

Milk - A Market In Change

The demise of the quart glass milk bottle is probably the milk industry's most visible sign of change.

Less obvious, but more sweeping, are changes in the industry's structure, market performance, and in the regulations governing the distribution and sale of fluid milk. These shifts provided the focus of a recent study of 144 U. S. milk markets.

The markets, as diverse as Grand Forks, N.D., and New York, N.Y., ranged in volume from 3 million to 466 million pounds of milk per month.

Plants decline. Most dramatic change was the drop in milk processing

plants—from around 8,500 in 1948 to just over 2,000 in 1971. Declines were sharpest among small plants, while those selling at least 4 million pounds per month increased in number.

Meantime, distribution areas have mushroomed. In the early postwar days, plants seldom distributed their products beyond a 30-40 mile limit. Today a distribution radius of 100 miles is commonplace, and 200 miles isn't unusual. Thus, while the number of milk plants within any specific area has dropped sharply, the number competing for sales in that region has fallen off much less.

Open competition. Also, sales in most U.S. milk markets aren't dominated by a few major competitors. The study found that small markets absorbing less than 50 million pounds of milk per month were the only ones in which more than half of all sales went to the top four competitors. In the 14 largest markets, the four chief rivals captured less than a fourth of total milk sales.

The most significant change in market structure has come from supermarket groups that buy or build their own milk processing plants. In 1964, 21 supermarket groups operated 36 milk plants, with most of the output sold to their own stores. By 1971, 26 supermarkets controlled 51 plants.

During 1964-72, the volume processed by supermarket-owned plants more than tripled to 388 million pounds per month. And their share of total milk sales by commercial processors advanced from 3 percent to nearly 9 percent.

Marketing rules. Regulations governing the marketing of fluid milk also underwent major change and revision during the postwar period. For instance, the number of States that regulate resale milk prices—either wholesale or retail—now stands at 14, versus a peak of 21 in the mid-1930's and only 11 in the mid-1950's.

The fifties brought a sharp rise in trade practice regulations in States without resale price fixing. State trade practice laws forbid, among other things, giving free credit, unreasonable credit extensions, and secret rebates or discounts. Effects of the regulations have been mixed, depending on type of law and extent of en-

forcement. Sanitary regulations, while necessary to public health, have in some cases been used to give local milk dealers an advantage in certain markets. For example, some have contained restrictions which forbid the distribution of milk that's been pasteurized outside the city limits. In recent years, however, most States and local jurisdictions have reshaped these laws to allow free competition and to facilitate the flow of fluid milk products.

Open dating. Some 40 years ago, sanitary authorities commonly required open dating on fluid milk products. After waning in the years that followed, interest in open dating has recently been rekindled.

Initial studies showed that open dating drove up costs, as retail outlets using the system began returning more and more unsold milk. Followup reports now indicate this is no longer the case.

To gauge market performance of the fluid milk industry, the ERS study used two measures—marketing margins and innovativeness.

During 1954-72, average marketing margins for whole milk increased only 6 cents per half gallon. The gain would have proven considerably larger had there not been a shift from home delivery to store outlets and to larger containers.

Marketing margins vary widely throughout the U.S., but tend to run somewhat higher in States that regulate resale prices.

Innovation rate. To

measure innovativeness, the study compiled a list of all new products, containers, and services introduced in the fluid milk industry since the mid-thirties. The average date when markets accepted these developments became a measure of their innovativeness.

The Milwaukee, Wis., market ranked highest, with 1955 the average date by which all innovations had been introduced. Burlington, Vt., was slowest to respond

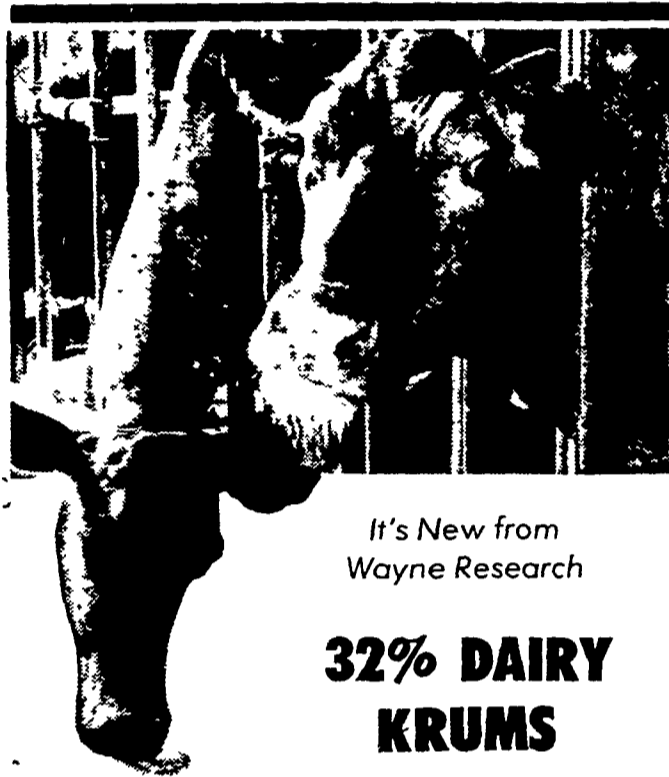
to new developments, with an average date of 1964. Researchers determined that markets with resale price controls were generally not as receptive to innovations than those without. In fact, the study found that the most highly regulated—thus "sheltered"—markets, whether protected by sanitary regulations, trade practice laws, restrictive licensing, etc., tended to be the least innovative.

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State Grange Will Conduct Sewing Contest

More than 1,500 entries are expected in the 1974 sewing contest of the Pennsylvania State Grange, according to A. Wayne Readinger, state Grange master.

The contest is open to Grange members and Grange-sponsored participants who are 12 years of age or older. The deadline for submitting entries is April 30, 1974.

Mrs. Ross Metz, state director women's activities of the Grange, said dresses and suits will be judged in three age categories: Those made by persons 18 years of age or older for the same age group; garments made by contestants in the 12-17 age group for persons of the same age, and garments made by persons 18 years old or over for children under 18 years.

Judging at the subordinate Grange level will be held May 1 to May 13, followed by judging at the Pomona, or county Grange level from May 13 to May 20. Pomona winners will be judged at the state level later and winning garments will be sent to New York for the National Grange level.

At stake will be a one-week trip for two to Bermuda for the national winner. Numerous prizes also will be presented winners in the subordinate, pomona and state competitions.

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