

# Production to Rise Profits to Fall

Milk production in 1973 should exceed the 120.5 billion pound output of 1972 by more than a billion pounds, or about 1-1/2 per cent, the same increase as last year. Although milk prices are at an all time high, feed prices are even higher, thereby hurting the average farmer's profits.

Improved feeding and management practices were responsible for increased milk production per cow of 2.7 percent in 1972. The decline in milk cow numbers was only 1.2 percent because of rising milk prices, herd replacements, and an adequate labor supply.

Thus, dairy output continues to rise because production per cow is going up faster than the number of cows is going down. The farmer, therefore, will receive less for his milk this year unless demand is increased in 1973 and beyond.

### Prices and Income

Gross farm income was a record 19 billion dollars last year. Dairy income was close

to 7.2 billion and by all indications should be nearly 7.5 billion in 1973.

Milk prices are expected to remain high and may increase almost four to five percent over 1972.

However, inflated commodity prices and processing costs have contributed to a squeeze on farmers' incomes.

According to Truman F. Graf of the University of Wisconsin's Department of Agricultural Economics, 1972 farm milk prices increased only six percent but daily concentrate feed costs went up 21 percent. "Thus farm milk prices, and ultimately consumer milk prices, are not high when farm production costs are taken into consideration," states Graf.

### Consumption of Dairy Products

Consumption of dairy products increased three percent in 1972 and per capita consumption rose one percent, the first such rise in 15 years.

The largest jump was in

the consumption of cheese, a rise of 11 percent. Sales of fluid skim and lowfat milk were up 12.5 percent, and yogurt sales increased 43 percent! More modest gains were made in the sale of butter, cottage cheese and frozen desserts. In general, per capita consumption of low fat products has been increasing steadily, while consumption of high fat foods is declining.

One of the factors contributing to increased demand of dairy products is thought to be higher meat prices. Milk and related products are an excellent lower-cost source of protein. Also, increased dairy promotion, higher consumer incomes, and a broadened government food stamp program may have helped the rise in demand.

The increased interest in some dairy products will continue in the coming year. The outlook for cheese sales should remain bright and the demand for low fat dairy foods is expected to advance steadily. But the overall sales gains of dairy products are expected to be limited in 1973 and per capita consumption may decrease slightly.

### Government Support

Because the rise in 1972 consumption was large enough to use up increased milk production, the USDA price support purchases were down about 20 percent from the 7.3 billion pounds of milk purchased in 1971. Due to government cost-cutting this trend will probably continue in the coming year.

As of April 1, 1973, the support price for milk of

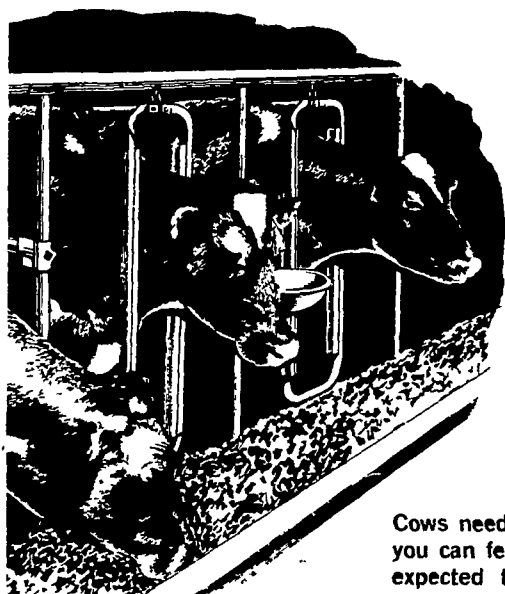
average test is \$5.29 per hundred pounds, an increase of 36 cents over last year. This figure is estimated to be the minimum 75 percent of parity, and should produce an adequate supply of milk for the nation.

### Foreign Trade

Dairy exports were over twice as large as dairy imports during the first five months of 1972, but the next seven months brought a dra-

matic drop in exports due to increased milk production in other major dairy countries.

Total dairy exports were almost 1.5 billion pounds in contrast to 1.7 billion pounds of imports. Due to Common Market restrictions, increased world milk production and limited United States import restrictions, the export-import situation for dairy products is not likely to improve in 1973.



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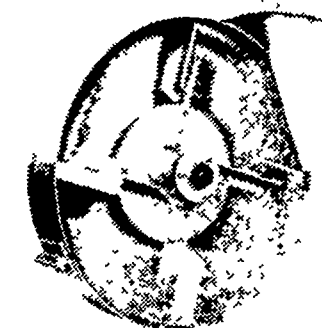
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