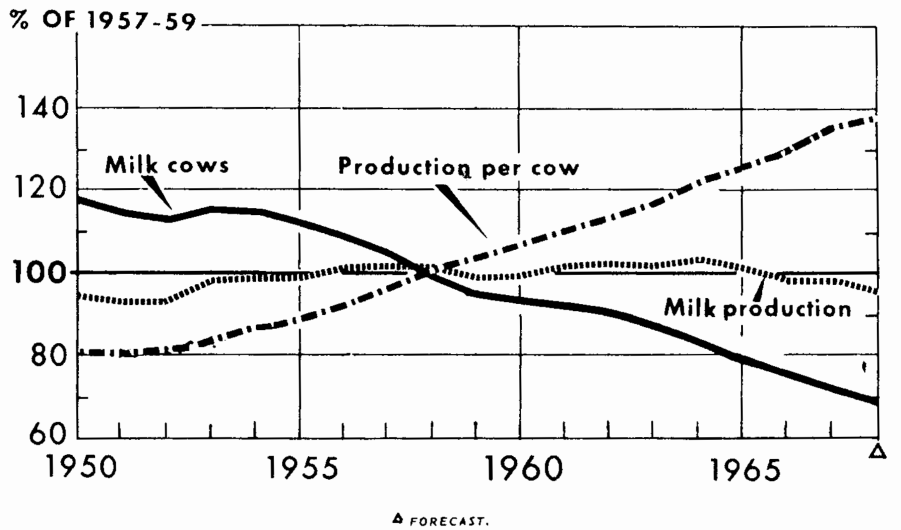
DAIRY SITUATION

AL

S-324 MARCH 1969

This year's milk production is likely to decline from the 117.3 billion pounds estimated for 1968. Gains in output per cow are not expected to offset the continuing decline in milk cow numbers. Prices farmers receive for milk probably will be up some 5 percent from a year earlier through March, but only moderately in the second quarter. Prices for the year likely will be about 3 percent higher than in 1968.

MILK PRODUCTION, COW NUMBERS, AND MILK PER COW



U.S. DEPARTMENT OF AGRICULTURE NEG. ERS 2912-69(1) ECONOMIC RESEARCH SERVICE

IN THIS ISSUE

Published 5 times a year by ECONOMIC RESEARCH SERVICE • U.S. DEPARTMENT OF AGRIC

U. S. Dairy Situation at a Glance

Item	Unit or base period	1967 Oct.	1967 Nov.	1967 Dec.	1968 Jan.	1968 Oct.	1968 Nov.	1968 Dec.	1968 Year	1969 Jan.
Milk production:										
Milk on farms	Mil. lb.	9,169	8,781	9,259	9,546	9,120	8,721	9,191	117,281	9,407
Average milk per cow	Lb.	687	660	698	721	707	678	716	9,006	735
Prices received by farmers:										
All milk, wholesale, 100 pounds	Dol.	5.30	5.35	5.29	5.27	5.62	5.68	5.60	5.26	5.53
Percentage of parity 1/	Pct.	82	83	83	85	85	85	85	86	83
Milkfat in cream, pound	Ct.	68.3	68.6	69.2	66.2	67.5	67.1	67.4	66.8	66.9
Percentage of parity	Pct.	80	80	81	78	76	75	75	76	74
Manufacturing grade milk, 100 pounds	Dol.	4.15	4.18	4.19	4.15	4.42	4.45	4.46	4.23	4.41
Parity equivalent	Dol.	4.69	4.68	4.69	4.73	4.89	4.91	4.92	4.84	5.07
Fat content	Pct.	3.81	3.84	3.80	3.77	3.80	3.83	3.81	3.69	3.78
Minnesota-Wisconsin (3.5% fat test)	Dol.	3.98	4.00	4.04	4.01	4.28	4.27	4.30	4.17	4.26
Milk eligible for fluid market, 100 pounds	Dol.	5.74	5.80	5.73	5.72	6.09	6.14	6.05	5.71	5.99
Price ratios and dairy ration values:										
Milk-feed	Lb.	1.68	1.71	1.69	1.69	1.85	1.84	1.80	1.70	1.78
Manufacturing grade milk-hog	Lb.	.23	.24	.25	.24	.25	.25	.25	.23	.24
Manufacturing grade milk-beef cattle	Lb.	.19	.20	.19	.19	.19	.19	.19	.18	.19
Value of concentrate ration fed milk cows 2/*	Dol.	3.14	3.10	3.12	3.12	3.04	3.09	3.11	3.10	3.11
Farm cash receipts from dairy products:	Mil. dol.	471	458	488	485	499	485	516	5,981	500
Production of factory products:										
Creamery butter	Mil. lb.	83.7	82.2	93.0	107.8	77.7	77.8	92.4	1,171.7	106.3
American cheese, whole milk	Mil. lb.	87.7	80.1	91.7	94.8	90.4	81.1	87.3	1,281.6	91.6
Cheese, other than American	Mil. lb.	52.6	54.9	58.9	54.1	56.7	55.9	58.8	664.9	55.7
Evaporated and condensed, unskimmed, cs. goods	Mil. lb.	99.6	89.5	98.7	89.5	109.8	97.9	114.5	1,448.0	98.9
Dry whole milk	Mil. lb.	5.5	5.7	6.0	6.5	6.1	5.1	5.1	76.3	5.2
Frozen products 3/	Mil. gal.	80.7	69.9	62.7	70.6	85.7	70.9	66.4	1,084.5	73.0
Creamed cottage cheese	Mil. lb.	67.9	64.5	60.6	69.8	72.6	65.3	60.7	860.2	70.6
Total whole milk equivalent 4/	Mil. lb.	4,067	3,808	4,126	4,628	4,119	3,818	4,197	58,825	4,604
Nonfat dry milk, human use	Mil. lb.	98.5	97.4	118.9	128.0	91.0	90.9	115.6	1,610.4	120.9
Wholesale prices:										
Paid by fluid milk distributors, 100 pounds	Dol.	6.30	6.31	6.33	6.33	6.65	6.65	6.65	6.50	6.70
Butter, 92-score, Chicago, pound	Ct.	66.6	66.5	67.7	66.4	67.3	66.8	68.7	66.9	66.4
Cheese, American (40-pound blocks), f.o.b. Wisconsin assembling points, pound	Ct.	45.0	45.0	46.0	46.5	48.8	48.8	48.8	47.6	48.8
Evaporated milk, case	Dol.	7.06	7.06	7.06	7.06	7.36	7.36	7.36	7.26	7.40
Dry whole milk, pound	Ct.	43.0	42.7	41.1	44.4	43.5	43.6	47.4	43.5	43.7
Nonfat dry milk, pound	Ct.	20.0	19.9	19.9	19.8	23.5	23.3	23.4	22.4	23.5
Dairy products and ice cream index (BLS)	1957-59=100	123.0	123.0	124.1	123.8	130.1	130.0	130.4	127.6	130.1
Retail prices (BLS): 5/										
Milk, fresh, delivered, half-gallon	Ct.	58.2	58.3	58.5	59.3	61.7	61.9	62.0	60.6	62.0
Milk, fresh, grocery, half-gallon	Ct.	52.3	52.3	52.5	52.7	54.6	54.6	54.6	53.7	54.6
Evaporated milk, 14½-ounce can	Ct.	16.8	16.8	16.7	16.8	17.3	17.4	17.4	17.1	17.4
Cheese, American, processed, sliced, ½-lb. pkg.	Ct.	43.5	43.5	43.4	43.4	45.0	45.1	45.1	44.4	45.4
Butter, pound	Ct.	83.4	83.2	83.1	83.5	83.8	83.9	83.8	83.6	84.3
Ice cream, half-gallon	Ct.	80.2	80.0	80.5	80.5	81.0	81.5	80.9	80.7	81.2
Dairy products index	1957-59=100	117.9	117.8	118.1	118.5	122.3	122.6	122.6	120.6	122.7
All foods index	1957-59=100	115.7	115.6	116.2	117.0	120.9	120.5	121.2	119.3	122.0
Margarine, colored, pound	Ct.	28.2	28.1	28.1	28.2	27.7	27.7	27.7	27.9	27.7
Stocks, end of month:										
Creamery butter	Mil. lb.	200.5	185.2	168.6	163.5	161.9	137.4	117.4	---	104.2
Cheese, total 6/	Mil. lb.	457.3	442.3	429.3	402.8	440.5	416.6	405.0	---	370.6
Fluid cream 7/	Mil. lb.	10.5	8.9	8.9	8.7	8.0	6.6	6.6	---	7.0
Evaporated milk	Mil. lb.	265.3	219.2	190.2	142.2	163.9	129.0	104.8	---	60.6
Condensed milk (case and bulk)	Mil. lb.	9.9	10.0	6.7	6.5	3.5	3.3	2.7	---	3.2
Dry whole milk	Mil. lb.	7.2	6.6	6.1	7.2	9.1	7.9	7.6	---	8.2
Total, whole milk equivalent	Mil. lb.	9,397	8,810	8,261	7,796	8,115	7,283	6,684	---	6,075
Nonfat dry milk	Mil. lb.	249.0	248.2	256.2	249.4	292.8	272.7	277.6	---	274.8
Civilian disappearance:										
Creamery butter	Mil. lb.	93.0	94.3	106.9	107.4	104.5	90.5	104.2	1,108	
Cheese, whole milk and part skim	Mil. lb.	164.1	156.3	173.8	180.9	187.0	167.0	171.4	2,091	
Evaporated milk	Mil. lb.	116.7	123.4	111.7	126.8	118.1	117.8	126.4	1,339	
Nonfat dry milk	Mil. lb.	90.6	71.8	98.6	112.2	99.9	73.2	82.4	1,151	
State and Federal marketing areas:										
Daily average sales:										
Whole milk	Mil. lb.	87.0	87.7	89.9	94.7	87.7	87.2			
Milk and cream mixture	Thou. lb.	1,253	1,300	1,167	1,120	1,222	1,291			
Fluid cream	Thou. lb.	656	816	929	620	636	797			
Skim milk items	Thou. lb.	15,515	15,678	14,414	15,316	18,052	18,401			
Daily average receipts of milk:										
From producer	Mil. lb.	117.1	113.0	115.6	---	116.7	115.1	117.5	---	
Per producer	Lb.	1,027	1,009	1,032	---	1,091	1,076	1,108	---	
Number of producers and producer-handlers	Thou.	114	112	112	---	107	107	106	---	

1/ Seasonally adjusted price as percentage of parity price. 2/ Milk and cream selling areas, per 100 pounds. 3/ Ice cream, ice milk, and sherbet. 4/ Includes manufactured products for which current monthly series are available. 5/ Beginning January 1964, BLS revised the consumer price index (CPI) and retail price series. See DS-303, page 31. 6/ Natural, plus process American held by CCC. 7/ Includes plastic on a fluid cream basis. * Beginning January 1968, milk selling areas only.

THE DAIRY SITUATION

Approved by the Outlook and Situation Board, March 5, 1969

CONTENTS

SUMMARY *

Milk production in late 1968 remained below year-earlier levels, reducing the year's total to 117.3 billion pounds, 1.3 percent below 1967 output. A quickening decline since October points to a strong probability of lower production again in 1969.

Milk cow numbers may decline less than last year. But production per cow is not rising enough to bring up total output, despite the comparatively favorable relationship between prices of feed and milk that has boosted feeding rates to record levels recently.

In 1968, the number of milk cows and heifers 2 years old and over declined 3.6 percent to 14.1 million on January 1, 1969. This year the decline may be less pronounced because of higher milk prices, high milk-feed price ratios, and the possibility of a milk-beef cattle price ratio more favorable to dairying.

During the first quarter of 1969, Class I prices in Federal order markets and the dairy support level are above a year earlier and are raising milk prices farmers

* The summary of this report was released to the press on March 5, 1969.

receive by about 5 percent. Smaller gains are in prospect for the second quarter. In the second half of 1969, a tighter supply-demand situation than a year earlier may occur and likely would cause a stronger seasonal price rise.

Despite prospects for smaller farm marketings this year, higher prices are expected to raise farmers' gross cash receipts from dairy marketings above last year's $6 billion. However, increases in costs of dairying may equal gains in gross receipts.

Sales of milk in all dairy products last year were equivalent to an estimated 110 billion pounds of milk, about the same as a year earlier, following a decline of 5 percent in 1967. In 1969, a slightly larger gain in population, a smaller rise in retail dairy prices, and a continued though slower rise in consumer incomes may raise dairy sales slightly over last year.

Total domestic consumption last year reversed a 3-year downtrend, rising $1\frac{1}{2}$ percent to about 117 billion pounds. USDA donated more dairy products for use in domestic programs and for military consumption than in 1967. This year, CCC removals of dairy products from the market may be smaller than the 5 billion pounds milk equivalent in 1968. Even so, CCC stocks will permit substantial donations for domestic school lunch and welfare distribution. Together with anticipated sales increases, these donations may raise total consumption again, though per capita use of milk in dairy products likely will continue to trend downward.

Per capita civilian consumption of milk in all dairy products was 576 pounds (milk equivalent, fat solids basis) in 1968, down about 1 percent from a year earlier. This compares with a 3 percent average decline in the preceding 2 years. Per capita consumption of fluid milk and cream items (product pounds) was about the same as in 1967, while use of most processed dairy products rose slightly

U.S. exports of dairy products rose slightly in 1968 to 1.2 billion pounds milk equivalent from the 1967 low level, primarily because some 30 million pounds of butter were donated for use in overseas programs. Exports are expected to be small in 1969 because of lower U.S. output and generally large foreign supplies.

Imports dropped to 1.8 billion pounds (milk equivalent) last year from 2.9 billion in 1967 because of Sec. 22 quotas set in 1967 and emergency quotas in 1968 on canned milk and certain types of cheese. Quotas established on these and other products, effective January 1969, may hold this year's imports to about 1.3 billion pounds milk equivalent.

U.S. dairy stocks carried into 1969 amounted to an estimated 6.7 billion pounds milk equivalent, down from 8.3 billion a year earlier. Although commercial stocks were down, most of the decline occurred in Government holdings. In 1969, further declines in Government holdings likely will again drop yearend stocks.

SITUATION AND OUTLOOK

PRODUCTION

January 1 Milk Cow Numbers Down 3.6 Percent

As 1969 began, 14.1 million cows and heifers 2 years old and over were kept for milk, 3.6 percent below a year earlier, the same decline registered for 1967 (table 1). The culling rate per 100 cows increased in 1968, but it was still less than in the mid-1960's. Last year's higher beef cattle prices encouraged stricter culling. However, increased milk prices and favorable milk-feed price ratios likely encouraged some farmers to increase their herds and others to continue in dairying.

The number of heifers and heifer calves declined about 1½ percent from January 1, 1968. Hence, the ratio of dairy replacement stock to milk cows rose from year-earlier levels to the highest rate since the early 1960's. This improved supply of replacement stock suggests a slowing decline in cow numbers this year. Also, increased milk prices, a favorable milk-feed price ratio, and possibly a milk-beef cattle ratio more favorable to dairying than in 1968, may induce dairymen to send fewer milk cows to slaughter. A slowdown in the growth of economic activity would limit off-farm employment opportunities somewhat this year--and might cut down on herd liquidations. But in most areas, nonfarm jobs will likely keep drawing farmers and labor from dairying.

