EIGHTH ANNUAL MEETING

International Association of Milk Control Agencies

RICHMOND, VIRGINIA
OCTOBER 8, 9 and 10, 1942
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INTERNATIONAL ASSOCIATION OF MILK CONTROL AGENCIES

Richmond, Virginia - October 8, 9, 10, 1942

Alabama
Aycock, Charles B., Attorney, Alabama Milk Control Board, Birmingham, Alabama
McCartney, Mrs. F.A., Consumer Member, Alabama Milk Control Board, Anniston, Alabama
Miller, Charles H., Member, Alabama Milk Control Board, Talladega, Alabama
Stewart, Frank M., Executive Secretary, Alabama State Milk Control Board, Montgomery, Alabama

California
Kuhrt, W.J., Chief, Bureau of Markets, Sacramento, California

District of Columbia
Atkin, Maurice D., Associate Agricultural Economist, U.S. Dept. of Agriculture, Washington, D.C.
Beardslee, Clyde E., Chief, Dairy Section, War Production Board, Washington, D.C.
Brady, E.N., Division of Motor Transport, Office of Defense Transportation, Washington, D.C.
Davison, W.V., Vice-President, Chestnut Farms Dairy, Washington, D.C.
Derrick, E.B., Manager, Maryland and Virginia Milk Producers, Washington, D.C.
Dunn, C.I., Market Administrator, Washington, D.C.
Euart, Walter L., 1731 Eye St., N.W., Washington, D.C.
Fleischer, C.H., Price Executive, Office of Price Administration, Washington, D.C.
Lyman, C.A., Asst. Marketing Specialist, Department of Agriculture, Washington, D.C.
McCann, W.E., Economist, Maryland & Virginia Milk Producers, Washington, D.C.
Thompson, A.L., President, Thompson's Dairy, Washington, D.C.
Waterstreet, Neal, Chief, Dairy Section, Office of Price Administration, Washington, D.C.

Dominion of Canada
Aird, W.R., President, National Dairy Council, Ottawa, Ontario, Canada
Nadeau, J. Peter, Director, Dairy Products, Wartime Prices & Trade Board, Ottawa, Ontario, Canada
Florida
Ficht, Paul H., Administrator, Milk Commission, Jacksonville, Florida

Georgia
Duncan, Charles F., Director, Milk Control Board, State Capitol, Atlanta, Georgia
Palmer, James H., Regional Administrator, Agricultural Marketing Administration, Peachtree Bldg., Atlanta, Georgia

Indiana
Bailey, Charles G., Attorney, Milk Control Board, Indianapolis, Indiana
Drake, Merle E., Market Administrator, 116 So. William Street, So. Bend, Indiana
Fischer, Harold F., Asst. Administrator, Milk Administration, Indianapolis, Indiana
Humrickhouse, C.W., Executive Secretary, Milk Control Board, Indianapolis, Indiana
Meyer, Ray F., Administrator, Milk Control Board, Indianapolis, Indiana
Sutter, John G., Dealer Member, Milk Control Board, Marion, Indiana
Swank, Oscar A., Vice-Chairman, Milk Control Board, Indianapolis, Indiana

Maine
Donnelly, George E., Member, Milk Control Board, Portland, Maine
Osgood, Earl P., Milk Control Board, Fryeburg, Maine

Massachusetts
Carpenter, Park, Secretary, Milk Control Board, Boston, Mass.
Cort, J.C., Director, Milk Control Board, Boston, Mass.

New Hampshire
Freeman, Allen M., Chairman, Milk Control Board, Concord, N.H.
Kenney, Martyn B., Executive Secretary, Milk Control Board, Concord, N.H.

New Jersey
Borden, John C., Vice-Chairman, Milk Control Board, Trenton, N.J.
Foran, Arthur F., Director, Milk Control Board, Trenton, N.J.
Logue, Mrs. Mary Prall, Member, Milk Control Board, Bridgeton, N.J.
Rogers, J.A., Secretary, Milk Control Board, Trenton, N.J.

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New York
Blanford, C.J., Market Administrator, New York Milk Marketing Area, 383 Madison Avenue, New York, N.Y.
Dingwall, A.C., Associate Editor, American Milk Review, New York, N.Y.
Dunn, Joseph J., Asst. Administrator, Niagara Frontier Milk Marketing Area, 722 Walbridge Bldg., Buffalo, N.Y.
Fee, Kenneth F., Director, Division of Milk Control, Albany, N.Y.
Gibson, Winifred N., Secretary to Mr. Fee, Division of Milk Control, Albany, N.Y.
Lasher, D. M., Administrator, Niagara Frontier Milk Marketing Area, 722 Walbridge Bldg., Buffalo, N.Y.
McKinney, Willis J., Senior Milk Accounts Examiner, Division of Milk Control, Albany, N.Y.
Sutin, Irving E., Executive Officer, Rochester Milk Marketing Area, 809 Temple Bldg., Rochester, N.Y.

North Carolina
Lutterbah, C.A., Secretary, Milk Producers Assn., Raleigh, N.C.
Pegram, C.W., Chief, Dairy Division, Department of Agriculture, Raleigh, N.C.
Whitaker, J.V., Auditor, Dept. of Agriculture, Raleigh, N.C.

Ohio
Osborne, J.P., General Manager, Cincinnati Sales Assn., Cincinnati, Ohio.

Oregon
Mapes, J.H., Administrator, Milk Control Board, Portland, Oregon.

Pennsylvania
McKee, John M., Chairman, Milk Control Commission, Harrisburg, Pa.

Province of Quebec
Boisvert, Oscar, Chief, Dairy Branch, Dept. of Agriculture, Quebec, Canada.

Rhode Island
Bressler, R.G., Director of Agriculture, Providence, R.I.
Hull, John P., Executive Officer, Milk Control Board, Providence, R.I.
McCanna, George F., Counsel, Milk Control Board, Providence, R.I.
Viall, W.C., Member, Milk Control Board, Providence, R.I.
Virginia

Allison, W.B., Allison's Dairy, Pulaski, Virginia
Bennett, Miss Emily, Director, Dairy Council, Richmond, Virginia
Berry, Lawrence T., Asst. Commissioner of Agriculture, Richmond, Virginia
Burkholder, L.A., Manager, Burkholder Dairy, Denbigh, Virginia
Carpenter, D.R., Chairman, Roanoke Milk Board, Salem, Virginia
Feldman, L.H., Manager, Danville Dairy Products Co., Danville, Virginia
Fleshman, C.L., Dairy Mfg., Specialist, Dairy Dept., V.P.I., Blacksburg, Virginia
Gouldin, Dr. J. M., Tappahannock, Virginia
Halstead, J.N., Manager, Norfolk Coop. Milk Assn., Norfolk, Virginia
Herbert, Eastwood D., Norfolk Local Board, Norfolk, Virginia
Irvine, George, Manager, Richmond Coop. Milk Prod. Assn., Richmond, Virginia
Merritt, W.G., Secretary, Roanoke Milk Board, Roanoke, Virginia
Lee, N.B., President, Westover Dairy Inc., Lynchburg, Virginia
Page, Rosewell, Jr., Administrative Assistant, Dept. of Agriculture, Richmond, Virginia
Parcell, Claude, Milk Control Commission, Richmond, Virginia
Perran, Masby G., Jr., Chairman, Local Milk Board, Lynchburg, Virginia
Price, H. Hudson, Chairman, Luray-Shenandoah-Elkton Milk Board, Luray, Virginia
Robinson, Lewis S., Buena Vista Farms, Pulaski, Virginia
Sandy, V.G., Inspector, State Milk Commission, Newport News, Virginia
Scullion, J.J., Local Milk Board, 949 Park Avenue, Norfolk, Virginia
Shank, D.E., Manager, Valley of Virginia Milk Producers Assn., Harrisonburg, Virginia
Smith, S.S., Director, Dairy & Food Division, Richmond, Virginia
Snavely, Tipton R., Chairman, State Milk Commission, Richmond, Virginia
Snelling, H.A., Norfolk, Virginia
Speer, B.A., State Milk Commission, Arlington, Virginia
Stowe, C.Terry, State Supt., Distribution Division, Agricultural Marketing Administration, U.S. Dept. of Agriculture, Richmond, Virginia
Turner, Mark, State Milk Commission, Richmond, Virginia
Weaver, A.F., Treasurer, Early Dawn Coop. Dairy, Inc., Waynesboro, Virginia
Webb, N.J., Chairman, Newport-News-Williamsburg Board, Newport News, Virginia
Whitney, Maynard, Special Agent, Agricultural Marketing Administration, Richmond, Virginia
Woods, E.C.C., Secretary, State Milk Commission, Richmond, Virginia

Vermont
Jones, E.H., Chairman, Milk Control Board, Montpelier, Vermont
EIGHTH ANNUAL MEETING
INTERNATIONAL ASSOCIATION OF MILK CONTROL AGENCIES

held at

John Marshall Hotel
Richmond, Va.
October 8, 9 and 10, 1942

The eighth annual meeting of the International Association of Milk Control Agencies was originally scheduled to be held in or near the State of Montana. Because of war conditions, however, the Executive Committee, at its May 1942, meeting held in Washington, D. C., decided that the annual meeting should be held in Washington so that the attendance of Federal Officials charged with the administration of war-time regulations could more readily attend. When no hotel or meeting place accommodations could be secured in Washington, the City of Richmond, Virginia, was selected because of its accessibility to Washington.

The eighth annual meeting was called to order in the John Marshall Hotel, Richmond, on the morning of October 8, 1942, by the president of the Association, Frank M. Stewart, Executive Secretary of the Alabama Milk Control Board.

Morning Session – 9:30 A.M., October 8, 1942

MR. STEWART: Gentlemen, on this occasion I am happy to call to order this our 8th annual meeting of the International Association of Milk Control Agencies. I am going to ask our good friend and immediate past president, the Hon. E.C.C. Woods, Secretary of the Virginia Milk Commission, to present our next speaker on the program this morning.

MR. WOODS: Mr. President, Ladies and Gentlemen, it is indeed a pleasure to be in a position to present to you a very distinguished Virginia gentleman, a native of Richmond, a native of Virginia, and one of the Who's Who in Government, one of our leading State officials, the Tax Commissioner, Mr. C. H. Morrisette.

MR. MORRISSETTE: Mr. President and Members of the International Association of Milk Control Agencies: This morning I am happy on behalf of the Commonwealth of Virginia and the City of Richmond, its capital, to welcome you to our State and city for your eighth annual meeting.

My official position happens to be Tax Commissioner of the State, but I do not welcome you for taxation, although I know it is very hard to escape that anywhere. On the other hand I think I can assure you that your attendance here will not in any way increase your tax burden.
I welcome you to what I hope will be a pleasant and profitable meeting, and in so doing I am doing only what every citizen of the State would do if he could be present in your hearing and express himself now.

The milk control agencies in the United States and Canada have done, and are doing, a good job in an important field in modern economic life, and in saying this I am naturally influenced by the record of the Virginia State Milk Commission, which has favorably impressed the great majority of our Virginia people.

It may be interesting to you to know, if you do not know it already, and if you do know it already, it may be worth while for me to recall, that for a time in Virginia when this work was first undertaken here, the then members of our Milk Commission did not know whether they were officially dead or alive, because they were left for a while by a judicial decision in a state of suspended animation. For the Virginia Supreme Court of Appeals, our highest State court, on November 15, 1934, held the Virginia milk control law which had been enacted in March, 1934, as an emergency measure, unconstitutional, notwithstanding the fact that the Supreme Court of the United States, in Nebbia v. People of the State of New York, had on March 5, 1934, upheld the validity of the New York milk control law. But on March 29, 1935, upon a rehearing, the Virginia court overruled its decision of November 15, 1934 and the Virginia legislation was then held to be constitutional and valid. So that from November 15, 1934 to March 29, 1935, pending the decision on the rehearing, the members of our Virginia State Milk Commission did not know whether they should be numbered among the quick or the dead officially. Fortunately they were finally adjudicated to be quick, and they and their successors have been officially quick ever since. The distinguished Dr. Snavely, who is now on our Virginia Commission, was one of the members of our original commission, and he had that unique experience, one which few men in this country can claim.

You have a full and interesting program, but if you can find the time it is hoped that you will visit some of the many places of interest in this vicinity. I shall mention a few. First of all, I should say in this time of war go to Old St. John's Church out on East Broad Street and for inspiration stand on the spot where Patrick Henry stood on a March day in 1775 in the Virginia Convention and made his deathless utterance, "Give me liberty or give me death!" It is rare in history that the time, the occasion and the man meet in one immortal union. That happened then, and today when the United Nations are engaged in a great struggle for freedom, for liberty, all of us are inheritors of Patrick Henry's saying on which no man has ever yet been able to improve.
Then go to the State Capitol Building, which was designed by Thomas Jefferson, and see in the rotunda the original Houdon statue of General George Washington which is the only statue of Washington in existence modeled from real life — a priceless treasure. From there walk to the home of the great Chief Justice John Marshall on Marshall Street, a man who by his judicial decisions construing the Constitution of the United States in the days of its youth had almost as much to do with the building of the nation as any other one man. Not far away on Clay Street is the White House of the Confederacy, and there you will find many interesting things. Just a little to the east of us on Franklin Street is the Lee House, the residence of General Robert E. Lee during a part of the period of the War Between the States, the residence to which he returned after the sorrows of Appomattox.

In these days of tire and gasoline rationing you may not be able to take any trips to nearby places; but go to Williamsburg if you can and see Colonial Williamsburg, the restoration which has been accomplished through the public spirit of Mr. John D. Rockefeller, Jr. Not far away is Jamestown, the site of the first permanent English settlement in America, and near Williamsburg also is Yorktown, a place where one is moved by many emotions.

And now in conclusion, permit me again to wish you an enjoyable and a profitable meeting, and to express the hope that you will soon return to our State and city.

MR. STEWART: Mr. Morrissette and Gentlemen, in response to this most hospitable welcome, it is my privilege and pleasure to ask our good friend and neighbor, the vice-president of our organization, Mr. Oscar Boisvert, to respond to this welcome.

MR. BOISVERT: Mr. President, Mr. representative of the City of Richmond, Gentlemen:

The eighth annual convention of the International Association of Milk Control Agencies opens in the beautiful City of Richmond, in the State of Virginia. Never, to the best of my knowledge, has our Association been welcomed with more heartiness and sincerity than it has just been by Mr. C.H. Morrissette.

These meetings were held last year in my country, Canada, more precisely in Quebec, the old capital, that bears the name of its Province. We were delighted to receive then, the delegates from the various parts of the United States and from the different Provinces of Canada, and you may rest assured of our entire satisfaction at being, this year, in your lovely city.

Last year we were at war — and unfortunately, this year we are still under the clouds of battle, with problems more serious than ever facing us. The International
Association of Milk Control Agencies is called upon, under the circumstances, to play an important role in its sphere, as it is responsible, through its members --- who represent the different Commissions existing in America --- for the supplying and the distributing of as vital a food product as milk. The various Commissions have the responsibility of establishing contact between producers, distributors and consumers, and of ratifying on one hand, the constant and sufficient flow of production, on another, the means of preparation, of purification and of distribution, and finally, the maintenance of a reasonable selling price for the different classes of the Community.

War imposes on us the necessity of study, as it also imposes the duty of exercising economy, not only individually, but also in this our Industry, so that money may be used in an intelligent manner in order that savings may help our Country in its fight for liberty. To attain this objective, we can not remain individualists and try to solve our own problems by costly and inefficient experiments. It seems to me, that the time has come when we must co-operate, in order that, in a united spirit, we may profit by the knowledge we have acquired, through experience gained on different markets. Your unsolved problems should be submitted to the delegates for study and whatever they be or wherever they arise, there is always a solution --- maybe not an immediate one --- but one, nevertheless. In my opinion, this Convention can help both our countries because our problems are similar and by our co-operative discussion we are definitely contributing to the winning of the war.

I am certain that we will draw many advantages from this Convention and it is with great pleasure that I view the excellent relationship that exists between your lovely country, the United States, and our own, Canada.

Your welcome was sufficient pledge of your sincerity and it is only one more instance that goes to prove the saying that we consider ourselves "cousins." This was shown us at the Convention held in Quebec, when you so generously modified the name of your Association to that of "International Association of Milk Control Agencies" in replacement of "National Association of Milk Control Agencies." You have consequently made us feel right at home amongst you and speaking knowingly, I wish to thank, in advance, Mr. E.C.C. Woods, his associates and the State Milk Commission of Virginia for all the trouble they have taken in organizing this Convention.

As representative of Canada, I have the pleasure to say that I have not made the trip alone. Mr. J. Peter Nadeau, Director of Dairy Products Division for the Wartime Prices and Trade Board, and Mr. W.R. Aird, President of National Dairy Council and Chairman of the Advisory Committee of the industry for the Wartime Prices and Trade Board
accompanied me. They shall be introduced to you later on.

I thank you, Mr. Morrissette, for your hearty welcome to the delegates and I am sure that we will all enjoy and profit by our stay in your beautiful city.

MR. STEWART: Thank you Oscar, for this most able response and timely remarks in connection therewith.

Ladies and Gentlemen, at this point on the program, it appears that the President is supposed to make a few remarks in the form of a report.

REPORT OF PRESIDENT FRANK M. STEWART

At the outset, I want to thank you again for having conferred upon me the highest official gift within your powers. I also want to thank my fellow officers and the members of the Executive Committee for their splendid cooperation and to express my admiration for their loyalty to the cause which is ours.

I, particularly, want to single out for individual praise a member of our body who has served us wisely and well. When I identify this worthy gentleman, I am sure that all of you will agree with me that he has done more actual work to furthering the best interests of our organization than any other of our members. I am proud of my association with him, I am proud of the record that he has made, I am proud to call him my good personal friend. The gentleman to whom I refer is the Honorable Kenneth Fee of New York State. We, in Alabama, would be very happy to have Mr. Fee secure the necessary passports, depart from his Yankee domain and become a citizen of the first State of the Union.

In accounting to you for my stewardship in the office which has been mine, I know that all of us are cognizant of the fact that we are living in the gravest and most dangerous stage of our glorious History as a Nation and as a race. We commend and take to our bosoms our Canadian Brethren whose cause is our cause and our cause is their cause.

"The moving hand doth write and having writ moves on", that invisible hand, the same hand, perhaps, that wrote the inscription upon the walls of the palace of Bel Shazzath. Be that as it may the hand of fate continues to write and move. It is my settled opinion that this hand has written into the economy of the dairy industry certain very definite reforms which would have been impossible under a strictly peace time economy germane to our theory of Government.
Daylight deliveries, shortening our retail and wholesale delivery routes and practical trade practices are of lasting benefit to us. It is to be hoped that we shall not "lose the gains that we have made." In using this last phrase, I am conscious of having borrowed it from our great Democratic leader, Franklin Delano Roosevelt.

During the past year many of the Boards represented have issued Orders regulating the delivery of milk. It is known that a number of states have issued Orders now that prohibit deliveries to consumers, except every other day and also regulate the delivery to wholesale purchasers of only one delivery per day, prohibit call backs and special deliveries. Further regulations limit deliveries to the daylight hours in order that the collections and pickup of empty bottles may be done at the same time. From surveys that have been made and records available it has been determined that the mileage has been reduced from thirty to fifty per cent. That isn't only true in our state but in other states from which we have heard. In one state, it was necessary for the State Agency to institute court proceedings to force a distributor to comply with these regulations. The authority of the Milk Control Agency in this instance was sustained. There is a case pending in another state on this same matter where in the distributor involved in making deliveries with horses and wagons, in addition to delivery made by trucks, Mr. Park Carpenter of Massachusetts, Counsel for our Association, will probably report these cases later on the program.

In another instance State Agencies are attempting to stabilize diminishing supplies by issuing orders that producers must supply the market wherein they are licensed. This has been found to be of assistance to the Federal price regulating agency in that it prevents one market, having advantage over another by virtue of a higher price being established in March, raiding the producers in that lower priced market within the same territory.

The thought occurs that from the limited time a number of these recent regulations have become effective, much might be accomplished at this meeting if some means could be worked out whereby the various agencies could coordinate their efforts. At a meeting held with the regional office, of the Office of Price Administration in Atlanta, with the representatives from Southern State Milk Control Agencies it was recommended to the Office of Price Administration by these agencies that authority should be vested in the State office in each State to make necessary surveys and hold Public Hearings. On the basis of such surveys and records of hearings issue joint and concurrent orders. It is recognized that the problems of fluid milk are such that they are of a purely local nature, depending upon local production and distribution costs due to the fact that such costs are so variable. The power to issue joint and concurrent orders is provided in practically every State
It is still hoped that this recommendation which was sent in from Atlanta by those of us who were there will receive favorable consideration and these matters will be handled from the State level.

Those of you who were fortunate enough to be in Washington last May will recall our meetings with the officers of the Office of Price Administration. You will also recall our meeting in which we discussed the problems pertaining to the permanence of milk control regulations by Governmental Agencies. I think it is clear to all of us that some form of milk control regulation will be as essential to the industry in the future as it has been beneficial to the industry in the past. I am unable to surmise as to what form future regulations will take. It is quite possible that it may be in the form of a system of regulations analogous to that now employed in the regulation of public utilities.

I am convinced of this: The leadership in any form of regulation must come from the industry itself. Playing politics within the industry and with Governmental officers should not be tolerated. I mean by this that the industry should not attempt to dictate Governmental Regulations to its own selfish ends. Rather, the industry should dedicate its best efforts to an honest solution of its problems. This solution to be at all times to the best public interest. We have been most fortunate in having honest and upright citizens of our representative States and Provinces as directing heads of our Agencies. To their credit, let it be said that they have served faithfully and well in the face of adverse, and, at times, unjustifiable, criticism. We must remember, however, that it is the inalienable right of the American people to criticize ———-Yea, even abuse their public servants. I am not willing to sacrifice that system nor am I willing to sacrifice our public servants. As to what the future holds for us, I do not know. We must adopt a policy of absolute co-operation with other Governmental Agencies to the end that the industry be allowed to determine a reasonable return on its investment and that the public be assured of an adequate supply of pure and wholesome milk at a reasonable price.

By sweating blood and shedding tears, our forefathers wrought upon this Continent a system of Government that is ours and the blessings incident thereto.

"Oh! May we build it well what 'ere we do, Build it straight and strong and true, Build it high and pure and broad, Build it for the eye of God."

* * * * *
MR. STEWART: In connection with some of the ideas and thoughts which were expressed in the few remarks I had to say, we have attempted through our able Secretary, to whom I am greatly indebted, to carry out some of those ideas in connection with this meeting. During these trying times, and the crises through which we have gone, it is necessary that our Federal Government provide certain agencies to protect us, and protect our own best interests. We are very fortunate indeed in having a representative of one of those agencies who will talk to us this morning, and it is my privilege and pleasure to present to you at this time the Chief of the Dairy Section of the War Production Board, the Hon. Clyde Beardslee.

MR. BEARDSLEE: Mr. Chairman, Members of the International Association of Milk Control Agencies, Friends: In glancing over the program covering the speakers and the topics to be discussed at this Conference, I am wondering just how much I may be able to add that will be of real interest and of any material value to you gentlemen wrestling with the problems that confront Milk Control Board officials during this extreme emergency.

Mr. Neal Waterstreet, Chief of the Dairy Section of the Office of Price Administration who is on your program this afternoon, along with Charley Fleischer, Associate Price Executive, Food and Food Product Division of the same organization, will no doubt discuss with you the general situation with regard to prices, price ceilings, and milk marketing programs.

Mr. Ed. Brady of the Office of Defense Transportation is working religiously with the Industry in attempting to solve the many transportation problems caused by the present rubber shortage. His discussion will be most helpful.

Mr. Tom G. Stitts, Chief of the Dairy and Poultry Section of the Agricultural Marketing Administration will, I am sure, give you a general preview of the Agricultural situation, covering milk and milk products along with marketing agreements, Lend-Lease purchases, etc., and for these speakers I should like to remark, that I have been associated with them in our official capacity in Washington and I know something of the difficult problems that they face daily.

They will meet these problems "head on" and will make every effort to solve them in an honest constructive fashion.

My part in this program today will naturally be more or less of a rambling and slightly reminiscent nature, bringing to you some ideas I may have and at the same time attempt to bring you up to date with regard to the effect
upon the Dairy Industry in an all-out war economy.

We here today, are all, directly or indirectly, affiliated with a great Industry. Perhaps I might go a step farther and say with one of the greatest industries in this country today; and when I refer to the Dairy Industry I go right back to "grass roots", back to the man in "overalls", back to that group in our rural communities who find it necessary to follow the "Cow Lane" day after day, month after month, year after year in an honest and determined effort to make a living for themselves and their families, and at the same time produce in such quantities that the world may have "Milk" that most nearly perfect food.

Processing, manufacturing, distribution and delivery to the user or ultimate consumer completes the dairy industry cycle. It's a great industry, it is an industry that carries a great responsibility, in that it provides a food for those of all ages of our civilian population, and today there is that further responsibility of furnishing the essential dairy products, not only to our armed forces wherever they may be, but to those of the United Nations as well, who due to circumstances not under their control, are limited in their own food production.

Milk is an essential food. The industry must be kept on a high plane. It must be kept above suspicion. There must be no profiteering at the expense of either the producer or the consumer for we all know that public opinion is a powerful weapon and when influenced by selfish interests may be productive of disastrous results.

The producer, the consumer, and the processor or distributor have responsibilities to each other and any violation of these responsibilities results only in chaotic and demoralizing conditions in the Industry which may ultimately mean a breakdown of quality, service, confidence and goodwill.

Today, more than ever, have these responsibilities multiplied. We are in a war, an all-out war. Months ago we were buying "Defense Bonds." Today that has been changed --- we are now buying War Bonds.

We in America must be a coordinated people, --- there can be no radical differences of opinion as to the future of this country is concerned. We must all be of one mind, the farmer, the miner, the factory worker, the man in the office and the home worker. We all have one remaining precious stake - "Freedom" - that one most treasured gift from our forefathers. We love it, we will fight for it, we will keep it.

In order that we may win this victory in the quickest possible time we cannot remain on the defense; we must take the offensive. We must carry the fight to the
enemy, we must have guns, planes, tanks, ships and food in ever increasing amounts and in order to accomplish this objective, we are finding it necessary to make adjustments in Industry. We cannot continue on the "Business as Usual" basis. The Dairy Industry has already made adjustments and as time goes on further adjustments will, if 'necessity, be made.

Some of the changes will hurt, but this war cannot be won the easy way; it will be the hard way. There will be many sacrifices, both in our personal and business life; however, I am sure we would all agree that any sacrifices made now would be pretty small and insignificant if compared with what might happen should we lose this war, but, we will not lose it, we are on our way to an eventual victory and the time it takes to win will be determined by the speed with which Industry can gear itself to the task ahead.

Today the Dairy Industry faces a situation more extreme than any situation it has ever faced up to this time. It must provide an increase in the production of dairy products, if humanly possible, and do it with a drastic reduction in the normal requirements of equipment both for farm and creamery use.

Let's go back just a short period of time, to be exact, to the morning of December 7, 1941. I am sure we all "Remember Pearl Harbor." From that morning and for the next few weeks we saw the Japs driving into territories which in the past had provided us certain commodities which were considered necessary to our economic life. We saw a triple threat to our supply of tin and rubber, both items that were practically irreplaceable, rubber at least for the time being.

Prior to "Pearl Harbor" it was much easier to provide priority ratings that would get the necessary materials for equipment, repairs and maintenance. However, as time rolled on, and following "Pearl Harbor" the situation became more critical and our program became more complicated.

At the turn of the year, or shortly thereafter, the list of critical materials was not as large as it is today. In considering metals the earlier critical materials consisted of:

- Aluminum
- Tin
- Stainless Steel

Today, however, with the all-out-drive for increased production of war materials limitation orders, have of necessity been issued by the War Production Board covering many additional items which are now and will in the immediate future have an important bearing upon our civilian economy.
For example: Other metals now on the critical list are copper, lead, zinc, chromium and nickel. Mild steel used as a base for tin plate, black plate and terneplate, and iron and steel used for structural work are now covered as to use by limitation orders.

Practically every limitation order has some effect upon the production of the Dairy Industry.

However, at this point I would like to make it plain that insofar as I am able to ascertain, there has been fewer adjustments made in the Dairy Industry than in many of the other large industries in this country today. There has however, been considerable adjustment made in some of the industries servicing the Dairy Industry, which of course indirectly affects its operation - for example,

Limitations in the use of critical materials in the production of dairy processing equipment, milk shipping cans, steam boilers, refrigeration equipment, along with other important items in processing equipment.

Limitation in the use of tin, steel and copper. Limitation in any type of dairy production for expansion. Limitation in the use of building material. Limitation in the use of farm equipment. Limitation in the use of sugar in the dairy industry. Limitation in the type of containers used, along with other items, all of which over the years, have been more or less standard in our operations.

One example of the application of a limitation order which really indicates the seriousness of our metal situation has reference to the manufacture of milk cans. In the past the eastern type milk or cream shipping can with cover, carried a weight of about 28 lbs. This will be reduced to about 22 lbs. The metal used for milk cans will be reclaimed from the automobile industries frozen stocks and we will only be able to get about two-thirds of the number of cans that we in the Dairy Section have estimated will be required.

Associated with the Dairy Section of the War Production Board we have a Dairy Industry Advisory Committee. This Committee was organized on January 6 and 7, 1942 and consists of twenty-four members. These twenty-four members represent the Industry on the basis of size, location, whether cooperatives or independent operators; in fact, it took considerably over a month to work out a program that would give a true representation.
As mentioned above, this Committee acts only in an advisory capacity not only to the Dairy Section, but to Office of Price Administration, Department of Agriculture and United States Public Health Service.

In organizing this Committee each branch of the Industry was represented:

Butter
Cheese
Dry Milk
Condensed and Evaporated Milk
Ice Cream
Fluid Milk

At the time the Committee was organized, the dairy industry was beginning to feel the pinch due to certain limitation orders which were being set up by W. P. B.

At the first meeting of the Committee on January 6, I was the Government Presiding Officer and I had the opportunity of presenting to them the dairy situation as I saw it, - an extremely critical situation occasioned by an all-out war economy.

There was not then, nor has there been since, one single indication of a defeatist attitude. That group of men not only responded to every call without any hesitation but have come to W. P. B. with many real constructive programs which have been most helpful in this wartime emergency.

I told you in the beginning I might ramble a little and perhaps reminisce slightly. Someone has said "Let the past dead bury the past." Well, I can't exactly agree with that, because I like to look back over the years and try to measure the accomplishments to measure the progress of an industry, an organization or an individual and in this instance it is the Dairy Industry.

My association with this Industry has covered a period of exactly forty years and it prompts me to say that it has been a resourceful industry. It has faced many problems, like every great industry that has progressed. It has met these problems in the past and with the same ingenuity and resourcefulness of the past, it will meet the problems of today and tomorrow, problems of necessity due to our present emergency.

Back in the early 1900's when the dry milk industry was in its pioneer stage, I was associated with it and in those early stages I sometimes wondered, "Would it ever be a commercial possibility?" In the plant, one problem after another, at the same time we were struggling with the daily mechanical and quality problems. Another department far removed from the production field was also struggling
with a problem, working to help us solve our problems, and one by one the problems were solved. What did it? Research!

Research has been a most important factor in the development of our dairy industry, in fact, every other industry; and today I feel perfectly confident that the research men in this industry will contribute in immeasurable terms in meeting the situation created by the war.

Research within this industry will help solve the problem caused by limitations in the use of many materials. Research will create substitutes, new ideas and perhaps entirely new programs.

Again, I say, if Industry continues its resourcefulness of the past, it will meet the situations of today and will build for tomorrow and the future. America will still be the great country she has always been, the country of the "freedoms."

There are a few points important in our program which I would like to cover specifically before closing. The matter of equipment for the creamery or milk plant and the dairy farm is most important at this time. Due to limitation orders which I have previously explained, it is going to be absolutely necessary that we conserve and keep in the best possible repair all types of dairy equipment and only release such equipment wherever the situation becomes critical or wherever potential health hazards may exist. The dairy section will do its best in these matters of allocation, taking into consideration each case as presented.

The matter of upgrading of milk in any program initiated under the present emergency conditions is one which should also have very serious consideration. Again we must say that it is practically impossible to get certain types of equipment which might be necessary in any upgrading program. We believe it is absolutely necessary that these matters be given careful consideration by any health agencies who at this particular time are considering the changing of their sanitary codes which would necessitate large amounts of additional equipment either at the farm or in the dairy plant. Just recently we had a meeting of a committee of health officers and this matter was gone over very carefully and as a result of this meeting and a meeting later held with the United States Public Health Service, we are very much pleased with the cooperation in matters of this nature and I am sure that everyone will work along with the full understanding of the present situation with reference to critical material.

The Dairy Section is very much concerned in regard to the shortage of milk, especially in a number of southern areas where camps have been put in recently and
where the local milk supply is not adequate to take care of the armed forces' needs. This is also a matter which the Dairy Section is working hand-in-hand with the health control officials and the results of the meeting previously mentioned would seem to indicate that this matter will be worked out and that milk will be made available by some means and that the control will be satisfactory to insure a safe supply of milk. Again I want to say that the Surgeon General's Office has been most cooperative and are lending their aid to the working out of this most important problem. The man-power situation is very serious. We have already discussed this situation with the man-power commission and with agriculture and they are giving this matter their undivided attention. There has been a heavy exodus of men from the farms to defense operations and this, along with the Selective draft and enlistment, has created a serious situation in the farm area. It may be necessary that some further legislative action be taken in this matter if the manpower on the farm is maintained in anything like an even balance. The Dairy Section of the War Production Board will continue to work on this problem hoping that some relief will be forthcoming in the immediate future. This is a situation which you gentlemen here representing milk control agencies can take a very important part in.

You have all listened to the discussion with reference to the dairy cow situation and the fact that many cows are being sold which are eventually "going to block." Certain figures have been presented here today which would indicate that this movement is serious when the production of milk is to be considered in the future. This is also a matter in which you as milk control officials can play an important part and from our discussions I am sure that you are giving this every possible consideration. The Dairy Section will consider this one of their chief problems at the present time and every effort that we can give will be put squarely behind any program which will keep these cows on the dairy farm. Production for 1943 is most important. Any serious reduction would complicate our present situation materially. I understand that Doctor Vial will represent Mr. Stitts' department from Agriculture here tomorrow and I am sure that his discussion with you will bring out further points in connection with our overall production and requirements situation, both for governmental uses and civilian supply.

