

ORIGINALDecision No. 69239

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation)
 into the rates, rules, regulations,)
 charges, allowances and practices)
 of all common carriers, highway)
 carriers and city carriers relat-)
 ing to the transportation of any)
 and all commodities between and)
 within all points and places in)
 the State of California (including,)
 but not limited to, transportation)
 for which rates are provided in)
 Minimum Rate Tariff No. 2).)

Case No. 5432
 (Order Setting Hearing
 dated August 25, 1964)

In the Matter of the Investigation)
 for the purpose of considering and)
 determining revisions in or reis-)
 sues of Minimum Rate Tariff No.14-A.)

Case No. 7857
 (Order Setting Hearing
 dated September 22, 1964)

A. W. Hays, for A. W. Hays Trucking, Inc.,
 respondent.

Vaughan, Paul & Lyons, by John G. Lyons,
 for Pacific Vegetable Oil Corporation,
 and Richard E. Lloyd and John D. Johnson,
 for Pacific Vegetable Oil Corporation;
A. D. Poe, J. C. Kaspar and H. F. Kollmyer,
 for California Trucking Association;
Ralph Hubbard, for California Farm Bureau
Federation; Frank Loughran, for Producers
Cotton Oil Co., J. G. Boswell Co., Kings-
bury Cotton Oil Co., Ranchers Cotton Oil
Co., and Anderson Clayton; Wm. M. Larimore,
 for Ranchers Cotton Oil Co.; M. H. Larkin
 and J. H. Anderson, for The Riverlines,
Inc., interested parties.

R. A. Lubich, Robert Walker and R. J. Carberry,
 for the Commission staff.

O P I N I O N

These proceedings concern the establishment of minimum rates for the transportation of safflower seed. Hearings were held in San Francisco before Examiner Thompson on November 13, 1964, January 25, 26 and 28, and March 29, 1965 when the matters were taken under submission.

The issues herein stem from the Commission's decision in Minimum Rate Tariff No. 2 - Safflower Seed (1962, 59 Cal.P.U.C. 682, in which the Commission found that minimum rates had not been established for the transportation of safflower seed; that no good cause had been shown why the Commission should not establish minimum rates for such transportation if and when it receives sufficient evidence upon which just, reasonable and nondiscriminatory minimum rates can be determined; and that the Commission staff should develop data concerning the transportation of safflower seed when it is able to do so.

The staff did undertake to develop data and at the hearings herein reported the results of its study. The staff recommends that the minimum rates heretofore established for the transportation of grain be made applicable to the transportation of safflower seed. California Trucking Association supports that recommendation. A. W. Hays, Inc., a carrier of safflower seed, is opposed to the establishment of such rates for the transportation of safflower seed, as are the growers, brokers and processors of safflower seed. In addition to the report of the staff, the record contains the testimony of a carrier and several persons engaged in the growing, processing and marketing of safflower.

Safflower, a member of the thistle family, is an oil seed crop. Its primary use is in the production of vegetable oil and vegetable oil products. Its products compete with those of cottonseed, soya and corn. At least one-half of the safflower crop of the United States is grown in California; one-third is grown in the Arizona and the remaining one-sixth is grown in the Great Plains area, including Colorado and Nebraska. It is relatively new to California, being first produced commercially in 1950. The amount of acreage devoted to safflower has been increasing

continuously and the trend in yield per harvested acre has been sharply upward, having doubled since 1953. Since 1950 the average season price to the farmer has fluctuated widely from year to year. In the past three years the trend in the price to the farmer has been downward.¹ It was indicated that at present there is in the United States a large supply of safflower oil. During 1963 and 1964 very little of California's crop was processed at plants in this state. Most of the crop was exported, mainly to Japan. Dealers in safflower testified that the price for oil has been such that the processing of the seed to oil in their plants would provide a lower yield in dollars than the exporting of the seed.

The average price to the grower for the 1964 crop is not of record. The testimony reveals, however, that the prices received by the growers in 1964 were substantially less than those for 1963. There was testimony that the cost per acre of raising safflower is about \$70 and that during 1964 the growers did little more than break even. Though the profit may be marginal, safflower is a very important crop to the farmers for the following reasons: (1) there is no governmental limitation on acreage to be planted as in the case with cotton, wheat and other grains; (2) the harvest of safflower occurs between the harvests of other crops, such as wheat and rice; and (3) very little farm labor is required for the growing and harvesting of safflower, which factor is important to the

1 Safflower, Acreage, Production, Price and Values
California 1961 - 1963

<u>Crop Year</u>	<u>Acreage Harvested</u>	<u>Production in Tons</u>	<u>Price per Ton (Average)</u>	<u>Total Value</u>
1961	198,000	142,000	\$91	\$12,922,000
1962	261,000	275,000	90	24,750,000
1963	301,000	302,000	80	24,160,000

grower, at this time, because of the discontinuance of the bracero program.

