



WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
University of Illinois at Urbana-Champaign

January 12, 1983

WINTER WHEAT ACREAGE DECLINES

IN ITS DECEMBER SURVEY, THE USDA FOUND that farmers seeded 62.98 million acres of winter wheat, a decline of 5 percent from a year ago. The decline was larger than generally anticipated. Seedings declined 1 million acres or about 7 percent in Kansas, the largest winter wheat producing state. Acreage dropped 4 percent in Oklahoma, 8 percent in the southeast, and 17 percent in Arkansas. In the midwest overall acreage declined about 7 percent. Seedings were down about 12 percent in Indiana, Ohio, and Missouri and unchanged at 1.6 million acres in Illinois.

The decline in acreage reflects the low price of wheat, weather-related planting delays, and farmers' participation in the reduced-acreage program. Because of the weak demand for U.S. wheat, however, a 5-percent reduction in acreage may not be enough to reduce surpluses during the 1983-84 crop year.

The USDA projects wheat exports for the 1982-83 marketing year at 1.6 billion bushels, down 10 percent from last year. Through December, however, wheat exports totaled only 808 million bushels, 21 percent less than a year ago. Exports of soft red winter wheat were down by 30 percent. A year ago large quantities of soft wheat had been shipped to Turkey, Poland, Romania, Iran, and Brazil; those countries have purchased no soft wheat from the U.S. during the current marketing year.

Exports of hard red winter wheat are off by 23 percent. Reductions have been especially large for the USSR, which is down 83 percent.

Based on current USDA estimates, use of winter wheat during the current marketing year will be 10 percent less than production. Unless exports accelerate rapidly, use may fall 12 to 15 percent below production. This suggests that the 1983 crop needs to decline by 15 percent before the current wheat surplus begins to decline.

The chances that harvested acreage of winter wheat will decline by 15 percent depends heavily on the details of the USDA's payment-in-kind program. That program is expected to be announced this week. A high rate of payment as well as more liberal grazing provisions will probably be required to entice producers into the program.

STATE • COUNTY • LOCAL GROUPS • U.S. DEPARTMENT OF AGRICULTURE COOPERATING

THE ILLINOIS COOPERATIVE EXTENSION SERVICE PROVIDES EQUAL OPPORTUNITIES IN PROGRAMS AND EMPLOYMENT.

Unless harvested acreage is reduced from current indications, wheat prices will remain under pressure. If substantial reductions are forthcoming, the price of wheat should improve during the 1983-84 marketing year. However, with December futures at Kansas City trading at \$3.85, new crop wheat prices are substantially above current cash prices.

A high rate of participation in the program should support new crop wheat prices at or above the \$3.65 loan rate during the year ahead. Prices above that level may be offered before harvest, in anticipation of the payment-in-kind program. If so, some forward pricing should be considered.

Old crop wheat prices will be supported only by movement into the farmer-owned reserve. Movement into the reserve has been brisk, and those inventories now total about 850 million bushels. However, it is not likely that free market supplies will become tight enough to influence prices.

Darrel Good

Issued by Darrel 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

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

