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THE DAIRY SITUATION

Prices have increased, but farm prices of dairy products are still very low in relation to feed prices. The winter is going to be a hard one for dairy farmers. Fall production of manufactured dairy products was large, but in recent weeks butter production in some of the important producing areas has declined sharply. Low prices of dairy products in relation to feed grains and short feed supplies indicate light production during the feeding period. Storage stocks are less than a year ago, so that total supplies will probably be considerably less than last year. Trade output of manufactured dairy products has been greater than in 1933, and with the higher retail prices indicate a considerable increase in consumer expenditures. The margin between domestic and foreign butter prices in mid-December was somewhat greater than the tariff.

Prices up

The price of 92-score butter at New York in November was 29.4 cents, the highest since December 1931. Cheese prices (twins) in Wisconsin in November of 12.3 cents were 0.9 cent higher than a month earlier. The index number of the price of butter rose from 85 in October to 88 in November and the index of cheese prices from 74 to 81, (1910-1914 = 100). Relatively heavy consumption and prospects of light production were the principal factors resulting in the increase in prices.

Margin between foreign and domestic prices same as tariff

From mid-November to mid-December the price of New Zealand butter in London in terms of American currency declined 1.6 cents per pound. On December 13 the price of 92-score butter at New York of 30.0 was 14.7 cents higher than New Zealand butter in London. The margin was somewhat larger than the tariff rate. The trend of foreign prices will have an important effect on domestic prices.

Production in October high, but lower in recent weeks

Total production of manufactured dairy products in October reached a new high for the month, 3.6 percent larger than in October 1933. Butter production showed an increase of only 0.3 percent, but cheese production was up 14.6 percent, evaporated milk (case goods) 21.9 percent and condensed milk (case goods) 1.0 percent. On a milk equivalent basis October production was 7.5 percent less than September compared with the usual seasonal decline of 9.3 percent.

Foreign and domestic prices of butter, September to December 1934

Year and month	Prices in foreign markets						92- score at N.Y. per pound	Margin New York Zealand butter in London
	In foreign currency			In American currency				
	London			London				
	Copen- hagen per 100 kilos	Danish butter per cwt.	New Zealand butter per cwt.	Copen- hagen per pound	Dan- ish per pound	New Zea- land per pound		
1934-	Kroner	Shillings	Shillings	Cents	Cents	Cents	Cents	Cents
Sept. ...	180.0	106.2	74.5	18.2	23.7	16.6	25.8	9.2
Oct.	189.0	111.4	68.2	18.9	24.6	15.1	26.9	11.8
Nov.	203.2	120.4	74.2	21.1	26.8	16.5	29.4	12.9
Nov. 8 ..	218.0	124.0	77.0	22.1	27.6	17.2	29.0	11.8
Nov. 15 ..	210.0	121.0	75.5	21.2	27.0	16.9	30.0	13.1
Nov. 22 ..	200.0	117.0	74.0	20.2	26.1	16.5	29.5	13.0
Nov. 29 ..	200.0	116.0	72.5	20.2	25.8	16.2	29.5	13.3
Dec. 6 ..	216.0	123.0	72.5	21.7	27.2	16.0	30.2	14.2
Dec. 13 ..	222.0	126.0	69.5	22.2	27.8	15.3	30.0	14.7

October production of butter in the East North Central States was unusually heavy being 12.0 percent larger than a year earlier and the highest for the month on record. In the West North Central States, October production was somewhat less than a year earlier. The South Central and the Western States showed marked declines in production. In some sections of the country fall pastures have been the best of the year, and this has tended to make production heavy.

With the end of the pasture season and the coming of colder weather production has declined sharply in some of the important producing sections. For the week ended December 8 the weekly reports for three different groups of plants showed much lower production than a year earlier.

