



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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DAIRY INCOME AND MILK PRICES TO BE HIGHER IN 1976

MILK PRICES AND INCOMES FOR DAIRY FARMERS are likely to be significantly higher in 1976 than they were during the last two years. The Minnesota-Wisconsin price, which is used as a basis for pricing milk in Federal Order Markets, averaged \$8.58 per hundredweight for the first quarter of 1976, compared to \$6.83 for the first quarter of 1975. Milk prices will remain 10 to 15 percent higher than year-earlier levels but they will be lower than the December peak, reflecting recent declines in wholesale prices and expected increases in milk supplies available for manufacturing.

One of the reasons for higher milk prices is that the demand for dairy products continues to be strong. Compared to a year ago, fluid milk consumption was up by 2.3 percent for the first quarter of 1976. Butter sales have declined some, but cheese sales have increased. In January, 1976, retail prices for all dairy products were 8 percent above those of a year earlier. Despite higher retail prices, the sales of dairy products have continued to increase for several reasons. Consumers' real incomes are higher and unemployment rates are lower than they were a year ago. The increased advertising and promotion of fluid products probably is affecting sales. In addition, food retailers appear to be running price specials on milk products to attract customers. Cheese sales may be higher because meat prices have increased.

Milk production is sharply higher in 1976, up by over 3 percent in the first quarter. For Wisconsin, the leading dairy state, milk output for the first quarter of 1976 was 6 percent higher. The milk-feed price relationships are much improved, and will continue to encourage heavier concentrate feeding and relatively normal gains in output per cow.

The number of milk cows is down slightly, and higher cull cow prices may encourage heavier culling. However, the net loss in cow numbers is likely to be modest due in part to a still-large replacement herd.

For all of 1976, milk production is expected to be 2 billion pounds higher than in 1975. Although milk prices are expected to be close to the price-support levels

for May and June, they should move up during the late summer and early fall. The price increase is likely to be less than the one experienced last fall.

Government stocks of butter and cheese on February 1 were at the lowest levels for the past twenty years. However, the USDA still held 410 million pounds of nonfat dry milk, the largest for that date since 1963. Domestic donation outlets have been limited, and this contributed to high government holdings.

The domestic use of powder continues to decline sharply because of the increased use of whey-soy in place of powder in baking products and ice cream. Perhaps the principal reason for the lower use of nonfat dry milk powder is the sharp increase in its price.

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