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UNITED STATES DEPARTMENT OF AGRICULTURE
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OUTLOOK FOR FEED

Talk by Malcolm Clough
Economic and Statistical Analysis Division
at the National Agricultural Outlook Conference
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The 1968/69 feeding year is expected to bring a closer balance between production and use than in most other recent years, when there have been sizable changes in carryover stocks. The 1968 crop was estimated in December at 168 million tons, 8 million tons less than the bumper crop of 1967. This was also somewhat below production prospects earlier in the growing season.

With more livestock on farms and with a continuation of favorable live-stock/feed price ratios, domestic use is expected to be higher than in 1967/68--maybe up by 5 or 6 million tons from the 142 million in 1967/68. Exports are lagging those of a year ago and for the entire year may be 5 to 10 percent below the 23 million tons exported last year. Total disappearance, however, is expected to be slightly above 1968 production. This would leave a little smaller carryover at the close of the 1968/69 marketing year.

An important change in the feed situation this year has been the larger stocks held under Government programs. On January 1, 39 million tons of feed grains were under loan or owned by CCC, 13 million tons more than a year ago. Larger Government stocks indicate a tighter supply situation for the remainder of the marketing year and smaller "free" carryover stocks than in either of the past 2 years. This should give firmer feed grain prices this spring and summer than in 1968.

It is too early to look with much assurance to prospects in 1969/70. Much still depends on farmers' response to the feed grain program and the 1969 growing season. Provisions of the 1969 Feed Grain Program, announced last December, are basically the same as for the 1968 Program. The major change was to extend the program to include acreage diversion for barley. The program has for its objective the diversion of 37 million acres of corn, grain sorghum, and barley to soil-conserving uses so as to bring 1969 production a little below requirements and obtain some further reduction in carryover stocks at the close of the 1969/70 marketing year.

The 1968/69 feed grain supply is estimated at 216 million tons, a little larger than in 1967/68. The 11-million-ton larger carryover accounted for all

the increase--more than offsetting the smaller crop. While the total feed grain supply has tended to drift downward since 1960/61, the "free" supply (production plus "free" carryover stocks) has increased. The "free" supply reached a peak of 195 million tons in 1967/68, then dropped to 187 million tons this year. Government stocks, on the other hand, have been declining, reaching a low of less than 20 million tons at the beginning of 1967/68. The bumper crop in 1967 and increased price support activity brought an 11-million-ton increase in Government stocks at the beginning of the current marketing year.

Both production and use of feed grains have trended upward during the past 20 years. Production exceeded total use during most of the 1950's. During most of the 1960's, however, production has been reduced below our total requirements and stocks have been reduced to the current level of about 48 million tons. While domestic use has increased about a third since the mid-1950's, exports also have contributed significantly to the heavier total use, rising to 4 times those of 15 years ago. The 1968 production, while smaller than in 1967, still was second largest of record. Increased domestic use in 1968/69 is expected to push total disappearance to a little above the 1968 crop. This is in contrast to 1967/68 when the bumper crop added 11 million tons to carry-over stocks.

Two trends have had an important place in the feed situation during the past 20 years. The first is in yield per acre which has gone up at an annual rate of nearly 6 percent since 1954. The second is in total utilization. It has increased about 3.5 percent annually during this period. The disparity between these trends has been basic to the problem of overproduction in feed grains since World War II. It has been largely responsible for Government programs relating to feed grains during this period.

In the period 1959-63, feed grain production took care of our total requirements with acreage about 10 percent below levels of the previous decade. Yield in this period averaged about 50 percent higher; production and utilization were up about 35 percent. The disparity between yield and utilization increased further during the past 5 years. Yields are now nearly double the 1949-53 average, while our total utilization has gone up a little over 50 percent. During 1963-67, production would have taken care of our total requirements with acreage about 20 percent less than in the period 1949-53.

