

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE.

The meeting was called to order by Chairperson Eugene Shore at 9:00 a.m. on February 16, 1994 in Room 423-S of the Capitol.

All members were present except: Representative Swall - Excused

Committee staff present: Raney Gilliland, Legislative Research Department  
Jill Wolters, Revisor of Statutes  
Kay Johnson, Committee Secretary

Conferees appearing before the committee: Bob Binder, Kansas Dairy Producers Legislative Committee  
Jim Hill, Federal Milk Market Administrator's Office  
Donald Kullman, Prairie Farms Dairy

Chairman Shore called the meeting to order and reminded committee members that in tomorrow's meeting **HB 2686**, **HB 2811** and **HB 3012** will be discussed and possibly acted upon.

Hearings opened on **HB 3012**: creating the dairy marketing advisory board.

Chairman Shore asked staff to give a brief explanation of the bill. Jill Wolters, Revisor of Statutes, attachment #1, said this bill creates the dairy marketing advisory board within the Department of Agriculture. Members would be appointed by the Governor and confirmed by the Senate. Ms. Wolters then briefly explained each section of the bill. New section 10 provides that 4% of the difference between the federal milk marketing order price and the state milk marketing order price would be credited to the Kansas Department of Health & Environment (KDHE) for the Women, Infant and Children program (WIC).

PROPOSERS:

Bob Binder, Chairman, Kansas Dairy Producers Legislative Committee, attachment #2, discussed the steady decline of dairy producers in Kansas. The price of milk to the consumer when transported from out-of-state will increase and the Kansas economy and tax base will not reap any benefits from milk transported into the state. Since so much milk used in Kansas is produced out-of-state, it is likely that in-state processors will close their plants. **HB 3012** is not designed to provide a windfall to the dairy industry, but to act as a stabilizer. When the federal order price drops, the state order would kick in with no consequence to the consumer. Federal marketing orders have not always met the needs of the Kansas dairy industry and this bill will provide protection to dairy farmers. This bill does not have a provision for enforcement of the statute and Mr. Binder submitted an amendment to include enforcement, attachment #3.

Responding to questions from Representatives Lloyd, Reinhardt and Bryant, Mr. Binder gave an example using federal order prices and state order prices and explained how the state order would hold the price paid to producers and the price to the consumer would therefore stay the same. This bill affects only milk produced in Kansas. Representative Powers asked how WIC got into the bill. Mr. Binder said WIC participants spend a lot on milk products, so it helps milk sales, and it would provide an incentive for legislators to approve the bill.

Jim Hill, Federal Milk Market Administrator, attachment #4, said he was asked to appear before the committee to explain the federal milk marketing order system. A milk order is a legal document issued to regulate the minimum prices paid to dairy farmers by handlers of milk in a specified marketing area. Under the orders, dairy farmers are assured a minimum price for their milk that takes into consideration the economic conditions throughout the year. Each order includes provisions for classified pricing and pooling, determining the minimum "blend" price, verifying weights and tests of milk and auditing handler reports. Federal orders cannot set wholesale or retail milk prices, issue controls on production, prevent farmers from selling their milk

## CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE, Room 423-S Statehouse, at 9:00 a.m. on February 16, 1994.

to any handler they choose or regulate from whom a milk handler can buy milk. Minimum prices are established according to the use made of milk, Class 1, 2 or 3, and currently are based on the M-W (Minnesota-Wisconsin) price. Alternatives to using this base price are being explored as a result of the 1990 Farm Bill. The Class 1 price is the M-W price plus a fluid differential. The fluid differential reflects the added price needed to attract milk away from manufacturing outlets and offsets the transportation costs for moving surplus milk. Handlers who sell their milk in the Southwest Plains Market Area will be regulated by and send reports to the Federal Milk Market Administrator's Office. These reports are used to establish an average price for each class and then an average blend price.

Responding to questions from the committee, Mr. Hill further explained the fluid differential factor. When asked his opinion of HB 3012 and how state orders have worked in other states, Mr. Hill responded he was testifying only in an informational capacity, not for or against the bill and he didn't know enough about other states to comment.

### OPPONENTS:

Donald Kullman, Prairie Farms Dairy, Illinois, attachment #5, said his company owns plants in Wichita (Steffens) and Kansas City (Fairmont Zarda) and they are opposed to this bill. State orders have not worked in other states and have been taken to court. The U.S. Supreme Court will consider whether state orders are legal and, hopefully, a decision will be rendered by August 1, 1994. He is disappointed to be here as last year it was agreed to not pursue state initiatives until the legal issue is determined. Referring to subsection 5(d), he said his interpretation of the bill is that it applies to milk produced in Kansas and outside of Kansas. The price to the consumer will increase as that is the whole point of having the bill. The federal order system is extremely complicated and there is no reason to duplicate it with a state order.

Representative Powers pointed out that Kansas is already losing cows and dairies and asked how long can we wait to correct that? Mr. Kullman said a major problem in Kansas is the dairy farmers themselves and not the market. Kansas ranks 39th in the nation in the average production per cow; farmers need to improve their operations.

The hearing on HB 3012 will continue tomorrow. The meeting adjourned at 10:10am. The next meeting is scheduled for February 17, 1994.

## Explanation of HB 3012

Section 1. a. Creates the dairy marketing advisory board, within the department of agriculture.

b. Members would be appointed by the governor, confirmed by the Senate. The board consists of 5 members as follows: 2 dairy farmers, 1 milk handler, 1 consumer member and the acting secretary of agriculture.

c. The members will serve for three year terms, initial terms will be staggered. Three members shall establish a quorum. Members may be removed for cause.

d. There shall be no compensation for members except expenses.

Section 2. a. The board may issue and amend milk marketing orders. The board may contract with existing federal milk order authorities and establish coadministrative arrangements with other states.

b. This subsection establishes that milk marketing orders may cover all or parts of the state. Orders may also contain parts of existing federal orders.

Section 3. Within 30 days of receiving a proposed milk marketing order, the board shall conduct a public hearing to receive evidence of the need for an order. Within 30 days, the board will issue a decision concerning the order. If the order is recommended by the board, it is submitted to the producers for approval or disapproval. If a majority of producers approve, the order shall become effective the following month. The board may establish rules and regulations to conduct the elections.

Section 4. An order will be terminated whenever requested by a majority of producers.

Section 5. The orders shall contain the following terms:

a. Classify milk purchased by use; fix minimum prices for each use; establishing time frames in which to pay.

b. Establish a system to pay producers and co-ops.

c. Orders applicable to milk marketed in KS shall not prohibit or limit marketing of milk anywhere else.

d. Orders may contain provisions for pricing all class I packaged fluid milk distributed on routes in KS regardless of the location of the processing plant.

e. & f. Any term or condition incidental to and not inconsistent with the act are deemed necessary by the board.

Section 6. The board has the authority to:

a. Administer orders in KS in accordance with the terms and provisions.

b. Adopt rules and regulations.

c. Receive, investigate and report to the acting secretary violations of any order.

d. Make recommendations to the acting secretary on amendments to an order.

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Attachment #1

e. Employ personnel.

Section 7. a. Handlers may seek review of an order by filing a written request with the board. The board shall issue a decision which shall be final.

b. Regulated handlers may challenge the legality of any provision of the order, provided administrative review by the board occurred first.

Section 8. In fixing the prices, the board shall consider the competitive prices of milk delivered on a regular basis from various sources to certain locations, the cost of production, general economics of the industry and the general economy of the state. After the initial establishment of orders, the board shall make necessary adjustments in prices to reflect changing market conditions to bring market stability.

Section 9. a. Handlers shall:

1. Make reports as established by the board;
2. Maintain records and make such records available to the board.

b. The information shall be confidential and not public record.

Section 10. Four percent of the funds collected would be credited to the department of health and environment WIC program and no more than 25% of the funds credited would be used for administration of the program. An annual percentage fee would be established to pay for the costs to the state of administering and providing support staff for the program. The department of agriculture shall account for all state expenses financed from the fund. Funds collected means the difference between the price established by the federal milk marketing order and the state milk marketing order.

Jill Wolters  
Assistant Revisor  
February 15, 1994



TESTIMONY TO THE HOUSE AG COMMITTEE

1994 - TOPEKA, KANSAS

THANK YOU MR. CHAIRMAN...I AM BOB BINDER, CHAIRMAN OF THE KANSAS DAIRY PRODUCERS LEGISLATIVE COMMITTEE. I AM HERE TODAY REPRESENTING KANSAS MILK PRODUCERS IN SUPPORT OF HOUSE BILL 3012. IN JANUARY OF 1986 WE HAD 2105 MILK PRODUCERS BOTH IN GRADE A AND GRADE B IN KANSAS. IN JANUARY OF 1988, WE WERE DOWN TO 1590 PRODUCERS AND IN JANUARY OF 1990 WE WERE DOWN AGAIN TO 1442 PRODUCERS. IN JANUARY OF 1993 WE HAD 1222 PRODUCERS AND AT THE END OF THAT SAME YEAR, WE HAD 1093 PRODUCERS OR 129 PRODUCERS LESS THAN WE HAD IN THE BEGINNING OF 1993. THAT MEANS WE LOST AN AVERAGE OF 10.5 PRODUCERS PER MONTH IN 1993 AND OVER 10 PERCENT PER YEAR. IT CERTAINLY DOESN'T TAKE A MATHEMATICIAN TO RECOGNIZE THAT THE DAIRY INDUSTRY AS WE KNOW IT, IS SHRINKING AND SHOULD BE ON THE ENDANGERED SPECIES LIST IN KANSAS.

I AM NOT HERE TO SCARE YOU IN TO THINKING THAT EVENTUALLY KANSANS WILL NOT HAVE MILK OR MILK PRODUCTS AVAILABLE TO THEM. MILK TODAY IS BEING TRANSPORTED THOUSANDS OF MILES. TWO THINGS I CAN ASSURE YOU OF:

1. THE PRICE OF MILK TO THE CONSUMER WHEN TRANSPORTED FROM OUT OF STATE WILL INCREASE.
2. THE KANSAS ECONOMY, THE KANSAS TAX BASE, AND THE STATE TREASURY WILL NOT REAP ANY BENEFITS FROM MILK TRANSPORTED INTO THE STATE BECAUSE AS MILK COMES IN, THE DOLLARS GO BACK OUT.

LAST YEAR 1993, THERE WAS 1.0 BILLION POUNDS OF MILK PRODUCED ON KANSAS FARMS. WITH A FARM VALUE OF OVER 125 MILLION DOLLARS. WHEN YOU USE A MULTIPLIER OF SIX (EVERY NEW DOLLAR TURNS OVER SIX TIMES) IT

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Attachment #2*

IMPACTS THE STATES ECONOMY BY OVER 750 MILLION DOLLARS. NOTE: THE FARM VALUE DIFFERENCE WOULD BE \$13,600,000 LESS FROM JANUARY 1, 1993 TO JANUARY 1, 1994 CAUSING A NEGATIVE IMPACT ON THE STATE ECONOMY OF \$82,000,000. I WON'T EVEN ATTEMPT TO GUESS HOW MANY TAX DOLLARS THAT MIGHT GENERATE OR HOW MANY JOBS ARE AFFECTED OR WHAT THAT WILL DO FOR OTHER SEGMENTS OF THE RURAL ECONOMY. MANY OF THOSE MILK PRODUCED DOLLARS GO DIRECTLY BACK INTO FEED, FERTILIZER, EQUIPMENT, LABOR, AND OTHER AGRICULTURAL NEEDS.

PRESENTLY, THERE IS A THREE THOUSAND DOLLAR INVESTMENT PER COW ON 85 THOUSAND COWS IN KANSAS TOTALING 225 MILLION DOLLARS OR 219 THOUSAND DOLLARS PER HERD. THIS DOES HAVE AN EFFECT ON THE LOCAL ECONOMIES. FURTHER, IF ALL OR MOST OF THE MILK USED IN KANSAS IS PRODUCED OUT OF STATE, THE LIKELYHOOD OF INSTATE PROCESSORS CLOSING THEIR PLANTS INCREASES CAUSING A LOSS OF JOBS. IN THE LAST TEN YEARS, APPROXIMATELY TWELVE PROCESSING PLANTS HAVE CLOSED THEIR DOORS, AND THIS DOES NOT INCLUDE ALL OF THE SMALL CHEESE PLANTS THAT HAVE SHUT DOWN. IN FACT, THE MAJOR OPPOSITION FOR THIS BILL HAS COME FROM PROCESSING PLANTS OWNED AND OPERATED OUTSIDE OF KANSAS. ALL PACKAGED MILK PRODUCTS INCLUDING BOTTLED MILK REVENUES WILL BE LEAVING THIS STATE. HOUSE BILL 3012 WILL HELP PROTECT OUR KANSAS PRODUCERS, KANSAS HANDLERS, AND PROCESSORS AND THE CONSUMERS ALIKE. HOUSE BILL 3012 WAS ALSO DESIGNED WITH THE AMENDMENT TO PAY FOR THE ADMINISTRATION AND ENFORCEMENT OF THIS ACT FROM REVENUES GENERATED FROM WITHIN THE ACT AND NOT FROM THE STATES TREASURY. HOUSE BILL 3012 IS NOT DESIGNED TO PROVIDE A WINDFALL TO THE DAIRY INDUSTRY IN KANSAS BUT RATHER TO ACT AS A STABILIZER TO THAT INDUSTRY. SHOULD THE FEDERAL GOVERNMENT CHANGE OR DO AWAY WITH FEDERAL MARKET ORDERS OR SHOULD THEY HAVE A NEGATIVE IMPACT, OR SHOULD THEY NOT BE RESPONSIVE TO THE NEED OF THE

KANSAS INDUSTRY, THE PASSAGE OF THIS ACT WOULD PROVIDE FOR AN ESTABLISHED SYSTEM IN KANSAS TO INSURE ORDERLY MARKETING OF MILK.

