FEED OUTLOOK

FDS-0397

United States Department of Agriculture — Economic Research Service

Approved by the World Agricultural Outlook Board — March 12, 1997

HIGHLIGHTS

- o Corn Prices Rally Over Last Month
- o Hay Prices Continue To Strengthen
- o South Africa Corn Exports Trimmed

NO CHANGES IN U.S. FEED GRAIN SUPPLY AND USE

There were no changes in USDA forecasts this month, except for a slight increase in the farm price of oats. On the international side, there were numerous adjustments in foreign country production and trade forecasts, but the U.S. trade outlook was not changed.

At the end of March, the quarterly Grain Stocks report will be released, along with Prospective Plantings for 1997. The former will provide useful benchmarks on the pace of disappearance for all the grains and available supplies for the remainder of the year. The latter will be the first indication of farmers' crop intentions for spring planting. Given the extremely tight supply situation for soybeans--similar to the situation for corn a year ago--the market will likely be very sensitive to planting intentions.

UPDATE ON FOOD, SEED, AND INDUSTRIAL USE OF CORN

No changes were made in forecast use this month. The good news for the corn sector was an increase in ethanol production reported for the month of January. Production in January 1997 was up 3 percent from December 1996, but still down 8 percent from January 1996. The bad news is that stocks of ethanol increased at the end of January, up 14 percent from December 1996, and up 20 percent from the end of January 1996. Since we are nearing the end of the winter oxygenate season, stocks would be expected to decline. With MTBE prices presently strong, blenders may be encouraged to use ethanol to raise octane levels as well as oxygen content.

Preliminary data indicate corn sweetener production in December through February may be slightly less than expected. However, since much of the corn sweeteners are used in soft drinks, output will likely increase as the weather warms in the spring.

CORN PRICES RALLY FROM MID-FEBRUARY

Futures prices for corn increased sharply over the last month, rising from around $2.70 per bushel in mid-February to over $3.00 in early March. This was somewhat surprising because there was little if any significant news to change supply and demand fundamentals. Gains in soybean contracts were even more dramatic, however, and these contributed to raising corn prices, along with probable speculative buying. Cash prices have also risen in recent weeks. Central Illinois corn prices rose into the $2.90 range in early March, up from $2.66 in mid-February.

There were no changes in farm price forecasts this month. The impact of recent price strength on the season average prices received by farmers hinges largely on how much grain has already been sold. On average, about 60 percent of the corn crop is marketed by the end of February, but many reports suggest sales to date have been lower this year.

The preliminary farm price of corn was $2.69 per bushel in February, the same as the January price. Sorghum farm prices have also been fairly steady in recent months, with the February price of $2.26 per bushel unchanged from January. Relative to corn, the sorghum price remains weaker, running about 84 percent of the corn price. This is a sharp contrast to a year ago when sorghum prices were higher than those of corn. The decline reflects the large increase in sorghum supply. The preliminary all-barley farm price was $2.47 in February, down 6 cents from January and the lowest since July 1995. There are indications that a higher than average share of the crop will be sold for malting this year, but the premium of malting over feed barley has weakened recently.

The forecast of the season average oats price was raised 5 cents this month to $1.90-2.00 per bushel. Oats prices have continued strong in recent months relative to the other feed grains, despite large imports. This possibly reflects the increasing share of oats that is used as a specialty crop. Rather than competing in all feed markets with corn and barley, high quality oats have a niche as a premium feed grain for horses, as well as being important as a food grain for breakfast cereals and other uses.

HAY PRICES ON TRACK TO SET NEW RECORD

The prices received by farmers for alfalfa and alfalfa hay mixtures were $115 per ton at mid-month February, up from $84.60 per ton last year and up from the January 1997 price of $106. Other hay prices in February were $80 per ton, up from $64.90 in 1996, but down from $80.10 in January 1997.

Hay prices have been strong all during the 1996/97 May-April hay marketing year, mainly because adverse weather reduced the quantity and quality of the 1996 hay crop. In addition, in the first half of the year, shortages of feed grains raised demand for high quality hay. Last spring, dry weather in Texas, Oklahoma, and Kansas cut production and kept cattle off pastures, requiring supplemental feeding of carryover hay. The eastern Corn Belt had wet weather that kept farmers from harvesting high quality hay. Thus, alfalfa production in these areas was affected and prices have been strong, especially for high quality alfalfa hay. Summer rains led to improved grass hay production in Texas and Oklahoma.

