

Mr. WATSON. The cows are the only ones that give milk. The machine can at best produce something that is artificial.

Mr. OLSON. That is right.

Talking about the economic thing again, the substitutes are making the inroads generally because of the cost of production of milk as opposed to the cost of production of the substitute products.

Mr. WATSON. Thank you.

Mr. OLSON. Business in the United States has found it increasingly necessary to free itself from reliance on one product or service: diversification has become the only safe way to profits. The reasons for this are evident—if a company's principal product or service is faltering, another more profitable operation can take up the slack, and permit the continuation of the principal enterprise.

Milk Producers has quite simply found it essential to do precisely this in order to avoid economic extinction. At the present time, we are negotiating for the purchase of a frozen food operation in addition to our transportation division. We have been unable to pay any patronage dividends for the past 6 years, because we have had no earnings from milk production; nor, were we able to pay any stock dividends during the past year because of current losses.

Our principal business of milk production generated gross sales of approximately \$5.9 million of gross sales in 1967; by contrast, our transportation division had gross sales of only \$1,675,000, or about 28.3 percent of total gross revenues.

Thus, we remain substantially below the 49-percent ceiling established by the Agricultural Marketing Act for nonmember business.

Our principal transportation customers are also major buyers of our milk products. This, in effect, is the reason for our being in the transportation business. In this way, we are able to provide to our customers a double-barreled sales program—milk products and transportation services. Such customers are national wholesale grocery chains, and can readily make use of both our products and services. If the transportation services were not available, we would face the possible loss of milk customers.

I wish to emphasize two important facts relative to our transportation activities: (1) we serve anyone desiring our facilities without rebates or discrimination; and (2) our truck rates are about evenly balanced between being higher and lower than those of regulated carriers.

Our transportation business has been built upon our willingness and ability to provide the service our customers require rather than any attempt to undercut the rate structure of regulated carriers.

We feel the committee should also be aware of the fact that, insofar as we are able to determine, not one of the other co-ops the Interstate Commerce Commission has challenged in the courts is a bona fide "cooperative association" as that term is defined by the Agricultural Marketing Act. We are aware of only two other bona fide co-ops in the United States presently engaging in the for-hire transportation business: these are the Cache Valley Dairy Association located in Utah, and the Northwest Agricultural Cooperative Association, operating out of the State of Oregon.

I would also point out to the committee that there has been no authoritative findings reported by any group or agency of which we are