

Milk prices, future pondered

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One thing sure - the price will slip from the present levels, just how far depends upon the two areas I mentioned earlier - sales and production.

Some think the sales will not be affected as much this time when compared to 1974 because of a generally better economy in the country. Production will depend upon how we, as farmers, react to the higher prices. From what I see in the country concerning cow and heifer prices, equipment purchases, and expansion plans, I think the production will come. The February utilization indicates that these factors are in motion now. As if these were not enough to cause the prices to drop, one of the large coops in the market has been actually encouraging each of their members to produce more milk during this year - an action which I think is irresponsible in view of the other circumstances.

When I first started thinking about my report, my first thought was this year it was going to be easy - good prices for milk; all divisions of the Cooperative operating in the black; membership up; Pennmarva going great with two new members; no real problems from Washington; we got our 80 percent parity; promise of countervailing duties. I had a good feeling about the dairy business. Kind of like the feeling you get on a Summer day after a nice shower, the corn is starting to tassel, alfalfa coming back out after the last cutting, and your favorite cow just had a heifer calf.

Then I had to pick up the last issue of HOARD'S DAIRYMAN and read the article entitled "Its a new ball game for dairymen". I'm sure that Dr. Knutson was not trying to be an alarmist when he wrote the article but he sure presents some things we should be thinking about. The article should be required reading for every dairymen in the country and I advise you to look it up and read it.

What Ron Knutson is saying is that, in spite of the present good times, we have our work cut out for us. He mentions the new politics of agriculture - all the people within and outside of the government who are now interested in and making their presence felt in agriculture today and will even more so in the future.

Various consumer groups are also getting into the act. He tells us the importance of working with the Congress and with other agriculture groups. I am particularly concerned about what he says about a "free" world market in farm products and "who will control U.S. agriculture".

The one item that really hit me was - "in my opinion, it is entirely possible that you may have to do without Federal Orders, even as early as the 1980's". "My advice", said Knutson, "prepare to operate without them." Now plug these

factors into management decisions and see if it changes the answers.

Even more important for us today is where does Maryland Cooperative Milk Producers fit into the picture. Will we be able to meet the challenges of bargaining for prices rather than getting it through the federal order? Are we large enough to make our voice heard in congress and to others who would try to run our business? What will happen to the cooperative without facilities to balance their class I and II supplies? What will happen to cooperatives and not enough members to be a significant factor in either a larger federal order - say middle Atlantic, New York, and New England - or a market with no Federal Order at all?

These and many other questions will be concerning your Board in the future as we deal with the task of guiding MCMP in both its short and long range future.

Since our meeting here last year, some exciting things have developed in the area of membership. There has been a slow but steady growth in membership from farmers who are not members of any cooperative. This is a healthy trend for them, for us, and for the market and one I hope and expect will continue. Even though the membership has increased, it seems to be distributing itself differently so that, according to the Bylaws, an adjustment may have to be made in the directors apportionment this Fall at the district meetings.

An adjustment in hauling rates is necessary if we are to keep our own divisions in the black and provide means by which other haulers in the market might continue to provide satisfactory service to us. After careful consideration by management and the hauling committee, the Board approved adjustments. The adjustments will affect different members in different areas and of different sizes in slightly different ways. Many factors went into the final action - such as location, size, fixed costs, fuel and labor costs and so forth.

All divisions of MCMP operated in the black. A substantial year-end profit to return to members and a nice gain in member equity over last year which, incidentally, amounts to over \$3,000 per average member and even more when you consider actual value rather than book value of the assets. The only real problem in finances this year came from having to write-off the bad debt of Country Belle which went bankrupt during the year.

I'm not making excuses for it when I say that it is a part of doing business. When you have over \$56,000,000 in sales in a year, you can expect some bad debts. We do watch these accounts very carefully and if we see a problem developing, we take action to prevent this sort of thing from happening.

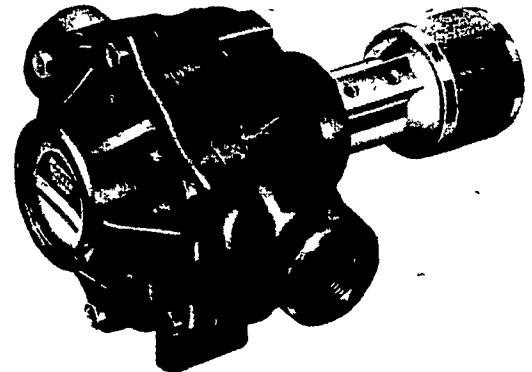
Most of you are familiar with the Federal Order 4 advertising program that has been in effect for several years now. You have seen the ads, we have talked about the program at our meetings and recently, you have been

receiving the publication - "Agency Actions" - which explains the program further. We are also aware that in markets which have a good program - such as we have - the sales seem to be higher. The amount used for advertising is still a nickel - the same as when the program was put into effect in 1972. Most of the cooperatives in our area seem to think we should go to seven cents for advertising. Your board voted to ask the secretary of agriculture to change the order to permit the seven cents. The board would like to hear your comments.

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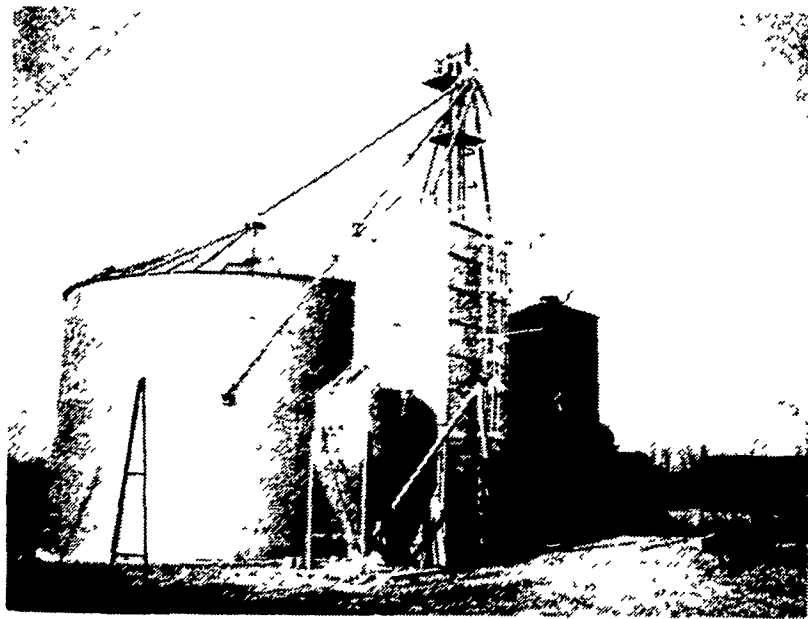
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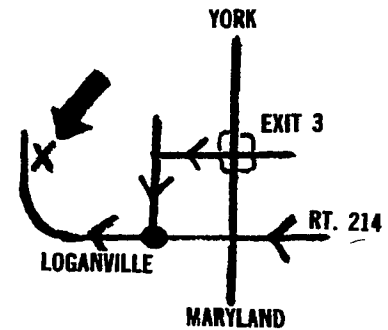
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