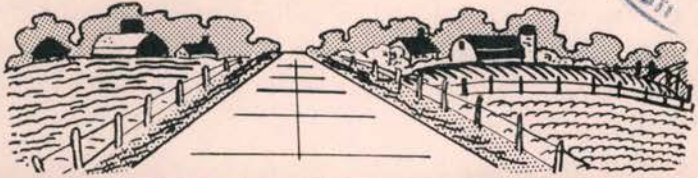


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What's **AHEAD** *for*
Minnesota Farmers



(4)
DAIRY



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(2)
AT A GLANCE:

(1)
Consumption of dairy products is not expected to keep up with increases in production in the year ahead. So it looks as though milk prices will be strongly influenced by government support levels. Profits from feeding dairy steers should remain good during the coming year with prices on standard grade fed steers ranging from \$17-19.00.

. In the first seven months of 1961, substantially more milk has been available for the manufacture of dairy products than a year earlier. Milk production increased by .8 billion pounds while the quantity of milk utilized in fluid products was significantly smaller. The result was an increase in American cheese production of 14%, butter up 5% and nonfat dry milk up 4%.

. Manufacturers' stocks of dairy products, in terms of milk equivalent, increased 2.4 billion pounds over the first six months of 1961 as compared with last year's accumulation of 1.7 billion. CCC purchases of dairy products in the first seven months have been equivalent to 5.3 billion pounds of milk, 2.3 billion pounds greater than a year earlier.

. The price of milk compared to the price of feed is currently above the long term relationship, mainly because of higher support levels. For the remainder of 1961 it is expected to remain so, even if feed prices should increase somewhat. No abrupt change in the price of milk compared to beef and hog prices (which might alter the relative profitability of those enterprises), appears to be in prospect for the coming year.

. Per capita consumption of butter may show a slight rise in 1962, due to increased government donations. Consumption of cheese and nonfat dry milk may show modest increases, while fluid products may continue their slow downward trend.

. Total U.S. milk production in 1961 will likely exceed last year's output of 122.9 billion pounds by more than 1.5 billion pounds. A slowdown in the rate of decline in cow numbers together with a continued increase in production per cow will make this increase possible.

. At the same time prospects are that on a per capita basis consumption of all dairy products may be less than 650 pounds in 1961, compared with 654 pounds in 1960 and 742 pounds in 1947-49.

. In the last quarter of 1961, manufacturing milk prices may be close to a year earlier. Last year, these prices averaged about the same as the current level of support prices.

. Look for continued increases in milk production in 1962, to a new record high.

. Consumption will not keep up with increased production in 1962. Therefore, the dairy industry will continue to be confronted with surpluses, and prices strongly influenced by support levels.

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SITUATION

Average prices paid farmers in Minnesota for milk used in making butter in July, 1961 was \$3.23 per cwt. This compares with \$2.97 per cwt. a year earlier. Present support prices will hold until March 31, 1962. With increased production likely, and the accompanying purchase of from 5 to 8% of total production by the government, a large rise in the support level does not seem likely.

Greater defense spending and expanding economic activity could raise the cost of items purchased by farmers.

OUTLOOK

With little or no increase in supports expected in 1962, prices should average about the same as in 1961.

The cost of equipment and hired labor as well as other production supplies will likely rise in 1962. The cost of purchased feed grain is also likely to be higher. The dairyman who does not expand or increase productivity will likely find his net return from dairying somewhat reduced in 1962.

PROFIT PROSPECTS IN FEEDING OUT DAIRY STEERS

Many dairymen have shifted to the practice of feeding out their dairy steers, rather than selling them as week-old or veal calves. The following is an example of the costs involved, with space provided for your estimates.

	1961-62	Your estimate
Market value of calf, at one week	\$15-20	_____
Feed cost, for one year	55-60	_____
Other costs for one year	15	_____
Labor @ \$1.00/hr.	20	_____
Total cost yearling steer(750#)	\$110	_____
Break even price at 750 lbs.		\$14.70
Additional feed to 1,050#	\$40	_____
Additional other costs	9	_____
Additional labor	6	_____
Total added costs	\$55	_____
Total costs to 1,050#	\$165	_____
Break even price at 1,050 lbs.		\$15.70

Dairy steers are quite flexible in that they can be sold as week-old calves, vealers, feeder steers or fed out.

Prices of common feeder steers are generally highest in the spring and lowest in the fall.

The long-run prices of standard fed steers are generally highest in midsummer, with lows in mid-fall and mid-winter. However, during the past 3-4 years this pattern has been somewhat reversed, with a strong late fall to early spring market, and some softening in the mid-summer prices.

Returns from the feeding out of dairy steers have been good to excellent during the past four years.

The present slow build-up in cattle numbers would suggest that profits from the dairy steer enterprise should remain good over the next couple of years. Standard steers tend to bring a price \$4.00-\$5.00 below choice grade. On this basis, standard prices should range between \$17.00-\$19.00 during the coming year.

During the next few years dairymen should determine carefully the relative profitability of early sale as vealers versus later sale when fed out.

It is expected that the price pattern on standard fed steers during the coming year will more closely follow the price pattern of the last 3-4 years, rather than the longer-run pattern.

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