ILLINOIS FARM AND FOOD OUTLOOK
COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

*Urbana, Illinois 61801* *September 1, 1976*

# MORE WHEAT WILL BE FED

LAST FEBRUARY, DECEMBER WHEAT FUTURES AT CHICAGO sold at a premium of $1.40 per bushel over December corn futures. In July, the premium was $1.20. Since then, it has declined to less than 50 cents, and may go lower.

The market is reflecting the probability that a large amount of wheat will need to be fed during the current crop year. This will happen only if the price of wheat is approximately equal to that of corn.

The U.S. supply of wheat is of record size. The crop was estimated at 2,096 million bushels on August 1, and the May 31 carryover was 665 million, for a total supply of 2,761 million bushels, up from last year's figure of 2,566 million.

The first claimants on wheat are the food and seed needs in the United States. These will require 635 million bushels in 1976-77. In addition, a minimum of about 75 million goes into feed each year, primarily because of low quality. This minimum domestic use is not price-sensitive. More wheat will not be used for food and seed at any price.

The next claimant is a minimum carryover: a level below which stocks cannot be reduced on May 31. This seems to be about 350 million.

Third in line is exports. Prior to 1972, exports ranged between 600 and 750 million bushels, with much of that under subsidy. During the past few seasons, wheat exports have ranged from 1,018 to 1,217 million bushels. Part of the huge increase has been associated with poor crops in other parts of the world, most notably in Russia in 1972 and a near disaster crop, also in Russia, in 1975. During the 1975-76 crop year, U.S. wheat exports were disappointing, while feed grain exports were larger than expected. This happened because wheat prices were substantially higher than those for corn, and much of the world uses wheat and coarse grain interchangeably.

The prospects for wheat exports during the year ahead are not very good by recent standards. The world wheat crop is currently forecast at 376 million metric tons, compared to 349 million in 1975. Wheat production outside the U.S. is forecast at 321 million bushels, compared to 291 million last year. World coarse grain production is forecast at 681 million, compared to 631 last year. Non-U.S. coarse grain production is expected to increase from 447 million last year to 481 in 1976. These major increases will cut into the markets for U.S. grains, particularly wheat.

How large the wheat exports will be for the balance of the crop year ending next May 31 is uncertain. The USDA is currently estimating 1,050 million bushels. But exports from June 1 through August 20 were down 42 million bushels, or 15 percent. Such a decrease projects to an annual total of 950 million bushels.

If exports of about a billion bushels and minimum domestic use of 710 million are subtracted from the available supply, a total of 1,051 million bushels would be available for feed and carryover. This is 700 million above minimum. The record nongovernment carryover was 665 million last May 31. The 700 million surplus will be divided between feed and carryover. Since the market and the farmers in particular are unlikely to carry 1,050 million, a large quantity of wheat will probably go for feed.

*Prepared for this newsletter by T.A. Hieronymus. Issued by M.B. Kirtley, Extension Economist, Livestock Marketing.*

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



9/76-19,200