36th

1971 NORTHEASTERN DAIRY CONFERENCE

Proceedings Of
The Annual Meeting

Country House
Syracuse, N. Y.
Syracuse Hotel
April 1-2, 1971
36th Annual Meeting
NORTHEASTERN DAIRY CONFERENCE
Country Inn
Syracuse, New York

April 1 & 2, 1971

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<td>Jan. 27-28, 1937</td>
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</tbody>
</table>

1/ No annual meeting. Constitution and Bylaws Committee appointed.
2/ No annual meeting. Conference met jointly with Northeastern State Farm Bureau Federations.
3/ No annual meeting. Only committee meetings.
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WELCOME

by R. Fenton Murphy

President
Northeast Dairy Cooperative
Federation, Inc.

On behalf of the seventy-five dairy cooperatives and their nearly 6,000 dairy farmer members comprising the Northeast Dairy Cooperative Federation, it is a pleasure to welcome participants to the 36th Annual Northeastern Dairy Conference.

Syracuse and Central New York have shared a major role in the history and development of our nation. New York State is the original home of the Iroquois Indian Nation. The Oneida and the Onondaga Indian tribes were among the original inhabitants of this area. Their descendants still make up a part of our great heritage. Syracuse later became known as the Salt City because of the region's valuable resources of this mineral. Salt mining remains today as one of the principal enterprises of the region.

Syracuse was for many years one of the leading ports on the famous Erie Canal. The Canal was once one of a new nation's principal waterways and contributed measurably to the development of this region. Today's Erie Boulevard, the major east-west route through Syracuse, follows the canal's original route.

Today Syracuse is the cultural and business center of central New York. It is also the geographical center of New York's principal agricultural industry - dairy farming, and the agri-business center of the state, as well as the headquarters of your host organization, Northeast Dairy Cooperative Federation.

We hope that while you are in Syracuse you will take time to enjoy some of the historical, cultural and entertainment opportunities available here. In this connection, we have planned several special tours for the ladies, which we are sure they will enjoy. Also, we extend an invitation to all to tour our modern milk processing and packaging plant at Oneida, New York on Friday afternoon, after the close of the formal Conference. The ladies, if they prefer, may visit Oneida Silversmiths at Sherrill, New York while the men tour the milk processing plant.

As your host, we trust that you will find this year's Northeastern Dairy Conference a productive and rewarding experience. If we can be of service to you, please contact any member of the Northeast Federation staff. We are at your service.
LOOKING AHEAD AT THE DAIRY INDUSTRY
DAIRY OUTLOOK AND SITUATION IN THE NORTHEAST
A Brief Opening Statement
by William F. Johnstone
Extension Marketing Specialist
The Pennsylvania State University

Milk production in the Northeastern States during 1970 has exceeded that of 1969 by better than one percent. Only the states of Massachusetts and New Jersey registered decreases when compared to 1969. For the entire U.S. however, there was a decrease in production of one percent.

Numbers of milk cows in the Northeast continue to decline. This loss appears to stem from a reduction in number of farms maintaining herds, rather than any culling pattern among current producers. The rate of decline in cow numbers is substantially lower than during the late 1960's, and is expected to moderate even more during the next few months.

Increases in milk supplies have come as a result of increasing production per cow. September 1970 was the record September in terms of production per cow in Pennsylvania. Dairy farmers in Pennsylvania and those of other states have received higher prices for milk sold. Northeastern prices during 1970 averaged about 14 cents above 1969 levels, though the advances ranged anywhere from 3 cents to 29 cents among the months.

Of course, one of the most intriguing aspects of dairy price policy in many years surrounds the dairy support program decisions made during the last two weeks. The 1970-71 floor was $4.66. On March 12, Secretary of Agriculture Hardin announced that the price level would be unchanged. Notwithstanding, two weeks later, on March 25, he announced a new level of $4.93, an increase of 27 cents. The maneuvering related to this change of direction is beyond the scope of this paper, but it would be an interesting topic for a student of agricultural policy.

The increase in price support floor will be the basis of a 15 cents to 21 cents increase in Northeastern milk prices and changes the earlier forecasts from a just so-so price horizon to one that looks quite promising. For the Northeast we can look for price improvements in the neighborhood of 16 cents to 21 cents during the year as a result of this decision. It is also very likely that the USDA will find it necessary to remove increasing amounts of dairy products from commercial channels as a result of this action.

Dairy farmers' costs for producing milk continued to rise during the year. This was the reason cited for the increase in price supports just mentioned. The increase is especially noticeable among those producers who purchase a large share of their feed. Recently the price of mixed dairy feed (20 percent protein) was about $90 per ton—$6 more than a year earlier. The value of a hundred pounds of milk would buy 170 pounds
of feed in 1970, as contrasted to 176 pounds a year earlier. These ratios still favor heavy grain feeding and dairymen are reacting by increasing the use of concentrates as a herd-management practice. Feed and grain prices are expected to strengthen during the months ahead.

From the dairymen's point of view, there is some evidence that the labor squeeze which he has faced for a decade could abate somewhat. Rising unemployment will tend to reduce attractions from non-farm employment in many localities. On this score, 1971 might provide a breather for the farm segment of the dairy industry.

A persistent problem over the past few years has been the decreasing per capita consumption of dairy products—especially whole milk, cream and butter. An increase of population by some two million people in 1969 conceals the impact of this change, but it does continue to be an impediment to market progress. Only the increased per capita use of cheese, ice milk, and low-fat fluid products has prevented serious set-backs in this aspect of the market. The threat of substitutes to fluid milk appears to be subsiding with share of the market held by these products in decline at the moment. However, new substitute products and sales effort are always possible with current research and development forces in the food industry.

Over the next two or three years, dairy farmers in several areas of Pennsylvania—as well as other states serving the New York market—will be faced with substantial adjustments.

This involves the final shift from can to bulk handling, especially among the New York-New Jersey segment of Pennsylvania producers. In April 1970 there were 4,949 New York-New Jersey Federal Order shippers shipping can milk and 3,194 farms receiving tank service. Thus a major decision is faced by sizable number of farmers as the can-receiving docks are closed. This closing action appears inevitable. The shift to tank pickup means even lower volume receipts in cans, with subsequent increases in costs of assembling and handling each unit.

In 1969 there was a little over one billion pounds of milk being shipped by New York-New Jersey order producers in cans, so the cumulative decisions of these producers will have major ramifications on dairy farming in Pennsylvania, at least.

Assuming that the trends suggested above come to pass, the following predictions for the first part of 1971 will be valid.

(1) Small increases in production in the Northeast during first quarter 1971 compared with first quarter 1970.

(2) Milk prices will show significant advances registered during the year, largely the result of increased price supports levels.

(3) No relief in costs of production; feed prices much firmer; farm labor easier to obtain and hold, but wages will be higher.

(4) Per capita consumption apt to continue downward especially in whole milk, cream, ice cream.

(5) First quarter 1971, financial operating results for dairy farmers comparable to those obtained in 1970; improved prices will generally offset the increased costs of the past year.
Insofar as world trade is concerned, the dairy industry, like any other, is affected by U. S. public policies. Many such public policies result in higher costs within the United States than elsewhere, particularly for labor. This poses a real problem for the dairy industry, both in terms of export and export considerations.

Our dairy industry, I am confident, could produce and process milk and dairy products as efficiently as any potential competitors throughout the world, if labor and other costs, such as taxes, were comparable.

In addition to these cost differences, however, many countries subsidize the exportation of dairy products which are in excess of their domestic requirements. This subjects U. S. production to even lower priced competition than otherwise would be the case.

Setting aside cost differences, moreover, the standard of living in the United States is higher than in most countries with which we compete in the dairy business. Certainly our dairy farmers and dairy farm families are as much entitled to participate in the U. S. affluent standard of living as is anyone else. When we look at the market problem in this light, it becomes obvious that the U. S. dairy industry cannot be expected to compete price-wise with a country such as New Zealand for the export market which, in itself, is very limited. Our ability to compete is further diminished in light of export subsidies offered by other countries, particularly in Western Europe.

The ability to export dairy products from the U. S. then is limited largely to specialty items and specialty outlets. The best example of commercial export opportunity rests with such products as evaporated milk, dry whole milk, baby formulas, and food products with milk ingredients.

Exports of dairy products on a strictly commercial basis last year were equivalent to about 437 million pounds of milk, or less than one-half of one percent of U. S. milk marketings.

During the past two decades, we have exported substantial quantities of dairy products. These exports, however, either were on a "give-away" basis for overseas feeding programs or were subsides by the U. S. Government. In subsidizing export sales, it has been the policy of the U. S. not to make products available at prices below those offered by major exporting countries with which we have friendly relations.
Many in the dairy industry have argued that the U. S. export price has been maintained sufficiently above those of our competitors to the point where our efforts to sell have been severely handicapped. Others have observed that if the U. S. export subsidy resulted in a price equal to that in the world market, some foreign nation would establish a price just below our own and take the sale in any event.

U. S. export subsidies by design were not intended to displace or to disrupt commercial market outlets for other friendly nations.

To the extent that we made exports on a "give-away" basis, the products would not have been purchased by the recipients at any meaningful price. There have been some instances, however, where the "give-away" program or the making of exports at subsidized prices have been used to develop a taste for dairy products in areas where they have not previously been a major item in the diet. A notable example was the supplying of nonfat dry milk to Japan for the beginning of its school lunch program.

Initially, nonfat dry milk was donated or sold at a price of about one cent per pound to the Japanese Government. As the program developed, however, this price was increased little by little and today Japan pays about the world market price for butter and nonfat dry milk.

I would not like to leave the impression that the U. S. dairy industry should not participate in world trade. It should. But we must recognize that the opportunities for market development are limited and cannot offer a great deal of hope for market outlets in significant volume.

Now let us turn to the other side of the coin; and that is our need to effectively limit the importation of dairy products into the United States.

The recitation of statistics concerning relative volumes of imports and exports is meaningless in view of the regulations involved and the manner in which our exports have been affected by volumes donated or by prices which have been subsidized.

The Congress of the United States clearly recognized, in the early Thirties the need to restrict the importation of agricultural products if its efforts to support prices to farmers were to be effective. Section 22 was inserted in the Agricultural Adjustment Act of 1935, and this was at the very same time that the enthusiasm for the reciprocal trade agreements program was at its peak.

The need to restrict imports of dairy products first became apparent near the close of World War II. These imports were first limited by emergency war powers. Quotas established pursuant to section 22 of the Agricultural Adjustment Act were first made effective July 1, 1953, by Presidential Proclamation. The original Proclamation authorized import quotas for dairy products in an amount equivalent to about 118 million pounds of milk. A quota for butter was established at 707,000 pounds. The cheese quota was some 20 million pounds distributed among cheddar, blue mold, Italian, Edam and Gouda.
Quotas in minimum amounts were established for nonfat dry milk, dry buttermilk, dry whole milk, malted milk, and dried cream.

Although the initial quota was designed to permit the importation of products in the amount of 190 million pounds of milk, shipments the first year, including the specialty items, amounted to 525 million pounds.

The ink on the 1953 Proclamation was scarcely dry before exporters abroad and importers within the United States discovered that the quotas could be circumvented by shipping products not specifically limited.

The first overt circumvention involved the splitting of loaves of Italian cheese. The quotas specified "in original loaves". By splitting the loaves, the quotas did not apply.

Another circumvention was exemplified by the importation of butteroil and later Exylone, Junex, and other fabricated products designed to replace markets for U. S. butterfat and milk solids-not-fat.

Ever since 1953, we have been engaged in a "tug o' war" over import controls. A quota once established on a defined product led to evasion by a new product not meeting the definition. This has been followed by a hearing resulting in a new or enlarged quota for the product in controversy. As a result of this exercise, total quotas for all products now amount to 972 million pounds or five times more than the original 190 million pounds.

Imports in evasion of quotas surged in 1966. Total imports, within and outside of quotas in 1966 amounted to 3 billion pounds. It was at this time the Federation developed its Dairy Import Act, which is designed to establish an overall import quota for butterfat and milk solids-not-fat without regard to the product imported or the country of origin.

The bill, as first drafted, was introduced in the 90th Congress and was co-sponsored by 202 members of the House of Representatives and by 59 of 100 Senators. The bill, as we all know, did not pass either House of Congress and our efforts to secure this type of legislation continue. The introduction of the bill with such wide-spread support was sufficient to prompt the Executive Branch of the Government, and the Tariff Commission, to act in such manner as to keep the level of imports under better control.

For the first half of 1967, total imports were coming into the country at an annual rate of about five billion pounds. Beginning in July of that year, new import quotas were established under present law. The import level has been reduced through a series of actions, and presently it is running at a rate of about two billion pounds, or about 40 percent of the level coming in, in early 1967.

Now it is true that the present legislation is less effective than we would like, and the present two billion pounds of imports are adding about $110 million to the cost of the Price Support Program. One might state that we have failed in our quest for legislation, but we have succeeded in reducing the amount of imports rather substantially—considerably over 50 percent.
Furthermore, the Executive Branch of Government and the Tariff Commission are aware that, unless imports are reasonably controlled, there is a strong force within the Congress ready and willing to again support legislation to bring the matter under control.

The Executive Branch does not like to "have its hands tied" in these matters, such as could result from passage of our Dairy Import Act. This, however, is the alternative, and so long as we keep the pressure on, the dairy industry will not be in serious trouble because of a deluge of imports of dairy products.
Looking first at the dairy import situation, imports of dairy products generally have not been a major problem for U. S. dairymen. During the past decade, for example, exports of U. S. dairy products (government programs and commercial sales) exceeded imports of dairy products by 5,801 million pounds (Table 1).

<table>
<thead>
<tr>
<th>Period</th>
<th>Imports</th>
<th>Exports</th>
<th>Net Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-1969</td>
<td>13,906</td>
<td>19,707</td>
<td>5,801</td>
</tr>
</tbody>
</table>

1/ Milk equivalent, fat solids basis.

Measured as a percentage of production, dairy imports have been relatively small—equivalent to 1.5 percent of U. S. milk production in 1968; 1.4 percent in 1969; and 1.6 percent in 1970 (Table 2). Recent import figures for steel and automobiles, for example, (as a percentage of domestic production) were 15 percent and 23 percent respectively.

Measured as net imports - the difference between imports and exports - dairy imports were equivalent to about one-half of one percent of U. S. milk production in 1968 and 1969 and 1.2 percent in 1970 (Table 2).

Some dairy imports serve an important role in supplying a market demand. For some varieties of cheese (Pecorino, Roquefort, and specialty-types, for example) the U. S. relies on imports for all or a substantial part of the supply available to domestic consumers.

To supply the domestic demand for casein and caseinates the U. S. relies on imports. For several years, casein has been the largest volume dairy import on a product-weight basis. In 1970, casein imports were equivalent to nearly one-third of all U. S. dairy imports.
Table 2. U.S. Imports, Exports, and Net Imports and Percentage of Production, 1968-1970

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports Quantity mil. lb.</th>
<th>Imports Percentage of Production percent</th>
<th>Exports Quantity mil. lb.</th>
<th>Exports Percentage of Production percent</th>
<th>Net Imports Quantity mil. lb.</th>
<th>Net Imports Percentage of Production percent</th>
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</thead>
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<td>1968</td>
<td>1,780</td>
<td>1.5</td>
<td>1,188</td>
<td>1.0</td>
<td>592</td>
<td>.5</td>
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<tr>
<td>1969</td>
<td>1,600</td>
<td>1.4</td>
<td>926</td>
<td>.8</td>
<td>674</td>
<td>.6</td>
</tr>
<tr>
<td>1970</td>
<td>1,866</td>
<td>1.6</td>
<td>437</td>
<td>.4</td>
<td>1,429</td>
<td>1.2</td>
</tr>
</tbody>
</table>

1/ Milk equivalent, fat solids basis.

For many years, however, the U.S. was a major producer of casein. In 1951, for example, the U.S. production of 21.6 million pounds supplied 35 percent of the domestic casein market. After dropping sharply in 1952 to 7.5 million pounds, the U.S. production of casein declined to 2.5 million pounds in 1956 and has remained small to date. Largely because of the USDA price support program, most of the solids-not-fat that could go into the production of casein has moved into nonfat dry milk powder — a product yielding a higher return than that derived from the manufacture of casein.

The Current Problem

Although imports of dairy products have not generally been a major problem to the total dairy industry, some segments of the industry have been adversely affected and in recent years the problem has intensified.

The current concern about dairy imports probably had its beginning in 1966. This was the year that the U.S. dairy industry's favorable balance of trade was abruptly terminated — exports dropped one billion pounds from the 1965 level and imports jumped three fold exceeding exports by two billion pounds (Table 3).

On February 16, 1967 Farm Bureau recommended to the Secretary of Agriculture . . . "That section 22 be implemented to prevent the circum­vention of existing quotas on dairy products . . ." Presidential Procla­mation 3790, effective July 1, 1967, was intended to reduce the overall annual level of dairy imports to approximately one billion pounds of milk equivalent.

Imports, however, continued to enter the U.S. at a level considerably above the intended one billion pounds of milk equivalent totaling 1.8 billion pounds in 1968; 1.6 billion pounds in 1969; and 1.9 billion pounds in 1970 (Table 3). The huge dairy surpluses in many countries, including Western Europe, and the price incentive provided by the U.S. domestic price structure encouraged circumvention of U.S. import quotas.

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>604</td>
<td>766</td>
</tr>
<tr>
<td>1961</td>
<td>760</td>
<td>655</td>
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<td>1962</td>
<td>795</td>
<td>1,287</td>
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<td>830</td>
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<td>1965</td>
<td>923</td>
<td>1,836</td>
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<td>1966</td>
<td>2,791</td>
<td>778</td>
</tr>
<tr>
<td>1967</td>
<td>2,908</td>
<td>363</td>
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<td>1968</td>
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<tr>
<td>1970</td>
<td>1,866</td>
<td>437</td>
</tr>
</tbody>
</table>

1/ Milk equivalent, fat solids basis.

On July 28, 1970 Farm Bureau requested the Tariff Commission to recommend to President Nixon that he set a total milk equivalency figure for imports of both quota and nonquota dairy products. Farm Bureau stated that... "a total milk equivalency approach would close the loopholes for products attempting to circumvent import quotas and would necessitate hearings only for classification purposes and for review of quotas and the total milk equivalency figure..."

Presidential Proclamation 4026, effective January 1, 1971 established quotas on:

* Cheese containing 0.5 percent or less by weight of butter-fat or having a purchase price under 47 cents per pound;

* Chocolate containing 5.5 percent or less by weight of butter-fat (except articles for consumption at retail as candy or confection);

* Animal feeds containing milk or milk derivatives; and

* Ice cream.

Although the President did not accept the Tariff Commission's specific recommendations, some of the loopholes for products attempting to circumvent import quotas will be reduced. The quota for low-fat cheese is approximately 20 percent less than the 1970 import level; low-fat chocolate 71 percent less; animal feeds - 40 percent less; and ice cream - 95 percent less (Table 4). Of the four items brought under quotas, imports of ice cream will be reduced by the largest amount (on both percentage and volume basis) from the volume imported in 1970. Last year, ice cream accounted for nearly 75 percent of the increase in dairy imports (milk equivalent basis).
Table 4. Articles Included in Presidential Proclamation 4026, Tariff Commission Recommendations, And Estimated Change In Imports From 1970

<table>
<thead>
<tr>
<th>Article</th>
<th>Tariff Commission Recommendations</th>
<th>Presidential Proclamation</th>
<th>Estimated Change In Imports from 1970 percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheese (low-fat)</td>
<td>100,000 lbs.</td>
<td>8,901,000 lbs.</td>
<td>- 19.3</td>
</tr>
<tr>
<td>Chocolate (low-fat)</td>
<td>zero</td>
<td>4,680,000 lbs.</td>
<td>- 70.7</td>
</tr>
<tr>
<td>Animal Feeds</td>
<td>zero</td>
<td>16,300,000 lbs.</td>
<td>- 40.3</td>
</tr>
<tr>
<td>Ice Cream (mixtures)</td>
<td>zero</td>
<td>431,330 gals.</td>
<td>- 95.2</td>
</tr>
</tbody>
</table>

Looking back at the shift in the import-export relationship that occurred in 1966 and to the level of imports and exports since that time, a case could be made that the drop in U. S. dairy exports has contributed more to dairy problems than has the increase in imports. Between 1969 and 1970, for example, imports increased 266 million pounds but exports dropped 489 million pounds (Table 3).