ANOTHER FEATURE OF THIS BILL IS THE ENHANCEMENT TO THE WOMEN, INFANTS, AND CHILDREN PROGRAM OF OUR STATE. FOUR PERCENT OF ANY ADDITIONAL REVENUE TO A PRODUCER, BECAUSE OF THIS ACT, WILL GO TOWARD THE WIC PROGRAM. AGAIN, WITH PROVISIONS FOR ADMINISTRATIVE COSTS. THE WIC PROGRAM PROVIDES NUTRITIONAL VALUE TO NEEDY MOTHERS, BABIES, AND CHILDREN. THIS ACT, HOUSE BILL 3012, IS NOT UNIQUE IN THE UNITED STATES. OTHER STATES, IN FACT, OTHER ENTIRE REGIONS OF OUR COUNTRY, ESPECIALLY THE NORTHEAST, HAVE ADOPTED SIMILAR TYPES OF LEGISLATION THAT PROVIDES PROTECTION TO THEIR DAIRY INDUSTRY AND TO THEIR CONSUMERS. THERE ARE THOSE THAT HAVE SAID AND MIGHT VERY WELL TESTIFY BEFORE YOU THAT THIS ACT MAY NOT BE CONSTITUTIONAL. YET, IT HAS BEEN TRIED IN SEVERAL STATES AND FOUND BY THOSE STATE SUPREME COURTS TO BE CONSTITUTIONAL. PROCESSORS HAVE CHALLENGED THE MARKET ORDER, BUT, HAVE NOT CHALLENGED THE ACT ITSELF. EVEN THAT CHALLENGE HAS MADE IT TO THE U.S. SUPREME COURT. SOME STATES, AS A MATTER OF FACT, HAVE HAD A MARKET ORDER IN PLACE SINCE THE LATE 30'S. (PENN.) OUR ATTORNEY'S HAVE REVIEWED THE ACT AND HAVE FOUND NO LEGAL DISCREPANCIES. IT IS ALSO INTERESTING TO NOTE THAT STATES LIKE MAINE HAVE CIRCULATED PETITIONS WITH CONSUMERS, SEEKING THEIR REACTION TO LEGISLATION SIMILAR TO OURS AND HAVE GOTTEN OVERWHELMING SUPPORT.

WE HAVE BEEN ASKED HOW WILL THIS ACT AFFECT THE PRICE TO THE CONSUMER. THE ANSWER IS THAT IT WOULD ESTABLISH STABILITY IN PRICES TO THE CONSUMER. IF THE KANSAS ORDER IS SET TO COINCIDE WITH THE FEDERAL ORDER THEN THERE SHOULD BE NO INCREASE TO THE CONSUMER, BECAUSE WHEN THE FEDERAL ORDER PRICES DROP, THE STATE ORDER WOULD KICK IN TO SUPPORT THE PRICE WITH NO CONSEQUENCE TO THE CONSUMER. THIS ACT DOES

NOT SET VALUES FOR MILK OR MILK PRODUCTS. INSTEAD, THIS ACT ESTABLISHES A BOARD MADE UP OF A CONSUMER AND A PROCESSOR ALONG WITH TWO DAIRYMEN WITH THE SECRETARY OF AGRICULTURE AS THE MEDIATOR WITH FULL VOTING POWER. THE ACT ALSO SETS OUT PERIMETERS AND GUIDELINES THAT MUST BE FOLLOWED BY THE BOARD IN THE ESTABLISHMENT OF A STATE MARKET ORDER. THE BOARD IS REQUIRED TO HOLD PUBLIC HEARINGS BEFORE CALLING TO A VOTE BY THE KANSAS MILK PRODUCERS. IF MILK RATES OR VALUES TO THE DAIRYMEN WERE ESTABLISHED MUCH ABOVE THE COMPETITIVE VALUES IN SURROUNDING AREAS, KANSAS WOULD BE INUNDATED WITH MILK FROM OUTSIDE THE STATE. HISTORICALLY, PRICES HAVE INCREASED TO THE CONSUMER MORE THAN REQUIRED BY AN INCREASE ON THE FARM, AND PRICES DECREASED TO THE CONSUMER LESS THAN PRICES DECREASED ON THE FARM. THEREBY, INCREASING THE MARGINS BETWEEN FARM AND CONSUMER PRICES. I HAVE A GRAPH ATTACHED TO THIS TESTIMONY ILLUSTRATING THIS FACT. (READ SECTION FROM USDA REPORT)

THE FACT REMAINS THAT THE FEDERAL MARKETING ORDERS HAVE NOT ALWAYS MET THE NEEDS OR WILL THEY EVER ALWAYS MEET THE FUTURE NEEDS OF THE DAIRY INDUSTRY ACROSS KANSAS. STATES AND REGIONS WILL BE ADOPTING SOMETHING SIMILAR TO WHAT WE HAVE BEFORE US TODAY TO PROTECT THE DAIRY INDUSTRY WITHIN THEIR OWN STATE OR REGION. WE, IN FACT, ARE ENCOURAGING OTHER STATES IN OUR AREA (NEBRASKA, COLORADO, MISSOURI, AND OKLAHOMA), TO ADOPT SIMILAR LEGISLATION AND PROVIDE STABILITY IN THE ENTIRE REGION.

~~THE ENTIRE REGION~~ REMEMBER THAT H.B. 3012 WILL ESTABLISH A BOARD THAT MAY ESTABLISH A MARKET ORDER. PROVIDING STABILITY IN CONSUMER PRICING AND PROVIDE THE CONSUMER WITH A FRESH AND QUALITY PRODUCT PRODUCED IN KANSAS. IT ALSO PROVIDES ADDITIONAL FUNDING TO NEEDY MOTHERS AND BABIES OF THIS STATE AT NO COST TO THE TAX PAYER. THANK YOU FOR YOUR

ATTENTION. ATTACHED, ALSO FIND WRITTEN COPIES OF SUPPORTING  
TESTIMONY.



## CONSUMERS NOT BENEFITING FROM LOWER PRICES

SINCE our commentary on America's "cheap food policy" appeared in the May 25 issue (page 462), data from the Bureau of Labor Statistics gives solid support to our position, as illustrated in the chart.

AUG 10 1987

As a startling point, 1981 was used since it was April 1981 when the semiannual adjustment in the milk price support level was terminated. As shown, there have been three reductions of 50 cents per hundredweight in the milk price support level since late 1983, but look at the relationship between the farm price of milk and the retail price index for milk and dairy products.

The 7.6 percent increase in dairy product prices since 1981 is modest compared with a 17.2 percent jump in the Consumer Price Index during the same period. Farm milk prices, meanwhile, were down nearly 13 percent early last year and last December still were 5.6 percent below 1981.

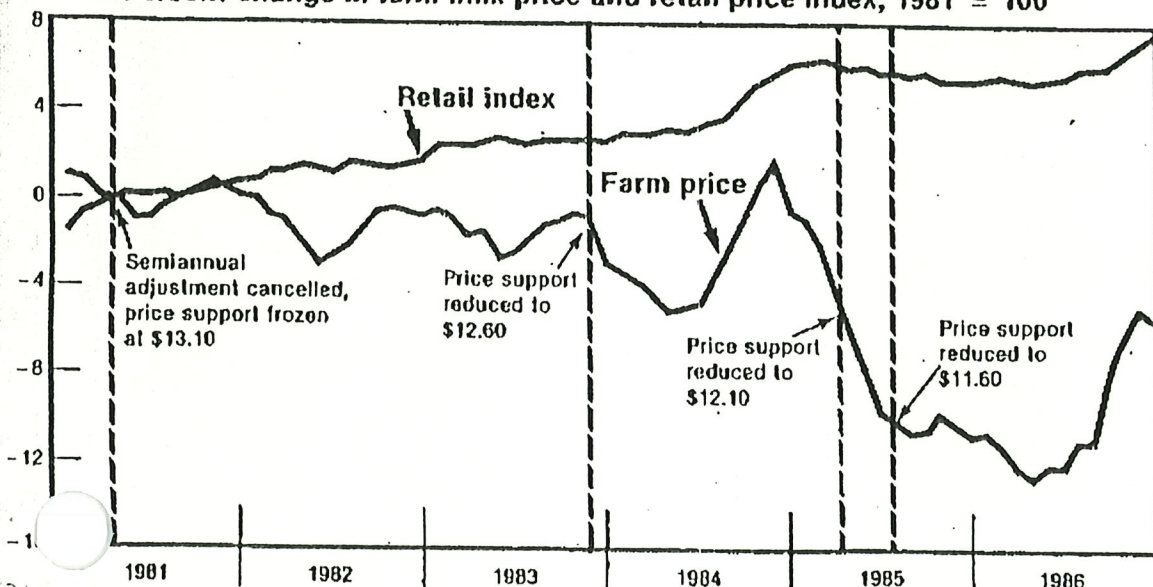
The message that again comes through loud and clear is that lower farm prices for milk do not benefit consumers.

If farm prices had changed at the same rate as consumer prices during the past six years, dairy farm income would have been more than \$7.5 billion higher. Putting this another way, price cuts since 1981 have reduced dairy farmer income \$7.5 billion without benefiting consumers through lower retail prices.

Dairy farmers continue to struggle financially. A 1985 USDA survey showed that 45 percent of the nation's dairy farmers had a negative cash income which means they were unable to meet all costs, plus family living expenses. The 1986 Dairy Farm Summary published by the Farm Credit Banks of Springfield, Mass., revealed that, for the fourth consecutive year, net earnings were negative for the average dairy farmer. See page 597.

Price cutting already has taken a heavy toll; yet many high-level policymakers say further cuts would translate into reduced consumer prices. As one dairy spokesman responded, "Those making that sound are beating a broken drum."

Percent change in farm milk price and retail price index, 1981 = 100



Source: USDA: Bureau of Labor Statistics, DOL

DEC 1989

## MILK STILL IS A BARGAIN DESPITE HIGHER STORE PRICES

**H**IGHER store prices of milk are receiving a lot of attention these days. The Wall Street Journal, New York Times, St. Louis Post-Dispatch and Wisconsin State Journal all have had headline articles about the climbing prices of milk and other dairy products and tight milk supplies. We presume similar articles have appeared in other newspapers.

All of the hullabaloo made us wonder just how outrageous milk prices had become and to what other beverages people were going to turn. We went to a popular supermarket in Fort Atkinson to do some comparison shopping. Here is what we found:

### Cost per 12-ounce serving

	cents
Frozen orange juice.....	42
Beer (12-pack).....	42
Apple juice.....	40
Mineral water.....	30
Tomato juice.....	28
Pepsi (2-liter bottle).....	25
Milk (whole, half-gal. carton).....	22
Milk (whole, gal. jug).....	21
Store-brand cola (2-liter bottle).....	15

Only store-brand cola was less expensive than milk. The 2-liter bottle of cola was 83 cents. The half gallon of milk was \$1.20 and the gallon jug was \$2.37.

We realize that milk will be priced higher in some other parts of the country, but it still will be cheaper than most alternatives. When we add nutritional value to our comparisons, it is not even close. Milk has no equal.

Yes, the price of milk in stores has gone up. And, finally, it has risen at a rate comparable to other foods. According to the Bureau of Labor Statistics, the index of retail dairy prices in October was up 7.6 percent from a year earlier. The overall Consumer Price Index for food went up 5.2 percent during the same period. As recently as July, milk in our area sold for less than it did 10 years ago.

