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## Cost of processing and distributing grade A milk in Mississippi

Verner G. Hurt

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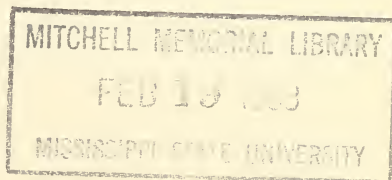
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# COST OF PROCESSING AND DISTRIBUTING GRADE "A" MILK IN MISSISSIPPI

by  
Verner G. Hurt



MISSISSIPPI STATE UNIVERSITY  
MISSISSIPPI AGRICULTURAL EXPERIMENT STATION  
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## HIGHLIGHTS

Analysis of costs and returns of 26 Mississippi fluid milk plants showed an average net return of less than one and a half cents per dollar of sales in 1965, Figure 1. Eight of the 26 plants had a net loss on their operation. By plants, the net ranged from a loss of almost 10 cents per dollar of sales to a gain of almost 7 cents. Return on investment averaged 4.4 per cent for the 25 plants from which investment data was obtained.

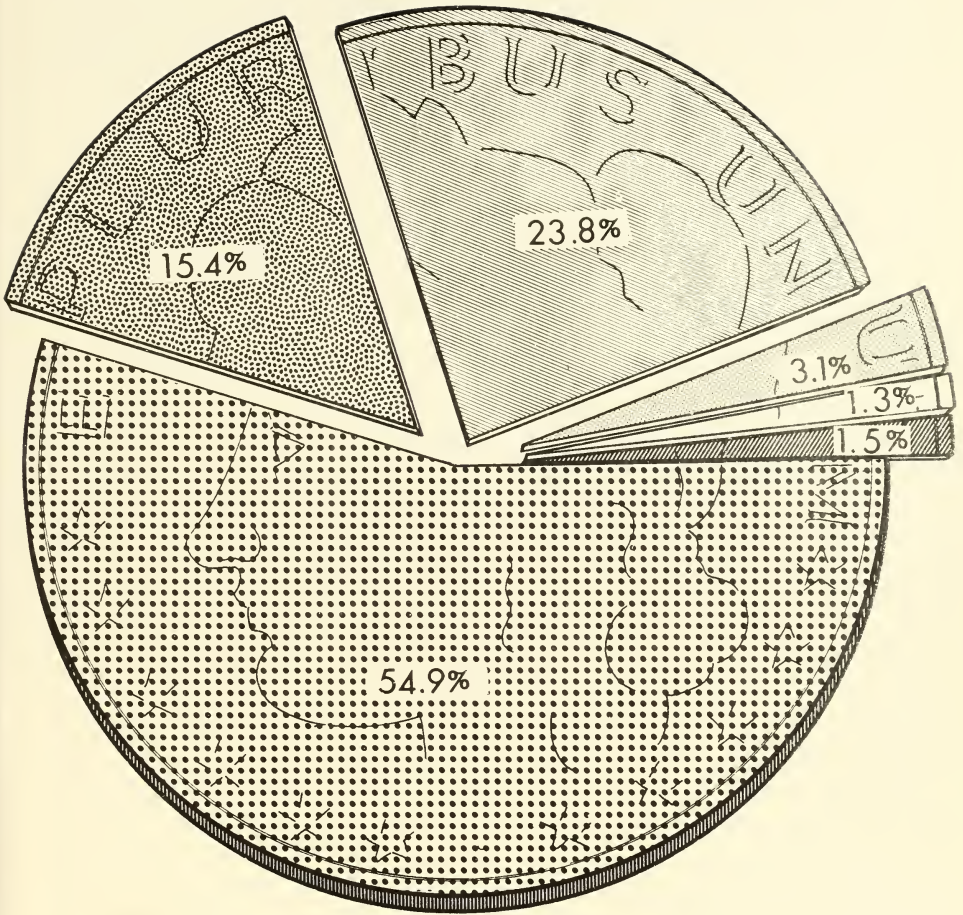
Cost of raw milk and other products used, such as sugars and flavors, averaged almost 55 cents per dollar of sales. About 95 percent of this cost was for the raw milk purchased for use in the fluid milk products.

Fifteen cents of the sales dollar, on the average, was accounted for by the cost of processing (cooling, pasteurizing, homogenizing and packaging) the product. On a cents-per-quart basis, these costs tended to decline from an average of about 5 cents in small plants to less than 3½ cents in plants that processed more than 25 million pounds of milk annually.

Selling and delivery costs were the second largest component of the sales dollar. These costs averaged 24 cents per dollar of sales for the plants in the study. The plants with volumes less than 5 million pounds annually had the lowest selling and delivery costs per unit on the average while the plants with volumes greater than 25 million pounds had the highest.

Administrative costs and plant losses accounted for almost 4½ cents per sales dollar. Slightly more than 3 cents of this amount was administrative cost.











-  Product Cost
  -  Processing Cost
  -  Selling and Delivering Cost
-  Administrative Cost
  -  Cost of Plant Losses
  -  Net Revenue

Figure 1. Distribution of the sales dollar, 26 handlers, Mississippi, 1965





COST OF PROCESSING AND  
DISTRIBUTING GRADE "A" MILK  
IN MISSISSIPPI

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Prices Mississippi processors, grocers, and consumers pay for milk are regulated by the Mississippi Milk Commission. One of the duties given to the Commission by the Legislature in 1960 is the responsibility for investigating

". . . the costs and charges for producing, hauling, bottling, packaging, distributing, processing, and marketing of milk and other services performed in relation to milk and . . ." determining ". . . reasonable charges and cost therefor, . . ." (Senate Bill No. 1757, Section 15(b), May 11, 1960).

In 1965, the Commission, in its efforts to obtain equitable guides for its regulatory activities, requested that the Department of Agricultural Economics, Mississippi State University, conduct a study of the average cost of processing and distributing milk in the State. This publication reports the findings of that study.

