

The Future of the Pennsylvania Dairy Industry with the Impact of Natural Gas

Summer 2011

The Center for Dairy Excellence



Survey Objectives

To provide a clear understanding of the
future of dairy farming and milk
production in regions of Pennsylvania
affected by Natural Gas exploration



Survey Participants

- **Region 1: Northern Pennsylvania**
 - Bradford, Lycoming, Potter, Sullivan, Susquehanna, Tioga, and Wayne
- **Region 2: Southwest PA**
 - Armstrong, Cambria, Clearfield, Fayette, Indiana, Jefferson, Somerset, Washington, and West Moreland
- **Total Reports: 306 returned of 1123 sent**
27% return

****Note**** Any deceased or no answers resulted in less reports for analysis



General Demographics

- **No. of Responses**
 - Region 1: 183
 - Region 2: 121
- **Average Herd Size: 87 cows**
 - No. of herds <90 cows: 216
 - No. of herds >90 cows: 74
- **No. of cows reported:**
 - Region 1: 15,242
 - Region 2: 9,862

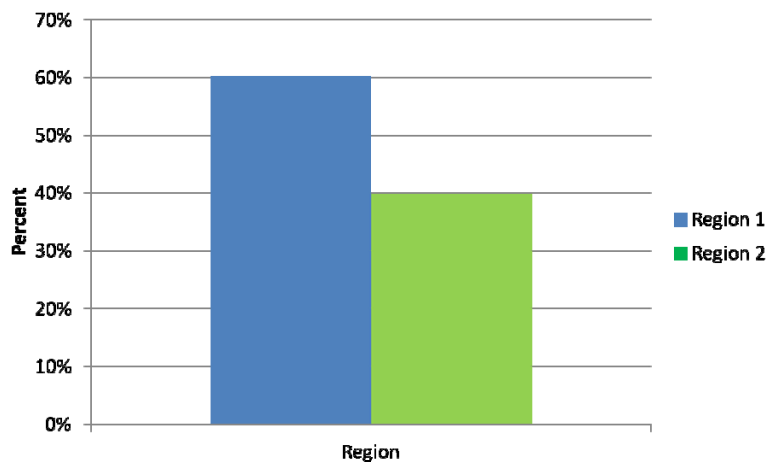


County Contribution to Survey

County	No. of Herds	% Contribution
Armstrong	10	3.3%
Bradford	79	25.9%
Cambria	6	2%
Clearfield	4	1.3%
Fayette	12	4%
Indiana	13	4.3%
Jefferson	11	3.6%
Lycoming	11	3.6%
Potter	9	3%
Somerset	38	12.5%
Sullivan	3	1%
Susquehanna	25	8.2%
Tioga	32	10.5%
Washington	6	2%
Wayne	25	8.2%
Westmoreland	21	7%

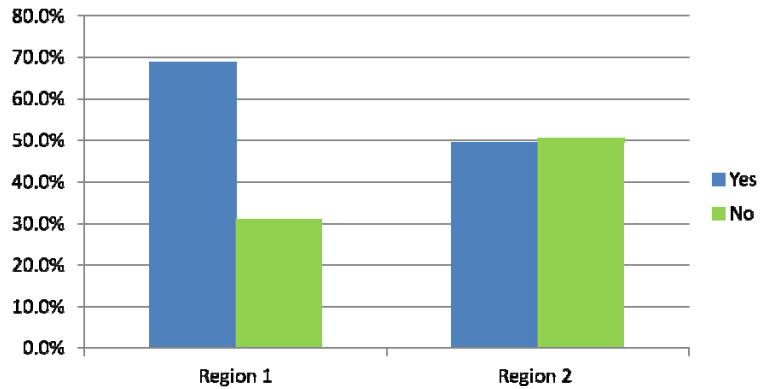
CENTER FOR
Dairy EXCELLENCE

Regional Contribution to Survey



CENTER FOR
Dairy EXCELLENCE

Expecting Natural Gas Income



Region 1 expects more natural gas income as compared to Region 2 with only 50% expecting natural gas income in Region 2



Plans for the Future

	Continue	Discontinue
Region 1	79%	21%
Region 2	81.7%	18.3%

	Continue	Discontinue
< 90 cows	78.6%	21.4%
>90 cows	87.8%	12.2%

Average of **80%** of all farms survey are going to continue in the dairy industry



