

HOUSE BUSINESS AND INDUSTRY

January 19, 1981

SUMMARY OF HB 51 -

Introduced by Rep. Nordtvedt revises Montana's milk control law by ending the regulation of minimum milk prices at the wholesale, distributor and retail level by the Board of Milk Control; however, it retains price controls for producers.

SUMMARY OF HB 151 -

Introduced by Rep. Hannah is a proposal to abolish the Board of Milk Control and to eliminate its functions.

HOUSE BUSINESS AND INDUSTRY COMMITTEE

Rep. W. Jay Fabrega, Chairman, called the committee to order at 8:00 a.m., January 19, 1981, in the Old Highway Building auditorium, Helena. All members of the committee were present. Bills to be heard were HB 51 and HB 151.

HOUSE BILL 51 -

REP. KEN NORDTVLDT, House District #77, Bozeman, sponsor, said HB 51 would allow the Board of Milk Control to continue to function and would continue the price controls on the product sold by the producer. It would remove the controls at the wholesale, distributor, and retail levels. HB 151 would eliminate all controls entirely.

Virtually all states, 49 of 50, have some form of orderly marketing of raw milk, however, only a handful of states regulate prices at the wholesale and retail levels. HB 51 deals with the aspect of price control which he believes is unnecessary and harmful both to the dairy farmer and the consumer, and that is setting minimum prices for wholesale and retail sale of milk.

All retail milk is sold at essentially the same price, the minimum price set by the Milk Control Board. This is strong evidence that these minimum prices are consistently set higher than the competitive free market prices that would be established in the absence of minimum prices. Therefore, some consumers are being overcharged for this product.

On February 1st, 1981 Montana milk will sell for \$2.38 a gallon. Boise milk price is \$2.12 per gallon, Nevada, \$2.00, Olympia, Washington, \$1.69. Montana's milk is some of the most expensive milk in the country. For every 10¢ a gallon overpriced, Montana consumers are paying more than \$3 million more than they should be. Malmstrom Air Base pays \$1.62 a gallon, and sells a jug for \$1.85. There is some idea of what willing wholesalers are selling milk to retailers for. If the minimum prices were competitive, if we kept the status quo but had competitive minimum prices set, we would find some price variation in the state because of higher costs to wholesalers and retailers because of delivery, or being further from markets requiring extra transportation costs. The evidence that milk sells everywhere at virtually the same price shows that the minimum prices are higher than competitive prices.

The results are the overcharging of consumers; with prices set too high we are under-consuming milk in this state, therefore hurting the dairy farmer. Not only would the consumer benefit, but so would the dairy farmer by increased demand for milk.

It is thought that we need this price control to protect processors and distributors from disappearing and going out of business. The fact is that they are disappearing anyway at a rapid rate due to changing technology in the industry. It is said that we have to protect the less efficient. A subsidy does not go to the less efficient. If you have a less efficient business next to an efficient one and artificially set the prices high, the more efficient one will get the extra money, they are the ones with the bigger profit margin.

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It is thought that this bill would result in out-of-state operators taking over milk in Montana. The Interstate Commerce clause of the federal government prohibits keeping out-of-state milk out of Montana now. The high transportation costs characteristic of Montana are the very thing that gives our domestic industry the advantage over out-of-state competition, and the domestic milk industry will always be here because of the transportation advantage.

Montana has one of the highest distributor gross margins which is the price difference between the price the dairy farmer gets for the raw milk and what the consumer pays for retail milk. The price that our dairy farmers get for raw milk is not very far from the price in neighboring states, however, our retail prices are somewhat higher. The profit to equity ratio among our wholesalers and retailers is also higher. This is where the subsidy is going in our system, not to the dairy farmer, but to the middleman.

The biggest problem here is concentrated benefits. Suppose the 200,000 family units in the state are being overcharged about \$50 per family because of the milk control system. It is hardly worth a working man or working woman's interest to give up a day's work, drive to Helena, and testify that he/she is being overcharged for milk. They would lose as much as they gain. It is hardly worth the consumers' interest even to form a consumer's lobbyist organization and come and testify on their behalf because the cost of this system is spread over all 700,000 people of the state. At \$50.00 per family you are talking about \$10 million total money being taken out of the pockets of consumers because of the government price-fixing program. However, these \$10 million are concentrated on maybe a dozen processors, several dozen distributors, and maybe a couple hundred retailers. It is certainly in their interest to be highly organized, to be very vocal, hire lobbyists to promote their point of view, but can government continue to operate where the general interest is overlooked because the cost is spread so thin it is hardly worth their while to come and testify and the benefits go to a very narrow well-defined special interest?

GEORGE A. LOSLEBEN, Antitrust Enforcement Bureau, Montana Department of Justice, is in support of HB 51. See EXHIBIT A.

DAVE ARDIANA, 2510 Second Avenue South, Great Falls, said the law is very specific saying there shall be consideration of a balance between the costs of production and consumption, and shall establish minimum prices which are fair to producers, distributors and consumers. The federal government made a study on bringing in reconstituted milk, and there was some concern that it would hurt the industry, but from the study it could be assumed that it would not hurt the industry. Government fixing of consumer prices has tended to curtail the use of inventions and promote inefficiency in the distribution of milk.

ALANE SMITH, Lewis and Clark County WIC program, is a registered dietitian. The WIC program on the average serves 1,000 low-income pregnant and nursing mothers with their monthly supply of milk and other supplemental foods. Based on this case load, if milk were just 10¢ per half-gallon less expensive, there would be a savings of \$10,150 per year. If milk prices were

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20¢ a half gallon less expensive, state-wide savings would double and another 2,000 participants could be served with the almost \$157,000 that would be saved. This could be reallocated to the taxpayers in the form of a rebate or allocated to some other funds. She strongly supports both HB 51 and 151.

CONNIE J. JOHNSON, Rd, MPH, representing the Montana Dietetic Association, is a registered dietitian. They strongly support HBs 51 and 151. See EXHIBIT B.

PHYLLIS A. BOCK, Montana Legal Services Association, Legislative Advocate, is a proponent of HB 51. See EXHIBIT C.

HAL HARRISON, 2121 Lockett, a consumer, supports HB 51. He pointed out that prices in Oregon are cheaper than in Montana and include, in some cases, a deposit on a returnable jug. They were also using a plastic throw-away pack. Why are we not having these lowered cost methods being used with the savings passed on to the consumer? The fixing of prices has not allowed incentives for whoever is involved in the milk industry. He would save \$56 per year at Oregon's prices, which means two gallons a month more as far as his family is concerned. They are finding alternatives to milk. As a consumer he does not feel he is getting his fair share of what he should be from the milk industry.

SHARON NEUMAN, Helena, consumer, said she has three growing boys, and cannot afford milk now, and if it goes up she won't be able to buy it at all.

TOM HERZIG, Helena, supports HB 51. See his testimony on Witness Sheet.

OPPONENTS -

JERRY STRONG, Helena, as a private citizen, spoke in opposition to HB 51. Everything in Montana is more expensive than it is in Virginia, his home state. If milk is decontrolled, where is the price going to go? We have to have priorities. He is the father of four small children and their family consumes eight to nine gallons of milk per week. Milk is a basic food and is the single best food there is. There have been a lot of studies done, but they have proved nothing. All he wants is to be able to keep feeding his children. Legislators are raising their prices \$5, public utilities are guaranteed a good profit, and there is nothing he can do about it. He doesn't know what the answer is. His consumption of milk he is satisfied with, but we need some kind of controls to help consumers.

TERRY MURPHY, Montana Farmers Union, opposes HB 51. See EXHIBIT D comparing milk prices to pop prices. He thinks these facts speak for themselves. With the controversial interests about free enterprise, he thinks we may as well go after all other legally fixed prices such as utility rates, minimum wages, telephone rates, regulated gas prices, transportation system in this state, and other monopolistic businesses.

HERSCHEL M. ROBBINS, Roundup, MT, is an independent jobber and distributor of milk products. He services the stores himself and with his daughter. He has been doing this for 22 years, and for 10 of those years he was in the Legislature. He runs a small operation and does not make a lot of money at

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it. He could not afford to hire someone to run his business while he was in Helena, so he did not run for the Legislature this time. His sales in 1980 were \$250,000, he drives a 1972 model car - the jobbers have not made all this money.

His distributorship plays an important role in a community such as Roundup. He brings milk out of Billings twice per week, hauls it to Roundup, distributes it to the stores, maintains the store shelves. Then he takes milk to several other surrounding communities that have no milk, bread, etc. distributors although they have highschoools, stores, and drug stores. If the jobber is knocked out by passage of these bills, since the processors are too busy buying milk from the producers and processing it, they can't get involved in hauling milk to these communities seventy miles away that use only \$150 worth of milk each trip.

He does not feel that the price of milk is that much out of line in Montana as Wyoming is just as high and has a 4% sales tax on top of that. If processors have to get the cheapest milk available, they will go out of state to get it and cut the local producers out of the picture altogether. He would predict that if the controls were off milk, as soon as the local producers were out of business, the milk price would go up even more and milk would be a luxury item.

For these reasons he is opposed to HB 51 and HB 151.

DAN HULS, Ravalli County Creamery, Hamilton, opposes HBs 51 and 151. This is a small new fluid milk processing business. See EXHIBIT E.

DELBERT KUMERMAN, Manhattan, MT, dairy farmer, representing the Gallatin Dairies, Inc. (producers and distributor), Agricultural Preservation Association, Park County Legislative Association, Sweetgrass County Preservation Association, Stillwater County Agricultural Legislative Association; Montana Restaurant Association.

A processor and distributor are really the same. What affects the processor, affects the producer. The figures mentioned today are all for metropolitan areas, and there is a great difference in the cost of distributing. The claims that milk prices will drop are erroneous. Montanans are operating efficiently and as inexpensively as they can. Retailers are not making a huge margin either.

He is confused about the bills being introduced, and if supporters are really serious, why are there no milk control hearings. The hearings are public and published, yet no efforts are seen at that level.

Let's keep the milk control board as it is.

PATRICK R. UNDERWOOD, Montana Farm Bureau Federation, Bozeman, opposes HBs 51 and 151. He agrees with comments made by other opponents. What do we see when deregulation occurs - everything goes up. See further testimony on his Witness Sheet attached.

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ED McHUGH, Cloverleaf Dairy, Helena, said the following comments are his, but he represents all the distributors in Montana except Safeway. All of them urge defeat of HBs 51 and 151. If these bills pass, the independent dairies will be out of business and a monopoly will become a reality. See EXHIBIT F.

AL DOUGHERTY, Montana Dairymen's Association, Helena, registered lobbyist, opposes both HB 51 and 151. He thinks they should both be killed. A recap of price increases since January 1, 1979, shows the retail price increased during that period 15.53% which happens to be identical with the inflation rate. Out of that the producer price increased 10.68%, and the distributor price increased only 4.85%. See EXHIBIT G.

He feels comparing the price of milk in Phoenix, Arizona, to that of Montana is irrelevant because of the things that have to be figured into the merchandising of milk. On 2/1/81 milk in Montana will sell at retail for \$1.19 a half gallon, the wholesaler will receive \$1.08, so the retailers' markup is 11¢. The jobber price which Mr. Robbins pays is 84.95¢, and he sells it at \$1.08 and does all the driving, does all the work, pays all the equipment expense. The producer gets 58.709¢ of that \$1.19. That is an efficient system, and it is as efficient as any in the U.S. See EXHIBITS G-1, and G-2.

QUESTIONS -

Rep. Vincent - Since we have talked so much here today about deregulation of airlines, natural gas, and transportation, is this a reasonable correlation to make when talking about milk prices? Rep. Nordvedt - No. Unfair distinctions here. We are setting minimum prices, which seem to be high, that orient themselves to protect industry rather than the consumer. HB 51 does maintain the milk board for determining prices to the producer.

Rep. Ellison - If 10¢ per gallon would save the consumers \$3 million per year, is it your contention that if we decontrol milk it is going to go down 30% and where will these savings go? Rep. Nordvedt - Doesn't think anyone can make any firm decision of what will occur under deregulation. He used \$50 per household as an example. Based on the price that milk is being sold to Malmstrom Air Force Base, and the fact that in all areas of Montana, milk sells for the same price regardless of travel costs, etc., there is no doubt that the price of milk would go down under free market competition. The amount is debatable.

