

1999 HOUSE AGRICULTURE

HB 1147

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1147

House Agriculture Committee

Conference Committee

Hearing Date 1/15/99

Tape Number	Side A	Side B	Meter #
ONE HB 1147		x	23.0 to 50.2
TWO HB 1147	x		0.1 to 54.3
TWO HB 1147		x	0.1 to 9.4
Three HB 1147	x		15.9 to 35.6
Committee Clerk Signature <i>Arline Hanson</i>			

Minutes:

Summary of bill: relating to elimination of the milk marketing board,

Rep Leroy Bernstein: (Testimony attached) GAO says Dairy farmer gets only 31 % of the price of a gal of milk. National avge is 42%. The milk board is archaic truly a dinosaur and we have a place for dinosaurs in Dickenson.

Letter from Terry Entzminger, dairy farmer from Jamestown and former member of the Milk Marketing Board (testimony attached) In favor of eliminating the Milk Marketing Board.

Rep Jim Boehm: In favor of bill. Presently operates a dairy south of Mandan. Morton county has most dairies in State.

Sen Solberg: In favor of bill think its time to make a change. a dairyman for many years.

Dairy farmer at Towner (500 cows) put together by the Economic Development in Towner,

they now send their milk to South Dakota. Why, economic reasons, their getting more money in South Dakota then they are here otherwise they wouldn't be doing it. they run a good operation.

Sen Jerry Klien: Grocer in Fesseden. Opposed to bill. Likes idea of being able to buy milk anywhere in the state for the same price. One reason for loss of some dairymen was the dairy buy out ten years ago which reduced the dairy #'s some 20%. Feels we will lose the ability to sell milk in our small towns if they eliminate the milk marketing board.

Bruce Bair: Atty for ND Milk Marketing Board.. What he has heard from the propoents of this bill is what you call the "Wall-mart mentality" and that simply is if we can sell below cost were going to use loss leaders and we don't care what happens to any one else. We had a run of bad luck and far as this GAO study goes. We took a very close at that. and we found out that it was very, very flawed. GAO study states that the ND Dairy farmer only gets 31% of a gal of milk. We looked at it very close and come up with the figure of 42% which is about the same as the Nat average. The other place we got hit by the GAO study was on the retail price. In ND we pay the same for a gal of milk as you do for two ½gal of milk. half gal are the predominant item in ND. There are studies that show the avg price for ½ gal of milk is \$1.50 and the USDA study shows is a \$1.57 for ½ gal. If Dairy Industry is to survive they need a safty net.

Tom Woodmanse: Head of Retail Grocery Assoc..opposed to bill

Phylis Connely:Consumer member on Milk Marketing Board, opposed to bill,(Testimony attach)

Doug Docart: Pres of ND Grocer Assoc Opposed to bill

Rep Rennerfeldt: How much milk sold in ND is processed in ND.?

John Wiener: We are self sufficient in processed milk in the State of ND.

Some milk in NE North Dakota come from Minn but that raw milk comes from ND.

Rep Rennerfeldt: You still haven't answered my question.

John Weiner: Pound for pound we are self sufficient in ND.

Kenton Holly: Dairy farmer from New Salem. We don't sell a beverage we sell a food. We have an effective tool helping us stay in business which is the Milk Marketing Board. Dairy Industry provides a stable economy in our community.

Mr Paul Christ: Land O Lakes. Opposed to bill (Testimony attached.)

Rep Renner: If this milk marketing board is working so well in ND are other States trying to copy it?

Mr Christ: Minn tried to pass it in 1987 in the Senate but lost. Some states in Eastern US are trying to set up a compact to do the same thing.

Rep Renner: Are you trying to say ND is a model for other states?

Mr Christ: Land O Lakes. yes to some extent.

Rep Brusegaard: 4th point in hand-out. Rural areas might not have milk if on open market.

Mr Christ: Yes it could happen.

Jeff Beyer: Bottineau Creamery. Pride Dairy with Milk Board doing audit good check & balance. If milk board taken out of picture no one seeing that Grade A & B Dairy farmer get a fair price.

Ron Weness: Carrington, Hand out. opposed to bill.

Mike Kraft: Williston, owner and operator of large super market. Also here to represent other small stores in the Williston area and we want to be in opposition to this bill. If we disband Milk

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House Agriculture Committee
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Marketing Board big states and stores will take over at discount prices and we will lose a whole industry. At a business meeting in Atlanta, Ge, last week and he asked a grocer from there how many people in Atlanta. 4 million or so. now compare that to 650,000 in all of ND changes the complexion considerably.

1-21-99.. Committee action

Committe action on HB 1147: Some discussion held on merits of bill.

Motion by Rep Warner Second by Rep Stefeonowicz for a Do Not Pass.

Toal Yes 13 No 1 Absent 1

Rep. Warner to carry the bill on the floor.

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: HB 1147 Amendment to: _____

Requested by Legislative Council Date of Request: 1-4-99

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

Narrative: The elimination of the Milk Marketing Board would result in an immediate loss of \$2,406,149 in gross annual premium payments to this state's Grade A Dairy Farmers. This lost income would have a devastating impact on the state and the dairy industry. Using the standard multiplier affect it would have a statewide impact of 7 X \$2.4 million which equals \$16.8 million dollars lost to the North Dakota economy. The loss of dairy product sales to out-of-state creameries would result in a number of closings in the state's six

2. State fiscal effect in dollar amounts:

	1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
	General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
Revenues:	-0-	-0-	-0-	(\$515,462)	-0-	(\$525,771)
Expenditures:	-0-	-0-	-0-	(\$442,496)	-0-	(\$449,133)

3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1997-99 biennium: None
- b. For the 1999-2001 biennium: Eliminate continuing checkoff income/appropriation
- c. For the 2001-03 biennium: Eliminate continuing checkoff income/appropriation

4. County, City, and School District fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
UNDETERMINED			UNDETERMINED			UNDETERMINED		

If additional space is needed, attach a supplemental sheet.

Signed John E. Weisgerber
 Typed Name JOHN E. WEISGERBER
 Department MILK MARKETING BOARD
 Phone Number 328-9588

Date Prepared: 1-6-99

SUPPLEMENTAL SHEET - FISCAL NOTE - MILK MARKETING BOARD

BILL/RESOLUTION NO.: HB 1147

NARRATIVE CONTINUED -

dairy manufacturing plants and 57 dairy product distributors. The dairy industry is the third largest segment of North Dakota agriculture. It has been estimated that the dairy industry has at least 5,000 direct jobs on an off the farm. In addition to a loss of a portion of direct jobs, grain elevators, feed suppliers, machinery dealers, farm supply stores and vets would suffer losses. With a loss of some of the dairy product distributors in our small communities, rural areas would face severely reduced milk product distribution or elimination altogether. The lost income from dairy farmers, lost creameries, distributors, jobs and associated businesses would result in less tax revenue available for the counties and the state.



Date: 1-21-99
Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. ~~1278~~ 1147

House Agriculture Committee

Subcommittee on _____
or

Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Warner Seconded By Stefonowicz

Representatives	Yes	No	Representatives	Yes	No
Eugene Nicholas, Chaiman	✓		Bob Stefonowicz	✓	
Dennis E. Johnson, Vice Chm	✓				
Thomas T. Brusegaard	✓				
Earl Rennerfeldt	✓				
Chet Pøllert	✓				
Dennis J. Renner	✓				
Michael D. Brandenburg	✓				
Gil Herbel	✓				
Rick Berg					
Myron Koppang	✓				
John M. Warner	✓				
Rod Forelich		✓			
Robert E. Nowatzki	✓				
Phillip Mueller	✓				

Total (Yes) 13 No 1

Absent 1

Floor Assignment Warner

If the vote is on an amendment, briefly indicate intent:

1999 TESTIMONY

HB 1147

WHY NORTH DAKOTA NEEDS A MILK MARKETING BOARD

“JOBS”! “ECONOMIC DEVELOPMENT”! These have been the buzz words of the 1990s from the halls of Congress to the State Legislatures to every City Hall. In North Dakota we must not forget that agriculture remains the dominant industry. The dairy industry is the third largest segment of North Dakota agriculture. It has been estimated that the dairy industry has at least 5,000 direct jobs on and off the farm. In addition, grain elevators, feed suppliers, machinery dealers, farm supply houses and numerous other enterprises also indirectly serve the dairy industry. The overwhelming majority of persons in the dairy industry of North Dakota believe that the North Dakota Milk Marketing Board is an essential element in maintaining a strong and viable dairy industry in North Dakota.

