

FEED OUTLOOK

United States Department of Agriculture



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HIGHLIGHTS

- o Corn Export Forecast Increased 75 Million Bushels
- o Corn Ending Stocks Projection Dropped to 1,711 Million Bushels
- o Forecast Corn Price Up Slightly, But Remains Low
- o Domestic Market Continues Strong

FEED GRAIN EXPORT FORECAST UP, ENDING STOCKS DOWN

There were no changes in feed grain supply estimates this month, but forecast exports are up because of improved sales prospects for corn. U.S. feed grain exports in 1998/99 are forecast at 51.1 million metric tons, up about 2 million tons from a month ago, and up nearly 6 million from the previous year. There were no other changes in trade or other uses. Thus, forecast total use was raised about 2 million tons to 263.4 million tons, and ending stocks reduced to 48.8 million.

Compared with 1997/98, both supply and use are up significantly. Total feed grain use in 1998/99 is expected to rise 11.5 million tons from last year, with domestic disappearance record high and exports showing improvement. Feed grain supply, however, is up 22 million tons, and carryout stocks are forecast to rise nearly 11 million tons, a similar increase to the year before.

CORN CARRYOUT TRIMMED

Ending stocks of corn for 1998/99 are projected at 1,711 million bushels, down 75 million this month because of larger expected exports. However, ending stocks are up about 30 percent from 1997/98, and the largest since 1992/93, when they reached 2,113 million bushels. The stocks-to-use ratio is projected at 18.3 percent, also the largest since 24.9 percent in 1992/93.

Stocks estimates for all the grains as of March 1 will be released on March 31. This will provide a benchmark to gauge the pace of disappearance for the December-February quarter. *Prospective Plantings* will also be released that day, providing farmers' spring planting intentions. Most analysts expect corn plantings in 1999 to decline slightly and soybean acres to increase from 1998.

CORN EXPORT FORECAST RAISED TO 1,800 MILLION BUSHELS

U.S. 1998/99 corn exports are forecast to reach 1,800 million bushels, up 75 million bushels this month. Reduced competition from South Africa, and increased imports by Mexico and

Brazil underlie improved prospects for U.S. exports. U.S. exports in 1998/99 are forecast up 20 percent from a year ago.

According to *U.S. Export Sales*, as of March 4, both shipments to date and outstanding sales were 20 percent ahead of last year's pace. Shipments are up 134 percent to South Korea, 83 percent to Mexico, and 33 percent to Egypt, more than offsetting modest declines to Japan and Taiwan.

Production prospects for corn in South Africa dropped this month from 9 million tons to 7 million. Until early February, the growing season had been unusually favorable, with abundant soil moisture and mild temperatures. However, several weeks of dry weather during February were followed by record high temperatures in early March. Since it is customary in South Africa to plant some corn early and some later, it is likely that the later planted corn will suffer much more damage from this drought than the earlier planted corn. Reduced production prospects will curtail exports, now forecast at 750,000 tons in 1998/99 (October/September), down 1 million tons from last month. The United States is unlikely to export directly to some of South Africa's customers, especially Iran. But if Argentina sends more corn to those markets, it will have less corn to sell in direct competition with the United States.

Corn production forecasts declined this month for Mexico and Brazil, boosting prospects for imports. Mexico's corn production is divided into a main crop and a second crop, and with low water supplies in reservoirs, and more attractive prices for some other crops, area planted to the second corn crop is not matching earlier expectations. Mexico's corn production forecast was reduced 0.5 million tons to 17.5 million, while imports increased by the same amount to 4.75 million. In Brazil, dryness in the southernmost region caused some intended corn area to be shifted to soybeans, and also reduced corn yield prospects. Forecast corn production dropped 1 million tons, but expected imports are up only 300,000 tons because of Brazil's weak macro-economic outlook and foreign exchange constraints.

The U.S. share of world corn trade is expected to reach 72 percent in 1998/99, up sharply from 59 percent a year earlier, and slightly above the 70 percent share posted in 1996/97. But this is still much less than the 81 percent share reached in 1995/96 when China was not a major corn exporter and Argentina's production was lower. Current low corn prices are limiting the incentives for all exporters, and Argentina's corn area declined this year. Although corn supplies are large, China is exporting less aggressively. With China's internal corn prices much higher than low world corn prices, costly subsidies must be used in order to move corn into export channels.

