

# FEED OUTLOOK

United States Department of Agriculture

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Economic Research Service

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Approved by the World Agricultural Outlook Board

June 13, 1997

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## HIGHLIGHTS

- o Feed Grain Outlook Virtually Unchanged This Month
- o Crop Conditions Generally Favorable to Date
- o Grain Market Prices Edge Down in Recent Weeks, Hay Prices Rise

## INCREASE IN PRODUCTION TO BOOST SUPPLIES AND RAISE STOCKS IN 1997/98

There were no changes in forecast production, use, or stocks of any of the feed grains this month for either 1996/97 or 1997/98. During the past month, attention was largely focused on the completion of planting and early-season growing conditions. Old-crop supplies remain adequate to cover demand. The Grain Stocks report to be released on June 30 will provide an estimate of disappearance for the March-May quarter, along with an indication of available supply for the summer.

U.S. feed grain supplies are projected to increase 24 million tons in 1997/98 to 308.5 million, the highest since 1994/95. The higher supplies reflect both larger crops and larger carryin stocks. Feed grain production in 1997 is projected up for the second straight year to 278 million metric tons, an increase of 11 million tons from 1996. If realized, this would be the second highest production on record, narrowly eclipsing the 1992 outturn but trailing the 285 million tons achieved in 1994.

Demand prospects for 1997/98 are strong, and total disappearance is projected at 269 million metric tons, up 12 million from the previous year. Gains will be led by corn, with smaller increases in store for oats and barley. Sorghum use is expected to decline because of lower production. The increase in feed grain supply is projected to outstrip gains in use, resulting in higher stocks. Feed grain ending stocks are projected at 39.5 million tons, up 12 million from 1996/97.

Changes in foreign forecasts were small this month. The global outlook remains favorable for U.S. exports in 1997/98, as competing corn exporters reduce plantings and production while foreign consumption continues to grow. A small increase in world ending stocks of coarse grains is expected despite higher use. The ratio of world ending stocks to use is projected at 13.8 percent, up from 13.6 percent in 1996/97, but still relatively low historically.

## NO CHANGE IN 1997 CROP FORECASTS

This spring has seen unseasonably cool weather over most of the Corn Belt, slowing crop emergence and development. However, early indicators show feed grain crops in generally good condition. Moisture has been adequate to abundant in most areas, with the key exception of North Dakota and parts of Minnesota, which have turned dry in recent weeks. A recent shot of rainfall in the western Corn Belt has eased concerns about a drying trend in that region. Excessive moisture and some local flooding have been problems on a relatively small scale, mainly affecting corn in parts of Indiana, Illinois, Ohio, Kentucky, and Tennessee.

No acreage adjustments were made this month, and planting forecasts still reflect farmers' intentions when surveyed earlier in the spring. On June 30, USDA will release the Acreage report based on information gathered in the first half of June. For the first time in 3 years, most crops were planted early or on time, and this should allow an accurate appraisal of acreage without follow-up surveys.

Corn production in 1997 is projected at 9,840 million bushels, a 6-percent increase from the year before, and the second highest ever. Planted acres are forecast 2 percent higher to 81.4 million and average yields up 3 percent to 131 bushels per acre. By June 1, 98 percent of the crop had been planted in the major producing States, compared with the 5-year average of 89 percent. As of June 8, 65 percent of the corn crop was rated in good or excellent condition, well ahead of last year's comparable ranking of 50 percent.

Most of the crop will go through the pollination and reproductive stage in July, and weather conditions then will be critical for yield prospects.

Sorghum production is projected at 665 million bushels, compared with 803 million last year. Sorghum planted acreage is forecast at 10.9 million acres, declining from 13.2 million in 1996 when problems with wheat and cotton led to a sharp gains in sorghum. The average sorghum yield is projected at 67.6 bushels per acre, about equal to the 1996 yield. By June 8, 72 percent of the crop was planted nationally, above the 5-year average of 65 percent.