Percentage change in production of butter for three different groups of plants, October to December 1934

Week ended	Percentage change from same week of preceding year		
	American Association of Creamery Butter Manufacturers	Land of Lakes	United States Department of Agr. for Pacific Slope
1934-	Percent	Percent	Percent
Oct. 6 ..	+ 1.00	- 4.18	- 15.87
13 ..	- 0.83	- 9.32	- 18.85
20 ..	- 3.88	-13.96	- 19.52
27 ..	+ 0.15	-15.81	- 18.92
Average :	- 0.89	-10.82	- 18.29
Nov. 3 ..	- 4.61	-15.36	- 21.18
10 ..	+ 1.54	-16.28	- 18.96
17 ..	+ 1.29	-15.23	- 21.76
24 ..	- 3.85	-18.54	- 10.80
Dec. 1 ..	- 5.73	-26.21	- 16.91
Average :	- 2.31	-18.32	- 17.92
Dec. 8 ..	- 11.93	-25.91	- 16.88

For the month of November it is quite probable that creamery butter production was less than in November 1933.

Milk production per cow low

Milk production per cow on December 1 of 11.08 pounds (reported by crop correspondents) was the lowest on record for that date, and about 1 percent less than a year earlier. With the decrease in number of milk cows on farms, total milk production on December 1 was probably 5 to 6 percent less than a year earlier.

Crop correspondents reported milking 67.5 percent of the cows in their herds, compared with 66.5 percent on December 1, 1933.

Trade output up

Trade output of butter in October was practically the same as a year earlier, but retail prices were 15 percent higher, indicating an increase of about 15 percent in consumer expenditures for butter as compared with a year earlier. Trade output of cheese however, showed an increase of 26 percent, and with retail prices 2 percent higher, indicated an increase of about 28 percent in the retail value of the trade output of cheese, making October 1934 the highest for the month since 1930. In the case of evaporated milk trade output was up 10.6 percent but retail prices were 1.5 percent lower indicating an increase of about 9 percent in the retail value of the trade output.

In August, September, and October, the retail value of the trade output of the principal manufactured dairy products has shown a marked increase over 1933.

Retail value of trade output of butter, cheese, evaporated milk and oleomargarine, May-October, 1934

Month	Percentage change from same month of 1933				
	Butter	Cheese	Evaporated milk	Total (Butter, cheese, evap. milk)	Oleo-margarine
	Percent	Percent	Percent	Percent	Percent
1934-					
May	+ 1.1	+ 4.7	- 20.5	- 2.5	- 9.3
June	+13.2	+ 4.4	+ 30.0	+15.0	- 7.1
July	- 1.2	- 4.4	- 10.8	- 3.5	- 8.4
Aug.	+27.6	+26.4	+ 91.9	+36.5	+ 5.8
Sept.	+13.7	+16.3	+ 42.4	+17.8	+31.7
Oct.	+15.2	+28.5	+ 9.0	+17.1	+23.9

Heavy out-of-storage movement of butter

There was a relatively heavy out-of-storage movement of butter in November of 30,000,000 pounds, compared with 22,000,000 last year and a 5-year average of 23,000,000 pounds. Stocks of butter are 57,000,000 pounds less than a year ago but about average for December 1. Cheese stocks continue large.

RELATION OF BUTTERFAT AND FEED PRICES

In mid-November the farm price of butterfat was 27.2 cents per pound. On the same date the farm price of feed grains combined in the proportions fed to milk cows was \$1.47 per 100 pounds. A pound of butterfat was equivalent in price to 18.5 pounds of feed grains. This was the lowest price of butterfat in relation to feed grains in November since 1917. The heavy line in Figure 1 shows by months the pounds of feed grains equivalent in price one pound of butterfat, based on farm prices. The lighter line shows an average for 12 months. During the last 12 months the price of butterfat in relation to feed grains has averaged the lowest since 1918, and only about two-thirds as high as in the period 1925 to 1929. The present price of butterfat in relation to feed grains is somewhat below pre-war. Such a price relationship if long continued is probably not high enough to maintain production.

