



Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
University of Illinois at Urbana-Champaign

September 21, 1988

WORLD GRAIN STOCKS DECLINING

The USDA released its monthly estimates of world grain supply and demand on September 12. For wheat, coarse grains, and soybeans, that report indicates that stocks will be reduced significantly during the 1988-89 marketing year.

Wheat. Stocks of wheat at the end of the 1986-87 marketing year were estimated at 175.3 million metric tons. About 28 percent of those stocks were in the United States. The other four major exporters held 19 percent of the total. The 10 major importing countries held 33 percent of the world's stocks of wheat.

At the end of the 1987-88 marketing year world wheat inventories declined to 145.7 million metric tons. Those stocks represented a 3.3-month supply at the level of use during that marketing year. Stocks in the United States accounted for 24 percent of the total. The major importing countries held 41 percent of the inventory. Stocks were reduced during the 1987-88 marketing year because of smaller crops in the Soviet Union, China, India, Canada, and Australia. The wheat inventory in Canada was reduced by more than 40 percent.

Production of wheat in the 1988-89 marketing year is expected to be near the level of a year ago. Larger crops in the Soviet Union, Eastern Europe, Australia, and Turkey are offset by smaller crops in the United States, Canada, and Argentina. The wheat crop in Canada is estimated at 15.4 million tons, 50 percent smaller than the record harvest of 1986.

At the end of the 1988-89 marketing year, wheat inventories are expected to total 117.4 million tons, one-third less than the level of stocks a year ago. The United States will hold only 12 percent of the world total, and major importing countries will have 48 percent of the inventory. At the projected level of use, ending stocks will account for a 2.6-month supply.

Coarse grains. In the case of coarse grains, the world's inventory at the end of the 1986-87 marketing year totaled 232.4 million tons, or about a 3.4-month supply. The United States held 66 percent of those inventories. Smaller crops in the United States and Eastern Europe resulted in a decline in world stocks at the end of the 1987-88 marketing year. The decline was small, however, because of large crops in the Soviet Union and China. Stocks were estimated at 213.7 million tons, or about a 3.2-month supply at the level of use during the year. The United States held 65 percent of the inventory.

For the 1988-89 marketing year, production is down 37 percent in the United States, 25 percent in Canada, and 12 percent in the Soviet Union. Production worldwide is expected to be down

10 percent. Coarse grain stocks at the end of the 1988-89 marketing year are projected at 124.5 million tons, or less than a 2-month supply at the projected level of use. The United States is expected to hold less than half of the world inventory of coarse grains.

Soybeans. World soybean stocks totaled 19.8 million tons at the end of the 1986-87 marketing year. Those stocks represented a 2.3-month supply, and the United States held 60 percent of the total. Stocks at the end of the 1987-88 marketing year were reduced to 17.4 million tons, or a 2-month supply. The United States held 44 percent of the inventory. By the end of the current marketing year, world soybean stocks are expected to total 11.4 million tons or a 1.4-month supply. Less than one-fourth of those stocks will be in the United States.

The combined stocks of wheat, coarse grains, and soybeans at the end of the 1988-89 marketing year are expected to be 41 percent less than stocks at the end of the 1986-87 marketing year. Those inventories represent about a 2-month supply, compared to a 3.6-month supply in 1986-87.

The dramatic reduction in world grain stocks is due mainly to drought-reduced crops in the United States and Canada. Production is expected to rebound sharply in 1989, particularly in the United States. Acreage of wheat, feed grains, and soybeans should increase significantly as annual acreage-reduction programs are scaled back. Those programs idled about 54 million acres of cropland in 1988. In addition to increased acreage, in all probability more normal weather conditions should return in 1989. Another dry year in a major grain-producing area, however, would result in a further tightening of inventories. Any indication of a significant weather problem would push grain prices higher.



**Issued by Darrel Good
Extension Specialist
Prices and Outlook**

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801

FIRST CLASS