

Members Hear Management Update

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York Co. Correspondent

FREDERICK, Md. — Dairy-men division manager Boyd Cook got both members' amusement and attention as he opened his annual report to the Middle-Atlantic membership gathered October 12 at the Holiday Inn.

"As we look back on the last year, it clearly has been both excellent - and not so good," said Cook.

Pay prices to dairy producers were the highest in history, topping \$16 a hundredweight in January and February, with spring prices \$3 over support and \$2 over the prior year.

As raw milk prices escalated, however, the cooperative's processing plants were unable to pass the increases through to the marketplace, resulting in losses. Excess plant closings and the associated costs were written off over a ten-month period ending in August with the close of the co-op's fiscal year. Member pay prices are expected to improve substantially

with that write-off period past, Cook added.

He reviewed several producer programs aimed at improving quality and production management for the market needs. The Middle Atlantic division membership earned an average of 30-cents per hundred through the processor-funded fall incentive program, the highest average of any of Dairymen, Inc.'s 11 divisions. September is expected to average a similar payout to division members.

Rapidly escalating fuel costs are impacting milk hauling and a rate increase has been recommended, advised the division manager. Hauling routes and pickups will be carefully scrutinized to keep hauling, the division's largest marketing expense, as efficient as possible.

Cook predicted that component pricing will become a part of the Federal Order 4 payment program within a year. Protein tests are to be run monthly on the division's producers to aid in breeding selec-

tion decisions toward the future.

"We see increased emphasis by consumer groups concerned about the safety of our food supply," Cook reminded Dairymen members. He predicted that the drug residue issue will continue and need to be recognized by farmers, their vets, and their cooperatives. "Anti-biotechnology and animal rights issues will also have an impact. By working together, all of us can work to minimize the impact of these emotional press-generating issues."

Contrary to most years, the Minnesota-Wisconsin price series is dropping in the fall, due to recent drops of over 30-cents per pound for non-fat dry milk and 22-cents per pound for cheese. Cheese buyers, said Cook, actively built inventory in the spring flush, with those inventories now depressing raw milk prices.

"It is doubly important for dairy farmers to work together to maximize returns," emphasized Cook, of the unseasonable raw milk price drops. "Our MACMMA

group will do everything possible to help RCMA become a viable marketing agency in the Federal Order 2 (New York) market, because weakness in that market will have a negative impact on MACMMA's ability to bargain for fair market prices in our marketing area."

Dairymen regional sales manager David Jones reviewed briefly the adjustments made by Dairymen, Inc., in restructuring and streamlining its operations.

"Those included a write-down of unprofitable processing operation, restructuring division operations, surplus property disposition, establishing a surplus balancing pool and developing a new raw milk marketing plan," Jones explained. "These adjustments and more were made so that Dairymen could better compete in a changing market environment.

Production has begun to rebound, and, along with a strong inventory of powdered milk, significantly reduced amounts of supplemental milk Dairymen needed to move into the region to supply its markets.

Jones predicted a continuance of the trend toward fewer but larger dairy farm. Likewise, processing plants have gone from 3,836 in

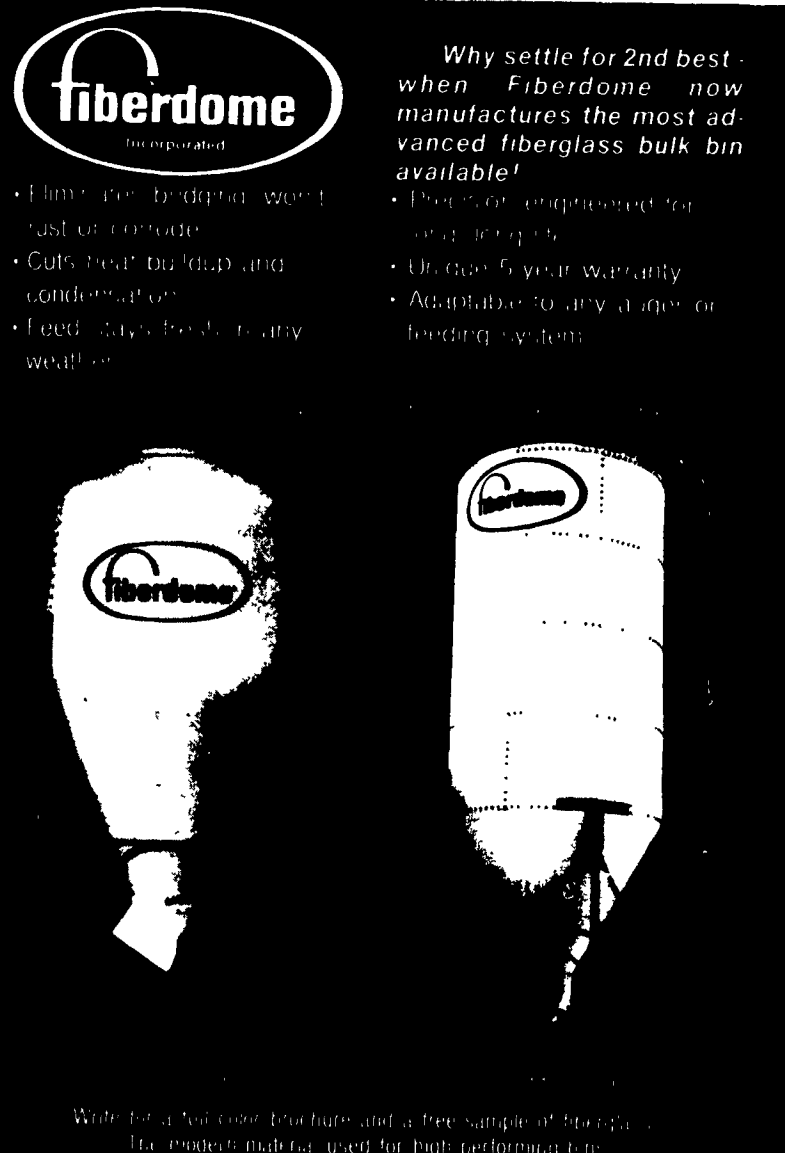
1964 to approximately 600 in 1988.

"This has concentrated the marketing power of processors in this country into the hand of a few large corporations, yet producers have failed to counter balance this strength with fewer and larger cooperatives," said the regional manager.

Reviewing changes in the dairy industry, Jones noted that cooperatives geared toward handling the surpluses of the 1960s and '70s were caught with excess capacity in more recent years. Those with little or no investment, said Jones, found themselves in "high cotton" in a deficit market.

Even in a deficit market, he warned, producers must organize to counter the "enormous power" of today's large processors. He compared the over-order premiums obtained through MACMMA in Order 4 with the marketing area of North and South Carolina, where there is less cooperative strength.

"If dairy farmers are going to be able to effectively bargain for the highest prices for their milk, they must have alternatives. Your processing and manufacturing facilities have given you those alternatives," Jones concluded.



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