In Today's Complex Marketing System

Milk Pool Insures Equitable Price

In our modern system of marketing milk and other dairy products, the farmer no longer meets the consumer face to face as he once did. They are far apart, and today's farmer has no way of knowing how his milk will be used.

He knows it may reach a dinner table in some distant city for drinking. But the farmer also knows that the amount of milk consumers want each day varies, and that his particular milk may not be packaged for drinking.

Some or all of it may be left on hand at the milk plant after that day's bottling milk orders are filled. This left-over milk is likely to go to a near-by processing plant to be used in making ice cream, cheese, or butter.

The farmer has no control over how his milk will be used once it leaves his farm, In fact, milk from various farms is intermingled after purchase by the handler, and loses its identity with the individual farmer.

Yet, there is a difference in the price milk will bring in the market, keyed to its ultimate use. Milk distributed for fluid use commands a higher price in the market than milk going into manufactured dairy products.

A "milk pool" ensures that all farmers are paid equitably for their milk delivered to a market, or sold to an individual handler. This "pool" refers to the value of the milk rather than to the milk itself. It is money, not milk that is pooled, to prorate the value of the milk among participating dairy farmers.

The essence of a marketwide pooling plan is payment of a uniform "blend", or average price to all dairy farmers delivering to all dealers in the market, no matter how the milk is used by the particular dealer A pool can also apply just to milk handled by each dealer individually.

In either case, the pool operates in conjunction with a milk-use classification and pricing system.

Various kinds of pooling arrangements have been used for many years. They were first used in the 1920's by dairy farmer cooperatives, to establish and maintain uniform, marketwide values for milk based on various uses.

Later, cooperatives sought and got the help of government

Pools have been an integral part of federal milk marketing orders ever since they were authorized by Congress some 30 years ago.

The federal milk marketing orders — administered by the Consumer and Marketing Service of the U S. Department of Agriculture — set minimum prices which are the least that milk dealers can pay dairy farmers for their milk

There are usually two general milk use designations — Class I for all milk used for bottling (fluid) purposes, and Class II for all milk used for manufactured dairy products such as ice cream, butter, and cheese.

This is where the milk pool comes into play. It brings farmers the price benefits of the overall milk usage by all handlers in the entire market, or by one handler only, depending on the type of pool plan.

In this USDA article, John R Hanson, deputy director of the USDA dairy division, explains how the milk pool works and how the blend price or milk price to the farmer is obtained.

Here's how this works

Suppose that three dairy farmers each deliver 100 pounds of milk to a dealer doing business in a Federal milk order market. The dealer sells 200 pounds of the milk for fluid or bottling use, for which the Class I price is $6 23 a hundred pounds He uses the other 100 pounds for manufacturing (Class II) for which the per hundred-weight order price is $4 67.

The handler then owes $12 46 for 200 pounds at $6 23 a hundredweight, and $4 67 for 100 pounds at the Class II price The pool, or total owed by the handler is $17.13.

Since all three farmers delivered the same amount of milk, they share it equally, each getting $5.71.

In a real milk order pool, the uniform blend price is announced for milk with 3 5 per cent butterfat The uniform price to the farmers is then adjusted for milk of varying butterfat, and also for milk shipping costs from production to consumption areas.

The road to market is a long one for today's milk. And milk goes into a host of different uses.

But because of "pooling" arrangements incorporated into federal milk marketing orders, farmers are assured basic, equal sharing of pool values, no matter how their milk is used.

Alternate AM-PM Milk Test Results Reported Favorable

Location records and production averages of herds enrolled in the alternate AM-PM milk testing plan compare favorably with herds enrolled in offical Dairy Herd Improvement testing, an Extension dairy specialist at The Pennsylvania State University reported recently at the American Dairy Science Association annual meeting in Gainesville, Fla

Herbert C Gilmore, official in charge of the Pennsylvania DHIA program, who presented a paper on factors affecting individual cow weights, pointed out that under the alternate AM-PM plan, only one milking of each test period is supervised— AM one month, PM the next month. This reduces the testing cost and is popular because the regular milking routine is disrupted for only one milking

"The amount of milk produced at a single milking is influenced by the time since the previous milking," the dairy specialist said "The single milk weight is doubled for the daily total. This daily total determines the calculation of production for each monthly test period as well as the cow's lactation record and yearly average for the herd."

There is more month to month variation in the daily test day milk weights for those AM-PM herds that milk later in the morning than in the evening, Gilmore added.

"Factors to adjust a single milk weight for unequal milking intervals have been developed," the Penn State professor said. "The use of these factors will reduce variation in milk production records from month to month, make these records more useful for daily herd management, and give added reliability to the AM-PM plan"

Pennsylvania was the first state to offer dairymen the alternate monthly plan as an optional method of testing along with Dairy Herd Improvement Registry, owner sampler, and DHI.