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UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

OUTLOOK FOR FEED IN 1961

Talk by Malcolm Clough
Agricultural Economics Division
at the 38th Annual Agricultural Outlook Conference
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The outlook for feed in 1960-61 follows a pattern similar to other recent years. This year supplies of feed grains and other concentrates have increased again, reaching a new record high for the seventh straight year. Prices of feed grains and protein feeds probably will average just a little lower than in 1959-60 and consumption is expected to continue heavy. Even with heavy utilization of feed grains in 1960-61, 1960 production is expected to again exceed total utilization, resulting in a further increase in carryover at the close of the year.

The total supply of feed concentrates has gone up steadily since World War II as both production and carryover have increased. The total supply this year is estimated at 270 million tons, 7 million more than in 1959-60. This rise, due entirely to larger carryover, is about half the average rise of the previous 7 years when supplies increased at an average rate of 14 million tons a year. The total supply this year is about double the supply of 20 years ago.

Total disappearance of feed grains also has increased substantially over the past several years. Domestic consumption has increased nearly a third in the last 5 years, reflecting more liberal feeding of livestock on farms. Feeding is expected to continue heavy in 1960-61. Exports about doubled from 1954 to the record level of around 12.5 million tons reached in the last 2 years. Exports may decline a little from this high level in 1960-61.

Even though utilization has increased rapidly in recent years it has consistently fallen below production. While the yearly addition to stocks has not been large, the combined effect has been to raise carryover from 20 million tons in 1952 to 75 million tons this year. The total carryover, now on hand, is nearly half of our total annual feed grain requirement for domestic use and exports. Practically all of the increase in carryover has gone into CCC stocks. Government stocks made up about 87 percent of the total carryover into 1960-61. Even with a continuation of heavy consumption in 1960-61, the near-record crop this year is expected to again exceed total disappearance. Carryover into 1961-62 probably will rise around 5 to 10 percent over the 75 million tons carried over this year.

The corn supply for 1960-61 totals over 6 billion bushels for the first time, 3 percent over 1959-60 and a third above the 1954-58 average. Although the 1960 corn got off to a late start, favorable weather through the summer and fall resulted in a crop of nearly 4.3 billion bushels, only slightly below the 1959 record. Total disappearance of corn has increased sharply in recent years. Disappearance in 1959-60 of 4.1 billion bushels was more than a billion bushels larger than 5 years ago.

If disappearance should continue at about this level in 1960-61, the carryover would increase to nearly 2.0 billion bushels on October 1, 1961.

In 1960 sorghum production exceeded 500 million bushels for the fourth year, more than double production in any year prior to 1957. Domestic use and exports of sorghum grain has been increasing in recent years. But, carryover stocks also have mounted and the 1960-61 supply rose to nearly 1.2 billion bushels, more than 4 times the supply in 1956. The 1960 crop of a little over 600 million bushels probably will again exceed total disappearance resulting in a further moderate rise in stocks in 1961.

The steady drop in oat acreage since 1955 has brought 1959-oat production below current requirements and carryover was reduced about 100 million bushels from 1959 to 1960. The 1960 crop, however, is up 10 percent from the short crop last year, but the total supply is about equal to last year's small supply and little change in the carryover is in prospect. Barley production also was below the utilization in 1959-60 and stocks were reduced about 14 percent. The 1960 crop was slightly smaller than last year, but near the 5-year average. Domestic use and exports are expected to be a little smaller in 1960-61 and carryover into 1961-62 will remain near the 1960 level.

Turning now to the demand side of the picture, smaller pig crops this year are expected to result in a slight drop in the number of animal units to be fed in 1960-61. Total animal units declined 2 million from 1958-59 to 1959-60 and they are expected to drop another 2 million in 1960-61 to 166 million units. Fewer hens in prospect for this winter also probably will result in reduction in the number to be fed in 1960-61. But, a further increase is in prospect in cattle feeding.

Over the past 5 years, there has been only a moderate increase in the number of animal units on farms. But, the rate of feed concentrates consumed per animal unit has increased about 20 percent, accounting for most of the over-all increase in consumption since 1954. Livestock feed price ratios are generally more favorable now than in early 1959-60 and feeding rates are expected to continue high during the coming year.

Feed grain prices have been a little lower this fall than a year ago and probably will average a little lower for the entire 1960-61 feeding year. Another big crop, a slight reduction in livestock on farms and the lower support for 1960 corn are important factors influencing prices this year. Generally lower feed prices this fall have been accompanied by higher prices for most livestock and livestock products. Livestock-feed price ratios are more favorable for hog and poultry producers and dairymen this fall than last. Feed prices have been low in relation to livestock prices during the past 3 years and are expected to continue so in 1960-61.

The national average support price for corn is \$1.06 per bushel, 6 cents lower than in 1959. Price supports for the other feed grains are the same as in 1959. Prices of corn and sorghum grain are expected to fall somewhat below the support level at harvest time this fall then rise later in the marketing year to near or above the supports. Prices of both oats and barley are generally above the 1960 price supports, although they probably will average a little lower than in 1959-60.