North Dakota lies immediately west of Minnesota and Wisconsin which is one of the largest milk sheds in the world. The dairy industry of Minnesota and Wisconsin is ready, willing and able to supply all of the dairy needs of North Dakota, which could result in the elimination of most dairy farms and dairy processing plants in North Dakota.

Milk is unique. Unique because it is one of the most perishable commodities in the marketplace. Under ideal conditions, it must move from production to ultimate consumption in 20 days. Cows from the herd need to be milked twice a day, 365 days a year. Immediately thereafter, the product must be marketed, processed and consumed. If market conditions are unfavorable, it cannot be stored in a granary or kept on the hoof until market conditions improve. The investment in plant and equipment required by dairy farmers, processors and dealers is very expensive. Predatory pricing and disruptive trade practices can destroy the market. Once a dairy herd discontinues production, it can take up to three years to bring replacements back into production. In the meantime, milk flows from elsewhere and that can be the end of the local dairy industry.

It was determined long ago by the United States Supreme Court that the milk industry is affected with the public interest and thus is subject to the police power of the state. This provides the legal authority for milk regulation. About 80% of the Grade A milk marketed in the United States is regulated by Federal Milk Marketing Orders and almost all of the balance is regulated by State Milk Marketing Orders. In North Dakota, producer pricing in the 16 eastern counties is jointly regulated by the Upper Midwest Federal Milk Marketing Order and the Milk Board. The balance of producer pricing in the state is required by the Milk Board. Wholesale and retail pricing in the state is regulated by the Milk Board. It is conceded in the North Dakota dairy industry that if the Milk Board became ineffective or was lost, all of North Dakota would soon be included in the Upper Midwest Federal Milk Marketing Order. The choice is not whether or not there will be milk regulation, the choice is whether there will be state regulation or federal regulation.

The North Dakota Milk Marketing Act was passed in its present form in 1969. Experts in the field consider it to be the best and most flexible state milk law in the country.

Milk regulation is a complicated business. Listed below are some of the ways that the Milk Board helps stabilize and maintain a market for North Dakota milk.

1. The Milk Board establishes minimum prices for Grade A milk to be paid by processors to producers. Grade A producers are paid a blend price for milk based on their utilization rate between milk used for bottling and for other products. The utilization rate in the Upper Midwest Federal Milk Marketing Order is roughly 17% and the utilization rate under the jurisdiction of the Milk Board is roughly 67%. This means that producers regulated by the Milk Board generally have a higher utilization rate and receive a higher price. In addition, minimum producer prices established by the Milk Board have often been greater than those established in the Upper Midwest Federal Milk Marketing Order. Although the Milk Board does not regulate the manufacturing grade price, a healthy Grade A market supports and promotes a healthy manufacturing grade market.
2. The Milk Board regularly audits processing plants to insure that producers are properly paid.
3. The Milk Board has authority to license processors, distributors and retailers. Processors and distributors must agree to provide retailers, schools, hospitals, nursing homes and restaurants the same frequency of delivery and services as are customary in the community. This provision has proved to be very helpful in maintaining delivery of milk to remote rural areas.
4. The Milk Board has discretionary authority to adopt and enforce a wide variety of fair trade practice regulations. These include such things as gifts from dealers to retailers, free equipment, unauthorized advertising allowances, unauthorized loans and the like. The enforcement of fair trade practice regulations protects small operators from predatory and monopolistic trade practices.
5. The Board establishes minimum wholesale and retail prices for milk. This is the best way to prohibit sales below cost by retailers and dealers and prevent destructive price wars. It also establishes a floor price sufficient to keep reasonably efficient processors, distributors and retailers in business.
6. The Board can authorize prompt payment discounts and quantity discounts based upon reduced costs for volume sales. Authorized discounts are administered in a nondiscriminatory manner.
7. Retailers are not permitted to sell milk of one brand at a different price from another brand unless the price paid for the product is different. This prevents large retailers from engaging in discriminatory pricing between brands of equal quality.

The Milk Board recognizes that it does not have authority to do all things for all people. The Interstate Commerce Clause of the United States Constitution prohibits the Milk Board from regulating transactions which occur outside the geographical limits of the state even though such transactions can have an adverse impact within the state. The limitations of interstate commerce require that regulation of milk within North Dakota be such that prices and trade practices within the state remain competitive with surrounding states. North Dakota is a sparsely populated state resulting in extremely high distribution costs. In spite of this, milk prices in North Dakota have generally been at about the median of prices charged for milk in the United States.

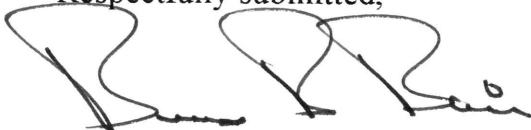
The objections to the Milk Board have been primarily philosophical as opposed to practical reality. All segments of the dairy industry generally support the continuation of the Milk Board. In 1967 and 1969 when producers persuaded the Legislature to establish the Board, retailers were forcing lower prices on processors who were forcing lower prices on producers. Producers demanded that they be guaranteed a safety net through a minimum price. Producers also recognized that they needed local plants to purchase their product who could earn a reasonable rate of return on their investment. They also recognized that the plants needed retailers to market North Dakota milk to North Dakota consumers at a price which is fair to both. The Milk Board does not guarantee a profit to anyone. The Milk Board establishes a safety net so that milk wars and predatory trade practices will not force reasonably efficient producers, processors and retailers to go out of business.

The proponents of economic development in North Dakota state the best opportunity for such development is "value added" agricultural products. The North Dakota dairy industry is a "value added agricultural industry" which should be preserved.

The dairy industry of North Dakota believes that the Milk Marketing Board is essential to give North Dakota people the privilege of drinking milk which is produced by North Dakota farmers, processed in North Dakota plants, and sold at a fair price to North Dakota consumers with some North Dakota milk production left over for export.

Dated this 14th day of January, 1999.

Respectfully submitted,



Bruce B. Bair
Special Assistant Attorney General
North Dakota Milk Marketing Board

A:\MILKBOARD\WHY ND NEEDS A MILK BD.MISC.DOC

Land O'Lakes, Inc.

1301 EAST MAIN AVENUE, BISMARCK, ND 58501

FLUID DAIRY DIVISION

Mailing Address: P.O. Box 430, Bismarck, ND 58502
Telephone: (701)223-3180 Fax: (701)223-8642

Land O'Lakes Statement North Dakota Milk Marketing Board

- The North Dakota Milk Marketing Board provides a minimal safety net for milk prices paid to dairy farmers. Milk production in North Dakota has been declining anyway, and it would decline even faster without the Board.
- Without the Board, more milk for North Dakota consumers would come from out-of-state farmers.
- The Board assures that the economic benefit of processing and distributing milk in North Dakota stays in the state. That includes jobs and taxes generated by producing, processing, and transporting milk.
- The Board's regulation of wholesale and retail pricing of milk assures that rural areas get milk at a price that's comparable to the price in the cities. Without the program, most likely milk prices would be much higher in rural areas, and maybe some rural areas would not even get distribution of milk at any price.
- North Dakota needs to retain policies that promote economic activity in rural areas. The Milk Board retains and promotes milk production, which does benefit rural communities.
- By regulating prices at the farm, wholesale, and retail level, the Milk Marketing Board prevents price gouging, cutthroat tactics, and other market distortions. The public benefits by being assured of availability and a fair price for milk across the state.
- Land O'Lakes policies support programs like the North Dakota Milk Marketing Board as a way to benefit producers, consumers, and rural communities. Besides the North Dakota program, we support the Pennsylvania program, the Virginia program, and the California dairy program. All of them strive for benefits similar to the North Dakota program.
- The North Dakota Milk Marketing Board is a well-managed and effective program. In other regions of America, states are searching for new strategies, such as the Northeast Dairy Compact, to retain dairy farmers and milk production locally. They are searching for the type of program that North Dakota has in effect now. North Dakota is ahead of most of the nation in operating a rational, enlightened milk marketing program.