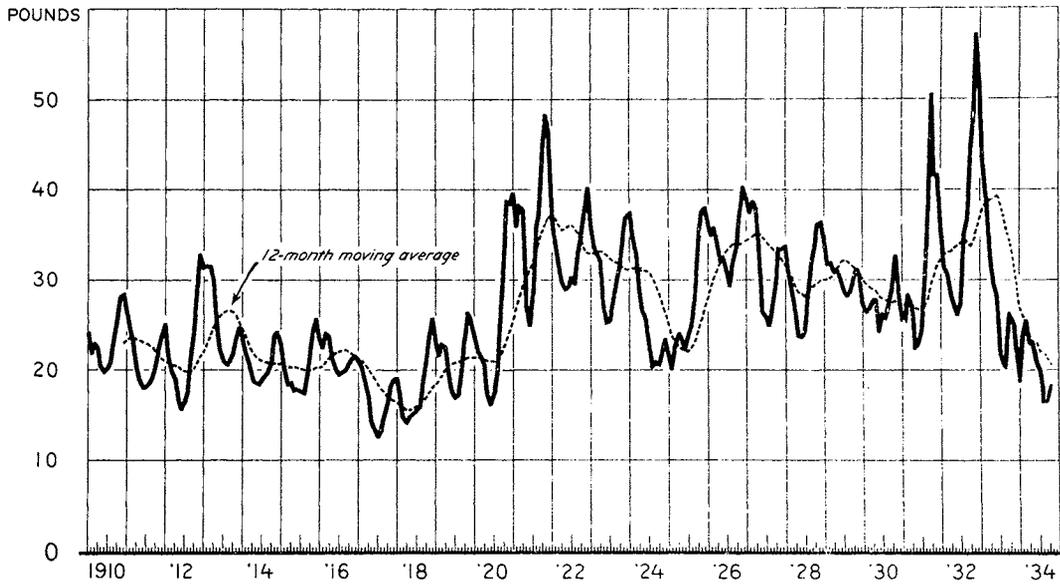
The relationship between the farm price of butterfat and the farm price of hay is shown in Figure 2. Butterfat prices are low in relation to hay. For the last 12 months the farm price of butterfat per pound was equivalent to the price of 44.7 pounds of hay, the lowest since the pre-war period, and only 60 percent as high as in the 5-year period, 1925 to 1929.

A good series of prices paid by farmers for purchased feeds is not available. There are available however, wholesale prices of by-products feeds as bran, cottonseed meal, linseed meal, gluten feed, alfalfa meal, etc. The prices of these different feeds have been combined according to production, and a wholesale per 100 pounds calculated. For November 1934, the wholesale price of the combination of these by-product feeds was \$30.80 per ton or \$1.54 per hundredweight. The farm price of butterfat in November was 27.2 cents. Thus a pound of butterfat at farm prices was equivalent to the price of 17.7 pounds of by-product feeds at wholesale prices. Farmers buy feeds at retail prices, not at wholesale prices, thus this comparison does not indicate the exact relationship to the farmer. However, the changes in this ratio as shown in Figure 3 probably do indicate in a general way the major changes in butterfat prices in relation to by-product feed prices to farmers.

For the last 12 months a pound of butterfat at farms was equivalent to the wholesale price of 18.7 pounds of feed grains, compared with the 1925 to 1928 average of 26.6 pounds.

The low prices of butterfat in relation to feed and the low prices of milk cows tends to discourage the purchase of feeds for feeding milk cows, the raising of calves for milk cows, and tends to stimulate the culling of cows from herds.

POUNDS OF FEED GRAIN ONE POUND OF BUTTERFAT WILL BUY
(BASED ON FARM PRICES) U. S. AVERAGE



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FIGURE 1 - THE PRICE OF BUTTERFAT IN RELATION TO FEED GRAINS IS THE LOWEST SINCE 1920.