Procedure

Data pertaining to costs associated with processing and distributing fluid milk were obtained from 26 handlers located in Mississippi. These data were collected in 1966 by auditors employed by the Commission and were based upon the accounting records maintained by the handlers. The period covered by the cost data was January 1 - December 31, 1965 or the most recent fiscal year (covering a part of that period and subsequent months) for which data were available.

The Department of Agricultural Economics had the responsibility for analyzing the data and preparing the report. For purposes of analysis, handlers were grouped according to volume of milk processed. The number of handlers in each of the four groups delineated and the volume classes are shown in Table 1.

Table 1. Number of handlers by volume processed per year, Mississippi, 1965.

Group	:	Number of Handlers	:	Volume
				(million pounds)
I	7			less than 5
II	7			5 to 10
III	5			10 to 25
IV	7			more than 25

Not only were many different products (e.g., homogenized, skim, cream, chocolate, and buttermilk) processed by the plants in this study, but also these products were packaged in containers of different sizes (half-gallons, quarts, pints, third-quarts, half-pints). The cost data obtained could not be allocated to each specific product in each of the different container sizes. Consequently, a common unit of measure equivalent to a quart of fluid milk product was used in calculating the weighted average costs.

Throughout this report the term "quart equivalent" or "quart" refers to a volume of fluid milk processed rather than to a specific product in a particular container size. For example, either a quart of homogenized milk or four half-pints of chocolate are one quart equivalent of fluid milk product. Hence, the costs reported herein are averages over all products and all container sizes processed in the plants in the study. These costs thus cannot be interpreted as the costs per quart of any specific product in any particular container size.

In addition to cost data, information pertaining to the gross value of sales of fluid milk products and the investment of handlers was obtained for this study. Averages of these two items per quart equivalent have been calculated also.

### Cost of Processing and Distributing

#### Fluid Milk

Four major cost centers were defined for this study: (1) product cost, (2) processing cost, (3) selling and delivery cost, and (4) administrative cost. Costs were further allocated to certain accounts within each of these cost centers in accordance with the procedure followed by the handlers and/or standard accounting practices.

Product Cost: "Product costs" includes the cost of the raw milk purchased, the cost of other products such as sugar, flavors, non-fat solids, and charges associated with the procurement of the raw milk supplies. These costs, averaging 13.5 cents per quart in the 26 plants, did not differ appreciably between plants in the different size groups, Figure 2. <sup>1/</sup> Average product cost ranged from 13.2 cents per quart for plants in Group III to 13.9 cents for plants in Group I. The net cost of the raw milk <sup>2/</sup> accounted for about 95 percent of the total product cost regardless of plant size.

Processing Cost: In general, the cost of processing per quart of fluid milk equivalent would be expected to decrease as the volume processed increased.

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<sup>1/</sup> For the details of the information presented in the figures in this and succeeding Sections, the reader is referred to the Appendix.

<sup>2/</sup> The net cost of the raw milk was defined as the cost of milk purchases less milk and cream sales and hauling income.

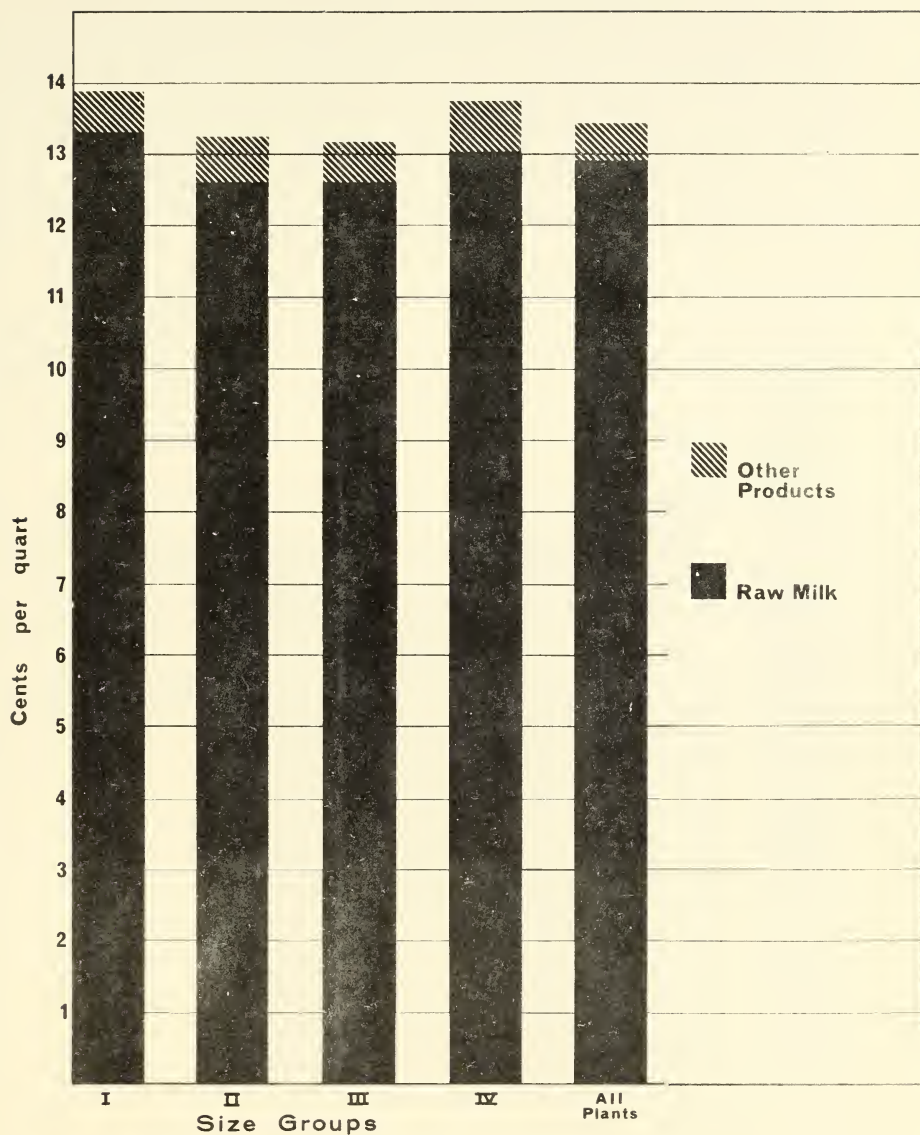


Figure 2. Product cost per quart, by size of plant, Mississippi, 1965

Such was the case, on the average, for the plants in this study. Weighted average processing costs per quart ranged from 5.2 cents for the small plants to 3.4 cents for the larger plants, Figure 3. For all plants the processing cost per quart equivalent averaged 3.8 cents.