Hay stocks on December 1, 1996, were down 4 percent from a year earlier, with the biggest declines in the eastern Corn Belt and Lake States, where stocks were down 15 percent. Calculating U.S. stocks on December 1 vs. the number of cows that have calved, gives a decline in hay per cow of 1 percent relative to a year earlier. Hay stocks per cow in the eastern Corn Belt and Lake States were down 12 percent. Many cattle producers likely supplemented hay supplies with additional silage. For example, using hay stocks plus silage production (since we don't have silage stock data) for the eastern Corn Belt and Lake States divided by cows that have calved resulted in supplies per cow being the same as in 1996.

SOUTH AFRICA'S CORN PRODUCTION DOWN, EXPORT FORECAST REDUCED

The forecast of 1996/97 world coarse grain trade is down 1.1 million tons this month to 88.2 million. Increased sorghum trade was more than offset by reduced corn and rye trade. EU rye exports and South Korea's rye imports are forecast 800,000 tons lower as the EU has subsidized less exports than expected, and used more domestically.

In South Africa, where the crop is nearing maturity, projected corn production was reduced 1 million tons to 8.5 million. This reflects dryness during the later reproductive and filling stage in the southern part of the maize triangle (the major producing region). Further north, conditions were favorable. The forecast of 1996/97 (October/September) exports was lowered 500,000 tons.

Crop prospects remain favorable for other major Southern Hemisphere corn producers. The forecast of Argentina's corn production, at a record 14.5 million tons, did not change this month, as generally very favorable conditions offset disease and dryness in some areas. Argentina's 1996/97 sorghum export forecast increased slightly, with Japan expected to import an increased share of sorghum and a lower share of corn.

```
******************************************************************************
*  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 April 14, 1997.             *
******************************************************************************
```

NOTE: THE FEED YEARBOOK WILL BE RELEASED LATER THIS MONTH. THE SUMMARY WILL BE RELEASED MARCH 21. THE ELECTRONIC VERSION OF THE FULL REPORT WILL BE AVAILABLE A FEW DAYS LATER AND PRINTED VERSIONS WILL BE AVAILABLE ABOUT 2 WEEKS LATER.

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
CORN	Million bushels									$/bu
1994/95										
Sep-Nov	850	10,103	2	10,955	406	2,019	449	2,874	8,080	2.05
Dec-Feb	8,080	---	4	8,084	406	1,497	590	2,493	5,592	2.18
Mar-May	5,592	---	3	5,595	445	1,167	568	2,180	3,415	2.35
Jun-Aug	3,415	---	1	3,416	434	854	570	1,858	1,558	2.59
Mkt. yr.	850	10,103	10	10,962	1,690	5,537	2,177	9,405	1,558	2.26
1995/96										
Sep-Nov	1,558	7,374	4	8,935	409	1,760	660	2,830	6,106	2.80
Dec-Feb	6,106	---	5	6,111	397	1,352	562	2,311	3,800	3.15
Mar-May	3,800	---	5	3,805	411	1,066	610	2,087	1,718	3.76
Jun-Aug	1,718	---	3	1,721	366	533	396	1,295	426	4.31
Mkt. yr.	1,558	7,374	16	8,948	1,583	4,711	2,228	8,522	426	3.24
1996/97										
Sep-Nov	426	9,293	3	9,723	386	1,945	487	2,817	6,906	2.96
Mkt. yr.	426	9,293	10	9,729	1,670	5,200	1,900	8,770	959	2.55-2.85
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	1	10	41	52	18	3.63
Mkt. yr.	72	460	0	532	4	312	198	514	18	3.19
1996/97										
Sep-Nov	18	803	0	821	1	304	56	361	460	2.50
Mkt. yr.	18	803	0	821	4	525	225	754	67	2.20-2.50