Viewing the dairy import situation for 1971 - taking into account the number of dairy items under quotas - dairy imports that are competitive with domestically produced dairy products should total somewhat below last year's level.

Some Solutions

I have briefly referred to two Farm Bureau actions for the purpose of leading into my next point; that is, if there are any major differences in Farm Bureau's position on imports from those of the dairy industry's - at least since 1966 - it has not been in recognition of the problem but rather in how to solve the problem.

American agriculture has an important stake in a high level of mutually advantageous world trade. Exports represent a significant part of the total market for U. S. agricultural production; the production from one out of every five harvested acres (61 million acres) was exported in fiscal year 1970. Many dairymen produce major export crops and international trade benefits the dairy industry partly by exports but more by its effect in enlarging the total market for U. S. agriculture.

Imports of items used in farm production are also important to all farmers as they may help to reduce their costs - barbwire being an example. Milk replacer feeds may be another example. Unlike other dairy imports, this product is used by many dairymen. Some dairy cooperatives purchase

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milk replacer feeds by the carload for their members. A full page ad appearing in a recent dairy cooperative publication stated: "Use milk replacers . . . low in cost, it is economical to use and saves you money." Several of the milk replacer feeds contain imported nonfat milk solids.

Farm Bureau supports the premise that agricultural import problems can be handled best through determinations of injury and remedies of the Tariff Commission rather than through special legislation. Our policy states:

"... Legislated import quotas are unacceptable solutions to import problems. Their enactment depends on whether enough political influence can be generated to pass a law, and they invite retaliation. American agriculture, more than any other segment of our economy, would be seriously injured by legislation imposing import restrictions on individual industrial and agricultural products . . ."

Furthermore, the legislative route is never as simple as it may at first appear to be. Legislated import quotas, for example, would require a waiver from the countries participating in General Agreement On Tariffs and Trade (GATT).

The dairy industry already has several recourses including action under the Federal Import Milk Act of 1927; the U. S. Anti-Dumping Law; Section 22 of the Agricultural Adjustment Act of 1933, as amended; the "escape clause" and "trade adjustment" provisions of the Trade Expansion Act of 1962; import licenses; and tariffs. Import relief is often gained through a combination of these recourses. Import duties, for example, often apply to quota as well as non-quota products.

The Tariff Commission's recent ruling following an investigation under the Anti-Dumping Act that imports of Japanese-made television sets were injuring the domestic industry may be a signal that the Tariff Commission will investigate other items, including dairy imports, where dumping is suspected.

To improve the effectiveness of the Tariff Commission, the following recommendations should be implemented:

1. Adjustment assistance and escape clause remedies should be readily available to any industry when the Tariff Commission finds that imports are causing major injury;

2. Criteria for determining injury should be established for the Tariff Commission to make it less difficult to obtain relief when injury or threat of injury to any U. S. industry is apparent;

3. Prompt determinations should be made on petitions for import relief; and

4. Presidential tariff reduction authority should be granted so that concessions can be offered to other nations when import restrictions are found to be necessary.
Although the dairy industry is not likely to experience a repeat of last year's influx of imports in 1971, it would appear that there must be a simpler and more effective method for handling dairy imports than the present procedure. The establishment of quotas on a price break or butterfat break basis by the Tariff Commission appears not only to complicate administration but to provide a means for circumventing quotas. A total milk equivalency figure would be one solution.

Probably in any analysis the problem under consideration should be viewed relative to other problems confronting the industry - if for no other reason than to establish priorities. One of the bright spots in 1970 was a slight improvement in the demand for milk above the previous year. The market for milk in 1970, however, was 6.2 billion pounds below the consumption level of only five years ago. This market loss was four and one-half times the level of net imports last year. Unless milk's shrinking share of the U. S. food market is halted the problem will continue to plague the industry.

Export Situation

Moving on briefly to the export situation - because of the importance of exports to U. S. agriculture, programs designed to open foreign markets to American agricultural products with a minimum of interference from government programs should be pursued. Non-tariff barriers, for example, should be reduced. These barriers, often more restrictive of trade than tariffs, may negate the effect of negotiated tariff reductions. The variable import levy fees now imposed by European Economic Community are an example of non-tariff trade restrictions.

Looking ahead at the export market for U. S. dairy products, probably this is one prediction that is safe to make.

Even though dairy exports exceeded imports in the 1960's, exports of U. S. dairy products as a percentage of milk output have always been small. Considering the world milk supply and the U. S. price level of dairy products, there appears to be nothing on the horizon to indicate a major upswing in U. S. dairy exports. The export market for the foreseeable future will continue to be a "limited" outlet for U. S. dairy products.
THE CONSOLIDATION AND COORDINATION
OF DAIRY COOPERATIVES IN THE NORTHEAST
Penmarva Dairymen's Cooperative Federation came into being July 1, 1968 after many joint exploratory meetings of the Boards of Maryland Cooperative Milk Producers, Inc., Maryland-Virginia Milk Producers Ass'n, and Inter-State Milk Producers' Cooperative. It is governed by a Board of Directors determined as follows: (quoting from Art. V, Sect. 1 of the By-Laws) "There shall be one director from each member, nominated by such member, for the first 100 million pounds of milk or fraction thereof marketed annually, one for the next 250 million pounds or fraction thereof marketed annually, and one for each 350 million pounds or fraction thereof in excess of 350 million pounds, and each director shall be a member of the member association. Computation of amounts marketed annually shall refer to the last fiscal year of the member prior to the annual meeting." And, because the Federation is incorporated in the State of Maryland, at least two directors shall be residents of Maryland.

While each cooperative retains its separate entity and contractual obligations, we are pleased with mutual benefits resulting from unity in action through the Federation approach. The major accomplishment of Penmarva during its short life has been the creation of a consolidated federal order identified as Middle Atlantic Milk Marketing Order #4. This effort required considerable time on the part of directors, management, legal counsel, and office staffs, but was well worth the cost. Penmarva took exception to two sections of the recommended decision. First, exception was taken to base transfer to provide that continuing farm and herd operations not lose base upon name change of owner. This exception was granted. Second exception was taken to denial of cooperative payments; This was lost in final decision.

The need for the merging of previous Orders: Delaware Valley #4, Upper Chesapeake Bay #16, and District of Columbia #3, was created by changing markets, and the necessity for permitting freer movement of milk within the areas to maintain higher Class I utilization. Another benefit was the twelve month base plan permitted by the decision. Since adoption of the plan required an individual producer referendum, the member cooperatives had their work cut out for them. Many informative letters were mailed to producers, many regional meetings for discussion were held, and fieldmen made many individual contacts. The effort paid off, results were gratifying; an eighty percent favorable vote was received. Benefits to Middle Atlantic producers are many. Combined Base Plan for all producers shipping into the market will avoid confusion, while the twelve month feature will provide incentive for dairymen within the area to produce milk the year-round for the needs of the Philadelphia, Baltimore, and Washington markets.
Pennmarva was represented at the national Class I hearing to consider an economic-type formula, which would regulate Class I prices in all 62 Federal Order markets. This proposed formula would have substituted ten economic factors, including prices of the manufactured milk products of butter, powder, and cheese, instead of relying as at present only on changes in the Minnesota-Wisconsin manufacturing price series. There was substantial and nation-wide support among producers and dealers alike for this formula; in fact, it was the greatest unanimity ever witnessed at a Federal hearing. But it didn't impress Consumer and Marketing Service; they refused to approve the formula. In my humble opinion, it is a vivid example of arrogant bureaucracy.

After Baltimore County passed a bill on milk dating, with the prospect that adjoining counties might follow, Pennmarva passed a resolution to oppose any objectionable dating law in a positive fashion with a constructive statement showing the adverse impact of such legislation on the dairy industry and the public in general. The latest development points to a reasonable conclusion of this problem.

More recently the consolidation of the three member house organs into a Pennmarva Magazine was studied in detail with estimates for editing, publishing, and distributing presented to the Board. Considerable economies were indicated, with the result that the adoption of one magazine in place of three be recommended to the members. Members have approved the recommendation; target date for appearance of the new magazine is May 1.

Inter-State Milk Producers began a Young Cooperator Program in 1968. Maryland Cooperative Milk Producers has had one since 1964. This year Maryland-Virginia Milk Producers will initiate theirs. Following the three programs this year, the Pennmarva Federation will stage an event combining the finalists of all three contests.

These have been the most important activities to date of the Pennmarva Dairymen's Cooperative Federation. It is difficult to measure or even estimate the savings in time, effort, and expense by working together instead of separately. Even more difficult to evaluate is the rapport gained by our three managers and twelve members of the Board working together on mutual problems and sharing in mutual accomplishments. Such sympathetic relation and accord will be priceless at some future time when the auspices are favorable for merger. I believe we are laying a firm and solid foundation for just such a consideration. There are some obstacles to hurdle in the path of merger, as pointed out at one of our Board meetings; but the obstacles are not insurmountable, with proper timing and preparation.

One further comment in closing - the Federation approach in our Middle Atlantic area has not resulted in a superpool or other premiums for the reason that the Class I price in our area is substantially higher than in areas to the West. Even with super pool in Pittsburgh, our Class I price is still high enough to cover transfer price to Middle Atlantic market. For this reason there has been no economic need for a super pool. Instead, Federation efforts have been in the direction of internal efficiencies.
THE NEW YORK-NEW ENGLAND DAIRY COOPERATIVE
COORDINATING COMMITTEE STORY

by Stanley W. Beal

Chairman
NY-NE Coordinating Committee

Our Coordinating Committee consists of 18 cooperatives representing 29,000 dairy farmers in Federal orders 1, 2 and 15, plus the Upstate New York orders in Buffalo and Rochester. Our combined membership constitutes about 71% of the dairy farmers in the area. Our committee was formed at a meeting held in Boston on December 20, 1966. At that time, we were facing a number of marketing problems that could not be solved by our New England group going it alone. We had held a few meetings with our fellow cooperatives in the New York-New Jersey area, but our relationship could best be described as one of friendly distrust.

Prices at that time were generally unsatisfactory and we were plagued by a New York price on Class I that was considerably below the New England figure. This had already led to a lot of shifting between markets which was bad for everyone concerned.

Our first efforts were directed toward improvements in our Federal milk marketing orders. We were completely in accord on the proposition that the New York price should be increased rather than having a decrease in New England. Our efforts were productive. While we didn't get everything we asked for, the relationship between the markets became reasonably stable and we are keeping in line with other markets throughout the country.

As you all know, changes take place rapidly in the dairy industry. To an increasing degree, our northeastern markets overlap and necessary changes have to be made on a regional basis. We find ourselves regularly involved in hearings and studies on Federal order matters.

Another area of activity has been in the field of sales promotion. Our committee took the position that there was much to be gained by establishing a milk promotion organization that would take charge of raising funds and putting them to work where they would do the most good. This particular study was confined to our New England group. Our recommendations resulted in the establishment of Milk Promotion Services, Inc. This organization has already succeeded in getting all promotional funds raised in New England into a single pocket. They now supervise the distribution of funds to our promotional agencies including the American Dairy Association, the New England Dairy and Food Council and Milk for Health in Connecticut.

Studies have been completed covering the establishment of a similar organization to handle this work in the entire northeast area. Hopefully we expect that within a reasonable period of time a single
cooperatively controlled organization will be handling the collection and distribution of promotional funds in the northeast.

From the outset, our group has considered the establishment of a common marketing agency as a matter of prime importance. A study on this matter is nearing completion and we expect to review recommendations at an early meeting of our committee.

We have never seriously considered the establishment of a superpool. At this point, it might be well to recognize what we are not. As previously stated, we represent some 71% of the dairy farmers in our area, but this percentage is far from uniform. In the six New England states, dairy farmers belonging to cooperatives who are, in turn, members of the Coordinating Committee total well over 90% of total dairy farms. In the New York-New Jersey area, however, cooperative membership is in the vicinity of 70% and 20% of these belong to a cooperative which is not a member of the Coordinating Committee. This results in effective membership of only 50% of the region's largest and most important marketing area.

While no merger of the members of the Coordinating Committee is presently contemplated, there have already been two mergers involving four cooperatives who are in our group and more are in the discussion stage. During the meetings of our committee, people from different cooperatives come to know each other better. We are more aware of the other man's problems. These factors are as important to meaningful merger talks. We like to think that this process of getting better acquainted will lead to still further cooperative accomplishment in the future.

In summary, we have made a reasonable amount of progress within the past four years. Our inter-market relationships are reasonably sound and we have the working tools to keep them that way. Most of all, we have managed to create a group of dairy leaders who are dedicated to the proposition of working together for the common good of their dairy farmer membership.
The New England Merger Story
by John S. Adams
General Manager
The New England Milk Producers Assn.

It is a pleasure for me to be here this morning and to serve on your panel. The subject you have given me, "The New England Merger of Cooperatives," has not been quite attained at this time, but, as I review the subject, I would like to re-state it, saying that there is a need of cooperative mergers in the New England area.

New England being a small area, taking almost 20% of its milk from the state of New York for the Boston market, our markets are constantly moving westward for milk supplies — although we are still getting approximately 40% of our milk out of the state of Vermont.

At the present time in New England we have approximately 15 cooperatives of both the bargaining and the operating types. They range in size from approximately 29 producers up close to 4,000 producers. NEMPA is the largest cooperative in the area. The need for merger in the New England area has come about largely as a result of court cases in our Federal orders nos. 1 and 15. As you will recall, we had the so-called "Allen Case" in the Massachusetts-Rhode Island-New Hampshire Order, which had to do with location differentials, and which followed the Blair Case here in New York. The matter of nearby differentials was settled in the Massachusetts-Rhode Island-New Hampshire market by the United States Supreme Court which ruled them invalid; and, of course, the Cranston Case in Connecticut has not been settled, as yet.

Other changes in our markets also point up the need for cooperative mergers. The Hood Company at Agawam, Massachusetts, has moved its plant from the Massachusetts-Rhode Island-New Hampshire market into the Connecticut market. This plant, having mostly Class I sales, has increased the blend price in the Connecticut order and reduced the price in our order. Also when the Cranston Case, involving nearby differentials in the Connecticut market, is settled, the up-country price for producers shipping into the Connecticut market will increase approximately 43¢ per hundredweight in the blend — which, in effect, gives us a very serious dis-alignment of prices between the Connecticut and the Massachusetts-Rhode Island-New Hampshire markets.

Producers in Connecticut have agreed to a consolidation of the Connecticut and Massachusetts-Rhode Island-New Hampshire markets into one large Federal Order market providing a merger of the cooperative with NEMPA and United Farmers can be carried out. The United Farmers and NEMPA have made a study relative to the economies which might come to dairy farmers if the two cooperatives merged. Now, the three cooperatives have representatives from their Boards meeting quite regularly to consider the possibility of merger among the three.
Naturally, producers expect some economic gains as a result of merging the cooperatives. These economic gains, in many instances, will not be evident probably for two or three years after the merger. There can be some immediate gains as a result of this merger, however. We do have, as an example, in many areas of New England, pick-up trucks moving up and down the road which are criss-crossing as far as producers are concerned, whereas one truck in one area might more efficiently pick up all of the milk. This in no way would result in a change of personnel in truck routes but might make it more efficient for the dairy farmer as far as his transportation is concerned.

As I said, we have been holding meetings and the problems that we have are the same as any other merger problems experienced throughout the country. We are moving into the financial problem - which, of course, is a major one. Then we have the legal problem which might have to do with anti-trust proceedings providing the merger became a predatory affair on some particular cooperative. This legal problem, however, does not seem to be too serious at the present.

Political and personal problems are always difficult to work out. Employees have been doing certain things certain ways for a number of years. Some of this will necessarily have to be changed. Again, for the benefit of the producers themselves.

We also will see changes in the Boards of Directors - which is a political problem. These men are dedicated men, as you know, and are reluctant to give up their policy-making positions feeling they have a contribution to make. It becomes very unwieldy for three cooperatives to have their three Boards meet to work out policy problems. It is also very essential that if three cooperatives are to merge, the door be left open for other cooperatives to move in as rapidly as possible. As I said in the beginning, we have 15 cooperatives here in the New England area and as the number of producers decline, it becomes more important that they combine under one cooperative for the best interest of dairy farmers.

If the three cooperatives do merge and the Connecticut and Massachusetts-Rhode Island-New Hampshire markets consolidate into one order, it would mean that these three cooperatives would then be representing close to 60% of the volume of milk.

One of the most serious problems that we have, I believe, has to do with communication with dairy farmers in order that they may fully understand the benefits that would accrue as a result of the merger. It sort of reminds me of the story of the man eating at a restaurant who happened to be an artist and looked over to see a beautiful girl. His desire was to paint the profile of this girl. He finally decided to talk with her relative to this. He introduced himself and chatted with her, finally asking her whether or not he could paint her profile. She informed him that she would like to think it over and would meet with him the next night at the restaurant. They met the next night and he inquired as to whether she had thought it over and she said "yes" she had, and that he could paint her profile provided he did it in the nude. He said, "I would have to think about this and I will meet you back at the restaurant again tomorrow night." They did meet the next night and she inquired as to whether or not he had thought about it. He said, "yes" he had thought about it and he would be willing to paint her profile in the nude provided he could keep his stockings on for a place to put his paint brushes.
THE CONSOLIDATION OF DAIRY COOPERATIVES IN THE NORTHEAST

by Charles K. Laughton

General Manager
Milk, Inc.

On January 1, 1970, four cooperatives in Northern Ohio and Western Pennsylvania consolidated into what is now Milk, Inc. The associations involved were Akron Milk Producers Federation at Akron, Milk Producers Federation at Cleveland, Northeast Cooperative Sales Association at Toledo, and Dairymen's Cooperative Sales Association at Pittsburgh.

In order to understand why this consolidation came about - and it was a consolidation, not a merger - let's look at the area involved and the number of producer members in each at the time of consolidation.

1. The Akron Milk Producers Federation had 725 members and a yearly milk production of 240 million pounds; the Dairymen's Cooperative Sales Association had 2800 members and 793 million pound production; Milk Producers Federation had 2800 members and 802 million pounds of milk; Northwest Cooperative Sales had 1800 members and 550 million pounds of milk. The total was 8125 members and a yearly tonnage of 2½ billion pounds.

2. Two Federal orders were involved at the time of consolidation, - Order #33, covering the Northwestern and Southern part of Ohio and a part of West Virginia; Order #36, Northeastern Ohio and Western Pennsylvania - abutting Order #33 from about the midway point in Ohio on the West running Southeast, also taking in part of West Virginia.

3. Membership intermingled to some degree. Each cooperative having members in both Orders. The Northwest Cooperative Sales Association, primarily served the Western Ohio markets of Toledo, Finley and Lima. They had members shipping to the Cleveland area under Order #36.

4. Milk Producers Federation at Cleveland, serving in most part the Cleveland, Akron, Canton, Erie area, had members in Order #33.