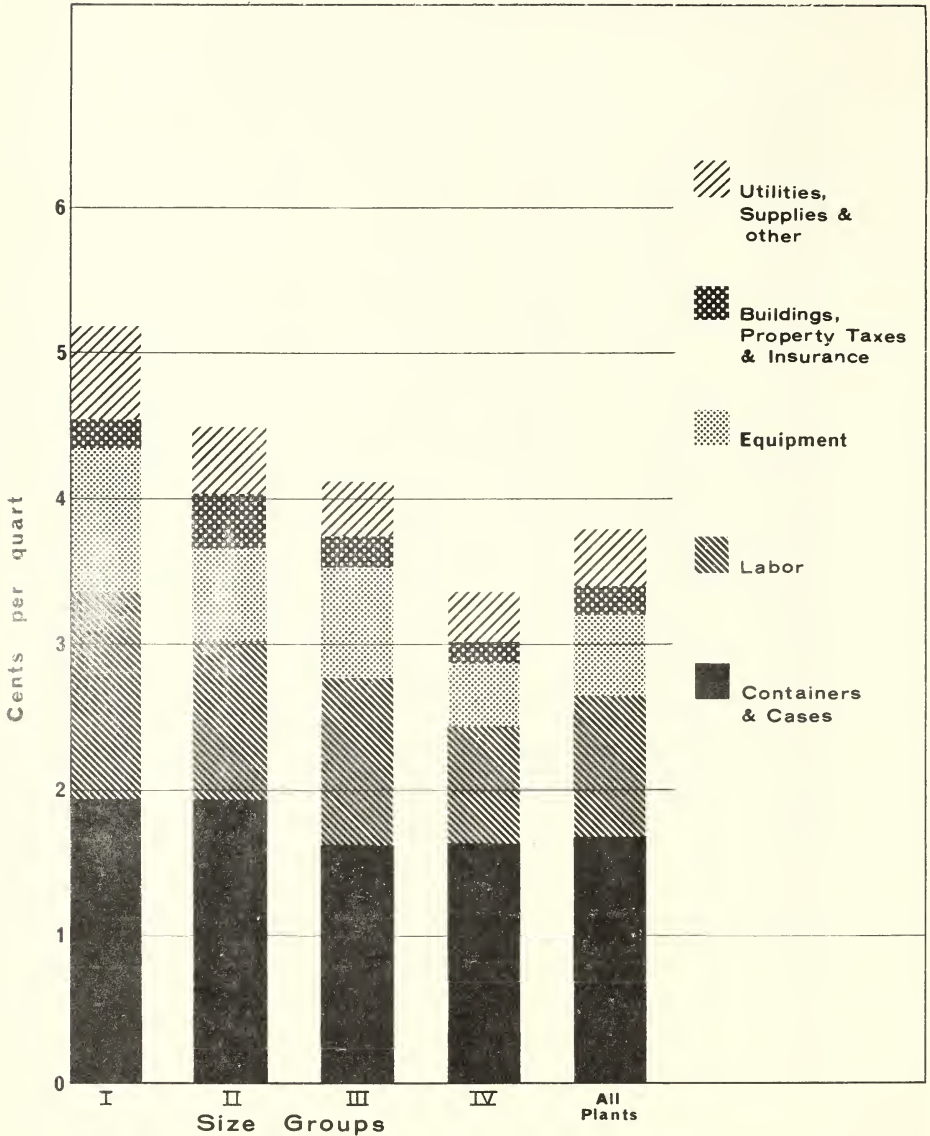


Figure 3. Processing cost per quart, by size of plant, Mississippi, 1965

Containers, at about 43 percent of the total, and labor, at 25 percent, were the two big items of processing costs.

Selling and Delivery Cost: To sell and deliver their products cost the 26 processors in the sample an average of 5.9 cents per quart. While increasing the volume handled might be



expected to lead to economies in these costs, many of the efforts exerted to increase volume can well give rise to a higher unit cost. To increase volume, processors may increase the size of their sales areas, make more home deliveries, or offer their sales personnel more attractive sales incentives--all practices that tend to push selling cost per unit up. The impact of these influences may be the reason that selling and delivery costs were, on the average, highest in the group of plants with the largest volumes. At 6.14 cents per quart, they exceeded by almost a cent and a quarter corresponding costs in plants with the least volumes, Figure 4.

Salaries accounted for about 50 percent of the total selling and delivery costs for each size group. Next in importance to salaries were those costs associated with the ownership and operation of delivery trucks. Some indication of the increases in costs from increases in the size of the distribution area are evidenced by the higher cost for gasoline, oil, tires, ect. for the plants in Group IV.

Administrative Costs: For the plants studied, the weighted average administrative cost did not appear to be related to the volume handled. Costs averaged the highest for plants in Group III, 1.1 cents per quart, and the lowest for plants in Group II, 0.7 cents per quart, Figure 5. For all plants studied, the weighted average administrative cost was 0.8 cents per quart equivalent of milk sold.

