THE MARKETING OF MILK IN THE LOUISVILLE AREA UNDER FEDERAL REGULATION

UNITED STATES DEPARTMENT OF AGRICULTURE
Production and Marketing Administration
Dairy Branch
Washington, D.C.
June 1953

Marketing Research Report No.43

For sale by the Superintendent of Documents, U. S. Government Printing Office
Washington 25, D. C.—Price $1.25

PREFACE

This report is based on one of a series of studies of the operation of Federal milk marketing programs in different fluid milk markets of the country. The studies have been made by the Research Division of the Dairy Branch, Production and Marketing Administration, U. S. Department of Agriculture.

Previous reports in the series dealt with milk marketing in Philadelphia, St. Louis, Duluth-Superior, Minneapolis-St. Paul, and Kansas City. Each has emphasized some aspect of milk marketing that is characteristic of the respective market. The present report, like those which have preceded it, reflects the characteristics of the market to which it relates--characteristics which give that market a "personality" and which make its history particularly illuminating with respect to certain marketing problems.

To the producer, the milk distributor, or the consumer seeking to understand the Louisville milk marketing order as a document and to understand the necessity for its various provisions, no amount of description could fully replace the record of experience in developing the order and operating under it. The present report treats thoroughly the regulation of milk marketing in a specific market, both in principle and in detail. With respect to detail, in particular, it differs from other reports in the series, and gives the reader much that otherwise could be based only on experience.

The principal problems dealt with concern the difficulties of operating under the license, the evolution of the classification procedure, the evolution of formula pricing, and the attempts to influence the seasonality of milk production. The report also gives insight into the role of the market administrator, the mechanics of the method of classifying milk which handlers receive from "producers" and other sources, the operation of the market pool, and other operations under a milk marketing order.

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

The author acknowledges and greatly appreciates the interest and cooperation of Louis S. Iverson, milk market administrator for the Louisville area, and of his staff in providing essential data and other important market information. Thanks are due to Richard L. Duncan, secretary-manager of the Falls Cities Cooperative Milk Producers' Association; Fred T. Flynn, secretary of Milk for Health, Inc., and the health officers in the marketing area for contributing much historical and current information with respect to their special fields of operation.

Sincere appreciation is also expressed to Donald O. Hammerberg, State Milk Administrator for Connecticut, and a consultant to the Dairy Branch, for constructive criticisms and helpful suggestions with respect to the original draft of the manuscript; and to Miss Anna Schlenker and Mrs. Elsie Anderson for their painstaking research in reconstructing the history of classification and price during the license period and in developing the basic statistical series which make up the appendix tables.

CONTENTS

SUMMARY

For almost two decades, by producer request and consent, the marketing of milk in the Louisville area has been subject to Federal regulation: Under a Federal License from June 1, 1934, to April 1, 1940, and since then under a Federal Order.

Formative license years. Regulation under License No. 60 was only partially effective. A small group of milk distributors successfully resisted the regulation, and, because there was no provision for amending licenses after 1935, producers and distributors, through a series of special agreements, negotiated prices higher than those set by the license (table 17, pp. 61-63). Effective regulation of the whole market began in 1940, under Order No. 46; by that time the basic legislation had received the sanction of the courts.

The evolving classification process. A modified version of the three-class plan which had been used by the Falls Cities Cooperative Milk Producers Association was adopted under the license in 1934. Class I milk consisted almost exclusively of bottled whole milk. Gradually, more products were included in Class I. Finally, in 1951, a two-class plan was adopted under which Class I included any milk product which is required by the health authorities to be made from graded milk.

In the early years market custom appeared to have considerable weight with respect to administrative decisions on questions of classification. Increasingly, however, the decisions were centered on two issues: Whether or not, under the health regulations, a product was required to be made from graded milk, and the kind or extent of competition among products.

The pricing mechanism. The license provided fixed prices for Class I and Class II milk and a butter formula price for Class III milk; the original order provided a fixed Class II price, but the prices of Class I and Class III milk were related to the price of butter.

In 1942 a new scheme was adopted in that the price of Class I and of Class II milk was related to the higher of several prices or estimated values of manufacturing milk. This has protected the price to producers from some sharp and erratic decreases which have occurred in particular price series for manufacturing milk, but it has not resulted in the highest stability in the basic series (table 53, p. 238).

Attempts to reduce the seasonality of production. The base-surplus plan which was used by the cooperative in the pre-license years, and during short periods under the license, apparently did somewhat reduce seasonal surpluses and shortages, but was not generally acceptable to producers.

For some years after the base-surplus plan was abandoned, the cooperative relied largely on persuasion to get members to even out production, but fall shortages continued to mount.

In 1944 an innovation in seasonal pricing which is commonly known as the "Louisville Fall-Premium Plan" became effective. Until 1950 varying fixed amounts were deducted from the blended price to producers in the spring months; since 1950 the deduction has been related to an average of the basic prices. The fund so accumulated was pro-rated to producers, by separate check, the following fall. The fall-premium plan has not been as effective as the cooperative had hoped for when it proposed the scheme, but enough producers have responded to the incentive of special fall payments to attain some reduction in the seasonality of production.

Changes in the market. The Independent Milk Producers' Association took part in the first producer referendum with respect to the order but, because of lack of member interest, gradually disbanded. The Falls Cities Cooperative Milk Producers Association consequently has been the only active cooperative in the Louisville area since the early forties, controlling more than 90 percent of the supply of graded milk.

Since April 1940, 15 handlers have started business in Louisville and 19 handlers have discontinued business; therefore, the total number of handlers decreased, from 32 in 1940 to 28 in December 1951.

A measure of stability was brought to the Louisville market, but milk was not always marketed in an orderly manner under the license. No milk wars or major disturbances have taken place under the administration of Federal Order No. 46. The annual volume of graded milk delivered to handlers by local producers has been more than adequate to meet the expanding needs of the market, but fall shortages have been a recurring problem.

Per capita consumption of milk in Louisville has increased substantially during the era under review, despite the pronounced upward trend in the blended price to producers and in the price to consumers. Leaders in the market ascribe the increase to fuller employment and higher wages, to activities of the Central Dairy Council publicizing the nutritional value of milk, and to the fact that the increase in the price of milk to consumers has been moderate compared with the rise in the average of all food prices..

THE MARKETING OF MILK IN THE LOUISVILLE AREA UNDER FEDERAL REGULATION

By Gertrude G. Foelsch,
agricultural economist

I. INTRODUCTION

Milk marketing in Louisville came under Federal regulation June 1, 1934. The 20 years of marketing experience which have followed throw light on the many problems involved in establishing stable economic relationships between producers and milk dealers in the public interest. Some of this experience includes notable innovations, such as the "take-out and pay-back plan," or "Louisville Plan," for dealing with seasonal fluctuations in milk supplies. The experience in Louisville also contributes to the mass of information which is needed to evolve and improve such marketing devices as classification, pricing, pooling, and others that are used in selling fluid milk.

Records of the hearings which preceded the adoption of the license, the order, and the subsequent amendments, together with supporting evidence and data, constitute a rich but heterogeneous source of information on the problems and changes in the marketing of milk for fluid use in Louisville. In addition, a comprehensive body of data on the supply, utilization, and price of milk has been developed as a part of the administrative processes in regulating the market. These are the principal sources of information used in this report.

The changes and developments in the market under Federal regulation are compared with conditions and procedures prior to regulation. Special marketing problems and attempted solutions (usually through amendments to the order) and their effectiveness are discussed, and the accomplishments of regulation, particularly in terms of producer returns and market supplies of milk, are evaluated.

Louisville is one of nine fluid milk markets which have been continuously under regulation since the early days of the Federal milk marketing program. This record of local problems and marketing activities, therefore, reflects the panorama of changing situations during the eventful years of the last two decades. In developing this historical analysis, it has been the purpose not only to emphasize the many local facets of the problem of bringing fluid milk from the dairy farms surrounding Louisville to the consumer's table, but also to indicate the impact of special recovery measures, general economic conditions, and world events upon the local industry.

Under the authority of the Agricultural Adjustment Act of 1933 the Secretary, with the approval of producers, could issue marketing agreements and licenses to regulate the handling of milk in the current of interstate or foreign commerce. Parity prices for producers was the pricing objective under this program.

In 1935 the Act was amended to provide for Federal orders instead of licenses, but licenses in force at that time (such as License No. 60 for Louisville) could remain in operation if they were contributing to the stability of the market. The 1935 amendment authorized various terms and conditions which might be included in an order. Among them were the important provisions that, under a use-classification plan, class prices should be uniform to all handlers, and that uniform minimum prices to producers should be determined on the basis of either an individual handler or a market-wide pool.

The milk pricing provisions of the amended Agricultural Adjustment Act were reenacted and amended as part of the Agricultural Marketing Agreement Act of 1937. This act, as amended, continues to be the authority for the Federal regulation of fluid milk markets. The standard for the fixing of minimum prices to producers no longer is solely the parity concept, because the amended act provides that whenever the Secretary finds that parity prices for fluid milk are not reasonable in view of the price of feeds, the available supplies of feeds, and other economic conditions which affect market supply and demand for milk and its products, he is to fix such prices as he finds will reflect such factors, insure a sufficient quantity of pure and wholesome milk, and be in the public interest. These criteria need to be kept in mind in reviewing and appraising the various price amendments to Federal Order No. 46.

II.--THE MARKET PRIOR TO FEDERAL REGULATION

Supply

The Milkshed and the Market Area

By 1930, which was a few years before Federal regulation of some fluid milk markets was initiated, 3 cities had developed at the falls of the Ohio River. Louisville, on the Kentucky side, had grown from a hamlet of 200 inhabitants under the French flag in 1790, to a city of about 308,000 population. Its industries were varied and included tobacco and cigarette factories, packing plants, distilleries, metal works, and plumbing supply factories. On the Indiana side, New Albany and Jeffersonville, in 1930 had populations of approximately 26,000 and 12,000, respectively.

These "Falls Cities" were connected by good bridges and formed one marketing area for the sale of fluid milk and cream. The supply for this interstate marketing area came from both sides of the Ohio River. In 1933 about 80 percent came from Kentucky farms, with the heaviest concentration of dairy farms to the east and northeast of Louisville.

Dairy Farming in the Supply Area

The Louisville milkshed is located in a region of diversified farming. Wheat and tobacco compete with milk as a cash crop; and hogs, beef cattle, and sheep are important alternative or supplementary livestock enterprises. There is wide diversity in the size and type of dairy farms, both tenant and owner-operated, and in size and grade of herds in the milkshed.

Dairymen in the Louisville milkshed use pasture intensively during the long grazing season from May to November. Considerable grazing is done also in the winter on fields that are allowed to accumulate a good growth of grass in the fall. Rye is grown on some farms for winter grazing purposes. Expenditures per cow for concentrated feed, therefore, are less than in the more northern dairy regions. Summers, however, usually are hotter and drier than in the northern and eastern dairy States and relatively less favorable to milk production.

In 1929, as at present, dairying was most intensive close to the consuming area (table 1). Clark County, Ind., in which Jeffersonville is located, had the largest herds and sold the greatest volume of whole milk in the Indiana part of the milkshed. Floyd County, in which New Albany is located, was only fourth in size of herd but second in volume of whole milk sold. The average size of dairy-type farms in this county was only 92 acres.

Table 1. - Dairy farms in the Louisville milkshed, 1929: Size of farm, milk cows per farm, production per cow, and whole milk sold 1/

State and County	Average size of farm	Milk cows per farm	Production per cow	Whole milk sold from dairy farms
	Acres	Number	Pounds	Pounds
Indiana				
Clark	129	9.6	5,153	8,493,257
Washington	130	8.7	4,284	5,327,924
Harrison	120	8.2	4,869	2,210,062
Floyd	92	7.7	5,167	5,607,338
Jefferson	100	7.7	4,776	1,608,131
Scott	96	5.9	4,992	491,825
Average or total	111	2/ 8.5	2/ 4,902	23,738,537
Kentucky				
Shelby	157	14.8	5,232	23,277,577
Jefferson	118	13.1	5,467	19,920,507
Oldham	157	12.0	4,963	9,400,032
Bullitt	157	10.7	4,695	3,930,879
Henry	134	10.5	4,459	2,637,654
Spencer	128	10.2	4,159	3,915,150
Nelson	165	9.9	4,271	2,304,998
Hardin	135	9.2	4,410	4,690,724
Trimble	122	8.0	5,301	318,845
Grayson	109	5.5	5,198	402,179
Meade	204	5.3	4,244	47,300
Average or total	144	2/ 11.9	2/ 4,992	3/ 70,845,845

1/ In the Census of 1930, dairy farms were defined as farms with more than 40 percent income from dairying.

2/ Weighted average.

3/ In 1929 dairy farms in the milkshed produced 133 million pounds and all farms produced 411 million pounds of milk.

Compiled from U. S. Census of Agriculture, 1930.

On the Kentucky side, dairy-type farms ranged in average size, by counties, from 109 to 204 acres. Jefferson County, the site of Louisville, had relatively small dairy farms but the sale of whole milk was large. (Most of the milk produced in this county was sold as whole milk, even in 1929.) The adjoining county, Shelby, had the largest herds and contributed the largest volume to the whole milk supply of the area. The highest production per cow was in Jefferson County, with production in other counties close to the market also relatively high. Thus differences in size of herds, in production per cow, and in volume of milk sold wholesale, all point to intensive milk production in the counties which are closest to the marketing area.

In 1929 no strong producer cooperative existed, there were no Federal regulations, and local sanitary regulations were lax compared with the requirements for graded milk that were adopted in the Louisville milk ordinance of 1931.

Producers' Organizations

Several producers' associations were organized in the years preceding the adoption of Federal License No. 60 in Louisville. They tried different methods of marketing and pricing milk. Some of these methods later were required by the Federal regulations. Other early experiences were less happy, and hindered, rather than helped, the administration of the market under the license and order.

The Kentucky Dairies Association

As far back as 1916, a few producers serving the Louisville market attempted to improve their economic position by organizing a cooperative called the Kentucky Dairies Association. According to records of the Cooperative Research and Service Division, Farm Credit Administration, this association had only 75 members, and was financed by assessing members 25 cents per cow. The record gives no information as to the nature and volume of operation and length of time that this association functioned.

The Kentucky and Indiana Dairies Company

The Kentucky and Indiana Dairies Company began operation in February 1920. The company was owned by approximately 700 persons, most of whom were dairymen. The number of patrons actually selling milk, however, was much smaller, ranging from 115 to 200 producers during the 10 years of operation. The objective of the organization was to stabilize prices and increase returns to producers by performing all the functions of marketing, from producers through wholesale and retail channels to consumers; however, because this company included stockholders who were not producers, it could not be termed a true cooperative. Under five-year contracts producers were obligated to deliver all milk or cream to the company. A basic price was paid to producers each month for the butterfat contained in milk and cream delivered. This price was based upon the average price of butter in Louisville during the month. Base payments were due to producers between the 10th and 20th of the month, following delivery; producers were released from their contracts if the company failed to pay the basic price within 5 days after the time specified.

If marketing conditions permitted, milk sold as fluid milk received a premium over the basic price equivalent to a reasonable value of skim milk for feeding purposes. When conditions and earnings warranted, additional premiums were paid for location advantage, for milk of extra freshness, quality, and cleaniness. Premium payments were made a month later than basic payments. The amount of proceeds remaining in the common fund, after expenses were paid and basic and premium payments made to producers, was used partly as working capital, with the remainder prorated among producers on the basis of the amount received for milk and cream sold.

After some initial "rough" going, the company apparently operated successfully during the twenties. An average of 8 to 9 million pounds of milk was handled annually. In 1925 about 2,500 Louisville families purchased milk from the Kentucky and Indiana Dairies Company, but later, unfavorable economic conditions, including the failure of some banks in Louisville in 1929, adversely affected the financial position of the enterprise and the corporation was dissolved in June 1930. Later most of the producers paid in additional funds, for which they received certificates of indebtedness, and the plant and management were taken over, as a subsidiary, by the Cooperative Pure Milk Association of Cincinnati, Ohio, under the new name of "The Kentucky Dairies, Inc."

The Kentucky Dairies, Inc.

The company now functioned as a cooperative of the milk-distributing type. The parent company, the Cooperative Pure Milk Association of Cincinnati, was a large producer organization which owned and operated milk distributing plants in Cincinnati, Ohio, and in Lexington, Maysville, and Covington, Ky., as well as in Louisville.

Under a classified-pricing plan, all milk was bought on a 4 percent butterfat basis with a differential of 4 cents per "point" (1/10 of one percent of butterfat content). Prior to 1931 no effort had been made to regulate the milk supply, but reduced sales and increased production, following the drought of 1930, led to the adoption of a base-rating plan. Monthly bases were established in accordance with previous volume of deliveries. Quotas were readjusted at the beginning of the year, if conditions justified. Members were permitted to keep surplus milk at home. They usually sold the butterfat and used the skim milk for feeding. Producers were charged 5 cents per 100 pounds of milk marketed.

Under this marketing plan 106 Louisville members supplied about 5 million pounds of milk in 1931. By 1933, however, The Kentucky Dairies, Inc., received more than 9 million pounds of milk which was distributed over 24 retail routes. In May 1939, the Louisville Municipal Housing Authority asked for the site of the milk plant for a housing project. Confronted with the threat of condemnation proceedings, the Cooperative Pure Milk Association of Cincinnati sold the plant to the leading proprietary milk distributor in Louisville.

The Falls Cities Cooperative Milk Producers' Association

The organizations formed prior to 1929 represented only a small fraction of the producers who supplied milk to the Louisville market. A report of the National Cooperative Milk Producers' Federation (13) 1/ reveals that movements toward a marketwide organization to secure stronger bargaining power began as early as January 1928 when 45 dairymen met at the Shelby County Court House to discuss their marketing problems. They agreed that some form of organization of producers was necessary because dealers apparently were in control of practically all of the marketing functions, particularly pricing. Other meetings followed and a committee was formed to study various types of contracts and to formulate by-laws and articles of incorporation. Officials of the National Cooperative Milk Producers' Federation, of the Cooperative Pure Milk Association of Cincinnati, and of the Pure Milk Association of Chicago gave advice to the committee as to the necessary procedures.

After the contract was formulated a series of producer meetings were called in the spring and summer of 1929 as part of a membership recruitment campaign. Representatives of the Kentucky and Indiana Farm Bureaus and of the University of Kentucky, as well as local dairy leaders, were active in this work. Partly because many producers adopted a waiting attitude and because distributors in general were indifferent or antagonistic, progress was slow. By September 1930 only 35 percent of the producers had signed. It was, therefore, decided to employ a large number of solicitors and have an intensive campaign in all the counties of the milkshed at one time.

The price of milk fell 2 cents per gallon about this time, and at the end of 6 weeks more than 70 percent of the producers in the milkshed had signed the contract. The Falls Cities Cooperative Milk Producers' Association then was successful in signing contracts with distributors who handled about 85 percent of the milk received at the market. The distributors were assured a regular and adequate supply of milk and the producers were assured a year-round market. The cooperative was incorporated in February 1931, under the Bingham Cooperative Marketing Act of the State of Kentucky, and began active operation in March 1931.

1/ Underscored numbers in parentheses refer to Literature Cited, pp. 257-8.

For a few months the association used the payment plan then in most general use on the market; that is, they sold 70 percent of milk at a base price and 30 percent at a lower surplus price. The producer was paid a weighted average of the two prices. In May of 1931, the use-classification plan was adopted, whereby distributors paid the association according to the use made of the milk, and the association, in turn, paid all producers the same price for milk of the same grade and butterfat content.

In addition to acting as a bargaining agent between producers and distributors, the association undertook some important service activities. A check testing department was set up in May 1931; the hauling system was brought under association control and revised to reduce costs and promote efficiency; producers were assisted in making changes in their barns and equipment to comply with a new health ordinance; feed, supplies, and equipment were purchased cooperatively. In February 1932, a base-rating plan was adopted to encourage an adequate supply in the fall and to reduce the surplus in months of flush production. For the information of members, "The Falls Cities Cooperative Dairyman" has been published monthly since December 1931.

The association began operations with 2,670 members, but about one-third of these members were shippers of cream who dropped out later because little or no bargaining for sour cream was attempted. There were more than 1,600 members selling milk for fluid use at the close of 1931. By the close of 1933 this number had dropped to less than 1,100 chiefly because some producers did not want to incur the expense necessary to meet the requirements of the Louisville milk ordinance, and others were dissatisfied with the base-rating plan. Nevertheless in 1933, members of the cooperative supplied approximately 83 million pounds, about 86 percent of the total supply, of graded milk to the Louisville market. Studies of the Falls Cities Cooperative Milk Producers' Association have been made by Welden and Stitts (20) and by Roberts and Price (15).

The Independent Milk Producers' Association

The Independent Milk Producers' Association was incorporated in August 1933, at about the time the first public hearing was held to consider a proposed marketing agreement for the Louisville area. A majority of the 120 to 150 members had been members of the Falls Cities Cooperative Milk Producers' Association but had left that organization primarily because of dissatisfaction with the operation of the base-rating plan. This small organization supplied about one-tenth of the milk for Louisville to distributors who did not purchase milk from the larger cooperative. Because most of this milk was sold in bottles (the highest-priced outlet), these dealers, when necessary, could and did pay their producers premiums over prices paid to members of the Falls Cities Association.

In view of the possibility of premiums and because they preferred a price known definitely in advance, The Independent Milk Producers' Association favored a flat price rather than a classified price. The members were willing to have the price reflect their own small surplus but they did not feel obligated to share the larger surplus of the market as a whole.

Distribution

Types and Size of Distributing Plants

Several types of milk distributing enterprises functioned in the Louisville market area in 1933. There were a number of producer-distributors, one producer-owned milk distributing company, one subsidiary of a National dairy organization, and a relatively large group of local proprietary distributing firms. Milk was regularly distributed by these firms, either through stores or directly to homes of consumers. In addition, peddlers bought bottled milk from distributors and sold it in wholesale and retail channels. Peddlers sometimes were an unstabilizing factor in the market. By taking a relatively small margin, or by buying the milk at discounts, they often sold milk for less than the prevailing wholesale and retail prices. Milk distributed through retail stores usually was sold at prices which were 1 to 2 cents per quart less than the home-delivered price.

Louisville milk distributors served the city of Louisville proper, the surrounding suburban communities, the Fort Knox military reservation (located about 35 miles south of Louisville), and New Albany and Jeffersonville, Ind., together with some small nearby communities.

An exhibit submitted by the City Health Department of Louisville at a hearing 2/ on April 18-19, 1934, shows that, in 1933, annual receipts of milk at graded plants (plants entitled to use Grade A caps on bottles) in the city of Louisville amounted to 86.6 million pounds. About 98.5 percent of this milk was pasteurized (table 2). Of the 40 plants which processed this milk, 20 plants bought all their milk, 8 plants produced a minor portion of their total supply and the remaining 12 plants (producer-distributors) produced all the milk that they distributed. Of the total supply, the leading distributor in Louisville received almost 30 percent, another company approximately 10 percent, and 3 companies between 5 and 10 percent each. These 5 larger distributors received 62 percent of the Louisville supply in 1933. Producer-distributors, who mostly sold graded raw milk, each handled small volumes ranging from 0.01 to 0.21 percent of total receipts.

2/ Hearing April 18-19, 1934. Docket No. 168 Sec. Exhibit 3 of City Health Dept. of Louisville. Hearings frequently are referred to in this study. These are the various public hearings of the United States Department of Agriculture with respect to License No. 60 or Order No. 46, the instruments of Federal regulation for the Louisville milk market. Hearing records are on file in the Office of the Hearing Clerk, United States Department of Agriculture, Washington, D. C.

Table 2. - Receipts of milk at pasteurization and raw milk plants in Louisville, Ky., in 1933 1/

Type of plant	Plants	Milk receipts	Percentage of total receipts
	Number	Million pounds	Percent
Pasteurization plants 2/	28	85.3	98.5
Raw milk plants 3/	12	1.3	1.5
Total	40	86.6	100.0

1/ Receipts at New Albany and Jeffersonville, Ind., are not included.
2/ Two of these plants produced minor quantities of their receipts which they distributed as raw milk, but the bulk of their receipts were purchased and pasteurized.
3/ Plants of producer-distributors.

Compiled from Exhibit 3 of City Health Department of Louisville, Docket No. 168. April 18 and 19, 1934.

The Indiana portion of the market area was served by 4 distributors residing in Indiana, and by approximately 60 producer-distributors. Two of the larger distributors located in Louisville also made daily deliveries in New Albany and Jeffersonville, Ind.

Distributors' Organizations

Before the Falls Cities Milk Producers' Cooperative Association was incorporated in 1931, distributors apparently operated independently, each one having written or verbal contracts with individual producers. Distributors who signed contracts with the new Association were sometimes informally called the "Louisville Cooperative Dealers". Some of these dealers handled milk from non-members as well as from members. A number of distributors continued to do business with individual producers until, in 1933, some of them bought their supplies from the newly-organized Independent Producers Association. They were commonly spoken of as the "Independent Fluid Milk Distributors". At the time of the hearing in August 1933, local distributors therefore, were being loosely classified as the Louisville Cooperative Dealers, Independent Fluid Milk Distributors, and individual distributors. The Louisville Cooperative Dealers handled more than 85 percent of the market milk.

Producer-distributors

In 1933, with respect to 90 percent or more of the fluid milk supply, the producing and distributing functions had been separated for a number of years. Twelve producer-distributors, for example, supplied only an estimated 1.3 million pounds of graded raw milk for consumption in Louisville and 2 marketed small quantities of pasteurized milk (table 2). Altogether they handled less than 2 percent of the fluid milk supply for the city. One producer-distributor sold his entire output to a restaurant chain, and another sold Guernsey milk mostly to grocers and to hotels, but most of them sold their milk on consumer routes. A spokesman for the group said:

> "They are farmers doing their own work, like in my case, getting up early and milking these cows and driving their own trucks. Everybody drives his own truck, delivers his own milk, washes his own bottles." 3/

A larger number of producer-distributors operated outside the city limits of Louisville and within the city limits of New Albany and Jeffersonville, Ind. They sold mostly ungraded raw milk. In the latter two cities the distribution of ungraded raw milk was still permitted in 1933. Of the estimated 60 producer-distributors who operated on the Indiana side of the marketing area, about 50 served the New Albany market. Most of them distributed less than 250 pounds of milk daily.

Facilities for Assembly and Transportation

Most of the milk in the Louisville area is transported directly to the platform of the handler's city plant. In the early thirties there was but one country receiving station. It was located at Taylorsville, Ky., about 35 miles from Louisville. At that time this plant was an ice manufacturing plant and a milk receiving station combined. Milk received from 50 to 70 producers was cooled and sent into the market by tank. 4/ There was little difference in shipping charges whether the producer shipped through the receiving station or directly to the market. By 1932 practically all the market milk was brought in by insulated trucks, which usually were owned by commercial truckers. Very little milk came in by railroad.

During 1932 the Kentucky Assembly enacted a law which required all contract and common carriers to pay a mileage tax; however, trucks owned or operated by a cooperative association were exempt from the tax. To take advantage of this exemption all trucks hauling milk for patrons of the Falls Cities Cooperative Milk Producers' Association were leased by the Association under a contract in 1932. A few years later the State mileage tax structure was changed and the exemption no longer applied. While it lasted, however, the exemption was a factor in building up and maintaining membership in the young cooperative.

3/ Hearing August 7, 1933. Docket No. 18, Sec. p. 121.
4/ Hearing April 18-19, 1934. Docket No. 168, Sec. p. 31.

There was testimony that under the leasing arrangement 30 percent of the trucks in existence 2 years previously had been eliminated and their loads had been combined with other routes, resulting in better service to the membership and reductions in the trucking rates. In 1933, trucking charges ranged from 11 cents per hundredweight to 37 cents per hundredweight; the average was about 25 cents. About 60 of the 70 milk trucks serving the Louisville milk market were leased to the Falls Cities Association. 5/ Trucks which handled nonmembers' milk were individually owned. In some instances their routes overlapped those of the Association trucks. Producer-distributors, as well as a few of the wholesale producers who lived near the market or had daily business there, delivered milk in their own trucks.

Processing Facilities

In the marketing area. Both graded and ungraded milk were received in the Louisville market in the period from 1931 to 1934 and also after Federal License No. 60 was adopted on June 1, 1934. Under the provisions of the milk ordinance of 1931, milk and milk products (defined as cream, skimmed milk, chocolate milk, buttermilk and cultured buttermilk) were processed from graded milk and had to be received and handled in rooms separate from those in which ungraded milk was received and processed. A number of the fluid milk distributors received only graded milk and some of them had no facilities for manufacturing milk or cream. They relied upon other plants to take over surplus milk, cream or skim milk. Facilities for manufacturing skim milk were limited and this product often was wasted.

The 1933 issue of the publication "Who's Who in the Butter, Cheese and Milk Industries" (19) indicates that at least 10 of the distributors in Louisville and 2 in Indiana manufactured butter either as a flush-season or as a year-round activity. Ice cream and ice cream mix also were made by some of the fluid milk plants. One of the larger distributors was equipped to handle cheese, three had equipment for making condensed milk, and one had facilities for manufacturing evaporated milk. In addition, three large-scale dairy organizations operated creameries in Louisville.

Within the supply area. In 1933 there were two creameries, a cheese plant and a plant which manufactured canned condensed milk and ice cream mix on the Kentucky side of the milkshed, and several creameries, a cheese plant and a plant which manufactured condensed milk on the Indiana side.

Outside the supply area. In the counties which bordered upon the Kentucky and Indiana counties which comprised the Louisville supply area, there were seven creameries, one butter and ice cream plant, and four cheese factories. Within the supply area and on its borders, therefore, competing outlets for whole milk and farm-separated cream were available

---

5/ Hearing Aug. 7, 1933. Docket No. 18, Sec. pp. 13-14.

at the time that Federal regulation was under consideration by producers and distributors.

Variations in Milk Supply

Seasonal Pattern of Receipts

It is generally accepted that, to take care of possible variations in daily and weekly sales, the Louisville market needs a "buffer supply" or operating reserve which, on an annual basis, exceeds the quantity normally sold in fluid form by 15 to 20 percent. If receipts run considerably above this margin a surplus problem exists, whereas if the supply falls much below the margin, a shortage may develop. Area-wide efforts to level out variations in the seasonal pattern of graded milk production were first made in 1932 with the inauguration of a base-rating plan. This plan, together with other devices which likewise were designed to encourage more even production, will be described more fully later in this report.

Records of total monthly receipts of milk in the Louisville marketing area are not available for the periods prior to Federal regulation, which began on June 1, 1934, but monthly data on receipts of all distributors reporting to the pool of the Falls Cities Cooperative Milk Producers' Association are available since May 1931 (table 3). They show both annual and monthly variation in the amount of milk delivered to distributors and suggest that surpluses and shortages may be related both to the annual level of production and to seasonal variation in the production pattern. In each of the years given, the peak of receipts was in the month of May and, for all but 1934, the low point was in November. In 1932 pool receipts in November, were only 58 percent of pool receipts in May; in 1931, 1933 and 1934 the relationship was about 68 percent.

Surpluses and shortages may arise from changes in either supply or demand. Welden and Stitts found a highly significant relationship between the following factors and changes in the volume of surplus milk on the Louisville market: (1) Rainfall as a percentage of normal; (2) purchasing power of market milk in terms of feed; (3) spread between price for market milk and milk for manufacturing purposes, and (4) purchasing power of market milk in terms of other farm products (20, p. 47). On the demand side, changes in the level of consumer incomes and changes in temperature have been found to be significant factors affecting the consumption of fluid milk and cream. In the period from 1931 to 1934, seasonal variations in the milk supply created surplus problems but no serious fall shortages.

Table 3. - Milk received by distributors reporting to the pool operated by the Falls Cities Cooperative Milk Producers' Association, 1931-34 1/

Month	1931	1932	1933	1934
	Million pounds	Million pounds	Million pounds	Million pounds
January	--	8.20	7.31	6.68
February	--	7.98	6.50	5.87
March	--	8.79	7.38	6.57
April	--	9.94	7.70	7.71
May	10.45	11.72	9.12	9.16
June	9.07	9.61	7.89	7.95
July	8.09	8.39	7.30	7.54
August	8.58	8.16	7.66	7.64
September	7.86	7.01	6.89	6.87
October	7.41	7.17	6.82	6.24
November	7.13	6.84	6.22	6.28
December	7.53	7.07	6.62	6.42
Total		100.88	87.41	84.93
Average		8.41	7.28	7.08

1/ During this entire period a minor part of the total market supply of milk was not included in the pool. Beginning with June 1, 1934, the pool was operated by the administrator of Federal License No. 60.

Part of table 38, Farm Credit Adm. Bulletin No. 32, April 1939.

Outside Sources of Supply

Before 1932, it was a relatively simple matter, if supplies from regular producers were inadequate, to bring in additional milk from other producers within the milkshed. After the Louisville milk ordinance became fully effective, the ungraded supply within the area could not so readily be tapped, and on a few occasions in the pre-war period, small quantities of milk were brought in from Memphis, Tenn., to relieve fall shortages. This milk had to meet the standards of the Louisville ordinance. As will be discussed later fall shortages became a serious problem during World War II.

Number of Producers and Sanitary Requirements

As many as 2,600 different producers may have shipped milk into the Louisville market before health regulations became stringent. After May 1932 the strict ordinance of the City of Louisville required that a veterinarian's certificate, bearing the identification number of each animal tested, be filed with the health officer as evidence that the herd was free from tuberculosis, Bang's disease, and other diseases. Dairy barns had to have impervious floors and gutters and be constructed or remodeled to meet specifications for lighting, air space, and ventilation per stanchion. The milk house or room, partitioned to separate the handling of milk and storage of cleaned utensils from the cleaning and other operations, had to be screened and be equipped with running water, facilities for heating water, and stationary wash and rinse vats. Cooling facilities were necessary because milk was to be cooled immediately after milking to 50° F. or less, and maintained at or below that temperature until delivery. These and many other provisions substantially increased the cost of producing milk for fluid use.

Under the new requirements, the number of producers dropped to around 1,400, but many of these added to and improved their herds and increased the yield per cow, and thus maintained the supply of milk. By 1934 the total number of graded producers had decreased to less than 1,300. 6/ A survey of 277 producers indicates that the cost of meeting the requirements of the ordinance ranged from no cost to much more than $1,000 where extensive remodeling of barns was necessary or new buildings were constructed. For the typical farm on which about 20 cows were kept, the average cost was about $400 (20, pp. 53-54). Producers who did not choose to meet the expense for special buildings, equipment and handling, either shipped cream, or sold ungraded milk, or sold their herds and turned to other farm enterprises.

At the first hearing in August 1933 these groups were represented:

	Approximate membership
Falls Cities Coop. Milk Producers' Assn.	1,060
Independent Milk Producers' Assn.	140
The Kentucky Dairies, Inc.	100
Total	1,300

In addition, there probably were 100 to 150 unorganized wholesale producers and about 70 producer-distributors.

6/ Hearing August 7, 1933. Docket No. 18 Sec. p. 111. Hearing April 18 and 19, 1934. Docket No. 168 Sec. p. 259.

III.--MARKETING CONDITIONS LEADING TO REQUEST FOR FEDERAL REGULATION

Conditions under Individual Bargaining

In the decade preceding Federal regulation (1925-1934), there were two distinct phases in the marketing of milk in the Louisville market. Up to 1931, individual producers bargained as effectively as they could with distributors in regard to the terms on which their milk would be sold. Distributors, too, had their own difficulties with uneven supplies and unreliable quality, particularly in the summer months. The second phase began with the organization of a strong producer cooperative and the institution of a strict milk ordinance by the city of Louisville. These developments led to important changes in marketing procedures.

Producers under Serious Disadvantages

Roberts and Price describe unstable marketing conditions which existed under individual bargaining:

> The Falls Cities Milk Producers' Association was organized under conditions of production and marketing that were not generally satisfactory to producers, distributors or consumers. The seasonal variations in supplies of milk were wide. The quality of milk was not dependable and often did not meet the requirements of the market. Prices paid for milk were not uniform and were considered discriminatory by many producers. Moreover, the plan of buying milk was not uniform throughout the supply area. Milk was sold by dairymen both by weight and by measure. Complaints of delay in the return of milk cans, slow payment for milk, frequent rejections of milk, and unsatisfactory weights and tests were common. Altogether it appeared that the system of selling milk individually put most dairymen at a disadvantage in bargaining (15, pp. 41-42).

Prices to Producers

Health regulations in the 20's and early 30's were such that dealers could easily take on additional producers to meet fall shortages. When the shortages were past, handlers were inclined to reduce the number of producers from whom they bought; some producers complained that because of this fact prices to regular producers of market milk were unduly depressed, particularly during the flush season. Indeed, seasonal changes in producer prices were quite wide from 1925 through 1928 (table 4). Furthermore, producers experienced sharp declines in the price level from 1929 to 1931, the years in which the cooperative was being organized.

Table 4. - Dealers' buying prices per hundred pounds of 4 percent milk for use as fluid milk and cream, Louisville, Ky., 1925-34

Month	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Jan.	2.64-2.80	2.90	2.76-2.81	2.76-2.81	2.79	2.52-2.58	1.93	1.74	1.95	2.09
Feb.	2.64-2.80	2.67	2.76-2.81	2.67	2.67	2.51-2.60	1.62	1/1.73	1.95	2.08
Mar.	2.20-2.33	2.09-2.32	2.76-2.81	2.67	2.65	2.28-2.38	2/1.85	1.74	1.88	2.08
Apr.	2.20-2.33	2.21	2.64-2.81	2.29-2.35	2.52-2.58	2.33	1.85	1.73	1.85	2.07
May	2.20-2.33	2.21	2.33	2.32	2.52-2.58	2.22-2.34	3/1.83	4/1.73	1.84	2.06
June	2.09-2.21	2.21	2.18-2.23	2.29-2.35	2.56	2.21-2.23	1.84	1.85	1.85	5/2.07
July	2.30-2.46	2.21	2.21	2.32-2.38	2.50-2.56	2.21-2.23	1.87	1.98	1.95	2.07
Aug.	2.30-2.46	2.21	2.21-2.32	2.29-2.35	2.56	2.54-2.58	2.19	2.05	2.04	2.07
Sept.	2.30-2.46	2.21	2.32	2.51-2.58	2.52-2.58	2.55-2.58	2.20	2.05	2.05	2.06
Oct.	3.00-3.10	2.20-2.32	2.51-2.56	2.53-2.58	2.55	2.55-2.58	2.19	2.05	2.05	2.06
Nov.	3.02-3.18	2.64-2.69	2.76-2.81	2.79	2.55	2.20	2.20	2.05	2.07	2.23
Dec.	2.90	2.76-2.81	2.76-2.81	2.79	2.55	2.20	2.19	2.00	2.09	2.25
Av.	2.48-2.61	2.37-2.41	2.52-2.58	2.52-2.56	2.58-2.60	2.36-2.40	1.98	1.89	1.96	2.10

1/ Base-rating plan inaugurated by the cooperative.
2/ Falls Cities Cooperative Milk Producers' Association began operation.
3/ Class-use plan adopted.
4/ New health ordinance adopted in summer of 1931 became effective in May 1932.
5/ Federal License No. 60 effective June 1, 1934.

Data for 1925-1930 inclusive compiled from Fluid Milk Report, Bureau of Agricultural Economics; prices were adjusted from 3.5 to 4.0 percent milk by using monthly allowances per one-tenth of 1 percent variation in butterfat as published for Louisville, Ky., in Fluid Milk Report.

Data for 1931-1934 inclusive are weighted averages of Falls Cities Cooperative Milk Producers' Association prices for Class I and Class II milk as found in Farm Credit Administration Bul. No. 32, table 33.

New Marketing Procedures under Cooperative Bargaining

Introduction of Classified Price Structure

The Falls Cities Cooperative Milk Producers' Association introduced uniform pricing and marketing procedures into a large sector of the market, thus replacing individual bargaining with collective bargaining and negotiation. Important changes in marketing procedures which took place in the formative years of the cooperative were the institution of a use-classification plan in April 1931, the inauguration of a base-rating plan in February 1932 and the introduction of a strict health ordinance which became effective in May 1932 with respect to both member and non-member milk.

In May 1931, cooperating dealers paid a Class I price of $2 per hundredweight of 4 percent milk used for fluid consumption as whole milk and as flavored milk; a Class II price of $1.30 for milk used in fluid cream, buttermilk, cottage cheese, ice cream, and starter milk; and a Class III price based on the price of 92 score butter at Chicago for surplus milk manufactured into dairy products. Producers were paid an average, or blended, price based on the combined or pooled utilization of their deliveries and on the class prices which had been agreed upon by the Association and distributors who bought from it. The blended prices, of course, were lower than the average prices paid by distributors for Class I and Class II milk (table 5). The difference between the two price series varied with the amount of surplus, the relationship between class prices, and any changes in classification. In 1932 and 1933, for example, the spread was greater than average in May, when receipts were at their peak, and less than average in November, when receipts were at a seasonally low level.

Before the institution of the base-rating plan in 1932, the price paid for milk containing 4 percent butterfat tended to be about the same for all members of the Association. Under the base-rating plan, each producer's price was unique, depending upon the relationship between his base and his actual deliveries of milk. Some producers, not understanding the operation of the plan, complained bitterly when their prices were lower than those received by neighbors.

Experiences under the "Base and Surplus" Plan

The base and surplus plan was used continuously from February 1932, through October 1934, and also during May, June, and July of 1935. Temporary bases (the average of each producer's deliveries in June, September, and November, 1931) were effective February 1, 1932. The first permanent bases (the average of each producer's deliveries from October 1, 1931, to April 1, 1932) were effective from April 1, 1932, to April 30, 1933. The second set of permanent bases, effective May 1, 1933, were determined by taking each member's average deliveries from

July 1, 1932, to April 1, 1933, and averaging this new basic average with the previous basic average. The Association did not announce a new base-forming period for 1933-34.

Table 5. - Dealers' average buying prices for Class I and Class II milk and blended price received by producers, per hundredweight of 4 percent milk, Louisville, Ky., 1931-33

Month	1931		1932		1933	
	Dealers buying prices 1/	Blended prices 2/	Dealers buying prices 1/	Blended prices 2/	Dealers buying prices 1/	Blended prices 2/
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
January			1.74	1.41	1.95	1.51
February			1.73	1.43	1.95	1.45
March			1.74	1.42	1.88	1.41
April			1.73	1.24	1.85	1.40
May	1.83	1.48	1.73	1.18	1.84	1.39
June	1.84	1.51	1.85	1.22	1.85	1.47
July	1.87	1.57	1.98	1.50	1.95	1.57
August	2.19	1.73	2.05	1.50	2.04	1.55
September	2.20	1.82	2.05	1.64	2.05	1.62
October	2.19	1.87	2.05	1.63	2.05	1.65
November	2.20	1.85	2.05	1.66	2.07	1.68
December	2.19	1.79	2.00	1.62	2.09	1.65
Average			1.89	1.43	1.96	1.52

1/ Average of Class I and Class II prices.
2/ Prices paid to members of Falls Cities Cooperative Milk Producers' Association, after Association dues of 5 cents per hundredweight had been deducted.

Reproduced from Farm Credit Administration Bul. No. 32, table 17.

Usually the base pool price represented the sales returns from Class I and Class II utilization, and the surplus price represented Class III utilization. Because of two severe droughts during the years that the base-surplus plan was in operation, it is difficult to appraise how successful the plan was in reducing seasonal variations in production. It has been noted previously that a small group of producers left the Association because of dissatisfaction with the operation of the base-surplus plan, and that these producers became the nucleus for a small cooperative known as the "Independent Milk Producers' Association."

Dissatisfaction apparently arose from several causes. When this program to achieve more even production was inaugurated, the market was only partially on a graded basis. At first the graded producers received the Class I price for all of their milk and ungraded producers were paid according to their assigned bases. In this transitional period it was difficult to estimate the potential supply of graded milk and to establish bases for individual producers which, in total, would approximate the average requirements of the market for fluid milk and cream. Furthermore, producers increased production in order to earn higher bases with the result that very quickly the supply of base milk exceeded the fluid needs of the market. With no increase in sales, this meant that producers received the base price on only a part of their base deliveries. The relatively low level of these percentages (in 1933 the percentages ranged from 75 in January to 65 in July) and the fact that they were changed from month to month created producer unrest and disappointment.

As the volume of graded milk increased beyond the requirements of the market, rules were made more stringent. For example, after August 15, 1932, the bases of ungraded herds no longer could be transferred. Until October 1, 1932, a sour cream producer who became a graded shipper (i.e., a "new shipper"), had been allotted a base of 50 percent of his previous three months' production (excepting April, May, and June) but, beginning October 1, 1932, only 25 percent of such production was considered as basic. Ungraded shippers who qualified under the Louisville Milk Ordinance after November 1, 1932, were classified as new shippers.

By agreement with cooperating dealers, any increases in base to meet the needs of the market went to members of the Association; all new producers taken on by cooperating dealers had to be members; a member lost his base when he withdrew from the Association or if he failed to give two weeks notice before changing dealers; a non-member lost his base if he changed dealers. The application of these rules and the announcement that no new base-forming period was open for 1933 created serious ill-will against the Association, particularly on the part of non-members. Misunderstandings with respect to the rights of landlords and tenants to bases, in cases where part or all of a herd was moved, also created difficulties. These were some of the problems which were indicated in the monthly issues of the Falls Cities Cooperative Dairyman of that period, (Association rules governing the base and surplus plan are given in the January 1933 issue) and also in the early hearing records. Additional discussion of the base-rating plan in Louisville may be found in the studies of Roberts and Price (15, pp. 69-72) and of Welden and Stitts (20, pp. 36-38).

Some Pricing Problems

The record shows that the Sales Committee of the Association and the cooperating distributors were not always able to compose their differences:

> Class I sales had been declining during the Fall and early Winter (1931), and the distributors were asking that the price of milk be reduced one cent. The Sales Committee was willing to reduce the price provided the distributors

absorbed one-half of the drop. This they were unwilling to do, so both sides agreed to arbitration. Dr. Clyde L. King, on January 1, 1932, settled the matter by dropping the retail price from 12 cents to 10 cents and reducing the Class I producer price from $2.46 to $1.85. This reduced the dealers' spread from 6 3/4 to 6 cents and made the blended price to producers $1.46. 7/

Competition from lower priced ice cream mix from outside the supply area led the Association, on April 1, 1932, to divide Class II milk into two categories--Class II-A and Class II-B. The price for Class II-A remained at $1.30 per hundredweight and included milk going into cream, buttermilk and cottage cheese; the price for Class II-B was established at 4 times the current monthly average price of 92 score Chicago butter plus 20 cents and included milk going into ice cream and starter milk (milk used in making cultured buttermilk, etc.). This pricing arrangement enabled cooperating distributors to regain their ice cream mix business.

Price cutting among cooperating dealers and by independent dealers also was a serious problem in the early years of the Association and created considerable market instability.

Spread Between Prices of Milk for Fluid and for Manufacturing Purposes

Even though the difference between the price of milk used for fluid milk and cream and the price of milk used for manufacturing purposes widened significantly after the milk ordinance became effective (table 6), at times some producers of graded milk felt that this difference was too narrow. It will be noted that in the 1925-to-1929 period the average difference between the two series was relatively small, but producers of market milk at that time were not subject to much extra expense to meet sanitary requirements and therefore competition between milk for the Louisville market and manufacturing milk was more direct. In 1930 the spread widened because, due to national economic conditions, the price of manufacturing milk dropped more sharply than the price of milk for use as fluid milk and cream on the Louisville market.

Probably no period in the history of the Louisville milk market was as revolutionary (and evolutionary) as the initial years of cooperative bargaining. The years 1931 to 1934 witnessed the growth of a strong cooperative; the transition of the market from an ungraded to a graded basis; the varied experiences under a base-surplus plan; and the introduction and producer and dealer acceptance (except for a minority group) of the use-classification plan of paying for milk.

7/ Hearing Aug. 7, 1933, Docket 18 Sec. p. 25.

Table 6. - Amount by which prices of milk for fluid milk and cream exceeded prices of manufacturing milk, per hundredweight of 4 percent milk, Louisville, Ky., range and average 1925-29, annual 1930-33 1/

Month	1925-29 Range	1925-29 Average	1930	1931	1932	1933
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
January	.49-.79	.65	.85	.79	.72	1.01
February	.41-.93	.59	.95	.56	.93	1.24
March	.20-.47	.35	.76	.61	.91	1.24
April	.14-.44	.29	.60	.62	.92	1.12
May	.19-.46	.30	.67	.94	1.05	.93
June	.10-.55	.32	.80	.97	1.22	.97
July	.29-.55	.41	.83	.99	1.39	.93
August	.21-.57	.41	.88	1.15	1.29	1.23
September	.29-.53	.38	.78	1.04	1.24	1.20
October	.28-.88	.49	.82	.85	1.24	1.19
November	.50-.80	.60	.58	.96	1.23	1.21
December	.44-.71	.56	.87	1.00	1.02	1.30

1/ Prices for manufacturing milk in the Louisville supply area were computed from published data of BAE as follows: 70 percent of the Kentucky farm price of butterfat on the 15th of the month multiplied by 4, plus 20 percent; 15 percent of the Indiana farm price of butterfat on the 15th of the month times 4, plus 20 percent; 15 percent of the price for 3.5 percent milk at condenseries in the East North Central States plus 5/10 of the Chicago 92-score butter price.

Compiled from Farm Credit Adm. Bul. No. 32, table 35.

Recovery Legislation and Fluid Milk Marketing

While these developments were taking place in Louisville, national programs were being set in motion to combat the severe depression over the country at large. To relieve the seriously depressed state of farmers and to restore their purchasing power relative to industry, Congress passed (effective May 12, 1933) the Farm Relief Act of which the "Agri-Cultural Adjustment Act" was Title I; to promote employment and encourage national industrial recovery, Congress passed (effective June 16, 1933) the National Industrial Recovery Act. Both pieces of legislation affected the marketing of milk in the Louisville area, the former because it was the legal authority for milk marketing agreements and licenses, the latter because for some months, beginning in July 1933, distributors in Louisville operated under a temporary NIRA milk code. Moreover the National Industrial Recovery Act authorized that Title I of the Farm Relief Act be designated as the Agricultural Adjustment Act.

Codes of fair competition for industries included provisions for minimum wages, maximum hours, safety and sanitation, production, marketing and sales, prices, terms and discounts. Milk codes were among those administered by the Agricultural Adjustment Administration because, on June 26, 1933, the President delegated to the Secretary of Agriculture all the functions and powers (except those relating to labor) vested in him by Title I of the NIRA with respect to trades and industries engaged principally in the handling of milk and its products, tobacco and its products, and all food and foodstuffs. After a short experience under the temporary milk code, distributors in Louisville petitioned Dr. Clyde L. King, chief of the Dairy Section, Agricultural Adjustment Administration, for a wider spread than that provided under the code. This they said was necessary because of the increased costs of supplies and of putting their plants on a 6-day, 48-hour schedule, and their office forces on a 40-hour schedule. The problem, however, was not acted upon directly, because preparations for the initial hearing with respect to a marketing agreement and license were in progress.

Reasons for Requesting a Marketing Agreement and License

Despite the improvements in marketing arising from the collective bargaining activities of the cooperative, and the establishment of fair trade practices under the temporary milk code, many producers and some distributors were dissatisfied with the market situation. In particular, the price-cutting activities of some peddlers, producer-distributors, distributors, and chain stores were held to be against the public interest and an obstacle to the objectives of the Agricultural Adjustment Act. Furthermore, there was strong disagreement between the organized producers and distributors with respect to the size of the dealers' spread. These were some of the points which led to a request for Federal regulation of the Louisville market.

IV.—ADOPTION AND ADMINISTRATION OF LICENSE

Events Preceding Issuance of License

Producer Proposal

On July 21, 1933, the Falls Cities Cooperative Milk Producers' Association submitted to the Secretary of Agriculture a proposal for a marketing agreement for the Louisville sales area and petitioned in writing for a public hearing on it. The main body of the proposal defined the pertinent terms and set forth the more general conditions by which the producers, the distributors, and the Secretary would be bound. Three exhibits covering, respectively, the classification and pricing of milk, the base-rating plan, and wholesale and retail price schedules were appended.

Procedure at Hearing, August 7, 1933

A public hearing was held in Washington, D. C., on August 7, 1933, to consider the proposed marketing agreement. The purpose of this formal public hearing was to provide facts and evidence pertaining to the state of the industry upon the basis of which the Secretary could prepare a tentative marketing agreement or license, if the information submitted would indicate that such an instrument would carry out the declared purposes of the Act. A tentative agreement would then be offered to producers and distributors for signature. If a number of the distributors failed to sign the marketing agreement the Secretary still had power (under Section 8 (3) of the Act) to issue a blanket license under which all distributors of milk on the Louisville market were licensed whether they wished it or not. The Secretary had this power, however, only if the evidence presented at the hearing indicated that milk for fluid consumption in the Louisville area was handled in the current of interstate or foreign commerce.

Procedures leading up to and at such hearings were standardized under the Act and under the General Rules and Regulations with respect to the Act. The first question raised by the Presiding Officer was whether there should or should not be a marketing agreement. No opposition to an agreement, as such, was expressed but a representative of dealers who were not buying milk from the Falls Cities Cooperative Milk Producers' Association stated that this dealer group was opposed to the agreement as proposed. There being no opposition to some form of agreement, the proponents were asked to read, without comment, any amendments they might have to the proposed agreement. The meeting then opened for evidence on the amended proposal. Because the hearing was an administrative inquiry, not a judicial investigation, no cross-examination by opposing interests was permitted. A period of 10 days was granted in which briefs could be filed to supplement or amplify evidence given at the hearing.

Producer and Dealer Reactions

Marketwide interest in regulation. The Manager of the Falls Cities Cooperative Milk Producers' Association spoke at length on the reasons why a uniform buying and selling plan, was vitally needed to stabilize the market. He pointed out that the existence within the supply area of two methods of paying for milk, with accompanying price-cutting activities of distributors and chain-stores, had been seriously detrimental to the interests of producers.

A group of some 100 to 150 producers, in the process of organization as "The Independent Milk Producers' Association", together with the "Independent Distributors" who bought their milk, filed a number of objections and suggested amendments to the proposed marketing agreement. 8/

The Independents and the base-surplus plan. The Independents were especially anxious to protect their interests under the proposed base and surplus plan. The proposed marketing agreement provided that the existing equalizing funds be consolidated and operated as one fund by an Equalizing Fund Committee of three members, one chosen by the Falls Cities Cooperative Milk Producers' Association, Inc., one chosen by the cooperating contracting distributors and one appointed by the President of the University of Kentucky. All appointments were to be subject to confirmation by the Secretary. The Independents proposed that the member appointed by the President of the University of Kentucky be selected from a list submitted by the group of distributors and producers who were not associated with the Falls Cities Cooperative. All bases should be under the control of the Equalizing Fund Committee.

The Independent Producers and Distributors maintained that existing bases were too high and recommended that the total bases be reduced and adjusted in an equitable manner so that the total base milk for sale in the area, would be within 10% of the total basic requirements for Classes I and II-A uses. The Independent Distributors agreed that it was fair that any surplus above the necessary requirements and within a reasonable limit should be equalized, but objected to being forced to equalize a large surplus going into byproducts because this, in effect, forced them into a business for which they were not equipped, in which they were not interested, and which they had not the capital to enter. They said that some of the distributors desired to make manufactured milk a basic industry instead of a byproduct industry. 9/

Disagreement on dealers' spread. A proposed increase in the Class I price, from $2.18 to $2.30 per hundredweight, would have narrowed the dealers' spread. The Falls Cities Cooperative Milk Producers' Association maintained that a spread of 6 to 6¼ cents was sufficient, and that under existing demand conditions the retail price per quart delivered should not be higher than 11 cents. The distributors who bought from this

---

8/ Hearing August 7, 1933. Docket No. 18 Exhibits 29 and 30.
9/ Brief appended to Docket No. 18, Secretary.

association insisted that, due to rising costs, they needed a spread of 6 3/4 cents. They, therefore, objected to the proposed increase in the Class I price. The Independents did not object to the Class I price of $2.30 but wanted the retail price per quart raised to 12 cents; then they could have a spread of about 7 cents, which they maintained was necessary because the volume handled by many of them was so small that they could not operate on as narrow a margin as the larger distributors. Because of expected economic improvements under the recovery program, it was their opinion that the level of sales could be maintained at the 12-cent retail price.

Protective capping and cream-top bottles. The producer-distributors (who mostly distributed raw milk) objected to a proposed one-cent additional charge for protective capping. They stated further that their business would be seriously affected if they were required to alter their prices in accordance with the normal month-to-month variation in the butterfat content, or to attempt to standardize their milk to 4 percent. The latter objection was directed at the proposed resale prices, which applied to milk containing 4 percent butterfat, and which were to be increased by 1 cent a quart for each .5 percent that the average butterfat content increased above 4.0 percent, subject to a .2 percent tolerance.

Ten companies who manufactured and distributed several types of sanitary caps filed a brief in protest against a proposed 1-cent additional charge for protective capping. They submitted cost figures showing that the increased cost in no case exceeded one-fifth of a cent. It was also proposed that milk, cream or butterfat bottled in the cream topped bottle or any other similar bottle should carry an additional charge of at least one cent. The only dealer in Louisville who had the right to use the cream top bottle testified that royalty was paid according to the size of the city, and that his extra cost was less than one-thirtieth of a cent per bottle. 10/

Because each group was seeking to protect its own interests, the role of the Government in trying to arrive at a plan which would promote the best interests of the market as a whole, was both important and complex.

Interim Period

Although the first hearing on the proposed marketing agreement for Louisville was held on August 7, 1933, License No. 60 was not put into effect until June 1 the year following. Administrative policy was in the formative stage during these months. Between August 1, 1933 (when the first license became effective in Chicago), and December 20, 1933, fifteen fluid milk markets had come under Federal licenses. But

10/ Compare the practice of charging a premium for "double-cap milk" in the Kansas City, Missouri, market. (8, pp. 19-21) reports of violations of retail price schedules, particularly by smaller dealers, were frequent and enforcement was slow and inadequate, partly because of lack of personnel and partly because the legal status of licenses under the Act was uncertain and prosecution therefore was not vigorous.

Industry rejects first tentatively approved agreement. Against this background, the Dairy Section of the Agricultural Adjustment Administration drew up a tentative marketing agreement for Louisville. On September 7, 1933, the marketing agreement for the "Falls Cities" was recommended for approval to the Directors of Production and of Processing and Marketing, by the Chief of the Dairy Section. His memorandum contained these basic considerations:

1. This agreement was proposed as a result of serious price declines and market instability in the Falls Cities Milk Shed.

2. This Milk Shed includes farms in the States of Indiana and Kentucky, and the Sales Area includes cities and towns in both the above states. This is therefore an interstate market from both the production and distribution points of view.

3. The public interest will be advanced by this agreement because:

   (a) This agreement stabilizes and increases prices to producers.

   (b) The determination of retail and wholesale prices prevents undercutting of these prices which would in turn ultimately result in reduced prices to producers. Because of increases in distribution costs, among others in wages and transportation, the percentage of the consumer's dollar returned to the farmer would not appear to be increased over the base period 1909-1914.

   (c) It appears that parity is being approached, but has not been reached.

On September 14, 1933, while the agreement was in process of being approved, the Administrator of the AAA announced that the resale price schedule of a milk marketing agreement should contain minimum and maximum retail prices instead of fixed resale prices and that an agreement should have a 30-day trial period, with the understanding that the Licensing and Enforcement Section would endeavor to obtain the facts on costs of distribution and store and wagon difference upon which a permanent agree could be justified. 11/

11/ Milk, Fluid - Louisville (Falls Cities) Ky. Marketing Agreement, Tent. Appd. Abandoned Originals, National Archives NR-1762 (Memorandum of Robert S. Ford to Dr. Frederic C. Howe, document No. 16, Sept. 18, 1933.)

Thereupon the fixed resale price schedules in the recommended Falls Cities agreement were replaced with minimum and maximum retail prices. When distributors in Louisville, representing 65 percent of the milk sold on the market, were informed of the change in the retail price schedule, they notified the Secretary that dealers were unanimous in holding out for the original code with enforcement. The Falls Cities Cooperative Milk Producers' Association also rejected the revised agreement and requested that auditors be sent immediately to the Louisville milkshed to study the costs of distribution so that prompt and final action could be taken. Because the agreement was not signed by either of the affected parties it was returned to the Dairy Section for revision.

Issues with respect to dealers' price spreads. By October 26, 1933, sworn financial statements covering operations for August, 1933, had been received from 11 distributors in Louisville who handled approximately 50 percent of the milk. Of the 11 statements, 6 showed a loss. The General Counsel of the AAA, however, did not believe that this fact alone was sufficient justification for increasing the spread through any particular marketing agreement. Thereupon data on spreads were placed in the record by Dr. King, (table 7). The specific point at issue was that the spread had increased from 5.80 cents to 6.31 cents on July 16, 1933, shortly before the initial proposal for an agreement was submitted. Because of this situation, the Consumers' Counsel and the General Counsel thought the proposed spread of 6.16 cents per quart might be too high and contrary to the intent of the Act. The following excerpt from a memorandum to General Westervelt, the Director of Processing and Marketing, explains the position of the Dairy Section on the question:

> In order to raise prices to the farmers long needed in the market the dealers accepted the price of $2.18 for their milk as of July 16 which put milk at 11 cents with a spread on Class I of $.0631. In the present agreement this spread of $.0631 is reduced on the same basis to $.0616. In addition to this there is a tax of 4 cents per hundredweight to pay for the health inspection by the City of Louisville which the dealers have had to pay themselves.
>
> The average spread for the year 1931 and 1932 other than the ten days of price war was $.0623. The spread in the agreement is therefore somewhat lower than it has averaged in the past in the face of increased costs for N.R.A. labor and commodities purchased . . . .
>
> The voluntary agreement on the part of the dealers to buy at the price demanded by the farmers as of July 16 with the resulting increase to the consumers does not indicate collusion in the slightest. On the contrary an attempt was made to meet the wishes of the President and Congress to pay more money to the farmers. 12/

12/ See footnote 11, page 27. (Document No. 34, Nov. 10, 1933)

Table 7. - Simple price spread between price of milk sold at retail and price of Class I milk, Falls Cities Milk Market, periods during 1931-33

Year and period	Class I price 1/ Per hundredweight	Class I price 1/ Per quart	Retail price per quart	Simple price spread 2/
	Dollars	Cents	Cents	Cents
1931				
March and April 3/	1.59	3.42	10.00	6.58
May 1 - July 31	2.00	4.30	11.00	6.70
Aug. 1 - Dec. 31	2.46	5.29	12.00	6.71
1932				
Jan. 1 - July 20	1.85	3.98	10.00	6.02
July 21 - July 31 4/	2.25	4.84	8.00	3.16
Aug. 1 - Dec. 16 5/	2.05	4.41	10.00	5.59
Dec. 17 - Dec. 31	1.95	4.20	10.00	5.80
1933				
Jan. 1 - July 15	1.95	4.20	10.00	5.80
July 16 6/	2.18	4.69	11.00	6.31
Proposed in agreement 7/	2.25	4.84	11.00	6.16

1/ Price applies to milk containing 4 percent butterfat.

2/ Simple price spreads figured on retail quart basis and not on combined wholesale, retail, charity or bulk prices. Retail sales were 40 percent of entire market sales.

3/ Flat price in effect when producers association was organized.

4/ Milk war by dealers started July 21 in which producers refused to lower prices and instead raised them some 40 cents per cwt.

5/ Milk war ended July 31 - producers association offered its milk for sale at $2.05 per cwt. instead of returning to $1.85 per cwt. as in effect prior to milk war. This was done to reduce dealers' spread and remove temptation to cut prices.

6/ Price raised July 16 - agreement submitted July 21.

7/ Note spread narrowed by agreement.

Archives NR - 1762 Doc. No. 33, Nov. 10, 1933.

With this explanation the revised agreement containing a 10-cent cash and carry retail price per quart and an 11-cent price for other retail sales was submitted for the approval and signature of the Secretary. Dr. Mordecai Ezekiel advised the Secretary either to: approve the agreement as it stood even though it almost certainly had too high a spread as far as the distributors were concerned, or to restore the somewhat more favorable prices for farmers which previously were in the agreement, and which the dealers had refused to accept; to sign the agreement with the producers' association, and to impose it by license upon the distributors. 13/

Second agreement tabled. The Secretary tentatively approved the agreement November 18, 1933, with the recommendation to the Administrator that, as soon as the agreement became effective, auditors of the Department should be put at work on the books of the distributors to determine what was the minimum distribution cost that the more efficient distributors could operate on. At the end of the 30-day trial period, a new public hearing should be held at which the results of the audit would be considered and changes made in the agreement. The Secretary hoped that the changes would:

1. Increase prices to the farmer on Class I milk.

2. Increase the proportion of the total which was included in Class I, by including cream sold in bottles.

3. Not maintain the present price of the distributor to the consumer and possibly lower the price to the consumer on bottled cream. 14/

On November 28, 1933, signed agreements were sent in by the Louisville Pasteurized Milk Distributors and by the Falls Cities Cooperative Milk Producers' Association. The signed agreements represented distributors selling 85 percent of all milk sold on the market and organized producers who delivered 92 percent of all graded milk produced.

The Chief of the Dairy Section recommended that licensing be resorted to in order to protect producers and to correct marketing conditions in the area. The contracting distributors had consented to and applied for licensing by the Secretary. But, on December 1, 1933, the General Counsel again raised the question of the legality of the license because of the debated increase in spread, and about this time, the Independent producers and distributors of Louisville filed some suggested amendments to the agreement with respect to surplus milk which would have negated the use-classification plan and uniform prices to producers.

13/ See footnote 11, page 27. (Memorandum for the Secretary, Nov. 13, 1933)

14/ See footnote 11, page 27. (Memorandum of the Secretary to George Peek, Nov. 18, 1933)

Meanwhile, the Administration and the dairy industry were endeavoring to solve the problems which had arisen in the markets already under Federal license. Because policy-forming conferences were being held, further action on the Louisville License was temporarily abandoned.

New policy on fluid milk agreements announced. On February 1, 1934, a new policy on fluid milk agreements was announced and the 13 agreements then in effect (Chicago and New Orleans had requested termination in December 1933) were terminated by order of the Secretary. Licenses which were functioning with benefit to the particular markets remained in effect. The marketing plans were to be developed by the Agricultural Adjustment Administration. This was a substantial departure from the previous procedure, which relied primarily upon attempts to extend, over the entire market, the bargaining relations which had existed between strong producer and distributor groups in that market. Effort was to be concentrated upon the establishment and enforcement of producer prices (which, it was hoped, would maintain balance between different classes of uses) and there was to be no attempt to establish and enforce a complete schedule of distributor resale prices. When necessary, however, minimum retail prices could be included to protect the market against unfair trade practices. When the Louisville Pasteurized Milk Distributors were informed that under the new policy fixed resale prices would be omitted, they wired the Secretary that they could not accept such a proposition. Nevertheless, a proposed marketing agreement conforming to the new policy was prepared in Washington and the second hearing was called, to be held in Louisville, on April 18, 1934.

The Hearing of April 18 and 19, 1934

The marketing agreement provided for a base-surplus, class-use marketing plan, but it was couched in impartial language with minimum reference to any particular group in the market. But differences of opinion between the majority and minority groups of producers and distributors were brought out more sharply than at the first hearing. The Independent producers and distributors came out strongly for a flat price to producers, which would be known in advance of sale, and for no sharing of the market surplus beyond that of the particular dealer in question. There was also opposition to a base-rating plan. A few producers and distributors said they did not want the Secretary to come into the market. The Falls Cities Cooperative and distributors who bought milk from them remained strongly opposed to flat-price buying and price cutting, and advocated Federal regulation under a base-surplus plan with marketwide, uniform buying and selling prices, and marketwide sharing of the burden of surplus milk.

Producers were dissatisfied with the prices which they were receiving for milk because of sharp increases in feed and labor costs as compared with 1933. They testified, for example, that from 1933 to 1934 the average price per bushel of shelled corn had advanced from 40 to 58 cents, and the price per ton of cottonseed meal had advanced from $19 to $29.50. 15/

15/ Hearing on April 18-19, 1934. Docket No. 168 Sec. pp. 325-26.

The price for Class I milk in the proposal of April 18, 1934, was \$2 per hundredweight, whereas the Class I price of the Falls Cities Cooperative in March 1934, was \$2.18. Under conditions of stable costs this difference would not have been unreasonable because the season of flush production was beginning. It was maintained, however, that the cost of the ice needed to cool milk to 50° Fahrenheit, as required by the milk ordinance, offset much of the advantage of pasture feeding. The association therefore was firmly against any lowering of the Class I price. They also advocated a flat price of \$1.65 for Class II milk in place of a proposed formula price.

Large distributors who had been cooperating with the Falls Cities Cooperative were much concerned because the proposed license did not provide fixed resale prices which they felt were necessary to protect them from "ruinously cut prices". An economist from the Dairy Division, AAA, offered the following explanation of a distributor's position under a license or an agreement:

> Prior to the passage of the Act, considerable time was given to cost of production with reference to farmers. Cost of production was ruled out by Congress as a basis on which they could base an act for the benefit of agriculture . . . Now, then, the farmer who is unable to make money at the prices stipulated is up against the same proposition that the distributor is on the other side . . . To get into regular resale prices would necessarily be in recognition of a cost of production principle for the distribution system, whereas it has been ruled out for the farmer, and the Act was designed for farmers. 16/

Some distributors thought that the proposed price of \$2 per hundredweight for Class I milk was too high and should be reduced to \$1.80 because audits by the accounting department of the AAA showed that in 1933 dealers in the market as a whole were losing money. It was brought out that dealers had to absorb the city health department permit fee to cover the cost of administering the ordinance. If paid within 5 days the fee was 3 cents per hundredweight of milk; if not the maximum fee of 4 cents was charged.

Many phases of marketing, including differences between health regulations in Louisville and in New Albany and Jeffersonville, Ind., and even such matters as school lunches and relief milk, were explored at the hearing which did not close until 6:15 pm, April 19, 1934.

16/ Idem.

License No. 60

General Provisions

On June 1, 1934 the Louisville milk market came under Federal regulation. The license began with a general section which cited the enabling legislation, described the interstate character of the market, and announced that the Secretary licensed each and every distributor to engage in the business of distributing, marketing or handling milk or cream as a distributor in the Louisville Sales Area, subject to the terms and conditions of the license. Section I contained definitions of certain important concepts, functions, and terms in accordance with the meanings these were intended to have in the license; Section II obligated distributors to abide by the buying and selling price schedules; to purchase milk only from producers having bases or from new producers under the provisions of the license; to furnish reports to the Secretary as requested; and to keep adequate books and records which would be subject to examination of the Secretary during the usual hours of business. No distributor was to do business with another distributor who was in violation, without first reporting such violation to the Market Administrator. The following exhibits were part of the license:

Exhibit A - Marketing Plan
Exhibit B - Rules for Establishment of Bases
Exhibit C - Schedule of Unfair Trade Practices and Minimum Resale Prices

The reporting obligations of distributors were set forth in Exhibit A, and also the procedure which was to be followed by the Market Administrator in arriving at the blended price to producers and the method through which monies were to be paid to or received from the equalizing fund by distributors. Distributors were directed to adjust payments to producers for milk testing more or less than 4 percent butterfat. The differential for each 1/10 of 1 percent variation in butterfat was 2 cents per hundredweight when the average monthly price of 92-score butter at Chicago ranged from 15 to 19.99 cents per pound. It increased ½ cent within each 5-cent increase in the butter price range. The following deductions were to be made by distributors (from payments to producers) and were to be turned over to the Market Administrator:

One cent per hundredweight on all deliveries (unless waived by Market Administrator) to meet cost of administration.
Not more than 4 cents per hundredweight on deliveries by producers who were not members of any Association, for marketing services such as checking weights and tests for butterfat content.

"New producers" were defined as those producers whose milk was neither being purchased by distributors nor being distributed in the Louisville Sales Area within 90 days prior to the effective date of the license. For the first three delivery periods (months) distributors paid the Class

III price for milk received from new producers, except that in case of an emergency new producers were to be paid according to the use made of their milk. Meanwhile, the Market Administrator allotted the new producer a base which became effective after the 90-day period.

Under Exhibit B the Market Administrator was made responsible for establishment of bases and was given access to the files and records of any association whose members had previously been allotted bases. He could make such revisions in the bases of any and all producers as he deemed necessary or advisable, to the end that such bases would be equitable as among producers and that the total of all established bases, would, so far as practical, be equal to the total quantity of milk sold or used by distirbutors as Class I and Class II milk. Ten specific rules with respect to bases were provided. 17/

Exhibit C contained a schedule of minimum wholesale and retail resale prices for milk of 4.2 percent or less of butterfat content and for milk of more than 4.2 butterfat, and for cream of 25 percent or less butterfat and cream of more than 25 percent butterfat. Minimum prices were given for gallons, quarts, pints and half-pints.

Under paragraph 4 of Exhibit C such unfair trade practices as discounts, rebates, and free service or merchandise, resulting in the sale of milk and milk products at prices which were below the established minimums, were prohibited.

Definitions

A fundamental difference between the agreement and the license was that under the proposed agreement only those distributors who voluntarily were "parties signatory" were to be bound, whereas under License 60 all distributors serving the Louisville fluid milk market were regulated under blanket definitions. A producer was a person who produced milk in conformity with the health requirements of the Louisville Sales Area, to be sold for fluid purposes. Because it was the distributors who were licensed and regulated, it was necessary that the definition of "distributor" in License No. 60 be very explicit and broad enough to cover every type of distributor who was doing business in the Louisville Sales Area, including retail stores.

The proposal of August 7, 1933 had not included a definition of "Market Administrator", for at that time it was the policy to leave the administration of an agreement in the hands of local agencies. In the case of the Louisville proposal this was to have been "The Equalizing Fund Committee" and the Falls Cities Cooperative Milk Producers' Association. The provision for a Market Administrator for License No. 60, on

---

17/ License No. 60, Louisville Sales Area, June 1, 1934, pp. 18-19.

the other hand, was in accord with the opinion of the Legal Section of AAA, which took the position that Federal licenses should be administered by the Federal Government. Section II, paragraph 6 of the license provided that "The Secretary may, by designation in writing, name any person, including any officer or employee of the Government, to act as his representative in connection with any of the powers provided in this license to be exercised by the Secretary."

Throughout the license period the "Louisville Sales Area" meant the city of Louisville, the territory within the Fort Knox Reservation, and the cities of New Albany and Jeffersonville in Indiana.

Classification

The classification plan as proposed in August 1933 (first column of table 8) was the same as that used by the Association immediately preceding Federal regulation. Class I and Class II-A was milk used in products which required graded milk.

Classifications given in the proposal of April 18, 1934, are omitted. In that proposal, Class I and Class III were the same as shown in the table for License No. 60. But Class II included only cream for consumption as cream; therefore, by omission, flavored milk, creamed cottage cheese, and cream buttermilk were in Class III. In protest, it was brought out at the hearing that cream, skimmed milk, chocolate milk, buttermilk, and cultured buttermilk were defined as milk products under the milk ordinance and had to be made from graded milk. It will be noted that these products were placed in Class II under License No. 60. However, flavored milk, which previously had been in Class I, was placed in Class II under the license.

Class Prices

Milk which was sold through the Falls Cities Cooperative Milk Producers' Association in March 1934 was being paid for according to 6 different use-classifications (table 9). In that month 76.2 percent of the milk (Class I and Class II-A) was utilized for products for which graded milk was required; 23.8 percent of the graded milk went into surplus uses. Class III-A represented 12 percent of the sum of Class I and Class II sales to take care of returns from stores and routes; it was valued at four times the price per pound of 92 score butter on the Chicago market. This was the maximum of surplus milk which a dealer could purchase at the Class III-A price. Class III-B represented the balance of the surplus milk, except the relief milk. It was paid for at the "bid" price announced on the 1st and 15th of the month by one of the large distributors. To allow for differences in transportation costs, the "bid" price usually was 2 cents per pound of butterfat higher than that paid by cheese factories on the fringe of the milkshed; actually, therefore, the bid price for Class III milk reflected paying prices of competing cheese factories. Class III-C was bottled milk which went to charity institutions. Its price was somewhat higher than that for manu-

Table 8. - Classifications defined in proposed agreement and in License No. 60, Louisville, Ky.

Proposed marketing agreement August, 1933	License No. 60
Class I milk shall include all milk used or otherwise disposed of as fluid milk, whether wholesale, retail, or otherwise, and includes flavored drinks using milk.	Class I milk means all milk sold or distributed by distributors as whole milk in the Louisville Sales Area.
Class II-A milk shall include all milk used or otherwise disposed of as fluid cream, whether wholesale, retail, or otherwise, and milk going into the manufacture of cottage cheese, plain or churned buttermilk, and any other items required to come from graded milk by the ordinances of the city or municipality in which the milk is sold. Class II-B shall include all milk or the cream resulting from its separation, used in the manufacture of ice cream or ice cream mix, or sold as starter milk for butter purposes.	Class II milk means all milk used by distributors to produce cream (for consumption as cream), flavored milk, creamed cottage cheese, and creamed buttermilk for sale or distribution for consumption in the Louisville Sales Area, provided that the milk from which only the skimmed milk is used in the production of the above products shall not be included as Class II milk.
Class III shall include all milk manufactured by the buyer into, or sold to others for the manufacture into American cheese, condensed, evaporated, or powdered milk, butter. A shrinkage allowance of 2% of total purchases is made at four times 92 score Chicago butter.	Class III milk means the quantity of milk purchased, sold, used, or distributed by distributors in excess of Class I and Class II milk. (Inter-distributor or non-distributor sales were to be accounted for as Class I or Class II milk, respectively, unless the first distributor furnished proof satisfactory to the Market Administrator of other than Class I or Class II uses in which event such milk or cream was to be classified in accordance with such other uses.)

Table 9.- Classification, class prices, and class utilization of milk sold through the Falls Cities Cooperative Milk Producers' Association - March 1934

Classification	Description of classes	Price for 4 percent milk	Amount utilized in each class	Percentage of utilization
		Dollars per cwt.	Pounds	Percent
Class I	Fluid milk including flavored milk	2.18	3,890,476	63.4
Class II-a	Cream, cottage cheese, buttermilk	1.65	787,690	12.8
b	Ice cream mix	1.20	549,541	9.0
Class III-a	12 percent returns	.98	579,491	9.4
b	Surplus at "bid" price	1.20	216,417	3.5
c	Charity milk	1.38	114,115	1.9
	Average and Total	1.87 1/	6,137,730	100.0

1/ 5-cent check-off not deducted.

As reported by the Falls Cities Cooperative Milk Producers' Association at the hearing in April 1934. Docket 168 Sec. Exhibit No. 1.

facturing milk, therefore it was considered that this outlet resulted in some financial benefit to producers because this milk otherwise would have gone into surplus uses. These were the pricing and utilization arrangements under which the Falls Cities Association sold milk prior to the application of the license. The minimum Class I and Class II prices under the license were, respectively, $2.18 and $1.65 per hundredweight (table 10). The Class III formula applied to all surplus milk. No 12 percent "return" or "bid" price was provided. These class prices served as floor prices during the 6 years that the license was in effect.

Resale Prices

The question of resale prices was a knotty one in all Federally regulated markets. Generally speaking, the National Cooperative Milk Producers' Federation, large local cooperatives and large distributors felt that fixed resale prices were necessary to eliminate price cutting. They feared that price-cutting dealers, because of lack of funds, would be forced to evade minimum prices to producers. Some of the smaller distributors and the cash and carry stores, on the other hand, were strongly against them. The Consumers' Counsel, moreover, questioned whether or not the interests of consumers were being protected under the

Table 10. - Minimum class prices, per hundredweight of 4 percent milk f.o.b. distributor's plant, as given in proposed agreements and in License No. 60, Louisville, Ky.

Proposed Agreements		License No. 60
August 7, 1933	April 18, 1934	June 1, 1934
Class I - $2.30	Class I - $2.00	Class I - $2.18 1/
Class II-A - $1.95 Class II-B - 4 times the current monthly average of 92 score Chgo. butter + 32 cents and shall never be less than the "bid" price	Class II - 4 times the average price per pound of 92 score butter at wholesale in the Chgo. mkt. as reported by the U.S. Dept. of Agriculture for the delivery period during which such milk is purchased, + 30 percent thereof + 20 cents	Class II - $1.65
Class III - shall be paid for at the "bid" price announced semi-monthly and shall not be less than the price determined from the formula governing the prices for which the milk is used as may be announced by the Secretary of Agriculture. 2/	Class III - 4 times the average price per pound of 92 score butter at wholesale in the Chgo. market as reported by the U.S. Dept. of Agriculture for the delivery period during which such milk is purchased, plus 10 percent	Class III - same as proposed April 18, 1934

1/ Any distributor who sold Class I milk to any relief agency was entitled to a deduction of 60 cents per hundredweight, provided that such distributor furnished satisfactory proof of such relief sales to the Market Administrator.

