



National
Foreign
Assessment
Center

World Grain Supply/Demand Outlook for 1978/79

An Intelligence Assessment

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*Central Intelligence Agency
National Foreign Assessment Center*

December 1978

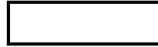
Key Judgments

- World grain supplies for 1978/79 are more than adequate to meet high levels of consumption and trade for both wheat and coarse grains.
- Despite expected record exports in the marketing year ending 30 June 1979 (MY1979), total grain stocks held by exporters will show a moderate increase by mid-1979; the US share of wheat stocks will drop and that of coarse grains will rise.
- Foreign demand for US wheat, currently stronger than a year ago, can be expected to slack off by January 1979 as larger supplies of Southern Hemisphere wheat become available and the European Community (EC) continues to subsidize wheat exports. US exports could still exceed last year's level by over a million tons in MY1979.
- Demand for US exports of corn in MY1979 should remain stable unless Soviet and Chinese demand exceeds expectations, while total world trade should show a slight increase.
- A Soviet harvest of 235 million tons is not expected to reduce MY 1979 imports much below 15 million tons if livestock production plans are implemented and stocks are not drawn down.
- Less is known than a year ago about Soviet intentions for purchasing US grain above the Long Term Agreement (LTA) minimum of 6 million tons. In the year ending 30 September 1979, our estimate puts total US deliveries at about 8.5 million tons. Estimates of individual major US exporters vary from 6 to 11 million tons.
- Chinese imports of large amounts of US grain—over 6 million tons—for the first time since MY1975 will largely offset the expected cutback in Soviet imports this marketing year.
- The EC is using export subsidies on a large scale in order to move mounting stocks of wheat and barley. This action will lead to increased competition in traditional markets of the US and other exporters.

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- US export prices for wheat and corn are expected to remain above last season and relatively stable through early 1979. Although Southern Hemisphere supplies could exert downward pressure on prices, it will be moderated by strong foreign demand.

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World Grain Supply/Demand Outlook for 1978/79

World Grain: A Bumper Year

World grain¹ production for 1978/79 is forecast by the Office of Economic Research of CIA at a new high of 1,160 million tons, 80 million tons above last year and 40 million tons above the previous record set in 1976/77. The USDA and FAO are also predicting a record output. Gains are equally divided between the categories of wheat and coarse grains.² Production is expected to equal or exceed that of last year in every major region of the world. The EC and the USSR will register the largest gains. A larger area sown to grain and very favorable growing conditions are the major factors underlying this optimistic global production forecast. Although the estimates of Northern Hemisphere crops are relatively firm, those for Southern Hemisphere producers are still very tentative.

Plentiful grain supplies, rising incomes and population in LDCs, and expanding livestock programs will push consumption of both wheat and coarse grain to new highs in the marketing year ending 30 June 1979 (MY1979). Consumption will still be less than production, particularly for coarse grains. In turn this will permit an addition to Free World stocks for the sixth consecutive year. It is also possible that a significant addition to Soviet wheat stocks may occur and possibly a small addition to Chinese stocks, if their level of imports approximates our forecast. The large addition of coarse grain (mostly corn) to US stocks will more than offset an estimated 20-percent decline in US wheat stocks; the US share of Free World stocks will stay at 40 percent.

Despite an outstanding production year, we forecast global grain trade in MY1979 to be slightly above the previous high of 156 million

¹ Total grain as used in this report excludes rice.

² Coarse grains include corn, sorghum, barley, oats, rye, millet, and miscellaneous grains.

tons in MY1978. Import demand for wheat will be down less than a million tons, and that for coarse grains will rise about 2 million tons to record levels. The US export share of the world grain market is expected to hold at about 45 percent for wheat and decrease from 66 percent to 62 percent for coarse grains.

We foresee grain export prices remaining relatively stable through the early part of 1979, if Soviet and Chinese buying develops as expected. A large portion of the current US harvest is being stored and released slowly to the market by farmers, thereby reducing the normal downward price pressure during the fall harvest. Southern Hemisphere and European selling of wheat and coarse grains should tend to limit advances. Downward pressure on prices can be expected, however, if exporter supplies turn out to be larger than now forecast. The reported strength in prices from the increase in speculative and hedge buying related to inflation and to the US dollar's weakness has diminished at least temporarily.

US Government programs to decrease production in 1979 and remove stocks from normal commercial channels will place a floor under the market. Aside from the selling decisions of US farmers, these programs will have little effect on prices before the second quarter of 1979 when farmer participation in government programs to cut acreage and 1979 prospects for grain crops here and worldwide become better known.

