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ARE THE MARKET LOWS IN FOR WHEAT?

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Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

ARE THE MARKET LOWS IN FOR WHEAT?

| Market Report | Yr Ago | 4 Wks Ago | 7/9/99 |
|--|-----------|--------------|---------|
| <u>Livestock and Products,</u> | | | |
| <u>Average Prices for Week Ending</u> | | | |
| Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt. | \$60.63 | \$66.02 | \$63.15 |
| Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt. | 73.61 | 80.86 | 80.43 |
| Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg. | * | 88.00 | 92.88 |
| Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt. | 92.10 | 103.69 | 100.47 |
| Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt. | 37.10 | 33.50 | 28.50 |
| Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd. | * | 31.50 | 19.00 |
| Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt. | 106.50 | 102.50 | 97.56 |
| Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt. | 87.13 | 84.50 | 79.75 |
| Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt. | 160.00 | 181.50 | 172.00 |
| <u>Crops,</u> | | | |
| <u>Cash Truck Prices for Date Shown</u> | | | |
| Wheat, No. 1, H.W. Omaha, bu. | 3.05 | 2.94 | 2.62 |
| Corn, No. 2, Yellow Omaha, bu. | 2.10 | 1.92 | 1.59 |
| Soybeans, No. 1, Yellow Omaha, bu. | 6.48 | 4.43 | 3.96 |
| Grain Sorghum, No. 2, Yellow Kansas City, cwt. | 3.78 | 3.28 | 2.73 |
| Oats, No. 2, Heavy Sioux City, IA, bu. | * | 1.30 | 1.15 |
| <u>Hay,</u> | | | |
| <u>First Day of Week Pile Prices</u> | | | |
| Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton. | 85.00 | * | 85.00 |
| Alfalfa, Lg. Round, Good Northeast Nebraska, ton. | 132.50 | * | * |
| Prairie, Sm. Square, Good Northeast Nebraska, ton. | 70.00 | 55.00 | * |
| * No market. | | | |

On July 12, 1999 USDA released its crop production report. The report indicated that all wheat production is down nine percent from 1998. The 1999 U.S. wheat crop is now estimated at 2.333 billion bushels, which is 217 million less than the 1998 harvest.

Winter wheat production was forecasted at 1.67 billion bushels, which is an increase of 4% from last month, but down 11% from last year. A record setting yield of 47 bushels per acre was raised 2.3 bushels from the previous month. The Hard Red Winter crop is projected at 1.03 billion bushels, which is up 5% from last month despite the damage reports on the southern wheat crop because of harvest problems. White Winter is down and Soft Winter is up.

Durum Wheat is estimated at 132.3 million bushels or a six percent decrease from last years crop, mainly due to a drop of 5.1 bushels per acre.

Other Spring Wheat production estimates place this years crop at almost the same levels as last years, with 527.5 million bushels being produced.

Beginning stocks were reduced 24 million bushels from last months report, feed use estimates were raised by 25 million. The net effect of the larger crop raises the projected carry out to 913 million bushels, not much change from the 945 million bushels we started this year with.

The world situation remains pretty much unchanged, while Europe shows an increase in production. This increase is offset by the problems in Russian and the Ukraine.



It appears that we should have put the lows in, but with the large feed grain and soybean crops, wheat prices will remain under pressure. While on-farm storage might pay, it appears commercial storage probably will not. A lot of wheat will go under loan at these prices.

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TABLE 2. USDA Supply/Demand Balance Sheet For Wheat, July 12, 1999

| | 1995-96 | 1996-97 | 1997-98 | Estimated 1998-99 | Projected 1999-00 |
|---|-------------------|-------------|-------------|----------------------|----------------------|
| | (Million Acres) | | | | |
| Acres Set-Aside and Diverted | 5.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Acres Planted | 69.1 | 75.1 | 70.4 | 65.9 | 62.9 |
| Acres Harvested | 60.9 | 62.8 | 62.8 | 59.0 | 54.6 |
| Bu./Harvested Acre | 35.8 | 36.3 | 39.5 | 43.2 | 42.7 |
| | (Million Bushels) | | | | |
| Beginning Stocks | 507 | 376 | 444 | 722 | 945 |
| Production | 2182 | 2278 | 2481 | 2551 | 2333 |
| Imports | <u>68</u> | <u>92</u> | <u>95</u> | <u>100</u> | <u>100</u> |
| Total Supply | 2757 | 2746 | 3020 | 3373 | 3378 |
| Use: | | | | | |
| Food | 883 | 891 | 916 | 915 | 925 |
| Seed | 104 | 102 | 93 | 81 | 90 |
| Feed | <u>153</u> | <u>308</u> | <u>249</u> | <u>382</u> | <u>300</u> |
| Total Domestic | 1140 | 1301 | 1258 | 1378 | 1315 |
| Exports | <u>1241</u> | <u>1001</u> | <u>1040</u> | <u>1050</u> | <u>1150</u> |
| Total Use | 2381 | 2302 | 2298 | 2428 | 2465 |
| Ending Stocks | 376 | 444 | 722 | 945 | 913 |
| Ending Stocks, % of Use | 15.8 | 19.3 | 31.4 | 38.9 | 37.0 |
| Regular Loan Rate | \$2.58 | \$2.58 | \$2.58 | \$2.58 | \$2.58 |
| U.S. Season Average Farm Price, \$/Bu. | \$4.55 | \$4.30 | \$3.38 | \$2.65 | \$2.45-\$2.95 |

Source: USDA