Louisiana, south of State Highway 16, should be increased from plus 50 cents to plus 57 cents. The 7-cent price increase applies to both Class I prices applicable to handlers and blend prices applicable to producers. However, for the sake of simplicity, the price increase is discussed in terms of the Class I differential.

The vice-president of fluid milk marketing and economic analysis for Mid-America Dairymen, Inc. (Mid-Am), proposed the 7-cent higher location adjustment at Hammond, Louisiana, which is located in the southern portion of Tangipahoa Parish. He stated that the 7-cent location adjustment increase would provide a $3.65 Class I differential price at Hammond, the same price applicable at Baton Rouge and New Orleans.

The representative explained that Mid-Am is a cooperative owned by approximately 18,000 dairy farmers and a major supplier of distributing plants pooled on the Southeast Federal milk marketing order (Order 7). He testified that in southeast Louisiana Mid-Am has a full supply agreement with 5 of the 6 plants in the New Orleans/Baton Rouge/Hammond area and a partial supply agreement with the 6th plant. In August 1995, he indicated, Mid-Am represented 55.9 percent of both the Class I sales and total producer milk pooled on Order 7.

The Mid-Am representative stated that the final decision for the Southeast order that was issued on May 3, 1995 (60 FR 25014), established a price of $3.58 at Hammond and a price of $3.65 at Baton Rouge and New Orleans, Louisiana. The representative argued that the 7-cent difference in price provides a competitive sales advantage to the plant located in Hammond while its ability to procure milk is no different than plants located in Baton Rouge.

According to the Mid-Am representative, the milk supply for plants in Hammond and Baton Rouge comes from direct-ship milk produced in Louisiana's ''Florida parishes'' (i.e., Tangipahoa, Washington, St. Tammany, St. Helena, Livingston, East Feliciana, and East Baton Rouge). He contended that the 7-cent lower price at Hammond is not justified since the per hundredweight rate paid to local milk haulers who deliver milk to Baton Rouge and Hammond is the same. He elaborated further that the rate per hundredweight that is charged producers in the Florida parishes is the same whether the producer's milk is delivered to Hammond or Baton Rouge or even New Orleans. Thus, he asserted, competing handlers in the New Orleans/Hammond/Baton Rouge area should have the same Class I differential price because the cost of procuring milk at each of these locations is the same.

The assistant operations manager for Fleming Dairy, which operates two distributing plants in the Southern United States, testified in support of the proposal to equalize Class I prices adjusted for location at Hammond, Baton Rouge, and New Orleans, Louisiana. Alternatively, the witness stated, Fleming would support a 7-cent price reduction at Baton Rouge and New Orleans, which also would equalize the Class I differential prices at these locations. He testified that equal and uniform Class I differential prices are justified for these locations for competitive reasons.

The Fleming witness indicated that 100 percent of the raw milk supply delivered to its distributing plant in Baker, Louisiana,[2] is produced by dairy farmers located within 45 miles of the plant. He stated that a higher Class I price at one location compared to another suggests a greater shortage or need to attract milk from distant supply areas. However, the witness indicated, southern Louisiana has an abundant supply of milk available and has had to regularly transfer milk to Florida during short production months to supplement Florida's raw milk requirements. Additionally, he argued, handlers located in Hammond should not have a competitive advantage over Baton Rouge handlers because both locations are approximately the same distance to New Orleans, the primary population center of southern Louisiana.

According to the Fleming witness, the Secretary's Final Decision issued May 3, 1995, justifying the lower price in Hammond compared to Baton Rouge or New Orleans was based on mistaken conclusions of facts and miscommunications within the newly enlarged cooperative association (Mid-Am). The witness also stated that marketing conditions in the Southern United States have changed since the merger hearing was held in 1993. He explained that a single farmer-owned cooperative now controls the milk supply for southern Louisiana, as opposed to three or four competing cooperatives which previously supplied this area. Accordingly, he agreed with Mid-Am that the difference in price for these locations is not justified because there is no freight difference in supplying New Orleans, Hammond, and Baton Rouge with raw milk. Thus, he urged the Secretary to correct the price disparity at Hammond immediately.

Fleming reiterated support for the 7-cent location adjustment increase at Hammond, Louisiana, in its post-hearing brief. Gold Star Dairy, Inc. (Gold Star), Little Rock, Arkansas, also supported the proposed 7-cent location adjustment increase at Hammond in a post-hearing brief. Gold Star stated that the 7-cent increase will correct an unintended inequity problem in the Southeast order. There was no opposition to the proposed increase at the hearing or in post-hearing briefs.

The proposed 7-cent higher location adjustment in the southern portion of Tangipahoa Parish should be adopted to provide the same prices at pool distributing plants located at Hammond and Baton Rouge, Louisiana. These plants are located within a major production area of the market and procure their milk supplies from the same nearby farms. As a result, the rates paid to haulers to transport milk to Hammond compared to Baton Rouge are the same because the mileage from producers' farms to the various plants is essentially the same. Thus, the value of producer milk delivered to Hammond should be no less than the value of such milk delivered to Baton Rouge. Therefore, the southern portion of Tangipahoa Parish should be moved to Zone 12, as proposed, to provide a 7-cent higher price at Hammond.

2. Whether the Location Adjustment at Mobile, Alabama, Should be Reduced by 7 Cents Under Order 7

The location adjustment at Mobile, Alabama, should be reduced from plus 57 cents to plus 50 cents.

A witness appearing on behalf of Barber Pure Milk Company (Barber) and Dairy Fresh Corporation (Dairy Fresh) proposed the 7-cent reduction in the location adjustment at Mobile, Alabama. The witness stated that Barber and Dairy Fresh operate pool distributing plants under Order 7. He said the Barber plant at Mobile and the Dairy Fresh plant at Prichard, Alabama, are located within 20 miles of the Mobile City Hall and handle approximately 8.5 to 9.5 million pounds of milk per month.

The witness for Barber and Dairy Fresh contended that the Southeast order, which became effective July 1, 1995, established pricing zones that created cost inequities for the Barber Mobile plant and the Dairy Fresh Prichard plant with other Order 7 pool plant handlers. He argued that the final decision lowered the Class I price adjusted for location for Barber and Dairy Fresh competitors while the price at Mobile remained unchanged at $3.65.

[2] Baker is 10 miles north of Baton Rouge. Both Baker and Baton Rouge are in East Baton Rouge Parish, which is within Zone 12 of the marketing area.