



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE DEPARTMENT OF AGRICULTURAL ECONOMICS

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WHEAT POLICY: SURPLUS OR FEED?

IF THE U.S. WHEAT CROP materializes as indicated on May 1 and if world grain production is normal in 1977, either a lot of wheat will be used for feed or the government will own a large quantity of wheat by the summer of 1978. Decisions about price and income policy are being forced by last year's large world production.

The U.S. winter wheat crop was estimated at 1,477 million bushels on May 1--down 89 million, or 6 percent, from last year. The reduction is the result of reduced acreage. The national average yield was 31.6 bushels per acre, up 7 tenths of a bushel. Production in the Eastern Corn Belt States of Illinois, Indiana, and Ohio is estimated at 171.7 million bushels, compared to 195.8 million in 1976. Yield estimates are slightly higher. The reduction reflects a shift in acreage to soybeans, which are more profitable.

Acreage intentions for spring and durum wheat were estimated at 18.5 million on April 1. If the estimate is correct and if yields are normal, production may be about 580 million bushels, down 90 million from last year.

Wheat disappearance in 1976-77 has been disappointing. For the year ending May 31, food use will be at the normal figure of 555 million bushels, with seed use at about 88 million. Exports for the year may total 900 million bushels or less, compared to 1,173 million last year, which would be the smallest amount since 1971-72. Feed use during the June-December period of 1976 was quite small, despite low and declining prices. Wheat was held for higher price, some under loan. Feed use picked up in January-March to an estimated 120 million bushels, twice the year-before rate. Feed use in April-May continues to be large. The year-end carryover will be about 1,100 million bushels.

Taking production and carryover together, the total supply will be about 3,150 million bushels, up from 2,812 million last year and 2,137 million as recently as 1974. This large amount presents a serious disposal problem that will have to be solved by a major crop problem some place in the world, large feed use, a drastic reduction in acreage, or some combination.

The reduced U.S. wheat exports this year are the result of very large world grain crops in 1976. Wheat production outside the U.S. was 355 million metric tons,

compared to 292 million in 1972 and the previous record of 325 million in 1973. Coarse grain production outside the U.S. was 497 million metric tons. The previous record was 474 million metric tons in 1973. Wheat and coarse grains are used interchangeably for feed in much of the world.

A carryover in the U.S. of more than 600 million bushels is price-depressing. Should food and seed be normal during the year ahead and exports expand to 1,000 million, the feed availability will be 900 million bushels. The largest feed use during the past decade was 260 million bushels in 1971-72. Such is the dimension of the problem. This is the reason the price of wheat is below the price of corn in Illinois.

Left to market forces, the problem will be solved by greater exports, increased free carryover, large feed use, and an acreage reduction. However, lower prices for wheat than for corn will be required for a sustained period. This will be the case as long as world grain production remains high.

The conclusion of all this is that in 1977 a choice must be made between the market price route and the kind of government program followed before 1972.

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