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THE DAIRY SITUATION

(Issued Monthly)

Prices of dairy products rose slightly in June, and butter and cheese prices were the highest for the month since 1930. The acute drought situation was broken; June rainfall in many of the West North Central States was about normal, but in the East North Central States June rainfall was less than normal. Pastures continue relatively poor. Production of dairy products is low and promises to continue low for some months. The movement of butter into storage is less than last year. Consumer expenditures for the principal dairy products in May were somewhat less than a year earlier.

Dairy pasture conditions as of July 1 were reported as 51.5 percent of normal compared with 53.3 on June 1. Last year the July 1 condition was also seriously affected by drought, having declined from 82.5 percent of normal on June 1 to 63.5, the lowest July 1 condition on record until the new low of 51.5 this year. The previous 10-year average condition for July 1 was 79.6. Conditions in the North Central States continued the most serious, but with some slight improvement indicated in the West North Central States from 30.7 on June 1 to 34.1 on July 1.

Reported milk production of 14.98 pounds per cow on July 1 was lower even than on July 1 of last year when 15.36 pounds were reported, and the lowest on record for that date. Except for the South Atlantic and South Central States, where production was practically the same as a year ago, production per cow was the lowest on record for July 1.

Butterfat prices low in relation to grain prices

From mid-May to mid-June the farm price of butterfat rose about 3 percent, but the farm price of feed grains rose 17 percent. In mid-June the farm price of a pound of butterfat was equivalent to 20.6 pounds of feed grains. This was the lowest for the month since 1920, and compares with the 1925 to 1929 June average of 26.9 pounds. For the past 12 months the price of butterfat in relation to feed grains averaged the lowest in 10 years and about the same as the 1910 to 1914 average.

Increase in slaughter of cows and heifers

The number of cows and heifers slaughtered under Federal inspection is shown in Table 1; during each month of this year the slaughter has been larger than in the same month of the preceding year, and for the first 5 months combined was 33 percent larger than in 1933, but only 10 percent larger than the 10-year average (1923-1932) for those same months. In May, which was the worst drought month, there was an unusually heavy slaughter of cows and heifers, being 40 percent above the 10-year average.

Table 1.— Cows and heifers slaughtered under Federal inspection

Month	Average	1933	1934	1934 percentage of	
	1923-1932			1923-1932 average	1933
	1,000 head	1,000 head	1,000 head	Percent	Percent
Jan.	378	247	354	94	143
Feb.	298	244	323	108	132
Mar.	311	257	338	109	131
Apr.	294	258	312	106	121
May	288	297	404	140	136
June	294	330			
July	312	332			
Aug.	343	383			
Sept.	388	378			
Oct.	488	402			
Nov.	449	370			
Dec.	396	313			
Total,					
Jan. - May..	1,569	1,303	1,731	110	133
Total,					
Jan. - Dec.	4,239	3,812			

Manufactured production low

Total production of manufactured dairy products in May was 7.2 percent less than a year earlier and the lowest for the month since 1929. The increase in production from April to May, of 31 percent, was somewhat less than the usual seasonal increase and the index of production which is adjusted for seasonal variation (1925-1929= 100) declined from 113 in April to 111 in May. At 111 the index was the lowest since last July.

For the first 5 months of 1934 production of manufactured products was 8.4 percent less than in the same period of 1933.

Cheese was the only one of the principal manufactured products which showed an increase in production over May 1933. Butter production was down 8.6 percent. In the West North Central States, where the drought was most severe the decline was 10.0 percent, and in the East North Central States 11.2 percent. In South Dakota May production was about a third less than in 1933, and in Minnesota 14.3 percent less. The North Atlantic and Pacific Coast States were the only groups of states which showed an increase in production over a year ago.

Trade output down

The movement of butter into consuming channels in May of 159,400,000 pounds was down 3.1 percent from the preceding year. Retail prices, however, were somewhat higher so that estimated consumer expenditures for butter in May were only 1 percent greater than a year earlier. In the case of cheese, however, trade output was up 2 percent from the same month of the preceding year, and estimated consumer expenditures were up about 7 percent. Trade output of evaporated milk was down about 24 percent and retail value about 20 percent.

