

Los Angeles Division

49. The headquarters of Creameries' Los Angeles Division was located in Los Angeles, where Creameries also operated an ice cream plant. The Division, in addition, had a milk processing plant at Pasadena (CX 16-Z 218). The milk plant was operated under the name Crown City Dairy, and the ice cream plant operated as Valley Maid Creameries (CX 16-Z 23, 24). The Los Angeles Division distributed its ice cream under the brand names Valley Maid and American Hostess. It distributed its milk, buttermilk, cottage cheese and butter and eggs under the brand name Valley Maid-Crown City (CX 16-Z 218).

50. At the time of the acquisition, the Valley Maid ice cream plant in Los Angeles was located in a well-constructed building and was in good condition. It manufactured bulk and package ice cream and ice cream novelties. It had a freezing capacity of 600 gallons per day. The processing equipment was relatively new and well maintained. The volume of the plant was capable of being expanded by the addition of hardening room space (CX 16-Z 23). The Crown City milk plant in Pasadena was located in an old building and was in poor condition. It processed about 7,500 gallons a day and had HTST pasteurizing equipment and automatic paper and glass filling equipment. However, most of this equipment was in only fair condition, and the refrigeration equipment was in poor condition (CX 16-Z 24). Respondent operated a combination milk and ice cream plant in Pasadena, the plant being known as the Fosselman plant (R. 3758, 3786). Shortly after the merger, respondent transferred its milk processing from the Fosselman plant to Creameries' Crown City plant in Pasadena (R. 3786). It continued to operate Creameries' Valley Maid ice cream plant in Los Angeles until late 1954 or early 1955, when it moved all of its ice cream production to its own Fosselman plant in Pasadena and sold the Valley Maid plant (R. 3843, 3792).

51. The Los Angeles Division was Creameries' smallest and least profitable division in California. Its net sales in 1951 were \$2,959,186, compared to net sales of \$3,629,182 by the San Jose Division and \$4,829,065 by the Bakersfield Division. The sales of the Los Angeles Division in that year represented 6.67% of the company's total sales (CX 16-Z 114). In 1952 the Los Angeles Division had a loss of \$82,251, compared to net earnings, before taxes, of \$250,764 for the Bakersfield Division, and \$48,073 for the San Jose Division (CX 16-Z 214). In the first four months of 1953, the Los Angeles Division

had net sales of \$1,121,401 out of total company sales of \$14,897,453 (CX 16-Z 122). It had a loss on such sales of \$13,196.

52. As in the case of the other divisions selling dairy products, the largest proportion of the sales of the Los Angeles Division consisted of fluid milk and cream products. For the 12 months ending December 31, 1952, the milk sales of the Los Angeles Division amounted to 2,157,971 gallons, compared to ice cream sales amounting to 703,915 gallons (CX 16-Z 206). During the first 10 months of 1950, the Division had a net loss of \$107,247 on its ice cream sales, compared to a loss of \$17,821 on its milk sales (CX 16-Z 118).

53. Respondent and Creameries distributed dairy products from their respective Los Angeles and Pasadena plants, predominantly in the Greater Los Angeles Area, although respondent has distributed frozen dairy products as far south as San Diego through an arrangement with a dairy company affiliated with a group of grocery chain stores (R. 3805, 3810, 3794). Although selling within the same general area in southern California, respondent and Creameries catered to somewhat different types of customers. Insofar as it distributed at wholesale, Creameries sold largely to restaurants, "Mom and Pop" grocery stores and other small retail establishments (R. 3838). Creameries had little supermarket business (R. 3847). Respondent, on the other hand, had a substantial amount of supermarket business. A large proportion of its ice cream production was distributed through another company, Jersey Maid Milk Products Co., which was owned by a number of supermarkets and for which respondent manufactured ice cream under a special arrangement pursuant to which it received a fee for the use of its facilities (R. 3793).