5. Akron Milk Producers Federation sold milk in Order #36, the greater Cleveland, Akron, Canton area, but competed for members with Milk Producers Federation at Cleveland and Dairymen's Cooperative Sales at Pittsburgh, and to some degree with Northwest Cooperative Sales Assoc. out of Toledo.

6. Dairymen's Cooperative, with most of its sales in Western Penna., did have some sales in the greater Cleveland, Wheeling, Youngstown area and competed for producers with both the Milk Producers Federation and the Akron Association.

7. The production area involved reaches from the Allegheny mountains in Pennsylvania across Ohio to about the Wabash River in Indiana on the West.
8. With the four associations having so much in common, one might ask why this consolidation did not come about sooner. To understand, one must look into the background of milk marketing in Ohio area over the past 20 years.

At one time there were more Federal orders in Ohio than any state in the union - 9 to be exact. While the Cincinnati market on the South was one of the first to establish a Federal order, dating back to about 1937, the Northern part - or the big Cleveland sales area - did not come under Federal regulation until 1949. Pittsburgh and Western Penna. did not become a part of Northeast Ohio Order until as late as 1968, having operated under a state control act.

Over the years the Ohio markets bargained for the premiums over and above the Federal Order minimum. This was a common practice and put many additional dollars in farmers pockets. However, the competition between Ohio Cooperatives to outdo each other, and in many cases being unable to agree on the amount of the premium to charge and the problems of pooling and distribution of funds, prevented any premiums at all on some occasions and a loss to all dairy farmers in the area.

The first step towards a consolidation came about in 1958 when the Cleveland and Toledo cooperatives (Milk Producers Federation and Northwest Cooperative Sales) together purchased the Orrville Milk Company, with supply and manufacturing plants at Orrville, Ohio, and Goshen, Indiana. The close working relationship proved to the two groups - directors and members alike - that if we were to secure premiums it would have to be done over a larger area, with recognition being given to market alignment and a wider pooling of premiums.

9. In 1960 the four cooperatives and Michigan Milk Producers Federation formed the Great Lakes Milk Marketing Federation, now the Great Lakes-Southern Milk, Inc. This was the first large federation of cooperatives, now reaching from Northern Michigan to Southern Florida, and was successful in establishing over Order prices in this large area.

I believe that the success of the Great Lakes Federation and the closer working relationship that was built between directors working together made it possible to bring about friendly discussions that finally resulted in consolidation of the four cooperatives involved.

These discussions started in early 1969, with committees from each Board, together with management and legal counsel. The committees reported back to their respective Boards and finally with all Board members meeting together and approving a future course of action. A consolidation was agreed upon rather than a merger. Pride and loyalty to the parent organization was still evident and consolidation and a new name solved that problem. After a preliminary audit, it was agreed that book value of each association would be used to determine the total worth of the new cooperative.

10. A new set of Articles and Bylaws was agreed upon. The 39 directors of the four associations would constitute the new Board of
Directors and they would remain in office 2 years. The area would be re-districted into 22 districts, which has since been changed to 19.

The new directors would be elected, after being nominated in their district, by a body of 10 delegates from each district. The term of office would be for two years. Those on the even years serving for one year and the odd serving for two years at the onset. The voting delegates to serve a one-year term.

11. In the process of redistricting, it was evident that by reducing the Board from 39 to 19 many could not be elected—particularly where there was a heavy concentration of membership. In one or two cases as many as four directors resided in one district. This is where directors put the welfare and the future of the new organization above or ahead of personal ambitions.

All member cooperatives were financially sound with no indebtedness. The book value varied greatly, with Milk Producers Federation and Northwest Cooperative having the greatest amount of assets, due to plant ownership. Three cooperatives issued certificates of ownership representing capital retains and earnings, while one issued capital stock. The years of outstanding certificates or stock varied. It was agreed that the oldest stock would be revolved first, to bring about equality on years of rotation.

After all of the ground rules had been laid and agreed upon, a uniform program of explanation was created to present to the membership at local meetings by field personnel, and so that there would be no misinterpretation of the intended rules of consolidation, a tape record was made and duplicated so that the same story was told to the membership at all meetings.

Each cooperative, according to its bylaws and state codes, secured the consent of the membership to liquidate the old organization and form Milk, Inc. Prior to consolidation, there were no commitments made to staff people and no agreement made between directors ahead of time as to officers of the new corporation.

12. At the first meeting of the new organization, officers and executive committee members were elected, committees were appointed, and management hired. Considering the amount of detail that had to be handled and the time consumed the first year or two, we have moved ahead remarkably well. We did not expect, nor have we made, the savings on operations the first year, but premiums over and above the Federal Order minimum Class I prices have been maintained, improving producer returns well over 2½ million dollars.

I believe the success of a merger or consolidation will depend upon the ability of the new organization to improve the income of its farm members and to maintain market stability.

A merger, just for the sake of becoming big, is not valid. It must over the long pull be sound financially in order to secure the greatest return to membership.

There is an old adage - MARRY IN HASTE AND REPENT AT LEISURE. This consolidation did not come around in haste and I know that many pitfalls were prevented by sound planning ahead of time.
AGRICULTURE AND ENVIRONMENTAL QUALITY
THE SITUATION
by Phillip Alampi
Secretary of Agriculture
State of New Jersey

The topic you assigned me for this part of today's session is "Agricultural and Environmental Quality - The Situation". That is a whopper of an assignment.

Perhaps I might be sounding flip by turning the assignment around, but I think I would be truthful in saying that "The Situation is that without agriculture you would not have environmental quality."

Environmental quality, I am sure most of us would agree, depends partly (a big part, I might add) on open space. Here in Syracuse we find ourselves in an area that blends agriculture, agribusiness, business and commerce. This is a good place to look ahead at ways to maintain the environmental quality we have and to achieve the best possible for the future.

Francis Raymaley, Director of our Division of Rural Resources in the New Jersey Department of Agriculture, has pointed out that agriculture, farmers and strictly rural residents take farmland and open space for granted. The city residents usually have a diametrically different view. We could say that there is hardly an ill in present big city management that could not be solved by "open space". We have developed a list of advantages of city open space:

1. To provide buffers between communities to keep them from sprawling together.
2. To meet our expanding needs for recreation areas.
3. To save scenic areas from the bulldozer.
4. To help curb the spread of city decay and blight.
5. To improve surrounding property values.
6. To conserve valuable agricultural land in urban fringe areas.
7. To protect our flood plains and wildlife.
8. To shape urban development.
9. To improve mental and physical health.
10. To provide relief from stress due to sensory overloads.
And Ray has a personal addition to that list. His is "To improve domestic familial tranquility!"

If this little list goes too far for some of you, still it is an example of the things we must be thinking about.

Certainly we can agree that land provides the basic necessity for all our people - the food and fiber we grow on it.

We can agree that we must have land for trees and forests - for the timber crops, the fiber, the shelter for wildlife, the regeneration of oxygen.

We can agree that we need land for esthetic values around our cities, land for highways and airports and industries.

We can agree that we need land for recreation.

Can we agree that we need a comprehensive land use policy? I, for one, hope so. In New Jersey, the most highly urbanized of all the states, (or are we second?) our Open Space Policy Commission has been working for a long time to come up with recommendations that many of us hope will help conserve land and provide for environmental quality.

Just this February my colleague Dale Ball, Director of the Michigan Department of Agriculture, at a meeting of the National Resources Council in his state, called for a comprehensive policy. This greatly interested me, since he is anticipating for the midwest some of the problems we are already facing here in the northeast. He pointed out that some experts foresee within 30 years a megalopolis stretching from Detroit to Chicago and from New York to Kansas City. "If this happens," Ball says, "we shall have diverted our prime agricultural land in Michigan and the midwest from its most valuable purpose. We shall have sacrificed food and fiber production for houses and industrial plants which might have been as profitably located elsewhere.

"If, to provide the necessary food, we are forced to use marginal land for agricultural production, this will have far-reaching implications for other needs. Outdoor recreation is today a prime use of much of this marginal land. But what if we have to plow up millions of acres to feed people? We lose both ways in such a trade-off - the land is less productive for agriculture; it is lost to wildlife preserves and recreational uses; so we multiply our problems."

At that same conference Mrs. William G. Milliken, wife of Michigan's governor, noted that 149 million Americans now live in urban areas, while only 53 million inhabit rural parts of the country. She said that she believes "this monstrous imbalance in population distribution must be corrected if future generations of Americans are to have room to stretch themselves. This is a big land - an enormous land, but we are not making very good use of it at all!"
Mrs. Milliken stated that she believes that "the absence of a sane state land-use policy contributes enormously to our total environmental crisis. Our response to this should be alarm - but not despair. The individual is not at all helpless to reverse the tide of events." And she went on to urge an environmental revolution.

I am convinced that we in agriculture must take the leadership in the battle for environmental quality. It is for our own good to do so. It is for the good of our children. It is for our self-protection.

Sometimes, especially in New Jersey's urban atmosphere, people are inclined to be pessimistic about the future of agriculture. I am not. I do hope, though, that I am realistic.

Actually, I think that much of our agriculture in the northeast can and will survive for many years, provided essential adjustments are made promptly and currently as conditions change in future years.

I believe that agriculture in some areas will not always be the underdog when decisions are made concerning land use. There is a growing tendency to recognize agriculture both as a valuable resource and as an industry which itself contributes much to the local economy. This attitude is encouraging and we hope we can look forward to the extension of such recognition.

Since we cannot take such recognition for granted, we must do all we can to earn and encourage it. That's where the leadership of agriculture and agribusiness must come in.

In my own state, one step we have taken was to hold a conference on agricultural waste in an urban environment. Sponsored by the New Jersey Animal Waste Disposal Task Force in cooperation with New York, Pennsylvania and Delaware, the conference of necessity ranged beyond waste questions alone. Richard Chumney, my executive assistant and chairman of the conference held last September, says: "The main purpose of the thoughtful men and women who took part in these proceedings was to find a way for rural and urban communities to develop their economies and reach their full potentials without becoming a nuisance to each other."

One of the four sections of the conference was on communications and public relations. William Ward, head of the Department of Communications at Cornell, urged the adoption of a six-point public relations program that would:

1. Involve just about everybody in agriculture in environmental improvement.
2. Continue to attack agriculture's own pollution problems rapidly and aggressively.
3. Identify resources, human and technical, that can be applied to ecological problems.
4. Establish an internal and external environmental communications network to achieve maximum participation.
5. Persuade others to join in the crusade for a clean environment.

6. Develop yardsticks to measure progress.

Now there are some points to ponder!

At the same session, Richard Cech, former Director of Marketing Services of FARM JOURNAL, said that agriculture has the truth on its side, but it seldom gets out. He came up with some suggestions too good not to pass on to you today.

1. Don't build a monument to bureaucracy by forming a pile of committees that don't, won't, or can't function. It is important and urgent to set up a communications center somewhere out here where the interest has polarized on mutual rural/urban problems. We'll help implement it somehow. It probably will have to be voluntary. But it ought to have a head, some commitment to work from many sources - industry, government, etc. Someone will have to give it a home. Maybe even a name, like URGENT CC, whatever you can make out of that.

2. Don't count on existing institutions to carry this load. Use voluntary or paid facilities of URGENT CC and its voluntary or paid help to coordinate sources of information, gather the information and distribute it according to a well-drawn plan through known print, electronic and personal communications systems - using every available organized communications', farmers' and trade associations' groups to help us circulate the messages. Develop some good meaningful slogans and saturate humanity with them.

3. Use both editorial and advertising communications in your plans. You can get both free if the material is good, creative. Look what the Advertising Council does free annually for alcoholism, heart disease, poverty, and a couple dozen other humanitarian causes. Millions of dollars of free creative time and space and radio-time. Why can't we? What's more humanitarian than our causes?

4. Get people on public platforms and popular "talk" shows on TV. Develop a speakers' bureau. Feed them material. Write their speeches for them. Print features around them. And how about devoting a National Farm Institute meeting or a Farm Marketing seminar, or an FIEI meeting or National Agricultural Chemicals meeting, etc., etc., entirely to the subject of rural/urban development.

5. Organize action rallies, walkathons, house and farm visits, coffee klatches. Get the women and children in the act. The high school and college kids. Get the Farm Bureau, NFO, Farm Coalition, National Council of Farmers Cooperatives to pitch in. Make what we do more meaningful, more effective and more responsive than any Farm-City week could ever be.

6. Get serious yourself about this need and the urgency of it. Get your own companies or universities, or associations or government bureaus as involved as you are. Or get out. We need drivers, not riders. We need an almost fanatical fervor and zeal. We're tackling
something pretty big. And we'd better either be man enough to do it, or smart enough to stay out of the game.

The many ideas thrown out at the agricultural waste conference by Richard Cech reflect his and FARM JOURNAL's concern with agriculture's relationship to environmental quality. The concern is national. It is good to know that here in the northeast we are doing our part. Three conferences on waste disposal last year - one at Cornell, ours in Atlantic City and one in Pennsylvania - speak well for our alertness. We are looking forward to a conference on waste disposal on the national level.

Animal waste, of course, is not the only agricultural item that brings us under the scrutiny of enthusiasts for environmental quality. There's the question of open burning. There's the question of runoff of fertilizers, pesticides and other chemicals. There's the question of sewage disposal and its effect on ground water. There's the question of proper conservation practices to avoid soil erosion and sedimentation. In December, I appointed a committee to develop model instruments for statewide regulation of erosion and sedimentation problems.

Both in government and educational circles concern for the quality of the environment is reflected in new agencies and new names. As you know, several years ago the College of Agriculture at Rutgers became the College of Agriculture and Environmental Science. The Federal government now has an Environmental Protection Agency. In New Jersey the governor last year established at the cabinet level a Department of Environmental Protection, headed by a very active Commissioner, Richard Sullivan. Mr. Sullivan's viewpoint, incidentally, is: "The agricultural enterprise is a very highly welcome part of the environment from the point of view of one whose job is environmental protection. I hope the industry stays around and prospers and that it grows instead of decreasing in its contribution to the economy of New Jersey."

Environmental protection and environmental quality, as we said earlier, depend on a number of things - but especially on open space.

Personally, I believe that intelligent planning and zoning are essential if we are to preserve the attractive features of rural living as well as the resources concerned with the economic welfare of the farm enterprise. There is urgent need to marshall all leadership and organizations, including government agencies, civic groups, associations such as yours, and others who can contribute to a sound and constructive program.

Some day, I am convinced, the time will come when the public will be asked to make a decision on the basic uses of one of our most prized possessions - the land. Will the public be willing to set aside a portion of our valuable land for agriculture, for recreation, for additional reservoirs and other uses dedicated to the public interest? We must not, we cannot allow our land to be wasted. It must be used in a manner which will meet the basic needs of an improved environment and a more beautiful United States, dedicated to the health and welfare of all of our people. This is my dream - and I prayerfully hope it comes to pass for the benefit of our children and their children.
Farmers have a selfish interest in preserving open space. Without it, they will go out of business.

Urban and suburban people have a selfish interest in preserving open space. Without it, they may exist, but they will not live.
WHAT ARE THE ALTERNATIVES FOR
AGRICULTURAL WASTE DISPOSAL?

by R. W. Guest

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Methods of handling agricultural manures have changed very noticeably in the last decade. The only change, prior to this, was from manual handling to mechanical, via gutter cleaners, but a most significant one.

Many changes in dairy practices have contributed to the evolution of manure handling techniques of today. One might conclude that because there are fewer cows today than ten years ago, the problem of handling the manure from these fewer cows should logically be less. This logic "might" be true if there had not been other influencing and contributory factors. Fortunately, some of the changes which have occurred to produce the strong dairy industry we have today such as fewer, but larger herds, free stall housing, zero grazing and the reduction and/or elimination of loose bedding material, have contributed immensely to the problem of handling and disposal of the animal manure.

The fertilizer value of manure is low per unit of weight and volume. Commercial fertilizers can be applied at lower per unit cost, but this still leaves us with the manure handling problem. The most logical place for manure is "back-on-the-land", even if the cost to get it there exceeds that of equivalent commercial fertilizers. The cost difference must then be charged as an operational cost to the dairy operation.

The form of free stall manure is semi-fluid. At the present time there is no commercial equipment that is designed expressly for this type of material. If water is added it can be pumped and handled as a liquid. For this, equipment is available, but storage and equipment are high priced. If the free stall manure is to be handled efficiently and effectively with present solids handling equipment, some dry matter (i.e. straw, sawdust, etc.) must be added to absorb liquids. This, too, is expensive not only for the dry matter which may have to be purchased, but also for the time and labor of dry matter application. Handling the manure in the form that it is produced seems the most logical at this point. However, another aspect seems to be entering the picture, and that is "storage". This in the past has not been a requirement, but contaminated field run-off which can easily occur when manures are spread on frozen ground, should be prevented. Also, storage would eliminate the inconvenience of having to spread when fields are deeply covered with snow.

Providing applicable storage for either the solids or the semi-solid material may make the total system cost very comparable to the present "liquid" handling concept, which has always had a storage cost associated with it.
One most important consideration that is applicable to any storage system is the timing of the emptying of the system. Generally this should be done before the soil is tilled in the spring. The job of emptying the manure storage will, irrespective of form, conflict with early spring field work. In order to retain the same field crop timing schedule, extra labor and equipment will be needed. This leads to the use of the ultimate system of spray or sprinkler irrigation of animal manures. This creates a greater investment in equipment, but reduces the labor input. Many problems, such as extra water needed to reduce solids to about 5% (as compared to 13-14% solids as produced), odor production, due to long term storage, agitation of extremely large quantities and permissible field application rates that are associated with this system, are presently unresolved.

The following line diagram depicts the various methods of handling the total animal manures as well as the milking center effluents.
FIELD DISPOSAL

*Removing water will have same effect on material
Methods are - Mechanical, Natural, Composting, Dehydration
The age old practice of dumping discarded or unwanted materials, products and substances in any convenient place has caught up with us. This includes the farm and domestic wastes that we have dumped down the hill back of the barn as well as the municipal and industrial wastes that have been discharged directly to our rivers and streams. These practices have created many health hazards, public nuisances, and other unsatisfactory conditions that cannot, and will not be tolerated any longer.

In the disposal of liquid wastes from milk processing plants there are several factors that must be considered and evaluated to determine which methods of disposal will be most satisfactory for the present and the future. These include the types of wastes, how much is involved, and how much of the capital resources can be devoted to waste disposal activities. A limitation of capital resources does not mean that certain plants and industries can pollute streams and create public nuisances just because they are short of money. They must develop methods of waste disposal that are convenient, sanitary and economical.

In many states it is illegal to dump or discharge any type of liquid waste into a stream, lake or natural drainage channel feeding into public waters without written permission from some specified state agency. As a rule cooling-water and other clean waste water, that will not create a nuisance or a public health hazard may be discharged to a storm sewer or surface drain. Dirty liquid wastes must be treated to reduce and/or remove the pollutants. Waste containing human sewage must be disinfected with chlorine before it can be discharged to a water course.

If there is a potential for thermal pollution from a specific waste material, it may be necessary to aerate or spray-cool it before final discharge. Even though such clean waste water has very little, if any deleterious effect on the stream, a permit may be required for this type of discharge.

There are essentially 4 methods of liquid waste disposal available to the milk processing industry. These include:

1. Municipal treatment
2. Oxidation lagoon
3. Sprinkler irrigation
4. Spreading it on the land
The most satisfactory method will depend to some extent on the availability of certain physical or natural resources. For example, if you are considering some type of mechanical, biological, treatment plant, a permanent stream with enough flow to dilute the treated effluent is desirable. If liquid wastes are to be spread on land, then enough usable acreage must be available so that during normal periods of operation the soil will not be overloaded with organic materials and become septic and a public nuisance.

