

White, U.S. & World Wheat Outlook: Will \$5.00 Wheat Remain a Fixture of the Market?

by
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Table I. DEC STOCKS, ANNUAL PRODUCTION & WHEAT SEEDING REPORTS

<u>Commodity</u> <u>Stocks</u>	<u>Dec 1</u>	<u>Sep 1</u>	<u>--Pre-Release Expectations--</u>		<u>Last</u> <u>Year</u>
			<u>Average</u>	<u>Range</u>	
	----- (Million Bushels) -----				
Soybeans	2,115	208	2,078	2,040-2,153	2,276
Corn	7,633	1,599	7,507	7,400-7,622	8,265
Wheat	1,320	1,740	1,246	1,230-1,275	1,623
Grain Sorghum	230	61	---	---	314
 <u>Production</u>	 <u>Annual</u>	 <u>Nov 1</u>			
All Wheat	1,616	1,616	---	---	1,957
Winter	1,143	1,143	---	---	1,362
Other Spring	394	394	---	---	512
Durum	80	80	---	---	84
 Soybeans					
Yield	37.8	37.5	---	---	39.6
Production	2,730	2,690	2,688	2,600-2,740	2,891
 Corn					
Yield	130.0	127.6	---	---	138.2
Production	9,008	9,003	9,017	8,970-9,094	9,507
 Milo Production	370	381	---	---	515
 Wheat Seed (Mln Ac)	44.25	---	45.05	44.21-45.98	41.74
Hard Red	32.10	---	32.24	31.60-33.01	29.82
Soft Red	8.20	---	9.04	8.58- 9.37	8.32
White	3.90	---	3.78	3.50- 3.94	3.60

**TABLE II. U.S. WHEAT SUPPLY-DEMAND
BALANCE — (Million Bushels)**

JUN/MAY YEAR	— 02/03 —		
	<u>Jan</u>	<u>Dec</u>	<u>01/02</u>
Planted Acres	60.4	60.4	59.6
Harvested Acres	45.8	45.8	48.6
Yield	35.3	35.3	40.2
Production	1,616	1,616	1,957
Stocks	777	777	876
Imports	75	80	108
TOTAL SUPPLY	2,469	2,474	2,941
Seed	86	86	82
Food	940	930	926
Feed & Residual	100	150	194
DOM. USE	1,126	1,166	1,202
Grain Exports	895	920	933
Product Exports	30	30	28
EXPORTS	925	950	961
TOTAL USAGE	2,051	2,116	2,164
Ending Stocks	418	358	777
Free	288	228	599
Loan	55	55	79
CCC	75	75	99
Stocks/Use (%)	20%	17%	36%
US Wheat Price (\$)	3.65@	3.80#	2.78
Loan Rate (\$)	2.80	2.80	2.58
Cash/Loan Rate (%)	130%	136%	108%

@ Midpoint of USDA Jan price range \$3.50 - \$3.80

Midpoint USDA's Dec price range \$3.65 - \$3.95

January 10, 2003

**TABLE III. WHITE WHEAT SUPPLY-DEMAND
BALANCE — (Million Bushels)**

JUN/MAY YEAR	— 02/03 —		
	<u>Jan</u>	<u>Dec</u>	<u>01/02</u>
Planted Acres	4.44	4.44	4.31
Harvested Acres	4.19	4.19	4.06
Yield	57.0	57.0	57.0
Production	239	239	232
Stocks	73	73	75
Imports	7	7	8
TOTAL SUPPLY	319	319	315
Seed	6	6	6
Food	79	79	75
Feed & Residual	16	16	14
DOM. USE	101	101	95
Grain Exports	150	155	147
Product Exports	--	--	--
EXPORTS	150	155	147
TOTAL USAGE	251	256	242
Ending Stocks	68	63	73
Free	30	25	29
Loan	8	8	8
CCC	30	30	36
Stocks/Use (%)	27%	25%	30%
Portland SW Price (\$)	4.05@	4.15#	3.56
Portland #1SW/ Gulf #2 SRW (%)	108%	110%	117%

