

Inter-State Reports Record Net Margin and Equity

LANCASTER — Inter-State Milk Producers Cooperative recorded the most successful financial year in its history attaining a new high in net margin and member equity, Robert McSparran announced at the cooperative's 69th annual meeting Nov. 20 to 21.

Speaking to the cooperative's 500 members and guests, McSparran, noted Inter-State's consolidated net margin exceeded \$2.5 million in fiscal 1986.

Changes and improvements in operations, increased milk production and sales and member investment in equity programs were all cited as factors contributing to the cooperative's

financial success.

Due to its strong equity position, Inter-State will return its first payment from the capital retain program on Feb. 1, 1987, a year earlier than expected, McSparran said. Over \$1.6 million will be paid out to members.

"We are pleased that the progress we made will enable us to start revolving the capital retain a year earlier than planned," he said.

Also contributing to the cooperative's current income position were positive factors present in the dairy industry, said Paul Hand, general manager.

Merger

(Continued from Page A1)

membership in Inter-State or Lehigh Valley. This move amounts to a 10 cents per hundredweight savings for the dairymen. Members will receive previously invested capital retain at an accelerated rate of return when the new co-op begins operations in February.

Atlantic Dairy Cooperative will be comprised of an estimated 4,264 members producing 3.5 billion pounds of milk annually. This production will rank the new cooperative as the sixth largest milk co-op in the nation. The merger will increase the market share for Atlantic to over 50 percent of Federal Order 4, Robert Dever, assistant general manager of Inter-State, explained.

Stout noted the new organization expects to grow. "Together we can

be more aggressive and competitive," he said.

"Over 40 percent of the total Atlantic volume will be sold to the Atlantic Processing Inc. federation or to Holly Milk, the two customers that are owned, directly or indirectly, by the members of Atlantic," Dever said.

The new co-op will be located at Inter-State's building in Southampton. Holly Milk and QC Inc. will continue as subsidiaries of Atlantic.

The new co-op will be guided by Paul Hand as general manager. William Stout will step into a managerial position under Hand. He will focus on transportation and market coordination. The board of directors will vote on president. Both co-ops will elect a vice president for the initial three years of Atlantic.

Overall, sales of dairy products, particularly fluid milk, butter, cheese and non-fat dry milk, have seen substantial increases. Farm prices have strengthened, a trend that Hand attributes to the whole herd buyout program.

"During the last fiscal year the Inter-State members produced more milk than they have at any time in their history. From Aug. 1, 1985 to July 31, 1986 over 2.5 billion pounds came from the farm to be marketed, an increase of 3.4 percent over the previous year and an increase of just about 50 percent over what was produced 10 years ago," explained Robert Dever, assistant general manager.

This increase was realized through an increase in average production per member, not increased membership, Dever said.

Inter-State also purchased over 300 million pounds from other cooperatives and milk dealers under contractual arrangements. The cooperative marketed a total of 2.85 billion pounds of milk.

Inter-State continued to supply the majority of milk sold to Class I processors servicing the Philadelphia and Southeastern Pennsylvania areas, Dever said. The balance of Inter-State's supply went to Class 2 manufacturers, including its own Holly Milk plant in Cumberland County.

"With over 600 million pounds processed, the Holly plant lived up to the expectations that we have always believed it had," Dever said. Holly produced a profit for

the cooperative by meshing its balancing function with the increase manufacture of commercial and government products.

The Abbotts bankruptcy continues to move through the courts. Dever offered no estimate of a settlement, noting that it will continue to drag on for years to come. He said, "When the Abbotts' bankruptcy is settled there will be monies available for the Inter-State members."

QC Inc.

QC Inc. contributed to the financial success of Inter-State's recent fiscal year. "Income before taxes at QC exceeded \$700,000 this year compared to \$335,000 last year," Inter-State treasurer Evan Fineman said.

Allan Schopbach, president, said QC recorded profits of \$668,000 before taxes. Celebrating its 10th anniversary as a subsidiary of Inter-State, QC reported gross sales totaling \$3.6 million, a 20 percent increase over 1985.

Since Inter-State purchased QC in 1976, the laboratory has "become a dominant force in quality testing work." What was once primarily a dairy testing facility, QC has expanded its work into the food and environmental industries, which compose over 50 percent of gross receipts.

"The environmental department continues to provide the greatest area of growth," said Schopbach, who attributes this to increased sales, the obtaining of municipal contracts and the expansion of

work with environmental engineers.

RCMA

Inter-State, Maryland and Virginia Milk Producers and Dairymen, Inc. have formed the Mid-Atlantic Cooperative Milk Marketing Agency Inc. to achieve a better price for their members' milk, Hand stated. The formation of the agency permits the cooperatives to work along the same lines as the Regional Cooperative Marketing Agency.

Hand explained the three obstacles to obtaining over-order prices: lack of cooperative strength, the presence of surplus milk and the presence of a large independent milk supply. He urged members to rally the independents to join a cooperative. "As long as there is surplus milk and a large independent supply, there will be great difficulty in obtaining any so-called premiums." He also addressed "the need for a Political Action Committee by dairy farmers to protect their interests in the modern political world."

Funded by voluntary contributions with a contribution limit of \$5,000 for a single contributor, PAC funds are administered by a group selected by the contributors. PACs are also governed by a set of by-laws, Hand explained.

"A properly administered PAC can be a useful tool for the furtherance of legislative goals to improve conditions for farmers," he said.

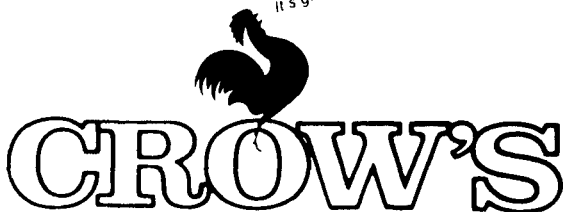
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