THE BENNETT CREAMERY COMPANY

By

Keith Holden

Marketing

Mr. Williams

December 15, 1966

THE BENNETT CREAMERY COMPANY

The Bennett Creamery Company, one of this community’s leading industries, is sixty-one years old this year. The present Bennett Creamery property was developed just after the turn of the century. In 1902, S. W. Williamson deeded the property to the then Forest Park Creamery. Then two years later the creamery deeded the property to A. C. and W. E. Stich of Independence, Kansas. Then in 1905, B. D. Bennett, along with Captain Ransom, G. C. Smith, J. W. Reed, and D. W. Dawkins, took over the company from the Stichs and incorporated under the name of the Ottawa Condensing Company. The Forest Park Creamery hadn’t been at all successful and it took Mr. Bennett and his partners quite some time to get the business out of the red. In fact, Mr. Bennett borrowed ten thousand dollars to enter the business and lost three thousand dollars the first year of operation.

The original building, which is still standing on the present creamery site, was two stories, 50 by 125 feet, with native stone walls 24 inches thick. This building has been somewhat of a problem as the structure doesn’t lend itself well to modern production-line techniques. But the company doesn’t really know what should be done about it. The building now houses the ice cream mix departments, four cold storage rooms, the butter churns, and the print room.

In 1907, Reed sold out his interest in the company as did Dawkins in 1910. Then in 1912, Smith sold his interest to Mr. Bennett. The firm’s name was changed to the Bennett Creamery Company in 1922.

The first additions to the plant came in 1921 when two two-story brick buildings were built, which now house the office, power department, and butter department. The next addition was the milk processing department which was built in 1926. The next major change came around 1942 when the milk department was expanded north and the northeast corner of the building was added. This area was again changed in 1949 and now houses a cold storage room, a Grade A milk department, and a spray milk solids dryer. Also around 1942 the Bennett Retail Store was added. The company owned several buildings along Main Street, and because the selling of the various chemicals and cleansers to the milk haulers and producers which had heretofor been done out of the business office, was getting to be somewhat of a nuisance, the company opened the retail store. It wasn’t until about seven or eight years later that the store began selling ice cream and other food items. In 1949 and 1950, the new milk receiving room was added on the east side and was one of the finest and most efficient in the Midwest. Other extensive internal changes were also made for greater efficiency of the plant operations. In 1955, the milk department was expanded to the south to house a larger and more efficient milk evaporation equipment.

Also about this time was a new development in the milk business of using bulk tanks on the farms for storage. Thus the milk would have to be picked up about half as often as before. The tanks store the milk until a tank truck goes to the farm and pumps the milk from the farm tanks. This was an excellent way for reducing the expenses of hauling the milk.

This bulk tank development became a problem with Bennett’s. The independent milk haulers could not make a profit if the producers using cans for milk diminished substantially. Very few of the haulers could afford to invest $10,000 to equip a tank truck, and unless enough producers were to invest in the bulk tank process, the volume wouldn’t justify the change. Bennett’s lost one of the largest milk producers in the Midwest because they weren’t equipped to meet this new change.

Most of the Grade A producers belonged to the Pure Milk Producers Association in Kansas City, Missouri. This is a cooperative marketing union of producers that bargains for price changes at federal hearings. It also tests and checks the weights and quality of the milk of its members. In general, it pleads the case of its member producers.

The Pure Milk Producers Association wanted to own the tank trucks and lease routes to the independent haulers. This proposal conflicted with the creamery companies because they wanted to do approximately the same thing. Finally, though, the creameries won out. But it wasn’t until about five years ago that Bennett’s finally went the truck route. The company buys the tank to outfit the truck itself, which is bought by the hauler.

At the beginning, B D. Bennett and one girl handled the condensing plant’s office work. Today, however, there are nine employees in the office, as well as the three officers of the company. The number of employees in the plant itself and the retail store varies between about eighty in the winter to around one hundred in the summer.

Until November, 1955, plant operations were on 24 hours a day, seven days a week. But after that time, due to the addition of larger equipment, the processing time was cut to five days.

The Bennett Creamery Company attains a 5 to 6 percent return on investment and has annual sales of a bit over 5 million dollars. The company makes its own brand of ice cream and Forest Park butter. It also has franchises from Joe Lowe, Eskimo, Heath, and Drumstick Corporation for the manufacture of the various novelty ice cream products such as ice cream bars, Eskimo pies, etc. The firm sells sweet cream and plain condensed milk to Safeway, Foremost, and Fairmont for their use in their own ice cream. In 1955, Bennett’s signed a contract to run through 1956 with the Kraft Foods Company to dry egg whites for the nationally-known firm. Kraft, in turn, sold the dried egg whites to cake mix manufacturers. This arrangement has since changed and Bennett’s now dries the egg whites for Seymour Foods Inc. of Topeka, who uses them for the same thing. Bennett’s took on this job because of the two driers which the company had, only one was being used in their normal production.

