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THE DAIRY SITUATION

(Issued Monthly)

Prices of dairy products rose sharply in August but during the first half of September a large part of the increase was cancelled. The decline in dairy production from the summer peak has been less than usual. During the early part of the summer, production was unusually low, but with widespread rains during recent weeks the outlook for production during the remainder of the pasture season has improved. With the smallest harvests of feed grains and hay in many years and low prices of butterfat in relation to feed grains, the outlook is for relatively light production during the winter months. Stocks of manufactured products are less than a year ago.

Short crops of feed grains and hay

The corn crop is estimated to be 1,485,000,000 bushels (according to conditions September 1), only 59 percent as great as the 1927-1931 average and the shortest crop in 40 years. The oats crop is the smallest in 52 years and the barley crop the smallest in 34 years. The hay crop (tame) is estimated at 50,700,000 tons or only 70 percent as large as the average for the 5 years 1927 to 1931, and by far the smallest for the 15 years for which comparable record are available.

The combined crops of corn, oats, barley and grain sorghums are equivalent to about 55,000,000 tons of feed grains. This is 34 percent less than last year and 46 percent below average. The short crops of feed grains and hay indicate the probability of a considerable reduction in cattle numbers and many cattle will go through the winter on extremely short rations. It is these short supplies together with the low price of butterfat in relation to feed grains that will be important in affecting production during the feeding period. It seems quite probable that production of manufactured dairy products during the winter will be less than in the preceding winter.

Total production of feed grains and hay, 1933, 1934 and 1927-1931 average

Commodity	Unit	Average 1927-1931	1933	Indicated Sept. 1, 1934	Indicated production 1934 percentage of 1927-1931 average
		Million	Million	Million	Percent
Corn	bushels	2,516	2,344	1,485	59
Oats	"	1,187	732	546	46
Barley	"	270	157	123	46
Grain sorghums	"	94.0	87.9	53.9	57
Hay (all tame)	tons	72.3	66.0	50.7	70
Hay (wild)	"	11.4	8.6	5.3	46
Total feed grains	"	98.6	83.6	54.8	56

Price of butterfat low in relation to grains

The farm price of butterfat in mid-August of 24.2 cents was 32 percent higher than a year earlier. Farm prices of feed grains, however, were 47 percent higher. The farm price of butterfat in mid-August was equivalent to 18.1 pounds of feed grains. This was the lowest for the month since 1919. This low price of butterfat in relation to feed grains, together with the short harvests, will tend to reduce production below last year's level in the winter months.

Although prices of butterfat are low in relation to feed grains, they are relatively high as compared with meat animals.

During the early part of August there was a sharp advance in butter prices; during late August and early September a large part of the advance was lost. The improved prospects for production during the remainder of the pasture season tended to depress prices.

Small decline in milk production per cow from August 1 to September 1

Milk production per cow on September 1 was only 0.53 pounds less than on August 1. This was about one third as great as the average decline between these same two dates in the period 1925 to 1929. Rather widespread rains in the past month, with some improvement in pastures, and cooler weather tended to stimulate production.

Milk production per cow (as reported by crop correspondents) on September 1 of 12.80 pounds was slightly larger than a year earlier, but 6 percent less than the 1925-1929 average for September 1. On the first of June, July and August production per cow was about 12 percent below average.

The following table shows the milk production per cow and pasture conditions on September 1 together with averages for preceding years. Milk production per cow in the North Atlantic, East North Central, and Western States on September 1 was about average, but in the West North Central and Southern States it was low. With the exception of the South Atlantic States, pastures were unusually poor in all sections of the country.