Because of the greater gain in yield per acre than in total utilization, a substantial acreage has been diverted from feed grain production during the past 15 years. Even with the moderate reduction in feed grain acreage realized during the 1950's, production exceeded utilization in much of that period. With 20 to 35 million acres diverted from feed grains under the Feed Grain Program during the 1960's, production has been reduced below utilization, thus bringing a substantial reduction in feed grain stocks. The race between yield and total use may be expected to continue. Based on recent experience, it does not appear likely that the gap will narrow in the near future.

The 1968/69 corn supply is now estimated at a little over 5.5 billion bushels, or slightly smaller than the 1967/68 supply. The estimate of the 1968 crop was reduced about 260 million bushels from September to December as yields

turned out lower than anticipated, especially in the Eastern Corn Belt. With more hogs and cattle to be fed this year, domestic use is expected to be a little heavier than in 1967/68. Exports have been below those of a year earlier so far this year and probably will be a little lower for the entire marketing year. Our total use, however, is expected to be a little above 1968 production, resulting in a smaller carryover next October 1--probably around 100 million bushels less than the 1,146 million carried over last year.

Corn prices have advanced 12 cents per bushel since the early seasonal low reached last October. In January, the average price received by farmers was a little higher than a year ago and 3 cents above the 1968 loan rate. Much more of the stocks of corn now on hand are under loan or owned by CCC, and "free" stocks are smaller than during the past 2 years. This will give strength to corn prices during the spring and summer, unlike a year earlier when corn prices were especially weak during July-September. On the other hand, the rise in prices during the next few months will be limited to some extent by the large quantity of corn held under the loan program which may be redeemed if corn prices advance materially above the loan rate.

The 1968/69 grain sorghum supply was estimated in December at 1,031 million bushels, about 3 percent larger than in 1967/68. Grain sorghum production has been below our total utilization in most recent years, reducing carryover stocks from over 600 million bushels in the early 1960's to below 300 million bushels in the past 2 years. While domestic use continued large in 1967/68, exports dropped sharply as the result of reduced shipments to India and smaller commercial movement. Domestic use in 1968/69 probably will be above last year's level--with increased cattle feeding in the Southwest. But exports are expected to decline further--they may be around a fourth smaller than the 166 million bushels shipped in 1967/68. Total disappearance should about equal the 1968 crop, leaving a carryover next October 1 of around 300 million bushels--or close to that at the beginning of the marketing year.

Feed grain exports trended steadily upward from 1954/55 to 1964/65. In 1965/66 they jumped sharply as a result of smaller supplies abroad and generally good foreign demand. With larger crops in both deficit and surplus countries in 1966/67 and 1967/68, exports dropped sharply and fell somewhat below the trend level of the previous 12 years. Prospects for exports are again not too promising for 1968/69. Feed grain production in Europe is about as large this year as last, and larger carryover stocks are on hand. The dock strike resulted in very low exports during January. While much will depend on the duration of the strike and on the outcome of the 1969 feed grain crops in Argentina and South Africa, U.S. exports for the entire marketing year may be about 5 to 10 percent less than the 23 million tons shipped in 1967/68.

Consumption of high-protein feeds in 1968/69 is now expected to be a little above the 1967/68 level--both in total and per animal unit. Demand for these feeds has been strong. October-December feeding increased about 7 percent over that of a year earlier, with prices averaging about the same. Even with the larger cottonseed meal supplies--up about a third from last year's small supply--soybean meal feeding also has been larger so far this year. The quantity of soybean meal fed this year is expected to be 2 or 3 percent over the 10.8 million

tons fed in 1967/68. The increase in soybean oil prices in recent months has enabled crushers to reduce meal prices and crush at a high rate. Soybean meal prices in January were 7 percent lower than a year earlier; the index of all high-protein feed prices was 4 percent lower. Ample supplies of soybeans available for crushing are expected to lend stability to soybean meal prices during the remainder of the feeding year and prices are expected to average a little lower than in 1967/68.