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Outlook in Brief

This year's coarse grain outlook contrasts sharply with the pattern of recent years when the world was faced with ample feedgrain (coarse grain) supplies, prospects of huge stocks buildups and diminishing trade. World feedgrain production is now estimated to be down nearly 100 million tons (13 percent) with most of the decline occurring in the major exporters. With global feedgrain use expected to rise for the second consecutive year, and the crop off, countries will be forced to dip into stocks. Corn prices will likely remain firm which could limit import demand and stimulate shifts in trade and use to other feedgrains and possibly wheat.

Global feedgrain stocks are expected to drop by an unprecedented 50 percent from last year's record level to the lowest level in 8 years. World stocks as a percent of utilization will consequently fall to about 9.2 percent—the lowest ratio since the mid 1970's when feedgrain use was more than 100 million tons lower than it is now. Without the huge cushion of feedgrain stocks prevalent in recent years, some uncertainty and continued tightness will likely characterize the market throughout the 1983/84 marketing season.

Feedgrain production in the Northern Hemisphere, exclusive of the United States, is estimated to be a record high. Poor crops in Canada and Europe are more than offset by bumper harvests in the Soviet Union, China, and Mexico. However, the very poor feedgrain harvest in the United States (the lowest in more than 15 years) dominates the Northern Hemisphere supply situation because it will necessitate a U.S. feedgrain stocks drawdown to less than one-third of this year's beginning stocks level. Increasing attention, therefore, will be focused on crop prospects in major producers in the Southern Hemisphere. Crops in South Africa, Australia and Brazil are expected to rebound sharply from last year's drought-induced shortfalls, while Argentina is expected to have another good crop comparable to last year.

Global coarse grain trade of about 90 million tons is expected to be only 2 percent higher than the preceeding year and would represent a sharp slow down in the 13 percent average annual growth rate that prevailed during the 1970's. Import demand for feedgrains is expected to be extremely price and credit sensitive, and consequently tight global feedgrain supplies and higher prices, particularly relative to wheat, are likely to delay any significant recovery in world import demand this year. Domestic shortfalls and continuing financial problems could limit import demand in key importing areas such as Eastern Europe, Mexico, Morocco and Egypt.

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On the other hand, import demand could be larger than presently anticipated. Despite a bumper feedgrain harvest, imports by the USSR are expected to decline only slightly from last year in order to meet growing livestock feed requirements. Stronger import demand for feedgrains may also come from the EC because of a poor feedgrain harvest and shifts away from high-priced, imported non-grain feed ingredients. U.S. forward sales activity, particularly for Japan, is 50 percent stronger than at this time last year, and that strength could continue into the year as importing countries' economics recover.

Exportable feedgrain supplies among major foreign exporters will be limited, at least until Southern Hemisphere crops become available in March/April 1984. At least until that time, South Africa will be a net corn importer instead of a major exporter. Virtually all of Argentina's old crop corn and sorghum are reportedly committed as is much of Canada's exportable barley. Short barley harvests in the EC, and important middle eastern producers/exporters will mean sharply lower export supplies available for the Middle East from those traditional suppliers, and the possibility of increased feed wheat import demand.

Last year at this time we were also looking for relatively little change in global coarse grain trade but the Soviets didn't help our forecasting record by taking only half the 23 million tons we had forecast. However, our October 1982 forecasts for non-USSR import demand and competitor exports were actually pretty close: off 1 percent on non-USSR import demand and 15 percent off on competitor exports as a result of drought-impacted harvests in South Africa and Australia. This year our Soviet forecast is probably safer in that: a) it is supported by a new LTA and b) their purchases thus far suggest that it's "on track," whereas last year we were simply banking on larger purchases later in the year which never came.

The impending sharp stocks drawdown, reduced foreign export availabilities and rising foreign feed use have stimulated prices to their highest level in several years. Prospects are consequently bright for U.S. feedgrain exports, although the strength of importer demand for the year could depend on sufficient hard currency, the availability of credit and the competitiveness of wheat.

World Coarse Grain Summary
(Million Metric Tons)

	1979/80	1980/81	1981/82	Estimated 1982/83	Forecast 1983/84
World					
Production	742	731	765	780	681
Utilization	741	741	732	748	758
Ending Stocks	93	82	115	146	70
Stock/Util. (%)	13	11	16	19	9
Trade <u>3/</u>	99	108	98	89	91
United States					
Production	239	198	249	256	140
Utilization	161	147	154	167	156
Exports (Oct/Sept)	71	69	59	53	57
Ending Stocks	53	35	71	107	34
U.S. Stks/World Stks (%)	57	43	62	73	49
Soviet Union					
Production	81	81	72	86	103
Utilization	100	101	98	98	113
Imports	14	24	20	12	11
Stocks Change	--	-2	--	-1	1
Major Foreign Exporters <u>1/</u>					
Production	51	67	65	56	61
Utilization	36	36	37	39	38
Exports	19	28	29	24	25
Ending Stocks	7	10	8	9	8
Rest of World					
Production	371	385	379	382	377
Utilizaiton	444	457	443	444	451
Imports	85	84	78	77	80 <u>2/</u>
Exports	9	10	11	12	9
Net Imports	76	74	67	65	71

1/ Argentina, Australia, Canada, South Africa, Thailand.

