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Dairy Outlook

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Economics Newsletter

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Dairy Outlook

Milk production is likely to increase for the balance of 1976 since milk-feed price relationships are expected to remain favorable to heavier concentrate feeding. Even though greater emphasis for herd culling is building, the declines from last year's levels in milk cow numbers will remain modest. Total milk production could surpass 1975's 115.5 billion pounds by around 2 billion pounds. The gain could be larger or smaller, depending on prices for cull cows, feed, and milk, as well as developments in the general economy.

Milk Production

Increases in March milk production brought first quarter output to 29.0 billion pounds, up almost 2 percent from 1975 on a daily average basis and the largest production in 4 years. Milk cow numbers in March were down only 1 percent from last year and unchanged from February. Although the decline from a year earlier was slightly faster than in early 1975, it remained slow compared with earlier years.

Milk production per cow was up more than 3 percent in March, the sharpest year-to-year gain since September 1974. Increases in output per cow have been the result of heavier grain feeding this year. Farmers reported feeding 5 percent more grain and other concentrates on April 1 than a year ago.

According to the South Dakota Crop and Livestock Reporting Service, a four percent increase in milk output per cow more than offset fewer milk cows for April 1976 resulting in a 2 percent increase in total milk production from a year ago. Total milk production in April 1976 was 123 million pounds compared to 121 million a year earlier. Number of milk cows during the month averaged 156,000 head, 3,000 less than April 1975.

Farm Prices

Farmers received an average \$9.48

per hundred pounds for all milk in April, 82 cents below the December peak but \$1.34 above last April. Comparable South Dakota prices were \$8.55 for the same period. The average milk price was held up by an abnormal rise in manufacturing milk prices since February, reflecting higher wholesale prices for butter and cheese.

Farm milk prices will likely decline with a strong flush-season milk production but will average 10-15 percent above last year during the flush. Milk prices could post a fairly strong seasonal rise during the second half of 1976, but increases are not likely to match 1975's rapid rise.

Cash Receipts

Cash receipts from dairying were up almost a fourth during January-March due to higher prices and larger marketings. Last year, dairy income was almost \$9.9 billion, up 5 percent from 1974.

Wholesale Prices

Wholesale butter and cheese prices have been rather unsettled since the first of the year. After the unusual seasonal strengthening from February, butter and cheese prices were above support purchase prices in early May. Nonfat dry milk prices were close to support levels and small net purchases

have been made by the Government.

Retail Prices

Retail prices of milk and dairy products declined slightly in March, as a dip in the prices of manufactured products offset slight increases in the fluid products. However, March retail prices were up 8 percent from a year ago and the average for all of 1976 likely will be 6-8 percent above 1975.

Cheese Production

Cheese production continued to draw milk away from butter-powder operations in recent months, as well as absorbing most of the increase in milk supplies available for manufacturing. American cheese production was up about 17 percent from a year earlier in the first 3 months of 1976, while butter output was down about 5 percent and nonfat dry milk production was down almost a fifth.

Cheese production probably will continue to attract more milk in coming months.

Product Sales

First quarter sales of dairy products were up almost 3 percent from a year earlier due to strong cheese sales and small gains in fluid milk sales. Fluid milk and butter sales volumes may slip below year-earlier levels in coming months but cheese sales likely will remain strong.

Commercial Stocks

Commercial dairy stocks have recovered somewhat from last winter's low levels but the strong sales have kept commercial holdings rather tight. The 4.2 billion pounds milk-equivalent in commercial hands on April 1 was down 16 percent from 1975, with butter and American cheese stocks down a fifth.

Leonard Benning, Extension Economist--Marketing

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