creamed cottage cheese and buttermilk, and established definite rules for the classification of milk received from handlers or outside sources; (3) altered the pricing provisions of Class III and excess milk; and (4) most important, perhaps, the amendment based the Class IV price on the market quotations for 92-score butter at Chicago and unground casein f.o.b. plants in the Chicago area.

Order No. 44, Proposals to Amend in 1944

The amended Federal Milk Order No. 44 had been in effect less than 1 month when the War Food Administrator, acting as a result of a petition filed by the Quality Milk Association and the Illinois-Iowa Milk Producers' Association, convened a public hearing at Rock Island, Ill., on April 28, 1944, to consider further amendments to Order No. 44. The major problems considered at that hearing were: (1) Whether the Grade A premium should apply to milk disposed of to a nonhandler for use in Class II; (2) the level of the Class IV price; and (3) an adjustment in the base-rating plan.

The decision of the War Food Administration was that: (1) The Grade A premium should be charged on milk sold to a nonhandler and used in Class II (in opposition to the stand of the producers' associations). The effect of this decision was to deny cooperative associations an exemption from paying Grade A prices on milk which went on an interhandler basis into Class II utilization; (2) the price of Class IV milk should be based on the Chicago butter market plus an adjustment based on the local market for casein when such a price was available (at other times the Chicago market for unground casein was to be used), except that milk used in the manufacture of Cheddar cheese should be priced on the basis of the market value of cheese on the Wisconsin Cheese Exchange at Plymouth, Wis. The purpose of this amendment was to lower the Class IV price slightly during the flush months and raise it during the months of short supply; and (3) the base plan should be revised to facilitate a producer's earning a new base.

A new marketing agreement embodying these changes was tentatively approved by the War Food Administrator on May 30, 1944; at the same time a referendum of producers was ordered held. No more than 50 percent of the producers approved the recommended changes, however (one of the cooperative associations in the market, voting on behalf of its entire membership, disapproved of its issuance). Because no official determination had yet been made that the recommended changes were necessary to effectuate the purposes of the enabling act and Order No. 44, no legal objections arose to prevent the old order from remaining in full force and effect. 15/

Suspension of Two Pricing Provisions, 1946

Two pricing provisions of the Quad Cities order were suspended during the summer of 1946. These suspensions also applied to the Clinton market, and are discussed in detail in Chapter IV.

Order No. 44, as Amended August 1, 1947

A public hearing was held in Rock Island, Ill., on February 27, 1947, to consider amendments proposed by the Dairy Branch, PMA, USDA, to clarify the status of handlers who distributed milk in other marketing areas as well as in the Quad Cities. The changes were prompted by the fact that a handler from the Clinton market was selling milk in the Quad Cities which had been purchased from producers under terms of the Federal order regulating the Clinton market (where the producer price was substantially less than the producer price for the Quad Cities market). All parties in the market favored the proposed changes in the order, and Order No. 44 was

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15/ This development had repercussions in 1951 when an effort was being made to consolidate the Quad Cities and Clinton milk orders. See Chapter IV.

amended effective August 1, 1947, after it had been approved by the two cooperative associations in the market which represented more than 90 percent of the producers. The effect of the amendments was to require a handler who was determined to have his principal business in another marketing area also subject to a milk order to file reports and, in event the other order priced milk lower than the Quad Cities order, to pay into the Quad Cities producer-settlement fund an amount equal to the difference in price between the two orders.

Order No. 44, as Amended January 1 and May 1, 1948

Two amendments to Order No. 44 were put into effect in 1948 as a result of the testimony received at a public hearing held in Rock Island, Ill., on November 20-21, 1947. Although all the proposals advanced by the Quad City Association of Milk Dealers, Inc., the Illinois-Iowa Milk Producers Association, Inc., and the Quality Milk Association were considered at the public hearing, the decision of the USDA was issued in two parts. This procedure was prompted by evidence in the hearing record which demonstrated the existence of an emergency--hence the issuance of final decision on three points without a prior recommended decision. Producers and handlers also considered these three issues as being of an emergency character, and waived their rights to file briefs or to file exceptions to a recommended decision of the Secretary of Agriculture on these points. The first final decision was published within 1 month of the public hearing, approved by the two associations on behalf of 95 percent of the producers, and the amendment became effective January 1, 1948: By this action, the base surplus plan was eliminated from Order No. 44, the Market Administrator was directed to compute separate uniform prices to producers for Grade A milk and for non-Grade A milk, and the butterfat differential was revised to reflect current values of butterfat directly rather than on a bracket basis. It was felt that these changes would make available to the market additional Grade A milk at full Grade A prices, would tend to prevent producers from leaving the market for more favorable outlets, and would induce other producers to qualify as Grade A producers and help insure the market against a shortage of quality milk. As previously noted, these changes had important effects on the Clinton milk order.

The recommended decision with respect to the other issues, discussed at the public hearing of November 20-21, 1947, was signed March 2, 1948, and the market interests were given an opportunity to file written exceptions to the findings. Both producers' groups and handlers filed exceptions, but an order was made effective May 1, 1948, without substantive change from the recommended decision. It was approved by the two cooperative associations jointly representing about 98 percent of the producers supplying the market during the representative period of November 1947.

The amended order instituted the following important changes in the market regulation: (1) It provided for a separate accounting for butterfat and skim milk in each class on a volume basis in contrast to the former practice of accounting for Class I milk on a volume basis and for the other classes in terms of the milk equivalent of the butterfat contained therein; (2) it provided for an average yearly increase of about 7 1/2 cents in the

Class I and Class II prices for Grade A milk and an equivalent decrease in the prices for non-Grade A milk; (3) it provided for seasonal pricing of Class I and Class II milk; the Class I premium ranged from 70 cents to $1.15 for Grade A milk and from 35 cents to 80 cents for non-Grade A milk and the Class II premium ranged from 55 cents to $1 for Grade A milk and from 20 cents to 65 cents for non-Grade A milk; (4) it changed slightly the Class III formula and increased the handling allowance on Class IV milk by approximately 23 cents per hundredweight; (5) it increased the amount of the deduction for marketing services from 4 to 6 cents; (6) it reclassified cottage cheese from Class II to Class III; and (7) it generally revised Order No. 44 to facilitate its administration and to clarify its terminology.

Order No. 44, as Amended May 4, 1949

A public hearing was conducted at Rock Island, Ill., on January 7, 1949, to consider several proposed changes in the manner of pricing of Class III and Class IV milk. Handlers asked for changes in the manner of allocating other source milk purchased in processed form and for a reduction of about 20 cents a hundredweight in the price of skim milk utilized in Class III. The Dairy Branch proposed a new basis for pricing Class IV milk because of the contemplated discontinuance of the casein price quotation which formed a part of the pricing formula.

The final decision and amending order contained only one important change in the regulation--the formula for pricing Class IV milk. Instead of being based on the market prices of butter and casein, the new Class IV formula was based on the price of "Cheddars" on the Wisconsin Cheese Exchange at Plymouth, Wis., with a provision that the class price be no lower than the value of the butterfat in such milk at the butterfat differential. The amending order was signed by the Secretary of Agriculture on May 3, 1949, and made effective the following day.

Order No. 44, Proposals to Amend in January 1951

The two producers' associations serving the Quad Cities market joined with the producers association serving the Clinton, Iowa, market in requesting that a single public hearing be held to consider emergency price increases of 25 cents per hundredweight for Class I and Class II milk (in the Quad Cities market) to be effective for the first 6 months of 1951.

In a final decision signed on March 23, 1951, the Secretary of Agriculture denied the request for emergency increases in the Class I and Class II price. For a complete discussion of the issues involved and the reasons for the final action, see pages 42-44, Chapter IV.

Order No. 44, Suspension of Provisions, April 16, 1951

Acting on the request of the two cooperative associations involved, the Secretary of Agriculture suspended those provisions of the Quad Cities milk order which related to the pricing and pooling of non-Grade A milk received from producers, effective April 16, 1951. The regulation of the pricing and payment of this milk was not only unnecessary under the current marketing situation (because health regulations no longer permitted the distribution of non-Grade A milk as fluid milk or cream in the marketing area) but was causing an uneconomic and untenable pricing situation which forced operating cooperative associations in the market to suffer a loss of about 30 cents per hundredweight on all milk diverted to nonfat dry milk solids. Steps had been taken with a view toward correcting this situation at the time of the next public hearing, but the entry by merger into the market of a cooperative association with manufacturing operations for non-Grade A milk created an urgent pricing problem which could not be alleviated fast enough except through the use of a suspension.

Order No. 44, as Amended December 1, 1951

The principal change effected by this amendment was a merger of the Quad Cities and Clinton marketing areas into a single area regulated by a single Federal Milk Order. For a complete discussion of this and related developments, see pages 44-52.

VI. FEDERAL REGULATION OF THE DUBUQUE, IOWA, FLUID MILK MARKET

The Dubuque Market

The city of Dubuque, Iowa, is located on the northeastern edge of the State at the point where Illinois and Wisconsin converge and are separated from Iowa by the Mississippi River. Dubuque with a population of 49,528 (on April 1, 1950) lies approximately 60 miles upriver from Clinton, Iowa, and is a port of entry and the county seat of Dubuque County, Iowa. The city is a trade and shipping center for a large agricultural area; it is served by four railways, an airport, and a number of river steamers and barges, and is noted particularly for its sash-and-door factories, iron foundries, plumbing supply fabrication, farm implements (tractors), and meat packing industries.

Milk producers supplying the Dubuque marketing area are located in three States--Iowa, Illinois, and Wisconsin. About 70 percent of the Grade A milk supplied the Dubuque market in March 1951 came from 167 producers located in Dubuque County, Iowa; about 17 percent of it came from 32 producers located in Grant County, Wisconsin; about 8 percent was supplied by 11 producers in Lafayette County, Wisconsin; and about 4 percent of the milk supplies came from 11 producers located in Jo Daviess County, Illinois. (See table 5.) The milk supply area in Iowa and Illinois is well suited to dairy farming, since the topography is rough and hilly and the land is better adapted to pastures than to specialized grain production. A more diversified type of farming is carried on in the Wisconsin part of the milkshed where the farms and sizes of herds are larger than those in the supply areas in Iowa and Illinois and the topography is not so rough and hilly as that in other parts of the milkshed.

The entire milkshed is a surplus milk producing area where much of the milk produced on farms is disposed of in forms other than as whole milk. Dairying is the principal single source of farm income, followed closely by the production of poultry, hogs, and cattle. Because of the large proportion of land necessarily kept in pastures, farmers tend to produce and ship large quantities of milk during the flush production months (when the cost of feed is cheap) and relatively small quantities during the fall shortage months. Owing to this extreme seasonality of milk production the producers' cooperative association maintained extensive manufacturing facilities which could be used to capacity only a few months in each year. The extreme seasonality of production (combined with the amount of the seasonal surplus) in the Dubuque market appeared to be largely responsible for the refusal of the cooperative associations in the Clinton and Quad Cities markets to favor consolidation of the three marketing areas into a single area under one Federal Milk Order.

During 1950, seven handlers located in the Dubuque marketing area distributed fluid milk and fluid milk products in the marketing area, each handler having both wholesale and retail routes. There were no producer-handlers supplying the market, although one distributor was partly a producer-handler in that he relied on his own farm production for a large part of his fluid milk requirements. The remaining handlers relied on receipts from members of the Dubuque Cooperative Dairy Marketing Association (DCDMA) and from independent producers. In addition to the seven handlers located in the marketing area, the market was served by a distributor (the Dean Milk Company) who was a handler under Order No. 41 covering the Chicago, Ill., marketing area. Four of the local handlers owned and operated manufacturing facilities of their own to manufacture such products as Cheddar cheese, ice cream mix, and cottage cheese. The Dubuque Cooperative Dairy Marketing Association, a handler under Order No. 12 by virtue of its manufacturing operation, handled most of the surplus milk of the market. All the milk produced for the market was delivered directly to handlers' plants from the farms. Most of the milk was delivered by commercial haulers, although individual producers and neighborhood hauling arrangements accounted for a small percentage of the deliveries.

For a long while, the Dubuque milk handlers, and the producers supplying the marketing area, were subject to a rigidly enforced city milk ordinance. This ordinance was adopted April 21, 1941, and it was patterned closely after the United States Public Health Service's standard ordinance. Prior to that time the milk industry was regulated by a city ordinance passed October 7, 1935. The 1935 ordinance established minimum standards for raw and pasteurized milk, required two tests for bacteria to be made each month by the Dubuque Health Department, and required distributors to report to the health department the quantities of milk delivered by producers and to deduct 1 cent per hundredweight from payments to producers to cover the expenses of making the tests and inspections required by the ordinance.

The 1941 ordinance required that only milk produced on farms with Grade A permits could be used as fluid milk or cream, and this ordinance raised the milk standards to the general level of the U. S. Public Health Code. The 1941 ordinance was amended June 1, 1948, to delete a provision requiring a 1-cent-per-hundredweight assessment against producers. The decision to change the ordinance was influenced by the opposition of the producers' association and by a ruling of the Dubuque city solicitor upholding the Market Administrator's determination that the deduction conflicted with the minimum pricing provisions of Order No. 12.

The Dubuque Cooperative Dairy Marketing Association was the only producer cooperative association qualified and operating under the terms of Order No. 12. The association was organized in 1922 and incorporated under the Iowa NonStock Law. Prior to that time producers in the market had formed a local association as part of the Iowa Dairy Marketing Association, previously referred to in Chapter II. The cooperative association operated as a bargaining association until 1933 when it leased a plant and began manufacturing butter and Cheddar cheese. In later years, and until March 25, 1951, its manufacturing operations were confined to American type Cheddar cheese and ice cream mix. On the latter date the association sold its equipment and began to ship its surplus milk to a cheese manufacturing plant at Galena, Ill. During 1950 the association had an average membership of 82 Grade A producers; these producers represented about 37 percent of the total producers supplying the Dubuque market during 1950. These figures showed a decline from 1945 when the association represented about 58 percent of the producers and about 62 percent of the milk on the Dubuque market. The association supplied two handlers with their entire fluid milk requirements and another handler with a part of his requirements. The association routed the milk of its producers to meet individual handler's requirements.

Regulation by Federal Milk License No. 94

Until the Clinton market came under Federal regulation in 1944, the Dubuque, Iowa, marketing area was the smallest fluid milk market in the United States to be regulated by a Federal program. The Dubuque regulation, Federal Milk License No. 94, became effective on December 5, 1934. The problems faced by producers and producer groups in the Dubuque market were the same as those which were faced by dairy farmers and fluid milk markets throughout the United States at that time--problems of low prices, large surpluses of milk, and ruinous competition which created highly unstable marketing conditions.

The Federal milk license program had been in effect little less than a year when in April 1934 the Dairy Section of the Agricultural Adjustment Administration, USDA, received a formal request and a proposed marketing agreement, for the Dubuque, Iowa, market, from the Dubuque Cooperative Dairy Marketing Association and six producer-distributors operating in the marketing area. Until that time the officials administering the Federal regulatory program were directing the major part of their efforts toward promulgating licenses for the larger fluid markets (which could support more easily the administrative programs and at the same time could cover the greatest number of producers in the shortest period of time). However, officials of the USDA felt that the Dubuque market merited consideration at that time because (1) prices for producer milk were extremely low and the marketing conditions for fluid milk were very disorganized, (2) the market had a significant amount of interstate commerce in fluid milk, and (3) the market, though small, could be supported administratively by utilizing the already existing administrative machinery in the Des Moines, Iowa, market. As it later developed (in 1944), these same conditions helped the Clinton, Iowa, market to obtain favorable action on its request for a Federal milk order, even though the market was small.

After a public hearing was held in the County Court House in Dubuque, Iowa, on October 26, 1934, Federal Milk License No. 94 was issued by the Secretary of Agriculture on November 30, 1934, to become effective December 5, 1934. The only apparent opposition to the license came from two large distributors who together handled about 80 percent of the pasteurized milk sold in the market.

The principal features of the license were:

(1) It required all distributors to pay producers at least the established minimum prices for 3.5 percent milk on the basis of the following classified price plan:

(a) $1.60 per hundredweight for Class I milk (that milk used as whole milk for direct consumption);

(b) 3 1/2 times the average wholesale price of 92-score butter at Chicago, plus 20 percent, plus 20 cents per hundredweight for Class II milk (that milk used to produce cream); and

(c) 3 1/2 times the average wholesale price of 92-score butter at Chicago plus 15 cents per hundredweight for Class III milk (that milk in excess of distributors' requirements for Class I and Class II);

(d) plus or minus a butterfat differential of 3 cents per hundredweight for each 1/10 of 1 percent variation from a 3.5-percent standard.

(2) It required distributors to file regular reports with the Market Administrator for the purpose of insuring that all sales were classified according to use and producer milk paid for at the required prices.

(3) It established an equalization fund to make monetary adjustments for all distributors so that all producers would be paid (under a market-wide pool) the same blended price, minus the required deductions allowed in the license for market administration and services.

(4) It required new producers to be reported to the Market Administrator when entering the market, and required them to accept Class III prices for all their milk deliveries for a period of 90 days after coming onto the market.

(5) It provided for deductions for the purpose of defraying the cost of administering the license and for providing market services (information, check testing and weighing of milk, and limited protection against the failure of distributors to pay for milk) to producers not already receiving such services from an existing cooperative association.

(6) It did not fix minimum retail and wholesale prices for fluid milk.

The license was administered on a part-time basis by the Market Administrator of the Des Moines, Iowa, market.

In November 1935 the minimum prices established by the license were too low to prevent the producer price of butterfat from falling below the level of prices paid by competing creameries. The problem was met by a voluntary agreement between producers and distributors for the payment of a 30-cent-per-hundredweight premium on Class I milk.

Regulation by Federal Milk Order No. 12

By 1936 it had become apparent that the minimum producer prices in the Dubuque license were too low in the light of current economic conditions. By that time, however, the Federal license program of the USDA had been replaced at the national level by a new program of issuing "orders." Also, the new laws held that existing licenses could be retained, but provided no authority for changing any of their provisions. Under these circumstances, a public hearing was called in Dubuque, Iowa, on July 2, 1936, to receive evidence on a proposed marketing agreement and order for the area. The proposed program was similar to License No. 94, which had regulated the market since December 1934, except that the new program provided for: (1) The individual-handler pool method of distributing returns to producers rather than the prevailing market-wide pool; and (2) a higher minimum price for Class I and specific minimum price for Class II milk. Three weeks after the hearing, the Secretary of Agriculture issued a notice to reopen the hearing to receive new pricing evidence which would reflect the effects of the severe and continuing drought which spread over the production area during July 1936. The reopened public hearing was held on July 28, 1936, and a proposed marketing agreement was approved for Dubuque, Iowa, on August 17, 1936. No handler signed the agreement; however, the Secretary of Agriculture issued the regulation on September 17, as Federal Order No. 12, after it had been approved by (1) over 75 percent of the producers in the Dubuque market, during June 1936, and (2) the President of the United States.

Order No. 12 replaced License No. 94 on October 1, 1936, and made official the following important changes in the market regulation:

(1) The minimum price for Class I milk was increased from $1.60 to $1.90 per hundredweight.

(2) The minimum price for Class II milk was fixed at $1.80 per hundredweight instead of the price determined by a formula.

(3) The proceeds from sales to handlers were distributed to producers through individual handler pools instead of through a market-wide pool.

Order No. 12 as Amended March 1, 1937

The unrest and dissatisfaction with fluid milk marketing conditions in Dubuque, Iowa, continued to develop during the summer and fall of 1936. Handlers, led by an aggressive spokesman, culminated their opposition to Federal Order No. 12 by petitioning the Secretary of Agriculture for a public hearing as a first step in exempting handlers from the operation and terms of the order itself and particularly from the provisions requiring handlers to bear a prorata share of the expenses of administering the order. Two of the petitioning handlers subsequently withdrew their names from the petition and agreed to abide by the terms of Order No. 12. The public hearing was held at Dubuque, Iowa, on November 30, 1936. During the same period in which handlers were petitioning for exemption, they moved to support their position by helping obtain producers' signatures to a petition which also requested the removal of the order. The petitions were signed by 50.6 percent of the producers (who supplied about 60 percent of the milk regulated by the order), but many of these signatories were members of the Dubuque Cooperative Dairy Marketing Association. After the latter names were deleted from the petition (because their votes were cast through the association 16/), the remaining signatories represented 38.6 percent of the producers and 46.7 percent of the volume of milk--too small a percentage to force the Secretary of Agriculture to terminate the order.

The Dubuque Cooperative Dairy Marketing Association (DCDMA) countered dealers' efforts by petitioning the Secretary of Agriculture to keep the order in effect, and at the same time the association went to considerable effort to prove that handlers had obtained many producers' signatures by falsehoods and misrepresentations. At the same time (on December 10, 1936), the DCDMA petitioned the Secretary of Agriculture to amend the order immediately to reflect a new Class I price of $2.35 per hundredweight (an increase of 45 cents). Supplies of market milk had become extremely short, and the producers' group requested the higher price to meet the extremely unfavorable production conditions which were caused by the severe drought and the resultant shortage (and high price) of feed.

Based on the evidence submitted at the hearing of December 29, 1936, the Secretary of Agriculture approved an amended marketing agreement which reflected a new Class I price of $2.30 per hundredweight. No handler signed the marketing agreement, however, and the Secretary then obtained the President's approval to issue an amended order after a poll of producers showed that more than two-thirds of the eligible producers who produced more than two-thirds of the milk supply wanted the new order put into effect. Even though the new Class I price of $2.30 was higher than the parity price level (then used as the criterion for price adjustments by the enabling act), the increase was granted on the basis that it was to meet the extreme emergency and would be reduced when conditions became normal. The amended order became effective on March 1, 1937.

Order No. 12, as Amended June 16, 1939

No changes were made in the pricing or regulatory provisions of Order No. 12, as amended March 1, 1937 for a period of more than 2 years. During this period the DCDMA found itself forced to carry the burden of handling the surplus milk in the Dubuque, Iowa, market because of the individual-handler pooling provisions of the order. Changing economic conditions also made other changes in the order appear desirable, and the association petitioned the Secretary of Agriculture to call a public hearing to consider amendments relating to such problems as: (1) The enlargement of the marketing area; (2) a revised classification plan; (3) the method of computing handlers' obligations; (4) establishing a market-wide pool; and (5) the price of Class III milk.

16/ A provision in the Agricultural Marketing Agreement Act of 1937, as amended, permits qualified producer cooperative associations to cast as a unit the vote of "producers who are members of, stockholders in, or under contract with, such cooperative association of producers." (7 USC, 608c (12).)

The public hearing was held on March 13, 1939, at Dubuque, Iowa, and a tentatively approved marketing agreement was approved by the Secretary on May 19, 1939. As before, no handler signed the agreement, but its terms were approved by the President of the United States and by more than two-thirds of the producers supplying the market during the representative period of January 1939. Accordingly, the Secretary of Agriculture signed the amended order on June 12, 1939, and made it effective June 16, 1939. As then promulgated, the amended order contained the nonconflicting provisions of the original order plus the following changes:

(1) It provided for four classes of milk instead of three. This was done by establishing two classes for surplus milk, a new Class III for milk used to produce ice cream and all products except butter and cheese, and a Class IV to include milk used to produce butter and cheese.

(2) It lowered the level of minimum prices and changed the basis for calculating butterfat differentials from 3.5 percent to 3.8 percent. The new schedule of prices was as follows:

(a) Class I, $1.95 per hundredweight during the months May-September and $2.35 during the remainder of the year;

(b) Class II, $1.50 per hundredweight during the months May-September and $1.80 the remainder of the year;

(c) Class III, the price per hundredweight of 3.8 percent milk to be computed according to the marketing agreement for evaporated milk, or, if that agreement were terminated, by multiplying by 3.8 the average wholesale price per pound of 92-score butter at Chicago and adding 30 percent thereof; and

(d) Class IV, 3.8 times the average wholesale price of 92-score butter at Chicago plus 10 percent thereof.

(3) It enlarged the marketing area to include the city of East Dubuque, Ill.

(4) It provided for the proration to producers of the proceeds from the sale of milk by a market-wide pool.

(5) It contained a "new producer" provision requiring the payment of the Class IV price instead of the blended price for at least 2 and not more than 3 months to new producers.

(6) It revised the definition of a "handler" to include a cooperative association which caused milk to be delivered to a plant from which no milk was disposed of in the marketing area.

Order No. 12, as Amended December 15, 1941

The next change in the terms of Federal Order No. 12 developed from evidence gathered at a public hearing held at Dubuque, Iowa, on September 9, 1941. The public hearing was called at the request of the DCDMA. The association requested rather extensive changes in Order No. 12. Most of the changes were designed to prevent unlimited "riding" of the pool 17/ by manufacturers and to increase the producer price, partly by changing from a fixed minimum price to the use of formulas. Substantially more than two-thirds of the producers favored the changes. However, because handlers refused or failed to sign the new proposed marketing agreement, the Secretary of Agriculture had to request, and received, the approval of the President to issue a new amended order. 18/ The amended order became effective on December 15, 1941, and provided for:

(1) Increased Class I and Class II prices by providing a premium of 70 cents and 25 cents per hundredweight, respectively, over the average of actual prices paid for 3.5 percent milk by 10 condenseries located in the same general area (or over an alternative butter-cheese formula if this price were higher).

(2) A Class III price equal to the average price paid by the same 10 condenseries mentioned in (1).

(3) A Class IV price based on cheese ("Twins" on the Wisconsin Cheese Exchange at Plymouth, Wis., times 2.4, times 3.5) rather than butter, since 75 percent of the Class IV milk was being made into cheese.

(4) The removal of East Dubuque, Ill., from the marketing area, a move which prevented a large manufacturer from coming on the market and "riding" the market-wide pool.

(5) Changes designed to facilitate and clarify the administration of the order, such as changing the butterfat standard from 3.8 percent to 3.5 percent, basing the butterfat differential on the Class IV price rather than the price of butter, adding a marketing services deduction provision, redefining "delivery period" to be a calendar month rather than one-half a month, redefining Class II to include the product known as "half and half," and defining a "producer-handler."

Order No. 12, as Amended February 1, 1943

The terms of Federal Order No. 12 were amended again on February 1, 1943, this time to bring the regulation into conformance with the newly revised milk ordinance originally adopted by the city of Dubuque, Iowa, on April 21, 1941. Under the new health regulations, only milk meeting certain

17/ A handler using most or all of his milk in manufacturing uses receives an equalization payment from the pool, which is to be used in paying his producers prices equal to those of other handlers. This may give him an advantage in competition with other manufacturers. If a manufacturer seeks to become a handler to gain this advantage, he is generally considered to be riding the pool.

18/ The requirement for Presidential approval was abolished under the 1947 Reorganization Plan No. 1, effective July 1, 1947.

requirements was eligible for distribution in fluid form in the Dubuque, Iowa, market, yet difficulties of regulation arose because handlers were permitted to receive and process unapproved milk in the plants qualified to receive graded milk. The principal amendments related to the reclassification of milk and the inclusion in the order of uninspected milk. These amendments were designed to insure graded milk producers full payment for graded milk by eliminating the possibility for profitable evasion of health regulations and payment provisions of the existing order.

A public hearing was called at the request of the DCDMA and was held at Dubuque, Iowa, on August 19, 1942. Based on the evidence adduced at the hearing, a tentatively approved marketing agreement was issued by the Secretary of Agriculture on December 30, 1942, after no market interest took exception to the proposed agreement issued on October 14, 1942. Once again handlers failed or refused to sign the tentatively approved marketing agreement. A poll of producers revealed that more than two-thirds of the eligible producers who voted approved the terms of the new regulation. In addition, the amended order was approved on behalf of the President by the Director of Economic Stabilization. The amended Federal Order No. 12 was issued by the Secretary of Agriculture on January 19, 1943, and became effective 13 days later.

The principal effect of the amended order was to bring the milk of both graded and ungraded producers under the regulation and insure that each type of producer received payment for the grade of milk actually produced. This was accomplished by paying graded producers the uniform price of the market-wide pool whereas ungraded producers received the Class III price. In addition, the amended order effected several other changes, some minor, designed to simplify and clarify the administration of the regulation. These changes included:

(1) A new classification plan with three classes of milk instead of four. This was accomplished by reclassifying flavored milk, creamed buttermilk, and creamed cottage cheese from Class III to Class II products (since they now had to be made from approved milk) and reclassifying ice cream to be in the same class as other manufactured products (not required to be made from approved milk).

