World Milk Output Up in '74

By Foreign Commodity Analysis

USDA

World Supplies of cow's milk - recovering after a growth pause in 1973 - are rising to more-than-adequate levels in 1974, signaling an oversupply of dairy products in some areas and increasing pressure to export.

Global milk output is slated to rise about 2 percent this year to total some 772 billion pounds, owing largely to two key situations: A recovery of New Zealands' production and exports, and a continuing expansion of milk output in the European Community. At the same time, a turnaround in the U.S. dairy situation from deficit to surplus has limited U.S. imports of dairy products this year.

In New Zealand, which accounts for about a third of total world dairy exports, milk production could rise by as much as 10 percent this year to 1.3 billion pounds. Australia, however, is still suffering the aftereffects of flood and drought that shortened Oceania's supplies last season, so that milk outturn could dip by 3 percent. Further, a rationalization scheme eliminating Government subsidies to dairy producers is restricting output.

The larger supplies in Oceania - world's most consistent exporter of manufactured dairy products - will increase pressures on importing countries, including the United States, to accept more dairy products.

The European Community - historically surplus in dairy products - continued to increase milk outpout during 1974, possibly to a total of 218 billion pounds, compared with 212 billion in 1973. Although dry weather reduced output in both the United Kingdom and Ireland, a rise of 4 percent is likely in Belgium and France, 2 percent in West Germany, and 7 percent in the Netherlands. (See Foreign Agriculture, Nov. 11, 1974.)

Milk cow numbers are also building in the EC, except in the United Kingdom, as farmers delay culling herds in hopes that prices for slaughter cattle will strengthen. A 5 percent increase in the average EC milk support price was agreed upon in October, increasing returns from dairy farming.

The new price supports range from $9.50 per hundred pounds of milk delivered to plants in West Germany to $7.22 in the United Kingdom and Ireland, averaging $8.10 throughout the EC. At the start of the 1974-75 marketing year last April, EC milk support prices averaged $7.34 per hundred pounds, up from a previous $6.74.

As a result, EC intervention stocks of manufactured dairy products are accumulating, although EC officials report they have not yet reached unwieldy levels. As of September 1974, EC dairy product stocks were (in 1,000 metric tons, previous year in parentheses): Butter 341 (421), cheese 237 (232), and nonfat dry milk 250 (168).

In the United States, the tight supply situation for dairy products - which resulted in sharply higher imports in 1973 and early 1974 - has reversed itself. In recent months, the Commodity Credit Corporation has again been buying domestically produced dairy products under the price support program. Storage stocks increased sharply last spring and summer and are well above year-earlier levels.

This situation is a result of the combined effects of a gain in milk yields and a falloff in consumption. U.S. milk production during July, August, and September 1974 moved ahead of the same months a year earlier for the first time since September 1972. Increased yields per cow more than offset the 2 percent decline in U.S. cow numbers. Despite an expected yearend downturn in milk output triggered by rocketing feed prices, U.S. milk production is likely to be only .1 percent below 1973's 115.6 billion pounds.

U.S. consumption of fluid milk products in January-July 1974, however, skidded almost 5 percent below last year's primarily due to higher prices and falling real incomes of consumers.

The continuing growth of world milk supplies in 1975 will depend heavily on the effect of weather conditions on pastures and feed crops, as well as prevailing meat and cattle prices. Since prices of milk and other dairy products are artificially maintained in most countries to protect farmer incomes, market conditions are secondary to government policy in their effect on milk prices.

With inflation expected to continue in 1975, further prices rises are likely, so that the historical upward trend in world milk production of between 1-2 percent annually is likely to continue, provided that weather is generally good.

Last year, the growth trend in world milk output was temporarily interrupted, as unfavorable weather reduced pasture and feed crop outturns in many developed countries. As a result, milk yields per cow declined for the first time in many years. Herd buildups continued, however, with dairy cow numbers in reporting countries increasing by about 1.5 percent over the previous year's level. The result of these opposing forces was a gain in milk prodution of nearly 1.5 percent, compared with nearly 2.5 percent in 1972.

The rise in dairy cow numbers that occurred last year promises to continue, keeping milk supplies at a high level. In the Soviet Union and Europe, dairy cow numbers at the beginning of 1974 were over 2 percent higher than those of the previous year. The growth in cow numbers was particularly rapid in Poland and the European Community - notably Ireland, the Netherlands, and France.

The depressing effect of higher feed-grain prices on milk production has principally affected producers in the United States, Canada, and, to some extent, the United Kingdom. In most other countries, including most of Europe, the amounts of grain concentrates fed are small, while virtually none - are fed in New Zealand and Australia. These countries depend more on roughage, such as pasture (mostly grass), hay, and silage, for dairy cattle feeding.

The recent falloff in cattle prices is stimulating milk production, in the short term at least, since profits are down from marketing culled cows. In the longer run, lower beef prices, combined with high prices of feed and fertilizer, may encourage calf slaughter - bolstering output of veal, but reducing the numbers of mature dual-purpose cows for meat and milk.

Seasonal increases in the world prices of most dairy products were beginning to be felt in late 1974. This reflected normal production declines on Northern Hemisphere farms and sales of manufactured dairy products from ample stocks. On an annual basis, cheese consumption is continuing to grow, following trends of the past several years. Also, butter consumption, which has been on the downtrend, may recover temporarily as higher prices of vegetable oils make butter more competitive with margarine.

Support prices for milk and products climbed in most countries during 1974 and are likely to rise even further next year, reflecting the desire to maintain farm incomes and production in the face of continuing inflation.

In the United States, price support for manufacturing grade milk is $6.57 per hundred pounds for the marketing year that began on April 1, 1974, up from $5.61. On August 1, the Canadian support price for manufacturing grade, plus earned subsidies was boosted to C$9.41 from C$8.50.

Canada estimates that milk production this year will edge up by almost 1 percent from the 16.9 billion pounds of 1973. This level of output assures plentiful supplies of nonfat dry milk for export and for contribution to the World Food Program.

Mexico - North America's third largest milk producer - expects to boost production by about 1 percent in 1974 to 12.5 billion pounds.

In South America, most reporting countries show little change in milk output from last year, with the exception of Argentina, where milk production could climb 9 percent from almost 6 billion pounds last year.

In West European countries outside of the Community, few changes in output are reported, with a decline in milk production in Sweden about offset by an increase in Greece.

As a group, the East European countries and the Soviet Union are expected to produce about 285 billion pounds of milk in 1974 - almost 3 percent more than last year, when output advanced 4 percent over 1972's. In the Soviet Union, milk production is slated to rise 4 percent over last year's to 200 billion pounds, following a 5 percent increase the preceding year. Soviet milk output is now approaching the EC level, and considerably exceeds U.S. milk output.

In Japan, a previous uptrend in milk production leveled off in 1973, and output is expected to decline in 1974. Falling cow numbers and the rise in feed prices make a recovery unlikely.

Constitution

New Hampshire became the ninth state to ratify the new Constitution of the United States on June 21, 1788 Legislators voted 57 to 47 in favor of the pact which became the basis for a new and stronger federal government

Iran

The Iranian government passed a law in March of 1951 which has significantly altered the course of that nation's history They nationalized their oil industry, thus confiscating vast British holdings in Iran Iran's oil fields had been leased and tapped by British corporations since 1910