We are, of course, all very familiar with what is happening in our transportation problem due to the shortage of rubber and motor transportation vehicles. We are really concerned about this situation from two angles — transportation from the primary producer into the processing plants and the delivery to the consumer. As I mentioned before, Mr. E. M. Brady of the Office of Defense Transportation, is on your program tomorrow and I can assure you at this time that Mr. Brady will bring to you the situation which is going to require the best that we all have to give in order that we meet the present emergency with as few changes as possible.
These points I have covered are all most important in our program today and for the future, and I am sure we all here and in the Industry generally, will give our utmost to the solution of many of the problems.

I am sure that I have pretty well covered the situation in my remarks here today and if I have brought to you here any points of interest which may be the least bit helpful in this present emergency, I shall feel amply repaid for my trip to Richmond today.

MR. STEWART: Mr. Beardslee, we certainly appreciate the remarks which you have brought to us, and I further want to say that they were very hopeful and encouraging, especially in respect to the possibility of certain modifications wherein certain grades of milk might possibly be brought in to supply Army camps, etc. I am sure from the remarks you made you are very well familiar with the conditions which exist in certain sections of the country, and being from the South, I am naturally more familiar with the conditions as they exist in Florida, Georgia, Alabama and Mississippi. It has been hoped, and we have been trying in that section to get some milk which is being used and has been used for manufacturing purposes qualified under some modifications of the U. S. Department of Public Health Service, and if that can not be done, I do not know where the milk is coming from. We have wired all over, and the only prospect we had was from Binghamton, N. Y., and the remarks you made I am sure those of us from our section of our country appreciate. We thank you so much for being with us.

I wonder if Mr. Beardslee would be kind enough to answer any of the questions which any of the representatives might have. Does anyone have any questions?

MR. HALSTEAD OF VIRGINIA: With the conditions we are confronted with today, we would like to know what we can do to increase the production of milk. With labor like it is, and everything else with it, we would like to know. We all want to do what we can. It is a serious question with us in the Tidewater section. If you have anything to suggest that we can do. Is there anything that can be done, that labor can be had for the farmer?

MR. BEARDSLEE: I think I would rather pass the buck to the Control Board. I don't know as I have any solution to offer up today. If a cow is sold, he is gone. What can we do? I am asking you. The question is one which I have no answer for. I try to be constructive. What can we do today to stop the trend? If you can find the answer, that will be done. We can't get back the cow that has gone to the block. That is taking down our percentage today in the United States of the milk cow, I am not trying to
reason out a solution at the moment. Can you legislate? Issue limitation orders? Or what? I am not quite qualified at this moment to make suggestions along that line, but I do know something should be done if it humanly possible to do it, to stop the situation today of lowering the number of cows by slaughter. If they go from farm to farm, not much harm is done, but I do not see where it will be from farm to farm much longer as the labor condition exists on the farm. Maybe someone with a legislative knowledge better than mine can offer a suggestion. I propose to find out soon, though, just what can be done. I wish I could say something a little more constructive on that line, but I can certainly ask the question. That is easy. If the labor problem can be solved, that would solve the thing.

MR. DERRICK: The thing is there are limitations on freezing labor on the farm. The farm boy is just as patriotic, just as loyal to the war cause, as the city boy, or any other. Lots of these boys on the farm are volunteering for service. I don't think the farm boy would welcome the freezing unless he is delegated as a part of the war machine, as a production part of the war machine. But there isn't a question but that we are facing a very difficult situation. We find in many areas that there is a tremendous number of calves, a larger percentage of calves going to slaughter, bigger than we have ever had. That may not worry us for two years, but if that continues for three or four years, it will worry us. If these heifer calves are going to slaughter just as cows are, we will face a very difficult production situation. When I get hold of Mr. Waterstreet, I am going to ask him if he can lift some of these price ceilings.

MR. BEARDSLEE: I have no authority from the War Production Board to suggest that we freeze labor. That is my own thought. I am just asking questions. I am not recommending the question. I could not substantiate the points I have tried to make. I am just trying to get suggestions from you --- to have an open discussion on. I am meeting with a committee of the industry on Wednesday.

MR. DERRICK: In other words, if you left some seeds with us, we could plant some seeds with you and your committee.

MR. BEARDSLEE: I assure you that when the committee comes in Wednesday morning, I will talk with them. I know that one of the most important things to come before it is the man power. We will have a representative of Mr. McNutt's department, of the War Defense, of the Agriculture Department. They are in a very tough spot. I assure you every possible consideration will be given it by the top men. From that point on it has to be carried on officially.
I just want to make it clear that I didn't come to propose anything, but I have my own ideas.

MR. CORT: I would like to ask a question of Mr. Beardslee. I would like to ask you if any particular arrangements have been made for the publicity of this meeting. Mr. Beardslee stated that he was here more or less for an open discussion. It seems to me that perhaps somebody like Kenneth F. Fee, or yourself, or a committee of the Association, could handle the question of publicity to assure that nothing of the wrong type went out, or anyone was out on the spot.

MR. STEWART: I think that most important. I am not in a position to say whether we have press representatives here or not. May I ask that question?

MR. CORT: May I suggest again, if I may, that we definitely ask that the press be not represented here during these discussions, because I feel that we will get a good deal further, that the gentlemen from Washington will speak freely if they are not here.

MR. STEWART: I am in accord with the remarks you have made. This meeting, according to my interpretation, is definitely for the purpose that we discuss together our mutual problems, and for no other purpose, and certainly for no reason to put anybody on the spot or ask any embarrassing questions. We want at this meeting for all of us to feel free and easy to ask any question because if we are going to hedge around and say I am not free to open my mouth, we are not going to accomplish anything.

MR. STEWART: In answer to your question Mr. Cort, I have been advised by Mr. Woods that so far as he knows, there is no representative of the press, or any public relations agency of any kind, present.

MR. CORT: Then might I suggest that the Executive Committee act with respect to the publicity matter that goes out from this meeting. I make such a motion. Further that it be definitely stated that there is to be no one from the press at these conferences, and that you delegate some one to act as doorkeeper.

MR. STEWART: Any second to that motion?

Motion duly seconded from the floor.

MR. STEWART: The motion has been made and properly seconded. Is there any discussion? Ready for the question?

The motion was then voted on, carried, and was so ordered.
MR. STEWART: Any other matters or questions which you would like to ask Mr. Beardslee? I am sure he will give you all the information that he has at hand that he possibly can. If not, then we will proceed with the program.

MR. STEWART: For a long time since I have connected with this organization, we have had one man who has always come through, and I will say that the work he has done for the organization stacks right up next to --- I didn't say above, just a little below, that of Kenneth F. Fee. His papers are always most interesting, and I know he makes a thorough study and goes in every State possible to prepare the information that he is going to bring to us. And at this time our program carries the name of the next speaker, the Hon. Park Carpenter, Hearing Agent of the Massachusetts Milk Control Board, and Counsel for our organization, who will speak to us on the

"Changes in State Milk Control Laws and Recent Court Decisions."

It is my privilege to present to you the Hon. Park Carpenter.

MR. CARPENTER: Ladies and Gentlemen, I appreciate the President's kind remarks, but I think he overlooks the fact that instead of research, all I do is bother the officials of the several Boards and they do the work. All I do is receive their letters and put it down on paper. For your assurance, I want to say that I do not intend to read in full everything that is in this paper, but rather to cull from the reports received during the past year only those matters which seem to be of the greatest interest.
Legislation

Little new milk control legislation has been enacted this year. None has been passed by provincial legislatures. In both Canada and the United States the only significant new legislation has been the federal wartime emergency legislation authorizing the fixing of maximum prices through federal authority.

Minor changes, however, were made in the laws of Louisiana and New York in 1942, and the milk control law of Massachusetts was previously revised late in 1941.

In Louisiana, the membership of the milk commission was slightly altered, by act passed at the July (1942) session, substituting in place of secretary of the State Livestock and Sanitary Board, the head of the dairy department of Louisiana State University and Agricultural and Mechanical College. During the past year a controversy relative to the right of incumbents to hold certain offices, resulted in an injunction against expenditure of commission funds. The legislature at its last session is reported to have failed to make an appropriation for the operation of the commission. The commission has, consequently, been rather inactive for several months.

In New York two amendments were made. The annual license fee, which is based on the dealer's daily average distribution during the month of maximum distribution in the preceding license year, was changed from a fixed graduated scale basis to a simple $25 for the first 4,000 pounds (or fraction thereof) plus $20 for each additional 4,000 pounds (or fraction thereof). (Chap. 190, Laws of 1942).

In addition, the period during which an applicant for license or licensee may seek a court review of an order of the commissioner has been slightly extended, from 30 days from date of the order, to 30 days from date of service of the order on the partly affected. (Chapter 355, Laws of 1942).

On October 24, 1941, a rather complete revision of the Massachusetts statute was passed in the closing hours of the longest legislative session in the history of the Bay State. The original statute, a temporary law passed in 1934, amended and extended from time to time, was made permanent. The commissioner of agriculture was made, ex-officio, a member and chairman of the board. The title of the administrator was changed to director, and his duties defined. Specific authority for market wide pools and use of base ratings was included. The standards to govern the board in fixing prices were expanded, the expansion being based principally on costs of production and of distribution, and, to a lesser extent, on effective demand. The
procedure for fixing of resale prices was made more difficult by (a) requiring initiation by a petition of 51% (instead of 25%) of the Massachusetts producers delivering to the market, (b) by requiring an additional finding that resale prices are necessary to ensure an adequate supply for the market, (c) by subjecting the board's finding as to necessity of resale prices, to approval of another pre-existing board (consisting of the attorney-general and the commissioners of public health and agriculture), (d) by sharply restricting the power to amend (or rescind) resale price orders, and (e) by requiring an annual review of each such order. A new and detailed section was added giving the board broad, flexible and comprehensive power to cooperate with the federal government and/or any state or states in joint regulation (in the manner made possible by the Eisenberg decision) of any interstate market lying either within or without the commonwealth, to which Massachusetts producers ship milk. This section gives to the board several powers with respect to such joint regulation, which it cannot exercise in markets of the commonwealth wholly regulated by the board. This provision for cooperation with other states and the federal government, is believed the more complete, more thoroughly implemented, than any other.

The Michigan milk control law of 1941, which was to have become effective on January 8, 1942, was held up, before its effective date arrived by the filing of referendum petitions bearing 154,430 signatures. The state board of canvassers had only recently completed its check of the petition signatures, and certified the matter to the ballot for this fall's election.

The entire Wisconsin act failed of reenactment in 1941, and expired of its own limitations on December 31, 1941.

Judicial Decisions

No court decision of any type was reported from any province of Canada. Apparently the Canadian milk industry has settled down to the serious business which confronts both countries.

Alabama. A significant unreported decision was made late in the summer of 1941 by the Circuit Court for the Tenth Judicial Circuit, on an appeal by Homewood Dairy Products Company from an order of the Alabama board revoking its license for failure to pay producers $787.42. It appeared that the distributor had sold to the public a sizeable amount of a liquid labelled "butter milk" but made of milk powder mixed with water or skimmed milk. At the same time a smaller quantity of milk received from producers, which remained after the distributor's fluid milk requirements were filled, was used in manufacture of ice
cream and butter. In computing producer payments the company omitted its sales of the so-called "butter milk," with the result that the volume of producers milk used in manufacture of ice cream and butter, was placed in "Class 3" or "surplus" and paid for at the lowest price.

The Alabama statute authorized the board to "establish a base surplus system, placing all milk sold for fluid consumption" in one classification, and "all milk processed into by-products into another classification, fixing a lesser price for such surplus milk so used."
The order of the board, under which the company purchased milk, defined base milk as including "two-thirds of the butter milk and skimmed milk sales sold for fluid consumption."

Counsel for the board contended that the sales of such "butter milk" were to be calculated as a partial basis for determining the price to be paid producers; that it is the distributor's duty either to use milk of his producers for such sales, or if he uses powder, to pay the producer on the same basis as though he had used the producer's milk; that the demands of the public for base milk must first be supplied out of the milk of producers, before the distributor is warranted in using producer's milk for surplus purposes, to the financial injury of the producer; that the word "surplus" implies that which exceeds need rather than that which exceeds use. The court recognized such construction as an attempt by the board "to arrive at an equitable and beneficial result," but held that the language used by the legislature (placing "all milk sold for fluid consumption" in the base milk class, and "all milk processed into by-products" in surplus) was unambiguous, and "anticipated a division based on actual use rather than need." When the order of the board -- including in base milk "two-thirds of the butter milk sales" -- is considered in connection with the expression of the legislative will it seems clear that the petitioner should not have been charged at base milk price for milk not actually used to process and sold as a by-product coming within the classification of surplus milk." The court therefore vacated the order revoking the distributor's license. Although an appeal was taken by the board from this decision it was later dismissed on motion of the board. (8 Southern 2nd, 895.)

The significant points in the case seem to be:

(a) The court placed no weight on the fact that the product sold as butter milk was a reconstituted product, so that cannot well be used to distinguish the case.
(b) The decision would apparently have been the same had the product sold been cultured from whole or skimmed milk acquired otherwise than from producers.
(c) The reasoning of the opinion would seem equally applicable to whole milk purchased from other deal-
ers, and sold for fluid consumption while milk of the dis-
tributor's own producers was available.

(d) The rule of the case allowing classification
only on the basis of the actual use of the particular lot
of milk, is one which many experienced administrators re-
gard as impossible of accomplishment through inspection of
plant records, however elaborate. Where a plant buys some
milk from producers, receives other milk by transfer from
affiliates or purchase from other dealers, (some within and
some without the state) at approximately the same time, no
method is known by which an auditor can ascertain which
lot was in fact used for the different operations of the
plant.

California. Two decisions of interest have been
rendered by California courts during the past year.

The first case, United Milk Producers of Cali-
ifornia and the Borden Company v. W. J. Cecil, Director of
Agriculture et al., arose in the following manner:

United Milk Producers of California is a coopera-
tive marketing association organized in 1935. It sold milk
produced by its members to various dealers, until August 1,
1940, when it entered into a contract with The Borden Com-
pany, whereby Borden agreed to process and distribute the
milk produced by members of United, and to return to United
the proceeds less expenses and compensation to Borden spec-
fied in the contract. For a number of months thereafter
the individual producer-members of United did not receive
the minimum price fixed under the stabilization and market-
ing plan issued by the director.

Orders to show cause why their licenses should
not be revoked were issued by the director to United and
Borden; and after hearing, an order revoking and denying
their licenses was entered. Thereupon the United and Bor-
den petitioned the District Court of Appeal for the Third
Appellate District to compel the director to rescind and
revoke his order and to issue them licenses.

The California statute defined a distributor as
"any person whether or not such person is a producer or
an association of producers, engaged in the business of
distributing or handling fluid milk," and defined per-
son as "any individual, firm, corporation, association or
any other business unit." The director was empowered to
"prescribe minimum prices to be paid by distributors."

The director contended that all cooperative-dis-
tributors, without exception, are required by the act to
return to their members at least the prescribed minimum
prices. The petitioners argued that if the yield obtained
by a cooperative-distributor from its distributing opera-
tions left it unable to return to its producers the pre-

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scribed minimum, it was required to do no more than to return to its members pro rata what it had obtained. The petitioners in support of this position, relied

(1) On the inherent characteristics of cooperative organizations; (2) On a statutory provision (passed prior to the enactment of the Milk Control Laws) exempting cooperatives from inconsistent provisions of the general corporation law; and (3) On a strict construction of the word "price" as used in the statutory authority for prescribing "minimum prices." On this latter point the petitioners relied on the Pennsylvania case, Green v. Milk Control Commission (340 Pa. 10, 16 Atl. 2nd, 9), decided in 1940, in which the Pennsylvania court held that the words "buy," "purchase" and "prices" as used in the Pennsylvania act (in force at that time) made it inapplicable to milk delivered by producers to a distributor on a consignment or agency contract, such as that in force between United and Borden. But the California District Court of Appeal, as was suggested likely at Quebec a year ago, accepted the views expressed in the dissenting opinion in the Green case, and in its opinion filed November 14, 1941, held that the California statute gave a cooperative-distributor no express exemption from the obligation of all distributors to pay the prescribed minimum prices, that none could be implied; and that a cooperative-distributor under the California Act was under all circumstances obligated to pay its producers the full minimum prices prescribed by the director. The court accordingly sustained a demurrer and denied the petition of United and The Borden Co.

The second California case decided this year was Pacific Coast Dairy, Inc. v. Department of Agriculture, Wm. F. Cecil, Director, et al. When revising the California milk control act in 1941, the California legislature recognized that question would probably be raised as to state authority to prescribe minimum prices for sales made on those federal reservations to which exclusive jurisdiction had been ceded by the state to the federal government. It therefore passed an amendment which prohibits a distributor from purchasing, processing, transporting or otherwise handling in any marketing area milk which he intends to sell or does later sell at any place within the external boundaries of the marketing area but not a part thereof (namely, on a ceded U.S. reservation), at less than the minimum prices prescribed for the marketing area itself. 

Agricultural Code, Sec. 736.3 (a) (6).

Thereafter the Pacific Coast Dairy, Inc. purchased, processed, bottled, and transported within the Santa Clara marketing area milk which it sold to the United States Army on Moffet Field, a place within the external boundaries of the marketing area but subject to the
exclusive jurisdiction of the federal government, for less than the minimum prices prescribed for the Santa Clara marketing area. The director initiated proceedings for the revocation of this distributor's license. Pacific Coast Dairy, Inc., thereupon petitioned the California Supreme Court to order the director to dismiss such proceedings.

The petitioner contended (1) that the state's control over acts within its jurisdiction afforded no authority for imposing penalties based on transactions which took place on federal territory; and (2) that the state act could not validly affect sales of milk to instrumentalities of the U. S. While the United States did not intervene as a party to the proceedings, the U. S. Attorney filed a brief as "friend of the court."

In a unanimous opinion, filed March 12, 1942, the California Supreme Court held the provisions of the California act valid and applicable to milk sold to the United States Army, and accordingly denied the petition of Pacific Coast Dairy, Inc.

In the opinion Mr. Justice Traynor, justifying the California legislation, said: "Prescribed minimum prices fail of their purpose if they lie in the shadow of cut prices. The route of the milk from the producer to the consumer is a continuous one even when it crosses the imaginary line that demarcates federal jurisdiction, and the evil effects of substandard prices in the federal area course backward to play their part in undermining the intelligent production and orderly marketing that the state has declared essential to the public health." The judicial restatement in the opinion of the purposes and effects of milk control legislation and regulation, is of such unusual clarity, as to make this opinion well worth reading, even for those not interested in the immediate question at issue.

The California Bureau of Markets advises that the decision of the California Supreme Court in this case has been appealed to the United States Supreme Court.

Connecticut. The Connecticut milk marketing act of 1941 provides that in determining use classification each dealer who is also a producer shall be required rationally to apportion among his total sales or uses of milk in each classification the milk which he has purchased from other producers and the milk which he has produced. In Connecticut League of Dairy Farmers and Producers-Dealers v. Donald C. Hamerberg, Milk Administrator, a small group of producer-dealers buying from other producers brought an action in the Superior Court of Hartford County to enjoin enforcement of this provision of the statute. The plaintiffs, attacked the constitutionality of this provision, contended they were entitled to classify as Class 1
all of their own production, and to utilize as Class II only milk of other producers. The court (Wynne, J.), however, gave judgment for the defendant. In the memorandum of decision, the court said: "It is the Court's opinion the end, object and effect of the legislation is the stabilization of price so that the inevitable incidence of surplus milk is a problem common to all producers alike. These plaintiffs are not being deprived of property without due process of law. They are required to share with other producers the vicissitudes of a calling common to a group for the mutual welfare of its members and the interest of the public. The dual role which they have voluntarily assumed, makes them more vividly conscious perhaps of the working out of the benign principle of sharing on another's burdens, but the net result is the same."

Florida. Two Florida cases Milk Commission v. J. C. Alderman, and Milk Commission v. Tampa Bettermilk Producers Cooperative, reported a year ago, were then pending in the Circuit Court for Pinellas County. In both cases the commission sought to enjoin the dealer from selling milk to the federal agencies at less than the minimum prices established by the commission for the markets concerned. In the Alderman case the sale was to the Coast Guard, and apparently made on land which had not been ceded by the state to the federal government, and the court had granted a temporary injunction. In the Bettermilk case the sale was to a U. S. Veterans Hospital on ceded land, and a temporary injunction had been denied.

Counsel in the Alderman case later stipulated to abide by the result of the Bettermilk case, and the latter was submitted on agreed facts.

Toward the end of January, 1942, the Circuit Court in both cases entered final decrees enjoining the defendants from giving discounts or rebates or selling milk in the Pinellas County milk marketing area, at less than the price fixed in the order at the commission, either to the Veterans Hospital at Bay Pines, or to any other customer within the area.

It is understood that an appeal to the Florida Supreme Court was to be taken promptly. So far as has been learned that appeal is still pending.

Indiana. Two opinions have been handed down by the Supreme Court of Indiana in an action brought by the Board in September, 1940, to enjoin E. A. Pursifull from engaging in business as a milk dealer without a license. Pursifull was a dairy farmer, who, according to his contention, sold the milk of his own production, without cooling, only to persons who brought to his milk house their own containers, into which he poured the milk directly from the
five gallon can into which it was strained from the milk pails. The Board offered some evidence tending to prove that he cooled the milk and to some extent standardized and processed it. Under the definition in the statute, Pursifull was clearly not a milk dealer unless he came within the definition of "producer-distributor," which was defined as "any person owning, or managing, or controlling a dairy herd or herds, who puts only the milk produced therefrom in bottles or other unit containers in which the same is designed to be sold, or cools, pasteurizes, standardizes, or otherwise processes such milk for the purpose of selling or distributing the same at wholesale or retail, or who sells or distributes such milk at wholesale or retail." The trial court found for the defendant and denied the application for an injunction. The Board appealed to the Supreme Court of Indiana.

The Indiana Milk Control Law, under which the Board's action was brought, was, according to its terms, to expire on June 30, 1941. On March 11, 1941, an amendment extending such date of expiration to June 30, 1943, was passed by both houses of the legislature and approved by the Governor. This amendment was included in the Acts of 1941, but because of the time necessary to print and distribute copies of the Acts of 1941 throughout the state, the same did not become effective until the Governor's proclamation of July 8, 1941.

The appellee Pursifull filed in the Supreme Court a motion to dismiss on the ground that the statute had expired on June 30, 1941.

In its opinion, handed down on October 14, 1941, the Supreme Court of Indiana, (per Swaim, J.) overruled the motion to dismiss. (36 N.E. 2nd, 850)

Thereafter the case was argued on the merits of the Board's appeal, the Board's counsel urging that if he sold milk of his own production at wholesale or retail he came under the definition of producer-distributor, and that it was immaterial whether he bottled, cooled, pasteurized, standardized or otherwise processed such milk.

In an opinion rendered on December 30, 1941, the Supreme Court of Indiana, held that the statutory definition of producer-distributor was ambiguous, that the defendant-appellee was entitled to have the ambiguity resolved in his favor, and affirmed the judgment below. (38 N.E. 2nd, 246)

Massachusetts. By a statutory limitation the board's order prescribing minimum prices to be charged for milk in the Greater Boston Market, issued under the Milk Control Law of 1934, expired on May 30, 1942. On May 26, the board adopted a general order under the new Milk Control Law of 1941, prescribing the same prices, terms and
conditions, effective May 30. Both the order which expired and that which became effective on May 30, contained a trade practice ruling requiring that a non-refundable container charge of one cent per container be made where milk or cream is sold in single service paper containers.

American Can Co. v. Webster et al. On June 12, the American Can Co. of Massachusetts filed in the Superior Court a petition for review of the board's decision. The petition alleged that the petitioner is the owner of valuable machinery for manufacturing paper containers and is engaged in the business of manufacturing such containers and machinery for filling such containers with milk; that it had valuable contracts with milk dealers which were rendered valueless by said ruling; that said ruling and order went beyond the statutory powers granted to the Board, were discriminatory, and invalid. Section 21 of Chapter 94A provides that "Any person aggrieved by any order **adopted** by the Board may by petition filed within twenty days **obtain a review by the Superior Court." A demurrer was filed by the Attorney General (objecting that petitioner was not a party aggrieved and had no right to maintain the petition).

In support of the demurrer Assistant Attorney General Hayes, argued that the milk control law imposed obligations and restrictions only on milk dealers; that no provision of the order requires the petitioner to do or refrain from doing anything, so the petitioner is not directly affected by the order, is not a "person aggrieved", and not entitled to maintain a petition for review under the statute. He replied on the case of Excello Corporation v. Chicago (1940) C.C.A., 7th Cir., 115 Fed. 2nd, 627)

The court (Harold P. Williams, J.) after argument took the matters under advisement, subsequently sustained the demurrer and on July 20 entered a decree dismissing the petition.

An appeal to the Massachusetts Supreme Judicial Court was taken by the American Can Co., and is on the list for the October term.

New Hampshire. On June 7, 1942, the board issued an order requiring that no milk dealer in the Manchester market by any means or device make any special deliveries or call backs; or deliver milk to any retail customer oftener than every other day.

In Cloutier Bros. v. Allen M. Freeman et al., a producer-dealer distributing in the Manchester market petitioned the Superior Court for Hillsboro County for an injunction against enforcement of the order. A demurrer was
filed on behalf of the board. Section 33 of the N. H. Milk Control Law (St. 1937, c. 107), provides:

"Remedies Exclusives. No proceeding other than the appeal herein provided for shall be maintained in any court except to set aside, enjoin the enforcement of or otherwise review or impeach any order of the board except as otherwise specially provided."

The court sustained the demurrer. A new case, Cloutier Bros. v. Freeman et al. was then begun by petition to the Supreme Court of New Hampshire for certiorari to review the action of the board in issuing the general order described in preceding case, the petitioner questioning both the board's authority and the validity of the order. Certiorari was allowed. The attorney-general on behalf of the board moved to dismiss (on the ground that statutory method of appeal was the plaintiff's exclusive remedy), and answered offering to waive all technicalities (appeal period having expired) and assent to disposition of present proceeding as on an appeal under the statute.

At special hearing it appeared (by statements of counsel, no evidence being taken) that the order had been issued by the Board for the purpose of protecting the public health by conserving the limited rubber and gas available for retail milk delivery; that the petitioner had prior to issuance of the order acquired several horses and some horse-drawn vehicles; that he was delivering daily in part with rubber-tired automotive vehicles; in part with rubber-tired horse-drawn vehicles; and in part with steel-tired horse-drawn vehicles.

The N. H. Milk Control Law in Section 5 provides "It shall be the duty of the Board further to be informed at all times as to the transportation, processing, storage and distribution of milk sold, consumed or used in the State. To the end that no part of the state shall lose or have impaired its reasonable requirements of milk of proper quality, the Board shall have power to supervise, regulate and control the production, distribution and sale of milk within the state. To the end of safeguarding and protecting the public from the harm and economic loss it would sustain if the production of milk was substantially curtailed, the Board shall secure the cooperation of those engaged in the industry to maintain fair and lawful trade practices."

After argument before the full bench, the court issued the following interlocutory order: Pending final decision of the case, the Milk Control Board's regulations
adopted June 7, 1942, are suspended in any application to deliveries other than by motor vehicles or by rubber tired vehicles. The Court requested the filing of printed briefs on or before August 31, 1942. The general counsel for the Office of Defense Transportation thereafter appeared as "friend of the court." No decision on the merits had been rendered up to recent date.

By an Opinion of the Justices, (88 N. H. 497, 190 Atl. 713) passing favorably on the Act before its passage, the court had expressed the view that certain provisions of the bill (in its original form), so far as they "purported to confer on the Board general authority to regulate and control the milk industry," (underscoring mine), were an unauthorized and unconstitutional delegation of legislative power. The court presumably interprets the present revised act as not granting general rule-making or trade practise powers.

New York. Quite a little litigation begun in 1940, and the subject of report a year ago, has again been active during the past year. Such matters include: Noyes v. Dusinberre and Oaks, decided this year by the Appellate Division, and reported in 263 A.D., 1025. After the decision of the Court of Appeals, New York court of last resort, last year (284 N.Y. 304) sustaining the commissioner in his refusal to grant a license to these two producers on the ground that issuance would tend to destructive competition in a market already adequately served, Dusinberre and Oaks continued to engage in the milk business. The commissioner then brought this action to enjoin them from doing business without a license. The Appellate Division granted the injunction but modified so as to permit the operation of a dairy store for which no license was required by statute.

A companion case, Dusinberre and Oaks v. Noyes, pending before the Appellate Division at the same time, and reported in 263 A.D. 445, arose out of application of these producers for a license for the year ending March 31, 1942, which was filed by them early in 1941, while the original case was pending in the Court of Appeals. At the hearing it appeared that they had during pendency of their appeal been doing business without a license, in violation of statute. On this ground, the commissioner on October 4, 1941, denied the present application for license. By petition for review the applicants brought the matter before the Appellate Division, which (in an opinion by Bliss, J.) affirmed the determination and order of the commissioner refusing the license.

In the action of N.Y. State Guernsey Breeders Cooperative, Inc. v. Noyes, (284 N.Y. 197), contesting the order of the commissioner providing for market-wide pooling of milk of all breeds on the same terms in the Buffalo-
Niagara market, it was reported last year that the Court of Appeals had ordered the record recommitted to the commissioner for the making of explicit findings of fact, and that the commissioner had held a further hearing in the matter.

Following such hearing the commissioner made explicit findings of fact, and determined that Guernsey breeders were not entitled to special differentials from the equalization pool. Proceedings for review of this determination are still pending before the Appellate Division.

*Kirk v. Noyes*, decided by the Appellate Division in November, 1941, and reported in 262 A. D. 581, continued litigation begun in the Supreme Court for Ulster County the year before, at which time the dealer's application for an injunction restraining the commissioner from interfering with the dealers operations in certain territory, was denied by the court. (176 N.Y. Misc. 707.) Following such denial the dealer entered in the Special Term of the Supreme Court for Ulster County this action for a declaratory judgment as to his rights under his license and the existing orders of the commissioner. It appeared that the plaintiff dealer held a license permitting the sale of milk and cream in the Fort Ewan marketing area. By an order the marketing area of such unincorporated villages was designated "all that area within" a 3½ mile radius of the business center of such unincorporated village; but the same paragraph and sentence also designated as a market "every city . . . of this state . . . together with all those areas within a radius of three miles from the outer corporate limits of each such city." It further appeared that a radius of 3½ miles from the business center of Fort Ewan included a portion of the City of Kingston. In this portion the plaintiff dealer claimed a right to distribute. From a judgment of the trial court dismissing the action the dealer appealed to the Appellate Division which, in the opinion (by Hill, P. J.), observed: "The meaning of defendant's official order No. 124 is in question. A declaratory judgment will determine the disputed jural question." The court accordingly reversed the order of the Special Term dismissing the complaint.

This opinion is analyzed, critically, in the Columbia Law Review for May, 1942.

Of this year's New York cases probably the one with the widest general subject matter interest is *Morgan et al. v. Noyes*, decided by the Appellate Division in May. It arose on these facts:

On September 1, 1941 the commissioner amended the order regulating the Rochester market so as to require that
milk producer by producer-distributors and distributed by them on routes be included in computations of the marketwide equalization pool. Plaintiff Morgan and other producer-distributor plaintiffs, by complaint filed in the Supreme Court for Monroe County, complained that inclusion in the pool of sales of milk of their own production, was illegal and contrary to the evidence at the hearing; and they moved for a jury trial. Counsel for the commissioner moved to dismiss the complaint or in the alternative to vacate a stay previously granted. On Nov. 25, 1941, the court denied the plaintiff's motion for jury trial, and ordered the proceeding transferred to the Appellate Division. On May 6, the Appellate Division, by memorandum opinion (264 A.D. 823; 35 N.Y. Suppl. 2nd 465) confirmed the determination of the commissioner and dismissed the complaint. On motion of leave to appeal to the N.Y. Court of Appeals, the Appellate Division on July 1, 1942, by memorandum (264 A.D. 947, 36 N.Y. Suppl. 2nd 744) denied the motion. All of these decisions were made on technical grounds and in none was the problem discussed on its merits.

The remaining New York cases this year all deal with the exercise by the commissioner of his unique powers with reference to refusal of licenses.

In Kraft Cheese Co. Inc. v. Noyes, (263 A.D. 761) the Kraft Co., a subsidiary of National Dairies Corporation, not engaged in the fluid milk business but having extensive cheese routes, applied for a license to handle, under exclusive contract, soured cream produced by Breakstone Bros., another National Dairies subsidiary. It appeared that Breakstone had previously distributed its cream through another subsidiary; but had later transferred the major part of the good will of this business to certain independent jobbers, whose rights the contract between Kraft and Breakstone would ignore. The commissioner's determination refusing the license, was confirmed by the Appellate Division.

In Dellwood Dairy Co. v. Noyes, (263 A.D. 923), the dealer applied for a license to extend his area of operation. As reason for such extension, he offered evidence tending to show that he had lost substantial quartage during the period 1937-1940. The determination of the commissioner denying the application was unanimously confirmed by the Appellate Division on January 21, 1942. Application for leave to appeal was denied by the Appellate Division on March 11, (263 A.D. 1029). Subsequently leave to appeal was granted by the Court of Appeals, which however, later affirmed the decision of the Appellate Division without opinion.

In Reynolds v. Noyes (263 A.D.907) a producer milking 3 cows and selling only the surplus above his house-
hold needs, had applied for license in March 1939, been refused; and taken no appeal; in Nov., 1939, he reapplied for license, and it appearing that he had in the interim sold milk without a license, his second application was refused on that ground, which determination of the commissioner was confirmed by the Appellate Division, 4 to 1 (Hill, P. J., dissenting).

In Cooperdale Dairy Co., Inc. v Novak (264 A.D. 924, 36 N.Y. Suppl. 2nd 417) the commissioner denied the dealer's application for permission to erect and equip additional milk plants (on what grounds does not appear). The Special Term of the Supreme Court struck out several paragraphs of the dealers petition for review, which order the Appellate Division affirmed by memorandum opinion on July first, 1942.

Oregon. The Circuit Court of the State of Oregon has, during the year disposed of two cases, both involving sale of milk to federal agencies at less than the minimum resale prices fixed by orders of the board.

In Milk Control Board v Greger et al. the board in June sought an injunction in Multnomah County against Florence Greger and Beaver State Dairy on account of sales to a United States veterans hospital. A temporary injunction was issued by the court, and upon hearing the defendants consented that the injunction be made permanent.