2/ Includes 2.3 MMT imported by South Africa.

3/ Excludes intra-EC trade.

Production

World coarse grain production has dropped to its lowest level since 1975. A combination of government programs and adverse weather caused a drop of 115 million tons in U.S. production alone. Global production is presently forecast to fall nearly 100 million tons from last year's record 780 million tons. In contrast, non-U.S. production is up almost 20 million tons (about 3 percent) to 542 million tons on slightly higher yields and a 2 percent expansion in area.

In the Northern Hemisphere, generally favorable weather and good feedgrain crops prevailed outside the United States. The Chinese have had a record harvest and Soviet feedgrain production is the largest since 1978--the second consecutive improvement over the poor 1981 crop. Eastern Europe, however, had another poor crop, and small barley harvests in Canada, the European Community, Turkey and Syria will mean limited exportable supplies.

In the Southern Hemisphere, early indications point to a significant recovery in the South African and Argentine corn crops and Australia's sorghum and barley harvests. Much attention will focus on the crop conditions and harvest prospects in those countries, to see if they will help alleviate the tight supply situation.

Consumption

Global coarse grain consumption is forecast to reach a record 758 million tons, about 1 percent higher than last year, following 5 years of relatively stagnant use. The increased consumption is a function of better domestic harvests. Larger crops in the USSR and China, where greater availabilities convert directly into increased domestic consumption, more than offset poor crops in Eastern Europe, the European Community and the United States where reduced domestic availabilities and high prices are expected to inhibit consumption.

Coarse grain consumption outside the United States and USSR is up for the first time in 3 years, but strong grain prices may dampen the impact of a recovering world economy. The continued use of non-grain feed ingredients, and hard currency and credit concerns are important prevailing impediments to any sustained growth in coarse grain demand.

Stocks

Global coarse grain stocks are forecast to drop by 75 million tons in 1983/84--less than half of last year's 146 million tons and the lowest level since 1975/76. At prevailing utilization levels, that stock forecast would represent only 9.2 percent of utilization, which is also the lowest ratio since 1975/76 and compares to last year's high 19.4 percent.

The United States, accounts for most of the decline in world stocks as stocks are forecast to be down by nearly two-thirds or 70 million tons. The United States will still hold about half of global coarse grain stocks, however. Farmer-owned reserve and CCC inventories together could drop from 85 million tons to about 15 million tons. Total U.S. stocks will therefore equal only 64 percent of export volume compared to 2 years ago when total U.S. coarse grain stocks represented 200 percent of export volume.

Total foreign stocks (excluding China, Eastern Europe and the USSR) are forecast to decline about 11 percent in 1983/84. Stocks held by major exporting countries are expected to decline by nearly 20 percent as Canada draws down its barley stocks to meet export commitments in the face of a short crop.

Trade

World coarse grain trade at nearly 91 million tons in 1983/84 is expected to increase only marginally as importers react to higher feed grain prices, tight supplies and the increasing competitiveness of wheat. Stronger import demand throughout Europe caused by short domestic crops, and continued demand growth in the less developed countries (LDC's) are expected to more than offset lower import demand currently forecast for the USSR and China. However, world feedgrain trade remains relatively depressed vis-a-vis earlier years.

Successive good feedgrain harvests by the USSR have meant sharply reduced import requirements whereas a shortage of hard currency and credit problems in Eastern European countries have inhibited feedgrain purchases. West European import demand has trended down, although this year's short barley and corn crops in the European Community (EC) will necessitate larger feedgrain imports for feed and industrial use. Among the LDC's, the growth trend continues upward in 1983/84, but only marginally. Little change is expected in import demand patterns for major Far Eastern importing countries like Japan, South Korea or Taiwan. Both Mexico and Brazil continue to be erratic importers as demand remains a function of the size of their domestic harvests. Mexico, with a good harvest, will likely cut coarse grain imports, whereas import demand from Brazil, which has had a poor harvest, could increase 5-fold from a year ago. Continuing focus will be on drought-stricken South Africa, which will not only export a mere 15 percent of last year's reduced export volumes, but will be a net importer of coarse grains (corn) for the first time.

Demand for barley will be particularly strong this year, especially in the EC, the Middle East and North Africa. Importing countries such as Iran, Libya, and Algeria will need alternative sources of supply in the face of reduced export availabilities from the EC, Syria and Turkey. Unusual import demand from the EC and Turkey will also contribute to expanded global import demand for barley. Deteriorating crop conditions in other importing countries suggest prospects for stronger import demand.

