

Can You Make a
Profit . . .

**ON YOUR
BULK MILK
ROUTE?**

Archive version

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Can You Make a Profit . . .

ON YOUR BULK MILK ROUTE?

How to be a Successful Bulk Milk Hauler

As a bulk milk hauler, you are really a businessman and must operate your route much the same as any other successful business.

There are a few important factors which help increase your profits and to give better service to your patrons. A checklist provided on the back page will permit you to compare your route with the average route in Southwest Missouri. This may help you to find both your weaknesses and your strengths.

If you are to have a satisfactory profit, you need to build a route with a large daily volume. This should average 17,000 pounds or more per truck per day. To have such an average will probably mean slightly *more* than two full loads per day during one or two months of the flush season and about one and one-half loads per day during the short season. It is easier to adjust a route that does not have a great variation between seasons.

Large shippers are more profitable to service than small shippers. A

large part of your travel, truck expense, and time are pretty well "fixed" so that your cost per 100 pounds of milk runs rather high when you pick up less than 600 to 700 pounds at a stop. You should average double this per stop. All bulk coolers should be large enough to hold the milk so that it is not necessary to pick up any producer's milk every day.

Most haulers can organize their routes to minimize travel. Travel takes time as well as gas and tires. When the amount of milk hauled and the number of patrons changes, frequent changes in the route may save time and miles, especially when there is a part-load.

Some haulers have gained much needed flexibility by operating more than one truck, either owning the trucks themselves or operating as a partnership with one or two other haulers. Such arrangements permit them to make adjustments in their routes rather easily and quickly. The part that these haulers like best is the fact that this increases their profits and even permits them to take a vacation!

Can You Make a Profit on Your Bulk Milk Route?

More and more milk is being collected from farms and hauled to the plant in bulk tank trucks. The hauling rate is generally 50 to 65 percent of the rate charged for hauling can milk, despite the much larger investment in the truck and tank. The hauler also does some of the work which the plant crew would do if the milk were hauled in cans, such as grading, taking samples, and "weighing" the milk.

In view of this, perhaps you as a bulk hauler, or even if you are considering bulk hauling, are concerned about the costs and income which you might expect from a bulk route.

To get a clear picture of the problems of bulk hauling, the Agricultural Economics Department of the University of Missouri interviewed all but four of the bulk haulers operating in Southwest Missouri in 1960. In fact, an interviewer even rode on the route with about half of these haulers. They provided information which you may find useful in estimating costs and returns of your bulk milk route. Perhaps this bulletin, which is a summary of the study, will suggest a way for you to improve your profits and of providing better service for your patrons.

What Does It Cost to Collect Milk From Bulk Coolers?

These haulers mentioned several factors that influence the cost of collecting and hauling milk in bulk tanks. Some of the more important were the average daily volume of milk, the amount per stop, and the

miles of travel necessary to collect and deliver the milk.

The average daily volume hauled per truck on different routes varied from 5,800 to 18,900 pounds per day when considering the whole year. The average for all trucks was 15,856 pounds. As the daily volume per truck increased, there was a marked decrease in the cost of hauling 100 pounds of milk. Figure 1 shows this relationship to be such that with each 1,000 pound increase in the daily volume, the average cost of hauling 100 pounds of milk decreased by about three-quarters of a cent.

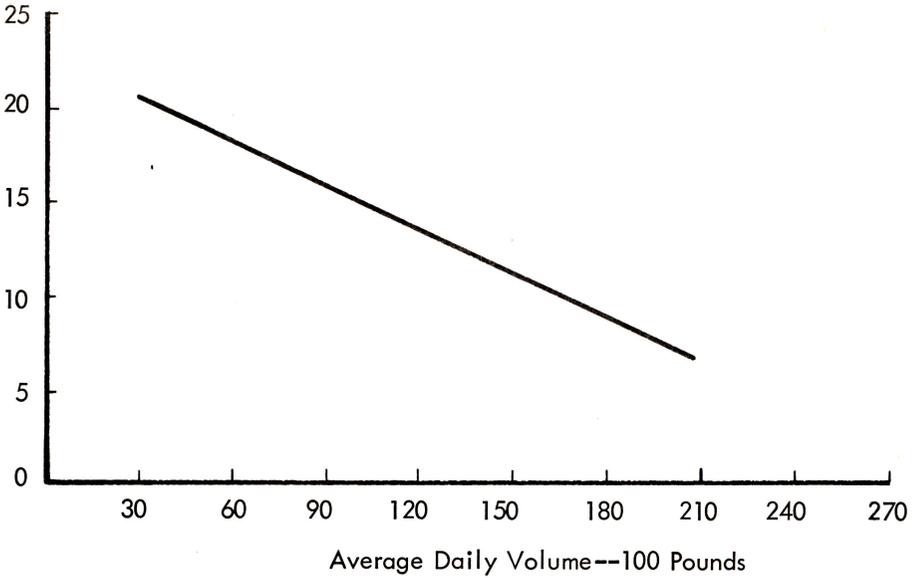
How Much Do You Haul Per Hour?