(2) A minimum price for the new Class III milk by using the formula for the previous Class IV. It was felt that the lower price for surplus milk resulting from the merger of the two classes would be offset by the upward classification of flavored milk and creamed buttermilk and cottage cheese, leaving little net change in the cost of milk to handlers.

(3) The administrative assessment was made to cover all milk received.

(4) The incorporation into the amended order of certain administrative practices and minor changes designed to ease administration of the regulation.

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Order No. 12, as Amended April 11, 1943

The amended Order No. 12 described above had been signed by the Secretary of Agriculture but had not yet become effective when it became apparent that its provisions were such that producers supplying milk which was manufactured into cheese could not receive the cheese subsidy then being paid by the Commodity Credit Corporation (CCC). Under the terms of the amended order, producers of unapproved milk received the Class III price instead of the market blend. Because only a portion of this milk was used for cheese, and because the cheese subsidy order required that the subsidy be distributed through a market pool, producers of unapproved milk would have received prices lower than those paid by adjacent manufacturing plants not under the order.

On the recommendation of the Dairy and Poultry Branch, USDA, a public hearing was held at Dubuque, Iowa, on February 18, 1943, to consider proposals with respect to the level of the Class III price. The original proposal was to base the price paid for milk used to produce Class III products, other than cheese, on the average pay price of a group of condenseries. However, no one at the public hearing favored this plan. Handlers and the DCDMA alike favored basing the Class III price in the order on the CCC's "subsidy" price for cheese--the price handlers already were paying producers for all Class III milk under terms of a voluntary agreement. It also was proposed that the butterfat differential should continue to be based on the price of "Twins" on the Wisconsin Cheese Exchange at Plymouth, Wis. This latter proviso was designed to forestall an increase in the amount of the butterfat differential.

The problem was met in the amendment by continuing to base the Class III price on the market value of cheese, with a proviso that during any delivery period when the CCC had in effect an offer to purchase American Cheddar cheese for resale to manufacturers, the CCC price was to be used in lieu of the price of "Twins." In any event, the butterfat differential was to be based on the price of "Twins." The Secretary of Agriculture signed the amended order on April 6, 1943, after it had been approved by the Director of Economic Stabilization and by 99 percent of the eligible producers who participated in the referendum, and the new pricing provision became effective April 11, 1943.

Suspension of Pricing Provisions, June 1946

Two pricing provisions of the Dubuque milk order were suspended in June 1946--one being a temporary suspension of the provision relating to the method of determining the applicable condensery-pay price and the other being a permanent suspension of the Dean Milk Company's plant at Belvidere, Ill., from the list of condenseries on which producer prices under the Dubuque milk order, as well as four other Federal milk order markets, were based. In the latter case blanket suspensions were issued for the five markets at one time. The circumstances and effective dates for the Dubuque market were the same as those detailed earlier for the Clinton and Quad

Cities markets. 19/

Proposed Amendments to Order No. 12, Fall of 1947

Two weeks after the Quad Cities and Clinton orders had been amended in 1947, the Assistant Administrator, PMA, USDA, issued an official notice to hold a public hearing at Dubuque, Iowa, to consider similar amendments to the Dubuque order. The hearing was called at the request of the DCDMA, and was held on August 28, 1947. The association's principal objective was to obtain a 50-cent-per-hundredweight increase in Class I and Class II prices on the basis that early summer floods and late summer heat waves threatened future feed supplies, and that higher producer prices were necessary to guarantee the continuance of adequate milk supplies. Another proposal was to provide exemption from certain provisions of Order No. 12 in those instances where a handler disposed of the greater part of his milk in another marketing area regulated by another Federal order. This proposal was the same as one that had just been issued for the Clinton and Quad Cities market (where handlers actually had extensive intermarket sales).

The public hearing was unusual in that so little evidence was offered in support of the proposals. The entire hearing record consisted of only 57 pages. Some of the evidence presented even indicated that the prevailing prices might cause burdensome surpluses. The recommended decision of the USDA, issued on October 31, 1947, was that "The evidence, within the scope of the notice of hearing, fails to disclose the need for any change or amendment to the program." No exceptions to this decision were filed by the fluid milk interests in Dubuque, and it became the final decision of the Secretary of Agriculture not to change or amend the order in any respect.

Order No. 12, as Amended July 1, 1949

The amendments of July 1, 1949--comprising the first important change in Order No. 12 since February 1, 1943--revised the Dubuque milk order. The substantive amendments were proposed, in the form of a complete revision of the order, by the DCDMA, and were discussed at the public hearing held at Dubuque, Iowa, on January 12, 1949. No industry exceptions were filed to the recommended decision issued by the USDA on April 5, 1949, and the findings and conclusions of the recommended decision were incorporated into Order No. 12 and made effective on July 1, 1949, after they had been approved by more than two-thirds of the participating producers.

The new order effected the following changes in the Dubuque market's regulatory program:

19/ In addition to the three markets--Dubuque, Clinton, and Quad Cities--included in this report, the suspension also applied to the Omaha-Council Bluffs (Nebraska and Iowa) and Sioux City (Iowa) markets.

(1) It revised the classification plan (a) by placing cream, buttermilk, and milk drinks in Class I along with milk, and (b) by providing two classes instead of one for manufacturing milk. Class I thus included all milk products required by the health ordinance to be made from Grade A milk. The new Class II included evaporated and condensed milk, ice cream, ice cream mix, cottage cheese, and those products not specified in the other classes and the new Class III included butter, cheese, nonfat dry milk solids, animal feed, and casein. This new classification plan was more compatible with the butterfat-skim basis of accounting, and it brought the Dubuque market under the same general class as that of the Clinton market.

(2) It replaced the milk equivalent and volume system of accounting for milk usage with the requirement that milk be accounted for in terms of the amount of butterfat and skim milk used in each product.

(3) It increased the minimum price for Class I milk by changing the Class I differential from 70 cents throughout the year to 80 cents per hundredweight during January-March, 60 cents during April-June, and $1.05 per hundredweight during the remainder of the year. This change brought the minimum prices in Dubuque in line with producer prices in the Clinton and Quad Cities markets (but at a 10-cent lower level because of differences in hauling costs). Also, it varied the prices seasonally as was done in the other two markets. The effect of these changes was to increase the minimum price for Class I milk by an average of 17 1/2 cents per hundredweight during the course of a year. However, the actual cost of milk to handlers was unchanged by the new order because producers, since September 1947, had been receiving a premium which ranged between 10 and 50 cents per hundredweight during various months on all classes of milk.

(4) It provided for a butterfat differential to handlers and changed the method of computing the butterfat differential to producers to correspond with the method used in computing the handlers' differential.

(5) It provided for the payment of interest on overdue obligations of a handler or the Market Administrator.

(6) It made the Class II price the basic price for milk, and substituted "Cheddars" and "Twins" in computing the butter-cheese alternative for the Class II price.

(7) The Market Administrator was required to furnish a producers' cooperative association, which requested the information, with statistics on each handler's utilization of the milk caused to be delivered to the handlers by the association.

(8) It revised certain definitions and many of the general provisions of Order No. 12 to make them conform with current practices and to facilitate their administration.

VII. ANALYSIS OF CHANGES IN MARKET STRUCTURE DURING PERIOD OF FEDERAL REGULATION

Supply of Milk

Clinton

The total quantities of milk received from all sources by handlers in the Clinton, Iowa, marketing area increased from year to year after Federal Order No. 70 became effective. The increases appeared to be quite uniform, varying from 504,000 to 814,000 pounds, as shown in the following tabulation:

Year	Total receipts of milk	Change in receipts from previous year
	Thous. pounds	Thous. pounds
1945 - - - -	13,117	---
1946 - - - -	13,801	+684
1947 - - - -	14,549	+748
1948 - - - -	15,190	+641
1949 - - - -	16,004	+814
1950 - - - -	16,508	+504

The largest increases occurred in 1949 and 1947 and the smallest increase occurred in 1950. Table 6 shows the total receipts of milk from all sources for the Clinton marketing area for each month Order No. 70 was in effect during the period 1945-51.

The proportion of total market receipts supplied by producers in the Clinton market varied quite widely during the 7-year period, 1945-51, indicating that in certain years the market had to rely on increased quantities of emergency milk and other source receipts to meet its needs. Data in table 7 indicate, on a percentage basis, the extent to which producer deliveries met the needs of the market. Except for the year 1946 when producer deliveries almost supplied the market's entire needs, local producers delivered about 90 to 94 percent of the total market receipts during the period 1945-51.

The Clinton market used emergency receipts of milk 29 out of the 72 months during 1945-50, or about 40 percent of the time. Practically all these emergency receipts came into the market during the months July through December, although on two occasions relatively small quantities were received in January. Volume-wise, the market relied most heavily on emergency receipts in 1948, 1947, and 1945. During those 3 years, such receipts of milk comprised 8.2, 7.3, and 4.7 percent, respectively, of total market receipts. The extremely short supply of producer milk receipts during the latter half of 1948 was caused mainly by the decision of about 30 producers to shift in

Table 6.--Total receipts of milk from all sources, Clinton, Iowa, marketing area, by months, 1945-51

Year and month	Producer Deliveries: Member	Producer Deliveries: Nonmember	Producer Deliveries: Total	Emergency receipts	Other source receipts	Inventory variation 1/	Total market receipts
	Pounds	Pounds	Pounds	Pounds	Pounds		Pounds
1945							
January	697,166	240,299	937,465		6,346		943,811
February	643,897	211,188	855,085		21,360		876,445
March	717,492	239,184	956,676		7,475		964,151
April	770,027	245,069	1,015,096		13,066		1,028,162
May	851,185	298,377	1,149,562		11,649		1,161,211
June	841,656	303,257	1,144,913		17,103		1,162,016
July	828,403	310,331	1,138,734	38,773	50,987		1,228,494
August	726,389	293,992	1,020,381	71,677	81,967		1,174,025
September	652,094	266,336	918,430	100,757	112,828		1,132,015
October	606,532	238,580	845,112	148,337	168,920		1,162,369
November	540,230	244,083	784,313	187,112	204,893		1,176,318
December	620,225	323,863	944,088	71,878	92,079		1,108,045
Total	8,495,296	3,214,559	11,709,855	618,534	788,673		13,117,062
1946							
January	823,468	278,604	1,102,072	1,660	22,658	2/ (95)	1,126,295
February	775,377	295,633	1,071,010		19,689		1,090,699
March	876,073	315,758	1,191,831		18,335	(337)	1,209,829
April	952,369	333,200	1,285,569		8,960	(7,163)	1,287,366
May	1,125,669	380,396	1,506,065		13,319		1,519,384
June	1,064,314	350,367	1,414,681		1,910		1,416,591
July	967,111	324,650	1,291,761		5,427		1,297,188
August	816,637	271,881	1,088,518		3,452		1,091,970
September	711,011	231,875	942,886		3,543		946,429
October	714,415	244,806	959,221		3,654		962,875
November	627,322	239,341	866,663	2,023	2,751		871,437
December	698,395	270,999	969,394	332	11,599		981,325
Total	10,152,161	3,537,510	13,689,671	4,015	115,297	(7,595)	13,801,388

Table 6.--Total receipts of milk from all sources, Clinton, Iowa, marketing area, by months, 1945-51--Continued

Year and month	Producer Deliveries: Member	Producer Deliveries: Nonmember	Producer Deliveries: Total	Emergency receipts	Other source receipts	Inventory variation 1/	Total market receipts
	Pounds	Pounds	Pounds	Pounds	Pounds		Pounds
1947							
January	710,400	316,542	1,026,942		414	(5,012)	1,022,344
February	676,563	305,325	981,888		3,113	(7,150)	977,851
March	879,641	272,144	1,151,785		3,286	(2,776)	1,152,295
April	847,633	263,836	1,111,469		3,238	13,906	1,128,613
May	993,272	306,751	1,300,023		4,386	13,519	1,317,928
June	965,752	396,293	1,362,045		3,373	(15,105)	1,350,313
July	889,951	343,160	1,233,111	79,386	17,799	(1,616)	1,328,680
August	680,370	359,874	1,040,244	245,729	1,906	2,771	1,290,650
September	629,896	385,227	1,015,123	224,008		(13,160)	1,225,971
October	629,789	464,726	1,094,515	168,458		18,008	1,280,981
November	544,559	425,728	970,287	215,046		(23,760)	1,161,573
December	605,755	539,224	1,144,979	130,799	3,105	32,456	1,311,339
Total	9,053,581	4,378,830	13,432,411	1,063,426	40,620	12,081	14,548,538
1948							
January	722,978	575,463	1,298,441		41,933	(7,299)	1,333,075
February	732,323	485,863	1,218,186		60,176	(15,569)	1,262,793
March	816,614	433,374	1,249,988		98,913	29,233	1,378,134
April	833,302	440,676	1,273,978		77,649	(12,292)	1,339,335
May	1,059,033	428,436	1,487,469		20,396	(35,345)	1,472,520
June	987,471	239,776	1,227,247		22,975	38,862	1,289,084
July	837,606	233,228	1,070,834	99,282	68,856	(13,362)	1,225,610
August	720,157	191,870	912,027	248,353	46,948	15,770	1,223,098
September	665,145	174,338	839,483	254,752	50,515	(7,650)	1,137,100
October	686,346	188,113	874,459	233,254	67,666	(6,987)	1,168,392
November	631,128	203,155	834,283	262,501	69,717	(1,982)	1,164,519
December	721,151	267,956	989,107	143,445	68,036	(4,579)	1,196,009
Total	9,413,254	3,862,248	13,275,502	1,241,587	693,780	(21,200)	15,189,669

Table 6.--Total receipts of milk from all sources, Clinton, Iowa, marketing area, by months, 1945-51--Continued

Year and month	Producer Deliveries: Member	Producer Deliveries: Nonmember	Producer Deliveries: Total	Emergency receipts	Other source receipts	Inventory variation 1/	Total market receipts
	Pounds	Pounds	Pounds	Pounds	Pounds		Pounds
1949							
January	834,621	314,684	1,149,305	36,475	62,292	9,203	1,257,275
February	847,730	321,051	1,168,781		51,037	(16,030)	1,203,788
March	997,060	374,006	1,371,066		86,540	(19,361)	1,438,245
April	1,030,236	355,854	1,386,090		57,669	26,915	1,470,674
May	1,201,332	404,897	1,606,229		71,456	(23,228)	1,654,457
June	1,065,121	462,393	1,527,514		73,369	4,522	1,605,405
July	1,035,180	331,810	1,366,990		71,307	15,428	1,453,725
August	957,285	328,458	1,285,743		72,756	(8,208)	1,350,291
September	843,562	251,729	1,095,291		68,159	2,278	1,165,728
October	823,838	202,173	1,026,011	36,053	67,743	3,529	1,133,336
November	780,950	176,905	957,855	82,323	54,295	(2,880)	1,091,593
December	929,766	172,793	1,102,559	17,288	55,709	4,308	1,179,864
Total	11,346,681	3,696,753	15,043,434	172,139	792,332	(3,524)	16,004,381
1950							
January	1,067,601	197,095	1,264,696		74,275	(1,822)	1,337,149
February	1,030,925	231,634	1,262,559		69,910	(9,564)	1,322,905
March	1,198,814	291,748	1,490,562		134,007	2,314	1,626,883
April	1,155,245	285,740	1,440,985		151,527	(2,239)	1,590,273
May	1,237,582	326,769	1,564,351		112,626	(9,605)	1,667,372
June	1,227,914	279,700	1,507,614		96,982	14,666	1,619,262
July	1,104,151	238,540	1,342,691		94,317	157	1,437,165
August	991,106	213,524	1,204,630		96,771	1,565	1,293,966
September	851,710	187,009	1,038,719	10,346	79,962	7,684	1,136,711
October	827,657	180,530	1,008,187	40,340	99,153	(3,512)	1,144,168
November	805,685	148,984	954,669	76,242	112,482	(3,671)	1,139,722
December	901,917	180,187	1,082,104	22,983	95,416	(7,639)	1,192,864
Total	12,400,307	2,761,460	15,161,767	149,911	1,217,428	(11,666)	16,517,440

Table 6.--Total receipts of milk from all sources, Clinton, Iowa, marketing area, by months, 1945-51--Continued

Year and month	Producer Deliveries: Member	Producer Deliveries: Nonmember	Producer Deliveries: Total	Emergency receipts	Other source receipts 3/	Inventory variation 1/	Total market receipts
	Pounds	Pounds	Pounds	Pounds	Pounds		Pounds
1951 4/							
January	984,151	202,754	1,186,905	2,686	384,076	(11,518)	1,562,149
February	916,996	190,396	1,107,392	332	373,586	16,121	1,497,431
March	1,018,528	222,459	1,240,987	830	410,662	23,433	1,675,912
April	1,030,725	224,425	1,255,150	332	441,720	(34,674)	1,662,528
May	1,194,558	293,932	1,488,490		476,253	12,702	1,977,445
June	1,169,359	297,166	1,466,525	332	453,140	(19,132)	1,900,865
July	1,076,264	287,343	1,363,607	415	408,382	17,819	1,790,223
August	966,225	260,905	1,227,130	20,295	361,410	11,014	1,619,849
September	942,993	183,325	1,126,318	35,776	402,317	(21,840)	1,542,571
October	898,500	192,994	1,091,494	223,202	403,399	(1,055)	1,717,040
November	779,211	149,012	928,223	354,925	420,233	(669)	1,702,712
December							
Total	10,977,510	2,504,711	13,482,221	639,125	4,535,178	(7,799)	18,648,725

1/ 1945-46 figures indicate amount of overrun rather than inventory variation.
2/ Indicates a minus.
3/ Includes receipts from other Federal markets and milk for manufacturing.
4/ Based on audited data for January-August and unaudited data for September-November 1951.

Table 7.--Receipts of milk from all sources, expressed as a percentage of total market receipts, at Clinton, Quad Cities, and Dubuque marketing areas, 1945-51

Year	Producer deliveries	Emergency receipts	Other source receipts	Inventory variation 1/	Total market receipts
	Percent	Percent	Percent	Percent	Percent
CLINTON					
1945 - - -	89.3	4.7	6.0	--	100.0
1946 - - -	99.2	2/	0.8	2/	100.0
1947 - - -	92.3	7.3	0.3	0.1	100.0
1948 - - -	87.4	8.2	4.5	(0.1)	100.0
1949 - - -	94.0	1.1	4.9	2/	100.0
1950 - - -	91.8	0.9	7.4	(0.1)	100.0
1951 - - -					
QUAD CITIES					
1945 - - -	93.4	--	6.6	--	100.0
1946 - - -	95.2	--	4.8	--	100.0
1947 - - -	91.3	7.7	1.2	(0.2)	100.0
1948 - - -	88.3	11.1	0.5	0.1	100.0
1949 - - -	88.5	10.1	1.3	0.1	100.0
1950 - - -	93.8	5.5	0.9	(0.2)	100.0
1951 - - -	78.3	1.4	3/ 20.4	(0.1)	100.0
DUBUQUE					
1945 - - -	77.4	--	20.8	4/ 1.8	100.0
1946 - - -	84.5	--	12.0	4/ 3.5	100.0
1947 - - -	75.5	--	24.4	0.1	100.0
1948 - - -	82.8	--	17.3	(0.1)	100.0
1949 - - -	82.7	--	17.3	2/	100.0
1950 - - -	85.2	--	14.8	2/	100.0
1951 - - -	82.6	--	17.6	(0.2)	100.0

1/ Minus quantities enclosed in parentheses.
2/ Less than one-tenth of 1 percent.
3/ Includes receipts of non-Grade A milk from producers formerly classified as producer milk (prior to April 1951).
4/ Inter-handler transactions.

June 1948, from the Clinton to the Quad Cities market. Nearly all the emergency receipts were shipped into the market from two milk plants located in Cedar Rapids, Iowa, and Dixon, Ill.

Quad Cities and Dubuque

Annual summaries relating to the supplies of milk for the Quad Cities and Dubuque markets are shown in tables 8 and 9. The following tabulation shows that total market receipts in the Quad Cities market increased from a level of about 106 million pounds in 1945 to nearly 153 million pounds in 1951:

Year	Total receipts of milk		Change in receipts from previous year	
	Quad Cities	Dubuque	Quad Cities	Dubuque
	Thous. lb.	Thous. lb.	Thous. lb.	Thous. lb.
1945 - - - -	106,479	42,636		
1946 - - - -	113,806	41,012	+ 7,327	- 1,624
1947 - - - -	120,876	35,921	+ 7,070	- 5,091
1948 - - - -	121,979	31,555	+ 1,103	- 4,366
1949 - - - -	145,213	36,137	+ 23,234	+ 4,582
1950 - - - -	138,349	38,060	- 6,864	+ 1,923
1951 - - - -	152,885	38,441	+ 14,536	+ 381

The most important changes in total receipts took place in 1949 and 1951 with increases of 23 and 14 1/2 million pounds,respectively, over the previous year's level. As shown in tables 7 and 8, a significant aspect of the Quad Cities' milk supply during the entire 1945-51 period was the reliance on emergency receipts of milk to supply market needs. This was true particularly in 1948 and 1949 when producer deliveries comprised only about 88 percent of total market receipts. The situation with respect to 1951 was not quite so clear, however, since deliveries of non-Grade A milk by producers were considered "other source" receipts rather than producer receipts. More significant perhaps was the fact that the Quad Cities market used emergency milk in 44 of the 47 months during the period April 1947 through February 1951.

The Dubuque market, on the other hand, experienced a 3-year decline and a subsequent 3-year rise in total receipts of milk between 1945 and 1951, but never had to rely on emergency receipts to maintain an adequate supply of milk. Total receipts of milk equaled about 42 2/3 million pounds in 1945, declined to 41 million in 1946, to 36 million in 1947, and to 31 1/2 million in 1948. (Table 9.) By 1948 these changes represented a 26-percent decrease in total market receipts from the level of such receipts in 1945. After 1948 total receipts increased by an average of 2 1/4 million pounds a year, reaching a total of 38.4 million pounds in 1951. This volume, however, was still below the level of receipts during 1945 and 1946.

About 80 percent of the total receipts of the Dubuque market came from producer deliveries during the 1945-51 period. Except for small volumes of receipts treated as interhandler transactions or inventory variation, the

Table 8.--Total receipts of milk from all sources, Quad Cities marketing area, 1945-51

Year	Grade A		Non-Grade A		Total		Total producer deliveries	Emergency receipts	Other source receipts	Inventory variation	Total market receipts
	Member	Nonmember	Member	Nonmember	Member	Nonmember					
	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds
1945	33,108,047	980,132	62,473,920	2,883,039	95,581,967	3,863,171	99,445,138		7,033,917		106,479,055
1946	33,986,433	1,589,302	69,580,054	3,154,867	103,566,487	4,744,169	108,310,656		5,495,689		113,806,345
1947	39,304,361	1,353,155	67,371,405	2,344,849	106,675,766	3,698,004	110,373,770	9,276,567	1,489,739	1/(264,167)	120,875,909
1948	53,861,759	7,450,972	45,293,957	1,053,452	99,155,716	8,504,424	107,660,140	13,606,069	597,400	115,230	121,978,839
1949	79,820,486	8,519,425	39,917,563	222,672	119,738,049	8,742,097	128,480,146	14,771,049	1,855,904	106,146	145,213,245
1950	92,131,851	5,189,713	32,359,910	100,813	124,491,761	5,290,526	129,782,287	7,537,776	1,275,719	(247,213)	138,348,569
1951 2/	105,208,151	5,235,560	9,291,697	15,583	114,499,848	5,251,143	119,750,991	2,064,141	31,181,196	(111,756)	152,884,572
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1945	31.09	.92	58.67	2.71	89.76	3.63	93.39		6.61		100.00
1946	29.86	1.40	61.14	2.77	91.00	4.17	95.17		4.83		100.00
1947	32.52	1.12	55.74	1.94	88.25	3.06	91.31	7.67	1.23	(.22)	100.00
1948	44.16	6.11	37.13	.86	81.29	6.97	88.26	11.15	.49	.10	100.00
1949	54.97	5.87	27.49	.15	82.46	6.02	88.48	10.17	1.28	.07	100.00
1950	66.59	3.75	23.39	.07	89.98	3.83	93.81	5.45	.92	(.18)	100.00
1951 2/	68.82	3.42	6.08	.01	74.90	3.43	78.33	1.35	20.39	(.07)	100.00

1/ Minus amounts enclosed in parentheses.
2/ Based partly on unaudited handlers' reports.

Table 9.--Total receipts of milk from all sources, Dubuque marketing area, 1945-51

Year	Grade A milk 1/			Non-Grade A milk 1/			Total producer deliveries	Inter-handler receipts	Other source receipts	Inventory variation	Total market receipts
	Member	Nonmember	Total	Member	Nonmember	Total					
	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds
1945	15,108,097	9,071,455	24,179,552	4,288,324	4,519,234	8,807,558	32,987,110	794,232	8,854,779	--	42,636,121
1946	14,458,775	11,268,830	25,727,605	5,131,652	3,814,065	8,945,717	34,673,322	1,414,099	4,924,204	--	41,011,625
1947	10,896,981	10,056,666	20,953,647	3,388,365	2,764,905	6,153,270	27,106,917	--	8,769,438	44,517	35,920,872
1948	10,400,744	11,419,913	21,820,657	2,665,517	1,646,349	4,311,866	26,132,523	--	5,441,896	(19,044)	31,555,375
1949	9,779,709	15,103,219	24,882,928	2,272,960	2,751,477	5,024,437	29,907,365	--	6,238,808	9,332	36,136,841
1950	9,367,901	18,768,216	28,136,117	1,977,308	2,301,456	4,278,764	32,414,881	--	5,655,333	10,468	38,059,746
1951	11,755,940	16,331,224	28,087,164	984,957	2,700,689	3,685,646	31,772,810	--	6,749,603	(81,130)	38,441,283
	Percent of total market receipts										
1945	35.4	21.3	56.7	10.1	10.6	20.7	77.4	1.8	20.8	--	100.0
1946	35.2	27.5	62.7	12.5	9.3	21.8	84.5	3.5	12.0	--	100.0
1947	30.4	28.0	58.4	9.4	7.7	17.1	75.5	--	24.4	.1	100.0
1948	32.9	36.2	69.1	8.5	5.2	13.7	82.8	--	17.3	(.1)	100.0
1949	27.0	41.8	68.8	6.3	7.6	13.9	82.7	--	17.3	2/	100.0
1950	24.6	49.3	73.9	5.2	6.1	11.3	85.2	--	14.8	2/	100.0
1951	30.6	42.5	73.1	2.5	7.0	9.5	82.6	--	17.6	(.2)	100.0

1/ Volume of Grade A and non-Grade A milk adjusted to total producer deliveries on same percentage basis as reported by the Market Administrator.
2/ Less than .1 percent.

Compiled from data supplied by Market Administrator.

remaining volume comprised receipts from other sources made up almost entirely of milk, cream, and skim milk from uninspected sources and used in the manufacture of cheese. The segregation of producer deliveries under Grade A and non-Grade A milk in tables 8 and 9 shows the increasing importance of Grade A milk in both markets from 1945 to 1951.

Number of Producers

Clinton

The number of producers supplying the Clinton market declined from year to year after the inception of Federal Order No. 70. The sharpest decrease in numbers came during 1946 when 25 percent of the producers voluntarily withdrew from the market because of the passage of a new city milk ordinance and its rigid enforcement. Table 10 shows the number of producers supplying the market during the period of Federal regulation between October 1944 and December 1951.

During 1945, the first full year of operation under Federal Order No. 70, an average of 188 producers regularly supplied milk to the local market. About the same number supplied the market until the fall of 1946 when the number fell sharply because of the rigidly enforced health ordinance which had been adopted. Although the exact number varied by as many as 30 producers between different months within a year, the average number of producers remained stabilized at about 140 until the spring of 1949. The number declined rather sharply in the summer of 1949 and again in the late summer of 1950. Producer numbers held steady at an average of 111 during the first 11 months of 1951, after which time Clinton producers were brought under the jurisdiction of the Quad Cities order.