Since the number of beef cows in 1968 rose while milk cows declined, the ratio of milk to beef cows continued its downward trend (table 2).

Milk cow numbers fell in all production regions during 1968, from 0.2 percent in the Mountain States to 6.6 percent in the Northern Plains (table 3). The number of heifers and heifer calves was down in all production regions except the Northeast and Mountain areas. However, the ratio of replacement stock to milk cows rose in all regions but one, with noticeable gains in the important Northeast and Lake States dairy regions.

1969 Milk Output Declining

January milk output totaled 9.4 billion pounds, down 1.5 percent from a year earlier (figure 1). This was a larger year-to-year decline than occurred last fall. The production drop was centered in the Lake States, Corn Belt, and Plains regions, with Minnesota and Wisconsin losing 3 and 4 percent respectively from January 1968.

First quarter production in 1969 likely will be down 1-2 percent from a year earlier because of one less production day (1968 was a leap year), and because below-average gains in output per cow will not offset the decline in cow numbers. The downward trend in milk output may slow, but likely will extend into the second quarter.

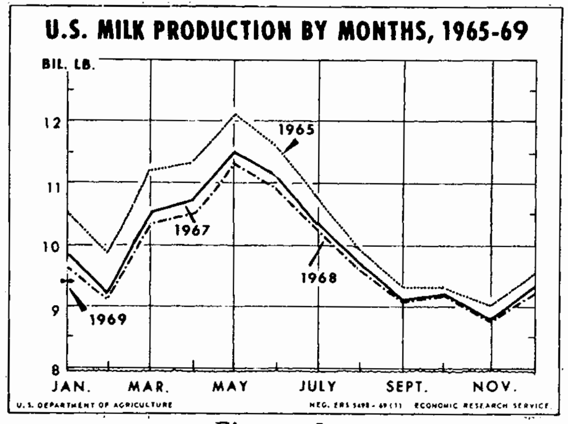


Figure 1

Output per cow in January at 735 pounds was up only 1.9 percent, not enough to offset the estimated 3.3 percent decline in milk cow numbers. Unusually cold weather in the Midwest was partly responsible for the below-average gain in milk per cow this January. Wisconsin reports low-quality roughage.

Unless gains in milk per cow during the rest of the year can raise the 1969 average above 3 percent, milk output this year probably will decline from the 117.3 billion pounds in 1968.

Gains in milk per cow during late 1968 rose less than average, after only small increases a year earlier. This slowdown from the long-time average occurred despite record milk-feed price ratios.

The average rise in milk per cow through mid-1969 is expected to exceed the relatively small increase of 1968, but likely will not reach the 3 percent long-run average. During the fall months, gains will depend on the quality and quantity of feed available and on the level of milk prices relative to feed prices at that time. Preliminary prospects are for a milk-feed ratio near the record levels of late 1968, and very favorable to heavy feeding of grain and concentrates.

Feeding of grain and concentrates averaged 11.6 pounds per milk cow on

Table 1 .--Milk cattle on farms, January 1, United States, selected years, 1920-69

Year	Cows and heifers 2 years old and over kept for milk	Heifers 1-2 years kept for milk cows		Heifer calves under 1 year kept for milk cows		Cows and heifers eliminated during year 1/	
		Number on farms	Per 100 cows	Number on farms	Per 100 cows	Number	Per 100 cows
	Thousands	Thousands	Number	Thousands	Number	Thousands	Number
1920	21,455	4,416	20.6	4,380	20.4	4,415	20.6
1930	23,032	4,851	21.1	5,199	22.6	4,063	17.6
1940	24,940	5,525	22.2	5,967	23.9	5,012	20.1
1950	23,853	5,394	22.6	6,208	26.0	5,679	23.8
1951	23,568	5,493	23.3	6,337	26.9	6,001	25.5
1952	23,060	5,694	24.7	6,481	28.1	5,205	22.6
1953	23,549	5,893	25.0	6,479	27.5	5,546	23.6
1954	23,896	5,873	24.6	6,392	26.7	6,307	26.4
1955	23,462	5,786	24.7	6,094	26.0	6,336	27.0
1956	22,912	5,407	23.6	5,890	25.7	5,994	26.2
1957	22,325	5,267	23.6	5,699	25.5	6,327	28.3
1958	21,265	5,126	24.1	5,571	26.2	6,259	29.4
1959	20,132	5,050	25.1	5,526	27.4	5,655	28.1
1960	19,527	5,079	26.0	5,575	28.6	5,335	27.3
1961 2/	19,271	5,016	26.0	5,446	28.3	5,324	27.6
1962	18,963	4,887	25.8	5,264	27.8	5,471	28.9
1963	18,379	4,708	25.6	4,935	26.9	5,440	29.6
1964	17,647	4,395	24.9	4,692	26.6	5,061	28.7
1965	16,981	4,149	24.4	4,420	26.0	5,143	30.3
1966	15,987	3,860	24.1	4,151	26.0	4,649	29.1
1967	15,198	3,636	23.9	4,089	26.9	4,190	27.6
1968	14,644	3,579	24.4	4,028	27.5	4,100	28.0
1969 3/	14,123	3,527	25.0	3,960	28.0		

1/ Number of cows and heifers 2 years old and over, plus number of heifers 1-2 years, minus number of cows and heifers 2 years old and over at the first of the following year. The number eliminated includes animals culled out, death losses, and farm slaughter.
2/ Beginning 1961, includes Alaska and Hawaii. 3/ Preliminary.

Table 2.--Number of milk and beef cows 2 years old and older on farms, January 1, by regions, 1960-69

Year	North Atlantic	East North Central	West North Central	South Atlantic	South Central	Western	United States 1/
	Thousands	Thousands	Thousands	Thousands	Thousands	Thousands	Thousands
				Milk cows			
1960	3,146	5,008	4,405	1,670	3,244	2,054	19,527
1961	3,187	4,959	4,349	1,628	3,110	2,019	19,271
1962	3,176	4,912	4,315	1,547	3,029	1,965	18,963
1963	3,129	4,806	4,127	1,473	2,901	1,924	18,379
1964	3,030	4,669	3,984	1,404	2,677	1,864	17,647
1965	2,945	4,537	3,827	1,327	2,505	1,821	16,981
1966	2,800	4,265	3,519	1,281	2,335	1,767	15,987
1967	2,678	4,030	3,309	1,222	2,195	1,746	15,198
1968	2,606	3,867	3,137	1,188	2,096	1,732	14,644
1969 2/	2,536	3,733	2,988	1,153	1,988	1,708	14,123
				Beef cows			
1960	156	1,507	7,055	2,205	9,438	5,983	26,344
1961	158	1,548	7,276	2,300	9,882	6,089	27,327
1962	172	1,611	7,655	2,443	10,422	6,314	28,691
1963	170	1,680	8,197	2,573	11,313	6,579	30,589
1964	180	1,757	8,855	2,730	12,203	6,988	32,794
1965	188	1,841	9,458	2,857	12,551	7,256	34,238
1966	187	1,845	9,508	2,883	12,583	7,338	34,433
1967	182	1,810	9,637	2,900	12,656	7,411	34,685
1968	183	1,870	9,820	2,925	12,981	7,535	35,405
1969 2/	190	1,875	9,946	3,032	13,432	7,527	36,097
				Ratio of milk cows to beef cows			
1960	20.17	3.32	0.62	0.76	0.34	0.34	0.74
1961	20.17	3.20	.60	.71	.31	.33	.71
1962	18.47	3.05	.56	.63	.29	.31	.66
1963	18.41	2.86	.50	.57	.26	.29	.60
1964	16.83	2.66	.45	.51	.22	.27	.54
1965	15.66	2.46	.40	.46	.20	.25	.50
1966	14.97	2.31	.37	.44	.19	.24	.46
1967	14.71	2.23	.34	.42	.17	.24	.44
1968	14.24	2.07	.32	.41	.16	.23	.41
1969 2/	13.35	1.99	.30	.38	.15	.23	.39

1/ Includes Alaska and Hawaii beginning 1961.
2/ Preliminary.

Table 3.--Milk cattle on farms, January 1, farm production regions, United States, 1964-69

Year	Milk cows 1/	Heifers 1-2 years old 2/	Heifer calves under 1 year old 2/	Heifers 1-2 years old per 100 cows	Heifer calves per 100 cows	Cows and heifers eliminated during year 3/	Cows and heifers eliminated per 100 cows
	Thousands	Thousands	Thousands	Number	Number	Thousands	Number
				Northeast			
1964	3,263	737	749	22.6	23.0	834	25.6
1965	3,166	694	713	21.9	22.5	842	26.6
1966	3,018	657	677	21.8	22.4	789	26.1
1967	2,886	635	706	22.0	24.5	712	24.7
1968	2,809	659	714	23.5	25.4	732	26.1
1969 4/	2,736	666	718	24.3	26.2		
				Lake States			
1964	4,472	1,268	1,300	28.4	29.1	1,316	29.4
1965	4,424	1,226	1,245	27.7	28.1	1,482	33.5
1966	4,168	1,142	1,150	27.4	27.6	1,342	32.2
1967	3,968	1,062	1,103	26.8	27.8	1,177	29.7
1968	3,853	1,019	1,080	26.4	28.0	1,133	29.4
1969 4/	3,739	1,013	1,069	27.1	28.6		
				Corn Belt			
1964	3,054	740	795	24.2	26.0	932	30.5
1965	2,862	685	723	23.9	25.3	930	32.5
1966	2,617	615	662	23.5	25.3	796	30.4
1967	2,436	570	672	23.4	27.6	738	30.3
1968	2,268	570	661	25.1	29.1	681	30.0
1969 4/	2,157	554	634	25.7	29.4		
				Northern Plains			
1964	1,127	248	288	22.0	25.6	297	26.4
1965	1,078	231	255	21.4	23.7	310	28.8
1966	999	200	241	20.0	24.1	264	26.4
1967	935	189	226	20.2	24.2	241	25.8
1968	883	172	213	19.5	24.1	230	26.0
1969 4/	825	163	202	19.8	24.5		
				Appalachian			
1964	1,661	378	398	22.8	24.0	470	28.3
1965	1,569	349	377	22.2	24.0	423	27.0
1966	1,495	331	354	22.1	23.7	422	28.2
1967	1,404	304	345	21.7	24.6	353	25.1
1968	1,355	302	346	22.3	25.5	369	27.2
1969 4/	1,288	297	350	23.1	27.2		
				Southeast			
1964	688	157	168	22.8	24.4	185	26.9
1965	660	147	159	22.3	24.1	176	26.7
1966	631	136	147	21.6	23.3	155	24.6
1967	612	131	140	21.4	22.9	151	24.7
1968	592	125	136	21.1	23.0	144	24.3
1969 4/	573	117	131	20.4	22.9		
				Delta States			
1964	736	177	208	24.0	28.3	225	30.6
1965	688	170	191	24.7	27.8	217	31.5
1966	641	157	182	24.5	28.4	197	30.7
1967	601	139	175	23.1	29.1	175	29.1
1968	565	135	163	23.9	28.8	160	28.3
1969 4/	540	131	154	24.3	28.5		
				Southern Plains			
1964	763	175	198	22.9	26.0	244	32.0
1965	694	145	188	20.9	27.1	208	30.0
1966	631	135	179	21.4	28.4	174	27.6
1967	592	126	164	21.3	27.7	149	25.2
1968	569	128	168	22.5	29.5	157	27.6
1969 4/	540	124	157	23.0	29.1		
				Mountain			
1964	619	168	206	27.1	33.3	189	30.5
1965	598	167	196	27.9	32.8	199	33.3
1966	566	155	188	27.4	33.2	171	30.2
1967	550	151	185	27.5	33.6	160	29.1
1968	541	146	183	27.0	33.8	147	27.2
1969 4/	540	147	183	27.2	33.9		
				Pacific			
1964	1,245	343	378	27.6	30.4	365	29.3
1965	1,223	330	370	27.0	30.3	352	28.8
1966	1,201	328	368	27.3	30.6	333	27.7
1967	1,196	326	369	27.3	30.9	331	27.7
1968	1,191	319	360	26.8	30.2	342	28.7
1969 4/	1,168	311	357	26.6	30.6		

1/ Cows and heifers 2 years old and over kept for milk. 2/ Being kept for milk cows. 3/ Number of cows and heifers 2 years old and over, plus number of heifers 1-2 years, minus number of cows and heifers 2 years old and over at the first of the following year. The number eliminated includes animals culled out, death losses, and farm slaughter. 4/ Preliminary.

February 1, up 6.4 percent from a year earlier, and a record high for any date. Feeding rates early last year gained only 2-3 percent, but since mid-1968 have averaged almost 6 percent above year-earlier levels. Favorable milk-feed price relationships have, no doubt, been a factor in the higher grain feeding rates. Nevertheless, milk production per cow has increased at below-average rates.

Milk cow numbers are expected to continue downward, but by less than the 3½ percent in 1968. The improved ratio of heifers to cows on January 1, 1968 and 1969, indicates that more replacement stock will be available than in recent years. Milk prices are rising about 5 percent in the first quarter and are expected to gain moderately during the rest of 1969. This means an increase in gross farm receipts from milk and cream. On the other hand, a rise in production costs at the rate of recent years could offset the gain. This might encourage the movement of farmers out of dairying, depending on opportunities in alternative employment, and in turn quicken the sale of dairy cattle for slaughter. Also, cattle prices near the 1968 level will favor close herd culling, despite rising milk prices.

Milk Production in 1967 and 1968 Revised Downward

Milk production in both 1967 and 1968 was revised downward 0.5 billion pounds (table 4). Output in 1968 was placed at 117.3 billion pounds, 1.3 percent under 1967, and the smallest since 1952. Output was down in all production regions, except the Mountain and Pacific. The largest declines were in the Corn Belt (4 percent) and Northeast (2½ percent). The Lake States had a slight drop in output (table 5).

Milk production per cow rose 2.4 percent in 1968, sharply below the long-time annual 3 percent rise. Gains were below normal throughout the year, although rates picked up during the year from 1 percent gain early in 1968 to about 2½ percent by year's end. Small increases early in 1968 were due in part to poor forage quality in several Northern dairy States. Year-to-year gains in milk per cow are expected to remain below average during the winter feeding season, but may improve when cows go on pasture.

The number of milk cows on farms during 1968 averaged 13.0 million, 3.5 percent below 1967, the smallest drop in 5 years. During 1968, the rate of decline in milk cow numbers from a year earlier slowed slightly from 3.8 percent early in the year to 3.4 percent by year's end. Cow numbers dropped in all regions. The declines ranged from almost 6 percent in the Corn Belt and Northern Plains to about 1 percent in the Mountain and Pacific regions.

Feed Prices and Supplies

Feed grain and other concentrate supplies in the current feeding year (which started October 1) are estimated up about 2 percent from a year earlier. The 1968 feed grain crop was below last year's record output, though 13 percent above the 1962-66 average. With higher expected feeding rates, total concentrate feeding may be up 4 percent during the current year.

Prices of feed grains have risen 10 percent since October. After running substantially below year-earlier levels last fall, feed grain prices in February were about the same as a year earlier. With much more grain in Government programs this year and smaller market supplies, prices likely will hold a little above year-earlier levels during the rest of the 1968/69 feeding year, depending on the 1969 crop.

