

Economies of Scale in the Operation of Country Milk Plants

with

Special Reference to New England

By

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FOREWORD

Our present marketing system is the result of decades of slow growth and evolution under conditions far different from those envisioned by the classical economist. Lags, imperfections, and elements of monopoly have been important and have molded the development of the system until today it is characterized by duplication, unutilized capacity, and an excessive number of processing and marketing plants. The almost unlimited number of grocery stores, drug stores, service stations and sales agencies are examples of this wasteful situation in the general field of marketing, while in agriculture the redundant and duplicating dairy plants, grain elevators, produce markets, and many other types of processing and handling plants are familiar. As a result of these inefficiencies, the marketing services are provided at unnecessarily high costs.

This publication explains the use of a budgetary or synthetic approach in the determination of plant costs under efficient operating conditions. The method may be used to develop approximate descriptions of the economies of scale for plants of any type—information that is essential in judging the existing system or in planning more efficient marketing organizations. With the synthetic method the research worker may determine the effects of revisions in the lay-out and operation of actual plants and may project the cost curves for individual plants and for the industry. The concrete application in this bulletin has been limited to a relatively simple type of dairy plant. Similar analyses may be used to study handling and processing plants of all types and for all commodities, and in many instances may be the only practical means of describing the efficient level of costs for the operation in question. The method should be a useful tool for students of marketing organization and reorganization, especially when drastic changes in the system are imperative. The war emergency is already emphasizing the need for studies of this type, and this need will probably continue or even increase in the reconstruction period that comes after the war.

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