

Eastern Coop Says New Rule to Hasten Necessity of Bulk Tank

USDA Discourages Can Milk in Order 6

An amendment to the New York-New Jersey Federal milk marketing order, effective November 1, 1970, will accelerate the closing of can milk receiving facilities and hasten the demise of the can method of shipping milk from farm to market in the largest fluid milk market in the nation.

This is the conclusion reached by Joseph C. Mathis Jr., Economist for Eastern Milk Producers Cooperative Association, Inc., Syracuse, New York.

The Federal Order establishes the minimum prices paid to dealers in most of New York and northern New Jersey must pay for milk received from dairy farmers Eastern

marketing of milk throughout the market.

Contrary to the request of the cooperatives, and the advice of dairy marketing specialist, the US Department of Agriculture chose to adopt an entirely different means of "correcting" the marketing problem Mathis explained.

The Department has amended the order to provide for a 10-cent transportation credit to milk handlers for each hundred pounds of farm bulk tank milk they utilize for Class II (manufacturing) purposes. In determining the credit to which he is entitled, a handler must assign his bulk unit pool milk to Class II in the same proportion that his total pool milk in all of his plants and bulk units is classified as Class II milk.

This procedure is intended to prevent a handler from arbitrarily allocating his Class II milk to bulk receipts and his can receipts to Class I uses.

Mathis explained that the effect of this procedure, however, is to reduce the handler's credit if he receives milk in cans from producers. The only way a handler can receive the full 10-cent credit on his bulk Class II milk is to receive only bulk milk. Thus, handlers having Class II milk in one or more of the plants in their system now will have an additional economic incentive to accept only bulk tank milk from producers.

Although the conversion from can to bulk delivery in this giant milkshed began later and has progressed slower than in other markets in the northeast, it has been an orderly transition. Relatively few dairy farmers have been forced to convert to bulk storage and delivery before they were economically capable of doing so.

In alluding to this transition, however, the Department of Agriculture stated

"The slow conversion to bulk tank handling in the New York-New Jersey Market unquestionably has been a significant impediment to maximizing operating efficiency in Class II

milk operations. It seems clear that the final stage of the transition to bulk tank handling must be expedited if Order 2 handlers are to hold down their operating costs."

Mathis noted that in September of this year 9,205 dairy farmers shipped can milk to plants regulated under Order 2. They comprised about one-third of the producers shipping to the New York-New Jersey market, and accounted for about one-fifth of the milk delivered to market that month.

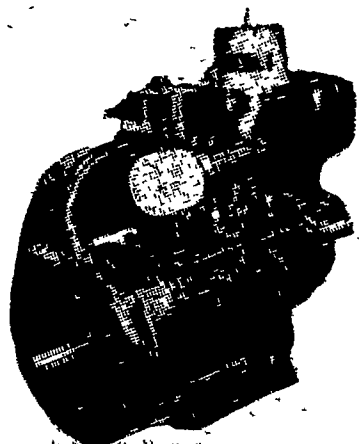
There is no way of forecasting how rapidly outlets will close to these remaining can milk shippers, Mathis said. Plants with facilities to receive

can milk already are becoming fewer and farther apart. Certainly their numbers will diminish still further in the next few months, particularly with the added incentive created by the Government's amendment action.

Can milk will have to be shipped longer distances to remaining can receiving plants at higher cost to dairy farmers.

While some pundits will welcome the extinction of the can delivery system and eulogize its passing, the remaining 9,205 dairy farmers shipping in cans to the New York-New Jersey market may think otherwise, Mathis said.

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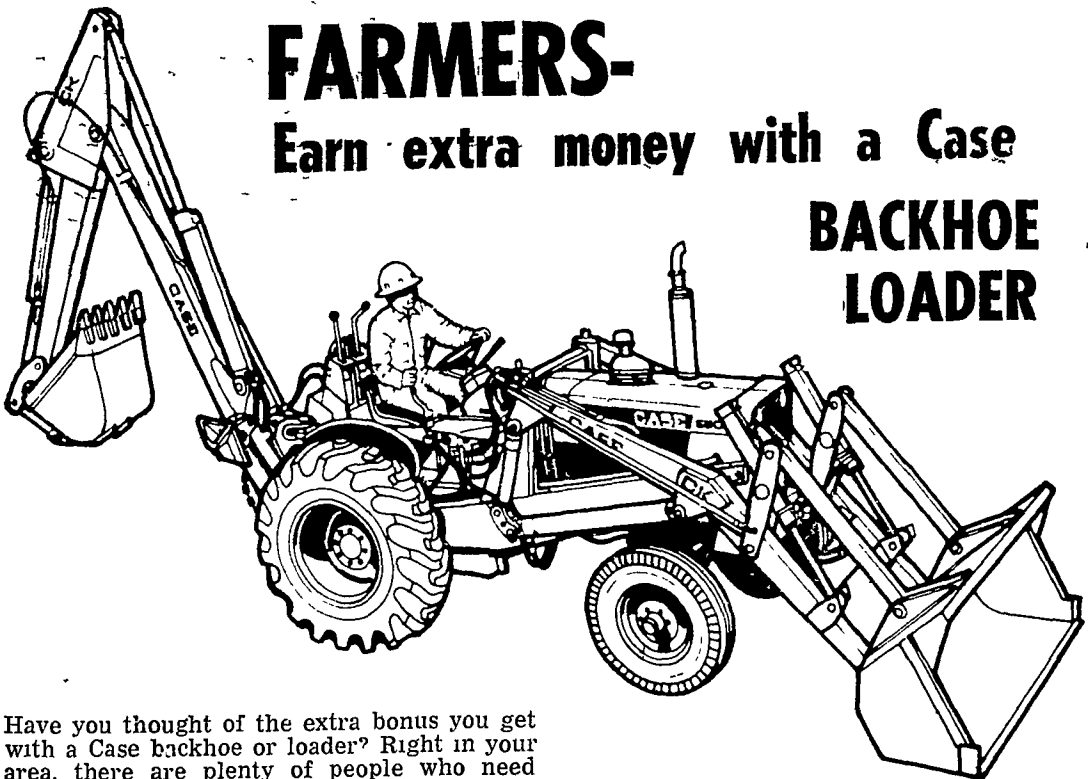
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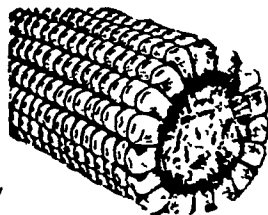
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