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World grains and oilseed production

The most recent USDA projection of world grain and oilseed production for the 1989/90 crop year shows a significant rebound in output. After sharp year-to-year declines due to the drought in the previous crop year, global production of wheat, rice, coarse grain and oilseeds are all expected to record gains. At the same time world consumption of grains and oilseeds will likely move higher, as continued economic growth and livestock production spur demand. While ending stocks of oilseeds worldwide may rise slightly, stocks of grains are expected to fall further as the increase in consumption outstrips the rise in production.

The latest projection of grain production points to a worldwide harvest of almost 1,674 million metric tons in 1989/90. This estimate of combined wheat, coarse grain, and rice production represents a 7.4 percent gain from last year's output and a 4.2 percent rise from two year's ago. World rice production is projected to be up almost 2 percent, despite a slight drop in U.S. production. Coarse grain and wheat output are projected to show increases of 10.7 and 6.3 percent, respectively, due largely to rebounds in U.S. production. Coarse grain production outside of the United States is projected to rise only about 1 percent during the current crop year. Most of this gain is attributed to greater output in Eastern Europe and the Soviet Union, Argentina, and Canada offsetting declines in the European Community and South Africa. USDA projections of foreign wheat production point to a 5.6 percent rise from the 1988/89 crop year. Larger harvests in Canada, China, the European Community, and the Soviet Union pace the overall gain.

USDA's current projection of world oilseed production in 1989/90 suggests that world output will exceed 214 million metric tons. That level of production would represent a gain of 5.8 percent from last year and a 3 percent increase over the 1987/88 crop year. At 107.7 million tons, soybeans account for more than half the total output of oilseeds, with 32 million tons of cottonseed, and between 21.5 and 22.5 million tons each of rapeseed, sunflower seed and peanuts accounting for most of the remainder. World output of cottonseed, peanuts and rapeseed are projected to show some decline from last year, while sunflower seed production records a slight increase. The bulk of the projected rise in world oilseed production is

accounted for by greater soybean output. Current estimates point to a 13.2 percent increase from 1988/89, but most of that gain is attributable to a 25 percent increase in U.S. production. Excluding the rebound in the United States, foreign soybean production is projected to rise a moderate 3.7 percent as a large rebound in Argentina offsets declines in Brazil and China.

Consumption of grain and oilseeds during 1989/90 is likely to rebound from last year's drop. World consumption of grains is projected to approach 1,692 million metric tons, up more than 2 percent from the previous year, and 1 percent more than projected output for the 1989/90 crop year. As a result, world stocks of all grain will likely fall to 290.5 million metric tons at the end of the current crop year, the lowest level of ending stocks since the start of the decade. World utilization of wheat is projected to total almost 536 million metric tons, 1 percent above a year ago and a new record high. With consumption exceeding output by about 3.5 million metric tons, world wheat stocks are projected to drop to 113.4 million tons at the end of 1989/90, the lowest ending stocks in eight years and more than a third below the 1986/87 record high. As a percent of world utilization, projected end-

Trends in world grain and oilseed production

	1985/86	1986/87	1987/88	1988/89*	1989/90**
	(-----million metric tons-----)				
Wheat					
U.S.	66.0	56.9	57.4	49.3	55.6
Foreign	434.1	473.8	444.3	451.3	476.7
Coarse grains					
U.S.	274.9	252.8	215.9	149.6	223.3
Foreign	568.4	582.6	575.7	579.2	583.6
Rice					
U.S.	4.3	4.3	4.1	5.2	5.0
Foreign	314.3	314.4	308.8	323.5	329.5
Total grains					
U.S.	345.2	314.0	277.3	204.1	283.8
Foreign	1,316.8	1,370.8	1,328.9	1,354.0	1,389.9
Soybeans					
U.S.	57.1	52.8	52.3	42.1	52.7
Foreign	39.9	45.2	51.0	52.9	55.0
Total oilseeds					
U.S.	65.4	59.4	60.6	50.3	59.7
Foreign	130.6	134.9	145.8	144.8	146.8

* Estimate.

** Projection.

SOURCE: USDA.

ing stocks of wheat this year could fall to about 21 percent, comparable to the tight supplies following the 1972/73 crop year.

Coarse grain consumption is also expected to exceed production. At 821 million metric tons, world use of coarse grains is projected to be up about 3 percent from last year and about 1 percent higher than the previous record established in 1987/88. World stocks of coarse grains at the end of the crop year will likely show a drop of about 14 million tons or almost 10 percent. At that level, coarse grain stocks would be at their lowest level since 1983/84 in terms of both tonnage and as a percent of annual world consumption.