Rep. Kessler - Would you address the comments that were made in regard to the milk prices being high due to the great distances involved and the relatively low population density? Rep. Nordvedt - There are other sparsely populated states where milk prices are lower. The consumer is willing to pay the competitive price for milk in Montana, but he does not have that choice. These great distances although they are some of our high cost aspects of the industry, are also the protection of the domestic industry. High costs of transportation will be a bigger factor to the out-of-state competition.

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Rep. Metcalf - The only state mentioned with a higher price for milk than Montana was Wyoming, is Wyoming controlled by a milk control board? Mr. Dougherty - They are not.

Rep. Metcalf - How would an out-of-state firm be able to come in and serve in Mr. Huls area that is remote and has a marginal operation at a cheaper price than you can with his transportation costs? Mr. Huls - I didn't mention an out-of-state firm coming in. Our primary concern would be Beatrice Foods and Safeway Corporation which are our direct competitors and the problem we have with that is that our capital reserves are not there to sustain us during any kind of price war. Safeway and Beatrice Foods get most of their milk from Montana producers.

Rep. Ellerd - Is the milk being sold at Malmstrom Air Base being sold at the commissary? Isn't it true that one of the fringe benefits of being in the military is being able to purchase goods sold with very little profit margin? Rep. Nordtvedt - I was showing you what a milk processor was willing to sell his milk for in a precontracted situation when he is not under the controls of the milk board. He could sell to the base for \$1.62 per gallon where he would sell to the store in a controlled environment for \$2.16 per gallon wholesale price. Rep. Ellerd - Malmstrom can sell it cheaper than a retailer? Rep. Nordtvedt - Yes, they sell it for whatever they choose to sell it for, and they buy it much cheaper, too.

Rep. Harper - If we are producing milk at approximately the same cost in the state as in other states, how can out-of-state distributors beat our people here if the distance costs are the only added costs? Mr. Kummerman - The out-of-state firms already have contracts for dairy products other than milk with stores in Montana. All they would have to do is throw the milk on the trucks. Rep. Harper - In other words, because of the size of these other operations, they can produce and package and prepare for distribution out-of-state milk that is so much cheaper that the distance and all the distribution costs that we have heard about would be totally overcome. Mr. Kummerman - Yes.

Rep. Robbins - People buy everything else at Malmstrom - do they have to pay any state or federal taxes, the same taxes that the ordinary distributor has to pay? Rep. Nordtvedt - The price they sell milk for is not terribly important, what they pay for the milk compared to what those under price controls have to pay for the milk is what is the subject the committee should focus on.

Rep. Ellison - What are the unique features you mentioned regarding the distribution of milk at Malmstrom? Mr. Dougherty - Malmstrom is unique in that it is a federal entity totally surrounded by the state of Montana. It is a subsidized operation subsidized by the U.S. government. It bids in the milk. The distributors have to bid on it because if they all decided not to bid, it would be evidence of a restraint of trade. They drop a semi-load of milk at one time at one place. The government assumes all that cost. The distributor doesn't have to serve beyond the door. He doesn't have to take back any returns, leakers, etc. This is done for the benefit of the armed services. It makes a difference in the merchandising and marketing costs. Often a distributor has to go back to the supermarket two or three times a day to stock the shelves because of lack of storage space. He doesn't have to service Malmstrom more than a couple times per week.

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Rep. Bergene - What powers would the milk board retain after any deregulation? Rep. Nordtvedt - With regard to the producer or dairy farmer, which are synonymous, the board would check the butterfat content of the milk and would continue their formula with respect to the price for dairy farmers. Rep. Bergene - The qualify control would still come from the Milk Control Board? Rep. Nordtvedt - Health aspects are not done by the Milk Board. All quality control would continue under one agency or another in the state.

Rep. Wallin - The wholesale price of milk is \$1.08 at the present time. If a distributor bought it out-of-state, would it open it up so that anyone could buy outside of Montana? Rep. Nordtvedt - They must abide by the same pricing structure. They can bring the milk in from outside the state now if they follow the same pricing structure.

Rep. Fabrega reminded that the time had expired for the questions and answers on HB 51.

Rep. Nordtvedt closed saying Mr. Dougherty's remarks proved his point. We are not only locking the milk industry into a set profit margin, we are also locking the industry into inefficient methods of operation. They have no incentive to change their inefficiencies and profit margin so as to gather a bigger fraction of the market. We are not saying what the price of milk should be - the market place should determine the price.

A report concerning the Montana Milk Board several years ago from the office of the Legislative Auditor said: "There is substantial evidence to indicate that milk price controls at retail and wholesale levels in Montana are no longer warranted and in fact, most states have found that retail price controls over milk are unneeded. Only about a dozen states in the nation determine the price at the wholesale and retail level. The bulk of the milk today is delivered in an adequate quantity to the consumer by the free market mechanism. The only prices that are determined universally around the nation are at the producer level. There is also substantial evidence to indicate that milk price controls at the retail level are no longer in the public interest, that such controls at the retail level may have an adverse effect on both consumer and dairy farmer, the very ones the law is supposed to benefit. It is evident as a result, consumption of drinking milk is less than it would be otherwise. There is also evidence that dairy farmers are suffering a loss of potential income because of the reduced consumption and underutilization of drinking milk. Accordingly, it is fairly conclusive that continuation of milk price controls at retail level is no longer warranted and not in the public interest."

Concerning Wyoming, As of January 18th, they decided not to have controls. Yesterday they were decontrolled. Page 355 of the legislative analyst's recommendation in this legislative assembly said "the legislature should consider repealing the milk pricing law as it affects wholesale and retail milk prices."

Retail prices have been adjusted 52¢ per gallon with the bulk of the increase in cost of milk going to retailers and wholesalers, and not to the dairy farmers.

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Rep. Nordtvedt hoped the B&I committee would send HB 51 to the floor of the House for full consideration by all the representatives so all the interests of the state of Montana could be heard. He feels the fundamental issue here, which is not peculiar to this milk issue, is that we have the cost of unwarranted government involvement in the marketplace being spread over all the people of Montana. Each consumer is not quite affected enough to be heard here, but the benefit of this unwarranted program of price fixing is concentrated on a few, thereby penalizing the many for the benefit of the few, and interfering with a market system that has been beneficial to this nation; and one of the main reasons that we have one of the highest standards of living is that the people in the marketplace must compete in an open marketing system for their share of the market. We are clearly interfering with that process here today, and it is detrimental to the general interest. He urged the committee to pass HB 51.

Rep. Fabrega said this will conclude the hearing on HB 51.

HOUSE BILL 151 -

REP. TOM HANNAH, House District #67, Billings, sponsor, said HB 151 would totally decontrol milk pricing. What right has a function of government, and why is government involved, in setting the prices of private industry and private business? He thinks the price of milk is not important. If the price floated, people would be willing to pay the price. Why should 750,000 people pay more to support a few? Government should be for the benefit of the majority instead of the few. He thinks the Milk Control Board is in favor of the few.

HB 151 does not take off regulations of unfair prices. Page 13 of the bill, 81-23-303 Rules of fair trade practices, retains all of the powers that were in the law before the Milk Control Board was enforced, and if this should become law, these would remain in the statute. The Department of Business Regulation has authority and enforcement provisions to take care of that. The unfair trade practices problem is taken care of. The federal government also has provisions for the control of unfair practices for milk.

We are dealing with a tremendously emotional issue wherein fear becomes a dominant feature. We really have to cut through the emotional feeling of this thing. The question is what is best for the people of Montana. He believes the best thing is to deregulate milk control and do away with the Milk Control Board.

GEORGE LOSLEBEN, supports HB 151 on behalf of the Department of Justice, and the Antitrust Bureau. His remarks made on HB 51 apply to HB 151 also, but this legislation is different.

With no price controls of any kind monitored by the state the question would arise under HB 151, do the producers, dairy farmers, want any kind of price controls to protect them? There still would be the state laws alluded to. Section 30-14-103 would apply and, and if any activities that were deemed to be anticompetitive unfair methods of competition, the Department of Business Regulation under existing law has the authority and could bring an action to enjoin and bring an action against those causing that.

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We are talking about large, out-of-state industries coming in and monopolizing the industry. If that kind of local activity were necessary to preserve local interests, then court fees and attorneys' fees would be recoverable. That is an added protection for the Montana producer.

Dairymen in various market areas in Montana could petition the Department of Agriculture for a federal market order. That in effect would provide the same kind of price protection as HB 51 because it requires the jobber or distributor to buy from the producer at a certain price that is determined by the Department of Agriculture. In effect, this would be substituting the Department of Agriculture of the federal government for the existing Milk Control Board for setting the dairyman's price.

He urged support of HB 151, and HB 51 which he is supporting on behalf of the Antitrust Department.

OPPONENTS -

GEORGE SCHULZE, President of the Montana Dairymen's Association, Kalispell, represents 70% of the 263 licensed producers in the state of Montana. They are opposed to both HB 151 and HB 51. The two bills would be about equally destructive to the producers and without long-range benefits to consumers. See EXHIBIT H.

WAYNE LOVING, Fort Benton, is an independent distributor and represents 10 other distributors in the Hi-line area. His Fort Benton area covers Geraldine, Loma, Highwood which has a total population of about 3,000. He has three school districts, one hospital, one retirement home, but the main source of his business is a retail grocery, several restaurants, and several small groceries. Two grocery stores represent 60% of his business.

If the controls are removed he stands a chance of losing these two grocery stores because Great Falls is only 40 miles away from Fort Benton and if he cannot compete in case of a price war, the stores will find other ways of getting their milk supply. The question is what will happen to the schools, the hospital and the retirement home. His business would then go from a full-time milk business to a part-time outfit. If it does that, he cannot afford to go to Geraldine, Loma, and Highwood. Where will these areas get service, and what will the price of milk be? He cited examples of the rise in costs since 1972 for independent distributors saying expenses have gone up 3 to 4 times as they were then. He feels the independent distributors need price controls at all levels, and urged the representatives to vote against HB 151 and 51.

RALPH PARKER, Fort Shaw, appeared on behalf of the Montana Dairyman's Association, and is in opposition to both HB 151 and HB 51. With reference to the statements about Malmstrom Air Base, pound loaves of bread sell for 29¢ there and for 60¢ a pound at retail levels. Eddy's bread has no competition on bidding at that base, but it shows the value placed on large orders, easy distribution, and good pay. If all milk could go to one dock, it would be cheaper.

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He feels the industry is entitled to prices set by the Milk Control Board just as we are entitled to school equalization. He sees a definite corollary between the two and feels that both are necessary.

How could milk come in from Idaho or other points where it was stated our cost of production is similar? Milk in Idaho is a lot cheaper at the producer level than it is in Montana. It costs \$1.18 a hundred pounds to get milk hauled to Havre, and 18¢/hundred was being paid in Idaho; there are 67,000 cows in Montana, and 167,000 cows in Idaho. If the Idaho producers can get anything above what they are getting from the cheese factories, they will take it. The cost of moving that milk is not any greater to move it from southern Idaho to Montana than it is for some producers to move it across the state of Montana. Their alfalfa crops are better, their corn crops are better, their cost of production is generally lower, so indeed they could sell their milk to Montana and put the Montana producers right out of business.

When these two bills came up, one of the major dairies in the state of Montana notified their producers that they would buy milk from the cheapest place. If this happens, there is no guarantee that they will buy milk from our producers. There is milk available in Spokane and the Inland Empire. It is to their advantage under federal order to move that milk out. The higher utilization, the less milk they have for manufacturing purposes, and the more they receive in the ultimate check to the producer.

He has a son and family who want to make a living on the home ranch, but that son won't be milking cows very long if milk control is done away with. Forty years ago milk control was in its infancy. In those days, if a producer spoke up in opposition to his distributor, he didn't have a market for his milk. We can't shop around to sell milk, beef can be sold in unlimited places, and so can wheat, but with milk there is only one or two places. See EXHIBIT I.

RAY S. PERRYMAN, Livingston, MT, is a jobber, and opposes HB 151. A jobber buys milk from a processing plant, takes title to the milk, redistributes it to grocery stores, restaurants, hospitals, schools, etc. He doesn't process milk, only distributes it. His son and he do all the physical work, and his wife does the bookkeeping - it is a family business. In 1940 a haircut cost 40¢, and milk was 10¢ a quart. What is going to happen if we pass HB 151? Chances are, if the milk law is changed, 80% of the milk is going to go to the retail stores. He sees a problem with delivery to schools, hospitals, small restaurants, and questions whether there will be any independent people left if the milk control law is changed.

