payments made to most of the producers pooled under these five orders, by market administrators will assure as much uniformity and accuracy as possible in the testing procedures. Also, since 70–80 percent of the milk pooled under these orders is used in Classes II and III, application of a somatic cell adjustment to that proportion of the milk used by handlers will doubtless result in a favorable effect on the general quality of the milk in the marketing areas.

Kraft and AMP's concerns about the ability of fluid milk handlers to procure supplies of milk with low somatic cell counts at no extra cost are unlikely to materialize. According to the record, many fluid handlers already pay premiums for high-quality milk. There is nothing in the provisions of the amended orders that would prevent the continuation of the payment of such premiums. In fact, the requirement that the value of milk used in Classes II and III be adjusted for its somatic cell content will most likely necessitate equivalent payments by fluid handlers in order to assure that the supplies of milk they receive are of at least average quality.

LOL may be correct that having to account for somatic cells in transfers and diversions could cause additional administrative effort. This requirement is included, however, so that the market administrators can ensure that proper payment is made for milk purchased from producers and cooperatives. There is no difference in this requirement other than the accounting for protein, other solids and butterfat in transfers and diversions.

The suggestions by TAPP that the decision contain a larger neutral range and a constant somatic cell adjuster will not be included in this decision. A larger neutral range, particularly around the mean, would provide producers little incentive to reduce herd somatic cell counts below the neutral zone. Depending on the size of the neutral zone, this could be a reduction of 100,000 or more. The somatic cell adjustment provisions adopted in this decision will result in a neutral range of approximately a plus and minus 7,000 somatic cell count from 350,000.

The economic rationale for a somatic cell adjustment is the effect that somatic cells have on protein and the resulting cheese yield. Therefore, it is logical and appropriate to adjust the somatic cell adjustment rate according to changes in the value of cheese. The somatic cell adjustment rate in this decision is moderated in that it does not reflect the value of the entire change in cheese yield that occurs as somatic cell counts in milk change.

The assertion by some exceptors that there is not a straight-line relationship between cheese yield and somatic cell count is not supported by the hearing record. A witness who has done research in such areas testified that on an individual cow basis the relationship is not linear, but that when the milk of multiple cows and farms is intermingled in a bulk tank, the relationship becomes a linear, or straight-line, relationship.

Use of a somatic cell count base point of 350,000 is appropriate, especially because the somatic cell adjustments on the handler and producer sides will be pooled. The 350,000 base point is very close to the average somatic cell count for these markets. The smaller the value of the somatic cell adjustment, the less effect the pooling of somatic cells will have on the producer price differential. Contrary to the exceptions filed by NFO, the effect of the somatic cell adjustment on the average Chicago Regional milk producers was computed to be a plus 3 cents per hundredweight rather than a negative 3 cents.

Concerns were expressed by several of those filing comments that inclusion of a somatic cell adjuster under the orders would reduce current quality premiums prevalent in the marketplace. This decision in no way discourages a handler from paying premiums for quality at whatever rate the handler deems appropriate, as long as producers are paid the minimum Federal order price. In fact, the rate of adjustment for somatic cell count included in the orders is not intended to represent the entire value of the somatic cell effect on milk. In addition, administration of an SCC adjustment under the orders should result in greater handler and producer confidence in the accuracy of the somatic cell counts on which such premium payments are based.

The objection by many of the parties filing exceptions to the somatic cell adjustment that the cost of testing and reporting somatic cell counts would be an excessive burden on producers and their cooperative associations is difficult to understand. According to the record, handlers are already testing widely for somatic cells and adjusting producers' payments on the basis of those tests.

Several parties argued that a somatic cell adjustment should not be included because the Federal milk orders should not be involved in quality issues. However, the Agricultural Marketing Agreement Act in section 8c(5) 7 U.S.C. 608c(5) specifically authorizes adjustments to prices paid to producers for "the grade or quality of the milk delivered." The record of this hearing clearly shows that the presence of somatic cells directly affects the economic value of producer milk.

The somatic cell adjustment provisions adopted herein do not establish standards, such as the Grade A standard under the PMO, but only serve to reflect some of the value to handlers of the level of somatic cells in milk. Although testing for somatic cell counts on a once-per-month basis may be sufficient for the purpose of assuring that a dairy farm is consistently below the maximum allowed level for Grade A status, testing for payment purposes must be done more often. As noted by several exceptors, somatic cell counts are more variable than other characteristics for which milk is commonly tested. More frequent samples and tests are necessary for payment purposes than for the purpose of assuring compliance with health standards to assure that the most accurate possible picture of each producer's production is obtained. The testing monitored by market administrators will cause no conflict with state testing programs because it will not be used to determine compliance with the Grade A standard.

There is no disagreement that somatic cell testing is more variable than butterfat testing. However, the record shows that most producers whose milk is pooled under these orders currently are having adjustments made to their milk checks on the basis of such testing. The hearing record supports the idea that the reliability and accuracy of somatic cell testing are within acceptable tolerances when testing instruments are calibrated correctly. It is expected that these aspects of somatic cell testing will be improved under the supervision of the market administrators for these orders.

The contention that the inclusion of a somatic cell adjuster in these five orders will cause disorderly marketing conditions between these and neighboring orders has no basis. There currently is not, nor ever has been, perfect coordination of pricing between the orders. Even though attempts are made to align prices between orders through location adjustments, other variables such as Class I utilization tend to result in different uniform prices in overlapping procurement areas. The limited magnitude of the somatic cell adjustment will not create any more distortion than already may occur in these marketing areas.

5. *Conforming changes.* To accommodate multiple component pricing a number of changes need to be made in the current order provisions of the five orders in this decision. To