Discharge to a Municipal Sewerage System

The most desirable means of sewage and liquid waste disposal is to discharge it to a municipal sewerage system. The problem of providing adequate treatment, including the operation and maintenance of treatment facility, then becomes the responsibility of the municipality. In this method of disposal one of the first things that a milk processor must consider is distance to a sewage treatment plant; will it accept milk processing wastes for treatment? Is there an existing trunk sewer close enough to serve the milk processing plant? If not, who will pay for the cost of constructing one? If the route of a new sewer line crosses private lands, then rights-of-way or easements may become problems. The cost of the connecting sewer line is usually charged to the user, but in some instances the trunk line may be provided by the municipality.

Capacity of the Treatment Plant - The sewage treatment plant must have enough capacity to handle the additional liquid volume and BOD load. The volume of liquid in the sewerage system at any one time should be large enough to dilute the milk plant waste so that the combined sewage flow can be treated satisfactorily.

If the sewage plant is operating near its rated capacity, a milk processor may be required to pretreat his wastes to keep from overloading the sewage plant. Normally pretreatment will include settling or screening to remove heavy solids and the separation of clean water from the sewage waste to reduce the volume of liquid to be treated.

In some instances it may be necessary for the milk plant to install strong waste retention tanks so that the waste can be dribbled into the municipal system; aeration equipment may be required to increase the dissolved oxygen content of the liquid; it may be necessary to adjust the pH. Even if the cost of pretreatment appears to be rather expensive, it may still be more economical for the milk plant to use the municipal service than to provide complete treatment facilities for its own use.

Periodic service charges for municipal treatment are usually based on water metered into the milk plant or on sewage metered at the treatment plant. Frequently the rate schedule for treating such industrial wastes will include a surcharge over or above the domestic rate to compensate for the larger biochemical oxygen demand and suspended solids.

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Ordinarily, if monthly charges are based on the quantity of water metered into the processing plant, an adjustment should be made for water added to juice concentrates or breakfast drinks. In some instances management may find that it's to its advantage to meter the quantity of water used for cooling and air conditioning. If this clean water is discharged to a storm drain and does not go to the sewage plant the processor should be able to deduct an equivalent amount from his gross sewage treatment bill.

Some milk plants may consider installing their own sewage treatment facilities only to find that the cost of constructing a municipal-type plant may be out of the question. In addition it may be necessary to employ a licensed sewage plant operator to operate and maintain it.

In other cases a package treatment plant may be considered. This type of plant can handle human sewage and low-strength industrial sewage generated in clean up processes. It cannot, however, treat whey, and large quantities of milk solids or highly alkaline wastes dumped from a bottle washer without some modification or pretreatment.

A package treatment plant is a prefabricated unit. It consists of a welded steel tank with two or more separate treatment compartments, air diffusion devices, pumps, motors, electric controls and other equipment necessary for aerobic treatment. The entire plant is designed, constructed and/or assembled in a factory, loaded onto a rail car or flatbed trailer and delivered to the user's site. It can be installed, connected to the sewer and put into operation in a very short time.

From a user's point of view this type of treatment plant may seem like the ideal solution but it does have certain drawbacks: (1) Most package plants are designed for treating domestic sewage. This type of waste includes a large quantity of water and a small amount of organic solids. If a package plant is to treat the usual quantities of milk solids the air supply must be increased considerably; (2) It may even be necessary to add nitrogen to the milk wastes to increase the carbon-nitrogen ratio to improve the digestion process.

Sprinkler or Spray Irrigation

The technique of waste disposal through sprinkler irrigation has been adapted from perhaps the oldest known method - "spreading it on the land." The soil acts as a living filter. Solids are retained on the surface and the organic nutrients enter the soil to nourish crops and vegetation. The water evaporates and/or percolates down through the soil to recharge the ground water reservoir.

Revolving sprinkler nozzles, activated by pressure in the pipeline, distribute the waste over the surface of the ground. For all intents and purposes the equipment involved is the same as that used for irrigating farm crops. In most instances, the distribution system consists of aluminum tubing with quick-coupling connections laid on top of the ground. The pipe can be taken apart easily, moved and reassembled in another location. Aluminum pipe must not be buried in the ground. If you want to go to a buried pipe system, you should use plastic, cast iron, or cement asbestos type of pipe.
Sprinkler irrigation is the most flexible method of waste disposal for the milk processing industry. It can be used either by the small plant operator whose volume of waste varies from hour to hour and day to day, or by the big operator whose waste load is fairly consistent all year long.

One of the most important prerequisites for this method of disposal is the availability of usable land within economic pumping distance. It may be just as feasible to pump the waste one half mile or more to a suitable area, as it is to construct and operate a biological-treatment facility near the processing plant.

Fundamentals of Site Selection: Topography, soil type, and drainage characteristics are important factors that affect the planning of a sprinkler-irrigation disposal system. The slope can range from fairly level to slightly rolling. The area should be free of swamps, wet spots, and other conditions indicative of a high water table.

The size of area required will depend on the quantity of liquid wastes and the characteristics of the soil, but it should include enough acreage so that several strips of land are available to be irrigated in rotation. Each strip should have adequate time between successive periods of waste application for rest and recovery.

Depending on the rate of application, several hours or several days may be required for the gravitational water to drain out of the soil.

It also takes time for the soil microorganisms to assimilate and digest the organic solids from the previous application. Although a few systems have been designed and installed in wooded areas, most have been on open farm land or idle land beginning to grow up in brush.

Limestone fields characterized by exposed bed rock, sink holes, and underground caverns, are not suitable for waste disposal. The waste water may short circuit the living filter and flow through solution channels or into sinkholes and directly into the natural ground water reservoir. Anyone who uses the irrigation method of waste disposal under these conditions must assume the risk of polluting wells, springs, and streams in the community.

The soil in any disposal area should be deep and moderately well-drained. A medium textured loamy soil is better than heavy clay or a coarse sand. Any soil that can be used to grow farm crops is generally suitable for waste disposal. The rate at which water infiltrates and moves down into the soil is an important consideration. This is a controlling factor because the water should not be applied any faster than the soil can absorb it.

Infiltration rates, water-storage capacity, and recommendations relating to waste disposal for most soil types can be obtained from the county soil survey reports being prepared by USDA in each state. If the report has been published, you can find a copy of it in the county office of the Agricultural Extension Service. If it has not been published, the field data and interpretations are frequently available from the USDA Soil Scientist in charge of soil mapping program in the local area.
Cover Crops: If the area to be irrigated is open cropland, it should be seeded with grass or a forage crop that provides a dense cover. The grass should be tolerant to high moisture and have a high evapo-transpiration characteristic. Reed canary grass is one of the crops for this purpose. Experience indicates that abundant moisture, combined with the nutrients in the organic waste, will result in a tremendous vegetative growth. Grass and hay crops should be cut and harvested from time to time to reduce the crop residue left in the field to decay.

Professional Assistance Needed: Plant managers who have used the sprinkler-irrigation method satisfactorily have found that each system must be designed for convenient operation and efficient management. The overall disposal area must be divided into several individual strips so that one can be in use while others are resting and recovering from previous applications.

Moving lateral sprinkler lines from one strip to another requires supervision and extra labor. It is hard work to pick up a pipe and carry it through mud and tall vegetation. It is a disagreeable job in cold weather and may become impossible to move when the ground is covered with snow and ice. Experienced operators have found that it is better to have a permanent set of distribution lines and control valves for each sub-area than it is to move the pipe and sprinklers every day.

Anyone considering a sprinkler irrigation disposal system should try to obtain the best information and planning assistance available. Many of the existing systems that are less than satisfactory or ones that have failed, have done so because of improper design and mismanagement. The success or failure of a properly designed system will depend on its being operated as a designer had planned.

Sewage and Waste Lagoons

The terms lagoon, oxidation pond, and waste stabilization pond have been applied somewhat interchangeably to all types of ponds used for waste treatment. Current trends in the usage of these terms classifies a lagoon as a body of water with a controlled shape and uniform depth, design for sewage or waste treatment.

The lagoon may be one of the most convenient and economically-feasible methods of waste disposal available to the dairy farmer, jugger or small processing plant provided a suitable site for the lagoon is available. Sewage of liquid waste in the lagoon undergoes a natural purification treatment process that ordinarily does not require human assistance. Microorganisms in the water digest the suspended and dissolved solid material and breaks it down into simple compounds.

The biochemical activity or digestion processes that takes place in a lagoon may be either aerobic or anaerobic depending on the amount of dissolved oxygen available in the water for the bacteria and microorganisms.
In an anaerobic lagoon the bacteria live without oxygen. The digestive process is slow and incomplete. Hydrogen sulphide, a rotten egg-like smelling gas and methane are released. Such objectionable odors usually become public nuisances. They are not suitable for dairy waste disposal and normally they are not permitted in built-up or residential communities.

The bacteria in an aerobic lagoon require an abundance of dissolved oxygen in their life cycle. The digestion process is fairly complete and there is no objectionable odor.

In the aerobic process and end products are carbon dioxide and water. These compounds support the growth of algae. The algae uses the carbon dioxide and releases oxygen. The oxygen supports more bacteria and they in turn digest more sewage. This cyclic phenomenon is known as photosynthesis. Energy for this process is provided by the sun and the amount of oxygen produced depends on the intensity of sunlight. Cloudy weather, turbid water, and snow or ice on the surface of the lagoon filter the sunlight and thus reduce the amount of oxygen produced. Photosynthesis does not take place at all during darkness, but under normal conditions enough oxygen will be stored in the water during the day to supply the oxygen demanded by the bacteria during the night.

A lagoon should be full of water at all times but excess storm water should be diverted to avoid flooding and possibly washing out the dam. In hot, windy weather, much of the liquid will evaporate and this may become a problem. Rates of evaporation can be obtained from the United States Weather Bureau and predictions can be made that may materially affect the desired size and volume of the lagoon. In this part of the country, however, annual precipitation and evaporation will just about offset each other.

In areas of permeable soils, seepage may create undesirable conditions that will have to be corrected. If any combination of low flow, seepage, and evaporation reduces the depth of liquid to less than 3 feet, it will be necessary to add water to maintain an optimum working depth. In cases of extreme seepage it may be necessary to seal the bottom of the lagoon with bentonite clay, a plastic film, or other materials commonly used to seal ponds and reservoirs.

Aeration and Nitrate Treatment for Odor Control: The oxidation of waste materials in a lagoon under aerobic conditions is similar to the natural purification process that occurs in rivers and streams. As long as the rate of oxidation does not exceed the available supply of dissolved oxygen, aerobic conditions will be maintained. But when the concentration of organic matter is such that the oxidation process consumes oxygen faster than it can be resupplied then anaerobic conditions will develop. The objectionable odor associated with anaerobic digestion can be minimized or eliminated by adding oxygen either in the form of chemical compounds or through mechanical aeration.
Common agricultural fertilizers such as sodium nitrate ($\text{NaNO}_3$) or ammonium nitrate ($\text{NH}_4\text{NO}_3$) are satisfactory chemical sources of oxygen. These materials should be mixed with the incoming wastes or spread over the surface of the lagoon. If an anaerobic condition is due to a low carbon-Nitrogen ratio, these fertilizers may increase the nitrogen to an optimum level. If very much nitrogen is required, anhydrous ammonia ($\text{NH}_3$) may be a cheaper source.

Floating aerators powered by electric motors can also be used to replenish the oxygen supply in a normally aerobic lagoon. Another method of aeration involves air diffusion from a series of perforated plastic pipes placed in the bottom of the lagoon. Air is pumped into the diffusion system by a heavy duty blower similar to the type used in sewage treatment plants. Normally, oxygen supplied by mechanical aeration is less expensive than that provided by chemical compounds.

**Spread on the Land**

In some instances it may be possible to use a tank truck to spread small quantities of high strength liquid waste on land available for this purpose. This is one of the most effective methods of getting rid of whey and other fluid wastes when they cannot be recovered as by-products and converted into human food or animal feed. Although this method of whey disposal is normally considered to be an emergency procedure, many plants have used it as a convenient method of disposal for some time.

Spreading waste on the land, while perhaps an acceptable means of disposal, has several disadvantages. First, the cost of hauling may be significant, depending on the equipment needed and distance involved. Weather can cause more problems, especially when nozzles plug, and spreader pipes freeze, and trucks get stuck in mid.

Any land area used for waste disposal should not border residential areas. Decaying organic materials may create odors, and surface drainage may carry pollutants into local water supplies. If this becomes a nuisance, or a hazard, public health officials will stop the practice.

**IN SUMMARY**

Convenient, sanitary and economical methods of waste disposal are urgently needed by the milk processing industry. Improper management of wastes creates a host of difficult problems. It is quite likely that the situation will get worse before it gets better. Experience indicates that it is much better for a plant to meet its waste problems head-on and find a workable solution than it is to wait until an official notice from the State Department of Health indicates that "police action" is imminent.

Each type of milk processing plant must adapt methods of treatment and disposal that best fits the type of waste generated. Methods
recommended are: (1) discharge liquid waste to a municipal sewerage system, (2) sprinkle-irrigate it, or (3) stabilize it in an oxidation lagoon and (4) spread it on the land with a tank truck. The best method will depend on an evaluation of the circumstances relating to each plant's activity, location and resources.
FARM LAND AND TAX ASSESSMENT PROGRAMS
FARMLAND AND TAX ASSESSMENT PROGRAMS
THE NEED AND DIRECTION

by Howard E. Conklin

Department of Agricultural Economics
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I have been asked to discuss with you some of the new ideas and programs for giving special treatment to farmland in the assessment procedures used for the property tax. Several states in the Northeast already have adopted special laws for farmland assessment, and others are considering them. Governor Rockefeller, during his campaign last fall, promised New York farmers a new law on assessments and work is underway now to hammer out an acceptable proposal.

Let me start by pointing out that very few people, certainly in New York and probably in the Northeast generally, are convinced that farmers as a group are being unfairly over-taxed. No broad support could be developed for a new farm assessment law simply to reduce farmers' taxes. Farmers may feel that this is an unreasonable attitude, but it is a fact.

People generally are supporting special farm assessment laws only when they think such laws will help maintain an attractive countryside, prevent the increased government costs that go with urban scatereation, and encourage new investments in the agricultural industry. In some states people have been convinced that certain tax concessions to farmers will gain these desired results. An acceptable proposal has not yet been put into final form in New York, and even in the states with special farm assessment provisions, questions are continually raised about the results they are producing, as I expect the next speakers on this program will affirm.

The basic question, then, with which I must deal has to do with whether or not provision of special farm assessments can reasonably be expected to keep attractive countryside, hold down public costs and encourage new agricultural investments; and whether it can do all of this and still be a real help to farmers.

The special farm assessments provided for in some states and being considered in others are use-value assessments. Use-value assessments laws for farms direct assessors to value farms on the basis only of what they are worth for farming, not what they could be sold for as house lots, industrial sites, or other nonfarm purposes. Our basic question then becomes, can use-value assessments gain the advantages listed above and also be of real help to farmers?

Let's review some of the developments that are taking place around the cities of the Northeast today. I and men working with me recently made a study of an area adjoining Syracuse on the Southwest. It extended outward from the city some 25 miles. We studied land transfers, trends in urban types of land use, and new investments in farming. We also
talked with many people, asking why certain things had happened, what they expected in the way of general changes in the area in the future, and what they personally were planning to do.

The area has good farmland but we found that new investments in barns and other farm items was low and declining. We were told many times, "I don't expect to sell my farm to another farmer. I know I need a new barn, but I will get along with the old one then sell to a developer". Others said "We would like to stay in farming but taxes are increasing, there is talk of new water and sewer districts that would cost us a lot, and some of the new people are starting to complain about how we spread manure and do other things on the farm. They are going to drive us out".

We also studied information on population trends in the area and the official population projections. We studied the nature and distribution of the new nonfarm uses in the area. And when we finished we were forced to conclude that ten times as many people are hoping to sell their land for $1,000 or more per acre in this area as can possibly do so in three decades.

A complex of factors in expanding expectations for urban expansion out of all proportion to reality. For some it is wishful thinking; a dream of selling at a high price. For others it is a fear of being crushed by an urban onslaught.

We are developing a strong conviction that present trends will produce blighted belts around many cities of New York. Hopes and fears are reducing dedication to farming. Farms, even on good land, are being allowed to run down. There will not in fact be a high priced market for most of the land, and by the time this becomes clear, many of the farms will be too run-down to bring back. They will be worth less than even well kept farmland, and far less than the prices now hoped for.

In New York State, real estate taxes form only about 4% of all farm expenses. This is a small item. But taxes "come off the top" and directly reduce net farm incomes. And near cities real estate taxes commonly amount to considerably more than 4% of all costs. Real estate taxes clearly can tip the balance for some farmers between staying on the farm and taking a nonfarm job.

The occurrence of scattered high priced sales even far from city boundaries tends to encourage high farm assessments. As a general rule, in New York, farms in the past have been considered such, for assessment purposes, until they really were converted to other uses. We have had de facto use-value assessment of farms. But pressures are growing to abandon this policy as simply an unwritten operating procedure. It must be written into law if we are to preserve it.

But just how far can use-value assessment, either de facto or written, go toward cooling speculation on good farmland and encourage farmers to examine rationally their chances for winning in the game of real estate roulette many of them are playing? The very fact that we in New York have had de facto assessment of this type argues against the idea that use-value assessment can do more than tip the balance in a few cases.
My interpretations of the results of research in states with farm use-value assessment laws leads me to the same conclusion. I shall listen closely to what Mr. Alampi and Dean Cairns say today on this point. But a group of Northeastern research economists, of which I was a member, at a meeting last fall appeared to come to a fairly strong tentative conclusion that other things must be combined with tax incentives if the speculative tide really is to be stemmed on a broad front in most areas. It may, indeed, be necessary to develop means for supplementing use-value assessment provisions even if these are to be held on the books in some of the states where they now are law.

I can speak first hand on the research we have done in New York. This state passed about three years ago a law providing 5 years of tax exemption for new farm buildings. We are studying the operation of this law. Farmers we interviewed indicated that they appreciated the law but could not in all honesty say that it greatly influenced their decisions to build. Neither is it possible to show any substantial increase in farm building investments statewide, or in areas of urban pressure, after the passage of this law. The effect of the law will increase as time goes by, but some of us are beginning to doubt that we can make good enough a case for its continuance to get it extended beyond its present expiration date in 1978.

Governor Rockefeller created the Agricultural Resources Commission to deal with the problem of maintaining a strong agricultural industry in New York. The Commission has carried out extensive investigations and at this point is strongly promoting a proposal for legislation that would permit creating agricultural districts.

Within such districts farmers would be granted exemptions on any assessed value above that representing the value of their farms for farming. But there also would be other incentives for continuance of farming:

1. No local ordinances could restrict structures and activities normal to farming except when such restrictions are clearly and directly related to health and safety.

2. Any taking of farmland by a public body through eminent domain would require special justification.

3. Farm property, except the farm house and a lot around it, could not be taxed for sewer and water.

4. The movement of farm machinery on highways in the districts would be facilitated.

5. State agencies would be instructed, as a matter of state policy, to adjust their activities and administrative decisions to encourage farming within the districts as much as possible.
In return for these aids to farming, all state and local expenditures specifically for promoting residential, industrial or commercial development - expenditures for sewer, water, lights, interest subsidies, public housing projects, and the like - would be cut off in the districts. Farm property could be sold for nonfarm purposes, but farmers would be under less pressure to do so and the nonfarm uses could not get the public services that usually are prerequisite to large developments.

These districts would be formed on petition from farmers and the county legislative body would have final authority for their creation except for a right of appeal by the farmers to a state body under certain circumstances. Only farmers producing for sale at least $10,000 in products would be eligible for tax exemptions, except that land owners renting to such farmers would also enjoy these benefits. The $10,000 limit aims to exclude speculators. Indeed the main purpose of the legislation would be to discourage speculation, whether by professionals or by farmers.