The total amount of milk hauled influences the pounds collected per hour. Figure 2 shows that with each 1,000 pound increase in the daily volume, a hauler was able to collect an extra 100 pounds of milk per hour of route labor. Since the volume multiplied by the hauling rate gives the gross income, this is an important factor in determining the hourly earnings of a hauler.

As you increase the pounds hauled per day, you can expect to haul more pounds per hour of labor. Following the middle line in Figure 3 shows that when you average picking up 1,000 pounds per stop you could move from working 3.3 minutes to haul 100 pounds of milk when your tank was only one-third full to only 2.2 minutes per 100 pounds with a full load. This is a savings of one-third in labor brought about by hauling a larger load. You could make a slight additional saving in labor per 100 pounds by hauling up

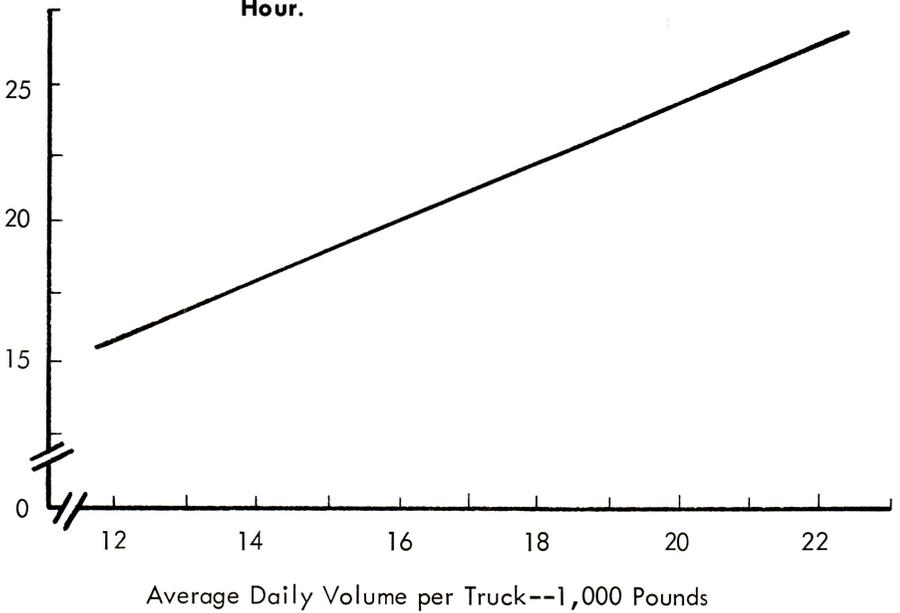
Hauling Cost,
Cents per
100 Pounds

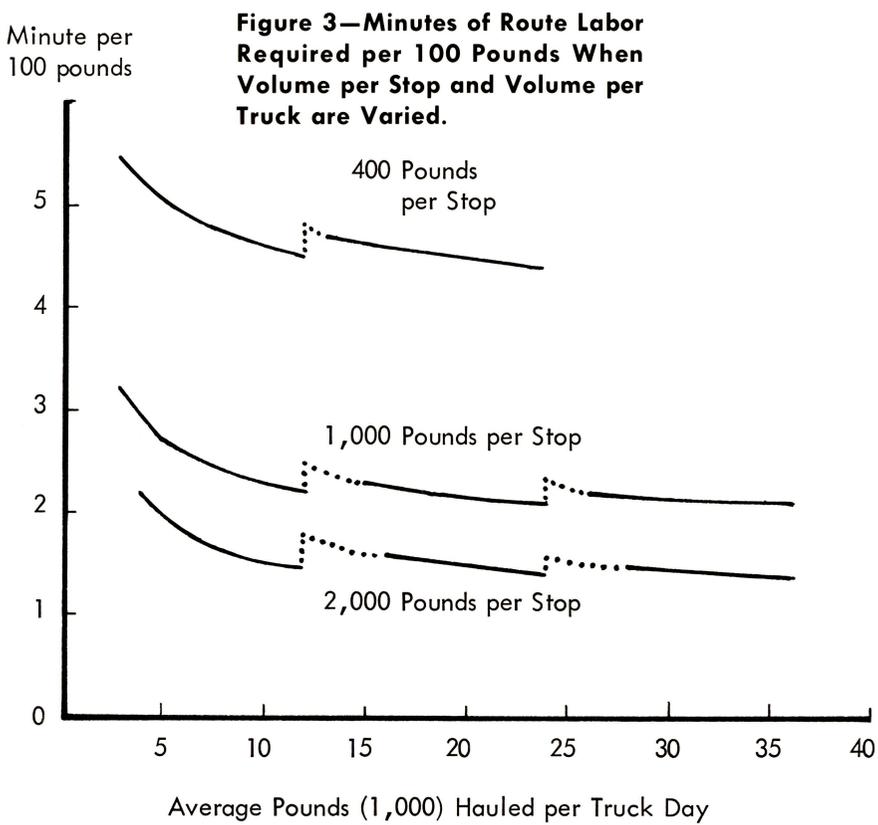
Figure 1—Effect of Volume of Milk Hauled on the Cost per 100 Pounds.



100 Pounds
Per Hour

Figure 2—Effect of Volume of Milk Hauled on the Pounds Hauled per Hour.





to three loads per day, but the line shows that the big savings are gained by hauling a full load from large producers. There is a high fixed labor requirement in preparation, driving, and cleaning up, which takes about the same amount of time for a small load as for a large one. You would make more profit by hauling more loads and spreading the overhead costs over more pounds of milk, even though the labor per 100 pounds did remain about the same.

The amount of milk you can haul per hour also is strongly influenced by the average shipment per patron. As so much of your time at a farm stop is more or less fixed, you can collect much more milk per hour