Barley production in 1997 is projected at 395 million bushels, about equal to last year. Plantings are forecast to fall 2 percent to 7 million acres, while yields are projected up 2 percent to 59.7 bushels per acre. After a slow start, the pace of barley planting by late May had caught up to the average and was ahead of last year. The condition of the crop continues to be favorable, with 71 percent of the crop rated good or better on June 8, but down slightly from the previous week's 77 percent. States that have been dry--Montana and North Dakota--accounted for lower ratings, but Montana, the lowest ranked State, still had 62 percent of the crop rated good or better. The barley crop is ahead of last year and the 5-year average with 91 percent emerged, compared with 79 percent last year and 88 percent in the last 5 years.

Oats production is projected at 187 million bushels, up from 155 million in 1996. Acres harvested for grain are expected to increase 20 percent to 3.23 million, according to farmers' intentions, and yields are projected at 58 bushels per acre, up slightly from last year. The oats crop condition as of June 8 was about the same as last year with 64 percent of the crop rated good or better in the 9 selected States, down from 66 percent in 1996. Individually, North Dakota at 17 percent is the only State that has a relatively large share of the crop rated poor or very poor. The percent of the crop emerged is the same as last year at 93 percent.

#### HAY PRICES CONTINUE TO RISE AS MARKET REMAINS TIGHT

Hay prices received by farmers continued above last year in May. Reflecting tight supplies of high quality hay, alfalfa prices rose \$4 per ton to \$127, another monthly record, and the all hay price inched up \$1 per ton to \$118, also surpassing last month's old record. The overall forage outlook is more favorable, with pasture and range conditions on June 6 rated 64 percent good or better, up from 57 percent last year.

The cool weather in May that has slowed corn development also kept some hay from being ready to harvest as early as some years. There are scattered reports of rain-damaged hay, specifically in the Pacific Northwest and also in Texas. Minnesota reported dry weather had kept the alfalfa shorter than usual but quality is good. Nebraska and Iowa reported short alfalfa first cuttings. So while the first cuttings of alfalfa are probably about normal to slightly reduced, the second and latter cuttings when we are past spring rains are more likely to be of

higher quality. Grass hays that only make one cutting may be a little late but should be good given the pasture and range conditions.

#### FEED GRAIN PRICES SOFTEN

There were only slight adjustments made in USDA price forecasts this month for 1996/97 and no changes for 1997/98. Cash, farm, and futures prices all slipped in recent weeks in response to timely planting and generally favorable crop prospects, as well as the impact of declines in the soybean market.

The 1996/97 season average farm price of corn is forecast at \$2.70-2.75 per bushel, down 5 cents on the high end of the range. The preliminary price received by farmers in May was \$2.68 a bushel, down 12 cents from April. The forecast farm price of sorghum for 1996/97 was also reduced slightly to \$2.30-2.35 per bushel, down 5 cents on the high end. The preliminary farm price for May was \$2.33 per bushel, down from \$2.43 in April.

Farm prices typically increase seasonally in the spring months, but this pattern can be outweighed by downward pressures if the market expects a large new crop. Futures prices for corn dropped about 15 cents a bushel over the last month for the July and December contracts. Central Illinois cash corn prices dropped to under \$2.70 per bushel by early June, down about a dime from early May.

For 1997/98, farm prices for all the feed grains are projected to decline in the face of a large increase in corn production and supply. Despite lower prospective supplies of both sorghum and barley, prices for each are expected to be pulled down by corn, the dominant feed grain.

#### WORLD OUTLOOK LARGELY UNCHANGED

Global supply and use projections for coarse grains were mostly unchanged this month, and there were no changes in U.S. export forecasts. One change of note was an increase in sorghum import forecasts for Israel. Its 1996/97 forecast was raised 150,000 tons from last month to 450,000 tons, the highest since 1985, and the 1997/98 forecast was raised 100,000 tons to 400,000 tons. Israel imports sorghum from the United States, and prices have been competitive with alternative feed grains and feed wheat. From October 1996 through April 1997, sorghum monthly average export quotes from Gulf Ports have been running \$3 to \$10 per ton lower than comparable corn export quotes. The discounts were even larger between May and August 1996, with the discount in July reaching a record high of \$32 per ton. Summer discounts for sorghum this year are not likely to be as large because of lower sorghum crop prospects and more abundant corn supplies.

