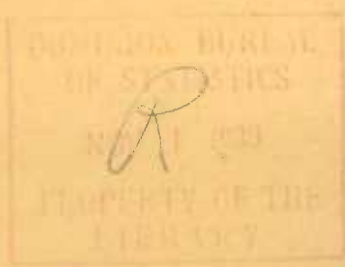


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CANADA
DOMINION BUREAU OF STATISTICS
AGRICULTURAL BRANCH

SERIES NO. VI

REPORT NO. 3

THE DAIRY SITUATION
IN
CANADA

SUMMER QUARTER
JUNE - AUGUST
1939



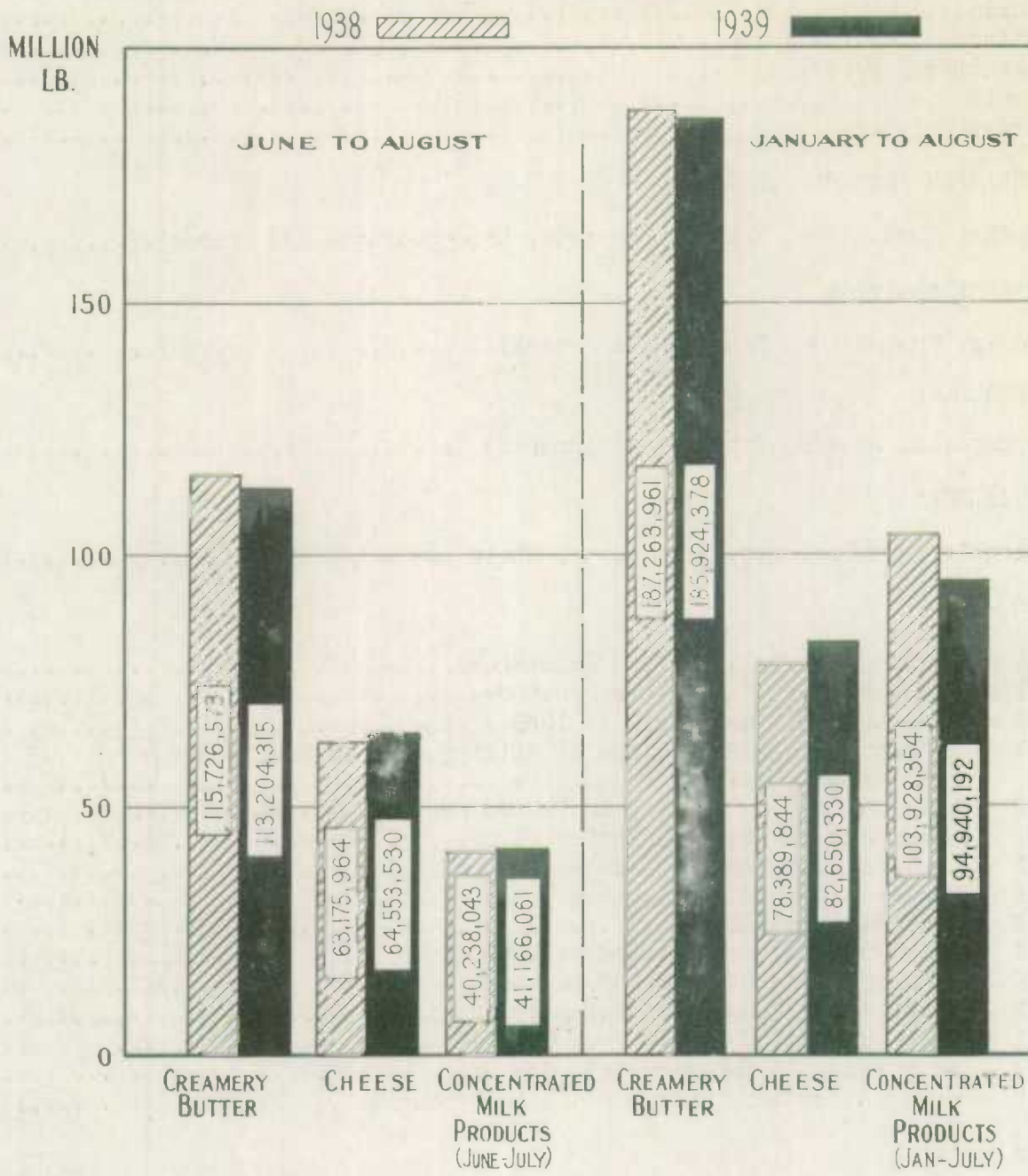
OTTAWA
1939

Price \$1 a year

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PRODUCTION OF CREAMERY BUTTER, CHEESE AND CONCENTRATED MILK PRODUCTS



DOMINION BUREAU OF STATISTICS
AGRICULTURAL BRANCH

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SUMMARY

This issue of The Dairy Situation in Canada covers the summer period, June to August, 1939. These reports are published by the Dominion Bureau of Statistics on the basis of information supplied through the co-operation of the Provincial Dairy Commissioners and Statisticians, Dairy Correspondents and Dairy Farm Observers; included in the latter group are District Representatives, a few factory managers and all the Superintendents of Dominion Experimental Farms. The outstanding features of the report are summarized below:

The Butter Position — The production of butter during the summer period declined 2.2 per cent as compared with the same period of last year, but the total production of 113 million pounds was approximately 3 per cent above the five-year average for the June-August period.

The total domestic disappearance of Canadian-made butter advanced 3.2 per cent over the previous summer period and 16.8 per cent over the spring period of this year. The total of 69 million pounds was nearly 6 per cent above the 1935 to 1939 average for the three summer months. Exports were unusually large, amounting to practically 4 million pounds, or about 2 per cent above those for the spring period, and reached to within 1/2 million pounds of the unusually large overseas movement that took place in the summer of 1936.

Butter prices for first grade solids on the Canadian Commodity Exchange at Montreal averaged 21 3/4 cents for the three summer months, representing a decline of 2 7/8 cents as compared with last year and an increase of 1/2 cent as compared with the spring period of this year. This was the lowest June-August average since 1935 when 20 3/8 cents was recorded.

At June 1, stocks were 12 per cent above those of June a year ago, while at September 1 they had fallen approximately 11 per cent below those of September 1, 1938. At the latter date, storage and transit stocks were 6.6 million pounds less than last year, but 1 million pounds more than the five-year average.

Regardless of the stock decline as compared with 1938, the supply position is quite satisfactory. On the basis of the September to April factory output in 1938-1939, the visible and prospective supply for the succeeding eight months would exceed domestic requirements by approximately 13 million pounds, even if the demand remains the same.

The Cheese Position — The summer make of cheddar cheese registered an advance of 2.2 per cent over the June-August period of 1938. The increase in production is attributed in part to the unsatisfactory condition of the butter market, particularly in the early spring. Likewise, the payment of a government bonus for high quality cheese and the financial assistance provided for amalgamating and enlarging factories, focussed attention on this industry and encouraged farmer-patronage. This was evidenced in the establishment of a large number of new factories.

Cheddar cheese prices were lower than last year. First grade Ontario coloured, at Montreal, fell from an average of 14 3/8 cents for the summer period of 1938 to 11 7/8 cents in the three-month period of 1939. Converted to a butter-fat equivalent, the prices quoted gave cheese an advantage of 3 7/8 cents per pound butter-fat over butter in the summer of 1939, compared with 6 3/4 cents per pound butter-fat in favor of cheese in the summer of 1938.

The total disappearance of Canadian cheddar cheese amounted to 39.4 million pounds in the June-August period of 1939, a decline of 3 million pounds from last year. Exports amounting to 32 million pounds in the 1939 period, compared with 28 million pounds in the summer period of 1938, are included in this calculation. Stocks at September 1 were 9 million pounds higher than those of September 1 a year ago. Stabilization of the pound sterling at \$4.43 to \$4.47, a decline of 42 cents from par, may have an important bearing on the future position.

Milk Products --- The production of whole milk products advanced 3.4 per cent as compared with the summer output of a year ago. Whole milk by-products declined 17.3 per cent. Exports of milk products fell 12.2 per cent from last year. Offset, however, by an apparent increase in the domestic trade, stocks were reduced from 34.7 million pounds at September 1, 1938 to 17.5 million pounds at September 1, 1939.

Pasture and Feed Conditions --- Dry weather in parts of the Maritime Provinces, southern and western Ontario, and in the southern and central sections of the Prairie Provinces, had a detrimental effect on pasturage and forage crops in late July and August. Rains have since improved conditions, but a late harvest in Western Saskatchewan and Alberta has deprived milch cows of the green after-harvest forage that would otherwise have been provided. Pastures were rated at 90 at the end of August or 7 points below the same date last year. The oat crop showed an estimated increase of 1 3/4 million bushels over last year; barley production was reduced 3 million bushels; the hay and clover crop fell 3/4 of a million tons; turnips declined 1 million hundred weight, while fodder corn was approximately 60 thousand tons less than last year.

Milch Cow Numbers --- The survey of June 1 showed an estimated milch cow population of 3,873,500, and a dairy heifer population of 926,100. The former represented a decrease of only 300, and the latter an increase of 29 thousand over the population figures of June 1 a year ago. In the June-August period, only 82.3 per cent of cows in the herds of Dairy Correspondents were actually milking compared with 84.8 per cent in the summer period of the preceding year. Exports of dairy cattle increased from 3,578 head in the summer period of 1938 to 6,226 in the summer of 1939. A considerable number were shipped to Great Britain.

Milk Production and Distribution --- The production of milk in the period under review was practically equal to the summer production of 1938, and the amount used for butter and cheese fell only 1.3 per cent. There was some increase, however, in the quantities used in the fluid trade which tended to balance the total sales with those of the previous summer season. For the Dominion as a whole, the butter made on farms declined 5 per cent, and there was also a substantial reduction in the quantities fed to live stock and used for family consumption.

The cows actually milking on the farms of Dairy Correspondents showed an average daily production per cow of 22.3 pounds, compared with 21.6 pounds in the June-August period of the preceding year. Owing to the increased number of dry cows, the average production per cow, based on total numbers in the herds of Dairy Correspondents, in the summer period was approximately the same in 1939 as in 1938.

Price Indexes --- Declines in the price indexes of the principal farm products, with the exception of veal, were indicated during the summer period of 1939 as compared with those shown in the summer period of the preceding year. Milk showed the smallest reduction while both wheat and coarse grains fell considerably below butter and cheese. Dairy products are still in a relatively strong competitive position.

From the consumers' standpoint, lard and eggs offered dairy products the greatest competition, but the latter have a distinct advantage over meats when the 1938 and 1939 June-August indexes are compared. There is a possibility of lard being substituted for butter where these products can be conveniently interchanged.

Review of the Production Situation by Provinces

Prince Edward Island

Dry weather again left its imprint on the farm lands of this province during the midsummer period. Dull, backward weather in early June continued throughout the first part of July; but this was followed by warm weather which reached its greatest intensity during August with the rainfall about one-third less than last year. This condition was more or less general although the northern part of Prince county was favoured with somewhat more precipitation. Pastures dried up rapidly during this high temperature period; the water supply was reduced to a low level, and milch cows lost flesh and declined in production.