Later the board in the Circuit Court for Clatsop County sought to enjoin a distributor who was selling milk to a United States Army post known as Fort Clatsop at prices below the fixed minimums. At the hearing to show cause why a temporary injunction should not issue, the court felt there was reasonable ground to believe (a) that Ft. Clatsop was not in the marketing area covered by the board's order, and (2) that the sale was made on land ceded to the United States. A temporary injunction was accordingly refused. Shortly afterward, the contract in question expired, and was followed by a new contract at the proper prices. As a result of this, no further proceedings were had.

Pennsylvania. A year ago report was made of the case of Penn Dairies, Inc. v. Pennsylvania Milk Control Commission, decided in the Court of Common Pleas for Lancaster County. Penn Dairies, Inc. had sold milk to the United States Army at Indiantown Gap Reservation, a tract of land owned by the Commonwealth of Pennsylvania and used by the U. S. Army as a training camp, at less than the minimum prices prescribed by the order of the commission. The commission issued to the Penn Dairies Inc. a citation to show cause why its license should not be refused and after hearing and findings, issued orders suspending and refusing

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its license. The distributor appealed from the commission's decision to the Court of Common Pleas. There the United States of America was granted leave to intervene as a party in interest. After a review of the commission's determination the Court of Common Pleas (per Schaeffer, P. J.) sustained the commission's orders, and both Penn Dairies, Inc. and the United States appealed to the Superior Court.

In Penn Dairies, Inc. (United States, Intervener) v. Milk Control Commission, decided by the Superior Court, the judgment of the Court of Common Pleas was affirmed. Appeals were taken by the plaintiff and intervenor to the Pennsylvania Supreme Court, which by memorandum adopting the Superior Court opinion (Kenworthy, J.) affirmed the judgment of the Superior Court (344 Pa. 635, 26 Atl. 2nd 431).

In this opinion Judge Kenworthy held (1) that the statutory direction that the commission fix the minimum prices "to be charged for milk sold within any milk marketing area" applied to milk sold to agencies of the federal government and (2) that the order does not impose an unconstitutional burden on the federal government. Concerning the latter point he placed emphasis on the following (page 435): "The Reservation can buy milk as others buy milk and at any price which competition may fix, not lower than the established minimum. There is no burden on it which does not likewise fall upon all users of milk, including institutions of this Commonwealth. No attempt is made in the law or in the Order . . to give any order or direction to the Reservation or its officers. The incidence of the law is upon dealers of milk."

On the contention that the commission's order contravened the United States statute directing award to the "lowest responsible bidder for the best and most suitable articles," he said (p. 436) "It is the milk control law/does no more than put all bidders on an equal footing with regard to the minimum price, and its primary purpose is to assure responsibility with all that the word implies."

During the past year there have doubtless been many other cases of general interest decided by the courts of the Pennsylvania and reported in the numerous and valuable reports of that commonwealth which are not generally available, but in the confusion of our time no list or summary of these is yet available.

Rhode Island. Geo H. Constock v. Milk Control Board, decided by the Superior Court on October 2, arose under the board's Order No. 54, prohibiting special deliveries and call backs, and restricting retail delivery to
every-other-day, in substantially the same terms as the order of the New Hampshire board involved in Cloutier Bros. v. Freeman. At a hearing before the board it was admitted that the dealer had made daily deliveries by rubber-tired gasoline-driven vehicles to certain customers, and an order was entered revoking his license. From this order the dealer appealed to the Superior Court, which after hearing and argument denied and dismissed the dealer's appeal, and affirmed the order of the board revoking his license.

The court (Churchill, J.) observed that the Rhode Island Milk Control Law (§ 4(a)) gave the board power to provide full and reasonable regulation of the milk industry; that Order No. 54 was passed as a part of the national government's effort to save gasoline and tires; that the order was reasonably adapted to effect that result; and held that such order was under the conditions now confronting the nation, a reasonable and valid regulation. General counsel for the Office of Defense Transportation collaborated with the Attorney-General of Rhode Island on the case prior to trial.

Vermont. The Vermont statute, similarly to that of many other states, empowers the board to fix prices in a market "whenever the board shall determine ... after public notice and hearing, that the public health is menaced, jeopardized or likely to be impaired or deteriorated by the loss or substantial lessening of the supply of milk of proper quality."

Such provisions have always raised a question as to just what type of evidence is necessary to support a finding that the public health is menaced or likely to be impaired by the loss or substantial lessening of supply? It is sufficient that there is evidence tending to show that, if prices are not fixed it is likely that there will be such a substantial lessening of supply as to render inadequate a supply at present sufficient and so impair the public health? Or is it necessary to wait until the animal is out of the barn, and then put in evidence that the supply has already been so substantially lessened that the public health is menaced or likely to be impaired? An answer to this question has now been given. The Vermont Supreme Court on January 6, 1942 held that this horse must be out of the barn before there can be any justification for locking the door.

The case, entitled In re Swanton Market Area, arose on these facts: On January 15, 1941, the board, after public hearing on a petition for enlargement of the Swanton Market Area, by order enlarged the area. Thereafter several residents of the enlarged area petitioned the board to abolish and disestablish the area. After hearing on this petition, the board on April 7, 1941, found that the public health in the enlarged area was menaced and likely

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to be impaired by the loss or substantial lessening of supply; and that the prices set forth in an order of the same date would best protect the milk industry, insure a sufficient supply of wholesome milk, and best promote the public interest. After making such findings, the price order was issued.

Thereupon several residents of the area instituted this proceeding in the Vermont Supreme Court, and contended that the board's findings were without supporting evidence, based on mere conjectures, assumption and speculation.

The testimony placed in evidence by the petitioners in the hearing before the board, showed that Swanton is in a milk producing section, that most of the milk is shipped from there to the Boston market; that during most of the year prior to January 15, 1941, milk so shipped had returned to the producer less than 5¢ a quart; that several farmers in the area prior to January 15, 1941, sold milk at 5¢ and 6¢ a quart to many families who came to their farms to get it. (What evidence there may have been that such a lessening of supply as would impair the public health was likely to occur if prices were not fixed, does not appear in the opinion.)

The court examined Section 1 of the Vermont act, a preamble headed "General Policy of the Act," which section declares among other things, that "due to certain unfair, unjust, destructive and demoralizing trade practices carried on by those engaged in the production, sale and distribution of milk for human food, which are likely to result in the undermining of health regulations and standards, the dairy industry and the constant supply of pure milk to the inhabitants of the state are imperiled, and such conditions are a menace to the health, welfare and reasonable comfort of the inhabitants of the state." Referring to this language the court said that it was a legislative finding that such conditions (i.e. those "likely to result in the undermining of health regulations and standards") existed "throughout the state." Neither the words "throughout the state" nor any equivalent is to be found in the preamble. Having read this concept into the preamble, the court was then enabled to conclude that it would be absurd to construe the price fixing section as empowering the board to fix prices upon a "finding merely that a loss or substantial lessening of the supply of milk of proper quality in a specified area is likely to occur and that thereby the public health is likely to be impaired," for that would be "a mere recital that there is present in such area a condition which the legislature has already found to exist not only there but also, "(on the court's construction of the preamble) "in all other parts of the state." On this reasoning the court laid down the rule: "Before the board can lawfully establish prices to be paid
for milk or cream in any specified market area, it must first find from competent and proper evidence that there has occurred in such area a loss or substantial lessening of the supply of milk of proper quality and thereby the public health is menaced or jeopardized or is thereby likely to be impaired or deteriorated. The board's order fixing prices for the Swanton market area was accordingly "set aside, vacated and held for naught."

It is submitted that the explanation for this decision is not to be found in the Vermont statutes, but in the appeal made to the judicial mind by the picture of the consumer walking into the barnyard, pitcher in hand, and agreeing with the producer on a price financially advantageous to both. Compare with Milk Control Board v. Pursifull, decided in Indiana, discussed above, and known in some midwestern circles as the "bacteria soup" case. The basic reason for the two decisions is doubtless the same.

Virginia. The order of the state milk commission fixing minimum prices to be charged for milk in the Arlington-Alexandria market contains a regulation requiring a charge of one cent per quart more for milk sold in paper containers than for that sold in glass bottles.

The plant of the Lucerne Cream and Butter Co. is located in the District of Columbia, where its milk is largely packaged and sold in paper containers. Having a substantial volume of business in the Arlington-Alexandria market, the company petitioned the Circuit Court of the city of Richmond for relief from this regulation, contending that the board's power to fix prices was limited to milk, and did not extend to the pricing of containers, and that the regulation was an arbitrary and unreasonable discrimination.

On September 21, 1942, the Circuit court (Gunn, J.), in the case of Lucerne Cream and Butter Co. v. State Milk Commission, entered a decision holding that the regulation is neither arbitrary nor unreasonable and sustaining the authority of the state milk commission to adopt such regulation. No opinion was filed. Up to September 25, it was not known whether or not the petitioner would appeal to the Virginia Supreme Court of Appeals.

United States. The principal decision involving interpretation of the U. S. Agricultural Marketing Agreements Act of 1937, rendered this year unquestionably is

U. S. v. Wrightwood Dairy Co., decided by the U. S. Supreme Court, and reported in 315 U. S. 110. The government brought a bill in the U. S. District Court for the Northern District of Illinois, Eastern Division,
seeking to enjoin the respondent dealer from violation of the order of the Secretary of Agriculture regulating the handling of milk in the Chicago marketing area. It appeared that the respondent's business was entirely conducted within Illinois, there was no inter mingling of inter state milk with the milk of Illinois producers purchased by him and distributed; it further appeared that prior to the issuance by the Secretary of the order 60% of the milk distributed in the marketing area was produced in Illinois, and "approximately 40%" produced in neighboring states; that the milk distributed by the respondent in the marketing area came in competition with inter state milk.

From a decree of the District Court dismissing the bill, the government appealed to the Circuit Court of Appeals, 7th Circuit, which by opinion (123 Fed. 2nd 100) affirmed the decree below.

After argument of the case before the U. S. Supreme Court, the court reversed the order of the Circuit Court of Appeals, and returned the case to the Circuit Court for further proceedings.

The opinion, written by Mr. Chief Justice Stone, said in part (p. 118) "The power of Congress over inter state commerce is plenary and complete in itself, may be exercised to the utmost extent, and acknowledges no limitations other than those prescribed in the constitution [citing Gibbons v. Ogden]. It follows that no form of state activity can constitutionally thwart the regulatory power granted by the commerce clause to Congress. Hence the reach of that power extends to those intra state activities which in a substantial way interfere with or obstruct the exercise of the granted power."

This is a square decision that a 40% interstate tail can wag a chubby 60% intra state market. The question in everyone's mind, of course, is: How short can the tail become and still retain its spectacular power? The only hint of an answer found in the opinion is the language quoted above, that the reach of the power granted Congress by the commerce clause of the constitution extends to those intra state activities "which in a substantial way interfere with or obstruct the exercise of the granted power." On the question of how small a percentage of milk may substantially interfere with a market, it is recalled that the master who heard the evidence in the Hood case (which was later decided by the U. S. Supreme Court in the government's favor in June, 1939) in his report made a specific finding that as little as a carload a day was sufficient to upset the Boston market. At the time of that finding a carload was approximately 1.2% of the market's daily receipts.
On May 4, 1942 the Circuit Court of Appeals for the 7th Circuit (decision reported 127 Fed. 2nd 907), rejected the handler's objections to the procedure of the Secretary of Agriculture, including a contention that the variance between the proposed marketing agreement described in the notice of hearing on the one hand, and the tentative approved agreement submitted to the market, voted on, and the order as issued, on the other hand, was so great as to invalidate the notice; and entered a decree accordingly.

In Elm Spring Farm v. U.S., decided by the Circuit Court of Appeals, 1st Circuit, on May 8, 1942 (127 Fed. 2nd 920) the court (in a lengthy opinion by Magruder, J.) sustained the District's Court decision reported a year ago. In that case the dealer organized a "cooperative" which leased his plant, "bought" the farmers cows (using stock-certificates as payment) hired the farmers as "herdmasters" by paying them the announced market price plus 23¢ a cwt. The "cooperative," as a producer-dealer, claimed exemption under the order from the equalization pool. The court said that as the weird net work of agreements was so constructed as to relieve the cooperative of all risks of loss in the production of milk, the cooperative could not be deemed the producer of the milk regardless of its paper title to the cows.

In U. S. v. Farmers Cooperative Milk Co., decided by the U. S. District Court for the Northern District of Illinois, Eastern Division, on July 21, 1942, it appeared that the defendant handler for several periods reported milk as sold to the Badger Cheese Co. and others allegedly for Class II and Class III purposes; that the Badger Cheese Co. kept no records showing its utilization of milk, and auditors of the market administrator found it impossible to determine from the records of either the defendant or the Badger Cheese Co., or other purchasers how the milk had been used; that the order provided that all milk classified in accordance with such reported sales was "subject to verification by the market administrator"; that the market administrator, unable to verify the use thereof, reclassified the milk as Class I and billed the defendant accordingly. The court held that the language of the order was in accordance with law and "places the burden on the handler who purchased milk from producers of proving to the market administrator that such milk should not be classified as Class I milk." The court accordingly entered judgment for the plaintiff in the amount of $10,297.

New Hampshire. Advice is received just as this report is concluded, that on October 6, the New Hampshire Supreme Court filed its decision in Cloutier Bros. v. Freeman. The final order followed closely the terms of the interlocutory order, and upheld the right of the board to
enforce its order for every-other-day delivery of milk when rubber tires or gasoline are used, because decreasing such use constitutes a direct contribution to the war effort. On the other hand the justices were of the opinion that "prevention of too frequent deliveries in a forbidden manner is not thought to be aided in any measurable degree by imposing the same limits of frequency on deliveries not in themselves harmful." The state's claim "that a total ban on daily deliveries of milk will aid in enforcement of the ban on use of motorized and other rubber tired vehicles in making deliveries seems no more than an assertion. An order that a competitor may not take advantage of his method and opportunity merely because those with whom he competes do not employ his methods or have his opportunity, is beyond the scope of regulative power . . . . The inroad upon individual rights is too great to justify so drastic an order . . . At the best, the balance of private over public interest is too great to justify so drastic an order."

**SUMMARY**

In summary, it seems that the cases of the year reflect few significant or widespread trends.

(1) The Penn Dairy decision by the Pennsylvania Supreme Court, the Pacific Coast Dairy decision of the Supreme Court of California, and the lower court cases, show a decided trend of state courts toward upholding the authority of state boards to revoke the licenses of dealers who sell to agencies of the federal government at less than the minimum prices prescribed for the area. No great importance, however, can be attached to this, as the ultimate decision will be made by the United States Supreme Court.

(2) The Pursifull case in Indiana and Swanton Market case in Vermont, whose setting no common legal principle, both emphasize the judicial pitfalls across the path toward solution of milk control's most thorny problem, cash-and-carry-sales at the producer's farm.

This survey of the year has been based on reports received from officers of the milk control agencies in all provinces of Canada, except Nova Scotia and British Columbia, and from all states having milk control legislation in force, except Pennsylvania. To receive and digest these reports from all parts of the Dominion and of the Union has been a privilege. Such degree of completeness or accuracy as the report may have, must be credited to this generous cooperation of the officers and counsel of the several agencies.

**MR. STEWART:** We thank you very much, Mr. Carpenter. I am sure that all of you will agree with me in
the remarks that I made when Mr. Carpenter came up to make his talk, that they are always most complete and thorough. Are there any questions anyone would like to ask Mr. Carpenter?

MR. CORT: I might say that Mr. Carpenter is a little modest. The material is mimeographed, and will be mailed to every member of the organization.

MR. STEWART: When we get into a tight spot in court cases back home, we refer back to some of this information that Park has sent us, and it always helps out.

MR. STEWART: I know we would be interested to know and have information on the registration so far. I would like Mr. Fee to give that information.

MR. FEE: I am glad to report that we have very good attendance, and it justifies the final decision to hold this meeting this year. You will recall that last year at Quebec it was decided to meet in Yellowstone Park. Then in May, because of the emergency conditions, we thought we would like to meet in Washington. We were not successful in making arrangements for Washington because of crowded conditions there. Then Mr. Woods came across and fixed us up in Richmond. The attendance justifies the efforts made to hold a meeting this year. I know there are some who have not registered, but we already have representatives from 12 states, and also a number of representatives from the District of Columbia, from the Dominion of Canada, and at least one or more of those come from the Province of Ontario and also the Province of Quebec. So if you want to count those, it will give a total of 16. I am told representatives are expected some time today from four additional states. Will those who have not registered please do so. We make an attempt to get the record into the hands of those who attend, and unless you register, we will not have your name and address on our record.

MR. STEWART: That concludes the program for this morning, and I do want to request that all of us try to be here as promptly as possible at 1:30. We have a most interesting program for this afternoon, and it is a very full program. We would appreciate it if we were all here on time.

MR. FORAN: Mr. President, you will remember that last year it was my privilege to present two of the members of the New Jersey Milk Control Board, of which you know we now have three, and we are very highly honored this year in having our lady member, Mrs. Mary Prall Logue, a full fledged member of the Milk Control Board of New Jersey, and I will ask Mr. Borden, the other member of the Board, to escort Mrs. Logue up so that you may see a real lady member of a real Milk Control Board.

MR. STEWART: Mrs. Logue, we are glad to have you with us.
Afternoon Session - October 8, 1942 - 2:00 P.M.

MR. STEWART: It has been deemed advisable to re-arrange the program somewhat this afternoon, and so in the beginning we will appoint these four committees, and hope that you gentlemen will please take note. The first name will of course be the chairman, and the other two members will serve.

Resolutions Committee:
- Mr. Duncan of Georgia
- Mr. Aycock of Alabama
- Mr. Kuhnt of California

(NOTE: The President subsequently increased this committee to five)

Nominations Committee:
- Mr. Humrickhouse of Indiana
- Mr. Mapes of Oregon
- Mr. Nadeau of Ontario

Committee on Legislation:
- Mr. Carpenter of Harrisburg
- Mr. Hammerberg of Connecticut
- Mr. Ficht of Florida

Committee on Meeting Place:
- Mr. Hull of Rhode Island
- Mr. Lasher of New York
- Mr. Turner of Virginia

You will note from the program that it is expected that you will give us your reports tomorrow afternoon.

MR. STEWART: I am delighted at this time to turn the program over to our presiding officer of the afternoon, and as always with the members of this organization, when something happens that one can't function, another will step in and pinch hit for him. Mr. Humrickhouse has a bad throat, and somewhat under the weather this afternoon, so pinch hitting for him we have another member of our Executive Committee, Mr. John Hull of Rhode Island.

MR. HULL: Thank you, Mr. Stewart. I think, Gentlemen and Ladies, that without any preliminaries, in view of the hour, we will get right down to the program. It has been suggested that the order of the program be reversed this afternoon. Last fall those of us who were fortunate enough to be in Canada and accept the hospitality of our brother Canadians, have many pleasant memories, and at this time I would like to introduce the Hon. J. Peter Nadeau, Director of Dairy Products, Wartime Prices and Trade Board of the Dominion of Canada. Mr. Nadeau.
MR. NADEAU: Mr. Chairman, Ladies and Friends:

Thanks to the kind cooperation of my friend, Mr. Boisvert, who is distributing a few copies of this address, I hope that it will be possible for many to follow me quite closely in the remarks I have to make with respect to war-time controls in Canada at the present moment. I am sorry I do not think there is enough copies for everyone in the room, but if you will scatter them throughout, I am sure everyone will be able to have a glimpse. I have also brought with me copies of several orders to which I will refer this afternoon. In order to save time, the orders will be placed at the desk with Mr. Fee and anyone can come up and get one. I have also brought a chart showing the schedule set up of the Food Administration under the Wartime Prices and Trade Board. The purpose of bringing this chart was to place before you in picture form the working organization we have set up in Canada. Also --- this is particularly addressed to the Milk Control Boards of the various states --- I brought with me a few copies of a study we made in 1941 of the distribution of fluid milk and the manufacture of dairy products across Canada. This was a study made by the Wartime Prices and Trade Board, and there again, if I have not sufficient copies, anyone not securing a copy can leave his name with me, and I will be pleased to send them a copy when I return to Ottawa. I might say at the offset that I was quite pleased to have the opportunity of attending the 8th annual convention of the International Association of Milk Control Agencies. The heavy control duties in Ottawa, and they are increasing every day, has made it rather difficult for me to leave. However, at the last moment I managed to get away. In this report which I am going to give you today, and I have asked the chairman to stop me at any point if I talk too long, I am hoping to give you a brief picture of the situation as it was, and the situation as it is today.

The Dairy Industry of Canada is a young industry - the growth of which dates back to recent years and is closely related to the industrial and economic growth of the Dominion of Canada itself.

Speaking to you today on Wartime Controls in Canada and the Dairy Industry, I will not speak only of the fluid milk industry, as the controls exercised on other branches of the industry have an important bearing on the entire problem; however, the main emphasis of this address will be on the Fluid Milk Industry. I sincerely hope to be able to give you some new information and perhaps, add something to your knowledge of our control organization, our main problems and the results obtained in the short time we have been in existence as a Wartime Price and Trade Board.
When the over-all control of prices by the Wartime Prices and Trade Board came into effect in Canada, on December 1st, 1941, milk control had already been in effect for some years in 8 of the 9 provinces of the Dominion, and I think it would be most fitting at this point to give a summary of the milk control organization in each province of Canada, before going on to the newer control under the Wartime Prices and Trade Board.

Public Control of the Fluid Milk Industry in Canada is relatively new. It started during depression years when the general price index and prices paid to farmers were at a low level and when farm prices were out of line with the general price level of all commodities. Milk prices followed the trend of prices of all farm products and the price of milk to farmers was drastically low and out of line with the cost of production of this essential food. The purchasing power of the average consumer was low. Milk sales were at a low level and a large volume of surplus milk was shipped to our most important markets, thus reducing still further the average returns to producers. Milk control in Canada came as an emergency measure to establish fair prices and orderly marketing.

Reviewing our Dominion from east to west, the following provincial milk control bodies were organized in the years 1931 to 1936.

**Prince Edward Island**

The Milk and Cream Producer, Distributor, Vendor Protective Board, as it is called, was organized in 1936. This Board has limited powers and is made up of a representative of each of the following: Provincial Dairy Department; the distributors; the producers; the vendors; and the municipal council, acting for the consumers. Prices are established only for the city of Charlottetown which is the capital of the province, and are arrived at by agreement between all parties concerned.

**Nova Scotia**

The Dairy Products Arbitration Board of three members, organized in 1936, has broader powers and decisions rendered are subject to approval of the Provincial Cabinet of Ministers. Prices are established for some ten cities, after due consideration and study have been given to requests made by all parties concerned.

**New Brunswick**

The Dairy Products Commission of three members, organized in June, 1935, when organized, this Commission obtained the necessary authority to establish milk and cream
prices throughout the Province. It now establishes prices for milk and cream on some twenty-two markets and the orders of this Board become law when published in the Royal Provincial Gazette. Two methods of payment are permissible, and markets are classified according to the method used. Under Plan A, milk is paid for on the basis of butter fat test and weight; under Plan B milk is purchased and paid for on gallon measure. On some markets both plans are used, Plan B being used by small distributors.

Quebec

The Quebec Dairy Industry Commission also of three members was first organized in 1934. In 1940 it was reorganized, and a commission of five members was appointed. This change brought in a representative of the milk distributors and left the majority of the commission as neutral. This is the only place in Canada where Milk Distributors are directly represented on the milk control body. A further reorganization came in 1942 and the commission is now composed of three members --- a Farmer, a Milk Distributor, and a Neutral Chairman.

This Board establishes milk prices on some fifty markets. No cream prices are established. The powers of the Board are broad and its decisions become law when published in the Provincial Gazette. The outstanding feature of the work of this Commission as compared to others in Canada has been the strict control of resale prices.

The similar features of the milk control bodies of Quebec and of the Maritime Provinces are that:

1. No surplus milk is allowed. All milk purchased must be paid for on the basis of the established prices.

2. Prices are established by the public control bodies with the exception of P. E. I. where agreements are sanctioned.

Ontario

The Milk Control Board of Ontario organized in 1934, sanctions agreements on milk and cream prices between producers and distributors on some 80 markets. The outstanding features of this Board are that:

1. It has always sanctioned agreements and in but few cases has it established prices by arbitration. The Board has power to arbitrate when an agreement is impossible.

2. A formula price is established by this Board for milk not sold as fluid, but manufactured into various dairy products. This formula price applies to at least 15% of
the quota milk supplied by each producer -- 85% being paid
the fluid milk price.

The Powers of this Board are comparable to those
of the Quebec Commission, and this Board has given a lot of
attention to trade practices and good understanding between
farmers and distributors. This Board is made up of two
members and a secretary.

The Prairie Provinces -- Manitoba, Saskatchewan and Alberta

The Manitoba Milk Control Board and the Saskatch­
ewan Milk Control Board are quite similar to those of Que­
bec and Ontario. The headquarters of the Manitoba Board
are in Winnipeg, and of the Saskatchewan Board, in Regina.
These Boards establish milk prices, as the Quebec Board
does, but admit the use of a surplus formula price as in
Ontario, where the price fixing is carried out by agree­
ments.

In Alberta, milk is considered a public utility
and the control of prices comes under the jurisdiction of
the Chairman of the Board of Public Utility Commissioners,
Edmonton, Alberta. In this province, the milk prices are
established by public hearings at which producers, consum­
ers, and distributors are asked to present their views and
requests. The Chairman then takes the decisions in the
light of the information so obtained. Prices are establish­
ed both for fluid milk, cream and for surplus or manufac­
tured milk.

British Columbia

In this province some work has been done in the
field of milk control, but it has shown little effect on
the situation of milk prices and marketing organizations of
this product. At the present moment, we have no provin­
cial control body in operation and the present prices, which
are lower than those in other comparable cities, are the
result of agreements between producers and distributors.
The present situation concerning Provincial Milk Control
is not clearly defined in this province. The Wartime Prices
and Trade Board has recently issued orders establishing max­
imum and minimum prices for milk and cream in the two larg­
est markets of Vancouver and Victoria in the Province of
B. C.

SummMARY:

The work done by these control bodies in the past
ten years has been such that today in all important markets
of Canada milk control is no longer an emergency measure,
but is established and will remain as the medium through
which problems can be solved, agreements can be reached,
and information obtained and compiled. Milk Control Boards are still needed to maintain orderly marketing and to protect the honest producers and distributors. Milk Control bodies in Canada are not as yet working in their final form. This result has not as yet been reached but important changes are taking place, and today, every milk control organization of Canada is studying and adopting more stable measures of work. Some of these can be outlined as follows:

1. Application of a compulsory minimum of accounting to all milk distributors.

2. Collection and accounting of facts from producer associations.

3. Compilation of more complete data concerning all phases of the milk industry.

4. Application of economic study and analysis to all phases and problems of the milk industry.

These and other new measures adopted have thrown more light on the field of milk control but they have also brought new problems with which the control bodies have to cope, and which are demanding more permanent solutions.

The regular program of the Provincial Milk Control Boards has been somewhat disturbed by the war and the application of war measures, under the Wartime Prices and Trade Board. These Provincial Milk Boards must be complimented on the way they have adapted their programs to the new conditions, and in the way they have and are cooperating towards effective price control. The task of applying effective milk control in Canada would be extremely difficult without the work and generous cooperation of these Provincial Boards. I think it is most opportune at this time for me, as Director of Dairy Products for the Wartime Prices and Trade Board to say to these Provincial Boards, a sincere "thank you" for the work they are doing and the assistance they are giving.

To the advisory committees of the National Dairy Council - and the Dairy Farmers of Canada, we also owe a sincere "thank you" because both these associations, through their advisory committees have been of great assistance in working out solutions to our various problems, and in supplying us with experience and vital information concerning the production and sale of milk and milk products.

Control of The Dairy Industry Under the Wartime Prices and Trade Board

Measures Adopted, Orders Sanctioned, The Present Situation, Future Outlook

The Wartime Prices and Trade Board was appointed
soon after the declaration of war by the Canadian Government in September 1939. During the first two years of its existence this board exercised its powers to control the Canadian cost of living by the application of control on the price and supply of certain vital commodities in order to prevent undue price increases, or a scarcity of these commodities. As far back as 1940 this board gave particular attention to the price of milk and milk products and all upward price adjustments of these products were carefully scrutinized.

I need not mention the reason for this particular attention to milk and milk products. As you all know, the importance of milk as a food and its importance as an item in the consumer's budget is indicated in the attached table (table 1) which shows that milk and dairy products represent 8.5% of the food index which in turn represents approximately one-third of the total cost of living index.

Table 1
Factors in the Cost of Living Index

<table>
<thead>
<tr>
<th>Total Index</th>
<th>Food Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Care</td>
<td>Eggs</td>
</tr>
<tr>
<td>Health</td>
<td>Vegetables</td>
</tr>
<tr>
<td>Life Insurance</td>
<td>Fruits</td>
</tr>
<tr>
<td>Recreation</td>
<td>Dry Groceries</td>
</tr>
<tr>
<td>Transportation</td>
<td>Cereals</td>
</tr>
<tr>
<td>Fuel and Light</td>
<td>Dairy Products</td>
</tr>
<tr>
<td>Home Furnishings</td>
<td>Fish &amp; Meat</td>
</tr>
<tr>
<td>Clothing</td>
<td>9%</td>
</tr>
<tr>
<td>Shelter</td>
<td>12%</td>
</tr>
<tr>
<td>Food</td>
<td>31%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

During the years 1939 and 1940, milk prices increased in most all important Canadian markets. These increases accompanied in most cases the recovery from depression and the industrial expansion which was taking place across the whole Dominion.

During this period also new markets were placed on the controlled list by Provincial Milk Boards and price structures were readjusted to meet new producer demands and new market conditions. The rapid expansion of military training centres and the opening of the Royal Canadian Air Force Training Schools, along with the expansion of industry, brought new supply problems and on many markets Provincial Boards had to meet entire new conditions.

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During this period also, production of manufactured dairy products was being stimulated. This increased production was required to meet the heavy demands of the British Ministry of Food and the increased domestic consumption brought about by an increased activity of our Canadian people and an ever increasing purchasing power. The prices of these manufactured dairy products were determined in large part by the contract prices that had been established in export contracts by the Dairy Products Board (Table 2). The prices of cheddar cheese and concentrated milk products were, generally speaking, established by contract prices whereas the price of butter was established on open market and influenced to a certain degree by the supply and demand position. In the fall of 1940, however, the Wartime Prices and Trade Board established a maximum wholesale jobbing price of 35 cents per pound at Montreal. This order was rescinded in May 1941, and replaced by an order of the Dairy Products Board which established minimum prices as stated in (Table 2). This order was also rescinded on October 31st, 1941.

THE WARTIME PRICES AND TRADE BOARD REGULATIONS

In October 1941 the Wartime Prices and Trade Board was reorganized by the Canadian Government. A new policy of overall price control was announced and a division of Food Administration was formed. A tentative chart of this administration is attached for your information.

TABLE 2 - CONTRACT PRICES, PRICE SETTING MEASURES AND GOVERNMENT PAYMENTS

CHEESE

War Experience 1914-1920

July, 1917 to April 1918 - export cheese price set at 21$ lb.
May, 1918 to Sept., 1918 - export cheese price set at 23$ lb.
Oct., 1918 to Dec., 1918 - export cheese price set at 25$ lb.

Control lifted in 1919 but British Ministry of Food bought 20,000 tons of the 1919 production @ 25$ lb.

May 2, 1939 - Effective July 1st, 1939, quality premiums paid by Dominion Government for 94 score cheese 2c. and for 93 score 1c. per lb. Payments fiscal year 1939-40, $598,045; 1940-41 $1,054,497.

May 20, 1940 - First contract with Britain 78.4 mil. lb., shipped 93 mil., price 1st grade cheese 14c. f.o.b. Montreal.

Jan. 10, 1941 - Dominion Government bonus 0. 6c. lb. paid on cheese exported to United Kingdom. Effective date April 1, 1941.

Feb. 1, 1941 - Ontario Government bonus 2c. lb. payable on all cheese manufactured from milk produced in province. Quebec Government bonus 2c. lb. on 1st grade cheese.

May 30, 1941 - Effective May 26, 1941. Dominion Government bonus raised to 1.6c per pound.


Nov. 12, 1941 - Wartime Prices Board Order No. 65 established maximum price Ontario and Quebec cheese 25c. for 1st grade f.o.b. factory shipping point.

Dec. 31, 1941 - Note: Estimated bonuses paid during 1941, Dominion 1.6c, $1, 950,000; Dominion quality $1,250,000 and Provincial bonuses $2,525,200.

April 22, 1942 - Third contract with Britain 125 mil. lb. price 1st grade cheese 20c. F.O.B. Montreal. Wartime Prices & Trade Board establishes maximum price for domestic sales effective May 1 at 24c. for 94 score F.O.B. factory shipping point. This includes all government bonuses. Ontario has announced continuance of 2c. bonus for 1942.

BUTTER

Dec. 27, 1940 - Wartime Prices & Trade Board establishes maximum price as that ruling on Dec. 12, 1940. Montreal wholesale jobbing price 35c. that date, Order rescinded May 1, 1941.

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Jan. 10, 1941 - Power given Dairy Products Board to set minimum prices, to buy, store and export.

May 1, 1941 - Wartime Prices & Trade Board Order No. 42 rescinded maximum price Order No. 26 effective on and after May 10/41.

May 10, 1941 - Dairy Products Board Order No. 21 establishes minimum wholesale prices Eastern and B.C. 29½¢, 1st grade butter in May; Alberta and Manitoba 27½¢, and Saskatchewan 26½¢. Increase of ½¢ per month allowed until Oct. 31, 1941.

Oct. 31, 1941 - Prices again came under Wartime Prices and Trade Board control.

Nov. 1, 1941 - Authority given Dairy Products Board to buy for storage or export at prices agreed upon by Wartime Prices & Trade Board. $1,500,000 appropriated for this purpose.

Dec. 1, 1941 - Ceiling price No. 1 wholesale butter Montreal during basic period Sept. 15 - Oct. 11, 35½¢ lb.

Apr. 22, 1942 - Maximum wholesale prices established by Wartime Prices & Trade Board, basis 35¢. first grade solids in Quebec and Ontario and British Columbia, 35½¢ in the Prairie Provinces, and 35 3/8 in the Maritime Provinces for the period to Oct., inclusive. An increase of ½¢ per month permitted from November, 1942, to February, 1943, inclusive, and ½¢ for the period including March and April, 1942.

July 1, 1942 - Subsidy of 0.06¢ per lb. on butter fat announced by the Wartime Prices & Trade Board. Subsidy paid on all butter fat churned into creamery butter.