The sluggish international economic situation will continue to have some adverse impact on coarse grain import demand. Heavy foreign indebtedness, tight credit and shortages of hard currency continue to be major factors in limited East European import demand. Credit availabilities and terms could influence importing decisions in heavily indebted countries like Morocco, Egypt and Mexico. Price relationships between feedgrains and wheat could also influence the import demand for feedgrains in a number of countries.

On the export side, coarse grain shipments by major foreign exporters will likely increase by about a million tons. However, exportable supplies outside the United States are presently unusually tight, and total foreign export prospects will depend heavily on Southern Hemisphere harvest and export availabilities. Virtually all Canadian barley from a short crop, and old crop Argentine corn and sorghum have already been committed. Barley shortfalls in the EC, Turkey and Syria have sharply lowered export availabilities and turned

the EC and Turkey into major barley importers this year. Thailand's good harvest will support larger exports, but South Africa's drought impacted harvest will not only curtail exports but turn South Africa into a net corn importer.

U.S. coarse grain exports during 1983/84 are expected to increase by about 3.5 million tons to almost 57 million tons amid signs of global economic recovery, strong forward sales of both corn and barley and limited foreign exporter availabilities. Poor harvest among normal exporters of feedgrains--the EC, Canada, Turkey, East Europe, South Africa, and Syria--will not only mean less export competition, but greater import demand for U.S. grain from many of those suppliers. U.S. feedgrain exports are expected to comprise about 63 percent of world feedgrain exports, compared to 60 percent the past few years.

Outlook By Major Region

Soviet coarse grain production is estimated at 103 million tons, one of the largest crops on record. Both cattle and hog numbers in the socialized sector are at record levels. Slaughter weights should continue to rise into 1984 as both the quantity and the quality of livestock feed improves. The Soviets may have already covered half of their 1983/84 projected coarse grain import needs of 11 million tons; around 9 million tons are covered by agreements. Relatively high world coarse grain prices and the large 1983 coarse grain harvest are expected to keep import demand in 1983/84 near the levels required by those supply agreements.

Poor corn and barley harvests in the EC amid increasing demand from the mixed feed, brewing and starch industries will ensure strong prices for feedgrains in the Community this year. France is the major producer and exporter of corn within the EC, and the size of its crop and export availability will have a direct impact on third country import demand. With the French corn harvest presently estimated to be down by 15 percent from last year, and high-priced imported soy beans and manioc in short supply, EC import demand for corn could be sharply higher than in 1982/83.

Although the EC is traditionally self-sufficient in barley, a shortfall of about 6 million tons will necessitate malting barley imports and curtail feed barley exports. The Community has already purchased 500,000 tons of malting barley from Australia and Canada. Export authorizations for barley are only half the magnitude of last year's levels, as the commission attempts to counter concerns of inadequate barley supplies by reducing exports. Additional expected wheat feeding could help alleviate the tight EC feedgrain situation.

In the Middle East, barley supplies are tight. Short crops and low stocks in Turkey and Syria will sharply reduce exportable supplies that would normally be available to countries like Iran and Libya. Turkey may have to import more than 500,000 tons to meet domestic needs and fulfill some export commitments. The EC is another major barley supplier to the Middle East which may have only limited exportable supplies for this region that normally imports 2-3 million tons annually.

Brazil is another swing factor in the tight coarse grain supply picture. Instead of exporting corn as it has for the past several years, a poor harvest will necessitate about 700,000 tons of imports this year to help meet domestic

demand and cover some export commitments. Despite the government's efforts and commitment to encourage production, Brazil's position as a net importer or exporter will evidentially still depend on the size of the annual harvest. In East Europe, despite a 7 million ton (10 percent) drop in coarse grain production, import demand is expected to recover by less than a million tons from last year's low level. Financial problems continue to inhibit the decisions to import the feedgrains necessary for any expansion of livestock and poultry. Coarse grain imports during 1983/84 are thus expected to be less than half the level of only a few years ago when annual imports averaged nearly 11 million tons.

Total coarse grain exports for major foreign exporting countries--Australia, Argentina, Canada, Thailand and South Africa--are forecast at over 24 million tons, about 1 million tons above 1982/83 levels. Virtually all Argentine old-crop corn and sorghum are reportedly committed, though much old-crop sorghum remains to be shipped. Plantings for the new crop are beginning amid prospects for another 18 million ton outturn similar to last year. Projected Canadian barley exports of 6 million tons are also virtually all committed. However, the export forecast has some upward potential depending upon domestic barley demand and the overall quality of the crop. All Canadian coarse grain sales and shipments, with the exception of corn, presently show considerable increases over last year.

Australian crop prospects continue to improve with projections of a record barley harvest and expectations of near-record coarse grain exports. Thailand is expected to have 500,000 tons more corn to market this season and current sales are beginning to pick up from the recent sluggish pace. South Africa, on the other hand is now expected to maintain higher stock levels from its up-coming crop, thereby reducing export prospects.