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* Information Contacts: Pete Riley (202) 501-8512 *
* Allen Baker (202) 219-0360 *
* International Analysis: Edward Allen (202) 219-0831 *
* Data Coordinator: Jenny Gonzales (202) 219-0704 *
* The next Feed Outlook will be released on July 14, 1997. *
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* The Feed Outlook report is available on the Internet via the ERS Homepage *
* (www.econ.ag.gov). Select Products and Services, Publications, Field *
* Crops, Feed Grains. *
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Table 1--Feed Grains: Marketing year supply and disappearance 1/

Year/ Qtr.	Beg. stocks	Produc- tion	Im- ports	Supply	FSI	Feed & resid.	Ex- ports	Total disp.	End. stks.	Farm price
-----Million bushels-----										
CORN										
-----										
1994/95										
Sep-Nov	850	10,103	2	10,955	409	2,016	449	2,874	8,080	2.05
Dec-Feb	8,080	---	4	8,084	409	1,493	590	2,493	5,592	2.18
Mar-May	5,592	---	3	5,595	448	1,163	568	2,180	3,415	2.35
Jun-Aug	3,415	---	1	3,416	438	850	570	1,858	1,558	2.59
Mkt. yr.	850	10,103	10	10,962	1,704	5,523	2,177	9,405	1,558	2.26
1995/96										
Sep-Nov	1,558	7,374	4	8,935	413	1,756	660	2,830	6,106	2.80
Dec-Feb	6,106	---	5	6,111	401	1,348	562	2,311	3,800	3.15
Mar-May	3,800	---	5	3,805	415	1,062	610	2,087	1,718	3.76
Jun-Aug	1,718	---	3	1,721	370	530	396	1,295	426	4.31
Mkt. yr.	1,558	7,374	16	8,948	1,598	4,696	2,228	8,522	426	3.24
1996/97										
Sep-Nov	426	9,293	3	9,723	385	1,948	487	2,819	6,904	2.96
Dec-Feb	6,904	---	2	6,906	392	1,496	525	2,412	4,494	2.66
Mkt. yr.	426	9,293	10	9,729	1,670	5,325	1,825	8,820	909	2.70-2.75
1997/98										
Mkt. yr.	909	9,840	10	10,759	1,760	5,600	2,050	9,410	1,349	2.25-2.65
SORGHUM										
1994/95										
Sep-Nov	48	649	0	697	0	210	64	274	422	1.91
Dec-Feb	422	---	0	422	1	80	61	142	281	2.02
Mar-May	281	---	0	281	1	67	54	122	159	2.18
Jun-Aug	159	---	0	159	1	43	43	87	72	2.64
Mkt. yr.	48	649	0	697	3	400	223	625	72	2.13
1995/96										
Sep-Nov	72	460	0	532	1	176	54	231	301	2.36
Dec-Feb	301	---	0	301	1	71	67	139	163	3.25
Mar-May	163	---	0	163	1	55	36	92	70	3.94
Jun-Aug	70	---	0	70	4	7	41	52	18	3.63
Mkt. yr.	72	460	0	532	8	308	198	514	18	3.19
1996/97										
Sep-Nov	18	803	0	821	11	287	56	354	467	2.50
Dec-Feb	467	---	0	467	11	124	59	193	274	2.25
Mkt. yr.	18	803	0	821	35	515	215	765	56	2.30-2.35
1997/98										
Mkt. yr.	56	665	0	721	24	400	200	624	97	2.00-2.40

