

PROPOSED AMENDMENTS TO HOUSE BILL 2447, P.N. 3473

1. Section 201, page 5 - Proposed to eliminate the Board as an independent agency and place it under the jurisdiction of the Department of Agriculture.
2. Section 201, page 5 - Proposed to change membership of the Board from 3 to 9 members with the present members being retained, adding the Secretary of Agriculture and provides that the Board include two dairy farmers, two consumers, a representative of a milk dealers' union and a milk retailer.
3. Section 801, page 46 - Proposed to permit competitive bidding for any entity receiving money appropriated by the State or any of its political subdivisions.
4. Section 704, page 43 - Proposed to permit the Board to establish a Uniform System of Accounts.
5. Section 310, page 13 - Proposed to permit the records to be made available to participants in hearings held by the Board for purpose of adequate cross examination.
6. Section 801, pages 43 and 44 - Proposed to delete the price basis on lines 24 through 29 on page 43 and lines 1 through 8 on page 44.
Pricing is provided for by amending Section 802, page 46 which requires that at least every two years accurate cost studies be made covering all areas of milk production, processing and sale, and separating the costs as related to volume, type of service and type of containers. The minimum prices established to be based on the lowest cost, not including profit.
7. Section 801, page 45 - Proposed to provide that in any hearing the burden of proof is on the licensees.
8. Section 301, page 8 - Proposed to remove from the Board the power to set retail prices so that the Board's function would be limited to collecting information and setting prices for farmers.

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STATEMENTS RE AMENDMENTS
TO
HOUSE BILL NO. 2447

1. Rigid milk price controls established during depression days have outlived their usefulness and are no longer necessary.
2. At one time over 30 states fixed consumer milk prices. Today, such controls remain in only six states. Just last week North Carolina repealed its price-fixing law.
3. More than 20 states are using the concept of fair trade laws for the regulation of the milk industry and protection against loss leader selling.
4. Controls are no longer necessary for the protection of farmers because over 90% of Pennsylvania farmers are under the jurisdiction of Federal Milk Market Orders which assure them of fair prices. Recently 83% of Western Pennsylvania farmers voted in favor of Federal Market Order being established in their area.
5. In states bordering Pennsylvania milk is being sold at 14¢ to 25¢ per gallon less than in Pennsylvania.

For example, milk that is bottled in Philadelphia and trucked to Camden, N. J., is being sold for 18¢ per gallon less than the same milk in the same container from the same processor sells for in Philadelphia.
6. According to the U. S. Department of Agriculture, Pennsylvania ranks fifth among the surplus milk producing states. That is, Pennsylvania produces more milk than is required to meet the demand of its consumers.
7. Pennsylvania Milk Control Laws permit inconsistency of application. For example, in the Erie area, a price differential is permitted for the type of container. But such a differential is neither recognized nor permitted in the other twelve Pennsylvania milk control areas.

This special dispensation came about because Erie consumers were forming car pools to drive to Ohio to purchase milk at lower prices, so that their families could have an adequate supply. The Commission set a 5¢ lower minimum price for milk in reusable, deposit glass containers purchased in stores. It is a matter of economics and common sense that this same differential exists in other areas of the state although none are permitted to enjoy it.

8. Pennsylvania is an island in the midst of a sea of free enterprise. Consumer milk prices in Ohio, West Virginia, Maryland, New York State and Delaware are free of controls. These states have recognized that rigid fixed controls have outlived their usefulness. Three years ago New Jersey recognized that rigid controls were antiquated and revised its law to take advantage of the economies of modern processing and marketing techniques. At one time New Jersey had the distinction of being the highest priced milk state in the United States. Now, with consumer prices computed on the basis of lowest dealer cost, New Jersey prices fluctuate with demand and are consistently much lower than in Pennsylvania.

