



**AgEcon** SEARCH

RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

*No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.*

## **Historic, Archive Document**

Do not assume content reflects current scientific knowledge, policies, or practices.

Outlook '93

For Release Wednesday, December 2, 1992

U.S. 1993 WHEAT PLANTINGS LIKELY UP,  
MAJOR FOREIGN PRODUCERS MAY ALTER TRADITIONAL CROPPING PATTERNS

Edward W. Allen  
Leader, Food Grains Analysis Section  
Economics Research Service

Summary

U.S. Wheat Plantings for 1993 Likely Up

The 1993/94 U.S. wheat supply will largely depend on the size of the 1993 crop, as carryin stocks are forecast up only 50 million bushels from a year earlier. Plantings are likely to increase because of lower idled acres under government programs and stronger prices for winter wheat producers at planting time than a year ago. However, it is questionable whether the large 1992 spring wheat area will be maintained next year.

Yields in 1993 largely depend on the weather between now and harvest. However, a rebound in hard red winter yields from the below-average levels of the last 2 years would likely raise total winter wheat yields. On the other hand, a return to average yields would mean a sizable drop from the 1992 record yields for other spring wheat and durum.

Production To Determine Supply As  
Forecast Beginning Stocks Low Again

Carryin stocks for 1993/94 are forecast to be 523 million bushels, up only 50 million from the relatively low level of a year earlier. Thus, any major changes in the 1993/94 wheat supply will largely depend on the size of production.

If the forecast for 1993/94 beginning stocks is realized, this

would be the third year of the last four when carryin stocks were less than 550 million bushels. Moreover, around 150 million bushels are expected to be tied up in Commodity Credit Corporation (CCC) inventory, mostly in the Food Security Wheat Reserve. This leaves 373 million bushels privately owned and more readily available to the market.

Relatively low beginning stocks mean that if problems arise with the 1993 crop, prices will rise and constrain use. However, if production is stable, 523 million bushel stocks would be large enough to absorb most unforeseen increases in demand.

The Acreage Reduction Program for 1993 will be zero, down from 5 percent in 1992. Higher market prices at winter wheat planting time likely also encouraged additional plantings. The unweighted average of this year's current national average wheat prices for June through October is \$3.22 per bushel -- \$0.51 higher than last year's unweighted average for the same period. The wheat price increase is even greater when measured relative to feed grains and oilseeds whose prices have been pressured downward by large 1992 crops.

#### U.S. Winter Wheat Production Likely To Increase in 1993

Winter wheat production in 1992 was 1.6 billion bushels, up from 1.4 billion in 1991, but down from 2.0 billion in 1990. Winter wheat production is likely to increase in 1993, especially in the Southern Plains, the heart of the winter wheat belt.

Area planted is likely to increase in some areas because of the lower ARP, although the increase may be limited by several factors. Reducing the ARP to zero from 5 percent is unlikely to produce as great an effect as a reduction from 15 percent to 10 percent, because the last acres of a farmer's base acres are often the most difficult to farm or the least productive. With Normal Flex Acres (NFA) where producers receive only market returns on 15 percent of their base acres, some farmers cannot justify planting these last acres, unless market prices are sufficiently high.

Another factor limiting the response in plantings to the lower ARP is the practice of some producers, particularly in Texas and

---

Oklahoma, of planting all or more than their base acres and haying or grazing-out the area that is greater than their permitted acres to be harvested for grain. Such producers would likely harvest more wheat because of the lower ARP without changing their planted area.

Prices this fall have favored increased winter wheat plantings. The U.S. average price received by farmers in August and September 1992 were 38 and 41 cents per bushel higher than a year earlier, while corn prices averaged 18 cents per bushel lower, and soybeans were down 29 and 37 cents per bushel. Wheat prices increased from August through November, during planting, as they did a year earlier. Feed grain and oilseed prices tended to decline from August into November as record corn and soybean yields were becoming apparent. Cash market prices and futures prices for nearby months and next year also favored wheat over alternative crops.