World oilseed consumption is expected to rise in 1989/90. However, the increase in disappearance will not fully offset the larger output, resulting in an almost 6 percent increase in world stocks at the end of 1989/90. Soybean consumption, which accounts for almost half of world consumption of oilseeds, is projected to rise more than 7 percent this crop year. Despite greater use, the sharp increase in production this year will contribute to a 13 percent year-to-year increase in global carryover stocks of soybeans at the end of 1989/90. The increased inventory, however, is due to an expected large buildup in U.S. stocks, with foreign stocks of soybeans at the end of 1989/90 falling by almost 14 percent.

Although world consumption of grain is expected to be on the rise this year, the overall volume of trade in these commodities is expected to drop slightly. The volume of trade in all grains is expected to decline about 2 percent in 1989/90, but the United States is projected to hold its market share at last year's level of almost 45 percent. World wheat trade is expected to drop about 2.5 percent in 1989/90, with the U.S. share declining slightly to 32 percent. Coarse grain trade is likely to be down about 1 percent from a year ago, despite a projected slight increase in corn exports. With the United States accounting for almost three-fourths of world corn trade, the U.S. share of the world trade in all coarse grains is expected to approach 60 percent in the current crop year.

In contrast to grains, world trade in soybeans is projected to be up about 12 percent from the previous year's low level. However, world soybean trade will still be 14 percent below the level of two year's ago. Nevertheless, the U.S. share of world soybean trade is expected to drop slightly from a year ago to 61 percent, well below the almost 73 percent market share enjoyed in 1987/88.

Peter J. Heffernan

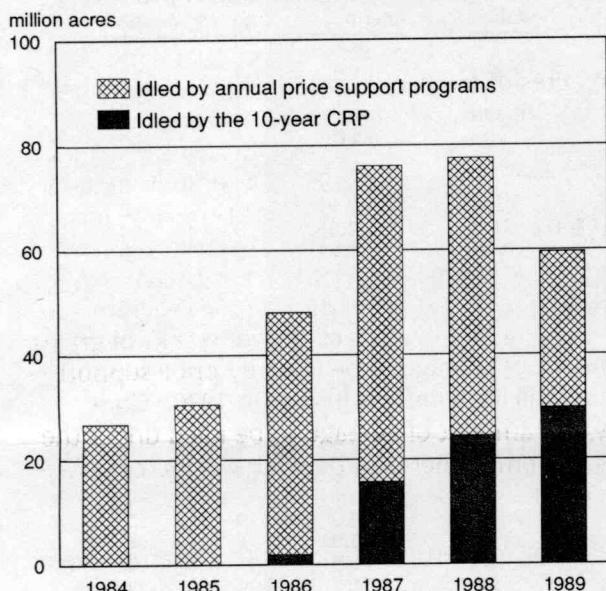
Cropland idled by federal programs

The amount of U.S. cropland held out of production under federal programs turned lower this past year. Preliminary USDA estimates indicate that some 59.7 million acres of cropland were idled by federal programs in 1989, down from the near-record of 77.6 million acres the year before. About half the acreage idled in 1989 was through one-year commitments of participants in federal price-support programs for major crops. The remainder was idled through the 10-year commitments of landowners who have enrolled land in the Conservation Reserve Program. Because of further declines in carryover stocks of grains, the amount of acreage to be idled by price support programs will likely retreat further in 1990. Conversely, the amount of acreage to be idled under the long-term commitments of the CRP will increase further in 1990.

Federal price support programs for major crops typically require participants to idle, or set-aside from production, a portion of their program base acres for a period of one year. Because of the effects of the 1988 drought on carryover stocks of major grains, the set-aside requirement for a 1989 wheat program participant was lowered from 27.5 percent of their wheat base acreage to 10 percent. Similarly, set-aside requirements for corn, sorghum, and barley program participants were lowered from 20 percent in 1988 to 10 percent in 1989. In line with the lower wheat and feed grain set-aside requirements, the amount of cropland idled under all annual price support programs fell to a five-year low in 1989. At 29.9 million acres, the most recent total was down nearly 45 percent from 1989 and down more than 50 percent from 1987. Of all the acreage idled under annual price support programs in 1989, some 10.2 million acres were idled by corn program participants and 9.7 million acres were idled by wheat program participants. The remainder was idled by barley, oat, sorghum, cotton, and rice program participants. In the five states comprising the Seventh Federal Reserve District, the amount of cropland idled by annual price support programs declined from 9.7 million acres in 1988 to 4.3 million acres in 1989.

The remaining 29.8 million acres of cropland idled from production by federal programs in 1989 were the result of long-term commitments of landowners who have enrolled in the Conservation Reserve Program. The CRP began in 1986 and has grown each year in line with the program's legislative goal of enrolling a minimum of 40 million acres by the end of 1990. The CRP provides annual rental payments to landowners who voluntarily retire highly erodible and other environmentally critical land from production for a period of

Cropland idled by federal programs declined in 1989



SOURCE: U.S. Department of Agriculture

10 years. It also provides technical assistance and cost sharing payments up to 50 percent of the cost of establishing a soil conserving cover crop on the land retired.