@ Midpoint of KSU's Jan price range \$3.75 - \$4.35

Midpoint KSU's Dec price range \$3.80 - \$4.50

January 10, 2003

Figure 1

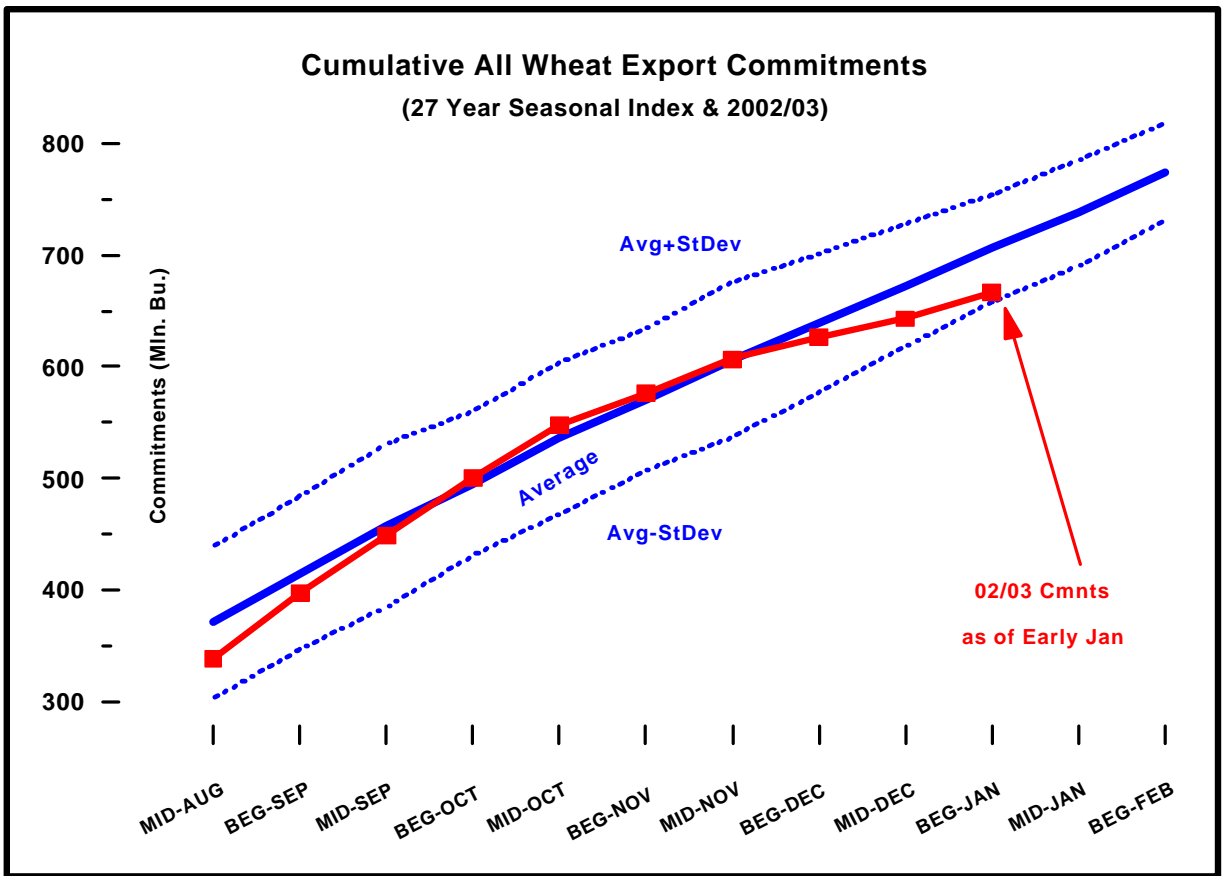