The variation in numbers of producers supplying milk to the Clinton market, which occurred in the fall of 1947 and the spring of 1948, was a result of the entry into and later withdrawal from the market of a group of producers who had formed a separate cooperative association in the Dubuque area. The entry was prompted in part by the pricing provisions of the Clinton order, particularly the "pay-back" provisions of the "Take-off-and-pay-back" plan for correcting the seasonal variations in the size of producers' milk shipments. About one-half of these producers stayed in the Clinton market until February 1948, at which time they transferred to the Cedar Rapids, Iowa, market (where the Clinton handlers had access to a surplus manufacturing plant). The remaining eleven producers remained in the Clinton market until June 1948, at which time they, together with the group then supplying the Cedar Rapids market, diverted their entire production to the Quad Cities market, partly to receive the benefit of higher blend prices there and partly to escape the "take-off" feature of the Clinton order. These producers continued to supply the Quad Cities market, although in order to do so they withdrew from their association and became members of the Illinois-Iowa Milk Producers' Association of Davenport, Iowa.

Table 10.--Number of producers supplying milk to Clinton, Quad Cities, and Dubuque markets, by months, 1943-51

Year and Month	Producers supplying milk to-- Clinton Grade A	Quad Cities Grade A	Quad Cities Non-Grade A 1/	Dubuque Grade A	Dubuque Non-Grade A 2/
	Number	Number	Number	Number	Number
1943					
January			1,128	168	
February			1,119	173	
March			1,153	172	
April			1,117	174	
May			1,117	171	
June			1,120	172	
July			1,117	172	
August			1,120	173	
September			1,122	173	
October			1,119	173	
November			1,110	174	
December			1,100	175	
Average			1,120	172	
1944					
January			1,093	173	
February			1,110	176	
March			1,123	176	
April			1,154	176	
May			1,168	173	
June			1,184	172	
July			1,193	174	
August			1,194	174	
September			1,194	173	
October	185		1,190	174	
November	205		1,185	176	
December	239		1,172	172	
Average			1,163	174	
1945					
January	220		1,217	175	
February	193		1,219	179	
March	185		1,228	184	
April	177		1,236	181	
May	177		1,252	182	
June	177		1,256	187	
July	181		1,264	182	
August	185		1,250	184	
September	186		1,255	184	
October	186		1,253	184	127
November	193		1,247	184	123
December	199		1,244	186	126
Average	188		1,243	183	

See footnotes at end of table.

Table 10.--Number of producers supplying milk to Clinton, Quad Cities, and Dubuque markets, by months, 1943-51--Continued

Year and Month	Producers supplying milk to--				
	Clinton	Quad Cities		Dubuque	
	Grade A	Grade A	Non-Grade A 1/	Grade A	Non-Grade A 2/
	Number	Number	Number	Number	Number
1946					
January	200	267	984	182	112
February	198	265	997	185	127
March	192	265	1,001	190	116
April	191	266	970	192	114
May	191	267	1,024	197	119
June	194	269	1,034	198	115
July	184	269	1,033	201	119
August	177	205	1,105	197	119
September	168	219	1,096	205	130
October	160	242	1,075	194	135
November	147	247	1,070	192	140
December	151	252	1,068	199	140
Average	179	253	1,038	194	124
1947					
January	146	253	1,064	192	131
February	136	255	1,075	198	131
March	137	255	1,096	198	133
April	135	264	1,017	196	125
May	126	274	1,066	202	125
June	142	295	1,051	206	110
July	135	310	1,037	211	114
August	141	320	1,030	191	112
September	141	345	972	192	128
October	152	344	946	201	106
November	153	382	901	205	91
December	155	397	865	207	92
Average	142	308	1,010	200	116
1948					
January	159	406	851	204	75
February	157	421	827	201	79
March	146	429	862	208	80
April	143	433	878	210	78
May	145	455	874	210	79
June	135	511	847	201	84
July	136	535	835	197	91
August	134	534	836	194	97
September	129	559	825	198	100
October	130	565	860	202	105
November	133	573	854	212	96
December	141	612	861	215	90
Average	141	503	851	204	88

See footnotes at end of table.

Table 10.--Number of producers supplying milk to Clinton, Quad Cities, and Dubuque markets, by months, 1943-51--Continued

Year and Month	Producers supplying milk to-- Clinton Grade A	Quad Cities Grade A	Quad Cities Non-Grade A 1/	Dubuque Grade A	Dubuque Non-Grade A 2/
	Number	Number	Number	Number	Number
1949					
January	142	636	862	214	
February	142	657	888	217	
March	140	663	887	212	
April	138	680	848	214	
May	137	705	802	215	
June	139	706	788	217	
July	129	715	762	207	
August	122	706	736	211	
September	123	703	722	203	
October	123	703	714	213	
November	122	708	697	217	
December	124	712	711	219	
Average	132	691	785	213	
1950					
January	128	725	687	222	
February	129	727	682	221	
March	130	725	694	223	
April	127	722	717	221	
May	126	736	703	220	
June	124	740	703	221	
July	123	749	677	221	
August	112	742	673	221	
September	112	756	679	225	
October	114	761	664	226	
November	114	764	649	226	
December	115	768	626	226	
Average	121	743	680	223	
1951					
January	115	766	621	226	
February	115	761	615	225	
March	111	791	848	221	
April	108	796	3/ 830	220	
May	108	797		221	
June	110	802		219	
July	110	825		206	
August	106	824		205	
September	111	829		207	
October	111	831		214	
November	111	838		217	
December	-	4/ 946		222	
Average	5/ 111	5/ 805		217	

1/ All producers during 1943-45. 2/ Ungraded and new producers during 1944-45. 3/ Pricing and pooling provisions for non-Grade A milk suspended, effective April 16, 1951. 4/ Includes producers formerly included as Clinton producers. 5/ Average for January-November.

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Quad Cities and Dubuque

The numbers of Grade A and non-Grade A producers supplying milk to the Quad Cities and Dubuque markets during each month between 1943 and 1951 are shown in table 10. Both of these markets experienced definite shifts in the relationship between Grade A and non-Grade A producers. No such trends were apparent with respect to the total number of producers in each market, however. The definite trend was a decline in the number of non-Grade A producers, particularly after 1946, and the decline was accompanied by an increase in the number of Grade A producers supplying each market. The increase experienced in the Dubuque market was much smaller than that in the Quad Cities market. In fact, the number of producers supplying Grade A milk to the Dubuque market decreased in 1951. The data do not indicate the extent of the shift in status of individual producers, but it appeared evident that an important part of the trend was accounted for by the decision of non-Grade A producers to qualify as Grade A producers under the city milk ordinances. Undoubtedly that trend was hastened by the passage of more stringent health regulations as well as more rigid enforcement of existing ordinances.

Origin of producer milk

Data in table 2 (page 8) show the receipts of producer milk, classified as to State of origin, at Clinton, Quad Cities, and Dubuque markets, and table 3 shows the number of producers, classified as to location, supplying milk in the three marketing areas from 1948 to 1951. The Clinton market experienced little change during its last 3 years under Federal regulation (1949-51); about 2/3 of its supply of producer milk came from producers located in Iowa and 1/3 from producers located in Illinois. During that period farmers located in Iowa comprised slightly more than 70 percent of all producers supplying the market.

Definite changes in the location of producers occurred in the Quad Cities and Dubuque markets, however. In 1948 about 78 percent of the Grade A milk supplied the Quad Cities market was produced in Iowa with the remaining 22 percent originating in Illinois. By 1950, Illinois was supplying about 32 percent and by 1951 about 37 percent of the market receipts of the Quad Cities market. A somewhat similar shift had taken place in the Dubuque market where a small increase in the amount and proportion of milk supplies originating in Illinois had offset decreases in the quantities and proportion of milk supplied by producers residing in Iowa and Wisconsin. In terms of number of producers, the Dubuque market drew about 75 percent of its producers from Iowa, 20 percent from Wisconsin, and 5 percent from Illinois. The Quad Cities market also drew the major part of its producers from Iowa (about 70 percent during 1948-51); however, the proportionate number of producers so located decreased slightly each year after 1948, comprising only 63 percent of all producers by 1951.

Similar data on non-Grade A producers and production in the Quad Cities market showed that producers located in Iowa comprised 55 percent of all producers of non-Grade A milk during each of the 3 years 1948-50. The remaining producers were located in Illinois. Iowa producers also were more important from the standpoint of quantity of uninspected milk shipped into the Quad Cities--the shipments of such producers averaged 60 percent of total receipts compared with 40 percent for all producers located in Illinois.

Size of producers' milk shipments

Clinton

The impact of the sizable decline in the number of producers supplying the Clinton market was offset to a considerable extent by a doubling of the average size of each producer's daily shipments of milk into the market (from 172 pounds per day in 1945 to 364 pounds per day in 1951). (Table 11.) The increase in milk shipments was fairly constant and sizable during each year of operation under Federal Order No. 70, with the sole exception of 1948. The average size of shipments decreased slightly during 1948, even though the general trend toward larger shipments held true through the first 6 months of the year. The decrease was attributable partly to weather and feed conditions and partly to the shifting of a number of specialized fluid milk producers from the local market to the Quad Cities market. During that period the Quad Cities market had established separate pools for Grade A and non-Grade A milk, and a shortage of Grade A milk had caused the Grade A blend price to producers to increase almost to the Class I level. This resulted in a wide disparity between the two markets in the producers' blend price for Grade A milk. Clinton producers were attracted to the Quad Cities market. A sizable number of the larger, more specialized producers did shift to the Quad Cities market, with a resultant tendency to decrease the average size of daily deliveries in Clinton. This pricing disparity was corrected by amendments to the Clinton order in early 1949. The upward trend in size of average daily milk shipments was reestablished in 1949 and has continued to the present time.

The trend toward significant increases in the average size of producers' milk shipments into the local marketing area also held true for other fluid markets in the United States. This general trend stemmed from several factors, the most important of which was the imposition of more rigid health and sanitation practices in the production and marketing of milk, with resultant effects on the amount of capital investment and variable costs incurred by farmers who produced fluid milk for city markets. Under these circumstances, dairymen became more specialized and had more extensive operations in order to realize returns which were at least as great as returns from alternative agriculture enterprises.

Quad Cities and Dubuque

As did Clinton, the Dubuque market experienced a sizable and almost steady annual increase in the size of producers' average daily shipments of Grade A milk into the market during the period 1945-51. Although the increase

Table 11.--Average daily deliveries of milk per producer, to Clinton, Quad Cities, and Dubuque markets, by months, 1943-51

Year and month	Clinton Grade A	Quad Cities Grade A	Quad Cities Non-Grade A 1/	Dubuque Grade A
	Pounds	Pounds	Pounds	Pounds
1943				
January			180	271
February			190	284
March			194	301
April			200	310
May			223	383
June			229	395
July			212	341
August			195	291
September			185	277
October			168	248
November			161	233
December			174	256
Average			193	299
1944				
January			194	291
February			204	315
March			211	335
April			214	348
May			235	401
June			236	406
July			218	357
August			202	306
September			189	276
October	129		180	266
November	122		176	257
December	123		187	289
Average			204	321
1945				
January	138		195	289
February	159		203	321
March	167		210	345
April	191		229	384
May	210		253	463
June	213		266	469
July	203		247	438
August	178		226	370
September	165		212	329
October	146		201	306
November	136		190	274
December	154		193	280
Average	172		219	356

See footnotes at end of table.

Table 11.--Average daily deliveries of milk per producer, to Clinton, Quad Cities, and Dubuque markets, by months, 1943-51 --Continued

Year and month	Clinton Grade A	Quad Cities Grade A	Quad Cities Non-Grade A 1/	Dubuque Grade A
	Pounds	Pounds	Pounds	Pounds
1946				
January	178	348	166	318
February	193	352	177	332
March	201	368	184	357
April	224	395	213	415
May	254	445	230	496
June	243	441	229	471
July	226	406	210	409
August	198	385	204	324
September	187	400	182	313
October	193	371	176	296
November	196	351	162	271
December	207	365	170	303
Average	208	386	192	359
1947				
January	227	373	182	339
February	258	391	190	373
March	271	402	200	405
April	274	397	218	440
May	333	439	232	504
June	320	452	231	493
July	295	415	211	421
August	238	347	168	350
September	240	320	155	319
October	232	330	147	278
November	211	301	128	248
December	238	307	129	257
Average	261	373	183	369
1948				
January	263	313	138	285
February	268	323	150	319
March	276	339	151	341
April	297	353	167	371
May	331	406	194	452
June	303	398	189	482
July	254	338	160	402
August	220	346	153	358
September	217	313	135	326
October	217	296	120	288
November	209	279	110	257
December	226	294	118	294
Average	257	333	149	348

See footnotes at end of table.

Table 11.--Average daily deliveries of milk per producer, to Clinton Quad Cities, and Dubuque markets, by months, 1943-51 --Continued

Year and month	Clinton Grade A	Quad Cities Grade A	Quad Cities Non-Grade A 1/	Dubuque Grade A
	Pounds	Pounds	Pounds	Pounds
1949				
January	261	325	126	332
February	294	342	134	352
March	316	364	140	404
April	335	380	148	436
May	378	422	176	509
June	366	401	174	463
July	342	365	158	432
August	340	353	149	396
September	297	321	134	346
October	269	307	117	305
November	262	303	109	302
December	287	316	110	329
Average	312	350	139	384
1950				
January	319	338	120	367
February	350	360	128	398
March	370	379	135	414
April	378	385	136	450
May	401	408	155	488
June	405	421	164	503
July	352	398	157	471
August	344	361	142	402
September	309	324	118	346
October	285	313	106	322
November	279	306	98	305
December	304	320	103	324
Average	341	359	130	399
1951				
January	333	345	111	350
February	344	362	115	381
March	361	380	132	422
April	387	390	2/ 138	453
May	445	444		527
June	444	457		534
July	400	417		476
August	373	384		431
September	338	351		376
October	317	327		325
November	279	294		281
December	-	304		282
Average	3/ 364	371		403

1/ Average of all producers during 1943-45.
2/ Pricing and pooling of non-Grade A milk suspended, effective April 16, 1951.
3/ January-November.

was not as great in Dubuque as in Clinton, it is important to note that in 1945 the average Grade A producer in Dubuque already shipped more than twice as much milk per day as did the average producer in the Clinton market. No such definite upward trend in size of milk shipments was apparent in the Quad Cities market, however. In fact, the size of such daily shipments of Grade A milk to the Quad Cities market decreased each year from 1946 to 1948 and rose only slightly after that time. Quad Cities producers made larger daily shipments than did producers in any of the other markets in 1946 and 1947, followed by Dubuque; Clinton was far behind. By 1948 Dubuque had surpassed the Quad Cities whereas Clinton had risen much closer to the level of the other two markets. By 1951, Grade A producers in the Dubuque market were shipping an average of 403 pounds per day, Grade A producers in the Quad Cities were shipping 371 pounds, and those in Clinton were shipping 364 pounds. The magnitude of these increases for the Quad Cities and Clinton markets is apparent when the 1951 levels are compared with shipments which averaged 219 and 172 pounds, respectively, in 1945.

Seasonal Variation in Size of Average Daily Deliveries Per Producer

An important aspect of the milk supply problem facing most markets is the fact that receipts of milk from local producers is subject to wide variations in quantities during different seasons of the year. This pattern of production contrasts greatly with the relatively constant rate at which fluid milk is consumed in the metropolitan markets. The variety of pricing provisions used in the milk orders applied to the Clinton, Quad Cities, and Dubuque markets indicated that a continuing effort was being made to help correct the seasonal variations in production. Examples of such efforts were the adoption (and subsequent cancellation) of the base-surplus plan in the Quad Cities and the "Take-off-and-pay-back" plan in Clinton, and the different degrees of seasonal variation of Class I prices in all three markets.

Figure 4 illustrates the patterns of seasonal variation in milk production on farms of producers of Grade A milk for the Clinton, Quad Cities, and Dubuque markets during the years 1947-51. The data from which figure 4 was prepared are presented in table 12. The effects of trends in milk production in each market were removed by the link-relative method, using combined data for the latest 5-year period. The Dubuque market experienced a substantially greater seasonal variation in production of Grade A milk by rising much higher and falling much lower than either the Quad Cities or Clinton markets. The Quad Cities and Clinton markets followed somewhat similar patterns, although the proportion of milk produced for Clinton during the months February-May was slightly greater and during the months June-November slightly less than for the Quad Cities market. Expressed in terms of index numbers, production varied from 72.9 to 130.7 in Dubuque, from 81.5 to 121.0 in the Quad Cities, and from 79.7 to 123.5 in Clinton. These numbers indicate a more nearly even seasonal production for the Quad Cities, during the years 1947-51, than for either Clinton or Dubuque.

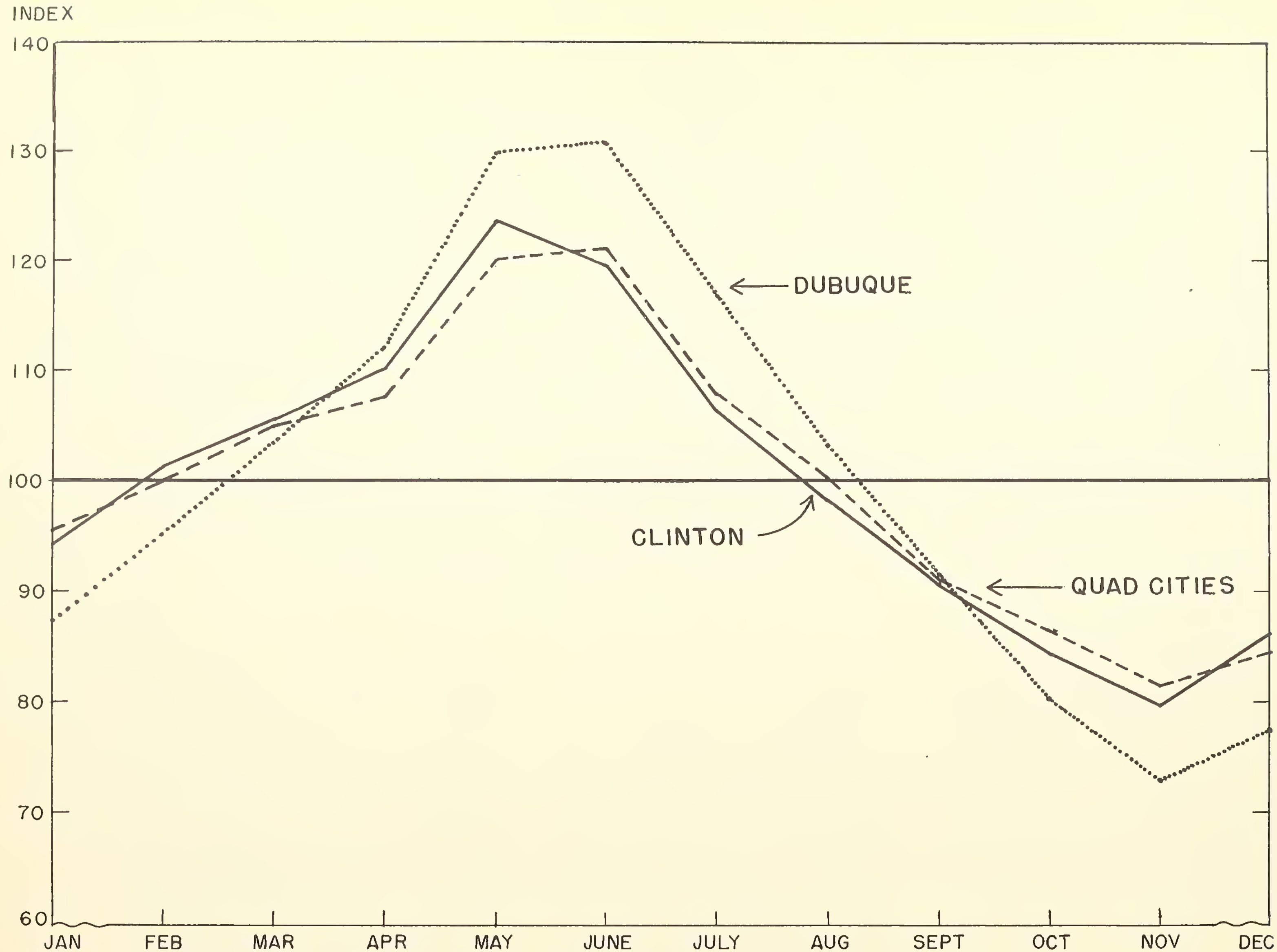

Figure 4.—Comparison of index numbers of seasonal variation in milk production on farms of producers of Grade A milk for the Clinton, Quad Cities, and Dubuque milk marketing areas, 1947–51.

Table 12.--Index numbers of seasonal variation in size of average daily deliveries of Grade A milk per producer for Clinton, Quad Cities, and Dubuque marketing areas, average for 5-year period, by months, 1947-51 1/

Month	Index number for--		
	Clinton	Dubuque	Quad Cities
January	94.3	87.3	95.5
February	101.3	95.1	100.0
March	105.7	103.5	104.9
April	110.2	112.1	107.5
May	123.5	129.8	119.9
June	119.5	130.7	121.0
July	106.3	116.7	107.7
August	98.2	103.0	100.2
September	90.6	91.3	90.8
October	84.6	80.2	86.5
November	79.7	72.9	81.5
December	86.1	77.4	84.5

1/ Effect of trend removed by use of the link-relative method in computing the indexes.

Relationship Between Location of Producer and Size of Daily Milk Shipments

The size of average daily milk shipments differed among producers located in different States and supplying each of the three fluid milk markets. (Table 13.) Illinois producers shipping to the Clinton market in 1949-51 delivered about 80 pounds more milk per day than did Iowa producers shipping to the same market, although this difference in volume probably was exaggerated because of the very large volume of milk supplied Clinton by one producer located in Illinois. The opposite was true in 1949 and 1950 for the Quad Cities market--where the average Grade A producer located in Iowa shipped more milk into the market each day than did the average Grade A producer located in Illinois. However, by 1951 producers in Illinois shipped more milk to Quad Cities than did producers in Iowa, although both groups were overshadowed by 12 producers in Wisconsin whose daily shipments to the Quad Cities during July-December 1951 averaged 529 pounds. About the same relationship between producers in the three States held true for the Dubuque market as for Quad Cities, except that Dubuque producers located in Illinois always delivered relatively smaller quantities of Grade A milk than did producers located in Iowa and Wisconsin.

Table 13.—Average daily deliveries of milk, from producers in different States, to Clinton, Quad Cities, and Dubuque markets, 1949-51

Year	Delivery of milk to— Clinton		Quad Cities 1/		Dubuque		
	Iowa	Illinois	Iowa	Illinois	Iowa	Illinois	Wisconsin
	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds
1949	290	2/369	362	324	359	318	495
1950	318	2/398	366	346	376	300	506
1951	343	2/426	3/364	3/381	384	294	502

1/ Grade A producers.
2/ This figure includes a very large volume of milk shipped by one producer. Since the total number of producers located in Illinois was small, the figure does not represent accurately the volume shipped by most producers.
3/ Wisconsin producers, during July-December 1951, averaged 529 pounds.

Utilization of Market Receipts

Clinton

An analysis of the total quantities of milk, cream, and skim milk used by Clinton handlers in each of the products they processed and sold during the years 1947-51 is shown in table 14. The same data, expressed as a percentage of total market receipts, are shown in table 15. Because total receipts varied from year to year, the percentage figures should be used in conjunction with the actual usage in pounds to get the most accurate picture of milk utilization by Clinton handlers during the entire period. Also, these utilization data do not indicate either the actual amount or the actual utilization of all the milk consumed in the Clinton market. The data present accurately the volume of milk sold by Clinton handlers and subject to the provisions of Federal Order No. 70. However, part of this milk was sold in areas outside the Clinton marketing area--mostly in the Quad Cities market. Then, too, large quantities of milk, not included in these tabulations, were shipped into the Clinton marketing area by handlers in the Quad Cities market.

The total quantities of milk used in fluid products followed a different general trend from that of total market receipts which increased each year. Fluid milk utilization increased between 1947 and 1948, decreased during 1949 and 1950, and increased substantially in the first 11 months of 1951. The increase in total fluid milk products sold between 1947 and 1948 amounted to about 665,000 pounds (from 12.9 to 13.6 million pounds), but this was offset by a decline in volume of 422,000 pounds in 1949 and a decline of more than 1 million additional pounds in 1950. The substantial decline in fluid milk and cream sales in 1950 was attributable

Table 14.--Utilization of all milk, cream, and skim milk receipts in the Clinton, Iowa, marketing area, 1947-51 1/

Utilization of milk	Receipts in-- 1947	1948	1949	1950	1951 2/
	Pounds	Pounds	Pounds	Pounds	Pounds
Fluid use:					
Milk	11,927,535	12,611,327	12,120,519	10,847,827	13,448,148
Skim milk	31,748	26,754	70,077	157,854	369,121
Buttermilk	92,706	101,512	113,836	125,347	175,811
Flavored and skim milk drinks	331,059	256,559	224,084	324,615	355,444
Mixtures (6 to 16 percent)	258,742	439,692	510,028	571,176	645,057
Light cream (16 to 30 percent)	247,799	121,984	87,215	80,178	73,449
Heavy cream (30 percent and more)	34,901	28,857	30,566	38,175	52,762
Soured cream	8	6			
Egg nog and specialties	3,290	5,840	10,773	12,010	1,809
Other			3,969	4,201	7,287
Total for fluid consumption	12,927,788	13,592,531	13,171,067	12,161,383	15,128,888
Other use:					
Soft curd skim cheeses	150,329	458,971	597,783	861,835	567,359
American type cheeses				1,252,765	1,198,148
Casein	190,478				
Butter	64,805	35,020	79,025	67,759	40,824
Sweetened condens. whole milk		390,553	1,563,097	1,426,519	1,186,607
Unsweetened condens. whole milk	407,472				
Sweetened condens. skim milk				60,749	70,549
Unsweetened condens. skim milk	27,733	169,292			
Ice cream, mix, etc.	7,944	43,843	6,537	211,472	210,470
Other	28,399				
Sales for animal feed	323,250	238,979	425,783	343,476	160,221
Dumped or spilled	5,012				5,790
Plant loss or gain	415,328	260,480	161,089	131,482	79,869
Total other disposition	1,620,750	1,597,138	2,833,314	4,356,057	3,519,837
Total	14,548,538	15,189,669	16,004,381	16,517,440	18,648,725

1/ Includes disposition within and outside of marketing area.
2/ January-November 1951 only. Based on audited data for January-August and unaudited data for September-November 1951.

Table 15.--Utilization of all milk, cream, and skim milk receipts (product pounds), expressed as a percentage of total receipts, in the Clinton, Iowa, marketing area, 1947-51

Utilization of milk	Percentage of total receipts in--				
	1947	1948	1949	1950	1951
	Percent	Percent	Percent	Percent	Percent
Fluid use:					
Milk	81.98	83.03	75.73	65.67	72.11
Skim milk	.22	.18	.44	.96	1.98
Buttermilk	.64	.67	.71	.76	.94
Flavored skim milk	2.28	1.69	1.40	1.97	1.91
Mixtures (6 to 16 percent)	1.78	2.89	3.19	3.46	3.46
Light cream (16 to 30 percent)	1.70	.80	.54	.49	.40
Heavy cream (30 percent and more)	.24	.19	.19	.23	.28
Soured cream	1/	1/			
Egg nog and specialties	.02	.04	.07	.07	.01
Other			.02	.02	.04
Total for fluid consumption	88.86	89.49	82.29	73.63	81.13
Other use:					
Soft curd skim cheeses	1.03	3.02	3.74	5.22	3.04
American type cheeses				7.58	6.42
Casein	1.31				
Butter	.45	.23	.49	.41	.22
Sweetened condens. whole milk		2.57	9.77	8.64	6.36
Unsweetened condens. whole milk	2.80				
Sweetened condens. skim milk				.37	.38
Unsweetened condens. skim milk	.19	1.11			
Ice cream, mix, etc.	.05	.29	.04	1.28	1.13
Other	.20				
Sales for animal feed	2.22	1.57	2.66	2.08	.86
Dumped or spilled	.03				.03
Plant loss or gain	2.86	1.72	1.01	.79	.43
Total other disposition	11.14	10.51	17.71	26.37	18.87
Total	100.00	100.00	100.00	100.00	100.00

1/ Less than 0.01 percent.

Compiled from data supplied by the Market Administrator.

to the decision of a major handler (1) to discontinue the practice of bottling and selling such products in paper containers on a custom basis to a distributor located outside the jurisdiction of Order No. 70 and (2) to transfer his sales in areas contiguous to Clinton to a company-owned plant located in Cedar Rapids, Iowa (outside the jurisdiction of the Clinton order). Sales of fluid products by Clinton handlers reached an all-time high in 1951 when over 15 million pounds of milk were sold in such products. This represented a gain of 3 million pounds over 1950 and was accounted for by increased consumption in Clinton and an expansion of the sales area served by local handlers.