54. In 1952 there were 135 companies distributing fluid milk in the Los Angeles market area, as defined by the State of California. Of these, 17 companies were considered to be respondent's and Creameries' "principal competitors" (CX 16-Z 252, pp. 10-13). The six companies with the largest volume in the area were: Arden Farms, Golden State, Carnation, Knudsen Creamery, Adohr Milk Farms and Challenge Cream & Butter Association. In addition to the 17 principal competitors, there were four so-called "captive creameries" affiliated with retail grocery chains. There were approximately 200 distributors of frozen dairy products in the area, of which 14 were considered to be Creameries' "principal competitors" in that line of commerce. The largest of these were: Arden Farms, Golden State, Carnation, Challenge, Beverly Dairies, Minick Ice Cream, Balian Ice Cream and Swift. In addition to these companies there were nine specialty companies distributing frozen dairy products through their

own or affiliated stores, or selling directly to the consumer, such as Good Humor (CX 16-Z 252, pp. 14-16).

55. As in the case of the northern California area, complaint counsel and respondent are in disagreement concerning the area of effective competition in which to weigh the probable competitive impact of the acquisition, insofar as it involves the operations of Creameries' Los Angeles Division. Complaint counsel contend that the area of effective competition is the Los Angeles marketing area, as defined by the State of California for purposes of establishing minimum prices on fluid milk. This market consists essentially of Los Angeles County, including the city of Los Angeles. Complaint counsel propose the same geographic market area for both fluid milk and frozen dairy products. Respondent likewise proposes an "almost identical" area of effective competition for both products, but contends that the area is all of southern California. Essentially, this includes not only Los Angeles County, but seven or eight counties contiguous to and south of Los Angeles, including San Diego County.⁶¹ As in the case of the northern California areas previously discussed, respondent relies principally on the testimony of Dr. Clarke, in support of its position that all of southern California is one marketing area.

56. It is the opinion of the examiner that the entire southern California area does not constitute a single area of effective competition, in either the fluid milk or frozen dairy product line. The heart of the market insofar as Creameries' and respondent's southern California operations are concerned is, as Dr. Clarke's testimony suggests, the geographic area which is "centered around the Los Angeles area" (R. 4118). Dr. Clarke's report, prepared for the State legislature, indicates that only 8.7% of the standard fluid milk processed in the Los Angeles marketing area was shipped out of the area for sale elsewhere (RX 162-G). Of the counties which might be expected to be on the receiving end of milk processed in the Los Angeles area, Dr. Clarke's report indicates that San Diego County's receipts of processed milk amounted to only 13.2% of the milk processed and sold within the area (RX 162-P). The three marketing areas adjacent to Los Angeles received greater amounts of out-of-area milk, with Ventura receiving more milk from out of the area than it processed within the area, and San Bernardino-Riverside and Orange receiving

⁶¹ Although respondent contends that the geographic limits of the area are almost the same for both milk and ice cream, it may be noted that the area proposed for milk is somewhat broader than that proposed for ice cream, in that it includes all of San Bernardino County (east and north of Los Angeles), and all of San Luis Obispo County (northwest of Los Angeles), whereas the area proposed for ice cream includes only the southern half of San Bernardino County and does not include San Luis Obispo County (RX 95 and 96).

38% and 43%, respectively, from out of the area. This would indicate substantial interarea shipments in the counties contiguous to Los Angeles, but relatively small shipments to the more remote counties.

57. It is the conclusion and finding of the examiner that Los Angeles County is the appropriate geographic market area in which to gauge the competitive impact of the acquisition of Creameries' Los Angeles Division. This is the area in which Creameries made all of its sales, and in which respondent made all of its milk sales and that part of its ice cream sales which was not distributed through the captive creamery, Jersey Maid (R. 3805, 3810, 3794). The smaller companies competing with Creameries and respondent had limited distribution in Los Angeles County or portions thereof (CX 16-Z 252, p. 12). While some of the larger companies may have distributed beyond the confines of Los Angeles County, their distribution to more remote areas was generally from separate plants or distributing branches in those areas. Thus in 1951 Arden, Carnation, Challenge and Knudsen had separate plants or distributing branches in San Diego; Arden, Carnation, Golden State and Challenge had branches in San Bernardino or Riverside; and Arden, Challenge and Golden State had a plant or distributing branch in Ventura or Santa Barbara (CX 409).⁶² There were also separate groupings of smaller companies operating single plants in each of the above separate areas. It may be that a slightly broader area of effective competition could be marked out, so as to encompass some of the communities or portions of the counties adjacent to Los Angeles County. However, in the opinion of the examiner, a delineation on this basis would not materially affect a determination of the issues in this case since Los Angeles County accounted for the overwhelming bulk of the milk and ice cream distributed in southern California. For example, in 1952 sales of milk in Los Angeles County accounted for approximately 70% of the milk sold in southern California.⁶³ In the same year, plants in Los Angeles County accounted for approximately 75% of all frozen dairy products produced in southern California.⁶⁴

Market Shares

58. Set forth below are two tables reflecting the respective market shares of respondent and Creameries within the area of effective competition. Although that area has been found to be the Los Angeles

⁶² Even in 1962 most of these companies had multiple processing plants and distributing branches in southern California (CX 412, including Multiple Unit Section).

