

# WEEKLY OUTLOOK



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## **WHEAT: LARGER CROP AND SMALLER EXPORTS PROJECTED**

In its *June Crop Production* report, the USDA estimated the potential size of the 1993 winter wheat crop at 1.824 billion bushels. That estimate is about 16 million larger than the May estimate and nearly 218 million bushels larger than the 1992 crop. The estimate is 207 million less than the 1990 crop and 273 million bushels less than the record crop of 1981. The U.S. average yield potential is estimated at 41.2 bushels per acre, just below the 1983 record of 41.8 bushels.

The average winter wheat yield in Illinois and Indiana is pegged at 55 bushels per acre. At 85.25 million bushels, the Illinois crop is expected to be 37 percent larger than the 1992 crop. Production in Indiana is estimated at 34.65 million bushels, 54 percent larger than the 1992 harvest. Production in Kansas, the largest producer of winter wheat, is estimated at 448 million bushels, 23 percent more than produced last year.

The spring wheat crop has not yet officially been estimated. Based on planting intentions and trend yields, the spring wheat crop is projected at 701 million bushels, 150 million bushels less than produced in 1992. If all of these estimates materialize, the 1993 U.S. wheat crop will total 2.524 billion bushels, 65 million larger than the 1992 harvest, 212 million less than the 1990 crop and 261 million less than the record crop of 1981.

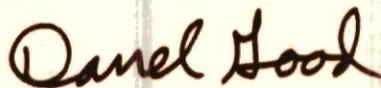
Production of wheat outside of the United States during the 1993-94 marketing year is projected at 477.9 million metric tons, 2.7 percent smaller than last year's crop, and the smallest crop in 5 years. At the projected level, production outside the United States would be nearly 7 percent less than the record production in the 1990-91 crop year.

The largest declines in production during the year ahead are expected in the Former Soviet Union (12 percent), Canada (6.4 percent), China (5.5 percent), and the European Community (3.3 percent). Production in China is down from the record crop of last year but large by historical standards. Production in the Former Soviet Union is very small by historic standards. The crops are expected to be larger in Eastern Europe, Argentina, and Australia.

Even with declining world wheat production, the USDA expects U.S. wheat exports to decline during the 1993-94 marketing year. Exports are projected at 1.225 billion bushels, 130 million bushels below the exports during the 1992-93 marketing year. Domestic use is projected at 1.214 billion bushels, 66 million above the use of the year just ended. Most of that increase is expected to come as feed use. Stocks of wheat at the end of the 1993-94 marketing year are projected at 660 million bushels, 160 million above the level of stocks at the beginning of the year. While stocks are expected to increase, the level of year ending inventory will still be small by historic standards. Stocks of wheat in the rest of the world are expected to decline during the 1993-94 marketing year. Foreign stocks at the end of the year are projected at 109.5 million tons, nearly 10 percent less than stocks at the beginning of the year.

As the prospects for a large 1993 U.S. wheat crop have developed, prices have declined. July wheat futures at Chicago have declined by about \$.30 per bushel since mid-April and are about \$.50 below the January high. That high came in the wake of the smaller-than-expected winter wheat seedings estimate. In addition to the prospects of a large crop, wheat prices have been pressured by delays in and uncertainty about the Export Enhancement Program (EEP) for 1993-94. Without an aggressive EEP program, exports could decline even more than currently projected.

Wheat prices are probably in the process of establishing seasonal lows. A decline in July futures to the \$2.70 level cannot be ruled out if crop prospects remain in tact. Based on current spreads, such a decline would put December futures down to the \$2.85 level. The extent of price recovery, if any, after harvest will be primarily dependent on political decisions surrounding the EEP. Continued delays with that program and prospects for another large corn crop will make price recovery difficult.



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