

At annual banquet

Eastern Milk Co-op tells of proposed cheese plant

By SALLY BAIR
Staff Writer

NEW HOLLAND -- After more than a year of serious financial woes, members of Eastern Milk Producers Cooperative got some good news at the annual fall meeting of the New Holland local held Wednesday night. Eastern General Manager Howard McDonald assured the members that there would be no assessment of members to help pay the cost of construction and operation of the proposed cheese plants, which are a major part of their plan to reach financial stability.

The mood of the meeting was forthright and optimistic. While acknowledging that serious decisions still must be made, officials of the Cooperative made it clear that they feel the Cooperative has reached a turning point in their financial difficulties.

McDonald said, "What Eastern has been able to accomplish in the last year and a half is due to the membership, who poured a lot of money into it." He called their problems, "A burden you've had to bear. The financial picture is still not great, and we have a long way to go, but some of the things we have accomplished are amazing."

He pointed out that in December of 1977 there was an accumulated deficit of \$800,000. By March 31, 1979, that deficit will be completely wiped out. The net worth of the Cooperative one year ago, according to McDonald, was "zero." He said the net worth now is \$800,000 and at the end of this fiscal year it will be \$1,300,000. "A lot of people put a lot of work into it to make it work," he said. He noted that the Cooperative is now operating on a "pay as you go policy, on a fiscal year basis."

McDonald explained that the financing of the proposed cheese operations will cost "a lot of money," probably between \$13 million and \$15 million. Investments are being made with the help of an investment placing firm which is working with the Farmers Home Administration so that it, hopefully, will guarantee 90 per cent of the total financing. We don't have the final commitment from FmHA to guarantee financing, but everything seems to be in a "go" position," he remarked. Even if this proposal does not come through, McDonald stressed that other options are being investigated to acquire the money. "The money will come totally from outside Eastern Milk Producers - members will not be asked to contribute."

Financing of the plants will be for twenty years, and Eastern will own the facilities and the equipment. Lease payments will be made by Leprino Cheese Company of Denver to Eastern, and at the end of the twenty years Eastern will have \$6.8 million in

equity in the cheese plant. He added, "A lot of things could go wrong, but we don't see anything to change the picture drastically."

It was pointed out that Leprino is the largest single manufacturer of mozzarella cheese in the world, and they are the sole supplier for the Pizza Hut restaurant chain. The manufacturing and merchandising of the finished product will be completely in the hands of Leprino, with Eastern supplying the milk and the equipment for processing it.

McDonald noted that the contract with Leprino takes into account the seasonality of milk, and allows for larger amounts to be used in the manufacturing when there is a surplus in the Spring. While cheese operations are faced with the problem of idle times, McDonald said that Leprino is the only cheese operator in the country which has perfected the freezing of cheese to retain its quality, and therefore can even out its production.

He was not surprised when questions were asked about possible links between Leprino and organized crime. McDonald said that while it has been shown that organized crime is involved in the Italian cheese business, an article which listed companies and individuals involved did not mention Leprino. He said further that banks involved in the financing venture did "an exhaustive study" and found that Leprino "came up clean."

The first cheese plant has just undergone trial operations and is scheduled to go into production this week. Eastern acquired the former powder milk plant from Dairylea in February, 1978, and at the end of June began preparations for the overhaul which made it into a mozzarella cheese manufacturing plant.

The location of a second proposed plant is still in question, with several sites under consideration, according to McDonald. The second plant is being planned for larger volume than the first.

McDonald noted that one of the prime reasons for moving into the manufacturing business is to be able to handle manufacturing excess milk, without being "at the mercy" of other people. Last Spring in the surplus season, Eastern suffered enormous losses "when we had other people do the manufacturing."

On a further positive note, McDonald said that Order 2 prices are now the highest in history and will remain high. He said that in the next six months, prices will average \$1.00 higher than for the same months last year, and in some months it will be \$1.25 higher. For the coming 12 months, McDonald said prices will probably average \$1.00/hundredweight. Along with better prices and an improved financial picture, McDonald concluded, "It should be a good year to be an Eastern member."



Franklin Wagner, left, district director and Howard McDonald, general manager at Eastern, were both part of the program at the New Holland local meeting Wednesday night.

District Eight Director Franklin Wagner, Hummelstown R2, spoke on a hopeful note too, telling the members that "Eastern is an on-going business." While Eastern was considered in banking circles to be "un-bankable" one year ago, with the changes currently taking place the position is turning around. Wagner said, "Credit goes to the manager and his staff and to the Board of Directors, but the large amount of credit belongs with you - your loyalty to Eastern has brought us to this point. We will face real problems, but we are establishing a good relationship with other co-ops and businesses." He emphasized that the cheese venture will be good not only for Eastern members, but for the dairy industry as a whole.

Wagner urged members to handle rumors carefully, and check out the truth with Cooperative authorities. Ivan Redcay, fieldman and inspector, also urged members to call with rumors and learn the truth. He said,

"The going has been tough, but now it is going the other way." He reminded members to handle antibiotics with care.

Paul Bruckhart, Manheim R5, delegate for the local, echoed the positive sentiments of the other speakers. "Things are going to work out great. We will be able to take care of all the milk being produced, put it to good use and make a profit." He reminded members, "It behooves all of us to have clean, quality milk, properly cooled so it will be of good quality to those who consume it."

Bruckhart said that while Eastern lost 430 members (over 200 through herd sales), 340 new members have been signed up over the year. "Let us look forward together that we may stay strong. Things have really improved financially, and I am proud to be a member of Eastern."

Local president Robert Martin conducted the meeting which was attended by 125 members.

4-H Council meets

YORK - The November meeting of the York Co. 4-H Council was held at the 4 H center, near Bair. Reports were given.

Members who wore costumes were judged and

prizes were given. Afterwards a Halloween Dance was held.

The next meeting will be December 6, at the 4-H center. The program will be a Christmas party.



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