MARKET MILK

Dec. 19, 1941 - Wartime Prices & Trade Board announces payment of a subsidy of 30¢ per 100 lbs., over and above the present lawful price to producers of fluid milk in all areas where no increase in milk price has occurred since August, 1941.
Effective May, 1942 - Milk subsidised discontinued
Wartime Prices & Trade Board April 22, 1942, announced complete reorganization of ceiling prices on milk.

Sept. 1, 1942 - Subsidy of 25¢ per 100 lbs. announced by Wartime Prices & Trade Board. Subsidy payable on milk sold for fluid distribution over and above the definite price.

CONCENTRATED MILK PRODUCTS

Evaporated Milk:

1st contract - July 1/40 - March 31/41, 751,362 cases @ $3.75 case Montreal

2nd contract - April 1/41 - March 31/42, 658,000 cases @ $4.00 case Montreal
4.125 if wooden cases.

3rd contract - May 1/42 - April 30/43, 668,000 cases @ $4.45 case Montreal.

Dec. 19, 1941 - Wartime Prices Board announced payment of subsidy of 40¢, per 100 pounds of milk over and above the minimum of $1.70 per 100 pounds or the present price, whichever is higher, to producers of milk sold to manufacturers of concentrated milk products.

Apr. 22, 1942 - Effective May 1 subsidies discontinued.

May 1, 1942 - Increase of ½¢ per can on evaporated milk approved by the Wartime Prices & Trade Board. Price adjustments granted on Milk Powder.

During the first two years of the war, the cost of living index in Canada increased gradually (Figure 2) and supplies of consumer goods were available to meet consumer demands and the increased purchasing power, was in large measure, met by increased production of civilian goods.
In May of 1941, due to the developments of war and increased Canadian war production, the shortage of civilian goods became more apparent and the cost of living began increasing much more rapidly (Figure 2). The increase in the food prices followed the same trend as the prices of all commodities, but increased more rapidly and to a greater extent. The general index advanced by approximately 7% during the period May to November 1941 whereas the food index during the same period advanced more than 15% (Figure 2). The index of milk prices shows a firmer trend but two increases were registered during the period May to November 1941.

During this same period 1939-1942, wholesale prices in Canada followed the same trend as the cost of living in Canada and a gradual increase was registered in the wholesale price of all commodities (Figure 3).

During the period 1939 to August 1942 wholesale prices of all commodities increased by 22% over and above the 1926 level. Wholesale prices of all farm products show the same trend although the increase registered during this period was only 15%. Live stock products in August 1942 were 47% above the 1926 level and have been higher than the wholesale prices of all commodities since the outbreak of war.

Wholesale prices of milk and milk products have followed the wholesale prices of all commodities more closely, but as indicated in (Figure 3) these prices were below the general price level of all commodities during most of the two years 1939 and 1940. The position of milk prices was especially unfavourable during the summer months when important seasonal declines in prices took place. Since 1941, however, wholesale prices of milk and milk products show a better relationship to the general level of all wholesale prices and during the larger part of the years 1941 and 1942 to date were above the general level of all wholesale prices. From 1939 to August, 1942, wholesale prices of milk and milk products increased by 23%.

The wholesale price index for farm products as shown in (Figure 3) does not clearly indicate the level of all farm prices across Canada, because this index is heavily weighted with wheat prices which remained at a lower level during this period.

Since December 1st, 1941, date of the coming into effect of the policy established by the maximum price regulations, the general cost of living index has shown a very slight increase. The index of food products shows wide fluctuations of a seasonal nature, and the index of milk prices shows no changes.
Since October, 1941, the main activities of the Wartime Prices and Trade Board with respect to milk and milk products may be summarized as follows:

(1) Payment of subsidies to maintain and encourage production.

(2) Complete study of milk situation in Canada and complete reorganization of maximum prices.

(3) Subsidies now being paid to encourage and maintain total milk production, to meet increased export demands and increased domestic consumption.

Following the announcement of maximum price regulations placing a general price ceiling on all commodities and services in Canada, in October, 1941, the Wartime Prices and Trade Board had to immediately consider the milk problem and the many provincial board orders which awaited official approval. However, after due consideration of the problem involved and in view of the importance of the products concerned the Wartime Prices and Trade Board decided against any increase in price of either milk or milk products. Conferences were held with the various Provincial Milk Control Boards and the situation was rapidly surveyed in order to find an alternative solution which would prevent a general increase in the price of milk across Canada.

To meet the urgent situation, a temporary subsidy of 30 cents per 100 pounds of fluid milk and 40 cents per 100 pounds of milk used in the manufacture of concentrated milk products, was announced on December 22nd, 1941. This subsidy was to be paid to the primary producers to maintain and stimulate total milk production in Canada. Along with this announcement came also the announcement that a special committee was being named to study the milk situation in Canada and report to the Board on its findings.

The committee under the chairmanship of Dr. George E. Britnell, Economic Advisor of the Foods Administration Division of the Wartime Prices and Trade Board was formed and began work immediately. This committee completed its work and sent a final report with recommendations to the Board in April, 1942.

At the same time as this special committee was compiling data concerning the past history, the present situation and the future possibilities of the Canadian dairy industry, the Wartime Prices and Trade Board, through its Division of Simplified Practice and through its Accounting
Division, undertook two other studies in connection with the sale and distribution of fluid milk. The study made by the Division of Simplified Practice gave particular attention to the method of delivery and distribution of milk in order to determine what economies could be made and what method or methods would be most practical to bring about these economies and meet the present situation. The study made by the Accounting Division dealt with the costs and methods of distributing fluid milk in Canada and with the financial position of some ninety fluid milk distributors in some thirty-eight localities in Canada. Reports from both these departments were also submitted to the Board during the month of April, 1942.

Implementing of Studies Made:

During the month of April, 1942, the officers of the Foods Administration Department of the Wartime Prices and Trade Board in cooperation with the Board itself, studied the reports submitted and decided on the proper action to be taken in view of the information obtained.

The line of action to be followed in dealing with maximum prices of milk and milk products was in large measure guided by the following considerations:

1. Discrepancies in the structure of retail milk prices in principal markets of Canada must be corrected and some formula should be found providing for flexibility in the adjustment of retail milk prices in minor markets of the different provinces.

To this end the committee recommended:

Maximum retail milk prices should be established for specifically defined areas or zones on the basis of an established maximum price determined by the Wartime Prices and Trade Board for the principal or key market or markets in each such area or zone, (the specifically defined areas to be determined in consultation with the appropriate provincial milk control agency) and the actual milk prices in minor markets within each such area, should be adjusted under the maximum ceiling for each such area by the appropriate provincial milk control agency with the concurrence of the Wartime Prices and Trade Board.
2. The maximum price of butter must be defined in such a way so as to encourage the necessary production and provide flexibility for the increased cost of winter production and the increased cost due to storage, shrinkage, depreciation and interest.

To this end the committee recommended the establishment of maximum prices at various points in Canada, increases in these maximum prices during the winter months and the support of the butter market at a specified minimum price.

3. The maximum prices of concentrated milk products, evaporated milk, condensed milk, whole milk powder and skim milk powder, should be adjusted to encourage maximum production of these essential commodities and to place the maximum prices of these products in a better relationship with the maximum prices of other dairy products.

The committee recommended:

(a) An increase of $\frac{1}{2}$¢ per can on evaporated milk and the establishment of maximum prices at different points in Canada after due consideration had been given to freight differentials.

(b) The establishment of definite maximum prices on whole milk powders, both roller process and spray process, due consideration to be given to freight differentials.

(c) An increase of approximately $\frac{1}{2}$¢ per pound on skim milk powder, both roller and spray process, the establishment of definite maximum prices and the adjustment of price differentials and discount formerly allowed.

4. The maximum prices of cheddar cheese to be defined in such a way so as to include all premiums and bonuses paid by Federal and Provincial Governments. These prices to include all grades, should be established at levels in fair relationship with the maximum price of other dairy products.
To this end the committee recommended:

1. The establishment of definite factory prices.

2. The establishment of a definite formula whereby the wholesale and retail prices can be calculated on the basis of the factory prices established.

Based on these main considerations and the recommendations that were made by the committee, the Wartime Prices and Trade Board issued, effective May 1st, 1942, Order No. 124, respecting Milk and Milk Products. This Order and the amendment thereto is attached for your information. The areas described in Section 3 of Order No. 124 are shown in Chart (4) which is also attached and which gives you the general picture of maximum milk prices in Canada.

Order No. 124 is now being revised by the Board to clarify certain sections of the Order and to amend the butter section so that maximum prices contained in the Order will apply to dairy or farm-made butter as well as to creamery butter. A new section will also be added to the Order dealing with cream. The sale of whipping cream in Canada will be prohibited on and after October 15th next, and the maximum butter fat content of cream will be limited to 18%. Two grades of cream will be permitted and maximum prices will be defined. This new measure is adapted to save butter fat which is vitally needed and at the same time permit the establishment of a definite maximum price structure on cream throughout the country.

In connection with the other studies made by the Wartime Prices and Trade Board concerning fluid milk distribution, the cost of this service, and the economies that could be made, I will not take up too much of your time but I will nevertheless give you a brief summary of the work we have done in implementing the information obtained from these studies.

The main purpose of both these studies was to obtain information concerning the problems involved and specific information concerning the cost items of milk distribution. The survey of fluid milk distributors contains information obtained from ninety milk distributors located in all nine provinces of Canada and gives a complete picture of the fluid milk industry across Canada. Some of the highlights of the report are as follows:

1. The net profit of fluid milk distributors was 5.36% of sales in 1941 (Table 3).
2. The volume of milk sales shows a constant increase over the five-year period 1937-1941 (Table 3).

3. All commodities handled by milk distributors in 1941 gave an operating profit with the exception of butter where a loss occurred.

4. The operating profit on cream and ice cream was higher than on all other products.

5. The average price paid to producers for fluid milk was in 1941, 53% of the average sale price of milk.

6. The total operating cost per quart of milk sold was 5.23 cents. Of this total cost, 55% or 2.89 cents is accounted for by selling and delivery expenses and over 57% of the cost of selling and delivery expenses is accounted for by wages paid for labour.

7. The selling and delivery expenses vary all the way from a low of 1.76 cents per quart in the Maritime Provinces to a high of 3.27 cents per quart in Vancouver. The average for Canada is 2.89 cents per quart.

8. The net operating margin varied all the way from a low of .36 of a cent per quart in Montreal to a high of 1.68 cents per quart in Quebec, Ottawa, Hamilton and Windsor.

Added information is available in the complete report and a closer analysis of this report will permit you to get a better view of the situation of the fluid milk industry across Canada during the year 1941.

Recent milk and butterfat subsidies:

Following the establishment of definite maximum prices for all major products of the dairy industry in Order No. 124, the necessary adjustments were made and the industry went into spring and summer production. The results obtained were carefully watched and total milk production as well as the production of various dairy products were checked monthly. Provincial milk boards were adjusting milk prices on minor fluid milk markets and the supplies on all markets were adequate.

The production of cheddar cheese living up to the rapid increase that had taken place during the winter and early spring months, continued at a high level. Farm
prices for milk sold to concentrated milk plants were adjusted in accordance with the maximum prices established in Order No. 124 and the volume of milk manufactured soon reached normal and in some plants increased. The production of butter, however, was lagging and in June, 1942, following a complete review of the butter situation, a subsidy was decided upon. This subsidy of 6 cents per pound butterfat was announced effective July 1st, 1942, to be paid to all producers supplying butterfat to be manufactured into creamery butter. The purpose of this subsidy was to place the price paid by creameries in a better position relative to the prices paid by other manufacturing branches of the dairy industry and stimulate the production of creamery butter.

Following the announcement of this subsidy our attention was directed to the fluid milk situation and a brief survey was undertaken to determine what measures would be necessary to maintain an adequate supply of this essential food during the coming winter short-production season.

Particular attention was given to this problem at an early date as we were somewhat disturbed over the farm labour situation and quite conscious of the heavy demands that were being made by all major markets for increased quantities of fluid milk.

The survey made, the discussions held with provincial boards and advisory committees, led the Wartime Prices and Trade Board to the announcement of a subsidy of 25 cents per 100 pounds on all milk sold to fluid milk distributors by primary producers beginning September 1st, 1942. This subsidy is paid to primary producers on those markets where no adequate price adjustments are permitted under the maximum prices established in Order No. 124 and where in the opinion of the Board it is necessary to assure an adequate milk supply.

On markets where milk is purchased on a one price basis the subsidy is applicable on all milk purchased by fluid milk distributors and paid for at the established minimum price. On markets where a surplus on manufactured price is permitted the subsidy is applicable to the amount of milk purchased by fluid milk distributors at the quota basis or top price plus 10% of the amount so purchased.

In making this subsidy announcement the Wartime Prices and Trade Board also announced certain minimum producer prices which must be paid before the subsidy becomes applicable. These minimum producer prices are as follows,
depending on the retail price of milk and on the method of payment used;

<table>
<thead>
<tr>
<th>Consumer Price per quart</th>
<th>Minimum Producer Price per cwt</th>
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<tbody>
<tr>
<td>11</td>
<td>2.05</td>
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<tr>
<td>12</td>
<td>2.30</td>
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<tr>
<td>12.5</td>
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<tr>
<td>13</td>
<td>2.60</td>
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<tr>
<td>14</td>
<td>2.90</td>
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<td>3.15</td>
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The above minimum producer prices apply on all markets where milk is purchased on a one price basis. On markets where a surplus on manufactured price is permitted these minimum producer prices are increased by 5 cents per 100 pounds.

In establishing these minimum producer prices the Board had for its main purpose a more uniform price structure across Canada, and even though in carrying out this policy it was necessary on some markets to increase producer prices by 10 to 15 cents per 100 pounds without increasing resale prices, it was felt that economies made in milk distribution since last January permitted these adjustments.

Restrictions:

Before mentioning some of the economies that have been made in the dairy industry and particularly in the fluid milk industry, I would like to outline briefly some of the restrictions that have been imposed and which affect certain branches of the industry either directly or indirectly.

These restrictions are as follows:

(a) Order restricting the use of tinplate for packaging certain dairy products - (Order by the Metals Controller, Department of Munitions and Supply).

(b) Order restricting the use of sugar to 70% of the amount used in 1941 for the manufacture of ice cream and chocolate milk drink. (Order No. 137, W.P.T.B.)

(c) Order restricting the use of Honey by Industrial Users. (Order No. 182, W.P.T.B.)

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(d) Order restricting the manufacture of Ice Cream to 100% of the quantity manufactured in 1941. (Order No. 40 of Dairy Products Board)

(e) Order restricting the percentage of butter-fat in ice cream to 10.5% by weight. (Order-in-Council No. 4478)

(f) Order restricting the percentage of butter-fat in fluid cream to 18% and limiting the sale of cream to two grades. (Order to be published)

(g) Order restricting retail deliveries to one a day and elimination special deliveries. (Order No. A57, W.P.T.B.)

(h) Order restricting sales and deliveries of goods. (Orders No. 120 and 157)

(i) Order restricting wholesale deliveries and the use of automotive vehicles. (Order No. A292)

(j) Order restricting the operation of private commercial vehicles. (Order No. A-314)

Apart from these specific restrictions, it must not be forgotten that the dairy industry in Canada is also subject to all other restrictions on supplies and material imposed on all the Canadian industry.

Economies in the Fluid Milk Industry

As indicated in the report made following the survey of fluid milk distributors in Canada (1941) over 50% of the cost of operation of fluid milk plants was accounted for by selling and delivery expenses. For many years, the customary method of milk delivery to homes has been in Canada as well as in the United States; every-day delivery before breakfast, call-backs for weekly collections and for special deliveries when the customer wanted an additional supply, extended routes to serve stray and scattered customers, overlapping of competitive routes and oftentimes side trips to accommodate customers desiring service at a particular time. This complete picture of the over-service given by the fluid milk industry was described by Leland Spencer, in his recent publication "Changes in Milk Delivery in Upstate New York."
In order to meet Wartime shortages of labour and material and increasing costs, it became essential that economies be made. It also was apparent from the information we had available that in making economies particular attention should be directed to the methods of selling and delivery.

Many suggestions were made and many methods of economy were put forth by all groups concerned. Of the various suggestions received, I would like to mention the following:

1. Zone city for home delivery.
2. Independent unified delivery system.
3. Every other day delivery.
4. Elimination of home delivery.
5. Public utility control.

These methods were all considered by the Wartime Prices and Trade Board, by the Provincial Boards and by the Advisory Committee of industry as well as by the industry itself. The advantages as well as the disadvantages of any one particular system were studied and discussed. It was agreed that any of the above suggestions on plans would cut down the cost of selling and delivery of milk, but administration difficulties, shortage of refrigeration, shifting of population, inadequate store facilities and other problems had to be seriously considered.

In view of these problems and to comply with requests made by the Wartime Prices and Trade Board and to work towards a maximum or savings with a minimum of injustice towards the smaller milk distributors and certain groups of consumers, in cooperation with the Division of Simplified Practice or the Wartime Prices and Trade Board, the Provincial Milk Board, the fluid milk distributors and the consumers, the following measures of economy were adopted and may be termed as a combination of plans Nos. 1, 3, and 4 listed above:

1. Mileage or regular route deliveries has been reduced by:

   (a) Removal of call-backs for collections and soliciting;
   (b) Exchange of customers between milk distributors.
   (c) Change-over from motor vehicles to horse-drawn vehicles.
2. Special deliveries to both retail and wholesale have been eliminated.

3. Store milk returns have been eliminated and on some markets the servicing of wholesale customers is limited to one distributor per wholesale customer.

4. Reloading of wagons has been reorganized and centralized.

5. A 5-cent deposit charge placed on all milk bottles.

6. Special Regulations:
   1. Daylight deliveries and cash sales for milk, this permits
      (a) complete elimination of call-backs for collections.
      (b) employment of older and less efficient labour.
      (c) makes job of "milk route man" more agreeable to labour.
      (d) exchange of customers as all consumers on same basis with milk distributor.
      (e) reduction in office staff and transfer of employees to more essential jobs.
      (f) may permit, along with contraction of routes, if necessity arises, the employment of women on milk routes.

7. Minimum Loads for all Vehicles:
   Coupled with the exchange of customers, this regulation applied in the two large markets of Montreal and Toronto, has resulted in a substantial reduction of a number of wagons on the streets and a saving which has permitted an increase in the price to producers to maintain adequate supply without increasing resale prices.

8. Homogenized Milk - Universal Bottle:
   Elimination of homogenized milk and the adoption of a universal milk bottle to save manpower and electric power is now being considered.

   The actual results of these economies have not as yet been analyzed but on our major markets have resulted in a considerable saving of equipment, material and manpower. The work
is being continued and the exchange of customers to reduce mileage and increase minimum loads is being encouraged on most of the important markets.

Conclusion and Summary:

Before concluding this address in which I have endeavoured to give you, in a very incomplete way, a picture of wartime controls of the dairy industry in Canada, I would like to state that up to September 1st of this year, the total milk production in Canada was approximately 3% above milk production during the same period in 1941. The production of cheese, concentrated whole milk products and concentrated milk by-products were respectively 42%, 7% and 8% above the production of 1941. The production of butter was still 3% below that of 1941 but indications are very favorable to an increased production of this commodity. We have no surplus of any one dairy product and consumption to all dairy products is at a high level. However, we do not expect any great shortages and we are fully confident that it will be possible to satisfy domestic demand by a proper distribution of available supplies.

Price control in Canada has been a success even if there still remains a great many difficulties and problems to be worked out. I am proud to say that the attitude taken by all concerned with the dairy industry towards price control has been most helpful and most encouraging. The policy which we are applying is in no way one of perfection but, as recently stated by Mr. Donald Gordon, Chairman of the Wartime Prices and Trade Board, "We are using emergency measures to meet an emergency situation."

Individual hardships are to be expected and are inevitable if we are to place Canada on a "Total War" footing and if we are to succeed in diverting everything possible to our war effort against the most efficient and relentless foe the world has ever known.

The primary function of the Canadian milk industry is now and will continue to be after the war, to produce and distribute effectively and efficiently to all human beings who need it, when and where, and in what quantities they need it, and in the highest possible quality, a key foodstuff that is essential in certain stages of human life and of major value at any stage. Its secondary function, requisite for the performance of the first, is to provide a reasonable living for those engaged in the industry.

The present and future success of the entire dairy industry in Canada is closely linked up with the success of "inflation control" and more than ever before this industry
must by increased effort, cooperation, mutual understanding and social foresight work towards the success of our present endeavour and establish a solid foundation for post-war developments.

MR. HULL: I am quite sure that we are very grateful to Mr. Nadeau for this valuable contribution to our program. I wonder if he would be willing to answer questions. I am sure some of the members present would like to ask you some questions.

MR. NADEAU: I would like to add this one word in connection with Selective Service: There was discussion this morning in connection with farm labor. Under our present system, as you know, labor is frozen at whatever it was on a certain date. I don't remember the exact date, but if a man was a barber on that date, then he is frozen as a barber. If he was a clerk, he was frozen there. How they go about it now is first of all, everyone is forced to remain where they are. Then they set up a Selective Service Board. If I want to leave my job, I have to give seven-day notice to my employer, and then I have to go down to the Selective Service Board to get a permit to leave this employer, and to be able to go out and look for another job for no employer in Canada at present can solicit or offer work to another employee unless that employee has secured a permit from his Selective Service Board. The dairy industry is classified as an essential industry, and that will mean that if I am an important man in a dairy plant, and I want to leave for salary consideration, or what have you, I go down and give notice to my employer, then I have to go down to the Selective Service Board to apply for a job, and the Selective Service Board rules I am too important where I am, the Selective Service Board doesn't give me a permit, and that has helped, with our wages which have been frozen since last October, and wages don't increase any more. They give bonuses. Bonuses go up and down on the cost of living index. If it moves up one point, the employer adds a bonus of 25%. If down, the 25% is taken away. The first bonus was calculated on the increase in the cost of living index over and above 1939. It had moved about 20%. They calculated the bonus on that, and now as the cost of living goes up, the bonus goes up, when the cost of living goes down, the bonus goes down.

MR. BEARDSLEE: How about ice cream? I understand you are going to eliminate ice cream.

MR. NADEAU: No, not so far. It is limited to 100% of 1940 on fat, and that only for 70% of the sugar used last year. They were using honey, but it has been ruled out. The manufacture of ice cream may be automatically reduced. They can use dextrose and corn syrup, but they cannot use saccharine.

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MR. BEARDSLEE: In other words in 1943 it will be on the 100% fat basis with 70% sugar?

MR. NADEAU: Yes.

COLONEL FORAN: On your confining of the manufacture of bottles to the universal bottle, of course you are permitting the using up of bottles in use?

MR. NADEAU: All bottles now in use on the effective date become universal. That is the only way we can do it without involving a heavy demand on the bottle industry, and at the same time avoid a bottle lack. Last year in Canada 40% of our bottling industry was occupied in making beer bottles to ship beer to the east, for shipment to the armed forces.

MR. DAVIS: You said cream is limited to 18%. Do you have any lower grades?

MR. NADEAU: Cereal or sub-standard. 10% or 12%.

Q. How about your employers? Can they go before the Selective Service Board when a man wishes to leave, and say I wish you would leave him where he is?

MR. NADEAU: Yes.

Q. Does that have weight with the Board?

MR. NADEAU: Depends on what industry you are.

Q. If you operated a farm, could you say you need that man?

MR. NADEAU: Yes, you could put it up to the Regional Boards. The farmer also has other choices. The farmer is definitely going to be on the essential list.

Q. Have you any organization like John L. Lewis in Canada?

MR. NADEAU: There is one city, Winnipeg where we have a union. That is the only one I know. There is a part union in Toronto, but due to competition, the union is a small percentage. Competition keeps this thing nice.

Q. In connection with the universal bottle, will there be an equitable distribution of bottles?

MR. NADEAU: That will take care of itself. The bottling industry in Canada is condensed down to two demands. Supposing a bottling company had fifteen dairies as customers previously, the company manufacturing bottles had to hold on hand stocks for fifteen different kinds of bottles to meet their fluctuating requirements. Under the new
scheme, the manufacturer will hold a smaller reserve of bottles, and any dairy can call on him and get bottles there. I don't think we will have any problem of allocation.

Q. Among the distributors, would there be a tendency to collect more than his share of bottles?

MR. NADEAU: There is an Administrator of Used Goods in Canada. That tendency happened with private bottles, and I am not quite sure, but I think some legal measures were taken to release the bottles.

MR. BLANFORD: I think a 5-cent deposit on bottles would take care of that.

MR. NADEAU: Yes, to a practical extent.

MR. FIGHT: What is the approximate cost of the universal bottle?

MR. NADEAU: 7 cents.

Q: Have you done any promotional work to get all that increase in the consumption of milk?

MR. NADEAU: To increase the consumption of milk? We didn't make any publicity, no. We didn't have to.

Q. No Dairy Council workers?

MR. NADEAU: No, we are a little scared of it, the way it is going now. Our only supply problems right now are on the Atlantic and Pacific Coasts. Halifax has nearly tripled in population. We have trouble there, mostly a transportation problem in getting milk in there. Pasteurization is not compulsory. We are thinking of making it compulsory under the health regulations of Canada, if we can get enough pasteurizing equipment to do it. On the Pacific Coast, in Prince Rupert, we are having trouble to supply milk there, on account of troops moved in there. There is a little trouble, very minor though, in Edmonton, but only a problem of transportation. The milk is there if we could get it.

Q. Have you any shortage of milk there?

MR. NADEAU: We are not short on fluid milk yet. We are only short on two manufactured products. Milk is not being rationed. I am scared to mention the word "ration." There is no severe restriction on any one of the markets. A queer thing happened in Halifax the other day. The water main of the city broke, and everything was held up for a day, and the paper came out and said, "Water..."
Main Breaks - Milk Shortage." In our manufactured products, we are short of skim milk powder and butter.

MR. NADEAU: Has there been any maximum butterfat of whole milk put in effect? That is, whole fresh milk?

MR. NADEAU: No. There has been no maximum butterfat content put in. Most of our milk across Canada runs between 3.5, 3.6 and 3.7%. You are now talking, are you not, of Jersey milk at 5%, if we brought it down to 3.5% to save butterfat? No, we have not. We are starting with cream.

MR. CORT: Is yours the only Canadian governmental agency handling this problem. In Washington we have no less than four agencies.

MR. NADEAU: We had eight provincial milk control boards. We harnessed those fellows with us to work. They are working with us.

MR. CORT: You did that at the beginning?

MR. NADEAU: Yes. They do all the milk work.

MR. CORT: Did you delegate them power?

MR. NADEAU: No, we left them what they had. We give them orders. They can adjust minor affairs with our approval.

MR. FORAN: You did delegate some powers to them in that way?

MR. NADEAU: Yes. The Wartime Prices and Trade Board is responsible for prices, supplies, and they are now making us responsible for our respective industry, for labor and supply shortages, labor pools, the proper allocation and proper use of labor. It is too big to think about. I do not know how it will work out. We will have to have our industry classified as essential, then work it down. Take cheese, cheddar cheese is essential. What will we do with cheddar cheese. There will be some economies that will be forced on the industry. There will have to be. We cannot say that everything is essential. That is why we are trying out this delivery system. We haven't enough stores to serve all the consumers. If the consumer sees three or four wagons on a single street, they wonder about it. We have a strong consumer branch. Every known women's organization of the country is working on it.

MR. CORT: Do you mean to say you are down to three or four wagons on a single street?

MR. NADEAU: The dealers are doing some work. Haphazardly. If you want to make it efficient and economic, you have to go into a market. We have the authority to do it.
Q. Have the Milk Boards authority to do it?
MR. NADEAU: No.

Q. Who makes the study for them that you have told us about?

MR. NADEAU: That study was made by the Accounting Division of the Wartime Prices and Trade Board, and the other study was made by a group of efficiency experts.

Q. How much power do you have in your organization to do that?

MR. NADEAU: In the organization of the milk business, I am alone. I use the facilities of the Accounting Administration, of the Simplified Practice Division, of the Research and Statistical Division, and so on. In other words, they work through us.

Q. You have complete coordination of governmental effort in Canada?

MR. NADEAU: Yes. We had a little spurt with the Department of Agriculture over dairy products work, but that is all defined now. The Dairy Products Commission is the representative of the British Government in Canada. They do the purchasing and selling for the British Government, so they do not bother with us because they are also members of the Department of Agriculture. We get along very nicely.

MR. DUNCAN: You spoke about cities on the Pacific and Atlantic coasts tripling in population. Is it the policy of your Board to take into consideration the purchasing power of these new industries, or to increase the price of milk to the producer, to get him to produce more milk, or subsidize transportation?

MR. NADEAU: No.

Q. If you had to bring milk 300 or 400 miles to the Atlantic coast, who would have to stand the transportation cost?

MR. NADEAU: Where milk has to be brought from one market to meet an urgent situation in our northern district, the cost of transportation of that milk must be borne by the consumer. That is the way we have done it.

Q. You just raise the retail price.

MR. NADEAU: Yes. We add the transportation cost to the retail price, in those out of the way places. A custom established for years and years.
Q. Did you raise the retail price in Halifax?

MR. NADEAU: One-half cent. Gave it to the producer.

MR. VIALL: With wages on the shipbuilding yards at $75 a week, and you freeze a man at $40 a week on the dairy farm, will he do any work if you freeze him on the farm?

MR. NADEAU: We are trying to keep the farmers' sons on the farm. We are not expecting to get any increased labor on farms, but by our subsidies and price adjustments and stabilization of the situation, we want to get at least the maintenance of normal production on the farm. We had no labor problem in 1939, but we have been recruiting soldiers since then. The wages for labor are frozen. They have to get bonuses.

Q. These subsidies you are telling about, are they on a milk shed basis?

MR. NADEAU: No, we define what market.

MR. DERRICK: Let's follow that a little further. The Army and Navy groups jump from one market to another. What do you do about their milk supply?

MR. NADEAU: The arrangement we have in supplying military camps is this. In 1939 they started jumping all over for bids, and taking the lowest bid regardless of where the dealer was. I got an agreement with the Government head purchasing man, that they would not accept any bid for milk at prices lower than the prices established by the provincial Milk Control Board. Any distributor quoting a lower price than that established by the Milk Control Board is thrown out. Second, any army camp has to get a milk supply from the closest market in that area. After we removed the price factor in bidding for Army milk, who is going to get the contract? In most of our markets, the contract is allocated on the same proportion as that distributor represents on that market. If a distributor represents 50%, he gets 50% only of the contract. If he represents 10%, he gets 10% of the contract. In that way we put it on a stable basis, and we have had no trouble so far.

MR. HULL: If there are no more questions, I think we will have a five-minute recess.

MR. HULL: Proceeding with our program, I see we have a twin bill here. The first is the Hon. C.H. Fleischer, Associate Price Executive, Food and Food Products, Office of Price Administration. Mr. Fleischer:
MR. FLEISCHER: Mr. Chairman, Ladies and Gentlemen: In the press of work last week, with which I believe you are now familiar, I regret I did not have the opportunity of preparing a formal speech. Also I have with me Mr. Waterstreet, whom I believe most of you know, who is the head of our Dairy Section, and I am going to leave to Mr. Waterstreet a discussion and a prepared address of the particular dairy problems with which I know you are very interested. In my organization in the C.F.A. I handle, along with the dairy topic, sugar, poultry and eggs, and the entire food distribution, so that I thought it might be an excellent opportunity, not only for myself to become better acquainted with some of the dairy problems so that when Mr. Waterstreet and I talk them over with our officials in Washington we will have a better picture, rather, I will have a better picture and understanding of your plan. I would also like to take the opportunity of outlining to you some of our basic policy of thinking in Washington in the office of Price Administration at the present time.

I would like to begin, first of all, by pointing out that we all recognize, and I think you will all agree, that under normal times price is a great factor and the best factor for balancing supply and demand. Whenever it gets out of whack, price has generally been the best leveler to date to handle the situation. If the price of beef gets too high, the consumer switches to some other commodity until the price is adjusted. If butter is too high, consumers switch to oleomargarine and other substitutes. If the price of fresh milk is too high, consumers switch to evaporated milk. The general level of food consumption keeps pretty normal under normal conditions. Well, then, when something gets out of adjustment, they look to price as the first cure for the maladjustment. However, we are not in normal times. Since 1939 farm income in this country has increased 75% wages and salaries 70%. The result is that there is $1,700,000,000 per month added to the consumer's purchasing power. For the month of August incomes were at an annual figure of $16,000,000,000 per year. That means a terrific consumer demand for all consumer goods. When we take that terrific consumer demand and recognize the fact that consumer goods are not normal, that there are shortages of items that consumers cannot buy, metal, rubber, automobiles and other items, which are necessary for the war needs, also the demands for the Armed forces and for the United Nations, in our Lend-Lease purchases, you realize then that we have an abnormal purchasing power and a terrific consumer demand for the limited supplies available. If this consumer demand were let go unchecked, prices would naturally go sky-high. We would have continuous competition through price. I am not going into the details of what would happen. I think we will all agree that the cost of this war to this country would increase, and we would
end up in economic chaos. For that reason, therefore, the Office of Price Administration was established under the original Price Control Act, which had, of course, considerable limitations. The O.P.A. is committed, and our policy definitely is not to raise the price of any item unless it can be definitely established that that is the only possible solution. In other words, we will look at a price increase as the last alternative for any situation. I think you will agree that if we are to follow the duties under which we must operate under the Price Control Act, that is the only course we can take. It means, therefore, that rather than looking to price adjustment as the first means of handling any maladjustment, we will all have to change our thinking a bit and look at all other factors first. In other words, it is possible to make economies somewhere along the line that will make a price increase unnecessary. For example, can we cut out frills in the distribution of milk? I have heard of one case in one city where one milk distributor handled 62 items on a milk truck, and I think I am safe in saying that will not be able to continue long. It is also a very definite policy of the Office of Price Administration that any burdens anywhere along the lines are to be equitably shared. In other words, we are not going to penalize the distributor for the benefit of the producer, or vice versa. We believe that every person in this country is equally patriotic, and that no one wants to take advantage of the war situation. When we study a problem and decide there is a burden to be shared, which means that we are not looking at normal profits, that we expect such economies as we can, to spread that burden equitably, I would like to stress this point about price because I believe you have had criticism, and just criticism, due first to the fact that we are very much understaffed and have been, and secondly, to the fact that this whole price control has been thrown on us quickly with none of us knowing all the answers, but I think you will find our actions will be speeded up considerably if, when coming to Washington to discuss the dairy problem, you have with you all the facts and figures to give us a complete picture of the problem. Unfortunately in this country, particularly at the distribution level, there have been very inadequate figures. I think we are fortunate that in states where your men operate there are probably the most complete figures that are currently available. We are of course making studies at the present time on the entire dairy situation, and should have much more adequate information than we have had. In the absence of that information, we are willing to accept your figures and review them with you. We are not, however, willing to discuss a price increase without all the other factors being presented to us. Therefore, if someone comes in and asks for a price increase without presenting all the data, we have to say we will wait until more adequate data can be secured.
When the O.P.A. put the freeze on the large number of food items that it was possible for us to freeze in March under the Act as it then existed, we realized very definitely that we were freezing in a great many situations which were not equitable. We definitely realized we would have to make adjustments, and still will have to make adjustments. The freeze is a very blunt instrument. The freeze last Saturday was very blunt also. Our plan is to work on a basis of fixed prices wherever possible. Those fixed prices may be national prices, may be area prices, but a fixed price to level out the inequities and maladjustments that existed because of the freeze technique. Those fixed prices may be arrived at by a reduction as well as by an advance. We do not confine our thinking to advancing prices to level them out. The fixed prices will be carried through at the wholesale or retail level by a price regulation. We are for the first time setting fixed margins at wholesale and retail levels on lard and dried fruits. If we could set the fixed price for the processor and manufacturer, for the wholesaler for the retailer by areas, if necessary, nationally preferred, that is the way we would like to work. With the prices set so that each end of the picture is in an equitable position. Where we can not set a fixed price, we will attempt to fix the margin over a fixed cost to the wholesaler and retailer. Incidentally, those fixed prices at wholesale and retailers, so far as groceries are concerned, are by types of stores and type of outlet.

