

MCMP

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service activities, all point to the inevitability of larger cooperatives with a broad financial base for operations, he said.

According to Allison, MCMP is looking in three directions for merger possibilities: Maryland

and Virginia Milk Producers, Inter-State Milk Producers and Dairymen, Inc.

All three are farmer-owner milk marketing cooperatives.

Noting that merger has been explored for several years, Allison emphasized, "We are not dragging our feet. This is the most important decision we as members of MCMP have ever had to make. I expect a

board recommendation very soon."

Maryland and Virginia Milk Producers has 1200 members with headquarters in Arlington, Virginia.

The Cooperative operates a butter-powder processing facility at Laurel, Md., and a bottling plant in Virginia. Their current membership intermingles with much of MCMP's milkshed.

Inter-State Milk Producers, of Southampton, Pa., includes over 3000 members, mostly in south-central and southeastern Pennsylvania. They're equal partners with Maryland Cooperative in the Holly Milk butter-powder processing facility in Mt. Holly Spring. Members of the two cooperatives are intertwined throughout the southern tier counties of Pennsylvania.

Dairymen, Inc., is a Louisville, Kentucky, based cooperative, with over 6500 members across 14 southeastern states. Their organizational structure operates in 11 divisions, and if a MCMP merger would take this direction, the Maryland Cooperative shippers would continue to function as the Maryland Division of D I.

Much of D I's milk is processed and sold through the fluid market under their own Flav-O-Rich label.

Members also heard an upbeat report on the recent performance of the Holly plant, plagued since its opening over two years ago, with in-plant technical problems and environmental wrangling over the sewage disposal system.

Holly, according to the cooperative's officials, was the salvation of area dairymen during the annual holiday milk-marketing headache. And, according to MCMP treasurer LeRoy Norfolk, the plant is showing a million-dollar improvement on the financial books and operating at a break-even level.



Ohio farm wife and author Pat Leimbach was the featured speaker for the MCMP luncheon. Later, she autographed books for some of her fans in the audience.

Sam Foard, MCMP board member and vice-president of Holly Milk, told Maryland Cooperative members that the plant is now undergoing a major update of the sewage disposal system.

Butter printing equipment was also recently purchased for the plant, and the 68-pound bulk chunks of butter produced at the facility are being cut and packaged in an agreement with Land-O-Lakes.

Foard said that during the week between Christmas and New Year, when many bottling plants shut down for the holiday vacation, Holly handled some 20 million pounds of milk.

That's the equivalent of 400 tractor-trailer loads that backed up in long lines to unload their stainless tanks full of milk because there simply was no place else to go.

Approximately 14 million pounds of that production was processed at the plant, while the remaining six million pounds were reloaded onto trucks and hauled for sale at

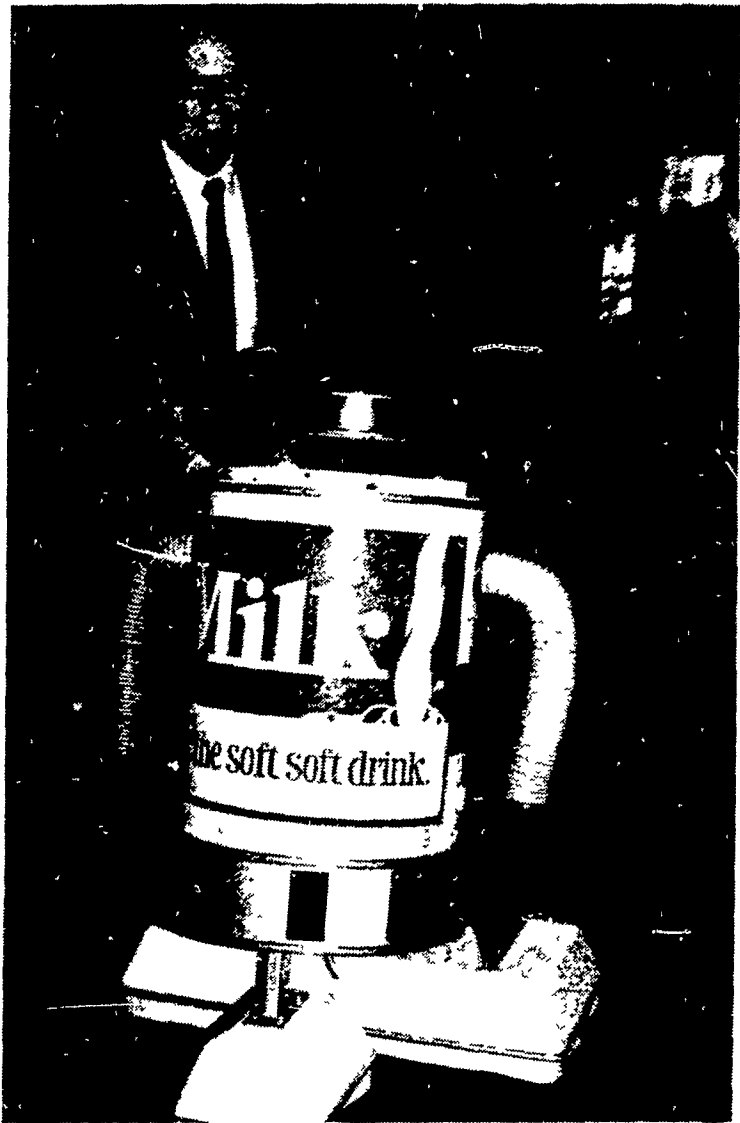
plants as far away as Minnesota. Calling the holiday milk glut a bad situation that would have been disastrous without Holly, Foard added that the first week of January became a repeat of the same problem.

Continuing his annual report to the membership, Wessel said the Cooperative was supporting the April suspension in dairy price support increases.

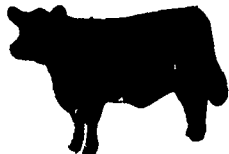
He admitted that, in the face of production costs up 11 percent and milk prices up only seven percent, the increase suspension was a tough stance to take, but escalating production and declining consumption demand the cutback.

The Cooperative also urges passage of legislation aimed at slashing the imports of large quantities of casein, a chemical derivative of milk that is widely used in imitation cheese products. Supporters of the limitations on casein had hoped to cut imports to half the quantities of the last five years.

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Even milk promotion has moved into the Space Age. Maryland Cooperative Milk Producer members came face to face with the flashing lights and synthesized voice of "Milky" the robot during their annual meeting Saturday. Milky's friend is Dave Baker, of the Mid-Atlantic Milk Marketing Agency.



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