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Dairy Situation and Outlook

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DAIRY SITUATION AND OUTLOOK

Milk Production

Milk output will probably stay below 1973 levels through summer, then recover late in the year. Farmers' intentions to boost crop production this year point to larger supplies and a further lowering of prices of feed to dairy farmers in the fall. Improved milk-feed price relationships should cause milk output per cow this year to resume its long uptrend. But with a further decline in milk cow numbers, milk production for all of 1974 will probably still be down about 1 percent.

The rate of decline for milk production has slackened somewhat since last fall. First quarter 1974 output dropped 3 percent from a year earlier. Milk cow numbers were down around 3 percent, but milk output per cow has finally recovered to year-earlier levels after being down for over a year.

Farm Prices

Farm milk prices in April were about 38 percent above a year ago, reaching \$8.86 per 100 pounds. Manufacturing milk prices at \$7.95 per 100 pounds were at 96 percent of parity and some 43 percent above April 1973. Farm prices dropped from March to April, and further seasonal declines will be occurring into the summer months. Although continuing well above a year ago in coming months, farm price margins over 1973 may narrow later this year if milk production does recover.

Increased milk prices pushed up cash receipts from dairying around 30 percent in the first quarter, despite the drop in milk marketings. Gross dairy income will be up again in 1974--perhaps to around \$9 1/2 billion. The income picture in dairying will likely be improved over last year. Despite increases in other costs, feed prices are expected to moderate later this year.

Wholesale Prices of Dairy Products

Wholesale prices of American cheese dropped 7 cents during April reaching 84.1 cents per pound (40-pound blocks, Wisconsin assembly points) in early May, but still 27 percent above year-earlier levels. Prices of Grade A butter at Chicago declined about 11 cents in late April, to CCC's support purchase price of 60.6 cents per pound. CCC has started to buy some butter under the price support program. Nonfat dry milk prices increased about 14 cents since January 1 before dropping back around a penny in late April. Prices for high-heat nonfat dry milk, f.o.b. Central States production area, stood at 65.8 cents early this month.

Retail Prices

Retail dairy prices continue to rise and in March were about 25 percent above a year ago. Largest gains were reported for American process cheese, evaporated milk, and fluid milk. Prices will likely rise less the rest of the year than they have since last fall. Retail butter prices have dropped since last October's high, and may drop further in light of the recent declines in wholesale prices.

Consumption

Commercial disappearance of cheese continued to expand early this year. However, sales of fluid milk, cottage cheese, and nonfat dry milk were falling. Total fluid milk sales were down around 5 percent from a year earlier in major urban markets, with whole milk sales falling some 9 percent. Higher retail prices, moderating gains in disposable incomes, and a rising rate of unemployment may slow total dairy product sales in coming months.

Per capita civilian milk consumption in 1974 will likely drop from the 556 pounds of 1973, after holding steady the past 2 years. Commercial use may be down some this year, and dairy product donations will likely show a sizable drop.

Output of manufactured dairy products on a milk equivalent basis rose about 2 percent in the first quarter. Despite smaller marketings, more milk was available for manufacturing as a result of lower fluid sales. American cheese production was up about a fourth, but butter and nonfat dry milk output continued well under a year ago.

Dairy Imports

First quarter dairy product imports were equivalent to 1.4 billion pounds of milk, up from 0.4 billion pounds a year earlier. There were larger imports of cheddar cheese under the increased quota, nonquota cheeses, frozen cream, and evaporated milk. This year's import total may again be greater than normal.

Almost all of the 100 million pound temporary increase in cheddar cheese import quotas through March 31 was utilized. Of the 150 million pound increase in nonfat dry milk quotas allowed through June 30 this year, about 98 million pounds had entered by the end of April.

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