



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

December 22, 1976

WORLD GRAIN SUPPLY, CONSUMPTION, AND STOCKS

AMID RAPIDLY RISING FOOD PRICES, world leaders declared 1973 to be the beginning of a crisis in feeding the world. The winter of 1976, has brought falling or stable prices and increased production for all but a very few food commodities. Is the crisis now behind us?

Our most important source of food is the world grain crop. A quick look at the world balance for grains indicates that the food shortages of the past several years have been barely dented, and that today's grain surpluses are likely to be needed within a very few years.

The most recent USDA estimates peg the 1976-77 production of world wheat, milled rice, and coarse grain (corn, barley, oats, etc.) at 1,321 million metric tons. Consumption is estimated at 1,277 million metric tons, allowing potential addition of 44 million metric tons to world grain stocks. This would bring world grain inventories up to about 171 million metric tons, only about 1 percent below the level of 15 years ago. However, this is hardly the entire story.

From 1961 through 1976, the world's grain consumption base increased from 857 to 1,277 million metric tons. This 49-percent increase is due mainly to world population growth. Also, per-capita grain consumption has risen slightly in many parts of the world, most noticeably in the industrially developed countries.

Thus, over the past 15 years, there has been a substantial cut in world grain stocks when compared to world grain consumption. In 1961, world stocks of grain were sufficient for about 71 days of consumption. Projected stocks for 1976-77 are equivalent to only 50 days supply at current consumption rates, about 30 percent less than in 1961, but up 10 days from only a year ago.

Overall forecasts for 1976-77 total grain production, consumption, and stocks mask important developments affecting price relationships among wheat, rice, and coarse grains.

The USDA has forecast the 1976-77 world rice crop at 234 million metric tons. Consumption is expected to be 236 million metric tons. World rice stocks may be drawn down slightly during the coming year.

World coarse grain production will reach about 683 million metric tons in 1976-77. With consumption forecast by the USDA at 678 million metric tons, there will be very little opportunity to build up supplies in this important category of the world food economy.

Wheat is the grain which will be added to inventories in large amounts around the world during the coming year. After good to excellent weather in every major world wheat-producing area except Australia, this year's wheat crop is estimated at 404 million metric tons. That would be a record by a wide margin, and 41 million metric tons above expected consumption. As a result of these supply-demand circumstances, wheat, (traditionally priced above most coarse grain) is likely to be priced very near to corn for the coming year. Rice-wheat price differences, close to record lows during the past year, will widen in 1976-77. Overall, grain prices are likely to average 20 to 25 percent lower in 1976-77, compared to 1975-76.

On the other hand, the world population growth rate is sufficient to add about 30 million metric tons to the demand for grain in 1977-78. This would almost offset the estimated increase in world grain stocks for 1976-77. While the food problems of the world may ease during the coming year, the problems of feeding a growing population will remain with us for the foreseeable future.

No Outlook Letter will be issued for the next two weeks.
~~XXXXXXXX~~ Merry Christmas and a Happy New Year ~~XXXXXXXX~~

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