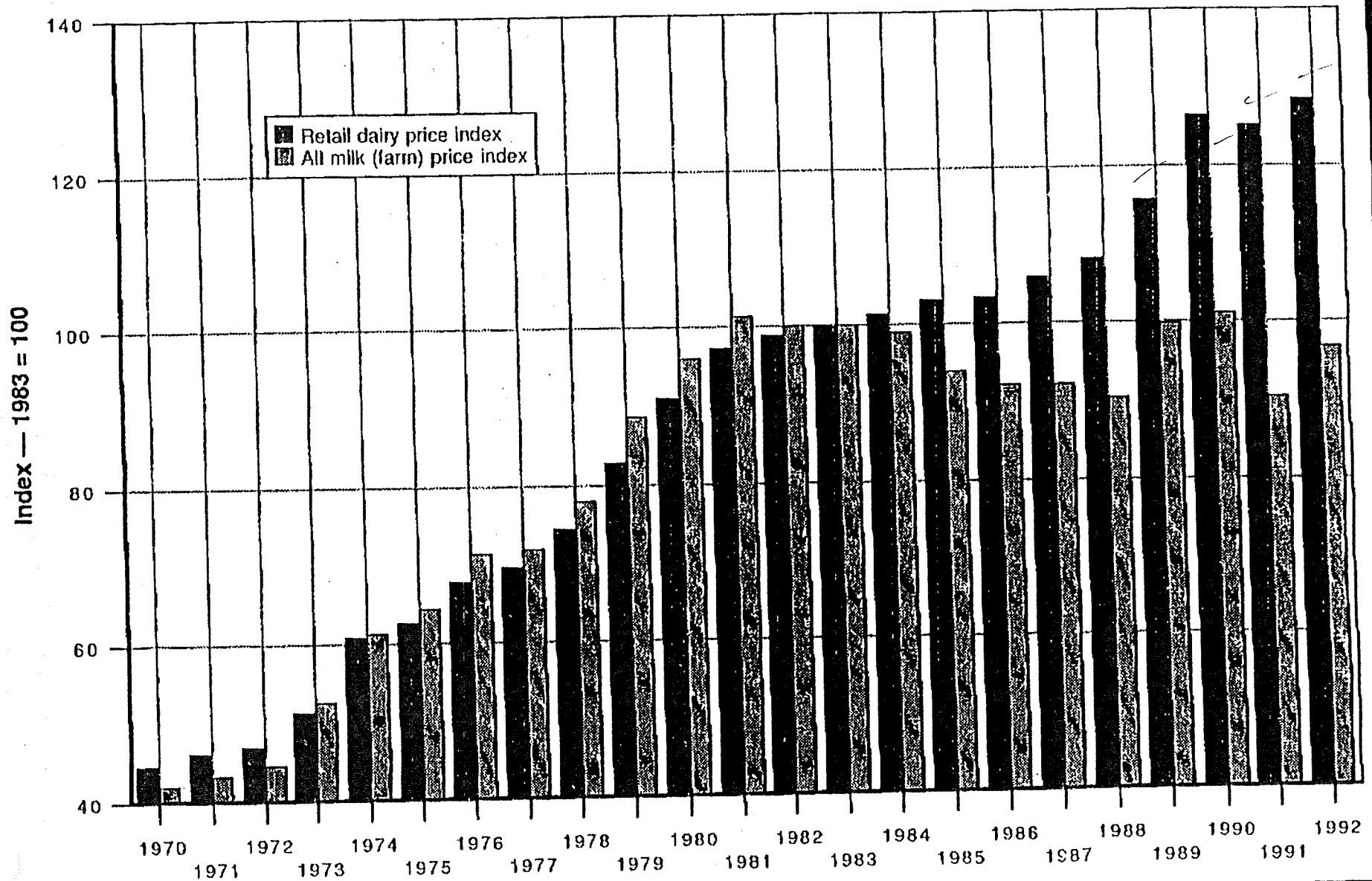
With milk production in Wisconsin, Minnesota and other key dairy states in a slump, we can look for continued strong milk prices at farm mail boxes and in supermarkets. But, milk still is going to be a bargain. Consumers should rest assured of that, regardless of what they're reading.

JH 13 '89 04:47PM MD HOPPE SITS

0.55

# Retail prices surge ahead of farm prices

Milk price savings haven't been passed on to consumers



2-8 JAN 15 '91 04:55 PM ND HIRPO 0 5015

**Cooperative Extension Service**

Extension Animal Sciences and Industry  
Call Hall  
Manhattan, Kansas 66506-1600  
913-532-5654

24 January 1994

Kim Koehn  
RICKIM DAIRY  
RR 1 Box 41A  
Copeland, KS 67837

Dear Kim:

While anticipated, I was still suprised when I heard that you had dispersed your herd to Larry Taylor at Edna. I visited Larry back in November. He has an interesting dairy and seems to have the talent to be a good dairy-man. He needs a production testing program to monitor the herd, especially SCC.

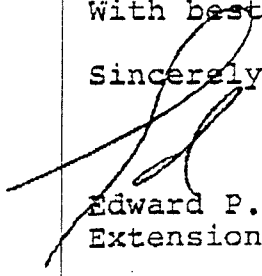
More to the point... There are few if any people in Kansas that I have enjoyed working more with than Kim Koehn. You have a lot of knowledge and talent. I am almost embarrassed that with your ability, the price of milk (and hauling) made dairying less than profitable.

I close out 40 years of running around Kansas this fall. While I have positive thoughts about my input into the Kansas dairy industry, I wish that there was more stability.

I wish you well in what ever endeavor you may enter. As long as there are people like you in the world, it will be a good place to live.

With best regards, I am,

Sincerely yours,

  
Edward P. Call  
Extension Dairy Science

P.S. Would you forward the Elite Cow listing to Larry?  
Thanks...

Mr. Chairman and House Ag Committee Members:

Thank you for the opportunity to present written testimony regarding H.B. 3012. My name is Pamela Bailey and I am an attorney in Wichita. My law firm has reviewed H.B. 3012 and compared it with other states' milk marketing legislation.

Several states, including Massachusetts, Maine, and Pennsylvania, have state milk marketing orders. Some of these states have had state orders for over 50 years. H.B. 3012 is enabling legislation allowing Kansas to create a dairy marketing advisory board which in turn would issue a state milk marketing order.

None of the other states reviewed have had their enabling statutes challenged in court. The State of Massachusetts has had its state milk pricing order contested in court on constitutional grounds. The Massachusetts Supreme Court held that the pricing orders were designed to help Massachusetts dairy producers and affected interstate commerce only incidentally. Therefore, the Massachusetts state pricing order was upheld.

Section 5 of H.B. 3012 contains many of the same provisions found in the federal Agricultural Marketing Agreement Act, 7 U.S.C. §601, et seq. This federal act has withstood constitutional challenge in U.S. v. Rock Royal, 307 U.S. 533, 59 S.Ct. 993 (1993).

It is our legal opinion that H.B. 3012 is legally sound and should be upheld by the courts in a constitutional challenge.



**Agr-Mark**

Mailing P.O. Box 5800  
Address: Lawrence, MA 01842  
508-688-4442

February 17, 1993

Mr. Richard Binder  
Hayes, Kansas

Dear Mr. Binder:

As we discussed on the phone today, state milk pricing has been extremely successful in Maine. Maine has a five-member Milk Commission which meets monthly and oversees milk pricing. This arrangement has been in place for several decades and has survived several court challenges as well. Class I milk pricing in Maine tends to mirror the New England Federal Order price for competitive reasons, although some modifications are present.

In August 1991, Maine implemented a Dairy Stabilization Tax which essentially freezes the Class I price near \$16.00 per hundredweight (cwt.). Under this program, a vendor fee (or tax) is charged to milk handlers whenever the Class I price in the New England Federal Order falls below \$16.00 per cwt.

For example, a Class I price of \$14.70 would trigger a \$.03 per quart fee (or \$1.40 per cwt. since there are 46.3 quarts per cwt. of milk). The maximum fee is \$.03 per quart or \$2.33 per cwt. Since about half the milk produced in Maine is sold in fluid form as Class I milk, dairy farmers receive about half the Class I rate on a per cwt. basis. In the past 18 months, nearly \$4 million has been generated with dairy farmers receiving from about \$.20 to more than \$1.00 per cwt. per month, depending on the level of market prices.

To my knowledge, the Maine vendor fee has not generated a single complaint from consumers, legislators, or even newspaper editors. In fact, most of the comments directed at the concept have been positive since it has resulted in extremely stable milk prices to the state's consumers. The law that implemented this pricing program will sunset this coming fall but there is widespread support among all groups to continue it into the future.

Other New England states have also had some success with state pricing although they have come to realize that a regional effort would best suit the relatively small geographic area of New England. To that end we are in the process of seeking approval for a Interstate Dairy Compact in the various state legislatures. Such a Compact has already been approved in Vermont and Maine, and is under consideration by legislatures in Massachusetts.

2-11

*all states have now  
ratified this is  
2-1-94*



Page 2 of 2

Connecticut, Rhode Island, and New Hampshire. Once passed by all individual states, the Compact must be approved by the U.S. Congress. We have come to believe that any long-term solution to the dairy crisis must be accomplished on a local and regional basis since national solutions have remained out of reach for so long.

Most New England states have seen half their dairy farms go out of business in the past decade; parts of southern New England may already be below the "critical mass" of farms needed to keep local support services such as equipment/parts dealers, feed suppliers and others in business. Dairy farming is critical to the rural economy of New England and provides many benefits to the state that go beyond the value of milk and dairy cattle sold.

Those benefits include revenue (and tax) earning open space, tourism promotion, recreational uses (snow mobiling, cross country skiing, hunting), efficiency of ground water recharging and shaping the entire character of New England. It is not surprising that state and regional milk pricing efforts have been supported by environmental groups, sportsmen associations, wildlife foundations and consumer groups. One consumer group in Massachusetts collected over 10,000 signatures in support of the state's 400 dairy farms. All six New England governors (3 Republicans, 2 Democrats and 1 Independent) jointly went on record at the recent National Governor's Conference in Washington, D.C. in support of their state's efforts relative to milk pricing.

I hope this information has been helpful.

Sincerely,



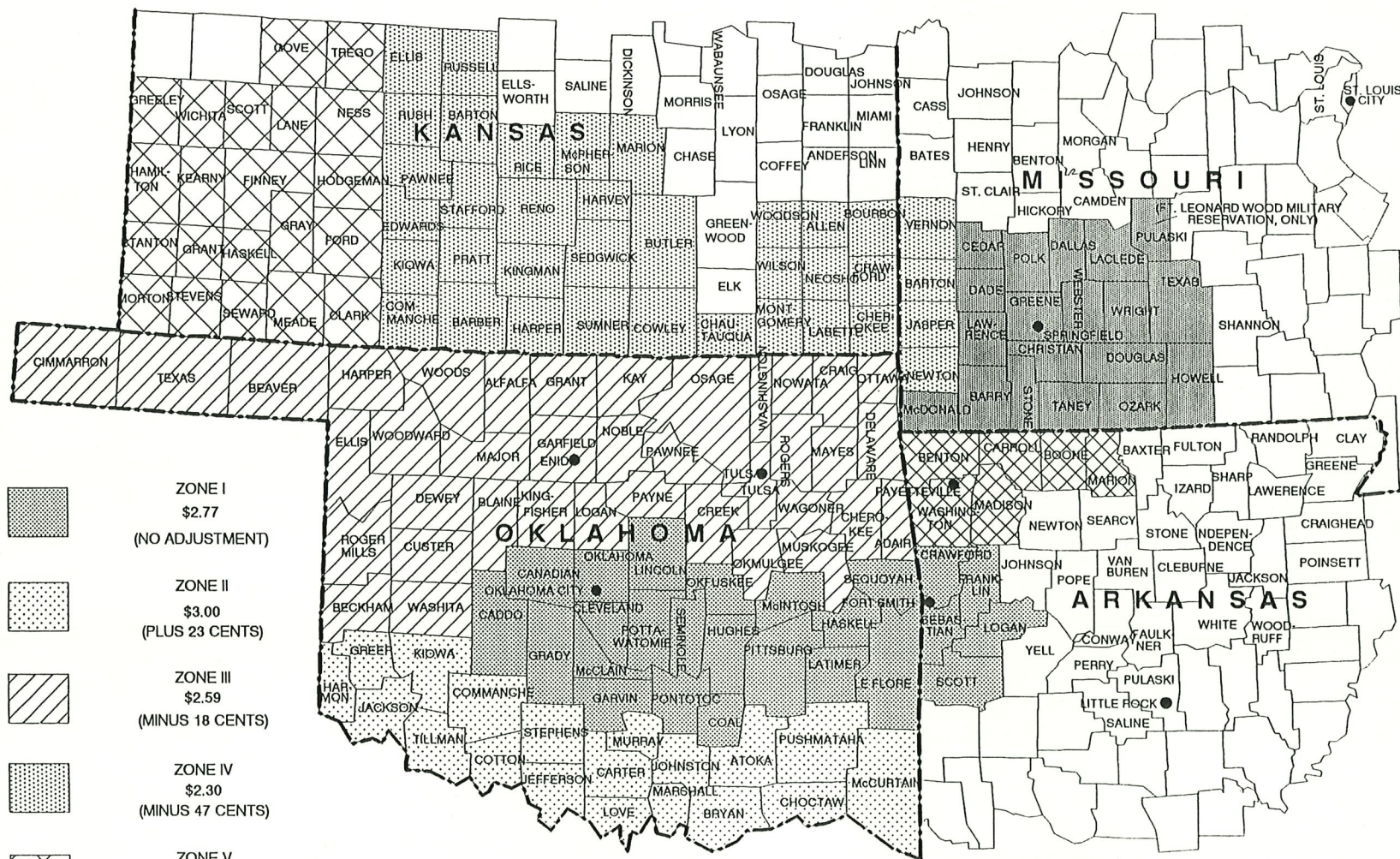
Robert Wellington  
Senior Vice President of  
Economics, Communications,  
& Legislative Affairs

AMENDMENT TO HOUSE BILL 3012

Any person who fails to file a return required under this bill, files a return that is materially incorrect or fails to pay the amount due under this bill is liable for a penalty not to exceed \$25,000 or 25% of the amount due, whichever is greater. This penalty is applied separately for each month that the person fails to file a return required under this bill, files a return under this bill that is materially incorrect or fails to pay the amount due under this bill. In any action to enforce this bill, the person liable for the payment of the amount shall in addition pay all costs of enforcement, including attorney's fees.