Since 1948, a portion of Bennett’s business has been the supplying of fresh liquid mix for Dairy Queen. They furnish the ice-milk mix to the retailers who in turn freeze it into the final product.

Butter accounts for 2 million dollars of annual sales, or about 40%. Ice cream and novelties each account for about three hundred thousand dollars of sales, or 6% each. These two combined equal the 650,000 dollars in sales of the Dairy Queen mix, which is about 13% of sales. The other 35% of sales is mostly that sold to Safeway, etc, and the business of the retail store, which is a small portion of the 35%. The dried egg whites aren’t sold by Bennett’s. They only provide the service of drying them for the company in Topeka.

Most of Bennett’s products go to an eight-state area in the Midwest. In late winter and in the spring, butter and dried milk products used to be shipped to the east and west coasts. However, this has more or less stopped, and only occasionally are Bennett’s products shipped great distances. In 1962, for example, the company shipped three carloads of butter to New York to be later shipped to Germany. Just recently they shipped a refrigerated car with 80,000 pounds of butter to Chicago. But this practice occurs only occasionally.

Bennett’s ice cream customers usually pay cash for their purchases. But most of Bennett’s customers pay with terms of net 7, 14, or 30 days.

While there have been no radical changes in the finished product over the years, there have been several significant changes in the procurement of the raw product. These changes have necessitated new outlets.

The business’ purpose, when organized 61 years ago, was to process sour cream into butter. The sour cream was furnished by skimming stations located in the production area within a radius of 25 miles from the plant. With the improvement of transportation and manufacturing methods, the skimming plants were gradually eliminated for the most part, and the raw milk product was delivered directly to the creamery. For the past 35 years, sour cream procurement has decreased sharply.

The first transition came about 1912 when the company began processing manufacturing type Grade C milk. This raw product has been greatly diminishing in recent years following a peak in 1946. The next change came in the late 1940’s and was such an acute problem by 1952 that it was very difficult to operate the large volume-low unit profit plant on a profitable basis. This problem was a result of the increase of consumer demand for Grade A whole milk. The dairies in Kansas City and Topeka and Wichita promoted interest on the part of the Grade C producers to improve their facilities and herds to furnish the large cities with Grade A milk which would greatly increase the farmers’ income.

Since Bennett’s is in Ottawa, which is admittedly a small town, it was impossible to develop retail and wholesale Grade A customers of enough volume to use all the production of the producers. After some extensive study and negotiation, Bennett’s purchased a substantial interest in the Meyer Sanitary Milk Company, a long-established dairy in Kansas City, Kansas, which was a handler under the federal marketing pool, This acquisition gave Bennett’s an outlet for a large volume of the Grade A milk that it had to buy from its farm producers who had decided to convert from Grade C to Grade A.

The Agricultural Marketing Service of the United Stated Department of Agriculture regulates the milk prices in various marketing areas throughout the country. The regulated price is based upon the relationship of the amount of bottled milk consumption in the area to the total Grade A milk production in the area.

The comparative relationship of the end use of the product in the marketing area determines the price to be paid to the farmer furnishing the raw product. This is called the blend price. The price developed in the Kansas City area for November, 1955 is shown in (Exhibit I). The comparative price is also shown for September, 1966 (Exhibit II). However, the prices for 1955 will be used in my discussion of the marketing pool because of relative price levels, as well as the fact that Bennett’s had the interest in the Meyer company only until 1956.

In 1955, raw milk was classified into two categories according to the conditions under which it was sold. Class I included the Grade A milk, which was bottled for retail and wholesale distribution on milk routes. Class II milk was surplus Grade A, which had not been used or sold in bottled or fluid form. The surplus was used in butter, powder, cheese, or ice cream. As mentioned earlier, the rate of production of Grade A milk had increased in large proportions. Since Bennett’s needed only Grade C milk for manufacturing, it was necessary to pay greatly increased unit prices for the raw product in order to hold a sufficient volume necessary to operate their large plant profitably. The excess of Class I milk not sold for bottling purposes can be pooled at Class II prices. By having this marketing outlet in the Greater Kansas City milk pool, it became possible to buy back from the Meyer company, the excess Grade A milk not sold for Class I use, at the Class II price to be used in the production of butter, powder, cheese, and ice cream.