POUNDS OF HAY ONE POUND OF BUTTERFAT WOULD BUY
(BASED ON FARM PRICES)



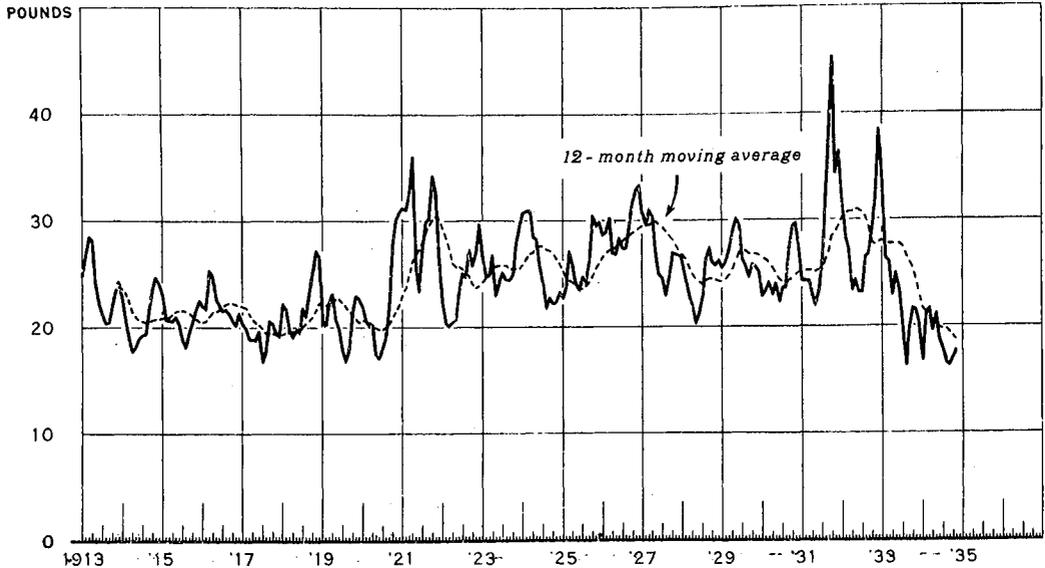
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FIGURE 2 - THE PRICE OF BUTTERFAT IN RELATION TO HAY IS THE LOWEST SINCE THE PRE-WAR PERIOD.

POUNDS OF BY-PRODUCT FEEDS THAT ONE POUND OF BUTTERFAT WOULD BUY

(WHOLESALE PRICES OF BY-PRODUCT FEEDS AND FARM PRICE OF BUTTERFAT)



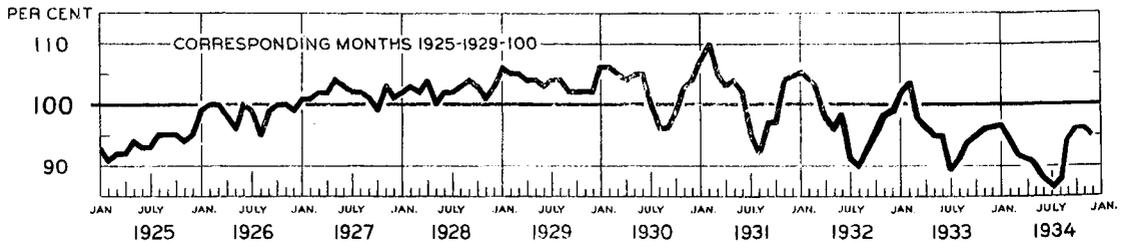
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FIGURE 3 - PRICES OF BY-PRODUCT FEEDS ARE HIGH AND BUTTERFAT LOW, SO THAT A POUND OF BUTTERFAT WILL BUY A RELATIVELY SMALL AMOUNT OF BY-PRODUCT FEEDS.

MILK PRODUCTION PER COW IN HERD FIRST OF MONTH

(BASED ON REPORTS OF CROP CORRESPONDENTS)



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FIGURE 4 - MILK PRODUCTION PER COW WAS LOW DURING THE DROUGHT PERIOD, AND ALSO LOW DURING THE FALL.

