

USDA July Dairy Situation Report . . .

June Milk Down \$1.06 From March

Increased supplies of dairy products relative to demand this spring and summer have lowered dairy prices at the wholesale and farm level more than seasonally. Commercial dairy stocks have jumped. With prices dropping to support purchase levels, CCC is again buying dairy products under the price support program. Seasonally rising milk production and lower fluid milk sales have pushed more milk into manufactured dairy products.

Wholesale prices of most dairy products tumbled sharply in the second quarter. Butter, American cheese, and nonfat dry milk prices dropped to CCC's support purchase prices. Following these wholesale price drops, farm prices of manufacturing milk declined substantially from March to June and minimum Class I prices started falling in June. Farmers averaged \$7.88 per 100 pounds for all milk in June, down \$1.06 from the March high. This compares with a 30 cent normal seasonal decline during this period. June prices were about 23 percent above a year ago. Dairy prices at both the farm and wholesale level will likely increase seasonally this fall and winter, although probably not back up to the levels of early 1974.

Lower wholesale prices for dairy products are now being reflected to some extent at the retail level. Consequently, the June retail dairy price index may be down from May, the first month-to-month drop in almost 2 years. Retail dairy prices may increase seasonally later on this year, but the gains are likely to be much less than occurred last year.

Milk production stays under a year ago, although the rate of decline continues to slow. Down 6 percent last September and 3 percent beginning the year, output in May was about 2 percent under a year earlier. Milk output per cow gained some in May, the first increase of any significance in over a year. Declines in milk cow numbers have slackened since the beginning of the year. The number of herd replacements on hand was large beginning 1974. Falling prices of slaughter cows have probably discouraged herd culling on dairy farms.

The drop in milk production will probably narrow further in coming months. Milk prices will likely be increasing seasonally this fall and winter. Coupled with some likely moderation in feed prices, milk-feed

price relationships could improve later this year, helping boost milk output per cow. The declines in milk cow numbers may continue to slow. Late in 1974, we may see milk production rise above a year earlier. Nevertheless, total 1974 milk output will likely still be down to 1 to 1½ percent from 1973's 115.6 billion pounds.

More milk has moved into manufacturing uses this year because of lower fluid milk sales. Gains in cheese production have slowed materially, and by June butter output had moved above year-earlier levels for the first time since late 1971. Nonfat dry milk production has also come back from the lows earlier in 1974.

Fluid milk sales in January-May dropped 5 percent from year-earlier levels, with whole milk products down 9 percent. Gains in lowfat and skim milk sales slowed appreciably.

Total commercial disappearance of milk in all dairy products was down about 1 percent in January-May, and sales may stay below a year ago in coming months. Lower retail prices should help sales, but real purchasing power continues down, unemployment may average higher, and inflation persists.

Commercial stocks of dairy products continued to rise, reaching 7.2 billion pounds milk equivalent on June 1, up from 4.1 billion pounds a year ago. Government stocks have been small. Although CCC is now buying dairy products, they are expected to be utilized in the school lunch program.

USDA is buying processed American cheese under the price support program in addition to natural cheese. This will help remove from the market some of the barrel cheese currently in excess supply. CCC bought dairy products equivalent to about 0.5 billion pounds of milk in May and June, up from 0.4 billion a year earlier.

U.S. imports of dairy products totaled 1.7 billion pounds milk equivalent in January-May this year, more than doubling the volume of 0.7 billion pounds a year ago. The increases were concentrated in the early months and imports have since slackened off. Of the 150 million pounds temporary increase in nonfat dry milk import quotas authorized through June 30, about 114 million pounds came in. Secretary Butz has advised President Nixon that any further increase in the nonfat dry milk import quota is not presently needed. All of the temporary increases in import quotas have now expired.

Drop in Milk Output Slows


The decline in milk output continues to slacken. May's milk production was down 2 percent from a year earlier, compared with the 3 percent drop entering 1974 and the sharp 6 percent decline last fall. May production totaled 10.8 billion pounds, down from 11 billion pounds in May last year. Milk production is now declining from its seasonal peak usually reached in the late May to mid-June period. The March-to-May seasonal increase this year was somewhat greater than last year's.

Milk production per cow rose about 0.5 percent from May 1973. With lower soybean meal prices, dairy farmers may be using more protein in their dairy rations than they were a year ago. Milk output per cow had been down for around a year before pulling about even earlier this year. The sharpest decline relative to a year earlier happened last September when production per cow fell 3 percent.

There were 11.2 million milk cows on farms in May, about 2½ percent below a year earlier. The decline has slowed somewhat from the 3 percent rate starting 1974. There was a large supply of herd replacements on hand at the beginning of the year. With the decline in slaughter cow prices, dairy farmers have probably reduced their herd culling.

Milk production in May was below a year earlier in all production regions except the Southern Plains and Pacific Coast States. However, drops have slowed in most areas since January. Wisconsin's production, down 2 percent in May, continued to narrow from last September's 8 percent decline. Milk production was running above a year ago in California and Pennsylvania, but remained down in New York and declined in Minnesota for the first time since January this year. Milk production in May was

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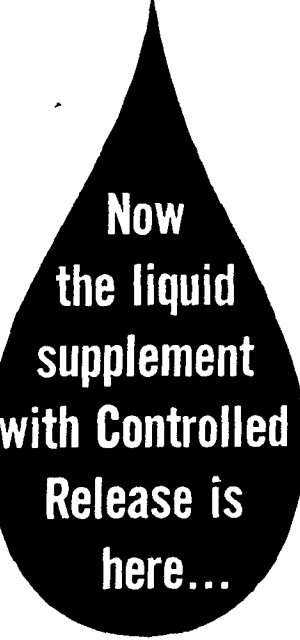
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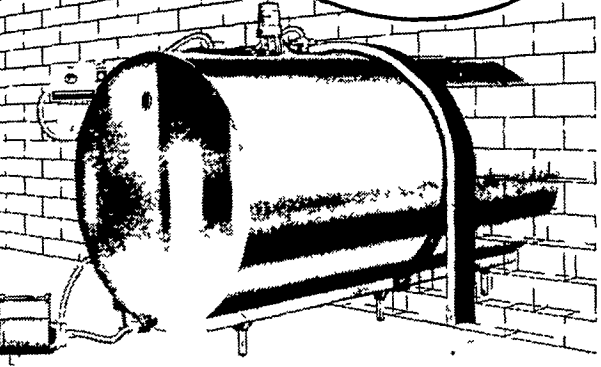
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