These price relationships likely encouraged some winter wheat farmers to plant wheat on other program crop's flex acres and more on wheat flex acres. Moreover, if a producer left some flex acres idle last year, this year's stronger wheat prices at planting may encourage additional acres, especially if moisture conditions were favorable.

Moisture conditions may be too wet, however, in some areas. Especially in the Eastern corn belt, excessive rains and a late corn harvest likely prevented some producers from planting as much wheat as they had intended. However, SRW producers usually respond to comparative prices more than other wheat growers, so SRW area will likely increase, especially in areas which had good yields and quality in 1992.

As is often the case, planting conditions for winter wheat were mixed this fall, with some areas suffering from problems, especially dryness in Texas and the western parts of Oklahoma and Kansas, while other regions, particularly parts of Kansas and Arkansas, had better than normal conditions. By November 1, 1992, 90 percent of the winter wheat crop in the 19 major States was planted, only 1 percent behind normal, and 74 percent of the crop had emerged, 5 points less than normal with Oklahoma and Texas lagging the most.

---

Crop conditions were about average overall, with Kansas better than normal with 40 percent of the crop rated excellent, while about a third of the Texas crop was rated poor or very poor. The average overall planting conditions are a significant improvement from a year ago when extended dryness in October was followed by torrential rains in November.

Good planting conditions in most of Kansas likely facilitated increased planted area, while dryness in Oklahoma and Texas may reduce plantings meant for grazing more than area planted for grain.

Unless growing conditions are unfavorable, a higher percentage of the winter wheat planted area may be harvested for grain in 1993. The zero ARP should encourage farmers who overplant to harvest a larger share of planted area, as payment and permitted acres increase. Moreover strong wheat prices should encourage producers to harvest wheat and market the grain. However, as usual, the major factor in the harvested-to-planted ratio will be weather. Winterkill is a common cause of abandoning or reseeding winter wheat to another crop, or in the case of the Pacific Northwest, reseeding to spring wheat.

Yields in 1993 largely depend on the weather between now and harvest. Winter wheat yields in 1992 were mixed, with the largest class of wheat, hard red winter (HRW), posting below average yields (33 bushels per acre for the second year in a row), while the class grown in the Corn Belt and the East, soft red winter (SRW), had record average yields. If yields return to average or trend levels in 1993, increased HRW production would likely overwhelm any change in SRW, boosting winter wheat production.

#### Spring Wheat Production Unlikely To Match 1992 Record

Prospects for spring wheat area planted in the spring of 1993 are unclear. Reduced ARPs (zero for both wheat and barley) provide a base for expanded plantings of both in 1993. However, wheat prices are unlikely to be as high at planting time in 1993 as they were in 1992. In March 1992, when spring wheat producers were making planting decisions, the farm price averaged \$3.72 per bushel, nearly a dollar a bushel higher than in September 1991,

when winter wheat producers were making their planting decisions.

Unless winter wheat crop conditions deteriorate significantly, or unforeseen demand increases occur, wheat prices will not be as high as in early 1992. Moreover, feed grain and oilseed prices usually rebound from their harvesttime lows.

Spring wheat competes with barley and sunflowers for acreage in the Northern Plains. The large increase in hard red spring (HRS) area in 1992 may have used up much of the easily available land. Spring wheat area planted will likely respond to the condition of the winter wheat crop as it comes out of dormancy. Winter wheat production problems and strong prices would encourage spring wheat producers to take advantage of the lower ARP and maintain or increase wheat area.

Spring wheat yields in 1993 will be hard pressed to match 1992. Yields in 1992 broke previous records by a wide margin. HRS average yields are estimated to have reached 40.9 bushels per acre, 4.8 bushels higher than the previous record HRS yields and topping the 1983 record HRW yield by 1.2 bushels. Average HRS yields have proven extremely variable in recent years, ranging as low as 18 bushels per acre 5 years ago when drought devastated the crop. A return to average or trend yields would imply reduced spring wheat production.

