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UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service

OUTLOOK FOR FEED

Talk by Malcolm Clough
Economic and Statistical Analysis Division
at the 1970 National Agricultural Outlook Conference
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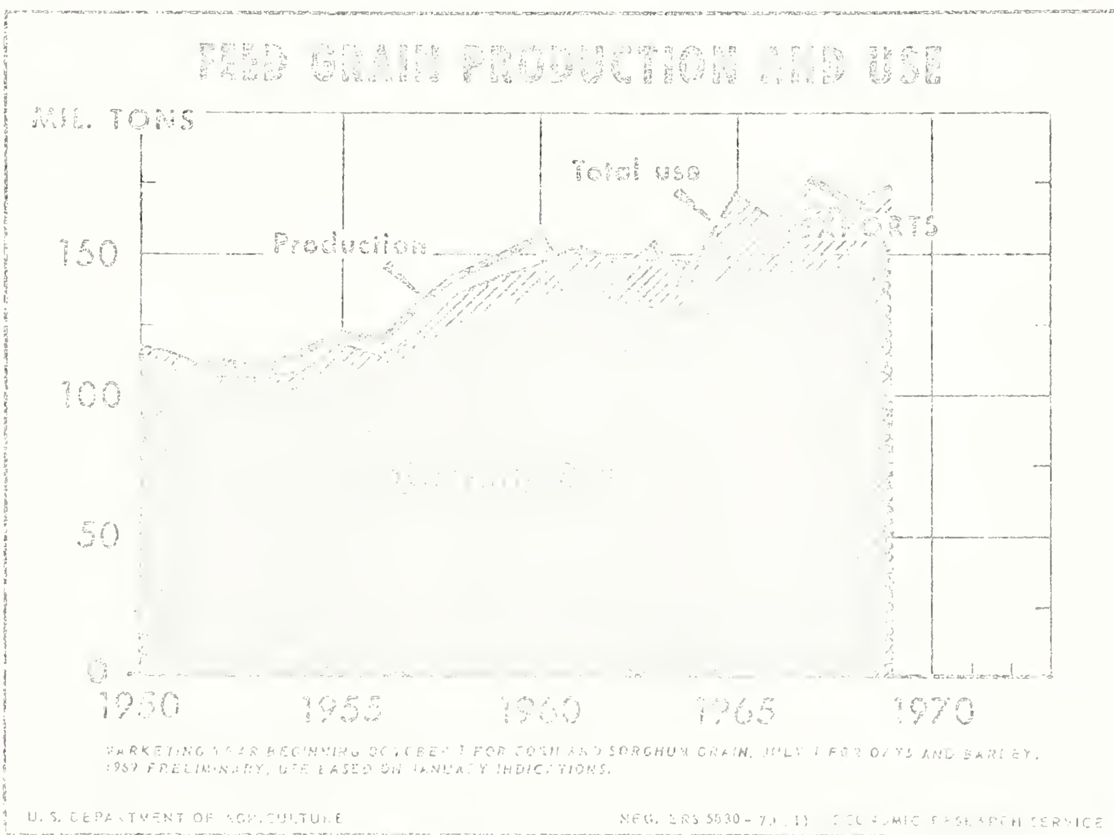
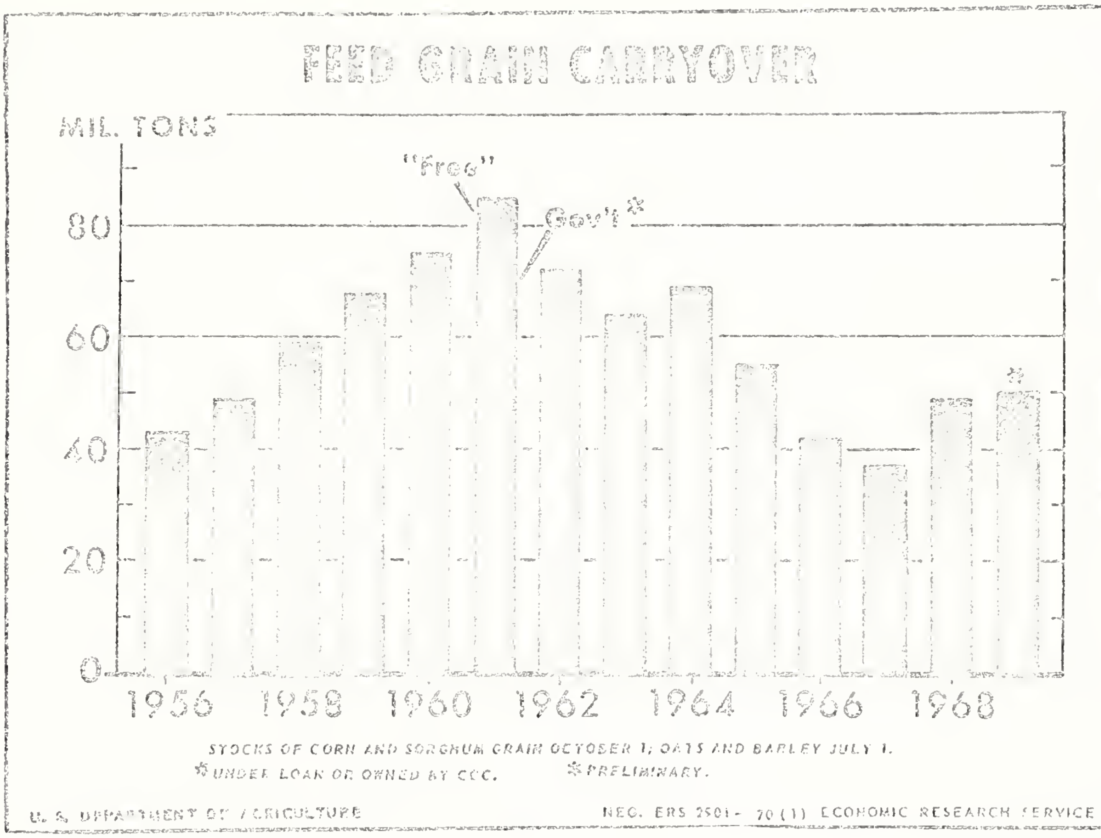
Expanding feed grain consumption in 1969/70 is expected to about equal increased production, giving another year of fairly close balance between supplies and total requirements. The 1969 crop of 174 million tons was 5 million tons larger than in 1968 and close to the record crop of 1967. The anticipated increase in domestic consumption will come both through increased numbers of livestock to be fed (particularly poultry) and liberal feeding per animal. Exports may show little, if any, improvement; much still depends on the extent of competition from southern Hemisphere countries this spring and summer. The larger utilization in prospect would hold carryover into 1970/71 near the 50 million tons at the beginning of 1969/70.