Some significant shifts took place in the importance of different products classified as fluid consumption. Sales of fluid milk, by far the most important product in this group, fell sharply from a high of 12.6 million pounds in 1948 to a low of 10.8 million pounds in 1950. Then in 1951 such sales reached an all-time high of 13.4 million pounds. Percentagewise, sales of fluid milk utilized only 65.7 percent of total market receipts in 1950 compared with a utilization of 83.0 percent in 1948. Sales of light cream (16-30 percent butterfat) suffered a relatively sharper and steadier decline than did fluid milk--from a utilization of about 248 thousand pounds in 1947 to that of about 73 thousand pounds in 1950. This meant a decline from 1.7 percent of total market receipts in 1947 to less than 0.4 percent in 1951. Sales of all other products in the fluid category generally increased during the 1947-51 period, although the changes were not uniform. The most significant shifts appear to have been the doubling in importance of sales of mixtures of cream and milk (6-16 percent butterfat), the much greater relative increase in sales of fluid skim milk, and the steady increase in sales of buttermilk. The increased sales of skim milk reflected the active sales promotion of a high vitamin content product by local handlers.

Coincident with the decline in the proportion of market receipts sold as fluid products was the increasing share of receipts diverted to other than fluid uses. Only about 10 percent of the receipts of Clinton handlers went into such "surplus" uses in 1948, but by 1950 about 26 percent was diverted into the manufacture of such products. In 1951 this percentage was reduced to 18.9. Condensed milks (principally sweetened condensed whole milk) were the most important uses for the diverted milk, using about 25 percent of the "surplus" milk in 1947, 35 percent in 1948, 55 percent in 1949, and 34 percent in 1950 and 1951, or slightly less than 1/3 of the "surplus" milk in the last-named years. Other changes indicated in tables 14 and 15 were the increasing importance of soft curd skim (cottage) cheeses between 1947 and 1950, the discontinuance of casein and unsweetened condensed milks, the extreme variability in the production of ice cream (and its increased importance in 1950-51), and the steady and substantial decline in the quantities of milk lost in plant operations.

Quad Cities and Dubuque

In contrast to the varying pattern of utilization in the Clinton market, the total quantity of milk used in fluid products in both the Quad Cities and Dubuque markets increased each year from 1947 through 1951. (Tables 16 and 17.) These increases not only were regular, but were substantial in size. In the Quad Cities market the increased amounts of milk used for fluid products averaged slightly more than 4 million pounds a year, except for 1951 when such usage increased by more than 8 1/2 million pounds. Comparable increases in Dubuque averaged slightly less than 1 million pounds a year, with the 1951 increase amounting to more than 3 million pounds. In both markets the greatest amount of this increased volume was sold in the form of fluid milk. In addition, sales of fluid skim milk products between 1947 and 1951 increased by two-thirds in the Dubuque market and by one-half in the Quad Cities market. Percentagewise these sales were greater relative increases in volume than those in the form of fluid milk sales, but the actual pounds of products involved were relatively small. In contrast to these increases in sales of fluid milk and fluid skim milk products, sales of all types of cream barely held their own in the Quad Cities market and showed only minor gains in the Dubuque market.

As for actual quantities of market receipts utilized in these fluid products, the Quad Cities market averaged more than 80 million pounds each year for such purposes and the Dubuque market used about 18 million pounds a year. These quantities, on the average, comprised 60 and 50 percent of the total receipts of the Quad Cities and Dubuque markets, respectively. (Tables 18 and 19.) Fluid milk, of course, was the product that used more of the receipts—more than 71 million pounds a year in the Quad Cities and 16 million pounds a year in Dubuque. These sales amounted to slightly more than 52 and 45 percent of total receipts of the respective markets. Fluid skim milk products and total cream sales used about equal quantities of market receipts in the Quad Cities during the 3 years 1947 through 1949. After that time, however, sales of fluid skim milk products increased almost 50 percent, whereas combined sales of fluid cream made only slight gains. In the Dubuque market, fluid skim milk products registered sizable gains in sales between 1947 and 1948 and between 1950 and 1951. During the other years the gains were regular but much smaller in amount. Combined sales of cream likewise registered small but consistent increases during the 5-year period, 1947-51. In addition, sales of light cream (16 to 30 percent) decreased each year in both markets whereas sales of mixtures of cream and milk (6 to 16 percent butterfat content) increased each year. In fact, by 1951 sales of light cream in both markets had decreased nearly 50 percent from the 1947 levels.

Utilization of Grade A Receipts from Producers, 1948-51

The utilization by classes of all Grade A milk delivered to Clinton handlers by local producers each month during the period 1948-51 is shown in table 20. Table 21 shows similar data on a yearly basis for the Quad Cities and Dubuque markets. An analysis of the data for the Clinton market indicates that the proportion of producer milk used for Class I products decreased by slightly more than 7 percent each year from 1948 through 1950, holding steady after that time. Class I sales comprised 94.3 percent of total producer deliveries in 1948, declining to 86.7 percent in 1949 and 79.5 percent in 1950. The Class I sales averaged 80.1 percent in 1951.

Table 16.--Utilization of milk in the Quad Cities, Iowa-Illinois, marketing area, Order No. 44, 1947-51

Utilization of milk	1947	1948	1949	1950	1951
	Product pounds	Product pounds	Product pounds	Product pounds	Product pounds
Fluid use:					
Milk	63,545,316	67,943,626	70,425,015	74,600,601	82,030,022
Skim milk	1,766,913	1,873,538	1,538,289	2,367,548	2,916,621
Buttermilk	877,968	1,045,770	1,198,265	1,120,480	1,278,067
Flavored and skim milk	1,714,815	1,691,331	1,884,562	2,135,175	2,365,375
Mixtures (6 to 16 percent)	2,919,906	3,215,713	3,278,388	3,369,537	3,581,487
Light cream (16 to 30 percent)	969,084	752,751	655,643	579,612	516,132
Heavy cream (more than 30 percent)	244,294	229,054	240,808	288,922	360,210
Soured cream	--	--	--	--	2,002
Egg nog and specialties	706	2,647	8,507	10,993	22,874
Other	--	--	16,785	26,598	44,640
Total for fluid consumption	72,039,002	76,754,430	79,246,262	84,499,466	93,117,430
Other use:					
Soft curd skim cheeses	8,477,317	11,281,479	13,035,532	15,220,540	19,533,102
American type cheeses	5,433,950	5,347,770	11,462,346	7,546,656	6,662,245
All other cheeses	--	--	--	--	2,064,482
Casein	9,912,516	4,886,517	16,453,267	3,937,433	4,831,409
Butter	2,264,277	2,001,827	2,978,933	2,206,166	2,479,843
Sweetened condens. whole milk	792,647	559,984	200,593	202,055	24,905
Unsweetened condens. whole milk	--	154,704	--	--	--
Sweetened condens. skim milk	6,614,668	4,378,110	9,888,211	9,198,578	5,367,293
Unsweetened condens. skim milk	--	645,286	115,595	348,201	914,045
Nonfat dry milk solids	--	--	--	--	4,609,898
Ice cream, mix, etc.	2,625,835	3,614,713	4,655,380	5,530,002	5,821,705
Other	2,822,557	2,754,335	--	--	--
Sales for animal feed	855,927	5,443,969	5,358,078	7,444,486	7,457,326
Dumped or spilled	3,383,992	449,136	--	--	--
Plant loss or gain	5,643,221	3,706,579	1,819,048	2,214,986	2,056,056
Total other disposition	48,836,907	45,224,409	65,966,983	53,849,103	61,822,309
Total utilization	120,875,909	121,978,839	145,213,245	138,348,569	1/154,939,739

1/ Includes 2,055,167 pounds sold in the Quad Cities marketing area by handlers from other Federal order markets.

Table 17.--Utilization of milk in the Dubuque, Iowa, marketing area, Order No. 12, 1947-51

Utilization of milk	1947	1948	1949	1950	1951
	Product pounds	Product pounds	Product pounds	Product pounds	Product pounds
Fluid use:					
Milk	14,225,251	15,116,043	15,756,086	16,515,081	19,485,271
Skim milk	--	17,168	23,555	39,177	103,708
Buttermilk	56,351	59,307	89,465	104,239	139,561
Flavored and skim milk	542,881	736,648	763,758	740,910	762,137
Mixtures (6 to 16 percent)	288,478	377,322	519,523	638,798	812,158
Light cream (16 to 30 percent)	483,850	402,973	347,986	296,617	246,640
Heavy cream (more than 30 percent)	31,824	33,738	40,040	48,024	49,523
Soured cream	--	--	--	--	--
Egg nog and specialties	--	--	3,874	1,841	5,589
Other	--	--	1,184	4,847	4,782
Total for fluid consumption	15,628,635	16,743,199	17,545,471	18,389,534	21,609,369
Other use:					
Soft curd skim cheeses	773,833	695,692	835,260	763,072	1,046,427
American type cheeses	12,116,918	10,270,366	14,009,096	14,754,199	9,612,959
All other cheeses	--	--	--	--	3,384,272
Casein	--	--	--	933,695	--
Butter	2,108,815	183,755	170,804	358,554	211,886
Sweetened condens. whole milk	--	--	--	--	--
Unsweetened condens. whole milk	--	--	--	--	--
Sweetened condens. skim milk	--	--	--	--	--
Unsweetened condens. skim milk	2,512,747	1,124,774	1,274,679	786,418	--
Ice cream, mix, etc.	1,498,785	1,348,298	1,009,331	962,201	1,440,030
Other	--	--	--	--	--
Sales for animal feed	365,776	--	231,941	684,381	469,449
Dumped or spilled	2,408	--	--	--	--
Plant loss or gain	912,955	1,186,856	1,060,259	427,692	666,891
Candy, soup, wholesale, bakery	--	2,435	--	--	--
Total other disposition	20,292,237	14,812,176	18,591,370	19,670,212	16,831,914
Total utilization	35,920,872	31,555,375	36,136,841	38,059,746	38,441,283

Table 18.--Percentage of total milk, product pound basis, in Quad Cities, Iowa-Illinois marketing area, utilized in fluid and other uses, 1947-51

Utilization of milk	1947	1948	1949	1950	1951
	Percent	Percent	Percent	Percent	Percent
Fluid use:					
Milk	52.571	55.701	48.498	53.922	52.943
Skim milk	1.462	1.536	1.059	1.711	1.882
Buttermilk	.726	.857	.825	.810	.825
Flavored and skim milk	1.418	1.387	1.298	1.543	1.527
Mixtures (6 to 16 percent)	2.415	2.636	2.258	2.436	2.312
Light cream (16 to 30 percent)	.802	.617	.451	.419	.333
Heavy cream (more than 30 percent)	.202	.188	.166	.209	.232
Soured cream	--	--	--	--	.001
Egg nog and specialties	.001	.002	.006	.008	.015
Other	--	--	.011	.019	.029
Total for fluid consumption	59.597	62.924	54.572	61.077	60.099
Other use:					
Soft curd skim cheeses	7.013	9.249	8.977	11.001	12.607
American type cheeses	4.504	4.384	7.894	5.455	4.300
All other cheeses	--	--	--	--	1.332
Casein	8.201	4.006	11.330	2.846	3.118
Butter	1.873	1.641	2.051	1.595	1.601
Sweetened condens. whole milk	.656	.459	.138	.146	.016
Unsweetened condens. whole milk	--	.127	--	--	--
Sweetened condens. skim milk	5.472	3.589	6.809	6.649	3.464
Unsweetened condens. skim milk	--	.529	.080	.252	.590
Nonfat dry milk solids	--	--	--	--	2.975
Ice cream, mix, etc.	2.172	2.964	3.206	3.997	3.757
Other	2.335	2.258	--	--	--
Sales for animal feed	.708	4.463	3.690	5.381	4.813
Dumped or spilled	2.800	.368	--	--	--
Plant loss or gain	4.669	3.039	1.253	1.601	1.328
Total other disposition	40.403	37.076	45.428	38.923	39.901
Total utilization	100.000	100.000	100.000	100.000	100.000

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Table 19.--Percentage of total milk, product pound basis, in Dubuque, Iowa, marketing area, utilized in fluid and other uses, 1947-51

Utilization of milk	1947	1948	1949	1950	1951
	Percent	Percent	Percent	Percent	Percent
Fluid use:					
Milk	39.602	47.903	43.601	43.393	50.688
Skim milk	--	.054	.065	.103	.270
Buttermilk	.157	.188	.248	.274	.363
Flavored and skim milk	1.511	2.335	2.113	1.947	1.982
Mixtures (6 to 16 percent)	.803	1.196	1.438	1.678	2.113
Light cream (16 to 30 percent)	1.347	1.277	.963	.779	.642
Heavy cream (more than 30 percent)	.089	.107	.111	.126	.129
Soured cream	1/ --	--	--	--	--
Egg nog and specialties	--	--	.011	.005	.014
Other	--	--	.003	.013	2/ .012
					3/ .001
Total for fluid consumption	43.509	53.060	48.553	48.318	56.214
Other use:					
Candy, soup, wholesale, bakery	--	.008	--	--	--
Soft curd skim cheeses	2.154	2.205	2.311	2.005	2.722
American type cheese	33.732	32.547	38.767	38.766	25.007
All other cheeses	--	--	--	--	8.804
Casein	--	--	--	2.453	--
Butter	5.871	.582	.473	.942	.551
Sweetened condens. whole milk	--	--	--	--	--
Unsweetened condens. whole milk	--	--	--	--	--
Sweetened condens. skim milk	--	--	--	--	--
Unsweetened condens. skim milk	6.995	3.564	3.527	2.066	--
Ice cream, mix, etc.	4.172	4.273	2.793	2.528	3.746
Other	--	--	--	--	--
Sales for animal feed	1.018	--	.642	1.798	1.221
Dumped or spilled	.007	--	--	--	--
Plant loss or gain	2.542	3.761	2.934	1.124	1.735
Total other disposition	56.491	46.940	51.447	51.682	43.786
Total utilization	100.000	100.000	100.000	100.000	100.000

1/ Less than 0.001 percent. 2/ Reddi-Wip. 3/ Yoghurt.

Table 20.--Proportions of total deliveries of Grade A milk from producers sold in the different classes, with percentages of total sales in each class in the Clinton, Iowa, marketing area, by month, January 1948-November 1951

Year and month	Class I Milk		Class II Milk		Class III Milk		Overrun		Total Milk	
	Deliveries	Percentage	Deliveries	Percentage	Deliveries	Percentage	Deliveries	Percentage	Deliveries	Percentage
	Pounds	Percent	Pounds	Percent	Pounds	Percent	Pounds	Percent	Pounds	Percent
1948										
January	1,206,372	92.9	76,316	5.9	15,667	1.2			1,298,355	100
February	1,114,392	91.5	89,316	7.3	14,478	1.2			1,218,186	100
March	1,239,380	99.2	3,623	0.3	6,845	0.5			1,249,848	100
April	1,220,636	95.8	39,444	3.1	17,008	1.3	(3,110)	(0.2)	1,273,978	100
May	1,242,034	83.5	191,546	12.9	53,889	3.6			1,487,469	100
June	1,092,382	89.0	110,791	9.0	24,074	2.0			1,227,247	100
July	1,019,537	95.2	31,860	3.0	19,437	1.8			1,070,834	100
August	857,556	94.0	37,471	4.1	17,000	1.9			912,027	100
September	810,430	96.5	13,430	1.6	16,418	2.0	(795)	(0.1)	839,483	100
October	888,584	101.6	8,002	0.9	10,840	1.2	(32,967)	(3.7)	874,459	100
November	828,322	99.3	10,374	1.2	2,474	0.3	(6,887)	(0.8)	834,283	100
December	995,246	100.6	5,665	0.6	7,540	0.8	(19,344)	(2.0)	989,107	100
Total	12,514,871	94.3	617,838	4.6	205,670	1.6	(63,103)	(0.5)	13,275,276	100
1949										
January	1,104,120	96.1	24,325	2.1	20,860	1.8			1,149,305	100
February	1,054,670	90.2	86,147	7.4	31,825	2.7	(3,861)	(0.3)	1,168,781	100
March	1,217,865	88.8	123,041	9.0	42,911	3.1	(12,751)	(0.9)	1,371,066	100
April	1,171,917	84.5	167,469	12.1	46,704	3.4			1,386,090	100
May	1,220,677	76.0	319,428	19.9	66,124	4.1			1,606,229	100
June	1,172,168	76.7	297,607	19.5	72,362	4.8	(14,623)	(1.0)	1,527,514	100
July	1,037,986	75.9	278,550	20.4	50,454	3.7			1,366,990	100
August	1,020,676	79.4	229,296	17.8	41,002	3.2	(5,231)	(0.4)	1,285,743	100
September	1,020,218	93.2	72,120	6.6	2,953	0.2			1,095,291	100
October	1,004,542	97.9	12,192	1.2	9,277	0.9			1,026,011	100
November	944,380	98.6	5,886	0.6	7,589	0.8			957,855	100
December	1,077,261	97.7	10,649	1.0	16,437	1.5	(1,788)	(0.2)	1,102,559	100
Total	13,046,480	86.7	1,626,710	10.8	408,498	2.7	(38,254)	(0.2)	15,043,434	100

Table 20.--Proportions of total deliveries of Grade A milk from producers sold in the different classes, with percentages of total sales in each class in the Clinton, Iowa, marketing area, by month, January 1948-November 1951--Continued

Year and month	Class I Milk		Class II Milk		Class III Milk		Overrun		Total Milk	
	Deliveries	Percentage	Deliveries	Percentage	Deliveries	Percentage	Deliveries	Percentage	Deliveries	Percentage
	Pounds	Percent	Pounds	Percent	Pounds	Percent	Pounds	Percent	Pounds	Percent
1950										
January	1,077,013	85.2	159,518	12.6	31,175	2.5	(3,010)	(0.3)	1,264,696	100
February	966,142	78.9	217,342	17.2	50,026	4.0	(951)	(0.1)	1,262,559	100
March	1,116,922	74.9	133,416	9.0	240,224	16.1			1,490,562	100
April	1,073,044	74.5	139,161	9.6	228,780	15.9			1,440,985	100
May	1,013,264	64.8	329,239	21.0	221,848	14.2			1,564,351	100
June	967,221	64.2	367,536	24.4	172,857	11.4			1,507,614	100
July	997,185	74.3	254,443	19.0	103,764	7.7	(12,701)	(1.0)	1,342,691	100
August	965,577	80.8	214,546	17.9	15,507	1.3			1,195,630	100
September	971,375	93.5	73,198	7.0	(1,054)	(0.1)	(4,800)	(0.4)	1,038,719	100
October	979,539	97.2	29,233	2.9	263	0.0	(848)	(0.1)	1,008,187	100
November	917,532	96.1	36,777	3.9	360	0.0			954,669	100
December	965,213	89.2	117,247	10.8	173	0.0	(529)	(0.0)	1,082,104	100
Total	12,040,027	79.5	2,071,656	13.7	1,063,923	7.0	(22,839)	(0.2)	15,152,767	100
1951										
January	980,887	82.6	144,263	12.2	65,037	5.5	(3,282)	(0.3)	1,186,905	100
February	889,730	80.3	104,716	9.5	112,946	10.2			1,107,392	100
March	1,025,535	82.6	73,364	5.9	142,088	11.5			1,240,987	100
April	889,413	70.9	91,133	7.2	274,604	21.9			1,255,150	100
May	917,912	61.7	564,598	37.9	5,980	0.4			1,488,490	100
June	867,558	59.2	589,223	40.2	9,744	0.6			1,466,525	100
July	985,165	72.2	366,727	26.9	11,715	0.9			1,363,607	100
August	1,143,803	93.2	72,735	5.9	10,592	0.9			1,227,130	100
September	1,099,936	97.7	16,935	1.5	9,447	0.8			1,126,318	100
October	1,101,302	100.9	1,961	0.2	8,764	0.8	(20,533)	(1.9)	1,091,494	100
November	911,566	98.2	14,412	1.6	2,245	0.2			928,223	100
Total	10,812,807	80.1	2,040,067	15.1	653,162	4.8			13,482,221	100

Table 21.--Proportions of total deliveries of Grade A milk from producers sold in the different classes with percentages of total sales in each class, in the Quad Cities and Dubuque marketing areas, 1948-51

Year	Class I Milk		Class II Milk		Class III Milk		Class IV Milk		Total Milk	
	Pounds	Percent	Pounds	Percent	Pounds	Percent	Pounds	Percent	Pounds	Percent
QUAD CITIES										
1948	51,960,331	85.3	4,507,317	7.4	3,348,960	5.5	1,129,490	1.8	60,946,098	100.0
1949	62,582,835	70.8	6,146,715	7.0	14,492,854	16.4	5,121,311	5.8	88,334,715	100.0
1950	72,103,877	74.1	6,848,767	7.0	13,893,503	14.3	4,475,288	4.6	97,321,435	100.0
1951	82,156,413	74.4	7,001,203	6.3	17,010,115	15.4	4,275,980	3.9	110,443,711	100.0
DUBUQUE										
1948	14,944,368	57.5	3,855,908	14.8	7,194,057	27.7			25,994,333	100.0
1949 1/	16,849,744	56.4	2,813,220	9.4	10,223,660	34.2			29,886,624	100.0
1950 1/	18,566,608	57.3	1,815,700	5.6	12,026,116	37.1			32,408,424	100.0
1951	20,468,994	64.4	4,508,027	14.2	6,795,789	21.4			31,772,810	100.0

1/ Classification plan changed, effective July 1, 1949, making Class I include, along with fluid milk, the fluid products formerly in Class II (cream, buttermilk, and milk drinks). After the change, Class II included evaporated and condensed milk, ice cream, ice cream mix, cottage cheese, and those products not specified in other classes; Class III included butter, cheese, nonfat dry milk solids, animal feed, and casein.

Between 1948 and 1950 the proportion of producer milk diverted to Class II and Class III uses increased from 6.2 to 20.7 percent of total deliveries. Class II uses were more important than Class III uses in each of these years, but the proportion of producer milk sold for Class III uses increased substantially relative to Class II by 1950. In that year about one-half as much producer milk was sold as Class III as that sold as Class II; in previous years the proportion had ranged between one-third to one-fourth as much.

The amount of variation in the proportions of producer milk sold in the different classes for each of the months during the period 1948-51 is shown in table 20. Class I utilization of producer milk in Clinton exceeded the current months' deliveries during 2 months in 1948 and 1 month in 1951, but approximated 98 percent of producer deliveries in the winter months of 1949 and 1950. An examination of the lowest monthly Class I utilization in the Clinton market for each year showed a significant downward trend--the low Class I utilization of 83.5 percent in May 1948 contrasted with 75.9 percent in July 1949, 64.2 percent in June 1950, and 59.2 percent in June 1951. Of course, the opposite trends held true for Class II and III utilization. For Class II the trend ran from 12.9 percent in May 1948 to 40.2 percent in June 1951, and for Class III from 3.6 percent in May 1948 to 21.9 in April 1951.

The data for the Quad Cities and Dubuque markets cover the deliveries of Grade A producers on a yearly basis for the 1948-51 period. Such producers for the Quad Cities received Class I prices for three-fourths of their milk deliveries during these years--compared with 85 percent Class I utilization in Clinton and slightly less than 60 percent Class I utilization in Dubuque. Quad Cities producers experienced considerable year to year variation (between 70 and 85 percent) in Class I usage during the 4-year period whereas similar usage in Dubuque held steady at 57 percent for the 3 years 1948-50 and increased to 64 percent by 1951. Class II consistently used 7 percent of Grade A receipts in the Quad Cities; three-fourths of the remaining supplies were used for Class III purposes and one-fourth for Class IV purposes. Table 22 shows a detailed picture of the combined utilization of all producer milk (Grade A and non-Grade A) for the 7 years 1945-51.

Intermarket Utilization

The growing interdependency of the Clinton and Quad Cities markets, and particularly the degree to which sales routes from one market extend into the other market, can be illustrated best by an analysis of intermarket sales between the two areas. However, not all the data bearing on this point can be published without revealing individual operations. The data on estimated intermarket sales show, in a general way, that the total sales of Quad Cities handlers in the Clinton marketing area increased slightly each year from 1948 through 1950. These increases ranged from 6 to 8 percent over the level of the preceding year.

Clinton handlers also sold increasing quantities of Class I products to outlets in the Quad Cities marketing area during the 1948-50 period. Although the total volume of products sold in the Quad Cities by Clinton

Table 22.--Deliveries of milk by producers classified according to use, and percentage of total in each class, Clinton, Quad Cities, and Dubuque marketing areas, 1945-51 1/

Year	Total deliveries by producers	Class I Volume	Class I Percent of total	Class II Volume	Class II Percent of total	Class III Volume	Class III Percent of total	Class IV Volume	Class IV Percent of total	Overrun Volume	Overrun Percent of total
	Pounds	Pounds	Percent	Pounds	Percent	Pounds	Percent	Pounds	Percent	Pounds	Percent
CLINTON											
1945	11,723,129	9,603,756	81.9	2,119,373	18.1						
1946	13,691,851	10,306,534	75.3	2/3,385,317	24.7						
1947	13,432,438	12,141,388	90.4	714,716	5.3	608,621	4.5			(32,287)	(0.2)
1948	13,275,276	12,514,871	94.3	617,838	4.7	205,670	1.5			(63,103)	(0.5)
1949	15,043,434	13,046,480	86.7	1,626,710	10.8	408,498	2.7			(38,254)	(0.2)
1950	15,152,767	12,040,027	79.5	2,071,656	13.7	1,063,923	7.0			(22,839)	(0.2)
1951	13,482,221	10,812,807	80.1	2,040,067	15.1	653,162	4.8				
QUAD CITIES											
1945	99,445,138	52,950,605	53.2	13,171,920	13.3	6,350,420	6.4	26,972,193	27.1		
1946	108,310,656	57,158,291	52.8	16,446,055	15.2	10,805,797	10.0	23,900,513	22.0		
1947	109,258,672	56,136,090	51.4	16,799,965	15.4	9,768,978	8.9	26,553,639	24.3		
1948	107,261,626	59,640,273	55.6	9,516,526	8.9	16,875,862	15.7	21,228,965	19.8		
1949	128,474,950	62,844,770	48.9	6,206,358	4.8	23,157,861	18.0	36,265,961	28.3		
1950	129,782,158	72,201,914	55.6	6,973,725	5.4	28,237,706	21.8	22,368,813	17.2		
1951	119,750,991	82,168,328	68.6	7,023,272	5.9	22,849,384	19.1	7,710,007	6.4		
DUBUQUE											
1945	32,987,110	13,483,427	40.9	3,783,930	11.5	15,719,753	47.6				
1946	34,673,322	14,980,821	43.2	4,458,091	12.8	15,234,410	44.0				
1947	34,894,778	14,196,488	40.7	4,079,396	11.7	16,618,894	47.6				
1948	30,998,973	14,944,368	48.2	3,868,380	12.5	12,186,225	39.3				
1949	3/29,886,624	16,849,744	56.4	2,813,220	9.4	10,223,660	34.2				
1950	32,408,424	18,566,608	57.3	1,815,700	5.6	12,026,116	37.1				
1951	31,772,810	20,468,994	64.4	4,508,027	14.2	6,795,789	21.4				

1/ Based largely on handlers' reports prior to audit.
2/ Class II and III. Order amended April 1, 1946 to provide for two classes for manufactured products instead of one.
3/ Includes only Grade A milk 1949-51. Prior to July 1, 1949, own production was eliminated from the pool. Also, sales of skim milk for consumption were not included in Class I sales. However, these sales were a very minor proportion of total Class I sales.

handlers was much less than the total volume of products moving from the Quad Cities into Clinton, the difference was narrowed each year. A comparison of average monthly sales made in the Quad Cities by Clinton handlers during the 3 years showed that 1949 sales averaged about two-thirds more than did 1948 sales, whereas 1950 sales averaged about 40 percent higher than 1949 sales. These increases were much higher than the 6 to 8 percent increases made by Quad Cities handlers in Clinton, although it must be remembered that the percentage figures representing additional sales made by Clinton handlers were based on a small volume of sales in 1948 whereas the increased sales by Quad Cities handlers were based on a much larger volume of sales in 1948.

Stated in terms of actual product pounds, the <u>increased</u> quantities of products processed in the Quad Cities market and sold in Clinton each month in 1949 over those sold in 1948 were only about one-half the volume of the <u>increased</u> amounts of products processed in Clinton but sold in Quad Cities each month during 1949 over those sold in 1948. The same trend held true for 1950 (over 1949), except that the <u>increased</u> quantities of fluid products moving from Clinton to the Quad Cities market were more than double the <u>increased</u> quantities processed in the Quad Cities and sold in Clinton.

