

**REPORT OF
THE MILK COMMISSION
STUDY COMMISSION
TO
THE GOVERNOR
AND
GENERAL ASSEMBLY OF VIRGINIA**



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**COMMONWEALTH OF VIRGINIA
Department of Purchases and Supply**

Richmond

1976

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REPORT OF THE MILK COMMISSION STUDY COMMISSION

TO

THE GOVERNOR

AND THE GENERAL ASSEMBLY OF VIRGINIA

Richmond, Virginia

January 1976

TO: Honorable Mills E. Godwin, Jr., Governor of Virginia

and

The General Assembly of Virginia

INTRODUCTION

This report is a result of the study directive contained in Senate Joint Resolution No. 19 passed by the 1974 Session of the General Assembly as follows:

SENATE JOINT RESOLUTION NO. 19

Continuing the commission to study the Milk Commission.

WHEREAS, Senate Joint Resolution No. 81 of the 1973 Session of the General Assembly created a commission to investigate the structure, duties, operations and procedures of the Milk Commission to determine whether they are in keeping with the present economic and agricultural conditions and recommend any changes which should be made; and

WHEREAS, the report of the Study Commission recommends certain action the effect of which, if implemented, should be studied and evaluated and that continued existence of the Study Commission for this purpose would be beneficial to the General Assembly; and

WHEREAS, it may be necessary to make further recommendation to fully comply with the directives of Senate Joint Resolution No. 81 as passed by the 1973 Session of the General Assembly; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the Milk Commission Study Commission created by Senate Joint Resolution No. 81 of the 1973 Session of the General Assembly

be, and the same is hereby, continued until November one, nineteen hundred seventy-five so that the members of the Commission may observe the effects of their recommendations as implemented. The present officers and members of the Commission shall continue to serve and the Commission shall observe the effects of their recommendations and make any additional recommendations necessary to fully comply with the directives contained in Senate Joint Resolution No. 81 as passed by the 1973 Session of the General Assembly. The agencies directed to cooperate with the Commission shall continue to do so.

The balance of the funds previously appropriated to the Commission are hereby reappropriated for the purposes of this study.

Pursuant to the study directive the original members of the Commission appointed under authority of Senate Joint Resolution No. 81 of the 1973 Session continued to serve. The membership of the Commission was constituted as follows: Senators Howard P. Anderson, Halifax; Herbert H. Bateman, Newport News; and H. Selwyn Smith, Manassas; the Speaker of the House of Delegates appointed Delegates V. Earl Dickinson, Mineral; James Hardy Dillard, II, Fairfax; Richard W. Elliott, Rustburg; Dorothy S. McDiarmid, Vienna; Nathan H. Miller, Bridgewater; Philip B. Morris, Richmond; and J. Warren White, Jr., Norfolk; the Governor appointed Dr. Steven G. Conerly, Johnson City, Tennessee; Dr. Harold H. Harris, Jr., Blacksburg; Dr. Ashby H. Henderson, Troutville; Millard B. Rice, Phenix; and Fred Scott, Winchester; Mr. Roy L. Farmer, Director of the Office of Consumer Affairs, Richmond was named a member in Senate Joint Resolution No. 81; and the Attorney General designated John B. Purcell, Esquire, Richmond, to represent his office.

Senator Herbert H. Bateman and Honorable J. Warren White, Jr. continued to serve as Chairman and Vice Chairman respectively.

The Division of Legislative Services made staff and facilities available to carry out the study, L. Willis Robertson, Jr. and Mrs. Joanne S. Palmore being assigned to assist the Study Commission.

II. SURVEY

The Milk Commission Study Commission was continued so that the members of the Study Commission could observe the effects of their recommendations and the necessity for further recommendations.

In its meetings the Study Commission called upon members of the Milk Commission and other interested groups to comment on the effect of its 1974 recommendations. It was reported that all the necessary changes had been made to carry out the eleven recommendations made in 1974 and that the results had been overwhelmingly positive as witnessed by the lack of complaints directed to the Milk Commission.