The boundaries of districts could be modified, of course, if a real nonfarm need for the land developed, but modifications would be deliberate and carefully considered.

The Agricultural Resources Commission and, I gather, Governor Rockefeller too, are convinced that agricultural districts would curb urban scattering and promote a strong agricultural industry, with beneficial effects on the appearance of the countryside and the economy of the state.

But if special assessment methods for farms must be wrapped into this kind of a package, how valuable will they be to farmers?

The agricultural district proposal has not been given as wide publicity as the people connected with it would like. The time has been too short since it was developed. A special extension program is now underway to give it publicity.

While most farmers have not yet expressed an opinion on the proposal, the proposal itself was worked out with officers of the two major general farm organizations in the State, the Farm Bureau and the Grange. There certainly would be some farmers who would object to the district idea. Its advantages for them would not outweigh, in their judgment, the possible effects of limiting government expenditures for public services on the non-farm market for their farms. Others, however, have said that they would like to be in a district, even if it gave them no tax advantages, simply to gain the other advantages.

The proposal as it has been submitted to the Governor's Office contains a provision that would permit farmers outside of districts to sign contracts and thereby gain the same tax advantages as in districts. Only the tax advantages would be granted to them; however, contract provisions would be strict, and the penalty for violations would be high. Contracts are intended only for farmers who are too isolated from other farmers to get in a district, not for farmers who simply do not want a district. It is hoped that use-value taxation outside districts will be acceptable to the legislature and the Governor on this basis, even though it almost certainly would not be otherwise.
Let me summarize:

1. It is not realistic to look for changes that would simply reduce the tax load on farmers. Special farm assessment laws can be passed and kept only if they can help to cut down urban scatteration, encourage continuance of a vigorous agriculture, and maintain a pleasant countryside.

2. Speculation lies at the heart of the forces that are blighting farming in broad belts around most of our cities. Only a small part of the land in these belts actually can go into nonfarm uses at high prices, but the chance for a high-priced sale discourages new investments in farm improvements.

3. Special farm assessment procedures may help some to cool speculative fevers, but many of us in New York feel that they must be combined with other things to be very effective.

4. The New York State Agricultural Resources Commission is proposing legislation that would permit creation of agricultural districts in which a package of provisions would encourage farming and discourage (but not prohibit) other farm uses. Agricultural districts appear to offer the possibility of real benefits to farmers and real benefits also to others who would like to preserve at least part of the rural scene as we know it today.
THE NEW JERSEY EXPERIENCE

by Phillip Alampi

Secretary of Agriculture
State of New Jersey

In New Jersey, we believe our experience with our farmland assessment program has been valuable. I believe if I give you some background you will see why we feel as we do about the success of the program.

Agriculture is one of the primary and basic elements in the New Jersey economy. Though the extent of its contributions has varied, it remains one of the major land uses within the State. Because of its dependence on the land, agriculture and its related interests were vitally affected by the level of taxation on real property. In New Jersey, where local government derives most of its revenues from property taxes to meet the public needs of a rapidly growing population, the issue of skyrocketing taxes and static incomes had become a matter of deep concern. Although agriculture had, in some measure, been able to substitute capital for land in order to maintain a strong and viable agriculture, rapidly escalating assessments and tax bills were contributing to a severe decline in farms and agricultural lands in New Jersey.

This disappearance in farms and agricultural lands was recognized by many as having a significant negative impact on all of New Jersey, not just those who are agricultural producers. What were some of these effects?

-- The annual wealth created by agriculture producers, approximately $300 million per year was beginning to decline.

-- Many of the products of agriculture serve as raw material for the food and fiber processing and marketing industries. A decline in agricultural production affects these industries as well as those businesses providing agricultural producers with the inputs they need.

-- Land in agriculture serves as watersheds to conserve and protect the water resources of the State. In addition much of the land in agriculture serves as the prime hunting and fishing resources of New Jersey.

-- Land in agriculture is maintained; kept free of noxious weeds, protected from erosion and serves as a creator and protector of much of the State's scenic resources.

-- Land in agriculture is the second largest unit of tax paying open space that contributes so much to the diversity and attractiveness of the Garden State. It provides the amenities of living and recreation, guides suburban development; all this plus the payment of taxes.
Thus, it was recognized that excessive and burgeoning land assessment and taxation was one of the prime ingredients in the loss of a sizable portion of one of the State's most beneficial elements - its agriculture.

Several studies highlighted and pinpointed what was occurring to New Jersey agriculture as population growth, urbanization, and land assessments and taxation soared.

-- Land use studies of several municipalities undergoing various degrees of suburbanization showed a "bow-wave" of vacant land being created, largely from agricultural land, in the forefront of development. In several instances this vacancy represented 10 to 20% of the municipality. Thus a large amount of land was becoming unproductive, eroded and unattractive.

-- From 1950 to 1960, 10,000 or approximately 40 percent of New Jersey farms had disappeared. In terms of acreage, about 400,000 or 23 percent of New Jersey's agricultural land resources had been removed from production.

-- Taxes per acre of farmland were the highest in the U. S. and had doubled from 1954 to 1960. On a per farm basis, property taxes had increased fivefold from 1950 to 1960 and represented an average of somewhat over 20 percent of net farm income. For individual years, taxes represented from 10 to 60 percent of net farm income. Thus, agricultural incomes were being overwhelmed by high property assessments and taxes.

-- A study examined the relationship between the municipal revenue and costs associated with agriculture in several municipalities throughout the State. The results showed that farms pay in property taxes a much greater percentage of the total levy than the percentage of the cost of local and school services that were affected by suburban growth. From the study it was concluded that even if land was assessed solely for agricultural purposes, it would still pay its own way in terms of local property taxes.

With these facts, a united agriculture and broad public support a constitutional amendment was offered to the voters on November 5, 1963, to provide for a "farmland" assessment program. The major features of the amendment were:

-- Land "actively devoted to agriculture" shall be assessed according to value derived from such use.

-- Land shall be not less than 5 acres in area.

-- Land must have been "actively devoted to agriculture" two years prior to request for eligibility.

-- Landowners must apply for such assessment.
-- In the event the use of the land changes, a three year roll-back payment shall be made to the municipality based on the difference between taxes paid under "farmland" assessment and the taxes that would have been paid under "market" assessment.

You can see how important such an assessment system could be in the most highly urbanized state in the nation.

Since the amendment had to be voted upon in the New Jersey elections of 1963, the problem was how to get it passed. A number of suggestions were made for organizing support for the amendment, but they boiled down to what appeared to be a self-centered plea for a special break for farmers. In fact, the "Committee to Save New Jersey Agriculture" was proposed. This, it seemed to many of us, would be too narrow and selfdefeating. We just didn't have the numbers needed to succeed.

Then I came up with an idea. Call the campaign SOS - so about six months before the election, we established a citizens committee to "Save Open Space".

"Save Open Space" wasn't just a farm pitch. SOS meant something to everybody. We said that a vote for the SOS amendment would assure the preservation of some open space in the Garden State for all citizens and their children. This open space, we pointed out, would be maintained by the farm owners, free of costs to the general public which would benefit through the favorable environment provided.

The citizens committee wasn't headed by a farmer or a professional farm organization man. It was headed by the president of one of our largest chemical companies whose company had nothing to gain, except the preservation of agricultural land as part of a total "Save Open Space" program for the State. He, in turn, loaned to us the services on a full-time basis for six months of one of his top executives at the company's expense.

The citizens committee of 67 people grew. It included college presidents, editors, legislators, educators, labor leaders, government officials, and a host of businessmen. Publicity releases, billboards, radio, television, speeches, interviews and letter-writing campaigns poured out reasons why SOS must get a "yes" vote. A sum of $50,000 was raised for these campaigns from farmers, businessmen - yes, all of agribusiness. Only $42,000 was spent.

On November 5, 1963, the vote was 1,042,789 to 467,448 - nearly three to one.

And where did the heavy majority come from? From the seven urban counties of the State, ironically not from the fourteen rural counties.

The Constitutional Amendment approval indicated great support for a program of great importance to agriculture; to the public; and especially to the community by virtue of the tax roll-back.
In 1964, the State Legislature implemented the Constitutional Amendment with Chapter 48, Laws of 1964; "The Farmland Assessment Act of 1964." The requirements provided in the Constitutional Amendment were put into effect along with some other important elements and features which were:

-- Required a minimum annual gross sales of $500 from the land for each application.

-- Required an annual application from the owner.

-- Provided for a State Farmland Evaluation Advisory Committee to annually determine and publish guide values for use by local assessors in assessing qualified farmland.

-- Defined major words and prescribed procedures for computing roll-back taxes and the development of regulations.

And so the program went into effect for the tax year 1965.

Interest and participation in the program has grown to the point that for the 1970 tax year approximately 760,000 acres of qualified land actively devoted to agricultural or horticultural use were scheduled to be assessed under the program. This represents about 16% of the land area of the State. (Note - farm dwellings and buildings continue to be assessed according to the same standards as anyone else's buildings.)

Some limited study and observations reveal that:

-- Whereas during the 1950's, New Jersey was losing farms at the rate of 1,000 per year; from 1968-70, the annual decline in number of farms was 200. Acreage-wise, the comparable figures are 28,000 and 20,000. Thus, there has been a significant decrease in the loss of farm and farmlands much of what can be attributed to the Farmland Assessment Program.

-- While New Jersey continues to have the highest taxes per acre of farmland in the U. S. at $18.87, tax explosion, caused by rapidly escalating land assessments has been effectively controlled and eliminated. Farmers can now plan for the future with a large measure of knowledge of future tax costs.

-- A Rutgers survey of some of the early effects of the program showed that -

1. The program participants are drawn largely from farmland owners who have been encouraged to make added investments on machinery and capital items.

2. Participants in the program, though having offers to purchase their land, resist selling out of agriculture.

-- Land which has been previously withdrawn from agriculture and had lain vacant and idle, was now being returned to productive agricultural use.
In selected locations, new capital was being drawn to agriculture because of the contributing factor of relative stability in tax costs.

In summary, a Farmland Assessment Program vital to agriculture, which provides numerous direct and indirect benefits to the Garden State, has come into being. The program is now making its contribution as one of the public policies of the State essential to a balanced, diverse and environmentally attractive New Jersey. For in the continuing era of rapid population and urbanization growth, the importance and critical role of natural resource use has become of utmost importance. The New Jersey "Farmland Assessment" Program contributes mightily toward that effort.

Those from outside of New Jersey have recognized the well developed and implemented Farmland Assessment Program. It has become the model for many of our sister states.
Farm land use and tax assessment programs have been of concern to Maryland farm leaders, organizations, and the individual farmers for many years. A joint tax committee of the Maryland State Grange and the Maryland Farm Bureau, Inc. has served the farmer members and the entire agricultural community in a most effective manner for the past thirty-seven years. Specific attention to farm property taxes has been given for more than the past two decades.

Experiment station reports and publications in 1950 cited rising farm property taxes in the rural and urban fringe. Two years later, Walker and Halse proposed a system of zones that could be created with the application of different taxing rates. These led to another suggestion whereby assessment of agricultural land would be based on a use classification and a use value.

In the evolution of the rural thinking on this problem, it is appropriate to refer to the 1951-52 joint tax committee report which also noted the climbing and high farmland assessments in the rural-urban fringe. The culmination of these discussions and reports was the passage by the 1955 Legislature of a use-value assessment bill. Much to the chagrin of many, the bill was vetoed by the Governor. At the start of the 1956 Legislature, the bill was enacted when the veto was overridden.

This was only the beginning. In 1957, the bill was repealed and a revised version enacted. Thus, the idea had become a reality but adjustment was necessary to make it workable. Following the reenactment of the bill in a revised form, the assessors met and considered procedures for implementation.

Within two years, in 1959, the constitutionality of this statute was challenged in the courts. On January 19, 1960 many people wondered about the future when the act was declared unconstitutional. A request for a hearing was granted. During the 1960 Legislature, the law was repealed and a similar law was enacted.

More significant, however, was the action by the Legislature to provide for two amendments to the Constitution to be submitted to the electorate on the November 1960 ballot. The first amendment to Article 15 provided for the sub-classification of land. The second, in Article 43, states as follows: The Legislature may provide that land actively devoted to farm or agricultural use shall be assessed on the basis of such use and shall not be assessed as if subdivided. These amendments were both approved by more than a two-to-one vote. A margin of this magnitude was possible only by the support of the urban or suburban voters.
The State Department of Assessments and Taxation had been at work for some time developing criteria for determining whether lands that appear to be in active farm or agricultural uses and qualify for assessment under the Article 81, Section 19(b)(1) provisions of the law. The admonition was given that the criteria should include but not be limited to zoning, land under federal programs, productivity of land, including timberland and forest, and the ratio of the land and other use.

Twenty-nine items were identified as the criteria to be followed. These included the four identified in the law and listed above.

1. Zoning applicable to the land
2. Applications for and grants of, zoning reclassification in the area
3. General character of the neighborhood
4. Use of adjacent properties
5. Proximity of subject property to metropolitan area and services
6. Submission of subdivision plan for subject or adjacent property
7. Present and past use of the land
8. Business activity of owner on and off the subject property
9. Principal domicile of owner and family
10. Date of acquisition
11. Purchase price
12. Whether farming operation is conducted by the owner or by another for owner
13. If conducted by another for owner or the provisions of the arrangement, written or oral, including, but not limited to, the term, area let, consideration and provisions for termination
14. Farming experience of owner or person conducting farming operations for owner
15. Participation in governmental or private agricultural programs or activities
16. Productivity of the land
17. Acreage of crop land
18. Acreage of other lands (wooded, idle)
19. Number of livestock or poultry (by type)
20. Acreage of each crop planted
21. Amount of fertilizer and lime used
22. Amount of last harvest of each crop
23. Gross sales last year from crops, livestock and livestock products
24. Amounts of feed purchased last year
25. Months of hired labor
26. Uses, other than farming operation, of the land
27. Ratio of farm or agricultural use as against other uses of land
28. Inventory of buildings, and condition of same
29. Inventory of machinery and equipment, and condition of same

An important additional input has been the use of soil survey and crop productivity data as the county soil survey reports become available. In general, six categories have been established. Crop land has been divided into three based on the productive capacity of the soils. For example, the A group of soils is capable of a sustained average yearly production of 100 bushels or more of corn per
acre; B from 70 to 100 bushels; and C less than 70 bushels. D is intertilled crops - usually in pasture. E includes flood plain, mountain and some other land not suited to farming. F is woodland, which is assigned a productivity and economic value based on site index data. Values of a relative order have been accorded the different groupings. These are being applied in about one-third of the counties at present.

In 1961, the previously enacted law was repealed and reenacted. This includes most of the provisions still in effect. As might be expected, the application of the criteria related to the definition of a farm was tested in the courts. The court ruled in favor of the landowner, thereby instructing the assessors to accord farm on agricultural use assessment on very limited evidence.

In addition to the law in 1963 it provided for forest and woodland assessments to be fixed at current levels until harvest if the management practices identified by the Department of Forests and Parks were followed by the landowner. A further addition or amendment in 1965 provided for dual assessment of country club land but obligation for lower assessment unless use of land is changed. This provision was challenged by Nader's Raiders this year.

The Committee on Taxation and Fiscal Matters studied the law in 1963, but no legislation was introduced. In 1966, a roll-back feature was introduced, following another study but the bill never got out of Committee. The following year, the same bill was reintroduced but was never reported out of Committee.

In each instance, proponents believed the answer to the revenue need problems of the counties would be resolved by what they considered to be the closing of loopholes against speculators. A bill introduced in 1968 included three provisions (1) lands assessed as farm lands that were purchased for more than seven times the assessed valuation, (2) land rezoned to a more intensive use at the instance of the owner, and (3) land on which a subdivision plot was filed. These three actions would disqualify property for assessment as agricultural land. This bill was passed by the Legislature, vetoed by the Governor and in 1969 the veto was sustained by the legislature.

In 1967 Legislature had instructed the Governor by resolution to appoint a committee for the purpose of considering matters related to assessment and preservation of farm land. This unit was appointed but without funds, as contrasted with a wetlands committee financed by a $50,000 appropriation. The committee drew up an interim report and several recommendations after a number of meetings.

The 1969 Legislature passed a bill incorporating dual assessment on lands assessed as farm land that were rezoned at the instance of the owner or on which subdivision plans were recorded. The owner would be responsible for the difference in tax paid on the agricultural assessment and the amount that would have been due under the higher use value assessments for up to a period of three years but not more than 5 percent of the full cash value assessment in effect at the time the land was converted to the higher use.
Some eight bills affecting assessment had been introduced in the 1969 Legislature. The above amendment represents a compromise and also included a section on new towns, cities, or satellite cities for areas of 500 acres or more of primarily undeveloped land. Under this provision such land would be assessed at a rate equal to lands in agricultural use — "whether in fact it would or would not qualify for such agricultural use assessment."

Local legislative proposals come before the State legislature. In 1971, the Montgomery County Delegation was seeking additional revenue for the county — proposed a series of criteria under a premature development lands section. This had some points of very serious concern — however, the bill was defeated in committee a week ago.

Adjustments will have to be made in the future to meet changing conditions. Each county has filed with the State a water and sewerage plan extending through the end of the century. Changes will come in planning and zoning — hopefully from county to state coordination. Master plans have encouraged speculation. Population pressures will continue to modify our attitudes and approaches to maintaining the ecology and quality of our environment.

The present statutes are not the answer solely. A bill introduced in the 1971 Maryland Senate provides for development rights, conservation zones, etc. It extends beyond the willingness and understanding of sufficient numbers of people to accept change.

Article 81, Section 19(b) of the Annotated Code of Maryland, 1969 Replacement Volume:

"The General Assembly hereby declares it to be in the general public interest that farming be fostered and encouraged in order to maintain a readily available source of food and dairy products close to the metropolitan areas of the State, to encourage the preservation of open space as an amenity necessary to human welfare and happiness, and to prevent the forced conversion of such open space to more intensive uses as a result of economic pressures caused by the assessment of land at a rate or level incompatible with the practical use of such land for farming."
THE CHALLENGE TO COOPERATIVES
PRESENTED BY THE CHANGING MARKET STRUCTURE
Before I really begin my report to you, let me qualify my feelings about giving this report. When your chairman, Gene Vandenbord, asked me, in my capacity as President of American Dairy Association and Dairy Council of New York and as a member of the Board of Directors of the United Dairy Industry Association, to give this report, I agreed without knowing that following me on the program would be Glenn Lake, the President of the Board of UDIA, as well as Frohman Holland, Secretary of the Board of UDIA. Each is infinitely more qualified than I to report on the Association. For probably the first time in my life I can now appreciate how some of our staff people must feel when they are asked to report on the operations and/or policies of our organizations when their boss is in the audience.

Although policies and purposes of an organization are always established by the full Board of Directors, they have to be interpreted by individuals. I hope my report accurately reflects the full Board's thinking and know that if they don't, I will hear from the boss of the Board.

I'm sure all of you here today have read and heard about UDIA and many of you have been in attendance at meetings sponsored for the purpose of introducing you to and explaining UDIA. For that reason I will not spend much time this morning relating to you what its purposes and reasons for being are. I will instead attempt to give you a status report on where we've been and what lies immediately ahead of us.

Very briefly, UDIA is an organization whose purposes and objectives are new to much of the rest of the country, but are not really new to many of us here in the Northeast. UDIA was organized in July, 1970 to collect and allocate funds and coordinate program activities for the National, and I repeat, National programs of American Dairy Association, National Dairy Council, and Dairy Research, Inc. The advantages are obvious - to eliminate overlapping of program functions and competitive fund-raising activities which were considered costly and inefficient by quite a few of us.

