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# Agricultural Letter

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CASH RECEIPTS from dairying are expected to increase from 4.2 billion dollars in 1955 to 4.6 billion this year—a gain of nearly 10 per cent, according to the USDA. The increase reflects both larger production and higher prices.

Production has been running at a record rate—3 per cent above year ago. This is due entirely to higher output per cow as the number of milk cows on farms declined somewhat further during the year ending June 1.

Milk prices during the first nine months of 1956 outpaced corresponding year-earlier months with gains ranging to 6 per cent. In September milk prices were 3 per cent above a year ago.

In the District's two dairy states of Michigan and Wisconsin, gains in income from a year ago may about equal those indicated for the industry as a whole. While in Michigan production so far this year has totaled slightly more than a year ago, prices have averaged 8 per cent higher. In Wisconsin production is up 3 per cent and prices 5 per cent.

While prices to farmers in individual areas are quite uniform, costs and profit margins may vary greatly. Thus when appraising future income and debt-carrying capacity, it is also important, of course, to review developments on individual dairy farms where decisions regarding investments, loans and debt retirement are made. And in recent years substantial changes have taken place in the structure of the industry that have boosted capital requirements and lowered costs of production.

DAIRY COW NUMBERS have declined almost continually from the record high of 25.6 million head in 1944. Year-to-year declines averaged nearly 3 per cent through 1949 when dairy prices were low relative to prices of other farm products. Since then numbers have drifted downward at a rate of less than 1 per cent per year. As shown in the table below, largest declines in cow numbers occurred in the central portion of the country where more profitable production alternatives existed.

| | Per cent change, 1944 to 1955 | |
|---|---|---|
| | Number of cows | Total milk production |
| North Atlantic | -1 | +21 |
| East North Central | -16 | +11 |
| West North Central | -27 | -7 |
| South Atlantic | -5 | +21 |
| South Central | -24 | -11 |
| Western | -13 | +8 |
| United States | -17 | +6 |

Despite fewer milk cows on farms, total output increased over much of the period as production per cow rose. This year output per cow is expected to reach 6,000 pounds, 30 per cent above the mid-1940 level. Only in the west north central and south central states has the decline in cow numbers been sufficiently large to reduce total production below that of 1944.

Among changing management practices contributing to the increase in output per cow and tending to reduce cost per pound of milk produced, are artificial breeding, improved pastures and roughages, better milking methods, higher rates of concentrate feeding, a more rapid turnover of cows in dairy herds and a larger capital investment per cow. Since the late 1940's investment in land, buildings and machinery per cow on "typical" family-operated dairy farms in eastern Wisconsin has increased about 20 per cent.

Another important change in the industry that has tended to reduce cost is the shift to fewer and larger herds. Census data show that the number of farms selling whole milk declined about 15 per cent between 1950 and 1954. At the same time sales of milk per farm increased by nearly 40 per cent.

The following data from the Census of Agriculture give some indication of how rapidly specialization has swept through the industry in District states.

| | Per cent change, 1950 to 1954, in number of farms reporting: | | | |
|---|---|---|---|---|
| | Less than 10 dairy cows | 10 – 19 dairy cows | 20 – 29 dairy cows | 30 dairy cows and over |
| Illinois | -27 | -19 | +9 | +55 |
| Indiana | -25 | -4 | +59 | +117 |
| Iowa | -20 | -7 | +36 | +89 |
| Michigan | -31 | -3 | +72 | +118 |
| Wisconsin | -32 | -18 | +30 | +82 |

While the transition to a larger-scale operation usually entails substantial capital investment, it will also lead to increased volume of milk per farm. In a period in which profit margins are likely to remain small, a large volume is almost essential if sufficient income is to be present for carrying debts.

Research Department