2/ This language is quoted exactly from the Proposed Marketing Agreement.

resale price schedules. But, in view of the widespread violation of resale prices and the lack of agreement among interested parties, the Administration decided in September 1933 to give up specific resale price fixing on the ground that adequate information was not available on which to establish spreads for dealers and for stores. A firm policy was not announced, however, until February 1934. A summary of proposed resale prices in Louisville, illustrates the unsettled thinking of the period (table 11). In accord with the new policy, License No. 60 merely set wholesale and retail floor prices; it did not provide fixed resale prices for any distributors.

Table 11- Summary of proposed resale prices per quart of milk, Louisville, Ky., marketing area, specified dates, 1933-34 1/

Instrument	Wholesale price	Retail price	Comments on retail prices
	Cents per quart	Cents per quart	
Producer proposal - Aug. 7, 1933	9	11	All outlets
Tentative agreement - Oct. 5, 1933	9	10-11	Minimum and maximum
Tentative agreement - Nov. 16, 1933	9	10	Cash and carry out of stores
	9	11	Other than cash and carry
Proposed agreement - Apr. 18, 1934	Not given	Not given	
License No. 60 June 1, 1934	7	8	Minimum or floor price

1/ Price schedules also included wholesale and retail resale prices for other fluid milk products in different-sized containers.

Compiled from "Milk, Fluid - - Louisville (Falls Cities) Kentucky M.A. Tent. App'd. Abandoned. Originals" Archives NR 49-1762, and from License No. 60.

The Louisville Milk Market Under the License

Administration and Enforcement

Producer check-offs. License No. 60 was in operation from June 1, 1934, until it was suspended by the Secretary on March 31, 1940. (Order No. 46 became effective in Louisville on April 1, 1940.) The license was finally terminated January 1, 1942. F. T. Flynn served as market administrator during this entire period.

Expenses of administration were covered by a check-off of 1 cent per hundredweight from the payments which distributors made to producers. At his discretion, the administrator could waive these monthly deductions, in whole or in part. This low deduction for administrative services was possible because the Falls Cities Cooperative Milk Producers' Association absorbed part of the cost of administration during the early days of the license.

The original by-laws of the Falls Cities Cooperative Milk Producers' Association permitted a maximum check-off from payments to producer-members of 5 cents per hundred pounds of milk (except that an additional deduction of not to exceed 3 cents per hundred pounds could be made for the purpose of building up reserves) to meet expenses such as weighing, check-testing, advertising, and other costs of selling the milk, and providing members with market information. The 5-cent deduction was applied until September 1, 1934. At that time the reserve fund appeared adequate and the association therefore reduced the check-off to 4 cents. The license provided a maximum deduction from payments to non-member producers of 4 cents per hundred pounds to cover the cost of having the administrator furnish these producers with market information, supervision of weights and tests, and other marketing services, similar to those which the Association furnished to its members.

Distributors paid over to the market administrator the monies obtained from administrative deductions (applied to all producer receipts) and the marketing services deductions (applied only to non-members, as the Association made its own deductions) at the time they made payment to producers for milk purchased. The administrator maintained separate accounts for these funds.

The distributor and the market administrator. On or before the 5th day of each delivery period, each distributor was required to submit to the administrator a report for the preceding period which included essential information on the quantity of milk received from producers, from other distributors and from his own production. Receipts from producers were to be reported in two categories (1) those which represented "delivered" bases and (2) those in excess of bases. Each producer had an established base; the "delivered" base was that quantity of milk not in excess of 80 percent of his established base. This percentage could be changed at the discretion of the administrator.

The report also included information on the utilization of the receipts of milk in Class I, Class II, and Class III products. The blended price, which the market administrator computed by dividing the total value of Class I and Class II milk by total delivered bases, was announced to all distributors (together with the Class III price) on or before the 10th day of each delivery period.

On or before the 15th day of each delivery period each distributor was to make payment to producers (for milk delivered during the previous delivery period) as follows:

(a) at the blended price for the quantity of milk delivered by each producer represented by such producers' delivered base;
(b) at the Class III price for the quantity of milk delivered by such producers in excess of such producers' delivered bases;
(c) to new producers at the Class III price unless their milk was used in higher class emergency milk.

These payments to producers were adjusted for butterfat, and were subject to the administrative and marketing services deductions.

The proportion of Class I, Class II, and Class III sales varied among distributors; therefore, the actual value of the milk sold by some of the distributors exceeded the amount which they paid to producers on the basis of the uniform blended price. In other cases the opposite was true. To equalize these differences, the market administrator set up an account for each distributor which, for each delivery period, was debited for the total value of the quantity of milk reported as received, sold, distributed or used; and was credited for the total value of the quantity of milk reported by such distributors on the basis of the uniform prices to be paid producers. Balances due on these accounts were to be paid into an equalization fund, on or before the 13th day of the following month. Out of this fund the administrator paid those distributors whose accounts showed that the amount of their payments to producers exceeded the utilization value of their sales computed at the established class prices. Books and records of distributors were audited regularly, and adjustments were made when discrepancies were revealed.

Because they handled large sums of money through the administrative, equalization, and marketing services accounts, all market administrators were bonded. Furthermore, their books and records were audited periodically by the Systems and Audit Unit of the Field Investigation Service of the Agricultural Adjustment Administration. Monthly and annual summaries were prepared in the market administrator's office (on pricing, on receipts and utilization, and on cash and accounts) for the information of the Secretary.

The determination of the uniform blended price to producers and the operation of the equalization fund were two of the primary functions of the market administrator. He was also responsible for the equitable operation of the base and surplus plan, including the establishment of bases for new producers. Because the market administrator was present at the scene of action, the Secretary depended upon him to suggest changes which would tend to carry out more effectively the purposes of the Act.

Thirteen distributors obtain injunction. The market administrator also had primary responsibility for administering the reporting, pricing, paying, and other provisions of the license. But in those pioneering years of wide-spread Federal regulation of economic activities affected with the public interest, when the constitutionality of the enabling acts had not been affirmed by court decisions, enforcement problems were difficult to handle. Scarcely had the Louisville license been instituted when a group of distributors challenged the applicability of Federal regulation to their operations because these were entirely within the borders of Kentucky. The non-compliance of this group affected market history throughout the license period.

On June 15, 1934, two weeks after the license became effective, the District Court at Covington, Ky., granted a temporary injunction to 13 plaintiff-dealers. This action prevented the enforcement of the provisions of the license and the application of the penalties of the act (any person in a regulated market engaged in the handling of milk without a license as required by the Secretary was subject to a fine of not more than $1,000 for each day during which the violation continued) with respect to their businesses. In addition to contending that their purchases and sales of milk were wholly intrastate and therefore not subject to regulation, these dealers challenged the constitutionality of the equalization fee provisions of the license and the provisions which established prices that abrogated existing contracts.

On July 2, 1934, the Federal judge in Louisville ruled adversely on an appeal of the Secretary by sustaining the injunction against the license. In December 1934, however, the United States Circuit Court of Appeals in Cincinnati, because the administrative authorities had informed the Court that they would await the outcome of the case on its merits, issued an order vacating the temporary injunction. On January 12, 1935, the 13 distributors appealed to the court to modify the vacating order because it left them vulnerable to the severe penalties of the act while its constitutionality was being challenged. The court, however, refused to pass on the constitutional aspects of the case (questions of constitutionality were being raised in a number of the Federal license markets), and denied the appeal to keep the injunction in force, on the grounds that no prosecution had been attempted and thus no ground for action existed.

Although the Secretary was successful in getting the temporary injunction vacated, the issues raised by the 13 distributors were such that no further attempt was made to enforce the provisions of the license against them. The presence of these non-complying distributors continued to hamper the administration of the license. Because they neither complied with reporting requirements, nor participated in the market pool, their purchases and utilization could not be included in the computation of the announced blended price paid to producers by distributors who were in compliance.

Other court decisions and the enforcement problem. Some of the early court decisions and especially certain of those decided by the United States Supreme Court were adverse to some of the so-called "New Deal" legislation. These decisions cast uncertainty upon the legality of Federal milk licenses and rendered difficult, and in some cases impossible, the task of enforcing strictly the provisions of licenses in the markets under Federal regulation. It is not within the scope of this study to review the relevant court decisions; suffice it to say that gradually - through favorable and unfavorable court decisions - the authority delegated to the Secretary with respect to Federal legislation of fluid milk markets became more clearly delineated. 18/

Two decisions of the U. S. Supreme Court which led to changes in the Agricultural Adjustment Act, however, should be mentioned. First was the famous decision of May 28, 1935 (U. S. v. Schechter Poultry Corp. et al., 295 U. S., 1935), which invalidated the National Industrial Recovery Act. The Supreme Court held that the delegation of legislative power to private groups under the NIRA was unconstitutional; that the authority of the President to extend regulation over a given market could not be enforced by the Department of Justice unless such authority were delegated to the President by Congress in specific terms. The Court also declared that there were limits to the legislative powers that Congress could delegate under the Constitution. The Agricultural Adjustment Act (effective May 12, 1933) was open to similar criticisms and, therefore, a proposed amendment to this act included provisions which would be in harmony with the pronouncements of the Supreme Court in the Schechter case. This

---

18/ Some important cases dealing with State or Federal control of milk markets, which reached the United States Supreme Court, were:

Nebbia v. New York, 291 U. S. 502, 1934
Baldwin v. Seelig, 291 U. S. 511, 1935
U. S. v. Rock Royal, Inc., et al 307 U. S. 533, 1939
U. S. v. H. P. Hood, Inc., et al 307 U. S. 588, 1939
U. S. v. Wrightwood Dairy Co. 315 U. S. 744, 1942

The Rock Royal case was outstandingly significant and comprehensive in that it upheld the power of the Federal Government to fix prices in interstate milk markets and established the constitutionality of: The delegations of authority under the act; the fixing of uniform minimum prices; the class-use system of paying for milk; the equalization pool, and other questions at issue. With respect to the Wrightwood case the Supreme Court ruled that the Federal Government had power to regulate the price of milk which was handled and sold within one State if such milk was in competition with other milk transported from outside the State. (This was the issue upon which the 13 distributors in Louisville refused to comply under License No. 60. They, however, complied under Order No. 46 from its inception.)

257955 O - 53 - 4

amendment to the Agricultural Adjustment Act became effective on August 25, 1935. 19/

Second was the decision of the United States Supreme Court in the Hoosac Mills case (U. S. v. Butler et al., Receivers of Hoosac Mills Corp. 297 U. S. Jan., 1936), which declared Section 8 (1) of the Agricultural Adjustment Act to be unconstitutional. This section covered the production-control and processing-tax provisions. Although the courts finally ruled that the marketing agreements and order provisions of Section 8 (2) and (3) of the act were separable and therefore not invalidated by the Hoosac Mills decision, that decision for a time created doubt in regard to the constitutionality of the entire Agricultural Adjustment Act, and, therefore, correspondingly increased the difficulties of enforcement during that time. To clarify and strengthen this enabling act with respect to the agreement and order program, Congress passed (June 3, 1937) the Agricultural Marketing Agreement Act of 1937 reenacting, amending, and supplementing the Agricultural Adjustment Act, as amended. Under § 608 c (18) of the act the Secretary was instructed to fix minimum prices to producers at a level which would reflect the price of feeds, the available supplies of feeds, and other economic conditions which affect market supply and demand for milk or its products in the area. Milk marketing orders and agreements continue to be formulated, promulgated, administered and enforced under the provisions of the Agricultural Marketing Agreement Act of 1937, as amended.

Enforcement under License No. 60. Manifestly, the compliance situation in Louisville was strongly influenced by the complex of local and national legal problems. In particular, the stalemate on the question whether or not the intrastate businesses of the 13 distributors was subject to regulation prevented direct and vigorous enforcement action. Regardless of the legal question, however, these distributors would probably have fallen in line had they not been able to obtain supplies of graded milk from producers who were opposed to the use-classification and the base-rating plans set forth in the license.

19/ Between May 1933 and August 1935, Congress passed some amendments to the Agricultural Adjustment Act which did not directly affect the milk license program. An amendment in 1934 did amplify the marketing agreement provision with respect to interstate and foreign commerce to read "in the current of, or in competition with, or so as to burden, obstruct, or in any way affect, interstate or foreign commerce." This amplification became part of the 1935 amendment with respect to marketing agreements and orders.

Some important provisions of the amendment of August 25, 1935, were: The Secretary was authorized to issue marketing agreements or orders, in place of marketing agreements or licenses; specific provision was made for the classification of milk and for the payment of uniform minimum prices to producers but no authority was given for fixing resale prices; the use of base rating plans was authorized; no marketing agreement or order could prohibit the marketing in that area of any milk or milk product produced anywhere in the United States; orders or amendments thereto required approval by two-thirds of the producers by number or volume; a producer cooperative was authorized to vote, in the name of its members, on an order or amendments to an order. (17)

Although the non-complying distributors paid flat prices for their milk receipts which usually were in close agreement with the blended price announced by the market administrator, at times -- by promising to pay prices higher than the blended price -- some of these distributors persuaded members of the Falls Cities Cooperative Milk Producers' Association to cancel their contracts with the association. These activities were particularly in evidence during the years 1934-1936 when the contract with producers provided that either party could cancel the contract on May 1 of any year after 1930, by giving written notice of such cancellation to the other party any time between March 1 and March 15 immediately preceding.

The annual report of the market administrator for the year ending June 30, 1937, contains information about a new producer contract which the Association introduced as a measure to counteract the activities of non-complying distributors. The report stated that the most marked change in the new contract was the provision that the producer, to withdraw, must bring his notice of withdrawal to the association office, in person. This was felt desirable to prevent wholesale misrepresentation and high pressure sales tactics from being used on producers, causing them to withdraw from the association and re-sign with some other group, thereby preventing any reconsideration of the whole situation. Since the old contract had been in force several years, it was felt desirable by the Board of Directors to re-sign the entire membership, thereby strengthening the association in the eyes of the law, and also renewing membership contracts.

The new contract tended to mitigate producer unrest created by the activities of non-complying distributors and, therefore, helped to keep producers associated with the distributors who were complying with the provisions of the license.

Representatives of the Secretary and cooperating producers and distributors in Louisville were alert to any opportunity to improve the legal status of the license. For example, on August 16, 1935, or less than 2 months after the United States Supreme Court had invalidated the NIRA on the grounds that purposes and delegation of power should be set forth (and perhaps circumscribed) more definitely, the language of License No. 60 was amended. The preamble to the amended license emphasized the interstate character of the market and described the conditions of price disparity at some length. Among other provisions, it specifically stated that in order to maintain prices to producers it was necessary to:

(a) Classify the prices which distributors shall pay for milk, in accordance with the form in which it is ultimately consumed;

(b) Provide for the equitable distribution of the returns resulting from the payment of such classified prices by each distributor, among all of the producers supplying each such distributor with milk; and encourage the production of milk at a uniform level throughout the year.

The amendment did not change the marketing plan, and the classifications and class prices remained the same as those shown, resepctively, in tables 8 and 10. Instead of being carried as separate exhibits, however, these provisions were embodied in the main portion of the amended license and (reflecting changing policy) the exhibit showing minimum wholesale and retail prices was omitted entirely. The market administrator functioned under the amended license from August 16, 1935, until it was suspended on March 31, 1940.

Under the 1935 amendment to the Agricultural Adjustment Act, authority was granted to the Secretary to cooperate in Federal-State marketing programs. This opened a new avenue through which to strive for full compliance. During the year ended June 30, 1936, efforts were made by the Falls Cities Cooperative Milk Producers' Association to secure State legislation which would authorize the regulation of fluid milk markets in Kentucky. Because of strong opposition by some distributors and lack of united effort on the part of producers in Kentucky, it was not possible to get the bill acted upon during the 1936 spring term of the State legislature, nor, indeed, subsequently. The enactment of such a state-wide bill would have covered all distributors in the city of Louisville -- including the 13 districutors who maintained that their business was wholly intrastate.

In Indiana, on the other hand, a Milk Control Board was established in March 1935 under which all distributors, including producer-distributors, were licensed. The presence of this board exercised a degree of restraint on the unstabilizing practices of some of the producer-distributors in New Albany and Jeffersonville. In 1935 mandamus action was brought against one producer-distributor in New Albany who had refused to take out a license under the Indiana Milk Control Board. In a similar case (Milk Board vs. Frank Albert and Delbert Schafer in the Superior Court and Frank Albert and Delbert Schafer vs. Milk Board in the Supreme Court of Indiana in 1936) the Superior Court upheld the Milk Board; and, when the decision was appealed to the Indiana Supreme Court, action was sustained.

During the years 1935-1940 the administrator of License No. 60 cooperated informally with the Milk Control Board of Indiana. It was not until June 1, 1940, that a formal Federal-State milk marketing program was adopted.

A number of means, other than administrative and legal action, were used to foster and increase compliance in the Louisville market area. In this respect -- because both agencies were striving for a stable market with uniform and equitable returns to producers -- the measures taken by the Falls Cities Cooperative Milk Producers' Association and by the market administrator generally were in harmony. This community of interests accounts for the successful dual role of the man who, during most of the license period, not only served as the administrator of Federal License No. 60 but also as the manager of the Falls Cities Cooperative Milk Producers' Association.

With two factions operating in the market under two different price plans, the fundamental objective was to protect and improve the position of the producers and distributors who were using the classification plan and who were in compliance with the license. For example, the administrator protected the blended price to producers by eliminating and excluding from the pool the receipts of distributors who regularly received large volumes of milk from members of the Independent Milk Producers' Association, who had declared that they would not cooperate under the Federal program. Beginning in 1937, the Falls Cities Association regularly employed two field men whose duty it was to try to sign up with the Association all new producers who might be interested in shipping graded milk to Louisville. In addition, the field men were able to interest quite a number of the members of the Independent Milk Producers' Association in the program of the Falls Cities Association. Considerable progress was made, but it was not entirely one-sided, as is indicated by the fact that during the March 1938 withdrawal period twenty-five members of the Independent Association joined the Falls Cities Association, and five members of the Falls Cities Association joined the Independent Association. Market statistics indicated (table 12) that agressive membership campaigns were necessary to check the downward trend in the percentage of the total volume of graded milk which was controlled by the Falls Cities Association.

The description of price negotiations under the license reveals that distributors who were in compliance were protected as far as possible from competitive practices of non-complying distributors. It was also the policy of governmental agencies to purchase supplies from dealers who were cooperating with Federal marketing programs. Under this policy sizable purchases of milk were made from complying dealers in Louisville for nearby camps of the Civilian Conservation Corps, Fort Knox, the Quartermaster's Depot located in Jeffersonville, Ind., and the Marine Hospital in Louisville. These policies helped gradually to break down resistance to Federal regulation.

The License Pool

Producer and distributor participation. The degree of compliance with respect to distributors (and producers) of graded milk may be gauged by the reports to the market administrator of distributors who were complying with the license. During June 1934, the first month of regulation, 7,948,000 pounds of milk receipts were reported and pooled. The milk was delivered in the following proportions: Falls Cities Association, 96.1 percent; non-member producers, 2.5 percent; distributor's own production, 1.4 percent; Independent Milk Producers' Association, 0 percent. The proportion of the pool represented by milk delivered by members of the Falls Cities Cooperative Milk Producers' Association remained approximately at 95 percent of the total during the life of the license. Milk delivered by a few members of the Independent Milk Producers' Association found its way into the pool from time to time, but this group of producers, by and large, delivered to the distributors who refused to recognize the license.

The period 1935 to 1939 witnessed some changes in the number of distributors and producer-distributors who operated in the Louisville market,

Table 12.--Estimated graded milk supply and percentage pooled under License No. 60, Louisville, Ky., 1935-39

Year	Milk reported to pool	Milk not pooled 1/ Distributor	Producer-distributor	Estimated total supply	Estimated percentage pooled
	Million pounds	Million pounds	Million pounds	Million pounds	Percent
1935	85.0	12.3	3.2	100.5	85
1936	86.1	12.2	3.0	101.3	85
1937	86.1	17.3	2.0	105.4	82
1938	100.1	25.1	1.8	127.0	79
1939	107.8	26.5	1.9	136.2	79

1/ As estimated by the market administrator.

Compiled from reports of the market administrator.

and in the number of distributors who reported to the market administrator (table 13). The data reveal a sharp drop in the number of producer-distributors in 1937 as compared with 1936. In 1937 a law was passed by the legislature of Indiana which provided that all milk coming from herds which were not free from Bang's disease had to be pasteurized before it was sold for fluid consumption. This forced producer-distributors in Indiana, who had been selling raw milk, either to free their herds of disease, to install pasteurizing equipment, or to stop distributing milk for fluid consumption. Many producer-distributors, including some who were serving the Jeffersonville and New Albany markets, chose the latter course.

In the five full years in which the Federal license was operative, cooperating producers and distributors marketed from 79 to 85 percent of the estimated total supply of graded milk which came to the market (table 12). The total estimated supply was about 100 million pounds in 1935; by 1939 it had increased to about 136 million pounds, of which 108 million pounds were pooled and paid for at uniform blended prices. The estimated volume handled by distributors who were not complying also increased from 1936 to 1939; but (in comparison with 1936 and because of the more stringent health regulations in Indiana) the total estimated volume handled by the smaller group of producer-distributors stabilized at lower levels in 1937.

Origin of receipts. As was indicated early in the study, the interstate character of the Louisville market was established primarily on the fact that part of the supply of graded milk originated in northern Kentucky and part in southern Indiana. Data on the volume of pooled receipts indicate that a significant percentage of the supply was involved in interstate commerce (table 14). In four out of the five years from 1935 to 1939, more than 20 percent of the pooled milk came into Louisville from farms in southern Indiana and was intermingled, at least to some extent, with milk received from producers in Kentucky.

Table 13.--Distributors and producer-distributors reporting, and approximate number not reporting, under License No. 60, Louisville, Ky., Sales Area 1935-39

End of year	Distributors			Producer-distributors		
	Reporting	Not reporting 1/	Total	Reporting	Not reporting 1/	Total
	Number	Number	Number	Number	Number	Number
1935	2/ 21	14	35	3	51	54
1936	21	14	35	2	50	52
1937	3/ 18	10	28	-	30	30
1938	4/ 18	11	29	-	30	30
1939	5/ 17	11	28	-	30	30

1/ Approximate number.
2/ A distributor ceased to comply Sept. 1, 1935, but a new distributor began operations and complied.
3/ One distributor stopped complying; another distributor was eliminated from the pool because, during the flush season, he purchased a considerable volume of milk from producers who regularly delivered milk to distributors who were not in compliance. One plant was closed but the milk receipts were transferred to another distributor who was in compliance.
4/ One distributor withdrew because he thought he could buy milk at a lower price outside the pool. A former peddler became a distributor and complied.
5/ One distributor sold out to another distributor who was in compliance.

Compiled from annual reports of the market administrator.

Table 14.--Total graded milk pooled under License No. 60, Louisville, Kentucky, and percentage by origin, 1935-39

Year	Total milk pooled		Percentage originating in-		
			Kentucky	Indiana	Tennessee
	Mil. lbs.	Percent	Percent	Percent	Percent
1935	85.0	100	82	18	1/
1936	86.1	100	79	21	1/
1937	86.1	100	79	21	-
1938	100.1	100	77	23	-
1939	107.6	100	79	21	-

1/ Less than .5 percent.

Compiled from records of the market administrator.

A severe drought and early heavy frosts in 1935 created a shortage of milk within the milkshed. This made it necessary to bring in emergency milk from Memphis, Tenn., for the months of October through December, 1935, and for January, 1936. To conserve milk Health Director Hugh R. Leavell issued an order in October 1935 requiring milk retailers to purchase only the amount they expected to sell, thus avoiding return of the surplus to distributors. Without this conservation order a larger supply of emergency milk would have been necessary.

Information on the origin of graded milk received by distributors who were not in compliance with the license is not available. It is assumed--but of this no one can be sure, because the injunction precluded the obtaining of the information--that most of the milk which was not pooled did not enter physically into interstate commerce. It probably, nevertheless, did affect interstate commerce through competition.

Utilization. Data on total estimated graded receipts, pooled and not pooled, for the three years beginning July 1934, indicate the following ranges in utilization: Class I, 56-61 percent; Class II, 12-14 percent; Class III, 25-32 percent. Because of drought conditions, receipts in 1935-36 were only 98 million pounds. This was a decrease of about 3 million pounds from those of the previous year (table 15). But despite the short supply Class I sales were about one million pounds greater than in 1934-35.

Table 15. - Estimated Class I and Class II sales with percentages by retail and wholesale outlets, and estimated total market receipts of graded milk, Louisville Sales Area, 1934-36

Year beginning July 1	Class I sales: Total		Retail		Wholesale	
			Regular	Relief	Bottled 1/	Bulk
	Mil. lbs.	Percent	Percent	Percent	Percent	Percent
1934	58.8	100.0	34.0	2.9	50.5	12.6
1935	60.0	100.0	34.0	2.7	50.6	12.7
1936	58.4	100.0	34.2	2.1	51.0	12.7

Year beginning July 1	Class II sales: Total		Retail	Wholesale		Estimated total market receipts of graded milk
				Bottled 1/	Bulk	
	Mil. lbs.	Percent	Percent	Percent	Percent	Mil. lbs.
1934	13.8	100.0	29.7	28.3	42.0	101.1
1935	13.5	100.0	29.6	28.2	42.2	98.3
1936	12.4	100.0	29.8	28.2	42.0	104.0

1/ Includes dealers sales to grocery stores.

Compiled from annual reports of the market administrator.

For the given years, the largest Class I sales were of bottled milk sold at wholesale to cash and carry stores, other stores, hotels, restaurants, and institutions; of these the first named outlet received the largest proportion. Omitting relief milk, only 34 percent of the Class I sales were of milk delivered in bottles to homes. The downward trend in the quantities of relief milk was due partly to improved economic conditions, and partly to a change in the administrative policy of the relief agencies. Of the Class II, or cream, sales, about 30 and 28 percent, respectively, was sold in bottles at retail and wholesale, and the remainder in bulk at wholesale.

The Class I and Class II requirements absorbed from 68 to 75 percent of the graded supply. The remainder, or "surplus", was diverted to Class III, or manufactured products.

Efforts to Resolve Some Pricing Difficulties

Negotiations and agreements in lieu of amendments. The period from 1935 to 1940 was one of changing economic conditions for the dairy industry as well as for the economy as a whole. Yet there were no further amendments made during these years, particularly in the pricing provisions of License No. 60. On August 24, 1935, or just eight days after License No. 60 was amended for the first and only time, the amendments to the Agricultural Adjustment Act became effective, authorizing the Secretary to enter into marketing agreements with milk distributors and to issue Federal marketing orders, but authorizing no new licenses or amendments to existing ones. There was no prohibition against the retention of licenses, which were performing a useful function; consequently, the Louisville license was continued in operation. For most of the license period, therefore, prices paid to producers for graded milk were adjusted to economic changes (within the framework of the license with the specified class prices serving as minimum prices) by negotiation and agreement between producers and distributors who were in compliance with the license.

Base and surplus prices. Only during the first 5 months of regulation, June through October 1934, were producer prices computed by using the minimum prices given in the license. For these and a few other months, the pricing procedure was modified by the provisions of the base-surplus plan. On October 16, 1934, however, after a conference in Washington, the market administrator notified the Association that all base transfers would be temporarily held up. It was therefore no longer possible to buy or sell a base with the herd. From November 1934 through April 1935 bases were not used in the price computations. Instead, prices paid to producers each month were composite prices which were somewhat higher than the average prices paid for the corresponding months of the previous year. The base-surplus plan was resorted to once more in the flush months of May, June, and July, 1935, to protect the uniform producer. The details of pricing producer milk under the base-surplus plan, provided in the license, are summarized in table 16. It is apparent that the average price received by producers, during the indicated months, was affected primarily by seasonal changes in the proportions of base and excess milk.

Table 16 .--Weighted average price per hundredweight of pooled milk containing 4 percent butterfat, f.o.b. distributor's plant, and factors used in weighting, June-October 1934 and May - July 1935. 1/

Year and month	Weighted average price	Base milk 2/ Price	Base milk 2/ Percentage of producer receipts	Excess milk Price	Excess milk Percentage of producer receipts	Producer receipts
	Dollars	Dollars	Percent	Dollars	Percent	1,000 pounds
1934						
June	1.738	2.03	69.9	1.06	30.1	7,948
July	1.735	1.98	74.0	1.04	26.0	7,537
Aug.	1.755	1.98	73.2	1.14	26.8	7,636
Sept.	1.782	1.98	77.2	1.11	22.8	6,872
Oct.	1.895	2.02	85.6	1.15	14.4	6,244
1935						
May	1.832	1.99	78.4	1.26	21.6	8,461
June	1.745	1.91	79.7	1.10	20.3	7,976
July	1.801	1.94	83.8	1.08	16.2	7,415

1/ Periods are those during which the base-surplus plan provided under License No. 60 was used in determining prices to producers.

2/ Percentage of each producer's base to which the "base" price applied was 80% from June-October 1934; 100% from May-July 1935.

Compiled from records of the market administrator.

Although all producers were allotted bases for 1936, the base-surplus plan was not used after July 1935. In view of the abatement of producer unrest and dissatisfaction when the base-surplus plan was not used, it was decided to rely upon educational efforts to bring about more uniform year-round production. Market history, however, indicates that gradual retrogression rather than progress towards the goal of even production was experienced when educational programs (without direct financial incentive) were the only means used to stimulate producer response in a program to minimize seasonal surpluses and shortages.

Proposal to amend classification structure. From the very beginning of regulation, dissatisfaction with the Class III formula price was expressed by the Falls Cities Cooperative Milk Producers' Association because the manufacturing price for ungraded milk exceeded the Class III formula price for graded milk under the license. The following excerpt from a brief submitted by the Association to the Dairy Section on June 19, 1934, describes the situation:

Distributors are now selling Grade B milk, in excess of their needs, for which they are paying four times butter prices plus 10 percent, to the manufacturing plant at the bid price at a profit without actually taking this milk into their plant. Truckmen are instructed to deliver milk shipped by certain producers to the manufacturing plant on which they receive a profit. On June 11, 1934, Class III Grade B milk was purchased by the distributors at the current butter market cost of $1.056 per cwt. while this milk was being sold to the manufacturing plant by the distributor at $1.16 per cwt. which yields a profit of $.104 per cwt. without any handling cost.

This condition will also encourage Grade B producers to split shipments and ship a portion of their milk equal to 80 percent of base to one pasteurizing plant, and the balance to the manufacturing plant as ungraded milk. There is a double incentive for this objectionable practice, as no cooling will be required for the portion of milk shipped as ungraded and the resulting lower quality milk will yield a larger return from the manufacturing plant than had the producer shipped all of his milk as a Grade B product to the pasteurizing distributor. Many of the distributors have substantially a Class I and Class II business and three of the cooperating distributors have Class I and Class II sales in excess of 90 percent of total receipts. As a result of producers splitting their shipments, those distributors having a higher percentage of distribution of milk and cream will be confronted with a shortage of milk to fill their requirements for these classes of use since their use in Classes I and II will require their producers to ship much in excess of 80 percent of their bases. Also, these distributors must purchase a substantial margin of product over and above actual sales to provide for returns and fluctuations in customer demand. Their daily supply of milk must be equal to their daily maximum requirements. 20/

The Falls Cities Association had expected the distributors to continue to bargain for surplus milk after the license was in force. Distributors, however, refused to negotiate, pointing out that the license set the price. They refused to regard the Class III formula price so set as anything but a fixed maximum price. The administrator could not adjust the difficulty because he had authority only to enforce prices set forth in the license.

To meet this problem, the association proposed that the classification structure be amended. Flavored milk was to be removed from Class II and placed in Class I. Otherwise Class I and Class II were to remain as shown in table 8. A new definition of Class III was proposed which was to include only milk or the cream resulting from its separation used in the manufacture of ice cream or ice cream mix or sold as starter milk for butter purposes. Class IV milk was to be the quantity of milk purchased, sold, used, or distributed by distributors in excess of Class I, Class II and Class III milk.

20/ Records Section, Dairy Branch, PMA, Louisville, Ky., Market History 1934-5. (Brief dated June 19, 1934.)

The formula price per hundred pounds of Class III milk was to be: Four times the average price per pound of 90-score butter at wholesale in the Chicago market as reported by the United States Department of Agriculture for the delivery period during which such milk was purchased, plus 20 percent plus 10 cents. The Class IV price under the proposed amendment was to read the same as the price for Class III as originally written in the license. 21/

Dairy Section drafts an amended license. The Dairy Section responded to the request of the Falls Cities Cooperative Milk Producers Association by drafting an amended license which embodied the producer proposals and other changes as follows:

1. Milk was to be sold on the basis of 4 classifications in place of 3 to permit separate classification of ice cream, ice cream mix, and starter milk.

2. A deduction of 5 cents instead of 4 cents was to be made for marketing services to nonmembers.

3. The "consent" clause was to be removed from the license. This clause (Sec. II-3) read that no distributor should purchase milk from any producer unless such producer authorized such distributor, with respect to payments for milk purchased from such producer, to comply with the provisions of exhibit A (Marketing Plan). The removal of this "consent" clause had been recommended by the Legal Division, which regarded it as ineffective and a source of possible injunction. It was being deleted from all licenses to which amendments were made.

4. The producer-distributor was to be exempt from participation in the equalization pool to the amount of his base, except that he was to be accountable for his bulk sales to the pool.

5. The market administrator was to be permitted to establish a reserve fund against the failure or delay of distributors to make payments on adjustment accounts.

6. Any producer who voluntarily ceased to market milk for 45 consecutive days was to be considered a "new producer" upon his reentrance to the market.

7. Some changes in language were made in the proposed amendment for the purposes of simplification and clarity.

Changes numbered 3 to 7 were in accordance with the latest standard form for all licenses.

Distributors protest; action postponed. The amended license for Louisville was transmitted out of the Dairy Section on July 28, 1934, with

---

21/ Idem.

the recommendation that it be made effective August 1, 1934. It was stopped, however, before leaving the Legal Section because the Chief of the Dairy Section had received information that groups on the market were not in agreement regarding the amendments. Feelings had grown quite strong and the distributor group had wired the Dairy Section that they would cease cooperating on August 1 if the proposed classification amendments were made without a hearing.

On August 8, 1934, a brief was submitted to Washington by the Louisville Pasteurized Milk Distributors complaining that distributors were losing money because class prices (set forth in the license) were too high to permit them to operate profitably under conditions of rising costs under the NRA program and under the 3 percent Kentucky gross sales tax which became law July 1, 1934. The brief also stated that the 13 dealers who had secured an injunction as well as others, were buying 4 percent milk on a blended price as low as $1.25 per cwt., in ruinous competition with the cooperating dealers. Immediate relief was demanded to protect the cooperating dealers and producers against the loss of sales to those who were not complying with the license. 22/

The distributors stated that Class III milk consisted chiefly of wagon returns and was fit quality only for butter manufacture. They thought that the association should not take a 5-cent check-off from their producers on Class III milk, in which case, they figured, the Class III price would be about comparable to the price of manufactured milk.

With such lack of agreement in the market the market administrator recommended that action be postponed, and that all possible support and cooperation under the license be fostered pending the outcome of the temporary injunction which had been granted to the 13 distributors. Both the producers and distributors continued to plead their cases with the Secretary, but it was decided that no action should be taken for the time being. The market continued in a precarious condition with both parties pressing their claims with the market administrator and with officials in the Dairy Section.

Mass meeting October 1934. Late in October 1934, a mass meeting of producers, distributors, and consumers was held in Louisville to discuss the problems of the industry. Newspapers publicized that the shortage of milk in the Louisville market threatened a relaxing of the health regulation unless something could be done to stimulate production. This paved the way for consumer acceptance of an increase in the retail price of milk. It was agreed that, because of higher feed costs, the price and the plan of selling milk should pay all producers more money than the license provided.

22/ See footnote 20, page 53. (Brief dated August 8, 1934.)

In order to reach a working agreement for the last 27 days of November, to which all distributors and the producer organizations would subscribe, it was necessary to make two instead of three classifications.

Beginning with November 4 all the milk going into graded products was included in Class I. Under this arrangement, Class I, Class II, and charity milk was sold at the combined price of $2.25 per hundredweight for 4 percent milk. Home delivered milk was advanced from 11 cents to 12 cents per quart on Sunday morning, November 4, 1934, without adverse consumer reaction. 23/ This pricing plan held only through December 1934 for the Indiana distributors. The plan was continued through February 1935 for the Kentucky distributors. Although from March 1935 through June 22, 1936, the Kentucky average price of Class I and Class II milk was $2.25, it was adjusted so that the Class I price was $2.36, or 18 cents per hundredweight higher than the Class I minimum price. The Indiana distributors, however, were charged the minimum license prices. From March 1935 through March 1939, class prices paid by distributors in New Albany and Jeffersonville, Ind., differed from those paid by distributors in Louisville (appendix table 67.) The agreements which gave rise to these differences will be discussed later.

Milk war early in 1935. Because of their price cutting activities, the noncomplying group continued to be a disturbing factor in the market and a threat to the survival of the license. As a counter measure, the cooperating distributors cut the home delivered price from 12 to 10 cents a quart on February 7, 1935, and another cent on February 16 after the noncooperating dealers had announced their intention to go to the 9-cent price. The second cut was agreed upon among the cooperating dealers on the assumption that if all dealers cut prices simultaneously, price cutting would end. The assumption did not work. 24/

Early in March the Milk Industry Board, which had been formed with approval of the Agricultural Adjustment Administration, held its first meeting to confer on stabilizing the resale prices in Louisville. As provided in the license under Section F, "Establishment of Milk Industry Board", respective members of the Board represented producer, distributor, and consumer interests. On March 7, by mutual consent of about 95 percent of the producers and distributors, the milk war was ended. It was estimated by the board that dealers had sustained a loss of at least $42,000 in sales value. The association was able to maintain the producer price during the price war, but the dealers' ability to pay producers would soon have been exhausted had the 9-cent retail price prevailed much longer. Prices charged to consumers prior to the drop were restored.

The Milk Industry Board appointed a Central Committee and drew up a contract form for a distributor and his producers whereby the distributor agreed to conform to the producer and resale prices recommended by

---

23/ See footnote 20, page 53. (Letter of market administrator to the Chief of the Dairy Section, November 10, 1934.)

24/ See footnote 20, page 53. (Letter of market administrator to producers, February 16, 1935.)

the Central Committee. For a time resale prices under the contract held satisfactorily.

"Drink Milk for Health" campaign. In May of 1935 the market administrator informed the Dairy Section that the Louisville market had raised a $5,000 special assessment for advertising during the latter part of May and the first few weeks of June. Every dealer of any consequence was enlisted in the "Drink Milk for Health" campaign. Distributors were too busy pushing their sales to cut the price or worry about "chiseling" from fellow competitors; and producers were happy because the price of milk was not being reduced. The following quotation from a letter of the market administrator to the Chief of the Dairy Section is of interest as one approach to the flush season pricing problem:

> I am very hopeful that a practice has been started that will be followed from year to year, namely, that during the flush season of the year an intensive campaign be run drawing attention of the public to the health qualities of milk. Either we should make a seasonal reduction in price or we should use several times our normal monthly budget to advertise our product during the flush season of the year. In a city the size of Louisville a short seasonal reduction in price is more aggravating than helpful in the consumption of milk. Our public does not seem to appreciate a seasonal reduction and they seriously resist an increase when such an increase is justified. 25/

At the close of June the administrator reported that the "Drink Milk for Health" campaign had proved entirely satisfactory to all participants. This campaign supplemented the continuous work of the Central Dairy Council. Prior to March 1, 1935, the council had been supported by some of the distributors and by the Falls Cities Cooperative Milk Producers' Association. When the milk industry contract went into effect on March 7, both the cooperating and "Independent" producers and distributors agreed to support the council to the extent of 1 cent per hundredweight on all milk utilized in products which required graded milk.

Discounts to grocery stores. As the 1935 flush season began some nervousness developed regarding sales of milk through groceries. At that time there were more than 1,100 independent grocery stores in Louisville, of which 800 belonged to the Retail Grocers' Association. Of the latter group, 276 stores were organized as the Ohio Valley Grocers and had purchased their own warehousing facilities. In addition, there were 212 groceries in Louisville belonging to one or another of three chain store organizations. The independent grocers were seeking an arrangement with the Milk Industry Board by which they could obtain a discount comparable to a $7\frac{1}{2}$ percent volume discount enjoyed by chain store groups. The competitive situation was aggravated in June when some of the thirteen distributors who held the injunction offered a 10 percent discount to retail grocers. After a number of conferences with the Milk Industry

---

25/ See footnote 20, page 53. (Letter of market administrator to Chief, Dairy Section. May 24, 1935).

Board, an agreement was reached on July 2, 1935, as follows: The Falls Cities Cooperative Milk Producers' Association entered into a contract with the Ohio Valley grocery group in which this group of 276 stores agreed to buy their entire supply of milk from dealers who purchased milk from the Falls Cities producers. The Ohio Valley Grocers, in turn—since they were members of the Retail Grocers Association—offered the benefits of their contract to all of the independent grocers in Louisville. The Falls Cities Association, however, had a contract only with the Ohio Valley group which met all of the requirements necessary for recognized volume discounts. Through this arrangement, a discount of 7 1/2 percent was granted to any independent store taking milk exclusively from any one distributor who was in compliance with the license. This tended to reduce "split" stops. However, grocers who handled more than one brand of milk and made purchases of at least $2.50 per day from each distributor also were able to qualify for the discount.

With the discount open to all grocers, the wholesale cost per quart was 9 1/4 instead of 10 cents; the selling price at stores was 11 cents; and the home delivered price was 12 cents per quart. During the first month under this plan the entire discount to independent stores was absorbed by the distributors but subsequently the Falls Cities Association agreed to share the burden by absorbing one-half of the discount. The distributors who were selling milk to the chain store group objected because the association would not absorb part of their usual volume discount. The association, however, took the position that the distributors had defended their discount on the grounds that it represented a differential warranted by certain savings to the dairy plants; and that these distributors could not rightfully claim discrimination unless the association refused to absorb the agreed share of any additional discount they might be forced to give. The market-wide discount scheme worked for a short time only, but it brought a measure of stability into the market during a critical period. 26/ Price computations of that period indicate that the discount to independent stores, to meet the competition of chain stores, amounted to 3 to 4 cents per hundredweight of milk (appendix table 68, footnote 7).

Attempt to eliminate flat-price system. It should be remembered that these and other special pricing arrangements were agreed upon only among members of the Falls Cities Cooperative Milk Producers Association (and a few other producers) and distributors who were in compliance with the license. The average prices paid to producers who delivered milk to these distributors depended upon the agreed-upon class prices and the percentage utilization of milk in each class. On the other hand, the group of distributors who refused to comply paid flat prices per hundredweight for milk regardless of the percentage used in Class I and Class II. These prices were not always uniform among noncomplying handlers. Although this group handled only about 20 percent of the supply, their competitive practices (some instances already have been described) at times disrupted orderly marketing.

26/ See footnote 20, page 53. (Letters of market administrator to Chief, Dairy Section. July 6 and Nov. 22, 1935.)

On July 1, 1937, a hearing was held in Louisville to consider replacing the license with an agreement and order which would eliminate the flat-price system, and put all distributors on an equal competitive basis insofar as the cost of milk was concerned. The following testimony of the president of the Falls Cities Association describes the threat to the stability of a market in which both the class-use and the flat-price methods of payment are being used:

> Now, the man who buys milk on a flat-price basis can sometimes buy it so that a great majority of it is used in the bottle milk and he will obtain quite a bit of advantage. The same man may at another period of the year receive a great deal of Class III milk, and if he has to pay for it on the average composite price he will be sorely tempted to sell that milk in the bottle no matter what the price he has to take. In other words, if the average wholesale price of a bottle of milk is 10 cents and he sees the alternative of placing this milk at 7 or 8 cents rather than placing it in butter, he is tempted to do it. For that reason, the two-price plan has always had a tendency to disturb and upset milk marketing in the city. ----- On two or three occasions this market has been torn down by that condition. It has been kept in line by the organized producers standing firm and doing all they could to get it back in line. 27/

It was hoped that by replacing License No. 60 by an order, all distributors in the market could be regulated effectively. But later the producers withdrew their request for an order because of continued uncertainty as to the legal standing of Federal regulation. As long as this uncertainty existed full enforcement of Federal regulation would be difficult of attainment in Louisville (if attainable at all), primarily because one faction in the market was strongly opposed to the class-use method of payment.

With the two buying system continuing in use, the competitive pressure of distributors who were buying at a flat price induced the association and cooperating distributors to adopt a new price plan on April 21, 1938, known as the "Formula Plan." A description of this plan is included in a later section (p. 64).

Summary of License Prices

The special price agreements. The foregoing discussion of different types of pricing problems which were encountered during the license period reveals some of the procedures used to effect agreements between producers and distributors and also discloses the complexity of the marketing structure for fluid milk. Beginning with Nov. 4, 1934, and continuing until the suspension of the license on March 31, 1940, producers were paid largely on the basis of special price agreements.

27/ Hearing July 1-2, 1937. Docket No. A-48 O-48, p. 16.

Under these agreements class prices which applied to distribution in the Indiana portion of the area usually differed from those which applied to the Kentucky portion. Although the cities of New Albany and Jeffersonville, Ind., were included in the "Louisville Sales Area", distributors of graded and pasteurized milk in these cities customarily sold milk to consumers at 1 cent per quart less than the price in Louisville. The lower prices in the Indiana cities was due partly to a lower average level of consumer incomes in these communities than in Louisville; and partly to the fact that there were no compulsory health regulations in these cities, and therefore, producer-distributors of raw, ungraded milk could undersell distributors of graded and pasteurized milk by a cent or more per quart.

Under these circumstances (even though their producers delivered high quality milk under a voluntary grading program) distributors of pasteurized milk in New Albany and Jeffersonville did not feel able to pay as much for their milk supply as was paid by distributors in Louisville. This situation led to the special pricing arrangements for sales of milk to Indiana distributors. As will be shown, these prices generally were lower than those paid by Kentucky distributors. However, all producers whether they lived in the Kentucky or in the Indiana portion of the milkshed, received the uniform producer price for 4 percent.

At the hearing in July 1937, for example, the Falls Cities Cooperative Milk Producers' Association presented data which indicated that a "money subsidy" -- ranging from $258 in May of 1936 to $1,950 in November of the same year -- was needed to pay Indiana producers (shipping to Indiana distributors) the uniform producer price paid in the milkshed. Distributors in New Albany and Jeffersonville, however, testified that, even with the adjustment, they were "squeezed" on their margin; and that a separate Class I price, 46 cents per hundredweight less than the Class I price by distributors in Louisville, should be granted to them if an order was put into effect. 28/ Distributors in these Indiana cities handled approximately 8 to 10 percent of the graded supply of milk which was pooled under the license.

To clarify the price history of the entire period, a chronological summary of the various agreements has been reconstructed from available documents and working papers (table 17). Important factors which had a bearing on these agreements are enumerated in the following quotation:

> Although the minimum Class I price, as established in the Federal license, has remained the same during the period of Federal regulation, higher Class I prices have actually been paid by agreement among producers and distributors. Taking cognizance of (1) varying production costs as influenced by pasture conditions, (2) varying costs of commercial feedstuffs, (3) higher prices of commodities purchased by farmers, (4) higher labor costs, (5) the varying quantities of surplus milk on the market, and (6) the possibilities of shortage of milk at

28/ Idem, page 240 and appended table.

Table 17.--Basis of class prices reported paid by distributors in Kentucky and Indiana per hundredweight of milk containing 4 percent butterfat, Louisville Sales Area, June 1, 1934-March 31, 1940 1/

Effective date of license or agreement	Kentucky	Indiana
6-1-34	License prices. 2/	License prices. 2/
11-4-34	Classes I and II: \$2.25 (Weighted average price calculated on the basis of an early November Class I premium price of \$2.41 and a Class II price of \$1.65) 3/ Class III: Average bid price for ungraded milk.	Same as Kentucky.
1-1-35	Unchanged.	Reverted to license prices.
3-1-35	Continued under agreement of 11-4-34, but Class I price designated as \$2.36 and the price of Class II calculated so that the weighted average of Class I and Class II prices was \$2.25.	License prices.
6-23-36	(Arbitration 6-19-36): Class I: \$2.825 Relief: \$1.90 Class II: \$1.825 Class III: Average bid price for ungraded milk.	(Arbitration 6-19-36): Class I: \$2.53 Relief: \$1.58 Class II: \$1.825 Class III: Average bid price for ungraded milk.
8-1-36	(Arbitration 7-25-36): Class I: \$3.175 Relief: \$2.48 Class II: \$2.00 Class III: Unchanged.	Unchanged.
8-11-36	Unchanged.	(Arbitration 7-25-36): Class I: \$2.88 Relief: \$2.16 Class II: \$2.00 Class III: Unchanged.
9-1-36	Unchanged.	Class I: \$2.70 Other classes unchanged.

See footnotes at end of table.

Table 17.—Basis of class prices reported paid by distributors in Kentucky and Indiana per hundredweight of milk containing 4 percent butterfat, Louisville Sales Area, June 1, 1934-March 31, 1940 1/—Continued

Effective date of license or agreement	Kentucky	Indiana
11-1-36	Unchanged.	Class I: $2.645 Other classes unchanged.
4-16-37	(Arbitration 4-15-37): Class I: $2.825 Other classes unchanged.	Unchanged.
5-16-37	Class I: $2.65 Relief, Class II, unchanged. Class III: Average bid price for ungraded milk plus 10¢.	Unchanged.
8-1-37	Class I: $2.75 Class I-A 4/: $2.65 Other classes unchanged	Class I: $2.53 Other classes unchanged.
9-1-37	Class I: $2.85 Class I-A, Relief, and Class II unchanged. Class III: Average bid price plus 10¢; or the price of milk under the evaporated milk code for Southern area, if lower.	Unchanged.
4-21-38	Classes I, I-A, Relief, and II consolidated into "Group 1" with price calculated as follows: 92-score 5/ × 1.30 + 70¢. Butter price used had a pegged minimum of 29¢ unless the 92-score average price dropped below 25¢. Then the pegged minimum would be lowered 1¢ for each cent or fraction which the average price was below 25¢. "Group 2" (Class III): 92-score × 1.30 + 15¢.	Unchanged.

See footnotes at end of table.

Table 17.--Basis of class prices reported paid by distributors in Kentucky and Indiana per hundredweight of milk containing 4 percent butterfat, Louisville Sales Area, June 1, 1934-March 31, 1940 1/--Continued

Effective date of license or agreement	Kentucky	Indiana
4-21-38	Agreement provides that should production for two consecutive months exceed 9.5 million lbs., the excess over 9.5 million lbs. would be divided pro-rata among distributors and paid for at the bid price.	
5-1-38	Unchanged.	Agreement of 4-21-38 temporarily applied to Indiana distribution but, by means of audit adjustments, the Indiana class prices were changed to those established by the agreement of 8-1-37.
11-1-38	Relief milk removed from "Group 1" and priced at $2.00.	
5-1-39	Unchanged.	Class prices determined (same as those in Kentucky) by agreements of 4-21-38 and 11-1-38.

1/ Blended and class prices under these agreements are shown in appendix table 68. The blended prices resulted from the percentage classification shown in appendix table 67.

2/ See table 10, p. 38.

3/ As reported by the Falls Cities Cooperative Dairyman, Vol. IV, No. 1, Feb. 13, 1935, p. 4.

4/ Sales to restaurants and schools (mostly 1/2 pints), subject to discount.

5/ Average of daily wholesale prices per pound of 92-score butter (Grade A) at Chicago, as reported by the Department of Agriculture during the delivery period. This description applies to 92-score throughout the table.

Compiled from records of the market administrator.

various times, handlers have paid a varying premium over the license price to producers for Class I milk.... (5 p.55)

The minimum license prices prevailed for only 5 months in the Louisville Sales Area as a whole. Then came the agreement of November 4, 1934, whereby distributors paid an average price of $2.25 per hundredweight for milk which was utilized in Class I and Class II products. These were largely products for which graded milk was required under the Louisville health regulations. Distributors in Louisville continued to pay for milk under the November 4, 1934, arrangement until on June 23, 1936, rising feed costs accompanying the severe drought of the summer of 1936 led to arbitration and higher Class I and Class II prices. From Jan. 1, 1935, however, distributors in New Albany and Jeffersonville, Ind., had been paying the minimum license prices. The drought also increased their costs for Class I milk but they continued to pay less than did the Louisville distributors.

Production conditions did not improve and in August 1936 the price of Class I and Class II milk was raised in both parts of the area. The drought was followed by the disastrous Ohio River flood which disrupted production and marketing during the period January 24 - February 11, 1937. Prices therefore remained at a high level until the flush season of 1937. Indeed, lack of sufficient moisture in the summer of 1937 again affected pastures and feed supplies. This was reflected in relatively high Class I costs to Louisville distributors under the agreements of August 1 and September 1, 1937.

The so-called "Formula Plan" which became effective on April 21, 1938, was the basis for determining dealer costs and producer returns during the remainder of the license period. The secretary-treasurer of the Falls Cities Association gave the following description of the plan:

> In this plan Classes I and II were grouped together and represented all the milk which our City of Louisville Milk Ordinance requires to be supplied from a graded supply; namely, fluid milk and cream, flavored milk, cottage cheese and buttermilk containing fat. We called this milk "Group I". In "Group II" we placed the remaining Class III milk which is used in manufacturing and processing plants. Prices in this agreement were as follows on a 4 percent basis.... (see details in table 17 under date of April 21 and November 1, 1938.)
>
> Surplus to be equalized with money or milk between dealers.
>
> Producers agree to furnish all milk and cream requirements, formerly Class I and II.
>
> Butterfat Differential - Average 92-score butter.
>
> In this plan when production exceeds 9,500,000 pounds

for two consecutive months the excess over 9,500,000 pounds in the second month has been paid for at the ungraded milk price.

Most of the period this price arrangement has been effective in Louisville we have had the following prices in effect in Jeffersonville and New Albany (these cities did not adopt the formula plan until May 1, 1939):

Class I - $2.53 - Fluid milk

Class II - $2.00 - Cream, flavored milk, cottage cheese, and buttermilk containing fat.

Class III - Ungraded milk price for manufacturing milk.

Although this plan of selling producers' milk has enabled our buyers to meet competition and has other good points, it has several shortcomings, and represents in the end an experiment in milk marketing.

...It was very apparent from a producer standpoint that the plan favored summer production at the expense of winter production. As a result of our experience with this formula plan we learned to appreciate the merit of a price formula which would automatically correct prices itself as the butter market rises and falls. 29/

Price experience under the agreement of April 21, 1938, was as follows. From April 21, 1938, through February 1939 the average monthly price of Chicago 92-score butter ranged between 25.28 - 27.37 cents per pound; therefore, the peg price of 29 cents applied and a Group I formula price of $2.08 per hundredweight was paid by distributors. From March through August 1939, the butter price was below the minimum peg of 25 cents, and Group I prices decreased as agreed upon. From September 1939 on, the Group I price either was at or above the pegged price. (Detailed class prices series and the blended prices paid to producers during the license period are shown, by months, in appendix table 68).

On the basis of this formula plan and the prices paid by distributors in New Albany and Jeffersonville, an average price (weighted according to the utilization of the milk by cooperating distributors in Louisville, and in the two Indiana cities) was paid both to Kentucky and Indiana members of the Falls Cities Cooperative Milk Producers' Association. The distributors who were not reporting to the market administrator generally used the Association's price as a basis for paying their producers a flat price. These were the methods of paying for graded milk, in the Louisville Sales Area, from late April 1938, until the date of termination of the license, March 31, 1940.

29/ Hearing Jan. 26, 1940. Docket No. A-123 O-123,, pp. 22-24.

Minimum versus actual prices. As indicated by the aforementioned agreements, the pricing provisions of License No. 60 became obsolete for the Louisville segment of the sales area within a matter of six months after the effective date, and from June 23, 1936, on, they no longer were used as a basis of paying for milk in New Albany and Jeffersonville.

It is known that the minimum Class I and Class II license prices were, respectively, \$2.18 and \$1.65 per hundredweight. The Class III minimum price, however, varied according to the formula:

Av. price of 92-score butter, Chgo. x 4 x 1.10

Under this formula the minimum cost of surplus milk during the license period varied between \$.966 and \$1.643 per hundredweight (table 18). It may be noted that the Class III minimum prices in the summer of 1939, or just before the opening of hostilities in Europe, were slightly lower than in the first few months of license regulation. With few exceptions, Class III prices paid by Kentucky and Indiana distributors were at or higher than the minimum. (Actual Class III prices are shown in appendix table 68).

On the basis of the Class I, Class II, and Class III minimum license prices and the reported utilization, an estimated minimum blended price series has been computed. The actual blended prices and the estimated minimum blended prices are shown as part of table 19, and are charted in figure 1. These price patterns indicate that from November 1934 on, producers received more than the license price but that the difference widened and narrowed with changing economic conditions. The greatest spread usually occurred during the months of seasonally low production.

The last two price series shown in table 19 indicate, respectively, the effect of the various price agreements upon the average cost of graded milk to distributors in Louisville, and to distributors in New Albany and Jeffersonville, Ind. The greatest price concessions to Indiana dealers were made during the 1936-37 shortage period. But during part of the period when only Louisville was on the "Formula Plan," the average cost of milk to the Indiana distributors was slightly higher than to Louisville distributors. Although at a lower level, the average blended price follows very closely the weighted average price paid for milk by Kentucky distributors. This similarity arises because about 90 percent of total receipts from producers was handled by the Louisville dealers. Because of the lower prices paid by distributors in New Albany and Jeffersonville, the average costs to Louisville distributors were higher than the blended prices during most of the period of license regulation.

Table 18.--Class III minimum price per hundredweight of milk containing 4 percent butterfat, f.o.b. distributor's established by License No. 60, Louisville Sales Area, June 1934 - March 1940

Year and month	1934	1935	1936	1937	1938	1939	1940
	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.
Jan.		1.434	1.478	1/ 1.459	1.433	1.123	1.353
Feb.		1.539	1.568	2/ 1.465	1.324	1.122	1.277
Mar.		1.354	1.371	1.540	1.289	1.045	1.233
Apr.		1.443	1.307	1.371	1.184	.966	
May		1.142	1.159	1.333	1.125	1.002	
June	1.066	1.034	1.271	1.320	1.112	1.041	
July	1.040	1.038	1.470	1.352	1.117	1.022	
Aug.	1.159	1.072	1.536	1.406	1.122	1.036	
Sept.	1.092	1.117	1.493	1.501	1.122	1.207	
Oct.	1.140	1.195	1.381	1.535	1.124	1.249	
Nov.	1.276	1.387	1.432	1.623	1.166	1.298	
Dec.	1.298	1.456	1.457	1.643	1.204	1.300	

1/ Weighted average of minimum prices, $1.462 for Jan. 1-23 and $1.447 for flood period, Jan. 24-31.

2/ Weighted average of minimum prices, $1.447 for flood period, Feb. 1-10, and $1.473 for Feb. 11-28.

Compiled from records of the market administrator.

It is quite evident (figure 1) that except for the exigencies of drought and flood when the producers bargained successfully for sizable price increases, actual blended prices showed little recovery from levels which prevailed in the first year of Federal regulation. However, if the minimum license prices had applied, the per unit return to producers would have been even lower. During these years the dairy industry in general was concerned more with surplus than with shortage problems. The fall of 1939, however, witnessed the beginning of an upward price trend which continued through the defense period, the war (subsidies considered), and the post-war years.

Relief milk. The introduction of a special price for bottled milk distributed to low-income and unemployed families in Louisville antedated the adoption of License No. 60. In February 1933 the Falls Cities Association, to promote good will and to sell more milk for fluid use, instituted a special price (lower than the Class I price) for regular Grade A milk sold in bottles through the Council of Social Agencies for distribution to needy families. Transactions were handled through the Central Dairy Council. During the pre-license period relief milk was classified as Class III - c; it was sold to distributors at $1.38 per hundredweight.

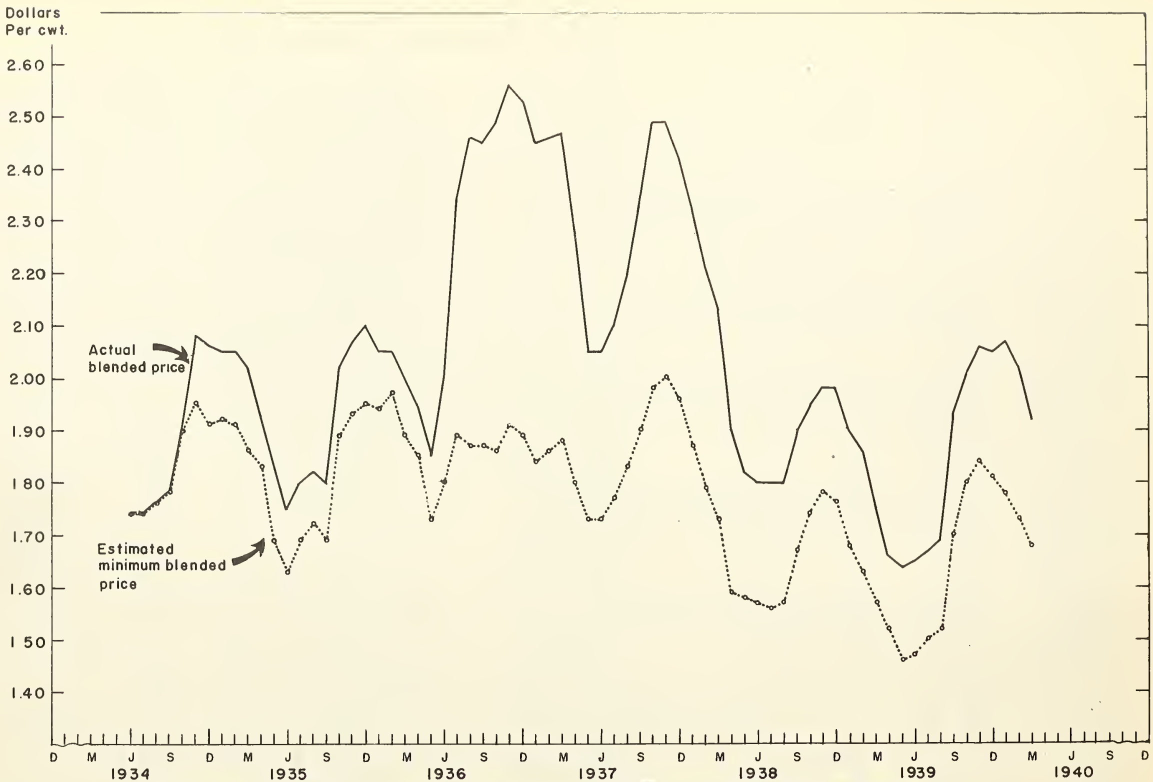

Figure 1.—Actual blended price payable to all producers and estimated blended price computed from minimum prices under License No. 60, per hundredweight of milk containing 4 percent butterfat, Louisville, Ky., Sales Area, June 1, 1934 - March 31, 1940.

Table 19.--Actual blended price payable to all producers, estimated blend based on license minimum class prices, and weighted averages of the class prices reported paid by distributors in Kentucky and in Indiana, per hundredweight of milk containing 4 percent butterfat, Louisville Sales Area, June 1, 1934 - March 31, 1940

Year and month	Louisville Sales Area: Actual blended price 1/	Louisville Sales Area: Est. minimum blended price 2/	Kentucky distribution: Weighted average price paid by handlers 3/	Indiana distribution: Weighted average price paid by handlers 3/
	Dollars	Dollars	Dollars	Dollars
1934				
June	4/ 1.738	1.738	1.744	1.744
July	4/ 1.735	1.735	1.749	1.749
Aug.	4/ 1.755	1.755	1.761	1.761
Sept.	4/ 1.782	1.782	1.797	1.797
Oct.	4/ 1.895	1.895	1.912	1.912
Nov.	2.080	1.947	2.084	2.084
Dec.	(2.058)	1.909	2.070	2.070
1935				
Jan.	2.050	1.921	2.066	1.920
Feb.	2.050	1.910	2.101	1.930
Mar.	2.020	1.862	2.046	1.864
Apr.	1.930	1.827	1.955	1.856
May	4/ 1.832	1.687	1.856	1.724
June	4/ 1.745	1.626	1.778	1.673
July	4/ 1.801	1.686	1.829	1.726
Aug.	1.820	1.715	1.845	1.711
Sept.	1.800	1.689	1.855	1.736
Oct.	2.020	1.892	2.086	1.901
Nov.	2.070	1.932	2.140	1.950
Dec.	2.100	1.948	2.132	1.951
1936				
Jan.	2.050	1.940	2.067	1.900
Feb.	2.050	1.965	2.055	1.923
Mar.	2.000	1.890	2.028	1.870
Apr.	1.950	1.846	1.990	1.838
May	1.850	1.729	1.874	1.755
June	2.000	1.798	2.042	1.891
July	2.340	1.890	2.396	2.167
Aug.	2.460	1.865	2.513	2.280
Sept.	2.450	1.865	2.488	2.227
Oct.	2.490	1.860	2.520	2.297
Nov.	2.560	1.908	2.601	2.306
Dec.	2.530	1.894	2.579	2.261
1937				
Jan.	(2.451)	1.835	2.562	2.115
Feb.	(2.463)	1.858	2.557	2.067
Mar.	2.470	1.882	2.542	2.163
Apr.	2.280	1.796	2.327	2.071
May	2.050	1.733	2.083	1.939

See footnotes at end of table.

Table 19.—Actual blended price payable to all producers, estimated blend based on license minimum class prices, and weighted averages of the class prices reported paid by distributors in Kentucky and in Indiana, per hundredweight of milk containing 4 percent butterfat, Louisville Sales Area, June 1, 1934-March 31, 1940 -Cont.

Year and month	Louisville Sales Area: Actual blended price 1/	Louisville Sales Area: Est. minimum blended price 2/	Kentucky distribution: Weighted average price paid by handlers 3/	Indiana distribution: Weighted average price paid by handlers 3/
	Dollars	Dollars	Dollars	Dollars
1937				
June	2.050	1.729	2.095	1.972
July	2.100	1.773	2.130	2.068
Aug.	2.200	1.827	2.216	2.094
Sept.	2.350	1.902	2.372	2.225
Oct.	2.490	1.984	2.511	2.292
Nov.	2.490	1.996	2.501	2.299
Dec.	2.420	1.957	2.453	2.235
1938				
Jan.	2.320	1.873	2.353	2.111
Feb.	2.210	1.791	2.246	2.043
Mar.	2.130	1.732	2.178	2.011
Apr.	1.900	1.589	1.968	1.889
May	1.820	1.576	1.838	1.769
June	1.800	1.565	1.807	1.770
July	1.800	1.564	1.820	1.738
Aug.	1.800	1.565	1.841	1.785
Sept.	1.900	1.673	1.874	1.845
Oct.	1.950	1.737	1.930	1.971
Nov.	1.980	1.777	1.989	2.052
Dec.	1.980	1.764	1.987	2.032
1939				
Jan.	1.900	1.676	1.909	1.965
Feb.	1.860	1.630	1.883	1.919
Mar.	1.750	1.573	1.774	1.856
Apr.	1.660	1.521	1.648	1.783
May	1.640	1.461	1.657	1.665
June	1.650	1.471	1.690	1.691
July	1.670	1.495	1.690	1.686
Aug.	1.690	1.515	1.706	1.726
Sept.	1.930	1.695	1.936	1.930
Oct.	2.010	1.801	2.028	2.015
Nov.	2.060	1.837	2.075	2.074
Dec.	2.050	1.812	2.051	2.052
1940				
Jan.	2.070	1.777	2.099	2.088
Feb.	2.020	1.726	2.041	2.028
Mar.	1.920	1.682	1.951	1.916

See footnotes at end of table.

Footnotes for table 19.

1/ Reflects market administrator's net reserve for adjustments. See footnote 2 of appendix table 68.

2/ Reflects the same reserve for adjustments as the actual blended price. Computed to show what the blended price would have been if the class prices after October 1934 had continued to be the minimum prices established by License 60.

3/ Gross weighted average of class prices reported paid by handlers. Does not reflect net reserve for adjustments. Prices for June-December 1934 were weighted averages for all distributors in the Sales Area. Kentucky distribution accounted for about 90 percent of the total distribution in the Sales Area (see appendix table 67).

4/ Weighted average of base and excess prices. See table 16.

Compiled from records of the market administrator. Prices in parentheses are weighted averages computed for those months during which price changes occurred or in which two separate pools were computed. Details on class prices are shown in appendix table 68.

The Class I price, during this period, ranged from $1.95 to $2.18 per hundredweight. The retail delivered price ranged from 9 to 10 cents per quart; but the relief agencies paid only 5 cents per quart from February to September 1933 and 7 cents from October 1933 until the license became effective on June 1, 1934.

At the time of the April 1934 hearing, the price of relief milk to distributors was 80 cents per hundredweight less than the regular price of Class I milk. Although the original proposal of the producer association made no reference to relief milk, a provision for this special class was included under Section B of License No. 60 (following testimony at the second hearing), which provided that any distributor who sold Class I milk to any relief agency should be entitled to a deduction of 60 cents per hundredweight of such milk from the price ($2.18) of Class I milk set forth in paragraph 1 of Section A; Provided, however, that such distributor had furnished to the market administrator satisfactory proof that he was entitled to such deduction. This deduction was 20 cents per hundredweight loss than the allowance previously made by the Association. Thus a minimum license price of $1.58 per hundredweight was established for Class I relief milk.

As the price level for producer milk rose above the minimum level, dealers also paid more than the minimum of $1.58 per hundredweight for relief milk (appendix table 68). The volume of relief milk decreased from 1.7 percent of total volume handled in 1934 and 1935 to less than 1 percent in 1938 and 1939.

Class prices in March 1940. For the last month that License No. 60, was in effect (March, 1940) class prices, per hundredweight, paid to producers by distributors who were in compliance were: Group I (Class I & Class II), $2.208; Group II (Class III), $1.607; Relief milk, $2.00.

The pricing structure which was developed under License No. 60 -- together with the growing ability of producers and distributors, constructively, to work out their marketing problems -- provided a firm foundation for the establishment of marketwide compliance and uniform prices to producers under Federal Order No. 46 which became effective on April 1, 1940.

Resumé

This portion of the history of developments in the marketing of milk in the Louisville sales area during the decade of the 30's depicts 10 eventful years. It begins in the depression when producers of milk had little bargaining power and when producer prices were at low levels. Measure to alleviate the plight of the industry in Louisville included the organization and growth of a strong producer cooperative, the development of a class-use plan of payment for milk (this despite persistent minority opposition), the adoption of a strict milk ordiance, the introduction and later discontinuance of a base-rating plan, and the institution of Federal regulation of the pricing of milk under License No. 60.

During these years the scope and the objectives of the overall regulatory program were developed. The original License No. 60, for example, included a full schedule not only of minimum class prices but also of minimum wholesale and retail prices; but the license as amended in 1935 provided only for minimum class prices to distributors. Attempts to regulate prices at the wholesale and retail level were quickly abandoned by the Federal government in all regulated markets. This was due largely to the lack of adequate data upon which to establish equitable margins, the lack of full industry cooperation, and the interpretation of the Secretary and his advisors that it was the intent of Congress, under the provisions of the Agricultural Adjustment Act, to establish minimum prices for milk only at the producer level. It was assumed that, with the cost of milk to dealers removed from competitive action (so often detrimental to the interests of producers) markets would become stabilized at levels which would assure an adequate supply of wholesome milk at reasonable prices to consumers.

Largely because the constitutionality of the regulatory program was under question, market wide compliance with all terms and provisions of License No. 60 was not effected at any time during the life of the license. But the presence of a strong producer organization -- the Falls Cities Cooperative Milk Producers' Association -- and of a group of cooperating distributors made it possible for the market administrator to carry out the provisions of the license with respect to about 80 percent of the total annual volume of graded receipts in Louisville (table 12, p. 48). Producers who supplied this major portion of the market receipts were paid a uniform blended price by distributors. This price was computed each month in the office of the market administrator in accordance with the class-use procedure set forth in the license. With minor exceptions, throughout the license period, the class prices and the uniform blended prices were at or above the minimum price levels fixed in the license (figure 1). However, during this period the "all commodities" index of the Bureau of Labor Statistics also rose above the 1934 level.

Competition kept the flat prices paid by noncomplying distributors in rather close agreement with the blended prices announced by the market administrator. Such "riding of the blended price" by dealers who carried little of the surplus of the market was a state of affairs that regulation was intended to prevent. If their sales had been included in the market pool, the blended price to all producers would have been higher and all dealers would have paid for milk according to the use made of it.

Although the noncomplying distributors and producers who supplied them with milk prevented the achievement of an equal sharing of the surplus burden by all distributors and the payment of uniform prices to all producers, the foregoing history indicates that the administration of License No. 60 was an important means of stabilization in that it fostered agreement between producer and distributor groups, especially in periods of stress. Moreover, during the flood emergency in Louisville (January 24-February 10, 1937), the market administrator worked with the producers' associations and with the distributors to maintain a supply of wholesome, high quality pasteurized milk for consumers in the market area. In his opinion this would not have been possible without the knowledge and cooperation which had been build up under regulation.

Important series of market data on prices, receipts and utilization, not previously available, were developed in connection with the administration of the provisions of License No. 60, and are summarized in the appendix tables. These data served as guides in developing and improving the marketing structure for fluid milk in the Louisville area under Federal Order No. 46, and they continue to be valuable in any economic or historical analyses.

Experiences in Louisville, during the license period, indicate that this was one of the markets which required time to develop general acceptance and support for a Federal program which is based on the marketing principle of paying for milk according to the use made of it and of sharing equitably the necessary surplus of the market. Time and again it was plainly apparent that unity of purpose among milk producers was essential to the satisfactory marketing of their product. Price conferences and negotiations which were held at intervals revealed to the factions of the industry complexities of the structure of prices for fluid milk and the need for keeping such prices at a level which would tend to balance the forces of supply and demand in the Louisville sales area. Futhermore, the experience with pricing devices, particularly formula pricing, served as valuable groundwork in developing the price plan for Order No. 46. When instability threatened the market, measures over and above strict adherence to administrative procedure (such as taking part in price negotiations) characterized the actions of the market administrator. This, perhaps, was the only practical approach in view of the uncertain legal status of the entire regulatory program and the lack of authority to amend the provisions of the license as market conditions changed.

The Federal office, at times, was used as a conference place for the leaders of the two producer groups. These meetings were so conducted that they served gradually to reduce the opposition of members of the Independent Producers' Association so that they too were ready to support Federal regulation when License No. 60 was superseded by Order No. 46 in 1940. Under the administration of the license, producers and distributors had become increasingly aware that they were engaged in an enterprise in which compromise and cooperation were essential, not only to promote industry well-being, but also to serve and protect the interests of the consuming public.

V - DEVELOPMENT OF FEDERAL ORDER NO. 46

Initial Hearings and Their Outcome

The July 1, 1937, Hearing

Although Order No. 46 did not become effective until April 1, 1940, it was based, at least in part, upon evidence taken at the hearing of July 1, 1937, in Louisville, Ky., and in New Albany, Ind. At that time a proposed marketing agreement and order were under consideration to replace License No. 60 with an instrument of Federal regulation which would embody the principles of the Agricultural Marketing Agreements Act of 1937.

The Falls Cities Association had asked for a hearing and had recommended an order, which would include a classification plan and a marketwide pool. In 1937, however, the "Independent" producers and distributors still were against Federal regulation. They continued to defend the use of a flat price for producer milk, and, although there was no base-rating plan in the proposed order, some producers nevertheless expressed a fear that one might be introduced later and that they would then be powerless to prevent the change.

In accordance with the terms of the Act of 1937, the proposed agreement and order specified that the cost of administration was to be borne by the handlers (under License No. 60 the cost had been imposed upon producers). Some dealers objected to this change on the grounds that the producers had requested an order and therefore should pay the cost of administration.

On the whole, the hearing record reveals that the parties at interest were far from agreement in regard to the marketing provisions which should be included in a Federal order. Under these circumstances, and because the constitutionality of some of the provisions of the act remained under question, it was decided to abandon, for the time being, the effort to establish a Federal order in the Louisville marketing area.

Setting of the Hearing of January 26 and 27, 1940

The decision in 1939 of the Supreme Court of the United States, in the case of U. S. versus Rock Royal Inc., et al, (footnote 18, p.43), which upheld the power of the Federal Government to fix prices in interstate milk markets and established the constitutionality of major provisions of Federal orders, put existing Federal order markets on a firmer administrative basis, and led to requests for Federal regulation by producer groups in additional markets, including Louisville. The following quotation from The Falls Cities

257955 O - 53 - 6

Cooperative Dairyman (3) indicates the thinking of the cooperative leaders in Louisville towards Federal regulation:

> Recently the board of directors of the association have been impressed with progress made in several markets which have been operating under a Federal marketing order. Feeling that the Federal setup has passed through the experimental stage and, having been upheld by the Supreme Court, the board has petitioned Washington for a hearing on a Falls Cities order which will be held on January 26, 1940, at the Brown Hotel, Louisville, Ky., at 10. a.m. . . .
>
> . . .Since June 1, 1934, Louisville has been operating under a license which has been recognized only by the association and its cooperating distributors. This instrument was not upheld by the court and it is the purpose of the board of directors to ask for a cancellation of the license and the establishment of an order.

The request for a hearing was granted by the Secretary, and, after due notice, the hearing was opened in Louisville on the morning of January 26, 1940. For the first time since License No. 60 was introduced in 1934, all factions in the market appeared to be working for some form of Federal regulation. To be sure, there was disagreement on a number of the proposed provisions, but there was no expressed opposition to regulation as such.

Preceding this hearing, considerable preliminary promotional work was done by the leaders of the Independent Producers Association to arouse the interest and support of its membership in a Federal order. One pamphlet, for example, was captioned as follows:

> Your Cows Can't Do It All. Vote for the
> Milk Marketing Order Or Hide Your Face
> From Them In Shame Hereafter;

and on the back cover was the following exhortation:

FARMERS

> Don't Milk for the Fun Of It
> Why should pigs and tobacco pay the losses
> on your cows:
> Every dairyman can vote and you don't have
> to belong to an association to vote
>
> VOTE NOW VOTE NOW
>
> Better still, Come to the Hearing and Say
> You Want a Milk Marketing Order. 30/

30/ Hearing Jan. 26, 1940. Docket No. A-123-0-123, Exhibit 29.

These efforts, together with the continuous efforts of the market administrator and the management of the Falls Cities Association to bring about marketwide producer support for orderly marketing under regulation, created a generally favorable attitude at the hearing.

Review of Proceedings

Need for an Order. - Representatives of the Secretary early in the session explained the contents of a comprehensive study of the Dairy Section entitled "Economic Statement Concerning the Louisville Milk Market and a Proposed Marketing Agreement and Order." After this, Richard L. Duncan, secretary-treasurer of the Falls Association was called to the stand. He testified as follows as to the need for an order:

> Events leading to our most recent request for government assistance are similar in nature to our requests in the past. At the beginning of this session we want to admit that as an organization we have gone about as far as we can travel with two or more buying systems on the market. A uniform system of buying with each distributor buying on the same basis as his competitor and each producer being paid the same price as his neighbor would prove to be very beneficial to this market.
>
> Our efforts up to this time to establish market uniformity have been disappointing. Our Federal license has been recognized only by our own buyers. Efforts to pass in the Kentucky Legislature a State Milk Control Bill have met with decisive defeat on several occasions. We have always cooperated with the Indiana Milk Control Board. . . . 31/

The witness also enumerated the special services offered to the membership and testified that the costs of feeds and of producing graded milk were increasing, but that due to growing defense activities, employment conditions in Louisville in 1939 were greatly improved as compared with earlier years.

The proposed marketing area. Following testimony as to the need for an agreement or order, the specific provisions of the proposed agreement and order were taken up, section by section. Section I covered eight basic definitions. The definition of the area to be regulated, proposed definition (2), read as follows:

> The term "Louisville, Ky., marketing area," hereinafter called the "marketing area," means the territory (a) within the city of Louisville, Fort Knox Military Reservation, Jefferson County, Kentucky, and (b) the cities of New Albany and Jeffersonville, Clark County, and Floyd County, Indiana.

At the hearing, however, B. A. Thomas, President of the Falls Cities Association asked that part (b) be deleted and that the Louisville, Ky.,

---

31/ Idem. pp. 21-22.

marketing area be confined to the area described in part (a). This was a marked departure from the provisions of License No. 60 under which the cities of New Albany and Jeffersonville were an integral part of the marketing area. The association president gave as a reason for the change the thought that the Indiana Milk Control Board could render more service for the cities of New Albany and Jeffersonville, and for Clark County and Floyd County, Indiana, than the Federal order could provide.

Some further reasons for excluding the Indiana area were given later in the market administrator's annual report for 1940:

> In my judgment, it logically belongs under the same program, but there were some practical reasons for this not being done. In the first place, Louisville has a compulsory city ordinance that sets up a standard for all milk sold. As a result, all of the milk regulated under Order No. 46 is that which we call graded milk.
>
> There is no compulsory ordinance for the cities of New Albany and Jeffersonville and they operate on a voluntary arrangement. Most of the milk sold in these two Indiana towns is of a high quality and on a par with that sold in Louisville. There were two handlers, however, who were selling ungraded milk and quite a number of producer-distributors selling raw milk. It was felt by the proponents in this market that this area would be better supervised under State regulation, and as a consequence, what would seem on the map to be a logical marketing area is actually handled under State and Federal regulation working in a parallel way. If compulsory ordinances are passed in these Indiana cities and enforced, it might be practical to throw the two markets together under one administration.