Record Wheat Production and Consumption

We now expect a record 1978/79 world wheat crop of 425 million tons—a 10.4-percent increase over last year and 35 million tons larger than our June forecast.³ The UN Food and Agriculture Organization, the International Wheat Council (IWC), and the US Department of Agriculture

³ See *The Economic Intelligence Weekly*, 8 June 1978.

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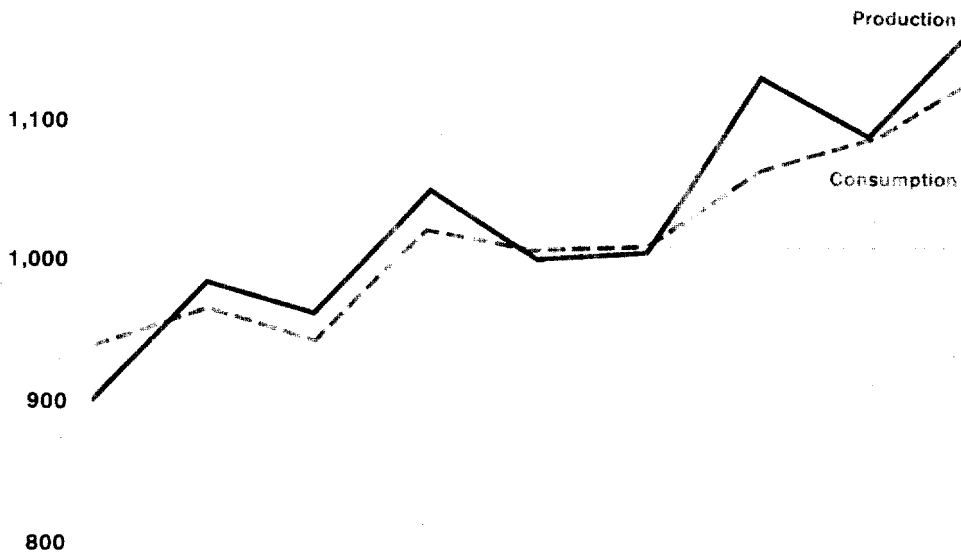
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World Wheat and Coarse Grain¹ Supplies

Figure 1

Million Metric Tons

1,200



Free World End-of-Year Grain Stocks

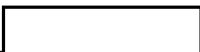
Million Metric Tons

200



1. Includes corn, sorghum, barley, oats, millet, rye, and miscellaneous grains.

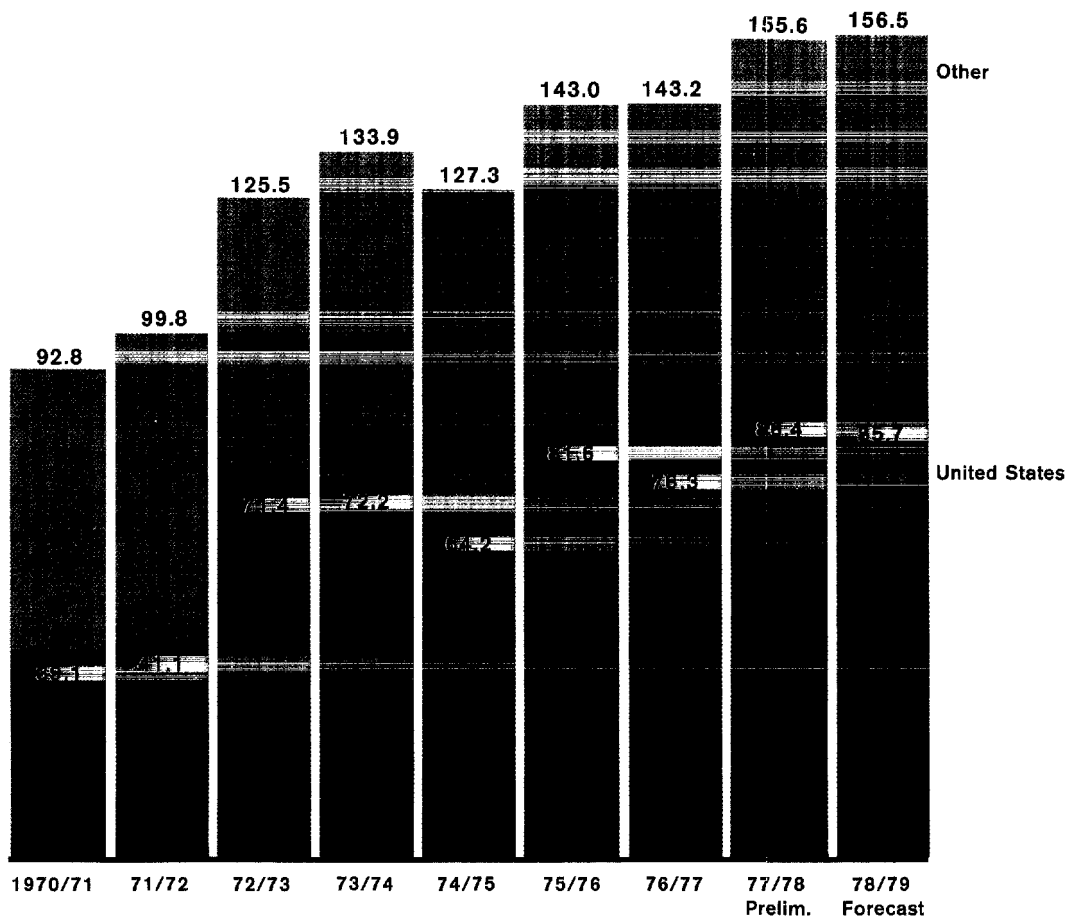
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World Wheat and Coarse Grain¹ Exports²
Million Metric Tons

