

**MINUTES**

**MONTANA HOUSE OF REPRESENTATIVES  
54th LEGISLATURE - REGULAR SESSION**

**COMMITTEE ON AGRICULTURE, LIVESTOCK & IRRIGATION**

**Call to Order:** By **CHAIRMAN JOE BARNETT**, on March 2, 1995, at  
3:00 P.M.

**ROLL CALL**

**Members Present:**

Rep. Joe Barnett, Chairman (R)  
Rep. John "Sam" Rose, Vice Chairman (Majority) (R)  
Rep. Don Larson, Vice Chairman (Minority) (D)  
Rep. Jon Ellingson (D)  
Rep. Dick Green (R)  
Rep. Harriet Hayne (R)  
Rep. Rick Jore (R)  
Rep. Gay Ann Masolo (R)  
Rep. Judy Murdock (R)  
Rep. Karl Ohs (R)  
Rep. George Heavy Runner (D)  
Rep. William M. "Bill" Ryan (D)  
Rep. Dore Schwinden (D)  
Rep. Robert R. Story, Jr. (R)  
Rep. Jay Stovall (R)  
Rep. Lila V. Taylor (R)  
Rep. Cliff Trexler (R)  
Rep. Kenneth Wennemar (D)

**Members Excused:** None

**Members Absent:** None

**Staff Present:** Connie Erickson, Legislative Council  
Jaelene Racicot, Committee Secretary

**Please Note:** These are summary minutes. Testimony and  
discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing: SB 364  
Executive Action: None

A hand out by **Larry Brown** representing the **Agricultural  
Preservation Association** was given to the committee for their  
consideration. **EXHIBIT 1**

HEARING ON SB 364Opening Statement by Sponsor:

**SEN. MIKE SPRAGUE, SD 6**, wanted to bring the committee "up to speed" why they now have SB 364. They started out months ago with SB 116 which would entirely decontrol the milk industry. He stated it was recommended by the Governor's Task Force to deregulate the industry and ultimately pass down the benefits to the consumer. During the process, they "made an agreement to protect the producer," then decontrol from the wholesaler to the retailer and SB 364 was the result of that decision. He said when the "milk control bill" was in the Senate, a subcommittee worked it over and it was amended. He said the bill in its present form was the result of their hard work.

Proponents' Testimony:

**Laurie Ekanger, Governor's Office**, stated this proposal originated from the Task Force to Renew Government to look at ways to improve government. **Ms. Ekanger** then presented the committee with some general background of the milk industry and how the industry is regulated by the state of Montana and the flaws in that regulation. She summarized why SB 364 is a good bill and deserved the committee's consideration. **EXHIBIT 2**

In the bill, the dairy farmer is referred to as the producer and there are 176 producers in Montana. Altogether they have 16,000 cows with the largest herd consisting of 450 cows to the smallest herd with 16 cows. The average herd in Montana is 92 cows. Out of the total 176 licensed producers, 32 are Hutterite colonies (they have about 19% of the production).

She then explained the wholesale level of the milk industry which includes the distributors and processing plants that buy the milk and turn it into milk products; currently there are six processing plants in Montana. The processing plants include Darigold, which is located in Bozeman, and Meadow Gold Corporation owned by Borden which has three plants in Montana. One plant is located in Kalispell, one in Billings and one in Great Falls and they have 48% of the state's production. She stated there was another small Co-op Equity Supply in Kalispell owned by five dairy farm producers.

She said "jobbers" are the independent contractors who buy milk from the dairies and then distribute it to their customers; currently there are 72 jobbers in the state. The final component is the grocery store who buys from the jobber or directly from the dairy.

**Ms. Ekanger** referred to page 3 and 4 of the "Milk Decontrol" Information Packet (see Exhibit 2). In Montana, state government has regulated the milk industry since 1935 and there is no federal marketing order. She said the state regulates the milk

in two ways and the first is by regulating the supply with a quota system. The second way they regulate milk is by fixing the price. She said the regulations fix the price at every point of sale for every product. On page 15 of Exhibit 2, the pricing order is given for 1995. She stated in theory that was the way the milk industry worked, but in practice it was not working and it was not working at the wholesale level.

She then referred to page 9 of Exhibit 2 and read that letter to the committee. She said they are taking Montana milk and trucking it to Idaho and changing its ownership so it becomes Idaho milk. Then they bring it back into the state as out-of-state milk where it is sold to retailers at a lower price than the Board of Milk Control price because it is interstate commerce. The state of Montana cannot regulate interstate commerce.

Page 11 is a letter from Darigold to ARA Services. Page 12 explains the price of milk being charged. She said, "What you see happening here is the competitive free enterprise system at work at the wholesale level and finding a way to offer a better price to retailers." She said this process was legal. Ultimately, the consumer is the one paying the price. She said the savings were not being passed on to the consumer.

**Ms. Ekanger** asked the committee to direct their attention to page 5. She said the Governor's Task Force did a survey in April which was updated in January of 1995. Montana prices were generally higher than the other states listed. She said with the passage of SB 364 they could pass on the savings of \$12.6 million and this was the reason the Task Force wanted to deregulate the milk industry.

**Ms. Ekanger** stated the Governor's Task Force had two main objectives, which were endorsed by the Governor. First, to end the interstate program and the second was to pass the savings from the deregulation on to the consumer. She said the bill before the committee protects the dairy farmer, keeps the supply regulated and sets the price for the dairy farmer. She said it would decontrol the price of milk at the wholesale level and provide a preference to Montana dairies.

**David Ashley, Deputy Director of the Department of Administration and staff to the Governor's Task Force Renew Government,** said as the toured around the state of Montana the Task Force focused on two things. First, they focused on the retail price of milk and found that it was "extraordinarily" high. Secondly, they focused on the practice of trucking of milk out of Montana, then trucking it back in to sell to consumers. He said the Task Force was concerned about the extra fuel burned, the lack of freshness of milk products, and the additional cost of shipping the milk in and out of the state. He said, "We need to point the finger at the system itself and the system we use to control milk in Montana is broken. SB 364 fixes that system."

**Mr. Ashley** said the Board of Milk Control sets the price of one half pint at 19.5 cents and when they serve other out-of-state school districts, that same half pint of milk sells for 12 to 13 cents. He said for every penny the school districts save on milk, this bill would save them a total of \$10,000 and Montana's school districts would save \$1.3 and \$1.5 million annually through deregulation. **Mr. Ashley** reiterated what **Ms. Ekanger** stated in her testimony.

{Tape: 1; Side: B; Approx. Counter: 000; Comments: NONE.}

**Larry Kaufman, President of the Montana Dairymen's Association**, said the Montana Dairymen's Association supported SB 364 unamended. He said different states produce milk for different reasons. The Oregon and Washington areas only have 30% fluid milk (bottled milk for consumption drinking); they are primarily in a dry milk market. He said the Idaho market was mainly a cheese market. He said producers are mainly concerned about a blend price which is a combination of price paid on the different classes of milk.

**Mike Bernhart, dairyman**, read testimony. **EXHIBIT 3**

**Bob Bachini, Darigold**, stated Darigold in Montana was owned 100% by Dairy farmers and it had been that way since 1932. He said the Yellowstone Milk Producers Association and other dairy farmers were in support of SB 364 unamended.

**Maureen Cleary-Schwinden, Women Involved In Farm Economics**, stated WIFE was in support of SB 364 because it protected producers and it had "minimal effects" on others. She said WIFE would not support amendments to blend Class I, II, & III because the Board of Milk Control currently has the authority to do so.

**Lorna Frank, Montana Farm Bureau**, wanted to go on record in support of SB 364 as is and also supported the position of the Montana Dairymen's Association.

**Milo Todd, Dairy Producer from Bozeman**, stated he was a dairy producer for over 40 years and urged the committee to pass SB 364 unamended.

**Del Kamerman, Bozeman**, state he was in support of SB 364 unamended.

**Opponents' Testimony:**

**Ward Shanahan, Meadowgold Dairies**, handed out **EXHIBITS 4, 5, 6 & 7**. He offered an amendment for the committee to consider to correct the inefficiencies within the bill dealing with Class I, Class II and Class III. He offered the committee another amendment and asked them to refer to section 5 of the bill which had to do with the rules of fair trade practices. He said the Senate Committee amended the bill, but the fair trade practices

was not correctly written. He said, "You're suppose to engage in fair trade practices except when you're dealing with milk producers and I don't think that's what you intend to do."

**Mr. Shanahan** referred to a map (Exhibit 4) indicating the variety of prices of milk for Class I - Class II - Class III throughout the northwest.

**Mr. Shanahan** introduced John Abraham from Wyoming.

**John Abraham, Wyoming**, stated he grew up on the dairy farm. He said his father worked hard on a Marketing Order to grant protection from "Wyoming being a dumping ground for the surplus milk for the surrounding states." He said for many years they "put up with that." He said he later became member of the Board of Agriculture and administered the Marketing Order and for a time they had a healthy dairy industry. Then one day the Board of Agriculture had a meeting and decided they no longer wanted the Marketing Order. He said they used to have 13 producers when they had the Marketing Order and now they currently have four. He referred to the map from Ward Shanahan that Wyoming was not regulated. He said, "If you don't have a market to sell your milk, which we ended up with ... we were the wimps who would buy and then we went out of business." He said the state of Montana was the envy of every other state in the dairy business. He said, "Sure, the price is a little higher."

**James Fleming, Equity Supply Company in Kalispell**, handed in written testimony. **EXHIBIT 8** Mr. Fleming read testimony from Nathan L. Byrd who could not attend the hearing. **EXHIBIT 9**

**Ken Heberling, Dillon Dairy Products**, handed in written testimony. **EXHIBIT 10**

**Joe Wipf, milk producer**, handed in written testimony. **EXHIBIT 11**

{Tape: 2; Side: A; Approx. Counter: 000; Comments: NONE.}

**Ron Hepp, producer**, handed out graphs. **EXHIBIT 12, 13, & 14** He said there is no fair competition in Montana. He said, "If my processor cannot buy the milk at a level where he can compete on the street, you're going to force them to look other places for cheaper milk and there's a lot of surplus milk across the border." He said for a fair market system to work, it would have to work on all levels and he felt it was deceiving to "decontrol on one end and call it protection on the other end." He believed the right thing to do was to decontrol the whole process.

**Bill Hedstrom, dairyman from Flathead County**, stated he was a stockholder with Equity Supply and a Meadow Gold producer. He said he had some serious concerns with the bill. He asked, "Me being a producer, how can I be assured I have a market for my milk?" He felt they should focus on repairing the Milk Control

Board and not do away with it. He said they need the board to thrive in Montana.

**Tom Stocker, Milk Jobber for Meadowgold,** stated the rural community was worried about the freshness of milk. He asked, "If you're going to protect the producer level, could you protect the rural level of the consumer?"

**Steve Holholter, Milk Jobber from Missoula,** stated he talked to his small grocery stores and they were worried about competing with the larger stores in Missoula. He felt the Board of Milk Control needed to be repaired and he was not in support of SB 364.

Testimony was handed in by **Ed McHugh** who could not attend the hearing. **EXHIBIT 15**

**Questions From Committee Members and Responses:**

**REP. SAM ROSE** asked **Mr. Ashley** about having a producer and a processor all within area and was it possible for the milk to be bought cheaper from the producer and then be returned in the form of a dividend through a processor so they could job the milk cheaply through major supermarkets and if that was a possibility. **Mr. Ashley** felt someone who was more qualified to answer that question should be asked.

**Bob Bachini** stated **William Ross, Bureau Chief of the Milk Control Board,** could answer the question. **REP. ROSE** asked **Mr. Ross** "If you have both the producer and processor tied in together they could buy it from the producer cheaper and then reward the producer back through the processing plant and use it as lead items in major super markets. Is there a potential for that?" **Mr. Ross** stated no, that the potential was reducing the price in a decontrolled market. The processor would be required to pay the minimum Montana price to the producer.

**REP. ROSE** told **Mr. Ross** they heard about the price of milk in Wibaux and surrounding areas and if this was an accurate means to judge what the price of milk would be and the distribution. **Mr. Ross** stated at Malmstrom Air Force Base they market milk through a warehouse system through a one-stop delivery for all grocery stores and that they had more leverage than most. **REP. ROSE** asked **Mr. Ross** if the testimony give by **Laurie Ekanger** was a good comparison on prices. **Mr. Ross** stated there were incidents where they were raising the prices. He said if they would pick a small town in Wyoming, the milk price would probably be the same as it was in Wibaux. **REP. ROSE** asked **Mr. Ross** to comment on the testimony in reference to schools buying milk for 17 to 19 cents a half pint and selling it back to children at 40 cents a half pint. **Mr. Ross** stated it was not their business to know what price the schools charged to children.

**REP. ROSE** asked **Mr. Ross** if the industry was a high labor-intensive business and what would the economic impact on the state of Montana be if SB 364 were to pass. **Mr. Ross** said at the present time they are down to three processors in the state of Montana. He said it would have a significant effect on the jobbers if it were decontrolled. **REP. ROSE** asked **Mr. Ross** what he meant by significant effect. **Mr. Ross** said the jobbers would be selling milk somewhat cheaper at the wholesale level than what they are presently. He felt consumers would see a greater variation in prices.

