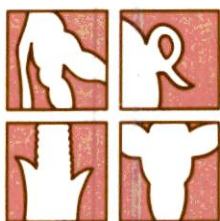




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WEEKLY OUTLOOK

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

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WHEAT EXPORTS IMPROVE

THE 1986-87 WHEAT MARKETING YEAR began on June 1. In the September *Crop Production* report, the USDA estimated the 1986 harvest at 2.121 billion bushels, down 12.5 percent from the 1985 crop. The decline represents a 6 percent reduction in harvested acreage and a 7 percent lower average yield. All of the estimated decline in production was for both winter and durum wheat. Production of other classes of spring wheat (hard red and white) was expected to be slightly larger than a year ago.

The USDA's September *Grain Stocks* report showed a surprisingly small inventory of wheat as of September 1, 1986. Stocks at 3.115 billion bushels were about 3 percent smaller than a year ago and about 6 percent less than expected. The rain-delayed harvest of the spring wheat crop probably accounts for much of the shortfall in the stocks figure. A higher rate of wheat feeding during the summer may also account for part of the decline in stocks. The USDA will release revised production estimates on October 10.

On the demand side, wheat exports during the first four months of the marketing year were up about one third from the extremely low levels of a year ago. While the Soviet Union has snubbed U.S. wheat (in spite of its long-term grain trade agreement and the \$15 per ton subsidy offered by the U.S.) other importers have responded to the lower wheat prices and export subsidy programs.

As of September 25, an estimated 394 million bushels of U.S. wheat had been exported. Hard red winter wheat accounted for about 37.5 percent of that total. Exports of that class of wheat were up 10 percent from a year ago, reflecting increased shipments to Eastern European, Asian, and African countries.

Exports of soft red winter wheat accounted for 22 percent of total wheat shipments and were up 77 percent from a year ago. Almost all of the increase was been in shipments to Egypt. Shipments of white wheat were up 26 percent, mainly to Asian countries, and accounted for 14 percent of all shipments. Combined shipments of hard red spring and durum wheat were up 56.5 percent and represented 26.5 percent of U.S. exports. Increases in hard red spring wheat

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sales was distributed over a large number of countries, while Algeria and Tunisia accounted for most of the increase in durum sales.

For the year, the USDA expects wheat exports to total 1.15 billion bushels, about 26 percent above exports during the 1985-86 marketing year. Without purchases by the Soviet Union, the U.S. will probably have to maintain an aggressive export subsidy program to reach the projected level of sales.

The smaller harvest of 1986 and increased export sales are expected to reduce the wheat surplus during the 1986-87 marketing year, but only marginally. Stocks at the end of the year (May 31, 1987) are projected at 1.8 billion bushels, down from 1.905 billion at the beginning of the year. At that level, stocks would represent nearly 10 months supply at the projected annual rate of use. Supplies of soft red winter wheat, however, are extremely tight. Ending stocks are projected at 46 million bushels, or less than two month's supply. Given the rate of export sales to date, free market supplies of soft red winter wheat could become extremely tight before the 1987 harvest. While processors bought large quantities at harvest time, additional purchases will probably be required before the new crop is available.

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