Table 1--Feed Grains: Marketing year supply and disappearance, (cont.) 1/

Year/ Qtr.	Beg. stocks	Produc- tion	Im- ports	Supply	FSI	Feed & resid.	Ex- ports	Total disp.	End. stks.	Farm price
-----Million bushels-----										
BARLEY										
1994/95										
Jun-Aug	139	375	24	538	45	120	20	186	352	2.00
Sep-Nov	352	---	14	366	37	31	19	87	279	1.98
Dec-Feb	279	---	14	292	38	51	11	99	193	2.05
Mar-May	193	---	14	207	52	26	17	95	113	2.15
Mkt. yr.	139	375	66	580	173	228	66	467	113	2.03
1995/96										
Jun-Aug	113	360	12	484	44	111	17	172	313	2.53
Sep-Nov	313	---	8	321	39	28	11	78	243	2.80
Dec-Feb	243	---	8	251	37	17	20	73	178	3.18
Mar-May	178	---	12	190	52	23	16	91	100	3.29
Mkt. yr.	113	360	41	513	172	179	62	413	100	2.89
1996/97										
Jun-Aug	100	397	9	505	44	138	7	190	316	3.18
Sep-Nov	316	---	8	324	39	25	12	76	248	2.73
Dec-Feb	248	---	8	256	37	40	7	84	172	2.57
Mkt. yr.	100	397	35	531	172	235	35	442	89	2.75
1997/98										
Mkt. yr.	89	395	40	524	172	245	35	452	72	2.10-2.50
OATS										
1994/95										
Jun-Aug	106	229	20	355	23	112	0.2	135	220	1.19
Sep-Nov	220	---	34	254	22	40	0.2	62	192	1.19
Dec-Feb	192	---	23	215	20	46	0.4	66	149	1.21
Mar-May	149	---	16	165	27	37	0.2	64	101	1.36
Mkt. yr.	106	229	93	428	92	234	1.0	327	101	1.22
1995/96										
Jun-Aug	101	162	28	290	23	86	0.4	110	180	1.48
Sep-Nov	180	---	26	206	22	31	0.5	53	153	1.52
Dec-Feb	153	---	18	171	20	38	0.3	58	113	1.94
Mar-May	113	---	9	122	27	28	0.8	56	66	2.21
Mkt. yr.	101	162	81	343	92	183	2.1	277	66	1.68
1996/97										
Jun-Aug	66	155	6	228	24	70	1.0	95	133	2.08
Sep-Nov	133	---	39	172	22	20	0.8	43	129	1.83
Dec-Feb	129	---	28	156	20	40	0.3	61	96	1.79
Mkt. yr.	66	155	100	322	95	150	3.0	248	74	1.95
1997/98										
Mkt. yr.	74	187	100	361	95	185	3	283	78	1.40-1.80

Totals may not add due to rounding.

1/ Corn and sorghum are on a September 1 to August 31 marketing year.

Barley and oats are on a June 1 to May 31 marketing year.

Table 2--Feed and residual use of wheat and coarse grains

Year Beginning September 1	Corn	Sorg.	Barley	Oats	Feed Grains	Wheat	Total grains	Animal Units	Feed/ animal unit
	----- Million metric tons -----							Mil.	Tons
1994/95									
Sep-Nov	51.2	5.3	0.7	0.7	57.9	-0.8	57.1		
Dec-Feb	37.9	2.0	1.1	0.7	41.8	0.7	42.5		
Mar-May	29.5	1.7	0.6	0.6	32.4	-0.8	31.6		
Jun-Aug	21.6	1.1	2.4	1.3	26.4	8.3	34.7		
Mkt. yr.	140.3	10.2	4.76	3.3	158.5	7.4	165.9	84.3	1.97
% Change	17.9	-12.4	-20.0	-13.8	12.9	-22.4	10.7	0.4	10.2
1995/96									
Sep-Nov	44.6	4.5	0.6	0.5	50.2	-2.7	47.5		
Dec-Feb	34.3	1.8	0.4	0.6	37.0	0.4	37.4		
Mar-May	27.0	1.4	0.5	0.4	29.3	-1.8	27.5		
Jun-Aug	13.5	0.2	3.0	1.0	17.7	10.4	28.1		
Mkt. yr.	119.3	7.8	4.5	2.6	134.2	6.3	140.4	85.0	1.65
% Change	-15.0	-22.9	-5.8	-22.1	-15.3	-15.8	-15.4	0.8	-16.0
1996/97									
Sep-Nov	49.5	7.3	0.5	0.4	57.7	-2.1	55.6		
Dec-Feb	38.0	3.1	0.9	0.7	42.7	0.7	43.4		
Mkt. yr.	135.3	13.1	5.0	2.7	156.1	6.6	162.7	85.3	1.91
% Change	13.4	67.1	12.4	5.5	16.3	5.7	15.9	0.4	15.4
1997/98									
Mkt. yr.	142.2	10.2	5.3	3.0	160.7	6.1	166.8	87.0	1.92
% Change	5.2	-22.3	5.7	8.9	2.9	-7.4	2.5	2.0	0.5

