Dairy Situation Outlook

Milk output may total about 114½ billion pounds this year, around 1 percent below 1973. The decline in milk cow numbers has slowed during 1974 partly because of lower slaughter cow prices and the lack of viable alternatives for dairymen. Output per cow should average higher this year, following the unusual drop in 1973 for the first time in almost 30 years.

September's milk production was up almost 3 percent from a year ago - the sharpest year-to-year increase in almost a decade. Reduced herd culling, increased availability of corn silage, and generally favorable fall pastures in several important dairy States contributed to the increase.

However, this kind of gain seems temporary. High feed costs in coming months will likely cause dairy farmers to cut back on grain and concentrate feeding, thus limiting output per cow during the current barn feeding season. In fact, lower milk production appears in prospect this winter, although low slaughter cow prices may prevent sharp increases in dairy herd culling. Production later next year will depend in part of 1975 crop developments and subsequent feed prices, on milk prices, and on the market for cull dairy cows. Although milk production could be increasing in the second half of next year, total 1975 output may slightly trail this year's level.

Farm milk prices are now rising seasonally, following sharper than normal declines this spring and summer. In October, farmers averaged $8.21 per 100 pounds for milk up 64 cents from July, but about 11 cents under last October's price. Manufacturing milk prices were about 26 cents over the $6.57 support level in October. Farm milk prices are likely to be rising seasonally during the rest of 1974 and continue rising early next year.

Gains in cash receipts from dairying slowed appreciably in the third quarter, while feed and other production costs continued to gain by about a fifth from a year ago. For all of 1974, dairy cast receipts should total close to $9½ billion, up from $8.1 billion last year.

Wholesale butter and cheese prices have strengthened since midyear. However, nonfat dry milk prices still remain at CCC's support purchase price, where they have been since June.

September retail dairy prices took a slight upturn after dropping this summer for the first month-to-month declines in almost 2 years. Fluid milk prices continued to drop, but retail butter prices rose in September. Retail prices will likely be rising seasonally during the rest of 1974, but the gains are not likely to match those of last fall and winter.

More milk has moved into manufacturing uses this year because of lower fluid milk sales. Larger third quarter milk marketings funneled more milk in butter and nonfat dry milk production - with butter output up a fourth from a year earlier and nonfat dry milk running about 40 percent more.

Commerical disappearance of milk in all dairy products was down slightly in January-September. However, brisk butter sales and some recovery in fluid milk usage pulled third quarter disappearance slightly above year-earlier levels. Commerical use may remain close to year-earlier levels in coming months. Demand for dairy products could be weakened by strong inflationary pressures, declining real consumer purchasing power, and higher unemployment rates. However, dairy prices probably will be rising more slowly than last winter and more slowly than food prices generally. Gains in butter sales and further strength expected in fluid milk sales help brighten the sales picture. But sales of nonfat dry milk continue to lag.

Home delivery sales of fluid milk products in Federal order markets had dropped to 10 percent of total sales in late 1973. Plastic containers have been increasing rapidly at the expense of both glass bottles and paper packages. Use of gallon size containers has increased substantially to the point where it about equals sales made in half-gallon containers.

Although now declining seasonally, commercial dairy product stocks were equivalent to 7.2 billion pounds of milk on October 1, up 60 percent from a year ago, and a record high for the date. Government stocks of butter and American cheese are at relatively low levels. However, CCC nonfat dry milk stocks reached about 135 million pounds by the end of October; a year ago, CCC had no stocks.

USDA has purchased no butter and only moderate quantities of American cheese under the price support program since early August, but non-fat milk removals continue at sizable levels.

January-September dairy product imports were equivalent to 2.3 billion pounds of milk, up from 1.3 billion pounds a year earlier. Almost all the increase occurred during the first quarter of the year, when an increase in the import quota for Cheddar cheese was authorized. Since then, dairy product imports have slackened to more normal levels. All of the temporary increases in import quotas had expired by midyear.

Vegetables

Agriculture Department reports indicate that this year's harvest of 360,150 acres of 14 major fresh vegetables represents a 2% drop in yield from last year