from large producers than from small shippers. The only really variable part of the farm stop is pumping, and this is only a small part of the total time required to haul bulk milk.

Considering all the route work of preparing the truck and tank, driving, farm stop work, unloading, cleaning, and keeping records, the average bulk hauler in Southwest Missouri was spending a total of an hour per stop. The average patron was shipping 744 pounds per day or 1,488 pounds on every other day pickup.

How Much Work for 100 Pounds of Milk Collected?

You can see the saving in labor per 100 pounds due to servicing large patrons by comparing the three lines in Figure 3. These lines show the minutes of route labor needed to haul 100 pounds of milk from different size shippers. With one full load, the work time needed to haul 100 pounds of milk was 4.5 minutes when picking up 400 pounds per stop, 2.3 minutes from a 1,000 pound stop. It was only 1.5 minutes when collecting 2,000 pounds per stop. You can also see the advantage of hauling large loads by following each line in Figure 3 downward as the pounds hauled per day increases. The dash lines indicate where another load would be made with the truck. The graph was drawn by combining the actual time and volume information from the haulers in Southwest Missouri.

The records from 10 of the trucks showed that with an increase of 100 pounds per stop, the hauler was able to increase his productivity by 114 pounds per hour.

Your truck cost per 100 pounds hauled also goes down as the pounds per stop goes up. In Figure 4, you can compare the labor cost, the truck cost, and the combined labor and truck cost per 100 pounds. Each of these costs improve as producers become larger. It costs more to haul a given volume of milk from small producers.

How Many Pounds of Milk Do You Collect Per Mile?

