CONDENSERY COMPETITION WITH FACTORIES

By Wm. H. Pauly, Manitowoc.

Prior to the war only a few condenseries had located directly in cheese territories, and this competition did not worry the average cheese maker very much. Modern factories with dwelling house had a ready market value, practically on a basis of a dollar for each pound of milk that the factory received during the flush. For example, a ten thousand pound factory would bring ten thousand dollars. Bankers and Loan Agencies considered cheese factory mortgages good collateral and didn't hesitate in making substantial loans. In fact everybody in the cheese business, producer, manufacturer and dealer, felt that the industry was absolutely secure.

The war has brought about radical changes in a good many industries, some have profited others have lost. Cheese factories unfortunately are in the latter class. It is estimated that one hundred cheese factories were forced out of business in the past three years. In the majority of cases it resulted in a total loss of property. The only thing that was saved was the equipment. The balance of the factories suffered more or less, either losing a portion of the milk, or losing through depreciation of their property in a sympathetic way. There is an old adage which claims that one man's loss is usually another man's gain. In this case the cheese maker's loss in condensery territories is truly the condensery's gain. The loss in depreciation of practically every factory in the state on account of the condensery scare, isn't anybody's gain although conservatively speaking it will exceed a million dollars. This is figuring two thousand factories on the basis of an average shrinkage in value of five hundred dollars each. These are indisputable facts and only too well-known to most of you.

Let us make a comparison of the cheese factory and its recent competitor namely, the condensery. In doing this we will also show the relative position of the creamery. The first cheese factories were started in Sheboygan County back in the seventies, and this industry has enjoyed a steady growth throughout the state since that time. At present we have over twenty-two hundred cheese factories and we look for additional factories to be started, especially in the northern part of the state, for several years to come. The creamery growth in the state up to about ten years ago was just as phenomenal. These two dairy products along with the demand for whole milk from cities, developed the dairy industry, and today Wisconsin ranks foremost in the union as a dairy state.

About twenty years ago Mr. Borden of New York placed on the market condensed milk. A demand for this new commodity was gradually
developed and today it has become a staple article like canned goods of many descriptions. Since the war canned milk, either in condensed or evaporated form, has had an exceptional export demand at enormous profits. Additional condenseries were erected in dairy sections throughout the country and our own state increased approximately by thirty in number making a total of about fifty up to the present time. These factories in our state were located in the most highly developed dairy centers, and the milk that they received was taken from cheese factories in the majority of cases. Condensery methods, and especially the initial price lure, made short work in closing and crippling cheese factories in those localities. The cheese makers that lost out are the unfortunate ones referred to in the beginning of this paper. We all know that it was practically the cheese industry that developed dairying so highly in the invaded sections, and in most cases the little cheese factory gradually grew to a good sized factory. It doesn't seem fair and just, that a legitimate pioneer business that has proven satisfactory to the milk producers and that involves investment of five to ten thousand dollars should be virtually confiscated in this manner, especially by a so-called war bride. If the foreign trade wants our canned milk, should our Government permit its exportation when some of her own tax paying people are to suffer financial loss of over a million dollars, or should the condenseries be forced to pay indemnity out of their war profits? Condensery men have made the statement that this is a case of "survival of the fittest" and because they can pay more money to the producer than the cheese factories they are justly entitled to the milk. They also accuse the cheese factories of treating the creameries in a similar way during the past decade. It is true that cheese factories have replaced quite a number of creameries, but in practically all cases the creamery man made the change himself and didn't entail any losses worth mentioning.

Economic conditions, a few years ago, resulted in the enactment of a law creating a Federal Trades Commission. Mr. Joseph E. Davies, United States Commissioner of Corporations and a member of the Federal Trades Commission and from our own state, his home being at Madison, gave a talk before the Merchants and Manufacturers Association of Milwaukee a short time ago and as an illustration of some of the cases handled by the trade commission he cited the following:

"Some months ago a dealer in a remote part of the country complained that he was being put out of business by the unfair practices of a large competitor. His complaint came not by attorney, but informally by letter. In due course it was investigated. Pursuant to our rule in all such cases we called in the large competitor complained of. The officers of the company were entirely sincere in their professions that no such condition could possibly have existed because of the extraordinary care their company exerted to enforce the highest standards of fair dealing in their policy. They offered to turn over their entire records without resort to the exercises of power, which the commis-
sion had under the law. The records were examined, the case fully
developed, and again the facts were set forth to the officers of the
large concern.

