

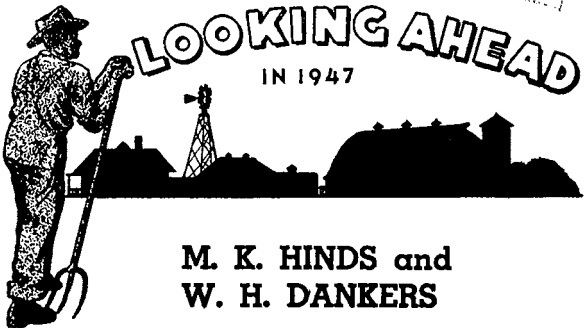
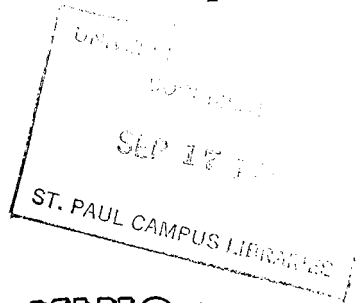
MINNESOTA OUTLOOK

for

Dairy Products

Fats and Oils

Eggs and Poultry



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● Production of Milk ~~~~~

Supplies of dairy products for domestic consumption in the United States during 1947 may be about the same or slightly less than in 1946. Although total production will be down, the amount exported will be considerably less. The total supply of milk increased from 104 billion pounds in 1935-39 to 122 billion pounds in 1945 and an estimated supply of 119 billion pounds in 1946. There were 4 per cent fewer milk cows in June, 1946, than a year earlier and 6 per cent less than the all-time peak in June, 1944. Replacement stock for milking herds may be short in the future because the number of heifer calves saved in 1946 is 5 to 10 per cent below 1945 and the lowest since the late 1930's. The reduction in number of milk cows has been partly offset by increased production per cow. Milk production per cow has followed an upward trend since 1934 as the result of better feeding, breeding, and management.

THE FEED SITUATION is good. With an estimated record corn crop and a near record oat crop and fewer animals on farms than a year ago, it is expected that the concentrate feed supply per animal unit will be 4 per cent larger than a year earlier. The hay supply also is sufficient in most areas.

HIGH LABOR COSTS will cause dairymen to be more sensitive to alternative enterprises. In Minnesota approximately 30 per cent of the total cost of keeping a dairy herd consists of labor. For some of the other livestock enterprises less than 15 per cent and in the hog enterprise less than 10 per cent of the total are labor costs. A more rapid increase in farm wage rates compared with other production costs may influence the farmer who hires labor to shift to livestock enterprises requiring comparatively less labor. Total employment on farms in August, 1946, was 4 per cent below the 1935-39 average but was 4 per cent above a year earlier.

● Changes in Uses of Milk ~~~~~

FLUID MILK. Price increases in fluid milk during September and October, 1946, resulted in consumer resistance and a 10 per cent decline in purchases. Other competing uses for milk in manufactured dairy products are expected to keep fluid milk prices relatively high in 1947.

CREAM. Some of the butterfat in milk that might otherwise have been consumed in fluid milk will be consumed in fluid cream, which is still in short supply relative to demand. This shift will increase the supply of skim milk available for drying or for casein.

DAIRY PRODUCTS

Demand for dairy products in the United States is expected to continue strong through 1947 although industrial production and income may decline the latter half of the year. Consumers with reduced purchasing power may take less fluid milk at prevailing prices. A decline in fluid milk consumption will make butterfat available for consumption as fluid cream, which is

still in short supply relative to demand. Fat solids in milk will be in strong demand in all forms (butter, cheese, ice cream, etc.) during most of 1947 at prices nearly as favorable as in 1946. The nonfat solids market (dry skim milk and casein) is expected to weaken during 1947, owing to the reduction in military purchases and foreign shipments.

CHEESE, EVAPORATED AND CONDENSED MILK. Whole milk equivalents used in these products increased 8.5 billion pounds in 1945 from the 1935-39 average. Most of the increase went into military and foreign use. During the first nine months of 1946, production declined 13.5 per cent for cheese and 22.7 per cent for evaporated milk from the same period a year earlier. Per capita consumption very likely will increase to prewar levels and in the case of cheese may exceed it, but not enough to absorb a production as large as that attained during the war period.

BUTTER. The butter industry will readily take and welcome a considerable volume of the butterfat released from these other sources. Prewar consumption per capita in 1935-39 of 16.7 pounds dropped to 10.9 pounds in 1945. On the basis of butter production only 8.6 pounds per capita was available for consumption in 1946. Considerable increase in butter consumption may be expected as fat solids in milk are diverted from other uses; however, resistance by consumers to high prices can be expected if industrial activity and incomes decline during 1947.