⁶³ There were 236,669,790 gallons of fluid milk products (including cream and skim products), sold in southern California in 1952 (RX 108-A), of which 163,052,235 gallons were sold in Los Angeles County (CX 421).

⁶⁴ There were 33,309,000 gallons produced in southern California plants (RX 115-A), of which 25,056,700 gallons were sold in Los Angeles (CX 16-Z 252, p. 17).

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marketing area, the tables also contain market share data in terms of the broader market proposed by respondent in order to provide a basis for gauging the order of magnitude of any difference in market shares which would result from the use of the geographic market proposed by respondent. The first table contains a comparison in terms of the fluid milk product line, and the second in terms of the frozen dairy product line.

Comparison of market shares in fluid milk, southern California areas, 1952

Area	Total production (gallons)	Beatrice		Creameries	
		Production (gallons)	Percent of market	Production (gallons)	Percent of market
Los Angeles County ⁶⁵ -----	144, 272, 076	1, 522, 666	1. 05	1, 650, 690	1. 1
Southern California ⁶⁶ -----	213, 083, 739	1, 522, 847	. 71	1, 651, 381	. 77

⁶⁵ The figures used for the Los Angeles marketing area are based on CX 16-Z 252, pp. 17-18, which is the exhibit principally relied upon by complaint counsel as reflecting market-share data. Complaint counsel also offered in evidence CX 16-Z 245, according to which respondent's market share for Los Angeles was 1.4% and Creameries' was 1.7%. The figures in the latter exhibit are expressed in terms of pounds, rather than gallons. The examiner has used the figures in CX 16-Z 252, rather than those in CX 16-Z 245, because the total market figure appearing in the former exhibit is substantially identical with that appearing in the reported statistics of the State of California for the dairy industry in 1952. CX 421, which was also introduced in evidence by complaint counsel, indicates that Creameries' market share of all fluid sales (including skim and cream) was 1.2% and that respondent's was 1.0%.

⁶⁶ The figures used above are based on RX 108-A. There is a slight discrepancy between the production figures of Beatrice and Creameries in RX 108-A from the figures appearing in CX 16-Z 252. There is no explanation for this discrepancy, in the record. However, the differential is so slight that it does not affect the market share percentages. RX 108-A contains two tables, one for fluid milk alone and the other for fluid milk including cream and skim products. The above table is based on that portion of RX 108-A which contains figures for fluid milk alone, in order to make it comparable to the figures in CX 16-Z 252, which are based on fluid milk alone. It should be noted, however, that if the allied fluid products were included, this would not materially affect the market share statistics revealed above. The only difference appearing in the two tables is that the inclusion of all fluid products would increase Creameries' share from 0.77%, as reflected in the above table, to 0.81%.

Before discussing the table reflecting market shares in frozen products, it should be noted that respondent has raised an issue as to whether part of the production of frozen dairy products in its plant should be taken into consideration in determining its market share. As previously noted, part of the production of respondent's plant in Pasadena was devoted to the production of frozen dairy products for Jersey Maid Milk Products Company. The latter is a "captive creamery," which processes fluid milk for a group of grocery chain stores with which it is affiliated, but apparently does not produce its own ice cream (CX 16-Z 252, pp. 11-12; R. 3793). Respondent produced ice cream and other frozen dairy products for Jersey Maid in its own plant under an arrangement whereby Jersey Maid supplied the

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cartons and some of the ingredients and did its own delivery in its own trucks, paying respondent a fee for the use of the latter's facilities (R. 3793). It is unnecessary to determine at this point whether the volume produced for Jersey Maid should be considered as part of respondent's market share. However, the table set forth below contains a breakdown reflecting that portion of respondent's production which is attributable to the arrangement with Jersey Maid.