Safflower is grown in the Sacramento, San Joaquin and Imperial Valleys. The ultimate California destinations of the crop are processing plants in Long Beach, Fresno, Stockton and Richmond or ports for export at Stockton, Richmond and Long Beach.

The harvesting methods are the same as those of wheat and barley; in fact, the same harvesting equipment is used. In the Sacramento Valley the transportation of safflower is substantially the same as the transportation of grain. The same carriers engaged in transporting grain are those who transport almost all of the safflower crop from the Sacramento Valley. The equipment used there to transport safflower is the same special hopper equipment used to transport grain in bulk. Safflower has a lighter density than wheat or barley; however, much of the equipment used in the Sacramento Valley has a capacity sufficient to carry loads of safflower up to the legal weight limit of the vehicles. The average load exceeds 52,000 pounds. During the harvest a substantial portion of the safflower grown in the Sacramento Valley is delivered to grain elevators at points near the harvesting area and the remainder is delivered to Stockton or Richmond. There is no substantial difference between the physical movement of safflower harvested in the Sacramento Valley and the transportation of grain.

In the Imperial Valley the situation is different. The motor vehicles used to transport the harvest of safflower are those used in the area to transport other crops grown there, namely, flatbed vehicles. They are equipped with high sideboards in order to move the safflower seed in bulk. The average weight per truckload is close to 40,000 pounds. Motor vehicles transport the crop

to accumulation stations at railhead and the seed is then moved by railroad to Long Beach for processing or export.

In the San Joaquin Valley the situation is similar to that in the Sacramento Valley except that there are processing facilities in the area. Safflower seed is processed into oil at cottonseed oil plants. Cotton is an important crop in the southern San Joaquin Valley and there are a number of facilities for handling cottonseed, and hence safflower seed, in that area. Most of the transportation of safflower is performed in hopper vehicles; however, a large number of flatbeds with sideboards are utilized. The average weight per load is somewhat less than that in the Sacramento Valley area.

The safflower seed is sold by the growers to processing plants or brokers who also deal in cottonseed and other oil seeds. The price paid to the grower is usually stated in dollars per ton delivered to the processing plant or to a principal point of accumulation. The grower negotiates with carriers for the transportation to be performed, usually at least six months before the harvest. After the rate has been established, the grower authorizes the buyer to pay the carrier for transportation at the agreed rate and to deduct the charges from the proceeds of the sale of the safflower seed. When the carrier transports the seed from the harvest, he is engaged by the grower.

At times, and more particularly in the Sacramento Valley, a portion or all of the crop from one field may be transported to an elevator or country warehouse in the area. The buyer directs where the seed is to be delivered. It is not clear what effect this circumstance has upon the transaction; however, the record indicates that the buyer takes custody at the elevator or warehouse; the carrier is paid by the buyer charges based upon the minimum rate on grain for transportation for the distance from the field to the

elevator; and the buyer still deducts from the sale of the proceeds to the grower the amount the carrier would have charged at the agreed rate for transportation from the field to the processing plant. The buyer arranges for the subsequent transportation from the elevator or country warehouse on his own account.

During 1964 there was a substantial variation in the rates charged by carriers, and even by a single carrier, for hauls of similar distance.² This variation in rates, however, did not indicate any "day-to-day" rate cutting. The record shows that the rates charged were fixed by agreement well in advance of the transportation being performed.

Several carriers transporting safflower from western San Joaquin Valley points apparently have fixed rates in terms of even dollars per ton. In terms of rates in cents per 100 pounds, this has resulted in a rate progression in multiples of five cents. The distances involved in the transportation performed have been between 90 and 180 constructive miles. The general practice apparently has been to charge an equivalent of 20 cents per 100 pounds for distances up to 110 miles, 25 cents for distances between 110 miles and 160 miles, and 30 cents for distances over 160 miles. The minimum rates for transporting grain for such distances have ranged between 18 cents and 30 cents per 100 pounds, with a rate progression in multiples of one cent.

One carrier transporting safflower from Sacramento Valley points has had two scales of rates, one for transportation from the

² The record contains data concerning the rates assessed in 1964 by about 7 carriers. For distances between 110 and 120 miles, the rates charged ranged from 15 cents per 100 pounds to 25 cents per 100 pounds. The rate set forth in Minimum Rate Tariff No. 14-A for transporting grain that distance is 22 cents per 100 pounds, minimum weight 48,000 pounds.

field and the other for transportation from elevators and warehouses. The latter scale has been about 5 cents per 100 pounds lower than the so-called harvest rate. Except in a very few instances, this carrier has charged the same rate to Stockton as to Richmond, so that the rate from a particular point, such as Woodland, to Stockton has been higher than the minimum rate for grain, whereas the rate to Richmond has been lower than the minimum rate for grain. This system of rates has also resulted in this carrier's having, in a number of instances, lower rates for longer distances than for shorter distances.

