Chapter 2

It hasn't always been this way! When the dairy migration began in the late 60's, parcels of land as small as 20 to 40 acres were purchased by dairymen. In fact, one producer wanting to buy no more than 40 acres was forced to buy a 60 acre parcel because it was the only one to fit into his price range. – undeveloped land at $500 per acre. For several years he complained about having too much land. Of course, 20 years later he faulted his broker (me) for not selling him a larger parcel.

Today a 25 to 30 mile commute between home and dairy does not appear to be a big deal. In the beginning of the dairy migration it was difficult to sell property further than 5 or 6 miles out of towns such as Visalia, Tulare or Hanford. In fact, there originally was unbelievable resistance to moving further from Visalia than the St. Johns River (4 miles) and properties offered north of the river required a good discount to even be considered.

Prior to the passage of the Gonsalves Milk Pool Act in 1968, producers had contracts with processors (known as "shipping rights"), which limited the delivery of milk to one particular processor. "Shipping rights" were not easy to obtain and consequently a dairyman never moved further from the processor than the processor allowed – seldom over 30 miles from the milk plant.

A producer in Southern California could move to the San Joaquin Valley only if he could find a processor willing to buy his milk and the payout was then based on the usage of the milk. Valley processors turned almost all of their milk into manufactured products and consequently the producers got paid accordingly and not the higher price received from processors in the Southland who sold most of their milk for fluid consumption

The Milk Pooling Bill changed all of that and allowed dairymen to ship to a cheese processor and still receive fluid milk price for up to his historical production. A state agency was begun to create the milk pooling system and each dairyman was given "Milk Pool Quota". This was the producer's historical base on milk usage and his payout was based on this usage regardless of what his milk was used for. And while a producer with the fluid use history continued to be paid the fluid price for his milk even though the milk was used for manufacturing purposes, the producer with a history of manufacturing milk could ship his milk to a processor who used it for fluid milk consumption; he was paid the manufacturing sale price.

This Milk Pool Quota system is still alive and well after functioning for 40 years! The Milk Pool Quota can be sold by a producer to another producer and has historically sold for an amount equal to the value of a cow, when covering the cow's entire production. (2005 price of $470 per pound of SNF with a cow producing 70# of milk with 5.4 pounds of SNF equals $2,538)