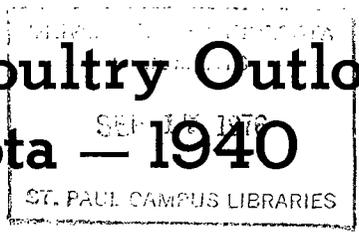


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Dairy and Poultry Outlook Minnesota — 1940



THE DAIRY SITUATION*

RECOMMENDATIONS FOR MINNESOTA DAIRYMEN

Having attended the national agricultural outlook conference in Washington and given thoughtful consideration to the many factors likely to affect the dairy industry, farm economists of the agricultural extension service offer the following recommendations for Minnesota dairymen in planning for 1940. Each producer is urged, however, to read carefully the accompanying discussion for a better understanding of the situation and the better exercise of his own judgment.

For the present feeding season it appears that a good manager and feeder of dairy cattle should find a comparatively good market for his feed through dairy products.

Looking into the future, however, with indications of a decided increase in numbers of young dairy cattle, it appears that the dairyman might well begin a thorough program of culling, both of low producers and of those that might be eliminated through a Bangs or tuberculosis testing program, so that such cattle can be marketed while beef prices are relatively high and before beef-cattle numbers increase materially.

It is doubtful whether heavy new investments in a dairy herd can be justified in the face of rapidly increasing numbers since the returns on those investments will have to come with prices that, no doubt, are going to remain relatively low. Likewise a dairyman will need to proceed cautiously in making investments in new buildings and equipment.

This does not appear to be a favorable time for starting a dairy enterprise. For those in the business the relatively low prices that may appear in the future will require making the fullest use of facilities at hand and getting high production per cow so that unit costs will be kept low. Efficiency is more important when prices are relatively low than at any other time.

* Unless otherwise stated, figures given are for the United States.

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NUMBERS

The low point since 1931 in number of milk cows (cows and heifers 2 years old and over kept for milk on farms) was in 1938. The high point was in 1934. On January 1, 1939, the number was estimated to be 25,093,000 head or 6.8 per cent less than the all time high of 1934 but one per cent more than the low point of 1938. The smaller number of cows per one hundred population during the last few years has been more than offset by the upward trend in production per cow so that the milk production per capita in 1939 is very near the high level of 1931-1933.

Largely due to the favorable price of beef, culling of milk cows during 1939 appears to have been considerably above average. It has not been sufficiently large to offset the number of heifers added to the herd so that another increase of about one per cent in milk-cow numbers is estimated for January 1, 1940.

There is some indication that milk-cow numbers will increase further by January 1, 1941. The estimated number of heifers (one to two years old) on January 1, 1940 will probably be about 5,400,000 head as compared to only 5,100,000 a year earlier. This would be the highest number of heifers in relation to cows in the last 20 years and decidedly more than needed for ordinary replacements. Based on the number of dairy calves saved in 1939 there may be a further increase in milk-cow numbers by January 1, 1942. The number of heifer calves saved for milk cows during 1939 is expected to be 5,800,000 head. This would be 4 per cent more than a year earlier and the highest number ever reported.

PRODUCTION

Total milk production during 1938 amounting to 107 billion pounds was nearly 3 per cent above the previous peak in 1933. With a continuation in the rate of production per cow and a one per cent increase in cow numbers, it appears that production in 1939 will be about one per cent higher than in 1938. Butter production in 1938 exceeded 1937 by approximately 100 million pounds. During the first 8 months of 1939, creamery-butter production was again slightly higher than in the same period of 1938. The fall months indicate a decline from last year.

Although feed production and pastures in certain sections were greatly curtailed by drouth in 1939, milk cows started the 1939-1940 feeding season in excellent condition. The feed supply (feed grains and by-product feeds) per animal unit for the 1939-1940 feeding season is estimated to be 1,902 pounds. Except for 1938-1939 when the supply per animal unit was 1,980 pounds, this is the largest in more than a decade and 10 per cent above the average for the 8 years before the 1934 drouth. The supply of hay per hay-consuming animal unit for 1939-1940 season is estimated at 1.27 tons compared with 1.33 tons a year earlier and the 10-year average before the 1934 drouth of 1.18 tons.

