

Returns could be better

How Pennsylvania dairymen prospered in the past 12 years

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The \$808.8 million of farm milk sales in 1978 were 42 percent of all farm sales. Another 10 to 11 percent of total farm cash receipts also come from the sales of cull cows, dairy calves, and surplus crops.

In total, then, dairy farms accounted for over 50 percent of all cash receipts of Pennsylvania farmers in 1978.

Approximately 15,000 commercial dairy farms of 10 cows or more were operating in Pennsylvania in 1978, about 32 percent fewer than in 1967. Cow numbers in 1978 averaged 700,000, about five percent fewer than in 1967.

However, due to increasing milk production per cow, total milk production in 1978 was 7.88 billion pounds, up 15 percent from a decade ago.

The value of the 1978 milk production was 2.3 times that of milk produced in 1967, mainly due to increased milk prices, which averaged \$5.62 in 1967 and \$11.29 per cwt. in 1978.

Major adjustments are taking place in the dairy industry at the farm level. Economic and technological changes have forced some dairymen to discontinue their operations. Some have left voluntarily for other opportunities, or have retired. Others have maintained viable production units.

What have been some major changes occurring on Pennsylvania dairy farms in the past decade in amount of resources, capital requirements, and incomes?

Further, what are some factors associated with the better incomes?

Since 1967 the business records of farmers who use the Pennsylvania Farmers

Association and the Pennsylvania Agricultural Records Program have been the basis for publishing an annual dairy farm business summary by the Farm Management Section, Penn State Extension Service. These summaries provide the reference points for this article.

It must be recognized that the summaries are not of a representative sample of Pennsylvania dairy farms. They are better-than-average commercial dairy farms in terms of resources

available and managerial ability of the operators.

Size of business is an important factor in determining income.

There are different measures of size. They are man equivalent, number of crop acres, number of cows, hundredweight of milk sold, and value of assets. When measured in physical terms, such as crops acres, number of cows, and milk sold, the farms summarized increased in size substantially less than when measured by value of assets.

Over the 12 year period, the man equivalent in the summaries decreased 2 percent; number of crop acres increased 15 percent; number of cows increased 20 percent; hundredweight of milk sold increased 36 percent; while the value of assets increased 220 percent.

The 220 percent increase in value of assets reflects a major appreciation in land values and a somewhat smaller percentage appreciation in other asset values over the period 1967-78.

The average value of land per total acre (buildings excluded) increased 416 percent and buildings 108 percent.

The value of machinery and equipment was 121 percent greater in 1978 than in 1967. The value of crop and supply inventory, reflecting mainly higher unit crop prices, increased 188 percent.

The per animal unit value increased 159 percent, but as a result of more livestock the total livestock value increased 221 percent.

It must be noted that the amount and kinds of buildings, machinery, and equipment in 1978 probably were not comparable to those in 1967; hence, increased values for these items were not an accurate reflection of appreciation in values.

However, the values for 1978 do reflect the increased investment required to finance a commercial dairy

farm today compared to 1967.

In 1967 the average investment per cow was about \$2000; in 1978 it had increased to almost \$5300.

Average farm debt from 1967 to 1978 increased by 190 percent, from \$32,190 to \$93,655.

However, this absolute increase in debt load did not result in an increase in the debt load-asset ratio because the total value of assets rose at a greater rate. The debt load as a percent of total value of assets was 33 percent in 1967 and dropped to 30 percent in 1978.

Labor productivity and milk sold per cow are two important factors influencing income.

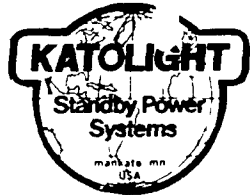
Labor productivity as measured by number of cows per man equivalent was 23 cows in 1967 and 28 cows in 1978, a 22 percent increase.

A better measure of labor (Turn to Page D18)

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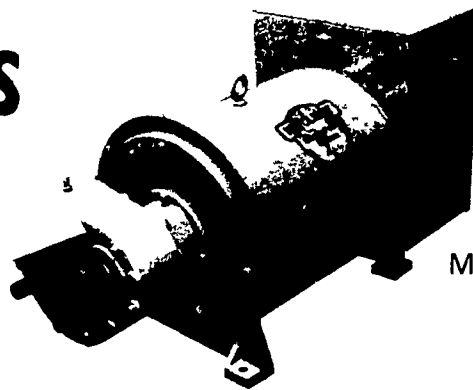


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