Combining these three products on a milk equivalent basis shows a decline of 4.9 percent in trade output in May as compared with a year earlier, and a decline of about 2 percent in the estimated consumer expenditures. The increase in both trade output and retail value from April to May was greater than the usual seasonal increase.

Storage movement light

The net into-storage movement of butter in June was relatively light, 43,088,000 pounds compared with 71,200,000 pounds last year, and a 5-year average of 60,000,000 pounds. Total stocks of butter on July 1 were 70,249,000 pounds compared with the relatively large holdings a year earlier of 106,400,000 pounds.

Storage holdings of American cheese on July 1, however, were relatively high, 79,554,000 pounds, compared with the 5-year average of 65,200,000 pounds.

The margin of domestic over foreign prices in early July is about the same as a year ago, but unusually wide for this season of the year. On July 5 the price of 92-score butter in New York was 24.5 cents and New Zealand butter in London 16.6 cents, a margin of 8 cents.

Evaporated Milk, Production, and Consumption

In 1933 the per capita consumption of evaporated milk (whole, case goods) was 12.5 pounds, or 28 percent larger than in 1924. In this same period the per capita consumption of all dairy products in the United States increased only 1 percent.

Table 2 shows the annual production, exports and consumption of evaporated milk. From 1920 to 1933 the production of evaporated milk increased at the rate 4.1 percent compounded annually. Exports however, decreased rapidly at the rate of 10.9 percent per year. In 1921 exports were 19 percent of production, but in 1933 were only 2 percent of production. Domestic consumption increased at the rate of 5.5 percent per year. On a per capita basis the increase in consumption was at the rate of 4.2 percent compounded annually.

Table 2.- Production, exports, change in stocks, and consumption of evaporated milk, 1918-1933

Year	: Production: : of evapor- : ated milk, : whole, case: : goods <u>1/</u> :	Net exports <u>2/</u>	: Change in : manufactures: : stocks : increase + : decrease - :	: Consumption: per : capita :	: Consumption: per : capita :	Retail : price : per pound <u>3/</u>
	: 1,000 : pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	Cents
1918	: 916,438					
1919	: 1,159,217					
1920	: 979,873	133,946	+151,698	694,229	6.5	15.4
1921	: 1,028,172	195,829	- 17,540	849,883	7.9	13.9
1922	: 949,909	130,692	-101,276	920,493	8.4	12.3
1923	: 1,252,520	136,886	+112,387	1,003,247	9.0	12.2
1924	: 1,189,755	140,517	- 57,556	1,106,794	9.8	11.5
1925	: 1,202,456	104,422	+ 27,483	1,070,551	9.3	11.4
1926	: 1,158,476	74,518	- 54,203	1,138,161	9.8	11.5
1927	: 1,273,815	65,930	+ 68,835	1,139,050	9.6	11.5
1928	: 1,337,022	75,311	+ 13,218	1,248,493	10.4	11.3
1929	: 1,499,644	66,929	+ 58,603	1,374,112	11.3	10.9
1930	: 1,449,149	60,600	- 9,884	1,398,433	11.4	10.1
1931	: 1,428,993	55,135	- 70,059	1,443,917	11.6	9.1
1932	: 1,570,612	38,816	- 31,919	1,563,715	12.5	7.6
1933	: 1,714,829	32,188	+110,315	1,572,326	12.5	7.3

1/ Some evaporated skim milk is made, and some evaporated is sold in bulk, the data here given are for whole milk case goods the product which is sold in retail stores.

2/ From 1920 to 1923 inclusive imports of evaporated and condensed milk were not reported separately, for those years exports only are given. From 1924 to 1933 imports of evaporated milk were deducted from the exports, and net exports given.

3/ For 1932 and 1933 the retail price of 14.5 ounce cans has been increased by 10.345 percent to get the retail price per pound.

The monthly data on production, foreign trade and manufacturer's stocks of evaporated milk, make it possible to calculate the monthly movement of evaporated milk from factories into consuming channels. This monthly movement or trade output fluctuates violently from month to month. There is a tendency however, for the trade output to be relatively high in the summer months, May, June, and July, and relatively low in November and December.

