

MILK MARKET NEWS

NATIONWIDE Retail price gains slow

The decline in farm milk prices since January and stable wholesale dairy product prices since last fall were reflected in a slowing in year-to-year retail milk and dairy product price increases during February, March and April.

The Bureau of Labor and Statistics retail dairy products index for April was 243.5, (1967 base = 100), up only 0.9 index points from March and 1.4 from February. Relative to a year ago the index was up 10.3 percent in February, 10.0 percent in March and 9.5 percent in April.

With milk and dairy products to be in abundant supply during coming months, year-to-year price gains at the grocery store should be less than the April increase. For the year, retail dairy prices are expected to average 8 to 10 percent higher, compared with a likely increase of about a tenth in the all food price index.

The retail price reported by BLS for a half-gallon of fortified fresh whole milk during April was \$1.16, up 9 percent from a year ago. During 1980, the average retail price of whole milk was about \$1.05 per half-gallon.

The 1980 farm value as reported in Developments in Farm to Retail Price Spreads for Food Products in 1980, was 58 cents, up about 6 cents from 1979 — about 55 percent of the retail price. The farm-to-retail price spread was 47 cents, up 3 cents from 1979. The spread increased 7.5 percent in 1980, considerably below the 13.5 jump in the marketing cost index.

Retail prices for butter as reported by BLS averaged \$1.991 per pound in April, up a tenth from a year ago. During 1980, the average retail price for butter was about \$1.88 per pound. The 1980 farm value was about \$1.25 per pound, up about 14 cents from 1979 — about 67 percent of the retail price.

The farm-to-retail margin for

butter was 62 cents in 1980, 5 cents more than in 1979. The 9-percent increase in the spread occurred largely in the processing margin which totaled 18.6 cents in 1980, 4 cents (27 percent) more than in 1979.

BLS reported that the retail price for yogurt during April was 49.2 cents per bushel, up 7 percent from last year. The average ice cream price was \$2.024 per half-gallon in April, up 14.4 percent.

Per capita use expected to be steady

Per capita consumption of all dairy products (on a fat solids, milk equivalent basis), will likely be unchanged during 1981.

Even though purchases by USDA under the price support program will increase, CCC donations likely will not. Although commercial use will be up, so will the population and per capita consumption will likely hold steady.

Per person use of milkfat decreased to 20.4 pounds in 1980 from 20.5 in 1979, a decrease of 0.5 percent for the average American. Larger per capita consumption of cheese and ice cream nearly balanced out the lower per person use of fluid products. Butter,

cottage cheese, canned milk and dry whole milk were unchanged from 1979 levels.

On a milk fat basis, 1980 civilian per capita consumption of milk and dairy products totaled 554 pounds, down 1 percent (5 pounds) from 1979. Per capita use of milk solids-not-fat was 37.4 pounds, a decline of 1.6 percent from a year earlier.

INTERNATIONAL MARKETS

On April 6, the European Community (formerly the Common Market), put into effect new support prices for dairy products for 1981-82.

The target price for fluid milk, (the price the producer should receive according to the EC Commission), has been increased 9 percent, from \$12.12 to \$13.21 per cwt. The intervention price for butter has been increased 9 percent, from \$1.59 to \$1.73 a pound, as has nonfat dry milk, from 66 cents to 72 cents a pound.

Intervention prices are the prices at which intervention agencies are obliged to buy products offered to them. The milk producer tax for 1981-82 has been set at 2.5 percent of the target price under the same conditions as the current basic tax. However, application of a larger tax, which had been proposed by the EC Commission, was rejected — although the EC Agricultural Council will take steps to offset any extra costs which arise if the volume of milk supplied in 1981 increases more than 1 percent over the 1980 level.

\$12.83 per hundredweight (27.6 cents per quart).

Market Administrator Thomas A. Wilson also stated that the uniform farm price per hundredweight was \$12.83 in May 1981 and \$11.92 in June 1980.

The seasonal incentive fund removed \$.40 per hundredweight from the dairy farmers' uniform price for June, a total of \$3,858,328.70. Deductions for this fund for March through June 1981 aggregated \$12,829,421.28. The fund, plus interest, will be distributed in the August through November uniform price calculations.

A total of 17,512 dairy farmers supplied the New York-New Jersey Milk Marketing Area with 964,582,176 pounds of milk during June 1981. This was an increase of 2.5 percent (about 23 million pounds) from last year. The gross value to dairy farmers for milk deliveries was \$124,476,294.55. This included differentials required to be paid to dairy farmers but not voluntary premiums or deductions authorized by the farmer.

Regulated milk dealers (handlers) utilized 358,452,150 pounds of milk for Class I, 37.2 percent of the total. This milk is used for fluid milk products such as homogenized, flavored, low test and skim milks. For June 1981, handlers paid \$14.89 per hundredweight (32.0 cents per quart) for Class I milk compared with \$13.93 a year ago.

The balance, 62.8 percent, was used to manufacture Class II products including butter, cheese, ice cream and yogurt. For this milk, handlers paid \$12.48 per hundredweight.

The uniform price is based on milk containing 3.5 percent butterfat. For June 1981, a differential of 17.0 cents was applied to the price for each one-tenth of one percent that the milk tested above or below the 3.5 percent standard.

All prices quoted are for bulk tank milk received within the 201-210 mile zone from New York City.

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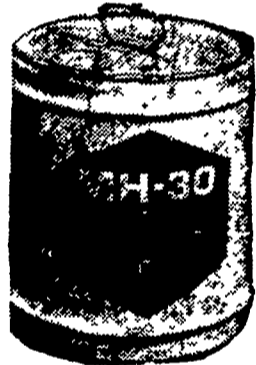
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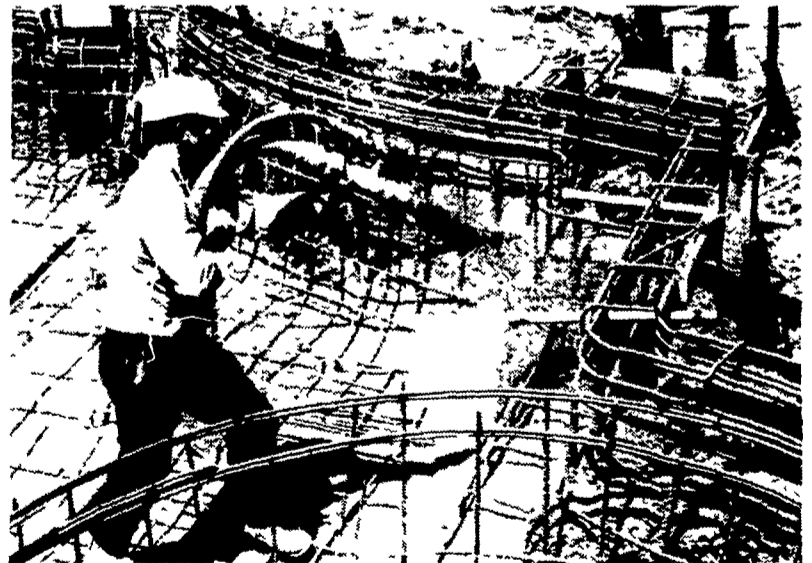
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