



WEEKLY OUTLOOK

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WHEAT ESTIMATES UNCHANGED

THE USDA RELEASED REVISED U.S. WINTER WHEAT and world wheat production estimates on June 11. The U.S. winter wheat crop is expected to total 1.973 billion bushels, down by only 6 million bushels from the May estimate and 1 percent less than the 1983 crop. The U.S. average yield is forecast at 38.2 bushels per acre, unchanged from last month's estimate and 3.6 bushels fewer than last year's yield. The five-year average yield is 37.5 bushels per acre. Harvested acreage of wheat is expected to total 51.6 million acres, as compared with last month's estimate of 51.8 million.

The wheat crop in Illinois is estimated at 67.32 million bushels, reflecting an average yield of 44 bushels per acre. Last month, yield potential in Illinois was estimated at 46 bushels per acre and the crop was estimated at 70.38 million bushels. Production in 1983 totaled 65.8 million bushels.

Production of soft red winter wheat is estimated at 533.2 million bushels, as compared with last year's crop of 511.6 million bushels. The hard red winter wheat crop is expected to reach only 1.13 billion, as compared with 1.19 billion in 1983. Production of white wheat is projected at 306.6 million, up 17.5 million from a year ago.

No official estimate of the spring wheat crop has been made. However, the USDA's World Outlook Board judges production potential to be about 552 million bushels, down 19 million bushels from last month's projection and up 121 million bushels from the 1983 crop.

The trade had generally expected a slightly larger production estimate. The average guess was about 50 million bushels above the USDA figure. The larger expectation was based on ideas that the estimate of harvested acreage would increase from last month because of a lower-than-projected level of participation in the PIK program.

The 1984-85 world wheat crop is projected at 497.3 million tons, about unchanged from last month's estimate of 498 million tons. Production during 1983-84 totaled 489.3 million tons. Although the USSR has experienced generally dry weather in recent weeks, the crop there is still estimated at 85 million tons, as

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compared with last year's crop of 78 million tons. The USDA apparently decided to wait until next month to assess the impact of weather on the Soviet crop.

If the latest production estimates materialize, wheat supplies will once again be abundant. The supply of U.S. wheat, including carryover stocks, will total 3.92 billion bushels, only slightly below the record levels of the past two years. World supplies of wheat are projected at 600.9 million metric tons, up 2.5 percent from last year. Such large supplies suggest that carryover stocks of U.S. wheat at the end of the 1984-85 marketing year will remain large. Even if grain production in the USSR drops below current expectations and U.S. wheat exports expanded above this year's level, carryover stocks would remain above 1.3 billion bushels.

Wheat prices are still expected to be dominated by the loan price, with the season's average price near \$3.50 per bushel. If weather conditions in the USSR do not improve, there is a possibility of some short-term price improvement in U.S. wheat prices. However, the spread in the futures market is relatively large, putting March 1985 futures at a substantial premium to July 1984 futures. In one sense, then, higher prices are already here. Wheat prices are also high, relative to new-crop feed grain prices. If the 1984 feed grain crops are large, the feed demand for wheat could decline sharply this fall.

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