



# WEEKLY OUTLOOK

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## WINTER WHEAT ACREAGE INCREASED AGAIN

IN THE FALL OF 1980, U.S. WHEAT PRODUCERS indicated Winter Wheat seedings of a record 63.9 million acres. Final acreage estimates show that farmers actually seeded 65.9 million acres to winter wheat, 2 million more than indicated in December, 1980. Such large acreage reflects the high prices that were offered for the 1981 crop. July 1981 futures during the fall seeding period were well over \$5.00 per bushel. By the time of the next harvest, July futures were under \$4.00 per bushel and the country basis was extremely wide. The crop set a record.

Low wheat prices have persisted. As a result, it was generally anticipated that 1981 winter wheat seedings would decline from 1980. However, the USDA's December survey results show that producers actually seeded nearly 66.3 million acres in 1981, up about 0.6 percent from last year.

Winter wheat seedings in the Corn Belt states of Illinois, Indiana, Ohio, and Missouri were reduced by 1.24 million acres, or 15 percent. Seedings in the southern states of Alabama, Georgia, Arkansas, and Mississippi were increased 1.15 million acres, or 27 percent. Acreage in the hard wheat states of Kansas, Oklahoma, and Texas was increased by 700 thousand acres, or 2 percent.

Based on crop conditions in December, the USDA projected yield at 32.1 bushels per seeded acre of winter wheat. Assuming that about 89 percent of the seeded acreage is harvested, this estimate represents a yield of 36.1 bushels per harvested acre. The three-year average yield is 36.5 bushel per acre. Last year's yield was 35.8 bushels.

The acreage and yield estimates released in December point to another record-breaking winter wheat crop in 1982. The early estimates place crop potential at 2.13 billion bushels, up 1.4 percent from 1981. With a normal spring wheat crop of about 550 to 600 million bushels, the 1982 wheat crop would total 2.7 billion bushels. To that would be added the carryover from the 1981 crop. At the present time, the USDA is projecting a carryover of

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about 950 million bushels. However, exports are lagging behind the projected rate and carryover supplies could be close to a billion bushels. Total 1982 wheat supplies may approach the record level of 1981.

A combination of factors have lowered wheat prices 50 to 60 cents since the winter wheat crop was seeded. A continuation of low prices may induce some producers to participate in the USDA's voluntary set aside program. In general, this program would require the individual farmer to reduce acreage by 15 percent in order to be eligible for government loan and deficiency payment programs. The loan level for the 1982 crop under the new farm bill will be a minimum of \$3.55 per bushel. The target price has been established at no less than \$4.05. If the average farm price during the first 5 months is below the target price, participating farmers are paid the difference between the average price and the target price up to a maximum of \$0.50 (the difference between the loan and target prices).

A potential reduction in acreage along with rapid movement of 1981 crop wheat in the loan and reserve programs will tend to support wheat prices. However, the current price of long futures is high enough to bring wheat back out of the loan, assuming normal-basis patterns. Unless reserve activity is extremely large or crop problems develop, prices are likely to remain very stable over the next several weeks.

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