PRIDE DAIRY'S POSITION ON THE HOUSE BILL #1147

PRIDE DAIRY IS A DAIRY FARMER OWNED COOPERATIVE. IT WAS ORGANIZED IN 1930 AND IS LOCATED IN BOTTINEAU.

WE DISTRIBUTE DAIRY PRODUCTS IN AN APPROXIMATE RADIUS OF 50 MILES AROUND BOTTINEAU, MANUFACTURE BUTTER AND ICE CREAM, AND ALSO HAVE OUR OWN GRADE A DAIRY PRODUCERS. I WOULD LIKE TO GO ON RECORD AS OPPOSING H.B. 1147.

OUR GRADE A DAIRY FARMERS ARE ALSO IN OPPOSITION TO THE SAME BILL. WITH THE MILK MARKETING BOARD IN PLACE AND PRIDE DAIRY BEING AUDITED BY THE BOARD ON A REGULAR BASIS, THIS IS A FORM OF CHECKS AND BALANCES THAT KEEPS EVERY BUYING PLANT HONEST. THE AUDIT WILL SHOW A MINIMUM THAT IS TO BE PAID TO AN INDIVIDUAL PRODUCER, IF THE BUYING PLANT PAYS UNDER THIS AMOUNT THEN THE PRODUCER IS NOTIFIED AND THE PLANT HAS A LEGAL OBLIGATION TO PAY THE PRODUCER UP TO THE AUDIT PRICE. IF THE BUYING PLANT HAS PAID THE PRODUCER OVER THE AUDIT PRICE THEN THE PRODUCER AND THE BUYING PLANT ARE BOTH NOTIFIED AND IT IS UP TO THE BUYING PLANT TO MAKE ADJUSTMENTS IF THEY SO DESIRE. IF THE MILK MARKETING BOARD IS TAKEN OUT OF THE PICTURE THEN THERE WILL BE NO GOVERNING BODY ON THE STATE LEVEL TO OVERSEE THAT THE GRADE A DAIRY FARMERS ARE GETTING A FAIR PRICE PAID TO THEM.

THE MILK MARKETING BOARD IS VALUABLE TO THE DAIRY INDUSTRY IN NORTH DAKOTA. I FEEL AS A SMALL DISTRIBUTOR THAT SERVICES BASICALLY SMALL RURAL TOWNS BY HAVING THE MILK BOARD IN PLACE, THERE IS AT LEAST SOME PROTECTION IN PLACE FOR SMALL INDEPENDENTS SUCH AS US.

A PERFECT EXAMPLE OF THE VALUE OF THE MINIMUM PRICE TO A SMALL INDEPENDENT COMPANY SUCH AS PRIDE DAIRY IS AS FOLLOWS. ON DECEMBER 11, 1998, I RECEIVED NOTIFICATION THAT THE COMPANY THAT HANDLES THE FOOD SERVICE AT OUR LOCAL COLLEGE WAS INSTRUCTED BY

PRIDE DAIRY'S POSITION ON THE HOUSE BILL #1147

THERE HOME OFFICE IN WARREN MICHIGAN, TO ONLY PURCHASE THEIR DAIRY PRODUCTS FROM OUR DIRECT COMPETITION. THEY HAD SOLICITED A BID FOR DAIRY PRODUCTS AT ALL STATE COLLAGES AND THIS COMPANY HAD WON THE BID. THIS GOT ME VERY CONCERNED BECAUSE IN A COMMUNITY OF 2200 PEOPLE, I NEED TO RETAIN ALL THE BUSINESS THAT I POSSIBLY CAN IN ORDER TO KEEP OUR DOORS OPEN. I SPOKE WITH THE PURCHASING MANAGER FROM MARRIOTT IN WARREN MICHIGAN AND EXPLAINED OUR SITUATION OF BEING A SMALL COMMUNITY AND ALL, THIS HAD NO EFFECT ON HIS DECISION. I THEN TOLD HIM I WOULD MATCH ANY PRICING THAT WAS BID. I KNEW THAT THE ND STATE MINIMUMS ON WHOLESAL MILK PRICES WOULD BE ACCEPTABLE TO PRIDE DAIRY. HE ASKED HOW I COULD BE SO BOLD AS TO SAY I WOULD MATCH ANY PRICE THAT WAS BID. I THEN TOLD HIM THAT THE ND MILK MARKETING BOARD HAS A MINIMUM PRICE THAT CAN BE CHARGED FOR EACH SPECIFIC ITEM, SO I THEREFORE KNOW IT COULD NOT BE BELOW A SPECIFIC POINT. WITHIN A SHORT TIME FRAME I WAS TOLD AS LONG AS WE WOULD USE THE PRICING QUOTED WE WOULD RETAIN OUR ACCOUNT. I KNOW THAT IF THERE HAD NOT BEEN A MILK MARKETING BOARD IN PLACE TO SET THE MINIMUM WHOLESAL PRICE FOR MILK, PRIDE DAIRY WOULD NOT BE DELIVERING MILK TO THE COLLEGE IN ITS OWN HOME TOWN.

IN CLOSING I WOULD JUST LIKE TO ASK YOU AS A COMMITTEE TO VOTE **DO NOT PASS ON HOUSE BILL 1147.**

THANK YOU FOR YOUR CONSIDERATION ON THIS MATTER. PLEASE REMEMBER THIS BILL HAS THE LIVELIHOOD OF PRODUCERS, DISTRIBUTORS, BUSINESSES, AND EMPLOYEES OF ALL THE PREVIOUSLY MENTIONED AT STAKE. IT IS A SERIOUS MATTER HERE AT THE DISCRETION OF YOUR VOTE.

JEFF BEYER
GENERAL MANAGER

STEVE'S FOOD MARKET, INC.

SUPERVALU
CARRINGTON, ND **FOODS**

176 4th AVENUE SOUTH

HONORABLE REPRESENTATIVES
AGRICULTURAL COMMITTEE
NORTH DAKOTA HOUSE OF REPRESENTATIVES

REPRESENTATIVES:

THE NORTH DAKOTA MILK MARKETING BOARD HAS BEEN SERVING PRODUCERS, PROCESSORS, RETAILERS, AND CONSUMERS FOR MANY YEARS. ITS ROLE REMAINS AS VIABLE TODAY AS IN THE PAST AND IS IN THE BEST INTEREST OF ALL OF NORTH DAKOTA.

THE RECENT SEVERELY FLAWED REPORT OUT OF WASHINGTON, D.C. OF THE GOVERNMENT ACCOUNTING OFFICE MADE HEADLINES ACCROSS THE STATE AND NO DOUBT HELPED "FUEL" REPRESENTATIVE BERNSTEIN'S BILL. ITS UNFORTUNATE THE REPLY BY JOHN WEISGERBER, DIRECTOR OF THE NORTH DAKOTA MILK MARKETING BOARD, CORRECTING THEIR POORLY RESEARCHED STUDY, DID NOT RECEIVE THE ATTENTION IT MERITED.

I AM A SECOND GENERATION GROCER. I'VE NEVER MILKED A COW OR BOTTLED MILK BUT I HAVE MANAGED A DAIRY DEPARTMENT AND GROCERY STORE AND HAVE CONSUMED MY SHARE OF DELICIOUS NORTH DAKOTA DAIRY PRODUCTS.

WHY DOES THE NORTH DAKOTA MILK MARKETING BOARD EXIST? IN ONE WORD - FAIRNESS. IN ITS MISSION TO ENSURE AN ADEQUATE SUPPLY OF FRESH, HEALTHFUL DAIRY PRODUCTS ARE PRODUCED, PROCESSED, AND CONSUMED BY NORTH DAKOTANS, IT HAS ESTABLISHED PRICE GUIDELINES FOR EACH LEVEL IN THE "MILK CHAIN".

PHONE 701-652-3125
CRN#1863292



RON WENAAS, PRESIDENT

IN A SPARSELY POPULATED STATE THIS PROTECTION IS NECESSARY AND ITS THE "LITTLE GUY" WHO IS PROTECTED. THE SMALL DAIRY FARMER IS ASSURED OF THE FAIR MARKET PRICE FOR HIS COMMODITY. THE PROCESSOR CAN GET ENOUGH RETURN ON INVESTMENT TO KEEP PLANTS AND JOBS IN NORTH DAKOTA.