CORN FOOD, SEED, AND INDUSTRIAL (FSI) USE RISING

Food, seed and industrial (FSI) use of corn in 1998/99 was not changed this month and is expected to total 1,870 million bushels, up from 1,782 million in 1997/98. Ethanol production in January 1999 was up 6 percent from the year earlier and stocks at the end of the month were up 13 percent from 1998. This is in line with expectations and thus FSI use was not changed. Ethanol data are available from the "Monthly Oxygenate Telephone Report" published by the Energy Information Administration and available from:
ftp://ftp.eia.doe.gov/pub/oil_gas/petroleum/data_publications/monthly_oxygenate_report/.

FEED AND RESIDUAL USE UNCHANGED FROM LAST MONTH

Feed and residual use of the four feed grains plus wheat in 1998/99 is expected to total 166 million metric tons, up from 164 million used in September 1997-August 1998, but

unchanged from last month. Corn is expected to represent 87 percent of feed and residual use in 1998/99.

The index of grain consuming animal units (GCAU's) for 1998/99 is expected to be the same as 1997/98's 88 million. The grain used per GCAU in 1998/99 would be 1.90 tons, up 1 percent from 1997/98. In the index components, GCAU's for hogs, broilers, and layers are up from the previous year.

The number of cattle on feed on February 1, 1999, was 10.5 million head, down from 10.8 million the previous year. In 1999, beef production is expected to total 25.3 million pounds, down from 25.7 million pounds in 1998. With the decline in beef production, feed needs are likely to be down slightly from the prior year.

The number of dairy cows on farms during January 1999 in the 20 selected States was 7.7 million head, down 19,000 head from 1998. In January 1999, milk production in the 20 States was up 3.7 percent from the previous year's 11.7 million pounds. Milk production in 1999 is expected to total 160.1 billion pounds, up from 156.9 billion in 1998. Thus with the increased milk production per cow, feed use by the dairy industry will continue strong.

Broiler and egg production in 1999 are expected to increase from expected 1998 levels and maintain strong demand for feed grains. Broiler chicks placed on feed in the 15 major States in the week ending March 6 were up 2 percent from last year. On February 27, placements were up 4 percent, an indication of continued increases in broiler production in about 2 months when the birds are processed. Broiler production in 1999 is expected to increase 6 percent from 1998 as producers respond to strong domestic demand. Turkey poulters placed for domestic slaughter in January 1999 were down 7 percent from the year earlier, and the cumulative placements for 1999 slaughter are also down 7 percent. Placements and production are likely to pick up in the second half of the year. In 1999, turkey production may be about the same as the 5.3 billion pounds produced in 1998. The average number of layers during January was up 3 percent from January 1998. Egg producers are expected to produce 6.8 billion dozen eggs in 1999, up 3 percent from 1998.

FORECAST PRICE OF CORN BUMPED UP SLIGHTLY, MARKET PRICES FAIRLY STEADY

The forecast range of corn prices received by farmers for 1998/99 was narrowed this month, up 10 cents on the low end to \$1.90 to \$2.10 per bushel. The average January farm price was \$2.06 per bushel, while the preliminary February price was \$2.01, with both months about 50 cents lower than a year earlier. Central Illinois cash prices have been relatively steady, hovering between \$2.00 and \$2.10 per bushel since mid-December, about 50-55 cents below a year earlier. After sinking through much of February, futures prices for corn have strengthened in the last 2 weeks, with the May Chicago Board of Trade contract price recovering to more than \$2.20 per bushel in the last few days. Corn prices have been relatively resilient in the face of sharp declines in soybean markets over the last several weeks because of the much stronger export prospects for corn and expectations for declining corn plantings.

Average corn prices received by farmers have inched up from their harvesttime lows in recent months, but a substantial portion of the crop was sold below \$2.00 a bushel in the first 3 months of the marketing year (September-August). In the last 2 years, an average of 30 percent of the crop was marketed between September and November, and 61 percent was marketed by the end of February. Anecdotal information suggests the pace may be slower this year. As of late February, loan deficiency payments (LDPs) have been taken on nearly 4.5 billion bushels of corn nationally, but it is unknown how much of this corn was sold.

The preliminary farm price of sorghum was \$1.70 per bushel in February, about the same as \$1.71 in January. For the season to date, sorghum prices have averaged 86 percent of corn prices, below the historical 92-93 percent. The season-average price range was also narrowed to \$1.65 to \$1.75 per bushel. Barley and oats price forecasts were not adjusted this month. Feed barley prices received by farmers have been weak, given the abundance of feed grains available, averaging \$1.54 through the first 9 months of the marketing year (June-May). Malting barley prices have been stronger, and the premium over feed barley has averaged 81 cents per bushel, compared with a longer-term average of around 50 cents.