Another way of comparing the level of and changes in the importance of intermarket sales originating from the two areas was to calculate ratios of the amount of average monthly sales made in each of the two marketing areas. Such an analysis showed that the ratio of Quad Cities average monthly sales in Clinton to Clinton's sales in the Quad Cities was approximately 5 to 1 in 1948. After that time, Clinton gained enough on the Quad Cities to reduce the ratio to less than 3 1/2 to 1 during 1949 and less than 2 1/2 to 1 during 1950.

Several factors combined to bring about the growing interdependency of the Quad Cities and Clinton markets. During World War II the United States Army established a general hospital requiring special facilities at Clinton for the rehabilitation of wounded personnel and for those requiring prolonged hospitalization. At that time no single distributor of milk in the Clinton market had sufficient quantities of Grade A milk to supply the needs of the hospital. Therefore, the distributor who received the contract was a major handler in the Quad Cities market. That handler supplied the hospital by delivering fluid milk in paper cartons by means of a daily truck route to Clinton from the bottling plant in Rock Island, Ill. A logical development was for the Quad Cities handler to complete his distribution of a truckload by selling milk to Clinton stores for resale to the retail trade.

Except for the period beginning in 1944 when such distributors were prohibited from selling milk in the Clinton market by an amendment to the city milk ordinance, the above-mentioned Quad City handler had continued the practice of running a daily milk route through the Clinton marketing area. Later, when a distributor located in the Clinton market had qualified completely as a Grade A milk outlet, and when the health departments in the Quad Cities area accepted milk produced under the Clinton milk ordinance as meeting the health standards for the Quad Cities market, the principal handler in the Clinton market made a serious effort to obtain outlets in the Quad Cities market. This intermingling of truck routes from the two markets coincided with an increased intermingling of milk procurement routes originating from both markets. Thus, the granting of the supply contract to the Quad Cities handler, the rapid introduction and wide usage of milk sold in paper containers, and the overlapping and intermingling of producers shipping to either market resulted in the two separate marketing areas becoming, in reality, a single marketing area. This phenomenon became apparent several years before the two markets actually were combined under a single regulation. Before the two orders were merged, their interdependency was evidenced by the necessity of having to issue for each market separate orders that were practically identical with respect to pricing, classification, and regulatory provisions.

Number of Handlers

Although it appeared as though there had been a reduction in the number of handlers supplying each of the markets during the 1944-51 period of Federal regulation, a close examination of the marketing structure in each area showed that only in the Quad Cities had the number of milk distributors actually serving each market declined. (Table 23.)

Four local handlers operated in the Clinton marketing area from the time Federal Order No. 70 went into effect in 1944 until August 31, 1946. Rock Springs Dairy suffered a loss of plant and facilities through fire at that time, and sold its business to Golden-Mello Dairy, Inc., rather than rebuild and continue to sell milk in Clinton on its own behalf. Seven months later, on February 7, 1947, the Wapsimoor Farm Dairy disposed of its business to Elmwood Farms Dairy, leaving only two local handlers subject to the Clinton milk order. During most of that period, however, the market also was supplied with milk by a handler from the Quad Cities market who serviced the Clinton area through wholesale outlets. By 1950 two handlers and by 1951 three handlers, whose primary market was the Quad Cities, were distributing milk through wholesale outlets in the Clinton marketing area. In effect then, the Clinton market still was supplied by five handlers in 1951, the important difference from the situation in 1944 being that three of them were handlers from the Quad Cities market. These three distributors supplied Clinton and contiguous towns from truck routes that originated at bottling plants located in Rock Island, Ill., and Bettendorf, Iowa.

In the Dubuque market a handler under the Chicago milk order began distributing milk shortly after a local dairy ceased to be a milk handler under the Federal order for the Dubuque market. Thus, eight handlers served the Dubuque area during nearly the entire period from 1944 through 1951.

The Quad Cities market, by far the largest of the three areas, had experienced a gradual but fairly consistent decline in the number of handlers serving the marketing area--from 30, in 1944, to 19, in 1951. However, to the total of 19 handlers in 1951 must be added the handler from the Clinton area, who operated a truck route into the Quad Cities market, making a total

Table 23.--Number of milk handlers and producer-handlers located in and serving the Clinton, Quad Cities, and Dubuque marketing areas, as of December 31, 1944-51

Year	Clinton		Quad Cities		Dubuque	
	Handlers	Producer-handlers	Handlers	Producer-handlers	Handlers	Producer-handlers
	Number	Number	Number	Number	Number	Number
1944	4		30		8	1
1945	4		29		8	1
1946	1/ 3		28		8	1
1947	2/ 2	0	26		8	1
1948	2	0	22		3/ 7	0
1949	4/ 2	0	5/ 21		6/ 7	0
1950	7/ 2	0	8/ 21		6/ 7	0
1951	9/ 2	0	10/8/19	0	6/ 7	0

1/ Rock Springs Dairy sold to Golden-Mello Dairies, Inc., on August 31, 1946, following fire.

2/ The Wapsimoor Farm Dairy disposed of its business to the Elmwood Farms Dairy on February 7, 1947.

3/ Twin Valley Dairy discontinued purchasing milk from producers in December 1948.

4/ One handler subject to all the provisions of the Quad Cities order also distributed milk in the Clinton marketing area.

5/ Noll Dairy discontinued purchasing milk from producers as of May 31, 1949.

6/ The Dean Milk Company, a handler under Order 41 (Chicago) also distributed milk in the Dubuque market.

7/ Two handlers subject to all the provisions of the Quad Cities order also distributed milk in the Clinton marketing area.

8/ One handler subject to all the provisions of the Clinton order also distributed milk in the Quad Cities marketing area.

9/ Three handlers subject to all the provisions of the Quad Cities order also distributed milk in the Clinton marketing area.

10/ Swanson's Dairy discontinued purchasing from producers February 21, 1951. Gankler's Dairy discontinued purchasing from producers October 31, 1951.

of 20 handlers in the Quad Cities area. Most of the decline in the number of handlers supplying the Quad Cities market was accounted for by the decision of many small distributors to discontinue buying milk directly from producers, and either withdraw entirely from the distribution of fluid milk or rely on other handlers for supplies of milk. A similar decline in distributor numbers held true in nearly all other major fluid milk markets throughout the United States. In fact, the trend toward fewer and larger-scaled distributors in most of the fluid milk markets of the country was underway before the issuance of Federal milk orders, and the major changes in that direction probably represented a continuance of that trend.

Prices for milk sold at retail by distributors

The level of and changes in the prevailing retail prices for quarts of regular grade milk delivered to homes in Clinton, the Quad Cities, and Dubuque are shown in table 24. The average prevailing price is shown for each month during the period 1945 through 1951; whenever a price change occurred during a month, a weighted average price was calculated as the prevailing price. Also, the prices applied to regular grade milk with a standard butterfat content of 3.6 percent in the Clinton and Quad Cities markets and a range in butterfat content from 3.5 to 4.1 percent in Dubuque. Homogenized milk delivered retail regularly sold for 1 cent a quart more than regular milk in the Clinton and Quad Cities markets; in Dubuque homogenized and regular milk retailed for the same price. Nearly all stores in Clinton and the Quad Cities charged the same price for homogenized and regular milk.

Retail prices were at their lowest levels during the months in 1945 and 1946 when the OPA controlled the maximum prices for such products. Beginning with July 1946, however, retail prices increased steadily (with the exception of a seasonal decline in the spring of 1947 in the Quad Cities and Dubuque) and reached a peak in the winter of 1948. After that they declined to a secondary low level in June 1950 and increased thereafter to a steady, higher level in 1951. Apparent in the price data were some changing relationships between the retail price structures of the three markets. Most apparent perhaps was the fact that retail prices in Clinton averaged about 1 cent a quart lower than similar prices in the Quad Cities between 1945 and February 1947, but after that time Clinton prices were almost identical with the level of retail prices in the Quad Cities—another evidence of the fact that the two markets had grown into a single marketing area. Retail prices in Dubuque averaged 1 cent a quart lower than the Quad Cities in 1945 and 1/2 cent a quart lower in 1946. After being alternately higher and then slightly lower than Quad Cities prices in 1947 and 1948, retail prices in Dubuque had climbed, relative to the Quad Cities, each year after 1948. For example, in 1949 prices averaged two-tenths of one cent higher; in 1950, seven-tenths of one cent higher; and in 1951 they averaged 1 cent a quart more than the Quad Cities prices. However, it must be remembered that these prices applied only to regular milk; homogenized milk sold for the same price as regular milk in Dubuque whereas Clinton and Quad Cities distributors charged 1 cent a quart extra for that portion of their fluid sales that was homogenized milk and delivered at retail.

Table 24.--Distributors' average retail selling prices per quart of bottled milk, delivered to homes in Clinton, Quad Cities, and Dubuque marketing areas, by months, 1945-51

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Average for year
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
CLINTON													
1945	--	--	13	13	13	13	13	13	13	13	13	13	13.0
1946	13	13	13	13	13	13	14.8	16	16	16	16	16	14.3
1947	16	16	16	16	16	16	16	16.4	17	18	18	18	16.6
1948	19	19	19	19	19	19	20	20	20	20	20	20	19.5
1949	19	19	19	18	18	18	18	18	18	18	18	18	18.3
1950	18	18	17	17	17	17	18	18	18	18	19	19	17.8
1951	19	19	19	19	19	19	19	19	19	19	19	19	19.0
QUAD CITIES													
1945	14	14	14	14	14	14	14	14	14	14	14	14	14.0
1946	14	14	14	14	14	14	16	17	17	17	17	18	15.5
1947	17.5	17	16	16	16	16	16	16.5	17	18	18	18	16.8
1948	19	19	19	19	19	19	20	20	20	20	20	20	19.5
1949	19	19	19	18	18	18	18	18	18	18	18	18	18.3
1950	18	18	17	17	17	17	18	18	18	18	19	19	17.8
1951	19	19	19	19	19	19	19	19	19	19	19	19	19.0
DUBUQUE													
1945	13	13	13	13	13	13	13	13	13	13	13	13	13.0
1946	13	13	13	13	13.5	13.5	15	16	16	17.6	18	18	15.0
1947	18	18	18	17	17	17	17	17.2	18.5	19	19	19	17.9
1948	19	19	19	19	19	19	19.4	20	20	20	20	20	19.4
1949	20	19.1	19	19	18.6	18	18	18	18	18	18	18	18.5
1950	18	18	18	18	18	18	18.7	19	19	19	19	19	18.5
1951	19	20	20	20	20	20	20	20	20	20	20	20.5	20.0

Structure of Class Prices, 1944-51

Each of the three markets included in this study adopted classified price plans that used formulas to establish the minimum prices for milk used for different purposes. Usually one of these formulas was designated a "basic" formula price, and the minimum price for Class I milk, and in some cases Class II milk, was calculated by adding a differential to the basic price.

"Basic" Formula Prices

At the time Order No. 70 was put into effect in the Clinton market, the Class I price was based on the higher of (1) the average of prices paid by 10 condenseries in Illinois-Wisconsin or (2) a price determined by a butter-cheese formula. These alternative formulas later served to fix the minimum Class II price level, but they continued to set the basic price for Class I milk until the Clinton order was merged with the Quad Cities order on December 1, 1951. These basic formula prices closely approximated the value of milk used for manufacturing purposes. After December 1, 1951, however, Class I prices for the Clinton market were dependent on the level of the Class I differential in the Chicago market. The Quad Cities and Dubuque markets used the same basic or foundation price determinants as Clinton between December 15, 1941, and December 1, 1951. The Dubuque market continued to use them, but after December 1951 the Quad Cities market based its Class I price on the level of the Class I differential in the Chicago market.

Table 25 shows the relative importance of the alternative formulas as the basis for calculating the minimum Class I price in each of the markets during the years 1943 through 1951. In all three markets the condensery-pay price returned the higher alternative price every month during the years 1943, 1944, 1945, and 1948 and every month except one during 1946 and 1951 (except for Clinton in 1951). The butter-cheese formula, on the other hand, served as the basic price in each market during 11 of the 12 months in 1949 and 10 of the 12 months in 1950 (except for Dubuque in 1950). During 1947, each formula prevailed for six months of the year.

Class I Differentials

The minimum price for Class I milk under Federal Order No. 70 always had been calculated by adding a predetermined monetary differential to the value of such milk used for manufacturing purposes (as reflected by the basic formula or foundation price). The Quad Cities and Dubuque markets had used the same method as Clinton after December 15, 1941; prior to that time the minimum pricing provisions of the various Federal milk programs specified an exact minimum price expressed as dollars per hundredweight for Class I and Class II milk. Practically all Federal order markets use price formulas at the present time, principally because they provide minimum

Table 25.--Number of months during which different formulas represented the "basic" price for fluid milk in the Clinton, Quad Cities and Dubuque markets, 1943-51

Year	Clinton		Quad Cities		Dubuque	
	Condensery-pay	Butter-cheese Twins	Condensery-pay	Butter-cheese Twins	Condensery-pay	Butter-cheese Twins 1/
	Months	Months	Months	Months	Months	Months
1943			12	0	12	0
1944	3		12	0	12	0
1945	12	0	12	0	12	0
1946	11	1	11	1	11	1
1947	6	6	6	6	6	6
1948	12	0	12	0	12	0
1949	1	11	1	11	1	11
1950	2	10	2	10	5	7
1951	2/ 8	2/ 3	11	1	11	1

1/ Butter-cheese "Cheddars" beginning July 1, 1949.
2/ The Clinton order was merged with the Quad Cities order on December 1, 1951.

prices that are flexible and easy to keep adjusted to general economic conditions and to the prices being paid for milk by manufacturing plants which provide an alternative outlet.

Table 26 shows the amount of the differential added to the basic price in calculating the minimum price for Class I milk in the three markets. The amount of the Class I differentials increased each time a price change was effected for each market. The producers for the Clinton market benefited most by these price changes--from a differential of 50 cents a hundredweight beginning in 1944 to an average annual differential of $1 a hundredweight beginning with December 1951. Figure 5 presents a graphic description of the price movements and of the changing price relationships between the three markets. It and table 27 show comparative price levels for Class I milk in the three markets and a price level for manufacturing milk as typified by the paying prices of 18 Midwest condenseries during the period 1944-51. The relative increase in prices for Clinton was greater if the comparison is made between 1951 and the preorder period of 1941-44 (when producers for the Clinton market received lower prices than those paid producers who shipped milk to manufacturing plants in the area). (See table 4 and figure 3, Chapter III.)

Uniform (blend) Price to Producers

The price actually paid producers for milk sold in the fluid milk markets is a "uniform," or "blend," price computed by the Market Administrator according to the terms of the Federal order regulating each market.

Table 26.--Price differentials for Class I milk in the Clinton, Quad Cities, and Dubuque markets, by specified periods, October 1944-December 1951

Period	Price differential in-- Clinton	Quad Cities Grade A	Quad Cities Non-Grade A	Dubuque
	Dol. per cwt.	Dol. per cwt.	Dol. per cwt.	Dol. per cwt.
October 1944-July 1947	0.50	0.90	0.70	0.70
August 1947-April 1948	.70	.90	.70	.70
May 1948-April 1949	.70	.90 Jan-Mar. .70 Apr-June 1.15 July-Dec.	.55 Jan-Mar. .35 Apr-June .80 Jan-Dec.	.70
May 1949-June 1949	.90 Jan-Mar. .70 Apr-June 1.15 July-Dec.	.90 Jan-Mar. .70 Apr-June 1.15 July-Dec.	.55 Jan-Mar. .35 Apr-June .80 July-Dec.	.70
July 1949-Nov. 1951	.90 Jan-Mar. .70 Apr-June 1.15 July-Dec.	.90 Jan-Mar. .70 Apr-June 1.15 July-Dec.	1/ .55 Jan-Mar. 1/ .35 Apr-June 1/ .80 July-Dec.	.80 Jan-Mar. .60 Apr-June 1.05 July-Dec.
December 1951	2/ .95	2/ .95		1.05

1/ The provisions of Order No. 44 which authorized the separate pricing and pooling of non-Grade A milk were suspended, effective April 16, 1951.

2/ Except that the total price should not be less than the price of Class I milk in the 70-mile zone under Federal Order No. 41 (Chicago) plus 20 cents.

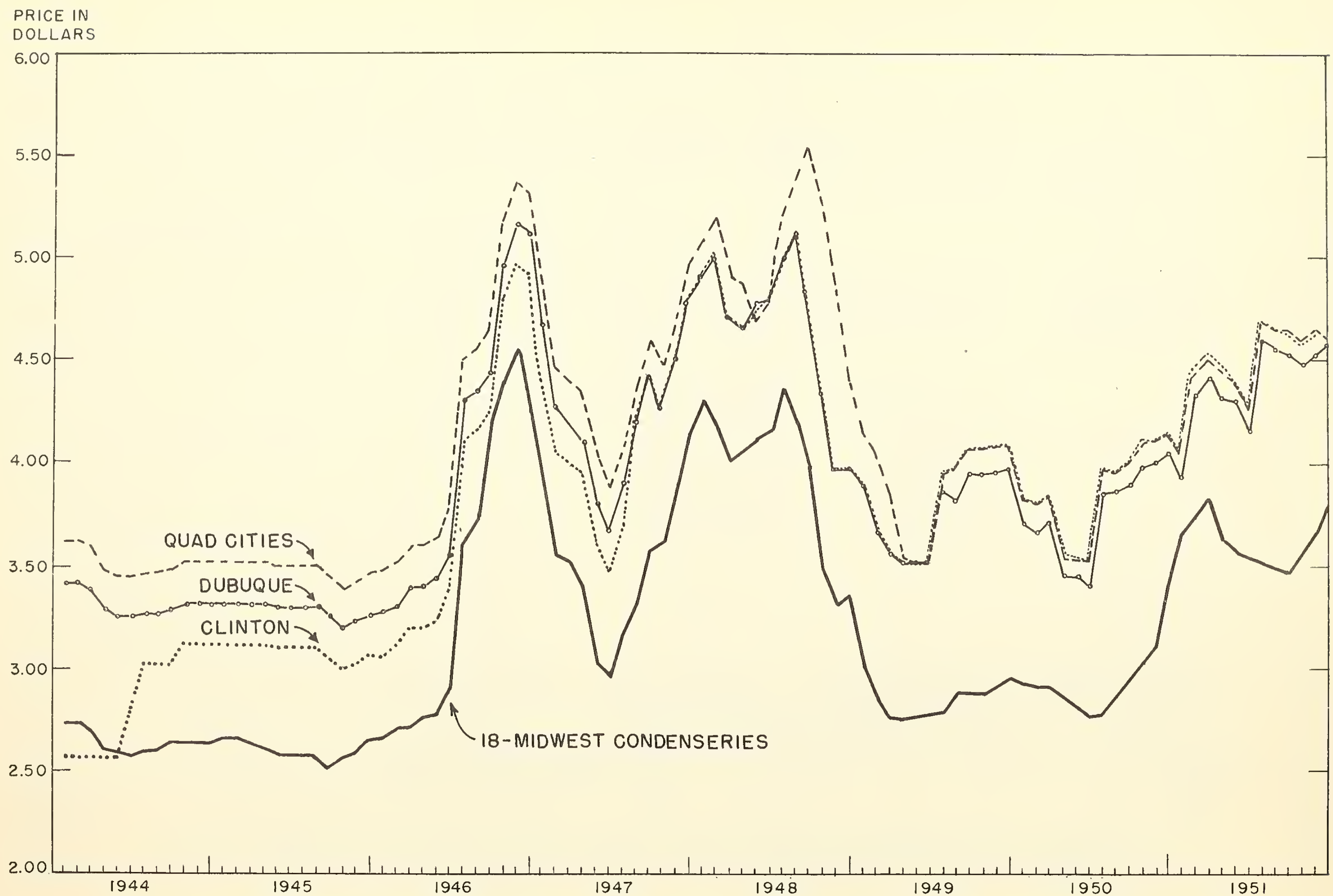

Figure 5.—Changing price relationships for Grade A milk used as Class I in Quad Cities, Dubuque, and Clinton, 1944–51.

Table 27.--Comparative minimum prices for Class I milk under applicable Federal milk regulations for Clinton, Quad Cities, and Dubuque markets, and the average of prices paid by 18 Midwest condenseries, per hundredweight of milk containing 3.5 percent butterfat, by months, 1944-51

Year and month	Clinton 1/	Quad Cities Grade A	Quad Cities Non-Grade A	Dubuque	18 Midwest condenseries
	Dollars	Dollars	Dollars	Dollars	Dollars
1944					
January	2.56	3.61	3.41	3.41	2.74
February	2.56	3.61	3.41	3.41	2.74
March	2.56	3.59	3.39	3.39	2.69
April	2.56	3.48	3.28	3.28	2.60
May	2.56	3.45	3.25	3.25	2.59
June	2.77	3.45	3.25	3.25	2.58
July	3.01	3.46	3.26	3.26	2.59
August	3.01	3.46	3.26	3.26	2.60
September	3.01	3.48	3.28	3.28	2.64
October	3.11	3.51	3.31	3.31	2.64
November	3.11	3.51	3.31	3.31	2.64
December	3.11	3.51	3.31	3.31	2.64
Average	2.83	3.51	3.31	3.31	2.64
1945					
January	3.11	3.51	3.31	3.31	2.66
February	3.11	3.51	3.31	3.31	2.66
March	3.11	3.51	3.31	3.31	2.65
April	3.11	3.51	3.31	3.31	2.61
May	3.10	3.50	3.30	3.30	2.58
June	3.10	3.50	3.30	3.30	2.58
July	3.10	3.50	3.30	3.30	2.58
August	3.10	3.50	3.30	3.30	2.58
September	3.05	3.45	3.25	3.25	2.50
October	3.00	3.40	3.20	3.20	2.57
November	3.02	3.42	3.22	3.22	2.59
December	3.06	3.46	3.26	3.26	2.65
Average	3.08	3.48	3.28	3.28	2.60
1946					
January	3.07	3.47	3.27	3.27	2.67
February	3.12	3.52	3.32	3.32	2.71
March	3.20	3.60	3.40	3.40	2.72
April	3.20	3.60	3.40	3.40	2.76
May	3.24	3.64	3.44	3.44	2.78
June	3.38	3.78	3.58	3.58	2.91
July	4.10	4.50	4.30	4.30	3.62
August	4.15	4.55	4.35	4.35	3.73
September	4.24	4.64	4.44	4.44	4.20
October	4.76	5.16	4.96	4.96	4.40
November	4.96	5.36	5.16	5.16	4.55
December	4.93	5.33	5.13	5.13	4.30
Average	3.86	4.26	4.06	4.06	3.45

See footnotes at end of table.

Table 27.--Comparative minimum prices for Class I milk under applicable Federal milk regulations for Clinton, Quad Cities, and Dubuque markets, and the average of prices paid by 18 Midwest condenseries, per hundredweight of milk containing 3.5 percent butterfat, by months, 1944-51 --Continued

Year and month	Clinton 1/	Quad Cities		Dubuque	18 Midwest condenseries
		Grade A	Non-Grade A		
	Dollars	Dollars	Dollars	Dollars	Dollars
1947					
January	4.50	4.90	4.70	4.70	3.87
February	4.06	4.46	4.26	4.26	3.55
March	3.99	4.39	4.19	4.19	3.52
April	3.95	4.35	4.13	4.15	3.38
May	3.62	4.02	3.82	3.82	3.02
June	3.47	3.87	3.67	3.67	2.98
July	3.71	4.11	3.91	3.91	3.14
August	4.19	4.39	4.19	4.19	3.32
September	4.41	4.61	4.41	4.41	3.58
October	4.26	4.46	4.26	4.26	3.62
November	4.48	4.68	4.48	4.48	3.81
December	4.76	4.96	4.76	4.76	4.14
Average	4.12	4.43	4.23	4.23	3.49
1948					
January	4.90	5.10	4.90	4.90	4.32
February	5.01	5.20	5.00	5.00	4.18
March	4.72	4.92	4.72	4.72	4.01
April	4.67	4.87	4.67	4.67	4.06
May	4.72	4.67	4.32	4.77	4.13
June	4.79	4.76	4.41	4.79	4.16
July	4.93	5.23	4.88	4.93	4.36
August	5.10	5.38	5.03	5.10	4.29
September	4.81	5.55	5.20	4.81	3.98
October	4.41	5.26	4.91	4.41	3.48
November	3.95	4.86	4.51	3.95	3.32
December	3.95	4.40	4.05	3.95	3.35
Average	4.67	5.02	4.72	4.67	3.97
1949					
January	3.87	4.15	3.80	3.87	3.07
February	3.65	4.06	3.71	3.65	2.86
March	3.54	3.85	3.50	3.54	2.77
April	3.50	3.54	3.19	3.50	2.76
May	3.50	3.50	3.15	3.50	2.77
June	3.50	3.50	3.15	3.50	2.78
July	3.95	3.95	3.60	3.85	2.79
August	3.96	3.96	3.61	3.83	2.87
September	4.07	4.07	3.72	3.94	2.87
October	4.07	4.07	3.72	3.94	2.87
November	4.08	4.08	3.73	3.95	2.93
December	4.08	4.08	3.72	3.96	2.95
Average	3.81	3.90	3.55	3.75	2.86

See footnotes at end of table.

Table 27.--Comparative minimum prices for Class I milk under applicable Federal milk regulations for Clinton, Quad Cities, and Dubuque markets, and the average of prices paid by 18 Midwest condenseries, per hundredweight of milk containing 3.5 percent butterfat, by months, 1944-51 --Continued

Year and month	Clinton 1/	Quad Cities: Grade A	Quad Cities: Non-Grade A	Dubuque	18 Midwest condenseries
	Dollars	Dollars	Dollars	Dollars	Dollars
1950					
January	3.83	3.83	3.48	3.71	2.93
February	3.80	3.80	3.45	3.68	2.92
March	3.84	3.84	3.49	3.71	2.91
April	3.56	3.55	3.20	3.46	2.86
May	3.55	3.54	3.19	3.45	2.82
June	3.53	3.53	3.18	3.42	2.77
July	3.98	3.98	3.63	3.84	2.78
August	3.97	3.97	3.62	3.85	2.87
September	4.01	4.01	3.66	3.88	2.96
October	4.11	4.10	3.75	3.97	3.02
November	4.13	4.13	3.78	4.00	3.12
December	4.17	4.17	3.82	4.04	3.41
Average	3.87	3.87	3.52	3.75	2.95
1951					
January	4.05	4.05	3.70	3.94	3.67
February	4.44	4.42	4.07	4.34	3.74
March	4.52	4.50	4.15	4.42	3.78
April	4.44	4.43	4.08	4.34	3.63
May	4.40	4.40	2/	4.30	3.57
June	4.27	4.27		4.17	3.53
July	4.70	4.70		4.60	3.52
August	4.65	4.65		4.55	3.50
September	4.64	4.65		4.54	3.48
October	4.59	4.60		4.49	3.55
November	4.62	4.63		4.52	3.67
December		4.60		4.58	3.79
Average		4.49		4.40	3.62

1/ Distributors average paying price prior to October 1944. Federal Order No. 70, bringing the Clinton market under the minimum pricing provisions of a Federal order, became effective October 1, 1944.

2/ Separate pooling and pricing of non-Grade A milk suspended effective April 16, 1951.

The producers blend price for each market is computed on a market-wide pool basis--that is, the total monetary returns from the sale of milk in the entire marketing area is divided by the total amount of milk shipped into the area (and subject to the order), and all producers supplying the market are paid the same uniform, or blended, price a hundredweight for their milk shipments, subject to location and butterfat differentials. Presumably this method of paying all producers the same price regardless of which handler actually uses the milk, and charging each handler for the milk used in accordance with the provisions of the use-classification plan, spreads the effect of lower returns from surplus milk among all farmers. In practice, however, it is a difficult task to adjust the relationships between class prices so that some handlers do not suffer or gain a slight competitive advantage depending on their individual marketing methods. The level of the uniform price paid producers is influenced by two important factors: (1) The level of all class prices; and (2) the proportion of total receipts used in each classification. This means, of course, that producers will receive a higher uniform price when minimum class prices are increased (the proportion of receipts used in each classification remaining the same) or when a larger percentage of their milk shipments is sold for higher (particularly Class I) uses (class prices remaining the same).