#### Some Major Foreign Producers Likely to Alter Cropping Patterns

The Northern Hemisphere's winter wheat crops mostly have been planted. Planting conditions were generally favorable. However, economic transitions and policy changes in many countries might lead to lower plantings for 1993/94.

USDA will make its first 1993/94 projections in May 1993. However, it is not too early to describe some of the economic and political factors that might have affected winter wheat planting decisions and the weather conditions at planting that might affect the final outturn of the 1993/94 winter wheat crop.

Changes in the EC's Common Agricultural Policy (CAP), continuing economic transitions in East Europe and the former Soviet Union (FSU), the shift to a more market-oriented agricultural sector, in

China are likely to lead to shifts in traditional cropping patterns. In addition, austerity programs in India could have affected 1993/94 wheat plantings.

The EC recently adopted dramatic changes in its Common Agricultural Policy that will be phased in over a 3-year period beginning in 1993. The basic components of the program include set-aside provisions for large farms (those capable of producing more than 92 tons of cereals), about a 30-percent reduction in intervention prices by 1996 (depending on the grain), with the largest drop occurring in 1993/94. Oilseed support prices have been eliminated under the reform of the oilseed regime which has already gone into effect and oilseed prices could drop sharply. Farmers will receive compensation for the reduction in intervention prices through direct payments. However, large producers are required to set aside a specified portion of their arable land in order to receive payments for grains, and all farmers must meet the set aside requirements for oilseeds to receive oilseed payments.

While it is not known how EC producers will react to the CAP changes, wheat's consistently high yields lead many analysts to conclude that expected returns will favor wheat over other grains and oilseeds in many areas.

Only wheat meeting specific milling standards will be accepted into government intervention stocks, increasing the incentive for farmers to plant varieties more suitable for milling than for feed. This is expected to affect production in the United Kingdom the most. Farmers in the UK have been able to boost production in recent years by planting high yielding, low quality varieties. Because of the UK's climate, it will be more difficult for UK producers to meet the new intervention quality standards.

The reduction in grain prices is likely to increase domestic demand for grain, particularly for feed. At the same time, the retail price of meat is expected to decline, leading to greater demand for livestock products. This, in turn, will increase demand for grains for feeding. Increased feed demand is likely to support prices for wheat that does not meet intervention quality standards, especially since feed barley prices will still



---

be supported because it can enter intervention stocks.

Winter wheat in the EC is planted between September and mid-November. With many details of the reform still unclear, farmers had to make their planting decisions based on an unusually large degree of uncertainty about expected returns from alternative crops. However, it was probably very difficult for farmers to estimate what their relative returns would be given the announced changes in price support, uncertainties regarding the demand for feed grains, currency fluctuations, and changes in EC Monetary Compensation Amounts (MCA). Thus, they knew that they had to set aside 15 percent of their arable land to qualify for compensatory payments. They also knew what the support prices would be and that grain would still be accepted into intervention.

Very little information on EC plantings for the 1993/94 crop is available. It has been reported that winter rapeseed acreage is down 25 percent from a year ago. Some of this area may have been planted to wheat. Because of wheat's higher yields, wheat has an advantage over barley. Therefore, it remains uncertain how much, if any, wheat plantings will decline. In addition, UK producers are reported to be planting more milling quality wheat varieties than a year ago, a shift that might cause downward pressure on UK yields in 1993/94.

It is still not clear what impact the changes will have on yields. The reduction in intervention prices will provide an incentive for producers to reduce costs by cutting back on fertilizers and pesticides. However, some analysts think that this will have little impact because farmers have been using too much fertilizer and chemicals. The change in intervention standards might also cause farmers to shift to higher quality, lower yielding wheat varieties. But high yielding milling wheat varieties have already been developed and their use is expanding rapidly in France.