Estimates released early in September showed that pastures were rated at 88 at the end of August, 25 points below the condition shown at the same date of the previous year. The hay crop was of exceptionally good quality although the tonnage was smaller than a year ago. The estimated yield at the end of August was 260 thousand tons, representing a reduction of 37 thousand tons from that of 1938. There was a good corn crop. The yield will be about the same as last year. Most of it will be fed as fodder, many farmers having found it useful as a supplement to depleted pastures. A shortage of clover in pastures and meadows was in evidence in all districts and probably contributed in some measure to the decline in the milk production. The barley crop turned out fairly well with an estimated yield of 253 thousand bushels as compared with 195 thousand bushels in 1938, while the oat crop, estimated at 4.9 million bushels in 1939, is down 5 thousand bushels from that of a year ago. Although estimates on the production of roots are not yet available it would appear from conditions reported during the season that the yield will be about 4 per cent less than in 1938.

Dairy herds are in poor condition for this time of year. Low butter-fat prices discouraged farmers from making investments in grain supplements, and in many cases it was felt that hay, too, should be conserved for winter use. The numbers of milch cows at June 1 were 600 head above those reported at the same date a year ago, having advanced from 45.8 thousand to 46.4 thousand. Heifers also increased from 11.7 thousand to 12.2 thousand. According to the monthly reports of Dairy Correspondents very little change has taken place in the numbers on farms since that date, although some exports have been made to meet the demand for cows from other provinces. The percentage of cows actually milking fell from 86.4 per cent in June, 1938 to 83.5 per cent in June, 1939, a reduction which may be partly accounted for by delayed freshenings. In July the percentage was about the same as a year ago, and the average for May, June and July was 78.2 as compared with 79 in the same period of the preceding year.

The production of butter, which usually indicates the rise or fall in total milk production fell 18.6 per cent in the three summer months of 1939 as compared with the summer period of 1938. This was slightly offset by an increase of 19.6 per cent in cheese production. In terms of milk the production of butter and cheese for the three summer months amounted to 26.4 million pounds, 15 per cent less than that used for manufacturing these products in the June-August period of 1938. Low prices caused farmers to feed somewhat larger quantities to live stock and there was also a slight increase in the milk and cream used in farm homes. An increase of 62.9 per cent in the butter made on farms would tend to reduce the factory milk supply. Nevertheless, a decline in the farm production of milk was quite definitely indicated in the three summer months of 1939 as compared with the same period of 1938. Feed prospects for the autumn period are not very favourable and unless exceptionally heavy rains occur to improve pastures there is little hope of any increase in milk production in the next three months as compared with the same period of the preceding year.

TABLE I - WEATHER RECORDS REPORTED FROM REPRESENTATIVE STATIONS IN EASTERN CANADA,
MAY TO JULY, 1938 - 1939.

Station and Year	Inches of Precipitation			Mean Temperature			Hours of Sunshine			
	May	June	July	May	June	July	May	June	July	
Charlottetown	1938	2.7	2.5	5.1	48	63	67	201	208	185
	1939	4.5	1.2	2.6	46	57	67	259	276	262
Kentville	1938	2.2	4.3	6.7	49	64	67	202	190	170
	1939	3.9	1.2	2.6	48	58	67	245	275	231
Nappan	1938	2.3	3.3	5.7	48	62	65	198	189	161
	1939	3.6	2.3	1.3	47	54	66	251	265	250
Sydney	1938	2.5	4.0	3.6	46	62	66	-	-	-
	1939	2.4	2.7	3.6	44	54	65	-	-	-
Chatham, N.B.	1938	3.6	3.2	3.8	47	64	66	-	-	-
	1939	1.4	3.1	2.8	47	58	68	-	-	-
Fredericton	1938	4.2	4.0	5.1	49	65	67	194	194	160
	1939	2.5	2.2	2.5	50	60	68	263	226	208
Cap Rouge	1938	3.4	2.5	6.5	50	64	66	215	235	160
	1939	3.5	6.0	4.0	50	61	68	219	187	206
Lennoxville	1938	2.6	3.5	8.3	51	64	68	225	256	179
	1939	2.0	6.3	4.0	52	61	67	246	204	238
Quebec	1938	3.4	2.7	5.3	52	65	68	210	230	167
	1939	3.0	7.2	4.3	52	62	69	226	190	224
Sherbrooke	1938	2.6	3.0	7.6	52	65	68	249	280	209
	1939	1.9	5.1	4.0	53	62	68	265	232	267
North Bay	1938	2.0	2.3	4.7	54	63	68	-	-	-
	1939	2.7	4.4	2.2	53	62	67	-	-	-
Ottawa	1938	2.9	2.4	5.3	54	65	69	247	282	263
	1939	2.2	3.6	6.3	54	64	68	234	242	294
Peterboro	1938	2.8	1.9	7.4	56	65	70	-	-	-
	1939	1.6	1.7	2.6	58	65	72	-	-	-
Kapuskasig	1938	1.6	6.0	4.9	49	58	62	250	197	240
	1939	2.9	3.0	4.2	46	58	64	223	203	278
Chatham, Ont.	1938	3.8	1.9	4.2	57	66	-	202	214	238
	1939	0.7	3.9	3.5	60	69	72	260	213	269
Woodstock	1938	3.4	3.2	2.0	54	64	70	236	269	269
	1939	1.7	3.9	2.2	57	65	68	245	260	313

Nova Scotia

A drought condition existed in Nova Scotia during the latter part of the summer season which struck pastures and forage crops with considerable severity, particularly in the southern areas of the province. The fore part of the season was inclined to be cool; there was less rain than in the previous year, but growth was well maintained until late in the season. Warm weather commencing after the first week of July was relieved by occasional showers, although the precipitation for the month was well below that of July, 1938. August was extremely dry with very little rainfall except a few general showers early in the month. On August 31, pastures were rated at 88, which was 14 points below the rating reported at that date a year ago, and 8 points below the condition of the previous month. There was a shortage of water in some districts, and water levels are still below normal. In some cases the situation was reported to be quite serious.

The tonnage of hay in 1939 was smaller than in 1938, showing an estimated yield of 636 thousand tons, or a decline of 58 thousand tons as compared with the preceding year. The quality of the crop was decidedly better. Farmers were able to cut and stack under favourable weather conditions, so that there will probably be more hay that can actually be used than there was in 1938. On account of poor pastures supplementary feeding was necessary to maintain the midsummer milk flow. Grain or concentrates were not generally fed because it was felt that low butter-fat prices did not justify the expenditure. Green feeds, however, were quite generally employed. Clover is rather scarce in meadows and pastures, and the aftergrowth was not good enough to help the pasture situation. Heavy yields of grain were obtained; the oat crop at the end of August was estimated at 3.1 million bushels, which was 494 thousand bushels above that of 1938. The barley crop was estimated at 304 thousand bushels, 61 thousand bushels more than the estimated production for the preceding year. The root harvest and also the production of fodder corn, promise to be better than in 1938. The outcome will depend, of course, on subsequent rains. More rain is required to produce a sizeable root crop.

Milch cow numbers increased slightly during the past year. The June 1 survey revealed a population of 118.3 thousand compared with 115.5 thousand at the same date in 1938. Heifers raised mainly for milking purposes were estimated at 30 thousand, practically the same as the June 1 population a year ago. The percentages of cows being milked in relation to total cows in the herds of Dairy correspondents in the three summer months were lower than last year. Differences were most evident in May and June with declines of 6.9 and 7.2 per cent respectively. These decreases were due in part to delayed freshenings. In July the percentage decline was 3.7 per cent, and the three-month average was 83.9 per cent, representing a reduction of 5.5 per cent below the corresponding figures for the May-July period of 1938.

Milk production in the summer period was reflected in the creamery butter make which declined 10.5 per cent from the summer period a year ago. Despite increased numbers on farms, the percentage of these cows actually milking showed some important reductions, falling about 7 per cent in May and June, and nearly 3 per cent in July. In this respect the trend seemed to correspond in a general way with the butter output. In August poor pastures were the dominating factor. There seemed to be very little change in the utilization of milk on farms except that less was used for butter making. Low butter-fat prices appeared to produce a two-fold reaction; deliveries were reduced and farmers received less for the farm-made product. Milk production in the autumn period would not be expected to measure up to the September-November production of 1938 unless exceptional weather conditions prevail. Pastures have not yet recovered from the summer drought and sales of milch cows to outside buyers well reduce potential producers. Higher butter-fat prices and larger supplies of feed grains, on the other hand, will favour increased production, but it is doubtful if this will take effect until late in the season.

TABLE II - WEATHER RECORDS REPORTED FROM REPRESENTATIVE STATIONS IN WESTERN CANADA,
MAY TO JULY, 1938 - 1939.

Station and Year	Inches of Precipitation			Mean Temperature			Hours of Sunshine		
	May	June	July	May	June	July	May	June	July
Brandon 1938	1.2	1.6	2.3	50	61	68	215	213	286
Brandon 1939	3.0	2.9	1.9	56	56	69	256	211	334
Morden 1938	1.5	2.2	4.3	53	63	70	220	215	257
Morden 1939	1.8	3.8	0.6	58	60	73	244	216	308
Dauphin 1938	0.9	2.0	2.3	52	62	69	-	-	-
Dauphin 1939	1.9	2.2	3.0	55	58	70	-	-	-
Battleford 1938	1.8	1.3	1.8	51	61	66	-	-	-
Battleford 1939	1.1	4.2	1.3	54	54	67	-	-	-
Prince Albert 1938	1.3	0.4	2.4	51	62	67	-	-	-
Prince Albert 1939	1.0	4.3	1.3	53	55	67	-	-	-
Saskatoon 1938	1.6	1.4	2.1	51	62	68	239	227	342
Saskatoon 1939	0.8	6.6	1.8	55	55	69	248	244	385
Indian Head 1938	1.5	2.0	0.7	50	61	68	170	-	296
Indian Head 1939	1.0	4.1	1.2	55	56	69	-	-	-
Swift Current 1938	2.1	2.0	0.8	51	63	69	208	260	350
Swift Current 1939	3.2	5.4	2.2	54	53	66	243	211	384
Beaverlodge 1938	0.3	1.4	0.5	50	56	63	286	270	344
Beaverlodge 1939	1.7	1.6	3.7	51	55	61	252	276	291
Edmonton 1938	1.4	4.8	3.2	51	61	64	276	264	327
Edmonton 1939	5.4	1.8	1.5	53	53	63	245	203	340
Calgary 1938	3.4	2.6	3.1	49	58	63	233	251	295
Calgary 1939	1.4	8.0	0.7	52	50	62	290	181	352
Cardston 1938	4.6	2.7	1.8	-	59	65	-	-	-
Cardston 1939	1.5	4.5	0.0	54	53	67	-	-	-
Victoria 1938	0.5	0.0	0.4	53	58	61	334	336	335
Victoria 1939	1.0	1.2	1.2	54	55	60	279	219	320
Prince George 1938	1.3	1.2	1.6	49	57	61	282	251	276
Prince George 1939	2.2	1.6	3.2	51	56	60	209	253	281
Agassiz 1938	2.4	0.4	1.0	57	61	67	223	195	231
Agassiz 1939	3.4	4.4	3.2	56	57	64	148	111	-
Kamloops 1938	0.3	0.4	0.6	59	73	74	316	366	367
Kamloops 1939	0.8	3.1	0.7	59	60	70	256	199	326

New Brunswick

Weather conditions were somewhat variable during the summer months. In common with other parts of the Maritime Provinces, New Brunswick experienced a cool and showery June with higher temperatures in July and a comparatively dry August. Early rains supplied sufficient moisture for growing crops in the first 6 weeks of the summer period. Pastures and fodder crops suffered from high temperatures in August except in the three northern counties where weather conditions were more favourable. These sections received more rain in midsummer and with the addition of moisture reserves from the early spring were able to withstand the high temperatures that prevailed in the latter part of the summer.