Table 28 and figure 6 show that in the majority of years between 1944 and 1951, figured on an average yearly basis, producers in the Quad Cities market had received higher average Grade A and blend prices than those received by Clinton and Dubuque producers. The exceptions were in 1949 and 1951 when the blend price to Clinton producers averaged 3 cents and 4 cents higher, respectively, than similar prices to Quad Cities producers. However, there also were individual months in 1946 and 1947 when Clinton's blend prices exceeded those in Quad Cities. Uniform prices to producers in Dubuque always were lower than similar prices in the Quad Cities, on a monthly and yearly basis, and Clinton's uniform price on a yearly basis. Dubuque prices exceeded Clinton prices 11 out of the 87 months that both markets were subject to Federal regulation. The relationships between the markets during the 1945-51 period reflect the influences of: (1) A somewhat lower level of class prices in the Dubuque market (and in the Clinton market prior to May 1949); (2) the somewhat higher utilization of milk in the Clinton market (over Quad Cities and Dubuque); and (3) the higher utilization of milk in the Quad Cities market over that in Dubuque.

Premiums over Class Prices

An important factor to remember in the evaluation of the level of prices established by a Federal milk order is that they are intended only as minimum prices. One of the goals of the regulation is to provide a producer price that will tend to equate supply and demand over a reasonable period of time after proper allowances for seasonal and cyclical fluctuations in production and consumption. These minimum prices must be high enough (1) to prevent the diversion of milk produced and needed in one market's supply area to another market, and (2) to return to farmers enough net income relative to that returned by competing farm enterprises and non-

Table 28.--Announced uniform price paid producers of Grade A milk, Clinton, Quad Cities, and Dubuque marketing areas, by months, 1944-51

Year and month	Clinton	Dubuque	Quad Cities 2/
	Dollars	Dollars	Dollars
1944			
January	1/ 2.56	3.01	3.25
February	2.56	2.97	3.29
March	2.56	2.92	3.28
April	2.56	2.82	3.18
May	2.56	2.73	3.10
June	2.77	2.73	3.05
July	3.01	2.80	3.09
August	3.01	2.89	3.14
September	3.01	3.01	3.19
October	3.05	3.05	3.26
November	3.08	3.09	3.30
December	3.01	3.00	3.20
Average	2.81	2.92	3.19
1945			
January	2.97	2.96	3.16
February	2.94	2.95	3.23
March	2.97	2.93	3.18
April	2.91	2.86	3.12
May	2.86	2.75	3.04
June	2.81	2.75	3.00
July	2.99	2.83	3.01
August	3.09	2.93	3.08
September	3.05	3.01	3.11
October	3.05	3.06	3.19
November	3.07	3.18	3.21
December	3.06	3.12	3.21
Average	2.98	2.94	3.13
1946			
January	3.03	3.06	3.18
February	2.99	3.11	3.25
March	3.01	3.10	3.31
April	3.04	2.99	3.26
May	2.78	2.86	3.23
June	2.96	3.12	3.40
July	3.96	3.82	4.16
August	4.06	4.12	4.22
September	4.42	4.24	4.38
October	5.00	4.88	4.94
November	5.19	5.01	5.12
December	4.97	4.74	5.03
Average	3.78	3.75	3.96

See footnotes at end of table.

Table 28.--Announced uniform price paid producers of Grade A milk, Clinton, Quad Cities, and Dubuque marketing areas, by months, 1944-51 --Continued

Year and month	Clinton	Dubuque	Quad Cities 2/
	Dollars	Dollars	Dollars
1947			
January	4.44	4.34	4.62
February	4.03	3.89	4.21
March	3.94	3.81	4.09
April	3.91	3.65	3.91
May	3.33	3.18	3.57
June	3.22	3.14	3.45
July	3.72	3.44	3.76
August	4.26	3.83	4.13
September	4.59	4.14	4.38
October	4.46	4.12	4.22
November	4.69	4.36	4.48
December	4.78	4.61	4.76
Average	4.11	3.88	4.13
1948			
January	4.88	4.67	5.04
February	4.97	4.65	5.14
March	4.75	4.27	4.86
April	4.68	4.18	4.79
May	4.47	4.21	4.57
June	4.56	4.28	4.63
July	4.95	4.59	5.13
August	5.10	4.71	5.27
September	5.03	4.55	5.46
October	4.69	4.27	5.22
November	4.20	3.88	4.85
December	4.00	3.83	4.34
Average	4.69	4.34	4.94
1949			
January	3.84	3.62	4.01
February	3.60	3.36	3.88
March	3.48	3.17	3.66
April	3.41	3.11	3.36
May	3.33	3.03	3.23
June	3.35	3.07	3.33
July	3.70	3.25	3.65
August	3.78	3.37	3.75
September	4.05	3.63	3.93
October	4.11	3.73	3.93
November	4.11	3.74	3.94
December	4.10	3.62	3.90
Average	3.74	3.39	3.71

See footnotes at end of table.

Table 28.--Announced uniform price paid producers of Grade A milk, Clinton, Quad Cities, and Dubuque marketing areas, by months, 1944-51 --Continued

Year and month	Clinton	Dubuque	Quad Cities 2/
	Dollars	Dollars	Dollars
1950			
January	3.72	3.34	3.63
February	3.64	3.29	3.60
March	3.56	3.26	3.65
April	3.35	3.04	3.45
May	3.27	3.01	3.38
June	3.27	2.96	3.35
July	3.70	3.18	3.69
August	3.79	3.32	3.80
September	3.99	3.53	3.92
October	4.11	3.66	3.97
November	4.13	3.76	4.06
December	4.10	3.74	4.08
Average	3.72	3.34	3.72
1951			
January	3.96	3.78	4.00
February	4.29	4.05	4.36
March	4.36	4.03	4.44
April	4.09	3.98	4.29
May	4.10	3.84	4.12
June	4.19	3.80	4.03
July	4.64	4.02	4.28
August	4.60	4.05	4.35
September	4.65	4.22	4.50
October	4.66	4.40	4.57
November	4.65	4.48	4.62
December	--	4.47	4.55
Average	3/ 4.38	4.09	4.34

1/ Distributors' paying price prior to October 1944.
2/ Average Grade A price during 1944-47, uniform price during 1948-51.
3/ Average for January-November.

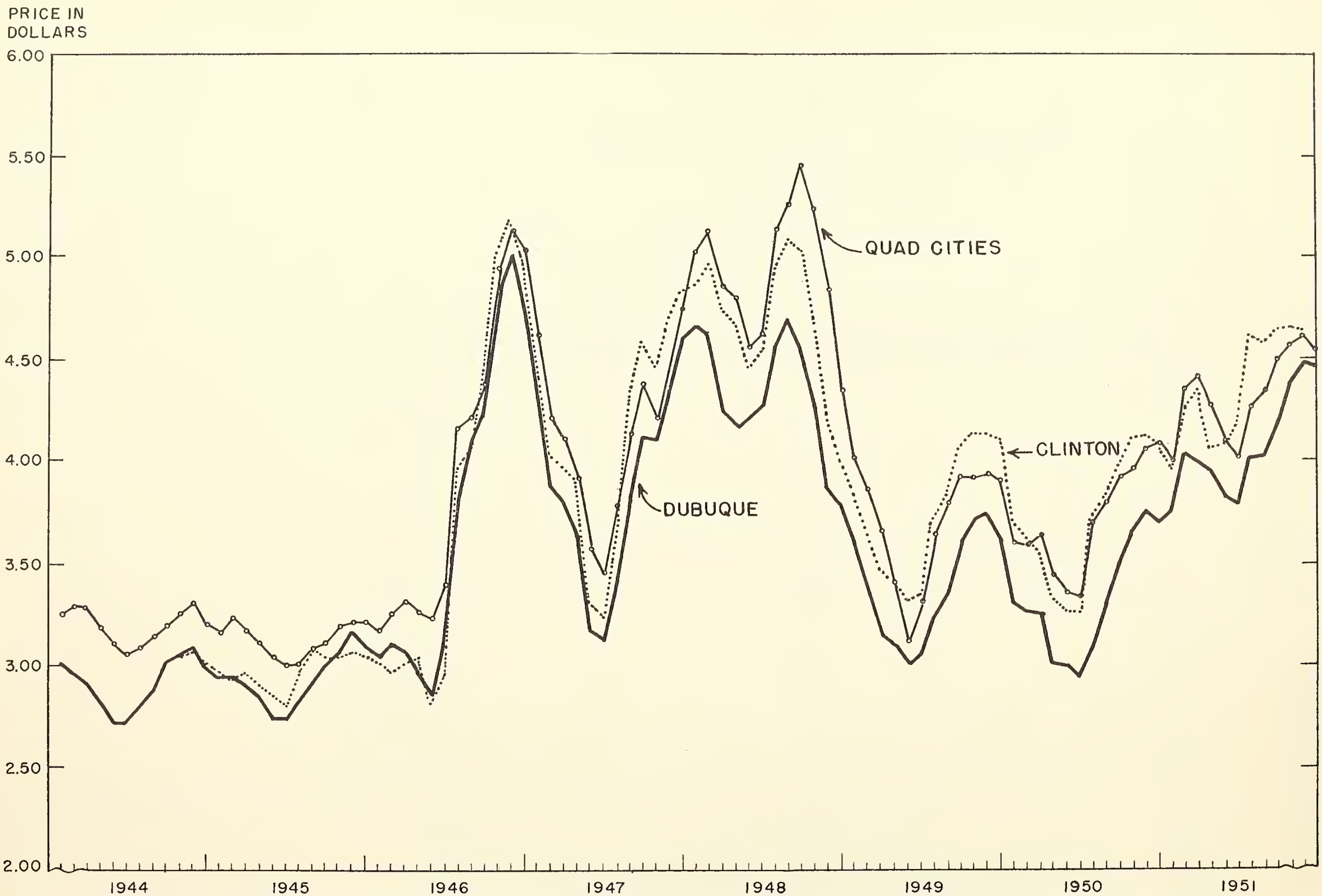

FIGURE 6.—Announced uniform prices paid producers of Grade A milk in Quad Cities, Dubuque, and Clinton markets, 1944–51.

farm employment opportunities that an adequate supply of milk will be produced in the supply area. Thus, it might be said, in a general way, that any payments to producers which exceed the handler's obligation under the order are premiums necessarily paid to insure the receipt of enough milk to meet current or future needs of the handler or the market.

No premiums above the announced uniform prices were paid producers in the Clinton market by local handlers between the time Order No. 70 first became effective in October 1944 and December 1951. Likewise, no premiums were paid producers for the Quad Cities market until December 1, 1951.

The new Federal order which merged the Clinton and Quad Cities markets went into effect December 1, 1951, and one of its pricing provisions had the effect of increasing the Class I differential 25 cents a hundredweight during April and lowering it 20 cents a hundredweight during the month of December. Representatives of the producers' cooperative associations objected to the lower price for milk delivered during December, and, rather than accept such a price, they asked Quad Cities and Clinton handlers for a premium of 30 cents to offset the price decrease. After considerable negotiation the handlers agreed to pay a premium of 7 1/2 cents a hundredweight for all milk used in Class I products during the month of December 1951. This premium raised the price to the level that would have prevailed had the order not been amended on December 1, 1951. After that time no other premiums were paid producers for the Clinton and Quad Cities markets.

Handlers in the Dubuque market had made premium payments to at least certain groups of producers each year beginning with 1947. Beginning in August 1947 and extending through June 1949 (through March 1949 for one handler), four handlers and the Dubuque Cooperative Dairy Marketing Association made premium payments to producers to meet the competition exerted by the higher blend prices being paid producers in Clinton and surrounding markets. In reality these premiums were paid by all handlers in the Dubuque market since all the other handlers supplying the market purchased their milk requirements from the DCDMA.

During 1947 the premium payments to producers in the Dubuque market ranged from 10 to 32 1/2 cents a hundredweight, and had a total monetary value of $14,703.90. Such payments made during 1948 had a total value of $45,038.39, being accounted for by premiums which ranged from a minimum of 10 cents a hundredweight for milk delivered during May to a maximum of 50 cents a hundredweight for November deliveries. Premium payments made during the first 6 months of 1949 varied from 7 to 45 cents a hundredweight, and were paid by all handlers as in 1947-48. The only exception was one dairy that quit making premium payments after March 1949. No payments were made by any handler during the month of July 1949. However, beginning with the month of August some producers received a premium on all milk delivered during the remaining months of 1949. These same producers received similar premium payments during 1950 and through May 1951, except that for the months of February-October 1950 and February-May 1951 the rate of payment was lowered. After June 1, 1951, no handlers in the Dubuque market paid premiums to any groups of producers.

Marketing Services

An important provision of all Federal milk orders requires the Market Administrator to check-weigh and check-test the milk delivered to proprietary handlers by producers who are not members of qualified producer cooperatives. The purpose of this service is to insure that such producers receive full payment for all milk shipped to handlers. The provision authorizing these marketing services also stipulates that the benefited producers bear the cost of this weighing and testing service by paying the Market Administrator an assessment on each hundredweight of milk shipped into the marketing area. Members of qualified producer cooperative associations are exempt from this assessment because the association, rather than the Market Administrator, performs this service. The member-producers bear the cost of this service by membership fees and assessments paid to the association.

Nonmember producers in the Clinton market paid 5 cents a hundredweight as an assessment for marketing services from the inception of Order No. 70 in October 1944 until the order was terminated November 30, 1951. Nonmember producers in the Dubuque market also paid 5 cents a hundredweight as an assessment for similar services beginning December 15, 1941, and extending to the present time. The marketing services assessment in the Quad Cities market was fixed at 4 cents a hundredweight until Order No. 44 was amended, effective May 1, 1948. After that date the assessment was 6 cents a hundredweight.

Three laboratories, staffed by trained laboratory technicians, were maintained for the purpose of checking the butterfat content of milk shipments of nonmember producers. The technicians also determined the butterfat content of handlers' products ready for sale--a necessary step in determining the accuracy of handlers' reports to the Market Administrator and, thus, their obligations to the market-wide pool from which producers were paid. A laboratory was located in each of the three marketing areas. The laboratory for the Clinton area was located at 402 First Avenue, Clinton, Iowa, and, until November 1, 1952, required the services of a licensed tester on a full-time basis. The laboratory for the Quad Cities area was located at 106 16th Street, Rock Island, Ill., and the one for the Dubuque area was located at 265 West First Street, Dubuque, Iowa. Each of the laboratories used the services of a full-time technician who performed services similar to those discussed above for the Clinton area. On November 1, 1952, the testing activities for the Clinton and Quad Cities markets were combined and thereafter one person employed on a full-time basis was to take care of the testing for both markets. All laboratory technicians are paid principally with funds from the marketing services fund, although they receive some funds from the Administrative Fund for time spent testing fluid products sold by handlers. Such technicians are supervised by the Market Administrator.

Tables 29, 30, and 31 show the income, expenses, and operating balance of the marketing services funds for the three marketing areas for the years 1944 through 1951. Salaries were, by far, the major item of expense, although rent, travel, and depreciation, repair, and maintenance of equipment were

Table 29.--Income, expenses, and operating balance of the Marketing Service Fund, Clinton, Iowa, marketing area, 1944-51 1/

Income, expense, and balance	1944 2/	1945	1946	1947	1948	1949	1950	1951 3/
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
INCOME								
Assessments	744	5,024	6,832	5,576	1,916	1,836	1,377	1,346
Testing and weighing services					250	300	275	4/ 1,435
Total	744	5,024	6,832	5,576	2,166	2,136	1,652	2,781
EXPENSES								
Salaries	200	2,178	2,600	2,908	3,209	3,539	3,225	2,523
Travel		482	107	31	23	28	291	429
Rent		225	300	300	300	300	380	420
Supplies		64	18	96	84	69	87	64
Insurance		15	20	12	12	25	20	40
Communications		45	81	86	97	94	96	113
Light, heat, water		32	61	64	58	53	50	45
Other	2	15	72	58	51	54	43	11
Total expenses	202	3,056	3,259	3,555	3,834	4,162	4,192	3,645
Excess or (deficiency) of income over expenses	542	1,968	3,573	5/ 2,201	6/(1,668)	6/(2,026)	6/(2,540)	6/ (864)
Operating balance at beginning of year		5/ 544	2,512	6,085	8,286	6,617	4,591	
Operating balance at end of year	542	2,512	6,085	8,286	7/ 6,617	4,591	2,051	

1/ Accrual basis, rounded to the nearest dollar.
2/ October 1 to December 31 only.
3/ Cash basis; January 1 to November 30 only.
4/ Other income.
5/ Adjusted in audit.
6/ Deficiency.
7/ Adjusted for fractional variation.

Table 30.--Income, expenses, and operating balance of the Marketing Service Fund, Quad Cities marketing area, 1944-51 1/

Income, expense, and balance	1944	1945	1946	1947	1948	1949	1950	1951 2/
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
INCOME								
Assessments	1,440	1,540	1,890	1,536	3,970	5,087	2,707	2,480
Other				2				
Total	1,440	1,540	1,890	1,538	3,970	5,087	2,707	2,480
EXPENSES								
Salaries	832	736	907	962	1,003	2,116	2,116	2,214
Travel		48	49	127			131	
Rent	147	180	185	245	300	300	300	300
Supplies	41	42	31	67	72	84	81	3/ 288
Insurance	15	29	3					
Communications			69	99	118	118		131
Light, heat, water	89	104	101	118	131	142	164	159
Taxes	33							
Other	91	71	45	74	58	52	64	7
Total	1,248	1,210	1,390	1,692	1,682	2,812	2,856	3,099
Excess or (deficiency) of income over expense	192	330	500	4/ (154)	2,288	2,275	4/ (149)	3/ (619)
Operating balance at beginning of year	5/ 514	5/ 668	998	1,498	1,344	3,632	5,907	
Operating balance at end of year	706	998	1,498	1,344	3,632	5,907	5,758	

1/ Accrual basis.
2/ Cash basis.
3/ Includes purchases of equipment and repair and maintenance.
4/ Excess of expenditures over income.
5/ Adjusted in audit.

Table 31.--Income, expenses, and operating balance of the Marketing Service Fund, Dubuque marketing area, 1944-51 1/

Income, expense, and balance	1944	1945	1946	1947	1948	1949	1950	1951 2/
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
INCOME								
Assessments	4,489	5,165	5,663	6,443	6,638	8,839	10,641	9,270
Other			3		600	600	551	400
Total	4,489	5,165	5,666	6,443	7,238	9,439	11,192	9,670
EXPENSES								
Salaries	2,222	3,198	3,742	3,766	4,304	4,629	5,350	17,754
Travel	242	139	72	60	122	376	286	676
Rent	120	120	120	120	240	300	330	490
Supplies	24	67	34	68	20	53	94	109
Depreciation-equipment	43	74	268	270	271	244	55	3/ 119
Insurance	27	29	59	58	75	82	86	96
Light, heat, power	76	82	100	100	87	66	63	32
Communications	43	52	63	47	72	70	67	67
Repairs and maintenance		30	325	500	302	148	440	12
Other	199	38	30	23	39	46	95	48
Total	2,996	3,829	4,813	5,012	5,532	6,014	6,866	19,403
Excess or (deficiency) of income over expense	1,493	1,336	853	1,431	1,706	3,425	4,326	(9,733)
Operating balance at beginning of year	2,371	4/ 4,000	5,336	6,189	7,620	9,326	12,751	
Operating balance at end of year	3,864	5,336	6,189	7,620	9,326	12,751	17,077	

1/ Accrual basis, rounded to nearest dollar.
2/ Cash basis.
3/ Purchases of equipment.
4/ Adjusted in audit.

important items of expense. The amount of income accruing to the fund in the Dubuque market had increased each year after 1944, accounted for largely by the increasing proportion of producers who sold directly to handlers rather than through the producers cooperative association. As a result, the fund in Dubuque had maintained a modest excess of income over expenses each year, with resultant effects on the operating balance.

The decline in income to the fund in Clinton in 1947, and particularly noticeable beginning with the year 1948, was attributable not only to the sporadic withdrawal of nonmember producers from the Clinton market, but to the approval of the CCMPA as a qualified cooperative association under the terms of the Clinton order. After that time (September 1, 1947), the CCMPA (instead of the Market Administrator) performed the various marketing services for the member-producers. As a result, the Market Administrator no longer was authorized to collect the assessment for the marketing services fund—any deductions from producers checks for that purpose accrued to the credit of the cooperative association which rendered the service. The effect of this change with respect to the marketing services fund in Clinton was illustrated by the fact that expenses exceeded income each year after that time. Effective December 1, 1951, the fund for the Clinton market was consolidated with the marketing service fund in the Quad Cities market.

As was the case with nonmember producers, those producers who were members of the CCMPA also sustained a 5-cent-a-hundredweight assessment to offset the marketing services they received from the association. The Market Administrator deducted this assessment from member-producers' checks on behalf of the CCMPA and remitted the funds to the association each month. The CCMPA levied this assessment on milk shipped each month from September 1947 through November 1951 except during June and July 1950 and August-October 1951 when the association voluntarily waived the charge.

Between January 1, 1947, and February 28, 1948, the CCMPA performed its own marketing services for its members by hiring personnel and equipment necessary to do the work. However, this meant that the association had to maintain duplicate personnel and equipment to perform weighing and testing services for approximately 100 producers at the same time the Market Administrator was maintaining similar facilities on behalf of about 40 nonmember producers. This situation was resolved 6 months after the CCMPA became a qualified cooperative association by the signing of an agreement which authorized the Market Administrator to perform certain marketing services for members of the association. These services included the verification of weights and the taking of samples and the testing of milk received by handlers from member-producers of the CCMPA. The Market Administrator also agreed to furnish such member-producers with any market information regularly issued by his office. For these services the association paid the Market Administrator a definite fee each month based on the actual time and expense required to perform the services. This arrangement remained in effect for 2 years. On March 1, 1951, the Market Administrator changed the method of charging the association for marketing services rendered from a flat fee each month to a fee equal to 1 1/2 cents a hundredweight on all milk supplied Clinton handlers by producer-members of the CCMPA. That arrangement continues in effect to the present time.

Expenses of Administration

All Federal milk orders provide that the expenses of administering their provisions must be borne by the handlers concerned. This is accomplished by levying upon them an administrative assessment, generally on each hundredweight of receipts from producers (including a handler's own production and receipts from cooperative associations). After the consolidated order went into effect in the Quad Cities and Clinton markets, the assessment was to be applied to (1) all emergency milk or other source milk classified as Class I, and (2), with respect to cooperative associations which are handlers under the order, the assessment was to apply only to that milk of producers that was actually received by the association or diverted by its action to a plant outside the scope of the order. In some markets the administrative assessment is applied only to receipts from producers' milk that is later disposed of as Class I milk.

Clinton

When Federal Order No. 70 became effective in Clinton on October 1, 1944, the maximum rate of assessment permitted by its terms was 5 cents a hundredweight. This rate was continued as the maximum in each of the succeeding amendments to Order No. 70. The order also specified that a lower assessment could be made whenever the Secretary of Agriculture determined that the lower rate would bring in enough income to meet the expenses of administration. The maximum rate of 5 cents a hundredweight was assessed against handlers beginning with October 1944 and continuing through April 1945. After that time, and until the Clinton order was terminated November 30, 1951, the actual rate of assessment was 3 1/2 cents a hundredweight, an amount which returned sufficient income to more than meet current expenditures.

The local administration of the Clinton order was vested in E. H. McGuire who also administered, at the same time, the Federal order markets of Quad Cities and Dubuque. No office was maintained in Clinton for this purpose; the business was transacted from the principal office located in the Federal Building at Rock Island, Ill. However, all money accruing to the administrative fund for use in defraying the administrative expenses of the Clinton order was deposited in a bank located in the city of Clinton. Audits of handlers' records to verify the accuracy of their reports to the Market Administrator were performed by auditors from the Quad Cities office. No employees were assigned to a full-time job of working on the administration of the Clinton order; this work was done in connection with similar work on the other Federal milk orders administered from the Quad Cities office. All expenses incurred in the administration of the orders were charged on a pro-rata basis to Clinton and the other markets based on the approximate amount of time the various office personnel spent on each market's activities.

Table 32 shows the amount of income received by the Market Administrator from Clinton handlers by means of the administrative assessment and

Table 32.--Income, expenses, and operating balance of the Administrative Fund, Clinton, Iowa, marketing area, 1944-51 1/

Income, expense, and balance	1944 2/	1945	1946	1947	1948	1949	1950	1951 3/
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
INCOME								
Assessments	744	5,058	4,781	4,640	4,701	5,225	5,311	5,098
EXPENSES								
Salaries	141	2,005	2,857	3,134	3,399	3,522	3,577	4,768
Travel	149	513	664	293	251	342	244	188
Rent of equipment		220	240	240	240	240	240	240
Supplies	67	95	210	267	160	133	219	109
Communications	41	112	258	241	200	228	139	88
Bond premium	4	15	17	17	16	17	21	24
Testing and weighing	10	77	121	142	159	154	149	160
Hearing and referendum	46	12	15	22		40		
Other	6	53	12	47	44	45	6	12
Total expenses	464	3,102	4,394	4,403	4,469	4,721	4,595	5,589
Excess (or deficiency) of income over expense	280	1,956	387	237	232	504	716	4/ (491)
Operating balance at beginning of year	-	5/ 284	2,240	2,627	2,864	3,095	3,599	
Operating balance at end of year	280	2,240	2,627	2,864	6/ 3,095	3,599	4,315	

1/ Accrual basis, rounded to the nearest dollar.
2/ October 1 to December 31 only.
3/ Cash basis; January 1 to November 30 only.
4/ Deficiency.
5/ Adjusted in audit.
6/ Adjusted for fractional variation.

the purposes for which the income was used. Salaries, of course, comprised the major expense of administering the order, although sizable sums were spent for travel and automobile expense, rent of equipment, supplies, communications, and testing and weighing. The administrative fund accumulated modest surpluses during each year of its operation, with the exception of 1945. The fund began to accumulate sizable surpluses in the first few months of that year, and the rate of assessment was lowered from 5 cents to 3 1/2 cents a hundredweight to reduce current income and bring it into closer balance with current expenditures. After 1945 the yearly surplus of income over expenses averaged slightly more than $400 a year.

Quad Cities

The maximum rate of assessment for administrative expenses permitted under the Quad Cities order, when it first became effective on February 1, 1940, was 2 cents a hundredweight. It was increased to 3 cents a hundredweight when the order was amended December 15, 1941, at which level it remained. The maximum rate of assessment for the Quad Cities market was not always the actual rate of assessment. The actual rate was lowered from 3 to 2 cents a hundredweight during October through December 1945, increased to 2 1/2 cents beginning January 1946, and maintained at the latter rate until the Quad Cities and Clinton orders were merged in December 1951. The assessment was not levied on handlers every month during the 1946-51 period, however; on two occasions it was waived because sufficient funds had accumulated to the credit of the administrative fund. The assessment was suspended originally for the first 3 months of 1947, after which time it was collected at the rate of 2 1/2 cents a hundredweight until October 1950. Beginning in that month, the administrative assessment was suspended through the month of February 1951. After February the collection was resumed at the previous rate of 2 1/2 cents a hundredweight. Table 33 shows that this rate of assessment yielded enough income to meet the expenses of administering the Quad Cities order and maintain an adequate operating balance.

As mentioned above, the Market Administrator for the Quad Cities area maintained an office in the Federal Building at Rock Island, Ill. The Market Administrator directed a staff of eight employees at his office in Rock Island. Three of these employees were auditors; the supervising auditor also serving as Acting Market Administrator when the need arose. An accountant, a clerk, a clerk-stenographer, and two laboratory aides completed the staff. The staff devoted only part of its time to the administration of the Quad Cities order, and the amount of administration expense charged to the Quad Cities order was governed by the proportion of total time spent on matters relating to the local market.