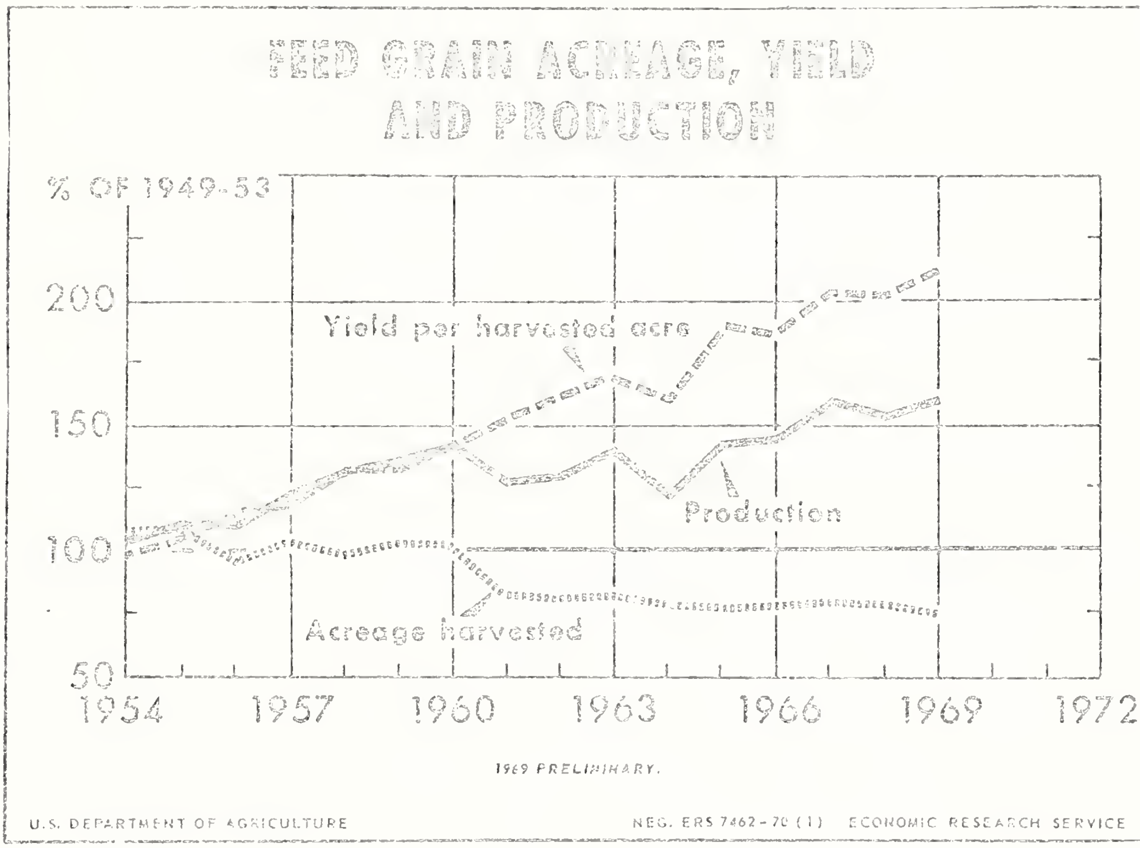




In recent years, total feed grain stocks have been well below the high level of 10 years ago, but "free" stocks have been larger. While "free" stocks at the close of 1969/70 probably will continue above the low levels of the early 1960's, they may be reduced further from the high level reached in 1967 and 1968. In those 2 years, large "free" carryover resulted in early seasonal price weaknesses for corn--during summer and early fall.

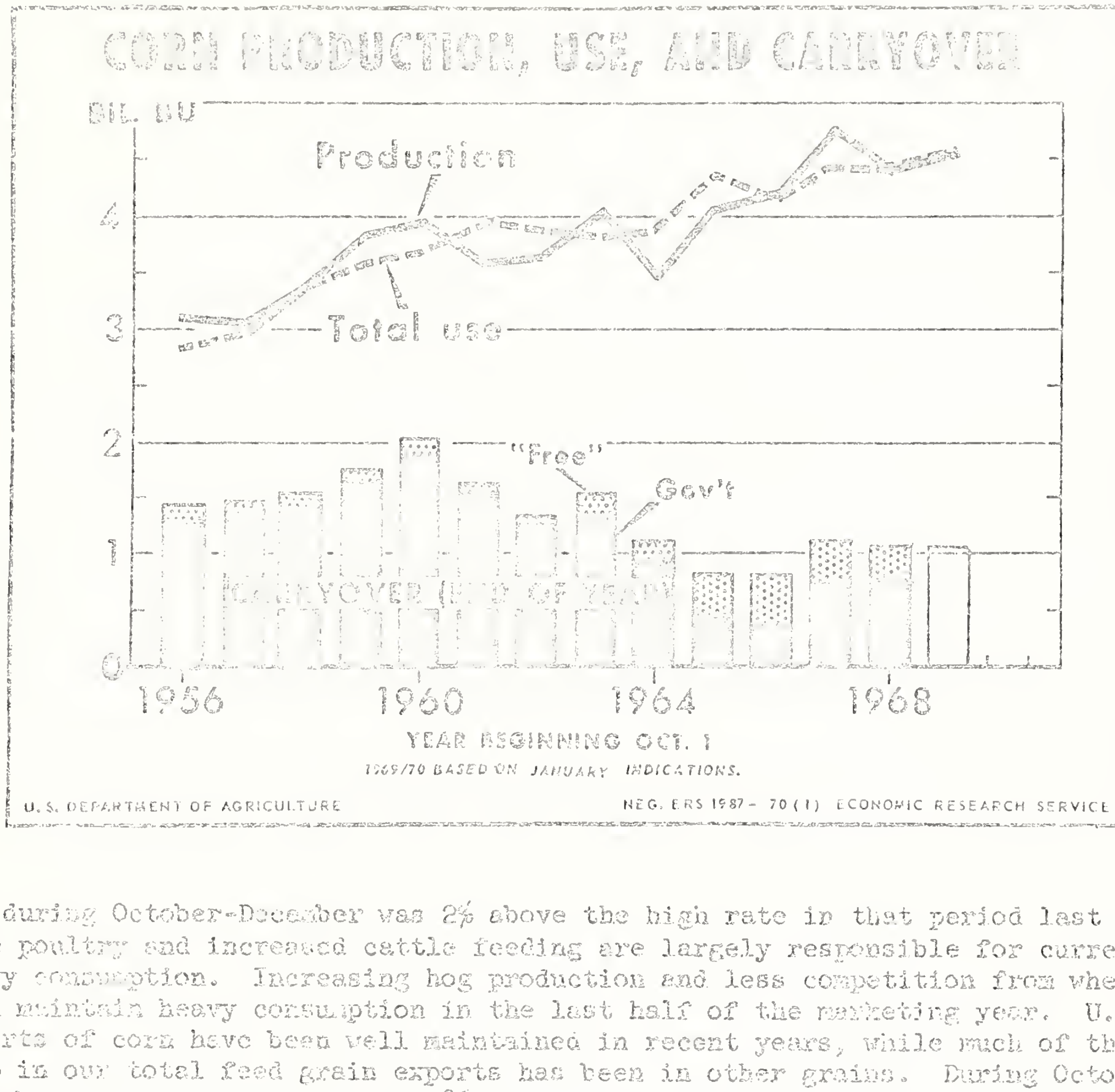
The 1970 Feed Grain Program, announced late in December, carries the same basic provisions as in 1969, although the acreage diversion payment will be based on 40% of the total price support times the projected yield per acre, compared with 45% last year. The goal of the program is to divert about 38 million acres from feed grain production, slightly below the total acreage diverted in 1969. Assuming the extent of participation in the program is about the same as it was last year, with a normal growing season the 1970 feed grain crop should again be in reasonable balance with the prospective larger requirements. This would be expected to maintain prices somewhere near the 1969/70 level.

