

Pa. Dairy conference highlights

BY TRISH WILLIAMS
UNIVERSITY PARK — The Pennsylvania Dairy Sanitarians' And Laboratory Directors' Conference was held last week at Penn State to bring to the fore the latest in dairy legislation, laboratory methodology, dairy science research, marketing and many other issues pertinent to the dairy industry.

Faculty members of Penn State's Dairy Science Department must be commended for their excellence in bringing together 40 dairy specialists to put on a conference of such breadth and depth. In last week's issue of *Lancaster Farming* we published some of the highlights of the conference. As promised, this week we are presenting in greater detail excerpts from the key speakers.

UHT hits the East coast

Jack Hall of Dairymen Inc. gave a slide presentation detailing the processing, packaging, shipment and promotion of UHT milk. Hall said the Dairymen have just launched a comprehensive media advertising campaign for UHT milk.

UHT milk, ultra high temperature milk, requires no refrigeration and so presents almost limitless possibilities for the consumer as well as the marketers, said Hall.

The American consumer has changed dramatically over the last twenty years, Hall stated. Dairymen Inc. is trying to keep up

with the changing habits of consumers by making UHT milk available to them at the times and places they want a beverage.

Hall said Dairymen Inc. is trying to emphasize to the consumer that the only thing that is different about UHT milk from regular milk is its convenience. It can go anywhere.

UHT milk products are especially convenient for older people or singles who don't like to buy a perishable product. Hall emphasized that UHT has real possibilities for expanding sales to persons who normally may not purchase milk.

Protein pricing trial discussed

Don Race of Dairylea milk marketing cooperative in Syracuse, New York gave a brief presentation of his cooperative's pilot program for protein pricing.

The new pilot program began April 1, and is studying the benefits of protein pricing of milk. The program provides the opportunity for 100 dairy farmers whose milk is regularly shipped to Dairylea's Adams plant to earn additional income. Cheddar cheese is manufactured at the Adams plant in Watertown, NY.

A premium of 13 cents per hundredweight is paid for each tenth of a percent increase in protein over a minimum standard of 3.3 percent protein. The milk must meet other quality standards as well, including, low somatic cell count (less than 400,000 per milliliter), a cryoscope reading above .535, and of course be free of antibiotics.

Race said, that the program will pay producers monthly during those months that they meet the requirements. As an incentive to increase the protein content of their milk, producers whose protein content is below 3.3 percent can also earn a protein payment if they improve their protein content based upon the level that existed for the 1982. Each year their newly achieved level will become the

base for the following year until they reach the 3.3 percent level. Producers working to bring their protein level up to 3.3 will be paid the protein premium annually, based upon their performance in maintaining the improved level.

"There are presently 80 protein premium programs in the United States," noted Race. "They all seem to be doing well. With our program we want to weigh the benefits for the manufacturing plant and the producer. After one year we will evaluate the program and decide where to go from there. We may at that time decide to expand the program to include milk used to make cottage cheese. Unless the SNF standards are raised for fluid milk there isn't much incentive for including fluid milk."

"Any protein premium program requires a good educational program for the producers," said Race. "We have sent out a leaflet to producers in the pilot program. The leaflet explains the basis for increasing protein, through breeding, feeding and genetics. We are also calling in animal scientist to meet with producers, so that they can share their expertise on the subject."

Roof sees consolidation of NE Co-ops

Further consolidation of the dairy cooperatives in the coming years was predicted by James Roof, of The Agricultural Cooperative Service, a USDA agency. Roof has been both a cooperative employee and with ACS for 25 years.

Roof addressed the session on the important and more probable changes that will take place in the dairy cooperatives of the Northeast.

"There will inevitably soon be a big change in the way farmers market their milk in the Northeast," said Roof. "In fact this change is taking place right now."

Referring to some of the events that are forming the trends of change, Roof first noted the decrease in the numbers and increase in size of dairy processing plants. In 1964 there were 3,500 firms across the country processing fluid milk, in 1982 that number was down to only 800. These companies had 4,100 plants in 1964, now they have only 1,000.

Roof said that during this same period the number of retail chain stores with vertically integrated processing operations increased by 52 percent. Almost all of these integrated plants are new and large, processing 10 to 40 million pounds of milk a month.

"These firms are displacing the independent full-line processors and also many of the plants formerly operated by conglomerates such as Sealtest and Borden," Roof reported. "These integrated large-scale milk buyers have acquired an ever larger degree of market power. They purchase large quantities of milk for fluid and soft product uses and they generally want to deal only with organizations that can deliver large quantities of guaranteed high quality milk coupled with all the other procurement services."

Another trend that will directly affect the dairy cooperatives of the Northeast is the increase in milk used for manufacturing purposes. According to Roof, the percent of grade A milk in the region used for

Class I has slipped from 60 percent in 1965 to 45 percent in 1982. This makes manufacturing plants a vital outlet for producer milk.

"Unlike fluid plants, these manufacturing plants compete head-to-head in a national market for their products with the output from larger and in many cases far more efficient Midwestern plants. The cooperative and proprietary owners of those plants are hungering for your Eastern market," warned Roof.