Table 3.-Index numbers of seasonal variation in trade output of evaporated milk, 1921 to 1929

Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
96.3	92.0	104.2	99.9	112.4	118.6	130.1	99.8	94.3	94.3	76.5	81.6

The trade output of evaporated milk adjusted for these regular seasonal fluctuations is shown in Figure 1. Even though the adjustment for the regular seasonal variation has been made, there are wide fluctuations from month to month, which are probably much wider than the actual variations in sales of evaporated milk to ultimate consumers over retail counters. Evaporated milk is easily stored and wholesale grocers and other distributive agencies may carry relatively large stocks at one time and small ones at another time. When stocks in trade channels increase the trade output is greater than actual consumption and when stocks in trade channels decrease consumption is greater than trade output.

The smoother lighter line shows a 12-month moving average of the trade output. Both the monthly data and the moving average show the general upward trend in trade output, that was shown in the annual data, Table 2. A peak of the moving average occurred in February 1933 of about 148,000,000 pounds. Since then there has been a decline in trade output and for the 12 months June 1933 to May 1934 averaged about 125,000,000 pounds.

The second figure shows the value at retail prices of the trade output of evaporated milk. Retail prices of evaporated milk do not change greatly from month to month so that the short time variations are due in large part to the changes in trade output. The upward trend in retail value was not as great as the upward trend in trade output, because there has been a downward trend in prices.

The lighter smoother line on the figure shows a 12-month moving average of the retail value. The retail value reached a peak in the latter part of 1929, but declined sharply with the general decline in prices in 1930, 1931, and 1932.

Table 4.- Production of dairy products, May 1933 - July 1934

Year:	Milk produc- tion per month:	Percent- age of cows milked per day, 1st. of month:	Dairy : pastures : condi- tion : 1st. of month	Factory production of dairy products					Oleo- mar- gine pro- duc- tion
				Cream- ery : butter	Cheese	Con- densed : milk	Evapo- rated : milk	Total : milk equiva- lent	
	Pounds	Percent	Percent	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
1933 -:									
May	14.39	71.5	71.8	191.2	58.1	6.5	213.9	5,081	19.7
June	16.57	74.6	82.5	200.7	64.4	5.1	220.5	5,355	15.2
July	15.29	75.6	63.5	177.6	57.8	4.8	179.7	4,714	18.2
Aug.	13.67	73.9	55.7	166.9	49.9	4.1	149.8	4,342	20.3
Sept.	12.74	71.7	57.3	138.8	43.3	3.4	126.1	3,633	21.2
Oct.	11.98	69.3	63.7	129.7	36.5	4.0	109.8	3,339	23.5
Nov.	11.48	68.1		112.4	24.4	3.9	73.0	2,774	23.8
Dec.	11.21	66.5		111.8	25.7	4.4	85.0	2,801	21.3
1934-:									
Jan.	11.46	65.8		112.4	28.4	4.8	99.1	2,874	17.3
Feb.	11.61	64.5		106.4	29.0	4.3	100.3	2,755	21.4
Mar.	11.96	65.5		122.7	37.5	6.0	131.7	3,256	23.6
Apr.	12.65	67.3	70.1	133.2	44.9	6.0	152.4	3,595	18.2
May	13.75	70.3	66.0	174.7	61.8	5.3	188.7	4,713	18.1
June	15.36	73.4	53.3						
July	14.98	75.2	51.5						
Index numbers adjusted for seasonal variation (1925-1929=100)									
1933-:									
May	95	101	88	119	117	34	142	120	92
June	95	100	97	111	112	30	127	111	80
July	89	100	75	106	112	38	129	108	100
Aug.	91	100	70	115	113	37	136	116	101
Sept.	94	101	73	117	112	32	137	117	92
Oct.	95	101	81	124	103	35	119	119	89
Nov.	96	102		130	96	37	107	122	91
Dec.	96	102		124	112	38	117	122	79
1934 -:									
Jan.	97	102		113	118	39	116	113	70
Feb.	94	101		112	118	40	119	112	88
Mar.	92	101		113	124	43	129	116	94
Apr.	91	100	86	111	126	37	124	113	78
May	91	99	81	109	125	28	125	111	85
June	88	99	63						
July	87	99	61						

1/ Percentage of normal, except in the case of index numbers for which the corresponding months, 1920-1929 = 100.
 2/ The production of cheese; condensed and evaporated case goods here given, has been revised on the basis of the final figures for 1931 production.
 3/ Case goods, unskimmed.