THE GROCER, REGARDLESS HOW SMALL, CAN RECEIVE PRODUCT AT A COMPARABLE PRICE TO THE BIG "OUT-OF-STATE-OWNED" CORPORATE STORES. INCIDENTLY, THE NORTH DAKOTA MILK MARKETING BOARD STUDY HAS RETAILERS RECEIVING 21.1% OF THE MILK DOLLAR. EXPENSES IN GROCERY STORES HAVE HISTORICALLY BEEN 21 - 24% OF GROSS DOLLARS ACCORDING TO ANNUAL NATIONAL STORE STUDIES.

THE CONSUMER, WHETHER THEY LIVE IN ZAP OR FARGO, IS ASSURED OF RECEIVING FRESH DAIRY PRODUCTS AT A FAIR PRICE. ASSURED THEY HAVE A SOURCE FOR DAIRY PRODUCTS WEEK AFTER WEEK.

THIS IS A LITTLE GUY - BIG GUY, RURAL - URBAN, AND IN-STATE - OUT-OF-STATE ISSUE. SUPPORT SMALL DAIRY FARMERS, RURAL ECONOMIES, NORTH DAKOTA JOBS, AND CONSUMER SUPPLIES ----- KEEP THE NORTH DAKOTA MILK MARKETING BOARD SERVING NORTH DAKOTA BY DEFEATING HOUSE BILL 1147.

SINCERELY



RON WENAAS



Darrel Entzminger & Sons
7750 45th St. SE
Jamestown, ND 58401



January 11, 1999

1999 North Dakota Legislative Assembly:

My name is Terry Entzminger. I am a dairy farmer at Jamestown and represent the North Dakota Dairy Farmers as the producer member on the North Dakota Milk Marketing Board, however I am resigning effective today, January 11, 1999. My letter to the Board and those involved is enclosed along with a recent article in the Fargo Forum. My letter along with the Fargo Forum's article states my positions and reasons.

I ask you, the 1999 North Dakota Legislative Assembly to do away with the North Dakota Milk Marketing Board. Doing so would greatly benefit the dairy farmers and all the consumers of this state.

"My Thanks"

Terry D. Entzminger



Darrel Entzminger & Sons
7750 45th St. SE
Jamestown, ND 58401



January 11, 1999

TO: Governor Ed Schafer
John Weisgerber
Doug Dukart

The intent of this letter serves two purposes. First, to inform you that I am resigning from the North Dakota Milk Marketing Board effective today, January 11, 1999, and secondly to express my reasons why.

I was elected to serve as the producer member to represent the North Dakota Dairy producers. It is my duty to make decisions that are beneficial to my fellow dairymen. I believe that while the intentions of this board is to do what's best for the producers of this state, it has a negative effect on milk sales because it restricts the minimum price on retail dairy products, putting us at a competitive disadvantage with our competition: Pepsi, Coca-Cola, Evian, etc. I strongly believe that removing the minimum prices set on dairy products would greatly benefit the state's dairy producers through increased milk sales. I also believe that the 13 cents per hundred weight paid by the processors to fund the Milk Marketing Board comes out of the dairymen's pocket. It is an operating expense incurred by the processor that is passed on to the dairyman through less farm wholesale prices. That's just basic operating common sense. I don't blame them; it's just how business works.

I also believe that the North Dakota consumers are paying too much for retail dairy products. This is very evident in the southern part of our state. Many southern North Dakotans purchase large amounts of milk in South Dakota retail stores simply because they are not regulated by a Milk Marketing Board and can sell it at significantly reduced prices.

In conclusion, I feel that there was a time and need for a state Milk Marketing Board. However, I feel that time has come and gone and I highly recommend that the North Dakota Milk Marketing Board be discontinued. Doing so will benefit the North Dakota dairy producers and the North Dakota consumers.

"Thank You"

Terry D. Entzminger

Survey: N.D. milk prices among highest in nation

By Phillip Brasher
Associated Press

WASHINGTON — Ellendale, N.D., is a tough place for a grocer to sell milk. South of the border in Aberdeen, S.D., milk goes for less than \$2 a gallon. At the Super Valu in Ellendale, a gallon costs more than \$3.

"I don't buy milk down there, but I know a lot of people who do," said Betty Mueller, a clerk at the Ellendale store.

Why the difference? North Dakota's price controls. North Dakotans pay some of the highest prices for milk in the country, according to a recent study by the General Accounting Office, the investigative arm of Congress.

GAO auditors surveyed milk prices in 31 markets around the country, including Bismarck, N.D. Bismarck had the highest average retail price for 2-percent milk — \$3.02 per gallon — from January 1997 through February 1998, the most recent period that was stud-

ied. Miami was next highest at \$2.98.

North Dakota's dairy farmers weren't the beneficiaries of the high retail price, according to the study.

Producers serving the Bismarck market received 31 percent of the retail price, the smallest share of any of the cities studied and well below the national average of 42 percent.

But without the price controls, North Dakota farmers fear they couldn't compete with producers in Minnesota and South Dakota, where production costs are lower, said Doug Dukart, who operates a 60-cow farm near Manning.

"You may have to pay a little more in North Dakota, but being that it's your own neighbor out in the country that's producing the milk, you help them and they in turn help you by supplying you with a product that's wholesome and good," Dukart said.

See **MILK**, Back Page

MILK from Page A1

Inflated prices squeeze up to \$2 million out of the pockets of North Dakotans each year, according to University of North Dakota economist Robert Korbach. He agrees that North Dakota's dairy farmers couldn't stay in business unless the state regulated the price they receive, but he says that doesn't justify fixing prices at the retail level.

The state Milk Marketing Board calculates a minimum price that farmers can receive for their milk based on the cost of production and changes in a federal pricing system. Minimums for wholesale and retail prices are supposed to cover bottling and distribution costs.

The minimum retail price for 2-

percent milk is currently \$2.68, and most milk sold through the state's major grocery chains sells for close to that, said Jim Welsgerber, the board's director.

He had not seen the GAO report and declined to comment on it, but he said the state pricing system has been supported by processors, wholesalers and retailers as well as farmers.

Nationwide, retail prices vary widely without regard to the prices that bottlers pay to farmers, according to GAO. In many cities, grocery stores slash prices on milk to induce shoppers away from their competition.

In Cincinnati, Ohio, a gallon of 2-percent milk sold for \$1.61, just 47 cents more than the farm-gate

price, according to the report. In Minneapolis, it was selling for \$2.86 a gallon, \$1.73 over what farmers were paid for the raw product.

Wholesalers get the biggest cut of the retail price in North Dakota — 39 percent, compared to 31 percent for the rest of the country. The retailers' share in North Dakota is 22 percent. Nationally, retailers get 17 percent. Milk cooperatives get the remaining 7 percent of the retail price in North Dakota, compared to 10 percent nationally.

In Minnesota, farmers get 35 percent of the retail price, co-ops take 6 percent, wholesalers receive 31 percent, and retailers get 28 percent.

TESTIMONY FOR HB 1147

Prepared by Representative LeRoy G. Bernstein

Friday, January 15, 1999

Milk Stabilization Board:

It was my understanding of the Board that it would help dairy farmers to stay in business and insure a supply of fresh milk. Looking at the information I received from the North Dakota Department of Agriculture, it doesn't appear to be working. Look at the figures. It seems that since 1987 North Dakota has lost 1132 dairy producers, leaving 784 producers. This represents a decline in producers of just under sixty percent.

Let's look at the rationale for creating this Board:

1. To provide an adequate supply of fresh and wholesome milk. In this day and age of modern transportation and refrigeration, there is nowhere in the US, let alone in North Dakota, that someone can not buy a gallon of fresh milk if they want to.

2. To set minimum dairy farmer, wholesale and retail prices. I don't see where this is helping anyone in North Dakota. According to the General Accounting Office, North Dakota dairy farmers aren't the beneficiaries of North Dakota's high milk prices. As a matter of fact, the General Accounting Office states that North Dakota producers get a mere 31% of the retail dollar compared to 42% nationally. So where is the extra price per gallon going?

3. Eliminate unfair and demoralizing trade practices. At this time, I know of only two processors left in North Dakota that bottle milk. I know there may be a few cheese processors, so this is a moot point.