A larger volume of high-protein feeds (soybean meal equivalent) has been fed this fall and winter than a year earlier. However, supplies of these feeds for the entire 1968/69 year are up an estimated 3 percent. Soybean meal supplies for domestic feeding probably will set a record this year--up 2-3 percent from 1967/68. Average prices farmers paid for soybean meal in February were 1 percent under a year earlier; continued lower prices are in prospect this spring and summer. Cottonseed meal supplies are up sharply. Thus prices paid by farmers for this feed in

Table 4 .--Milk production, milk per cow, and milk cows on farms, by months, 1962-68, with comparisons

Month	1962	1963	1964	1965	1966	1967		1968 1/	
						Quantity	As a percentage of 1966	Quantity	As a percentage of 1967
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Pct.	Mil. lb.	Pct.
	Milk production 2/								
January	10,258	10,153	10,287	10,494	9,787	9,802	100.2	9,546	97.4
February	9,685	9,498	10,070	9,795	9,133	9,150	100.2	9,207	100.6
March	11,044	10,906	11,186	11,177	10,527	10,407	98.9	10,169	97.7
April	11,280	11,220	11,363	11,264	10,747	10,675	99.3	10,457	98.0
May	12,449	12,297	12,380	12,100	11,489	11,360	98.9	11,227	98.8
June	11,886	11,809	11,782	11,567	11,248	11,038	98.1	10,840	98.2
July	10,884	10,848	10,810	10,704	10,322	10,326	100.0	10,201	98.8
August	10,184	10,172	10,207	9,929	9,744	9,688	99.4	9,567	98.8
September	9,573	9,548	9,623	9,272	9,214	9,114	98.9	9,035	99.1
October	9,782	9,648	9,698	9,343	9,262	9,169	99.0	9,120	99.5
November	9,379	9,279	9,430	9,029	8,925	8,781	98.4	8,721	99.3
December	9,847	9,824	10,131	9,499	9,494	9,259	97.5	9,191	99.3
Total	126,251	125,202	126,967	124,173	119,892	118,769	99.1	117,281	98.7
	Milk per cow 2/								
	Lb.	Lb.	Lb.	Lb.	Lb.	Lb.	Pct.	Lb.	Pct.
January	601	613	645	684	677	713	105.3	721	101.1
February	568	576	634	641	635	667	105.0	698	104.6
March	650	663	706	734	736	762	103.5	773	101.4
April	665	685	719	743	755	784	103.8	797	101.7
May	736	753	786	802	811	837	103.2	858	102.5
June	705	725	750	771	798	817	102.4	832	101.8
July	647	668	690	718	735	767	104.4	785	102.3
August	607	629	654	669	697	722	103.6	738	102.2
September	572	592	619	628	661	681	103.0	699	102.6
October	586	600	625	636	667	687	103.0	707	102.9
November	563	579	610	618	645	660	102.3	678	102.7
December	593	614	657	654	688	698	101.5	716	102.6
Total 3/	7,496	7,700	8,099	8,304	8,507	8,797	103.4	9,006	102.4
	Milk cows on farms 4/								
	Thou.	Thou.	Thou.	Thou.	Thou.	Thou.	Pct.	Thou.	Pct.
January	17,077	16,552	15,942	15,349	14,460	13,750	95.1	13,231	96.2
February	17,039	16,497	15,891	15,290	14,385	13,708	95.3	13,192	96.2
March	16,996	16,443	15,842	15,226	14,312	13,662	95.5	13,151	96.3
April	16,951	16,386	15,794	15,151	14,239	13,613	95.6	13,114	96.3
May	16,912	16,333	15,746	15,078	14,162	13,567	95.8	13,078	96.4
June	16,870	16,279	15,702	14,998	14,093	13,518	95.9	13,033	96.4
July	16,823	16,229	15,658	14,918	14,035	13,471	96.0	12,997	96.5
August	16,777	16,174	15,608	14,839	13,983	13,426	96.0	12,963	96.6
September	16,739	16,129	15,557	14,764	13,931	13,383	96.1	12,932	96.6
October	16,691	16,084	15,510	14,689	13,887	13,341	96.1	12,893	96.6
November	16,650	16,034	15,462	14,606	13,841	13,305	96.1	12,858	96.6
December	16,603	15,990	15,411	14,529	13,793	13,273	96.2	12,828	96.6
Annual av.	16,842	16,260	15,677	14,954	14,093	13,501	95.8	13,022	96.5

1/ Preliminary. 2/ Excludes milk sucked by calves. 3/ May not add due to rounding. 4/ Excludes heifers not yet fresh.

Table 5.--Milk: Production by production regions, 1964-68, with comparisons

State and region	1964	1965	1966	1967	1968 1/	1968 as a percentage of U.S. total	1968 as a percentage of 1967
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Pct.	Pct.
Maine	676	660	638	607	598	0.5	98.5
New Hampshire	400	394	382	368	360	.3	97.8
Vermont	2,017	2,055	1,899	1,830	1,873	1.6	102.3
Massachusetts	800	790	760	737	695	.6	94.3
Rhode Island	106	103	95	87	80	.1	92.0
Connecticut	706	713	702	693	680	.6	98.1
New York	10,955	11,033	10,580	10,455	10,203	8.7	97.6
New Jersey	1,074	1,034	947	879	810	.7	92.2
Pennsylvania	7,282	7,206	7,087	7,111	6,916	5.9	97.3
Delaware	165	156	146	140	134	.1	95.7
Maryland	1,566	1,559	1,535	1,516	1,513	1.3	99.8
Northeast	25,747	25,703	24,771	24,423	23,862	20.4	97.7
Michigan	5,758	5,528	5,061	4,706	4,588	3.9	97.5
Wisconsin	19,358	18,841	18,052	18,219	18,210	15.5	100.0
Minnesota	11,155	10,731	10,099	10,240	10,263	8.8	100.2
Lake States	36,271	35,100	33,212	33,165	33,061	28.2	99.7
Ohio	5,396	5,200	4,937	4,702	4,512	3.8	96.0
Indiana	3,176	2,954	2,721	2,530	2,434	2.1	96.2
Illinois	3,999	3,844	3,524	3,277	3,109	2.7	94.9
Iowa	6,607	5,945	5,659	5,399	5,178	4.4	95.9
Missouri	3,388	3,243	3,169	3,148	3,059	2.6	97.2
Corn Belt	22,566	21,186	20,010	19,056	18,292	15.6	96.0
North Dakota	1,623	1,467	1,335	1,237	1,164	1.0	94.1
South Dakota	1,559	1,580	1,598	1,600	1,640	1.4	102.5
Nebraska	1,941	1,821	1,713	1,707	1,659	1.4	97.2
Kansas	1,816	1,749	1,738	1,724	1,717	1.5	99.6
Northern Plains	6,939	6,617	6,384	6,268	6,180	5.3	98.6
Virginia	1,825	1,829	1,795	1,776	1,763	1.5	99.3
West Virginia	516	500	466	446	425	.4	95.3
North Carolina	1,483	1,502	1,475	1,488	1,475	1.3	99.1
Kentucky	2,570	2,568	2,550	2,550	2,510	2.1	98.4
Tennessee	2,106	2,171	2,122	2,144	2,115	1.8	98.6
Appalachian	8,500	8,570	8,408	8,404	8,288	7.1	98.6
South Carolina	515	518	513	521	514	.4	98.7
Georgia	952	991	1,000	1,030	1,041	.9	101.1
Florida	1,353	1,390	1,476	1,576	1,554	1.3	98.6
Alabama	828	838	814	812	808	.7	99.5
Southeast	3,648	3,737	3,803	3,939	3,917	3.3	99.4
Mississippi	1,109	1,136	1,120	1,114	1,093	.9	98.1
Arkansas	740	722	704	693	688	.6	99.3
Louisiana	961	1,002	1,011	1,032	1,033	.9	100.1
Delta States	2,810	2,860	2,835	2,839	2,814	2.4	99.1
Oklahoma	1,287	1,314	1,300	1,315	1,283	1.1	97.6
Texas	2,951	2,973	2,947	3,030	2,982	2.5	98.4
Southern Plains	4,238	4,287	4,247	4,345	4,265	3.6	98.2
Montana	396	378	376	370	356	.3	96.2
Idaho	1,500	1,475	1,458	1,457	1,454	1.2	99.8
Wyoming	180	175	163	161	158	.1	98.1
Colorado	862	832	821	829	844	.7	101.8
New Mexico	284	292	294	307	315	.3	102.6
Arizona	520	529	534	539	553	.5	102.6
Utah	730	736	736	745	759	.6	101.9
Nevada	129	134	134	134	137	.1	102.2
Mountain	4,601	4,551	4,516	4,542	4,576	3.9	100.7
Washington	1,941	1,932	1,956	1,958	1,953	1.7	99.7
Oregon	1,010	980	978	960	971	.8	101.1
California	8,540	8,480	8,602	8,705	8,950	7.6	102.8
Pacific	11,491	11,392	11,536	11,623	11,874	10.1	102.2
48 States	126,811	124,003	119,722	118,604	117,129	99.9	98.8
Alaska	23	21	19	18	18	2/	100.0
Hawaii	133	149	151	147	134	.1	91.2
United States	126,967	124,173	119,892	118,769	117,281	100.0	98.7

1/ Preliminary.
2/ Less than 0.05 percent.

February were down 5 percent from a year earlier.

The value of dairy rations in February averaged $3.13 per 100 pounds, the same as a year earlier. Higher milk prices pushed the February milk-feed price ratio up 5 percent to a record 1.75 for the month.

Dairy ration values likely will be near a year earlier during the first half of 1969. Since milk prices will be higher, the milk-feed ratio likely will be at or near record levels. In the last half of the year, milk prices also are expected to gain and the milk-feed price ratio likely will continue very favorable to heavy feeding.

The hay supply for 1968/69 (year started May 1) was 2 percent above last year's large supply. Even with increased May-December hay disappearance, January 1 stocks were above a year earlier. Despite large supplies, hay prices in early 1969 are averaging slightly above a year earlier, indicative of the generally strong demand for hay. In February, farmers paid an average of $35.10 per ton for baled alfalfa hay, about 3 percent above a year earlier. Unusually cold weather in much of the country this winter likely will keep prices higher during the rest of the barn-feeding season.

PRICES AND INCOME

Dairy Price Supports Announced

The dairy price support for manufacturing grade milk will continue at $4.28 per 100 pounds during the 1969/70 marketing year (beginning April 1), according to a USDA announcement last December 26. At that time, the support price was at 87 percent of parity. According to law, manufacturing milk prices must be supported between 75 and 90 percent of parity, as of the beginning of the marketing year. The support price is a national average for milk of average butterfat content (approximately 3.7 percent).

The Commodity Credit Corporation will later announce support purchase prices for butter, American cheese, and nonfat dry milk that will carry out this support. This announcement will be made before April 1.

The Department also announced last December that fluid milk prices (Class I) in Federal order markets would continue at their present levels after April, when a temporary 20-cent increase in Class I price differentials and a basic formula floor price of $4.33 per 100 pounds granted in 1968 were due to expire. Termination of the April 30, 1969, expiration date extends the temporary price increases indefinitely. In a few eastern markets using economic price formulas, comparable action will also maintain prices at current levels.

Farm Milk Prices Still Gaining

Prices received by farmers for milk are running about 5 percent above year-earlier levels in early 1969 (figure 2). February milk prices averaged $5.47 per 100 pounds, 5.2 percent above a year earlier. The 28-cent higher support price for manufacturing grade milk and increased Class I prices in Federal order markets will maintain prices about 5 percent above a year earlier through March.

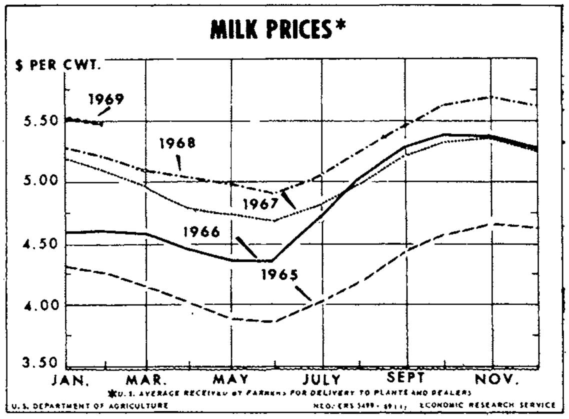


Figure 2

Smaller gains are in prospect for the second quarter, reflecting the same support levels as a year earlier and seasonal gains in milk output that will bring supplies above commercial requirements.

In the second half of 1969, a tighter supply-demand situation than a year earlier may occur because of lower production and reduced stocks. These developments could cause a larger seasonal price rise and higher prices than a year earlier. Also, Class I prices in several Federal order markets were raised an average of 24 cents per 100 pounds last September to align their prices with those of the reinstated Chicago Federal order. These actions will cause some increase in farm milk prices through September 1969 relative to a year ago. For the entire year, prices farmers receive for milk may average some 3 percent above 1968.

The New York-New Jersey milk market administrator forecasts an increase of about 8 percent in blend prices to producers in his area during the first half of 1969. For the same period, New England dairy economists predict a $4\frac{1}{2}$ percent blend price increase from a year earlier for the Massachusetts-Rhode Island-New Hampshire Federal order market.

Prices dealers paid for bottling milk averaged $6.71 per 100 pounds in February, 5.8 percent above a year earlier. This price did not decline seasonally from last fall, because in many markets it is being determined by a minimum basic formula price plus a flat differential. The Federal order action that set a minimum basic Class I formula price of $4.33 caused Class I prices to hold about 10 cents higher than otherwise would have occurred during May 1968-February 1969, and will maintain Class I prices about 10-15 cents higher through the first half of this year.

Manufacturing grade milk prices were $4.33 per 100 pounds in February, about 6 percent above a year earlier. Manufacturing prices (adjusted to the annual average fat test of 3.7 percent) averaged about 7 cents above the $4.28 support level in the October 1968-January 1969 period, but were closer to the support level in February. Manufacturing milk prices likely will be near the support level through the flush production months of May and June. However, they may show more than normal seasonal gains next fall, depending on the balance between supply and demand.

The average price for milkfat in farm-separated cream was reported at 67.8 cents per pound in February, up from a year earlier. Through midyear, milkfat prices will depend on the support purchase price of butter--still to be announced for the 1969/70 marketing year--and thereafter on the balance between butter supply and demand.

The present support level--$4.28 per 100 pounds for manufacturing grade milk of average fat test--was at 84 percent of parity in February, compared with about 89 percent of parity when the $4.28 support was established last spring. This decline resulted from increases during the past year in the factors used to compute the dairy support price--the parity index, the 10-year average of wholesale and manufacturing grade milk prices, and the ratio of these prices. Consequently, the parity equivalent price (100 percent of parity) of manufacturing grade milk rose from $4.79 per 100 pounds last March to $5.09 this February, and likely will be a little higher in March.

Gross Cash Receipts To Rise

Cash receipts from sales of milk and cream returned farmers approximately $6 billion in 1968, up 4 percent from 1967 levels. Lower milk and cream marketings last year were more than offset by higher milk prices. Rising production costs offset most of this gain in gross dairy income. Prospects for 1969 indicate that dairy cash receipts will likely show another gain, perhaps to $6.2 billion. Higher milk prices are expected to offset a further drop in milk and cream marketed by farmers.

