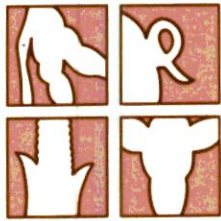




Cooperative
Extension Service
University of Illinois
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WEEKLY OUTLOOK

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

June 17, 1987

WHEAT STOCKS DECLINING SLOWLY

The 1986-87 wheat marketing year ended on May 31, 1987. The magnitude of ending stocks will be revealed in the June 1 *Grain Stocks* report to be released on June 30. The USDA currently estimates those stocks at 1.848 billion bushels, just slightly less than last year's stocks of 1.905 billion bushels. Stocks remain at record levels, totaling 86 percent of last year's use. Stocks are most burdensome for hard red spring wheat, estimated at 129 percent of last year's use. Supplies of soft red winter (SRW) wheat are expected to total only 23 percent of use.

For the year just ended, exports are estimated at 1.025 billion bushels, up 110 million bushels from the extremely low level of 1985-86. Exports were up for all classes of wheat except SRW. Limited supplies, resulting from two consecutive short crops, restricted exports of that class of wheat.

Feed use of wheat, estimated at 350 million bushels, was up from the previous year because of a high rate of use last summer. Wheat prices have been high relative to feed grain prices since that time, restricting the level of wheat feeding for the past 9 months. Use of wheat for domestic food purposes is estimated at 700 million bushels, up 3 percent from a year ago and in line with the trend increase of the past seven years.

The average price paid to farmers for all classes of wheat during the 1986-87 marketing year is estimated at \$2.40 per bushel, equal to the Commodity Credit Corporation (CCC) loan rate. The price was 90 cents per bushel below the average of the past 2 years and \$1.00 per bushel below the average of the previous five years. The lower price reflected a lower CCC loan rate and a continuation of large surpluses.

In its June *Crop Production* report, the USDA estimated production potential for the 1987 winter wheat crop at 1.577 billion bushels, up 58 million bushels from a year ago. Harvested acreage is expected to be down by 5.8 million acres (10 percent) but the average yield is estimated to be up 5.4 bushels (15 percent) from the low level of a year ago. Production of red winter wheat is expected to be up 73 million bushels (evenly split between hard and soft) while production of white wheat is expected to be down 15 million bushels. The spring wheat crop has not been estimated. The potential crop is thought to be about 560 million bushels, or about equal to a year ago.

For the 1987-88 marketing year, the projected feed use of wheat is down 50 percent, at 175 million bushels. Most of the wheat gets fed during the summer months. The current price of wheat is high relative to feed grain prices and will likely restrict feed use. Food use of wheat is forecast at 715 million bushels, up 2 percent.

Wheat exports are projected at 1.225 billion bushels, up 200 million bushels from the year just ended. Exports are expected to be higher because of smaller crops in Australia, Canada, and the USSR. Wheat production outside the United States is expected to decline 4 to 5 percent, with most of the decline coming in the USSR. The USSR has already purchased 4 million tons of wheat from the U.S. under the export enhancement program.

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Because of the higher exports, the use of wheat for all purposes is projected at 2.195 billion bushels, up 36 million bushels from 1986-87. Ending stocks (June 1, 1988) are forecast at 1.806 million bushels, 42 million bushels below the estimate for June 1, 1987. At that level stocks would still represent 82 percent of annual use.

Based on the supply and demand estimates outlined here, the USDA expects the price during the 1987-88 marketing year to average between \$2.30 and \$2.60 per bushel. That would be slightly higher than the CCC loan rate of \$2.28. Wheat prices have declined sharply since mid-May. July futures traded as high as \$3.15 just a month ago but are now trading in the \$2.60 to \$2.70 range. Even so, prices remain above the CCC loan rate and at the high end of the range of USDA's projection for the season's average price.



**Issued by Darrel Good
Extension Specialist
Prices and Outlook**

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801

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