The Milk Check

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MERGER PROPOSED

After two months of exploration and examination the directors of Dairylea have unanimously recommended to the members that they approve a merger with Associated Milk Producers, Incorporated of San Antonio, Texas.

In a letter to the members last week it was announced by the Dairylea directors that information meetings would be scheduled throughout the milk shed the third week of September. Here the members could hear from Dairylea and AMPI representatives the benefits of such a merger and how it would be arranged. Final approval, however, still must come from the members voting individually be secret ballot after the information meetings.

JOINING A GIANT

AMPI is the largest dairy co-op in the country with 32,000 members marketing 15 billion pounds of milk a year. It started in Texas 12 years ago but after expanding to 22 states its largest membership is now in the Wisconsin area.

There are now three separate regions in the co-op and if Dairylea membes approve the merger it will become the Northeastern Region of AMPI but retaining the Dairylea name and brand marketing program. Each region of AMPI is responsible for its own operation, has its own Board of Directors and pays producers out of its own regional pool. Dairylea members would also be represented on the 32 member board of AMPI.

With assets of $320 million and $100 million in member equity AMPI operates 39 plants (two in Pennsylvania) in a milk shed that extends from Canada to Mexico and from New Mexico to Ohio.

OPPORTUNITY KNOCKING?

Dairylea directors claim that after unsuccessful attempts to combine forces and facilities with northeastern cooperatives the opportunity to join AMPI was the best alternative to improving their competitive position in the market.

Hopefully, the merger would provide new capital at lower interest rates; more efficient use of manufacturing plants and the benefit of success proven management skills. Operated as a division of AMPI the merger couldn't cure all the ills of northeastern milk marketing but the Dairylea members the directors feel it's a long step in the right direction for them. For AMPI, the merger would provide market penetration in the populous northeast plus some innovations in the consumer product marketing not now part of their program. It might be viewed as the merger of the financial Goliath and the marketing David but guarantees are assured to maintain Dairylea identity and control.

When a 5,000 member co-op merges with a 32,000 member co-op the possibility exists for identity loss but this can be avoided as the organizational lines are drawn. There are risks in every change and members — both Dairylea and AMPI — have the responsibility of determining the safeguards to minimize risks and the value of the benefits that can result. Dairylea directors have opened — what they feel — is the door of opportunity. It's now up to the members to decide if they want to step through.

LOOK AGAIN

When you get your milk check from an Order 2 handler this month you may get the idea that the blend price in August was 35 cents higher than July. It was but it wasn't. True, August milk at $13.68 was 35 cents higher than the $13.33 you got in July but that 35 cents was your pay back as part of the Louisville Plan.

You put it in last Spring from March to June and you'll be getting it back with interest from August to November. So, while the uniform price will be $13.68 the real market price was only $13.33 the same as July. In fact taking out all the Louisville Plan money your blend price in Order 2 has been dropping from $13.46 in January and February to the current $13.33 in July and August.

LOOK AHEAD

Even looking ahead won't cheer you up because there just seems to be more of the same. Some slight strengthening in butter, cheese and powder prices seems to be detectable if you look very hard but the Minnesota-Wisconsin price dropped another six cents in August to $12.47 the lowest so far for this year.

However, estimates are that it will start picking up a little next month. Much of the problem centers on getting your Class I utilization over 40 per cent. Your production of 898 million pounds last month set a record for August in Order 2 and your Class I sales of 358 million was the lowest for the month since 1956. It's for such reasons that your blend price never seems to go anywhere except down when you peel off all the incentive attachments.

BITTER BUTTER

The House Subcommittee on Livestock, Dairy and Poultry gave their stamp of approval to the sale of 220 million pounds of CCC butter to New Zealand for 70 cents a pound — less than half the present support price of $1.49 a pound. However, they took note of the "interference" of the State department in not allowing the sale to Russia at a higher price even though grain sales were recently negotiated.

They also noted that New Zealand contributes to our dairy price support costs by exporting their casein to us at below cost prices to compete with our milk powder. They even said that assurances that New Zealand wouldn't sell our butter to Russia were meaningless because substitutions could be made so easily and big profits could be realized.

And, having said all this, the subcommittee did nothing but ask the USDA to try to do better the next time. So remember, that the next time the State department will still be calling the shots.