Butterfat prices have been low in relation to those of veal calves and beef cattle. They are, however, relatively high compared to feed prices. Dairying thus furnishes a continued good market for the abundant feed supply, and liberal feeding will continue. In view of these factors, milk production in the 1939-1940 winter feeding season is expected to be as large or larger than the heavy production in

that period a year earlier, and on a per capita basis about 3 per cent above the 10-year average.

CONSUMPTION

Total consumption of dairy products in 1939 is considerably larger than in 1938. With even a small increase in total production, stocks will be decidedly lower by January 1, 1940 than a year earlier. Stocks of butter on November 1, 1939 were 128,147,000 pounds as compared to 193,751,000 pounds a year earlier. Of the total stocks on November 1, government agencies held 21 million pounds as compared to 111 million pounds a year ago. Stocks in the hands of the trade totaled about 107 million pounds in contrast to 83 million pounds a year earlier. Stocks of American cheese on November 1 were 94 million as compared to 115 million a year ago.

Little information is available on consumption of fluid milk and cream. Indications are that consumption in the markets of Boston, New York, and Philadelphia was higher during the first 8 months of 1939 than in 1938. With improvement in business some further increase in consumption of fluid milk may be in prospect.

Consumption of ice cream declined during the first 4 months of 1939 but increased during the next 4 as compared to a year earlier. Some increase in consumption of ice cream is expected with improvement in business.

Consumption of cheese increased more than a pound per capita during the 5 years prior to 1938 and reached a high in 1938 of 5.75 pounds. During the first 7 months of 1939 cheese consumption was slightly less than in 1938. Cheese consumption will probably remain at a high level during 1940.

Consumption of evaporated milk reached a new high in 1938 with a further increase during the first 7 months of 1939. With relatively high and rigid prices of fluid milk, a further increase in consumption of evaporated milk is expected in 1940. The consumption of evaporated milk will also be more affected by European war conditions than other dairy products, and an increase in exports is expected.

Butter consumption during the first 8 months of 1939 was 11 per cent larger than in 1938. The distribution of butter for relief accounted for a large part of the increase. Consumption through regular trade channels, however, was about 5 per cent larger than a year earlier. This increase was the result of a relatively low consumer price for butter and increased consumer purchasing power. During every one of the first 8 months in 1939 exports of butter exceeded imports. Consumption for 1940 is expected to remain at a high level provided that the price margin between butter and its substitutes does not become too wide. The supply of other edible fats and oils is abundant. Prices are low and have declined more rapidly from 1936-1939 than butter prices. Any rise in the price of butter, unless accompanied by a rise in the general price level, and particularly of other edible fats and oils, will result in a shift in the consumption to butter substitutes.

PRICES

During the first 8 months of 1939 the price of butter averaged decidedly lower than in 1938 largely as a result of the heavy storage stocks held by the Dairy Products Marketing Association and the regular trade which acted

as a ceiling to butter prices. Heavy relief buying, an increase in industrial activity and consumer purchasing power, and European war influences have strengthened prices during the later part of the year. These conditions prevailing and with lower stor-

age stocks, it is expected that prices of dairy products in 1940 will be higher than in 1939. Prices over a longer period no doubt will be materially affected by the expected increase in dairy-cow numbers and increased supply of dairy products.

SUMMARY

Favorable Factors

1. Increase in industrial productivity and consumer purchasing power—increased consumption.
2. European war influences—direct and indirect increases in demand.
3. Storage stocks below the stocks of a year ago.
4. Relatively high beef prices and a strong demand for cull dairy cattle.
5. More emphasis on beef and less on milk in dual-purpose herds.
6. Favorable dairy-feed ratio—relatively low-cost production.