**REP. DON LARSON** asked **Ken Heberling** if he was a jobber. **Mr. Heberling** said he was. **REP. LARSON** asked what percentage of milk the jobbers handle across Montana. **Mr. Heberling** guessed it was 80% or more. **REP. LARSON** asked **Mr. Heberling** if most of the jobbers outlined rural areas. **Mr. Heberling** said, for example, Dillon was the main area and the rural area around Dillon would get their milk from Dillon. **REP. LARSON** asked **Mr. Heberling** what would happen if the committee decontrolled both wholesale and retail prices and where would he get his milk. **Mr. Heberling** said the distribution in Montana would still exist. If the bill were passed, it would affect the distribution network which are the jobbers as well as affecting the retailers. He said the jobbers would not be able to service the smaller communities as well as they do now.

**REP. JON ELLINGSON** asked **Laurie Ekanger** if the bill passed in its current form, would a distributor be able to purchase milk from an out-of-state producer. **Ms. Ekanger** said under current law, a distributor can buy milk from out of state and this would change if the bill were to pass. **REP. ELLINGSON** asked **Ms. Ekanger** if this bill passed, would distributors be "run out of business." **Ms. Ekanger** said there was nothing in the present law that creates a preference, so the bill would change current law.

**REP. ELLINGSON** asked **Ms. Ekanger** to explain how a "preference" would work. **Ms. Ekanger** said it was added at the request of the industry and asked someone from the industry to answer the question. **Larry Kaufman, Montana Dairymen's Association**, explained that in the dairy industry it was referred to as a "first call provision." He said that language was controversial because it would require one processor to buy the product from another producer. He said he would like to see Montana milk be used in Montana processing plants.

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**REP. CLIFF TREXLER** asked **Bill Hedstrom** if they were on a quota system. **Mr. Hedstrom** indicated they were. **REP. TREXLER** asked **Mr. Hedstrom** if the quota had cost him money. **Mr. Hedstrom** stated that it had. **REP. TREXLER** asked **Mr. Hedstrom** if under the quota guarantee they could sell milk to the processor. **Mr. Hedstrom** said the board determines the amount at a Class price. **REP. TREXLER** asked **Mr. Hedstrom** if they over-produced, would they

receive less money. **Mr. Hedstrom** said they would receive \$9.30. **REP. TREXLER** asked **Mr. Hedstrom** how Idaho could sell milk much cheaper than what Montana producers could sell it for. **Mr. Hedstrom** stated they couldn't, but "at the same time I have \$9.30 milk because I had excess milk and that is where they can transport it." **REP. TREXLER** asked **Mr. Hedstrom** if they can buy this milk in Idaho cheaper, would he still be guaranteed his quota. **Mr. Hedstrom** stated that worried him. If he had to drive a few more miles to buy something cheaper, he would do so. **REP. TREXLER** asked **Mr. Hedstrom** if they had a contract. **Mr. Hedstrom** stated no, they did not.

**REP. TREXLER** asked **Dave Ashley** about the quota they have been living on and said they're going to be threatened by out-of-state milk. **Mr. Ashley** said the quota was adopted in 1989. Based on their previous years production, it gave them a right to supply a predetermined market; at that time it was just over 90,000 gallons a day. He said by 1992 it had grown to 94,000 and it has stayed at that level and now the population has grown, and as a result those quotas have an increased value. The quota owned by the average dairy farmer milking 92 cows was worth \$75,000. He said the farmers did not pay for them, it was dairy farmers that had purchased them after 1990.

**REP. TREXLER** asked **Mr. Ashley** how the imported milk from Idaho would affect it. **Mr. Ashley** stated milk would continue to come from Idaho and Montana dairy farmers would be subject to competition from other dairies in surrounding states. He said Montana dairy farmers were being paid approximately 10% more than what producers were being paid in surrounding states.

**REP. ROBERT STORY** asked **Ken Heberling** if under the decontrolled system, what else would change in terms of milk quality and distribution. **Mr. Heberling** said the distribution network was still necessary. The milk would come fewer times per week and a quart of milk which typically was purchased by the elderly would cost more. They believe some jobbers will go out of business. **REP. STORY** asked **Mr. Heberling** if wholesalers would be providing milk where jobbers are currently providing milk. **Mr. Heberling** said yes. **REP. STORY** asked **Mr. Heberling** how that service would be worth to the people they were providing the milk to. **Mr. Heberling** said it was.

**REP. STORY** asked **Dave Ginter**, a jobber from Malta, to comment. **Mr. Ginter** stated he was "200 miles from Great Falls, 200 miles from Billings and 200 miles from Williston, North Dakota ... and I deliver to my stores 6 days a week." He said many of his retailers' coolers would not be big enough for him to deliver three or four times a week and that was why he had to go to retailers everyday.

**REP. STORY** asked **Ward Shanahan** to explain the purpose of the chart he referred to in his testimony. **Mr. Shanahan** said the map (see Exhibit 4) shows the price of milk in the surrounding states

and would help explain the amendment he offered to the committee. **REP. STORY** asked **Ward Shanahan** if prices in the surrounding states were set by federal ordinances. **Mr. Shanahan** said yes, they were set by federal ordinances.

**REP. STORY** asked **Larry Kaufman** to refer to the map (Exhibit 4) and why Montana's Class II & III prices were lower than the surrounding states. **Mr. Kaufman** stated the prices were set by federal order. Wyoming was not regulated and his testimony stated the prices reflected how the milk was used. In most federal orders, milk was subsidized on Class III milk. **Mr. Kaufman** reiterated the testimony he already presented to the committee. **REP. STORY** asked **Mr. Kaufman** why Class III milk is priced \$11 in Idaho and Class III was \$9 in Montana. **Mr. Kaufman** stated Idaho is subsidized by the federal government. **REP. STORY** stated one of the proposed amendments would base Montana's milk price on an average of the surrounding states. He asked **Mr. Kaufman** if Montana did that, would it bring the price down on Class I milk. **Mr. Kaufman** replied that the assessment on milk prices changing over time is probably correct. He said to change Class III "upward" and to change Class I "downward" would probably not be feasible. He said primarily Montana has more Class I than they do Class III.

**REP. DORE SCHWINDEN** asked **Mr. Kaufman** to respond to the concerns of **Dave Ginter** in terms of how the product would be delivered to rural areas such as the one he represented. **Mr. Kaufman** stated the assessment by **Dave Ginter** was correct. He said there was so much pressure from the Governor's Office they wanted to protect producer pricing. He said distributing milk to smaller communities will be different. He said they don't know whether it's better or worse. There may not be a lot of cost savings to people in rural Montana.

**REP. RICK JORE** told **Mr. Kaufman** he noticed he was a Meadow Gold producer and that Meadow Gold producers on the west side were against SB 364 and he wondered why. **Mr. Kaufman** explained that as Meadow Gold producers they get treated the same and if this bill were to pass, they would still be treated the same. He said they had the same concerns about whether their processing plants would be profitable. He felt the changes in the pricing structure would happen over time. He said they have a structure in place that would allow them to address the problems within the Milk Control Board.

**REP. JAY STOVALL** asked **Mr. Kaufman** if there are other states that have a law similar to this bill that has been successful. **Mr. Kaufman** said, "Every state in the country virtually has some producer price regulation with exception of a couple ... the ones that don't have a producer price regulation do not have a dairy industry either." He said on the national average, Montana is 30 or 40 cents higher on the Class I price. He said blend price was what the producers were concerned with and the blend price, the way the bill was written, would keep them within the range of the

nation. **REP. STOVALL** asked **Mr. Kaufman** if he was aware of other states where the producers were controlled and the processors were not. **Mr. Kaufman** said that was the way most states did it. He stated the other states milk control used to be handled in the same manner Montana handles their milk control now. He said there were five states that controlled milk at all three levels.

**REP. STOVALL** asked **Mr. Kaufman** if it works well in other states. **Mr. Kaufman** said the savings passed on to the consumers usually would come at the expense of the producer or retailer. He felt regulation was needed in the industry.

{Tape: 3; Side: A; Approx. Counter: 000; Comments: NONE.}

**REP. GEORGE HEAVY RUNNER** asked **SEN. SPRAGUE** if there was a similar bill in the last legislative session that was carried by **SEN. GAGE**. **SEN. SPRAGUE** stated there was. **REP. HEAVY RUNNER** said he assumed the bill did not make it out of committee. **SEN. SPRAGUE** said that was correct. **REP. HEAVY RUNNER** asked, given the circumstances, "what has developed that has pushed this issue to where we are at now?" **SEN. SPRAGUE** replied before he decided to sponsor this bill he researched who had previously sponsored a bill similar to this. He said the main thing he wanted done was to study the issues at hand and analyze the data and base it on its merit. **SEN. SPRAGUE** stated he went back into the archives and found **SEN. GAGE'S** testimony and he wanted to know what was on the minds of the people. He said what he discovered was that paranoia surrounded the issue. "Any time you have industry that has been subsidized for 60 years, then you are going to have paranoia that we're changing, coming into the 21st century."

**REP. ELLINGSON** asked **SEN. SPRAGUE** if he knew what the prices were in regulated states such as Wyoming. **SEN. SPRAGUE** said they would find the answer to that question on page 5 of Exhibit 2 provided by **Ms. Ekanger**.

Closing by Sponsor:

**SEN. SPRAGUE** thanked the committee for a good hearing. He said the savings to the consumer would be \$10 million and the savings to the school system would be \$1.3 million. He asked, "What can the Milk Control Board do, that we as the Legislature can't do. I can tell you--the Milk Control Board is very capable and has the legal power to do all the things and make all the adjustments necessary and you don't need legislation for that." He said the producer is the one who pays for the Milk Control Board and they are the ones that work with them.

He felt for every 1 or 2 cents the price of milk was lowered, more people could afford to purchase the milk. As a result, they had built in job security for the jobbers. He said all the Milk Control Board would have to do is "loosen the collar" to allow the dairy farmers to produce more milk. He said in 46 other states, they are not afraid of competing, but in Montana they are

afraid of competing. **SEN. SPRAGUE** referred to newspaper clippings of the price of milk in other states. He gave examples of milk costing from \$1.79 to \$.99 for a gallon of milk and he said at the present time the price for a gallon of milk in Montana is \$2.90.

**SEN. SPRAGUE** indicated **REP. STORY** would carry the bill on the House floor.

ADJOURNMENT

Adjournment: 5:23 P.M.



\_\_\_\_\_  
JOE BARNETT, Chairman



\_\_\_\_\_  
JAELENE RACICOT, Secretary

JB/jr

# HOUSE OF REPRESENTATIVES

Agriculture

ROLL CALL

DATE 3/2/95

NAME	PRESENT	ABSENT	EXCUSED
Rep. Sam Rose Vice Chairman, Majority	✓		
Rep. Don Larson, Vice Chairman, Minority	✓		
Rep. Jon Ellingson	✓		
Rep. Dick Green	✓		
Rep. Harriet Hayne	✓		
Rep. George Heavy Runner	✓		
Rep. Rick Jore	✓		
Rep. Gay Ann Masolo	✓		
Rep. Judy Rice Murdock	✓		
Rep. Karl Ohs	✓		
Rep. Jay Stovall	✓		
Rep. Bill Ryan	✓		
Rep. Dore Schwinden	✓		
Rep. Robert Story	✓		
Rep. Lila Taylor	✓		
Rep. Cliff Trexler	✓		
Rep. Ken Wennemar	✓		
Rep. Joe Barnett, Chairman	✓		

EXHIBIT 1  
DATE 3/2/95  
HB SB 289

AGRICULTURAL PRESERVATION ASSOCIATION  
BOX 1094  
THREE FORKS, MONTANA 59752  
(406) 285-3728

*For Committee  
consideration*

February 28, 1995

To: Representative Joe Barnett, Chairman  
Members of the Agriculture, Livestock, and Irrigation Committee  
Montana House of Representatives

From: Larry L. Brown



Ref: Senate Bill No. 289

**Revising the Authority of the Department of Agriculture to Issue Compliance Orders for Agricultural Chemical Spills to Exempt Spills at Commercial Wood Treatment Facilities and Spills that Threaten Public Water Supply Systems**

Mr. Chairman, members of the Committee, pursuant to Representative Rose's and your request, the following wording change is offered for your consideration to amend line 24 - 26, page 1, of the bill.

Line 24 - 25, as written, gives MDHES broad authority over functions of the Montana Department of Agriculture. The MDHES has continually attempted to regulate agriculture and related chemicals under the guise of nonpoint source pollution control, leading to more permitting (*and fees*). Regardless of the intent of this bill to limit MDHES authority to specific problems and to public water supply systems, as defined in 75-6-102, it should be noted that a *public water* supply, e.g., point of diversion, stream saturation zone, wellhead, or infiltration gallery may be interpreted differently than a *public water supply system*, e.g., municipal watershed, water distribution works, water table or alluvial aquifer, sole-source confined aquifer, or manifolded wells.

- 24. (b) excluding the standard use of fertilizers and pesticides, when agricultural
- 25. chemicals are inadvertently applied or misused and are explicitly determined to threaten
- 26. or contaminate a public water supply.