Herd Growth Plans if Continuing

Plan	Region 1	Region 2
Unchanged	60.0%	65.7%
Reduce Herd Size	6.5%	4.6%
Increase Herd Size	14.8%	24.1%
Uncertain	18.7%	5.6%

82.3% of responders will maintain or increase herd size across both regions



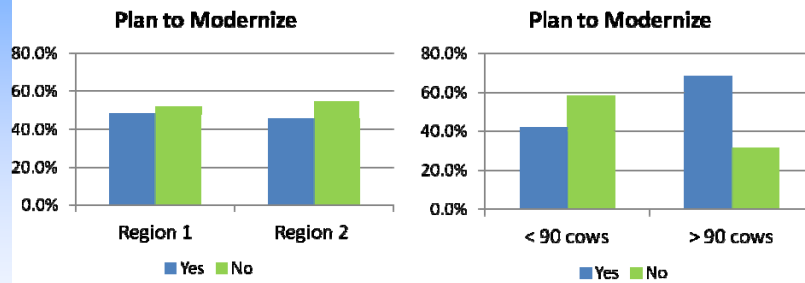
Herd Growth Plans if Continuing

Plan	< 90 cows	> 90 cows
Unchanged	65.6%	54.3%
Reduce Herd Size	4.2%	8.6%
Increase Herd Size	16.4%	25.7%
Uncertain	13.8%	11.4%

81% of all responders will maintain or increase herd size across both herd sizes



Continuing in Dairy: Plan to Modernize



Regionally, plans to modernize are equal. Larger herds are more likely to modernize.

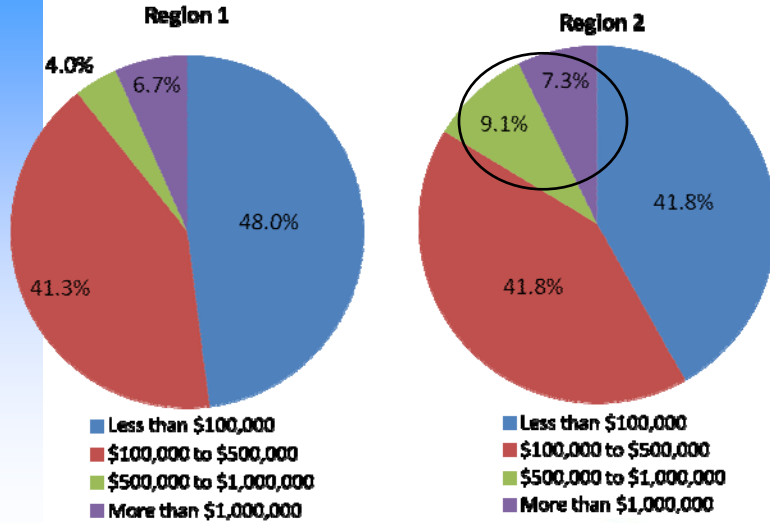


Plans to Modernize (No. of Farms)

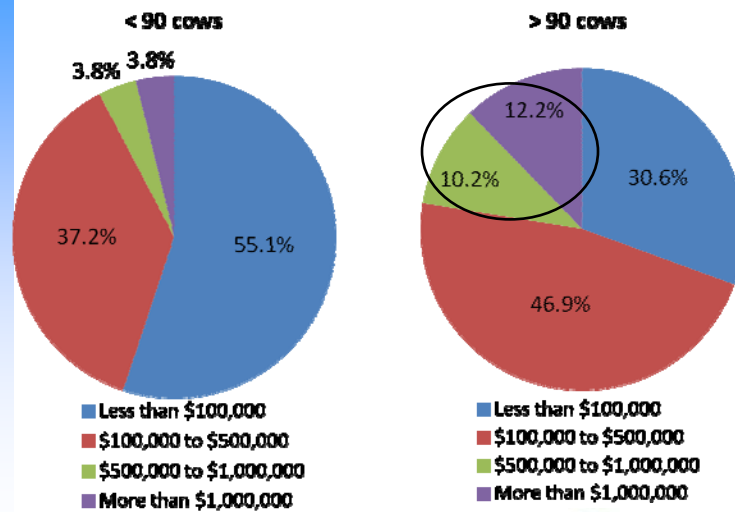
Facility	Region 1	Region 2	< 90 cows	> 90 cows
Milk cow housing	28	27	31	24
Dry cow housing	23	23	23	23
Cow milking	22	17	25	14
Young stock	44	23	42	26
Feed storage	25	23	27	21
Manure handling	29	22	30	20
Other	13	5	13	4



Investment in Modernization



Plan to Modernize-Investment



If receiving funds from the sale of natural gas, will this likely...

