

Cumberland Farms Problems Pose Small Problem To Mid-Atlantic Dairymen

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Special Correspondent

FREDERICK, Md. — The recent bankruptcy of Cumberland Farms Inc., a New England-based convenience store operator, will have a minimal impact on dairy farmers in the Mid-Atlantic area, according to industry officials.

The firm, which owns a network of almost 1,000 convenience stores in 12 states, filed for protection from its creditors under Chapter 11 of the federal bankruptcy code in early May. The firm continues to operate while it seeks to restructure its finances.

Cumberland Farms operates several fluid milk processing plants, including one in Florence, N.J., south of Trenton, that is pooled in the Mid-Atlantic milk marketing order.

Various suppliers to this plant, including at least one cooperative and a number of independent dairymen, did not receive their final payments for April milk, according to industry sources.

Atlantic Dairy Cooperative, the region's largest, reportedly is the

major supplier to the New Jersey plant. Bob Dever, Atlantic's assistant general manager, said the cooperative sells Cumberland Farms about 6 percent of its total supply.

Although serious, the bankruptcy should not have a major effect on Atlantic's finances for several reasons. The total dollars outstanding — reportedly in the neighborhood of \$1.5 million — is equivalent to only slightly more than two weeks worth of milk.

Shipments since April have been on a C.O.D. basis, Dever said. Moreover, the firm reportedly remains in decent financial condition, reassuring creditors that its restructuring will be successful.

Atlantic survived a disruption of much greater magnitude when the old Abbotts Dairies firm went bankrupt in the early 1980s, Dever noted. The cooperative got some of the money it was owed from Abbotts relatively quickly through the milk security provisions then in effect in Pennsylvania.

It eventually received much of the balance through the settlement

of bankruptcy proceedings, but the process took years, Dever noted.

Now, as then, the cooperative's financial reserves have allowed it to pay its members in full despite the shortfall from Cumberland Farms, Dever said. In potentially worse shape, however, are the various independents who sold milk directly to the firm.

Out of the 40-50 New Jersey dairymen supplying the plant, for instance, are eight independents, according to Vin Samuel, an official with the Division of Dairy Industry within the New Jersey Department of Agriculture.

In contrast to Pennsylvania, New Jersey has fairly minimal security requirements as part of its licensing of milk dealers. The firms are required to have only \$100,000 in bond coverage in the event of bankruptcy, Samuel said. Although a number of legal issues remain to be resolved, the Chapter 11 filing is likely to lead to a dispersal of funds from this bond, Samuel added.

Samuel said there is not yet an official tally of the amount Cum-

berland owes New Jersey farmers, but the total is somewhat less than \$3 million. He acknowledged that the security fund would provide just a few cents for each dollar dairymen are owed.

A number of New Jersey's dairy industry leaders are saying the amount is woefully inadequate to meet farmers' needs in an era in which monthly milk checks often reach five figures.

"We have to provide more security," said August Knispel, a Hunterdon County farmer who currently serves as president of the Garden State Milk Council.

Charlie Miller, a former dairy farmer who now lobbies for the New Jersey Farm Bureau, said farmers have asked the state to beef up its security provisions since the last major bankruptcy in the early 1980s. Miller said he's hopeful something can be done now while the Cumberland Farms situation is still fresh in people's minds.

The typically long delay and the fact that farmers often must wait in

line behind secured creditors for money they are owed by bankrupt milk dealers are among the reasons that many states have adopted extensive farm security provisions.

In Pennsylvania, for instance, the state's Milk Marketing Board oversees the Milk Producers' Security Act. The act requires licensed dealers to take out a bond to cover at least 30 percent of the amount the firm would spend for 40 days worth of milk from its Pennsylvania suppliers, according to a board spokesman.

In addition, dealers must contribute two cents a hundredweight to separate security funds for each handler. Dealers that have security bonds that cover at least 75 percent of their 40-day exposures are exempt from this provision.

In New Jersey, the ag department's Samuel said his division had been studying security provisions in other states even before the Cumberland Farms development.

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Lancaster Chamber Sets Ag Events

LANCASTER (Lancaster Co.) — The agriculture committee of The Lancaster Chamber of Commerce and Industry has announced two upcoming events designed to better acquaint the local community with the business of agriculture in Lancaster County.

"Wake Up to the 'Ag Issues'" will be presented on June 5 at the Southern Market Center, 100 South Queen Street. This breakfast meeting, which begins promptly at 7:30 and ends at 9 a.m., will feature local agri-business people who will discuss "What Every Lancaster County Business Person Should Know about Agriculture but Didn't Know Who or How to Ask."

Speakers are Bruce R. Limpert, director of financial services for Wenger Feeds, who will give an overview of Lancaster farming, the nature of our competitive advantage, and the economics behind the issues, and Michael W. Brubaker, president and owner of Brubaker Agromonic Consulting Service, who will highlight the key issues facing agriculture in the '90s.

Cost of the program is \$10 for Chamber members, \$8 for Chamber Farm Associates.

On June 12, the annual Agri-Business Tour will provide an opportunity for farmers and non-farmers alike to tour some of Lancaster's ag-related industries. According to Jay Howes, manager of agricultural services for the Chamber, "The three distinctly different facilities and types of business activities represent the diversity of agriculture and serve to emphasize the fact that the total agricultural industry is far more than just plowing, planting, and reaping."

The day's schedule begins at 9 a.m. with departure by bus from Lancaster Shopping Center, Lititz Pike. The first stop is John F. Cope Company, Inc., in Rheems. A well known local food processor, Cope is expanding into new vegetable processing markets. Next stop is the Lancaster County Solid Waste Management Authority's (LCSWMA) Resource Recovery Facility in Bainbridge for a discussion of LCSWMA's ag-related programs. Following a catered lunch, the bus leaves for the final stop at Smoketown Veterinary Hospital on Old Philadelphia Pike to tour a modern large- and small-animal veterinary clinic. Return to the Lancaster Shopping Center is scheduled for 2:45 p.m.

Cost for the tour is \$15 for Chamber members and Chamber Farm Associates, \$20 for non-members. Cost includes transportation and lunch, and registration is limited to 45 persons.

For additional information or to make a reservation for either of these events, call Liz Lennon or Jay Howes at 397-3531.