Iowa’s Dairy Industry: An Economic Review

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Iowa’s Dairy Industry: An Economic Review

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Leo Timms, Dairy Specialist, ISU Extension and Outreach

Overall Economic Impact of Iowa Dairy Industry

- Each cow generates $23,445 of economic impact and value to a community.
- 10 cows generate 1 FTE full time job.
- > 22,000 jobs supported by dairy industry.
- > $4.9 billion dollars economic activity / year

Introduction and Objective

The Iowa dairy industry has historically been important in Iowa and remains so yet today as the fifth largest sector of Iowa agriculture. Although the demographics of herd size and location within the state, the positive economic impact of the dairy industry has remained solid. Competitive advantages that Iowa offers to the dairy industry have resulted in Iowa being the only Midwestern state that has experienced an increase in milk production over each of the past 2 decades (19% over both decades combined). With ample quality feed, stable prices, access to markets, and a strong support system for production agriculture, dairy and its potential for growth will likely continue. The objective of this work and publication was to showcase the Iowa dairy industry, its demographics and the advantages Iowa offers to dairy, as well as the benefits and economic impact the dairy industry brings to local communities, the state, and nation.

ISUEO Programmatic Response

Iowa’s Dairy Industry – An Economic Review was a study and publication completed in early 2012 by the Value Added Agriculture Program in conjunction with ISUEO dairy extension specialists, agricultural economics (IMPLAN model) and funding from Iowa State Dairy Association, Iowa Area Development Group, Iowa farm Bureau Federation, Iowa Corn Growers, and Midwest Dairy Association. Focus of this work was to examine and showcase the major reasons why the Iowa Dairy industry is so successful and attributes that make Iowa a competitive and enticing place to dairy. The second half of the publication examines the economic impact that the dairy industry has on the state of Iowa and local communities. This was accomplished through use of an IMPLAN model which accounts for the economic value of the raw product (milk), it’s associated value added products and income; as well as purchased inputs, supplies, services, etc. used by dairy producers (community economic stimulation). Study was based on 2010 data.

Iowa Dairy Industry Demographics

Dairy farms and milk production: Certainly the Iowa Dairy industry has changed over the decades, and will continue to change and adapt to markets, prices, and preferences. ISUEO dairy extension works closely with the Iowa Department of Agriculture to monitor industry statistics. Below are some recent IDALS industry statistics:

- 1801 herds (1580 dairy cow; 219 dairy goat; 2 sheep)
- 204,000 milk cows; 4.5 billion pounds milk / year
- 12th nationally: milk production and cow numbers
- 10th nationally: milk / cow / year; 21,309 pounds

Iowa dairy farms come in all shapes and sizes. Over 99% are family-owned with herds ranging from 10 – 7800 cows. In Iowa, there are opportunities for dairies and people to develop the size and style that best works for them.

The charts below show that Iowa milk comes from many different sized operations, with an increased percentage from larger operations. Yet farms with < 500 cows produce > 75% of the milk. Both large and small operations require nearly the same number of employees per number of cows, so all sized operations are regarded as positive contributors to their communities.
**Milk processing demographics / advantages:** Iowa’s processing capabilities ranks it among the top ten states in fluid milk bottling (9th), total dairy products processed (8th), cheese production (7th), cottage cheese production (6th), American cheese production (6th) and ice cream production (4th). Iowa has 11 milk bottling plants processing fluid milk, ten processing dry milk products, 11 processing cheese and seven processing ice cream. Iowa has 13 receiving and transfer stations to facilitate sales and transportation of milk.

**Other competitive advantages:** Location matters when deciding to expand or locate a dairy business. Livestock businesses all require three essentials – water, feed and a feasible means of handling manure. These three key aspects are in sync in Iowa because of diversified agriculture, supportive policy and natural resources. The heritage of livestock in this state and region exists because of the balance nature provides that Iowans are determined to maintain. Iowa has major advantages in the following:

- Water resources
- Land, crop, and feed resources
- Manure / nutrient utilization and value
- Labor and employment
- Regional processing
- Industry and business infrastructure
- Outstanding educational entities
- Informational and outreach sources

Overall, this highly diverse production and processing model helps create stable and attractive regional price trends, provides opportunities for growth, and places Iowa in a strong position to meet changes in national and international consumption trends.

**Economic Impact**

The second half of the publication examines the economic impact that the dairy industry has on the state of Iowa and local communities. This was accomplished through use of an IMPLAN model which accounts for the economic value of the raw product (milk), it’s associated value added products and income; as well as purchased inputs, supplies, services, etc. used by dairy producers (community economic stimulation). Study was based on 2010 data. Below are highlights of the economic study.

- $7.5 million of dairy sales.
- $1.2 billion value added dairy products.
- **$4.9 billion total economic effect**
- $914 million of earning (salaries/ wages)
- 22,263 jobs associated with dairy
- 1 of 5 of the largest Iowa commodity organizations.

<table>
<thead>
<tr>
<th>Total Output</th>
<th>$4900.2 Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Induced Effect</td>
<td>$2,875.7</td>
</tr>
<tr>
<td>Indirect Effect</td>
<td>$1,496.5</td>
</tr>
<tr>
<td>Direct Effect</td>
<td>$1,194.0</td>
</tr>
</tbody>
</table>

Chart above shows **total dairy economic output of $4.9 billion. Direct effects** are economic impacts generated directly by the dairy industry. **Indirect effects** are generated by purchased goods and services by the industry. **Induced effects** are impacts generated by purchased goods / services outside industry like grocery, education, etc.

For more information on dairy economic review: [http://www.extension.iastate.edu/dairyteam/publications](http://www.extension.iastate.edu/dairyteam/publications)