

Hallowell unveils

(Continued from Page 1)

proposal will not encourage the fund to grow at a fast rate.

The Ag Secretary explained the size of the fund and its rate of growth are dependent on the number of dealers who choose to participate in the program.

"Doubling the assessment to two cents per hundredweight does not assure the fund will grow twice as fast.

The two cent per hundredweight assessment on dealers only, will discourage many dealers from participating," he added.

Hallowell also noted that the rate of growth is dependent on the amount of operational losses incurred by Pennsylvania's dealers within the first few years.

As Daniel Martin had indicated, Hallowell intends to keep the existing bonding requirement for one or two years until the security fund reaches a workable level.

In the three concepts presented on Tuesday evening, Hallowell has outlined a proposal he says will pass quickly.

"After two years of discussion and plenty of

consideration, we needed to get something that would pass quickly," commented the Secretary.

"The dealers owe money to the farmer, it is only fair for them to pay," he added.

According to Hallowell, a two cent per hundredweight proposal would not pass.

At the one cent per hundredweight assessment, Hallowell is confident a majority of the dealers will participate.

The dealers are faced with three choices. The first being to obtain a bond. Secondly, a dealer may choose to establish a line of credit with a bank.

Or, dealers may choose to contribute to the milk security fund. At a one cent per hundred weight charge, Hallowell views this plan as reasonable insurance for the dealers.

It will be a good tool to get farmers to ship to a participating dealer, he said.

Participation in the fund will be an asset to the dealers since farmers will



Penrose Hallowell
Secretary of Agriculture

know that they are protected from financial losses, said Hallowell.

Hallowell also realizes companies with large financial reserves may not participate in a milk security fund.

According to Hallowell, the one cent will be assessed when the dealers write their milk checks. As they pay the farmers, they will pay the one cent per hundredweight into the milk security fund.

The Milk Marketing Board will administer the security fund. The Agriculture Secretary added, "the Board will audit records more completely, and work

with the Bureau of Markets in completing critical examinations of the dealer's organization"

A crucial concept of Hallowell's proposal involves the administration of a separate fund for the cooperatives. According to the proposal, the cooperatives may contribute to the milk security fund on a voluntary basis.

Secretary Hallowell chose not to comment on the number of cooperatives, he thought would participate.

"It is important the cooperatives decide for themselves by a membership vote whether or not they want to take part in it" stated Hallowell at the town meeting.

Hallowell proposed a 90 per cent coverage of farmer's losses instead of 100 per cent coverage, as is in New York's milk security fund.

He cites two major reasons for this decision.

"First the cooperatives selling to dealers need to have responsibility to maintain a line of credit. They are not to let dealers build large bills. The fund

will not replace good management," he noted.

This concept will also reduce the size of the milk security fund. As mentioned earlier, it will take some time to accumulate a fund of sufficient size at the proposed one cent assessment fee.

Hallowell assured Pennsylvania dairymen the intent of this proposal is to require all milk sold by farmers in Pennsylvania to be covered by the proposal.

He said he seeks to eliminate the loopholes which allows milk to be transferred across state lines and retitled.

In talking with farm groups, dealers, and legislators, Hallowell said he realizes the importance of getting a milk security fund recorded on the books.

He said he is confident his proposal, if it comes up for a vote, will be passed.

Although he admits there may be amendments or modifications to his proposal as a result of discussing; the Secretary said he hopes the Bill will be passed by the

(Turn to Page 28)

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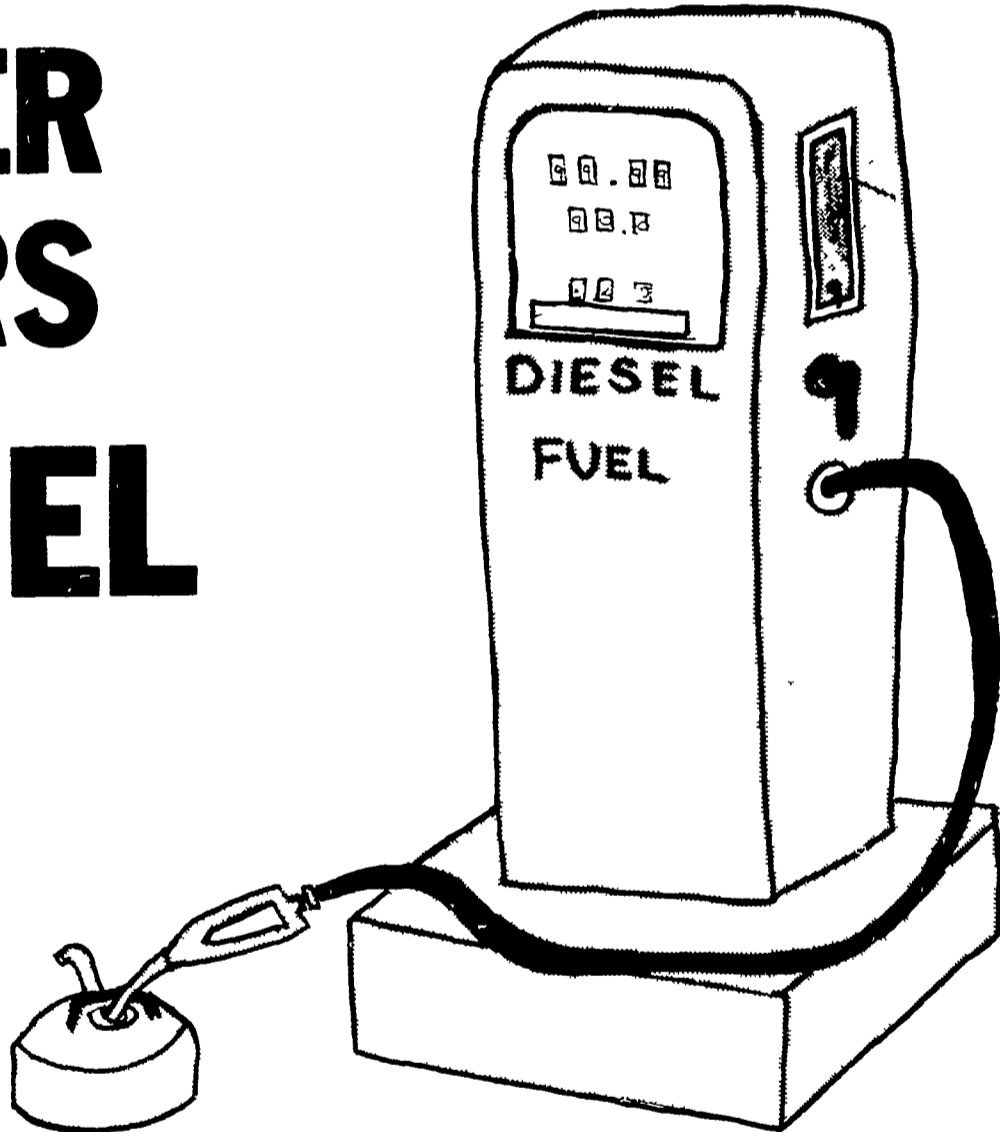
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