

Future Atlantic Dairy Cooperative Members View Merger

Members belong to the Inter-State and Lehigh Valley Farmers Cooperatives completed balloting this past week. Inter-State members voted on Nov. 14 at the first general membership meeting in the history of the co-op. Lehigh members had the option of voting at a district meeting or by mail, with no ballots postmarked after Nov. 19 accepted.

Merger talks began this summer when the two sides got together "for a mutual conversation of how the two co-ops could better work together," Robert McSparran said. President of Inter-State, McSparran made these comments at a recent district meeting held to discuss merger plans.

On Oct. 22 directors of both co-ops voted unanimously in favor of the merger to form Atlantic Dairy Cooperative.

The merger possibility has existed for several years. "In '72 and '74 the co-ops talked but our philosophy was entirely different at that point," McSparran noted.

"The two organizations have more in common now because Lehigh Valley is no longer in bottling and distribution," Donald Seipt said. Seipt, a Lehigh member from Easton explained that earlier Lehigh Valley was a milk

processing cooperative and Inter-State was a bargaining cooperative, yet each was justified in the position they established.

The final impediment to the merger was removed earlier this year when Lehigh sold their bottling facilities to Johanna and became a bargaining co-op.

Mergers have been a trend in the dairy industry since the 1940s, according to Thomas Brewer. A Penn State extension economist, Brewer noted that since the 1930s no mergers have dissolved. In the '30s, the mergers that failed were due to splinter groups that could not work together. Since that time, a few mergers have failed due to unwise capital investments.

Brewer pointed out many advantages to the formation of the proposed co-op. Efficiencies in plant operations, hauling, distribution and marketing.

Dairymen of both co-ops suggested similar reasons for their support of the merger.

"We need to work together to market this milk," Andrew Stoltzfus, Morgantown commented. An Inter-State member for over 20 years, Stoltzfus added, "I feel very good about it. It has been a necessary move for a number of years."

As the buyers of milk get bigger, the sellers must also get bigger, Robert Winner of Moorestown, N.J. said. He added that the move will strengthen the milk market in New Jersey for the dairymen.

"Cooperatives are the best choice farmers have of getting equitable treatment in the market place, if they are buying or selling. Even though farmers are independent, they are still weak when dealing with those who are buying. Collectively they have more bargaining power," Brewer explained.

Alpheus Ruth, president of Lehigh, said, "The economy is shrinking, prices will continue to drop until we are competitive on the world market." In light of this prediction, he told the Lehigh members at a recent district meeting, we must economize where we can. The merger is one way.

By combining their markets, the farmers from both co-ops have access to new markets.

William Moore of Chatham and an Inter-State member explained that the move will permit the contracts held by both co-ops to be filled easily. "We must meet the buyers' needs or they will look elsewhere," he said.

These buyers pit one organization against the other looking for the cheapest milk, Dice Statler said. Stater, a Lehigh member, noted the merger lessens this possibility and opens the door for better milk prices. The new cooperative will hold a more commanding position in the marketplace.

Paul Hand, general manager of Inter-State, termed this competition where one dealer is pitted against another dealer as destructive competition. Competition of this nature drives prices down not up.

Alfred Wanner, a Lehigh member from Narvon, noted the merger will streamline the offices and create managerial efficiencies.

McSparran noted that Lehigh had been vacillating between setting up their own data processing system and public relations department or continuing to hire out the systems. This move will consolidate both offices systems and personnel.

Statler cited the current inefficiencies he witnesses in Franklin County where six co-ops compete for membership. Each co-op has separate haulers and fieldmen. "There's such a thing as com-

petition and such a thing as duplication," he said. With the pending merger Lehigh members west of the Susquehanna River won't have to ship their milk to Allentown. Their milk can be directed to the closer Holly plant, he noted.

At the informational meetings held by each cooperative, some members questioned how much they would lose their identity with the merger as well as if the loss of the individual co-op names were necessary.

"I'd rather be part of a going business. I'm actually gaining a stronger identity by being a part of a stronger organization," Stoltzfus explained.

Moore, whose family has shipped to Inter-State since the 1920s, explained that while Inter-State has been successful in the past, farmers can't live on the past. They must look to the future.

Curt Akers, a director of Inter-State, explained that by changing the name all members would feel that they had a stake in the new organization and work for the good of the new venture.

This merger will also return a nice check to Lehigh farmers and Inter-State members will also benefit financially, Statler said.

Another financial plus resulting from the proposed merger is a two-tier premium payment plan, Stoltzfus said.

Dairymen belonging to Dairymen Inc. are applauding the proposed merger. "I think this move between Lehigh and Inter-State is good for the rank and file farmer," Emery Kilgore, Delta stated.

The Delta dairyman was a member of the Maryland Cooperative Milk Producers prior to its merger with Dairymen in 1982. With the merger and the consequential adjustments still fresh in his mind, he noted, "The milk market in Baltimore had deteriorated; we needed a broader base for the milk.

"Maryland Cooperative was strong but the expenses, salaries and hauling were going up every year. We could see down the road we were headed for financial problems."

MCMP producers saw the opportunity to join with a strong cooperative. It has worked out well for the producers as they are now assured of a market for their milk, Kilgore said.

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