Figure 2



1. Includes corn, sorghum, barley, oats, millet, rye, and miscellaneous grains.
2. Marketing year beginning 1 July.

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are estimating increases of about 9 percent. Since June, production estimates have risen for every region except Eastern Europe.

A combination of very favorable growing conditions and expanded acreage have resulted in higher wheat output for most major producing countries in the Northern Hemisphere, except for the United States (see table 1). A 12-percent cut in US production—the impact of national farm policy—will be more than offset by bumper harvests in the USSR and Western Europe, which together produced 30 million tons more wheat than a year ago. However, excessive rain at harvest time in these areas has resulted in a large amount of low-quality wheat.

Southern Hemisphere prospects still look much better than a year ago. Two major exporters—Argentina and Australia—this month start harvesting wheat crops that are estimated by several observers to be in the range of 35 to 55 percent larger than the drought-reduced ones of last year. The widest range exists on the outcome of the Australian harvest—12.5 to 14.8 million tons. In South America, Ecuador is the only country suffering from drought for the second consecutive year; Brazil's output will be up less than expected because of cuts in sown acreage.

Although we are projecting a large increase in world wheat consumption for MY1979, it will fall short of the gain in production. This situation should result in a moderate addition to global stocks, which were drawn down last season. Wheat consumption at a new high of 415 million tons represents an increase of 5.6 percent and exceeds the long-term trend for the third consecutive year. The increase is partly explained by the larger harvests in the developing countries and China plus continuing high levels of wheat imports. China accounts for over a third of the projected 22-million-ton increase in global consumption. Chinese increases in consumption will be for humans, not animals. Smaller feed usage in the United States will be balanced by larger feed usage in the EC and the Soviet Union. The current price spreads between quality wheat and coarse grains do not favor expanding feed use of wheat in most countries, particularly if it must be imported (see figure 3).

World Wheat Import Demand Strengthens

Developments since June suggest that world trade in wheat for MY1979 will be only slightly below the estimated record 72.4 million tons shipped in MY1978. We are now forecasting global import demand at 71.6 million tons; 5.5

Table 1

World Wheat Production ¹

	Million Metric Tons					
	1973/74	1974/75	1975/76	1976/77	1977/78 ²	1978/79 ³
Total	378.6	362.1	353.1	420.2	385.3	425.5
Argentina	6.6	6.0	8.6	11.0	5.3	7.5
Australia	12.0	11.4	12.0	11.7	9.4	13.0
Canada	16.2	13.3	17.1	23.5	19.6	20.7
Eastern Europe	31.5	33.9	28.4	34.2	34.1	33.3
India	24.7	21.8	24.1	28.8	29.1	31.0
United States	46.6	48.5	57.8	58.3	55.1	48.4
USSR ⁴	109.8	83.9	66.2	96.9	92.2	114.0
Western Europe	50.8	56.7	48.5	50.6	47.7	57.9
Other	80.4	86.6	90.4	105.2	92.8	99.7

¹ Includes all harvests occurring within the July-June year indicated, except those of the early harvesting period in the Northern Hemisphere, which are moved forward—that is, the May 1977 harvests of India, North Africa, and the southern United States are included in the 1977/78 period, which began on 1 July 1977.

² Preliminary.

³ Forecast.

⁴ "Bunker weight" basis; not discounted for excess moisture and dockage.

Export Prices: US Grains C.I.F. Rotterdam

Figure 3

US Dollars per Metric Ton

170

160

150

140

130

120

110

100

90

1977

78

79

Wheat-Hard Winter
Wheat-Dark Northern
Spring

Corn,
Sorghum



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million tons more than our June forecast. The IWC and the USDA trade forecasts have also trended up over the past quarter to highs of 69.5 million tons and 72.6 million tons, respectively.

