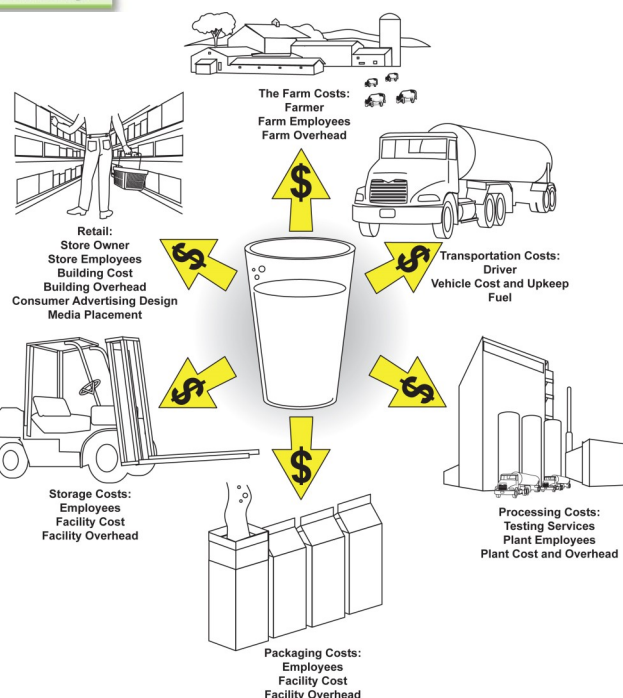




Discover Dairy... in the Community Reading Passage



Milk is a staple in the American diet. It is also a staple in our nation's economy. The dairy industry is the largest segment of agriculture, the nation's largest industry. It contributes nearly \$52 billion to the U.S. economy each year. Every gallon of milk sold helps to support many jobs across the country — jobs in the food industry, in service and support industries, and on the farm.

Milk by the Gallon

What costs go into producing a gallon of milk?

In the United States, we are fortunate to have one of the cheapest food supplies in the world. Americans typically spend about 11-percent of their disposable income on food, while residents of other countries can spend 50 percent or more.

Still, as the number of people living below the poverty level in this country increases, higher expectations are being placed on the agriculture industry to continue to provide an inexpensive supply of safe, high quality foods.

On average, American farmers receive about 19-percent, or 19 cents, from every dollar consumers spend on food. They use that 19 cents to purchase feed for their animals and see for their crops, to pay employees and service providers, cover the mortgage, insurance and taxes, and to pay for buildings, equipment, and repairs on the farm.



Feed is the largest expense on a dairy farm, accounting for as much as 60-percent of the farmer's costs. The cost of labor — or what they pay themselves and their employees to work on the farm — is also a significant part of the farmer's budget.

The milk is hauled from the farm in a tanker truck and delivered to a nearby plant to be made into milk, cheese and other dairy products. The cost to transport milk from the farm to the plant is also reflected in the price we pay at the store. As fuel prices have increased over the past several years, this cost has increased.

Once at the plant, the milk must be pasteurized and processed into dairy products or bottled into fluid milk. Although much of the processing is automated, workers are needed to operate the equipment that takes the milk through processing. The cost to operate these processing plants and to pay workers is also included in the store price.

After the milk is processed and dairy products are made, they must be packaged and stored in refrigerated facilities until they are shipped to a grocery store or retail outlet. There are costs associated with the packaging, storage and additional transportation that are all reflected in the final price of milk.

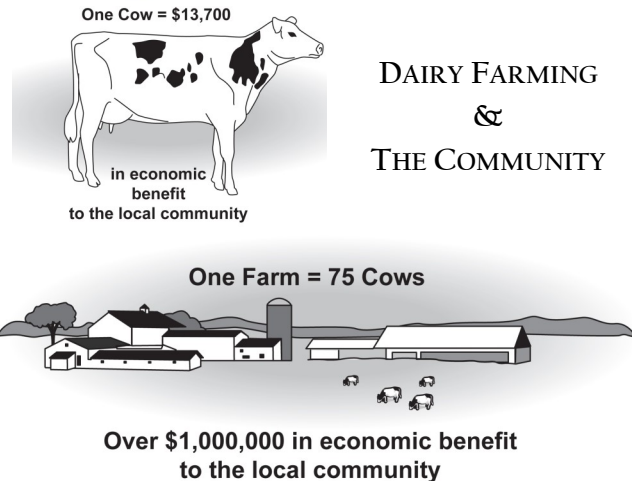
Once at the retail level, the store sets the final price of the milk and dairy products sold to consumers. The store's price covers what they paid for the product and other costs associated with their store. Store labor and facility costs are reflected in the price, as well as advertising and marketing costs.

The consumer price of milk and dairy products changes frequently to reflect increasing costs on the farm, in transportation, at the processing plant, and at the store. Each segment of the processing channel plays an important role in providing an abundant supply of safe, high quality dairy products for consumers. The U.S. food supply is one of the safest, most inexpensive in the world.





Discover Dairy... in the Environment Reading Passage



What role does the dairy farmer play in the economy?

Dairy farmers play an important role in our economy. Their job is to take good care of their cows and the environment to produce quality dairy products for consumers to buy. Farmers use natural resources, like the land to grow their crops, water for their cows to drink, and sunlight, to produce capital resources — goods they can sell to bring money back to their farms and the local community.

A farmer uses the money he receives from the milk he sells to support the local community. He uses it to purchase supplies, like feed and seed, pay his employees and service providers, like the veterinarian, and make investments in his dairy farm through building repairs, maintenance and upkeep. This money fuels the local community by bringing income into local businesses and jobs to local residents.

The farmer's role in a community is unique because he or she starts with natural resources — like air, water, land and sunshine — to produce a product that he can sell for money. They bring additional money into a community by selling that product outside the community and using the money they receive to pay for goods from local suppliers.

For instance, a dairy farmer in Lancaster County, Pennsylvania, may sell his milk to a grocery store in Philadelphia. The grocery store pays him money that he brings back to Lancaster County, where he purchases his feed and other supplies.

The money the farmer brings into a community typically changes hands 2.5 times, generating more income for the economy.

On average, every one cow on a dairy farm brings into the local community about \$13,700 annually in economic revenue. An average size dairy farm, with about 75 cows, generates more than \$1 million in economic revenue for a community each year.

Every nine cows on a dairy farm supports one job somewhere in the food and supporting industries — either on the farm, in transportation, at the processing plant or at the retail level.

Food scientists, truck drivers, marketing agents and regulatory inspectors are all positions supported by the dairy farm and those nine cows. In total, the dairy industry supports more than 45,000 jobs in Pennsylvania alone. Across the country, the dairy industry supports more than 1 million jobs.

Lesson Vocabulary Definitions:

- ♦ **Disposable Income** — The amount of income left over after taxes have been paid, available for savings or spending.
- ♦ **Consumer** — Any individual who uses goods and services generated by the economy.
- ♦ **Economy** — The system of production, exchange, distribution and consumption of goods and services within a county, region or area.
- ♦ **Labor** — Work of any kinds.
- ♦ **Revenue** — Income received from normal business practices, such as the sale of goods or services.
- ♦ **Natural Resources** — Economically referred to as land or raw materials, occurring naturally within the environment relatively undisturbed by mankind.
- ♦ **Capital Resources** — Any good that is used in the production of other goods.
- ♦ **Processing** — Describes the act of taking something through an established and usually routine set of procedures to convert it from one form to another.
- ♦ **Transportation** — The movement of people and goods from one location to another.
- ♦ **Service Industry** — An industry in part of the economy that provides services rather than tangible objects.