



Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
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June 18, 1986

WHEAT: PRODUCTION DOWN, BUT SURPLUS REMAINS

THE 1985-86 WHEAT MARKETING YEAR ended on May 31. The magnitude of carryover stocks will be revealed in the USDA's *Grain Stocks* report to be released on June 27. Those stocks are currently estimated at 1.869 billion bushels, 444 million bushels more than stocks at the end of the 1984-85 marketing year. Projected carryover stocks exceed the previous record of four years ago by 354 million bushels and represent 93.7 percent of total use during the 1985-86 marketing year.

Only soft red winter wheat is in short supply. Carryover stocks of that class of wheat are projected at 70 million bushels, or 19.3 percent of total use. Carryover stocks of all other classes are expected to exceed 100 percent of the level of use this past year. Stocks of hard red spring wheat are expected to equal 143 percent of use.

The 1985 wheat crop contained 170 million fewer bushels than the 1984 harvest; nevertheless, it was the fourth largest crop harvested in the United States. Declining exports were the major factor leading to the large increase in wheat stocks. Exports of all classes of wheat during the 1985-86 marketing year are estimated at 910 million bushels, 514 million fewer bushels than exports during the previous year. Exports have declined for four consecutive years and are now just about half the level reached during the 1981-82 marketing year.

Compared to last year, the greatest decline in exports has been for winter wheat. Exports of hard red winter (HRW) wheat are down 300 million bushels. Soft red winter (SRW) wheat shipments are down 106 million bushels. The decline in HRW shipments reflects the decline in sales to the Soviet Union. Those sales totaled 5.6 million bushels, compared with 233 million bushels a year ago. The decline in SRW shipments reflects the small sales to China, 21 million bushels compared with 97 million a year ago.

Wheat production in the United States in 1986 is expected to be down from the 1985 harvest. Last week, the USDA estimated the 1986 winter wheat crop at 1.578 billion bushels, about 250 million fewer bushels than the crop last year. Harvested acreage of winter wheat is expected to be down 5 million acres from 1985

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as a result of a high rate of participation in the set-aside program. The average yield per acre is estimated at 36.8 bushels per acre, 1.3 bushels below the yield for last year and 3.2 bushels below the three-year average yield. The size of the spring wheat crop has not yet been estimated. Based on planted acreage estimates and prospects for a normal yield, that crop projects to 575 million bushels--about 25 million fewer bushels than the amount produced last year.

The use of wheat during the 1986-87 marketing year is projected to increase by 275 million bushels. Most of that increase, 190 million bushels, is expected in the export market. Carryover stocks are expected to decline only marginally. Stocks on June 1, 1987 are projected at 1.757 billion bushels, or 77 percent of total use during the year. Soft red winter wheat supplies will remain tight because of another small crop. Production of that class of wheat is estimated at 297.8 million bushels, 70 million fewer bushels than the 1985 harvest and the smallest crop in eight years.

Once again, wheat prices are expected to average very near the Commodity Credit Corporation loan rate.

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