DENNIS BOLGER, is a distributor in Dillon, and spoke against HB 151. He is in direct competition with Safeway Foods, and they could lower the price of milk as a loss leader and take away his business in Dillon. He delivers to West Jackson, Lima and Dell, and is the only supplier of milk to those communities, and they would have no place to get their milk if he goes out of business. It is the service provided that would be eliminated. Safeway can afford to lose money - he can't.

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HAROLD T. HOCKHALTER, Community Homes Service Dairy, Missoula, feels that HB 151 and HB 51 would be devastating to their business and probably all retail home deliveries in this state. See EXHIBIT J.

ALICE FRYSLIE, National Farmers Organization, Helena, opposes HBs 151 and 51. See testimony on her witness sheet, EXHIBIT K.

BILL JENSEN, Pompey's Pillar, has been in the dairy business for 40 years and has a son 30 years old who wants to stay in the business. They built a new double-5 herringbone parlor and have \$100,000 invested in the business. HBs 151 and 51 are demoralizing. They are strictly controlled by the Montana Sanitary Board who is required to do inspections four times a year. He looks into everything and lets you know if you can continue producing milk.

He feels when the distributor can buy milk in Idaho cheaper than in Montana, he is going to go over there and get it and no one can stop him because he is not controlled. He thinks the distributor should be controlled also. Milk that is brought in is not bottled the same day, and the quality of such milk will not be as good as that of local producers whose milk is oftentimes bottled and in the showcase the same day it is milked.

Because of the long working hours, the dairyman should be paid for the time he spends producing good quality milk. He wants HBs 151 and 51 not to be enacted.

ED McHUGH, Cloverleaf Dairy, Helena, said statements made by him regarding HB 51 apply to HB 151 also, and he would add a few points that would have a bearing on either bill. There is not just one price for milk in Montana. There are 2500 customers in Helena who pay more for home delivery. Under either bill there will be no control on the producer price of milk from other states. If it is packaged, it comes in free.

Regarding the lower the price, the more you drink, this is not true. The range of milk that is consumed is not elastic to that point. He doesn't think the people of Montana drink any more or less milk than people of other states. He would say to Mr. Harrison about switching to orange juice that orange juice is now \$1.70 a gallon and the recent freeze would make it more expensive.

Milk in Wyoming has not been controlled at the retail level for quite awhile, but the wholesale price has been under control until today.

He feels Mr. Losleben's presence at this meeting is a total conflict of interest because his position is to protect industry, and protecting that trust is exactly what we are talking about. Should Vita Rich go out of business in Havre, one-fourth of the competition in the state would be eliminated. The attorney general is going to have to try and save Vita Rich Dairy, and the best way to do this is through milk control, so he feels Mr. Losleben should be the first person to say that we need milk control to help protect the trust and to do otherwise is not understandable to him. He feels the anti-trust department of the attorney general's office does not have enough money to protect against loss-leaders if milk were decontrolled. Milk control provides good service and good prices to all small areas. Milk is an awful good buy.

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AL DOUGHERTY, lobbyist for the Dairymen's Association, said Mr. Losleben referred to the state exemption theory of the law which is very complicated. The Sherman Anti-trust Act and Clayton Act do not apply to certain aspects. They have specifically been exempt in certain agricultural areas, and they are also exempt when state supervised. See EXHIBIT L.

Mr. Losleben said the fair trade law of the state of Montana would protect the people of Montana. It is poorly enforced and poorly written.

In an analysis of the costs of many items that goes into the food chain, the price indications for 290 cities across the U.S. shows that Montana is not the highest nor the lowest in the cost of milk. This was quoted by the American Chamber of Commerce Researchers Association in Washington, D.C., cost of living indicators study. See EXHIBIT M.

He urged a do not pass on HB 151.

QUESTIONS -

Rep. Fabrega said Bill Ross of the Milk Control Board was present to answer any questions the committee might wish to ask him regarding the technical aspects of the Board, but he was not to be asked to express any opinions of good, bad, or indifferent.

Rep. Jensen - The Board of Milk Control is an arm of the Department of Business Regulation and they police and enforce laws in the milk industry. If HB 151 completely deregulated the milk law, would it be necessary for the dairy people to initiate new unfair trade practices, or would your department take the initiative in that? Mr. Losleben - 30-14 has two parts. The first part is the part that he has been alluding to and talking about concerning the bill and availability of action by the Department of Business Regulation and if they wish, with the attorney general's assistance, they can prosecute any unfair methods of competition or unfair trade practices, and that authority is existing at the present time, and with the passage of this legislation there is not any change in that authority.

Rep. Jensen - There is no policing of the industry to see that there are no unfair trade practices. Mr. Losleben - They operate on the basis of some private citizen coming in with a problem.

Rep. Meyer - If a company in Montana goes out-of-state, buys milk, bottles it, and sells it within Montana, does the law support that? Mr. Losleben - It depends on where it comes from. Montana would have no control over a federal marketing order. In all states having federal marketing orders about 80-90% of the production is controlled by either the state or federal pricing at the dairyman's level.

Rep. Manning - What sort of involvement is required to get a federal marketing order into Montana? Mr. Losleben - He didn't work in that specific area. First of all, you would start with a group of producers not having the protection that a federal marketing order would provide. There would have to be a definition of the area, and two-thirds of those producers

1/19/81

Page 13

who voted on accepting or rejecting, have to accept it. Then it is applicable only to those persons in that area.

Rep. Ellison - Can a federal marketing order be issued for a whole state? Mr. Losleben - Believed it could be if two-thirds of the producers in the state of Montana voted for it. Rep. Ellison - Why is it better to control the milk by a marketing order than by the state Milk Control Board? Mr. Losleben - There is no competition now. One allows the state to fix the price for the producer. HB 151 takes the state out of that activity and leaves it up to the dairyman as to whether he wants any protection at all. It is the obligation of the dairyman to ask for the protection.

Rep. Meyer - If this milk were brought in from another state, could it be sold at 89¢ a half gallon and would your anti-trust laws come into play? Mr. Losleben - If that price assumes there is a federal order, there is no guarantee. That is where it gets into economics. Distance is a problem for us but maybe again it is a protection because it isn't as economic to bring it in.

Rep. Robbins - What were the conditions when the milk order was made? What do you think about federal orders? Mr. Parker - There is no chance in the world that you can institute a federal order in the state of Montana. They are not putting in any new orders. We don't have that volume of milk; it cannot be feasibly instituted. We don't have that alternative, it sounds good, but it is not there.

Rep. Fabrega - What are the mechanics of the Board? Mr. Ross - The board to amend either the producer or distributor formula has to receive a petition from an interested person, or they can call upon their own motion, to amend either formula. If they amend the formula on their own motion, they are required when they noticed the hearing to make known the specific facts within their own knowledge in promulgating an order. The input is the majority of the basis for the board when generating their decisions as to what type of formula will be made. That order is then written specifying what those changes are. They support it with their conclusions citing portions of the law that were used in making the decision and justification for the changes they made.

Rep. Fabrega - What factors does the Board look at to recommend the change? Mr. Ross - The Board doesn't have to follow the law implicitly. The law says: "The Board shall consider the balance between the production and consumption of milk, the cost of production and distribution, and prices in adjacent and neighboring areas of the state. The Board shall, when publishing notice of proposed rule change under authority of this section, set forth a specific package to be considered in establishing a formula in determining cost production and distribution expenses which are studies resulting from an investigation of auditors or accountants, and they will be shown at the hearing.

All interested parties will have an opportunity to be heard and can question such consideration as a matter of record. Factors that may be included in determining the formula, but are not limited to: current and prospective

1/19/81

Page 14

supplies of milk in relation to current and prospective demand, ability and willingness of the consumer to purchase, including per capita disposable income statistics, consumer wholesale price index, cost factors in producing milk, including prices paid by farmers for dairy feed and the farm wage rate, alternative opportunities, both farm and nonfarm, open to the milk producers including prices received by farmers for all products other than milk, prices received for beef cows, prices of other products such as butter, non-fat spreads, prevailing wage rates in the state.

Processing costs applicable to the distributor's dock: prevailing wage rates, cost factors in distributing milk, including prices paid for equipment of all types required to process and market milk, cost factors in jobbing milk including raw product ingredient costs, carton and packaging costs, processing and that part of general administration applicable to the distributor stock, equipment required to market milk, and the prevailing interest rate.

Specific factors that the Board currently considers: distributor formula the price of milk will increase 1¢ per half gallon for each 5.3 points that the index moves. The items that they consider are weekly wages in the private sector, wholesale price index 28%, bulk paper and allied products 12%, industrial machinery 6%, motor vehicles and equipment 4%.

Producer formula considerations are: 5% of the rate of the unemployment in the U.S. (Unemployment in Montana is 10% of the rate.) Total private weekly wages 15%, prices received by farmers in Montana 15%, mixed dairy feed 20%, alfalfa hay 12%, prices paid by farmers 23%. That is the basic makeup. The producer formula would increase 1¢ per half gallon if the index moves 4.5 points.

Rep. Ellison - Could a consumer or consumer group appear before your Board and institute an action? Mr. Ross - Yes, the consumer can appear at any Board meeting. They are all publically noticed and anyone can appear. The Board generally tries to hold the meetings in various places in the state so it affords everyone a chance to appear. Rep. Ellison - Do you have much consumer appearance? Mr. Ross - Not too much, there have been only two or three instances when consumers appeared before the Board.

Rep. Metcalf - Can a consumer institute a hearing before the Board? Mr. Ross - The hearing process is initiated by only one person. They have to give the person a written reason for disapproval or institute a hearing.

Rep. Hannah closed saying there has been a lot of testimony about people going out of business if either one of these bills were to become law, and in the same testimony that there are a lot of people in the milk industry going out of business, and perhaps that is proof of the failure of the Milk Control Board because we have had massive losses of producers and processors. Maybe we have created a monopoly and are afraid to change it. Although neither of these bills is a panacea that will be to the ultimate good of everyone, we have a bad situation that needs to be changed, and to do that we have to start by addressing the problem, and he feels the Milk Control Board is the main problem, and the logical approach is to eliminate it, and that is what HB 151 would do. He hoped the committee would give both bills a do pass so they could be voted on by all Montana's representatives.

Meeting adjourned at 11:30 a.m.

