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**Penn State  
FARM AND DAIRY  
Business Seminar of the Week**

**Pennsylvania Dairy Farming  
Can Be Profitable**

By Larry Jenkins

Associate Professor of  
Ag Economics  
(Farm Management)

There is general agreement that producer action is the key to the future of the dairy industry, both in Pennsylvania and nation wide. The questions being raised just now include how many cows will producers add to herds this year and how much will producers increase grain feeding? Producer action in these areas will determine total milk production for 1987 and into the future.

The current favorable milk-feed price ratio (pounds of 16 percent protein dairy ration equivalent in value to a pound of milk) provides an incentive for producers to add cows. A ratio exceeding 1.40 generally points to a profitable condition for dairy farmers. The ratio exceeded 1.70 for much of 1986. The milk-feed ratio is expected to average even higher in 1987 and will provide producers substantial motivation to add cows in order to capture a share of the profit.

But dairy farmers remember the



Larry Jenkins

not-so-distant past when surplus milk production approached 17 billion pounds per year and created severe stress for the industry. Most producers have no interest in returning to those conditions. The threat that surplus production will again become a

serious problem is perhaps the greatest restraint on increasing herd size in 1987.

Most observers agree that producers will feed grain at higher than normal levels this year because it is very low priced. Grain price, as an average for the year, will be eight percent below 1986. That reduction is in addition to a six percent reduction in 1986 compared to 1985.

The outlook for changes in cow numbers is more difficult to predict because of the conflicting forces facing producers. A review of the number of dairy replacements available leads to the conclusion that if producers choose to increase herd size, they can do so quickly. There are large numbers of replacement heifers available and these can quickly add to the production potential in the nation's dairy herd.

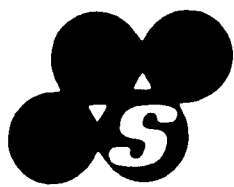
**Keys To Survival In  
The More Distant Future**

While 1987 shapes up as a profitable year for Pennsylvania dairy farmers, the industry is becoming increasingly competitive and profit margins are expected to narrow in future years. How can producers insure their future in the business of dairy farming?

There are no "such things" in farming. But dairy farm managers can act to position themselves in such a way as to greatly increase their chances for success.

Sufficient equity in the business is an essential part of the formula for staying in dairy farming in the

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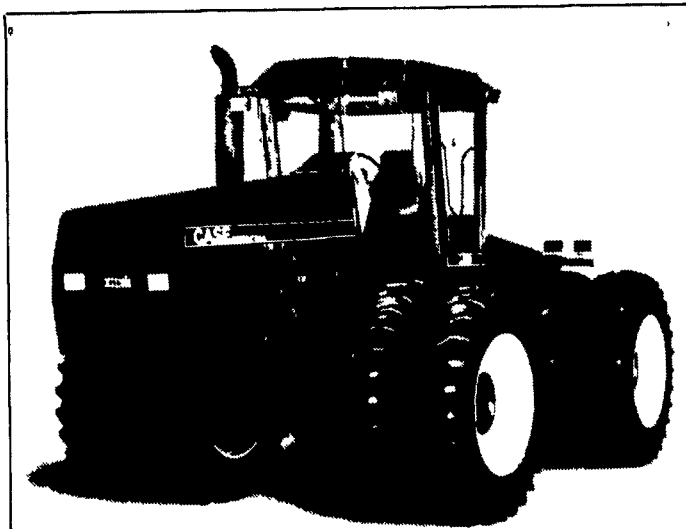


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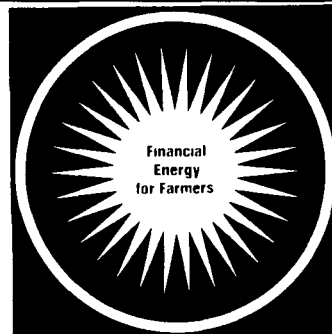
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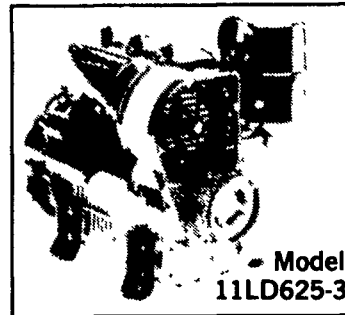
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