Steadily rising feed grain yields during the past 15 years have more than kept pace with expansion in domestic use and exports. The rise in feed grain yields, averaging nearly 6% annually since 1954, have made it possible to meet total requirements in recent years with 20 to 25% less acreage than in the early 1950's. The smaller acreage during the past 9 years has been accomplished through the diversion of 20 to 39 million acres of feed grains to soil-conserving purposes. The 1969 feed grain crop is expected to be about in balance with our total requirements with the harvested acreage about 25% below the acreage during the early 1950's.



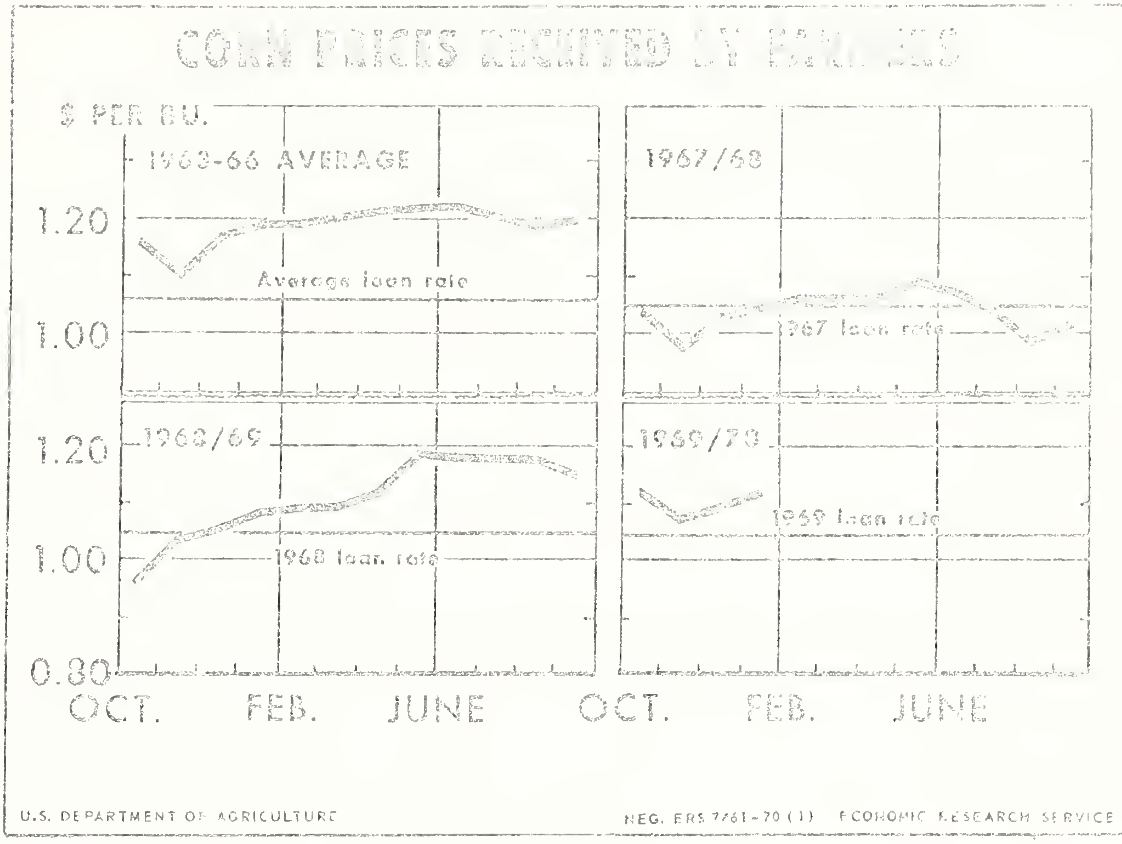
Corn yields have more than doubled in the last 20 years, averaging nearly 84 bushels per acre in 1969. The 1969 crop of close to 4.6 billion bushels was second only to the record harvest in 1967. The acreage harvested was the smallest in more than 90 years. Including the carryover of 1.1 billion bushels, the 1969/70 supply totals about 5.7 billion bushels, 136 million more than last year and about equal to the previous record supply in 1960.

Total disappearance of corn during 1969/70 is expected to be 3 or 4% above the 4.4 billion bushels of 1968/69--about balancing 1969 production. Domestic



use during October-December was 2% above the high rate in that period last year. More poultry and increased cattle feeding are largely responsible for current heavy consumption. Increasing hog production and less competition from wheat will maintain heavy consumption in the last half of the marketing year. U.S. exports of corn have been well maintained in recent years, while much of the drop in our total feed grain exports has been in other grains. During October-December, corn exports totaled 186 million bushels, second only to the record movement in that quarter of 1965. Smaller exports are in prospect for the last half of the marketing year which could offset much of the gain in the first half. Based on present indications, total corn consumption will be in close balance with production, leaving carryover stocks again near the 1.1 billion bushels carried over at the beginning of the 1969/70 season.