Wholesale Dairy Prices Drop to Support Levels

In 1968, the wholesale price index of dairy products averaged a record 127.6 (1957-59=100), up 4.6 percent from 1967. Wholesale prices of concentrated products (evaporated and nonfat dry milk) rose 10 percent, while both fresh milk and cheese gained 5 percent. However, wholesale prices increased only about $1\frac{1}{2}$ percent for ice cream, and only slightly for butter.

From late August through December of 1968, market prices of butter and American cheese rose seasonally above support purchase levels (table 6). However, in early January butter production rose above commercial demand and butter prices (Chicago, Grade A) dropped almost 3 cents to 66.4 cents per pound, the support purchase price. They have since continued at that level.

After dropping in January, wholesale prices of Cheddar cheese (40-lb. blocks, Wisconsin assembling points) strengthened in February and are currently about 2 cents per pound above the 47-cent support purchase price.

During the second half of 1968, manufacturers' average selling prices of nonfat dry milk hovered near the 23.1-cent per pound support purchase price, and averaged 23.5 cents in January.

Supplies of these products probably will be large enough to keep wholesale prices near support purchase levels during the first half of this year. But market prices may gain more than seasonally next fall. The support purchase prices for butter, cheese, and nonfat dry milk, yet to be announced by USDA for the 1969/70 marketing year, will affect wholesale prices of these products after April 1 of this year.

Retail Prices Continue Higher

Retail prices of dairy products have been running about 4 percent above a year earlier since last May. Prices in the first quarter have been running about $3\frac{1}{2}$ percent higher than a year earlier. If there are no changes in current dairy programs, retail prices during the second quarter of 1969 may average closer to year-earlier prices. In the second half of 1969, a tighter supply-demand situation could cause retail dairy prices to show larger increases. However, for all of 1969, retail dairy prices may rise less than during the past 3 years.

For all of 1968, the BLS retail price index for dairy products averaged 120.6 (1957-59=100), up 3.3 percent from a year earlier. This followed gains of $6\frac{1}{2}$ and $4\frac{1}{2}$ percent, respectively, during the previous 2 years.

While retail prices of fresh whole and skim milk rose 4-5 percent in 1968, prices of cheese and evaporated milk gained 2 percent, and butter rose 1 percent. Ice cream prices at retail declined slightly from 1967.

In 1968, the spread between the retail cost and farm value (marketing margin) of dairy products in the "market basket" of U.S. farm food averaged about 3 percent above 1967. The farm value of these dairy products increased about $3\frac{1}{2}$ percent. Last year farmers received an average of about 48 cents of every dollar consumers spent for dairy products, the same as in 1967.

UTILIZATION

Milk for Manufacturing Continues Down

Because little change is expected in fluid milk sales, anticipated lower milk production will cause the milk equivalent available for manufacturing to remain below year-earlier levels during the first half of 1969. In January, approximately 4.6 billion pounds of milk were used in the major manufactured dairy products, less than 1 percent below January 1968.

This year, through February 20, creamery butter production was down slightly from a year earlier, while American cheese output declined about 4 percent from a year earlier.

Less milk for manufacturing would likely lead to lower butter production and possibly to less evaporated, condensed, and dry whole milk in the first half of 1969 than a year earlier. Nonfat dry milk output (down 6 percent in January) tends to follow the direction taken by butter output. Rising population and increased demand may bring gains in output of cheese and frozen desserts.

Table 6.--Prices paid for specified uses of milk, 3.5 percent fat basis, and wholesale prices for butter and cheese, annual 1957-65, by months, 1966-68

Year and month	Prices paid per 100 pounds of milk (3.5 percent milkfat)								Wholesale price per pound	
	Dealers buying price for fluid use 1/	Eligible for fluid market 2/	Manufacturing grade 2/	For butter and by-products 2/	For American cheese 2/	For evaporated milk 2/	Minnesota-Wisconsin manufacturing grade 1/	All milk 2/	Butter, 92-score, Chicago	American cheese, Wisconsin assembling points 3/
	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Ct.	Ct.
1957	5.46	4.57	3.03	3.06	2.98	3.01	3.10	4.03	59.6	N.A.
1958	5.40	4.49	2.96	2.95	2.91	2.95	3.00	3.96	58.7	N.A.
1959	5.40	4.52	2.99	2.98	2.92	2.98	3.02	4.00	59.7	35.1
1960	5.48	4.52	3.07	3.03	3.08	3.06	3.13	4.04	59.1	37.4
1961	5.43	4.49	3.18	3.23	3.12	3.11	3.25	4.06	60.5	37.6
1962	5.35	4.39	3.04	3.09	3.00	2.97	3.11	3.95	58.6	4/36.2
1963	5.31	4.38	3.06	3.09	3.05	2.99	3.11	3.98	58.2	37.0
1964	5.35	4.45	3.13	3.14	3.11	3.08	3.18	4.03	59.0	37.8
1965	5.39	4.48	3.21	3.22	3.19	3.15	3.27	4.09	60.2	38.4
1966										
January	5.56	4.74	3.46	3.34	3.55	3.44	3.47	4.37	59.3	42.8
February	5.59	4.78	3.54	3.43	3.64	3.47	3.58	4.42	61.8	43.8
March	5.59	4.78	3.62	3.49	3.72	3.53	3.68	4.43	63.4	46.5
April	5.59	4.70	3.59	3.53	3.58	3.50	3.64	4.35	62.8	43.5
May	5.50	4.58	3.61	3.59	3.58	3.49	3.65	4.26	63.5	42.9
June	5.50	4.63	3.71	3.68	3.69	3.56	3.82	4.31	66.0	44.8
July	5.77	5.02	3.97	4.03	3.92	3.74	4.05	[illegible]	71.2	47.3
August	5.99	5.29	4.12	4.15	4.10	3.88	4.26	4.91	73.0	47.1
September	6.13	5.51	4.17	4.22	4.13	3.91	4.34	5.12	74.9	50.1
October	6.24	5.54	4.12	4.10	4.14	3.92	4.26	5.14	68.8	49.3
November	6.23	5.51	4.07	4.05	4.06	3.89	4.15	5.11	67.7	47.1
December	6.19	5.40	4.05	4.01	4.04	3.93	4.14	5.01	66.5	47.0
Average	5.82	5.02	3.82	3.80	3.84	3.68	3.92	4.66	66.6	46.0
1967										
January	6.15	5.34	4.00	3.98	3.99	3.89	4.08	4.95	66.5	46.6
February	6.14	5.30	3.96	3.96	3.89	3.84	4.02	4.89	66.5	45.1
March	6.02	5.19	3.93	3.93	3.86	3.83	4.01	4.80	66.5	45.0
April	6.02	5.01	3.89	3.92	3.84	3.81	3.98	4.65	66.5	45.0
May	6.11	5.02	3.89	3.91	3.83	3.79	3.96	4.64	66.5	45.0
June	6.17	4.98	3.89	3.90	3.82	3.80	3.96	4.60	66.5	45.0
July	6.17	5.16	3.88	3.91	3.82	3.78	3.95	4.73	66.5	44.9
August	6.18	5.34	3.89	3.93	3.82	3.77	3.97	4.88	67.1	45.0
September	6.28	5.55	3.87	3.93	3.83	3.74	3.97	5.06	67.1	45.0
October	6.30	5.57	3.90	3.92	3.86	3.75	3.98	5.10	66.6	45.0
November	6.31	5.57	3.91	3.94	3.87	3.76	4.00	5.11	66.5	45.0
December	6.33	5.48	3.95	3.94	3.93	3.82	4.04	5.04	67.7	46.0
Average	6.18	5.28	3.91	3.93	3.86	3.80	3.99	4.87	66.7	45.2
1968 5/										
January	6.35	5.47	3.93	3.93	3.94	3.85	4.01	5.03	66.4	46.5
February	6.36	5.45	3.91	3.94	3.90	3.87	4.00	5.02	66.4	46.2
March	6.35	5.34	3.93	3.95	3.89	3.89	4.02	4.92	66.4	45.1
April	6.35	5.30	4.09	4.13	3.99	3.99	4.18	4.92	66.4	48.0
May	6.52	5.30	4.10	4.14	4.01	3.99	4.19	4.90	66.4	48.2
June	6.53	5.24	4.09	4.13	4.00	3.98	4.18	4.84	66.4	47.8
July	6.58	5.47	4.09	4.15	3.99	3.95	4.18	5.01	66.4	47.2
August	6.59	5.67	4.09	4.16	4.00	3.94	4.20	5.18	66.6	47.7
September	6.64	5.83	4.12	4.19	4.03	3.90	4.23	5.34	68.5	47.9
October	6.69	5.92	4.17	4.19	4.11	3.94	4.28	5.43	67.3	48.8
November	6.69	5.91	4.19	4.19	4.14	3.96	4.27	5.43	66.8	48.8
December	6.69	5.80	4.19	4.21	4.18	4.01	4.30	5.35	68.7	48.8
Average	6.53	5.56	4.08	4.11	4.02	3.94	4.17	5.11	66.9	47.6

1/ Published data.
2/ Adjusted by butterfat differential based on 92-score butter price, Chicago.
3/ 40-pound blocks.
4/ 11-month average.
5/ Preliminary.

In 1968, output of manufactured dairy products (milk equivalent) fell about 1 percent from a year earlier to 59 billion pounds. Increases for American and other cheese, creamed cottage cheese, condensed milk, dry whole milk, and frozen dairy desserts were more than offset by production declines for butter, evaporated milk, and nonfat dry milk (table 7).

Dairy Sales Steadied in 1968

In 1968, dairy product sales steadied and turned upward in the second half, after a slow start in the early months of the year (figure 3). Commercial disappearance of milk in all dairy products (fat solids basis) was estimated at approximately 110 billion pounds, about the same as in 1967 (table 8). This follows a drop of about 5 percent in 1967 from the 1966 peak of about 115½ billion pounds.

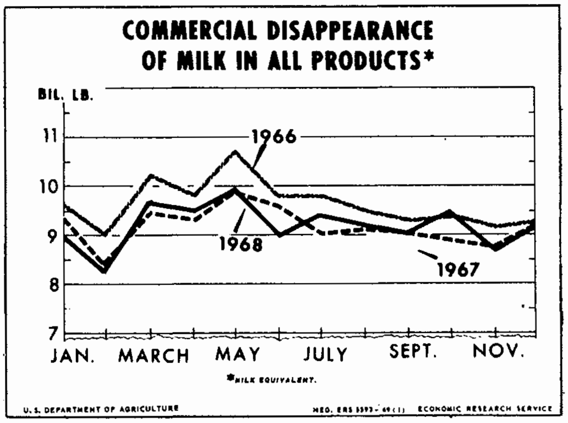


Figure 3

Domestic sales last year included 2.2 billion pounds milk equivalent of dairy products purchased by the armed services for use in the United States, slightly more than in 1967. Domestic sales for civilian use, equivalent to around 107 billion pounds of milk, were about the same in both years. Sales for export and for shipment to U.S. territories in 1968 were equivalent to 0.8 billion pounds of milk, compared with 0.7 billion a year earlier.

Commercial disappearance of dairy products (milk equivalent, fat solids basis) steadied last year primarily because of the gain in sales of manufactured products. Most major manufactured dairy products registered gains, except evaporated and condensed milk, which continued their long-time downtrend. Sales of cheese, particularly Swiss, cream, and American, continued to increase. Commercial disappearance of ice cream was up 5 percent, the largest annual gain since the late 1950's. Butter sales reversed their long-term downtrend and increased about 1½ percent. Nonfat dry milk sales rose about 6 percent last year, despite substantial price increases. However, since April 1, when the price increases took effect, sales gained about 2 percent over a year earlier, compared with 18 percent in the first quarter. Smaller increases in retail prices than in 1966 and 1967 helped sales for dairy products, particularly for butter and ice cream. Also contributing to larger sales were sharp gains in consumer incomes, high employment levels, and growing population.

Sales of fluid milk products on a product weight basis last year rose an estimated 1-1½ percent (figure 4). The sharp 15 percent gain in sales of low-fat fluid items more than offset declines in whole milk and cream sales. Fluid whole milk sales, which fell almost 3 percent from 1966 to 1967, were down less than 1 percent in 1968. Whole milk sales in the fourth quarter of 1968 were estimated above year-earlier levels for the first time since mid-1966 (table 9).

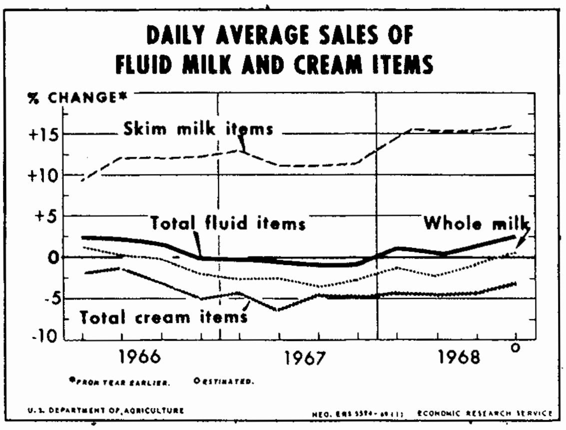


Figure 4

Table 7 .--Production of specified manufactured dairy products, United States, 1958-68

Year and month	Creamery butter	Cheese: American (whole milk)	Cheese: Other	Cheese: Total 1/	Evaporated milk	Dry whole milk	Ice cream	Milk equivalent 2/	Nonfat dry milk (human food)
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. gal.	Mil. lb.	Mil. lb.
1958	1,390	978	421	1,399	2,298	88	658	57,564	1,710
1959	1,334	943	441	1,383	2,268	90	699	57,019	1,723
1960	1,373	996	482	1,478	2,177	98	700	58,361	1,819
1961	1,484	1,149	486	1,635	2,117	82	699	62,169	2,020
1962	1,537	1,094	498	1,592	1,929	86	704	62,811	2,230
1963	1,420	1,108	523	1,632	1,897	91	718	61,193	2,106
1964	1,442	1,157	566	1,724	1,888	88	739	62,902	2,177
1965	1,325	1,158	597	1,755	1,693	89	757	60,238	1,989
1966	1,112	1,220	634	1,854	1,709	94	751	56,936	1,580
1967 3/									
January	111	101	52	153	105	6	51	4,684	134
February	103	95	48	144	104	5	51	4,522	129
March	112	107	55	162	121	7	63	5,098	146
April	120	121	51	173	149	8	59	5,469	174
May	128	134	56	189	170	9	68	6,034	193
June	126	139	55	194	172	7	77	6,276	203
July	103	121	52	173	153	7	74	5,503	160
August	86	107	51	158	140	5	78	4,899	123
September	75	91	50	141	111	4	65	4,101	97
October	84	88	53	140	96	6	60	4,067	99
November	82	80	55	135	84	6	53	3,808	97
December	93	92	59	151	91	6	48	4,126	119
Total 1/	1,223	1,276	637	1,913	1,493	74	745	58,587	1,675
1968 3/									
January	108	95	54	149	86	6	55	4,628	128
February	101	94	50	144	86	6	58	4,574	129
March	109	106	57	163	96	6	62	5,103	146
April	114	121	59	180	125	7	67	5,576	170
May	124	140	60	200	147	10	70	6,147	189
June	117	140	57	197	138	10	72	6,038	188
July	100	123	53	176	138	5	82	5,567	152
August	82	110	52	161	134	5	81	4,929	120
September	70	94	52	147	108	5	67	4,129	91
October	78	90	57	147	102	6	63	4,119	91
November	78	81	56	137	91	5	54	3,818	91
December	92	87	59	146	110	5	51	4,197	116
Total 1/	1,172	1,282	665	1,947	1,361	76	781	58,825	1,610

1/ May not add due to rounding.
2/ For products for which monthly data are available.
3/ Preliminary.

