



WEEKLY OUTLOOK

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May 28, 1981

WORLD CROP PRODUCTION PROSPECTS ARE IMPROVING FOR 1981-82

MORE FAVORABLE MOISTURE CONDITIONS IN THE WORLD, especially in the United States, may lead to an increase in the world production of grains and oilseeds in 1981-82. This growth in production may be large enough to expand world stocks of grains by as much as 30 million tons. Half of this expansion could be in the United States. However, an increase in the 1981-82 stock of soybeans is not expected.

These prospects are based largely on the one-third of the world grain crop that is nearing harvest. The other two-thirds is just being planted and must have the same favorable development as the winter crop for this forecast to materialize. Substantial rains that have fallen in the U.S. grain belt this spring have increased the chance of a good harvest. Although the growing year is far from over, the USDA foresees world crop production as follows.

World wheat production should establish a new record this year with over 460 million tons of wheat being harvested. This amount exceeds last year's record level by more than 5 percent.

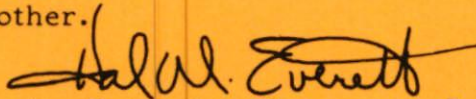
Increases in production are expected from both U.S. and foreign producers. A new U.S. record will also be set in 1981-82. Production is estimated at over 73 million tons, 9 million more than last year. The largest foreign increases in wheat production are expected in the Soviet Union and China. Those countries are also major importers. The world consumption of wheat may remain at last year's level (about 447 million tons) as increases in food use are expected to be offset by declines in feed use. If so, world production of wheat will exceed world consumption for the first time in two years. Obviously, this will lead to an increase in world stocks of wheat.

The world production of coarse grains may also reach record levels in 1981-82, with a 7 percent increase over last year's crop, raising production to 777 million tons. Once again, the largest increase is expected from the United States, where last year's harvest was reduced by drought. World

consumption of coarse grains is also predicted to increase 1 to 3 percent, due to increased feed usage overseas. Nevertheless, world coarse grain production will probably surpass use by 13 million tons, leading to a corresponding increase in stocks in 1981-82.

Although the USDA has projected the world production of soybeans, it is possible to make an estimate of this crop for 1981-82. The USDA does project that the U.S. production of soybeans will increase to over 54 million tons, more than 10 percent higher than last year's level. Combined with a rough estimate of production of 31 to 32 million tons for the other soybean-producing nations, total world production may reach 85 to 86 million tons. This falls short of the 1979-80 record level by over 7 million tons. It also falls just short of a rough estimate of 87 million tons for the world consumption of soybeans in the new year. Stocks of soybeans may decline slightly by the end of 1981-82.

This forecast has various implications for U.S. producers of these crops. The price of wheat is likely to fall on world markets and in the United States. The U.S. price for wheat in 1981-82 will probably average \$3.50 to \$4.00 per bushel. U.S. producers of coarse grains may see some softening in their prices through the summer months, but no major moves are expected until the size of this year's crop is determined. The price situation for U.S. producers of soybeans is equally uncertain as markets determine how the potential decline in world stocks of soybeans and the high level of world vegetable oil supplies offset each other.



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