I say this is new to much of the rest of the country and not new to us in the Northeast. For you see, ADA&DC of New York has been, for over ten years, coordinating the fund-raising for the American Dairy Association programs and the Dairy Council programs, and the Board of Directors has been determining and making the allocations to both individual programs. More recently, the cooperatives in New England worked together to form Milk Promotion Services, Inc. and this is the organization through which all producer funds for promotion and education are invested and allocated.
At the present time neither organization is directly involved in the funding of product research and development. But in my opinion they are both already structured and could easily assume this responsibility if the dairy farmers, through the cooperatives, choose to ask it of them—and—provided them with the tools or method to get the new money needed.

But, back to UDIA. Very early in our organizational meetings we established a goal for ourselves and the entire industry—a 25% increase in total consumption of milk and milk products to be accomplished by 1980. This means a 25% increase based on 1970 figures and if you project in the decline we have been experiencing and probably could expect to continue if we did nothing about it; What this in reality means is a 47% increase! To do this, one of the first things we knew we would need is money, so we established a goal of 2% of the producer pay price knowing full well that we could not expect to obtain 2% immediately, but at least establishing what we were after. The goal set for 1971 for the three national programs is $26,000,000 or 6/10 of 1%. Two percent of the producer pay price nationally would generate approximately $120,000,000 per year and would include not only the national programs of ADA, NDC, and DRINC; but also the local advertising programs of ADA and the nutrition education programs carried on in the 60 affiliated units of Dairy Council.

How does this compare with what the industry is doing right now—

Producers are currently providing slightly in excess of $26,750,000 as follows:

<table>
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<tr>
<th></th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>Local dairy council units</td>
<td>$ 5,295,000</td>
</tr>
<tr>
<td>ADA member units (not all of which goes to ADA - some is used for membership and some is used for local advertising different than that created by ADA)</td>
<td>$ 19,500,000</td>
</tr>
<tr>
<td>DRINC (including $500,000 from ADA)</td>
<td>$ 1,900,000</td>
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Handlers and equipment supply people provide $2,600,000. Of this amount, $250,000 is invested in the national programs of NDC and $2,350,000 represents handler participation in local dairy council units.

Thus, in total, the dairy industry now provides the substantial investment of very nearly $29,400,000 to support education, research, advertising and product development. But, still $90,000,000 short of what independent research firms have told us was needed to at least stop the downward trend of consumption and start us toward the 25% increase we hope to obtain.

With this audience I would hope I need not stop at this point to illustrate to you the effect a 25% increase in consumption would have on the income of the total industry. The $120,000,000 would be returned many times over.

There, ladies and gentlemen, you have, in my opinion, the real "guts" reason why UDIA was formed— to increase our income.

Let me now give you a "status report" on UDIA. Starting in December and concluding less than two weeks ago a series of eleven regional and/or
state presentations were made across the United States. At each of the
meetings elected leadership and staff from UDIA, ADA, NDC and DRINC pre-
presented the need for funding national programs, the combined benefits of
current and expanded programs, and the proposal of UDIA serving as the
funding and program coordinating agency.

During the same period a number of "revisits" were made with the
elected leadership and management of the more important cooperatives, re-
gional funding organizations, such as MPSI, and state dairy commissions.

Let me attempt to summarize the industry reaction to these presenta-
tions and visits.

1. The general concept of a centralized funding source is widely
accepted and considered desirable.

2. There is general, and I believe genuine, concern for the inadequacy
of funding of programs at both the national and local levels.

Reactions vary from deep concern for the very immediate economic
plight of all three national organizations to concern over funding for
the long pull ahead.

3. Unless even present funds available now are redirected in the very
near future to UDIA, the likelihood of UDIA becoming really operational is
remote.

4. The present provisions in our By-laws describing who and how the
Board of Directors of UDIA is determined is discouraging or even prohibiting
participation in UDIA.

5. There is concern that effective program coordination responsive
to the people putting up the money cannot be achieved within the framework
of UDIA.

6. A concept, mistaken in my opinion, that UDIA is still another
organization with additional costs superimposed on an industry that al-
ready has too many organizations costing money rather than returning money.

7. That rather than experiencing an increase in funding of research,
education, advertising and product development we may in reality face a
decrease unless some changes are effected.

There, ladies and gentlemen, are some of the reactions our staff has
reported to us. I do not mean to "wash any dirty linen in public" or
reflect the voice of doom. I do firmly believe in the philosophy of
telling it like it is and placing my faith in the intelligence of the
American dairy farmer who has continually established his ability to re-
ceive and digest the facts and then successfully work with his fellow man
to do the right thing.

Last week the Board of Directors of UDIA met and received from their
staff much of this status report I have delivered to you. I cannot re-
port to you that the Board, acting in infinite wisdom or in deliberate
haste took action to meet the problems posed to us. And I think it would
have been a fatal mistake if they had acted or more accurately reacted to
correct or attempt to correct the situation. The important thing the Board did was to recognize that the problems existed. Now, hopefully, the individual Board members can go back to their own boards or organizations—and more intelligently discuss and analyze the situation, obtain guidance and counsel and come back to another meeting offering some solutions or alternatives to the situation.

In conclusion, I want to stress to you that I firmly believe the promotion of milk, the nutrition education research programs of Dairy Council, the research and development of new products and new uses of present products are a vital and integral part of our total marketing programs. I have utmost faith in my fellow dairyman and believe the future holds much for which we can feel optimistic about.

The goals the dairy industry has set for the next decade, through UDIA, are truly ambitious. But, they do represent a potential for dollars in our bank accounts whether we produce, process, or distribute milk and dairy products.

The realization of these goals can only be accomplished by effective deliverance of these programs to the ultimate user of our products—the consumer.

This means we as dairy farmers and dairy leaders are the foundation of the whole design and must be imaginative, intelligent, flexible, and dedicated if we are to enjoy the fruits of our labors.

I can foresee a firm future for the dairy cow in our pastures. I base this on the biological and economic facts I can assemble as a dairyman.

I can foresee a firm future for the United Dairy Industry Association. I base this on faith—faith in you people in this room to do what you know must be done. Thank you.
THE CHALLENGE TO COOPERATIVES PRESENTED
BY THE CHANGING MARKET STRUCTURE

by Glenn Lake
President
National Milk Producers Federation

Some of the challenges which the changing market presents to dairy farmer cooperatives might be listed as follows:

1) Income and returns which are relatively low compared to many other segments of our economy. Dairy farmers, as heavy purchasers of production input goods and services, as well as high capital investment, are particularly hard hit by skyrocketing inflation.

2) The need for more effective means to deal with the burgeoning inter-market, inter-region and national movement of milk and milk products. In this area, the advent and growth of huge retailer owned milk processing and distribution operations becomes a significant factor, as well as does the sharp drop in the number of milk processors who buy and distribute milk and milk products.

3) The need to overcome inefficiencies in dairy cooperatives in terms of size of operations and ability to serve the market.

4) The need for dairy cooperatives to more effectively negotiate terms of sale within a market system comprised of goliaths.

5) The need for dairy cooperatives to develop coordinated selling programs which will stem the long term decline in per capita consumption.

6) Another challenge is to develop and maintain a marketing plan which provides market stability and equitable market sharing as manufacturing milk supplies are converted to Grade A and thus seek fluid markets. This is a problem focalized in the midwest but not unrelated to the northeast.

7) Development of more effective methods to overcome the erosion of dairy farmers' influence in government and legislation.

8) The need for means to effectively deal with the mounting tide of "consumerism".

9) The need to develop and implement plans to produce for the market - not produce and then find a market.

10) The need to develop and adopt philosophies and programs which are designed to overcome the inequities in the sharing of costs by dairy farmers of programs designed to benefit all dairy farmers.
These are some of the challenges which I see dairy farmers and dairy cooperatives facing today - and to which I feel we must address ourselves. They could be defined differently and rearranged in other priorities. Each holds the possibility of an entire thesis in order to articulate the implications. Though there seems to be widespread agreement on many of our problems, solutions sometimes appear to vary to the extent we have numbers of dairy cooperatives, dairy cooperative leaders, perhaps even dairy farmers themselves. I would note, though, that my observations tell me that the rank and file members of dairy cooperatives are often more willing to accept new innovations in marketing, than some of us may think.

In any event, the program committee has invited me to recite my views and that is what this paper is - not necessarily those of organizations which I may represent. In the interest of time, I will endeavor to discuss possible approaches to the challenges, or problems, in a general and consolidated manner.

Challenge - No. One - Dairy Farm Income is basic and has many aspects. It is also related to several others which have been noted. Previous speakers have discussed developments in the area of mergers and federations in order to strengthen the dairy farmer's bargaining and marketing position in the market place. Great progress has been made. More in the past five years than in the previous 40. In part, this strengthening of bargaining and marketing position has contributed to the fact that dairy farmers had a good year last year - compared to some other years past, and to other agricultural enterprises. But this should not lull us into complacency. There is a need to move ahead with new and aggressive methods.

The National Market

Whether we like it or not, we are involved to a growing degree in nationwide considerations on every front. These are brought into focus by such programs as the dairy price support operations under the Agricultural Adjustment Act of 1949. The value of aggressive effort by dairy cooperatives working at the national level was highlighted the past week when members of the NMPF were able to get the Secretary of Agriculture to reverse an earlier decision.

The marketing order program, which, though conceived locally, has taken on a much broader scope in recent years.

During the past three or four years, great improvements in the order program were brought about through nationwide efforts, quite impossible on any other basis. Class I prices were brought to their present levels only as a result of a coordinated effort on the national scale.

During 1970, we concluded a tremendously important hearing, aimed at incorporating in each order a single economic formula for adjusting Class I prices from present levels. The hearing on this issue was an excellent performance. There was general industrywide agreement
and very little public opposition. The record was adequate in every respect. Nevertheless, the USDA rejected it. Some USDA people say it was too inflationary. We are continuing to fight for it. The concept is sound and the principle is fair treatment to dairy farmers.

Back in what might be called the "horse and buggy" days of the Marketing Agreement Act, milk marketing orders were designed to regulate handlers who received milk in cans each day, either directly from producers or through so-called "receiving stations." The handler assumed responsibility for his own supply for fluid use, and disposed of excess milk as best he could. The cooperatives which represented producers did not provide the services characteristic in most milk markets today. The minimum prices to one plant had much the same meaning as minimum prices to another. Whether or not one agreed with the interpretation of the price standards, the order price and the effective price paid to farmers were one and the same.

Today, we deliver milk in the quantities required, at the time required, of the quality and composition stipulated. These developments have greatly stepped up efficiencies throughout the industry, and have been a partial answer to increasing costs for labor in milk plants and to investment in facilities for handling milk, but they have increased costs to dairy farmers and cooperatives.

Basically, the marketing order program establishes minimum prices which handlers are required to pay for milk in accordance with its utilization. It is timely, however, to inquire, at what point these minimum prices apply, and should they apply equally, without regard to the cost of services provided by cooperatives or dairy farmers? Milk plants today are buying milk and service, with increased emphasis on the service. The services required by one plant may be quite different from those of another, and these differences cannot be reflected in a single price quotation.

Cooperatives are performing many services which will benefit the entire market, including handlers and consumers. It is elementary, however, that they must recover the cost of providing them. If we are to have a pricing system that is equitable to farmers, cooperatives and handlers, it must price milk in relationship to services required individually by handlers, and provision must be made for compensating cooperative associations for costs incurred in servicing the market.

One approach is through the Marketing Agreement Act of 1937, but the USDA insists that adequate authority does not presently exist and that in order to provide such, an amendment to the act is necessary.

**Improved Cooperative Bargaining Legislation**

In the National Milk Producers Federation, we are presently developing another approach which includes an attack on the matter of cooperative service charges, along with the much broader aspect of dairy cooperative bargaining.
We believe some of the bare bones provisions of such legislation should be as follows:

1. The legislation should provide for its administration by a Bargaining Board patterned after the Farm Credit Board.

2. The Board should be representative of producers, handlers, and the Secretary of Agriculture.

3. Legislation should be enforced by the Board in the same manner that marketing agreements and orders are enforced by the Secretary of Agriculture.

4. For purposes of such legislation, bargaining (insofar as milk is concerned) should involve a marketing area defined by a milk marketing order issued pursuant to the Agricultural Marketing Agreement Act of 1937, as amended.

5. The association of producers for purposes of bargaining should be certified by the Bargaining Board, following receipt of a petition for qualification and a public hearing on such petition, provided:

   (a) It represents more than one-half the producers and more than one-half the milk of producers whose milk is pooled by an order covering a marketing area;

   (b) It meets specific criteria as being a cooperative association or federation of cooperative associations;

   (c) It demonstrates its capability to perform the services agreed to through bargaining with handlers; and

   (d) It demonstrates that it has provided means for reasonable and proportionate representation to other cooperative associations or federations of cooperative associations who desire to participate.

6. Handlers and cooperative associations should be specifically authorized to meet in groups for the purpose of bargaining without being considered to be in violation of anti-trust statutes.

7. The Bargaining Board should be empowered to determine whether or not bargaining between an association of producers and handlers is in good faith.

8. The bargaining may involve a price to be paid for milk, in addition to the minimum price for any Class, as prescribed by the order.

9. The bargaining may involve payment for market-wide services to be performed on behalf of all producers, such as:

   (a) Representing all producers in bargaining with handlers;

   (b) Representing all producers at public hearings on order amendments or before other public bodies such as may have a bearing on regulations affecting sanitation, quality or other matters that affect milk marketing;
(c) The supervision of transportation from farm to market; 

(d) The furnishing of field service; 

(e) The supervision of quality and the meeting of sanitary standards on the part of producers; 

(f) The writing of checks; 

(g) The cost of projects such as advertising, research and promotion; and 

(h) The furnishing of marketing information. 

10. The bargaining may involve payment for market-wide services to be performed on behalf of all handlers such as: 

(a) Handling reserve milk supplies which occur during the week, seasonally, or for longer periods of time; and 

(b) The securing of milk needed in excess of the amount available from regular producers. 

11. The bargaining may involve payment for special services to individual handlers, such as: 

(a) The assurance of a full supply of high quality milk; 

(b) The assurance of exact requirements, including delivery in amount and on the number of days which a handler may elect to receive milk; 

(c) The scheduling of time of delivery to meet plant needs; 

(d) The furnishing of milk with special quality characteristics; and 

(e) The furnishing of standardized milk, or of skim milk, cream, condensed milk, etc. 

12. If an association of producers reaches agreement with handlers involving more than half of all milk of producers supplying a market, the agreement and all of its terms should be binding on all handlers. 

13. The agreement may provide for an assessment at a per hundredweight rate on all producer milk to be paid by all producers. 

14. The agreement may provide for an assessment at a per hundredweight rate on all producer milk to be paid by all handlers to cover the cost of services performed on behalf of all handlers. 

15. The agreement may provide an assessment at a per hundredweight rate on producer milk to be paid by handlers for specific services of the association of producers which are utilized by such handlers.
This legislation has priority attention this year. For too long minority groups have thwarted the efforts of the majority in many areas. We also need this kind of a tool for self-preservation in facing the goliaths in the market place, as well as for countervailing strength to overcome the skyrocketing costs being put upon us by unbridled and greedy labor unions. This may well be the toughest battle we have ever taken on. It goes against the grain of the food economics of the U. S. consumers, food processors, retailers; and the Federal government has almost always resisted allowing farmers to gain additional bargaining power.

Legislative and Political Environment

Often, dairy farmers suggest that we spend too much time and too much effort on legislation, or politics, if you will. And not enough effort in improving the income of dairy cooperative members - which is our primary responsibility.

A serious question is - How much of what we do in the way of price and income is not related to national, legislative or political implications?

If we use the recommended policy resolutions adopted by dairy cooperatives as a measuring stick, one notes that a goodly number of them urge action or give endorsements to efforts which are national in scope - and are subject to either legislative or administrative action at the State or Federal level. There is a pretty sound reason for this (i.e., any action which affects the price of milk by 10 cents per cwt. at the Lake Brothers Farm can mean $2,000 change in gross income - and we only have milk to sell).

A challenge to dairy cooperatives is attainment of legislative or administrative objectives in consumer oriented society. We also must deal with big, centralized government, built upon multi-layered bureaucracy which is so entrenched it frequently considers itself beyond the reach of the people.

This should not deter us in our quest for action, but rather should impress upon us, as dairy cooperatives, the need to be united, as well as the need to work with urban Congressmen on urban programs. Though we might not like it, this is the way it is - and will be. We must put far more effort - and more money - into the job of telling our story and the soundness of the action which we seek. One thing is certain, we won't get anywhere if we scatter our shot or allow our positions to be fragmented before Congress or in the halls of the Federal Government.

Consumerism

Now, I want to return to the matter of "consumerism" (as opposed to consumers, who buy our products and for whom we have respect and appreciation), which is going to become an increasing thorn in our
side. It is a growing fever, agitated by people who think they are entitled salary and wage increases of 7 to 10 percent a year without such increases being reflected in the cost of food or services. Many of them seem to have forgotten where food comes from. They have had so much of it, so cheap, for so long.

We must convince consumers that they can depend upon dairy farmers for high quality milk and dairy products. We must impress upon them that dairy farmers can only "deliver the goods", if they operate in a healthy economic atmosphere. Farmers are businessmen and cannot absorb increase after increase in cost without being compensated through price. Price policies which will keep the dairy industry on an even keel with the balance of the economy are by any yardstick necessary.

In 1969, $31 million of the U. S. consumer's bill went to farmers - $29 million to labor. The average spread between farm prices and retail food prices in 1970 was 7% wider than a year earlier. For 1971, it would seem apparent labor will take as much out of the consumer's food dollar as farmers. The farmer's share of the consumer's dollar dropped 2 cents, to 39 in 1970.

Farmers have been at the front in the anti-inflation war for a long time without any R & R leaves.

Milk and Dairy Product Promotion

Every dairy farmer and every cooperative knows that price is only one side of dairy farm income. Markets are important.

As we review the trends and developments of recent years, every dairyman should reach the conclusion that in the future his success is more and more dependent on how well he can sell that which he produces, as well as how efficiently he can produce. In view of the decline of milk consumption in this country and comparing the U. S. consumption with that in other industrialized countries of the world, it seems conclusive that there is plenty of room to influence consumption.

As Bob Turner told us this morning, this is why we have worked through great strife and struggle to form the United Dairy Industry Association. This is why we are attempting to coordinate and more adequately finance our promotional and educational programs.

There can be little doubt but that the dairy industry is being outdone by many. Though many have applauded the concept of UDIA, few have come forth with funds - and that's the name of the game. UDIA per se must not be considered a miracle maker. It needs the attention, the cooperation, the support of a lot of people - the entire dairy industry - no less. There is no place for parochialism. There can be no divisions.

While I am a dedicated believer in our competitive free-enterprise system, I urge with all the ability I have, that:
(1) Dairy farmers and our dairy cooperatives work together in every way possible, setting aside some of their competitive endeavors in order to join together a united and adequately-financed milk promotion program, and

(2) the milk and dairy product processors as industry co-partners of cooperatives, recognize their responsibility and encourage the efforts of the dairy cooperatives who endeavor to build into the milk price an amount of money directed to promotional programs. We have had far too many occasions when, in a tight economic squeeze, milk handlers are quick to say that promotion programs ought to go. Moreover, each and every one of us must cease putting ADA, NDC or DRINC labels on our activities, as well as taking the labels themselves off from our own personal postures, thus making sure we are contributing to a united effort. There should be no east - west - north - or south. No Michigan, Texas, or Maine.

In summary and conclusion, I have attempted to set forth some of the challenges, problems, objectives or opportunities, call them what you like, which must be met if dairy farmers are to have a better, more secure future.