Midwest is hungry for Eastern market

Citing other changes Roof said, "The 72,000 milk producers of 1965 are now only 39,000. There are fewer but much larger buyers of milk for processing. There is a need for large efficient competitive milk manufacturing plants. Yet we have the same number of dairy cooperatives in the Northeast today as 20 years ago, over 100 of them. And, only about 65 percent of producers of grade A milk belong to any cooperative, compared to about 85 percent nationally."

"We (ACS) believe the competitive survival of dairying in this region will soon dictate a combination of all of these little cooperative and many non-cooperative producers into a few strong, much larger, producer controlled organizations. Indeed this change is starting to take place."

"Last year ten of the larger and some of the smaller cooperatives in the Northeast asked use in ACS along with a management consulting firm to project what a new consolidated cooperative would look like and what sort of operating cost savings members could expect," said Roof. "We projected a cost savings, conservatively, of more than \$25 million a year, along with numerous other benefits."

"So far there have not been any mergers, but dairy farmer leaders continue to study and

debate the possibilities. In fact, as one cooperative leader put it, the cooperative may be slowly and carefully backing into implementing our recommendations. Examples of this are the joint operations of Dairylea and API in Schuylkill Haven-Scranton, the Upstate-Dairylea-Hood soft product venture in Vernon, N.Y., and others."

Roof justified his recommendation by stating, "You need to look no further than to Milk Marketing, Inc. for an example of what the new large regional cooperatives do in the area of raw milk laboratory analyses. Cooperatives like MMI can easily justify and finance the very expensive and sophisticated lab equipment needed to upgrade the quality of milk from the farm. MMI's new lab in Strongsville, Ohio can run daily tests on every one of their 9,000 members' milk. Tests for fat, bacteria, protein, somatic cells, added water and anti-biotics are all automated, accurate, and recorded on computerized records to allow the cooperative to reward or penalize producers."

"I believe this capability presents an exciting challenge for people in the sanitation laboratory field and also provides a long needed back up to the work of field personnel," said Roof.

Roof reassured the field personnel attending the conference that, in similar mergers of cooperatives, the new large cooperatives retained the same number of field personnel, relative to members, as their predecessor organizations.

In his closing remarks Roof told those present they should encourage their cooperative employers to continue working toward a more rational milk marketing system in the Northeast, and to do so knowing that this new system could and should improve their own professional work and, of course, ultimately, improve the quality of raw milk and dairy products in the Northeast.

Mix reviews dairy situation

Dr. Lew Mix, chief economist for Agway, gave a very informative talk on the present dairy situation. In giving background for the surplus problem, Mix made use of pertinent data he had compiled to illustrate how the problem has evolved. After elaborating on current trends, Mix made predictions of some of the affects of pending dairy legislation, and economic factors will have on the dairy industry and the individual farmer.

Throughout most of Mix's presentation, he focused on the dairy industry in the Northeast in comparison to the rest of the United States.

One trend pointed to by Mix that deserves careful watching, relates to cow numbers with respect to region of the country. From 1958 to 1982 there was a trend of decreasing cow numbers. During that period cow numbers decreased by an average of 344,000 cows per year. Over the last five years that rate of decrease dropped off. In fact the number of cows has actually increased over the last few years.

Mix reported, "There seems to be a shifting of where these increases are taking place, from the Midwest and far West to the East Coast and deep South, specifically Texas."

Cow numbers in the USA increased from 1981-82 by 191,000, and in 1982-83 up another 51,000 cows. More specifically cow numbers last year were up by 8000 in Pennsylvania, and up by 19,000 in New York. Meanwhile cow numbers in the Minnesota and Wisconsin decreased.

According to USDA data released in January 1983, there is the same number of heifers throughout the USA, but there is a big difference regionally. The Northeast shows an increase of five percent in number of replacement heifers, with heifer

'One of the greatest potentials for increased surplus is in the NE'

numbers up by 37,000 in New York, up by 15,000 in Vermont, up 3,000 in Maine, up 2,000 in Massachusetts, up 2,000 in Connecticut, and down by 9,000 in Pennsylvania. Put these numbers together and the Northeast as a region is up 50,000 heifers.

To these figures Mix replied, "We have talked a lot about the Midwest and far West being the source of the increase or expansion of the dairy industry. But I would submit to you that one of the greatest potentials for increase is right here in the Northeast in the

next couple of years, with all of the extra heifers, about 50,000 head."

Coupled with increases in cow numbers is an increase in production per cow. Over the last 25 years, the average production per cow has increased 238 pounds per cow per year. In the last five years that increase has been 283 pounds per cow per year. Therefore, total milk production over the last five years has increased at a very steep rate of increase.

Mix said that CCC purchases last year amounted to 13.8 billion pounds, the largest in history. This year's purchases are estimated at 16.3 billion pounds, up 2.5 billion pounds or 18 percent from last year to date. Purchases are forecast to be up 20 percent for the year as a whole. This will mean that the government is buying 12 percent of the country's total milk production, at the rate of 500 million pounds of milk equivalent per week.

At the end of the marketing year, on September 30, we will have 20 billion pounds of milk equivalent in storage, said Mix. That is equal to the production of a little over three million dairy cows. Essentially there are three million cows in storage.

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