The most significant development has been China's larger-than-expected purchases of wheat; these could push the Chinese MY1979 total imports above last year's level of 8.6 million tons. Other Asian countries increasing wheat purchases are Pakistan, Bangladesh, and Indonesia. Thus, on balance, Asia will import as much wheat as in MY1978 even though Middle Eastern imports (included in the Asian total) will be down because of improved harvests. South America is the only region where imports should be noticeably larger this marketing year, because of insufficient production gains in Brazil and Chile. The increase, however, will not offset the projected decline in West European and Soviet imports of over 3 million tons (see table 2).

Our estimate of global import demand for wheat could be on the low side if the European Community (EC) and Canada choose to offer some of their surplus low-quality wheat at prices competitive with coarse grains. Such a pricing policy might induce East European countries and the USSR to replace corn and barley with wheat

in feed rations. Some less developed countries (LDCs) may also import larger quantities of lower quality wheat to build stocks if it is favorably priced. So far neither Canada nor the EC has cut prices enough to compete with corn or barley, although they have been aggressively marketing wheat. The EC, for example, has been undercutting US wheat by over \$5 per ton in South American markets by subsidizing exports.

Exporter Supplies Adequate

We expect that the five major exporters will have about the same amount of wheat available for export and/or stocks in MY1979 as in the previous year. Increases in production and lower domestic consumption this marketing year by most exporters should offset their smaller carry-over stocks on 1 July 1978 than a year ago (see figure 4). In addition, smaller exporters such as Turkey and India again have surplus grain for export. Therefore, estimated supplies of 200 million tons are more than enough to meet our current projection of world import demand of nearly 72 million tons for MY1979.

Wheat stocks in the major exporting countries on 1 July 1978, estimated at nearly 60 million tons, were down 5.9 million tons from the high

Table 2

World Import of Wheat and Flour, by Region¹

	Million Metric Tons						
	1973	1974	1975	1976	1977	1978 ²	1979 ³
Total	68.0	63.1	63.4	66.4	61.0	72.4	71.6
Europe	26.7	16.9	13.0	21.7	17.0	19.3	16.0
Western Europe ⁴	7.8	7.0	6.4	6.6	6.0	7.7	6.3
Eastern Europe	3.9	5.5	3.8	4.9	6.2	4.6	4.5
USSR	15.0	4.4	2.8	10.2	4.8	7.0	5.2
Western Hemisphere	8.8	9.1	7.4	8.8	8.1	9.9	11.5
North and Central America	2.4	2.6	2.7	2.0	2.1	3.0	3.0
South America	6.4	6.5	4.7	6.8	6.0	6.9	8.5
Asia	24.4	28.0	33.5	26.0	25.8	31.5	32.3
Middle East	2.6	4.0	6.1	3.3	4.7	6.5	5.8
Far East	21.8	24.0	27.4	22.7	21.1	25.0	26.5
Africa	7.1	8.5	9.0	9.5	9.8	11.6	11.7
Oceania and unspecified	1.0	0.6	0.5	0.4	0.3	0.1	0.1

¹ Marketing year ending 30 June of stated year.

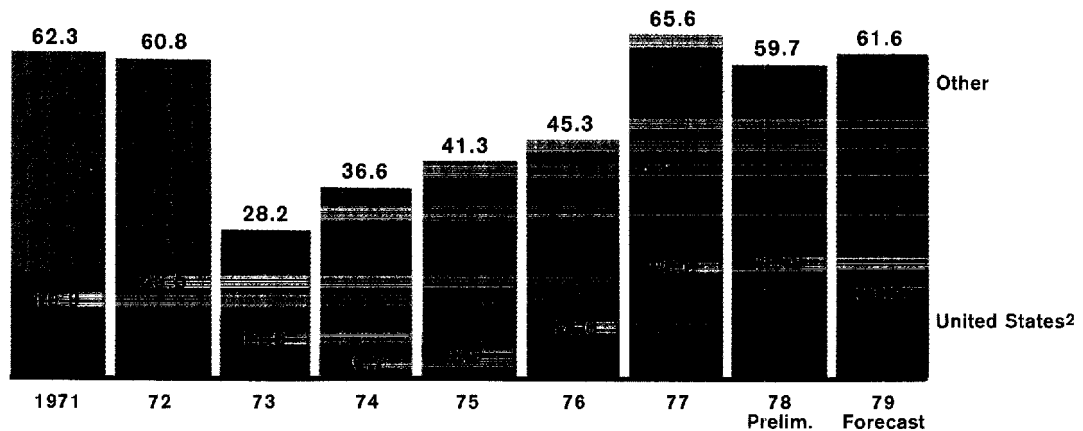
² Preliminary estimates.