NONFAT MILK SOLIDS. The proportion of milk sold by farmers in the United States as whole milk rather than as cream was 75 per cent in 1946, compared with 56 per cent in 1935-39. In Minnesota this figure rose from 11 per cent in 1935-39 to an estimated 60 per cent in 1946. The per capita supply of fat solids in the postwar period may not be greatly different from prewar years, but the per capita supply of nonfat solids will depend on the extent to which farmers shift back to the sale of cream when prices of whole milk may be less favorable.

Dry Skim Milk. Production of dry skim milk in the United States increased 270 million pounds from 1935-39 to 1945, an increase of 63 per cent. A shift in the use from animal feed to human food of 120 million pounds occurred at the same time, making a total increase of 390 million pounds available for human use. Nearly all of the increase was used for military, lend-lease, and foreign shipments in 1945. In 1946 a smaller volume of dry skim milk went into military channels and foreign outlets, leaving a larger volume for domestic markets. This shift of more nonfat solids into domestic markets was sufficient to bring the supply of nonfat solids into balance with demand, as evidenced by practically no change in prices when ceilings of dry skim milk were removed.

Prices of other dairy products rose sharply with the removal of ceilings, indicating a short supply relative to demand. Prices of nonfat solids are not expected to hold up during the flush season of 1947 spring and early summer. Even with falling prices of nonfat solids farmers will be reluctant to shift back from the sale of whole milk to cream, especially in areas with few hogs and poultry where milk has a low alternative feed value.

Casein. Production of casein declined during the war from an annual average of 48 million pounds in 1935-39 to 13 million pounds in 1946 because of an unfavorable price relationship under ceilings. After price ceilings were removed casein prices advanced sharply, indicating a strong demand. New and increased uses of casein are in prospect. Utilization of skim milk in casein in 1946 amounted to about 5 per cent of the total skim milk dried and manufactured into casein. Manufacture of casein at the prewar level could utilize four times as much skim milk as in 1946.

Animal Feed. Use of lower-quality dried skim milk in animal feed at reduced prices appears likely as supplies increase relative to demand. During 1935-39, 44 per cent of total dried nonfat solids was used for animal feed, compared with only 8 per cent in the first three quarters of 1946.

FATS AND OILS

The available supply of all fats and oils for consumption in the United States in 1947 will be less than prewar. Production from domestic materials is estimated at 8.7 billion pounds, about equal to the 1937-41 average, but 2.5 billion pounds below the peak production in 1943-44. Imports for 1947 are expected to be about half the 2 billion pounds imported annually in prewar years. Consumption this year cannot be supplemented from stocks, which were at the lowest level in 18 years on October 1, 1946. Inventories are expected to be increased to restore working stocks more nearly to normal levels, which will press against present short supplies. Exports of lard and other fats are expected to decline in 1947 because of low stocks and reduced output in the United States.

● Food Fats ~~~~~

Production of food fats (lard, butter, margarine, shortening, and cooking and salad oils) as a group may be moderately larger in 1947. More lard for domestic consumption is anticipated from the 1946 spring pig crop than from the 1945 crop when heavy procurement of fat backs was made for export. Butter production is also expected to increase.

● Soap Fats ~~~~~

Present stocks are exceptionally low. Imports of coconut oil from the Philippines should partially ease the tight situation in soap, especially the quick-lathering soaps which are made largely from imported oils. Before the war the soap industry utilized about 60 per cent of the coconut oil imports. International allocations give over half of the Philippine coconut oil exports to the United States—not enough to satisfy the demand but still roughly twice as much as was imported in 1945 and early 1946.

Plan Carefully in 1947 — Farm Prices Will Be Lower and Costs Will Be Higher

● *Drying Oils* ~~~~~

These will continue in short supply because of reduced production of oilseed crops in the United States, largely because of a one-third reduction in flaxseed in 1946. Soybean production remained about the same, and cottonseed production was down some from 1945. Tung oil is a very fast drying oil and second in importance to linseed oil. In the prewar period China produced most of the world supply. This source has just begun to open up again and it may be several years before an adequate supply can be expected.

EGGS AND POULTRY

The number of chickens raised in 1946 was 18 per cent less than in 1945. Less than normal culling of the pullet flock and mature layers will probably result in a United States laying flock on January 1, 1947, about 7 to 10 per cent below the 413 million layers on January 1, 1946. Minnesota had 6.5 per cent of these layers on January 1, 1946.