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
BARLEY	Million bushels									$/bu
1994/95										
Jun-Aug	139	375	24	538	44	122	20	186	352	2.00
Sep-Nov	352	---	14	366	36	32	19	87	279	1.98
Dec-Feb	279	---	14	292	36	53	11	99	193	2.05
Mar-May	193	---	14	207	51	27	17	95	113	2.15
Mkt. yr.	139	375	66	580	166	235	66	467	113	2.03
1995/96										
Jun-Aug	113	360	12	484	42	113	17	172	313	2.53
Sep-Nov	313	---	8	321	38	30	11	78	243	2.80
Dec-Feb	243	---	8	251	34	19	20	73	178	3.18
Mar-May	178	---	12	190	52	23	16	91	100	3.29
Mkt. yr.	113	360	41	513	166	185	62	413	100	2.89
1996/97										
Jun-Aug	100	397	9	505	42	140	7	190	316	3.18
Sep-Nov	316	---	8	324	38	26	12	76	248	2.73
Mkt. yr.	100	397	40	536	166	235	35	436	100	2.70-2.80
OATS										
1994/95										
Jun-Aug	106	229	20	355	32	103	0.2	135	220	1.19
Sep-Nov	220	---	34	254	30	32	0.2	62	192	1.19
Dec-Feb	192	---	23	215	28	38	0.4	66	149	1.21
Mar-May	149	---	16	165	35	29	0.2	64	101	1.36
Mkt. yr.	106	229	93	428	124	202	1.0	327	101	1.22
1995/96										
Jun-Aug	101	162	28	290	32	78	0.4	110	180	1.48
Sep-Nov	180	---	26	206	30	23	0.5	53	153	1.52
Dec-Feb	153	---	18	171	27	30	0.3	58	113	1.94
Mar-May	113	---	9	122	34	21	0.8	56	66	2.21
Mkt. yr.	101	162	81	343	123	152	2.1	277	66	1.68
1996/97										
Jun-Aug	66	155	6	228	31	63	1.0	95	133	2.08
Sep-Nov	133	---	39	172	29	14	0.8	43	129	1.83
Mkt. yr.	66	155	100	322	120	120	3.0	243	79	1.90-2.00

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	51.3	5.3	0.7	0.6	57.9	-0.8	57.1		
Dec-Feb	38.0	2.0	1.2	0.6	41.8	0.7	42.5		
Mar-May	29.6	1.7	0.6	0.5	32.4	-0.8	31.6		
Jun-Aug	21.7	1.1	2.5	1.2	26.4	8.3	34.7		
Mkt. yr.	140.6	10.2	4.91	2.8	158.5	7.4	166.0	84.3	1.97
% Change	17.8	-12.4	-19.4	-15.8	12.9	-22.4	10.6	0.4	10.2
1995/96									
Sep-Nov	44.7	4.5	0.7	0.4	50.2	-2.7	47.5		
Dec-Feb	34.3	1.8	0.4	0.5	37.1	0.3	37.4		
Mar-May	27.1	1.4	0.5	0.3	29.3	-1.8	27.5		
Jun-Aug	13.5	0.2	3.0	0.9	17.8	10.4	28.1		
Mkt. yr.	119.7	7.9	4.6	2.1	134.4	6.2	140.6	85.2	1.65
% Change	-14.9	-22.0	-5.9	-24.6	-15.3	-16.5	-15.3	1.1	-16.2
1996/97									
Sep-Nov	49.4	7.7	0.6	0.3	58.0	-2.1	55.9		
Mkt. yr.	132.1	13.3	4.1	2.2	151.8	6.6	158.4	86.0	1.84
% Change	10.4	68.4	-10.3	3.3	13.0	7.0	12.7	0.8	11.8

Table 3--Grain shipments and rates

	1994/95	--------------1995/96-----			--------1996/97--	
	Mkt. Yr.	Mkt. Yr.	Sept-Jan	Jan	Sept-Jan	Jan
Barge shipments 1/ (Million ton/month)	3.1	4/ 3.7	3.9	2.4	NA	1.6
Barge rate index 2/ (Dec 1990 = 100)	160.8	151.8	196.5	196.2	130.1	131.8
Railcar loadings 3/ (1,000 cars/week)	28.5	28.2	29.0	27.7	23.7	24.3
Rail rate index 2/ (Dec 1984 = 100)	116.6	117.3	117.6	118.1	119.7	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: Association of American Railroads.
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:							
1995/96:							
Oct	3.12	3.57	6.15	6.22	2.58	3.69	2.11
Nov	3.23	3.63	6.26	6.38	2.98	4.02	2.63
Dec	3.36	3.76	6.55	6.93	2.92	3.98	2.50
Jan	3.53	4.00	6.75	7.05	2.94	4.00	2.40
1996/97:							
Oct	2.81	3.27	5.08	5.34	2.10	NQ	2.06
Nov	2.63	2.97	4.66	4.76	1.90	NQ	1.87
Dec	2.62	2.97	4.59	4.77	1.96	NQ	1.86
Jan	2.62	3.02	4.57	4.80	1.95	NQ	1.89

