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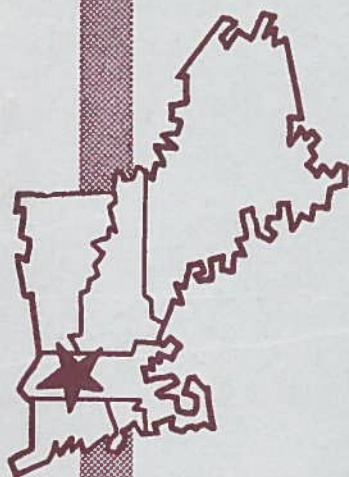
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1964 PROCEEDINGS

New England
Agricultural
Economic
Council



JUNE 15, 16, 17

UNIVERSITY OF MASSACHUSETTS

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NEW ENGLAND AGRICULTURAL ECONOMIC COUNCIL

ANNUAL CONFERENCE

**University of Massachusetts
Amherst, Massachusetts**

June 15, 16, 17, 1964

"FEED MILLING TODAY" -- RESUME OF SPEECH

Emanuel Hirth

Central Connecticut Cooperative

Mr. Hirth started by describing the current situation of his organization, the Central Connecticut Cooperative, which is located in Manchester, Connecticut. At the present time it has a membership of about 250 farmers, most of them located within fifty miles of the mill. The mill is modern (built in 1959) and fully automated, and delivery to farmers is made in bulk. He felt that his plant had operating economies and quality control advantages that could not be duplicated for his members by most other types of mills or by on-farm mixing.

The major emphasis of the talk was on transportation developments as they relate to the operations of his Connecticut mill and to New England feed millers and users in general. He stated that the issue of transportation rates on feed ingredients is the most crucial problem faced currently by New England agriculture. Recent developments have put New England in an unfavorable situation relative to other areas. He mentioned as one issue the special rates recently published by the Baltimore and Ohio and Pennsylvania railroads for grain shipped to the Delmarva region. These rates increased the spread between feed ingredient transportation costs to Delmarva and New England. As a consequence, New England egg and broiler producers, in particular, have been disadvantaged.

Past attempts to get lower transport rates to New England have not been very successful. One alternative that has been tried is the use of water shipments. About four years ago, Frank Lipman and Sons in Farmingdale, Maine, started receiving barge shipments of grain. However, for some reason this didn't work out, because they aren't being received at the present time. The Central Connecticut Cooperative also considered barge shipments three years ago, but yielded to New Haven Railroad pleas to work something out with them. Today, after many false starts, CCC is still waiting for the railroad solution.

One problem in the past has been the lack of a unified viewpoint on the part of the New England feed industry. In part, this has been caused by differences in the importance of transit privileges to different mills. In return for lower rates, railroads have insisted on reduction or elimination of transit privileges. In the last six to eight months, the New England industry has realized the urgency of the situation and has started to work together.

On April 15, 1964, Portland and Augusta, Maine, and Manchester, Connecticut, received special multi-car rail rates that were \$1.90 per ton lower than previous rates from Toledo, Ohio. In practice, Mr. Hirth stated, they have found the actual reduction to be as little as half of that amount because of higher prices that had to be paid to obtain corn. He felt that the price increase was caused by increased competition for corn from the most desirable origin.

Several railroad proposals covering all New England destinations have been under discussion recently. Proposal 193, submitted by the Pennsylvania Railroad, would have resulted in equal rail rates to various, separated New England points, such as Manchester, Connecticut, and Augusta, Maine. On the other hand, Proposal 195 submitted by the New York Central Railroad would put rates on a point-to-point (mileage) basis and thus would result in considerably different rates to various points in New England. For example, the rate (corn only, Toledo origin) would be 40 cents per hundred pounds to Greenfield, Massachusetts, 41 cents to Manchester, Connecticut, and 51 1/2 cents to Portland and Augusta, Maine.

Hearings were held on these proposals in Chicago on January 30. Many interested parties testified, including grain producers, dealers, millers, railroad personnel, economists, etc. Of 52 testimonies, 51 were in favor of Proposal 193 and one was in favor of Proposal 195. Hearings held in April in New York City produced somewhat greater backing for Proposal 195, but Proposal 193 was still favored by about 75 percent of those testifying. Yet about two weeks after the New York hearings, the Traffic Executives Association (railroad policy-makers) announced that 193 was tabled for further study and 195 would be published.

Proposal 195 was published on June 15, 1964 and was scheduled to become effective July 15. Mr. Hirth felt there was some possibility it might be suspended before that date, because many people were protesting it.

Mr. Hirth stated that he and most of the New England feed industry preferred Proposal 193 to Proposal 195, and that they were dismayed at this turn of events. Based on his experiences with the special multi-car rate, he felt that point-to-point rates would result in excessive competition for grain at the most favorable origins, thereby driving up grain prices at those points. He pointed out that different New England destinations would now receive different rates and this would lead to pricing problems, since the end products must be sold at the same prices for the different sellers to remain competitive. Obviously, this rate would be particularly unfavorable to Maine. He pointed out that 195 would also apply to Delmarva, that it would cancel the special B. & O. and P.R.R. rates, and that it would replace them with a 34-cent rate that would further increase the

rate spread between Delmarva and New England. He also disliked the fact that 195 applied only to corn (which accounts for about two-thirds of the feed formula), while 193 had covered grain and grain products.

The alternative of using water shipments is still being considered by Mr. Hirth and by other New England feed interests. They are particularly interested in large vessels that might offer considerably greater cost savings than the smaller barges.

He stated that: "Whatever the solution to our problems, there is no time to fool around." Whether rail or water is used, something must be done quickly or the New England egg industry will die. He felt that New England consumers preferred the locally-produced brown eggs and that the New England industry had a reputation for quality. He felt that New England egg producers were as efficient or more so than those in other areas and that local mills such as his were highly efficient. With all these advantages in addition to being located near to the market, he saw a bright outlook for the New England industry if it is able to obtain feed at fair and competitive rates. If the rates are not competitive, no amount of improvement on the farms or in the mill will be enough, and the industry will perish.

-- Resume prepared by David A. Storey
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