



WEEKLY OUTLOOK

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MILK PRODUCTION AND STOCKS OF DAIRY PRODUCTS ARE INCREASING

IN RESPONSE TO A RELATIVELY FAVORABLE RATIO OF MILK PRICES TO FEED COSTS, the dairy industry is expanding. The result probably will be a continued increase in the stocks of dairy products held by the government. The dairy industry appears to be headed toward a surplus problem that may lead to changes in price-support programs.

Milk production during 1979 was up 1.7 percent from 1978. However, the increase during the last few months of 1979 was up an average of 3.4 percent from the year before, and that rate continued into the first 4 months of 1980. Production the whole year may exceed that of 1979 by at least 3 percent. The increase in milk production stems from the combination of a rising output per cow and a steadying in the number of cows.

Milk cattle on farms as of January 1, 1955 totalled 21.3 million. That number was reduced to 15.4 million by January 1, 1965; to 11.2 million by January 1, 1975; and to 10.8 million by January 1, 1980. From 1970 to 1980, the average annual decrease was 128 thousand. However, the decline during 1979 was only 29 thousand. There were 4.2 million replacement heifers on farms as of January 1, 1980—up from 3.9 million January 1, 1979. This year's number of replacement heifers was the largest since January 1, 1967. After declining for many years, the number of dairy cows is stabilizing and may actually increase during 1980.

Consumption in some segments of the dairy industry is increasing, but is decreasing in others. The consumption of fluid whole milk dropped from 43 billion pounds in 1970 to 33.8 billion in 1979. This was a decrease per capita from 214 to 155 pounds annually. At the same time, the consumption of low-fat milk increased from 10.3 to 20.7 billion pounds. On a whole-milk equivalent basis, the total consumption of fluid milk was about stable, but the per capita consumption annually decreased from 259 to 229 pounds. Butter consumption was nearly stable at slightly under 1 billion pounds. Per capita consumption declined from 4.4 to 4.2 pounds annually. Cheese consumption expanded rapidly. The total was 2.29 billion pounds during 1970 and 3.85 billion in 1979. On a per capita basis, cheese consumption increased from 11.2 to 17.5 pounds annually—an increase of 56 percent.

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The price of milk went up during the 1970's. In current dollars, it increased from \$5.49 per hundredweight in 1969 to an estimated \$12.95 for 1980. In constant 1972 dollars, the increase was \$6.33 to \$7.21 per hundredweight. The estimates for 1980 are made on the assumption that the price will be at the minimum permitted by the government support programs.

With increased production and product prices close to the support, the amount of dairy products taken by the CCC greatly exceeded year-earlier levels. Deliveries to the CCC of butter, nonfat dry milk, and American cheese all posted substantial year-to-year increases. Government stocks of dairy products decreased during 1979. Butter, American cheese, and nonfat dry milk were all down significantly. However, those changes were almost offset by increased commercial stocks. The commercial increase was probably in response to programmed increases in dairy support prices. So far, 1980 has been a year of increasing CCC stocks and is apt to end with much bigger inventories than those of the year before.

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