

Dairymen Enjoy Effects of Increased Efficiency, Sales

Obtaining dependable labor remains one of the more pressing problems for dairy farmers in Southeastern Pennsylvania as well as throughout the nation. The U.S. Department of Agriculture report on the August dairy situation notes, however, that the current situation is less troublesome now for the U.S. dairy industry as a whole than it has been in recent years.

The unemployment rate, according to the report, was 5.6 percent in August, meaning . . . fewer off-farm job opportunities for dairy farmers and farm workers. But dairy farmers still have to compete with wages being paid in nonfarm industries. And as dairymen increase herd size, hired labor becomes more important.

Dairy farmers have sharply increased labor efficiency, which helps reduce labor requirements. Milk output per man-hour last year rose 8 percent, and was more than double the rates of the early 1960's (see chart below).

Although due in part to less efficient farms going out of business, productivity was also raised by substantial inputs of capital and increased milk production per cow. Since the mid-1960's, investment increased about half on representative 40-cow dairy farms in Wisconsin and New York.

Also, through improved breeding, feeding, and management, milk output per cow increased a third during the

past decade, contributing to increased labor productivity.

In 1971, dairy farmers spent around 11 minutes of direct labor daily per animal to care for milk cows, about half the 1950 level. These figures are based on the average number of cows milked during the year, and exclude time spent in raising feed and caring for herd replacements.

Labor productivity gains in dairy farming compare favorably with other agricultural enterprises. Output per man-hour in dairying more than doubled in the past decade, while the increase for all farm work was around 80 percent. During the past 10 years, only cotton and poultry increased efficiency more than dairying.

Participation in herd testing programs has helped raise milk output per cow. At the beginning of 1972, around 3.3 million milk cows were enrolled in the National Dairy Herd Improvement Program (DHI) and other testing programs. This represented about 27 percent of the total U.S. dairy herd, compared with 16 percent a decade earlier.

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In 1971, milk cows under DHI programs averaged 13,000 pounds of milk, 35 percent above

the 9,609-pound national average.

Increased use of artificial insemination, which makes higher quality sires more widely available, has contributed to increasing output per cow and consequently to rising labor productivity. In 1970, almost half of all dairy cows and heifers were bred artificially, up from about a third in 1960.

Price increases have also helped dairymen somewhat, although not nearly as much as improved labor efficiencies.

Last year, consumer expenditures for dairy products came to \$16.8 billion, up 3 percent from 1970. Volume changed little, and price increases for dairy products were less than the average for all grocery store foods.

Per capita disposable income rose 7 percent in 1971, making it possible for consumers to buy dairy products with only 2.3 percent of their income, down a third since 1960. Dairy products

accounted for 14 percent of consumers' expenditures for all foods.

The average wage earner had to work 72 minutes per week in 1971 to earn the dairy products in the market basket of farm foods, down 3 minutes from 1970. The amount of labor required to purchase dairy products has declined in recent years, as wage rates have risen faster than retail dairy prices.

Of the consumers' \$16.8 billion, \$6.8 billion was the farm value of these products, and \$10.0 billion represented the marketing bill. Both the farm value and marketing margin have been

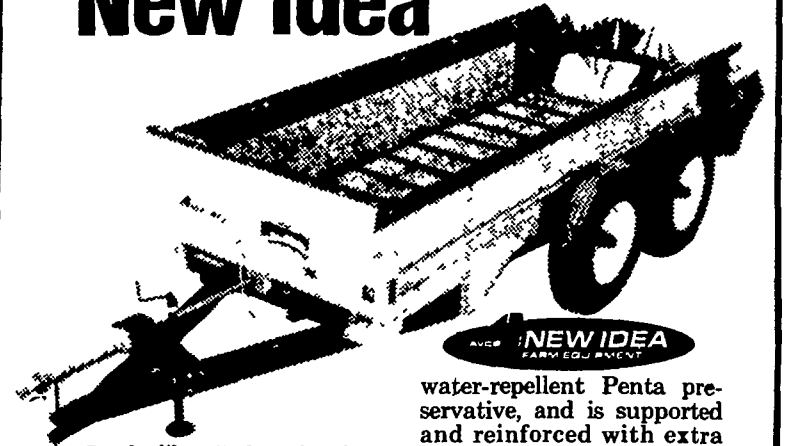
increasing in the past decade.

Almost three-fourths of consumer expenditures for dairy products in 1971 were for use at home, with the remaining one-fourth (\$4.6 billion) spent for away-from-home consumption. Food consumption away from home has grown dramatically since 1963, much faster than at-home consumption.

So far this year, consumer purchases of most dairy products have been running well above year-earlier levels. During January-July, commercial disappearance of milk in all dairy

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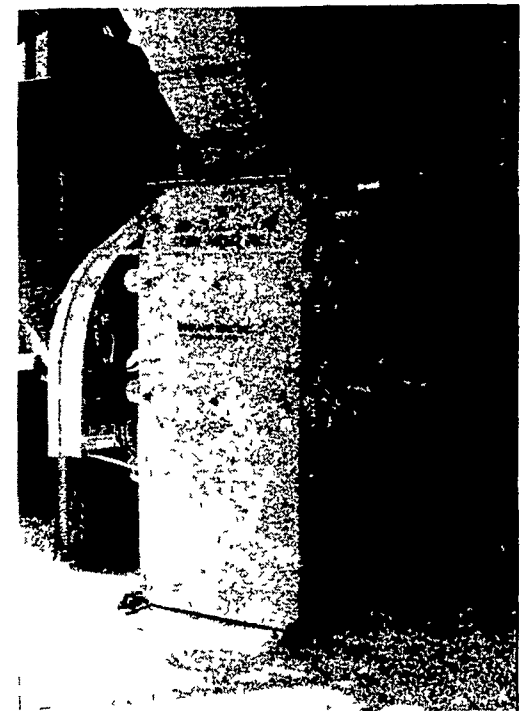
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