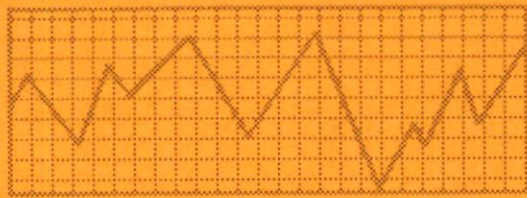




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WEEKLY OUTLOOK

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LARGE WHEAT CROP CONFIRMED

Based on conditions as of early July, the USDA expects the 1990 U.S. wheat crop to total 2.7 billion bushels. The crop is one-third larger than the 1989 harvest and just slightly smaller than the record crops of 1981 and 1982. Harvested acreage of wheat, at almost 70 million acres, is up 7.8 million acres from last year, but is 10.7 million acres less than the record acreage of 1981. The U.S. average yield is estimated at 38.6 bushels per acre, 5.8 bushels higher than last year's yield and the highest yield since 1984. The record yield was 39.4 bushels, established in 1983.

The winter wheat crop is expected to total 2.035 billion bushels, 40 percent larger than last year's crop and just a fraction less than the record crops of 1981 and 1982. The average yield, projected at 40.6 bushels per acre, will be the second largest on record. The record was 41.8 bushels reached in 1983. The hard red winter wheat crop is estimated at 1.213 billion bushels, 71 percent larger than last year's crop, but slightly smaller than the crops of 1982 and 1984. Soft red winter wheat production is estimated at 535 million bushels, about 2.5 percent smaller than last year's crop and 21 percent smaller than the record crop of 1981.

Production of spring wheat, including durum, is expected to total 663 million bushels, 14 percent larger than last year's crop. Production of durum wheat, at 114.3 million bushels, is at the highest level since 1982, but well below the record 183 million bushels of 1981. Production of other spring wheat is estimated at a record 548.8 million bushels, just slightly higher than the previous record reached in 1982.

The world wheat crop is projected at a record 571.7 million tons (21 billion bushels), nearly 7 percent larger than the 1989-90 harvest. The crop outside of the United States is expected to total a record 498.3 million tons, nearly 4 percent larger than last year's crop. Production is expected to be larger in every major wheat producing country. The largest increases are projected for the USSR and China, the two largest wheat producing and importing countries. In spite of a 4.5 million ton increase in production, the USSR is expected to increase imports by 3 million tons and increase consumption by 7.5 million tons. That increase is expected to come at the expense of coarse grain consumption which is projected to decline by 5.5 million tons. The USSR is expected to reduce coarse grain imports, primarily corn, by 5 million tons, or nearly 22 percent.

The large U.S. and world wheat crop is expected to lead to an increase in the level of wheat inventories by the end of the 1990-91 marketing year. Stocks in the United States are expected to grow from 535 million to 814 million bushels. World stocks are expected to increase from 4.25 billion bushels to 4.75 billion bushels. At the projected level, the world stocks level would represent 23 percent of total annual consumption, an increase of only 1.6 percentage points from the previous year. Stocks will still be low by the standards of the middle 1980s.

In its July *Supply and Demand* report, the USDA projected that the average price of wheat for the period July 1990 through June 1991 would be in a range of \$2.80 to \$3.20 per bushel. The average price for the previous 12 months was estimated at \$3.72 per bushel. As of July 16, the market was offering a price about in the middle of the projected range. Cash prices are expected to recover from the harvest lows, but will not likely reach the high levels experienced this past year. The magnitude and timing of recovery will depend largely on the administration of the export bonus program. Wheat export sales have started slowly and bonus sales are expected to accelerate later in the year. Ownership of wheat in the form of call options might be preferred to storage.

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