The association also proposed a sub-section on "Sales Outside the Marketing Area." These provisions were to give the cooperative the status of a handler for that portion of its graded milk supply which was sold to distributors in New Albany and Jeffersonville and in other communities outside the market area. This milk was to be re-pooled under the order so that producers of graded milk who were members of the association, and who shipped to Indiana handlers would receive the same price for the same test of milk as was received by neighboring producers in Indiana who shipped milk across the Ohio River to distributors in Louisville, Ky.

Interhandler transactions. It was brought out that, during the license years, a distributor who received milk and later sold it to another distributor who was short of milk for Class I and Class II uses was allowed a handling charge of 23 cents per hundredweight in the form of a reduction in his minimum price to producers. There was some protest against charging this against producers; however, the market administrator explained that this type of transaction was quite infrequent because, as a rule, the cooperative diverted milk directly to distributors who were short of milk for fluid use.

One of the handlers introduced a proposal that the market administrator should see that all dealers would have all the milk they needed for Class I and Class II purposes before any milk was used in Class III. A representative of the Department of Agriculture explained that there was no authority under the act to put provisions into the order that would guarantee to any dealer that he would be able to get milk on the same competitive basis as others. Nevertheless, he stated, the Department gave careful attention, in the writing of Federal milk orders, to the competitive and marketing conditions which, albeit indirectly, would assure an adequate supply and a reasonably uniform distribution of milk among all distributors in the market.

The Falls Cities Association had contracts to supply its cooperating distributors with enough milk to meet their Class I and Class II requirements. To fulfill these contracts it was a common practice to shift milk from one distributor to another without additional cost to the dealer who was short of milk. The secretary of the association testified that they often supplied milk, for Class I and Class II purposes, to distributors with whom they had no contract if they could do so without upsetting the market supply. In the latter case, the association customarily charged the purchasing distributor a handling fee.

<u>A classification question</u>. There was no opposition to the proposed classification provisions; essentially, these were the same as those in effect under the license. One of the market specialists, however, asked what was meant by "flavored milk". This product was difficult to classify because it could be made from whole milk, partly skimmed milk, or full skimmed milk.

In the pre-license period, the association included flavored milk in Class I. Apparently this was a whole milk product because in the proposal of August 1933 (table 8), Class I milk was to include "flavored drinks using milk." Nevertheless, under the license, Class I included only plain whole milk. No change was being proposed under the order; therefore, all types of flavored milk would be included in Class II. The specialist did not see why farmers should be paid less than the Class I price if flavored milk was a full fat product or if it met the minimum fat requirements of the market. A distributor testified, however, that, at that time, flavored milk averaged approximately 2 percent of butterfat, which was less than the legal minimum of 3.7 percent required for milk sold at retail in Louisville.

<u>Pricing proposals</u>. As originally proposed, the Class I minimum price was to change with every 5-cent change in the monthly average of the daily wholesale price of 92-score butter in the Chicago market. The price was to be $2.25 per hundredweight when the average price of butter at Chicago was from 17.50 to 22.499 cents per pound, and it was to increase 25 cents with each 5 cent increase in the price of butter from the base interval.

After reconsideration, the management of the Falls Cities Association came to the conclusion that a greater flexibility could be obtained if the Class I price followed changes in the price of butter more closely. With dealer pressure supporting the change, the association amended its original proposal asking that the Class I price be $2.10 per hundredweight when the price of butter was from 17 to 17.999 cents per pound, and that it be increased 4 cents with every 1-cent increase in the price of butter.

The proposed minimum price for Class II milk was $2 per hundredweight. When the producers were asked why they proposed this fixed price for Class II milk, but a formula price for Class I and Class III milk, they explained that the $2 price had prevailed for several years and appeared to be satisfactory both to producers and distributors. Over a period of 5 years, sales of Class II milk had shown about the same increase as sales of Class I milk.

The distributors argued that the minimum price of Class III milk should not be higher than the average monthly price of butter at Chicago plus 2 cents multiplied by 4, but the association held firmly to the following formula: (Price per pound of Chicago 92-score butter -2 cents) x 1.30 x 4.0. This formula was the same (except that it applied to 4.0 percent rather than 3.5 percent milk) as the minimum price formula for milk delivered to condenseries located in Section 3 as defined under the Evaporated Milk Industry Agreement No. 60 and License No. 100. 32/

Qualification of a cooperative. As the hearing was about to close, the attorney for the Independent Milk Producers Association inquired in regard to the steps which would need to be taken if that association were to qualify as a bona fide cooperative in connection with the order.

Qualification as a cooperative was important because it would permit the cooperative to give for its members the producer approval which is necessary before an order or amendment thereto can be issued. Moreover, qualification would permit the cooperative to pool sales returns. Besides, a qualified association operating in a regulated market would not be barred from distributing sales returns according to its contract with producers. For instance, the terms of a cooperative's contract on marketing services deductions were recognized and applied under the milk orders.

These privileges for cooperatives were provided in the act, which specified that they be granted to associations that qualified under the Capper-Volstead Act and were engaged in marketing milk for producers. The Capper-Volstead Act authorizes associations of producers of agricultural products, provided that an association is operated for the mutual benefit of its producer-members and meets one or both of these requirements:

Voting power	First.	That no member of the association is allowed more than one vote because of the amount of stock or membership capital he may own therein, or,
Dividend limitation	Second.	That the association does not pay dividends on stock or membership capital in excess of 8 per centum per annum.

32/ States included in Section 3 were: Ala., Kans., Ky., Miss., Mo., Tenn., Texas, Colo., and Va. The formula for this section was known as the "Southern Code" (1).

And in any case the following:

Dealing in products of nonmembers restricted	Third.	That the association shall not deal in the products of nonmembers to an amount greater in value than such as are handled by its members. 33/

These three standards can generally be determined from articles, bylaws, and contracts. The other standard, that is, whether an association is a bona fide marketer of the products of its producer-members, is sometimes much more difficult to determine because it involves the question of whether a handler or some other nonproducer exercises undue control.

The attorney was informed that the three main documents which should accompany a request of the Independent Milk Producers Association, for determination by the Secretary of their status as a cooperative, were: copies of their articles of incorporation, of their bylaws, and of their contract with producers.

The record was closed and the hearing of January 1940 adjourned.

Referendum Procedure and Results of Balloting

After the hearing a marketing agreement was prepared and tentatively approved by the Secretary on March 5, 1940. On the same day, a referendum agent was designated. He was instructed to complete the referendum on or before the fifteenth day following, among producers who had supplied milk to the Louisville market in December 1939.

Both the Falls Cities Cooperative Milk Producers Association and the Independent Milk Producers Association had submitted requests to be qualified to vote for their members in the referendum. On the basis of the documents submitted, these requests were granted by the Secretary.

On March 15, 1940, the referendum agent sent a letter to O. M. Reed, Acting Chief, Dairy Section, Agricultural Adjustment Administration, tabulating the results of the producer referendum as follows:

(a)	Total qualified vote cast		1,199	
(b)	Total vote "for"	1,180		98.42%
(c)	Total vote "opposed"	19		1.58%
			1,199	100.00%

(d) Ballots disqualified

Reason:
- 1 - Failure to indicate vote on ballot.
- 1 - Questions not answered.
- 1 - Voted by Falls Cities Coop. Milk Prod. Assn.
- 8 - Voted by Independent Milk Prod. Assn.
- 1 - No cows in production in December, 1939.
- 4 - Failure to mail within prescribed time.
- 16

33/ U. S. Statues at Large, Vol. 42, p. 388.

(e)	Association ballots-	Qualified
	Falls Cities Coop. Milk Prod. Assn.	1,069
	Independent Milk Prod. Assn.	101
		1,170
(f)	Nonmember ballots	29
		1,199

The associations and ten of the nonmember producers voted in favor of the order. Nineteen of the nonmembers voted against a Federal Order.

While the producer referendum was in progress, the distributors serving the sales area were given copies of the agreement for signature. However, distributors of more than 50 percent of the volume of milk which was marketed within the Louisville sales area refused or failed to sign. (The hearing record indicates that distributors saw no particular advantage in signing an agreement.) Thereupon, in view of the results of the referendum, the Secretary with the approval of the President 34/ issued a Federal milk order as the only practical means of advancing the interests of producers of milk in the Louisville area. Federal Order No. 46 became effective April 1, 1940.

The Original Order

General Arrangement

The following table of contents indicates the nature, and shows the major divisions, of the first order regulation for the Louisville market:

Several introductory paragraphs preceded the section on findings. These paragraphs cited the enabling legislation, established the fact that a public hearing was held, indicated the results of the referendum and the refusal of handlers to sign the tentatively approved marketing agreement, and gave the determination of the Secretary to establish an order. The introduction also declared that the Secretary had found and proclaimed the

---

34/ Under the "Reorganization Plan No. 1 of 1947", effective July 1, 1947, the function of the President with respect to approving determinations of the Secretary in connection with agricultural marketing orders was abolished. 12 F.R. 4534.

period August 1919-July 1929 to be the base period to be used in computing the purchasing power of milk (the parity standard) handled in the Louisville marketing area. Furthermore, he had found that the expenses which the market administrator would necessarily incur during any 12-month period for the maintenance and functioning of such agency for the administration of the order would be approximately $20,000 (an estimate of 1940), and that the payment by each handler of 2 cents per hundredweight on all milk received from producers and new producers, or produced by such handler, was a proper maximum pro-rata share of such expenses.

Principal Terms and Conditions

Section 946.0 Findings. The section on findings reveals the fundamental conditions and considerations leading to the issuance of an order which regulate handlers in the Louisville marketing area:

> WHEREAS, the Secretary finds, upon the evidence introduced at said hearings:
>
> 1. That all milk which was produced for sale in the marketing area is handled in the current of interstate commerce or so as directly to burden, obstruct, or affect interstate commerce in milk or its products;
>
> 2. That the prices calculated to give milk handled in said marketing area a purchasing power equivalent to the purchasing power of such milk, as determined pursuant to section 2 and section 8e of said act, are not reasonable in view of the price of feed, the available supplies of feed, and other economic conditions which affect the supply of and demand for such milk, and that the minimum prices set forth in this order are such prices as will reflect the aforesaid factors, insure a sufficient quantity of pure and wholesome milk, and be in the public interest;
>
> 3. That this order regulates the handling of milk in the same manner as, and is applicable only to handlers, defined in a tentatively approved marketing agreement upon which hearings have been held; and
>
> 4. That orderly marketing conditions for milk flowing into the Louisville, Ky., marketing area are threatened with disruption which will result in an impairment of the purchasing power of milk handled in said marketing area, and that the issuance of this order and all its terms and conditions will tend to effectuate the declared policy of said act. . . .

In view of these considerations, under the authority of the act, the Secretary ordered that such handling of milk in the Louisville marketing area as was in the current of interstate commerce or as directly burdened, obstructed, or affected interstate commerce, should from the effective date (April 1, 1940) be in compliance with the terms and conditions of the order.

Section 946.1 Definitions. Undoubtedly the most significant change in definition under the original order, compared with the license, was the omission of New Albany and Jeffersonville, Ind., from the Louisville marketing area. This change led to special provisions, with respect to sales outside the marketing area, which affected the definition of producer and of handler and the classification and pricing of milk.

The order, for example, not only defined a producer as any person who produced, in conformity with the applicable health regulations, milk which was received at a plant from which milk was disposed of in the marketing area, but it also included any person who produced graded milk caused to be delivered by a cooperative association which was a handler to a plant from which no milk was disposed of in the marketing area--in other words, diverted by a cooperative to a plant not regulated by Order No. 46. The order not only defined a handler as any person who, on his own behalf or on behalf of others, purchased or received milk from producers, associations of producers, or other handlers, all or a portion of which milk was disposed of as milk in the marketing area, but it also defined a cooperative association as a "handler" with respect to out-of-area sales of milk from producers. Under the order a person who buys and distributes milk of producers is called a "handler"; under the license this person was called a "distributor".

Unlike License No. 60, no definitions of subsidiary, affiliate, or books and records were included under Order No. 46. Furthermore, the order contained no special pricing provisions for a new producer, and it did not provide for a base and surplus plan, or for the establishment of a Milk Industry Board. On the other hand, some new terms which were defined in the original order were: "delivery period", "cooperative association", and "emergency milk". The definitions of Secretary and of person remained the same in the order as in the license.

Definitions are of primary importance because they give specific meanings to frequently used terms which apply to all the provisions of the marketing order. This will be quite evident in the part of the report that deals with amendments to definitions.

Section 946.2 Market administrator. The market administrator was to be designated by the Secretary, who was to determine his compensation and who might remove him.

The powers of the market administrator were:

(1) to administer the terms and provisions of the order

(2) to receive, investigate, and report to the Secretary complaints of violation of the order.

The duties of the market administrator were: to keep adequate books and records, which are subject to the examination of the Secretary at all times, to furnish such information and verified reports as the Secretary may request, and to execute and submit an adequate bond within 45 days after entering upon his duties. He also was held responsible for employing and fixing the compensation of the personnel needed by him to carry out the provisions of the order. The expenses of operation, including his own compensation and the cost of his bond, were paid from funds provided through Section 946.10. The administrator was to verify promptly information contained in reports submitted by handlers and, unless otherwise directed by the Secretary, he was to disclose publicly to handlers and producers the name of any person who, within 15 days after the date upon which he was required to, had not submitted reports or payments required under the order.

Section 946.3 Classification of milk. The market administrator was directed to classify (1) milk diverted by a cooperative association to a plant not regulated by the order and (2) all milk received by each handler at plants from which milk was disposed of in the marketing area. Under the first part of this provision, sales of the Falls Cities Association to handlers in New Albany and Jeffersonville, Ind., were included.

The classes of utilization were essentially the same as those shown for License No. 60 in table 8, p. 36. In adopting these classes, the Department of Agriculture was adhering to a system of classification which had been in use in the market for a number of years and with which both producers and handlers were familiar. The original classifications and changes in classifications which have been made since 1934 are summarized later (table 24, p. 131).

Sales of milk by one handler to another, or to a distributor who was not a handler, were to be classified as Class I milk and similar sales of cream were to be classified as Class II milk. However, if the selling handler and the purchaser, on or before the fifth day after the end of the delivery period, each furnished to the market administrator similar signed statements that such milk or cream was disposed of in another class, it was to be classified accordingly, subject to verification by the market administrator.

The last part of Section 946.3 gave explicit directions as to how the market administrator was to compute, for each handler, the hundredweights of milk from all sources used by such handler in each class; and the hundredweights of producer milk used in each class. Problems with which this section dealt were among the most complex in the routine of administration (see pp. 126-130).

Section 946.4 Minimum prices. The Class I minimum price in Section 946.4 was related directly to the price of 92-score butter in the Chicago market. The schedule of Class I prices began with a price of $2.10 per hundredweight of milk when the monthly average wholesale price of 92-score butter in the Chicago market was 17 to 17.999 cents per pound, and with each 1 cent increase in the price of butter it increased by 4 cents per hundredweight up to $2.26, by 5 cents to $2.71, and again by 4 cents to $3.11.

A special minimum price of $2 per hundredweight was provided for Class I milk sold to or through a recognized relief agency and delivered by a handler to the residence of a relief client.

The Class II minimum price was a fixed price of $2 per hundredweight.

The Class III minimum price was computed by using the formula: (Price per pound of Chicago 92-score butter -2 cents) x 1.30 x 4.0.

The price to be paid producers by a handler for Class I milk disposed of outside the marketing area was to be the price which, as ascertained by the market administrator, was being paid by processors, in the market where such milk was disposed of, for milk of equivalent use. Sales of Class I milk to handlers in New Albany and Jeffersonville, Ind., came under this pricing provision. 35/

Section 946.5 Reports of handlers. According to the definitions, and the provisions on classification and minimum prices, the order required the handler to supply certain information to the market administrator, on or before a specified date and in the detail and on the forms prescribed by the market administrator.

On or before the fifth day after the end of each delivery period, the handler was required to submit reports in regard to his receipts of milk (listed in separate categories of receipts from producers, from other handlers, from other sources, and from handler's own production) and on the utilization of such receipts. The handler also was directed to report his intention to receive emergency milk on or before the day such milk was received; and on or before the fifth day after the end of each delivery period he was to report certain information which included the date, source, quantity, and price of emergency receipts. This information reflected the adequacy of the regular milk supply.

Handlers were instructed to report to the market administrator as soon as possible after first receiving milk from any producer, (1) the name and address of such producer, (2) the date upon which such milk was first received, and (3) the plant at which milk was received. Here the emphasis was on the word "first". In this manner the administrator was kept informed in regard to the number of new producers, and any shifting of producers from one handler to another.

On or before the 20th day after the end of each delivery period each handler was required to submit to the market administrator his producer pay roll for such delivery period showing for each producer: (1) the net amount paid and the prices, deductions, and charges involved, and (2) the total quantity of milk delivered and the average butterfat test of such deliveries.

35/ State Order No. 22 which regulated the handling of milk in Clark and Floyd Counties in Indiana (Jeffersonville was located in Clark County and New Albany in Floyd County) became effective June 1, 1940, under the Indiana Milk Control Board. The pricing provisions of this order were identical with those of Federal Order No. 46 with the exception of a 2-cent differential to producers; this difference arose because State Order No. 22 provided that the expense of administration was a producer rather than a handler obligation. The State order was administered out of the Federal market administrator's office in Louisville but all the records and books were kept entirely separate.

The handler also was directed to permit the market administrator or his agent, during the usual hours of business, to (1) verify the information contained in the above-mentioned reports; and (2) "check-weigh" milk received from each producer, and sample and test such milk for butterfat. When necessary for purposes of verification, the market administrator was to be permitted to examine the records of milk and cream handled in a plant of a handler from which no milk was disposed of in the marketing area. If the verification of reports revealed that any milk should be reclassified, the reclassification was to be made in the following delivery period.

Section 946.6 Handlers who are also producers. Section 946.6 declared that no provision of the order applied to a handler who was also a producer (a producer-handler or producer-distributor) and who purchased or received no milk, other than that of his own production, from producers or an association of producers. However, producer-handlers, when requested to, should make reports to the market administrator as directed, and should permit verification of such reports.

Ordinarily producer-handler milk did not enter into the computation of the uniform price. But if a handler received milk or cream in bulk from a producer-handler and disposed of it in the marketing area in a form other than as Class III milk, the market administrator was to charge the handler the difference between (1) the value of the producer-handler milk at the Class III price and (2) its value according to its actual usage. This amount was to be added to the value of producer milk.

Section 946.7 Determination of uniform price to producers. In determining the uniform price, for each delivery period, the market administrator was directed to apply the respective class prices to the volume of producer milk which was utilized in each class by each handler and thus to determine the class value and the total value of the producer milk. The uniform price then was computed by adding to the total value of producer milk disposed of by all handlers, the cash balance in the producer-settlement fund, dividing this amount by the total hundredweights of milk of producers and subtracting from this gross price not less than 4 cents nor more than 5 cents per hundredweight for the purpose of retaining in the producer-settlement fund a cash balance to provide against errors in reports and payments or delinquencies in payments by handlers. The uniform price was for milk containing 4 percent butterfat.

On or before the 10th day after the end of each delivery period the market administrator was to announce publicly and notify each handler of the minimum uniform price per hundredweight, the Class III price, and the butterfat differential.

Section 946.8 Payment for milk. Following the provisions for the computation and announcement of a uniform price, the next provisions of the order logically pertained to the method through which payment should be made to producers.

On or before the 15th day after the end of each delivery period, each handler was to pay to each producer, for milk received during the delivery period, an amount of money representing not less than the total value of such producer's milk at the uniform price per hundredweight, adjusted for any variation in butterfat content from the standard of 4 percent. Any handler was permitted to make payments to producers in addition to the minimum payments, provided only that the additional payments were made to all producers supplying him with milk of the same quality and grade.

The market administrator was directed to establish and maintain a separate fund known as the "producer-settlement fund" into which he should deposit all payments made by handlers and out of which he should make all payments to handlers. Each handler was debited or credited, as the case might be, according to whether the total amount paid to producers at the uniform price was less or more than the total value of his sales of milk at the respective class prices.

If a handler was debited he was obliged to pay the required amount into the producer-settlement fund on or before the 15th day after the end of each delivery period.

If a handler was credited, the market administrator was directed to pay the amount of the credit to the handler on or before the 20th day after the end of each delivery period. If the balance in the producer-settlement fund on the 20th was not large enough to cover all payments to handlers, each payment was to be reduced proportionately, and the balance paid as soon as the necessary funds became available. In the event of such a reduction, the handler was not deemed to be in violation if in a subsequent period he reduced his pro rata payments to producers by an amount which did not exceed the amount still owed to him from the producer-settlement fund.

Provision was made for adjusting errors in payment either into or out of the producer-settlement fund within a specified time after the discovery and notification of such error.

Section 946.8 closed with a schedule of butterfat differentials which each handler should add to, or was permitted to subtract from, the uniform price to producers for each one-tenth of 1 percent that the butterfat content of the milk delivered by each producer differed from 4 percent. The differential was 2½ cents when the monthly average wholesale price of 92-score butter in the Chicago market ranged from 17.50 to 22.499 cents per pound, and it increased ½ cent with each 5-cent increase in the price of butter. The same schedule of butterfat differentials was used to adjust the minimum class prices paid by a handler to the average fat content of the milk utilized in each class.

<u>Section 946.9 Marketing services</u>. Handlers were directed to deduct 4 cents per hundredweight from the payments made directly to producers who were not members of a qualified cooperative. The market administrator used this money to defray the cost of verifying the weights and of sampling and testing the milk of such producers, and of providing them with market information. Information covering the Louisville market area is summarized each month in "The Courier," a publication prepared by the market administrator as a "friendly bearer of information for producers".

Handlers also were directed to make such marketing services deductions from their payments to producer-members of a qualified cooperative as were authorized by them and, on or before the 15th day after the end of each delivery period, to pay over such deductions to the cooperative. A marketing services deduction of 4 cents per hundredweight was authorized by members of the Falls Cities Cooperative Milk Producers Association.

Section 946.10 Expense of administration. To cover the expenses of administration a maximum of 2 cents per hundredweight of receipts (the exact amount to be determined by the market administrator, subject to review by the Secretary) was to be paid by each handler to the market administrator, on or before the 15th day after the end of each delivery period. Cooperative associations were handlers with respect to producer milk which they caused to be delivered to plants from which no milk was disposed of in the marketing area, and they paid the 2 cents on such milk. (This again applied mainly to receipts at plants in New Albany and Jeffersonville.)

The market administrator in his own name was authorized to initiate a law suit against any handler for the collection of such handler's pro rata share of expense.

Section 946.11 Effective time, suspension, and termination. The closing section of original Order No. 46 provided that the Secretary should declare the effective time of the order; that any or all provisions could be suspended or terminated upon reasonable notice by the Secretary or whenever the provisions of the act authorizing it ceased to be in effect. It also provided for the continuing power and duty of the market administrator, or such other person as the Secretary might designate, to conduct the liquidation, after suspension or termination, of the business of the market administrator's office. Any funds collected over and above those needed to meet outstanding obligations and the expenses necessarily incurred by the market administrator or such person in liquidation and distribution of such funds, were to be distributed to the contributing handlers and producers in an equitable manner.

Transition from License to Order

License No. 60 was suspended at 11:59 p.m., central standard time, March 31, 1940, immediately before Order No. 46 became effective. The license was not terminated, however, until January 1, 1942. In the intervening period -- as provided under the license -- the administrative fund, the marketing services fund, and the equalization fund were liquidated. Small accounts of a few dealers were not collectible. Nevertheless, cumulated balances remained after all obligations were paid; these were distributed ratably between the Falls Cities Cooperative Milk Producers Association and nonmembers.

F. T. Flynn had served both as administrator of License No. 60 and as manager of the FCCMPA for five years. He was named market administrator of Order No. 46, and on the day that the order came in he resigned from his position with the cooperative. He was made responsible for the liquidation of license funds but, by reason of his appointment as market administrator, the Secretary directed that he should no longer receive any salary under the license.

In his 1940 annual report, the market administrator explained that certain practices which had been followed under the license were discontinued under the order. For example, cooperative members, and a few nonmembers, (who were cooperating under the license program) had authorized the administrator to make a deduction of approximately 1 cent per hundredweight on all graded milk included in the pool, for the support of the Central Dairy Council. This amount had been deducted before the blended price was announced. In addition, the Falls Cities Association had authorized price adjustments to handlers in New Albany and Jeffersonville, Ind., as well as some miscellaneous adjustments. All such special arrangements were discontinued when the order became effective.

The producer "check-off" was reduced from a total of six cents per hundredweight of milk under the license to four cents under the order. Prior to April 1, 1940, the producer check-off was made up of a deduction of four cents to the association, one cent to the market administrator, and one cent to the Central Dairy Council. On and after April 1, 1940, the association paid the council out of the proceeds of the four-cent check-off for marketing services, and the cost of administration of the order was transferred from producers to handlers. Since Order No. 46 has been in effect, deductions for marketing services and for administrative expenses have been made on the entire graded supply, whereas, under the license, deductions were not collectible on the milk handled by noncomplying dealers.

Problems of Interpretation

Because of the uncertain legal status of Federal milk licenses and the lack of authority to amend a license after 1935, procedures under this instrument of regulation came to be both informal and ingenious. The market administrator consequently had more latitude for action and the exercise of judgment in the administration and interpretation of the terms and provisions of License No. 60, than he did with respect to Order No. 46, which was interpreted and enforced more strictly. By 1940 the Dairy Section in Washington had accumulated valuable experience with respect to administrative problems in markets in which Federal orders had been adopted prior to the adoption of an order in Louisville. Policies and general regulations had been formulated which were applicable in all milk markets under Federal regulation. The market administrator in Louisville drew upon this fund of information and consulted with the Washington office whenever special problems arose in his marketing area. Some of these problems were covered by general rulings, others were peculiar to the Louisville market and required special rulings.

A few of the situations which occurred during the first year under Order No. 46 illustrate the nature of the problems which arose in connection with the interpretation and administration of different sections of the order. 36/

36/ Records Section, Dairy Branch, PMA, Louisville MA and Comments, 1940.

Relief Milk and the Food Stamp Plan

In May of 1939 the Food Stamp Plan was initiated in Rochester, New York, by the Surplus Marketing Administration of the United States Department of Agriculture; by June 30, 1940, it was in operation in 83 cities and county areas. The objectives and theory of the Food Stamp Plan are discussed in a special report of the Department (7).

Louisville came under the plan about the time that the order went into effect, but a problem with regard to the method of paying for relief milk arose immediately. One of the relief organizations had decided that its funds would go further if handed out directly to the mothers with instructions that they use the Food Stamp Plan. The mothers, however, had to pay their milk bills, at the special relief price, directly because fluid milk was not included in the surplus products which could be purchased with blue stamps under the Stamp Plan. Because this milk was not paid for by a recognized relief agency as provided by the order, the question arose as to whether or not handlers who delivered milk to these families were entitled to the relief price of $2 per hundredweight of milk. The Chief of the Dairy Section advised that milk sold directly to individual relief clients, but certified by a relief agency, could be paid for by handlers at the relief milk price set forth in the order, provided that an accurate accounting of all such relief milk was submitted by the handler to the administrator. 37/

Qualification of Producer-handlers

A number of questions came up as to whether or not certain persons could qualify as producer-handlers under Section 946.6. Persons who thought that they might be eligible naturally tried to qualify in the hope that they would be exempt from the pricing and pooling provisions of the order. The arrangements of some of these enterprises were so unique or complicated that it took more than one round of correspondence with the Washington office to establish rulings on these cases. The following excerpt from a letter of the Chief of the Dairy Section to the market administrator is illustrative:

> Whether or not, under a separate corporate set-up, he could maintain a producer-handler relationship to the market-wide pool with respect to his own production would depend largely upon his ability to keep such milk distinct and separate from other milk. If all milk handled by him is received at one fluid milk plant, it is doubtful that a basis would exist for permitting his own production to be excluded from the pool as milk of a producer handler. Additional facts are desired to clarify this question. 38/

Premium Payments for Extra Quality

On the question of premium payments to producers for extra quality

---

37/ Idem. (Letter of Acting Chief, Dairy Section, May 4, 1940.)
38/ Idem.

milk such as "Golden Guernsey," the following ruling was given:

> Any handler may pay premiums to producers in accordance with the contractual or even informal arrangements existing between the handler and producer, providing that the minimum payment provision is not violated with respect to any producer of such handler and that such additional payments shall be made equitably with respect to all such special quality milk received by the handler. 39/

Deductions for Marketing Services

Under Section 946.9 (b), handlers, if authorized by producer-members of a qualified cooperative, were to make deductions for marketing services from the payments to be made directly to such producers, and pay over the deductions to the cooperative association which rendered the marketing services. A number of rules were carefully formulated by the Dairy Section to assure proper administration of these deductions. Rule No. 2 defined an "authorization" as:

> An existing membership contract in the files of a qualified association with respect to which there is no available evidence that it has been terminated in accordance with the provisions of such contract, and which specifies the deductions to be taken from payments for such member's milk, or indicates the manner in which the amount of such deductions are to be determined . . . 40/

There were a few producers in the Louisville milkshed who, for religious reasons, would not sign a membership contract in a cooperative, but who were quite willing for the cooperative to act as their agent in marketing their milk and deducting a fee for these services. To cover these cases a supplement to Rule No. 2 was issued which provided that some written evidence that the association had been authorized by such producers to receive deductions of a specified amount had to be on file in the administrator's office. If the handler to whom such a producer delivered milk did not possess a written statement or other evidence satisfactory to him that such producer had authorized a cooperative association to receive deductions in the amount claimed, but the administrator had secured satisfactory evidence of such authorization, the latter was directed to provide the handler with a statement of the amount and the producer involved.

Policy with Respect to Resale Prices

As a matter of general policy, market administrators were cautioned that they should not participate in the affairs of a market to such an extent or in such a manner that they would persuade handlers or persons to take or to refrain from taking any action which was not specifically required by the terms of the order. It was emphasized, in particular, that

---

39/ See footnote 36, p. 90. (Letter of Acting Chief, Dairy Section, dated April 2, 1940.)

40/ Copy of rules were transmitted to the market administrator by the Dairy Section under cover of a letter of April 19, 1940.

administrators should in no way influence resale policies of handlers. With respect to this issue the policy evidently was that: (1) producers are protected by the minimum price provisions of the order, hence they are not greatly affected and should not be overly concerned with resale prices; (2) handlers, likewise, and through the same provisions, are protected from "cut-throat" competition which otherwise might arise among handlers because of differences in buying prices and hence in product costs; (3) these prolific causes of mutual distrust and of ruinous price competition having been eliminated by effective regulation, consumers then are entitled to any of the benefits which can be gained from competition among handlers. On the basis of this policy a request of a Civic Club in Louisville for a special investigation of resale prices in the Louisville area was not granted.

Many other problems which are beyond the scope of this report have arisen in the Louisville market since the order was established. The illustrations which have been cited should suffice to indicate the importance of careful and equitable interpretation and administration of the terms and provisions of an order and of rigorous adherence to its fundamental intent and purpose.

VI.--REFINING THE ORDER AND ADJUSTING IT TO CHANGING CONDITIONS

Webster's Unabridged Dictionary defines "dynamic" as meaning in the field of economics:

> Having to do with disturbances of the equilibrium of economic forces, whether caused by the sudden introduction of exceptional conditions or by progressive change in the standards and habits of a people.

Both sudden and progressive changes have been encountered in the Louisville marketing area since the adoption of Federal regulation. Exceptional conditions brought on by emergency activities associated with World War II and by drought and flood required prompt changes in regulation or in administration. The more gradual changes in the forces of supply and demand became evident soon enough to permit the regulation and administration to be modified before conditions reached a critical state.

A primary reason for the amendments to Order 46 was to keep its terms well adjusted to economic changes which affected the production and marketing of milk in the Louisville area, although some important changes resulted from the application of new or improved techniques, and some reflected new principles or a change in the application of established principles.

Changes in the provisions of Federal Order No. 46

Hearings and amendments

Since the adoption of Federal Order No. 46, it has been amended 17 times. Fifteen amendments applied exclusively to the Louisville order, and 2 applied to that and to all other Federal milk marketing orders. In addition, certain pricing provisions were suspended, respectively, June 1, 1943, April 1, 1944, and April 1, 1949. All of the amendments and the suspension order of April 1, 1949, were preceded by public hearings (table 20). The time between hearing and amendment varied irregularly from less than 30 days (emergency actions) to several months. No trend toward shortening or lengthening the interval is indicated.

Most of the changes included under the various amendments and suspension orders were initiated by the management of the Falls Cities Cooperative Milk Producers' Association but proposals also were made by other producers, by the handler group, by the local market administrator, and by representatives of the Secretary. No changes were proposed by consumer

Table 20. - Dates of hearings and of ensuing Federal milk regulations or their amendments, and number of days between hearing and effective action Louisville, Ky., marketing area, August 7, 1933, to September 1, 1952

Docket number of hearing record	Date of hearing	Effective date of regulation or amendment	Days between: 1st hearing and action	Days between: 2nd hearing and action
License No. 60				
18 SEC	(Aug. 7, 1933			
168 SEC	(Apr. 18-19, 1934	June 1, 1934	297	42
--	--	Aug. 17, 1935 1/		
Order No. 46				
A048-048	(July 1, 1937	Request withdrawn		
A0123-0123	(Jan. 26-27, 1940	April 1, 1940	1004	64
A0123-A1	May 8, 1941	Aug. 1, 1941	84	
A0123-A2	(Nov. 18, 1941			
A0123-A2 R01	(Feb. 26, 1942	June 1, 1942	194	94
--	--	June 1, 1943 2/		
A0171	May 28, 1943	June 21, 1943 3/	24	
A0123-A3	June 9, 1943	Aug. 1, 1943	52	
--	--	April 1, 1944 4/		
A0123-A4	Aug. 24, 1944	Dec. 1, 1944	98	
A0123-A5	Feb. 13-16, 1946	(May 14, 1946	86	
		(Oct. 1, 1946	226	
A0123-A6	Apr. 21-24, 1947	Oct. 1, 1947	159	
A0186	July 30, 1947	Feb. 22, 1949 5/	572	
A0123-A7	Nov. 17, 1947	Denied Jan. 7, 1948 6/	50	
A0123-A8	Mar. 17-20, 1948	Sept. 1, 1948	164	
A0123-A9	Nov. 5, 1948	Dec. 1, 1948	25	
A0123-A10	Mar. 23-25, 1949	(Apr. 1, 1949 7/	6	
		(Sept. 1, 1949	159	
A0123-A11	(Dec. 18-21,1950			
A0123-A12	(Mar. 9 & 14, 1951	(May 1, 1951	130	47
		(Sept. 1, 1951	253	170
A0123-A13	Sept. 12, 1951	Oct. 1, 1951 8/	18	
A0123-A14	March 25, 1952	June 1, 1952	66	
A0123-A15	Aug. 13-14, 1952	Sept. 1, 1952 8/	17	

1/ No changes in provisions of license but it was recast into standard form.
2/ Suspension of June and July differential for Class I milk.
3/ General amendment, various orders, with respect to emergency price provisions.
4/ Suspension of April-July differential for Class I milk.
5/ General amendment, various orders, with respect to retention of records and termination of obligation.
6/ Issue was whether Order No. 46 should be amended to provide certain minimum prices for Class II milk for a limited period in 1948 at the December 1947 floor price level.
7/ Suspension of spring-deduction rates of 35 and 40 cents per cwt.
8/ Emergency price increase due to drought.

Compiled from records of the hearing clerk.

groups nor did consumer spokesman present testimony at any hearing after the one which was held on May 8, 1941. 41/

Each amendment included both major changes and minor alterations. As might have been expected, most of the major changes related to the classification, the pricing, or the pooling provisions pertaining to producer milk. Important changes also were made in definitions. The wording of the text was modified in a number of the amendments mainly for purposes of clarification and standardization. All amendments, except the one of May 14, 1946, became effective on the first day of the month.

The Statement of Basic Considerations

Section 946.0, which treats of basic considerations under the title of "Findings and Determinations," was altered in some way by every amendment. Generally speaking, however, these changes represent improvements in organization of subject matter, or in clarification of the text rather than changes of a substantive nature. This is not surprising because the basic legal and procedural structure has remained largely unchanged since 1940.

The original order and amendments 1 and 2 opened with an introductory statement which included such considerations as the legal basis of the regulation, the interstate character of the market, and the fact that all interested parties had been afforded an opportunity to be heard on the proposed agreement and order or the proposed amendments to the order. The introduction was followed by Section 946.0 entitled "Findings" under which both the findings and the determinations were given.

Findings which are not based on the hearing record were first termed "additional findings" under the amendment of August 1943. They proclaimed that the purchasing power of milk in the Louisville marketing area for the period August 1909 - July 1914 (the base period generally used in computing parity prices of farm products) could not be satisfactorily determined from available statistics of the Department of Agriculture but that the purchasing power of such milk for the period August 1919 - July 1929 could be satisfactorily determined; and that the latter accordingly was the base period to be used in calculating the purchasing power of such milk. The latter base period had been set forth in the "General statement" of the original order; in fact, it was used in a number of Federal order markets, in addition to Louisville, as a basis for arriving at the parity price of milk for consumption in fluid form. However, inasmuch as the price of milk for fluid use has exceeded the parity level since 1940, the computation of a parity price for such milk

---

41/ In 1933 a Consumer Counsel was appointed as one of the officials of the Agricultural Adjustment Administration. He, together with a staff of assistants, sought to bring a consumer point of view to bear upon the overall programs of the AAA as well as upon the marketing agreements with processors and distributors. His assignment was a difficult one because the policy-making group in the AAA was concerned primarily with the problems of producers. The third and last Consumer Counsel resigned in December 1942 and the service activities of the organization were discontinued soon thereafter.

has had more formal than real significance in recent years. In this connection and upon the basis of testimony with respect to feed and other costs presented at the respective hearings, the original order and all of its amendments contain the finding (pursuant to section 2 of the act) that the parity price is not reasonable in view of the price of feeds, available supplies of feeds, and other economic conditions which affect the market supply of a demand for such milk; and that the minimum prices specified in the order, as amended, are such prices as will reflect the aforesaid factors, insure a sufficient quantity of pure and wholesome milk, and be in the public interest.

The Administrative Procedure Act, approved June 11, 1946, /Pub. Law 404-79th Cong. Sec. 4 (c)/ provides that general notice of proposed rule making shall be published in the Federal Register not less than 30 days prior to the effective date thereof, except as otherwise provided by the agency upon good cause found and published with the rule. As a result of the need for prompt action in promoting orderly marketing of fluid milk, all "additional findings" in amendments to Order No. 46 since June 1946 have included a statement of good cause why it was contrary to the public interest to delay the effective date of the respective amendments for 30 days after publication in the Federal Register.

The Order Relative to Handling

In the original order and in the first two amendments the "Order relative to handling" was included as the last statement in the "Findings":

> NOW THEREFORE, the Secretary of Agriculture, pursuant to powers conferred upon him by said act, hereby orders that such handling of milk in the Louisville, Ky., marketing area as is in the current of interstate commerce or as directly burdens, obstructs or affects interstate commerce, shall, from the effective date hereof, be in compliance with the following terms and conditions.

Since the amendment of August 1943 this declaration has been set out even more prominently; indeed, this short paragraph should be emphasized because without it the regulation would be meaningless. The reference to interstate commerce was deleted in October 1947. Probably this reference was considered redundant as it is covered under determinations by the overall phrase "pursuant to the declared policy of the act." In the amendment of September 1951 the "Order Relative to Handling" reads as follows:

> IT IS THEREFORE ORDERED, That on and after the effective date hereof, the handling of milk in the Louisville, Ky., marketing area shall be in conformity to and in compliance with the terms and conditions of the aforesaid order, as amended, is hereby further amended to read as follows: (This statement introduces the "Definitions" and all other provisions).

Changes in Basic Terminology

The 10 definitions which comprised Section 946.1 of the original order remained unchanged until August 1, 1943, but altogether, 7 out of 14 amendments that applied exclusively to the Louisville order have changed or added to the definitions. The amendments of August 1943 and of September 1951 also changed the arrangement and the method of listing the definitions. The term "Act" which was (9) in the original order, for example, became (a) under the amendment of August 1943, thus effecting a more logical sequence. Throughout the history of Order No. 46 "Act" has meant Public Act No. 10, 73rd Congress, as amended and as reinacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended. The citation (7 U.S.C. 601 et seq.) was added under the amendment of October 1946.

Secretary and War Food Administrator. With the establishment of the War Food Administration on April 19, 1943, all marketing agreements and orders became the direct responsibility of the War Food Administrator. 42/ This accounts for the deletion of the term "Secretary" and the addition of the term "War Food Administrator" by the amendment of August 1943. This action was reversed by the amendment of October 1946 after the responsibilities of administering milk marketing and other programs had been transferred back to the Secretary of Agriculture. 43/

The Louisville marketing area. Careful delineation of the territory to be included in a milk marketing area is of fundamental importance. The orders regulate handlers, and handlers are defined on the basis of their activities within a marketing area. Therefore the definition of the marketing area is important because it determines who is to be regulated. This fact is brought out by Tetro, Hanson, and Miller in a "Statement Concerning the Louisville Milk Market":

> The main criterion used in determining the territory which shall be designated as the marketing area is that such territory should constitute a single market for fluid milk with fairly uniform conditions of competition prevailing. The extent of the territory served by the same handlers, the quality requirements, and the accessibility to all parts of the area of handlers are some of the elements which enter into such a determination. It is very important to the effectiveness of Federal regulation that the marketing area should include the entire area in which handlers operate under uniform supply and demand conditions and should not include territory in which such conditions are decidedly different. Unless the entire territory of the natural marketing area is brought under regulation, the way may be left open for the break-down of the stabilized marketing structure which regulation is expected to provide.... (18)

42/ Executive Order No. 9334.
43/ Executive Order No. 9577.

Under the original order the Louisville marketing area was limited to the city of Louisville and Jefferson County, Kentucky, and Fort Knox Military Reservation, although during the entire license period the territory within the corporate limits of the cities of New Albany and Jeffersonville, Ind., also had been part of the area.

At the hearing in June 1943, the Falls Cities Association proposed that the Louisville marketing area should include not only the territory within the city of Louisville, Fort Knox Military Reservation, and Jefferson County, in Kentucky, but also Floyd, Clark, Scott, Harrison, and Washington Counties in Indiana.

There were at least three reasons for the proposal to reinclude Indiana territory under Federal regulation. The most immediate reason was that the Indiana Milk Control Law -- and consequently State Order No. 22 (footnote 35, p. 86) -- expired by limitation on June 30, 1943. Unless the Louisville marketing area was extended to include New Albany and Jeffersonville, these cities would have been unregulated after the expiration date. So much milk was produced in Indiana and received by handlers in Louisville, and so much was received and processed in Louisville and in turn distributed by handlers in the Indiana cities, that the lack of price regulation in the latter cities probably would have undone the system of minimum uniform prices to producers, and, therefore, would have been a threat to orderly marketing in the natural marketing area. Furthermore, health ordinances similar to the Louisville ordinance had been adopted by Jeffersonville and New Albany on April 7, 1941, and May 5, 1941, respectively. Finally, differences in purchasing power between consumers in Louisville and the Indiana cities -- which had been a problem in previous years -- no longer existed because of increased average incomes and full employment created by the defense and war industries which had been built up in southern Indiana. These included a powder plant, a bag loading plant, a large ordnance works, and the great expansion of the Quartermaster Depot in Jeffersonville.

The reasons why the proposal included Scott, Harrison, and Washington Counties -- areas which hitherto had not been subject either to a Federal or to a State milk order -- were explored at some length. The producer association explained that the line should be extended to include the areas in which milk was distributed from Clark and Floyd Counties. The cities of Scottsburg, Salem, and Corydon were the largest cities, respectively, in the counties named, but there were also a number of smaller communities within their boundaries and in these communities both graded and ungraded milk was distributed, the latter at a relatively low price. Specific price data on this point, however, were not made available for the record.

Handlers who distributed milk in Scottsburg and Salem objected to the proposed extension of the marketing area chiefly on the ground that, in these smaller communities, the price per quart delivered averaged about three cents less than the price in Louisville, New Albany, and Jeffersonville. Objection also was raised to the extra bookkeeping and reporting which would be involved if their enterprises were subject to regulation. 44/ On the whole the evidence did not indicate, conclusively, that conditions of supply and demand were approximately uniform throughout the proposed marketing area, nor that such an extended area needed to be brought under regulation in order to effectuate the purposes of the act. On August 1, 1943, by definition, the Louisville marketing area was enlarged to include all municipal corporations and unincorporated territory within Clark and Floyd Counties in Indiana; but Scott, Harrison, and Washington counties were not made part of the marketing area.

At the next hearing (August 1944) two handlers, who were outside the marketing area but close to the northern boundary of Clark County, and who had an established trade within Clark County, proposed that only the areas within a 3-milk radius of the suburbs of Jeffersonville and New Albany be included in the marketing area. The milk which these handlers sold in Clark County was included in the pool largely as Class I milk and was subject to an assessment of 2 cents a hundredweight. To be relieved of the expense of complying with the provisions of Order No. 46 on sales made in communities in the regulated area but at some distance from New Albany and Jeffersonville, they wished to have the northern part of Clark County removed from the marketing area.

Their petition apparently was considered to be valid because the amendment of December 1944 limited the territory within Clark County, Indiana, to the townships of Jeffersonville, Utica, Silver Creek, Union and Charleston. These townships are in the southern part of Clark County. There has been no further change in the boundaries of the marketing area.

<u>Broad concept of a "person" remains unchanged</u>. The term person has been given the standard definition of "any individual, partnership, corporation, association, or any other business unit" throughout the history of the order. This definition of a "person" applies quite generally in legal phraseology.

<u>Who is a producer</u>? It was largely for the benefit of these "persons" that the act provided for milk marketing agreements and orders. Fundamentally the kind of producer involved in Federal regulation has remained the same during the entire license period and to date. In general, the changes in definition of a producer are rewordings or additions which merely add to the clarity and conciseness of the concept of a producer who supplies milk for fluid consumption in the Louisville marketing area.

This definition was first amended in August 1943 when the phrase "in conformity with the applicable health regulations" was replaced by the more specific clause "under a dairy farm inspection permit issued by the proper health authorities". Under the amendment of December 1944, the definition was changed by the addition of the underscored words or phrases:

44/ Hearing June 9, 1943. Docket No. AO 123-A3, p. 37 and pp. 45-46.

> "Producer" means any person, irrespective of whether any such person is also a handler, who produces, under a dairy farm inspection permit issued by the proper health authorities, milk which is received at a plant from which such milk, or a portion thereof, is disposed of as fluid milk in the marketing area. This definition shall be deemed to include any person who produces, under a dairy farm inspection permit issued by the proper health authorities, milk caused to be delivered by a cooperative association which is a handler to a plant from which no milk of producers is disposed of as fluid milk in the marketing area.

But at the hearing in February 1946 the market administrator explained that although it was a common practice for handlers to receive milk of producers direct from the country at their ungraded or manufacturing plant, technically, such milk did not come under the definition of producer milk; therefore he advised that the definition be clarified to cover fully the kind of diversion transactions which customarily took place in the market. He also suggested that the word "such" (referring to milk) in the first sentence of the definition be deleted because it implied that a particular producer's milk should be traced through a plant -- an identification which was not possible because the milk of various producers was intermingled in plant operations. 45/

The attorney for the handler group agreed that the definition of a producer was not adequate. He suggested that the proposed change be expanded from two to three parts to make it more specific and readable. He also advocated that it refer to fluid cream as well as fluid milk because both had to be processed from producer milk and, because of potential seasonal shortages, it was possible that a plant might install a Grade A receiving room just to send occasional supplies of cream for fluid use into the market. 46/ The proposal of the market administrator, modified by the suggestions of the handler group, was incorporated in the amended definition of October 1946. There were no further changes until the amendment of September 1951. These changes are discussed in a later section.

Who is a handler? The changes in the definition of handler also were made largely for purposes of clarification and conciseness. At the hearing which led to the amendment of October 1946, for example, the market administrator proposed certain changes in sub-paragraph (3) for greater clarity. It was his opinion that the definition then in effect might be construed to mean that operators who handled manufacturing milk exclusively were included under the term. He also thought that the proviso "That such milk is handled on a basis which will permit the market administrator to verify the utilization of such milk in the plant at which such milk is received" might be interpreted to mean that, if milk were not so handled, the cooperative which caused it to be diverted became ineligible as a handler and such milk would not be eligible for

45/ Hearing Feb. 13, 1946. Docket No. AO-123-A5, pp. 97-98.
46/ Idem, pp. 103-108.

inclusion in the "pool". It was his opinion, moreover, that requirements applicable to the diversion of milk by cooperatives as well as by regular handlers properly belonged in Section 946.3 (classification of milk). 47/

At all times the definitions of "producer" and of "handler" have revealed the close relationship between these two types of "persons" - the one the seller, the other the buyer of fluid milk. As will be shown, comprehensive revisions of both terms are included in the amendment of September 1951. These are closely identified with new definitions of different types of milk plants.

<u>Some terms defined under operating provisions</u>. At one time or another during the history of regulation in Louisville the terms market administrator, delivery period, cooperative association, and producer-handler were defined under the operating provisions of the order rather than in the separate section on definitions.

The definitions of "market administrator" and "delivery period", which had been part of the order since 1940, were not included in the amendment of September 1951. These deletions were proposed by the Dairy Branch, Production and Marketing Administration, because the market administrator is defined under section 946.20 entitled "Designation" and because, since the adoption of Federal regulation in 1934, the delivery period has been a calendar month. It therefore can be referred to simply as a month.

A clear concept of a qualified cooperative association is essential in carrying out the intent of the act and the specific provisions of the order. These organizations may, for instance, represent producers in the various referanda with respect to the order and its amendment; they function as handlers in some diversion transactions; and, when authorized by producers, handlers may deduct their marketing service check-off from the uniform price before making payment to producer-members.

The original order included a separate definition of a "cooperative association" and also described a qualified producers' cooperative association in the section on marketing services. To avoid repetition, under the amendment of August 1943 the separate definition was deleted, and from that time until September 1951 a cooperative association was described only in the section on marketing services.

At the hearing in December 1950 the Falls Cities Association proposed a separate definition on a cooperative association, to identify the type and the qualifications of an association. The following definition was added under the amendment of September 1951.

> "Cooperative association" means any cooperative marketing association of producers which the Secretary determines:
>
> (a) To be qualified under the provisions of the act of Congress of February 18, 1922, as amended, known as the

---

47/ See pp. 109-110 of reference under footnote 45.

"Capper-Volstead Act"; and

(b) To have full authority in the sale of milk of its members and to be engaged in making collective sales of or marketing milk or its products for its members.

At the same time the description of a producers' cooperative association was deleted from the section on marketing services.

In the original order and until the amendment of September 1948 a producer-handler was described, under "Handlers who are also producers" (Section 946.6), as a handler whose only sources of milk supply were receipts from his own production or from other handlers. The definition of September 1948 described a producer-handler as any person who is both a producer and a handler but who receives no milk from other producers (exclusive of producer-handlers). The current definition (September 1951) is both concise and specific. It reads:

> "Producer-handler" means any person who processes and packages milk from his own farm production, distributing any portion of such milk within the marketing area as Class I milk and who receives no milk from producers.

Emergency and other source milk. Milk from producers who held permits from the health department was not always sufficient to meet the full requirements of handlers. In these cases permits to receive emergency milk were issued by the health department to handlers. Handlers also received some supplies which were neither approved producer milk nor milk covered by emergency permits. As the primary purpose of the allocation provisions is to determine the quantity of milk from producers in each class, milk from other sources is subtracted out from total utilization, beginning with the lowest classification. From the beginning the order provided for separate accounting of receipts of producer milk, producer-handler milk, emergency milk, and other source milk. No formal definition of "other source milk" was introduced, however, until the amendment of October 1947 when this type of receipt was defined as all skim milk and butterfat in any form received from a source other than producers or other handlers, except emergency milk, and any nonfluid milk product which was received and disposed of in the same form. This definition did not change the separate treatment of emergency milk and other source milk which had prevailed through the years.

At the hearing in March 1948, the producer group testified that the method of subtracting other types of milk to determine the pounds of producer milk to be allocated to each class, sometimes resulted in the displacement of producer milk by emergency milk in Class I and Class II. 48/ This happened because successive subtractions of skim milk from total pounds of skim milk computed for each class, in series beginning with the lowest priced class were skim milk: (1) In receipts of other source milk, (2) in milk used to produce a product other than those specified in Class I milk and Class II milk but not to exceed 5 percent of the

48/ Hearing March 17-20, 1948. Docket No. AO-123-A8, pp. 464-508.

total receipts of skim milk from producers plus the shrinkage (maximum of 2 percent) of skim milk on milk received from producers, (3) in emergency receipts, provided, that if this quantity was greater than the pounds of skim milk remaining in the lowest class, the balance was subtracted pro rata from the pounds of skim milk in Class I milk and Class II milk. Next the skim milk which was subtracted under (2) was added to the skim milk remaining (if any) in Class III. Butterfat was allocated in the same manner. Without explaining the rest of the allocation procedure, it is apparent that, because of the so-called five percent set aside, producer milk could be allocated to Class III while some emergency milk was allocated to Class I and Class II.

It also was brought out that the distinctions between emergency milk, approved by the different health authorities in the area, and other source milk, as well as differences in the methods of handling milk in the various plants, made it difficult to account separately for emergency milk. With respect to milk received by a handler from a producer-handler, producers argued that surplus milk of producer-handlers should not be pooled because this would result in higher prices to producer-handlers than to regular producers, due to the fact that producer-handlers' Class I and Class II sales are not included in the market pool.

To overcome these difficulties, the Falls Cities Association made a number of related proposals, among them a change in the definition of other source milk to include both emergency milk and milk received from a producer-handler. The Association also asked that the 5 percent clause be deleted because they feared that handlers might get emergency supplies, even though they had no real need for them, in order to take advantage of this clause. 49/

Since the amendment of September 1948, receipts of milk from producer-handlers and of emergency milk are included under the definition of "other source milk" and are not separately reported by handlers, and the revised allocation provisions do not include a 5 percent clause.

Definitions that serve primarily to simplify the order. A definition of the "Department of Agriculture" was added under the amendment of October 1947. This addition permitted a simple reference to the Department in the specifications of the particular price series to be used in different pricing formulas. For similar reasons definitions of "producer milk" and of the "Chicago butter price" were included under the amendment of September 1951.

Defining the pool. Since pre-license days one of the Louisville handlers has operated a country plant at Taylorville, Ky., and for a number of years the same handler also received producer milk at Madison and Corydon, Ind. These plants had permits from the Louisville health authorities. Milk received at these plants was available for fluid use when needed, otherwise it was used for manufactured products. Later in 1948 another plant, located at Carrollton, Ky., was approved by the

49/ Idem, pp. 478-79.

health authorities, and individual permits were issued to producers who delivered milk to the plant. This handler did not process milk for distribution in Louisville, but delivered milk to one handler in the marketing area when it was needed for fluid use. There was some question whether producer milk from the Carrollton plant was available to meet fluid requirements of other handlers. Receipts at this plant were included in the pool and affected the blended price.

The Falls Cities Association was much concerned about this development. In March 1949 the accountant for the association, testified that under such an arrangement practically any plant in the Midwest could qualify as a handler in the Louisville market and pay a fluid market price to its producers, even though little or no milk was delivered to the market. He stated further that the record would show that the association had not tried to keep out of the market milk that was needed for Class I and Class II sales, or a protective supply of Class III milk. However, the association felt strongly that direct-haul producers who delivered to the Louisville market every day of the year should not be required to share their fluid prices with areas that had surplus supplies which would otherwise be used for manufacturing purposes.

To protect the blended price, and to establish a handler's responsibility with respect to the market, the association, at the hearing in March 1949, proposed that a pool plant be required to deliver 95 percent of its receipts from producers in each of the months from October through February and 25 percent in September and March, to handlers in the market. The association expressed a fear that without such a requirement there was danger that the milk would not be made available to the fluid market in periods of shortage. 50/

The recommended decision which followed this hearing did not include a definition of a pool plant. In part, the decision reads as follows:

> Although the danger which the proponents described might arise at some future time in this market, the record of this hearing does not disclose an immediate need for such provision. Moreover there are alternative means of dealing with the problem. These alternatives, however, were not explored at the hearing and it was not evident whether the method proposed would be the best of the available alternatives. No discussion was had for instance of the efficacy of location differentials, the institution of an individual handler pool, or adjustment of surplus. . . . 51/

The question of establishing limitations on the inclusion of handlers in the market pool, based on the extent to which handlers contributed to the regular supply of milk for the market, again was an important issue at the hearings of December 1950 and March 1951 in Louisville.

50/ Hearing March 23-25, 1949. Docket No. AO-123 A-10, pp. 25-29.
51/ 14 F. R. 4556.

The Falls Cities Association again proposed a definition of a pool plant, requesting that, in order to participate in the market pool, a plant located outside of the marketing area should be required to deliver to the Louisville market specified percentages of milk of producers.

The following definition of a pool plant was added to the redrafted order effective September 1, 1951.

> Section 946.9 Pool plant. "Pool plant" means:
> (a) A city plant;
> (b) A country plant during the period of October through March for each month in which not less than 10 percent of its receipts from dairy farmers who hold dairy farm inspection permits issued by the appropriate health authority having jurisdiction in the marketing area is delivered to a city plant in the form of milk, skim milk, or cream; or
> (c) A country plant during the months of April through September from which more than 50 percent of its combined receipts from dairy farmers, who held dairy farm inspection permits issued by the appropriate health authority having jurisdiction in the marketing area, during the preceding period of October through February were delivered to one or more city plants in the form of milk, skim milk or cream, unless the operator of such plant notifies the market administrator in writing on or before March 15 of withdrawal of the plant from the pool for the months of April through September next following.

Definitions of a city plant, a country plant, and a non-pool plant also were added under the same amendment. The definitions of city and of country plant contain the important proviso that these plants include any portion of building and facilities which is used during a month in the processing of producer milk for any use. This means that handlers now must report on their manufacturing operations in any month in which producer milk has been used in manufactured products.

This group of definitions obviously is closely related to the amended definitions of handler and producer which read as follows:

> Section 946.11 Handler. "Handler" means:
> (a) Any person in his capacity as the operator of one or more pool plants;
> (b) A producer-handler;
> (c) Any cooperative association with respect to milk of producers which it causes to be diverted to a nonpool plant for the account of such cooperative association; or
> (d) Any person, other than a producer-handler, in his capacity as operator of a nonpool plant used during the month for the processing and packaging of milk any portion of which is disposed of in the marketing area as Class I milk from delivery routes or plant stores.
>
> Section 946.12 Producer. "Producer" means any person who produces, under a dairy farm inspection permit issued to such person by the appropriate health authority having juris-

diction in the marketing area (as used in this subpart, "dairy farm inspection permit" shall include approval of milk by the authority to administer regulations governing the quality of milk acceptable to agencies of the United States Government for fluid consumption in its institutions or bases located in the marketing area, which is received at a plant from which any portion of such milk is disposed of to such institutions or bases in the container in which packaged as Class I milk), milk which is:

(a) Delivered from his farm to a pool plant;

(b) Diverted by a handler to a pool plant or a nonpool plant: Provided, That any such milk so diverted shall be deemed to have been received at the pool plant from which it was diverted: And provided further, That this definition shall not include during any of the months of October through February, any person whose milk was diverted to a non-pool plant for more than one-half of the days of such month; or

(c) Diverted by a cooperative association to a nonpool plant for the account of the cooperative association: Provided, That any such milk so diverted shall be deemed to have been received by the cooperative association.

The current definition of a "handler" is clear and concise and needs no further explanation. Under the definition of a producer, the parenthetical description of a "dairy farm inspection permit" was added to make it clear that dairy farmers whose milk is accepted under the inspection standards of Fort Knox or other military installations within the area are regular "producers". The further proviso of subdivision (b) limits the extent to which handlers may divert producer milk during the shortage period. Previously there had been no restrictions on the diversion of producer milk to a nonpool plant.

Selection, Powers, and Duties of the Market Administrator

Some powers added. The market administrator is the agent to whom the Secretary delegates the immediate responsibilities of the administration of a particular milk marketing agreement or order. From April 1, 1940, until the amendment of October 1947, except for some rewording effective August 1, 1943, the specified powers and duties remained about as given in the original order.

At the hearing in April 1947, the Dairy Branch made the proposal that the following "powers" be added:

"(3) Make rules and regulations to effectuate the terms and provisions hereof; and

"(4) Recommend to the Secretary amendments hereto."

The marketing specialist explained that these proposals actually are statutory powers under the Agricultural Marketing Agreements Act of 1937,

257955 O - 53 - 8

as amended; that no change in procedure was contemplated because these powers already were being exercised by the administrator; and that they should be written into the order to make it absolutely clear to everyone just what the powers of the market administrator are. 52/

The attorney for the Louisville Milk Distributors Association wanted the limitation "to be cleared through the Secretary's office" to be added to the proposed subparagraph (3); and, to avoid retroactive measures, he advocated that such rule or regulation be effective only after notice to the handler. 53/ Because the first of these suggested changes was implicit in the statutory authorization and because retroactive action probably could not be taken in any case, neither of these proposals was included in the recommended decision of the Assistant Administrator of the Production and Marketing Administration.

With respect to the proposed subparagraph (4), the economist for the Dairy Branch stated that the market administrator probably was in a better position than anyone else to know how the various provisions of the order applied to local operations and to observe any defects in their operation. There was no objection to the addition of this "power".

The Dairy Branch next proposed that the market administrator be instructed to prepare and disseminate for the benefit of producers, consumers, and handlers, such statistics and information concerning the operation of the order as did not reveal confidential information. The attorney for the handlers suggested that, because of its connotation, the word "disseminate" should be replaced by the words "make available". This substitution was made in the amendment. He also inquired whether this additional duty was likely to result in an extra charge on the handlers. It was explained that little extra expense could be anticipated because the statistics and information in question necessarily were collected by the market administrator as part of his other official duties. This duty, together with the two additional powers, were included in the amendment of October 1947.

Reporting schedule accelerated. Until the order was reorganized in September 1951, the responsibilities of the market administrator for reporting to handlers with respect to uniform prices, class prices, butterfat differentials, and the handler's obligation to the producer-settlement fund were stated in the sections which pertained to the determination of the uniform prices to producers and the payment for milk. Under the amendment of September 1951 these responsibilities were made part of "Section 946.22 Duties". This section contains a few significant changes in the reporting schedule.

To protect producers and others interested in the compliance of a handler, the market administrator now is authorized to announce publicly the name of any person who within 5 days (previously 15 days) after the required date under the order has failed to submit reports or make payments.

52/ Hearing April 21-24, 1947. Docket No. AO-123-A6, pp. 61-62.
53/ Idem, pp. 63-73.

The deadline for completing the pool computation continues to be the 10th of the month, but the current regulation specifies that the market administrator, on or before the 11th day after the end of each month, shall bill each handler the amounts to be paid into the producer-settlement fund, if any, and the amounts due for marketing services and expense of administration. Other sections of the amendment of September 1951 provide that payments into the producer-settlement fund are due on or before the 13th instead of the 15th day of the month; and that the market administrator pays any amount due a handler out of the fund by the 14th instead of the 20th day of the month. This accelerated time table is consistent with the requirement that producers be paid on or before the 15th day of the month.

History of the Classification Plan

An intricate procedure. Until September 1951, section 946.3, entitled "Classification of Milk," was divided into six major paragraphs. Each of these paragraphs contained specific directions which the market administrator was to carry out in order to derive an equitable classification of milk received from producers and from other sources. It will become apparent that the classification of milk according to its utilization is much more complex than merely establishing certain use-classifications.

The classification procedure has been amended a number of times since the adoption of Order No. 46. Some amendments represented refinements in terminology or greater precision of definition; other represented changes in the particular products which are included in a specific class and, consequently, directly affected the returns of producers. In addition the accounting provisions were refined from time to time. These changes also affected the costs of handlers and the price to producers.

Under the redrafted order of September 1951, the classification process is laid out under seven sections:

- 946.40 Skim milk and butterfat to be classified
- 946.41 Classes of utilization
- 946.42 Unaccounted-for skim milk and butterfat and plant shrinkage
- 946.43 Responsibility for classification of milk
- 946.44 Transfers
- 946.45 Computation of the skim milk and butterfat in each class
- 946.46 Allocation of skim milk and butterfat classified

All of these steps are prescribed so that the producer will receive a price for his milk which represents the composite utilization of graded milk on the market.

Basis of classification. Originally, paragraph (a) of section 946.3 explained what milk was to be classified. The first change was made in June 1942 when these specific provisions were added:

(1) The burden rests upon the handler to account for the milk and to prove to the market administrator that it should not be classified as Class I milk, and (2) with respect to milk, or skimmed milk, disposed of to another handler, the burden rests upon the handler who first received the milk to account for it, and to prove to the market administrator that it should not be classified as Class I milk.

From its organization the Falls Cities Association had required proof of utilization from the handlers with whom it had contracts, and the same requirement was applied to all handlers when Federal regulation was introduced. However, the market administrator proposed the aforementioned additions to clarify beyond a doubt the extent of a handler's responsibility in establishing the classification of milk. These provisions put handlers on notice that accurate accounts and adequate supporting records must be kept and that satisfactory reports must be submitted to the market administrator.

Changes in wording under the amendments of December 1944, October 1946, and October 1947, each contributed to clarity and conciseness in the statement of the "Basis of Classification". The September 1951 version of Order No. 46 describes these provisions almost wholly in terms of cross references:

> Section 946.40 Skim milk and butterfat to be classified. All skim milk and butterfat which is received within the month by a handler and which is required to be reported pursuant to sections 946.30 (Reports of receipts and utilization) and 946.61 (Handlers operating nonpool plants) shall be classified by the market administrator pursuant to the provisions of sections 946.41 through 946.46.

The cross reference scheme is used consistently throughout the order in its present form. This not only yields brevity and promotes accurate interpretation of a provision, but it also reveals the close interrelationships which exist between the several parts of the order, and the necessity for a thorough understanding of these interrelationships, not only by the administrator, but also by handlers and by producer organizations.

Classification, and developments in the dairy industry. The classes of utilization under the license and under the original order, and all their amendments, are summarized in table 21. Here one may trace quickly how the classification plan evolved under Federal regulation in Louisville. 54/ Some of the changes may be attributed to the dynamic

---

54/ It has been pointed out that during the license period, by special agreements between the cooperative and the handlers, a number of sub-classes were used at various times (appendix table 67).

nature of the dairy industry; others have resulted from alterations in local conditions or influences.

Fundamental changes in the industry, which were taking place gradually during the thirties, were greatly accelerated by the wartime dairy program. To meet requirements for dairy products which were most essential to the war effort, the Department of Agriculture encouraged increases in milk production, the delivery of whole milk rather than separated cream by farmers, and greater utilization (for human consumption) of all the nutrients of milk, particularly the nonfat solids. That these policies bore fruit is indicated by the fact that during the war years proportionately much greater increases occurred in the deliveries of whole milk by farmers and in the utilization of skim milk for manufactured products, than in milk production on farms.

The Department also encouraged the consumption of milk in fluid form as the most efficient way of utilizing all the nutrients in milk. This was one of the factors, along with rising incomes, scarcity of wanted hard goods, and relatively low ceiling prices for milk, which contributed to a sharp increase in the per capita consumption of milk in Louisville and in other cities. Milk shortages intensified classifcation problems with respect to interhandler transactions and emergency milk, and producers became increasingly aware of the value of the skim milk in their product.

The growing importance of the skimmed component of milk is quite apparent in the changes which were made from time to time in the Louisville order. Prior to the amendment of June 1942, the word "skimmed" milk did not appear in the description of either Class I, Class II, or Class III milk; but under that amendment the term "skimmed milk" was used in the definition of Class I milk. In the amendment of December 1944, skim milk was referred to in each of the classifications. As of October 1947, Class I, Class II, and Class III utilizations were defined in terms of the components of milk, that is, skim milk and butterfat, rather than in terms of the products--whole milk, skim milk and cream. At the same time the Louisville market went on a skim milk and butterfat basis of accounting for receipts and utilization.

<u>Classes of utilization</u>. Products which were included, respectively, under the three classifications remained unchanged from June 1934 to June 1942 (table 21). But at the hearing in February 1942 the association proposed that:

> Class I-A milk should be all milk disposed of as milk not specifically accounted for as Class I-B milk and Class II milk;
>
> Class I-B milk should be all milk disposed of as cream (for consumption as cream), cottage cheese, flavored milk, buttermilk, and skim milk; and that
>
> Class II milk should be all milk accounted for

Table 21. - Changes in definitions of the classes of utilization of milk under License No. 60 and Order No. 46, Louisville, Ky., marketing area, June 1, 1934, to Sept. 1, 1951

Date 1/	Class I milk	Class II milk	Class III milk
6-1-34	All milk sold or distributed as whole milk for consumption in the Louisville sales area.	All milk used to produce cream (for consumption as cream), flavored milk, creamed cottage cheese, and creamed buttermilk (milk from which only the skimmed milk was used not to be included).	Milk purchased, sold, used or distributed by distributors in excess of Class I and Class II milk.
4-1-40	All milk disposed of as milk and all milk not accounted for as Class II and Class III milk.	All milk disposed of as cream (for consumption as cream) flavored milk, creamed cottage cheese, and creamed buttermilk.	All milk accounted for (a) as actual plant shrinkage, but not to exceed 2 percent of total receipts from producers (b) as used to produce a milk product other than those specified as Class II milk.
6-1-42	All milk and skimmed milk disposed of as milk, buttermilk, and milk drinks, whether plain or flavored, and all milk not accounted for as Class II and Class III milk.	All milk disposed of as cream (for consumption as cream), including any cream product disposed of in fluid form which contained less than the minimum butterfat content required for fluid cream, and as creamed cottage cheese.	All milk accounted for (a) as used to produce a milk product other than those specified in Class I and Class II milk (b) as actual plant shrinkage, but not to exceed 2 percent of total receipts from producers, including the handler's own production. 2/

- Continued -

Table 21. - Changes in definitions of the classes of utilization of milk under License No. 60 and Order No. 46, Louisville, Ky., marketing area, June 1, 1934, to Sept. 1, 1951 - Continued

Date 1/	Class I milk	Class II milk	Class III milk
12-1-44	All milk and skim milk disposed of in fluid form as milk, buttermilk, and milk drinks, etc.	All milk, skim milk, and cream disposed of as fluid cream, including any cream product disposed of in fluid form which contained less than the minimum butter-fat content required for fluid cream.	All milk, skim milk, and cream accounted for (i) as used to produce a product other than those specified in Class I and Class II milk (ii) as actual plant shrink-age, but not to exceed 2 percent of the total re-ceipts of butter-fat, not including butterfat received from other handlers: Pro-vided, 3/
10-1-46	Unchanged	The phrase "includ-ing sour cream" inserted after the words "fluid cream."	All milk, skim milk, and cream accounted for (i) unchanged (ii) as actual plant shrinkage of butterfat in milk received from pro-ducers, but not to exceed 2 percent of such receipts (iii) as actual plant shrinkage of butterfat in milk, skim milk, and cream received from other sources, in-cluding emergency milk; Provided, 3/, 4/.

- Continued -

Table 21. - Changes in definitions of the classes of utilization of milk under License No. 60 and Order No. 46, Louisville Ky., marketing area, June 1, 1934, to Sept. 1, 1951 - Continued

Date 1/	Class I milk	Class II milk	Class III milk
10-1-47	All skim milk and butterfat (i) disposed of in fluid form as milk, buttermilk, and milk drinks, whether plain or flavored (ii) not accounted for as Class II and Class III milk.	All skim milk and butterfat disposed of as fluid cream (including sour cream), etc.	All skim milk and butterfat accounted for (i) unchanged (ii) as actual plant shrinkage of skim milk and butterfat in milk received from producers, but not to exceed 2 percent of such receipts (iii) as actual plant shrinkage of skim milk and butterfat in emergency milk and other source milk: Provided, 3/
9-1-48	Unchanged	Unchanged	5/
9-1-49	All skim milk and butterfat (i) disposed of in fluid form as milk, skim milk, buttermilk, and milk drinks, whether plain or flavored, except that disposed of in fluid form for livestock feed (ii) not accounted for as Class II or Class III milk.	All skim milk and butterfat disposed of as fluid cream (including sour cream), and any cream product disposed of in fluid form required by the appropriate health authority in the marketing area to be made from approved milk or cream.	All skim milk and butterfat (i) used to produce a product other than those specified in Class I and Class II milk, including that disposed of for livestock feed, (ii) in actual plant shrinkage of skim milk and butterfat in milk received from producers, but not to exceed 2 percent of such receipts (iii) in actual plant shrinkage of skim milk and butterfat in other source milk: Provided, 3/

- Continued -

Table 21. - Changes in definitions of the classes of utilization of milk under License No. 60 and Order No. 46, Louisville Ky., marketing area, June 1, 1934, to Sept. 1, 1951 - Continued

Date 1/	Class I milk	Class II milk	Class III milk
9-1-51	(a) All skim milk and butterfat (1) disposed of in fluid form as milk, skim milk, cream (including sour cream), buttermilk, milk drinks (plain or flavored), except that disposed of in fluid form for livestock feed, (2) disposed of in fluid form as any milk product required by the appropriate health authority in the marketing area to be made from milk, skim milk, or cream, from sources it approved (3) not accounted for as Class II milk.	(b) All skim milk and butterfat (1) used to produce any product other than those specified under (a); (2) disposed of for livestock feed, (3) disposed of in any form in bulk and used for non-fluid purposes by soda fountains, ... (see footnotes 2 and 4) (4) in plant shrinkage of skim milk and butterfat in milk received from producers and in other source milk.	(Only two classifications provided.)

1/ The first date shown is the effective date of License No. 60, the second of Order No. 46, and the remaining ones of amendments which include some change in classification.

2/ Cream disposed of in bulk and used for non-fluid purposes by soda fountains, restaurants, bakeries, candy and soup manufacturers, and retail food establishments which, under the applicable health regulations, are permitted to receive cream other than of Grade A quality for non-fluid purposes classified as Class III.

3/ Provisos refer to methods of computing shrinkage of skim milk and butterfat in transactions such as: (1) Diversion by first handler to second handler without having been weighed and tested by first handler; (2) Utilization of milk from producers as skim milk and butterfat in conjunction with skim milk and butterfat from sources other than producers and other handlers; and (3) Transfer of milk from producers as skim milk and butterfat to a plant of a handler from which no milk of producers is disposed of as fluid milk in the marketing area.

4/ Provision given in footnote 2 extended to cover milk and skim milk.

5/ Reference to emergency milk deleted.

(i) as actual plant shrinkage, but not to exceed 2 percent of the total receipts of milk from producers and

(ii) as used to produce a milk product other than those specified as Class I-A milk and Class I-B milk.

The producers really wanted to establish only two classifications because they proposed the same minimum price formula for Class I-B as for Class I-A. This arrangement would have placed all products for which graded milk was required in one price classification (Class I-A and Class I-B), and all manufactured products (except cottage cheese) which could be made from ungraded milk in Class II. 55/

A representative of the Association defended the proposal, that milk which was used for fluid cream should be priced at the same level as milk which was used for fluid milk purposes, in this manner:

> Theoretically, cream if placed in a separate classification from milk is placed there because (1) it can be replaced by out-of-the-area cream or uninspected cream and (2) because it is separated in the country and comes to market carrying a different freight rate. Neither of these reasons exist in this market, as our cream is not competitive to outside cream or uninspected cream and it moves to market as whole milk with the same transportation charge . . . Milk used to make cream costs just as much to produce as milk used for bottle milk, its transportation cost to market is identical and it must come in fresh every day. From the whole milk separated for cream the dealers get two products to sell, while one product is sold as fluid milk. We have been getting less for Class II product milk comparatively, even though solids have increased tremendously in value. 56/

The representative for the Louisville handlers countered:

> . . . The Louisville market has, for years, been a market with high-testing milk, and as a result of the high-test milk, many of the consumers of bottled milk have never found it necessary to purchase cream for coffee or for cereal. As a result, the cream price has remained at a low figure and a comparatively low volume for the market. The dealers are naturally desirous of building as large a cream market as possible, and they realize that the price for cream should be as high as possible in order to permit the Class I price to be held down and still maintain a satisfactory blended price.

55/ See table 17, p. 61, for two-class agreements during license period.

56/ Hearing Feb. 26, 1942. Docket No. AO-123-A2 RO-1, p. 112.

> In their opinion, the differential between Class II and Class I as compared to Class III, should be about the same, namely, that Class II is not and cannot be at the same price that Class I is sold at; but they do believe that an intermediate figure between the manufactured price and the price of Class I will result in about as high a price as Class II can stand, and still maintain a reasonable volume of cream sales. . . .
>
> In summarizing, I am authorized to state that the dealers strenuously object to the proposal of the producers, which is before this hearing, to divide milk into two classes. We believe it is neither practicable nor feasible for the Louisville market. 57/

In contrast to the producers, the Louisville Milk Dealers' Association proposed four classes of utilization. The fourth class was to include the shrinkage allowance and also all milk the butterfat from which was used to produce butter, with the proviso that no handler should be permitted, in any delivery period, to report an amount of milk utilized as Class IV in excess of an amount equal to 10 percent of his Class I sales. Class IV milk was to be priced at Chicago Extras plus 10 percent, multiplied by 4.

The handlers testified that this lower classification was necessary because of the large number of dealers who were not equipped to process by-products; that these small dealers were dependent upon the butter market for the disposition of their fat in excess of their Class I and Class II requirements; that their problem had been seriously intensified since Pearl Harbor, because the restrictions on tires, the elimination of special delivery service, and the change to a six-day delivery operation had made it necessary for each route man to take an additional supply of milk over and above his ordinary sales and this had increased the volume of route returns. 58/

As part of their classification plan the producers requested that all milk disposed of as cottage cheese, flavored milk, buttermilk, and skim milk be included in their proposed Class I-B. (Under the prevailing classification only the whole milk equivalent of these products was placed in Class II.) In support of this proposal the attorney for the Falls Cities Association testified, in part:

> Under the terms of the present Order, if the producers deliver whole milk of a 4 percent butterfat content and 4 pounds of fat is sold in Class II products, it is assumed that the sale of skim in Class II cannot exceed 96 pounds; whereas the actual use of skim in Class II may greatly exceed 96 pounds for each 4 pounds of fat.

57/ Idem, pp. 194-200.
58/ Idem, pp. 181-182.

The market administrator had advised him that for the month of December 1941 handlers had reported the following ranges in the fat content of sales of the specified products;

Skim milk - no fat to 1.0 percent fat
Buttermilk - no fat and from $1\frac{1}{2}$ - 4.0 percent fat
Flavored milk - no fat and from 1.0 - 4.1 percent fat

These products contained 7,034.66 pounds of fat which, when converted on the basis of an average test of 4.32 as provided in the order, resulted in only 162,839 pounds of utilization being included in Class II although the weight of these products as sold was 686,881 pounds. The difference of 524,042 pounds was included in Class III. 59/

Neither the proposal of producers for two classes nor the proposal of handlers for four classes was adopted nor was any special provision made, at this time, for surplus milk which was manufactured into butter. However all milk and skimmed milk in buttermilk and plain or flavored milk drinks was included in Class I under the amendment of June 1942.

Also in June 1942, to meet the competition of ungraded milk, bulk sales of graded cream for non-fluid use to soda fountains, bakeries, restaurants, and other retail food establishments, were classified as Class III milk. A similar provision for bulk sales of graded milk became effective in October 1946. From then on graded milk and cream sold to these food establishments has been included in the lowest classification.

Under the amendment of December 1944 the reference to creamed cottage cheese was deleted from Class II. This automatically placed cottage cheese in Class III. The change was proposed by the market administrator for these reasons:

> (1) The present milk ordinance of the city of Louisville does not require handlers to use Grade B milk in the manufacture of cottage cheese; and
>
> (2) A number of handlers regulated by the order receive as a source of their milk supply both Grade B milk (producer milk) and Grade C milk
>
> A combination of these two facts results in a situation whereby handlers who receive only Grade B milk are, under the present order, required to classify and pay the Class II price for the milk and the cream used in the manufacture of cottage cheese.
>
> On the other hand, handlers whose receipts of milk consist of both Grade B and Grade C milk can, by reason of the milk ordinance, declare the classification of Class III on cottage cheese manufactured from Grade C milk.
>
> To correct this situation, it is proposed that the classification of milk or cream used in cottage cheese be classified as Class III milk; thereby creating equities in the classification and pricing of the milk used in the manufacture of this product. 60/

59/ See pp. 36-40 of reference under footnote 56, page 116.
60/ Hearing Aug. 24-25, 1944. Docket No. AO-123-A4, pp. 216-217.