	Region 1	Region 2	<90 cows	>90 cows
Encourage Modernizing Dairy Operation	62.9%	50.6%	54.5%	71.2%
Discourage Dairy Investment	36.8%	31.0%	39.4%	13.9%
Encourage Investment in Alternative Form of Agriculture	48.1%	58.8%	50.4%	54.5%

- 63% in Region 1 plan to modernize the dairy with Natural Gas Income

- 71.2 % of larger dairies plan to invest the Natural Gas Income into dairy modernization

- Greater than 50% of all responders plan to invest in other forms of agriculture

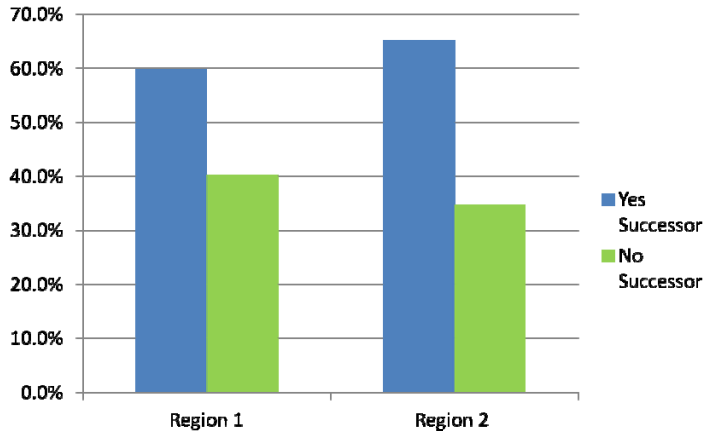


Alternative Form of Agriculture

	Region 1	Region 2	<90 cows	>90 cows
Crops	37.8%	57.6%	47.5%	47.1%
Beef	35.4%	23.7%	32.7%	17.6%
Swine	2.4%	1.7%	2.0%	2.9%
Poultry	2.4%	0.0%	2.0%	0.0%
Other	22.0%	16.9%	15.8%	32.4%



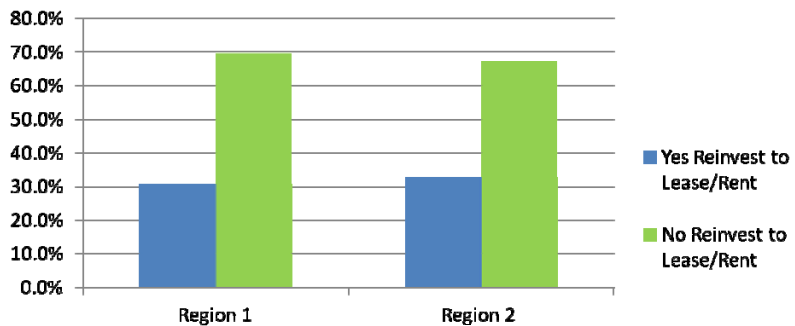
Do you have a Potential Successor for your Operation?



Majority of dairies in both regions have successors



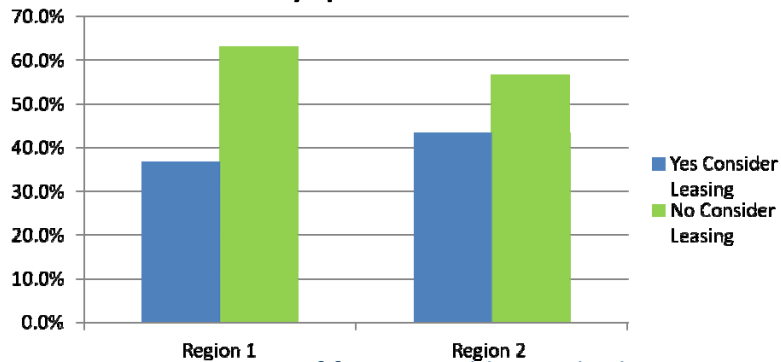
Would you consider reinvesting in your dairy operation to provide a facility to a beginning dairy producer to lease or rent?



Farms not interested to reinvest in the dairy for it's use by another producer but...