Milk production per cow and condition of dairy pastures September 1 and average

Division	Milk production per cow Sept. 1				Condition of dairy pastures Sept. 1	
	1925-1929 average	1933	1934	1934 percentage of 1925-1929 average	percentage of normal 1920-1929 average	1934
	Pounds	Pounds	Pounds	Percent	Percent	Percent
United States	13.56	12.74	12.80	94	78.1	47.0
North Atlantic	15.72	15.06	15.99	102	81.9	61.4
East North Central	15.69	14.32	15.32	98	77.0	46.9
West North Central	12.50	11.82	11.36	91	76.6	25.9
South Atlantic	12.46	10.99	11.35	91	81.6	82.6
South Central	9.96	9.56	8.21	82	75.8	49.0
Western	14.65	14.85	14.76	101	78.9	50.0

The percentage of cows being milked was relatively high in each group of states except the South Central. There has been a marked increase in the culling of cows from herds because of the drought. This culling was probably a factor in causing the high percentage of cows being milked and higher production per cow.

Manufactured production in July slightly less than a year earlier

The production of the principal manufactured dairy products in July on a milk equivalent basis was only 1.2 percent less than in July 1933. For the first 7 months of 1934 total production was 7.0 percent less than in the same period of 1933. The decline in production from June to July of 6 percent was less than the usual seasonal decline.

The production of cheese and evaporated milk (case goods) in July was the largest on record for the month, but butter production was 2.6 percent less than in July 1933. In the Middle Atlantic and East North Central States, July production of creamery butter exceeded July 1933, but in each of the other groups of states production was less.

Trade output slightly lower

The trade output of creamery butter in July of 133,067,000 pounds was about 1 percent larger than a year earlier, but trade output of other manufactured products was less, cheese being 4 percent less and evaporated milk 8 percent less, so that trade output of manufactured products on a milk equivalent basis was somewhat lower than in July 1933.

The changes in trade output, together with the slightly lower retail prices, indicate that consumer expenditures for manufactured dairy products in July were also less than a year earlier.

Total stocks less than in 1933

Cold storage holdings of creamery butter on September 1 of 120,400,000 pounds were about 55,000,000 pounds less than a year earlier, and except for the small holdings on September 1 in 1931 and 1932 were the smallest for that date since 1923. In contrast with butter, stocks of American cheese on September 1 of 103,700,000 pounds were the largest on record for that date and compare with the 5-year average of 83,600,000 pounds. Combined on a milk equivalent basis stocks of butter and American cheese on September 1 were about 23 percent less than a year earlier.

This decline in stocks together with prospects for low production during the winter months indicate that the amount of butter available for distribution will be decidedly less than in the winter of 1933-34.

Margin between foreign and domestic prices less than tariff

On September 13 the price of New Zealand butter in London was equivalent to 17.0 cents per pound. The price of 92-score butter at New York on the same date was 24.8 cents or 7.8 cents more than the price of New Zealand butter. The margin between New York and Copenhagen prices on the same date was 6.7 cents.

Table 1. - Production of dairy products, July 1933 - September 1934

Year and month	Milk production per cow per day, 1st. of month	Percentage of cows milked 1st. of month	Dairy pastures condition 1st. of month 1/	Factory production of dairy products 2/					Oleomargarine production
				Creamery butter	Cheese	Condensed milk 3/	Evaporated milk 3/	Total milk equivalent	
	Pounds	Percent	Percent	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
1933 -									
July	15.29	75.6	63.5	176.2	61.4	4.8	179.7	4,720	18.2
Aug.	13.67	73.9	55.7	166.9	49.9	4.1	149.8	4,343	30.3
Sept.	12.74	71.7	57.3	138.8	45.3	3.4	126.1	3,633	21.2
Oct.	11.98	69.3	63.7	129.7	36.5	4.0	109.8	3,339	23.5
Nov.	11.48	68.1		112.4	24.4	3.9	73.0	2,774	23.8
Dec.	11.21	66.5		111.8	25.7	4.4	85.0	2,801	21.3
1934 -									
Jan.	11.46	65.8		112.4	28.4	4.8	99.1	2,874	17.3
Feb.	11.61	64.5		106.4	29.0	4.3	100.3	2,755	21.4
Mar.	11.96	65.5		122.7	37.5	6.0	131.7	3,256	23.6
Apr.	13.65	67.3	70.1	133.2	44.9	6.0	152.4	3,595	18.2
May	13.75	70.3	66.0	174.7	61.8	5.3	138.7	4,713	18.1
June	15.36	73.4	53.3	181.8	66.5	5.8	210.8	4,959	14.0
July	14.98	75.2	51.5	171.7	62.7	5.8	190.1	4,663	16.3
Aug.	13.23	74.0	43.8						
Sept.	12.80	72.6	47.0						
	Index numbers adjusted for seasonal variation (1925-1929=100)								
1933 -									
July	89	100	75	105	119	38	129	108	100
Aug.	91	100	70	115	113	37	136	116	101
Sept.	94	101	73	117	112	32	137	117	92
Oct.	95	101	81	124	103	35	119	119	89
Nov.	96	102		130	96	37	107	122	91
Dec.	96	102		124	112	38	117	122	79
1934 -									
Jan.	97	102		113	118	39	116	113	70
Feb.	94	101		112	118	40	119	112	88
Mar.	92	101		113	124	43	129	116	94
Apr.	91	100	86	111	126	37	124	113	78
May	91	99	81	109	125	28	125	111	85
June	88	99	63	100	116	34	121	103	74
July	87	99	61	102	122	45	136	107	90
Aug.	88	100	55						
Sept.	94	102	60						