Comparison of market shares in frozen dairy products, southern California areas, 1952

Area	Total production (gallons)	Beatrice		Creameries	
		Production (gallons)	Percent of market	Production (gallons)	Percent of market
Los Angeles County ⁶⁷	25, 056, 700	*1, 172, 502	*4. 68	698, 952	2. 8
		†334, 959	†1. 33		
Southern California ⁶⁸	33, 309, 000	*1, 177, 593	*3. 53	696, 913	2. 09
		†340, 050	†1. 02		

⁶⁷ The figures for Los Angeles County are taken from CX 16-Z 252, pp. 17-18, which is the exhibit principally relied upon by complaint counsel. CX 16-Z 245 also contains market share data, but is limited to ice cream and does not contain data for other frozen dairy products including ice milk and sherbet. Since the market share figures offered by respondent include all frozen dairy products, the examiner has used CX 16-Z 252, instead of CX 16-Z 245, in the above table in order that the data of both parties may be comparable. It may be noted, however, that if the market share data were limited to ice cream there would be no significant deviation from the above market share figures.

⁶⁸ The figures for the Southern California area taken from RX 115-A. It should be noted that the production figures for respondent and Creameries differ somewhat from those in CX 16-Z 252. However, this difference is so slight that it does not significantly affect the market share percentages.

*Includes Jersey Maid.

†Excludes Jersey Maid.

Concentration

59. As previously mentioned, the major companies distributing fluid milk in the Los Angeles area were Arden, Golden State, Carnation, Knudsen, Adohr, and Challenge. The record does not disclose the individual market shares of these six companies. However, it does appear that in 1952 these companies, as a group, accounted for about 60% of the fluid milk sold through wholesale channels, *i.e.*, milk sold through retail stores for resale to the public (CX 16-Z 252, p. 12). Four of these companies, *viz.*, Arden, Golden State, Carnation and Adohr, accounted for about 60% of the fluid milk, cream, and fluid by-products sold through retail channels, *i.e.*, milk delivered directly to consumers in their homes. Arden, Golden State, Knudsen and Carnation were also the leading distributors of fluid milk in the southern California area as a whole (RX 112). In 1952 they accounted for 46.86% of the fluid milk sold in the entire southern California area (RX 109-A). In addition to the previously-named major companies, there were four so-called "captive creameries," distributing

milk to their affiliated stores and markets. These were Safeway Stores, Jersey Maid Milk Products Co., Ralph's Grocery Co. and Golden Creme Farms. These four companies distributed approximately 17½% of all milk sold at wholesale in the Los Angeles marketing area (CX 16-Z 252, p. 16).

60. The four largest distributors of ice cream and other frozen dairy products in the Los Angeles market area in 1952 were Arden, Golden State, Carnation and Challenge. The individual market shares of these companies do not appear from the record. However, as a group, they accounted for approximately 32% of all frozen dairy products sold in the Los Angeles County marketing area. Another group of "strong competitors" in the frozen dairy product line were Beverly Dairies, Minick Ice Cream Co., Balian Ice Cream Co. and Swift & Co., each of which distributed from 2 to 3% of the total volume of frozen dairy products in the area. The remaining six companies (out of the 14 companies characterized as comprising the "principal competitors" in the market) accounted for from 1% to less than ½% each, of the total sales of dairy products in the market (CX 16-Z 252, pp. 14, 16).

Other Acquisitions in California

61. Since 1950 approximately 25 dairy companies have been acquired in California by the so-called national dairy companies (CX 426-Z 75-80). The largest of these acquisitions was Foremost's acquisition of Golden State, which has been previously mentioned. The remainder of the acquisitions (other than that of Creameries) involved, for the most part, small companies, although some of the latter were substantial factors in the local areas in which they distributed. Respondent accounted for four of the acquisitions made by national companies since 1950, in addition to the Creameries acquisition. Two of the companies, viz, East Side Dairy of Santa Cruz, and Elkhorn Dairy of Watsonville, which were acquired in 1954, distributed milk in areas in which respondent had entered the fluid milk business through its acquisition of Creameries. East Side Dairy accounted for approximately 5% of the milk sold in Santa Cruz and its suburbs; and Elkhorn Dairy accounted for approximately 25% of the milk sold in Watsonville and its suburbs (CX 16-Z 252, pp. 36 and 33). Elkhorn had the second largest share of the market in the Watsonville area and it, together with Creameries (which had approximately 39% of the area's sales) accounted for approximately 64% of Watsonville area milk sales.