Unfavorable Factors

1. Increase in dairy-cow numbers.
2. A further increase in the number of dairy heifers and calves.
3. An abundance of all feeds and relatively low prices for feeds as compared to butterfat—will increase supply over a period of time.
4. Low prices of butter substitutes.
5. Storage stock above the 5-year average of 1934-1938.

POULTRY AND EGG SITUATION

RECOMMENDATIONS FOR MINNESOTA POULTRY PRODUCERS

After attending the national agricultural outlook conference and after carefully considering the many factors likely to affect the poultry industry, farm economists of the agricultural extension service offer the following suggestions for Minnesota poultry producers in planning for 1940.

With storage stocks of eggs above a year ago, more hens in flocks, and a less favorable feed-egg ratio, special emphasis during the 1939-1940 laying season should be on efficiency in pro-

duction and low costs in producing a dozen of eggs. This can best be accomplished by preventing overcrowding in the laying house, careful culling, efficient feeding, and careful management. With these considerations the egg enterprise should provide a good market for feed even though it is less favorable than a year ago.

The expected lower hatch of 1940 as compared to 1939 no doubt will result in more favorable conditions of supply of eggs and poultry next year. For those who have been in the business and have investments in buildings and equipment it seems that they should

realize a favorable return on that investment by utilizing it under good management. The 1940 hatch, even though smaller than 1939, may still be quite a bit above the average so again it would seem wise not to overcrowd the equipment. For the same reason it is doubtful whether a favorable return would be available on elaborate and expensive new buildings and equipment so as to expand the enterprise or for a new producer.

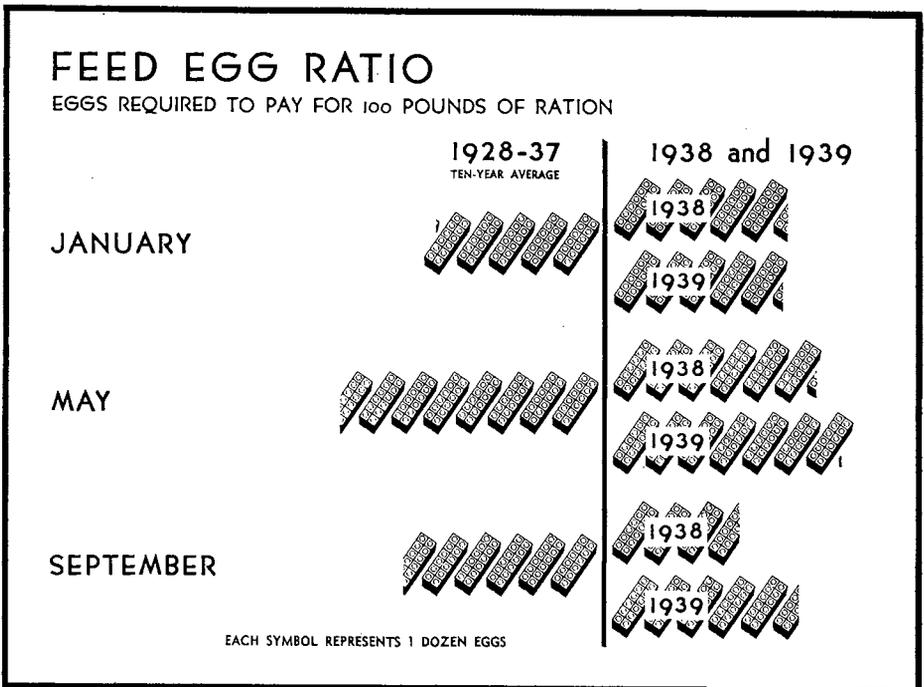
The present unfavorable return on turkeys will no doubt result in curtailment and in producers dropping out for 1940. Producers consequently will be in a more favorable position than in 1939. However, anyone interested in turkeys will need to proceed with caution since equipment now

available will in most cases be used, and before turkey production is back on the 1937-1938 level, it will have to be curtailed by 20 to 25 per cent from the high level of 1939. It is very questionable whether new equipment to start a turkey enterprise or to expand can be justified for 1940.

