



WEEKLY OUTLOOK

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MILK PRODUCTION IS STILL EXPANDING

DURING 1980, MILK PRODUCTION EXPANDED ABOUT 4 PERCENT over the previous year, although total sales of dairy products on a milk-equivalent basis declined by almost 1 percent. Because of this imbalance, government purchases of dairy products increased substantially during the year. In addition, commercial stocks of dairy products expanded during the month of December.

By the end of 1980, stocks of dairy products totaled 12.958 billion pounds on a milk-equivalent basis, an increase of 51 percent over the previous year. This is the fifth consecutive year that inventories have either increased or remained relatively stable. As a result, stocks exceed the low level of 1975 by 237 percent.

Although the stocks of all major dairy products have increased, consumption patterns have varied. The consumption of some dairy products continues to increase while the consumption of others declines. The consumption of fluid whole milk had declined from 38.4 billion pounds in 1974 to 32.6 billion pounds in 1980. This was a per capita decrease of 36 pounds. The per capita consumption of low-fat milk increased by 27 pounds over the same time period. On a whole-milk-equivalent basis, per capita consumption of fluid milk declined by 11 pounds. Butter consumption has been stable at approximately 900 million pounds per year over the past seven years. Cheese consumption expanded from 3.0 billion pounds in 1974 to 4.0 billion pounds in 1980.

The expansion in milk production last year reflected the favorable ratio of milk prices to feed costs during most of the year. Milk production per cow averaged 11,875 pounds, a 3.4 percent increase from 1979. The January 1 cattle inventory report showed that dairy farmers expanded their herds during 1980. The number of milk cows on U.S. farms on January 1, 1981, was estimated at 10.87 million, up from 10.78 million for the previous year. This is the first time since 1954 that January milk cow numbers exceeded the level

of the previous year. The number of heifers held for herd replacement was 4.4 million head on January 1. This is the largest number of January replacements since 1966.

As a result of growing inventories, the market price of milk has been below the support price since April, 1980. USDA purchases of dairy products in 1980 were equivalent to 8.8 billion pounds of milk, more than four times the 1979 level. For the fiscal year that ended on September 30, 1980, USDA expenditures on dairy products totaled \$1.3 billion. The scheduled increase in milk support prices for April, 1981 was canceled.

The trends established in 1980 have continued into 1981. Production through April totaled 43.8 billion pounds, a 4 percent increase over 1980 production levels. In terms of milk equivalents, USDA purchases of dairy products in January and February totaled 2.84 billion pounds, an increase of 143 percent from last year.

Because of the declining milk-feed price ratio, the rate of increase in milk production is expected to decline during the second half of 1981. Production for the year should still exceed last year's level by two to three percent. The USDA will continue to purchase dairy products at a record rate during most of 1981. Stocks could reach 15 billion pounds on a milk-equivalent basis by midyear, compared to 6.5 billion pounds in 1980. This surplus will probably result in some changes in the current dairy support program.

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