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ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

January 10, 1979

WHEAT PRODUCTION TO INCREASE

THE 1978 WHEAT CROP totaled about 1.8 billion bushels, the first crop to be below 2 billion bushels since 1974. Rapid movement of wheat into the grain reserve and a torrid export pace have combined to bolster prices well above those of last year. A 40 percent reduction in the soft red wheat crop has given an additional boost to Illinois prices. Through December of 1978, the prices of soft wheat in southern Illinois averaged about \$1.10 per bushel above the same period a year ago.

The improved price situation has resulted in an increase in winter wheat acreage for 1979. The USDA's Winter Wheat and Rye Seedings report released on December 21 indicated that 51.5 million acres have been planted in winter wheat, an increase of 8 percent over the year before. The largest percentage increases in acreage occurred in the soft red winter wheat areas where poor weather prevented some seedings last year.

The winter wheat acreage for Illinois is placed at 1.28 million acres, 22 percent above last year but well below the 1.65 million acres seeded for harvest in 1977. Missouri showed an increase of 77 percent in acreage, the largest increase of all the states surveyed.

The USDA has also released its first estimate of the size of the 1979 winter wheat crop. At 1.44 billion bushels, the 1979 crop would be 15.5 percent larger than last year. This estimate reflects not only greater acreage, but also a higher average yield and the expectation that more of the area seeded will be harvested for grain this year than last. The proportion of last year's seeded acreage harvested for grain was reduced because of the graze-out provisions of the set-aside program. Based on past relationships between the December crop estimate and the final estimate, the chances are 9 out of 10 that the 1979 winter wheat crop will be 1.25 to 1.63 billion bushels.

PRICE PROSPECTS. The large export movement of U.S. wheat reflects reduced crops in the Southern Hemisphere last year and larger purchases by Brazil and the People's Republic of China. The rate of wheat exports may decline during the January-May period because of improved crops in the Southern Hemisphere and the continued subsidization of wheat exports by the European Community.

Current USDA estimates place the carryover stocks of wheat on May 31 at slightly over 1 billion bushels. Although this is a reduction from last year, it represents about a 6.5-month supply at the current rate of use. Historically, when carryover stocks exceed a 6-month supply, the season's average price has been very near the loan level. The only exception was in 1976, when the average price was nearly 25 percent above the loan level. That year, wheat prices declined very rapidly during the marketing year (June through May), as large carryover stocks became apparent. With cash prices currently about 25 or 30 percent above the loan rate and with large carryover prospects, price declines for wheat may be in store for the remainder of the marketing year.

The 1979-80 crop year will be another one of large wheat supplies. Total production could approach 2 billion bushels again. With carryover stocks in excess of 1 billion bushels, total supplies would approach 3 billion bushels for the third year in a row. Exports will have to be large again next year to prevent a further buildup in wheat stocks and a further deterioration in prices.

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