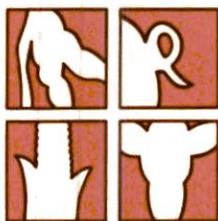




Cooperative
Extension Service
University of Illinois
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WEEKLY OUTLOOK

Department of Agricultural Economics
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WHEAT SUPPLIES TO REMAIN TIGHT; EXPORT POLICY IS KEY TO PRICES

The U.S. wheat crop for 1989 will probably be larger than the 1988 crop. A much smaller inventory, however, will result in a smaller supply of wheat for the 1989-90 marketing year than was available for the 1988-89 marketing year. Exports of U.S. wheat will have to decline from the projected 1.5 billion bushels during the current marketing year. Wheat prices will be determined primarily by the USDA's Export Enhancement Program (EEP). If sales under that program remain large, prices will remain high. If that program is abandoned or significantly reduced, prices will likely move lower.

Production prospects. Harvested acreage of winter wheat in 1989 should be near 44.5 million acres. That estimate is based on the USDA's estimate of planted acreage of 54.456 million acres. The actual difference between harvested and planted acreage has ranged from 9 to 10.7 million acres over the past three years. Harvested acreage as a percentage of planted acreage, however, has consistently been 80 to 82 percent.

Over the past five years, the U.S. average winter wheat yield has ranged from 35 to 40 bushels per acre. The average of those five years is 38.5 bushels per acre. This year, the soft red winter wheat crop is in generally good shape, and yields may be above average. The hard red winter wheat crop has been stressed by low moisture levels and lack of snow cover in some areas. Actual yields could vary widely depending on the weather this spring, but there seems to be little reason to expect overall yields in 1989 to be above average. Average yields point to a crop of 1.7 billion bushels, an increase of 150 million bushels from the size of the 1988 harvest.

An estimate of spring wheat plantings has not yet been made, but plantings are expected to exceed last year's acreage. Plantings of durum wheat might increase from 3.3 million acres in 1988 to 3.5 million acres in 1989. Harvested acreage of 3.4 million acres and an average yield of 34.5 bushels per acre point to a crop near 120 million bushels. Acreage of other spring wheat might total 15 million acres, up from 13.4 million acres in 1984. Harvested acreage of 14.5 million and an average yield of 34 bushels per acre point to a crop close to 500 million bushels.

While all of these estimates are highly tentative, it seems reasonable to expect a 1989 wheat harvest of about 2.32 billion bushels. A crop of that size would be 510 million bushels above the 1988 harvest. Wheat stocks at the beginning of the 1989-90 marketing year (June 1) are projected at 534 million bushels, 727 million bushels less than on June 1, 1988. Allowing for imports of 20 million bushels, the supply of wheat for the 1989-90 marketing year might be near 2.874 billion bushels, 220 million bushels less than the supply for the 1988-89 marketing year. Based on the acreage estimates presented here, wheat supplies will be smaller in 1989 than in 1988 even if yields equal

the previous record average yields of 41.8 bushels per acre for winter wheat (1983), 36.4 bushels per acre for durum (1985), and 35.4 bushels per acre for other spring wheat (1985).

If stocks of wheat at the end of the marketing year are to be maintained near 500 million bushels, the use of U.S. wheat will have to decline by about 185 million bushels next year. Domestic processing uses of wheat will probably increase by 10 million bushels; seed use should be about unchanged; and wheat feeding will likely decline by 80 million bushels. With domestic use down only 70 million bushels, exports will have to decline by about 115 million bushels.

The export demand for U.S. wheat will hinge on the size of the crops in other major importing and exporting countries and on U.S. policy relative to the EEP. The Secretary of Agriculture seems committed to that program, asking Congress to increase the funding for 1989. Ample supplies of Commodity Credit Corporation wheat are still available to implement the program. Wheat prices may remain surprisingly strong in the year ahead, particularly if U.S. yields are below average.



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Prices and Outlook

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