Table 8.--Commercial disappearance: Total milk, by quarters, and annual, 1967-68

Item	1967						1968 1/					
	By quarters				Annual		By quarters				Annual	
	1st	2nd	3rd	4th	Volume	Change 1967/66	1st	2nd	3rd	4th	Volume	Change 1968/67
	Billion pounds											
Production	29.4	33.1	29.1	27.2	118.8	-1.1	28.8	32.3	28.7	27.5	117.3	-1.5
Farm use	1.5	1.3	1.2	1.2	5.2	-.3	1.2	1.2	1.1	1.1	4.6	-.6
Marketings	27.9	31.8	27.9	26.0	113.6	-.8	27.6	31.1	27.6	26.4	112.7	-.9
Beginning commercial stocks 2/	4.8	4.4	5.8	5.4	4.8	.9	4.3	3.7	5.4	5.1	4.3	-.5
Imports	1.0	1.1	.4	.4	2.9	.1	.3	.5	.6	.4	1.8	-1.1
Total supply	33.7	37.3	34.1	31.8	121.3	.2	32.2	35.3	33.6	31.9	118.8	-2.5
Ending commercial stocks 2/	4.4	5.8	5.4	4.3	4.3	-.5	3.7	5.4	5.1	4.0	4.0	-.4
Net removals (CCC and PIK)	2.2	3.0	1.6	.6	7.4	6.8	1.9	2.0	.9	.2	5.0	-2.4
Commercial disappearance Actual	27.1	28.5	27.1	26.9	109.6	-6.1	26.6	27.9	27.6	27.7	109.8	.2
Percent change from previous year	-6.2	-5.6	-5.9	-3.2	-5.3		-1.8	-2.1	1.8	3.0	.3	

1/ Preliminary. 2/ Excludes stocks for butterfat.

Table 9 .--Fluid milk products: Average daily sales in State and Federal marketing areas, January-November 1967-68, with comparisons 1/

Year and month	Whole milk		Skim milk items		Milk and cream mixtures		Fluid cream products		Total fluid items	
	Quantity	Change from year earlier	Quantity	Change from year earlier	Quantity	Change from year earlier	Quantity	Change from year earlier	Quantity	Change from year earlier
	Mil. lb.	Pct.	Mil. lb.	Pct.	Mil. lb.	Pct.	Mil. lb.	Pct.	Mil. lb.	Pct.
1967										
January	94.6	-2.3	13.3	12.9	1.2	-5.9	0.6	-3.8	94.5	-0.1
February	96.0	-2.3	13.8	13.4	1.2	-5.2	.7	-4.2	96.4	.1
March	95.1	-3.4	14.0	12.6	1.2	-4.9	.7	1.8	95.8	-.7
April	92.0	-4.8	13.7	7.5	1.2	-10.6	.7	-13.4	92.6	-3.8
May	91.9	-.5	13.8	14.0	1.2	-3.3	.7	-2.7	92.7	1.9
June	85.4	-2.5	13.8	11.9	1.2	-4.6	.7	-4.9	87.2	.2
July	76.4	-4.5	13.9	10.1	1.3	-3.3	.7	-4.2	88.5	-1.8
August	78.7	-4.0	14.4	10.9	1.3	-5.4	.7	-5.7	91.2	-1.8
September	88.4	-2.1	15.4	12.5	1.3	-4.2	.7	-5.6	101.5	.3
October	87.0	-2.6	15.5	12.3	1.3	-5.2	.7	-4.6	100.2	-.5
November	87.7	-1.6	15.7	11.9	1.3	-4.3	.8	-2.5	101.5	0
January-November	88.5	-2.7	14.3	12.0	1.2	-5.2	.7	-5.1	94.7	-.5
1968										
January	94.7	.1	15.3	15.5	1.1	-2.6	.6	-4.2	96.8	2.4
February	94.3	-1.7	15.9	14.7	1.2	-2.9	.7	-1.2	97.2	.8
March	92.8	-2.4	16.1	14.5	1.1	-5.7	.6	-9.4	96.0	.3
April	91.9	-.2	16.3	18.9	1.1	-1.5	.7	5.5	95.3	2.8
May	90.0	-2.1	16.1	16.4	1.1	-4.4	.7	-3.4	93.6	.9
June	81.4	-4.7	15.3	11.1	1.1	-6.8	.6	-7.5	85.0	-2.5
July	76.3	.1	16.3	17.0	1.2	-3.4	.7	-1.1	90.7	2.5
August	79.7	1.3	17.0	17.4	1.2	-2.9	.7	-.6	94.6	3.8
September	84.6	-4.3	17.2	11.2	1.2	-9.3	.6	-7.2	99.5	-2.0
October	87.7	.7	18.1	16.3	1.2	-2.5	.6	-3.0	103.4	3.1
November	87.2	-.5	18.4	17.4	1.3	-.7	.8	-2.3	104.1	2.6
January-November	87.3	-.8	16.5	15.0	1.2	-3.1	.7	-2.9	96.0	1.6

1/ For comparable markets in each category and month.

Sales of fluid milk substitute products in recent months appear to have leveled off in markets for which data are available. Filled milk sales in Federal order markets amounted to about 5.3 million pounds in December, approximately 0.4 percent of Class I sales in the markets reporting (table 10). They have remained close to 5 million pounds a month since last March. Imitation milk sales in California have been around 6 million pounds a month, or 1.3 percent of Class I sales, since April, while "Melloream" (imitation milk) sales in Rochester and Buffalo, N.Y., are lower than last April.

Dairy Sales Prospects Better on Balance

In 1969, a larger rise in civilian population than last year, less rise in retail prices than in recent years, and continued--though smaller--gains in consumer income favor a rise in dairy sales. Also, dairy sales promotion is being increased. Filled and imitation milk sales--a mounting threat to whole milk sales in early 1968--have leveled off in markets where data are available.

On the other hand, the possibility of some rise in unemployment and a general rise in all prices temper optimism for increased sales.

The civilian population for mid-1969 is estimated at 200 million persons, a gain of 2.4 million from 1968 after increases of 1.9 million annually for several years. If dairy supports are unchanged, retail prices of dairy products may rise less than increases of the preceding 3 years.

For 1969, changes in fluid product sales are expected to generally follow trends observed for the past several years. Whole milk sales may stabilize or rise slightly; sales of cream items likely will fall. Sales of low-fat items are expected to continue their large gains of recent years. Among major manufactured products, cheese, frozen products, and nonfat dry milk are most likely to increase sales.

Preliminary data indicate that commercial disappearance of milk in all dairy products this January was about the same as a year earlier.

Milk Consumption Gains

Consumption of milk in all dairy products last year was about 117 billion pounds milk equivalent, fat solids basis, up about $1\frac{1}{2}$ percent from a year earlier (table 11). This gain reversed the downtrend in consumption since 1964. Both civilian and military consumption rose. Gains in sales of most manufactured dairy products and increased USDA donations of dairy products more than offset lower farm use. Total milk consumption is composed of (1) milk and dairy product sales; (2) dairy product donations to domestic welfare and school lunch programs and to the Armed Forces; and (3) milk and butter used on farms where produced.

USDA donations of dairy products to civilian programs and to the Armed Forces were equivalent to about 5.3 billion pounds of milk in 1968, up sharply from year-earlier levels. Butter donations almost doubled, including about 50 million pounds that became available to the Armed Forces. USDA dairy product donations to the military were suspended in 1966 when CCC stocks were depleted, and none was donated in 1967. Donations of cheese and nonfat dry milk were also larger in 1968. Evaporated milk and an instant chocolate beverage were introduced for program use. Last year, dairy products equivalent to 4.2 billion pounds of milk were donated by USDA to civilian welfare and school lunch programs, while 1.1 billion pounds moved to the Armed Forces. Expanded use of butter by the Armed Forces increased military use of milk in all dairy products by about half from the 1967 level.

Per capita civilian consumption of milk in all dairy products was 576 pounds (milk equivalent, fat solids basis) in 1968, down about 1 percent from a year earlier, compared with a 3 percent average decline in the past 2 years (table 12).

Total civilian consumption of milk in all dairy products this year will likely rise slightly from 1968. However, civilian consumption per person likely will

Table 10.--Filled milk sales in Federal milk order markets, November 1967-December 1968 1/

Year and month	Unit	Filled milk: nondairy fat and Fluid skim milk	Filled milk: nondairy fat and Nonfat dry milk	Imitation milk: nondairy fat, and sodium caseinate and other protein	Total
Nov. 1967					
Markets	No.	13	9	3	2/17
Handlers	No.	30	11	3	44
Volume	Thou. lb.	1,787	581	3/	2,368
Dec. 1967					
Markets	No.	14	9	9	2/24
Handlers	No.	33	21	15	69
Volume	Thou. lb.	2,417	912	3/	3,329
Jan. 1968					
Markets	No.	15	8	10	2/26
Handlers	No.	33	23	14	70
Volume	Thou. lb.	3,083	876	3/	3,959
Feb. 1968					
Markets	No.	19	8	12	2/30
Handlers	No.	37	22	20	79
Volume	Thou. lb.	3,488	1,078	3/	4,566
Mar. 1968					
Markets	No.	19	11	10	2/30
Handlers	No.	41	24	15	80
Volume	Thou. lb.	4,118	1,072	3/	5,190
Apr. 1968					
Markets	No.	19	11	8	2/28
Handlers	No.	43	21	11	75
Volume	Thou. lb.	4,046	893	3/	4,939
May 1968					
Markets	No.	20	10	7	2/28
Handlers	No.	45	17	10	72
Volume	Thou. lb.	4,202	879	3/	5,081
June 1968					
Markets	No.	18	10	8	2/27
Handlers	No.	45	16	11	72
Volume	Thou. lb.	3,900	723	3/	4,623
July 1968					
Markets	No.	18	10	8	2/27
Handlers	No.	46	16	11	73
Volume	Thou. lb.	4,258	867	3/	5,125
Aug. 1968					
Markets	No.	16	9	8	2/25
Handlers	No.	40	15	8	63
Volume	Thou. lb.	4,428	846	3/	5,274
Sept. 1968					
Markets	No.	16	8	8	2/25
Handlers	No.	41	15	8	64
Volume	Thou. lb.	4,292	807	3/	5,099
Oct. 1968					
Markets	No.	16	8	8	2/25
Handlers	No.	41	15	8	64
Volume	Thou. lb.	4,888	753	3/	5,641
Nov. 1968					
Markets	No.	16	9	9	2/28
Handlers	No.	42	11	9	62
Volume	Thou. lb.	4,532	809	3/	5,341
Dec. 1968					
Markets	No.	16	9	8	2/27
Handlers	No.	39	14	9	62
Volume	Thou. lb.	4,582	732	3/	5,314
Jan. 1969					
Markets	No.				
Handlers	No.				
Volume	Thou. lb.				
Feb. 1969					
Markets	No.				
Handlers	No.				
Volume	Thou. lb.				

1/ May not reflect total sales in all order markets. 2/ Represents number of markets reporting sales of one or more products. 3/ Unknown.

Based on Federal Milk Order Market Statistics.

Table 11.--Milk and dairy products utilization, United States, 1957-59 average, and annual, 1964-68

Year and item	Exports and shipments: Commercial and government-to-government sales	Exports and shipments: P.L. 480 and AID	Exports and shipments: Total	Domestic use: Military: Purchases and CCC transfers	Domestic use: Military: USDA donations 1/	Domestic use: Military: Total	Domestic use: Civilian: Commercial and farm use 2/	Domestic use: Civilian: USDA donations 3/	Domestic use: Civilian: Total	Total domestic use: Excluding USDA donations	Total domestic use: USDA donations	Total domestic use: Total
	Million pounds											
Milk 4/												
1957-59 average	901	1,662	2,563	2,170	483	2,653	113,293	3,035	116,328	115,463	3,518	118,981
1964	3,478	3,976	7,454	2,525	482	3,007	114,376	5,206	119,582	116,901	5,688	122,589
1965	1,710	648	2,358	2,387	432	2,819	115,099	3,593	118,692	117,486	4,025	121,511
1966	907	301	1,208	2,376	---	2,376	115,594	1,129	116,723	117,970	1,129	119,099
1967	675	149	824	2,118	---	2,118	110,339	3,105	113,444	112,457	3,105	115,562
1968 5/	835	935	1,770	2,213	1,114	3,327	109,534	4,225	113,759	111,747	5,339	117,086
Butter												
1957-59 average	8	19	27	30	22	52	1,296	102	1,398	1,326	124	1,450
1964	136	172	308	46	20	66	1,117	180	1,297	1,163	200	1,363
1965	56	19	75	41	19	60	1,102	130	1,232	1,143	149	1,292
1966	15	4	19	33	---	33	1,047	51	1,098	1,080	51	1,131
1967	6	1	7	21	---	21	966	108	1,074	987	108	1,095
1968 5/	8	33	41	27	50	77	967	146	1,113	994	196	1,190
American Cheese												
1957-59 average	8	112	120	8	2	10	814	90	904	822	92	914
1964	15	9	24	7	4	11	1,035	133	1,168	1,042	137	1,179
1965	14	5	19	8	3	11	1,098	80	1,178	1,106	83	1,189
1966	14	1	15	11	---	11	1,195	5	1,200	1,206	5	1,211
1967	16	4	20	14	---	14	1,168	81	1,249	1,182	81	1,263
1968 5/	19	6	25	11	5	16	1,200	106	1,306	1,211	111	1,322
Other cheese												
1957-59 average	3	---	3	1	---	1	461	---	461	462	---	462
1964	1	---	1	6	---	6	614	---	614	620	---	620
1965	3	---	3	5	---	5	648	---	648	653	---	653
1966	3	---	3	7	---	7	689	---	689	696	---	696
1967	3	---	3	8	---	8	714	---	714	722	---	722
1968 5/	3	---	3	8	---	8	785	---	785	793	---	793
Evaporated and condensed milk												
1957-59 average	118	79	197	49	---	49	2,544	---	2,544	2,593	---	2,593
1964	91	63	154	31	---	31	2,157	---	2,157	2,188	---	2,188
1965	71	68	139	52	---	52	2,040	---	2,040	2,092	---	2,092
1966	116	75	191	63	---	63	1,882	---	1,882	1,945	---	1,945
1967	100	25	125	18	---	18	1,757	---	1,757	1,775	---	1,775
1968 5/	105	35	140	16	---	16	1,653	40	1,693	1,669	40	1,709
Dry whole milk												
1957-59 average	47	1	48	2	---	2	45	---	45	47	---	47
1964	24	1	25	---	---	---	61	---	61	61	---	61
1965	26	4	30	2	---	2	59	---	59	61	---	61
1966	23	4	27	1	---	1	64	---	64	65	---	65
1967	20	4	24	---	---	---	51	---	51	51	---	51
1968 5/	25	2	27	4	---	4	42	---	42	46	---	46
Nonfat dry milk												
1957-59 average	114	575	689	3	---	3	852	122	974	855	122	977
1964	744	593	1,337	3	---	3	966	153	1,119	969	153	1,122
1965	375	512	887	8	---	8	923	146	1,069	931	146	1,077
1966	104	306	410	19	---	19	1,005	127	1,132	1,024	127	1,151
1967	24	410	434	9	---	9	973	108	1,081	982	108	1,090
1968 5/	23	379	402	1	---	1	1,029	122	1,151	1,030	122	1,152

1/ P.L. 690 from CCC stocks.
2/ Includes farm household use of home-produced milk and butter.
3/ Includes donations from CCC stocks under Sections 32, 416, and, beginning 1966, 709.
4/ Milk equivalent, fat solids basis.
5/ Preliminary.