³ Forecast.

⁴ Excluding intra-EC trade.

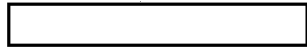
Wheat: Estimated Stocks of Five Exporters¹ as of 1 July
 Million Metric Tons

Figure 4



1. Argentina, Australia, Canada, the EC, and the United States.
 2. Excludes new crop of wheat harvested in June.

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level of a year earlier—the first drop in five years. US stocks, on the other hand, increased and represented about 45 percent of total exporter carryover supplies. While commercial or “free” supplies are still relatively large, US loan and grain reserve policies are building farmer-held inventories of wheat that are not releasable at current prices. An estimated 36 percent of the total US stocks on 1 July 1978 were in the latter category; 1.4 million tons have since been added. The national price of wheat at the farm will have to rise roughly 10 percent over current levels before wheat can be sold from this reserve.

The relatively high level of trade projected for MY1979 will not require a drawdown in total stocks of wheat exporters by 30 June 1979. A small addition may occur and among the exporters we project a reversal of the stock changes experienced in MY1978. In the current market-

ing year the US and to a lesser extent Canadian stocks will decrease, while those of all other exporters will increase, most significantly in the EC (up over 3 million tons). The success of the EC’s export subsidy program will determine the size of their additions to stocks. For the United States, we are now projecting a 20-percent or 5.6 million-ton drop in wheat stocks. We expect the US share of exporter stocks to fall from 45 to 35 percent by next July.

Strong Foreign Demand for US Wheat

We are now forecasting that US exports of wheat and flour in MY1979 could set a new high—in the range of 32.4 to 34.3 million tons—and exceed the previous record of MY1973. USDA’s last published forecast was 31.0 million tons. We have raised our export forecast 5 million tons since last June because of: (a) an

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increase in total global import demand, (b) unexpected large Chinese purchases of US wheat, (c) downward revision of likely Australian and Canadian shipments, and (d) increased recognition by importers of the United States as a dependable rather than just a residual supplier.

Demand for US wheat is forecast to be significantly down from MY1978 only in Western and Eastern Europe. China's purchases of over 3 million tons will push US exports to Asia up sharply. Only minor import changes are forecast for other regions.

A number of uncertainties surround any forecast of US wheat exports made this early in the marketing year, and the most important one may be the magnitude of EC exports. The EC, faced with large surplus stocks after this year's wheat harvest, could choose to boost exports by 3-5 million tons and still have adequate stock carry-over next 30 June. The Community has already made the policy decision to aggressively sell wheat in international markets with the help of export subsidies. The quantity of wheat the EC hopes to market and the financial burden it will underwrite are still unknown. So far 1.5 million tons have been put out on tenders eligible for export restitutions, but only 900,000 tons sold. In recent weeks, traders indicate they now need higher export subsidies than those offered (\$110 to \$115 per ton).

In spite of the export subsidies, we believe that it will be difficult for the EC to push exports of

wheat and flour much over 7 million tons in MY 1979, up 2 million tons from last season. To do so means expansion into new markets—Asia and South America—on a large scale, which we doubt can be done in the next six months. Any success the Community has in expanding sales above this level will adversely impact not only on sales of US wheat but those of other exporters as well.

Shipments of US wheat in the first quarter of this marketing year ran 20 percent ahead of a year ago. We do not expect the shipment rate to taper off much before December, when Australian and Argentine wheat, currently in short supply, will become available in larger quantities. Larger supplies of EC wheat also will be available throughout 1979. Although this means the international market will be much more competitive during the second half of MY1979, the chance of the United States holding its annual market share appears relatively good. It is favored by fewer logistic problems in moving grain for export, a good supply of high-quality wheat, potential deliveries yet to be made to China and the USSR, and use of PL-480 and Commodity Credit Corporation programs.

Bumper Coarse Grain Crops Here and Abroad

World coarse grain production in 1978/79 is estimated at a new high of 737 million tons, 43 million tons over 1977/78. We forecast that foreign production of 524 million tons, almost 7

Table 3

World Exports of Wheat and Flour, by Source ¹

	Million Metric Tons						
	1973	1974	1975	1976	1977	1978 ²	1979 ³
Total	68.0	63.1	63.4	66.4	61.0	72.4	71.6
Argentina	3.5	1.1	2.2	3.1	5.6	2.5	2.5
Australia	5.6	5.5	8.0	8.1	8.3	11.0	7.0-7.5
Canada	15.6	11.7	11.2	12.1	12.9	15.9	15.0-15.5
EC ⁴	6.5	5.5	7.1	7.7	3.9	5.2	7.0-7.5
USSR	1.3	5.0	4.0	1.0	1.6	1.0	1.2
United States	31.8	31.1	28.3	31.5	25.7	31.3	32.4-34.3 ⁵
Other	3.7	3.2	2.6	2.9	3.0	5.5	4.6-5.0

¹ Marketing year ending 30 June of stated year.

