WEEKLY OUTLOOK
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A RECORD CROP OF WINTER WHEAT IS IN THE MAKING

THE USDA'S ESTIMATES OF WINTER WHEAT SEEDINGS were released in December. They indicate that 11 percent more winter wheat was planted in the fall of 1980 than in 1979. December also marked the midpoint of the 1980-81 marketing year for wheat. Utilization rates were about equal to those of 1979 but were below the ones necessary to meet export projections for the entire marketing year.

The seeding estimate for the 1981 winter wheat crop totals just over 63.9 million acres, by far the largest on record. The states with the largest acreages apparently are Kansas with 14 million acres, Oklahoma with about 7.9 million, and Texas with about 7.7 million acres. Those states had higher acreages compared to the year before, ranging from 5 to 13 percent. The estimates for Illinois show that 1.8 million acres of winter wheat were planted, an increase over last year of about 13 percent.

The yield estimate given by the USDA for the 1981 winter wheat crop is 30.9 bushels per planted acre. Thus, the total production of winter wheat should be about 1.98 billion bushels, or about 4.5 percent more than last year. The USDA production estimate can be used to calculate an average yield per harvested acre of about 35 bushels. In 1980, the figure was about 2 bushels higher, partially accounting for the estimated production increase for 1981 being smaller than the rise in acreage. The harvested yield estimate is reduced from 1980 in light of the acreage increase which includes some marginal, low-yielding land.

In Illinois, the production of winter wheat should total about 77.4 million bushels, approximately 2.5 percent more than last year. With little doubt, Illinois and the United States will see the 1981-82 marketing year start with a record supply of winter wheat.

Rates of utilization during the current marketing year indicate that record production of new-crop winter wheat may be augmented by a beginning inventory that will be larger than expected. The domestic food and feed use of wheat are expected to match current projections for increases of 1.5 and 33 percent, respectively. However, export inspections of the crop as of the 26th week of the marketing year stood at 717 million bushels, less than half of the projected total. To achieve the projected export total of 1.525 billion bushels, weekly export inspections of wheat will have to rise from the current average of 27.6 million to 31.4 million bushels.

Two factors that will help increase the rate of export over the remainder of the year are the expected shortfall in the Australian wheat crop and a lower price for wheat. The size of the Australian crop is virtually certain to be smaller than last year, with exports of the crop from there falling by about a third. The United States will help fill this gap in the export market. Also important will be U.S. wheat prices. High prices early in the wheat marketing year probably helped reduce export rates below the expected level. During November and December, the price of wheat fell from about $5 to around $4 per bushel at Kansas City. Since then, the price has returned to the mid-$4 range. The export rate did not increase during that time, so a price consistently hovering near $4 or better per bushel would be required to increase exports.

If that does not occur, U.S. exports of wheat may fall 75 million bushels short of the projection. This, in turn, would be added to the carryout at year's end and would act as a price-dampening force.

A record-breaking crop of winter wheat is in the making. The ending stocks in 1981 are likely to be larger than those in 1980. Also, exports probably will fall short of the projections. Therefore, wheat prices should drop from the current level to around $4 per bushel and should remain there except as they may be affected by volatility in corn prices. If that occurs, the price of wheat for the 1980-81 marketing year should average $4.20 to $4.40 per bushel.

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