In short, we must dedicate ourselves to the building of dairy cooperatives which will have the spirit, the know-how and the resources to carry out total market programs on a more uniform and united basis.
Were I a producer I couldn't help but be impressed and inspired by the goals set by Glenn Lake and others who spoke yesterday.

As a handler, I, too, am impressed - can't say I'm inspired - if anything, I should be concerned for the future of proprietary handlers if the goals I heard expressed come to fruition. However, I recognize that fulfillment of goals need not be the end result of your efforts - but that the establishment of goals motivates one to improve and progress. And so with that bit of philosophy, I can breathe easier and proceed with my presentation.

The topic this morning is the "Challenge to coops presented by the changing market structure" - a very current subject to be sure, a very historic topic, too - for when was dairying anything else but a challenge?

Dealing in a low profit agricultural product - subject to attack by do-gooders, politicians, consumer champions, food faddists and the negative oriented public media, those of us still dairying could not have prevailed unless we were alert to our problems and successful in resolving them.

My assignment as my invitation reads is "to present the view of the handler as he deals with cooperatives and 1) tries to arrange for his milk supplies, and 2) his product line and 3) meet the requirements of labor unions and 4) etc., etc." The most important part of that invitation is the last two etc. - it gives me license to more particularly introduce handler thinking based upon my personal evaluation of the market, together with my opinions.

Supply of product - except for a few post World War II years has not been a problem. Class I prices under the order and the support price for manufacturing milk has filled the tanks to capacity - and after the Secretary's recent action, I doubt that supply will be a problem for me for some time to come.

The big supply problem today is in the handling of excess milk - it is in this area that the coops are having to play a greater and more demanding role. Underlying their responsibility is the withdrawal of many proprietary handlers from unprofitable manufacturing plus the combination of declining fluid consumption together with increasing production.

Producers - as I see it have no alternative but to handle that surplus - even at a loss - or suffer still a greater loss - the loss of membership - I gather that the former is the lesser of the two evils.
I do some manufacturing - most of the year we're in balance - but frankly, I expect a heavy flush this spring and I don't hesitate telling you that my company, too, is looking for help from the coops who represent our producers - I'm pleased to say we're getting it.

Because surplus milk is an unavoidable factor in dairy production, it would seem to me that the order which prescribes the terms under which milk is marketed, should be more realistic in providing an adequate return for handling that surplus.

Over the years, the area of greatest contact between producer coops and handlers has been that dealing with market order pricing.

The truth of the matter is that since 1937 the price of milk we paid the producer was in the main the end result of a battle of words and wits between Washington and the coops. Yes, handlers made their thoughts known at the various hearings, but their chief interest was in getting an adequate supply of milk. We had no argument with producers who wanted a fair return - we still don't - the only problem was in escalating Class I, rather than increasing its utilization.

It is one thing to state the principle of a bigger and better return to producers - it's another thing to determine what the actual price should be.

What the price should be has been the subject of much private and public discussion, seeking premiums, super pools, subsidies, pegged prices, suspended orders, etc. One thing is certain, it should be in the interest of all producers, handlers and consumers and at the same time discourage competition from other beverages. Now, that might sound like a big order - it is - and that is why our pricing problem is so complex.

I am convinced that there is no such thing as the right formula. For proper pricing, you must consider those long on milk as well as those short on milk. You must recognize that changing conditions outside our industry and over which we have no control, affect our costs. Supply and demand patterns play games with all well-laid plans for pricing. The only constant factor in pricing is change, itself. Therefore, I completely agree in principle with the new approach being developed by the National Milk Producers Federation, as expressed by Mr. Lake, when he said that "handlers and coops should be authorized to meet in groups for the purpose of bargaining without being in violation of antitrust laws."

The most recent attempt at an economic formula for determining the price of Class I milk to producers - which did not succeed - did in my opinion attain some measure of success in that producers gave recognition to the fact that handlers are allies and not adversaries.

The request for bracket changes in Class I is an indication that producers now understand that unless resale prices are based on a measurement which makes universal change more possible and so more orderly, the handler cannot guarantee to be a healthy buyer, and mind you, bracket changes are necessary to the well being of the dairy marketer, whether he be a proprietary handler or a cooperative handler.
The trend in producer circles today indicates in no uncertain terms, that coops are on the merge. Some of the results of those mergers have been negotiated pricing, extension of marketing facilities, and in some instances compulsory purchasing.

All of this in everyday language adds up to a flexing of the muscles. There are times when muscle flexing is needed to pull one's self up by the boot straps, so to say, but when it is aimed at injuring rival producers, or producer groups or handlers, it ceases to be in the best interest of all concerned.

I'm also aware of the fact that producers generally believe that their price structure does not keep pace with their cost of doing business - nor with the prices paid for other commodities - but by the same token to what extent are producers of other commodities guaranteed a return and at a stated amount. Currently, one of the means of presumably rectifying this condition is super-pools, which do not necessarily guarantee a better return to the individual producer.

True - Washington (USDA) has been encouraging super-pools - I heard it with my own ears back about three years ago - I believe this is but a way of escaping from the ultimate responsibility of administering the marketing orders.

I believe, too, that any formula which will privately supersede a Federal milk marketing order, must eventually weaken the order and possibly destroy the stability of the market place.

As for product, much emphasis and money is being channelled into Research and Development. It is the belief of many that what the milk industry needs is more and more by-products - yogurt is probably the one product which has raised producer hopes for greater consumption of product.

Research and Development is a long term program - requiring long term patience. Admittedly, it is a very progressive move, but it is not and will not be a panacea for surplus milk. I say this because I would like to see the emphasis put where it belongs - and at the expense of being repetitive - it belongs on Class I.

Statistics coming out at New England indicate that flavored milks have made little or no progress over many years. The low volume of this product makes it costly to produce and market. Added to that is the problem created by the various regulatory agencies within a given marketing area or adjacent marketing areas, preventing generalization of formula and labelling, thus preventing economies.

From July 1968 to 1970, flavored milks are down about 18% - in our market, with chocolate representing about 50% of flavored drinks. Other reports from New York and most of the New England states indicate a sharp drop, too, in the volume of buttermilk.

Buttermilk and chocolate drink or chocolate milk are two of the so-called flavored milks or dairy drinks which have accounted for a rather sizeable amount of skim - so what do we do - we increase their costs by making them Class I products and curtail their volume. We did the same with powder prices.

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A noticeable increase has taken place in the use of skim and low fat milks. Much or most of it replaces whole milk. Other than causing a fat disposal problem, I, as a handler, have little reasons for concern, if we don't lose any volume in the transfer.

Presently, Secretary of Agriculture Hardin stated that the per capita consumption of milk is down about 6% from 1950 to 1969. That hurts. However, I don't know whether he included the skim and low fat volume in his statistics or not.

In this respect, I recommend that when per capita consumption of milk is reported, it should include skim and low fat milks, as well as whole milk. Let's face it, these products are here to stay and the sooner we give stature to those products, the better we can gauge consumption.

Between cholesterol and calories, we have a helluva time holding on to our whole milk sales, and were it not for the National Dairy Council's effective, ethical, professional program of nutrition, research and education, the image of our product would have suffered irreparable damage.

Just a word on imitation milk. I suggest you don't take too much comfort from the very successful American Dairy Association Arizona Campaign. The vegetable fat and chemical companies are ingenious, ambitious, and have plenty of money. I doubt that they have given up their interest in stealing our market.

Speaking further of product, aseptic packaging, which has been with us for a number of years, hasn't made much progress except as it relates to our cream products. It has provided the necessary shelf life we need for cream use, especially for our half and half. However, I'm sorry to say that because of the high cost of fat, we have not been able to compete with vegetable fat and I doubt that we will ever be.

Before leaving the subject of product, I call your attention to the greatest opportunity of all times facing the fluid milk industry. You might call it the nutrition syndrome.

Lucille Bridges, the highly regarded Director of the New England Dairy Council (dealing with nutritionists, home economists and consumers), said in Houston that "never before has there been such a movement to respond to the needs and wishes of the consumer" - and milk holds the spotlight.

Every level of government concerned with health and welfare of the community is stressing nutrition. The local Dairy Council and ADA units are in the most advantageous position to capitalize on this opportunity in behalf of the industry; they warrant your complete support.

With regard to labor unions, what can I tell you that you don't already know? The high cost of productivity has brought about mergers and consolidations, in spite of the rugged individualism of city handlers. There are now only eleven plants left. We had about 25 ten years ago.
Did you know that our utility employees who do unskilled and semiskilled work in and about our plants cost us about $13,000 per year, per man, inclusive of welfare benefits, pensions and taxes - and that our routemen cost us approximately $15,000 per year on the average? I would say those are compelling reasons for merger, wouldn't you?

I can't blame our particular unions. They recognize that these mergers and consolidations mean fewer dues-paying members, but they, like we, are boxed in by our economy and we will never know who is responsible, nor if what is happening is in the best interest of the people.

I have taken the liberty of including under etc. 1) coops vs. handlers in processing and distribution and 2) disciplined marketing.

In my meeting with producers from all corners of our country, producers who in the main represent coops, the question most frequently asked of me was: What did I think of producers going down the line with milk from cow to consumer?

Without knowing the circumstances surrounding the various markets which these men represented, I then asked "What motivates your question? Has your distributor failed? Is your distribution threatened? Do you need an outlet for your production? Or is it just the pride of ownership and being the so-called master of your fate?"

Through all of this discussion and in view of the handlers' mortality, producers were justly concerned with their future and should be because - unless that milk of yours reaches the dairy case, what are you working for?

Yet, how fast should coops venture into their own pasteurization and distribution operations? Entry into this phase of marketing is a vast undertaking involving huge sums of money invested in brick and mortar, plenty of sweat and frustration, know-how and experience, and a deep understanding of people with whom you do business.

Let me illustrate the last point. A few years ago, a major successful grocery chain pulled out of New York City. I had occasion to talk with an officer of the chain. He couldn't understand why they had failed in New York City. He said "In addition to quality products, they brought in the best men from the south and the best men from the west." And at that point, I interrupted and asked "Did you have any good men from Brooklyn?"

There is more to processing than just running milk through the pasteurizer; in fact, the actual mechanical process of pasteurization and packaging is the simplest part of the job. The real know-how is confined to personnel, customer relations, control of shrinkage of product during the process, control of waste in packaging materials, pilferage of finished package by employees and in more recent times a new dimension has been added to plant operations - we call it security - protection against petty thieves who abound throughout the city and who steal and destroy product and equipment, and do bodily harm to our delivery men. My company spends close to $50,000 a year for security.
Another item, costly and troublesome to management, is the packaging case holding 20 quarts of milk. These boxes are used or rather misused for firewood boxes, display racks, newspaper stands, shelving, furniture in homes and a million other uses. This item costs us $300,000 a year. Just keeping case costs down is a career in itself and the uninitiated is not equipped to cope with it successfully.

Producers who insist upon becoming city people are in effect stepping out of character. It is no different from distributors switching to farming for a livelihood.

I am fully aware of the fact that there are many coops who have gone into processing and distribution. I am fully aware than many have regrets and although there are some who have filled a need in doing what they did when they did it and developed sophisticated management, it was at great cost.

Any coop who today is not in the city end of our industry and has ambitions to do so, must realize that by-passing the middleman does not by-pass middleman costs or problems with labor unions, public services, and consumerism. Furthermore, you become accountable for the ultimate cost to the consumer. Whereas today, you are shielded by the handler - who spares you a heap of abuse.

Most of the handlers remaining on the scene today are toughened business people, 2nd and 3rd generation, financially responsible and equipped to handle your milk. Coops should look to strengthen the bonds between themselves and those handlers, improve product, support institutional promotion of milk and aid in obtaining legislated disciplined marketing.

In the past few years, a prominent coop in our area has publicly taken such a position in support of proprietary handlers, recognizing the team concept in the total marketing scheme. Other coops have followed. I believe it is a step forward in the interest of the individual producer.

This, then brings me to my last etc. - disciplined marketing obtained by legislation - and I do not mean price control.

We had our experience with price control under the Rogers-Allen law in New York in the early 30's. It was premature, impracticable and unenforceable.

I do, however, mean legislation which would prevent loss leader sales and predatory pricing and which would prevent the jug store operator from building his grocery business around low priced gallons and \( \frac{1}{2} \) gallons of milk, which in most cases is custom bottled. He has a basic cost for that milk - free from all the costs of servicing the entire market, free from supplying single quarts to millions, free from the costs of providing \( \frac{1}{2} \) pints, 1/3 rds and pints of milk to schools and military installations, free from supplying five gallon containers to hospitals and feeding establishments, free from the costs of doing a Grade A job for the greatest part of our milk consuming public.
For years, producers and producer coops considered this type of legislation off limits. Today, I see more interest on your part; you could be very helpful.

For years, we have sought assistance from State governments to help moderate this type of unfair competition but with no success.

Governor Romney, speaking at an annual meeting of the National Milk Producers Federation some years ago, said "Persistent use of milk as a loss leader in retail sales not only hurts small dairies but it also hurts the farmer who produces the milk - it hurts the consumer in the long view, because people are accustomed to paying a fair price for what they buy and expect the price of a product to be what it is worth." He went on and said, "Below cost sales of milk downgrades the product in the eyes of the consumer, so that when a fair price is asked, he thinks he is being cheated." The Governor, you will remember, was a master marketer and his conclusions are supported by published dairy research reports. If the Governor had been making that speech today, he might have added that loss leader sales not only hurt small dealers, but large dealers as well, taking note of the giant Borden Company which, in spite of its vast capital availability, recently withdrew from markets in New York, New Jersey, Pennsylvania and Connecticut.

I should like to paraphrase the Governor's remarks by saying that cheap milk cheapens our product, cheapens our industry, cheapens our equity and cheapens our future.

But price legislation at other than producer levels is unpopular with the press and our friends in government and with many economists in the academic fraternity. They claim, for various reasons, that price regulations are not in the public interest. That public interest line sounds good, but what does it mean? In our industry it means that as a result of an unstable market, people consume less milk, retail distribution has been curtailed and with it, the sale of extra milk. It means that approximately 4,000 jobs have been lost in the past six years in metropolitan New York, that dairies have gone out of business and producers have lost money. Is all this really in the public interest?

President Case of Colgate headed a committee appointed by our Governor to look into the chaotic New York market. I shall never forget nor forgive Dr. Case for his crowning contribution to that report. After denying the market any assistance, he told the handlers that if in effect they were not satisfied with conditions in the market place, "they had the right to exit."

He was as insensitive to, and ignorant of, the needs of our industry as was Marie Antoinette, Queen of France, to the needs of her people.

The thing that bugs me when it comes to the gentlemen who sit in judgment of business in which they have had little practical experience and who preach free and unabashed competition in the hope that more milk will be consumed at lower prices, mind you, is that they are forgetting that we are not a free enterprise, capitalistic society - free to pay what we wish for raw materials, transportation or wages, and administered costs. And if the law of supply and demand were permitted to operate for
dairy producers without the benefit of the Agriculture Marketing Act of 1937 and amended versions thereafter, and if coops did not have the Capper-Volstead Act, and if industry was not subject to the F.T.C. Sherman Act, Clayton Act, Robinson-Patman Act, etc., etc., what a jungle we would be living in! You might not like the result, but as our society becomes more complex, there will be more and more laws to guide it.

So long as milk is a universal product— which looks alike, tastes alike and costs alike, and is most often of like quality— price to the storekeeper becomes the single most effective means of getting more business. The resulting flagrant price competition then becomes destructive. I am more convinced than ever that it is impossible and unrealistic to voluntarily subscribe to orderly marketing.

Disciplined marketing does not subsidize inefficiency. There is no room for inefficiency in our highly competitive, high cost era of doing business. In a market infested with loss leader sales, predatory pricing and custom priced milk at jug stores, even the efficient will perish.

As I see it, the real challenge to coops is to help provide a healthy market where producers and handlers together strive for a common purpose— to sell more dairy products, and towards a common goal, to provide a respectable livelihood for our families and employees and produce for the consumer the best quality of nature's most perfect food— at a fair price.
THE DAIRY INDUSTRY AND THE CONSUMER
The high intensity of concern for consumer protection reaches all of us. Unit pricing legislation affects the food distributor very directly. Dairy processors are more concerned about proposals concerning open code product dating. Industry spokesmen usually feel such proposals are unnecessary. They claim that actual consumer benefits are questionable and not worth the cost. Many industry representatives feel that these proposals are made in bad faith - largely as a politically contrived harassment.

Before we accuse consumer advocates of bad faith, it might be well to take a good look at the consumer condition. We live in a world where things change rapidly. Perhaps there are recent basic changes in the consumer attitudes, needs, and behavior. "Where there is smoke, there is fire." While there is plenty of smoke surrounding consumer concerns, I don't plan to deal with it here. Let's see if we can find the fire - if there is any!

The Consumer Condition

Today's consumer faces a market vastly different than that approached by the consumer only one generation ago. Undoubtedly, some of the frustrations and concerns grow from changes in the market. The market, however, has been a natural object of analysis continually. As a result it seems likely that we have focused more on changes in the market than in changes in the consumer herself. It may well be that the market has a significantly different meaning and role to today's consumer because her income, her values and her life style have changed significantly.

Probably the most important dimension of the consumer condition is level of income. In traditional economic concepts, budgeting limited income among purchase alternatives is the basis of consumer behavior. If we could imagine an astronomical and fantastic rise in consumer income, there might be some point at which his focus of behavior changed. He might have so many interests and things to do that the limit of time began to be more governing than the limit of money or income. If that strange possibility ever happened, we might expect to see people switching money or budget for convenience on a broad scale. Such a situation would place the market in quite a different role. We would be living differently and appropriately developing different expectations from the market.

Oddly enough, this far out hypothetical situation has become a reality. Figure 1 shows consumer income per person throughout most of this century. The effects of inflation and Federal taxes per person have been taken out of these data. This series is not a bad reflection of the changes in purchasing power or real income per person across society. It shows several interesting characteristics. It is surprising
how different the first one third of this century was as compared to the second one third. Most people, if asked, would suggest that the first one third of this century was a period of economic instability while more stable conditions have prevailed during the second one third. While that may be true in terms of cycles of business investment, prices and wage rates, consumer income was rather stable in terms of its buying power.

For whatever reasons (aside from the present topic), income began to increase steadily and rapidly during the late thirties. It had doubled by the early 1960's and a projection by the National Industrial Conference Board indicates it will be three times the pre-1935 level before the end of this decade. Data for the period after 1965 indicate that disposable income per person has continued to rise. Disposable income per person for 1969 is up over 12% from the 1965 figure. During 1970, considered a recession year by many, consumer income (net of inflation and Federal tax) continued to rise. It goes without saying that when income doubles, the amount of income available for purchases beyond necessities increases much faster. How have these rapid increases in purchasing power been spread across the population? Figure 2 gives an illustration of changes in income distribution during the period 1950 to 1969. While there is some slight shift from the highest income group to the lower groups, the essence of this picture is the surprising stability of income distribution during this rapid rising of incomes. This means that the number of and percentage of families moving into higher income groups have changed markedly. Figure 3 deals with family income in constant dollars of 1969 value between 1950 and 1969.

Although a family income of $7,000 of 1969 value probably represents a level of living above subsistence, one cannot attribute much affluence to family incomes below this level. On the other hand, family income levels above $7,000 begin to include substantial amounts of discretionary purchase choices beyond those associated with subsistence. In this regard we note that this measure of affluence reached only 28% of U. S. families in 1950 but had stretched to reach about 68% in 1969. Forty-six percent of U. S. families had 1969 income over $10,000. On the other hand, U. S. families with income less than $3,000 declined from 24% in 1950 to 9% in 1969. These data give an indication of the anatomy of affluence.

