

# Atlantic Breeders Co-operative Considers Merger

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Lancaster Farming Staff

**INTERCOURSE** (Lancaster Co.) — Members of the Atlantic Breeders Cooperative are being asked to consider a merger with two other service-based artificial insemination cooperatives, even though there is no immediate financial need to do so.

During ABC District 4's annual banquet-meeting, held noon Tuesday at Harvest Drive Restaurant in Intercourse, N. Alan Bair, ABC director of member and public relations, told the group about work being done by a committee of the board of directors of Federated Genetics, which is a marketing alliance of cooperatives, including ABC, that formed in 1986.

According to Bair and District 4 Director David Landis, for two years a long-range planning committee has been studying the operations and used a Washington D.C.-based consultant to analyze the current business practices and long term outlook of the cooperatives.

A recommendation from the long range committee is expected by late spring, but it is already known that the most likely recommendation will be for a merger of ABC with two other artificial insemination cooperatives.

Bair said that, while the committee has yet to make an official recommendation to the ABC Board of Directors, it is clear that a merger would reduce duplication of effort, increase member strength, and decrease overall cost of member-services.

Bettering the position of ABC for the future means that it is

expected that the trend will continue for declining numbers of cattle. That translates into fewer cattle overall to breed, to use to track and collect sire data, and from which to select new sires.

Since members are the ones who ultimately have to decide the destiny of their cooperative, each of the three cooperatives will have to review and decide on an eventual proposal.

In the meantime, members are being asked to consider the possibility of merging with Eastern Artificial Insemination Cooperative (EAIC), headquartered in Ithaca, N.Y., and with Louisiana Animal Breeders Cooperative (LABC).

The three cooperatives are already aligned with ABC under the marketing organization Federated Genetics. The marketing alliance was created to handle sales of cooperative semen to non-cooperative buyers, including exporting.

The basic premise is that bringing the three organizations together as one cooperative — done while none of the current cooperatives is in financial difficulty — will benefit all members on the short term with continued lower costs, and in the long term as a merged cooperative would be expected to have a competitive advantage against commercial interests, as cow numbers further reduce.

According to Bair, aside from considerations of financial strength, the main reason for the merger proposal between these three cooperatives was because of the similarity of the three coopera-



Receiving awards for outstanding herd production and using a majority of Atlantic Breeders Cooperative semen in their programs, are, from the left front, Clair Landis and Nevin Hershey, and from the left, rear, J. Ray Ranck, Parke Ranck Jr. and technician Naaman Stoltzfus.

tives' operational philosophies.

Bair said each of the cooperatives has an operational philosophy that service to members is the primary purpose of the cooperative's existence, not merely creating volume sales of semen.

He said the reason for creating the cooperative in the first place was so that each member could better afford top cattle genetics.

Therefore, he said ABC spends a great deal of its income on providing service to members. Atlantic's statement of operations for 1993 bears out that the majority of the cooperative's expenses — \$4,448,559 — was for providing service to members,

and that breeding fees charged members — \$4,606,985 — closely reflects that expense, minimizing much overhead.

Many details of a merger were not available because what is being currently proposed is the concept of a merger, not the design of the merger, according to Bair.

In accordance with the merger concept, there are four basic reasons for doing a merger now, while each cooperative is in strong financial position and has a strong, short-term outlook.

Business size has been given as a reason to consider a merger now. It was explained that while ABC

has been steadily growing during the past decade, cow numbers have been steadily declining.

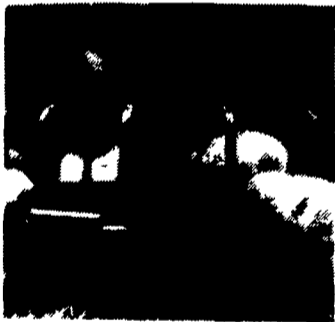
This means that with fewer cattle to inseminate, cooperatives most likely will be eventually faced with either increasing unit price to members, or getting a larger percentage of the cattle insemination business, in order to offset member prices.

According to Bair, if a merger would occur, the newly formed cooperative would have a membership of 28,000, which was the membership of ABC when it first formed.

Also, according to a statement (Turn to Page A23)

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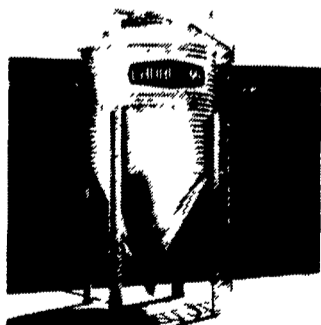
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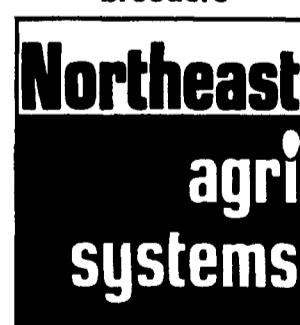
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