² Preliminary.

³ Forecast.

⁴ Excluding intra-EC trade.

⁵ US as residual supplier.

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percent over levels of 1977/78, will account for 80 percent of the total world increase in 1978/79. On the other hand, the increase in world corn production to a record 358 million tons is dominated by the bumper US harvest, up 13.2 million tons over last year to a total of 175 million tons (see table 4).

Expanded plantings and excellent yields have pushed up West European coarse grain production to 92.6 million tons, 6 percent over the previous record set last year. Although the EC's crop of 68.4 million tons, including more than 40 million tons of barley, shows the greater rise, other West European production is also up. Rainy late-season weather in the south, which damaged corn the most, has prompted a cut in our estimate of Eastern Europe's coarse grain production to 58 million tons, 1.4 million below last year. The Office of Geographic and Cartographic Research of CIA forecast the USSR coarse grain harvest at 108 million tons—more than 17 percent above last year, but not enough to match the 1976/77 record of almost 115 million tons. While other kinds of grain are up compared to last year, the Soviet corn crop is expected to drop slightly, to about 10 million tons. Thailand has had a much improved growing season compared to last year's disaster, and recent heavy rains caused little loss to the important corn crop.

We expect 1978/79 corn production to fall in Argentina and South Africa, the two largest

Southern Hemisphere exporters. Although the planted area in both countries should approximate that of last year, yields are not likely to match last year's impressive levels. The same holds for Argentine sorghum production, which is expected to fall 13 percent, to 6 million tons. On the other hand, Brazil's corn harvest should rebound to near the long-term trend following last year's drought-reduced yields. Australia's crop outlook is also vastly improved due to better weather; barley production is officially forecast to reach 3.7 million tons and sorghum 1.2 million tons, increases of 55 and 115 percent respectively.

Another Record Year for Consumption

We expect world use of coarse grain in MY1979 will be up 3 percent because increased supplies and relatively attractive prices will combine to encourage their use in expanding livestock production. The increase represents a continuation of growth since MY1976, despite the less optimistic forecast for some nations—due partly to the sluggish economic situation. Corn consumption is estimated to rise almost 3 million tons, to 332.5 million tons in MY1979. We still expect West European use of coarse grains to be up 2 percent in MY1979—to almost 109 million tons—even though their usage is impeded by a good forage harvest, greater feed use of wheat, and a slightly lower growth rate outlook in livestock industries. This increase will occur largely in non-EC countries, while Community use of coarse grains will continue to be dampened by competition from imports of levy-free grain substitutes.

East European use of coarse grains may drop 1 million tons in MY1979. Production losses are not expected to be fully offset by imports, partly because of larger forage supplies in the northern countries. In the USSR, grain feeding rates were up sharply in the past two years, and, with a continued push to expand livestock production, a further increase is expected this year. Growth in Latin American use of coarse grains in MY1979 is expected to be less than normal due to lower supplies in Brazil. Although consumption growth will slow in the principal non-Communist Asian countries, we still foresee an increase of almost 8

Table 4

World Corn Production¹

	Million Metric Tons			
	1975/76	1976/77	1977/78 ²	1978/79 ³
Total	322.0	337.1	340.5	358.2
Argentina	5.8	8.3	9.5	8.3
South Africa	7.3	9.7	10.1	9.4
Brazil	17.9	18.8	14.3	19.0
Thailand	3.1	2.8	2.1	3.0
European Community	14.1	11.4	15.6	16.0
Eastern Europe	29.9	29.8	29.8	27.0
United States	148.1	159.2	161.8	175.0
Other	95.8	97.1	97.3	100.5

¹ Year runs from 1 July through 30 June.

² Preliminary.

³ Projected.

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percent. With a good crop and the big jump in corn imports, China's use of coarse grains will be up. Although less optimistic than earlier, the USDA projects US coarse grain consumption in MY1979 will rise more than 5.5 percent to 144.5 million tons.

Import Demand Continues to Climb

World coarse grain imports have grown steadily over the last four years and in MY1979 are forecast to reach a record 85 million tons, 1.7 million tons above imports for MY1978. Corn imports, which in recent years have represented about 70 percent of total coarse grain trade, will reach an estimated 60.2 million tons in MY1979, 1 million tons above the level for MY1978 (see table 5).

