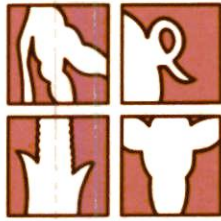




Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

Department of Agricultural Economics
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WORLD CROP PROSPECTS

Earlier in the month, the USDA released projections for world grain production in 1987-88. Production of all coarse grains, corn, and wheat are expected to decline in the year ahead. The projected declines are, however, concentrated in a relatively few areas.

Coarse grain production in the United States reached a record 275 million tons in 1985 and then declined to 253 million tons this past year due to acreage reduction programs. A continuation of those programs is expected to reduce production to about 220 million tons in 1987. In contrast, coarse grain production outside of the United States is projected at 592 million tons, slightly higher than this year's record 587 million tons. If these projections materialize, production outside of the U.S. will be 12 percent larger than 5 years ago, while production within the U.S. will be 12 percent less.

Production in the Soviet Union is expected to remain at the record level of 1986, while production in western Europe, China, and Argentina is expected to increase. Slightly smaller crops are expected in Canada, eastern Europe, and Brazil.

For corn, which is included in the coarse grain figures, U.S. production for 1987 is projected at 183 million tons, 13 percent less than the 1986 harvest. Production outside the U.S. is projected at 276 million tons, 3 percent larger than the 1986-87 harvest. Most of the increase is expected in Argentina, the Soviet Union, and China. Modest declines are expected in Europe and in Brazil.

The 1987 U.S. wheat crop is expected to be about the same size as the 1986 crop. Acreage is down, but yield potential is better. If 57 million tons are harvested, the 1987 crop will be 25 percent less than the record harvest of 1981. Wheat production outside of the United States is expected to be about 5 percent less than this year's harvest. At 448 million tons, however, the crop outside of the U.S. will still be the second largest ever harvested.

The majority of the decline in wheat production outside of the United States is expected to be in the Soviet Union. That crop is projected at only 75 million tons--down 17 million tons from last year, and the second smallest crop of the decade. The expected decline reflects adverse weather conditions this spring. The Canadian wheat crop is expected to reach 26 million tons, about 6 million tons less than the record crop of 1986. Production in western Europe is expected to increase by about 6 million tons. That crop will be second in size to the huge crop of 1984.

At first glance, the projected decline of 50 million tons (4 percent) in world wheat and coarse grain production expected in 1987-88 is encouraging. However, most of the decline results from extensive acreage reduction programs in the U.S. and adverse weather conditions in the Soviet Union. Very little reduction in response to lower world grain prices can be seen. As in the U.S., subsidy programs continue to insulate western European producers from the effects of lower prices. Other countries, such as the Soviet Union and China, are aggressively trying to increase production to reduce import requirements.

The sharp decline in United States grain exports appears to have ended, with modest increases forecast for 1987-88. The smaller Soviet wheat crop and the export bonus program of the U.S. should certainly boost U.S. wheat exports. Long-term prospects for both wheat and coarse grains are more guarded, however. Competition is increasing, not decreasing.

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