

# Eastern and Leprino announce protein premiums

BY WENDY WEHR

WAVERLY, N.Y. — Eastern Milk Producers Cooperative has announced the completion of negotiations with Leprino Foods Company to pay a quality and protein bonus to producers shipping to Eastern's Waverly and Horseheads plants.

Michael H. Donovan, general manager of Eastern, announced last week that qualifying Eastern producers will receive a 10-cent per hundredweight quality bonus. Those producers will then be eligible for a protein bonus, payable on percentage points above 3.3 percent protein content in their milk.

Stating that the premium program will begin June 1, Donovan emphasized that it is not the co-op, but the customer who is paying the premium. The program will provide better milk supplies and greater cheese yields for Leprino Foods.

The cheese plants in Waverly and Horseheads are owned by Eastern Milk Producers and leased by Leprino Foods. Eastern sells more than 700 million pounds of milk a year to Leprino, or more than one third of all of Eastern members' milk.

Eastern's cooperative relations manager Anthony G. Schlesier also noted that non-members' milk goes into the plants, but only Eastern members will be eligible for the protein premium.

Criteria for the quality bonus

will include a standard plate count of 2,500 or less, a negative test for antibiotics, and a freezing point of .542 on the cryoscopic test, or measure of added water.

"All these figures are really stringent," says Schlesier about the milk standards, "and will substantially upgrade the quality."

While quality premium programs are not new to the major dairy cooperatives of the three federal orders in the Northeast, paying a protein premium is not common, particularly on the scale of the announced Leprino/Eastern plan.

"A lot of co-ops have been checking solids in milk," remarks Extension milk marketing specialist Tom Jurchak, "and will divert loads of high protein milk to buyers who can capitalize on it." The extra revenue, he explains, is turned into profits for the whole co-op, rather than showing up in individual protein producers' milk checks, because of the difficulty of tracing the milk back.

On a small scale, however, several protein pricing ventures have succeeded in the Northeast. One example of this is a small group of Dairylea cooperative members who have acquired premiums for themselves by supplying loads of high-protein milk to the Cuba Cheese and Trading Company in New York state.

Out in Federal Order 36, Milk

Marketing Inc. has been paying a protein premium to all its eligible members since 1983.

The cooperative pays three cents a point for every percentage point above 3.2 percent protein, says John Siglow, manager of support services for Milk Marketing Inc., provided the somatic cell count is below 500,000. In addition, some members recently began marketing to certain plants under a protein yield formula that allows them additional premiums.

"We realize that three cents is minimal," remarks Siglow, "but we hope that it sheds some light on the importance of protein." The protein testing, equipment, and records that MMI has, he adds, will be helpful in identifying what should happen in the federal orders or nationally.

Siglow also says that MMI favors having an end product pricing formula built into the federal order system or implemented nationally.

Representatives of Dairylea and Lehigh Valley Farmers also say they are working with the National Milk Producers Federation and other cooperatives in the Northeast to achieve changes in the federal order system so that all farmers would be paid on the basis of fat and protein.

A component pricing system will, however, be difficult to devise in the high Class I usage markets of the East, says Jurchak.

But it is nice for the handler to pass part of the gain — from increased cheese yields from higher protein — back to the producer, he adds.

In its announcement this week, Eastern did not reveal how many cents per point Leprino will be paying for protein over 3.3. Schlesier did say, however, that negotiations are now underway with other processors to bring these benefits to as many Eastern members as possible.

Eastern's general manager, Michael H. Donovan, announced the quality and protein bonus program at a dinner last week that the cooperative hosted in Towanda for agri-businessmen of the Twin

Tier area.

Prior to the dinner the guests were invited to tour the Leprino cheese manufacturing operation and Eastern's new quality control lab in Waverly, N.Y.

## Dave Reinecker

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that "Pepsi doesn't rely on Coke to sell its product."

And like most farmers, Dave views the balance of the year with guarded optimism. Pork prices should top out in the low 50-cent range this summer, for a year-end average of about 48 to 49 cents. As for 60-cent hogs, "dream on" he says.

### FARMING IS BUSINESS

But Reinecker refuses to shed any tears over the current economic situation. "It's easy to get caught up in farming as a way of life," he observes, "but farming is not a right. It's a business."

And he firmly believes that farming is the right business for the diversified producer. "The

small, diversified producer can back off in one area. If feeder pigs go up, I can cut back 25 percent, but I'm still in the hog business without having a hog in every nook and cranny," he points out. "And if corn is high I can sell it. You've got to be flexible enough to take a profit when you see it."

But this pragmatic producer is quick to point out that he won't go down with the ship should all his options be exhausted.

"Farming is my life, but it's not the only thing I can do. Right now I feel it's part of my calling."

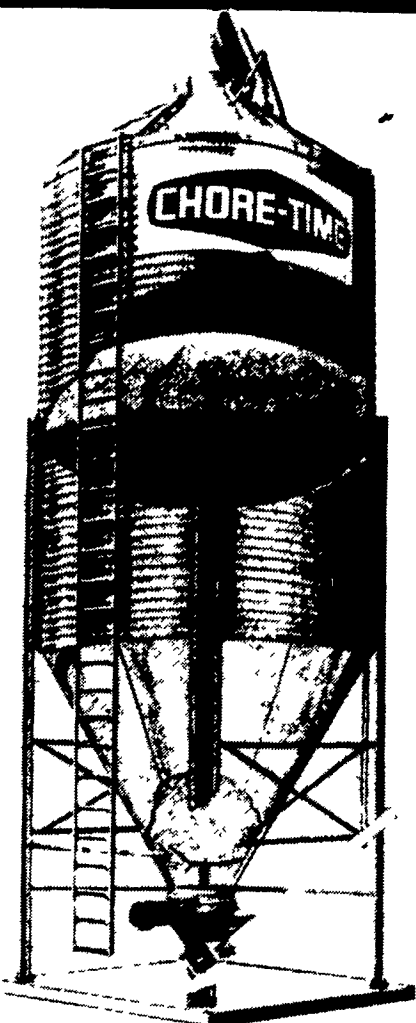
It's been said that 95 percent of the working public are unhappy with their occupations.

"I guess you can say that I'm one of the lucky five percent," Dave grins.



Dave Reinecker feels the small, diversified farmer's flexibility will allow him to compete with specialized factory-type operations.

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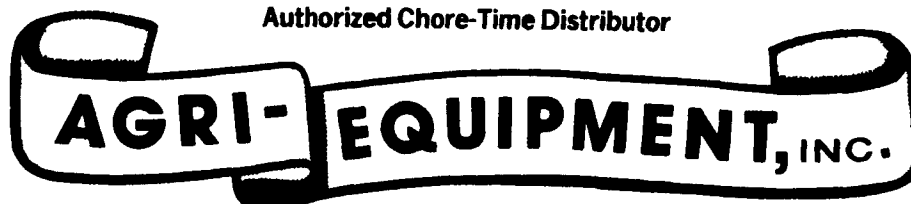
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