Funding for the Board comes from a fee collected from the processor. At this time, it happens to be 13 cents per hundredweight. I'm sure this comes either from the price paid to the producer of the milk or is added to the price the consumer pays for the milk, thus hurting both parties that this Board was created to benefit.

It seems the grocery retailers are some of the people who are most set against getting rid of the Board. My question would be that if people go to other states to buy milk, I can't believe they wouldn't buy their groceries there also.

I want to quote from only two letters, faxes and telephone calls that I have received. One is from an individual in Forman, North Dakota. It goes like this: "...on the weekend the County Fair grocery in Watertown, South Dakota, has Land-O-Lakes Skim, 1% and 2% for sale at ninety-eight cents per half gallon. In Forman and Lisbon, it was \$1.89 to \$1.99 per half gallon".

The other letter comes from the resignation letter of a former Board member. By the way, this was effective on January 11, 1999. "I was elected to serve as the producer member to represent the North Dakota dairy producers. It is my duty to make decisions that are beneficial to my fellow dairymen. I believe that while the intentions of this Board are to do what's best for the producers of the state, it has a negative effect on milk sales because it restricts the minimum price on retail dairy products, putting us at a competitive disadvantage with our competition - Pepsi, Coca-Cola, Evian, and so forth. I strongly believe that removing the minimum prices set on dairy products would greatly benefit the state's dairy producers through increased milk sales." Now, this is from an individual who has hands-on experience in producing milk.

Mr. Chairman and Members of this Committee. We come to Bismarck every two years to do the state's business. While we are here, we generally raise fees for licenses and some taxes. Don't you think that once we could do something to ease the taxpayers' burden? With the abolishment of the milk board, we would be getting government out of the business of setting prices. Milk prices could fluctuate with the free market, thereby allowing consumers to benefit from the fluctuating prices in the state of North Dakota, saving the citizens of the state a trip out of state to do it.

Respectfully submitted by:

Representative LeRoy G. Bernstein

HOUSE BILL NO. 1147

JANUARY 15, 1999
11:00 A.M.

Testimony by PHYLLIS CONNOLLY

CHAIRMAN NICHOLAS AND MEMBERS OF THE HOUSE AGRICULTURE COMMITTEE:

FOR THE RECORD, MY NAME IS PHYLLIS CONNOLLY. I AM A HOUSEWIFE, A COMMUNITY VOLUNTEER, AND A CONSUMER MEMBER OF THE NORTH DAKOTA MILK MARKETING BOARD. I WAS APPOINTED TO THE BOARD BY GOVERNOR SCHAFER ON JULY 1, 1993 AS THE CONSUMER MEMBER FROM THE WESTERN PART OF NORTH DAKOTA. I PREVIOUSLY SERVED ON THE BOARD AS A CONSUMER MEMBER FROM 1981 TO 1985. I AM HERE TODAY IN OPPOSITION TO HB 1147.

AS A CONSUMER MEMBER OF THE BOARD IT IS MY DUTY TO ENSURE THAT AN ADEQUATE SUPPLY OF FRESH AND WHOLESOME MILK IS AVAILABLE TO THE CONSUMERS OF OUR STATE AT A REASONABLE PRICE. NORTH DAKOTA IS A SPARSELY POPULATED STATE RESULTING IN EXTREMELY HIGH DISTRIBUTION COSTS. IN SPITE OF THIS, MILK PRICES IN NORTH DAKOTA HAVE GENERALLY BEEN AT ABOUT THE MEDIAN OF PRICES CHARGED FOR MILK THROUGHOUT THE UNITED STATES AS NOTED ON THE HANDOUT. AS YOU CAN SEE FROM THE 1/2 GALLON, 2% MILK PREVAILING PRICE LIST FOR 49 CITIES, NORTH DAKOTA IS NOT OUT OF LINE OR HIGHER THAN THE MONTHLY AVERAGE. IN FACT, NORTH DAKOTA IS SLIGHTLY BELOW THE AVERAGE PRICE FOR A 1/2 GALLON OF 2% MILK AS NOTED BY THIS NINE MONTH SURVEY.

IT IS ALSO MY DUTY AS A CONSUMER MEMBER TO MAKE SURE THAT AN ADEQUATE SUPPLY OF FRESH AND WHOLESOME MILK IS AVAILABLE TO THE CONSUMERS OF OUR STATE. THE BOARD THROUGH ITS PUBLIC HEARINGS AND DISTRIBUTOR LICENSING PROCESS HAS ENSURED THAT ALL AREAS OF OUR STATE HAVE MILK AVAILABLE. ALTHOUGH IT COSTS OVER THIRTY CENTS PER HALF GALLON MORE TO DELIVER MILK TO RURAL AREAS OF THIS STATE; THE BOARD HAS ESTABLISHED ONLY A TWO CENT DIFFERENCE TO INSURE THE AVAILABILITY OF MILK TO ALL AREAS OF THIS STATE.

OVER THE PAST 20 YEARS THE BOARD HAS WORKED HARD TO INSURE THAT MILK PRICES WERE NOT OUT OF LINE WITH OTHER ITEMS. THE SECOND HANDOUT I HAVE, SHOWS THAT A ONE HALF GALLON OF MILK HAS NOT INCREASED AS MUCH AS OTHER ITEMS. IN THE LAST 20 YEARS THE FOOD PRICE INDEX INCREASED 113%, THE CONSUMER PRICE INDEX INCREASED 138%, A 1/2 GALLON OF MILK INCREASED 67%, A YEARLY SUBSCRIPTION TO THE LOCAL PAPER INCREASED 400%, 1 UNIT OF ELECTRICITY INCREASED 87%, 1 UNIT OF NATURAL GAS INCREASED 201% AND THE LOCAL WATER/SEWER BILL INCREASED 232%. A ONE HALF GALLON OF MILK HAS CHANGED LESS THAT ALMOST ALL OF THESE ITEMS.

IN SUMMARY, OVER THE PAST 32 YEARS, THE BOARD HAS ENSURED THAT OUR STATE HAS MILK AVAILABLE TO ALL OF OUR CONSUMERS IN ALL AREAS, THAT IT IS A FRESH SUPPLY, AND THAT IT USES OUR STATE'S GRADE A DAIRY FARMER MILK.

WE ASK THAT YOU OPPOSE HOUSE BILL 1147 AND VOTE DO NOT PASS.

THANK YOU.