1/ Percentage of normal, except in the case of index numbers for which the corresponding months, 1920-1929 = 100.

2/ The production of cheese; condensed and evaporated case goods here given, has been revised on the basis of the final figures for 1931 production.

3/ Case goods, unskimmed.

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Table 2.- Prices of feed and dairy products, July 1933 - August 1934

Year and month	Index numbers: Farm price Aug. 1909-July 1914 = 100: All commodities	Dairy products	Feed grains	By-product feeds 1913-1914 = 100 1/	New York dairy ration per ton 2/	Farm price per pound of butter fat	Prices paid: for milk per 100 pounds by Condensaries	Distributors for fluid use	Wholesale prices: Butter per pound 92-score New York	Cheese per pound American twins Wisconsin	Condensed milk per case U.S. average	Evaporated milk per case U.S. average 3/	Index manufactured dairy products 1910-1914 = 100
					Dolls	Cents	Dolls	Dolls	Cents	Cents	Dolls	Dolls	
1933-													
July:	76	71	90	97	30	23.0	1.07	1.57	24.5	12.0	4.94	2.53	80
Aug.:	72	72	77	93	29	18.4	1.10	1.67	21.3	11.0	4.94	2.54	72
Sept:	70	76	75	81	27	19.6	1.07	1.72	23.6	10.5	4.94	2.55	77
Oct.:	70	78	64	77	26	20.1	1.10	1.77	24.0	10.5	4.94	2.57	78
Nov.:	71	78	68	78	26	20.4	1.08	1.79	23.6	10.5	4.95	2.56	77
Dec.:	68	76	69	73	26	18.0	1.00	1.80	20.1	9.3	4.95	2.55	68
1934-													
Jan.:	70	73	72	79	27	16.1	.97	1.81	19.9	9.6	4.95	2.56	68
Feb.:	76	77	75	84	28	21.6	1.10	1.80	25.4	12.6	4.90	2.57	83
Mar.:	76	79	76	90	28	23.5	1.11	1.79	25.4	13.2	4.88	2.54	83
Apr.:	74	76	75	88	27	21.0	1.02	1.81	23.7	11.0	4.88	2.56	78
May :	74	76	77	85	27	21.5	1.06	1.81	24.5	11.4	4.70	2.54	80
June:	77	78	89	98	30	22.2	1.09	1.82	24.9	12.5	4.74	2.54	82
July:	80	77	94	104		22.1	1.09	1.86	24.5	10.6	4.73	2.53	79
Aut.:	87	80	112	121		24.3	1.10	1.91	27.4	12.1			
	Index numbers, adjusted for seasonal variation (pre-war=100)												
1933-													
July:	76	75	86	98	108	94	81	91	86	91	108	75	86
Aug.:	72	75	72	94	98	76	78	95	74	78	109	76	76
Sept:	70	78	72	83	89	77	75	96	77	72	109	75	77
Oct.:	70	77	65	79	89	76	74	97	76	68	107	75	76
Nov.:	71	75	72	77	92	73	72	97	71	69	108	76	72
Dec.:	69	73	73	70	90	63	65	97	60	61	108	75	63
1934-													
Jan.:	70	70	76	77	92	58	63	97	64	61	108	75	66
Feb.:	76	75	77	83	94	81	73	98	81	85	107	76	82
Mar.:	76	77	76	91	98	86	76	99	80	94	107	76	82
Apr.:	73	77	75	88	94	80	72	101	79	84	108	77	80
May :	74	78	77	84	93	85	79	104	86	83	104	76	85
June:	77	79	85	101	105	91	83	106	88	91	105	77	87
July:	80	81	90	105		90	82	108	86	81	104	75	84
Aug.:	87	84	105	124		100	78	108	95	85			