The primary reason for the new efficiency is the adoption of an economic formula for adjusting producer prices in accordance with monthly changes in economic conditions. The formula, which was adopted pursuant to Recommendation # 3 of the 1975 Report of the Milk Commission Study Commission which gave the Virginia Milk Commission authority to adopt an economic formula for setting milk prices for producers, incorporates the economic factors relevant to production, processing, and distribution of milk and makes rapid adjustments possible with fluctuation in such factors. The use of the economic formula has resulted in producer prices being more in line with adjacent areas and has eliminated the delay of holding public hearings and investigations before changes in producer prices could be effected.

In order to carry out Recommendation # 8 of the 1975 Report of the Milk Commission Study Commission which abolished local milk boards and transferred the duties and functions of such boards to the Milk Commission, the Staunton board was closed and the Eastern offices are being phased out, leaving just seventeen employees on the Milk Commission pay roll. The boards' previous functions are being performed by the personnel of the Virginia Milk Commission. This has resulted in a savings of \$25,000 for each office.

Pursuant to Recommendation # 9 of the 1975 Report of the Milk Commission Study Commission which stated that the Milk Commission should take all necessary steps to better inform the citizens of Virginia of the work of the Commission, the Milk Commission retained the research department of Brand, Edmunds, Bolio to conduct a study in order to determine consumer attitudes towards the milk industry and the Virginia State Milk Commission and to help them improve their public relations. From their initial telephone survey, it was learned that many significant misconceptions about the Milk Commission and its duties persisted. On the basis of this study, the Milk Commission printed and distributed a brochure about their office and its responsibilities. This publication has served to dispell misunderstanding and build better relations with the public at large.

In accordance with Recommendation # 2 of the 1975 Report of the Milk Commission Study Commission which took away the Milk Commission's authority to establish minimum retail prices, the elimination of minimum retail price setting went into effect July 1, 1974. However, the Commission did retain the authority to reimpose retail minimums in areas where there was evidence of market disruption. Therefore, when price wars erupted in two areas of Virginia, the Milk Commission set minimum retail price levels temporarily to stabilize the balance between retail, wholesale and producer prices. However, there was considerable debate over when and how these temporary prices in cases of market disruption should be handled. The Commission handled each case individually on the basis of the conditions present in the disrupted market.

III. COMMISSION RECOMMENDATIONS AND

REASONS FOR RECOMMENDATIONS

1. THAT THE MILK COMMISSION SHOULD MAKE A THOROUGH STUDY OF THE CONTROVERSY SURROUNDING IMPOSITION OF TEMPORARY MINIMUM RETAIL MILK PRICES IN CASES OF MARKET DISRUPTION AND DETERMINE APPROPRIATE POLICY FOR HANDLING IT IN THE FUTURE.

The members of the Study Commission heard testimony to the effect that a definition of market disruption was necessary so that both the Milk Commission and the public would know under what circumstances it was necessary to impose minimum retail prices on the sale of milk. However, the Study Commission also heard testimony indicating that the defining of the term market disruption would limit the flexibility of the Commission in determining when it felt the imposition of minimum retail prices was necessary and might lead to practices which would legally circumvent the written definitions of market disruption but would in effect cause disruption in the market place.

After listening to the controversy surrounding the temporary imposition of minimum retail prices in cases of market disruption, the members of the Study Commission decided that the matter should be given careful consideration and appropriate procedures developed to resolve such disputes. However, it was agreed that the Milk Commission itself would be the most suitable body for determining the policies for handling cases of market disruption and when or whether temporary price controls should be imposed.

IV. CONCLUSION

The Study Commission feels that its original recommendations as contained in the 1975 Report of the Milk Commission Study Commission have all been successfully implemented and are having a favorable effect on the dairy industry in the Commonwealth

The primary remaining problem area encountered by the Study Commission was the controversy concerning under what circumstances the imposition of minimum retail prices should be imposed by the Milk Commission. It is felt that the recommendation contained in this report adequately deals with that problem.

Respectfully submitted,
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Herbert H. Bateman, Chairman
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J. Warren White, Jr., Vice Chairman
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Howard P. Anderson
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Dr. Steven G. Conerly
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V. Earl Dickinson
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James Hardy Dillard, II
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Richard W. Elliott
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