CONNOLL.Y99

Year to Year Change	Bismarck North Dakota															File Name ----- Changes-#98		** R-E-C-A-P **
page 1 of 2	12-16	12-15	12-13	12-12	12-11	12-10	12-15	12-14	12-13	12-12	12-13	12-16	12-15	12-14	12-12	Years	14	
	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	6-78	PER YEAR	
																12-12-92	Simple Avg	
\$ Total - Groceries	35.62	39.31	42.12	46.93	48.42	48.88	52.53	53.16	54.79	57.38	62.27	66.68	70.74	76.41	77.21			
\$ Change		3.69	2.81	4.81	1.49	0.46	3.65	0.63	1.63	2.59	4.89	4.41	4.06	5.67	0.80	41.59		
% Change		10.36%	7.15%	11.42%	3.17%	0.95%	7.47%	1.20%	3.07%	4.73%	8.52%	7.08%	6.09%	8.02%	1.05%	116.76%	8.34%	
Food Price Index	74.80	82.40	90.80	94.70	97.60	100.20	104.00	106.70	110.80	114.70	120.70	127.40	134.00	137.30	139.50			
\$ Change		7.60	8.40	3.90	2.90	2.60	3.80	2.70	4.10	3.90	6.00	6.70	6.60	3.30	2.20	64.70		
% Change		10.16%	10.19%	4.30%	3.06%	2.66%	3.79%	2.60%	3.84%	3.52%	5.23%	5.55%	5.18%	2.46%	1.60%	86.50%	6.18%	
Consumer Price Index	67.70	76.70	86.30	94.00	97.60	101.30	105.30	109.30	110.50	115.40	120.50	126.10	133.80	137.90	141.90			
\$ Change		9.00	9.60	7.70	3.60	3.70	4.00	4.00	1.20	4.90	5.10	5.60	7.70	4.10	4.00	74.20		
% Change		13.29%	12.52%	8.92%	3.83%	3.79%	3.95%	3.80%	1.10%	4.43%	4.42%	4.65%	6.11%	3.06%	2.90%	109.60%	7.83%	
1/2 Gal. 2% Milk	0.97	1.04	1.09	1.13	1.13	1.13	1.16	1.10	1.11	1.12	1.15	1.30	1.21	1.37	1.41			
\$ Change		0.07	0.05	0.04	0.00	0.00	0.03	-0.06	0.01	0.01	0.03	0.15	-0.09	0.16	0.04	0.44		
% Change		7.22%	4.81%	3.67%	0.00%	0.00%	2.65%	-5.17%	0.91%	0.90%	2.68%	13.04%	-6.92%	13.22%	2.92%	45.36%	3.24%	
N. D. Class I CWT.	11.45	12.50	13.54	13.70	13.70	13.70	13.85	12.33	12.89	12.55	13.24	15.20	11.90	14.85	14.43			
\$ Change		1.05	1.04	0.16	0.00	0.00	0.15	-1.52	0.56	-0.34	0.69	1.96	-3.30	2.95	-0.42	2.98		
% Change		9.17%	8.32%	1.18%	0.00%	0.00%	1.09%	-10.97%	4.54%	-2.64%	5.50%	14.80%	-21.71%	24.79%	-2.83%	26.03%	1.86%	
Bismarck Tribune (1 yr.)	41.60	46.80	52.00	59.80	63.20	63.20	63.60	106.60	114.40	106.60	127.40	135.20	143.00	150.80	156.00			
\$ Change		5.20	5.20	7.80	3.40	0.00	10.40	13.00	7.80	-7.80	20.80	7.80	7.80	7.80	5.20	114.40		
% Change		12.50%	11.11%	15.00%	39.13%	0.00%	12.50%	13.89%	7.32%	-6.82%	19.51%	6.12%	5.77%	5.45%	3.45%	275.00%	19.64%	
Electricity (1 Unit)	0.03973	0.03782	0.04189	0.05960	0.06184	0.06412	0.06463	0.06243	0.06251	0.07276	0.07377	0.07294	0.07297	0.07167	0.07063			
\$ Change		0.00009	0.00207	0.01771	0.00224	0.00228	0.00051	-0.00220	0.00008	0.01025	0.00101	-0.00083	0.00003	-0.00130	-0.00104	0.03090		
% Change		0.23%	5.20%	42.28%	3.76%	3.69%	0.80%	-3.40%	0.13%	16.40%	1.39%	-1.13%	0.04%	-1.78%	-1.45%	77.77%	5.56%	
Natural Gas (1 Unit)	1.73150	2.59330	3.00670	3.33690	3.94350	5.51360	5.53115	4.19100	5.17500	5.20000	4.89600	4.43300	4.49200	4.68857	4.56016			
\$ Change		0.86180	0.41340	0.33020	0.60660	1.57010	0.01755	-1.34015	0.98400	0.02500	-0.30400	-0.46300	0.05900	0.19657	-0.12841	2.82866		
% Change		49.77%	15.94%	10.98%	18.18%	39.81%	0.32%	-24.23%	23.48%	0.48%	-5.85%	-9.46%	1.33%	4.38%	-2.74%	163.36%	11.67%	
Gas Self Serve (1 Gal)	0.679	1.029	1.189	1.259	1.249	1.239	1.149	1.239	0.849	0.889	0.959	1.139	1.249	1.199	1.199			
\$ Change		0.350	0.160	0.070	-0.010	-0.010	-0.090	0.090	-0.390	0.040	0.070	0.180	0.110	-0.050	0.000	0.520		
% Change		51.55%	15.55%	5.89%	-0.79%	-0.80%	-7.26%	7.83%	-31.49%	4.71%	7.87%	18.77%	9.66%	-4.00%	0.00%	76.58%	5.47%	
Water, Sewer & Refuse	10.40	12.09	13.50	13.32	14.59	17.51	17.51	20.85	20.85	20.85	21.35	21.35	22.35	23.35	27.55			
\$ Change		1.69	1.41	-0.18	1.27	2.92	0.00	3.34	0.00	0.00	0.50	0.00	1.00	1.00	4.20	17.15		
% Change		16.25%	11.66%	-1.33%	9.52%	20.01%	0.00%	19.07%	0.00%	0.00%	2.40%	0.00%	4.68%	4.47%	17.99%	164.90%	11.78%	
Mill Levy (Bismarck)	0.27029	0.28667	0.29951	0.29670	0.32315	0.33111	0.34403	0.36385	0.38520	0.39780	0.40776	0.42394	0.45018	0.48091	0.50129			
\$ Change		0.01638	0.01284	-0.00281	0.02645	0.00796	0.01292	0.01982	0.02135	0.01260	0.00996	0.01618	0.02624	0.03073	0.02038	0.23100		
% Change		6.06%	4.48%	-0.94%	8.91%	2.46%	3.90%	5.76%	5.87%	3.27%	2.50%	3.97%	6.19%	6.83%	4.24%	85.46%	6.10%	

	12-16 1978	Balances 1992	12-11 1993	12-10 1994	12-09 1995	12-14 1996	12-13 1997		1999	2000	2001	2002	2003	2004	Years 12-1 12-31	PER YEAR Sample Avg
\$ Total - Groceries	35.62	77.21	79.26	81.43	82.83	83.98	84.93	86.33								
\$ Change		41.59	2.05	2.17	1.40	1.15	0.95	1.40							50.71	
% Change		116.76%	2.66%	2.74%	1.72%	1.39%	1.13%	1.65%							142.36%	7.12%
Food Price Index	74.80	139.50	143.30	147.20	151.32	156.60	159.10									
\$ Change		64.70	3.80	3.90	4.12	5.28	2.50								84.30	
% Change		86.50%	2.72%	2.72%	2.80%	3.47%	1.60%								112.70%	5.93%
Consumer Price Index	67.70	141.90	145.60	149.70	153.89	158.60	161.30									
\$ Change		74.20	3.90	3.90	4.19	4.71	2.70								93.60	
% Change		109.60%	2.75%	2.67%	2.80%	3.06%	1.70%								138.26%	7.28%
1/2 Gal. 2% Milk	0.97	1.41	1.43	1.41	1.43	1.60	1.51	1.62								
\$ Change		0.44	0.02	-0.02	0.02	0.17	-0.09	0.11							0.65	
% Change		45.36%	1.42%	-1.40%	1.42%	11.89%	-5.63%	7.28%							67.01%	3.35%
N. D. Class I CWT.	11.45	14.43	14.86	14.23	14.60	16.90	15.49	18.07								
\$ Change		2.98	0.43	-0.63	0.37	2.30	-1.41	2.58							6.62	
% Change		26.03%	2.98%	-4.24%	2.60%	15.75%	-8.34%	16.66%							57.82%	2.89%
Bismarck Tribune (1 yr.)	41.60	156.00	169.00	182.00	195.00	208.00	208.00	208.00								
\$ Change		114.40	13.00	13.00	13.00	13.00	0.00	0.00							166.40	
% Change		275.00%	8.33%	7.67%	7.14%	6.67%	0.00%	0.00%							400.00%	20.00%
Electricity (1 Unit)	0.03973	0.07063	0.07054	0.07420	0.07121	0.07347	0.07321	0.07446								
\$ Change		0.03090	-0.00009	0.00366	-0.00299	0.00226	-0.00026	0.00125							0.03473	
% Change		77.77%	-0.13%	5.19%	-4.03%	3.17%	-0.35%	1.71%							87.42%	4.37%
Natural Gas (1 Unit)	1.73150	4.56016	5.06581	5.36517	4.89017	4.30887	6.03337	5.21538								
\$ Change		2.82866	0.50565	0.29936	-0.47500	-0.58130	1.72450	-0.81799							3.48388	
% Change		163.36%	11.09%	5.91%	-8.85%	-11.89%	40.02%	-13.56%							201.21%	10.06%
Gas Self Serve (1 Gal)	0.679	1.199	1.199	1.199	1.199	1.349	1.289	0.999								
\$ Change		0.520	0.000	0.000	0.000	0.150	-0.060	-0.290							0.320	
% Change		76.59%	0.00%	0.00%	0.00%	12.51%	-4.45%	-22.50%							47.13%	2.36%
Water, Sewer & Refuse	10.40	27.55	27.55	28.45	28.65	29.65	29.65	34.56								
\$ Change		17.15	0.00	0.90	0.20	1.00	0.00	4.91							24.16	
% Change		164.90%	0.00%	3.27%	0.70%	3.49%	0.00%	16.56%							232.31%	11.62%
Mill Levy (Bismarck)	0.27029	0.50129	0.50389	0.49419	0.43675	0.42026	0.42854	0.47778								
\$ Change		0.23100	0.00260	-0.00970	-0.00744	-0.00649	-0.00172	0.00124							0.20949	
% Change		85.46%	0.52%	-1.93%	-1.51%	-1.33%	-0.36%	0.26%							77.51%	3.88%