Hay prices strengthened in February, with the price received by farmers for all hay in February at \$79 per ton, up from \$78.80 in January, but down from \$96.10 in February 1998. All of the strength was in alfalfa hay. In February, prices received by farmers for alfalfa hay was \$82 per ton, up from \$81.40 in January, but down from \$105 in January 1998. Other hay prices continued to slip in February, down \$0.60 from the January price of \$71 per ton.

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NOTE: Data tables in this report will be updated and released on April 13, 1999. The next Feed Outlook will be released May 14. The summary of the annual Feed Situation and Outlook Yearbook will be released on April 23.

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										
1996/97										
Sep-Nov	426	9,233	3	9,662	383	1,890	487	2,759	6,903	2.87
Dec-Feb	6,903	---	2	6,905	394	1,492	525	2,411	4,494	2.66
Mar-May	4,494	---	4	4,498	465	1,106	431	2,001	2,497	2.77
Jun-Aug	2,497	---	4	2,500	450	814	353	1,617	883	2.49
Mkt. yr.	426	9,233	13	9,672	1,692	5,302	1,795	8,789	883	2.71
1997/98										
Sep-Nov	883	9,207	2	10,092	429	2,036	380	2,845	7,247	2.53
Dec-Feb	7,247	---	1	7,248	418	1,510	380	2,308	4,940	2.55
Mar-May	4,940	---	4	4,944	464	1,089	350	1,904	3,040	2.45
Jun-Aug	3,040	---	2	3,042	470	870	394	1,734	1,308	2.12
Mkt. yr.	883	9,207	9	10,099	1,782	5,505	1,504	8,791	1,308	2.43
1998/99										
Sep-Nov	1,308	9,761	4	11,073	444	2,129	450	3,023	8,050	1.91
Mkt. yr.	1,308	9,761	12	11,081	1,870	5,700	1,800	9,370	1,711	1.90-2.10
SORGHUM										
1996/97										
Sep-Nov	18	795	0	814	15	276	56	346	467	2.45
Dec-Feb	467	---	0	467	15	119	59	193	274	2.26
Mar-May	274	---	0	274	10	85	61	155	119	2.41
Jun-Aug	119	---	0	119	6	37	29	72	47	2.27
Mkt. yr.	18	795	0	814	45	516	205	766	47	2.34
1997/98										
Sep-Nov	47	634	0	681	18	239	49	307	374	2.26
Dec-Feb	374	---	0	374	18	38	83	139	235	2.24
Mar-May	235	---	0	235	12	71	55	139	96	2.16
Jun-Aug	96	---	0	96	6	17	24	47	49	2.08
Mkt. yr.	47	634	0	681	55	365	212	632	49	2.21
1998/99										
Sep-Nov	49	520	0	569	15	180	41	235	334	1.68
Mkt. yr.	49	520	0	569	45	275	185	505	64	1.65-1.75

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										
1996/97										
Jun-Aug	100	392	9	501	44	136	7	187	314	3.11
Sep-Nov	314	---	8	322	39	25	12	76	246	2.74
Dec-Feb	246	---	8	254	37	38	7	82	173	2.55
Mar-May	173	---	11	184	53	18	4	75	109	2.33
Mkt. yr.	100	392	37	529	172	217	31	419	109	2.74
1997/98										
Jun-Aug	109	360	12	482	44	87	24	155	327	2.31
Sep-Nov	327	---	7	334	39	12	39	90	244	2.45
Dec-Feb	244	---	8	252	37	29	6	72	180	2.42
Mar-May	180	---	13	193	53	16	5	74	119	2.26
Mkt. yr.	109	360	40	510	172	144	74	390	119	2.38
1998/99										
Jun-Aug	119	352	7	479	44	101	8	153	326	2.02
Sep-Nov	326	---	7	333	39	24	8	71	262	1.97
Mkt. yr.	119	352	30	502	172	185	30	387	115	1.90-2.00
OATS										
1996/97										
Jun-Aug	66	153	6	226	24	69	1.0	94	132	2.08
Sep-Nov	132	---	39	171	22	22	0.8	45	126	1.84
Dec-Feb	126	---	28	154	20	37	0.3	58	96	1.79
Mar-May	96	---	24	120	28	25	0.4	53	67	1.88
Mkt. yr.	66	153	97	317	95	153	2.5	250	67	1.96
1997/98										
Jun-Aug	67	167	19	253	24	74	0.4	98	155	1.62
Sep-Nov	155	---	38	193	22	26	0.7	49	144	1.54
Dec-Feb	144	---	26	170	21	38	0.5	59	111	1.59
Mar-May	111	---	15	127	28	24	0.5	53	74	1.60
Mkt. yr.	67	167	98	332	95	161	2.1	258	74	1.60
1998/99										
Jun-Aug	74	167	28	269	24	83	0.5	107	162	1.15
Sep-Nov	162	---	36	198	22	32	0.4	54	143	1.08
Mkt. yr.	74	167	105	346	95	165	2.0	262	84	1.10-1.20

