

Retail dairy sales at \$23 billion

ROSEMONT, Ill. - U.S. milk production was 120.4 billion pounds in 1976, up 5 billion pounds from 1975 for the highest annual production since 1965 and the highest year-to-year gain since 1953. At the same time, total dairy sales rose more than two per cent over 1975, mainly because of soaring cheese sales which reached records levels.

Per capita consumption of cheese, which was at 14.5 pounds in 1975, jumped to 15.9 pounds in 1976, experiencing its sharpest increase since the 1940's. This probably reflects our recovering economy providing enough strength to offset the effects of higher retail cheese and lower summer meat prices. Cottage cheese, nonfat dry milk, skim lowfat milk and

yogurt sales were also slightly higher in 1976, while fluid milk, butter and ice cream sales declined from the previous year.

The milk production increase stems mainly from the continued slowdown in the declining milk cow population along with an increase in milk output per cow. In 1976 there was a decrease of only 90,000 milk cows from the 11,140,000 present in 1975, largely because of relatively favorable conditions for milk production and continued large numbers of heifers entering the milking herd. Meanwhile, the 541 pound increase in 1976 milk output per cow over 1975 reflects the heavier 1976 feeding rates which sharply accelerated per cow output.

1976 Dairying Tops 1975
Cash receipts from dairying in 1976 were \$11.4 billion, up 15 per cent from 1975's \$9.9 billion. The retail value of dairy products sold was almost \$23 billion, as compared to 1975's \$21 billion.

"The national dairy situation for 1976 has been described by most as 'up,'" says Glenn Lake, president of United Dairy Industry Association.

"After three years of virtually unchanged milk output, production posted its sharpest year-to-year gain in nearly a quarter-century. And this horn of plenty flowed forth from an all-time low number of farmers and the highest per man hour efficiency in the world's food production system.

"There was also a substantial expansion in the demand for dairy products in 1976, with booming cheese demand providing the major sales push."

Lake indicated dairying is in a down cycle so far in 1977.

"Dairymen, with the incentive of favorable prices and generally good feed supplies, pulled out all the stops on milk production in 1976," he said. "Now, with storage stocks bulging and the Commodity Credit Corporation buying butter, cheese and dried milk, farm milk prices for the first half of 1977 are running below 1976."

Lake noted that dairymen face the hard task of trying to balance production increases with market growth in 1977. He indicated that, if farm milk production increases are curbed, the profitability of dairying will improve in the last half of the

year.

Forecast For 1977
Dairy sales prospects for 1977 appear favorable. Relatively stable retail prices, with the exception of beef, and an expected growth in consumer purchasing power will probably help to boost sales of all dairy products, especially cheese. However, a repeat of 1976's large jump in cheese sales is not expected.

Retail price increases are expected to be quite small in early 1977, and average retail prices for all of 1977 will likely be only slightly above 1976.

Farm milk prices will probably run close to support levels during the first half of 1977 and likely will average well under a year earlier.

While prices later in the year will depend on milk production, commercial sales of dairy products and support price actions, milk prices for all of 1977 could average below 1976's level - the first annual decline in 15 years.

Total milk production for 1977 likely will increase one to two per cent from 1976, but will depend on milk prices, cull cow prices, crop conditions and subsequent feed prices and developments in

the general economy later in the year.

In the face of seasonally rising milk output and currently weak market conditions, wholesale prices likely will hold close to support levels in early 1977.

With less favorable milk-feed relationships expected in early 1977, heavier culling could occur.

Dairymen will probably face somewhat higher feed costs during the first half of 1977 than a year earlier.

Commodity Credit Corporation purchases are likely to be heavy in early 1977 as increased milk output combined with large commercial dairy stocks may easily outstrip demand.

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