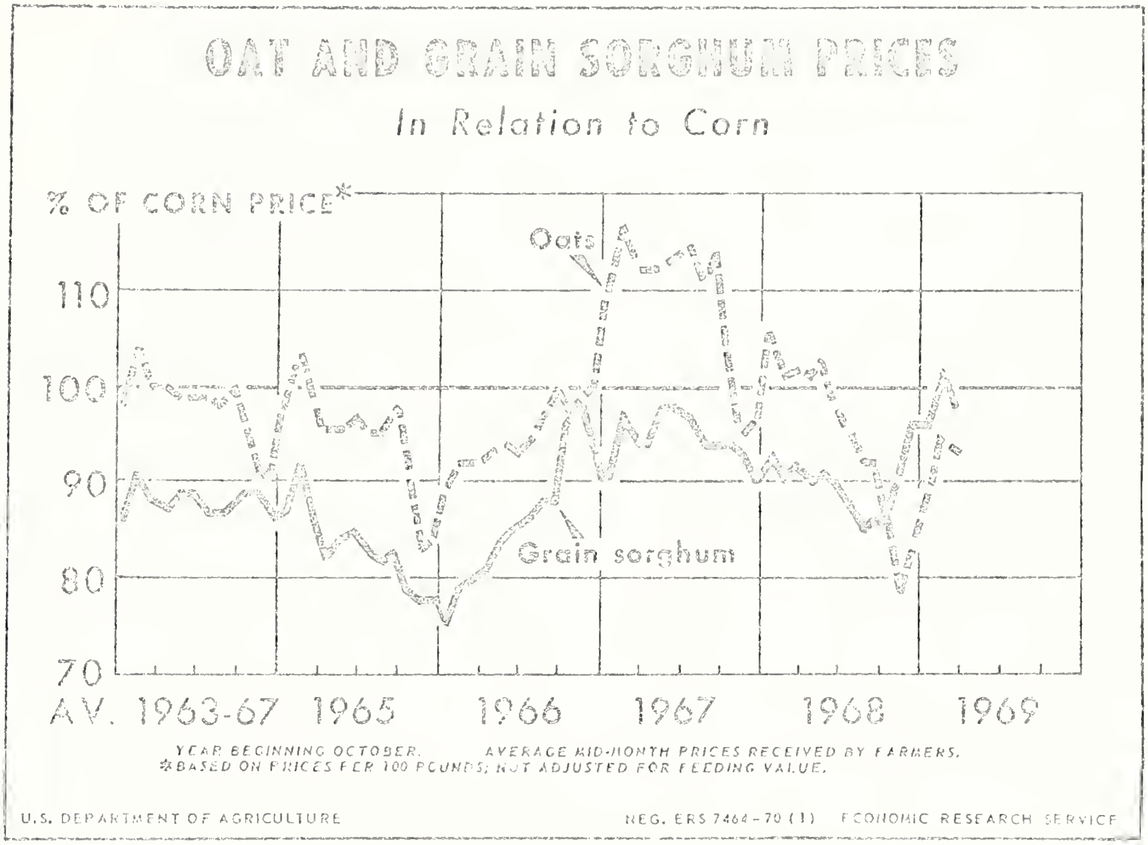
Unlike the other 3 feed grains, grain sorghum production in 1969 probably will fall short of total use. The 1969 crop was practically the same as in 1968 but 15% over the 1963-67 average. While carryover also was near last year's level it has been reduced more than 50% over the past 5 years. The strong domestic demand for sorghum grain continued into 1969/70. More cattle on feed (especially in the Southwest and Far West) probably will boost feeding in 1969/70 around 10% over last year's record high. Even allowing for a moderate drop in exports, total disappearance is expected to be up by 50 million bushels to nearly 800 million. This would give a moderate reduction in carryover--probably below 250 million bushels--about half the 1963-67 average.



Big 1969/70 supplies of oats and barley are not being matched by increasing use. Even though prices have been comparatively low, domestic use of each of the 2 grains was only slightly higher during July-December this year than last. Exports have been practically nil--due to large supplies in both exporting and importing countries. Total disappearance is expected to be 5 to 10% over 1968/69, but it will fall short of the big crops of 1969. Carryover stocks which reached record levels on July 1, 1969, will expand further in 1970.

