



WEEKLY OUTLOOK

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February 29, 1984

WHEAT PRICES TO REMAIN UNDER PRESSURE

MARCH WHEAT FUTURES AT CHICAGO HAVE DECLINED from a high of \$4.36 in August 1983 to a low of \$3.24 in late January (1984). Those same futures closed at \$3.29 3/4 on February 24. July futures declined from \$4.22 per bushel to a low of \$3.23 and closed at \$3.54 1/4 on February 24. The decline in wheat prices has coincided with declines in other grain and soybean prices. However, the drop in wheat prices has been more dramatic than the losses in feed grain prices. March wheat futures declined by 25 percent, whereas March corn futures declined 16 percent.

Wheat prices have been pressured by the relative surplus of wheat. The 1983 crop escaped most of the effects of the drought. Harvested acreage dropped 22.2 percent because of the acreage reduction and payment-in-kind (PIK) programs, but the national average yield was 12.4 percent higher than the average of the two previous years. The 1983 crop totaled 2.425 billion bushels, 13.8 percent less than that of the previous year. Because carryover stocks were larger than that of the previous year, total supplies of wheat declined only 15 million bushels or less than one half percent from 1982-83 supplies.

Wheat exports have also declined during the 1983-84 marketing year. The USDA has projected exports at 1.4 billion bushels, 7.2 percent less than a year ago and 20.9 percent less than the record exports of 1981-82. Wheat producers made only modest use of the Commodity Credit Corporation (CCC) nonrecourse loan program. As a result, free market supplies remain in surplus and wheat has been priced as a feed grain. March wheat futures have been priced within 15 cents of March corn futures since late January. The USDA projects wheat feeding at 450 million bushels for the 1983-84 marketing year, twice as much as was fed during the 1982-83 marketing year. Even so, carryover supplies of wheat are expected to be reduced by only 10 percent to 1.389 billion bushels.

The levels of winter wheat seedings and spring wheat seeding intentions suggest that the surplus of wheat is likely to continue through the 1984-85 marketing year. Winter wheat seedings were estimated at 64.92 million acres. Harvested acreage would be expected to total about 57.5 million. A return to a normal yield of 36 bushels per acre would produce a crop of 2.07 billion bushels, 4

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percent above the 1983 crop. Spring wheat acreage is projected at 17.7 million acres. Harvested acreage would be about 17.3 million if those intentions materialize. An average yield of 32 bushels per acre would produce a spring crop of 554 million bushels, 28 percent above the 1983 crop.

Total wheat production is projected at 2.624 billion bushels, 8 percent above the 1983 crop. On the basis of current carryover estimates, the supply of wheat for the 1984-85 marketing year would exceed 4 billion bushels. Carryover supplies would probably remain near the 1.4 billion bushel level at the end of the 1984-85 marketing year.

If the above production scenario is correct, wheat will continue to be priced as a feed grain. The price of wheat during the first half of the 1984-85 marketing year will probably be below the CCC loan rate of \$3.30.

Secretary Block has extended the sign-up period for the wheat, feed grain, and cotton set-aside programs until March 16. Deficiency payments on the 1984 wheat crop are likely to reach the maximum of \$1.15 per bushel and may therefore attract additional sign-up in the wheat program.

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