Another thing I would like to stress is that wherever possible it is our policy to maintain existing grades in order not to tear down the work that has been done on establishing grades for the consumer. We also in some cases may establish grades if we feel such grades can be administered. Our primary purpose is to avoid indirect price rises because of a reduction in quality standards.

Another point that we have as a set policy is that when considering any price action on a particular item we attempt to consider that item in relation to all other items. For example, at the present time we are very seriously considering and trying, if possible, to get a proper adjustment between the price of beef, pork and dairy products. We hope we can keep a relationship that will prove equitable. If we cannot do so, it will be because of our own limitations. We are considering the problem.

Another thing I would like to stress at this time is that fact that the O.P.A. is in no way attempting to change the economic structure of the country. We are endeavoring in all of our price actions to maintain normal trade practices so far as possible consistent with the war effort. That is the reason, whenever we contemplate a
price action, we immediately endeavor to secure representa-
tive members of the trade and review with them in detail
our actions so that we do not dislocate unnecessarily norm-
al trade practices. There has been at times talk that
through price action we were attempting to change regular
trade prices with no justification for doing so. I can
assure you that wherever normal trade practices exist, we
are willing to stand on them, or to choose changing them
only for the proper administration of the Price Control Act.

Another point I thought I would like to mention
is the question of cooperation between the various agencies
in Washington. I think you may have gotten it from Mr.
Beardalee's talk this morning. Whenever a price action is
contemplated, it is our policy, as well as the policy of
the other agencies, to tie in those agencies --- the De-
partment of Agriculture, the Office of Defense Transpor-
tation, the War Production Board, or other agencies affected.
We think it is a very helpful thing to us because in that
way we get the combined thinking from the point of view
of all of those agencies, each of whom has a specific job
to do. We find complete cooperation with all those agen-
cies, and I think we all benefit by that tying in. Some-
times we hear that O.P.A. takes action without tying in
the Department of Agriculture. Naturally there are differ-
ent points of view in these various agencies, but I think
it would be well to clear up, if possible, any thinking you
may have that there is conflict or differences of opinion
that are serious. Differences of opinion are differences
of viewpoint, different perspectives on problems, which we
find very beneficial to us.

I would also like to mention --- Mr. Waterstreet
will go into more detail --- the fact that it is our pol-
icy, particularly with regard to items such as fluid milk,
fresh fruits and vegetables, and other perishable products
we are able to put under price control, to extend to our
local offices as complete authority as we can for handling
local problems. The amendment regarding milk that was
issued a week or so ago has certain limitations, and we
are now working on an extension to our local offices of
more powers in the handling of those problems. The rea-
son we have not done it before is because of the limita-
tions of our staff in Washington and the local offices, and
second, frankly, because our policy was not clearly defin-
ed. Our only salvation, therefore, was to keep the entire
control in Washington whether we liked it or not, and now
we feel we are better organized to extend that control to
the local offices so that the local problems can be hand-
led by people who are familiar with conditions at those
points.
I was very interested, also, in the talk by the gentleman from Canada because we happen to have one of our price economists in Canada studying methods. We might also say that a great deal of that which Canada has already put into effect we are seriously thinking of putting into effect here. In other words, I think we will agree that Canada has had an effective price control program. Therefore, we see no reason why we should go out and experiment with untried ideas if we can use something that has already proven effective, realizing of course that we will have to make adjustments for varying conditions in this country which may not exist in Canada.

I want to thank you sincerely for the opportunity of being here, and I also again want to make it very clear that we do not feel we have all the answers in Washington. We are counting on the help, the continuance of the help you men have given us in solving our problems, and I feel sure, especially when we extend our local authority, that we will be calling on you men for more of that help. I also want to tell you that at any time you feel a problem needs attention, we are willing to give it just as prompt action as we can, and we don't want you to feel you are bothering us one bit when you come in with a program worked out, with a recommended solution, and facts and figures with you, whether it be night or day, we will try to get it through fast, because we realize in some cases the delay has been more serious in the problem than the actual problem itself.

MR. HULL: Mr. Fleischer has referred to his associate in the Administration who has been so kind as to come down to talk to us this afternoon. I know he has left a busy office because I have been there a couple of times myself. I take great pleasure in introducing Mr. Neal Waterstreet, Head, Dairy Unit, Food and Food Products Branch, Office of Price Administration.

MR. WATERSTREET: I am glad to meet with you again today to discuss our common problems. I feel that our program benefited very much as a result of our previous meeting last May in Washington. While we have made an effort to keep in contact with each of you individually, I feel that a useful purpose is to be served by these opportunities to get together in a larger group.

I have little to say in the way of a formal speech today. I feel that the time will be more beneficially spent in informal discussion and an exchange of ideas with the representatives of the International Association of Milk Control Agencies. I would like to briefly review developments in our program that have occurred since our
Washington meeting and to outline policies as we now see them.

Looking back over the last six months I think that it will be generally agreed that our program of holding down fluid milk prices has been highly successful. The average retail price of fluid milk as reported by the Bureau of Labor Statistics has shown no change from the March level. Although ceilings on fluid milk prices under the General Maximum Price Regulation were imposed in May, which is the flush season in milk production, the general trend of economic conditions was such that I think it is safe to assume that substantial increases in fluid milk prices would have occurred by now had it not been for our regulation. By maintaining fluid milk prices at their March levels we have made an important contribution toward controlling the cost of living. As we adjust more and more toward a total war economy, the necessity for controlling the cost of living becomes more and more important.

It is in the light of this necessity that we are guided in administering our program of fluid milk price ceilings. At the same time, however, we have tried to avoid being arbitrary or unreasonable in administering our program. We realize that the selection of any arbitrary period such as March levels for the imposition of price ceilings is bound to create many inequities and we recognize it is our responsibility to correct these inequitable situations insofar as it is possible.

Perhaps we have not moved as fast as some of you feel that we should have; in fact, we have not moved as fast as we ourselves would like to have at times, but in the early stages of our program, we have considered it to be the best policy to move cautiously until we feel that we have our feet on the ground and a thorough grasp of the problems that we will face in maintaining a price control program, during the war period. This whole program is something new in our economic life as you are well aware and we have little precedent to go by in establishing our policy. We have been greatly encouraged by the relatively small part of the milk industry from which we have received complaints. Perhaps we "ain't seen anything yet", but the recent steps that have been taken in the broader field of inflation control will help immensely in enabling us to maintain our existing ceiling prices on fluid milk.

As a result of a temporary freeze order issued by the Office of Price Administration last Saturday, price ceilings were established on practically all commodities that were excluded from the General Maximum Price Regulation. It is especially important to our fluid milk program that this action places price ceilings on manufactured dairy products, butter and cheese and other manufactured dairy
products were exempt from the General Maximum Price Regulation because of farm price limitations in the first Price Control Act. Consequently, there has been a sharp increase in butterfat prices since March. From an average slightly over 34 cents per pound in March, 92-score butter at Chicago increased to a high of 45 3/4 cents per pound last week. The price was frozen at that level under the temporary regulation issued last Saturday. This regulation is effective for only 60 days but it will be replaced before that time by a permanent ceiling for butter and other manufactured dairy products. Therefore, the threat to our fluid milk price ceilings from this source has been arrested. However, the increases that did occur before ceilings were established were sufficient to make it necessary to adjust fluid milk prices in many areas to keep fluid milk supplies from being diverted into manufacturing channels.

The machinery for making these adjustments has already been set in operation. You are probably aware of the Amendment 34 to Supplementary Regulation 14 which gives our regional offices responsibility and authority to make adjustments in fluid milk prices necessary to prevent fluid milk supply diversion in cities under 100,000 population. An important consideration in granting this authority to the regional offices was to expedite the adjustments in fluid milk prices which have been made necessary as a result of increasing prices of butter and other manufactured dairy products. This amendment also gives regional offices authority to correct abnormal price relationships between markets which were frozen into existence by the General Maximum Price Regulation.

The milk supply normally available for a fluid milk market may be diverted to another market because of an abnormal resale price relationship which makes it possible for distributors in the second market to pay producers higher prices. The Office of Price Administration has recognized abnormally low prices for individual sellers as an individual anomaly and consequently a justifiable basis for adjustment. In our fluid milk program we have broadened our definition of an individual anomaly so as to extend to a whole market. A whole fluid milk market may be abnormally low in relation to adjacent markets and hence have its supply of fluid milk impaired. To date, most of the adjustments in fluid milk prices made by the Washington Office have been of this nature. Amendment 34 merely extends to the regional offices the right to make such adjustments for cities and towns under 100 thousand.

The correction of a market anomaly, however, does not always mean an upward adjustment of price in a low market. In instances where supply dislocation is being caused by abnormally high prices in certain markets, we will not
hesitate to correct the situation by lowering those prices. We hope and feel confident that this procedure in empowering the regional offices to make price adjustments in smaller markets will greatly expedite the granting of adjustments where they are necessary. I am sure that the regional offices will be glad to receive your advice and recommendations on the problems they are empowered to deal with.

I want to emphasize that Amendment 34 does not provide authority to modify the maximum prices established under the General Maximum Price Regulation except for the purpose of allocating existing supplies. The authority of the regional offices to grant price adjustments does not extend to making such adjustments for the purpose of maintaining or stimulating total production. It is not the purpose of the amendment to attempt to provide a price stimulus to increase milk production. The basis for adjustment must involve the diversion of existing milk supplies.

These two types of adjustments will by no means take care of all of our problems. It is inevitable that there will still be local areas or even regions where actual shortages of fluid milk will occur. These shortages may be the result of increased demand which in turn is the result of increased incomes and the influx of military personnel and defense workers, or they may be due to decreased supply caused by labor shortage or attractive alternative outlets for farm resources.

Nearly all of these factors raise problems of a broader nature than can be coped with by means of price adjustments. I am thinking particularly of supply problems caused by labor shortage. We are rapidly approaching the stage in which labor is the most critical of all scarce materials. A total labor shortage cannot be corrected by a price stimulus. Our war industries are bidding our labor away from the farm and other industries and price increases for fluid milk will not correct the situation. No reasonable price increase will permit dairy farmers to pay wages in competition with war plants. Dairy farms hiring large amounts of labor are hit particularly hard by this situation. The typical family size farm which depends on family labor will be affected by this competition to a much lesser extent. It may prove to be impossible to maintain our large commercial type of dairy farm. Likewise we feel that in many areas where milk shortages are due to greatly increased demand resulting from the influx of war workers and military personnel, no reasonable price increase will stimulate local production sufficient to satisfy the increased demand. To attempt to correct the situation by increasing fluid milk prices is merely to balance supply and demand at a level where the people who can afford to buy milk will take only the amount being produced. In other words, it is inflation.
The real problem in such situations is a demand greater than can be satisfied at existing price levels and price increases will make little contribution toward solving the problem except in terms of denying some people milk who need it. It will not call forth any significant increase in production. A more logical solution lies in the importation of fluid milk from other areas or the suspension of too rigid health requirements to allow the use of high grade manufacturing milk. Transportation problems and shortages of critical materials may of course limit what can be accomplished in these directions. In that event, the resort may have to be had to more urgent measures such as rationing. However, we consider that rationing is a last resort and it is hoped that other means for a satisfactory solution can be found.

Certainly any artificial regulations whether they are of a state or local nature which interfere with the economic flow of fluid milk should be eliminated before resort is had to rationing. I am aware that the imposition of price ceilings limits the scope of the work which your organizations have been doing. However, I do not at all feel that it has eliminated the need for your work. It merely has introduced a factor which makes necessary a new orientation of your work. We feel that there is necessary need in the field for both of us and that you can be of valuable aid to us in administering our program. We have worked actively with some of you in the past in correcting price abnormalities caused by our order and expect to continue to seek your aid and advice on new problems as they come up.

In turn we ask you to re-evaluate your activities in the light of our war-time program. An important reason for the creation of milk control boards was to increase producer prices during depression periods. In making any further increases in producer prices we hope you will give utmost consideration to the effect of the increases on fluid milk price ceilings. So far we have not established maximum prices paid producers for fluid milk. It is a step that could be taken, however, should the need arise.
Secretary of Agriculture increased prices to producers ½¢ per quart, and no change was made in the ceiling price. I am glad to know that there is a lot of cooperation down there, but I think we could give it a little better than that.

MR. FLEISCHER: That problem is being handled, and I think you will find a solution will be out in a week or two weeks. In other words, the department has been working with us, and again I think we realize these problems are typical and sometimes take longer, as Neal mentioned, and take longer to settle than any of us realize.

MR. FORAN: We are sort of in between in New Jersey with some of our producers in that particular market. They are asking our Board about it all the time.

MR. CORT: Does that include Federal markets in New England which are in the same position as New York? That answer will be with us in a week?

MR. FLEISCHER: We hope; I can't say that it will be one week or two weeks.

Q. Would it be proper to inquire what the nature of the solution would be?

MR. FLEISCHER: I can not say.

Q. You can realize our problem?

MR. FLEISCHER: There is a problem, and it has to be solved.

MR. DERRICK: I was a little disturbed by Mr. Waterstreet's suggestion that an increased price to producers would not increase production. That is contrary to all of the economic thinking I have been reared with. I wonder if he could expound that.

MR. WATERSTREET: I would be glad to expound it if I only had the State Milk Control Boards here. Under the circumstances I doubt if I could.

MR. FIGHT: I believe I understood you to say that your theory was that it would not increase production. I will not argue one way or another. Nevertheless, at the present time the trend in our State of Florida is a reduction in the production of milk. It is very serious. You also said that under no circumstances would a price increase be granted for the purpose of encouraging increased
production, but that you preferably preferred a diversion of the supply from some other area into that area. Did I misunderstand you?

MR. WATERSTREET: No, you did not.

MR. FICHT: If that is true, the Florida milk industry is really doomed. It is gone. You in New York and Tennessee, you might just as well get some more milk, because we are going to have to have it.

MR. WATERSTREET: We feel as though all the factors involved should be considered. We feel as though other alternatives than price increase should be used. Exactly what those alternatives are is something I cannot discuss.

MR. FICHT: It is going to be too late in Florida pretty soon to make any change at all. I was presented only recently with a pamphlet from one of the largest producers in the Jacksonville area, advertising the farm for sale.

MR. WATERSTREET: The exact wording was tied up principally with the delegation of authority. I don't know as I made the statement we never would do it.

MR. COBB: Speaking as a producer, I would like to say that the price would have a lot to do with how much we can or cannot produce. That is actual from a farmer.

MR. LASHER: Does the O.P.A. feel at this time that prices paid to producers are adequate to operate, or do they not?

MR. WATERSTREET: I would like to discuss it with you, but I just can't do it.

Q. Do you make a distinction between increasing supplies, and maintaining supplies? You want to maintain supply, don't you, but you don't want to increase it.

MR. WATERSTREET: What I am talking about is that we don't want to use price increases to consumers, increased retail prices, for the purpose of maintaining or increasing supplies. We think there are other methods under these times that should be used.

Q. One of these methods is the diversion of supplies?

MR. WATERSTREET: In some areas we think changes in too rigid health requirements.

Q. In economies in distribution also? Is it not the proper function of Control Boards to lead the way in
this country on that program?

MR. WATERSTREET: I think so.

Q. There again we are faced with a problem. I Don't want to appear to be uncooperative with Federal agencies, but there appears to be lack of coordination between the agencies that have a lot to do with the Milk Control Boards, and therefore with the dairy industry. Is there any way of getting a complete picture of the policies of the people in charge in Washington with respect to these dairy problems?

MR. WATERSTREET: I think so. Today I set out the view of the Office of Price Administration. Mr. Viall is here for Dr. Stitts of the Agricultural Marketing Administration, and Ed Brady for Mr. Eastman of O.D.T. I think when you get through you will have it.

Q. I felt that way after Mr. Beardslee's talk.

MR. WATERSTREET: You have to bear in mind that as administered in this country, it is administered with several different agencies, and while I can assure you that what Mr. Beardslee said this morning about our working together is true, I am sure you realize that many of the things we are working on we can't just make public.

Q. Isn't there a possibility of greater help that the Milk Control Boards can give you? It is five months since we met with you. Things happen so fast in the dairy industry. We don't want the agencies of control in the various states to lose ground.

MR. WATERSTREET: That is what we are trying to do. Take the situation in New England where you are. With Pat in our regional office, all of our activity up there is going to be through the various Milk Control Boards. That is the way we started out.

Q. Still, as you are formulating your policies, if we could have a part in that, perhaps we could help with that.

MR. WATERSTREET: The regional men are working with the local Milk Control Boards. Any decisions that Pat makes up there are all right with me.

COLONEL FORAN: I think I understood you to say, in speaking of the labor problem and the shortage of labor, that it might lead to the elimination of some of the larger commercial farms, purely from the standpoint of inability to get labor. Clearly that would decrease the supply.

MR. WATERSTREET: Studies we have been making through the cooperation principally of the fluid milk coop-
creative producers associations in various parts of the country, and Federal Milk Marketing Administrators, shows that in the larger than family sized farms, the problem is terrific. In other than the family sized farm the problem of maintaining the hired help is a terrific problem, especially adjacent to the war plants. It is also a problem in the areas away from the defense plants because the wages paid in the defense area is enough to draw them off. In the family sized farms, from what our records show, they show that away from the war plants, the family sized farm does not seem to have so much difficulty, but even the family sized farm adjacent to the war plant is closing down and working in town. Unless some drastic action is taken, I fear for production on larger than the family sized farm.

MR. FIGHT: All of our farms are of the larger than family sized farms.

MR. WATERSTREET: I don't concern myself with the mechanism of prices to be applied on milk. I don't think myself capable of competing with the wages which are being paid in shipyards.

MR. KUHRT: I want to call your attention to one thing. In view of the fact you have established wholesale and retail ceilings last May, but you did not control prices, or wages, we have a substantial increase in the cost of production in California. Those costs of production are at a higher level than prices which are in effect, and if you want any production in California, it will be necessary to make some adjustments if we are going to maintain the people who are producing. They are on the verge of throwing it up in many sections. Wholly outside of the labor problem. Careful consideration must be given to production costs in many sections where, because of lack of control, production costs have gone out of line.

MR. WATERSTREET: Other things than price increases must be brought into play.

MR. KUHRT: There is only one other thing. Can you roll back the wages of labor and the prices of feed? Can you do that?

MRS. LOGUE: I wish very much that Washington could realize just how very deeply lots of people feel in this country about the labor situation, and that nothing can be done about any problem until that is settled, and unless you settle it, this country is going to be very hungry.

MR. BRESSLER: The suggestion is that Milk Control Boards make no changes in prices of any kind until the order is issued from Washington?

MR. FLEISCHER: We don't want any further pressure on that retail ceiling if it is possible.
MR. DUNCAN: Does O.P.A. control the wholesale price to the Army?

MR. WATERSTREET: That is right.

MR. DUNCAN: The Army -- we have an unfortunate situation which I reported in May, that they are going to quarter their troops in a certain area in Georgia, which they did. One of the distributors got a contract based on a certain number of half pints of milk to furnish that Army post. On the first day of October they doubled that Army post. Now they are requiring that man to double his deliveries. He has to bring it in from Crowley of Binghamton, which costs him 18¢ per gallon more than he is paying local producers.

MR. WATERSTREET: Do you think that is going to continue?

MR. DUNCAN: He can't pay 18¢ per gallon more for long. He pays 48¢ per gallon and the Army pays 52¢. The Army camp is forty miles from the plant. Now they told him to go ahead and take care of them until the first day of January, and they will adjust the price. He says he is going to refuse to bring in milk because he cannot stand this price. In Macon, the public is rationed one day a week on Wednesday, the Army on Monday.

MR. WATERSTREET: Garfield is working with you on that, is he not?

MR. DUNCAN: Yes, he is. The Army and you are somewhat crossed up.

MR. WATERSTREET: We are not crossed up. We are not crossed up. We are working with the Army in Washington, Mr. Beardslee, Dr. Farran, and the Army, myself and Mr. Stitts are working together on that.

MR. HULL: Any more questions?

MR. GORT: With the hope of being constructive, how can we coordinate the work of the Massachusetts Milk Control Board with your work? Can't we take over some of the job, policing or enforcing? We are willing to do that for any agency in Washington. Our income has increased. Our manpower is a little less. We have more income than the budget calls for. We want to do things. We want to cooperate. What can we do?

MR. WATERSTREET: That is what Pat is up there for. I haven't attempted to tell the boys what to do. They are out there on their own initiative.

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MR. HULL: Any more questions? If not, thank you Mr. Waterstreet. Mr. Fee would like to make an announcement.

MR. FEE: A very important announcement. The following persons are requested to meet in the Washington Room on the mezzanine floor of this hotel:

Stewart of Alabama
Mapes of Oregon
Ficht of Florida
Duncan of Georgia
Hanrickhouse of Indiana
Osgood of Maine
Cort of Massachusetts
Kenney of New Hampshire
Foran of New Jersey
Kuhrt of California
Hull of Rhode Island
Woods of Virginia

Mr. Nadeau brought some very good analyses of the investigation made in Canada, and I don't think all of the states got one copy of this report. There are enough here so that each state can have one copy. If you didn't get one, you can get it now.
yesterday, and I think I can give you a little idea as to how it works.

Prior to the appointment of the Dairy Products Director, we in the industry were getting nowhere very fast. Everyone was running to Ottawa, or trying to get an appointment with the Commission. We found that there was no coordination of our requests, or no coordination in the effort, and early in the game it was discovered that the better way would be to appoint a Director for the dairy industry. As you folks are very well aware, it is a very complex industry. There had to be some parity, or reasonable degree of parity, between milk used for fluid, milk powder, evaporated milk, ice cream, or what have you. We have, as Mr. Nadeau stated, the Milk Control Boards in the various provinces, and there was ready through those Boards an organization in the various provinces to take care of the program and put it into effect insofar as fluid milk was concerned.

With the appointment of Mr. Nadeau as the Dairy Products Director, we in the industry had to do something to bring our house into order to operate under the direction of the Dairy Products Director. Going back to last October, we re-organized our National Dairy Council. The Dairy Council is composed of members from coast to coast in Canada. It comprises 400 operating companies of all various kinds. There are 18 directors of the Council, and an Executive Committee of nine. The Executive Committee of the National Dairy Council, the nine members, were constituted into an Advisory Committee to the Wartime Prices and Trade Board. By that all requests or problems dealing with our industry are routed through the National Dairy Council to the Wartime Prices and Trade Board in Ottawa. I don't mean to say that an individual cannot have access to Mr. Nadeau, or any other member of the Wartime Prices and Trade Board, but generally speaking we get a lot farther for our industry in working through the one organization instead of individuals going for themselves.

We had quite a time with some of the Milk Control Boards in Canada because as a distributor we had been used to being regulated. The Milk Control Boards in Canada primarily came into being to regulate prices on a fair basis to producers, or on what was supposed to be a fair price to producers. I don't know whether you people on this side of the border are used to the word "squeeze". But it has been applied in our industry to a great extent. We were squeezed to a great extent. Milk control is not all bad, but it is not all good. Then the Wartime Prices and Trade Board came in with their word "freeze". They have incorporated both words now in to the industry, both the squeeze and the freeze.

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I have not very many thoughts here, but to give you one or two examples of the definite application of a particular order. Take for instance Order No. 124. I don't know whether you have read that over, but that is the order that covers all of the concentrated milk products. There were various prices throughout our country from coast to coast, and that order was brought about through the cooperation of the Advisory Committee with Mr. Nadeau and his other members of the Wartime Prices and Trade Board. We cooperated with him in bringing that order about to some extent. They didn't do everything we wanted, but it is an order that is working today, that has brought about a parity, or more nearly parity in regard to the products. This meeting is more interested in fluid milk.

Coming to the fluid milk industry, we have in Canada various associations. For instance, in the Province of Ontario we have the Ontario Association that comprises all branches of the industry, and in the larger cities of Montreal and Toronto there are local milk distributors organizations. They are members of the Ontario Association. In working out the economies that have been effected in the fluid milk industry, those associations have worked through the Council with Mr. Nadeau. These orders have been brought in, and I can tell you they have worked to the benefit of our industry as a war emergency. We are doing a lot of things which if you had told me about then a few years ago, I would have fought against then. For instance, we have not bothered so much with every second day delivery. We are primarily interested as milk distributors, and we are fortunate in having in the Wartime Prices and Trade Board people who are interested, in milk as a food, and we are anxious to see that milk that goes to the homes for babies and grown ups as well, is as fresh as could be. We felt every other day delivery was not, so far as we were concerned, the best thing to do.

We have adopted the minimum load. In the City of Toronto we able to cut, and did cut, as milk distributors, 15% of the vehicles on the routes. As an industry we agreed to cut off 15% of the vehicles in 60 days. I think we did a little more than 15%.

We have brought in cash. One of the companies in Montreal had over 7,000 customers on monthly accounts. I don't mind telling you I was a little fearful of what might happen, but on the first day of September we went 100% cash, or tickets paid for in advance. We had no complaints. No complaints -- that is, they were so few they didn't amount to anything.

We adopted a charge for all bottles. I would like to tell you just how the charge on bottles was brought into effect. We as distributors just had to forget the
assets we had in bottles in customers' hands. We lost a lot of money in the capital account, but in order to save glass, in order to cooperate with the Department in Ottawa, the Wartime Prices and Trade Board, and the Glass Administrator, it was pointed out to us as a Committee we had to save glass, or we wouldn't have glass bottles. We now are faced with a problem with the Income Tax Department as to whether we will have to take all that loss, or whether they will let us absorb some of it.

With the adoption of universal bottles, we then lost bottles with our name on it. All bottles purchased in Montreal, Ottawa, and Toronto and these other cities where universal bottles was adopted, all bottles purchased are universal bottles without any name, and that is the bottle we are using. The old bottles with our name on every dairy is filling. There is some legal problem, but we are forgetting legal problems because we are at war, and saving glass. We are getting today on the universal bottle 55 to 75 trips per bottle. That takes care of the bottle end of it. In order to make the universal bottle work, we had to make a higher charge for the paper container. Otherwise the paper container would go in.

Coming to eliminations in the cost of distribution, all special deliveries were eliminated. We went on a daylight delivery. In Montreal, nothing can be delivered before 7 in the morning. Once in a while some one tried to get in his deliveries before then, but we have asked that our men be taken up and fined. There is very little milk sold in Montreal before seven o'clock today.

The cash and the daylight deliveries have made it possible for us to use the type of manpower that we can get to operate our delivery vehicles today. As you people know, you have to have a fairly well educated man to deliver milk, handle his accounts, and all the rest of it, but most of these fellows today are on munitions, and we are using men today for delivering milk that under ordinary conditions would not be on a milk wagon at all. It has been possible for us to use the type of man we can get. We have had to replace 20 men in the dairy and put those men on the wagons, and put women in the dairy. Where we have put the women in the dairy, the job has been better done than the men had been doing it.

I think that gives you a little bit of a picture of what we are doing.

The limiting of the minimum load per route is quite a problem to work out in the industry itself. The daylight delivery caused a lot of problems. There are lots of homes with both members of the household working today.
It has swung some milk over to the stores, not to a great extent, but some of it. In other cases it has swung back from the stores to the wagons. In other districts it is the opposite. These large apartment houses are the hardest things in the world to handle. Our distributors were more or less prepared to let those people get milk in from the stores.

Yesterday somebody asked the question have we got any problem with labor? I will say we have. We have about as big a problem with labor in some of our cities as any city here. Montreal is a fairly large city. There are a great many munitions plants, and they are pulling our labor away, but within the past few weeks we had our National Selective Service order coming in. It does not freeze a person on the job -- he can leave, but he has to give seven days' notice. We are not allowed to interview, advertise or talk to anybody about taking a job unless they have a permit. We cannot advertise for help unless we have a permit to advertise.

To give you one definite example as to how it works. A young man working in our dairy gave us his notice for seven days. He asked for a permit. They said "Why." They found he was going to work in a stockbroker's office. He got no permit. He is back on the job in our cashier's cage.

Our industry so far has been very fortunate. We have been allowed up to this new order to take on any help we needed, and to advertise for new help. The order came in only a few weeks ago. It is a little too early to tell what the result is going to be. It is steadyin down the help. I am quite hopeful that as time goes on, and we get our industry placed in the proper spot in regard to employment, that we will most likely be able to carry on many of the things we are doing today.

We are not going to be able to do certain things six months from today, or a year from today. We have accomplished what we have been able to accomplish because of the very fact that we have such a man in Ottawa as Mr. Nadeau. He is understanding, he cooperates with us, and we try to cooperate with him. We haven't done all the things. We have limited our cream. Whipping cream is out on the 16th. A half-pint only for a household. We were able with all of these things to increase the purchase price in the City of Montreal, on the average throughout Canada about 10¢ per hundred pounds, and the distributors are very little worse off than they were. The savings we effected on the bottles was the equivalent of about 5¢ per hundred pounds of milk.
One more thought to leave with you. Yesterday I heard a lot about paying the producer a high enough price. I thoroughly agree with that, but I would just like to sound one note of caution. If you get the price to the producer too high, he is likely to milk less cows with less farm labor. We have had that experience. Instead of trying to keep his production, he will cut down his cows. There is that danger, some of us feel, if you get it too high.

Just one more thing -- subsidies. Producers definitely do not like it. They feel that they are on relief, that it is a handout. But we want to get the right amount of money back to the producer without raising the price to the consumer. I have not got the exact figure, but a price raise would cost the consumer more than it does with the 25% subsidy. And the 25% subsidy does cost. If you don't believe me, wait until you get your new tax figures, for you may be doing the same thing next year.

MR. MAFES: Thank you very much. The next entry on the program is an address by Mr. Eastman, Director, Office of Transportation. Mr. Eastman was unable to be with us, but we are very fortunate in having him give us for this purpose Mr. E. M. Brady, Assistant Director of Motor Transportation, Office of Defense Transportation. Mr. Brady:
MR. BRADY: Members of the International Association of Milk Control Agencies, your guests, and your friends:

It was indeed with regret that Director Eastman found it impossible to come to Richmond today to speak to you personally. However, as you well realize, his time, like that of most of us, is limited. Both Director Eastman and Director Rogers have requested that I extend their greetings to you and it is their wish, as it is mine, that you have a very successful meeting.

As I understand the situation, there are seventeen states in the country which have active milk control agencies, and there are two states which have inactive agencies. It is my understanding that your authority extends to the fixation of price levels in connection with milk and other related dairy products, and in many cases also extends to the question of transporting such commodities. It is in connection with the latter named subject that I desire to speak to you today.

Your problems, as well as the ones which confront us in connection with transportation of milk and other related dairy products, are to a great extent common. You, like ourselves, are interested in maintaining adequate transportation facilities over the longest period possible. We are fully aware of the fine cooperative spirit with which you have approached the problems at hand. I assure you that you may anticipate and expect our continued cooperation in this regard.

It is not necessary, I know, for me to tell you that war is a serious business. So too, war transportation is a serious business, no matter whether it involves the transportation of persons and material on the war front or the transportation of persons and material on the home front. Let me assure you that we are serious in our dealings with those problems, just as you are.

War traffic must be transported. Essential civilian traffic must also be transported. There is a tremendous volume of both.

The importance of the milk distribution problem can not be minimized, no matter whether such transportation involves the transportation of milk from the farm to the pasteurizing plant, the transportation of milk and other related dairy products from the pasteurizing plant, or the farm, to the retail outlet, or to the consumer. In connection with the retail transportation and distribution of milk and other related dairy products, we are fully aware of the fact that in certain cities the number of individual commodities on a retail distribution vehicle average from twenty-five to as high as one hundred and twenty-five. We are also aware that in the case of ice cream and ices,
various and innumerable flavors are being transported. These matters relate themselves to transportation, in that considerable conservation could be effected if the number of such commodities were minimized. Minimization of the number of such commodities would make possible better use of the carrying capacity of vehicles as well as storage facilities located at point of consignment. These and other equally important problems must be given proper and adequate consideration. Uniform delivery systems have, through joint voluntary action by carriers in many cases, been established in order to meet the requirements of our orders. In other cases, various individual curtailments in service have been effected by individual carriers in a given market in order to meet such requirements. In other cases, certain of the agencies comprising the membership of your association, have required the establishment of uniform delivery systems. This has been done through the medium of specifying special days on which, and times at which, deliveries might be made. Uniform milk deliveries in a particular market are desirable and necessary if maximum conservation is to be attained. Such uniformity in delivery has been established in most markets. In those cases where such uniformity does not exist, steps are being taken by all interested parties to accomplish such purpose. You may rest assured that we are well aware of these situations. We are likewise aware of the fundamental problems which I referred to a moment ago. There is no division of transportation, in all probability, in which there is a greater opportunity for saving than in the local delivery system. The dire need of eliminating every mile of waste in rubber-borne transportation is perfectly clear. It must and it will be done. In carrying out our program, we must have your continued cooperation as well as the cooperation of the general public. Of course, it will mean inconvenience and possibly some hardship to the public, but I know that with a full understanding of the rubber situation as it exists, they are ready to do anything that will help to win the war once they know that it is necessary to be done.