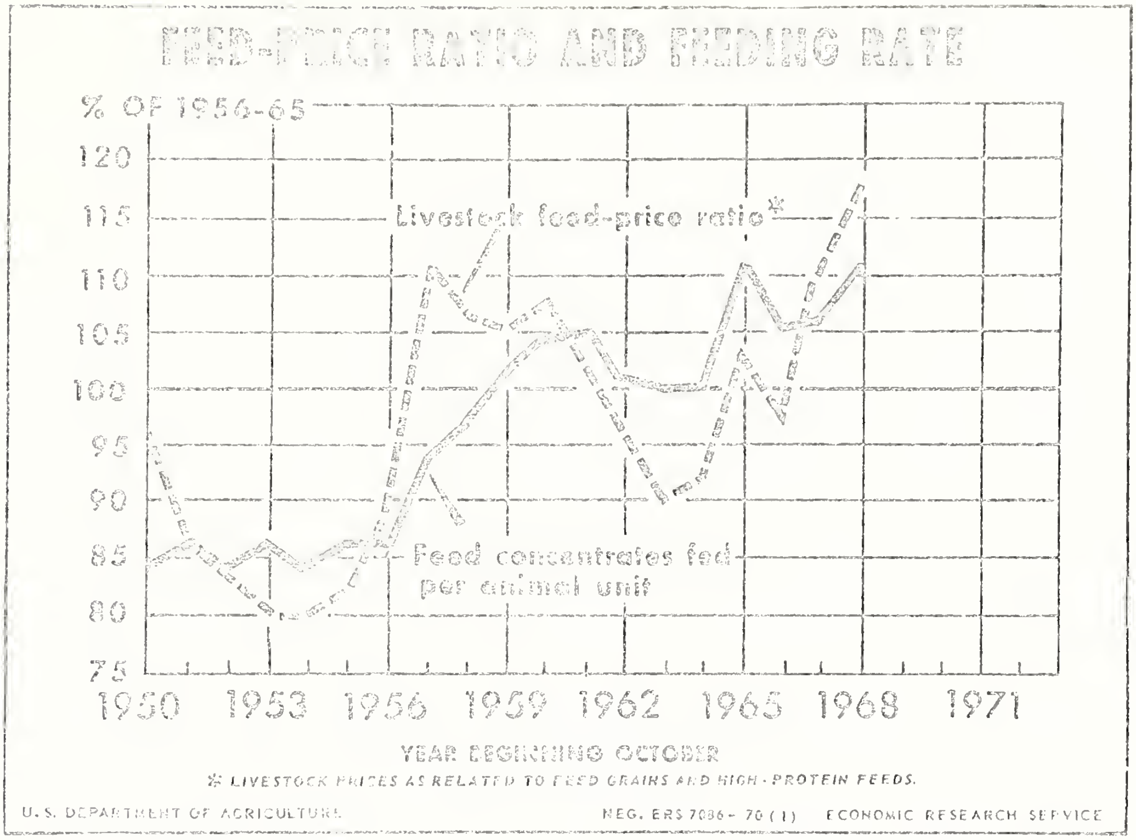
Corn prices have been a little higher this fall and winter than last and probably will average 7 or 8¢ above the loan of $1.05 per bushel. This will make six out of the last seven years that corn prices have been above the loan rate. During 1963-66 when production was generally below requirements, there were only a few months (at harvesttime) when prices fell below the loan rates. They averaged about 12¢ above the loan for the four years.

The record crop harvested in 1967 brought prices 7¢ below the loan at harvesttime. They averaged 2¢ below for the marketing year. In 1968 production and total use were about in balance and prices rose more than seasonally, averaging a little above the loan rate. The strong demand for corn this year is expected to again bring total use in fairly close balance with production. While prices will average moderately higher than in 1968/69, the seasonal rise from fall to spring may not be as great as last year. However, prospects for the 1970 crop will have an important bearing on prices this spring and summer.