Total Costs: The average total cost per quart of milk sold tended to decrease as volume increased. Average costs ranged from 25.3 cents per quart for handlers in Group I to 23.9 cents per quart for those in Group III, Figure 6. For all plants, the average was 24.3 cents per quart.

Raw product cost made up more than half of the total cost, ranging from 53 to 57 percent of the total in plants of the various sizes. For the 26 handlers, product cost averaged about 56 percent of the total, Figure 5. The proportion of the total cost associated with processing declined as volume increased while the proportion associated with selling and delivery tended to increase.

### Variability of Costs

Many different factors affect the level of costs within a particular plant and hence contribute to differences between plants in the average costs for the cost categories delineated. Some of the likely causes of cost differences and the extent of these differences by cost categories and by size groups are discussed below.

Product Cost: Differences in the average butterfat content of the final products sold may cause substantial differences in the cost per quart of the raw product between plants.

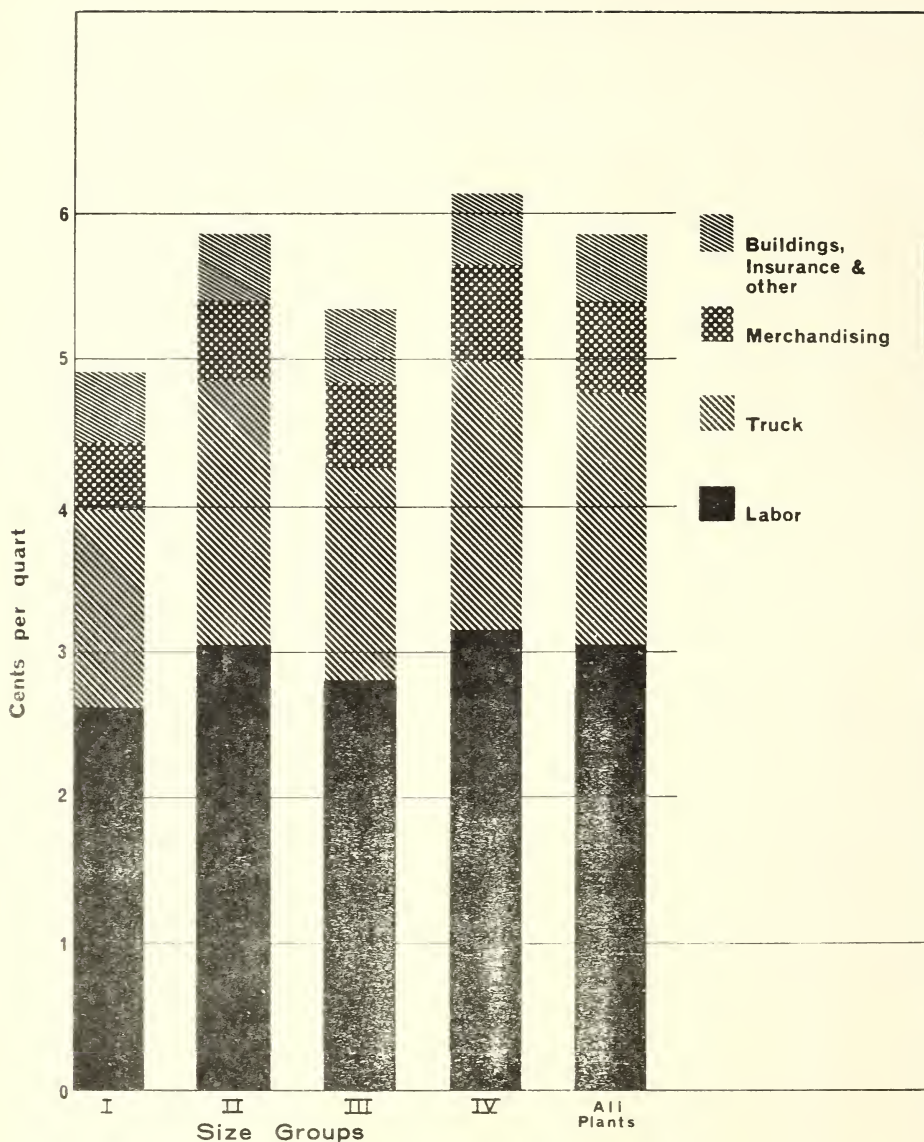


Figure 4. Selling and delivery cost per quart, by size of plant, Mississippi, 1965

Also, with plants operating under a system of milk marketing orders, location differentials within a particular order and differences in the level of Class I prices between orders are