Josephine Lekt

Secretary

Rep. W. Jay Fabrega
REP. W. JAY FABREGA, CHAIRMAN

VISITORS' REGISTER

HOUSE

COMMITTEE

LL 4051

Date _____

SPONSOR

NAME	RESIDENCE	REPRESENTING	SUPPORT	OPPOS
Lynn Fleming	140 Leroy Hill	Bethesda		-
Pick Toft	145 River Road	Bethesda		-
Meth Hoken	1308 Lawrence Rd Helena	Claremont		✓
Hochhalter	5116 Orchard	Community Home Service		✓
e Hochhalter	5116 Orchard	Comm. Home Service		✓
J.P. Sullivan	2944 E M th Blvd	Bonanza Park		✓
Walter G. Kullback	Northern Laurel Mont	Utah Park Association		✓
Walter Jones	Box 77 E.H. 415 N. Grand	Clover Leaf		-
Robert Vancouver	Rd #1 Mandan Terr.	Mt. Spokane		✓
Ed W. Jones	Box 903 Bozeman Mt.	Groceries		✓
John C. West	Box 6664 Great Falls	Mt. St. Anne		-
Marjorie Swinert	P.O. Box 2222 Sun River	Meadow Brook		✓
E. Heine	Lawrence MT	" "		✓
Don Smith	Dillon Mont	Self-Directed		✓
Don Baker	" "	" "		✓
William J. Sellar	Billings	Brown Bros		-
W. Berryman	Livingston	Self		✓
James L. Jones	T. Planton	Meadow Brook		✓
Paul Conacher	Helena	Clover Leaf		✓
Michael J. Jones	Helena	Capitol Building		-
Alfred Z. Jones	MISSOULA	King's Ridge		-
Marie Carlson	Bozeman	Meadow Brook		-
John T. Jones	St. James	Meadow Brook		-

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE

COMMITTEE

ALL H-51

Date _____

SPONSOR _____

NAME	RESIDENCE	REPRESENTING	SUPPORT	OPPOSE
Tom Hays	Helena	Self	✓	
Dora Addison	2510 Southview Blvd	Self	✓	
Ferry Mitchell	Box 2387 GTF	✓		✓
Hal Johnson	2121 Wackerly Hall	✓	✓	
Wm. Mortenson	661 N. Warren	Self		✓
Ed McKeeg	9 Cameron St Helena C. D. Day		✓	✓
John R. Beach	Box 2180 Ranch	Self		✓
Ed. L. Brown	Box 123 Kelmer	Self		
James Hays	Box 1749 GTF	Self		
Alex Guerin	Box 84 RT 1	Self		✓
Joe Hays	Grand Falls Box 111	Self		✓
Wm. Beynon	Fairfield 1st	Self		✓
Alfred Schmidt	"	"		✓
R.E. Ransholler	67 Falls	Burnsville	✓	
BILL ASHER	MANHATTAN	APA, PCA, SCA, & SCALA		✓
Henry Muel	438 Decatur	Self	✓	
Paul Hays	Box 88 Rusty Manhattan	Self		✓
John Jacob	St. Annville 9th	Prisoner		✓
Frank Wilson	St. Annville	Prisoner		✓
Marta Miller	Helena	Self	✓	
Wm. Hays	"	Prisoner	✓	
Wm. Todd	24427 Norris Rd	Self		✓
Paul Hays	1006 McCotter Rd	Self		✓

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE

COMMITTEE

LL H B 51

Date _____

SPONSOR _____

NAME	RESIDENCE	REPRESENTING	SUPPORT	OPPOSE
Wm E Brown	Helena	Milk Control Div.		
Ely Rich	Shepherd MT	dairy Farmer		✓
Will L. Givings	Hamilton Mt.	Retail-Wholesale Del.		✓
Wesley H. Buckner	Bellings	dancer Farmer		✓
William K. Kuyper	Bellings	producer		✓
Bradley Smith	Pompeys Pillar Mt	producer		✓
Wm J. Foster	Wooden Mt.	Producer		✓
Fred J. Jacobs	Thompson Mont	Producer		✓
Wm Kaufman	Bellings Mont	Bellings		
Edith A. Brown	Stevensville Mt.	Producer		✓
Wm Olson	Stevensville Mt.	Producer		✓
Wm J. Jones	26511 Norris Rd	Producer		✓
Wald Moss	26511 Norris Rd	Producer		✓
Wm Martensen	SE 531 Fishkill Hamilton	Producer		✓
Frank M. Martinson	SE 5317 Fishkill Hamilton	Producer		✓
James R. Kuter	Lamont, Mont.	Producer		✓
John R. Kuter	Lamont, Mont.	Producer		✓
George P. Laubach	Helena	Attorney General	X	
Wm Huls	Corvallis Mont	Kovall's Co. Creamery		X
J. Huls	Corvallis Mont	Producer - Kov. Co		X
Edward Burton	Great Falls, Ind.	A.Hy. - Benton Foods		X
V. D. Hall	Pompeys Pillar Mt.	Yellowknife Milk Prod		X
W. G. Reed	Wooden Mt	" " "		X

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE _____

COMMITTEE _____

LL 14 B 51 _____

Date _____

SPONSOR _____

NAME	RESIDENCE	REPRESENTING	SUPPORT	OPPOSE
Indis Becker	Ballantine	Becker Sherry Farm		✓
Thy Reed	Warden Mt	Yellowknife Mills Co		✓
Erman Becker	Ballantine	Becker Sherry Farm		✓
Ed. K. Jones	74 Shaw	Self - Dauphin		✓
Ed. Parker	74 Shaw	Producer		✓
Ernst Schulze	Kalispell	Pres. M. D. A.		✓
T. McIVERWOOD	Bozeman	PRODUCER M.T. Farm Bureau		✓
Art F. Lehman	Bozeman	Producer		✓
Art F. Lehman	Manhattan	Producer		✓
Charles Kerim	Manhattan	Producer		✓
Joe Smith	Helena	WIC	✓	
Don Dykstra	Manhattan	Producer		✓
Erny Seep	Manhattan	Producer		✓
Tommy S. Lyke	Manhattan	Producer		✓
Ed Van Dyke	Bozeman	Producer		✓
William A. Beck	Helena	Mt. Legal Services	✓	
Joe J. Jones	Helena	Mt. Deities Co	✓	
Ed J. Jones	Rapid City 50	Brown Swiss (Gray)		✓
Walter J. (Shaw)	" "	"		✓
Ernest Miller	Joliet Mt	Producer		✓
Ray Miller	Joliet Mt	Producer		✓
Ed. Burns	521 S. Oak	W. I. F. E.		✓
Ray Lybeck	500 E. Riverwood	Kalispell		✓

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HB.

HOUSE _____ COMMITTEE _____

LL 151-51Date 1/17/81SPONSOR Noted

NAME	RESIDENCE	REPRESENTING	SUPPORT	OPPOS
<i>Joe Fuglie</i>	<i>Blue</i>	<i>Nili Fuglie</i>		X
<i>and Martine</i>	<i>Hamilton</i>			X

VISITORS' REGISTER

HOUSE _____ COMMITTEE _____

LL HB 151

Date _____

SPONSOR _____

NAME	RESIDENCE	REPRESENTING	SUPPORT	OPPOS
<i>We Hachalter</i>	<i>5116 3rd St MSIA</i>	<i>Comm. Home Serv.</i>		✓
<i>Mila Told</i>	<i>24427 Norris Rd</i>	<i>Producers</i>		✓
<i>Tony LaRocca</i>	<i>Market St</i>	<i>Producers</i>		✓

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

STATEMENT IN SUPPORT OF HOUSE BILL 51

George A. Losleben, Antitrust Enforcement Bureau
Montana Department of Justice

January 19, 1981

Based upon the premise that price-fixing in whatever form is anticompetitive in nature and harmful to the consumer, the Antitrust Enforcement Bureau of the Montana Department of Justice supports H.B. 51 and urges its passage.

The price of milk in Montana is presently not determined by the ordinary market forces of supply and demand as are other commodities in our free market system. The price of milk is fixed at all levels of the market chain: the dairyman's price is fixed; the processor's price is fixed; the distributor's price is fixed. Even the retailer's price is artificially fixed.

State and federal laws, specifically Title 30, Chapter 14, Parts 1 and 2 of the Montana Code Annotated, and the Sherman Act (15 USC §§ 1-7) specifically prohibit price-fixing in whatever form as being anticompetitive and destructive of our free market system.

The Milk Control Board's artificially fixing the price of milk at all levels of the market would clearly be a violation of the state and federal antitrust laws except such otherwise anticompetitive activity has been exempted from the antitrust laws by the U.S. Supreme Court because of the state's direct statutory involvement in the activity. (Parker v. Brown, 317 US 341 (1943).) This is known as the "state action exemption."

The Antitrust Enforcement Bureau views H.B. 51 as a step in the right direction back to the free enterprise system. The abolition of fixed minimum prices for all but the dairy farmer will contribute to free and open competition in the Montana marketplace. That competition should, as it has in other states, lower the price to the milk consumer while still protecting the dairy farmer.

The Antitrust Enforcement Bureau believes in our free enterprise system. It is that system of fair and open competition that has made the United States the great economic leader it is in the world today.

H.B. 51 will help to cure one of the major illnesses of our existing economic system, i.e., unreasonable government intervention into the marketplace.

It is time to take government out and to put private enterprise back into the Montana milk market. H.B. 51 will do just that, and for that reason and upon that principle the Antitrust Enforcement Bureau supports its passage.

Testimony delivered 1/19/81

Connie J. Johnson, Rd, MPH
Registered Dietitian

Representing: Montana Dietetic Association

Supporting HB 51 and HB 151 (Deregulation of Milk Prices)

Government and university nutrition surveys have shown repeatedly that one of the nutrients most lacking in diets of Americans is calcium particularly among pregnant women, the elderly and preschool children. This is, also, true for Montanans as evidenced in the Supplemental Food Program for Women, Infants and Children (WIC) and the USDA Extension Program called EFNEP.

The best source of calcium is milk. Yet with it's high cost, adequate amounts of milk are increasingly out of reach of the Montana consumer.

Deregulation of milk prices will encourage price competition, lower milk prices and put more milk on our kitchen tables. The Montana Dietetic Association believes that deregulation of milk prices would be a step toward improving the quality of diets in Montana. We strongly support HB 51 and HB 151.

Exh. 5, 1-C

SUMMARY OF TESTIMONY BEFORE
HOUSE BUSINESS AND INDUSTRY COMMITTEE

HB 51

WITNESS: Phyllis A. Bock

POSITION: Montana Legal Services Association, Legislative Advocate

PROPONENT/OPPONENT: Proponent

MONTANA CONSUMERS PAY CLOSE TO THE HIGHEST

MILK PRICE IN THE COUNTRY.

Low income Montanans support any legislation that will reduce the price of milk. The bulk of low income people that receive public assistance are mothers with children. With the high price of milk, a large portion of their food budget goes to pay for milk for their children. They support this bill because it will help lower milk prices.

NAME Tom Herzog BILL No. HB 51
ADDRESS Helena DATE 19 Jan 81
WHOM DO YOU REPRESENT Self
SUPPORT X OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

All the facts and all the logical arguments in favor of this bill have been presented at the previous two legislative sessions. The only thing I want to point out is that we have a free enterprise system in our country but not in the milk ~~control~~ ^{industry} ~~sector~~ in Montana. This bill will allow this to happen, and therefore I urge a Do Pass on this bill.

Tom Herzog

PREPARED BY TERRY MURPHY MONTANA FARMERS UNION

PRICES COMPILED IN A HELENA SUPERMARKET ON JANUARY 17, 1981

Name Brand Pop	6-pak	12 oz. cans	\$2.19	app. 3.4¢ per oz.
Store Brand Pop	6 pak	12 oz. cans	\$1.39	app. 1.8¢ per oz.
67.6 oz. plastic non-return bottle			\$1.59	app. 2.4¢ per oz.
Whole milk	½ gal. carton		\$1.18	app. 1.8¢ per oz.

8 Oz. glass of name brand pop costs 27.2¢

8 oz. glass of store brand pop costs 14.4¢

8 oz. glass of "non-return" pop costs 19.2¢

8 oz. glass of whole milk costs 14.4¢

NAME Henderson, Robbins BILL No. HB-518151
ADDRESS Roundup, mt DATE 1-19-81
WHOM DO YOU REPRESENT myself
SUPPORT _____ OPPOSE ☒ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

TESTIMONY OF
Dan Huls, Ravalli County Creamery,
Hamilton, Montana,
Against
HOUSE BILLS No. 51 and 151

I am Dan Huls of Corvallis, Montana, and I represent Ravalli County Creamery at Hamilton, Montana. Our address is 400 West Main Street.

The Ravalli County Creamery is a family-owned small business. It is probably the newest entrant in the fluid milk processing business in Montana. It definitely is the only processing plant to begin operations in the Ravalli County area in many years. And because it is a small operation off in one corner of the state it is considered by many to be a marginal business operation.

We entered the milk processing business after many years of being only in the milk producing business, because we have confidence in the growth and future of our Bitterroot area. It took much time and labor to convince financial institutions we might have a reasonable chance of paying off the investment.

The demonstrated stability which milk control has brought to the Montana milk industry was a key to our getting into the fluid milk processing business. Profits are not really awfully high and competition is tough but good management and quality service to consumers can bring success, we hope.

The Ravalli County Creamery is fearful of the possible results if either House Bill No. 51 or House Bill No. 151 passes.

We are in competition with distributors which appear, at least to us, to be giants. I refer particularly to Safeway Stores in Butte and Beatrice Foods in Missoula, both of which distribute milk in our area.

Business is business and we know full well how either of those giants can capture our market if they set their mind to it.

Competition between distributors might bring some discounting of milk prices to consumers for a brief time. But the long view is not so cheerful. Price wars do not result in long-term price savings to consumers.

We've all seen price wars in the past in the gasoline business. Their consumer benefits were temporary and their true competitive spirit was an illusion.

Just recently we were told airline deregulation would result in cheaper fares, better service, and more competition. It did do some of those things for the big population centers like Los Angeles, Chicago, and Washington, D.C., but what about the fares, the service, and the competition in Montana?