The Office of Defense Transportation was created in December, 1941, by Executive Order of the President, and Mr. Joseph B. Eastman was named its Director. Mr. Eastman, upon accepting the office, created certain natural divisions, such as the Division of Motor Transport, the Division of Rail Transport, the Division of Traffic Movement, the Division of Intercoastal and Coastwise Shipping, as well as certain other natural divisions. I am connected with the Division of Motor Transport, which division is headed by Mr. John L. Rogers. Consequently, we in our division are concerned primarily with motor truck transportation, private and for-hire.

One of the duties of the Office of Defense Transportation is to attain maximum utilization of all existing transportation facilities, in order that essential trans-
portation services may be continued over the longest period possible. It was with this thought in mind that we approached the problem, and it is with this thought in mind that we have continued to deal with it.

Now is not the time to conjecture as to what might have been done, what should have been done, or what could have been done, but, rather, it is a time to face known facts, determine what is necessary to be done, and then go ahead and do it. No one can do the job alone. Rather, it requires the joint, combined and cooperative efforts of all if necessary results are to be produced.

Let me then present to you some of the facts which have confronted us and which, by the same token, confront all of you.

There are approximately 4,891,000 trucks owned throughout the country. 1,047,000 of this number are farm trucks. 3,244,000 are privately operated commercial trucks; 351,000 are local drayage or cartage trucks; and 249,000 are inter-city carrier vehicles. In the aggregate, these vehicles, at the present time, are carrying 163,000,000,000 ton-miles per year, which is over 40% as many ton-miles as all railroads carried in 1940, and 25% as many as the railroads are now carrying. Of this, 9,000,000,000 ton-miles are carried by farm trucks, 61,000,000,000 by local city trucks, and 93,000,000,000 in local and inter-city operations.

As you are undoubtedly aware, the War Production Board and the Office of Defense Transportation jointly allocate all new trucks to civilian purchasers. There are now estimated to be 70,000 new motor trucks and tractors available and subject to civilian allocation. Of this number, approximately 25% are of small capacity, one ton and under; approximately 70% are of medium capacity, 1 1/2 ton to two ton; and only 5% are of larger capacity, 2 ton and larger.

The normal yearly motor truck sales, new and used, total approximately 1,150,000 trucks. The manufacture of trucks and tractors for civilian use has been stopped. You can readily determine that the motor vehicle situation is indeed most acute. The motor vehicle parts situation is equally acute.

You are all aware that the rubber situation is drastically acute. It is true that there has been some confusion in the past with regard to this latter question. However, the study and report made by the Baruch Committee has, I believe, clarified the question in everyone's mind to the point that it has now become a realistic and determined fact.
Considering the facts as I have presented them to you, I think you will readily agree that the situation as it presented itself required, as it continues to require, that drastic action be taken in the conversation of existing motor vehicle equipment and other vital materials, including rubber, if we were to attain the objectives of the Executive Order creating the Office, namely, the maximum utilization of existing transportation facilities. Let me warn you that our rubber stock pile is on the road today. Likewise, our truck stock pile is on the road today. We must conserve and preserve such stock piles because you and we must "Keep 'em Rolling." To conserve such equipment and materials is to preserve the same, and preservation will guarantee continuance of necessary and essential transportation services as long as possible. In order to promote better care and maintenance of motor vehicle equipment, the Office of Defense Transportation has organized a United States Truck Conversation Corps, and has asked every operator of a motor truck to join and actively participate in the program established. Every operator who signs the truck conservation pledge to practice preventive maintenance methods, is doing that which is absolutely necessary, not only for his own protection, but for the protection of all transportation.

We in the Office of Defense Transportation recognize, as we have always recognized, the ingenuity of the motor truck industry, private and for-hire. That industry which has so aggressively developed motor truck transportation in the past, surely can preserve it for the future if it will but accept the job and carry it through. We have never had any idea that we could, by the mere stroke of a pen, solve all of the transportation problems throughout the country. Rather, we do feel that we can cut the pattern and that industry in turn must, as it will, produce the finished product. We can provide, as we have provided, what is necessary to be done, but it is up to everyone to see that it is done. It isn't a question of what we can do, but, rather, it is a question of what we must do. As someone has put it: "The difficult things take a little while to solve; the impossible things take a little longer."

We have had carrier after carrier reporting case after case where 40% or more increased volume has been transported during a calendar month this year on 35 to 40% less miles than such carrier operated during the corresponding month of a year ago. These accomplishments have been due to reduction in frequency of service, elimination of parallel or duplicating routes, zoning of operations and compliance with our outstanding Orders. Much progress can be made through the formation of pooled or cooperative deliveries. Such action produces the maximum conservation if properly taken. The formation of pooled or cooperative deliveries necessarily involves joint and collective action.
by members of industry. In this connection, the Office of Defense Transportation and the Department of Justice on March 12, 1942, issued a joint statement dealing with such matters. Such statement provides that joint and collective action may be taken without violating the terms of the anti-trust laws so long as such joint action so taken is for the sole purpose of conserving motor vehicle equipment and other vital materials, including rubber, and so long as such joint action falls within the four corners of such statement. We have also established a procedure for obtaining clearance to any such joint action. If parties desire to take joint action for the conservation of equipment and materials, and can not determine as to whether or not such action comes within the joint statement, they may, if they so desire, submit such plan to us in writing, signed by all the parties thereto, whereupon our Office will examine the same and if it meets with our approval, we in turn will submit it to the Department of Justice for clearance. If the Department of Justice clears such plan, the parties thereto will be immediately advised.

I wish to review with you the matter of the intent, purpose and effect of the outstanding Orders issued by the Director, which Orders pertain to motor truck transportation services.

General Order O.D.T. No. 6 was issued on April 20, 1942, and the terms and provisions of that Order became effective on June 1, 1942. The Order covered all local transportation services performed by all types of motor carriers within a local territory defined as the corporate limits of any given municipality and an area extending 25 air miles beyond such limits. The Order required, as of June 1, 1942, the termination of all special delivery service. It likewise prohibited all call back service, such as calls made for the purpose of effecting collection or for the purpose of making a second or third attempt to deliver a particular shipment. It required the termination of all motor truck transportation services in excess of one delivery on any one day to any one person, except certain deliveries which were exempt from such requirements. In addition to the foregoing, such Order required all carriers subject thereto to reduce the total monthly vehicle mileage of rubber-tired vehicles in a minimum amount equal to 25% of the total mileage of vehicles in operation during the same calendar month of the year 1942 exclusive of the mileage eliminated as a result of the termination of the so-called luxury services which I previously have mentioned.

We recognized that with the issuance of this Order, we were requiring many businesses to terminate services which they had previously rendered and which they could not terminate at a prior date due, for the most part, to competitive practices or customs.
The results produced by industry under this Order were good. However, there was a group, although in the minority, which did not comply and, as a consequence, did not produce necessary and required results. It is to be regretted that such is the fact, and I assure you that we have not been unmindful of this situation.

Under date July 23, 1942, the Director caused General Order O.D.T. No. 17 to be issued, which Order became effective August 1, 1942, and covers all operations of all contract and private carriers, no matter whether they be engaged in local service, over-the-road service, or a combination of both. This Order superseded the provisions of General Order O.D.T. No. 6 in so far as the operations of private and contract carriers are concerned. It did not supersede the provisions of Order O.D.T. No. 6 in so far as the provisions of such Order are applicable to local common carriers.

Under the provisions of General Order O.D.T. No. 17, the provisions of General Order O.D.T. No. 6 applicable to local service were incorporated therein. The prohibition against special deliveries, call backs and more than one delivery a day, as well as mileage reduction requirements, were extended to all operations of all private and contract carriers unless specifically exempted under the terms of the Order. In addition, the operation by such carriers of motor trucks in over-the-road service, that is, beyond the 25 mile area, were subjected to certain additional requirements, namely:

A truck engaged in over-the-road service is required to operate fully loaded over a considerable portion or segment of its route, and no such truck can be operated empty unless the operator thereof has attempted to lease such motor truck for the purpose of hauling available traffic. The purpose of these requirements is, of course, self-evident, namely: that no truck should operate an empty mile if there is available traffic to be transported. Likewise, the Order requires that a truck operated in over-the-road service shall not exceed by more than 20% its rated load carrying ability, as indicated in Appendix No. 1 to such Order. Likewise, the Order required all motor carriers to curtail the speed of their motor trucks to 40 miles per hour or less. This latter provision of the Order has been revoked by Order of the Director, dated September 26, 1942; and the Director on such date issued a further Order prohibiting the operation of any motor vehicle at a speed which is in excess of the applicable speed limit duly prescribed by competent public authority or in excess of 35 miles per hour, whichever rate of speed is the lesser.

I would like to discuss with you for a few moments the action which the Division of Motor Transport of the
Office of Defense Transportation has taken in formulating plans for the conservation of motor vehicle equipment used in transporting farm products and supplies. Mr. Robert Hicks heads the Farm Section of the Division of Motor Transport.

In the field of farm product transportation there are many instances where a motor vehicle conservation program may originate from sources other than motor carriers. This is particularly true in the case of dairy production where producers ship their products to assembly or processing plants on trucks owned by the producers, plant operators, or by "for-hire" truckers.

As you well know, situations of this sort often involve fairly definite marketing areas, such as milk sheds, to which a transportation conservation plan should apply generally. A milk hauler or trucker, for example, as a rule possesses only limited operating authority and is not anxious to vary from his established business. Acting individually or in small groups, the truckers are helpless to attain the conservation required. The cooperation of the producers selling the products and the plants receiving the products is necessary to work out the conservation. In fact the conservation plans ordinarily have to be oriented about the assembly plants themselves and the plans have to be worked out by the industry, including producers, truckers, and processors as a whole, rather than by truckers acting alone.

The Office of Defense Transportation has completed arrangements whereby it will recognize "Industry Transportation Committees" consisting of equal representation from plant operators, truckers and producers, who, after a competent survey of production and market area, may develop a transportation conservation plan.

This plan, consisting of two parts, may be submitted to Office of Defense Transportation for its consideration with respect to transportation aspects and the Department of Justice for possible violation of anti-trust laws. When submitted, an original signed by all members of the Committee shall be accompanied by 14 copies.

The first part of such a plan should contain definite facts with respect to the area affected, the number and location of plants, the number of producers, the number of truckers and location of their routes, the proposed reallocation of routes, and the mileage reduction to be effected. It should also indicate whether or not any producers will be subjected to change in market or price, or both. In addition, the description should contain information regarding the method of State Regulation of the "for-hire" motor vehicles involved and the manner in which the
carriers now employed will be affected by the plan. Other facts which have to do with the administration of the plan should also be included in the statement.

The second part of the plan should contain complete and detailed information concerning the zoning of producers and/or markets, change in prices, number of producers, truckers, and processors affected, and, in addition, the number, names and addresses, and reasons, if any, why certain producers, truckers or processors are reluctant to participate in the plan.

If the plan submitted is acceptable to the Office of Defense Transportation and the Department of Justice, the Committee will be so advised. An administrator, responsible to a Federal agency, will be appointed. Effective dates will be set and the program may proceed.

The original Industry Transportation Committee, may, at this time, become an Industry Advisory Committee, to give advice and counsel to the Administrator, and the Office of Defense Transportation reserves the right, at this time, to either approve or disapprove the selection of the Administrator and the membership of the Advisory Committee.

Procedures have been developed prescribing the methods of making and accepting complaints from truckers, or producers, or plant operators with respect to the operation of the plan. It is intended that if at all possible, such complaints should be rectified locally. However, the final decision of an appeal shall rest with the Director of Division of Motor Transport of the Office of Defense Transportation.

The Administrator of the plan shall maintain records of all the acts performed and other information pertaining to the operation of the plan and will make such records available to accredited representatives of our Office; also such reports as may be requested by our Office will be filed with us by the Administrator.

The only feasible way to bring about the utmost conservation of farm transportation is through organized utilization of the transportation resources of a county and its constituent communities in a way that will eliminate unnecessary traveling and hauling. This involves group action in each market area and community. Such group action to be most effective must be based on voluntary cooperation of producers, plants, and haulers, but to be really effective, some means of re-enforcing the voluntary activities of the vast majority of farmers are necessary.

Through the cooperation of the United States Department of Agriculture, State and County War Boards have
been authorized to establish County Farm Transportation Com-
mittees in each of the 3022 agricultural counties of the na-
tion, the membership of which will be as follows:

(1) The Chairman shall be the Chairman of the County
United States Department of Agriculture War Board.
If the War Board Chairman is unable to serve, he
shall appoint a member of the County Agricultural
Conservation Committee as Chairman.

(2) A farmer member who is representative of the prin-
cipal type of agriculture in the County.

(3) A farmer member who is representative of the next
most important type of agriculture in the County.

(4) A member who represents truck transportation ser-
cices for agricultural commodities in the County.

(5) A member who is a dealer of farm supplies in the
County.

Broadly, the responsibility of these committees
will include: (1) developing transportation programs within
the county, (2) assisting farmers and truckers hauling farm
products and supplies to fill out the applications for Cer-
tificates of War Necessity, and (3) assisting farmers in
submitting applications for new trucks.

The provisions of all Orders issued by Office of
Defense Transportation pertaining to motor truck transporta-
tion contain a provision for the issuance of general and
special permits. In particular cases requiring special
treatment, certain general and special permits have been
issued, but I assure you they have been only issued in cases
of absolute necessity.

The results achieved by private and contract car-
rriers under the provisions of Order O.D.T. No. 17 have, for
the most part, been most satisfactory. However, again there
was that minority group which did not fully comply or pro-
duce the results which they should and which they will pro-
duce. We recognized the situation and again we have not
been unmindful of it, because the Director, on September 9,
1942, caused to be issued General Order O.D.T. No. 21, the
requirements of which became effective November 15, 1942.

Under the provisions of this Order, there will be
issued to the operator of each commercial motor vehicle, a
Certificate of War Necessity, which will govern the maximum
mileage to be operated and the minimum loads to be carried.
These certificates will be required not only for trucks and
buses, but also for taxicabs, jitneys, automobiles which are
available for public rental, and certain other similar
In connection with this program, nine regional offices have already been established. These regional offices are located at New York, Philadelphia, Chicago, Cleveland, Kansas City, San Francisco, Denver, Atlanta, Dallas. Further, 142 district offices will be established in certain of the principal cities located throughout the country. A field force of approximately 3,000 will be established. By way of illustration, in the State of New York there will be 8 district offices. Each district will be defined by the territorial limits of counties, and the extent of each district territory will be based upon the number of motor vehicles owned in such counties. In New York State, we will have a field force of approximately 406.

There must be no slackening whatsoever in the efforts which are now being made to save the trucks, buses and other commercial motor vehicles and their tires. The certificates are intended, not to discourage, but to encourage, stimulate, protect and augment those efforts. They are only one further means of helping the operators individually to do their full part in the campaign to keep these vehicles rolling in the cause of victory.

In carrying out this program, we shall need the whole-hearted cooperation, not only of the motor vehicle operators, but also of shippers, consignees, farmers, merchants, manufacturers, administrative agencies, and the general public. The program has no other purpose than to protect the best interest of all concerned and of our country.

MR. MAPES: Thank you, Mr. Brady. I am sure that you will find the agencies represented here have already, and will continue to give, every bit of help possible. Mr. Brady has indicated a willingness to answer any questions from the floor.

MR. HALSTEAD: I am sure that we all want to cooperate with you, and you with us. In addition to that, I am wondering whether you people are practicing what you preach. My reason for saying this is that your office is now having milk come from New York State and Washington, and from Washington to Norfolk when milk could be furnished with one half the distance.

MR. BRADY: There is no question but that what you say presents a tremendous problem. Mr. Eastman the other evening discussed that problem. The War Production Board has established zones for the transportation of sugar. Mr. Eastman and other members of the staff are not only investigating this matter, but also other matters of cross hauling. Cross hauling in this country is a tremendous affair.
MR. FORAN: On the same line of cooperation, we had this before us yesterday with another Federal representative. We are tremendously interested in the transportation problem in the metropolitan district of New Jersey, which also takes in New York City, and after your order calling for a 25% reduction in rubber and gas, the dealer-distributors of the metropolitan area advertised to their customers the going on to every-other-day deliveries to accomplish the result of your order. The labor unions immediately protested to Washington, and the War Labor Board stopped the movement until they had an opportunity of investigating it. Months passed, and I believe the decision of the War Labor Board was that milk should be delivered not less than five days a week. I am wondering if the Office of Defense Transportation had the opportunity to sit in with the War Labor Board.

MR. BRADY: That is a very good question. I am glad you raised it. At the time we issued O.D.T. Order No. 6, which required the mileage reduction, various distributors in the various markets had arrived at certain joint action plans that they desired to put in to effect in order to produce the mileage reduction required under the order. In most cases the situation has worked out rather successfully. In the City of New York and in the New York-New Jersey market, a plan was cleared by our office under the terms of the March 12 policy statement. There were two views of it -- the view of the industry, and the view of labor. The matter came to a head on May 30, I believe it was, when the parties communicated with Chairman Davis of the War Labor Board, and he sent through a telegram asking the parties to maintain status quo. Subsequently the War Labor Board appointed an arbitrator who heard further evidence in the market, a gentleman named Sheridan, who made his recommendation, and that is the matter you referred to. It was not adopted by the War Labor Board. The parties were called into Washington for a conference, and a Mr. Seward has been appointed by the War Labor Board to act as the impartial arbitrator in that area. Indeed there has been delay there. So far as we know, it has been unavoidable delay.

MR. NADEAU: In connection with your Order O.D.T. 6, in which you required a reduction in mileage, or a saving of 25%, we were faced in Canada with the same problem, as soon as your order was issued, and we have had requests for a similar order. I would like to know what measures were taken, and by whom, for the enforcement of such an order, and does the 25% reduction apply to one area, or to individuals?

MR. BRADY: I have two or three questions from you. I will try to answer them in order. The original Order No. 6, which required the 25% mileage reduction regardless of the cancellation of call backs, special deliveries, etc.
was drafted in that manner and issued by the Director in that manner. The situation in the New York market with regard to a particular commodity might be as different from the situation in some other market as black is from white. The problem was put up to industry. We said, "Those are our requirements, you meet them." There have been various plans developed by the industry to meet the requirements. I might say that the milk distributors have been doing a good job in effecting mileage reduction. There are only one or two markets where trouble exists. There is trouble in Minneapolis, Minnesota, and in Chicago, but generally the mileage reduction which the distributors are producing varies from 25% to 45% to as high as 50%, notwithstanding increased volume. Some of the plans worked out are eliminating duplicating routes, and going on every-other-day deliveries on retail distribution; in some cases on four day deliveries, in some cases five day deliveries, in order to produce the reduction, but there has been as yet no mechanics issued by the Office of Defense Transportation, prescribing the exact manner and methods to be used in acquiring the 25% reduction.

COLONEL FORAN: I would like to make an observation that you have here before you a group of officials, all with some power, some of us with perhaps more than we should have, but a group of State officials who realize just as well as anyone else the reason, the must as you put it in your statement, the must on the conservation of rubber and gas, and you have before you a group of officials that are looking for a chance to cooperate, are looking for a chance to help you accomplish this purpose. I would like to call your attention to the fact that you have us here, and we would like to help in the effort.

MR. BRADY: I fully appreciate that, and I hope that you ladies and gentlemen appreciate the time and effort in presenting the matter as we have today. We wanted to give as full and factual presentation of the situation as we know it and as we could. We recognize that only through the cooperation of yourselves and ourselves are we going to produce the results which are required. That cooperation must exist. If any of you have suggestions concerning what you think should be done, please communicate with us, or with the Field Office, for we and they are anxious to get together with you and work problems out.

MR. STEWART: I understand on O.D.T. Order No. 21, certain regulations have to be put in effect to show a reduction. In our State, same as a lot of others, they have every other day deliveries, only one stop to consumers' homes, etc. The question in my mind is this. Where we can show a 30% to 50% reduction in mileage, will that be adequate to justify the issuance of a certificate of necessity for these distributors?
MR. BRADY: I am glad that you raised that question. As I said in my talk to you, the majority of the operators have gone along in fine shape, by far the majority. They have done a good job. There is a minority that didn't produce the results which they must produce. It has been necessary for the Director to issue Order O.D.T. No. 21. It will enforce outstanding orders. The certificates which will be issued will provide limits of mileage and limits of load, and in the reporting, in order to get the certificate, without which you cannot get gas, etc., they must report the mileage operated in quarters in 1941 and in 1942, and we will be in a proper position to determine compliance or non-compliance.

MR. HUMRICKHOUSE: I want to say, Mr. Brady, that the State Director of O.D.T. has been cooperating with us 100%. We are in constant touch with your office, and have had good cooperation. I would like for you to get that back to Mr. Burnett.

Q. What procedure has been set up to obtain a return load after delivering in a given market?

MR. BRADY: That comes under the Joint Information Office order. Carriers are establishing offices under O.D.T. No. 13. The requirements of Order 17 says that a truck shall not operate empty unless the man has made an attempt to lease it. The attempt may be made through a Joint Information Office, or through contacting some other carrier with the possibility of getting return traffic. The Joint Information Offices -- I cannot tell you the exact number of cities in which they are. It takes some time to get them under way. I think there are seven or eight principal cities that now have Joint Information Offices.

Q. Any in Virginia?

MR. BRADY: I don't believe they have established any in Virginia. The carriers get together and take joint action in connection with the formation of Joint Information Offices. The part that O.D.T. plays is that of approving the set up and the personnel.

MR. NADEAU: In Canada, in connection with this transportation problem, the Office of Transportation issues these general orders in connection with trucks and deliveries, and following the issuance of these general orders, the provincial milk agencies who want to go further than the order of the Office of the Administrator of Services, after a study of the problem, issue orders that are more far reaching than the order of the Office of the Administrator of Services, which is a general order. Is there any set up in the states for any milk control agency, or any other board controlling milk in any one state, to do such a
have any place in the picture except to cooperate with you, but no specific function.

MR. BRADY: Don't you feel our problems are one? If we approach them on that basis, we should produce the necessary results. Don't you feel that way?

MR. MC KEE: Except that in my own mind, I don't know where we go from here. It is our feeling from our study in that one county that it was asking a good bit of voluntary action to say I will give up my route, or combine routes, but that is the only thing that will meet the situation. Sooner or later some one has to make that decision.

MR. BRADY: We have been working for some time now, and we hope to have some release on it shortly. We have been working with the Department of Justice to the end that we will make a joint release covering the joint action of milk companies, or other companies meeting together to exchange customers, exchange routes and that sort of thing, but I can't help but say to you that we have some very definite fundamental problems involved, and I can't help but say that there are a variety of economies that can be made by transportation and retail distribution.

MR. MC KEE: I am only talking about the assembling of milk. There also came over my desk the other day an order, I think of O. P. A., which said haulers should only pick up milk on the main highway. Do you know if there is such an order?

MR. BRADY: I am not fully aware of the order. Consequently I could give you no accurate information on that. It is a tremendous problem of coordinating those elements.

MR. CORT: I had the pleasure of a conference with you in Washington in August. For the benefit of you milk control officials, that is the man who will go all the way with you on cooperation. He asked me for a report within a week of what our proposed plan for the City of Pittsfield, Mass. was. I have a part of it. We have made an intensive survey. What penalty is Thurman Arnold going to impose on us for not waiting for an O.K. from your office or his office before going ahead? We found that it was taking 2,000 miles of motor trip mileage per day to deliver milk to 52,000 people. We had already been on every other day delivery since February. We had a saving of 36% on that. On the 1st of October, when plan went into effect, we had saved of the 2,000 miles, 762 miles, which is in the neighborhood of a third. We think we are on the right road. There is much more that can be done.
MRS. MCCARTNEY: Mr. Chairman, and Members of this Convention: It is really a very distinct privilege and honor to be permitted to come with my co-workers from Alabama, and to share the knowledge, the information and the fellowship that has come to this meeting. Of course I have some other representatives of my sex here, but I came here with a little apprehension. After all the gracious hospitality of Virginia, that has been arrested. I wonder if we realize the significance of the fact that we should be meeting at an hour like this in Richmond. Richmond is noted for a great deal of history, as well as the hospitality of its people. As I have listened to these reports, and the information which has been given by these governmental officials, perhaps this is another history making meeting. The program said this talk should be only three minutes, and the program chairman probably thought we would have a woman or two on the program.

In the last analyses, the problems concerning the most nearly perfect food, do not belong to a certain group or a circumscribed area; it affects everyone within our boundaries and the allied countries at war.

The history of our Milk Control regulations dates back to the depression of the early thirties. Problems at the inception are reversed to those of today. The question then was to bring the price level up to a point, where producers and distributors could produce and distribute milk under conditions in compliance with health regulations; also the problem of disposing of surplus milk, and distributing on a fair and equitable basis, the Class One or Base milk of producers.

THE MILK SITUATION IN ALABAMA

The supply of milk in Alabama has been taxed gravely by increased demand due to army camps, air fields, and thousands of workers engaged in production of war materials. Within the past year, these factors have definitely changed the problems of Milk Control. Our difficulty has been one of keeping prices within the limits of the purchasing power of the public, and at the same time, maintain a price to producers and distributors, with increased feed costs, supplies, equipment and labor, that would insure an adequate supply of pure and wholesome milk to the armed forces and civilian population.

Recently, certain federal regulations have relieved us of some of these problems. Other federal regulations have given us some anxiety and new headaches in the matter of providing a distribution system. Our Board has co-operated very harmoniously, and desire to continue the
pleasant relationships with government agencies in the solution of the problems arising out of this emergency. We believe it is imperative to work together, with Local Boards interpreting local situations, thus enabling government agencies to get an overall picture, and enforce measures for the best interest of all of us.

In February 1942, the Alabama Milk Control Board, issued orders requiring every other day deliveries to consumer's homes, daylight deliveries, only one delivery per day to wholesale purchasers, and prohibiting any second or special deliveries. The authority of the Board on this question was upheld by the Jefferson County Circuit Court. In some instances, it was necessary to impress upon certain licensees, the policy of the Board with reference to enforcing these regulations, by assessing fines.

Increasing congested conditions in areas in or adjacent to camps or war production centers, and an inadequate supply to meet the emergency, created the practice of distributors raiding the producers of other distributors. This situation forced the Board to issue new rules in an effort to correct this unfair practice. These rules require the producer to give thirty days notice by registered mail, with return receipt requested, and further, that the Board be furnished with a duplicate copy. Distributors are required to secure the written consent of the Board or its Secretary, before adding any new producers.

The picture of the Milk Control situation is not complete without consideration of Consumer interests. It is gratifying to note that the Industry is becoming more and more "Consumer Conscious". It is further gratifying to know that consumers are desiring and requiring, a comprehensive picture of production and distribution, which will ultimately eliminate confusion, distrust, bickering and finally stabilize prices. An informed people is a happy, progressive people.

Our Board unanimously endorsed the request of the Consumer member to require all members of the Industry to file accurate production and distribution costs sheets with the Milk Control Agency.

This fact finding and record keeping procedure has yielded a better informed, more appreciative, co-operative Industry and consumer group. Today, Milk Control Agencies are one of America's greatest instruments of Service. "The Consumer is entitled to know as much about the working of the Dairy Industry as it does about its utilities. Try covering up any secrets and see what happens."
If governmental regulation of local industry is to endure, the burden is upon the Industry to justify the price it charges the public. I say this in fairness and sincerity, without undue regard for the Consumer and due consideration to Industry.

Let us not forget the real purpose for which our Boards or Agencies were created. They should not be treated as "tools of convenience". Now, that demand is greater than supply, do not sacrifice them for selfish or personal interests.

Alabama is one of America's most strategic war areas, and I am confident that if it had not been for the Alabama Milk Control Board, we could not have met the present emergency.

Let's work together to uphold the right arm of Democracy—a well-fed, contented nation.

MR. MAPES: Thank you, Mrs. McCartney. I doubt if we have time for any further reports. I have no further announcements, and with that I will turn the meeting back to Mr. Stewart.

Meeting adjourned for lunch.
Afternoon Session - October 9, 1942

Mr. STEWART: Mr. Woods asked me to be excused this afternoon, and I am sure that all of us appreciate the hard work he has had in preparing the program, and the wonderful program he has given us since we have been here. Upon his request we excused him, and to show you how much territory this organization covers, you remember this morning we had a presiding officer from Oregon. This afternoon we are very happy to have the presiding officer from the State of Florida. Florida has been one of the states which has carried on milk control regulations for quite a number of years. We have been unfortunate in the past few years in not having Florida a part of our organization. I personally feel that we are now most fortunate in having the Administrator we have in Florida, and it is my privilege to present to you as the presiding officer this afternoon Mr. Paul Ficht, State of Florida.

Mr. FICHT: Thank you, Mr. President. Ladies and Gentlemen, I am very happy to substitute for Mr. Woods because I do know he is pretty well under the weather this afternoon. On this particular program and at this time we were originally scheduled to hear from the Hon. Roy Hendrickson, Administrator, Agricultural Marketing Administration. He had designated in his place as his substitute Mr. Tom G. Stitts, who is the Chief of the Dairy and Poultry Division. Then Mr. Stitts was unable to get here, so he in turn designated Dr. Vial to present his talk, for him, and so without further ado I would like to present Dr. Vial of the Dairy and Poultry Division of the Agricultural Marketing Administration.

Dr. VIAL: Both Mr. Hendrickson and Mr. Stitts were very much disappointed in not being able to be here. They had both counted on being here, but so many things were going on they were unable to get away. The particular topic which Mr. Stitts thought would be of particular interest to this group was:

MILK MARKETS AND DAIRY PRODUCTS FOR MILITARY AND LEND-LEASE PURPOSES

The importance of food in the War program is increasing every day, with demands for many foods including milk expanding faster than the supply. We have had a record volume of dairy output, but with the full employment and high payrolls in urban centers the consumers of the country are willing to buy increased quantities of dairy products. At the same time the requirements for our own armed forces have expanded rapidly and we have been asked to supply our allies with increased amounts of powdered
milk, cheese, and butter. In the months ahead we can expect Military and Lend-Lease requirements for dairy products to have more and more effect on dairy markets.

In this War we have a different situation in fluid milk markets than in World War I. Milk control, as we know it today, did not exist then, and prices paid to producers for milk were primarily the prices announced by handlers. From 1914 to about 1917 prices of feed and many farm products rose rapidly, but prices of milk for fluid use were almost static and serious milk strikes occurred in several of the larger fluid milk markets before prices were raised. Even with these violent and costly methods, fluid milk prices barely kept pace with the value of milk for manufacturing purposes.

In the present War period the upheaval in economic conditions has been just as violent as a quarter of a century ago. In the last three years, however, the adjustments in milk prices have been more timely and have been made in a more orderly way than in the previous war period. The group of people and the type of work represented by this Association have contributed greatly to this improvement.

Many serious problems are still ahead. The dairy industry is greatly concerned about the longer time outlook for production. 1942 has been a banner year. Farmers have established new production records in spite of shortages of labor, difficulties in obtaining machinery, supplies, and so on. The cooperation which the industry received from the weatherman was practically perfect. In the last few years we have had unusually good yields of all feed crops. This year, pastures were about the best we've ever had. With plenty of feed and fairly good prices for dairy products, milk production exceeded previous records. We are going into the winter feeding period with above average supplies of feeds per animal unit. There is also an unusually large amount of high protein feeds available because of the expansion in production of soy beans, peanuts, and cottonseed.

If, in 1943, we should have only about average yields of feed crops and hay, feed supplies would be reduced. This would have an adverse effect on milk production.

In recent months, the butterfat feed and milk feed price ratios have been about the same as the long time average. In contrast, the prices of both hogs and beef cattle have been unusually high compared to the price of feeds. This relationship has been an important factor in stimulating a marked expansion in production of meats. Present price relationships favor the production of meat animals more than dairy products. In some areas of the Middle West the price situation is encouraging farmers to expand meat production and curtail dairy output.
Another hurdle in the way of production is the scarcity of farm labor. A recent survey made by the Department in a few Midwest counties showed that about half of the young men between 18 and 30 years of age, and about two-fifths of the young women had left the farms. In these areas as many young men and women left the farms in the last two years as had left in the preceding 10 years. The farm labor situation is not going to get better. There have been many reports in regard to individual dairymen who have sold out because of their inability to get help. Farm wage rates are high in relation to the price of milk. A great deal needs to be done to be sure that the labor factor does not defeat production.

We recently made a survey of milk production and Class I sales in fluid milk markets operating under Federal orders. In the first 8 months of this year production was above the corresponding months of the preceding year in 16 of the 20 markets. During the latter part of the year, the excess over last year has tended to drop in almost all of the markets, and in 7 of them production is now less than a year earlier. On the other hand, fluid milk sales are continuing to increase. In June, July, and August, the sales in these markets were 3 to 48 per cent larger than a year earlier. In many cases local milk supplies during the period of short production will not be adequate to meet market needs for inspected milk. Emergency supplies are being obtained in some markets and more are going to have to obtain supplies from outside the regular sources.

In the Department we have been getting together the available information on requirements for the coming year. Although no one can predict accurately what future war demands may be, it is probable that they will increase. Right now it looks as if our armed forces and our allies will require about 60 per cent of all the American cheese produced, 45 per cent of all the dry skim milk, 40 per cent of the evaporated milk, 70 per cent of the whole milk powder, and perhaps 15 per cent of the butter. The procurement of the large amounts of dairy products needed for the armed forces and Lend-Lease is one of the top problems before the dairy industry. With these demands, price ceilings and the production outlook, there may have to be some restrictions on consumer purchases or failure to meet war needs. The latter is improbable. So far war demands have been filled and there has been no need for reservation or conservation orders. AMA's policy calls for asking for these orders only as a last resort, but if the necessary volume of products is not obtained from the industry it will be necessary to issue limitation orders, or in some way assure that urgent war needs are filled.

During the first year of Lend-Lease operation, the United Kingdom received the bulk of the commodities shipped
under the program, but procurement for other nations has been stepped up in the last few months. Indian, Polish, and Free French troops are consuming powdered milk, dried eggs, canned cheese, canned salmon, canned meat, dried fruit, and numerous other commodities which have been shipped to Egypt and the Near East. Russian soldiers are being fed from field kitchens stocked with dried eggs, powdered milk, canned meats and flour from America. The garrisons at Gibraltar, Malta, Colombo, Freetown and Darwin are stocked with these supplies. Yugoslav prisoners of War in German and Italian concentration camps are now receiving American foods bought by AMA through the cooperation of the International Red Cross. In northern Siberia, the Soviet military and scientific outposts have received foods under the Lend-Lease program. Under another program more food goes to Puerto Rico, Hawaii, and other territories.

