

THE OPERATION OF MILK MARKETING AGREEMENTS
IN CITIES OF KANSAS

by

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INTRODUCTION

It is the purpose of this dissertation to describe conditions in the dairy industry that caused the development of milk marketing agreements and to trace their introduction and operation in the milk markets of the United States with a detailed treatment of their operation in three Kansas cities.

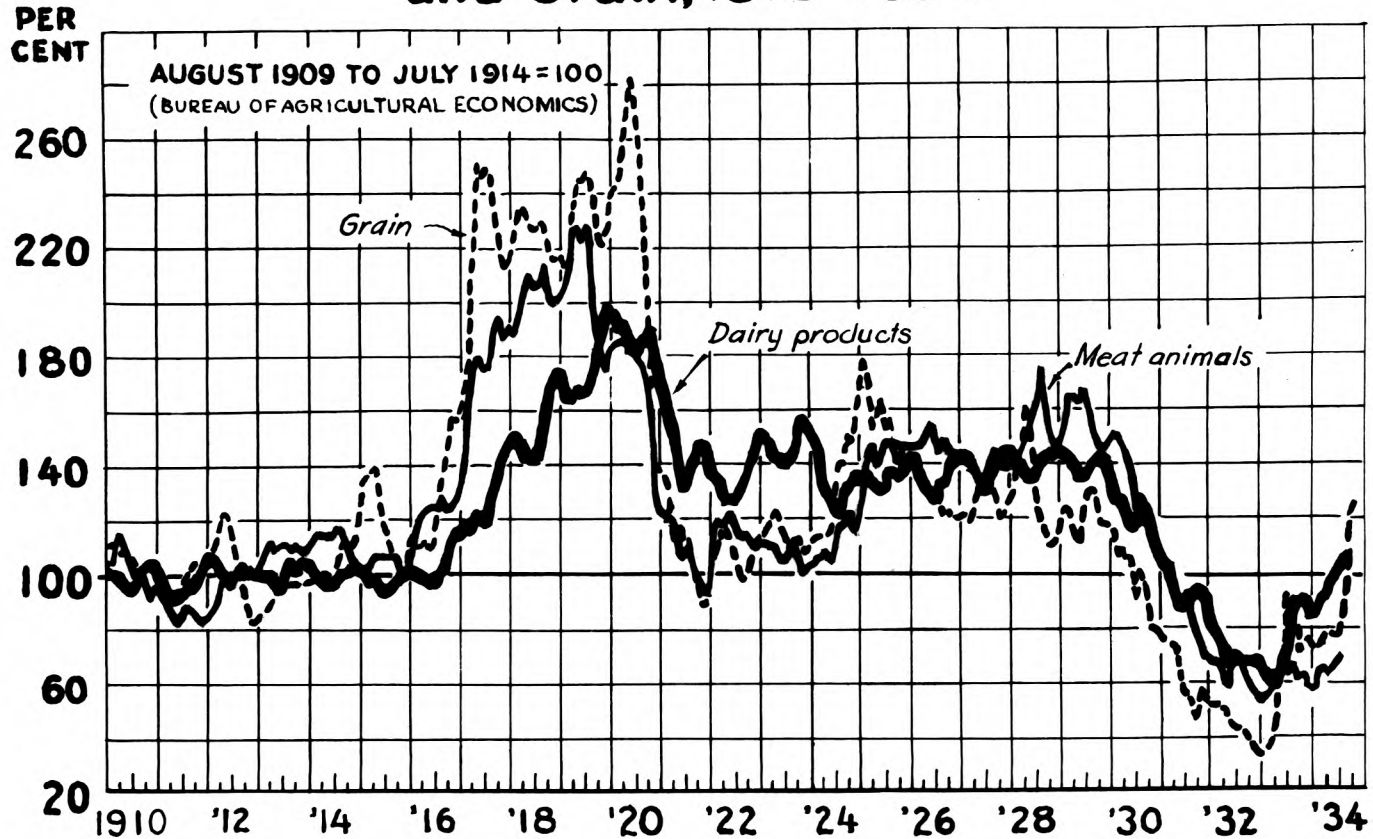
THE DAIRY SITUATION IN THE UNITED STATES

During the years 1920 to 1932 the dairy industry staged a remarkable development. During this period the population of the nation increased from 105 to 125 million persons. In the same time milk production increased from 67 to 104 billion pounds per year. In other words, in addition to an increase in demand for dairy products due to a greater population, there was a per capita increase of 32 per cent in the consumption of dairy products. (1,p.2)

The dairy industry stood the postwar depression from 1920 to 1924 better than most other agricultural industries (2). This is shown in part by Figure 1 entitled, "Farm prices of dairy products, meat animals, and grain, 1910-1934."

Figure 1.

Farm Prices of Dairy Products Meat Animals, and Grain, 1910-1934



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FIG. 22163 BUREAU OF AGRICULTURAL ECONOMICS

Prices of dairy products lagged behind prices of grains and meat animals during the war period and receded less thereafter.

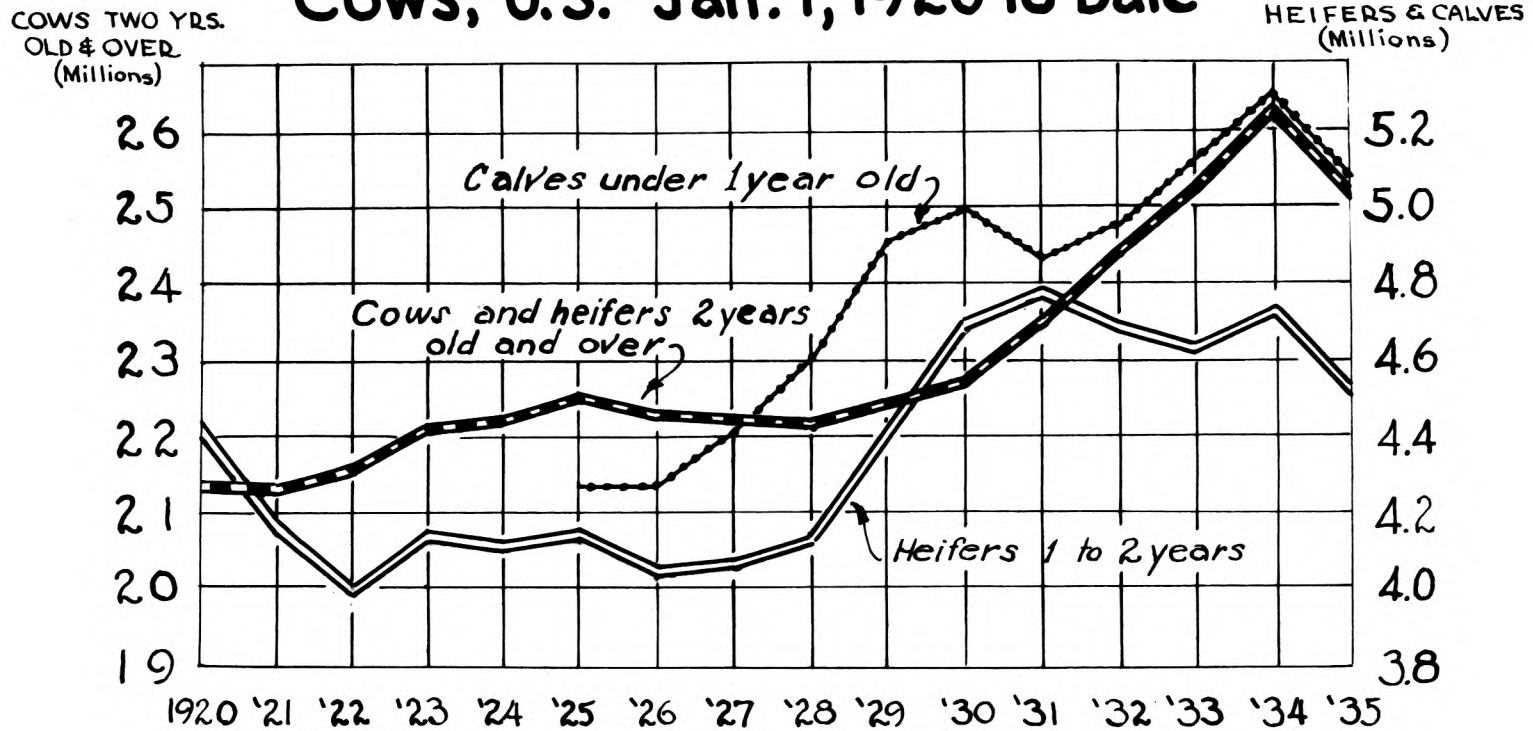
The relatively high prices for dairy products between 1920 and 1930 stimulated production to the extent that on January 1, 1934 more than 26 million cows were being milked in the United States. The number of milk cows on farms had been practically constant at 22 million from 1917 until 1928 when this rapid increase took place (3). The number of cows, heifers, and calves kept for dairy purposes is shown in Figure 2 based on United States Department of Agriculture estimates. The number of dairy cows on farms increased from 22,230,000 on January 1, 1929 to more than 26,000,000 on January 1, 1934 (Fig. 2). This great increase may have been due in part to the ruinously low prices for agricultural products in 1929 that caused many farmers to milk cows as an additional source of income.

The extent to which the dairy cow is relied upon as a source of income by the farmers of the nation is indicated by the fact that in 1925, 14.5 per cent of the total farm income of the United States was supplied by dairy products. In 1932 this proportion had been increased to 24.5 per cent of the total farm income (1,p.3).

The dairy industry, on a domestic basis since 1920, was stimulated by increased per capita consumption, an increasing population and a good market up to the break in 1929, when reduced buying power created a surplus of dairy products

Figure 2.

Cows; Heifers, and Calves For Milk Cows, U.S. Jan. 1, 1920 to Date



Estimates from U.S.D.A., Bureau of Agricultural Economics.

Note the rapid increase in dairy cows and heifers over two years of age beginning in 1929.

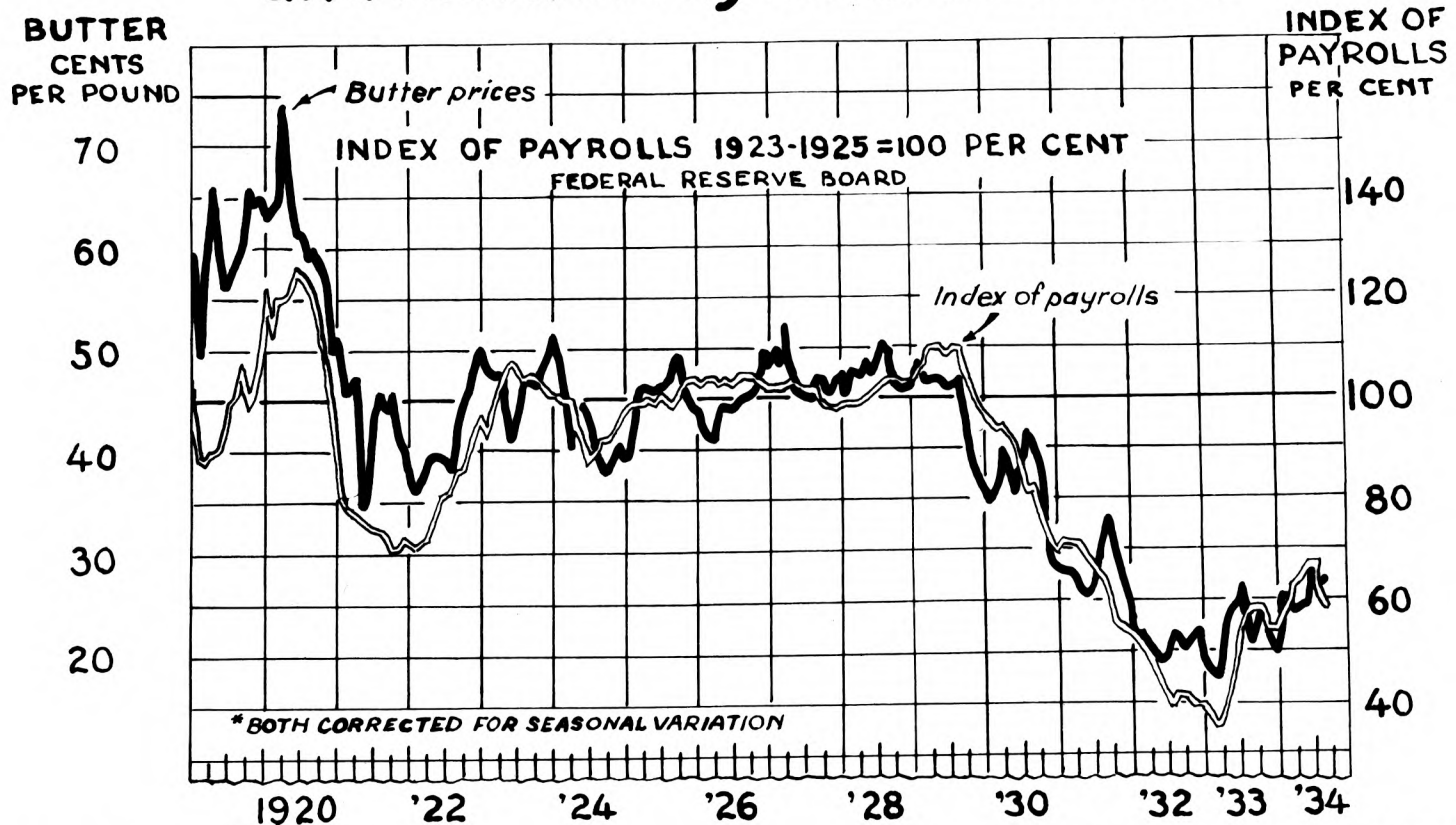
and resulting low prices. The cash income from dairy cows fell from \$1,847,000,000 in 1929 to \$985,000,000 in 1932 (4). The index number of wholesale prices of dairy products dropped from 140 in 1928 to 69 in 1933.

As the price of milk is increased or as buying power is reduced, families that have been buying large amounts of milk reduce their purchases. Families that have been using a small amount of fluid milk turn to canned milk, and other families may eliminate the use of milk and turn to substitutes. With reduced consumption, a surplus develops and prices are reduced to move this surplus. Retail prices are first reduced in an effort to hold volume and at the same time a part of the supply of milk is diverted to surplus channels. As market conditions get worse, large amounts of milk may be withheld from the market and sold direct for manufacturing purposes. This condition in the market is generally accompanied by a general breakdown in sanitary requirements and dairy management practices. This leads to lower values for cattle and dairy equipment and general dissatisfaction among producers.

The close relationship between payrolls and the price of dairy products is shown in Figure 3 which presents graphically the price of 92-score butter in New York and the index of payrolls from 1919 to 1933. Note that the

Figure 3.

Price of 92-Score Butter at New York and Index of Payrolls. 1919-1934



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Consumer purchasing power as reflected by payrolls is an important factor in butter prices.

price of butter followed closely the abrupt drop of the payroll index in 1929. In addition to reduced pay, 12 million people were out of work.

The difficulty in the dairy industry was quite apparent. A reduced buying power had created a serious underconsumption. Storage holdings of butter, cheese, and condensed milk mounted. On October 1, 1933 a record of butter holdings was established at 174,713,000 pounds in storage (5). Surplus fluid milk from consuming centers was diverted to manufactured products to increase the already burdensome supplies in cold storage. As the price of fluid milk was depressed, market conditions became worse. Price wars, milk strikes, boycotts, and a general reduction in sanitary regulations were common in every market. The farmer selling milk for manufacturing purposes was facing a losing game. At the same time, the dairy farmer complained that the things he had to buy had not been reduced in price.

In the Agricultural Adjustment Act passed by the Congress of the United States on May 12, 1933, dairy products were included as a basic product as explained in the act (6,p.8):

"SEC. 11. As used in this title, the term 'basic agricultural commodity' means wheat, cotton, field corn, hogs, rice, tobacco, and milk and its

products, and any regional or market classification, type, or grade thereof; but the Secretary of Agriculture shall exclude from the operation of the provisions of this title, during any period, any such commodity or classification, type, or grade thereof if he finds, upon investigation at any time and after due notice and opportunity for hearing to interested parties, that the conditions of production, marketing, and consumption are such that during such period this title can not be effectively administered to the end of effectuating the declared policy with respect to such commodity or classification, type, or grade thereof."

It was natural that the dairy farmers of the country should turn to the government for aid. This aid had been promised in the Agricultural Adjustment Act and is outlined in the declaration of policy (6,p.1):

"SEC. 2. It is hereby declared to be the policy of Congress -

"(1) To establish and maintain such balance between the production and consumption of agricultural commodities, and such marketing conditions therefor, as will reestablish prices to farmers at a level that will give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the base period. The base period in the case of all agricultural commodities except tobacco shall be the prewar period, August 1909-July 1914. In the case of tobacco, the base period shall be the postwar period, August 1919-July 1929.

"(2) To approach such equality of purchasing power by gradual correction of the present inequalities therein at as rapid a rate as is deemed feasible in view of the current consumptive demand in domestic and foreign markets.

"(3) To protect the consumers' interest by readjusting farm production at such level as will not increase the percentage of the consumers' retail expenditures for agricultural commodities, or products derived therefrom, which is returned to the farmer,

above the percentage which was returned to the farmer in the prewar period, August 1909-July 1914."

The chaotic condition of the fluid milk markets attracted first attention of the Agricultural Adjustment Administration (a). As a result, the administration attempted to organize certain milk markets under an agreement for adjusted production with fair margins and fair prices. From the beginning, it was realized that favorable conditions in fluid milk markets would attract farmers who were producing milk for manufacturing dairy products unless the prices of manufactured products were stabilized. On August 17, 1933 at a meeting of dairy leaders with A.A.A. officials in Washington, Secretary Wallace agreed to advance 30 million dollars to purchase butter (7). This promise was made on condition that the dairy industry would adopt some plan to reduce production.

As the wheat, cotton, tobacco, and corn-and-hog reduction programs progressed, attention turned to a dairy reduction program. The Secretary of Agriculture requested all agencies in the dairy industry to submit proposals. After considering all proposals, the A.A.A. decided to submit several proposals to the industry for their approval or rejection. The A.A.A. had adopted the policy with other

(a) Hereinafter referred to as the "A.A.A."

reduction programs that they must meet the approval of a majority of the farmers affected. The proposals were submitted by government representatives at 15 regional conferences beginning on April 2, 1934 (8). The state of Kansas was served by a conference in Kansas City, Mo. on April 2 and 3, 1934. A few of the proposals are described briefly (9, 10, 11, 12):

1. Organization of County Production Control Associations and payment for reduction of 10 to 20 per cent below the 1932-33 sales volume. Benefits to be 40 cents per pound butter fat or \$1.50 for each 100 pounds of fluid milk reduced. The money for the payments to be raised by a processing tax from 1 to 5 cents per pound of butter fat.

2. Reduce production by greater use of pasture and forage for dairy cows.

3. Set aside \$5,000,000 to purchase milk for undernourished children.

4. Use \$5,000,000 to distribute healthy cows to needy farmers who lack cows.

5. A fund of \$5,000,000 for tuberculosis and Bang's disease eradication.

6. Cull unsound and low producing cows, raise fewer calves, reduce number of daily milkings.

7. Use more dairy products on the farm.

8. Increase consumption of milk by advertising.
9. Increase the fat content of all dairy products.
10. License agreements in fluid milk markets.

The control program if adopted had to be national in scope and was to benefit both fluid milk producers and other dairy farmers.

On April 23, 1934, after the 15 regional conferences had been held, the A.A.A. announced that production control could not be attempted. General approval was lacking for any of the proposals. The announcement included a decision of the A.A.A. to reduce the number of diseased cattle (tuberculosis, Bang's disease, and later mastitis) and the purchase of dairy products for relief purposes from funds appropriated by Congress. Continuation of the use of marketing agreements for fluid milk producers was also announced (13).

There was little disappointment as a result of this announcement. The dairy farmers in the eastern states were inclined to favor production control for the middle west and were of the opinion that marketing agreements could prove beneficial to them. The producers of butter fat objected to the processing tax for the reason that it might increase the price of butter. Due to the fact that more dairy farmers would be under control than on all the other

A.A.A. control plans together, the control of dairy production presented many difficulties. The A.A.A. seemed to be content with marketing agreements, disease control, and relief purchases of dairy products as their contribution to restoring parity in the dairy industry.

HISTORY OF MILK MARKETING AGREEMENTS

As mentioned previously, the Agricultural Adjustment Act was approved on May 12, 1933. On July 29, 1933, Secretary Wallace signed a milk marketing agreement for the Chicago area. This was the first agreement signed by the secretary and was heralded as of great significance as he indicated that it opened the way for many agreements based on similar principles. At the time of the above announcement, agreements were pending or proposed for milk areas serving Atlanta, Ga., Baltimore, Boston, Detroit, Evansville, Ind., Kansas City, Los Angeles, Twin Cities, Philadelphia, San Diego, Oakland, San Francisco, New Orleans, Toledo, Cincinnati, and Charlotte, N.C. (14)

Agreements between milk producers and distributors are common in many fluid milk markets in the United States. This was especially true of markets where the distributors were organized. Milk marketing agreements under the A.A.A., however, placed the relations of these organizations on a

legal basis.

For a period of years milk marketing conditions had been bad in the Chicago area and the adoption of the first milk marketing agreement followed one of the most serious milk strikes in the area. The government intervened at the suggestion of the Pure Milk Producers Association and a majority of the distributors in the Chicago area.

"Under the A.A.A. as it is applied in the Chicago agreement, power exists for the first time to effect the complete organization of dairy producers and distributors. There is legal authority to enforce provisions for adjusted production, fair margins, and fair prices. This is an absolutely new thing in American agricultural experience, from which the country may reasonably expect great advantages." (14)

Milk marketing agreements were not defined in the Agricultural Adjustment Act but apparently there was little question as to the legality at the time of signing the first agreement. A copy of the first agreement for Chicago can be found in the appendix. It should be noted here that the first agreements set up production areas within which dairymen had specified quantities of milk that they sold to distributors at specified prices. Distributors also had to sell at specified prices. Thus a distributor's margin was fixed. This feature was later dropped on account of complications that developed.

At the same time that the A.A.A. was developing the milk marketing plan, the legality of the New York State Milk

Control Board was being tested in the courts of New York. The legality of the first case of the board was sustained in the Supreme Court of that state in October 1933. On March 5, 1934, the United States Supreme Court in a five to four decision sustained the New York State Milk Control law in the right to fix a minimum price for milk. The case arose when a Rochester, N. Y. grocer was arrested for giving a loaf of bread with each bottle of milk. This was an appeal from a similar decision in the New York courts.

(15)

At the present time, January 1, 1935, thirteen states have some state control over dairy products. The states are: New York, New Jersey, Pennsylvania, Ohio, Florida, Connecticut, Rhode Island, Massachusetts, Oregon, Vermont, New Hampshire, Delaware, and Wisconsin, with other states in the process of presenting similar legislation to the next legislature.

It is apparent that several of the states led the A.A.A. in the adoption of some of the phases covered in the early agreements. At first the A.A.A. agreements applied to markets where interstate shipments of milk were involved. For this reason decisions on state control were of importance.

On January 8, 1934, the A.A.A. announced that it would

confine the enforcement of price features of existing agreements to the enforcement of prices to farmers only (16). Thus, fixed retail prices charged by distributors were eliminated. It was deemed unwise to fix the retail prices charged by distributors without regulating the profits and capitalization of the companies as is required in public utility practices (15). With a fixed price to the producer, competition was relied upon to regulate profits and protect the consumer of milk. Whether this change was an admission of lack of authority was not indicated, but it did simplify the administration of the agreements. At the same time, minimum retail prices were specified in most of the agreements signed after January 8, 1934.

Along with the announcement referred to above, was a rather definite statement by Secretary Wallace of improvements in the agreements to eliminate marketing abuses.

Stated briefly, these improvements were:

1. "Perfection of a pool plan designed to assure farmers that they will be paid for milk sold to distributors according to the use for which consumers are charged."
2. Elimination of excessive freight for l.c.l. shipments.
3. Reduction of excessive station charges.
4. Elimination of terminal charges.
5. Require distributors to post bonds as an indication of financial responsibility.

From this announcement it was apparent that the administration was to take a more aggressive stand in favor of the milk producer. Under the first agreements with a fixed price to the producer and a specified resale price, the distributors in each area attempted to dictate the resale price. With a minimum resale price, only the burden of consumer prices was placed on the distributor.

The license agreements issued since January 8, 1934 include, in addition to a list of definitions, a marketing plan, rules for the establishment of bases, a schedule of unfair trade practices, and minimum resale prices. All producers in an area receive the same price for the different classes of milk. The blended price is determined by the prices established for the different grades as applied to the producer's base. In a few agreements the base and surplus plan is not included. This is true in the Omaha-Council Bluffs area and in the Topeka, Kans. area.

Class 1 milk means all milk sold or distributed as whole milk for ultimate consumption. Class 2 milk means all milk used by distributors to produce cream for sale as cream. Class 3 milk means the quantity of milk purchased, sold, used or distributed by distributors in excess of Classes 1 and 2.

The method of determining the blended price is given in the Kansas City agreement which is included in the

appendix.

OPERATION OF MILK MARKETING AGREEMENTS

The first agreement signed was for the Chicago area on July 29, 1933. A report from the A.A.A. dated November 23, 1933 showed a total of 13 milk shed marketing agreements for as many cities and included farms in 28 states. Approximately 120,000 producers in 245 counties were to share in the benefits. At this date, it was estimated that 10 per cent of all commercial milk sales from farms in the country was under agreements. The A.A.A. had also approved two national milk agreements — one for evaporated milk and one for dry skim-milk. Applications were on file for 109 agreements in 24 states. On this date the administration announced that in the future, hearings would be held in the territory in which the applications originated, thus eliminating expense for the applicants and at the same time presenting an opportunity for more people to participate in the hearings. (17)

On January 17, 1934, Secretary Wallace issued a notice that the 13 agreements would be terminated on February 1, 1934 and that they would be replaced by new agreements that conformed to the new policy of establishing producers' prices only. The details of the agreement in each case

were to be worked out by conferences with the parties interested.

On May 2, 1934, the dairy section of the A.A.A. estimated that under the 19 new agreements, five billion pounds of milk per year was under control (18). This represented 15 per cent of the total fluid milk and cream consumption of the non-farm population of the country. This did not include eight states where milk control boards were exerting some effort to adjust prices.

The annual equivalent in milk for both milk and cream consumption for each agreement is given below:

<u>City</u>	<u>Pounds</u>
Chicago	1,589,073,490
St. Paul & Minneapolis	340,516,805
Evansville, Ind.	37,066,480
Des Moines, Iowa	55,842,810
Boston, Mass.	814,218,275
St. Louis, Mo.	488,120,705
Omaha-Council Bluffs	104,641,850
Greater Kansas City	223,353,255
Wichita, Kans.	40,723,000
Lincoln, Nebr.	29,073,345
Sioux City, Iowa	31,362,625
Indianapolis, Ind.	141,879,150
Newport, R. I.	12,822,085
Providence, R. I.	240,155,400
New Bedford, Mass.	58,539,795
Fall River, Mass.	55,845,730
Detroit, Mich.	691,352,705
Richmond, Va.	42,000,000
Lexington, Ky.	16,000,000

The influence of marketing agreements on producers' prices is indicated in several studies. Table I is a

Table I.—Comparison of resale milk prices and dealers' margins during interval preceding agreements and while resale price fixing agreements were in effect.

Market Area and Class 1 Milk	Interval preceding agreement May 1933*			November - December 1933 Agreement Schedules		
	Dealers' sale price per quart	Producers' share f.o.b.	Dealers' margin	Dealers' sale price per quart	Producers' share f.o.b.	Dealers' margin
	Cents	Cents	Cents	Cents	Cents	Cents
Baltimore						
Retail delivered	10.0	4.7	5.3	11.0	5.6	5.4
Wholesale bottled	9.0	4.7	4.3	10.0	5.6	4.4
Wholesale bulk	6.25	4.7	1.6	8.0	5.6	2.4
Boston						
Retail delivered	10.0	4.9	5.1	12.0	6.5	5.5
Wholesale bottled	8.0	4.9	3.1	9.75	6.5	3.25
Wholesale bulk	7.25	4.9	2.4	9.25	6.5	2.75
Chicago						
Retail delivered	9.0	3.9	5.1	11.0	5.3	5.7
Wholesale bottled	8.0	3.9	4.1	9.5	5.3	4.2
Wholesale bulk	8.0	3.9	4.1	8.5	5.3	3.2
Des Moines						
Retail delivered	8.0	3.0	5.0	10.0	4.2	5.8
Wholesale bottled	6.0	3.0	3.0	8.5	4.2	4.3
Wholesale bulk	6.0	3.0	3.0	8.0	4.2	3.8
Detroit						
Retail delivered	9.0	3.1	4.9	10.0	4.0	6.0
Wholesale bottled	7.0	3.1	3.9	8.5	4.0	4.5
Wholesale bulk	6.0	3.1	2.9	8.0	4.0	4.0
Evansville						
Retail delivered	10.0	3.4	6.6	10.0	3.8	6.2
Wholesale bottled	8.5	3.4	5.1	8.5	3.8	4.7
Wholesale bulk	7.5	3.4	4.1	7.5	2.2	5.3
Knoxville						
Retail delivered	9.0	3.1	5.9	11.0	5.2	5.8
Wholesale bottled	7.5	3.1	4.4	9.5	5.2	4.3
Wholesale bulk	6.25	3.1	3.2	8.0	5.2	2.8
Los Angeles						
Retail delivered	8.0	2.5	5.5	11.0	4.4	6.6
Wholesale bottled	5.0	2.5	2.5	8.5	4.4	4.1
Wholesale bulk	5.0	2.5	2.5	7.8	4.4	3.4
New Orleans						
Retail delivered	10.0	3.1	6.9	12.0	5.2	6.8
Wholesale bottled	6.0	3.1	2.9	9.5	5.2	4.3
Wholesale bulk	5.0	3.1	1.9	8.0	5.2	2.8
Oakland, Calif.						
Retail delivered	11.0	4.3	6.7	11.0	4.9	6.1
Wholesale bottled	7.0	4.3	2.7	9.5	4.9	4.6
Wholesale bulk	7.0	4.3	2.7	8.75	4.9	3.85
Philadelphia						
Retail delivered	9.0	4.4	4.6	11.0	6.0	5.0
Wholesale bottled	8.0	4.4	3.6	10.0	6.0	4.0
Wholesale bulk	7.0	4.4	2.6	9.5	4.5	5.0
Richmond						
Retail delivered	12.0	5.4	6.6	13.0	6.8	6.2
Wholesale bottled	10.0	5.4	4.6	12.0	6.8	5.2
Wholesale bulk	8.75	5.4	3.3	10.5	6.8	3.7
St. Louis						
Retail delivered	10.0	3.0	7.0	11.0	4.3	6.7
Wholesale bottled	8.0	3.0	5.0	9.0	4.3	4.7
Wholesale bulk	7.0	3.0	4.0	8.5	4.3	4.2
San Diego, Calif.						
Retail delivered	10.0	4.2	5.8	11.0	5.2	5.8
Wholesale bottled	7.0	4.2	2.8	8.5	5.2	3.3
Wholesale bulk	7.0	4.2	2.8	7.5	5.2	2.3
Twin Cities (Minn.)						
Retail delivered	6.0	2.1	3.9	9.0	3.7	5.3
Wholesale bottled	4.25	2.1	2.2	7.5	3.7	3.8
Wholesale bulk	4.0	2.1	1.9	6.75	3.7	3.05

* Prices as reported to Bureau of Agricultural Economics.

comparison of dealers' margins during an interval preceding agreements and while resale price fixing agreements were in effect. This covers Class 1 milk in 15 market areas. Out of 45 prices by wagon distributors, the distributors had an increased margin in 28 instances, maintained the same margin in four schedules and a decreased margin in 13 schedules. This meant, in most cases, higher prices to the consumer. The schedule of cream prices also indicated a greater spread to dealers without commensurate increases in farmers' prices. Both producers and consumers objected to the A.A.A. maintaining the dealers' spread in prices while farm prices were ruinous. The high prices of milk attracted outside milk into the milk sheds and increased production within the areas; thus, the price structure was undermined and the A.A.A. finally gave up the plan of fixed resale prices as announced on January 8, 1934.(19)

Table II gives the price to farmers for Class 1 milk at the plant in 23 areas where the milk marketing agreement has been in operation. The A.A.A. reports that producers received 1.1 cents more per quart for milk in June and July 1934 than they did in the low period of May 1933. The table discloses that the producers in the areas studied received during June and July 1934 from 61 to 87 per cent of the average 1927 to 1929 prices, whereas, in May 1933

Table II.—Price changes to producers resulting from marketing agreements.

Milk Sales Area	Reported average Class 1 price to farmers per quart f.o.b. 1927-29	May 1933 reported average Class 1 price in percentage of 1927-29 price per quart	June 1934 license schedule price for Class 1 in percentage of 1927-29 price per quart	Drought amendments to licenses on Class 1 price in percentage of 1927-29 prices to producers per quart
	<u>Cents</u>			
Boston, Mass.	8.7	50.5 to 57	72	
Chicago, Ill.	6.3	63 to 72	80.9	87
Des Moines, Iowa	5.9	50.8	64	72
Detroit, Mich.	6.5	50.7	66	73
Evansville, Ind.	5.3	64	70.3	
Fall River, Mass.	8.7	55 to 66	74	
Indianapolis, Ind.	5.3	45	73	
Kansas City, Mo.	5.5	72	74	
Leavenworth, Kans.	5.5	72	74	
Lexington, Ky.	7.2	48	63	
Lincoln, Nebr.	4.9	59	75	
Los Angeles, Calif.	7.6	33	61	
Louisville, Ky.	5.8	65	81	
New Bedford, Mass.	9.3	54	69	
Newport, R. I.	9.3	54	69	
Omaha-Council Bluffs	4.9	57	75	87
Providence, R. I.	8.7	55 to 66	74	
Quad Cities	5.2	38	69	
Richmond, Va.	9.0	57	75	
St. Louis, Mo.	5.9	57	78	84
Sioux City, Iowa	5.2	59	71	
Minneapolis and St. Paul, Minn.	6.3	35	58	
Wichita, Kans.	4.6	56	87	

before the agreements were adopted the producers received from 33 to 72 per cent of the 1927-1929 price (20). To market agreements is attributed an average increase on June 1934 above the May 1933 price, amounting to 57 cents per hundred on 24 licensed markets. This statement is made in an A.A.A. release dated September 1934 (21). Some areas with drought amendments to increase the prices show an even greater increase. From this table it is easy to understand why milk producers are quite generally in favor of the new marketing agreement.