The season was a suitable one for haying. Warm sunny days gave farmers a chance to gather the crop in good condition, so that the quality is much superior to the 1938 crop. There is a smaller tonnage than last year, only 767 thousand compared with 904 thousand in 1938. There was much less clover this year, which is a factor of some importance to dairymen. The reduced volume does not represent a reduction in usable hay because so much of the 1938 crop was spoiled in the field or in the stack. The belief is that farmers are as well supplied as they were a year ago when both quality and tonnage are compared. Fall pasture prospects are less satisfactory. At the end of August pastures were rated at 90 per cent of the average, a decline of 15 points from the same date last year and 6 points below the July 31 rating. Grains yielded well, and this is probably one of the most encouraging features of the feed situation. Oats were estimated at 7.6 million bushels representing a gain of 1.4 million bushels over that of 1938, while barley yielded 466 thousand bushels, a gain of 84 thousand bushels over that of the preceding year. The condition of the root crop at the end of August was slightly below the estimate at the same date last year and fodder corn registered a decline of 6 points. The former was 96 per cent of the long-time average and the latter 97 per cent.

Live stock has been maintained in fair condition despite the lack of pasture in many areas. The seasonal fall in milk production came earlier than usual, however, as the result of inadequate forage. The June 1 survey indicated that the milch cow population had increased from 112.6 thousand to 114.3 thousand. Heifers raised mainly for milking purposes also advanced from 28.9 thousand to 29.6 thousand. There seems to be no evidence that the increase in cow numbers was of any benefit to dairying. This is indicated in the percentage of cows actually milking. A decline was registered in the month of June, when the percentage of milking cows to total cows fell from 91.2 to 88.9 as compared with the same months of the previous year. In July, there was practically no difference shown. Observers attribute this change to late freshenings, the peak numbers in production being shown in July instead of in June which is the normal high point for cow numbers ordinarily in milk.

The June production report^{*} revealed a decrease in the amount of butter manufactured during that month as compared with June, 1938. The July output was practically the same as that recorded in July a year ago, while a sharp decline was registered in August making a net reduction of 6.6 per cent for the three-month period. Cheese production was well maintained throughout the season and showed an increase of 21.7 per cent for the three summer months over the same period of 1938. On a milk basis the quantity used for manufacturing showed a reduction of 4.8 per cent. It seems evident that less milk was produced on farms than was recorded in the summer of 1938. The production of butter in creameries was affected to some extent by a larger farm make, but as the season advanced a fall in dairy butter prices discouraged farmers in this endeavour, resulting in a smaller farm make for the 1939 season as a whole as compared with the same period of 1938.

* The Monthly Review of Dairy Production.

TABLE III - PASTURE CONDITIONS AT THE END OF JUNE AND JULY, 1920 TO 1930 AND JUNE, JULY AND AUGUST, 1930 TO 1939.

Year	P.E. Island			Nova Scotia			New Brunswick			Quebec			Ontario		
	June	July	Aug.	June	July	Aug.	June	July	Aug.	June	July	Aug.	June	July	Aug.
1920	94	94	-	88	93	-	85	89	-	91	97	-	93	98	-
1921	77	73	-	86	76	-	76	70	-	83	77	-	92	92	-
1922	103	105	-	99	107	-	108	105	-	104	101	-	103	104	-
1923	101	106	-	99	105	-	88	92	-	-	95	-	-	93	-
1924	100	94	-	97	95	-	100	89	-	100	103	-	98	102	-
1925	103	104	-	104	105	-	104	104	-	106	107	-	93	96	-
1926	101	101	-	96	99	-	100	101	-	96	97	-	94	98	-
1927	101	105	-	95	105	-	101	105	-	100	105	-	102	106	-
1928	101	102	-	108	107	-	101	102	-	102	104	-	98	106	-
1929	100	92	-	95	88	-	98	95	-	103	100	-	99	94	-
1930	101	91	88	90	96	84	103	99	98	105	103	103	100	97	80
1931	103	106	99	108	102	101	104	103	96	103	99	94	99	99	89
1932	92	98	99	93	98	95	91	99	100	83	90	90	90	94	94
1933	93	88	66	101	88	66	92	90	75	84	81	83	90	70	66
1934	94	85	85	84	75	67	90	85	82	98	93	85	72	61	60
1935	104	95	73	101	94	80	98	96	77	102	102	97	107	105	96
1936	110	109	106	108	106	100	108	106	101	105	99	96	94	61	58
1937	107	99	72	106	98	83	96	94	85	96	95	97	108	96	98
1938	99	101	105	103	105	102	104	102	105	101	100	102	98	94	95
1939	79	89	80	88	96	88	86	96	90	98	101	101	95	75	88

Year	Manitoba			Saskatchewan			Alberta			B. C.			Canada		
	June	July	Aug.	June	July	Aug.	June	July	Aug.	June	July	Aug.	June	July	Aug.
1920	105	93	-	106	88	-	111	106	-	92	98	-	94	96	-
1921	106	96	-	108	98	-	83	83	-	108	97	-	102	86	-
1922	100	103	-	102	92	-	67	76	-	78	67	-	99	98	-
1923	102	105	-	107	110	-	112	112	-	107	108	-	101	102	-
1924	90	94	-	90	72	-	90	78	-	100	82	-	93	97	-
1925	109	102	-	107	97	-	112	100	-	101	88	-	106	99	-
1926	90	90	-	99	85	-	104	101	-	100	91	-	98	94	-
1927	107	109	-	107	111	-	113	114	-	108	104	-	101	106	-
1928	103	106	-	101	103	-	105	105	-	104	101	-	101	105	-
1929	88	68	-	87	66	-	85	69	-	101	93	-	99	93	-
1930	103	101	87	92	87	81	94	99	98	100	95	88	101	99	92
1931	58	65	70	44	52	65	81	83	86	101	95	90	98	96	91
1932	93	88	78	101	87	83	109	99	90	95	97	98	89	93	92
1933	94	69	62	85	60	52	85	64	63	97	94	85	89	77	73
1934	83	58	58	84	58	49	95	76	68	100	95	87	86	76	71
1935	109	108	104	105	98	94	101	92	92	94	97	96	103	101	93
1936	93	62	54	85	52	47	86	52	65	96	94	87	100	82	79
1937	102	87	86	45	35	29	61	63	83	100	95	96	96	91	90
1938	90	88	85	96	84	78	93	88	94	79	69	72	99	97	97
1939	92	76	70	107	101	73	106	91	68	106	99	84	96	90	90

The future position will depend on the degree to which pastures recover from the midsummer drought in the next few weeks. An increase in freshenings is forecast for the early fall months, but unless the weather is more favourable for dairying than would normally be expected, it is unlikely that the farm milk supply in the autumn period will equal that of the September-November period of 1938. Increased butter prices may revive more interest in dairying, although immediate results would not be anticipated other than a slight diversion of milk from cheese factories to creameries before the farmer close up for the season.

Quebec

Weather conditions in this province were favourable to plant and pasture growth during the greater part of the summer period. Cool weather in June and intermittent showers in July provided fairly satisfactory moisture conditions, although the rainfall in July was considerably less than in the previous month, and much lower than that recorded in the same month last year. The latter part of July was warm and quite high temperatures prevailed in August. The counties south of the St. Lawrence, however, were the only sections that suffered to any extent from the August drought. Northern districts were well provided with moisture and pastures stood up well throughout the month.

Crop Correspondents reported pasture conditions at the end of July as being on a par with those at the same date last year. Incidentally they were the highest at that date since 1935. At the end of August there was practically no change, the condition being 101 as compared with 102 in 1938. The hay crop suffered a reduction from last year in the quantity produced. At the end of August it was estimated at 5.1 million tons, a decrease of 106 thousand tons from that of the preceding year. There seems to be a shortage of clover in the hay, but the decrease in tonnage will probably be offset by the improvement in quality as compared with the crop of the previous year. Grains yielded well, recording increases of 5.7 millions bushels of oats and 329 thousand bushels of barley as compared with 1938. The former yielded 44.2 million bushels and the latter 4.5 million bushels. The prospects for the root crop are relatively favourable, and while more rain would have benefited the crop it is probable that the yield will be equal to that of the previous year. Fodder corn also promises to measure up to the tonnage of the preceding year.

There is no evidence of any significant change in the milch cow population as compared with a year ago. Judging from Dairy Correspondents reporting for May, June and July, a slight increase in cow numbers would be expected. The percentage of cows milking in relation to total numbers was slightly reduced from last year in the three months mentioned. In May the percentage fell from 88.2 to 83.4 per cent; in June from 94.4 to 91.2 per cent, and in July from 94.8 to 90.2 per cent. The heavy decline in May might be attributed in part to late freshenings, while low prices would seem to have caused the reduction in later months. Reports from Observers show that more cows are coming into maturity in subsequent months which will tend to correct the relationship between milch cows and total cow numbers.

The production of milk on farms changed very little during the summer period as compared with the summer period of the preceding year. This was revealed in the reports of Dairy Correspondents and also in the butter production which increased less than 1 per cent in the summer months of 1939 as compared with the summer of 1938. Cheese production, which took approximately 17 per cent of the total quantity of milk used in the cheese and butter industries, registered an increase of 6.1 per cent. On a milk basis the quantity used for manufacturing butter and cheese during the June-August period was scarcely 2 per cent above that of the preceding year.

TABLE IV - MONTHLY AVERAGE PERCENTAGE OF MILKING COWS TO TOTAL COWS IN CANADA

(BASED ON REPORTS OF DAIRY CORRESPONDENTS, BY PROVINCES,

MAY, JUNE AND JULY, 1938 - 1939).

Province and Year	May	June	July	Average May, June and July
Prince Edward Island				
1938	69.5	86.4	81.1	79.0
1939	69.4	83.5	81.6	78.2
Nova Scotia				
1938	87.9	91.5	88.9	89.4
1939	81.0	84.4	86.2	83.9
New Brunswick				
1938	82.6	91.2	89.5	87.8
1939	86.4	88.9	90.9	88.7
Quebec				
1938	88.2	94.4	94.8	92.5
1939	83.4	91.2	90.9	88.5
Ontario				
1938	86.6	87.8	86.8	87.1
1939	84.1	87.0	85.3	85.5
Manitoba				
1938	77.5	82.0	81.9	80.5
1939	75.9	76.6	82.5	78.3
Saskatchewan				
1938	74.5	79.0	82.3	78.6
1939	71.4	77.1	79.0	75.8
Alberta				
1938	74.5	74.1	78.4	75.7
1939	71.9	71.8	73.0	72.2
British Columbia				
1938	85.9	85.1	82.8	84.6
1939	83.1	88.6	85.6	85.8
CANADA				
1938	80.8	85.7	85.2	83.9
1939	78.5	83.2	83.9	81.9

The production of farm butter registered a slight decline in both May and June while in July the output was practically the same as in 1938. There is no indication of any reaction unfavourable to dairying as a result of the low prices maintained during the summer. In fact the dairy industry in this province seems to be sufficiently stabilized to show little effect from short-lived price changes. Although pastures are scarcely as good as they were in 1938, advancing prices coupled with a possible increase in the number of cows employed for dairying purposes would seem to favour a larger production of milk during the fall period of 1939 than that produced in the autumn months of the previous year.