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
1996/97									
Sep-Nov	48.0	7.0	0.5	0.4	56.0	-2.1	53.9		
Dec-Feb	37.9	3.0	0.8	0.6	42.4	0.8	43.2		
Mar-May	28.1	2.1	0.4	0.4	31.1	-0.7	30.4		
Jun-Aug	20.7	0.9	1.9	1.1	24.6	9.6	34.2		
Mkt. yr.	134.7	13.1	3.6	2.6	154.0	7.7	161.7	85.3	1.89
% Change	12.6	74.8	-17.9	1.3	14.9	24.8	15.3	0.4	14.9
1997/98									
Sep-Nov	51.7	6.1	0.3	0.5	58.5	-3.1	55.5		
Dec-Feb	38.3	1.0	0.6	0.6	40.6	-0.0	40.5		
Mar-May	27.7	1.8	0.3	0.4	30.2	0.3	30.5		
Jun-Aug	22.1	0.4	2.2	1.3	26.0	11.6	37.6		
Mkt. yr.	139.8	9.3	3.4	2.8	155.3	8.8	164.1	87.8	1.87
% Change	3.8	-29.3	-5.4	6.4	0.8	14.1	1.5	2.8	-1.3
1998/99									
Sep-Nov	54.1	4.6	0.5	0.6	59.7	-2.0	57.7		
Mkt. yr.	144.8	7.0	4.6	2.7	159.0	7.5	166.5	87.8	1.90
% Change	3.5	-24.6	32.0	-1.4	2.4	-14.9	1.5	0.0	1.4

Table 3--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
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
96/97	2.74	3.07	5.02	5.03	2.32	3.18	2.03
97/98	2.45	2.78	4.72	4.76	1.90	2.50	1.70
Monthly: 1997/98:							
Oct	2.66	3.05	4.91	5.16	2.05	2.74	1.75
Nov	2.70	2.98	4.91	5.09	1.98	NQ	1.65
Dec	2.60	2.89	4.82	5.02	1.66	NQ	1.71
Jan	2.60	2.90	4.88	5.04	1.58	NQ	1.68
1998/99:							
Oct	1.94	2.43	4.01	4.00	NQ	NQ	1.29
Nov	2.09	2.47	4.14	4.15	NQ	NQ	1.32
Dec	2.08	2.42	3.94	4.12	NQ	NQ	1.31
Jan	2.07	2.48	3.79	4.13	NQ	NQ	1.33

1/ Marketing year beginning September 1.

2/ Marketing year beginning June 1. NQ = No quote.

Table 4--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/
-----\$/ton-----								
Mkt. yr.								
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	87.20
96/97	260.37	191.47	93.05	341.50	272.44	142.87	91.18	101.80
97/98	186.55	150.40	69.65	290.45	192.56	109.76	76.30	107.00
Monthly:								
1997/98:								
Oct	216.00	189.10	73.75	343.75	260.40	128.75	89.40	106.00
Nov	231.60	189.10	73.25	351.25	221.10	133.00	101.50	107.00
Dec	214.90	190.50	78.20	350.50	226.60	125.80	91.70	102.00
Jan	193.10	153.10	76.90	321.90	189.50	124.10	95.30	102.00
1998/99:								
Oct	129.40	106.50	56.90	227.50	141.30	75.00	49.00	88.10
Nov	139.30	107.90	66.10	313.10	154.00	74.00	60.00	85.00
Dec	139.60	119.75	74.40	291.00	151.20	78.00	68.10	81.40
Jan	131.00	110.60	75.90	257.50	143.00	87.00	80.10	81.40

1/ Marketing year beginning September 1.								
2/ Marketing year beginning May 1.								