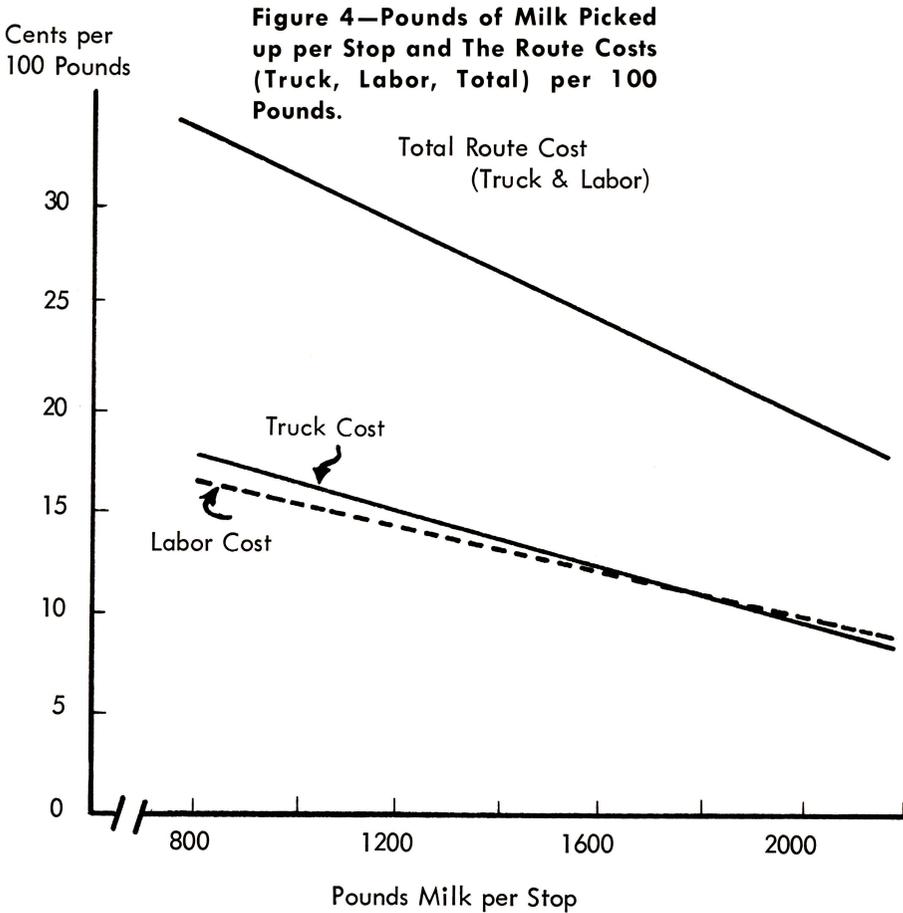
Some bulk routes are servicing a rather large area with patrons widely scattered. Although scattered

producers can be serviced more economically with a bulk truck than with a can truck, due to every other day pickup, the hauler's costs still go up as he drives more miles. The truck operating cost was 8.43 cents per mile, or \$3,960 per year. Combined with \$1,908 overhead, the total cost per truck per year averaged \$5,868, or 12.49 cents per mile.

Early in the development of your bulk route, the patrons are likely to be quite scattered and the miles per 100 pounds of milk rather high. You should be careful not to over-extend your service area to the point where it is unprofitable to collect the milk from that part of your route. Some haulers have done this in an effort to get a full load. If you are to continue to provide good service, you must be able to meet all operating expenses, replace your truck and tank when necessary, and provide for your family living.

In an area in which there was an average of 7.3 miles between patron stops, half the mileage was driven before making the first pickup and after making the last. This mileage cut into route profits and took considerable driver time.

You can arrange your route so as to hold travel to a minimum. As the amount of milk you pick up changes with the season of the year, and with changes in the number of patrons, you need to change your route, giving special consideration to which patrons to pick up on a partial load. A county map showing all roads and farms on the route is a useful tool in planning your route as changes occur. It is usually easier to adjust a bulk route than a can route as there is more flexibility in the pickup and unloading schedule



and you normally make more than one load per day.

The large pay load and less frequent pickup service of bulk handling result in lower time and mileage costs per 100 pounds of milk as compared to can handling. You need to work closely with the plant fieldmen and your patrons so as to avoid every day pickup—even for short periods of time. This is costly both in terms of truck expense and in terms of hauler labor.

