

D.I. reports

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had to be run apologizing to consumers when the snack-size half-pint flavored "Sip-Ups" sold out.

Due to the consumer acceptance of UHT, projected plans to market the product in the Baltimore-Washington area have been moved ahead. Dairymen now plans to introduce Farm-Best UHT and the Sip-Ups in that marketing area soon after the first of the year, with a million-dollar budget set aside to introduce and advertise the new concept in milk.

Calling Dairymen's past marketing successes a "heritage", Strock cited a 17-percent increase in the cooperative's share of first class milk sale in the Middle-Atlantic marketing area over the past year. That compares to a one percent increase overall in Class I sales. In the New York market, Class I percentage increases for Dairymen were even greater.

Also significant was the division's 12-month profit on producer service businesses, with the Middle Atlantic group topping

it's 13 sister regions in Dairymen.

Comptroller Leroy Norfolk's report detailed those profits in his "divisional pool residual" breakdown. Profits from hauling, farm pickup and supplies and equipment totaled \$234,622, with \$233,956 of that amount returned to members in their milk check.

Melvin Leppo, member of the Dairymen board's finance committee, briefed division shippers on the overall cooperative's financial state. Dairymen, Inc., wrapped up the fiscal year on Aug. 31 with assets totalling \$248 million, an increase over the previous year of \$18 million. Slide charts of financial projections showed planned debt to increase only slightly over the next few years, while members equity lines rising dramatically.

Sales volume also increased during the fiscal year well beyond the \$1 billion dollar level. Dividends from both Dairymen and the Flav-O-Rich subsidiary totalled \$16.5 million, with 20 percent of that paid out to members in cash.

A handful of members quizzed staff and board representatives on what one heatedly called "poor milkchecks," while others requested some speculation on future milk prices to help them plan cash flow projections for borrowers.

Both manager Strock, and corporate chief executive Ben Morgan, Jr., laid recent milk check deductions on start-up costs of Dairymen's UHT plant located in Savannah, Georgia.

"We don't pay out money you don't have," was Morgan's assessment of the member deduction to invest in the sterile milk production facilities. While a budget of \$2.5 million had been planned for the plant, costs overran by about \$100,000.

Morgan compared the plant investment to a cow purchase, with



Even after the Dairymen business session had adjourned, members had a few more questions. Chatting with producers was general manager Ralph Strock.



Dairymen chief executive officer Ben Morgan, Jr., right, and division head Fred Butler compare notes in a brief break between the annual meeting business session and luncheon.

a return to be seen, not immediately, but over a period of time. He further warned members that they must consider their future sales in the marketplace, not in selling butter and powder for government inventories. During the fiscal year, only 2.5 percent of the total Dairymen market was sold to the government. Unusual expenses also came in the form of a lengthy legal battle in which the cooperative had to defend their right to take milk from producer to processing plants and directly on to consumers.

"Influence doesn't come cheap," was Morgan's summation of the costly court battle to successfully defend their marketing independence.

Two additional ventures in partnership with other marketers were reported by corporate

property committeeman Carl Allison.

In Florence, South Carolina, a former Sealtest plant has been acquired in cooperation with Coble Dairy, with both sharing the facilities for production.

In a similar sharing of facilities at Roanoke, Virginia, Dairymen share former Sealtest production facilities for their Flav-O-Rich products with the Valley of Virginia cooperative, which produces the Shenandoah Pride line of products. That equipment sharing venture will soon become a marriage of labels, to be marketed under the product name "Valley Rich."

Six directors were ratified during the business session for three-year terms, two of the

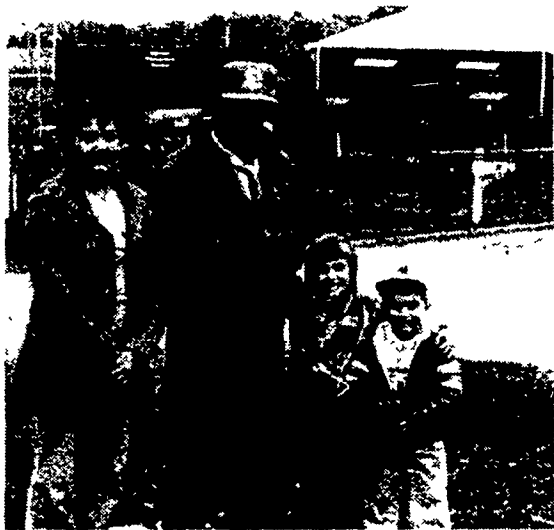
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