Life Styles Change Rapidly

A doubling of purchasing power has a profound effect on the way people live and think. For the first time in the experience of civilized man, the common citizen is raised above the level of subsistence. What does he do with the extra purchasing power beyond subsistence needs: Surprisingly enough, education comes very high in the priorities of the American household. We have always been hooked on education. Very early in our Nation's experience educational opportunity was provided for all citizens. It was even made compulsory. The effect of affluence has been in extending educational attainment at the college level. In 1940 about 16 percent of our college age population were in college. Now, it is 49 percent.

Each dot represents a centered five-year average.

Figure 1. Consumer Disposable Income per Person, 1910-1970

- 1957 - 59 Dollars

- 0

- 2'000

- 3'000

- 4'000

<table>
<thead>
<tr>
<th>1910</th>
<th>15</th>
<th>20</th>
<th>25</th>
<th>30</th>
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FIGURE 2. PERCENTAGE OF AGGREGATE INCOME IN SELECTED YEARS, 1950-69. RECEIVED BY EACH FIFTH OF U.S. FAMILIES RANKED BY INCOME

<table>
<thead>
<tr>
<th>Year</th>
<th>Lowest Fifth</th>
<th>Second Fifth</th>
<th>Third Fifth</th>
<th>Fourth Fifth</th>
<th>Highest Fifth</th>
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<tr>
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<td>4.5</td>
<td>12.0</td>
<td>17.4</td>
<td>23.5</td>
<td>42.6</td>
</tr>
<tr>
<td>1960</td>
<td>4.9</td>
<td>12.0</td>
<td>17.6</td>
<td>23.6</td>
<td>42.0</td>
</tr>
<tr>
<td>1967</td>
<td>5.6</td>
<td>12.3</td>
<td>17.6</td>
<td>23.4</td>
<td>41.1</td>
</tr>
</tbody>
</table>

FIGURE 3. U.S. FAMILIES BY TOTAL INCOME IN 1969 DOLLARS.

$10,000 or more

$7,000 to 9,999

$3,000 to 6,999

less than $3,000

1950

1960

1969

11.3

16.5

47.5

24.4

27.8

49.7

72.2

50.3

24.5

33.5

21.7

23.0

9.3

Source: U.S. Dept. of Commerce, Current Population Reports, Consumer Income,
Leisure activities have come into easy reach of the common man. Ski resorts, once available only to the very rich, now enroll a high proportion of school age children in packaged lesson plans. The cost of pleasure boats has come down as incomes have increased. Travel, from the low cost camping facilities and equipment to the jet set, is enjoyed by a broad section of our population.

Our value system has shifted sharply in the direction of aesthetics and humanitarian concerns. Education, travel, and the impact of mass communications has sensitized new dimensions of our collective personality which under conditions of low income, low education and low aspirations have essentially lain dormant. Against this backdrop of sensitivities, creative work of all types achieves a higher priority. This particularly affects women who for many generations have devoted a great share of their time to household activities they do not consider particularly creative. As our education and activities change, so do our values. We are becoming less materialistic. It is these new values which explain our increasing concern for racial injustice and poverty.

How do these factors affect the market for food? We might think that the modern consumer with more education and more developed aesthetic and humanitarian sensitivities would be a careful shopper and an excellent consumer. Unfortunately, it is not so. She becomes increasingly limp as a consumer. Her education and experience in aesthetic and humanitarian dimensions of society place her far above anything as mundane and materialistic as the market place. Therefore, we rarely get her attention. She does not do her homework. It is easier for her to express her new concerns in the political dimension than in the market.

We must perceive the vast difference between the modern consumer and her mother. A generation ago, the housewife saw her role essentially involving activity within the household. She contributed to that household's well-being by providing basic skills - cooking, sewing, child care, etc. She felt that society measured her value in those terms. She took pride in being an alert and aggressive shopper. A compliment on a good cherry pie hit very close to her ego.

The modern consumer, even those few who like to cook, would get a confused meaning from a compliment on a cherry pie. They certainly wouldn't want society to think they were a homebody. They are more interested in recognition within the community for activities beyond the household. When grousing about food shopping, they are not proud to show their expertise. Rather, it is popular to view with alarm a necessity of leaving the aesthetic and humanitarian level for a brief (as possible) sojourn in the materialistic. One thing becomes clear at this point: Consumer concern does not grow out of the conditions of the poor. It is a phenomenon of the rich.

These extensive and basic changes in our society and economy cause more trouble than may be quickly apparent. We can change faster than we can understand change. Today's modern consumer is quite in tune with the marketing system in terms of action patterns. She understands the purpose and usefulness of convenience foods, variety, status and other dimensions of the modern food marketing setting. Her purchase patterns and the operation of her household have responded to these opportunities rather completely.
On the other hand, when asked to appraise the marketing system - to place values on the quality of its operation or to suggest legislation or rules which might improve its performance - she is very prone to fall back on rationalizations she inherited from her mother. For generations and centuries we have lauded and honored frugality, efficiency and all the fine old-fashioned virtues associated with survival and subsistence. In protesting or making recommendations about the food distribution system, consumers very naturally fall back upon these attitudes. They have no other rationale to use in making judgements even though they live quite differently. This conflict between traditional attitudes and modern action patterns is represented by the housewife who hurriedly selects a TV dinner, an instant pudding, and pre-prepared frozen dessert topping, so dinner can be quickly prepared after the civic group meeting to protest high food costs.

The Basis of Consumer Concern

The dominant factor in today's consumer movement comes from the increasing humanitarian sensivities and changing values of our population. Purchasing power above necessities, limited to a very small percentage of previous societies, has now spread to a large middle class segment of our population. These people live differently. They need a different type of service from the market place. While they are living according to a new and different system of values, this new system is not formally developed. There is a great need for formally developing a value system consistent with our action patterns. 1/

A great deal of concern in the consumer movement is directed toward the very poor. This is often misleading. Although fewer and fewer people fall within a definition of poverty, our concern for them increased continually by consumer legislation may be a mistake. It is somewhat analogous to our experience in trying to help farmers with nothing to sell, by increasing prices. To the extent that a person has no income he is not a consumer. Changing the consumer environment does not reach him. Basically he needs income.

The market place has been an instrument of survival. Since survival is a very materialistic process, it is not surprising that our markets have developed as materialistic institutions. The rapid rise in real income is some testimony to the effectiveness and success of our markets as materialistic institutions. But, we as a population have used this material prosperity to develop a new side to our collective personality. Our interests and concerns are growing beyond the materialistic dimension. The primary challenge of the consumer movement is to learn and understand the needs of affluent and humanitarian oriented consumers and to adjust and develop aspects of the market which will best serve these needs.

1/ Many people will choke on this point. They are prone to think just backwards from this - that we should change our actions to be consistent with our values. Past value systems are not intrinsically superior. They had meaning in past economic settings and are now obsolete.
While the changing character of the consumer is a primary basis for consumer concerns, changes in the market including the character of products tend to amplify consumer problems. The increased productivity which supports a doubling of real income of consumers has grown largely from some form of automation or application of technology. Most often this means augmenting human productive efforts with machines or computers. Manufacturing and distribution processes, as well as the products themselves, have been redesigned to save labor in the factory, in the distribution system and in the home. This very process may frequently degrade the quality of products themselves, or more particularly, the quality of distribution services. The supermarket could not be a better example. The adoption of new techniques have made shopping a very impersonal experience. Management techniques as well as equipment have developed to withdraw as much labor from the store setting as possible. While this makes distribution of the vast variety of products cheaper, it makes the quality of service different and help for the consumer much less available.

Is it possible to automate the creation and dissemination of consumer information? Can we augment the performance of the busy housewife by providing a market where consumer choice is easier? Informed consumer choice is as important to the economy as ever, even though the consumer lives and thinks quite differently.

An Example

Perhaps one of the most current and interesting proposals in the area of consumer protection is the matter of unit pricing. Although unit pricing is not particularly more significant than other consumer proposals, it may be a useful example. The unit pricing proposal, as it has been discussed with regard to the food industry, would require food retailers to display for consumers the price of each product for sale and, in addition, the price per unit - such as the price per pound or pint. This proposal has gotten its support primarily from the realization that many food products are now displayed in packages of many odd weights, sizes and shapes. Fractional ounces and other awkward units, it is argued, make price comparisons and value comparisons difficult for the consumer.

Very early in the public discussion of this possibility a substantial political controversy emerged. Here we follow a tradition of long standing in our society - we use the "adversary proceeding". This means that instead of sitting down together with various kinds of expertise and finding the best solution to the problem, we choose up sides - pro and con. This opens the door for a great deal of rhetoric with a broad range of liberty on both sides. In the case of the unit pricing proposal, this lead advocates to suggest consumers were likely to save 10% of their food budget by having this type of information available. 1/ On the other side, it was suggested that

this type of accommodation would cost billions of dollars across the nation. It was claimed that cost per dollar sales at retail might be between two and three percent. 1/ There is an old saying "where there are no facts, opinions abound." It is rather surprising how many public statements can be made on both sides of an issue when neither side has the faintest notion what the facts are.

Against this background of rhetoric a study was developed which would provide some basic information about unit pricing. 2/ The objectives of the study were to identify the most useful procedures for providing the unit price accommodation, identify levels of cost, assess the consequences as measured by changes in product movement patterns and to probe consumer attitudes after this accommodation had been available long enough for them to become accustomed to it. Results, however, do not compare well with the expressions of either the pro or con. It appears that the cost estimates indicated by industry leaders may have been in excess of actual costs by a magnitude of 10 to 15. On the other hand, our analysis of purchase patterns seems likely to show no change in movement patterns which is significant.

Policy Formulation

Experience working with industry and governmental bodies generally as well as this particular study lead me to some conclusions about the role of the university economists in consumer protection matters. It is clear enough that the primary activity of the university economist is in doing research - developing and providing facts and information. The intriguing question is "How is this knowledge best used in society's curious processes of policy formulation?" It is helpful, in my view, to have some model of the process whereby the society makes decisions. My model is rather simple and crude but may be helpful.

The first phase of this process may be called the "problem identification" phase. Here we have a direct response to the unexpressed but real consumer frustrations and dissatisfaction. There are particular personality types which naturally respond to the situation. They bring the unexpressed concerns to the surface and find a significant response in public opinion. They get headlines. They deal with issues on a pure and uncompromised level. They trust no one - attacking public agencies as well as private. Their passing is marked by a wave of seething animosity. These are the "crusaders."

These crusaders present issues, they bring them into focus, they often exaggerate the benefits of applying a perfectly good principle. But when we start applying these ideas, it is never quite as simple as was promoted. Our economy is tremendously complex. Principles, which may be quite simple and extremely logical can often be used only by rigorous and complex integration into the very fabric of the industry. This process of integrating a new principle or idea into a complex setting


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requires the input of "tender loving care." A great deal of knowledge is also needed. A different personality type is imperative. This job requires a non-hero role. This "problem solver" must be able to see and understand issues on both sides of our adversary proceedings. He is a "compromiser."

I believe that university economists can make the most significant contribution in the application level of this process. Knowledge is not the most supportive of the crusade in many cases. But knowledge is absolutely necessary in the process of compromise. It is often difficult for professors and particularly students to concentrate on their competitive advantage in knowledge development when the heroic deeds, blare of bugles and roll of drums of the crusade, are so distracting.

**Summary**

In summary, I would like to identify what are the primary points:

1. We are prone to underestimate the degree to which consumer wants and needs have changed.

2. Affluent consumers do less homework and are more passive in the market but more active politically on humanitarian and ethical issues.

3. We need to be able to articulate a new set of values compatible with our life style choices.

4. While the role of the advocate-crusader is functional, providing a knowledge base for applying new principles is more nearly the competitive advantage of the university economist.
Mr. Chairman, it has been a pleasure to be among you, to meet old friends from Vermont and to hear the discussion of the very vital matters that concern you. After being introduced to a small gathering of your people last evening someone said, "but you don't look like Betty Furness!" All I can say is that I will try my best, within my present limitations.

I should really respond to some of the comments of previous speakers about "consumerism." That word was first used by a speaker at a businessman's conference who wanted to heap scorn on consumer advocates like myself. We have taken the word over and wear it proudly as a badge.

So I would say, be careful how you use this word because you may find its use counter productive. I would also like to say that the time is past when you can talk about consumers in general, some huge mass of faceless people. We must now talk about the organized consumer, a person who has ties with others and an organization to work in his interest. The Consumer Assembly of Greater New York is such an organization, an association of 107 affiliated groups in the State of New York with over 1,000,000 member families.

In January of 1968, we invited Ralph Nader to give the major address to our Second Annual Consumer Assembly. He had many things to say, but the newspapers were intrigued with a comment of his that he would never eat a hamburger in the City of New York. New Yorker Magazine, in a February issue, had a cartoon showing how a very enterprising owner of a hamburger stand responded to this. On the neatly kept lawn in front of his enterprise, he had placed the sign, "RALPH NADER ATE HERE!" This cartoon says in an instant what it would take me thousands of words to express.

However, a few remarks are in order, that we may better understand this important new development in American life - the Consumer Revolution. No less a public figure than Virginia H. Knauer, President Nixon's Assistant for Consumer Affairs, has thus described this phenomenon. Mrs. Knauer, in responding to an attack on "Consumerists" by Look Magazine publisher Thomas R. Shepard, had this to say: "If this happens to be your viewpoint, or the one held by your management, then your firm is going to have an exceedingly difficult time understanding the world in which you live and sell products, and you are going to have a correspondingly difficult time communicating to the public." Consumerism is here to stay, have no doubt about it! Its growth in the past five years has been so widespread and so deep that anyone who thinks it will disappear is indulging in fanciful dreams.
What is the consumer movement? It is an effort of consumers to organize to protect their interests - like farmers, like workers, like businessmen, like many other interest groups. It has been said time and time again that the consumer is the only group in our society without adequate organization. As a matter of fact, it is not more than five years ago that I could say that virtually no viable national consumer organization was in existence. Today, five years after President Kennedy's first efforts in this field, consumers have a national organization, the Consumer Federation of America, with approximately 200 national, state, and local affiliates. The consumer movement is a major force in our society today, and rightly so, because our society is the consumer.

What does it want? Many things. An end to deceptive packaging in the supermarkets, the abolishing of deceptive trade and credit practices in our low income neighborhoods in the city, a drastic reform of our insurance system, real consumer orientation of our government regulatory bodies, labelling practices in food marketing that will guarantee us adequate nutrition and health, a health system that will insure everyone of good medical care at costs everyone can afford, housing for low and middle income people at costs which they can meet, an end to advertising of products which is not honest in its portrayal, consumer education programs (in school and out of school) which will prepare the consumer to function more effectively in the market place, legislation tough enough to make some headway on the protection of our environment. These are only a few of the questions concerning the consumer movement today. These are very real problems - not imaginary ones.

A Louis Harris poll in today's New York Post details the consumer's unhappiness with the quality of the goods he buys. It is interesting to note that the consumer thinks automobiles, new homes, and repair services are thought to be of poorer quality than they were 10 years ago (over 50% of those interviewed thought so) while drugs and medicine, TV sets and educational appliances were thought to be of higher quality. Of great interest to you is the fact that 39% of those interviewed thought foods were of better quality than they were 10 years ago, 27% thought them worse and 31% thought them unchanged. Though food is in the middle of the scale, it is really nothing to shout about!

The important point to bear in mind is that the problems surrounding the consumer movement represent increasing influence of consumers over decision making in our economy, a condition which has not prevailed heretofore.

If you doubt that, take a look at the Fifth Annual Report of the Joint Legislative Committee on Consumer Protection of the New York State Legislature in 1970. The past three years have been the establishment of Departments of Consumer Affairs for three counties, (Nassau, Orange, and Rockland), New York City, and the State of New York. The Attorney-General's office, a pioneer in the field of consumer protection, is greatly increasing its activity. Even smaller towns - Long Beach, New York - are taking up the cudgels. The same observation can be made about other states where your members reside.
What about agriculture in all of this? It may surprise you to know that many of us active in the consumer movement received our early training working for farmers' organizations on the consumer side of their lives. My earliest memory of this is a simple one - a tag on a bag of feed that told the whole story, the quantity of each ingredient in that bag. It was called "open formula." One of the most astounding success stories of consumer protection among farmers is the remarkable development of rural electric cooperatives and farm supply cooperatives in this country. Many of the things urban consumers are now trying to do to protect themselves are an outgrowth of what we learned from the farmers.

Because of this relationship, we have a few suggestions to make to you that you may find helpful. Here they are:

1. Reach out to consumer organizations in the urban areas. The 60's have seen a fantastic growth of consumers cooperatives in New York City. Ten years ago, their total volume would not have exceeded $3,000,000. It will shortly approach $50,000,000. Mid-Eastern Cooperatives, the cooperative wholesale owned by the cooperatives in Southern New York-Northern New Jersey area buys $1,500,000 worth of dairy products from Dairymen's League Cooperative Association each year. These organizations are all affiliated with the Consumer Assembly of Greater New York and believe deeply in securing as many food needs as possible from farmers cooperatives. There is little doubt in our minds that consumer cooperatives will continue to grow on the urban scene, both in number and in volume. As consumers organize more effectively to meet their economic problems, there is bound to be a desire to have closer contacts with farm organizations.

A study made of the Scandinavian cooperatives back in the 1930's indicated that business relationships between consumer cooperatives and farmer cooperatives were of economic benefit to the members of each group.

2. Make a thorough study of what the consumer movement is all about. It is a condition with which you will be confronted from now on out. As Mrs. Knauer said, it is not going to disappear, even if it makes some people uncomfortable. I would like to think that you will look upon the consumer movement as very similar in origin to some of your own struggles of the past.

3. Recognize that vast changes are taking place in the market because of the awakening of the consumer. Some very large corporations have already recognized this by the appointment of Vice Presidents in charge of Consumer Affairs. Esther Peterson, President Johnson's Assistant for Consumer Affairs, now has the same title for the Giant Food Chain. Unit pricing - giving the price per measure of food in the supermarket, (pound, ounce, quart), is now upon us, either because of legislative action or initiative on the part of consumer cooperatives and the large chain store operations.

Several studies have indicated that this kind of marketing technique could save consumers as much as 10% on their food bill because of the accurate price comparisons that could be made. If legislation on unit
pricing now before the New York State Legislature is passed, the administration will come under the New York State Department of Agriculture.

More and more the advertising of large food chains is emphasizing what their organizations are doing to protect the consumer. At the same time, advertisers are coming under increasing pressure by consumer advocates to document the claims they are making for a product - by way of the mass media.

Finally, some food chains have already started open dating of products under which the product will be pulled from the shelves after the date stamped on it.

It would not be too rash to observe that the day is not far distant when consumer representatives will be sitting on government bodies where dairy prices are determined.

4. Consider that legislation and other forms of action that aid consumers are good for farmers too. For example, if the State legislature adopts a "no fault" automobile insurance plan, it will benefit everyone. On the other hand, legislation that will benefit low income consumers in the city is bound to benefit dairy farmers. There are many questions in the consumer area where both farmers and city dwellers can unite together to their mutual benefit. A recent release from the Co-op League of the U. S. A. said that dairy cooperatives are alarmed about increasing fluid milk packaging by large food chains. Well, we are alarmed about that kind of monopolization, too.

5. Finally, there is a wave of interest in nutrition, synthetic foods, additives, food substitutes, organic foods, that is sweeping the country. Though there are questionable things being said in some of these areas, it seems to us that the kind of products you are marketing are bound to gain as a result of the interest in these subjects.

We are all caught up in an era of great change. "Consumerism" is a major part of that change. We are convinced that such change will alter our society for the good, if people like ourselves and my friends in the city can work together to influence that change.