ILLINOIS FARM AND FOOD OUTLOOK
COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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CURRENT DAIRY SITUATION

MILK PRICES IN 1975 will be much more stable than they have been in the last two years. The Minnesota-Wisconsin price which is used as a basis for pricing milk in federal order markets will average about $7.15 to possibly $7.20 per hundredweight for the rest of 1975. The superpool, blend price in the base zone of the Chicago federal order market will average between $7.70 and $7.85 There will be a seasonal strengthening in milk prices, but they will not rise much above the price-support level during the rest of this year. The manufacturing milk price will be supported at 80 percent of parity through March, 1976, by action of the Secretary of Agriculture. Partly because of this, the Minnesota-Wisconsin milk price rose from $6.41 in December, 1974, to $6.85 in February, 1975. After reaching a high in early 1974, milk prices dropped sharply due to increased imports of dairy products and decreased consumption. Because of the changes in the level of price supports, the USDA removals of dairy products have increased sharply in 1975. Net removals for January-April, in equivalent terms, totaled about 2.4 billion pounds of milk--up from 0.6 billion pounds a year earlier, but still less than in 1973.

Even though government purchases have increased, the Secretary of Agriculture is expected to maintain price supports at least at the 80 percent level through March of 1977. One reason is that government stocks of butter and cheese are not accumulating. These products are being used for school lunch and other government programs. A second reason is that price supports for dairy products have seldom been decreased in an election year.

Milk production for the first five months of 1975 was up slightly from a year ago. Production later this year will depend largely on the prices for feed and milk, as well as on the slaughter-cattle market and on the general economic situation. For all of 1975, milk production is likely to be 116 billion pounds, compared to 115.4 billion in 1974. The number of milk cows declined by 26,000 in April, which is the largest month-to-month drop since January, 1974. This appears to reflect higher culling rates because of the increase in slaughter-cow prices.

Milk output per cow is higher in 1975 than in 1974, but it is considerably below the long-term, average rise. Farmers cut the feeding of grain and concentrate in response to the unfavorable milk-feed price relationships in recent months. On

April 1, dairy farmers reported feeding 4.5-percent less grain and concentrates per milk cow than a year earlier. Feed prices are likely to decline this fall, which will result in an improved milk-feed price ratio and encourage producers to increase feeding rates. Commercial disappearance for all dairy products for the first five months of 1975 did not change from a year ago, and Class I milk sales increased by 3 percent. However, American cheese sales during the same period decreased by 12 percent. American cheese sales were unusually high in 1974. However, cheese purchases may have decreased because of relatively high cheese prices and relatively low beef prices. Nonfat milk powder sales were down by 42 percent, but butter sales increased by 15 percent. Margarine prices have dropped, and this could influence butter sales for the rest of 1975.

Per capita civilian consumption of dairy products in 1974 was down by 2.5 percent from 1973, the sharpest drop since 1967. One factor was the decreased USDA donations to welfare and school-lunch programs. Another cause was the higher retail dairy prices and the decline in real consumer income.

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