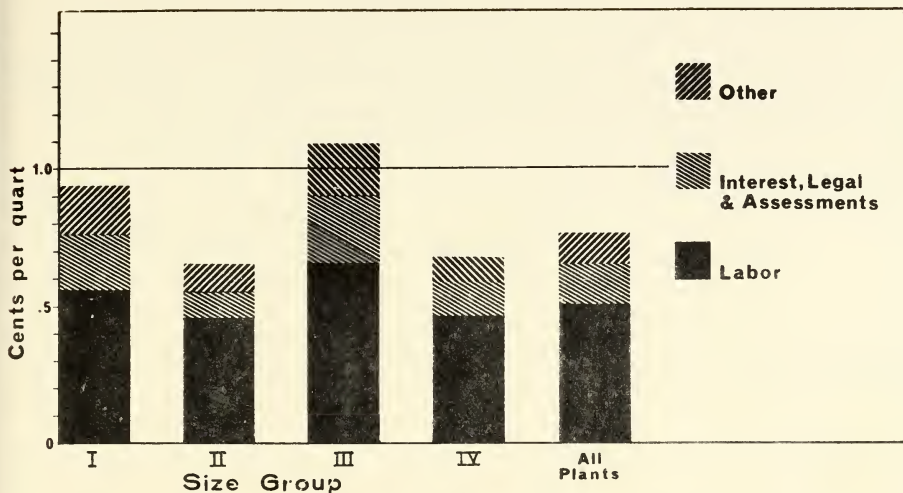


Figure 5. Administrative cost per quart, by size of plant, Mississippi, 1965

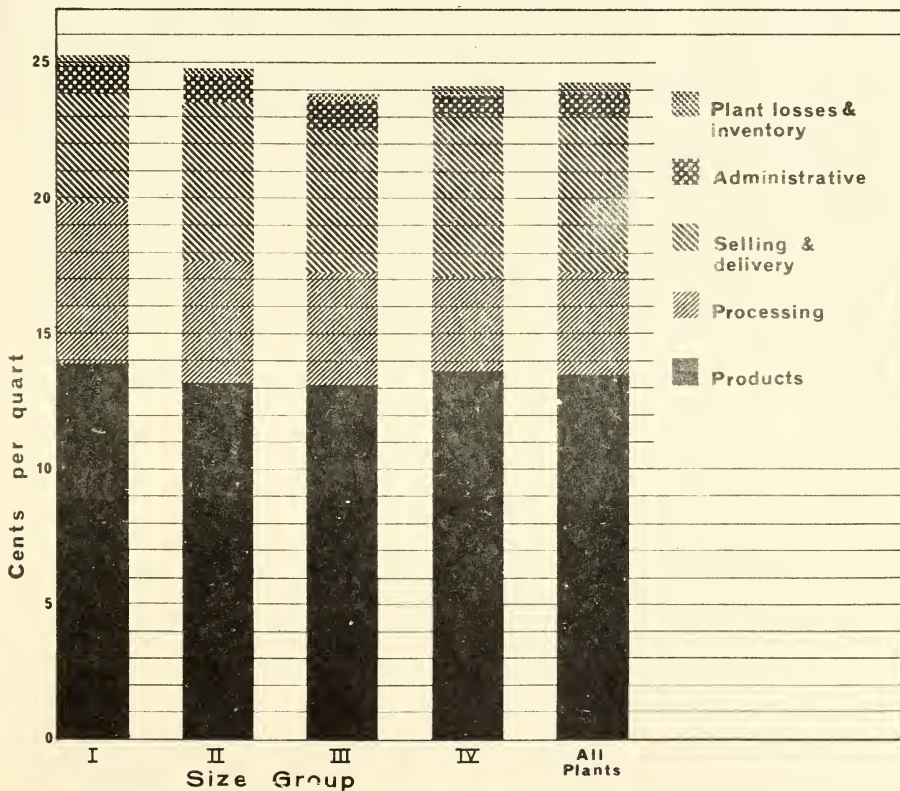


Figure 6. Total cost per quart, by size of plant, Mississippi, 1965

a source of variability in product cost per quart to the plants. Another source of variability may be plant differences in the proportion of the final product that chocolate and other flavored products constitute. These differences can result in different levels by plants in the cost of chocolate powder, sugar, and other such ingredients.

Table 2. Distribution of plants by average product cost per quart equivalent of fluid milk processed, by size groups, 26 handlers, Mississippi, 1965.

Average product cost (cents/quart)	Size group				All plants
	I	II	III	IV	
	- - - Number of plants - - -				
12.5 or less	0	1	1	1	3
12.6-13.5	1	5	2	2	10
13.6-14.5	5	0	2	2	9
14.6 or more	1	1	0	2	4

Average cost of the product per quart equivalent of fluid milk processed for the plants in the study ranged from 11.9 to 15.5 cents. Only three of the plants had costs per quart of 12.5 cents or less while costs for four of the plants were 14.6 cents per quart or more, Table 2. Nineteen of the 26 plants had average product costs of from 12.5 to 14.5 cents per quart equivalent.

Table 3. Distribution of plants by average processing cost per quart equivalent of fluid milk processed, by size groups, 26 handlers, Mississippi, 1965.

Average processing cost (cents/quart)	Size group				All plants
	I	II	III	IV	
	- - - Number of plants - - -				
3.5 or less	0	0	0	6	6
3.6-4.0	0	3	2	1	6
4.1-4.5	1	1	3	0	5
4.6-5.0	2	1	0	0	3
5.1 or more	4	2	0	0	6

Processing Cost: Cost of processing in individual plants varied from 3.1 to 5.7 cents per quart equivalent. Sources of variability in processing costs are (1) differences in the depreciation schedules followed, (2) differences in the extent to which the available capacity of the fixed assets are utilized, and (3) economies attained from processing larger volumes of product--to mention a few.

Economies associated with larger volume operations appear to have been a major source of variability in costs. For example, in six of the seven plants in Group IV (the group with the highest volume) processing costs per unit were 3.5 cents or less; in no plant with a smaller volume was processing costs that low, Table 3. In each of the 7 plants with volumes of 5

million pounds or less, these costs exceeded 4.0 cents; and in 6 of the 14 plants with volumes of 10 million pounds or less processing costs per quart exceeded 5.0 cents.

Table 4. Distribution of plants by average selling and delivery cost per quart equivalent of fluid milk sold, by size groups, 26 handlers, Mississippi, 1965.

Average selling & delivery (cents/quart)	Size group				All plants
	I	II	III	IV	
	- - -Number of plants - - -				
5.0 or less	5	1	2	2	10
5.1-6.0	1	4	2	1	8
6.1-7.0	1	1	1	2	5
7.1 or more	0	1	0	2	3

Selling and Delivery Costs: The size of the sales area, the concentration of sales within an area, the proportion of total sales at retail, wholesale, and contract, the amount of advertising, and the depreciation schedules followed for delivery equipment are factors giving rise to variability between plants in per unit costs of selling and delivering fluid milk. Ten of the plants studied had selling and delivery expenses per quart of 5.0 cents or less, Table 4. That the size of the sales area was an important consideration is indicated by the fact that in five of the seven plants in the smallest group costs per quart were 5.0 cents or less, while in four of the seven largest plants these costs were more than 6.0 cents. For three of the plants selling and delivery costs per quart exceeded 7.0 cents. For all plants studied, selling and delivery costs ranged from 4.0 to 8.6 cents per quart.

