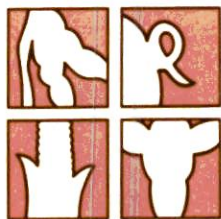




Cooperative
Extension Service
University of Illinois
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WEEKLY OUTLOOK

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

January 15, 1986

WINTER WHEAT ACREAGE DECLINES AGAIN

THE USDA'S *SMALL GRAINS* REPORT RELEASED on January 10 indicated that winter wheat seedings have been reduced for the second consecutive year. Seedings of that crop were estimated at 53.99 million acres, 3.76 million acres (6.5 percent) less than the amount seeded last year and 9.43 million acres (14.7 percent) less than the amount seeded two years ago.

The acreage seeded to winter wheat was lower in every major producing state except in the eastern Corn Belt—Illinois, Indiana and Ohio. Seedings in those states rebounded from the extremely low levels of a year ago but remain below "normal" levels. Acreage in those three states is estimated at 3.4 million acres, compared with only 2.62 million acres last year and 5.76 million acres two years ago. Acreage in the Corn Belt states and the southeastern states (seeded mostly to soft red winter wheat) is estimated at 8.83 million; this estimate is 610 thousand less than the acreage in these states last year and 4.64 million less than two years ago.

Winter wheat seedings in the largest producing states of Kansas, Texas, Oklahoma, Colorado, Nebraska, and Montana (mostly hard red winter wheat) is estimated at 34.75 million acres. This figure is 2.31 million less than the acreage planted last year and 3.35 million less than two years ago.

The acreage planted to winter wheat was significantly less than expected. Many observers expected to see winter wheat seedings slightly higher than last year. The combination of low wheat prices and wet weather in the fall of 1985 resulted in a further decline in acreage. The supply of soft red winter wheat will be especially small during the year ahead.

The impact of the lower-than-expected figure for acreage will be at least partially offset by the bleak export picture. Revised supply and demand estimates, also released on January 10, contained a downwardly revised projection for wheat export this year. Exports are now expected to reach only 950 million bushels—a figure that is 50 million less than the previous projection. Exports last year exceeded 1.4 billion bushels.

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Carryover stocks of wheat at the end of the marketing year, May 31, 1986, are projected at 1.8 billion bushels. That level of inventory represents a 10.5-month supply at the current rate of use.

Another temporary factor in the wheat market is the lower Commodity Credit Corporation (CCC) loan rate for 1986. That loan rate, currently at \$3.00 per bushel, will be lowered by 60 cents per bushel. The Secretary of Agriculture announced specific provisions of the 1986 wheat program on Monday. In addition to the loan rate, the diversion program and requirements for acreage limitation were announced. These provisions will be outlined in next week's letter.

Prices for the 1986 crop of wheat may advance in reaction to the seedings report. With current prices for that crop above the CCC loan rate, such an increase may provide a selling opportunity for part of next year's crop.

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