

What does the size of a dairy herd have to do with efficiency?

Over the past three decades, the average herd size of U.S. dairy farms has increased from 29 to 139 head per farm and dairy farming, as in any business, efficiency of production is one of the keys to turning a profit. Farms of all sizes have room to improve their efficiency.

A farm is "inefficient", for example, if it doesn't produce maximum output (milk) in relation to the inputs (feed). This is commonly called "income over feed costs" and is a key indicator of profitability. The USDA's 2010 ARMS Dairy Costs and Returns Report, suggests that less efficient farms are more likely to exit and more efficient dairy farms tend to expand. More efficient farms are more competitive and tend to have more cows. If a farm has more land, it also has more cows.

Economies of scale is the link between larger herd size and levels of profitability. Entering into partnerships with family members to take over some managerial responsibilities is a major motivator for expansion and increased efficiencies. Much farm-level production structure is cheaper to build in large scale while milking facilities, feed storage, information systems, animal health planning can be more efficient on larger facilities. Some owners of small dairy operations may be unable to afford to hire a professional manager such as a herdsman or crop manager. They may also can be held up by the costs necessary to adopt new technologies, such as data gathering systems, that could increase their efficiency and lower production costs.

As more inefficient farms of all sizes exit, the structure of the dairy sector is going to be dominated by large and efficient dairy operations.

~Ron Kuck, Dairy & Livestock Educator, Cornell Cooperative Extension of Jefferson County