62. Borden made four acquisitions in the areas in which Creameries operated. Two of these were made prior to respondent's acquisition of Creameries. These were Meadow Brook Dairy in Santa Cruz and Blanco Dairy in Watsonville, both of which were acquired in

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1951. In 1952 Borden's Meadow Brook operation accounted for approximately 18% of the milk sales and 11% of the ice cream sales in Santa Cruz; and Borden's Blanco operation accounted for approximately 12% of the milk sales and 25% of the ice cream sales in Watsonville. In 1954 Borden acquired Pep Creameries of Watsonville and Carmel Dairy of Carmel, two of the few remaining independent ice cream manufacturers in the lower Bay Area. In 1952 Carmel accounted for approximately 12% of ice cream sales and 27% of milk sales in Monterey; and Pep accounted for approximately 4% of the ice cream sold in Watsonville and 3% of ice cream sold in Santa Cruz.

Decline in Number of Dairy Plants

63. The record reveals that there has been a substantial decline in the number of milk processing plants in California during the decade from 1950 to 1960. Set forth below is a table comparing the number of milk plants in California in 1950-1951 with the number in 1961-1962.

*Comparison in number of milk plants, California, 1950-51 and 1961-62*⁶⁹

Year	Number of plants					Total
	No volume listed	Under 1 million quarts	1-5 million quarts	5-10 million quarts	Over 10 million quarts	
1950-51-----	369	231	93	23	23	739
1961-62-----	135	148	116	31	30	460
Percent change-----	-63	-36	+25	+35	+30	-38

⁶⁹ The above table is based on CX 409 and 412. A similar comparison has been heretofore made for the United States as a whole (p. 496).

As the above table indicates, there has been a reduction of 279 milk plants in the State of California in a period of approximately ten years. However, as the above figures reveal, this decline has occurred entirely in two size categories, viz, plants with no volume listed (which have declined by 234), and those with a volume under 1 million quarts (which have declined by 83). As previously mentioned (p. 496), those plants with no volume listed are generally plants of very small size. Plants with a volume under a million gallons produce less than 800 gallons a day. In plants with a production over 800 gallons a day, the number of plants has actually increased by 38 since 1950-1951.

64. There has been a similar reduction in the number of plants manufacturing ice cream, as that above described with respect to milk. Set forth below is a table comparing the number of ice cream

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manufacturing plants in California in 1950-1951 with those in 1961-1962.

*Comparison in number of ice cream plants, California, 1950-51 and 1961-62*⁷⁰

Year	Number of plants			Total
	No volume reported	Volume less than 250,000 gallons	Volume over 249,999 gallons	
1950-51.....	43	111	15	169
1961-62.....	27	72	42	141
Percent change.....	-37	-35	+180	-17

⁷⁰ The above table is based on CX 409 and 412. A similar comparison has heretofore been made for the United States as a whole (p. 499).

As the above table reveals, the number of ice cream manufacturing plants in California has declined by 28 between 1950-51 and 1961-62. However, this decline has been entirely in the category of plants with no volume listed (which have declined by 16) and those with a volume under 250,000 gallons (which have declined by 39). As previously mentioned, those with no volume listed are generally the smaller plants (p. 499). The decline in the number of small plants has been partially compensated for by a substantial increase in the number of plants with a volume of 250,000 gallons and over, the number which has increased by 27 during the last decade.

65. As previously discussed (p. 499), it is respondent's position that the plants which have disappeared are generally the non-viable plants, *i.e.*, milk plants processing less than 1,600 gallons daily and ice cream plants producing less than 250,000 gallons annually. Such plants, generally speaking, lack modern automatic and semi-automatic processing and packaging equipment. Supplementing the evidence offered by complaint counsel with respect to the decline in the number of milk and ice cream plants between 1950 and 1961, respondent offered in evidence a comparison in terms of the number of viable companies, *i.e.*, those operating milk plants with a minimum volume of 1,600 gallons daily and those operating ice cream plants with a minimum volume of 250,000 gallons annually. This study reveals that the number of so-called viable milk companies in California has increased from 52 in 1953 to 67 in 1961 (RX 161-G), and that the number of viable ice cream plants has remained steady at 32 during the period from 1950 to 1961 (RX 161-B).