STATE OF NORTH DAKOTA
MILK MARKETING BOARD

410 E. Thayer Ave.
Bismarck, ND 58501-4049
Telephone (701) 328-9588



Barbara Lang, Jamestown
Chairperson, Consumer Member

Richard A. Bronson, Beulah
Vice-Chairperson, Retailer Member

Phyllis Connolly, Bismarck
Consumer Member

Clifford L. Hagen, Fargo
Processor Member

January 15, 1999

John E. Weisgerber, Jr.
DIRECTOR

Chairman Eugene J. Nicholas
District 15
ND State Capitol Building
Bismarck, ND 58505

Dear Chairman Nicholas:

During the hearing on House Bill 1147 introduced by Representative Bernstein and conducted by your House Agriculture Committee, on Friday, January 15, 1999, several questions were raised that committee members requested answers to. In response to questions raised by your committee, the following information is provided.

1. Representative Bernstein testified that the GAO study noted that North Dakota dairy farmers received 31% of the retail price of a gallon of 2% milk. We testified that the GAO study was missing 50% of its data on the wholesale price of milk and as a result of this missing data the study was flawed. Our auditors studied all 26 months of the survey and their audit shows that North Dakota dairy farmers received 41.2 % of the retail price of a gallon of 2% milk during the GAO survey period. This 41.2% share equals the national average as represented by the GAO. Our auditors report that during the 26 month survey period dairy farmers received 41.2%, the bottling plant received 37.7% and the retailer received 21.1% of the retail price of a gallon of 2% milk. A print-out is enclosed to show these results.

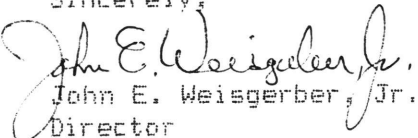
2. Mr. Terry Entzminger testified that North Dakota consumers pay an extra \$2 million for their milk purchases. Mrs. Phyllis Connolly, consumer, testified that the nine month survey of 49 cities across this nation showed that the 1/2 gallon 2% prevailing price in our State is slightly lower than the national average. This information was made available to Mr. Entzminger; however, he chose to ignore it. A print-out is enclosed to show this survey.

3. A question was asked about what products the Board regulates. The Board establishes the wholesale and retail price on fluid milk products, cream products and cultured products. The third print-out enclosed lists these products by each category.

4. A question was asked about how much raw milk regulated by the Board is utilized for bottling. Approximately 65% is used for bottling, 5% is used to manufacture cream, cultured products and ice cream, and 30% is used to manufacture butter, dry milk and hard cheese.

This information is provided in response to questions raised by your committee during the hearing on House Bill 1147. Thank you for this opportunity to respond with the answers.

Sincerely,


John E. Weisgerber, Jr.
Director

3 Enclosures

ra

HB1147.AgC

Response to GAO Report
ap-gao-698

	1-9-9-7 *****	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	1997 Dec	1998 Jan	1998 Feb	14-Month Simple Average to 1-9-9-8	12-Month Simple Average 1-9-9-6	26-Month Simple Average 1-9-9-8		
Class 1 Price CWT (plus premium)	16.07	16.07	14.63	15.15	15.15	14.10	13.36	13.56	13.56	14.77	15.49	15.49	15.49	15.49	15.82	14.90786	16.015	15.41885		
B. Fat Differential	0.078	0.100	0.110	0.094	0.090	0.114	0.110	0.106	0.106	0.153	0.167	0.122	0.114	0.140	0.11457	0.09959	0.10765			
(2% Milk)---Raw Product Cost	1.28438	1.25593	1.11888	1.18439	1.18956	1.06802	1.00940	1.03181	1.03181	1.07534	1.11931	1.17749	1.18784	1.18266	1.13692	1.25173	1.18991			
2% Retail Price (gallon)	2.99000	2.99000	2.87000	2.87000	2.87000	2.78000	2.78000	2.78000	2.74000	2.74000	2.74000	2.84000	2.84000	2.84000	2.83357	2.95250	2.88946	Fetl price		
Raw product cost per gallon	1.28438	1.25593	1.11888	1.18439	1.18956	1.06802	1.00940	1.03181	1.03181	1.07534	1.11931	1.17749	1.18784	1.18266	1.13692	40.1%	1.25173	42.4%	1.18991	41.2% Farm share
Difference	1.70562	1.73407	1.75112	1.68561	1.68044	1.71198	1.77060	1.74819	1.70919	1.66466	1.62069	1.66251	1.65216	1.65734	1.69666	1.70077	1.69855			
2% Wholesale price (gallon)	2.720	2.720	2.597	2.597	2.597	2.515	2.515	2.515	2.472	2.472	2.472	2.570	2.570	2.570	2.56443	2.68357	2.61946	Whlse price		
Difference (Retail less Whlse.)	0.2700	0.2700	0.2730	0.2730	0.2730	0.2650	0.2650	0.2650	0.2680	0.2680	0.2680	0.2700	0.2700	0.2700	0.26914	9.5%	0.26863	9.1%	0.26900	9.3%

26 month Average Retail price 2.88946

Grade A Farm share 41.2%

Plant (Whlse) share 37.7%

Average Retail share 21.1%
(w/ 11% vol & 2% cash)

