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THE DAIRY SUBSECTOR OF AMERICAN AGRICULTURE: ORGANIZATION AND VERTICAL COORDINATION

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FOREWORD

During the last decade, the topics of subsector organization and vertical coordination have become increasingly recognized as important factors in the organization and performance of the U.S. food system. However, little research has been conducted on these topics, in part because the methodology and conceptual framework for subsector analysis is not fully developed.

The North Central Regional Research Project NC 117 is examining the organization, coordination and performance of several commodity subsectors. Monograph 5 provides a comprehensive analysis of the U.S. dairy subsector. Future monographs will analyze the egg, beef and selected fruit and vegetable subsectors.

The individuals and organizations participating in NC 117 are listed below.

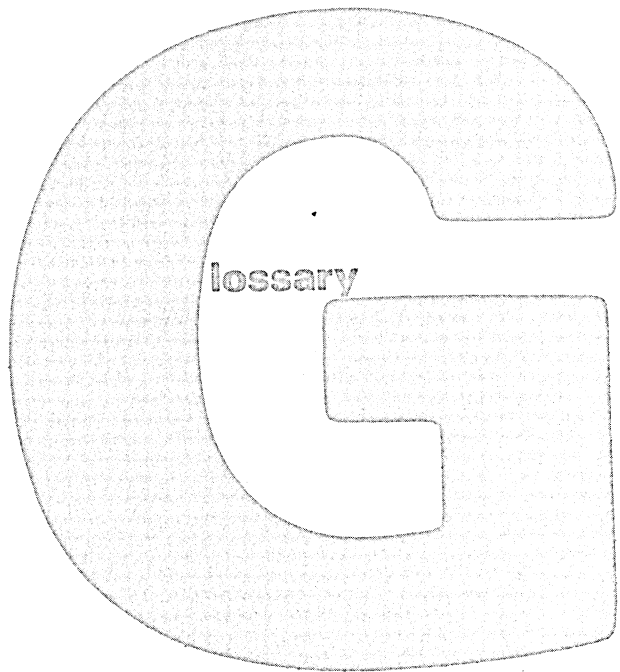
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This glossary is intended primarily for the agricultural economist who is not familiar with terms frequently used by personnel in the dairy subsector and by those who specialize in researching its problems. A more extensive glossary which includes additional terms used in this report can be found in Williams *et al.* [79].

Dairy Subsector - Refers to all sellers and buyers of milk and dairy products and services. To some extent, subsector is used interchangeably here with "industry" although strictly speaking industry usually includes only competing sellers.

Procurement - Refers to functions involved in obtaining raw milk from farmer producers. It includes competing for the milk, hauling to the first point of receipt, weighing and testing, and payment to the producer.

Fluid Milk - Refers to milk of Grade A quality, i.e., meets sanitary standards for milk to use for drinking.

Handler - A term widely used in markets operating under federal orders to refer to a concern which buys Grade A milk (inspected for drinking) from producers and either processes it into bottled or soft products or resells it to a processor who performs these functions. In effect both those who buy this milk from farmer producers and those who process it for customers are included as handlers.

Dealer - A firm selling bottled (packaged) milk and/or soft products to wholesale outlets or to house-to-house accounts. The dealer frequently processes the products he sells, excepting the subdealer (sometimes called bobtailer or vendor) who buys from a regular dealer and resells.

Processor - Refers to a concern that bottles (or packages) Grade A milk for drinking. This concern may make the soft products such as cottage cheese, ice cream, and such especially when they are made from Grade A milk. This concern may also manufacture surplus into hard products, butter, nonfat dry milk solids, or cheese in a separate plant, but it is not the primary activity.

Manufacturer - Refers to a concern primarily engaged in making so-called "hard" dairy products such as butter, nonfat dry milk, or American, Italian, or semisoft cheeses (Muenster and the like) and evaporated milk.

Handler or Dealer in Manufactured Products - These terms may refer to concerns in manufactured products trade. The use of the term will depend on the context in which it is used.

Cheese Processing - Although the term processing is used chiefly to refer to bottling milk and making soft products (by the dairy trade), it also is used to refer to melting down hard cheeses and blending them so as to form processed cheese, such as Kraft's Velveeta, cheese food, and cheese spreads.

American Cheese - A general category of cheeses, as distinguished from so-called foreign types (such as those popularly called Swiss and Italian) and the semisoft and soft cheeses. Most American cheese is cheddar but the category includes some minor ones such as Colby, distinguished chiefly by moisture content. The process includes cutting the curd into small cubes, matting, draining, and pressing. The government buys American cheddar cheese in blocks or barrels for price support purposes.

Rindless Block Cheese - Cheese (usually American or Swiss) made by pressing into blocks, most frequently 40 pounds, and sealing in a polyethylene wrapper, thus replacing the former cheese cloth and wax dipped covering. The process came gradually into use during the late 1940's and early 1950's.

Minnesota-Wisconsin Price Series (M-W Series) - Compiled by SRS and used by Dairy Division, USDA, as the price for surplus milk in federal order (usually Class III). It also is the prime mover for Class I and II which exceed the M-W price by specified differentials. The M-W price is the Average price paid by manufacturing plants in the heaviest producing and most competitive area for manufacturing milk.