Dairymen Told: "Don't Look To Government"

JOYCE BUPP
York Co. Correspondent

GETTYSBURG (Adams County) — "We can get anything out of the government we want - as long as we're willing to pay for it."

That was the message from president Fred G. Butler, Sr., to members attending the Middle Atlantic Division of Dairymen, Inc.'s annual meeting, October 23 at the Ramada Inn. The division headquarters are in Sykesville, Maryland, with Dairymen corporate offices in Louisville, Kentucky.

Butler reviewed recent dramatic increases in dairy productivity, with the average production per cow having increased by about 5 percent in the last year, compared to more usual annuals increase of 1.5 percent.

The effect of these production increases on future milk prices partially hinges on predictions Secretary of Agriculture Madigan must make under the present 1990 Farm Bill legislation. If the Secretary's predictions are for an estimated 5 billion pounds of production over commercial needs, the milk support price would drop 50-cents. But if he estimates production at 7 billion pounds more than commercial needs, a mandatory supply-management program would be implemented.

"This would probably be in the form of increased assessments," Butler said, adding, "I hope the Secretary will be kind to us and his prediction will not be over 5 billion pounds."

Butler noted that some Midwest dairy producers want a dollar increase in the present support price, from $10.10 to $11.10. While Congress could accept such a proposal, it would predictably trigger additional assessments, perhaps as much as an additional 20 to 25-cents beyond the current 13-1/2-cent per hundredweight assessment.

"Our only hope would be that Congress would admit that the present 13-1/2-cent assessment dairy farmers are paying is much more than is necessary to finance the over-production of today," Butler said.

Management reports to producers likewise repeatedly emphasized that dairy producers must look within their own industry - and not to Washington, D.C. - for long-term improved market stability and profitability.

James McDowell, Jr., chief executive officer of Dairymen, Inc., said producers need only two things from the government.

"We need a support price program, not a guaranteed market for all milk, and we need to maintain the Federal Order system for the orderly marketing of milk," McDowell believes.

He reminded Dairy producers that, as numbers of raw milk buyers and retailers of milk diminish, those remaining yield increasing market power. McDowell cited milk selling for 58-cents per gallon and bread for 9-cent per loaf in one Southern food retailing price war as an example of strategies used to increase market share.

McDowell advised that, through their organizations, producers increasingly working together through joint ventures, strategic alliances and marketing agencies to deal with changing and larger buyers.

"Producers must get stronger if we are to succeed," he said. "Producers must have some sort of equal power to deal with the market place."

Briefly reviewing the cooperative's financial status, McDowell told Dairymen members that some $40 million in expenses have been cut in the last four years, debt reduced by $20 million, and interest cut in half due to debt paydown and reduced rates. More than 97-cents of every dollar of monies collected by the cooperative in the 1992 fiscal year has been returned to members.

Addressing the anti-trust suits in which Dairymen's processing subsidiary and numerous other dairy processors serving school business have been involved, McDowell said the "nightmare we inherited" is almost totally behind the cooperative. He predicted that ongoing investigations of school milk bid-rigging by dozens of processors in more than 30 states could result in up to $150 million in fines.

Division manager Boyd M. Cook reported profitability in the division's supply and hauling divisions, despite increases in both workmen's compensation and vehicle insurances. He commended members for their adherence to shipping quality milk, noting that only three antibiotic-positive loads were dumped through the first nine months of 1992.

Members have responded to Dairymen programs to encourage milk production in the fall months, Cook said. Both Fall Incentive and Volume Incentive programs will continue, with some fine-tuning adjustments.

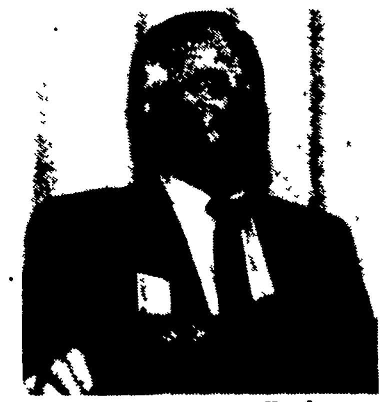
Two major problems cited by Cook as having impacted Dairymen this year were the final resolution of the anti-trust settlements and the inability to maintain adequate margins in fluid processing.

Legal settlements will be written off, at the rate of about five cents per hundredweight, against net margin patronage previously allocated from 1984-88, when the alleged violations occurred.