Table 33 shows the amount of income derived from the administrative assessment and the purposes for which such funds were used. Income from assessments averaged slightly more than $27,000 a year between 1944-50, more than enough to meet administrative expenses. In fact, by December 31, 1946, the administrative fund had an operating balance of more than $33,000. After 1945 the assessment rate was lowered. The suspension of assessments, as detailed above, accounts for operations during 1947, 1948, and 1951 when

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Table 33.--Income, expenses, and operating balance of the Administrative Fund, Quad Cities marketing area, 1944-51 1/

Income, expense, and balance	1944	1945	1946	1947	1948	1949	1950	1951 2/
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
INCOME								
Assessments	26,332	29,773	27,109	20,970	26,570	31,950	27,764	22,708
Other	123	1,116	253	240	427	722	998	1,895
Total	26,455	30,889	27,362	21,210	26,997	32,672	28,762	24,603
EXPENSES								
Salaries	13,377	13,322	18,513	19,065	22,660	23,677	22,247	21,662
Travel	472	629	849	602	1,507	1,821	2,008	2,154
Supplies	252	43	158	291	526	224	517	517
Communications	642	545	616	686	779	796	911	1,161
Bond premium	35	37	37	32	32	36	58	
Testing and weighing	505	597	815	1,064	1,316	1,220	1,198	1,276
Hearing and referendum	88			119		92		
Depreciation-equipment	578	512	359	813	726	902	964	3/ 1,461
Insurance	160	147	147	328	414	424	434	4/ 805
Repairs and maintenance	352	219	224	628	232	171	187	370
Other	615	161	222	588	537	535	83	178
Total	17,076	16,212	21,940	24,216	28,729	29,898	28,607	29,584
Excess or (deficiency) of income over expense	9,379	14,677	5,422	5/(3,006)	5/(1,732)	2,774	155	5/(4,981)
Operating balance at beginning of year	6/ 856	6/13,580	28,257	33,679	30,673	28,941	6/31,721	
Operating balance at end of year	6/10,972	28,257	33,679	30,673	28,941	31,715	31,876	

1/ Accrual basis, rounded to nearest dollar.
2/ Cash basis.
3/ Purchases of equipment.
4/ Includes bond premium.
5/ Excess of expenditures over income.
6/ Adjusted in audit.

current income was insufficient to offset all current expenses. Salaries used the largest amount of money by far, although reserves for depreciation of equipment and expenses incurred in travel, in communications (telephone, telegraph, and postage), and in testing and weighing activities used up sizable sums each year.

Dubuque

The maximum rate of assessment for administrative expenses permitted under the Dubuque order, when it first became effective on October 1, 1936, was 4 cents a hundredweight. That maximum rate remained in effect on December 31, 1951. However, the actual rate of assessment had been either 1/2 cent or 1 cent below the maximum allowed during the entire 1944-51 period--1/2 cent below until November 1, 1945, and 1 cent below after that time. In addition the assessment had been suspended twice, once during the 3 months from January-March 1947 and the second time during the 3-month period from October-December 1950. Those rates and periods of assessment were adequate to maintain an average end-of-year operating balance in the administrative fund of approximately $10,000.

The Market Administrator maintained an office in the Federal Building at Dubuque. A clerk was employed on a full-time basis to maintain local market records and prepare and disseminate market information and statistics. Audits of handler records were performed on a pro-rata basis by auditors employed to work in the Quad Cities, Clinton, and Dubuque marketing areas, and supervised by the Market Administrator located at Rock Island, Ill. Table 34 gives detailed information as to the amount of income derived from the administrative assessment and the expenses incurred by the Market Administrator in administering the terms of the Dubuque order.

Producer Cooperative Associations

Four producer cooperative associations were found by the Secretary of Agriculture to be qualified cooperative associations under terms of the Federal milk orders regulating the Quad Cities, Clinton, and Dubuque markets. As pointed out in the section of this report concerned with the approval of the CCMPA as a qualified cooperative association under the Clinton order, being so recognized bestows upon the association certain rights and privileges which can be important to its present and future status. Of the four associations (the Quality Milk Association of Moline, Ill., the Illinois-Iowa Milk Producers Association of Rock Island, Ill., the Clinton Cooperative Milk Producers Association of Clinton, Iowa, and the Dubuque Cooperative Dairy Marketing Association of Dubuque, Iowa), only the CCMPA experienced any difficulty in becoming qualified.

All four of these producer groups had played important roles in the initiation, approval, amending, and continuation of the Federal milk orders applied to their respective markets. However, the roles played by these associations in representing their member producers changed somewhat after

Table 34.--Income, expenses, and operating balance of the Administrative Fund, Dubuque, Iowa, marketing area, 1944-51 1/

Income, expense, and balance	1944	1945	1946	1947	1948	1949	1950	1951 2/
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
INCOME								
Assessments	9,655	11,309	10,286	8,054	9,228	10,692	9,807	10,116
Other			94			33		
Total	9,655	11,309	10,380	8,054	9,228	10,725	9,807	10,116
EXPENSES								
Salaries	4,076	3,934	7,869	7,651	7,773	7,861	7,740	5,818
Travel	853	759	1,350	820	921	1,092	1,069	1,131
Supplies	83	75	219	200	152	156	299	337
Communications	158	181	270	233	253	319	264	286
Bond premium	23	25	25	23	25	25	40	
Testing and weighing	169	148	200	268	323	367	422	488
Hearing and referendum						71		
Depreciation-equipment	119	119	108	96	106	110	126	3/ 932
Insurance	7	9	16	3	7	10	9	4/ 103
Repairs and maintenance	65	65	84	10	35	70	28	66
Other	141	119	51	130	84	182	43	83
Total	5,694	5,343	10,192	9,434	9,679	10,263	10,040	9,244
Excess or (deficiency) of income over expenses	3,961	5,875	188	5/(1,380)	5/ (451)	462	5/ (233)	872
Operating balance at beginning of year	1,172	6/ 5,807	11,682	11,870	10,490	10,039	10,501	
Operating balance at end of year	5,133	11,682	11,870	10,490	10,039	10,501	10,268	

1/ Accrual basis, rounded to nearest dollar.
2/ Cash basis.
3/ Purchases of equipment.
4/ Includes bond premium.
5/ Excess of expenditures over income.
6/ Adjusted in audit.

the markets came under the jurisdiction of Federal milk orders. Prior to the issuance of orders, a most important function of a producer cooperative bargaining association was to bargain with distributors for more favorable prices for milk supplied the market by their member producers. After the orders were issued, the cooperative associations still bargained occasionally for a price that represented a premium above the minimum prices fixed by an order. However, one of the most important functions of these associations at the present time is to obtain more favorable marketing conditions by developing proposals for changes in the regulatory provisions of an order, by testifying at hearings, and by approving the recommended and final decisions of the Secretary of Agriculture. Thus, the activities of the associations are now concentrated more on public hearings than on bargaining directly with handlers for price adjustments.

The relationship that existed between the growth, activities, and well-being of the CCMPA and the development and continuation of Order No. 70 in the Clinton market might be described as one of symbiosis. The association, of course, was almost solely responsible for the issuance of a Federal milk order for the Clinton market--the smallest market regulated by a Federal milk order--and for periodic amendments to the order. The CCMPA, with an average of less than 100 members (who constituted about 80 percent of the producers in the market), was unable to hire a general manager or maintain a clerical staff to perform the work necessary to obtain and keep a milk order operative. For that reason, the task of drafting the proposals, petitioning for hearings, representing producers at the public hearings, filing briefs and exceptions to the USDA decisions and the approval and disapproval of the final decisions of the USDA rested upon the executive committee of the association. In that respect, the CCMPA might be expected to gain from the merger of the Quad Cities and Clinton orders, since the two large cooperative associations in the Quad Cities market could be expected to shoulder the major responsibility for these activities in the future.

Order No. 70, on the other hand, appears to have been a very important factor in the growth and continued strength of the CCMPA. The first example of this was the fact that the action of the CCMPA in petitioning the Secretary of Agriculture for a public hearing to consider issuing a milk order for Clinton was an important factor in getting Clinton handlers to recognize the association as the bargaining authority for its producers. The Clinton order required handlers to comply with its provisions and insured that producers would receive at least the minimum price established by the regulation. It is almost certain that the association, acting alone, could not have obtained the same degree of acceptance or compliance from distributors. Also, when due consideration is given the location of the Clinton market and its relationships with surrounding markets, the association likely would have experienced a great deal of difficulty in financing its growth and the services rendered members without funds realized from the performance of marketing services for members under terms of the Clinton order. In this instance, at least, the Federal milk order fostered the growth and strengthened the market position of a producer cooperative association.

Changing Importance of Producer Cooperative Associations

An indication of the changing importance of the associations during the 1944-51 period of Federal regulation by milk orders may be observed by examining the data in table 35. These data show the percentages of Grade A milk supplied the different markets classified on the basis of whether the producer was a member of a cooperative association or a nonmember producer. Table 35 shows that the CCMPA supplied an increasing proportion of the fluid milk sold by Clinton handlers. This trend was evidenced by the fact that between 1945 and 1951 members of the CCMPA increased their share from about 72 to 81 percent of the market supply. The only significant variation from this trend occurred in 1948 when a sizable group of producers shifted to the Clinton market (in late 1947) and supplied a local handler until June 1, 1948 (when the group shifted to supplying the Quad Cities market). During the 7-year period 1945-51 the CCMPA supplied 76 percent of the market's total supply of producer milk. This proportion was considerably less than comparable data showed for the cooperative associations in the Quad Cities market, but it was much higher than for the DCDMA operating in the Dubuque market. As for the number of producers who were members of cooperative associations, table 36 shows that the CCMPA membership constituted from 72 to 81 percent of all producers in the market during 1948-51.

The two producer cooperative associations serving the Quad Cities area supplied about 94 percent of the Grade A milk shipped into the market by producers during the 1945-51 period. The proportion shipped by members of cooperative associations during 1945-48 was variable, although the trend was toward a smaller share of the Grade A shipments (from 97 percent in 1945 to 88 percent in 1948). After 1948, however, the cooperative associations gained relative to the nonmember producers, increasing their proportion to 90.4 percent in 1949, to 94.7 percent in 1950, and to 95.3 percent in 1951. Table 36 shows that during the 1948-51 period the proportion of producers who belonged to the cooperative associations increased rapidly from 89.5 in 1948 to 92.3 percent in 1949 and to 96.2 percent in 1951. In terms of numbers of producers, this was an increase from 638 in 1949 to 786 in 1951. Nonmember producers, on the other hand, declined in number from 53 in 1949 to 31 in 1951. As for the relative positions of the two competing producer associations during the 1948-51 period, membership data showed a unique situation--between December 1948 and December 1951 each association experienced a net gain of 138 producers of Grade A milk! Although members of the Quality Milk Association of Moline, Ill., generally supplied the market with a slightly larger volume of Grade A milk than did members of the Illinois-Iowa Milk Producers Association, the proportion of Grade A milk supplied the market by each association during the 1948-51 period increased by nearly the same amount until March 1951. After that time the Quality Milk Association supplied a larger share of the Quad Cities Grade A milk supply by virtue of its merger with the Prairie Farms Creamery Association at Mount Carroll, Ill. At the present time, the Quality Milk Association uses the plant at Mount Carroll, Ill., as a country receiving station for Grade A milk destined for the Quad Cities market.

Table 35.--Percentages of Grade A producer milk supplied by members of producer cooperative associations and by nonmembers, in the Clinton, Quad Cities, and Dubuque markets, 1945-51

Year	Clinton		Quad Cities		Dubuque	
	Members	Nonmembers	Members	Nonmembers	Members	Nonmembers
	Percent	Percent	Percent	Percent	Percent	Percent
1945	72.55	27.45	97.12	2.88	62.5	37.5
1946	1/ 74.11	1/ 25.89	95.53	4.47	56.2	43.8
1947	75.77	24.23	96.67	3.33	52.0	48.0
1948	70.91	29.09	87.85	12.15	47.7	52.3
1949	75.43	24.57	90.36	9.64	39.3	60.7
1950	81.79	18.21	94.67	5.33	33.3	66.7
1951	2/ 81.42	2/ 18.58	95.26	4.74	3/ 41.9	4/ 58.1

1/ February-December average.
2/ January-November. Order No. 70 was terminated November 30, 1951.
3/ The proportion for the last 6 months of 1951 was 33.5 percent.
4/ The proportion for the last 6 months of 1951 was 66.5 percent.

Table 36.--Number of producers of Grade A milk classified as to affiliation or nonaffiliation with producer cooperative associations, Clinton, Quad Cities, and Dubuque markets, 1944-51

Year	Clinton		Quad Cities		Dubuque	
	Members	Nonmembers	Members	Nonmembers	Members	Nonmembers
	Number	Number	Number	Number	Number	Number
1944					102	72
1945					105	77
1946					110	89
1947					108	99
1948	101	40	450	53	103	101
1949	99	33	638	53	91	122
1950	98	23	711	32	82	141
1951	1/ 89	1/ 22	786	31	2/ 89	3/ 128

1/ Average for January-November.
2/ Average for July-December was 73.
3/ Average for July-December was 138.

Contrary to the experience of the producer cooperative associations in the Clinton and Quad Cities markets, the Dubuque Cooperative Dairy Marketing Association suffered a decline in relative importance in the Dubuque fluid milk market during the 1945-51 period. A measure of this decline was the steadily decreasing proportion of the Grade A milk supply of Dubuque being produced by members of the association. Such members supplied 62 percent of the Grade A milk in 1945. After that time this proportion decreased each year through 1950, at which time the members of the association were supplying only one-third of the milk shipped to Dubuque by local producers. This proportion increased to 42 percent for 1951 because 36 nonmember producers who resided in Wisconsin became members of the association in February 1951. However, 4 months later 22 producers withdrew from the association and continued to supply the market as nonmember producers. The withdrawal of these producers, together with the decision in July of 11 other association members to shift to the Quad Cities market, reduced the ratio of member-nonmember milk to the 1950 level (1/3-2/3) during the last 6 months of 1951.

About the same trend held true for the proportion of all producers in the Dubuque market who were members of the cooperative association. The association did halt the decline during the first 6 months of 1951, but, as explained above, the subsequent withdrawal of two groups of producers from association membership renewed the steady decline that resulted in a ratio of 73 member to 138 nonmember producers during the last 6 months of 1951.

Qualification of CCMPA as an Approved Producers' Cooperative Association

Producer cooperative associations were granted several rather specific functions and privileges under terms of the Agricultural Marketing Agreement Act. The most important of these include: (1) Approving orders, amendments, and termination of orders on behalf of their members; (2) pooling all milk according to existing association-producer contracts; (3) verifying weights, and sampling and testing members' milk shipments for butterfat content; and (4) providing market information to producer-members. The last-named two services may be rendered members in lieu of having the Market Administrator render them, in which case the party paying the producers forwards the marketing services deduction from producers' payrolls to the association concerned. In some instances, an association may render the same services for nonmember producers, in which case the association is reimbursed for acting as the Market Administrator's agent.

An important distinction to remember is that not all cooperative associations are granted the above-named privileges, but only those associations which are determined by the Secretary of Agriculture to be qualified cooperative associations. The minimum standards for qualification are set forth in the Capper-Volstead Act of 1922. Once an association becomes a qualified cooperative association, the Market Administrator has no authority for either performing marketing services or collecting the deduction from its producer-members. Another important distinction is that a particular association may be qualified to perform one function without being qualified to perform other functions. The experience of the CCMPA in relation to the operation of Federal Order No. 70 provides an important case in point.

One of the problems in connection with the promulgation and operation of the Clinton order was the approval of the CCMPA as a qualified cooperative association for the providing of marketing services as against its approval to vote on behalf of its membership. The problem arose in August 1944 because of the fact that the CCMPA was a newly founded cooperative association (it had been organized only 2 months when it formally petitioned the USDA to promulgate a Federal milk order) whose major effort after its organization had been directed toward obtaining a Federal milk order for its marketing area.

The association experienced no difficulty in becoming qualified to vote approval or disapproval on behalf of its members on the question of the issuance of the order. The favorable determination was made on August 16, 1944, by the Chief of the Dairy and Poultry Branch (USDA), and served as the authority whereby the association was able to approve the original order. Of necessity, this qualification for voting purposes was based on a study of the organizational structure and the potential marketing program of the association rather than on its past performance of these services. By the time of the determination, the association had been able to sign with handlers formal contracts which recognized it as the representative of the producers. In addition, the Dairy and Poultry Branch determined that the association was truly representative of its producer-members and of advancing the interest of producers supplying milk to the market. This determination also was the authority for CCMPA's approval (on behalf of its membership) of subsequent amendments to the Clinton order.

The CCMPA found it considerably more difficult to obtain an administrative determination that it was a qualified producer cooperative association for the purpose of rendering marketing services (and thereby receiving for its own use the funds deducted for marketing services from producer-members checks by the Market Administrator). The association first requested qualification in April 1945 in a letter of application to the U. S. Department of Agriculture. The association indicated that it had secured quarters and equipment for check testing producer shipments, and that after qualifying it would be in a strong position to provide members with a more complete marketing service than was possible to finance under existing circumstances. Indications were that their current marketing program was incomplete, and that its further development was hampered by the lack of operating funds. The association felt that the receipt of the 5-cents-per-hundredweight deduction provided by the order would provide the necessary reserve of funds, after expenses of check weighing and testing of milk, for carrying on an expanded program of marketing services.

The Congressional Act which authorizes Federal milk orders provides for the exemption of members of qualified cooperatives from the marketing services deduction phase of an order. This provision makes it possible for an association to receive deductions from its producers' checks in an amount equal to the marketing services deduction for nonmembers under an order without lowering the actual returns to its members below the level of returns to nonmembers. Under such circumstances qualified cooperative associations have an effective means of strengthening the financial structure of their organizations without cost to members (relative to nonmembers).

As a measure of protection against abuses which could easily arise from this important aspect of the act, it was provided further that the exemption applied "... to producers for whom such services are being rendered by a cooperative marketing association, qualified as provided in paragraph (F) of this subsection..." It is apparent, then, that much more care is needed (and is given) to the question of being qualified to receive marketing services deductions than to being qualified to vote on behalf of members. Strict adherence to the standards 20/ is necessary to avoid the possibility of fostering and strengthening pseudo-cooperatives (those dominated by other than active producers) which could prove to be unstabilizing elements in the structure of a regulated market.

The USDA's response to the letter of application from CCMPA, dated April 1945, was to forward to the association the standard questionnaire from which data the qualification would be allowed or denied. The questionnaire and formal application was not returned to the USDA until March 1946, or nearly a year later. During the interval between the filing of the two applications, however, the association had been operating long enough for certain questions to be raised concerning: (1) The relatively large number of members who were not active producers; (2) the degree of control which the association actually exercised as the "exclusive agent" for the sale of members' milk production; (3) the extent of business done for nonmembers; and (4) the degree to which the association had actually assumed the responsibility for providing marketing services for its members.

The CCMPA failed to receive immediate qualification after filing its formal application and supplying needed information in early 1946, principally because it had not nor was it then rendering the services for which it desired qualification. The association recognized that its future strength depended in large measure on becoming qualified under terms of the order, so it employed a licensed tester and began performing a butterfat testing service for its members on January 1, 1947. The association's representative obtained five samples (taken at intervals of 4 to 8 days) from milk delivered to each handler by each member during a month. The weights of producer shipments were verified to an extent by checking the accuracy of the handlers' scales at the time the butterfat samples were obtained. During the first few months of its weighing and testing activities the association used the laboratory facilities of handlers, the Clinton Health Department, and the Market Administrator. The association reported the results of its butterfat testing to the Market Administrator and to handlers, and producers payments were based on the average test

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20/ Briefly stated, the following conditions must be met before a cooperative will be recommended, by the Dairy Branch, PMA, USDA, to the Secretary of Agriculture for qualification: (1) It must conform to the requirements of the Capper-Volstead Act (one-man one-vote or stock dividends limited to 8 percent, the value of nonmember business must not exceed the value of member business, and operated for the mutual benefit of its members); (2) it must be producer-owned and producer-controlled (interpreted to mean all voting power and all equity in hands of active producers of milk); (3) it must have contractual authority (and use it) in marketing its members milk; and (4) it must actually be rendering the services.

determined by the CCMPA. The association paid for these services with general funds rather than resorting to a special assessment against the membership, partly because the members were already paying 5-cent-per-hundredweight assessments to the Market Administrator for performing similar services and partly because it hoped to become a qualified association within a short period of time (and thereby receive the 5-cent assessment then going to the Market Administrator).

On June 24, 1947, the Assistant Administrator, Production and Marketing Administration, USDA, recommended to the Secretary of Agriculture that the CCMPA be designated a qualified cooperative association under terms of the Clinton order. By that time the association had satisfied the USDA that it was a bona fide bargaining agency, under full control of its members, actually exercising its authority for the mutual benefit of its producer-members, and was (and had been since January 1, 1947) rendering marketing services to its members. The association had rendered the services during that period to demonstrate its ability and readiness to assume sole responsibility for them once it became a qualified association, and the USDA responded by issuing a determination, signed by the Acting Secretary of Agriculture on September 5, 1947, which made the CCMPA a qualified cooperative association under the Clinton order, effective September 1, 1947. From that time until March 1, 1948, the association equipped and maintained its own laboratory and increased the scope of its marketing services to members as additional funds became available. On March 1, 1948, the Market Administrator began check weighing and check testing on behalf of the CCMPA the shipments of member producers--a service for which he now receives a payment of 1 1/2 cents a hundredweight from the association. This arrangement eliminated the need for maintaining duplicate laboratory facilities in the market, and has worked to the satisfaction of all the parties involved.

Payments to Producers by the Market Administrator

A unique feature of the Clinton order prior to its merger with the Quad Cities order was the option granted handlers of paying producers directly or making a total payment to the Market Administrator who, in turn, would pay the individual producers. 21/ The alternatives were made available to handlers with the amendment to the order which became effective April 1, 1946. Both handlers elected to exercise this privilege immediately, and the Market Administrator began making all payments to individual producers in April 1946. That arrangement continued in effect until December 1950, at which time one of the local handlers chose instead to pay producers out of his own office rather than have the Market Administrator pay his producers. The reason given for the change was that the handler was losing personal contact with his supplying producers. The fear was expressed that producers considered themselves responsible to the Market Administrator rather than to the receiving handler. The principal handler with a plant in Clinton decided to strengthen relationships with

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21/ For a discussion of the factors influencing the adoption of this provision, see page 34.

producers by preparing the monthly statements and paying individual producers by checks which identified the paying handler. The other handler with a plant in Clinton continued to submit a total payment to the Market Administrator and to rely on his office to pay producers.

The arrangement of one handler paying producers through the Market Administrator and the other paying producers directly existed for the period between December 1950 through June 1951, at which time the latter handler again requested the Market Administrator to make all payments to individual producers. The given explanation for the change-over was the expenses incurred in hiring the labor for preparing the checks and the costs of the checks and postage needed to make the payments. The handler estimated these extra costs would average about $50 per month, but he felt justified in shifting these costs to the Market Administrator's office since it was supported by administrative assessments being paid by the handlers concerned. All payments to producers were made by the Market Administrator from July 1951 until the Clinton order was terminated November 30, 1951.

The Take-Off-and-Pay-Back Plan

An analysis of marketing and pricing conditions in the Clinton market indicates some important lessons in the applicability, strength, and weaknesses of the "Louisville plan" for encouraging more milk production in the fall months of the year. This plan (also known as the fall premium, the take-off-and-pay-back, or the level production incentive plan) was adopted by a number of fluid milk markets as a substitute for the alternative program of base-quota plans. Also, it was used as a substitute for (and in some cases in conjunction with) a seasonal variation in producer prices for fluid milk.

The take-off-and-pay-back plan had an appeal to producers, in many markets, who had become highly dissatisfied for one reason or another with the base-quota plan or its variations. Likewise, it appeared to have an appeal to distributors, principally because it brought about seasonally varying prices for producer milk without causing similar or related variations in the cost of milk to distributors (and thus to consumers).

An analysis of the experience with the take-off-and-pay-back plan in Clinton held particular interest because after being adopted in 1946 and remaining operative for 3 years (1946-48), it was replaced in May 1949 by the system of seasonally varying producer prices for Class I milk. The CCMPA was first to urge adoption of the Louisville plan for the Clinton market. In October 1945, the Clinton Cooperative Milk Producers Association requested the Secretary of Agriculture to call a public hearing and consider the plan through an amendment to Federal Order No. 70. The association's officers had become concerned with the problem of providing an adequate supply of local producer milk during the fall months of the year. Since the CCMPA had no surplus manufacturing facilities of its own, disposing of the seasonal surplus of milk in the spring was a serious problem to the association and to the market. If the total annual production were increased enough to supply the market's needs during the fall months of the year it would have meant still greater problems in disposing of the necessarily large spring surplus. Under the circumstances, the association decided to meet the problem by adopting a more vigorous policy of attempting to induce members to produce relatively more milk in the fall months of the year and relatively less in the spring months of the year.

Prior to the time of the association's proposal, the price for Class I milk in the Clinton market was fixed at 50 cents per hundredweight higher than an average price paid by nearby condenseries--the 50 cents applied to each month in the year. This method of pricing gave farmers no incentive (other than normal seasonal price movements) to produce more milk in the shortage months when the necessity to feed cows hay, grain, and silage (instead of pasturing them) increased production costs significantly. By 1945, members of the association felt that some means had to be found to make the prices of producer milk in the short production season sufficiently higher than prices in the surplus production season so that farmers would find it more profitable to produce milk on a more equal year-round basis.

In choosing the method whereby producer prices would be varied seasonally to offset increased production costs in the fall, the Clinton market interests were able to draw upon the experience of both the Quad Cities and Dubuque markets. The Quad Cities market first attacked the problem under Federal regulation by instituting a base-quota plan under License No. 58 in 1934. The base-quota plan (with recurring changes) remained operative in the Quad Cities market until January 1, 1948, when the plan was eliminated by amending Federal Order No. 44. Four months later (on May 1, 1948) the order again was amended to institute a plan of varying Class I and Class II prices seasonally. The Dubuque market, on the other hand, did not resort to base-quota plans during the period of Federal regulation, but attacked the seasonality problem by adopting seasonally varying class prices in 1939. This plan is being used in the Dubuque market at the present time.

The officers of the CCMPA were aware of the dissatisfaction with base-quota plans in the Quad Cities, as well as in other United States markets, and they hesitated to apply that technique to members of their newly formed cooperative. While searching for the method most appropriate for their market, CCMPA officials chanced to read an account of the success that Louisville, Ky., producers had achieved in solving their seasonality problem by applying the seasonal pricing plan which since has come to be known as the Louisville plan. The association's officers were impressed by that account and by other information to the effect that the Louisville plan was responsible for a 20-percent increase in fall production in the Louisville market, since a similar result in the Clinton market would provide sufficient milk for all fluid uses, would eliminate the costly necessity of handlers having to import emergency milk, and would ease the problem of "disposing of the spring surplus."

In addition to the above-mentioned benefits which would accrue to the market under any program which would help correct the seasonality problem, the officials of the CCMPA gave the following reasons for favoring the take-off-and-pay-back (Louisville) plan:

(1) It is "simple and direct."22/ Other methods required many computations and plans for establishing the amount of milk to be sold as base and the size of individual quotas.

(2) Despite its simplicity, the plan was absolutely fair and just.23/

(3) It is not discriminatory as between producers, since any producer can enjoy the monetary benefits of the plan merely by changing his production methods.

(4) The price of milk to consumers remained the same throughout the year. This was desirable because seasonal price fluctuations at the consumer level caused more or less chaotic marketing conditions and had an adverse effect upon consumer demand for milk. Under these conditions, the plan promoted orderly marketing at both the producer and consumer level. 24/

(5) It's take-off-and-pay-back features were economically sound and would effect a 60- to 70-cent per hundredweight difference between producer prices in the spring and in the fall--enough to induce farmers to shift their production patterns.

(6) The Clinton health ordinance required high enough production standards that local producers would not incur the expense necessary to qualify for the market unless they intended to remain in the market on a year-round basis.

(7) Producer numbers in the Clinton market were so stable that funds withheld in the spring and added to the pool in the fall would be paid to virtually the same producers from whom it was taken.

(8) The favorable results from the plan's operation in the Louisville market, coupled with experience of other markets with other methods, indicated that the take-off-and-pay-back plan would be the most appropriate device for the Clinton market.

The Louisville plan was made a part of the Clinton order on April 1, 1946. The plan as applied in Clinton required a deduction of 20 cents per hundredweight on all net pooled milk supplied all handlers during the two months of May and June, with one-third of the amount so subtracted to be added to the pool before computing the uniform price during the three months of September, October, and November of each year. The seasonal fund collected during the take-off months was held by the market administrator. The Market Administrator had the collateral duty of paying

22/ Hearing Record, p. 81.

23/ Withholds from producers who may be unable to share in later distribution.

