

Dairy

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cents per hundredweight for the next five years, hoping to build a capital fund of \$5 to \$7 million during that period of time.

Lehigh Valley, which is coming out from under debts which have burdened them for several years, is not doing it without sacrifice, however. During better times farmers were paid annual dividends on the shares they held in the cooperative. Those payments of interest have ceased and there is some speculation that the face

amount of the certificates will go down the drain.

Despite the increasing financial pressures, spokesmen for these and other dairy cooperatives are optimistic about the future. Dairylea is banking on its growth as a consumer products cooperative, Lehigh Valley considers itself to be in an ideal marketing situation with its plants and growing membership, and Eastern has hopes of rolling unhindered once financial stability is established. Another pair of cooperatives - Maryland Cooperative Milk Producers and Inter-State Milk Producers - are waiting to

flex their muscles once a powder and butter plant is in operation. The target date for that happening is May 1.

Although the approaches to strength vary from cooperative to cooperative, they all have one thing in common. That is, they need the continued support of their members.

Financial instability among the cooperatives has come more and more to the surface this year due to the increased marketing pressures. Production is up and Class I utilization is down. This situation has not only pressured the cooperatives, it has increased costs for milk

handlers. Some of the smaller dairies have closed their doors, many more have notified and continue to notify dairymen that they will no longer accept their milk. The end result is that farmers are being stung.

Bruce Snow, public relations director for the 5000-member Dairylea Cooperative, says that a part of the problem has always been that cooperatives have not insisted on dependable cash flows from milk handlers. He reasons that if dairy cooperatives are expected to have the cash on hand to pay its bills, then the same should be true for milk dealers who buy milk from

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the cooperatives. He claims this hasn't always been the case. The waiting time between date of delivery of the product and receipt of the payment has cost cooperatives millions of dollars in interest annually. That's a major reason why they're scrambling to build permanent base equity.

Eastern Milk Producers, for example, has been troubled lately by having to send producers' checks out late. Some checks are reportedly covering just a portion of what is due to the dairyman.

Eastern's creditor, the Marine Midland Bank of Syracuse, has suggested that the cooperative's management raise its equity. It's being done through the five-cent deduction. Bolstering current operating costs are dues of 10 cents per hundredweight, three cents of which go into a contingency fund.

The Marine Midland Bank has suggested that Eastern needs an equity equal to 20 to 30 per cent of its total assets. It'll take about five years to raise that amount, according to Eastern's officials.

Eastern's members will receive certificates at the end of each year to show their amount of contribution for that time period. The funds contributed by each patron can be returned in three different ways - 1. at retirement, 2. at death, 3. when ceasing dairying altogether. The funds accumulated in this manner cannot be used to cover operating expenses. Other deductions and the con-

tingency fund are designed for that purpose.

As of December 31, Eastern had \$802,000 worth of accumulated marketing costs during the current marketing year, according to information released at a recent membership meeting in Lancaster County. The contingency fund has split that figure in half and officials at Eastern predict that the debt will be eliminated by August of this year. Thereafter, the contingency fund will continue to accumulate and be used for capital improvements. It's also speculated that after a number of years, the monies raised through the contingency fund could be returned to producers via revolving funds. Detailed information on this matter will be mailed along with the March 25 milk checks, an Eastern official said.

Eastern's membership is also being told that if marketing costs continue to go up, then deduction will have to go up accordingly. The cooperative is operating on a service at cost program to avoid deeper economic woes.

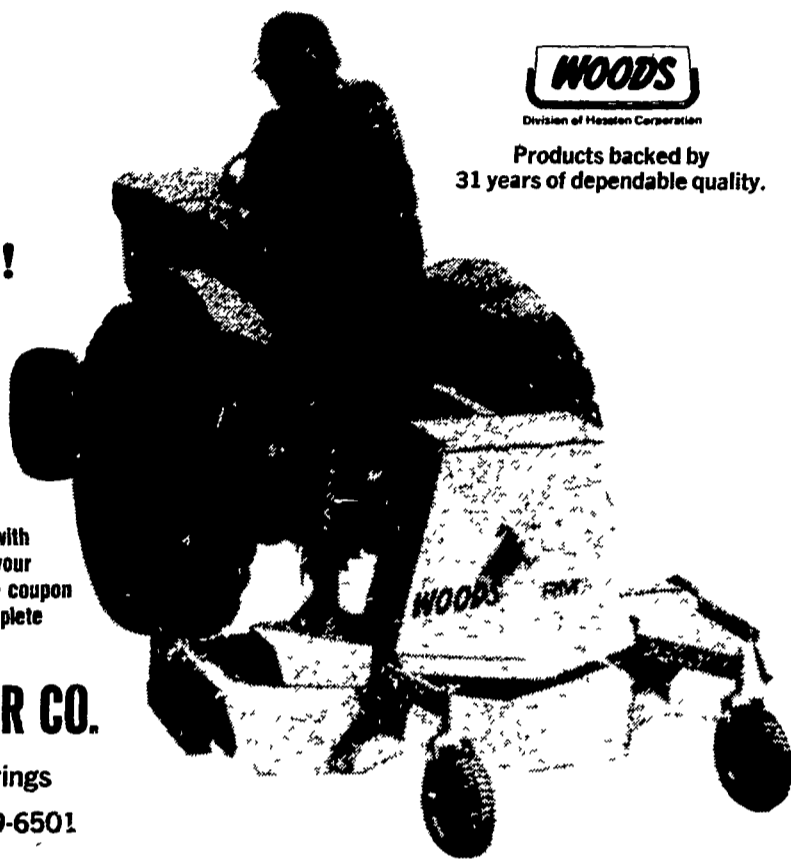
To further illustrate how delayed payments from dairies are causing a part of the problem being faced by cooperatives, Franklin Wagner, director and dairyman for Eastern, noted that his cooperative is borrowing \$7 to \$8 million per month because of a lot of their operating needs are tied up in storage and checks from handlers aren't coming soon enough to meet payroll and expense demands.