Recent Trends in Market Shares and Concentration in California

66. Complaint counsel and respondent both offered evidence as to the trend in respondent's market share and the extent of concentra-

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tion among the larger companies since the time of the Creameries acquisition. Some of the evidence relates to the individual markets claimed to be the areas of effective competition and some relates to the State of California as a whole. As might be expected, complaint counsel stress the evidence purporting to show an increase in respondent's market share and in concentration among the large companies, while respondent places emphasis on the evidence which purports to show a contrary trend. The examiner has undertaken below to analyze the trends in market shares and concentration, as revealed by the record.

Frozen Dairy Products

67. Complaint counsel place emphasis on the increase in respondent's position, and that of the national companies as a group, in the frozen dairy product line in the State of California as a whole. Set forth below is a table reflecting respondent's share, and that of all the so-called national companies doing business in California, in the production of frozen desserts in the State between 1950 and 1957. The table reflects sales of all frozen desserts, including those made of vegetable fat, as well as traditional frozen dairy products made of butterfat.

Production shares (frozen desserts), of respondent and all national companies, in California, 1950-57⁷¹

Year	Total production (gallons)	Beatrice		National companies	
		Production (gallons)	Percent of total	Production (gallons)	Percent of total
	<i>Thousands</i>	<i>Thousands</i>		<i>Thousands</i>	
1950-----	49,963	2,086	4.2	17,548	35.1
1951-----	52,917	2,262	4.3	19,454	36.8
1952-----	58,499	2,816	4.8	21,860	37.4
1953-----	64,232	3,886	6.0	23,516	36.6
1954-----	66,499	4,789	7.2	35,710	53.7
1955-----	70,301	5,347	7.6	40,059	57.0
1956-----	75,270	5,559	7.4	43,459	57.7
1957-----	80,378	5,938	7.4	44,095	54.9

⁷¹ The above table is based on CX 456-O. The figures for national companies included in the table are those of Borden, Arden, Carnation and respondent between 1950 and 1953. Beginning with 1954, the production of Foremost's Golden State operations is included in the table.

While the above table does indicate a 3.2% increase in respondent's production share in California between 1950 and 1957, the largest part of the increase, viz, 2.4%, occurred between 1952 and 1954. This is obviously attributable to the Creameries acquisition, which occurred during the middle of 1953. With respect to the 19.8% increase in the production share of the so-called national companies between 1950

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and 1957, the largest part of this increase, viz, 17.1%, occurred between 1953 and 1954. This coincides with Foremost's acquisition of Golden State, which took place in February 1954. Although not reflected in the above table, Foremost had the largest share of California production between 1954 and 1957, its share ranging from 16.5% to 19.0%. The range in the production shares of the other companies, in order of rank, was: Arden 13.3-14.9%; Carnation 9.4-10.5%; and Borden 5.6-7.8%. Beginning in 1954 respondent became the fourth ranking company in California, when its share reached 7.2% and Borden's declined to 6.8%.

68. The latest year for which the record contains concentration data for frozen desserts is 1958. While the evidence is in terms of value of shipments, rather than in terms of production, the figures are fairly comparable to those revealed in the above table. Thus, respondent's share of frozen dessert shipments in California in 1958 was 6.8%, compared to its production share of 7.4% in 1957. The shipments of the six national companies, including respondent, Foremost, Arden, Carnation, Borden and Swift, amounted to 60.3% of the total shipments of frozen desserts in California in 1958.⁷² Eliminating Swift with 2.2%, since its figures were not included in the preceding table, the 1958 share of shipments by the national companies was 2.2% greater than the aggregate production shares of the same companies in 1957.

69. Although, as previously indicated, the evidence as to concentration does not extend beyond the year 1958, the record does contain evidence as to respondent's own industry position in California through 1960. Set forth below is a table reflecting respondent's share of sales of frozen desserts produced in California between 1952 and 1960.

Respondent's market share (frozen desserts), California, 1952-60⁷³

Year	Total California production	Beatrice		Creameries	
		Sales	Percent of production	Sales	Percent of production
	<i>Thousands</i>	<i>Thousands</i>		<i>Thousands</i>	
1952-----	61,033	2,759	4.5	1,343	2.2
1957-----	80,329	6,028	7.5	-----	-----
1960-----	91,121	8,588	9.4	-----	-----

⁷² The figures in this paragraph are based on CX 425-C and D. The universe figures appearing in the exhibit are taken from the U.S. Census reports. The figures for the individual companies are based on data supplied by these companies to the Commission.

