



WEEKLY OUTLOOK

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A CLOSER LOOK AT WORLD GRAIN SUPPLIES

ON THE BASIS OF AUGUST CROP CONDITIONS, it appears that grain stocks will be accumulating in the United States. However, inventories of grains in other countries may actually decline during the year ahead.

Wheat. Wheat production outside the United States is forecast at 372.2 million tons, down 5 million tons (or 1.3 percent) from last year. Although worldwide wheat consumption is not expected to increase from last year, the smaller crop will probably result in smaller ending stocks outside the United States. The USDA estimates that by the end of the 1982-83 marketing year, world wheat inventories will total 86.6 million tons, up 2.8 million tons from this past year. Inventories held in the United States are projected at 35.8 million tons, up 4.3 million tons. Combined ending stocks in all other countries are projected at 50.8 million tons, compared with 52.2 million for the year that has just ended. If these estimates materialize, the United States will hold 41.3 percent of world wheat, compared with 37.6 percent for the year just ended and 35.7 percent two years ago.

Coarse Grains. The production of coarse grains (or feed grains) outside the United States is forecast at 529 million tons during 1982-83, 5.5 million tons (or 1 percent) more than last year's production level. Unlike wheat, however, the consumption of coarse grains is expected to expand during the year ahead, mostly outside the United States. By the end of the 1982-83 marketing year, world coarse grain supplies are expected to total 128.5 million tons, an increase of 19.3 percent from this year and of 60 percent from last year. Inventories in the United States are projected at 87.6 million tons, up 34 percent from the year just drawing to a close and 2.5 times above the level at the end of the 1980-81 crop year. By contrast, coarse grain stocks outside the United States are projected at 40.9 million tons, down 1.6 million tons from this year and 4.7 million tons less than stocks last year. The United States will hold 68.2 percent of those inventories, up from 60.5 percent this year and from 43.2 percent last year.

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Soybeans. Although the crop has not yet been planted in the Southern Hemisphere, the USDA expects soybean production outside the United States to total 36.5 million tons during the year ahead. This increase of 14 percent from last year would coincide with a record U.S. harvest. World soybean inventories are forecast at 18.9 million tons, an increase of 5.1 million tons from this year. The United States is expected to hold 60.5 percent of the surplus, up from 53 percent last year.

Implications. Agriculture in the United States has once again demonstrated its ability to overproduce relative to the size of the current market. Because world economic stagnation is expected to continue for at least another year, the size of the market will grow slowly. Much of the surplus grain inventory in the United States is financed by the government. Since the cost of agricultural programs is once again rising quite sharply, government spending may not increase enough to reduce grain production significantly in the next year or two. In such a situation, the market may keep enough pressure on prices to reduce production.

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