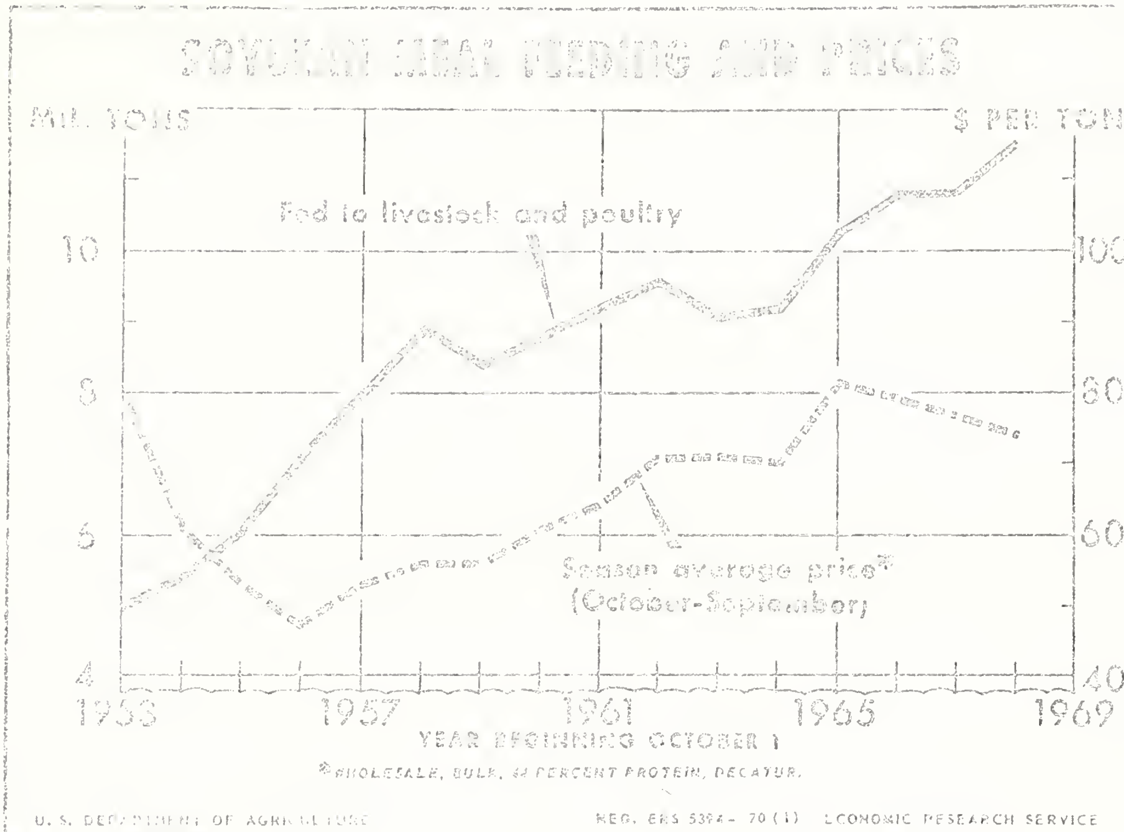
There have been wide variations among feed grain prices in recent years. The strong domestic demand for grain sorghums has boosted prices well above a year earlier this fall and winter, and around 30¢ per cwt. above the loan rate. They also have been higher than normal in relation to corn. During October-January, prices received by farmers for grain sorghum averaged 98% of corn, well above the 1963-67 average of 88%.

Oat and barley prices, on the other hand, have declined in recent years. Large supplies have not been balanced by increased consumption and prices have fallen much below the loan rates at harvesttime. The average price received by farmers for oats fell to 53¢ per bushel last summer, only 78% of the price of corn--the lowest in recent years. During July-December the price of oats averaged 87% of corn, down sharply from 2 years ago and much lower than in 1963-67 when the price of oats averaged about the same per 100 pounds as corn. Oat prices have advanced seasonally since last summer, but in January they still remained below the 5-year average in relation to corn.



The very favorable livestock/feed price ratios in 1968/69 contributed to the heavy feeding per animal unit--close to the previous record high of 1965/66. Livestock/feed price ratios are even more favorable this winter than last. The number of grain-consuming animal units to be fed is estimated at 185 million, 3 million more than last year. While hog production in the 1969/70 feeding year will be below a year earlier, this will be more than offset by increases in poultry and beef cattle. Present indications are for an increase of 4 or 5% in domestic feed grain consumption over the 149 million tons in 1968/69.

Feed grain exports have been heavy so far this year. The 6.1 million tons exported during October-December was 15% larger than in that quarter of 1968. But increased competition is in prospect from the Southern Hemisphere this spring and summer. Because of the continued favorable crop conditions in Argentina and South Africa, our export prospects are becoming less promising. Exports during April-September probably will be well below those of a year earlier.



The demand for high-protein feeds has been moving generally upward for a number of years. Favorable livestock/feed price ratios and an increase in high-protein-consuming livestock--particularly poultry--have created a strong demand for protein feeds this year. The total quantity of high-protein feeds consumed is now expected to be up about 4% to a record 19.3 million tons. With fish meal supplies down sharply and supplies of most other proteins limited, the increased demand will have to be met from increased soybean meal production. Soybean supplies are ample for 1969/70 requirements. With the current favorable margins, crushers are expected to continue to crush at near capacity. The total soybean meal tonnage fed will likely reach an alltime high of close to 13 million tons.

The strong demand for soybean meal this winter pushed the cash market price to over $80 a ton in December and January. Crushers are operating at near capacity, which should bring supplies in better balance with needs within the next few months. Nevertheless, the unusually good demand for soybean meal this year has given a boost to soybean meal prices, which had declined from 1965 to 1968 under the influence of increased competition from other proteins--particularly fish meal, urea, and other synthetic proteins.