To their genuine amazement, the case was completely proved by their
own records. They were compelled in fairness to admit the case. The
situation had come about, not because of their intent or design, but
because of the unscrupulous zeal of an ambitious local sales manager.
The complainant had, however, been completely destroyed. His cap-
ital of $40,000.00 was gone, his life’s work wrecked, his sons taken
out of college and he, himself, a broken man of middle age. We sub-
poenaed him and paid his expenses to Washington. His property
had been sold under the hammer. He came, without one cent of cost
to him, his case had been fully investigated at government expense.
He went back home with a check for $35,000.00 paid voluntarily by
the competitor, who had ruined him. He bought back his plant and is
today doing a prosperous business, freed from the menace of destruction
by a powerful rival who, though no more efficient, yet by reason of
size had power to destroy. The offending concern not only voluntarily
made this restitution, but agreed to spend a large sum of money to
reorganize its business so as to more clearly conform with the law.
The case was not exploited through the press; but the man was saved
when he was not big enough to save himself; the public interest was
protected and fair competitive conditions established in the industry."

This case seems to cover to a certain extent the present condensery
competition. And it may be possible that the commission can do some
thing for the cheese industry. In case, however, that no relief can
be secured in this way we ought to work with the view of getting
a law on the statute books of the state, similar to the one proposed a
year ago on limitations of cheese factories and protection in general.

While we are seeking relief from the National and State Govern-
ments we also ought to do something in the way of raising the stand-
ard of quality of cheese and naturally increasing the demand of this
commodity. As to quality, there is no question that the moisture limit
is going to result in more honest values, and every cheese maker ought
to do his utmost to produce a clean flavored cheese of good texture,
under strictly sanitary conditions.

The average cheese maker underestimates the Importance of good
flavor. A cheese may have the finest texture, but if the flavor is off
it is needless to state what the consumer thinks of such cheese.

You will all agree that the standard quality is absolutely essential
in increasing the demand for cheese at values equal to similar protein
food articles such as meats. We are a meat-eating nation, as the ma-
jority of American people eat meat two and three times a day three hun-
dred and sixty-five days in the year. These same people probably eat
cheese as an accessory in the way of an occasional cheese sandwich,
or small piece of cheese with pie. This is not doing justice to
this great wholesome food article. Furthermore it is a common
belief that cheese if consumed in large quantities is indigestible and causes physiological disturbances. Experts of the department of agriculture have carried on extensive studies of cheese and have determined that it can easily be used as the chief source of nitrogenous food and if served with crisp vegetables such as lettuce, celery and fruits, that it seldom causes physiological disturbances. In comparing the food energy of cheese with steak we find that cheese per pound has approximately twenty-five hundred calories and steak per pound only eleven hundred. On this basis if steak retails at thirty cents, cheese should bring at least sixty cents. This would be considerably higher than the present retail price. As a matter of fact the average consumer now considers a forty cent price prohibitive. From these statements you can readily see that something ought to be done to enlighten the American public as to the real value of cheese and to secure increased demand at better prices for the producer.

A good many of you cheese makers have heard your patrons complain this winter that cheese isn't high enough considering the cost of production and comparing it with meats. Now how can we get increased demand and incidently better prices? The answer is, that we must show the American public what cheese is actually worth in food energy, and that it is a staple, the same as meat, and not any more indigestible or harmful. The estimated consumption of cheese by American people is three pounds per capita a year. England, Holland, Switzerland, and Italy consume ten times that amount. These nations appreciate the value of cheese and make same more or less a part of their daily diet.

If we could increase domestic consumption a hundred per cent we would not have to worry about export business and would get more nearly what cheese is actually worth. The modern way of accomplishing this is through the medium of advertising.

There is a movement afoot to carry on the work outlined in this paper through a separate organization known as the Wisconsin Cheese and Butter Industry Protective Association.

This paper may be included in the records of this convention, and I am going to follow it up with an informal talk on condensery competition and advertising of cheese.

