Current Information Letter

For the Information of County Extension Agents and Extension Workers Only

AGRICULTURAL EXTENSION DIVISION—PAUL E. MILLER, DIRECTOR

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FILE UNDER: AGRICULTURAL ECONOMICS - Marketing - Selling

Considerations in Manufacturing and Selling Dry Skim Milk -- By W. H. Dankers, extension marketing specialist.

Many organizations that have shifted from the purchase of cream to the purchase of whole milk have recently started or will soon begin the manufacture of dry skim milk. A number of organizations have requested information and assistance with the new problems confronting them. Frequently the requirements laid down by the Federal Surplus Commodities Corporation (F.S.C.C.) for the sale of dry skim milk to the government are not fully understood. A few of the requirements are here outlined.

1. Quality and grade--Offers are accepted for only two grades of powder for human consumption, namely, "Extra" and "Standard," as defined by the American Dry Milk Institute. The powder must be made from skimmed fresh milk (not buttermilk), which has had no alkali or other chemical added to it. The considerations for the two grades are as follows:

Considerations	"Extra"	"Standard"
Moisture	Not more than 4%	Not more than 5%
Milk fat	Not more than 1.25%	Not more than 1.50%
Acidity (when reconstituted)	Not to exceed .15%	Not to exceed .17%
Solubility index (insoluble matter in 20 grams)	Spray process - not more than 1.25 cc Roller process - not more than 15.00 cc	Spray process - not more than 2.00 cc Roller process - not more than 15.00 cc
Bacteria count	Not more than 15,000 per cc	Not more than 50,000 per cc
Sediment	Not more than Disk 3	Not more than Disk 4
Flavor and odor	Sweet and clean - free from rancid tallowy, cheesy, soapy or other objectionable flavors and odors	Same as Extra
Texture	Free from lumps	Free from lumps
Color	White or light cream	White or light cream

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Contract option--If powder offered as "Extra" does not meet grade specifications, the seller has the option of (a) delivering such product as "Standard" grade at a price 1 cent less per pound (b) delivering a substitute lot that meets grade specifications. Lower grade powder than "Standard" is not accepted.

2. Quantity--Offers must be of not less than a minimum carload and are preferred in multiples of maximum carloads. On delivery, a tolerance of 3%, in pounds, will be permitted on the contracted quantity.

3. Procedure in Submitting Offers

a. Offers may be submitted by letter or telegram to the F.S.C.C., U.S. Department of Agriculture, Attention Purchase Branch, Washington, D.C. A district office of F.S.C.C. is located at 506 South Wabash Street, Chicago, Illinois.

b. The address of the local inspection office of A.M.A. is K. Goss, inspector, 302 Gorham Building, 7th Street and Second Avenue North, Minneapolis, Minnesota.

c. Submit offers to Washington so as to be received by 2:00 P.M. (Eastern Wartime) on Tuesday of each week. Offers received after 2:00 P.M., Tuesday, and before Thursday will not be considered. Offers received Thursday through Monday will be considered with those received on the following Tuesday. Offers received by 2:00 P.M., Tuesday, will be subject to acceptance by F.S.C.C. in whole or in part, not later than midnight the following Thursday.

d. The offer should include the following information:
Number of cars and pounds offered
Whether "Extra" or "Standard" grade
Whether spray or Roller process
Net weight per barrel or drum
Price in cents per pound, f.o.b. cars or trucks at each delivery point
Point (or points) of delivery--ifin warehouse, name of warehouse
Name of originating carrier at each delivery point
Date on which milk will be ready for sampling and inspection

4. Inspection--All milk offered must be ready for sampling on the date indicated in the offer which shall be not later than the third Tuesday after the Tuesday for which it was offered. Grading and weight certificates issued by the Agricultural Marketing Administration, U.S.D.A., will rule in the contract. All inspection fees and charges must be paid by the seller.

5. Delivery--Inspection must be completed and notice of tender (offer of satisfaction) must be made to F.S.C.C. within 30 days after the date specified in the offer when the milk is indicated to be ready for sampling. Delivery will be taken by the F.S.C.C. at its option within 30 days after receipt of the notice of tender. Delivery must be made f.o.b. railroad cars or at the option of the F.S.C.C., f.o.b. trucks, or any local warehouse specified by the F.S.C.C. at the delivery point named in the offer.

6. Packaging and Marking--All dry skim milk delivered to the F.S.C.C. must be in the original containers as packed when manufactured, which must be either standard commercial drums with double moisture proof liners, or wooden barrels (new) with double moisture proof liners. Each barrel or drum must be plainly marked or labeled (preferably on the side) showing the following:

a. Seller's name

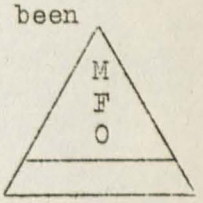
b. Contents - "Dry Skim Milk"

c. "Spray" or "Roller" process

d. "Pulverized" or "Ground" - if it is roller powder which has been pulverized or ground

e. Net weight, seller's lot number and contract number

f. Other specifications as given by F.S.C.C. and the symbol



7. Payment, Performance and Liquidated Damages--Payment by F.S.C.C. will be contingent upon full compliance with the contract and will be made as soon as practicable after a claim is submitted. If the seller fails to deliver the required quantity of milk or a substitute lot satisfactory to F.S.C.C., the seller shall be liable for the difference between the contract price and the replacement cost of such quantity.

Special Considerations:

a. The government does not make inspection until an offer has been accepted. In some plants and especially in those just beginning the dry milk operations, where the quality of the powder is quite uncertain, it would appear wise, expedient and financially desirable to have a preliminary test made. Commercial laboratories are available to perform this service at a reasonable rate. Upon special request from a seller the A.M.A. will make an advance inspection at the seller's expense. The cost of such an extra inspection by A.M.A. is considerably above the cost of having samples tested in a commercial laboratory.

b. In selling dry skim milk to the F.S.C.C., six to eight weeks may be involved before delivery is completed and payment is made. Any organization contemplating such sales of dry skim milk will need to make arrangements for storing and financing accordingly. If the powder is to be stored locally beyond the delivery date, the F.S.C.C. will compensate for such storage.

c. Too much emphasis cannot be placed on quality in the entire program of producing dry skim milk. A program of cleanliness in production and proper cooling and storing must be adopted on the farms selling milk. A similar program must be adopted in the manufacturing plant. The success of the dry skim milk program in a particular plant, during this emergency, will depend to a large extent on quality. The differential between "Extra" and "Standard" grade is 1 cent per pound. Some plants which have offered powder that did not grade "Standard" and which was rejected by F.S.C.C. have received a price of 2 cents or more per pound below the price they should have received if such powder had graded "Extra." If the powder qualifies only as animal feed, the price received is 4 to 6 cents per pound less. A hundred pounds of liquid skim milk yields from 8.5 pounds to 9.0 pounds of powder. To receive 2 cents per pound below the "Extra" price for powder would result in the payment of 17 to 18 cents per hundredweight less to producers for the liquid skim milk. This in some cases and at certain times might bring the price down to or below the value of skim milk for feed on the farm. The result will be the discontinuance of the sale of whole milk by some farmers. The smaller "run" in turn will result in less efficient use of the equipment now installed, a higher operating cost per unit, and a "slowing up" in filling the desired quota of dry skim milk. It may be re-emphasized that our war program calls for the production of commodities with the least expenditure of materials, needed in our total war effort.

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