Snow, speaking from his office in Pearl River, N.Y., told Lancaster Farming during a telephone interview that lending institutions are

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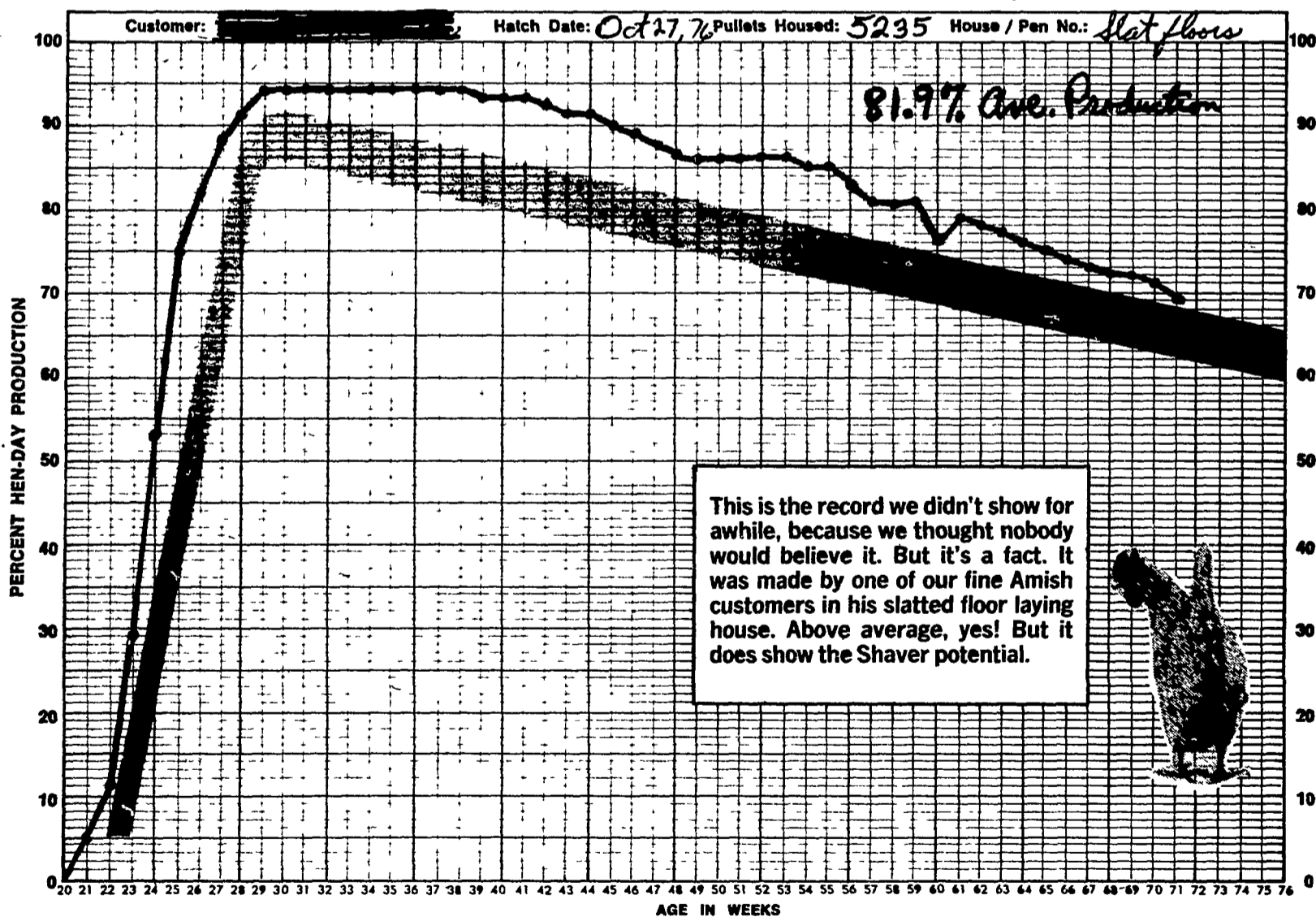
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