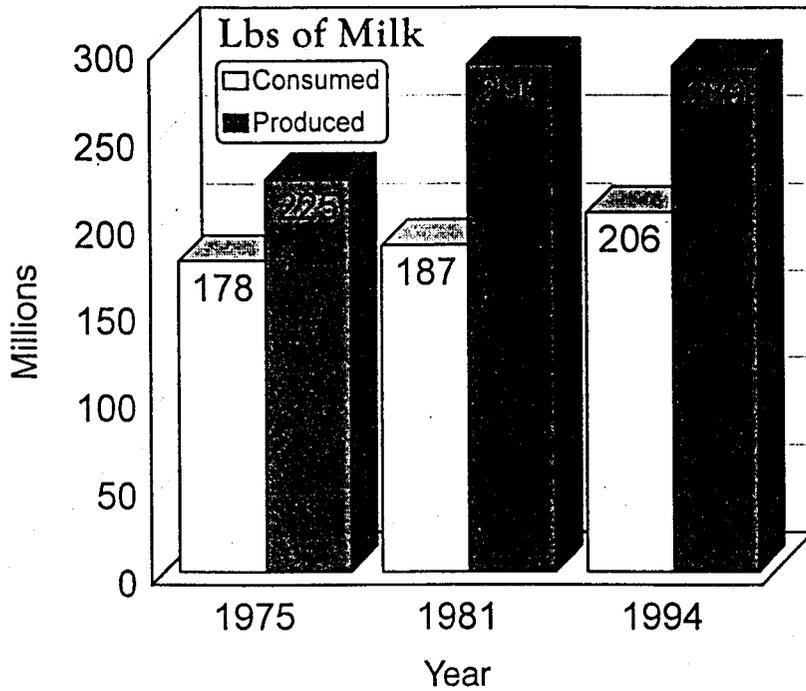
*Laurie Ekanger*

EXHIBIT 2  
DATE 3/2/95  
HB SB 364

**SB 364 "MILK DECONTROL" INFORMATION PACKET**  
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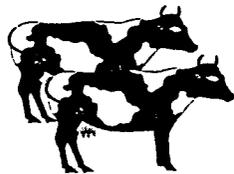
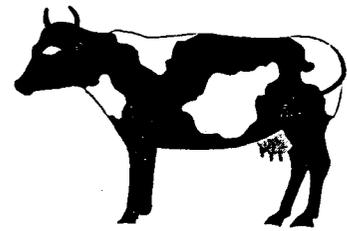
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Compiled February 24, 1995 by Laurie Ekanger, Office of the Governor, Telephone 444-3111 and Dave Ashley, Renew Government Task Force, Telephone 444-2032

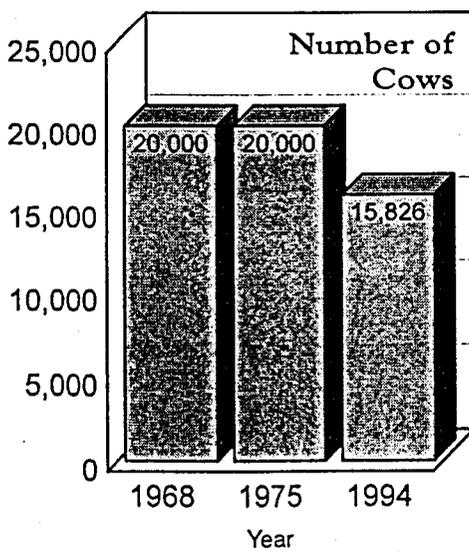


Milk

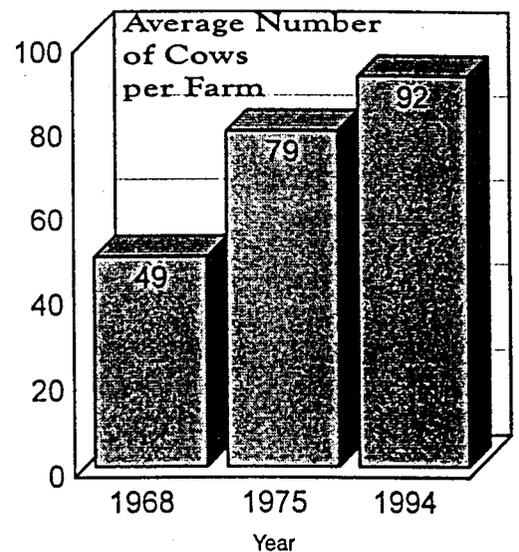
Milk



Production

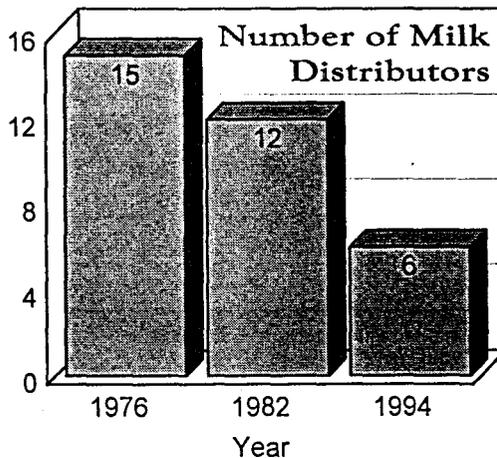
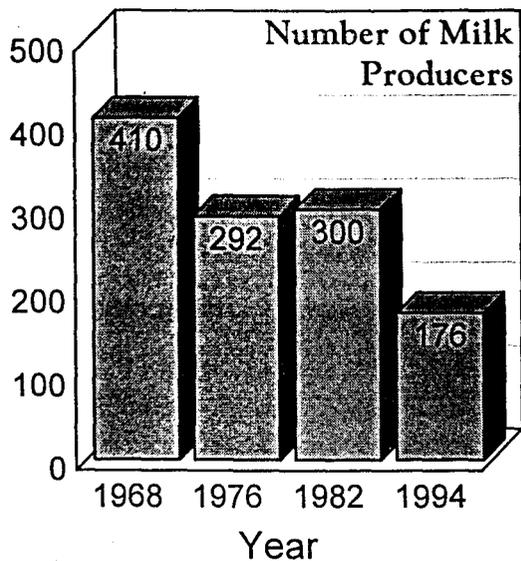


COWS

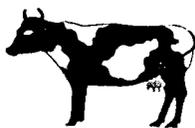
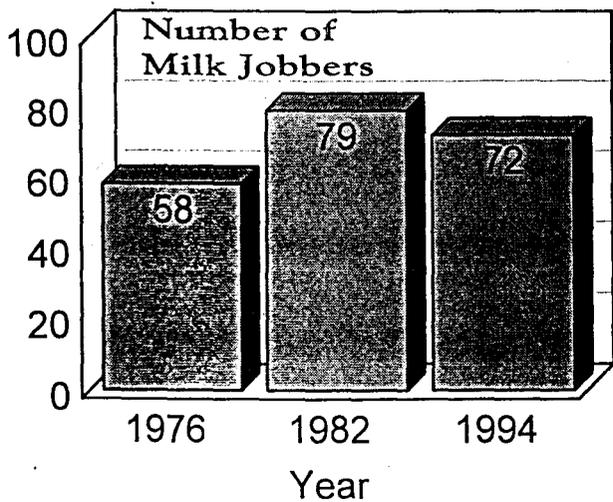
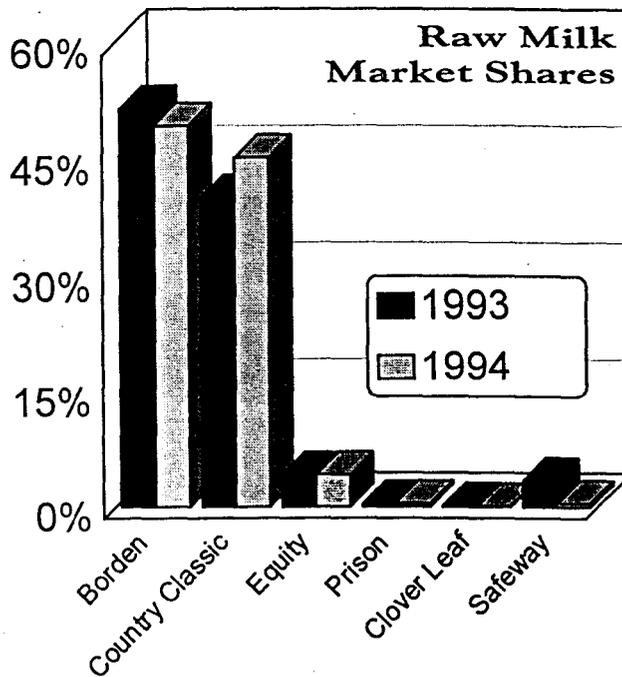




# Milk Industry



- DISTRIBUTORS**
- Borden (Meadow Gold)
    - Billings
    - Kalispell
    - Great Falls
  - Country Classic (co-op of 79 producers)
    - Bozeman
  - Equity (co-op of 5 producers)
    - Kalispell
  - Montana State Prison
    - Deer Lodge
  - Clover Leaf
    - Helena
  - Safeway (transferred to Country Classic March 1994)



Source: Bureau of Milk Control, Office of the Legislative Auditor

# MILK PRICE REGULATION

## FEDERAL (U.S. Department of Agriculture)

- 1) Federal Milk Marketing Order System (at request of producers...see page 4)
- 2) Purchase of surplus milk products (like butter and cheese)

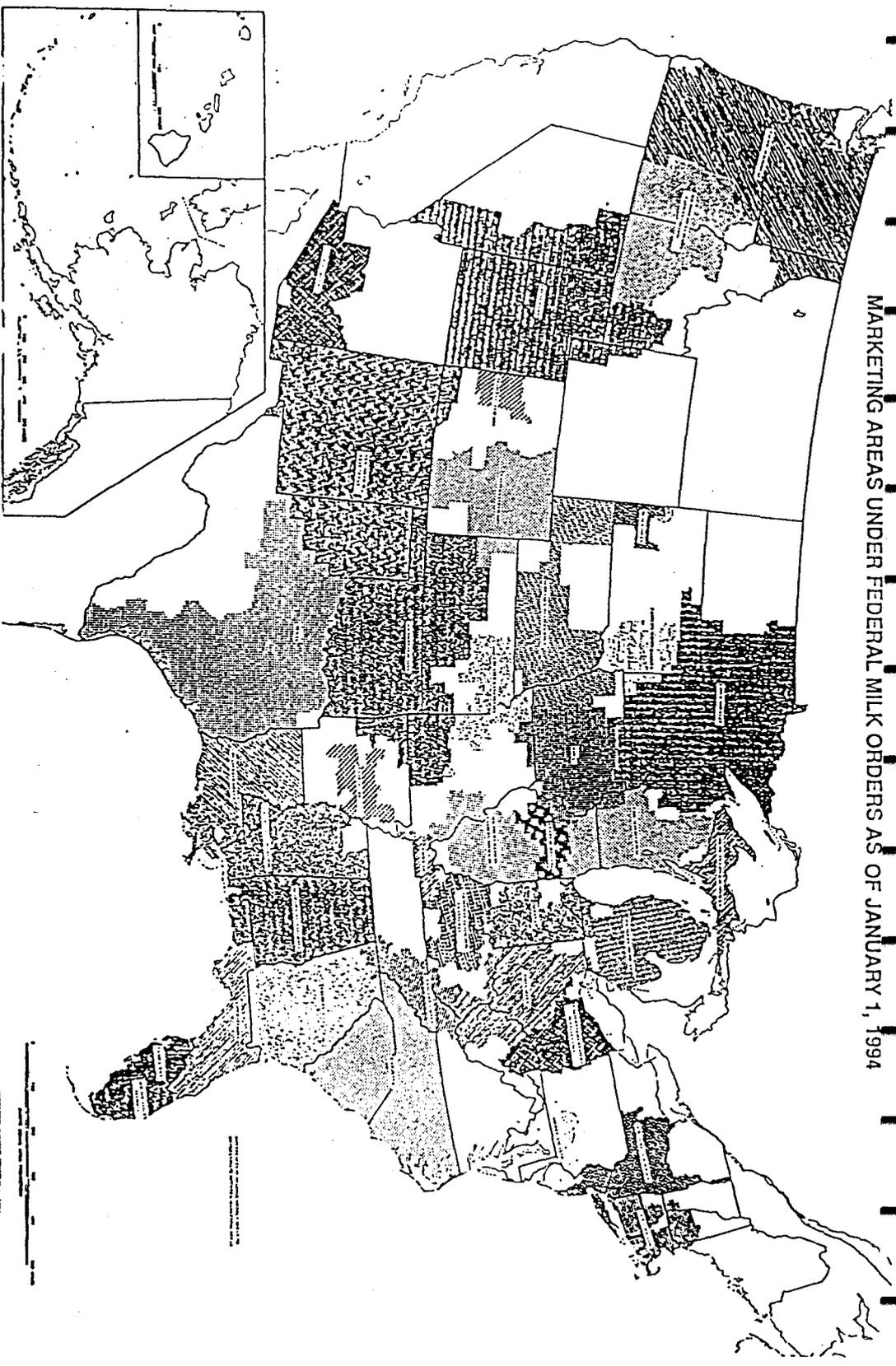
## STATE (Board of Milk Control/Department of Commerce)

- 1) Controlling Supply: Quota System
- 2) Price fixing (417 prices...see page 16)

Example: (based on a minimum price for a gallon of 2% milk; 1/95 prices)

-Producer (dairyman)	\$1.20
-Wholesaler (Meadowgold/Darigold)	<u>\$1.32*</u>
Full Service Grocery Store Price	\$2.52
-Retailer (IGA, Buttrey, etc.)	.38
-Customer	\$2.90

\*The distributor's margin ranges between \$1.32 and \$1.06 depending on services provided to the retailer. By placing the milk in interstate commerce, the distributor's margin is less.