Total enrollment in the CRP has now reached 33.9 million acres, of which about 4.1 million acres will initially be idled from production in 1990. CRP enrollment in District states has reached 3.8 million acres, with over half of that amount located in Iowa. Annual rental payments on CRP acreage have risen in the more recent enrollment periods, averaging \$51.01 per acre for the 5.8 million acres accepted into the program during the two enrollment periods held in 1989. For all land enrolled in the CRP, the annual rental payment now averages \$48.93 per acre. That translates into an annual government payment to CRP landowners of about \$1.7 billion. Among the five states of the Seventh Federal Reserve District, annual rental payments on CRP land range from \$58.88 an acre in Michigan to \$81.00 an acre in Iowa. The annual CRP rental payments to all CRP landowners in the five state region, now approximates \$286 million, equivalent to about 17 percent of the nationwide total.

Whether the total amount of cropland to be idled by federal programs declines again in 1990 is somewhat uncertain. Undoubtedly, the amount of acreage that will be idled under annual price support programs will decline further in 1990. Although set-aside requirements for feed grain program participants are

unchanged, those for wheat and cotton program participants have been relaxed considerably for 1990 due to tightening market supplies. The basic set-aside requirement for both the 1990 wheat and cotton programs has been cut in half. In addition, a new option for 1990 will allow wheat farmers to further reduce, or eliminate, their set-aside requirement by planting up to 105 percent of their wheat base acreage in exchange for giving up a portion of their deficiency payments. These changes suggest that the acreage likely to be idled under the 1990 wheat and cotton programs will be less than half of the 13.2 million acres idled by the two programs in 1989.

While the amount of acreage to be idled under price support programs will decline in 1990, it is unclear to what extent the continuing gains in CRP-idled acreage will be offsetting. As a minimum, the amount of CRP-idled cropland will rise by 4.1 million acres in 1990 (the difference between the 29.8 million acres idled in 1989 and the current CRP enrollment of 33.9 million acres). Any additional growth in CRP-idled acreage in 1990 will hinge on future enrollments and whether those enrollments become effective in 1990 or in 1991.

Most analysts believe that the USDA will permit future enrollments to enable the CRP to reach the legislative goal of a minimum of 40 million acres. In past years, two enrollment periods were held annually, one in February and one in July. As yet, no plans for a 1990 enrollment have been announced. But because of budget concerns, and concerns about pulling too much wheat acreage into the CRP while supplies are tight, many observers believe that the bulk of any additional CRP enrollments will come in the latter half of 1990. If that is the case, a proportionately large share of any 1990 CRP enrollments may not become effective in terms of idling additional acres until 1991.

Gary L. Benjamin

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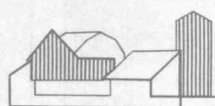
Selected Agricultural Economic Indicators

	Latest period	Value	Percent change from		
			Prior period	Year ago	Two years ago
Receipts from farm marketings (\$ millions)					
Crops*	July	12,269	-1.9	1	11
Livestock	July	5,593	-2.1	-1	52
Government payments	July	6,473	-1.2	4	1
	July	203	-13.6	-40	-80
Real estate farm debt outstanding (\$ billions)					
Commercial banks	June 30	15.0	3.1 [†]	8	18
Farm Credit System	September 30	26.5	-0.5 [†]	-8	-14
Life insurance companies	June 30	8.68	-0.9 [†]	-2	-10
Nonreal estate farm debt outstanding (\$ billions)					
Commercial banks	June 30	29.1	8.2 [†]	2	1
Farm Credit System	September 30	9.70	2.6 [†]	4	-2
Interest rates on farm loans (percent)					
7th District agricultural banks					
Operating loans	October 1	12.19	-1.9 [†]	4	8
Real estate loans	October 1	11.34	-1.8 [†]	3	6
Commodity Credit Corporation	January	7.75	-1.6	-13	9
Agricultural exports (\$ millions)					
Corn (mil. bu.)	October	3,012	0.0	-9	12
Soybeans (mil. bu.)	October	178	52.8	1	28
Wheat (mil. bu.)	September	18	-1.5	-33	-70
	October	93	-41.5	-9	-11
Farm machinery sales^D (units)					
Tractors, over 40 HP	November	4,484	-28.4	22	30
40 to 139 HP	November	2,731	-25.9	6	13
140 HP or more	November	1,753	-32.1	61	69
Combines	November	965	-43.5	58	0

*Includes net CCC loans.

[†] Prior period is three months earlier.

^P Preliminary



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FEDERAL RESERVE BANK OF CHICAGO
Public Information Center
P.O. Box 834
Chicago, Illinois 60690

(312) 322-5111



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