Table 5.- Prices of feed and dairy products, May 1933 - June 1934

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

Year and month	Dolls		Cents		Dolls	Dolls	Cents	Cents	Dolls	Dolls			
1933-:													
May :	62	63	58	67	23	20.2	.93	1.45	22.5	11.6	4.93	2.47	75
June:	64	65	60	70	24	19.7	1.00	1.49	22.8	12.0	4.93	2.51	76
July:	76	71	90	97	30	23.0	1.07	1.57	24.5	12.0	4.94	2.53	80
Aug.:	72	72	77	93	29	18.4	1.10	1.67	21.3	11.0	4.94	2.54	72
Sept:	70	76	75	81	27	19.6	1.07	1.72	23.6	10.5	4.94	2.55	77
Oct.:	70	78	64	77	26	20.1	1.10	1.77	24.0	10.5	4.94	2.57	78
Nov.:	71	78	68	78	26	20.4	1.08	1.79	23.6	10.5	4.95	2.56	77
Dec.:	63	76	69	73	26	18.0	1.00	1.80	20.1	9.3	4.95	2.55	68
1934-:													
Jan.:	70	73	72	79	27	16.1	.97	1.81	19.9	9.6	4.95	2.56	68
Feb.:	76	77	75	84		21.6	1.10	1.80	25.4	12.6	4.90	2.57	83
Mar.:	76	79	76	90		23.5	1.11	1.79	25.4	13.2	4.88	2.54	83
Apr.:	74	76	75	88		21.0	1.02	1.81	23.7	11.0	4.88	2.56	78
May :	74	76	77	85		21.5	1.06	1.81	24.5	11.4	4.70	2.54	80
June:	77	76	89	98		22.2	1.06	1.82	24.9	12.5			

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

1933-:													
May :	62	65	58	66	79	80	69	84	79	85	109	74	80
June:	64	68	57	72	85	81	76	87	80	88	109	76	81
July:	76	75	86	98	108	94	81	91	86	91	108	75	86
Aug.:	72	75	72	94	98	76	78	95	74	78	109	76	76
Sept:	70	78	72	83	89	77	75	96	77	72	109	75	77
Oct.:	70	77	65	79	89	76	74	97	76	68	107	75	76
Nov.:	71	75	72	77	92	73	72	97	71	69	108	76	72
Dec.:	69	72	73	70	90	63	65	97	60	61	108	75	63
1934-:													
Jan.:	70	70	76	77	92	58	63	97	64	61	108	75	66
Feb.:	76	75	77	83		81	73	98	81	85	107	76	82
Mar.:	76	77	76	91		86	76	99	80	94	107	76	82
Apr.:	73	77	75	83		80	72	101	79	84	108	77	80
May :	74	78	77	84		85	79	104	86	83	104	76	85
June:	77	79	85	101		91	81	106	88	91			

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 14-1/2 ounce cans.

