

Dairymen Middle Atlantic Division Posts Positive Year

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HAGERSTOWN, Md. — A "good year" is how Fred Butler described the 1993 corporate fiscal picture for members of the Middle Atlantic Division of Dairymen, Inc., during the dairy cooperative division's annual meeting recently at the Hagerstown Sheraton Inn.

"We expect to show a profit of \$3.2 million on operations, have put over \$2 million more into cash flow, added over \$1 million to member equity, reduced our overall debt significantly, and raised our financial credit rating," said Butler. The Inwood, W.Va., dairy farmer is president of the Middle Atlantic Division, with offices at Sykesville, Md., serving members from Delaware, Maryland, Pennsylvania, and West Virginia.

Butler noted that the dairy industry continues to consolidate, losing an estimated 17 producers per day across the country. He predicted that by the turn of the century, only 95,000 dairy farmers will be producing the nation's milk supply.

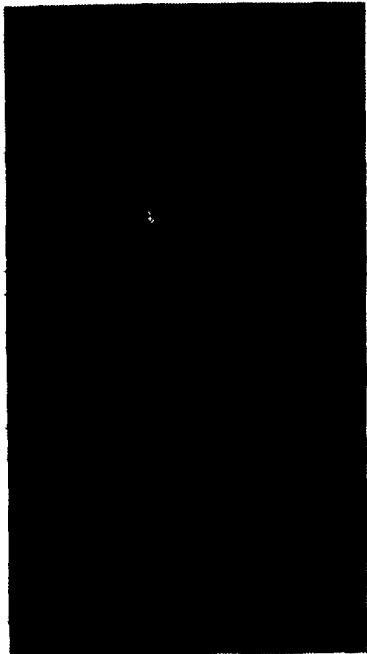
As dairy farmer numbers shrink, it is increasingly important that dairymen be unified, Butler reminded the gathering of members and guests.

"Our goal is to get the government out of the so-called 'subsidy' to the dairy industry and let us farmers control our own future excess supply of milk," he said.

Butler reviewed the present "self-help" program proposed by the National Milk Producers Federation, noting that the compromise proposal is an effort to bring together advocates and opponents of two-tier supply management. He estimated that "for every cent of assessment from producers, we can put 50 cents back into the milk check." Producers who did not make any more milk than they did in the previous year would have their assessments refunded under the self-help proposals. The program would be farmer controlled.

Butler also touched on the North American Free Trade Agreement (NAFTA), calling it "good for agriculture." While industry favors NAFTA, labor does not, Butler said. With the world ready to supply the needs of the Mexican market, he stressed that time has come to proceed with implementing the trade agreement.

Business activities of the division through the past fiscal year were outlined by manager Boyd M. Cook. Cook said memberships



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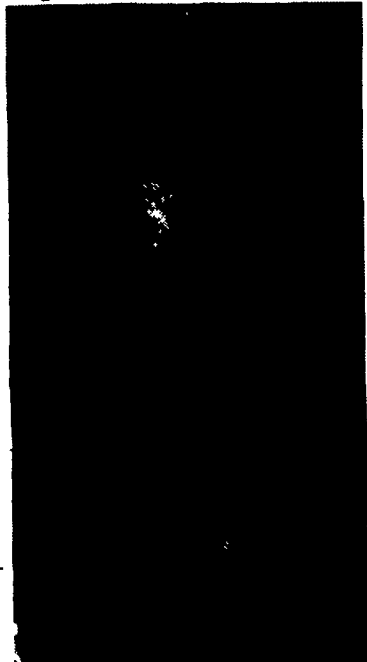
Fred Butler, Middle Atlantic Division president: "The dairy industry is losing 17 farmers every day."

numbers have remained fairly constant, profits were shown in both the division's hauling and supply services, and employee retirements and realigning of responsibilities have resulted in overall cost savings.

Because of federal budget mandated fuel tax increases and use of low-sulfur fuels, the cost of diesel for milk hauling is expected to rise as much as five cents. Cook warned that, after several years with no increases in hauling, division milk pickup costs would likely rise a cent or two.



During the open forum portion of the Dairymen division meeting, Franklin County dairy producer Robert Grove questioned the possibility of establishing a farmer-funded national fund that would help support milk powder movement to needy countries in cooperation with church and community organization relief efforts.



James Mueller, Dairymen CEO: "Our biggest challenge continues to be getting the industry to work together."

"Industry leaders need to look at possible ways to decouple Class I and Class II pricing from the M-W price," said Cook. He explained that fluid milk and soft dairy products — yogurt, ice cream, and cottage cheese — have a standard consumer market value and should not fluctuate widely as they do under the current Minnesota-Wisconsin-based pricing. The M-W has been extremely volatile through the past year, with counter-seasonal increases in cheese prices through spring months and a steep drop in June. Prices began another steep climb upwards in September.

Cook reminded producers that dairy support costs to the government have dropped dramatically, from \$2 billion in the early 1980s to less than \$300 million, while food stamps and other feeding programs now account for more than half of the United States Department of Agriculture's (USDA) budget.

