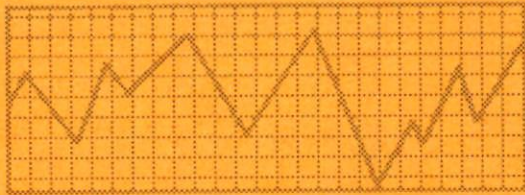




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# WEEKLY OUTLOOK

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## **WHEAT PRICES DEPEND ON CROP SIZE AND EXPORT ENHANCEMENT PROGRAM**

The current focus in the wheat market is the expected size of the 1990 harvest. Weather conditions and prospective crop size may dominate the price picture for several more weeks. Ultimately, however, prices will be influenced by the administration of the Export Enhancement Program (EEP). Under this program the USDA subsidizes the export of U.S. wheat, targeting countries that also receive subsidized wheat from the European Community. In effect, the USDA can expand or contract the size of the export market depending on the supply of U.S. wheat available for export. Demand can be adjusted to fit the supply. The timing and magnitude of EEP sales will be a dominant price factor once crop size is known.

The USDA will release its first estimate of the size of the 1990 winter wheat crop in the *Crop Production* report to be released on May 10. The estimate of winter wheat seedings released in January provides the first indication of the potential size of the 1990 crop. Winter wheat seedings totaled 56.97 million acres, an increase of 1.88 million from acreage seeded the previous year. The portion of seeded acreage that is harvested for grain varies from year to year, depending primarily on weather conditions. In 1989, for example, only 75 percent of the planted acreage was harvested for grain. In the previous five years, harvested acreage ranged between 80 and 83 percent of planted acreage. The average was 81.3 percent. In those three years, the difference between planted and harvested acreage ranged between 9 and 11.9 million acres. The average was 10.2 million acres. Based on average conditions, harvested acreage of winter wheat should be between 47.3 and 47.7 million acres in 1990. Because of early weather problems in some hard red winter wheat areas, we are using the lower figure of 47.3 million acres.

Average winter wheat yields for the last ten years have ranged from a low of 35.1 bushels in 1989 to a high of 41.8 bushels in 1983. The ten-year average yield is 37.8 bushels per acre; the five-year average is 37.5 bushels. A 1990 winter wheat crop near 1.775 billion bushels should be expected. A crop of that size would be 320 million bushels larger than the 1989 harvest and the largest crop since 1985.

Estimates of spring wheat plantings as well as a revised estimate of winter wheat seedings will be released on March 30. Seedings last year totaled 21.5 million



acres, the most since 1981. Prospects for acreage in 1990 are clouded by diverse moisture conditions and the change in the wheat program made in September that allows participants in the program to plant up to 105 percent of their base acres. An increase in spring wheat acreage similar to the increase in winter wheat acreage would result in seedings of 22.1 million acres. Acres harvested for grain averages about 96 percent of planted acreage. An average yield near 33 bushels per acre would result in a crop of about 700 million bushels. Prospects for below-normal precipitation in spring wheat-producing acres, however, may result in a smaller crop. The average yield in 1989 was only 28 bushels per acre. The 1988 average was only 18.7 bushels per acre. A crop near 625 million bushels may be more likely.

The 1990 wheat harvest may be near 2.4 billion bushels, which is about 360 million bushels more than harvested in 1989 and the largest crop since 1985. For the current marketing year, the USDA projects that 2,315 billion bushels of wheat will be used for all purposes, including exports of 1.3 billion bushels. For the year ahead, domestic use of wheat may increase by about 25 million bushels. If exports remain at 1.3 billion bushels, stocks at the end of the 1990-91 marketing year will increase by only 60 million bushels. A confirmation of prospective carryover stocks near 500 million bushels would likely result in higher prices. The timing of price increases will depend on spring weather conditions. The recovery may be delayed until after harvest.

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