Table 5. Distribution of plants by average administrative cost per quart equivalent of fluid milk sold, by size groups, 26 handlers, Mississippi, 1965.

Average administrative cost (cents/quart)	Size group				All plants
	I	II	III	IV	
	- - -Number of plants - - -				
0.5 or less	1	3	0	3	7
0.6-1.0	4	2	4	2	12
1.1-1.5	1	2	0	2	5
1.5 or more	1	0	1	0	2

Administrative Costs: For the plants studied, administrative costs per quart sold varied from 0.4 to 1.7 cents per quart. This cost was 1.0 cents per quart or less for about two-thirds of the plants (19 of 26), Table 5. Some factors contributing to the variability observed may have been (1) differences in salary levels or management, (2) differences in accounting procedures among plants, and (3) for those plants where ownership and management were the same, returns to ownership may have been taken as salaries rather than as profits to the business.

Total Costs: All the factors that contribute to variations in the costs per unit by categories also affect total costs. For the plants in the study, total costs per quart ranged from 20.7 to 27.8 cents. That volume handled was an important source of variability in unit costs between plants is indicated by five of the seven largest plants, but only one of the seven smallest plants with costs less than or equal to 24.5 cents per quart sold, Table 6. Costs exceeded 25.5 cents per quart sold in seven of the twenty-seven plants.

Table 6. Distribution of plants by average total cost per quart equivalent fluid milk sold, by size groups, 26 handlers, Mississippi, 1965.

Average total cost (cents/quart)	Size group				All plants
	I	II	III	IV	
24.0 or less	0	2	3	3	8
24.1-24.5	1	1	0	2	4
24.6-25.0	1	2	1	0	4
25.0-25.5	2	0	0	1	3
25.6 or more	3	2	1	1	7

Sales, Investment and Net Returns

Sales: Handlers in the study averaged receiving 24.6 cents per quart equivalent for the fluid milk they sold, Figure 7.

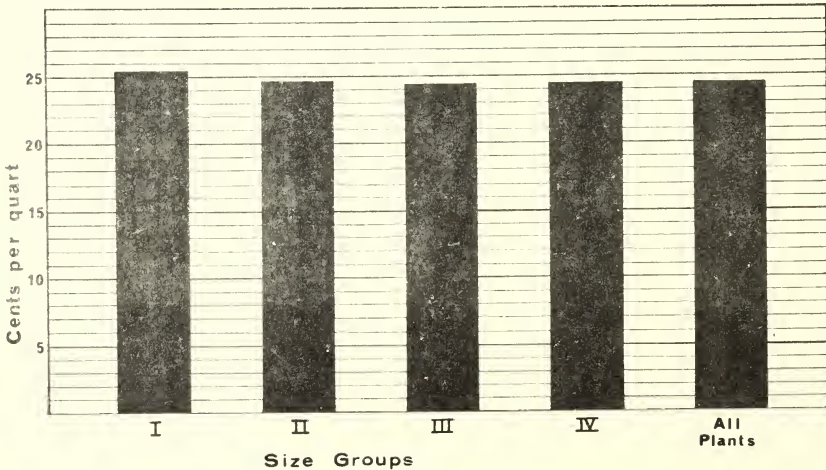


Figure 7. Value of sales per quart, by size of plant, Mississippi, 1965



By size groups, the average value of sales per quart ranged from 24.4 cents for handlers in Group III to 25.5 cents for handlers in Group I. For all plants in the study, the value of sales per quart equivalent ranged from 21.3 cents to 27.1 cents. Four of the plants received 24 cents or less and four 26 cents or more per quart equivalent of milk sold, Table 7.

Investment: The 25 handlers from which investment information was obtained had an average of 8.2 cents invested in facilities and equipment per quart equivalent of fluid milk sold, Figure 8. By size groups, the average investment per quart ranged from 7.7 to 8.3 cents, with the plants in Group I having the lowest average investment. Ten of the 25 handlers had more than 9 cents per quart invested while 8 had 7 cents or less invested per quart, Table 8.

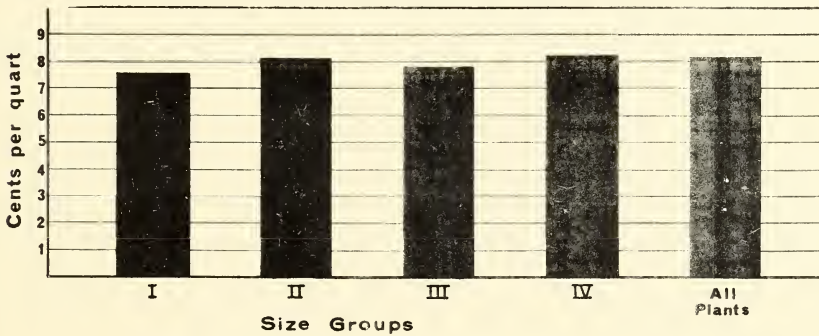


Figure 8. Investment per quart, by size of plant, Mississippi, 1965

Table 7. Distribution of plants by average value of sales per quart equivalent of fluid milk sold, by size groups, 26 handlers, Mississippi, 1965.

Average valued sales (cents/quart)	Size group				All plants
	I	II	III	IV	
24.0 or less	0	1	2	1	4
24.1-25.0	1	3	2	3	9
25.1-26.0	4	2	1	2	9
26.0 or more	2	1	0	1	4

Table 8. Distribution of plants by average investment per quart equivalent of fluid milk sold, by size groups, 25 handlers, Mississippi, 1965.

