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Agricultural Letter

Number 809

THE DAIRY INDUSTRY moves into the spotlight in June. Seasonally large supplies and low prices provide the industry with the principal ingredients for launching its annual promotional activity. This sales effort has taken on additional importance over the past several years as production of milk has persistently exceeded consumption.

Milk production in the nation during the first five months of the year exceeded the year-earlier output by a small margin. Colder weather in heavy milk producing states retarded grass conditions and tended to hold back production, but increased feeding of grains and concentrates contributed to the slight gain. Gains in late spring and summer will depend on pasture conditions and the rate of grain feeding, but total output for the year is currently expected to exceed 127 billion pounds compared to 126.6 billion in 1964.

In the states comprising the Seventh Federal Reserve District, production rates thus far this year have been somewhat smaller than those recorded for the nation—each of the District states, except Wisconsin, have shown declines. In Wisconsin—the largest milk producing state in the nation—farmers boosted output about 2 per cent above the corresponding year-earlier level during the first five months.

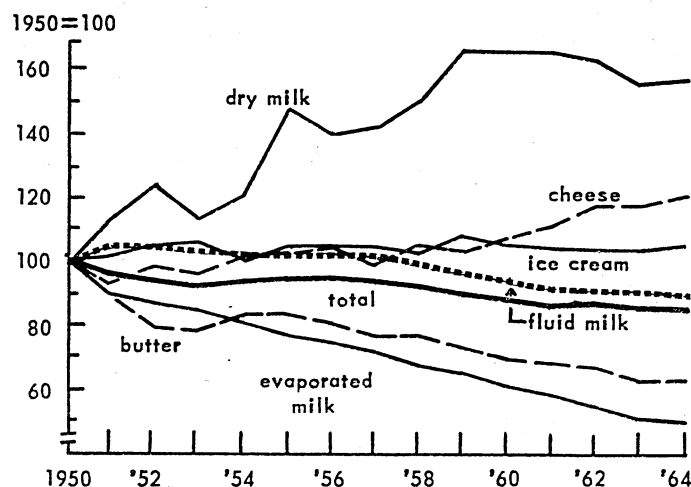
Prices received by farmers for milk thus far in 1965 have averaged somewhat above year-earlier levels primarily because of the upward adjustment in the support price. Seasonal price increases in the second half are anticipated to be less than in 1964 when foreign demand and smaller supplies boosted prices, and for this year as a whole prices are expected to average about the same as in 1964.

Although Government purchases have declined sharply from the high level of the 1961-62 marketing year, nearly 7 per cent of the output on a milk-equivalent basis was diverted from normal market channels during the past year. Inasmuch as the anticipated gain in output is not expected to be offset by a corresponding increase in consumption, Government purchases should rise somewhat from the 8.2 billion pounds removed in 1964-65. Thus, the basic imbalance in the industry continues.

Total milk production in the United States has been affected by the conflicting forces of declining cow numbers and increased output per cow. In past years the price of beef—in particular, canner and cutter grades—has influenced dairymen to cull their herds more or less heavily. Since 1943, dairy cow numbers have decreased annually with the exception of 1953—a year in which beef prices declined about one-third from the previous year. In 1964, a year of relatively low beef cattle prices, dairy cow numbers declined less than 3 per cent, the smallest decline since 1961.

Even though dairy cow numbers have declined, however, total milk production has continued to increase as a greater output per cow has more than offset fewer numbers. Average production per cow in 1964 was 7,880 pounds or an increase of about 39 per cent over the 5,657 pounds produced per cow in 1954. While cow numbers in the nation have declined about one-fourth during the past ten years, total milk production has increased about 4 per cent in the same period.

Per Capita Consumption Declines



Demand for dairy products has been influenced by the growth in population, shifts in consumption patterns and to a lesser extent the general rise in per capita income, particularly in the low income groups. From 1950 through 1964 consumption per person of cheeses; ice cream and dry milk products increased. On the other hand, consumption of butter, evaporated milk and fluid products all declined sharply on a per capita basis during this period, bringing a net decline in total per capita consumption of about 15 per cent. Population expansion over this period, however, more than offset the decline in per capita consumption. The nation's population increased from 151 million in 1950 to 191 million in 1964 and total consumption of dairy products on a milk equivalent basis rose from about 111 to 119 billion pounds in this period.

These production and marketing trends are expected to persist for some time to come. Thus, if the continuing imbalance between production and consumption is to be altered at present support prices, additional market outlets will need to be found.

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