1/ Index number of by-product feeds is based on wholesale prices at primary markets.
2/ Wholesale price per ton of dairy ration at Utica, New York, (in car-lots) as published in Farm Economics by Cornell University.
3/ In March 1931 the 48-can cases changed from 16-ounce cans to 14½ ounce cans.

Table 3.- Retail prices and stocks of dairy products, July 1933 - September 1934

Year and month	Retail prices (Bureau of Labor Statistics)						Stocks, first of month					
	Index numbers 1913 = 100						Cold storage			Manufacturer's:		Total milk equivalent
	All foods	Dairy products	Milk per quart	Butter per pound	Cheese per ton	Evaporated milk per can 1/	Cream 40 per cent 40-qt. cans. 2/	Butter	American cheese	Condensed milk case goods	Evaporated milk case goods	3/
			Cents	Cents	Cents	Cents	Thousands	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.
1933-												
July	105	98	10.4	31.0	23.6	6.8	194	106.4	67.5	15.0	104.1	3,170
Aug.	107	96	10.9	27.3	23.6	6.9	200	150.9	82.8	16.9	133.0	4,325
Sept	107	98	11.0	28.0	23.5	6.8	166	175.5	94.4	16.4	177.5	5,056
Oct.	107	98	11.1	28.2	23.3	6.8	200	174.7	99.3	14.7	208.5	5,153
Nov.	107	99	11.1	28.4	23.0	6.8	218	160.5	95.8	13.2	234.7	4,873
Dec.	105	97	11.2	26.0	22.6	6.8	201	138.2	85.1	10.8	225.0	4,272
1934-												
Jan.	105	96	11.1	25.7	22.2	6.8	174	111.2	77.8	9.1	210.4	3,597
Feb.	108	102	11.4	30.6	23.6	6.8	140	76.0	65.5	6.4	167.1	2,632
Mar.	108	102	11.1	31.3	24.2	6.8	104	36.9	54.9	4.8	112.9	1,582
Apr.	107	99	11.1	29.0	23.8	6.8	82	15.4	49.9	4.9	99.2	1,050
May	108	100	11.1	29.6	23.3	6.8	98	11.8	52.2	5.9	117.1	1,041
June	109	101	11.2	30.2	23.6	6.8	122	27.2	58.1	9.2	151.7	1,505
July	110	101	11.2	30.3	23.6	6.7	177	70.1	79.9	13.9	153.1	2,640
Aug.							175	108.7	97.0	17.2	203.9	3,757
Sept							152	120.4	103.7			
	Index numbers, adjusted for seasonal variations, 1910-1914 = 100						Index numbers, corresponding months, 1925-1929 = 100					
1933-												
July	109	105	121	90	107	86	132	122	41	59	117	
Aug.	111	102	127	78	107	86	115	112	43	67	108	
Sept	110	102	127	78	105	85	119	116	42	89	114	
Oct.	109	101	127	77	103	85	130	125	43	110	125	
Nov.	108	100	127	75	101	85	144	126	43	132	137	
Dec.	106	97	127	67	99	85	171	125	42	143	154	
1934-												
Jan.	107	98	127	69	97	83	229	136	48	179	190	
Feb.	113	105	130	83	103	85	243	134	40	172	189	
Mar.	114	104	128	83	107	85	206	131	34	133	156	
Apr.	113	104	129	80	107	85	180	135	37	120	138	
May	113	106	129	85	105	85	166	151	36	118	139	
June	113	108	131	88	107	85	120	148	36	117	134	
July	114	108	131	88	107	85	87	145	38	87	97	
Aug.							83	131	44	103	93	
Sept							82	127				

