

Eastern's equity fund over \$1.25 million

By DIETER KRIEG

SYRACUSE, N.Y. — Howard McDonald, general manager of Eastern Milk Producers Cooperative, says "Eastern's net worth has never been better in history." He made the glowing remark at last month's annual meeting, here, at the Hotel Syracuse.

He emphasized that the 4500-member dairy farmers' cooperative has been able to reduce its financial costs considerably through the collection of "a number of long-standing debts and by taking strong efficient measures."

Another factor in the improved picture is the operation of two cheese plants acquired by Eastern within the past year and leased to Leprino Foods. Eastern's president, Arden Tewksbury of Meshoppen, Pa., says the two plants, located at Horse Heads and Waverly, N.Y., "have turned around the surplus milk problem. To prove his point, Tewksbury cites marketing figures of March 1978 and March 1979. "Eastern's members had to make up \$475,000 in excess marketing costs in March of last year, compared to \$70,000 this past March," he says.

For the entire fiscal year, Eastern milked its membership for an estimated \$3.5 million to cover marketing costs, the cooperative president has revealed. All of that is part of a dark past for the Syracuse-based milk marketing organization which once boasted a membership of 10,000.

"But I feel if we don't understand the past, then how can we possibly accept the present and how can we prepare for the future?" Tewksbury asked delegates at the annual meeting.

"I'm mighty proud of many of the accomplishments made during those years," he continued, making the remark in reference to the early years of Eastern. He recalled how the cooperative was operating with 1-cent dues and guaranteeing every member a market. "It wasn't hard to obtain new members at that time," he quipped.

But conditions changed when handlers withdrew from the market and in some cases even ceased business completely. That left cooperatives without markets and even non-payments for milk that had already gone to market. "Eastern was not



Howard McDonald

sufficiently ready for the market conditions that developed in 1976-78," the co-op chief admitted. "But you know we were not alone," he added.

"Since December of 1976 this cooperative has gone through enough turmoil to last for a lifetime," he said. "The marketing years 1977 and 1978 almost proved to be a disaster for your co-op," he told the delegates at the June 6 annual meeting. He praised the membership for their support.

"You are to be complimented, not condemned for your actions," he assured.

Eastern has come under considerable attack from both members, bystanders, and some members of the farm press. Fifty-two dairy farmers who are members of Eastern are 17 directors, former directors, and officers to court for alleged wrongdoings. Charges include mismanagement, the overstepping of authority, and misleading accounting procedures.

Eastern is seeking to clear itself of the challenges. As for an internal house-cleaning - some of that's going on too, according to spokesmen at Eastern's Syracuse headquarters.

A financial manager was hired two years ago. He is Herbert Dorn. Last March, a controller was added to the staff. He is Robert Zorn. "We have taken steps to improve the efficiency of our accounting department," says Tewksbury. The cooperative, however, did not have audited financial statements at its annual meeting in June. The fiscal year had ended on March 31. Tewksbury is aware of criticism for providing financial information too slowly, he says.

The unaudited version of Eastern's money sheet says nearly \$300,000 in profits were realized during the last fiscal year.

Tewksbury hunts that keeping track of accounts in milk marketing is no easy task, especially when many handlers are involved. He's happy that the Leprino Foods arrangement will limit the scope of the accounting demands.

Elaborating on McDonald's rosy statement about Eastern's net worth, Tewksbury revealed that the cooperative's total equity stands at \$1.25 million and is growing. The equity is the result of a special equity fund that was initiated 1½ years ago. Members are assessed five cents per hundredweight of milk shipped.

And to keep its operations solvent, Eastern is using a \$10 million line of credit through Walter Heller and Associates. The cooperative's director of member and public relations, Lisle Dutton, says between \$1.5 million and \$3 million are borrowed by Eastern each month. It's paid back the following month. It's necessary to borrow the money because milk suppliers have to wait 30 or even more days before handler pay them. Most of the interest charges are passed on to the handlers. The interest rate is 4½ points over prime, says Dutton.



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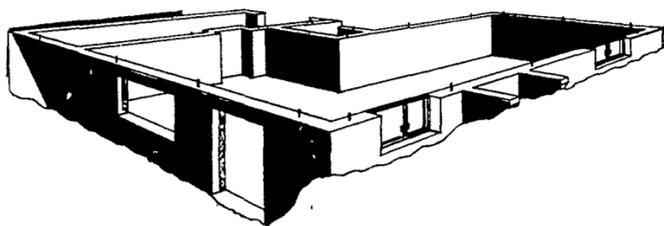
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