I am going to take up first the question of condensery competition. Those of you who are not located in condensery territories probably don't realize what condensery competition means. I have the statement that on the average for the last three or four years (I haven't got the figures for the present year) figuring a fair value for whey, the cheese factories have paid more than the average condensery in the state. Why do cheese factories lose out in condensery territories when they pay more money than the other fellow? I am going to show you how they do.

A condensery starts in a certain locality, and in most cases every pound of milk is then going to a cheese factory or creamery. Every
pound of milk the condensery is going to get has to be taken away from the cheese factory and creamery. They start out with an initial "price lure," as I call it, and that is with a price of 15 or 20 cents higher than the average condensery is paying. That price is going to get a good many farmers. Then they proceed with their field men. They put out four or five men with automobiles and they drive the country from morning until night. They go to a patron of a cheese factory and they say to him. "What is your test at the factory?" The patron will say, "I have got a pretty fair test, around 4%," and this field man will insinuate that practically everybody that has started at the condensery has had a raise in test of 3, 4, or 5 points. That is naturally going to start the farmer to thinking, and in some cases the farmer is only too ready to jump to conclusions and openly condemn the cheese maker by saying that the cheese maker in all probability has been beating him for years. They are going to get a good many patrons in that way. I have met patrons and talked to them on that very proposition. I said, "Do you feel that your milk actually tests more than you get at the cheese factory?" Invariably he would say "No, I don't. I have tested my milk myself and as a matter of fact the factory gives me more than I can get out of it, but if the condensery is willing to raise my test 4 or 5 points I am going to be money ahead at the condensery and I am going to take this extra money as long as they are willing to pay me the higher test whether I have it or not."

The next procedure is with their routes. Condensery field men go to a point four or five miles from the condensery and select a man and they say to him, "We want you to start a route," we will guarantee you so much a day whether you get any milk or not." They tell him they expect some work on his part in the way of securing patrons to get the wagon filled up. This man starts out and solicits the milk of his friends along the route and he persuades most of them to put their milk on his wagon. By this time they have crippled the cheese factory and have probably cut his patronage down to half. Considering the present expenses you cannot operate a factory on three or four thousand pounds that is equipped on a basis of seven or eight thousand pounds, and in a majority of cases the factory man will throw up the sponge and say, "I am going to quit."

I will cite one instance in Manitowoc county where a factory man was crippled in that way, and after he had lost half of his patrons he told the others that the probabilities were he would have to close. They insisted that he call a meeting of the patrons, including the ones that had left, but very few of the latter showed up; they were either ashamed to come or they didn't want to come for other reasons. Those that came were very enthusiastic about the cheese factory and they didn't want it to close by any means, and the cheese maker said, "If you can get some of the other patrons to come back I will be glad to stay. I have to be able to make a living out of this business otherwise I have to quit." A committee was appointed to see the former patrons
and try to persuade them to take their milk to the cheese factory again. They started out, but they weren't successful. Some of the patrons were ashamed to come back, others were too mean to come back and the result was that the cheese maker decided to stop work on a certain day. The closing day was like a funeral. Some of the old faithful farmers came there and wept when they said they never dreamed the day would come when their good little cheese factory would be forced to discontinue.

Those are the conditions in a condensery territory. Cheese makers can pay more money than the condensery and yet they are going to lose out. The competitor pays a little more for a starter and by the other methods they are going to cripple the factories to a point where they will have to close. Mr. Marty made a statement this afternoon that the cheese factories handled the creameries with condensery tactics in the past. I can't agree with him. It is true that a good many creameries had to give way to cheese factories but as a general rule the creamery was converted into a cheese factory and the loss was practically nothing. I know a number of creamery men that are now cheese makers and they have never regretted it.

I am going to give you a little history of the organization I have spoken of. It was a case of "necessity being the mother of invention." This organization was started in a little town that isn't even on the railroad, because it was the hot bed of condensery competition. A committee called a meeting of the factorymen in that territory and asked their banker to be present which is more or less natural. They complained to the banker of the methods used by the new competitor and he decided to interest himself in their case and made a tour of the state, visited over a dozen condensery sections and came back with considerable information on condenseries. He then called a meeting of the cheese makers in that locality and laid before them what he found, and it was decided at that time that something ought to be done in the way of protecting the cheese industry, by forming an organization. This organization, up to the present time, is not in a position to guarantee protection, but it proposes to make an attempt at it.