Neither the producers nor the handlers objected to the reclassification.

For a number of years the description of Class II milk read in part "including any cream product disposed of <u>in fluid form</u> which contains less than the minimum butterfat content required for fluid cream. . . ." Under this definition eggnog (being in fluid form) was reported and classified as a Class II product but products such as ice cream mix and frozen cream (not being in fluid form) were reported and classified as Class III products.

At the hearing in March 1949 the handlers proposed that milk used in eggnog should be classified as Class III milk because the health regulations did not require that it be made from graded milk; it was a product similar to ice cream mix; and the eggnog which was produced and distributed by the Louisville handlers was in competition with an eggnog mix sold in bottles which was imported from manufacturing plants.

Effective September 1, 1949, Class II milk was defined as any cream product disposed of in fluid form which was required by the appropriate health authority in the marketing area to be made from approved milk or cream. By this limitation milk or cream used to produce eggnog was removed from Class II and placed in Class III.

At this point producer milk was classified as Class I when it was utilized in fluid milk products (except that skim milk and butterfat disposed of in fluid form for livestock feed was included under Class III), and as Class II when it was utilized in fluid cream products. For years, the Falls Cities Association had argued that milk used in fluid cream products (which are required to be processed from graded milk) should be included in Class I.

The Department recognized the validity of the argument, but the fact that cream can be stored and can be transported from greater distances than milk were additional considerations. If graded milk were priced too high in the Louisville area where there usually is a surplus of milk, "bootlegged" cream might have become a problem. This danger and the inadvisability of greatly disturbing market custom during the war years probably entered into the decision of the Secretary to deny the proposal of producers in 1942 for a higher classification of cream.

The objective of the association was accomplished under the amendment of September 1951 by which skim milk and butterfat used in fluid milk and in fluid cream products are classified in Class I; and skim milk and butterfat used in other products are classified as Class II milk. Under the skim milk and butterfat, rather than the milk equivalent basis of accounting for the utilization of graded milk, even though graded cream is classified as Class I, it is not priced out of line with other cream because the handler is charged only for the butterfat and the small amount of skim to float it. The current (July 1953) classification plan has been in effect since September 1951 (table 21).

Transfers of Producer Milk. In general, the original order, and the amendments which were adopted before September 1951, provided that transfers or diversions of producer milk between handlers or between handlers and non-handlers (of fluid milk and fluid cream) should be classified, respectively, as Class I and Class II milk, unless the selling handler and the buyer, on or before the fifth day after the end of the delivery period, produced written evidence that the milk was used for Class III purposes.

Under existing order provisions, skim milk or butterfat (excluding frozen cream) transferred or diverted from a pool plant are classified as Class I milk if transferred or diverted:

(a) In the form of fluid milk, skim milk, or cream to the pool plant of another handler, unless Class II utilization is claimed in writing and verified by inspection of records;

(b) In the form of fluid milk, skim milk, or cream to a producer-handler;

(c) In the form of milk or skim milk to a nonpool plant located 100 miles or more from the City Hall at Louisville;

(d) In the form of milk or skim milk to a nonpool plant located less than 100 miles from the City Hall at Louisville, and in the form of fluid cream to a nonpool plant wherever located, unless Class II utilization is mutually indicated in writing to the market administrator on or before the 5th day after the end of the month, and the market administrator is permitted to audit the books and records showing the utilization of all skim milk and butterfat received at such nonpool plant. If the audit shows that an equivalent amount of skim milk and butterfat, respectively, was not actually used in Class II products the remainder is classified as Class I milk.

Unaccounted-for milk and plant shrinkage. Under the September 1951 amendment, unaccounted-for milk is described as skim milk and butterfat received at a handler's plant in excess of his established utilization. In the normal operation of a milk plant some loss is usually experienced due to factors such as foaming, splashing, spillage, and the adhesion of milk to containers. Under the original order, handlers were allowed actual shrinkage but not to exceed 2 percent of the total receipts of milk from producers. This amount was charged at the Class III price. Excess shrinkage and all other milk not specifically accounted for as Class II milk and Class III milk was included under Class I milk. Unaccounted-for milk continues to be charged to handlers at the Class I price.

From June 1942 until October 1946, shrinkage applied only to the total butterfat in receipts from producers. Beginning with October 1946 shrinkage also was computed on receipts from sources other than producers. In October 1947 maximum shrinkage was specified as 2 percent of receipts not only of butterfat but also of skim milk in receipts from producers and as actual plant shrinkage of skim milk and butterfat in emergency and other source milk. Since September 1951 the quantities of unaccounted-for skim milk and butterfat are prorated between the handler's receipts of skim milk and butterfat, respectively, in the milk received from producers and other source milk.

Every comprehensive amendment of Order No. 46 has affected some detail of allocating or classifying shrinkage. The problem has many ramifications because shrinkage must be accounted for not only with respect to a handler's bottling operations but also with respect to producer milk which is transferred or diverted to another handler or to a non-handler, or which is intermingled with ungraded milk in manufacturing operations.

Since December 1944 plant shrinkage on producer milk which was transferred by a handler to another handler, without being weighed and tested by the first handler, has been allocated to the second handler. And from December 1944 to September 1951 shrinkage on producer milk which was diverted to the plant of a non-handler was prorated on the basis of total receipts at the latter plant and added to the shrinkage from operations in the handler's fluid milk plant. Since September 1951, however, producer milk which is diverted to a nonpool plant is excluded from the receipts of the diverting handler in computing his plant shrinkage or unaccounted-for skim milk and butterfat, so that handlers now are allowed shrinkage only on producer milk which passes through a pool plant.

The Louisville health authority requires a handler who receives both graded and ungraded milk to use separate facilities for his graded and ungraded operations. In the Indiana portion of the marketing area, the health authorities allow the handler to use the same facilities for processing graded and ungraded milk provided that the ungraded milk is not handled until the processing of the graded milk is completed. These arrangements, however, do not solve the problem of allocating shrinkage on the utilization of surplus producer milk which is intermingled with ungraded milk.

For many years shrinkage on producer milk which was intermingled with ungraded milk was prorated as a percentage of total volume received from all sources for the manufacturing operations. But when the handlers lacked the records to establish usage in some product actual shrinkage could not be established. Therefore the handler lost his 2 percent shrinkage allowance and all of the difference between receipts and utilization at the manufacturing plant was classed as unaccounted-for milk and prorated over the total receipts from producers and from all other sources. The unaccounted-for milk from producers was charged to the handler at the Class I price.

Under the amendment of September 1951 (in effect as this report is written) a manufacturing plant is defined as a "pool plant" in any month in which such building and facilities were used to process producer milk for any use and a handler has the same reporting requirements for his manufacturing operations as for his fluid plant. When graded milk is intermingled with ungraded milk, shrinkage is established on the total fluid and manufacturing operations of a handler. Handlers can more readily establish proper records on the total operations, so that the classification problems of the market administrator are lessened and handlers are not so likely to lose their shrinkage allowance.

At the hearing in December 1950, in opposition to the Department's proposal of a maximum shrinkage of 2 percent on skim milk, handlers testified that at times, particularly during the flush season, they had skim milk which they could neither utilize themselves nor sell profitably and therefore some surplus skim milk was poured down the sewer. This skim milk would be unaccounted for and allocated to Class I. They therefore felt that the shrinkage allowance on skim milk should be larger than 2 percent. One handler testified that he thought handlers should be able to account for their skim milk, even during the flush season, to within 5 percent of receipts. 61/ Since September 1951 the maximum shrinkage on skim milk is 2 percent during the months of August through March and 5 percent during the months of April through July. The maximum shrinkage on butterfat remains 2 percent for all months.

Reconciliation between Receipts and Utilization

Handlers and their records. Daily, from various parts of the Louisville producing area, milk which meets the requirements of the health authorities in the area is delivered to the receiving platforms of the various handlers. Before the milk of a producer is intermingled with milk from other producers, it is weighed and then inspected for flavor and odor; next a sample of the milk is taken, to which a preservative is added. Usually every ten days, the cumulated composite sample is tested for butterfat content and the monthly average of such butterfat tests becomes one of the factors in computing the value of a producer's milk.

There are great differences among handlers in Louisville with respect to the daily volume of milk received. This is mainly because of the differences in the number of producers who deliver to the respective handlers. Quantities of milk delivered by individual producers also vary, according to the size of their herds and the yield per cow.

In January 1945, for example, 1659 producers delivered a total of approximately 13,000,000 pounds of milk to 29 handlers in Louisville. About one-half of these handlers received milk from 10 to 49 producers, but 5 handlers received milk from less than 10 producers, and 2 handlers received milk from an average of 378 producers (table 22). Likewise 3 handlers received an average of only 4,000 - 5,999 pounds per producer, while at the other extreme 2 handlers received an average of 18,700 pounds per producer (table 22). The market average for this month of relatively low production was about 7,800 pounds. Under these conditions some handlers in Louisville received less than 100,000 pounds of producer milk during January 1945, but a few large handlers received much more than 1,000,000 pounds in the same period.

61/ Hearing Dec. 18-21, 1950. Docket No. AO-123-All, pp. 567-586.

Table 22.- Number of handlers classified according to number of producers per handler, average receipts of milk from producers, and average butterfat test of receipts from producers, Louisville marketing area, January 1945

Producers per handler	Handlers in each class
Number	Number
Less than 10	5
10 - 49	15
50 - 99	5
100 - 149	2
150 or more 1/	2
Total	29
Average receipts per producer	
Pounds	
4,000 - 5,999	3
6,000 - 7,999	12
8,000 - 9,999	10
10,000 - 11,999	2
12,000 or more 2/	2
Total	29
Average butterfat test of receipts of handlers	
Percent	
3.600 - 3.799	3
3.800 - 3.999	3
4.000 - 4.199	9
4.200 - 4.399	5
4.400 - 4.599	9
Total	29

1/ Average 378 producers.
2/ Average 18,700 pounds.

Compiled from 1945 annual report of market administrator.

In January 1945, the average butterfat content of producer receipts of the respective handlers ranged from 3.675 percent to 4.535 percent. The average test for the market was 4.279 percent. Twenty-three of the 29 handlers received milk with an average butterfat content higher than the basic test of 4.0 percent (no handler's receipts averaged exactly at the base) and only 6 handlers received milk which averaged lower than the basic test (table 22).

These data illustrate some of the general characteristics of the receipts of the Louisville market during January 1945, a month of low production at about the mid point in its order experience. Similar data for other delivery periods would be somewhat different because receipts of milk in Louisville not only have a pronounced seasonal pattern, but they have expanded from year to year with the needs of the market. The average butterfat content of milk also varies by seasons and may show an upward (or downward) trend through the year. And, of course, the numbers of producers and handlers serving the market are not static through the year.

Whether a handler is operating in a regulated or in an unregulated market he must keep an adequate and reliable daily record of the quantity of milk received from each producer and the average butterfat content of such receipts if he is to make equitable payments to producers. In a regulated market these records are summarized by the handler and reported to the market administrator at the close of each delivery period. This is one part of the basic data which the market administrator must have in order to determine the minimum uniform price to be paid to producers.

If a handler also operates a dairy farm, receipts from that farm must be reported as "producer milk" under the order. Each handler also is instructed to report any receipts of milk, skim milk or cream from "other sources" or from other handlers. The aggregate of these data for all handlers, with certain adjustments, constitutes the receipts of the market.

After a producer's milk is weighed and tested it usually is poured into a tank along with milk from other producers, after which the batch (if it is to be sold as fluid milk) is filtered, pasteurized, cooled, bottled and placed into a cold storage room. A portion of the handler's milk supply usually is separated and processed into products such as: "single" and "double" cream, bottled skim milk, cultured buttermilk and flavored milk, and cottage cheese. The handler also may have facilities for processing surplus milk into one or more manufactured products; these may include butter, ice cream, condensed milk, evaporated milk, nonfat dry milk solids, or other products.

Before a milk driver starts out on his delivery route the quantities of each product included in his load are recorded on the driver's "load out sheet". At the close of the day the quantities of products which he returns are recorded on the sheet and his net sales for the day for each product are computed. From these drivers' records the handler obtains the information on total sales, during a delivery period, of fluid milk and cream products. From his plant records the handler derives the amounts of skim milk and butterfat which were utilized to produce manufactured dairy products, and from his sales records he obtains data on any other transactions such as sales to other handlers or to butter factories. From records such as these, handlers in Louisville prepared complete reports on the utilization of milk in the respective class products.

There is wide variation among handlers in the proportions of producer milk which are utilized for fluid milk and cream and manufactured products. In January of 1945, under relatively short supplies and strong consumer demand, 18 of the 29 handlers in Louisville utilized 90 percent or more of their receipts of producer milk in Class I products; such a degree of homogeneity, however, is not typical of the market; during June of 1945, in contrast, when supplies were more ample, onlv 9 of the handlers utilized such a high percentage as Class I milk (table 23). The wide range in percentages for June 1945 - normally a month of heavy receipts - may be attributed largely to the fact that sales of Class I products tend to be relatively stable from month to month, while receipts vary. Also, some handlers in Louisville are equipped to manufacture dairy products while others have limited facilities, or none, for handling milk not needed for fluid uses. When receipts vary substantially, as they do from season to season, the milk which is received in excess of the fluid milk requirements of the various dealers tends to be diverted to the plants of those handlers who have manufacturing facilities and who thus can use this "excess" milk economically.

With such diversity among handlers in the sizes and types of businesses conducted, the market administrator obviously must have comprehensive reports from each handler both on the receipts and the utilization of milk if he is to determine the market-wide utilization of milk and the minimum uniform price to producers. It is equally obvious that each handler must keep adequate and often complex records if he is to conduct his own business properly and intelligently, and to supply the market administrator with the data needed to compute a handler or a market-wide "pool". But, even though each handler fully meets his reporting obligations, the intricate task remains of synthesizing these data into a market-wide summary of receipts and utilization which permits the establishment of equitable costs to each handler and equitable prices to producers.

Table 23. - Number of handlers classified according to the percentage of producer milk utilized in Class I products, Louisville marketing area, January and June 1945

Percentage of producer milk utilized in Class I products	Handlers in each class: January 1945	Handlers in each class: June 1945
Percent	Number	Number
Less than 40.0	0	1
40.0 - 49.9	0	1
50.0 - 59.9	0	2
60.0 - 69.9	1	3
70.0 - 79.9	5	10
80.0 - 89.9	5	3
90.0 - 99.9	17	7
100	1	2
Total	29	29

Nature of the reconciliation problem. If all milk received by handlers from producers were sold by them without being standardized, separated, or otherwise processed, sales would equal receipts except for plant losses. However, much of the milk received by handlers is disposed of in forms other than that of fluid milk. It is possible to determine from dealers' records the quantity of products sold but it is not practical to determine the actual quantity of milk used in making these products.

One method, then, of computing the quantity of milk in each class of use is to compute the milk equivalent of the products in that class, the milk equivalent being the quantity of milk of a given fat content which would have been required to supply the fat contained in the products sold. With this procedure the computed total quantity of milk utilized would equal the total quantity of milk received except for plant shrinkage and tolerances.

In practice, the weight of products contained in Class I may be considered to be identical with the weight of milk used in producing them, in effect disregarding the average fat content of the Class I products. Under this method, unless the average fat content of Class I products equals the average test of the handler's receipts, the quantity of milk for which the handler is charged would differ materially from the quantity which he bought from producers, thus giving rise to the problem of reconciliation. This would come about largely because some of the skimmed milk derived from the separation of milk for Class II fluid cream purposes as well as from some Class III operations may be used to standardize Class I milk or used in Class I skim drinks, although this skim milk makes up part of the milk equivalent of the fat used in Classes II and III. Since the dealer was charged for weight of milk equal to the Class I products, this skim milk would be counted a second time in arriving at the total pounds of milk used.

For an individual handler, the reconciliation adjustment may be either plus or minus depending upon the particular products he makes and upon the average butterfat content of his receipts. If, as is the case in Louisville, standardization of bottled milk is permitted and the average butterfat content of producer milk is substantially higher than the legal minimum for fluid milk, and if skim drinks are included in Class I - then the volume adjustment for most handlers and for the market as a whole usually requires a large subtraction from the computed volume in one or more classes in order to reconcile utilization with receipts.

Methods used in Louisville. The first step in arriving at a reconciliation between the receipts and utilization of milk under the Louisville order was to determine, for individual handlers, the total of receipts of (a) milk from producers, and (b) milk or cream from other handlers, and from any other source, including producer-handler and emergency receipts. Receipts other than of whole milk were converted to a milk equivalent basis.

For the next step, three different methods have been used. Under the first method, the quantity of milk in Class III was found by difference, rather than calculated directly. In the next method, a reconciliation adjustment was applied to Class III; and in the final method, butterfat and skim milk were classified separately. The original order provided that the market administrator compute for each handler the total hundredweights of Class I volume. This computation presented no serious problem of reconciliation because, at that time, only whole milk sales were included in Class I. The utilization of Class II milk was determined by multiplying the actual weight of each of the several products in this classification by its average butterfat test and adding together the resulting amounts. The total pounds of butterfat in Class II then were divided by the average test of all milk received from producers and divided by 100. The weight of Class III milk was determined by subtracting the sum of the computed Class I and Class II utilization (milk equivalent of cream converted at the average test of producer milk) from the total hundredweights of all milk received, with the proviso that, if the quantity of Class III milk so determined was not accounted for as being used to produce Class III products and as actual plant shrinkage not in excess of 2 percent, the remaining difference was added to the quantity of Class I milk.

Under this procedure, reconciliation was accomplished by computing the milk used in Class III as a residual, instead of computing it as the milk equivalent of Class III products. The milk equivalent of Class III products was computed, but only as a precaution against under-reporting of Class I and Class II products.

At this stage the computed classification represented total receipts. To arrive at a handler's use of producer milk in each class, utilization of other types of receipts was subtracted from the total hundredweights in the respective classes in the following order: Receipts from other handlers according to use; handler's own production, if any; receipts from sources other than producers, except emergency milk, according to use; and emergency milk. The handler's own production and emergency receipts were pro-rated on the basis of the percentage of total utilization in each class.

Producers were not satisfied with the results obtained under this method of computing the utilization of producer milk. At a hearing in February 1942, they argued that a substantial portion of the milk received by handlers and sold as flavored milk, buttermilk, and skim milk (Class II products at that time) was being classified as surplus. They testified concerning the large excess of actual over computed weight of products in Class II in December 1941. 62/ The producers proposed to remedy the situation by changing the classification and by adding a proviso that in no case should the computed utilization in the proposed Class I-B be less than the sum of the actual hundredweights of all of the several products in the class.

62/ See p. 187 of reference under footnote 56 page 116.

The amendment of June 1942 revised the instructions for computing the quantity of milk in each class and transferred buttermilk and plain or flavored milk drinks to Class I.

Under this amendment the total pounds of milk received by each handler from producers and from other sources were determined. This amount then was converted to pounds of butterfat by multiplying the total pounds of each type of receipts by its average butterfat test and adding together the resulting amounts.

Class I utilization was determined by converting to quarts the quantity of milk and skimmed milk disposed of in the form of milk, buttermilk, and milk drinks and multiplying by 2.15. For purposes of determining shrinkage, pounds of butterfat in Class I also were computed by multiplying the total Class I product pounds by their average butterfat content.

Class II utilization was determined by multiplying the actual weight of each of the products of Class II milk by its average butterfat test, adding together the resulting amounts and converting to a milk equivalent basis by dividing the total pounds of butterfat by 4 percent.

The same method was used to compute the butterfat in Class III products. Next the total pounds of butterfat which were utilized in the 3 classes were subtracted from the total pounds of butterfat received. The difference, if not in excess of 2 percent of total receipts, was added to Class III butterfat and this amount then was converted to a 4 percent milk equivalent basis. Any excess shrinkage was added to Class I volume.

To classify the milk received from producers, other receipts were subtracted in a prescribed sequence. If the sum of the remaining Class I product pounds, plus the remaining milk equivalent of Class II and Class III products, was more or less than the total receipts from producers, reconciliation was effected by subtracting the difference from, or adding it to, the Class III utilization figure. For this purpose, a paragraph on "Reconciliation of Utilization of Milk by Classes With Receipts of Milk from Producers" was made part of the order under the amendment of June 1942.

At the hearing in April 1947 the handlers proposed that the pounds of milk in each class be based on the pounds of butterfat disposed of in such class divided by the average butterfat test of producer milk rather than by the basic test of 4.0 percent. They at first contended that the use of the average market butterfat test as the divisor would eliminate any need for a reconciliation adjustment; therefore, they proposed also that the provisions for reconciliation be deleted. However, after prolonged discussion, they agreed that such a result would not follow and went on record as not urging the deletion of the reconciliation device.

The handlers stressed the large quantities included in the volume adjustment figure. For 1943-46 the quantities were:

1943 - 16,054,855 pounds
1944 - 16,103,759 pounds
1945 - 17,685,675 pounds
1946 - 17,242,391 pounds

These figures were introduced in evidence at the hearing by the attorney for the Louisville Milk Distributors Association to emphasize that for each of the given years, 16 to 17 million pounds were subtracted from the computed utilization to bring this figure into balance with the total pounds of milk received from producers. 63/ The handlers' chief objection was that the volume adjustment tended greatly to reduce, and sometimes to wipe out, Class III utilization so that they were paying for an unduly large portion of their producer receipts at the Class I and Class II prices, particularly in the months of low production.

Market statistics lend support to their contention. In 1941--that is, prior to the adoption of the volume adjustment provisions--the percentage of total producer receipts which was priced as Class III milk ranged from 42.9 percent in June to 21.3 percent in November and December. As the war continued Class I utilization increased significantly and Class III utilization of producer milk was relatively light. However this development would not account for the fact that from 1942 through 1946, for fall and winter months, the percentages of utilization in Class III after volume adjustment, often were minus figures (appendix table 69).

One proposal of the Louisville Milk Distributors Association at the hearing in April 1947, would eliminate the need to compute class utilization in terms of milk equivalent, and hence it would eliminate the reconciliation problem:

> Amend the present method of accounting for milk by substituting therefor in each of the sections, subsections, and classifications the appropriate language to establish for the Louisville milk Marketing Area the "skim-butterfat" basis of reporting and accounting for utilization in each class, under such terms and conditions as will effectuate a price to handlers in accordance with specific price proposals incorporated in the foregoing proposals of such association.

This proposal to change to the "skim-butterfat" basis of reporting and accounting for utilization in each class was adopted under the amendment of October 1947. The change created greater equity among handlers because their charges for utilization in the respective classes now were

63/ See pp. 374-375 of reference under footnote 52 page 108.

based directly upon the weights of skim milk and butterfat which were utilized in these products. Handlers' accounting no longer was complicated by the volume adjustment device.

Classification embraces a number of considerations. It is evident that in a complex milk marketing area such as Louisville, many problems come within the scope of classification. Questions of allocating products to the respective classes of utilization have generally involved two issues: whether or not a particular product was required to be made from graded milk; and the kind or extent of competition among products. Through a number of amendments a long-time objective of the producers was realized, for since September 1951 all milk utilized in products for which graded milk is required by the health authorities, is classified as Class I milk. Handlers also realized one of their objectives, namely a special classification and pricing allowance during the months of heavy surpluses.

The pull of producers for higher classification and the tug of handlers for lower classification was apparent at many of the hearings. Sometimes the issue was a matter of product classification, at other times it pertained to subtracting out other than producer milk, or to plant shrinkage and unaccounted-for milk. And before the skim milk and butterfat basis of accounting for milk was adopted, the method of reconciling utilization with receipts was a recurring issue.

The changes in product classification, in number of classes and in other details of classification, should serve as warnings not to treat historical compilations on classification for the Louisville market as homogeneous series. Besides, the quantities of milk allocated to the respective classes only determine the cost to handlers and the price to producers; they do not represent the exact utilization of producer milk in each class. For example, unaccounted-for milk is included in the Class I volume although it probably is utilized in manufactured products; shrinkage up to the permitted maximum is allocated to the lowest classification, but excess shrinkage is a Class I item; and during the years when volume adjustments were made, Class III volume was especially unrepresentative of utilization of producer milk in manufactured products.

History of the Minimum Pricing Plan

Prices and classification. A direct relationship must exist between the classification and the minimum pricing plan for a given marketing area. It is not possible to analyze accurately a pricing plan without having in mind the particulars of the classes to which the prices apply. The transfer of a product from one classification to another changes the proportion of milk in the respective classes and, therefore, affects both the costs of products to dealers and the uniform prices to producers. The provisions of the various pricing amendments are summarized in table 24.

Table 24. Minimum pricing provisions for Class I, Class II, and Class III milk under License No. 60 and Order No. 46, Louisville, Kentucky, Marketing area, June 1, 1934 to September 1, 1952, inclusive.

Effective date 1/	Class I 2/	Class II	Class III
6-1-34	\$2.18 per cwt.	\$1.65 per cwt.	92-score 3/ x 1.10 x 4.0.
4-1-40	Based on price of 92-score butter Chgo. 4/	\$2.00 per cwt.	(92-score-2¢) x 1.30 x 4.0.
8-1-41	Based on price of 92-score butter Chgo. plus 23¢ per cwt. Aug.-Nov. 1941. 4/	\$2.00 per cwt. except that price for Aug.-Nov. 1941 was \$2.23 per cwt.	Class III price highest of: 1. (92-score-2¢) x 1.30 x 4.0 2. Price for ungraded milk established by handlers in area.
6-1-42	Class III price plus: \$0.95 per cwt. Apr.-July \$1.05 per cwt. Aug.-Mar.	Class III price plus: \$0.45 per cwt. Apr.-July \$0.50 per cwt. Aug.-Mar.	Class III price highest of: 1. Average of prices paid for 4 pct. milk by 7 nearby mfg. plants. 5/ 2. 92-score x 1.30 x 4.0.
6-1-43	\$0.95 differential suspended	Unchanged.	Unchanged.
8-1-43	Same as 6-1-42.	Unchanged.	Unchanged.
4-1-44	\$0.95 differential suspended	Unchanged.	Unchanged.
12-1-44	Class III price plus \$1.05 per cwt.	Class III price plus \$0.50 per cwt.	Class III price highest of: 1. Average of prices paid for 4 pct. milk by 7 nearby mfg. plants. 6/ 2. (92-score x 1.20 x 4.0) + 3½¢ per cwt. for each full ½¢ that price of nonfat dry milk solids (roller, for human consumption) is above 5½¢ a pound. 7/

Continued

Table 24. Minimum pricing provisions for Class I, Class II, and Class III milk under License No. 60 and Order No. 46, Louisville, Kentucky, marketing area, June 1, 1934, to September 1, 1952 inclusive. Continued

Effective date 1/	Class I 2/	Class II	Class III
			In May and June, the price of milk made into butter was: 92-score x 1.20 x 4.0. 8/
5-14-46	Unchanged.	Unchanged.	Unchanged.
10-1-46	Basic formula price plus \$1.05 per cwt. Basic formula price highest of: (1) Class III price (2) Average of prices paid for 3.5 pct. milk (adjusted to 4 pct.) by 18 midwest condenseries. 9/	Basic formula price plus \$0.50 per cwt. Basic price formulas same as for Class I.	Unchanged except that the month of April was added to period in which milk made into butter had a special price.
10-1-47	Basic formula price plus \$1.05 per cwt. except that the price Oct.-Dec. 1947 be not less than \$5.00 per cwt. and for Jan. and Feb. 1948 not less than the Dec. 1947 price, less 44¢. Basic formula price highest of: (1) Class III price ≁ 15¢ (2) Average of prices paid for 3.5 pct. milk (adjusted to 3.8 pct.) by 18 midwest condenseries.	Basic formula price plus \$0.50 per cwt. except that the price Oct.-Dec. 1947 be not less than \$4.45 per cwt. and for Jan. and Feb. 1948 not less than the Dec. 1947 price, less 44¢. Basic price formulas same as for Class I.	Class III price highest of: 1. Average of prices paid for 4 pct. milk (adjusted to 3.8 pct.) by 7 nearby manufacturing plants. 2. (92-score x 1.20 x 3.8) ≁ 3½¢ per cwt. for each full one-half cent that the price of nonfat dry milk solids (roller, for human consumption) is above 5½¢ a pound. 7/ Provision for pricing milk made into butter during April, May and June changed to butterfat basis.

Continued

9-1-48	Basic formula price plus: $1.05 per cwt. Apr.-Aug. $1.25 per cwt. Sept.-Mar. Basic formula price highest of: 1. Class III price + 15¢ 2. [(92-score x 6) + (price Wis. Twins x 2.4)] ÷ 7/ x 1.30 x 3.8. 10/ 3. Average of prices paid for 3.5 pct. milk (adjusted to 3.8 pct.) by 18 midwest condenseries.	Basic formula price plus: $0.50 per cwt. Apr.-Aug. $0.70 per cwt. Sept.-Mar. Basic price formulas same as for Class I.	Unchanged.
12-1-48	Unchanged except that from Dec. 1, 1948, through Jan. 1949 the price for Class I milk should not be less than $5.16, and for Feb. 1949 not less than $4.94.	Unchanged except that from Dec. 1, 1948, through Jan. 1949 the price for Class II milk should not be less than $4.61, and for Feb. 1949 not less than $4.39.	Unchanged.
9-1-49	Same as 9-1-48.	Same as 9-1-48.	Unchanged.
5-1-51	Basic formula price (formulae unchanged) plus $1.25 per cwt.	Unchanged.	Unchanged.
9-1-51	Basic formula price plus $1.25 per cwt. Basic formula price highest of: 1. (92-score x 1.20 x 3.8) + [(av. price of spray and roller nonfat dry milk solids-5.5¢) x 8.2]. 11/ 2. [(92-score x 6) + (price	For months of August through March Class II price is highest of: 1. (92-score x 1.20 x 3.8) + [(av. price of spray and roller nonfat dry milk solids-5.5¢) x 8.2]. 11/	

Continued

Table 24. Minimum pricing provisions for Class I, Class II, and Class III milk under License No. 60 and Order No. 46, Louisville, Kentucky, marketing area, June 1, 1934, to September 1, 1952, inclusive. Continued

Effective date 1/	Class I 2/	Class II	Class III
	of Wis. Cheddars x 2.4) ÷ 7/ x 1.30 x 3.8. 12/ 3. Average of prices paid for 3.5 pct. milk (adjusted to 3.8 pct.) by 18 midwest condenseries.	2. Average of prices (adjusted to 3.8 pct.) paid for 4 pct. milk by 7 nearby mfg. plants. For months of April through July highest of: 1. (92-score x 1.15 x 3.8) ≠ /(price of nonfat dry milk solids, roller only-5.5¢) x 8.2/ and then deduct 8 cents. 2. Same as (2.) above.	
10-1-51	Proviso added that for the period from Oct. 1, 1951 through Feb. 1952 the price should be the basic formula price plus $1.69 per cwt.	Unchanged.	
6-1-52	Same as 9-1-51 except for provision of transportation differentials. 13/	Unchanged except for provision of transportation differentials 13/, and changes in list of nearby plants 14/.	
9-1-52	Same as amendment of 10-1-51 except that proviso applied from Sept. 1952 through Feb. 1953.		

Continued

Footnotes for table 24.

1/ The first date refers to License No. 60; second date (Apr. 1, 1940) refers to the original Order No. 46; the remaining dates refer to successive amendments or to price suspensions. From June 1, 1934, to October 1, 1947, the minimum class prices applied to a hundredweight of milk containing 4 percent butterfat; since October 1, 1947, they apply to milk containing 3.8 percent butterfat.

2/ The following minimum prices per hundredweight applied to Class I milk for relief distribution:

Regulation	Effective	Minimum price
License No. 60	6-1-34	$ 1.58
Order No. 46	4-1-40	$ 2.00
Amdt. 1	8-1-41	$2.00 or Class III price, whichever higher.
Amdt. 2	6-1-42	Class III price + 12 cents

Order No. 46 as amended October 1, 1947 provided that the minimum price for relief milk be adjusted by the butterfat differential to handlers for Class I milk, namely, Price per pound of 92-score butter, Chicago, x 0.13. A special minimum Class I price for relief distribution was discontinued September 1951.

3/ Average of daily wholesale prices per pound of 92-score butter (Grade A) at Chicago, as reported by the Department of Agriculture during the delivery period. This description applies to 92-score throughout the table.

4/ See pp. 85-86.

5/ The 7 plants included: Ewing-Von Allmen Co. located at Louisville, Ky. and at Madison and Orleans, Ind., Armour Creameries at Elizabethtown and Springfield, Ky., Kraft Cheese Co. at Salem, Ind., and Producers' Dairy Marketing Assn. at Orleans, Ind.

6/ Kraft Cheese Co., Lawrenceburg, Ky., added and Ewing-Von Allmen Co., Louisville, Ky. deleted from list of manufacturing plants.

7/ The price per pound of nonfat dry milk solids to be used shall be the average of the carlot prices by roller process for human consumption, published by the War Food Administration (or by such other Federal agency as may hereafter be authorized to perform this price reporting function), for the Chicago market during the delivery period, including in such average the quotations published for any fractional part of the previous delivery period which were not published and available for the price determination of such milk solids for the previous delivery period. In the event the carlot prices for nonfat dry milk solids by roller process for human consumption, f.o.b. manufacturing plants, are not so published, the average of the carlot prices for such milk solids, delivered at Chicago as published by any such agency, shall be used, and the following shall be used in lieu of the computation provided under (iii) herein: add $3\frac{1}{2}$ cents per hundredweight for each full one-half cent that the price of such nonfat dry milk solids for human consumption delivered at Chicago, is above $6\frac{1}{2}$ cents per pound.

Continued

Footnotes for table 24.

8/ Not in excess of 10 percent of handler's Class I sales.

9/ The 18 Midwest plants include: Borden Company at Black Creek, Greenville, New London, and Orfordville, Wisconsin and at Mount Pleasant, Michigan; Carnation Company at Berlin, Jefferson, Chilton, Oconomowoc, and Richland Center, Wisconsin, and at Sparta, Michigan; Pet Milk Company at Belleville, and New Glarus, Wisconsin, and at Coopersville, Hudson, and Wayland, Michigan; and White House Milk Co. at Manitowoc and West Bend, Wisconsin.

10/ The price of "Twins" was the arithmetic average of the weekly prevailing price per pound of "Twins" during the delivery period on the Wisconsin Cheese Exchange at Plymouth, Wisconsin: Provided, That if the price of "Twins" was not quoted, the weekly prevailing price per pound of "Cheddars" should be used.

11/ The price per pound of nonfat dry milk solids is the simple average of the weighted averages of carlot prices per pound for nonfat dry milk solids, spray and roller, for human consumption, f.o.b. mfg. plants in the Chgo. area as published for the period from the 26th day of the preceding month through the 25th day of the current month by the Department of Agriculture.

12/ The price per pound of Wis. Cheddars is the simple average, as published by the Department of Agriculture, of the prices determined per pound of "Cheddars" on the Wis. Cheese Exchange at Plymouth, Wis., for the trading days that fall within the month.

13/ On milk received from producers at a country plant and moved as milk to a plant in the marketing area, or disposed of as milk for Class I use outside the marketing area, the class prices are reduced at the following rates per hundredweight (mileage based on shortest distance via hard surfaced road from country plant to City Hall in Louisville):

Mileage zone	Cents per cwt.
Not more than 25 miles	0
More than 25 but not more than 35 miles	13
More than 35 but not more than 45 miles	15
More than 45 but not more than 55 miles	17
For each additional 10 miles or fraction thereof an additional	1

14/ Beginning June 1, 1952 the 7 nearby plants included: Armour Creameries at Elizabethtown and Springfield Ky., Kraft Foods Co. at Lawrenceburg, Ky., and Paoli, Ind., Salem Cheese and Milk Co. Salem, Ind., Madison Milk Co., Madison, Ind. and Producers Dairy Marketing Association, Orleans, Ind.

Fixed and changing minimums. During the license period a fixed minimum price of $2.18 per hundredweight applied to Class I milk and of $1.65 per hundredweight applied to Class II milk, but a changing price--based upon the average monthly wholesale price of 92-score butter in Chicago--applied to Class III milk; consequently, when the average price of 92-score butter in Chicago changed, the spread between the price of milk used for fluid purposes and the price of "surplus" milk changed. Under this scheme, the spread soon became too narrow to compensate producers for the extra cost and effort of producing graded milk; producers, however, negotiated successfully with handlers for higher Class I and Class II prices than were specified in the license (table 17, p. 61).

Under the original order the Class I price, as well as the Class III price, was related directly to the price of 92-score butter at Chicago, but the Class II price remained a fixed price of $2 per hundredweight. The latter price had prevailed continuously since July 1936 (except for the period when Group I and Group II prices were used), and had given rather uniform satisfaction both to producers and handlers. As has been explained, the Class III pricing formula which was adopted under the original order was patterned after the evaporated milk code for the Southern area.

The producers requested an increase of 35 cents at the hearing in May 1941, to stimulate production in the impending months of short supply so that the increased demand for milk, resulting from higher wages and fuller employment under the defense program, could be met. A representative of the Dairy Division questioned the wisdom of attempting to supply abnormal demands by building up local herds and local production. He suggested that emergency supplies could be brought in from other than new producers or other than the increased production by producers who were then supplying the market. The methods of determining the Class I and Class II price remained unchanged under the amendment of August 1941, but 23 cents per hundredweight was added to each of these prices for the shortage months of August through November 1941.

Alternative pricing basis introduced. The feature of an alternative basis for pricing milk was introduced under the amendment of August 1941 by adding the following proviso to the description of the Class III minimum price:

> Provided, That the market administrator shall ascertain, on the basis of milk of 4 percent butterfat content, the average price per hundredweight established by handlers for ungraded milk received during such delivery period, and if such price for ungraded milk, as ascertained by the market administrator, exceeds the price computed in accordance with the formula contained herein, such price for ungraded milk shall be the price for Class III milk for such delivery period.

This proviso had not been proposed, as such, at the hearing but the producers had proposed that the existing Class III formula price be raised by deleting from it the "minus 2 cents". They testified that the increase of approximately 10 cents per hundredweight which would result from this deletion was necessary because, in some instances, the price for Class III milk under the formula had been less than the price for ungraded milk.

At the hearing in November 1941, the secretary of the Falls Cities Association expressed disapproval of the way the Dairy Division had interpreted the proviso quoted above. Under this interpretation the average price of ungraded milk had been computed on the basis of prices paid by manufacturing plants located in the Kentucky portion of the milkshed. In agreeing to the proviso the association had assumed that prices paid for ungraded milk by plants located in the Indiana portion of the milkshed also would be included in the computation. The economist with the Dairy Division explained that the pricing of surplus milk under the order had historically been founded upon the formula for the Southern area, and Madison (Indiana) happened to be on the other side of the river, and in the North-Central States area, as defined in the evaporated milk agreement. 64/ The association secretary submitted a list of prices paid per hundredweight of ungraded milk at dealer's platform for the last half of October 1941, which indicated that prices at nearby plants in Kentucky ranged from $2 at Owenton to $2.20 at Bowling Green and Mayfield (4 Kentucky plants paid $2.04), and that prices at nearby plants in Indiana ranged from $2.02 at Salem to $2.45 at Osgood. The price paid at Madison, Ind., was $2.40. 65/

At the hearing in February 1942, the producer and handler associations proposed the following groups of plants for purposes of computing an average price for ungraded milk:

Producer	Handler
Osgood, Ind.	Corydon, Ind.
Orleans, Ind.	Paoli, Ind.
Elizabethtown, Ky.	Salem, Ind.
Bowling Green, Ky.	Madison, Ind.
Lawrenceburg, Ky.	Taylorsville, Ky.
	Elizabethtown, Ky.
	Owenton, Ky.
	Lawrenceburg, Ky.
	Springfield, Ky.
	Louisville, Ky.

There was testimony as to the relative volumes handled by these plants, their ownership and their methods of payment; the latter, of course, also included the question whether or not premiums or transportation subsidies were involved. On the basis of the records of the two hearings, the average of the prices paid for ungraded milk of 4 percent butterfat at the following plants became, in June 1942, one of the alternatives for pricing Class III milk:

64/ Hearing Nov. 18, 1941. Docket No. AO-123-A2, pp. 43-49.
65/ Idem, p. 42.

Ewing-Von Allmen Co.	Louisville, Ky.
Armour Creameries	Elizabethtown, Ky.
Armour Creameries	Springfield, Ky.
Kraft Cheese Company	Salem, Ind.
Ewing-Von Allmen Co.	Corydon, Ind.
Ewing-Von Allmen Co.	Madison, Ind.
Producers' Dairy Marketing Ass'n . . .	Orleans, Ind.

Under the same amendment the "minus 2 cents" was deleted from the alternative formula for pricing Class III milk.

But in those rapidly changing times producers were even more concerned about the method of pricing Class I and Class II milk than about Class III. Witness the testimony of the association secretary at the hearing in February 1942:

> We come before you today in economic self defense. We are being punished between the hammer and the anvil - the hammer of heavier costs of production and anvil of present price levels for our produce. The butter formula machinery which was designed to relieve the changing pressure has proved inadequate, obsolete and of slow speed in a fast changing economic world. . . .
>
> From April 1, 1940, when our Federal Order became effective our butter pricing arrangement was satisfactory until the dairy industry was shocked by a far reaching conversion program, shifting milk production to cheese, evaporated, and powder products.
>
> Since the middle of the past year the war within the dairy industry has been primarily a war of solids, while we were trying to defend our position with butter alone as our fort. Even with the relief which the SMA (Surplus Marketing Administration) gave us by adding 23 cents to our Classes I and II, we did not keep apace with manufacturing prices for dairy products, or with prices paid in other fluid markets with which we formerly ran neck to neck. To shorten a long story, we have not gotten the market value since September for our inspected product and we are here to prove that we are not now getting the dollar returns for a high quality inspected milk that production conditions justify. . . .
>
> We stand before you today with several objectives in view:
>
> 1. To give our members a net blended price more consistent with the current cost of production.
> 2. To return nearer to our former relationship with other fluid milk markets in our territory as a result of proposed changes.
> 3. To devise a flexible pricing arrangement more suitable for pricing whole milk with a differential

between summer and winter production and, we trust, of practical design, making it unnecessary to so frequently request hearings and amendments to Federal Order No. 46. 66/

Both the producers and the handlers proposed that the Class I and Class II prices be based directly upon the price of "surplus" milk and that there be a seasonal difference in the amounts added for the respective classes. However, the class differentials proposed by the handlers were somewhat lower than those which were proposed by the producers and which were made effective under the amendment of June 1942. Since that time all the class prices under Order No. 46 have been tied to the highest of 2 or more alternative basic prices.

At the hearing in August 1944, the producers testified that the volume of ungraded milk bought directly from the Louisville market was of minor importance, but that the pricing of this milk had a direct bearing on the basic price paid for all graded milk received on the market. They proposed that, in computing the average price of manufacturing milk, paying prices at the Kraft Cheese plant in Lawrenceburg, Ky., be substituted for paying prices at the Ewing-Von Allmen plant in Louisville, because the Kraft plant bought large volumes of ungraded milk directly from farmers and because this plant was a possible buyer of milk which, during the flush season, exceeded the quantity which could be handled in the Louisville plants. Through the amendment of December 1944, the Kraft Cheese Co., Lawrenceburg, Ky., was added and Ewing-Von Allmen Co., Louisville, was deleted from the list of nearby manufacturing plants.

Increasing costs, ceiling prices, and subsidies. At many of the hearings, producers gave testimony on the rising costs of producing milk. The trends of some average feed and labor costs are indicated in table 25. The farm wage data are average figures; these are lower than the wages paid on dairy farms in the Louisville milkshed but, in a general way, they indicate the rising trend in labor costs to dairy farmers. In addition to the increased cost of feed and labor, the scarcity of workers who could do satisfactory work on dairy farms was a real problem. To hold competent workers against the competition of defense and, later, of war plants, a number of producers testified that they paid "premium" wages; such measures, however, were not always successful.

The provisions of Federal milk orders were not directly affected by the Emergency Price Control Act of January 1942. However, retail and wholesale prices for sales of fluid milk and cream in glass or paper containers were frozen at the March 1942 level, and producer sales of milk for resale as fluid milk were frozen at the January 1943 price level or at the minimum class prices established under an order, whichever price was higher. Furthermore, the wholesale ceiling price of 92-score butter in Chicago--the basic factor in the Class III formula price under Order No. 46-- was established at 46.0 cents a pound. Consequently, for a period of about 3½ years there were only slight changes in the class

---

66/ See pp. 108-109 of reference under footnote 56 page 116.

Table 25. - Trend of some dairy feed, hay, and farm labor costs in Indiana and Kentucky, 1940 - 1950

Year	Average price per ton paid by farmers for 16 percent mixed dairy feed 1/			Average price per ton received by farmers for alfalfa hay (loose)		Average wages paid to hired farm labor per month (with board)	
	United States	Indiana	Kentucky	Indiana	Kentucky	Indiana	Kentucky
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
1940	33.60			8.82	12.24	27.69	20.25
1941	36.15			10.02	12.86	32.75	23.06
1942	44.20			14.51	15.31	40.88	29.12
1943	53.55			18.10	20.65	51.25	37.44
1944	59.10			21.61	26.76	59.94	42.62
1945	57.93			22.21	25.75	65.56	48.38
1946	69.50			18.74	22.18	71.56	50.94
1947	79.87	77.42	76.67	20.72	22.62	78.00	55.81
1948	84.58	82.75	80.50	22.09	24.08	2/	2/
1949	70.22	66.58	65.25	(25.68) 3/	(30.88) 3/	2/	2/
1950	71.57	67.75	68.42	(22.96)	(28.71)	2/	2/

1/ Data for Indiana and Kentucky not available prior to 1947. Following are some Louisville Market Feed Prices which are shown as part of Exhibit 12 presented at the hearing of April 21, 1947, by Dr. H. B. Price, College of Agriculture, University of Kentucky. Average price quotation for 16 percent mixed dairy feed as reported by 5 Louisville feed dealers, representing a cross-section of the market.

Dollars per ton

Oct. 1940 . . 28.30	Jan. 1945 . . 49.00
Oct. 1941 . . 36.62	Jan. 1946 . . 51.90
Oct. 1942 . . 39.38	Jan. 1947 . . 61.50
Oct. 1943 . . 46.00	

2/ Comparable data no longer available.

3/ Baled hay; series for loose hay discontinued July 1, 1949. From May 1948, through June 1949 prices for baled alfalfa hay in Indiana averaged \$4.15 per ton higher than for loose alfalfa hay; in Kentucky the average difference was \$5.00 per ton.

Compiled from "Agricultural Prices" and "Farm Labor" reports of the Bureau of Agricultural Economics.

prices of milk in the Louisville market. For example, the annual average Class I prices for the years 1943 through 1945 were, respectively, \$3.760, \$3.776, and \$3.784 per hundredweight.

To offset the rising costs of production and as a production incentive measure, a Dairy Production Payment Plan was in effect from October 1, 1943, to June 30, 1946, (4, p. 45). These subsidies augmented returns to milk producers throughout the United States during the price control period.

Price suspensions. The minimum pricing plan remained unchanged from June 1942 until December 1944 except for the "suspensions" which were effective, respectively, on June 1, 1943, and April 1, 1944 (table 24 p. 131). In a memorandum of May 14, 1943, the Director of Food Distribution recommended to the War Food Administrator that the price differential on Class I milk for April through July be suspended. The Director explained that a petition of the Falls Cities Association pointed out that the decrease in production from the previous year, the high level of sales, and the high prices of feed, warranted the maintenance of the August through March differential for the balance of the summer production season. He felt that the suspension was supported by the items mentioned and by the fact that the original basis for pricing was substantially altered in 1943 by the Department's support of price levels for the major manufactured milk products. In view of the lack of seasonality in the support prices of manufactured dairy products, and in the interest of sustained milk production, it appeared desirable to maintain as nearly as possible at the winter level the price paid for fluid milk produced for Louisville. This suspension, however, was not expected to require a revision of the retail price level for milk.

On March 11, 1944, the Director of Food Distribution submitted a similar memorandum to the War Food Administrator with respect to the suspension which became effective on April 1, 1944. No seasonal suspension was requested in 1945, since the respective differentials of \$0.95 and \$0.45, for the months of April through July, in the pricing of Class I and Class II milk had been deleted under the amendment of December 1944 and differentials of \$1.05 and \$0.50, respectively, were effective throughout the year.

Additional alternative formulae. A "butter-powder" formula was introduced in December 1944 as one of the methods which might be used in establishing the Class III price for any delivery period. At the same time the modified evaporated milk formula for the Southern area was deleted from the Class III pricing provisions. In support of the "butter-powder" formula the producers testified:

> We believe this formula will give better security to producers in this market, and will enable producers to receive a fair price supported by fat and skim market values in case the ungraded market becomes depressed on account of local marketing conditions.

And later in the hearing this testimony was given:

> We desire the record to show that we favor the plan of the average of 7 markets, plus $1.05, more than the alternate plan. The former plan, although not without its disadvantages, is easier to explain to producers, and reflects more local conditions than the other plan.
>
> On the other hand we admit that the alternate plan which is based on national markets which are set by world conditions, is desirable as a control against the home market arrangement. 67/

The "butter-powder" formula /(Price of 92-score butter Chgo. x 1.20 x 4.0) + $3\frac{1}{2}$¢ per cwt. for each full one-half cent that the price of nonfat dry milk solids (roller process for human consumption) is above $5\frac{1}{2}$¢ a pound, etc./ is shown as the second alternative under Class III, effective 12-1-44 (table 24, p. 131).

In practical plant operations a pound of butterfat yields approximately 1.20 pounds of butter. The extra .20 of a pound - generally known as the "overrun" - arises because a pound of butter usually contains only slightly more than .80 of a pound of butterfat (the legal minimum in the United States is 80 percent), the remainder consisting of nonfatty constituents such as moisture, salt, curd, and small amounts of lactose, acid, and ash. Theoretically 100 pounds of butterfat would yield 100/80 x 100 = 125 pounds, or an overrun of 25 pounds or 25 percent. In his book on "The Butter Industry" (9, p. 512) Otto F. Hunziker explains that the actual overrun is influenced by such factors as accuracy of weights and tests of milk and cream, fat lost in the skim milk and buttermilk, miscellaneous mechanical losses of milk, cream, and butter in handling, the composition of the butter and the weight allowance for shrinkage.

It is apparent that the value of the butterfat in 100 pounds of 4 percent milk made into butter may be computed from the first part of the given butter-powder formula. If the average price of 92-score butter sold at wholesale in Chicago for a certain month were 60 cents a pound, then the value of the butterfat in the 100 pounds of milk would be:

60 cents x 1.20 x 4.0 = $2.88 per cwt.

The second part of the formula provided a basis for computing the value of the skim milk or serum when it is manufactured, by the roller process, into nonfat dry milk solids for human consumption. After removing the 4 pounds of butterfat there remain 96 pounds of skim milk which, with overrun, has an estimated yield of 8 and a fraction pounds of powder. (The producers cited an average yield of 8.892 pounds of powder per hundred pounds of 4 percent milk; this estimate had been made by the University of Wisconsin.) 68/ Thus, for every change of one cent

---

67/ See p. 25 and p. 84 of reference under footnote 60 page 118.
68/ See p. 86 of reference under footnote 60 page 118.

in the price of one pound of roller powder the manufacturer's returns per hundredweight of milk will change by more than 8 cents. Under the formula, however, the handler was charged with only 7 cents per hundredweight for each cent ($3\frac{1}{2}$ cents for each full one-half cent) that the price of roller powder was above $5\frac{1}{2}$ cents f.o.b. plant. The $5\frac{1}{2}$ cents is the manufacturing and marketing allowance to the handler. If the price of roller powder f.o.b. plant were 11.5 cents a pound, then the handler would be charged as follows for the skim milk in 100 pounds of 4 percent milk:

$$(11.5 \text{ cents} - 5.5 \text{ cents}) \times 7 = \$.42 \text{ per cwt.}$$

The total price per hundredweight of 4 percent milk manufactured into butter and roller powder therefore would be \$2.88 plus \$.42 or \$3.30.

The Class III price was the only basis upon which the price of Class I and Class II milk was determined during the period from June 1942 until October 1946. At the request of the producers another basic formula, namely, the average paying price of 18 midwest condenseries minus 15 cents (a list of these condenseries is given as footnote 9 to table 24 p. 136) was made part of the minimum pricing provisions for Class I and Class II milk in October 1946. It was patterned after a similar provision in the Chicago Federal milk order No. 41. The addition of this formula broadened the choice of basic formulas, in that Class I and Class II minimum prices were related to the highest of three, instead of two, price series for manufacturing milk. To arrive at the price for Class I milk, for example, the market administrator added \$1.05 per hundredweight to the highest of these prices:

1 - Average of price paid by 7 nearby plants. (Class III)
2 - The "butter-powder" formula (Class III)
3 - Average of prices paid by 18 midwest condenseries minus 15 cents.

To arrive at the price for Class II milk the market administrator added \$0.50 per hundredweight to the highest of the above manufacturing prices.

At the hearing in February 1946 the association submitted data which indicated that, over a period of about two years, the prices paid by the 7 nearby plants were approximately 15 cents less than the prices derived from the "butter-powder" formula. They proposed that 15 cents be added to the average price for the nearby plants so that this price would be more comparable with the other alternative formulas. Their suggestion was not included in the amendment of October 1946 but on October 1, 1947, one of the basic formula prices for determining the Class I and Class II prices became "the price for Class III milk plus 15 cents."

Floor prices for Class I and Class II milk for the months of October 1947 through February 1948 also were provided in the amendment of October 1947. In his "Findings and Determinations" with respect to the pricing provisions of this amendment, the Assistant Administrator of PMA commented that the level of production of regular producer milk had been insufficient to meet the needs of Class I milk and Class II milk in the Louisville market. It had been necessary for handlers to supplement their supplies of producer milk in Class I and Class II with substantial quantities from emergency sources. During eight months of 1946, the handlers had used over 7 million pounds of emergency milk.

He concluded that producers in the Louisville area needed more definite assurance as to the fall and winter level of milk prices than was afforded by the basic formula price. Thereupon, in order to obviate uncertainties inherent in the basic formula price during abnormal postwar marketing conditions, floor prices were provided for Class I milk and Class II milk. It was determined that the level of floor prices for the fall and winter months should be substantially higher than the prices prevailing during April, May, and June to emphasize the seasonal factor of milk pricing and to assure producers of higher prices during the seasons when an increase in milk production was needed to meet the fluid requirements of the market. Floor prices of $5 for Class I milk and $4.45 for Class II milk were recommended for October, November, and December of 1947 and floor prices 44 cents lower per hundredweight (approximately 1 cent per quart) were recommended for January and February 1948, thus providing for seasonality and resulting in prices well above the level of the previous April, May, and June prices.

It was anticipated that these changes would result in such prices as would reflect the price of feeds, the available supplies of feeds, and other economic conditions which affected market supply of and demand for milk or its products in the marketing area, and would insure a sufficient quantity of pure and wholesome milk and be in the public interest. 69/

But costs of production which had been rising during 1946 and 1947 continued to mount after the amendment of October 1947 was adopted. Indeed, another hearing was convened in November 1947 to consider a proposal of producers that the order be amended to provide certain minimum prices for Class I and Class II milk for a limited period in 1948 at the December 1947 floor price level. However, testimony failed to show that the proposed change would be more effective than the established January and February 1948 floor prices in preventing liquidation of herds and encouraging production, and therefore the Secretary concluded that the proposal should not be adopted.

Another hearing was called in March 1948 because conditions had worsened and threatened to impair the milk supply of the Louisville market. In the period from October 1947 until March 1948, a number of producers had left the Louisville market because of the active competition of nearby markets, some of which had relatively low quality standards. Others were lost to cheese plants in the milkshed which were attracting Louisville producers by paying the blend price without requiring them to maintain quality standards so rigidly.

69/ 12 F. R. 5785.

As one means of meeting the situation, producers proposed the following seasonal differentials over the basic price:

Class I	- $1.05	from April through June
	$1.30	from July through March
Class II	- $0.60	from April through June
	$0.85	from July through March

Under the amendment of September 1948 the prevailing flat differentials for Class I and Class II milk of $1.05 and $0.50, respectively, remained in effect for the months of April through August, but differentials, respectively, of $1.25 and $.70 were established for the months of September through March. The increase in the differentials was confined to the September through March period to give more emphasis to seasonal prices paid to producers in order to encourage more even production throughout the year.

When the competition for milk by cheese factories became active, and in order to broaden the price-determining base so that all important manufactured products would be represented in the formulas, the producer cooperative proposed that a butter-cheese formula be added as one of the alternative basic Class I and Class II prices. This proposal was adopted under the amendment of September 1948. The association secretary explained the factors in this formula [(6 x 92-score butter) + (2.4 x ave. price Wis. Twins) ÷ 7 x 1.30 x 3.8] as follows:

> The factor 6 by which the price of butter is multiplied in the formula represents the weighting of butter in relation to cheese. That is six to one on the amounts of butterfat used in each product on a national basis. 70/ The factor 2.4 by which the price of cheese is multiplied is a figure to adjust the cheese value in the formula to place it on a par with the value of butterfat in butter since butter contains about 2.4 times as much butterfat as cheese in a given weight of product.
>
> The factor 7 of course is the sum of the production weights on a national basis that is six to one.
>
> The factor 3.8 converts to combine cheese butter value per pound of butterfat to hundredweight of milk basis, assuming 3.8 pound of butterfat in a hundred pounds of milk (so in original).
>
> The factor 30 percent is an allowance for overrun and the value of skim milk delivered in one hundred pounds of milk. 71/

70/ Because of the decline in butter production and the increase in cheese production this factor is not representative. It was 6.1 in 1940, but it fell to 3.0 by 1946 and has ranged between 2.9 and 3.2 since then.

71/ See pp. 307-308 of reference under footnote 48, page 103.

Excepting for the provisions of Class I and Class II floor prices for December 1948 through February 1949, the pricing provisions for Class I, Class II, and Class III milk which were included under the amendment of September 1948 remained in effect until superseded by a series of changes in 1951.

Minimum prices in 1951 and 1952. Provisions of Order No. 46 for determining minimum class prices were modified three times in 1951 (table 24, pp. 133-34). In this year of rising costs of feed, labor, and materials, each change in price has represented an increase in gross returns to producers and in product costs to handlers.

These price amendments as well as other important changes in the terms and conditions of regulation were based largely upon the testimony given at public hearings in December 1950, March 1951, and September 1951, at Louisville.

The first price change became effective in May 1951, when the Class I differential for the months of April through August was changed from $1.05 to $1.25 thus providing the same differential for all months. Handlers were opposed to eliminating the seasonality in the differential. The association, however, defended a level differential because under the lower summer differential which had been in effect since September 1948, handlers had made no downward seasonal adjustment in consumer prices so that, producers maintained, the only effect was that from April through August the handlers' spread was widened at their expense. The producers testified that the Class I differential over the basic formula price should be at least $1.25 to offset rising costs of production and to bring the Louisville price for fluid milk products in line with prices in surrounding markets. 72/ The increase in the Class I differential to $1.25 per hundredweight and some changes in the provisions for the Louisville Fall Premium Plan comprised the emergency amendment of May 1951.

Under the amendment of September 1951 the Class I differential of $1.25 was retained but some changes were made in the butter-powder formula in that an average of the price of spray and roller powder was substituted for the price of roller powder as one of the factors in this formula and the yield factor was raised from 7 to 8.2 pounds per hundredweight. This change was not fully in accord with the wishes of the producers; they had proposed that the price of spray powder be used, that the "make allowance" be reduced from 5½ to 5 cents, and that the yield factor be changed to 8.2 pounds. This yield factor had been adopted in several other Federal order markets, and it also was said to be representative of powder yields in local manufacturing plants. No changes were made in the other alternative formulae for determining the basic price of Class I milk.

72/ Hearing March 9, 1951. Docket No. AO-123-A-12, pp. 122-123 and p. 205.

The alternatives for determining the minimum price for Class II, or manufacturing milk, remain a butter-powder formula and the average of prices paid by 7 nearby manufacturing plants. Here, too, the yield factor for powder in the butter-powder formula was changed to 8.2 pounds per hundredweight of milk. The price reduction allowed to handlers for milk used in making butter during April, May, and June was discontinued but some recognition is given to problems of handlers during the flush season by using only the price of roller powder in the Class II formula from April through July. During the shortage months of August through March the average of the prices of spray and roller powder is used.

Even before the amendment of September 1951 became effective, drought conditions became so serious that on August 24, 1951, the Secretary designated 9 Kentucky counties within the Louisville milkshed as part of a disaster area. At the request of the Falls Cities Association, an emergency hearing convened in Louisville on September 12, 1951. The association secretary testified that 66 percent of their producer-members were located in the disaster area; that the price of milk simply was not high enough to bring out adequate supplies to fill the expanded demand; and that a Class I price increase of at least 44 cents should be granted no later than October 1. He also remarked that during changing economic periods a supply and demand adjustment provision might have a place in the Louisville order. But handlers objected to any testimony concerning such a provision because no supply-demand adjustment had been proposed and therefore the handlers were not prepared to consider it. 73/

The county agents, respectively, of Spencer and Shelby counties in Kentucky and of Clark County in Indiana reported on poor pasture conditions and the very short yield of hay, feed, and cash crops. A comprehensive statement prepared by John B. Roberts of the University of Kentucky, entitled "Economic Developments Affecting Milk Production in the Louisville Milk Shed", also was made part of the hearing record. In connection with his statement of the emergency, an accountant for the Falls Cities Association presented some of the details of a possible supply-demand adjuster for the Louisville market. His statement was incorporated in the record 74/ without reading it in its entirety, over the objection of the attorney for the handlers. The presiding officer so ruled because a specialist of the Dairy Branch said that the analysis would be useful to the Branch in coming to a decision as to what was an appropriate price increase to relieve the emergency situation.

The emergency increase of 44 cents per hundredweight in the Class I price was granted, for the months of October 1951 through February 1952, by increasing the differential over the basic formula price from $1.25 to $1.69 per hundredweight for that period.

Under the amendment of June 1952, the schedule of transportation differentials shown in footnote 13 to table 24, (p. 136) was incorporated in the order and the uniform price to producers delivering milk to

---

73/ Hearing Sept. 12, 1951. Docket No. AO-123-A-13, pp. 23-29.
74/ Idem, Exhibit 10.

country plants more than 25 miles from the Louisville City Hall became subject to the appropriate zone differentials. This amendment also provided a revision in the list of 7 nearby plants (footnote 14, idem). The Paoli, Ind., plant was substituted for the Corydon, Ind., plant, operations at the latter plant having been discontinued in November 1951. Other changes were merely changes in name which accompanied changes in ownership of plants.

Under the amendment of September 1952, due to severe drought a Class I differential of $1.69 per hundredweight was granted for each of the months of September 1952 through February 1953.

Price allowance for milk used in butter production. Handlers under Order No. 46 have maintained consistently that, because many of the small handlers either must utilize surplus milk in the manufacture of butter or sell surplus cream to centralizers, there are two types of surplus operations in the Louisville market and therefore two classifications should be provided for surplus milk. This issue was raised at the very first hearing after the adoption of the order when the handler group recommended that the surplus milk be divided into Class III and Class IV. Class III was to include all surplus milk except that which was manufactured into butter and cheese. Milk used in the manufacture of butter and cheese was to be designated as Class IV milk. They further proposed that the Class III milk be priced at the Southern evaporated code and that the Class IV milk be priced at the price of Chicago Standards plus 10 percent. Their proposals were not adopted.

The issue was raised again at the next hearing when the dealers recommended that Class IV should include milk used for butter and cheese and should also include route returns. As a safeguard, they suggested a proviso that Class IV utilization be limited to 10 percent of the individual handler's Class I sales for the month. A similar proposal was made at the hearing in February 1942, except that the proposed Class IV classification was limited to all milk the butterfat from which was used to produce butter, and all milk accounted for as actual plant shrinkage. Then, at the hearing which preceded the adoption of the amendment of December 1944, the handlers proposed this pricing scheme:

1- The Class I price be the Class III price plus $0.95
2- The Class II price be the Class III price plus $0.50
3- The Class III price be the arithmetical average of the basic or field prices paid by 10 nearby manufacturing plants (6 were located in Kentucky and 4 in Indiana.)
4- The Class IV price be: Price of 92-score butter Chgo. x 1.20 x 4

Although a Class IV category for pricing a portion of the surplus milk was proposed by the handlers at each of the aforementioned hearings, the proposal, as such, never has been adopted. However, under the amendment of December 1944 the formula 92-score x 1.20 x 4 applied on a portion of the Class III milk which was manufactured into butter during the "flush" months of May and June. The month of April was included under this special provision in October 1946, and when the "skim milk-butterfat" method of accounting for milk was adopted in October 1947, the April-June butter allowance was computed on a butterfat basis (table 24, p. 132).

The special price allowance for milk used in butter production was omitted from the amendment of September 1951 but the pricing scheme for Class II milk provides relatively lower prices to handlers for milk which is utilized in manufactured products during the months of April through July than during August through March (table 24, p. 133-4). Furthermore, the butterfat differentials applied to the class prices, April through July, are relatively low and the maximum shrinkage allowance on skim milk is 5 percent during the months of April through July compared with 2 percent during August through March.

<u>Butterfat differentials</u>. Because the minimum uniform price to producers and the class prices to handlers apply to a basic test of milk, it is necessary to provide a method of adjusting the payments to individual producers and the costs to handlers to the average test of the milk which is delivered. This is accomplished by adding to, or subtracting from, the price at the basic test a "butterfat differential" for each "point" (one-tenth of 1 percent of butterfat) which the respective average tests are above or below the basic test. During the entire license period and from April 1940 until October 1947 under the order, minimum class prices and the producer blended price applied to milk of 4 percent butterfat content. Since October 1947 these prices apply to milk of 3.8 percent butterfat content.

Under the original Order No. 46 both the payments to producers and the charges to handlers were adjusted by the same schedule of butterfat differentials. The method of computing the butterfat differential to producers remains unchanged except that the schedule has been extended as the price of butter advanced to higher levels. It now ends with a butterfat differential of 10 cents per point when the price of butter per pound is 92.50 cents and over.

A paragraph on "Butterfat Differentials to Handlers" was added to Section 946.4 under the amendment of June 1942. From this date until October 1947, differentials from the class prices were computed by adding 20 percent to the price of 92-score butter at Chicago and dividing the result by 10. This differential applied regardless of the use made of the milk.

In October 1947, provisions were introduced for computing butterfat differentials by classes of utilization. Expressed as formulas the provisions were:

Class III - Price of 92-score + 20 percent ÷ 10
Class II - Price of 92-score + 25 percent ÷ 10
Class I - Price of 92-score + 30 percent ÷ 10

These are explained, as follows, in the "Findings and Determinations" dated August 27, 1947:

> It is believed that such differential for Class III milk should be on the basis of the value of 92-score butter at Chicago, plus 20 percent. This differential is in line with the general level of manufacturing values. With respect to Class II milk, it is believed that such differential should be on the basis of the value of 92-score butter at Chicago, plus 25 percent. Such differential is in line with the price which would have to be paid for any outside cream which might be brought into the market for fluid uses. With regard to Class I milk, it is believed that such differential should be on the basis of the value of 92-score butter at Chicago plus 30 percent. Such differential recognizes the increase in value over Class II butterfat resulting from the higher-valued use. 75/

Under the prevailing two-class scheme the butterfat differential to handlers for Class I milk is computed by multiplying by 1.25 the Chicago butter price for the month, and dividing the result by 10. In computing the Class II differential, the multiplier is 1.20 for the months of August through March, and 1.15 for the months of April through June.

Since 1942 the differentials to handlers for each class have been higher than the producer differential. This difference has been reflected in the blended prices. When the average test of milk received from producers is higher than the basic test, producers with a higher than average test make a contribution to the blended price from which all producers, including those with a lower than average test, derive benefit.

Recapitulation. Each of the amendments to Order No. 46 in some way modified the pricing of milk which producers delivered to the Louisville market. (Although the amendment of May 1946 did not change any provisions for determining the class prices, it did provide for higher spring deductions from the producer price under the Louisville Fall Premium Plan.)

At all times under the order, the price of Class I milk has been closely related to the price of one or more manufactured dairy products. In 1940 and 1941 it was butter alone. In June 1942 the practice was introduced of establishing as a base price the highest of two or more prices paid by specified manufacturing plants. The original choice was between the paying prices of 7 nearby plants and the price under the evaporated milk formula for the Southern area. The latter price was replaced by the butter-roller powder formula in December 1944. The average prices paid by 18 midwest condenseries became an alternative base in October 1946, a butter-cheese formula was added in September 1948, and since September 1951, the price of spray as well as roller powder enters into the butter-powder formula. Beginning with September 1951, therefore, the price of Class I milk is based upon the highest of average prices paid for milk by the various types of local and mid-western manufacturing plants.

75/ 12 FR 5787.

Differentials were added, respectively, to the highest of the alternative bases to establish the Class I and Class II prices. The record shows an off and on policy with respect to using these producer differentials as a seasonal device for encouraging fall production.

Differentials lent themselves well to emergency situations. In the summer of 1943 and 1944 producers were quickly granted a moderate price increase on Class I milk when the lower summer differential of 95 cents per hundredweight was suspended, thus making the $1.05 differential effective. The need for a quick price increase after the late summer and fall droughts of 1951 and 1952 was met by increasing the flat differential of $1.25 to $1.69 for specified fall and winter months.

Despite the safeguard of a broad choice of a basic price, at times the whole manufacturing price structure was depressed during the crucial fall and winter shortage months, so that the price to producers in Louisville was, or threatened to be, too low to bring out an adequate supply. When these contraseasonal price trends became evident, the producers pressed for a floor price. Floor prices were in effect from October 1947 through February 1948, and from December 1948 through February 1949.

Reporting, Computing, and Paying Provisions

Details of operation. Milk marketing orders primarily establish minimum prices for milk. This is done in the sections establishing the classification and the prices or price formulas. But the order also includes considerable detail as to how and when handlers and the market administrator are to make reports, compute prices and make payments, in order to accomplish the main objective. Until the Louisville order was redrafted in 1951, the provisions relating to reports, computations, and payments were to be found in sections 946.5 through 946.8.

The most important changes in these provisions have been those made necessary by changes in the method of accounting for receipts and utilization of milk, and the introduction, on August 1, 1943, of the "Louisville plan" for encouraging fall production of milk.

Many of the changes in these sections illustrate the close intermeshing of the various provisions of the order. Reference to emergency milk, for example, was deleted from these sections in September 1948 when that type of receipts was included under the definition of "other source milk." Under the same amendment a definition of "producer-handler" was introduced through which it was possible to substitute a much shorter paragraph (a) in section 946.6 than had been effective prior to September 1948; and also to delete entirely a paragraph on "Receipts of bulk milk from a handler who is also a producer." During the years in which the "reconciliation of utilization" was part of the classification scheme (June 1942 to October 1947), provisions for the reconciliation also were included in the directions for the computation of the "pool"; the same was true with respect to the price allowance to handlers on producer milk which was manufactured into butter during the season of flush production.

Cooperatives need market information. At the hearing in February 1946, the Falls Cities Association explained that it needed more information on the disposition, by classes, of milk delivered to handlers by their members. Data of this nature had been available to them in preregulation days when the association computed the "pool" for milk delivered by producer-members. The association testified that this information would be of considerable use to it in shifting milk from one plant to another (thus keeping the volume of emergency milk to a minimum), in determining matters of policy, and in conducting research on various problems.

A new paragraph entitled "Reports from the Market Administrator to Cooperative Associations" was added to section 946.5 under the amendment of October 1946. It provided that on or before the 15th day after the end of each delivery period, the market administrator should report to each qualified cooperative association the percentage of its milk which was used in each class by each handler. The milk was to be prorated to each class in the proportion that the total receipts of milk from producers were used in each class by the handler. Under the redrafted order of September 1951, the responsibility of providing cooperatives with monthly data on the utilization of their milk by each handler is listed under the specific duties of the market administrator.

The request for this statistical service to cooperatives reveals that, in relinquishing the pooling function to the market administrator, these organizations sacrificed a direct and detailed knowledge of the processing and distributing operations of handlers with whom they have contracts. It also emphasizes the fact that, in the evolution from individual bargaining to collective bargaining to marketing milk under a Federal order, accurate and adequate data for the Louisville marketing area increasingly replaced direct personal contacts as guides to market policies and operations.

Paying for producer milk through a market-wide pool. During the days of individual bargaining between producers and handlers in Louisville, distributors needed to keep only such accounts and records as they themselves wanted. A producer might dispute his distributor's statements as to the quantity of milk delivered, but accounting procedures were not specified among the terms of sale. It was partly because producers wanted to verify more accurately the weights and tests of their milk that they organized the Falls Cities Cooperative Milk Producers Association. But the association also adopted the class use basis of selling milk, and adopted a plan for equalizing the prices received by its members. These innovations resulted in the first real emphasis on accounting procedures as an important feature of the milk marketing system in Louisville. The cooperative engaged a firm of public accountants to set up and to operate the classification system and the equalization fund for the pooling of milk receipts and sales; and to develop a uniform system of reporting which was to be used by all handlers who purchased their milk supplies through the association. Under this arrangement uniform accounting procedures were applied to approximately 80 percent of the receipts of the market.

When License No. 60 became effective, it was expected that the entire market would operate under uniform accounting procedures and that all producers would receive prices based upon a market-wide pool. But, because of the refusal of the minority group of producers and handlers to comply with the terms of the license, it was not until market-wide Federal regulation was instituted on April 1, 1940, that all producers in the Louisville market began to benefit from a carefully planned accounting and payment system.

Minimum prices to producers for graded milk are based either on individual handler pools or on a market-wide pool. In the former case, all handlers on the market pay the same minimum class prices, but each handler's minimum price to producers is computed on the basis of his individual utilization. Therefore, producers receive uniform prices only on a handler, not on a market-wide, basis. But when a market-wide pooling arrangement is part of an order, as in Louisville, the minimum price paid for milk at the basic test is uniform for all producers in the marketing area, except for differentials for location or quality. For any particular month the uniform price depends on three separate but interrelated factors: (1) the method of classification, (2) the proportions of producer milk disposed of by handlers in the respective classes; and (3) the specific prices or pricing mechanisms applicable to the separate classes. From one month to another, the uniform price changes, as a result of changes in the class utilization of milk, or in the prices or other indicators on which the formulas for class prices may be based, and, at times, as a result of amendments to the order.

The minimum class prices for a delivery period are computed just as soon as the basic price data for the previous month become available. Usually between the 5th and the 8th of the month, the administrator supplies each handler with an "Official Announcement of Minimum Class Prices" which gives the prices to be paid for milk delivered in the preceding month. The announcement for September 1951, the first month in which the market was on a two-class scheme, is reproduced in table 26. The "butter-powder" price of $3.761 per hundredweight was the highest of the alternative basic formula prices. The prescribed differential of $1.25 was added to this basic price to arrive at an official Class I price of $5.011 per hundredweight of 3.8 percent milk. The butter-powder price also was the highest of the Class II alternatives; therefore, producer milk which was utilized in manufactured products was priced at $3.761 per hundredweight at the basic test. The Class I and Class II butterfat differentials to handlers and the butterfat differential to producers also are shown. For September 1951, the butterfat differential which applied to Class I milk was almost 1 1/2 cents higher than the producer differential.

On the basis of the minimum class prices, the butterfat differentials, and the composite class utilization of producer milk for a particular delivery period, the market administrator determines the blended price to producers for 3.8 percent milk and publicly announces it on or before the 10th day after the end of the month. The computation of the blended price for September 1951 as compared with August 1951 is shown in table 27. These data illustrate how the blended price was computed under the old and under the new classification system. The Class I and Class II rates per hundredweight for September, shown in table 27, differ from the announced minimum class prices for 3.8 percent milk, shown in table 26, because the average butterfat tests of milk used in these classifications were, respectively, 3.764 percent and 5.010 percent.

In total, handlers were charged $942,639.34 for 19,098,411 pounds of milk in September or at the average rate of $4.9357 per hundredweight. The average test of the milk was 3.987 percent. Handlers had been charged $25,056.88 for the butterfat in excess of 3.8 percent, or at the rate of .1312 per hundredweight. (This rate may be approximated by multiplying 1.87 points by the announced butterfat differential to producers of $0.070 per point.) After adjusting the $4.9357 rate for overage (excess of utilization over receipts), for the butterfat excess of $0.1312, and for changes in the producer-settlement fund reserve, the announced uniform price for milk of 3.8 percent butterfat content was $4.80 per hundredweight.

On or before the 10th day of October 1951, each handler had been mailed the price information which is summarized in tables 26 and 27, and therefore he could make payments to his producers, according to the terms of Order No. 46, for milk which they had delivered the previous month. The payments were to be made on or before October 15. In making payments

257955 O - 53 - 11

Table 26.--Official announcement of minimum class prices for the month of September 1951, Louisville, Kentucky, Milk Marketing Area

Hundredweight prices to be used in computation of value of milk by classes, Sec. 946.51:

	Class Prices	Class B. F. Differential
Class I Milk (Basic Formula Price 1/ \$3.761 plus \$1.250)	\$5.011	\$0.084
Class II Milk (Average Butter-Powder Basic Formula Price)	\$3.761	\$0.080
Butterfat Differential to Producers (Sec. 946.81)		\$0.070

September Price Quotations and Formulas

Average Chicago Wholesale Butter Price	\$0.67026
Average Spray (\$0.14950) and Roller (\$0.13250) Powder Price	\$0.14100
Average Wisconsin Cheese Price	\$0.35750
Average Condensery Pay Price - 3.5% Milk	\$3.475
Average Manufacturing (7 plants) Pay Price - 4.0% Milk	\$3.550
1/ Average Butter-Powder Basic Formula Price (Sec. 946.50 (a)) . . .	\$3.761
Average Cheese-Butter Basic Formula Price (Sec. 946.50 (b))	\$3.437
Average Condensery Basic Formula Price (Sec. 946.50 (c))	\$3.716
Average Manufacturing (7 plants) Formula Price (Sec. 946.51 (b)(1)).	\$3.389

L. S. Iverson
Market Administrator

1/ The Class I price in any month is governed by the highest of the three basic formula prices in the lower portion of the announcement. The footnote reference (1/) indicates which of the basic formulas applies in the month to which the announcement relates.

to individual producers, each handler adjusted the basic uniform price of \$4.80 according to the respective average butterfat tests of the milk delivered by each of his producers, at the announced rate of \$0.070 per point. On or before the 20th of the month the handler is required to submit his producer payroll to the market administrator. This report shows the net amount of each producer payment with the prices and adjustments involved, and the total delivery of milk with the average butterfat test for the month. Since the amendment of September 1951 handlers also are required, on or before the 10th day after the request of the market administrator, to submit a schedule of the rates charged and paid for the transportation of milk from the farm of each producer to the handler's plant.

Because an individual handler's utilization of producer milk almost invariably differs from the computed average utilization of the market (upon which the uniform price is determined), his "classification value" is either more or less than the total of his producer payroll. By the 11th of the

Table 27. - Price computation and value of producer milk Louisville, Ky., milk marketing area, September 1951 and August 1951

Milk classification	September 1-30, 1951 Pounds of butterfat	Pounds of milk	Rate per cwt.	Value	August 1-31, 1951 Pounds of butterfat	Pounds of milk	Rate per cwt.	Value
Class I Milk								
Market sales					524,002	14,921,790	$4.737	$706,853.16
Relief sales					1,543	41,520	3.600	1,494.64
Total Class I milk 1/	590,081	15,676,819	$4.981	$780,818.96	525,545	14,963,310		$708,347.80
Class II Milk 2/	171,433	3,421,592	4.729	161,820.38	42,354	3/ 217,239	4/ 17.263	37,501.91
Class III Milk	———	———		———	181,694	4,277,587	3.910	167,252.50
Total milk and value before adjustments	761,514	19,098,411	$4.9357	$942,639.34	749,593	19,458,136	$4.6926	$913,102.21
Add overage: Sec. 946.70 (c)			.0022	418.21	Sec. 946.6 (b)		.0005	104.27
Less: Butterfat differential for butterfat over 3.8%			.1312	25,056.88			.0367	7,152.80
Net obligation of handlers			$4.8067	$918,000.67			$4.6564	$906,053.68
Add: Cash balance in P. S. Fund			.0410	7,827.52			.0536	10,422.29
Total pooled value				$925,828.19				$916,475.97
Gross uniform price			$4.8477				$4.7100	
Less: Producer - Settlement fund reserve			.0477	9,104.46			.0400	7,781.02
Announced uniform price - 3.8% milk			$4.8000	$916,723.73			$4.6700	$908,694.95

1/ Effective September 1, 1951. - All skim milk and butterfat heretofore considered as Class I and Class II Milk is classified as Class I Milk.

2/ Effective September 1, 1951. - All skim milk and butterfat heretofore considered as Class III Milk is classified as Class II Milk.

3/ Product pounds.

4/ Per hundredweight of product.

month the market administrator bills handlers for any amount due to the producer-settlement fund and by the 14th of the month he is to pay handlers any amount due them out of the producer-settlement fund. It is apparent that in total the payments into and out of the fund should balance each other. Thus producers receive a uniform price, adjusted for butterfat, for their milk, but each handler pays for producer milk according to the amounts of skim milk and butterfat in such milk which he utilized for Class I and Class II products, respectively.