Table III shows the gross margin to distributors for retail prices on 50 metropolitan milk markets of the country. In the table they are ranked from the lowest margin to the highest. Note that the range is from 4.41 cents to 8.34 cents with a variation in retail prices from 9 to 15 cents. This table is not a true picture of the price situation in the areas mentioned as it deals with retail milk only. The butter fat is not figured to a uniform percentage, the proportion of wholesale milk to retail is not mentioned, the influence of relief milk is not indicated nor the influence of store prices. The table does show some influence of federal and state regulations on the margins. For example in the first group of five markets with margins from 4.4 to 5 cents per quart, four

Table III.—Dealers' buying prices and retail margins in 50 milk marketing areas.

Markets	Dealers' buying prices for raw milk delivered f.o.b. city		Prevailing butter-fat test of milk sold by dealers	Retail price per quart bottled to family trade	Gross margin to distributors on retail prices only	
	Per cwt.	Per Qt.				
	Dollars	Cents	Per cent	Cents	Cents	
F - Chicago, Ill.	2.60	5.59	3.5	10	4.41	
F - Baltimore, Md.	3.02	6.49	4.0	11	4.51	
F - Boston, Mass.	2.98	6.41	3.8	11	4.59	
F - Quad Cities	1.91	4.11	3.7	9	4.89	
S - Milwaukee, Wis.	2.33	5.01	3.6	10	4.99	
F - Evansville, Ind.	1.82	3.91	3.8	9	5.09	
F - Indianapolis, Ind.	1.79	3.85	3.8	9	5.15	
S - Philadelphia, Pa.	2.72	5.85	3.8	11	5.15	
	Memphis, Tenn.	2.25	4.84	4.0	10	5.16
S - Seattle, Wash.	2.20	4.73	4.0	10	5.27	
	Wilmington, Del.	2.60	5.59	4.0	11	5.41
	Mason City, Iowa	2.12	4.56	3.9	10	5.44
F - Des Moines, Iowa	2.12	4.56	3.9	10	5.44	
	Washington, D. C. (Premium)	3.51	7.55	4.2	13	5.45
S - Pittsburgh, Pa.	2.56	5.50	3.7	11	5.50	
F - Omaha, Nebr.	2.09	4.49	3.8	10	5.51	
SF - Providence, R. I.	3.46	7.44	3.9	13	5.56	
F - Lincoln, Nebr.	2.05	4.41	3.8	10	5.59	
S - Dallas, Tex.	2.04	4.39	4.2	10	5.61	
F - Twin Cities, Minn.	2.03	4.37	3.6	10	5.63	
	Butte, Mont.	2.03	4.37	3.7	10	5.63
F - Oakland, Calif.	2.48	5.33	4.0	11	5.67	
F - Fall River, Mass.	3.40	7.31	3.7	13	5.69	
S - Salt Lake, Utah	1.99	4.28	3.9	10	5.72	
F - Richmond, Va. (Prem.)	3.37	7.25	4.0	13	5.75	
F - St. Louis, Mo.	2.44	5.25	3.8	11	5.75	
F - Los Angeles, Calif.	2.44	5.25	4.0	11	5.75	
S - Portland, Ore.	1.95	4.19	4.0	10	5.81	
	Sioux Falls, S. D.	1.95	4.19	4.0	10	5.81
S - New York, N. Y.	3.31	7.12	3.7	13	5.88	
S - Cleveland, Ohio	2.33	5.01	3.5	11	5.99	
F - Savannah, Ga.	3.25	6.99	4.2	13	6.01	
F - Ft. Wayne, Ind.	1.82	3.91	3.9	10	6.09	
F - Detroit, Mich.	2.28	4.90	3.6	11	6.10	
	Macon, Ga.	1.81	3.89	4.5	10	6.11
F - Denver, Colo.	1.80	3.87	3.6	10	6.13	
	Duluth, Minn.	1.74	3.74	3.8	10	6.26
S - Albany, N. Y.	2.65	5.70	4.0	12	6.30	
F - Louisville, Ky.	2.18	4.69	4.0	11	6.31	
S - Hartford, Conn.	3.56	7.66	3.9	14	6.34	
	Wheeling, W. Va.	2.16	4.64	3.7	11	6.36
	New Orleans, La.	2.08	4.47	4.0	11	6.53
S - Buffalo, N. Y.	2.53	5.44	3.7	12	6.56	
F - Kansas City, Mo.	2.45	5.27	3.8	12	6.73	
S - Cincinnati, Ohio	2.35	5.05	3.7	12	6.95	
	San Francisco, Calif.	2.20	4.73	4.0	12	7.27
	Little Rock, Ark.	2.00	4.30	4.0	12	7.70
	Birmingham, Ala.	2.90	6.24	4.5	14	7.76
S - Miami, Fla.	3.28	7.05	4.3	15	7.95	
	Raleigh, N. C.	2.63	5.66	4.2	14	8.34

SF - State-Federal Control

F - Federal license

S - State regulation

have federal marketing agreements and one has state control. In the next group of 26 markets with margins from 5 to 5.9 cents, 11 have federal agreements, one has joint federal and state control, eight have state control, and six were without any control. Only one of the five markets with highest margins has state control. (22)

While the A.A.A. has been instrumental in increasing milk prices to producers, it has seemed expedient in a few cases to reduce prices to the producer. At the request of market agencies, the price of Class 1 milk in the quad cities area composed of Davenport and Bettendorf, Iowa and Moline and Rock Island, Ill. was reduced from \$1.85 to \$1.70 per cwt. of 3.5 per cent milk effective October 22, 1934. Rains in the area had restored feed supplies and the decrease in price was justified. No change was made in the resale schedule. The prices for Class 2 and Class 3 milk were unchanged. (23)

On October 24, 1934, the A.A.A. announced a reduction in price for the Chicago area from \$2.25 to \$2 per hundred for Class 1 milk testing 3.5 per cent. This decision was reached after a conference with those in control of the market. No change was made in the resale price due to the low margin in the Chicago market. (24)

The regulation of producer-distributors was given

little if any consideration in the early agreements. A producer-distributor is one who produces and distributes his own milk and in some middle western markets this type of distributor handles 50 per cent of the total milk supply of the markets. In the new agreements he reports his sales to the administrator, must sell above the stated minimum, and does not contribute to the equalization price unless he exceeds his base.

In a news release from the A.A.A. dated November 22, 1934, it was announced that 49 federal fluid milk licenses were in operation. This number did not include those at New Orleans, San Diego, and Philadelphia, which were being redrafted. Fifty cooperative producer associations in the various markets of the country sponsored the above licenses.

(25)

It is impossible to keep pace with the amendments made to existing agreements or to point out many of the changes in new agreements. The A.A.A. news release dated December 3, 1934, however, announced some amendments to the Chicago license that are of interest because they are quite different from previous licenses (26). The amended license in the Chicago area provides:

1. Reduction of sales area from 4400 to 2400 square miles.

2. Use of a percentage base rating plan in relation to actual sales of Classes 1 and 2 by distributors.

3. Use of four classes of milk sold by distributors instead of three.

4. Allotment and revision of bases for members of the Pure Milk Producers Association to be reserved for the association itself. Market administrator to handle bases for new and non-members.

5. New producers to receive base allotments on 80 per cent of their production for the market.

6. Instead of being paid a blended price on all base milk, the producer will receive the Class 1 price for a percentage of his total base that represents the relation between all bases and the total Class 1 fluid sales.

The above changes may be taken as an indication of progress in making the Chicago license more workable. It does not seem that the changes mentioned would simplify the license. It is apparent that the producers' organization is given more responsibility in this agreement than in any other now in operation.

MILK MARKETING AGREEMENTS AND LICENSES IN KANSAS

Concurrent with the development of milk marketing agreements as outlined above, was the development of

sentiment for milk marketing agreements in certain Kansas cities. Although the volume of fluid milk reaching distributing centers in Kansas and adjacent territory does not compare with the amounts under agreement in most areas, these markets were in a serious condition. The decline in the price of butter fat during the summer of 1933 caused many farmers in Kansas who had been selling butter fat to try for increased returns by selling fluid milk. At the same time other farmers were attracted to milking cows in an effort to supplement reduced income from grain farming. Butter fat sold for as low as 9 cents per pound in sections of western Kansas in the summer of 1933 and was around 12 cents per pound for more than a month. Fluid milk sold for as low as 2 cents per quart wholesale in bottles in Topeka, Kans. and 4 and 5 cents was a common price in many cities of eastern Kansas.

Between 15 and 20 cities in eastern and central Kansas had meetings of dairymen in an effort to get relief through agreements. At one time in the summer of 1933, producers in a group of counties in eastern Kansas were organized in an endeavor to set up an agreement for that area. No definite help was forthcoming from the A.A.A. but it was inferred that markets concerned with interstate shipments of milk would be given first consideration. As a result

many of the smaller markets forgot about their requests and tried to work out their own plans.

On July 8, 1933, the Secretary of Agriculture announced a public hearing in Washington on July 18, 1933 for a milk marketing agreement for Kansas City, Mo. (27) The agreement was submitted by the Kansas City Pure Milk Producers Association, The Milk Service Association, and The Independent Dairies, Inc. The first named association is composed of producers in Missouri and Kansas who sell to the pasteurizing plants in Kansas City. The Milk Service Association is an organization of pasteurizers in Kansas City, Mo. and Kansas City, Kans., and the Independent Dairies are producer-distributors of raw milk. In the hearing it developed that the Kansas City milk supply came from eight Missouri counties and four Kansas counties, the proportion of volume being 85 per cent from Missouri and 15 per cent from Kansas.

The hearing on July 18, 1933 was on an agreement for Kansas City, Mo., but it developed that this market was closely related to the market of Kansas City, Kans. and for this reason or others, the agreement for Kansas City, Mo. was not adopted (28). The unsettled condition in the Kansas City area continued and on December 7, 1933, a hearing was held in Kansas City, Kans. on an agreement for Kansas City,

Kans.(29) This agreement became effective on March 17, 1934. On March 31, 1934, the Kansas City, Kans. agreement was amended to include Kansas City, Mo.(30)

The license for the Kansas City area, a copy of which is included in the appendix, sets up an equalization pool for payment of the same blended price for all base milk determined by the base and surplus plan. All milk dealers are required to post bonds as an indication of financial responsibility and a list of unfair trade practices and a schedule of resale prices is attached to the license. The A.A.A. is represented on the market by an administrator.

The price for Class 1 milk of 3.5 per cent fat as given in the license was \$1.75 per cwt. f.o.b. distributor's plant. During 1933, producers had received \$1.33 per cwt. and in March 1934 the base price was \$1.25 per cwt. A differential of 4 cents per cwt. for each .1 per cent of butter fat above or below the market standard was established. A freight differential of 10 cents per cwt. beyond the 30-45 mile zone is deducted from the price.

The price of Class 2 milk is figured as follows: $3\frac{1}{2}$ times the average monthly quotations for Chicago 92-score butter, plus 25 per cent, plus 25 cents per cwt. At the time the license was adopted, this was equal to \$1.33 per cwt. Class 3 milk or manufactured milk is paid for on the

basis of Chicago 92-score butter plus 20 cents per cwt.

The blended price paid to each producer for his base milk is stated in the license as follows:

- (a) Compute the total value in each class of all milk actually reported by each and all distributors.
- (b) Compute the total quantity of milk by hundred-weight represented by the delivered bases of all producers.
- (c) Compute the value of milk sold or used by all distributors in excess of the total delivered bases of all producers by multiplying the excess by the price of Class 3 milk.
- (d) Subtract from the amount determined in (a), the amount determined in (c).
- (e) Add (c) to (d) to get total adjusted value of the quantity of milk reported by the total delivered bases of all producers as reported by the distributors.
- (f) Compute the blended price for the quantity of milk represented by the total delivered bases of all producers by dividing the amount obtained in (e) by the quantity of milk represented by the total delivered bases of all producers determined in (b).

A minimum resale price of 7 cents per quart wholesale and 8 cents per quart for retail milk was included.

The population of the Kansas City, Kans. area is about

140,000. Total daily receipts of milk is 100,000 pounds, of which 80,000 pounds is inspected milk. Of the above total, 50,000 pounds is distributed by pasteurizers who get 40,000 pounds from the Pure Milk Producers Association and 10,000 pounds from non-members. Producer-distributors supply about 30,000 pounds daily, which is sold raw. The population of Kansas City, Mo. is 412,600. The total daily milk receipts for this market is about 242,000 pounds.

The Kansas City milk market, with 50 per cent of pasteurized milk, is reported to have the lowest quantity of pasteurized milk of any city of similar size in this country. This is due in part to the high percentage of milk sold by producer-distributors.

In addition to the price given above for Class 1 milk, a premium of 58 cents per cwt. on the basis of 3.8 per cent milk was added as a result of an arbitration in August 1934, due to the serious feed shortage resulting from the 1934 drought (a). The price of Class 2 milk was increased 15 cents per cwt. and that of Class 3 milk was increased 5 cents per cwt. On October 1, 1934, Class 1 milk was reduced 45 cents per cwt. for October. The blended price for August was \$2.10 per cwt. for 3.8 per cent milk.

(a) Verbal statement by Coe Prichett to author, November 1934.

On July 16, 1934, the Kansas City license was amended to read that producer-distributors who exceed the base of sales that they established must be included in the calculation of the blended price and pay into the equalization pool. The amended license also expands the definition of Class 2 milk to include, besides fluid cream, all milk used to produce chocolate milk or chocolate drinks, flavored milk, creamed cottage cheese, and creamed buttermilk. All of these commodities under local health regulations must be produced from Grade A milk.

On August 28, 1933, a hearing was held in Washington, D. C. on a milk marketing agreement for Wichita, Kans. (31) The Wichita Milk Producers Association, an organization of 900 producers in that area; the Natural Milk Producers Association, representing 100 producer-distributors; and the Wichita Pasteurized Milk Dealers Association, were represented in the petitioning group. As was the case with the agreement for the Kansas City area, an active organization of milk producers created the demand for an agreement. Nothing was heard from this agreement until it was announced that it had been signed on the following March 16, 1934 and would become effective on March 17 (32). As previously mentioned, this was during the period that the policy of the A.A.A. was being changed. The new policy

that resulted was announced on January 8, 1934.

The Wichita license, a copy of which is given in the appendix, is quite similar to the license for the Kansas City area. The price of Class 1 milk given in the original license was \$1.75 per cwt. This was 49 cents per cwt. more than the prevailing price at the time. The minimum resale price established was $7\frac{1}{2}$ cents per quart wholesale and $8\frac{1}{2}$ cents retail.

The consuming population of Wichita is 125,000. The milk sales total 120,000 pounds daily. Of this amount 50,000 pounds are sold by members of the Producers Association to pasteurizers who also purchase 10,000 pounds from non-members, 45,000 pounds sold by producer-distributors, and 15,000 pounds sold by non-members of producer organizations who sell milk from their own establishments outside the city limits.

Producer-distributors were required to make reports and pool adjustments to the administrator when their daily sales averaged more than 250 pounds or when they purchased some of their supply from other producers or when they sold to other distributors or plants. The license was later amended, May 16, 1934, so that producer-distributors were not required to make pool adjustments unless they exceeded 300 pounds of milk or the equivalent daily.

On May 16, 1934, both the Kansas City (33) and Wichita (34) licenses were amended to provide that new producers could sell on the market if they would accept bases established by the administrator and sell at Class 3 price for 90 days. Wichita producers received a premium of 45 cents above Class 1 on account of drought conditions.

On May 16, 1934, a milk license was issued for Leavenworth, Kans. (35) This was after a hearing at Leavenworth, Kans. The license is similar to the Kansas City license and is under the administrator of the Kansas City and Wichita markets. The resale price on the Leavenworth market is $7\frac{1}{2}$ cents per quart wholesale and $8\frac{1}{2}$ cents per quart retail. Resale prices also are given for cream. A copy of this license can be found in the appendix.

A government release (36), dated June 13, 1934, announced a hearing on a proposed market agreement for Topeka, Kans. at Topeka on June 20, 1934. The agreement was proposed by the Topeka Milk Producers Association said to represent 75 per cent of the producers supplying the area. The Topeka Milk Bottlers Association also favored the agreement. The Secretary of Agriculture signed the above mentioned agreement on November 3 and it became effective on November 10, 1934. (37)

This license was one of the few without a base and

surplus plan. Under the terms of this license, Class 1 milk would sell for 60 cents per pound of butter fat in the milk. The price for Class 2 milk would be on the butter-fat basis based on 92-score Chicago butter plus 20 per cent, plus 10 cents per pound butter fat. The price of Class 3 milk would be Chicago 92-score butter plus 5 cents per pound butter fat. Previous prices in this area varied from 30 to 40 cents per cwt. for Class 1 milk. Producers will receive a blended pool price for milk. No restrictions are placed in the license on new producers except local health regulations. The minimum resale prices as fixed by the license are 9 cents per quart retail and 8 cents wholesale. No resale prices are fixed for cream. A copy of the license is included in the appendix. The administrator of the Kansas City license has charge of the Topeka license.

As previously mentioned, several other cities in Kansas asked for hearings on milk agreements. Fort Scott and Coffeyville had hearings scheduled in December 1933.(38) A milk marketing agreement for the north-central Kansas area was drawn up by members of the Agricultural Economics and Dairy Husbandry departments of Kansas State College in July 1933. It was approved by representatives of the milk markets of Herington, Abilene, Salina, Junction City, Manhattan, Marion, Florence, and Council Grove, Kansas.

This agreement was patterned after those in use by the A.A.A. and it was hoped that this area might be given a hearing but this never materialized. A copy of this proposed agreement is given in the appendix.

RESULTS OF MILK MARKETING AGREEMENTS IN KANSAS

It is impossible to estimate the proportion of fluid milk under license in Kansas but with the Topeka market operating under a license, the three largest cities in Kansas will probably account for one-fourth of the milk consumed in the state. In the neighborhood of 1200 producers are directly affected by the markets. A great number of other dairy farmers are influenced indirectly as a result of more stable prices in the large milk consuming centers of the state.

The influence of the marketing agreements in the cities of Kansas is quite difficult to measure, due to the fact that to date (January 1, 1935) they have been in operation less than a year and most of this time during one of the worst droughts ever recorded in this section. The Topeka license, effective November 10, 1934, has not been in operation for sufficient time to measure any results.

In Table II it is shown that the price of Class 1 milk in the Kansas City area in May 1933 was 72 per cent of the 1927-29 price. In June 1934 this price was 74 per cent of the 1927-29 price. This is not a material increase but the agreement had been effective less than three months. The Leavenworth market followed the Kansas City price quite closely due to the proximity to Kansas City. The Wichita market in May 1933, as shown in Table II, had a price that was only 56 per cent of the base price while in June 1934 the price had been increased to 87 per cent of the base price for 1927-29. These prices do not include any increase that was later added to this amount due to the serious drought. The producers in the Wichita market needed help and they got relief through their license. At least nine out of every 10 producers under the license in Kansas will say that they have been benefited. The producer-distributor, although not sharing in the equalization pool, will admit that he has been helped by the minimum price established in each market for milk and cream. Most distributors also will agree to this statement.

In the cities of Kansas under milk marketing agreements, little change can be noted in the retail price of milk. Attempts have been made to increase prices with the result that when they get milk above 10 cents a quart the

volume of sales is reduced and as a result the average price is between 9 and 10 cents a quart. The minimum price has eliminated some cheap milk from the markets but this has not been a hardship on the consumer commensurate with the good effect on the producer.

Many unfair trade practices were eliminated in the Kansas City, Leavenworth, and Wichita markets through the cooperative producer organizations in these areas prior to the advent of the license. The agreements give approval to the activities of these organizations. Perhaps the worst practice eliminated under the agreements was that of some dealers who sold as fluid milk large quantities of milk purchased as surplus milk from the associations. The administrator has a check on this quantity under the agreement.

The operation of the base and surplus plan has served as a production control. The severe drought reduced production in all the Kansas fluid milk markets until September. With the revival of native pastures and the use of wheat and rye for pasture in the fall of 1934, many were anxious to increase their production on account of the favorable price. Without the base and surplus plan, markets would have been flooded with milk. In the Wichita area, especially, the abundant wheat pasture has caused

many producers to seek higher bases but without favorable results. New producers do not care to meet the sanitary requirements and take Class 3 prices for three months during a temporary favorable period.

Production control measures for wheat, corn, and cotton have raised feed prices for dairy farmers. Any increase due to this cause in the summer of 1934 or the first half of 1935 will be of minor importance when compared with the influence of the drought of 1934. The Bureau of Agricultural Economics (39) has estimated that butter production in Kansas for August 1934 was 36 per cent under the August 1933 production. The sale of 600,000 head of cattle from the state followed the reduction in feed. Many of the better dairymen are now signing up to have their herds tested for Bang's disease as a result of the indemnity offered by the government.

One agency that has had an influence in stabilizing prices of milk on the Kansas City, Mo. and Wichita markets has been the bottle exchanges operated on these markets. The bottle exchange on the Topeka market has been less active than on the other markets mentioned. On the Missouri side in Kansas City, the producer-distributors and the pasteurizers each have a bottle exchange. The producer-distributors' organization in Kansas City, Mo. has a

standard bottle and when non-member bottles are picked up on its routes they are put out of circulation. In this way a non-member is either forced out of business or into the association which maintains a fixed price. This bottle exchange in the above mentioned market has driven many of the "chiselers" out of business. Bottle exchanges can be justified on the original intent of the plan but some have questioned this additional function.

One might question whether a milk marketing agreement tends to restrict the production of fluid milk to those producers located near the market. Nothing to this effect is written in the agreements operative in Kansas. The sales area for each licensed market is defined but the production area is not definitely prescribed. Most licensed markets require Grade A milk for Classes 1 and 2. This milk must be inspected by the city health departments and they in turn generally have a limit beyond which they will not make inspections. Cooperative producer associations have frequently held their units near the market to exclude lower priced milk. With present methods of transportation and refrigeration and the universally accepted sanitary requirements for fluid milk, it is unfair to the consumer if he does not receive the price advantage of milk produced on the cheaper land.

The number of distributing plants in the larger cities of Kansas may be taken to mean that there has been good money in this business. Producers dissatisfied with the prices received for milk have entered the retail business and, as previously mentioned, are selling nearly 50 per cent of the milk in the Kansas City and Wichita areas. Few of these distributors have sufficient volume for economical distribution. In the earlier agreements with a fixed resale value specified as well as the price to the producer, the distributors were satisfied with the agreements that guaranteed them what they called a fair margin but they are very generally opposed to the low resale price and the fixing of prices by competition. The consumer cannot pay the price when both producer and distributor have a so-called fair price.

The system of milk distribution in most cities is very inefficient. In many towns and cities, milk wagons each day travel five or six times the total length of the streets. Distributors admit this condition freely but continue to hope that they can buy milk low in price and sell high enough to keep in business. The consumption of milk suffers as a result. In a recent survey in Kansas City, Mo. families living in the school districts and selected as typical consumers used only 38 per cent of the minimum

amount of milk which health authorities recommend. This same survey brought out the fact that the lower income groups used between one-half and one-third more evaporated milk than the medium income group.(40)

The above statement in regard to evaporated milk consumption may indicate a reason for the low consumption of whole milk. Already some are asking why the delivery of milk requires so much costly service. Is it necessary to have milk delivered to the back door daily? Evaporated milk and powdered milk, practically equal to fresh milk in food value, are now being produced and at a much lower price. In fact, much surplus milk is turned into canned milk which competes with fluid milk. Some grocers have attempted to solve the milk delivery problem by making specials of dairy products, even selling below cost, and in doing so they have upset the market.

In any discussion that involves the cost of distribution of milk, it must be borne in mind that the distributor of milk deals with union labor, whereas the producer-distributor uses unorganized farm labor or members of his own family. The storekeeper is not subjected to the union that is in control of the distribution of milk. It can be said for the city distributor of milk that he is hemmed in on one side by the A.A.A. and on the other by the N.R.A.

and this has forced him to make drastic changes in the management of his business.

SUMMARY

After interviewing several individuals in the Kansas City, Leavenworth, and Wichita areas, the writer summarizes their reactions toward milk marketing agreements as follows:

1. Nine out of 10 producers are in favor of the agreements because the agreements have increased the price of milk. A few producers think they could get more money by dealing independently. Others feel that their bases should be higher but admit that it is impossible to increase all bases.

2. The producer-distributors are quite generally in favor of the agreements. They agree that they are not getting much more for their milk but that the minimum price established has eliminated ruinous competition.

3. The distributors of pasteurized milk, who are the larger operators on the markets, are generally opposed to the agreements for one reason or another. They seem to object to any interference that prevents them from dealing with their producers individually. They objected to the producer organizations for the same reason. The

distributors who pay into the equalization pool seem to think that this money goes to their competitors rather than to the producers. Those who take money from the pool are favorable. Even those most bitterly opposed admit that there are some good points in the agreements. The base and surplus plan for producers and the minimum resale price for milk and cream are generally considered as being helpful.

4. A serious criticism from all parties interested in the agreements in Kansas, is the lack of enforcement. In Kansas City, for example, some of the largest distributors are not paying into the pool. They have not defied the administrator, but they have not been forced to abide by the agreement. This action on the part of some of the distributors has caused others to question the necessity of meeting the requirements of the license. Producer-distributors are not reporting their volume of sales to the administrator in the Kansas City area. Some milk is being sold under the established resale price. Lack of enforcement eventually will nullify the provisions of the license.

CONCLUSION

In conclusion, it seems that one of two things must come to pass in the sale of milk. Either cooperative associations must assist in reducing the cost of distribution

of milk, or federal, state, or municipal agencies with power to control the markets will take over the responsibility. Up to date, cooperative associations have made progress toward reduction in the cost of distribution of milk. However, this progress has been too slow and the latter method is now under trial.

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- (33) Amendments granted to milk license for greater Kansas City sales area. Agr. Adjust. Admin., Press Service, U.S.D.A., Washington. May 16, 1934.
- (34) Wichita, Kansas milk license amendments become effective. Agr. Adjust. Admin., Press Service, U.S.D.A., Washington. May 16, 1934.
- (35) Milk license issued for Leavenworth, Kansas. Agr. Adjust. Admin., Press Service, U.S.D.A., Washington. May 16, 1934.

- (36) Topeka milk hearing scheduled by A.A.A. Agr. Adjust. Admin., Press Service, U.S.D.A., Washington. June 13, 1934.
- (37) Topeka, Kansas milk license gets final approval. Agr. Adjust. Admin., Press Service, U.S.D.A., Washington. Nov. 3, 1934.
- (38) Six milk agreements in middle west to get public hearings. Agr. Adjust. Admin., Press Service, U.S.D.A., Washington. Nov. 29, 1933.
- (39) The Agricultural Situation, p. 8. Oct. 1, 1934.
- (40) Reports of milk survey received from 51 cities. Agr. Adjust. Admin., Press Service, U.S.D.A., Washington. June 2, 1934.

UNITED STATES
DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

MARKETING AGREEMENT SERIES—AGREEMENT No. 1

MARKETING AGREEMENT
FOR MILK—
CHICAGO MILK SHED

TOGETHER WITH THE FOLLOWING APPENDICES
LICENSE FOR MILK—CHICAGO MILK SHED
AND MILK REGULATIONS

SERIES 1

Approved and executed by the Secretary of Agriculture, July 28, 1933
Effective date August 1, 1933 (12:01 p.m., Eastern Standard Time)



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1933

MARKETING AGREEMENT FOR MILK—CHICAGO MILK SHED

I

As used in this agreement, the following words and phrases shall be defined as follows:

A. "Fluid milk" means milk, cream, or any other of the articles listed in exhibit C which are sold for consumption in the Chicago metropolitan area.

B. "Contracting producers" means the Pure Milk Association (a corporation organized under the laws of the State of Illinois) and such producers and associations of producers of milk sold for consumption as fluid milk in the Chicago metropolitan area as may become parties signatory to this agreement according to the terms thereof.

C. "Contracting distributors" means members of Milk Council, Inc. (a corporation organized under the laws of the State of Illinois), members of the Chicago Milk Dealers Association (a corporation organized under the laws of the State of Illinois), and such other persons who distribute fluid milk for consumption in the Chicago metropolitan area as may become parties signatory to this agreement according to the terms thereof.

D. "Chicago metropolitan area" means the territory including the City of Chicago, Ill., lying within the following boundary lines:

Beginning at the point where the southern limits of the city of Zion joins the shore of Lake Michigan and thence running due west to the western boundary line of Lake County, Ill., thence south along the said western boundary line of Lake County and said boundary line extended to the point of intersection with the westerly extension of the southerly boundary of Cook County, Ill. (about 2 miles south of the village of Lemont); thence east along said extension of said southerly boundary and said southerly boundary to the point where said boundary of Cook County turns south; thence south, continuing along the boundary of Cook County, Ill., to a point where said county boundary turns east; thence east, continuing along said boundary line of Cook County about 1 mile to its intersection with Wolf Road, then south along said Wolf Road and along Illinois State Highway No. 51 to an intersection with the southerly boundary of Will County, Ill.; thence east along said southern boundary of Will County to the State line between Illinois and Indiana; thence north along said State line to an "east and west" road, which is located about 2 miles south of the village of St. John; thence east along said east and west road through the town of Crown Point, continuing east to an intersection with Indiana State Highway No. 2; thence due north to an intersection with Indiana State Highway No. 6; thence east along said highway no. 6 to the eastern boundary of Porter County, Ind.; thence north along said eastern boundary of Porter County, Ind., to the shore of Lake Michigan; thence north-westerly in a straight line to the point of beginning.

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OTHER DISTRIBUTORS:

Santi Brothers Dairy (not a corporation) *Highland Park, Ill.*
 Per *negro Santi*
 Hafemann Dairy, Libertyville, Illinois. (not incorporation)
 Per *Wm H Hafemann*
 Grayslake Dairy, (not incorporation) *Grayslake, Ill.*
 Per *Chas W Kuethe Jr*
 Maple Grove Dairy, (not incorporation) *Waukegan Ill.*
 Per *Alfred Johnson*
 Bornhoffs Dairy (not incorporated) *Glen View, Ill.*
 per *John C Bornhoffs*
 Palestine Dairy (not incorporated) *Palatine, Ill.*
 per *Robert C Collyman*
 Fessler Dairy (not incorporated) *Arlington Heights, Ill.*
 per *A. H. Fessler*
 Tonto Dairy (not incorporated) *Palatine, Ill.*
 per *Edmer Wente*

Free from

OTHER DISTRIBUTORS:

Waukegan, Ill.
 Als: Brumund Company A Corporation
Grace A. Brumund, President
Frank H. Sarter, Secretary.

Co-Operative Trading Company (a corporation)

Wm. B. Chandler, President. Waukegan, Ill.

Attest.

A. Fleming
Secretary

Callahan Dairy Co.
Waukegan, Ill.
J. S. Beard, Vice Pres

J. J. Rundlin
Notary Public

D.P.
Free from

OTHER DISTRIBUTORS:

Golden Rule Dairy Co
 By George Carlum Katz President Attest Lucas W. Karas Secretary

Blue Ribbon Dairy Co
 By Fred T. Hunt President Attest A. J. Martin

Lake View Dairy Co
 By George F. Cooke President Attest A. C. Englundson Secretary

Horton Pure Milk Co
 By William Alexander President Attest Clarence Norton Secretary

Prairie View Dairy Co
 By Harry Bell Attest Earl Youngren

Glen Park Dairy Co
 By Theresa Zwick President Attest Max Zwick Secretary

Green Meadow Dairy Co
 By James G. Fanta Attest Tom Rohloff

Dairy Dairy Products
 By Grady Carson Attest Grady Carson

Senshak Dairy Products
 By Emil W. Senshak Attest Emil W. Senshak

New Firm

OTHER DISTRIBUTORS

Gary Milk Company
 By Paul Libassi owner Attest E. Koskison

Morris Dairy Company
 By Palmas OWNER Attest L. J. Martin

Chicago Governor's Farm
 By Sam Linton secy Attest Sam Linton

Beloit Dairy Co.
 By A. M. McGuire Pres. Attest Sam Linton

Lake Zurich Milk Co
 By Sam Linton Pres. Attest E. J. Rodenstam

Honey Hill Creamery Co.
 By A. Kostakos Pres. Attest S. G. Kostakos, Secy

Mit-city Dairy Co
 By William president Attest Harry Nelson

Franklin Dairy
 By Geo C. Marner P. Attest Butler

Greenfield Dairy Co.
 By Philips Attest Philips

Boyle Bros Dairy
 By Boyle Attest Boyle

Theodore Perry & Sons Co.
 By Theodore Perry Attest Theodore Perry

Dunlop Dairy
 By Dunlop Attest Dunlop

John J. Sullivan By John J. Sullivan His Atty in fact

New Firm

Johnson Dairy Co. Pres
 by Edw D Johnson
 Peoria Dairy
 by M. Bredon, Pres
 Chicago Pure Milk Co
 by J. Kucinski
 City of Peoria, Ill. Pres
 by W. H. Smith
 Polonia Dairy Co. attest
 by Anthony Duda
 Helen Duda
 Crawford Dairy
 by Stanley Rabowski
 Stanley Rabowski
 Creston Dairy
 By N. Benson, Pres.
 N. Benson
 Wrightwood Dairy Co.
 Joseph Sawor,
 Cawettee Inc
 Cawettee
 Jersey Long
 Ernst Stimbner
 Scholl Dairy Products
 John Scholl

Edw D Johnson
 Street 111 Rush Street
 J. Kucinski Pres
 West 4th Street Pres.
 Mitchell A Dencowski

Bliss Dairy Co. by Frank Hefert Pres.
 by Frank Hefert
 Loveland Dairy
 Clarence Smith
 Keele Dairy
 Arthur T Keele
 Service Dairy Co.
 W. A. Nelson, Pres
 Renter Dairy Co.
 Paul Renter
 Chicago Lawn Dairy
 Arnold Mahn
 North Shore Dairy
 Frank J Harris

Clarence Smith
 Arthur T Keele
 W. A. Nelson, Pres
 Paul Renter
 Arnold Mahn
 Frank J Harris

New Firm

Whereas it is provided by section 8 of the act as follows:

Sec. 8. In order to effectuate the declared policy, the Secretary of Agriculture shall have power—

(2) To enter into marketing agreements with processors, associations of producers, and others engaged in the handling, in the current of interstate or foreign commerce of any agricultural commodity or product thereof, after due notice and opportunity for hearing to interested parties. The making of any such agreement shall not be held to be in violation of any of the antitrust laws of the United States, and any such agreement shall be deemed to be lawful: *Provided*, That no such agreement shall remain in force after the termination of this act.