The one-way airline fare between Helena and Missoula is now \$54.00 -- between Helena and Billings \$65.00 -- and between Helena and Kalispell \$78.00. Not all those high costs come from increased fuel costs. Fares between the big population centers are much, much lower.

We think milk pricing in this state will develop much the same pattern of either House Bill No. 51 or House Bill No. 151 becomes law. We may see some decline in retail prices temporarily -- particularly in the larger population centers. But in the more remote areas -- and in some we don't consider "remote" but are not large in population -- consumers may find themselves with less service and higher prices.

Besides, passage of either House Bill No. 51 or House Bill No. 151 can (and probably will) soon bring about the disappearance of the few small, independent milk processors we have in this state. We at Ravalli County Creamery are specially sensitive

to that possibility. We are not financially equipped to offer special deals to stores, fast food chains, and others to capture the retail and wholesale business. We are not vertically integrated in the food merchandising system as Safeway is, with its own milk processing plant in Butte and its own retail outlets in more than twenty cities.

It is not a pleasant prospect to contemplate a price war with the economic giants. Even what they possibly see as a "temporary adjustment" has all the prospects of a permanent fatality for businesses like ours.

I am informed by people older and wiser than I am that legislative committees should never be told passage of a bill may put the witness out of business. I am told you are tired of that old complaint.

But I have to say it to you anyway. We at Ravalli County Creamery do feel either House Bill No. 51 or House Bill No. 151 can -- and probably will -- cause Ravalli County Creamery severe hardship, and possibly an end to its milk processing business.

I can read the newspaper's obituaries with a certain objectivity as long as they relate to other people.

I respectfully request this committee to kill House Bills No. 51 and 151.

NAME Delbert Kummerman BILL No. 51
ADDRESS RK #1 Manhattan Mt DATE 1-19-81
WHOM DO YOU REPRESENT (SEE BELOW)
SUPPORT _____ OPPOSE ☒ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

REPRESENTING: *Coalition of various Montana agricultural*
AGRICULTURAL PRESERVATION ASSOCIATION
PARK COUNTY LEGISLATIVE ASSOCIATION
SWEETGRASS COUNTY PRESERVATION ASSOCIATION
STILLWATER COUNTY AGRICULTURAL LEGISLATIVE ASSOCIATION
Montana Restaurant Association

WITNESS STATEMENT

Name PATRICK R. UNDERWOOD Date JAN 19, 1981
 Address P.O. BOX 1207 BOZEMAN, MT. 59715 Support ?
 Representing MONTANA FARM BUREAU FEDERATION Oppose ? X
 Which Bill ? H.B. 151 + 51 Amend ?
 Comments:

THE MONTANA FARM BUREAU FEDERATION
 STATES IN ITS 1981 FARM BUREAU POLICIES, AS
 PASSED BY DELEGATES TO THE LAST ANNUAL CONVENTION,
 THAT THE DAIRY INDUSTRY IS A VITAL PART OF
 AGRICULTURE IN THIS STATE.

WE SUPPORT THE WORK THAT HAS BEEN, AND
 IS BEING DONE BY THE MILK CONTROL BOARD,
 ESPECIALLY IN RELATION TO PROTECTING CONSUMERS
 FROM INFERIOR MILK PRODUCTS AND THE PROTECTION
 IT HAS GIVEN TO PRODUCERS. WE THEREFORE
 OPPOSE PASSAGE OF HOUSE BILL 151 AND
 51

Patrick R. Underwood

Please leave prepared statement with the committee secretary.



CLOVER LEAF DAIRY

2231 N. Montana • Helena, Montana 59601

Members of Business and Industry Committee;

As many of you know, Clover Leaf Dairy believes that the Montana Milk Control Law is very important both to you as consumers and to the survival of our business.

The price of milk has gone up only 6% (2% to the dairies and 4% to the licensed dairy farmers) in Montana in 1980. Meanwhile inflation rose at a 13% rate.

Montana dairies have large areas to serve; areas with few people. Growing conditions (for cattle feed) are poor and Montana winters are harsh on livestock. All these factors, and others, increase the price of milk, yet in Montana the price of milk is right at or near the national average.

Why milk regulated? Milk is a unique commodity. Cows must be cared for daily. The milk must be sold daily. Health inspections and requirements are numerous. Only a few people are willing to operate a dairy in Montana and that limits the number of outlets to which a dairy farmer can sell: usually only one in his area. Without price control the farmer must take whatever the dairy offers.

Before milk control laws, market conditions caused artificially depressed prices, price wars, the closures of dairy farms and processing plants. And customers often got some pretty bad milk.

The need for milk control is apparent and nationally over 90% of all Grade A milk is under either federal or state price controls to one degree or another.

Today in Montana there are 4 full service independent dairies, 3 farm co-op processing plants, an international dairy (Meadow Gold) with 4 plants, a Safeway plant and 263 licensed dairy farms. With deregulation a monopoly would develop. The four independent dairies would be out of business. Many of the dairy farmers who supply those businesses would fold. The farmer co-op processing plants would suffer severely. Milk would be shipped in from, and be controlled by, out-of-state interests causing further Mon-



CLOVER LEAF DAIRY

2231 N. Montana • Helena, Montana 59601

tana economic hardships. The bottom line to the consumer—higher milk prices.

An example is the bread industry. ONE out-of-state bakery controls over 90% of the Montana bread business. They market the product under various labels, but the source is the same.

Deregulation of the airline industry has been a hardship for Montana too. Reduced service and much higher prices have resulted.

Let me read some statements describing the decontrol of milk in California: Since controls started going off in 1973, he said the number of plants dropped 50%. Nobody in California can afford to build a new milk plant. They remodel. Why? According to Mr. Meas (executive director of Dairy Institute of California) return on investment simply does not justify it.

For our dairy I have set \$75,000.00 as the limit I can afford to lose before closing the doors. Thirty-five people will lose their jobs. I feel the worst about my plant people because their skills will not qualify for other jobs. There are some 630 employees in processing and distribution besides the Safeway employees. Many of these jobs are in jeopardy. There are 263 Producers and their employees and we don't know how many of these people will be hurt.

Free enterprise in milk does not exist and will not exist with decontrol. I have a list of 15 agencies that have direct control over my business and I am sure I have missed a few. Only a Political Philosopher could believe differently.

Make no mistake about it—If HB51 or HB151 pass, the Independent Dairies will be out of business and the state will have the same type of monopoly as bread.

Ed M. Hugh

NAME Al Hougherty BILL No. HB 514157
ADDRESS Helena DATE _____
WHOM DO YOU REPRESENT Mont Dargymen's Assn
SUPPORT _____ OPPOSE X AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Longherty Exhibit 9

Recap of Price Increases Since January 1, 1977

	1	2	3	4	5	6
	Distributor Increase		Producer Price			
January 1, 1977			23 decrease		\$11.02	
February 1, 1977			46 Increase		11.48 cwt.	
March 1, 1977			23 Increase		11.71 cwt.	
April 1, 1977	one cent increase		23 Increase		11.94 cwt.	
May 1, 1977	one cent increase		23 Increase		12.17 cwt.	
September 1, 1977			23 Increase		12.40 cwt.	
October 1, 1977	one cent increase					
November 1, 1977	one cent increase		46 Increase		12.86 cwt.	
December 1, 1977	two cent decrease					
May 1, 1980	one cent increase					
July 1, 1980	one cent increase					
August 1, 1980			23 Increase		13.09	
September 1, 1980			23 Increase		13.32	
October 1, 1980			23 Increase		13.55	
November 1, 1980			23 Increase		13.78	
February 1, 1981	one cent increase					

Raw Product Increase 25.04%

Current Retail Price	\$7.19
Retail Price December 31, 1978	1.03
Total Price Increases	<u>6.16</u> Per 1/2 Gallon.

Retail Price Increased	15.53%
Producer Price	10.68%
Distributor Inc.	4.85%

Recap of Producer and Distributor Margins

Analysis Made from telephone call survey conducted on 1-9-81

Most current Price survey Available in Surrounding States For 1/2 Gallon Homos.

	1	2	3	4	5	6
	Month & stated Price	Retail Price supermarket	Prod. cost	Distributor Margin		Price Range
Sheridan Wyoming	12-80	1.28	.61068	.60932		1.28
James town North Dakota	12-80	1.18	.56479	.61521		1.15 to 1.18
Rapid city South Dakota	12-80					
Major Brands		1.28	.59979	.68021		1.28
Private Label		1.20	.59979	.60021		1.19-1.21
Boise, Idaho	11-80					
Major Brands		1.25	.58241	.66759		1.19 to 1.31
Private Label		1.09	.58241	.50759		1.05 to 1.13
Salt Lake city, Utah	12-80	.97	.58266	.38734		.97
Montana	12-80	1.18	.58572	.59428		1.18

Comparisons of Margins on a 1/2 Gallon of whole milk as of February 1, 1981.

	1 Retail Price	2 Wholesale Price	3 Jobber Price	4 Producer Price	5 Percent of Markup on item	6 Percent margin is of selling Price
Whole milk 1/2 Gallon	\$1.19	1.08	.8495	.58709		
Distributor Margin at Retail Price		.60291				50.62%
Distributor Margin at Wholesale Price		.49291				45.64%
Distributor Margin at Jobber price		.26241				30.89%
Retailers Margin		.11			10.19%	
Jobber Margin at Retail Price		.3405				28.61%
Jobber margin at Wholesale Price		.2305				19.37%

NAME Charles L. Perry BILL No. 51
ADDRESS 32 Box 244 Hamilton Montana DATE 1/19/51
WHOM DO YOU REPRESENT Delmar Perry
SUPPORT _____ OPPOSE X AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

- I As a independant jobber I feel this bill would close my business down due to lack of wholesale volume.
- II I feel the consumer would suffer a loss in both price and lack of service
- III This would be a hand out to big business and a blow to small business
- IV I as a small business can't make any long range plans because of the constant threat.
- V In time would cost the state more in regulatory systems at the local level

VISITORS' REGISTER

HOUSE _____

COMMITTEE _____

LL 15/ _____

Date _____

SPONSOR _____

NAME	RESIDENCE	REPRESENTING	SUPPORT	OPPOSE
Harry Moss	Belgrade	DAIRYMAN		X
H. C. Cliph	Manhattan	✓		X
Ed + L. Wilkoma	Manhattan	✓		X
Donald Dykstra	Beggs	Dairyman		X
Ed. Schinema	Manhattan	Dairyman		X
Sam. Brantner	Kalispell	Dairyman		
Arthur Galt	Kalispell	Dairyman		
Sam. Wright	Kalispell	Dairyman		X
Esther H. Hurlburt	Missoula	Comm. House		X
Wm. W. Baker	Bellvue			X
Orman Becker	"			X
Arthur G. Hurlburt	Haure - Noddy	Dairyman		X
Jack Brown	Kalispell	Dairyman		X
Wm. A. Cox	Manhattan	Dairyman		X
Sam. Cox	Manhattan	Dairyman		X
George King	Beggs	Dairyman		X
W. C. Hurlburt	Belgrade	Equip. Sales & Serv.		X
George Schube	Belgrade	Dairyman		X
Sam. Hurlburt	Helena	Closest Leaf Dairy		X
James H. Long	Kalispell	Equity Supply		X
Walter Long	E. Helena	Closest Leaf Dairy		X
Robert C. Conner	Helena	Closest Leaf Dairy		X
Harry Murphy	St. Falls	Mt. Farmers Union		X

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

TESTIMONY OF
GEORGE SCHULZE,
President, Montana Dairymen's Association,
Opposing
HOUSE BILLS No. 51 and 151

My name is George Schulze. I am a dairy farmer -- a Grade A milk producer -- in Kalispell.

I am also the President of the Montana Dairymen's Association which is composed of Grade A milk producers from all parts of the state. There are some 263 licensed producers state-wide, and the Association represents 70% of them.

The Montana Dairymen's Association is opposed to both House Bill No. 51 and House Bill No. 151.

The bills are quite different in that House Bill No. 51 would remove minimum price controls from milk at only the wholesale and retail levels and House Bill No. 151, would remove the controls from all three levels, retail, wholesale, and producer.

However, from the viewpoint of the dairy industry the two bills would be about equally destructive to the dairy industry -- without any long-term benefit to the milk consuming public.