Ontario

The dairy situation in Ontario has been dominated to some extent by low prices during the summer months. An element of discouragement has arisen in farming communities that seems to have restricted any tendencies toward increased investments in dairying enterprises. Weather conditions were variable. The season was a favourable one for dairy production with the exception of a few areas in southern and western Ontario where moisture reserves were inadequate during the latter part of the summer. Feed crops did not suffer, however, and pasture growth was fairly well maintained until late July and early August. There seemed to be an absence of heavy drenching rains, but frequent showers arrested the effects of the midsummer heat. The mid-eastern counties were only moderately affected by the warm weather and in northern Ontario the conditions as a whole were rather satisfactory.

According to Crop Correspondents reporting at the end of July pastures at that time were rated at 75 per cent of the long-term average. This estimate was 19 points below the condition estimated for the same date a year ago, and was the lowest since 1936. A very definite improvement took place in August. The condition estimate at the end of the month was 88 per cent of the long-time average, only 7 points below the condition estimate of the same date a year ago. There is no evidence of a shortage of clover in pastures and meadows, and the hay crop is of good quality. The tonnage estimated at the end of August showed a reduction from the previous year, being only 4.4 million as compared with 4.8 million tons in 1938. The decline took place principally in the southern and western counties. Northern Ontario has an exceptionally heavy crop of hay. Differing from recent years the farmers were able to get it cut and stacked without being spoiled by heavy rains. The oat crop was better than usual in most parts of the province. It was estimated at 83.5 million bushels on August 31, an increase of 1.3 million bushels over that of the preceding year. The barley crop yielded 15.6 million bushels, a decline of approximately one million bushels as compared with 1938. The prospects for roots and fodder corn are slightly better than they were a year ago. Roots would have sized up better in southern areas if there had been more rain at the right time, but as compared with last year when there was so much excessive moisture the present season was somewhat more favourable for root cultivation. Fodder corn was estimated at 98 on August 31. This was 7 points above that of the preceding month and 4 points below the end of August estimate in 1938.

The milch cow population has remained fairly constant, despite the sales to buyers in the United States and the British Isles. The percentage of cows actually employed for milking purposes seems to have declined. The decrease was most evident in May with a fall of 2.5 per cent, while the June percentage of 87 was practically on a par with that of the preceding year. In July a reduction of 1.5 per cent was recorded. More cows are expected to freshen in the fall months, a factor that may have some bearing on the milk production. Milch cows are in demand

TABLE V - MILK PRODUCTION PER COW IN POUNDS PER DAY IN CANADA, BY PROVINCES,
MAY, JUNE AND JULY, 1938-1939.

Province and Year	Based on all cows in herds of Dairy Correspondents			Based on cows actually milking in herds of Dairy Correspondents		
	May	June	July	May	June	July
Prince Edward Island						
1938	10.6	18.4	18.2	15.2	21.3	19.6
1939	12.0	18.0	18.1	17.3	21.8	23.1
Nova Scotia						
1938	16.5	19.7	17.9	18.8	21.6	20.1
1939	16.0	17.5	20.1	19.8	20.8	22.6
New Brunswick						
1938	16.2	18.2	18.8	13.1	20.0	20.9
1939	14.0	21.5	14.2	11.5	24.1	19.1
Quebec						
1938	18.9	24.0	20.4	21.5	25.5	23.1
1939	16.6	22.6	21.0	19.9	24.7	23.2
Ontario						
1938	20.9	22.2	20.1	24.1	25.3	23.2
1939	20.2	22.6	20.3	24.0	26.0	23.8
Manitoba						
1938	17.0	19.3	18.2	21.9	23.5	22.2
1939	16.2	19.8	18.5	21.4	25.8	22.4
Saskatchewan						
1938	14.7	19.3	19.0	19.7	24.5	23.1
1939	16.2	20.0	18.7	22.6	25.9	23.4
Alberta						
1938	17.2	18.5	17.9	23.0	24.9	22.9
1939	19.0	20.4	19.1	26.5	28.4	26.2
British Columbia						
1938	20.8	20.7	18.7	24.1	24.3	22.6
1939	21.1	20.7	19.9	25.4	23.4	23.2
CANADA						
1938	17.0	20.0	18.8	20.2	23.4	22.0
1939	16.8	20.3	20.0	20.9	24.5	23.0

in Northern Ontario where dairying is on the increase as a means of supplying milk and other products to the mining areas where the population continues to advance. Farmers received as much as \$70 for grade cows and even higher offers were reported. Some competition with the beef industry is indicated, but there is no evidence of farmers making any drastic changes in their programme. There is a heavy crop in northern Ontario, and in those areas farmers are considering the importation of feeder cattle in preference to the utilization of extra feed for dairy cows. It is probable, however, that the improvement in butter-fat prices may alter their plans.

Milk production on farms showed a slight decrease during the summer months of 1939 as compared with summer period of 1938. This was particularly revealed in the output of creamery butter which fell 3 per cent during the three months under review as compared with the June-August production of a year ago. The summer make of cheddar cheese registered a gain of 1 per cent over the quantity produced in the same period of 1938. On a milk basis the combined production of butter and cheese recorded a decline of 1.4 per cent. The situation in the fall months will be dominated very largely by price conditions. Butter has moved to a new price level since the first of September, while cheese prices have been depressed. The existing state of pastures, coupled with some increase in freshenings and a tendency toward increased production as a result of war conditions promises to turn the balance in an upward direction in future months.

Manitoba

The devastating drought which swept across the southern prairie region during the month of July reversed the very favourable crop prospects that had prevailed during the early part of the summer. It also caused farmers to reverse their policies, by giving more attention to dairying which seemed to have lost favour under competition from grain growing.

The rainfall for July as recorded at the Brandon Experimental Farm (see Table II) showed only a slight reduction from that of the preceding year, while at Morden the July precipitation was only about one-half of one per cent as compared with 4.3 inches in July, 1938. The hours of sunshine were considerably increased at both stations while the mean temperatures compared favourably with the same month of 1938. It was apparent that the intensity of the heat accompanied by high winds during a vital period for crop growth caused a sudden change in the situation. Weather conditions during the three summer months are described in the following excerpt from a Dairy Farm Observer in the Manitou District:

"The weather was ideal throughout the month of May and the first three weeks of June. Hot, dry weather commencing June 23 was relieved only by a little rain around July 6. The heat became oppressive from the 17th to 20th of July. This was followed by showery and windy weather, and southerly winds brought hordes of grasshoppers, which, with a severe heat wave, rapidly resulted in a disappearance of practically all vegetation, leaving the pastures bare to the soil, and a wilted grain crop, etc. This condition lasted till the 6th of August when beneficial rains were experienced, and from then on occasional showers have stimulated growth and kept the cows from receding further in their milk yield, although there has been no material increase. We look for more production of fat this fall than last."

Pastures were quite satisfactory during the early part of the season but dried up very rapidly under the intense heat of early July. At the end of the month the condition of pastures had improved somewhat by rains and were estimated at 76 per cent of the long-time average as compared with 88 in the preceding year. They suffered

**TABLE VI - PRODUCTION OF CREAMERY BUTTER IN CANADA, BY PROVINCES,
JUNE TO AUGUST, 1938 AND 1939.
(In Thousands of Pounds)**

Province	June		July		August		June to August		Percentage Increase (+) Decrease (-)
	1938	1939	1938	1939	1938	1939	1938	1939	
Prince Edward Island	435	312	405	391	362	275	1,202	978	(-) 18.6
Nova Scotia	957	814	882	842	733	645	2,572	2,301	(-) 10.5
New Brunswick	819	723	848	850	723	660	2,390	2,233	(-) 6.6
Quebec	13,189	13,280	12,167	12,543	11,419	11,232	36,775	37,055	(+) 0.8
Ontario	12,256	12,056	10,511	10,037	9,779	9,490	32,546	31,583	(-) 3.0
Manitoba	4,182	4,120	4,039	3,829	3,487	3,269	11,708	11,218	(-) 4.2
Saskatchewan	4,320	4,480	4,521	4,406	3,824	3,694	12,665	12,580	(-) 0.7
Alberta	4,900	4,687	4,876	4,712	4,366	4,134	14,142	13,533	(-) 4.3
British Columbia	706	715	533	579	488	429	1,727	1,723	(-) 0.2
CANADA	41,764	41,187	38,782	38,189	35,181	33,828	115,727	113,204	(-) 2.2

**TABLE VII - PRODUCTION OF FACTORY CHEESE IN CANADA, BY PROVINCES,
JUNE TO AUGUST, 1938 AND 1939.
(In Thousands of Pounds)**

Province	June		July		August		June to August		Percentage Increase (+) Decrease (-)
	1938	1939	1938	1939	1938	1939	1938	1939	
Prince Edward Island	67	73	100	129	93	109	260	311	(+) 19.6
New Brunswick	123	139	113	137	96	128	332	404	(+) 21.7
Quebec	5,011	4,942	5,332	6,239	5,031	5,130	15,374	16,311	(+) 6.1
Ontario	15,985	16,077	14,739	14,825	13,748	14,043	44,472	44,945	(+) 1.1
Manitoba	475	469	451	443	428	380	1,354	1,292	(-) 4.6
Saskatchewan	83	74	92	79	83	65	258	218	(-) 15.5
Alberta	348	287	333	260	300	215	981	762	(-) 22.3
British Columbia	65	116	41	104	39	91	145	311	(+) 114.5
CANADA	22,157	22,177	21,201	22,216	19,818	20,161	63,176	64,554	(+) 2.2

a further set-back in August and at the end of the month were estimated at 70 per cent of the long-time average or 15 per cent below the condition reported at the same date in 1938. The hay and clover crop was substantially reduced in tonnage, the estimate of 624 thousand tons at the end of August being 143 thousand tons less than that gathered in 1938. The grain crop turned out slightly better than was expected but the yield of oats fell 9 million bushels and barley 4 million bushels as compared with that of the preceding year. The former was estimated at 32 million and the latter at 27 million bushels. Roots and fodder corn also suffered from dry weather. The last condition estimate would indicate a possible reduction of about 18 per cent in the production of these crops as compared with those of a year ago. Pastures have improved in many areas, but are badly dried up in the south and western sections of the province. There will be feed enough for stock, but grain and hay yields have been quite seriously impaired.

Live stock was reported to be in rather poor condition at the end of the summer period. A shortage of pasture and forage crops made it necessary for farmers to reduce their holdings. The prices offered for cows on the live stock market were higher than a year ago, a fact that probably contributed to this movement. The survey figures of June 1 recorded 365.8 thousand milch cows on farms as compared with 383.7 thousand in the previous year. Heifers raised principally for milking purposes also fell from 89.7 thousand to 86.6 thousand. It is believed that some further reduction has taken place since this record was taken. The percentage of milking cows on the basis of reports from Dairy Correspondents was placed at 75.9 per cent at the end of May. This represents a decrease of 1.6 per cent from the same month of the preceding year. In June the percentage was 76.6 or 5.4 per cent below the June figure a year ago. It is significant that the July percentage of 82.5 was slightly above the percentage for the corresponding month in 1938, and indicates a revived interest in dairying as a means of supplementing reduced revenues from other sources. Observers advise that the recent improvement in prices of dairy products may be expected to further accentuate this development.

