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OPERATION OF A DAIRY FARM BY THE U.S. NAVAL ACADEMY,
ANNAPOLIS, MD.; DEPARTMENT OF THE NAVY

The dairy farm at the United States Naval Academy, Annapolis, Maryland, was established in 1911 to provide the midshipmen with a source of pure milk following an outbreak of typhoid fever attributed to the unprocessed milk purchased for the midshipmen's mess. In the 54 years which have passed since the dairy was established, commercial dairy operations have improved to the point that there is no longer any reason to consider it necessary for the Naval Academy to operate a dairy to ensure the availability of a supply of pure milk and milk products. Further, its continued operation appears to be contrary to Government policies with respect to competition with private enterprise and retention of real property.

The records maintained by the dairy indicated that the cost to the Government for milk and milk products obtained from the Academy dairy was less than the prices charged other Government activities by commercial sources. We found, however, that certain additional adjustments to the dairy farm costs were necessary in order to reflect the true cost to the Government. After these adjustments, annual savings of about \$84,000 would be realized by the Government if the Academy dairy farm was sold and the Academy's milk needs were obtained from commercial sources.

Inasmuch as the continued operation of the dairy farm appeared contrary to Government policy and in view of the economies which could be realized through discontinuing its operation, we proposed to the Navy that consideration be given to the disposal of the dairy farm.

The Navy has agreed that the dairy is no longer necessary and has advised us that a plan will be developed to phase out the dairy with the objective of minimizing the impact on the local farm community and providing the maximum return on the midshipmen's store investment. The Navy advised us also that the Department of Defense was preparing a directive which would provide specific guidelines for an evaluation of commercial activities operated by the military departments in order to arrive at a decision which would be in the best interests of the Government.

Concerning the Navy's comment on providing the maximum return on the midshipmen's store investment in the dairy farm, we were advised by a cognizant official that the Navy was considering whether the midshipmen's store should participate in the proceeds from the sale of the dairy farm. We were further advised by this official that a final decision on this matter had not been made by the Navy as of January 18, 1966.

It should be recognized that the computations in our report were based on the assumption that the proceeds from the sale of the dairy farm would accrue to the United States Government and that any other disposition of such proceeds would alter the comparative costs of the procurement of dairy products by the Academy and, thus, the savings to the Government. In the event that the Navy determines that any proceeds from the sale of the dairy should not be deposited with the Treasury, the proposed disposition of the proceeds should