Table 6.- Retail prices and stocks of dairy products, May 1933-July 1934

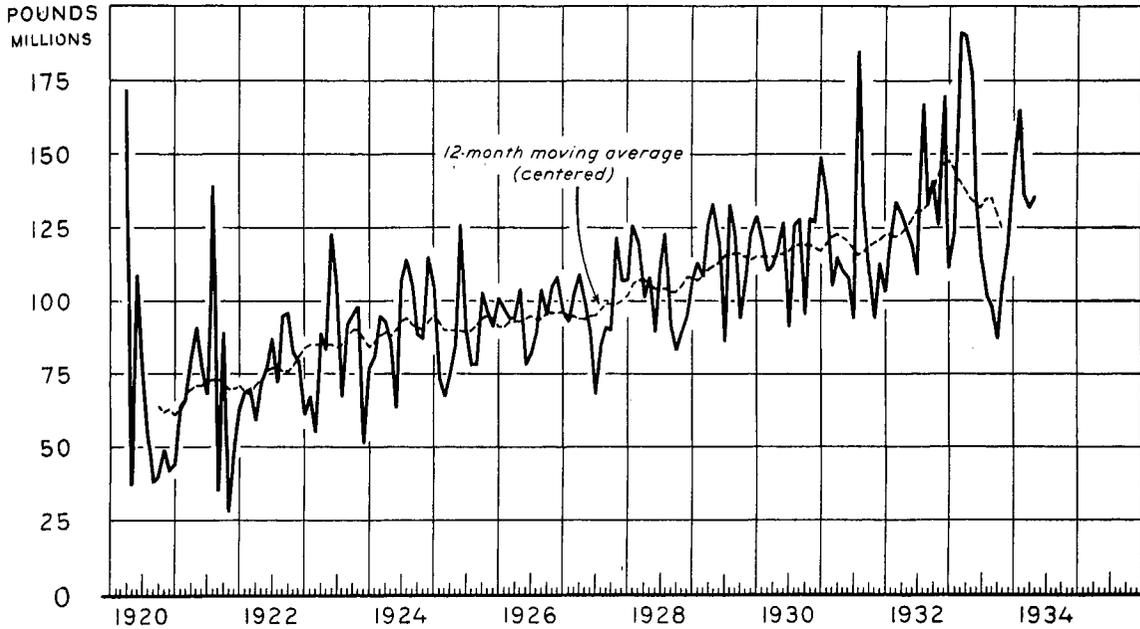
Year and month	Retail prices (Bureau of Labor Statistics)						Stocks, first of month					
	Index numbers 1913 = 100		Milk per quart	But- ter per pound	Cheese per pound	Eva- pora- ted milk per can 1/	Cold storage		Manufacturer's			
	All foods	Dairy pro- ducts					Cream 40 per- cent 40-qt. cans 2/	But- ter	Ameri- can cheese	Con- den- sed milk case goods	Eva- pora- ted milk case goods	Total equi- val- ent 3/
Cents	Cents	Cents	Cents	Thou- sands	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.			
1933-												
May	94	92	10.0	28.2	22.3	6.5	54	9.4	37.3	5.3	37.0	664
June	97	94	10.2	28.1	23.1	6.7	112	35.2	41.3	9.9	48.1	1,279
July	105	98	10.4	31.0	23.6	6.8	194	106.4	67.5	15.0	104.1	3,170
Aug.	107	96	10.9	27.3	23.6	6.9	200	150.9	82.8	10.9	133.0	4,325
Sept.	107	98	11.0	28.0	23.5	6.8	166	175.5	94.4	16.4	177.5	5,056
Oct.	107	98	11.1	28.2	23.3	6.8	200	174.7	99.3	14.7	208.5	5,153
Nov.	107	99	11.1	28.4	23.0	6.8	218	160.5	95.8	13.2	234.7	4,873
Dec.	105	97	11.2	26.0	22.6	6.8	201	138.2	85.1	10.8	225.0	4,272
1934-												
Jan.	105	96	11.1	25.7	22.2	6.8	174	111.2	77.8	9.1	210.4	3,597
Feb.	108	102	11.4	30.6	23.6	6.8	140	76.0	65.5	6.4	167.1	2,632
Mar.	108	102	11.1	31.3	24.2	6.8	104	36.9	54.9	4.8	112.9	1,582
Apr.	107	99	11.1	29.0	23.8	6.8	82	15.4	49.9	4.9	99.2	1,050
May	108	100	11.1	29.6	23.3	6.8	98	11.8	52.2	5.9	117.1	1,041
June							122	27.2	58.1	9.2	151.7	1,505
July							178	70.2	79.6			
	Index numbers, adjusted for seasonal variations, 1910-1914 = 100						Index numbers, corresponding months, 1925-1929 = 100					
1933-												
May	98	98	116	81	101	81		132	108	32	37	89
June	101	100	119	82	105	83		155	105	38	37	106
July	109	105	121	90	107	86		132	122	41	59	117
Aug.	111	102	127	78	107	86		115	112	43	67	108
Sept.	110	102	127	78	105	85		119	116	42	89	114
Oct.	109	101	127	77	103	85		130	125	43	110	125
Nov.	108	100	127	75	101	85		144	126	43	132	137
Dec.	106	97	127	67	99	85		171	125	42	143	154
1934-												
Jan.	107	98	127	69	97	83		229	136	48	179	190
Feb.	112	105	130	83	103	85		243	134	40	172	189
Mar.	114	104	128	83	107	85		206	131	34	133	156
Apr.	113	104	129	80	107	85		180	135	37	120	138
May	115	106	129	85	105	85		166	151	36	118	139
June								130	148	36	117	124
July								87	144			