Table 12.--Milk equivalent: Domestic civilian disappearance, commercial and noncommercial sources, total and per capita, United States, 1947-49 and 1957-59 averages, selected years, 1950-68

Year	Civilian disappearance: Consumed on farms 1/	Civilian disappearance: CCC supplies of butter and cheese to civilian channels	Civilian disappearance: National School Lunch and Special Milk Programs	Civilian disappearance: Commercial sources	Civilian disappearance: All sources	Total military utilization 2/	Consumption excluding donations from CCC supplies: Civilian	Consumption excluding donations from CCC supplies: Military	Consumption excluding donations from CCC supplies: Total
	Million pounds								
1947-49	15,458	134	482	91,547	107,621	1,541	107,487	1,538	109,025
1957-59	8,396	3,035	2,105	102,793	116,348	2,653	113,294	2,170	115,464
1950	14,250	1,271	623	94,964	111,108	1,766	109,837	1,766	111,603
1955	11,359	3,102	1,394	98,697	114,552	3,329	111,450	2,627	114,077
1956	10,508	3,340	1,743	100,554	116,145	3,123	112,805	2,635	115,440
1957	9,431	2,224	1,917	102,077	115,649	2,775	113,425	2,333	115,758
1958	8,380	4,040	2,113	102,352	116,885	2,610	112,845	2,114	114,959
1959	7,378	2,840	2,284	103,949	116,451	2,574	113,611	2,064	115,675
1960	6,610	2,040	2,455	105,259	116,364	2,532	114,324	2,228	116,552
1961	5,950	3,385	2,602	104,191	116,128	2,472	112,743	2,111	114,854
1962	5,334	4,848	2,755	104,839	117,776	2,969	112,928	2,344	115,272
1963	4,813	4,929	2,902	105,239	117,883	2,964	112,954	2,415	115,369
1964	4,337	5,206	3,031	107,008	119,582	3,007	114,376	2,525	116,901
1965	3,915	3,593	3,215	107,969	118,692	2,819	115,099	2,387	117,486
1966	3,508	1,129	3,373	108,713	116,723	2,376	115,594	2,376	117,970
1967	3,185	3,105	3,441	103,713	113,444	2,118	110,339	2,118	112,457
1968 3/	2,840	4,225	3,610	103,084	113,759	3,327	109,534	2,213	111,747

Year	Per capita civilian disappearance 4/: Consumed on farms 1/	Per capita civilian disappearance 4/: CCC supplies of butter and cheese to civilian channels	Per capita civilian disappearance 4/: National School Lunch and Special Milk Programs	Per capita civilian disappearance 4/: Commercial sources	Per capita civilian disappearance 4/: All sources	Civilian consumption excluding donations from CCC supplies
	Pounds					
1947-49	106	1	3	631	742	741
1957-59	49	18	12	600	679	661
1950	95	8	4	632	740	731
1955	70	19	9	608	706	687
1956	64	20	11	608	702	682
1957	56	13	11	606	687	674
1958	49	24	12	597	682	658
1959	42	16	13	596	667	651
1960	37	11	14	591	653	642
1961	33	19	14	575	641	622
1962	29	26	15	570	641	614
1963	26	26	16	564	631	605
1964	23	27	16	565	631	604
1965	20	19	17	563	618	600
1966	18	6	17	561	602	596
1967	16	16	18	531	580	564
1968 3/	14	21	18	522	576	554

1/ Milk and butter consumed in households on milk-producing farms, 1947-54; 1955 to date includes a small amount of farm-churned butter sold. 2/ Includes any quantities used by military in civilian feeding programs abroad. 3/ Preliminary. 4/ Aggregate in each category divided by total civilian population.

continue to trend down at about last year's 1 percent rate. USDA donations of butter and cheese for civilian use in the school lunch and direct distribution programs may be limited by available supplies, but likely will be large. Ample supplies of nonfat dry milk are expected to be available for domestic programs.

Reflecting increased use of dairy products, particularly butter, cheese, and ice cream, domestic milkfat consumption rose slightly in 1968 to 4.3 billion pounds, or about 92 percent of milkfat supplies (table 13). The balance was fed to livestock, exported, and added to stocks. Total domestic food use of milk solids-not-fat rose almost 2 percent in 1968 to 8.4 billion pounds. During the past decade an increasing proportion of the solids-not-fat supply has been moving into domestic food uses.

Dairy Stocks Continue Down

Dairy product stocks at the end of the 1968/69 marketing year are likely to be under the 7.7 billion pounds (milk equivalent) of a year earlier. Stocks may continue below a year earlier during calendar year 1969. Lower expected milk production and slightly larger commercial usage of dairy products are the reasons for anticipating lower stocks.

In 1969, dairy sales may gain, and use of butter and cheese in domestic donation programs is expected to be greater than USDA removals of dairy products from the market. These conditions are likely to keep Government holdings during 1969 below year-earlier levels. Government stocks declined rather sharply from July to December 1968, when only small quantities of product were purchased under the price support program.

Commercial dairy product holdings have been under a year earlier since mid-1967. However, tighter supplies next fall could cause commercial firms to increase dairy holdings to assure enough supplies during fall and winter months. During these months, commercial requirements for manufactured dairy products tend to be greater than output. This deficit is met from storage stocks.

Stocks of nonfat dry milk (not accounted for by milk equivalent) at the end of 1968 totaled 278 million pounds, 22 million more than a year earlier (table 14). Government holdings fell nearly 60 million pounds from July to December, about as much as they rose a year earlier. CCC acquisitions of nonfat dry milk are expected to be well in excess of usage in domestic welfare programs, so ending Government stocks in 1969 will depend on the amount exported.

CCC Removals Resume in Early 1969

USDA purchases of butter and cheese under the price support program resumed in January and February of this year. There were no purchases in December, and only small quantities were contracted from September to November, when market prices were above support purchase prices.

In January and February, USDA net removals of butter and cheese from the market were equivalent to 1.0 billion pounds of milk, down from 1.1 billion pounds a year earlier. Nonfat dry milk deliveries were 86 million pounds, below the year-earlier 100 million pounds. During the first half of 1969, USDA dairy product removals likely will be less than the 3.9 billion pounds (milk equivalent) of a year earlier, because of smaller farm marketings and reduced imports. Nonfat dry milk purchases may also be less in January-June than a year earlier. If milk production does not gain during the last half of 1969, purchases in that period likely will be small.

Market removals of dairy products last year were equivalent to about 5 billion pounds of milk, down from 7.4 billion pounds in 1967 (table 15). Reasons for the drop were the decline in milk production and lower imports of dairy products. Commercial disappearance was about the same in both years. Except for 1966, USDA purchases last year were the smallest since 1960. USDA removals were equivalent to about 4½ percent of milk marketed by farmers, down

Table 13.--Use of milkfat and solids-not-fat as a percentage of supplies, 1957-59 average, and annual, 1960-68

Year	Total supply 1/	Domestic food use 2/		Domestic food use and commercial exports 3/	
		Actual	As a percentage of supply	Actual	As a percentage of supply
	Million pounds	Million pounds	Percent	Million pounds	Percent
			Milkfat		
1957-59 average	4,881	4,498	92.2	4,537	93.0
1960	4,798	4,465	93.1	4,502	93.8
1961	4,937	4,445	90.0	4,479	90.7
1962	5,107	4,504	88.2	4,533	88.8
1963	5,127	4,482	87.4	4,515	88.1
1964	5,081	4,528	89.1	4,555	89.6
1965	4,818	4,490	93.2	4,518	93.8
1966	4,681	4,390	93.8	4,433	94.7
1967	4,660	4,261	91.4	4,289	92.0
1968 4/	4,670	4,303	92.1	4,335	92.8
			Solids-not-fat		
1957-59 average	11,061	7,648	69.1	7,741	70.0
1960	10,948	7,848	71.7	7,934	72.5
1961	11,406	7,912	69.4	7,992	70.1
1962	11,588	8,029	69.3	8,099	69.9
1963	11,635	8,020	68.9	8,103	69.6
1964	11,587	8,172	70.5	8,272	71.4
1965	11,045	8,260	74.8	8,327	75.4
1966	10,645	8,323	78.2	8,398	78.9
1967	10,571	8,255	78.1	8,320	78.7
1968 4/	10,581	8,405	79.4	8,474	80.1

1/ Production, imports, and commercial and USDA beginning stocks. 2/ Civilian and military consumption. 3/ Includes shipments to U.S. territories. 4/ Preliminary.

Table 14.--Stocks of dairy products, end of year, 1957-68

Year	Butter	American cheese 1/	Other cheese	Evaporated milk	Condensed milk 2/	Dry whole milk	Cream 3/	Milk equivalent 4/	Nonfat dry milk
	Million pounds								
	Total								
1957	87.3	376.6	33.9	215.5	14.4	9.0	14.6	6,500	222.6
1958	69.3	249.0	44.1	191.0	7.6	6.2	8.1	4,800	242.5
1959	31.0	265.7	38.4	225.0	10.9	6.5	8.8	4,200	156.3
1960	76.8	292.0	40.6	221.0	7.3	6.9	9.0	5,400	382.9
1961	224.8	419.9	53.0	225.1	6.3	7.3	8.5	9,900	487.5
1962	359.4	386.2	37.8	141.4	5.7	5.1	6.8	12,200	675.0
1963	271.1	321.7	39.1	131.7	6.7	5.3	4.9	9,700	486.2
1964	71.0	296.3	42.3	185.3	8.2	7.0	8.2	5,300	174.3
1965	52.1	270.5	37.6	134.8	6.6	5.0	7.7	4,500	154.4
1966	32.3	322.2	50.4	192.9	12.6	6.9	12.7	4,900	118.2
1967 5/	168.6	383.0	46.2	190.2	6.7	6.1	8.9	8,300	256.2
1968 5/	117.4	342.7	62.3	104.8	2.7	7.6	6.6	6,700	277.6
	Commercial								
1957	32.0	206.5	33.9	215.5	14.4	9.0	14.6	3,700	85.7
1958	28.3	238.3	44.1	191.0	7.6	6.2	8.1	3,800	87.5
1959	20.0	245.5	38.4	225.0	10.9	6.5	8.8	3,700	96.6
1960	21.2	291.4	40.6	221.0	7.3	6.9	9.0	4,200	103.1
1961	19.5	366.4	53.0	225.1	6.3	7.3	8.5	5,000	132.5
1962	31.2	307.1	37.8	141.4	5.7	5.1	6.8	4,300	99.0
1963	32.1	282.7	39.1	131.7	6.7	5.3	4.9	4,100	81.5
1964	37.1	271.9	42.3	185.3	8.2	7.0	8.2	4,300	108.8
1965	27.1	270.2	37.6	134.8	6.6	5.0	7.7	3,900	58.2
1966	30.2	322.1	50.4	192.9	12.6	6.9	12.7	4,800	118.2
1967 5/	18.4	302.3	46.2	190.2	6.7	6.1	8.9	4,300	98.7
1968 5/	14.5	291.1	62.3	99.1	2.7	7.6	6.6	4,000	78.9

1/ Includes process American cheese held by CCC beginning 1967. 2/ Case and bulk goods. 3/ Includes plastic on a fluid cream basis. 4/ Does not include stocks of butterfat mixtures. 5/ Preliminary.

Table 15.--Dairy products removed from the commercial market by programs of the United States Department of Agriculture, 1949-69

Year and month	Removals 1/				Solids content of removals			
	Butter 2/	American cheese 3/	Nonfat dry milk 4/	Milk equivalent	Milk-fat	Solids-not-fat	As a percentage of marketings: Milk-fat	As a percentage of marketings: Solids-not-fat
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Percent	Percent
1949	111.7	25.5	325.5	2,489	100.4	321.1	2.6	4.6
1950	14.6	83.2	327.2	1,126	40.9	339.9	1.1	4.9
1951	5/-27.3	5/-7.1	35.3	5/-618	5/-24.0	31.5	5/	.5
1952	16.1	1.7	42.3	339	13.8	41.2	.4	.6
1953	355.2	302.5	597.1	10,200	387.5	668.9	9.7	8.6
1954	305.1	242.5	644.4	8,588	328.2	695.5	8.0	8.7
1955	162.0	141.3	534.7	4,685	179.6	558.0	4.3	6.8
1956	164.6	186.5	723.4	5,206	197.6	753.0	4.7	8.7
1957	172.5	240.6	825.2	5,870	222.1	867.5	5.2	9.8
1958	183.7	75.0	886.0	4,658	178.2	875.0	4.2	9.8
1959	123.7	57.2	830.3	3,214	123.8	815.6	2.9	9.1
1960	144.8	.3	852.8	3,101	122.6	819.8	2.9	8.9
1961	329.4	100.0	1,085.6	8,019	305.0	1,075.3	6.9	11.2
1962	402.7	212.9	1,386.1	10,724	402.4	1,399.0	9.1	14.3
1963	307.5	110.9	1,219.2	7,745	291.8	1,210.1	6.7	12.3
1964	295.7	128.5	1,168.8	7,676	287.6	1,166.9	6.5	11.6
1965	241.0	48.6	1,098.4	5,665	217.4	1,074.0	5.0	10.8
1966	25.1	10.8	365.8	645	26.2	355.5	.6	3.7
1967	265.1	180.5	687.0	7,432	276.3	719.1	6.6	7.5
1968 6/								
Jan.	18.7	7.9	51.0	477	18.0	51.7		
Feb.	27.6	8.1	49.1	667	25.2	50.0		
Mar.	27.0	7.8	34.0	651	24.5	35.4		
Apr.	20.9	---	60.2	445	17.2	58.1		
May	33.5	.8	68.9	721	27.7	66.9		
June	39.3	10.3	67.4	939	35.4	68.4		
July	20.9	14.2	63.4	585	21.8	65.6		
Aug.	5.5	6.2	44.9	179	6.7	45.2		
Sept.	---	15.4	28.2	152	5.2	31.9		
Oct.	.5	10.1	30.9	109	3.9	32.8		
Nov.	1.1	6.9	20.9	92	3.3	22.2		
Dec.	---	5/7/	39.1	5/7/	.3	37.6		
Total	195.0	87.7	558.0	8/5,127	8/193.4	8/576.4	4.6	6.0
1969 6/								
Jan.	19.6	.2	42.8	418	16.1	41.4		

1/ Delivery basis, after unrestricted domestic sales. 2/ Includes butter equivalent of anhydrous milkfat, PIK, and purchases under Sec. 709. 3/ Includes purchases under Sec. 709. 4/ Includes PIK certificates issued. 5/ Domestic sales exceeded purchases. 6/ Preliminary. 7/ Less than 50,000 pounds. 8/ Will not add due to the inclusion of 55 million pounds of evaporated milk and 2.4 million pounds chocolate beverage mix.

from $6\frac{1}{2}$ percent in 1967. Nonfat dry milk purchases were down 19 percent and, except for 1966, were the smallest since 1955. USDA removed from the commercial market about $4\frac{1}{2}$ percent of the milkfat and 6 percent of the milk solids-not-fat marketed by U.S. farmers in 1968.