On milk delivered in September 1951, producers not only received their regular checks from handlers but, under the Louisville Fall Premium Plan, they also received a separate fall production payment at the rate of 42 cents per hundredweight of milk delivered. Beginning with the amendment of September 1951 these fall production payments are made on the 14th day of September, October, November, and December by the market administrator as separate payments to non-association producers and as a lump sum payment to the cooperative association for its membership. The association then mails separate and clearly defined fall premium checks to its producer-members.

In addition to his payment obligations to producers and possible payments into the producer-settlement fund, the handler has certain responsibilities with respect to deductions of dues authorized by members of cooperative associations, and of charges for marketing services and expense of administration of the order. The charges for dues and marketing services are a cost to producers which the handler deducts from producer payments and which he is required to pay over, by the 15th of the month, to the cooperative and to the market administrator, respectively. The expense of administration is a direct obligation of the handler; to be in compliance with the order he must pay his pro-rata share of this expense by the 15th of the month.

The Dairy Branch proposed, at the hearing in March 1949, that both the charge for marketing services and the assessment rate for administrative expense be increased. To support these proposals the market administrator filed income and expense statements for the year 1948. These showed that market service income was $5,818 but expense was $6,767; that administrative income from assessments on handlers was $41,006 but administrative expense was $45,250. As a consequence both operating balances were decreased in 1948. 76/

Under the amendment of September 1949 the maximum marketing service deduction was increased from 4 to 5 cents per hundredweight of milk, and the maximum assessment for the expense of administration was increased from 2 to 2.5 cents per hundredweight on each handler's receipts from producers and on that portion of his receipts of "other source milk" which was utilized for fluid purposes. These rates remained unchanged in early 1953.

76/ See Exhibits 7 and 8 of reference under footnote 50, p. 105.

The reporting and payment schedules in effect for the Louisville market since September 1951 emphasize the mutual interdependence of handlers and the market administrator in accomplishing the pricing objectives of the order under a market-wide pooling arrangement (table 28).

Fluid Milk Marketing May Transcend Local Boundaries

Longer-time dynamics of fluid milk marketing under Federal regulation were reflected at the hearing in December 1950 by a proposal of the Dairy Branch to establish, under Order No. 46, the status and obligations of handlers who might be doing business in more than one Federal order market. This problem had become increasingly important as additional markets adopted Federal regulation, and as milk moved longer distances in paper containers and in other forms than had been the case in the earlier years of regulation. The Branch proposed that when a handler was subject to two orders, the Secretary could, upon request in writing by the affected handler or upon his own initiative, determine and notify the handler and the respective market administrator as to the manner and extent to which provisions of each order applied to the transactions of the handler. The Louisville handlers did not oppose the proposal but, through their attorney, pressed for a provision that the market administrator should inform all the handlers in the marketing area as to the nature of the Secretary's determination in a specific case. Testimony, pro and con, on this point was developed for the Secretary's consideration. 77/

Under the amendment of September 1951, Section 946.62, entitled "Handlers subject to other orders," was added. It provided that if the Secretary determined that a handler disposed of a greater portion of his milk as Class I milk in another marketing area regulated by another order or a marketing agreement under the act, the provisions of Order No. 46 did not apply, except that the handler should report to the market administrator, in the manner prescribed, with respect to his total receipts of skim milk and butterfat.

77/ See pp. 481-90 of reference under footnote 61, p. 122.

Table 28.--Schedule of reporting and payment obligations under Federal Order No. 46 as amended September 1, 1951, Louisville, Ky., milk marketing area

Day of month 1/	Person responsible	Nature of responsibility
5th	Handler	To submit prescribed report on receipts and utilization.
10th	Administrator	To publicly announce: the minimum class prices, the butterfat differentials, and the uniform price to producers for 3.8 percent milk.
11th	Administrator	To mail to each handler statements showing: net obligation for milk received from producers; any amount due to producer-settlement fund; deductions for marketing services; and his share of administrative expense.
13th	Handler	To pay obligation, if any, to producer-settlement fund.
14th	Administrator	To pay each handler any amount due him out of the producer-settlement fund.
14th	Administrator	From September to December to pay producers, either directly or through an authorized cooperative, the fall production payments.
15th	Handler	To pay: each producer for milk received; marketing services deduction to market administrator or to a qualified cooperative; share of administrative expense.
15th	Administrator	To report to each cooperative the percentage in each class of producer milk delivered by the cooperative or by its members to each handler during the month.
20th	Handler	To submit producer payroll information to market administrator.

Continued

Table 28.—Schedule of reporting and payment obligations under Federal Order No. 46 as amended September 1, 1951, Louisville, Ky., milk marketing area -Continued

Day of month 1/	Person responsible	Nature of responsibility
Indefinite dates		
As soon as possible after first receiving milk	Handler	To report name and address of new producer, date of first receipt, and plant at which the milk was received.
Within 5 days after the date upon which a handler is required to submit respective reports	Administrator	To publicly announce, at his discretion, the name of any delinquent handler.
On or before the 10th day after requested	Handler	To provide the market administrator with a schedule of rates which are charged and paid for the transportation of milk from the farm to the handler's plant.
Within 10 days of change	Handler	To report changes in transportation rates and the effective date of such changes.
Promptly after verification	Administrator	To bill handler for any adjusted amount due to the producer-settlement fund.
Within 15 days of verification	Administrator	To pay handler, out of the producer-settlement fund, for any adjusted amount due him.
Within 15 days of notification	Handler	To pay adjusted amount due to the producer-settlement fund.
Upon verification	Administrator	To notify handler of underpayment to any producers.
Not later than next producer payment date after disclosure	Handler	To pay any amount due to the producers who were underpaid.

1/ On or before specified date after the end of each month.

Sanitary Regulations Influence Provisions of the Order

Boundaries of the Marketing Area

One of the criteria for determining the boundaries of the Louisville market area in 1940 was that the sanitary milk regulations within the area be approximately uniform. At that time the requirements under the Louisville Milk Ordinance were much stricter than those which applied just across the Ohio River in New Albany and Jeffersonville, Ind. This was one of the reasons why the latter cities were omitted from the marketing area under the original order. They were reincluded a few years later after these cities had adopted health ordinances on a par with the Louisville Milk Ordinance.

Expenses of Meeting the Terms of a Milk Ordinance Affect Pricing

Nowadays a pure and wholesome supply of milk for fluid consumption in urban areas is considered essential to the health of the citizenry. Being bulky and highly perishable, the milk is usually obtained from the rural areas surrounding a city. The quality and wholesomeness of the supply is the primary responsibility of the local health authorities and, in markets under Federal regulation, the adequacy of the graded supply is one of the important responsibilities of the agents of the Secretary. In this connection the interests of these separate public functionaries naturally are focused on the "producer." Under the Louisville order he is the person who produces, under a dairy farm inspection permit issued by the appropriate health authority having jurisdiction in the marketing area, milk which is delivered from his farm to a handler for distribution to the public in fluid form. Because of the additional costs of meeting the special quality requirements, graded milk is a distinct product which for many years has commanded a higher price than milk which is produced under less stringent health regulations. To keep this milk distinct until it reaches the consumer, the health authorities require that the handlers process it separate and apart from ungraded milk or from emergency milk.

The director of the Bureau of Milk, Food, and Sanitation Control for the Louisville and Jefferson County Health Department estimated that the average cost to a producer of providing the type of dairy barn, equipment and utensils prescribed under the milk ordinance was: \$400 to \$600 in 1932; \$700 or more in 1940; and \$1,200 to \$1,500 in 1949. He also stated that the producer of graded milk incurs somewhat higher current expenses than the producer of ungraded milk. Items mentioned were: extra care of cows, extra labor and time in taking care of the milk, special power, extra maintenance expenses, outlays for cleansing agents, disinfectants and fly spray, and probably greater feed costs and higher wage rates.

Time and again, the hearing records indicated that the special expenditures which were necessary to produce graded milk were important considerations in amending the pricing provisions. In September 1948, for example, the Class I and Class II differentials over the base price were increased 20 cents per hundredweight, respectively, during the months of September through March, largely to counteract the active competition for producers, from nearby manufacturing plants and nearby markets. These competitors had succeeded in attracting some Louisville producers because they offered to pay the blended price, and their sanitary requirements were not so strict as those which applied to the Louisville marketing area.

Later in 1948 there was a contraseasonal drop in prices of dairy products which determined the base price for Class I and Class II milk. Because the supply of graded milk was short and costs of production remained high, floor prices were provided for the winter months for Class I and Class II milk, thus temporarily suspending the established relationship between graded and ungraded milk.

The requirements of the milk ordinance which apply to handlers also have affected the pricing of graded milk in the Louisville area. Prior to and during the license period, for example, the ordinance required that a bottle of milk carry on the label the date on which it would be distributed. Because handlers maintained that the relatively large volume of milk which was returned from stores under this requirement could be utilized only in butter production, this milk was priced lower than other Class III milk prior to the adoption of the license (table 9, p. 37). Although no special pricing provision was made under License No. 60 for milk returned from stores, the existence of a large volume of this type of milk tended to have a depressing effect upon producer returns. In 1940 and subsequently, the volume of returns was reduced substantially by an amendment to the milk ordinance which specified that the labeling of pasteurized milk should include the direction that it was not to be sold after 6 p.m. of a designated day beginning twenty-five hours after the day of pasteurization. The resulting reduction in the volume of "store returns" promoted a more efficient use of the supply of graded milk, and benefited both producers and handlers.

Changes made by the health authorities in the quality standards to be met by producers affect the price which is necessary to bring out an adequate supply of milk. For instance, one of the important changes under the amendment of July 1936 to the Milk Ordinance of the City of Louisville, was the reduction of the maximum allowable bacterial count of both "Grade A Raw" and "Grade A Pasteurized" milk from 50,000 to 30,000 per cubic centimeter of milk. This change entered into the pricing negotiations during the license years. Sanitary regulations, as they apply to the operations of producers and handlers under Order No. 46, have not changed significantly in recent years. Costs of production and of handling therefore have increased largely because of the increase in the general level of prices and wages, not because of a further tightening of sanitary regulations.

The Classification Scheme

The influence of sanitary regulations upon the provisions of Order No. 46 was plainly evident in the description of the evolution of the classification scheme. The ordinance specified that milk and certain designated "milk products" must be processed from graded milk. Through the years it was the objective of the Falls Cities Association to have all milk of producers which was utilized in products requiring graded milk, classified as Class I milk. The several milk drinks were included in the Class I category under the amendment of June 1942 but fluid cream was not included until September 1951. The current definition of Class I milk includes a blanket provision which automatically places new products, such as concentrated milk, into Class I if the health authorities require that they be processed from graded milk.

Health Authorities Set the Terms for Emergency Supplies

Upon receiving applications from handlers for emergency milk, the health authorities in the Louisville area determine whether a market-wide shortage of milk exists. If so, they issue permits to handlers to receive emergency milk, and specify quality requirements, conditions as to processing, the products which may be made from emergency milk, and the labeling of such products. In pre-war years and in recent years, shortages were met by importing graded milk from other cities or areas. During the war years, however, when most other markets were confronted with shortages of graded milk, the regular supply in Louisville was augmented by receipts of "survey-controlled" ungraded milk. This milk could be used only in the production of buttermilk and could not be labeled "Grade A" or carry any grade designation. The reason for the sale of buttermilk without a "Grade A" label had to be announced in the newspapers before the milk was delivered to the public. Emergency products had to be handled in the plant after the "Grade A" pasteurized milk run had been completed.

During the short production period of 1950 the Health Department issued permits for the use of "ungraded" skim milk for buttermilk purposes. A special labeling cap was required indicating that the buttermilk was not a "Grade A" product. Approved whole milk was received from Bluffton, Indiana, for use in bottled milk.

The restrictions which apply to emergency milk and the preference of consumers for milk products which are processed from the regular approved supply, influence most handlers in Louisville to attempt to provide for an adequate supply of graded milk even during the months of low production. This practice means that, in the season of flush production, most handlers' receipts of graded milk are substantially in excess of the fluid requirements of the market. Since handling of surpluses and meeting shortages are perennial problems of handlers they have a keen interest in seasonal pricing plans and in special devices such as the Louisville Fall Premium Plan which are included in the order to promote more even year-round production of graded milk. And the Federal administrators have an equal interest in the problem because it is closely related to the purposes of regulation; that is, to insure a sufficient quantity of graded milk, at all times of the year, and to provide for the orderly marketing of the milk.

Stringent requirements or perhaps a tightening of the health or the labeling requirements with respect to emergency milk could influence handlers to take on additional regular producers or to arrange for "standby" supplies of milk from producers. Arrangements made in 1948 by one of the Louisville handlers for a standby supply of graded milk from an approved receiving station, brought to a focus the question of the extent of a handler's responsibility to the market pool.

Prior to September 1951, the order required only that a country plant be approved by the appropriate health authority to receive milk from producers. This milk could be distributed by the handler, or supplied to another approved plant for distribution as fluid products in the marketing area. Although this supply was part of the market pool and therefore affected the level of the blended price, the order did not require that such approved milk, or any fraction of it, be made available to meet the fluid needs of the Louisville market.

Since the amendment of September 1951, a country plant must meet two conditions instead of one to qualify as a "pool plant":

(1) The plant must be approved to receive milk from dairy farmers who hold dairy farm inspection permits from the appropriate health authorities.

(2) During the months of October through March and again during the months of April through September the plant must deliver to a city plant in the marketing area specified percentages of its receipts of graded milk.

Boundaries of the Milkshed

The milkshed includes the territory within which "producers" are located. The decision to become a producer of graded milk, or to remain in this enterprise, lies with the individual dairy farmer. However, to obtain and to retain the dairy farm inspection permit which qualifies him as a producer, the farmer must meet the standards of the health authorities.

Slight changes within and on the border of the milkshed occur from month to month as producers discontinue operations or as new producers qualify for and receive permits. If, under stable demand conditions, these changes depart significantly from average it may indicate that the blended price is either too low or too high to bring out a supply which approximates the requirements of the market. Trends in the number of new producers and in the number of discontinued producers therefore are given careful consideration in the efforts of the industry and of the Secretary to keep the pricing mechanism under Order No. 46 well adapted to the supply and demand situation in the Louisville market area.

Until recent years the Louisville milkshed was separate and distinct from other milksheds in that section of the United States. From 1948 through 1950, however, the Louisville Health Department issued a number of dairy permits to farmers in Carroll County, Kentucky. Since this county is in the Cincinnati milkshed, there was some overlapping of the two milksheds. This development increased the importance of the price relationships between the Louisville and the Cincinnati Federal milk markets.

The expansion of the Louisville supply area from the adoption of the order through 1951 is shown in table 44, p. 212; the boundaries of the milk marketing area and of the supply area, in December 1951, are shown in figure 2.

Other Aspects of Regulation

Verification of Reports and Payments

For each delivery period, two sets of computations, based upon reports of handlers, are maintained in the office of the administrator. The first, or pre-audit, set is developed in determining the uniform price to producers. At this time the reports are checked to eliminate mathematical or other obvious errors. Later a formal and detailed audit is made of each handler's reports and records, and a set of audited reports is compiled for the market. Adjustments arising through the audits are included in computing the uniform price for a succeeding delivery period.

If the administrator is to conduct a thorough audit, he obviously must have ready access to the books and records of a handler. Under the incidental powers contained in Section 8c (7)(D) of the act, specific provisions for the verification of reports and payments are given in Order No. 46. Handlers are required to keep adequate records of receipts and utilization of all milk, including all skim milk and butterfat, and to make them available to the market administrator or to his representatives during the usual hours of business. These provisions enable the administrator to:

(1) Verify the receipts and disposition of all skim milk and butterfat required to be reported and, in case of errors or omissions, ascertain the correct figures;

(2) Verify the payments to producers, and

(3) Check inventory records.

To protect the handlers, the act specifies that all information furnished to or acquired by the Secretary shall be kept confidential by all officers and employees of the Department of Agriculture; that only such information as the Secretary deems relevant shall be disclosed by them, and then only in a suit or administrative hearing brought at the direction, or upon the request, of the Secretary and involving the marketing agreement or order with reference to which the information was obtained. Any officer or employee who is convicted of divulging confidential information is subject to a fine of not more than $1,000 or to imprisonment for not more than one year, or both, and to removal from office. However, the market administrator may: (A) issue general

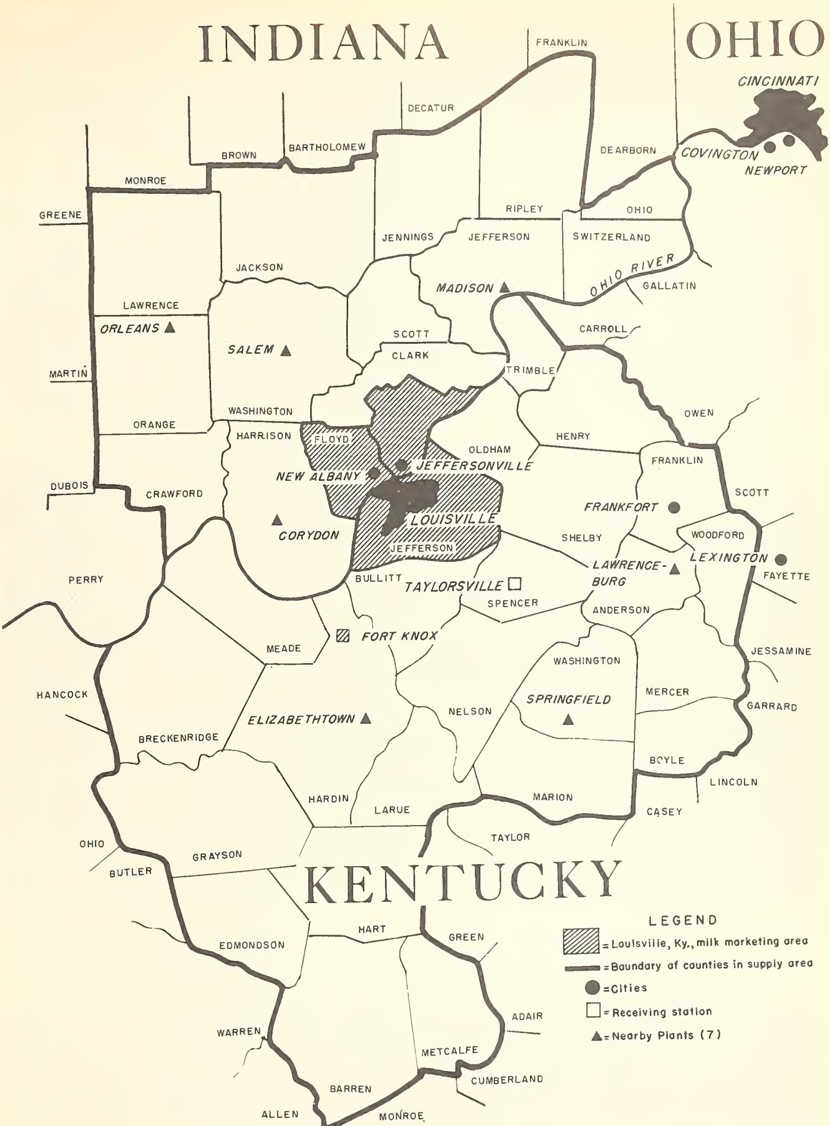

Figure 2.—Louisville, Ky., milk marketing area, counties included in the supply area in December 1951, and location of 7 nearby plants.

statements based upon the reports of a number of parties to a marketing agreement or of handlers subject to an order, if the statements do not identify the information furnished by any person, or (B) publish, at the direction of the Secretary, the name of any person violating any marketing agreement or any order, together with a statement of the particular provisions of the marketing agreement or order that have been violated.

Prompt verification of the reports submitted by handlers is one of the duties of the Louisville market administrator. The need for promptness is self-evident; it minimizes the period of uncertainty both for producers and for handlers with respect to possible financial adjustments arising from reclassification of milk or other audit changes. From time to time handlers have requested that the auditing period be limited to a specific number of days. At the hearing in February 1946, for example, one proposal was that the market administrator should verify, within 90 days, the information contained in the handlers' reports; another would provide that no milk be reclassified after 90 days from the close of a delivery period, unless a report had been falsified intentionally.

At that time, the principal auditor for Order No. 46 called attention to a number of contingencies that could prevent the successful completion of audits within 90 days. He explained that handlers were not always ready for a scheduled audit; that late or incomplete reports, or lack of records from the proper sources sometimes were a problem; and that, at times, records were received after the audit was completed, requiring changes in interpretations and decisions which might apply to previous audits. Moreover, in some plants records were so set up that the personal explanation of the handler was necessary, but handlers were not always available when the auditor was in the plant. Changes in record keeping and operational procedure by a handler caused delay and might require special rulings from the Dairy Branch. Questionable issues often required further investigation by the market administrator and frequently involved the interpretation of the Order and possible reference of such questions to the Secretary. He stated, however, that it has been the objective of the market administrator to complete the audits and have the billings in the hands of the dealers within 90 days or less, if no contingencies arose. 78/ Up to the time this is written, no specific time limit has been incorporated in the order, and the market administrator continues to complete the verification of handlers' reports as promptly as conditions permit.

Retention of Records: Termination of Obligations

The preceding discussion relates primarily to the problems of month by month auditing of handlers' reports. Under some circumstances, as when a disagreement arises between the market administrator and the handler as to the proper accounting procedure, it may be a long time before an audit is completed and a "clearance billing" is mailed to the handler. During all this time the necessary reports and records must be accessible for auditing purposes.

78/ See pp. 591-94 of reference under footnote 45, page 101.

As the years passed, the keeping of numerous and bulky records created a burdensome and expensive storage problem; and the possibility of contingent liabilities--perhaps extending over a period of years--threatened the stability of the markets. This was true not only in Louisville but also in other markets which had been under Federal regulation for a number of years. A public hearing therefore was held at Washington, D. C., on July 30, 1947, to consider these problems with respect to the various Federal order markets.

The discussions and the recommended decision of the Secretary revealed that in the absence of a termination of obligations, two types of long-time liabilities could arise to endanger the stability of a milk market. Handlers could file claims, covering a number of years, which if allowed and when paid out of current funds would be large enough to result in a substantial reduction in the price to producers. Inequity probably would arise because usually some of the producers had not been in the market during the period covered by the handlers' claims. Such disturbance to orderly marketing could result in producers leaving the market and creating a milk shortage.

But handlers also needed the protection of provisions terminating their obligations to make payments. Otherwise, if a change in the application of a section of an order resulted from the disclosure of additional facts or the decision of court cases, the market administrator was required to reaudit and rebill all handlers to whom the corrected application applied sometimes for periods of from 5 to 10 years. The amounts involved could be large enough to jeopardize the handlers' businesses, even to the point of insolvency. In the absence of a provision for the termination of obligations, a handler would incur considerable risk if he disposed of burdensome records, notwithstanding that an order did not expressly require him to keep his records beyond a specified number of years.

The evidence not only brought out the need for definite periods for the retention of records and the termination of obligations, but it also established a basis for determining the length of time to be included in these periods. It was generally agreed that, if no litigation or other complication was involved, obligations could reasonably be terminated two years after the end of the month during which the market administrator received the handler's report on the milk involved in the obligation. But, to allow for delays in reporting and for contingencies in connection with a final settlement of an obligation, it was proposed that a three-year period be required. These provisions became effective on February 22, 1949, in the various Federally regulated milk marketing areas.

Order No. 46 as amended September 1951 provides for the "Retention of records" for a 3-year period under section 946.34 and for the "Termination of obligations" after 2 years under section 946.88. The 3-year period, however, does not apply if, within that period, the market administrator notifies a handler in writing that the retention of books and records is necessary in connection with proceedings under section 8c (15)(A) of the act or a court action specified in the notice. Similarly a handler's obligation to pay money is not terminated at the end of 2 years with respect to any transaction involving fraud or willful concealment of a material fact. And the market administrator's obligation to pay money to a handler is not terminated in 2 years if, within that period, the handler has filed a petition under the act, claiming such money.

Formal Practices and Procedures

In carrying out the Agricultural Adjustment Act of 1933, it became necessary to develop standard rules of practice and procedure, both for effective administration and for protection of the rights of the interested parties.

The importance of administrative procedure with respect to all Federal legislation is indicated by the fact that the 79th Congress enacted and, on June 11, 1946, the President approved Public Law 404, Chap. 324, the "Administrative Procedure Act" to "improve the administration of justice by prescribing fair administrative procedure." The provisions of this Act with respect to definitions, public information, rule making, adjudication, ancillary matters, hearings, decisions, sanctions and powers, judicial review, examiners, and construction and effect, must be recognized and observed in practices and procedures which are applied in the administration of specific instruments of Federal regulation, such as marketing agreements and orders.

For a number of years regulatory matters pertaining to Federal legislation have been published daily (except Sundays, Mondays, and days following official Federal holidays) in the Federal Register, which is a publication of the Division of the Federal Register, The National Archives; and which was authorized under the "Federal Register Act," approved July 26, 1935. Persons who are concerned with particular Federal regulations must inform themselves of, and be governed by, the official notices of regulatory matters as they are published in the Federal Register. The regulatory material appearing in the Federal Register is "keyed" to the "Code of Federal Regulations." This "Code" was published, under 50 titles, in accordance with section 11 of the Federal Register Act, as amended, on June 19, 1937. Matters pertaining to marketing agreements and orders are found in Title 7, Agriculture, Chapter IX, Production and Marketing Administration (Marketing Agreements and Orders), Part 900, General Regulations, of the Code of Federal Regulation, as amended. In their present form the General Regulations are divided into these four subparts:

(1) Rules of practice and procedure governing proceedings to formulate marketing agreements and marketing orders.

(2) Rules of practice governing proceedings on petitions to modify or to be exempted from marketing orders.

(3) Procedure governing meetings to arbitrate and mediate disputes relating to sales of milk or its products.

(4) Miscellaneous regulations.

Administrative programs are sometimes criticized because of the time elapsing between initial actions and final decisions. Unnecessary delays, of course, should be avoided but the several steps which are required to protect the rights of all interested parties, at best, require a substantial period of time. The various actions which are required (under the rules of practice and procedure) to amend an order and the dates on which these actions were taken as they applied to the amendment of September 1949 are summarized in table 29. Although this was an emergency measure and one administrative action followed fairly closely upon another, more than six months elapsed between the filing of the application for amendment by the Fall Cities Cooperative Milk Producers Association and the date that the amendment became effective. The magnitude of the task of determining what changes were in the public interest is indicated when one realizes that the applications for amendments which were made in April 1949, included the following number of separate proposals:

Falls Cities Cooperative Milk Producers Association . .	8
Louisville Milk Distributors Association	7
Dairy Branch, PMA	5
Scottsburg Dairy, Inc.	1
Purity Maid Products Co., Inc.	1
Total	22

The transcript of the direct testimony which was given at the three-day public hearing on these proposals contained 334 pages; these did not include exhibits or briefs.

Violations and Enforcement; Handler Petitions and Court Reviews

Legislative Authority

Whenever the Secretary, or such employee of the Department of Agriculture as he may designate, has reason to believe that a handler has violated, or is violating, the provisions of an order, he has power under Section 8a (7) of the Agricultural Marketing Agreement Act of 1937, as amended, to institute an investigation and, after due notice to the handler, to conduct a hearing to determine the facts for the purpose of referring the matter to the Attorney General for appropriate action. Under Section 8a (6) of the act, the several district courts of the United States are vested with jurisdiction specifically to enforce, and to prevent and restrain any persons from violating, any marketing order or agreement. Handlers are in violation whenever they neglect or refuse to submit reports or to make payments according to the terms and conditions of an order or agreement.

Under Section 8c (15)(A) of the act handlers have the right to petition the Secretary in writing, stating that an order or any of its provisions or any obligation imposed under it is not in accordance with law, and praying

Table 29.—Calendar of procedures leading to an amendment with special reference to Order No. 46, as amended, effective September 1, 1949

Nature of action	By whom executed	Time interval specified in Part 900 - General Regulation	Date of action on specified amendment
Filing of proposals and written application for a hearing with the Asst. Adm. of PMA	Falls Cities Coop. Milk Prod. Assn. Louisville Milk Dealers' Assn. Scottsburg Dairy, Inc. Purity Maid Products Co., Inc. Dairy Branch, PMA		Feb. 8 Feb. 19 Feb. 19 Feb. 19
Assignment of docket number	Hearing clerk	Immediately following institution of proceedings	Not available (Docket No. AD 123-A-10 1/)
Filing of notice of hearing with hearing clerk	Asst. Administrator of PMA or the Secretary	Not indicated	March 11
Giving notice of hearing in Federal Register	Hearing clerk	Upon the filing of the notice	March 16
Public hearing	Assigned Presiding Officer or the Secretary	Not less than 15 days after date of publication of notice in Federal Register (in case of emergency not less than 3 days)	March 23-25
Filing of findings, conclusions and briefs with the hearing clerk	Any interested person	Within period announced at hearing by Presiding Officer	April 5 2/ April 20
Certification and transmission of transcript of testimony given at hearing	Presiding Officer to Hearing clerk	As soon as possible after close of hearing	April 26
Recommended decision	Asst. Administrator	Soon as practicable	Issued July 15 Published in F.R. July 21

Continued-

Table 29.—Calendar of procedures leading to an amendment with special reference to Order No. 46, as amended, effective September 1, 1949 —Continued

Nature of action	By whom executed	Time interval specified in Part 900 - General Regulation	Date of action on specified amendment
Exceptions to recommended decision	Any interested person	Not to exceed 20 days but in this case 10th day after publication in Federal Register was specified	July 28 3/ July 30 4/
Submission of record of proceeding (inc. recommended decisions and exceptions) to Secretary	Transmitted by the hearing clerk	Upon expiration of period allowed for filing exceptions, or upon request of the Secretary	Not available 5/
Final decision	Secretary	After due consideration	August 15
Referendum order issued	Secretary	After due consideration	August 15
Referendum completed	Referendum officer	Within 20 days after issue	August 25
Amendment issued	Secretary	Not indicated	August 26
Amendment effective	Secretary	30 days after publication in Federal Register, unless a case of emergency	September 1

1/ Docket No. AO-123 A-10 has this significance: AO refers to agreements and orders; 123 means that Order No. 46 was the 123rd instrument of regulation with respect to agreements and orders - it, therefore, identifies the Louisville order; A-10 means amendment number 10.

2/ Applied only to proposal with respect to the reduction of rates on the fall premium payment plan; time limit for briefs on other proposals was April 20.

3/ Exceptions filed by three individual producers.

4/ Exceptions filed by Louisville Milk Distributors' Assn.

5/ The hearing record and briefs and other proceedings usually are submitted to the Secretary as they become available.

for modification thereof or exemption therefrom. The ruling of the Secretary on the petition is final, if in accordance with law.

Nevertheless, under the provisions of Section 8c (15)(B), if the handler believes that a ruling by the Secretary is not in accordance with law he may—within twenty days from the date of the entry of such rule—file a bill in equity to have the ruling reviewed in that District Court of the United States which convenes in the locale of the handler. The Secretary is served with a copy of the bill of complaint. If the court determines that the ruling was not in accordance with law, it directs the Secretary either (1) to make such rulings as the court determines to be in accordance with law, or (2) to take such further proceedings as, in its opinion, the law requires. These steps do not prevent the United States or the Secretary of Agriculture from obtaining relief under Section 8a (6), except that the latter proceedings (unless brought as a counter claim) are closed whenever a final decree has been rendered.

Proceedings under Section 8a (6) and Section 8c (15)(A) and (15)(B)

Handlers who serve the Louisville market have complied creditably, for the most part, under the terms and conditions of Order No. 46. Only a few court actions have been instituted against handlers who were in violation of one or more provisions of the order. These enforcement actions are commonly referred to as "8a (6) proceedings." Then, from time to time, handlers in Louisville have petitioned for relief under the provisions of Section 8c (15)(A) of the act. Procedures with respect to these petitions are commonly referred to as "15-A proceedings." These proceedings are quasi-judicial, but become cases of the District Court of the United States and of higher courts if a handler elects, under the provisions of Section 8c (15)(B), to appeal the decision of the Secretary.

Between April 1940 and December 1951, the Secretary instituted enforcement actions against 4 handlers in the Louisville market area. During the same period 5 handlers petitioned for relief from some phase of regulation or administration, and one alleged handler sought to enjoin the market administrator from reclassifying him as a producer. The issues and the outcome of these cases are summarized in table 30.

The enforcement actions in each case resulted in partial payments of the handler's obligations under the order. Of the delinquent handlers, one changed his operations to that of a producer-handler, one went out of business, and one paid up sums due to the market administrator, but, reorganized under a different name, was delinquent in making payments, and finally went into bankruptcy.

A. R. Crull (Parkland Dairy) was both a defendant in an enforcement action and a petitioner in a 15(A) proceeding. Moreover, when the Secretary ruled that he was a handler under Order No. 46, A. R. Crull appealed the decision to the U. S. District Court of W. Kentucky and then to the 6th Circuit Court of Appeals. Both courts affirmed the ruling of the Secretary. A companion case was that of Lillie Thielmeier (Oak Street Dairy).

Table 30.--Enforcement actions, and petitions and appeals of handlers, which arose in connection with the administration of Federal Order No. 46, Louisville, Ky., milk marketing area, 1940-51

Reference and dates of actions	The issue and action thereon
Enforcement actions: 1/	
A. R. Crull, doing business as Parkland Dairy, and Lillie Thielmeier, doing business as Oak Street Dairy Secretary's motion for a summary judgment granted by District Court of Ky., March 24, 1942 (Not reported in Fed. Supplement)	The Secretary filed counterclaims against A. R. Crull and Lillie Thielmeier when these handlers continued in violation after the Secretary had ruled that they were handlers under the order. (See D-46-1 and D-46-2, pp. 176-77 this table.) On March 24, 1942, the U. S. District Court of Western Kentucky granted the government's motion for a summary judgment and permanently restrained and enjoined the Parkland Dairy from handling milk in violation of the terms and provisions of Order No. 46. Efforts to collect delinquent payments were made over several years but the handlers failed to pay all sums due under the order. The Parkland Dairy changed its operations to that of a producer-handler in August 1945; the Oak Street Dairy went out of business at the end of 1944.
Willis Walker and Robert Baker doing business as Rolling Green Dairy First report of violation Oct. 31, 1945. Reported again June 2, 1948. Payments demanded Aug. 11, 1948. Enforcement action withdrawn, July 1949. (Not reported in Federal Supplement)	The Rolling Green Dairy, Scottsburg, Ind., first reported to the pool in July 1944, but was in violation beginning with November 1944 for failing to meet payment obligations under the order. Underpayment to producers also was an issue. Through the efforts of the U. S. Attorney all amounts due to the market administrator were paid by July 1949. Various sums due certain of the producers, however, remained unpaid. There was evidence that some of the producers had accepted less than the full uniform price. The Dairy Branch held that producers were without legal capacity to reduce or remove an obligation imposed on a handler by a milk order. The evidence, however, was not considered strong enough to make this a test case upon which to establish a general principle regarding underpayments to which producers concurred. Furthermore the Rolling Green Dairy was no longer in existence, having reorganized under the name of the Scottsburg Dairy.

Continued-

Table 30.--Enforcement actions, and petitions and appeals of handlers, which arose in connection with the administration of Federal Order No. 46, Louisville, Ky., milk marketing area, 1940-51 -Continued

Reference and dates of actions	The issue and action thereon
Scottsburg Dairy (a reorganization of Rolling Green Dairy.) Enforcement action Aug. 25, 1948. Revised complaint filed Jan. 5, 1949. Consent decree Feb. 25, 1949 Petition for receivership August 1949 Petition of bankruptcy January 1951	In June 1948 the market administrator requested that 8a (6) proceedings be initiated because the reorganized company failed to meet their payment obligations under the order. An agreement between the handler and the United States Attorney that the handler make stipulated payments was only partially carried out. A consent decree was entered in the District Court at Indianapolis in February 1949 whereby the handler agreed, beginning in March 1949, to pay $150 a month on amounts owed and to make current payments. For a few months the handler complied but in August 1949 he filed a petition for receivership. The receiver operated the business for more than a year but was unable to pay the claims of the market administrator and of other creditors. A voluntary petition of bankruptcy was filed in January 1951. Ultimately the referee of the bankruptcy allowed a portion of the $3,406.02 claim of the market administrator, but disallowed $1,345.05 representing audit adjustment billings for the months covered by the judgment.

Petitions and appeals: 2/

Reference and dates of actions	The issue and action thereon
D-46-1 8c (15)(A) A. R. Crull (Parkland Dairy) Filed May 21, 1940 Secretary's ruling Feb. 5, 1941 Crull v. Wickard 8c (15)(B) Ruling upheld by Dist. Court Sept. 2, 1941, 40 F Supp. 608 Upheld by 6th Circuit Court of Appeals July 2, 1943, 137 F 2d 406	As an exclusive and independent intrastate handler of milk, A. R. Crull petitioned the Secretary to be exempted from the provisions of Order No. 46, in particular the pooling and payment obligations. The Assistant Secretary of Agriculture denied the petition, ruling that Order No. 46 was in accordance with law; that the petitioner was a handler as defined in the order and therefore subject to its provision; that he should pay to the market administrator all amounts due under the order. Under the provisions of Section 8c (15)(B) and within the allotted twenty days from the entry of the Secretary's ruling, A. R. Crull

Continued-

Table 30.--Enforcement actions, and petitions and appeals of handlers, which arose in connection with the administration of Federal Order No. 46, Louisville, Ky., milk marketing area, 1940-51 --Continued

Reference and dates of action	The issue and action thereon
	filed a bill in equity to have them reviewed by the District Court. The rulings were upheld not only in the District Court but, upon appeal, the same action was taken by the Circuit Court of Appeals.
D-46-2 Lillie Thielmeier (Oak Street Dairy) Petition filed July 12, 1940 Dismissed March 29, 1945	Petition was similar to the one filed by A. R. Crull. By agreement it took the same course as the Crull v. Wickard case. But because this petition was not specifically closed, a request for dismissal of the case was made on March 9, 1945. The request was granted, on March 29, 1945, by the Assistant to the War Food Administrator.
AMA-46-3 Sure Pure Milk Company Petition filed Feb. 25, 1948 Petition withdrawn June 22, 1951	The handler protested the classification as Class I milk of milk which had been used in the production of ice cream mix during the months of April through August 1946. The market administrator had included this milk in Class I because it was not properly accounted for. At a prehearing conference which was held in Washington on October 5, 1948, it was agreed that only two issues were involved: (1) whether or not the handler properly had applied the "used to produce" formulae in determining the quantity of butterfat used in the manufacture of the ice cream mix, and (2) whether, if the petitioner properly followed the formulae, the market administrator was barred from establishing new standards of accounting and reporting the amount of butterfat used in the manufacture of ice cream mix for the indicated months. The handler's application of June 5, 1951, to withdraw the petition was granted on June 22, 1951, on the grounds that the issues involved had been settled in the prehearing conference and that the respondent, Production and Marketing Administration, had consented to the withdrawal.

Continued-

Table 30.—Enforcement actions, and petitions and appeals of handlers, which arose in connection with the administration of Federal Order No. 46, Louisville, Ky., milk marketing area, 1940-51 —Continued

Reference and dates of action	The issue and action thereon
AMA-46-4 Ewing-Von Allman Dairy Company Petition filed in March 1948 Amended petition filed June 30, 1948 Dismissed on Sept. 19, 1949	The handler petitioned the Secretary: (1) That all milk, skim milk and cream received at a Grade-A plant from sources other than producers or other handlers under a permit from the proper health authorities be classified as emergency receipts. (2) That the market administrator be directed to compute the liability of the petitioner to the Producer Settlement Fund on the basis of amended schedules for October 1946 through January 1947 which had been filed with the market administrator on July 29, 1947. (Since this was prior to the amendment of September 1948 under which emergency milk was included in the definition of "other source milk" it would have been to the advantage of the handler to have the milk in question classified as emergency receipts.) (See p. 103.) In April 1948, PMA filed an application to dismiss this petition because the issues in question required a definite administrative ruling which was in process of being made. The petitioner, however, filed an answer opposing the application to dismiss. On May 18, 1948, the market administrator by letter transmitted the administrative ruling to the petitioner. It was concluded that: (1) For all periods subsequent to October 1, 1946, all ungraded milk, skim milk, or cream which came into a Grade-A plant, irrespective of the type of permit from health authorities and irrespective of how it was used, should be considered as a "receipt" for purposes of reporting and accounting to the producer-settlement fund. (2) Ungraded or so-called Type III milk received in the Grade-A plant which was utilized in any product normally requiring the use of graded milk under the health ordinance,

Continued-

Table 30.--Enforcement actions, and petitions and appeals of handlers, which arose in connection with the administration of Federal Order No. 46, Louisville, Ky., milk marketing area, 1940-51 -Continued

Reference and dates of action	The issue and action thereon
	if substantiated by the handler's records, should be considered as emergency milk. (3) Ungraded milk received in the Grade-A plant and utilized in products which did not require graded milk was not considered to come under the definition of emergency milk. (4) Any ungraded milk actually received in a Grade-A plant which did not meet the given requirements for "emergency milk should be regarded as 'other source milk'". A few days after receiving these rulings the handler amended his petition challenging certain interpretations of the order by the market administrator. The respondent answered the amended petition on July 29, 1948, submitting that the petitioner was not entitled to the relief requested. A pre-hearing conference was held in February 1949 between the attorney for the handler and representatives of the Dairy Branch. On August 31, 1949, in view of developments subsequent to the filing of the petition, the handler filed a request for permission to withdraw the petition. The petition was dismissed with prejudice on September 19, 1949.
AMA-46-5 Fenley's Model Dairy Petition submitted September 30, 1949 Dairy Branch applied for dismissal of case Oct. 18, 1949 Motion in opposition filed by handler Nov. 6, 1949 Dairy Branch followed with a brief on motion in opposition to application to dismiss Dismissal granted Dec. 30, 1949	On September 19, 1949, the market administrator mailed to the Fenley's Model Dairy audit adjustment billings amounting to $13,725 for the period from September 1947 through April 1949. Whereupon the handler filed the 15-A petition in which he alleged, in part, that the controversy arose over the technical and unrealistic requirements of the market administrator as to the form of proof necessary to prove utilization. In particular, the issue was whether the handler's production, sales, and inventory records on butter and condensed whole milk and skim milk were adequate to prove Class III utilization. The Dairy Branch studied the application

Continued-

Table 30.—Enforcement actions, and petitions and appeals of handlers, which arose in connection with the administration of Federal Order No. 46, Louisville, Ky., milk marketing area, 1940-51 -Continued

Reference and dates of action	The issue and action thereon
Final billings June 30, 1950	of the provisions of the order with respect to the facts of the case, and then suggested that the market administrator withdraw the audit adjustment billings and withhold further billing until some official decision could be made on the proper procedure to follow. Accordingly, on September 30, 1949, the market administrator informed the Fenley's Model Dairy by letter that the disputed audit adjustment billings were withdrawn. Since the subject of the petitioner's complaint had been withdrawn, the Dairy Branch filed an application to dismiss the petition. It recommended that the dismissal be without prejudice so that the market administrator could issue new audit adjustment billings for the same period. The handler filed a brief in opposition to the application to dismiss, unless such dismissal were with prejudice to the Government's right to submit new audit adjustments for the period involved. On December 30, 1949, the Judicial Officer issued an order granting the application of the Dairy Branch to dismiss the handlers petition. By letter of June 6, 1950, the Assistant Director of the Dairy Branch, PMA, instructed the market administrator that the records of the Fenley's Model Dairy which had been rejected should be allowed as follows: 1. With respect to butter-records: (a) Unless there was reason to believe otherwise, the sales and inventory records should be accepted as indicative of the amount of butter produced and there should be allowed, as a minimum quantity of skim and butterfat "used to produce" such butter, a quantity determined by using a standard conversion factor. (b) If the handler claimed that he used a greater quantity "to produce" the butter, it was suggested that the

Continued-

Table 30.--Enforcement actions, and petitions and appeals of handlers, which arose in connection with the administration of Federal Order No. 46, Louisville, Ky., milk marketing area, 1940-51 -Continued

Reference and dates of actions	The issue and action thereon
	market administrator allow: (1) All individual batch records where the yield was within a reasonable variation from standard yields or was in line with plant experience. (2) Only the recorded input into the churn, where the records showed an unreasonably high overrun. (3) Only the quantity obtained by applying the standard yield factor, where the batch records showed unreasonably low yield. 2. The handler's records of condensing operations could be allowed as showing the amount "used to produce" the product. In accordance with this procedure, the market administrator prepared final audit billings covering the period in question and mailed them to the Fenley's Model Dairy by the end of June 1950. The handler made prompt payment and is providing satisfactory books and records in accordance with the uniform policy and procedure used in audits.
Boyd Gudgel v. L. S. Iverson Hearing in District Court on handler's motion for preliminary injunction and on market administrator's motion to dismiss - June 7, 1948 Motion to dismiss granted by Dist. Court, Aug. 1, 1949, 87 F Supp. 834 Judgment entered Aug. 30, 1949	Boyd Gudgel filed a complaint against the market administrator and prayed that he be enjoined from directing the Von Allmen Brothers Dairy, or any other handler, from considering the receipts of milk from complainant as milk from a producer. Prior to December 1944 Boyd Gudgel was classified as a "handler" because he operated a milk plant at which he received milk from 4 to 5 producers. He also distributed milk from his own production. (From April 1940 until October 1946 a handler's own production was not pooled.) In December 1944 the plaintiff closed his plant because of shortages of labor and equipment and delivered his own production to Von Allmen's

Continued-

Table 30.—Enforcement actions, and petitions and appeals of handlers, which arose in connection with the administration of Federal Order No. 46, Louisville, Ky., milk marketing area, 1940-51 -Continued

Reference and dates of action	The issue and action thereon
	plant at the Class I price. From this plant he received a quantity of bottled milk and cream which he distributed on a retail route in the Louisville area. Because of the hardship the plaintiff had experienced due to war conditions and because he maintained that his plant would be reopened as soon as conditions permitted, the market administrator continued to treat him as a handler. However, no change in operation materialized and therefore, on March 23, 1948, the market administrator notified the Von Allmen Dairy that beginning with April 1948 the receipts of milk from Boyd Gudgel would be treated as receipts from a producer. The fact that he would be paid the blended rather than the Class I price moved the plaintiff to seek the injunction. In taking this action the plaintiff, as an alleged handler or producer-handler, had failed to pursue the exclusive administrative remedy provided by Section 8c (15) of the act. The market administrator filed a motion to dismiss the complaint, on the grounds that: (a) The court lacked jurisdiction to grant the relief prayed for; (b) The complaint did not state a claim against the defendant upon which relief could be granted; and (c) The plaintiff had failed to join the Secretary of Agriculture who is a necessary and indispensable party. The United States District Court for the Western District of Kentucky concluded that the plaintiff was a "producer" as such term was defined in Order No. 46; that after the plaintiff's milk was received at the Von Allmen plant and commingled with other milk in the plant, his legal interest in such milk ceased or became merged with the primary interest of Von Allmen, who was directly subject to regulation under the order; that the

Continued-

Table 30.—Enforcement actions, and petitions and appeals of handlers, which arose in connection with the administration of Federal Order No. 46, Louisville, Ky., milk marketing area, 1940-51 —Continued

Reference and dates of action	The issue and action thereon
	act evidently contemplated the merger of the interest of a producer with that of a handler, because it provides only that the handler may utilize the administrative remedy to test the validity of an obligation. Furthermore, if the market administrator's action in not requiring the Von Allmen Dairy to pool the plaintiff's milk for a period of years were considered an interpretation of the order, such interpretation was unauthorized, neither binding on the Secretary nor an estoppel against the enforcement of the order. The motion to dismiss the complaint was granted on Aug. 1, 1949.

1/ Under the authority of Section 8a (6) and (7) of the Agricultural Marketing Act of 1937, as amended.

2/ Under the authority of Section 8c (15)(A) and (15)(B) of the Agricultural Marketing Act of 1937, as amended.

Compiled from dockets, annual reports of the market administrator, Agricultural Decisions, Federal Supplements, and from information obtained from the Office of the Solicitor.

Two 15(A) petitions were filed by handlers in 1948 and one in 1949. In each instance some aspect of classification was involved. The case of Boyd Gudgel v. L. S. Iverson brings out the fact that, in seeking relief, a handler must pursue the proper administration remedy provided by the act.

Funds in the Custody of the Market Administrator

The importance of the producer-settlement fund, the administrative services fund, and the marketing services fund may be quite apparent from the preceding section, since the court actions and the petitions of the handlers centered around the payment of disputed sums to one or more of these funds. Furthermore, the funds represent sizable aggregates of money.

In each Federal order market, the administrator serves as a "trustee", and is responsible to the Secretary for receipts and disbursements of monies comprising these funds. The first duty listed under the redrafted order of September 1951, for example, is that the market administrator execute and deliver to the Secretary a bond, effective as of the date on which he enters upon his duties and conditioned upon the faithful performance of such duties, in an amount and with surety satisfactory to the Secretary. Another of his duties is to obtain a bond in a reasonable amount and with reasonable surety covering each employee who handles funds entrusted to the market administrator.

The books and records of the administrators are audited periodically during each year by the Accounting Investigation Division, Office of Compliance and Investigation, Production and Marketing Administration. Most of the audits of the accounts pertaining to Order No. 46 have been made by auditors from the field office of the Accounting Investigation Division at Atlanta, Ga.

The Producer-Settlement Fund

Theoretically the monies paid into the producer-settlement fund by handlers, or paid out of the fund to handlers by the market administrator, balance each other. In practical operation, however, accounts receivable do not always balance accounts payable. Overdue accounts may arise because of a handler's inability to pay, or because he is protesting against being regulated or against some phase of administration, particularly some detail of classification as applied to his reported utilization of milk. Audit adjustments, office corrections, and provisions for the fall payment reserve also are part of the accounting for this fund.

From December 1949 through November 1950, total charges to handlers, under the producer-settlement fund, were approximately $288,000. This amount included a provision of $182,000 for the fall payment reserve. During the same period handlers were paid about $112,000 by the market administrator. The detail, by months, of these debits and credits, together with other adjustments, are shown in table 31. Balance sheets for the producer-settlement fund, on a cash basis, for December 31, 1949, and December 31, 1950, are shown in table 32.

Table 31.—Producer-Settlement Fund, Order No. 46, Louisville, Ky., analysis of reserve with monthly charges and credits to handlers in 1950 (cash basis)

			Amount
Balance as at December 31, 1949 (Per Audit)			$ 12,747.58
Add:			
Charges to Handlers:			
	December 1949	$ 5,230.55	
	January 1950	6,822.10	
	February 1950	9,473.95	
	March 1950	15,560.65	
	April 1950	59,421.45	
	May 1950	67,899.43	
	June 1950	58,910.28	
	July 1950	14,441.64	
	August 1950	14,173.37	
	September 1950	16,275.32	
	October 1950	14,608.94	
	November 1950	5,281.79	288,099.47
			$300,847.05
Less:			
Credits to Handlers:			
	December 1949	$ 5,369.12	
	January 1950	6,081.88	
	February 1950	11,355.55	
	March 1950	15,740.89	
	April 1950	1,544.16	
	May 1950	1,565.86	
	June 1950	1,604.17	
	July 1950	14,314.05	
	August 1950	15,945.68	
	September 1950	15,567.61	
	October 1950	17,315.99	
	November 1950	6,025.26	112,430.22
			$188,416.83
Deduct: Provisions for Fall Payment Plan			182,252.31
			$ 6,164.52
Add: Net Handler Audit Adjustments			6,337.93
			$ 12,502.45
Deduct: Net Office Corrections			889.95
Balance as at December 31, 1950			$ 11,612.50

Reports of Accounting Investigation Division, PMA.

Table 32.--Producer Settlement Fund, Order No. 46, Louisville, Ky., balance sheets as at December 31, 1949 and December 31, 1950 (cash basis)

Assets and liabilities	Balance sheet as at Dec. 31, 1949	Balance sheet as at Dec. 31, 1950
ASSETS		
Current		
Cash in bank	$ 8,495.87	$ 9,343.34
Other funds	--	--
Total cash	$ 8,495.87	$ 9,343.34
Accounts receivable:		
Handlers	$ 5,709.64	$ 4,757.21
Other	--	--
Total accounts receivable	$ 5,709.64	$ 4,757.21
Total Assets	$14,205.51	$14,100.55
LIABILITIES AND TRUSTEE ACCOUNTS		
Current		
Accounts payable:		
Handlers	$ 37.49	$ --
Other	--	--
Total accounts payable	$ 37.49	$ --
Trustee accounts		
Producer-settlement reserve	1/ $12,747.58	1/ $11,612.50
Reserve for Fall Payment Plan	1,420.44	2,488.05
Total Liabilities	$14,205.51	$14,100.55

1/ See table 31 for accounting detail in 1950 (cash basis).

Reports of Accounting Investigation Division, PMA.

In case of overdue accounts it is the market administrator's responsibility to make every effort to induce payment, but if he is not successful, it is his duty to report the facts of violation and to recommend action which may bring about payment of the accounts in question. As part of the producer-settlement fund, but under a separate record, the market administrator accounts for the receipts and payments with respect to the Louisville Fall Premium Plan.

The Administrative Services Fund

On or before the 15th day after the end of the month, each handler should pay his pro rata share of the expense of administration of the order. Since September 1949, handlers are assessed at the maximum rate of 2.5 cents (or a lesser amount) per hundredweight on receipts of milk from producers, including such handler's own farm production, and on other source milk classified for fluid use. Prior to September 1949, the maximum assessment rates was 2 cents per hundredweight.

From September 1, 1940, to July 1, 1943, the rate was only 1 cent per hundredweight or one-half the authorized maximum rate, yet during this period the annual income exceeded the annual expenses and therefore the operating balance became larger, year by year (table 33). It reached a peak of over \$20,000 by the end of 1944, and then the situation changed. Beginning with 1945 and through 1949, the income, at the maximum rate, failed to meet expenses by the amounts shown in the "Difference" column; by the close of the year 1949 the operating balance was less than \$5,000. Since the introduction of the 2 1/2 cent maximum rate on September 1, 1949, income has exceeded expense by a comfortable margin.

An irregular upward trend in income is shown for the period 1940 to 1949. Inasmuch as the assessment rate did not vary from the maximum of 2 cents for the five-year period beginning with the year 1944, the increase in income from \$34,500 to over \$40,000, during this period, was due to an increase in the total volume of milk of producers received by handlers and to a broadening of the basis for assessment (table 33, footnote 1). The increase in income to \$48,000 in 1949 was due to an increase in receipts (producer receipts were about 200 million pounds in 1948 and about 228 million pounds in 1949), to the broadening of the assessment base, and to the increase in the maximum rate to 2 1/2 cents per hundredweight on September 1, 1949. With the higher rate in effect for all of 1950 and with receipts of about 247 million pounds for the year the administrative income was more than \$60,000.

The upward trend in expenses which is indicated in table 33 may be ascribed to a number of factors. If all other factors were held constant an increase in administrative expense would be expected in Louisville, where the volume of receipts from producers increased from about 128 million pounds in 1940 to about 247 million pounds in 1950. The sharp nation-wide increases, during the period under review, in wage and salary levels, and in such cost items as rent, transportation, office equipment and supplies, is a matter of common knowledge. During part of the war

257955 O - 53 - 13

Table 33.--Administrative Services Fund: Income, expense, and difference, Order No. 46, Louisville, Ky., 1940-50

Year	Rate per hundredweight of milk 1/	Income	Expense	Difference
	Cents	Dollars	Dollars	Dollars
1940 2/	2 or 1 3/	16,741	8,845	7,896
1941	1	15,693	11,450	4,243
1942	1	16,744	15,634	1,110
1943	1 or 2 4/	24,138	21,968	2,170
1944	2	34,553	26,133	8,420
1945	2	27,194	31,249	-4,055
1946	2	37,500	38,076	- 576
1947	2	39,761	44,157	-4,396
1948	2	40,237	45,254	-5,017
1949	2 or 2 1/2 5/	48,020	51,447	-3,427
1950	2 1/2	61,785	46,435	15,350

1/ From April 1, 1940 to Oct. 1, 1947, handlers were assessed at indicated rates on receipts of producer milk (including own production); receipts of emergency milk were added by amendment of Oct. 1, 1947, and "other source milk" (which included emergency milk) which was used in Class I and Class II, was added by amendment of Sept. 1, 1949.
2/ Beginning on April 1, 1940; the date that Order No. 46 became effective.
3/ Reduced to 1 cent on September 1, 1940.
4/ Increased to maximum of 2 cents on July 1, 1943.
5/ Increased to new maximum of 2 1/2 cents on Sept. 1, 1949.

Reports of Accounting Investigation Division (with exception of data for 1940 which were taken from the Annual Report of the market administrator)

period the Louisville office operated on a 48-hour instead of a 40-hour week; but, because of the provisions of the "War Overtime Act" salary expenditures increased by more than a proportionate amount. As an essential part of regulatory procedure a thorough auditing program has been developed through the years for the Louisville market. Such a program, manned by an adequate staff of competent auditors, promotes equitable treatment both of producers and of handlers. The cost of the audit program is one of the important charges against the administrative services fund.

The Marketing Services Fund

With the sums collected through the marketing services assessment, the market administrator pays the expenses of providing producers who are not members of a cooperative with marketing services similar to those which are provided by a cooperative to its member-producers. Among the charges against the marketing service fund is the cost of preparing and publishing "The Courier."

Although the total number of producers delivering graded milk to the Louisville market has increased over the years (Appendix table 62), the number of producers who are not members of a cooperative has decreased. In 1941 there were an average of 250 nonmember producers; by 1950 the average had decreased to 127. The decrease in numbers, although offset to some extent by increases in quantities of milk delivered per nonmember producer, is reflected in an irregular downward trend both in income and expense during the years that the assessment rate was 4 cents per hundredweight (table 34). The rate was increased to 5 cents beginning with September 1949. In 1950 income and expense were in close balance.

Table 34.—Marketing Services Fund: Income, expense, and difference, Order No. 46, Louisville, Ky., 1940-50

Year	Rate per hundredweight of milk 1/	Income	Expense	Difference
	Cents	Dollars	Dollars	Dollars
1940 2/	4	8,177	5,365	2,812
1941	4	11,672	9,993	1,679
1942	4	12,666	11,673	993
1943	4	12,054	10,868	1,186
1944	4	10,515	8,960	1,555
1945	4	10,442	9,555	887
1946	4	6,839	10,478	-3,639
1947	4	5,972	7,153	-1,181
1948	4	5,816	6,767	- 951
1949	4 or 5 3/	6,573	7,502	- 929
1950	5	7,664	7,457	207

1/ Handlers deducted the indicated rates per hundredweight from payments to those producers who were not members of a qualified cooperative and paid the deductions to the market administrator. These funds were used to defray the costs of verifying weights, samples, and tests of milk received by handlers from such producers, and of providing such producers with market information.

2/ Beginning on April 1, 1940; the date that Order No. 46 became effective.

3/ Increased to new maximum of 5 cents on Sept. 1, 1949.

Reports of Accounting Investigation Division (with exception of data for 1940, which were taken from the Annual Report of the market administrator).

VII. THE LOUISVILLE FALL PREMIUM PLAN

Original and Amended Provisions

The Original Plan

This discussion deals with the reasons for the fall premium plan; the original provisions and their amendments; and a resume' of an analysis of market data reflecting seasonality of production in the Louisville market since 1944. A report covering the early years of the plan was published by the University of Kentucky in 1947 (16).

Gravity of seasonal problems. An important problem under consideration at the hearing in June 1943 was that of finding a way to bring the deliveries of milk by the producers into closer adjustment with the sales of the market. Richard L. Duncan, secretary of the Falls Cities Cooperative Milk Producers Association, testified that most of the increases in deliveries of milk since 1940 had been in the grass or flush months of the year, and that deliveries in the fall months were not large enough to meet the expanding demand. He did not agree with those who thought that the situation might be corrected by bringing in new producers. In his opinion, only one out of four new producers would help out the supply situation when the market was short of milk for fluid purposes. He pointed out that, despite the increase in demand, the surplus in April 1942 was larger than the surplus in 1940, but that in December 1942 receipts were only slightly higher than in December 1940 and were not large enough to cover the expanded Class I and Class II utilization (table 35).

Therefore, as an incentive to greater production during the shortage months, the Falls Cities Cooperative Milk Producers Association proposed the Louisville Fall Premium Plan. David Bell, a director of the association, was the author of the plan. Handlers, too, were concerned about the mounting fall shortage problem. Through their organization, "Milk for Health, Inc." they proposed a "quota rating" plan. Handlers, however, did not press their plan nor did they object to the proposal of the producers.

Discussion of association's proposal. As a trial procedure, the association proposed that 15 cents per hundredweight be deducted from the uniform price to producers for milk received during the months of April, May, and June. Handlers were to turn this money over to the market administrator to be kept in a producer-reserve fund for distribution the following September, October, and November. To determine the respective monthly fall payment rates, the cash balance in the fund was to be divided into three equal parts and these amounts were then to be divided, respectively, by the total hundredweights of milk received from producers in the designated fall months. The fall payments to producers were to be made by separate check, either by the market administrator or by a duly authorized agent of producers.

Table 35.--Difference between receipts of producer milk and Class I and Class II utilization of milk in the Louisville marketing area, April and December of 1940 and 1942

Month and year	Producer receipts	Class I and Class II utilization	Difference
	Million pounds	Million pounds	Million pounds
April:			
1940	11.6	6.8	4.8
1942	14.6	9.0	5.6
December:			
1940	10.3	7.9	2.4
1942	11.0	11.2	- .2 1/

1/ 508,000 pounds of emergency skim milk were allocated to Class I utilization in December 1942.

Compiled from reports of the market administrator.

Leaders of the association believed that the fall-premium plan would have these advantages over a base rating plan: Each producer would receive the same price per hundredweight of 4 percent milk as every other producer; fall payments would be made just when producers needed cash to buy feed for fall and winter production; it would not be necessary to keep an elaborate set of production records for every producer and to change these figures from year to year; the plan would be flexible in that the rate of deduction could easily be varied as appeared to be most expedient. 79/

Paul L. Miller, an economist of the Dairy and Poultry Branch, pointed out that the plan was a departure from customary pricing procedure in that class prices, that is, the cost of milk to handlers, would not be affected by the shift in the producer's price. The attorney for the producer association thought that leaving the class prices unaffected by the plan was one of its merits because the seasonal variation in the handler's cost of milk would not be increased and he would not be constantly up against the problem of pressure to reduce summer prices and the necessity for increasing them at other seasons of the year. B. A. Thomas, president of the association, commented that, if the spring deductions were made by the market administrator, each dealer would pay the amount he should pay each month under the class-price formulas; that the plan merely regulated the manner in which producers were to be paid, in order to get the milk at the proper time. 80/

79/ See pp. 68-69 of reference under footnote 44, p. 100.
80/ See pp. 71-85 of reference given under footnote 44, p. 100.

O. A. Jamison, an economist of the Dairy and Poultry Branch, inquired whether the payment of the fall premium by separate checks was a very important part of the proposal, pointing out that it would be much simpler were the market administrator to deduct 15 cents per hundredweight before he announced the uniform prices for April, May, and June, and to add the computed amounts for September, October, and November, before he announced the uniform prices for those months. Mr. Duncan conceded that the suggested method would be simpler, but he believed that separate checks, accompanied by an explanatory letter, would be very effective in convincing the producers of the merits of the plan. Mr. Jamison also asked whether there might be any adverse reaction during December, when there would be no extra payment. Mr. Thomas thought not because the members would be notified that there would be only three special payments, and the scarcity of milk usually had lessened by December.

The proposed plan did not include any provision either for producers who might start delivering milk to the market after the "take-off" period, or for producers who might discontinue delivering milk before the "pay-back" period. The association referred this problem to the Department for study and decision. 81/

Original provisions. Provisions for the plan were introduced under the amendment of August 1943. The proposed deduction rate of 15 cents per hundredweight was adopted but no provision was made for separate fall payments to producers. Instead, the spring deductions and the fall additions were made as part of the computation and announcement of the uniform prices. The fall additions were made for the months of September through December instead of September through November as the association had requested.

Amendments to the Plan

The first change. A year later, at the hearing in August 1944, the producer association repeated its request that the "pay-back" be limited to the three months of September, October, and November, and that the fall payments to producers be made by separate check, plainly identified as a "pay-back" check. Both Mr. Duncan and Mr. Thomas strongly advised the three-month payment basis. In fact, Mr. Thomas thought that it would be much more effective as an incentive to fall production to pay back relatively large sums—even in two months—than to distribute the accumulated funds in smaller amounts over a period of four months, as then specified in the order. 82/

Howard Feddersen, a marketing specialist of the Dairy and Poultry Branch, inquired whether the pay-back resulting from the 15-cent deduction was sufficiently high to bring about the desired shift in production, and whether—if the deductions were to be increased—it would be advisable to increase them by a large amount the first year or to spread the increase over a period of years. Mr. Duncan doubted that the 15-cent rate was

---

81/ See p. 67 of reference given under footnote 44, p. 100.
82/ See pp. 100-101 of reference under footnote 60, p. 118.

adequate and thought that—in view of the fact that there were quite a few new shippers and because about two years are required to change the freshening dates of a herd of cows—it probably would be more effective to increase the rate of the deduction gradually over a period of two or three years.

Under the amendment of December 1944, the rate of deduction for 1945 was increased to 20 cents a hundredweight; and the fall payments were to be made by separate check. The payments were to be made by the market administrator except that payments due any producer who had given authority to a cooperative association (which was qualified under the Capper-Volstead Act) to receive payment for his milk should be distributed to the cooperative association if it requested receipt of such payments. Since 1945 the Falls Cities Cooperative Milk Producers Association distributes the fall payments to its producer-members by a separate "PAY-BACK CHECK."

Second amendment provided for progressively higher spring deduction rates. By February 1946, when the next hearing convened, the fall premium plan had been in operation through two flush and two short seasons of production. The association could report little progress in the attempt to get less milk in the springtime and more milk in the fall, but they felt that the foundation for a promising program had been laid—provided that adequate rates were established, and that the association and the handlers intensified their educational and promotional efforts with respect to the plan. It was conceded that the experimental rates of the first two years had been too low and that the spreading of the fall payments over four months in the first year had not provided an adequate incentive for fall production.

The association presented two methods of altering the rate of deduction: either, (1) To establish a rate of 25 cents per hundredweight for 1946 and of 30 cents for 1947 and succeeding years, provided that—in any year following 1947 in which the daily average hundredweights of milk received for April, May, and June, of the preceding year exceeded 110 percent but was not in excess of 120 percent of the milk received in September, October, and November, of the same year—the rate was to be 35 cents, and if the percentage relationship was greater than 120 percent the rate was to be 40 cents; or, (2) to increase the rate to 35 cents in 1948 and 40 cents in 1949. The association preferred the latter plan because the Secretary could suspend higher rates whenever the existing rate appeared to be adequate.

Handlers wanted the job of distributing the fall payments. They felt that producers placed the responsibility for price on the agency that wrote the checks, and because handlers wrote the checks from which the take-off had been made, they wanted whatever credit could be gained by writing the checks for the fall payment.

An emergency amendment became effective on May 14, 1946. This prompt action was taken so that the higher rate of 25 cents per hundredweight for 1946 could be used in May and June of that year (the set-aside for the April 1946 "pool" was made at the old rate of 20 cents). Specified deduction rates for 1947 through 1949 were, respectively, 30, 35, and 40 cents per hundredweight. The 40-cent rate was to apply not only in 1949, but in years to follow.

The amendment did not change the provisions for the distribution of the fall payment checks. The decision stated, in part, that an educational program was essential to the effective operation of an even-production incentive plan and that one of the most effective means of apprising producers of the benefits which accrue to them was to pay the extra money to them separately. The proposal of the handlers would have resulted in the merging of the extra payments with regular milk payments. 83/

Suspension of 40-cent rate. At the hearing in March 1949, Mr. Duncan reported that producers had made little objection to the plan as long as the rate of deduction was from 15 to 25 cents, that some producers complained at the 30-cent rate, but that when the rate went to 35 cents in 1948, the subject was brought up at all gatherings and many producers registered their disapproval with the fieldmen. During these years the increases in the rate of deduction were more than offset by increases in the blended price to producers. In August 1948, however, because of lower prices of manufactured dairy products which entered into the pricing formulas, a downward movement in the blended price began. By March 1949 the blended price to producers had decreased to $4.05 per hundredweight; this was $1.12 less per hundredweight than producers had received in March 1948. When the 40-cent rate for 1949 was publicized, many producers protested vigorously and a number wanted to abandon the plan altogether.

The Falls Cities Association therefore requested that, in order to save the plan itself, a suspension order be issued whereby the rate of deduction for 1949 would be 30 instead of 40 cents. Effective April 1, 1949, the Secretary suspended the 35-and 40-cent rates, thus making the 30-cent rate effective in 1949.

Rate of deduction related to basic formula prices. The association proposed that after 1949 the rate of deduction should rise and fall with the blended price to producers. It was to be 20 cents when the blended price during April was $2.49 or less, and to be increased 5 cents with each 50-cent increase in the April blended price up to $4. If that price was $4 or higher, the rate was to be 40 cents per hundredweight. The association suggested that the rate be related to the blended price, because that was the price which producers understood and gave most attention to; therefore, less educational work would be necessary to get producer approval of the plan.

Byford W. Bain, a marketing specialist of the Dairy Branch, observed that it might be more practical to base the rate of deduction upon a formula price or some other factor which would be more representative of the trend of class prices and of general economic conditions. He pointed out that, under the proposed method, if the level of prices stayed very constant over a period of years, and for a given year the market experienced a tremendous increase in the production of milk in the spring months, the resulting

83/ 12 F. R. 6504.

decrease in the blend price would reduce the "take-off" rate just at a time when it would be desirable to discourage a trend toward greater seasonality; furthermore, under the proposed method, producers would not know the effective rate until about May 15. He thought there might be some method devised whereby the rate would vary with economic conditions but still be known to producers in advance of April, May, and June. When Mr. Duncan was questioned as to whether he thought that producers would rather preserve the plan and modify the rates than to use straight seasonal pricing to build up the fall supply, he replied that dairymen favored the fall production plan provided the rates were reduced. He also stated that, if a better method of varying the rate than the one proposed were devised, the association would certainly approve of it. 84/

Effective September 1, 1949, Section 946.7 (b)(3) of Order No. 46 was amended to read as follows:

> Subtract for each of the delivery periods of April, May, and June an amounted computed by multiplying the total hundredweight of milk received from producers, by handlers whose milk values are included under subparagraph (1) of this paragraph, by 8 percent of the announced basic formula prices, rounded to the nearest cent, for the 12 months of the previous calendar year.

Under these provisions the rate of deduction was related to the general level of milk prices (not to the blended price as was proposed by the association), and producers could be notified of the effective amount in advance of April, May, and June of any particular year. Under the amended provisions the rate of deduction for 1950 was 26 cents per hundredweight. This was 4 cents less than the rate which was effective (through the Secretary's suspension order) in the spring of 1949.

Latest provisions. At the hearing in December 1950 the Falls Cities Association proposed that the rate of deduction be determined by taking 10 percent (rather than 8 percent) of the average of the announced basic formula prices for the previous calendar year. Before any amendment was issued, however, another hearing was called in March 1951 at which time the Association modified its proposals with respect to the plan. It asked that for the 5-month period, April through August, the fall reserve fund be accumulated by deducting 20 cents per hundredweight, for each hundredweight of Class I milk of producers which entered into the computation of the uniform price. This proposal was related to another proposal in which the association requested that the Class I differential over the base price be $1.25 per hundredweight for all months of the year. It was believed that the proposed deduction of 20 cents for the 5 months of heavy production would stabilize the cost of Class I milk to the handlers and at the same time provide a seasonal price adjustment to producers. The producers requested that the money accumulated during the 5-month spring and summer period be distributed to producers in the established way during the 4 months of September through December. 85/

84/ See pp. 296-302 of reference under footnote 50, p. 105.
85/ See pp. 124-128 of reference under footnote 72, p. 147.

One of the handlers objected on the ground that, if 20 cents were to be taken away from producers in the summer months and added on in the fall, it would be better to use regular seasonal pricing; he also remarked that often there would be producers contributing to the fund who would be out of business before the fall distribution was made. 86/ It is evident that the producer would receive just as much money under the take-off and pay-back plan as under a seasonal pricing plan. The former plan has the advantage of avoiding spring decreases and fall increases in the retail prices of milk. Both the association and handlers felt that this feature is desirable. 87/

The Louisville Milk Dealers Association again proposed that the provisions which authorized fall payments to be made through a cooperative association be deleted from the order.

The emergency amendment of May 1951 provided that an amount equal to 12 percent of the average of the announced basic formula prices for the previous calendar year, multiplied by the total hundredweights of milk received from producers, be deducted from the blended price to producers for the months of April through July and that repayments be made in the months of September through December. Because no additional evidence had been submitted by the handlers on the proposal that the fall payments to producers be included in the regular payments made by handlers, their request in this matter was denied.

This review of changes in the provisions for the fall premium plan reveals that the most important problem has been to provide a rate of deduction which is acceptable to producers but is high enough to provide them with a strong incentive to even out production. As compared with earlier years, experience taught that a relatively high rate of deduction is necessary to accomplish the purposes of the plan.

Accumulation and Distribution of Fall Premium Fund

Data on the volume of spring and fall receipts from producers, the rates of deduction and of payment, and the amounts of money which were accumulated and distributed under the plan reflect the amendments with respect to the plan (table 36). From 1944 to 1948 the fund became progressively larger because both the volume of receipts and the rate of deduction increased each year. In 1949, despite the fact that the rate had been reduced from 35 to 30 cents per hundredweight, the total sum collected, because the receipts of milk were greater, was almost as large as the one for 1948. Although receipts again were heavy in 1950, with a rate of deduction of only 26 cents, the total fund was lower than in 1949. Under the amendment of May 1951, a rate of deduction of 39 cents was effective for May through July of 1951 and, for the first time, the fund exceeded $300,000. The issue of the "The Courier" for January 1952 carried the announcement that the "take-off" rate for April through July of 1952 would be 47 cents per

86/ Idem pp. 218-219.
87/ Idem p. 237.

Table 36.—Total receipts of milk from producers in the spring and the fall months affected by the Louisville Fall Premium Plan, monthly average spring rates of deduction and fall rates of payment, and total amounts of money deducted in the spring months and distributed in the fall months, 1944-52

Year	Reserve accumulation			Fall premium payment		
	Spring receipts 1/	Average rate of deduction	Amount 2/	Fall receipts 3/	Average rate of payment	Amount 2/
	Pounds	Cents per cwt.	Dollars	Pounds	Cents per cwt.	Dollars
1944	46,905,468	15.00	70,358	52,281,637	13.51	70,610
1945	53,808,882	20.00	107,618	38,061,993	28.28	107,637
1946	55,688,345	23.40	130,316	41,459,310	30.80	127,704
1947	58,006,107	30.00	174,018	43,125,563	39.94	172,233
1948	58,134,601	35.00	203,471	46,668,057	43.87	204,730
1949	67,077,951	30.00	201,234	51,406,625	39.18	201,394
1950	70,101,986	26.00	182,265	58,201,531	31.13	181,164
1951 4/	89,225,977	36.10	322,086	72,532,491	44.58	323,362
1952 4/	90,761,471	47.00	426,579	75,453,140	56.58	425,893

1/ From 1944 through 1950 the order provided that deductions be made in the months of April, May, and June; in 1951 the month of July was added to the deduction period.

2/ Difference between the reserve fund and premium payment represents the yearly accumulation of balances.

3/ In 1944 the order provided that payments be made in the months of September through December; from 1945 through 1950 in the months of September through November; and in 1951 and 1952 in the months of September through December.

4/ Subject to audit adjustments.

hundredweight (10). The fund accumulated in 1952, therefore, exceeded $425,000.

Under current provisions, as soon as the volume of receipts for July of any year are announced, the size of the fund to be distributed the following fall is known (subject to audit changes). Producers know that they will receive their pro rata share of this fund for each of the months of short supply in which they deliver milk to the market. The monthly fall payment rates, however, depend upon the total volume of receipts from producers, respectively, in September, October, November and December.

Each year the rate of payment was highest in the month of November—the low point of production for the Louisville market. The highest monthly payment rate occurred in November of 1952 when each producer received (by separate check) a premium payment of 59 cents per hundredweight on his daily deliveries during that month. The highest weighted average fall payment rate (56.58 cents) on record also occurred in 1952.

Fall receipts were approximately 83 percent of spring receipts in 1952. Under these circumstances, if the fall deliveries of an individual producer also equalled 83 percent of his spring deliveries his total spring deductions and fall payments would offset each other; if his fall deliveries were less than 83 percent of the quantity he had delivered during the spring months, his total deductions would have been larger than his total fall payments; and if that percentage were more than 83, his total fall payments would have been larger than his total spring deductions. If a producer is to benefit directly by the plan, therefore, the ratio of his fall to his spring deliveries must be higher than the ratio for the market as a whole. It is clear also that, regardless of whether the rate of deduction is small or large, the difference between the rate of deduction and the rate of payment becomes smaller as the seasonality of production is reduced.

Effects on Seasonality of Production 88/

Under the fall premium plan, producers delivering milk to handlers in the Louisville market area were paid a lower average price per hundredweight of milk containing 3.8 percent butterfat in April through June and a higher price in September through November than were producers delivering milk of the same butterfat content to handlers in Cincinnati and St. Louis--markets as much or more comparable to Louisville as any others having Federal orders. Consequently producers in the Louisville area had a stronger price incentive to reduce production in the spring and increase it in the fall, than had producers in the other two markets.

Pasture conditions (1944-51) showed considerable variation between areas. On the average, they were neither exceptionally favorable nor unfavorable to seasonal variation in the production of milk in the Louisville milkshed.

Prior to the adoption of the fall premium plan, the ratios of daily delivery per producer in the fall to delivery in the spring for the Louisville market usually were lower than those for St. Louis and higher than those for Cincinnati. The upward trend since 1945 in the Louisville ratios, however, has put this market in the leading position in recent years. Fall-spring ratios of daily market receipts indicate that handlers in Louisville experienced the most serious shortage problem in the fall of 1945, the closing year of World War II. The most favorable relationship existed in 1950 when market supplies of graded milk in the fall months were 84 percent of supplies in the spring months. Data on May and November deliveries of milk by individual producers indicate that, in 1950, a larger proportion of the producers were "fall producers" than was the case in 1945.

Seasonal indexes of daily market receipts for the periods 1940-43, 1944-47, and 1948-51, indicate that during the 1944-47 period, when the plan was getting under way, the amplitude of the seasonal index of receipts for Louisville was slightly wider than in the pre-plan years of 1940-43.

88/ This section is based on a more extended analysis of experiences under the Louisville Fall Premium Plan.

It takes time for a market to change its seasonal pattern of production. Furthermore, in 1946 and 1947, the August-November average milk feed ratios for the South Central States were lower than in any other year under the plan. In the 1948-51 period, however, some progress towards more even production is indicated for the Louisville area. This is in contrast to a widening of the average seasonal swing in the Cincinnati and in the St. Louis areas in that period. The trend to wider seasonality in the St. Louis area during the 1944-51 period, may be associated, to some extent, with the taking on of a large number of producers in a new area during that time.

The response of producers to the incentives of the fall premium plan has not been as strong as leaders in Louisville had hoped for when it was initiated in 1944. Nevertheless, in recent years the market has shown rather consistent progress toward lesser seasonality in production.

VIII.--ECONOMIC DEVELOPMENTS IN THE MARKET DURING THE PERIOD OF FEDERAL REGULATION

Important Technological Changes

The Trend Toward Increased Mechanization

Dairy farmers who produced graded milk for the Louisville market participated actively in the numerous changes of the last two decades which have resulted in greater timeliness and efficiency in farming methods and hence have increased the yields of crop and livestock products. During the 1939-1946 period, the scarcity and high cost of farm labor accelerated the nation wide trend toward increased mechanization, but even more mechanization probably would have taken place if there had not been a wartime scarcity of tractors and other machines. Some farming operations--such as large-scale wheat and corn growing--are more readily adapted to mechanization than the diversified corn-tobacco-livestock enterprises which occur on the relatively small farms of Kentucky. This is indicated in table 37 by the differences in the degree of mechanization in Indiana (classed as a Corn-Belt State) as compared with that of Kentucky; and by the fact that, except for stationary balers, percentages for Kentucky are lower than average percentages for the United States. Sharp increases in mechanization between 1939 and 1946 are indicated, however, for farms both in Kentucky and Indiana.

Progress on Farms Located in the Louisville Milkshed

Census data reveal post-war changes. With respect to farms located in the counties which comprise the supply area for the Louisville market, the Census of Agriculture, in general, shows fewer farms reporting in 1950 than in 1945 (table 38). The differences are largest in counties which have become more industrialized or urbanized. Differences in 1945, compared with 1950 in the definition of a "farm", however, affect the comparability of the data for the respective census years. 89/

89/ In 1945 no tract of land of less than 3 acres was reported as a farm unless its agricultural products in 1944 were valued at $250 or more. In 1950 any place having 3 or more acres on which the value of agricultural products produced in 1949 was $150 or more was counted as a farm. Likewise any place having less than 3 acres from which the value of agricultural products sold in 1949 amounted to $150 or more was counted as a farm. Since the index of prices received by farmers stood at 196 in 1944 and at 249 in 1949, one might expect a greater number of farms reporting in the latter year. This has happened in only a few of the outlying counties.