And whereas due notice and opportunity for hearing to interested parties has been given pursuant to the provisions of the act and the regulations issued thereunder, and

Whereas it appears, after due consideration, that this is a marketing agreement between the Secretary and persons engaged in the handling of milk and its products within the meaning of said section in the current of interstate commerce, and effectuates the declared policy of the act, and

Whereas I herewith give notice that the uniformity in the retail prices by stores and other distributors to consumers as contained in Exhibit C is not to be regarded as a precedent for price schedules in marketing agreements for other milk sheds or future marketing agreements for the Chicago Milk Shed,—

Now, therefore, I, Henry A. Wallace, Secretary of Agriculture, acting under the provisions of the Agricultural Adjustment Act, for the purposes and within the limitations therein contained, and not otherwise, do hereby execute this agreement under my hand and the official seal of the Department of Agriculture in the city of Washington, District of Columbia, on this 28th day of July 1933, and, pursuant to the provisions hereof, declare this agreement to be effective on and after 12:01 p.m. eastern standard time, August 1, 1933.



Henry A. Wallace
Secretary of Agriculture.

EXHIBITS TO AGREEMENT

EXHIBIT A. RULES FOR MILK PRODUCTION, PRICES, AND AMOUNTS

I. PRICES TO BE PAID PRODUCERS

1. The price to be paid to any producer for milk shall be determined with reference to the producer's base as determined under exhibit B. For the purpose of determining such price, milk delivered by the producers shall be classified as follows:

Class 1. An amount equal to 90 percent of the producer's base.

Class 2. An amount equal to 10 percent of the producer's base.

Class 3. The rest of the milk delivered by the producer.

2. The price to be paid any producer for the several classes of milk shall be as follows:

Class 1. \$1.75 per hundredweight for milk of 3.5 percent butter-fat content, subject to a butter fat differential of 4 cents per one tenth of 1 percent butter-fat content below or above 3.5 percent.

Class 2. Three and one half times the average price in the Chicago market for the calendar month during which the milk is sold, of 92 score creamery butter sold at wholesale plus 20 percent of such resulting figure, such total amount to be adjusted by the butter-fat content differential specified with reference to class 1 milk.

Class 3. Three and one half times the average price in the Chicago market for the calendar month during which the milk is delivered, of 92 score creamery butter sold at wholesale to be adjusted by the butter-fat content differential specified with reference to class 1 milk, plus 3 cents per hundredweight.

3. All prices to the producer for milk shall be f.o.b. country plants, platforms, or loading stations with, in the case of prices for class 1 milk, a deduction of 1 cent per hundredweight for each 10 miles or part thereof in excess of 70 miles, but not in excess of 100 miles, from the City Hall in Chicago, and a further deduction of 1 cent per hundredweight for each 15 miles or part thereof in excess of 100 miles from the City Hall in Chicago.

4. In order to determine the cost of milk used for cream which will afford a comparison with the wholesale and retail prices for cream, such cost of cream shall be determined as follows for each contracting distributor:

(a) Take the amount of class 1 milk which is not actually sold for consumption as milk and multiply the quantity by the class 1 price.

(b) Take the total amount of class 2 milk and multiply that by the class 2 price.

(c) Take the quantity of class 3 milk used for cream and multiply such quantity by the class 3 price.

The total of the separate calculations under (a), (b), and (c) above will give the total cost to each contracting distributor of the milk which he uses for cream.

It is understood that this calculation does not affect in any way the prices now being paid to producers for the three classes of milk.

II. DISTRIBUTORS' SUPPLY CONTRACTS

5. Every contracting distributor shall have contracts or other arrangements for the purchase of milk which in the aggregate shall result in the contracting distributor purchasing daily if tendered under such contracts or other arrangements at class 1 prices a quantity of milk computed as follows:

For each wagon or truck route operated during the years 1929 and 1930 and for each wagon or truck route added thereafter by each "contracting distributor";

(a) Three hundred and eighty-two and one half pounds per each retail wagon or truck route.

(b) One thousand and fifty pounds per each wholesale wagon or truck route.

And in addition 10 percent of the total of such amounts.

6. All milk delivered in any month shall be paid for not later than the 15th of the following month.

EXHIBIT B. RULES FOR CONTROL OF BASIC PRODUCTION

1. For the purposes of this agreement the term "base" as used in respect to any producer, farm, or herd, as the case may be, shall be:

(a) In the case of members of Pure Milk Association, the quantity of milk recorded as such base in the files of Pure Milk Association.

(b) In the case of producers who sell milk within the Chicago metropolitan area and have had no base established by Pure Milk Association, a base shall be allotted by a duly authorized representative of such producers and bases allotted by such representative shall be equitable as compared with the bases established by Pure Milk Association for all other producers delivering milk in the same Pure Milk Association district.

(c) Producers not now selling milk within the Chicago metropolitan area will be allotted bases (1) in the case of new members of Pure Milk Association by Pure Milk Association, and (2) in the case of producers not members of Pure Milk Association by a duly authorized representative of such producers, as follows: The base shall be established during the first 90 days in which they produce and market milk within the Chicago metropolitan area and shall be equal to 60 percent of their average daily production during such 90 days.

2. A producer with a base who, as tenant, rents a farm may retain his base, and if he rents a farm for cash, the farm having no base, he is limited to his individual base.

3. A landlord who rents on shares is entitled to the entire base to the exclusion of the tenant if the landlord owns the entire herd on such farm. If cattle are owned jointly, whether in a landlord and tenant relationship or otherwise, the base will be divided between the joint owners according to the ownership of the cattle.

4. The separate bases of any landlord and his tenant or tenants may be handled as a single base.

5. A producer with a base who sells his entire herd to one purchaser at one time may transfer the base to his purchaser, provided that the entire herd is maintained for 6 months consecutively after such sale and transfer on the first farm on which such herd shall have been established.

6. A producer who moves his herd may retain his base only if thereafter milk is produced by him on a farm (1) which has supplied milk for fluid milk in the Chicago metropolitan area within 1 year preceding, or (2) which lies within a territory which has regularly been supplying milk as aforesaid.

7. Where a herd is dispersed for any reason without the base having been transferred with the herd, the producer must replace the herd within 45 days if he is to retain his base.

8. Any producer may combine all bases to which he may be entitled hereunder (for example, a producer with a base who acquires another herd accompanied by a transfer of the base from the seller may combine the two bases).

9. Any producer who voluntarily ceases to market milk as fluid milk in the Chicago metropolitan area for more than 45 days shall lose his base and in the event that he resumes production he shall be treated for the purposes of these rules as if he were a new producer.

10. A producer whose average daily production for any 3 consecutive months is less than 70 percent of the amount of the base to be sold at class 1 prices (under the present agreement less than 70 percent of 90 percent of base, or say, less than 63 percent of the total base), will thereby establish a new base equal to such average daily production over such 3-month period.

EXHIBIT C. PRICE SCHEDULE FOR CONTRACTING DISTRIBUTORS' SALES

(a) Sales of the following articles in the Chicago metropolitan area made by contracting distributors shall be at the prices hereinafter in this exhibit set forth. Sales of the following articles in bottles shall be made only in bottles of the sizes specified, and where a butterfat content is specified, only at the specified percentage.

(b) It shall not be deemed a violation of this agreement to add to the selling price of any article or articles hereinafter in this exhibit specified any sales or occupational taxes imposed by the laws of any State, if permitted by such laws; but any such additions shall be uniform as to all contracting distributors.

I. WHOLESALE PRICE SCHEDULE

This schedule shall apply to sales of the following articles for resale, except that it shall not apply to sales to stores:

1. *Milk—bulk.*—
 - 30 cents per gallon in full 8-gallon or 10-gallon cans.
 - 32 cents per gallon in split cans.
2. *Milk—bottle.*—
 - 8½ cents, quarts.
 - 6 cents, pints.
 - 3½ cents, one half pints.
 - 4½ cents, one third quarts.

E. "Secretary" means the Secretary or Acting Secretary of Agriculture of the United States.

F. "Act" means the Agricultural Adjustment Act approved May 12, 1933, as amended.

The parties to this agreement are the contracting producers, the contracting distributors, and the Secretary.

II

Whereas, pursuant to the act, the parties hereto, for the purpose of correcting the conditions now obtaining in the marketing of fluid milk in the Chicago metropolitan area, desire to enter into a marketing agreement under the provisions of section 8 (2) of the act; and

Whereas Pure Milk Association markets more than 75 percent of the milk distributed and consumed as fluid milk in the Chicago metropolitan area and represents that it has corporate power and authority to enter into this agreement; and

Whereas members of Milk Council, Inc., and members of the Chicago Milk Dealers Association distribute more than 75 percent of the fluid milk distributed for consumption as fluid milk in the Chicago metropolitan area, which said fluid milk comprises substantially all the milk marketed by the Pure Milk Association as aforesaid; and

Whereas the marketing of milk produced for distribution as fluid milk in the Chicago metropolitan area and distribution of said fluid milk affect and enter into both the current of interstate commerce and the current of intrastate commerce, which are inextricably intermingled,—

III

Now, therefore, the parties hereto agree as follows:

1. The schedule governing the prices at which, and the terms and conditions under which, milk shall be sold by the contracting producers and purchased by the contracting distributors for distribution as fluid milk shall be that set forth in exhibit A, which is attached hereto and made a part hereof. Such schedule may be changed by agreement between the contracting producers and the contracting distributors, provided that such changes shall become effective only upon the written approval of the Secretary. Payments to Milk Foundation, Inc., a nonprofit corporation organized and existing under the laws of the State of Illinois, made pursuant to paragraph 4 hereof, and like payments to Pure Milk Association made pursuant to membership agreements, shall, respectively, be deemed part of the price paid to producers.

2. The plan governing the marketing of milk shall be that set forth in exhibit B, which is attached hereto and made a part hereof. Such plan may be modified by agreement between the contracting producers and the contracting distributors, provided that such modified plan shall become effective only upon the written approval of the Secretary.

3. The schedule governing the prices at which and the terms and conditions under which fluid milk shall be distributed and sold by the contracting distributors shall be those defined and set forth in exhibit C, which is attached hereto and made a part hereof. Such

schedule may be changed by agreement between the contracting producers and the contracting distributors, provided that any such changes shall become effective only upon the written approval of the Secretary.

4. The contracting distributors agree that they will not purchase milk from any producer not a member of the Pure Milk Association unless such producer authorizes the purchasing contracting distributor to pay over to the said Milk Foundation, Inc., the same amount per 100 pounds of milk purchased which the members of the Pure Milk Association are then authorizing the contracting distributors to pay over to the Pure Milk Association on behalf of its members; and said purchasing contracting distributor shall simultaneously with making payment to the producer for milk purchased, make payment as aforesaid to said Milk Foundation, Inc. The sums so paid shall be kept as a separate fund by said Milk Foundation, Inc., for the purpose of securing to said producers not members of the Pure Milk Association advertising, educational, credit loss, and other benefits similar to those which are secured by the members of the Pure Milk Association by virtue of their like payments to said Pure Milk Association. The contracting producers and contracting distributors undertake that Milk Foundation, Inc., shall disburse such funds for the purposes hereinabove provided, and that said Milk Foundation, Inc., shall keep separate books and records in form satisfactory to the Secretary pertaining to such funds, which said books and records of Milk Foundation, Inc., shall be subject to the examination of the Secretary or his duly designated agent during the usual hours of business, and that the Milk Foundation, Inc., shall from time to time furnish to the Secretary such information as the Secretary may require.

5. All contracting producers, not members of the Pure Milk Association, shall be permitted, as far as marketing conditions may allow, to become members of the Pure Milk Association on an equal basis with existing members similarly circumstanced.

6. The contracting producers and the contracting distributors shall severally maintain systems of accounting which shall accurately reflect the true account and condition of their respective businesses. Their respective books and records shall, during usual hours of business, be subject to the examination of the Secretary (or his duly authorized representative) to assist him in the furtherance of his duties with respect to this agreement, including verification by the Secretary of the information furnished on the forms hereinafter referred to. The contracting producers and the contracting distributors shall severally, from time to time, furnish information to the Secretary on and in accordance with forms to be supplied by him. All information obtained by or furnished to the Secretary pursuant to this paragraph shall remain the confidential information of the Secretary, and shall not be disclosed by him except upon lawful demand made by the President, by either House of the Congress, or any committee thereof, or by any court. The Secretary, however, may combine the information obtained from producers and/or distributors in the form of general statistical studies or data. The Secretary hereby agrees to issue regulations and prescribe penalties to be imposed in the event of any violation of the confidences or trust imposed hereby.

3. *Buttermilk—bottle.*—
8½ cents, quarts.
3½ cents, one half pints.
4½ cents, one third quarts.
4. *Chocolate or cocoa drink—bottle.*—
4 cents, one half pints.
5 cents, one third quarts.
5. *Cream—bulk.*—
5 cents a point in quantities of 8 gallons or over.
5½ cents a point in quantities of less than 8 gallons.

The foregoing charges for cream in bulk shall be increased by 10 cents per gallon for such cream delivered from retail wagons in outlying sections as established by existing trade customs.

6. *Cream—bottle.*—
If butterfat content is 18 percent, 32 cents, quarts.
If butterfat content is 20 percent, 37 cents, quarts.
If butterfat content is 22 percent, 42 cents, quarts.
If butterfat content is 30 percent, 48 cents, quarts.

II. PRICE SCHEDULE TO STORES

This schedule shall apply to sales of the following articles to stores:

7. *Milk—bottle.*—
8½ cents, quarts.
6 cents, pints.
8. *Buttermilk—bottle.*—
8½ cents, quarts.
9. *Chocolate or cocoa drink—bottle.*—
7½ cents, pints.
10. *Cream—bottle.*—
13½ cents, half pints, table cream.
7½ cents, gills, table cream.
18½ cents, half pints, whipping cream.
11. *Cottage cheese.*—
12½ cents per 12-ounce package.
12. *Soured cream—bottle.*—
If butterfat content is 18 percent or over—
35 cents, quarts.
18 cents, pints.
9 cents, half pints.

III. RETAIL PRICE SCHEDULE

This schedule shall apply to sales of the following articles at retail:

13. *Milk—bottle.*—
10 cents, quarts, except that if sale is made upon the order of any one of the following relief agencies the price shall be 9½ cents per quart: Illinois Emergency Relief Commission, Jewish Charities, Catholic Charities, United Charities, township trustees of Lake County, Ind.
7 cents, pints.
4 cents, half pints.

14. *Special or premium whole milk—bottle.*—
Not less than 13 nor more than 15 cents, quarts.
9 cents, pints.
15. *Buttermilk—bottle.*—
10 cents, quarts.
7 cents, pints.
16. *Chocolate or cocoa drink—bottle.*—
16 cents, quarts.
9 cents, pints.
5 cents, half pints.
17. *Cream—bottle.*—
55 cents, quarts, table cream.
15 cents, half pints, table cream.
9 cents, gills, table cream.
20 cents, half pints, whipping cream.
18. *Cottage cheese.*—
14 cents per 12-ounce package.
19. *Soured cream—bottle.*—
If butterfat content is 18 percent or over—
42 cents, quarts.
23 cents, pints.
12 cents, half pints.

EXHIBIT D. SCHEDULE OF FAIR PRACTICES

The following practices are considered unfair and shall not be engaged in by the contracting distributors or by their officers, employees, or agents:

Samples.—1. It shall be considered unfair practice to put out goods as samples.

Misrepresentation.—2. It shall be considered unfair practice to sell goods which misrepresent the trade article.

Special inducements.—3. It shall be considered unfair practice to give to any store retailing milk, cream, or the derivatives of milk special inducements not enjoyed by the contracting distributors' general trade, or to exchange milk or cream.

4. It shall be considered unfair practice to give or pay to any hotel, apartment, or factory owners, managers, janitors, receiving clerks, maids, housekeepers, linen-room attendants, or any other persons, money, compensation, gratuity, free milk, cream, or the derivatives of milk, or discounts, for either business or information or assistance in procuring business; and any employee violating the provisions of this paragraph shall be discharged.

Milk licenses only are excepted from the provisions of paragraphs 3 and 4.

5. It shall be considered an unfair practice to give, loan, sell, or furnish, under any circumstances, ice boxes, ice, or other devices or means for refrigeration.

Solicitors.—6. It shall be considered unfair practice to have more than one man on a wagon or to use foremen as solicitors excepting only when they are serving routes. No foreman shall be kept indefinitely on a route for the purpose of building up a route.

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Premiums—Discounts.—7. It shall be considered unfair practice to pay premiums or allow discounts of any sort to new customers.

Paying employees.—8. It shall be considered unfair practice to give employees prizes of any description on new business or for new customers, or to offer to pay bonuses to employees for getting percentages of business.

Buying leads.—9. It shall be considered unfair practice to buy any leads from real-estate firms, moving companies, gas and telephone companies, or any other agencies or persons.

Advertising.—10. Except as the same may be conducted through an association of contracting distributors, it shall be considered unfair practice—

(a) To take advertising in any program, periodical, or publication of any kind whatsoever unless such publication has a general paid circulation or is for sale on news stands. Advertisements or display type in telephone directories, advertisements in hotel registers, and radio advertising are to be considered in the same class as program advertisements.

(b) To conduct exhibits and displays, such as floats, wagons, automobiles, and similar displays in parades and like activities.

(c) To buy tickets for benefits, concerts, fairs, and exhibits.

Giving goods away.—11. It shall be considered unfair practice to give away goods.

Special routes.—12. It shall be considered unfair practice for the purpose of working a new building to put on, in a territory already adequately served by existing routes, a new route, without sufficient other business to constitute a whole route.

Exclusive devices.—13. It shall be considered unfair practice to contract for or to use any container, bottle, device, or to sell any beverage, including milk, which is controlled by a patent or copyright and which is not offered to dealers generally, unless the contracting distributor has sole interest therein or a shop right thereto. Existing contracts are excepted from the provisions of this paragraph.

Bottles, etc.—14. It shall be considered unfair practice for any contracting distributor to use in the course of his business any bottle, can, or case the title to which is vested in another person, firm, or corporation. It shall also be considered unfair practice for any contracting distributor to sell fluid milk in bottles except in those on which there shall be blown or otherwise noted words appropriately identifying the contracting distributor, and which bottles are sealed with caps bearing words appropriately identifying the contracting distributor. This paragraph shall not be construed to apply to stores or to persons reselling for consumption on the premises where sold.

Hiring employees.—15. It shall be considered unfair practice to hire any person as an employee while such person is in the employ of another contracting distributor.

16. It shall be considered unfair practice to place a salesman on a route which within 1 year previously he had covered in whole or in part for another contracting distributor.

Standardization.—17. It shall be considered unfair practice to sell soured cream of less than 18 percent butter-fat content.

18. It shall be considered unfair practice to sell sweet cream retail in containers other than quarts, half pints, and gills.

19. It shall be considered unfair practice to sell milk and/or cream over the counter other than at retail prices specified in exhibit C.

20. It shall be considered unfair practice to carry ice other than crushed ice on the wagons.

Special deliveries.—21. It shall be considered unfair practice regularly to make special deliveries to any particular retail customer.

Territories.—22. It shall be considered unfair practice for a contracting distributor to sell, either for himself or as agent for another, in a territory which within 1 year previously has been covered by him in any capacity for another.

APPENDICES

APPENDIX I

LICENSE FOR MILK—CHICAGO MILK SHED

I

As used in this license, the following words and phrases shall be defined as follows:

A. "Fluid milk" means milk, cream, or any other of the articles listed in exhibit C which are sold for consumption in the Chicago metropolitan area.

B. "Producer" means any producer or association of producers of milk sold for consumption as fluid milk in the Chicago metropolitan area.

C. "Distributor" means any of the following persons engaged in the business of handling fluid milk:

(a) Pasteurizers, bottlers, or other processors of fluid milk.

(b) Persons distributing fluid milk at wholesale or retail (1) to hotels, restaurants, stores, or other establishments for consumption on the premises, (2) to stores or other establishments for resale, or (3) to consumers, irrespective of whether any such person is also a producer of milk and irrespective of whether the distribution is by wagon or other vehicle or over the counter.

(c) Persons operating stores or other establishments selling fluid milk at retail for consumption off the premises.

D. "Chicago metropolitan area" means the territory including the city of Chicago, Ill., lying within the following boundary lines:

Beginning at the point where the southern limits of the City of Zion joins the shore of Lake Michigan and thence running due west to the western boundary line of Lake County, Ill., thence south along the said western boundary line of Lake County and said boundary line extended to the point of intersection with the westerly extension of the southerly boundary of Cook County, Ill. (about 2 miles south of the village of Lemont); thence east along said extension of said southerly boundary and said southerly boundary to the point where said boundary of Cook County turns south; thence south, continuing along the boundary of Cook County, Ill., to a point where said county boundary turns east; thence east continuing along said boundary line of Cook County about 1 mile to its intersection with Wolf Road, then south along said Wolf Road and along the Illinois State Highway No. 51 to an intersection with the southerly boundary of Will County, Ill. Thence east along said southern boundary of Will County to the State line between Illinois and Indiana; thence north along said State line to an "east and west" road which is located about 2 miles south of the village of St. John; thence east along said east and west road through the town of Crown Point, continuing east to an intersection with Indiana State Highway No. 2; thence due north to an intersection with Indiana State Highway No. 6; thence east along said highway no. 6 to the eastern boundary of Porter County, Ind.; thence north along said eastern boundary of Porter County, Ind., to the shore of Lake Michigan; thence northwesterly in a straight line to the point of beginning.

E. "Secretary" means the Secretary or Acting Secretary of Agriculture of the United States.

F. "Act" means the Agricultural Adjustment Act approved May 12, 1933, as amended.

G. "Person" means individual, partnership, corporation, and association.

II

Whereas it is provided by section 8 of the act as follows:

"Sec. 8. In order to effectuate the declared policy the Secretary of Agriculture shall have power—

"(3) To issue licenses permitting processors, associations of producers, and others to engage in the handling, in the current of interstate or foreign com-

merce of any agricultural commodity or product thereof, or any competing commodity or product thereof. Such licenses shall be subject to such terms and conditions not in conflict with existing acts of Congress or regulations pursuant thereto as may be necessary to eliminate unfair practices or charges that prevent or tend to prevent the effectuation of the declared policy and the restoration of normal economic conditions in the marketing of such commodities or products thereof and the financing thereof * * *

"(4) To require any licensee under this section to furnish such reports as to quantities of agricultural commodities or products thereof bought and sold and the prices thereof and as to trade practices and charges, and to keep such systems of accounts, as may be necessary for the purpose of part 2 of this title." And

Whereas by virtue of the authority vested in the Secretary by the act the Secretary, with the approval of the President, has issued regulations entitled "Milk Regulations, Agricultural Adjustment Administration, Series 1", and

Whereas it is provided by section 200 of said regulations as follows:

"200. *Necessity for issuance of licenses.*—The Secretary of Agriculture having determined that it is necessary to issue licenses, in order to prevent unfair practices or charges that prevent or tend to prevent (1) the effectuation of the declared policy of the act with respect to milk and its products, and (2) the restoration of normal economic conditions in the marketing of milk and its products and the financing thereof, licenses shall be issued under the act, subject to the limitations of and in accordance with the provisions of these regulations, to persons engaged in the handling of milk or products thereof in the current of interstate or foreign commerce"; and

Whereas the Secretary, acting under the provisions of the act, for the purpose and within the limitations therein contained, after due notice and opportunity for hearing to interested parties given pursuant to the provisions of said act and the regulations issued thereunder and after due consideration, has on the 28th day of July 1933 executed under his hand and the official seal of the Department of Agriculture a certain agreement entitled "Marketing Agreement for Milk, Chicago Milk Shed", a copy of which is hereto attached as appendix I [Note: The agreement is set forth on pp. 1 to 15, above.]; and

Whereas the Secretary finds that the marketing of milk for distribution as fluid milk in the Chicago metropolitan area and the distribution of said fluid milk affects and enters into both the current of interstate commerce and the current of intrastate commerce which are inextricably intermingled; and

Whereas the Secretary finds that said agreement is a marketing agreement between the Secretary and persons engaged in the handling of milk and its products within the meaning of section 8 (2) of the act in the current of interstate commerce and effectuates the declared policy of the act; and

Whereas the Secretary finds that practices and charges contrary to the several provisions of said agreement would constitute unfair practices and charges that would prevent or tend to prevent the effectuation of the declared policy of the act with respect to milk and its products and the restoration of normal economic conditions in the marketing of milk or its products and the financing thereof, and finds that licenses should be issued as hereinafter provided to eliminate such practices and charges,—

III

Now, therefore, the Secretary of Agriculture, acting under the authority vested in him as aforesaid,

Hereby licenses each and every distributor of fluid milk for consumption in the Chicago metropolitan area to engage in the handling in the current of interstate or foreign commerce of said fluid milk subject to the following terms and conditions:

1. The schedule governing the prices, at which and the terms and conditions under which milk shall be purchased from producers by distributors for distribution as fluid milk, shall be that set forth in exhibit A, which is attached hereto and made a part hereof. Payments to Milk Foundation, Inc., a nonprofit corporation organized and existing under the laws of the State of Illinois, made pursuant to paragraph 4 hereof and like payments to Pure Milk Association made pursuant to membership agreements, shall respectively be deemed part of the price paid to producers.

2. Every distributor of fluid milk shall purchase milk only from producers having a base. Such base shall be the amount reported to such distributor as being in conformity with the plan governing the marketing of milk set forth in exhibit B, which is attached hereto and made a part hereof. Such base shall be reported by the Pure Milk Association (a corporation organized under the laws of the State of Illinois) in the case of producers who are members of the Pure Milk Association, and by a duly authorized representative of such producers in the case of producers not members of the Pure Milk Association. The provisions of this paragraph shall not be applicable in respect of producers not having a base on the effective date of this license, until on and after September 1, 1933.

3. The schedule governing the prices at which and the terms and conditions under which fluid milk shall be distributed and sold by distributors shall be those defined and set forth in exhibit C, which is attached hereto and made a part hereof.

4. The distributors shall not purchase milk from any producer not a member of the Pure Milk Association unless such producer authorizes the purchasing distributor to pay over to the said Milk Foundation, Inc., the same amount per hundred pounds of milk purchased which the members of the Pure Milk Association are then authorizing the distributors to pay over to the Pure Milk Association on behalf of its members, and said purchasing distributor shall simultaneously with making payment to the producer for milk purchased, make payment as aforesaid to said Milk Foundation, Inc. The sums so paid shall be kept as a separate fund by said Milk Foundation, Inc., for the purpose of securing to said producers not members of the Pure Milk Association advertising, educational, credit loss, and other benefits similar to those which are secured by the members of the Pure Milk Association by virtue of their like payments to said Pure Milk Association.

5. The distributors shall severally maintain systems of accounting which shall accurately reflect the true account and condition of their respective businesses. Their respective books and records shall, during usual hours of business, be subject to the examination of the Secretary (or his duly authorized representative) to assist him in the furtherance of his duties with respect to this license, including verification by the Secretary of the information furnished on the forms hereinafter referred to. The distributors shall severally, from time to time, furnish information to the Secretary on and in accordance with forms to be supplied by him. All information obtained by or furnished to the Secretary pursuant to this paragraph shall remain the confidential information of the Secretary, and shall not be disclosed by him except upon lawful demand made by the President, by either House of the Congress or any committee thereof, or by any court. The Secretary, however, may combine the information obtained from distributors in the form of general statistical studies or data. The Secretary shall issue rules and regulations and prescribe penalties to be imposed in the event of any violations of the confidences or trust imposed hereby.

6. Every distributor shall purchase for sale for consumption as fluid milk only such milk as complies with the standards governing the production, receiving, transportation, processing, and distribution of fluid milk established pursuant to and in accordance with the health ordinances of the city of Chicago, except in those areas within the Chicago metropolitan area where the health ordinances of any other municipality are in full force and effect.

7. The Schedule of Fair Practices, set forth in exhibit D, which is attached hereto and made a part hereof, shall be the Schedule of Fair Practices for distributors in the Chicago metropolitan area.

8. The invalidity of any of the terms and conditions of this license shall not affect in any way the other terms and conditions thereof.

9. This license shall take effect as to every distributor upon the date set forth herein above the signature of the Secretary.

IV

In witness whereof I, Henry A. Wallace, Secretary of Agriculture, do hereby issue this license in the city of Washington, District of Columbia, on this 28th day of July 1933, and pursuant to the provisions hereof declare this license to be effective on and after 12:01 p.m. eastern standard time, August 1, 1933.

[SEAL]

HENRY A. WALLACE,
Secretary of Agriculture.

EXHIBITS TO LICENSE

EXHIBIT A. RULES FOR MILK PRODUCTION, PRICES, AND AMOUNTS

I. PRICES TO BE PAID PRODUCERS

1. The price to be paid to any producer for milk shall be determined with reference to the producer's base as determined under exhibit B. For the purpose of determining such price, milk delivered by the producers shall be classified as follows:

Class 1.—An amount equal to 90 percent of the producer's base.

Class 2.—An amount equal to 10 percent of the producer's base.

Class 3.—The rest of the milk delivered by the producer.

2. The price to be paid any producer for the several classes of milk shall be as follows:

Class 1.—\$1.75 per hundredweight for milk of 3.5 percent butterfat content, subject to a butterfat differential of 4 cents per one tenth of 1 percent butterfat content below or above 3.5 percent.

Class 2.—Three and one half times the average price in the Chicago market for the calendar month during which the milk is sold, of 92 score creamery butter sold at wholesale plus 20 percent of such resulting figure, such total amount to be adjusted by the butterfat content differential specified with reference to class 1 milk.

Class 3.—Three and one-half times the average price in the Chicago market for the calendar month during which the milk is delivered, of 92 score creamery butter sold at wholesale to be adjusted by the butterfat content differential specified with reference to class 1 milk, plus 3 cents per hundredweight.

3. All prices to the producer for milk shall be f.o.b. country plants, platforms, or loading stations with, in the case of prices for class 1 milk, a deduction of 1 cent per hundredweight for each 10 miles or part thereof in excess of 70 miles, but not in excess of 100 miles, from the city hall in Chicago, and a further deduction of 1 cent per hundredweight for each 15 miles or part thereof in excess of 100 miles from the city hall in Chicago.

II. DISTRIBUTORS' SUPPLY CONTRACTS

4. Every distributor shall have contracts or other arrangements for the purchase of milk which in the aggregate shall result in the contracting distributor purchasing daily if tendered under such contracts or other arrangements at class 1 prices a quantity of milk computed as follows:

For each wagon or truck route operated during the years 1929 and 1930 and for each wagon or truck route added thereafter by each "distributor":
(a) 382½ pounds per each retail wagon or truck route; (b) 1,050 pounds per each wholesale wagon or truck route.

And in addition, 10 percent of the total of such amounts.

5. All milk delivered in any month shall be paid for not later than the 15th of the following month.

EXHIBIT B. RULES FOR CONTROL OF BASIC PRODUCTION

1. For the purposes of this agreement the term "base" as used in respect to any producer, farm, or herd, as the case may be, shall be—

(a) In the case of members of Pure Milk Association, the quantity of milk recorded as such base in the files of Pure Milk Association.

(b) In the case of producers who sell milk within the Chicago metropolitan area and have had no base established by Pure Milk Association, a base shall be allotted by a duly authorized representative of such producers, and bases allotted by such representative shall be equitable as compared with the bases established by Pure Milk Association for all other producers delivering milk in the same Pure Milk Association district.

(c) Producers not now selling milk within the Chicago metropolitan area will be allotted bases (1) in the case of new members of Pure Milk Association by Pure Milk Association, and (2) in the case of nonmembers of Pure Milk Association by a duly authorized representative of such producers, as follows: The base shall be established during the first 90 days in which they produce and market milk within the Chicago metropolitan area and shall be equal to 60 percent of their average daily production during such 90 days.

2. A producer with a base who, as tenant, rents a farm may retain his base; and if he rents a farm for cash, the farm having no base, he is limited to his individual base.

3. A landlord who rents on shares is entitled to the entire base to the exclusion of the tenant if the landlord owns the entire herd on such farm. If cattle are owned jointly, whether in a landlord and tenant relationship or otherwise, the base will be divided between the joint owners according to the ownership of the cattle.

4. The separate bases of any landlord and his tenant or tenants may be handled as a single base.

5. A producer with a base who sells his entire herd to one purchaser at one time may transfer the base to his purchaser, provided that the entire herd is maintained for 6 months consecutively after such sale and transfer on the first farm on which such herd shall have been established.

