



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

October 4, 1975

WHEAT PRICE PROSPECTS

SINCE HARVEST, WHEAT PRICES HAVE BEEN DISAPPOINTING to producers in Illinois and other eastern Corn-Belt States. To begin with, much wheat was sold before Russia's feed grain shortage was reflected in market prices. Next, the spread between the prices of Chicago futures and those for soft red winter wheat were extremely wide. More recently, wheat had to be sold out of many country elevators to make space for corn and soybeans. As a result, farmers sold wheat at prices ranging mostly from \$3 to \$3.50 per bushel, compared to \$3.50 to \$4 received in the western Wheat States.

The prices for soft red winter wheat have been low in relation to the Chicago futures and other classes of wheat because the crop was huge, the demand for it was and still is uncertain, and the Chicago futures market is attempting to reflect the national and even the world supply and demand prospects for all kinds of wheat.

The 1975 U.S. crop of soft red winter wheat is 347 million bushels, by far the largest on record, and is 2-1/2 times the 135 million bushels we normally use for pastry flour and seed. On the assumption that discounts for garlick and strong corn prices will result in about 50 million bushels of this wheat being fed to livestock and poultry, USDA economists estimate that 178 million bushels will be available for exports and carryover.

As of September 7, the 1975-76 soft red winter wheat exports already totaled 46 million bushels--with another 53 million of outstanding sales reported. This leaves 60 to 65 million bushels which will need to be exported in order to avoid burdensome carryout stocks and permit the prices of soft red winter to equal those of hard red winter. Even though soft red winter is much cheaper to foreign buyers than any other class of U.S. wheat (including southwest yellow hard which is also discounted), there is only a chance that exports will be large enough to clear the market of this year's crop. Most foreign buyers want a bread flour wheat such as hard winter and hard spring wheat.

In 1974-75, the U.S. exported a record 144 million bushels of soft red winter wheat, but over one-third--or 47 million--went to the People's Republic of China. They have large crops this year, and are not expected to buy any U.S. wheat. The

hope for soft red winter wheat exports this year is that many small importers, and larger ones, such as India, Pakistan, Bangladesh and the Eastern European Countries will take a cheaper, low-protein wheat.

The size of potential soft red winter wheat carryout stocks will continue to affect the price difference between hard and soft wheat, but this difference may narrow if the movement slows down from the country to processors and terminal markets. At present stocks of soft red winter wheat at Chicago and St. Louis are more than double those of a year ago.

The general price level for wheat, however, will be determined by the size of exports and potential carryover stocks of all U.S. wheats. With maximum exports of 1,350 million bushels anticipated by USDA, we will see a modest rebuilding of U.S. wheat inventories and prices probably will remain near current levels. Market prices will weaken if exports lag and if carryout stocks of 500 to 600 million bushels appear likely, unless 1976 crop prospects are not good.

L.F. Stice, Extension Economist

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

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101



Official Business
Penalty for private use, \$300

10/75-17,125

FIRST CLASS