The more successful routes had larger producers and more producers; were hauling more pounds per day, more pounds per mile and per hour,

and had a low cost per 100 pounds of milk as compared with the less successful ones.

Is A Bulk Route Profitable?

If you are a bulk milk hauler or are thinking of becoming one, you are interested in how much it will cost, and in the income you might receive.

Some of the bulk route territories belong to the hauler, who has the right to sell to someone else. The estimated market price of these routes averaged \$8,000 per truck for the right to haul the milk from that

area to the given milk plant. Some plants own the routes and may adjust the territory of haulers from time to time.

The majority of the haulers own their truck, which cost an average of \$4,956. In addition, the tanks which are mounted on the trucks cost approximately \$7,000 each. In most cases, the plant or producer's association owns the tank and may lease it to the hauler. The tank lease charge is usually about 2 cents per 100 pounds hauled.

For each truck the total investment is about \$20,000. Interest on this investment would run nearly \$100 per month. You can adjust this figure downward where the plant or producer's association owns the route or tank.

Besides the cost of owning a route and truck, the truck operating cost averaged 8.43 cents per mile. The average truck was driven at the rate of 46,975 miles per year, so that the operating cost was \$3,960.

The average hauler collected 15,856 pounds per truck per day, giving a gross income of \$12,190 per year. Subtracting the overhead of \$1,908 (taxes, depreciation, interest, insurance), the operating costs of \$3,960 (gas, oil, tires, repairs), and the tank charge of \$1,161 (2¢ per cwt.) left a profit (labor income) of \$5,161 per year. To get this return, he was risking a rather heavy investment and was working 10½ hours per day plus spending an extra 439 hours a year working on other route business beyond the time spent operating the route.

There are wide differences in the net incomes of various bulk milk haulers. These men say that there are several factors which influence

their incomes. The most important ones appear to be the volume hauled, the size of producers' business, the mileage necessary to collect the milk, the season, and the investment in route, truck, and tank. As a hauler, you must consider all these factors and adjust your route as needed to keep it well balanced and profitable.

Would You Like More Profit and a Vacation, Too?

Some of the successful haulers have found that they can improve their profits and even enjoy a vacation by having a partnership or working agreement with one or two other haulers. These men have combined their routes so that all trucks are operating at nearly full capacity during the flush milk production season. During the slack season they may alternate with two drivers hauling the milk while the third enjoys a day off. Vacations can be arranged in the same manner. This is very appealing to the families of the haulers, for it helps overcome the most objectionable part of a milk route—the daily routine.

Such an arrangement actually cuts the operating cost by reducing both mileage and total hours spent. At the same time, a reserve truck is available in case of breakdown.

Some haulers have gained these advantages by owning two or more trucks, using hired drivers as needed. In most instances, the hired drivers were getting at least one day off per week. They felt that hired drivers were more satisfactory on bulk routes than they were on can routes.

The operation of more than one truck helps the hauler to build more flexibility. This is most helpful as

you adjust the route from season to season. It also helps to handle successfully any changes in the number of patrons. The ability to adjust your route quickly means more profit for you as a hauler and better service for your patrons.

How Does Your Route Compare With Other Routes?

You can use this checklist to compare your route with the average bulk milk route in Southwest Missouri in 1960. Remember—these are averages per truck, and are not intended to be considered as ideals. Many trucks will haul more milk as additional farmers shift to bulk cooling.

	Average Southwest Missouri	My Route
Number patrons	21.3	_____
Average daily volume, pounds	15,856	_____
Pounds per patron per month	22,682	_____
Cost per year, Dollars (not including tank or labor)		
TOTAL	5,868	_____
Overhead (Depreciation, Interest, insurance, taxes)	1,908	_____
Operating (gas, oil, tires, repairs, etc.)	3,960	_____
Cost per 100 pounds, cents		
TOTAL	10.11	_____
Overhead	3.39	_____
Operating	6.82	_____
Tank charge at 2¢ per cwt., dollars	1,161	_____
Gross yearly income, dollars	12,190	_____
Profit (return to labor), dollars	5,161	_____
Hours per day, Hauling,	8.56	_____
Total route	10.46	_____
Hours per year on other route business	439	_____
Annual mileage	46,975	_____
Miles between stops	6.0	_____
Total route miles per stop	12.0	_____



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