

Pa.'s questions on corn market answered

By H. LOUIS MOORE
Penn State University

University Park - Corn is now and has always been the dominant crop in the United States. Until recent years corn was grown as a crop to be fed to livestock, often on the farms where the corn was produced. But today corn has become very important to people living elsewhere in the world. As the export market has grown sharply, more farmers are now raising corn as a cash crop.

The trend toward selling more corn rather than feeding it to livestock has caused frustrations for some of Pennsylvania's corn producers. They see changes taking place and ponder these questions: (1) Have the growing export markets been good for local producers? (2) Do Pennsylvania producers have any impact on the market? (3) Can Pennsylvania producers compete as price premiums decline?

Corn Production Increases

A record 5.8 billion bushels of corn were produced in the U.S. in 1975. Mid-year estimates place the 1976 crop at 6.2 billion bushels, up 7 per cent from 1975 and 32 per cent larger than the drought-reduced crop of 1974. The United States is one of the few nations which produces corn greatly in excess of domestic needs and it provides over 70 per cent of the corn which enters world trade. When it comes to producing and exporting corn the U.S. has no peer, accounting for about 45 per cent of the world's corn production.

Pennsylvania ranked 14th among the states in corn

production in 1975, with a crop of 88.5 million bushels. The 1976 crop is projected at a record 95.8 million bushels. In the 1962-66 period, Pennsylvania ranked 15th with an average production of 47 million bushels. Despite Pennsylvania's relatively high ranking as a corn producer, with production exceeding the combined production of New York and Virginia, the Commonwealth accounted for just 1.5 per cent of the U.S. corn crop in 1975. In the 1962-66 period Pennsylvania produced 1.2 per cent of the national crop, a slightly small share than at present. With such a minor part of the crop produced in the state, it is evident that local producers have little impact on the market.

A changing industry
In the 1950's and 1960's the corn industry was characterized as one which constantly overproduced, received low prices, and depended on the Commodity Credit Corporation of the USDA for survival. The CCC bought corn, provided loans, and controlled acreage to support prices at levels felt necessary to maintain an adequate supply of corn and to reduce the number of foreclosures of farms. Corn production grew in spite of the various programs designed to reduce production. In 1964 the Commodity Credit Corporation had under loan or owned 1.3 billion bushels of corn. In the 1958-62 period U.S. farmers averaged just \$1.07 per bushel for the corn they sold. During this period of low prices, farmers maximized returns from the corn crop by feeding the grain to livestock or poultry. Consumer demand for meat

was growing and producers received favorable returns on livestock in most years. But 1972 brought a new era to the corn industry. Surplus stocks of corn had finally been reduced to manageable levels. Then severe drought hit the Soviet Union, forcing them to buy large quantities of grain from the West.

Buoyed by Russian purchases, the U.S. exported 35.8 million metric tons of feed grains in 1972, up 73 per cent from 1971. New export records have been set every year since 1972 except 1974. From a record 1.3 billion bushels of corn in government hands in 1963, the volume dropped to a mere 8 million bushels in 1973, and the government now holds no feed grain stocks.

Since 1972 supply and demand factors, rather than government programs, have been establishing the price of corn. U.S. farmers averaged \$1.08 per bushel in 1971, but prices increased sharply in the following year, and reached \$2.95 in 1974 before dropping slightly to an average of \$2.70 in 1975. These high prices brought obvious farmer reaction: (1) it became fashionable and profitable to sell cash corn rather than feed livestock for many farmers, and (2) farmers planted more acreage in an effort to increase production and profits. The nation's corn producers harvested 66.9 million acres of corn in 1975, up 2½ per cent from 1974 and 8 per cent above 1973. Farmers planted 84.1 million acres to corn in 1976, up 8 per cent from 1975 and the largest acreage since 1949. The 1949 acreage yielded a crop of 2.9 billion bushels, less than half the projected

crop for 1976, demonstrating the technological advances made in corn production in the past quarter century.

Implications of the export boom

The world's hunger for animal protein is partly measured by its purchases of U.S. feed grains, mostly corn, to feed to their expanding livestock herds. Most countries prefer to import livestock feed rather than meat, thus developing their own livestock industries. In the two decades 1955-75 corn exports from the United States showed more than a 14-fold increase.

The leading export market for U.S. corn in the past marketing year was the USSR which took 29 per cent of the exports from the 1975 crop. Soviet corn imports have been unusually high because of their 1975 crop failure. Corn use in the USSR has expanded sharply in recent years as livestock production was expanded. Yet the Soviets have limited ability to produce corn for grain. Only 5 per cent of the grain produced in the USSR is corn, whereas corn accounts for about two-thirds of total grain production in the U.S. The short growing season in the USSR sharply limits the acreage which can be used to produce corn for grain; therefore, about 85 per cent of the Soviet corn acreage is used for silage. Corn imports by the Soviets are likely to grow as they move into large scale

production of livestock and poultry.