⁷³ The above table is based on RX 115-A and B, and combines the frozen dessert figures for northern California and southern California, which are separately reflected in the exhibit.

As indicated in the above table, respondent's market share in the State as a whole more than doubled between 1952 and 1960. Respondent contends that this does not reflect its true position in the frozen dairy product line of commerce since it includes sales from its southern California plant under the special arrangement with Jersey Maid previously discussed, and also includes sales of frozen vegetable-fat desserts (principally from its northern California plant), which were not manufactured in quantity until after 1957. Respondent's sales through Jersey Maid more than quadrupled between 1952 and 1960, from 836,000 gallons to 3,654,000 gallons, representing 43% of respondent's sales in 1960 compared to 30% in 1952. Its sales of frozen desserts of vegetable-fat content, which were non-existent in 1952, reached 2,126,000 gallons in 1960 and represented 25% of respondent's sales in California.

Fluid Milk

70. The evidence offered by complaint counsel purporting to show concentration in the fluid milk line in California is limited to the year 1958. While not affording any basis for comparison with the period prior to the Creameries acquisition, it does disclose that in 1958 five national companies accounted for 45.3% of the value of shipments of bottled milk products in California.⁷⁴ Respondent's share was the smallest of the national companies, being 2.5%. The shares of the other companies, in order of rank, were: Foremost 13.8%; Arden 12.0%; Carnation 9.1%; and Borden 7.9%.

71. While, as above stated, the statistical evidence offered by complaint counsel does not disclose the extent of concentration in California in the fluid milk line at the time of the Creameries acquisition, evidence offered by respondent does disclose this fact, as well as developments through 1960. Thus it appears that in 1952 the four companies with the largest sales volume accounted for 49.94% of fluid milk sales in California. By 1957 the market share of the four largest companies had declined to 46.0%, and by 1960 to 41.93%, representing a decline of 9% in eight years (RX 109-A). The record does not reveal the identity of the four companies accounting for the largest sales volume in the State, although it is clear from the record that neither respondent nor its predecessor, Creameries, was in this category.

72. The record does not disclose the trend in concentration in terms of the market areas found to be the areas of effective competi-

⁷⁴The figures here used are based on CX 425-E and F. This exhibit is based on shipments of bottled milk and cream, plus other related bottled products such as buttermilk and chocolate drink.

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tion in fluid milk. It does, however, reveal such trend in terms of the broader, regional markets which respondent contends are the appropriate market areas. While these areas are somewhat broader than those found by the examiner to be the areas of effective competition, there is no reason to believe that the trend would be significantly different in the latter areas. Set forth below is a table reflecting the combined market share of the four companies with the largest sales volume in each of the four regional milk markets in California between 1952 and 1960 (RX 109-A).

Market shares (fluid milk) 4 largest companies, in four major California areas, 1952-60

[In percent]

Area	1952	1957	1960
San Francisco Bay Area.....	58.14	54.27	49.37
Sacramento Valley.....	73.27	65.94	61.20
San Joaquin Valley.....	44.35	37.73	33.40
Southern California.....	48.86	43.12	39.15

As indicated by the above table, the market share of the four companies with the greatest share of the market has declined in each of the major market areas of the State. Neither respondent nor Creameries has been in the ranks of the "big four," except in 1952 when Creameries was No. 3 in the San Joaquin Valley Area, and in 1957 when respondent (which had acquired Creameries in 1953) was No. 4 in that area. In the San Francisco Bay Area the ranks of the four largest companies in 1960 included the local California company, Challenge Creamery, as the No. 4 company after Foremost, Borden and Carnation. In the San Joaquin Valley Area, Knudsen Dairy and Challenge were the No. 3 and No. 4 companies in 1960, after Foremost and Borden. In the Southern California Area, Knudsen was No. 3 after Arden and Foremost, and was followed by Carnation. In the Sacramento Valley Area, the first company in sales in 1960 was Crystal Creamery, followed by Foremost, Borden and McColl's (RX 112).

73. During the period between 1950 and 1960 there was a substantial increase in the market position of the larger independent dairies, *i.e.*, those which produce at least 3,000 gallons per day and are not connected with any national dairy company. Set forth below is a table comparing the market shares of such companies between 1950