24/ Under certain conditions handlers could carry out on their own the essential features of the take-off-and-pay-back plan by holding retail prices relatively steady throughout the year and varying paying prices to producers according to the season.

individual producers on behalf of both Clinton handlers during the period the plan was in operation, a practice which simplified the collection and the disbursement of the seasonal fund. The take-off-and-pay-back plan was not supplemented by a system of seasonally varying Class I prices during the period of its operation, although the level of Class I prices was increased from 50 cents to 70 cents per hundredweight over the Class II price beginning August 1, 1947. On that basis, the plan remained in force for 3 full years before being deleted from the Federal order by the amendment made effective May 1, 1949. The reasons for abandoning the plan are discussed on pages 41-42.

The take-off rates and the pay-back rates under the Clinton version of the Louisville plan are shown in table 37. Although the take-off rate was fixed at 20 cents per hundredweight for 2 months of each year, the pay-back rate ranged between 16.2 and 22.5 cents per hundredweight for 3 months of each year. This phenomenon of a higher pay-back rate for 3 months than was collected in 2 months (except for the special case of 1947) suggests the sizable differences in the amount of milk shipped to the market each day by producers during the surplus months of May and June and during the shortage months of September, October, and November. The difference in production during the two seasons was the basis for the financial incentive for farmers to achieve a more level production rate. For example, a producer whose seasonality pattern was the same as the average pattern for the market would neither gain nor lose relative to all producers, but a producer whose decrease in daily production during the shortage months was less than the average pattern for the market would gain a financial advantage from the seasonal fund. The financial advantage so gained was at the expense of the producer who also paid into the fund, but whose decrease in daily milk shipments during the shortage months was greater than the average for the market.

Table 37.--Take-off-and-pay-back rates under the Louisville plan as applied in the Clinton, Iowa, marketing area, 1946-48

Year	Deduction rate per hundredweight in--		Pay-back rate per hundredweight in--		
	May	June	September	October	November
	Cents	Cents	Cents	Cents	Cents
1946	20	20	20.7	20.3	22.5
1947	20	20	17.5	16.2	18.3
1948	20	20	21.6	20.7	21.7

Source: Market Administrator.

The economic basis of the Louisville plan, as explained above, suggested a manner in which the producer was affected differently by it than by other pricing methods of correcting seasonality of production. Under the Louisville plan, a producer who does not respond by changing his seasonality pattern in any way (while some other producers do) indirectly will pay part of the costs of maintaining adequate supplies of milk in the fall of the year. For the sake of simplicity, assume that the market average is to ship 300 pounds of milk per day during the months of May and June and 200 pounds per day during September, October, and November. Undoubtedly, some producers will respond on the basis that the premium received under the plan will more than compensate them for added production costs incurred in shifting the seasonality pattern to provide more milk in the fall. On this basis, the market average might increase to say 225 pounds per day during the pay-back period. A producer who continued past practices and delivered 200 pounds per day would fail to receive gross returns equal to the average producer (as he had in the past). Thus, the Louisville plan in effect requires that an individual producer must correct his seasonality pattern as fast as the average producer in the market in order not to lose gross income relative to other producers.

Although an analysis of the changes which took place in the seasonality of milk production in the Clinton market during the period of Federal regulation indicated that the variation between surplus and shortage months was reduced somewhat, the results must be interpreted with caution. The usual influences of changing weather conditions, varying quality of pastures, and changes in amount and quality of feedstuffs available from year to year all have influenced the average size of daily milk shipments during the relatively short-run period of 3 years. More important perhaps were the changes in the size of the average shipments caused by the entry onto the Clinton market of the producer-members of the Land O' Corn Dairy Cooperative of Dubuque, Iowa, in the late summer and fall of 1947 and their gradual withdrawal to the Cedar Rapids, Iowa, and Quad Cities markets during 1948. These producers had significantly larger shipments than local producers, and their entry and withdrawal had consequent effects on the market-wide averages during that period.

Details surrounding producer dissatisfaction with the plan and its subsequent abandonment in the Clinton market are discussed on pages 41-42. These details, together with the information obtained from market interests several years later, suggested conditions under which the Louisville plan might have limited application or might incur disfavor among producers. In a sense, the conditions leading to the abandonment of the take-off-and-pay-back plan in Clinton all stem from the fact that during the period in which that plan was in effect the market was in the process of losing its "isolated" character. Several developments appeared to bear this out: (1) The growth of inter-market sales, particularly between Quad Cities and Clinton; (2) the city of Clinton adopted a standard Grade A milk ordinance in 1946 and undertook a strict enforcement of its provisions, under which producers could more easily transfer from one to another of the three markets (Clinton, Quad Cities, Dubuque); and (3) the August 1947 amendment to the Clinton order increased local Class I prices to the level of Grade A prices from the Dubuque market and non-Grade A prices in the Quad Cities market. This price increase also combined with the pay-back features of the take-off-and-pay-back plan in Clinton, making Clinton's prices during the fall higher than those in the Dubuque market and on a par with those in the Quad Cities market. Finally, the action of the Quad Cities market in 1948 of establishing separate pools for Grade A and non-Grade A milk caused the producers' blend price for Grade A milk to increase almost to the Class I level--considerably higher than comparable prices in the Clinton market. Many Clinton producers (including all the members of the Land O' Corn Association) responded by transferring to the Quad Cities market by June 1948.

In the evolution of the Clinton market from the status of a relatively isolated entity of its own to one of interdependency with the Quad Cities, it was natural that the Clinton market, being much the smaller of the two, would have to conform to many of the practices of the Quad Cities market. One of these practices was the method of seasonal pricing. The recommended decision of the Assistant Administrator for Marketing of the Production and Marketing Administration, USDA, issued in 1949 in connection with the proposals to eliminate the Louisville plan from the Clinton order, illustrated the problem when it was stated that

> ". . . Regardless of the merits of the plan when viewed by itself, the most important consideration in providing an adequate supply of milk to the Clinton market is the maintenance of a proper relationship between Clinton and Quad Cities prices. This cannot be maintained if one market operates on the Louisville and one on seasonal differentials. It appears that seasonal pricing in the Quad Cities market has had some effect in maintaining fall production in that market and will likewise have a similar effect in the Clinton market. . ."

The necessity of maintaining a proper relationship between producer prices in the Quad Cities and Clinton markets indicated that the Clinton market had lost much of its isolated character.

Notwithstanding the above, it appeared that probably the most important reason for the abandonment of the take-off-and-pay-back plan was that Clinton producers had become highly dissatisfied with the aspects of its operation which permitted the seasonal fund to be "raided" by "outside" producers. Their unfavorable experience with "fund-raiding" was owing partly to the structure of the local fluid market and partly to the fact that the market was losing its isolated character. From the standpoint of market structure, the producers cooperative in the Clinton market accepted no obligation to supply local handlers all their milk requirements, agreeing merely to supply handlers the amount produced. Under those circumstances handlers were alert for means of augmenting milk supplies, particularly during the fall months. Then too, no handler had facilities in Clinton for processing surplus milk; such seasonal and reserve surpluses were transferred to a plant owned by a Clinton handler but located in Cedar Rapids, Iowa. These conditions prompted the local handler to solicit the production of the members of the Land O' Corn Dairy Cooperative of Dubuque, Iowa, in the summer of 1947; the knowledge that they would benefit by the pay-back provisions of the Louisville plan (without having contributed to the plan) undoubtedly influenced the decision of this group of producers

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to enter the Clinton market. It developed later that after the shortage season had passed, about one-half of these producers transferred to the Cedar Rapids, Iowa, plant (where they were outside the pricing provisions of the Clinton order). The remaining producers found an outlet in the Quad Cities market, and effected a transfer there in time to evade part of the take-off provisions of the Clinton order. Clinton producers felt that the ability of such producers to move into and out of the market constituted a serious weakness in the plan, particularly under the circumstances of the Clinton market where it was to a handler's advantage to encourage such actions on the part of "outside" producers.

The stated position of the Clinton producers was to the effect that they would favor continuance of the take-off-and-pay-back plan if some way were devised to limit the "pay-back" premiums to those producers who contributed to the seasonal fund through the spring "take-off." Producer groups in other markets using the take-off-and-pay-back plan also had proposed similar limitations as a means of mitigating the effects of the practice known as fund-raiding. The prevalence of the attempt to limit the applicability of the plan suggests that producers consider the money in the seasonal fund as being the property of the individual contributing producers rather than being a market-wide fund available for distribution to all participating producers who act to furnish the market with needed supplies of milk during the months when the extra milk is needed for consumers. The opposite view is that the individual producer earns his share of the fund by the degree to which he contributes milk to meet the needs of the market during the period of short supplies. In other words, the only producers who have an equity in the fund are those who supplied the market needs in the fall of the year rather than those who contributed funds during the spring take-off (when the market normally had seasonal surpluses of milk). In addition, the financial incentive for producers to alter the seasonality pattern of their milk shipments could be reduced by limiting the pay-back premium to those who contributed to the fund, since the deductions in the spring months would be in the nature of forced savings to be returned to the same group of producers in the fall months of the year. Of course, the financial incentives for encouraging greater production in the fall months of the year (when production costs are highest) are taken away from new producers by such provisions.

The disagreement as to the basis for determining who should have an equity in the seasonal fund might be considered in another manner. Under the plan of seasonally varying Class I differentials, handlers paid producers lower prices for Class I milk in the periods of flush production than during the periods of short supplies. All producers delivering milk to the market during the fall months share the seasonally higher prices of the fall months in proportion to the size of their deliveries during these months. A similar result is obtained under the take-off-and-pay-back plan <u>only</u> when all producers shipping to the market in the fall of the year participate in the pay-back provisions of the plan whether or not they contributed to the fund during the spring months.

Another aspect of the objections of local producers to permitting new producers to enter the market in the fall of the year and share in the pay-back premiums is often overlooked. New producers who enter the market during the fall months have not contributed to the seasonal surpluses during the preceding spring months. As a result, the regular producers received higher blend prices during all the months new producers stayed out of the market. Data obtained from the Market Administrator of the Clinton and Quad Cities markets illustrated this point very well. The milk shipments of the 11 producers who left the Clinton market May 31, 1948, and entered the Quad Cities market on June 1 were added together and used to measure the effect of such transfers on the uniform (blend) price to producers in Clinton during the months of May and June 1948. These 11 producers represented about 7.5 percent of all the producers supplying the Clinton market in May 1948. Had the production of the 11 farmers not been in the Clinton pool in May, the producers blend price would have been $4.56 per hundredweight instead of the $4.47 actually paid. These same producers entered the Quad Cities market in June 1948. Had they remained in Clinton the Clinton blend price would have been $4.47 instead of the $4.56 actually paid producers. Thus, their presence in the Clinton market lowered the blend price by 9 cents, and their withdrawal in June raised it by 9 cents per hundredweight, or nearly 1/2 of the amount deducted under the take-off-and-pay-back plan for the year. Thus, when new producers remain in the market permanently, they help regular producers substantially (through a higher blend price) by not entering the market until their production is needed to augment producer deliveries in the months of short supply.

VIII. EVALUATION

The three fluid milk marketing areas covered in this report comprise the principal milk-consuming centers of eastern Iowa and western Illinois. Dubuque, the most northerly market of the three, is a surplus milk-producing area that first adopted a Federal milk regulatory program in December 1934 with the issuance of License No. 94. The Quad Cities (Davenport, Iowa, and Rock Island, Moline, and East Moline, Ill.), by far the largest of the three markets, and located about 100 miles south of Dubuque, requested a Federal milk license in 1933 and obtained one in 1934. Both markets have remained under one type of Federal program or another since that time. Clinton, a small market (30,000 population) located about midway between the two larger marketing areas, requested the issuance of a Federal milk order 10 years later in the spring of 1944. Order No. 70 was made effective October 1, 1944.

The problems faced by producers and producer groups in the Quad Cities and Dubuque markets were the same as those which faced dairy farmers and fluid milk markets throughout the United States during the early 1930's--problems of low prices, large surpluses of milk, and ruinous competition which created highly unstable marketing conditions. The problems faced by producers and their association (CCMPA) in the Clinton market 10 years later were those of unfavorable marketing and pricing conditions relative to producers of milk for the Quad Cities and Dubuque markets and producers of uninspected milk for competing condenseries and cheese factories. These conditions were influenced significantly by other Federal regulations governing the prices of milk and milk products--the Federal milk orders regulating minimum producer prices in the Quad Cities and Dubuque markets and the maximum price regulations of the Office of Price Administration (OPA) as they applied to the Clinton market. After careful study of the complex relationships involved, Clinton producers concluded that only by applying a separate Federal milk order to the Clinton area could the market be guaranteed an adequate supply of milk. The supply would be forthcoming because under the terms of an order (1) prices to producers could be raised over the then-current OPA ceilings to a minimum level that was more favorable relative to prices received by other producers of milk and from other agricultural enterprises, and (2) because the marketing practices required by the order would resolve the disputed points of view of producers and distributors.

Clinton. Order No. 70 was issued to regulate the Clinton market beginning October 1, 1944. At that time it differed significantly from the orders in effect in the Quad Cities and Dubuque markets, and its level of minimum prices for Class I milk was lower than either of the other two markets. The original regulation remained in effect until April 1, 1946; at that time it was amended for the purpose of adopting a "take-off-and-pay-back" plan of seasonal price adjustments designed to help correct the wide seasonal variation in milk production. The amendment also changed the classification plan and permitted handlers to pay the Market Administrator for receipts of milk from producers, the Market Administrator in turn paying the individual producers. Also, two pricing provisions of the order were suspended in 1946. By 1947 the Quad Cities and Clinton markets were becoming interdependent enough that the orders were amended (August 1) to clarify the status of a handler who operated under the Quad Cities and Clinton orders simultaneously. Class I prices in Clinton were increased to the level of such prices in Dubuque by the amendment. On May 1, 1949, the Clinton order was amended to reflect the same price level and plan for seasonal variation of prices for Class I milk as the Quad Cities market already had in operation. By December 1, 1951, the continued mutual interdependency of the two markets resulted in their being consolidated into one marketing area for purposes of being regulated by a single Federal milk order (Order No. 44).

Quad Cities. Regulation of the Quad Cities market began with the issuance of Federal Milk License No. 58 on June 1, 1934. It set specified minimum prices for Class I and Class II milk, fixed minimum resale prices for milk and cream at wholesale and retail, provided for an equalization pool without a base and surplus plan, and instituted other marketing reforms. The license was amended three times to effect price changes during 1934-35, although the amendment of September 1, 1934, also established a base-surplus plan. License No. 58 was replaced by Federal Milk Order No. 44 on February 1, 1940, in line with the then new national policy of replacing licenses with orders issued under terms of the Agricultural Marketing Agreements Act of 1937. Little change was made in the specific terms of the regulation, however. Order No. 44 was amended December 15, 1941, to replace specified minimum prices for Class I and Class II milk with formulas which automatically changed the minimum prices as changes occurred in the prices paid producers by condenseries located in nearby areas. The regulation was amended six other times during the period 1944-51 before it was merged on December 1, 1951, with the order regulating the Clinton market. In addition, certain provisions of the order were suspended at three different times during the 8-year period, 1944-51.

Dubuque. The Federal milk license issued for the Dubuque market on December 5, 1934, was of the same general type as that issued for the Quad Cities earlier in that year. It was replaced by Federal Milk Order No. 12 on October 1, 1936, in order to effect an increase in minimum prices to producers for Class I and Class II milk and to institute a market-wide pool. After that time the order remained effective in regulating the fluid milk market, being kept adjusted to current marketing and pricing conditions by six amendments and the suspension of a pricing provision in 1946.

An analysis of data which pertain to nearly all aspects of the supply, distribution, utilization, and pricing of fluid milk in the three markets during the 1944-51 period of Federal regulation by milk orders is supplied in Chapter VII of this report. However, not all the market changes were necessarily the result of Federal regulation. The following developments or effects appear to be of particular importance:

(1) Prices for producer milk. The Federal milk order was the successful vehicle through which producers for the Clinton market achieved actual and significant increases in the price of milk since 1944. An examination of the data in Chapter V and Chapter VII will show that between 1941 and June 1944 the paying price of Clinton distributors was usually much lower than even the average paying price of 18 Midwest condenseries which used their purchases for manufacturing purposes. The classification plan and the level of minimum prices established by Order No. 70 in the Clinton market wrought such changes in the market structure for fluid milk that at the present time (1952) Clinton producers receive the same prices as the Quad Cities producers (and, of course, much higher prices than those paid by the 18 Midwest condenseries). Even after due allowance for the differences in quality of milk produced currently over that produced prior to the effective enforcement of the local health ordinances and the issuance of Order No. 70, it is quite clear that Clinton producers were able to obtain price increases relative to outlets competing with the fluid milk market and to the net returns of competing farm enterprises. The presence of Federal orders in the Quad Cities and Dubuque markets also had similar effects there, although the relative gains since 1944 were not as great as those in the Clinton market. This, of course, can be explained by the fact that the unsettled pricing conditions which existed in these markets prior to that time were mitigated by the earlier operation of the milk licensing program and the milk order program prior to 1944. These developments with respect to the level of producer prices do not necessarily mean that such prices were appreciably higher than those obtainable by negotiation between a strong producer cooperative association and the distributor, but it does appear that they were obtained with less ill-feeling between the two groups and with a closer regard to significant changes in general economic conditions. In addition, the minimum prices established by the orders reflected quicker responses to price changes for related dairy products and to changes in net returns from other agricultural enterprises. Particularly in the case of Clinton, producers achieved such prices without being as effectively organized or without suffering periodic disputes with handlers than would have been possible without milk-marketing regulation.

(2) Stable marketing conditions. The fixing of minimum prices below which no handler is permitted to purchase milk from producers, the operation of the market-wide pool, the guaranteeing of seasonal changes in minimum prices to offset varying costs of production in the different seasons of the year, the relative stability of prices through the elimination of sudden sharp short-run drops in prices for whatever reason and the orderly change in producer prices in response to changes in the general economic conditions of the economy have all contributed to a more stabilized pattern of producer prices (and hence producer returns).

These procedures lessened greatly the need or likelihood of handlers or producer groups attempting to gain a dominant position in negotiation. Also, they lessened the need for or likelihood of resorting to "price wars" or "milk strikes" to resolve differences related to the pricing or marketing of fluid milk. The magnitude of these gains in marketing efficiencies and stability can best be realized by contrasting the present marketing system with that which prevailed prior to the industry-wide development of the marketing agreement and order program.

In addition, it appears that the stability of prices and the assurance that a minimum price would always be forthcoming helped dairymen to remain in the market with more efficient-sized operations than would have been possible with more widely fluctuating producer prices and the resultant sporadic entry and withdrawal of producers of fluid milk which meets the requirements of the city health departments.

(3) Adequate supplies of milk. Adequate supplies of approved milk during the fall months of the year was a problem in both the Clinton and Quad Cities markets. One of the major purposes of the milk order program has been to insure markets an adequate supply of pure and wholesome milk by creating such marketing and pricing practices and policies as will encourage local producers to supply milk in such amounts as the markets require. The milk orders in the Clinton and Quad Cities markets contained pricing provisions designed to (1) achieve a production response from producers that would be sufficient to supply the general needs of the market, and (2) at the same time encourage producers to shift operations so that a greater proportion of their production would occur in the fall and winter months instead of during the spring and summer months. Only partial success was achieved on both points.

Producers in the Clinton market first adopted a version of the "take-off-and-pay-back" plan to bring forth a more balanced supply of milk between the spring and fall months. The plan was abandoned within 3 years and replaced by a system of seasonally varying prices employed in the Quad Cities market.

The data contained in Chapter VII concerning total receipts of milk in the two marketing areas and the sources of such supply indicated that beginning in 1950 and persisting through 1951 (1949 through 1951 in the case of Clinton) local handlers obtained a greater proportion of their milk from local producers and had to rely on emergency sources of milk to a much smaller extent than previously.

Although Federal milk orders in no way regulate the quality of milk allowed to be shipped into a market, it is of interest that the municipalities within the marketing areas established by the regulations issued more stringent health requirements and adopted procedures designed to make more effective the enforcement of such ordinances than did procedures previously in effect. The problem of establishing and enforcing adequate quality standards for milk is related to the amount of such milk available to the market at any given time; in this respect the orders, through the incentives they can provide for greater production of such quality milk, can serve as effective instruments through which the quality of milk may be improved without unduly endangering the needed supplies.

(4) Number of handlers and the distribution of milk. Only in the Quad Cities market did the number of milk distributors actually serving each area decline during the 1944-51 period of Federal regulation. However, this development does not imply that all the reduction in the number of handlers was directly attributable to the presence of the Federal milk order, because the trend also held true in other fluid milk markets throughout the United States. Although the same number of handlers (5) supplied Clinton in 1951 as in 1944, an important difference being that in 1951 three of the suppliers were handlers whose bottling plants were located in the Quad Cities marketing area. Most of the decline in the number of handlers supplying the Quad Cities market was accounted for by the decision of many small distributors to discontinue buying milk directly from producers and either withdraw entirely from the distribution of fluid milk or rely on other handlers for supplies of milk.

The introduction and widespread use of single-service (paper) containers in these three markets was an important factor in their becoming closely interrelated (and for two of the markets eventually becoming consolidated into a unified marketing area). The use of these containers by Quad Cities handlers made easier the extension of sales routes into outlying and adjoining markets. The adoption of similar practices by handlers in the competing markets fostered the growth of health regulations and pricing policies that were geared to growing interdependency of marketing areas. The practice of extending sales routes farther out into the areas contiguous to the three markets continues to the present time--a practice which will make more important the necessity of maintaining proper pricing and marketing relationships between markets that are regulated by separate milk marketing orders.

The expressed preference of many handlers to operate in areas regulated by milk orders (reaffirmed by the recent requests of Quad Cities handlers that the Secretary of Agriculture not terminate the Quad Cities order when that action was initiated in November 1951) indicates that many distributors prefer a marketing situation wherein they are assured that all the competing distributors are paying at least the same minimum prices and are subject to the same check-weighing and check-testing activities of the Market Administrator. This leaves such handlers largely free to concentrate their attention on other problems inherent in the processing and distribution of milk. Of equal importance to many handlers is the fact that Federal orders relieve them of the responsibility (and necessity) for discussing with individual producers the pricing, weighing, and testing of the milk shipments.

(5) Applicability of a separate order to the Clinton market. A careful review of the developments which led to the request for, issuance, and continuation of the Federal milk order in the Clinton market offers ample and repeated evidence that a principal problem with the Clinton order was the constant necessity to keep it integrated or coordinated with the orders regulating the larger (and contiguous) markets, particularly the Quad Cities market. (The decision to change the plan of varying producer returns seasonally from the "take-off-and-pay-back" plan to varying Class I prices and the adoption of the 1 month lag in calculating base prices to

conform with practices in the Quad Cities market are two examples of this necessity.) Since it already was known in a general way (in 1944) that any action in the Clinton market eventually would have to be closely coordinated with developments in the Quad Cities market, a natural question was: Why wasn't Clinton either (1) closely coordinated with the Quad Cities order from the beginning; or (2) brought into the existing Quad Cities marketing area without issuing a separate regulation?

A number of important institutional factors combined to make the above-mentioned proposal untenable. Two such factors included: (1) The differences between city milk ordinances and the manner in which they were enforced; and (2) the reluctance of producer cooperative associations in the larger market to pool their returns with the producer cooperative association in the smaller market (through the medium of the prevailing market-wide pool). As it developed later, however, Quad Cities producers gained by merging with Clinton (because of Clinton's higher utilization of producer receipts and higher blend price to producers), but these were unknown factors in 1944. It should be remembered that the CCMPA was a newly-formed cooperative in 1944 and had no marketing experience to indicate the proportions of locally produced milk that would be utilized in Class I uses and that would have to be diverted to surplus.

As time passed, however, milk produced under health department supervision in one market became acceptable to the other market, distributors in one market began to serve the other marketing area, and related factors developed to combine, in reality, the two markets into a single marketing area. Also, it was apparent by the early 1950's that the milk shipped into Clinton would continue to bring a higher utilization value than that shipped into the Quad Cities--effectively overcoming the original reluctance of Quad Cities producers to pool their returns with Clinton producers. For reasons explained earlier in this chapter, Clinton producers also stood to gain by the merger. Thus, with the important institutional factors mollified by subsequent developments, it was possible to combine the two markets into a single marketing area. A somewhat similar situation exists today in the relationship between the Quad Cities-Clinton marketing area and the Dubuque marketing area, with present developments indicating that the two markets are becoming more closely integrated and coordinated each year. It is likely that similar differences and institutional factors, seemingly small but nonetheless important, may stand in the way of any attempts to combine other pairs or groups of cities into single marketing areas under control of a single regulation.

This gradual evolution into a single marketing area illustrates that a small fluid market located in the environs of a large, well-established metropolitan fluid milk market must, sooner or later, either adopt a separate regulation patterned almost entirely after the one prevailing in the major market, or else bring its own operations under the regulation governing the larger market. In the situation governing the relationship of the Quad Cities and Clinton markets, it appears that the decision to bring both areas under a single regulation made more efficient the marketing and pricing systems for fluid milk in the Quad Cities and Clinton areas.

(6) Producer-handler relationships. Another result of the Federal milk orders in these markets was that they helped reduce the conflicts and misunderstandings between the producer groups and the distributors. Instead of negotiating directly with each other for each change in producer prices, minimum prices are now set by the Secretary of Agriculture on the basis of evidence submitted at public hearings open to receiving testimony from any persons (but usually producer groups and handlers) in accordance with rules and procedures established by the Secretary of Agriculture and the Administrative Procedures Act of 1946. In addition, the use of pricing formulas in the orders reduces the frequency with which public hearings have to be held to make major adjustments in the pricing mechanism of the markets.

An equally important factor in promoting more harmonious relationships between distributors and their producer-suppliers was the joint effects of the marketing services provisions and the classification plans of the orders. The impartial check-weighing and check-testing activities of the Market Administrator practically eliminated the traditional issue between distributors and producers as to the accuracy of the butterfat tests and daily weighing procedures conducted by distributors. Also, no longer is there any issue as to the proportion of milk sold for fluid uses by distributors and the proportion diverted to "surplus" uses (at lower prices). The classification plans set forth in the orders and the reporting and auditing features of the regulations accurately establish a handler's use of milk (and consequently his obligations to producers). The issue of how much milk was necessarily diverted to surplus uses in the preregulation era always was a major point in the negotiations for a price to producers.

(7) Producer cooperative associations. All four of the producer cooperative associations operating in the three markets played important roles in the initiation, approval, amending, and continuation of the orders applied to their respective markets. The milk orders, and particularly Order No. 70 as applied to the Clinton market, have been an important factor in the growth and continued strength of producer cooperative associations. This conclusion was not quite so obvious with respect to the Dubuque market (in light of the gradual decline in importance of the association serving that market), but it still appears to hold true in a reverse manner--the decline in importance might have been more precipitous without the presence of the regulation. Not only do the workings of the orders permit the associations to bargain openly for desired prices, but the marketing services provisions of the orders insure that nonmember producers bear a deduction from their returns for services performed by the Market Administrator similar to those performed by the associations for their members (and for which the associations have charged their members in one manner or another). In other words, this provision in the orders largely removes one area where nonmember producers usually gained a price advantage over member producers (because of the costs borne by member producers in maintaining the financial structure and operations of the association).

(8) Utilization of milk. The most significant shifts that have taken place in the importance of different fluid milk products appear to

be the greatly increased sales of cereal cream (really mixtures of milk and cream and containing between 6 and 16 percent butterfat), the sharp reduction in the sales of light (coffee) cream (16 to 30 percent butterfat), the steady increase in the sales of buttermilk, and the sharp increases in the sales of fluid skim milk products (skim milk and flavored and skim milk drinks).

(9) Marketing information. An extremely valuable byproduct of these marketing orders is the abundance of accurate statistical data on nearly all aspects of the supply, distribution, utilization, and pricing of fluid milk and its products in the marketing areas. These data not only are valuable sources of information for producers, distributors, and consumers in the local markets, but they are important to research workers and others who utilize such information in their efforts to improve the efficiency of the marketing system.

(10) Marketing services. Those provisions of the orders which require the auditing of handler's records to verify their use of milk and which require the check-weighing and check-testing of producers' milk have helped to guarantee that producers receive full value for all milk delivered to the market. Some handlers originally objected to the auditing of their records by persons from the Market Administrator's office, yet experience has shown that these audits, in addition to being substantial aids to the producers, have been of equal value to many handlers. It is necessary that handlers maintain accurate records and operational data to minimize and verify their obligations to producers and the Market Administrator; this action has revealed to handlers the existence of operating inefficiencies and plant losses previously unknown. As these inefficiencies are discovered and corrected, the financial structure and competitive strength of the individual handler likewise is increased, making for an improved marketing system.

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