Cook re-emphasized the need for dairy farmer unity in order to gain a fair share of the consumer dollar, including over-order premiums that have been negotiated in Federal Order 4 by the Middle Atlantic Cooperative Milk Marketing Agency (MACMMA). MACMMA is comprised of the Dairymen Middle Atlantic division, Atlantic Dairy Cooperative and Maryland and Virginia Milk Producers.

Boyd Cook

Fred Butler



James McDowell, Jr.

"All processors are willing to pay a fair and reasonable price for Class I milk to keep local farmers in business, but they must be assured they are not put into an unfair competitive situation by having competitors purchase their milk supply at a lower price," he warned. "MACMMA can currently go a long way toward this guarantee, but small blocks of unregulated, non-co-op member milk can, and is, playing havoc with MACMMA's ability to generate fair prices."

Mary and Kenlin Martin, Smithsburg, Maryland, have been selected as the Middle Atlantic Division's 1992-93 Young Dairymen couple and will represent the division at corporate Young Dairymen activities.

The Martins milk 55 registered Holsteins, with a herd average of 22,900 milk. Merchandising plays a large role in their farm business, including embryo transplant sales and participation in regional shows and sales. Mary and Kenlin have three children and the family is active in agriculture, community and church leadership.

Seven electees were ratified by the membership to serve on the division's board of directors. Elected were B. David Patrick, Woodbine, Maryland, District 2; Myron L. Wilhide, Detour, Maryland, District 3; Robert L. Grove, Greencastle and Terry Martin, District 8; Crawford R. Galt, Chestertown, Maryland, District 9; H. Bailey Herring, Farmington, District 11; and Leon Kline, Newmanstown, District 14.

Three retiring directors were recognized for their service on the division board. Retiring from the board are Claude Cooper, New Freedom, District 7; Marlin E. Martin, Smithsburg, Maryland, District 12; and Gene Kilby, Peach Bottom, District 14.

Claude Cooper, left, retiring Dairymen division director, was recognized for his service on the board by President Fred Butler.

Kenlin and Mary Martin are the Middle Atlantic Division's 1992-93 Young Dairymen couple.

Thousands Attend Agway 28th Meeting

SYRACUSE, N.Y. — Several thousand farmer-members of Agway met at the New York State Fairgrounds in Syracuse October 29 and 30 to take part in the 28th Agway annual meeting of the farm supply, energy, and food marketing cooperative.

Charles F. Saul, Agway president and CEO since February, reported the past 10 months of calendar 1992 have been a period of intensive study to determine more clearly where Agway stands in relation to its markets and what the 91,000-member Northeast farm cooperative must do to position itself to compete more effectively the rest of this decade and into the next century.

"Many changes are taking place on Northeast farms, in rural communities, and in the businesses serving farmers and other rural customers. Fewer farmers each year are working larger farms with bigger herds, and they require more specialized and technical service than in the past," Saul said. "These farmers must produce efficiently and competitively. They told Agway they want us to be able to serve their future needs and wants."

"We initiated 'Customer Driven: 1995...Focusing on the 21st Century' in February as a major study to look at the businesses we are in...analyze the trends and the potential for us and the large specialized competition moving into many of these rural markets that we serve," Saul said. "We have developed new strategies to play to our marketing advantages in order to provide better service to farmers and our other customers in these changing markets."

Saul said Agway is placing major emphasis on its three core businesses: agricultural supplies, consumer retailing, through its store and franchised representative system, and energy products and services.

In its agriuclture business, Saul reported Agway is rolling out a new program, providing the feed and crop needs of farmers through customer service centers and direct delivery and billing of products used on the farm.

"We are giving our farm sales force additional technical training to help them better serve their farm customers," he said.

"On the consumer retail side, our stores and most franchised representatives are concentrating on farm-related products, yard and garden items, and pet food and supplies," Saul said.

Saul reported that Agway's energy business will be allocating resources in those markets where its people can provide superior service in a profitable manner. This may mean withdrawing from some markets and expanding in others, he said.

Saul reported that the cooperative's operating results show consolidated sales and revenues of $3.3 billion, down about $133 million from last year. Most of the decline was in the energy business due to the dramatic decline in prices from the Persian Gulf Crisis levels.

However, Saul said that Agway Country Foods set an all-time high in earnings for the fourth year in a row. Agway manufactures and markets pet and bird foods, as well as, several other natural state human foods such as dried beans, sunflower seeds, potatoes, and onions.

"We have previously announced that we included a $75 million restructuring charge against our 1991-92 operations. This recognizes the costs associated with our plans to realign Agway based on our Customer Driven: 1995 plans and objectives," Saul said. "Incorporting this restructuring charge into our

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