Table 37.-- Use of mechanized power for indicated farming operations, Indiana, Kentucky, and the United States, 1939 and 1946

Type of Operation	Indiana		Kentucky		United States	
	1939	1946 1/	1939	1946 1/	1939	1946 1/
	Percent	Percent	Percent	Percent	Percent	Percent
Land breaking	67	92	15	43	55	82
Disking	71	93	25	52	57	85
Harrowing	53	87	10	31	43	77
Drilling of seed	32	71	6	27	49	79
Planting of corn	9	53	1	5	13	41
Hay production						
Mowing	13	46	6	16	15	42
Raking	2/	43	2/	8	2/	30
Hauling	13	48	5	15	15	45
Stationary balers 3/	6.3	10.5	28.5	34.7	12.0	13.1
Pick-up balers	1.7	30.7	2.5	12.2	2.5	13.8

1/ Percents for haying operations are for 1944.
2/ Not available.
3/ Baled from windrow or shocks and from stacks or barns.

Compiled from FM-69 "Use of Tractor Power, Animal Power, and Hand Methods in Crop Production," July 1948, and from FM-57 "Harvesting the Hay Crop," April 1946 - U. S. Dept. of Agriculture, Bureau of Agricultural Economics.

Table 38.-- Some characteristics of farms located in the Louisville, Ky., milkshed, 1945 and 1950

State and County	Total farms reporting 1945	Total farms reporting 1950	Proportion of tenancy 1945	Proportion of tenancy 1950	Estimates of farms having Electricity 1/ 1945	Electricity 1/ 1950	Tractors 1/ 1945	Tractors 1/ 1950	Milking machines 1950 2/
	Number	Number	Pct.	Pct.	Number	Number	Number	Number	Number
Indiana									
Floyd	1,223	1,187	2.9	5.1	862	1,195	379	566	115
Washington	2,272	2,184	12.6	7.3	788	1,843	740	1,032	272
Clark	1,889	1,772	13.6	8.0	1,007	1,550	627	775	176
Harrison	2,575	2,504	15.4	6.7	1,154	2,207	748	1,287	170
Scott	981	913	12.9	6.5	476	786	324	441	50
Orange	1,838	1,811	11.2	9.4	694	1,465	419	744	141
Jefferson	1,878	1,914	23.1	14.3	687	1,651	557	926	106
Crawford	1,465	1,345	8.9	4.9	381	1,095	248	425	5
Jackson	2,238	2,109	15.8	11.6	1,190	1,790	887	1,140	185
Jennings	1,536	1,645	14.9	9.4	487	1,320	600	835	65
Lawrence	2,023	1,811	10.7	6.6	881	1,615	543	769	145
Perry	1,439	1,253	10.5	6.6	451	851	296	535	21
Ripley	2,346	2,257	18.4	9.7	1,066	2,010	881	1,306	185
Switzerland	1,247	1,283	21.2	18.2	469	865	242	460	60
Total	24,950	23,988	-	-	10,593	20,243	7,491	11,241	1,696
Kentucky									
Shelby	2,769	2,205	52.5	43.4	1,378	1,988	480	1,036	623
Jefferson	3,091	2,673	12.8	10.2	2,696	2,441	1,032	1,132	260
Oldham	951	769	25.8	24.1	596	700	267	380	198
Spencer	1,007	1,079	34.0	42.7	387	972	167	412	297
Henry	1,915	1,588	46.7	32.7	813	1,314	209	530	177
Bullitt	1,106	1,062	10.8	13.4	642	881	187	381	100
Nelson	2,087	1,987	28.2	23.0	810	1,583	345	706	173
Hardin	2,728	2,680	16.1	13.4	1,131	2,043	406	831	56
Trimble	1,235	943	43.6	33.2	269	765	175	305	50
Anderson	1,276	1,305	28.1	28.6	583	1,055	53	171	135
Franklin	1,704	1,359	39.4	27.3	780	1,149	115	294	35
Washington	1,955	2,145	29.7	31.9	584	1,566	132	341	95
Carroll	947	833	55.2	46.3	261	594	106	193	58
Marion	1,632	1,978	30.0	30.3	431	1,355	204	478	45
Breckenridge	2,247	2,338	9.3	23.2	377	1,130	331	780	30
Gallatin	704	559	41.6	36.9	220	475	52	115	50
Grayson	2,411	2,733	11.2	8.4	335	922	165	507	16
Larue	1,458	1,515	7.5	17.4	513	1,012	317	537	25
Meade	1,036	1,110	16.7	15.0	380	851	256	536	15
Mercer	1,969	1,934	34.0	31.3	839	1,656	164	430	87
Woodford	1,342	942	58.8	43.0	620	915	234	448	40
Total	35,570	33,737	-	-	14,645	25,367	5,397	10,543	2,565
Grand Total	60,520	57,725	-	-	25,238	45,610	12,888	21,784	4,261

1/ Sample data

2/ Not available for 1945. Sample data

Compiled from the Preliminary 1950 Census of Agriculture.

A rather large percentage of the farms, especially those located in the Kentucky counties, were operated by tenant farmers. But in almost all of the counties, the proportion of tenancy in 1950 was smaller than in 1945. The high incidence of tenancy and the fact that leases usually expire about the first of March accelerates the rate of "turnover" of producers under the order at that time of the year.

Stimulated by the program of the Rural Electrification Administration (established in May 1935), about 42 percent of the farms in the supply area had acquired electrical current by 1945. In the next 5 years many other farms were connected with power lines so that by 1950 about 80 percent of the farms reporting had electricity.

The proportion of farms in the milkshed having tractors increased from 21 to 38 percent during the indicated intercensal period.

Importance of electricity to the dairyman. The availability of electrical power was of immediate and paramount importance to the producers of graded milk. Before the expansion of electrical services in the supply area, the problem of cooling milk was indeed a difficult one, especially during the long and often dry summers. In that limestone area, well and cistern supplies of cold water often failed during the hot summers and producers had to obtain and use large quantities of ice. Even so, degrading of milk because of high temperature or souring was frequent. This problem was greatly reduced as farms obtained electrical service and so were able to cool and keep milk by mechanical refrigeration. Records of the Health Department indicate that the percentage of farms on which approved milk was refrigerated mechanically increased from about 11 percent in 1936 to 69 percent in 1940. In the summer of 1952, the Louisville Health Department estimated that between 90 and 95 percent of the producers used electrical refrigeration in cooling and keeping milk.

As electrical power became generally available many dairy farmers installed milking machines. The Bureau of Agriculture Economics estimated that in 1942 there were only 600 milking machines in the entire State of Kentucky. By 1950, however, more than 2,500 milking machines were reported on farms just in the Kentucky portion of the Louisville milkshed (table 38). It is estimated that about 90 percent of the producers under Order No. 46 were milking by machine in 1952.

General Changes in Dairy Farming

Improved Pasture and Herd Management

Dairy farmers in the supply area not only feed their cows on pasture from early spring until late fall, they also produce a substantial part of their own requirements of feed and hay. Improved pasture management, including the introduction of new forage crops, have helped to increase the yield of milk per cow. A new legume, lespedeza was introduced into the country early in the 19th century, but did not become an important forage crop until after World War I. One or more varieties of this "bush clover" came into extensive use in the Louisville milkshed during the license period. The market administrator reported that the introduction of lespedeza was of great benefit to the dairymen because the milkshed was not in the bluegrass section of Kentucky and natural pasture conditions seemed to be only fair.

Crop and pasture yields have been increased by greater use of fertilizer. The amount of commercial fertilizer which was used in Indiana and in Kentucky in the year beginning July 1949 was 368 and 459 percent, respectively, of the average amounts used in the 1935-39 period.

Herd improvement and the development of more efficient feeding practices have been of fundamental importance in increasing the average yield of milk per cow. The average production of milk per milk cow on farms in Indiana increased from 4,370 pounds in 1940 to 5,350 pounds in 1950; the corresponding change on farms in Kentucky was from 3,500 pounds to 4,040 pounds.

Smaller Number of Farms Produce Larger Volume of Milk

Fewer farms keep milk cows. From 1930 to 1935—when prices of most farm products were low but milk prices, although low, were relatively favorable—there was a general increase in the number of farms in the principal counties of the milkshed reporting on the number of cows milked the previous years (table 39). However, by 1940 the number of such farms was smaller in each of the specified counties than in 1935, and as of 1945 further decreases were most characteristic of both the Indiana and the Kentucky data. Despite some liberalization of the definition of a "farm" under the 1950 Census of Agriculture, about 10 percent fewer farms in the area reported on number of cows milked in 1950 than in 1945.

Change in average size and type of herds. Although the number of farms on which cows were kept decreased from 1940 to 1950, farmers who engaged in the dairy enterprise milked a larger number of cows in 1949 than in 1939, particularly farmers located in the Kentucky counties (table 40). From 1929 to 1939 the size of herds in the milkshed did not change much, but from 1939 to 1949 an average of 1 cow was added to herds in the Indiana counties and an average of 2 cows was added to those in the Kentucky counties (table 41). For each of the given census years, the largest average herds were kept on farms in Shelby, Oldham, and Spencer counties in Kentucky.

Herds kept by producers of graded milk usually are larger than the average for all farms. Based on a sample which included about 40 percent of all producers of graded milk in the area, Robert's study of the Louisville Fall-Premium Plan indicates that in June 1945 about 10 percent of the herd owners kept 10 cows or less than that number, that about 75 percent kept from 11 to 30 cows, and that 15 percent had 31 or more cows on their farms. A few farms in the latter group had herds

Table 39.—Farms reporting on the number of cows milked the previous year, by principal counties in the Louisville, Ky., supply area, 1930, 1935, 1940, 1945, 1950

State and county	Farms reporting				
	1930	1935	1940	1945	1950
	Number	Number	Number	Number	Number
Indiana					
Floyd	917	1,060	1,015	957	843
Washington	1,937	2,247	1,984	1,911	1,628
Clark	1,597	1,583	1,360	1,526	1,276
Harrison	2,234	2,508	2,198	2,141	1,949
Scott	744	949	790	798	603
Orange	1,520	1,873	1,628	1,460	1,326
Jefferson	1,878	1,989	1,729	1,558	1,367
Total	10,827	12,209	10,704	10,351	8,992
Kentucky					
Shelby	1,994	2,074	1,712	1,705	1,693
Jefferson	1,705	2,447	2,213	2,241	1,692
Oldham	648	749	665	688	610
Spencer	973	949	924	858	851
Henry	1,757	1,695	1,342	1,559	1,329
Bullitt	822	1,077	1,001	917	845
Nelson	1,673	1,673	1,651	1,524	1,597
Hardin	2,324	2,826	2,436	2,288	2,115
Trimble	953	1,043	899	856	753
Anderson	1,194	1,288	1,209	1,046	1,055
Franklin	1,226	1,180	1,072	1,240	999
Washington	1,801	1,843	1,770	1,701	1,697
Marion	1,524	1,667	1,652	1,359	1,430
Breckenridge	2,145	2,417	2,234	2,018	1,871
Total	20,739	22,928	20,780	20,000	18,537

Compiled from Census of Agriculture Reports, Bureau of the Census, Department of Commerce.

Table 40.--Cows milked during the year, all farms, by principal counties in the Louisville, Ky., supply area, 1929, 1934, 1939, 1944, 1949

State and county	Cows milked 1/				
	1929	1934	1939	1944	1949
	Number	Number	Number	Number	Number
Indiana					
Floyd	3,507	3,992	3,518	4,060	3,443
Washington	8,073	9,895	8,312	9,821	9,431
Clark	7,699	8,376	6,831	7,114	7,255
Harrison	7,506	10,208	7,738	8,557	8,249
Scott	2,089	3,011	2,326	2,831	2,438
Orange	6,204	7,962	5,847	6,205	5,684
Jefferson	6,793	8,260	6,947	7,043	6,931
Total	41,871	51,704	41,519	45,631	43,431
Kentucky					
Shelby	12,333	12,921	12,464	15,507	17,034
Jefferson	8,587	10,467	9,919	10,551	9,857
Oldham	4,451	4,660	4,623	5,866	6,101
Spencer	5,048	5,295	5,379	7,228	8,024
Henry	6,309	6,284	5,776	8,111	8,403
Bullitt	3,413	4,603	4,451	4,329	5,410
Nelson	6,611	6,646	6,439	7,325	10,211
Hardin	8,598	10,712	8,620	8,654	9,537
Trimble	2,924	3,474	2,958	3,925	3,696
Anderson	4,366	5,200	4,777	5,830	7,649
Franklin	4,297	4,017	3,416	3,649	4,503
Washington	5,475	5,525	5,702	7,527	10,373
Marion	4,775	5,565	5,026	5,961	6,417
Breckenridge	5,471	6,361	5,347	6,692	7,346
Total	82,658	91,730	84,897	101,155	114,561

1/ "Cows milked" refers to the number of cows milked during the year, not to the number kept mainly for milk production.

Compiled from Census of Agriculture Reports, Bureau of the Census, Department of Commerce.

Table 41.-- Average number of cows milked per farm, by principal counties in the Louisville, Ky., supply area, 1929, 1934, 1939, 1944, 1949

State and county	Cows milked per farm				
	1929	1934	1939	1944	1949
	Number	Number	Number	Number	Number
Indiana					
Floyd	3.8	3.8	3.5	4.2	4.1
Washington	4.2	4.4	4.2	5.1	5.8
Clark	4.8	5.3	5.0	4.7	5.7
Harrison	3.4	4.1	3.5	4.0	4.2
Scott	2.8	3.2	2.9	3.5	4.0
Orange	4.1	4.3	3.6	4.3	4.3
Jefferson	3.6	4.2	4.0	4.5	5.1
Average	3.9	4.2	3.9	4.4	4.8
Kentucky					
Shelby	6.2	6.2	7.3	9.1	10.1
Jefferson	5.0	4.3	4.5	4.7	5.8
Oldham	6.9	6.2	7.0	8.5	10.0
Spencer	5.2	5.6	5.8	8.4	9.4
Henry	3.6	3.7	4.3	5.2	6.3
Bullitt	4.2	4.3	4.4	4.7	6.4
Nelson	4.0	4.0	3.9	4.8	6.4
Hardin	3.7	3.8	3.5	3.8	4.5
Trimble	3.1	3.3	3.3	4.6	4.9
Anderson	3.7	4.0	4.0	5.6	7.3
Franklin	3.5	3.4	3.2	2.9	4.5
Washington	3.0	3.0	3.2	4.4	6.1
Marion	3.1	3.3	3.0	4.4	4.5
Breckenridge	2.6	2.6	2.4	3.3	3.9
Average	4.0	4.0	4.1	5.1	6.2

Computed from data in Census of Agriculture Reports, Bureau of the Census, Department of Commerce.

of 71 or more cows (16 P.13).

Mr. Duncan of the Falls Cities Association estimated that in 1949, the average herd kept by producers of graded milk included 23 to 25 cows, compared with about 21 cows in 1945. He believes that there has been some increase in the average size of herd since 1949. Estimates of the health officer were slightly lower but in general agreement as to trend.

The breed characteristics of these herds range from mixed herds of average production ability to high-grade herds, each of which consists usually of only one breed. For years Jersey cows led in numbers both on the Kentucky and on the Indiana farms. Local leaders say that in the early thirties Shelby County was known as the "Jersey Island of America". In more recent years many producers have acquired Holsteins so that this breed now leads in the Kentucky counties; Guernsey and Jersey follow in importance. Jersey cows lead in the Indiana counties, followed by Holstein and Guernsey. The change in the breed characteristics of the herds is reflected in a downward trend in the average butterfat content of milk received from producers (appendix table 64).

Volume of milk sold. The increase in size of herd and in production per cow have brought increases in total milk production. Total production of milk in the principal counties of the Louisville supply area increased from 446 million pounds in 1934 to 577 million pounds in 1944. The 1950 Census of Agriculture did not get comparable data by counties, but more farms reported the sale of milk in the form of whole milk in 1949 than in 1944, and total sales of whole milk increased about 44 million pounds in the 5-year period (table 42). The volume of whole milk sold from farms in Shelby County was decidedly larger than for any of the other counties. Jefferson County, ranked second, although herds in that county were only average in size. Both the earlier Census of Agriculture reports and "Kentucky Agricultural Statistics, 1948" (11) indicated that Jefferson County consistently ranked first in milk production per cow.

Fewer farms in the supply area reported the sale of cream in 1949 than in 1944. Butterfat in cream sold totaled 3,934,000 pounds in 1949 compared with 4,488,000 pounds in 1944. Assuming a butterfat contnet of 4 percent, the milk equivalents of sales of cream in 1949 and 1944 were, respectively, 98,350,000 and 112,200,000 pounds. Combined sales of whole milk and cream, therefore, represented approximately 475 million pounds of milk in 1949 as compared with 445 million pounds in 1944, indicating that despite the reduction in the number of farms on which cows were milked, more milk was produced in the area in 1949 than in 1944.

Table 42.-- Farms reporting sale of whole milk and volume of whole milk sold, by principal counties in the Louisville, Ky., supply area, 1944 and 1949.

State and county	Farms reporting 1944	Farms reporting 1949	Whole milk sold 1944	Whole milk sold 1949
	Number	Number	Pounds	Pounds
Indiana				
Floyd	199	208	7,991,163	9,114,894
Washington	939	901	29,657,977	28,663,135
Clark	406	508	15,456,410	22,306,961
Harrison	429	472	12,383,811	15,101,558
Scott	167	227	3,559,540	4,652,218
Orange	486	510	14,835,292	13,962,620
Jefferson	889	970	19,014,488	21,730,586
Total	3,515	3,796	102,898,681	115,531,972
Kentucky				
Shelby	851	1,004	61,953,076	66,653,198
Jefferson	401	427	34,833,311	35,236,670
Oldham	234	281	22,144,673	26,346,339
Spencer	525	532	22,887,085	28,057,822
Henry	440	481	14,392,865	18,316,240
Bullitt	161	182	8,683,902	10,769,764
Nelson	336	369	10,564,773	15,049,578
Hardin	236	283	6,141,630	6,669,443
Trimble	490	226	5,955,913	5,161,842
Anderson	754	867	19,934,477	19,680,240
Franklin	159	225	4,450,706	5,819,631
Washington	779	1,048	11,841,409	18,495,360
Marion	304	174	4,186,093	3,751,277
Breckenridge	282	79	2,448,042	1,198,079
Total	5,952	6,178	230,417,955	261,205,483
Grand Total	9,467	9,974	333,316,636	376,737,455

Compiled from data in preliminary 1950 Census of Agriculture Reports.

The Graded Supply

Meeting Growing Requirements for Fluid Milk

Through the years, part of the growing requirements for fluid milk in the Louisville market has been met by increasing the production of graded milk within the existing boundaries of the supply area. This was done: (1) By increasing the average size of herds and the quantity of milk produced per cow on farms already approved by the proper health authorities; (2) by inducing additional farmers within the area to become producers of graded milk. The potentialities of expansion by the latter method are indicated in table 43. The 28,000 farmers who reported on number of cows milked in 1949 included farmers who: (1) Kept only one or two cows to supply milk for family use; (2) maintained small herds and sold some milk or cream to supplement other income; or (3) depended upon dairying as a major source of farm income. In the latter group were dairymen who individually sold large quantities of milk to manufacturing plants, and also those "producers" who delivered graded milk "under a dairy farm inspection permit issued by the appropriate health authority in the Louisville marketing area."

In Oldham County more than 30 percent of the farms derived enough income from milk in 1949 to be classified as "dairy farms" under the Census. Relatively large numbers of dairy farms also were located in Shelby and Spencer Counties, Ky., and in Washington and Clark Counties, Ind. Essentially all of the "dairy" farmers in Jefferson, Oldham, Spencer, Henry, and Nelson Counties were producers under Order No. 46. (Differences in definition and in timing probably account for the "overage" of producers in a few counties.) In the rest of the counties, many of the "dairy" farmers apparently sold milk to outlets other than the Louisville milk market. These dairymen constitute the most likely source of new producers for the Louisville market.

During the war years the growth in number of producers took place largely within the boundaries of the established milkshed. Since 1945 the number of graded producers in some of the older counties has continued to increase but the supply area also has expanded into new and more remote territory (table 44). Expansion into the borders of the Cincinnati--Covington supply area began in 1948 when the health authorities approved a receiving station at Carrollton, Ky. Milk collected at that station was used by one large handler in Louisville during the shortage months. At other seasons the graded milk delivered to that receiving station was transferred to a manufacturing plant. This "standby" supply reduced the need for emergency milk in the fall and winter months, but increased the volume of surplus milk during the remainder of the year. The decline in the number of producers in 1951 resulted largely from the withdrawal of about 50 graded producers delivering milk to the receiving station at Carrollton. In 1951 graded milk received at this station was delivered to handlers in the Covington-Newport market.

Table 43.-- Classification of farms on which milk was produced in 1949, by principal counties in the Louisville, Ky., supply area

State and county	Number of farms: Reporting on number of cows milked	Number of farms: Classified as "dairy" farms 1/	Number of "producers" 2/
Indiana			
Floyd	843	153	77
Washington	1,628	354	113
Clark	1,276	270	146
Harrison	1,949	252	76
Scott	603	63	22
Orange	1,326	181	31
Jefferson	1,367	181	22
Total	8,992	1,454	487
Kentucky			
Shelby	1,693	474	362
Jefferson	1,692	302	333
Oldham	610	191	186
Spencer	851	217	190
Henry	1,329	147	158
Bullitt	845	151	80
Nelson	1,597	117	102
Hardin	2,115	94	37
Trimble	753	48	10
Anderson	1,055	245	27
Franklin	999	20	4
Washington	1,697	154	12
Carroll	613	43	16
Marion	1,430	32	7
Breckenridge	1,871	20	5
Total	19,150	2,255	1,529
Grand Total	28,142	3,709	2,050 3/

1/ For the 1950 Census of Agriculture, a farm for which the value of sales of dairy products represented less than 50 percent of the total value of farm products sold was classified as a "dairy" farm if it met these conditions: (1) Milk and other dairy products accounted for 30 percent or more of the total value of products, (2) milk cows represented 50 percent or more of all cows, (3) sales of dairy products together with the sale of cattle amounted to 50 percent or more of the total sales.

For the 1945 Census of Agriculture the criterion was: If the value of products sold from one source of income was more than 50 percent of the total value of all farm products sold, then the farm was classified as the type corresponding to that source of income. The 1945 and 1950 census data on number of dairy farms, therefore, are not comparable.

2/ Number of producers delivering milk to handlers under Order No. 46 in December 1949.

3/ Includes 15 Indiana and 19 Kentucky producers grouped under "Other counties".

Compiled from the 1950 Census of Agriculture and from the 1949 annual report of the Market Administrator.

Table 44.-- Number of producers delivering milk to handlers pooling milk in December, by counties, Louisville, Ky., marketing area, 1940, 1945, and 1949-51

State and county	December of 1940	1945	1949	1950	1951
Indiana	Number	Number	Number	Number	Number
Floyd	87	99	77	71	64
Washington	94	87	113	121	116
Clark	90	74	146	162	145
Harrison	28	34	76	106	110
Scott	2	15	22	21	28
Orange		9	31	7	5
Jefferson			22	32	31
Crawford				2	3
Jackson				7	5
Jennings				4	3
Lawrence				5	2
Perry				2	-
Ripley				2	1
Switzerland				9	4
Ohio					1
Other		1	15	-	-
Total	301	319	502	551	518
Kentucky					
Shelby	345	385	362	417	379
Jefferson	303	310	333	281	254
Oldham	149	169	186	210	185
Spencer	125	147	190	212	213
Henry	76	101	158	152	123
Bullitt	79	72	80	96	98
Nelson	55	68	102	89	93
Hardin	72	41	37	31	35
Trimble	4	11	10	21	17
Anderson	7	8	27	26	24
Franklin		2	4	3	6
Washington			12	12	18
Carroll			16	19	-
Marion			7	10	9
Breckenridge			5	16	15
Gallatin				1	-
Grayson				3	3
Larue				3	2
Meade				8	7
Mercer				3	5
Woodford				1	4
Barren					12
Boyle					1
Edmondson					1
Hart					3
Metcalfe					1
Other	2	6	19	-	-
Total	1217	1320	1548	1614	1508
Grand Total	1518	1639	2050	2165	2026

Compiled from annual reports of the market administrator.

The increase in the proportion of milk sold as whole milk rather than as separated cream, and the trend toward larger herds in the milkshed and toward higher quality requirements for milk used for manufactured products, lessen the differences between the types of operations conducted by graded and by ungraded producers; consequently, a shift from the production of manufacturing milk to the production of milk which meets the requirements of the Louisville, New Albany, or Jeffersonville health ordinances can be made more readily now than in earlier years.

As the closer-in areas tend to become saturated with producers, and better roads and faster transportation of milk to market become available, handlers reach out farther for their supplies. The producers in Barren County, Ky., for example, are more than 100 miles distant from Louisville. With the expansion of the Louisville milkshed into the borders of other supply areas (Cincinnati-Covington, in particular) competition with other markets for supplies has become a reality. Price relationships between Louisville and Cincinnati, therefore, have become important considerations in recent years. In 1950-51, the milkshed expanded mostly to the north in Indiana and to the south in Kentucky (table 44 and Figure 2).

Milk Included in the Market Pool

Volume pooled under the order. In 1941 handlers in the Louisville market area received and accounted for about 153 million pounds of milk from producers. With the exception of a minor break in 1943, annual receipts increased by varying amounts, reaching a peak of 247 million pounds in 1950 (table 45). The following year milk was received from a smaller number of producers and receipts shrank for the first time since 1943. Nevertheless, receipts in 1951 remained at a high level compared with the early years of regulation.

The fact that the number of handlers averaged only 28 in 1950, compared with 31 in 1941 indicates that the average volume of graded milk received per handler increased greatly within the last decade.

Not all approved milk is pooled. During all the years of regulation some graded milk was not included in the market pool and therefore did not directly affect the blended price to producers. Under License No. 60, for example, a producer-distributor received an exemption for a maximum of 250 pounds of his average daily sales. For most of the order period, only surplus milk of producer-handlers, delivered to handlers, was included in the pool; in recent years these deliveries are not pooled but, by definition, are included under "other source milk". Handlers' own production was not pooled prior to October 1946.

In contrast to the license period, the amount of milk which has been lost to the pool under the order because of noncompliance of handlers is negligible.

Table 45.— Estimated graded supply, pooled and not pooled, and percentage of graded milk pooled, Louisville, Ky., market area, 1941-51 1/

Year	Milk included in the pool 2/	Milk not pooled: From own farms of handlers	Milk not pooled: Producer-handler 4/	Estimated total graded supply	Percentage of graded milk pooled
	Million pounds	Million pounds	Million pounds	Million pounds	Percent
1941	152.8	2.2	1.3	156.3	97.8
1942	160.1	2.3	1.3	163.7	97.8
1943	157.0	2.4	3.5	162.9	96.4
1944	164.6	1.9	3.9	170.4	96.6
1945	177.9	2.1	4.1	184.1	96.6
1946	186.5	3/ 1.4	3.7	191.6	97.3
1947	195.0		2.6	197.6	98.7
1948	200.5		2.3	202.8	98.9
1949	227.9		2.0	229.9	99.1
1950	247.4		1.9	249.3	99.2
1951	236.3		1.7	238.0	99.3

1/ Monthly data are shown in appendix table 66.
2/ Handlers' receipts from producers. Audited data except for 1951.
3/ Since the amendment of October 1946, receipts from handlers' own farms have been included in the pool.
4/ These estimates of production are based on information supplied by the health authorities and by the market administrator, except that under War Food Order No. 79-38 the larger producer-handlers in the "Louisville milk sales area" were required (1943-46) to report their production and sales.

The number of producer-handlers and, consequently, the estimates of their aggregate production, changed not only as persons entered or left the business, but also as the boundaries of the marketing area changed under Order No. 46 (pp. 162—63).

Compiled from reports of the market administrator and from information supplied by the health authorities.

Estimates of Total Graded Milk

The total supply of graded milk in the area was made up largely of the volume of graded milk received by handlers and of milk which they produced on their own farms, but it also included the aggregate production of producer-handlers who operated within the boundaries of the market area (table 45). From 1941 to 1946 handlers contributed to the market supply an average of about 2 million pounds of graded milk from their own farms. Since 1946 milk produced on farms of handlers has been included in the market pool as receipts from producers.

Graded milk which is produced and distributed from farms of producer-handlers is not covered by the pooling provisions of Order No. 46. Available information indicates that, in absolute and in percentage terms, the volume of milk involved is relatively small and decreasing in importance in recent years (table 45). In the post-war period about 99 percent of the estimated total supply of graded milk was received by handlers and therefore included in the market pool, and approximately 1 percent of the total represented graded milk produced and sold by producer-handlers.

In 1944 the Louisville fluid market attracted 51 percent of the volume of whole milk reported sold that year from farms in the principal counties of the supply area (table 42); in 1949 the comparable figure was 61 percent.

Total Volume of Milk Reported by Handlers

The total volume of milk reported by handlers--that is, the "market supply"--includes three types of milk: regular graded milk (pooled and not pooled), emergency milk, and other source milk (table 46). With the exception of the small volume produced by producer-handlers, the "total supply" is the milk which is accounted for by handlers under the order. Having been affected by changes in the provisions of the order, the statistics of total receipts do not form a homogeneous series, particularly with respect to "other source milk". The data for regular graded milk--by far the most important of the three types, both in point of volume and with respect to regulation--is most consistent (there has been no change in the market area since December 1944) and, of course, best reflects the expansion of fluid milk marketing in the area.

Emergency Supplies

Because of seasonal fluctuations in production, changes in demand, and some unusual weather conditions--some imports of emergency milk have been required in the Louisville market in all but a few years of the 1934-51 period.

Table 46.-- Estimated total market supply: Estimated graded supply and receipts of emergency and other source milk, Louisville, Ky., market area, 1942-51 1/

Year	Estimated graded supply 2/	Receipts of: Emergency milk	Receipts of: Other source milk 4/	Estimated Total market supply 5/
	Million pounds	Million pounds	Million pounds	Million pounds
1942	163.8	2.2	26.7	192.7
1943	162.9	5.4	14.4	182.7
1944	170.4	3.9	71.3	245.6
1945	184.1	9.8	91.4	285.3
1946	191.6	7.4	26.3	225.3
1947	197.5	5.1	4.2	206.8
1948	202.8	4.1	5.0	211.9
1949	229.9	3/	7.1	237.0
1950	249.3	3/	3.4	252.7
1951	237.9	3/	13.9	251.8

1/ Monthly data are shown in appendix table 66.

2/ Includes receipts from producers and estimates of production of producer-handlers.

3/ Included under other source milk.

4/ Prior to September 1951 "other source milk" included ungraded receipts of handlers who did not have transfer records and, therefore, accounted for their graded plant and manufacturing plant operations together on a single plant basis. Under the amendment of September 1951, all handlers (those with dual, as well as those with single, city, or country plants) are required to report on ungraded receipts in any month in which they have used producer milk in manufactured products. For practical purposes, all ungraded milk received by handlers now is included under other source milk. Figures through 1949 are audited; 1950 and 1951 unaudited.

5/ Total of receipts from all sources reported by handlers under the provisions of Order No. 46, and estimates of production of producer-handlers.

Compiled from reports of the market administrator and from information supplied by the health authorities.

During the drought period of 1935-36 the equivalent of about 400,000 pounds of milk was brought in from Memphis, Tenn., in the form of 40-percent cream; during the flood period in 1937, a total of about 100,000 pounds of milk were sent down from Chicago; from July 1937 through March 1940, supplies were transferred from Indiana when slight shortages developed for milk for Class I use; in 1940 about 65,000 pounds of skim milk was brought in from Wisconsin to standardize bottled milk, and in the fall of 1941 some 250,000 pounds of emergency milk was brought in from the same State. It is clear that, prior to 1942, the importation of milk by handlers under special permits of the health authorities to supplement local supplies of graded milk, was a minor problem.

Under the sharply increased wartime demand for both fluid and manufacturing milk, shortages developed in all parts of the country and out-of-area sources of emergency supplies disappeared. From 1942 through 1947, therefore, under standards issued by the health authorities, "survey-controlled" ungraded milk, also known as "Type III milk", was used to meet the relatively large emergency requirements (table 46). In 1948 the Health Department issued permits for the receipt and use as fluid milk of graded whole milk and cream from markets in Indiana and Wisconsin; emergency supplies of "ungraded skim" were limited to use in buttermilk.

Since the amendment of October 1948 handlers report that they have received milk under special permits from the health authorities, as part of the general category of "other source" milk. However, the market administrator reported that, in 1949, permits were granted to handlers for the receipt from markets in Indiana of about 800,000 pounds of Grade A whole milk and 1,000,000 pounds of Grade A skim milk. In addition, handlers were permitted to use a limited amount of Type III skim milk in buttermilk, and about 21,000 pounds of cream was imported for use in ice cream mix.

In 1950 about 62,000 pounds of graded whole milk was received from Bluffton, Ind., for use in Class I milk products, a limited amount of Type III milk was permitted to be used in buttermilk, and some cream was brought in for use in ice cream mix. During January, February, November, and December of 1951, a total volume of 630,368 pounds of approved emergency milk was received from Bluffton, Ind., and Shawano, Wis. The decrease in the last few years in the volume of emergency milk which was imported for fluid requirements indicates that producers have delivered enough milk, even in the shortage months, to meet almost all the needs of the market.

Supplies from other sources

"Other source" milk originates in several ways. For example, receipts from producers who have been degraded by the health department fall in this category. An important item in some single plants is the receipts of ungraded milk for use in milk products, such as cottage cheese and ice cream mix, which are not required to be processed from graded milk. In recent years, of course, receipts of emergency milk and of surplus milk from producer-handlers also are included in other source milk. Since September 1951, all manufacturing milk received at a plant, whether or not the graded and ungraded portions of the plant are separate, is other source milk if during a month any graded milk has been transferred to the ungraded portion of the plant. In effect, this provision results in the inclusion of all manufacturing milk received by handlers. The sharp increase in 1951 in the volume of other source milk is largely the result of including all of the ungraded receipts, both in Louisville and Indiana plants, in this category for the months of September through December.

Cooperatives in a Regulated Market

Changes in Number and in Functions

During part of the license period, graded milk was marketed through three producer organizations. One of them, the Independent Milk Producers' Association, also participated in the first producer referendum with respect to Order No. 46 but apparently, through lack of member interest and of adequate organization, never fully met the qualifications for a cooperative. In later referenda, the members of this group voted as individuals and, during the war years, the organization was gradually disbanded. Another cooperative, a milk-distributing subsidiary of the Cooperative Pure Milk Association of Cincinnati, was sold in 1939 to one of the large handlers in Louisville (p. 7). For practically the entire order period, therefore, the Falls Cities Cooperative Milk Producers' Association has been the only active producer organization in the Louisville area.

In the initial stages of Federal regulation there was apprehension among the producers lest this new factor in the marketing process should narrow the field of cooperative endeavor and thus weaken the position of their organization. Yet experience had taught that, without the cohesion brought about through marketwide regulation or other means, the bargaining efforts of the cooperative often were rendered ineffective by conflicting pricing arrangements in some other segment of the market. The difficulties which grew out of the lack of a marketwide pricing mechanism were stressed by members of the Falls Cities Association at the promulgation hearings which preceded the adoption both of License No. 60 and of Order No. 46.

Throughout its history one of the important purposes of this cooperative (and of most other collective bargaining associations) has been, and is, to bargain for the sale of graded milk to handlers under a price structure which (over time and recognizing prevailing supply and demand conditions) will give satisfactory returns to producer-members.

For three years preceding regulation under the license, the cooperative bargained directly with Louisville handlers in establishing the terms of sale of producer milk. Under a classified-use plan, each dealer who bought milk through the cooperative agreed to abide by the negotiated class prices and to report monthly to the association the amount of milk sold for different uses. A "pool" was computed each month whereby all producer-members received the same price for milk of like quality and butterfat content. The cooperative engaged a firm of certified public accountants to compute the pool and to calculate the price paid to producer-members. The accounting firm also verified and audited each handler's reports and operated the equalization account through which the credits and debits of the various dealers were balanced. It is obvious that prior to Federal regulation the Falls Cities Association performed several functions which are now the responsibility of the market administrator.

Because authority to amend licenses was not included in the amendment of 1935 to the Agricultural Adjustment Act, the specified minimum Class I and Class II prices fixed under the license were not representative of supply and demand conditions. Hence, higher than minimum prices were negotiated by the Falls Cities Association and cooperating handlers (figure 1); but producers and handlers who failed to recognize the license did their bargaining independently. The records indicate that, during the license period, the direct bargaining activities of the cooperative probably were equally as important as in the preregulation years.

As early as July 1937, the association was the leading proponent of a proposed marketing agreement and order to replace License No. 60. Strong minority opposition to a base-surplus and class-use pricing plan, however, showed that the time was not yet ripe for the adoption of a new marketing agreement and order. The association continued to work for market unity under Federal regulation. A new proposed agreement and order was prepared and the Secretary was requested to call another hearing. These efforts finally culminated in the adoption of Order No. 46. From previous discussions it is clear that, at any hearing (and there have been many), it is the responsibility of the cooperative to explain and defend its proposals with respect to the sale of milk to handlers and to protect the interests of members with respect to other proposals.

As a rule, the minimum prices under Order No. 46 have been the basis for determining the blended price to producers. Twice, however, the Falls Cities Association has bargained successfully with the handlers for higher than minimum prices. The first instance was an agreement whereby, for the months of December 1941 through May 1942, the handlers paid certain premiums for Class I and Class II milk (table 47). During that period of sharply increased costs of production an amendment to the order was under consideration. The second instance occurred in March 1952 when the association negotiated successfully with individual handlers for a premium of 61.8 cents per hundredweight on Class I milk, bringing the total Class I price to $5.988 per hundredweight. This price was the same

Table 47.— Premiums over Order minimum class prices paid by handlers in the Louisville, Ky., marketing area, per hundredweight of milk, December 1941 - May 1942 1/

Year and month	Class I		Class II	Effect in increasing blended price to producers
	In area	Outside 2/		
	Dollars	Dollars	Dollars	Dollars
1941:				
Dec.	0.33	0.308	0.40	0.26
1942:				
Jan.	.29	.269	.40	.22
Feb.	.33	.305	.40	.24
Mar.	.33	.303	.40	.24
Apr.	.21	.193	.40	.15
May	.135	.127	.40	.11

1/ Premiums established by agreement between handlers and the Falls Cities Cooperative. Included in the class prices and the blended prices shown in appendix table 70.
2/ Average premium on milk sold outside the marketing area.

as the Class I price for December 1951, which had been the base under the Office of Price Stabilization, which corresponded to the prevailing retail price of 25 cents per quart. No premiums were paid by handlers in April 1952 but the retail price was reduced 1 cent per quart. The bargaining efforts of the association with respect to milk delivered in March 1952 resulted in a premium of 48 cents to producers over the announced blended price of $5.06 per hundredweight.

No premiums were negotiated in the Louisville supply area after dairy production payments were discontinued in June 1946, contrary to experience in many other markets at that time. The increase in the price of butter during the OPA decontrol period resulted in an increase in the butter-powder formula price under Order No. 46, offsetting the dairy production payments.

In general then, under the Federal order, the Falls Cities Association--instead of bargaining directly with handlers--protected and advanced the interests of its members by formulating, proposing, explaining, defending, presenting evidence, and voting for (through producer referenda) order provisions which tended to promote an adequate supply of milk and yield equitable returns to producers. In addition, if conditions warrant, the cooperative stands ready to bargain for higher than minimum prices. But the important responsibility of deciding upon the minimum price plan and administering it was delegated to the Secretary of Agriculture. The cooperative, therefore, is able to put greater emphasis on service activities.

Service and Other Activities

Both in the preregulation period and under License No. 60 and Order No. 46, the service activities of the Falls Cities Milk Producers' Association, such as butterfat testing, bacteriological services to combat disease in the herds, the manufacture of liquid disinfectant, and the varied services rendered by a staff of trained fieldmen in assisting members with their individual problems of production, transportation, and marketing have grown.

The association has actively promoted the formation of the Kentucky Artificial Breeding Association, because it believes that artificial insemination offers one of the most economical means of improving the strains of dairy cattle and is the best available means of encouraging fall freshening of cows. Artificial breeding service has been available in the supply area since September 1946.

Both the Falls Cities Association and the dealer organizations support and promote the work with consumers carried on by the Central Dairy Council. The Council is controlled by an equal number of producer and distributor directors who employ workers to contact schools, clubs, and other consumer groups to stress the value of milk as a food and as a health builder.

The Falls Cities Association is an active member of the National Milk Producers Federation. It also cooperates with the American Dairy Association, an agency advertising milk and dairy products on a national sale. This work is financed by a special deduction from each milk and cream shipper's check during June.

Both the association and the handlers are interested in the reliable, efficient, and economical assembly and transportation of milk to the Louisville market. Since the producer pays for these marketing services, the association for many years has endeavored to minimize transportation costs by entering into reasonable contracts with commercial haulers and by reducing the overlapping of truck routes. Any progress in reducing the seasonal variation of production also tends to reduce per unit costs of transportation, because fewer trucks with larger average loads can handle the volume throughout the year. Because some producers prefer to deal with certain handlers and, conversely, because some handlers prefer to receive milk from certain producers, the duplication of deliveries to city plants is common.

On the whole, the present-day methods of assembling and transporting milk to the Louisville market do not differ greatly from methods followed in the prewar period. Although there is interest in the development, bulk storage of milk on farms and tank truck collections have not been introduced into the area. Through the years, more than 90 percent of the volume has been transported by commercial haulers, and less than 5 percent, by farmers themselves and by handlers, respectively.

Increase in Membership and in Volume of Milk Delivered

Irrespective of Federal regulation, the association probably would have enjoyed a healthy growth in membership concomitant with the growth of population in the Louisville marketing area. Whether such growth would have been greater or less if the market had remained unregulated, is a matter of conjecture.

The relative importance of the association in the market is indicated, in table 48, for the first full year of the license (1935), and of the order (1941), and for 1947 to 1951 inclusive. In 1935 an average of only 33 producers other than the members of the cooperative delivered milk to handlers who were complying with the terms of License No. 60. Data are not available on milk delivered to handlers who refused to recognize the license; however, the pool consisted largely of milk delivered by producer-members.

Under Order No. 46 all handlers, except occasional violators, complied, and all graded milk delivered by producers was included in the pool computations. In 1941 about 83 percent of these producers were members of the association; they delivered about 84 percent of the milk included in the pool that year. By 1947, about 92 percent of the producers in the milkshed were members of the cooperative organization and they delivered an equal percentage of the market supply of graded milk.

Table 48.— Proportion of producers who were members of the Falls Cities Cooperative Milk Producers Association and proportion of total milk marketed by them, Louisville, Ky., marketing area, 1935, 1941, and 1947-51

Year	Producers delivering milk: Members of the Cooperative	Producers delivering milk: Members plus non-members	Producers delivering milk: Percentage that were members	Volume of milk delivered: By members	Volume of milk delivered: By members plus non-members	Volume of milk delivered: Percentage delivered by members
	Average number	Average number	Percent	1,000 pounds	1,000 pounds	Percent
1935 1/	1,026	1,059	96.9	81,238	85,032	95.5
1941	1,286	1,545	83.2	128,615	152,821	84.2
1947	1,583	1,713	92.4	179,114	194,881	91.9
1948	1,639	1,766	92.8	185,114	200,549	92.3
1949	1,830	1,967	93.0	211,555	227,869	92.8
1950	2,009	2,136	94.1	231,337	247,397	93.5
1951	1,944	2,066	94.1	221,169	236,275	93.6

1/ During the license years an average of only 19 out of a total of 29 or 30 handlers participated in the market pool.

Compiled from reports of the Market Administrator.

The post-war years have witnessed a slight but progressive increase both in the percentage of producers that are members of the association and in the volume of milk delivered by them.

A Democratic Organization

From its organization, the control of the association has resided with its producer-members. For operating purposes, the milkshed was divided into districts in each of which approximately the same amount of milk was produced; new districts were added as the milkshed expanded. In 1952 there were 12 districts in the Kentucky area and 5 districts in the Indiana area of the milkshed. The membership in each district elects a director for a three-year term. The directors select their own officers and control the activities of the association through a manager, who in turn hires other employees. An executive committee, composed of five directors, works with employees of the association in meeting emergency situations and executes business with buyers on the market.

"Locals" situated throughout the milkshed serve as units for holding local meetings, for the purposes of transmitting information from the central office to the producers, and of transmitting to the board of directors suggestions of producers with respect to the policy and the activities of the association. The officers of the locals are selected by the producers and all meetings of the locals are in charge of these officers.

Through these meetings and through the columns of the Falls Cities Cooperative Dairyman, members are provided with information and have an opportunity to voice their opinions on various matters, including the regulation of their market under Federal Order No. 46.

Handlers In A Regulated Market

Responsibilities of Handlers

It is the responsibility of each handler to carry out the detailed provisions of the order as they apply to the pricing of and the payment for milk delivered to him by producers. Because the level of the cost of milk in its varied uses is of great importance to handlers, they sometimes have submitted price proposals which were, at least partially, at variance with proposals submitted by producers. Divergent and often conflicting interests, of course, are age-old and natural characteristics of buyer and seller relationships, whether the economy is freely competitive or an administered one. Through their first-hand knowledge of marketing conditions and of accounting procedures and problems, handlers operating under the provisions of Order No. 46 have made substantial contributions to the clarity of the hearing records and, consequently, to the effectiveness of order regulation and administration.

Leaders of the milk industry in Louisville expressed the opinion that most of the handlers in that market area are in favor of Federal regulation, chiefly because the provisions of the order establish uniform costs among handlers for milk according to its uses, and therefore largely prevent unfair competition and instability on the market. Although the necessary auditing activities of the market administrator are not always popular with handlers, they recognize the value to them of the accurate and complete records which they are obliged to keep to meet their reporting and paying requirements under the order.

Changes in Number and in Relative Sizes of Handler Enterprises.

The "turnover" among handlers since 1940 is indicated in table 49. In all but 2 years, one or more new handlers entered the milk distribution business in Louisville. Apparently the existence of Federal regulation did not deter these persons from organizing and operating new enterprises in the marketing area. Whether a larger or smaller number would have entered the market if there had been no Federal regulation, of course, cannot be determined.

The footnotes to table 49, however, reveal that the presence of regulation induced some handlers to discontinue operations in the Louisville market or to so change their methods of doing business that the provisions of the order no longer applied to them. The three handlers who discontinued in 1940 had not recognized License No. 60, and apparently decided that it was not to their advantage to continue in business under the provisions of Order No. 46. Furthermore, during the 1940-51 period, three handlers avoided Federal regulation by changing their operations to those of producer-handlers, and three handlers discontinued the sale of milk within the marketing area. On the other hand, of the 17 handlers who were cooperating at the close of the license period, 15 handlers still were in business in 1951, and of 33 handlers who reported during 1940, the initial year of order regulation, 23 remained in business in 1951. Thus both stability and change were characteristic of the handlers' responses to Federal regulation.

If all handlers in Louisville had processed an equal share of the respective annual receipts of producer milk, then each one would have processed approximately 1/30th, or 3 1/3 percent, of the total volume of milk handled there. In fact, however, more than one-third of the handlers each processed less than 1 percent of the total volume received (table 50). Furthermore, about four-fifths of the handlers received volumes of milk which were less than 5 percent of total receipts. In other words, a preponderance of relatively small firms were serving the market in the specified years. But, as is typical of many milk markets, historically a few firms in Louisville have handled large percentages of the annual volume of milk received from producers.

Table 49.-- "Turnover" of handlers under Federal Milk Marketing Order No. 46, Louisville, Ky., marketing area, 1940-51

Year	Actions of handlers during year		
	Started business	Discontinued business	In operation on December 31
	Number	Number	Number
1940	1	1/ 3	30
1941	1	-	31
1942	3	-	34
1943	1	2/ 1	34
1944	2	3/ 6	30
1945	-	4/ 2	28
1946	1	2	27
1947	1	-	28
1948	5/ 3	1	30
1949	-	6/ 1	29
1950	1	7/ 2	28
1951	1	8/ 1	28

1/ Not in compliance under the license.
2/ Became a producer-handler.
3/ Of the six: two discontinued operation; one discontinued selling milk in the marketing area; one sold out to another handler; one closed down indefinitely; and one became a producer-handler.
4/ One handler became a producer-handler and one, who had been in violation since 1940, discontinued operations.
5/ One a Grade-A approved receiving plant only, one a reorganization, and one a new entry into the market.
6/ Discontinued sales in marketing area June 30.
7/ One handler consolidated with another one May 1; one discontinued business July 31.
8/ Discontinued selling milk in the marketing area about February.

Compiled from reports of market administrator.

Table 50.-- Number of handlers of specified sizes, Louisville, Ky., marketing area, 1941, 1945, 1949-51. 1/

Size 1/	Handlers of each size operating during year				
	1941	1945	1949	1950	1951
	Number	Number	Number	Number	Number
Less than 1 percent	13	10	12	12	13
1 to 4.99 percent	14	14	12	12	10
5 to 9.99 percent	3	4	4	4	4
10 or more percent	1	1	2	2	2
Total	31	29	30	30	29

1/ Size is measured by the volume of each handler's annual receipts from producers as a percentage of the total quantity of milk received in the market.

Computed from records of the market administrator.

Plant Operations and Equipment

Handlers differ not only with respect to the volume of milk they receive, process, and distribute but also with respect to their plant operations and equipment. In 1951, for example, 15 handlers received and processed graded milk only, and 13 handlers received and processed both graded and ungraded milk (table 51). Each of the handlers sold milk at wholesale and at retail but some of them also sold to peddlers.

Cottage cheese and ice cream mix were the products most commonly manufactured by handlers who received graded milk only, but a few handlers in this group had no manufacturing facilities and a few others were equipped to make butter. Facilities for the manufacture of American cheese, roller powder, and evaporated milk were to be found only in the "dual" plants, that is, in the plants that handled both graded and ungraded milk.

The "dual" plants, particularly the evaporated milk operation, absorbed the surplus graded milk of the market. Early in 1952, however, the facilities for the manufacture of evaporated milk were dismantled. During the flush season of 1952 surplus graded skim milk was manufactured into roller powder by two of the local handlers.

For a number of years the handler who manufactured evaporated milk, in the section of his Louisville plant handling ungraded milk, operated country stations at Taylorsville, Ky., and at Madison and Corydon, Ind. The Taylorsville and Madison plants had receiving rooms approved for assembling and cooling graded milk which was then shipped to the city plant of the handler by tank truck. Except in the flush months, graded milk from Corydon was received directly at the city plant. In the flush months the milk was received at the Corydon plant for manufacture of cheddar cheese. Ungraded milk also was received at these country stations. Late in 1948 a receiving station at Carrollton, Ky., was approved by the Louisville

Table 51.-- Types of plant operations, and kinds of dairy products which handlers were equipped to manufacture, Louisville, Ky., marketing area, 1951

Handler	Plant operations: Graded milk only	Plant operations: Graded and ungraded	Distribution: Wholesale and retail	Distribution: Peddlers	Equipped to manufacture 1/
A	x		x	x	1-2
B	x		x	x	1-2
C	x		x	x	1-2
D	x		x	x	1-2
E	x		x		2
F	x		x		0
G		x	x		1-2-3-6
H		x	x	x	1-2-7
I	x		x	x	0
J		x	x		1-2-3-4-5
K	x		x		1-3
L		x	x	x	1-2
M	x		x	x	1
N		x	x		1-2
O	x		x		0
P		x	x		1-2-5
Q		x	x	x	1-3-5
R	x		x		3
S		x	x		2-3
T		x	x		1-2-3-4
U	x		x		0
V		x	x		1-2-3-4
W	x		x		2
X		x	x		1-3
Y		x	x	x	1-2-6
Z		x	x	x	1-2-5
AA	x		x		1-2-5
BB	x		x		0

1/ Code numbers signify:
1 - cottage cheese
2 - ice cream mix
3 - butter
4 - American cheese
5 - condensed milk
6 - roller powder
7 - evaporated milk. (Facilities for manufacturing evaporated milk were removed early in 1952).

Compiled from reports of Market Administrator.

Health Authority. Graded milk and cream from this station was sent to the city plant during the shortage seasons of 1948-50, but this "standby supply" no longer is available to the market. Futhermore, the Louisville handler has discontinued his country stations at Madison and Corydon.

A few handlers in the Louisville market area have recently (1952) discontinued the handling of ungraded milk or are taking on only producers of graded milk. It is probable that this development is the result of the prevailing provisions of the order with respect to pool plants, and the broader meaning of "other source milk".

Handlers' Margins Under Changing Social and Economic Conditions

Many developments within the last two decades have had an effect upon the gross margin of the Louisville handlers, that is, upon the spread between the price paid to producers for graded milk and the price paid by consumers after such milk has been processed and distributed by the handler.

In the early 1930's several events contributed toward increased costs, among them the code adopted under the NRA and the Louisville milk ordinance of 1931. The testimony of dealers, with respect to the additional costs they incurred (which they estimated to be about $\frac{1}{2}$ cent per quart) under an NRA milk code, is summarized in pp. 22-3. Although the NRA milk code was short-lived, some of the provisions initiated under it, such as the shorter work-week, and overtime pay, remain a factor to the present day. Since the adoption of the Milk Ordinance of the City of Louisville in 1931, handlers have paid permit fees up to a maximum rate of 4 cents per hundredweight for receipts of all milk and milk products as defined in the ordinance.

On July 30, 1937, a group of the larger handlers, calling themselves the "Louisville Pasteurized Distributors," signed the first contract with a business agent of the American Federation of Labor; this action was followed on August 1, 1937, by a substantial increase in pay to employees in both the unionized and ununionized plants. Soon thereafter the price of milk to consumers was raised 1 cent per quart (46.5 cents per hundredweight); at the same time the price paid to producers was increased about 18 cents per hundredweight. Historically, producers had received about 46 cents additional per hundredweight with a 1-cent increase in the retail price per quart. Payments under the Social Security Act (enacted August 14, 1935) also began to affect handler margins during the license period.

To cover the expenses of administration of Order No. 46, as previously has been noted, handlers were assessed a maximum rate of 2 cents for each hundredweight of milk received from producers or produced by handlers. Beginning in October 1947 the rate also applied to emergency milk used for fluid purposes and the following year to "other source milk" (including emergency milk) used for fluid purposes. The rate was raised to $2\frac{1}{2}$ cents by the amendment of September 1, 1949. As with all business enterprises, the social, economic, and fiscal measures which have been enacted from time to time have increased substantially the record-keeping and reporting responsibilities of handlers. To a greater or lesser degree, however, the added cost of maintaining these required records may have been offset by their value in the planning and conducting of the business ventures.

One of the big problems of administrative pricing is to so work out and improve the provisions of regulation that minimum prices to handlers for similar uses actually are uniform. To the extent that this objective has been accomplished under Order No. 46, the cost of milk to handlers in Louisville, which before regulation was their major competitive problem, no longer is an important competitive factor or potential source of business disruptions. Handlers therefore are able to concentrate their main efforts on obtaining an adequate supply of wholesome milk, processing and distributing it at a low per-unit cost, and maintaining and developing outlets for their products. Differences in such factors as managerial ability, volume handled, plant and distributive equipment and operation, including the ability to operate consistently at or near optimum capacity--all of these created differences among the net margins of different handlers at a particular time.

Organizations

With the adoption and enforcement of Order No. 46, all the handlers had a common interest in working for the kind of buying plans they wanted made effective under Federal regulation. To this end, the "Louisville Milk Distributors Association" came into being. This organization, through its legal counsel, usually represents all the handlers at the public hearings with respect to changes in the provisions of the order, and performs such other functions, in the general interest of handlers, as are permitted under existing antitrust and other legislation.

In 1941, another organization, called "Milk for Health, Incorporated", was set up by handlers located in the city of Louisville. An important function of this organization is to stimulate greater consumption of milk through advertising under the slogan "Milk for Health". This slogan is carried as part of the legend of Grade A bottle caps. The organization also assembles market information of interest and value to handlers. Special problems, particularly with respect to distribution, are handled by them. In 1941 and through the endeavors of "Milk for Health, Incorporated", for example, a heterogeneous assortment of milk bottles, costly to sort and with limited average "trip-age" (number of trips made before loss or breakage) were replaced by "universal" round bottles. Through collective buying the cost of the changeover was minimized and small dealers were able to buy the bottles at the same low cost as larger dealers. In July 1950 the round bottles were replaced by "universal" square bottles.

The Pricing of Graded Milk

The Focal Point of the "Market"

From the time that producers in the Louisville area agreed to Federal regulation in 1934, sellers and buyers began to do their bargaining largely by means of the procedures and practices which have been established to promote orderly marketing under Federal regulation. The public hearing became the focal point of the "market" where, as always, the paramount concern of producers and of dealers is to protect and to promote their economic interests. Each group proposes and advocates modifications to the order which, in its opinion, will serve these ends. Producers, by consent, transfer final minimum price-determining responsibilities to the Secretary. If a majority of the producers in a regulated market decide that they desire again to assume full bargaining responsibilities, the means to terminate regulation are provided in the Act.

The Blended Price

Some basic considerations. In addition to setting up the general objective that prices paid to producers for milk shall be at such a level as will reflect the price of feeds, the available supplies of feeds, and other economic conditions which affect the market supply and demand, the Act provides specific terms and conditions with respect to price. It provides that milk from producers must be paid for according to its use, that costs to handlers per hundredweight of milk disposed of in established classifications be uniform, and that producers be paid a uniform price per hundredweight (on the basis of either an individual handler or a marketwide pool) for milk of like quality. The details of this general pricing mechanism, nevertheless, are to some extent unique for each market and depend upon the local problems and conditions.

Generally speaking, at the hearings in Louisville, the factors considered first were those which had the most direct bearing upon the supply and demand of milk. To this end, data and other information sometimes were obtained from a number of individual producers on changes in the costs of production--particularly the cost and availability of feed, roughage, and labor. Evidence also was elicited as to whether producers were tending to enlarge or reduce their herds, and were entering or leaving the market for graded milk in greater than average numbers, as well as on other phases of the supply situation.

For the most part, the demand situation was appraised on the basis of changes in the volume of Class I and Class II milk sold; in addition, some reference usually was made to the purchasing power of consumers as reflected by business activity in the Louisville area and by the general economic outlook. Under conditions of high wages and full employment that have prevailed in most of the years since the market was under regulation, more specific or detailed information with respect to the demand factor probably was not essential in making administrative decisions.

What determines a particular blended price. In accordance with applicable provisions for the classification and pricing of milk (tables 21 and 24) the market administrator has computed and announced a uniform price to producers in the Louisville area each month since June 1934. Total monthly receipts from producers and the percentages which were allocated to each class are summarized, for the license period, in appendix table 67, and for the order period in appendix table 69; blended prices payable to producers and the applicable class prices are summarized, respectively, in appendix tables 68 and 70. These tables reveal the seasonal changes and the trends in receipts, in utilization, and in prices under regulation.

By applying the percentage in each classification for a given month to the corresponding class prices for that month and adding the results, the blended price for the month may be approximated within a cent or two. The announced blended price to producers, therefore, depends upon the proportion of producer milk allocated to each class and upon the effective class prices. The Act requires that both factors be part of the pricing mechanism in any regulated market.

Under the classification provisions in effect in 1941, about 55 percent of the 153 million pounds of milk delivered by producers was allocated as Class I, about 12 percent as Class II, and 33 percent as Class III milk; that year producers received an average blended price of $2.44 per hundredweight of milk delivered to handlers (table 52).

Average prices to producers in 1943-45 (under maximum price regulations) were stabilized at about $3.60 per hundredweight. During those years about 82 percent of the supply, the highest proportion on record, was allocated as Class I milk. After controls were lifted average class prices rose sharply, resulting in a blended price of $5.05 in 1948. Blended prices receded in 1949 and 1950 both because of a smaller percentage of utilization as Class I milk and because of lower class prices. With renewed defense activities, the average blended price in 1951 advanced to $4.84 per hundredweight.

Producers and the Class I price. When a producer engages in a dairy enterprise that meets the requirements of the local health authorities, his primary interest lies in the fluid market and in the price which handlers pay for milk which is used for fluid purposes. Because of the extra expense and labor required to produce graded rather than ungraded milk, he expects the Class I price to be at a premium over the price for manufacturing milk. By one method or another, this expectation has been met over the years.

The Class I price and the effective basic formula price. From April 1940 through May 1942, the minimum price of Class I milk changed with the price of 92-score butter at Chicago, according to a schedule

Table 52.— Volume of milk received from producers and percentage in each classification; average blended price payable to all producers and average class prices paid by handlers per hundredweight of 4 percent milk f.o.b. handler's plant, Louisville, Ky., marketing area, 1941-51 1/

Year	Total receipts from producers	Allocated to Class I: Regular: In area	Allocated to Class I: Regular: Outside	Allocated to Class I: Relief	Allocated to Class II	Allocated to Class III: Volume as classified	Allocated to Class III: Reconciliation	Allocated to Class III: Net volume: Regular	Allocated to Class III: Net volume: Butter
	Pounds	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1941	152,821,101	47.9	6.7	.5	11.8	33.1		33.1	
1942	160,106,459	62.5	2.7	.5	11.4	30.1	- 7.2	22.9	
1943	157,044,567	81.9		.4	9.6	18.4	-10.3	8.1	
1944	164,625,104	81.5		.3	8.2	19.8	- 9.8	10.0	
1945	177,918,849	81.4		.3	8.5	19.7	- 9.9	8.6	1.2
1946	186,519,944	79.0		.3	8.8	21.2	- 9.3	11.2	0.7
1947	194,880,920	75.8		.3	6.6	23.8	- 6.5	15.8	1.5
1948	200,549,221	79.2		.3	1.4	19.1		15.4	3.7
1949	227,869,159	71.1		.3	1.2	27.4		22.1	5.3
1950	247,396,558	69.8		.2	1.2	28.8		24.4	4.4
1951	236,275,486	77.6		2/	2/	2/		2/	4.2

Year	Average blended price 3/	Class I price: Regular: In area	Class I price: Regular: Outside	Class I price: Relief	Class II price	Class III price: Regular	Class III price: Butter 4/
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
1941	2.44	2.940	2.654	2.018	2.110	1.762	
1942	2.90	3.216	3.098	2.208	2.576	2.109	
1943	3.63	3.760		2.847	3.210	2.727	
1944	3.64	3.776		2.846	3.209	2.726	
1945	3.60	3.784		2.854	3.234	2.734	2.208
1946	4.43	4.628		3.676	4.078	3.557	2.328
1947	4.59	4.858		3.866	4.308	3.746	2.952
1948	5.05	5.392		4.175	4.842	4.055	4.108
1949	4.11	4.526		3.261	3.976	3.141	2.964
1950	4.03	4.462		3.257	3.912	3.137	2.983
1951	4.84	5.256		2/	2/	2/	3.617

1/ This table is a summary of the annual data shown in appendix tables 69 and 70 (which also show monthly detail), and is subject to the same footnotes. Basic butterfat test changed to 3.8 percent effective October 1, 1947.

2/ Not computed because of change in classification on September 1, 1951.

3/ Simple averages of monthly blended prices. Weighted averages (computed by applying to the simple averages of monthly class prices the corresponding percentage uses of total annual receipts) differed from 1 to 3 cents from the simple averages, except that the weighted average blend for 1948 was $5.13.

4/ Reflects a price credit to handlers on milk used during specified flush months to produce butter.

provided in the order (appendix table 72). Beginning in June 1942 both the Class I and the Class II price were established each month at specified differentials over the highest of two or more alternative formulae (table 24, p. 131). If the cost and yield factors which are used in the respective formulas are realistic, then the resulting prices reflect the value of milk utilized in the manufacture of one, or of a combination of, important dairy products. [In his study on the pricing of surplus milk in the Chicago market, Robert W. March discusses the problem of formula development (12).] Thus the price for Class I milk automatically is based upon the manufacturing outlet which, for any particular month, holds the most favorable price position.

The irregular upward movement of the Class I price for 3.8 percent milk and the effective formula prices which were basic to it are pictured in figure 3. For the months prior to October 1947 (when the basic butterfat test was changed to 3.8 percent), the series were converted from 4 to 3.8 percent by applying the official butterfat differentials shown in appendix table 71.

The price advance which accompanied defense activities was under way when Order No. 46 was adopted in June 1940. The advance continued until 1943, when the Office of Price Administration applied maximum price regulations to dairy products. From early 1943 until price controls were lifted in June 1946, the Class I price levelled off within a range of \$3.60 to \$3.80 cents per hundredweight, with only moderate seasonal changes. The lower Class I differential for the summer months was suspended during most of the price control period and the seasonal movement of the effective average price at 7 plants and of the butter-powder price were quite small (figure 3).

The lifting of controls and the discontinuance of subsidy payments in June 1946 inaugurated a sharp and rapid rise in the price of dairy products and consequently in the price of Class I milk in Louisville. The Class I price for 3.8 percent milk reached a peak of \$5.60 per hundredweight in November 1946 and then dropped sharply to a seasonal low of \$4.10 in May 1947. In the latter half of 1947, advancing butter-powder prices caused an upswing in the Class I price which was sustained through most of 1948 either by the effective average price at 18 midwest condenseries or by floor prices (table 24, p. 132). Dairy prices receded to lower levels in 1949 but an upward trend again developed after the invasion of South Korea in June 1950.

From October 1946—when the average price at 18 condenseries was adopted as an alternative basic formula—through December 1951, the average price at 7 nearby plants was the effective basic price for 6 months; the butter-powder formula price for 38 months; and the average price paid at 18 midwest condenseries for 19 months (appendix table 72). The butter-cheese formula price has not been effective for any month since it was adopted as an alternative base in September 1948.

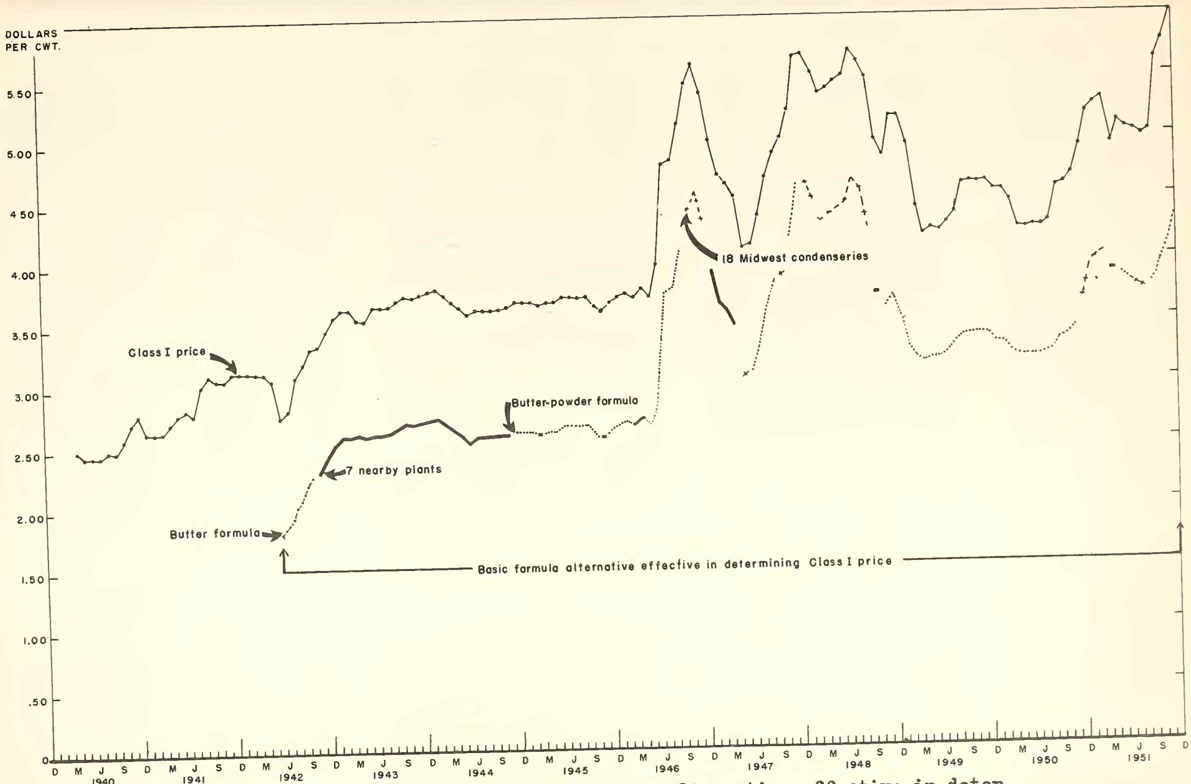

Figure 3.—Class I price and basic formula alternative effective in determining Class I price per hundredweight of milk containing 3.8 percent butterfat, Louisville Ky., marketing area, April 1940 - December 1951.

The differences between alternative formula prices and the basic formula price show clearly how the Class I price was sustained at relatively high levels by the automatic designation of the highest price for manufacturing milk as the basic price (figure 4). The substantial and shifting differences between the alternative basic series which prevailed from month to month indicate that the competitive position of the fluid market would have been seriously weakened and unsettled if the Class I price had been related to only one of the price series for manufacturing milk.

The average price advantage which accrued to producers in the Louisville milkshed under the alternative basic formula plan as compared with any one of the alternative price series is indicated for selected periods in table 53. For the period beginning with the adoption of the alternative plan in June 1942 until the end of 1951, the average basic formula price for Class I and Class II milk was \$3.23 per hundredweight. The average price at 7 nearby plants (the only price of manufacturing milk which was effective during the entire period), was \$3.01 per hundredweight. Therefore, under the alternative scheme the Class I and also the Class II price averaged 22 cents per hundredweight higher than if the average price at 7 nearby plants had been used as a base throughout the entire period.

From June 1942 through December 1951, more than 1½ billion pounds of milk from producers were utilized in Class I and Class II products. The returns to producers for this milk were about \$3,300,000 greater than had the Class I and Class II price been based solely on the average price paid for milk by nearby plants. During the same period more than 300 million pounds of producer milk was sold at an average alternative Class III price of \$3.14 per hundredweight or 13 cents higher than the average price of \$3.01 paid at 7 nearby plants. In total then, returns to producers were increased by approximately \$3,700,000 by basing the class prices for graded milk upon the highest of the prices paid by the respective outlets for manufacturing milk rather than by using only the average price paid by 7 dairy plants in the Louisville supply area as a base for the class prices.

The over-all period, June 1942-December 1951, was broken down into 4 smaller periods according to when a new alternative formula was introduced. For each period, of course, the basic formula average is higher than the averages for the respective alternatives (table 53). Since the butter-powder formula was effective for 56 out of a total of 85 months after it was introduced in December 1944, that average differed the least from the average basic formula price.

The scheme of alternative basic prices has protected the price of graded milk from some sharp and erratic decreases which have occurred in particular price series for manufacturing milk, and it has resulted in higher prices than if any one price series had been used exclusively as a basic price. But the stability of the different basic price series themselves differed. The most variable (within the relatively stable

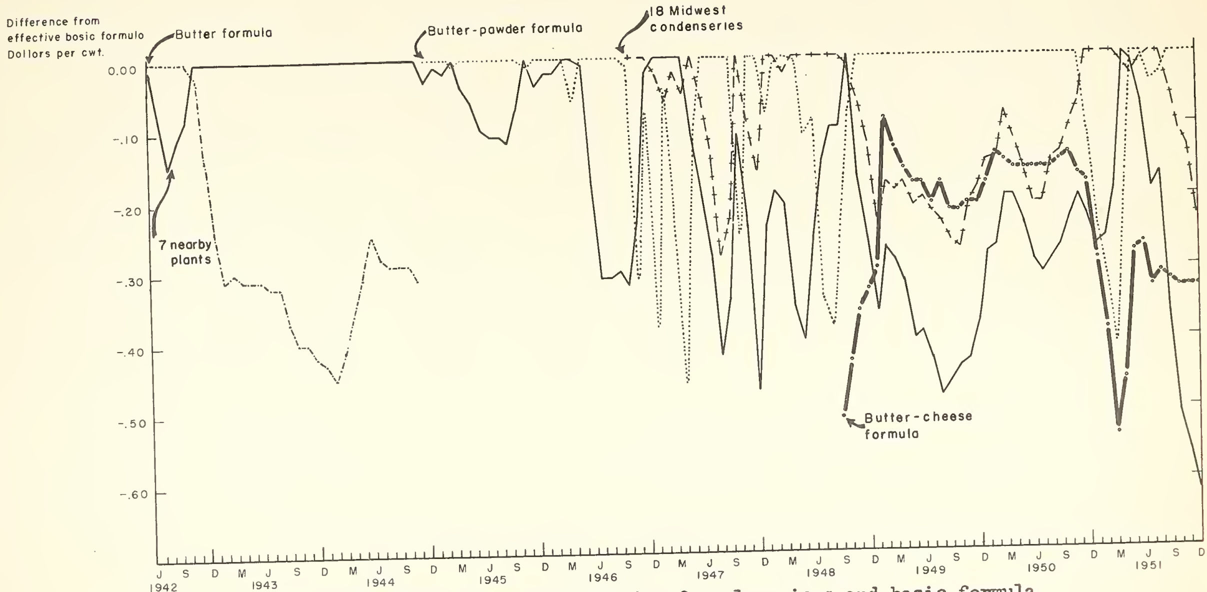

Figure 4.—Differences between alternative formula prices and basic formula price effective in determining Class I price per hundredweight of milk containing 3.8 percent butterfat, Louisville, Ky., marketing area, June 1942 - December 1951

Table 53.— Average prices for milk containing 3.8 percent butterfat, standard deviations, and coefficients of variation, Class I price, basic formula, alternative formulas, and effective Class III price, Louisville marketing area, selected periods, June 1942 - December 1951

Year	Unit	Class I price	Effective basic formula for Class I and Class II price	Alternative formulas for basic Class I and Class II price: Butter price formula	Av. price 7 nearby plants	Butter-powder formula	Av. price 18 condenseries	Butter-cheese formula	Effective Class III price
June 1942-Dec. 1951									
Average	Dollars	4.348	3.230		3.072				3.143
Std. deviation	Dollars	.756	.685		.616				.633
Coeff.of variation	Percent	17.4	21.2		20.1				20.1
June 1942-Nov. 1944									
Average	Dollars	3.536	2.499	2.238	2.485				2.499
Std. deviation	Dollars	.258	.240	.119	.268				.240
Coeff.of variation	Percent	7.3	9.6	5.3	10.8				9.6
Dec. 1944-Dec. 1951									
Average	Dollars	4.635	3.488		3.279	3.434			3.370
Std. deviation	Dollars	.659	.608		.569	.570			.569
Coeff.of variation	Percent	14.2	17.4		17.4	16.6			16.9
Oct. 1946-Dec. 1951									
Average	Dollars	4.903	3.722		3.469	3.651	3.628		3.570
Std. deviation	Dollars	.496	.474		.508	.441	.531		.466
Coeff.of variation	Percent	10.1	12.7		14.6	12.1	14.6		13.0
Sept. 1948-Dec. 1951									
Average	Dollars	4.785	3.531		3.247	3.490	3.411	3.280	3.366
Std. deviation	Dollars	.452	.328		.372	.285	.387	.242	.331
Coeff.of variation	Percent	9.4	9.3		11.5	8.2	11.3	7.4	9.8

Computed from records of the market administrator period from September 1948 to December 1951) has been the 18-condensery price; next, the price at 7 nearby plants; then the butter-powder formula; and least variable, the butter-cheese formula. On the average during the September 1948 - December 1951 period, the effective basic price was less stable than the butter-powder and butter-cheese formulas, but more stable than the price paid by 7 local plants and 18 condenseries (table 53). Although the use of alternatives has not maximized price stability, a stable price would appear to be desirable only if it adequately reflected existing economic conditions. Under changing supply and demand conditions, such as have been characteristic of the periods under review, variation in a price series may largely reflect close synchronization with changing market conditions.

Producers serving the Louisville milk market are protected from disastrous drops in the price level for manufacturing milk by the dairy price support program, as well as by the alternative basic pricing plan. The United States Department of Agriculture each year since 1948 has announced that it will support at specified levels for the year beginning April 1, prices of manufacturing milk and of butterfat.

Prices for fluid and for surplus uses. The use-classification method of pricing graded milk grew out of the desire of organized producers for a dependable outlet for all of their deliveries at all seasons of the year. But handlers could not afford to pay as much for that portion of the graded supply which was "surplus" and disposed of in manufactured products as for the portion that was utilized in fluid products. Consequently the scheme was developed to pay producers according to the way milk dealers processed and sold the graded supply. Gaumnitz and Reed discuss important aspects of the classified-price plan in their study of the problems involved in establishing milk prices (6).

Under Federal regulation, Louisville handlers have paid significantly more for graded milk which they used in fluid milk and cream products (Class I and Class II) than they paid for graded milk used in Class III products (figure 5). During the license period when the Class III price was based on the price of butter, but Class I and Class II prices, for the greater part, were fixed prices, the differences between the two price series showed considerable variation, but there was no consistent seasonal pattern. From April 1940 until the fall of 1947, handlers paid approximately $1 more per hundredweight for graded milk which they used for fluid purposes than for that which they used in Class III or manufactured products. During most of this period the lower summer Class I and Class II differentials were suspended. From 1947 through 1951 the spread between the two series widened and a seasonal pattern was evident. These changes were partly due to changes in the basic formula price provisions and partly to a 20-cent increase in the Class I and Class II differentials for the months of September through March (table 24, p. 131). However, beginning May 1951 the order provided for a flat differential of $1.25 per hundredweight for each month of the year.

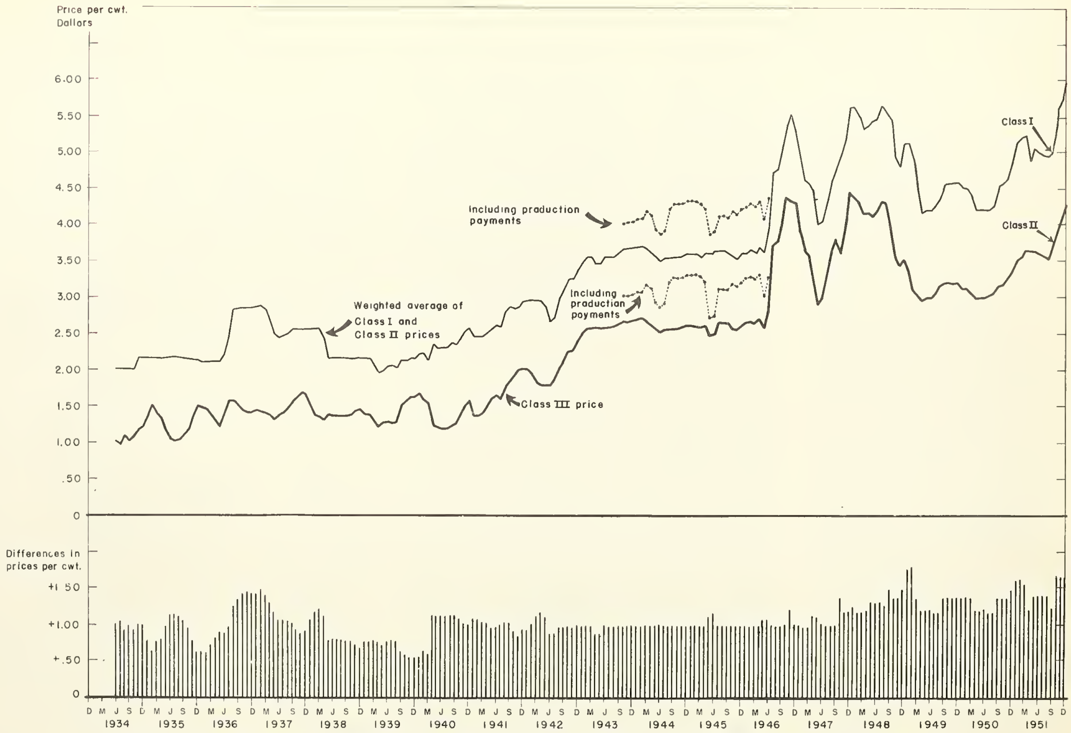

Figure 5.—Weighted average of Class I and Class II prices, Class III price, and differences per hundredweight of milk containing 3.8 percent butterfat, f.o.b. handler's plant, Louisville marketing area, June 1934 - December 1951

Three times in 1951 the spread between the handler's costs for graded milk for fluid uses and his costs for milk going into manufacturing uses was changed by amendments. From January through March of 1951, the spread was about $1.60 per hundredweight (figure 5 and appendix table 73). It resulted from the specified differential of $1.25 per hundredweight plus a higher basic formula price for Class I and Class II than for Class III milk. The smaller spread in April was due mainly to the fact that the differential in that month was only $1.05 per hundredweight. Beginning with May 1951 the fixed differential became $1.25 per hundredweight. In September the differential of $1.25 represented the entire spread, because the same butter-powder price formula was applicable to both the fluid and the surplus price series.

