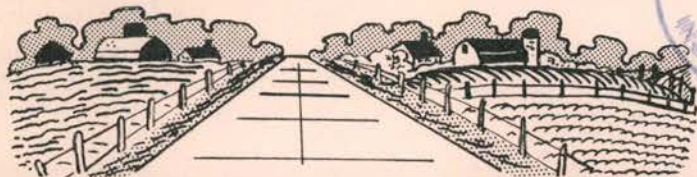


for  
**Minnesota Farmers**



**DAIRY**

AGRICULTURAL EXTENSION SERVICE • UNIVERSITY OF MINNESOTA • INSTITUTE OF AGRICULTURE

AT A GLANCE: Production of milk in the year ahead is expected to continue to outpace consumption. So it looks as though (short of new dairy legislation) milk prices for the remainder of 1962 and beyond will average 20¢ or more below 1961 levels. Profits from feeding dairy steers should remain good during the coming year with prices on standard grade fed steers ranging from \$17.00 to \$19.00.

SITUATION

OUTLOOK

Estimates indicate that a new high of about 126.5 billion pounds of milk will be produced in 1962 — a gain of .8% over 1961 (see table). This compares with a 2% increase in 1961 over 1960. Cow numbers have declined at about the same rate as in 1961. But drought conditions in the East will likely cause a slowing in the rate of production increase per cow. Thus a more modest increase in over-all production is expected.

Most production indicators point toward continued production increases through 1963. Milk cow numbers have declined less than in previous years. In addition, the ratio of replacements to cows is presently as high as for any year in a decade.

Trends in U.S. Milk Production, Consumption and Government Purchases, Selected Years

Year	Milk production (bil. pounds)	Percent marketed	Per capita consumption	Percent purchased by gov. <sup>**</sup>
1955	122.3	88.5	678	3.9
1958	123.2	91.0	644	3.9
1960	122.8	92.5	628	2.7
1961	125.5	93.2	607	6.5
1962	126.5*	----	---	8.0*

\* Estimated. \*\* Whole Milk Equiv. - Butterfat Basis.

While milk production continues to reach new peaks, the percent of this milk that is marketed (not used on farms) continues to rise even faster, thus providing an even larger supply to be consumed. Concurrent with this has been a leveling off in total commercial consumption and a drop in per capita consumption for most dairy products. Thus, the proportion of total milk marketed that is purchased by the government has risen sharply in the last two years. In 1962, 8% will likely be purchased by government.

Consumption will not keep up with increased production in 1963. Therefore, the dairy industry will continue to be confronted with a build up of surpluses, and prices strongly influenced by support levels.

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. In recent years milk prices have varied directly with the level of price supports. Following the 29-cent drop in support prices in April 1962 (\$3.40 to \$3.11), prices paid farmers for manufacturing milk dropped from 15¢ to 25¢ per cwt. below like months in 1961. For example, the June 1962 average price paid by creameries in Minnesota for milk testing 3.47 milkfat was \$3.03 per cwt. compared with \$3.15 for milk testing 3.42 in June 1961. (The average price adjustment for test was 6¢ to 7¢ per point.)

. The cost of the dairy price support program in 1961 was about 540 million dollars. The estimated cost for 1962 is 650 million dollars.

. It appears that most milk prices for the remainder of 1962 and beyond will average 20¢ or more below 1961 levels.

. This concern with the high cost of the dairy program, will result in continued efforts to develop new dairy legislation.

### PROFIT PROSPECTS WITH DAIRY STEERS

. Returns from the raising of dairy steers have been good to excellent during the past 5 years. For example, during the 1961-1962 feeding year, a 1,050-pound dairy steer provided a labor return of about \$50 to \$60 per head, under average conditions.

. Dairy steers are quite flexible in that they can be sold as week-old calves, vealers, feeder steers, or they can be fed out. The following is a budget that can be used in determining the relative profitability of raising dairy steers to feeder weights (700#), or feeding them out.

. 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 to \$5.00 below choice grade. On this basis, standard prices should range between \$17.00 to \$19.00 during the coming year.

<u>Raising Calf to 700#</u>	<u>Example</u>	<u>Your estimate</u>
Market value of calf at 1 week	\$15-20	_____
Feed cost for 1 year	55	_____
Other costs, 1 year (ex. labor)	15	_____
Total cost of yrlg. steer (700#)	\$90	_____
Break even price/cwt.	\$12.85	_____
Est. mkt. value 700# steer (\$18)	\$126	_____
Labor return per head (20 hrs.)	\$36	_____
<u>Feeding out yrlg. steer (700#-1050#)</u>		
Est. mkt. value of 700# steer (\$18)	\$126	_____
Additional feed to 1050#	46	_____
Additional other costs	9	_____
Total costs (700#-1050#)	\$181	_____
Break even price at 1050#	\$17.25	_____
Est. mkt. value 1050# steer (\$18)	\$189	_____
Labor return per head (6 hrs.)	\$ 8	_____

. With high interest in the feeding out of plainer cattle, much of the profit in the dairy steer enterprise has been bid into the raising of calves up to 700 pounds. Therefore, in deciding whether to feed out (700 to 1,050 pound) dairy steers, one should carefully consider expected prices, feed supplies and facilities. With cattle numbers high, increased marketings of cows and plainer cattle off grass can be expected in the year ahead.