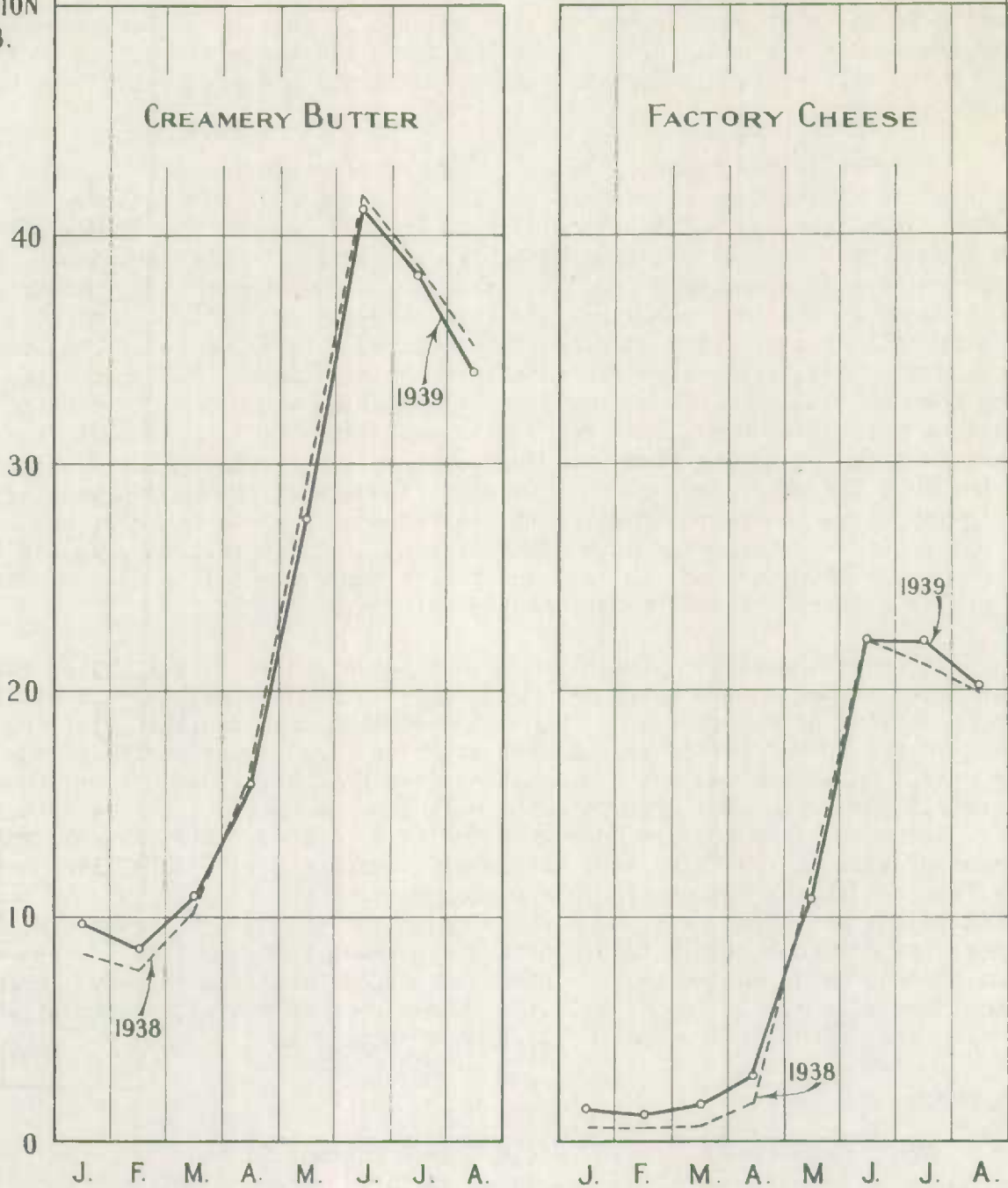
A general decline in milk production is reflected in the butter output for the three summer months which fell from 11.7 million pounds to 11.2 million pounds, a decline of 4.2 per cent. Cheese production also declined, falling 4.6 per cent in the summer period as compared with the June-August period of the preceding year. On a milk basis the quantities used for butter and cheese production declined 4.2 per cent. The production of milk per cow, based on those actually milking, increased from 23.5 in June, 1938 to 25.8 in June, 1939, whereas with the inclusion of those not milking very little difference was recorded. Even under the dry pasture conditions of July the production per cow was slightly higher than that reported in the preceding year. While the reduction in numbers already referred to will restrict developments in future months, it seems probable that if cows are given the run of the fields and suitable weather conditions continue to permit open grazing, that the farm milk supply in the fall months may show only a slight reduction as compared with the September-November production of a year ago.

Saskatchewan

The summer season of 1939 was a disappointment in many respects. Butter-fat prices were exceptionally low, pastures suffered from the extreme heat of mid-July, and the coarse grain harvest although better than last year did not measure up to expectations in the southern sections of the province. Favourable crop prospects early in the year combined with low prices for dairy products, caused many farmers to milk fewer cows; although partial crop failures and the fall in wheat prices would appear to have corrected this tendency to some extent. Recent improvements in the prices of dairy products will be an incentive to further efforts along

TREND IN CREAMERY BUTTER AND CHEESE PRODUCTION JAN. TO AUG., 1938 AND 1939

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these lines where adequate feed supplies are assured.

The favourable weather conditions that prevailed throughout the month of June and the early part of July gave promise of an abundant harvest. Unfortunately, the heat wave which reached its greatest intensity between July 15 and 20 prevented these hopes from being realized. At the outset the drought was confined to the south-eastern part of the province, but as high temperatures and high winds continued the effected area widened out to include a large part of Regina-Weyburn plains area, a part of central Saskatchewan north of the Qu'Appelle Valley and some of the west-central territory bordering on the South Saskatchewan River.

Despite the turn of events mentioned above, northern Saskatchewan and a large part of eastern Saskatchewan harvested good crops of grain and hay, and pastures averaged rather better than in the previous year. This was indicated in the pasture condition of 101 at the end of July as compared with 84 at the same time in 1938. By the end of August the condition of pastures had fallen to 73. This represented a decline of 5 points from the same date of the previous year and 18 points as compared with the previous month.

The coarse grains crop was a partial failure in many sections of southern Saskatchewan, and a great deal of the wheat was reduced to feed. Yet, the oat crop for the province as a whole was larger than that of the preceding year, being estimated at 114.8 million bushels or 24.8 million bushels above that produced in 1938. The barley crop was estimated at 25.6 million bushels, 5.6 million bushels greater than that harvested in the previous season. The hay and clover crop was up 100 thousand tons over the 1938 production, the 1939 estimate being 386 thousand tons. It is probable that native hay will show about the same percentage gain in comparison with the yield of the preceding year. The tonnage of both corn and roots is less than it was in 1938, but since they are both minor crops (particularly the latter) the reduced yield is not an important consideration.

Milch cow numbers fell from 496.6 thousand at June 1, 1938 to 490.4 thousand at the same date in 1939. Heifers raised mainly for milking purposes registered the opposite trend, moving from 116.9 thousand to 132.7 thousand. A large number of cows were used for nursing calves this season, due in part to encouraging crop prospects early in the year which seemed to make milk production unnecessary, and in part to the low butter-fat prices that prevailed throughout the summer season. In the month of May 71.4 per cent of the milch cows were employed for milking purposes on the farms of Dairy Correspondents, or 3.1 per cent below that of the previous year. In June, there was a difference of nearly 2 per cent in favour of 1938, and in July there was a reduction of 3.3 per cent. The percentage, however, increased from 71 in June to 79 in the latter month, and if the increase in freshenings forecast for the early fall materializes, dairying may be expected to win back some of its former possessions.

It is apparent that the production of milk in Saskatchewan during the summer months changed very little from that of the same period of the preceding year. This was indicated in the butter and cheese output. In the month of June the production of creamery butter increased 3.7 per cent, but fell to lower levels in July and August, making the production for the three-month period just slightly less than that of the same period a year ago. The cheddar cheese make was also reduced 15.5 per cent and on a milk basis these two products registered a decline of nearly one per cent. The utilization of milk on farms was an offsetting feature, however, that must be considered. Dairy Correspondents reporting for May, June and July revealed that low fat prices had stimulated the production of dairy butter on farms; slightly more milk was consumed in farm homes, and some increase was indicated in the quantities fed to live stock during May and June as compared with the same months of 1938. Based

on all cows in the herds of Dairy Correspondents, milk production per cow increased in the month of May from 14.7 pounds per cow per day in 1938 to 16.2 pounds in 1939. In June the per cow production advanced from 19.3 pounds to 20 pounds, while in July the per cow production of 18.7 pounds per day was just slightly below that of the previous year.

Prospects for the fall period will depend on the prices of dairy farm products, particularly in relation to wheat. But with normal quantities of after-harvest forage available for fall pasture, a possible increase in the numbers of cows coming into production in the early fall, and crop prospects such that would compel farmers in some areas to rely more on dairy revenues, it seems probable that milk production in the next three-month period might be expected to exceed the amount produced in the fall period a year ago.

Alberta

The heat wave of July and early August caused a rapid deterioration in pastures and forage crops in this province. Most of central and southern Alberta suffered very high temperatures during this midsummer period. There was plenty of rain in June but very little rain fell during the latter part of July and August. At Lacombe the rainfall was exceptionally light from July 7, and left little or no reserve moisture. This station reported only .29 inches of precipitation in July, the lowest recorded for that month in thirty-two years. Frost on August 19 also caused widespread damage to feed crops, reducing both the yield and the quality throughout a large section of the heavy producing areas. In northern Alberta weather conditions were more favourable for pasture and crop growth and although the days were warm the rainfall was above normal throughout the summer.

Pastures began to show the effects of the drought in southern Alberta before the end of July. At that date the average condition for the province was 91 as compared with 88 at the same date of the previous year. By the end of August, however, it had fallen to 68, the lowest pasture condition reported at that time since 1936. Forage crops were not severely affected. Hay and clover yielded well, particularly in northern and eastern sections, and the alfalfa crop will be rather better than usual; much of this crop, of course, is grown on irrigated land. The production of hay was estimated at 549 thousand tons, an increase of 4 thousand tons above that of the previous year. This tonnage will be further increased by the inclusion of native hay which forms from 60 to 75 per cent of the total supply. The oat crop did not measure up to expectations, the estimated production of 77 million bushels was 24 million bushels below that of the previous year. The yield of barley amounting to 29.2 million bushels was reduced by 4.2 million as compared with 1938.

Live stock lost in flesh on dry midsummer pasture, and the milk flow was substantially reduced. The numbers of milch cows on farms at June 1 fell from 440.9 thousand to 429.2 thousand, and heifers used for milking purposes decreased from 104.3 thousand to 103.8 thousand. The unprofitable results from dairying influenced many farmers to use more cows for raising beef calves instead of employing them for milking purposes. This was reflected in the percentage of milking cows to total cows as reported by Dairy Correspondents, showing respective declines of 2.6 per cent, 2.8 per cent and 5.4 per cent for May, June and July, as compared with the same months of 1938. There is nothing in observers' reports that would point to any increase in freshenings during the fall months but a higher price level for dairy products may cause farmers to hold larger numbers of cows on a production basis than they had otherwise planned.

The output of factory products during the three summer months offers a good index to the farm milk supply. Declines in the total butter output were registered in all months, and a total reduction of 4.3 per cent was recorded for the three months together as compared with the same period of the preceding year. A movement toward increased cheese production resulted in the establishment of five new factories in the province during the spring and summer of 1939, three of which opened up for business during the season. One is located in the Peace River district, one at Atmore and another at Didsbury. All are reported to be receiving a share of the farmers' patronage. Yet, despite this increase in the number of factories, the output of cheese for the province fell considerably below that of the previous year, showing a total decline of 22.3 per cent during the June-August period of 1939 compared with the same period of 1938. On a milk basis the production of butter and cheese fell approximately 5 per cent. There is some hope of improvement in sight when cows are given access to after-harvest forage; but much will depend on moisture conditions to provide a second growth of green feed. The known facts would offer no hope of any radical change in the situation, and the expectation is that the production of milk in the fall months of 1939 will be well below that of 1938.