Pounds of feeds equivalent in price to one pound of butterfat,
1910-1934

Based on farm price of butterfat				Based on farm price of butterfat			
Year	Feed grains at farm prices	Hay at farm prices	By- product feeds at wholesale prices	Year	Feed grains at farm prices	Hay at farm prices	By- product feeds at wholesale prices
	Pounds	Pounds	Pounds		Pounds	Pounds	Pounds
1910-1914	22.1	44.4	^{1/} 22.2	1926	34.1	64.1	29.3
1925-1929	30.3	74.0	26.6	1927	31.7	74.0	27.1
Last 12 mos.				1928	29.3	86.5	24.2
Dec. 1933-				1929	30.5	78.0	26.5
Nov. 1934	20.4	44.7	18.7	1930	27.3	61.8	24.8
1910	22.8	47.6		1931	30.2	52.0	28.5
1911	21.1	37.2		1932	34.2	48.1	27.4
1912	20.9	40.5		1933	27.2	55.3	22.1
1913	24.9	50.9	23.6	1934-			
1914	20.7	45.9	20.7	Jan.	18.5	41.4	16.8
1915	20.1	50.2	20.5	Feb.	23.7	53.5	21.2
1916	21.4	57.0	21.9	Mar.	25.5	56.4	21.6
1917	16.2	56.3	19.2	Apr.	23.1	48.8	19.6
1918	17.9	51.5	22.3	May	23.1	48.1	21.1
1919	21.2	52.6	20.4	June	20.6	45.5	18.7
1920	22.4	53.2	21.3	July	19.6	43.4	17.7
1921	36.6	60.6	30.0	Aug.	18.1	38.9	16.5
1922	33.0	62.7	23.8	Sept.	16.3	36.8	16.3
1923	31.1	63.9	25.6	Oct.	16.5	36.3	17.0
1924	25.8	61.0	25.8	Nov.	16.5	40.1	17.7
1925	26.0	67.5	26.0				

^{1/} Average 1913 and 1914.

Production of dairy products, October 1953 - December 1954

Year and month	Milk production per cow per day, 1st of month	Percent of cows milked 1st of month	Dairy pastures condition 1st of month	Factory production of dairy products 2/				Oleo-margarine production equivalent	
	: Pounds	Percent	Percent	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	
1953-									
Oct.	11.98	69.3	63.7	130.5	41.4	3.9	113.3	3,411	23.5
Nov.	11.48	68.1		115.2	31.1	3.9	73.6	2,901	23.8
Dec.	11.21	66.5		116.4	33.8	4.4	84.8	2,978	21.3
1954-									
Jan.	11.46	65.8		113.3	28.0	4.7	98.7	2,887	17.3
Feb.	11.61	64.5		106.8	30.6	4.2	100.2	2,779	21.4
Mar.	11.96	65.5		123.8	39.1	6.4	127.1	3,283	23.6
Apr.	12.65	67.3	70.1	133.6	46.9	5.9	149.9	3,618	18.2
May	13.75	70.3	66.0	174.6	60.1	5.2	188.1	4,693	18.1
June	15.36	73.4	53.3	180.7	68.8	5.8	210.5	4,959	14.0
July	14.98	75.2	51.5	172.3	62.7	5.7	189.6	4,676	16.3
Aug.	13.23	74.0	43.8	162.6	57.9	6.3	175.1	4,392	22.0
Sept.	12.80	72.6	47.0	141.8	51.2	4.1	146.1	3,820	26.7
Oct.	12.09	70.9	59.2	130.9	47.5	3.9	138.1	3,535	26.4
Nov.	11.56	69.3							
Dec.	11.08	67.5							
Index numbers adjusted for seasonal variation (1925-1929 = 100)									
1953-									
Oct.	95	101	81	124	117	34	123	121	89
Nov.	96	102		133	122	37	108	128	91
Dec.	96	102		129	146	38	117	129	79
1954-									
Jan.	97	102		114	116	39	115	114	70
Feb.	94	101		112	125	40	119	113	88
Mar.	92	101		114	129	46	124	116	94
Apr.	91	100	86	111	132	36	122	113	78
May	91	99	81	108	122	28	125	111	85
June	88	99	63	100	120	34	121	103	74
July	87	99	61	103	122	44	136	107	90
Aug.	88	100	55	112	131	56	159	117	110
Sept.	94	102	60	119	132	38	159	123	116
Oct.	96	103	75	125	134	35	150	126	100
Nov.	96	103							
Dec.	95	102							