Table 3--Grain shipments and rates

	1994/95		-----1995/96-----		-----1996/97--	
	Mkt. Yr.	Mkt. Yr.	Sept-Apr	Apr	Sept-Apr	Apr
Barge shipments 1/ (Million ton/month)	3.1	4/ 3.7	3.6	4.3	NA	1.8
Barge rate index 2/ (Dec 1990 = 100)	160.8	151.8	181.2	131.2	121.6	94.7
Railcar loadings 3/ (1,000 cars/week)	28.5	27.1	29.3	29.3	24.3	23.5
Rail rate index 2/ (Dec 1984 = 100)	116.6	117.3	117.8	118.1	NA	NA

1/ Illinois & Mississippi rivers. Includes soybeans and all grains.

Source: U.S. Army Corps of Engineers

2/ Source: Bureau of Labor Statistics

3/ Includes soybeans and all grains.

Source: Agricultural Marketing Service, USDA.

4/ 11-months average. NA = Not available.

Table 4--Cash feed grain prices

	Corn, No. 2, Yel, Ctrl. IL 1/	Corn, No. 2, Yel, Gulf ports 1/	Sorghum, No. 2, Yel Texas South Panhandle 1/	Sorghum, No. 2, Yel, Gulf ports 1/	Barley, No. 2, feed, Duluth 2/	Barley, No. 3 or better, Malting, Minn. 2/	Oats, No. 2, Heavy white, Minn. 2/
Mkt. yr.	\$/bu	\$/bu	\$/cwt	\$/cwt	\$/bu	\$/bu	\$/bu
92/93	2.12	2.46	4.06	4.27	2.11	2.37	1.58
93/94	2.54	2.85	4.95	4.90	2.05	2.48	1.55
94/95	2.34	2.78	4.75	4.62	2.02	2.75	1.36
95/96	3.91	4.30	7.30	7.19	2.67	3.69	2.28
Monthly:							
1996:							
Jan	3.53	4.00	6.75	7.05	2.94	4.00	2.40
Feb	3.71	4.18	7.25	7.25	3.00	3.47	2.31
Mar	3.92	4.34	7.38	7.50	2.86	NQ	2.47
Apr	4.47	4.80	8.16	8.44	2.99	NQ	2.56
1997:							
Jan	2.62	3.02	4.57	4.80	1.95	NQ	1.89
Feb	2.71	3.08	4.80	5.03	2.01	2.75	1.94
Mar	2.90	3.25	5.47	5.42	2.22	NQ	1.99
Apr	2.87	3.17	5.21	5.37	2.33	2.73	1.88
1/ Marketing year beginning September 1.					NQ = No quote.		
2/ Marketing year beginning June 1.							