Oat prices continue high this year relative to most other feeds, reflecting another short supply.

After increasing steadily during the previous 5 years, the quantity of high-protein feeds fed to livestock and poultry declined a little in 1959-60. This decline has been principally in soybean meal and fish meal. Total protein feed supplies available for feeding in 1960-61 are expected to be a little larger than in 1959-60. Total production of protein feed is expected to be at least as large as in 1959-60 while exports probably will be below last years' high level. This would leave a little more available for domestic feeding, especially during the fall and winter. Prices of high-protein feed probably will average a little lower than in 1959-60.

Soybean meal prices in 1960-61 are expected to follow nearer the normal seasonal pattern than in 1959-60. Domestic and export demand will not be as strong as a year earlier this fall and winter and prices are expected to remain lower than a year earlier during this period. Later in the marketing year prices probably will strengthen if demand for hog and poultry feeds improves. In 1959-60 soybean meal prices reached their highest level in January then declined to August. This is counter the normal seasonal pattern based on prices during 1948-59. In this period prices rose from a seasonal low of 94 in October to 110 in August.

Longer-Term Trends In The Feed Situation--I. Of the various trends in the feed situation, probably none has been more important than the upward trend in yield per acre. The combined yield of the four major feed grains in the United States has increased around 60 percent since 1937-41 exceeding 1 ton per acre, in each of the last 4 years. Weather has played a part in these high yields as we have had generally favorable growing seasons in recent years. But increased use of commercial fertilizer, improvement in varieties, including the development of corn and sorghum hybrids, and wider use of irrigation have been major contributors to rising yields.

II. There has been little net change in total feed grain acreage during the past 20 years. The total acreage in 1958-60 was within 1 percent of the 1937-41 average. With feed grain acreage about stable, the upward trend in yields has resulted in corresponding increase in production. Production has increased about 40 percent in the last 8 years and 60 percent in the last 20 years. While feed grain utilization--both domestic and export--has trended upward sharply since 1952, total disappearance has consistently fallen below production. The average annual difference has been about 7 million tons or 5 percent of production.

III. A more recent development in the feed picture, which can not necessarily be considered as a trend, is the marked jump in corn acreage from 1958 to 1959 and 1960 and the rather sharp drop in oat acreage since 1955. The sharp increase in corn acreage reflects the termination of the corn Acreage Allotment and the Acreage Reserve Programs. Oat acreage has dropped 30 percent from the record 1955 level to 1960. In those 5 years, more than 14 million acres have been diverted from oats to other uses. The Conservation Reserve program and higher corn acreage probably have absorbed most of these acres.

Changes in corn and oats acreage and production have resulted in a sharp increase in oats prices relative to corn. Oat prices have averaged about 90 percent of corn prices per 100 pounds in the last 10 years or about in line with their relative feeding value. In 1955 the record oat supply brought the season average price received by farmers for oats down to 78 percent of corn. In 1959-60, with the short 1959 crop, oat prices rose to 109 percent of corn. Oat prices are expected to continue high in relation to corn at least for the 1960-61 season.

IV. Over the years there have been some rather pronounced trends in the relation between feed prices and livestock prices. The hog-corn price ratio has trended upward over the past 30 years. The increase in other production costs relative to corn has tended to increase the prices required for hogs relative to corn. Price supports for corn may have a bearing since the hog-corn farmer is given more assurance on future corn prices than hog prices. The big corn crops in recent years also may have tended to lower corn prices relative to hogs, as compared with the 1930's when there were a number of short crops. While there has been rather uniform and pronounced cyclical swings in the beef steer-corn price ratio, it also has trended upward, reflecting rising beef cattle prices in relation to corn. In general, the same forces that influenced the hog-corn ratio would apply to the beef steer-corn price ratio, as well as improvement in the quality of beef produced.

While hog and cattle prices have trended upward relative to corn prices, poultry and egg prices have declined relative to feed costs. In the early 1930's the average price of 1 dozen eggs was equivalent in value to 13.0 pounds of poultry ration. The long-term downward trend in the ratio brought it down to only a little above 10 pounds in recent years. In the last 10 years, there has been a similar trend in the broiler-feed price ratio. The decline in the poultry and egg-feed price ratios reflects increasing efficiency in converting feed to poultry and eggs, as well as, a general lowering of per unit cost in poultry production through more efficient and larger scale production.

V. Finally, there has been an upward trend in the quantity of feed grain and other feed concentrates fed per animal. All feed concentrates fed per animal unit have increased nearly 40 percent since 1937-41, while the quantity of high-protein feed fed has about doubled.

The trend toward higher output per animal has been a factor in heavier feeding of grains and other concentrates per animal unit. Dairy cows, for example, in 1959 were fed 60 percent more grain and other concentrates per head than 20 years ago. Milk production per cow has gone up about 40 percent. The rate of increase in output per animal has been less pronounced for most other types of livestock. Since 1940, there has been a 15 percent increase in livestock production (measured in production units) per grain-consuming animal unit. These comparisons indicate farmers are using relatively more feed grains and other concentrates to get this heavier output per animal and are depending less on roughages.