9. Comparison of present cost of milk between Philadelphia and Camden and between Pittsburgh and Eastern Ohio:

| <u>HOME DELIVERED</u> | | | |
|-----------------------|---------------------|---------------|-------------------|
| | <u>Philadelphia</u> | <u>Camden</u> | <u>Difference</u> |
| Quarts | .33 | .29-1/2 | .03-1/2 |
| 1/2 gal. | .63 | .56 | .07 |
| Gallon | 1.20 | 1.08 | .12 |

| <u>PURCHASED AT STORES</u> | | | |
|----------------------------|---------------------|---------------|-------------------|
| | <u>Philadelphia</u> | <u>Camden</u> | <u>Difference</u> |
| Quarts | .31 | .27-1/2 | .03-1/2 |
| 1/2 gal. | .59 | .48 | .11 |
| Gallon | 1.12 | .94 | .18 |

| <u>HOME DELIVERED</u> | | |
|-----------------------|-------------------|---------------------|
| | <u>Pittsburgh</u> | <u>Eastern Ohio</u> |
| Quarts | .31 | none |
| 1/2 gal. | .58 | available |
| Gallon | 1.14 | |

| <u>PURCHASED AT STORES</u> | | | |
|----------------------------|-------------------|---------------------|-------------------|
| | <u>Pittsburgh</u> | <u>Eastern Ohio</u> | <u>Difference</u> |
| Quarts | .30 | .27 | .03 |
| 1/2 gal. | .54 | .45 | .09 |
| Gallon | 1.06 | .90 | .16 |

10. Dealer Margins. High margins between the price farmers receive and what the consumer pays is the reason why Pennsylvania consumers suffer one of the country's highest milk prices and why Pennsylvania ranks among the lowest per capita milk consumption.

| | <u>Quart Farm Price</u> | <u>Quart Home Delivered Price</u> | <u>Dealers Gross Margin per Quart</u> |
|--------------|-------------------------|-----------------------------------|---------------------------------------|
| Pittsburgh | 13-1/2 | 31 | 17-1/2 |
| Philadelphia | 14-1/2 | 33 | 18-1/2 |

11. In determining the lowest cost of operation, the Commission should be required to take into consideration container sizes, types of containers, and method of distribution, such as store sales and home delivery. The lowest cost of operation in all categories should be the basis for computing minimum resale prices.

12. Dealers and Farmers Attrition. Dealers who must charge high milk prices in order to make a profit often are providing services which consumers demand and which cost more to provide. It is likely that without high fixed prices their customer would continue to pay more for special service. Therefore, these dealers would be getting about the same amount of business as previously. In fact, U. S. Department of Agriculture statistics show that even with milk controls, the number of dealers and farmers going out of business in Pennsylvania is parallel to the national average.

13. There is no basis in fact for the contention that the absence of rigid fixed price controls will affect the delivery of milk to invalids, elderly, hospitals, schools, etc. In the states where resale price controls have been eliminated, infirm and elderly can still buy home-delivered milk and services to hospitals and schools are normal. Consumers today in Pennsylvania as well as other states pick up over 99% of their food in stores, markets or supermarkets.

14. The Threat of Imitation Milk. Imitation Milk looms as a major threat to farmers income. Its price is not controlled by the Milk Commission so it varies with demand and market conditions. The price of whole milk cannot be lowered to meet effectively this threat to the milk market. Whole milk faces the same fate as butter, with margarine now holding 65% of the market. The farmer's major income is derived from the sale of Class One milk for table use. Already in Pennsylvania many homemakers are diluting whole milk with skim milk and powdered milk to compensate for high prices and to assure a sufficient milk supply for the family.

15. Pennsylvania Farmers and Farm Organizations. Pennsylvania farmers and farm organizations are in accord with the principal objectives of these amendments. Both major farm organizations in Pennsylvania have declared in their policy statements that there should be price differentials for type of container, size of container

and method of distribution, and realistic uniform accounting and the establishment of meaningful costs in order to arrive at a fair and reasonable price to the consumer.

16. Labor. Labor, which has championed the cause of the consumer in this state, should be in favor of these amendments which will have the effect of allowing lower milk prices for budget-restricted families.