HOUSE AGRICULTURE  
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Attachment #3





	ZONE I \$2.77 (NO ADJUSTMENT)
	ZONE II \$3.00 (PLUS 23 CENTS)
	ZONE III \$2.59 (MINUS 18 CENTS)
	ZONE IV \$2.30 (MINUS 47 CENTS)
	ZONE V \$2.50 (MINUS 27 CENTS)
	ZONE VI \$2.55 (MINUS 22 CENTS)
	ZONE VII \$2.19 (MINUS 58 CENTS)

SOUTHWEST PLAINS MARKETING AREA  
FEDERAL ORDER NO. 106  
LOCATION ADJUSTMENTS  
AND  
ZONE DIFFERENTIALS

*House Agriculture  
2-16-94  
Attachment #4*

**UNITED STATES DEPARTMENT OF AGRICULTURE  
AGRICULTURAL MARKETING SERVICE  
DAIRY DIVISION**

Office Address:  
5323 S. Lewis  
Tulsa, OK 74105  
Phone: (918) 742-0415

SOUTHWEST PLAINS MARKETING AREA  
Federal Order No. 106

Mailing Address:  
P.O. Box 701440  
Tulsa, OK 74170  
Fax: (918)744-0584

**OFFICIAL ANNOUNCEMENT OF CLASS PRICES @ 3.5% AND BUTTERFAT DIFFERENTIAL**

	<u>January 1994</u>	<u>February 1994</u>	<u>March 1994</u>
Announced Class I Price (Zone I) 1/	15.52	15.28	15.18
Processor Assessment 2/		.20	.20
Total	15.52	15.48	15.38
Class II Price	13.25	12.26	
Class III Price	12.41		
Class III-A Price	10.22		
Butterfat Differential	0.052		

**January 1994 Values Per Pound at Zone I**

	Skim Milk	Butterfat
Class I	0.13700	0.65700
Class II	0.11430	0.63430
Class III	0.10590	0.62590

1/ Federal Order No. 106 announced Class I prices is the basic formula price for the second preceding month plus \$2.77. The Class I prices are subject to location and the following zone adjustments.

Zone I	0	(Oklahoma City, Norman, Tuttle, Chandler, OK and Fort Smith, AR)
Zone II	0.23	
Zone III	-0.18	(Tulsa, Enid, OK)
Zone IV	-0.47	(Wichita, Hutchinson, Hillsboro and Arkansas City, KS)
Zone V	-0.27	
Zone VI	-0.22	(Bentonville, Fayetteville, and Siloam Springs, AR)
Zone VII	-0.58	(Springfield, Lebanon, Cabool and Point Lookout, MO)

2/ The processor assessment is an obligation under the fluid milk education program (7CFR § 1160.101 et seq.), which requires that all persons who process and market monthly more than 500,000 pounds of fluid milk products in consumer packages be assessed 20 cents per hundredweight on all marketings of packaged fluid milk products during the month.

**PRICE QUOTATIONS AND FORMULA PRICES**

	<u>January 1994</u>	<u>December 1993</u>	<u>January 1993</u>
Minnesota-Wisconsin Pay Price @ 3.5%	12.41	12.51	10.89
Average Chicago Mercantile Grade A Butter	0.6300	0.6858	0.7425
Average Central States Nonfat Dry Milk	1.0976	1.1273	1.1100
National Cheese Exchange, Cheddar Cheese, 40 lb. Blocks	1.3000	1.3155	1.1758

Release Date 02/04/94

Donald R. Nicholson  
Market Administrator

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**UNITED STATES DEPARTMENT OF AGRICULTURE  
AGRICULTURAL MARKETING SERVICE  
DAIRY DIVISION**

Office Address:  
5323 S. Lewis  
Tulsa, OK 74105  
Phone: (918) 742 - 0415

SOUTHWEST PLAINS MARKETING AREA  
FEDERAL ORDER NO. 106

Mailing Address  
P.O. Box 701440  
Tulsa, OK 74170  
Fax: (918)744-0584

**COMPUTATION OF UNIFORM PRICE  
JANUARY 1994**

		POUNDS	PRICE AT 3.5%	VALUE
GROSS CLASS I UTILIZATION		140,643,670		
LESS - OTHER SOURCE		6,655		
LESS - OPENING INVENTORY		6,496,279		
LESS - OVERAGE				
CLASS I PRODUCER MILK	41.42%	134,140,736	\$15.52	\$20,818,642.24
GROSS CLASS II UTILIZATION		46,370,715		
LESS - OTHER SOURCE		5,119,513		
LESS - OPENING INVENTORY		518,588		
LESS - OVERAGE				
CLASS II PRODUCER MILK	12.58%	40,732,614	\$13.25	\$5,397,071.38
GROSS CLASS III UTILIZATION		136,794,562		
LESS - OTHER SOURCE		14,931,054		
LESS - OPENING INVENTORY		9,797,458		
LESS - OVERAGE		10,460		
CLASS III PRODUCER MILK	34.60%	112,055,590	\$12.41	\$13,906,098.71
GROSS CLASS III-A UTILIZATION		45,601,056		
LESS - OTHER SOURCE		8,643,311		
LESS - OPENING INVENTORY				
LESS - OVERAGE				
CLASS III-A PRODUCER MILK	11.41%	36,957,745	\$10.22	\$3,777,081.53
COMBINED VALUES OF ALL HANDLERS		323,886,685		\$43,898,893.86
ADD - VALUE OF OVERAGE				1,362.51
LESS - VALUE IN TRANSIT INVENTORY				684.01
ADD - RECLASSIFICATION CHARGE				
ADD - VALUE NONFMP RECLASSIFIED				
ADD - VALUE APPLICABLE OTHER SOURCE				
TOTAL CLASSIFIED POUNDS & OVERALL VALUE		323,886,685		\$43,899,572.36
ADD - LOCATION ADJ. DIFF CL I & PROD				823,803.60
ADD - 1/2 PRODUCER SETTLEMENT FUND				129,334.98
TOTAL POUNDS OF MILK POOLED AND VALUE		323,886,685	\$13.848273	\$44,852,710.94
LESS - PRODUCER SETTLEMENT FUND RESERVE			0.048273	156,348.42
UNIFORM BLEND PRICE 3.5% - ZONE I			\$13.80	\$44,696,362.52
TOTAL POUNDS OF BUTTERFAT IN MILK POOLED		12,152,143		
AVERAGE BUTTERFAT PERCENTAGE		3.75%		
PRODUCER BUTTERFAT DIFFERENTIAL		\$0.052		

**UNIFORM PRICES @ 3.5 %  
INCLUDING ZONE PRICE ADJUSTMENTS**

ZONE I	\$13.80	(Oklahoma City, Norman, Chandler, Tuttle, OK, Fort Smith, AR)
ZONE II	\$14.03	
ZONE III	\$13.62	(Tulsa, Enid, OK)
ZONE IV	\$13.33	(Wichita, Hutchinson, KS)
ZONE V	\$13.53	
ZONE VI	\$13.58	(Bentonville, Fayetteville, Siloam Springs, AR)
ZONE VII	\$13.22	(Springfield, Lebanon, MO)

MARKET ADMINISTRATOR'S ESTIMATE OF PRODUCER MILK UTILIZED IN CLASS II & III:

SKIM MILK

59.00%

BUTTERFAT

76.00%

DONALD R. NICHOLSON  
MARKET ADMINISTRATOR

4-3

# SOUTHWEST PLAINS MARKETING AREA - FEDERAL ORDER NO. 106 HANDLERS

## Handlers whose Reports were Included in the Minimum Price Computation for January 1994

1. Associated Milk Producers, Inc.	2/ 3/	Arlington, Texas
2. Associated Milk Producers, Inc.	1/	Hillsboro, Kansas
3. Associated Milk Producers, Inc.	1/	Tulsa, Oklahoma
4. Associated Milk Producers, Inc.	1/	Oklahoma City, Oklahoma
5. Borden, Inc.		Oklahoma City, Oklahoma
6. Braum, W.H., Inc.		Tuttle, Oklahoma
7. College of the Ozarks		Point Lookout, Missouri
8. Farm Fresh, Inc.		Chandler, Oklahoma
9. Gilt Edge Farms, Inc.		Norman, Oklahoma
10. Hiland Dairy Company		Fayetteville, Arkansas
11. Hiland Dairy Company		Fort Smith, Arkansas
12. Hiland Dairy Company		Springfield, Missouri
13. Jackson Ice Cream Company, Inc.		Hutchinson, Kansas
14. Kraft General Foods, Inc.	1/	Bentonville, Arkansas
15. Meadow Gold Dairy, Inc.		Tulsa, Oklahoma
16. Mid-America Dairymen, Inc.	1/	Cabool, Missouri
17. Mid-America Dairymen, Inc.	1/	Lebanon, Missouri
18. Mid-America Dairymen, Inc.	1/ 3/	Springfield, Missouri
19. Southern Milk Sales, Inc.	2/ 3/	Montgomery, Alabama
20. Steffen Dairy Foods Co., Inc.		Wichita, Kansas
1/ Handler Pursuant to Section 1106.9 (a)		
2/ Handler Pursuant to Section 1106.9 (b)		
3/ Handler Pursuant to Section 1106.9 (c)		

## Producer-Handlers Distributing Milk in the Southwest Plains Marketing Area

1. Nature's Best Dairy	El Reno, Oklahoma
2. Schicke Farms Dairy	Independence, Kansas
3. Swan Brothers Dairy	Claremore, Oklahoma

## Partially-Regulated Handlers Distributing Milk in the Southwest Plains Marketing Area

1. Kohler Mix Specialty, Inc.	White Bear Lake, Minnesota
2. Ryan Milk Company	Murray, Kentucky
3. Specialty Foods	Sulphur Springs, Texas

CLASS PRICES, MINIMUM PRICE PER HUNDREDWEIGHT AT  
3.5 % BUTTERFAT AND BUTTERFAT DIFFERENTIALS  
SOUTHWEST PLAINS MARKETING AREA  
FEDERAL ORDER NO. 106  
1990 - 1993

CLASS I PRICE PER CWT 1/	CLASS II PRICE PER CWT	CLASS III PRICE PER CWT	CLASS III A PRICE PER CWT	UNIFORM BLEND PRICE 1/	BUTTERFAT DIFFERENTIAL
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1990

JANUARY	\$17.46	\$15.43	\$13.94	\$15.98	\$0.127
FEBRUARY	\$17.70	\$14.22	\$12.22	\$15.36	\$0.124
MARCH	\$16.71	\$11.80	\$12.02	\$14.21	\$0.124
APRIL	\$14.99	\$12.42	\$12.32	\$13.59	\$0.123
MAY	\$14.79	\$13.18	\$12.78	\$13.86	\$0.114
JUNE	\$15.09	\$13.16	\$13.28	\$14.20	\$0.113
JULY	\$15.55	\$13.51	\$13.43	\$14.51	\$0.115
AUGUST	\$16.05	\$13.77	\$13.09	\$14.74	\$0.114
SEPTEMBER	\$16.20	\$13.73	\$12.50	\$14.71	\$0.114
OCTOBER	\$15.86	\$12.61	\$10.48	\$13.36	\$0.114
NOVEMBER	\$15.27	\$11.28	\$10.25	\$12.66	\$0.114
DECEMBER	\$13.25	\$8.77	\$10.19	\$11.44	\$0.105
AVERAGES	\$15.74	\$12.82	\$12.21	\$14.05	\$0.117

1991

JANUARY	\$13.02	\$10.26	\$10.16	\$11.62	\$0.104
FEBRUARY	\$12.96	\$11.63	\$10.04	\$11.68	\$0.104
MARCH	\$12.93	\$10.12	\$10.02	\$11.35	\$0.104
APRIL	\$12.81	\$10.00	\$10.04	\$11.29	\$0.104
MAY	\$12.79	\$10.01	\$10.23	\$11.38	\$0.104
JUNE	\$12.81	\$10.16	\$10.58	\$11.56	\$0.105
JULY	\$13.00	\$11.27	\$10.99	\$12.08	\$0.105
AUGUST	\$13.35	\$11.51	\$11.50	\$12.58	\$0.103
SEPTEMBER	\$13.76	\$11.71	\$12.02	\$13.03	\$0.105
OCTOBER	\$14.27	\$12.37	\$12.50	\$13.63	\$0.108
NOVEMBER	\$14.79	\$12.96	\$12.48	\$13.83	\$0.105
DECEMBER	\$15.27	\$13.41	\$12.10	\$13.70	\$0.100
AVERAGES	\$13.48	\$11.28	\$11.06	\$12.30	\$0.104

1992

JANUARY	\$15.25	\$12.20	\$11.71	\$13.42	\$0.092
FEBRUARY	\$14.87	\$11.90	\$11.21	\$12.86	\$0.086
MARCH	\$14.48	\$11.04	\$10.98	\$12.38	\$0.086
APRIL	\$13.98	\$11.11	\$11.46	\$12.54	\$0.085
MAY	\$13.75	\$12.07	\$12.06	\$12.92	\$0.078
JUNE	\$14.23	\$13.07	\$12.46	\$13.46	\$0.071
JULY	\$14.83	\$12.41	\$12.59	\$13.68	\$0.070
AUGUST	\$15.23	\$12.62	\$12.54	\$13.93	\$0.070
SEPTEMBER	\$15.36	\$13.17	\$12.28	\$14.10	\$0.078
OCTOBER	\$15.31	\$12.51	\$12.05	\$13.86	\$0.078
NOVEMBER	\$15.05	\$11.82	\$11.84	\$13.49	\$0.076
DECEMBER	\$14.82	\$11.57	\$11.34	\$13.03	\$0.074
AVERAGES	\$14.76	\$12.12	\$11.88	\$13.31	\$0.079

1993

JANUARY	\$14.61	\$11.20	\$10.89	\$12.73	\$0.071
FEBRUARY	\$14.11	\$11.23	\$10.74	\$12.46	\$0.072
MARCH	\$13.66	\$10.78	\$11.02	\$12.30	\$0.071
APRIL	\$13.51	\$10.99	\$12.15	\$12.78	\$0.068
MAY	\$13.79	\$12.93	\$12.52	\$13.30	\$0.067
JUNE	\$14.92	\$13.78	\$12.03	\$13.46	\$0.070
JULY	\$15.29	\$12.47	\$11.42	\$13.25	\$0.068
AUGUST	\$14.80	\$11.08	\$11.17	\$12.91	\$0.069
SEPTEMBER	14.19	11.00	11.90	\$13.04	\$0.067
OCTOBER	13.94	12.34	12.46	\$13.34	\$0.066
NOVEMBER	14.67	13.24	12.75	\$13.97	\$0.064
DECEMBER	15.23	12.95	12.51	10.73 \$13.73	\$0.059
AVERAGES	14.39	12.00	11.80	10.73 \$13.11	\$0.068

1/ Subject To Location Adjustment. The Location Adjustment For Wichita, Hutchinson, KS is -.47cents.