Producer Prices - Blend Price

per 100 weight - November 1994

Montana Price 13.41  
 North Dakota (state price order) 12.52

Federal Price Orders In Surrounding States

Western South Dakota 13.96  
 Pacific Northwest 12.18  
 Southwest Idaho 12.04  
 Great Basin 12.75

MILK SURVEY

SIZE POPULATION	VERY SMALL 300/1,500	SMALL 2,400/3,500	MEDIUM 24,000/35,000	LARGE 50,000/160,000
Montana	Wibaux	Hamilton	Helena	Billings
Utah	Huntington	Nephi	Logan	Salt Lake
South Dakota	Geddes	Dell Rapids	Aberdeen	Sioux Falls
Wyoming	Ranchester	Newcastle	Laramie	Cheyenne
Idaho	Downey	Gooding	Twin Falls	Boise
	2.90	2.90	2.90	2.90
	2.27	1.99	2.19	2.09
	2.99	2.45	2.54	2.45
	2.75	2.49	2.39	2.29
	2.35	2.17	2.19	2.12

Montana Higher By:                    +31                    +63                    +58                    +66

- Survey was taken January 19, 1995
- Prices are for one gallon 2%
- During April, 1994, Malmstrom Air Force Base (which is not controlled by the prices established by the Montana Milk Control Board) was purchasing milk for \$1.81 per gallon of 2% low fat milk and selling the milk for \$2.05 per gallon.

SURVEY PARTICIPANTS

UTAH

Salt Lake City  
Nephi  
Logan  
Huntington

Farmer Jacks Supermarket (801) 972-4585  
Mt. Nebo Thriftway (801) 623-2561  
Jacks Foodtown (801) 563-6251  
Thrift Market (801) 687-9976

SOUTH DAKOTA

Sioux Falls  
Dell Rapids  
Aberdeen  
Geddes

Hy-Vee (605) 334-4570  
Tim's Food Market (605) 428-5451  
Ken's Fairway Foods (605) 225-6671  
K & J Market (605) 337-2401

WYOMING

Cheyenne  
Laramie  
New Castle  
Rochester

Safeway (307) 638-6337  
Albertsons (307) 742-3731  
Deckers Food (307) 746-2779  
Buckhorn Foods (307) 655-9766

IDAHO

Boise  
Twin Falls  
Gooding  
Downey

Albertsons (208) 336-5278  
IGA Super Center (208) 733-6401  
Cooks Food Town (208) 934-8449  
Downey Food Center (208) 987-5915

GOVERNOR'S TASK FORCE TO RENEW  
MONTANA GOVERNMENT

EXHIBIT 2  
DATE 3-2-95  
SB 364

Recommendation to Decontrol Milk Prices/Eliminate  
the Milk Control Board

Arguments in Support of Decontrolling Milk:

- 1) Prices in Montana are extraordinarily high.
  - a) A January 1995 survey shows Montana milk sold through full service grocery stores is higher than in similar sized towns in South Dakota, Wyoming, and Idaho.

Milk Prices by Community Size

	<u>Very small</u>	<u>Small</u>	<u>Medium</u>	<u>Large</u>
Montana	\$2.90	\$2.90	\$2.90	\$2.90
Surrounding states	2.59	2.27	2.32	2.29
Montana higher by:	.31	.63	.58	.67

An average Montana resident drinks 28 gallons of milk annually. If 25 gallons are purchased through full service grocery stores at prices comparable to surrounding states, Montana consumers would save \$12.6 million annually.

- b) School milk prices in Montana are set by the Board of Milk Control at 19.5 cents versus competitively bid prices of 12.1 to 13 cents received by school districts in Spearfish, South Dakota, Sheridan, Wyoming, and Idaho Falls, Idaho. The annual potential savings to Montana school children is \$1.3 million.
- c) State agencies buy 300,000 gallons per year. A 50 cent per gallon savings would save state agencies \$150,000 per year.

**Total annual savings: \$14.1 million.**

- 2) The free market, rather than a government agency, can more efficiently set milk prices.
- 3) As a result of Montana milk price laws, a significant amount of milk produced in Montana is shipped to Wyoming or Idaho before returning to Montana, to avoid Montana milk price regulation.
- 4) Montana is one of only five states that control milk prices at wholesale, retail, and producer levels. (Montana, North Dakota, Nevada, Maine, Pennsylvania)

**Arguments advanced by industry representatives at Task Force public hearings in support of continued milk price controls:**

- 1) "It's a complex issue."

The hidden message is "don't change it". In reality, any artificial pricing system with quotas, minimum prices, statewide pools, class 1, class 2, etc. is complex. Eliminating state price controls would make the milk market as straightforward as other commodity markets.

- 2) "Out of state milk will come into the state."

Yes, a free market will exist. Montana producers now supply parts of Wyoming.

- 3) "Without price controls, marginal producers will cut corners on health practices."

However, under decontrol, health regulations will stay in place. Even with control, health concerns have existed in Montana. States without price controls have successfully dealt with this concern.

- 4) "Dairymen pay for the Milk Control Board."

Yes, but they pass along the cost to consumers and it prevents the public from receiving competitive prices.

- 5) "Prices will go down for awhile and then go up after all the competition is eliminated."

In reality, the survey of surrounding states didn't show this. Wyoming decontrolled its dairy industry in 1979. Wyoming survey prices range from 15 cents to 61 cents lower than Montana.

- 6) "Prices may go down in urban areas but they'll go up in rural areas."

The survey showed that rural areas would benefit by price decontrol--about 31 cents per gallon--while urban areas would benefit about 65 cents per gallon. Currently, the milk industry can charge more for milk in rural areas ... but they don't. If prices in excess of the minimum are not charged now, why would prices exceed the current minimums after decontrol?

- 7) "If we eliminate state price control the federal government will control prices; the industry would prefer being regulated by the state."

Wrong. The dairy industry can request federal price controls. Federal price control would only occur if the dairy industry voted for it.

GOUGH, SIANAIAN, JOINSON & WATERMAN  
Attorneys at Law

JOCK O. ANDERSON  
WILLIAM H. COLDIRON  
DAVID C. DALTIORP  
WILLIAM P. DRISCOLL  
HOLLY JO FRANZ  
THOMAS E. HATTERSLEY, III  
CORDELL JOHNSON  
ALAN L. JOSCELYN  
MICHAEL S. LATTIER  
JAMES B. LIPPERT  
SARAH M. POWER  
WARD A. SIANAIAN  
RONALD F. WATERMAN

33 SOUTH LAST CHANCE GULCH  
HELENA, MONTANA 59601  
MAILING ADDRESS:  
P.O. BOX 1715  
HELENA, MONTANA 59624-1715

NEWELL GOUGH (Retired)  
TAYLOR B. WEIR (1983-1987)  
EDWIN S. BOOTH (1907-1976)  
ADMINISTRATOR  
PATRICE E. PAYNE  
TELEPHONE (406) 442-8560  
TELECOPIER (406) 442-8783

April 22, 1994

RECEIVED

APR 25 1994

MILK CONTROL BUREAU

Mr. William Ross  
Bureau Chief, Milk Control Bureau  
Department of Commerce  
1520 East Sixth Avenue, Room 50  
P.O. Box 200512  
Helena, MT 59620-0512

Re: Interstate Program; Our File 16036-001

Dear Bill:

This letter responds to your request for comments dated April 11, 1994. Additionally, this letter will serve as Meadow Gold's further response to your request for information regarding the specifics of the interstate program recently initiated by Meadow Gold in Idaho.

First I will address the current Meadow Gold program. The program as it currently exists was revised in some of its specifics to follow the guidelines of your April 11th letter. I trust that you will find that it complies with both the letter and the spirit of the six enumerated guidelines in that letter.

The Montana retailer participating in the program will place its orders into the Meadow Gold facility at Ogden, Utah. The Ogden facility will relay the order into the Kalispell facility where it will be filled.

The invoicing for the milk order will be prepared in Ogden, Utah, showing sale at Bonner's Ferry, Idaho, and directing payment to be made to Ogden.

Meadow Gold has contracted with an independent hauler to transport the milk from Kalispell to the point of sale at Bonner's Ferry, Idaho. Legal title, risk of loss, and all attendant responsibility will pass to the retailer-purchaser at that point. The retailer will be responsible for transporting the milk from Bonner's Ferry, Idaho, to whatever point or points in Montana it chooses. The purchaser is currently contracting with the same independent hauler for the return haul as is used by Meadow Gold.

Mr. William Ross  
April 22, 1994  
Page 2

The interstate program conducted for customers in the Bitterroot is being operated in identical fashion. Again, the point of sale will be Bonner's Ferry, Idaho. They are using the same independent hauler and that hauler is simply continuing on down to those locations.

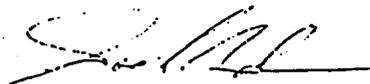
If you have any other questions regarding Meadow Gold's interstate program, please advise.

Now, my comments on your April 11, 1994, letter.

It is our opinion that the use of an independent hauler is not necessary to establish an interstate program. As a matter of fact, I believe such a requirement is unlawful. Meadow Gold has ICC authority to engage in interstate trucking. This program involves interstate trucking and the state of Montana doesn't have the authority to limit its right to engage in that activity. It should be free to contract with the retailers to haul the retailer's milk on the same basis as any other trucking operation. At this point we have revised our operation to meet this guideline rather than start with a dispute but it is being done for no apparent legal reason and at considerable disruption to business operations of our company and our customers. It is an issue that needs to be addressed immediately.

Sincerely yours,

GOUGH, SHANAHAN, JOHNSON & WATERMAN



Jock O. Anderson

JOA/maf  
cc: Mr. Joe Bengoechea



EXHIBIT 2  
DATE 3-2-95  
Y1 SB 364

July 28, 1994

Mr. Frank Perkins  
ARA Services  
457 Daniels  
Billings Montana 59101

Dear Frank:

This letter is in response to our recent phone conversation concerning a milk program for School District #2 for 1994-1995.

Darigold is prepared to furnish the Billings schools with all of the necessary dairy products. This proposal includes ordering, delivery and credits for all stale or damaged products. Flavored milk has been very successful in various school districts in the U.S., so we have included a schedule of flavored milk that would be available to the school districts during the next year.

Understanding that all of the schools in the District would be included in this program, Darigold proposes the following prices;

Half pints of milk would be the jobber price announced by the Montana Board of Milk Control, F.O.B. Powell, Wyoming. Although ARA takes possession of the product in Wyoming, Darigold would haul from Powell to each school on a timely and reliable basis. This system parallels other successful milk programs in the state of Montana. The additional cost for this service would be .035¢ per ½ pint.

**COUNTRY CLASSIC DAIRIES, INC.**

1001 N. 7th Ave. • P.O. Box 968 • Bozeman, Montana 59771-0968 • 406-586-5425 • 800-321-4563 • Fax 406-586-5110



The following is a comparison of actual school costs to the Darigold program;

Milk Control  
Board Price

Date	Product	District Cost	Jobber Price	Plus .035¢	Savings
Sept 1993	½ pt 2%	.192	.1392	.1742	.0178
	½ pt Flavored Milk	.201	.1442	.1792	.0218
Oct 1993	½ pt 2%	.190	.1371	.1721	.0179
	½ pt Flavored Milk	.20	.1426	.1776	.0224
Nov 1993	½ pt 2%	.193	.1405	.1755	.0175
	½ pt Flavored Milk	.202	.1455	.1805	.0215
Dec 1993	½ pt 2%	.196	.1437	.1787	.0173
	½ pt Flavored Milk	.205	.1487	.1837	.0213
Jan 1994	½ pt 2%	.199	.1461	.1811	.0173
	½ pt Flavored Milk	.208	.1511	.1861	.0219
Feb, Mar & Apr 1994	½ pt 2%	.199	.1459	.1809	.0181
	½ pt Flavored Milk	.208	.1509	.1859	.0221
May 1994	½ pt 2%	.20	.1471	.1821	.0179
	½ pt Flavored Milk	.209	.1521	.1871	.0219
June 1994	½ pt 2%	.201	.1482	.1832	.0178
	½ pt Flavored Milk	.21	.1532	.1882	.0218
July 1994	½ pt 2%	.193	.1401	.1751	.0179
	½ pt Flavored Milk	.202	.1451	.1801	.0219
Aug 1994	½ pt 2%	.193	.1395	.1745	.0185
	½ pt Flavored Milk	.202	.1445	.1795	.0225

Based on August 1994 pricing, at an estimated 1,400,000 ½ pints of milk (80% chocolate and

20% 2%), the savings would be \$30,380 for the next school year.

Since Montana public funds are involved in school milk programs, Darigold does ensure that 100% of the milk processed for the schools will come from Montana cows and be processed in Montana by our Montana owned dairy.

I do appreciate your consideration of this proposal and will be available to you or any member of your staff for further discussions.

Sincerely,



Sheldon Sollars

Sales

Darigold Farms



Meadow Gold Dairies, Inc.  
109 South Broadway  
P.O. Box 929  
Billings, MT 59103  
406 252 2118

September 28, 1994

Frank Perkins, Director  
ARA Food Services  
415 North 30th  
Billings, MT 59101

Dear Frank:

Per our conversations concerning the milk bid for the Billings, Montana School District, Meadow Gold Dairies, Billings, is willing to meet the competitive bid of .03¢ per  $\frac{1}{2}$  pint off the Montana Published Price List, submitted by Darigold, Bozeman, Montana.

I would ask for consideration due to the facts that Meadow Gold, Billings, has been doing business with the Billings School District for over 30 years. Our local payroll is over \$140,000 monthly. We pay \$23,000.00 in local taxes and we employ 63 people in Billings.

The Yellowstone Milk Producers produce 100% of the milk used in the school systems. The producers' payroll is approximately \$6,500,000 per year. Meadow Gold buys 100% of its milk from the Yellowstone Milk Producers. We are a part of the community. I would like to schedule a meeting to work out the details of the bid.

We thank you for your consideration.