British Columbia

The Dairy industry in this province appears to be recovering the position it lost as a result of the exceptionally dry weather in 1938. More cows are being used for dairying, and it will be easier to carry them through the winter on account of the increased feed supplies. The month of June was characterized by cool weather and ample precipitation which produced good moisture reserves. There was a flourishing growth throughout the month of June, and quite favourable weather prevailed throughout the first part of July. This was followed by warm weather; and although a partial drought condition developed in August the damage to crops was more or less localized. The west coast, northern interior and island areas received a considerable amount of rain, while some sections of the south boundary, Okanagan and Kootenay districts, showed more pronounced effects from the midsummer drought. Pastures suffered to quite an extent, but grain and roots withstood the dry weather exceedingly well, and the hay crop was better both in volume and quality than it was a year ago.

The condition of pastures reported at the end of July was practically on a par with the long-time average, standing at 99 in comparison with 69 at the same date of the previous year. This was the highest condition estimate for July during the past ten years. The grass dried up quite badly in some areas during the hot weather in late July and early August reducing the condition to 84; still, this was 12 points above the condition reported at the same date in 1938. The hay and clover crop was estimated at 314 thousand tons at the end of August, representing a gain of 43 thousand tons over the 1938 crop. This may be further increased by second cuttings, and when alfalfa is included, there should be sufficient roughage for winter use. The volume of oats harvested was nearly a fifth larger than that of the preceding year, the total being 6 million bushels. Barley production increased from 412 thousand bushels in 1938 to 462 thousand bushels in 1939.

Live stock left barns in the spring in rather poor condition, but with the splendid forage provided in the early summer they rapidly gained in flesh. Dairy herds were strengthened by the introduction of young stock to take the place of cows exported, sold or locally slaughtered in 1938. According to the June survey the numbers of milch cows increased from 122.3 thousand to 124.5 thousand, and heifers being raised for milking purposes increased from 25.7 thousand to 29.1 thousand. This encouraging feature of the situation was further enhanced by an increase in the percentage of milkers. An improvement in this direction began to develop in the month of June, showing that 88.6 per cent were being employed for milking purposes as compared

TABLE VIII - THE CREAMERY BUTTER POSITION IN CANADA, JUNE TO AUGUST, 1935 TO 1939.

		June	July	August	June to August
Stocks in storage at first of the month -	1935	6,193,940	23,278,162	40,840,023	-
	1936	10,305,845	27,948,331	41,555,603	-
	1937	9,221,124	26,542,253	40,602,700	-
	1938	13,041,128	32,810,624	50,211,216	-
	1939	14,239,541	31,587,202	45,670,116	-
Stocks in transit at first of the month -	1935	672,000	784,000	868,000	-
	1936	532,000	728,000	912,800	-
	1937	728,000	588,000	756,000	-
	1938	224,000	700,000	476,000	-
	1939	688,800	1,064,000	952,000	-
Production during month -	1935	36,929,479	37,070,528	33,129,723	107,129,730
	1936	39,358,790	37,284,185	31,483,748	108,126,723
	1937	38,364,837	36,011,612	31,730,133	106,106,582
	1938	41,763,804	38,782,003	35,180,766	115,726,573
	1939	41,186,717	38,189,238	33,828,360	113,204,315
Imports -	1935	5,747	22,550	30,484	58,781
	1936	651	1,488	1,104	3,243
	1937	1,052	689	653	2,394
	1938	655	336	821	1,812
	1939	432	97	-	-
Exports -	1935	30,900	39,500	37,300	107,700
	1936	908,900	2,719,100	951,400	4,579,400
	1937	38,800	49,100	54,300	142,200
	1938	55,700	80,200	159,400	295,300
	1939	1,260,900	1,644,800	1,014,700	3,920,400
Prices -	1935	20 1/8	20 3/8	20 3/4	20 3/8
	1936	22 1/8	23 1/8	24 7/8	23 3/8
	1937	24 5/8	26	26 3/4	25 3/4
	1938	25 1/4	25	23 1/2	24 5/8
	1939	21 7/8	21 3/4	21 1/2	21 3/4
* Total Disappearance of Canadian made butter (Domestic and Export)	1935	19,733,257	19,424,667	21,210,915	60,368,839
	1936	21,520,304	23,492,113	22,999,224	68,011,641
	1937	21,183,708	21,783,165	23,198,426	66,165,299
	1938	21,518,308	21,605,411	23,863,952	66,987,671
	1939	23,463,856	24,218,324	25,065,740	72,747,920
* Domestic Disappearance of Canadian made butter	1935	19,702,357	19,385,167	21,173,615	60,261,139
	1936	20,611,404	20,773,013	22,047,824	63,432,241
	1937	21,144,908	21,734,065	23,144,126	66,023,099
	1938	21,462,608	21,525,211	23,704,552	66,692,371
	1939	22,202,956	22,573,524	24,051,040	68,827,520

* Disappearance figures are calculated on the basis of storage and transit stocks combined.

with 83.1 per cent in the preceding month, and 85.1 per cent in June, 1938. In July, 85.6 per cent of the dairy cows were employed for milk production, whereas in the same month of the previous year only 82.8 per cent were used for dairying. A gain in freshenings was also indicated during the autumn period in comparison with the same months last year. This forecast has its basis in a general movement toward fall freshenings in place of spring freshenings to which reference has been made in other issues of this report.

The development of dairying in British Columbia appears to be toward an increase in butter production. Four new factories were established during the past year, three of which are now in operation. One is located at Vancouver, one at Penticton, and two in the north. Of the latter, one of which is at Telkwa and one at Vanderhoof (the latter is not yet open) are expected to have a beneficial influence on dairying in those territories. The June make of creamery butter registered an increase of 1.2 per cent over that of the preceding year, and in July it jumped to an increase of 8.5 per cent. The August production fell sharply on account of the dry weather, making the total for the summer season practically the same as that produced in the June-August period of 1938. There was a definite swing toward cheese production this year. Substantial gains were recorded in all months, ranging from 78.7 per cent in June to 154 and 130 per cent in July and August, respectively. For the three months cheese production amounted to 311 thousand pounds compared with 145 thousand pounds in the same period of 1938. On a milk basis butter and cheese combined registered a gain of 4.2 per cent over the summer output of the preceding year.

A diversion of milk from farms on the Lower Mainland to meet the requirements of the fluid trade is believed to have reduced deliveries to creameries. Increased supplies for fluid purposes should tend to correct this situation and creameries would be expected to receive a larger share of the milk during the autumn period. With increased numbers of cows on farms, a greater proportion employed for dairying and more favourable feed conditions than those existing a year ago, there would seem to be some grounds for the conclusion that milk production in the three subsequent months would continue to show substantial gains over the corresponding months of 1938.

THE CREAMERY BUTTER POSITION

The heavy export movement of butter, which averaged from 1 to 1½ million pounds per month throughout the summer period, was the most important item in holding stocks within reasonable proportions. The June and August exports were the highest for many years, and with the exception of 1936 the total exports for the June-August period of 1939 exceeded those shown for the same period of the four previous years for which figures are given in table VIII.

The domestic disappearance of butter during the summer months was also an important factor in the situation. While the population advanced 3.5 per cent between June, 1935 and June, 1939, the domestic disappearance of Canadian creamery butter increased 12.7 per cent. Similarly, for the three months, June to August, there was an increase of 2.1 million pounds or 3.2 per cent over the same period last year, and 8.6 million pounds or 14.2 per cent over the June-August period of 1935.

The fall in production during the summer months as compared with the same period a year ago was another development that tended to keep supplies at normal levels. The shrinkage in the supply was primarily the result of low butter-fat prices, originating in the surplus stock position of the early spring; and although the decline in production from the preceding summer period was only 2.2 per cent, coupled with increases in both the exports and domestic disappearance (also the result of lower prices) the smaller output may be said to have helped in some measure in stabilizing the price level during the summer months. It will be seen from a study of the table on the opposite page that prices remained steady during this period, 21½ cents being the lowest monthly

TABLE IX - THE CHEESE POSITION IN CANADA, JUNE TO AUGUST, 1938 AND 1939.

		June	July	August	June to August
Stocks in storage at first of the month - (Adjusted for new firms)	1938	22,857,047	32,568,207	38,978,061	-
	1939	26,328,282	37,820,830	44,538,709	-
Production during month -	1938	22,157,229	21,200,573	19,813,162	63,175,964
	1939	22,177,287	22,215,571	20,160,672	64,553,530
Imports -	1938	81,264	106,319	68,827	256,410
	1939	89,699	54,844	-	-
Exports -	1938	5,477,200	11,694,900	10,569,500	27,741,600
	1939	6,449,000	12,750,200	12,763,300	31,962,500
Prices -	1938	14 3/8	14 1/2	14 3/8	14 3/8
	1939	12 3/8	12 1/4	11 1/8	11 7/8
Total Disappearance of Canadian-made Cheese (Domestic and Export)	1938	12,446,069	14,790,719	15,156,966	42,393,754
	1939	10,684,739	15,497,692	13,246,960	39,429,391
Domestic Disappearance of Canadian-made Cheese	1938	6,968,869	3,095,819	4,587,466	14,652,154
	1939	4,235,739	2,747,492	483,660	7,466,891

average quotation for the three months and also the lowest for that month since 1935. The corrective influence exerted by this low price movement was reflected in a somewhat weaker stock position. On June 1 the 14.9 million pounds of creamery butter shown in store and transit represented a gain of 1.7 million pounds over the same date a year ago, whereas one month later the stocks had fallen 859 thousand pounds below the holdings of the same date of the previous year. On August 1, 1939, the storage and transit holdings had fallen 4.1 million pounds from August 1, 1938, and at the end of the period, September 1, the combined storage and transit supplies amounting to 55.4 million pounds, showed a decline of 6.6 million pounds compared with those shown at the same date in 1938. It is understood, of course, that such a reduction **does not** represent a shortage, because the stocks of September 1 a year ago were abnormally high. Comparing the stock position of September 1 with the five-year average at the same date it shows an increase of approximately 1 million pounds. The important consideration is the amount in sight or in prospect over and above domestic requirements. If production and domestic disappearance were to remain on the same level as that reported in the September to April period of 1938-1939 there would be a surplus of about 13 million pounds. This amount would allow for a considerable fall in the production, a development that is not yet indicated. Furthermore, a decline in the disappearance might be expected if prices are maintained well above those of the preceding year. Thus, while there may be little butter to export, ample supplies will be available for home use. The September 1 stock position for the years 1935 to 1939 is shown in the figures which appear below.

Year	Stocks at September 1	Transit Stocks at September 1	Total Stocks
1935	52,646,831	980,000	53,626,831
1936	50,488,127	464,800	50,952,927
1937	49,078,407	812,000	49,890,407
1938	61,113,630	890,400	62,004,030
1939	54,975,936	408,800	55,384,736

The price changes during the three months under review were very gradual, and indicated the cautious buying policies that prevailed. On June 1 first grade creamery solids were quoted at 21 5/8 cents on the Canadian Commodity Exchange at Montreal. On June 3 prices rose to 22 cents, and up to June 13 a price range of 22 1/4 to 22 5/8 was maintained. The market weakened slightly on June 14, when prices fell to 21 5/8 cents, and from that date until the end of the month there was very little fluctuation, the lowest being 21 3/8 on June 19 and 26, while the highest was 21 7/8 on June 21 and June 22. The average for the month was 21 7/8 cents, compared with 25 1/4 cents in June, 1938.