Our reason for saying this is because we feel the changes in the milk control law which are sought by both bills will destroy the stability of the Grade-A milk business. Even the retention of producer milk price controls which is done by House Bill No. 51, will not maintain the stability which the milk control law was designed to foster -- and which we believe it has achieved in large part.

You just cannot avoid weakening a chain or system when you remove two of its three links.

The present milk control law (Section 81-23-102) sets forth the state's policies in enacting the law. We think those policies

set forth in that section are as valid today as when they were written. Milk is still a necessary article of food for human consumption.

It is still vital to the public health and welfare that there be an adequate supply of milk free from contamination.

When you get to paragraph (f) of the section you find a policy which we dairymen feel is vitally important to us. I refer to the state's expressed intent to "promote, foster, and encourage the intelligent production and orderly marketing of milk and cream ... to eliminate speculation and waste.... to make distribution between the producer and consumer as direct as can be efficiently and economically done -- and to stabilize the marketing of such commodities".

Without that element of stability the dairy farmer who produces the all-important raw product cannot plan or finance his business.

All of us in all walks of life in Montana talk about -- and worry -- and fret about -- how we can attract new industry to Montana. I am anxious to do that and I am certain you share that goal.

But we dairymen feel it is just as important to preserve as much as possible those local business enterprises we already have.

The dairy business is over-all big business in Montana. Not "big business" like AT and T or General Motors or in the sense of the large oil companies -- but "big" in the sense it encompasses 263 farmers and a network of 12 distributors and their jobbers.

Add us all together and we produce and distribute more than 270 million pounds of Grade A milk for the consumers of this state!

One of the things which make us unique in the Agricultural

business is that the dairy farmer has only one market. He produces a very perishable produce under strict governmental regulation. He cannot hold his product very long to get a better price next month. He can't look around and bargain! He has to sell it Therefore, he has only one market -- his processing and distributing plant. He is absolutely dependent on that one market for his business livelihood.

The processor or distributor is also under time pressures. He has a little more latitude but not much. He depends on a steady supply to maintain his packaging and distributing schedule. And the product is taken from the grocers' shelves if it is there only twelve days.

The milk business really operates in the public interest, therefore, when it is stable and reliable.

We are proud, as dairy producers, of our role in this distribution chain and we feel it should be preserved and continued. We feel we are producing our essential product economically and efficiently.

Removal of minimum wholesale and retail price controls may seriously affect the processors to which we dairy farmers sell our milk. Anything which affects their economic health inevitably affects ours too.

Consumers in Montana have been receiving milk of dependably high quality at a fair price. To be sure, sometimes the price has been higher than in surrounding states, but sometimes it has been lower. Publicity isn't given too often to the good features of life -- or the milk control law.

Montana is different in many aspects from its neighbors. Sometimes those differences bring about higher prices on some products and services -- sometimes lower prices. With our low population and large area we have some transportation problems

some of our neighbors do not have. Wage rates differ between states -- even between areas of a state. Necessary equipment and supplies vary in price from state to state. Many factors figure in any merchandising chain.

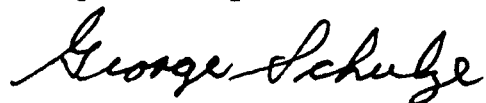
The milk control board has attempted to stabilize the marketing of milk in this state by working out a uniform system which levels out as many peaks and valleys as possible. The result has been a uniform price state-wide which prevents a hodge-podge or crazy-quilt pattern of pricing. Milk is sold in Troy and Plentywood, Ennis and Big Timber, Ekalaka and Darby at the same price as in Great Falls or Billings. The milk producers in their scattered locations are likewise uniformly treated.

If minimum wholesale and retail price controls should be removed as House Bill 51 provides -- or if all minimum price controls should be removed as House Bill 151 provides -- there would perhaps be an immediate drop in consumer prices in certain metropolitan areas for a brief time. But let us not be naive and assume that would occur state-wide or over a long period of time.

We dairy producers consider the uncertainties of such a situation in much the same light as school teachers view removal of their tenure laws, union members oppose repeal of the minimum wage laws, real estate brokers oppose repeal of their licensing laws, workers dread tampering with their unemployment benefits, and on and on.

We dairy farmers feel our milk marketing system has worked reasonably well under the present milk control law. We do not want it to be destroyed. And we therefore ask you to vote "Do Not Pass" on both House Bill No. 51 and House Bill No. 151.

Respectfully submitted,

A handwritten signature in cursive script, reading "George Schulze".

GEORGE SCHULZE

I am Ralph Parker of Fort Shaw, Montana, appearing before the committee on behalf of Montana Dairymen's Association, of which I am a director. I am also currently representing the dairy industry on the State Board of Livestock.

I appreciate this opportunity to appear before the committee, in an effort to explain the dairy industry in the state of Montana, and it's need for continuation of milk control at all levels.

My hope is that you have not come to the legislature with your minds made up, that it is in the best interest of Montana to discontinue or dismember the Milk Control Act as we now have it.

Even though we probably have some of the most variable conditions, sparse density and costly production and distribution in the United States, I am proud of the dairy industry in Montana for supplying an excellent product at a reasonable price. You may not agree with this statement, but give me a few minutes to explain my position.

Milk production in Montana, with few exceptions, is based on family labor, and because the places are small, mostly irrigated, they needed to vertically integrate by selling their feed and labor through another operation, namely the milk cows and milk.

I can appreciate all of the consumers' concern over the price of milk; however it has not increased like other costs. Last year retail milk in Montana increased 6%, about half of the rate of inflation. There is no provision in the Milk Control law that the inefficient be guaranteed a profit. It could have been interpreted that way years ago, under a cost-of-production pricing system. Even then, in fact, it was not so, because it was always lagging on an up-market and many plants and producers went broke and out of business before the new prices could be put into effect.

As a matter of fact, we went from many distributors all over the state a few years ago, to where presently we are down to 11 plants, actually processing and distributing milk in Montana. A few years ago we had over 1500 farmers producing milk, and statistics show that we have 263 producing Grade A milk today.

Cost pricing did not keep the dairy producers in business, as it was too slow and too far behind to keep up with expenses when inflation began sky-rocketing. In 1973, 1974, and 1975, many of our dairymen went out of business. In order to reflect the increased expenses, we went to formula-pricing which decreases the delay, prices are reviewed oftener, and implemented sooner. This does not guarantee a profit, but merely passes through the increased costs so that the dairy industry can do a job of production and distribution.

4/14/76 7/1
4/14/76 7/1

Proof of the success of the milk control program lies in the balance of production with the Class 1 needs of the state. These are very close, with a small excess being produced, which is necessary for market stability.

Marketing milk in Montana is very unique in that most producers have only one market for their milk, and they need milk control regulatory capabilities to assure their share of the consumers' money.

HB 51 recognizes this, and aims only at eliminating the wholesale-retail pricing; it would look like the producers are still having the benefits of milk control.

The loss of wholesale-retail pricing could be devastating to the milk industry, with no corresponding benefit to the consumers of Montana. To substantiate this, I would point to both South Dakota and Alabama who did away with milk control, or wholesale-retail pricing, a couple of years ago. In Alabama the prevailing retail price has increased considerably, and is only 2¢ per half-gallon of homo less than in Montana. It has either broke or drastically changed the operations of all of the independent processors, and has severely hurt the dairy production by bringing in large quantities of surplus milk from low utilization areas into Alabama. The result of this has been hardship to the producers, and the independent distributors, with no relief to the consumer, and more profit to the large importer and marketer of milk.

South Dakota is much closer to home, and I would like to relate the circumstances in Rapid City. The prevailing price of 1/2 gallon of homo is \$1.29 - 11¢ more than the Montana price. Private label brands, namely Lucerne and Piggly Wiggly, sell for a little less, but still considerably above Montana prices. At the present time, Super Value, a Minneapolis based wholesale firm, is supplying the Piggly Wiggly outlets with out-of-state milk, which is hurting the South Dakota industry, but is not benefitting the South Dakota consumer.

There is no question in my mind but that if wholesale-retail pricing is eliminated in Montana, we will have a significant amount of milk moving into Montana, to the benefit of a few large milk handlers and major chain stores, with absolutely no relief to the Montana consumers, and financial ruin to many Montana producers and the independent distributors.

I would appreciate the opportunity to visit with you, and answer any questions you would have. Please realize that if Milk Control goes out, it will not benefit the consumer, but will create hardship in the milk industry, and I would ask your support and help in defeating HB 51.

JANUARY 19, 1981

Exhibit J
COMMUNITY HOME SERVICE DAIRY
P.O. Box 5212
Missoula, Montana 59801
728-5700

RE: DISBANDING THE MONTANA MILK CONTROL BOARD
HOUSE BILL 51 AND 151

Dear Sirs,

House bill 51 and 151 would be devastating to our business, the COMMUNITY HOME SERVICE DAIRY, and probably all retail home deliveries in this state. If Montana is trying to promote small business, we should at least try to keep the ones we now have.

Ours is a family owned business employing 7 people. We service 1500 to 2000 customers and have a very low percentage of markup on our products. With decontrolling, there is no way to compete with super markets and chain stores. When gas prices increased we tried a service fee of 52¢ per month and lost several hundred customers. Since dropping this charge, our routes are again increasing. Most all retail home delivery will be phased out and in doing so will again put several families among the unemployed. We have staked everything we own on trying to have a successful business.

These bills would have a negative effect on the Montana Dairy Industry. In the short run, eliminating our family business and in the long run the dairy farmer. Out of state chain stores, such as Albertson's and Safeway, will be marketing their own label and producing their own milk thereby undercutting our farmers and processors. This again would unemploy many more Montanans.

Rural people will have to pay the higher price and home delivery jobbers would have to charge more to their customers. As shown by the 52¢ service fee, people would not continue to take our products. We feel we provide an excellent service now.

Please consider these comments when voting on these bills.

Sincerely,

Harold L. Hochhalter
COMMUNITY HOME SERVICE DAIRY

HAROLD HOCHHALTER-OWNER

Exhibit ~~B~~
K

NAME John J. ... BILL No. ...

ADDRESS ... DATE ...

WHOM DO YOU REPRESENT ...

SUPPORT ... OPPOSE ... AMEND ...

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

[Faint handwritten notes and signatures in the comments section]

Milk Regulation in Montana

by
William O. Bronson*

Government price control is an old institution. It often has been supported by businessmen eager to escape the discipline of the free market as well as by public officials determined to reestablish order in chaotic economies. Generally, the achievements of public price-fixing have been dismal. Gross inequities and inefficiencies stemming from controls tend to mar the operation of an economic system. During the Fourth Century A.D., the Roman Emperor Diocletian's mammoth attempt at price regulation brought his empire to the brink of financial and social ruin. More recently, President Richard Nixon's program to stifle the nation's inflationary spiral with wage and price restraints only made a healthy recovery more difficult.

Montana's forty-four year experience with milk price regulation has not proven as harrowing as the trials of Diocletian and Nixon. It has, however, provoked enough controversy to warrant a critical analysis by policy makers. This report addresses several questions concerning the past activities of, and future options for, government supervision of the dairy industry in Montana.

Early History of Regulation

The Great Depression had a devastating impact on Montana's prosperous dairy industry. To meet falling consumer demand, milk dealers engaged in frantic price cutting and giveaway schemes to attract customers. Producers faced the fact that raw milk is highly perishable and must be marketed promptly. Public health officials worried that cost-conscious producers and processors would cut corners too sharply and jeopardize the quality of milk products. By 1934, milk industry representatives, government officials, and some concerned citizens decided that a free market was not a suitable arrangement for producing and distributing dairy products.

After a brief but unsuccessful attempt at self-regulation of industry practices under New Deal price codes, dairymen decided to lobby for government controls. Strong bipartisan support assured the passage of the first Milk Control Act in 1935. A three-member board was granted temporary emergency powers to set and enforce prices that would cover production costs and help assure suitable profit margins in the industry. In 1939, the milk lobby convinced lawmakers that the temporary arrangement should be made permanent. A new five-member board, heavily weighted

with industry representatives, was created and given stronger price-fixing authority.

Economic order returned to the dairy industry by the mid 1940's. It is difficult to say whether regulation or the war economy was primarily responsible for the recovery. The board was aggressive in extending price controls to most areas of the state. Dairymen were united in their support of board activities.

