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OUTLOOK FOR FEED

Talk by Malcolm Clough
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The strong domestic and export demand for feed grains, which was a dominant feature of the feed situation during the past year, is expected to continue in 1966-67. In 1965-66, total feed grain consumption increased about 14 percent to a record high of 174 million tons. This high level of consumption exceeded 1965 production by about 13 million tons reducing the carryover into 1966-67 to 43 million tons. Prices averaged about the same as in 1964-65, and were 8 percent above the 1960-64 average.

The 1966 feed grain crop, estimated in October at 158 million tons, is 2 percent below last year's record crop. With the smaller carryover, the total feed grain supply for 1966-67 is about 7 percent less than in 1965-66. Smaller supplies and continued strong demand are expected to result in somewhat higher prices in 1966-67--especially during the first half of the marketing year. Domestic use and exports are expected to continue heavy. A further reduction in carryover is in prospect for the close of the 1966-67 marketing year--probably down to around 25 to 30 million tons.

The Feed Grain Program for 1967, announced on October 17, is basically the same as in recent years--but carries provisions to encourage larger production to meet our expanding requirements and provide adequate reserves. An important change in the program was the elimination of payments for voluntary diversion (except on small farms) to encourage an increase in feed grain acreage and production. This feature of the program, along with the elimination of barley from acreage diversion, is expected to bring 12 to 15 million acres back into feed grain production in 1967. The program also provides for an increase from $1.30 to $1.35 per bushel in the price support for corn, with comparable increases for other feed grains. A minimum 20 percent diversion in corn and grain sorghums is again required for participation in the program.

The supply of all feed concentrates for 1966-67 is estimated at 235 million tons--16 million below last year and 25 million below the record supply in 1960-61. A decline in feed grain stocks accounts for most of this reduction although wheat feeding, which increased sharply to around 120 million bushels in the past 2 feeding years, is expected to be substantially smaller in 1966-67. Supplies of high-proteins and other byproduct feeds, which have been trending upward for a number of years are expected to be slightly larger in 1966-67. The 1966-67 feed grain supply will total 201 million tons, based on October indications, 7 percent below a year earlier. The crop, estimated at 158 million tons on October 1, is only 3 million below the record 1965 crop, while the carryover was 13 million tons smaller. Total utilization is expected to continue near the 1965-66 level of 174 million tons. In this event, a further reduction in carryover is in prospect--probably down to around 25 to 30 million tons at the close of the 1966-67 marketing year.

The carryover of feed grains has been reduced about 42 million tons in the last 5 years. The 43 million tons of feed grains carried over into 1966-67 included about 25 million tons of Government stocks and 18 million privately owned. Government stocks were the smallest since 1954, both in total tonnage and as a percentage of the total carryover. On the other hand, "free" stocks are much larger than the 8 to 12 million tons of recent years.

The 1966-67 corn supply, estimated in October at 4,964 million bushels, is 7 percent below a year earlier and 9 percent below the 1960-64 average. This year's crop, estimated in October at 4,097 million bushels is only 74 million less than last year, while the October 1 carryover is down 304 million bushels. Total utilization during 1966-67 is expected to again exceed production, lowering the carryover on October 1, 1967--probably down to around 500 million bushels.

The total supply of sorghum grain has been at around 1.1 to 1.2 billion bushels in recent years. The 1966 crop increased to a record high of 728 million bushels, up 9 percent from last year and 52 percent above 5 years earlier. Increased production, however, was offset by a reduction in carryover, down to 393 million bushels, 31 percent less than last year and 44 percent below the peak reached in 1961. Both domestic use and exports of sorghum grain have been expanding in recent years. In 1966-67 total disappearance is expected to exceed the crop, resulting in a further substantial reduction in carryover on October 1, 1967.

The generally strong demand for feed grains is expected to continue in 1966-67. With the smaller supply in prospect, feed grain prices are expected to average above the 1965-66 level. In the past 2 years feed grain prices averaged 107 percent of the 1957-59 average and were the highest since 1956-57. Corn prices in 1966-67 are expected to average somewhat higher than in 1965-66 when monthly prices received by farmers averaged $1.17 per bushel for the October-September feeding year. The increase over a year earlier is expected to be much greater this fall and winter than next spring and summer. While prices will remain well above the 1966 loan rate of $1.00 per bushel, the seasonal advance in the last half of the year is expected to be much less than in the past 2 marketing years. Sorghum grain prices also are expected to average above last year's level. Sorghum grain prices, however, have been low in relation to corn during 1965-66 and are expected to continue relatively low in 1966-67.

