



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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USING CORN FOR FEED NEEDS TO INCREASE RAPIDLY

THE PRIMARY INTEREST IN THE CORN MARKET during the year ahead will be in the size of the carryover a year from now--or, how big the surplus problem will be. On September 13 the USDA estimated a total disappearance of 5,730 million bushels and a carryover of 1,401 million. If these figures materialize, corn is in trouble.

The price of corn from now until next summer is pretty well established. It will remain low until the crop is under cover and then rebound rapidly. Present bids for January delivery are 22 cents over the bids for current delivery. Forward futures prices are close to the full loan rate. With a large carryover next summer, the price has virtually no chance of going above the loan.

Corn use falls into three categories: food and industry, exports, and feed. Food and industrial use shows a stable upward trend based on an expanding demand for starch and corn sweeteners, and will total close to 540 million bushels in 1977-78. There is a trend increase in exports because of rising world demand for livestock products. But exports are affected by competing production abroad. They were large in 1975-76 because of a very small crop in Russia, and large in 1976-77 because of drought in Europe. World crops outside the United States are big this year, especially feed wheat. We should expect smaller corn exports, say, 1,450 million bushels.

The current USDA estimate of feed use in 1977-78 is 3,750 million bushels, up from the 3,550 million estimated for 1976-77. By subtracting food, industrial, and exports from the prospective corn crop, we can calculate the amount that needs to be fed in order to avoid an increase in the carryover: in millions, it is $6,229 - 540 - 1,450 = 4,239$. This appears to be an unattainable goal; but unless substantial progress is made toward it, the corn surplus will be increasingly troublesome. To achieve such a goal would require a 20-percent increase over this year in using corn for feed.

The amount used for feed has varied widely during the past decade. This seems to depend on the number of animals, supplies competing feeds, and feeding profitability. But not all of the variation can be explained by these factors. It almost seems that when there is a lot of corn, a lot is used.

What are the chances of a happy surprise? Feed use in 1969-70 was 3,824 million bushels. It declined to 3,592 million with the blight-damaged crop of 1970, rose

to 3,977 million in 1971-72, to 4,304 million in 1972-73, and was 4,183 million in 1973-74. The very short 1974 crop required a cut to 3,191 million bushels. Use recovered to 3,576 million in 1975-76, an increase of 12 percent. Had there been another 12-percent increase this year, feed use would have been 4,007 million bushels. The carryover would be only 440 million, and the prospects for using this year's bumper crop would be considered excellent. The decrease from last year to this year when an increase was needed is a clear indication that corn was overpriced last fall and winter.

Note that the three-year average feed use from the 1971-1973 crops was 4,155 million bushels. Compared to such an amount, a large disappearance during 1977-78 is more plausible than when compared to the amount this year.

Animal numbers are increasing. Livestock product prices are low enough to be attractive to consumers. Feed prices are low relative to livestock prices. The stage may be set for a large feed disappearance of corn. The first indication of the rate of feeding will be the corn stocks in all positions, a report which will be released the third week of January. It will be of singular importance.

T.A. Hieronymus

T.A. Hieronymus, Extension Economist, Price and Outlook

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801

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