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

2/ The production of cheese; condensed and evaporated case goods here given, has been revised on the basis of the final figures for 1951 production.

3/ Case goods, unskimmed.

Prices of feed and dairy products, October 1933-November 1934

Year and month	Index numbers				Prices paid			Wholesale prices			Index
	Farm price Aug. 1909- July 1914 = 100	By-product dairy feeds 1913-1914 = 100	New York price per ton of fat	Farm price per pound	for milk per 100 pounds by	Butter	Cheese per pound	Condensed milk per can	Evaporated milk per can	Manufactured dairy products 1910-1914 = 100	

	Dolls.		Cents		Dolls	Dolls	Cents	Cents	Dolls	Dolls.		
1933-												
Oct.	78	91	64	77	26	20.1	1.10	1.77	24.0	10.5	4.94 2.57	78
Nov.	80	92	68	78	26	20.4	1.08	1.79	23.6	10.5	4.95 2.56	77
Dec.	78	88	70	73	26	18.0	1.00	1.80	20.1	9.3	4.95 2.55	68
1934-												
Jan.	77	84	73	79	27	16.1	.97	1.81	19.9	9.6	4.95 2.56	68
Feb.	83	92	76	84	28	21.6	1.10	1.90	25.4	12.6	4.90 2.57	83
Mar.	84	95	77	90	28	23.5	1.11	1.79	25.4	13.2	4.88 2.54	83
Apr.	82	91	76	88	27	21.0	1.02	1.81	23.7	11.0	4.88 2.56	78
May	82	91	77	85	27	21.5	1.06	1.81	24.5	11.4	4.70 2.54	80
June	86	93	90	98	30	22.2	1.09	1.82	24.9	12.5	4.74 2.54	82
July	87	94	94	104		22.1	1.09	1.86	24.5	10.6	4.73 2.53	79
Aug.	96	97	112	121		24.3	1.21	1.91	27.4	12.1	4.73 2.53	87
Sept.	103	99	123	120		24.0	1.17	1.97	25.8	11.6	4.73 2.54	83
Oct.	102	99	123	118		24.3	1.20	2.02	26.9	11.4	4.73 2.53	86
Nov.	102	105	123	127		27.2		2.03	29.4	12.3		

Index numbers, adjusted for seasonal variation (pre-war = 100)

1933-													
Oct.	78	90	65	79	89	76	74	97	76	68	107	75	76
Nov.	80	89	72	77	92	73	72	97	71	69	108	76	72
Dec.	77	85	75	70	90	63	65	97	60	61	108	75	63
1934-													
Jan.	77	81	76	77	92	58	63	97	64	61	108	75	66
Feb.	84	90	78	83	94	81	73	98	81	85	107	76	82
Mar.	85	93	76	91	98	86	76	99	80	94	107	76	82
Apr.	83	91	75	88	94	80	72	101	79	84	108	77	80
May	81	94	76	84	93	85	79	104	86	83	104	76	85
June	84	97	85	101	105	91	83	106	88	91	105	77	87
July	87	98	90	105		90	82	108	86	81	104	75	84
Aug.	95	102	107	124		100	87	108	95	85	104	75	91
Sept.	103	101	121	123		95	82	110	84	79	104	75	83
Oct.	101	99	125	123		92	81	110	85	74	105	74	83
Nov.	101	101	130	125		98		110	88	81			

1/ Index number of by-product feeds is based on wholesale prices at primary markets.
 2/ Wholesale price per ton of dairy ration at Utica, New York, (in car lots) as published in Farm Economics by Cornell University.
 3/ In March 1931 the 48-can cases changed from 16-ounce cans to 14¹/₂-ounce cans.

