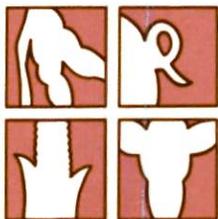




Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

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

June 7, 1989

1990 WHEAT PROGRAM ANNOUNCED

On May 31, the USDA released details of the acreage reduction requirements and the price supports for the 1990 wheat crop. Under this program, producers will be required to idle 5 percent of their wheat base in order to qualify for the price-support program. For the 1989 crop, producers were required to idle 10 percent of their base acres to qualify for the price supports. Under provisions of the Food Security Act of 1985, the Secretary of Agriculture had authority to establish the acreage reduction requirements for the 1990 crop between zero and 20 percent of the base if carryover stocks at the end of the current marketing year were expected to be less than 1 billion bushels. In May, the USDA projected that wheat stocks on June 1, 1990, will total only 500 million bushels.

The Commodity Credit Corporation (CCC) loan rate was set at \$1.95 per bushel, a decline of 11 cents from the current marketing year. The target price was lowered by 10 cents, to \$4.00 per bushel. With the beginning of the 1989-90 marketing year on June 1, the release price for the farmer-owned reserve declined from \$4.23 to \$4.10 per bushel.

The acreage reduction requirement for the 1990 crop year was established near the low end of the permissible range to allow for some rebuilding of inventories and to provide adequate supplies for the United States to remain competitive in the world market. Planted acreage will likely increase, but the magnitude is difficult to predict. For the 1989 crop, almost 9.5 million acres have been idled under the acreage reduction program. About 6.1 million acres were idled with the 10 percent set-aside program, and another 3.4 million acres were idled under the 0/92 program. If participation remains at the same level in 1990, about 3 to 5 million acres of wheat could be brought back into production by farmers participating in the program.

In 1988-89, about 20 million acres of wheat were planted outside of the program, an increase of about 5 million acres from the previous year. Planting decisions on those farms will be influenced by the level of wheat prices. Some wheat acreage may be lost due to additional participation in the Conservation Reserve Program. If wheat plantings increase by 4 million acres and if yields are average, the 1990 crop could approach 2.5 billion bushels. The 1988 crop totaled 1.8 billion bushels and preliminary estimates for the 1989 crop point to a crop of 2.05 billion bushels. If the export bonus program remains in place, a crop of 2.5 billion bushels could result in only a small increase in carryover stocks during the 1989-90 marketing year.

The acreage reduction program for feed grains will likely be announced in late September. Under provisions of the Food Security Act of 1985, acreage reduction requirements will depend on the projection of corn stocks on September 1, 1990. If that projection is less than 2 billion bushels, the acreage reduction will be between zero and 12.5 percent. If the projection exceeds 2 billion bushels, the requirement will be between 12.5 and 20 percent. The USDA's first projection for the 1989-90 marketing year, released on May 11, projected a September 1, 1990, inventory of just over 2.2 billion bushels. Unless the 1989 growing season is nearly ideal, that projection will likely be lower by September and may be under 2 billion bushels. One of the early indicators of potential crop size, in addition to weather conditions, will be the planted acreage figure to be released on July 12. Delayed planting in the eastern corn belt may result in less corn acreage than indicated in March, as farmers switch to other crops or idle additional acreage under the 0/92 program.



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