

1959 Plan of Work

Albert J. Ortego, Jr.

Assistant Extension Agricultural Economist

Dairy Marketing Specialist

Virginia Agricultural Extension Service

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AMA PROJECT

Extension Dairy Marketing (AMA)

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Analysis of situation

The nature of milk is such that the marketing of this product involves distinct and complex problems. Milk is a highly perishable product which cannot be held in storage with the expectation of receiving a higher price. The ability of milk to carry and transmit disease causing bacteria requires rigid sanitary regulations in the production and sale of Grade A milk. The bulkiness and perishability of fluid milk has in past years made it necessary for milk used for fluid consumption to be produced near the consuming centers. The seasonality of milk production adds to the problem of orderly marketing for milk and its products. Today Grade A milk is purchased and paid for on the basis of use classification--a method not fully understood by most dairy farmers. The above conditions are general throughout the United States and are applicable to the Virginia dairy industry.

A major portion of Virginia's dairy industry has been regulated by the Virginia Milk Commission for more than two decades. Under the supervision of the Commission, milk production in Virginia is now adequate to supply the needs for fluid consumption. Therefore any

further increase in production relative to increased sales of fluid milk will increase the proportion of milk utilized in the lower use classes. This results in a lower blend price or lower average returns per hundredweight to the dairyman. Virginia, considered a relatively high-cost milk producing area, is faced with the problem of increasingly higher costs for farm labor, land, and other factors of producing milk. In view of increased costs and the probability of lower average prices for Grade A milk, Virginia dairymen must become more efficient in order to maintain present net profits. There are four general areas in which the dairyman can improve his situation. First, he can increase his efficiency in production of milk. Secondly, he can increase his efficiency in marketing of milk. Thirdly, he can make efforts to obtain a higher price for his milk. The latter two areas can be more easily accomplished through cooperative efforts of dairymen. A fourth method which would benefit the dairymen is to increase the demand for fluid milk.

Technological improvements in transportation, concentration of fresh fluid milk, storage, handling, and distribution of milk have increased competition from areas further removed from the market, both in the procurement and sales of milk. The dairy industry shall encounter new problems if and when present trade barriers on milk are removed. Local markets will be threatened with milk from areas with low production costs. Even though Virginia's dairy industry has a considerable degree of protection through the Milk Commission, dairymen and processors should be cognizant of these conditions and must be prepared to make the adjustments necessary to cope with this situation.

Program of Work for 1959

I. General Areas of Work--In order to provide information and facts applicable to Virginia's dairy marketing problems, the specialist (who has been in Virginia since November 1, 1958) will spend considerable time becoming acquainted with the Virginia dairy industry and those engaged in the industry. Initially the specialist plans to travel throughout the state to obtain a knowledge of the problems of the Virginia dairy marketing system.

Afterward, emphasis will be placed on supplying as much information and assistance as possible on new marketing methods, dairy marketing developments, various pricing procedures, supply-demand relationships, consumer education to create a better understanding by the consuming public of the milk marketing and pricing system, and other related items of current significance. Dairy marketing information released will attempt to relate the short-run and long-run benefits and consequences of the various alternatives. Dissemination of information will take the following forms:

- A. "Milk Market Summaries"
- B. "Market Review of Peep and Moo"
- C. Press Releases
- D. Group Meetings
- E. Circular Publications
- F. Informal conferences with producers, distributors, various regulatory officials, and any other interested parties.

Major Problems:

1. Lack of understanding on the part of milk producers, processors, and consumers of the methods used in pricing milk.
2. Ways to increase the efficiency in the assembly, processing and distribution of milk and milk products.
3. Need for consolidation of small bargaining producer associations into associations sufficiently large to assemble, handle, and move milk into those channels which yield the highest returns to dairymen.
4. Need to align milk production to fluid milk sales and thereby decrease the seasonality of production of surpluses.
5. Need to expand the consumption of milk and milk products.
6. Need to be cognizant of changes in dairy marketing, both current and expected changes, in order that necessary adjustments may be made.
7. Need for more standardization of dairy regulations (sanitary and otherwise) throughout Virginia.

Objectives:

The primary objective of the dairy marketing extension program is to provide information and facts which will aid the dairy industry in developing a more efficient milk marketing system in Virginia. Greater efficiency in assembly, processing, and distribution of milk is to the benefit of producer, processor, and consumer. The specialist attempts to supply information and facts on various marketing problems and suggests alternative methods for accomplishing various marketing functions so that interested parties may arrive at national solutions to the marketing problems which they encounter. Attention will be given to specific marketing situations.

Technological advancement in the production, processing and distribution of milk offers many opportunities for improving the financial situation of a firm, but many producers and processors have failed to recognize or take advantage of these opportunities. An educational program which would expose the possibilities of new techniques would aid in reducing the lag between the release and application of new methods or techniques.

Sanitary requirements for production of Grade A milk are continually becoming more rigid in order to insure the consumer of the highest quality milk possible. This requires a larger investment for dairymen who produce and market Grade A milk. Farm bulk milk tanks are now being used by many dairymen throughout the state. Widespread use of this type of assembly will have far reaching effects in the movement of milk, both intrastate and interstate. This, also, is an additional or greater investment which dairymen must meet.

Independently owned processing plants are faced with the problem of increasing competition in distribution and sales of milk from large nationally owned dairy concerns and from national supermarket chains. In order to meet this situation these plants shall have to modernize their processing and distribution methods so that they can become as efficient as their competitors in processing and distributing milk.

A need for a better understanding of present conditions and probable future changes is apparent among milk producers, processors, and consumers. The dairy marketing specialist will attempt to provide as much information and assistance as possible to help industry groups solve these and other problems.

Specific items of general interest which will be emphasized in the coming year shall include:

- A. Current dairy outlook
- B. The effect of bulk tanks on movement, pricing and regulation of milk.
- C. Seasonality of milk production and its affect on returns to producers.

II. Areas of Special Emphasis - Special attention will be given to the following:

- A. Uniformity of regulations: Even though consideration must be given to local market conditions, the efficiency of administering the milk marketing regulations of the milk commission could possibly be enhanced by more uniformity of regulations for the various markets or by consolidation of several small markets into larger markets. The possibility of increasing the efficiency of administration of these regulations will be investigated in the coming year.
- B. Alternative dairy marketing regulations: Evaluate the various types of regulations, such as Federal Milk Marketing Orders and the State Milk Commission, to determine which would provide the most benefit to producers, processors, and consumers. Such an evaluation would show the advantages and disadvantages of each under specific marketing conditions. Since interest

in the Federal Order program has developed in the Tidewater Marketing area, emphasis will be focused on this market.

- C. Cooperative Consolidation: Consider the possibilities for merging several small producer groups into larger single groups which might carry out more effectively some of the marketing functions for its members and thereby enable farmers to net a higher return for their labor and investment. Larger producer organizations can generally secure better managers, provide the necessary finances and marketing facilities which smaller groups cannot always accomplish.

III. Cooperation: During the coming year, the specialist will cooperate with:

- A. County agents
- B. State dairy industry groups
- C. Producer cooperatives
- D. Various State and Federal regulatory agencies
- E. Marketing specialists in neighboring states
- F. Dairy marketing and dairy production research workers and others.

IV. Miscellaneous Activities--Miscellaneous activities shall include the following:

- A. Attendance at public hearings in an effort to obtain information on the current problems in dairy marketing.

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- B. Staff conferences and seminars
  - C. Annual Extension Staff Conference
  - D. 4-H Short Course
  - E. Institute of Rural Affairs
  - F. Professional association meetings
  - G. Southeastern Dairy Cooperative Clinic