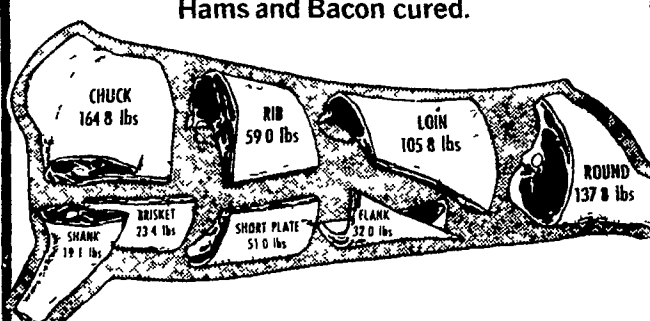
Exports of U.S. corn have grown beyond all expectations in recent years and have become an important factor in supporting prices. On the surface, it would appear that increased exports would assist Pennsylvania producers in obtaining better markets for their corn. Pennsylvania is located nearer to important ocean ports than are the states in the Corn Belt, including the ports of Philadelphia and Baltimore. As the volume of grain

exports has grown, the ports have had to make changes to handle a larger number of ships, which are of much greater capacity than in the mid-1950's. Two decades ago a typical grain ship had a capacity of 10 to 12 thousand metric tons of corn (394,000 to 472,800 bushels at 39.4 bushels per metric ton). Many of today's ships have a capacity of 25 to 40 thousand metric tons (985,000 to 1,576,000 bushels). A 40,000 ton capacity ship would require 400 rail cars of 100

(Continued on Page 20)

CUSTOM BUTCHERING

Hogs Processed the old fashioned way.
Sausage, pudding, scrapple.
Hams and Bacon cured.



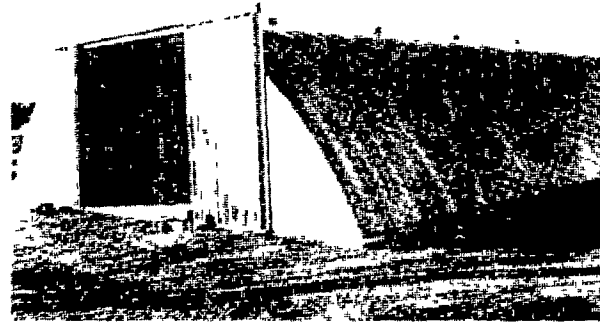
Beef cut, wrapped and frozen
Dried beef and bologna
WE ALSO SPECIALIZE IN U.S.D.A.
GRADED SIDES AND QUARTERS.
For Home Freezer

Call PAUL A. HESS
(717) 464-3374 or Home 464-3127

Introductory Sale

Continental Farm Building

40 x 60



**30 ARCHES, 1 ENDWALL WITH
A 24 x 14 ALUMINUM SLIDE DOOR,
1 SOLID ENDWALL**

\$4750.⁰⁰

GUTSHALL'S SILO REPAIR

RD1 Womelsdorf, PA
Frystown, 717-933-4616

AMERICAN BREEDERS SERVICE

29H2389

Illin FOND BILLY

1541533 VG PQ 9/75

USDA 10/76

PD

+\$94 +1019M +33BF

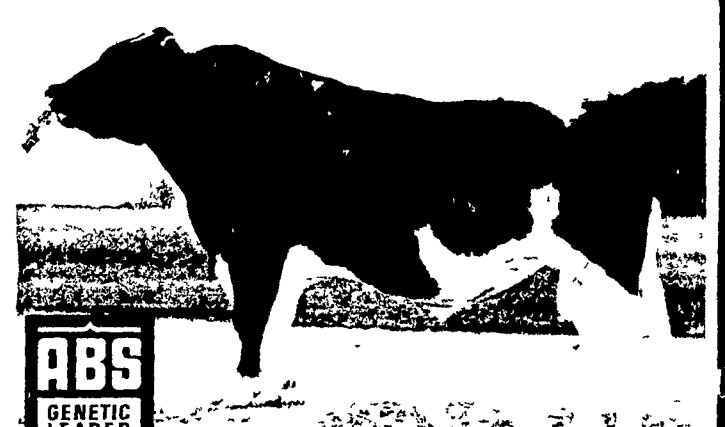


Photo Reversed

FOND BILLY is one of the top proven sons of No-Na-Me Fond Matt. FOND BILLY inherited the ability to transmit good conformation and lots of milk. FOND BILLY's dam averaged (at 7yr 5m) 23,217M, +809BF with an average test of 3.54 percent.

FOND BILLY sires tall cattle with excellent strength and capacity, and good loin strength. His daughters also have good teat shape and placement with strong udder center support. FOND BILLY is recommended often in our Genetic Mating Service Program.

If you want well-bodied cows that stand on good legs and feet, call your local ABS Representative for FOND BILLY.

Bangor, PA	Eric Heinsohn	215-588-4704
Denver, PA	Darvin Yoder	215-267-3423
Gap, PA	Lynn Gardner	717-656-6509
Holtwood, PA	Paul Herr	717-284-4592
Landisville, PA	James Charles	717-898-8694
Manheim, PA	Lamar Witmer	717-898-8694
Port Murray, NJ	Robert Kayhart	201-689-2605
Reading, PA	Robert Greider	215-374-7798
Richland, PA	Paul Martin	717-866-4228
Stewartstown, PA	Marvin Joines	717-993-2281
Thomasville, PA	Ira Boyer	717-225-3758
Vincentown, NJ	Gerald Hall	609-463-3783
West Grove, PA	Maurice Stump	215-869-9187