● *Egg Production* ~~~~~

Egg production in Minnesota for 1945 was 6.8 per cent of total egg production in the United States. This indicates the relatively important position held by Minnesota in this enterprise. Protein supplements and mill feeds will be in somewhat short supply in 1947, but grain feeds will be abundant. For that reason and with favorable prices it is expected that egg production per hen will be above the high level of 1946, and total egg production for 1947 with fewer hens may be only 6 to 9 per cent below 1946.

The large carry-over of eggs will partly offset the reduction in production. On January 1, 1947, total storage holdings of eggs may be about 55 to 80 million dozen more than a year earlier, so that egg supplies available in 1947 may be only 4 to 8 per cent below 1946 even though the laying flock will be substantially smaller.

Prices of eggs are expected to be near support levels in 1947. However, the prices paid by farmers are considered in the parity base. These prices have risen and so even though the support price will be 90 per cent of parity the per dozen support price in 1947 will be above that in 1946. Once more the poultry industry faces the question it has faced during the last several years, *will too many eggs be forthcoming at the support*

price level, when red meats again become available in abundant quantities and high wartime demands for eggs no longer prevail?

In 1946 the supply of red meats was still short compared with prevailing demand. This situation will prevail in early 1947 but will change materially as more beef and pork are marketed during the latter half of the year. This, together with an expected recession in business activity and some nonagricultural unemployment, indicates that egg consumption may decline to 360 eggs per capita in 1947 from the peak of 392 in 1945 and 370 in 1946. With a level of consumption of 360 eggs per capita and support prices for producers it is expected that there may be 100 to 200 million dozen eggs in excess of the domestic market needs. Indications are that a much smaller supply will be exported in 1947 compared with 1946, and whether the available supply of 100 to 200 million dozen will be readily taken remains a question. Temporary surplus removal programs may be needed, but a severe surplus problem is not expected in 1947. However, it appears now that eggs will move into market channels in the latter half of 1947 at support prices that will be considerably below the high level of prices in the latter part of 1946.

● *Poultry Meat Production* ~~~~~

Poultry meat production in Minnesota is largely supplementary to the egg enterprise. Increased supplies of red meats will exert a downward pressure on poultry meat prices in 1947, especially in the latter half of the year. This suggests that flocks should be culled regularly and chickens placed on the market as soon as they become nonlayers. It also suggests that broilers and young chickens should be marketed early. This can be accomplished by obtaining chicks as early as facilities will permit, feeding and managing for early maturity, and marketing at somewhat lighter weights. Early-maturing pullets and early egg production in the fall of 1947 will also be desirable because eggs can be marketed when the price is seasonally higher. In 1947, all production plans for eggs and poultry should be made on the basis of support prices. There is no need for expansion in the industry; instead it appears that further curtailment may be needed some time in the future.

● *Turkeys* ~~~~~

About 9 per cent less turkeys were marketed in 1946 compared with the record crop of 1945. Producers obtained fairly favorable returns for the fourth consecutive year, especially during the early part of the marketing season. This together with ample feed supplies for the first part of 1947 strongly indicates that turkey producers will start the season with some increase in the number of poults compared with 1946. It is expected

that 1947 prices will be considerably below the level of turkey prices in the last several years. Producers should keep in mind that turkey prices have been 50 per cent or more above the support level during most of the war years; hence, prices can drop materially before support programs will be adopted. With increased production turkey consumption has increased from 2 pounds per capita in the early 1930's to 4.5 pounds in 1946. Turkey consumption has also been less seasonal. In the future more turkey will probably be marketed as eviscerated and cut-up turkey, especially to the hotel and restaurant trade.

Price Supports

Laws were passed during the war which promised price supports for certain products. These supports were to extend for two years following the close of the year during which the war is officially declared to be ended. One phase of this legislation designates certain crops as basic commodities, and on these crops loans are to be offered at 90 per cent of parity. These basic commodities are corn, wheat, cotton, tobacco, rice, and peanuts (for nuts). Another phase of the legislation, known as the Steagall Amendment, designates certain commodities for which price floors are to be set at not less than 90 per cent of parity. These commodities are hogs, eggs, chickens (with certain exceptions) and turkeys, milk and butterfat, dry peas of certain varieties, dry edible beans of certain varieties, soybeans for oil, peanuts for oil, flaxseed for oil, American-Egyptian cotton, potatoes, and cured sweet potatoes.

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