By the late 1950's there were indications that milk regulation was a shambles. Tension between economic transformation of the industry and administration of the milk control law had reached a critical stage. When the law was first implemented, most dairy farmers produced, processed, and distributed their own milk, and producers, producer-distributors, and distributors each were entitled to one seat on the milk board. By the 1950's the old distributor operation was being replaced by separate production and processing-marketing firms, although producer-distributors were still entitled to board representation. The Montana Dairy Producers Association argued that the allocation of seats on the board was now weighted in favor of distributor interests. Similarly retail trade associations, noting that their members were picking up a greater share of consumer sales when compared with direct home delivery, argued for representation on the board.

1957 Legislative Investigation

These arguments spawned a special legislative investigation of the industry and the board in early 1957. A joint, select committee uncovered evidence not only of inadequacies in existing law but also instances of failure to administer the law properly. The extreme perishability of milk still kept producers within a "sell quickly or dump" squeeze, and this problem was sometimes aggravated by unscrupulous distributors who bullied producers and cheated them on purchase reports. A common trick was to inform producers that their raw milk was destined for production of ice cream, cheese, or animal feed. The price paid to producers for these purposes was uncontrolled and therefore set at the discretion of distributors. Some distributors would deliberately set low prices for the raw milk, process it for drinking purposes, and sell it at the higher, uncontrolled price. The profit gained by this unethical transaction was hard to uncover, since reporting requirements under the law were weak and lacked uniformity.

The investigating committee also determined that the

*Master of Public Administration, University of Montana. This report is taken from the author's M.P.A. thesis.

board and its staff were often incompetent, indecisive, or deliberately unfair when administering the law. One shrewd board member, who represented milk distributors, had used his position to some business colleagues' advantage. Prices affecting producers had not been adjusted for years, and there were strong suspicions of "behind-closed-doors" deals between industry representatives and board members. One source close to the dairy industry summed up the situation by claiming that economic events and regulatory powers were almost completely at the disposal of distributors and to the detriment of producers and the public.

The report of the committee came too late in the legislative session to instigate a comprehensive reform package. Legislators and the governor settled, temporarily, for two cosmetic changes — revising the allocation of seats on the board to give producers more clout, and appointing new individuals to the restructured board. Between legislative sessions, representatives from all segments of the industry grudgingly agreed to compromise their differences and clean their own house, lest the legislature repeal the entire law. Lobbyists eventually produced a reform bill which strengthened reporting requirements and tempered other inadequacies of the law. The most striking innovation was the proviso that only consumers could sit on the new five-member board. Supposedly, public members would supervise dairy industry practices impartially. The 1959 legislature adopted this compromise, perhaps hoping that this episode would conclude the controversial history of the Milk Control Board.

Current Criticism of Regulation

Producers and distributors have continued to war with one another over the structure of milk price regulation, although the producers' position has improved remarkably since 1959. In recent years, controversy has shifted in the direction of consumer antagonism against the board. Recent public opinion surveys indicate significant resentment over frequent increases in the price of fluid milk. Several individuals have publicly argued for the abandonment of controls and elimination of the Milk Control Board. Ironically, these criticisms come at a time when the board is required by law to give considerable weight to consumer opinion and purchasing power, and has, in fact, made sincere attempts to carry out these provisions.

The widespread sentiment that prices are needlessly high and reflect industry influence is supported by empirical studies. The Montana Legislative Auditor's report on price control, published in 1976, sharply criticized the consequences of controlling retail and wholesale prices in the dairy industry. (Wholesale prices are the charges paid to processor-distributors by retail outlets.) Some board members also have publicly voiced these concerns.

High on the list of complaints is the large distributor gross margin (DGM). The DGM is the difference between what distributors pay producers for milk and the retail price. Montana's DGM is considerably higher than those of adjacent and similar states and it exceeds California's average by 47 percent. Critics also focus on net profit margins (profit as a percentage of net equity) for milk distributors. Montana's average is approximately 18 percent, whereas the national average is about eight percent. Contrary to industry views, the high margins are not due to transportation costs. Rather, they reflect inefficiencies in

processing and marketing that generally do not exist under competitive conditions. For example, fluid milk is almost always sold at the same price regardless of whether it is brought directly to your home or obtained from the supermarket, and whether it is sold in plastic or paper containers.

Another criticism leveled against controls is that retailers rarely price their milk above the minimum charge specified by the board. The board does not set maximum prices. Since the minimum price is normally used regardless of location and transportation costs, critics believe that the board may be overpricing milk. Critics also point to lower milk prices in similar states and on federal installations not covered by state law, noting that reasonable profits can apparently be made under competitive arrangements.

Estimates of consumer demand for milk priced under government control suggest that over a period of years overpricing has probably led to smaller milk purchases by the public than would have been made in a competitive market. This has the consequence of cutting down the income of dairy producers and channeling overpayments into the processing-distribution sector. It is consequently argued that the Milk Control Act has great potential for wrecking, not salvaging, much of the dairy industry.

Producer price controls have not come under much fire. Many economists believe that dairy farmers produce a unique commodity under severe biological and economic constraints. While some measure of price protection has been supported, there also is fear that too much protection may act as a disincentive. High incomes generated by price controls can induce and protect inefficient production methods, something not in the interest of consumers.

The Milk Control Board has recognized some of these problems in recent years and has attempted to correct them through the administrative process. Proposals to adjust pricing formulas in 1976 and 1978 would have had the indirect effect of generating competition and reducing some profit margins in the industry. At the request of distributors, both proposals were overturned in district court. A more ambitious plan to make price increases less frequent and to lower excess profits in the distribution sector recently has been adopted in part. There is no indication whether dairy lobbyists will challenge this modification in the courts. The frustrations experienced by the board in recent years, combined with the evidence reviewed, have convinced some board members that only deregulation of wholesale and retail prices will best serve the public interest. The board, however, does not have authority to suspend controls.

Arguments of the Industry

The dairy industry has successfully resisted efforts to weaken the regulatory structure, although arguments in favor of continuing the status quo have changed somewhat over time. Today, milk dealers are more concerned about monopolization of their industry should controls be abolished. Distributors fear that without price protection the largest distributors — including one major chain grocery store which processes and sells its own brand — will deliberately slash prices in order to steal customers from economically weaker firms. Many distributors would be forced to quit because of "cutthroat" competition, and there would be a domino effect on producer-suppliers. The market eventually would regain equilibrium with, say, only

one or two distributors, fewer producers, and higher, monopoly prices for milk products. Some dealers predict even more dire results. They see financial disaster extending to so many Montana dairymen that out-of-state suppliers, charging extremely high prices, would be necessary to meet consumer demand. In short, many dairymen conclude that controls preserve, rather than destroy competition.

From both a theoretical and an empirical perspective, the above arguments are rather specious. The distribution end of the Montana dairy industry already is an oligopoly; a few firms operate in a market where each firm's pricing activities are highly interrelated and sensitive. Oligopolies tend toward price stability. Because one firm's price-cutting action would only provoke the same by other firms, a no-win situation becomes evident. Extreme price-cutting is rare. Similarly, no one firm could raise prices without its competitors attracting the firm's customers by keeping their prices stable. Unless the firms act in concert, increases cannot be maintained. Action of this kind constitutes price-fixing and is illegal under federal and state law. In addition, price gouging designed to eliminate competition is unlawful and can command stiff penalties. Several Montana distributors did engage in illegal price-fixing in the mid-1960's and were fined accordingly. However, this should not be an excuse for substituting inefficient price controls for antitrust enforcement. With the additional provision of a posting requirement, whereby all firms "post" their prices regularly with regulatory agencies, any possibility of deviant price behavior by oligopolies can be controlled.

One should not ignore the fact that development of oligopoly in the distribution business and decline in the number of dairy farms have taken place during a period of state regulation. One individual close to the industry has privately described the distribution network as a shared monopoly. In April 1979, two firms alone controlled 57 percent of fluid milk distribution. Another dramatic development is the reduction in the number of dairy farmers over the past forty years. Even price control cannot protect grossly inefficient operation.

The experience of several states with resale price deregulation serves as a counterweight to industry fears of monopoly control. Many distributors in these states have stayed in business when competition forced them to innovate. Many dairy producers have also continued to thrive. Frequently, departure from the industry is the result of carelessness and not deregulation. A Federal Trade Commission report suggests that states like Montana with a small population and large territory could sustain several small and medium-level dairy operations due to location and transportation advantages not always present in smaller or more population-dense regions. Deregulation in Montana would not likely be a cure worse than the disease.

Past Reform Attempts

Before considering a workable alternative to the existing Milk Control Act, it is important to mention possible avenues to reform. There have been several attempts to alter significantly the regulatory structure in Montana, and each has been fraught with booby-traps.

Some critics have sought a judicial opinion declaring price regulation unconstitutional. The Montana Supreme Court made it clear in *Milk Control Board v. Rehberg* (1962) that it would not make substantive judgments about

the economic worth of price controls; this was and remains a legislative prerogative. Although high courts in three states have ruled that milk price controls violate private property and due process rights, these decisions were based on a substantive due process doctrine frowned on by most courts, including Montana's.

Legislators bent on reform also have not had much success. Several proposals to eliminate controls or give the board freedom to establish differentials in pricing have been quashed at the committee stage since 1937. Although two deregulation bills finally survived House committee review in 1979, they died on the floor by two-to-one margins. Dairy producers, distributors, and retailers are well organized and have weight in legislative circles.

Consumers are not well organized and their viewpoints are not widely disseminated and considered. Proponents of regulation use this vacuum to assert that the public is not really concerned about milk prices. The plausibility of this argument must be challenged. Consumerism, in the jargon of economists, is a "public good." The costs of achieving consumer goals — hiring lobbyists, appearing to present testimony, taking time away from job or home — are enormous to one individual and are typically shoved upon one's neighbor, who in turn passes the burden, and so on. Unless costs are shared to reduce individual burdens, public goals cannot be easily expressed or achieved.

An organized public effort will be necessary to change the milk control law, but convincing legislators to make the change also will require a thorough understanding of political realities. Not all Republican legislators can be expected to support deregulation, even though their party generally advocates the free market concept. Many Republicans represent rural areas and share constituents' fears that decontrol will hurt the local economy. Rural Democrats often find themselves in a similar situation. Other lawmakers have not been able to sort out the fallacious arguments made by industry lobbyists. To date, only urban-liberal Democrats and a few urban Republicans have publicly supported deregulation. A legislative change in the Act will come only when urban, and some rural, legislators are convinced that the available evidence supports deregulation as a more equitable public policy.

Some reformers have considered the initiative process as a substitute for slow and stubborn legislative machinery. Deregulation may be so controversial that only a popular vote can settle the issue; the table wine initiative of 1978 is a good example. However, the language of an initiative may be so poorly structured that unintended interpretations and legislative backlash result. An alternative to legislation or an initiative is to rely on the existing board to meet public preferences, but this process can be easily manipulated by the dairy industry. The administrative hearing process is a lawyer's paradise. Unorganized or seemingly "unprofessional" consumer views are easy targets in such a setting; substantive arguments are often derailed by procedural technicalities.

Conclusion

When judged by many of its aims, the Montana Milk Control Act has been a failure. It has promoted several economic inefficiencies damaging to the industry and the public. It cannot prevent the closure of many milk dealers, but it has potential for granting undue political and

economic advantage, especially to the processing and distribution sectors. Despite the consumer orientation of the present board, the absence of broad public participation and the limits of the law allow free play to industry pressures. The feeling of some regulators that the Administrative Procedures Act unfairly limits speedy and effective action by the board for everyone's benefit is well-taken, but the prospect of an administrative agency operating without consistent and equitable procedures is an undesirable alternative. Besides, this concern does not address the underlying difficulties of regulation.

If any public interest can be identified concerning milk regulation it is that Montanans would be better served by deregulation of prices at the retail and wholesale levels. A program to this end could be instituted gradually under legislative guidelines. Considering the power of several distributors, it may be politically wise to allow the Milk Control Board discretion to reimplement controls on a temporary basis in marketing areas experiencing chaotic conditions. If this power is granted, it should be exercised only with extreme caution by the board. The potential for abuse of this power is great because of inevitable presence of strong and selfish interests. Although a good case can be made for retaining controls on producer pricers, it would be wiser over the long run to suspend them in conjunction with establishment of cooperative processing and/or marketing arrangements. A program of this kind would allow producers to maintain their farms while allowing them to take advantage of economies of scale available from cooperative enterprise. Diffusion of economic power should

make monopolization of political influence less probable.

