

PA Milk Marketing Board
Carol A. Hardbarger

Cost of Milk Production by Size of Herd

One of my recent articles contained a statement that cost of production is lower for larger-size dairy herds. I received a call from a reader asking what that statement is based on; unfortunately, I have been unable to reach him to communicate the information. I decided it would make a good topic for another article (and I hope he reads this). And, let me state that I appreciate getting phone calls and emails to discuss my articles!

The statement I made about cost of milk production as related to herd size is based on information published by the US Department of Agriculture, Economic Research Service. Data have consistently shown over the years that larger-size herds have lower costs of production; the most recent data are for 2018 and will be referenced here. Average cost for all herd sizes in 2018 was \$21.74 per cwt sold. Since Pennsylvania has an average herd size of 84, USDA reports that our average milk production costs were \$31.33.

USDA does produce a milk production cost by state listed as \$26.53 per cwt sold for Pennsylvania, which is close to that of a 100-199 cow herd in the information below.

Other reported herd size costs are:

- Under 50 cows, \$39.42,
- 100-199 cows, \$26.27,
- 200-499 cows, \$23.00,
- 500-999 cows, \$20.54,
- 1,000-1,999 cows, \$19.64 and
- 2,000 cows or more, \$18.23.

A rather comprehensive set of inputs goes into figuring the cost of production. They include feed costs (purchased, homegrown harvested and grazed), overhead (hired labor, land, taxes, insurance and general farm overhead) and what USDA terms, “other.” The other costs include veterinary expenses, bedding and litter, fuel and other utilities, repairs and other general miscellaneous costs.

For 2018, the income listed per size of herd minus total cost of production was a negative number for all size herds! The disparity was extreme when comparing the lower-size herds—50 or fewer cows, -\$17.42 per cwt sold—to the herds of 2,000 or more (-\$0.66). For Pennsylvania’s average herd of 84 cows, the loss was -\$11.65 per cwt sold.

PMMB is committed to providing price support for our small dairy farms, in fact, for all our dairy farms, but we recognize the unique needs of the farms with average or fewer size herds. Currently, we are working on developing and fine-tuning a plan to provide a direct payment to farmers in some form, perhaps one which will contain extra consideration for the smaller farms.

This plan will take a coordinated effort and agreement between many of our dairy industry stakeholders once we have hammered out the details. Right now, we are basically in the “concept stage” and seeking information about what might work best, where the money would come from and how it would be distributed. Legislation has been put forward by the Pennsylvania House of Representatives that would enable us to develop a working relationship with the Department of Revenue; this is a first step, if passed.

PMMB is actively working to listen, to learn and to react to the current situation within the dairy industry—for our producers, the dairy processors, retailers and the consumers.

We are also available to respond to questions and concerns. I can be reached at 717-210-8244 or by email at chardbarge@pa.gov.