6. A producer who moves his herd may retain his base only if thereafter milk is produced by him on a farm (1) which has supplied milk for fluid milk in the Chicago metropolitan area within 1 year preceding, or (2) which lies within a territory which has regularly been supplying milk as aforesaid.

7. Where a herd is dispersed for any reason without the base having been transferred with the herd, the producer must replace the herd within 45 days if he is to retain his base.

8. Any producer may combine all bases to which he may be entitled hereunder (for example, a producer with a base who acquires another herd accompanied by a transfer of the base from the seller may combine the two bases).

9. Any producer who voluntarily ceases to market milk as fluid milk in the Chicago metropolitan area for more than 45 days shall lose his base; and in the event that he resumes production he shall be treated, for the purposes of these rules, as if he were a new producer.

10. A producer whose average daily production for any 3 consecutive months is less than 70 percent of the amount of the base to be sold at class 1 prices (under the present agreement less than 70 percent of 90 percent of base, or, say, less than 63 percent of the total base) will thereby establish a new base equal to such average daily production over such 3-month period.

EXHIBIT C. PRICE SCHEDULE FOR DISTRIBUTORS' SALES

(a) Sales of the following articles in the Chicago metropolitan area made by distributors shall be at the prices hereinafter in this exhibit set forth. Sales of the following articles in bottles shall be made only in bottles of the sizes specified, and, where a butterfat content is specified, only at the specified percentage.

(b) It shall not be deemed a violation of this license to add to the selling price of any article or articles hereinafter in this exhibit specified any sales or occupational taxes imposed by the laws of any State, if permitted by such laws; but any such additions shall be uniform as to all distributors in accordance with such regulations as the Secretary may prescribe not in conflict with local law.

I. WHOLESALE PRICE SCHEDULE

This schedule shall apply to sales of the following articles for resale except that it shall not apply to sales to stores.

1. *Milk, bulk*—
30 cents per gallon in full 8-gallon or 10-gallon cans.
32 cents per gallon in split cans.
2. *Milk, bottle*—
8½ cents, quarts.
6 cents, pints.
3½ cents, ½ pints.
4½ cents, ⅓ quarts.
3. *Buttermilk, bottle*—
8½ cents, quarts.
3½ cents, ½ pints.
4½ cents, ⅓ quarts.
4. *Chocolate or cocoa drink, bottle*—
4 cents, half pints.
5 cents, one-third quarts.

5. *Cream, bulk*—

- 5 cents a point in quantities of 8 gallons or over.
- 5½ cents a point in quantities of less than 8 gallons.

The foregoing charges for cream in bulk shall be increased by 10 cents per gallon for such cream delivered from retail wagons in outlying sections as established by existing trade customs.

6. *Cream, bottle*—

- If butterfat content is 18 percent, 32 cents; quarts.
- If butterfat content is 20 percent, 37 cents; quarts.
- If butterfat content is 22 percent, 42 cents; quarts.
- If butterfat content is 30 percent, 48 cents; quarts.

II. PRICE SCHEDULE TO STORES

This schedule shall apply to sales of the following articles to stores:

7. *Milk, bottle*—
8½ cents, quarts.
6 cents, pints.
8. *Buttermilk, bottle*—
8½ cents, quarts.
9. *Chocolate or cocoa drink, bottle*—
7½ cents, pints.
10. *Cream, bottle*—
13½ cents, one-half pints, table cream.
7½ cents, gills, table cream.
18½ cents, one-half pints, whipping cream.
11. *Cottage cheese*—
12½ cents per 12-ounce package.
12. *Soured cream, bottle*—
If butterfat content is 18 percent or over—
35 cents, quarts.
18 cents, pints.
9 cents, one-half pints.

III. RETAIL PRICE SCHEDULE

This schedule shall apply to sales of the following articles at retail:

13. *Milk, bottle*—
10 cents, quarts, except that if sale is made upon the order of any one of the following relief agencies the price shall be 9½ cents per quart: Illinois Emergency Relief Commission, Jewish Charities, Catholic Charities, United Charities, Township Trustees of Lake County, Ind.
7 cents, pints.
4 cents, one-half pints.
14. *Special or premium whole milk, bottle*—
Not less than 13 nor more than 15 cents, quarts.
9 cents, pints.
15. *Buttermilk, bottle*—
10 cents, quarts.
7 cents, pints.
16. *Chocolate or cocoa drink, bottle*—
16 cents, quarts.
9 cents, pints.
5 cents, one-half pints.
17. *Cream, bottle*—
55 cents, quarts, table cream.
15 cents, one-half pints, table cream.
9 cents, gills, table cream.
20 cents, one-half pints, whipping cream.
18. *Cottage cheese*—
14 cents per 12-ounce package.
19. *Soured cream, bottle*—
If butterfat content is 18 percent or over—
42 cents, quarts.
23 cents, pints.
12 cents, one-half pints.

30 MARKETING AGREEMENT FOR MILK—CHICAGO MILK SHED

EXHIBIT D. SCHEDULE OF FAIR PRACTICES

The following practices are considered unfair and shall not be engaged in by distributors or by their officers, employees, or agents:

Samples.—1. It shall be considered unfair practice to put out goods as samples.

Misrepresentation.—2. It shall be considered unfair practice to sell goods which misrepresent the trade article.

Special inducements.—3. It shall be considered unfair practice to give to any store retailing milk, cream, or the derivatives of milk, special inducements not enjoyed by the distributors' general trade, or to exchange milk or cream.

4. It shall be considered unfair practice to give or pay to any hotel, apartment, or factory owners, managers, janitors, receiving clerks, maids, housekeepers, linen-room attendants, or any other persons, money, compensation, gratuity, free milk, cream, or the derivatives of milk, or discounts for either business or information or assistance in procuring business, and any employee violating the provisions of this paragraph shall be discharged.

Milk licenses only are excepted from the provisions of paragraphs 3 and 4.

5. It shall be considered an unfair practice to give, loan, sell, or furnish, under any circumstances, ice boxes, ice, or other devices or means for refrigeration.

Solicitors.—6. It shall be considered unfair practice to have more than one man on a wagon or to use foremen as solicitors excepting only when they are serving routes. No foreman shall be kept indefinitely on a route for the purpose of building up a route.

Premiums—Discounts.—7. It shall be considered unfair practice to pay premiums or allow discounts of any sort to new customers.

Paying employees.—8. It shall be considered unfair practice to give employees prizes of any description on new business or for new customers; or to offer to pay bonuses to employees for getting percentages of business.

Buying leads.—9. It shall be considered unfair practice to buy any leads from real-estate firms, moving companies, gas and telephone companies, or any other agencies or persons.

Advertising.—10. Except as the same may be conducted through an association of distributors it shall be considered unfair practice:

(a) To take advertising in any program, periodical, or publication of any kind whatsoever unless such publication has a general paid circulation or is for sale on news stands. Advertisements or display type in telephone directories, advertisements in hotel registers, and radio advertising are to be considered in the same class as program advertisements.

(b) To conduct exhibits and displays, such as floats, wagons, automobiles, and similar displays in parades and like activities.

(c) To buy tickets for benefits, concerts, fairs, and exhibits.

Giving goods away.—11. It shall be considered unfair practice to give away goods.

Special routes.—12. It shall be considered unfair practice for the purpose of working a new building to put on, in a territory already adequately served by existing routes, a new route without sufficient other business to constitute a whole route.

Exclusive devices.—13. It shall be considered unfair practice to contract for or to use any container, bottle, device, or to sell any beverage, including milk, which is controlled by a patent or copyright and which is not offered to dealers generally, unless the distributor has sole interest therein or a shop right thereto. Existing contracts are excepted from the provisions of this paragraph.

Bottles, etc.—14. It shall be considered unfair practice for any distributor to use in the course of his business any bottle, can, or case the title to which is vested in another person, firm, or corporation. It shall also be considered unfair practice for any distributor to sell fluid milk in bottles except in those on which there shall be blown or otherwise noted words appropriately identifying the distributor, and which bottles are sealed with caps bearing words appropriately identifying the distributor. This paragraph shall not be construed to apply to stores or to persons reselling for consumption on the premises where sold.

Hiring employees.—15. It shall be considered unfair practice to hire any person as an employee while such person is in the employ of another distributor.

16. It shall be considered unfair practice to place a salesman on a route, which within 1 year previously he had covered in whole or in part for another distributor.

Standardization.—17. It shall be considered unfair practice to sell soured cream of less than 18 percent butterfat content.

18. It shall be considered unfair practice to sell sweet cream retail in containers other than quarts, half-pints, and gills.

19. It shall be considered unfair practice to sell milk and/or cream over the counter other than at retail prices specified in exhibit C.

20. It shall be considered unfair practice to carry ice other than crushed ice on the wagons.

Special deliveries.—21. It shall be considered unfair practice regularly to make special deliveries to any particular retail customer.

Territories.—22. It shall be considered unfair practice for a distributor to sell either for himself or as agent for another in a territory which within 1 year previously has been covered by him in any capacity for another.

APPENDIX II

M.R.—A.A.A., Series 1

Issued July 1933

UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION

(Milk Regulations, Series 1)

MILK REGULATIONS MADE BY THE SECRETARY OF AGRICULTURE WITH THE APPROVAL OF THE PRESIDENT UNDER THE AGRICULTURAL ADJUSTMENT ACT, MAY 12, 1933, AS AMENDED

UNITED STATES DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY.

By virtue of the authority vested in the Secretary of Agriculture by the Agricultural Adjustment Act, approved May 12, 1933, as amended, I, Henry A. Wallace, Secretary of Agriculture, do make, prescribe, publish, and give public notice of the following regulations with the force and effect of law, to be in force and effect until amended or superseded by regulations hereafter made by the Secretary of Agriculture with the approval of the President under said act.

In testimony whereof I have hereunto set my hand and caused the official seal of the Department of Agriculture to be affixed in the city of Washington this 22nd day of July 1933.

[SEAL]

HENRY A. WALLACE,
Secretary of Agriculture.

Approved:

FRANKLIN D. ROOSEVELT,
The President of the United States.
THE WHITE HOUSE, July 22, 1933.

ARTICLE I. DEFINITIONS

SECTION 100.¹ As used in these regulations:

(a) The term "act" means the Agricultural Adjustment Act, approved May 12, 1933, as amended.

(b) The term "person" means individual, partnership, corporation, or association.

(c) The term "Secretary" means the Secretary of Agriculture of the United States.

(d) The term "fluid milk" means milk or any product thereof covered by the definition of fluid milk in the marketing agreement in support of which the license is issued.

(e) The term "distributor" means any person engaged in the business of handling, in the current of interstate or foreign commerce, fluid milk for consumption within the distributive area defined in such agreement.

¹The sections of these regulations are numbered decimally according to the corresponding numbers of the articles. Thus, the first section of the first article is section 100; the first section of the second article is section 200, etc.

ARTICLE II. LICENSES

SECTION 200. *Determination of necessity for licenses.*—Prior to entering into any marketing agreement under the act with respect to the handling of milk, the Secretary shall determine whether it is necessary to issue a license in support of such agreement in order to eliminate unfair practices or charges that prevent or tend to prevent (1) the effectuation of the declared policy of the act with respect to milk and/or its products, and (2) the restoration of normal economic conditions in the marketing of milk and/or its products and the financing thereof.

SECTION 201. *Issuance of licenses.*—If the Secretary so determines that a license is necessary with respect to any such marketing agreement, he shall, upon entering into such agreement, issue a license covering such classes of distributors as he shall provide in the license. While the license is in effect it shall cover every such distributor, irrespective of whether he is a party to the marketing agreement and irrespective of whether he is a distributor at the time the license becomes effective. All milk marketing agreements entered into by the Secretary shall contain a provision whereby the distributors parties thereto shall apply for and consent to licensing under the act. The license shall authorize the distributors covered by it to engage in such business, subject to the terms and conditions of the license. The license shall be effective commencing on such date as the marketing agreement becomes effective, unless the license provides in its terms for a different effective date.

SEC. 202. *Notice of licensing.*—Public notice of any license issued pursuant to these regulations shall be given, at least 3 days prior to the effective date thereof, by posting a copy of the license in a conspicuous place in the main building of the Department of Agriculture, in Washington, D.C., by issuing press releases containing copies of the license, and by making available in the office of the Secretary copies of such press releases. The license when issued shall be filed in the Department of Agriculture and shall be a public record.

SEC. 203. *Suspension and revocation.*—Any license issued hereunder may be suspended or revoked with respect to any distributor for violation of the terms or conditions thereof by such distributor or by any of his officers, employees, or agents. The procedure for suspension or revocation proceedings shall be in accordance with General Regulations, Agricultural Adjustment Administration, Series 3.

ARTICLE III. CERTIFICATES

SECTION 300. Any distributor licensed pursuant to these regulations, may, upon application in accordance with a form prescribed by the Secretary and upon payment of a fee of \$2, obtain a certificate evidencing the fact that the holder thereof is a licensee under these regulations; but the obtaining of such certificate shall not be necessary to constitute a distributor a licensee. The certificate shall be nontransferable, shall be in effect only so long as the license has not been suspended or revoked with respect to such distributor, and shall be surrendered for cancellation upon the suspension or revocation of the license with respect to such distributor.

7. The standards governing the production, receiving, transportation, processing, and distribution of fluid milk shall be those established pursuant to or in accordance with the health ordinances of the city of Chicago, except in those areas where the health ordinances of any other municipality of said Chicago metropolitan area are in full force and effect.

8. The Schedule of Fair Practices set forth in exhibit D, which is attached hereto and made a part hereof, shall be the Schedule of Fair Practices for the Chicago metropolitan area. Exhibit D may be changed by agreement between the contracting distributors, provided that any change shall become effective only upon the written approval of the Secretary.

9. This agreement shall be effective at such time as the Secretary may declare above his signature attached hereto; and this agreement shall continue in force until the last day of the month following the aforesaid effective date and thereafter from month to month, except that—

(a) The Secretary may (and upon request of 75 percent of the contracting producers or upon request of 75 percent of the contracting distributors, such percentages to be measured by the volume of milk marketed or fluid milk distributed, respectively, the Secretary shall) by press release or other notice, as the Secretary may determine, given on or before the 20th day of any month, terminate this agreement as of the end of such month.

(b) The Secretary may for good cause shown as of the end of any month terminate this agreement as to any party signatory hereto by notice in writing deposited on or before the 20th of such month in the registered mails and addressed to such party at the address of such party on file with the Secretary.

(c) This agreement shall in any event terminate whenever the President or Congress shall terminate the provisions of the act which authorizes this agreement.

10. The benefits, privileges, and immunities conferred by virtue of this agreement shall cease upon its termination, except with respect to acts done prior thereto; and the benefits, privileges, and immunities conferred by virtue of this agreement upon any party signatory hereto shall cease upon its termination as to such party, except with respect to acts done prior thereto.

11. The contracting producers and contracting distributors shall use their best efforts to assure the observance of the terms and conditions of this agreement by such producers and distributors. Subject to such regulations as the Secretary may prescribe, the contracting producers and the contracting distributors shall establish such agency or agencies as are necessary to (a) receive complaints as to violations by any contracting producer or contracting distributor of the terms or conditions of this agreement, (b) adjust disputes arising under this agreement between contracting producers and/or contracting distributors, (c) make findings of fact which may be published, (d) issue warnings to such persons, and (e) take such lawful measures as may be appropriate; and such agency or agencies if it or they deem it necessary, shall report its findings and action with respect thereto to the Secretary for appropriate proceedings under the act.

12. This agreement may be executed in multiple counterparts which, when signed by the Secretary, shall constitute, taken together, one and the same instrument as if all such signatures were contained in one original.

13. After this agreement first takes effect any producer or association of producers of milk for consumption as fluid milk, or any distributor of fluid milk, may become a party to this agreement if a counterpart thereof is executed by him and by the Secretary. The agreement shall take effect as to such producer or distributor at such time as the Secretary may declare above his signature attached to such counterpart, and the benefits, privileges, and immunities conferred by this agreement shall then be effective as to such producer or distributor.

14. The contracting distributors hereby apply for and consent to licensing by the Secretary, subject to Milk Regulations, Agricultural Adjustment Administration, Series 1, prescribed by the Secretary and approved by the President, according to the form of license and according to Milk Regulations, Agricultural Adjustment Administration, Series 1 (hereto attached, as appendix I and appendix II, respectively), and not otherwise.

IV

In witness whereof the contracting producers and the contracting distributors¹ acting under the provisions of the Agricultural Adjustment Act, for the purposes and within the limitations herein contained, and not otherwise, have hereunto set their respective hands and seals.

PURE MILK ASSOCIATION

By *F. H. Ginter*
President.

ATTEST:

D. J. Meyer
Secretary.

The following Members of THE MILK COUNCIL, Inc.:

Bowman Dairy Company

By *A. Kullman*
President.

Attest *M. Metzger*
Secretary.

Borden's Farm Products Co. of Illinois

By *R. R. Rhye*
Asst. Secretary

Attest *R. R. Rhye*
Asst. Secretary

¹ The contracting producers and contracting distributors whose signatures are listed are those only who signed prior to July 28, 1933.

Chicago Milk Dealers Association

Willow Farm Products

By Joe Polaska H.H. St

Joe Polaska H.C.

Cleaney Dairy Co

6 u Green

Neblsen Dairy
Neblsen

attest

6. u. Green

J. Neblsen

Hamilton Dairy Company

Chas. F. Stecklaher, Manager

attest: Chas. F. Stecklaher.

Purity Dairy Company

Wm. P. Pukem

attest Wm. P. Pukem

Keyer's Dairy

Robert Keyer

attest Robert Keyer

Dahlheim Dairy

W. Dahlheim

Joseph Weidig

attest W. Dahlheim

Joseph Weidig

Hillsides Dairy

M.E. Malone

attest M.E. Malone

Plymouth Farm Co

Charles Pukem

attest

Charles Pukem

Arlington Dairy

A. Zimmerman

A. Zimmerman

Chicago Milk Dealers Association

BLUE ISLAND SANITARY DAIRY

By Edwin F. Fuhs Prof.

ATTEST: Edwin F. Fuhs

BRUCER'S DAIRY

By Pete Bruer

ATTEST: Charles Bruer

KULIG DAIRY

By Joseph Kulig

ATTEST: Casimir Kulig

Boyd Dairy Co.

By F. Jasinski mgr.

C/C

Green - Jim

C/C

Green

Jim

The following Members of THE MILK COUNCIL, Inc.:

By W. M. Davis Vice President Attest W. Messer Secretary.

By Sidney Wanzor & Sons President. Attest W. Messer Secretary.

By Western Dairy Company President. Attest Charles Chismartin Secretary.

By Capitol Dairy Company President. Attest W. Messer Secretary.

By United Dairy Company President. Attest H. Goldman Secretary.

By Hunding Dairy Company President. Attest L. H. Hunsbarger Secretary.

By Union Dairy Company President. Attest H. Hunsbarger Secretary.

By Dixie Dairy Company President. Attest H. Hunsbarger Secretary.

By Natoma Farm President. Attest H. Hunsbarger Secretary.

By Clover Leaf Dairy President. Attest J. J. Martin Secretary.

W.C. King

The following members of THE MILK COUNCIL, Inc.:

By International Dairy Company President. Attest E. J. Janata Secretary.

By Yore Bros. Dairy Company President. Attest Rose A. Yore Secretary.

By Lake County Dairy Co U. President. Attest J. J. Martin Secretary.

By Brown Dairy Products Co. V. Pres. Attest W. Messer Secretary.

By Model Dairy Co Attest James Medeke Secretary.

By Union Grove Dairy Co. Pres. Attest W. Messer Secretary.

NEW Firm

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

LICENSE SERIES--LICENSE NO. 40

AMENDED LICENSE

FOR MILK

GREATER KANSAS CITY SALES AREA

WITH EXHIBITS

Exhibit A
Marketing Plan

Exhibit B
Rules for Establishment of Bases

Exhibit C
Schedule of Unfair Trade Practices and Resale Prices

Issued by the Secretary of Agriculture, July 16, 1934.

Effective date July 17, 1934 (12:01 a. m., eastern standard time).

AMENDED LICENSE FOR MILK

GREATER KANSAS CITY SALES AREA

License Series--License No. 40

Whereas, it is provided by section 8 of the Act as follows:

"Section 8. In order to effectuate the declared policy, the Secretary of Agriculture shall have power --

"(3) To issue licenses permitting processors, associations of producers, and others to engage in the handling, in the current of interstate or foreign commerce, of any agricultural commodity or product thereof, or any competing commodity or product thereof. Such licenses shall be subject to such terms and conditions, not in conflict with existing Acts of Congress or regulations pursuant thereto, as may be necessary to eliminate unfair practices or charges that prevent or tend to prevent the effectuation of the declared policy and the restoration of normal economic conditions in the marketing of such commodities or products and the financing thereof * * * *

"(4) To require any licensee under this section to furnish such reports as to quantities of agricultural commodities or products thereof bought and sold and the prices thereof, and as to trade practices and charges, and to keep such systems of accounts, as may be necessary for the purpose of part 2 of this title;" and

Whereas, the Secretary, acting under the provisions of said Act, for the purposes and within the limitations therein contained, and pursuant to the regulations issued thereunder, has on the fifteenth day of May 1934, issued an Amended License for Milk -- Greater Kansas City Sales Area; and

Whereas, the Secretary has determined to modify the terms and conditions of the aforesaid Amended License:

Now, therefore, the Secretary of Agriculture, acting under the authority vested in him as aforesaid:

Hereby amends and modifies the terms and conditions of the said Amended License and hereby licenses each and every distributor to engage in the business of distributing, marketing, or handling milk or cream as a distributor in the Greater Kansas City Sales Area, subject to the following terms and conditions:

I.

As used in this amended License, (hereinafter called the "License"), the following words and phrases shall be defined as follows:

A. "Producer" means any person, irrespective of whether any such person is also a distributor, who produces milk in conformity to

period as Class I, Class II and Class III milk.

The Market Administrator in making his computations pursuant to paragraph 5 of this section, shall exclude therefrom the quantity of milk of such distributor's production up to but not exceeding his established base. The quantity of milk so excluded shall be exempted from the provisions of paragraph 7 of this section. The exemption to which such distributor shall hereby become entitled shall be ratably deducted from such distributor's Class I, Class II and Class III sales in proportion to his respective total amounts in such classes. Any milk produced and sold as Class I, Class II and Class III milk in excess of such exemption, shall be included by the Market Administrator in his computations made pursuant to paragraph 5 of this section, and shall be debited and credited to such distributor's adjustment account pursuant to paragraph 7 of this section.

If milk (except bottled milk and bottled cream) is sold by such distributor to another distributor (other than a distributor who operates a store or a similar establishment) the purchasing distributor shall pay such distributor the Class III price for such milk. In making his computations pursuant to paragraph 5 (a) of this section, with respect to such purchasing distributor, the Market Administrator shall include the value of such milk on the basis of the difference between the price for the class or classes in which such milk was actually used and the Class III price. Nothing contained in this subdivision shall be construed to mean that the aforesaid exemption shall apply to any distributor other than a person who produces milk distributed by himself as whole milk or cream, or that such distributor is relieved from any of the provisions of this License except as provided in this subdivision.

All information furnished the Market Administrator pursuant to this paragraph 4 shall remain confidential in accordance with the provisions of the applicable General Regulations, Agricultural Adjustment Administration, but any such information shall be submitted by the Market Administrator to the Secretary at any time upon the request of the Secretary.

5. With respect to each delivery period, the Market Administrator shall:

- (a) Compute the total value, in each class, of all milk as reported by each and all distributors pursuant to paragraph 4, on the basis of the prices set forth in paragraph 1, making the appropriate adjustments as provided in section B, which computation shall not include milk purchased by distributors from other distributors, except milk purchased pursuant to subdivision (b) of paragraph 4 of this section.

- (b) Compute the total quantity of milk by hundredweight represented by the delivered bases of all producers as reported pursuant to paragraph 4.
- (c) Compute the value of the milk purchased, sold or used by all distributors in excess of the total delivered bases as reported pursuant to paragraph 4, of all producers excluding new producers by multiplying such excess quantity of milk by the price provided for in paragraph 1 for Class III milk.
- (d) Compute the total amount to be paid to new producers by all distributors as reported pursuant to paragraph 4 on the basis of the prices set forth in section G of this exhibit.
- (e) Compute the total value of the quantity of milk represented by the total delivered bases of all producers by subtracting from the amount obtained in subdivision (a) the amounts obtained in subdivisions (c) and (d).
- (f) Compute the total adjusted value of the quantity of milk represented by the total delivered bases of all producers as reported by distributors, pursuant to paragraph 4, by adding to the total value of such milk, as computed in subdivision (e), the adjustments provided for in section C (1).
- (g) Compute the blended price for the quantity of milk represented by the total delivered bases of all producers by dividing the amount obtained in subdivision (f) by the quantity of milk represented by the total delivered bases of all producers as determined in subdivision (b).

6. On or before the 7th day of each delivery period the Market Administrator shall notify all distributors who have reported pursuant to paragraph 4, of the blended price as determined above and of the Class III price as provided for in paragraph 1 above.

Each such distributor shall pay to producers (including new producers) on or before the 10th day of each delivery period for milk delivered by such producers during the preceding delivery period subject to adjustments and deductions which are to be made pursuant to sections C and D of this exhibit:

- (a) to producers at the blended price for the quantity of milk delivered by each producer represented by such producer's delivered base; and

- (b) to producers at the Class III price for the quantity of milk delivered by such producers in excess of such producers' delivered bases:
- (c) to new producers at the price provided in Section G.

Provided that no provision in this License shall be construed as controlling or restricting any producers' cooperative association, licensed as a distributor under this License, with respect to the actual deductions or charges, dividends or premiums to be made by such association from and/or to its members; but no such deductions or charges may be made by any such producers' cooperative association from any of its members, to meet a current operating loss incurred by such producers' cooperative association and its processing or distribution operations unless (a) expressly and specifically authorized by any such member to make such deduction or charge for such purpose, and (b) the producers' cooperative association notifies the Market Administrator of the same.

7. The Market Administrator shall maintain for each distributor an adjustment account;

- (a) which shall be debited for the total value of the quantity of milk reported as received, sold, distributed or used by such distributor during the preceding delivery period computed pursuant to subdivision (a) of paragraph 5; and
- (b) which shall be credited for the total value of the quantity of milk reported by such distributor pursuant to paragraph 4 (excluding milk delivered by other distributors) on the basis of the prices to be paid to producers (and new producers) pursuant to paragraph 6. Such credit shall be made after giving effect to the adjustments to be made pursuant to paragraph 1 of Section C, and before giving effect to the adjustments and deductions provided for in Section C (2) and D of this Exhibit.

On or before the 10th day of each month the Market Administrator shall render a statement to each distributor showing the debit or credit balance, as the case may be, in the adjustment account of such distributor with respect to milk purchased or handled during the preceding delivery period. Debit balances shall be paid to the Market Administrator on or before the 15th of the month

following such delivery period. Any funds so paid to the Market Administrator shall, as soon as reasonably possible, be paid out by him pro rata among those distributors whose adjustment accounts show credit balances in proportion to such credit balances, but only to the extent of such credit balances.

8. Any error in computation of payments or any discrepancies in reports of distributors or in the adjustment accounts shall be adjusted when settlements are made with respect to the following delivery period. Whenever the Market Administrator has a balance on hand in excess of any adjustments to be made to distributors, he may distribute such balance or any part thereof in an equitable manner among producers in the market.

9. The Market Administrator and/or the Pure Milk Producers Association, shall at all reasonable times have the right to check sampling, weighing, and butterfat tests made by distributors, for the purpose of determining the accuracy thereof. In the event of a discrepancy between weights and tests reported by distributors and weights and tests determined by the Market Administrator and/or the Pure Milk Producers Association, settlements shall be made by distributors upon the basis of such weights and such butterfat content as the Market Administrator may in each case decide.

10. Producers shall have the right to deliver milk to plants or platforms of distributors, using any reasonable method of transportation which they, in their discretion, may select. No distributor shall interfere with or discriminate against producers in the exercise of such right. At the request of the Market Administrator, each distributor shall from time to time, submit a verified report stating the actual transportation charges on all milk delivered to him f.o.b. any and all plants, for the purpose of permitting the Market Administrator to review such transportation charges and to determine the reasonableness thereof.

SECTION B. Adjustments in Cost of Milk to Distributors.

Each distributor shall make the following deductions from the prices to be paid for milk purchased as provided in paragraph 1 of Section A:

If any producer has delivered milk to a distributor at a country plant, platform or loading station located more than thirty (30) and not more than forty-five (45) miles by the shortest highway route from the distributor's city plant, such distributor shall be

entitled to make a deduction with respect to his Class I and Class II sales, of 17 cents per hundredweight. For each additional ten (10) miles or part thereof in excess of forty-five (45) miles, the distributor shall be entitled to make an additional deduction of 1-1/2 cents per hundredweight.

Unless the prior written consent of the Market Administrator is obtained for some other basis of computation the adjustments in the cost of milk to distributors made pursuant to this Section, shall be computed on the following basis:

- (a) the milk which was delivered to each distributor at locations in or nearest to the Greater Kansas City Sales Area, to the extent necessary to supply each such distributor with the milk sold, distributed or used by him as Class I milk, shall be classified as Class I milk:
- (b) any excess beyond that quantity of milk classified pursuant to subparagraph (a) above, delivered to each distributor at locations in or nearest to the Greater Kansas City Sales Area, to the extent necessary to supply each such distributor with the milk sold, distributed or used by him as Class II milk, shall be classified as Class II milk.

SECTION C. Adjustments in Payments to Producers.

1. Each distributor shall make the following deductions from the payments to be made to producers (excluding new producers) as provided in Section A:

In respect to all milk represented by the delivered bases of producers who deliver milk to such distributors at a receiving station, thirty miles or more from the distributors' plant in the Greater Kansas City Sales Area, the deductions provided in paragraph 1 of Section B.

2. Each distributor shall make the following payments in addition to, or make the following deductions from, the prices to be paid to producers (including new producers) pursuant to paragraph 6 of Section A:

If any producer has delivered to any distributor, during any delivery period, milk having an average

butterfat content other than 3.8 per cent, such distributor shall pay to each such producer 4 cents per hundred pounds for each 1/10th of 1 per cent of average butterfat content above, or shall be entitled to deduct 4 cents per hundred pounds for each 1/10th of 1 per cent of average butterfat content below 3.8 per cent.

3. Any distributor may, with the prior approval of the Market Administrator, make payments to producers in addition to the prices provided for in paragraph 6 of Section A, provided that such additional payments are made to all the producers supplying such distributor with milk of similar quality and grade. No distributor may accept services from or render services to a producer or an association of producers from whom he is purchasing milk without making a reasonable payment or charge, as the case may be, for such services.

SECTION D. Deductions from Payments to Producers.

1. Each distributor shall deduct 4 cents per hundredweight from the payments to be made by him pursuant to Section A in regard to all milk delivered to him by the producers, and pay over such deductions to the Market Administrator simultaneously with making payment to producers for milk purchased.

2. Each distributor, who also produces milk which is sold, used or distributed as either Class I, Class II or Class III milk, shall, on or before the 10th day after the end of each delivery period, pay to the Market Administrator one cent per hundredweight with respect to all the milk produced by such distributor and sold, used or distributed by him as Class I, Class II, or Class III milk during such delivery period.

3. The Market Administrator, in his discretion, may at any time waive the payment of the foregoing deductions, or any part thereof, (in which event the distributors shall not make the deductions to such extent from their payments to producers), for any delivery period; provided, however, that any such waiver shall be equal among all producers (a) with respect to the amounts to be retained by the Market Administrator to meet his cost of operation, and (b) with respect to the amounts to be used by the Market Administrator for securing benefits to producers.

4. The Market Administrator shall maintain separate accounts for the payments made to him pursuant to paragraph 1 and 2, depending

upon the use of such monies as hereinafter provided. The Market Administrator shall apportion such monies in the following manner;

(a) One cent per hundredweight from the payments made pursuant to paragraph 1, and the payments made pursuant to paragraph 2 shall be retained by the Market Administrator to meet his cost of operation; provided, however, that any such funds which may remain over from such payments in excess of the cost of operation of the Market Administrator for any particular delivery period, shall be applied by him in meeting his cost of operation for the succeeding delivery period, and to the extent that it may be practical, the Market Administrator shall waive a portion of such payments for the succeeding delivery period as herein in this Section provided.

(b) Three cents per hundredweight from the payments made to the Market Administrator pursuant to paragraph 1 with respect to the milk delivered by members of the Pure Milk Producers' Association, hereafter called the "Association" shall be paid over by the Market Administrator to the Association. Such payment shall be made for the purpose of securing to producers who are members of the Association, benefits such as market information, supervision of weights and tests, guarantee against failure of distributors to make payment of milk purchased and other similar benefits. The Market Administrator shall pay over such funds to the Association upon the consent of such Association; (a) to keep its books and records in a manner satisfactory to the Market Administrator; (b) to permit the Market Administrator to examine its books and records, and furnish the Market Administrator such verified reports or such other information as the Market Administrator may, from time to time request; and (c) to disburse such funds in the manner provided above.

(c) Three cents per hundredweight from the payments made to the Market Administrator pursuant to paragraph 1 with respect to the milk delivered by producers not members of the Association, shall be retained by the Market Administrator and expended by him for the purpose of securing for such nonmember producers, market information, supervision or weights and tests, guarantee against failure of distributors to make payment for milk purchased and other similar benefits; provided, however, that the Market Administrator may, in his discretion, employ the facilities and services of any agent or agents, and pay over such funds in such amount as he may determine to such agent or agents for the purpose of securing to such nonmembers the aforementioned benefits, if such benefits to nonmembers may be more efficiently and economically secured thereby. The Market Administrator shall pay over such funds to such agent or agents, if he determines to do so, only upon the consent of such agent or agents (a) to keep its or their books and records in a manner satisfactory to the Market

Administrator; (b) to permit the Market Administrator to examine its or their books and records, and to furnish the Market Administrator such verified reports or other information as the Market Administrator may from time to time request; and (c) to disburse such funds in the manner above provided.