Since the Lend-Lease Act was passed, AMA has purchased almost 2 billion dollars worth of foods -- five to six million dollars a day. Most of it has been in a highly concentrated form, and it has been shipped to nearly every part of the allied world. This food is enough to fill a solid train of freight cars stretching from Washington, D.C. almost to Salt Lake City. These foods include some 300 items, everything from evaporated milk and cheese to India mess beef, vitamins, pectin and prune pulp. It is essential to the prosecution of the war that this flow of food to our allies continue.

One of the most important groups of commodities in this list is dairy products. Well over a quarter of a billion dollars worth has been purchased for shipment.

From March, 1941, to October 1 of this year, AMA purchased about 43,700,000 cases of evaporated milk. This was about one-third of the total production during that period. When the Lend-Lease program started, evaporated milk was one of the foods most urgently needed by the British. It had a top priority on the shipping list and AMA paid prices for evaporated milk that were relatively high in relation to butter. With this price incentive the industry expanded production rapidly so that Lend-Lease requirements could be filled without curtailing domestic consumption. Last fall we were attempting to supply the British about 22 million cases per year. After Pearl Harbor, shipping changed. The British reduced their requirements for evaporated, and increased their requirements for the more concentrated foods, gave dry skim milk the top position on the shipping priority, and moved evaporated down the list.

When this shift occurred AMA could have stopped purchasing evaporated immediately. If this had been done it is easy to visualize what would probably have happened.
Many producers would have lost a market. What was needed was a shift in the utilization of milk. That is a shift from evaporated to butter and powder. AMA followed the policy of continuing to purchase milk and store it, and adjusting the buying prices for evaporated so as to encourage a shift in the utilization of milk. This shift has taken place. An "orderly retreat" in the evaporated industry was accomplished without farmers losing a market for their milk. AMA has a stockpile that is being utilized to supply Lend-Lease, Army, and Navy requirements. With shortages of many foods developing each day, AMA has a valuable supply of food on hand. It is like money in the bank and can be used to good advantage.

In many milk markets the prices of certain classes of milk are closely related to the prices paid by condenseries. This is one way in which the procurement program for dairy products for the Army, Navy, and Lend-Lease have a very real effect on fluid markets.

American cheese has been purchased extensively for the Lend-Lease program. It, too, has become a world traveler. Total purchases from March, 1941 to October 1, 1942, were 423,000,000 pounds. These purchases amounted to about one-third of all the cheese produced, but in one month --- February, for example --- AMA purchased 70 percent of the production.

The change in the shipping situation after Pearl Harbor has not affected the Lend-Lease requirements for cheese. In fact, we are committed to supply more cheese under the Lend-Lease program in 1942-43 than in the preceding year. This is another urgent demand facing the dairy industry.

In June, AMA purchased 41 million pounds of cheese but in September only 11 million pounds. Purchases last month were not large enough to meet requirements. During the first half of 1942, however, the Department accumulated a considerable stockpile of cheese and with this reserve on hand, shipping schedules were met during September. In order to meet unforeseen changes in shipping schedules, and in production conditions, AMA has to have a relatively large inventory on hand so that when ships are available, the product is available. Present stocks are not large in relation to requirements. Although we have had a record volume of cheese production during the past year, more is going to be needed during the coming year. Every effort needs to be made to keep cheese production up.

Spray process dry skim milk presents one of our most serious problems in meeting Lend-Lease requirements. In the United Kingdom the supply of fresh milk is limited, especially during the winter months. They want spray process powder to use for reconstituting to supplement fresh milk. They are using the roller process dry skim mainly for cooking purposes.
AMA purchases of roller powder since March, 1941, have totaled 185 million pounds. Stocks on hand are considerably in excess of 100 million pounds. This is more than enough to meet the present Lend-Lease demands for the coming year. On the other hand, off ers and purchases of spray process powder have totaled only 83 million pounds, or less than half as much as the roller powder. Practically all of spray powder has been shipped and if the shipping schedules for the next few months are met, the Government is likely to need nearly all the spray powder produced.

One of the difficulties in obtaining the desired volume of spray powder has been the lack of facilities. In order to correct this, materials have been made available and allocated for expanding producing capacity. When these new facilities get into operation it is hoped that supplies of spray powder will be available to take care of the most urgent requirements.

Total purchases of dry whole milk to October 1 amounted to 7,000,000 pounds. It has not been possible to meet all requirements for this product either. Besides Lend-Lease needs, the Army and Navy are using large quantities. Production of this product has been relatively low because of the many technical problems involved in obtaining a product that will be satisfactory for use 6 months or more after it is made and handled under war conditions. It may interest you to know that the first shipment of dried whole milk is helping to sustain the allied garrison at Malta. Enough whole milk powder was delivered recently to supply that garrison with the equivalent of more than 2½ million quarts of milk.

Dried milk products are the most efficient of the dairy products in the amount of actual food value shipped per pound of gross shipping weight. It would take four ships to haul as much food value in the form of evaporated milk as could be transported in one shipload of dried milk. With ship space at a premium, it is the product with the most food value per pound of shipping weight that gets on the boat.

In buying dairy products for Lend-Lease, AMA has paid prices that appeared necessary in order to encourage the production of the products most urgently needed. This has caused some serious maladjustments in the dairy price structure. At the present time the price of animal feed powder and casein are low compared to dry skim milk for human food. There is also an unusually wide differential between roller process and spray process dry skim milk. AMA is paying 14 cents for spray process dry skim milk f.o.b. plant and 11.5 cents for roller. This wide differential is stimulating the utilization of spray drying facilities up
to capacity. Nevertheless, it appears that the price shifts have had relatively little effect so far in causing domestic consumers to shift from the use of spray to roller powder.

Although manufactured dairy products are required for overseas shipment, the Army here at home is attempting to supply each soldier with fresh milk. Most of the camps are located outside of the intensive dairy sections and the Army is having a good deal of difficulty in getting adequate supplies of milk for the camps.

In many fluid milk markets where there has been a rapid development of war industries, there are already shortages of milk. It has been necessary to obtain emergency supplies from outside of the regular supply areas. More and more of these arrangements will be necessary if we are to avoid restricting sales or rationing of fluid milk.

The job we have is to make a realistic study of the urgent problems facing us and then try to shape the course for the next few years. We have to look forward and base our judgment on the best information at hand, realizing that nothing is certain but uncertainty. The real job is to have the right kind of food at the right place at the right time.

MR. VIAL: Under the war program, the Agricultural Marketing Administration has the job of obtaining supplies for the Army and Navy, and obtaining supplies for the Lend-Lease program. AMA's real job is procurement. Up to date their policy has been to pay the prices to get products. Since the new law, and there has been a price freeze on, it appears it will be necessary to use other methods to obtain products. So far, you probably know better than I do that the actual details have not been worked out.

MR. FIGHT: On behalf of the Association, Dr. Vial, I want to thank you for the excellent manner in which you presented your paper. It is really appreciated, and the members of the Association and their friends have certainly gotten some very valuable information. Dr. Vial has already agreed to answer any questions you would like to ask. Are there any questions?

MR. CORT: What is the deviation from the normal supplies this year over others? Are we ahead, particularly fluid milk?

DR. VIAL: The total milk production is about 4% over last year. Last year was the highest on record.

MR. CORT: How much was last year over?
DR. VIAL: 4% over preceding year. Probably 10% over the ten year average.

MR. CORT: How much do you attribute to the farmers' program, and the weather?

DR. VIAL: The farmers knew what the prospects were. I also think the prices on the whole have been fairly satisfactory up to date.

MR. MCKEE: Bringing it down to the present date, how does the most recent month you have compare with the same month last year with production.

DR. VIAL: On September 1 the total milk production was about 5% higher than last year. For the month of August the total production was up 4% over last year.

MR. CORT: That is the nation-wide picture. Is there any variation in sections?

DR. VIAL: According to the latest figures, there are places where it has been less than last year. In the Chicago market in August, it is 1% less than last year.

MR. CORT: That was the amount of deviation?

DR. VIAL: That was the amount of milk in the pool.

COLONEL FORAN: You stated in answer to a question a few moments ago that prices were generally satisfactory up to date. Is there anything significant in the phrase "up to date?"

MR. KUHRT: Are the estimates you have just given with respect to increases in production based upon actual data, or are they based on the data of the Crops Estimate Bureau?

DR. VIAL: It is upon the basis of crop reports. We have 20,000 or 30,000 crop reporters scattered over the United States. Each reporter once a month on the amount of milk, number of cows, etc.

MR. KUHRT: In some of the localities where you have the actual information, it indicates a decrease?

DR. VIAL: In some areas.

MR. KUHRT: I would like to ask also what the view of the Department is with respect to increases or the maintenance of fluid milk production in one month. Is it the desire of the Department of Agriculture that fluid milk production be maintained, or allowed to decrease, or to be increased?
DR. VIAL: The Department would be very glad to have it increased.

MR. KUHRT: Is that the policy of the Department at this time?

DR. VIAL: Yes. The milk production in 1942 is set at 145 billion pounds. I think the actual production for 1942 is going to be only 125 billion pounds.

MR. MCKEE: Have you any idea what the goal for 1943 will be?

MR. CORT: Are you anticipating that under normal conditions, with a drought and then a flood, next year is apt to be a bad year. Are you anticipating anything like that? We have had two good years.

DR. VIAL: We have had two good years. I don't know what the prospects are ahead. It is just the law of averages. Production may be more difficult to maintain next year than this.

COLONEL FORAN: You were here yesterday, and you heard Mr. Waterstreet say that it would be quite possible that many commercial dairy farms would have to go out of business because of labor conditions. In our section the commercial dairy farms are the ones that produce the greatest quantity of milk so that if what Mr. Waterstreet said yesterday comes to pass throughout the country, and the large commercial dairy farms go out of business, we certainly will face a definite shortage of milk. Would it be possible for you on your return to Washington to present that picture to your people and to the Department of Agriculture, so that it might be possible for the Department of Agriculture to get together with the Office of Price Administration and say, "Here is what you say is going to happen but we don't want it to happen."

DR. VIAL: I think we mentioned yesterday that conferences between the two groups are going on.

MR. FIGHT: Any other questions? Since there doesn't appear to be any other questions, I again want to thank you, Dr. Vial.

MR. FIGHT: The next order of business would be under the supervision of our president, so I will call on our president to preside.

BUSINESS MEETING

MR. STEWART: Our program at this point provides for a business meeting, and in connection with the business
of our Association, it would probably be well at this time to make a few comments, and briefly refer to the meeting that your officers and Executive Committee had in Washington in May. Those of you who were there know the information that was given to us at that time. The remarks that were made yesterday were very hopeful and encouraging in comparison with the information which was given to us in May. For example, I give you as an illustration an answer to a question we asked in May. The question was this. You have this leveling off of milk prices. Underneath it nothing is fixed with reference to feed or labor. What are we going to do about it? As I recall it, the answer came back to us something like this: "Well, you tell the feed man that you can't get any more for milk, therefore you can't pay any more for feed." I know the feed man is going to run out and fill up your barn with feed because you tell him that. And if labor wants to go to the shipyards or defense industry, there is nothing you can do about that. Now it is most hopeful and encouraging, I think, the change in the policy that was given to us yesterday.

You will recall that last year we approved meeting this year in Yellowstone Park. Of course it is not necessary to mention the reasons why we are not there. Because of the emergency we are not having conventions, and we are having meetings, and in addition to the most hospitable invitation from our friends in Virginia, which we so gladly accepted, we felt that it was the most advisable thing to meet in Richmond. However, the Executive Committee did go on record as approving the first meeting after this emergency is over in Yellowstone Park.

Another matter that came up before the Executive Committee in Washington was the acceptance by draft of two states into our Association, California and Florida, and I am sure that all of us will agree that it was a very wise thing to have done in view of the valuable contributions that those two states have made at this meeting.

That briefly gives you the happenings and events at the meeting of the officers and Executive Committee in Washington.

I would like to know if there are any further remarks that any members of the Executive Committee think should be made at this time that I possibly overlooked. If not, then we will proceed as outlined in the program to have the report of the committees. The first committee is the Committee on Meeting Place, Chairman Mr. Hull of Rhode Island.

MR. HULL: Mr. President, your committee has considered the existing conditions, and they wish to make the
following report:

REPORT OF COMMITTEE ON PLACE OF MEETING

Due to the existing emergency, the Committee wishes to recommend that the place of meeting in the fall of 1943 be referred to the Executive Committee for final decision.

John P. Hull, Chairman
Mark Turner
Douglas M. Lasher

I might say that I am in a little embarrassing situation. I went to Kenneth Fee and asked for a list of the invitations, and the only invitation was from Providence, Rhode Island.

MR. McKEE: If I am not interrupting the gentleman, and you want to meet near Washington, I will be glad to extend an invitation from Pennsylvania.

MR. HULL: I think we discussed all these locations near to Washington, and it seemed difficult to make any decision which would meet the conditions which may exist here some day next year.

MR. STEWART: You have heard the report of the Committee in the matter of the fixing of a place for our meeting next year, which I think is most advisable under the circumstances and conditions. I would also like to include in the record the invitation from our kind friends from Pennsylvania, and advise that the Executive Committee will take that under consideration.

Motion made by Mr. Ficht and duly seconded that the report of the Committee on Meeting Place be accepted. Motion carried. Motion so ordered.

MR. STEWART: The next report is the Committee on Legislation. Mr. Carpenter of Massachusetts.

MR. CARPENTER: If you will excuse your committee for a few minutes, we will return in a few minutes with the report.

MR. STEWART: We will pass that over for the time being, and proceed to have the report from the Committee on Resolutions. Mr. Duncan of Georgia. It seems that our Committee on Resolutions is being detained a little longer than was thought, so that at this time we will have the report of our Secretary-Treasurer, Mr. Fee.
MR. FEE: My report is going to be quite informal and brief, and perhaps I might say at this time to those of you who desire to get a copy of the survey which Mr. Nadeau brought to our attention yesterday, I still have two or three copies I can supply. We tried to pass them around yesterday, and I am not sure each state got one. I might also say at the same time that we have a limited number of copies of last year’s proceedings which are available. I might also comment upon the fact that we intend to get out the record of the proceedings as promptly as we can. The cooperation we had from several members of the organization last year in aiding us in getting it out was much appreciated and I am sure we will have the same cooperation this year.

We have as paid members this year a total of 18 states and provinces. We have gained two provinces, Manitoba and Saskatchewan, and one state, the State of Maine, this year over members we had last year. We are short two this year that we had as paid members last year. One is Vermont. That state had some difficulty as we heard yesterday. Mr. Jones of Vermont is here, and we also have a report from him. The other is a state which has always been a member, and I am sure will continue to be a member, but did not get a voucher to me until about two weeks ago. That is the State of Montana. I am sure we are all sorry that Mr. Norris could not get here.

As I have already said in answer to an inquiry, we have registered delegates from 16 states, and also from the Province of Quebec. Mr. Nadeau should be regarded as a delegate from the Dominion at large. In addition, we have a large delegation from the District of Columbia. I think we can feel we are amply repaid in having had the meeting near Washington.

I won’t burden you with the details of the financial report, but perhaps I can give you the highlights of it. At the end of last year at Quebec, we had cash on hand $726.89. We received, after the meeting, membership dues from two states, and one province. That was for 1941 dues. We have received membership dues for the present year from 17 states and one province. There is a slight discount on some of the checks from Canada. There were two checks that did not come through in United States currency, and there was a discount of $2.61 on each, so that the total receipts, together with the carry-over from last year, amounted to $1,246.67. Most of the expenses incurred have been in connection with the preparation and mailing of the report of the proceedings, and postage and stationery. The total expenses for the year up until a very few days ago amount to $185.27, and the cash on hand before the meeting started was $1061.41.
I would like to inquire --- you may remember that
the suggestion was made last year that we send membership
cards to delegates from the various states who have paid
dues. I have endeavored to follow that direction. I am
not sure I have carried it out in the manner intended and
I will be glad to know whether the association wishes to
have this practice continued, or changed, or modified in any
way.

Before I sit down, I would like to remind some of
you here that you have not registered. We would like to get
your name on our registration list, and I hope you will do
that some time this afternoon.

I think that is all, Mr. President.

MR. STEWART: Thank you, Mr. Fee. You have heard
the report of our able Secretary and Treasurer. I would like
to know if there is a motion to accept that report.

COLONEL FORAN: I move the report be placed on file,
with the unanimous thanks of the association to Mr. Fee.

Motion duly seconded, unanimously carried, and so
ordered.

TREASURER'S REPORT 1941-1942

RECEIPTS

Cash on hand, September 25, 1941 .................. $726.89
1941 Dues - Alberta and Georgia .................. 50.00
1941 Dues - Quebec ($25.00 less $2.61 exchange) .. 22.39
1942 Dues - Manitoba, Pennsylvania, Virginia, New
Jersey, Connecticut, Massachusetts, Ontario, Maine, Minnesota, Oregon,
Rhode Island, Alberta, New York, Indiana, Quebec, Georgia, Alabama .... 425.00
1942 Dues - Saskatchewan ($25.00 less $2.61 exchange) 22.39

$1246.57

DISBURSEMENTS

To W. N. Gibson, for traveling and hotel expenses to
Quebec to report meeting .......................... 27.17
Stationery ........................................... 16.30
Expense incurred for record of 1941 meeting -
Stencils ........................................... $ 8.30
Paper ............................................. 31.06
Covers, Stitching &
Binding ........................................... 58.06
Miscellaneous expenses, including mailing of 1941
record of proceedings ............................ 21.89
Telegrams sent by President calling May meeting of
Executive Committee ............................. 23.45
Printing 1942 Programs ........................... 21.50
Printing Membership Cards ......................... 2.50
Miscellaneous expenses, including postage on mailing
programs and other correspondence ............... 14.40

$1061.40

Cash on hand ................................. $1061.40
States and Canadian Provinces Which Have Paid Annual Dues to the International Association of Milk Control Agencies

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# Michigan paid 1940 dues after annual meeting in New York.  
* Alberta, Georgia and Quebec paid 1941 dues after annual meeting in Quebec.

MR. STEWART: Are you now ready, Mr. Duncan?

MR. DUNCAN: Mr. Chairman, we have three resolutions that we would like to present for the consideration of the Association. One is quite lengthy, and the others short ones.

Resolved: That our secretary be requested to express to Mr. E.C.C. Woods, Secretary of the Virginia State Milk Commission, and through him to the members of such Commission, to the dairy industry of Virginia and the management of the John Marshall Hotel the thanks and appreciation of this association for the kind and thoughtful hospitality which has contributed so richly to our enjoyment of this occasion.

Motion made by Colonel Foran that resolution be adopted. Motion duly seconded, carried, and so ordered.

MR. DUNCAN: Resolved: That our secretary be requested to extend to Mr. G. A. Norris, Secretary of the Montana Milk Control Board, the sincere regret of those present
that he was this year, for the first time in the history of this association, unable to attend its annual meeting, and also our regret of the absence of Mr. Powell Baker, Former Chairman of the Alabama Milk Control Board.

Motion made that resolution be adopted. Motion duly seconded, carried and so ordered.

MR. DUNCAN: This is quite a lengthy resolution. We have given it considerable thought ever since yesterday, and I would like to ask that the membership approve it in whole rather than in part. Any corrections or anything that the association might like to do, we will have a general discussion on it.

After discussion on motion of Colonel Foran, seconded by Mr. Humrickhouse, with the states of Alabama, California, Florida, Georgia, Indiana, Maine, Massachusetts, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, Vermont, and Virginia voting, the resolution was unanimously adopted as follows:

WHEREAS, It is the earnest desire of the members of this Association to assist in every way possible and to co-operate with the various state and federal government agencies concerned with the fluid milk industry in the successful prosecution of the war and the prevention of disastrous inflation, and

WHEREAS, The members of this Association have received reports concerning the economic situation confronting fluid milk producers in the various parts of the United States and Canada which show:

(A) That there is a critical shortage of milkers and other dairy workers on farms in the United States because of higher wages being paid by shipyards, aircraft factories and other war industries and because many dairy farm operators and their employees have been inducted or have enlisted in the armed forces;

(B) That the principal costs of fluid milk production such as feed and hired labor have continued to rise while wholesale and retail selling prices have been placed under ceilings, thus placing producers in an unfavorable position to recover these increased costs;

(C) That actual shortages of fluid milk and fluid cream exist in many sections of the United States and that much greater shortages are in prospect;
(D) That many dairy farmers have become discouraged because of the difficulties of obtaining help and the unsatisfactory price outlook and are selling their cows, many of which are being slaughtered and their production lost;

(E) That the present situation is so alarming that immediate remedial steps must be taken if a shortage of fluid milk approaching a national catastrophe is to be avoided and a reasonably adequate supply be preserved for the armed forces and civilians; and,

WHEREAS, There appears to have been much confusion and delay on the part of various governmental agencies both in developing policies and in taking necessary actions, and

WHEREAS, In contrast thereto it appears that prompt and effective steps have been taken by the governmental agencies of Canada with the result that many of the foregoing problems have either been avoided or have been corrected.

NOW, THEREFORE, We, the members of the International Association of Milk Control Agencies do urgently recommend that the following steps be taken immediately:

(1) That the War Manpower Commission be requested to allocate all milkers and other essential dairy workers in fluid milk dairies to their present jobs.

(2) That the War Labor Board be requested to fix immediately the wages of all employees engaged in the production and distribution of fluid milk and that no adjustments in wages be allowed unless covered by appropriate adjustments in producer prices or distribution margins.

(3) That the Selective Service System be requested to adopt the policy of considering persons engaged in the production of fluid milk, either as operators or employees, as "necessary men" and to instruct the local draft boards to grant deferment to such persons for at least sufficient periods to permit training of replacements.

(4) That the Office of Price Administration and the Secretary of Agriculture jointly take immediate steps to control the price of all dairy feed, concentrates, hay and other supplies entering into the costs of fluid milk production.
(5) That the Office of Defense Transportation and the War Labor Board take immediate steps to cooperate with the several milk control agencies and milk distributors in eliminating all unnecessary transportation and milk delivery services, thereby releasing personnel for other more necessary activities.

(6) That the Office of Price Administration be requested to assist the State Milk Control Agencies to further "streamline" fluid milk distribution by the elimination of unnecessary services and by simplifying the number of qualities, package sizes and items of fluid milk and cream carried on wholesale and retail routes, and to support any other steps leading toward more economical and efficient fluid milk distributing methods.

(7) That the Office of Price Administration take immediate steps to adjust fluid milk prices so as to bring them into proper economic adjustment with present production and distribution costs: That the Office of Price Administration be advised that farmers generally are opposed to subsidies and prefer direct price increases and further - That once production and distribution costs are placed under definite control the price increases which will become necessary can be made in the best interest of all.

(8) That the United States Public Health Service and all other state and local agencies concerned be requested to relax all sanitary regulations which are not positively and directly necessary to the maintenance of a pure and wholesome fluid milk supply but that no steps be taken which would endanger public health.

(9) That the various Federal Government Agencies give careful consideration to the various policies and procedures taken by the Canadian Government to preserve their milk supply and to prevent inflation, and we urgently recommend that our Government adopt, insofar as practicable, the Canadian policies and procedures.

(10) That the War Production Board and the Office of Price Administration be requested to appoint a committee of fluid milk producers, representative of the various producing sections of the United States to consult and advise with them upon general policies affecting the production of fluid milk.
That all Federal Agencies dealing with matters affecting the fluid milk industry be requested to take immediate steps to agree upon and to co-ordinate their policies and actions so that confusion and contradictions may be avoided and the industry may be enabled to co-ordinate its efforts fully toward the attainment of the common objectives.

That a committee of five (5) members be appointed by the President of this Association to present these recommendations to the various agencies affected and to take all other steps necessary toward the attainment of the objectives herein set forth.

That the members of this Association offer to the various Federal Agencies the assistance of their offices and personnel in assisting them in the solution of the many problems of fluid milk production and distribution.

That the Secretary of this Association be instructed to send copies of this resolution to the President of the United States, to the Chief Co-ordinator, to the Rubber Administrator and to the following agencies:

- War Production Board
- Office of Price Administration
- War Labor Board
- War Manpower Commission
- U.S. Department of Agriculture
- Selective Service System and
- Office of Defense Transportation

And to all Senators and Representatives in Congress from the several states affected.

MR. STEWART: We now have the Committee on Legislation. While we wait for the Committee on Legislation to report, is there any further business to come before the meeting at this time? Then we will have the Committee on Nominations. Mr. Humrickhouse of Indiana.

MR. HUMRICKHOUSE: Mr. Chairman, we have considered this matter, and have talked to different ones in this organization, and after careful thought and deliberation -- Mr. Brady gave us a thought this morning, the word "freeze", so the committee decided to freeze the present officers in their positions, with the exception of one, that is, Mr. Blackstock. We nominate in his place Mr. J. Peter Nadeau.
The list of officers is as follows:

President - Frank M. Stewart, of Alabama
Vice-President - Oscar Boisvert, of Quebec
Secretary and Treasurer - Kenneth F. Fee, of New York
Counsel - Park Carpenter, of Massachusetts
Executive Committee - John P. Hull, of Rhode Island
- G. A. Norris, of Montana
- C. W. Humrickhouse, of Indiana
- J. Peter Nadeau, of Canada

MR. CORT: I move that the Secretary be empowered to cast an unanimous ballot in favor of the report.

Mr. Humrickhouse then took the floor. The motion was duly seconded, carried and so ordered.

MR. HUMRICKHOUSE: We discussed this a great deal, and I want to say to Mr. Boisvert here, it has been customary to move the vice-president up, but we thought there might be some emergency which might come up and we would want some one here. It isn't that we don't like you, but we are going to treat you just like we did Yellowstone Park --- we are going to put you off for the duration.

MR. BOISVERT: I congratulate you on the position you have taken.

MR. STEWART: I thought that I hadn't done very well, but I appreciate very definitely, I do appreciate the expression of confidence. I may be presumptuous to say that, but on the other hand, I have heard so much of freezing things, freezing prices, that sort of thing. Anyway I do appreciate it a whole lot, and I hope that we will accomplish a great deal during the next year, and I think we have started on the right foot to ward accomplishing the aims and the things that we most need for the organization, and I think those aims are for the best interest of the people as a whole at this time, although there may be some difference of opinion on that subject. I am confident of that --- that all of us are honest and sincere in the efforts we are putting forth, and after all, that is all you can do.

MR. AYCOCK: I just want to say to you gentlemen that while I think you have been very kind and just to yourselves in re-electing Frank Stewart, I do want you to know that we in Alabama appreciate that. It is a very distinct honor to Alabama. I know the boy better than any of you. He knows me too well. I am sorry for that, but I do say this, that we are all appreciative of it. They say it can't happen here, but it did happen in Richmond. This boy has done fine work as Chief Administrative Officer of the State Milk Control.
Board of Alabama, and it is a tough job in Alabama because we are in Alabama distinctive individuals. I do thank you gentlemen. We in Alabama do thank you, and we appreciate it.

MR. STEWART: Mr. Carpenter will present the report of the Committee on Legislation.

MR. CARPENTER: Mr. President and Gentlemen:

Report of the Committee on Legislation

These are unusual times. Your committee does not wish to make any recommendation for specific legislation.

It is obvious that the control and regulation of the milk industry in the immediate future will differ radically from that of the past eight years. The addresses made before this meeting by Federal officers from Ottawa and Washington are the best available guide and chart to the regulatory needs of the future.

Your committee recommends that each agency, in the light of the forecast and preview we have had here in these two days, review its own statutory position and make inquiry as to the wisdom of seeking from the Legislature such further regulatory powers as may be needed by the times, and in so doing review such topics as:

1. Maximum prices
2. Frequency and hours of delivery
3. Unified or districeted delivery
4. Elimination of mileage and unnecessary facilities in the assembly of milk
5. Full loading for all vehicles
6. Allocation of limited supplies
7. Restriction of the number of grades and sizes of containers to the end that the control agencies here represented may continue to serve the public and the industry through this crisis, as they most assuredly must, if they are to continue.

Park Carpenter
Paul H. Ficht
Charles B. Aycock

I have taken the liberty of adding a member to the committee in substitution of Mr. Hammerberg, who is not here.

Motion made by Mr. Hull that report be accepted.
Motion duly seconded, carried and so ordered.

MR. STEWART: Any other business to come before our organization at this time? If not, then we have as a further provision on the program for this afternoon the reports from State officials. At this time I turn the meeting back to our presiding officer for the afternoon, Mr. Paul Ficht of Florida.
MR. FIGHT: Thank you, Mr. President. I think it probably would be best to take the states in alphabetical order. We have heard from Alabama. California would be next on the list. Florida is passing. May we have the report from Georgia?

REPORT FROM GEORGIA

MR. DUNCAN: I have no written speech, but I would like to tell you gentlemen some of the things we have tried to do in Georgia for the relief of the dairy farmer. In May I met with the Executive Committee together with officials of other Milk Control Boards in Washington. We had just issued an order on April 6. The Milk Control Board had held a hearing. Due to the fact that we have an amendment to our law, we were unable to put that order into effect until April 6. We immediately took it up with the Office of Price Administration, and they asked us to prepare a brief which we did the day we were in Washington, and filed it with the Office of Price Administration. That brief was finally acted on in the latter part of July, about two and one-half months later. They left the gate open to a certain extent in that they turned it down on a technicality. Mr. Henderson wrote us a long letter saying it would cause inflation, but that we could try again. Two weeks later we tried again from another angle, showing that production was down 10%, that we had had a half million people coming into Georgia and our consumption jumped 40%, so that we were in bad shape. We could see we were going to have a shortage of milk this fall. That is exactly what happened. After we tried two weeks later, sent a petition to O.P.A. showing that production was down, that we needed an increased price to producers not only to increase production but to hold what we had, they acted in two weeks and turned that down. We are rationing milk in one city, in Macon, Georgia, and two or three distributors in Savannah are bringing milk in from Binghamton, N.Y., to Georgia. They are losing milk every week. We are now trying again inasmuch as some of our milk from the Atlanta and Macon area is going to Savannah and Columbus because we have a 1¢ per quart higher price there than in Atlanta and Macon, so that producers, particularly a large cooperative who handles 8,000 quarts of milk daily, is providing milk from Atlanta and Macon to Savannah where they can get the higher price. Some of our milk from Georgia is going into South Carolina where they have an 18¢ per quart price. Some into North Carolina where they have an 18¢ price. We have some hopes they will give us some relief, due to the fact that milk is going off our two largest markets so fast that we will be rationing milk in Atlanta within the next thirty days. The farmers have been sitting back expecting something, and when they didn’t get it, twenty-one farmers went out of business last week. It takes some time to get production back up again. I am afraid we are not going to have any relief until next
summer's production comes along. We have done everything we can to get relief for our producers. The last raise we gave it all to the producers and none to the distributors. We feel we have squeezed the distributor as far as we can. We feel we cannot go any further, and the only thing we can do is start rationing milk, and call it to the attention of O.P.A., through the demands of the public that something be done. That is the only thing we have any hopes of putting pressure on O.P.A. We did get the Army to take milk one day less in Macon. They don't get any milk on Monday. The next Wednesday we don't give any milk to the public, and give it all to the Army. I am very anxious that this resolution go out, because I feel that unless we have concentrated effort, we will not be able to get anywheres. We must at least hold production. If we can't increase it, that is something else. They must give us some relief on the price situation before we can hold our production.

MR. MAPES: You already are rationing in some markets. I wonder if you could explain briefly the plan that you have in effect to ration milk. Will you explain how you do that?

MR. DUNCAN: We started in Macon. We went out to the Army camp and talked with the Commanding General, and told him that somebody had to be on a ration of milk. We sat with him and the distributors in Macon, and worked out a plan whereby we deliver nothing to anybody in Macon on Wednesday. On Monday we deliver nothing to the Army camp. Therefore the milk that was to go to the civilian population we build up enough so that the Army has it, and on Monday the Army gets nothing. We are delivering only every other day to the retail trade. We have been doing that for possibly five months. We have also had to do some rationing for the retail trade. It is worked out on the basis of how much milk the distributor is allowed per family. Where a family used to get eights quarts every other day, in some instances they have been cut to four quarts. We have tried to work it out on the basis of the number of small children and people who need the milk. I will be glad to send exact information to any of you gentlemen when we get it.

MR. MAPES: The milk is going to the distributors? That part of it is taken care of by the distributors themselves? As to the allocation on a ration basis, the distributors themselves take care of the rationing among themselves individually?

MR. DUNCAN: Yes.

MR. MAPES: You don't bother about it?
Mr. Duncan: No, we have not issued any order to that effect. We worked out the plan with them. It is purely on a voluntary basis so that we can give the Army everything they need every day but one, and the same with the public. We have had splendid cooperation in Macon. In Atlanta we don't have that. That is why we brought in 1500 quarts of milk from Binghamton, N.Y., so that the Army can have what they want.

Status of Milk Control in Indiana

By

Oscar A. Swank

Vice-Chairman of the Board

The first Indiana Milk Control law was enacted by the General Assembly of 1935. It was passed as an emergency measure and became effective March 12th. We have had Milk Control continuously since that date although our law has always been considered an emergency Act and has been reenacted each subsequent two years by the bi-annual session of the Legislature. We believe it will be reenacted by the coming Legislature in 1943 as a permanent law.

When our law was enacted it was regarded strictly as a milk law; it was intended to effect and benefit only the producers of milk for fluid consumption and to regulate distribution of fluid milk.

Producers of manufactured milk and manufacturer of milk products were not thought to be in the picture of Milk Control.

We, in Indiana, are a typical middle-western state. Our industry is highly diversified, we are a diversified agricultural state and our dairy industry is highly diversified. Our rapidly expanding industries are creating an ever-increasing demand for high quality milk for fluid consumption, yet so great is our agricultural and dairy production that we stand very high in the production of manufactured dairy products. Indiana is the third state in production of cheese, sixth in the production of butter, eighth in the production of evaporated milk and only recently has become a heavy producer of dried milk solids. Forty-eight per cent of our total butterfat produced goes into butter. We had not traveled far along the road of Milk Control until we discovered that we had an erroneous idea about its operation. We soon learned that in actual operation our law was doing more than it was designed to do. It was not only benefiting our producers of milk for fluid consumption and regulating distribution of fluid milk but it was very seriously affecting the prices our
manufacturing producers were receiving, and also the manufacturers of these products, and regrettably it was affecting these other groups adversely. Also, organized consumer groups became uneasy about our Milk Control. They felt that a board that was granted such far-reaching powers as to fix minimum prices to producers and under certain condition to establish resale prices to consumers was conducive to increased living costs.