You all know that practically all milk prices, outside of butter, are based on cheese. You take your condensery, they figure their price on the basis of cheese, regardless of what they get for milk. This includes the milk dealers of the cities in this state in cheese producing territories. Cheese is practically recognized as the standard of value of milk. We ought to try and raise the standard, and we feel it can be done. You will probably recall in my paper the erroneous ideas about cheese. I discovered a little article in our local paper a short time ago which brings out that point pretty well. As a matter of fact I know of a concrete case at Campbellsport. A couple of weeks ago we had an organization meeting in that city. We had dinner at the hotel, we were served great big steaks. Pie was brought in for dessert. I asked the lady waitress, if they had American cheese. She
answered "we can't afford to serve cheese, it is too high priced." They
had a cheese factory right in town and this hotel no doubt could have
purchased their cheese at a wholesale price, around 26 or 27 cents,
and she is of the opinion that cheese is too high priced too serve. The
steaks cost her considerable more than cheese but she didn't realize
it. We have those mistaken ideas at home and we try to market cheese
in distant territories where the cost of cheese is much greater. It is
evident that it behooves us to do something in the way of enlighten-
ing the American public about cheese values as a staple. My idea of
paying for advertising of cheese is in this way. The producer ought
to pay this expense in a large measure because he is going to reap the
benefits through increased demand which would ultimately result in
much higher prices. The cheese makers interest is to get all he pos-
sibly can for the patrons. The cheese maker gets wages and it reminds
me of the paper read here today "Over the Hill to the Poorhouse." The
solution of the problem is to put the business on a basis where the
patrons are better satisfied, he can then demand increased wages. If
the farmer is not satisfied with cheese prices there is not much chance
at getting increased pay.

Our scheme of advertising cheese is in this way. The factory patron
is to be taxed a certain amount, and I suggested at several meetings
that the amount be dollar. The factory man would probably agree to
contribute five dollars, the cheese dealer should contribute twenty-five
and fifty dollars. We have over 2200 cheese factories and each fac-
tory has 25 or 30 patrons, that makes approximately, 66000 patrons
hauling milk to cheese factories, and if each patron pays $1.00 we have
$66,000, and you have about $10,000 from the cheese makers and an-
other $5,000 from the dealers, giving approximately $75,000. If this
amount was expended in advertising in national magazines and the like,
I am satisfied that great good would result. At any rate it is worth
trying. I have spoken to cheese factory patrons about this scheme and
found a good many in favor of something on that order.

Mr. Scott: Mr. Linzmeyer called on me awhile ago in regard to the
association. Three years ago we organized in Sheboygan county, we
came down here to Milwaukee with little bells on wanting to organize
such an association as this. I asked Mr. Linzmeyer to come in with
us or we will come in with them. The Sheboygan county boys are
ready to come in. We must all go in together, but the cheese makers
don't come in. They were invited at Fond du Lac last year to come
in. We will combine with them in any way they see fit.

Chairman: The Sheboygan organization was the Wisconsin Cheese
makers Advancement and Protective Association.

Mr. Scott: There is no reason for having two organizations.

Mr. Aderhold: The new organization takes in the butter industry
as well as the cheese industry. Marathon county has the same, Clark,
Wood, Chippewa and Eau Claire counties are organized under Central
Wisconsin Cheese Makers, Butter Makers, and Dairymen's Advance-
11—C. A.
ment Association. The way to get them together is to meet with the directors or delegation meetings of these different organizations that are already organized throughout the state, that are in thriving order and have by-laws and either have the clause that you are most deeply interested in inserted in their by-laws or you adopt all of theirs and then you will be all alike throughout the state. It is easier than soliciting individuals. Mr. Lowe, and Mr. Charles Steffen and I had some experience in starting one up in Clark county.

Mr. Scott: They have a large organization up there, which they call the Central.

Chairman: This is Wisconsin Cheese makers' Protective and Advancement Association that was started in Sheboygan county.