Average investment (cents/quart)	Size group				All plants
	I	II	III	IV	
7.0 or less	2	1	2	3	8
7.1-8.0	1	3	0	1	5
8.1-9.0	1	0	1	0	5
9.1 or more	3	2	2	3	10

Net Returns: <sup>1/</sup> For all of the plants in the study, the average net return was 0.4 cents per quart of fluid milk equivalent sold, Figure 9.

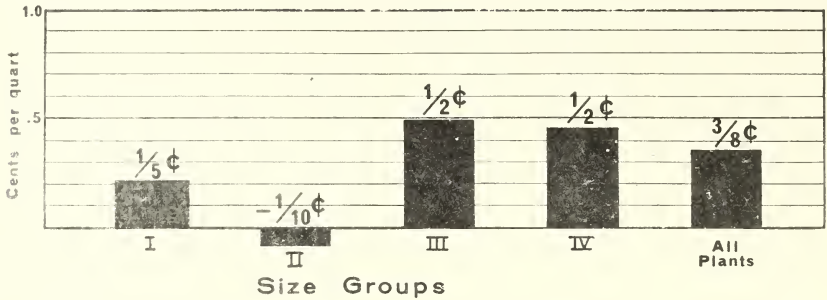


Figure 9. Net returns per quart, by size of plant, Mississippi, 1965

Plants in Group II had an average loss of about 0.1 cent per quart. Plants in the other three groups, on the average, had a net gain ranging from 0.2 cent per quart for those in Group I to almost 0.5 cent per quart for those in Group III. Eight of the 26 plants studied had a net loss on the milk sold, while three had a net gain of more than one cent per quart, Table 9. Actually, variations in net revenues were less than one could have been led to expect from the variability of total cost and value of sales. Generally, those plants with low costs also had a low value of sales per unit and vice versa.

Table 9. Distribution of plants by net returns per quart equivalent of fluid milk processed, by size groups, 26 handlers, Mississippi, 1965.

Average net returns (cents/quart)	Size group				All plants
	I	II	III	IV	
	- - - Number of plants - - -				
Net loss	1	4	2	1	8
0.1-0.5	4	1	1	3	9
0.6-1.0	2	1	1	2	6
1.1 or more	0	1	1	1	3

Net Return on Sales and Investment: Average net returns per dollar of sales by size groups ranged from a loss of 0.4 percent for plants in Group II to a gain of 2.0 percent for plants in Group III, Table 10. The average for all plants was 1.5 percent. Net return per dollar invested averaged 4.4 percent for all plants, Table 10. Plants in Group II had a loss of 1.1 percent, on the average, while those in Group III had a net return of 6.2 percent on investment.

<sup>1/</sup> For this study, net returns are defined as the difference between the value of sales and total cost per quart equivalent of fluid milk sold. Individual and corporate income taxes are not included in the total costs.

Table 10. Net returns per dollar of sales and per dollar invested, by size groups, 26 handlers, Mississippi, 1965.

Item	Size group				All plants
	I	II	III	IV	
	- - - - -Percent - - - - -				
Net return per dollar of sales	0.87	-0.35	1.98	1.87	1.46
Net return per dollar invested <sup>1/</sup>	2.92	-1.09	6.15	5.57	4.43

<sup>1/</sup> Based on six plants in Group II and 25 plants total. Investment data was not obtained from one plant.

APPENDIX



Appendix Table 1. PRODUCT COSTS: Weighted average per quart equivalent of fluid milk processed, by size groups, 26 handlers, Mississippi, 1965.

Description	Size group				All plants
	I	II	III	IV	
	- -Cents per quart - -				
Raw milk costs					
Milk purchases	14.14	13.84	13.14	13.48	13.52
Less milk and cream sales	0.75	0.98	0.47	0.27	0.45
Less hauling income	0.13	0.20	0.11	0.17	0.17
SUB-TOTAL	13.26	12.66	12.56	13.04	12.90
Other products and procurement costs					
Chocolate powder	0.13	0.12	0.13	0.08	0.10
Sugar	0.24	0.16	0.10	0.20	0.18
Milk powder	0.04	0.08	0.18	0.08	0.09
Sour cream	0.00	0.05	0.08	0.11	0.09
Milk audit account	0.18	0.04	0.00	0.02	0.03
Procurement salaries	0.04	0.10	0.12	0.16	0.14
Payroll taxes	0.00	0.01	0.00	0.01	0.01
SUB-TOTAL	0.63	0.56	0.61	0.66	0.64
TOTAL	13.89	13.22	13.17	13.70	13.54

Appendix Table 2. PROCESSING COSTS: Weighted average per quart equivalent of fluid milk processed, by size groups, 26 handlers, Mississippi, 1965.

Description	Size group				All plants
	I	II	III	IV	
	- - - Cents per quart - - -				
Containers and cases					
Containers	1.91	1.92	1.60	1.54	1.63
Cases	0.03	0.01	0.01	0.08	0.05
SUB-TOTAL	1.94	1.93	1.61	1.62	1.68
Labor					
Salaries	1.35	1.04	1.09	0.78	0.91
Payroll taxes	0.06	0.05	0.07	0.04	0.05
SUB-TOTAL	1.41	1.09	1.16	0.82	0.96
Equipment					
Repairs and maintenance	0.24	0.16	0.12	0.15	0.15
Rental or lease	0.45	0.36	0.30	0.15	0.23
Depreciation	0.30	0.13	0.34	0.13	0.18
SUB-TOTAL	0.99	0.65	0.76	0.43	0.56
Buildings, property taxes and insurance					
Repairs and maintenance	0.02	0.11	0.04	0.01	0.03
Rental or lease	0.04	0.03	0.01	0.03	0.03
Depreciation	0.07	0.13	0.07	0.06	0.08
Property taxes	0.04	0.05	0.04	0.02	0.03
Insurance	0.03	0.04	0.04	0.03	0.03
SUB-TOTAL	0.20	0.36	0.20	0.15	0.20
Other processing costs					
Utilities	0.39	0.22	0.17	0.16	0.18
Freight-in	0.03	0.01	0.01	0.01	0.01
Plant Supplies	0.21	0.20	0.17	0.12	0.15
Milk analysis	0.01	0.02	0.02	0.03	0.03
Laundry and uniforms	0.01	0.01	0.02	0.02	0.02
SUB-TOTAL	0.65	0.46	0.39	0.34	0.39
TOTAL	5.19	4.49	4.12	3.36	3.79

Appendix Table 3. SELLING AND DELIVERY COSTS: Weighted average per quart equivalent of fluid milk sold, by size groups, 26 handlers, Mississippi, 1965.