(d) Whenever the Market Administrator has a balance on hand in either of the accounts provided for in subdivisions (a) and (c) of this paragraph, he may distribute such balance, or any part thereof, in an equitable manner, among the producers, (including new producers); provided, however, that any such distribution of the balance in the account provided for in subdivision (a) shall be made to all producers (including new producers), and any such distribution of the balance provided for in subdivision (c) shall be made only to all producers (including new producers) not members of the Association.

SECTION E. The Market Administrator - His Designation, Duties and Compensation.

The Secretary shall designate the Market Administrator who shall perform such duties as may be provided for him pursuant to the License. The Market Administrator so designated shall be subject to removal, at any time, by the Secretary. Within forty-five (45) days following the date upon which he enters upon his duties, the Market Administrator shall execute and deliver to the Secretary a bond in such amount as the Secretary may determine, with surety thereon satisfactory to the Secretary, conditioned upon the faithful performance of his duties as such Market Administrator. The Market Administrator shall be entitled: (a) to reasonable compensation, which shall be determined by the Secretary; (b) to borrow money to meet his cost of operation until such time as the first payments are made to him pursuant to Section D of this Exhibit, which monies shall be repaid out of the payments retained by the Market Administrator pursuant to paragraph 4, subdivision (a), of said Section D; and (c) to incur such other expenses, including compensation for persons employed by the Market Administrator as the Market Administrator may deem necessary for the proper conduct of his duties, and the cost of procuring and continuing his bond, which total expense shall be deemed to be the cost of operation of the Market Administrator. The Market Administrator shall not be held personally responsible in any way whatsoever to any licensee or to any other person for errors in judgment, mistakes of fact or other acts, either of commission or omission, except for acts of dishonesty, fraud, or malfeasance in office.

The Market Administrator shall keep such books and records as will clearly reflect the financial transactions provided for in this License. The Market Administrator shall permit the Secretary to examine his books and records at all times, and furnish the Secretary such verified reports or other information as the Secretary may, from time to time, request of him.

The Market Administrator shall have the right to examine the books and records of the distributors and the books and records of the affiliates and subsidiaries of each distributor for the purpose of (1) verifying the reports and information furnished to the Market Administrator by each distributor pursuant to this License and/or (2) in the event of the failure of any distributor to furnish reports or information as required by this License, obtaining the information so required.

SECTION F. Establishment of Milk Industry Board.

The Secretary may, in his discretion, at any time, establish a Milk Industry Board, which shall have representation of producers, distributors, and the public. In establishing the Milk Industry Board, the Secretary will give due consideration to the recommendations and nominations by various groups of producers, distributors and the public. The Milk Industry Board shall have such duties and powers as the Secretary may, from time to time, delegate to it in order to effectuate the provisions and purposes of this License. The Secretary may further, in his discretion, authorize and direct the Market Administrator to pay over to the Milk Industry Board for the purpose of meeting its general expenses, a portion of the monies paid to the Market Administrator for his cost of operation, pursuant to Section D of this Exhibit, providing that such portion shall in no event exceed 1/4 cent per hundred pounds of milk for which such payment is made.

SECTION G. New Producers.

1. New producers shall be those producers whose milk was neither being purchased by distributors nor being distributed in the Greater Kansas City Sales Area within 90 days prior to the effective date of this License.

2. Each distributor upon first receiving milk from any producer shall immediately report to the Market Administrator (1) the name of such producer, (2) the date on which such producer's milk was first received, and (3) whether or not such producer is a new producer.

3. Each distributor shall pay to each new producer for all

milk delivered by or handled for such new producer from the date when milk is first received to the end of the 6th full delivery period after such date (excluding any emergency period during which such producer receives payment pursuant to paragraph 4 hereof), the Class III price set forth in paragraph 1 of Section A.

The Market Administrator shall allot a base to each new producer prior to the expiration of the first delivery period during which his milk is being sold in the Greater Kansas City Sales Area, which base shall be allotted in accordance with the provisions of Exhibit B hereof.

Provided, however, that such base shall not be effective for the purposes of Exhibit A until the expiration of said six full delivery periods.

During the emergency period when the normal supply of milk from producers who have established bases is not sufficient to meet the Class I requirements of any distributor, such distributor may, with the prior approval of the Market Administrator, purchase milk of any producer who has no base; provided, however, that in any such event, the producer selling such milk shall be paid for the same depending upon the ultimate use of such milk and at the prices as provided for in paragraph 1, Section A, and such payment shall not be included in the computation as provided in paragraph 1, Section A, but shall be reported separately to the Market Administrator by the distributor who purchased the milk from such producer.

the applicable health requirements of the Greater Kansas City Sales Area for milk to be sold for consumption as whole milk in the Greater Kansas City Sales Area.

B. "Distributor" means any of the following persons, irrespective of whether any such person is a producer or an association of producers, wherever located or operating, whether within or without the Greater Kansas City Sales Area, engaged in the business of distributing, marketing, or in any manner handling, in whole or in part, whole milk or cream for ultimate consumption in the Greater Kansas City Sales Area:

1. Persons

- (a) who pasteurize, bottle or process milk or cream;
- (b) who distribute milk or cream at wholesale or retail (1) to hotels, restaurants, stores or other establishments for consumption on the premises, (2) to stores or other establishments for resale, or (3) to consumers;
- (c) who operate stores or other establishments selling milk or cream at retail for consumption off the premises.

2. Persons who purchase, market or handle milk or cream for resale in the Greater Kansas City Sales Area.

C. "Greater Kansas City Sales Area" means the territory within the corporate limits of Kansas City, Kansas, Kansas City, Missouri, Independence, Missouri, North Kansas City, Missouri, and the territory within the following: Quindaro, Wyandotte, Shawnee townships in Wyandotte County, Kansas, and Mission, and Shawnee townships in Johnson County, Kansas, and all of Blue, Brooking and Washington townships in Jackson County, Missouri, and all that part of Gallatin township south of the fifty-first township north line, in Clay County, Missouri.

D. "Secretary" means the Secretary of Agriculture of the United States.

E. "Act" means the Agricultural Adjustment Act approved May 12, 1933, as amended.

F. "Person" means individual, partnership, corporation, association or any other business unit.

G. "Subsidiary" means any person of, or over whom or which, a distributor or an affiliate of a distributor has, or several distributors collectively have, either directly or indirectly, actual or legal control, whether by stock ownership or in any other manner.

EXHIBIT B

RULES FOR ESTABLISHMENT OF BASES

1. For the purposes of the License, the term, "established base" as used in respect to any producer shall mean:

- (a) In the case of producers who are members of the Pure Milk Producers Association, the quantity of milk recorded as such bases in the files and records of the Pure Milk Producers Association provided, that such association has given the Market Administrator access to such files and records.
- (b) In the case of producers who are not members of the Pure Milk Producers Association, bases shall be allotted by the Market Administrator, which bases shall be equitable as compared with the bases established pursuant to subdivision (a) above.

2. The Market Administrator may make such revisions in the bases of any and all producers as he may, from time to time, deem necessary or advisable, to the end that such bases may be equitable as among producers and that the total of all established bases may, so far as practical, be equal to the total quantity of milk sold or used by distributors as Class I and Class II milk.

3. Every distributor shall, within ten days of the effective date of this License, submit to the Market Administrator written reports, verified under oath, containing the following information (1) with respect to each producer who has delivered milk to such distributor and (2) for each calendar month during the years of 1933 and 1934 or such portion thereof as the producer may have delivered milk:

- (a) The total pounds of delivered milk.
- (b) The average percentage of butterfat in such delivered milk.
- (c) The total pounds of butterfat in such delivered milk.

Each distributor required to report pursuant to paragraph 4 of Section A of exhibit A shall, in addition to the foregoing information include in the report submitted by him a statement containing the following information with respect to each calendar month during the years 1933 and 1934 or such portion thereof as such distributor may have distributed or sold milk produced by himself; (a) the total quantity of milk produced by him and sold by him as Class I, Class II, and Class III milk, (b) the average percentage of butterfat in such milk, and (c) the total number of pounds of butterfat in such milk.

4. When bases are established for producers, as hereinabove provided, the Market Administrator shall notify each distributor of the bases of the producers, including those producers who are members of the Pure Milk Producers Association who are delivering milk to such distributors. (Before the expiration of the first six full delivery periods that the milk of a new producer is sold to distributors, the Market Administrator shall notify the distributors of the base of such new producer).

5. A producer with a base, whether landlord or tenant, may retain his base when moving his entire herd from one farm to another farm.

6. A landlord who rents on shares is entitled to the entire base to the exclusion of the tenant, if the landlord owns the entire herd. Likewise, the tenant who rents on shares is entitled to the entire base to the exclusion of the landlord if the tenant owns the entire herd. If the cattle are jointly owned by tenant and landlord, the base shall be divided between the joint owners according to the ownership of the cattle if and when such joint owners terminate the tenant-landlord relationship.

7. Any producer who voluntarily ceases to market milk pursuant to the terms and provisions of this License for a period of more than forty-five (45) consecutive days shall forfeit his base. In the event that he thereafter commences to market milk pursuant to the terms and provisions of this License, he shall be treated for the purposes of these rules as if he were a new producer.

8. Any producer may relinquish his base at any time. In the event, thereafter, such producer requests the Market Administrator to allot him a base, he shall be treated for the purposes of these rules as if he were a new producer.

9. A base may be transferred by the Market Administrator from a producer to a person who has no base, upon the transfer of the producer's entire herd to such person.

10. Any producer whose average monthly delivery of milk for any three consecutive months is less than seventy-five (75) percent of his base will thereby establish a new base equal to such average monthly delivery.

EXHIBIT C

SCHEDULE OF UNFAIR TRADE PRACTICES AND RESALE PRICES

1. To effectuate the purposes of this License and to aid in the enforcement of the provisions thereof, the sale of the following articles in the Greater Kansas City Sales Area by distributors at prices below the minimum prices hereinafter set forth is prohibited. Such minimum prices shall be as follows:

	<u>WHOLESALE</u> Cents	<u>RETAIL</u> Cents
Milk - 4 percent or less butterfat		
Gallons (in bulk)	22	
Quarts	7	8
Pints	4	4 1/2
Half Pints	2 1/4	
Milk - more than 4 percent butterfat		
Gallons (in bulk)	25	
Quarts	8	9
Pints	4 1/2	5
Half Pints	2 1/2	
Cream - 25 percent or less butterfat		
Gallons	76	
Quarts	21	23
Pints	12	13
Half Pints	7	8
Cream - 25 to 30 percent butterfat		
Gallons	92	
Quarts	26	29
Pints	15	17
Half Pints	9	10
Cream - more than 30 percent butterfat		
Gallons	112	
Quarts	32	35
Pints	18	20
Half Pints	11	12

2. The foregoing price schedule is without prejudice to the right of any distributor who asserts that such minimum prices are in excess of the prices necessary to accomplish the purposes set forth in paragraph 1 of this Exhibit, to a hearing on the question of a modification of amendment of this License, in accordance with the applicable General Regulations, Agricultural Adjustment Administration.

3. The foregoing minimum prices shall not be applicable to any sales to any public unemployment relief agency (whether local, state, or federal), to any private unemployment relief agency cooperating with or accredited by any public unemployment relief agency, to any charitable institution or agency, to any hospital in connection with its charitable operations or to any government agency (whether local, state, or federal) when such sales are upon competitive bids.

4. No distributor, or its officers, employees, or agents, shall employ any method or device whereby any article is sold or offered for sale at below the foregoing minimum prices, whether by discount, rebate, redeemable certificate, stamps or tickets, free services or merchandise, credit for articles returned, loans or credit outside the usual course of business, or combining prices for such articles together with another commodity sold, or by subsidy given for business or assistance in procuring business.

H. "Affiliate" means any person and/or any subsidiary thereof who or which has, either directly or indirectly, actual or legal control of or over a distributor, whether by stock ownership or in any other manner.

I. "Books and records" means books, records, accounts, contracts, memoranda, documents, papers, correspondence or other data pertaining to the business of the person in question.

J. "Market Administrator" means the person designated pursuant to Exhibit A, which is attached hereto and made a part hereof.

II.

1. The schedule governing the prices at which, and the terms and conditions under which, distributors shall purchase and/or accept delivery of milk from producers, shall be that set forth in exhibit A. Any contract or agreement entered into between any distributor and producer, prior to the effective date of this License, covering the purchase and/or delivery of milk, shall be deemed to be superseded by the terms and provisions of this License in so far as such contract or agreement is inconsistent with any provision hereof.

2. Except as provided in exhibit A, no distributor shall purchase milk from producers except: (a) those producers having bases, which are to be reported as provided in exhibit B, which is attached hereto and made a part hereof, and (b) new producers, pursuant to the provisions of exhibit A.

The schedule governing the minimum prices at which, and the terms and conditions under which, milk and cream shall be sold and/or delivered by distributors shall be that set forth in exhibit C, which is attached hereto and made a part hereof. Any contract or agreement entered into between any distributor and any person, prior to the effective date of this License, covering the sale and/or delivery of milk and/or cream, shall be deemed to be superseded by the terms and provisions of this License in so far as such contract or agreement is inconsistent with any provision hereof.

3. (a) The distributors shall severally, from time to time, upon the request of the Secretary, furnish him with such information as he may request, on and in accordance with forms of reports to be supplied by him, for the purposes of (1) assisting the Secretary in the furtherance of his powers and duties with respect to this License and/or (2) enabling the

Secretary to ascertain and determine the extent to which the declared policy of the Act and the purpose of this License are being effectuated; such reports to be verified under oath. The Secretary's determination as to the necessity of and the justification for the making of any such reports, and the information called for thereby, shall be final and conclusive.

(b) For the same purposes and/or to enable the Secretary to verify the information furnished him on said forms of reports, all the books and records of each distributor and the books and records of the affiliates and subsidiaries of each distributor, shall, during the usual hours of business, be subject to the examination of the Secretary. The Secretary's determination as to the necessity of and the justification for any such examination shall be final and conclusive.

(c) The distributors and their respective affiliates and subsidiaries shall severally keep books and records which will clearly reflect all the financial transactions of their respective businesses and the financial condition thereof.

(d) All information furnished the Secretary, pursuant to this paragraph, shall remain confidential in accordance with the applicable General Regulations, Agricultural Adjustment Administration.

4. No distributor shall purchase milk or cream from, or process or distribute milk or cream for, or sell milk or cream to, any other distributor who he has notice is violating any provision of this License without first reporting such violation to the Market Administrator.

5. The Secretary may, by designation in writing, name any person, including any officer or employee of the government, or name any Bureau or Division in the Department of Agriculture, to act as his representative in connection with any of the powers provided in this License to be exercised by the Secretary.

6. Each distributor who is obligated to report pursuant to paragraph 4 of section A of exhibit A shall within thirty days after the effective date of this License, furnish to the Market Administrator a bond with good and sufficient surety thereon, satisfactory to the Market Administrator (in an amount not in excess of the purchase value of the milk purchased or handled by such distributor during any two successive delivery periods as designated by the Market Administrator) for the purpose of securing the fulfillment of such distributor's obligations as provided in exhibit A. Any distributor who commences to do business after the effective date of this License shall, as a condition precedent to engaging in such business, furnish to the Market Administrator a bond in conformity with the foregoing provisions.

The Market Administrator may, (a) if satisfied from the investigation of the financial condition of a distributor that such distributor is solvent and/or possessed of sufficient assets to fulfill his said obligations, or (b) if, pursuant to a state statute, a distributor has

furnished a bond with good and sufficient surety thereon in conformity with the foregoing provision, waive the requirements of the bond as to such distributor. Such distributor may, upon a change in such circumstances, be required by the Market Administrator to comply with the foregoing requirement.

Each distributor who is unable to meet the requirements of the foregoing provisions, shall make periodic deposits with the Market Administrator at such times, in such amounts, and in such manner as the Market Administrator may determine to be necessary in order to secure the fulfillment of such distributor's obligations as provided in exhibit A.

Each and every distributor shall fulfill any and all of his obligations which shall have arisen or which may hereafter arise in connection with, by virtue of, or pursuant to, the Amended License for Milk, Greater Kansas City Sales Area, issued by the Secretary on May 15, 1934.

7. If any provision in this License is declared invalid, or the applicability thereof to any person, circumstance, or thing is held invalid, the validity of such provision and of the remainder of this License and/or the applicability thereof to any other person, circumstance or thing shall not be affected thereby.

8. Nothing herein contained shall be construed in derogation of the right of the Secretary to exercise any powers granted to him by the Act, and in accordance with such powers, to act in the premises whenever he shall deem it advisable.

9. This License shall take effect as to every distributor at the time and upon the date set forth herein above the signature of the Secretary.

10. In the event this License is terminated or amended by the Secretary, any and all obligations which shall have arisen, or which may thereafter arise in connection therewith, by virtue of or pursuant to this License, and any violations of this License which may have occurred prior to such termination or amendment, shall be deemed not to be affected, waived or terminated by reason thereof, unless so expressly provided in the notice of termination of, or the amendment to this License.

The Secretary hereby determines that an emergency exists which requires a shorter period of notice than three days, and that the period of notice, with respect to the issuance of this License, which is hereinafter provided, is reasonable under the circumstances.

IN WITNESS WHEREOF, I, H. A. Wallace, Secretary of Agriculture, do hereby execute in duplicate and issue this License, as amended, in the City of Washington, District of Columbia, on this 16th day of July 1934, and pursuant to the provisions hereof, declare said License as amended, to be effective on and after 12:01 a.m., eastern standard time, July 17, 1934.

H A Wallace

Secretary of Agriculture.

EXHIBIT A

Marketing Plan

SECTION A. Cost of Milk to Distributors.

1. Each distributor, except as hereinafter provided, shall be obligated to pay, in the manner hereinafter provided, the following prices for milk, of 3.8 percent butterfat content, which he has purchased from producers (including new producers as defined in section G of this exhibit), delivered f. o. b. distributor's plant in the Greater Kansas City Sales Area:

Class I - \$1.87 per hundredweight.

Class II - For each hundred pounds of milk, 3.8 times the average price per pound of 92 score butter at wholesale in the Chicago market as reported by the United States Department of Agriculture for the delivery period during which such milk is purchased, plus 35 percent thereof, plus 28 cents.

Class III - For each hundred pounds of milk, 3.8 times the average price per pound of 92 score butter at wholesale in the Chicago market as reported by the United States Department of Agriculture for the delivery period during which such milk is purchased, plus 20 cents.

The term "delivery period" shall mean the period from the first to, and including, the fifteenth day of each month, or the period from the sixteenth day to and including the last day of each month.

2. Class I milk means all milk sold or distributed by distributors as whole milk for consumption in the Greater Kansas City Sales Area.

Class II milk means all milk used by distributors to produce chocolate milk, chocolate drink or flavored milk or cream (for consumption as cream), creamed cottage cheese and creamed buttermilk for sale or distribution by distributors for consumption in the Greater Kansas City Sales Area, provided that the milk from which only the skimmed milk is used in the production of the above products shall not be included as Class II milk.

Class III milk means the quantity of milk purchased, sold, used or distributed by distributors in excess of Class I and Class II milk.

Milk delivered to a distributor by producers during any delivery period and sold or distributed as milk or cream outside the Greater Kansas City Sales Area or sold by such distributor to another distributor (including any person who sells, uses or distributes such milk or cream for ultimate consumption in any market with respect to which no License is in effect pursuant to section 8 (3) of the Act covering such purchase from producers and such sale as milk or cream) shall be accounted for by the first distributor as Class I or Class II milk, respectively, unless such first distributor, on or before the date fixed for filing reports with the Market Administrator for such delivery period shall furnish to the Market Administrator proof satisfactory to the Market Administrator that such milk or cream has been utilized for a purpose other than sale, use or distribution for ultimate consumption as milk or cream, in which event such milk or cream shall be classified in accordance with such other use.

Any distributor who does not sell or distribute whole milk for ultimate consumption in the Greater Kansas City Sales Area may purchase milk from producers who do not have established bases. Such distributor.

- (a) shall not sell cream to other distributors for distribution and ultimate consumption in the Greater Kansas City Sales Area at a price less than the price at which such distributor sells similar cream for distribution and ultimate consumption nearest the location where milk is processed into such cream by such distributor, plus the reasonable cost of transporting such cream to the Greater Kansas City Sales Area;
- (b) shall not be subject to any of the terms or provisions of this exhibit except as set forth in subdivision (a) above; with respect to milk purchased from producers who do not have established bases, but
- (c) may at any time, with respect to such milk, be required by the Market Administrator to submit reports, containing such information as the Market Administrator may require, similar to the kind of information reported by other distributors pursuant to paragraph 4 hereof, which information shall be kept confidential in the manner provided in such paragraph.

3. The established base for each producer shall be the quantity of milk allotted to such producer in accordance with the provisions of exhibit B.

The delivered base for each producer shall be that quantity of milk delivered by such producer to distributors which is not in excess of the established base of such producer.

The delivered base for each distributor required to report pursuant to paragraph 4 (b) shall be the quantity of milk produced by such distributor and sold, used or distributed by him as Class I, Class II and Class III milk which is not in excess of the established base of such distributor.

The Market Administrator may, in his discretion, at any time adjust the aforesaid percentage so that the total of all delivered bases of producers and producer-distributors shall, so far as practicable, be equal to the quantity of milk used by distributors as Class I and Class II milk; provided further, that such percentage shall in no event be less than 80 percent nor more than 100 percent of the established base of each producer or producer-distributor.

4. (a) On or before the 4th day of each delivery period each distributor, to whom milk or cream was delivered during the preceding delivery period by (1) producers (who are not also distributors) and/or (2) distributors (other than those who operate only stores or other similar establishments), shall report to the Market Administrator with respect to milk delivered during such delivery period in a manner prescribed by the Market Administrator:

- (1) The actual deliveries (at each location) of the producers (and new producers) supplying such distributor, the total quantity of milk represented by the delivered bases of all such producers, and the total quantity of milk represented by the excesses over delivered base of all such producers;
- (2) The actual deliveries, if any, made to him by other distributors;
- (3) The quantities of milk delivered which were sold, used or distributed by him as Class I, Class II and Class III milk, respectively; and
- (4) Such other information as the Market Administrator may request for the purpose of performing the provisions of this exhibit.

(b) On or before the 4th day of each delivery period, each distributor who produces milk distributed by him as whole milk or cream shall submit reports to the Market Administrator containing the same information with respect to the preceding delivery period required in subdivision (a) of this paragraph, and in addition thereto the total amount of milk produced by such distributor and sold during such delivery

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

LICENSE SERIES--LICENSE NO. 44

AMENDED LICENSE

FOR MILK

WICHITA, KANSAS, SALES AREA

WITH EXHIBITS

Exhibit A
Marketing Plan

Exhibit B
Rules for Establishment of Bases

Exhibit C
Schedule of Unfair Trade Practices and Minimum Resale Prices

Issued by the Secretary of Agriculture, August 17, 1934.

Effective date August 18, 1934 (12:01 a.m., eastern standard time).

AMENDED LICENSE FOR MILK

WICHITA, KANSAS, SALES AREA

License Series--License No. 44

Whereas, it is provided by Section 8 of the Act as follows:

"Section 8. In order to effectuate the declared policy, the Secretary of Agriculture shall have power --

"(3) To issue licenses permitting processors, associations of producers and others to engage in the handling, in the current of interstate or foreign commerce, of any agricultural commodity or product thereof, or any competing commodity or product thereof. Such licenses shall be subject to such terms and conditions, not in conflict with existing Acts of Congress or regulations pursuant thereto, as may be necessary to eliminate unfair practices or charges that prevent or tend to prevent the effectuation of the declared policy and the restoration of normal economic conditions in the marketing of such commodities or products and the financing thereof. * * *

"(4) To require any licensee under this section to furnish such reports as to quantities of agricultural commodities or products thereof bought and sold and the prices thereof, and as to trade practices and charges, and to keep such systems of accounts, as may be necessary for the purpose of part 2 of this title;" and

Whereas, Henry A. Wallace, Secretary of Agriculture, acting under the provisions of said Act, for the purposes and within the limitations therein contained, and pursuant to the regulations issued thereunder, has on the sixteenth day of March, 1934, issued a License for Milk - Wichita Sales Area; and

Whereas, Henry A. Wallace, Secretary of Agriculture, acting under the provisions of said Act, for the purposes and within the limitations therein contained, and pursuant to the regulations issued thereunder, has, on the fifteenth day of May, 1934, issued an Amended License for Milk - Wichita Sales Area; and

Whereas, the undersigned finds that the handling of milk and the products thereof, covered by this License, is in the current of interstate commerce since the portion thereof which occurs within the bounds of a single state affects and actually and potentially competes with the handling of commodities and products which occurs between or among several states, and since the commodity, and the products thereof, covered by this License cannot be separated into interstate and intrastate portions, the supply and the handling thereof being inextricably commingled, so that it is impossible to regulate the interstate handling without also regulating the intrastate handling, and the failure to regulate the latter will defeat and obstruct the purposes of the Act, with respect to the former; and

Whereas, the undersigned has determined to modify the terms and conditions of the said amended License for milk - Wichita, Kansas Sales Area, pursuant to Section 8 (3) of the Agricultural Adjustment Act and applicable General Regulations of the Agricultural Adjustment Administration; and

- (3) The deliveries of milk made to such distributor by each other distributor, including distributors who are also producers;
- (4) The amount of milk produced by such distributor, if any, which was sold, used or distributed by him as Class I, Class II and Class III milk, respectively;
- (5) Such other information as the Market Administrator may request for the purpose of performing the provisions of this exhibit.

(b) With respect to each distributor who distributes milk produced by him, the Market Administrator shall exclude from the computations made pursuant to paragraph 5 the delivered base of such distributor by ratably apportioning such delivered base among the distributor's total Class I, Class II and Class III sales; Provided, however, That any milk produced by such distributor and sold or distributed which is in excess of his delivered base and any milk purchased from other producers by such distributor shall be included in the computations made pursuant to paragraph 5 and the value thereof computed as follows: The quantity of such milk shall be ratably apportioned among such distributor's total Class I, Class II and Class III sales and uses and multiplied by the Class I, Class II and Class III prices respectively.

(c) All information furnished the Market Administrator pursuant to this paragraph 4 shall remain confidential in accordance with the provisions of the applicable General Regulations, Agricultural Adjustment Administration, but any such information shall be submitted by the Market Administrator to the Secretary at any time upon the request of the Secretary.

5. With respect to each delivery period, the Market Administrator subject to the conditions set forth in subdivision (b) of paragraph 4, shall:

- (a) Compute the total value, in each class, of all the milk as reported by each and all distributors pursuant to paragraph 4, on the basis of the prices set forth in paragraph 1, making the appropriate adjustments as provided in section B, which computation shall not include milk purchased by distributors from other distributors, except as provided in subdivision (c) of paragraph 2.
- (b) Compute the total quantity of milk by hundredweight represented by the delivered bases of all producers

as reported pursuant to paragraph 4, excluding the delivered bases of producers who are also distributors.

- (c) Compute the value of the milk purchased, sold or used by all distributors in excess of the total delivered bases as reported pursuant to paragraph 4, of all producers including producers who are also distributors by multiplying such quantity of milk by the price provided in paragraph 1 for Class III milk.
- (d) Compute the total value of the quantity of milk represented by the total delivered bases of all producers by subtracting from the amount obtained in subdivision (a) the amount obtained in subdivision (c).
- (e) Compute the total adjusted value of the quantity of milk represented by the total delivered bases of all producers as reported by distributors, pursuant to paragraph 4, by adding to the total value of such milk, as computed in subdivision (d), the adjustments provided for in section C (1).
- (f) Compute the blended price for the quantity of milk represented by the total delivered bases of all producers by dividing the amount obtained in subdivision (e) by the quantity of milk represented by the total delivered bases of all producers as determined in subdivision (b).

6. On or before the 10th day of each delivery period the Market Administrator shall notify all distributors whose reports are included in the computations made pursuant to paragraph 5, of the blended price and of the Class III price as provided for in paragraph 1 above.

7. Each such distributor shall pay to producers on or before the 15th day after the end of each delivery period for milk delivered by such producers during such delivery period subject to adjustments and deductions which are to be made pursuant to sections C and D of this exhibit.

- (a) the blended price for the quantity of milk delivered by each producer not in excess of such producer's delivered base;

- (b) the Class III price for the quantity of milk delivered by each such producer in excess of such producer's delivered base.

No provision in this License shall be construed as controlling or restricting any producers' cooperative association, licensed as a distributor under this License, with respect to the actual deductions or charges, dividends or premiums to be made by such association from and/or to its members; except that no such deductions or charges may be made by any such producers' cooperative association from any of its members, to meet a current operating loss incurred by such producers' cooperative association in its processing or distribution operations unless (a) expressly and specifically authorized by any such member to make such deduction or charge for such purpose, and (b) the producers' cooperative association notifies the Market Administrator of the same.

8. The Market Administrator shall maintain for each distributor an adjustment account:

- (a) which shall be debited for the total value of the milk as computed for such distributor pursuant to subdivision (a) of paragraph 5; and
- (b) which shall be credited for the total payments to be made by such distributor pursuant to paragraph 7. Any distributor who is also a producer shall be credited, with respect to the milk produced and distributed by him which is in excess of his delivered base, with the Class III price. Such credit shall be made after giving effect to the adjustments to be made pursuant to paragraph 1 of section C, and before giving effect to the adjustments and deductions provided for in sections C (2) and D of this exhibit.

On or before the 12th day of each delivery period the Market Administrator shall render a statement to each distributor showing the debit or credit balance, as the case may be, in the adjustment account of such distributor with respect to milk sold, purchased or used during the preceding delivery period. Debit balances shall be paid to the Market Administrator on or before the 15th day following such delivery period. Any funds so paid to the Market Administrator shall, as soon as reasonably possible, be paid out by him pro rata among the distributors in proportion to the amounts of adjustments to which, but only to the extent to which, they are entitled.

9. The Market Administrator may deduct from the total amount computed pursuant to subdivision (a) of paragraph 5 an amount suitable for the maintenance of a reserve fund against the failure or delay of distributors to make payments on adjustment accounts as provided in paragraph 8. Repayments of any such deductions shall be made by the Market Administrator to the producers from whom such deductions were made in the same proportion as the original deduction. Any error in computation of payments or any discrepancies in reports of distributors or in the adjustment accounts shall be adjusted when settlements are made with respect to the following delivery period. All such funds shall be kept separate by the Market Administrator and shall in no event be used by him to meet any costs or liabilities incurred by him under this License.

10. The Market Administrator and/or Wichita Milk Producers Association, shall at all reasonable times have the right to check sampling, weighing, and butterfat tests made by distributors, for the purpose of determining the accuracy thereof. In the event of a discrepancy between weights and tests reported by distributors and weights and tests determined by the Market Administrator and/or the Wichita Milk Producers Association, settlements shall be made by distributors upon the basis of such weights and such butterfat content as the Market Administrator may in each case decide.

SECTION B. Adjustments in Cost of Milk to Distributors.

Each distributor shall make the following deductions from the prices to be paid for milk purchased as provided in paragraph 1 of section A:

If any producer has delivered milk to a distributor at a country plant, platform or loading station located more than thirty (30) and not more than forty-five (45) miles by the shortest highway route from the distributor's city plant, such distributor shall be entitled to make a deduction with respect to his Class I sales, of ten (10) cents per hundredweight. For each additional fifteen (15) miles or part thereof in excess of forty-five (45) miles, the distributor shall be entitled to make an additional deduction of one (1) cent per hundredweight.

Unless the prior written consent of the Market Administrator is obtained for some other basis of computation the adjustments in the cost of milk to distributors made pursuant to this Section, shall be computed on the following basis:

- (a) The milk which was delivered to each distributor at locations in or nearest to the Wichita Sales Area, to the extent necessary to supply each such distributor, with the milk sold, distributed or used by him as Class I milk, shall be classified as Class I milk.

- (b) Any excess beyond that quantity of milk classified pursuant to subparagraph (a) above, delivered to each distributor at locations in or nearest to the Wichita Sales Area, to the extent necessary to supply each such distributor with the milk sold, distributed or used by him as Class II milk, shall be classified as Class II milk.

SECTION C. Adjustments in Payments to Producers.

1. Each distributor shall make the following deductions from the payments to be made to producers as provided in section A;

If any producer has delivered milk to a distributor at a country plant, platform or loading station, located more than thirty (30) miles and not more than forty-five (45) miles by the shortest highway route from the distributor's city plant, such distributor shall be entitled to make a deduction from the payments to be made to producers with respect to such producers' delivered bases, ten (10) cents per hundredweight, and an additional one (1) cent per hundredweight for each fifteen (15) miles or part thereof in excess of forty-five (45) miles.

2. Each distributor shall make the following payments in addition to, or make the following deductions from the prices to be paid to producers pursuant to paragraph 7 of section A:

If any producer has delivered to any distributor, during any delivery period, milk having an average butterfat content other than $3\frac{1}{2}$ per cent, such distributor shall pay to each such producer four (4) cents per hundred pounds for each 1/10th of one (1) per cent of average butterfat content above, or shall be entitled to deduct four (4) cents per hundred pounds for each 1/10th of one (1) per cent of average butterfat content below $3\frac{1}{2}$ per cent.

3. Any distributor may, with the prior approval of the Market Administrator, make payments to producers in addition to the blended price as reported pursuant to paragraph 6 of section A; Provided, that such additional payments are made to all the producers supplying such distributor with milk of similar quality and grade. No distributor may accept services from or render services to a producer or an association of producers from whom he is purchasing milk without making a reasonable payment or charge, as the case may be, for such services.

SECTION D. Deductions from Payments to Producers.