The market showed some renewed strength at the beginning of July. On the 3rd of the month 22 cents was again quoted; and following a fractional recession it rose again to 22 1/8 on July 7 and to 22 3/8 cents the following day. A lack of buying activity resulting from a tendency to purchase on a "hand to mouth" basis in anticipation of further price declines, produced a market weakness which held prices at 21 1/2 to 21 3/4 cents during the last two weeks of the month. The average price in June was 21 3/4 cents in comparison with 25 cents in June, 1938.

Butter prices remained exceedingly steady throughout the month of August, reflecting in part the uncertainties connected with the international situation and the tendency to keep purchases within the limits of normal requirements. Starting with 21 1/2 cents the Canadian Commodity Exchange prices varied fractionally during the entire month, the lowest being 21 1/4 between August 15 and 17, while the high point of 21 5/8 was reached on August 11 and again on August 23. The average for the month was 21 1/2 cents as against 23 1/2 cents in August, 1938. For the three-month period the average was 21 3/4 cents, being 2 7/8 cents below the June-August period

**TABLE X - PRODUCTION OF CONCENTRATED MILK PRODUCTS IN CANADA,
MAY TO JULY, 1938 AND 1939.
(In Thousands of Pounds)**

Commodity	May		June		July		May to July		Percentage Increase (+) Decrease (-)
	1938	1939	1938	1939	1938	1939	1938	1939	

WHOLE MILK PRODUCTS

Condensed	1,245	820	800	324	1,021	797	3,066	1,941	(-) 36.7
Evaporated	13,245	12,469	15,199	16,098	11,557	13,793	40,001	42,360	(+) 5.9
Milk Powder	764	1,099	841	817	703	701	2,308	2,617	(+) 13.4
TOTAL	15,254	14,388	16,840	17,239	13,281	15,291	45,375	46,918	(+) 3.4

MILK BY - PRODUCTS

Skim Milk:									
Condensed	597	180	709	276	536	378	1,842	834	(-) 54.7
Evaporated	41	90	61	72	115	74	217	236	(+) 8.8
Powder	2,861	2,319	3,458	3,375	3,206	2,757	9,525	8,451	(-) 11.3
Buttermilk:									
Powder	494	365	642	585	454	439	1,590	1,389	(-) 12.6
Condensed	117	124	254	72	77	41	448	237	(-) 47.1
Casein	240	247	297	321	226	166	763	734	(-) 3.8
Sugar of Milk	35	29	43	41	39	39	117	109	(-) 6.8
TOTAL	4,385	3,354	5,464	4,742	4,653	3,894	14,502	11,990	(-) 17.3

WHOLE MILK AND MILK BY-PRODUCTS, COMBINED

TOTAL	19,639	17,742	22,304	21,981	17,934	19,185	59,877	58,908	(-) 1.6
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of the preceding year.

While no quotations are available for Canadian butter on the London market the spread between Montreal and London may be calculated approximately by comparing New Zealand butter prices at London with Canadian butter at Montreal. Such an analysis appears in the following table:

Date	Montreal (Can. Com. Ex.) No. 1 Solids	London (New Zealand) Jobbing	Price Spread
June	1938	25 1/4	+ 1 7/8
	1939	21 7/8	+ 2 1/2
July	1938	25	- 5/8
	1939	21 3/4	+ 3 7/8
August	1938	23 1/2	+ 3 1/8
	1939	21 1/2	+ 3

On the basis of the above figures it will be seen that the margin varies quite widely; and when it is realized that it costs nearly 1 3/4 cents (in normal times) to ship butter from Montreal to London, the risks of the undertaking are not to be overlooked, even if Canadian butter were sold at the New Zealand quotations given above. The inclusion of a considerable amount of second grade and low grade butter to meet a special demand on overseas markets for blending purposes, permitted a larger movement of butter than would have been the case if the shipments had been confined to the higher grades.

THE CHEESE POSITION

The production of cheese in Canada increased from 63.2 million pounds in the June-August period of 1938 to 64.6 million pounds in the June-August period of 1939, an increase of 2.2 per cent. The province of Quebec made the greatest contribution toward this advance although British Columbia showed the most outstanding percentage gain. Declines were registered in all three of the Prairie Provinces, while increases occurred elsewhere.

The advance in cheese production cannot be attributed to the price situation which was rather less favourable than it was a year ago. Public attention, of course, has been focussed on the cheese industry since early in the year; the surplus butter position opened up an important marketing problem at that time which it was believed might be partially solved by turning to cheese production. Furthermore, the payment of a Government bonus of 1 cent a pound for 93 score cheese and 2 cents a pound for 94 score cheese offered tangible encouragement to cheese producers; and together with the financial assistance given to small units to modernize plant equipment or to amalgamate with others for more efficient production, there seemed to be an opportunity for the cheese industry to gain a degree of stability that it had not hitherto enjoyed. This was indicated in the erection of new factories. During the spring and early summer, 16 cheese factories were established in Canada, of which 13 were in operation during the summer period of 1939.

There was an increase of approximately 1.4 million pounds in cheese production during the summer period of 1939 over the corresponding period of 1938. This amount was all absorbed in the increased exports which advanced 4.2 million pounds during the three months over those of the previous summer period; making the supplies available for consumption in Canada lower than they were a year ago. This favourable situation was offset, however, by a sharp reduction in the domestic disappearance of cheddar cheese, so that the total disappearance (which included the exports) amounted to only 39.4 million pounds in the June-August period of 1939, a reduction of nearly

TABLE XI - WHOLESALE PRICE INDEXES OF THE PRINCIPAL DAIRY PRODUCTS IN
COMPARISON WITH OTHER AGRICULTURAL PRODUCTS IN CANADA, x JUNE
TO AUGUST, 1938 AND 1939.

Base 1926 = 100

		June	July	August	Average June to August
Fresh Milk	1938	83.0	81.4	81.7	82.0
	1939	81.4	80.4	80.8	80.9
	%	(-) 1.9	(-) 1.2	(-) 1.1	(-) 1.3
Butter	1938	65.4	65.2	61.7	64.1
	1939	56.1	56.2	55.5	55.9
	%	(-) 14.2	(-) 13.8	(-) 10.1	(-) 12.8
Cheese	1938	70.2	70.8	69.5	70.2
	1939	61.5	64.2	61.1	62.3
	%	(-) 12.4	(-) 9.3	(-) 12.1	(-) 11.3
Coarse Grains /	1938	84.3	75.3	59.1	72.9
	1939	56.6	50.4	50.9	52.6
	%	(-) 32.9	(-) 33.1	(-) 13.9	(-) 27.9
Wheat (All Grades)	1938	76.2	65.7	51.5	64.5
	1939	40.0	35.4	35.4	36.9
	%	(-) 47.5	(-) 46.1	(-) 31.3	(-) 42.8
Veal	1938	69.9	71.5	79.3	73.7
	1939	73.9	75.3	79.9	76.4
	%	(+) 5.7	(+) 5.3	(+) .1	(+) 3.7
Steers	1938	101.8	99.2	97.0	99.3
	1939	93.8	92.0	89.1	91.6
	%	(-) 7.9	(-) 7.3	(-) 8.1	(-) 7.8
Hogs	1938	84.3	92.5	75.4	84.1
	1939	70.1	72.2	61.6	68.0
	%	(-) 16.8	(-) 22.0	(-) 18.3	(-) 19.1
All Farm Products	1938	76.6	71.5	64.2	70.8
	1939	63.3	62.7	58.4	61.5
	%	(-) 17.4	(-) 12.3	(-) 9.0	(-) 13.1

x Data supplied by the Internal Trade Branch, Dominion Bureau of Statistics.
/ Includes Oats No. 2 C. W. and Barley No. 3 C. W.

3 million pounds as compared with the same period of 1938. Consequently, the stock position at September 1 revealed a total of 51.5 million pounds in storage compared with 43.6 million pounds at the same date of the previous year, and represented a gain of approximately 8 million pounds over the September 1 holdings of a year ago. The variations in the total disappearance in Canadian cheddar cheese, production and stocks, as compared with last month and last year appear in the table below:

	Total Domestic Disappearance		Production of Cheese		Total Stocks (Adjusted)	
	Last Month	Last Year	Last Month	Last Year	Last Month	Last Year
	%	%	%	%	%	%
June	-- 24.2	-- 39.2	+ 102.2	+ 0.1	- 0.2	+ 15.2
July	-- 35.1	-- 11.3	+ 0.2	+ 4.8	+43.7	+ 16.1
August	-- 82.4	-- 89.5	-- 9.3	+ 1.7	+17.8	+ 14.3
June to August	-	- 49.0	-	+ 2.2	-	-

In visualizing future developments it becomes necessary to give some recognition to the changes in the pound sterling in relation to Canadian Currency. On August 25 the pound at Montreal fell from \$4.70 to \$4.55 and on August 28 it had reached \$4.38. A temporary recovery advanced the value of the pound to \$4.67, but it returned to the former figure at the end of the month. The recent stabilization of the pound sterling at \$4.43 to \$4.47 offers a more hopeful outlook. Still, it must be recognized that a decline of ~~50~~⁵⁰ cents from the par value of \$4.84 is of vital concern to Canadian cheese producers and may have quite an effect on production, and movement of cheese to overseas markets.

The quotations given for first grade Ontario coloured cheese at Montreal during the June-August period were considerably below those of the same period of a year ago. Commencing with 10 1/8 cents at the beginning of June, the market advanced to 11 cents on June 2, and to 11 1/4 cents on June 7. The market gained further strength during the second week, and cheese prices moved up to a new level with 12 3/8 cents the ruling quotation. A weaker demand was evident for a couple of days, but on June 16 prices increased to 12 7/8 cents, and a further increase in buying activity brought bids of 13 cents on June 21 and 13 3/4 cents two days later. These prices were maintained except for fractional recessions during the remainder of the month. The average for June, 1939 was 12 3/8 cents as compared with 14 3/8 cents in June, 1938.

A slight recession developed in the early part of July, apparently the forerunner of a generally weak undertone that prevailed throughout the month. Commencing with 13 1/8 cents, prices fell to 13 cents on the second market day, and a subsequent decline reduced the market level to 12 7/8 cents. This became the ruling price until July 11 when the market again weakened to 12 3/4 cents and reached 12 1/2 cents by the middle of the month. On July 18 a further recession reduced cheese prices to 11 3/4 cents. Prices remained at this point until July 24 when a fractional decline reduced the quotation to 11 5/8 cents and fell in the course of the next two days to 11 1/2 cents, the lowest point for the month. At the close of the fourth week of July, the market settled at 12 cents but terminated on the Monday following at a quarter of a cent below that figure. The average for the month was 12 1/4 cents, compared with 14 1/2 for the same month of the preceding year.

Cheddar cheese was quoted 11 3/4 cents during the first two days of August, but fell thereafter to 11 5/8 cents and subsequently to 11 1/2 cents. Between August 9 and August 18 the cheese market registered a continuous downward trend,

TABLE XII - RETAIL PRICE INDEXES OF DAIRY AND MEAT PRODUCTS IN CANADA, x
JUNE TO AUGUST, 1938 AND 1939.

