WEEKLY OUTLOOK
Department of Agricultural Economics
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A NEAR RECORD IN WHEAT SUPPLY EXPECTED

THE USDA HAS ANNOUNCED ON THE BASIS OF A MAY 1 SURVEY that winter wheat production in the United States will total 2.063 billion bushels in 1982--only about 1-1/2 percent less than last year's record of about 2.1 billion bushels. The USDA estimates total U.S. wheat production in 1982 at about 2.648 billion bushels. Though this figure is below the 1981 total, it is still near record levels. Wheat production and 1982 ending stocks (1.1 billion bushels) should together give us about 20 million bushels less than last year's record supply of 3.784 billion. Despite the magnitude of production, wheat prices in 1982-83 are not likely to average less than last year's $3.70 per bushel. Further price support will be determined by the export rate in the new marketing year.

The May 10 USDA winter wheat production estimate is based on wheat harvested for grain from 57.5 million acres and a U.S. average yield of 35.7 bushels per acre. Although farmers planted over 66 million acres of winter wheat last fall (thus setting a record), this year's production estimate falls just short of last year's record wheat crop. Apparently some farmers, by participating in the government's 15 percent Reduced Acreage Program, have reduced the total acreage harvested from expected levels. In addition, compared with yields last year, 1982 winter wheat yields declined by about a half bushel. The USDA's estimate of total wheat production represents a decline of just over 5 percent from that of last year and suggests that the 1982 spring wheat crop will fall to 84 percent of last year's production, or about 585 million bushels.

When the USDA's 1982 estimate of total wheat production is added to its projection for ending stocks in the 1981-82 marketing year, total U.S. supplies of wheat for the 1982-83 marketing year will virtually equal last year's record level. As with last year's, though, the ending stocks projection is likely to be increased at year's end because current export rates do not support the USDA projection of 1.8 billion bushels. Instead, exports for the 1981-82 marketing year may just exceed 1.7 billion bushels. Thus wheat stocks on June 30 are likely to approach 1.2 billion bushels, boosting total supplies to a record level again in 1982.

The marketing year just ending indicates that U.S. wheat exports will have to exceed 1.8 billion bushels in the new marketing year to boost prices. Whether exports reach this level will depend on the needs of the wheat-importing countries and the production levels of our major export competitors. In this past year, those countries that normally import wheat, such as the Soviet Union, China, and India, have tried to increase production, but we do not know as yet how successful they have been. With respect to our export competitors, the evidence is mixed. Argentina and Australia's wheat crops are projected to be larger than those of last year--by more than 20 percent and 4 percent, respectively; but the Canadian crop will decline about 4 percent. Ultimately the success of U.S. wheat exporters will depend on how competitively they price U.S. wheat on the world market and on the value of the U.S. dollar in relation to other currencies.

The impact of this supply-demand situation on U.S. wheat prices may be minimal in 1981-82. The average price paid to farmers next year is unlikely to fall below the expected 1981-82 average of $3.70 because market prices will be supported by the USDA's regular loan rate of $3.55 per bushel and $4.00 per bushel for wheat placed in the farmer-owned reserve. But if wheat exports do exceed 1.8 billion bushels and reduce U.S. wheat stocks by a significant percentage in the coming marketing year, then, very possibly, the average price of wheat may rise to $4.00 per bushel in the cash market. Since new crop wheat for delivery at harvest is priced at $3.26 per bushel, it may be wise to hold that wheat until after harvest when prices would rise enough to offset storage costs.

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