This information provided by the Market Administrator's Office, Tulsa, Oklahoma.

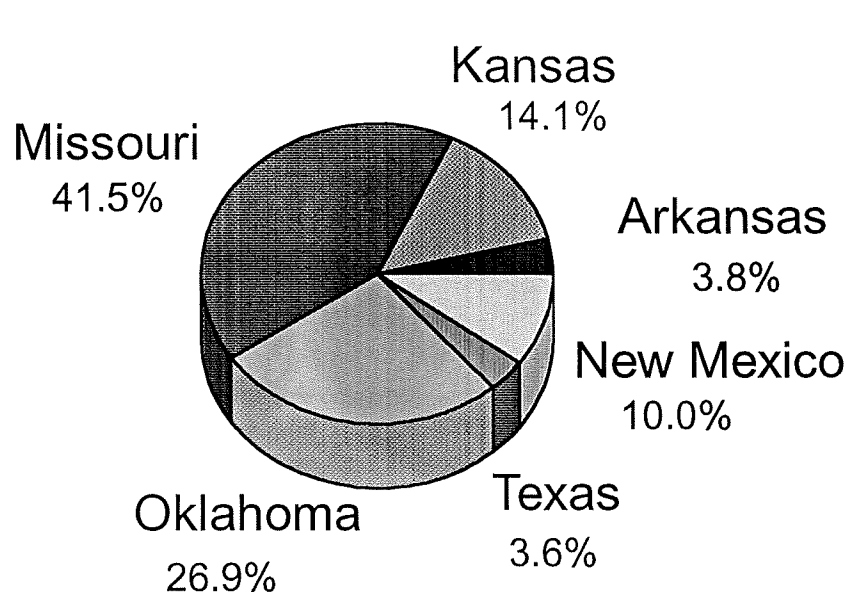
RECEIPT AND ALLOCATION OF PRODUCER MILK  
SOUTHWEST PLAINS MARKETING AREA  
FEDERAL ORDER NO. 106  
1990 - 1993

	PRODUCER RECEIPTS POUNDS	CLASS I POUNDS PERCENT	CLASS II POUNDS PERCENT	CLASS III POUNDS PERCENT
<u>1990</u>				
JANUARY	286,084,259	131,026,812 45.80%	34,026,965 11.89%	121,030,482 42.31%
FEBRUARY	245,726,478	114,844,308 46.74%	37,762,875 15.37%	93,119,295 37.90%
MARCH	313,972,201	130,549,416 41.58%	42,859,032 13.65%	140,563,753 44.77%
APRIL	315,198,344	121,422,200 38.52%	42,686,521 13.54%	151,089,623 47.93%
MAY	322,159,830	125,020,412 38.81%	47,391,705 14.71%	149,747,713 46.48%
JUNE	296,886,560	116,222,164 39.15%	48,528,161 16.35%	132,136,235 44.51%
JULY	295,512,655	116,944,832 39.57%	48,345,138 16.36%	130,222,685 44.07%
AUGUST	291,747,231	129,347,440 44.34%	45,631,429 15.64%	116,768,362 40.02%
SEPTEMBER	294,156,090	141,129,924 47.98%	51,711,996 17.58%	101,314,170 34.44%
OCTOBER	319,158,123	135,604,131 42.49%	51,725,133 16.21%	131,828,859 41.31%
NOVEMBER	319,532,298	127,218,080 39.81%	46,021,896 14.40%	146,292,322 45.78%
DECEMBER	338,766,062	128,462,133 37.92%	44,290,298 13.07%	166,013,631 49.01%
TOTALS	3,638,900,131	1,517,791,852 41.71%	540,981,149 14.87%	1,580,127,130 43.42%
<u>1991</u>				
JANUARY	331,469,216	138,746,060 41.86%	46,179,673 13.93%	146,543,483 44.21%
FEBRUARY	304,356,019	118,792,190 39.03%	45,100,661 14.82%	140,463,168 46.15%
MARCH	354,482,565	128,270,909 36.19%	55,446,671 15.64%	170,764,985 48.17%
APRIL	356,995,783	125,283,189 35.09%	49,758,323 13.94%	181,954,271 50.97%
MAY	353,106,915	123,312,854 34.92%	56,171,216 15.91%	173,622,845 49.17%
JUNE	322,950,350	111,035,162 34.38%	59,776,345 18.51%	152,138,843 47.11%
JULY	312,645,430	122,519,002 39.19%	64,151,268 20.52%	125,975,160 40.29%
AUGUST	294,415,743	133,189,072 45.24%	57,034,132 19.37%	104,192,539 35.39%
SEPTEMBER	281,346,362	136,628,024 48.56%	48,488,367 17.23%	96,229,971 34.20%
OCTOBER	300,837,862	136,441,356 45.35%	46,276,336 15.38%	118,120,170 39.26%
NOVEMBER	289,989,730	131,218,088 45.25%	40,312,396 13.90%	118,459,246 40.85%
DECEMBER	322,708,281	119,293,901 36.97%	38,630,947 11.97%	164,783,433 51.06%
TOTALS	3,825,304,256	1,524,729,807 39.86%	607,326,335 15.88%	1,693,248,114 44.26%
<u>1992</u>				
JANUARY	336,681,035	131,925,055 39.18%	41,499,240 12.33%	163,256,740 48.49%
FEBRUARY	336,849,971	119,662,654 35.52%	42,807,014 12.71%	174,380,303 51.77%
MARCH	390,186,256	123,357,299 31.61%	52,888,906 13.55%	213,940,051 54.83%
APRIL	379,824,815	123,892,010 32.62%	49,593,110 13.06%	206,339,695 54.32%
MAY	355,911,908	121,961,460 34.27%	48,245,221 13.56%	185,705,227 52.18%
JUNE	324,234,904	116,947,503 36.07%	46,245,863 14.26%	161,041,538 49.67%
JULY	319,753,508	122,762,086 38.39%	45,906,325 14.36%	151,085,097 47.25%
AUGUST	311,893,340	131,807,559 42.26%	45,611,508 14.62%	134,474,273 43.12%
SEPTEMBER	290,998,841	142,175,845 48.86%	44,979,113 15.46%	103,843,883 35.69%
OCTOBER	300,949,430	139,369,765 46.31%	42,314,545 14.06%	119,265,120 39.63%
NOVEMBER	292,138,930	128,495,766 43.98%	37,732,856 12.92%	125,910,308 43.10%
DECEMBER	314,623,472	126,980,499 40.36%	36,341,200 11.55%	151,301,773 48.09%
TOTALS	3,954,046,410	1,529,337,501 38.68%	534,164,901 13.51%	1,890,544,008 47.81%
<u>1993</u>				
JANUARY	322,154,750	134,515,778 41.76%	36,757,726 11.41%	150,881,246 46.84%
FEBRUARY	293,774,787	120,765,952 41.11%	42,112,063 14.33%	130,896,772 44.56%
MARCH	334,053,017	132,130,859 39.55%	47,178,824 14.12%	154,743,334 46.32%
APRIL	347,798,369	126,390,183 36.34%	44,445,643 12.78%	176,962,543 50.88%
MAY	363,074,083	122,864,253 33.84%	44,806,857 12.34%	195,402,973 53.82%
JUNE	351,702,780	109,935,478 31.26%	43,799,597 12.45%	197,967,705 56.29%
JULY	349,982,066	126,765,648 36.22%	42,829,306 12.24%	180,387,112 51.54%
AUGUST	314,957,972	129,156,713 41.01%	56,922,312 18.07%	128,878,947 40.92%
SEPTEMBER	294,128,026	133,903,947 45.53%	48,522,998 16.50%	111,701,081 37.98%
OCTOBER	304,208,806	131,952,821 43.38%	47,169,144 15.51%	125,086,841 41.12%
NOVEMBER	288,529,415	134,123,139 46.49%	42,305,798 14.66%	112,100,478 38.85%
DECEMBER	305,648,659	123,451,169 40.39%	41,976,631 13.73%	140,220,859 45.88%
TOTALS	3,870,012,730	1,525,955,940 39.43%	358,852,328 13.92%	1,316,120,632 46.65%

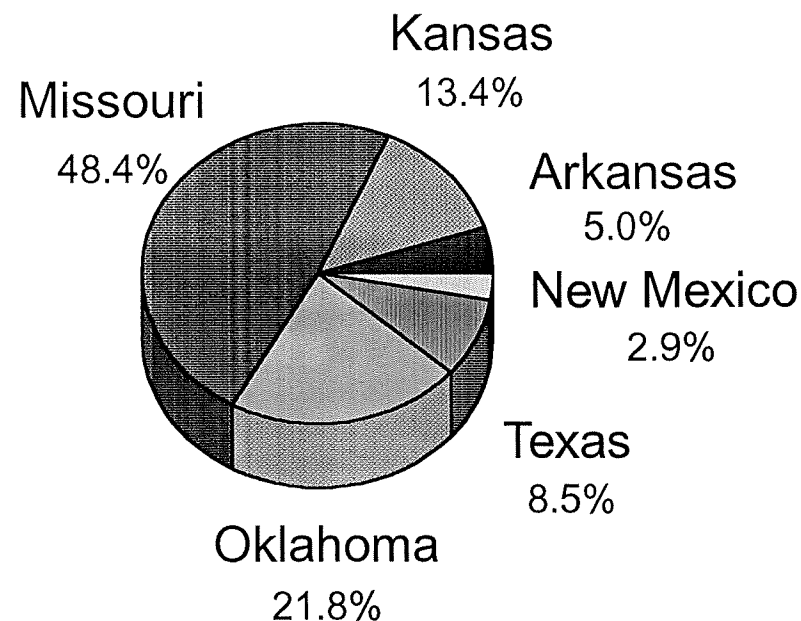
This information provided by the Market Administrator's Office, Tulsa, Oklahoma.