Mr. Aderhold: This new organization takes in dairymen.

Mr. Steffen: I want to say in regard to the matter of organization, within the last two weeks I was in the city of Chicago on this very proposition you men are facing now. In the month of August I went to Madison and appeared before the State Council of Defense. I pointed out that the cheese industry is going to face prices unless the supreme authority does something and does it quick. We are paying more in Milwaukee for milk than the cheese factories or the condenseries can afford to pay.

I want to just put in a word of caution. We are in war. The National Food Administration under Mr. Hoover has supreme jurisdiction over all products. For the time being our hands are tied, and for the time being we must work hand in hand with the Food Administrator.

There is another item there that has been gathering some force, and that is that some insidious hand will step in there and fix the price for the other fellows. Who fixes the price that the Food Commission takes? It is the packer. I want to say to you men all roads lead to the packer. Mr. Heney has been in Chicago examining into that very problem. Today I am going to send a telegram asking Mr. Heney to transfer his investigation into Wisconsin and turn some light into this dairy business. We have got to have some information; gentlemen. You are all working along the same lines for the same purpose, and you are running up against the most gigantic forces you have ever worked against.

The attorney-general refused to prosecute the milk trust in Milwaukee. Why? They told me the power is too big, they dare not take hold of it. But Mr. Heney will take hold of it. It requires a gigantic force, and I said to Mr. Linzmeyer yesterday, your ideals are right, your purposes are right, but you have got to get bigger forces. The other forces have a million dollars to spend where we have a dollar and you will strike your heads against a stone wall. We have got to get the power from Washington. Why is there such an effort now to get this cheese consumed? Because the packers own the cheese and they don't want it known. There is the trust, gentlemen. You have got to break the control of the cheese
business and put the business in the hands of the cheese men. Your prices are fixed in New York and Chicago and you poor devils are working here in Wisconsin.

I ask for cooperation today that you men will join with me in sending a telegram to ask Mr. Heney to transfer his investigation into Wisconsin. It is a swindling proposition, I call it.

MEMBER: The statement of Mr. Steffen brings out one fact of our association, and that is that we have got to have money if we are going to do anything. I understand all those other associations are organized along a good deal the same lines. They haven't got money enough to do things. The fees of this association are $10 and it takes in every man interested in the dairy industry.

MR. LEE: I would like to ask Mr. Steffen if he meant the statement he made a few moments ago. Did they make the statement these fellows were too big to fight?

MR. STEFFEN: A man's statement was made to me. When they had a prima facie case against the man, the man said to me—whether this is true or not—it would not be advisable to prosecute them at the present time. At the same time no prosecution has developed under that law and they were never able to give a satisfactory reply.

MR. LEE: Your statements are based on hearsay?

MR. STEFFEN: Yes.

MR. LEE: You don't want to make a statement of that kind on hearsay.

MR. STEFFEN: I made inquiries in reference to the milk situation and the attorney-general, in general. Prof. Russell openly stated that they were preventing any prosecution under the anti-trust law. This was a statement made in a public meeting, so I presume if it is done in one instance it is done in another.

MR. LEE: You refer to an investigation covering a week on the patron's test against the condensery?

MR. STEFFEN: I was in the attorney-general's office in August and the attorney-general said to me that the tests had been overread, and Mr. Becker made the statement to me personally, he said they had considerable complaints and I have heard of nothing being done.

MR. LEE: There are always two sides to a story. Mr. Linzmeyer came to me yesterday and wanted my side of the story. The Dairy and Food Commissioner isn't here today, and he is not afraid to prosecute when he has evidence. I personally, with one of our other men, carried on the investigation. The complaint came to our office that the condensery was overreading the Babcock test. To get evidence on the overreading of the Babcock test is not an easy matter because you are dealing with farmers and you are dealing with cheese makers and everybody.