Sincerely,

  
Joe Bengoechea  
General Manager

JB:jt

Enc.

cc: Peter Carparelli  
Del Hanson

BEFORE THE BOARD OF MILK CONTROL OF THE STATE OF MONTANA

ANNOUNCEMENT OF CLASS I PRICES

ISSUED IN REFERENCE TO SECTION 13 OF THE RULE 8.86.301

PUBLISHED: DECEMBER 5, 1994  
EFFECTIVE: JANUARY 1, 1995  
12:01 a.m.

Due to the latest data available as of December 5, 1994, as applied to the Distributor Formula (Docket #1-90, first price announcement effective 2/01/91) and the Producer Formula (Docket #69-84, first price announcement effective 7/01/84) the Producer Formula Index has been calculated to be 268.52. The Distributor Index has been calculated to be 314.00.

The following prices at the producer, on-the-farm wholesale and retail, institutional, jobber, wholesale, retail and warehouse levels have been determined from the following indexes. On-the-farm prices are applicable to only those producer-distributors whose milk is both produced and sold on-the-farm.

SECTION 1: MINIMUM PRODUCER CLASS I PRICE IN MONTANA

CLASS I PRICE TO BE PAID TO PRODUCERS AND OTHERS, MID-POINT AND DIFFERENTIAL:

EFFECTIVE January 1, 1995, the minimum price to be paid milk producers and others under ARM 8.86.301 will be \$15.01 per hundred pounds of milk testing 3.5% butterfat, f.o.b. the distributor's plant.

When milk does not test 3.5% butterfat, compute the applicable price by applying a differential of eight and one-half cents for each one-tenth of one percent butterfat above or below the midpoint to each producer payment. The value of one pound of butterfat utilized will be eighty-five cents (\$0.85).

SECTION 2: DEFINITIONS

- |                   |   |
|-------------------|---|
| WHOLE MILK        | - homogenized and/or pasteurized testing at least 3.25% |
| CHOCOLATE MILK    | - testing not less than 3.25%                           |
| LOWFAT MILK       | - testing not less than .5% nor more than 2%            |
| CHOC LOWFAT MILK  | - testing not less than .5% nor more than 2%            |
| BUTTERMILK        | - testing 2% or less                                    |
| SKIM MILK         | - testing less than .5%                                 |
| CHOCOLATE DRINK   | - testing less than .5%                                 |
| HALF & HALF CREAM | - testing at least 10.5%                                |
| COMMERCIAL CREAM  | - testing at least 18%                                  |
| WHIPPING CREAM    | - testing not less than 30%                             |
| SCHOOLS           | - elementary and high schools                           |

SECTION 3 MINIMUM WHOLESALE AND RETAIL PRICES IN MONTANA:

WHOLE MILK	FULL SERVICE WHOLESALE TO GROCERY STORES	DROP DELIVERY GROCERY STORES (\$150 MINIMUM)	DOCK PICKUP GROCERY STORES (1000 GAL/WEEK)	REGULAR WHOLESALE PRICE	RETAIL PRICE
<b>WHOLE MILK</b>					
1/2 Pint (schools)	\$0.000	\$0.000	\$0.000	\$0.197	---
1/2 Pint	\$0.209	\$0.199	\$0.187	\$0.214	\$0.24
1/3 Quart	\$0.261	\$0.249	\$0.234	\$0.272	\$0.30
Pint	\$0.331	\$0.315	\$0.296	\$0.349	\$0.38
Quart	\$0.653	\$0.623	\$0.585	\$0.678	\$0.75
1/2 Gallon	\$1.288	\$1.228	\$1.154	\$1.341	\$1.48
3  Quart	\$1.923	\$1.834	\$1.724	\$2.008	\$2.21
Gallon	\$2.558	\$2.440	\$2.293	\$2.677	\$2.94
<b>CHOCOLATE MILK</b>					
1/2 Pint (schools)	\$0.000	\$0.000	\$0.000	\$0.184	---
1/2 Pint	\$0.218	\$0.208	\$0.195	\$0.224	\$0.25
1/3 Quart	\$0.305	\$0.291	\$0.273	\$0.314	\$0.35
Pint	\$0.365	\$0.349	\$0.328	\$0.384	\$0.42
Quart	\$0.696	\$0.664	\$0.624	\$0.728	\$0.80
1/2 Gallon	\$1.366	\$1.303	\$1.225	\$1.431	\$1.57
Gallon	\$2.723	\$2.598	\$2.441	\$2.847	\$3.13
<b>LOWFAT MILK</b>					
1/2 Pint (schools)	\$0.000	\$0.000	\$0.000	\$0.197	---
1/2 Pint	\$0.209	\$0.199	\$0.187	\$0.214	\$0.24
Pint	\$0.331	\$0.315	\$0.296	\$0.342	\$0.38
Quart	\$0.644	\$0.614	\$0.577	\$0.672	\$0.74
1/2 Gallon	\$1.262	\$1.204	\$1.131	\$1.321	\$1.45
3  Quart	\$1.893	\$1.806	\$1.697	\$1.984	\$2.18
Gallon	\$2.523	\$2.407	\$2.262	\$2.635	\$2.90
<b>CHOCOLATE LOWFAT MILK</b>					
1/2 Pint (schools)	\$0.000	\$0.000	\$0.000	\$0.206	---
1/2 Pint	\$0.218	\$0.208	\$0.195	\$0.224	\$0.25
Pint	\$0.357	\$0.340	\$0.320	\$0.374	\$0.41
Quart	\$0.696	\$0.664	\$0.624	\$0.725	\$0.80
1/2 Gallon	\$1.349	\$1.287	\$1.209	\$1.411	\$1.55
Gallon	\$2.688	\$2.565	\$2.410	\$2.806	\$3.09
<b>BUTTERMILK</b>					
1/2 Pint (schools)	\$0.000	\$0.000	\$0.000	\$0.206	---
1/2 Pint	\$0.200	\$0.191	\$0.179	\$0.212	\$0.23
Pint	\$0.322	\$0.307	\$0.289	\$0.340	\$0.37
Quart	\$0.644	\$0.614	\$0.577	\$0.676	\$0.74
1/2 Gallon	\$1.270	\$1.212	\$1.139	\$1.330	\$1.46
Gallon	\$2.540	\$2.424	\$2.278	\$2.655	\$2.92

SECTION 3 MINIMUM WHOLESALE AND RETAIL PRICES IN MONTANA:

	FULL SERVICE WHOLESALE TO GROCERY STORES	DROP DELIVERY GROCERY STORES (\$150 MINIMUM)	DOCK PICKUP GROCERY STORES (1000 GAL/WEEK)	REGULAR WHOLESALE PRICE	RETAIL PRICE
<b>SKIM MILK</b>					
1/2 Pint (schools)	\$0.000	\$0.000	\$0.000	\$0.203	---
1/2 Pint	\$0.200	\$0.191	\$0.179	\$0.209	\$0.23
Quart	\$0.618	\$0.589	\$0.554	\$0.648	\$0.71
1/2 Gallon	\$1.227	\$1.170	\$1.100	\$1.284	\$1.41
Gallon	\$2.445	\$2.332	\$2.192	\$2.552	\$2.81
<b>CHOCOLATE DRINK</b>					
1/2 Pint (schools)	\$0.000	\$0.000	\$0.000	\$0.203	---
1/2 Pint	\$0.200	\$0.191	\$0.179	\$0.209	\$0.23
Quart	\$0.670	\$0.639	\$0.601	\$0.698	\$0.77
1/2 Gallon	\$1.305	\$1.245	\$1.170	\$1.362	\$1.50
Gallon	\$2.593	\$2.473	\$2.324	\$2.708	\$2.98
<b>HALF AND HALF CREAM</b>					
Pint	\$0.522	\$0.498	\$0.468	\$0.546	\$0.60
Quart	\$1.027	\$0.979	\$0.920	\$1.077	\$1.18
Gallon		---	---	\$4.429	---
<b>COMMERCIAL CREAM</b>					
Gallon	\$5.542	\$5.287	\$4.969	\$5.794	\$6.37
<b>WHIPPING CREAM</b>					
1/2 Pint	\$0.479	\$0.457	\$0.429	\$0.496	\$0.55
Pint	\$0.948	\$0.905	\$0.850	\$0.991	\$1.09
Quart	\$1.888	\$1.801	\$1.693	\$1.972	\$2.17
1/2 Gallon		---	---	\$3.873	---
Gallon		---	---	\$7.744	---

SECTION 4--PRODUCER-DISTRIBUTOR RETAIL PRICES IN MONTANA:

PRODUCT	RAW 1/2 GALLON	PASTEURIZED 1/2 GALLON	RAW GALLON	PASTEURIZED GALLON
WHOLE MILK	\$0.86	\$0.97	\$1.70	\$1.92
CHOCOLATE MILK	\$0.90	\$1.01	\$1.79	\$2.01
LOWFAT MILK	\$0.83	\$0.94	\$1.65	\$1.87
CHOCOLATE LOWFAT	\$0.87	\$0.98	\$1.74	\$1.96
BUTTERMILK	---	\$0.93	---	\$1.85
SKIM MILK	\$0.79	\$0.90	\$1.57	\$1.79
CHOCOLATE DRINK	\$0.83	\$0.94	\$1.65	\$1.87
COMMERCIAL CREAM	---	---	---	\$3.96

SECTION 5: MINIMUM PRICE THAT MUST BE CHARGED TO JOBBERS AND/OR INDEPENDENT CONTRACTORS BY DISTRIBUTORS AND INSTITUTIONAL BID PRICES IN MONTANA

J O B B E R P R I C E S A T :

WHOLE MILK	J O B B E R P R I C E S A T :			
	REGULAR WHOLESALE	FULL SERVICE GROCERY STORES	DROP DELIVERY WHOLESALE	INSTITUTIONAL BID PRICE
1/2 Pint (schools)	\$0.1450	.----	.----	.----
1/2 Pint	\$0.1545	\$0.1517	\$0.1461	\$0.1969
1/3 Quart	\$0.1985	\$0.1924	\$0.1857	\$0.2502
Pint	\$0.2650	\$0.2550	\$0.2461	\$0.3211
Quart	\$0.5189	\$0.5050	\$0.4883	\$0.6238
1/2 Gallon	\$1.0294	\$0.9999	\$0.9666	\$1.2337
3    Quart	\$1.5421	\$1.4949	\$1.4454	\$1.8474
Gallon	\$2.0560	\$1.9898	\$1.9242	\$2.4628
<b>CHOCOLATE MILK</b>				
1/2 Pint (schools)	\$0.1378	.----	.----	.----
1/2 Pint	\$0.1600	\$0.1567	\$0.1511	\$0.2061
1/3 Quart	\$0.2219	\$0.2169	\$0.2091	\$0.2889
Pint	\$0.2844	\$0.2739	\$0.2650	\$0.3533
Quart	\$0.5467	\$0.5289	\$0.5111	\$0.6698
1/2 Gallon	\$1.0794	\$1.0433	\$1.0082	\$1.3165
Gallon	\$2.1505	\$2.0815	\$2.0121	\$2.6192
<b>LOWFAT MILK</b>				
1/2 Pint (schools)	\$0.1428	.----	.----	.----
1/2 Pint	\$0.1523	\$0.1495	\$0.1439	\$0.1969
Pint	\$0.2568	\$0.2506	\$0.2417	\$0.3146
Quart	\$0.5068	\$0.4913	\$0.4746	\$0.6182
1/2 Gallon	\$1.0009	\$0.9681	\$0.9358	\$1.2153
3    Quart	\$1.5027	\$1.4521	\$1.4037	\$1.8253
Gallon	\$1.9979	\$1.9356	\$1.8711	\$2.4242
<b>CHOCOLATE LOWFAT MILK</b>				
1/2 Pint (schools)	\$0.1478	.----	.----	.----
1/2 Pint	\$0.1578	\$0.1545	\$0.1490	\$0.2061
Pint	\$0.2745	\$0.2651	\$0.2556	\$0.3441
Quart	\$0.5363	\$0.5202	\$0.5024	\$0.6670
1/2 Gallon	\$1.0509	\$1.0164	\$0.9820	\$1.2981
Gallon	\$2.0929	\$2.0273	\$1.9589	\$2.5815
<b>BUTTERMILK</b>				
1/2 Pint (schools)	\$0.1461	.----	.----	.----
1/2 Pint	\$0.1494	\$0.1428	\$0.1378	\$0.1950
Pint	\$0.2522	\$0.2422	\$0.2338	\$0.3128
Quart	\$0.5021	\$0.4843	\$0.4676	\$0.6219
1/2 Gallon	\$0.9920	\$0.9586	\$0.9264	\$1.2236
Gallon	\$1.9812	\$1.9173	\$1.8528	\$2.4426

JANUARY 1995

MONTANA PRICE ANNOUNCEMENT

SECTION 5: MINIMUM PRICE THAT MUST BE CHARGED TO JOBBERS AND/OR INDEPENDENT CONTRACTORS BY DISTRIBUTORS AND INSTITUTIONAL BID PRICES IN MONTANA

SKIM MILK	REGULAR WHOLESALE	FULL SERVICE GROCERY STORES	DROP DELIVERY WHOLESALE	INSTITUTIONAL BID PRICE
1/2 Pint (schools)	\$0.1436	.-----	.-----	.-----
1/2 Pint	\$0.1469	\$0.1419	\$0.1369	\$0.1923
Quart	\$0.4832	\$0.4665	\$0.4504	\$0.5962
1/2 Gallon	\$0.9598	\$0.9281	\$0.8964	\$1.1813
Gallon	\$1.9106	\$1.8511	\$1.7888	\$2.3478
<b>CHOCOLATE DRINK</b>				
1/2 Pint (schools)	\$0.1436	.-----	.-----	.-----
1/2 Pint	\$0.1469	\$0.1419	\$0.1369	\$0.1923
Quart	\$0.5110	\$0.4955	\$0.4782	\$0.6422
1/2 Gallon	\$1.0031	\$0.9714	\$0.9381	\$1.2530
Gallon	\$1.9974	\$1.9334	\$1.8667	\$2.4914
<b>HALF AND HALF CREAM</b>				
Pint	\$0.4041	\$0.3907	\$0.3774	\$0.5023
Quart	\$0.7998	\$0.7720	\$0.7453	\$0.9908
Gallon	\$3.2663	.-----	.-----	\$4.0747
<b>COMMERCIAL CREAM</b>				
Gallon	\$4.2371	\$4.0970	\$3.9552	\$5.3305
<b>WHIPPING CREAM</b>				
1/2 Pint	\$0.3637	\$0.3542	\$0.3420	\$0.4563
Pint	\$0.7268	\$0.7029	\$0.6790	\$0.9117
Quart	\$1.4481	\$1.4014	\$1.3530	\$1.8142
1/2 Gallon	\$2.8567	.-----	.-----	\$3.5632
Gallon	\$5.7124	.-----	.-----	\$7.1245

-Page 5-

BY ORDER OF THE BOARD OF MILK CONTROL

*William E. Ross*  
 WILLIAM E. ROSS, Bureau Chief  
 Montana Milk Control Bureau

## Milk Questions

Q) How does this bill affect jobbers?