Western Europe's abundant supplies and a continued competition from grain substitutes in the EC will depress coarse grain import demand by more than 6 percent. Higher imports by the southern tier of countries in Eastern Europe will be more than offset by lower demand from the two largest importers, Poland and East Ger-

Table 5

	World Corn Trade ¹			
	Million Metric Tons			
	1976	1977	1978 ²	1979 ³
Imports	52.5	54.3	59.2	60.2
European Community ⁴	13.5	18.6	12.9	12.1
Other Western Europe	5.5	7.3	7.9	7.6
Eastern Europe	4.9	5.1	4.3	4.1
USSR	11.9	4.9	11.2	8.5
Western Hemisphere	3.3	3.2	4.2	5.2
Asia	12.1	13.8	16.9	20.8
Africa	1.3	1.4	1.8	1.9
Exports	52.5	54.3	59.2	60.2
Argentina	2.6	4.4	6.0	6.0
Brazil	1.4	1.2	0.8	0.4
South Africa	3.2	1.3	2.7	3.7
Thailand	2.4	2.1	1.2	2.1
Eastern Europe	2.0	1.3	1.5	1.0
United States	40.0	42.8	45.6	45.4
Other	0.9	1.2	1.4	1.6

¹ Marketing year ending 30 June of stated year.

² Preliminary.

³ Projected.

⁴ Excludes intra-EC trade.

many. Although we expect further expansion in the livestock industries of these latter two countries, shortages of hard currency and Western credit will hold down coarse grain imports. This also could shift some purchase of corn to barley and other cheaper grains.

Despite a much improved harvest in the USSR, we still expect Soviet imports of coarse grains in MY1979 to be about 9 million tons, only 2.5 million tons less than last year. This level is based on continued expansion of livestock production according to plan.⁴ Corn is forecast to account for about 8.5 million tons of the total, with 6.5 million tons from the United States—2.7 million tons below US shipments during MY1978.

A number of factors point to smaller Soviet imports of US corn in MY1979.

- Shipments of US corn to the USSR during the fall and early winter will be less than last year.
- Total import requirements are down, and the USSR can obtain as much corn from other sources as in MY1978.
- Even though the Soviets are permitted to take up to 12 million tons under the LTA year ending 30 September 1979, only about 1 million tons have been shipped or registered.
- Noneconomic considerations and the lower prices of other coarse grains may also depress demand for US corn.

Factors which may partially offset these considerations are the widely perceived Soviet preference for corn and the lower shipping costs from US ports.

Were the USSR's harvest next year to be no better than average, however, Soviet import needs during the third quarter of 1979 would rise, and the prognosis for US exports of corn to the Soviets in the current LTA year would be more optimistic.

⁴ See the forthcoming Office of Economic Research report, *USSR: Long-Term Outlook for Grain Imports*, for more detail on Soviet grain feeding requirements.

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The PRC's reemergence as a significant corn buyer highlights Asian market developments. We estimate Chinese imports will be 3.6 million tons in MY1979, with 3 million tons coming from the United States. Because most of this is for human consumption and because of the increasing price advantage of corn relative to wheat, total corn imports could go even higher. The United States should be the primary beneficiary of further Chinese imports during the next five months, and beyond, if Argentina's supplies are less than expected. Due to slower expansion in livestock feeding requirements, corn imports by the traditional big three Asian importers (Japan, Taiwan, and South Korea) are expected to be up only slightly in MY1979, and US shipments to Japan may fall.

Plenty of Exportable Supplies

Even with the expected growth in demand for grain, the pressures of abundant exportable supplies in the market are already noticeable. Competition among exporters and between the individual coarse grains is keen; the availability of low priced feed-quality wheat may also become a factor. The 1.7-million-ton increase in total coarse grain trade is estimated to be about equally split between corn and the aggregate of all other coarse grains. However, export policies by the EC and others concerning barley—already priced \$10 to \$15 per ton under corn—could result in smaller corn sales.

The major Southern Hemisphere corn exporters increased their MY1978 shipments by almost 38 percent, with big jumps in Argentina and South Africa offsetting Brazil's drop (see table 5). South Africa will be solely responsible for the expected small rise in the Southern Hemisphere exports in MY1979. This forecast of a rise in Southern Hemisphere exports may be altered as better information on crop projections become available in early 1979. Although we expect Brazil to again be a net exporter after its harvest next spring, the greatest portion of this grain export will move in MY1980.

Thailand's projected higher shipments for MY1979 will be destined for its traditional

Asian markets. This, along with the availability of more South African corn, makes for greater competition in the Asian market. The big US corn sales to China increase the US share in this important market. Eastern Europe and EC corn exports to third countries will be insignificant.

