The cost of feed is by far the most important factor in the competitiveness of a particular country, region, or chicken company. A number of factors including world availability of feedstuffs, local tariff rates, and the success of a hedging program, among others, influence the cost of feed. This chapter will investigate some of the issues related to grain and in particular those issues related to corn since 85% of the world’s chickens use corn as their source of energy and corn represents approximately 70% by weight of chicken feed. The second most important ingredient for the world’s chicken feed is soybean meal, the most widely used source of protein.

13-A. FEEDSTUFFS STOCKS LOW IN THE MIDDLE 1990’S

The most important issue for the chicken industry to consider in relation to feedstuffs is their availability and price. In that regard, the 1990’s were a worrisome decade because of low worldwide stocks of feed grains in the middle of the decade. To illustrate the reduction in inventories, Figure 13-1 shows ending inventory of coarse grain (mostly corn and sorghum) as a percentage of total world use from crop year 1985–1986 through crop year 1998–1999. Note that stocks as a percentage of use dropped from a high of nearly 30% in 1985 to 11% in crop year 1995–1996. A similar reduction in inventories took place for soybeans. As can be seen on Figure 13-2, world soybean stocks fell from 17% in 1985–1986 to just 9% in 1995–1996. In the last two years, inventories of both grains have increased to higher levels.

Low inventories in the middle 1990’s were caused primarily by agricul-
tural policy changes in the United States and the European Union. In both the European Union and in the United States, agricultural reform has reduced government subsidies and forced farmers to look more to the market and less to government for guidance in what to plant and grow. Reform has had the beneficial effect of reducing government expenditures and also should reduce the long-term average price of feed. In this respect, the reform is a significant long-term benefit to the world poultry industry.