1/ Prior to 1932 the prices were for 15 - 16 ounce cans, in 1932 prices were for 14½ ounce cans.
2/ Includes 20 percent cream converted to 40 percent basis. 3/ Not including cream.

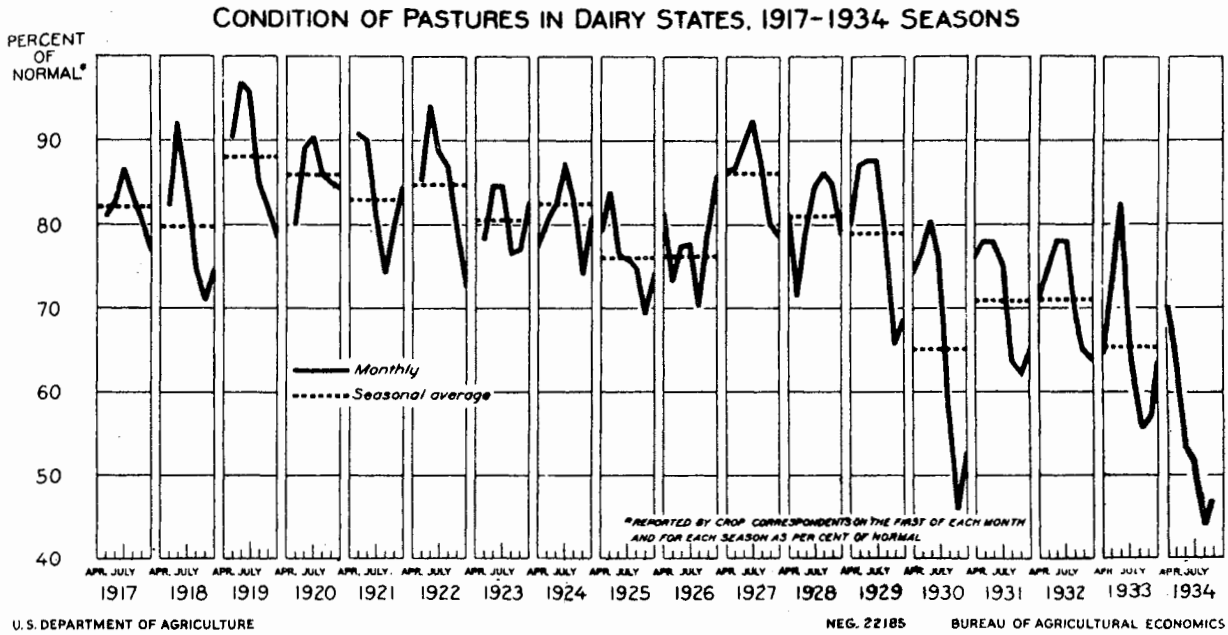

FIGURE 1 - THE CONDITION OF PASTURES ON SEPTEMBER 1 AT 47.0 PERCENT OF NORMAL WAS UNUSUALLY LOW, BUT SOMEWHAT HIGHER THAN A MONTH EARLIER.