Handlers under the amended provisions of September 1951 were required to pay, for the months of August through March, the same basic price for Class II milk as for Class I milk (the two-class scheme was introduced in September 1951). The difference between the two series for October through December of 1951 represented the emergency differential of $1.69 per hundredweight which, because of drought conditions, was effective from October 1951 through February 1952.

Changes in the order have shown the following tendencies with respect to handlers' costs of milk for fluid and for surplus uses: (1) A gradual increase in the differential which applies to the price for fluid use; (2) a change to basing the Class III price upon either the local or national dairy price level, whichever is highest; (3) recognition of handlers' inability to divert all of the summer surplus into the higher-priced manufacturing outlets, by providing for relatively lower Class III prices in the flush than in the shortage months of the year.

Although the wartime dairy production payments went directly to producers, they are shown in figure 5 to emphasize that during the war years the total price to producers depended not only on how much handlers paid for graded milk, which they used in the respective classes, but also upon substantial subsidy payments. The effects of the subsidy program were also felt by consumers because the retail price ceiling for milk was related to the class prices paid by handlers.

Gross return payable to producers. Gross returns to producers per hundredweight of milk take into account the wartime dairy production payments and the deductions and payments under the Louisville Fall Premium Plan (appendix table 74). The differences between the price paid by handlers for Class I and Class II milk (including dairy production payments 1943-46) and the price to producers illustrates the effect that Class III volume had upon the price paid to producers (figure 6). The differences range from only 15 cents in some of the shortage months, when the Class III volume was small, to 50 cents or more in most of the seasons of flush production before the Fall Premium Plan was started. The spring deductions and fall payments obviously had a pronounced impact upon the seasonality of the gross price to producers. Because handlers' costs were not affected by the plan, the gross prices to producers during the pay-back months usually were higher than the price handlers paid for Class I and Class II

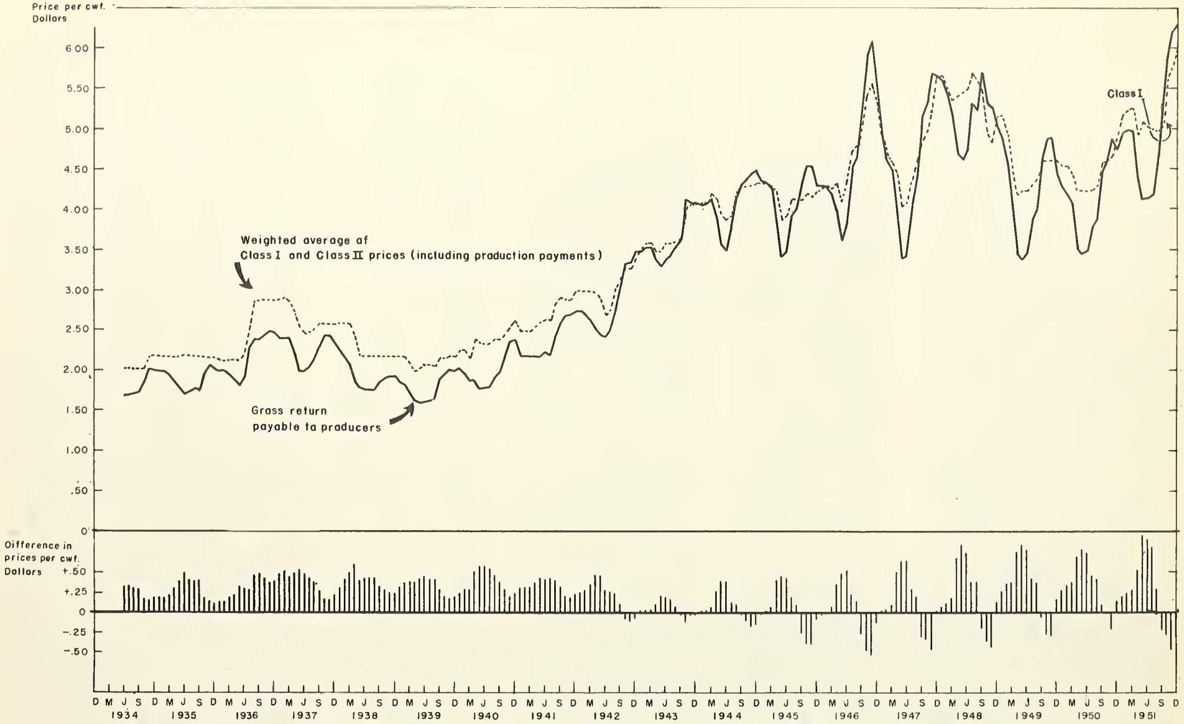

Figure 6.—Gross return payable to producers, the weighted average of Class I and Class II prices, and differences, per hundredweight of milk containing 3.8 percent butterfat, f.o.b. handler's plant, Louisville marketing area, June 1934 - December 1951

milk; this despite the fact that the prices to producers were weighted by Class III utilization.

Against a background of varied local, national, and international economic and political developments, the administered "gross return" per hundredweight of milk containing 3.8 percent butterfat ranged from $1.60 to $2.50 during the license period, from about $1.75 to $4.50 (including subsidies) during the defense and price control periods, and from about $3.40 to $6.25 after price controls were lifted and subsidies discontinued. The last price range, of course, reflects the impact of the Louisville Fall Premium Plan. Blended prices as they were announced are shown for the license period in appendix table 68 and for the order period in appendix table 70. To provide a continuous homogeneous series, blended prices on the present 3.8 percent basis are shown from June 1934 through 1951 in appendix table 74.

The announced blended prices to producers are f.o.b. handlers' plants. The hauling charge from the farm to plant including a 3 percent transportation tax, and a 4- or 5-cent marketing service charge were paid by producers.

Fundamental Price Relationships

Competing with nearby manufacturing plants. The spread between the price paid to producers for graded milk and the price paid to farmers for milk delivered to nearby manufacturing plants is of continuing importance in a program for regulating the prices paid to producers for graded milk. If that spread, over a period of time, deviates markedly in either direction from the average additional cost of producing and transporting graded milk as compared with manufacturing milk, a shift of producers to the more favorable outlet may lead to either a shortage or an oversupply of graded milk. The relationship between the two price series in the Louisville area has changed substantially during the period 1943-51 (table 54).

It is obvious that with changing costs of feed, materials, supplies, equipment, labor, and transportation, a spread which fostered a well-balanced fluid milk supply at one period might be wholly inadequate or overly attractive at another period. Because data on the costs of producing fluid milk are neither readily available nor easily interpreted, the actions of producers of graded and of manufacturing milk within and on the fringes of the Louisville milkshed are the best available indicators of the adequacy or inadequacy of the spread between the two price series. Manufacturing milk was in a relatively favorable position both in 1947 and in 1948 (table 54). The loss of some graded producers to nearby smaller urban centers with less rigid health requirements and to cheese factories in the fall of 1947, for example, was presented by the Falls Cities Association as evidence of the inadequacy of the Class I and Class II prices and as a reason for the addition of a cheese formula to the alternative basis for Class I milk. On the other hand, the sharp increase in 1949 in the number of new producers of graded milk in the Louisville supply area (appendix table 62) indicates that a relatively large number of producers of manufacturing milk decided that it was advantageous to make the changes in their operations necessary to qualify as producers of graded milk. In that year producers of graded milk, on the average, received $1.45 cents per hundredweight more for milk containing 3.8 percent butterfat than did producers who delivered milk to the 7 local manufacturing plants. This represents the greatest percentage spread which prevailed during the 1943-51 period.

Table .-- Difference between average of blended prices plus fall payments paid to producers and average prices at 7 nearby manufacturing plants, per hundredweight of milk containing 3.8 percent butterfat, Louisville, Ky., marketing area, 1943-51

Year	Average of blended price plus fall payments	Average price at 7 nearby manufacturing plants	Difference	Difference as percentage of nearby manufacturing price
	Dollars	Dollars	Dollars	Percent
1943	3.54	2.62	.92	35.1
1944	3.54	2.61	.93	35.6
1945	3.58	2.57	1.01	39.3
1946	4.39	3.29	1.10	33.4
1947	4.58	3.46	1.12	32.4
1948	5.16	3.91	1.25	32.0
1949	4.21	2.76	1.45	52.5
1950	4.10	2.90	1.20	41.4
1951	4.99	3.54	1.45	41.0

Compiled from reports of the market administrator

<u>Prices of other farm products.</u> Changing relationships between the price of milk for fluid use and prices of competing farm products likewise are fundamental considerations in administering a Federal milk order program. In the Louisville milk supply area beef cattle, hogs, and tobacco are important alternative or supplemental sources of cash farm income. With the respective 1935-39 average prices as 100 percent, the shifting positions of these competitors for the resources of production are shown in table 55. In 1945, gross returns to milk producers in the Louisville area were at a higher relative level than were the prices of cattle, hogs, or burley tobacco. In 1946 and 1947, however, beef and hog prices were relatively favorable--and those enterprises hence highly competitive with dairying. The hearing record of March 1948 discloses that the attractive beef prices resulted not so much in the selling of entire herds, as in the drastic culling of herds in the area. Similar actions were taken by farmers throughout the nation; hence the average number of cows on farms decreased from approximately 25,600,000 in 1944 to 22,024,000 in 1949.

Table 55.-- Gross returns to producers in the Louisville, Ky., area per hundredweight of milk containing 3.8 percent butterfat, and average prices in Kentucky of cattle, hogs, and burley tobacco, as percentages of the respective 1935-39 averages, 1940-51

Year	Gross returns to producers 1/	Kentucky average prices of: Cattle	Hogs	Burley tobacco
	Dol. per cwt.	Dol. per cwt.	Dol. per cwt.	Cents per lb.
1935-39 av.	2.00	6.28	8.54	21.0
1940	1.99	7.10	5.50	16.2
1941	2.36	8.30	9.00	29.2
1942	2.82	10.40	13.10	41.8
1943	3.62	11.30	13.70	45.6
1944	4.05	10.40	12.80	44.0
1945	4.10	11.60	14.10	39.4
1946	4.66	15.30	17.40	39.7
1947	4.58	19.10	24.50	48.5
1948	5.16	22.90	23.80	46.0
1949	4.21	20.10	19.00	45.2
1950	4.10	22.90	18.60	46.2
1951	4.99	28.00	20.70	50.3
	Percent	Percent	Percent	Percent
1935-39 av.	100.0	100.0	100.0	100.0
1940	99.5	113.1	64.4	77.1
1941	118.0	132.2	105.4	139.0
1942	141.0	165.6	153.4	199.0
1943	181.0	179.9	160.4	217.0
1944	202.5	165.6	149.9	209.5
1945	205.0	184.7	165.1	187.6
1946	233.0	243.6	203.7	189.0
1947	229.0	304.1	286.9	231.0
1948	258.0	364.6	278.7	219.0
1949	210.5	320.1	222.5	215.2
1950	205.0	364.6	217.8	220.0
1951	249.5	445.9	242.4	239.5

1/ Include dairy production payments from October 1943 to June 1946, and fall-production payments since the fall of 1944.

Gross milk prices were computed from reports of the market administrator and from records of the Dairy Branch, PMA, with respect to dairy production payments.

Other indicated price series were compiled from published reports of the Bureau of Agricultural Economics.

The price of cattle in Kentucky and elsewhere continued high for a considerable period after 1949, as compared with the price of milk, and the average numbers of milk cows on farms in the United States decreased to approximately 21,700,000 by 1951. It is generally conceded that any marked long-time maladjustment between milk prices and prices of competing farm products may lead to a severe liquidation of herds. The avoidance of such an eventuality, particularly in a period of national emergency, is of great importance, not only to the producers and consumers of milk in a specific fluid milk market, but also to the well-being of the country as a whole.

The price of graded milk in terms of feed. As is indicated by the special reference to feed in the Agricultural Marketing Agreement Act of 1937, in applying Federal regulation the purchasing power of milk in terms of feed is one of the factors which is considered in determining the general level of the price of milk to producers. The ratio between the value of a pound of milk and a pound of feed, together with the relative price and availability of hay, are particularly important during the fall and winter months; the condition of pastures, of course, is the dominant production factor during the spring and summer months.

For lack of a Louisville "milk-feed" ratio, the values per hundredweight of concentrate rations fed to milk cows in Kentucky are compared with gross returns to producers per hundredweight of 3.8 percent milk delivered to the Louisville market (table 56). The data in the last column indicate the favorable effect (compared with the respective annual averages) upon the September-November purchasing power of milk in terms of feed which resulted from the seasonal pricing of Class I milk, the comparatively light weighting of Class III milk in the blended price during these shortage months, and, since 1944, the addition of the fall premium payments.

The monthly estimated values of concentrate rations, from which the given averages of feed costs were derived, do not reveal a seasonal pattern such as is usually characteristic of both fluid and manufacturing milk prices. With few exceptions, feed costs in Kentucky rose steadily from January 1939 through October 1944, then levelled off through January 1946, rose sharply in 1947, and began an irregular decline in February 1948 which continued through 1949. The latter trend was reversed in 1950 and 1951. The provision of a pricing mechanism for fluid milk which is related to the price of manufacturing milk but which also reflects changes in the price of feed sometimes necessitates special provisions to insure an adequate supply of graded milk; one device is the "floor prices" which were applied in Louisville in the 1947-48 and 1948-49 fall and winter seasons.

Marketwide Pooling Offers No Curb to Excessive Production

Approximately 236 million pounds of milk from producers entered into the pool computations in 1951 as compared with 153 million in 1941. During 1941 the proportion of graded milk which was not used for fluid milk and cream products ranged from 21 percent in November to about

Table 56.— Average value of concentrate rations fed to milk cows in Kentucky, gross returns to producers in the Louisville, Ky., area, per hundredweight of milk containing 3.8 percent butterfat, and computed "Kentucky milk-feed ratios" averages for the year and for the months of September through November, 1938-51

Year	Yearly average: Value of concentrate rations	Yearly average: Gross returns 2/ to producers for 3.8 percent milk	Sept.-Nov. average: Value of concentrate rations	Sept.-Nov. average: Gross returns 2/ to producers for 3.8 percent milk	"Kentucky milk-feed ratio" 1/: Year	"Kentucky milk-feed ratio" 1/: Sept.-Nov.	Amount by which Sept.-Nov. ratio exceeded yearly ratio
	Dollars	Dollars	Dollars	Dollars	Pounds	Pounds	Pounds
1938	1.22	1.91	1.11	1.89	1.57	1.70	.13
1939	1.26	1.77	1.32	1.94	1.40	1.47	.07
1940	1.42	1.99	1.39	2.17	1.40	1.56	.16
1941	1.51	2.36	1.53	2.64	1.56	1.73	.17
1942	1.92	2.82	1.96	3.23	1.47	1.65	.18
1943	2.51	3.62	2.63	3.95	1.39	1.50	.11
1944	2.88	4.05	2.91	4.37	1.41	1.50	.09
1945	2.86	4.10	2.87	4.48	1.43	1.56	.13
1946	3.36	4.66	3.62	5.75	1.39	1.59	.20
1947	3.76	4.58	4.14	5.37	1.22	1.30	.08
1948	4.10	5.16	3.57	5.41	1.26	1.52	.26
1949	3.17	4.21	2.98	4.80	1.33	1.61	.28
1950	3.38	4.10	3.40	4.64	1.21	1.36	.15
1951	3.93	4.99	3.86	5.76	1.27	1.49	.22

1/ Pounds of feed equal in value to 1 pound of milk.
2/ Include dairy production payments in effect from October 1943 to June 1946 and respective fall-production payments in effect since the fall of 1944.

Average values of concentrate rations fed to milk cows in Kentucky were computed from "Rations Fed to Milk Cows," BAE; total producer returns for graded milk, Louisville, computed from reports of the market administrator and from records of the Dairy Branch, PMA, with respect to dairy production payments.

43 percent in May; that is, throughout the year the supply of graded milk was in excess of fluid needs plus the day-to-day reserves required to meet short-run fluctuations in demand. Under the impact of conditions which were associated with World War II, the Louisville milk market abruptly changed from a year-round surplus to a fall shortage position (Appendix table 69). But in the postwar years a trend toward larger surpluses of graded milk, during most months of the year, again developed.

Had it not been for the turn in world affairs in 1950, the surplus problem might have become increasingly burdensome because the pricing mechanism contained no curb against overexpansion of the graded supply.

Unless counter measures are made part of an order, a class-use pricing mechanism combined with a market-wide pool is likely to encourage excessive production and delivery of graded milk. To an individual producer the demand for milk appears perfectly elastic; that is, he sees no effect upon price if he increases production by adding to his herd and feeding more intensively, or by entering the market. In reality, however, if market supplies already were ample, the additional supply of such a producer must be sold at the Class III price. If his costs of producing this increment exceed the Class III price, there is diseconomy to the extent of the excess of costs over the Class III price. Moreover, the larger the proportion of Class III milk, the lower is the blended price and, as a consequence, pressure to raise the Class I price usually arises. Because the retail price of milk is related directly to the price of Class I milk, this in turn may raise the price of milk to consumers or maintain it at a higher level than would be the case if the demand for fluid milk and the supply of graded milk were in closer balance.

Factors Associated with the Consumption of Milk in the Louisville Area

Population trends. Louisville city has registered irregular gains in population during each intercensal period since the first census was taken in 1790 (table 57). During the license period the population increased by perhaps 10,000 persons, but since the order was adopted in 1940 the increase (judging from the census data and from current indicators of population trends) probably exceeds 50,000 persons. The populations of Jeffersonville and New Albany, Ind., also increased sharply between 1940 and 1950. In total, the market for milk in the three "Falls Cities" has expanded since 1940 by more than 55,000 persons. The market for milk, however, is not confined to the boundaries of the "Falls Cities"; handlers distribute milk to many smaller communities within the metropolitan area. The Bureau of the Census includes all of Jefferson County, Ky., and Clark and Floyd Counties, Ind., in "The Louisville Standard Metropolitan Area". The population of this larger area increased from 451,000 persons in 1940 to 575,000 persons in 1950 (table 57).

The large movement of families to suburban areas is clearly indicated by the census data. These show that there were significant decreases, particularly between 1940 and 1950, in the percentages that the populations of Louisville, Jeffersonville, and New Albany were of their respective county populations (table 58). These trends in population and shifts in its location, accompanied by the development of outlying shopping centers as important outlets for fluid milk and cream, merit careful study by both producers and handlers because they have profound effects upon the consumption of graded milk in the marketing area.

Table 57.-- Growth of the market for fluid milk and cream in Louisville, Ky., and its environs, 1790-1950

Census year	Population of Louisville, Kentucky	Population of Jeffersonville, Indiana	Population of New Albany, Indiana	Total population of the "Falls Cities"	Louisville standard metropolitan area 1/
	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons
1790	200				
1800	359				
1810	1,357				
1820	4,012				
1830	10,341		2,079		
1840	21,210		4,226		
1850	43,194	2,122	8,181	53,497	
1860	68,033	4,020	12,647	84,700	
1870	100,753	7,254	15,396	123,403	
1880	123,758	9,357	16,423	149,538	
1890	161,129	10,666	21,059	192,854	
1900	204,731	10,774	20,628	236,133	
1910	223,928	10,412	20,629	254,969	
1920	234,891	10,098	22,992	267,981	
1930	307,745	11,946	25,819	345,510	420,769
1940	319,077	11,493	25,414	355,984	451,473
1950	367,129	14,685	29,346	411,160	576,900

1/ Includes Jefferson County, Kentucky, and Clark and Floyd Counties, Indiana; differs from the "Louisville marketing area" which is defined in Order No. 46 as the territory within Jefferson County, Kentucky, including but not being limited to the city of Louisville; Fort Knox Military Reservation, Kentucky; and the territory within Floyd County, Indiana, including but not being limited to all municipal corporations in said county; and the territory within the townships of Jeffersonville, Utica, Silver Creek, Union, and Charlestown, in Clark County, Indiana.

Compiled from reports of the Bureau of the Census.

The "Louisville, Ky., Milk Marketing Area" as currently defined in Order No. 46 embraces most, but not all, of the "Louisville Standard Metropolitan Area" and, in addition, includes Fort Knox, Ky. (figure 2, p. 167). Estimates of the 1940 and 1950 urban and rural nonfarm population of the civil divisions and municipalities which comprise the marketing area are shown in table 59. Because the population statistics were collected in

April of 1940 and of 1950 they do not reveal either the sharp increase which occurred in civilian and military population during the latter part of 1940, nor that which has occurred since the invasion of South Korea on June 25, 1950. The data are useful chiefly as indicators of the changes, during the last decade, in the sales potentials of the major and minor civil divisions of the marketing area. They also indicate that handlers who take care of the fluctuating requirements for milk at Fort Knox must carry a large reserve supply and, on the other hand, be organized to dispose of varying amounts of surplus milk. Sharp increases are shown throughout the area but, percentagewise, the increase in population was greatest in the Indiana communities, particularly in the townships in Clark County (table 59).

Table 58.-- Indication of population changes on the peripheries of the "Falls Cities" 1930 to 1940 to 1950

City or county	Population - Census of		
	1930	1940	1950
	Number of persons	Number of persons	Number of persons
City:			
Louisville, Ky.	307,745	319,007	367,129
Jeffersonville, Ind.	11,946	11,493	14,685
New Albany, Ind.	25,819	25,414	29,346
"Falls Cities"	345,510	355,984	411,160
Respective County:			
Jefferson Co., Ky.	355,350	385,392	484.615
Clark Co., Ind.	30,764	31,020	48,330
Floyd Co., Ind.	34,655	35,061	43,955
Standard Metropolitan area	420,769	451,473	576,900
Percentage of county population in city			
	Percent	Percent	Percent
Louisville, Ky.	86.6	82.8	75.8
Jeffersonville, Ind.	38.8	37.1	30.4
New Albany, Ind.	74.5	72.5	66.8
"Falls Cities"	82.1	78.8	71.3

Compiled from reports of the Bureau of the Census.

Some characteristics of the population: The Bureau of the Census reports that, in the Louisville Standard Metropolitan Area, children under 5 years old increased in number between 1940 and 1950 at a more rapid rate than any other age group, largely because of high birth rates during recent years. The increase was 126 percent for this age group as compared with 28 percent for the total population. The rate of increase of 46 percent for the 5 to 9 year age group also was relatively high. But, reflecting earlier low birth rates, the rate of increase of 5 percent for the 10 - 24 year age group was much below average. This is significant because the per capita consumption of milk in the teen-age and young adult group commonly is very high.

Table 59.-- Estimate of the urban and rural nonfarm population of the "Louisville milk marketing area", April, 1940 and 1950 1/

Marketing area 2/	Population: Total	Rural farm 3/	Urban and rural nonfarm
	Number persons	Number persons	Number persons
		1940	
Kentucky:			
Jefferson county	385,392	17,605	367,787
Fort Knox	4/ 8,000		4/ 8,000
Indiana:			
Floyd county	35,061	5,951	29,110
Townships in Clark county:			
Jeffersonville	16,962	703	16,259
Utica	1,412	574	838
Silver Creek	2,464	393	2,071
Union	776	387	389
Charlestown	2,614	1,122	1,492
Total	452,681	26,735	425,946
		1950	
Kentucky:			
Jefferson county	482,285	14,000	468,285
Fort Knox	3,000		5/ 3,000
Indiana:			
Floyd county	43,905	4,800	39,105
Townships in Clark county:			
Jeffersonville	26,438	700	25,738
Utica	1,840	570	1,270
Silver Creek	3,573	390	3,183
Union	940	380	560
Charlestown	7,069	1,000	6,069
Total	569,050	21,840	547,210

1/ Some sales of milk are made outside the marketing area, but are not segregated; these population estimates, therefore, do not represent the total number of persons who bought from handlers in the Louisville area.
2/ See table 57 - footnote 1.
3/ The rural farm data for 1950 were estimated on the basis of Census of Agriculture data.
4/ Estimate of the Division of Military Information, War Department.
5/ Rand McNally estimate (prior to invasion of South Korea).
From Census reports unless otherwise indicated.

Excluding children in kindergarten, approximately 100,000 persons 5 to 24 years old were enrolled in public and private schools in this metropolitan area in 1950; the corresponding number in 1940 was 83,547.

During the last decade, the labor force (which consists of the employed, the unemployed, and the Armed Forces) expanded by about 19

257955 O - 53 - 17

percent. An estimated 228,000 residents of the metropolitan area were in the labor force in April 1950 as compared with 190,987 in 1940. In the city of Louisville, the labor force increased by 10 percent to reach a total of 156,200 in 1950. Unemployment rates in the city followed a pattern similar to that in the metropolitan area, declining from 14 to 6 percent between 1940 and 1950.

The generally high employment level was reflected in the figures collected in 1950 on family income. The median average family income in 1949 in the metropolitan area was $3,222. Approximately 17 percent of the families and unrelated individuals in the metropolitan area received incomes of $5,000 or more, whereas 31 percent had incomes under $2,000. About 41 percent of families had incomes ranging from $2,000 to $3,499 in 1949 (2). Comparable data on family income in 1939 are not available.

Changes in the price of milk to consumers. Most dairy economists agree that the demand for milk is relatively inelastic; that is, a change in price is associated with less than a proportional change in the quantity which will be purchased, especially when changes in the retail price are small. Patzig and Hadary state it thus: "A change in fluid milk prices in the range ordinarily occurring in fluid milk markets—one or two cents per quart - only affects the takings of the marginal consumer whose income is at the demand-excitation level. Since a relatively small proportion of the consumers in any market might be classified as strictly marginal' (excluding those having incomes below the "breaking point') at a given time, changes in retail prices, as witnessed in city markets, fail to effect changes in milk consumption in the short run." (14)

However, a series of upward changes in the price of milk often creates consumer reaction and public comment. This may be because most homemakers consider milk to be an essential food item which they purchase on the basis of daily needs. If, for example, a family buys milk at the rate of 2 quarts per day, a 1-cent increase in the price per quart increases the cost of this single food item by 60 cents a month, or more than $7 a year. It is therefore in the public interest that the price of milk to consumers be no higher than is necessary to call forth an adequate supply under efficient methods of production and distribution. Despite the importance of milk as a food item, there has been little participation of consumers in the public hearings pertaining to the Federal milk orders.

Consumers paid an average of 12.8 cents per quart of milk delivered to their homes in the 1935-39 period. In 1951, they paid an average of 23.3 cents per quart for similar milk (table 60). This means that a family buying 2 quarts of milk per day paid about 21 cents more per day, or about $76 more per year, for milk delivered to the home in 1951 than during the 1935-39 period.

Comparable price increases were experienced by consumers who purchased milk at groceries. Historically, the retail price at grocery stores in Louisville has been lower than the price of milk delivered to homes. During the early license period, the average difference was about

1 cent per quart; but since 1936 the difference has been smaller. From 1940 to 1947 the spread ranged between 0.5 and 0.8 cents per quart. Since then it has become increasingly narrow, being only 0.3 cent in 1951.

Table 60.-- Trends in retail prices of milk at groceries and delivered to homes, and in retail cost of all foods, Louisville, Ky., 1940-51 (1935-39=100)

Year	Retail price: At groceries	Retail price: Delivered to homes	Index of: Retail price delivered to homes	Index of: Retail cost of all foods 1/
	Cents per qt.	Cents per qt.	Percent	Percent
1935-39 av.	2/	12.8	100.0	100.0
1940	12.4	12.9	100.9	96.6
1941	13.6	14.2	110.9	105.5
1942	14.4	15.0	117.2	123.9
1943	15.1	15.8	123.4	138.0
1944	15.2	16.0	125.0	136.1
1945	15.2	16.0	125.0	139.1
1946	17.4	18.1	141.4	159.6
1947	19.2	19.8	154.7	193.8
1948	21.3	22.0	171.9	210.2
1949	20.3	20.8	162.5	201.9
1950	20.8	21.2	165.6	204.5
1951	23.0	23.3	182.0	227.4

1/ Adjusted series.

2/ Price for 1935 not available. Average 1936-39 equals 12.5 cents per quart. Retail prices of milk and the index of retail cost of all foods, respectively, were compiled from BLS publications "Retail Food Prices by Cities" and "Consumers' Price Index and Retail Food Prices." Monthly retail prices of milk sold at groceries and delivered to home are given in tables 75 and 76.

Most prices advanced sharply, of course, during the war and post-war years. However, the relative increase since 1947 in the retail price of milk delivered to homes in Louisville has been moderate compared with the rise in the retail cost of all foods (table 60). Even though, at prevailing price levels, a quart of milk costs the consumer in Louisville 23 cents or more, milk remains a comparatively inexpensive food item.

Consumption of milk. During the period of April through December of 1940, handlers disposed of 63,286,000 pounds of milk in Class I and Class II, or in fluid products; this was an average of 230,130 pounds per day. Dividing by the estimated population of the market area for 1940 of 426,000 persons (table 59) yields a rough daily per capita consumption estimate of 0.54 pound of milk, in the form of fluid milk and cream products.

The comparable per capita estimate for 1950 is 0.88 pound, based upon a Class I and Class II average daily use of 483,000 pounds of milk and a population estimate of 547,000 persons. These per capita consumption estimates have some upward bias because quantities of out-of-area sales can not be segregated for either 1940 or 1950. However, the volume of out-of-area sales for fluid consumption has been reported from September 1951 through May 1952. The daily average out-of-area sales during that period amounted to 12,000 pounds of milk. If a like amount of milk was sold outside of the marketing area in 1950 the per capita consumption estimate would be reduced to about 0.86 pound per day. Although these estimate only approximate the level of fluid consumption in the Louisville market area, they do indicate a substantial increase in the consumption of fluid products during the last decade.

Developments in the distributive field. Since 1947 market administrators in all Federal order markets have submitted monthly "Product Reports" to the Director of the Dairy Branch, Production and Marketing Administration. This report was introduced primarily to obtain more accurate, uniform, and detailed data on sales of fluid milk, fluid skim milk products, and butterfat in fluid cream than could be derived from the various market pool reports. Although only 5 years of data are available, the Louisville statistics reveal some important patterns. Because there has been some growth in the population of the area since 1947 one would expect (even though per capita consumption remained unchanged) some increase in total volume of sales; any decrease in sales, of course, would be prima facie evidence of a decrease in per capita consumption. Of the Class I products, the largest proportion, of course, consists of sales of whole milk in bottles and paper containers at retail and wholesale and of bulk sales at wholesale. The volume of milk sold as whole milk in 1951 was about 20 percent greater than in 1947 (table 61). Of the skim milk products, buttermilk leads in volume, followed, respectively, by flavored and skim milk. In total, the skim products represent less than 10 percent of the total volume of Class I product pounds. Of the skim products, buttermilk appears to be consumed at about the same rate in 1951 as in 1947, but an increase in per capita consumption of skim milk and flavored milk drinks is indicated.

Of the Class II products, sales of cream of 18-30 percent butterfat predominated, but a sharp downward trend has developed since 1947. A downward trend also is apparent for cream of 30 percent or more butterfat content. In contrast, sales of cream in the 6-17.9 percent category have increased sharply during the five-year period. These changes are associated with the introduction of "half and half" (a product containing about 9 percent butterfat) late in 1947 and the introduction in December 1948 of a cream mixture with an average butterfat content of about 25 percent classified in Class III. In his annual report for 1949, the market administrator states that the sale of "half and half" to a large extent had replaced the sale of "single cream".

Despite an upward trend in population, the data show a downward trend in total pounds of butterfat consumed in Class II products. This downward tendency in the total per capita consumption of butterfat in Class II products again is associated with the rather general substitution of "half and half" for single cream and with the classification of the 25 percent butterfat mixture (a product competitive with whipping cream) as a Class III product. Furthermore, in view of the fact that the demand for cream products is more sensitive to price changes than the demand for milk, it is probable that some housewives in Louisville have responded to higher cream prices by curtailing or perhaps discontinuing purchases of this item.

Table 61.-- Disposition of milk, cream, and skim milk for fluid consumption in Class I and Class II products, Louisville, Ky., market area, 1947-51 1/

Year	Milk, cream, and skim milk in Class I products:				
		Other than whole milk			
	Whole milk	Skim milk	Buttermilk	Flavored milk	Total
	Product pounds	Product pounds	Product pounds	Product pounds	Product pounds
1947	138,751,823	383,055	8,805,888	3,618,829	151,559,595
1948	144,587,164	469,581	8,929,428	4,023,426	158,009,599
1949	149,412,714	701,090	9,079,189	4,216,854	163,409,847
1950	156,383,277	1,002,218	8,726,521	4,147,816	170,259,832
1951	167,131,861	1,505,954	9,111,665	4,506,175	182,255,655

Year	Butterfat in Class II products:				
	Fluid Cream, fat content of:				
	6-17.9 percent	Over 17.9 to 30 percent 2/	30 percent or more 3/	Sour Cream	Total
	Pounds	Pounds	Pounds	Pounds	Pounds
1947	14,385	567,709	79,652	5,086	666,832
1948	28,710	485,856	88,964	4,800	608,330
1949	85,840	433,272	70,468	4,018	593,598
1950	93,283	438,032	59,200	4,947	595,462
1951	105,743	404,293	60,493	4,832	575,361

1/ Total sales including sales to Fort Knox and to points outside the marketing area.
2/ Upper limit changed to 27 percent beginning June 1950.
3/ 27 percent or more beginning June 1950.
Compiled from monthly "Product Reports" prepared since 1947 by the market administrator.

The market administrator reports that the total quantity of homogenized milk distributed, and the quantity of milk sold at retail and wholesale in paper cartons, has increased greatly in the last few years. The demand for packaging in paper cartons comes from food stores, schools, hospitals and government contracts. During 1951, 7 handlers in Louisville with paper packaging equipment were serving 10 other handlers with paper-cartoned milk and milk products. Customarily the handler receiving such service supplies the milk to be packaged.

"Yogurt" was introduced into the market in February 1951. Originally the local handlers did not manufacture yogurt but received supplies of this product from Nashville and from Chicago. "Modified Grade A Pasteurized Homogenized Skim Milk" has been distributed in limited volume by one handler since September 1951. This product is made from graded fluid skim milk to which high temperature spray skim powder is added to increase the solids content to a minimum of 10.5 percent. Cream is used to obtain a butterfat content of 0.5 percent. The product is fortified with vitamins A and D.

Because of the dynamic nature of the fluid milk industry, the development of specific market information (such as the data obtained from the routine reports of the market administrator) is of primary importance. Accurate and adequate market data provide essential statistical guidance which, at all times, promotes effective regulation. Furthermore, in periods of national emergency, such a fund of data affords quantitative information which is highly important to the formulation of successful national policies and programs with respect to the milk industry.

LITERATURE CITED

(1) Baker, Burton A. and Froker, Rudolph K.
1945. The Evaporated Milk Industry under Federal Marketing Agreements. U. of Wisconsin, Madison, Wis. Research Bul. 156, 91 pp. illus.

(2) Census of Population (1950)
1951 Characteristics of the Population of the Louisville, Ky., Standard Metropolitan Area: April 1, 1950. Series PC-5 No. 26. Preliminary, U. S. Dept. of Commerce, Bureau of the Census, 17 pp.

(3) Falls Cities Cooperative Dairyman.
1940. Fed. Order Asked; Hearing Date Set. Vol. VIII, no. 10, p. 1, Louisville, Ky.

(4) Foelsch, Gertrude G.
1951. Federal Milk Marketing Orders and Dairy Programs in World War II. U. S. Dept. Agr., Production and Marketing Adm. Agr. Monograph No. 12, 65 pp. illus.

(5) Forest, H. L., Hanson, J. R., Sadler, W. P.
1937. Economic Brief With Respect to the Proposed Marketing Agreement and Proposed Order for the Louisville, Ky., Marketing Area. U. S. Dept. Agr., Agr. Adj. Adm., Paper No. 13, 106 pp.

(6) Gaumnitz, E. W. and Reed, O. M.
1937. Some Problems Involved in Establishing Milk Prices. U. S. Dept. Agr., Agr. Adj. Adm. DM-2, 227 pp. illus.

(7) Gold, Norman L., Hoffman, A. C., Waugh, Frederick V.
1940. Economic Analysis of the Food Stamp Plan. U. S. Dept. Agr., Bur. Agr. Econ., and Surplus Marketing Adm. A Special Report, 98 pp. illus.

(8) Harris, Edmond S.
1952. Early Development of Milk Marketing Plans in the Kansas City, Missouri, Area. U. S. Dept. Agr., Production and Marketing Adm., Marketing Research Report No. 14, 99 pp. illus.

(9) Hunziker, Otto F.
1940. The Butter Industry 3rd Edition Pub. by the author, La Grange, Ill. 821 pp. illus.

(10) Iverson, L. S., Federal Milk Market Administrator.
1952. The Courier, Vol. 12 No. 9, p. 4, Louisville, Ky.

(11) Kentucky Agricultural Production and Marketing Commission.
1950. Kentucky Agricultural Statistics 1948. U. S. Dept. Agr. B.A.E. and Ky. State Dept. of Agr. 131 pp. illus.

(12) March, Robert W.
1949. The Pricing of Surplus Milk in the Chicago Market U. S. Dept. Agr., Production and Marketing Adm., 79 pp. illus.

(13) National Cooperative Milk Producers' Federation.
1933. Falls Cities Cooperative Milk Producers' Association, Louisville, Ky. History Series No. 4, 44 pp.

(14) Patzig, R. E. and Hadary, Gideon.
1945. Relationship of income to milk consumption. Reprint Journal of Farm Economics, Vol. XXVII, No. 1, Feb. 1945. Study of 601 families in Madison and Racine, Wis. and in South Bend-Mishawaka, Ind.

(15) Roberts, John B. and Price, H. B.
1939. Organization and Management of the Falls Cities Cooperative Milk Producers' Association. Kentucky Agr. Expt. Station, Lexington, Ky. Bul. No. 390, 87 pp. illus.

(16) Roberts, John B.
1947. The Louisville Fall-Premium Plan for Seasonal Milk Pricing. Kentucky Agr. Expt. Station, Lexington, Ky. Bul. 510, 75 pp. illus.

(17) Solicitor, United States Dept. of Agr.
1935. Annotated Compilation of the Agricultural Adjustment Act As Amended and Acts Relating Thereto at the close of the first session of the 74th Congress, Aug. 26, 1935, Govt. Printing Office. 187 pp.

(18) Tetro, Robert C., Hanson, J. R., Miller, P. L.
1940. Statement Concerning The Louisville Milk Market and A Proposed Marketing Agreement and Order. U. S. Dept. Agr. Div. Marketing and Marketing Agreements, 147 pp. illus.

(19) Urner-Barry Co. New York.
1933. Who's Who in the Butter, Cheese and Milk Industries. Year Book.

(20) Welden, Wm. C. and Stitts, T. G.
1939. Cooperative Milk Marketing in Louisville. Farm Credit Adm. Bul. No. 32, 88 pp. illus.

APPENDIX

Table 62.--Number of producers delivering milk to handlers participating in the Louisville market pool, Louisville marketing area, June 1934-December 1951

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Average
	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number
License period:													
1934						1,144	1,137	1,155	1,128	1,121	1,206	1,140	1/1,147
1935	1,123	1,127	1,138	1,148	1,076	1,072	1,004	960	1,011	1,011	1,026	1,014	1,059
1936	1,014	997	1,005	1,004	1,000	1,007	1,029	1,040	1,060	1,065	1,071	1,065	1,030
1937	1,084	1,068	1,078	1,012	1,044	1,045	1,039	1,049	1,049	1,045	1,053	1,053	1,052
1938	1,057	1,066	1,074	1,092	1,118	1,138	1,174	1,158	1,138	1,179	1,161	1,160	1,126
1939	1,153	1,164	1,183	1,171	1,185	1,210	1,193	1,190	1,169	1,184	1,186	1,186	1,181
1940	1,196	1,186	1,194										
Order period:													
1940				1,442	1,475	1,491	1,513	1,498	1,506	1,513	1,509	1,518	2/1,496
1941	1,518	1,509	1,515	1,528	1,540	1,563	1,562	1,565	1,559	1,575	1,546	1,562	1,545
1942	1,569	1,559	1,540	1,550	1,565	1,579	1,598	1,587	1,585	1,578	1,568	1,570	1,571
1943	1,579	1,587	1,588	1,611	1,623	1,627	1,607	1,602	1,618	1,628	1,616	1,611	1,608
1944	1,612	1,625	1,619	1,627	1,648	1,651	1,700	1,706	1,701	1,689	1,658	1,654	1,658
1945	1,659	1,641	1,658	1,642	1,671	1,668	1,657	1,661	1,669	1,647	1,641	1,639	1,654
1946	1,616	1,607	1,628	1,633	1,656	1,674	1,693	1,684	1,700	1,698	1,679	1,681	1,662
1947	1,682	1,681	1,688	1,688	1,688	1,714	1,737	1,741	1,742	1,747	1,736	1,709	1,713
1948	1,689	1,683	1,709	1,725	1,761	1,788	1,798	1,792	1,812	1,824	1,812	1,802	1,766
1949	1,829	1,828	1,886	1,928	1,965	2,001	1,998	2,004	2,027	2,041	2,050	2,050	1,967
1950	2,073	2,078	2,099	2,117	2,125	2,143	2,148	2,165	2,167	2,173	2,178	2,165	2,136
1951	2,160	2,063	2,062	2,061	2,066	2,072	2,059	2,051	2,054	2,046	2,065	2,035	2,066

1/ 7-month average.
2/ 9-month average.

Compiled from reports of the Market Administrator.

Table 63.--Average daily deliveries of milk per producer delivering milk to handlers participating in the Louisville market pool, Louisville marketing area, June 1934-December 1951 1/

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Average
	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds
License period:													
1934						232	214	213	203	180	173	182	2/200
1935	192	199	206	227	254	248	238	253	244	198	188	197	220
1936	205	216	225	234	276	248	220	239	240	225	204	210	228
1937	205	203	220	252	283	266	248	231	214	186	187	195	224
1938	209	224	238	276	295	285	263	257	251	213	198	209	243
1939	227	239	248	270	310	287	279	275	251	206	199	212	250
1940	219	237	246										
Order period:													
1940				264	303	299	263	241	237	212	202	219	3/249
1941	235	252	262	295	333	314	308	294	268	225	225	235	271
1942	243	262	280	315	340	319	307	301	273	233	220	226	277
1943	241	258	268	285	330	321	309	273	249	220	211	221	266
1944	234	250	263	290	332	314	275	263	275	254	241	243	270
1945	254	274	292	347	363	358	343	314	282	246	228	231	294
1946	255	279	298	362	377	364	352	329	309	264	248	251	307
1947	274	294	309	345	394	385	355	322	310	268	238	245	312
1948	260	283	306	357	390	345	324	331	301	276	264	276	309
1949	294	319	335	375	397	354	325	315	305	267	259	265	317
1950	281	308	322	345	382	359	339	332	319	300	264	257	317
1951	274	295	308	322	391	378	336	314	315	306	275	288	317

1/ Averages published by the Market Administrator. A series computed from audited receipts from producers for the period April 1940 through December 1950 (129 months) varied only slightly from this published series. The averages were identical in 52 months. The differences were: 1 pound in 26 months; 2 pounds in 35 months; 3 pounds in 10 months; 4 pounds in 2 months; 5 pounds in 2 months; 6 pounds in 1 month; and 11 pounds in 1 month.

2/ 7-month average.

3/ 9-month average.

Compiled from reports of the Market Administrator.

Table 64.--Average butterfat content of producer milk received by handlers in the Louisville marketing area, June 1934-December 1951

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Weighted average
	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
1934						3.931	3.962	4.002	4.154	4.321	4.244	4.286	
1935	4.142	4.104	4.013	3.975	4.028	4.009	3.876	3.933	4.092	4.306	4.332	4.445	4.090
1936	4.341	4.327	4.078	4.093	3.998	3.885	3.893	3.863	3.964	4.268	4.355	4.297	4.103
1937 1/	4.234	4.171	4.126	4.024	4.020	3.975	4.036	4.091	4.206	4.489	4.438	4.465	4.168
1938	4.269	4.141	4.027	4.013	4.007	4.025	4.034	4.076	4.239	4.451	4.487	4.414	4.165
1939	4.315	4.271	4.186	4.160	4.096	4.054	4.045	4.132	4.177	4.410	4.480	4.424	4.210
1940	4.475	4.289	4.195	4.124	4.117	4.019	4.067	4.044	4.251	4.407	4.396	4.322	4.206
1941	4.244	4.209	4.135	4.026	4.065	4.089	4.099	4.098	4.257	4.414	4.442	4.378	4.189
1942	4.382	4.249	4.181	4.114	4.063	4.043	4.119	4.157	4.300	4.463	4.430	4.415	4.224
1943	4.291	4.183	4.153	4.071	4.035	3.958	4.032	4.005	4.229	4.440	4.407	4.317	4.156
1944	4.286	4.147	4.132	4.074	3.954	3.895	3.874	3.966	4.119	4.227	4.295	4.343	4.096
1945	4.279	4.184	4.027	3.982	3.992	3.963	3.962	4.014	4.144	4.380	4.319	4.320	4.107
1946	4.189	4.106	3.945	3.921	3.925	3.890	3.905	4.096	4.169	4.265	4.250	4.200	4.053
1947	4.140	4.116	4.060	3.940	3.907	3.862	3.951	3.925	4.069	4.210	4.263	4.162	4.032
1948	4.120	4.030	3.915	3.850	3.854	3.814	3.867	3.893	4.033	4.218	4.151	4.100	3.973
1949	4.027	3.991	3.950	3.933	3.885	3.845	3.874	3.939	4.157	4.220	4.209	4.147	4.002
1950	4.042	3.978	3.977	3.913	3.860	3.854	3.876	3.923	4.043	4.074	4.168	4.170	3.979
1951	4.041	3.973	3.903	3.893	3.814	3.796	3.844	3.852	3.987	4.069	4.186	4.114	3.944

1/ Data for flood period, January 24 to February 10, not available; January 1-23, 4.234; February 11-28, 4.171.

Compiled from records of the Market Administrator.

Table 65.--Number of handlers participating in the Louisville market pool, June 1934-December 1951 1/

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Average
	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number
License period:													
1934						23	21	21	20	20	25	23	2/22
1935	22	22	21	21	20	20	20	20	20	20	21	21	21
1936	21	21	21	21	21	21	21	21	21	21	21	21	21
1937	20	20	20	19	19	19	18	19	18	19	19	18	19
1938	18	18	18	18	18	18	17	17	17	18	18	18	18
1939	18	18	18	18	17	17	17	17	17	17	17	17	17
1940	17	17	17										
Order period:													
1940				32	32	33	31	31	31	30	30	30	3/31
1941	30	30	30	30	30	30	30	30	30	30	30	31	30
1942	31	31	31	31	31	31	31	32	32	32	34	34	32
1943	34	34	34	34	34	33	32	33	33	33	33	34	33
1944	36	36	35	34	34	34	32	31	31	31	30	30	33
1945	29	29	29	29	29	29	29	28	28	28	28	28	29
1946	27	27	27	26	26	26	26	27	27	27	27	27	27
1947	27	27	27	28	28	28	28	28	28	28	28	28	28
1948	28	28	28	27	28	28	28	29	29	29	29	30	28
1949	30	30	30	30	30	30	29	29	29	29	29	29	30
1950	29	29	29	29	28	28	27	27	27	27	28	28	28
1951	28	27	27	27	27	27	28	28	28	28	28	28	28

1/ Includes handlers with "own farm" production but does not include producer-handlers. The average range in number of producer-handlers was from 4 in 1941 (when New Albany and Jeffersonville, Ind. were not in the market area) to about 30 in 1945 (at that time the larger producer-handlers were required to report under War Food Order No. 79). By 1951 only 9 producer-handlers were operating in the defined marketing area.

2/ 7-month average.

3/ 9-month average.

Compiled from reports of the Market Administrator.

Table 66.--Estimated total market supply of milk: Estimated graded supply and receipts of emergency and other source milk, Louisville marketing area, April 1940-December 1951

Year and month	Estimated total market supply 1/	Estimated graded supply: Total	Estimated graded supply: Receipts from producers 2/	Estimated graded supply: Own farms of handlers 3/	Estimated graded supply: Production of producer-handlers 4/	Receipts of: Emergency milk 5/	Receipts of: Other source milk 6/
	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds
1940							
April	Not	11,987,116	11,677,229	195,179	114,708		Not
May	avail-	14,236,011	13,793,084	225,799	217,128		avail-
June	able	13,711,575	13,401,575	196,944	113,056		able
July		12,612,526	12,314,879	185,788	111,859		
August		11,463,544	11,171,623	174,488	117,433		
September		11,119,898	10,706,620	189,351	223,927		
October		10,249,196	9,932,912	195,958	120,326		
November		9,408,322	9,133,493	160,086	114,743		
December		10,527,822	10,274,058	160,299	93,465		
1941							
January	Not	11,327,442	11,052,927	165,616	108,899		Not
February	avail-	10,866,535	10,626,814	154,785	84,936		avail-
March	able	12,600,118	12,295,139	188,181	116,798		able
April		13,893,857	13,550,156	190,327	153,374		
May		16,238,622	15,917,733	201,173	119,716		
June		14,887,494	14,596,426	180,388	110,680		
July		15,213,515	14,908,990	196,200	108,325		
August		14,541,842	14,250,341	188,034	103,467		
September		12,831,293	12,557,662	182,582	91,049		
October		11,252,124	10,999,298	173,081	79,745		
November		10,787,682	10,523,611	163,574	100,497	262,246	
December		11,838,790	11,542,004	183,087	113,699	67,500	
Total		156,279,314	152,821,101	2,167,023	1,291,135	329,746	

See footnotes at end of table.

Table 66.--Estimated total market supply of milk: Estimated graded supply and receipts of emergency and other source milk, Louisville marketing area, April 1940-December 1951--Continued

Year and month	Estimated total market supply 1/	Estimated graded supply: Total	Estimated graded supply: Receipts from producers 2/	Estimated graded supply: Own farms of handlers 3/	Estimated graded supply: Production of producer-handlers 4/	Receipts of: Emergency milk 5/	Receipts of: Other source milk 6/
	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds
1942							
January	15,158,257	12,229,206	11,937,450	178,394	113,362		2,929,051
February	15,198,824	11,797,090	11,520,482	171,394	105,214		3,401,734
March	18,489,752	13,840,765	13,516,694	200,340	123,731		4,648,987
April	21,145,318	15,151,201	14,809,552	206,197	135,452		5,994,117
May	24,127,259	16,932,096	16,615,417	190,807	125,872		7,195,163
June	15,552,490	15,479,681	15,221,055	150,263	108,363		72,809
July	16,153,728	15,625,674	15,356,721	157,025	111,928		528,054
August	15,667,318	15,250,767	14,940,703	211,475	98,589		416,551
September	13,883,580	13,397,717	13,086,691	208,127	102,899		485,863
October	12,674,448	11,827,122	11,508,360	223,764	94,998	450,764	396,562
November	11,999,536	10,773,055	10,462,172	213,555	97,328	894,678	331,803
December	12,677,847	11,462,697	11,131,162	222,437	109,098	851,909	363,241
Total	192,728,357	163,767,071	160,106,459	2,333,778	1,326,834	2,197,351	26,763,935
1943							
January	13,156,262	12,308,489	11,914,256	212,559	181,674	491,627	356,146
February	12,762,101	11,970,108	11,575,842	198,868	195,398	376,450	415,543
March	14,277,975	13,760,433	13,326,916	228,806	204,711	8,669	508,873
April	14,995,456	14,341,339	13,852,875	228,678	259,786	-	654,117
May	18,200,245	17,083,501	16,565,066	239,080	279,355	-	1,116,744
June	18,579,198	16,225,086	15,759,472	217,163	248,451	-	2,354,112
July	18,211,813	15,951,595	15,502,657	191,275	257,663	-	2,260,218
August	16,434,842	14,305,165	13,771,008	173,436	360,721	106,045	2,023,632
September	14,933,628	12,719,300	12,178,170	173,660	367,470	620,885	1,593,443
October	14,433,904	11,725,174	11,178,323	170,389	376,462	1,379,440	1,329,290
November	13,230,236	10,837,597	10,296,192	178,520	362,885	1,297,327	1,095,312
December	13,498,266	11,714,713	11,123,790	212,484	378,439	1,152,405	631,148
Total	182,713,926	162,942,500	157,044,567	2,424,918	3,473,015	5,432,848	14,338,578

1944							
January	16,620,011	12,265,328	11,773,091	206,125	286,112	934,485	3,420,198
February	17,036,554	12,337,350	11,845,871	197,600	293,879	567,770	4,131,434
March	19,131,836	13,823,353	13,283,709	220,604	319,040	349,322	4,959,161
April	20,217,250	14,747,416	14,238,673	192,841	315,902	17,200	5,452,634
May	25,257,367	17,490,324	17,040,020	132,755	317,549	-	7,767,043
June	17,457,860	16,083,553	15,626,775	118,172	338,606	-	1,374,307
July	23,436,712	15,060,458	14,560,111	130,625	369,722	-	8,376,254
August	23,068,953	14,451,127	13,975,217	130,044	345,866	68,846	8,548,980
September	23,729,535	14,595,654	14,111,363	144,483	339,808	62,109	9,071,772
October	21,520,078	13,835,339	13,375,257	138,967	321,115	470,049	7,214,690
November	19,326,889	12,716,279	12,254,576	137,822	323,881	738,194	5,872,416
December	18,830,469	13,010,158	12,540,441	144,762	324,955	737,658	5,082,653
Total	245,633,514	170,416,339	164,625,104	1,894,800	3,896,435	3,945,633	71,271,542
1945							
January	19,607,603	13,596,990	13,030,675	160,546	405,769	768,948	5,241,665
February	18,702,679	13,021,818	12,491,748	155,855	374,215	557,550	5,123,311
March	21,984,826	15,325,847	14,794,507	176,600	354,740	538,302	6,120,677
April	26,073,177	17,598,044	17,075,195	171,283	351,566	41,780	8,433,353
May	29,682,758	19,331,576	18,808,610	180,478	342,488	-	10,351,182
June	28,792,774	18,426,052	17,925,077	173,168	327,807	-	10,366,722
July	28,955,013	18,181,343	17,670,522	191,646	319,175	-	10,773,670
August	27,002,730	16,752,365	16,257,592	178,278	316,495	-	10,250,365
September	24,364,755	14,648,203	14,156,972	162,707	328,524	791,674	8,924,878
October	22,338,563	13,141,202	12,628,287	163,585	349,330	2,114,844	7,082,517
November	19,134,320	11,762,232	11,276,734	161,814	323,684	2,709,149	4,662,939
December	18,658,439	12,312,858	11,802,930	181,364	328,564	2,294,241	4,051,340
Total	285,297,637	184,098,530	177,918,849	2,057,324	4,122,357	9,816,488	91,382,619

See footnotes at end of table.

Table 66.--Estimated total market supply of milk: Estimated graded supply and receipts of emergency and other source milk, Louisville marketing area, April 1940-December 1951 --Continued

Year and month	Estimated total market supply 1/	Estimated graded supply: Total	Estimated graded supply: Receipts from producers 2/	Estimated graded supply: Own farms of handlers 3/	Estimated graded supply: Production of producer-handlers 4/	Receipts of: Emergency milk 5/	Receipts of: Other source milk 6/
	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds
1946							
January	18,643,541	13,348,318	12,821,400	191,840	335,078	2,024,191	3,271,032
February	18,983,499	13,095,977	12,593,378	181,495	321,104	1,363,924	4,523,598
March	18,847,473	15,482,650	14,946,749	196,475	339,426	1,089,422	2,275,401
April	27,081,261	18,282,856	17,809,758	147,964	325,134	186,723	8,611,682
May	21,317,438	19,914,871	19,473,983	145,373	295,515	-	1,402,567
June	20,205,029	18,850,304	18,404,604	128,187	317,513	-	1,354,725
July	20,318,782	18,973,355	18,522,646	130,187	320,522	-	1,345,427
August	19,211,754	17,899,204	17,452,112	128,756	318,336	-	1,312,550
September	16,882,414	15,605,748	15,180,169	120,220	305,359	202,281	1,074,385
October	15,174,548	14,125,921	13,833,185	(115,706)	292,736	705,088	343,539
November	14,211,134	12,730,055	12,445,956	(108,961)	284,099	1,042,198	438,881
December	14,431,440	13,323,122	13,036,004	(107,380)	287,118	733,508	374,810
Total	225,308,313	191,632,381	186,519,944	1,370,497	3,741,940	7,347,335	26,328,597
1947							
January	14,942,061	14,487,073	14,288,073	Included	199,000	180,094	274,894
February	14,329,126	14,062,045	13,852,045	in	210,000		267,081
March	16,795,686	16,384,450	16,164,450	receipts	220,000		411,236
April	18,105,381	17,692,322	17,456,322	from	236,000		413,059
May	21,402,507	20,932,811	20,672,811	producers	260,000		469,696
June	20,576,196	20,126,974	19,876,974		250,000		449,222
July	19,785,399	19,364,321	19,126,321		238,000		421,078
August	17,909,440	17,559,210	17,338,210		221,000		350,230
September	16,717,186	16,411,261	16,197,261		214,000		305,925
October	16,199,633	14,709,178	14,508,178		201,000	1,169,077	321,378
November	14,743,449	12,603,124	12,420,124		183,000	1,918,230	222,095
December	15,270,022	13,172,151	12,980,151		192,000	1,775,516	322,355
Total	206,776,086	197,504,920	194,880,920		2,624,000	5,042,917	4,228,249

1948							
January	15,510,555	13,798,067	13,632,067	Included	166,000	1,379,367	333,121
February	15,290,633	13,984,587	13,807,587	in	177,000	1,008,249	297,797
March	17,183,689	16,413,717	16,223,717	receipts	190,000	369,233	400,739
April	19,014,502	18,665,843	18,453,843	from	212,000	8,952	339,707
May	21,856,885	21,433,745	21,201,745	producers	232,000		423,140
June	19,101,204	18,688,013	18,479,013		209,000		413,191
July	18,633,865	18,250,156	18,050,156		200,000		383,709
August	19,395,707	18,713,441	18,517,441		196,000		682,266
September	17,087,188	16,685,303	16,500,303		185,000	47,821	354,064
October	16,600,186	15,877,006	15,699,006		178,000	418,506	304,674
November	15,443,569	14,635,748	14,468,748		167,000	534,934	272,887
December	16,823,199	15,693,595	15,515,595		178,000	336,309	793,295
Total	211,941,182	202,839,221	200,549,221		2,290,000	4,103,371	4,998,590
1949							
January	18,653,708	16,929,360	16,780,360	Included	149,000	Included	1,724,348
February	17,650,882	16,603,590	16,444,590	in	159,000	in	1,047,292
March	20,203,405	19,780,086	19,610,086	receipts	170,000	"other	423,319
April	22,298,843	21,862,738	21,674,738	from	188,000	source	436,105
May	24,752,976	24,380,575	24,178,575	producers	202,000	milk"	372,401
June	21,750,512	21,406,638	21,224,638		182,000		343,874
July	20,635,362	20,312,998	20,142,998		170,000		322,364
August	20,040,225	19,718,005	19,557,005		161,000		322,220
September	19,245,874	18,715,358	18,556,358		159,000		530,516
October	17,723,842	17,049,028	16,900,028		149,000		674,814
November	16,706,831	16,092,239	15,950,239		142,000		614,592
December	17,361,401	16,999,544	16,849,544		150,000		361,857
Total	237,023,861	229,850,159	227,869,159		1,981,000		7,173,702

See footnotes at end of table.

Table 66.--Estimated total market supply of milk: Estimated graded supply and receipts of emergency and other source milk, Louisville marketing area, April 1940-December 1951 --Continued

Year and month	Estimated total market supply 1/	Estimated graded supply: Total	Estimated graded supply: Receipts from producers 2/	Estimated graded supply: Own farms of handlers 3/	Estimated graded supply: Production of producer-handlers 4/	Receipts of: Emergency milk 5/	Receipts of: Other source milk 6/
	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds
1950							
January	18,461,242	18,255,497	18,105,497	Included	150,000	Included	205,745
February	18,276,306	18,077,105	17,915,105	in	162,000	in	199,201
March	21,356,698	21,120,169	20,949,169	receipts	171,000	"other	236,529
April	22,313,129	22,070,174	21,888,174	from	182,000	source	242,955
May	25,657,233	25,350,819	25,151,819	producers	199,000	milk"	306,414
June	23,523,600	23,245,993	23,061,993		184,000		277,607
July	23,029,444	22,755,384	22,579,384		176,000		274,060
August	22,761,463	22,464,705	22,296,705		168,000		296,758
September	21,170,347	20,916,405	20,752,405		164,000		253,942
October	20,683,933	20,334,775	20,179,775		155,000		349,158
November	17,663,741	17,384,351	17,269,351		115,000		279,390
December	17,787,796	17,361,181	17,247,181		114,000		426,615
Total	252,684,932	249,336,558	247,396,558		1,940,000		3,348,374
1951							
January	18,818,506	18,448,402	18,318,402	Included	130,000	Included	370,104
February	17,497,150	17,182,730	17,049,730	in	133,000	in	314,420
March	20,033,025	19,827,750	19,690,750	receipts	137,000	"other	205,275
April	20,299,563	20,062,324	19,919,324	from	143,000	source	237,239
May	25,529,590	25,230,055	25,064,055	producers	166,000	milk"	299,535
June	23,698,310	23,412,135	23,251,135		161,000		286,175
July	21,420,152	21,135,463	20,991,463		144,000		284,689
August	19,879,634	19,594,136	19,458,136		136,000		285,498
September	22,707,964	19,234,411	19,098,411		136,000		3,473,553
October	22,560,958	19,230,979	19,098,979		132,000		3,329,979
November	19,418,689	16,759,621	16,638,621		121,000		2,659,068
December	19,928,791	17,821,480	17,696,480		125,000		2,107,311
Total	251,792,332	237,939,486	236,275,486		1,664,000		13,852,846

1/ Total of receipts from all sources as reported by handlers under the provisions of Order No. 46, and estimates of production of producer-handlers.

2/ Receipts through 1950 are from audited reports; 1951 unaudited. Beginning Oct. 1946, receipts from handlers' own farms are included.

3/ Not reported separately after 1946 when data are included in receipts from producers.

4/ Estimated. Producer-handlers are not required to report under Order No. 46. Estimates are based on information supplied by the health authorities and by the Market Administrator, except that under War Food Order No. 79-38 (1943-46) the larger producer-handlers were required to report their production and sales.

The number of producer-handlers and, consequently, the estimates of their aggregate production, changed not only as persons entered or left the business but also as the boundaries of the marketing area changed (pp. 99-100). The average range in number was from 4 in 1941 (when New Albany and Jeffersonville, Ind., were not in the marketing area) to about 30 in 1945; by 1951 only 9 producer-handlers were operating in the defined marketing area.

5/ "Emergency milk" (milk, skim milk, or cream received by a handler from sources other than producers under a permit issued by the proper health authorities) was separately defined until September 1948, when it was included under "other source milk."

6/ Prior to September 1951 included ungraded receipts of handlers that did not have transfer records and therefore accounted for their graded plant and manufacturing plant operations together on a single plant basis. Under the amendment of September 1951, all handlers (those with dual as well as those with single city or country plants) are required to report on ungraded receipts in any month in which they have used producer milk in manufactured products. For practical purposes, all ungraded milk received by handlers now is included under "other source milk." Figures through 1949 are audited; 1950 and 1951 unaudited.

Compiled from reports of the Market Administrator.

Table 69. —Volume of milk receipts from producers and percentage of milk in each class used in computation of the blended price, Louisville Sales Area, period of License No. 60, June 1, 1934-March 31, 1940

Year and month	Producer receipts (100%)	Class I							Class II			Class III		Other	
		Regular		Relief		I-A1/	Other		Regular		II-A1/	Regular			
		Ky.	Ind.	Ky.	Ind.	Ky.	Ky.	Ind.	Ky.	Ind.	Ky.	Ky.	Ind.	Ky.	Ind.
	Pounds	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
1934															
June	7,947,594	53.4		1.3					13.1			32.2			
July	7,537,016	54.7		1.1					13.1			31.1			
August	7,636,441	52.5		1.1					12.6			33.8			
September	6,872,034	57.0		1.9					13.6			27.5			
October	6,243,660	65.7		2.2					15.5			16.6			
November 1- 3		6.3		.3					1.5			1.4			
4-30		61.3		2.0					13.5			13.7			
1-30	6,276,782	(67.6)		(2.3)					(15.0)			(15.1)			
December 1-15		31.2		1.0					7.4			7.9			
16-31		32.5		1.1					8.2			10.7			
1-31	6,416,711	(63.7)		(2.1)					(15.6)			(18.6)			
1935															
January	6,686,556	55.7	5.2	1.9	2/				13.0	1.3		20.8	2.1		
February	6,287,406	56.2	4.9	1.7	2/				12.7	1.4		21.0	2.1		
March	7,277,784	52.8	4.5	1.9	2/				12.9	1.3		24.4	2.2		
April	7,827,708	46.4	4.0	1.7	2/				12.1	1.2		32.1	2.5		
May	8,460,892	43.2	3.8	1.6	2/				11.2	1.2		36.1	2.9		
June	7,976,106	43.3	3.9	1.2	2/				10.1	1.1		37.4	3.0		
July	7,415,048	47.1	4.4	1.4	0.1				10.6	1.2		32.5	2.7		
August	7,515,420	47.7	4.4	1.4	0.1		3/	0.4	10.2	1.3		31.4	3.1		
September	7,407,556	46.7	4.3	1.6	2/		3/	0.4	10.5	1.3		32.3	2.9		
October	4/6,197,377	61.2	5.5	2.0	2/		3/	(1.6)	4/13.6	1.4		13.1	1.6		
November	4/5,776,389	62.9	6.0	2.1	2/		3/	1.1	4/14.3	1.6		10.4	1.6		
December	4/6,203,360	59.3	6.0	1.7	2/		3/	0.9	4/14.3	1.5		14.5	1.8		

See footnotes at end of table.

1936

January	4/ 6,454,151	50.9	5.5	1.6	2/	6.0		4/ 8.2	1.4	4.5	19.1	2.8
February	6,242,249	50.0	5.5	1.7	2/	6.2		7.7	1.4	4.6	20.1	2.8
March	7,006,133	49.0	5.3	1.6	2/	6.1		8.2	1.4	4.9	20.3	3.2
April	7,042,565	46.6	5.2	1.4	2/	6.5		8.9	1.3	5.0	21.9	3.2
May	8,556,346	39.9	4.5	1.2	2/	5.6		7.8	1.3	4.4	31.5	3.8
June 1-22		32.6	3.9	1.0	2/	4.2		5.9	.9	3.2	20.7	2.7
23-30		13.0	1.3	.3	2/			3.2	.3		6.0	.8
1-30	7,501,591	(45.6)	(5.2)	(1.3)	2/	(4.2)		(9.1)	(1.2)	(3.2)	(26.7)	(3.5)
July	7,002,549	54.4	5.9	1.3	2/			11.8	1.0		22.1	3.5
August 1-10			1.6		2/				.3			1.4
11-31			3.6		2/				.8			2.2
1-31	7,702,759	46.0	(5.2)	1.2	2/		5/2.4	9.9	(1.1)		30.6	(3.6)
September	7,616,585	48.2	5.2	1.1	2/			10.0	1.1		31.0	3.4
October	7,412,993	51.7	5.3	1.2	2/			10.8	1.2		27.6	2.2
November	6,540,354	56.1	5.6	1.3	2/			11.2	1.4		22.6	1.8
December	6,939,818	54.7	5.1	1.3	2/			11.2	1.5		24.1	2.1

See footnotes at end of table.

Table 67. —Volume of milk receipts from producers and percentage of milk in each class used in computation of the blended price, Louisville Sales Area, period of License No. 60, June 1, 1934-March 31, 1940 — Continued

Year and Month		Producer receipts (100%)	Class I Regular Ky.	Class I Regular Ind.	Class I Relief Ky.	Class I Relief Ind.	Class I I-A 1/ Ky.	Class I Other Ky.	Class I Other Ind.	Class II Regular Ky.	Class II Regular Ind.	Class II II-A 1/ Ky.	Class III Regular Ky.	Class III Regular Ind.	Other Ky.	Other Ind.
		Pounds	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
1937																
January	1-23	5,202,723	54.4	5.0	1.4	2/				12.1	1.2		23.2	2.7		
24-February	10 6/	3,808,982	49.9	3.4	.1	2/				3.8	1.0		16.4	3.7		7/ 21.7
February	11-28	3,967,121	56.1	4.6	1.3	2/				10.6	1.5		23.9	2.0		
January	1-31 8/	(6,895,604)	(53.3)	(4.6)	(1.1)	2/				(10.0)	(1.2)		(21.5)	(2.9)		(5.4)
February	1-28 8/	(6,083,222)	(53.9)	(4.2)	(.9)	2/				(8.2)	(1.3)		(21.3)	(2.6)		(7.6)
March		7,338,690	52.6	4.6	1.1	2/				11.4	1.3		25.9	3.1		
April	1-15		22.9													
	16-30		23.6													
	1-30	7,639,951	(46.5)	4.3	.9	2/				11.1	1.3		32.0	3.9		
May	1-15		19.8										17.8			
	16-31		21.3										20.2			
	1-31	9,143,037	(41.1)	3.8	.8	2/				10.6	1.1		(38.0)	4.6		
June		8,337,294	42.7	4.1	.9	2/				10.4	1.1		36.3	4.5		
July		7,975,265	45.0	4.4	1.1	2/				10.1	1.2		34.6	3.6		
August		7,523,135	41.4	4.7	1.1	2/	5.1			10.4	1.3		33.0	3.0		
September		6,720,472	45.4	5.2	1.1	2/	6.2		9/0.4	11.8	1.6		26.2	2.1		
October		6,023,629	53.2	6.1	1.3	2/	7.3		9/ .3	13.2	1.6		15.3	1.7		
November		5,903,869	51.6	5.8	1.5	2/	6.9		9/ .4	13.2	1.6		17.2	1.8		
December		6,380,441	49.1	5.3	1.5	2/	6.0		9/ .4	13.0	1.5		20.8	2.4		

See footnotes at end of table

1938													
January		: 6,845,004	45.1	4.9	1.3	2/	5.9	0.1	11.9	1.6	26.1	3.1	
February		: 6,681,698	41.0	4.6	1.2	2/	5.6		11.5	1.5	31.2	3.4	
March		: 7,933,855	38.4	4.4	1.1	2/	5.4		10.9	1.3	35.2	3.3	
April	1-20	:	22.0		.3		3.1		6.4		25.7		
	21-30	:	11.2		.2		1.6		3.2		17.8		
	1-30	: 9,046,369	(33.2)	3.7	(.5)	2/	(4.7)		(9.6)	1.2	(43.5)	3.6	
May		:10,235,957	30.8	3.1	.5	2/	4.7		9.2	1.1	46.7	3.9	
June		: 9,724,569	30.6	3.2	.5	2/	4.1		8.3	1.1	46.3	3.8	10/2.1
July		: 9,562,339	30.7	3.4	.5	2/	4.2		8.2	1.2	47.1	4.1	10/ .6
August		: 9,222,332	32.3	3.5	.5	2/	4.6		8.2	1.2	45.9	3.8	
September		: 8,569,262	35.0	3.7	.6	2/	5.4		9.0	1.3	41.8	3.2	
October		: 7,795,453	40.8	4.2	.6	2/	5.6		9.8	1.4	34.9	2.7	
November		: 6,898,606	44.9	4.4	.8	2/	6.1		10.7	1.5	29.4	2.2	
December		: 7,502,269	42.6	4.2	.8	2/	5.5		11.2	1.5	31.7	2.5	

See footnotes at end of table.

Table 67.—Volume of milk receipts from producers and percentage of milk in each class used in computation of the blended price, Louisville Sales Area, period of License No. 60, June 1, 1934–March 31, 1940 — Continued

Year and month	Producer receipts (100%)	Class I Regular Ky.	Class I Regular Ind.	Class I Relief Ky.	Class I Relief Ind.	Class I I-A 1/ Ky.	Class I Other Ky.	Class I Other Ind.	Class II Regular Ky.	Class II Regular Ind.	Class II II-A 1/ Ky.	Class III Regular Ky.	Class III Regular Ind.	Other Ky.	Other Ind.
	Pounds	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
1939															
January	8,126,775	38.3	4.0	.8	2/	5.2			10.1	1.4		37.3	2.9		
February	7,788,683	36.0	3.8	.8	2/	4.8			9.7	1.4		40.5	3.0		
March	9,087,809	34.6	3.6	.8	2/	5.0			9.4	1.2		42.1	3.3		
April	9,469,943	31.6	3.2	.8	2/	4.5			9.2	1.3		45.5	3.9		
May	11,382,404	27.7	2.8	.6	2/	4.4			8.4	1.2		50.3	4.6		
June	10,431,651	29.0	2.9	.6	2/	4.1			8.1	1.2		41.2	4.0	10/8.1	10/ .8
July	10,329,296	30.0	3.0	.6	2/	4.2			8.1	1.2		40.8	4.1	10/7.3	10/ .7
August	10,146,430	30.9	3.2	.7	2/	4.1			7.8	1.2		41.9	3.8	10/5.8	10/ .6
September	8,795,889	36.4	3.7	.7	2/	5.3			9.5	1.4		39.0	4.0		
October	7,551,230	43.8	4.4	.8	2/	6.9			11.5	1.8		27.8	3.0		
November	7,094,924	45.5	4.7	.8	2/	7.0			11.7	1.6		26.1	2.6		
December	7,804,757	42.9	4.1	.8	2/	5.8			11.6	1.6		30.3	2.9		
1940															
January	8,110,533	40.6	3.9	.8	2/	5.8			9.8	1.4		34.2	3.5		
February	8,160,498	38.1	3.7	.7	2/	5.4			9.3	1.4		37.5	3.9		
March	9,123,128	36.5	3.4	.5	2/	5.5			9.6	1.4		38.5	4.6		

1/ Sales to restaurants and schools (mostly half pints), subject to discounts.
2/ Less than 0.05 percent.
3/ Probably uninspected milk.
4/ Includes 4 percent milk equivalent of cream shipped from Memphis, Tennessee, and used in Class II; October 1935, 53,120 pounds; November 1935, 144,420 pounds; December 1935, 165,170 pounds; January 1936, 34,860 pounds.
5/ Milk sold to Marine Hospital and Camp Knox on which dealers had bid prior to arbitration which increased prices.
6/ Flood period.
7/ Represents 374,808 pounds delivered to cheese factories and an estimated volume of 453,746 pounds kept on farms, not delivered during the flood period.
8/ Estimated on the basis of time weighting volumes reported for the 18-day flood period; 4/9 allocated to January, 5/9 to February.
9/ Milk transferred to Kentucky by Indiana distributors.
10/ Distributors' pro-rata share of total receipts in excess of 9.5 million pounds.

Compiled from records of the Market Administrator. Percentages in parentheses represent class totals for those months during which price changes occurred or in which two separate pools were computed.

Table 68.—Blended price payable to all producers and class prices reported paid by distributors in Kentucky and Indiana, per hundredweight of milk containing 4 percent butterfat, f.o.b. distributor's plant, Louisville Sales Area, period of License No. 60, June 1, 1934–March 31, 1940 1/

Year and month	Blended price 2/	Class I							Class II			Class III		Other	
		Regular		Relief		I-A 3/	Other		Regular		II-A 3/	Regular		Ky.	Ind.
		Ky.	Ind.	Ky.	Ind.	Ky.	Ky.	Ind.	Ky.	Ind.	Ky.	Ky.	Ind.		
	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.
1934															
June	4/ 1.738	2.18		1.58					1.65			1.066			
July	4/ 1.735	2.18		1.58					1.65			1.040			
August	4/ 1.755	2.18		1.58					1.65			1.159			
September	4/ 1.782	2.18		1.58					1.65			1.092			
October	4/ 1.895	2.18		1.58					1.65			1.140			
November 1- 3		2.18		1.58					1.65			1.140			
4-30		2.25		2.25					2.25			1.260			
1-30	2.08	(2.243)		(2.166)					(2.191)			(1.249)			
December 1-15	2.09	2.25		2.25					2.25			1.28			
16-31	2.03	2.25		2.25					2.25			1.28			
1-31	(2.058)														
1935															
January	5/ 2.05	2.25	2.18	2.25	1.58				2.25	1.65		1.44	1.434		
February	2.05	2.25	2.18	2.25	1.58				2.25	1.65		1.60	1.539		
March	2.02	2.36	2.18	2.36	1.58				1.784	1.65		1.48	1.354		
April	1.93	2.36	2.18	1.90	1.58				1.828	1.65		1.42	1.443		
May	4/ 1.832	2.36	2.18	1.90	1.58				1.828	1.65		1.26	1.142		
June	4/ 1.745	2.36	2.18	1.90	1.58				1.778	1.65		1.10	1.034		
July	4/ 1.801	2.36	2.18	1.90	1.58				1.76	1.65		1.08	1.038		
August	1.82	2.36	2.18	1.90	1.58		6/ 1.25		1.74	1.65		1.10	1.072		
September	7/ 1.80	2.36	2.18	1.90	1.58		6/ 1.25		1.76	1.65		1.16	1.117		
October	7/8/2.02	2.36	2.18	1.90	1.58		6/9/(1.415)		1.754	1.65		1.26	1.195		
November	7/8/2.07	2.36	2.18	1.90	1.58		6/ 1.50		1.764	1.65		1.44	1.387		
December	8/2.10	2.36	2.18	1.90	1.58		6/ 1.50		1.794	1.65		1.60	1.456		

See footnotes at end of table.

Table 68.—Blended price payable to all producers and class prices reported paid by distributors in Kentucky and Indiana, per hundredweight of milk containing 4 percent butterfat, f.o.b. distributor's plant, Louisville Sales Area, period of License No. 60, June 1, 1934–March 31, 1940 1/ –Continued

Year and month	Blended price 2/	Class I Regular Ky.	Class I Regular Ind.	Class I Relief Ky.	Class I Relief Ind.	Class I I-A 3/ Ky.	Class I Other Ky.	Class I Other Ind.	Class II Regular Ky.	Class II Regular Ind.	Class II II-A 3/ Ky.	Class III Regular Ky.	Class III Regular Ind.	Other Ky.	Other Ind.
	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.
1936															
January	8/ 2.05	2.36	2.18	1.90	1.58	2.18			1.565	1.65	1.65	1.58	1.478		
February	2.05	2.36	2.18	1.90	1.58	2.18			1.54	1.65	1.65	1.56	1.56		
March	2.00	2.36	2.18	1.90	1.58	2.18			1.593	1.65	1.65	1.46	1.46		
April	1.95	2.36	2.18	1.90	1.58	2.18			1.674	1.65	1.65	1.36	1.36		
May	1.85	2.36	2.18	1.90	1.58	2.18			1.69	1.65	1.65	1.28	1.28		
June 1-22		2.36	2.18	1.90	1.58	2.18			1.64	1.65	1.65	1.42	1.42		
23-30		2.825	2.53	1.90	1.58				1.825	1.825		1.42	1.42		
1-30	2.00	(2.493)	(2.266)						(1.704)	(1.687)					
July	2.34	2.825	2.53	2.13	1.81				1.825	1.825		1.66	1.66		
August 1-10			2.53		1.81					1.825			1.66		
11-31			2.88		2.16					2.00			1.66		
1-31	2.46	3.175	(2.77)	2.48	(2.043)		10/2.825		2.00	(1.948)		1.66			
September	2.45	3.175	2.70	2.48	2.16				2.00	2.00		1.58	1.58		
October	2.49	3.175	2.70	2.48	2.16				2.00	2.00		1.50	1.50		
November	2.56	3.175	2.645	2.48	2.16				2.00	2.00		1.48	1.48		
December	2.53	3.175	2.645	2.48	2.16				2.00	2.00		1.50	1.50		

See footnotes at end of table.

1937												
January 1-23	2.50	3.175	2.645	2.48	2.16			2.00	2.00	1.52	1.52	
Jan. 24-Feb. 10 11/	2.30	3.175	2.645	2.48	2.16			2.00	2.00	1.52	1.52	12/1.52
February 11-28	2.55	3.175	2.645	2.48	2.16			2.00	2.00	1.49	1.49	
January 1-31 13/	(2.451)									(1.52)	(1.52)	12/1.52
February 1-28 13/	(2.463)									(1.498)	(1.505)	12/1.52
March	2.47	3.175	2.645	2.48	2.16			2.00	2.00	1.50	1.50	
April 1-15		3.175										
16-30		2.825										
1-30	2.28	(2.997)	2.645	2.48	2.16			2.00	2.00	1.46	1.46	
May 1-15		2.825								1.36		
16-31		2.65								1.42		
1-31	2.05	2.734	2.645	2.48	2.16			2.00	2.00	(1.392)	1.34	
June	2.05	2.65	2.645	2.48	2.16			2.00	2.00	1.46	1.36	
July	2.10	2.65	2.645	2.48	2.16			2.00	2.00	1.48	1.38	
August	2.20	2.75	2.53	2.48	2.16	2.65		2.00	2.00	1.54	1.44	
September	2.35	2.85	2.53	2.48	2.16	2.65	14/2.85	2.00	2.00	1.64	1.54	
October	2.49	2.85	2.53	2.48	2.16	2.65	14/2.85	2.00	2.00	1.71	1.62	
November	2.49	2.85	2.53	2.48	2.16	2.65	14/2.85	2.00	2.00	1.78	1.68	
December	2.42	2.85	2.53	2.48	2.16	2.65	14/2.85	2.00	2.00	1.74	1.64	

See footnotes at end of table.