# SOUTHWEST PLAINS MARKETING AREA F.O. 106

NUMBER OF PRODUCERS AND POUNDS OF MILK  
BY STATE OF ORIGIN, FOR 1993



POUNDS OF MILK \*



NUMBER OF PRODUCERS \*

\* The state of Colorado represents less than .1 percent of pounds of total milk and number of producers in F. O. No. 106

SOURCE: MARKET ADMINISTRATOR'S RECORDS

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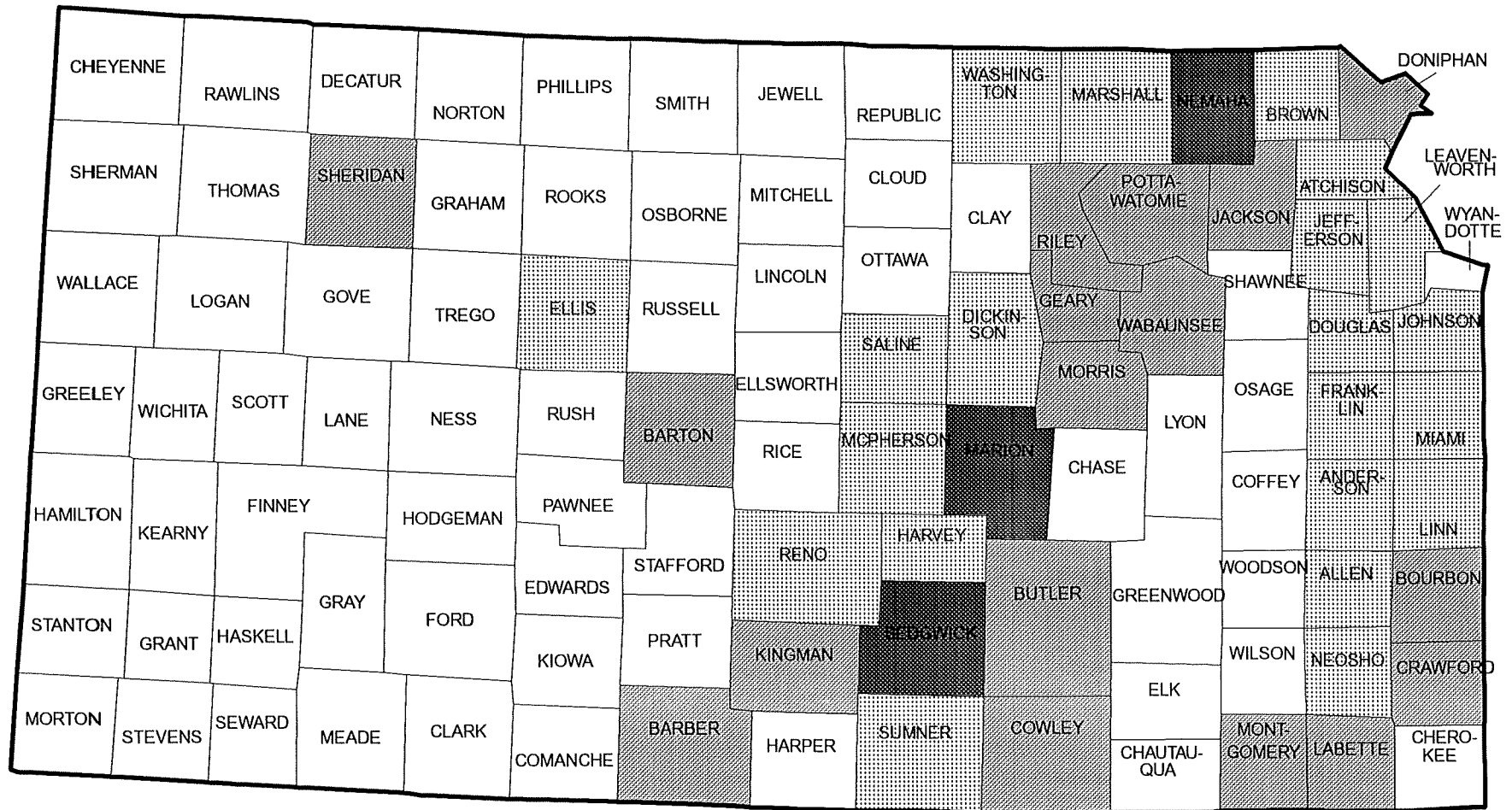
# Kansas Grade A Producers By County As Of January 1, 1994

CHEYENNE	3 RAWLINS	DECATUR 1	3 NORTON	PHILLIPS 3	SMITH 5	JEWELL 5	7 REPUBLIC	WASHINGTON 19	MARSHALL 23	NEMAH 72	15 BROWN	DONIPHAN 6	LEAVEN- WORTH	WYAN- DOTTE
SHERMAN 1	THOMAS 1	SHERIDAN 3	1 GRAHAM	ROOKS 6	5 OSBORNE	MITCHELL 5	CLOUD 3	CLAY 7	6 RILEY	POTTA- WATOMIE 16	16 JACKSON	19 ATCHISON	JEFF- ERSON 21	34
WALLACE	LOGAN	GOVE 4	TREGO 7	ELLIS 16	RUSSELL 7	LINCOLN 6	OTTAWA 2	DICKIN- SON 13	GEARY 7	8 WABAUNSEE	SHAWNEE 6	DOUGLAS 22	JOHNSON 12	1
GREELEY	WICHITA	SCOTT	LANE	NESS 3	RUSH 2	4 BARTON	1 ELLSWORTH	SALINE 12	MORRIS 17	LYON 6	OSAGE 5	FRANK- LIN 36	MIAMI 17	
HAMILTON	KEARNY	FINNEY 1		HODGEMAN 4	PAWNEE 2		RICE 5	MCPHERSON 34	MARION 48	CHASE 4	COFFEY 1	ANDER- SON 16	LINN 14	
STANTON	GRANT	HASKELL 1	GRAY	FORD 2	EDWARDS 2	STAFFORD	RENO 47	HARVEY 15	BUTLER	GREENWOOD 7	WOODSON	ALLEN 24	BOURBON 11	
MORTON	STEVENS	SEWARD	1 MEADE	CLARK	KIOWA 1	PRATT 1	KINGMAN 8	SEDGWICK 69	9 BUTLER	ELK 2	WILSON 4	NEOSHO 21	CRAWFORD 5	
					3 COMANCHE	BARBER 6	HARPER 2	SUMNER 13	COWLEY 10	CHAUTAU- QUA 2	MONT- GOMERY 11	LABETTE 13	CHERO- KEE 3	

Source: Kansas State Board Of Agriculture  
Division Of Inspections - Dairy

# Kansas Grade A Milk Marketings

## December 1993



PRODUCTION CONCENTRATION



5 - 10 MIL POUNDS



1 - 5 MIL POUNDS



500 THOUS - 1 MIL POUNDS

Source: Market Administrator Reports

SUMMARY OF GRADE A PRODUCTION AND PRODUCER NUMBERS, BY COUNTY, FOR THE YEAR 1993  
IN THOUSANDS OF POUNDS - COUNTIES WITH LESS THAN 3 PRODUCERS ARE GROUPED AS OTHER

KANSAS		...JANUARY...	...	FEBRUARY..	....	MARCH....	....	APRIL....	.....	MAY.....	.....	JUNE.....	.....	JULY.....	....	AUGUST...	...	SEPTEMBER..	...	OCTOBER..	...	NOVEMBER..	...	DECEMBER...	...										
ALLEN	27	2,482		26	2,309		26	2,529		26	2,414		25	2,472		25	2,260		25	2,163		24	1,951		24	1,902		23	1,974		23	1,886		23	2,005
ANDERSON	16	1,313		16	1,146		16	1,308		16	1,303		17	1,456		17	1,338		17	1,266		17	1,214		16	1,230		16	1,279		16	1,242		16	1,337
ATCHISON	20	1,397		20	1,244		20	1,333		20	1,301		20	1,414		20	1,315		19	1,289		19	1,206		19	1,124		19	1,177		19	1,163		19	1,293
BARBER	6	985		6	852		6	921		6	904		6	943		6	912		6	948		6	924		6	897		6	881		6	893		6	979
BARTON	4	686		4	622		4	616		3	583		3	586		4	622		4	635		4	624		4	665		4	765		4	602		4	753
BOURBON	13	819		12	693		12	756		12	767		13	899		13	844		13	835		13	834		13	850		13	820		12	783		12	766
BROWN	18	1,758		18	1,554		18	1,726		18	1,708		18	1,744		17	1,652		17	1,650		17	1,454		16	1,354		16	1,446		16	1,362		15	1,365
BUTLER	10	756		10	665		10	750		10	702		9	701		9	635		10	639		10	628		11	615		10	726		10	757		9	831
CHASE	4	232		4	216		4	221		4	215		4	253		4	232		4	226		4	228		4	220		4	231		4	229		4	248
CHEROKEE	3	131		3	122		3	129		3	126		3	134		3	114		3	114		3	129		3	119		3	114		3	114		3	126
CLAY	9	599		9	537		8	549		8	527		8	497		8	479		8	504		8	435		7	411		7	448		7	428		7	450
CLOUD	5	265		5	248		5	268		5	246		5	279		5	269		5	288		5	273		5	234		5	166		4	120		3	122
COMANCHE	3	249		3	227		3	260		3	249		3	241		3	244		3	257		3	219		3	218		3	243		3	252		3	266
COWLEY	10	808		10	744		10	818		10	780		10	786		10	726		9	742		10	697		10	699		10	719		10	698		10	719
CRAWFORD	6	747		6	653		6	681		6	686		6	756		6	702		6	654		6	664		6	608		5	583		5	582		5	616
DICKINSON	15	1,804		15	1,641		15	1,830		15	1,744		14	1,704		14	1,537		14	1,511		14	1,351		14	1,338		14	1,353		13	1,314		13	1,460
DONIPHAN	6	658		6	552		6	608		6	628		6	713		6	660		6	634		6	642		6	585		6	608		6	639		6	665
DOUGLAS	24	2,298		24	2,051		24	2,296		24	2,282		24	2,297		24	2,041		24	1,836		22	1,694		22	1,672		21	1,774		22	1,810		21	1,895
ELLIS	20	1,362		20	1,219		20	1,287		19	1,171		19	1,232		18	1,160		18	1,208		18	1,130		17	1,063		17	1,115		17	1,102		17	1,136
FRANKLIN	35	3,256		37	2,867		36	3,120		37	3,196		38	3,220		37	2,928		36	2,768		33	2,509		36	2,411		36	2,553		36	2,672		37	2,963
GEARY	8	1,046		8	956		8	1,100		8	1,072		8	1,077		8	938		8	893		8	832		8	851		8	884		8	825		7	884
GOVE	6	550		6	477		6	524		6	492		5	544		5	512		5	537		5	509		5	507		4	411		4	386		4	401
GREENWOOD	8	1,002		8	911		8	983		8	946		8	913		8	746		7	764		7	718		7	710		6	328		6	319		6	372
HARVEY	17	1,589		17	1,415		17	1,595		16	1,506		16	1,516		15	1,362		15	1,355		15	1,322		15	1,367		15	1,370		15	1,369		15	1,502
HODGEMAN	4	485		4	414		4	402		4	436		4	490		4	465		4	460		4	498		4	442		4	432		4	432		4	479
JACKSON	19	989		19	904		17	964		17	926		17	1,026		17	954		17	988		17	928		16	927		16	946		16	874		16	914
JEFFERSON	21	1,740		21	1,546		21	1,707		21	1,683		20	1,786		20	1,637		21	1,714		21	1,661		21	1,652		21	1,656		21	1,521		21	1,625
JEWELL	5	403		5	350		5	387		5	376		5	421		5	411		5	422		5	361		5	347		5	351		5	324		5	356
JOHNSON	11	1,088		11	971		11	1,093		12	1,111		12	1,113		12	1,072		12	1,119		12	1,027		12	1,010		13	1,413		13	1,374		13	1,443
KINGMAN	11	1,102		11	970		11	1,084		10	1,025		9	1,024		9	961		9	1,012		9	909		9	891		9	867		9	781		9	780
LABETTE	14	1,101		14	1,026		14	1,120		14	1,108		14	1,110		14	1,004		14	968		13	893		13	874		13	917		13	882		13	954
LEAVENWORTH	37	4,350		36	3,908		36	4,389		35	4,315		35	4,354		35	4,062		35	3,870		34	3,543		34	3,402		34	3,556		34	3,632		34	4,000
LINCOLN	6	454		6	403		6	449		6	416		6	396		6	367		6	355		6	308		6	320		6	369		6	365		6	421
LINN	16	1,303		15	1,193		15	1,315		15	1,332		15	1,384		15	1,287		15	1,263		15	1,169		15	1,158		16	1,236		16	1,212		16	1,309
LYON	6	445		7	403		6	459		7	488		7	563		6	524		6	535		6	486		6	539		6	550		6	516		6	489
MCPHERSON	37	3,418		36	3,051		36	3,296		35	3,225		34	3,296		35	2,945		34	2,821		34	2,765		35	2,799		34	2,831		33	2,740		33	2,971
MARION	53	5,528		53	4,923		53	5,410		51	5,203		51	5,251		52	5,036		52	5,026		50	4,720		49	4,718		49	4,960		49	4,766		49	5,016
MARSHALL	25	2,092		25	1,861		25	2,070		24	1,977		24	2,085		24	1,960		24	1,897		24	1,857		24	1,822		24	1,904		24	1,887		24	1,995
MIAMI	15	1,255		15	1,162		15	1,276		15	1,221		15	1,291		15	1,193		14	1,126		14	1,043		13	935		14	939		15	1,013		14	1,072
MITCHELL	4	313		4	273		4	284		4	289		4	329		4	311		4	258		4	127		4	230		4	231		4	240		4	237
MONTGOMERY	13	887		13	834		13	913		13	915		13	950		13	853		13	842		13	832		13	831		12	790		12	773		12	814
MORRIS	19	1,114		19	1,020		19	1,131		18	1,114		18	1,173		18	1,083		17	1,056		17	983		17	950		17	923		17	857		16	

SUMMARY OF GRADE A PRODUCTION AND PRODUCER NUMBERS, BY COUNTY, FOR THE YEAR 1993  
 IN THOUSANDS OF POUNDS - COUNTIES WITH LESS THAN 3 PRODUCERS ARE GROUPED AS OTHER