A) There are 76 jobbers in Montana. Jobbers are individuals who purchase milk from Darigold/Meadowgold and sell it to customers (restaurants, hospitals, grocery stores, etc) on their route. The Board of Milk control currently sets the margin for these services. This bill eliminates price control on jobbers. In other words, distributors and jobbers will contract for services without oversight by the Board of Milk Control much as a bakery may contract with someone to deliver their products.

Certainly this bill presents a degree of uncertainty for jobbers. But look at it this way. The milk will still need to get from the distributor to the customer. This service will still be needed. There may be opportunities for jobbers that aren't available now. For example, rather than owning the product and tying up their capital, the jobber may simply contract with Darigold/Meadowgold to provide the transportation service.

Q) Does this bill protect the producer?

A) Yes. The producers' quota system stays in place. Minimum producer prices will stay in place. In addition, producers get something they haven't had before--a Montana milk preference that requires Darigold/Meadowgold to purchase Montana milk if that milk is available at prices established by the Milk Control Board.

Q) What about the threat of out of state milk flooding our markets?

A) Out of state milk is currently entering our markets. Meadowgold is importing about 5% of the state's daily production from Wyoming. We can't stop interstate commerce. But the transportation costs of importing out of state milk will largely protect Montana producers from out of state competition.

Q) Do we need to be concerned about below cost sales?

A) Section 30-14-209 MCA prevents below cost sales for the purpose of destroying competition.

Q) Would there be additional savings if we decontrolled the producer level?

A) Yes. Additional savings of about 7 to 10 cents a gallon would occur if we decontrolled the producer price. This is because the state of Montana pays its producers about 5% more than dairymen are guaranteed in surrounding states. Without producer controls, it is likely that dairymen would petition the USDA for a federal order. And under a federal order, Montana's producers would probably receive less than they are now getting.

Q) Will this bill prevent milk from going out of state and then coming back into the state to get around our milk control laws?

A) Yes, by decontrolling the wholesale price, there will be no need to ship the milk out of state (so that it becomes interstate commerce) to avoid price controls. By decontrolling the retail price consumers are guaranteed that price savings will end up in their pockets.

- Q) Will decontrol affect the quality of milk?
- A) No. All existing health laws will remain in place. In fact, without having to ship the milk out of state, we'll be getting fresher milk.
- Q) Is there any danger that prices will go down for while and then go back up after all the competition is eliminated?
- A) Our survey of surrounding states didn't indicate this. Wyoming decontrolled its industry (at all three levels) in 1979, and consumers there pay 52 cents less per gallon than we do. It's something we need to monitor. There are rumors that Meadowgold (Bordens) will be sold. If this sale occurs and if Montana is left with a single distributor, the legislature will want to revisit this issue. But under the current industry structure, I believe there is enough competition between Darigold and Meadowgold to insure that wholesale and retail prices will remain competitive.
- Q) Wyoming decontrolled its milk program in 1979 and its industry has been devastated. Will that happen in Montana?
- A) By Board of Milk Control action (rather than legislative action) Wyoming decontrolled its milk pricing in 1979. John Misock, deputy director of the Wyoming Department of Agriculture, believes that decontrol had little effect on the Wyoming industry. Before decontrol, Wyoming produced about 130 million pounds of milk per year. They produce about 130 million pounds a year now.

In the 1950s, Wyoming had 600 producers, some of whom simply had one cow tied to a fence post. In 1982, Wyoming had 120 producers. Today they have 70 producers. John cited three reasons for the decline in the number of producers. First, economies of scale have led to fewer, but larger, producers. Second, 40 of the 120 producers took advantage of the 1985 USDA dairy herd buy out program. Third, chain stores' distribution practices make it difficult for the small producers to get their milk into the distribution channels.

Wyoming has three primary processors: Mydland (Sheridan); WDCI (a regional cooperative with 600 members in several states based in Riverton); and Dairy Gold (located in Cheyenne and not related to the Darigold in Bozeman).

- Q) Which states control milk prices?
- A) Montana, North Dakota, Maine, Nevada and Pennsylvania have price controls at the producer, wholesaler and retailer levels. California, Hawaii, New Jersey, Virginia and Vermont have price controls at just the producer levels. This bill will put Montana in the good company of 46 other states.

The trend has been away from state price regulation. Since 1965 eleven states have terminated their involvement in retail price controls. (Alabama, California, Georgia, Louisiana, Mississippi, New Hampshire, New Jersey, South Carolina, South Dakota, Vermont and Virginia).

- Q) Why do processors (like Darigold and Meadowgold) ship milk to Idaho or Wyoming and bring it back into Montana to sell?
- A) The short answer is that processors and retailers can avoid wholesale price controls by shipping milk out of state, switching ownership of the milk, and then bringing it back into the state. The Department of Commerce has interpreted that to be interstate commerce not subject to Montana's milk control laws (based on a decision of the 9th Circuit Court of Appeals).

From an economic perspective, it works like this for a gallon of 2% milk. Under the way you would expect the program to work, the dairyman would get \$1.20/gallon from the processor/distributor. The processor/distributor would be guaranteed a margin of \$1.43 (January, 1995 prices). But by sending the milk out of state, the processor/distributor can sell it to the grocery stores for as little as they choose. In effect, we've already deregulated the wholesale pricing of milk.

Currently, a significant amount of milk sold to grocery stores goes out of state first. (An audit of Country Classic several years ago showed that about 49% of their production was sent out of state before being delivered to Montana outlets) And this practice is growing. Witness Darigold's effort to supply milk to the Billings school district by sending it to Powell, Wyoming first. Rather than selling it for the 19.5 cents per 1/2 pint set by the Montana Board of Milk Control, they've offered the milk to the school district for 17.6 cents.

Keep in mind that grocery stores are still guaranteed \$2.90 per gallon from the customer.

EXHIBIT 2  
DATE 3-2-95  
SB 364

Bernhardt

EXHIBIT 3  
DATE 2/2  
HB SB 364

M-Bernhardt  
producer

around Billings

2/21/95

consists of 30 Montana M & B Producers  
V- President Yellowstone Milk Producers Assn  
voted unanimously to support SB-364  
as it came out of the Senate with no  
amendments. We realize this is not a  
perfect solution as far as the producers  
are concerned but probably the best  
we can hope for under the circumstances  
~~Our directors will be tied to this policy~~

Bernhardt

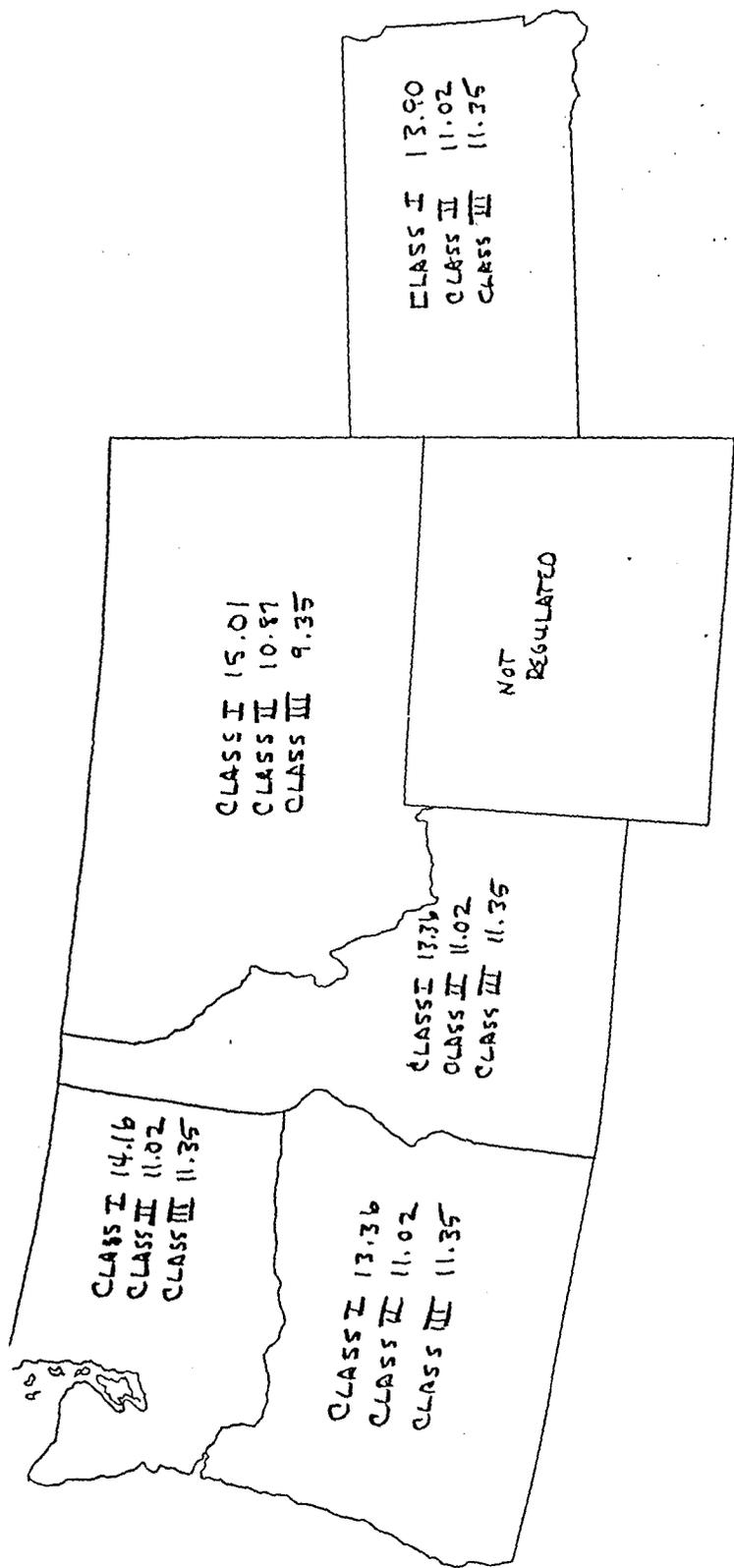
Mr Chairman member of committee  
my family and I run a 75 cow dairy <sup>west</sup> of  
M Bernhardt Producer from Park City  
V- President Yellowstone Milk Producers Assn  
or MDA director from this ~~assn~~ organization  
on 2/21/95 <sup>Y.M.P.A.</sup> voted unanimously to support  
S.B. 364 as it came out of the Senate  
with no amendments. We ~~believe~~ <sup>feel</sup> this  
is not a perfect solution as far as the  
producers are concerned, but probably the  
best we can hope for under the circumstances  
Yellowstone Milk Producers Assn  
is an organization of 30 <sup>meadow gold</sup> producers  
who produce all the grade A milk  
within 100 miles of Billings MT

Thank you for chance to test in  
support of 364

AS TO COVER

*Wood Stands*

EXHIBIT 4  
DATE 3/2/95  
HB 50364



Ward

EXHIBIT 5  
DATE 3/2/95  
HB SB 364

STATEMENT OF MEADOWGOLD DAIRIES

IN OPPOSITION OR TO AMEND

SENATE BILL 364

Sponsored by Senator Sprague

Before the Agriculture, Livestock & Irrigation Committee  
Montana House of Representatives 3:00pm March 2d 1995.  
Room 420, State Capitol Building Helena, Montana 59620

Mr. Chairman, Ladies & Gentlemen of the Committee:

For the record my name is Ward Shanahan, I'm an attorney and registered lobbyist for Meadowgold Dairies. Meadowgold Dairies is in opposition to Senate Bill 364 as presently written. We participated in drafting the Introduced version of SB 364. As originally written the bill provided a transition to a freer market in milk and preserved the existing producer pricing structure.

Unfortunately, the bill was amended by the Senate to deregulate wholesale, jobber and retail milk prices, but to retain regulation for producer prices. This new situation is scheduled to go into effect January 1, 1996.

As presently written, the bill is inequitable to producers, processors, jobbers and consumers. It will not accomplish its intended objective because it fails to compel the Milk Control Board to recognize the reality of the market situation in Montana as compared to surrounding states. We have prepared an amendment to correct these deficiencies, which I will pass out to the committee.