Table 68.—Blended price payable to all producers and class prices reported paid by distributors in Kentucky and Indiana, per hundredweight of milk containing 4 percent butterfat, f.o.b. distributor's plant, Louisville Sales Area, period of License No. 60, June 1, 1934–March 31, 1940 1/ –Continued

Year and month	Blended price 2/	Class I – Regular – Ky.	Class I – Regular – Ind.	Class I – Relief – Ky.	Class I – Relief – Ind.	Class I – I-A 3/ – Ky.	Class I – Other – Ky.	Class I – Other – Ind.	Class II – Regular – Ky.	Class II – Regular – Ind.	Class II – II-A 3/ – Ky.	Class III – Regular – Ky.	Class III – Regular – Ind.	Other – Ky.	Other – Ind.
	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.
1938															
January	2.32	2.85	2.53	2.48	2.16	2.65		14/2.85	2.00	2.00		1.58	1.48		
February	2.21	2.85	2.53	2.48	2.16	2.65			2.00	2.00		1.46	1.40		
March	2.13	2.85	2.53	2.48	2.16	2.65			2.00	2.00		1.42	1.34		
April 1-20		2.85		2.48		2.65			2.00			1.29			
21-30		2.208		2.208		2.208			2.208			1.502			
1-30	1.90	(2.633)	2.53	(2.390)	2.16	(2.500)			(2.069)	2.00		(1.377)	1.18		
May 15/	1.82	2.208	2.53	2.208	2.16	2.208			2.208	2.00		1.48	1.10		
June 15/	1.80	2.208	2.53	2.208	2.16	2.208			2.208	2.00		1.464	1.08	16/1.08	
July 15/	1.80	2.208	2.53	2.208	2.16	2.208			2.208	2.00		1.47	1.02	16/1.06	
August 15/	1.80	2.208	2.53	2.208	2.16	2.208			2.208	2.00		1.476	1.02		
September 15/	1.90	2.208	2.53	2.208	2.16	2.208			2.208	2.00		1.476	1.00		
October 15/	1.95	2.208	2.53	2.208	2.16	2.208			2.208	2.00		1.478	1.06		
November 15/	1.98	2.208	2.53	2.00	2.16	2.208			2.208	2.00		1.528	1.12		
December 15/	1.98	2.208	2.53	2.00	2.16	2.208			2.208	2.00		1.573	1.20		

See footnotes at end of table.

1939											
January 15/	1.90	2.208	2.53	2.00	2.16	2.208	2.208	2.00	1.477	1.16	
February 15/	1.86	2.208	2.53	2.00	2.16	2.208	2.208	2.00	1.476	1.12	
March 15/	1.75	2.104	2.53	2.00	2.16	2.104	2.104	2.00	1.385	1.08	
April 15/	1.66	2.00	2.53	2.00	2.16	2.00	2.00	2.00	1.291	1.08	
May 17/	1.64	2.052		2.00		2.052	2.052		1.334		
June	1.65	2.104		2.00		2.104	2.104		1.38		16/ 1.14
July	1.67	2.104		2.00		2.104	2.104		1.358		16/ 1.12
August	1.69	2.104		2.00		2.104	2.104		1.374		16/ 1.12
September	1.93	2.208		2.00		2.208	2.208		1.577		
October	2.01	2.208		2.00		2.208	2.208		1.626		
November	2.06	2.235		2.00		2.235	2.235		1.685		
December	2.05	2.236		2.00		2.236	2.236		1.686		
1940											
January	2.07	2.312		2.00		2.312	2.312		1.75		
February	2.02	2.312		2.00		2.312	2.312		1.659		
March	1.92	2.208		2.00		2.208	2.208		1.607		

See footnotes at end of table.

Footnotes for table 68.

1/ The minimum class prices per hundredweight established by License 60, June 1934-March 1940 were:

Class I, $2.18 (Relief milk $1.58);
Class II, $1.65;
Class III, shown in table 18, p. 67.

2/ Reflects Market Administrator's net reserve for adjustments. Subject to deductions for administration fee and check-off for co-op dues or marketing service fees to non-members which apparently totaled 6 cents per hundredweight during June-August 1934 and 5 cents during all other months of the License period, except that no deductions were made in April and May 1939.

3/ Sales to restaurants and schools (mostly half-pints), subject to discount.

4/ Weighted average of base and excess prices. See table 16, p. 52.

5/ Flat price of $2.25 paid for 55,358 pounds of producer milk, resulting in a composite price of $2.052 for all producer milk.

6/ Probably uninspected milk.

7/ Reflects adjustment for deduction from gross value for reclassification of milk sold by independent retail grocers to meet competition, equivalent to approximately 3-4 cents per hundredweight.

8/ Reflects charge to Kentucky distributors at Class II price for 4% milk equivalent of cream bought from Memphis, Tenn., and credit allowed for full purchase price which was equivalent to $1.928 per cwt. of 4% milk.

9/ Weighted average price of special milk: 32,938 pounds at $1.25; 64,010 pounds at $1.50.

10/ For milk sold to Marine Hospital and Camp Knox on which dealers had bid prior to arbitration which increased prices.

11/ Flood period.

12/ Manufacturing milk price applied to milk shipped to cheese factories and to estimated volume of milk kept on farms, not delivered during flood period, so that pool represented total production.

13/ Weighted average prices computed by applying prices shown above for three periods during January and February to estimated volumes (footnote 8 of table 67).

14/ For milk transferred to Kentucky by Indiana distributors.

15/ Indiana prices reflect reductions, issued as audit adjustments, to Indiana distributors.

16/ Bid price paid for distributors' pro-rata share of total receipts in excess of 9.5 million pounds.

17/ Indiana price adjustment discontinued as of May 1, 1939, by agreement between Falls Cities Cooperative Milk Producers' Association and Indiana distributors.

Compiled from records of the Market Administrator. Prices in parentheses are weighted averages computed for those months during which price changes occurred or in which two separate pools were computed. A chronological summary of the pricing agreements between producers and Kentucky and Indiana distributors is contained in table 17, p. 61.

Table 69.--Volume of milk receipts from producers and percentage of milk in each class used in computation of the blended price, Louisville marketing area, April 1940-December 1951 1/

Year and month	Producer receipts (100%) 2/	Class I			Class II	Class III 4/			
		Regular		Relief		Volume as classified	Reconcilia-tion 5/	Net Volume 6/	
		In area 3/	Outside 3/					Regular	Butter 7/
	Pounds	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1940									
April	11,677,229	43.5	3.7	0.5	11.1	41.2		41.2	
May	13,793,084	36.9	3.1	.4	9.9	49.7		49.7	
June	13,401,575	36.7	3.1	.4	9.2	50.6		50.6	
July	12,314,879	40.0	3.4	.4	9.5	46.7		46.7	
August	11,171,623	44.8	4.0	.4	10.4	40.4		40.4	
September	10,706,620	48.6	4.2	.4	11.2	35.6		35.6	
October	9,932,912	57.1	5.0	.4	12.7	24.8		24.8	
November	9,133,493	60.6	5.3	.6	14.2	19.3		19.3	
December	10,274,058	56.6	5.1	.6	14.5	23.2		23.2	
1941									
January	11,052,927	53.1	5.6	0.6	13.3	27.4		27.4	
February	10,626,814	52.0	5.7	.6	13.5	28.2		28.2	
March	12,295,139	51.7	6.0	.6	13.2	28.5		28.5	
April	13,550,156	45.5	6.0	.5	11.9	36.1		36.1	
May	15,917,733	40.0	5.6	.4	11.1	42.9		42.9	
June	14,596,426	40.7	6.6	.4	9.9	42.4		42.4	
July	14,908,990	41.5	6.9	.5	9.6	41.5		41.5	
August	14,250,341	43.0	7.0	.5	10.0	39.5		39.5	
September	12,557,662	48.9	7.8	.5	11.3	31.5		31.5	
October	10,999,298	56.6	8.6	.6	12.9	21.3		21.3	
November	10,523,611	56.2	8.3	.6	13.6	21.3		21.3	
December	11,542,004	54.7	7.5	.6	13.5	23.7		23.7	
Total	152,821,101	47.9	6.7	0.5	11.8	33.1		33.1	

See footnotes at end of table.

Table 69.--Volume of milk receipts from producers and percentage of milk in each class used in computation of the blended price, Louisville marketing area, April 1940-December 1951 1/ -Continued

Year and month	Producer receipts (100%) 2/	Class I: Regular: In area 3/	Class I: Regular: Outside 3/	Class I: Relief	Class II	Class III 4/: Volume as classified	Class III 4/: Reconciliation 5/	Class III 4/: Net Volume 6/: Regular	Class III 4/: Net Volume 6/: Butter 7/
1942	Pounds	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
January	11,937,450	54.6	7.4	0.6	12.7	24.7		24.7	
February	11,520,482	52.5	7.2	.6	12.2	27.5		27.5	
March	13,516,694	50.5	6.5	.5	12.3	30.2		30.2	
April	14,809,552	44.1	5.8	.5	11.2	38.4		38.4	
May	16,615,417	42.3	5.4	.4	10.3	41.6		41.6	
June	15,221,055	58.9	-	.4	9.1	39.2	- 7.6	31.6	
July	15,356,721	62.1	-	.3	9.1	38.0	- 9.5	28.5	
August	14,940,703	64.6	-	.4	9.9	36.1	-11.0	25.1	
September	13,086,691	74.6	-	.5	11.6	28.7	-15.4	13.3	
October	11,508,360	88.2	-	.5	8/ 14.0	14.5	-17.2	8/ - 2.7	
November	10,462,172	88.2	-	.5	14.4	12.3	-15.4	- 3.1	
December	11,131,162	89.2	-	.6	12.2	12.9	-14.9	- 2.0	
Total	160,106,459	62.5	9/ 2.7	0.5	11.4	30.1	- 7.2	22.9	
1943									
January	11,914,256	85.3		0.5	11.0	15.6	-12.4	3.2	
February	11,575,842	80.6		.4	10.1	18.4	- 9.5	8.9	
March	13,326,916	82.5		.4	9.6	18.8	-11.3	7.5	
April	13,852,875	77.0		.4	9.3	22.5	- 9.2	13.3	
May	16,565,066	66.0		.3	8.1	32.8	- 7.2	25.6	
June	15,759,472	69.2		.3	8.1	28.4	- 6.0	22.4	
July	15,502,657	73.2		.3	8.8	25.6	- 7.9	17.7	
August	13,771,008	81.9		.4	9.7	15.4	- 7.4	8.0	
September	12,178,170	88.0		.4	10.6	11.9	-10.9	1.0	
October	11,178,323	95.4		.4	11.2	9.3	-16.3	- 7.0	
November	10,296,192	94.1		.4	9.3	12.4	-16.2	- 3.8	
December	11,123,790	89.4		.4	9.0	15.5	-14.3	1.2	
Total	157,044,567	81.9		0.4	9.6	18.4	-10.3	8.1	

See footnotes at end of table.

1944								
January	11,773,091	87.9	0.4	8.4	16.4	-13.1	3.3	
February	11,845,871	87.0	.4	8.7	14.4	-10.5	3.9	
March	13,283,709	84.7	.3	8.7	17.1	-10.8	6.3	
April	14,238,673	77.6	.4	7.7	24.8	-10.5	14.3	
May	17,040,020	68.9	.3	7.0	30.6	- 6.8	23.8	
June	15,626,775	71.7	.3	7.4	26.6	- 6.0	20.6	
July	14,560,111	78.4	.3	7.7	19.4	- 5.8	13.6	
August	13,975,217	80.8	.3	7.9	18.5	- 7.5	11.0	
September	14,111,363	80.5	.3	8.1	21.6	-10.5	11.1	
October	13,375,257	84.8	.3	8.6	17.3	-11.0	6.3	
November	12,254,576	88.8	.4	8.8	14.5	-12.5	2.0	
December	12,540,441	86.9	.4	9.1	19.7	-16.1	3.6	
Total	164,625,104	81.5	0.3	8.2	19.8	- 9.8	10.0	
1945								
January	13,030,675	88.5	0.4	8.7	15.5	-13.1	2.4	
February	12,491,748	86.4	.3	7.9	16.4	-11.0	5.4	
March	14,794,507	84.3	.3	8.5	15.2	- 8.3	6.9	
April	17,075,195	72.9	.3	6.5	27.0	- 6.7	20.3	
May	18,808,610	70.2	.2	6.8	29.8	- 7.0	16.8	6.0
June	17,925,077	72.0	.2	7.1	27.2	- 6.5	14.8	5.9
July	17,670,522	73.9	.2	6.4	26.4	- 6.9	19.5	
August	16,257,592	81.8	.3	8.0	18.6	- 8.7	9.9	
September	14,156,972	86.5	.3	10.2	13.7	-10.7	3.0	
October	12,628,287	91.7	.3	11.3	13.5	-16.8	- 3.3	
November	11,276,734	92.4	.3	11.7	10.7	-15.1	- 4.4	
December	11,802,930	91.9	.3	12.5	10.4	-15.1	- 4.7	
Total	177,918,849	81.4	0.3	8.5	19.7	- 9.9	8.6	1.2

See footnotes at end of table.

Table 69.--Volume of milk receipts from producers and percentage of milk in each class used in computation of the blended price, Louisville marketing area, April 1940-December 1951 1/ -Continued

Year and month	Producer receipts (100%) 2/	Class I: Regular: In area 3/	Class I: Regular: Outside 3/	Class I: Relief	Class II	Class III 4/: Volume as classified	Class III 4/: Reconciliation 5/	Class III 4/: Net Volume 6/: Regular	Class III 4/: Net Volume 6/: Butter 7/
	Pounds	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1946									
January	12,821,400	90.5		0.3	11.7	10.0	-12.5	- 2.5	
February	12,593,378	87.3		.3	11.5	9.7	- 8.8	.9	
March	14,946,749	84.3		.3	10.0	11.7	- 6.3	5.4	
April	17,809,758	75.0		.3	8.8	22.4	- 6.5	15.9	
May	19,473,983	68.7		.3	8.5	29.1	- 6.6	19.3	3.2
June	18,404,604	66.3		.3	7.4	31.9	- 5.9	22.6	3.4
July	18,522,646	67.8		.3	6.1	31.7	- 5.9	25.8	
August	17,452,112	72.8		.3	6.9	30.6	-10.6	20.0	
September	15,180,169	82.2		.4	7.9	21.8	-12.3	9.5	
October	13,833,185	89.8		.4	9.2	14.4	-13.8	.6	
November	12,445,956	91.7		.4	9.7	11.8	-13.6	- 1.8	
December	13,036,004	88.0		.4	10.1	14.5	-13.0	1.5	
Total	186,519,944	79.0		0.3	8.8	21.2	- 9.3	11.2	0.7
1947									
January	14,288,073	86.4		0.4	8.7	16.4	-11.9	4.5	
February	13,852,045	83.8		.4	9.1	18.3	-11.6	6.7	
March	16,164,450	79.5		.4	8.7	22.0	-10.6	11.4	
April	17,456,322	71.7		.3	8.8	26.9	- 7.7	14.9	4.3
May	20,672,811	62.3		.3	7.4	35.2	- 5.2	24.8	5.2
June	19,876,974	59.5		.3	6.3	37.8	- 3.9	28.2	5.7
July	19,126,321	63.9		.3	6.3	36.0	- 6.5	29.5	
August	17,338,210	71.4		.3	6.6	29.0	- 7.3	21.7	
September	16,197,261	79.1		.3	8.1	23.7	-11.2	12.5	
October	14,508,178	89.8		.4	10/ 1.9	10/ 7.9		10/ 7.9	
November	12,420,124	91.8		.4	2.0	5.8		5.8	
December	12,980,151	91.0		.4	2.5	6.1		6.1	
Total	194,880,920	75.8		0.3	6.6	23.8	- 6.5	15.8	1.5

See footnotes at end of table.

1948							
January	13,632,067	90.3	0.4	1.8	7.5	7.5	
February	13,807,587	87.5	.3	1.7	10.5	10.5	
March	16,223,717	83.2	.3	1.5	15.0	15.0	
April	18,453,843	70.7	.3	1.3	27.7	17.1	10.6
May	21,201,745	61.0	.2	1.1	37.7	22.6	15.1
June	18,479,013	67.2	.3	1.1	31.4	19.6	11.8
July	18,050,156	70.9	.3	1.1	27.7	27.7	
August	18,517,441	69.5	.3	1.0	29.2	29.2	
September	16,500,303	81.8	.3	1.3	16.6	16.6	
October	15,699,006	88.4	.3	1.4	9.7	9.7	
November	14,468,748	91.6	.4	1.5	6.5	6.5	
December	15,515,595	87.8	.4	2.4	9.4	9.4	
Total	200,549,221	79.2	0.3	1.4	19.1	15.4	3.7
1949							
January	16,780,360	82.4	0.3	1.4	15.9	15.9	
February	16,444,590	77.9	.3	1.3	20.5	20.5	
March	19,610,086	72.1	.3	1.2	26.4	26.4	
April	21,674,738	61.5	.3	1.1	37.1	16.0	21.1
May	24,178,575	54.4	.2	1.0	44.4	25.6	18.8
June	21,224,638	59.7	.2	1.0	39.1	25.5	13.6
July	20,142,998	63.8	.2	1.0	35.0	35.0	
August	19,557,005	68.0	.2	1.1	30.7	30.7	
September	18,556,358	73.8	.3	1.3	24.6	24.6	
October	16,900,028	84.9	.3	1.4	13.4	13.4	
November	15,950,239	86.3	.3	1.5	11.9	11.9	
December	16,849,544	84.0	.3	1.6	14.1	14.1	
Total	227,869,159	71.1	0.3	1.2	27.4	22.1	5.3

See footnotes at end of table.

Table 69.--Volume of milk receipts from producers and percentage of milk in each class used in computation of the blended price, Louisville marketing area, April 1940-December 1951 1/ -Continued

Year and month	Producer receipts (100%) 2/	Class I: Regular: In area 3/	Class I: Regular: Outside 3/	Class I: Relief	Class II	Class III 4/: Volume as classified	Class III 4/: Reconciliation 5/	Class III 4/: Net Volume 6/: Regular	Class III 4/: Net Volume 6/: Butter 7/
	Pounds	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1950									
January	18,105,497	77.8		0.3	1.4	20.5		20.5	
February	17,915,105	72.2		.3	1.3	26.2		26.2	
March	20,949,169	69.7		.3	1.2	28.8		28.8	
April	21,888,174	62.8		.3	1.1	35.8		17.6	18.2
May	25,151,819	56.1		.2	1.0	42.7		28.6	14.1
June	23,061,993	57.3		.2	1.0	41.5		26.7	14.8
July	22,579,384	60.3		.2	1.0	38.5		38.5	
August	22,296,705	63.0		.2	1.0	35.8		35.8	
September	20,752,405	70.5		.2	1.2	28.1		28.1	
October	20,179,775	75.4		.2	1.2	23.2		23.2	
November	17,269,351	85.9		.3	1.5	12.3		12.3	
December	17,247,181	86.5		.3	1.5	11.7		11.7	
Total	247,396,558	69.8		0.2	1.2	28.8		24.4	4.4
1951									
January	18,318,402	83.6		0.2	1.4	14.8		14.8	
February	17,049,730	83.0		.2	1.3	15.5		15.5	
March	19,690,750	80.6		.2	1.4	17.8		17.8	
April	19,919,324	75.5		.2	1.2	23.1		5.2	17.9
May	25,064,055	60.2		.2	1.0	38.6		23.8	14.8
June	23,251,135	61.5		.2	1.0	37.3		25.7	11.6
July	20,991,463	68.7		.2	1.0	30.1		30.1	
August	19,458,136	76.7		.2	1.1	22.0		22.0	
September	19,098,411	82.1			17.9				
October	19,098,979	88.6			11.4				
November	16,638,621	95.1			4.9				
December	17,696,480	89.3			10.7				
Total	236,275,486	77.6		11/	11/	11/		11/	4.2

See footnotes at end of table.

Footnotes for table 69.

1/ Percentages in each classification have been computed from the unaudited data on volumes in each class as reported and used in the computation of the blended price.

2/ Represents pooled milk; handlers' own production included beginning October 1946; producer-handler milk not included. Audited figures through 1950. Receipts shown for 1951 are the unaudited receipts reported and used in the computation of the blended price.

3/ Largely represents sales in New Albany and Jeffersonville, Indiana, and in the surrounding territory. Under Order No. 46 this territory was not included in the marketing area until June 1942. Since then the "in area" percentages include sales outside the Kentucky-Indiana marketing area.

4/ Number of classes changed to two, effective September 1, 1951.

5/ Volume adjustment to reconcile utilization with receipts from producers. (For discussion of volume adjustment see pp. 126-129.)

6/ Net Class III; reflects volume adjustment.

7/ Represents milk used in making butter during specified summer months when price credit applied to such milk.

8/ Percentage based on adjusted data. Volumes reported and used in the computation of the blended price resulted in 10.3 percent of producer receipts in Class II and 1.0 percent in net Class III.

9/ Represents outside sales for first 5 months only. (See footnote 3.)

10/ Change in basis of classification. See p. 130. (Class II and Class III milk computed on actual volume effective October 1, 1947; previously on 4% milk equivalent basis.)

11/ Not computed because of change in classification on September 1, 1951.

Compiled from records of the Market Administrator.

Table 70.--Blended price payable to all producers and class prices paid by handlers, per hundredweight of milk containing 4 percent butterfat, f.o.b. handler's plant, Louisville marketing area, April 1940-December 1951 1/

Year and month	Blended price 2/	Class I			Class II	Class III 5/	
		Regular		Relief 4/		Regular	Butter 6/
		In area	Outside 3/				
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
1940							
April	1.93	2.560	2.371	2.000	2.000	1.305	
May	1.82	2.510	2.186	2.000	2.000	1.270	
June	1.83	2.510	2.177	2.000	2.000	1.262	
July	1.86	2.510	2.212	2.000	2.000	1.273	
August	1.98	2.560	2.249	2.000	2.000	1.300	
September	2.05	2.560	2.253	2.000	2.000	1.331	
October	2.25	2.660	2.339	2.000	2.000	1.432	
November	2.42	2.790	2.473	2.000	2.000	1.583	
December	2.45	2.870	2.538	2.000	2.000	1.674	
Average (9 mo.)	2.07	2.610	2.311	2.000	2.000	1.381	
1941							
January	2.24	2.710	2.398	2.000	2.000	1.461	
February	2.24	2.710	2.405	2.000	2.000	1.459	
March	2.24	2.710	2.411	2.000	2.000	1.497	
April	2.24	2.790	2.489	2.000	2.000	1.588	
May	2.24	2.870	2.562	2.000	2.000	1.701	
June	2.30	2.910	2.579	2.000	2.000	1.737	
July	2.26	2.870	2.603	2.000	2.000	1.682	
August	2.49	3.100	2.691	2.000	2.230	1.863	
September	2.66	3.180	2.865	2.000	2.230	1.942	
October	2.75	3.140	2.855	2.020	2.230	2.020	
November	2.76	3.140	2.859	2.093	2.230	2.093	
December	2.82	3.200	3.135	2.105	2.400	2.105	
Average	2.44	2.940	2.654	2.018	2.110	1.762	

See footnotes at end of table.

1942						
January	2.81	3.200	3.123	2.105	2.400	2.105
February	2.77	3.200	3.121	2.032	2.400	2.032
March	2.70	3.200	3.108	2.000	2.400	1.910
April	2.58	3.200	3.100	2.000	2.400	1.870
May	2.52	3.125	3.036	2.000	2.400	1.874
June	2.49	2.840		2.010	2.340	1.890
July	2.59	2.907		2.077	2.407	1.957
August	2.86	3.178		2.248	2.628	2.128
September	3.11	3.294		2.364	2.744	2.244
October	3.42	3.429		2.499	2.879	2.379
November	3.44	3.449		2.519	2.899	2.399
December	3.56	3.570		2.640	3.020	2.520
Average	2.90	3.216	7/3.098	2.208	2.576	2.109
1943						
January	3.58	3.677		2.747	3.127	2.627
February	3.62	3.748		2.818	3.198	2.698
March	3.62	3.745		2.815	3.195	2.695
April	3.48	3.655		2.825	3.155	2.705
May	3.37	3.654		2.824	3.154	2.704
June	3.47	3.755		2.825	3.155	2.705
July	3.52	3.757		2.827	3.157	2.707
August	3.63	3.766		2.836	3.126	2.716
September	3.76	3.814		2.884	3.264	2.764
October	3.88	3.845		2.915	3.295	2.795
November	3.81	3.839		2.909	3.289	2.789
December	3.82	3.864		2.934	3.314	2.814
Average	3.63	3.760		2.847	3.210	2.727

Table 70.--Blended price payable to all producers and class prices paid by handlers, per hundredweight of milk containing 4 percent butterfat, f.o.b. handler's plant, Louisville marketing area, April 1940-December 1951 1/ --Continued

Year and month	Blended price 2/	Class I: Regular: In area	Class I: Regular: Outside 3/	Class I: Relief 4/	Class II	Class III 5/: Regular	Class III 5/: Butter 6/
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
1944							
January	3.80	3.875		2.945	3.325	2.825	
February	3.81	3.891		2.961	3.341	2.841	
March	3.73	3.853		2.923	3.303	2.803	
April	3.47	3.802		2.872	3.202	2.752	
May	3.30	3.750		2.820	3.150	2.700	
June	3.24	3.687		2.757	3.087	2.637	
July	3.53	3.726		2.796	3.126	2.676	
August	3.57	3.731		2.801	3.181	2.681	
September	3.70	3.729		2.799	3.179	2.679	
October	3.77	3.735		2.805	3.185	2.685	
November	3.84	3.748		2.818	3.198	2.698	
December	3.87	3.783		2.853	3.233	2.733	
Average	3.64	3.776		2.846	3.209	2.726	
1945							
January	3.74	3.783		2.853	3.233	2.733	
February	3.71	3.783		2.853	3.233	2.733	
March	3.63	3.755		2.825	3.205	2.705	
April	3.33	3.783		2.853	3.233	2.733	
May	3.27	3.783		2.853	3.233	2.733	2.208
June	3.33	3.818		2.888	3.268	2.768	2.208
July	3.57	3.818		2.888	3.268	2.768	
August	3.67	3.818		2.888	3.268	2.768	
September	3.74	3.818		2.888	3.268	2.768	
October	3.76	3.748		2.818	3.198	2.698	
November	3.72	3.719		2.789	3.169	2.669	
December	3.78	3.783		2.853	3.233	2.733	
Average	3.60	3.784		2.854	3.234	2.734	2.208

See footnotes at end of table.

1946							
January	3.78	3.818		2.888	3.268	2.768	
February	3.79	3.853		2.923	3.303	2.803	
March	3.69	3.821		2.891	3.271	2.771	
April	3.46	3.879		2.949	3.329	2.829	
May	3.26	3.818		2.888	3.268	2.768	2.208
June	3.50	4.093		3.163	3.543	3.043	2.448
July	4.66	4.957		4.027	4.407	3.907	
August	4.78	4.997		4.067	4.447	3.947	
September	5.19	5.301		4.371	4.751	4.251	
October	5.68	5.650		4.707	5.100	4.587	
November	5.87	5.796		4.645	5.246	4.525	
December	5.54	5.553		4.599	5.003	4.479	
Average	4.43	4.628		3.676	4.078	3.557	2.328
1947							
January	5.05	5.136		4.206	4.586	4.086	
February	4.76	4.864		3.934	4.314	3.814	
March	4.62	4.793		3.863	4.243	3.743	
April	4.08	4.654		3.724	4.104	3.604	2.935
May	3.53	4.244		3.206	3.694	3.086	2.899
June	3.57	4.281		3.351	3.731	3.231	3.021
July	4.18	4.524		3.594	3.974	3.474	
August	4.58	4.850		3.920	4.300	3.800	
September	4.90	5.061		4.131	4.511	4.011	
October	4.92	5.000		3.738	4.450	3.618	
November	5.22	5.230		4.150	4.680	4.030	
December	5.64	5.660		4.580	5.110	4.460	
Average	8/4.59	8/4.858		8/3.866	8/4.308	8/3.746	2.952

Table 70.--Blended price payable to all producers and class prices paid by handlers, per hundredweight of milk containing 4 percent butterfat, f.o.b. handler's plant, Louisville marketing area, April 1940-December 1951 1/ --Continued

Year and month	Blended price 2/	Class I			Class II	Class III 5/	
		Regular		Relief 4/		Regular	Butter 6/
		In area	Outside 3/				
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
1948							
January	5.58	5.670		4.514	5.120	4.394	
February	5.41	5.529		4.442	4.979	4.322	
March	5.17	5.364		4.284	4.814	4.164	
April	4.69	5.398		4.315	4.848	4.195	4.115
May	4.60	5.464		4.274	4.914	4.154	4.074
June	4.75	5.504		4.335	4.954	4.215	4.135
July	5.31	5.695		4.463	5.145	4.343	
August	5.23	5.614		4.435	5.064	4.315	
September	5.26	5.493		4.112	4.943	3.992	
October	4.86	4.965		3.685	4.415	3.565	
November	4.78	4.853		3.573	4.303	3.453	
December	5.01	5.160		3.669	4.610	3.549	
Average	5.05	5.392		4.175	4.842	4.055	4.108
1949							
January	4.89	5.160		3.493	4.610	3.373	
February	4.58	4.940		3.228	4.390	3.108	
March	4.05	4.429		3.149	3.879	3.029	
April	3.44	4.203		3.123	3.653	3.003	2.943
May	3.38	4.236		3.156	3.686	3.036	2.976
June	3.46	4.233		3.153	3.683	3.033	2.973
July	3.85	4.280		3.200	3.730	3.080	
August	4.00	4.371		3.291	3.821	3.171	
September	4.29	4.609		3.329	4.059	3.209	
October	4.46	4.615		3.335	4.065	3.215	
November	4.47	4.612		3.332	4.062	3.212	
December	4.44	4.619		3.339	4.069	3.219	
Average	4.11	4.526		3.261	3.976	3.141	2.964

See footnotes at end of table.

1950						
January	4.26	4.546	3.266	3.996	3.146	
February	4.19	4.546	3.266	3.996	3.146	
March	4.05	4.455	3.175	3.905	3.055	
April	3.53	4.241	3.161	3.691	3.041	2.981
May	3.45	4.243	3.163	3.693	3.043	2.983
June	3.48	4.245	3.165	3.695	3.045	2.985
July	3.78	4.250	3.170	3.700	3.050	
August	3.86	4.284	3.204	3.734	3.084	
September	4.17	4.574	3.294	4.024	3.174	
October	4.29	4.599	3.319	4.049	3.199	
November	4.51	4.668	3.388	4.118	3.268	
December	4.74	4.899	3.508	4.349	3.388	
Average	4.03	4.462	3.257	3.912	3.137	2.983
1951						
January	4.94	5.173	3.654	4.623	3.534	
February	4.98	5.240	3.705	4.690	3.585	
March	4.97	5.266	3.796	4.716	3.676	
April	4.38	4.926	3.846	4.376	3.726	3.660
May	4.12	5.093	3.813	4.343	3.693	3.624
June	4.11	5.036	3.756	4.286	3.636	3.568
July	4.17	5.007	3.687	4.257	3.567	
August	4.67	4.985	3.672	4.235	3.552	
September 5/	4.80	5.011		3.761		
October	5.44	5.600		3.910		
November	5.71	5.751		4.061		
December	5.83	5.987		4.297		
Average	4.84	5.256	9/	9/	9/	3.617

Footnotes for table 70.

1/ Basic butterfat test changed to 3.8 percent effective October 1, 1947. Some class prices are agreed prices which are higher than minimum prices under the order. See premiums in table 47, p. 220.

2/ Reflects Market Administrator's net reserve for adjustments. Subject to check-off of 4 cents for co-op dues or marketing service fees to non-members.

3/ Average price per hundredweight of milk utilized outside the marketing area, chiefly in New Albany and Jeffersonville, Indiana. Provision for separate pricing of Class I sales outside the marketing area deleted from the order, effective June 1, 1942, when the Indiana cities were reincluded in the marketing area.

4/ Provision for separate pricing of Class I milk sold for relief use deleted from the order, effective September 1, 1951.

5/ Number of classes changed to two, effective September 1, 1951.

6/ Reflects a price credit to handlers on milk used during indicated flush months to produce butter. Allowance is equal to .10 times the Chicago average daily wholesale price per pound of 92-score butter.

7/ Average of average prices for the first 5 months. See footnote 3.

8/ Simple average of announced prices for milk of basic test. Monthly prices for the last 3 months are for milk of 3.8 percent butterfat, while those for the first 9 months are based on 4 percent butterfat.

9/ Not computed because of change in classification on September 1, 1951.

Compiled from records of the Market Administrator.

Table 71.--Butterfat differentials per hundredweight of milk for each one-tenth of 1 percent variation in butterfat content from the basic test, applicable to class prices paid by handlers and to the blended price payable to producers, Louisville marketing area, June 1934-December 1951 1/

Year and month	Butterfat differential applicable to--			
	Class prices paid by handlers			Blended price payable to producers
	Class I	Class II	Class III 2/	
	Cents	Cents	Cents	Cents
1934				
June	2.5	2.5	2.5	2.5
July	2.5	2.5	2.5	2.5
August	3.0	3.0	3.0	3.0
September	2.5	2.5	2.5	2.5
October	3.0	3.0	3.0	3.0
November	3.0	3.0	3.0	3.0
December	3.0	3.0	3.0	3.0
Average	2.8	2.8	2.8	2.8
1935				
January	3.5	3.5	3.5	3.5
February	3.5	3.5	3.5	3.5
March	3.5	3.5	3.5	3.5
April	3.5	3.5	3.5	3.5
May	3.0	3.0	3.0	3.0
June	2.5	2.5	2.5	2.5
July	2.5	2.5	2.5	2.5
August	2.4	2.4	2.4	2.4
September	2.5	2.5	2.5	2.5
October	2.7	2.7	2.7	2.7
November	3.2	3.2	3.2	3.2
December	3.3	3.3	3.3	3.3
Average	3.0	3.0	3.0	3.0
1936				
January	3.4	3.4	3.4	3.4
February	3.6	3.6	3.6	3.6
March	3.1	3.1	3.1	3.1
April	3.0	3.0	3.0	3.0
May	2.6	2.6	2.6	2.6
June	2.9	2.9	2.9	2.9
July	3.3	3.3	3.3	3.3
August	3.5	3.5	3.5	3.5
September	3.4	3.4	3.4	3.4
October	3.1	3.1	3.1	3.1
November	3.3	3.3	3.3	3.3
December	3.3	3.3	3.3	3.3
Average	3.2	3.2	3.2	3.2

See footnotes at end of table.

Table 71.--Butterfat differentials per hundredweight of milk for each one-tenth of 1 percent variation in butterfat content from the basic test, applicable to class prices paid by handlers and to the blended price payable to producers, Louisville marketing area, June 1934-December 1951 1/ --Continued

Year and month	Butterfat differential applicable to--			
	Class prices paid by handlers			Blended price payable to producers
	Class I	Class II	Class III 2/	
	Cents	Cents	Cents	Cents
1937				
January	3.3	3.3	3.3	3.3
February	3.3	3.3	3.3	3.3
March	3.5	3.5	3.5	3.5
April	3.1	3.1	3.1	3.1
May	3.0	3.0	3.0	3.0
June	3.0	3.0	3.0	3.0
July	3.1	3.1	3.1	3.1
August	3.2	3.2	3.2	3.2
September	3.4	3.4	3.4	3.4
October	3.5	3.5	3.5	3.5
November	3.7	3.7	3.7	3.7
December	3.7	3.7	3.7	3.7
Average	3.3	3.3	3.3	3.3
1938				
January	3.3	3.3	3.3	3.3
February	3.0	3.0	3.0	3.0
March	2.9	2.9	2.9	2.9
April	2.7	2.7	2.7	2.7
May	2.6	2.6	2.6	2.6
June	2.5	2.5	2.5	2.5
July	2.5	2.5	2.5	2.5
August	2.5	2.5	2.5	2.5
September	2.6	2.6	2.6	2.6
October	2.6	2.6	2.6	2.6
November	2.7	2.7	2.7	2.7
December	2.7	2.7	2.7	2.7
Average	2.7	2.7	2.7	2.7
1939				
January	2.6	2.6	2.6	2.6
February	2.5	2.5	2.5	2.5
March	2.4	2.4	2.4	2.4
April	2.2	2.2	2.2	2.2
May	2.3	2.3	2.3	2.3
June	2.4	2.4	2.4	2.4
July	2.3	2.3	2.3	2.3
August	2.4	2.4	2.4	2.4
September	2.7	2.7	2.7	2.7
October	2.8	2.8	2.8	2.8
November	3.0	3.0	3.0	3.0
December	3.0	3.0	3.0	3.0
Average	2.6	2.6	2.6	2.6

See footnotes at end of table.

Table 71.--Butterfat differentials per hundredweight of milk for each one-tenth of 1 percent variation in butterfat content from the basic test, applicable to class prices paid by handlers and to the blended price payable to producers, Louisville marketing area, June 1934-December 1951 1/ --Continued

Year and month	Butterfat differential applicable to--			
	Class prices paid by handlers			Blended price payable to producers
	Class I	Class II	Class III 2/	
	Cents	Cents	Cents	Cents
1940				
January	3.1	3.1	3.1	3.1
February	2.9	2.9	2.9	2.9
March	2.8	2.8	2.8	2.8
April	3.0	3.0	3.0	3.0
May	3.0	3.0	3.0	3.0
June	3.0	3.0	3.0	3.0
July	3.0	3.0	3.0	3.0
August	3.0	3.0	3.0	3.0
September	3.5	3.5	3.5	3.5
October	3.5	3.5	3.5	3.5
November	3.5	3.5	3.5	3.5
December	4.0	4.0	4.0	4.0
Average	3.2	3.2	3.2	3.2
1941				
January	3.5	3.5	3.5	3.5
February	3.5	3.5	3.5	3.5
March	3.5	3.5	3.5	3.5
April	4.0	4.0	4.0	4.0
May	4.0	4.0	4.0	4.0
June	4.0	4.0	4.0	4.0
July	4.0	4.0	4.0	4.0
August	4.0	4.0	4.0	4.0
September	4.0	4.0	4.0	4.0
October	4.0	4.0	4.0	4.0
November	4.0	4.0	4.0	4.0
December	4.0	4.0	4.0	4.0
Average	3.9	3.9	3.9	3.9
1942				
January	4.0	4.0	4.0	4.0
February	4.0	4.0	4.0	4.0
March	4.0	4.0	4.0	4.0
April	4.0	4.0	4.0	4.0
May	4.0	4.0	4.0	4.0
June	4.3	4.3	4.3	4.0
July	4.5	4.5	4.5	4.5
August	4.9	4.9	4.9	4.5
September	5.2	5.2	5.2	4.5
October	5.5	5.5	5.5	4.5
November	5.5	5.5	5.5	4.5
December	5.5	5.5	5.5	4.5
Average	4.6	4.6	4.6	4.3

See footnotes at end of table.

Table 71.--Butterfat differentials per hundredweight of milk for each one-tenth of 1 percent variation in butterfat content from the basic test, applicable to class prices paid by handlers and to the blended price payable to producers, Louisville marketing area, June 1934-December 1951 1/ --Continued

Year and month	Butterfat differential applicable to--			
	Class prices paid by handlers			Blended price payable to producers
	Class I	Class II	Class III 2/	
	Cents	Cents	Cents	Cents
1943				
January	5.5	5.5	5.5	4.5
February	5.5	5.5	5.5	4.5
March	5.5	5.5	5.5	4.5
April	5.5	5.5	5.5	4.5
May	5.5	5.5	5.5	4.5
June	5.5	5.5	5.5	4.5
July	5.5	5.5	5.5	4.5
August	5.5	5.5	5.5	5.0
September	5.5	5.5	5.5	5.0
October	5.5	5.5	5.5	5.0
November	5.5	5.5	5.5	5.0
December	5.5	5.5	5.5	5.0
Average	5.5	5.5	5.5	4.7
1944				
January	5.5	5.5	5.5	5.0
February	5.5	5.5	5.5	5.0
March	5.5	5.5	5.5	5.0
April	5.5	5.5	5.5	5.0
May	5.5	5.5	5.5	5.0
June	5.5	5.5	5.5	5.0
July	5.5	5.5	5.5	5.0
August	5.5	5.5	5.5	5.0
September	5.5	5.5	5.5	5.0
October	5.5	5.5	5.5	5.0
November	5.5	5.5	5.5	5.0
December	5.5	5.5	5.5	5.0
Average	5.5	5.5	5.5	5.0
1945				
January	5.5	5.5	5.5	5.0
February	5.5	5.5	5.5	5.0
March	5.5	5.5	5.5	5.0
April	5.5	5.5	5.5	5.0
May	5.5	5.5	5.5	5.0
June	5.5	5.5	5.5	5.0
July	5.5	5.5	5.5	5.0
August	5.5	5.5	5.5	5.0
September	5.5	5.5	5.5	5.0
October	5.5	5.5	5.5	5.0
November	5.5	5.5	5.5	5.0
December	5.5	5.5	5.5	5.0
Average	5.5	5.5	5.5	5.0

See footnotes at end of table.

Table 71.--Butterfat differentials per hundredweight of milk for each one-tenth of 1 percent variation in butterfat content from the basic test, applicable to class prices paid by handlers and to the blended price payable to producers, Louisville marketing area, June 1934-December 1951 1/ --Continued

Year and month	Butterfat differential applicable to-- Class prices paid by handlers: Class I	Class II	Class III 2/	Blended price payable to producers
	Cents	Cents	Cents	Cents
1946				
January	5.5	5.5	5.5	5.0
February	5.5	5.5	5.5	5.0
March	5.5	5.5	5.5	5.0
April	5.5	5.5	5.5	5.0
May	5.5	5.5	5.5	5.0
June	6.1	6.1	6.1	5.5
July	8.4	8.4	8.4	7.0
August	8.4	8.4	8.4	7.0
September	9.1	9.1	9.1	7.0
October	10.0	10.0	10.0	7.0
November	9.6	9.6	9.6	7.0
December	9.6	9.6	9.6	7.0
Average	7.4	7.4	7.4	6.0
1947				
January	7.9	7.9	7.9	7.0
February	8.3	8.3	8.3	7.0
March	8.3	8.3	8.3	7.0
April	7.3	7.3	7.3	6.5
May	7.2	7.2	7.2	6.5
June	7.6	7.6	7.6	7.0
July	8.2	8.2	8.2	7.0
August	9.0	9.0	9.0	7.0
September	9.5	9.5	9.5	7.0
October	9.1	8.8	8.4	7.5
November	10.4	10.0	9.6	8.5
December	11.2	10.8	10.4	9.0
Average	8.7	8.6	8.5	7.2
1948				
January	10.9	10.5	10.1	9.0
February	10.6	10.2	9.8	8.5
March	10.3	9.9	9.5	8.5
April	10.5	10.1	9.7	8.5
May	10.3	9.9	9.5	8.5
June	10.5	10.1	9.7	8.5
July	10.2	9.9	9.5	8.5
August	9.8	9.4	9.0	8.0
September	9.3	9.0	8.6	7.5
October	8.2	7.9	7.6	7.0
November	8.1	7.8	7.5	7.0
December	8.4	8.1	7.8	7.0
Average	9.8	9.4	9.0	8.0

See footnotes at end of table.

Table 71.--Butterfat differentials per hundredweight of milk for each one-tenth of 1 percent variation in butterfat content from the basic test, applicable to class prices paid by handlers and to the blended price payable to producers, Louisville marketing area, June 1934-December 1951 1/ --Continued

Year and month	Butterfat differential applicable to--			
	Class prices paid by handlers			Blended price payable to producers
	Class I	Class II	Class III 2/	
	Cents	Cents	Cents	Cents
1949				
January	8.2	7.9	7.6	7.0
February	8.2	7.8	7.5	7.0
March	7.8	7.5	7.2	6.5
April	7.7	7.4	7.1	6.5
May	7.7	7.4	7.1	6.5
June	7.6	7.4	7.1	6.5
July	7.8	7.5	7.2	6.5
August	8.0	7.7	7.4	6.5
September	8.1	7.7	7.4	6.5
October	8.1	7.8	7.4	6.5
November	8.1	7.8	7.4	6.5
December	8.1	7.8	7.5	6.5
Average	8.0	7.6	7.3	6.6
1950				
January	8.0	7.7	7.4	6.5
February	8.1	7.8	7.4	6.5
March	7.8	7.5	7.2	6.5
April	7.8	7.5	7.2	6.5
May	7.8	7.5	7.2	6.5
June	7.8	7.5	7.2	6.5
July	7.8	7.5	7.2	6.5
August	7.9	7.6	7.3	6.5
September	8.2	7.8	7.5	7.0
October	8.2	7.9	7.6	7.0
November	8.3	8.0	7.7	7.0
December	8.6	8.3	8.0	7.0
Average	8.0	7.7	7.4	6.7
1951				
January	9.1	8.7	8.4	7.5
February	9.0	8.6	8.3	7.5
March	8.7	8.3	8.0	7.0
April	8.6	8.3	8.0	7.0
May	9.0	8.7	8.3	7.5
June	8.9	8.5	8.2	7.5
July	8.7	8.3	8.0	7.0
August	8.6	8.3	8.0	7.0
September	8.4	8.0		7.0
October	8.7	8.4		7.5
November	9.1	8.8		8.0
December	9.8	9.4		8.5
Average	8.9	3/	3/	7.4

See footnotes at end of table.

Footnotes for table 71.

1/ Basic test 4 percent from June 1934 through September 1947; 3.8 percent beginning October 1, 1947. Prior to October 1, 1947, the same butterfat differential applied to all class prices. From June 1934 through May 1942 the butterfat differentials applicable to all class prices and to the blended price payable to producers were identical.

2/ Class III discontinued by amendment to Order 46, effective September 1, 1951.

3/ Averages not computed because of changes in classification on September 1, 1951.

Compiled from records of the Market Administrator.

Table 72.--Class I price and basic formula alternatives for determining the Class I price per hundredweight of milk containing 3.8 percent butterfat, Louisville marketing area, April 1940-December 1951 1/

Year and month	Class I price	Butter formula	Average price: 7 nearby plants 2/	Butter powder formula 2/	Average price: 18 midwest condenseries	Butter-cheese formula
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
1940						
April	2.50					
May	2.45					
June	2.45					
July	2.45					
August	2.50					
September	2.49					
October	2.59					
November	2.72					
December	2.79					
1941						
January	2.64					
February	2.64					
March	2.64					
April	2.71					
May	2.79					
June	2.83					
July	2.79					
August	3.02					
September	3.10					
October	3.06					
November	3.06					
December	3.12					
1942						
January	3.12					
February	3.12					
March	3.12					
April	3.12					
May	3.045					
June	2.754	1.804	1.794			
July	2.817	1.867	1.784			
August	3.080	2.030	1.879			
September	3.190	2.140	2.026			
October	3.319	2.269	2.191			
November	3.339	2.269	2.289			
December	3.460	2.270	2.410			

Basic formula plan of pricing became effective June 1, 1942. From April 1940 through May 1942, the minimum Class I price was determined from the monthly average price of 92-score butter (Chicago) according to the following schedule which was applicable to milk of 4.0 percent butterfat content:

Butter price range	Class I price a/	Butter price range	Class I price a/
Cents per lb.	Dol. per cwt.	Cents per lb.	Dol. per cwt.
17-17.999	2.10	34-34.999	2.87
18-18.999	2.14	35-35.999	2.91
19-19.999	2.18	36-36.999	2.95
20-20.999	2.22	37-37.999	2.99
21-21.999	2.26	38-38.999	3.03
22-22.999	2.31	39-39.999	3.07
23-23.999	2.36	40-40.999	3.11
24-24.999	2.41	41-41.999	3.15
25-25.999	2.46	42-42.999	3.19
26-26.999	2.51	43-43.999	3.23
27-27.999	2.56	44-44.999	3.27
28-28.999	2.61	45-45.999	3.31
29-29.999	2.66	46-46.999	3.35
30-30.999	2.71	47-47.999	3.39
31-31.999	2.75	48-48.999	3.43
32-32.999	2.79	49-49.999	3.47
33-33.999	2.83	50-50.999	3.51

a/ Price shown in schedule, subject to the provision that for the delivery periods of August through November 1941, 23 cents per hundredweight should be added.

See footnotes at end of table.

Table 72.--Class I price and basic formula alternatives for determining the Class I price per hundredweight of milk containing 3.8 percent butterfat, Louisville marketing area, April 1940-December 1951 1/ --Continued

Year and month	Class I price	Butter formula	Average price: 7 nearby plants 2/	Butter powder formula 2/	Average price: 18 midwest condenseries	Butter-cheese formula
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
1943						
January	3.567	2.282	2.517			
February	3.638	2.282	2.588			
March	3.635	2.282	2.585			
April	3.545	2.282	2.595			
May	3.544	2.282	2.594			
June	3.645	2.282	2.595			
July	3.647	2.282	2.597			
August	3.656	2.282	2.606			
September	3.704	2.282	2.654			
October	3.735	2.282	2.685			
November	3.729	2.282	2.679			
December	3.754	2.282	2.704			
1944						
January	3.765	2.282	2.715			
February	3.781	2.282	2.731			
March	3.743	2.282	2.693			
April	3.692	2.282	2.642			
May	3.640	2.282	2.590			
June	3.577	2.282	2.527			
July	3.616	2.282	2.566			
August	3.621	2.282	2.571			
September	3.619	2.282	2.569			
October	3.625	2.282	2.575			
November	3.638	2.282	2.588			
December	3.673		2.598	2.623		
1945						
January	3.673		2.609	2.623		
February	3.673		2.600	2.623		
March	3.645		2.595	2.588		
April	3.673		2.581	2.623		
May	3.673		2.565	2.623		
June	3.708		2.555	2.658		
July	3.708		2.550	2.658		
August	3.708		2.550	2.658		
September	3.708		2.538	2.658		
October	3.638		2.520	2.588		
November	3.609		2.559	2.553		
December	3.673		2.580	2.623		

See footnotes at end of table.

Table 72.--Class I price and basic formula alternatives for determining the Class I price per hundredweight of milk containing 3.8 percent butterfat, Louisville marketing area, April 1940-December 1951 1/ --Continued

Year and month	Class I price	Butter formula	Average price: 7 nearby plants 2/	Butter powder formula 2/	Average price: 18 midwest condenseries	Butter-cheese formula
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
1946						
January	3.708		2.636	2.658		
February	3.743		2.669	2.693		
March	3.711		2.661	2.658		
April	3.769		2.719	2.658		
May	3.708		2.651	2.658		
June	3.971		2.742	2.921		
July	4.789		3.431	3.739		
August	4.829		3.468	3.779		
September	5.119		3.774	4.069		
October	5.450		4.082	4.387	4.400	
November	5.604		4.333	4.244	4.554	
December	5.361		4.287	4.229	4.311	
1947						
January	4.978		3.928	3.545	3.909	
February	4.698		3.648	3.603	3.588	
March	4.627		3.577	3.389	3.555	
April	4.508		3.458	2.999	3.407	
May	4.100		2.942	2.930	3.050	
June	4.129		2.889	3.079	3.023	
July	4.360		3.029	3.310	3.178	
August	4.670		3.199	3.620	3.344	
September	4.871		3.478	3.821	3.588	
October	5.000		3.768	3.627	3/ 3.877	
November	5.230		3.947	4.180	4.094	
December	5.660		4.141	4.610	4.455	
1948						
January	5.670		4.377	4.544	4.620	
February	5.529		4.293	4.472	4.479	
March	5.364		4.103	4.314	4.292	
April	5.398		4.000	4.345	4.348	
May	5.464		4.016	4.304	4.414	
June	5.504		4.199	4.365	4.454	
July	5.695		4.493	4.305	4.645	
August	5.614		4.465	4.181	4.564	
September	5.493		4.142	4.018	4.243	3.727
October	4.965		3.715	3.631	3.705	3.283
November	4.853		3.429	3.603	3.543	3.243
December	5.160		3.437	3.699	3.582	3.369

See footnotes at end of table.

Table 72.--Class I price and basic formula alternatives for determining the Class I price per hundredweight of milk containing 3.8 percent butterfat, Louisville marketing area, April 1940-December 1951 1/ --Continued

Year and month	Class I price	Butter formula	Average price: 7 nearby plants 2/	Butter powder formula 2/	Average price: 18 midwest condenseries	Butter-cheese formula
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
1949						
January	5.160		3.166	3.523	3.296	3.221
February	4.940		2.992	3.258	3.082	3.165
March	4.429		2.887	3.179	2.988	3.046
April	4.203		2.834	3.153	2.973	2.996
May	4.236		2.791	3.186	2.980	3.002
June	4.233		2.798	3.183	2.987	2.999
July	4.280		2.799	3.230	3.010	3.021
August	4.371		2.841	3.321	3.094	3.140
September	4.609		2.901	3.359	3.097	3.143
October	4.615		2.926	3.365	3.097	3.149
November	4.612		2.937	3.362	3.154	3.156
December	4.619		2.994	3.369	3.175	3.161
1950						
January	4.546		3.017	3.296	3.150	3.119
February	4.546		3.029	3.296	3.145	3.157
March	4.455		3.009	3.205	3.126	3.055
April	4.241		2.995	3.191	3.076	3.033
May	4.243		2.949	3.193	3.032	3.032
June	4.245		2.910	3.195	2.985	3.035
July	4.250		2.892	3.200	2.994	3.040
August	4.284		2.940	3.234	3.088	3.077
September	4.574		3.054	3.324	3.186	3.171
October	4.599		3.123	3.349	3.245	3.208
November	4.668		3.217	3.418	3.351	3.251
December	4.899		3.422	3.538	3.649	3.422
1951						
January	5.173		3.653	3.684	3.923	3.636
February	5.240		3.735	3.676	3.990	3.603
March	5.266		3.826	3.611	4.016	3.479
April	4.926		3.876	3.672	3.871	3.418
May	5.093		3.829	3.843	3.818	3.566
June	5.036		3.718	3.786	3.777	3.514
July	5.007		3.572	3.717	3.757	3.428
August	4.985		3.562	3.702	3.735	3.424
September	5.011		3.389	3.761	3.716	3.437
October	5.600		3.400	3.910	3.803	3.580
November	5.751		3.500	4.061	3.932	3.734
December	5.987		3.680	4.297	4.070	3.968

See footnotes at end of table.

Footnotes for table 72.

1/ For the period April 1940-September 1947, all prices have been adjusted from a basis of 4.0 percent to 3.8 percent butterfat content. Beginning October 1947 the basic test under the order has been 3.8 percent. From April 1940 through May 1942, Class I price was determined from the monthly average price of 92-score butter (Chicago) according to a schedule. The basic formula plan of pricing started June 1942. For each month thereafter the formula price effective in determining Class I price is underlined. See table 24 for details of the formulas.

2/ In each month of the period October 1947-August 1951, alternative includes an amount of 15 cents which has been added to the formula value.

3/ Floor price determined Class I price which was 7.3 cents above the price determined from the basic formula.

Compiled from reports of the Market Administrator.

Table 73.--Weighted average of Class I and Class II prices, Class III price, and difference, per hundredweight of milk containing 3.8 percent butterfat, f.o.b. handler's plant, Louisville marketing area, June 1934-December 1951 1/

Year and month	Weighted average of Class I and Class II prices 2/	Class III price 3/	Difference
	Dollars	Dollars	Dollars
1934			
June	2.016	1.016	1.000
July	2.020	.990	1.030
August	2.009	1.099	.910
September	2.015	1.042	.973
October	2.006	1.080	.926
November	2.172	1.189	.983
December	2.190	1.220	.970
1935			
January	2.165	1.369	.796
February	2.165	1.524	.641
March	2.165	1.400	.765
April	2.156	1.352	.804
May	2.165	1.191	.974
June	2.177	1.045	1.132
July	2.175	1.027	1.148
August	2.171	1.049	1.122
September	2.168	1.106	1.062
October	2.158	1.199	.959
November	2.152	1.369	.783
December	2.153	1.518	.635
1936			
January	2.119	1.499	.620
February	2.113	1.488	.625
March	2.121	1.398	.723
April	2.122	1.300	.822
May	2.128	1.228	.900
June	2.233	1.362	.871
July	2.551	1.594	.957
August	2.850	1.590	1.260
September	2.859	1.512	1.347
October	2.864	1.438	1.426
November	2.862	1.414	1.448
December	2.858	1.434	1.424

See footnotes at end of table.

Table 73.--Weighted average of Class I and Class II prices, Class III price, and difference, per hundredweight of milk containing 3.8 percent butterfat, f.o.b. handler's plant, Louisville marketing area, June 1934-December 1951 1/ --Continued

Year and month	Weighted average of Class I and Class II prices 2/	Class III price 3/	Difference
	Dollars	Dollars	Dollars
1937			
January	2.876	1.454	1.422
February	2.904	1.438	1.466
March	2.850	1.430	1.420
April	2.711	1.398	1.313
May	2.515	1.326	1.189
June	2.461	1.389	1.072
July	2.466	1.409	1.057
August	2.520	1.468	1.052
September	2.577	1.565	1.012
October	2.582	1.631	.951
November	2.574	1.697	.877
December	2.571	1.656	.915
1938			
January	2.576	1.503	1.073
February	2.575	1.394	1.181
March	2.576	1.355	1.221
April	2.441	1.308	1.133
May	2.172	1.399	.773
June	2.175	1.371	.804
July	2.176	1.380	.796
August	2.175	1.391	.784
September	2.173	1.390	.783
October	2.173	1.396	.777
November	2.168	1.446	.722
December	2.167	1.492	.675
1939			
January	2.170	1.402	.768
February	2.172	1.401	.771
March	2.080	1.315	.765
April	1.990	1.230	.760
May	2.005	1.288	.717
June	2.055	1.293	.762
July	2.057	1.276	.781
August	2.054	1.295	.759
September	2.151	1.523	.628
October	2.150	1.570	.580
November	2.172	1.625	.547
December	2.173	1.626	.547

See footnotes at end of table.

Table 73.--Weighted average of Class I and Class II prices, Class III price, and difference, per hundredweight of milk containing 3.8 percent butterfat, f.o.b. handler's plant, Louisville marketing area, June 1934-December 1951 1/ --Continued

Year and month	Weighted average of Class I and Class II prices 2/	Class III price 3/	Difference
	Dollars	Dollars	Dollars
1940			
January	2.246	1.688	.558
February	2.250	1.601	.649
March	2.150	1.551	.599
April	2.378	1.245	1.133
May	2.326	1.210	1.116
June	2.330	1.202	1.128
July	2.336	1.213	1.123
August	2.378	1.240	1.138
September	2.369	1.261	1.108
October	2.454	1.362	1.092
November	2.554	1.513	1.041
December	2.597	1.594	1.003
1941			
January	2.480	1.391	1.089
February	2.476	1.389	1.087
March	2.478	1.427	1.051
April	2.528	1.508	1.020
May	2.585	1.621	.964
June	2.629	1.657	.972
July	2.608	1.602	1.006
August	2.820	1.783	1.037
September	2.899	1.862	1.037
October	2.871	1.940	.931
November	2.865	2.013	.852
December	2.963	2.025	.938
1942			
January	2.969	2.025	.944
February	2.968	1.952	1.016
March	2.962	1.830	1.132
April	2.955	1.790	1.165
May	2.901	1.794	1.107
June	2.683	1.804	.879
July	2.750	1.867	.883
August	3.002	2.030	.972
September	3.111	2.140	.971
October	3.257	2.269	.988
November	3.258	2.289	.969
December	3.389	2.410	.979

See footnotes at end of table.

Table 73.--Weighted average of Class I and Class II prices, Class III price, and difference, per hundredweight of milk containing 3.8 percent butterfat, f.o.b. handler's plant, Louisville marketing area, June 1934-December 1951 1/ --Continued

Year and month	Weighted average of Class I and Class II prices 2/	Class III price 3/	Difference
	Dollars	Dollars	Dollars
1943			
January	3.500	2.517	.983
February	3.573	2.588	.985
March	3.574	2.585	.989
April	3.488	2.595	.893
May	3.486	2.594	.892
June	3.579	2.595	.984
July	3.579	2.597	.982
August	3.594	2.606	.988
September	3.641	2.654	.987
October	3.674	2.685	.989
November	3.676	2.679	.997
December	3.700	2.704	.996
1944			
January	3.713	2.715	.998
February	3.727	2.731	.996
March	3.689	2.693	.996
April	3.634	2.642	.992
May	3.581	2.590	.991
June	3.518	2.527	.991
July	3.559	2.566	.993
August	3.569	2.571	.998
September	3.566	2.569	.997
October	3.572	2.575	.997
November	3.585	2.588	.997
December	3.617	2.623	.994
1945			
January	3.620	2.623	.997
February	3.624	2.623	1.001
March	3.592	2.595	.997
April	3.625	2.623	1.002
May	3.622	2.485	1.137
June	3.656	2.498	1.158
July	3.662	2.658	1.004
August	3.656	2.658	.998
September	3.647	2.658	.989
October	3.575	2.588	.987
November	3.545	2.559	.986
December	3.605	2.623	.982

See footnotes at end of table.

Table 73.--Weighted average of Class I and Class II prices, Class III price, and difference, per hundredweight of milk containing 3.8 percent butterfat, f.o.b. handler's plant, Louisville marketing area, June 1934-December 1951 1/ --Continued

Year and month	Weighted average of Class I and Class II prices 2/	Class III price 3/	Difference
	Dollars	Dollars	Dollars
1946			
January	3.642	2.658	.984
February	3.676	2.693	.983
March	3.650	2.661	.989
April	3.708	2.719	.989
May	3.644	2.578	1.066
June	3.912	2.843	1.069
July	4.740	3.739	1.001
August	4.778	3.779	.999
September	5.067	4.069	.998
October	5.395	4.387	1.008
November	5.547	4.333	1.214
December	5.301	4.287	1.014
1947			
January	4.924	3.928	.996
February	4.640	3.648	.992
March	4.569	3.577	.992
April	4.445	3.308	1.137
May	4.037	2.910	1.127
June	4.072	3.044	1.028
July	4.307	3.310	.997
August	4.620	3.620	1.000
September	4.817	3.821	.996
October	4.983	3.618	1.365
November	5.214	4.030	1.184
December	5.641	4.460	1.181
1948			
January	5.654	4.394	1.260
February	5.515	4.322	1.193
March	5.350	4.164	1.186
April	5.384	4.164	1.220
May	5.450	4.122	1.328
June	5.490	4.185	1.305
July	5.682	4.343	1.339
August	5.601	4.315	1.286
September	5.479	3.992	1.487
October	4.952	3.565	1.387
November	4.839	3.453	1.386
December	5.139	3.549	1.590

See footnotes at end of table.

Table 73.--Weighted average of Class I and Class II prices, Class III price, and difference, per hundredweight of milk containing 3.8 percent butterfat, f.o.b. handler's plant, Louisville marketing area, June 1934-December 1951 1/ --Continued

Year and month	Weighted average of Class I and Class II prices 2/	Class III price 3/	Difference
	Dollars	Dollars	Dollars
1949			
January	5.145	3.373	1.772
February	4.925	3.108	1.817
March	4.415	3.029	1.386
April	4.188	2.969	1.219
May	4.222	3.011	1.211
June	4.220	3.012	1.208
July	4.268	3.080	1.188
August	4.359	3.171	1.188
September	4.594	3.209	1.385
October	4.602	3.215	1.387
November	4.598	3.212	1.386
December	4.604	3.219	1.385
1950			
January	4.531	3.146	1.385
February	4.531	3.146	1.385
March	4.440	3.055	1.385
April	4.227	3.010	1.217
May	4.230	3.023	1.207
June	4.232	3.024	1.208
July	4.238	3.050	1.188
August	4.272	3.084	1.188
September	4.561	3.174	1.387
October	4.587	3.199	1.388
November	4.654	3.268	1.386
December	4.885	3.388	1.497
1951			
January	5.160	3.534	1.626
February	5.228	3.585	1.643
March	5.253	3.676	1.577
April	4.915	3.675	1.240
May	5.077	3.667	1.410
June	5.020	3.615	1.405
July	4.992	3.567	1.425
August	4.971	3.552	1.419
	Class I price	Class II price	
September	5.011	3.761	1.250
October	5.600	3.910	1.690
November	5.751	4.061	1.690
December	5.987	4.297	1.690

See footnotes at end of table.

Footnotes for table 73.

1/ For the period June 1934-September 1947, prices have been adjusted from a basis of 4 percent to 3.8 percent butterfat content. Beginning October 1947 the basic test under the order has been 3.8 percent.

2/ Computed by weighting Class I and Class II prices as shown in tables 68 and 70 by the percentages of total receipts in those classes as in tables 67 and 69. Because of a change in classification, the prices shown for September-December 1951 are those for Class I milk.

3/ For those months in which there was more than one Class III price, the weighted average was computed by weighting the prices shown in tables 68 and 70 by the percentages of total receipts in each price group as in tables 67 and 69.

Computed from records of the Market Administrator.

Table 74.--Blended price payable to producers, rate of deduction or pay-back under fall premium plan, dairy production payment, and gross price payable to producers per hundredweight of milk containing 3.8 percent butterfat, f.o.b. handler's plant, Louisville marketing area, June 1934-December 1951

Year and month	Blended price 1/	Fall premium plan 2/	Dairy production payment 3/	Gross price payable to producers
	Dollars	Dollars	Dollars	Dollars
1934				
June	1.688			1.688
July	1.685			1.685
August	1.695			1.695
September	1.732			1.732
October	1.835			1.835
November	2.020			2.020
December	1.998			1.998
1935				
January	1.980			1.980
February	1.980			1.980
March	1.950			1.950
April	1.860			1.860
May	1.772			1.772
June	1.695			1.695
July	1.751			1.751
August	1.772			1.772
September	1.750			1.750
October	1.966			1.966
November	2.006			2.006
December	2.034			2.034
1936				
January	1.982			1.982
February	1.978			1.978
March	1.938			1.938
April	1.890			1.890
May	1.798			1.798
June	1.942			1.942
July	2.274			2.274
August	2.390			2.390
September	2.382			2.382
October	2.428			2.428
November	2.494			2.494
December	2.464			2.464

See footnotes at end of table.

Table 74.--Blended price payable to producers, rate of deduction or pay-back under fall premium plan, dairy production payment, and gross price payable to producers per hundredweight of milk containing 3.8 percent butterfat, f.o.b. handler's plant, Louisville marketing area, June 1934-December 1951 --Continued

Year and month	Blended price 1/	Fall premium plan 2/	Dairy production payment 3/	Gross price payable to producers
	Dollars	Dollars	Dollars	Dollars
1937				
January	2.385			2.385
February	2.397			2.397
March	2.400			2.400
April	2.218			2.218
May	1.990			1.990
June	1.990			1.990
July	2.038			2.038
August	2.136			2.136
September	2.282			2.282
October	2.420			2.420
November	2.416			2.416
December	2.346			2.346
1938				
January	2.254			2.254
February	2.150			2.150
March	2.072			2.072
April	1.846			1.846
May	1.768			1.768
June	1.750			1.750
July	1.750			1.750
August	1.750			1.750
September	1.848			1.848
October	1.898			1.898
November	1.926			1.926
December	1.926			1.926
1939				
January	1.848			1.848
February	1.810			1.810
March	1.702			1.702
April	1.616			1.616
May	1.594			1.594
June	1.602			1.602
July	1.624			1.624
August	1.642			1.642
September	1.876			1.876
October	1.954			1.954
November	2.000			2.000
December	1.990			1.990

See footnotes at end of table.

Table 74.--Blended price payable to producers, rate of deduction or pay-back under fall premium plan, dairy production payment, and gross price payable to producers per hundredweight of milk containing 3.8 percent butterfat, f.o.b. handler's plant, Louisville marketing area, June 1934-December 1951 --Continued

Year and month	Blended price 1/	Fall premium plan 2/	Dairy production payment 3/	Gross price payable to producers
	Dollars	Dollars	Dollars	Dollars
1940				
January	2.008			2.008
February	1.962			1.962
March	1.864			1.864
April	1.870			1.870
May	1.760			1.760
June	1.770			1.770
July	1.800			1.800
August	1.920			1.920
September	1.980			1.980
October	2.180			2.180
November	2.350			2.350
December	2.370			2.370
1941				
January	2.170			2.170
February	2.170			2.170
March	2.170			2.170
April	2.160			2.160
May	2.160			2.160
June	2.220			2.220
July	2.180			2.180
August	2.410			2.410
September	2.580			2.580
October	2.670			2.670
November	2.680			2.680
December	2.740			2.740
1942				
January	2.730			2.730
February	2.690			2.690
March	2.620			2.620
April	2.500			2.500
May	2.440			2.440
June	2.410			2.410
July	2.500			2.500
August	2.770			2.770
September	3.020			3.020
October	3.330			3.330
November	3.350			3.350
December	3.470			3.470

See footnotes at end of table.

Table 74.--Blended price payable to producers, rate of deduction or pay-back under fall premium plan, dairy production payment, and gross price payable to producers per hundredweight of milk containing 3.8 percent butterfat, f.o.b. handler's plant, Louisville marketing area, June 1934-December 1951 --Continued

Year and month	Blended price 1/	Fall premium plan 2/	Dairy production payment 3/	Gross price payable to producers
	Dollars	Dollars	Dollars	Dollars
1943				
January	3.490			3.490
February	3.530			3.530
March	3.530			3.530
April	3.390			3.390
May	3.280			3.280
June	3.380			3.380
July	3.430			3.430
August	3.530			3.530
September	3.660			3.660
October	3.780		0.35	4.130
November	3.710		.35	4.060
December	3.720		.35	4.070
1944				
January	3.700		.35	4.050
February	3.710		.35	4.060
March	3.630		.50	4.130
April	3.370	(-0.15)	.50	3.870
May	3.200	(- .15)	.35	3.550
June	3.140	(- .15)	.35	3.490
July	3.430		.35	3.780
August	3.470		4/ .655	4.125
September	3.600	(+ .1247)	.70	4.300
October	3.670	(+ .1315)	.70	4.370
November	3.740	(+ .1455)	.70	4.440
December	3.770	(+ .1403)	.70	4.470
1945				
January	3.640		.70	4.340
February	3.610		.70	4.310
March	3.530		.70	4.230
April	3.230	(- .20)	.60	3.830
May	3.170	(- .20)	.25	3.420
June	3.230	(- .20)	.25	3.480
July	3.470		.45	3.920
August	3.570		.45	4.020
September	3.640	+ .2543	.45	4.344
October	3.660	+ .2833	.60	4.543
November	3.620	+ .3180	.60	4.538
December	3.680		.60	4.280

See footnotes at end of table.

Table 74.--Blended price payable to producers, rate of deduction or pay-back under fall premium plan, dairy production payment, and gross price payable to producers per hundredweight of milk containing 3.8 percent butterfat, f.o.b. handler's plant, Louisville marketing area, June 1934-December 1951 --Continued

Year and month	Blended price 1/	Fall premium plan 2/	Dairy production payment 3/	Gross price payable to producers
	Dollars	Dollars	Dollars	Dollars
1946				
January	3.680		0.60	4.280
February	3.690		.60	4.290
March	3.590		.60	4.190
April	3.360	(-0.20)	.60	3.960
May	3.160	(- .25)	.45	3.610
June	3.390	(- .25)	.45	3.840
July	4.520			4.520
August	4.640			4.640
September	5.050	+ .28		5.330
October	5.540	+ .31		5.850
November	5.730	+ .34		6.070
December	5.400			5.400
1947				
January	4.910			4.910
February	4.620			4.620
March	4.480			4.480
April	3.950	(- .30)		3.950
May	3.400	(- .30)		3.400
June	3.430	(- .30)		3.430
July	4.040			4.040
August	4.440			4.440
September	4.760	+ .36		5.120
October	4.920	+ .40		5.320
November	5.220	+ .45		5.670
December	5.640			5.640
1948				
January	5.580			5.580
February	5.410			5.410
March	5.170			5.170
April	4.690	(- .35)		4.690
May	4.600	(- .35)		4.600
June	4.750	(- .35)		4.750
July	5.310			5.310
August	5.230			5.230
September	5.260	+ .41		5.670
October	4.860	+ .44		5.300
November	4.780	+ .47		5.250
December	5.010			5.010

See footnotes at end of table.

Table 74.--Blended price payable to producers, rate of deduction or pay-back under fall premium plan, dairy production payment, and gross price payable to producers per hundredweight of milk containing 3.8 percent butterfat, f.o.b. handler's plant, Louisville marketing area, June 1934-December 1951 --Continued

Year and month	Blended price 1/	Fall premium plan 2/	Dairy production payment 3/	Gross price payable to producers
	Dollars	Dollars	Dollars	Dollars
1949				
January	4.890			4.890
February	4.580			4.580
March	4.050			4.050
April	3.440	(-0.30)		3.440
May	3.380	(- .30)		3.380
June	3.460	(- .30)		3.460
July	3.850			3.850
August	4.000			4.000
September	4.290	+ .36		4.650
October	4.460	+ .40		4.860
November	4.470	+ .42		4.890
December	4.440			4.440
1950				
January	4.260			4.260
February	4.190			4.190
March	4.050			4.050
April	3.530	(- .26)		3.530
May	3.450	(- .26)		3.450
June	3.480	(- .26)		3.480
July	3.780			3.780
August	3.860			3.860
September	4.170	+ .29		4.460
October	4.290	+ .30		4.590
November	4.510	+ .35		4.860
December	4.740			4.740
1951				
January	4.940			4.940
February	4.980			4.980
March	4.970			4.970
April	4.380	(- .26)		4.380
May	4.120	(- .39)		4.120
June	4.110	(- .39)		4.110
July	4.170	(- .39)		4.170
August	4.670			4.670
September	4.800	+ .42		5.220
October	5.440	+ .42		5.860
November	5.710	+ .49		6.200
December	5.830	+ .46		6.290

See footnotes at end of table.

Footnotes for table 74.

1/ For the period June 1934-September 1947, the blended prices shown in table 68 and table 70 have been adjusted from a basis of 4.0 percent to 3.8 percent butterfat content. Since October 1947 the test under the order has been 3.8 percent.

2/ Spring deductions are indicated by a minus sign; fall pay-backs by a plus sign. Parentheses indicate that the item is included in or reflected by the blended price.

3/ Dairy production payment includes the 10-cent drought payment when applicable.

4/ Average weighted on the basis of time. Production payment rate August 1-4, 35 cents; August 5-31, 70 cents, including 10-cent drought payment.

Compiled from records of the Market Administrator and from Dairy Production Program Statistics, PMA, December 1946.

Table 75.--Average retail prices per quart of fresh milk, in grocery stores, at Louisville, Ky., each month, by years, 1936-51 1/

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Average price
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
1936	11.6	11.3	11.3	11.3	11.3	11.0	12.3	13.1	13.0	13.2	13.1	13.1	12.1
1937	13.1	13.2	13.2	13.0	12.5	12.4	12.4	13.4	13.4	13.4	13.4	13.4	13.1
1938	13.4	13.3	13.5	13.2	12.3	12.3	12.3	12.3	12.3	12.3	12.2	12.2	12.6
1939	12.2	12.2	12.2	12.2	11.0	11.5	11.5	11.5	12.8	12.8	12.8	12.5	12.1
1940	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	11.7	12.5	12.4
1941	12.5	12.5	12.5	13.5	13.5	13.5	13.7	14.4	14.4	14.4	14.4	14.4	13.6
1942	14.5	14.4	14.4	14.4	14.4	14.4	14.4	14.4	14.4	14.4	14.4	14.4	14.4
1943	14.4	14.8	14.8	15.1	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.1
1944	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2
1945	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2
1946	15.3	15.3	15.2	15.3	15.3	15.5	18.4	18.4	18.5	20.4	20.4	20.4	17.4
1947	20.4	18.5	18.4	18.4	18.4	17.6	18.4	18.4	20.4	20.4	20.1	21.3	19.2
1948	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.5	21.5	21.3
1949	21.5	21.5	20.5	19.5	19.5	19.5	19.5	20.5	20.5	20.5	20.5	20.5	20.3
1950	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	21.4	21.9	21.9	20.8
1951	22.6	22.8	22.8	22.8	22.8	22.8	22.8	22.8	22.8	23.8	23.8	24.3	23.1

1/ Prior to July 1936 prices were reported two or three times a month, the price used here being the one nearest the fifteenth of the month; from July 1936 to date, prices are for the Tuesday nearest the fifteenth of the month.

Compiled from reports and unpublished work sheets of the Bureau of Labor Statistics.

Table 76.--Average retail prices per quart of fresh milk, delivered to homes, Louisville, Ky., each month, by years, 1913-51 1/

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Average price
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
1913	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.6	8.6	8.8
1914	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.0	9.1
1915	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1
1916	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.3	9.3	9.1
1917	9.5	9.5	9.5	9.5	10.5	9.8	9.8	10.5	11.0	12.0	12.3	13.3	10.6
1918	12.7	12.8	12.8	12.8	12.8	12.8	12.8	12.8	15.0	15.0	15.0	15.0	13.5
1919	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	16.0	15.1
1920	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	15.5	16.0
1921	15.0	11.0	11.0	11.0	11.0	11.0	11.0	12.0	11.0	11.0	11.0	11.0	11.4
1922	11.0	9.0	9.0	9.0	9.0	9.0	9.3	10.3	11.0	12.0	12.0	13.0	10.3
1923	13.0	12.0	12.0	12.0	12.0	12.0	12.0	13.0	13.0	13.0	13.0	13.0	12.5
1924	13.0	13.0	13.0	13.0	12.0	12.0	12.0	12.0	12.0	12.0	13.0	13.0	12.5
1925	13.0	12.3	12.0	12.0	12.0	12.0	12.0	12.0	13.0	14.0	14.0	14.0	12.7
1926	13.8	13.0	12.3	12.0	12.0	12.0	12.0	12.0	12.0	12.0	13.0	13.0	12.4
1927	13.0	13.0	13.0	12.8	12.0	12.0	12.0	12.0	12.0	13.0	13.0	13.0	12.6
1928	13.0	13.0	13.0	12.0	12.0	12.0	12.0	12.0	12.8	12.8	13.0	13.0	12.6
1929	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
1930	13.0	13.0	12.0	12.0	12.0	12.0	12.0	13.0	13.0	13.0	12.3	12.3	12.5
1931	12.0	11.3	10.0	10.0	10.7	11.0	11.0	12.0	12.0	12.0	12.0	12.0	11.3
1932	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
1933	10.0	9.7	9.0	10.0	10.0	10.0	10.0	11.0	11.0	11.0	11.0	11.0	10.3
1934 2/	11.0	11.0	11.0	11.0	11.0	11.0	11.3	11.3	11.3	11.3	12.4	12.4	11.3

See footnotes at end of table.

Table 76.--Average retail prices per quart of fresh milk, delivered to homes, Louisville, Ky., each month, by years, 1913-51 1/ --Continued

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Average price
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
1935 2/	12.4	10.3	12.4	12.4	12.4	12.4	12.4	12.4	12.4	12.4	12.4	12.4	12.2
1936 2/	12.4	12.0	12.0	12.0	12.0	12.0	13.0	14.0	14.0	14.0	14.0	14.0	13.0
1937	14.0	14.0	14.0	14.0	13.0	13.0	13.0	14.0	14.0	14.0	14.0	14.0	13.8
1938	14.0	14.0	14.0	14.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.3
1939	13.0	13.0	13.0	13.0	11.0	12.0	12.0	12.0	13.0	13.0	13.0	13.0	12.6
1940	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	12.0	13.0	12.9
1941	13.0	13.0	13.0	14.0	14.0	14.0	14.0	15.0	15.0	15.0	15.0	15.0	14.2
1942	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
1943	15.0	15.0	15.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	15.8
1944	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
1945	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
1946	16.0	16.0	16.0	16.0	16.0	17.0	19.0	19.0	19.0	21.0	21.0	21.0	18.1
1947	21.0	19.0	19.0	19.0	19.0	18.0	19.0	19.0	21.0	21.0	21.0	22.0	19.8
1948	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0
1949	22.0	21.5	21.0	20.0	20.0	20.0	20.0	21.0	20.5	21.0	21.0	21.0	20.8
1950	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0	22.0	22.0	22.0	21.2
1951	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0	24.0	24.0	24.5	23.3

1/ Prior to September 1933 prices are for the 15th of the month; from September 1933 through June 1936 prices were reported two and three times a month, the price used here being the one nearest the 15th; from July 1936 to date prices are for the Tuesday nearest the 15th.

2/ Prices include a 3-percent sales tax from July 1, 1934, to January 15, 1936.

Compiled from reports and unpublished work sheets of the Bureau of Labor Statistics.

☆ U. S. GOVERNMENT PRINTING OFFICE : O - 1953