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/
	$/ton							
Mkt. yr.								
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:								
Oct	183.40	153.25	98.40	290.50	221.00	121.70	93.40	85.80
Nov	194.10	165.00	118.60	326.90	226.60	142.60	111.00	85.00
Dec	213.60	185.80	119.10	331.90	228.80	146.50	126.60	84.60
Jan	220.50	208.80	127.00	351.00	236.50	144.80	131.20	84.60
1996/97:								
Oct	238.00	183.25	102.30	344.00	272.10	160.80	103.20	98.20
Nov	242.70	196.60	97.50	340.00	261.70	145.00	100.70	100.00
Dec	240.90	224.50	99.50	342.50	272.00	143.10	113.00	102.00
Jan	240.70	207.20	100.25	336.25	262.90	144.00	103.10	106.00

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	29.4	405.8
Dec-Feb	100.5	51.5	55.0	141.5	27.9	29.1	405.5
Mar-May	123.8	58.4	56.2	137.7	24.2	29.7	430.1
Jun-Aug	135.6	62.3	57.3	119.1	26.7	29.7	430.8
Mkt year	464.6	231.1	225.7	532.8	100.0	118.0	1672.1
1995/96							
Sep-Nov	110.1	60.7	55.8	121.1	32.3	29.4	409.4
Dec-Feb	105.1	52.9	51.5	120.8	37.5	29.1	396.9
Mar-May	130.8	60.7	54.9	91.8	25.0	29.7	393.1
Jun-Aug	136.2	62.8	57.0	61.9	15.5	29.7	363.2
Mkt year	482.2	237.0	219.3	395.7	110.4	118.0	1562.6
1996/97							
Sep-Nov	115.1	57.4	55.0	100.7	27.4	29.9	385.5
Mkt year	515.0	240.0	225.0	440.0	110.0	120.0	1650.0

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					
1995/96:					
Nov	14.87	12.34	25.50	13.30	14.36
Dec	15.15	12.62	25.50	13.30	14.42
Jan	17.01	12.91	25.50	13.15	14.57
Feb	17.36	13.26	25.50	13.15	15.11
1996/97:					
Nov	16.78	12.70	25.50	13.15	13.58
Dec	16.18	12.08	25.50	13.15	12.95
Jan	16.38	12.28	25.50	13.15	12.89
Feb 2/	16.58	12.48	25.50	13.15	12.77

1/ Marketing year beginning September 1.
2/ Preliminary.
3/ Bulk-industrial, unmodified.

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

Country/region	1994/95 Mkt. yr.	1994/95 Sep-Dec	1995/96 Mkt. yr.	1995/96 Sep-Dec	1996/97 Sep-Dec
	Thousand tons				
CORN					
Japan	15,849	4,917	15,303	5,036	4,681
Taiwan	6,027	1,986	5,938	2,021	1,804
Former USSR	140	33	34	27	69
South Africa	187	0	347	163	0
Sub-Saharan Africa	449	160	321	178	23
EU	2,836	395	2,842	1,173	152
Egypt	2,569	822	2,167	905	856
Canada	1,096	361	808	290	357
China	3,240	36	2,207	2,152	53
East Europe	112	67	188	134	103
Algeria	1,000	601	522	211	318
S. Korea	8,005	1,991	8,285	2,942	2,714
Mexico	2,985	1,696	6,453	1,569	1,430
Others	10,723	3,566	11,077	4,628	4,585
Total	55,218	16,631	56,494	21,431	17,144
SORGHUM					
Mexico	2,557	973	1,759	565	777
Japan	2,050	866	1,617	677	806
Others	1,008	333	1,591	836	334
Total	5,615	2,171	4,968	2,078	1,917
	1994/95 Mkt. yr.	1994/95 June-Dec	1995/96 Mkt. yr.	1995/96 June-Dec	1996/97 June-Dec
BARLEY					
Saudi Arabia	203	0	373	148	32
Israel	468	427	42	42	28
Jordan	51	51	0	0	50
Others	671	459	932	779	480
Total	1,392	936	1,347	969	590

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

Table 9--U.S. imports by country of origin

Country/region	1994/95 Mkt. yr.	1994/95 June-Dec	1995/96 Mkt. yr.	1995/96 June-Dec	1996/97 June-Dec
	Thousand tons				
OATS					
Canada	1,161	764	1,302	964	932
Finland	374	330	22	8	22
Sweden	70	26	62	62	34
Other	0	0	0	0	0
Total 1/	1,605	1,120	1,387	1,034	987
BARLEY, MALTING					
Canada	715	457	740	449	352
Other	0	0	0	0	0
Total 1/	716	457	740	449	352
BARLEY, OTHER 2/					
Canada	702	457	141	91	100
Other	16	16	6	0	0
Total 1/	719	473	147	91	100

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