We have also provided you with a map, which graphically portrays the Class I, II and III milk prices for the States of Washington, Oregon, Idaho, Montana, Wyoming and South Dakota for the month of January 1995. The following schedule summarizes this same information:

PRODUCER PRICES

STATE	CLASS I	CLASS II	CLASS III
Washington	\$14.16 cwt* * Special \$.40 added	\$11.02 cwt	\$11.35 cwt
Oregon	13.36 cwt	11.02 cwt	11.35 cwt
Montana	\$15.01 cwt	\$10.87 cwt	\$9.35 cwt
Idaho	13.36 cwt	11.02 cwt	11.35 cwt
South Dakota	13.90 cwt	11.02 cwt	11.35 cwt
Wyoming	Not Regulated	Not Regulated	Not Regulated

The above chart illustrates that Montana Class III producer prices are substantially lower than those of surrounding states. The resulting imbalance creates a problem for producers in Montana. Montana milk in Class III must move out of state to get the best price. The milk pool or "quota prices in Montana need to be adjusted to match those of surrounding states, or when SB 364 goes into effect the desire of producers to ship Class III milk out of state to get a higher price, will defeat the intent of the producer price regulation, as well as the "first call" provisions of SB 364 which was intended to stop those pre-existing artificial and illusory arrangements to do the same thing (See page 1 lines 20-22 of SB 364).

The present Montana Milk Pricing Rules provide for a "pool" of milk in which all of the producers share equitably. The intent behind the creation of the pool is that one farmer should not prosper because his milk moves into the Class I market, while his neighbor suffers because his milk moves in the Class III market. For the Montana pool to ~~continue~~ operate properly however it is essential that the each of the classes of sales contribute equitably. As the chart above illustrates, that isn't happening in Montana right now and the Board should be required to address the imbalance. If this disparity is not addressed in Senate Bill 364 the present pool structure for producer prices ~~cannot long survive.~~ is unfair and inequitable. We believe that our producers agree with us.

We also offer some amendments to correct a technical problem created when the Senate amended the bill. Look at Section 5 of the Bill on page 11, regarding Fair Trade Practices, as presently written it simply doesn't make sense. The second set of amendments bring these Fair Trade provisions in line with the Federal Robinson Patman Act which governs transactions in interstate commerce.

WE RESPECTFULLY REQUEST THAT UNLESS SB 364 CAN BE PROPERLY AMENDED THAT YOU GIVE SB 364 A "DO NOT PASS".

Ward A. Shanahan  
for Meadowgold Dairies  
33 South Last Chance Gulch  
P.O. Box 1715  
Helena, Montana 59524  
Tel: 406-442-8560

PROPOSED AMENDMENTS TO SENATE BILL 364

INTRODUCED BY SPRAGUE

EXHIBIT 6

DATE 3/2/95

HB SB 364

Before the Members of the House Committee on Agriculture,  
Livestock and Irrigation, 3:00pm March 2, 1995, Room 420 Capitol.

We respectfully request that SB 364 be amended as follows:

Page 8, Line 17

Strike: "."

Insert: ",so that the resulting prices are not less than the average prices for Class I, Class II and Class III milk in existence in the states of Washington, Oregon, Idaho, Wyoming, and South Dakota.

Page 10, Line 26

Insert: NEW SECTION. Section 6. The Montana Milk Control Board must promulgate new rules for implementation of this act, within sixty (60) days following its passage and approval, and then hold a public hearing thereon within sixty (60) days after the date of promulgation, to the end that new rules will be in place on the effective date of deregulation of wholesale, jobber and retail prices.

Page 10, Line 27

Strike: "6"

Insert: "7"

AMENDMENTS TO SECTION 5  
SENATE BILL 364

EXHIBIT 7

DATE 3/2/95

HB SB 364

Concordance with the Federal Robinson Patman Act:

Amend the Third Reading Copy of Senate Bill 364 as follows:

Page 11, Lines 9 through 12

Strike: Except for the provisions regarding the requirement for first call on Montana milk supplies, as provided in 81-23-302 (10), and rules adopted pursuant to 81-23-302 (10), f"

Insert: "F"

Page 11, Line 19

Strike: ";"

Insert: ",where the effect of such special prices or services may tend to harm competition, except for special prices, which reflect the differences in the cost of manufacture, sale or delivery; and

Page 11, Lines 23 through 25

Strike: All of lines 23 through 25

Insert: (4) "notwithstanding the above, this section shall not be deemed to prohibit a price which is offered in good faith to meet an equally low price of a competitor or services offered in good faith to meet an offer of such services by a competitor.



# EQUITY SUPPLY COMPANY

*A Farmers' Co-operative*

P.O. BOX 579 • KALISPELL, MONTANA 59901 • PHONE 755-7400

EXHIBIT 8  
DATE 3/2/95  
HB SB 364

## TESTIMONY AGAINST SB-364

James L Fleming, Equity Supply Co.

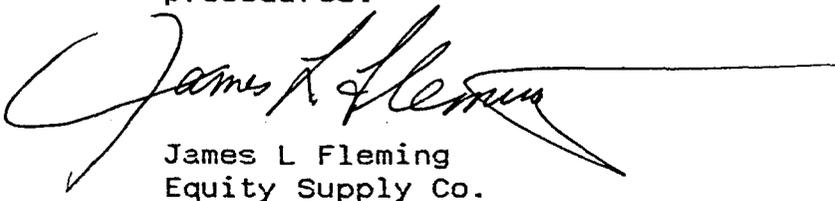
Members of the House:

Equity Supply Co., established in 1917 and located in Kalispell, Mt., is a locally owned Co-operative specializing in farm products, dairy manufacturing and distribution through out northwest Montana.

Equity Supply Co. markets about 1,000,000 lbs of milk per month. 89% of that total goes into class I milk products. Approximately 50% of our Class I milk is sold thru major super markets. If 50% of our class I milk is imported form out of state thru outside warehouses at these ridiculous, unfair prices, ect., our business can not survive. This means losing jobs and a stable tax base which support this States economy.

Idaho is now the 10th largest milk producing state in the nation. Their is more than enough milk produced in Idaho to meet Montanas needs, but do you want this milk to flow into this State through warehouses, ect. by allowing uncontrolled and unfair milk prices to erode a long time dairy industry ?

In closing, I would urge this committee to vote against SB364 as it is written and retain the Montana Milk Control Board as it now exist and let the Montana Milk Control Board resolve these industry problems thru proper procedures.

  
James L Fleming  
Equity Supply Co.



## EQUITY SUPPLY COMPANY

*A Farmers' Co-operative*

P.O. BOX 579 • KALISPELL, MONTANA 59901 • PHONE 755-7400

EXHIBIT 9  
DATE 3/2/95  
HB 5B364

February 28, 1995

TO: Representatives serving the House Agriculture Committee

RE: Senate Bill - 364 (Decontrol of milk prices)

Dear Representative,

I am the spokesman for Equity Supply Company, a farmer-owned cooperative located in Kalispell. Our cooperative has been involved in the dairy processing and distribution business for over 50 years. We market the milk of our dairy producers in 3 western Montana counties.

On behalf of our Board of Directors, employees and 620 Stockholders we urge you to defeat SB 364. Do not be fooled into thinking that decontrolling the wholesale and retail milk prices will still add the necessary price protection to our Montana dairymen. This bill gives incentives to both large grocer retailers and investor owned processors to go out of state to purchase their dairy products. This influx of out of state milk will dilute the Montana dairy farmers pool and paycheck and eventually damage the entire dairy industry.

Before you vote to support this bill it would be good to ask yourself - once all local dairy product distribution is gone, because the only deliveries being made are in semi-load drops in major population areas, where will your neighbors from Belgrade, Choteau, Seeley Lake, Victor, Dupuyer, Browning, Ronan, Townsend, Lodge Grass, Harrison, Wolf Point, Park City, Busby, Corvallis and Frenchtown get their fresh supply of dairy products and IF available at what price? This bill, if passed, subsidizes the citizens of larger urban areas at the expense of our rural neighbors. In our opinion the savings to Montana consumers have been grossly inflated.

3/2/95

Ken Heberling  
Dillon Dairy Products  
683-4405

Good afternoon; I am Ken Heberling representing Dillon Dairy Products as "Jobber" of Darigold and Meadow Gold for Beaverhead county.

The original intent to eliminate the Montana Board of Milk Control through SB116 has turned into SB364 being punitive towards the processors, Meadow Gold and Darigold. However, with effective lawyers and lobbyists SB364 now will most affect the distributors, jobbers, and small grocery stores, especially in the rural communities.

I am in opposition to SB364!

SB364, as I understand it, will force rural consumers to pay higher prices than those living in larger cities, for the same goods, as a result of pricing strategies and delivery costs. Today without SB364, the pricing is uniform throughout the state with regard to the minimum prices.

SB364 will force "Mom and Pop" stores to compete with larger store chains that can afford to drop prices as a "loss leader" to attract other sales. "Mom and Pop" stores will lose the ability to attract business with similar milk prices to those of their larger competitors.

SB364 will ultimately mean people buying milk, other than gallons of 2%, will pay more than necessary to make up for the loss incurred for the artificially low price of a gallon of 2%. These people would typically be the elderly, and or, the schools buying milk packaged in smaller packaging.

The figure of 28 gallons per person is misleading unless it does reflect only the class I milk packaged in gallons of 2%. Consequently the projected savings are inflated for the sake of argument and then perhaps only true for consumers at a large grocery store in close proximity to the dairy itself.

By keeping the farmer's price controlled the farmer will remain viable but the distribution networks of jobbers and retailers are in jeopardy.

Please eliminate SB364, in total.

Thank you.

c. House Ag committee  
Bill Tash  
Chuck Swysgood  
Montana Milk Jobbers Assoc.

EXHIBIT 11  
DATE 3/2/95  
HB SB 364

STATEMENT IN OPPOSITION TO SB 364

Unless Amended

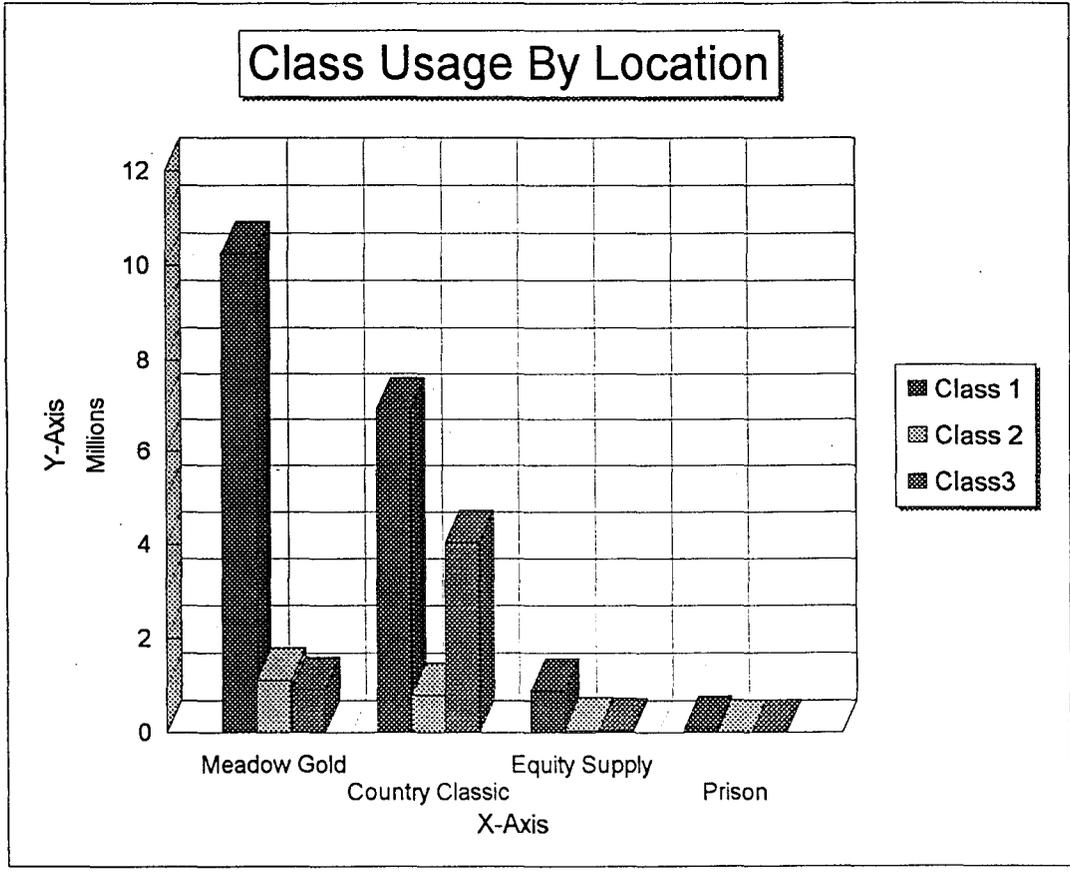
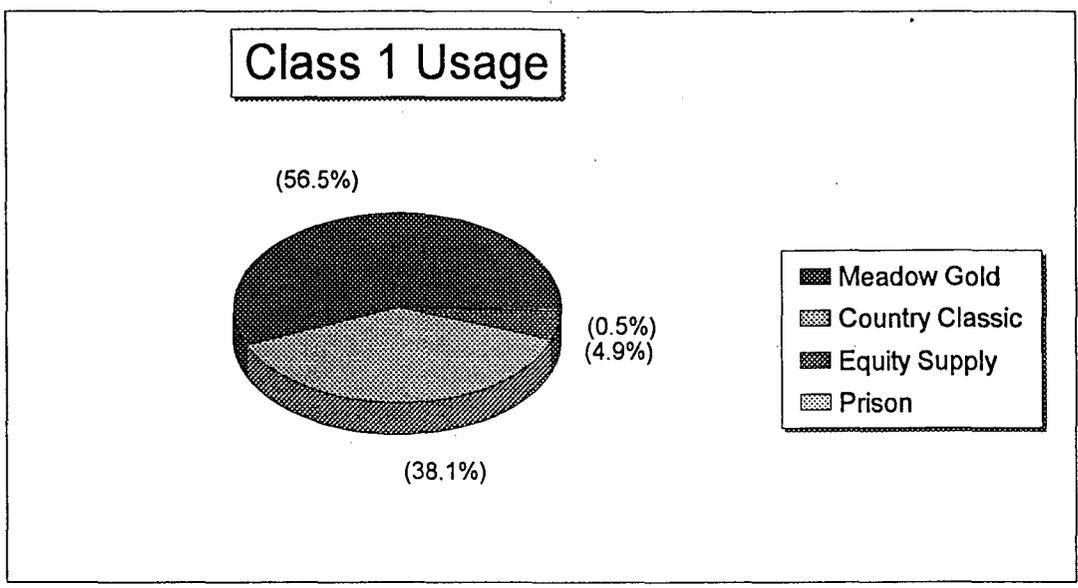
Before the Montana House Agriculture Committee, March 2, 1995

My name is Joe Wipf, I'm a milk producer and I live 60 miles north of Great Falls. I'm a Director of the Montana Dairyman's Association and I'm representing 34 other Great Falls area milk producers. We voted unanimously to oppose Senate Bill 364 as it was passed by the Senate. We could support the bill 100% if the amendments proposed by Meadowgold are attached.