1/2 GALLON 2X MILK
PREVAILING PRICE

	JAN. 1998	FEB. 1998	MAR. 1998	APR. 1998	MAY 1998	JUNE 1998	JULY 1998	AUG. 1998	SEPT 1998	OCT. 1998	NOV. 1998	DEC. 1998
Los Angeles, CA	1.81	1.81	1.81	1.81	1.79	1.76	1.71	1.74	1.74			
Sacramento, CA	1.51 --	1.51 --	1.51 --	1.51 --	1.49 --	1.46 --	1.41 --	1.45 --	1.45 --	--	--	
San Francisco, CA	1.70	1.70	1.70	1.70	1.68	1.65	1.60	1.63	1.63			
Denver, CO	1.99 --	1.99 --	1.99 --	1.99 --	1.99 --	1.99 --	1.99 --	1.89 --	1.99 --	--	--	
Honolulu, HA	2.99	2.79	2.79	2.95	2.95	2.95	2.89	2.99	2.99			
Council Bluffs, IA	1.42 --	1.42 --	1.49 --	1.52 --	1.42 --	1.34 --	1.34 --	1.40 --	1.43 --	--	--	
Des Moines, IA	1.37	1.39	1.39	1.39	1.37	1.29	1.35	1.29	1.29			
Augusta, MA	1.55 --	1.55 --	1.55 --	1.50 --	1.55 --	1.50 --	1.50 --	1.29 --	1.55 --	--	--	
Portland, MA	1.55	1.55	1.55	1.50	1.55	1.55	1.55	1.55	1.55			
Boston, MS	1.39 --	1.59 --	1.69 --	1.59 --	1.59 --	1.49 --	1.59 --	1.49 --	1.59 --	--	--	
Duluth, MN	1.60	1.62	1.62	1.60	1.58	1.55	1.50	1.53	1.63			
Wankato, MN	1.57 --	1.59 --	1.59 --	1.57 --	1.55 --	1.52 --	1.47 --	1.50 --	1.60 --	--	--	
Minneapolis, MN	1.62	1.64	1.64	1.62	1.60	1.57	1.52	1.55	1.65			
Worhead, MN	1.55 --	1.57 --	1.57 --	1.55 --	1.49 --	1.43 --	1.37 --	1.40 --	1.50 --	--	--	
Billings, MT	1.52	1.54	1.54	1.54	1.52	1.44	1.39	1.42	1.52			
Blondive, MT	1.55 --	1.54 --	1.54 --	1.54 --	1.52 --	1.44 --	1.39 --	1.42 --	1.52 --	--	--	
Great Falls, Mt	1.52	1.55	1.55	1.55	1.53	1.45	1.40	1.43	1.53			
Elko, NV	1.69 --	1.69 --	1.69 --	1.79 --	1.79 --	1.79 --	1.75 --	1.75 --	1.65 --	--	--	
Las Vegas, NV	1.68	1.69	1.59	1.69	1.69	1.69	1.69	1.79	1.79			
NV	1.39 --	1.39 --	1.39 --	1.39 --	1.39 --	1.39 --	1.39 --	1.39 --	1.39 --	--	--	
New Jersey, NJ	1.59	1.60	1.60	1.61	1.59	1.59	1.59	1.67	1.67			
North Jersey, NJ	1.53 --	1.53 --	1.51 --	1.51 --	1.52 --	1.53 --	1.54 --	1.55 --	1.55 --	--	--	
Albany, NY	1.36	1.35	1.35	1.34	1.34	1.34	1.27	1.23	1.40			
Buffalo, NY	1.16 --	1.23 --	1.26 --	1.26 --	1.26 --	1.27 --	1.17 --	1.21 --	1.23 --	--	--	
New York City, NY	1.48	1.50	1.51	1.51	1.50	1.47	1.43	1.48	1.58			
Rochester, NY	1.22 --	1.30 --	1.26 --	1.31 --	1.31 --	1.31 --	1.21 --	1.19 --	1.29 --	--	--	
Syracuse, NY	1.26 --	1.31	1.36	1.33	1.31	1.25	1.13	1.24	1.46			
Bismarck, ND	1.52 --	1.55 --	1.54 --	1.54 --	1.49 --	1.42 --	1.37 --	1.40 --	1.50 --	--	--	
Dickinson, ND	1.54	1.57	1.56	1.56	1.51	1.44	1.39	1.42	1.52			
Fargo, ND	1.52 --	1.56 --	1.55 --	1.55 --	1.49 --	1.43 --	1.37 --	1.40 --	1.50 --	--	--	
Grand Forks, ND	1.52	1.55	1.54	1.54	1.49	1.42	1.37	1.40	1.50			
Williston, ND	1.54 --	1.57 --	1.56 --	1.56 --	1.51 --	1.44 --	1.39 --	1.42 --	1.52 --	--	--	
Portland, OR	1.53	1.54	1.58	1.44	1.56	1.53	1.60	1.55	1.58			
Salem, OR	1.52 --	1.49 --	1.53 --	1.54 --	1.57 --	1.54 --	1.59 --	1.52 --	1.55 --	--	--	
Altoona, PA	1.24	1.27	1.29	1.27	1.23	1.18	1.11	1.18	1.25			
Harrisburg, PA	1.22 --	1.28 --	1.27 --	1.28 --	1.22 --	1.21 --	1.13 --	1.21 --	1.28 --	--	--	
Philadelphia, PA	1.47	1.52	1.54	1.54	1.49	1.50	1.52	1.51	1.52			
Pittsburg, PA	1.27 --	1.31 --	1.32 --	1.29 --	1.27 --	1.22 --	1.14 --	1.21 --	1.29 --	--	--	
Rapid City, SD	1.51	1.54	1.54	1.54	1.52	1.42	1.37	1.40	1.50			
Pierre, SD	1.49 --	1.52 --	1.52 --	1.52 --	1.49 --	1.39 --	1.34 --	1.37 --	1.47 --	--	--	
Sturgis, SD	1.54	1.57	1.57	1.57	1.55	1.45	1.40	1.43	1.53			
Barre, VT	1.52 --	1.53 --	1.53 --	1.53 --	1.54 --	1.51 --	1.51 --	1.54 --	1.54 --	--	--	
Burlington, VT	1.49	1.54	1.54	1.67	1.54	1.49	1.49	1.49	1.49			
Rutland, VT	1.52 --	1.54 --	1.55 --	1.54 --	1.54 --	1.54 --	1.54 --	1.49 --	1.49 --	--	--	
Eastern, VA	1.89	1.99	1.99	1.79	1.99	1.99	1.99	2.19	2.19			
Western, VA	1.49 --	1.49 --	1.56 --	1.56 --	1.59 --	1.49 --	1.59 --	1.59 --	1.53 --	--	--	
Southern, VA	1.82	1.85	1.85	1.85	1.89	1.89	2.09	2.09	2.09			
Seattle, WA	1.64 --	1.64 --	1.60 --	1.56 --	1.61 --	1.65 --	1.65 --	1.66 --	1.68 --	--	--	
Madison, WI	1.49	1.32	1.31	1.29	1.35	1.45	1.35	1.29	1.24			
SIMPLE AVERAGE	1.5482	1.5649	1.5690	1.5653	1.5573	1.5227	1.4987	1.5149	1.5700	ERR	ERR	ERR
USDA	1.5596	1.5753	1.5781	1.5724	1.5640	1.5191	1.4983	1.5201	1.5781			

STATE OF NORTH DAKOTA
MILK MARKETING BOARD
410 EAST THAYER AVEUNE
BISMARCK, ND 58501-4049

REGULATED MILK PRODUCTS

1. Fluid Milk Products:

Whole milk, Homogenized milk, 2% milk, 1% milk, Low Fat milk,
Skim milk, Buttermilk, Chocolate Flavored milk

2. Cream Products:

Half & Half cream, Whipping cream, Coffee cream

3. Cultured Products:

Cottage cheese, Sour cream, Yogurt

4. Frozen Mix:

Shake mix, Soft Serve mix

NON-REGULATED MILK PRODUCTS

Butter, Hard cheese, Non Fat dry milk, Skim condensed milk,
Whole condensed milk, Whole dry milk, Dried cream, Evaporated milk

Rep Eugene Nicholas

TO: ALL HOUSE AGRICULTURE COMMITTEE MEMBERS NAMED ON
THE ATTACHED LISTING

FROM: RANDY TRISKE, UNION REPRESENTATIVE; MINNESOTA DAIRY,
GRAND FORKS

DATE: JANUARY 20, 1999

RE: OPPOSITION TO PASSAGE OF HB #1147,
THE ELIMINATION OF THE MILK MARKETING BOARD

FAX: 701-328-1997

Dear Representatives;

Passage of House Bill #1147 would very likely close our operation at Minnesota Dairy, Grand Forks. We are not big enough to compete against the much larger out-of-state dairies that would inundate the North Dakota market.

As their labor spokesman, it is the unanimous hope of all 29 Minnesota Dairy employees that this bill will be killed. We are talking about our livelihoods here.

With the passage of HB #1147, North Dakota dairy farms would be a thing of the past as there would be no processors in our state for them to sell their milk to.

Our smaller communities would pay higher costs for dairy products to pay for the increased transportation costs that their stores would incur.

When everything is considered, passage of HB #1147 would be detrimental to the citizens of North Dakota. Again, **PLEASE KILL THIS BILL!**

Thank you.

Sincerely,

Randy Triske

Randy Triske
1323 5th Ave. North
Grand Forks, ND 58203
Phone: (701) 775-8597

1999 LEGISLATIVE ASSEMBLY

HOUSE AGRICULTURE COMMITTEE

TOLL FREE NUMBER AT THE NORTH DAKOTA STATE CAPITOL BUILDING
1-888-635-3447

- | | |
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3965 62nd Avenue NE, Oberon, 58357, 12th District | 473-5510 |
| 3. Rick Berg
P.O. Box 3024, Fargo, 58108, 45th District | 293-9077 |
| 4. Mike Brandenburg
8044 County Road 34, Edgeley, 58433, 26th District | 493-2915 |
| 5. Tom Brusegaard
Route 1, Box 4, Gilby, 58235, 19th District | 869-2855 |
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8710 Highway 6, Selfridge, 58568, 35th District | 422-3769 |
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376-5377 |
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7751 County Road 10, Wahpeton, 58075, 25th District | 642-3102 |
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HCR 3, Box 68A, Langdon, 58249, 10th District | 256-2365 |
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| 13. Earl Rennerfeldt
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| 14. Bob Stefanowicz
P.O. BOX 666, Wildrose, 58795, 2nd District | 539-2430 |
| 15. John Warner
39200 331st Avenue SW, Ryder, 58779, 4th District | 726-5663 |