

Dealers say dairy losses due to co-op maneuver

HARRISBURG — Anticipated losses to Pennsylvania dairy farmers due to the Chapter 11 bankruptcy proceedings of a New York milk dealer cannot be blamed on the Pennsylvania Milk Marketing Board or the lack of a state Security Fund, despite charges of this

nature. So stated Henry R. Geisinger, Executive Vice President of the Pennsylvania Association of Milk Dealers, here.

"It is regrettable that the Grandview Dairy in Brooklyn found it necessary to file bankruptcy proceedings," Geisinger said, "and we understand Pennsylvania farmers or their buying cooperatives stand to lose hundreds of thousands of dollars."

As far as the Pennsylvania Milk Marketing Board is concerned, it indicates Grandview Dairy "never existed", the milk dealer representative added.

The Board indicates Grandview never had a license and apparently most of the milk for them was purchased through Eastern Milk Producers Cooperative. The latter apparently "changed title" to the milk in New York state, he continued. Thus, the Pennsylvania regulatory agency had no jurisdiction.

"Had Grandview itself

purchased and taken title to the milk in this state, a license and a bond of up to \$200,000 would have been required under the present law," Geisinger stated.

"Thus would have taken care of some of the loss but Eastern apparently desired to handle it in its own way," he said.

"By doing so, Grandview was spared from paying a license fee or submitting a bond under Pennsylvania statutes which was a saving to them. Also, the Board through regular audits and reports might have become aware of slow and defaulting payments and proper action could have been taken before the amount owed became so large.

"Even if a Security Fund had been in existence here, as in New York, it is doubtful whether payments could have been made the way the milk was purchased 'out of state'," he said.

According to recent news reports, Geisinger continued, the New York Department of Agriculture

had requested Grandview to submit payments to the Security Fund when milk was purchased in the Empire State.

In an Associated Press article, Herbert Kling, the top dairy official in the New York ag department, said when this payment request was made "Grandview began buying nearly all of its milk from Eastern's Pennsylvania members" and Kling further stated that "Eastern cooperated in the maneuver."

The milk dealer spokesman quoted Earl B. Fink, Jr., Executive Secretary of the Milk Marketing Board, as saying this is not the first time such a condition has existed. Some years ago a southern New Jersey processor which sells milk in both Jersey and southeastern Pennsylvania, bought milk from Pennsylvania producers through Eastern.

When the Board asked the dairy to post a bond, Fink reported that Eastern representatives argued it was not necessary since title to the milk was taken in New Jersey, thereby saving a bond cost. Had this dealer gone bankrupt there also would not have been funds, he concluded.

"The present bonding system in Pennsylvania is

being studied," Geisinger explained.

"Cooperatives are asking that milk dealers pay for a Security Fund with co-ops not contributing. But, if some cooperatives and others who buy milk want to play games on where the milk is actually purchased, in order to save their buyers bonding and license fee costs, what good is a system?" he asked.

"There appears to be some double talk," the dairy executive said, "when farm leaders on one hand argue that a Security Fund should be created and then maneuver so their buyers need not participate on the other hand."

It would appear to me, Geisinger said, that cooperative members should take a serious look as to how their milk is handled since they apparently are "owners" of the cooperative which buys their milk.

They should speak up and take appropriate action with their co-op Board or management before an impossible bankruptcy situation arises, he said.

Geisinger said he hoped a considerable portion of the alleged \$2 million loss would be recovered for the good of the industry in general as well as the Pennsylvania economy.

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