MR. STEFFEN: This statement said somebody from the Dairy and Food Commission did check up, took a test at the farm and at the condensery and found that the test had been overread.
Mr. Lee: We went to a cheese factory in the vicinity. We asked the cheese maker to furnish us with two farmers that were willing to send their milk to the condensery. We went to the two farmers Sunday afternoon in a rain storm. These two farmers let us come in and sample the milk every morning until we got the result from the condensery, Monday morning. The farmer was standing in the road watching for me because he thought he was a schoolmate of mine. He knew we were there. He got the information from a farmer. We thought the whole thing was up. We got a sample of those two farmers' milk every morning for five consecutive days. Naturally we were anxious to get the report from the condensery. The report is in writing filed in the Dairy and Food Department's office and also the Deputy Attorney-General's office. My average test on one farm was 3.55. The test by our chemist on the same milk for the same period was 3.6. The condensery paid that farmer for that milk on a 3.9 test. That is a difference between my test and the condensery's test. On the other farmer's milk his test was 1/10th lower than mine. In one case he was underreading and the other case was overreading. This one farmer's milk which you claim was overread from hearsay, was overread how much?

Mr. Steffen: They tell me 4/10th.

Mr. Lee: The farmer's milk for the five days varied from 3.5 to 3.8. The variation on different days 3.5, 3.4 and 3.8.

Mr. Steffen: The point I make is this. It requires organization and power more than is in the state to bring those things to justice.

Mr. Lee: The condensery don't take a positive test, they take a sample on one day every week. They made a mistake of one-tenth, if they made a mistake. Who here would want to be prosecuted because they overread one-tenth?

Member: I would like to have Mr. Lee state how many cheese makers you have prosecuted?

Mr. Lee: I only know of three, and that I got from Mr. Aderhold. Do you want the cheese makers prosecuted the first time?

Member: We certainly do.

Member: I wrote a letter to the Commissioner asking him to prosecute a bunch of our cheese makers in Bear Creek and I never got a reply.

Mr. Lee: I can't understand a man making a statement of that kind because the records are on file in the Commissioner's office.

Member: I know this, we didn't get replies.

Mr. Lee: We have received several complaints in the vicinity of Appleton and Mr. Cannon has investigated several of them. So many complaints come in based on suspicion and you don't have evidence.

Mr. Pauly: There is no question but what the State Department is short-handed. I think the cheese makers ought to make an effort to increase the department.

Mr. Marty: Either increase it or out with it. This everlasting throwing weights and measures and everything thinkable in the name
of an institution on the Dairy and Food Department has reached the limit. Either increase it or out with it.

CHAIRMAN: Prof. Lee has a few announcements that he thinks are almost a necessity to come before this convention.

MR. LEE: There are not as many of the factory operators as I wish were here.

The licensing law has been in operation two years. Since that time there has been a large number of men who have applied for licenses to make cheese, and up to the close of last year they haven't been found by the inspectors. Just before the close of the year we did receive letters from a few of these men that have a permit to make cheese but never received a license. If you hold a permit as a cheese maker and you haven't your license, or if a new man should come into the creamery this year and he had applied for a permit to make cheese this year or if you change your address, tell us where you can be found. I called on a young man this morning who didn't understand why he hadn't received his license. He is connected with a Milwaukee plant and naturally hasn't been found by the inspectors. The permit has the full force and effect of a license until a license is issued. If it is issued in 1917 it holds good until 1918. If the Commissioner recommends a license the Commissioner will issue such a license.

The year 1917 is the year for which we are going to tabulate the different products made in the state, the number of pounds of product. These blanks have been sent out as far as we can tell to every cheese maker in the state. I wish the cheese makers would assist the Department. It is to your interest as well as anybody else that we get the total number of pounds of cheese that was made in Wisconsin for the year 1917, and the value of that product. Your cooperation in this matter will assist the Department very much in getting the report out on time. The law requires that these figures shall be in sixty days after the first of the year, so each factory operator has sixty days in which to fill out this report and return it to our office. I thank you.

TESTING CHEESE FOR MOISTURE

By PROF. J. L. SAMMIS, Madison, Wis.

Those boys who just gave you a "skyrocket" wanted you to know they were here, so I might as well say they are here looking for jobs, and if you are looking for helpers or cheese makers, go over and talk to them. Every year we bring down a party of boys, and some of them usually get employment. I recommend them heartily, they are all good hard workers.

The subject that has been assigned to me is testing cheese for moisture. There are four or five different ways to talk about almost any subject. A year or so ago you would have to present a lot of