Purchases of evaporated milk were the first since 1941, and instant chocolate beverage mix was bought for the first time. They were purchased to improve the variety of dairy products offered welfare recipients.

USDA net expenditures under the dairy price support and related programs (including Title I sales under the P.L. 480 program) totaled $364 million during the fiscal year ended June 30, 1968 (table 16). Comparable expenditures during the previous fiscal year were $318 million.

Federal Order Changes in 1968

The marketing and supply areas covered by Federal milk orders expanded in 1968, but the number of orders was down to 66 on January 1, 1969, from 74 at the beginning of 1968.

Expansion of marketing areas occurred in the Chattanooga, North Texas, and Upper Chesapeake Bay orders, and through the initiation of a new order for South Texas. Merging 13 orders into 4 reduced the number of orders. A recommended decision has been issued to merge the Clarksburg and Eastern Ohio-Western Pennsylvania marketing areas.

Further expansion is occurring in 1969. A new order has been approved covering most of Georgia. In addition, decisions have been issued for a new order covering 26 counties in southeastern Minnesota and northern Iowa, and to expand the Minneapolis-St. Paul marketing area. Producer approval now is being determined. A hearing has been held on a proposed new order covering portions of Oregon and Washington.

With the 1968 expansion of the area under Federal milk orders, milk receipts from producers in Federal order markets rose to 56.4 billion pounds, from 53.8 billion in 1967 (table 17). Class I utilization also gained. Expansion increased by about 1 percent the number of producers selling through Federal orders to 142,000 last year, following the 4 percent decline in 1967. Daily deliveries of milk per producer increased 4 percent last year to 1,098 pounds, only about two-thirds of the 1967 gain.

Minimum Class I prices in Federal order markets averaged $6.17 per 100 pounds in 1968, up from $5.85 a year earlier. The rise resulted from Federal order actions which continued the Class I differential increase initiated in 1967, and raised the minimum level of the Minnesota-Wisconsin price used in the Class I price formulas. Increased Class I prices and a higher Class I utilization brought Federal order blend prices to an average $5.46 per 100 pounds, up from $5.17 in 1967.

FOREIGN TRADE

Dairy Exports Up in 1968; Prospects Poor for 1969

U.S. exports of dairy products, including those under Government programs, rose from very low year-earlier levels to 1.2 billion pounds (milk equivalent) in 1968. However, most of the gain was in exports from USDA holdings, which moved from negligible levels in 1967 to 0.7 billion pounds in 1968. Practically all of these exports were accounted for by some 30 million pounds of butter and butteroil donated abroad last year. Commercial exports rose slightly to 0.5 billion pounds in 1968, mostly from larger condensed milk exports to South Vietnam under Title I, PL-480 (sales for foreign currency).

Nonfat dry milk exports last year totaled 397 million pounds, just under 1967's 409 million pounds. In addition to foreign donations under Food for Peace programs, some export sales were made, mostly noncommercial, to Mexico, Brazil, and Japan for use in their school lunch and welfare programs.

Table 16.--USDA expenditures for dairy products, fiscal year ending June 30, 1968

Item	Value: Butter and butter products	Value: Cheese	Value: Nonfat dry milk	Value: Condensed and evaporated milk	Value: Total	Quantity: Butter and butter products	Quantity: Cheese	Quantity: Nonfat dry milk
	Million dollars					Million pounds		
CCC outlays								
Purchases	150.0	63.5	131.1		344.6	222.8	134.8	613.4
Storage, handling	3.6	1.1	1.4		6.1			
Transportation	1.9	1.5	4.1		7.5			
Processing, packaging	1.9	---	---		1.9			
Total carrying charges	7.4	2.6	5.5		15.5			
Total outlays	157.4	66.1	136.6		360.1			
Sales proceeds								
Dollar sales	1/	0.2	2.3		2.5	0.1	0.3	23.1
P.L. 480, Title II	19.8	---	65.8		85.6	20.2	---	285.8
Other receipts	.3	---	.2		.5	---	---	---
Total	20.1	.2	68.3		88.6	20.3	.3	308.9
Expenditures								
CCC net expenditures	137.3	65.9	68.3		271.5			
P.L. 480, Titles I and II	19.8	---	67.4	5.4	92.6			
USDA net expenditures	157.1	65.9	135.7	5.4	364.1			

1/ Less than $50,000.

Table 17.--Measures of growth in Federal milk order markets, 1947-68

Year	Number of markets 1/	Number of handlers 1/	Number of producers 2/	Producer deliveries	Producer deliveries used in Class I	Percentage of producer deliveries used in Class I	Prices at 3.5 percent butterfat content 3/		Receipts as percentage of milk sold to plants and dealers	Daily deliveries per producer	Gross value per producer at blend price adjusted for butterfat content
							Class I	Blend			
	No.	No.	No.	Thou. lb.	Thou. lb.	Pct.	Dol. per cwt.	Dol. per cwt.	Pct.	Lb.	Dol.
1947	29	991	135,830	14,980,301	9,808,182	65.5	4.65	4.34	21.2	301	5,064
1948	30	963	136,363	15,019,637	9,852,103	65.6	5.29	4.97	21.8	301	5,713
1949	33	966	142,995	17,049,170	10,104,365	59.3	4.67	4.03	23.3	328	5,042
1950	39	1,101	156,584	18,659,790	10,999,842	58.9	4.51	3.93	25.1	336	5,050
1951	44	1,343	172,327	20,116,620	12,717,798	63.2	5.13	4.59	27.0	344	5,994
1952	49	1,352	176,752	22,998,107	14,671,764	63.8	5.37	4.85	29.8	360	6,663
1953	49	1,308	183,479	25,895,718	15,435,739	59.6	4.91	4.31	30.6	387	6,372
1954	53	1,333	186,127	27,140,234	16,172,041	59.6	4.62	4.01	30.9	403	6,151
1955	63	1,483	188,611	28,948,067	18,031,855	62.3	4.67	4.08	31.8	430	6,598
1956	68	1,486	183,830	31,379,533	19,615,443	62.5	4.90	4.24	32.9	469	7,445
1957	68	1,889	182,551	33,455,338	21,338,699	63.8	4.87	4.51	34.0	508	8,147
1958	74	1,962	186,155	36,355,658	23,308,694	64.1	4.72	4.40	36.5	547	8,500
1959	77	2,197	187,576	40,149,083	26,250,349	65.4	4.79	4.43	39.8	601	9,466
1960	80	2,259	189,816	44,812,259	28,757,758	64.2	4.88	4.47	43.1	648	10,482
1961	81	2,314	192,947	48,802,558	29,858,848	61.2	4.91	4.45	45.0	704	11,131
1962	83	2,258	186,468	51,648,248	31,605,983	61.2	4.80	4.14	46.7	761	11,854
1963	82	2,144	176,477	52,860,091	32,963,588	62.4	4.78	4.15	47.5	821	12,814
1964	77	2,010	167,503	54,447,471	33,965,406	62.4	4.87	4.23	47.7	888	14,174
1965	73	1,891	158,077	54,443,675	34,561,295	63.5	4.93	4.31	48.3	944	15,300
1966	71	1,724	145,964	53,012,094	34,804,738	65.7	5.55	4.95	48.3	994	18,526
1967	74	1,650	140,657	53,761,433	34,411,739	64.0	5.85	5.17	48.9	1,056	20,324
1968 4/	67	1,638	141,651	56,441,091	36,484,437	64.6	6.17	5.46	N.A.	1,098	N.A.

1/ End of year.(Date on which pricing provisions became effective). 2/ Average for year. 3/ Prices are simple averages for 1947-61 and weighted averages for 1962-68. 4/ Preliminary.

Data published in Federal Milk Order Market Statistics.

In 1968, off-shore shipments of dairy products to U.S. territories were equivalent to about 0.6 billion pounds of milk, up slightly from a year earlier. Shipments of butter, cheese, and evaporated milk were higher, but nonfat dry milk and dry whole milk declined.

This year, prospective lower U.S. milk production and reduced holdings of dairy products indicate that USDA will have a smaller amount of dairy products available for export than in 1968.

The outlook for U.S. dairy exports is not bright in the near future. While U.S. milk production has fallen in recent years, output in many other major milk producing countries has increased sharply, particularly in Europe. The increase has caused a steady buildup in European dairy stocks, mainly butter and nonfat dry milk. These surplus dairy stocks are moving into world trade at heavily subsidized prices, thus depressing dairy product prices in world markets.

Although world trade in dairy products has expanded in recent years, the U.S. share has declined. As the world dairy product surplus increased and export prices declined, the United States found there was little chance of remaining competitive in export sales. A re-evaluation of U.S. overseas promotion of dairy products indicates more emphasis may be placed on promotion of U.S. specialty products like sterilized whole milk and flavored drinks, infant formulas, dry ice cream mixes, and specialty cheeses.

Import Quotas Made Permanent

The world supply situation for dairy products and the low prices for foreign dairy products make the United States an attractive market for exporters in other countries. The pressure to import foreign products was evidenced in 1968 by spurts in imports of canned milk, certain types of cheese, chocolate crumb, and other products not already under quota. These increases induced emergency actions to limit the impact of foreign surpluses on our domestic support program. Temporary quotas were placed on canned milk in June 1968 and on certain cheeses in September 1968.

Effective January 1969, the temporary quotas were made permanent for evaporated and condensed milk and certain types of cheeses. Also brought under quotas for the first time were butterfat mixtures in retail packages, chocolate milk crumb, and processed Italian-type cheeses. The new annual quotas are as follows:

Product	Quota
	Thou. lb.
Canned milk	5,391
Processed Edam and Gouda cheese	3,151
Processed Italian type cheese	1,494
Emmenthaler cheese (costing less than 47¢ a pound)	4,271
Gruyere-process cheese (costing less than 47¢ a pound)	3,289
"Other" cheese (costing less than 47¢ a pound)	25,001
Chocolate milk crumb	17,000
Butterfat/sugar mixtures in consumer packages	1/

1/ Under present quota for butterfat/sugar mixtures.

The new quotas bring most cow's milk dairy products under the Section 22 import control system. Still outside the quota system are Swiss-type cheeses and the category of "other cheeses" costing 47 cents per pound and over. These cheeses include the relatively expensive specialty cheeses. Cheese made of goat's and sheep's milk also remains unrestricted, except for Blue mold cheeses.

Dairy imports in 1968 were equivalent to 1.8 billion pounds of milk, down from 2.9 billion pounds in 1967 (table 18). However, imports of condensed milk, evaporated milk, American cheese, Edam and Gouda cheese, Swiss cheese, other cheese, and chocolate crumb were all higher. The recent quota action likely will limit U.S. dairy imports this year to about 1.3 billion pounds (milk equivalent).

Table 18.--Dairy products: U.S. imports, quota and non-quota, total 1967-68 and January 1968-69 1/

Product	Quota, calendar year	Annual 1967	Annual 1968	1968 as percent of 1967	January 1968	January 1969	1969 as percent of 1968
	Thou. lb.	Thou. lb.	Thou. lb.	Pct.	Thou. lb.	Thou. lb.	Pct.
Cheese, quota types							
American-Cheddar	10,037.5	4,967	9,841	198	599	161	27
-Other 2/	6,096.6	55,230	5,860	11	289	108	37
Italian-Original loaves	11,500.1	8,412	8,390	100	547	294	54
-Other	1,494.0	1,494	1,852	124	91	51	56
Edam and Gouda-Natural	9,200.4	[11,615]	8,630	[184]	513	[510]	[76]
-Processed	3,151.0		12,756		155		
Blue mold	5,017.0	4,789	4,822	101	385	142	37
Swiss-Emmenthaler	4,271.0	14,355	38,853	271	1,877	619	33
Gruyere-process	3,289.0	9,836	19,977	203	831	579	70
Other	25,001.0	22,996	39,377	171	1,924	1,439	75
Total	79,057.6	133,694	150,357	112	7,211	3,903	54
Cheese, nonquota types							
Pecorino		15,750	17,352	110	1,909	479	25
Roquefort		1,808	1,948	108	178	70	39
Other 3/		528	768	145	47	14	30
Total		18,086	20,068	111	2,134	563	26
Other quota products							
Butter	707.0	677	740	109	25	8	32
Butteroil	1,200.0	1,200	1,200	100	1,200	1,200	100
Butterfat mixtures	2,580.0	100,548	1,882	2	166	340	205
Frozen cream	12,540.0	11,915	12,605	106	2,318	1,617	70
Dried cream	.5	---	---	---	---	---	---
Dried whole milk	7.0	3	7	233	---	---	---
Dried skim milk	1,807.0	924	1,747	189	121	264	218
Dried buttermilk	496.0	158	536	339	---	16	---
Malted milk	6.0	1	1	100	1	---	---
Evaporated milk	1,312.0	1,311	4,909	374	89	674	757
Condensed milk	4,079.0	4,079	4,854	119	209	564	270
Chocolate crumb	17,000.0	21,544	45,337	210	872	N.A.	---
Nonquota products							
Casein		99,670	116,100	116	6,341	3,906	62
Milk equivalent, fat solids basis, total all products	4/	2,907,780	1,780,195	61	143,340	95,061	5/67

1/ Preliminary. 2/ Includes Colby. 3/ Gjetost, Bryndza, and Cammelost and Noekkelost. 4/ Milk equivalent of import quotas for dairy products, 946 million pounds. 5/ Comparable change excludes January chocolate crumb imports.

Casein imports totaled about 116 million pounds in 1968, up from 100 million pounds in 1967 (table 19). This includes about 3 million pounds of casein mixtures, mostly caseinates. Casein is not under import quotas because U.S. casein output is very low. Most solids-not-fat produced in the United States is channeled to higher priced products in preference to casein and caseinates. Caseinates have come more strongly into the picture recently as they are used in many types of imitation milk products. Most caseinates used in the domestic food and pharmaceutical industries are processed from imported casein.

Casein prices (Argentine, fine ground) averaged 24.1 cents per pound in January at New York, up about 2 cents from a year earlier. The dock strike has affected unloading of incoming shipments. Demand has been fair for product used in making edible caseinates, light for industrial purposes. In the New York area, some industrial users are beginning to exhaust supplies.