KANSAS	..JANUARY...		..FEBRUARY..		....MARCH...		....APRIL...		.....MAY.....		.....JUNE.....		.....JULY.....		...AUGUST...		..SEPTEMBER.		...OCTOBER...		...NOVEMBER...		...DECE.	
SEDGWICK	69	8,466	69	7,539	69	8,146	69	7,925	69	7,995	69	7,447	69	7,751	69	7,477	68	7,492	68	7,616	68	7,492	68	7,988
SHAWNEE	6	378	6	348	6	363	6	373	6	405	6	374	6	357	6	353	6	349	6	351	6	352	6	363
SHERIDAN	3	794	3	693	3	752	3	719	4	766	4	749	4	743	4	706	4	668	4	649	4	640	4	701
SMITH	6	538	6	494	6	478	6	475	7	547	7	541	7	525	7	514	7	423	6	365	6	366	6	400
SUMNER	13	1,402	13	1,212	13	1,287	13	1,229	13	1,330	13	1,206	13	1,218	13	1,195	13	1,196	13	1,235	13	1,230	13	1,329
TREGO	9	570	9	438	8	458	8	445	7	487	7	448	7	435	6	404	6	373	6	367	6	375	6	394
WABAUNSEE	9	699	9	614	9	667	9	642	9	680	8	557	8	515	8	490	8	454	8	442	8	464	8	526
WASHINGTON	20	2,115	20	1,915	20	2,094	20	1,873	20	1,974	20	1,910	20	1,845	19	1,831	19	1,782	19	1,682	19	1,671	19	1,930
WILSON	4	226	4	209	4	220	4	213	4	249	4	204	4	216	4	181	4	163	4	162	4	156	4	169
OTHER	33	2,642	32	2,342	33	2,539	32	2,461	31	2,517	30	2,358	30	2,264	28	2,089	28	1,946	28	1,921	26	1,822	26	1,903
TOTAL	1015	91,490	1012	81,736	1005	89,399	996	87,395	990	90,505	986	83,874	979	82,957	966	78,393	962	76,826	953	78,483	947	76,840	941	82,476

4-12

**SUMMARY OF KANSAS GRADE A PRODUCTION  
MONTHLY 1987-1993 AND COMPARISONS**

	1987		1988		87-88	1989		88-89	1990		89-90	1991		90-91
	NO. FARMS	POUNDS	NO. FARMS	POUNDS	INC/DEC PERCENT	NO. FARMS	POUNDS	INC/DEC PERCENT	NO. FARMS	POUNDS	INC/DEC PERCENT	NO. FARMS	POUNDS	INC/DEC PERCENT
JANUARY	1,200	90,464,329	1,142	91,826,922	1.51%	1,131	99,226,378	8.06%	1,101	97,006,887	-2.24%	1,114	98,219,465	1.25%
FEBRUARY	1,201	82,506,712	1,143	86,145,754	4.41%	1,130	88,605,303	2.86%	1,102	88,006,627	-0.68%	1,111	89,429,847	1.62%
MARCH	1,203	92,497,449	1,144	93,774,213	1.38%	1,124	98,930,319	5.50%	1,102	97,691,522	-1.25%	1,108	100,558,089	2.93%
APRIL	1,196	92,262,072	1,137	93,505,174	1.35%	1,123	98,701,075	5.56%	1,095	97,157,544	-1.56%	1,100	98,619,972	1.51%
MAY	1,193	97,197,581	1,136	99,062,341	1.92%	1,122	102,423,645	3.39%	1,096	100,680,810	-1.70%	1,099	100,375,161	-0.30%
JUNE	1,189	91,187,634	1,137	92,294,200	1.21%	1,119	93,065,120	0.84%	1,096	90,603,212	-2.65%	1,098	89,888,895	-0.79%
JULY	1,182	94,106,999	1,130	95,409,780	1.38%	1,114	91,238,143	-4.37%	1,094	92,394,468	1.27%	1,095	90,465,042	-2.09%
AUGUST	1,168	89,687,650	1,124	90,469,637	0.87%	1,103	91,499,561	1.14%	1,101	91,902,488	0.44%	1,089	91,190,235	-0.78%
SEPTEMBER	1,145	86,478,413	1,135	90,086,365	4.17%	1,100	86,874,732	-3.57%	1,104	87,912,751	1.19%	1,089	87,850,690	-0.07%
OCTOBER	1,148	89,797,062	1,127	93,200,676	3.79%	1,098	91,409,619	-1.92%	1,102	93,792,913	2.61%	1,083	92,825,439	-1.03%
NOVEMBER	1,142	88,949,925	1,125	90,974,029	2.28%	1,094	91,288,108	0.35%	1,110	94,184,092	3.17%	1,076	90,102,265	-4.33%
DECEMBER	1,145	92,468,242	1,125	96,719,993	4.60%	1,095	95,710,646	-1.04%	1,113	100,097,603	4.58%	1,068	97,341,655	-2.75%
TOTAL		1,087,604,068		1,113,469,084	2.38%		1,128,972,649	1.39%		1,131,430,917	0.22%		1,126,866,755	-0.40%

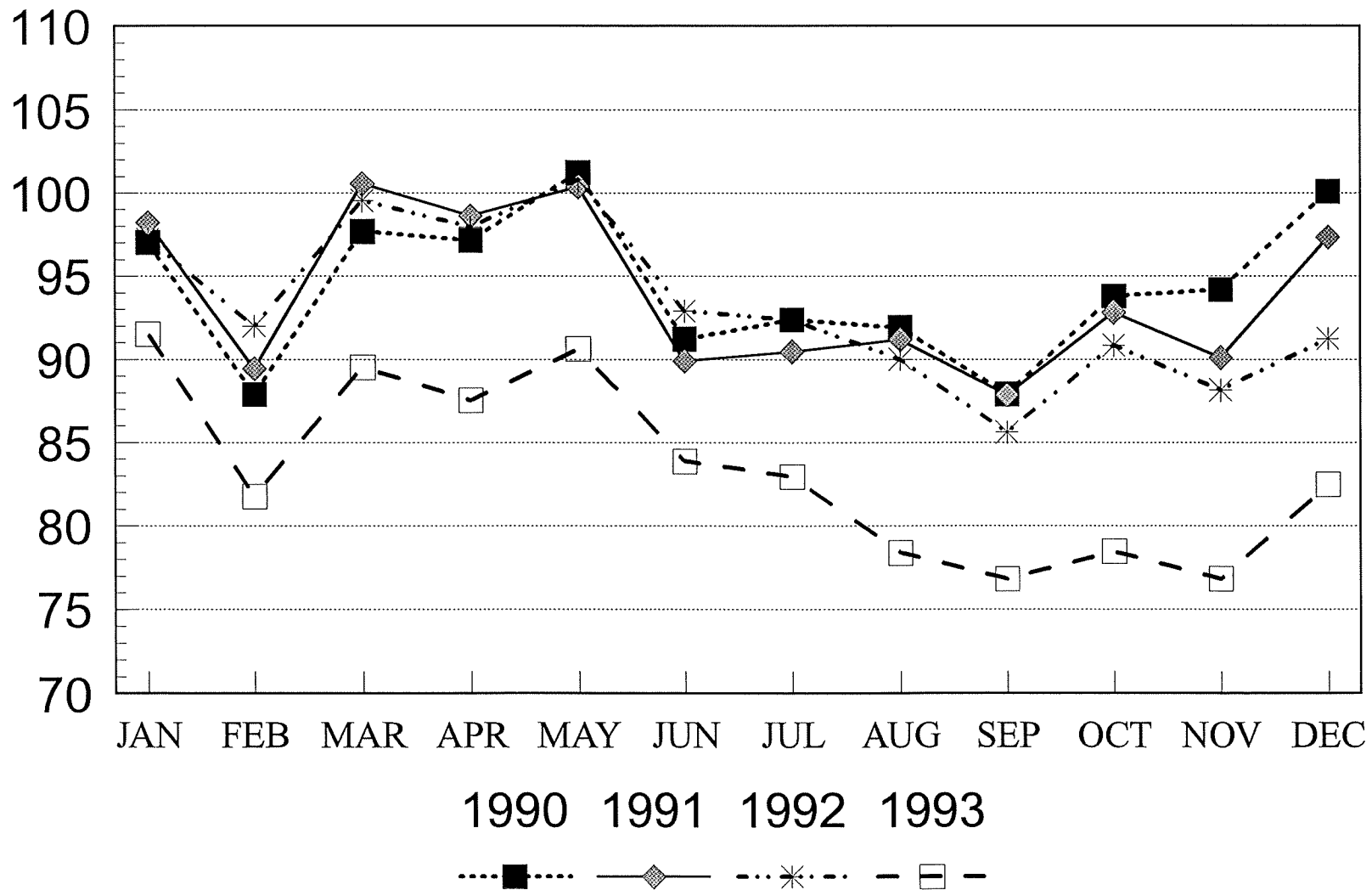
	1992		91-92	1993		87-93	88-93	89-93	90-93	91-93	92-93
	NO. FARMS	POUNDS	INC/DEC PERCENT	NO. FARMS	POUNDS	INC/DEC PERCENT	INC/DEC PERCENT	INC/DEC PERCENT	INC/DEC PERCENT	INC/DEC PERCENT	INC/DEC PERCENT
JANUARY	1,066	97,234,482	-1.00%	1,016	91,530,842	1.18%	-0.32%	-7.76%	-5.65%	-6.81%	-5.87%
FEBRUARY	1,064	92,009,788	2.88%	1,013	81,776,446	-0.89%	-5.07%	-7.71%	-7.08%	-8.56%	-11.12%
MARCH	1,065	99,541,539	-1.01%	1,006	89,510,405	-3.23%	-4.55%	-9.52%	-8.37%	-10.99%	-10.08%
APRIL	1,058	97,956,393	-0.67%	997	87,532,039	-5.13%	-6.39%	-11.32%	-9.91%	-11.24%	-10.64%
MAY	1,050	100,774,718	0.40%	991	90,617,723	-6.77%	-8.52%	-11.53%	-10.00%	-9.72%	-10.08%
JUNE	1,047	92,912,757	3.36%	986	83,874,162	-8.02%	-9.12%	-9.88%	-7.43%	-6.69%	-9.73%
JULY	1,040	92,389,301	2.13%	979	82,957,428	-11.85%	-13.05%	-9.08%	-10.21%	-8.30%	-10.21%
AUGUST	1,036	90,008,170	-1.30%	966	78,393,042	-12.59%	-13.35%	-14.32%	-14.70%	-14.03%	-12.90%
SEPTEMBER	1,038	85,618,355	-2.54%	962	76,825,600	-11.16%	-14.72%	-11.57%	-12.61%	-12.55%	-10.27%
OCTOBER	1,034	90,847,599	-2.13%	953	78,483,018	-12.60%	-15.79%	-14.14%	-16.32%	-15.45%	-13.61%
NOVEMBER	1,028	88,153,949	-2.16%	947	76,839,627	-13.61%	-15.54%	-15.83%	-18.42%	-14.72%	-12.83%
DECEMBER	1,020	91,246,738	-6.26%	941	82,476,150	-10.81%	-14.73%	-13.83%	-17.60%	-15.27%	-9.61%
TOTAL		1,118,693,789	-0.73%		1,000,816,482	-7.98%	-10.12%	-11.35%	-11.54%	-11.19%	-10.54%

This information provided by the Market Administrator's Office, Tulsa, Oklahoma.

# KANSAS GRADE A MILK MARKETINGS

1990 THROUGH DECEMBER 1993

MILLIONS



4-14



**KANSAS HOUSE AGRICULTURE COMMITTEE HEARING  
FEBRUARY 16, 1994  
HOUSE BILL NO. 3012  
STATEMENT IN OPPOSITION - PRAIRIE FARMS DAIRY, INC.**

Mr. Chairman and House Agriculture Committee member. Thank you for allowing me time to appear before your committee to oppose House Bill 3012.

My name is Donald L. Kullmann. I am employed by for Prairie Farms Dairy, Inc., whose corporate offices are in Carlinville, Illinois. Prairie Farms is a dairy cooperative with producer members in several states.

We operate several dairy processing operations in Illinois, Arkansas, Nebraska, Iowa, Indiana, Missouri and Kansas. Products produced in these plants are fluid milk, ice cream, frozen novelties, cultured products, and butter.

We jointly own and are the managing partners in joint venture efforts with Mid-America Dairymen, Inc., with plants in Wichita, Kansas, Springfield, and Kansas City, Missouri, two plants in Arkansas, two in Nebraska and two in Iowa.

Since Prairie Farms Dairy is also a milk cooperative, we are also deeply concerned for the welfare of all dairy farmers. However, we do not believe that a state milk order for Kansas is the solution to the Kansas dairy farmer's problem.

At the outset, I wish to voice my disappointment that there is even a hearing today. A state order was discussed last year in the legislative halls of Kansas, and I thought was put on hold by cooperative proponents until the legal issues in other parts of the country were resolved.

HOUSE AGRICULTURE  
2-16-94  
Attachment #5

Last March 9, 1993, members of National Milk Producers including AMPI, Mid-Am and Prairie Farms Dairy met in Washington D.C. and agreed to not actively seek state order initiatives until the issue has been settled in the courts. At the time there were court battles in Minnesota and Massachusetts. The United States Supreme Court has agreed to hear this issue this summer, and we should have a decision by August 1, 1994. Until we have this decision, we are wasting everyone's time, money and effort. Needless to say, I am not a happy camper.

