

WEEKLY OUTLOOK



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TIME TO PRICE YOUR 1994 WHEAT CROP?

Most wheat producers in the corn belt have sold their 1993 crop and are looking for opportunities to forward price the 1994 crop. Wheat futures benefitted from the recent price rally in corn and soybeans. July 1994 futures prices rose about \$.50 per bushel from early October 1993, topping out at \$3.56 on January 13. After breaking the uptrend, July futures are trading near \$3.35. There is a lot of variation in wheat bids among Illinois and Indiana elevators. Currently, a typical bid for the 94 crop is about 20 cents under the July futures. Should you be thinking about pricing at least part of your 1994 crop?

Current supply-demand projections place ending stocks slightly under 600 million bushels. Winter wheat seedings for the 1994 crop are estimated at 50.6 million acres, down 2 percent from 1993 seedings. This is the lowest seeded area since 1988. Soft red winter wheat (the kind grown in Illinois and Indiana) totals 10.3 million acres, down 4 percent. The planted area in Arkansas, Missouri, Illinois, Indiana, and Ohio is down 12 percent from last year. Acreage in Illinois and Missouri declined a total of 850,000 acres. Seeding of hard red winter wheat, at 35.8 million acres, is down 2 percent from last year's acreage.

On the supply side, projected year-ending world stocks are about 24 percent of current use. The important variables to watch include prospective 1994 foreign production, U.S. acreage of spring wheat, and winter kill and disease problems with the winter wheat crop. With a zero set-aside requirement in the USDA wheat program and attractive prices, there are economic incentives to plant at least as much spring wheat as last year. Weather during the next 6 weeks will determine U.S. yields. To date, winter kill problems have been minimal. Winter wheat can look bad during the cold weather and make marvelous recovery in April, especially if top-dressed with Nitrogen.

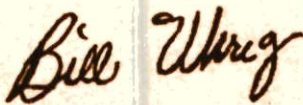
On the demand side, U.S. wheat is heavily subsidized through the Export Enhancement Program (EEP) to compete in world export markets. Domestic food uses of wheat reflect only population growth. The amount of wheat fed during the 1994-95 marketing year should decline if the crop is of better quality than the 1993 crop.

Typically, wheat futures prices peak out during the first quarter of the year. Prices have been stronger than earlier forecast, supported by the robust corn and soybean markets. There was

some concern about the condition of the Chinese wheat crop in early February. Barring further crop problems, it is difficult to be very bullish about wheat prices at current levels.

Do not over look the 1994 USDA wheat program. The target price for wheat remains at \$4.00 per bushel, with no set-aside requirement. The loan rate for the 1994 crop has been set at \$2.58, up from \$2.45 in 1993. Sign up for the program runs from March 1 through April 29. The estimated deficiency payment is \$.85 per bushel and half of that will be available at sign-up. If you have some winter kill, you can plant normal flex acres and optional flex wheat acres to corn or soybeans. If you plan on staying out of the government feed grain program to increase your corn base, you cannot be in the wheat program.

It is probably time to start pricing a portion of your 1994 wheat crop. With a wide variation in basis, it will pay to check the local elevators in your area for the best bid. Producers who have farm storage can capture gains in basis and spreads by selling July 1994 futures and rolling the hedge into September 1994 as the spread widens. Maximum returns to farm storage would be achieved by selling the wheat in time to use the bin for corn or soybeans during the fall. Producers without farm storage can capture similar gains by using the hedge-to-arrive contract, if the elevator will allow rolling the hedge forward.



Issued by J. William Uhrig
Extension Economist
Purdue University

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

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