

# WEEKLY OUTLOOK

Department of Agricultural Economics  
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## RECORD WHEAT CROP TO SEND PRICES LOWER

THE USDA'S PRODUCTION ESTIMATE FOR WINTER WHEAT is 2.078 billion bushels setting the stage for a record total wheat crop and a record total supply for the 1981-82 marketing year. Given the favorable prospects for wheat production in other parts of the world, it is likely that both U.S. and world stocks will increase during the next marketing year with wheat prices falling below the expected 1980-81 average of around \$4.15 per bushel.

The March 11 USDA winter wheat production estimate is based on wheat harvested for grain totalling 57.8 million acres and a U.S. average yield of 36 bushels per acre. The production estimate of almost 2.08 billion bushels represents an increase of nearly 10 percent over last year's level. The primary cause for the rise was a 7 percent increase in the acreage planted to winter wheat last fall when attractive wheat prices induced farmers to plant extra acreage.

Wheat prices have weakened since then, leading to an expected decrease in hard spring wheat acreage of 3 percent. An apparently tight supply-demand situation for durum wheat has, however, kept prices for this crop at a high level. This condition has led to an expected increase in durum wheat acreage of 11 percent. Changes in planting of the two varieties will offset each other so that total spring wheat acreage will be only 1 percent above last year's plantings. Assuming a yield of about 29 bushels per acre, spring wheat production may reach 450 million bushels.

Total wheat production in the United States is likely to exceed 2.5 billion bushels in 1981, breaking last year's record by more than 5 percent. Adding this level of production to beginning stocks, now expected to reach 1 billion bushels, will make over 3.5 billion bushels of wheat available to U.S. and world markets in 1981-82. Total supply will also set a record in the new marketing year.

The large supply of wheat for next year is partially due to the relatively large carry-over stocks from this year. Although the present USDA estimate of ending stocks for 1980-81 is 954 million bushels, this figure will probably be increased to over a billion bushels in subsequent supply-demand estimates. This will occur because of the recent sluggishness of export demand

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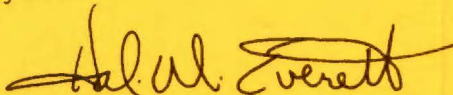
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for wheat, causing actual exports of wheat to fall short of the USDA's projection of 1.525 billion bushels. As of May 8, exports for 1980-81 totalled approximately 1.38 billion bushels, about 145 million short of the projected total. At present, the weekly export rate for wheat is about 20 million bushels. With three weeks left in the marketing year it appears that actual exports will fall short of the projected level by as much as 85 million bushels.

Planting of winter wheat in the Northern Hemisphere expanded in the fall of 1980, leading to the possibility of an increase in world wheat production over last year. Total production in 1981 may exceed the 1978-79 record production level of 447 million tons. Favorable weather conditions, which have been prevailing over key wheat-growing areas of the world this year, increase the likelihood of a record crop.

The expected record levels of production and supply for wheat in the United States and worldwide should increase the respective stock levels during the next marketing year. This added supply will put strong downward pressure on wheat prices in 1981-82. The average price of wheat paid to farmers in the United States next year could fall as low as \$3.50 per bushel. Unless the pricing of wheat has already been done, it is recommended that farmers avoid pricing their wheat in the cash market at harvest. With December wheat at \$4.60 per bushel and July wheat at \$4.16 per bushel, the futures market indicates that a premium will be paid to farmers to store their wheat until late in 1981. It may be wise to forward price wheat for delivery as late as December of this year.



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