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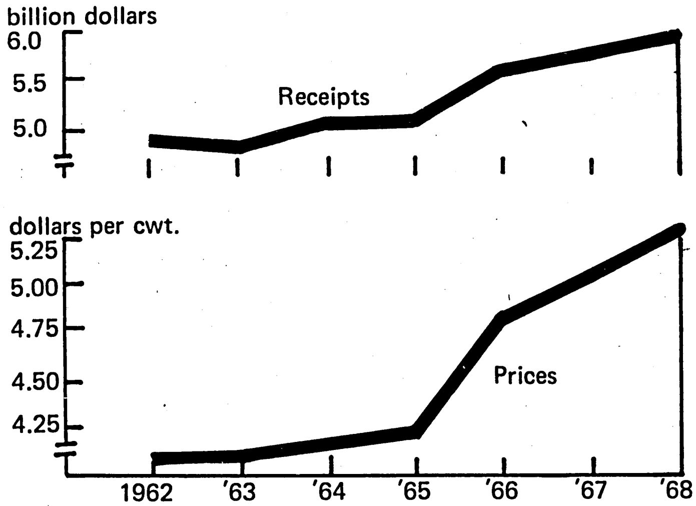
THE AGRICULTURAL SPOTLIGHT is on dairying this month, as producers, processors, and retailers emphasize promotion of dairy products.

Dairy farmers have received substantially higher returns for the past two years. With higher government support prices and reduced surpluses, average prices received for wholesale milk have increased more than 9 percent since 1966. Higher prices have more than compensated for a 2-percent average annual decline in production. Cash receipts from dairy products rose to $6 billion last year–4 percent more than in 1967 and 18 percent more than the 1962-66 average. Also, the milk-feed price ratio was at a record high every month. Averaging 1.70 for the year, the ratio was 9 percent higher than the year before.

Higher Prices Boost Dairy Receipts



Higher milk prices and lower feed costs encouraged liberal feeding. Farmers fed 3,519 pounds of grain and concentrates per cow last year–4 percent more than in 1967. The heavier feeding lowered efficiency. The amount of feed consumed increased 2 percent for every 100 pounds of milk produced.

Higher milk prices and lower feed costs have also undoubtedly encouraged some operators to add to their herds and influenced others to continue in dairying. Dairy cows have been disappearing steadily since 1955–dropping from 23.5 million head then to 14.1 million head now. Cows were being eliminated at an annual rate of 4 percent during the mid-1960s and dropped 5 percent in 1966. But, the rate has since slowed to 3.6 percent a year.

In states of the Seventh District, dairy products account for about 15 percent of the cash receipts from farm marketings. Last year, the five district states produced nearly two-fifths of the nation's milk supply. Wisconsin alone, the leading dairy state, accounted for almost a sixth of the total U. S. supply.

Cash receipts to dairy farmers are likely to be even higher this year. Receipts in the first quarter were up 3 percent over a year before. To meet legal requirements, the support price for butterfat was increased 2.6 cents a pound effective April 1. The increase will be effective through March 31, 1970. The law requires that support prices of milk and butterfat be between 75 and 90 percent of parity. (The parity price equals the average market price for the past ten years divided by the average index of prices received for the past ten years multiplied by the index of prices paid.) In May, the average price received for milk was $5.16 per hundredweight–3 percent higher than a year before and 86 percent of parity.

With higher prices, more substitutes, and greater emphasis on weight-watching in many households, the dairy industry has been facing a steady decline in consumer demand. Per-capita consumption of milk and dairy products was off only 1 percent last year, however, compared with an average decline of 3 percent for the past two years. Total consumption was up for the first time in three years–partly because of sharply increased use by the Armed Forces. Expanded use of butter resulted in the military increasing its consumption of dairy products by 50 percent.

The potential impact of dairy substitutes can be inferred from the success of coffee whiteners and whipped toppings. It has been estimated that coffee whiteners have taken over a third of the market for light cream and that nondairy products may account for as much as four-fifths of whipped topping sales.

These substitutes have a large price advantage over competing dairy products. Whiteners sell for 24 to 29 cents a pint, compared with 45 to 49 cents for cream. Nondairy whipped toppings sell for 35 to 39 cents a pint, compared with 60 to 75 cents for whipped cream in pressurized containers of like capacities.

The newest threat to the dairy market is posed by synthetic milk, which contains no real milk component. As yet sales have not made serious inroads into the fluid milk market. Nevertheless, synthetic milk costs about 28 cents a gallon less to produce than real milk. With further refinement of ingredients and increased promotion, the synthetic product could become extremely competitive, especially if price support programs continue to push prices of dairy products higher.

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