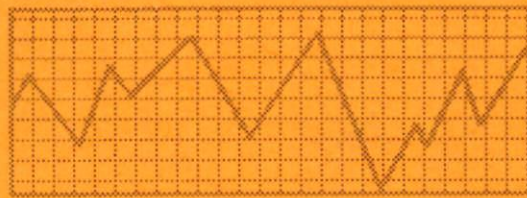




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WEEKLY OUTLOOK

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WORLD GRAIN INVENTORIES CONTINUE TO DECLINE

Earlier this month, the USDA released updated supply and demand estimates for the major world grain and oilseed crops that indicate coarse grain and wheat inventories are continuing to decline.

World coarse grain production during the 1989-90 crop year is estimated at 798 million tons, 9.5 percent larger than the small 1988-89 crop. The U.S. crop is being counted on for the projected increase. Production outside of the United States is expected to be 2.4 million tons smaller than last year's harvest. Production in China, South Africa, and Western Europe is down from last year, while larger crops are expected in the USSR, Canada, and Eastern Europe.

This year's coarse grain harvest is expected to be 5.4 percent smaller than the record crop of 1985-86. Of this, the U.S. crop is 19.5 percent smaller than the record reached in 1985. Production outside the United States is about 1 percent smaller than the record of 1986-87. So the recent trend is declining production in the United States and stable production in the rest of the world.

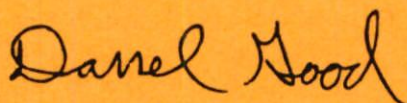
World coarse grain consumption continues to increase. Consumption totaled 778 million tons during the 1985-86 crop year, and is projected at 826.2 million tons during the current year. Consumption has exceeded production for three consecutive years resulting in year-ending supplies of coarse grains being sharply reduced. Reserves at the end of the 1986-87 crop year totaled 234 million tons, 29 percent of total consumption that year. At the end of the current crop year, inventories are expected to total 116 million tons, or 14 percent of consumption. Most of the reduction is in the United States. If projections are correct, U.S. reserves at the end of the current crop year, will be 66 percent smaller than three years ago. Inventories outside the United States will be reduced by 14 percent.

World wheat production totaled 530 million tons in 1986-87, but fell to 501 million tons in both 1987-88 and 1988-89. Production for the current crop year is expected to be a record 535 million tons. The small crops of 1987-88 and 1988-89 primarily resulted from poor crops in the USSR, Canada, Australia, and the United States. For the current marketing year, production is up in most major producing areas with the exception of Turkey and Eastern Europe.

World wheat consumption has also continued to increase in the face of variable production. Consumption during the current crop year is projected at 539 million tons, nearly 9 percent more than consumption four years ago. As in the case of coarse grains, consumption has exceeded production for three consecutive years and inventory levels have been reduced sharply. Reserves at the end of 1986-87 totaled 176.4 million tons, or 34 percent of that year's consumption. Reserves at the end of this year are estimated to be 113 million tons, or 21 percent of consumption.

Soybean supplies are still more abundant than grain supplies. World soybean production continues to increase gradually while consumption has been relatively stable for the past four years. Reserves have been maintained at a relatively constant level. The exception to this trend was the 1988-89 crop year which was marked by a drought-reduced crop in the United States.

Projections for the 1990-91 marketing year have not yet been published by the USDA. It appears, however, that even with normal weather and yields there will be little opportunity to rebuild the inventory of coarse grains. World wheat inventories may increase modestly, and soybeans will remain in abundance. With world grain consumption continuing to increase, any threat to production in 1990 could sharply raise prices.



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