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.

TRADE OUTPUT OF EVAPORATED MILK

(UNSKIMMED, CASE GOODS, ADJUSTED FOR SEASONAL VARIATION)



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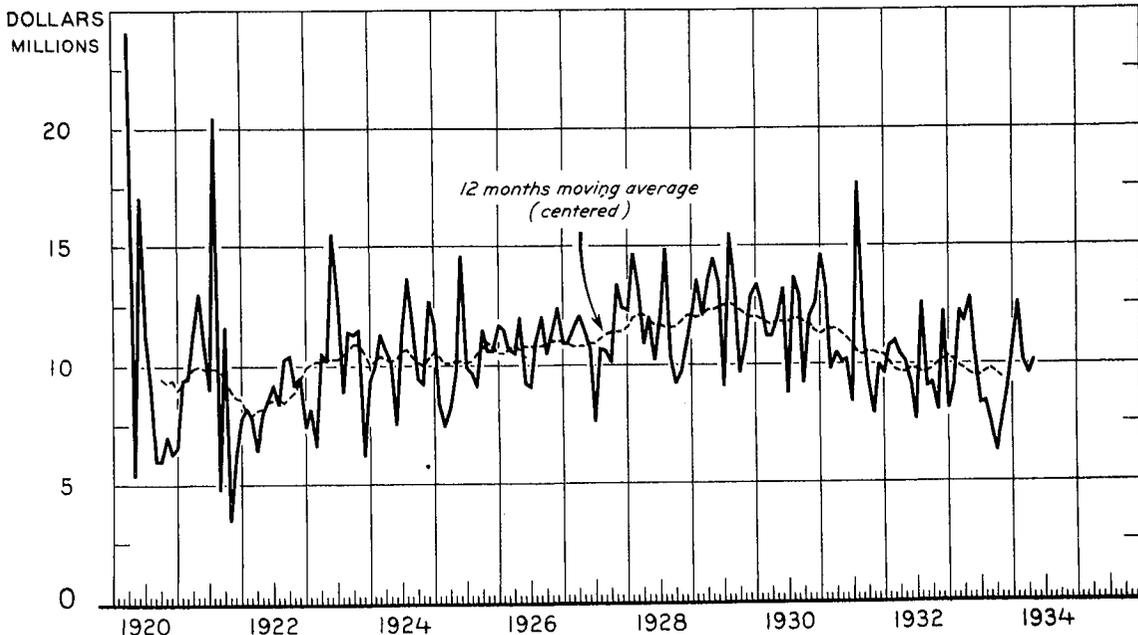
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FIGURE 1 - THERE WAS A MARKED UPWARD TREND IN TRADE OUTPUT OF EVAPORATED MILK FROM 1920 TO THE EARLY PART OF 1933, BUT SINCE THEN TRADE OUTPUT HAS DECLINED.

RETAIL VALUE OF TRADE OUTPUT OF EVAPORATED MILK

(UNSKIMMED, CASE GOODS, ADJUSTED FOR SEASONAL VARIATION)



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FIGURE 2 - THE AMOUNT OF MONEY CONSUMERS PAID FOR EVAPORATED MILK REACHED A PEAK IN 1929, AND THEN DECLINED.