Table 5--Selected feed and feed by-product prices

	Soybean meal 44% slv. Decatur IL 1/	Cotton- seed meal, 41% slv. Memphis 1/	Corn gluten feed, IL pts. 1/	Corn gluten meal, IL pts. 1/	Meat & bone meal, Central U.S. 1/	Dists.' dried grains, Lawrence- burg, IN 1/	Wheat midlgs, Kansas City 1/	Alfalfa farm price 2/ 3/
Mkt. yr.	-----\$/ton-----							
92/93	180.80	159.22	95.95	284.60	220.93	122.84	69.69	78.20
93/94	181.82	168.36	88.62	286.61	206.81	123.79	81.51	89.30
94/95	151.77	112.64	82.77	221.95	170.51	106.70	65.04	92.10
95/96	217.27	186.12	116.47	319.35	222.07	151.37	118.08	88.20
Monthly:								
1995/96:								
Jan	220.50	208.80	127.00	351.00	236.50	144.80	131.20	84.60
Feb	216.70	202.80	122.10	342.50	217.60	144.00	118.70	84.60
Mar	215.70	195.60	122.00	341.25	216.50	145.00	128.90	85.50
Apr	237.90	206.25	127.40	336.50	212.90	156.60	148.00	93.40
1996/97:								
Jan	240.70	207.20	100.25	336.25	262.90	144.00	103.10	106.00
Feb	253.60	183.75	102.75	335.60	258.80	149.00	96.20	115.00
Mar	270.40	189.10	100.90	340.00	285.00	148.50	97.10	116.00
Apr	277.70	189.10	95.90	342.50	287.70	136.80	86.40	123.00
1/ Marketing year beginning September 1.								
2/ Marketing year beginning May 1.								
3/ Includes monthly & marketing year revisions from 1994/95.								

Table 6--Corn: Food, and industrial uses

Year	HFCS	Glucose and dex.	Starch	---Alcohol--- Fuel	Bev. & Mfg	Cereals & other products	Total F&I
Million bushels							
1994/95							
Sep-Nov	104.6	58.8	57.3	134.4	21.2	32.9	409.2
Dec-Feb	100.5	51.5	55.0	141.5	27.9	32.5	408.9
Mar-May	123.8	58.4	56.2	137.7	24.3	33.3	433.8
Jun-Aug	135.6	62.3	57.3	119.1	26.7	33.3	434.3
Mkt year	464.6	231.1	225.7	532.8	100.1	132.0	1686.2
1995/96							
Sep-Nov	110.1	60.7	55.8	121.1	32.3	33.2	413.1
Dec-Feb	105.1	52.9	51.5	120.8	37.5	32.8	400.6
Mar-May	130.8	60.7	55.0	91.8	25.0	33.5	396.8
Jun-Aug	136.2	62.8	57.0	61.9	15.5	33.5	367.0
Mkt year	482.2	237.1	219.3	395.7	110.4	133.0	1577.6
1996/97							
Sep-Nov	115.1	57.4	55.0	96.4	27.4	33.5	384.8
Dec-Feb	110.7	56.3	55.1	109.4	27.1	33.1	391.7
Mkt year	515.0	240.0	225.0	425.0	110.0	134.3	1649.3
1997/98							
Mkt year	530.0	245.0	230.0	485.0	112.0	137.0	1739.0

Table 7--Wholesale corn milling product and by-product prices

	Corn meal, yellow, New York	Brewers' grits, Chicago	Sugar, destrose, Midwest	HFCS, 42% tank cars, Midwest	Corn starch, fob Midwest 3/
	\$/cwt	\$/cwt	cents/lb	cents/lb	\$/cwt
Mkt. yr. 1/					
92/93	13.39	9.68	24.50	13.30	10.70
93/94	14.49	10.98	25.44	14.63	12.61
94/95	13.22	10.67	25.62	12.27	12.43
95/96 2/	17.79	14.21	25.50	13.01	15.98
Monthly					
1996:					
Feb	17.36	13.26	25.50	13.15	15.11
Mar	17.87	13.77	25.50	13.15	15.50
Apr	19.46	15.36	25.50	13.15	16.19
May	20.28	16.19	25.50	13.15	17.45
1997:					
Feb	16.67	12.57	25.50	13.15	12.77
Mar	17.02	12.92	25.50	13.15	12.95
Apr	16.94	12.84	25.50	13.15	13.55
May 2/	16.71	12.61	25.50	13.15	13.61

1/ Marketing year beginning September 1.

2/ Preliminary.

3/ Bulk-industrial, unmodified.