EGGS

The Feed Situation

The total supply of all grains, including wheat and wheat products available for feeding and carry over, is about equal to a year ago. The supply per grain-consuming animal unit, however, is 6 per cent smaller because of the rapid increase in livestock numbers. It is still 6 per cent larger than



the average for 1928-1932. The feed-egg ratio is considerably less favorable than a year ago. In September 1939 it required 5.61 dozens of eggs to purchase one hundred pounds of poultry ration as compared to only 3.80 dozens a year ago. The ratio is, however, still slightly lower than the September average for 1928-1937 which is 5.82. Egg production provides a less desirable market for feed grains than a year earlier and is expected to continue less favorable during the first half of 1940. The less favorable feed-egg ratio will result in more rigorous culling of hens and pullets kept for the winter laying flock and in a smaller 1940 spring hatch than last year.

Egg Production

Laying flocks will be somewhat larger during early 1940 due to the large 1939 hatch. Egg production per hen for the first 9 months of 1939 has been only very slightly below that of the same period in 1938 and unless winter weather conditions are exceedingly severe, egg production per hen is expected to remain well above the 10-year average. The high rate of production per bird and larger flocks will, no doubt, result in egg production during early 1940 that will exceed that of early 1939. Egg production is expected to be relatively less during the late fall of 1940 because of the expected decrease in the 1940 hatch. Total egg production in 1940 is expected to be slightly higher than in 1939.

Specific factors pointing to a long-time increase in the output of eggs are: (1) a long-time tendency toward a higher rate of lay per bird; (2) no further increase in present heavy mortality rates; and (3) a continuation of the trend toward greater efficiency.

Egg Storage

Combined storage of shell and frozen eggs at the peak of the 1939 season, August 1, was about 8 per cent above a year ago. The trend in egg storage is definitely in the direction of more frozen eggs and fewer shell eggs as well as in the direction of less total storage because production is leveling out. Storage stocks of eggs in 1940 are expected to be larger than in 1939 unless the present storage deal turns out unfavorable.

Egg Prices

The favorable feed-egg ratio and the larger number of laying hens resulted in a relatively large supply of eggs and kept prices during 1939 below that of a year earlier as well as below the 10-year average, and more than offset the effect of larger consumers' income. Even though storage stocks are above a year ago and the supply of fresh eggs is expected to be larger in early 1940, prices are expected to be higher in 1940 than in 1939 because of an expected further increase in consumer purchasing power. It is not expected that there will be any direct influence on prices of eggs and poultry from increased exports because of the European war. The influence that the war may have on egg and poultry prices will be an indirect one as a result of influences on our domestic economy and a rise in the general price level.

POULTRY

The heavier hatch of 1939 will continue to supply more poultry during the early part of 1940 than was marketed a year earlier. The prospective smaller hatch in 1940 will supply less poultry during the latter part of the year than for the same period in 1939.

The net into-storage movement from September 1, 1939, to January 1, 1940, is expected to exceed that of a year ago and will considerably exceed the 10-year average for the period. The into-storage movement of poultry during the latter part of 1940 is expected to be smaller than that of 1939.

The September 1939 price to producers for chickens was the lowest for that month since 1934 and 2.4 cents below the 10-year average for September. A general increase in chicken prices cannot be expected for early 1940. The large supply of all meats and particularly turkeys, the larger storage supplies of poultry, a fall and winter broiler production as large or larger than a year ago, and the relatively large flocks of layers that will be culled during late 1939 and early 1940 presents a supply situation that will more than offset the effects upon price from increased consumer pur-

chasing power. The expected decrease in 1940 hatchings together with a continuation of increased purchasing power will tend to increase prices in the second half of 1940 compared to 1939.