Description	Size groups				All plants
	I	II	III	IV	
	- - Cents per quart - -				
Labor					
Salaries	2.50	2.91	2.65	2.99	2.89
Payroll taxes	0.11	0.14	0.17	0.17	0.16
SUB-TOTAL	2.61	3.05	2.82	3.16	3.05
Truck expense					
Repairs and maintenance	0.48	0.60	0.26	0.43	0.43
Gas, oil, tires, eat.	0.48	0.75	0.70	0.96	0.85
Depreciation	0.35	0.36	0.43	0.36	0.37
Taxes and licenses	0.07	0.08	0.05	0.09	0.08
SUB-TOTAL	1.38	1.79	1.44	1.83	1.73
Merchandising expense					
Advertising	0.26	0.35	0.37	0.39	0.37
Royalties	0.00	0.00	0.01	0.03	0.02
Bad debts, allowances & adj.	0.06	0.09	0.04	0.11	0.09
Customer solicitation	0.01	0.01	0.05	0.03	0.03
Travel and entertainment	0.02	0.04	0.01	0.05	0.04
Sales Tax	0.08	0.08	0.09	0.07	0.08
SUB-TOTAL	0.43	0.57	0.57	0.67	0.63
Buildings, insurance and other					
Depreciation, buildings	0.02	0.02	0.00	0.01	0.01
Depreciation, outside coolers	0.01	0.00	0.00	0.01	0.01
Depot repairs, tax and rental	0.00	0.04	0.07	0.03	0.04
Insurance	0.24	0.18	0.19	0.11	0.14
Utilities	0.03	0.03	0.02	0.06	0.04
Telephone and telegraph	0.06	0.09	0.06	0.05	0.06
Laundry and uniforms	0.03	0.03	0.04	0.04	0.04
Office supplies and postage	0.06	0.05	0.05	0.07	0.06
Misc. supplies and expense	0.04	0.03	0.07	0.08	0.07
SUB-TOTAL	0.49	0.47	0.50	0.46	0.47
TOTAL	4.91	5.88	5.33	6.14	5.88

Appendix Table 4. ADMINISTRATIVE COSTS: Weighted average per quart equivalent of fluid milk sold, by size groups, 26 handlers, Mississippi, 1965.

Description	Size group				All plants
	I	II	III	IV	
	- -Cents per quart - -				
Labor					
Salaries	0.52	0.40	0.58	0.32	0.39
Payroll taxes	0.02	0.02	0.04	0.01	0.02
Employee benefits	0.03	0.04	0.04	0.14	0.10
SUB-TOTAL	0.57	0.46	0.66	0.47	0.51
Interest, legal and assessments					
Interest	0.06	0.03	0.10	0.05	0.05
Legal and audit	0.07	0.03	0.06	0.01	0.03
Administrative assessments	0.07	0.04	0.07	0.05	0.06
SUB-TOTAL	0.20	0.10	0.24	0.11	0.14
Other administrative expense					
Travel and entertainment	0.02	0.01	0.06	0.01	0.02
Dues and subscriptions	0.06	0.04	0.03	0.02	0.03
Utilities	0.01	0.00	0.01	0.01	0.01
Office equipment, repairs and rental	0.01	0.01	0.02	0.03	0.02
Office equipment, depreciation	0.02	0.01	0.02	0.01	0.01
Misc. expense and donations	0.05	0.03	0.05	0.02	0.03
SUB-TOTAL	0.17	0.10	0.19	0.10	0.12
TOTAL	0.94	0.66	1.09	0.68	0.77

Appendix Table 5. TOTAL COSTS: Weighted average per quart equivalent of fluid milk sold, by size groups 26 handlers, Mississippi, 1965.

Description	Size group				All plants
	I	II	III	IV	
	- - - - Cents per quart - - - -				
Product	13.89	13.22	13.17	13.70	13.5
Processing	5.19	4.49	4.12	3.36	3.7
Selling and delivery	4.91	5.88	5.33	6.14	5.8
Administrative	0.94	0.66	1.09	0.68	0.7
Plant losses and inventory charge	0.34	0.63	0.22	0.24	0.3
TOTAL	25.27	24.88	23.93	24.12	24.2
	- - - - Percentage of total cost - - - -				
Product	55.0	53.1	55.1	56.8	55.7
Processing	20.6	18.1	17.2	14.0	15.6
Selling and delivery	19.4	23.7	22.2	25.4	24.2
Administrative	3.7	2.6	4.6	2.8	3.2
Plant losses and inventory charge	1.3	2.5	0.9	1.0	1.3
TOTAL	100.0	100.0	100.0	100.0	100.0

Appendix Table 6. SALES, INVESTMENT, AND NET RETURNS: Weighted average per quart equivalent of fluid milk sold by size groups, 26 handlers, Mississippi, 1965

Description	Size group				All plants
	I	II	III	IV	
	- - - - Cents per quart - - - -				
Sales	25.49	24.79	24.42	24.56	24.64
Less total cost	25.27	24.88	23.93	24.12	24.28
Net returns	0.22	-0.09	0.49	0.46	0.36
Investment <sup>1/</sup>	7.67	8.13	7.88	8.28	8.15

<sup>1/</sup> Based on six plants in Group II and 25 plants total.