Joe Wipf  
Great Falls

## Montana Milk Usage By Distributor By Class

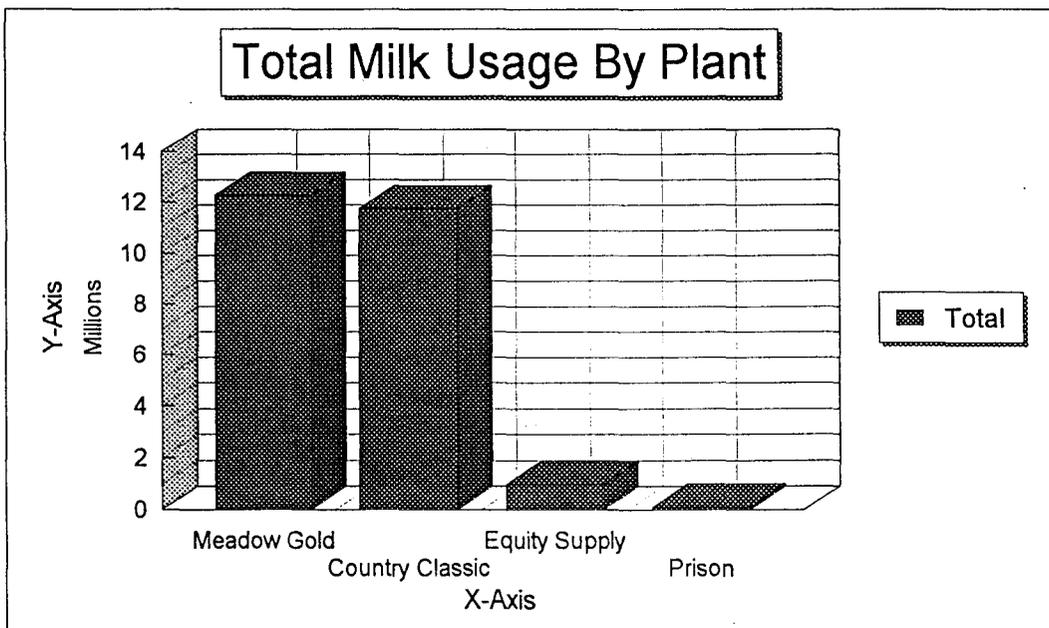
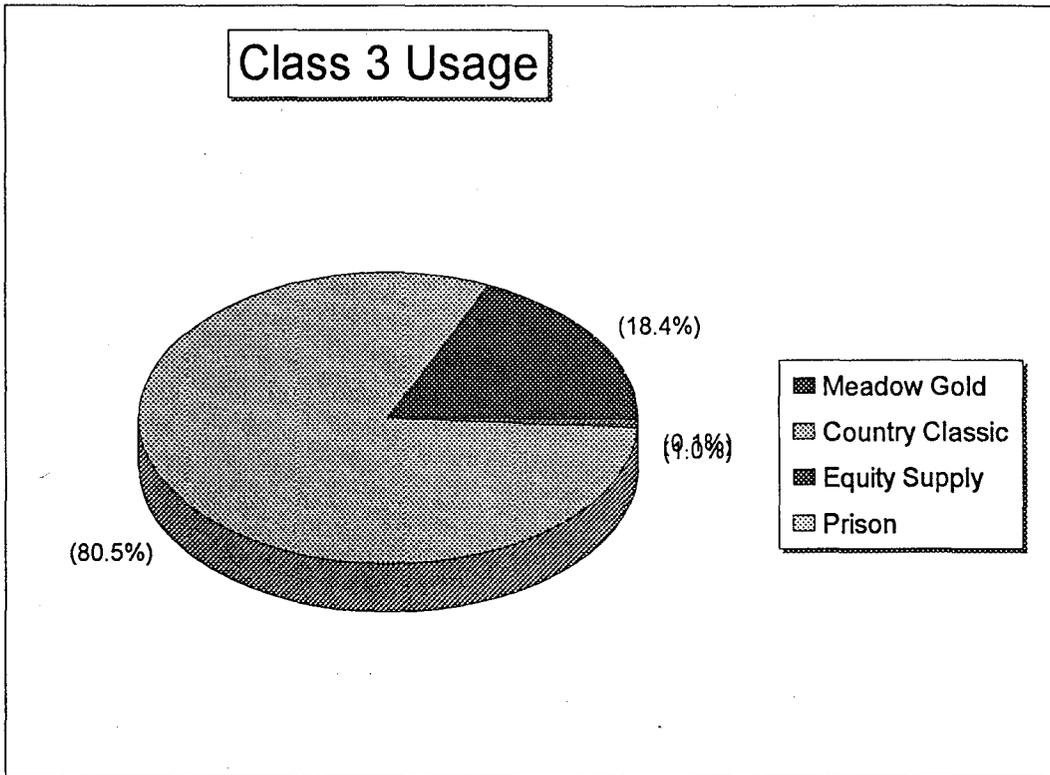
	Meadow Gold	Country Classic	Equity Supply	Prison	Total
Class 1	10,247,011	6,914,394	893,431	92,487	18,147,323
Class 2	1,116,456	797,614	58,066	10,928	1,983,064
Class 3	925,681	4,042,892	48,088	5,075	5,021,736
Total	12,289,148	11,754,900	999,585	108,490	25,152,123



# Montana Milk Usage By Distributor By Class

EXHIBIT 13  
 DATE 3/2/95  
 HB SB 364

	Meadow Gold	Country Classic	Equity Supply	Prison	Total
Class 1	10,247,011	6,914,394	893,431	92,487	18,147,323
Class 2	1,116,456	797,614	58,066	10,928	1,983,064
Class 3	925,681	4,042,892	48,088	5,075	5,021,736
Total	12,289,148	11,754,900	999,585	108,490	25,152,123



14  
 EXHIBIT  
 DATE 3/2/95  
 HB 50304

WORKSHEET TO CALCULATE MEADOW GOLD PAYMENT TO SETTLEMENT FUND

MONTH	1990	1991	1992	1993	1994	TOTAL TO DATE
JANUARY		\$31,509.75	\$35,661.79	\$45,786.46	\$83,322.99	\$196,280.99
FEBRUARY		\$14,310.34	\$13,655.50	\$44,867.39	\$69,148.09	\$141,981.32
MARCH		\$30,734.80	\$39,805.48	\$45,727.16	\$66,928.89	\$183,196.33
APRIL		\$26,198.77	\$3,589.82	\$37,142.66	\$75,357.85	\$142,289.10
MAY		\$19,635.36	\$21,024.72	\$26,255.51	\$87,892.69	\$154,808.28
JUNE	-\$5,356.72	\$6,949.53	\$15,124.09	\$24,809.06	\$92,722.93	\$134,248.89
JULY	\$896.74	\$6,076.16	\$24,953.43	\$48,562.54	\$81,639.11	\$162,127.98
August	\$5,581.18	\$32,753.89	\$47,449.61	\$50,350.51	\$78,088.01	\$214,223.20
September	-\$1,059.05	\$41,184.63	\$32,799.16	\$57,330.12	\$78,175.44	\$208,430.30
October	-\$6,565.65	\$30,954.80	\$60,135.34	\$44,023.16	\$74,844.53	\$203,392.18
November	-\$2,220.26	\$36,168.80	\$56,591.17	\$63,378.22	\$60,302.76	\$214,220.69
December	\$6,954.66	\$43,451.74	\$45,759.67	\$64,818.86	\$80,960.58	\$241,945.51
	-----	-----	-----	-----	-----	-----
	-\$1,769.10	\$319,928.57	\$396,549.78	\$553,051.65	\$929,383.87	\$2,197,144.77
AVERAGE/ MONTH	-\$252.73	\$26,660.71	\$33,045.82	\$46,087.64	\$77,448.66	\$39,948.09

RIVERVIEW COLONY

TEL: 4064563310

Mar 02, 95 12:20 No. 003 P. 01



# CLOVER LEAF DAIRY

EXHIBIT 15  
DATE 3/2/95  
HB SB 364

2231 N. Montana • Helena, Montana 59601

I'm Ed McHugh, I was born and raised in the dairy business and that was 68 years ago. I am no longer in the dairy business so my statement is not self serving. I am a graduate of Montana State U. in Dairy Manufacturing and I have ran a processing plant for the last 40 years.

I beleive that my statement will prove to be very accurate if the Retail price of milk is dropped. Out of State milk will pour into Western and Eastern Montana. They will sell to grocers at low prices to buy business. That does not mean the retail price will fall that much. Only competition will cause low prices and there will be less and less competition.

Spokane has more surplus milk then is used in the State of Montana. The Federal Market Order will allow them to pay a low price to producers for milk so that they can buy additional market. Southern Idaho and South Dakota have the same deal. North Dakota has Milk Control but their producer price is lower. They deliver to Sidney, Glendive and Plentywood already.

Montana Producers will loose a third of their Class I market. The Pool Blend price will drop at least 10%. The producers have already agreed to take less money. That plus another 10% less in income will be a sever blow.

Montana consumers will not save 10 million dollars. They will get less service and in many cases the price will be as high if not higher. Montana will loose a large part of their Dairy Industry. Wyaming decontrolled and lost their dairy industry and so will Montana loose theirs.

Sincerely yours,

*Ed McHugh*  
Ed McHugh

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

House

Agriculture Livestock & Forestry COMMITTEE

BILL NO. SB 364

DATE 3/2/95

SPONSOR(S) Senator Sprague

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Bob Barkin	Dairygold	SB, 364		✓
Del Kamekman	self	SB 364		✓
Mike Todd	Dairyman	SB 364		✓
John B. Gonzalez	Dairyman	SB 364		✓
Gene Kaufman	Montana Dairyman Assn	SB 364		✓
Robert Kraft	Dairyman	364		✓
Dave Ginter	Jobber	364	✓	
Les Seder	Jobber	364	✓	
Lang Hornath	Milk Jobbers	364	✓	
Mark Q. Clark	Community Home Service DAIRY (Bardaw Jobbae)	(SB) 364	✓	
R. Scott Wilson	Merrow Good	SB 364	✓	
Jacob P. Clipp	Miller Colony	364	✓	
Ishel Wurz	Cascade Colony	364	✓	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Agriculture/Livestock/Equine COMMITTEE BILL NO. SB 364  
 DATE 3/2/95 SPONSOR(S) Senator Sprague

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Lester Mahon	Mt. Dairy Dssn			✓
James Fleming	Equity Supply Co		✓	
John Stagg	Dairyman	364		✓
Rodney Kunitzer	Dairyman - self	364		✓
Don Solomon	Dairyman	364		X
Mike Bentsch	Dairyman	364		✓
Dave Surr	Jobber	364	✓	
Walt Looney	Jobber	364	X	
Ronald A. Kotar	Carbon County Wreath	364	X	
Tom M. Stockert	Roundup	364	X	
David L Church	Jobber	364	X	
Steve Hochhalter	Community Home Service Dairy	364	X	

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Agriculture - Livestock COMMITTEE BILL NO. SB364  
 DATE 3/2/95 SPONSOR(S) Senator Sprague

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Margaret Cleary-Schwindler	WIFE	364		✓
<del>James King</del>	Meadowland 67	364	✓	
Bob Hanson	Meadowland 67	364	✓	
Lorna Frank	MT. Farm Bureau	364		✓
Stan Frasier	Self	394	X	

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Elias P. Wipf	New Rockport Col.	364	✓	
Jacob R. Wipf	Big Stone Colony	364	✓	
Bill Hedstrom	Dairy Man	364		
Ken Heberling	Dillon Dairy	364	✓	
Joe Wipf	Dairy Producers		✓	
Ren Hepp	producer	364	✓	
Paul Hepp	Dairy Man	364		✓
Paul Vuk	Producers	364	✓	
Ward Gaudin	Meadowland	364	✓	
Robert A. Falk	Boston Heights Dairy	364	✓	
John Cribbitt	Home Service Dairy	364	✓	

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