

MSU Product Center

For Agriculture and Natural Resources

Funding: USDA Rural Development Cooperative Service Market Advisor: The Hale Group

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Corn for Feed - Overview

Products included in the product line

- Corn used for feed is defined as corn and corn based products used in the ration mix for livestock, including dairy cows, beef cattle, hogs, poultry and aquaculture.

General market trends and information

- In the 2003-04 crop year 56 percent of the corn crop was used for feed. Feed is the dominant use of corn in the U.S. The U.S. is also a major exporter of corn.
- Corn used for feed is a commodity. A purchaser of feed will choose the lowest cost source that meets the needs of the purchaser.
- The demand for feed is derived from the demand for dairy and meat products. The greater the demand for dairy and meat products the greater the demand for dairy and food animals and therefore the greater the demand for corn as feed.
- There are several demand drivers that point to an increased demand for dairy products. The meat market is also showing signs of increased demand and production which will, in turn, increase the demand for feed corn. Per capita meat consumption is expected to reach an all time high in 2005.
- Corn for feed is a well known and understood commodity, with well established marketing channels. The opportunities for new product introductions are extremely limited.

New product trends

- If the current trend for larger and larger dairy farms continues, so will the demand for purchased feed. Many large dairy farms specialize only in milking and managing cattle and do not grow any of their own feed, which they can often purchase for less than their cost of production.
- Another trend is the increased production of distillers dried grains with solubles (DDGS) resulting from the increased production of corn based ethanol. DDGS is a by product of ethanol production. DDGS contains more nutrients than corn and therefore sells at a higher price. Nonetheless, DDGS is also a commodity and price is an overriding concern for buyers of DDGS.
- The increased interest in organic products has encompassed livestock products, particularly dairy products. This has increased the demand for certified organic feed, including corn.

Manufacturing and distribution issues

- The supply chain for corn is very well established. This includes grading adjusting for moisture content, etc. Some of the largest firms in the world such as Cargill and Archer Daniels Midland are involved in some or all of the stages in the feed market.
- There is a great deal of vertical integration in the industry. This severely limits the opportunities in the market.

Overall assessment of opportunities

- The opportunities in the corn feed market are severely limited. Corn in this market is a commodity, and as such price is the overriding concern. It is important to be the low cost producer in this market.

- **Source**

USDA. Feed Situation and Outlook.