1. Each distributor shall deduct 2 cents per hundredweight from the payments to be made by him pursuant to section A in regard to all milk delivered to him by producers who are not also distributors and shall, on or before the 15th day after the end of each delivery period, pay such deduction to the Market Administrator, and each distributor who produces milk distributed by him shall make a similar payment for milk produced by him and sold as Class I, Class II or Class III milk. Such payments shall be retained by the Market Administrator in a separate account to meet his cost of operation.

2. Upon the request of the Market Administrator each distributor shall, in addition, deduct, and on or before the 15th day of the following delivery period, pay to the Market Administrator 3 cents per hundredweight from the payments to be made by such distributor pursuant to section A in regard to all milk delivered to him by producers for whom the following services are not currently rendered in a satisfactory manner by a producers' cooperative association for a similar charge or assessment:

- (a) market information;
- (b) supervision of weights and tests;
- (c) guarantee against failure by distributors to make payments for milk purchased.

Such payments shall be retained by the Market Administrator and shall be expended by him for the purpose of obtaining or securing services similar to those above named for producers who do not otherwise receive such services; Provided, however, That the Market Administrator may, in his discretion, employ the facilities and services of any agent or agents, and pay over such funds in such amount as he may determine to such agent or agents for the purpose of securing to such producers the aforementioned benefits, if such benefits may be efficiently and economically secured thereby. The Market Administrator shall pay over such funds to such agent or agents, if he determines to do so, only upon the consent of such agent or agents: (a) to keep its or their books and records in a manner satisfactory to the Market Administrator; (b) to permit the Market Administrator to examine its or their books and records, and to furnish the Market Administrator such verified reports or other information as the Market Administrator may from time to time request; and (c) to disburse such funds in the manner above provided. Such funds shall be kept separate by the Market Administrator and shall in no event be used by him, except as provided in this subdivision, to meet any costs or liabilities incurred by him under this License.

3. The Market Administrator, in his discretion, may at any time waive the foregoing payments or distribute any balance arising from such payments, or any part thereof, for any delivery period (in which event the deductions for payments so waived shall not be made by the distributors from payments to producers); any such waiver or the payments of any such balances shall be equal (a) among all producers with respect to the amounts paid to the Market Administrator pursuant to paragraph 1 above, and (b) among all producers from whom such deductions have been made pursuant to paragraph 2 above.

SECTION E. The Market Administrator - His Designation, Duties and Compensation.

The Secretary shall designate the Market Administrator who shall perform such duties as may be provided for him pursuant to the License. The Market Administrator so designated shall be subject to removal, at any time, by the Secretary. Within forty-five (45) days following the date upon which he enters upon his duties, the Market Administrator shall execute and deliver to the Secretary a bond in such amount as the Secretary may determine, with surety thereon satisfactory to the Secretary, conditioned upon the faithful performance of his duties as such Market Administrator. The Market Administrator shall be entitled: (a) to reasonable compensation, which shall be determined by the Secretary; (b) to borrow money to meet his cost of operation until such time as the first payments are made to him pursuant to section D of this exhibit, which monies shall be repaid out of the payments retained by the Market Administrator pursuant to paragraph 1 of said section D; and (c) to incur such other expenses, including compensation for persons employed by the Market Administrator as the Market Administrator may deem necessary for the proper conduct of his duties, and the cost of procuring and continuing his bond, which total expense shall be deemed to be the cost of operation of the Market Administrator. The Market Administrator shall not be held personally responsible in any way whatsoever to any Licensee or to any other person for errors in judgment, mistakes of fact or other acts, either of commission or omission, except for acts of dishonesty, fraud, or malfeasance in office.

The Market Administrator shall keep such books and records as will clearly reflect the financial transactions provided for in this License. The Market Administrator shall permit the Secretary to examine his books and records at all times, and furnish the Secretary such verified reports or other information as the Secretary may, from time to time, request of him.

The Market Administrator shall have the right to examine the books and records of the distributors and the books and records of the affiliates and subsidiaries of each distributor for the purpose

of (1) verifying the reports and information furnished to the Market Administrator by each distributor pursuant to this License and/or (2) in the event of the failure of any distributor to furnish reports or information as required by this License, obtaining the information so required.

SECTION F. Establishment of Milk Industry Board.

The Secretary may, in his discretion, at any time, establish a Milk Industry Board, which shall have representation of producers, distributors, and the public. In establishing the Milk Industry Board, the Secretary will give due consideration to the recommendations and nominations by various groups of producers, distributors and the public. The Milk Industry Board shall have such duties and powers as the Secretary may, from time to time, delegate to it in order to effectuate the provisions and purposes of this License. The Secretary may further, in his discretion, authorize and direct the Market Administrator to pay over to the Milk Industry Board for the purpose of meeting its general expenses, a portion of the monies paid to the Market Administrator for his cost of operation, pursuant to section D of this exhibit, providing that such portion shall in no event exceed 1/4 cent per hundred pounds of milk for which such payment is made.

SECTION G. New Producers.

1. New producers shall be those producers whose milk was neither being purchased by distributors nor being distributed in the Wichita Sales Area within 90 days prior to the effective date of this License.

2. Each distributor upon first receiving milk from any producer shall immediately report to the Market Administrator (1) the name of such producer, (2) the date on which such producer's milk was first received, and (3) whether or not such producer is a new producer. Whenever a distributor purchases milk from a new producer, a base shall be allotted to such new producer by the Market Administrator in accordance with the provisions of Exhibit B.

EXHIBIT B

RULES FOR ESTABLISHMENT OF BASES

1. For the purposes of this License, each producer shall be allotted a base as follows:

- (a) In the case of producers who are members of the Wichita Milk Producers Association hereinafter called the "Association", the quantity of milk recorded as such bases in the files and records of the Association: Provided, that such Association has given the Market Administrator access to such files and records.
- (b) In the case of producers who are not members of the Association, bases shall be allotted by the Market Administrator, which bases shall be equitable as compared with the bases established pursuant to subdivision (a) above.
- (c) In the case of producers who are also distributors, bases shall be allotted by the Market Administrator.

2. The Market Administrator may make such revisions in the bases of any and all producers as he may, from time to time, deem necessary or advisable, to the end that such bases may be equitable as among producers and that the total of all established bases may, so far as practical, be equal to the total quantity of milk sold or used by distributors as Class I and Class II milk.

3. Every distributor shall, within ten days of the effective date of this License, submit to the Market Administrator written reports, verified under oath, containing the following information (1) with respect to each producer who has delivered milk to such distributor and (2) for each calendar month during the years for 1933 and 1934 or such portion thereof as the producer may have delivered milk:

- (a) The total pounds of delivered milk.
- (b) The average percentage of butterfat in such delivered milk.
- (c) The total pounds of butterfat in such delivered milk.

Each distributor required to report pursuant to paragraph 4 of section A of exhibit A shall, in addition to the foregoing information,

include in the report submitted by him a statement containing the following information with respect to each calendar month during the years 1933 and 1934 or such portion thereof as such distributor may have distributed or sold milk produced by himself: (2) the total quantity of milk produced by him and sold by him as Class I, Class II, and Class III milk, (b) the average percentage of butterfat in such milk, and (c) the total number of pounds of butterfat in such milk.

4. When bases are established for producers, as hereinabove provided, the Market Administrator shall notify each distributor of the bases of the producers, including those producers who are members of the Association who are delivering milk to such distributor.

5. A producer with a base, whether landlord or tenant, may retain his base when moving his entire herd from one farm to another farm.

6. A landlord who rents on shares is entitled to the entire base to the exclusion of the tenant, if the landlord owns the entire herd. Likewise, the tenant who rents on shares is entitled to the entire base to the exclusion of the landlord if the tenant owns the entire herd. If the cattle are jointly owned by tenant and landlord, the base shall be divided between the joint owners according to the ownership of the cattle if and when such joint owners terminate the tenant-landlord relationship.

7. Any producer who voluntarily ceases to market milk pursuant to the terms and provisions of this License for a period of more than 45 consecutive days shall forfeit his base. In the event that he thereafter commences to market milk pursuant to the terms and provisions of this License, he shall be treated for the purposes of these rules as if he were a new producer.

8. Any producer may relinquish his base at any time. In the event, thereafter, such producer requests the Market Administrator to allot him a base, he shall be treated for the purpose of these rules as if he were a new producer.

9. A base may be transferred by the Market Administrator from a producer to a person who has no base, upon the transfer of the producer's entire herd to such person.

10. Any producer whose average monthly delivery of milk for any three consecutive months is less than 75 per cent of his base will thereby establish a new base equal to such average monthly delivery.

Whereas, the undersigned finds that this amended License is in accordance with the provisions of Sec. 8 (3) of the said Act and tends to effectuate the purposes of the said Act; and

Whereas, the undersigned finds that the subject matter of this amended License is embraced within the scope of a hearing heretofore held on a Marketing Agreement pursuant to applicable General Regulations of the Agricultural Adjustment Administration.

Hereby amends and modifies the terms and conditions of the said Amended License and hereby licenses each and every distributor to engage in the business of distributing, marketing or handling milk or cream as a distributor in the Wichita Sales Area, subject to the following terms and conditions:

PART I

As used in this Amended License (hereinafter called the "License"), the following words and phrases shall be defined as follows:

A. "Producer" means any person, irrespective of whether any such person is also a distributor, who produces milk in conformity with the applicable health requirements of the Wichita Sales Area for milk to be sold for consumption as whole milk in the Wichita Sales Area.

B. "Distributor" means any of the following persons, irrespective of whether any such person is a producer or an association of producers, wherever located or operating, whether within or without the Wichita Sales Area, engaged in the business of distributing, marketing, or in any manner handling, in whole or in part, whole milk or cream for ultimate consumption in the Wichita Sales Area:

1. Persons

- (a) who pasteurize, bottle or process milk or cream;
- (b) who distribute milk or cream at wholesale or retail
 - (1) to hotels, restaurants, stores or other establishments for consumption on the premises, (2) to stores or other establishments for resale, or (3) to consumers;
- (c) who operate stores or other establishments selling milk or cream at retail for consumption off the premises.

2. Persons who purchase, market or handle milk or cream for resale in the Wichita Sales Area.

C. "Wichita Sales Area" means the territory within the corporate limits of Wichita, Kansas, and the territory within the following townships: Park, DeLano, Waco, Kechi, Wichita, Riverside, Payne, Minneha, and Gypsum; all located in Sedgwick County, Kansas.

D. "Secretary" means the Secretary of Agriculture of the United States.

EXHIBIT C.

SCHEDULE OF UNFAIR TRADE PRACTICES AND MINIMUM RESALE PRICES.

1. To effectuate the purposes of this License and to aid in the enforcement of the provisions thereof, the sale of the following articles in the Wichita Sales Area by distributors at prices below the minimum prices hereinafter set forth is prohibited. Such minimum prices shall be as follows:

	<u>WHOLESALE</u> Cents	<u>RETAIL</u> Cents
Milk		
Gallons (in bulk)	23	
Quarts	7-1/2	8-1/2
Pints	4-1/2	5
Half Pints	2-1/4	
Cream - 25 per cent or less butterfat		
Gallons	70	
Quarts	21	23
Pints	12	13
Half Pints	7	8
Cream - 25 to 30 per cent butterfat		
Gallons	85	
Quarts	26	29
Pints	15	17
Half Pints	9	10
Cream - more than 30 per cent butterfat		
Gallons	100	
Quarts	32	35
Pints	18	20
Half Pints	11	12

2. The foregoing price schedule is without prejudice to the right of any distributor who asserts that such minimum prices are in excess of the prices necessary to accomplish the purposes set forth in paragraph 1 of this exhibit, to a hearing on the question of a modification or amendment of this License, in accordance with the applicable General Regulations, Agricultural Adjustment Administration.

3. The foregoing minimum prices shall not be applicable to any sales to any public unemployment relief agency (whether local, state, or federal), to any private unemployment relief agency cooperating with or accredited by any public unemployment relief agency, to any charitable institution or agency, to any hospital in connection with its charitable operations or to any government agency (whether local, state, or federal) when such sales are upon competitive bids.

4. No distributor, or its officers, employees, or agents, shall employ any method or device whereby any article is sold or offered for sale at below the foregoing minimum prices, whether by discount, rebate, redeemable certificate, stamps or tickets, free services or merchandise, credit for articles returned, loans or credit outside the usual course of business, or combining prices for such articles together with another commodity sold, or by subsidy given for business or assistance in procuring business.

E. "Act" means the Agricultural Adjustment Act approved May 12, 1933, as amended.

F. "Person" means individual, partnership, corporation, association or any other business unit.

G. "Subsidiary" means any person of, or over whom or which, a distributor or an affiliate of a distributor has, or several distributors collectively have, either directly or indirectly, actual or legal control, whether by stock ownership or in any other manner.

H. "Affiliate" means any person and/or any subsidiary thereof, who or which has, either directly or indirectly, actual or legal control of or over a distributor, whether by stock ownership or in any other manner.

I. "Books and records" means books, records, accounts, contracts, memoranda, documents, papers, correspondence or other data pertaining to the business of the person in question.

J. "Market Administrator" means the person designated pursuant to exhibit A, which is attached hereto and made a part hereof.

Part II

1. The schedule governing the prices at which, and the terms and conditions under which, distributors shall purchase and/or accept delivery of milk from producers, shall be that set forth in exhibit A. Any contract or agreement entered into between any distributor and producer, prior to the effective date of this License, covering the purchase and/or delivery of milk, shall be deemed to be superseded by the terms and provisions of this License insofar as such contract or agreement is inconsistent with any provision hereof.

2. Except as provided in exhibit A, no distributor shall purchase milk from producers except those producers having bases, which are to be reported as provided in exhibit B, which is attached hereto and made a part hereof.

The schedule governing the minimum prices at which, and the terms and conditions under which, milk and cream shall be sold and/or delivered by distributors shall be that set forth in exhibit C, which is attached hereto and made a part hereof. Any contract or agreement entered into between any distributor and any person, prior to the effective date of this License, covering the sale and/or delivery of milk and/or cream, shall be deemed to be superseded by the terms and provisions of this License insofar as such contract or agreement is inconsistent with any provision hereof.

3. (a) The distributors shall severally, from time to time, upon the request of the Secretary, furnish him with such information as he may request, in a manner prescribed by him and/or in accordance with forms of reports to be supplied by him, for the purposes of (1) assisting the Secretary in the furtherance of his powers and duties with respect to this License and/or (2) enabling the Secretary to ascertain and determine the extent to which the declared policy of the Act and the purpose of this License are being effectuated; such reports to be verified under oath. The Secretary's determination as to the necessity of and the justification for the making of any such reports, and the information called for thereby, shall be final and conclusive.

(b) For the same purposes and/or to enable the Secretary to verify the information furnished him, all the books and records of each distributor and the books and records of the affiliates and subsidiaries of each distributor, shall, during the usual hours of business, be subject to the examination of the Secretary. The Secretary's determination as to the necessity of and the justification for any such examination shall be final and conclusive.

(c) The distributors and their respective affiliates and subsidiaries shall severally keep books and records which will clearly reflect all the financial transactions of their respective businesses and the financial condition thereof.

(d) All information furnished the Secretary, pursuant to this paragraph, shall remain confidential in accordance with the applicable General Regulations, Agricultural Adjustment Administration.

4. No distributor shall purchase milk or cream from, or process or distribute milk or cream for, or sell milk or cream to, any other distributor who he has notice is violating any provision of this License.

5. The Secretary may, by designation in writing, name any person, including any officer or employee of the Government, or name any Bureau or Division in the Department of Agriculture, to act as his agent or agency in connection with any of the powers provided in this License to be exercised by the Secretary.

6. (a) Each distributor who is obligated to report pursuant to paragraph 4 of section A of exhibit A shall within thirty days after the effective date of this License, furnish to the Market Administrator a bond with good and sufficient surety thereon, satisfactory to the Market Administrator (in an amount not in excess of the purchase value of the milk purchased by such distributor during any two successive delivery periods as designated by the Market Administrator) for the purpose of securing the fulfillment of such distributor's obligations as provided in exhibit A. Any distributor who commences to do business after the

effective date of this License shall, as a condition precedent to engaging in such business, furnish to the Market Administrator a bond in conformity with the foregoing provision.

(b) The Market Administrator may, (1) if satisfied from the investigation of the financial condition of a distributor that such distributor is solvent and/or possessed of sufficient assets to fulfill his said obligations, or (2) if, pursuant to a State statute, a distributor has furnished a bond with good and sufficient surety thereon in conformity with the foregoing provision, waive the requirements of the bond as to such distributor. Such distributor may, upon a change in such circumstances, be required by the Market Administrator to comply with the foregoing requirement.

(c) Each distributor who is unable to meet the requirements of the foregoing provisions, shall make periodic deposits with the Market Administrator at such times, in such amounts, and in such manner as the Market Administrator may determine to be necessary in order to secure the fulfillment of such distributor's obligations as provided in exhibit A.

7. If the applicability of any provision of this License to any person, circumstance or thing is held invalid, the applicability thereof to any other person, circumstance or thing, shall not be affected thereby, nor shall the validity of the remainder of this License be affected thereby. If any provision of this License is declared invalid, the validity of the remainder of this License shall not be affected thereby.

8. Nothing contained in this License is or shall be construed to be in derogation or modification of the rights of the Secretary, or of the United States (a) to exercise any powers granted by the Act or otherwise, and/or (b) in accordance with such powers, to act in the premises whenever such action is deemed advisable.

9. This License shall take effect as to every distributor at the time and upon the date set forth herein above the signature of the Secretary.

10. In the event this License is terminated or amended by the Secretary, any and all obligations which shall have arisen, or which may thereafter arise in connection therewith, by virtue of or pursuant to this License, and any violations of this License which may have occurred prior to such termination or amendment, shall be deemed not to be affected, waived or terminated by reason thereof, unless so expressly provided in the notice of termination of, or the amendment to this License.

The Secretary hereby determines that an emergency exists which requires a shorter period of notice than three days, and that the period of notice, with respect to the issuance of this License, which is hereinafter provided, is reasonable under the circumstances.

IN WITNESS WHEREOF, H. A. Wallace, Secretary of Agriculture, does hereby execute in duplicate and issue this Amended License, in the City of Washington, District of Columbia, on this 17th day of August, 1934, and pursuant to the provisions hereof, declares this Amended License to be effective on and after 12:01 a. m., eastern standard time, August 18, 1934.

H. A. Wallace

Secretary of Agriculture

EXHIBIT A

MARKETING PLAN

SECTION A. Cost of Milk to Distributors.

1. Each distributor, except as hereinafter provided, shall be obligated to pay, in the manner hereinafter provided, the following prices for milk, of 3-1/2 per cent butterfat content, which he has purchased from producers delivered f.o.b. distributor's plant in the Wichita Sales Area:

Class I - \$2.20 per hundredweight.

Class II - For each hundred pounds of milk 3-1/2 times the average price per pound of 92 score butter at wholesale in the Chicago Market as reported by the United States Department of Agriculture for the delivery period during which such milk is purchased, plus 25 per cent thereof, plus twenty-five (25) cents.

Class III - For each hundred pounds of milk, 3-1/2 times the average price per pound of 92 score butter at wholesale in the Chicago Market as reported by the United States Department of Agriculture for the delivery period during which such milk is purchased, plus twenty (20) cents.

The term "delivery period" shall mean the period from the 1st to, and including, the fifteenth day of each month, or the period from the sixteenth day to and including the last day of each month.

2. (a) Class I milk means all milk sold or distributed by distributors as whole milk for consumption in the Wichita Sales Area.

Class II milk means all milk used by distributors to produce cream (for consumption as cream), flavored milk, creamed cottage cheese, and creamed buttermilk for sale or distribution for consumption in the Wichita Sales Area, provided that the milk from which only the

skimmed milk is used in the production of the above products shall not be included as Class II milk.

Class III milk means the quantity of milk purchased, sold, used, or distributed by distributors in excess of Class I and Class II milk.

(b) Except as provided in subdivision (c), milk purchased from producers by a distributor or produced by such distributor and sold during any delivery period as milk or cream outside the Wichita Sales Area or sold as milk or cream by such distributor to another distributor (including any person who sells, uses, or distributes such milk or cream for ultimate consumption in any market with respect to which no License is in effect pursuant to Section 8 (3) of the Act covering such purchase from producers and such sale as milk or cream) shall be accounted for by such selling distributor as Class I and Class II milk, respectively, unless such selling distributor on or before the date fixed for filing reports with the Market Administrator for such delivery period shall furnish to the Market Administrator satisfactory proof that such milk or cream has been utilized for a purpose other than the sale, use, or distribution for ultimate consumption as milk or cream, in which event such milk or cream shall be classified in accordance with such other use.

(c) Milk or cream sold in bulk by a distributor who is also a producer to a distributor operating a bottling or processing plant shall be accounted for as Class III milk by such selling distributor, and if such buying distributor uses or sells such milk for other than Class III purposes such buying distributor shall account for the difference between the value of such milk at the Class III price and the value of such milk at the Class I or Class II price according to its usage; such difference in value shall be added to the computations pursuant to subdivision (a) of paragraph 5.

(d) Any distributor who does not sell or distribute whole milk for ultimate consumption in the Wichita Sales Area may purchase milk from producers who do not have established bases. Such distributor

- (1) shall not sell cream to other distributors for distribution and ultimate consumption in the Wichita Sales Area at a price less than the price at which such distributor sells similar cream for distribution and ultimate consumption nearest the location where milk is processed into such cream by such distributor, plus the reasonable cost of transporting such cream to the Wichita Sales Area;

- (2) shall submit reports, upon request of the Market Administrator, containing such information as the Market Administrator may require with respect to cream or milk purchased from producers who do not have established bases, which information shall be kept confidential in the manner provided for in paragraph 3 (d) of Part II of this License;
- (3) shall not be subject to any of the terms or provisions of this exhibit except as set forth in subdivisions (1) and (2) above, with respect to milk purchased from producers who do not have established bases.

3. The established base for each producer (including each producer who is also a distributor) shall be the quantity of milk allotted to such producer in accordance with the provisions of exhibit B.

The delivered base for each producer shall be that quantity of milk delivered by such producer to distributors which is not in excess of the established base of such producer.

The delivered base for each producer who is also a distributor shall be the quantity of milk produced by such producer which is sold, used or distributed by such producer as Class I, Class II and Class III milk which is not in excess of the established base of such producer.

4. (a) On or before the 5th day of each delivery period each distributor (other than those who operate only stores or similar establishments) shall report to the Market Administrator in a manner prescribed by the Market Administrator, with respect to milk or cream delivered to or received by such distributor and/or produced by such distributor during the preceding delivery period:

- (1) The deliveries (at each location of the producers who are not also distributors supplying such distributor, the total quantity of milk represented by the delivered bases of all such producers, and the total quantity of milk represented by the excesses over delivered bases of all such producers;
- (2) The total quantities of milk which were sold, used, or distributed by such distributor as Class I, Class II and Class III milk, respectively;

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

LICENSE SERIES--LICENSE NO. 56

AMENDED LICENSE

FOR MILK

LEAVENWORTH, KANSAS, SALES AREA

WITH EXHIBITS

Exhibit A
Marketing Plan

Exhibit B
Rules for Establishment of Bases

Exhibit C
Schedule of Unfair Trade Practices and Minimum Resale Prices

Issued by the Secretary of Agriculture, August 17, 1934.

Effective date August 18, 1934 (12:01 a.m., eastern standard time).

AMENDED LICENSE FOR MILK

LEAVENWORTH, KANSAS, SALES AREA

License Series--License No. 56

Whereas, it is provided by Section 8 of the Act as follows:

"Sec. 8. In order to effectuate the declared policy, the Secretary of Agriculture shall have power - * * *

"(3) To issue licenses permitting processors, associations of producers and others to engage in the handling, in the current of interstate or foreign commerce, of any agricultural commodity or product thereof, or any competing commodity or product thereof. Such licenses shall be subject to such terms and conditions, not in conflict with existing Acts of Congress or regulations pursuant thereto, as may be necessary to eliminate unfair practices or charges that prevent or tend to prevent the effectuation of the declared policy and the restoration of normal economic conditions in the marketing of such commodities or products and the financing thereof. * * *

"(4) To require any licensee under this section to furnish such reports as to quantities of agricultural commodities or products thereof bought and sold and the prices thereof, and as to trade practices and charges, and to keep such systems of accounts, as may be necessary for the purpose of part 2 of this title, * * *"

and

Whereas, Henry A. Wallace, Secretary of Agriculture, acting under the provisions of said Act, for the purposes and within the limitations therein contained, and pursuant to the regulations issued thereunder, has on the fifteenth day of May, 1934, issued a License for Milk - Leavenworth Sales Area; and

Whereas, the undersigned finds that the handling of milk and the products thereof, covered by this License, is in the current of interstate commerce since the portion thereof which occurs within the bounds of a single state affects and actually and potentially competes with the handling of commodities and products which occurs between or among several states, and since the commodity, and the products thereof, covered by this License cannot be separated into interstate and intrastate portions, the supply and the handling thereof being inextricably commingled, so that it is impossible to regulate the interstate handling without also regulating the intrastate handling, and the failure to regulate the latter will defeat and obstruct the purposes of the Act with respect to the former:

Whereas, the Secretary has determined to modify the terms and conditions of the said License and finds that it is necessary to issue the following Amended License for Milk - Leavenworth, Kansas, Sales Area, pursuant to Section 8 (3) of the Agricultural Adjustment Act and applicable General Regulations of the Agricultural Adjustment Administration;

- (a) Compute the total value, in each class, of all the milk as reported by each and all distributors pursuant to paragraph 4, on the basis of the prices set forth in paragraph 1, which computation shall not include milk purchased by distributors from other distributors except as provided in subdivision (c) of paragraph 2.
- (b) Compute the total quantity of milk by hundredweight represented by the delivered bases of all producers as reported pursuant to paragraph 4, excluding the delivered bases of producers who are also distributors.
- (c) Compute the value of the milk purchased, sold or used by all distributors in excess of the total delivered bases as reported pursuant to paragraph 4, of all producers, including producers who are also distributors, by multiplying such quantity of milk by the price provided in paragraph 1 for Class III milk.
- (d) Compute the total value of the quantity of milk represented by the total delivered bases of all producers by subtracting from the amount obtained in subdivision (a) the amount obtained in subdivision (c).
- (e) Compute the blended price for the quantity of milk represented by the total delivered bases of all producers by dividing the amount obtained in subdivision (d) by the quantity of milk represented by the total delivered bases of all producers as determined in subdivision (b).

6. On or before the 10th day of each delivery period the Market Administrator shall notify all distributors whose reports are included in the computations made pursuant to paragraph 5, of the blended price and of the Class III price as provided for in paragraph 1 above.

7. Each such distributor shall pay to producers on or before the 15th day after the end of each delivery period for milk delivered by such producers during such delivery period subject to adjustments and deductions which are to be made pursuant to Sections B and C of this Exhibit:

- (a) the blended price for the quantity of milk delivered by each producer not in excess of such producer's delivered base;
- (b) the Class III price for the quantity of milk delivered by each such producer in excess of such producer's delivered base.

No provision in this License shall be construed as controlling or restricting any producers' cooperative association, licensed as a distributor under this License, with respect to the actual deductions or charges, dividends or premiums to be made by such association from and/or to its members; except that no such deductions or charges may be made by any such

producers' cooperative association from any of its members, to meet a current operating loss incurred by such producers' cooperative association in its processing or distribution operations unless (a) expressly and specifically authorized by any such member to make such deductions or charges for such purpose, and (b) the producers' cooperative association notifies the Market Administrator of the same.

8. The Market Administrator shall maintain for each distributor an adjustment account:

- (a) which shall be debited for the total value of the milk as computed for such distributor pursuant to subdivision (a) of paragraph 5; and
- (b) which shall be credited for the total payments to be made by such distributor pursuant to paragraph 7. Any distributor who is also a producer shall be credited, with respect to the milk produced and distributed by him, which is in excess of his delivered base, with the Class III price. Such credit shall be made before giving effect to the adjustments and deductions provided for in Sections B and C of this Exhibit.

On or before the 12th day of each delivery period the Market Administrator shall render a statement to each distributor showing the debit or credit balance, as the case may be, in the adjustment account of such distributor with respect to milk sold, purchased or used during the preceding delivery period. Debit balances shall be paid to the Market Administrator on or before the 15th day following such delivery period. Any funds so paid to the Market Administrator shall, as soon as reasonably possible, be paid out by him pro rata among the distributors in proportion to the amounts of adjustments to which, but only to the extent to which, they are entitled.

9. The Market Administrator may deduct from the total amount computed pursuant to subdivision (a) of paragraph 5 an amount suitable for the maintenance of a reserve fund against the failure or delay of distributors to ~~make~~ payments on adjustment accounts as provided in paragraph 8. Repayments of any such deductions shall be made by the Market Administrator to the producers from whom such deductions were made in the same proportion as the original deduction. Any error in computation of payments or any discrepancies in reports of distributors or in the adjustment accounts shall be adjusted when settlements are made with respect to the following delivery period. All such funds shall be kept separate by the Market Administrator and shall in no event be used by him to meet any costs or liabilities incurred by him under this License.

10. The Market Administrator and/or the Pure Milk Producers Association shall at all reasonable times have the right to check sampling, weighing, and butterfat tests made by distributors, for the purpose of determining the accuracy thereof. In the event of a discrepancy between weights and tests reported by distributors and weights and tests determined by the Market

Administrator and/or the Pure Milk Producers Association, settlements shall be made by distributors upon the basis of such weights and such butterfat content as the Market Administrator may in each case decide.

SECTION B. Adjustments in Payments to Producers.

1. Each distributor shall make the following payments in addition to, or make the following deductions from, the prices to be paid producers pursuant to paragraph 7 of Section A:

If any producer has delivered to any distributor, during any delivery period, milk having an average butterfat content other than 3.5 percent, such distributor shall pay to each such producer 4 cents per hundred pounds for each 1/10th of 1 percent of average butterfat content above, or shall be entitled to deduct 4 cents per hundred pounds for each 1/10th of 1 percent of average butterfat content below 3.5 percent.

2. Any distributor may, with the prior approval of the Market Administrator, make payments to producers in addition to the blended price as reported pursuant to paragraph 6 of Section A, provided, that such additional payments are made to all the producers supplying such distributor with milk of similar quality and grade. No distributor may accept services from or render services to a producer or an association of producers from whom he is purchasing milk without making a reasonable payment or charge, as the case may be, for such services.

SECTION C. Deductions from Payments to Producers.

1. Each distributor shall deduct 1 cent per hundredweight from the payments to be made by him pursuant to Section A in regard to all milk delivered to him by producers who are not also distributors and shall, on or before the 15th day after the end of each delivery period, pay such deduction to the Market Administrator, and each distributor who produces milk distributed by him shall make a similar payment for milk produced by him and sold as Class I, Class II or Class III milk. Such payments shall be retained by the Market Administrator in a separate account to meet his cost of operation.

2. Upon the request of the Market Administrator each distributor shall, in addition, deduct, and on or before the 15th day of the following delivery period, pay to the Market Administrator 3 cents per hundredweight from the payments to be made by such distributor pursuant to Section A in regard to all milk delivered to him by producers for whom the following services are not currently rendered in a satisfactory manner by a producers' cooperative association for a similar charge or assessment:

(a) market information;

- (b) supervision of weights and tests;
- (c) guarantee against failure by distributors to make payments for milk purchased.

Such payments shall be retained by the Market Administrator and shall be expended by him for the purpose of obtaining or securing services similar to those above named for producers who do not otherwise receive such services; provided, however, that the Market Administrator may, in his discretion, employ the facilities and services of any agent or agents, and pay over such funds in such amount as he may determine to such agent or agents for the purpose of securing to such producers the aforementioned benefits, if such benefits may be efficiently and economically secured thereby. The Market Administrator shall pay over such funds to such agent or agents, if he determines to do so, only upon the consent of such agent or agents: (a) to keep its or their books and records in a manner satisfactory to the Market Administrator; (b) to permit the Market Administrator to examine its or their books and records, and to furnish the Market Administrator such verified reports or other information as the Market Administrator may from time to time request; and (c) to disburse such funds in the manner above provided. Such funds shall be kept separate by the Market Administrator and shall in no event be used by him, except as provided in this subdivision, to meet any costs or liabilities incurred by him under this License.

3. The Market Administrator, in his discretion, may at any time waive the foregoing payments or distribute any balance arising from such payments, or any part thereof, for any delivery period (in which event the deductions for payments so waived shall not be made by the distributors from payments to producers); any such waiver or the payments of any such balances shall be equal (a) among all producers with respect to the amounts paid to the Market Administrator pursuant to paragraph 1 above, and (b) among all producers from whom such deductions have been made pursuant to paragraph 2 above.

SECTION D. The Market Administrator - His Designation, Duties and Compensation.

The Secretary shall designate the Market Administrator who shall perform such duties as may be provided for him pursuant to the License. The Market Administrator so designated shall be subject to removal, at any time, by the Secretary. Within forty-five (45) days following the date upon which he enters upon his duties, the Market Administrator shall execute and deliver to the Secretary a bond in such amount as the Secretary may determine, with surety thereon satisfactory to the Secretary, conditioned upon the faithful performance of his duties as such Market Administrator. The Market Administrator shall be entitled: (a) to reasonable compensation, which shall be determined by the Secretary; (b) to borrow money to meet his cost of operation until such time as the first payments are made to him pursuant to Section C of this Exhibit, which monies shall be repaid out of the payments retained by the Market Administrator pursuant to paragraph 1 of said Section C; and (c) to incur such other expenses, including compensation for persons employed by the Market Administrator as the Market Administrator may deem necessary.

for the proper conduct of his duties, and the cost of procuring and continuing his bond, which total expense shall be deemed to be the cost of operation of the Market Administrator. The Market Administrator shall not be held personally responsible in any way whatsoever to any licensee or to any other person for errors in judgment, mistakes of facts or other acts, either of commission or omission, except for acts of dishonesty, fraud, or malfeasance in office.