While federal estimates of surpluses earlier in the year were predicted at more than 7 billion pounds — a level which would trigger additional dairy farmer assessments to meet Gramm-Rudman budget-cutting mandates — both division president Butler and manager Cook predicted the surplus would not surpass the



Maryland State Dairy Princess Dawn Downey offered a milk toast to Dairymen members and guests attending the division annual meeting.

added assessment-triggering 7 billion pound level.

Cook further updated members on the 26-member Maryland Dairy Task Force working toward the goal of establishing a Maryland Milk Commission. Ultimately, Cook said, a Maryland Milk Commission could cooperate with similar boards already in Pennsylvania and Virginia to provide stability to the dairy industry through the entire region.

"Fiscal 1993 was a turnaround year for Dairymen," according to James Mueller, the cooperative's chief executive officer. Mueller reviewed the corporate financial picture and outlined strategic planning of the Louisville, Ky. — based dairy cooperative. Sales increased, about \$8 million in debt was reduced, and an equity revolve is probable for December 1.

Mueller told members that negotiations continue between the cooperative's Flav-O-Rich processing subsidiary and potential buyer Dean Foods of Chicago, with the proposal currently under review by the Department of Justice. Any transaction between the two companies would need approval by the boards of both. The dairy cooperative's five cheese and butter-power manufacturing plants are not part of the negotiations.

Strategic focus continues on areas such as pooling procedure studies, curtailment of expenses and overhead, and continuing to be a service and quality supplier to customers.

Efforts continue, Mueller said, on establishment of a Dairy Cooperative Marketing Association (DCMA) in the Southeast which would operate similarly to the Middle Atlantic Cooperative Milk Marketing Association (MACMMA) to aid in stabiliza-

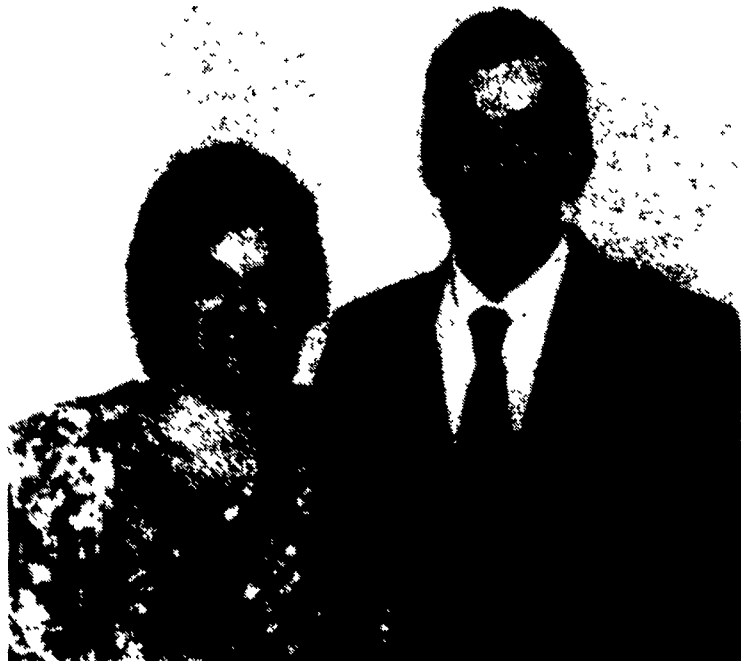
tion of raw milk pricing. Because of lack of cooperation by three processors with independent supplies, DCMA's success in holding prices has been limited.

"Our biggest challenge continues to be getting the industry to work together," said Mueller. "Partnerships must prevail between suppliers and processors. Cooperatives will be increasingly important in the future to provide such services as milk procurement, balancing surpluses, importing milk into deficit areas, and quality programs."

The Dairymen, Inc., CEO encouraged members to plan to attend the cooperative's corporate annual meeting, scheduled for December 9-10 at Opryland Hotel in Nashville, Tenn.

Recognition was extended to the Middle Atlantic Division's 1993 Young Dairymen couple, Mike and Dorrie Blue, Shenandoah Junction, W.Va. The Blues and their two young sons are part of a family 150-milking head and 900-acre crop operation and are active in numerous community and church activities. Mike and Dorrie will represent the Middle Atlantic Division at the cooperative's Young Dairymen competition during the December annual meeting.

During the annual business meeting, four directors to the Middle Atlantic Division board were ratified for three-year terms. Re-elected to board terms were Jesse I. Burall, Monrovia, Md., District 4; J.A. Bupp, Seven Valleys, Pa., and Paul R. Waybright, Gettysburg, Pa., both of District 7. Edward N. Lipscomb, Eglon, W.Va., was newly elected to represent District 11. Recognition was extended to Bill Jackson, New Salem, Pa., former District 11 director who retired from the board.



Mike and Dorrie Blue will represent the Middle Atlantic Division at the Dairymen, Inc., Young Dairymen competition.

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