



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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U.S. WHEAT PRODUCTION DOWN SHARPLY

THE USDA'S LATEST ESTIMATE ON WINTER WHEAT PRODUCTION shows a sharp drop from the high levels of the last several years. According to the USDA forecast, U.S. farmers will harvest 1.28 billion bushels of winter wheat in 1978. That's a reduction of 16 percent from last year.

If the U.S. spring wheat crop is reduced by the same percentage, our total wheat production for 1978 will be about 1.7 billion bushels, down from 2 billion in 1977. This would be the smallest U.S. wheat crop since 1972.

Reduced crop prospects have resulted from a combination of poor planting conditions last fall and participation in the government's set-aside program. Wet autumn weather across the Corn Belt hampered last year's field operations to the point that wheat plantings were cut dramatically. In 1976, under much better conditions, Corn Belt farmers planted 6.2 million acres of wheat for harvest in 1977. This year, only 3.8 million acres of wheat will be harvested in the Corn Belt, or a reduction of about 40 percent.

Conditions were also wet last Fall out in the Great Plains, but not wet enough to preclude wheat planting in most areas. The wheat acreage in Colorado, Kansas, Nebraska, Oklahoma, and Texas was cut about 18 percent from last year. Most of this reduction probably came about because of program participation, although wet weather was also an influence.

As of the first week of May, U.S. wheat farmers had designated 7.1 million acres for set-aside under the program. This includes both winter and spring wheat land, but the majority is no doubt acreage usually planted in winter wheat.

With the prospects of a much smaller 1978 crop, wheat prices have improved dramatically since late last year. In October, 1977, soft red winter wheat averaged \$2.27 per bushel in Chicago. The average price in April was \$3.11 per bushel.

IMPLICATIONS FOR ILLINOIS FARMERS. Wheat prices will be much improved this year for the few Illinois farmers who managed to get their acreage planted last fall. Wheat prices in Illinois dipped to less than \$2 a bushel last July under the pressure of a large harvest and a substantial carryover. Prices next July are likely to be about \$1 per bushel above those of last year.

The improved prices will be the result of: (1) a higher overall price level for all wheat; (2) prices for soft wheat of about 10 cents per bushel over the hard wheat grown in the west, rather than the usual discount for soft wheat; and (3) an unusually narrow harvest-time wheat basis in southern Illinois.

LONG-TERM OUTLOOK. Increased world wheat consumption coupled with reduced production both in the United States and abroad has resulted in the first significant reduction in world wheat stocks since 1974. Prices have strengthened as a result. However, world wheat stocks remain at levels which will keep prices under some pressure into the foreseeable future. In 1978, we are not likely to see a repeat of the high wheat prices of 1973-1975.

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