The Market Administrator shall keep such books and records as will clearly reflect the financial transactions provided for in this License. The Market Administrator shall permit the Secretary to examine his books and records at all times, and furnish the Secretary such verified reports or other information as the Secretary may, from time to time, request of him.

The Market Administrator shall have the right to examine the books and records of the distributors and the books and records of the affiliates and subsidiaries of each distributor for the purpose of (1) verifying the reports and information furnished to the Market Administrator by each distributor pursuant to this License and/or (2) in the event of the failure of any distributor to furnish reports or information as required by this License, obtaining the information so required.

SECTION E. Establishment of Milk Industry Board.

The Secretary may, in his discretion, at any time, establish a Milk Industry Board, which shall have representation of producers, distributors, and the public. In establishing the Milk Industry Board, the Secretary will give due consideration to the recommendations and nominations by various groups of producers, distributors and the public. The Milk Industry Board shall have such duties and powers as the Secretary may, from time to time, delegate to it in order to effectuate the provisions and purposes of this License. The Secretary may further, in his discretion, authorize and direct the Market Administrator to pay over to the Milk Industry Board for the purpose of meeting its general expenses, a portion of the monies paid to the Market Administrator for his cost of operation, pursuant to Section C of this Exhibit, providing that such portion shall in no event exceed 1/4 cent per hundred pounds of milk for which such payment is made.

SECTION F. New Producers.

1. New producers shall be those producers whose milk was neither being purchased by distributors nor being distributed in the Leavenworth Sales Area within 90 days prior to the effective date of this License.

2. Each distributor upon first receiving milk from any producer shall immediately report to the Market Administrator (1) the name of such producer, (2) the date on which such producer's milk was first received, and (3) whether or not such producer is a new producer. Whenever a distributor purchases milk from a new producer, a base shall be allotted to such new producer by the Market Administrator in accordance with the provisions of Exhibit B.

EXHIBIT B

RULES FOR ESTABLISHMENT OF BASES

1. For the purposes of this License, each producer shall be allotted a base as follows:

- (a) In the case of producers who are members of the Pure Milk Producers Association, hereinafter called the "Association", the quantity of milk recorded as such bases in the files and records of the Association.

provided, that such Association has given the Market Administrator access to such files and records.

- (b) In the case of producers who are not members of the Association bases shall be allotted by the Market Administrator, which bases shall be equitable as compared with the bases established pursuant to subdivision (a) above.
- (c) In the case of producers who are also distributors, bases shall be allotted by the Market Administrator.

2. The Market Administrator may make such revisions in the bases of any and all producers as he may, from time to time, deem necessary or advisable to the end that such bases may be equitable as among producers and that the total of all established bases may, so far as practical, be equal to the total quantity of milk sold or used by distributors as Class I and Class II milk.

3. Every distributor shall, within ten days of the effective date of this License, submit to the Market Administrator written reports, verified under oath, containing the following information (1) with respect to each producer who has delivered milk to such distributor and (2) for each calendar month during the years of 1933 and 1934 or such portion thereof as the producer may have delivered milk:

- (a) The total pounds of delivered milk.
- (b) The average percentage of butterfat in such delivered milk.
- (c) The total pounds of butterfat in such delivered milk.

Each distributor required to report pursuant to paragraph 4 of Section A of Exhibit A shall, in addition to the foregoing information, include in the report submitted by him a statement containing the following information with respect to each calendar month during the years 1933 and 1934 or such portion thereof as such distributor may have distributed or sold milk produced by himself: (a) the total quantity of milk produced by him and sold by him as Class I, Class II, and Class III milk, (b) the average

percentage of butterfat in such milk, and (c) the total number of pounds of butterfat in such milk.

4. When bases are established for producers, as hereinabove provided, the Market Administrator shall notify each distributor of the bases of the producers, including those producers who are members of the Association who are delivering milk to such distributor.

5. A producer with a base, whether landlord or tenant, may retain his base when moving his entire herd from one farm to another farm.

6. A landlord who rents on shares is entitled to the entire base to the exclusion of the tenant, if the landlord owns the entire herd. Likewise, the tenant who rents on shares is entitled to the entire base to the exclusion of the landlord if the tenant owns the entire herd. If the cattle are jointly owned by tenant and landlord, the base shall be divided between the joint owners according to the ownership of the cattle if and when such joint owners terminate the tenant-landlord relationship.

7. Any producer who voluntarily ceases to market milk pursuant to the terms and provisions of this License for a period of more than 45 consecutive days shall forfeit his base. In the event that he thereafter commences to market milk pursuant to the terms and provisions of this License, he shall be treated for the purposes of these rules as if he were a new producer.

8. Any producer may relinquish his base at any time. In the event, thereafter, such producer requests the Market Administrator to allot him a base, he shall be treated for the purpose of these rules as if he were a new producer.

9. A base may be transferred by the Market Administrator from a producer to a person who has no base, upon the transfer of the producer's entire herd to such person.

10. Any producer whose average monthly delivery of milk for any three consecutive months is less than 75 percent of his base will thereby establish a new base equal to such average monthly delivery.

EXHIBIT C

SCHEDULE OF UNFAIR TRADE PRACTICES AND MINIMUM RESALE PRICES

1. To effectuate the purposes of this License and to aid in the enforcement of the provisions thereof, the sale of the following articles in the Leavenworth Sales Area by distributors at prices below the minimum prices hereinafter set forth is prohibited. Such minimum prices shall be as follows:

	<u>Retail</u> Cents	<u>Wholesale</u> Cents
Milk -		
Gallons (in bulk)	--	23
Quarts	8 1/2	7 1/2
Pints	5	4 1/2
One-half Pints	--	2 1/4
Cream - 25 percent or less butterfat		
Gallons	--	70
Quarts	23	21
Pints	13	12
One-half Pints	8	7
Cream - 26 - 30 percent butterfat		
Gallons	--	85
Quarts	29	26
Pints	17	15
One-half Pints	10	9
Cream - Over 30 percent butterfat		
Gallons	--	100
Quarts	35	32
Pints	20	18
One-half Pints	12	11

2. The foregoing price schedule is without prejudice to the right of any distributor who asserts that such minimum prices are in excess of the prices necessary to accomplish the purposes set forth in paragraph 1 of this exhibit, to a hearing on the question of a modification or amendment of this License, in accordance with the applicable General Regulations, Agricultural Adjustment Administration.

3. The foregoing minimum prices shall not be applicable to any sales to any public unemployment relief agency (whether local, state, or Federal), to any private unemployment relief agency cooperating with or accredited by any public unemployment relief agency, to any charitable institution or

agency, to any hospital in connection with its charitable operations, or to any government agency (whether local, state, or Federal) when such sales are upon competitive bids.

4. No distributor, or its officers, employees, or agents, shall employ any method or device whereby any article is sold or offered for sale at below the foregoing minimum prices, whether by discount, rebate, redeemable certificate, stamps or tickets, free services or merchandise, credit for articles returned, loans or credit outside the usual course of business, or combining prices for such articles together with another commodity sold, or by subsidy given for business or assistance in procuring business.

Whereas, the undersigned finds that this amended License is in accordance with the provisions of section 8 (3) of the said Act and tends to effectuate the purposes of the Act; and

Whereas, the undersigned finds that the subject matter of this Amended License is embraced within the scope of a hearing heretofore held on a Marketing Agreement pursuant to applicable General Regulations of the Agricultural Adjustment Administration;

Now, therefore, the Secretary of Agriculture, acting under the authority vested in him as aforesaid:

Hereby amends and modifies the terms and conditions of the said License and hereby licenses each and every distributor to engage in the business of distributing, marketing or handling milk or cream as a distributor in the Leavenworth Sales Area, subject to the following terms and conditions:

PART I

As used in this Amended License, (hereinafter called the "License") the following words and phrases shall be defined as follows:

A. "Producer" means any person, irrespective of whether any such person is also a distributor, who produces milk in conformity to the applicable health requirements of the Leavenworth Sales Area for milk to be sold for consumption as whole milk in the Leavenworth Sales Area.

B. "Distributor" means any of the following persons, irrespective of whether any such person is a producer or an association of producers, wherever located or operating, whether within or without the Leavenworth Sales Area, engaged in the business of distributing, marketing, or in any manner handling, in whole or in part, whole milk or cream for ultimate consumption in the Leavenworth Sales Area:

1. Persons

- (a) who pasteurize, bottle or process milk or cream;
- (b) who distribute milk or cream at wholesale or retail
 - (1) to hotels, restaurants, stores or other establishments for consumption on the premises, (2) to stores or other establishments for resale, or (3) to consumers;
- (c) who operate stores or other establishments selling milk or cream at retail for consumption off the premises.

2. Persons who purchase, market or handle milk or cream for resale in the Leavenworth Sales Area.

C. "Leavenworth Sales Area" means the territory within the corporate limits of Leavenworth, Kansas and the territory lying within the following townships: That part of Kickapoo township and High Prairie township lying

east of the 95th principal meridian; and all of Delaware township; Leavenworth County, Kansas; and all of Lee township in Platte County, Missouri.

D. "Secretary" means the Secretary of Agriculture of the United States.

E. "Act" means the Agricultural Adjustment Act approved May 12, 1933, as amended.

F. "Person" means individual, partnership, corporation, association or any other business unit.

G. "Subsidiary" means any person of, or over whom or which, a distributor or an affiliate of a distributor has, or several distributors collectively have, either directly or indirectly, actual or legal control, whether by stock ownership or in any other manner.

H. "Affiliate" means any person and/or any subsidiary thereof, who or which has, either directly or indirectly, actual or legal control of or over a distributor, whether by stock ownership or in any other manner.

I. "Books and records" means books, records, accounts, contracts, memoranda, documents, papers, correspondence or other data pertaining to the business of the person in question.

J. "Market Administrator" means the person designated pursuant to Exhibit A, which is attached hereto and made a part hereof.

PART II

1. The schedule governing the prices at which, and the terms and conditions under which, distributors shall purchase and/or accept delivery of milk from producers, shall be that set forth in Exhibit A. Any contract or agreement entered into between any distributor and producer, prior to the effective date of this License, covering the purchase and/or delivery of milk, shall be deemed to be superseded by the terms and provisions of this License in so far as such contract or agreement is inconsistent with any provision hereof.

2. Except as provided in Exhibit A, no distributor shall purchase milk from producers except those producers having bases, which are to be reported as provided in Exhibit B, which is attached hereto and made a part hereof.

The schedule governing the minimum prices at which, and terms and conditions under which, milk and cream shall be sold and/or delivered by distributors shall be that set forth in Exhibit C, which is attached hereto

and made a part hereof. Any contract or agreement entered into between any distributor and any person, prior to the effective date of this License, covering the sale and/or delivery of milk and/or cream shall be deemed to be superseded by the terms and provisions of this License insofar as such contract or agreement is inconsistent with any provision hereof.

3. (a) The distributors shall severally, from time to time, upon the request of the Secretary, furnish him with such information as he may request, in a manner prescribed by him and/or in accordance with forms of reports to be supplied by him, for the purposes of (1) assisting the Secretary in the furtherance of his powers and duties with respect to this License and/or (2) enabling the Secretary to ascertain and determine the extent to which the declared policy of the Act and the purpose of this License are being effectuated; such reports to be verified under oath. The Secretary's determination as to the necessity of and the justification for the making of any such reports, and the information called for thereby, shall be final and conclusive.

(b) For the same purposes and/or to enable the Secretary to verify the information furnished him, all the books and records of each distributor and the books and records of the affiliates and subsidiaries of each distributor, shall, during the usual hours of business, be subject to the examination of the Secretary. The Secretary's determination as to the necessity of and the justification for any such examination shall be final and conclusive.

(c) The distributors and their respective affiliates and subsidiaries shall severally keep books and records which will clearly reflect all the financial transactions of their respective businesses and the financial condition thereof.

(d) All information furnished the Secretary, pursuant to this paragraph, shall remain confidential in accordance with the applicable General Regulations, Agricultural Adjustment Administration.

4. No distributor shall purchase milk or cream from, or process or distribute milk or cream for, or sell milk or cream to, any other distributor who he has notice is violating any provision of this License.

5. The Secretary may by designation in writing, name any person, including any officer or employee of the Government, or name any Bureau or Division in the Department of Agriculture to act as his agent or agency in connection with any of the powers provided in this License to be exercised by the Secretary.

6. (a) Each distributor who is obligated to report pursuant to paragraph 4 of Section A of Exhibit A shall, within thirty days after the effective date of this License, furnish to the Market Administrator a bond

with good and sufficient surety thereon, satisfactory to the Market Administrator (in an amount not in excess of the purchase value of the milk purchased by such distributor during any two successive delivery periods as designated by the Market Administrator) for the purpose of securing the fulfillment of such distributor's obligations as provided in Exhibit A. Any distributor who commences to do business after the effective date of this License shall, as a condition precedent to engaging in such business, furnish to the Market Administrator a bond in conformity with the foregoing provision.

(b) The Market Administrator may, (1) if satisfied from the investigation of the financial condition of a distributor that such distributor is solvent and/or possessed of sufficient assets to fulfill his said obligations, or (2), if, pursuant to a State statute, a distributor has furnished a bond with good and sufficient surety thereon in conformity with the foregoing provision, waive the requirements of the bond as to such distributor. Such distributor may, upon a change in such circumstances, be required by the Market Administrator to comply with the foregoing requirement.

(c) Each distributor who is unable to meet the requirements of the foregoing provisions, shall make periodic deposits with the Market Administrator at such times, in such amounts, and in such manner as the Market Administrator may determine to be necessary in order to secure the fulfillment of such distributor's obligations as provided in Exhibit A.

7. If the applicability of any provision of this License to any person, circumstance or thing is held invalid, the applicability thereof to any other person, circumstance or thing, shall not be affected thereby, nor shall the validity of the remainder of this License be affected thereby. If any provision of this License is declared invalid, the validity of the remainder of this License shall not be affected thereby.

8. Nothing contained in this License is or shall be construed to be in derogation or modification of the rights of the Secretary, or of the United States (a) to exercise any powers granted by the Act or otherwise, and/or (b) in accordance with such powers, to act in the premises whenever such action is deemed advisable.

9. This License shall take effect as to every distributor at the time and upon the date set forth herein above the signature of the Secretary.

10. In the event this License is terminated or amended by the Secretary, any and all obligations which shall have arisen or which may thereafter arise in connection therewith, by virtue of or pursuant to this License, and any violations of this License which may have occurred prior to such termination or amendment, shall be deemed not to be affected, waived or terminated by reason thereof, unless so expressly provided in the notice of termination of, or the amendment to this License.

The Secretary hereby determines that an emergency exists which requires a shorter period of notice than three days, and that the period of notice, with respect to the issuance of this License, which is hereinafter provided, is reasonable under the circumstances.

In witness whereof, H. A. Wallace, Secretary of Agriculture, does hereby execute in duplicate and issue this Amended License in the City of Washington, District of Columbia, on this 17th day of August, 1934, and pursuant to the provisions hereof, declares this Amended License to be effective on and after 12:01 a.m., eastern standard time, August 18, 1934.

H A Wallace

Secretary of Agriculture.

EXHIBIT A

MARKETING PLAN

Section A. Cost of Milk to Distributors.

1. Each distributor, except as hereinafter provided, shall be obligated to pay, in the manner hereinafter provided, the following prices for milk, of 3.5 percent butterfat content, which he has purchased from producers, delivered f.o.b. distributor's plant in the Leavenworth Sales Area:

Class I - - \$2.15 per hundredweight.

Class II - - For each hundred pounds of milk 3.5 times the average price per pound of 92 score butter at wholesale in the Chicago market as reported by the United States Department of Agriculture, for the delivery period during which such milk is purchased, plus 25 percent thereof, plus 25 cents.

Class III - - For each hundred pounds of milk, 3.5 times the average price per pound of 92 score butter at wholesale in the Chicago market as reported by the United States Department of Agriculture, for the delivery period during which such milk is purchased, plus 20 cents.

The term "delivery period" shall mean the period from the first to and including the 15th day of each month, or the period from the 16th day to and including the last day of each month.

2. (a) Class I milk means all milk sold or distributed by distributors as whole milk for consumption in the Leavenworth Sales Area.

Class II milk means all milk used by distributors to produce cream for sale or distribution by distributors as cream for consumption in the Leavenworth Sales Area.

Class III milk means the quantity of milk purchased, sold, used or distributed by distributors in excess of Class I and Class II milk.

(b) Except as provided in subdivision (c), milk purchased from producers by a distributor or produced by such distributor and sold during any delivery period as milk or cream outside the Leavenworth Sales Area or sold as milk or cream by such distributor to another distributor (including any person who sells, uses, or distributes such milk or cream for ultimate consumption in any market with respect to which no License is in effect pursuant to Section 8 (3) of the Act covering such purchase from producers and such sale as milk or cream) shall be accounted for by such selling distributor as Class I and Class II milk, respectively, unless such selling

distributor on or before the date fixed for filing reports with the Market Administrator for such delivery period shall furnish to the Market Administrator satisfactory proof that such milk or cream has been utilized for a purpose other than the sale, use or distribution for ultimate consumption as milk or cream, in which event such milk or cream shall be classified in accordance with such other use.

(c) Milk or cream sold in bulk by a distributor who is also a producer to a distributor operating a bottling or processing plant shall be accounted for as Class III milk by such selling distributor, and if such buying distributor uses or sells such milk for other than Class III purposes such buying distributor shall account for the difference between the value of such milk at the Class III price and the value of such milk at the Class I or Class II price according to its usage; such difference in value shall be added to the computations pursuant to subdivision (a) of paragraph 5.

(d) Any distributor who does not sell or distribute whole milk for ultimate consumption in the Leavenworth Sales Area may purchase milk from producers who do not have established bases. Such distributor

- (1) shall not sell cream to other distributors for distribution and ultimate consumption in the Leavenworth Sales Area at a price less than the price at which such distributor sells similar cream for distribution and ultimate consumption nearest the location where milk is processed into such cream by such distributor, plus the reasonable cost of transporting such cream to the Leavenworth Sales Area;
- (2) shall submit reports, upon request of the Market Administrator, containing such information as the Market Administrator may require with respect to cream or milk purchased from producers who do not have established bases, which information shall be kept confidential in the manner provided for in paragraph 3 (d) of Part II of this License;
- (3) shall not be subject to any of the terms or provisions of this Exhibit except as set forth in subdivisions (1) and (2) above, with respect to milk purchased from producers who do not have established bases.

3. The established base for each producer (including each producer who is also a distributor) shall be the quantity of milk allotted to such producer in accordance with the provisions of Exhibit B.

The delivered base for each producer shall be that quantity of milk delivered by such producer to distributors which is not in excess of the established base of such producer.

The delivered base for each producer who is also a distributor shall be the quantity of milk produced by such producer which is sold, used or distributed by such producer as Class I, Class II and Class III milk which is not in excess of the established base of such producer.

4. (a) On or before the 5th day of each delivery period each distributor (other than those who operate only stores or similar establishments) shall report to the Market Administrator in a manner prescribed by the Market Administrator, with respect to milk or cream delivered to or received by such distributor and/or produced by such distributor during the preceding delivery period:

(1) The deliveries of the producers who are not also distributors supplying such distributor, the total quantity of milk represented by the delivered bases of all such producers, and the total quantity of milk represented by the excesses over delivered bases of all such producers;

(2) The total quantities of milk which were sold, used or distributed by such distributor as Class I, Class II and Class III milk, respectively;

(3) The deliveries of milk made to such distributor by each other distributor, including distributors who are also producers;

(4) The amount of milk produced by such distributor, if any, which was sold, used or distributed by him as Class I, Class II and Class III milk, respectively;

(5) Such other information as the Market Administrator may request for the purpose of performing the provisions of this Exhibit.

(b) With respect to each distributor who distributes milk produced by him, the Market Administrator shall exclude from the computations made pursuant to paragraph 5 the delivered base of such distributor by ratably apportioning such delivered base among the distributor's total Class I, Class II and Class III sales; provided, however, that any milk produced by such distributor and sold or distributed which is in excess of his delivered base and any milk purchased from other producers by such distributor shall be included in the computations made pursuant to paragraph 5 and the value thereof computed as follows: The quantity of such milk shall be ratably apportioned among such distributor's total Class I, Class II and Class III sales and uses and multiplied by the Class I, Class II and Class III prices respectively.

(c) All information furnished the Market Administrator pursuant to this paragraph 4 shall remain confidential in accordance with the provisions of the applicable General Regulations, Agricultural Adjustment Administration, but any such information shall be submitted by the Market Administrator to the Secretary at any time upon the request of the Secretary.

5. With respect to each delivery period, the Market Administrator, subject to the conditions set forth in subdivision (b) of paragraph 4, shall:

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

LICENSE SERIES---LICENSE NO. 92

LICENSE FOR MILK
TOPEKA, KANSAS, SALES AREA
WITH EXHIBITS

EXHIBIT A
SCHEDULE OF UNFAIR TRADE PRACTICES AND MINIMUM RESALE PRICES

Issued by the Secretary of Agriculture, November 3, 1934.

Effective date November 10, 1934 (12:01 a.m., eastern standard time).

LICENSE FOR MILK

TOPEKA, KANSAS, SALES AREA

ARTICLE I - PREAMBLE

Whereas, it is provided by section 8 of the Agricultural Adjustment Act, as amended, as follows:

"Sec. 8.. In order to effectuate the declared policy, the Secretary of Agriculture shall have power - * * *

"(3) To issue Licenses permitting processors, associations of producers and others to engage in the handling, in the current of interstate or foreign commerce, of any agricultural commodity or product thereof, or any competing commodity or product thereof. Such Licenses shall be subject to such terms and conditions, not in conflict with existing Acts of Congress or regulations pursuant thereto, as may be necessary to eliminate unfair practices or charges that prevent or tend to prevent the effectuation of the declared policy and the restoration of normal economic conditions in the marketing of such commodities or products and the financing thereof. * * *

"(4) To require any licensee under this section to furnish such reports as to quantities of agricultural commodities or products thereof bought and sold and the prices thereof, and as to trade practices and charges, and to keep such systems of accounts, as may be necessary for the purpose of part 2 of this title. - - -"

and

Whereas, the undersigned finds that it is necessary to issue this License pursuant to section 8 (3) of said Act and that the terms and provisions hereof are necessary in order to effectuate the purposes of the Act; and

Whereas, the undersigned finds that this License and the terms and provisions hereof are in accordance with the provisions of section 8 (3) of the Act and tend to effectuate the purposes of the Act; and

Whereas, the undersigned finds that this License contains provisions substantially similar to the provisions of a proposed Milk Marketing Agreement upon which a hearing was heretofore held pursuant to the applicable General Regulations of the Agricultural Adjustment Administration; and

Sec. 3. Emergency Milk. During any emergency period when the normal supply of milk from producers, is not sufficient to meet the Class I and Class II requirements of any distributor, such distributor may, with the prior approval of the Market Administrator, purchase milk for such emergency purposes from producers on terms and conditions other than those set forth in this article and in article XII, but at prices not less than the equivalent of the prices set forth in article V, in which event such milk shall not be included in the computations as provided in article VIII, but shall be reported separately to the Market Administrator by such distributor.

ARTICLE X -- EQUALIZATION AMONG DISTRIBUTORS AS TO PAYMENTS TO PRODUCERS

Section 1. Equalization Accounts. The Market Administrator shall maintain for distributors whose reports are included in the computations pursuant to article VIII, records and accounts which will accurately disclose for each distributor (1) a debit of the total value of milk as computed for such distributor pursuant to paragraph 1, section 1 of article VIII, (2) a credit of the total payments to be made by such distributor pursuant to section 1 of article IX, and (3) the payments to be made by such distributor to the Market Administrator and payments to be made by the Market Administrator to such distributor.

Sec. 2. Statement to Distributors and Payment of Balances. On or before the 12th day after the end of each delivery period the Market Administrator shall render a statement to each distributor whose reports are included in the computations pursuant to article VIII, showing the debit or credit balance, as the case may be, in the equalization account of such distributor with respect to milk purchased and sold or used during such delivery period. Debit balances shall be paid to the Market Administrator on or before the 15th day after the end of such delivery period. Any funds so paid to the Market Administrator shall, as soon as reasonably possible, be paid out by him pro rata among the distributors having credit balances in proportion to, but only to the extent of, each such credit balance.

ARTICLE XI -- PRODUCERS AND PRODUCERS' COOPERATIVE ASSOCIATIONS

Section 1. Payments by Cooperatives. No provision in this License shall be construed as controlling or restricting any producers' cooperative association which meets the requirements of the Capper-Volstead Act and is licensed as a distributor under this License, with respect to the actual deductions or charges, dividends or premiums to be made by such association from and/or to its members: Provided, That no such deductions or charges may be made by any such producers' cooperative association from any of its members, to meet a current operating loss incurred by such producers' cooperative association in its processing or distribution operations unless (a) expressly and specifically authorized by any such member to make such deductions or charges for such purpose, and (b) the producers' cooperative association notifies the Market Administrator of the same.

Sec. 2. Right to Check Weights and Tests. A producers' association shall at all reasonable times have, with respect to its members, the right to check sampling, weighing and butterfat tests of milk made by distributors: Provided, That the Market Administrator has given notice that such association is qualified to perform satisfactorily the services specified in section 2 of article XII.

Sec. 3. Transportation Rights. Producers shall have the right to deliver milk to plants or platforms of distributors, using any reasonable method of transportation which they, in their discretion, may select. No distributor shall interfere with or discriminate against producers in the exercise of such right. At the request of the Market Administrator, each distributor shall from time to time, submit a verified report stating the actual transportation charges on all milk delivered to him f.o.b. any and all plants, for the purpose of permitting the Market Administrator to review such transportation charges and to determine the reasonableness thereof.

ARTICLE XII -- DEDUCTIONS FROM PAYMENTS TO PRODUCERS

Section 1. For Market Administration. Each distributor shall deduct 2 cents per hundredweight from the payments to be made by him pursuant to article IX in regard to all milk delivered to him during each delivery period by producers who are not also distributors and shall, on or before the 15th day after the end of each such delivery period, pay such deduction to the Market Administrator, and each distributor who produces milk distributed by him shall make a similar payment for milk produced by him and sold during each delivery period as Class I, Class II or Class III milk. Such payments shall be retained by the Market Administrator in a separate account to meet his cost of operation.

Sec. 2. For Marketing Services. Upon the request of the Market Administrator, each distributor shall, in addition, deduct 3 cents per hundredweight from the payments to be made by such distributor pursuant to article IX in regard to all milk delivered to him during each delivery period by producers (1) for whom the following services are not currently rendered in a satisfactory manner by a producers' cooperative association: (a) market information, (b) supervision of weights and tests, and (c) to the extent that funds permit, the establishment and maintenance of a reserve fund for protection against the failure of distributors to make payments for milk purchased; and (2) from whom a substantially similar charge or deduction is not being paid by distributors to a producers' cooperative association for such purposes. Such deductions shall be paid to the Market Administrator on or before the 15th day after the end of each delivery period and shall be expended by him for the purpose of securing services similar to those above named for producers from whose payments such deductions are made, except that with the approval of the Secretary, the Market Administrator may notify any producer when the distributor to whom such producer is selling milk is in violation of any of the terms and provisions of this License, and no producer shall be entitled to protection against the failure of such distributor to make payments for milk purchased from such producer thereafter and until otherwise notified by the Market Administrator. All deductions made pursuant to this section shall be kept in a

separate account by the Market Administrator and shall in no event be used by the Market Administrator to meet any costs or liabilities incurred by him under this License, except as set forth in this section.

Sec. 3. Agents of Market Administrator. The Market Administrator may, in his discretion, employ the facilities and services of any agent or agents for the purpose of securing to producers the aforementioned benefits, if such benefits may be efficiently and economically secured thereby. The Market Administrator shall pay over such funds to such agent or agents, if he determines to do so, only upon the consent of such agent or agents to (1) keep its or their books and records in a manner satisfactory to the Market Administrator; (2) permit the Market Administrator to examine its or their books and records, and to furnish the Market Administrator such verified reports or other information as the Market Administrator may from time to time request; and (3) disburse such funds in the manner above provided.

Sec. 4. Waiver of Deductions. The Market Administrator, in his discretion, may at any time waive the foregoing deductions or distribute any balance arising from such deductions, or any part thereof, for any delivery period (in which event the deductions so waived shall not be made by the distributors from payments to producers); the distribution of any such balances shall be equitable (1) among all producers with respect to the amounts paid to the Market Administrator pursuant to section 1 of this article, and (2) among all producers from whom such deductions have been made pursuant to section 2 of this article.

ARTICLE XIII -- DISTRIBUTOR'S FINANCIAL RESPONSIBILITY

Section 1. Bond. Each distributor who purchases milk from producers and sells any part of such milk for distribution as whole milk for consumption in the Sales Area shall, within thirty days after the receipt of notice to that effect from the Market Administrator, furnish to the Market Administrator a bond with good and sufficient surety thereon, satisfactory to the Market Administrator (in an amount not in excess of the purchase value of the milk purchased by such distributor during any two successive delivery periods as designated by the Market Administrator) for the purpose of securing the fulfillment of such distributor's obligations as provided in this License. Any distributor who commences to do business after the effective date of this License shall, as a condition precedent to engaging in such business, furnish to the Market Administrator a bond in conformity with the foregoing provision.

Sec. 2. Waiver of Bond. The Market Administrator may (1) if satisfied from the investigation of the financial condition of a distributor that such distributor is solvent and/or possessed of sufficient assets to fulfill his said obligations, or (2), if, pursuant to a State statute, a distributor has furnished a bond with good and sufficient surety thereon in conformity with the foregoing provision, waive the requirement of such bond as to such distributor. Such distributor may, upon a change in such circumstances, be required by the Market Administrator to comply with the foregoing requirements.

Sec. 3. Periodic Deposits. Each distributor who is unable to meet the requirements of the foregoing provisions, shall make periodic deposits with the Market Administrator at such times, in such amounts, and in such manner as the Market Administrator may determine to be necessary in order to secure the fulfillment of such distributor's obligations as provided in this License.

ARTICLE XIV -- MILK INDUSTRY BOARD

Section 1. Establishment. The Secretary may, in his discretion, at any time establish a Milk Industry Board, which shall have representation of producers, distributors, and the public. In establishing the Milk Industry Board, the Secretary will give due consideration to the recommendations and nominations by various groups of producers, distributors, and the consuming public.

Sec. 2. Duties and Powers. The Milk Industry Board shall have such duties and powers as the Secretary may, from time to time, delegate to it, in order to effectuate the provisions and purposes of this License.

Sec. 3. Expenses. The Secretary may further, in his discretion, authorize and direct the Market Administrator to pay over to the Milk Industry Board for the purpose of meeting its general expenses, a portion of the monies paid to the Market Administrator for his cost of operation: Provided, That such portion shall in no event exceed 1/4 cent per hundred pounds of milk for which such payment is made.

ARTICLE IV -- GENERAL PROVISIONS

Section 1. Books and Records. The distributors and their respective affiliates and subsidiaries shall severally keep books and records which will clearly reflect all the financial transactions of their respective businesses and the financial condition thereof.

Sec. 2. Reports. The distributors shall severally, from time to time, upon the request of the Secretary, furnish him with such information as he may request, in a manner prescribed by him and/or in accordance with forms of reports to be supplied by him for the purposes of (1) assisting the Secretary in the furtherance of his powers and duties with respect to this License and/or (2) enabling the Secretary to ascertain and determine the extent to which the declared policy of the Act and the purpose of this License are being effectuated; such reports to be verified under oath. The Secretary's determination as to the necessity of and the justification for the making of any such reports, and the information called for thereby, shall be final and conclusive.

Sec. 3. Examination of Books and Records. For the same purposes as set forth in section 2 of this article and/or to enable the Secretary to verify the information furnished him, all the books and records of each distributor and the books and records of the affiliates and subsidiaries of each distributor, shall, during the usual hours of business, be subject to examination by the Secretary. The Secretary's determination as to the necessity of and the justification for any such examination shall be final and conclusive.

Sec. 4. Confidential information. All information furnished the Secretary or the Market Administrator pursuant to the terms of this License shall remain confidential in accordance with the applicable General Regulations, Agricultural Adjustment Administration.

Sec. 5. Agents. The Secretary may by designation in writing, name any person or persons, including officers or employees of the Government, or Bureaus or Divisions of the Department of Agriculture, to act as his agents or agencies in connection with any of the provisions of this License, and he may authorize any such agent or agency to designate or appoint persons, including officers or employees of the Department of Agriculture, to exercise or perform any or all of the powers and functions delegated to them as may be deemed necessary or advisable to accomplish the proper execution or performance of such powers and functions.

Sec. 6. Separability. If the applicability of any provision of this License to any person, circumstance or thing is held invalid, the applicability thereof to any other person, circumstance or thing, shall not be affected thereby. If any provision of this License is declared invalid, the validity of the remainder of this License shall not be affected thereby.

Sec. 7. Derogation. Nothing contained in this License is or shall be construed to be in derogation or modification of the rights of the Secretary, or of the United States (1) to exercise any powers granted by the Act or otherwise, and/or (2) in accordance with such powers, to act in the premises whenever such action is deemed advisable.

Sec. 8. Termination. In the event this License is terminated or amended by the Secretary, any and all obligations which shall have arisen, or which may thereafter arise in connection therewith, by virtue of or pursuant to this License, and any violations of this License which may have occurred prior to such termination or amendment, shall be deemed not to be effected, waived or terminated by reason thereof, unless so expressly provided in the notice of termination of, or the amendment to this License.

Sec. 9. Period of Notice. The Secretary hereby determines that an emergency exists which requires a shorter period of notice than three days, and that the period of notice, with respect to the issuance of this License, which is hereinafter provided, is reasonable under the circumstances.

In witness whereof, H. A. Wallace, Secretary of Agriculture, acting under the provisions of the Agricultural Adjustment Act, as amended, and pursuant to the applicable General Regulations of the Agricultural Adjustment Administration, does hereby execute in duplicate and issue this License in the City of Washington, District of Columbia, on this 3rd day of November, 1934, and pursuant to the provisions hereof, declares this License to be effective on and after 12:01 a.m., Eastern Standard Time, November 10, 1934.

