

# Dairy consumption down, milk production increases

WASHINGTON, D.C. — Supplies of milk and dairy products are increasing in 1980, while commercial use of dairy products has weakened. As a result, commercial stocks are ample, CCC purchases are heavy, and farm milk prices are still below the new support level.

According to a Dairy Situation report to be released by the U.S. Department of Agriculture, milk production during the rest of 1980 likely will continue above year-earlier levels, although the rate of increase may slow as the year progresses.

The report, prepared by USDA's Economics, Statistics, and Cooperatives Service, notes that farm milk prices may rise to the support level in coming months, but any increase above support will be limited unless commercial use

strengthens more than currently expected.

Commercial use of milk and dairy products during January-March was down by 0.2 percent from last year. American cheese use declined by 3 percent, more than offsetting a 4.5 percent gain in sales of cheese-other-than-American.

Commercial disappearance of butter was nearly even with a year ago.

With continued large meat supplies, the economy in a recession, and further declines in real disposable per capita income likely, commercial use of milk and dairy products during the rest of 1980 may remain below the high 1979 levels.

Milk production during the first four months of 1980, on a daily average basis, was three percent above a year earlier. This resulted from relatively large gains in output per cow, reflecting

quite favorable milk-feed price relationships. Also, because of reduced culling and a large number of replacements, milk cow numbers have stabilized thus far this year.

Cow numbers in March and April were above year earlier levels. All five of the major dairy states posted production gains in April, led by a 5.4 percent increase in California.

Production is expected to rise substantially — three percent over last year during April-June — but output gains in the second half may slow from a year ago. The levels of production will depend on cow numbers, weather and pasture conditions, farm milk prices, feed prices, and other production costs.

These uncertainties suggest that for all of 1980, milk production could show an increase of two to three

percent above the 123.6 billion pounds produced in 1979.

The milk-feed price ratio has continued favorable in 1980. In 1979, the annual average value of concentrates fed per 100 pounds of milk produced was \$2.95, up 13.5 percent from 1978.

Even though feed costs were up, sharply higher milk prices received by dairy farmers brought returns over concentrate costs to \$9.05 per 100 pounds of milk, 13.1 percent above the previous year.

Cash receipts to dairymen during January-April were up about 12 percent from a year ago. Cash receipts could exceed \$16.5 billion this year, and dairy farmers' net income should approximate the favorable situation of the past few years.

Wholesale prices of butter, nonfat dry milk, and cheese

were below support purchase prices in mid-May, reflecting heavy milk supplies, ample commercial stocks, and weak sales.

The price stability in wholesale markets this past winter was reflected in the slowing of retail dairy product price increases in recent months. For all of 1980, retail prices will probably average 9 to 11 percent higher than last year.

First-quarter production of butter, nonfat dry milk, and cheese was up substantially as milk supplies remained heavy. Manufactured output will continue to run above year-earlier levels through late spring and early summer, as there will be more milk available.

Last year, a record 67.4 million pounds were used to manufacture dairy products, two percent more than in 1978.

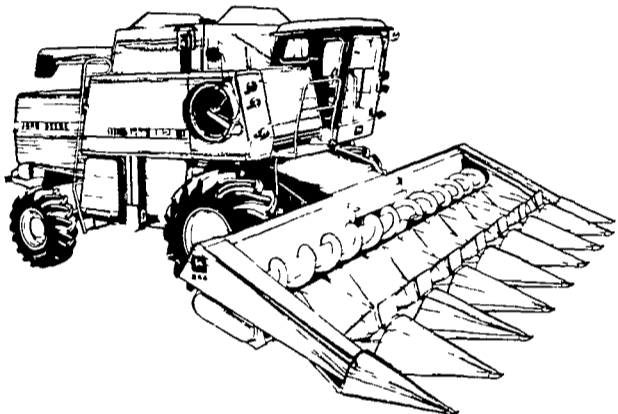
Commercial stocks of dairy products on April 1 reflected the large manufactured output and sluggish sales during early 1980. Milkfat stocks were 15 percent greater than a year earlier, while solids-not-fat

holdings were a fourth larger.

January-April purchases of dairy products by CCC totaled 2.9 billion pounds milk equivalent, nearly a third larger than removals for all of 1979. April purchases of 1.2 billion pounds were the largest in any one month since June 1971.

Quota-type cheese imports during January-March were down substantially from a year ago. This was due largely to heavy imports entering during December in anticipation of new import quotas, and in part to delays in licensing imports. On a milk equivalent basis, imports were 2 percent less than a year ago as increased imports of most other dairy products nearly offset the lower cheese imports.

Early 1980 milk production was well above year-earlier levels in the European Community, while output decreased substantially in the Soviet Union, the world's largest milk producing nation. Lower output in Eastern Europe and strong import demand by developing nations resulted in brisk international dairy product trade in early 1980.



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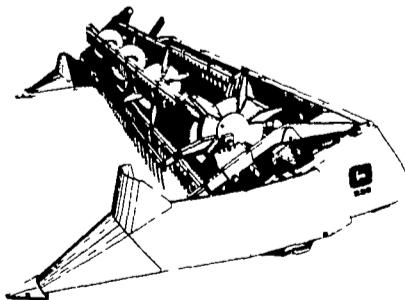
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