Milk Commission Accepts

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milk. Using 1957-59 as a base of 100, prices paid by farmers increased 3 points from December 1966 to December 1967 This compares with a 2 point decrease in the prices received by farmers. This trend has been exerting its influence on farm income for a number of years Efficiencies have helped to offset this trend, but are less pronounced today and cannot continue to make up the marked difference in prices paid by farmers for goods and services and the prices they receive for their products.

"A rise in the replacement value of dairy cattle and dairy heifers has constantly been occurring The value of milk cows increased $5.00 per head from December 1966 to December 1967 and increased $56.00 per head from the December 1961-65 average to the December 1967 price. This tends to discourage dairy herd building.

"Another factor affecting milk production is the availability of labor and the rise in farm wage rates The average number of hired workers on farms during 1967 was 3,000 less than during 1966. Included in this decline was 1,000 hired workers and 2,000 family workers. While laborers declined, their wage rate climbed. During that same period, average farm wage rates increased $1 75 per week, 30 per day and 07 per hour in Pennsylvania.

'The farming operation requires skilled laborers today. If dairy farmers are to compete with other farmers and industry for their laborers, they must receive the incentive from the price of the product produced.

"In general, the farm cost situation continues to show drastic increases. There are higher minimum wages, more supplementary benefits and a reduced supply of qualified farm laborers Prices of machinery increase from year to year at 3 to 4 percent Taxes increase about 7 percent per year. Interest rates and insurance premiums continue to climb. As land values increase, the cost of renting also increases. In summary, farmers are facing over-all cost increases.

We hope these factors and conditions will be taken into consideration when writing the order for this area.

"Furthermore, we are requesting that those products with the semblance of milk being sold in the fluid form be classified as a Class I product with the ingredients being accounted and paid for according to that classification. This provision would correct the present condition of dairymen subsidizing the sale of these products."

William Deisley, of Moore Dairy, Inc. and President of the Milk Dealers' Association Of Lancaster, spoke for local milk dealers. In commenting on Orders issued by the Commission affecting the marketing and prices for milk in our area, Deisley said these Orders, "have produced only increases in the prices required to be paid to farmers by milk dealers in the area and have resulted in no increase whatsoever in spread In fact, dealers suffered a decrease in spread—."

The conclusion of his prepared statement reads:

"In view of the market statistics which show the inadequacy of dealers' returns under the present Order, and the substantial cost increases in all departments of the milk dealers' operations, we request that the Commission increase dealers' spread by a sufficient amount to produce a reasonable return, as required by the Milk Control Law We have recommended certain quantity discounts, which will change marketing patterns and reduce dealers' revenue. The Commission Order should give due weight to these discounts on the basis of a reasonable projection of their effect on milk sales in the market."

Dr Paul Hand, spoke on behalf of the Inter-State Milk Producers' Cooperative. He said, "Dairy farmers have been caught in a rising cost situation during the past three years seriously threatening the supply of milk within the Commonwealth. It is the position of Inter-State Milk Producers' Cooperative that the present Class I price levels must not be reduced and the accounting system changed to increase returns to dairymen to reflect this condition."

Speaking on behalf of the Lancaster City-County Food Service Association, Mrs. Mary Eby, President, said, "Unfortunately, members of the commission, we are caught in the squeeze of two regulations. On one hand the National School Lunch Program makes it mandatory that we serve ½ pint whole milk with every Type A platter and on the other hand we are now faced with the possibility of a price increase to which we have no alternative."

William Butz, Professor of Agricultural Economics, Penn State, testified on the principle underlying quantity discount pricing. "The economic basis," he said, "for discount pricing is that the total costs of operating a route are more directly related to the number of customers served than to the total number of quarts delivered on the entire route. Consequently, an average cost per stop is a more meaningful measure of the cost of serving a customer than is the average cost per unit. This principle recognizes that 'time is cost' and that the time required for delivery to retail customers does not increase proportionately with size of delivery."

The economist listed the objectives of discount pricing as: 1, More equitable pricing to home-delivery customers; 2, May result in more efficient, lower cost systems of retail and wholesale distribution; 3, Permit dealers whose businesses are based primarily on home-delivery sales to compete more effectively with stores for large-volume customers, 4, Increase per capita consumption of milk products; and 5, Present a better public image of the fluid milk industry.