H. A. Wallace
Secretary of Agriculture.

EXHIBIT A

SCHEDULE OF UNFAIR TRADE PRACTICES AND MINIMUM RESALE PRICES

Section 1. Purpose and Minimum Prices. To effectuate the purposes of this License and to aid in the enforcement of the provisions thereof, the sale of the following articles in the Sales Area by distributors at prices below the minimum prices hereinafter set forth is prohibited. Such minimum prices shall be as follows:

	<u>Wholesale</u> Cents	<u>Retail</u> Cents
Milk -		
Gallons (bulk)	26	
Quarts	8	9
Pints	4 1/2	5
Half Pints	2 1/4	

Sec. 2. Right to Hearing. The foregoing price schedule is without prejudice to the right of any distributor who asserts that such minimum prices are in excess of the prices necessary to accomplish the purposes set forth in section 1 of this exhibit, to a hearing on the question of a modification or amendment of this License, in accordance with the applicable General Regulations, Agricultural Adjustment Administration.

Sec. 3. Relief and Charity Milk. The foregoing minimum prices shall not be applicable to any sales to any public unemployment relief agency (whether local, state, or Federal), to any private unemployment relief agency cooperating with or accredited by any public unemployment relief agency, to any charitable institution or agency, to any hospital in connection with its charitable operations or to any government agency (whether local, state, or Federal) when such sales are upon competitive bids.

Sec. 4. Fair Trade Practices. No distributor, or its officers, employees, or agents, shall employ any method or device whereby any article is sold or offered for sale at prices below the foregoing minimum prices, whether by discount, rebate, redeemable certificate, stamps or tickets, free services or merchandise, credit for articles returned, loans or credits outside the usual course of business, or combining prices for such articles together with another commodity sold, or by subsidy given for business or assistance in procuring business.

Whereas, the undersigned finds that the marketing, distribution and handling of milk and the products thereof, covered by this License, are in the current of interstate commerce since the portion thereof which occurs within the bounds of a single State affects and actually and potentially competes with the marketing, distribution and handling of commodities and products which occur between or among several States, and since the commodity, and the products thereof, covered by this License, cannot be separated into interstate and intrastate portions, the supply and the marketing, distribution and handling thereof being inextricably commingled, so that it is impossible to regulate the interstate marketing, distribution and handling without also regulating the intrastate marketing, distribution and handling, and the failure to regulate the latter will defeat and obstruct the purposes of the Act with respect to the former:

Now, therefore, the undersigned, acting under the authority vested in him as aforesaid;

Hereby licenses each and every distributor to engage in the business of marketing, distributing, or handling milk or cream as a distributor in the Topeka Sales Area, subject to the terms and conditions set forth in this License.

ARTICLE II -- DEFINITIONS

Section 1. Definitions of Terms. As used in this License, the following words and phrases shall be defined as follows:

1. "Act" means the Agricultural Adjustment Act approved May 12, 1933, as amended.
2. "Secretary" means the Secretary of Agriculture of the United States.
3. "Topeka Sales Area," hereinafter called the "Sales Area," means the territory within the corporate limits of the city of Topeka, and the territory within the following boundary lines in Shawnee County, in the State of Kansas: Beginning at the southwest (SW) corner, section 35, Township 12 S, Range 15 E in Shawnee County, Kansas; thence north two miles; thence west one mile; thence north one mile; thence west one mile; thence north one mile; thence west two miles to the southwest corner section 7, township 12 S, range 15 E; thence north three and one-fourth miles (3-1/4 Mi) more or less, to the south bank of the Kansas River; thence easterly along said south bank three miles, more or less, to the west line of section 27, township 11 S, range 15 E; thence north three and one-half (3-1/2) miles, more or less, to the northwest corner, section 10, township 11 S, range 15 E; thence east two miles; thence north one mile to the northwest corner, section 1, township 11 S, range 15 E; thence east four miles to the Meriden road; thence south along said road one mile; thence east two miles to the east line of Shawnee County; thence south and easterly along said county line to the point of intersection with the west line of the east one-half of section 36, township 11 S, range 16 E; thence south two and one-half (2-1/2) miles more or less, to the south quarter corner of section 12, township 12 S,

range 16 E; thence west two and one-half (2-1/2) miles to northeast corner section 16, township 12 S, range 16 E; thence south one mile; thence west one mile; thence south three miles to the southeast corner, section 32, township 12 S, range 16 E; thence west four miles to the point of beginning.

4. "Person" means any individual, partnership, corporation, association or other business unit.

5. "Producer" means any person, irrespective of whether any such person is also a distributor, who produces milk in conformity with the applicable health requirements in force and effect within the Sales Area for milk to be sold for consumption as whole milk in the Sales Area.

6. "Distributor" means any of the following persons, (irrespective of whether any of such persons is a producer or an association of producers), wherever located or operating, whether within or without the Sales Area, engaged in the business of distributing, marketing, or in any manner handling whole milk or cream, in whole or in part, for ultimate consumption in the Sales Area:

(a) who pasteurize, bottle or process milk or cream;

(b) who distribute milk or cream at wholesale or retail to (1) hotels, restaurants, stores or other establishments for consumption on the premises; (2) stores or other establishments for resale; and (3) consumers;

(c) who operate stores or other establishments selling milk or cream at retail for consumption off the premises;

(d) who purchase, market or handle milk or cream which is sold for resale in the Sales Area.

7. "Subsidiary" means any person of, or over whom or which, a distributor or an affiliate of a distributor has, or several distributors collectively have, either directly or indirectly, actual or legal control, whether by stock ownership or in any other manner.

8. "Affiliate" means any person and/or any subsidiary thereof, who or which has, either directly or indirectly, actual or legal control of or over a distributor, whether by stock ownership or in any other manner.

9. "Books and Records" means books, records, accounts, contracts, memoranda, documents, papers, correspondence or other data pertaining to the business of the person in question

10. "Market Administrator" means the person designated pursuant to article III.

11. "Delivery period" means the period from the first to, and including, the fifteenth day of each month, or from the sixteenth to, and including, the last day of each month.

ARTICLE III -- MARKET ADMINISTRATOR

Section 1. Designation, Removal, Bond and Liability. The Market Administrator shall be designated, and shall be subject to removal at any time, by the Secretary. The Market Administrator, within forty-five (45) days following the date upon which he enters upon his duties, shall execute and deliver to the Secretary a bond in such amount as the Secretary may determine, with surety thereon satisfactory to the Secretary, conditioned upon the faithful performance of the duties of such Market Administrator. The Market Administrator shall not be held personally responsible in any way whatsoever to any licensee or to any other person for errors in judgment, mistakes of fact or other acts, either of commission or omission, except for acts of dishonesty, fraud or malfeasance in office.

Sec. 2. Duties. The Market Administrator shall:

1. Perform such duties as may be provided for him pursuant to this License and amendments thereto;
2. Keep such books and records as will clearly reflect the financial transactions provided for in this License, which books and records shall be subject to examination by the Secretary at any and all times;
3. Furnish such information and such verified reports as the Secretary may, from time to time, request;
4. Obtain a bond with reasonable security thereon for each employee who handles funds entrusted to the Market Administrator under the provisions of this License.

Sec. 3. Rights. The Market Administrator shall have the right:

1. To borrow money for the purpose of establishing an office with the necessary equipment and supplies, and for the purpose of meeting current operating expenses during not to exceed two delivery periods, which monies shall be repaid from the funds retained by the Market Administrator to meet his cost of operation;
2. To incur necessary expenses, including compensation for persons employed by the Market Administrator for the proper conduct of his duties, and including the cost of procuring and continuing his bond;
3. To examine the books and records of the distributors and the books and records of the affiliates and subsidiaries of each distributor for the purpose of (1) verifying the reports and information furnished to the Market Administrator by each distributor pursuant to this License, and/or (2) obtaining the information from any distributor in the event such distributor fails to furnish reports or information as required by this License;
4. To check sampling, weighing and butterfat tests of milk made by distributors, to determine the accuracy thereof, and for the purpose

of assuring proper payments to producers. In the event of a discrepancy between the weights and tests determined by the Market Administrator, and the weights and tests determined by distributors, settlements shall be made by distributors upon the basis of such weights and such butter-fat tests as the Market Administrator may in each case decide;

5. And the power, upon the specific approval of the Secretary, to institute legal proceedings in his own name, as Market Administrator, and to take any other steps which may be necessary, to collect any and all monies which may become due and owing to him as such Market Administrator and to enforce such obligations as accrue to him as such Market Administrator under the terms and provisions of this License.

Sec. 4. Compensation. The Market Administrator shall be entitled to reasonable compensation, which shall be determined by the Secretary.

ARTICLE IV -- CLASSIFICATION OF MILK SALES AND USES

Section 1. Primary Sales and Uses. Milk purchased or handled by distributors shall be classified according to its sale and use as follows:

1. Class I milk means all milk sold or distributed by distributors as whole milk for consumption or use in the Sales Area.

2. Class II milk means all milk used by distributors to produce cream (for consumption as cream), flavored milk, creamed cottage cheese, and creamed buttermilk for sale or distribution by distributors for consumption or use in the Sales Area; Provided, That the milk from which only the skimmed milk is used in the production of the above products shall not be included in Class II milk.

3. Class III milk means the quantity of milk purchased, sold, used or distributed by distributors in excess of Class I and Class II milk except as set forth in section 2.

Sec. 2. Other Sales and Uses. Milk sold or distributed as milk or cream outside the Sales Area or sold to other distributors or persons whether within or without said Sales Area shall be classified as follows:

1. Milk sold in bulk as milk or cream by a distributor who is also a producer to a distributor operating a bottling or processing plant shall be accounted for as Class III milk by such selling distributor, and if such buying distributor uses or sells such milk for other than Class III purposes such buying distributor shall account to the Market Administrator for the difference between the value of such milk or cream at the Class III price and the value of such milk or cream at the Class I or Class II price according to its usage; such difference in value shall be added to the total value computed pursuant to paragraph 1, section 1 of article VIII.

2. Except as provided in paragraph 1 of this section, milk sold or distributed by a distributor as milk or cream (1) outside the Sales Area or (2) to another distributor or person, whether within or without the Sales

Area, shall be accounted for by such selling distributor as Class I and Class II milk, respectively: Provided, That if such selling distributor, on or before the date fixed for filing reports pursuant to article VI, shall furnish to the Market Administrator satisfactory proof that such milk or cream has been utilized for a purpose other than the sale or distribution for ultimate consumption or use as milk or cream, then, and in that event such milk or cream shall be classified in accordance with such other use.

ARTICLE V -- PRICES TO DISTRIBUTORS AND CONDITIONS OF SALES

Section 1. Prices. Each distributor, except as hereinafter provided, shall be obligated to pay, in the manner hereinafter set forth in this License, the following prices per pound of butterfat contained in milk which he has purchased from producers, delivered f.o.b. distributor's plant:

1. Class I milk - 60 cents.
2. Class II milk - The average price per pound of 92 score butter at wholesale in the Chicago market as reported by the United States Department of Agriculture for the delivery period during which such milk is purchased, plus 20 percent of such amount, plus 10 cents.
3. Class III milk - The average price per pound of 92 score butter at wholesale in the Chicago market as reported by the United States Department of Agriculture for the delivery period during which such milk is purchased, plus 5 cents.

Sec. 2. Other Licenses for Milk. If any milk is purchased from producers pursuant to the terms and conditions of this License and sold as milk or cream for ultimate consumption in another market with respect to which a License is in effect pursuant to section 8 (3) of the Act covering such purchase from producers and such sale as milk or cream, then, and in that event the License in effect in the area in which such milk or cream is sold for ultimate consumption shall govern the prices and conditions of such sale.

Sec. 3. Transactions with Violators. No distributor shall purchase milk or cream from, or process or distribute milk or cream for, or sell milk or cream to any other distributor who he has notice is violating any provision of this License.

Sec. 4. Minimum Resale Prices. The schedule governing the minimum prices at which, and the terms and conditions under which milk and cream shall be sold and/or delivered by a distributor at wholesale and retail, shall be that set forth in exhibit A, which is attached hereto and made a part hereof.

Sec. 5. Prior Contracts. Any contract or agreement entered into by a distributor, prior to the effective date of this License, covering the purchase, delivery and/or sale of milk and its products, shall be

deemed to be superseded by the terms and conditions of this License in so far as such contract or agreement is inconsistent with any provision of this License.

ARTICLE VI -- REPORTS OF RECEIPTS AND SALES OF MILK BY DISTRIBUTORS

Section 1. On or before the 5th day after the end of each delivery period, each distributor (other than those who operate only stores or similar establishments) shall report to the Market Administrator in a manner prescribed by the Market Administrator, with respect to milk or cream received and/or produced by such distributor, during such delivery period, as follows:

1. The deliveries, in terms of butterfat pounds, at each plant location from producers, who are not also distributors, supplying such distributor;

2. The total quantities of milk which were sold, used or distributed by such distributor as Class I, Class II and Class III milk, respectively, including sales to other distributors;

3. The deliveries of milk in terms of butterfat pounds, made to such distributor by any other distributor, including a distributor who is also a producer;

4. The quantity of milk produced by such distributor, if any, which was sold, used or distributed by him as Class I, Class II and Class III milk, respectively;

5. Upon first receiving milk from any producer (1) the name of such producer, and (2) the date on which such milk was first received;

6. Such other information as the Market Administrator may request for the purpose of performing the provisions of this License.

ARTICLE VII -- DISTRIBUTORS NOT MARKETING WHOLE MILK AND DISTRIBUTORS WHO ARE ALSO PRODUCERS

Section 1. Distributors Not Marketing Whole Milk. Any distributor who does not sell or distribute whole milk for ultimate consumption or use in the Sales Area:

1. Shall not sell cream to other distributors for distribution and ultimate consumption or use in the Sales Area at a price less than the price at which such distributor sells similar cream for distribution and ultimate consumption nearest the location where milk is processed into such cream by such distributor, plus the reasonable cost of transporting such cream to the Sales Area;

2. Shall not be subject to the terms and provisions of section 1 of article V, nor of articles VIII, IX, X, XII, or XIII; but shall sub-

mit any or all reports pursuant to article VI upon the request of the Market Administrator.

Sec. 2. Distributors Who Are Also Producers. With respect to each distributor who is also a producer:

1. The Market Administrator shall, subject to the conditions set forth in paragraph 2 of this section, exclude from the computations made pursuant to section 1 of article VIII, the quantity of milk produced and sold, used or distributed, by such distributor: Provided, That where any such distributor has purchased milk from other producers, the milk so purchased shall be included in the computations of section 1 of article VIII and the value thereof shall be computed as follows: the quantity of such milk shall be ratably apportioned among such distributor's total Class I, Class II and Class III sales (after excluding purchases, if any, from other distributors) and multiplied by the Class I, Class II and Class III prices, respectively.

2. The Market Administrator shall, upon prior written notice from such distributor of the exercise thereof, grant the option of having all milk produced by such distributor included in the computation made pursuant to section 1 of article VIII in lieu of the provisions of paragraph 1 of this section.

3. Milk sold in bulk as milk or cream by such distributor to another distributor operating a bottling or processing plant shall be accounted for as Class III milk by such selling distributor pursuant to paragraph 1, section 2 of article IV.

Sec. 3. Limitations. No provisions in this License shall be construed to relieve any distributor who does not sell or distribute whole milk or any distributor who is also a producer from any of the obligations of this License except as set forth in sections 1 and 2 of this article. The provisions set forth in section 2 of this article shall not apply to any distributor other than a person who produces milk distributed by himself as whole milk or cream.

ARTICLE VIII -- DETERMINATION AND NOTIFICATION OF PRICES TO PRODUCERS

Section 1. Computations. With respect to each delivery period, the Market Administrator shall:

1. Compute the total value of the milk reported by each and all distributors pursuant to article VI on the basis of the classification and the prices set forth in articles IV and V respectively, which computations shall not include the milk or the value thereof (1) as purchased by distributors from other distributors except as set forth in paragraph 1, section 2 of article IV, (2) as excluded from such computations pursuant to the provisions of article VII, or (3) if classified as emergency milk pursuant to section 3 of article IX.

2. Compute the total quantity of milk, in terms of butterfat pounds, which is included in the computations pursuant to paragraph 1 of this section.

3. Compute the blended prices, per pound butterfat, by dividing the value obtained in paragraph 1 of this section by the quantity of milk determined pursuant to paragraph 2 of this section, which blended price shall be subject to adjustments as set forth in section 2 of this article.

Sec. 2. Adjustments for Reserves. The Market Administrator may adjust the blended price, computed pursuant to section 1 of this article, for the purpose of establishing and maintaining a reserve fund against (1) the failure or delay of distributors to make payments on equalization accounts pursuant to section 2 of article X, (2) errors and discrepancies in reports of distributors, and (3) errors and discrepancies in equalization accounts, including adjustments on delayed reports of distributors: Provided, That such adjustments in the blended price for any one delivery period may not, ~~except~~ upon the specific approval of the Secretary, exceed an amount equal to two (2) per cent of the total value of milk reported by distributors for such delivery period. Such reserve fund shall at no time contain a net amount in excess of ten (10) per cent of the value of the milk reported by distributors for an average delivery period and shall in no event be used by the Market Administrator to meet any costs or liabilities incurred by him under this License. If and when all or any portion of said reserve fund is not necessary to accomplish the purpose for which it was created, equitable distribution thereof shall be made by the Market Administrator to the producers supplying milk for distribution in the Sales Area.

Sec. 3. Notification of Producer's Prices. On or before the 10th day after the end of each delivery period, the Market Administrator shall notify all distributors, whose reports are included in the computations made pursuant to section 1 of this article, of the blended price, computed pursuant to section 1 of this article, as adjusted pursuant to section 2 of this article, and of the Class III price as provided for in section 1 of article V.

ARTICLE IX -- PAYMENTS TO PRODUCERS

Section 1. Payments to Producers. Each distributor shall pay to producers on or before the 15th day after the end of each delivery period, for milk delivered by such producers during such delivery period, subject to the deductions as set forth in article XII, the blended price for the quantity of milk delivered by each producer.

Sec. 2. Additional Payments. Any distributor may, with the prior approval of the Market Administrator, make payments to producers in addition to the payments pursuant to section 1 of this article: Provided That such additional payments are made to all such producers supplying such distributor with milk of similar quality and grade. No distributor may accept services from or render services to a producer or an association of producers from whom he is purchasing milk without making a reasonable payment or charge, as the case may be, for such services.

MILK MARKETING AGREEMENT FOR NORTH CENTRAL KANSAS AREA

This proposed marketing agreement has been drafted by a committee representing the producers, distributors, and producer-distributors of the fluid milk markets of Herington, Abilene, Salina, Junction City, Manhattan, Marion, Florence, and Council Grove of the North Central Kansas Area, to be presented to the Secretary of Agriculture with an application for a hearing.

AGREEMENT

As used in this Agreement, the following words and phrases shall be defined as follows:

- a. "Contracting producer" means and includes all producers of "fluid milk" sold or consumed in the "North Central Kansas Area" as may become parties signatory to this agreement according to the terms thereof.
- b. "Contracting distributors" means and includes all distributors and processors of "fluid milk" in the "North Central Kansas Area" as may become signatory to this agreement, according to the terms thereof.
- c. "Producer-distributors" means such other producers and producer-distributors as produce, bottle, and distribute bottled milk in the "North Central Kansas Area."
- d. "Fluid milk" means and includes fluid milk and fluid cream and such fluid derivatives thereof as are sold by "contracting distributors" and/or "producer-distributors" in the "North Central Kansas Area."
- e. "North Central Kansas Area" means and includes that territory lying within the corporate limits of the cities of Herington, Salina, Abilene, Junction City, Manhattan, Marion, Florence, Council Grove, and all territory lying within seven miles distant, air-line, from the nearest point marking the corporate limits of each of the above mentioned cities.
- f. "Secretary" means the Secretary of Agriculture of the United States.
- g. "Act" means the Act of Congress entitled "An Act to relieve the existing national economic emergency by increasing agricultural purchasing power, to raise revenue for extraordinary expenses incurred by reason of such emergency, to provide emergency relief with respect to agricultural indebtedness, to provide for the orderly liquidation of joint-stock land banks, and for other purposes," approved May 12, 1933.

THE PARTIES to this agreement are the "Contracting Producers," parties of the first part, the "Contracting Distributors", parties of the second part, and the Secretary of Agriculture, party of the third part.

WHEREAS, pursuant to the "Act", the parties hereto, for the purpose of correcting the conditions now obtaining in the marketing of "fluid milk" in the North Central Kansas Area, desire to enter into a marketing agreement under the provisions of Section 8 (2) of the "Act" and

WHEREAS, producers, producer-distributors, and distributors representing 75 per cent of the "fluid milk" distributed and consumed in the "North Central Kansas Area", and

WHEREAS, the parties hereto, for the purpose of improving marketing conditions in said North Central Kansas Area have subscribed to and agreed to comply with the provisions set forth herein;

NOW THEREFORE in consideration of the premises the parties hereto agree as follows:

1. The prices at which "fluid milk" shall be sold by the "Contracting Producers" and purchased by the "Contracting Distributors" for distribution or consumption in the North Central Kansas Area shall be those set forth in Exhibit "A" which is attached hereto and made a part hereof. The prices set forth in Exhibit "A" may be changed by agreement between the "Contracting Producers" and the "Contracting Distributors" provided, however, that such price changes shall become effective 10 days after filing a written schedule thereof with the Secretary unless disapproved by the Secretary within said period.

2. The marketing plan governing the marketing and processing of milk which is attached hereto and made a part hereof and marked Exhibit "B" and shall be and is binding on the "Contracting Producers," the "Contracting Distributors," and each of them, as to all matters and things herein required to be done upon the part of any of them respectively. Such marketing plan may be modified by agreement between the "Contracting Producers," and the "Contracting Distributors," provided, however, that any such modifications of said marketing plan shall become effective 10 days after the same are filed in writing with the Secretary, unless by him disapproved within such period.

3. The wholesale and retail prices at which "fluid milk" shall be distributed by the "Contracting Distributors" and the "Producer-Distributors" in the North Central Kansas Area shall be those defined and set forth in Exhibit "C" which is attached hereto and made a part hereof. The prices set forth in Exhibit "C" may be changed by agreement between the "Contracting Producers," and the "Contracting Distributors," provided the same are filed in writing with the Secretary, unless by him disapproved within such period.

4. "Contracting distributors", severally agree to contribute, at time of making settlement with producers, 2 cents per hundred pounds, or such amount as may be found necessary, for all milk purchased, 1 cent of which is to be deducted from the price paid by above mentioned contracting distributors to producers selling to them, but such deductions for the purposes of Exhibits "A" and "B" hereto be considered a part of the price paid to such producers; and all contracting producer-distributors agree to contribute a like amount per hundred pounds, these deductions to be used to defray the expenses of an administrator and for educational work intended to encourage a greater consumption of milk and other dairy products.

5. All producers of "fluid milk" whose farms have been inspected by any municipal, county, or state jurisdiction and the marketing of whose milk is not prohibited by the health laws and ordinances applicable to marketing of milk shall, as heretofore, be permitted, as far as marketing conditions may allow, to sell to any distributor or at his farm on the same conditions and terms set forth in Exhibit "C".

6. The "Contracting Producers," the "Contracting Producer-Distributors," and the "Contracting Distributors", shall, as and to the extent required by the Secretary, severally maintain systems of accounting which shall be satisfactory to the "Secretary" and their respective books and records shall be subject to his examination during the usual hours of business, and they shall severally from time to time furnish to the "Secretary" on and in accordance with forms to be supplied by the Department of Agriculture such information as the "Secretary" may request.

7. The standards governing the production, receiving, transportation, processing, bottling, and distribution of "fluid milk" sold or distributed in the North Central Kansas Area shall be those established by the health ordinances of the various cities included in the area. respective

8. The "Contracting Distributors" and "Contracting Producer-Distributors" shall charge all customers a seven (7) cent deposit on each bottle delivered and to allow a credit of seven (7) cents on each bottle returned. This charge to apply to wholesale and retail alike.

9. The parties to this agreement desire and request that a disinterested person be appointed and designated by the "Secretary" to act as an Enforcement Officer under the "Act" in respect to the marketing of milk and its products in the North Central Kansas Area. Such Enforcement Officer, if and when appointed, shall have the authority to enforce the provisions of this agreement, and generally do and perform such other duties and possess such power and authority as may devolve upon him under the "Act" by order of the Secretary or pursuant to the provision of this agreement and attached Code of Ethics.

The parties hereto also desire and request the "Secretary" to exercise the powers conferred upon him under Section 8 (3) of

the "Act" with reference to the issuance of licenses to all distributors, processors, associations, "producer-distributors" and others engaged in the handling of milk and the production thereof in said area, such licenses to be issued subject to such terms and conditions as the "Secretary" may specify.

10. This agreement shall become effective at such time as the "Secretary" may determine and shall continue in force until the last day of the month following the aforesaid effective date and thereafter from month to month, except that:

- (a) The "Secretary" may (and shall upon the request of either 75 per cent of the "Contracting Producers," or 75 per cent of the "Contracting Distributors", such percentage to be measured by volume of "fluid milk" produced, marketed, or distributed respectively) by notice in writing deposited in the registered mail, and addressed to the President of the North Central Kansas Milk Association, on or before the 20th day of any month terminate said contract as of the end of such month.
- (b) The "Secretary" may for good cause shown as of the end of any month terminate this agreement as to any party or parties signatory hereto by notice in writing deposited on or before the 20th day of such month in the registered mails and addressed to such party or parties on file with the "Secretary."
(at the address)
- (c) This agreement shall in any event terminate whenever Title I of the "Act" shall cease to be in effect, or whenever the President or Congress shall terminate those provisions of the "Act" which authorize this agreement.

11. If any individual, firm, or corporation considers himself or itself aggrieved by any action taken hereunder by any party or parties hereto, such individual may lay his complaint before the "Secretary" who shall thereafter take such action in reference thereto as he deems necessary to carry out the purpose of this Marketing Agreement.

12. The benefits, privileges and immunities conferred by virtue of this agreement shall cease to exist upon the termination of this agreement, and the benefits, privileges and immunities conferred by virtue of this agreement upon any party or parties signatory hereto shall cease to exist upon the termination of this agreement as to such party or parties.

IN WITNESS WHEREOF, the parties hereto have caused those present to be acknowledged by their duly authorized representatives on this _____ day of _____, 1933.

EXHIBIT "A"

Production Prices

1. Prices paid to producers shall be determined with reference to the "Rules for Control of Basic Production" (set forth in Exhibit "B" to this agreement) which set up definite quantities of milk known as "Bases." In addition thereto shall be two classes of milk.

Class 1 milk shall be all sweet milk which is sold in bottles or bulk, retail or wholesale, for consumption as milk.

Class 2 milk shall be all milk in excess of that classified as Class 1.

The price of Class 1 milk, f.o.b. distributor's plant, shall be $46\frac{1}{2}$ cents per pound butterfat.

The price of Class 2 milk shall be determined according to the butterfat content, on the basis of the Chicago market for 92 score creamery butter sold at wholesale plus 6 cents per pound butterfat, f.o.b. distributor's plant.

2. The "contracting distributors," subject, however, to sanitary requirements referred to in paragraphs numbered 7 and 10 of this agreement, severally agree to purchase all of the milk delivered by the "contracting producers."

EXHIBIT "B"

1. Every "contracting distributor" shall report to the Secretary or to his duly appointed agent on the 3rd of each month the total quantity of milk received by him from the 15th to the end of the preceding month and on the 18th of each month the total quantity of milk received by him from the 1st to the 15th of said month.

2. Upon receipt of the semi-monthly reports of the "contracting distributors" referred to above, the Secretary or his duly appointed agent shall determine what proportion of the total amount of "fluid milk" distributed in the area by the "contracting distributors" other than producer-distributors during the period covered by such reports was sold as Class 1 milk and as Class 2 milk. These proportions will then be applied to the total milk sold by each "contracting producer" to each "contracting distributor" during such period and payment will be made the "contracting producers" by the "contracting distributors" to whom such milk has so been sold in accordance with such proportions.

3. After December 1, 1933, each "contracting producer" shall be given a base depending upon the average quantity of milk marketed by such "contracting producer" during October and November, 1933, as Class 1 milk determined as above stated. The bases so determined shall thereafter be subject to change only in the event of an increase or decrease in the total sales by distributors of Class 1 milk in the area, in which event such increase or

decrease shall be allocated among the "contracting producers" in proportion to their bases existing at the time of such increase or decrease.

EXHIBIT "C"

Sales of the following articles in the North Central Kansas Area made by distributors or producer-distributors shall be at the prices hereinafter in this exhibit set forth. Sales shall be made only in bottles of the sizes specified, and where a butterfat content is specified, only at the specified percentage.

The term "wholesale" as used in this exhibit shall mean sales by distributors to any grocer or grocery, hotel, cafe, lunchstand, drug store, school, hospital, or merchant buying milk to resell or any boarding house or fraternity house, purchasing, respectively, at a volume of not less than 4 quarts a day.

Proposed Minimum Prices

Bottled Milk 3.25% to 3.99% inclusive

Wholesale	Quarts.....	8¢	Retail	Quarts.....	9¢
	Pints.....	4¢		Pints.....	5¢
	$\frac{1}{2}$ Pints.....	3¢		$\frac{1}{2}$ Pints.....	5¢

Bottled Milk 4% to 4.99% inclusive

Wholesale	Quarts.....	9¢	Retail	Quarts.....	10¢
	Pints.....	5¢		Pints.....	6¢
	$\frac{1}{2}$ Pints.....	3¢		$\frac{1}{2}$ Pints.....	5¢

Bottled Milk 5% and over

Wholesale	Quarts.....	10¢	Retail	Quarts.....	11¢
	Pints.....	6¢		Pints.....	7¢
	$\frac{1}{2}$ Pints.....	3¢		$\frac{1}{2}$ Pints.....	5¢

Bottled Cream, whipping

Wholesale	Quarts.....	50¢	Retail	Quarts.....	50¢
	Pints.....	25¢		Pints.....	30¢
	$\frac{1}{2}$ Pints.....	15¢		$\frac{1}{2}$ Pints.....	18¢

Coffee Cream

Wholesale	Quarts.....	30¢	Retail	Quarts.....	30¢
	Pints.....	15¢		Pints.....	18¢
	$\frac{1}{2}$ Pints.....	8¢		$\frac{1}{2}$ Pints.....	10¢

Buttermilk

Wholesale	Quarts.....	9¢	Retail	Quarts.....	10¢
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Cottage Cheese

To stores: 1 pound..... 12¢
To homes: 1 pound..... 18¢

Cream - Bulk

For consumption as cream, 4 cents for each .1 per cent
butterfat content.

CODE OF FAIR PRACTICES

Believing that the ideals of an industry become more effective when chrystalized into written form, the following definite and concise rules of conduct of the milk business are adopted, to the end that confidence between the members of the Association and confidence in said members, by their customers, may at all times be fully maintained.

The following trade practices are hereby declared unfair:

(1) Offering bonuses to a competitor's producers, whether in the form of a higher price or change in conditions affecting price for the purpose of unfairly coercing a producer, or injuring a competitor. Fair competition is not condemned.

(2) Duplicating investment in the producing section where market conditions do not warrant the same and where it is for the purpose of impairing or destroying the value of competitors investment through division of patronage in said section.

(3) Obtaining supplies of milk by offering special induements not warranted by general market conditions.

(4) Giving away goods or samples other than is customary, in such quantities as to hamper or embarrass competitors, or to have virtually the effect of rebates.

(5) Selling merchandise that is misbranded, or in any way misleading to the public.

(6) Giving to any customer special inducements not enjoyed by the members general trade.

(7) Giving or paying to any hotel, apartment or factory owner, manager, or employee, or to any other person, money, compensation, gratuity free milk or other merchandise or discount, for information or assistance in procuring business.

(8) Making loans to customers, endorsing their notes, or otherwise rendering them special assistance or service.

(9) Purchasing an interest in a customer's business, or stock in a customer's corporation, for the purpose of securing business.

(10) Furnishing special brands or grades of milk at less than the regular sales price for such brand or grade.

(11) Furnishing milk of higher test than that billed to the customer.

(12) Furnish any ice box refrigeration, or other equipment whatsoever, nor paint any signs free of charge; or any way make inducements to secure trade that will differ from prices, quality, and service established by this agreement.

(13) Making false or disparaging statements either written or oral, or circulating harmful rumors respecting a competitor's products, selling price, business, financial, or personal standing.

(14) Paying a premium or allowing a discount of any sort to customers.

(15) Buying new business leads from real estate firms, moving companies, public utilities, or other agencies or persons.

(16) Advertising in any program, periodical or publication of any kind whatsoever, unless such publication has a general paid circulation, or is for sale on news stands.

(17) Buying tickets to benefits or other local performances, unless such purchase has been approved by the Board of Directors, or some committee constituted for that purpose.

(18) Making cash donations to organizations of any kind for the purpose of influencing business.

(19) Making up or disseminating false cost statements.

(20) "Leader" selling; that is, selling one piece of goods at less than cost and recouping on others sold at the same time.

(21) Simulating a distinctive feature of a competitor for an ulterior purpose.

(22) False or misleading or injurious advertising, or spreading of false statements by advertising, printed, written, or oral.

(23) Bribing or subsidizing employees of others.

(24) Hiring or attempting to hire an employee of another member without the consent of such member.

(25) Placing another dealer's former salesman in his former territory within twelve months from the time he left the employ of such dealer.

(26) No bottles to be accepted from tourists, Kansas City, or any other foreign city.

(27) It is to be considered the duty and not unfair practice or objectional in any sense, for a member to make a confidential report of unethical conduct or improper practices, to the Association in writing, and to supply the Association with all evidence substantiating the report.