

Dairy producers lose productivity going organic, but can save on feed

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(PhysOrg.com) -- While dairy producers can expect less milk when switching from conventional to organic production, they may be able to cut some costs on expensive feed, according to Purdue University studies.

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Using U.S. Department of Agriculture data that includes information specific to organic dairy producers, a team led by Joseph Balagtas, an assistant professor of agricultural economics, found that organic dairy producers produce about 13 percent less milk compared to peers using conventional production methods. He said that knowledge is critical for dairy producers who might be interested in going organic.

"It's important to know that if you adopt organic technology, you're going to produce less milk," said Balagtas, whose results were published in the American Journal of Agricultural Economics. "Our research provides producers with a baseline measure of the production loss from switching to organic."

Corinne Alexander, a Purdue associate professor of agricultural economics, and Carlos Mayen, a former Purdue doctoral student, collaborated with Balagtas on the study.



Dairy producers must meet stringent protocols to be certified organic. Cows cannot receive antibiotics or hormones, feed must be certified organic and herds must have access to certified organic pastures.

"Those production restrictions decrease yields," Balagtas said. "Organic farmers have to milk their cows less frequently, for example, to prevent mastitis because they can't treat it with antibiotics. That results in less milk."

The information on reduced yields on organic dairy farms also is important to the ongoing debate about alternative production systems.

"Organic production methods are currently less productive than conventional methods," Balagtas said. "A dramatic shift toward organic production would result in higher prices for milk."

In another study published in the Journal of Agricultural & Food Industrial Organization, Balagtas' team found that those organic producers could cut as much as 22 percent of production costs if they grow their own feed, though the same isn't true for conventional producers.

"Conventional farms are increasingly purchasing their feed. Modern conventional dairy farms save costs by purchasing key inputs and focusing on milk production," Balagtas said. "It's relatively easy to find conventional feed. With organic, that's not the case. There are fewer people doing that, and that means the price is higher."

Organic dairy producers cannot use feedstock that has been grown with pesticides and other chemicals, making it more expensive. And since there are fewer organic growers than conventional, sourcing organic feed typically means increased transportation costs for dairy producers.



"If you're located in a climate that permits it, you can reduce costs by growing your own organic feed," Balagtas said. "Establishing organic crop production is costly, but this research says that over time you would pay off that investment."

The studies used data from the USDA's 2005 "Agricultural Resource Management Survey on Dairy Costs and Returns Report" in which dairies in 24 states were surveyed. Nearly 300 organic farms and 1,200 conventional farms were used for the analysis.

"Organic is a fairly new industry, and we're still learning about the production and marketing challenges. But it's the fastest growing segment of the dairy industry," Balagtas said. "For the first time, we have a good picture of the organic dairy industry."

Balagtas said comparisons were based on producers of a similar size in the same region using similar technology and management practices.

The research was supported by funding from the USDA Economic Research Service as well as Purdue. Balagtas said further research would focus on ways organic dairy producers could lower their <u>costs</u>.

Provided by Purdue University

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