Livestock-feed price ratios were very favorable for livestock and poultry producers in 1965-66, resulting in an expansion in numbers and very liberal feeding per animal. Price relationships are expected to continue favorable in 1966-67 for dairymen and cattle feeders, but will be lower than this past year for hog and poultry producers. Favorable returns from livestock production in 1965-66 have resulted in an expansion in livestock numbers, especially in hogs and poultry. The total number of grain-consuming animal units rose slightly from 1964-65 to 1965-66, and a sharper increase of about 4 percent to 176 million units is in prospect for 1966-67. Much of this increase is expected to be in hogs and poultry.

While livestock numbers are expected to expand in 1966-67, generally lower livestock prices in relation to feed costs are expected to result in a lower rate of feeding per animal unit. The very favorable livestock-feed price ratios this past year, along with lower quality corn in some areas of the Corn Belt, resulted in a sharp increase in the rate of feeding for all concentrates from 0.89 ton per animal unit in 1964-65 to 0.97 ton in 1965-66. Assuming the rate of feeding declines about 3 percent from the 1965-66 level, this would offset much of the increase in the number of livestock to be fed resulting in a total tonnage fed close to the 165 million tons fed in 1965-66.

The total supply of high-protein feeds available for feeding in 1966-67 is estimated at close to 18.0 million tons, 3 percent larger than last year and about 10 percent above the 1960-64 average. Prospects for larger soybean meal production along with some increase in animal protein feeds and grain proteins is expected to more than offset the reduction in the output of cottonseed meal. The much smaller cottonseed meal production in prospect for 1966-67 will result in a relatively small high-protein feed supply in the South. This will have to be made up at least in part by inshipments of soybean meal and other protein feeds from other areas of the country.

The number of high-protein consuming animal units to be fed in 1966-67 is expected to be up about 3 percent, due principally to prospective increases in hogs and poultry. The quantity of high-protein feed fed per animal unit increased to about 235 pounds in 1965-66 from a rather stable level of around 225 to 227 pounds in the preceding 4 years.

The strong demand, which has influenced prices of the high-protein feeds during the past year, probably will continue in 1966-67. In the 1965-66 feeding year the index of wholesale prices of these feeds averaged about 14 percent higher than in 1964-65. Despite the higher prices, domestic consumers fed about 6 percent more protein feed and about 22 percent more was exported. Soybean meal prices are expected to average somewhat higher this fall and winter than in 1965-66 but are not expected to rise as much in the last half of the marketing year.

The strong foreign demand for feed grains which prevailed in 1965-66 is expected to continue in 1966-67, but further expansion probably will be limited by higher U.S. prices and larger production abroad. In 1965-66 exports of feed grains increased about 35 percent over 1964-65, reaching a record high of close to 29 million tons. The sharp increase in exports during the past year resulted largely from a continued upward trend in the demand in Europe and Japan as well as from reduced production in Argentina, South Africa, and some of the important feed grain producing countries of Europe. Both cash and future prices of feed grains and soybean meal were relatively low in the fall of 1965. This stimulated forward buying for export and was an important factor contributing to the heavy exports during the past year.

While exports may not increase materially, they probably will be maintained at a high level in 1966-67. Higher feed grain prices this year, larger feed grain production in Argentina, and a more favorable feed supply situation in a number of European countries are factors which will tend to limit further expansion in feed grain exports. The upward trend in the foreign demand for feed grains, however, may maintain corn exports at around 700 million bushels, even with the larger production in other countries. Exports of sorghum grain, due principally to heavier shipments to India, may be increased by around 10 percent from the 266 million bushels exported in 1965-66. On the other hand, exports of barley and oats may be smaller than in 1965-66. Based on these early prospects it now appears probable that combined exports of the 4 feed grains will continue somewhere around last year's record movement of 29 million tons.

The rapid expansion in livestock and poultry production in Western Europe and Japan has been largely responsible for the marked increase in U.S. exports of feed grains and soybean meal in recent years. Mixed feed production has trended upward in these countries during the past decade. The increase in mixed feed production has been especially pronounced in Japan, increasing from 1.3 million tons in 1957 to nearly 8.0 million in 1965, and in Italy where production rose from 0.5 million to 2.2 million. During the 8 years it has more than doubled in Western Germany, Belgium, France, and Canada, rose 80 percent in the Netherlands and 53 percent in the United Kingdom. The combined production of mixed feed in these 8 countries has gone up at an annual average rate of 3.4 million tons since 1957.

The upward trend in the demand for livestock feed has resulted in requirements increasing at a faster rate than production in most of the important importing countries. This has made it necessary for most of the countries, which are heavy importers of U.S. grains, to increase their imports even though their production may also be trending upward.

During the past 10 years U.S. exports of feed grains have been increasing at a much more rapid pace than feed grain production or sales. Exports, which were only about 5 percent of our total feed grain production in the early 1950's, increased to about 18 percent of our 1965 production. Ten years ago only 15 percent of the feed grains sold by farmers was exported but now exports account for about 35 percent of the feed grains sold by farmers.