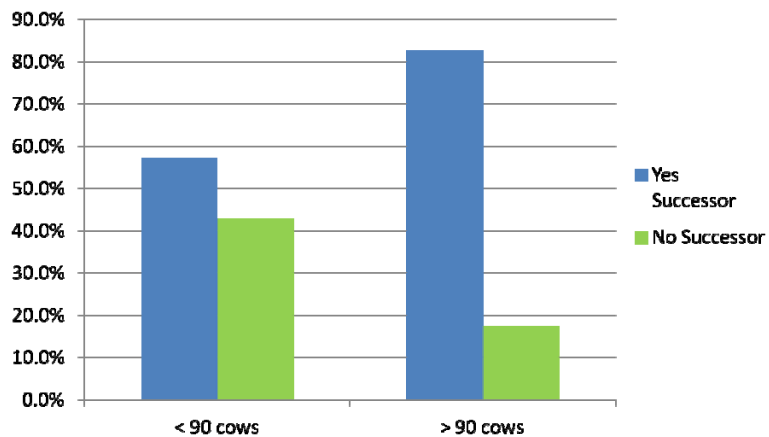
If planning to exit the dairy business, would you consider leasing facilities to a beginning dairy producer?



Greater proportion of farms would consider leasing (without investment) to another producer



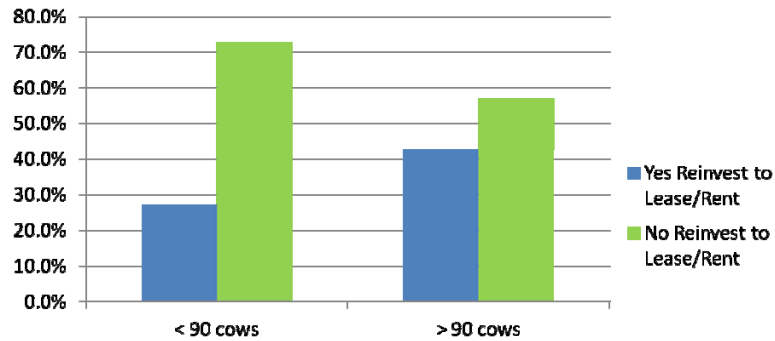
Do you have a Potential Successor for your Operation?



Larger dairies more likely to having a succession plan



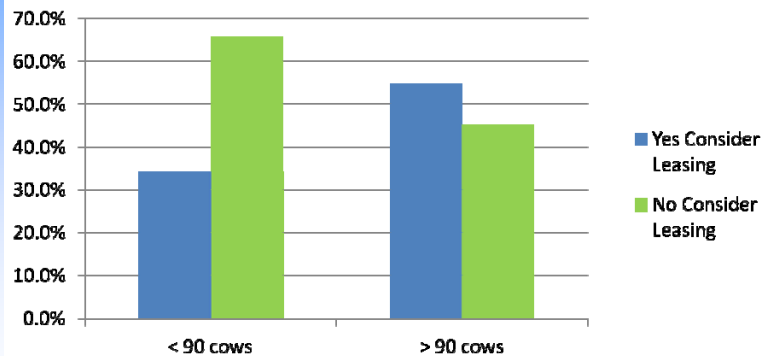
Would you consider reinvesting in your dairy operation to provide a facility to a beginning dairy producer to lease or rent?



Larger dairies are more likely to consider reinvesting to lease or rent to a beginning producer and...



If planning to exit the dairy business, would you consider leasing facilities to a beginning dairy producer?



Larger dairies are more likely to consider leasing facilities



Conclusions

All Responders



- 80 % plan to continue to dairy
 - 60% anticipate Natural Gas Income
 - 57% considering modernization with the income
- 20 % plan to discontinue dairying
 - Of the 56 farms planning to discontinue, 41 are expecting income from Natural Gas (73%)



Conclusions

All Responders

- Larger herds more inclined to continue to dairy (87.8%) vs. smaller dairies (78.6%)
- Plans to modernize equal between regions
 - Greater in larger herds (68.5%)
 - Young Stock and Milking Facility focus
- Amount willing to invest into the dairy
 - < \$100,000
 - \$100,000-\$500,000



Conclusions

All Responders

- Expectation of Natural Gas Income
 - More of Region 1 expecting than Region 2
- Greatest % of Natural Gas Income will go to
 - Modernization of the Dairy
 - Alternative forms of Agriculture
 - Crops, Beef and Other



Conclusions

All Responders

- Majority of Producers
 - Have a Successor
 - Not interested in reinvesting in the dairy to lease or rent for beginning producers and...
 - Would not consider leasing to future producers
 - However, larger herds more likely to do so



Thank You!

QUESTIONS?



CENTER FOR
Dairy EXCELLENCE

