

## Dairy outlook

# Milk production up, prices down

**NOTE:** The is based on a talk Charles N. Shaw, of Economic Research USDA, at the Outlook Conference, Washington, D. C., Jan. 17, 1976.

WASHINGTON, D.C. - Milk production likely will remain above year-earlier levels in early 1977, although the rate of gain likely will slacken when compared with last year's (1976) rapidly increasing output. Continued

strong gains in output per cow probably will more than offset moderate declines in cow numbers.

Milk production later in 1977 will depend on milk prices, cull cow prices, crop conditions and subsequent feed prices, and developments in the general economy. The greatest uncertainty is whether or not the expected lower milk prices and the return to surplus conditions in the dairy industry will substantially slow the increases in milk output. If dairymen continue heavy concentrate feeding and the declines in milk cow numbers stay very small, milk production would post strong gains throughout 1977. On the other hand, larger drops in cow

numbers or limited feeding could pull milk output down to year-earlier levels by late 1977. But all factors considered, milk production in 1977 likely will show an increase of one to two percent.

Farm milk prices were quite strong during 1976 as most of the increased milk output was absorbed by brisk sales and the needed rebuilding of commercial dairy stocks. Recently

however, the surge in supplies and dropping wholesale prices have sharply limited seasonal rises in farm milk prices. Farmers received an

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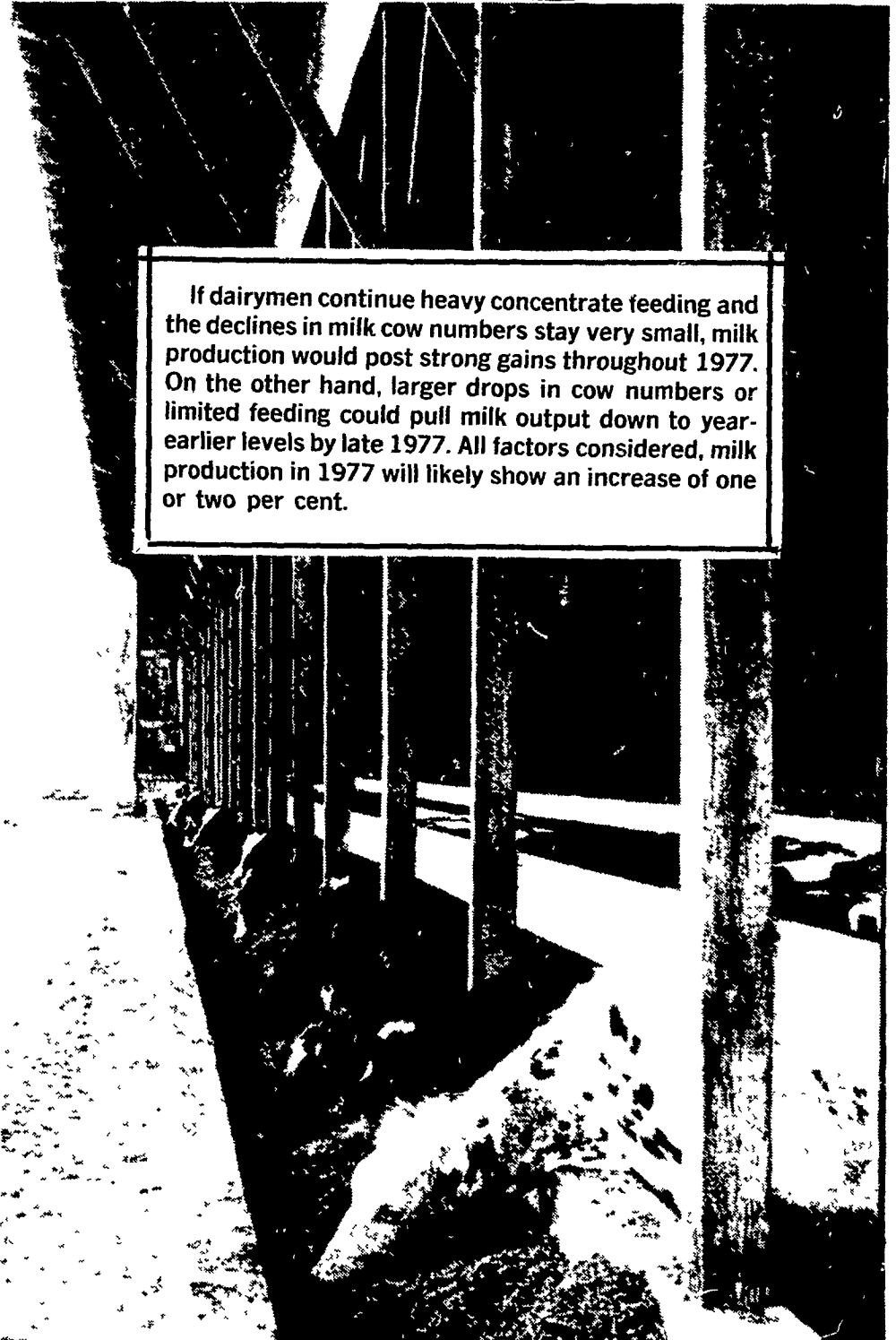
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If dairymen continue heavy concentrate feeding and the declines in milk cow numbers stay very small, milk production would post strong gains throughout 1977. On the other hand, larger drops in cow numbers or limited feeding could pull milk output down to year-earlier levels by late 1977. All factors considered, milk production in 1977 will likely show an increase of one or two per cent.

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