However, since I have come about 400 miles, spent money on a hotel room and air fare, I wish to not only offer opposition to House Bill 3012 but offer solutions to dairy industry problems in Kansas. The solution to the problems in Kansas is not creating a state order, but rather a need to get the state's dairy industry in a state of order.

I attended a dairy industry meeting on January 15, 1993, in the Kansas Board of Agriculture Board Room and was impressed with the concern shown by the state of Kansas and other interested groups for their dairy farmers.

There was concern about the decline in the number of dairy producers in the state and how could the state of Kansas retard such losses.

I know that I was not very popular with dairy farmers at the January 1993 meeting in pointing out that Kansas dairy farmers must better help themselves. We reviewed several statistics that were quite revealing such as:

1. Kansas in 1991 ranked 39th in U.S. in production per cow (12,576) - about 2,000 pounds less than U.S. average (14,897) and about 8,000 pounds less than New Mexico. (20,394) (The 1993 comparison numbers have changed very little)

2. Kansas milk production has dropped 13.0% in 17 years 1975-1992 while milk prices have increased 44%. (Production has dropped 23.0% in 18 years 1975-1993.)
3. Out of 105 Kansas counties, over 50% of the counties have five or less dairy farms with 14 counties not having one dairy producer.
4. Milk cows per Kansas dairy farm average only about 45 head.

With the above statistics, it is quite obvious that Kansas dairy producers on the average are not committed to dairy production. Profitable dairy operations need 70-100 cow herds with a yearly production per cow average of 17,000 plus pounds to compete in today's world. I am sure that there are some good efficient dairy producers in Kansas, but it appears that the majority are way below average. Milk prices are not their problem or solutions, they are their own problem and solution.

The worst approach the state of Kansas can take would be to implement House Bill 3012 to make the average Kansas dairy producer even more non-competitive with their neighbors. House Bill 3012 will do exactly the opposite what is intended. Section 5(d), states, "money collected on Class I product sales in Kansas will be transferred back to producers supplying the milk for such sales." Such transfer of monies back to out-of-state producers would allow this revenue to these out-of-state producers to better compete for sales into Kansas. The Kansas dairy farmer will be left holding the bag-collecting revenue for out-of-state producers with Kansas dairy farmers receiving the crumbs.

If the state of Kansas is really serious about helping Kansas dairy producers who are really serious about staying in the dairy business, I feel that they should take the following steps:

1. Provide funds for one of the state universities to set up an education program to help dairy farmers know how to increase their dairy operations to a 70 and even up to 200 efficient cow operations with herds producing at least 18,000 pounds of milk per cow. If these bench marks cannot be reached, certain Kansas dairy farmers should be encouraged to consider some other enterprise.
2. Provide low cost loans to help the small dairy producer who has the managerial skills and motivation to move up to an adequate size herd and operation.
3. Provide a friendly regulation environment in which the dairy operation can operate.

Milk prices are the function of the market place. Dairy farmers should produce for a market not for a price. Supply-demand still equals price. Dairy farmers should spend their efforts in seeing that they are producing milk at the lowest cost possible with the proper size of operation that lends itself to such an objective. Producers should market their milk through a group that has access to the best market possible. Milk prices come from the market place --- not the state or federal government.

Regarding markets, it is quite important that the market be managed to obtain the highest Class I utilization to obtain the highest pay prices. Prairie Farms markets its



producer milk on three separate federal orders where we attempt to keep the Class I utilization at about 70%.

Many of the Kansas dairy farmers are attached to a market which carries a Class I utilization of about 43%. To show you how utilization affects pay prices, I have used the Federal Order prices for February 1994 at Wichita, Kansas, to illustrate my point:

<u>Federal Order Prices</u> <u>F.O.B. Wichita, Feb 1994</u>	<u>P.F. Util</u>	<u>Blend</u> <u>Values</u>	<u>Kansas Util</u>	<u>Blend</u> <u>Values</u>	<u>Difference</u>
Class I \$14.81	67% =	\$9.92	43% =	\$6.37	
Class II \$12.26	15% =	\$1.84	15% =	\$1.84	
Class III \$12.15 Est.	18% =	<u>\$2.19</u>	42% =	<u>\$5.10</u>	_____
		\$13.95		\$13.31	.64/cwt

Same prices but different class utilizations made a 64 cent/cwt difference - real money. For the year 1993, the average Prairie Farms Dairy producer received an average pay price of \$12.82/cwt for 3.5% milk. In addition to the pay price, the producers will receive a patronage distribution of about \$1.98/cwt. Our producers last year are not too unhappy in receiving \$14.80 per hundredweight --- even without a state order.

I understand that there are still large quantities of milk being brought into the state of Kansas from as far away as New Mexico further lowering the Class I utilization percentage and further lowering the pay prices for Kansas dairy farmers plus incurring the cost of transportation. Those who are bringing milk into Kansas are not doing the Kansas dairy farmers any favors.

House Bill 3012 also has the effect of lowering the Class I utilization for Kansas dairy farmers by increasing the cost of Class I products which in turn reduces Class I consumption and at the same time transfers some of the funds collected to out-of-state producers. What a great idea! In the best interest of profit motivated Kansas dairy farmers, we must strongly oppose the House Bill 3012.

Even if House Bill 3012 was the best idea since sliced bread, state orders should not be considered or implemented at this time. The entire issue of state orders will be considered by the U. S. Supreme Court this summer. State initiatives have cost dairy farmers and the dairy industry millions of dollars in legal battles already. Due to my limited time, I can only mention that in the past two years the states of Minnesota and Massachusetts have lived a nightmare regarding state orders. Such attempts have caused legal battles, administrative problems and inequities between various producers and processor groups. Kansas should take notice of these happenings in other states and the Kansas House Ag Committee should follow the lead of the Kansas Senate Ag Committee and vote "Do Not Pass" on House Bill 3012.

The Kansas dairy industry is definitely at a crossroad as the industry plans for the year 2,000 and beyond. The world is the market place. Kansas cannot be an island. House Bill 3012 is not the savior of the Kansas industry.

In summary I feel that for the dairy industry in Kansas to be a viable industry in the future, the following areas must be addressed:

1. Dairy producers must get bigger, get more efficient or get out.
2. Dairy coops must find better market for their members milk and find

ways to increase Class I utilization rather than discussing ways to

decrease the utilization.

5-6

3. Universities should provide the education and knowledge to help Kansas dairy farmers catch up to the world in producing milk more efficiently and at a profit or at least show them how to exit the dairy industry into another enterprise.
4. The state of Kansas should provide financial help if needed to allow producers to attain larger and more efficient operations. The state should not get in the way of expansion but should provide laws and regulations that are user friendly to the entire dairy industry.
5. The state of Kansas legislature should not set up state orders or any other artificial mechanism that would cause possible legal and financial equities between producers and processors within the state and outside the state, as well as make the Kansas dairy industry less competitive in the State, Nation, and the World.

While the state of Kansas could provide their dairy farmers a better or more friendly operating environment by changing or supporting some laws and by providing educational and financial help, the state cannot guarantee dairy farmers a profit by attempting to fix high artificial prices to processors and consumers. In the state of Kansas, it appears that many of the state's dairy farmers should look at their own dairy operations rather than look to state and federal governments to save their dairy farms.

I could go through each provision of House Bill 3012 and point out all the problems it contains. The implementation and the operations of such an order as proposed would be a costly administrative nightmare with long term cost to Kansas dairy farmers far exceeding any possible short term or long-term gains. The world is the marketplace - Kansas cannot afford to be an island. Kansas dairy farmers had better get their individual dairy farms ready for the world market NOW.

On behalf of Prairie Farms Dairy, the managing partners of Hiland and Roberts Dairy, and we feel for the good dairy farmers of Kansas, we must strongly oppose House Bill 3012 for all the reasons discussed above. Please find several attachments for your further review. I wish again to thank the House Agriculture Committee for allowing me to appear here today and for your kind attention.



# **KANSAS**

**Approximately 80,000 Milk Cows**

**Milk Production of 1.080 Billion Pounds In 1993  
0.7 Percent of Total U.S. Milk Supply**

**Milk Sale Revenues of \$149 Million**

**Milk Production Per Cow of Approximately 13,375 Pounds  
Over One Ton Less Than U.S. Average (15,580 Pounds)  
Almost Three Tons Less Than New Mexico Average (18,993 Pounds)**

**Milk Plants Regulated Under Federal Orders**

**Associated Milk Producers, Inc.  
Jackson Ice Cream Company, Inc  
Mid-America Dairymen, Inc.  
Mid-America Dairymen, Inc.  
Steffen Dairy Foods Co., Inc.**

**Hillsboro  
Huchinson  
Ellis  
Sebatha  
Wichita**

# KANSAS MILK PRODUCTION & PRICE

	<u>Milk Production</u> Million Pounds	<u>All Milk Price</u> \$/cwt @ Test
1993	1,080	\$12.41
1992	1,220	\$12.57
1991	1,230	\$11.68
1990	1,245	\$13.33
1989	1,256	\$13.27
1988	1,269	\$12.04
1987	1,261	\$12.50
1986	1,301	\$12.87
1985	1,285	\$13.49
1984	1,225	\$13.99
1983	1,382	\$13.98
1982	1,356	\$13.98
1981	1,397	\$13.97
1980	1,330	\$13.13
1979	1,330	\$12.04
1978	1,375	\$10.71
1977	1,461	\$ 9.65
1976	1,463	\$ 9.35
1975	1,403	\$ 8.72

## PERCENT CHANGE IN KANSAS MILK PRODUCTION

'93 vs '92	-11.5%
'93 vs '90	-13.3%
'93 vs '80	-18.8%
'93 vs '75	-23.0%

## PER CAPITA MILK PRODUCTION

	<u>1991</u>	<u>1992</u>
	Pounds per Person	
Kansas	493	484
United States	589	595

Approximately 90 percent of the milk produced in Kansas is Grade "A".  
Basically all of this milk is marketed under the Federal Milk Marketing Program.

# Kansas Grade A Producers By County As Of January 1, 1994

CHEYENNE	3 RAWLINS	DECATUR 1	3 NORTON	PHILLIPS 3	SMITH 5	JEWELL 5	7 REPUBLIC	WASHINGTON 19	MARSHALL 23	NEMAH 72	15 BROWN	6 DONIPHAN
SHERMAN 1	THOMAS 1	SHERIDAN 3	1 GRAHAM	ROOKS 6	5 OSBORNE	MITCHELL 5	CLOUD 3	CLAY 7	6 RILEY	POTTA- WATOMIE 16	16 JACKSON	19 ATCHISON
WALLACE	LOGAN	GOVE 4	TREGO 7	ELLIS 16	RUSSELL 7	LINCOLN 6	OTTAWA 2	DICKIN- SON 13	GEARY 7	8 WARAUNSEE	SHAWNEE 21	34 JEFFERSON
GREELEY	WICHITA	SCOTT	LANE	NESS 3	RUSH 2	BARTON 4	ELLSWORTH 1	SALINE 12	MORRIS 17	6 LYON	22 DOUGLAS	1 JOHNSON
HAMILTON	KEARNY	FINNEY 1	HODGEMAN 4	PAWNEE 2	RICE 5	MCPHERSON 34	MARION 48	CHASE 4	OSAGE 5	FRANK- LIN 36	17 MIAMI	14 ANDERSON
STANTON	GRANT	HASKELL 1	GRAY	FORD 2	KIOWA 1	PRATT 1	RENO 47	HARVEY 15	COFFEY 1	16 ALLAN	11 BOURBON	5 CRAWFORD
MORTON	STEVENS	SEWARD	1 MEADE	CLARK	3 COMANCHE	BARBER 6	HARPER 2	SUMMER 13	BUTLER 9	7 GREENWOOD	4 WILSON	21 NEOSHO
									2 COWLEY	2 CHARTAU- QUA	11 MONT- GOMERY	13 LABETTE
												3 CHERO- KEE

Source: Kansas State Board Of Agriculture  
Division Of Inspections - Dairy

STATE ORDERS - LIFE STORY  
Story Teller - Donald L. Kullmann

Once upon a time, there was this little State Order...

1. Dairy Coops and Dairy Farmers feel that the Federal Government is not giving the proper pricing.
2. Pressure is put on coops to do something locally.
3. Someone has a dream that individual states can make laws which can lead them into the promise land.
4. Various coops propose a State Order to appease their dairy farmers.
5. The dairy industry is made aware of the proposal and attempts to point out the problem of state orders:
  - a. unconstitutional,
  - b. can raise prices to consumers,
  - c. can cause lost Class I sales to state dairy farmers,
  - d. will reduce income to state dairy farmers,
  - e. administrative nightmare.
6. Coops find a sympathizing State Representative and Senator to sponsor bill--most do not understand how milk is priced and marketed.
7. Battles are fought within the legislative halls between farmers and processors.
8. If law is passed, court battles occur including injunctions.
9. After a few months dairy farmers and their coops find that the state order is not working as envisioned.
10. Coops go to the State Legislature and request that certain provisions be suspended.
11. The modified program becomes an administrative nightmare.
12. The coops go the State Legislature and request the state order be terminated.

Bottom Line!

1. Dairy farmers are worse off.
2. Many hours and dollars were expended.
3. Coops and processors were forced to be adversaries and relationships were forever tarnished.
4. No one lives happily every after.