garding the status of the organization and as to how far it has
gone, you can more or less feel that it has been tremendously
strengthened and that this has come about because it is some-
thing badly needed and badly wanted. We have plans to bring
down all these large national programs to our own local level
and we have made intensive plans to get the word back to the
dairy farmer, a man who knows how his money is being in-
vested. We hope to do a better job in all things than we have
done before. There are thirteen district meetings in the state
of Wisconsin and next week we will start on that to get infor-
mation to the dairy farmer as to what is happening and make
him feel he is a part of it for without his support there could
be no program of this kind. We hope to convince all the peo-
ple in the dairy business, — in cheese, butter, milk, etc., that
this is their program and without them it could not succeed.
We are meeting in their groups and expect to continue the plans
we have in Wisconsin to bring home a little bit closer the Na-
tional programs to the retail grocers and these are being de-
veloped now. We hope to co-operate with various groups such
as Wisconsin Department of Agriculture tying together a great
many things, and one of the first moves in this line has been
the recent development of the new merchandising department
in our A.D.A. state organization, of which Mr. Sheldon Wilcox
is the head, and I would like to call on Sheldon so that he can
point out to you the significance of these plans along this line
and the way these promotions can help you in this business.

PRESIDENT PETERS: Thank you, Mr. Framberger. Some-
thing has happened to the projector so we will dispense with
this part of the program at this time and we are going on to the
next speaker, who is Dr. Sprague of the Western Condensing
Company.

GORDON SPRAGUE: Events have moved rapidly in the
whey industry. In 1954 the United States Department of Agri-
culture dumped some 570 million pounds of skim milk powder
in markets usually used by processors of whey.

You are the whey producers. In the overall program of
whey utilization the whey processors have been your partners.
Some of you are processors. Now we have another partner, the
United States Department of Agriculture. There is an inventory
of more than 60 million pounds of processed whey on which the
Department has a non recourse loan. Soon the Department will
own the whey. By this device the Department has now become
our third partner.
Our new partner contributed nothing to our industry. He got control by first destroying the market for our products, and second, by loaning money on our distressed merchandise. Now, with a large inventory under his control, you and I are at his mercy. We did not ask for help, we asked for independence.

What will our new partner be like? Will he operate as a constructive power in our industry, or will he be irresponsible and regressive? These are the questions which are important to us today.

We now ask of our new partner, the owner of this inventory of whey products:

1. Rectification of the prices under the 1954 program which were damaging to processors, cheesemakers, and the farmers, and;

2. Continuation of a direct purchase program whenever:

a) Dried whey from Government inventory is sold at prices which are damaging and destructive to either processors, cheesemakers, or farmers, or

b) Dry skimmilk, or non fat dry milk solids, from Government inventory is sold at prices which destroy markets for processed whey in normal uses, or;

c) Government disposition of any inventory of whey, or whey products, domestically or abroad, has the effect of limiting the market for whey product produced in the United States.

Prices in 1954 were cut below those of 1940. To farmers who patronize cheese factories it was a price cutting, not a price support, program.

Last spring, when the U. S. Department of Agriculture decided to use the whey market as a dumping ground for non fat dry milk solids, they offered whey producers and processors a non recourse loan as recompense for their lost market. About this program I have the following things to say:

1. The decision was made regardless of almost unanimous opposition of the dairy industry.

2. The support program offered to whey processors was limited in volume and at prices which did not cover costs.

3. The program did not follow trade practices. New, unusual, and costly operations were required.
4. The limitations in the program forced some processors to reject whey.

5. The program deprived farmers of cash income.

6. The program created an inventory in the hands of the U. S. Department of Agriculture which constitutes a controlling interest in the whey industry. To date the Department has refused to recognize or discharge its obligations to the rest of the industry. It has no program for continuation. We do not know what will be done with the product now held, nor what will happen when the Department decides to dump powder again.

To date, therefore, our new partner is irresponsible and regressive.

Inventories control prices. There will be no important increase in the price of any milk product above that at which the Department held inventory is offered for sale. In this respect a price cutting program means that the price will not be higher than the level at which the inventory is offered for re-sale. This is true of all inventories of milk products. Until inventories are liquidated, the outlook is drab.

Recently the U. S. Secretary of Agriculture said, “The plain, hard facts about dairying show us that we have just got to improve marketing.”

Again he said, “Now what can we do, all of us working together, to expand and develop markets? Well, what does any successful business do? It increases sales and promotional efforts. It meets price competition. It tries to make its production as efficient and useful as possible. That is why we are stressing research and education as never before.” End of quote.

Whey processors subscribe to these statements. No part of the dairy industry has been more aggressive in merchandising than the whey processors. No branch of the dairy industry spent a larger portion of income on research. No part of the industry has developed a bigger portion of volume in new products than have the processors of whey. We have discharged our obligation. Why then is the whey industry in difficulty with the United States Department of Agriculture?

The greatest problem for the whey industry is non fat dry milk solids, or skim milk powder. Our problem at its base is the fact that about two pounds of skim milk powder is produced
for each one pound used in the United States. Production recently has been geared at over 1.2 billion pounds per year. The summation has been above 600 million pounds per year. The difference of about 600 million pounds per year is our problem.

The problem is getting worse. From April to August, (five months) of 1953, production of skimmilk powder was 653 million pounds. For the same period of 1954, it was 662 million pounds; an increase of 9 million pounds. Government purchases from April through September, (six months) of 1953, were 354 million pounds, but for the same period of 1954, were 376 million pounds; an increase of 22 million pounds. The figures suggest an expansion of the sources of supply of skimmilk for drying. They also suggest that the increase in purchases for 1954 will be greater than the increase in production.

The problem, therefore, gets worse and not better.