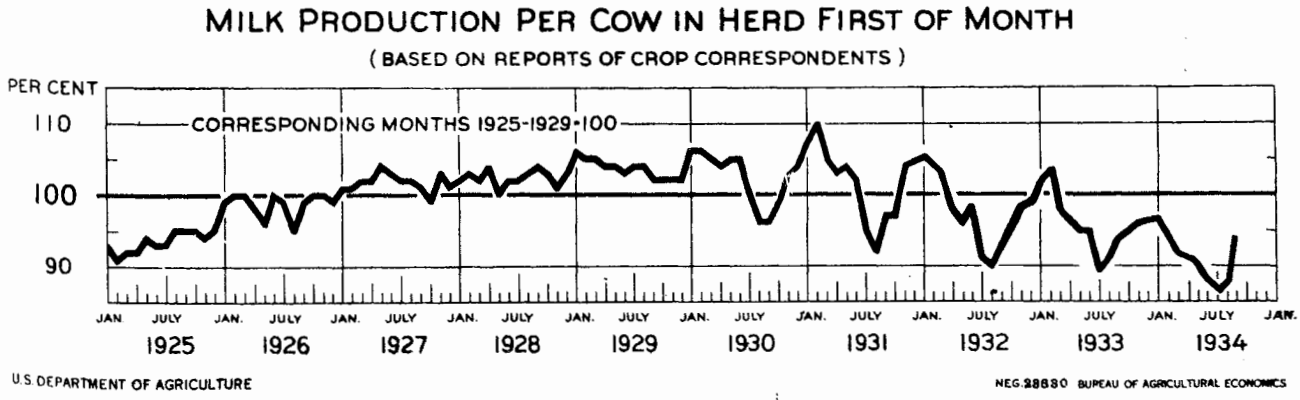

FIGURE 2 - ON SEPTEMBER 1 MILK PRODUCTION PER COW WAS 6 PERCENT BELOW THE 1925-1929 AVERAGE FOR THAT DATE, COMPARED WITH ABOUT 12 PERCENT BELOW AVERAGE FOR THE 3 PRECEDING MONTHS.

