



RETURN TO 419 M.H.

ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

May 16, 1979

WHEAT SUPPLIES DECLINING, BUT STILL ABUNDANT

THE LATEST USDA ESTIMATE PLACES the 1979 winter wheat crop at 1.391 billion bushels, 11 percent above last year's small crop but 3.5 percent below the estimate made in December. The May 1 production estimate was lower than those made by private forecasters and less than trade expectations. Most of the increase is the result of a greater wheat acreage. The average yield is expected to be only slightly higher than a year ago.

Compared to the December report, winter wheat production estimates were increased for California, Colorado, Kansas, and Oklahoma. Significant declines were registered for Montana, Nebraska, Oregon, South Dakota, and Texas. The Illinois wheat crop is pegged at 44.8 million bushels, 27 percent above last year but well below the size of the 1976 and 1977 crops.

The reduction in the estimated size of the winter wheat crop is another in a series of factors that have driven wheat prices to life-of-contract highs. One of the other major price-strengthening influences has been the rapid rate of U.S. wheat exports. The USDA estimates now place exports for the year ending May 31 at 1.2 billion bushels. At that level, 1978-79 exports would be the second largest on record and only 17 million bushels under the 1973-74 record.

The Eastern European countries, the USSR, and some African nations have imported less U.S. wheat than last year. However, exports to Bangladesh, Indonesia, Iran, and Mexico have increased significantly. In addition, the People's Republic of China has entered the U.S. market, importing almost 100 million bushels since June 1, 1978. Due to the small 1978 crop and the large exports, carryover stocks on May 31 will be below 1 billion bushels for the first time in 4 years.

Delays in planting the 1979 spring wheat crop have also contributed to recent wheat price rallies. In the major spring-wheat areas (the Dakotas, Minnesota, and Montana), less than 1 percent of the crop had been planted on May 1. Normally, a third of the crop is in the ground by that date. Wet, cold weather has also delayed planting and crop development in other producing areas around the world.

Using the April 1 planting intentions and average yields, the 1979 spring wheat crop projects to about 550 million bushels. The production of all wheat would then

total 1.941 billion bushels, 8 percent greater than last year. However, wheat supplies would actually be reduced about 4 percent because of smaller carryover stocks.

During the 1979-80 crop year, domestic wheat consumption is likely to total about 860 million bushels. U.S. exports will depend heavily on the size of the harvest in the importing countries as well as in other exporting countries. However, another large export year is expected. The mid-point of the USDA's estimate is 1.175 billion bushels.

With total supplies of 2.867 billion bushels, domestic consumption of 860 million bushels, and exports of 1.175 billion bushels, the carryover stocks a year from now would become 832 million bushels. Compared to the current carryover, that would be a reduction; but the 832 million bushels would still represent about a 5 months' supply.

As matters stand now, supplies next year appear to be large enough to prevent a major price increase. However, the wheat crop is a long way from being made, both in the United States and in other parts of the world. Prices in the short run will go with the weather and with crop development. In the longer run, price strength is possible if wheat exports turn out to be larger than expected.

D. L. Good

D.L. Good, Extension Specialist, Prices and Outlook

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

Official Business
Penalty for private use, \$300

FIRST CLASS

DARRELL GOOD
417 MUMFORD HALL
1-19,23

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



A