From these facts we look forward to increased supplies of skimmilk powder in Government inventory. There will be need for disposition of some kind. The Department will then be looking with unexpected fondness at the markets which have been developed for whey.

Ingenious arguments have been devised. Without support prices for skimmilk powder, it is argued, there would be no whey industry.

Don’t you believe it. The whey industry grew in direct competition with skimmilk powder. Before World War 2, production of dried whey had already reached 100 million pounds per year. During the war, production of skimmilk powder increased about 200 million pounds per year. Dried whey production, without support, increased only about 30 million pounds.

Since 1945 skimmilk powder production increased more than 600 million pounds. Dried whey production increased about another 30 million pounds. Production of dried whey, unsupported, has grown consistently. Dried skimmilk production has grown erratically because of price supports. Whey processors do not fear competition, but cannot compete with prices which have no foundation in costs.

The United States Department of Agriculture now owns more than 200 million pounds of skimmilk powder. They also own more than 60 million pounds of whey. We feel certain that before next April the quantity of skimmilk powder will
be greater than at present and the quantity will continue to increase throughout 1955. How much do you think a whey processor should accumulate in inventory during 1955?

Inventories are a very serious matter. It takes about 600 thousand dollars to process 10 million pounds of whey solids and carry them in inventory for a year. Sometimes it is necessary to carry large inventories more than a year to reach a market. Some approximation of peak inventories of dry whey are as follows:

In 1938 about 15 million pounds.
In 1942 about 22 million pounds.
In 1945 about 20 million pounds.
In 1947 about 50 million pounds.
In 1950 about 33 million pounds.
In 1953 about 45 million pounds.

These estimates are for dry whey only.

We would like to know whether this inventory will be managed to help, or destroy, whey processors. Will the Department, as our new partner be constructive, or regressive?

In a recent speech, the Secretary of Agriculture said, "We want to get the Government out of your business. We are working hard at that job. The Congress has given us the signal to go ahead. That's what we are doing. But we are determined not to do anything foolish and we are determined that what we do with the supplies we have on hand will help, not disturb, your business, will help agriculture, will be fair to consumers at home, and fair to tax payers who have already paid for those surpluses."

The words are wonderful. But what happened in 1954? A dumping precedent was set and a whey inventory accumulated. Our business has not been helped, it has been very greatly disturbed.

Income from sale of whey has long been a part of the farmer's income from milk. The Department is authorized by law to support farm prices by purchase of products, not to cut prices. So far as the farmers are concerned, the whey program has been one of price cutting, not price support. It has been a program of industry destruction, not one of industry expansion. A market for milk products was invaded, not strengthened.
The only action by which the Department of Agriculture can now justify the present situation is to announce a long time program for dried whey the same as for non fat dry milk solids in the past. Since the Department has insisted on sharing in the whey markets through its skim milk disposal operation, it should accept a long time obligation.

At the present no long term obligation has been acknowledged. Cheesemakers and whey processors know that they had a market for whey products. This market has been invaded to reduce a large inventory of dry skim milk. The need to reduce inventory will again occur, perhaps before another year has passed. Our new partner, alone, can give us the answers.

Normal business risk is expected by all of us. Competition for market against the Commodity Credit Corporation, however, cannot be endured. The United States Department of Agriculture must be accepted as a partner because it now owns more whey products than any other person in the industry. Cheesemakers and whey processors, together, must try to induce our new partner to act in a constructive and progressive manner.

**DRIED SKIMMILK AND WHEY PRODUCTS**

**PRODUCED 1945 - 1954**

<table>
<thead>
<tr>
<th>Year</th>
<th>Manufactured from Skimmilk</th>
<th>Manufactured from Whey</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nonfat Dried Milk Solids</td>
<td>Dried Milk Skimmilk</td>
</tr>
<tr>
<td></td>
<td>Million Pounds</td>
<td>Million Pounds</td>
</tr>
<tr>
<td>1945</td>
<td>643</td>
<td>18</td>
</tr>
<tr>
<td>1946</td>
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</tr>
<tr>
<td>1954</td>
<td>1300</td>
<td>20</td>
</tr>
</tbody>
</table>

1/ Monthly data are not published by U. S. D. A.
During the war years production of nonfat dried milk solids was stimulated by several means including price guaranties and financing of plants to divert production away from skimmilk for animal feed and casein. Price ceilings were used to discourage production of casein.

Whey producers were encouraged to expand plant and equipment for increasing production for animal feed and milk sugar.

PRESIDENT PETERS: Thank you, Dr. Sprague. I don't think there is any doubt that the cheese makers feel as Dr. Sprague does about this whey problem. We had a meeting in Fond du Lac in April because of the seriousness of the whey volume at that time.

(President Peters then read a telegram addressed to George L. Mooney, Wisconsin Cheese Makers' Association, offering congratulations on the year's record and sincere good wishes for the coming year, from Milton Hult, President of the National Dairy Council).

(President Peters also read a telegram addressed to himself from Walter J. Kohler, Governor of Wisconsin, expressing regret that circumstances prevented his presence at the 63rd Annual Meeting of the Wisconsin Cheese Makers, also paying tribute to the organization and expressing commendation in the art of cheese making).

We will now go back to the first named speaker on the program, Mr. Sheldon Wilcox.

SHELDON WILCOX: Thank you and good afternoon, Ladies and Gentlemen: We had a little difficulty in starting this afternoon and I might say I think we have used this light projector at least one hundred times in the past two years and I think every time before we used it we said a little prayer about it holding together through the meeting and today I forgot to say something to the Man upstairs. Mr. Framberg told you how we have been attempting to extend our national program set-up in the merchandising department of A.D.A. What we will show you today is primarily a slide presentation to give you an idea how we merchandise cheese.

In today's modern grocery store, selling space is at a premium. Every foot of selling space must be used wisely. The