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Dairy Products OUTLOOK

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Farmers are asking themselves three important questions:

- ★ Shall I expand or cut down my dairy business?
- ★ How heavy shall I grain feed my cows?
- ★ Shall I sell whole milk or cream?

Consideration will be given to all of these questions by alert dairymen as they make their plans for 1948 and beyond.

LOOKING AHEAD



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Here Are the Answers . . .

Adjustments Dairying is not an enterprise that one can profitably shift into and out of easily. A dairyman can sell quickly but years of careful breeding are necessary to replace a good herd. For this reason the dairyman needs to set his sights for longer-time operation even though some periods, such as the present, will be more favorable for other farm enterprises. However, the dairy enterprise can be profitably expanded or curtailed somewhat at certain times. Whether to make adjustments will depend on the area in which a producer is located and on the kind of farm he has. Some areas and some farms are not well suited to other farm enterprises such as cash grain, hogs, or beef. A large part of the farm may be suited to hay and pasture crops only, which are converted into human food most efficiently by the dairy cow. Dairying may be desirable in diversifying the farm business, maintaining soil fertility, and furnishing winter income from farm labor that otherwise might not be used efficiently. Changes in the dairy enterprise may not be desirable for some dairymen. Others will find adjustments to their advantage and can adjust by culling the present herd or by changing the number of heifers and heifer calves kept.

Feeding Hog and beef-cattle prices have moved up more than dairy prices in 1947. Grain prices also have risen more during the past year than prices of dairy products. Grain sold for cash will return more money than it used to; grain bought for feed will also cost more. Stated in another way, the number of pounds of grain that could be purchased with a pound of butterfat or a hundred pounds of whole milk has declined during 1947 and is considerably lower now than a year ago. The higher prices for feed resulted from a tight supply situation, combined with the prevailing strong domestic and foreign demand for feed and food. As long as foreign relief continues, feed costs will very likely stay up.

According to estimates on October 1, 1947, the United States' supply of feed grains is equal to the average of the last 10 years. Because corn in some parts of the United States is soft the quality of the feed may be somewhat lower and therefore less actual feed nutrients are available per animal unit. Supplies of roughage are ample. Every dairyman will want to take a careful inventory of his feed and compare the supply on hand with the amount his livestock will need. With high grain prices and the need of saving

grain to feed starving people abroad, this will be a year in which to limit grain feeding. Even though less total grain is fed, good feeding practices can continue. Individual cows should still be fed according to the milk they produce. The best way to save feed will be to cull herds closely and eliminate low producers. To the extent possible, heavier roughage feeding should supplement the more limited grain feeding. The best-quality roughage should be fed to milk cows and calves wherever possible and the lower-quality roughage utilized for beef cattle, sheep, and horses.

Whole Milk or Cream Whether to sell whole milk or cream is an important question. The wartime demand for dried skim milk has weakened and prices have declined to the point where government price supports were required from March through August, 1947. Increased transportation costs from the farm to the local plant also have reduced the net return for milk to the producer. For some producers the skim milk now has more value for feed on the farm than the price obtained at the plant. The value of skim milk for feed on the farm varies greatly between areas and also between farms within an area. Some farmers have only a limited number of hogs, poultry, or calves, and any cash return on skim milk is better than wasting it on the farm.

Skim milk is an excellent protein supplement. One hundred pounds of skim milk fed to pigs will replace one-fifth bushel of corn and seven pounds of tankage. Stated in another way, one hundred pounds of skim milk is worth one-half bushel of corn. This assumes efficient feeding. Skim milk is fed quite efficiently to pigs at the rate of about one pound of skim milk for each pound of concentrate feed. If fed in greater quantity, the feeding efficiency goes down quite fast.

Other factors need consideration in determining whether to sell whole milk or cream. One is the seasonality in production of both milk and young livestock. If milk production is high at a time when pigs are small or few in number, only a limited supply of skim milk can be fed efficiently. Unless the seasonal pattern of milk supply and livestock numbers is fairly similar it may be advantageous to market whole milk and buy dry protein. Available help is another item to consider. The sale of whole milk eliminates the job of separating and the additional care of the separator.

