

# Biggest Dairy Herd May Not Be Most Efficient

A dairyman who enlarges his herd is almost sure to boost his net farm income, but not necessarily his efficiency.

So concluded an ERS examination of costs and returns on commercial dairy farms in nine regions of the U.S.

The study, using data from the last Census of Agriculture in 1969, analyzed commercial dairy farms in five size categories based on gross sales. These conformed with the five "economic classes" used by the Census where Class V farms are the smallest (sales of \$2,500-

\$4,999) and Class I farms are the largest (\$40,000 or more).

For study purposes, "herd size" was the average number of milk cows per farm in each economic class. Average U. S. herd size for economic Class II farms, for example, was 40 cows.

Regionally, there was little difference in the average number of cows per farm in each sales group except for Class I farms. Average herds in this category ranged from 241 cows per farm in the Southwest (California) to 66 cows in the Lake States, and 78 in the Northeast. Nationally, Class I

farms averaged 98 head.

Milk and other product prices, land and labor costs, cow productivity, and crop yields varied widely among the nine regions. Nevertheless, net farm incomes on farms with similar herd sizes were remarkably similar.

Biggest income differences occurred among farms in the same region with different herd sizes. In the Corn Belt, for example, net returns to farms averaging 24 head (Class III farms) came to \$5,819. But on dairy farms in the same-region with 38 cows (Class II) net incomes averaged \$11,162.

The pattern was the same in each region—net farm incomes rose significantly with herd size.

Production costs also varied widely with herd size. Total costs per cow were highest on small farms with only nine to 12 head (Class V farms). When herd size doubled, costs dropped sharply but began rising gradually thereafter.

Costs per cow in each region were generally lowest—thus efficiency highest—on what's commonly defined as one-man dairies—those having roughly 40 cows.

Unlike net incomes, however, production costs per cow differed considerably among farms of the same size in different regions. For example, on farms with about 16 milk cows, costs ranged from \$492 in the South Central region to \$796 in the Southwest.

The study also estimated average costs of producing 100 pounds of milk by herds in each size group. In most regions, unit costs per hundredweight dropped sharply as herd size increased to 40 cows, then declined only gradually.

## Wholesale Farm Prices Off Sharply

Wholesale farm prices "have already fallen more than 11 percent" since figures for the Bureau of Labor Statistics (BLS) wholesale price index announced were compiled on August 14, Secretary of Agriculture Earl L. Butz said last week.

"That drop of more than 11 percent in a 23-day period illustrates an important point," Secretary Butz said. "When farm prices go up, they usually come down later. But when other prices go up, they usually stay up."

The BLS report showed wholesale farm prices up 23.1 percent in August.

Between August 14, when figures for the wholesale price

index were collected, and September 6, "prices received by farmers for potatoes and beans plunged 30 percent and oil crop prices fell 27 percent," the Secretary said.

"In the important area of meats, the prices that farmers get for meat animals are sharply lower than just 23 days ago. Wholesale prices for hogs have dropped 33 percent. Beef prices are down 13 percent; and wholesale egg prices are 10 percent lower," Secretary Butz said.

"In other words, in a 23-day span, half of the gain in wholesale farm prices announced has been wiped out," Secretary Butz said.

"The last 20 years are just another example of the principle that when farm prices go up, they usually come down. In the last 20 years, farm prices have gone up in 10 of those years and have come down or stayed even in 10 of those years," Secretary Butz added. "But industrial prices have gone up 16 of those 20 years; service charges climbed in 20 of the 20 years, and wages increased in 20 of the 20 years.

"These other prices that go up, usually stay up. I ask you: Will automobile prices be down next month? Not likely.

"Will your fuel bill cost you less this winter than last winter? Don't count on it.

"Will rents go down, or will refrigerator and furniture prices be pared back next month? Not on your life, they won't.

"Will your doctor charge you less next month, or will the hospital charge you less next time? That's even a silly question," Secretary Butz said.

"We're learning some very important things about how our economic system works in this hassle over food costs," Secretary Butz concluded.

"One, is that for a perishable product such as food, you don't get more production by paying less.

"Another is that when farm prices go up, they usually come down later, while other costs tend to go up and stay up.

"For years we have had ridiculously cheap food in this country. Even now, while food may take 15.7 percent of our 'after tax' income this year, that is only up from 15.6 percent last year, and the lowest outlay in the world for the most plentiful supply of the best quality food you can find anywhere on earth."

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