

Profits melt as milk prices rise

By Vince Guerrieri and Steve Halvonik

Friday, May 14, 2004

Neighborhood ice cream vendors, a quintessential symbol of summertime fun, already are feeling the heat from rising milk and gasoline prices.

"We could become dinosaurs," said Gary Burcin, a co-owner of Jimbo's Ice Cream in Jefferson Hills, as he dispensed SpongeBob SquarePants ice cream sandwiches and other treats on a recent sunny evening in West Mifflin. Incessant rain washed away last summer's profits; this year soaring costs for milk-related products and gasoline threaten to do the same.

Local ice-cream truck operators said they have been forced to raise their prices by anywhere from a nickel to 50 cents an item to keep up with inflation, and aren't ruling out another price increase this summer if costs don't go down.

"Hopefully, we can hold the line on pricing," said Burcin, who already has increased prices this year by an average of about 15 percent. "We have a battle on our hands."

Pennsylvania milk prices have risen by about 33 percent -- nearly a dollar a gallon -- over the past year, to record-high levels. The retail price of whole milk has climbed by 20 percent in just the last month, to \$3.53 a gallon. The recent dairy price increases are the sharpest rise since 1946.

As a result, several ice-cream truck operators said that their per-item costs are up by 8 to 10 percent, and that they're trying to hold down prices by purchasing products in Ohio and New York, where milk prices are lower.

Gas, quickly approaching \$2 a gallon for unleaded regular, and insurance expenses have shot up even faster, they said, and now make up as much as 50 percent of total costs.

Stuart Hoffman, chief economist for PNC Financial Services Group, said rising milk and gas prices reflect an inflation flare-up that's spreading to more consumer categories like housing, health care and tuitions.

Economists consider food and gas prices to be volatile, swinging wildly from month to month. However, "if the sharp run-up in gas prices persists for the rest of this year and into next year, then yes, we will have an inflation problem," Hoffman said.

After running at less than 3 percent a year, inflation jumped to 3.5 percent in the first quarter of this year, Hoffman said. Inflation fears drove the stock markets sharply lower this week, with the Dow Jones closing below 10,000 Monday for the first time since mid-December.

Federal Reserve Chairman Alan Greenspan has hinted that interest rates may climb at least once before the presidential election in November to keep a lid on inflation. Hoffman said he wouldn't be surprised to see rates rise more than once this year.

The number of ice cream trucks on the road also is increasing.

There are 112 ice cream trucks licensed by the Allegheny County Health Department, an increase from 42 in 1995, said department spokesman Guillermo Cole.

The trucks often are operated by small vendors, like Jimbo's, which runs four trucks in the South Hills and upper Mon Valley. Many of the smaller vendors drive their own trucks to keep down labor costs, which can account for a quarter of operating expenses.

Good Humor invented ice cream trucks in the 1920s, and had 60 trucks in the Pittsburgh area before it liquidated its fleet in the 1970s because the company was looking for larger profit margins, said Bob Szegan, who used to run Good Humor's fleet.

Today, the largest ice cream truck operator in the area is Coraopolis-based Billy's Ice Cream, which operates 13 trucks in Allegheny and Beaver counties.

"I don't think anybody has that many anymore," said Chuck Greenberger of Baldwin Borough, the self-described oldest ice cream man in the United States.

Greenberger, the 82-year-old owner of Chuck's Ice Cream, said he was trying to hold down prices so that he could continue serving customers in low-income neighborhoods like Clairton. But after 60 years in the business, he said it may be time to get out.

"The way gas has gone up is unbelievable," Greenberger said. "I don't even know if I'm going to be able to continue."

Greenberger said the number of products carried in inventories has increased dramatically.

He said 50 years ago, treats were limited to Popsicles, Fudgesicles, ice cream sandwiches, Nutty Buddies and push-ups. Greenberger now peddles more than 50 different products -- including "face products," which are novelty items tied to television or movie characters. They're more expensive, but they have larger profit margins.

Randy Lapidus, co-owner of Randy-n-Robin's Neat Treats in Knox, Clarion County, said he tried to keep prices low by buying treats in Ohio and New York. However, he also had to raise prices, by an average of 25 cents across the board.

Lapidus is relatively new in the business, in his second year running the company that serves customers in Clarion, Mercer and Venango counties. Last year, rain and repairs to his vintage Good Humor truck led to a loss.

"If I don't make a profit this year, I don't know if I'll be back next year," he said.