The farm producer (Exhibit I) received an average price of $4.43 per hundredweight. Bennett’s, at the same time were able to buy the surplus Grade A milk at $3.4276 per hundredweight. During this same period Grade C milk was also available, in limited quantity, and cost $3.17 per hundredweight. Grade A surplus represented 40-45% of the total milk received by the company. Thus it is readily observed that the premium paid for surplus Class II milk was about twenty-six cents per hundredweight, while the premium of the blend price paid to the Grade A producers was $1.26 per hundredweight. As can be seen, this new outlet for Grade A milk enabled Bennett’s to save the $1.00 difference between the blend price and the price at which they were able to purchase the Class II milk from the affiliated company, which was a member of the marketing pool. The company was also able to maintain a larger volume of milk than they had been able to do previously.

As was mentioned, Bennett’s sold their interest in the Meyer company, which they acquired in 1952, in 1956, to the Hawthorne-Mallody Company. Nevertheless, Bennett’s still pays the lower price for their milk, which, in September, 1966, was $4.29 per hundredweight (Exhibit II). It can be seen in (Exhibit II) that there is now also a Class III milk, at which price Bennett’s buys all of their raw milk. As of now, Class I milk encompasses the following items: whole milk, low fat milk, skim milk, buttermilk and yogurt, flavored milk and drink, half and half, light cream (18-26% butterfat), heavy cream (27% and above, butterfat), and sour cream. Class II milk is used in cottage cheese. And Class III milk is used in the following: ice cream mix, dip specialties, bakery and candy goods, and livestock feed.

During the period in which the Grade A milk production was developing, there was a definite trend toward low butterfat types of ice cream, processed in retail outlets. It was for this reason, to keep pace, that the Bennett company effected a contract to produce most of the Dairy Queen mix sold in Kansas and western Missouri. This outlet supplemented the declining use of butterfat in the normally high butterfat ice creams.

The volume of Bennett’s operation is difficult for the average person to comprehend. But for many years, Bennett’s has handled around 75 million pounds of milk, reaching a historic high in 1961 of 101 million pounds. This year, the company will handle between 78 and 80 million pounds. They have also noticed a slight increase in volume from the same time a year ago. But they are uncertain as to the length and stability of the increase.

Presently Bennett’s has three bulk haulers and seventeen can milk haulers. They pick up milk from some 800 producers; those with cans calling on the farmer every day or every other day, and those with bulk tanks calling every other or every three days. As you can see, although Bennett’s volume has remained about the same for many years, there is only about half of the 1600 producers of 1955.

Almost all of Bennett’s shipping is by truck, except for the few examples cited earlier when there is a great distance involved. The trucking end of the business is under the direction of Jep Bennett. Selling is under the direction of Jack D. Bennett. He also directs the advertising. But very little advertising is done because of the firm’s long presence in the industry and also because of the limited markets for their product, save ice cream.

Mr. F. R. Bennett is currently the firm’s president, F. R. Bennett, Jr. is the vice-president, and the firm’s secretary if Robert B. Anderson.

The company has undergone no radical changes since 1955, and although they are contemplating some new ideas for the future, they are undecided as to how to go about effecting the changes, and then only if they should decide to make any.

As summers are shorter in the northern states, there are indications that the center of dairy production might move southward into the mid-central states. Because of the longer summers the dairy cows can be left on cheap pastures longer and this is much more economical than feeding grain or feed supplements in the north during the winter. In northern areas much more feed for the winter months has to be grown, which causes more expenditures in buildings and equipment than in the mid-central region. Today, there is a cooperative plant in south-central Missouri that is the largest milk receiving plant in the United States. If this trend of southward migration continues, Bennett’s will be in an ideal location to grow with this new change.

EXHIBIT I

BENNETT CREAMERY COMPANY

Kansas City Marketing Pool Table

1955

Class I (bottled or fluid milk) $ 4.7987 per cwt.

Class II (manufacturing or surplus milk) 3.4276 per cwt. $ 4.4300 per cwt.

These prices are based on a

butterfat test of 3.8%. The

differential for each .1%

change in the test up or

down is $ .065 up or down.

EXHIBIT II

BENNETT CREAMERY COMPANY

Kansas City Marketing Pool Table

September, 1966

Class I (bottled or fluid milk) $ 5.66 per cwt.

Class II (surplus used for cottage cheese) 4.44 per cwt.

Class III (all other surplus) 4.29 per cwt.

$5.40 per cwt.

These prices are based on a

butterfat test of 3.5%. The

differential for each .1%

change in the test up or

down is $ .079 up or down.