Table 5--Corn: Food, and industrial uses

Year	HFCS	Glucose and dex.	Starch	---Alcohol--- Fuel	Bev. & Mfg	Cereals & other products	Total F&I

Million bushels							
1996/97							
Sep-Nov	113.2	60.0	55.0	91.9	29.0	33.6	382.6
Dec-Feb	110.7	56.3	55.1	106.2	33.0	33.2	394.4
Mar-May	134.8	64.0	59.5	119.2	34.0	33.9	445.4
Jun-Aug	145.1	65.5	59.1	111.4	34.0	33.9	449.0
Mkt year	503.8	245.8	228.6	428.7	130.0	134.6	1,671.5
1997/98							
Sep-Nov	122.8	63.4	59.6	116.1	33.2	34.0	429.1
Dec-Feb	116.8	56.2	56.7	122.2	32.8	33.6	418.3
Mar-May	139.4	60.7	58.3	118.3	33.5	34.4	444.5
Jun-Aug	153.4	64.7	58.9	124.6	33.5	34.4	469.4
Mkt year	532.3	244.9	233.5	481.1	133.0	136.5	1,761.2
1998/99							
Sep-Nov	127.6	60.5	57.8	132.4	30.6	34.8	443.7
Mkt year	560.0	240.0	235.0	550.0	125.0	139.7	1,849.7

Table 6--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/					
94/95	13.22	10.67	25.62	12.27	12.43
95/96	17.79	14.21	25.50	13.01	15.98
96/97	16.94	12.85	25.50	13.15	13.83
97/98	15.94	11.85	28.08	7.77	13.55
Monthly					
1997/98:					
Nov	16.50	12.40	25.50	8.30	13.80
Dec	16.26	12.16	25.50	8.30	14.05
Jan	16.02	11.92	25.50	8.50	13.63
Feb	16.10	12.00	25.50	8.50	13.66
1998/99:					
Nov	15.07	10.97	30.65	7.65	11.32
Dec	14.91	10.81	30.65	7.83	11.32
Jan	15.13	11.03	30.65	7.95	11.17
Feb 2/	15.30	11.20	30.65	7.95	11.11

1/ Marketing year beginning September 1.

2/ Preliminary.

3/ Bulk-industrial, unmodified.

Table 7--U.S. imports by country of origin

Country/region	-----1996/97-----		-----1997/98-----		1998/99
	Mkt. yr.	Jun-Dec	Mkt. yr.	Jun-Dec	Jun-Dec
OATS	-----Thousand tons-----				
Canada	1,440	932	1,282	1,017	838
Finland	99	22	161	76	130
Sweden	140	34	176	87	288
Total 1/	1,680	987	1,696	1,209	1,257
BARLEY, MALTING					
Canada	608	352	733	450	308
Total 1/	609	352	733	450	308
BARLEY, OTHER 2/					
Canada	191	100	112	71	67
Total 1/	192	100	143	72	67

1/ Totals may not add due to rounding.

2/ Mainly consists of barley for feeding, and also includes seed barley.

Source: Bureau of the Census

Table 8--U.S. feed grain exports by selected destinations 1/

Country/region	-----1996/97---		-----1997/98-----		1998/99
	Mkt. yr.	Sep-Dec	Mkt. yr.	Sep-Dec	Sep-Dec
CORN					
Japan	14,821	4,681	14,497	5,311	4,804
Taiwan	5,482	1,804	3,758	1,761	1,467
Former USSR	184	69	23	22	0
South Africa	81	0	0	0	0
Sub-Saharan Africa	272	48	336	61	75
EU	1,704	152	135	6	185
Egypt	2,292	856	1,808	731	840
Canada	833	357	1,423	557	301
China	53	53	212	0	154
East Europe	385	385	19	19	0
Algeria	869	318	861	368	367
S. Korea	5,369	2,714	3,484	789	1,699
Mexico	3,155	1,430	4,116	841	1,971
Others	10,081	4,247	7,444	2,730	4,331
Total	45,581	17,114	38,117	13,196	16,195
SORGHUM					
Mexico	2,111	777	3,222	801	785
Japan	2,102	806	1,650	938	561
Others	948	334	463	94	59
Total	5,161	1,917	5,334	1,833	1,405
BARLEY					
		-----1996/97---		-----1997/98-----	1998/99
	Mkt. yr.	Jun-Dec	Mkt. yr.	Jun-Dec	Jun-Dec
Saudi Arabia	88	32	922	922	0
Israel	28	28	0	0	0
Jordan	50	50	53	53	0
Japan	175	113	290	232	258
Mexico	182	136	124	80	58
Taiwan	35	35	94	60	0
Other	220	86	135	91	66
Total	779	480	1,617	1437	381

1/ Totals may not add due to rounding. Source: Bureau of the Census