Barley exports from the EC, Canada, and Australia could exceed 11.0 million tons in MY1979, compared to 9.0 million tons in MY1978. The EC, as in MY1978, is again encouraging barley exports by providing high subsidies. The EC's willingness to subsidize exports, Canadian and Australian grain export decisions, and importer preferences will be decisive factors in determining how much barley moves into world markets. In Canada especially, where the use of export capacities are near maximum, a determination to ship more barley could mean a reduction in wheat shipments. Wheat price premiums over barley have increased, and this would appear to favor wheat exports. However, pressures to move farmer-held barley could be offsetting. Due to lower production prospects, exports of Argentine sorghum—also expected to be priced under corn—are projected to be slightly under the 4.2 million tons shipped in MY1978.

Stocks, More and More and . . .

We estimate Free World coarse grain stocks at the end of 1978/79 will top 100 million tons for the first time and could approach 110 million tons, depending on the success of the EC, Australian, and Canadian export programs (see figure 5). The increase in world stocks has occurred due largely to an astounding 140-percent growth in US stocks, primarily corn, over the last five years. During 1978/79 we predict nearly a one-third increase in US stocks, to a total of 53 million tons. As of 17 November 1978, US farmer-owned stocks of corn under the government reserve program exceeded 13.2 million tons. They will not be available to the market until farm prices reach \$2.50 per bushel, or 25 percent above current levels. The increase in Free World grain stocks since 1972/73 has been largely due to the steady rise in coarse grain supplies. Non-US Free World exporter stocks are

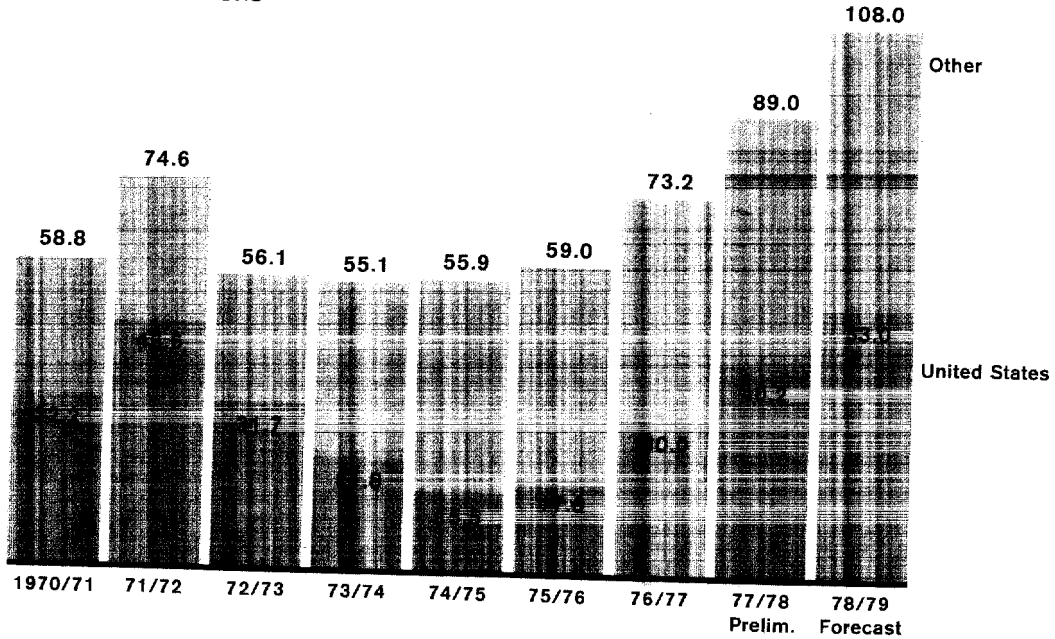
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Free World Coarse Grain Stocks¹
Million Metric Tons

Figure 5



1. Local marketing years.

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concentrated in Canadian and EC barley. Despite rising exports, these stocks are still likely to increase. Brazil's corn stocks could almost double during 1978/79, to over 1.5 million tons.

Foreign Demand for US Corn Down

USDA estimates of this year's US corn crop have risen steadily since early summer and the latest is for a record 175 million tons, 13.2 million tons over last year. We expect foreign demand for US corn in MY1979 will be 45.4

million tons, slightly below last year. Increased exports to Asia and the Western Hemisphere, most notably China and Brazil, will be offset by declines in exports to Europe and the USSR.

For the official US crop year ending 30 September 1979, we concur with the USDA corn export estimate of 48.3 million tons, compared to 49.5 million tons in the 1977/78 crop year. This leaves stocks on 30 September 1979 at 39 million tons, a 44-percent rise in 12 months, and the highest since 1963.

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