Planting conditions in the EC and the other western European countries were favorable. In southern Europe, heavy rains provided abundant moisture, although they delayed planting in some areas. Warm temperatures allowed late planting and good crop establishment. In northern Europe, rain and temperature conditions were favorable in the UK, northern France, and the

Benelux countries. In Scandinavia and northern Germany, which suffered from serious drought last spring and summer, rain improved topsoil conditions enough for planting and germination, but those crops will need additional precipitation throughout the year.

Grain area has been declining in Eastern Europe in response to the ongoing economic transformation. The steep decline in livestock inventories has reduced feed demand, costs of production are rising, and grain prices have failed to keep up. Land reform efforts in some countries, especially Romania, are breaking up large farms into small individual units, causing shifts in cropping patterns. While very little information regarding winter grain planting in Eastern Europe is available, drought lowered 1992/93 spring grain production and boosted feed grain prices. This might stimulate farmers to plant additional acreage to grain, slow the decline in grain area, or, perhaps, stabilize area in 1993/94.

In the FSU, precipitation across the region improved the soil profile even in areas hit by drought during the summer. However, spring grain harvest was delayed and, as a result, winter wheat planting in some areas occurred much later than normal. Adequate precipitation and normal temperatures allowed the crop to become well established prior to entering dormancy. It has been unusually warm in the southern areas, allowing the crop to become very well established.

Grain area has been trending down in the FSU since 1980 as more marginal areas have gone into forage crops or left fallow. Following this trend and exacerbated by late plantings, winter grain area is expected to fall. At a recent agricultural conference in Moscow an official reported that an estimated 3 million fewer hectares of winter crops were planted in the Commonwealth of Independent States (FSU-12, less Georgia) this fall than a year ago. The loosening of the command economy and rising costs of production relative to grain prices (due to higher input prices and reduced subsidization) are also contributing to the process of taking land out of grain production.

This summer, drought affected the North China Plains where much

of China's winter wheat is grown. However, as in Europe, recent rains have alleviated some of the dryness, providing enough moisture for planting and germination. More rain is needed, however, to recharge the soil profile, reservoirs, and aquifers. China's other winter grain areas received adequate moisture for planting and the crop is well established.

China is undergoing a massive economic transformation. Farmers still will have to meet government quotas for wheat in 1993/94. However, the provinces are putting much more emphasis on profitability of farms, of grain bureaus that purchase grain, and of all aspects of distribution and marketing.

It is possible that grain bureaus are trying to reduce stocks. One result is that farmers are likely holding increased stocks and prices could be lower than they would be otherwise. Low farm prices, provincial pressure to plant "economic" crops (such as fruits and vegetables) and uncertainty regarding the outcome of the transformation might lead to a decline in winter grain area. Since 1990, the government had been pressuring farmers to increase wheat area. Government pressure to produce grain has diminished and the ability of the government to influence farm decisions has declined. Wheat area in 1993/94 is not expected to increase, although strong consumer demand may prevent a significant decline.

Budgetary pressures in India led to a 30 percent decrease in fertilizer subsidies. The government is compensating farmers somewhat for this increase by raising support prices, but yields could still be affected. Most of India's and Pakistan's wheat crops are irrigated. The crops are planted between October and December. The 1992 monsoon started late and initially was erratic, causing concern about the adequacy of irrigation supplies. However, the monsoon picked up and while precipitation remains below normal for the year, prospects appear favorable. Dry conditions are still causing some concern, however, in Bihar and eastern Uttar Pradesh. Good rain in October and September, however, allowed the crop to be planted and become established in those regions as well as in the Punjab.

Finally, winter wheat prospects are mixed in North Africa. Eastern Algeria and Tunisia recently received recent soaking

rains, allowing the crop to be planted and become well established. However, Morocco and western Algeria remain dry. Planting there has been delayed; but planting normally occurs between November and December. These countries receive most of their precipitation over the winter, so the amount of rain received in the coming month will be critical.

#### 1992/93 U.S. Wheat Use Forecast Up

U.S. export sales in 1992/93 surged in the second quarter as quality concerns about the Canadian crop surfaced, and following the announcement of a large EEP program, a new credit package for the FSU, and larger-than-usual wheat donations.

