



WEEKLY OUTLOOK

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WHEAT PRICES STABILIZE

WHEAT PRICES HAVE BEEN VERY STABLE for the past three weeks. Between September 17 and October 8, the closing price of December futures at Chicago ranged from \$3.44 to \$3.52 per bushel. In the four weeks prior to that period, the closing price varied by only 14 cents--ranging from \$3.49 to \$3.63.

Prices have been stable in spite of an extremely large export movement of wheat. From June 1, 1984 (the beginning of the marketing year), through September 27, exports totaled about 595 million bushels compared with 426 million last year. Exports to date are running at the same pace as during the record export year of 1981-82.

The largest increase this year, as compared with last year, is in shipments to the Soviet Union and China. Through September 20, the Soviets imported 96 million bushels of U.S. wheat, compared with none a year ago. Another 90 million bushels had been sold to the Soviets, but not yet shipped. On the same date, China had imported 58 million bushels of U.S. wheat, compared with only 2.4 million last year. Sales not yet shipped totaled 46 million bushels.

Ninety-six percent of the wheat shipped or sold to China to date is soft red winter wheat. In contrast, all of the wheat purchased by the Soviets is hard red wheat.

Through the first one-third of the marketing year, weekly exports averaged 35 million bushels. To reach the USDA's projection of 1.525 billion for the year, exports need to average only 26.6 million per week for the rest of the year. The market is expecting a slowdown in export sales. Export sales of soft red wheat are projected at 255 million bushels for the year. Through the first 16 weeks of the marketing year, 131 million bushels had already been shipped and another 92 million bushels had been sold, for a total of 223 million bushels. Further sales to China are hampered by a trade dispute involving imports of textiles into the United States.

U.S. wheat exports to date have been supported by smaller crops in other exporting countries. The combined production in Canada, Argentina, and Australia is expected to be down by 14 million tons, or about 23 percent, from last year. However, the large crop in the European Community will provide stiff

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competition for U.S. exports. The crop there is estimated at 72.3 million tons, up 34 percent from last year.

While exports have been larger than expected at the beginning of the year, the domestic use of wheat is projected at 645 million bushels, only 10 million more than a year ago. Seed use is expected to reach only 97 million, down by 4 million bushels. Wheat feeding is projected at 325 million bushels, which is large by historic standards, but is 55 million less than fed last year.

Carryover stocks of wheat are projected at 1.376 billion, down by only 18 million bushels from beginning stocks. Carryover stocks represent about 6.5 months supply. Wheat remains in surplus.

Current cash prices of soft red winter wheat in Illinois are very close to the loan rate of \$3.30. Until the supply and demand balance is altered, cash prices will continue to be dominated by the loan rate.

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