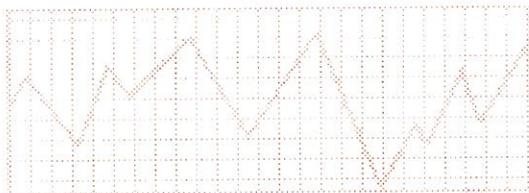




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WEEKLY OUTLOOK



A joint publication of the Departments of Agricultural Economics, Colleges of Agriculture of Purdue University, West Lafayette, Indiana, and the University of Illinois at Urbana-Champaign

OCTOBER 30, 1995

RECORD FARM PRICE FOR WHEAT FORECAST FOR 1995-96 MARKETING YEAR

The U.S. average farm price of wheat is expected to be in a range of \$4.10-\$4.40 per bushel (midpoint \$4.25) for the 1995-96 marketing year. The low end of the range is higher than the 1974-75 record of \$4.09 per bushel. The record monthly price was \$5.52 per bushel in February 1974.

Supply and demand factors that support these prices include: 1) reduced supply, with small downward revisions in production and beginning stocks; 2) increased use, boosted by strong export demand; and 3) prospects for low global stocks. The forecasted U.S. ending stocks equal only 16.5 percent of projected use, the lowest stocks-to-use ratio since 1947-48.

Reduced production and beginning stocks are dropping U.S. wheat supplies to 2,790 million bushels, the lowest in 6 years, and second lowest in 20 years. Area planted, area harvested, and yield have declined for 3 years in a row. Despite a 0-percent ARP during this time, planted area continued to decline due to unusual planting conditions. In 1995, winter wheat yields were hurt by late frost and rain at harvest, as well as by delayed planting, disease and insect problems, and summer heat in major spring wheat areas.

U.S. wheat exports are projected at 1.2 billion bushels, up slightly from 1994-95. World wheat exports are down primarily due to lack of available exportable supplies from the European Union, Argentina, and Kazakhstan. Global 1995-96 ending stocks will be the lowest since 1975-76 and the world stocks-to-use ratio will be the lowest since the USDA database began in 1960-61. Exporter supplies are very tight and global demand is strong, resulting in export prices above a year ago. Export Enhancement Program (EEP) bonuses have been discontinued since July.

U.S. domestic use in 1995-96 is forecast down 7 percent from a year earlier. Food use is at the long-term trend increase of 1.5 percent, based on population increases and gradually changing dietary habits. Feed and residual use is forecast down 34 percent, as feeding of wheat is not attractive because of the high price of wheat compared to feed grains.

On June 1, 1996, U.S. wheat stocks are forecast to be 395 million bushels, down nearly 1/4 from last year. Market forces have driven ending stocks below 400 million bushels only once since the World War II era, in 1973-74, when ending stocks plummeted to 340 million. The U. S. Government maintains 142

million bushels in the food security reserve. This reserve can be accessed only by the President when he declares a foreign emergency. Deducting the government owned wheat stocks leaves only 253 million bushels of free stocks, or just over 10 percent of projected 1995-96 use.

The season high for wheat prices typically occurs during January-March following harvest. The European Union suspended export restitutions for soft wheat since August. This ban on export subsidies may be lifted after November 8th. The Australian wheat crop will be harvested in November. This may cause some temporary weakness in futures prices. Wheat prices are the highest they have been in 15 years, with near-by futures over \$5.00. Based on previous highs, the technical price objectives for near-by futures are \$5.40 (1980) and the record high of \$6.45 (1974). The magnitude and timing of the price peak is likely to be determined by export sales, acreage planted, and growing conditions for winter wheat. The record price is not likely to be achieved without problems with the 1996 crop.

July 96 wheat has been trading above \$4.30. Midwest farmers can take advantage of the attractive prices by increasing wheat plantings and forward pricing 1996 expected production. The wheat crop is mature before any potential weather problems affecting corn and/or soybeans occur. Returns from a good wheat yield is competitive with average corn or soybean yields. In areas where double cropping is feasible, a combination of wheat-soybean double crop is the most profitable cropping plan for the year ahead.



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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