issue seems to be particularly acute is in Virginia. Even in Virginia, however, there is an insufficient basis to conclude that any competitive advantage exists that would warrant undermining of the Virginia State Milk Commission regulation.

The in-area route disposition requirement is a locally tailored standard that indicates when a plant is sufficiently associated with a market to warrant full regulation under the order regulating that marketing area. Whether the standard should be 10 percent or 15 percent depends upon particular circumstances in that area and the demonstrated need for one standard or the other. Based on the testimony and data in this hearing record, the present 15 percent in-area route disposition requirement under Order 5 should remain unchanged.

MVMPCA submitted comments in support of the findings and conclusions of the recommended decision regarding the Order 5 in-area route disposition requirement.

5. Location Adjustments Under the Carolina Order

The location adjustment under the Carolina order for a location within the Middle Atlantic Federal order marketing area should be determined by subtracting the Order 4 Class I price at that location from the base zone Class I price specified in Order 5.

At the present time, the Order 5 location adjustment for a plant located in the State of Maryland is based upon the shortest hard-surfaced highway distance, as determined by the market administrator, that such plant is from Greensboro, North Carolina. Once that distance is determined, it is broken down into 10-mile increments (except for the last increment, which may be smaller than 10 miles), which are then multiplied by 2.5 cents to determine the location adjustment. Thus, for example, the location adjustment for a plant that is located 295 miles from Greensboro would be 75 cents (i.e., $30 \times 2.5 = .75$).

Maryland and Virginia Milk Producers Cooperative Association proposed a change in the location adjustment applicable to its butter/powder plant at Laurel, Maryland. Initially, the cooperative proposed treating the Laurel plant as if it were within the State of Virginia; this would result in a zero location adjustment at Laurel. However, at the hearing a spokesman for the cooperative stated that it would support an alternative proposal that would subtract the Order 4 Class I differential price at Laurel (i.e., $3.03) from the Order 5 Class I price at Greensboro (i.e., $3.08), which results in a location adjustment of minus 5 cents. The witness stated that ‘‘our only caveat to this pricing formula is that the Order 5 language should be amended so that the price at Strasburg, Virginia, is established on the same basis as the price at Laurel, Maryland.’’

The cooperative’s spokesman testified that MVMPCA supplies the Kroger Westover Dairy Order 5 pool distributing plant at Lynchburg, Virginia, on a year-round basis. In addition, he said that since 1992 the cooperative has supplied supplemental milk to nine other Order 5 distributing plants on a seasonal basis.

The witness said that MVMPCA has served as a seasonal balancing agent in supplying Order 5 plants. He introduced an exhibit showing that MVMPCA’s monthly sales to Order 5 plants reach a peak during the short production months of July through October.

The witness stated that when producers’ milk is not needed by Order 5 plants, it is diverted to MVMPCA’s butter-powder plant at Laurel, which serves as a major balancing plant for the Middle Atlantic region. The witness also noted that there is another balancing facility for Order 5 surplus milk—the Valley Milk butter/powder plant located at Strasburg, Virginia—which is approximately 80 miles west of Laurel and outside of any Federal order marketing area. He said that Order 5 now prices milk in an inequitable manner by providing a base zone uniform price for milk that is diverted to Strasburg, but a minus 75-cent location adjustment for milk that is diverted to Laurel.

There was no opposition to this proposal either at the hearing or in the post-hearing briefs that were filed.

MVMPCA’s argument and alternative proposal for pricing milk at Laurel is persuasive and should be adopted. The location adjustment at Laurel clearly should not be minus 75 cents. It should be minus 5 cents, the difference between the Order 5 base zone Class I price and the Order 4 Class I price at Laurel.

The appropriate Federal order Class I price at Laurel, Maryland, is the price established for that location under the Middle Atlantic Federal order, which encompasses Laurel. Thus, if a distributing plant located at Laurel were to become regulated under Order 5, its Class I price would be the same as the price that would apply under Order 4. This would ensure competitive pricing among competing handlers. Determining location adjustments for plants in this manner helps to assure the proper alignment of Class I prices throughout the Federal order system and to minimize procurement problems for plants that are located in one Federal order marketing area but regulated under a different order.

The evidence introduced by MVMPCA shows that its producers supplying the Order 5 market are located as far south as the Virginia/North Carolina border and as far north as Cumberland County, Maryland. The exhibit, for example, shows that MVMPCA has producers in Halifax County, Virginia, just north of the Order 5 base zone. When producer milk from Halifax is delivered to a distributing plant at Lynchburg or to a North Carolina handler in the base zone, the milk is priced at the base zone price. Yet, under present order provisions, if the milk is not needed for fluid use by an Order 5 distributing plant and must be diverted to MVMPCA’s butter-powder plant at Laurel, 247 miles away, it receives 75 cents less than the base zone price. Consequently, not only does MVMPCA receive a much lower price for this milk, it also absorbs the hauling cost to get the milk to Laurel.

A location adjustment of minus 5 cents at Laurel will narrow the difference to 5 cents between the Laurel and Strasburg plants. This adjustment should alleviate the inequity that now exists in pricing between the two plants. To further reduce the difference in price by imposing a minus 5-cent location adjustment at Strasburg, as suggested by MVMPCA, would entail changing location adjustments throughout the State of Virginia, which goes beyond the scope of the hearing proposals.

MVMPCA filed comments supporting the Order 5 proposed location adjustment change.

6. Base-Paying Months Under the Carolina Order

Maryland & Virginia Milk Producers Cooperative Association, Inc., originally submitted a proposal to delete the month of June from the base-paying period of the Order 5 base and excess payment plan. At the hearing, however, the cooperative modified its proposal to add the month of February as well as delete the month of June. As modified, the base-paying months would be February through May.

The MVMPCA witness stated that the purpose of the base-excess plan is to provide producers with an incentive to level their production on a seasonal basis. He indicated that the plan encourages production during the months when milk is needed for fluid use and discourages production during flush production months. Under current marketing conditions, he contended, June is not a surplus month but a month