The evidence discloses that the rates charged by carriers generally for transporting safflower from the harvest for distances up to 80 miles usually have been higher than the rates established by the Commission for the transportation of grain. For distances over 120 miles the rates usually have been lower than the minimum rates for transporting grain. With respect to shipments originating at elevators or country warehouses, the rates charged almost uniformly have been lower than the rates set forth in Item No. 550 of Minimum Rate Tariff No. 14-A for transportation of grain. For the most part, the elevators and country warehouses, as well as the points of destination of such shipments, are at railhead. Under such circumstances, if the commodity were grain rather than safflower, then under the provisions of Item 200 of the tariff, rates lower than those set forth in Item No. 550 would have been applicable to the shipments.

Most of the harvest moves are for short distances. An associate transportation rate expert of the Commission staff interviewed a number of carriers engaged in transporting safflower. In response to his questions, some of the carriers stated that they

would favor the establishment of minimum rates on safflower at the same level as the minimum rates on grain. Most of the carriers were not in favor of establishing the grain rates as minimum for the transportation of safflower. Most of the carriers interviewed stated that their transportation of safflower has been profitable.

We come now to the question whether the evidence summarized above warrants the establishment of minimum rates for the transportation of safflower at the same level as those prescribed by the Commission in Minimum Rate Tariff No. 14-A for the transportation of grain. Counsel for a number of brokers contends that the record does not show the costs of transporting safflower and therefore the Commission does not have before it sufficient evidence to find that the grain rates are reasonable for the transportation of safflower. On the other hand, the evidence, including evidence presented by the brokers, shows that the cost of transporting safflower by a reasonably efficient carrier is apparently the same as the cost for transporting rice, barley and wheat.

Cost is only one factor in rate making. Section 3662 of the Public Utilities Code requires the Commission to give due consideration to cost in establishing minimum rates, but it does not necessarily follow that where the cost of transporting one commodity is the same as the cost of transporting another commodity, the minimum rates for such transportation must be the same.

The harvesting methods, the transportation and the storage of safflower are substantially the same as those of barley, wheat and other grains; however, the marketing of the commodity is different from that of grain. The only present use of safflower is in the production of oil. (It appears that there may be some use being made of safflower meal, which is a by-product or residue of the oil extraction process.) Safflower competes with other oil seeds, such

as cottonseed and soy bean. None of the oil seeds grown in California for processing into oil are subject to minimum rates. Competition in the market place has long been recognized as a factor in rate making. As stated above, the rates negotiated by the carriers and growers have been based generally upon the levels of the minimum rates on grain. The general rate structure has been more compacted than the grain rate structure, that is, safflower rates generally have been higher for the shorter distances and lower for the longer distances. In addition, the points or distances at which the rates have changed have not been the same as those in connection with the minimum rates on grain. It was established that an origin point described as Grimes or Meridian could be any point in a number of fields in an area of over 10,000 acres. The minimum rates on grain could result in two different rates for that area, depending upon the exact distance from the point of origin to the destination. In general the carriers for rate-making purposes have blanketed all fields in the area about a town. Another departure from the grain rate structure is the aforementioned charging of the same rate to Stockton and to Richmond from the point of origin. Those departures are indications that the grain rates do not fully meet the needs of safflower.

Rate making requires the weighing of many factors. A consideration of the end result can also be determinative. The carriers have not exhibited concern over the rates for transporting the harvests. Allegations of depressed rates were confined to the rates for transporting safflower from elevators and country warehouses to the processing plants and docks after the harvest. The rates charged by the carriers for such transportation did not appear to be lower than the established rates of the railroads. Most of the

elevators and warehouses are at railhead. All of the docks and the larger processing plants are at railhead. Some of the elevators and plants are on water. The establishment by the Commission of minimum rates on safflower at grain rate levels would not have any effect upon most of the transportation from elevators and warehouses. It would probably merely result in the processors' not utilizing country warehouses which are not located on rail.

We find that the presently established minimum rates for the transportation of grain have not been shown to be the just, reasonable and nondiscriminatory minimum rates for the transportation of safflower seed. The record does not provide data from which it can be determined what other rates would be just, reasonable and nondiscriminatory minimum rates for such transportation.

We conclude that the hearings concerning the establishment of minimum rates on safflower seed should be discontinued.

O R D E R

IT IS ORDERED that the proceedings initiated by the Commission in its order setting hearing dated August 25, 1964 in Case No. 5432 and in its order setting hearing dated September 22, 1964 in Case No. 7857 are discontinued.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 15th day of JUNE, 1965.

Frederic B. Holcomb
President
George T. Hoover
William L. ...
Commissioners