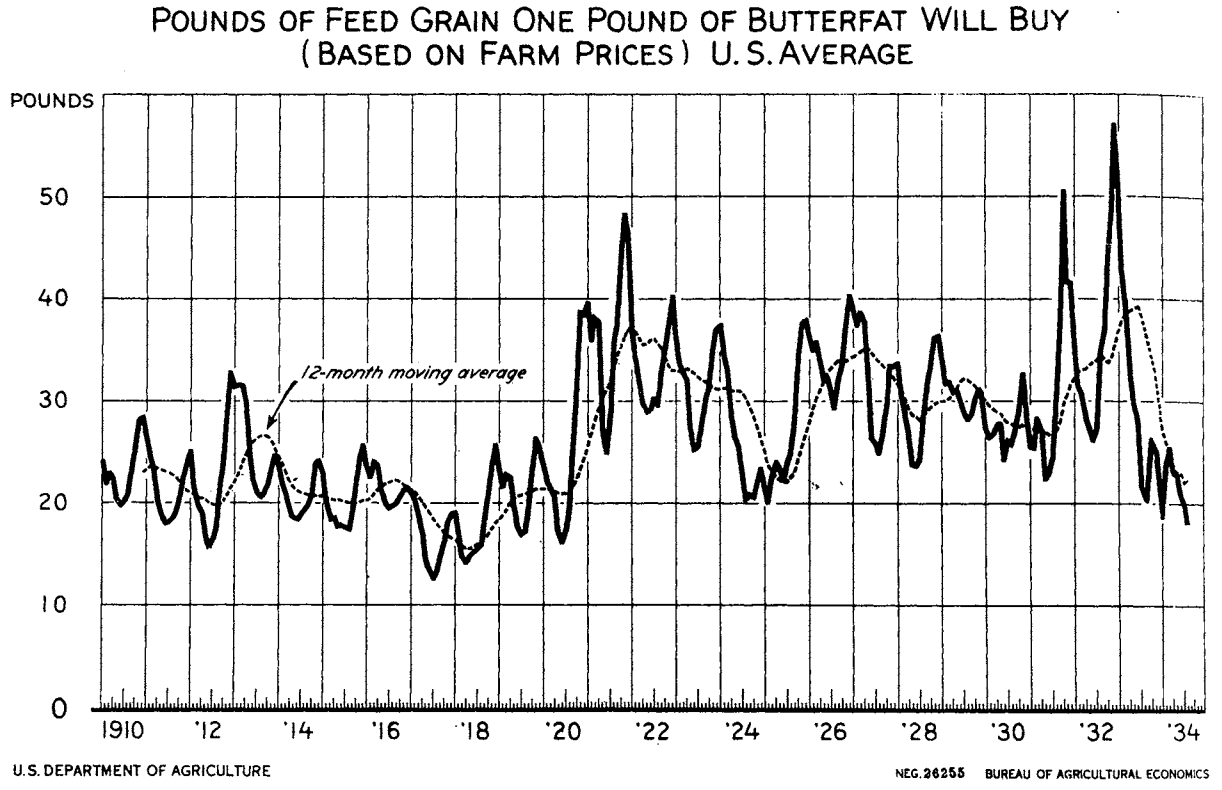

FIGURE 3 - IN MID-AUGUST THE FARM PRICE OF BUTTERFAT AS COMPARED WITH FEED GRAINS WAS THE LOWEST FOR THE MONTH SINCE 1919.

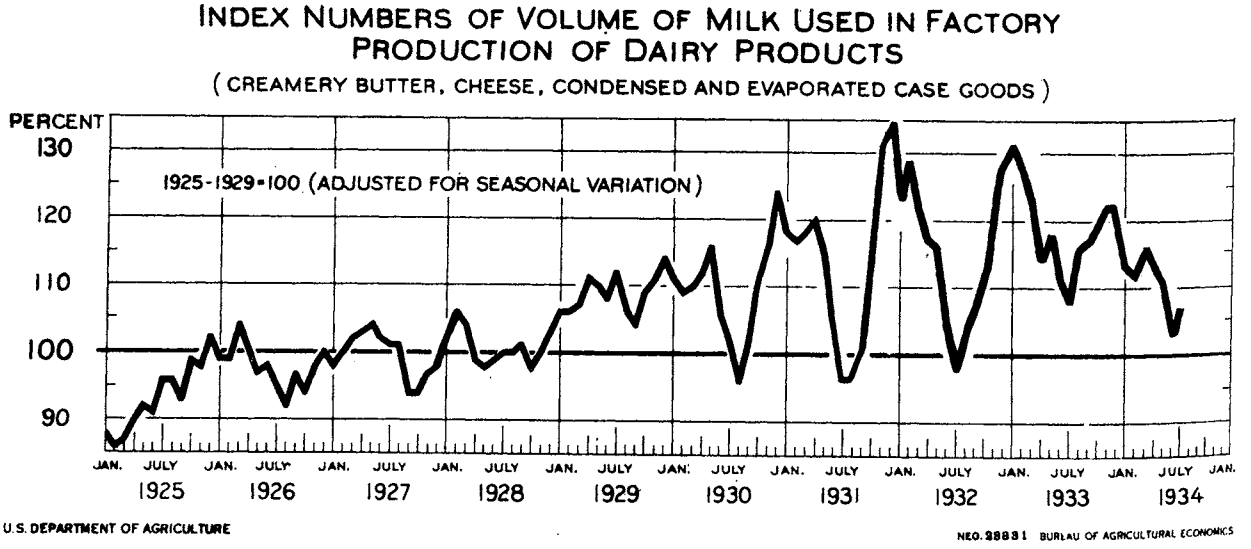

FIGURE 4 - THE PRODUCTION OF MANUFACTURED DAIRY PRODUCTS IN JULY WAS ABOUT 1 PERCENT LESS THAN A YEAR EARLIER. THE DECLINE IN PRODUCTION FROM JUNE TO JULY WAS SOMEWHAT LESS THAN THE USUAL DECLINE AND THE INDEX OF PRODUCTION WHICH IS ADJUSTED FOR SEASONAL VARIATION, ROSE TO 107.