The state also should apply a vigorous antitrust policy (including posting of prices) to the dairy industry, rather than acquiescing in the misconception that price controls preserve competition. Montana has machinery for this task in the Department of Justice's Antitrust Enforcement Bureau. However, the legislature will have to beef up the Bureau's budget. This will require convincing some legislators that antitrust policy would deal more effectively with anti-competitive practices than a regulatory program which does more to hide these practices than control them.

It cannot be overemphasized that organized consumer activity will be necessary to achieve much of the stated program, regardless of whether it is achieved legislatively or through popular initiative. Policy makers, dairymen, and the public should take note that the Federal Trade Commission has recently demonstrated a willingness to overturn state laws which countenance monopoly rather than protect the citizenry. Montanans may soon have to decide whether they should clean their own house before "Big Brother" in Washington extends a helping, but possibly unwelcome, hand.

MONTANA PUBLIC AFFAIRS REPORT

Bureau of Government Research—University of Montana

James J. Lopach, Director

The *Report* presents the results of research and responsibly developed recommendations on matters of public concern. The statements and opinions expressed are the responsibility of the contributing authors and do not reflect positions of the Bureau or the University unless so indicated. Published periodically during the academic year. Single copies or subscriptions available on request.

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MONTANA PUBLIC AFFAIRS REPORT
Bureau of Government Research
University of Montana, Missoula 59812

NAME Wm W Jensen BILL No. 151
ADDRESS Pompeys Pillar Int DATE 1-19-81
WHOM DO YOU REPRESENT Yellowstone Milk Producers
SUPPORT _____ OPPOSE X AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME W. J. Carson BILL No. 131
ADDRESS 2400 1st St. N.E. DATE 1-17-81
WHOM DO YOU REPRESENT 1st District
SUPPORT _____ OPPOSE WILL AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Exhibit L
Dougherty

NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States v. Detroit Lumber Co.*, 200 U.S. 321, 337.

SUPREME COURT OF THE UNITED STATES

Syllabus

CALIFORNIA RETAIL LIQUOR DEALERS ASSN. v. MIDCAL ALUMINUM, INC., ET AL.

CERTIORARI TO THE COURT OF APPEAL OF CALIFORNIA, THIRD
APPELLATE DISTRICT

No. 79-97. Argued January 16, 1980—Decided March 3, 1980

A California statute requires all wine producers and wholesalers to file with the State fair trade contracts or price schedules. If a producer has not set prices through a fair trade contract, wholesalers must post a resale price schedule and are prohibited from selling wine to a retailer at other than the price set in a price schedule or fair trade contract. A wholesaler selling below the established prices faces fines or license suspension or revocation. After being charged with selling wine for less than the prices set by price schedules and also for selling wines for which no fair trade contract or schedule had been filed, respondent wholesaler filed suit in the California Court of Appeal asking for an injunction against the State's wine-pricing scheme. The Court of Appeal ruled that the scheme restrains trade in violation of the Sherman Act, and granted injunctive relief, rejecting claims that the scheme was immune from liability under that Act under the "state action" doctrine of *Parker v. Brown*, 317 U. S. 341, and was also protected by § 2 of the Twenty-first Amendment, which prohibits the transportation or importation of intoxicating liquors into any State for delivery or use therein in violation of the State's laws.

Held:

1. California's wine-pricing system constitutes resale price maintenance in violation of the Sherman Act, since the wine producer holds the power to prevent price competition by dictating the prices charged by wholesalers. And the State's involvement in the system is insufficient to establish antitrust immunity under *Parker v. Brown*, *supra*. While the system satisfies the first requirement for such immunity that the challenged restraint be "one clearly articulated and affirmatively expressed as state policy," it does not meet the other requirement that the policy be "actively supervised" by the State itself. Under the system the

12 CALIFORNIA LIQUOR DEALERS v. MIDCAL ALUMINUM

This pragmatic effort to harmonize state and federal powers has been evident in several decisions where the Court held liquor companies liable for anticompetitive conduct not mandated by a State. See *Kiefer-Stewart Co. v. Seagram & Sons*, 340 U. S. 211 (1951); *United States v. Frankfort Distilleries, Inc.*, 324 U. S. 293 (1945). In *Schweyermann Bros. v. Calvert Corp.*, 341 U. S. 384 (1951), for example, a liquor manufacturer attempted to force a distributor to comply with Louisiana's resale price maintenance program, a program similar in many respects to the California system at issue here. The Court held that because the Louisiana statute violated the Sherman Act, it could not be enforced against the distributor. Fifteen years later, the Court rejected a Sherman Act challenge to a New York law requiring liquor dealers to attest that their prices were "no higher than the lowest price" charged anywhere in the United States. *Seagram & Sons v. Hostetter*, 384 U. S. 35 (1966). The Court concluded that the statute exerted "no irresistible economic pressure on the [dealers] to violate the Sherman Act in order to comply," but it also cautioned that "[n]othing in the Twenty-first Amendment, of course, would prevent the enforcement of the Sherman Act" against an interstate conspiracy to fix liquor prices. *Id.*, at 45-46. See *Burke v. Ford*, 389 U. S. 320 (1967) (*per curiam*).

These decisions demonstrate that there is no bright line between federal and state powers over liquor. The Twenty-first Amendment grants the States virtually complete control over whether to permit importation or sale of liquor and how to structure the liquor distribution system. Although States retain substantial discretion to establish other liquor regulations, those controls may be subject to the federal commerce power in appropriate situations. The competing state and federal interests can be reconciled only after careful scrutiny of those concerns in a "concrete case." *Hostetter v. Idlewild Liquor Corp.*, 377 U. S., at 332.

QUARTER 3 1980

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296 182 94 70 91 85 49 256 35 62 58 608 570 246 75 34 32 66 99 176 228 40 42 23 132

Exhibit M
Dougherty

THESE REMARKS REPRESENT THE VIEWS OF A MEMBER OF THE STAFF OF THE FEDERAL TRADE COMMISSION. THEY DO NOT NECESSARILY REPRESENT THE VIEWS OF THE COMMISSION OR ANY INDIVIDUAL COMMISSIONER.

Small Business: A Critical Element
Of The American Economy

2

Remarks of

Alfred F. Dougherty, Jr.
Director
Bureau of Competition
Federal Trade Commission

Before the
Antitrust Committee
Chicago Bar Association
Chicago, Illinois

January 24, 1980

Small Business: A Critical Element of the American Economy ¹

A subject receiving increasing emphasis in Washington is the role and significance of small business in the American economy. Just this week, the President's White House Conference on Small Business concluded its proceedings. The Conference focused on the problems faced by small business today -- especially those caused by Government -- and various remedial proposals offered by representatives of the small business community. I believe that many of these proposals will find strong support in the Administration and Congress, and will become an "agenda" for action in the 1980's.

The concerns of small business expressed at the White House Conference are well-founded: Small business appears to be in greater trouble today than ever before. In order to understand the problem, it is necessary to review the role of small business in the American economy.

There are over thirteen million small businesses in the United States. These businesses comprise 90% of all corporations. They produce 43% of our Gross National Product (over \$670 billion), and provide 55% of the Nation's jobs.

1. These remarks represent the views of a member of the staff of the Federal Trade Commission. They do not necessarily represent the views of the Commission or any individual Commissioner.

Moreover, between 1969 and 1976, small business created almost two-thirds of all new jobs in the national economy. ².

In addition, small businesses, particularly those in advanced technological fields, appear to be the "cutting edge" of American industrial innovation. Small business created a preponderance of the major industrial innovations between 1953 and 1973 ³, and, through the development of new products and processes, created important new markets. The growth of these markets has far outstripped that of the "mature" markets served by large, established firms. ⁴ This should not be surprising. Small business appears disproportionately to harbor the true entrepreneurs in American society; the imaginative, aggressive, possibly non-conformist individuals who have been the "sparkplugs" of American industry. ⁵

However, by many economic indicia, small business is enjoying a decreasing share of the economic pie. The situation is particularly acute in manufacturing, where the two hundred largest U.S. manufacturing firms increased their share of manufacturing assets from 46% in 1947 to 62% today. Sales of

2. See Study of the Program on Neighborhood and Regional Change, Massachusetts Institute of Technology, reported in "Small Business: Job Role Highlighted," N.Y. Times, January 18, 1980, at D1. "Small business" was defined as a firm with twenty or fewer employees.

3. National Science Board, Science Indicators (1977), at 92.

4. See The Role of New Technical Enterprises in the United States Economy, Commerce Department (1976).

5. See e.g., "Dreams Prove Profitable for Small Businessman," Washington Post, January 17, 1980, at C1.

manufactured goods show a similar picture, with the two hundred largest manufacturers increasing their share from 36% in 1947 to 52% in 1972.

Not only is concentration high within the economy as a whole; it is often even higher within individual industries. A survey by the Census Bureau of 488 industries found that the four largest firms controlled over half of the market in 142 industries.

At the same time, economic theory and antitrust policy have paid insufficient attention to the role of small business in the competitive process. By implicitly assuming that all firms within a market are of equal size and financial strength, micro-economic theory fails to recognize the actual competitive conditions under which most small businesses operate, and the degree to which small businesses are vulnerable to larger, more powerful firms. As Professor Galbraith observes:

Indeed few features of the neoclassical economics arouse more admiration for its effect than the way it rationalizes and conceals the disadvantages of the weak. One theory of the firm applies for all. There is, accordingly, no basic presumption of difference in advantage between one group of firms and another . . . [F]or no clear theoretical reason, the neoclassical monopoly is almost invariably discussed as it affects the consumer. Almost no attention is given to its control over the costs of the weaker firms from which it buys or to its control over the prices at which it sells to other and weaker firms. Thus the problem of the terms of trade within the economy, as these favor some firms and are adverse to others, is almost totally out of view. ⁶

6. Economics and the Public Purpose (1972), at 243.

NAME Jim K... BILL No. _____

ADDRESS W... DATE _____

WHOM DO YOU REPRESENT Producers

SUPPORT _____ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME Cathy Peil BILL No. HB 51 HB 151
ADDRESS PO Box 37 Shepherd MT DATE Jan. 19, 1981
WHOM DO YOU REPRESENT DAIRY MEN
SUPPORT _____ OPPOSE ☒ _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME Lydia Becker BILL No. 517151
ADDRESS Ballantine, 71/2nd DATE 1/12/51
WHOM DO YOU REPRESENT Bob's Laundry Union
SUPPORT _____ OPPOSE 517151 AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME Freeman Baker BILL No. 151-51
ADDRESS Dallas, Texas DATE 1/19/81
WHOM DO YOU REPRESENT Rockwell Pharmacy, Inc.
SUPPORT _____ OPPOSE Denial AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME B. the Real BILL No. 2005
ADDRESS 2500 S. 1st St. Arlington, Va. DATE June 18, 1987
WHOM DO YOU REPRESENT Real Party
SUPPORT _____ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME Robert B. Wood BILL No. 31-A-191
ADDRESS London, Ont DATE 1/10/61
WHOM DO YOU REPRESENT Auto. Union
SUPPORT _____ OPPOSE X AMEND ~~1-1-1~~

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

The undersigned Bitter Root Dairy Producers at a meeting held to discuss milk price legislation in Corvallis, Montana on 1/16/81 voted to request the Business and Industry Committee of the Montana House of Representatives to vote against passage of HB 51 and HB 151.

<u>Name</u>	<u>Address</u>
Rollie Lewis	Corvallis
John Jant	Stevensville
Berna Martenson	Hamilton
Richard Martenson	Hamilton
Shelly Lewis	Victor
David Lewis	Victor
John J. Skeels	Corvallis
Brad R. Lee	Stevensville
Gary Edens	Florence
Everett Edens Jr	Florence
Bob McPherson	Corvallis
Paul Sperry	Corvallis
Carolyn Sperry	Corvallis
Linda Clark	Stevensville
Alley Geyer	Corvallis
Wayne Olson	Stevensville
Tim Huls	Corvallis
Robert Leflore	Stevensville
Bruce Lindgren	Stevensville
Mark Bennett	Hamilton
Ralph Smith	Corvallis