World Milk Production Continues To Expand

World milk production continued to expand in 1968, primarily because of gains in Europe (table 21). Production in 36 countries, representing the bulk of world output, increased about 2 percent over 1967. Gains were sharpest in the Common Market countries, increasing almost 5 percent in France, because of more dairy cows, good feed supplies, and favorable milk prices. In 1968 production was also higher in Western Europe (other than EEC) and in Eastern Europe. U.S.S.R.--the world's largest milk producer--continued to expand output as the government stimulated better farming practices. On the other hand, production was down in North America, South America, and Oceania. Australia's drought and short feed supplies in New Zealand caused milk output to fall almost 7 percent in Oceania. 1/

1/ See USDA, World Milk Production Increased 2 Percent in 1968, FAS, FD 1-69, January 1969.

Because milk production expanded more rapidly than world consumption, increasing quantities of milk have been manufactured into dairy products and stored. Based on monthly estimates, 1968 butter production in Western Europe was up about 6 percent from a year earlier, following a 5 percent gain in 1967. Butter stocks in Western Europe totaled approximately a billion pounds on January 1, 1969, about 70 percent above a year earlier (Table 20). From 1966 to 1968, EEC butter production increased approximately 340 million pounds, while January 1 butter stocks in these countries (except Italy) advanced about 380 million pounds from 1967 to 1969. Consequently, even with actions to increase butter usage, the added butter production in the past 2 years has moved into warehouses.

European nonfat dry milk supplies also are rising. During the first half of 1968, EEC output of nonfat dry milk was up 31 percent, and production in other West European countries gained 25 percent. A few years ago, the European domestic market was able to absorb most of nonfat dry milk production for livestock feed and human food. Production has now outstripped domestic demand, and nonfat dry milk is being exported or moved into storage. Government stocks of nonfat dry milk in France on January 1, 1969, totaled about 310 million pounds, triple the year-earlier holdings.

Many countries have acted to reduce their butter stocks. As yet their measures have not been very effective. All intervention organizations of the EEC have been authorized to sell storage butter at reduced prices to traders and exporters. Some EEC countries have taken measures to encourage domestic butter consumption. In August, Belgium was authorized to sell specified quantities of melted butter for direct consumption at reduced prices. France also has sold limited quantities of butter domestically at reduced prices. Proposed 1969 agricultural programs in France are generally social measures directed at reducing the number of farmers, but a food stamp program to distribute surplus foods to needy persons also is proposed.

Table 19.--Casein: Imports, value, and prices, United States, 1967-68

Month	Imports								Wholesale price per pound 3/	
	Quantity				Value per pound 1/					
	Casein		Other casein 2/		Casein		Other casein			
	1967	1968	1967	1968	1967	1968	1967	1968	1967	1968
	Million pounds				Cents					
Jan.	6.9	6.3	0.2	4/	24.5	21.8	44.0	41.0	26.1	22.0
Feb.	7.1	5.1	.4	0.2	24.0	22.3	42.9	32.4	24.0	22.3
Mar.	6.9	7.3	.4	.1	24.5	22.6	43.8	42.3	24.5	23.2
Apr.	7.9	9.2	.3	.2	23.4	20.8	47.7	45.2	24.5	24.2
May	9.0	9.0	.3	.2	24.6	22.0	50.7	39.4	24.2	24.1
June	7.3	10.2	.2	4/	24.2	19.9	45.4	30.9	24.0	24.1
July	9.0	12.2	.3	.2	25.0	21.8	59.7	40.8	24.0	24.1
Aug.	8.4	14.0	.4	.2	23.3	22.3	50.3	38.8	24.2	24.1
Sept.	8.0	12.8	.1	.4	24.7	20.5	45.4	38.0	23.9	24.2
Oct.	8.4	6.1	.1	.5	23.4	21.8	36.7	36.6	23.8	24.1
Nov.	9.0	8.6	.4	.4	25.0	21.2	40.7	36.4	23.6	24.1
Dec.	8.7	12.6	.1	.3	25.0	20.6	39.0	36.3	22.6	24.1
Total or average	96.6	113.4	3.1	2.7	24.3	21.4	46.6	37.5	24.1	23.7

1/ Computed from FT-246, Official Records, Bureau of Census. 2/ Mixtures of casein with more than half the value coming from casein; includes caseinates. 3/ Argentine, fine ground, f.o.b. New York. 4/ Less than 50,000 pounds.

Table 20.--Butter: EEC free-at-border price, United Kingdom wholesale price, and West European stocks, 1962-69

Year	Free-at-border price per pound (Holland)	Wholesale price per pound 1/				Stocks, first of month 2/			
		Jan.	Apr.	July	Oct.	Jan.	Apr.	July	Oct.
	Cents					Million pounds			
1962	---	35.62	35.62	38.12	38.12	298.3	282.6	423.1	482.6
1963	---	39.38	39.38	41.88	41.88	275.4	216.7	340.2	389.1
1964	3/43.64	41.88	41.88	41.88	42.75	266.1	231.9	415.6	430.1
1965	39.96	43.75	43.62	41.50	40.25	315.3	330.5	557.5	626.3
1966	29.48	39.00	37.50	37.50	37.50	467.2	419.3	617.1	660.1
1967	22.91	37.50	37.50	37.50	37.50	493.6	460.8	705.7	760.4
1968	4/22.91	32.10	32.10	32.10	32.10	557.5	654.8	1,047.8	1,084.0
1969	N.A.	32.10				5/954.2			

1/ New Zealand Finest, London Provision Exchange. 2/ 13 countries; compiled by Organization for Economic Cooperation and Development. Beginning October 1965, 14 countries. 3/ November-December average. 4/ January-June average, not available thereafter. 5/ Preliminary.

Table 21.--Cow's milk: Estimated production in important producing countries, 1956-60 and 1961-65 averages, and annual, 1966-68

Country	Averages 1956-60	Averages 1961-65	1966	1967 1/	1968 1/	Percent change 1968/ 1956-60	Percent change 1968/ 1967
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Percent	Percent
North America							
Canada	17,407	18,504	18,380	18,304	18,350	+5.4	+0.3
United States	123,500	125,660	119,892	118,769	117,281	-5.0	-1.3
Total	140,907	144,164	138,272	137,073	135,631	-3.7	-1.1
Latin America							
Mexico	5,079	7,798	9,357	9,638	9,930	+95.5	+3.0
Argentina	10,187	10,300	11,357	10,221	10,250	+.6	+.3
Brazil	10,170	12,661	15,198	16,117	15,300	+50.4	-5.1
Colombia	4,021	4,062	4,454	4,585	4,720	+17.4	+2.9
Peru	885	2/1,574	1,565	1,543	1,520	+71.8	-1.5
Uruguay	1,501	1,646	1,641	1,368	1,350	-10.1	-1.3
Venezuela	3/894	1,222	1,529	1,579	1,490	+66.7	-5.6
Total	32,737	39,263	45,101	45,051	44,560	+36.1	-1.1
Western Europe							
E.E.C.							
Belgium	8,320	8,792	8,823	8,934	9,250	+11.2	+3.5
Luxembourg	388	413	432	458	470	+21.1	+2.6
Netherlands	13,833	15,578	15,951	16,634	17,200	+24.3	+3.4
West Germany	39,604	45,368	47,084	47,872	49,550	+25.1	+3.5
France	46,037	55,206	61,744	64,695	67,700	+47.1	+4.6
Italy	19,580	20,508	21,374	21,929	21,900	+11.8	-.1
Total	127,762	145,865	155,408	160,522	166,070	+30.0	+3.5
Other							
Austria	6,048	6,750	7,090	7,341	7,550	+24.8	+2.8
Denmark	11,633	11,713	11,704	11,477	11,350	-2.4	-1.1
Finland	7,118	8,208	8,133	7,847	8,030	+12.8	+2.3
Greece	801	1,050	1,153	1,243	1,240	+54.8	-.2
Ireland	5,973	6,465	7,125	7,652	8,200	+37.3	+7.2
Norway	3,566	3,638	3,727	3,755	3,830	+7.4	+2.0
Sweden	8,657	8,437	7,840	7,352	7,320	-15.4	-.4
Switzerland	6,451	6,782	6,900	7,156	7,200	+11.6	+.6
United Kingdom 4/	22,295	24,791	24,902	25,780	26,500	+18.9	+2.8
Spain	5,957	6,936	8,680	10,063	10,500	+76.3	+4.3
Total	78,499	84,770	87,254	89,666	91,720	+16.8	+2.3
Eastern Europe							
Bulgaria	1,318	1,882	2,421	2,590	2,700	+104.9	+4.2
Czechoslovakia	8,298	8,304	9,191	9,557	9,900	+19.3	+3.6
East Germany	12,119	12,574	14,833	15,221	15,300	+26.2	+.5
Hungary	4,056	4,024	4,067	4,312	4,300	+6.0	-.3
Poland	25,560	28,373	31,382	31,953	33,000	+29.1	+3.3
Romania	4,411	5,075	5,900	6,477	5,800	+31.5	-10.5
Yugoslavia	4,758	4,945	5,538	5,747	5,950	+24.8	+3.5
U.S.S.R.	107,099	126,347	147,990	154,772	160,000	+49.4	+3.4
Total	167,619	191,524	221,322	230,629	236,950	+41.4	+2.7
Asia							
Japan	3,380	5,976	7,527	7,863	8,450	+150.0	+7.5
Oceania							
Australia	14,005	15,244	16,172	16,157	15,200	+8.5	-5.9
New Zealand	11,522	12,575	13,599	14,018	13,000	+12.8	-7.3
Total	25,527	27,819	29,771	30,175	28,200	+10.5	-6.5
TOTAL COUNTRIES	576,431	639,381	684,655	700,979	711,581	+23.4	+1.5

1/ Preliminary. 2/ 1965 only. New series initiated in 1965. Prior years not comparable. 3/ Less than 5-year average. 4/ Total sales off farms.

West Germany has sold butter at reduced prices to the army, to the domestic market as butter concentrate for cooking, and to various public institutions to supplement their usual consumption. West Germany is also considering free butter distribution to low-income groups. Netherlands has sold butter concentrate for cooking and moved dairy products under world food aid programs.

To encourage increased butter consumption, retail prices of butter have been reduced in Austria. Also, an import levy on vegetable protein feeds is being used to subsidize the use of skimmed milk powder in animal feeding. Norway has sold butter back to the domestic industry at reduced prices. Switzerland has lowered producer milk prices and retail butter prices, subsidized dairy herd culling and the shift from dairy to beef production, raised the import levy on nonfat dry milk to reduce stocks and encourage feeding whole milk to calves, and increased food aid shipments. In July, the Swiss government made an agreement with the EEC countries, Denmark and Austria, for fixing a "floor price" on imports of certain cheeses from these countries to prevent imports of low-priced cheeses into the country. As a result of these actions, butter consumption in Switzerland has increased, milk and butter production has fallen off in recent months, and butter stocks have declined. Expanding imports of cheese caused the United Kingdom to seek voluntary limits on cheese imports from other countries, so import quotas on cheese would not have to be established.

The next issue of the Dairy Situation is scheduled to be available May 8, 1969.

The summary of the next issue is scheduled for release to the press on May 2, 1969.

Table 22.--Dairy products: Price support purchases, contract basis, utilization, and Payment-In-Kind exports, 1962-68

Year	CCC purchases	Sales: Domestic	Sales: Foreign: Commercial	Sales: Foreign: Noncommercial	U.S. Army and V.A. transfers	Donations: Domestic 1/	Donations: Foreign 2/	Total CCC utilization 3/	CCC uncommitted stocks Dec. 31	PIK exports	Total CCC utilization and PIK exports
	-Million pounds-										
	Butter 4/										
1962	403.2	0.5	7.0	---	38.6	162.4	50.4	258.9	294.3	---	258.9
1963	307.8	.5	89.3	---	41.2	181.9	169.1	482.0	120.1	0.2	482.2
1964	266.2	36.0	54.4	---	40.1	153.2	85.2	368.1	18.2	72.6	440.7
1965	215.7	35.3	13.7	0.9	34.9	135.0	---	224.9	9.0	55.1	280.0
1966	28.8	---	.2	.2	3.9	28.4	---	31.8	6.0	2.6	34.4
1967	258.8	.1	---	---	1.6	125.4	.1	127.6	137.2	---	127.6
1968 5/	193.6	---	---	---	53.5	163.8	37.9	253.6	77.2	---	253.6
	Cheese 4/										
1962	202.9	1.4	1.9	---	2.5	167.4	20.5	193.7	63.2	---	193.7
1963	113.6	2.2	2.2	2.8	3.0	134.1	19.2	164.2	18.6	---	164.2
1964	119.4	.7	3.7	2.1	4.0	110.2	---	120.7	17.3	---	120.7
1965	38.8	.3	1.8	---	2.8	52.0	---	56.0	.1	---	56.0
1966	19.9	---	.1	---	---	12.4	---	12.5	7.5	---	12.5
1967	181.9	---	---	---	.4	132.0	---	132.6	56.8	---	132.6
1968 5/	76.6	.6	---	---	3.6	106.4	.1	109.5	23.9	---	109.5
	Nonfat dry milk										
1962	1,299.9	19.6	100.2	100.3	.1	188.9	559.7	972.3	513.7	8.6	980.9
1963	998.4	62.7	120.6	192.9	---	190.4	579.0	1,145.6	366.5	201.1	1,346.7
1964	676.7	21.7	152.0	153.0	---	179.5	471.1	977.4	65.8	496.9	1,474.3
1965	887.9	7.5	51.4	114.6	.4	128.4	517.4	822.7	130.8	220.1	1,042.8
1966	366.6	4.3	7.5	32.5	---	176.3	209.0	433.0	64.4	2.4	435.4
1967	614.8	.5	---	4.0	---	127.3	349.8	477.8	201.4	---	477.8
1968 5/	625.5	4.4	36.5	79.7	---	129.2	331.7	580.6	246.3	---	580.6

1/ Includes transfers for school lunch and welfare purposes under Sec. 32, P.L. 320, 74th Congress. 2/ Includes AID. 3/ Includes allowance for inventory adjustments. 4/ Includes purchases under Sec. 709, P.L. 321. 5/ Preliminary.

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Mathis, A. G., and Fravel, Dolores, Government's Role in Pricing Fluid Milk in the United States, Economic Research Service, USDA, Agricultural Economic Report 152, December 1968. 1/

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U.S. Department of Agriculture, Sources of Milk for Federal Order Markets by State and County, Consumer and Marketing Service, C&MS-50 (1968), November 1968. 3/

U.S. Department of Agriculture, Office of Information: Press Release 4007-68, "Secretary Freeman Announces Dairy Price Actions," December 26, 1968; Press Release 31-69, "President Places More Dairy Products Under Import Control," January 6, 1969; and Press Release 107-69, "Summary of Dairy Price Support Activities for Calendar Year 1968 and December 1968," January 14, 1969. 4/

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1/ Division of Information, Office of Management Services, USDA, Washington, D. C. 20250.
2/ Foreign Agricultural Service, Room 5918, USDA, Washington, D. C. 20250.
3/ Information Division, Consumer and Marketing Service, USDA, Washington, D. C. 20250.
4/ Press Service, USDA, Washington, D. C. 20250.
5/ U.S. Tariff Commission, 8th and E Streets, N.W., Washington, D. C. 20436.

Index of Articles and Tables Published in The Dairy Situation, 1968 1/

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Tables

1/ The latest previous index of articles and tables published in the Dairy Situation was in DS-319 (March 1968). Tables for DS-324 (March 1969) are excluded from the current listing.

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