It finally became evident that if we were to retain Milk Control in Indiana something must be done to satisfy these large groups then supposedly outside the sphere of Milk Control but actually very much affected by it. It was either do something about this or lose our law.

Before the convening of our last session of the Legislature numerous state-wide industry meetings were held and finally a legislative committee was appointed. This committee was authorized to prepare amendments to our law that would provide adequate protection to all interested groups.

The 1941 session of the Indiana Legislature was no ordinary one. The voters of our state made a terrible mistake. They elected a Governor of one political faith and a Legislature of the other political faith. The majority of the Legislature was of the opposite party that had been in power for the past eight years. They thought they had to undo everything that had been done in those eight years. As a result, that Legislature passed forty-three ripper bills and one Milk Control bill. The ripper bills were later declared unconstitutional by the Supreme Court but the Milk Control Law still stands.

The principal change made in our present law is in the personnel of the board. All of our Milk Control laws have provided that the Lieutenant Governor, who is our Secretary of Agriculture, shall be a member and Chairman of the board. Up until the present time there were four other board members, two who represented producers and two who represented distributors. In practice these people were not able to bring to the board the broad knowledge of the whole dairy industry that is so necessary in a state such as Indiana where we have such a wide diversion of interests.

Our present law provides for a board of seven members with the Lt. Governor as a member and Chairman. One member represents fluid milk producers, one member represents manufacturing producers, one member represents fluid milk distributors, one member represents manufacturers of dairy products and two members represent the consumers.

Apparently this new board set-up has been able to develop the board representation needed to give fair and
equitable consideration to all of the different interests involved. Under this set-up our law has worked more smoothly, with far less criticism and a much wider general approval than it has ever had before.

So far as we know Indiana is the first and only state to take what some consider a rather bold step by incorporating in the personnel of its Milk Control Board such a wide and diversified representation. For us it seems to have done the job and we are glad to offer this plan of board membership for consideration by other states.

MR. FICHT: Next on the list is Louisiana. No one here. Massachusetts is next. Report from Maine? Report from Michigan?

MICHIGAN

MR. FEE: I might say, Mr. Chairman, that I received a letter recently from Mr. Skiver, the Director of the Bureau of Dairying in Michigan, stating that the Michigan Milk Marketing Board ceased to function on December 12, 1940, because the Act creating the Board was declared unconstitutional by the Michigan Supreme Court. It is my understanding that a demand has been made for a referendum on the Michigan law, and that it will be put to a popular vote in the coming election.

MR. FICHT: Thank you, Mr. Secretary. I feel we are all sympathetic with conditions in Michigan at the present time. I hope that they will work out of their difficulties.


New Hampshire?

The following written report was submitted by Mr. Kenney of New Hampshire.

NEW HAMPSHIRE

There have been two important developments which have greatly affected the work of the Milk Control Department of New Hampshire in the past year. These developments are an outgrowth of the emergency war program and are not peculiar to New Hampshire but complications arising from them have placed our state in somewhat of a pioneering position. The first was the revision of the distribution system to conform with the requirements of the O.D.T., and secondly the serious supply diversion with which we were threatened following an increased producer price in the Federal milk marketing areas of Massachusetts.

Early in 1942, aware of the serious rubber shortage, the Board sponsored a voluntary conservation program which went along ways in effecting considerable savings in critical materials used in milk distribution. However, as was inevitable, some dealers refused to cooperate and the situation
of milk handled in these areas during 1941 was 365 million pounds and 162 million pounds respectively. A hearing was held during the week of September 23 to consider an order for the Hudson-Mohawk Milk Marketing Area, which would include the Cities of Albany, Schenectady and Troy, as well as adjacent areas. It is impossible to say at present whether or not an order will be put into effect as a result of this hearing.

In all three areas of the State where marketing orders are now in effect, the price to be paid to producers for milk sold in fluid form depends upon the market price of butter and skim milk powder. As a result of recent increases in market prices of butter, the Class I price in each of the three markets advanced 20% per hundred pounds effective September 1, and increases also occurred in each of the markets in the price to be paid by dealers for milk used in the manufacture of fluid cream. The prices which dealers are now required to pay in all three markets for milk sold in fluid milk, as well as for milk sold as cream, are now higher than the prices which were in effect during March of this year. Inasmuch as the General Maximum Price Regulation as amended does not permit dealers to charge more for milk and cream than the highest price charged by such dealers during the month of March, the difference between the price which the dealers are required to pay for milk and the price at which they are permitted to sell it has been reduced, thus presenting a very serious problem to milk distributors. Inasmuch as the market price for butter continued to advance until the ceiling was recently placed upon it by O.P.A., it is practically certain that there will be a further increase on November 1st in the price which dealers must pay for milk, and unless the General Maximum Price Regulation is modified, the dealers' position will be even worse than it is today. It is doubtful if many dealers can long continue to pay the prices which they are required to pay and remain in business.

While milk production during the present year has been running somewhat higher than in 1941, it now appears to be leveling off somewhat. There has been a substantial increase in the amount of milk sold in fluid form during the past year, and this is particularly true in the Buffalo-Niagara Falls area, where the August 1942 sales exceeded August 1941 sales by more than 16% and August 1940 by more than 25%. While supplies of milk generally are sufficient, it is quite possible that increased sales and decreasing production may bring them into much closer relationship than they have been for some time.

MR. FIGHT: Mr. Fee, we appreciate your report. Would anyone like to ask Mr. Fee a question? The next in
MR. HAPES: I am not prepared with a written report. I will be glad to make an oral report.

I might say to begin with that we are having printed at this time a biennial report covering the situation in Oregon up to August 1, 1942. I had hoped that those reports would be in my hands so that I might have brought them with me. That was not possible so that I will see that they are supplied to all of the agencies as soon as they are ready to be mailed.

In covering the situation in Oregon from the first of August, which of course has moved rapidly, I first want to announce, and I want first in that connection to state that I am sorry I did not have this opportunity prior to the business session earlier because I think it might have been appropriate that some action by the association might have been taken. On September 28 we lost by death Albert Engbertson, a Board member, an outstanding public servant, whom I think many of you knew either personally, or I am sure most of you knew him by reputation. Frankly, we are still prostrated. We have no one to take his place. We are seriously hurt and handicapped by his loss.

The general situation in Oregon is the same as it is elsewhere. We are facing serious shortages in all markets. The prices are up to the O.P.A. ceilings, and milk production is dwindling.

In Portland, I might review the history of that market more in detail. Last fall we departed from basing prices to the producer and at retail and wholesale only on cost, but rather at that time began to take into consideration the fact that we had the competitive situation for manufacturing sources in the picture. We admitted that situation in our Findings, and at that time placed in effect a minimum price which paid producers 80¢ per pound butterfat with the retail price for 4% fat at 14¢. There are no store discounts involved. That price created considerable consumer resistance. It was felt in the consumption figures. There was a marked decrease in consumption for a period of thirty days. After that consumption continued to rise very rapidly, and has continued to follow in line with the increase in population in that area. We no more than had gotten that order out than we started having clamor from farsighted leaders of producer groups that if we were to have milk at this time, the price would still have to be raised, otherwise although we had plenty of milk at that time, the normal period of low production would be affected, and probably there would not be
enough. That led to a hearing which extended in two-day periods over two months, and at that time manufactured markets were comparatively soft as compared to now. Every-other-day deliveries and other economies had been effected, although not long enough to know what savings had been accomplished. The Board then left the price to producers at 80¢ per pound butterfat. It resulted in leaving the price of single quarts of 4% milk delivered to homes at 14¢, but provided for a 13¢ per quart price to consumers who took two or more quarts in a single delivery at their home, and it provided for a 13¢ price from the store. The storekeeper, if he delivered the milk, had to charge a minimum of 14¢. Immediately after the hearing, there was still the clamor from producers — still the foreboding of shortages. Bear in mind that hearing was held at the period of highest production in Oregon. The last hearing was held last month. At that hearing the Board diverted from its usual procedure, and it made definite proposals. It made three. First that the producer price be raised from 80¢ to 87¢ per pound of butterfat; that the schedule of minimum prices be raised back to ceilings. In other words, those economies, the savings on those, were to be passed to the producer rather than to the consumer. We rather expected at that hearing to have the producers come in and place testimony before us that 87¢, while it would help, would not be the answer. We rather expected, because the distributors have also had terrific increases in their cost of production, particularly in labor, to come in with strenuous objection to the 87¢ price, on the basis that they could not, on ceiling prices, pay 87¢ per pound butterfat. The evidence brought in indicated that the producers, while they were not satisfied with 87¢, did apparently feel that under the present ceilings that was all the Board could do for them. We were also disappointed in the distributor’s angle. The distributors, knowing of course that shortages were upon them, took the position that they would pay 87¢, they did not object to it. The psychology behind that was they would prefer to operate at less margin, even at a loss, to have milk, rather than have no milk and no margin. The set-up now, unless there is some relief brought about, is going to eliminate the large producer who hires the labor, and the smaller distributor. I think it is going to hurt most the producer-distributor.

At this hearing we had a bombshell. It developed unexpectedly, and I don’t know just what was behind it. There have been a lot of suspicions cast. But at that hearing it developed that in bringing the Portland health orders up to date — it is based on the United States Standard Ordinance, that a definition of C grade milk appeared in it, and was overlooked by producers, distributors, the counsel and various groups, as well as by the Board and my staff. C grade milk, according to the ordinance now, is milk which violates any or all of the qualifications of Grade A milk, so while we feel that the city may take some steps to correct this situation, we have now C grade milk, milk having to meet no
inspection whatever on that market. The only requirement is that it be pasteurized. That put us up against a pretty tough problem. There is a lot of factory milk within the Portland milk shed, a lot of it pretty good milk, a lot of it not so good. As a result of that, we were forced, because of an extreme emergency, to put into effect an experimental order. The experimental order, so far as price is concerned, established the producer price at 87¢ per pound of butterfat. In connection with that I might say that ice-cream milk is the most attractive market for factory milk. At the time of hearing it figured out at 80%. The price is a 25¢ premium over churning cream in the Portland market. We also in that connection had to put in, because of pooling operations, a bottom price for accounting to the pool a price for Grade C milk. We set the price for Grade C milk. It had to be accounted for by those who handled it at 12¢ over premium fat and that used in ice cream at 20% over. We don't know yet what the situation is going to be, but the only limitation now so far as the production of C grade milk is concerned, is that we have limited the source of that milk to the Portland production area. In order to stimulate the production of Grade A milk, we have made provisions whereby we can extend the Portland production area to any particular area and a second area. Those producers in that area are treated exactly like the producers in the production area. They will be allocated quotas and will participate in the Grade A pool on that basis. We have talked with the distributors' organization, and have used every effort we can to try to attract milk in the second grade area to the Portland market. We were not successful at 80¢. Whether we will be successful at 87¢ is still to be seen.

In connection with the base-surplus plan, I might comment briefly on that. We always have used that plan in Portland, and several other large markets, and used it even in small communities. In times like these, while we still hear something of it, the quotas are of little or no value. We have given all producers all the quota they want. We still have a situation where quotas are oversold. In the last pool figured in Portland quotas, in spite also of the allocation immediately to all new producers who come on the market, quotas were oversold something like 8%. We had a market surplus of 2.36%, of which two-thirds was degraded milk, and we have always felt that at this time of year we should have in excess of 15% market surplus to take care of daily fluctuations.

In this C Grade pool we have set up, there are no quotas involved in that. That is a straight pool, a temporary pool, and I don't know just how it is going to work out. I do believe that the consumers of Portland, the distributor organizations, the stores and particularly the chain stores, are going to handle Grade A milk in preference to Grade C
milk, and will only sell the Grade C milk as a substitute when Grade A is not available. The city, I believe, is going to, within a very short time, take some measure to put at least some strings on the quality of this Grade C milk. That is going to take a certain amount of time. It has to go through the City Council and that procedure. I am afraid --- I cannot even guess what is going to happen.

I thank you gentlemen.

MR. FIGHT: We wish you every success in your municipal situation, Mr. Mapes. Next is

PENNSYLVANIA

MR. COBB: We thought perhaps that instead of giving you an idea of what we are trying to do, that perhaps it might be of interest to give you a brief summary of the scope of our work, the territory we covered.

We have in Pennsylvania, speaking in round numbers, ten million consumers. We have about 50,000 producers. Last year those 50,000 producers, I don't know the exact number of pounds they produced, were paid roughly $125,000,000 for the milk produced. That milk is handled, roughly speaking, by 3,950 distributors. The breakdown in distributors is roughly as follows: Producer-distributors, in other words, farmers who produce their own milk and distribute their own milk without purchase from outside sources, roughly there are 3,000 of those producer-distributors in Pennsylvania. Now what we call our producer-dealer would be a farmer who produces a part of his supply and also purchases a certain amount from outside sources. We have in Pennsylvania roughly 200 producer-dealers, and then of straight so-called dealers, who handle of course the large bulk of the milk sold in Pennsylvania, roughly 750, which as I mentioned above makes a total of 3,950 distributors we have to deal with.

It is our function in Pennsylvania to fix both producer and consumer prices. That is minimum prices of course. We don't try to say anything about maximum prices, but we do have to fix minimum prices for both groups. With the dealers --- included in dealers now I am speaking of those farmers who buy milk from outside sources, in addition to their own supply --- we require them to furnish bond or corporate bond or personal security or collateral sufficient to cover roughly the value of one month's purchase of their supply of milk.

One other thing, We thought perhaps some of these little things might be of interest. One thing we have to supervise is the amount paid for hauling milk from the farms to plants either by trucks owned by the dealers, or trucks
that haul for hire in other lines.

The administration of this work is covered by a central office at Harrisburg. At the present time there are two full-time Commissioners. There are supposed to be three. The employees — there are a total of approximately 80 broken down as follows: Enforcement Bureau has a personnel at the present time of 52. The Research Bureau has 8 employees; 8 employees in the Legal Department. We have at the present time two attorneys. Our Chief Counsel of the past year was Mr. Coho, who is not with us any more. In the general administration of the work, there are 12 employees so that gives you the people who handle the work.

In a financial way, we have an income of approximately $250,000 each year. Some of that is by direct appropriation from the Legislature, and some of it is from license fees paid by dealers, and a small amount from fines, etc., that are collected.

In the State of Pennsylvania, the milk produced is sold mainly in three classifications. We have a total of six classifications, but about 65% of the total production of milk in Pennsylvania is sold in either Class I or Class I-A, which includes fluid milk and fluid cream as sold to consumers. About 22% — that is there is 65% in Class I, fluid milk, and 6% in I-A, fluid cream, and then 22% of the milk produced in Pennsylvania, that goes into ice cream or butter, mainly in ice cream. Roughly speaking, 22% of the production of milk in Pennsylvania is used in the manufacture of ice cream.

This is not presented, perhaps, in exactly logical procedure. There are 16 areas, separate and distinct areas in the State of Pennsylvania, for our enforcement program. Whenever there is a price change, or a change in any of the orders that are established in any one of these areas, hearings which are general must be held, and orders written from the evidence presented at those hearings.

We might add, along with the evidence that has been presented by many of the men speaking here, that our supply of milk has been adequate, but that right at the present time we are experiencing, I guess perhaps you can call it an abnormal drop in production. I think perhaps the chief reason for that may be that of course we have a lot of defense work in Pennsylvania, and a great many farms are discontinuing the production of milk for the duration. I personally know a great many farms owned by efficient men who are getting along in years, who are good managers but have to rely on hired help to carry on production work. I know a great many of those farms that are simply selling off their cattle and doing what they can to produce crops.
they can handle themselves, or letting the farm go for the duration, which we feel is a bad state of affairs. We don't see any relief from that situation. We are hopeful that in the near future we may be able to do something to get more money back to our producers, because we feel very definitely that the amount of money the producer receives for his milk is going to affect that milk --- that is the money going to producers in the near future, is going to affect the milk to be produced in the next two or three years, so that we are very hopeful something can be done in that particular direction.

One thing that is bothering us at the present moment is the question of store differentials. I don't know how troublesome that has been in other areas. The only area in Pennsylvania having a store differential at the present time is the Philadelphia area. For the past ten years the stores have sold at 1¢ under the delivered price. In all other areas in Pennsylvania, the stores are required to sell at the same price as milk delivered on the doorstep. There are many thoughts as to which is the correct procedure. We feel quite generally that we have been able to handle the chiseling proposition a little better at the same price at the store as at the doorstep, but the question is up before us again in several areas. We are in the unique position of having a farmers' cooperative petition for a store differential, and the press immediately seized upon that, saying that the producers were asking for a drop in the consumer price of milk. We don't know where we are going from there.

We thought from this little bird's eye view of our situation, you would know something of what we have to contend with.

MR. FIGHT: It has been suggested that due to the lateness of the hour, we delay any further reports until tomorrow. I would like to ask the President to take over.

APPOINTMENT OF SPECIAL COMMITTEE

MR. STEWART: You know in these last minute programs it is kind of hard to get people to come in and take part, but we have before us, I think, one of the most important matters that has come up before this meeting. I want at this time to appoint a committee. That resolution we adopted requires the appointment of five members. I would like for these people to take up this task and carry it through. As Chairman of the Committee, Colonel Forren of New Jersey, and to serve with him, Woods of Virginia; McKee of Pennsylvania; Kuhrt of California and Duncan of Georgia, I would like for these gentlemen to get together, and formulate the procedure they are going to follow through with this thing,
and tomorrow morning it might be in order to have some discussion on it as to the manner and means we are going to use to put this thing over.

That is all I have to say. If nothing further, we stand adjourned until tomorrow morning at 9:30.

(NOTE: The round table discussion which took place on October 10, 1942, is not made a part of this report. The reports from states which were submitted but not read, follows.)

STATUS OF MILK CONTROL IN ONTARIO

By C.M. Meek, Chairman

Wartime conditions have brought many new problems to our Board but, in general, we are continuing to administer the Milk Control Act and its Regulations in accordance with policies developed over the years. There have been some modifications to comply with regulations of various boards set up by the Federal Government to meet problems arising out of the war situation.

Since early in the war, but more particularly within the last year, the Wartime Prices and Trade Board, a federal body charged with the control of prices on consumer goods, has become the supreme authority in the matter of prices and in this three minute statement we shall refer only to the status of Milk Control as a result of the intervention of this Board in the control of the milk industry. The Prices Board has placed price ceilings on milk and milk products and this policy has in many respects placed certain limitations on our activities, and in other respects has added greatly to our activities. Being the regulatory body in this province in so far as the milk industry is concerned, the Prices Board has looked to us to assist them in carrying out their rulings. We have cooperated in this work and are acting as an intermediary between the industry groups and the Prices Board. The industry looks to us for an interpretation of the Prices Board rulings and they have also worked through us in presenting their problems to the Prices Board.

The main problem, as a result of the price ceiling policy, has been the question of milk supply. The industry found itself in a position where production costs, plant and distribution costs materially increased without an increase in the price charged consumers. This situation soon resulted in a danger to the production of an adequate supply of milk for fluid milk markets and an extremely difficult position for distributors in the matter of operating on former margins. The supply situation proved to be a very difficult one and had to be met finally in December 1941 by the payment of a subsidy of 30 cents per hundred by the Federal Government. This subsidy continued until April 30, 1942. With its discontinuance,
the producers again found themselves in a very difficult position and during the summer months they carried on reluctantly at former prices. It soon became evident that another short supply situation was developing and after a great deal of discussion with the Prices Board another subsidy of 25 cents per hundred was announced, effective September 1st. Accompanying this announcement, the Prices Board set up a schedule of minimum producer prices for markets selling at 11, 12 and 13 cents per quart retail. These minimum prices are on the average 10 to 20 cents per hundred higher than the prices provided in former price structures.

In order to assist distributors in meeting their higher costs and this new squeeze, we have been working with the industry on economy moves in distribution.

General orders have been issued covering the entire province on the following economy moves,-

1. The elimination of special deliveries.
2. The elimination of returns from stores.
3. The elimination of credit sales to retail customers.
4. The establishment of a bottle charge of 5 cents per bottle.
5. The establishment of standard milk caps.
6. The establishment of standard grades of cream.
7. The limitation of deliveries to retail consumers to one per day.

Many additional moves have been made voluntarily by distributors, such as -

The exchanging of customers.
Increasing the size of loads.
Reduction in the number of routes.

Still other moves are being studied,-

The utilization of plant capacity.
Universal bottles.
Every-other-day deliveries.

Many engrossing problems are facing the industry today and our main activities from now on will likely continue to centre around the moves necessary to bring about all the reform possible in the interests of greater efficiency in the distribution of milk.

THE MILK SITUATION IN THE PROVINCE OF QUEBEC

By Oscar Boisvert, Chief, Dairy Branch

Due to climatic conditions during the Summer 1941 and in order to supply the necessary milk for the different markets in the Province of Quebec, the Wartime Prices and
Trade Board has paid to the farmers 30¢ per 100 lbs. of milk to the basic producers for the period covering December 22, 1941 to April 30, 1942. All markets having not increased their price since August 1, 1941 were entitled to the subsidy.

The result of this policy has shown a more constant supply of milk during the winter season. It has also allowed the Wartime Prices and Trade Board to institute a survey to the effect of zoning the different provinces into regions in which the higher setting price of milk would constitute the ceiling and the key market for that region.

In the Province of Quebec the maximum retail prices vary from 11 to 14 cents according to regions. The price paid to the producer being respectively from $2.20 to $2.90 per 100 lbs.

In order to reduce the cost of operation and delivery and to allow some economies to be paid to the producers by the dairies, the following orders have been issued by the Dairy Industry Commission for the 65 markets under its control:

1- A deposit charge of 5¢ (five cents) per glass bottle and a charge of ½¢ (half a cent) per paper container. Order Sp-1-42.

2- Bottles used for the sale of milk and cream will be closed only with the ordinary cap and the use of any special cap is prohibited. Order L-42.

3- No one can directly or indirectly make more than one delivery a day to any customer, except to hospitals, charitable institutions, military camps, training centers, aviation schools, steamships and railway companies. However, a second delivery will be permitted on Saturday to those who do not make Sunday delivery. Order L-42.

And on six other markets namely Montreal, Quebec, Levis, Three-Rivers, Shawinigan and Sherbrooke, the following orders have been issued:

No milk shall be offered, sold or delivered in bulk, unless, (a) in quantities of not less than 5 gallons, (b) and unless a charge of at least $6.00 be made on each can to cover the value of said container. Order B-42.

The Dairy Industry Commission has also issued on the Montreal market the following orders:

1. A minimum load of 1800 units per week, except during the period of fluctuations between June 15 and September 15. In this case, proof must be given of such fluctuation. Order 1-E-42-A.
2. Cash payments for milk, cream and other dairy products sold. Nevertheless, credit may be extended provided that payment is made within thirty days.

It may also be considered as cash payments, all payments made by tickets, provided that these tickets have been paid cash upon their receipt. Order 1-E-42-A.

3. No delivery of milk, cream or other dairy products to wholesale or retail customers prior to seven o'clock in the forenoon and after seven o'clock in the afternoon (Official Montreal Time). Order 1-E-42-A.

4. No jobber (milk vender) of dairy products shall take his whole supply from more than one milk dealer. Order 1-E-42-A.

5. Only two grades of cream, homogenized or not, can be sold, namely not less than 10% and not more than 15% of fat, and the second grade not less than 30% and not more than 35% of fat. The fat content being printed on the bottle cap; furthermore, the sale of such cream in retail and to stores is authorized when made in pint and in half-pint bottles only and the sale in wholesale is authorized in quart bottles only or in bulk. Order C-42.

The Dairy Industry Commission has also studied the producers situation and, in order to prevent the dairies to replace their producer-suppliers or to take more than what they normally need, has passed an order meaning that no milk dealer shall, without the consent of the said Commission, buy or receive milk from any new producer-supplier. Order FF-42.

They have also stated that no producer shall offer, to a milk dealer, his employee or representative or hauler, any money, goods or products whatsoever, in order to be accepted as producer-supplier. The fact of paying such tribute would constitute a decrease in the price of milk as fixed by the Commission. Order Sp-1-42.

This, in a few words, constitutes the main activities of the Dairy Industry Commission of the Province of Quebec for this year, and anyone who would be interested for more details will be welcome by asking the orders covering the regulations that I just mentioned.
MILK CONTROL PROBLEMS IN RHODE ISLAND

John P. Hull, Executive Secretary

The important developments in milk control and affecting the milk industry in Rhode Island during 1942, could be considered under three headings, namely: One, Milk supply and demand under the war program; Two, Ceiling prices for dairy products; Three, Transportation in its various phases between the dairy farm and the consumer.

In our first problem, we are confronted with a distortion between supply and demand in markets where abnormal requirements have resulted from a mushroom growth of population as a result of the war program. In one Rhode Island city, the sales of milk for the month of August were ninety-six per cent over the sales for the same period in the previous year. To supply this need, a substantial quantity of milk was obtained from sources outside of the normal production area. In another area of the State, the same problem exists, and we are now informed that a housing development project is contemplated which will further increase consumption. The low point in production will come in November, and dairy farmers in Rhode Island are working to maintain their quotas while competing with war industries for labor and materials. They cannot continue to supply milk to the markets without adequate compensation.

Our second problem, Ceiling prices for dairy products, is closely related to supply and demand. You will remember that when we were in Quebec last fall, our contemporary authorities in the Provinces were in the process of adapting their operations to the price control regulations which had become effective in Canada. Some of us may have anticipated that we would be in exactly the same position in the fall of 1942. But there were few who realized the difficulties involved. On January 1, 1942, a revised schedule of prices, both producer and resale, was established by the Board in the Providence Area. The result of this change was to open up the differential between the price in the Providence Area and that which prevailed in contiguous markets. In March a hearing was held to consider the conditions in an adjacent market where a difference between the producer prices threatened to divert the milk supply from this market into the Providence Area. Action was deferred by the Board, and on April 28, 1942, the general maximum price regulation was promulgated by the Office of Price Administration and ceilings established on resale prices for fluid milk and cream. Subsequent to this regulation, no price adjustments have been permitted in Rhode Island Markets. Exceptions have been filed by dealers, however, requesting the adjustment of existing price anomalies. A hearing has also been held on cream prices, where evidence
was submitted that the ceiling price for fluid cream in certain size containers is less than the jug price which dealers are required to pay. These problems are now receiving the consideration of the O.P.A. We are informed that the State of New Hampshire has recently been authorized to make adjustments, and it is anticipated that other sections will receive the same consideration.

The third problem: In April the Office of Defense Transportation, in General Order Number 6 established regulations for Local Carriers. Studies of present methods of milk collection in New England from dairy farms for delivery to markets have revealed that substantial economies can be made by consolidating existing facilities. It is evident that increased restrictions to affect the needed savings in essential materials will compel a change in the present country transportation methods.

In April, the Rhode Island Milk Dealers adopted every-other-day delivery on a voluntary basis. On June 1, 1942, an Order of the Rhode Island Milk Control Board became effective, whereby every-other-day delivery became mandatory. Unfortunately, some dealers who failed to recognize the emergency, continued daily service. This condition imperilled the entire program, and the Board, after the required hearing, revoked the license of one dealer who was found to have violated Official Order Number 54. As provided by the statute, said dealer appealed from the action of the Board to the Superior Court for the County of Providence. Such an appeal follows the course of equity. The case was heard before the Superior Court who denied and dismissed the appeal of the petitioner, and sustained the action of the Board in revoking the license. The Court also held that, and I quote, "It appeared in evidence before me that Order Number 54 was passed and promulgated by the Board of Milk Control as a part of the scheme of saving gasoline and tires of the United States of America, and it seems to be adapted to that end. I am going to rule without any further statement or argument that it is a reasonable regulation in view of the situation now confronting the United States in a state of war." It is possible that this dealer will make a further appeal to the State Supreme Court.

REPORT OF THE VERMONT MILK CONTROL BOARD

E. H. Jones, Chairman

Owing to a recent decision by the Vermont Supreme Court, which has been covered by Mr. Park Carpenter in his Thursday morning address, the Vermont Milk Control Board has been in a position of partial inactivity during the past eight months. In view of the Court's opinion that an inadequate supply of milk must be found actually to exist in
order to clothe the Board with sufficient authority to fix prices, we have made no price changes in our market areas since January 1, 1942. Our Board, however, decided to maintain and continue the prices then in effect when the Court decision was rendered and has thus far encountered no difficulty in so doing.

It is the unanimous belief of those who were instrumental in the enactment of our control law that the Supreme Court decision to which reference has been made, was contrary to legislative intent. Whether or not an attempt will be made to amend the Act in the session of 1943 for the purpose of carrying out the original intent of its sponsors it is yet too early to say.

In recognition of the general policy of saving gas and tires we issued a general Order on July 1, 1942 which prohibits retail deliveries of milk more often than once in 48 hours and reduces wholesale deliveries to once in 24 hours. During the time when the consuming public was becoming accustomed to this curtailed delivery service the Board was very active with the duties of administration and enforcement.

Vermont consumers have accepted quite readily the inconveniences of one delivery only in the 48 hour period and most distributors have welcomed the financial saving which has resulted from this system. Our principal difficulty has been with retail grocers who have insisted upon delivering milk daily in connection with their deliveries of groceries. It is believed that this phase of the matter will soon be adjusted and if so state-wide compliance with the Order will be quite satisfactory. Vermont has a large percentage of producer dealers and a smaller proportion of distributors who purchase their milk supply. At present the latter class is encountering difficulties from federal price ceilings which allow an increase in the cost of milk purchased but prohibit a corresponding advance in retail prices, but these matters are in the process of adjustment.

MILK CONTROL IN VIRGINIA

Dr. Tipton R. Snively, Chairman

The most pressing problems before The State Milk Commission of Virginia are those which have arisen as a result of the war. Serious difficulties exist in both production and distribution and these extend to all parts of the State. Production is falling short of a possible maximum output because of a shortage of labor and materials. When added to a normal seasonal decline in production in the fall months, the shortage in the supply of milk indicates the probability that consumers will at times be unable
and the Commission in an effort to cope with the difficult problems of the war and to provide a wholesome supply of milk to the armed services and to the general public.

Corrections and Addenda, prepared on October 23, 1942 by Park Carpenter, Esq., relating to his address commencing on Page 23.

Alabama. In Milk Control Board v. Pure Milk Company, the Board, in the Circuit Court, Tenth Judicial Circuit, sought by bill filed March 14, 1942, to enjoin a distributor from making any deliveries of fluid milk prior to 7:00 A.M., in violation of paragraph 1 of the Board's Official Order No. 83, effective February 24, 1942. After hearing, and memorandum briefs filed by each side, the court (E.M. Creel, J.) on March 25, granted a temporary injunction. (No opinion or memorandum of decision was filed.) Thereafter the distributor demurred to the bill as a whole, but as yet no date has been set for hearing on these demurrers.

Florida. On page 30, strike out the last paragraph, and insert instead the following:—No appeal was taken in either of these cases.

In Florida Milk Commission vs. I. J. Johnson, doing business as Pure Milk Company, the Commission sought and secured an injunction against a producer-distributor who had contracted to deliver, and was delivering, to the United States Naval Air Station at Pensacola, Florida, milk at a contracted discount of 2% below the minimum price fixed by the Commission for such marketing area. The contract was let, and delivery made, on the Naval Reservation, the land previously having been ceded to the United States by the State of Florida. The Circuit Court for Escambia County, Florida, granted the injunction and the defendant promptly sought a review by applying to the Supreme Court of Florida, the court of that state having final appellate jurisdiction for a writ of certiorari. In September, 1942, the Supreme Court denied the writ with the result that the Circuit Court's order was sustained. The Court was unanimous in its decision but filed no opinion. Thereafter the Circuit Court issued its rule to show cause directed to Johnson requiring him to show why he should not be held in contempt of court for having continued to sell milk under the contract while the case was in the Supreme Court. On hearing, the defendant was found guilty of contempt.

Mr. E. B. Casler, Jr., counsel for the Florida commission advises that "the very favorable decision rendered by the Circuit Court for Pinellas County (T. Frank Hobson, Cir. J.) and incorporated in the decree entered in Commission v. Tampa Bettermilk Producers' Cooperative, reported above, was helpful in this case, and added to the support of the judgment of the Circuit Court of Escambia County when the matter was presented to the Florida Supreme Court.
with a recording thermometer. It offered, however, to prove 
temperature by other evidence. This offer was rejected by 
the market administrator,

The U. S. District Court for Northern New York, 
on January 31, 1942, held that in order to obtain the ben­
et of the lower price for Class III-B milk, the handler 
must show strict compliance with the terms of the order rel­
ative to such classification. Accordingly the court gave 
judgment for the defendant.

Vogt's Dairies, Inc. v. Wickard (45 Fed. Suppl. 94), 
was another case which arose under the Federal Order No. 27 
regulating the handling of milk in the New York City market­
ing area. Here the complaining handler raised two questions:

(1) Under Federal Order #27 a "handler" is defined as 
one who engages in the handling of milk received at a plant 
approved by any health authority for milk to be sold in the 
marketing area. Approval of plaintiff's plant was with­
drawn by a health authority for a ten day period. The mar­
et administrator refused to include plaintiff's receipts, 
during such period, in the market-wide pool, resulting in 
$1524.62 loss to the plaintiff.

(2) Under the same order, a part of the requirements 
for Class III-B milk is use in manufacture of cream which 
is held in storage more than 7 days at a temperature below 
zero. While certain cream was in storage, plaintiff's re­
frigeration plant broke down, but was promptly repaired. 
Because of the breakdown such cream was not held below zero 
for any continuous 7-day period. It was nevertheless in 
fact sold (to an affiliate of plaintiff's) as "frozen 
cream." The market administrator reclassified it in (higher­ 
priced) Class II-A.

The U.S. District Court for the District of Col­
umbia, however, on March 23, 1942, sustained the market ad­
ministrator on both points, and dismissed the complaint.

In Stark et al. v. Wickard (unreported), Stark and 
four other producers who delivered milk for sale in the 
Greater Boston Market, (but who were not members of any co­
operative approved as set forth below), brought action in 
the U. S. District Court for the District of Columbia, chall­
enging the validity of those provisions of the Federal Order 
No. 4 regulating the handling of milk in the Greater Boston 
Market, which authorize the Market Administrator to make 
certain service payments (out of the pool) to producer co­
operatives certified by the Secretary of Agriculture as 
bonafide producer controlled cooperatives qualified under 
the Capper Volstead Act, and seeking to restrain the Secre­
tary from certifying any such cooperatives. On the govern­
ment's motion to dismiss, on the ground that the order does 
not compel producers to do or refrain from doing any act,