MILK PRODUCTION

Changes in the Uses of Milk

Supply

On June 1, 1947, there were 2 per cent fewer milk cows in the United States than a year earlier. This reduction in cow numbers was offset during 1947 by increased production per cow. Little change is expected in 1948 in the number of cows or in production per cow. Therefore, if pastures are good the volume of milk produced in 1948 should be about equal to that produced in 1947.

This downward trend in milk-cow numbers has been in effect since 1944 when an all-time high in milk-cow numbers was reached. Milk-cow numbers are 7 per cent below 1944. This decline persisted despite ample feed supplies and good demand for dairy products, factors which previously had helped maintain cow numbers. Shifts from dairying to other livestock and cash grain has been most pronounced in areas where farm wage rates increased most. Wages account for a larger part of the cost of producing milk than in other livestock products. Regionally in the United States cow numbers declined most sharply in areas where cream is marketed largely as butterfat, where cash grain is sold, and where hog and beef-cattle numbers have increased. Wage rates of farm labor in these areas have increased greatly above prewar levels.

Demand

Several demand factors will be quite uncertain until the year 1948 is well on its way. Employment in the United States is at an all-time high. This, together with high wages, has resulted in abnormally high consumer incomes and the resulting strong purchasing power. Purchasing power of consumers is increased still more by the cashing of veterans' terminal-leave bonds, the removal of federal credit controls on installment buying, and the expansion of credit by the banking system. It is impossible to predict just how long these inflationary pressures will continue to push dairy prices upward. A decline in the consumption of fluid milk and cream during 1947 indicates increased resistance to high prices. This, together with a possible decline in employment and general business activity, should be watched as factors that may weaken the demand for dairy products.

During World War II the exports of dairy products required 5 per cent of annual United States milk production. In 1947 it was only 3 per cent and in 1948 is expected to be still less.

Fluid Milk and Cream

Consumption of fluid milk and cream per capita rose 30 per cent during World War II. A peak was reached in 1945 when 433 pounds per capita were consumed. Per capita consumption in 1947 is estimated at 400 pounds. This is 8 per cent below 1945 but is still 20 per cent above the 1935-1939 average.

Consumption of fluid milk and cream during the first half of 1947 was about 5 per cent less than during the same period of 1946. This decline was partly due to higher prices. Prices were 25 per cent higher compared with the same period of 1946 when producer subsidies were still in effect. Per capita fluid milk and cream consumption in 1948 may stay at the 1947 level or may decline somewhat further.

Evaporated and Condensed

Production and consumption of evaporated milk increased for more than a decade before World War II. Production was materially increased during World War II when a large volume was used for military and foreign-relief feeding. Since the wartime peak in production in 1945 there has been a decline. However, civilian consumption in the United States nevertheless was at a record high in 1947. This was possible because less was used for military and foreign purposes. The large civilian consumption of evaporated milk was probably due to the high price of fluid milk and cream and to the record number of births which have occurred during the last five years. This increased demand may continue.

Cheese

Cheese production in the United States increased 16 per cent during the first eight months of 1947 over the same period in 1946. Production of American Cheddar for the same period was about 30 per cent over 1946, indicating a decline in production of other types of cheese. This was the second-highest output of American Cheddar on record. This high production was the result of high prices and the strong domestic and export demand. In the first six months of 1947, 14 per cent of United States cheese production was exported. Exports are expected to decline in 1948. Civilian consumption of American Cheddar cheese has been at record levels, and may increase further in 1948 because supplies of meat will remain limited.

Butter

Butter production in the United States declined steadily from 1941 to a low point in 1946. Increased consumption of fluid milk and cream during World War II and the heavy demand for other manufactured dairy products caused this diversion of butterfat to other uses. Now the pendulum is swinging in the other direction. Butter production during the first eight months of 1947 was 25 per cent above the same period in 1946. A further increase in butter production during 1948 is expected, as less butterfat may be used in the manufacture of evaporated milk and certain types of cheese.

Butter prices are in a more favorable relationship to other manufactured dairy products than during the war. This brings plants manufacturing only butter into a stronger competitive position. Butter stocks late in 1947 are relatively low compared with earlier years.

Consumption of butter in 1947 is about 11.5 pounds per capita and is expected to go higher in 1948, but will still be under the prewar rate of 17 pounds. Annual consumption of oleomargarine has increased to about three pounds per person, compared with about two pounds in the prewar period.