TURKEYS

The number of turkeys raised in 1939 was about 32 million which was 22 per cent more than were raised in 1938 and 15 per cent more than the previous record crop of 1935. The increase in the West North Central states was 27 per cent with the offsetting decline occurring in the Southern states. As a result of this very large production of turkeys, prices are much lower for the 1939 crop than a year earlier. Since such high production and low prices is invariably followed by a recession in production, a recession is expected in 1940. Feed costs next year are expected to be above those of this year.

SUMMARY

Favorable Factors

1. Increase in industrial productivity and consumer purchasing power—increased consumption.
2. European war influences—indirect increase in demand.
3. Storage stocks of eggs below the 10-year average.
4. High feed-egg and feed-poultry ratio (will decrease the 1940 hatch).
5. An expected smaller hatch in 1940.
6. Less egg production in late 1940 than in late 1939.
7. Marketings of poultry meat in the last half of 1940 to be less than in 1939.

Unfavorable Factors

1. Increase in number of laying hens.
2. Larger egg production in early 1940 than in early 1939.
3. Storage stocks of eggs above a year ago.
4. High feed-egg and feed-poultry ratios (feed prices high as compared to egg and poultry prices.)
5. Larger into-storage movement of poultry from September 1 to December 31, 1939 than a year ago and for the 10-year average.
6. Marketings of poultry meat in the first half of 1940 to be larger than in 1939.
7. A record crop of turkeys for the 1939-1940 season, 22 per cent larger than a year ago.



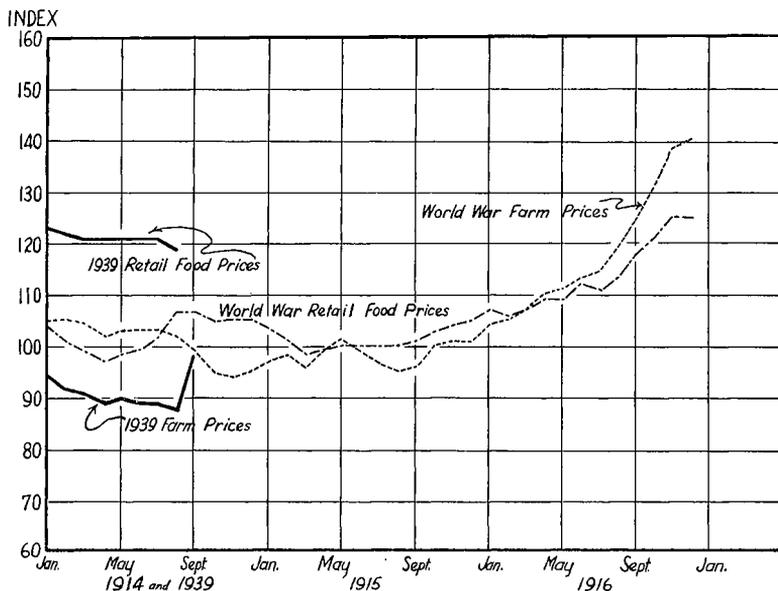
The Business Situation

The demand for agricultural products in the United States will probably be considerably better in 1940 than it was in 1939. Business activity in this country has been increasing since midsummer. There has been a general improvement in domestic conditions to which has been added the stimulus resulting from the war.

It is not probable that the war will result in much improvement in the export demand for agricultural products this coming year. It should continue, however, to help stimulate business in this country and thus increase the domestic demand.

Prospects are especially good for production increases in steel, airplanes, automobiles, and durable consumers' goods. Inventory accumulations may temporarily retard the advance in some lines, but such adjustments are expected to be temporary. These improvements should lead to increased employment, expanded payrolls, and an increase in the purchasing power of domestic consumers. This should particularly improve the demand for dairy products and meats which are of great importance to Minnesota agriculture.

PRICES AT THE BEGINNING OF TWO WARS



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