U.S. food use is expected to increase in 1992/93 after stagnating in 1991/92. Feed and residual use may nearly match a year earlier despite higher wheat prices relative to feed grains, possibly because of extensive rains during harvest.

A forecast increase in 1992/93 U.S. stocks is concentrated in HRS. Ending stocks of all other wheat classes are expected to be smaller than the historically low beginning stocks.

All wheat: Supply and disappearance 1/

Year beginning June 1	1988/89	1989/90	1990/91	1991/92 Estimated	1992/93 Projected
	Million bushels				
Beginning stocks	1,261	702	536	866	472
Production	1,812	2,037	2,736	1,981	2,459
Imports	23	23	36	41	50
Supply, total	3,096	2,762	3,309	2,888	2,981
Domestic					
Food	726	749	785	785	835
Seed	103	100	90	94	98
Feed and residual	150	144	499	257	250
Domestic, total	979	993	1,375	1,135	1,183
Exports	1,415	1,232	1,068	1,281	1,275
Disappear. total	2,394	2,225	2,443	2,416	2,458
Ending stocks	702	536	866	472	523

Year begin. June 1	Wheat by classes: Supply and disappearance 1/					Total
	Hard red winter	Hard red spring	Soft red winter	White	Durum	

	Million bushels					
1991/92 (Estimated)						
Begin. stocks	360	277	80	87	62	866
Production	902	431	325	219	104	1,981
Supply, 2/	1,262	725	405	311	185	2,888
Domestic use	509	217	259	65	85	1,135
Exports	558	380	105	193	45	1,281
Use, total	1,068	597	364	258	130	2,416
Ending stocks	194	128	41	54	55	472
1992/93 (Projected)						
Begin. stocks	194	128	41	54	55	472
Production	966	702	427	266	97	2,459
Supply 2/	1,161	852	468	327	173	2,981
Domestic Use	495	295	210	98	85	1,183
Exports	480	345	225	185	40	1,275
Use, total	975	640	435	283	125	2,458
Ending stocks	186	212	33	44	48	523

1/Includes flour, products in wheat equivalent. 2/Includes import

## RICE:

### Near-Record 1992 U.S. Production Boosts Supplies

U.S. 1992 rice production is forecast to increase 9 percent from a year earlier to 168.2 million cwt. This is the largest U.S. rice crop since 183 million cwt in 1981.

Harvested area is up a projected 8 percent because of a 0 percent ARP, compared to 5 percent in 1991; favorable weather and relatively high prices at planting time; and increased water availability in California. National average yields, forecast at 5,666 pounds per acre, up from last year's 5,617.

U.S. 1992/93 rice supplies are projected up 9 percent from a year ago to 201.1 million cwt. This is the highest since 1986/87 when record stocks contributed significantly to record supply. Higher production, beginning stocks and imports boost forecast supply.

The forecast increase in supplies and recent lowering of international prices and USDA's announced world rice price is putting downward pressure on U.S. prices. Rice prices at the farm level are forecast to range between \$6.10 and \$6.60 per cwt in 1992/93, compared with an estimated \$7.53 for 1991/92.

With 1992/93 supplies expected to be higher and prices lower, U.S. exports are projected up 11.5 percent from last year. Increased supplies and lower prices are expected to improve U.S. competitiveness in the high-quality markets in Europe, the Middle East, and Latin America and also are likely to lead to more rice for the P.L. 480 Program, potentially boosting exports to Latin America and Africa. U.S. domestic use continues to grow, but slower than in the late 1980's. With growth in supplies forecast to exceed growth in use, 1992/93 carryout stocks are expected to increase to 33.1 million cwt, 21 percent above 1991/92.

World rice trade in calendar 1993 is expected to decline. Forecast lower Indonesian imports account for the majority of the decline. Fierce price competition is expected to dominate world trade in 1993. A second large crop in as many years and lower prices should permit Vietnam to make inroads into Thailand's share of the low-quality long-grain rice market.