Dried Nonfat Milk Solids

Increased butter production in 1947 has made more skim milk available for manufacturing. Most of this additional skim milk has gone into the production of dried nonfat milk solids.

Production of dried nonfat solids during the first eight months of 1947 was 7 per cent higher than in the same period of 1946. In recent months it has been down some from a year ago. This may be the result of a shift back to the sale of cream from farms. The shift is especially noticeable in areas where skim milk may be substituted for grain in feeding livestock. In Minnesota the shift has been most pronounced in the area from Morrison County and northwest through Becker and Mahnomon counties and in the south central section.

It will be difficult to adjust the production of dried skim milk to postwar needs. Practically all of the wartime increase in production went for military and foreign uses. A decline in use of dried nonfat solids through these outlets over a relatively short period

has resulted in an unusually heavy supply on the domestic market. Because of this situation the government purchased 195 million pounds of dried nonfat milk solids between March 10 and August 31, 1947, under the government price-support program. This amount is about one third of annual production.

The supply of dried nonfat solids has been seasonally short at certain times during the postwar period. However, the general situation is one with a shortage of butter at high prices on one hand and a large supply of dried nonfat solids at low prices on the other. Yet the production of more butter from whole milk results in still more dried nonfat solids, except for the use of small amounts of skim milk for the production of condensed skim milk and casein. Increased uses for casein and the development of commercial outlets in foreign trade for dried skim milk should relieve the situation somewhat. Developments in Latin America, although hopeful, may be slow. For the near future the best hope lies in a program of government assistance to undernourished people in Europe where nonfat milk solids would be a helpful item. With the circumstances that seem to prevail, indications are that prices for nonfat solids will not strengthen.

Animal feed utilized 35 per cent of the dried nonfat solids during 1935-1939 at prices from 4 to 7 cents per pound. The strong demand for human use during the war took practically the entire supply. During the first eight months of 1947 animal feed took only 4 per cent of total production. The highest price during these eight months was in January, 1947, when the average was 9.6 cents per pound. Prices declined to 7 cents per pound in August, 1947. The government price-support program kept prices of dried nonfat solids for human use at a level which made it unprofitable to move these nonfat solids into animal feed if the quality would meet the government requirements.

Casein

Casein production during the prewar years of 1935-1939 averaged 48 million pounds annually. This figure dropped to 13 million pounds during the war when greater returns from skim milk could be obtained by using it to manufacture other products, such as dried nonfat solids. In the first seven months of 1947 casein production was up considerably because prices were high. Prices declined again so that in late 1947 they were back to the level existing under wartime price controls. Competition from cheaper domestic substitutes has a depressing effect on casein prices. New uses for casein in paint containing DDT and in casein fibers for textiles may strengthen the demand but at best such uses for casein will require only a small proportion of skim milk available from farms.

Ice Cream The consumption of ice cream changes readily with changes in consumer purchasing power. Consumption of ice cream per capita has risen from about 18 pounds in the depression period of the early 1930's, when purchasing power was low, to an all-time high of 58 pounds in 1946. Consumption of ice cream in 1947 is at a level 10 to 15 per cent below 1946. The consumer's dollar does not go as far with higher prices. Also ice cream is used freely as a dessert. Since sugar has been released from rationing, other desserts have been substituted for ice cream.

PRICE TRENDS

The present high prices of farm products are due partly to the strong consumer demand and partly to the needs of foreign relief. The developments in both these fields will need to be watched, as a guide to probable future prices.

Employment is at an all-time high in the United States. Practically everyone who wants work can have work, and at good wages. Moreover, other consumer money is available. One source of money is savings from the war years. Another is the terminal-leave bonds, which veterans are now cashing. These funds are being spent for all types of goods and every phase of American life is busy supplying the goods. As more nonfood consumer goods become available there will be more competition for the dollars that consumers have to spend. If consumer demand should drop, or if inventories should accumulate so that large numbers of workers would be laid off, demand for food products would drop sharply. This is not likely to happen soon, but employment figures and other business trends should be watched.

What Congress does this winter in connection with foreign relief will need to be watched closely in planning future farm operations. If large appropriations are made, the result will be further stimulation of prices. Purchases of grains and other food products would be only part of the program; purchases of industrial machinery, raw materials, and other things needed for industrial assistance would also tend to raise prices generally.

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