Base 1926 = 100

		June	July	August	Average June to August
Creamery Butter	1938	70.2	66.9	66.7	67.9
	1939	57.0	58.6	58.2	57.9
	%	(-) 18.8	(-) 12.4	(-) 12.7	(-) 14.7
Cheese	1938	74.8	74.8	75.2	74.9
	1939	67.0	67.3	67.6	67.3
	%	(-) 10.4	(-) 10.0	(-) 10.1	(-) 10.2
Milk (Fresh)	1938	94.2	92.5	92.5	93.1
	1939	92.5	90.8	90.8	91.4
	%	(-) 1.8	(-) 1.8	(-) 1.8	(-) 1.8
Veal Roast	1938	83.3	81.8	81.3	82.1
	1939	80.2	81.3	80.2	80.6
	%	(-) 3.7	(-) .6	(-) 1.4	(-) 1.8
Beef Sirloin	1938	96.6	96.6	97.3	96.8
	1939	96.3	96.3	95.2	95.9
	%	(-) .3	(-) .3	(-) 2.2	(-) .9
Beef Chuck	1938	101.3	101.3	99.4	100.7
	1939	100.6	100.0	98.1	99.6
	%	(-) .7	(-) 1.3	(-) 1.3	(-) 1.1
Pork (Fresh)	1938	82.1	86.8	90.7	86.5
	1939	78.8	78.1	78.8	78.6
	%	(-) 4.0	(-) 10.0	(-) 13.1	(-) 9.1
Lard	1938	62.4	62.0	62.4	62.3
	1939	48.6	47.3	46.1	47.3
	%	(-) 22.1	(-) 23.7	(-) 26.1	(-) 24.1
Eggs	1938	59.6	66.2	72.9	66.2
	1939	54.5	58.1	64.7	59.1
	%	(-) 8.6	(-) 12.2	(-) 11.3	(-) 10.7

x Data supplied by the Internal Trade Branch, Dominion Bureau of Statistics.

falling from 11 3/8 to 10 5/8 cents. Prices settled at this point until August 25 when they moved up again to 11 1/8 cents and held steady during the last week of August. The figure quoted was also the average price for the month as compared with 14 3/8 cents for August, 1938. The average for the three-month period was 11 7/8 cents as compared with 14 3/8 cents in the June-August period of 1938.

The relative value of cheese as compared with butter is revealed in the following figures, in which Montreal butter and cheese prices are taken as a basis. The prices are weighted with the production for the same months, and converted to butter-fat by the use of the coefficient 1.22 for butter and 2.55 for cheese. Thus the figures given represent the average values of the two products on the Montreal market in cents per pound butter-fat.

MONTHLY AVERAGE PRICES OF BUTTER AND CHEESE AT MONTREAL
(Converted to cents per pounds butter-fat)

		Butter	Cheese	Difference in favour of cheese
		¢	¢	¢
June	1938	30 3/4	36 5/8	5 7/8
	1939	26 5/8	31 1/2	4 7/8
July	1938	30 1/2	37	6 1/2
	1939	26 1/2	31 1/4	4 3/4
August	1938	28 5/8	36 5/8	8
	1939	26 1/4	28 3/8	2 1/8
June to	1938	30	36 3/4	6 3/4
August	1939	26 1/2	30 3/8	3 7/8

It will be noted from the above analysis that the cheese prices had an advantage over butter prices, ranging in 1938 from 5 7/8 cents to 8 cents, and averaging 6 3/4 cents per pound butter-fat for the three months. Although subjected to substantial price declines in the summer period of 1939, cheese still reflected price advantages that are quite significant. In June cheese prices had an advantage of 4 7/8 cents over butter and regardless of market recessions in July and August, respective gains of 4 3/4 cents and 2 1/8 cents were recorded. For the entire period the price differential averaged 4 3/4 cents.

It might be well to explain that the prices quoted have a relative value only; with transportation, marketing and manufacturing costs to account for, the prices actually paid to farmers are considerably below those shown in the above table. For competitive purposes the use of actual^{as they} paying prices in place of market prices would not materially change the results.

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TABLE XIII - DAIRY PRODUCTS EXPORTED FROM CANADA,
MAY TO JULY, 1938 AND 1939.

		Butter	Cheese	Condensed Milk	Milk Powder	Evaporated Milk	Fresh Milk	Cream
		Lb.	Lb.	Lb.	Lb.	Lb.	Gal.	Gal.
May	1938	66,300	3,725,700	449,700	491,500	2,870,800	96	260
	1939	1,036,500	5,448,500	176,200	608,600	3,232,300	272	35
June	1938	55,700	5,477,200	242,300	376,600	4,506,800	280	285
	1939	1,260,900	6,449,000	69,600	974,800	4,111,500	232	15
July	1938	80,200	11,694,900	306,500	489,600	3,733,700	184	145
	1939	1,644,800	12,750,200	42,100	456,600	2,157,100	264	225
May to July	1938	202,200	20,897,800	998,500	1,357,700	11,111,300	560	690
	1939	3,942,200	24,647,700	287,900	2,040,000	9,500,900	768	275

TABLE XIV - DAIRY PRODUCTS IMPORTED INTO CANADA,
MAY TO JULY, 1938 AND 1939.

		Butter	Cheese	Condensed Milk	Milk Powder	Casein	Fresh Milk and Cream
		Lb.	Lb.	Lb.	Lb.	Lb.	Gal.
May	1938	526	171,529	153	11,648	11,476	117
	1939	1,642	181,643	11,120	13,464	23,374	442
June	1938	655	81,264	398	6,972	11,533	91
	1939	432	89,693	46	13,416	140,603	144
July	1938	336	106,319	2,525	43,316	2,665	280
	1939	97	54,844	2,452	5,258	155,884	65
May to July	1938	1,517	359,112	3,076	61,936	25,674	488
	1939	2,171	326,186	13,618	32,138	319,861	651

TABLE XV - STOCKS OF BUTTER, CHEESE AND CONCENTRATED MILK PRODUCTS IN CANADA,
BY MONTHS, JUNE TO SEPTEMBER, 1938 AND 1939.

Product	June 1	July 1	August 1	September 1
	Lb.	Lb.	Lb.	Lb.
Creamery Butter				
1938	13,265,128	33,510,624	50,687,216	62,004,030
1939	14,928,341	32,651,202	46,622,116	55,384,736
Dairy Butter				
1938	28,344	199,951	356,276	429,827
1939	121,351	184,828	292,529	291,177
Cheese				
1938	22,857,047	32,568,207	38,978,061	43,639,257
1939	26,643,282	38,317,830	45,331,709	52,507,421
Concentrated Whole Milk Products:				
Condensed Milk				
1938	783,188	644,024	948,262	860,295
1939	871,462	487,653	554,318	653,191
Evaporated Milk				
1938	14,074,088	18,604,006	21,285,043	22,846,216
1939	9,074,878	7,986,009	5,496,886	8,332,737
Milk Powder				
1938	945,870	1,380,110	1,791,780	2,649,746
1939	1,224,817	1,651,424	1,677,022	1,593,975
Total Whole Milk Products				
1938	15,812,006	20,635,423	24,029,829	26,359,405
1939	11,175,839	10,128,796	7,731,166	10,583,963
Concentrated Milk By-Products:				
Condensed Skim Milk				
1938	387,237	541,049	611,765	632,570
1939	202,768	169,640	252,259	224,707
Evaporated Skim Milk				
1938	3,520	3,590	3,782	7,068
1939	5,014	4,837	4,632	4,139
Skim Milk Powder				
1938	2,613,539	3,769,864	4,990,338	6,068,356
1939	4,682,321	4,894,996	5,434,899	5,264,958
Total By-Products				
1938	3,910,556	5,502,933	7,087,032	8,339,291
1939	6,277,796	6,650,771	7,356,065	6,867,630

+ Butter stocks include transit stocks as well as stocks in storage.

MILK PRODUCTS

The production of whole milk products from May to July registered an advance of 3.4 per cent over the same period of 1938. Evaporated milk showed a gain of 2.4 million pounds, while milk powder registered the largest gain in proportion to the output with an advance of 13.4 per cent above the May-July output of the preceding year. Condensed milk, on the other hand, declined 36.7 per cent. The total production of all three products (see Table X) amounted to 46.9 million pounds as compared with 45.4 million pounds in the corresponding period of 1938. Evaporated skim milk was the only by-product showing a gain in production over last year, and all by-products combined fell from 14.5 million pounds during the May-July period of 1938 to approximately 12 million pounds in the same period of 1939, a reduction of 17.3 per cent.

The exports of milk products during the period, May to July (see Table XIII), were substantially reduced from last year. Whole milk powder advanced from 1.4 million pounds to 2 million pounds, but evaporated milk and condensed milk registered reductions of 1.6 million pounds and 711 thousand pounds respectively. The exports of fresh milk and cream are of little consequence from the point of view of volume, but it may be noted that when a comparison is made with the preceding year the former increased slightly while the latter declined.

Stocks of whole milk products reflected an increase in domestic sales. On June 1 there were 11.2 million pounds in storage, representing a reduction of 29.3 per cent from the same date last year, while the September 1 holdings of 10.6 million pounds showed a reduction of 60.0 per cent as compared with September 1 holdings in 1938. With the exception of a slight gain at June 1, condensed milk shared with evaporated milk a general stock shrinkage. Stocks of milk powder, on the other hand, advanced at June 1 and July 1 but declined at August 1 and September 1 as compared with those reported at the same dates last year. With regard to milk by-products, condensed skim milk was the only one in this group to reveal a decline at June 1 as compared with the stocks in store at the same date of the previous year. The total milk by-products increased from 3.9 million pounds at June 1, 1938 to 6.3 million pounds at June 1, 1939. A weaker stock position was revealed at September 1, however, the total holdings of 6.9 million pounds being 1.5 million pounds below those of the same date of 1938.

PRICE INDEXES

The wholesale price indexes for fresh milk changed very little during the summer period, either in comparison with last year or in comparison with the preceding month. A study of Table II shows that dairy products revealed the most noticeable variations in the months of June and July. Butter prices held comparatively steady during the summer months as we have already observed, but in relation to last year the decline was more pronounced in June than in the two subsequent months. This, of course, was due to a downward price trend in the late summer of 1938.

Since these price indexes are built on the basis of the 1926 price level, it is of interest to note the products that have shown the greatest declines from the base year. In this respect veal calves and steers are in the most advantageous

position, the June-August indexes for both these products being closer to basic values than either butter, cheese, wheat or coarse grains. Of the dairy products whole milk has a considerable advantage over butter and cheese; it also shows an equally wide margin over wheat and coarse grains.

Compared with the previous year, veal was the only product to register a gain, all other products having declined from 1.3 per cent to 42.8 per cent during the three-month period as compared with the same period of 1938. Wheat showed the greatest decline and milk the least. Coarse grains were second on the list with a reduction of 27.9 per cent; butter fell 12.8 per cent, and cheese 11.3 per cent. It is apparent, therefore, that dairying still stands in a comparatively strong competitive position.

On the retail side, the price indexes of dairy products in comparison with meat and poultry products are equally revealing. It will be observed from a study of Table XII that meat indexes with the exception of pork are quite close to 1926 price level. Compared with the same months of last year, veal showed the greatest decline of the three meat products. The decrease amounted to only 2 per cent, however, as against 10 per cent for cheese and nearly 15 per cent for creamery butter. Eggs and lard have declined farther from the base year than any of the dairy products with which they compete. The first shows practically the same decline as cheese, while lard fell 24 per cent as compared with a decline of less than 15 per cent for butter. The changes in the relative prices of butter and lard may have a limited effect in the consumption of the former products. It will depend on the extent to which these products can be conveniently interchanged and whether or not the price advantages offered to the consumer are sufficient to disturb long established buying habits and household customs.

DAILY PRICES OF BUTTER AND CHEESE AT MONTREAL

MARCH-AUGUST 1938 AND 1939

