

EQUITABLY ASSESSING MILK HAULING COSTS TO PRODUCERS

By

Thomas H. Stafford
USDA, Agricultural Cooperative Service
Washington, DC

Problem Addressed

How do you devise a method to equitably charge delivery costs to stores of various sizes and locations?

Methodology Used

Determine costs of hauling resources used (fixed costs, labor costs, and variable truck operating costs), then determine how each resource is used on each route activity (at-warehouse time, at-store fixed time, at-store unloading time, transport miles, and non-transport or between-store miles). Finally, assign route activity costs to store charge components (stop charge, transport charge and volume charge) on the basis of a theoretical most efficient delivery system.

Major Findings and Their Significance

Paying hauling cost strictly on a dollar of sales (margin), a weight, or a weight-mileage basis can cause great inequities among both haulers and payees. The method developed to help dairy farmers more equitably share the cost of bulk milk assembly can be slightly modified to apply it to better determine cost allocations to any food distribution sector that has to deal with hauling from (to) several points to (from) a single location with a common truck and variable size loads picked-up (dropped-off) at each location. This method would help charge the benefactors of hauling a rate that more nearly reflects the cost caused by individuals.