Retail prices and stocks of dairy products, October 1933-December 1934

Year and month	Retail prices (Bureau of Labor Statistics)						Stocks, first of month					
	Index	Milk	Butter	Cheese	Evap- milk	Cold storage cream	Mfg's con-	Evap- milk	Total equiv- alent			
	1913 = 100	per quart	per pound	per ton	per can 1/40-qt.	per cent 40-qt. cans	per can	per case	per case	per case	per case	
		Dairy products										
							Thou- sands	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.
1933-												
Oct.	107	98	11.1	28.2	23.3	6.8	200	174.7	99.3	14.7	208.5	5,153
Nov.	107	99	11.1	28.4	23.0	6.8	218	160.5	95.8	13.2	234.7	4,873
Dec.	105	97	11.2	26.0	22.6	6.8	201	138.2	85.1	10.8	225.0	4,272
1934-												
Jan.	105	96	11.1	25.7	22.2	6.8	174	111.2	77.8	9.1	210.4	3,597
Feb.	108	102	11.4	30.6	23.6	6.8	140	76.0	65.5	6.4	167.1	2,632
Mar.	108	102	11.1	31.3	24.2	6.8	104	36.9	54.9	4.8	112.9	1,582
Apr.	107	99	11.1	29.0	23.8	6.8	82	15.4	49.9	4.9	99.2	1,050
May	108	100	11.1	29.6	23.3	6.8	98	11.8	52.2	5.9	117.1	1,041
June	109	101	11.2	30.2	23.6	6.8	122	27.2	58.1	9.2	151.7	1,505
July	110	101	11.2	30.3	23.6	6.7	177	70.1	79.9	13.9	153.1	2,640
Aug.	114	104	11.4	32.8	24.0	6.8	175	108.7	97.0	17.2	205.5	3,744
Sept.	117	105	11.6	32.6	24.3	6.8	152	120.5	103.8	17.4	167.9	3,976
Oct.	116	105	11.6	32.4	23.8	6.7	145	125.0	108.6	15.9	175.1	4,132
Nov.							136	111.1	102.8	13.6	215.7	3,865
Dec.							92	81.0	95.8			
Index numbers, adjusted for seasonal variations, 1910-1914 = 100						Index numbers, corresponding months, 1925-1929 = 100						
1933-												
Oct.	109	101	127	77	103	85		130	125	43	110	125
Nov.	108	100	127	75	101	85		144	126	43	132	137
Dec.	106	97	127	67	99	85		171	125	42	143	154
1934-												
Jan.	107	98	127	69	97	83		229	136	48	179	190
Feb.	112	105	130	85	105	85		243	134	40	172	189
Mar.	114	104	128	83	107	85		206	131	34	133	156
Apr.	113	104	129	80	107	85		180	135	37	120	138
May	113	106	129	85	105	85		166	151	36	118	139
June	113	108	131	88	107	85		120	148	36	117	124
July	114	108	131	88	107	85		87	145	38	87	97
Aug.	118	111	132	94	109	85		83	131	44	104	93
Sept.	120	110	134	91	109	85		82	127	45	84	90
Oct.	118	109	132	88	106	83		93	136	46	92	100
Nov.								99	136	45	122	109
Dec.								100	141			

1/ Prior to 1932 the prices were for 15 - 16 ounce cans, in 1932 prices were for 14 1/2 ounce cans.
 2/ Includes 20 percent cream converted to 40 percent basis.
 3/ Not including cream.