Figure 2

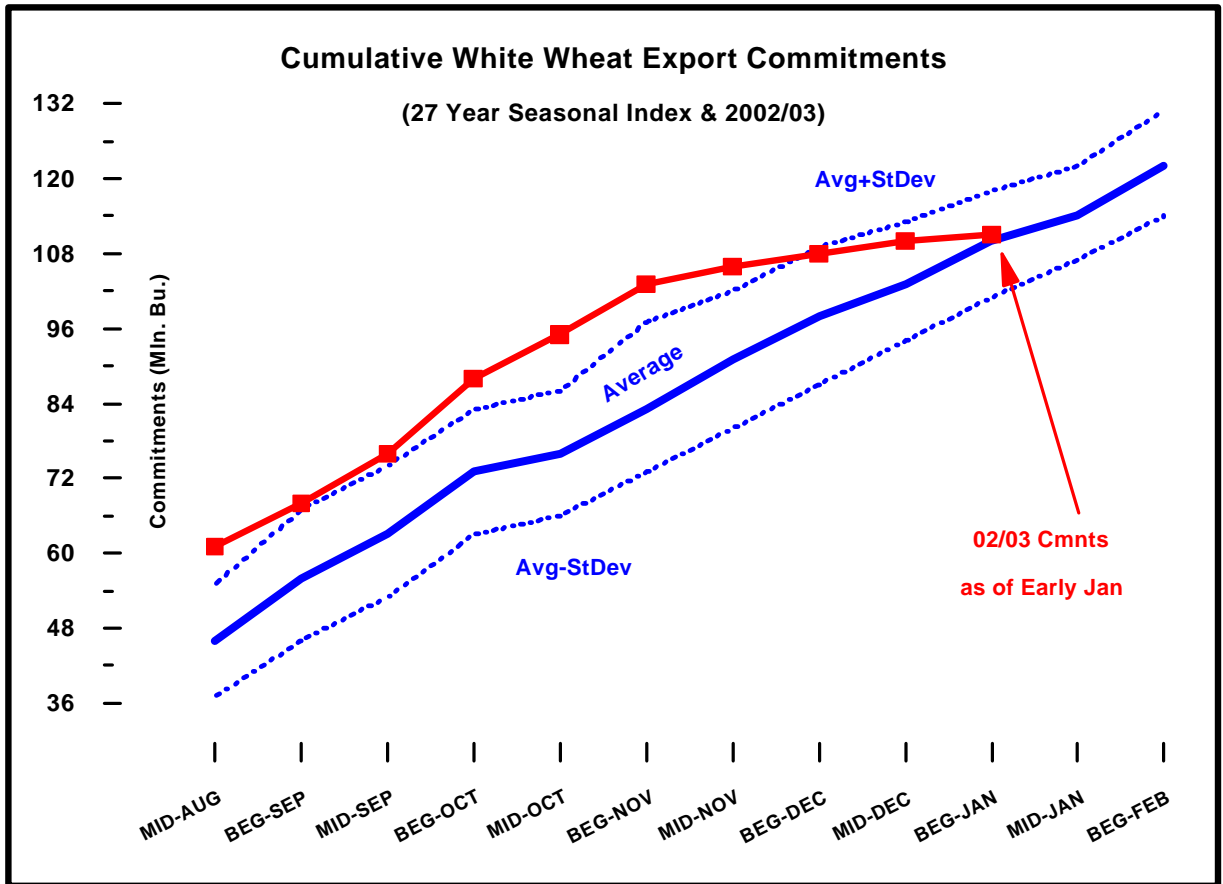


Figure 3

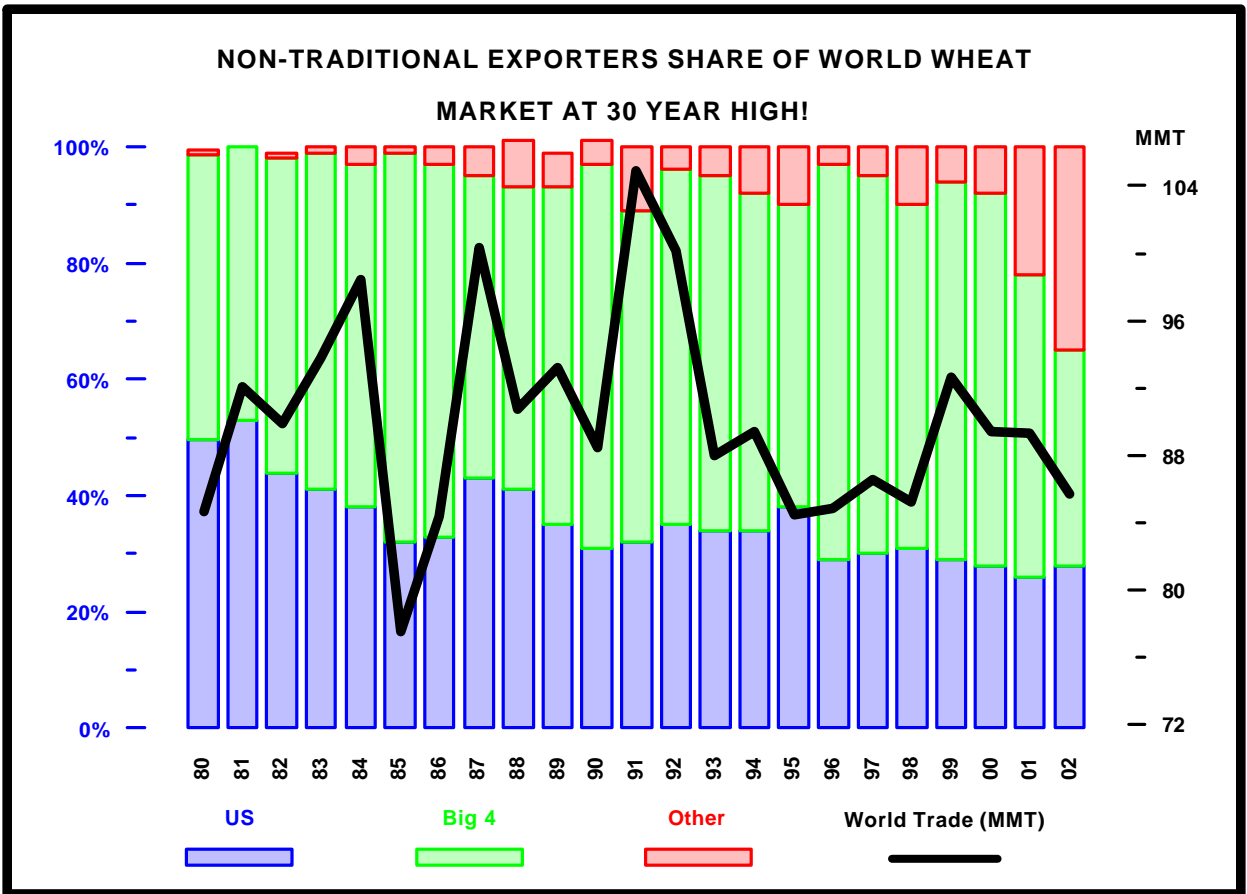


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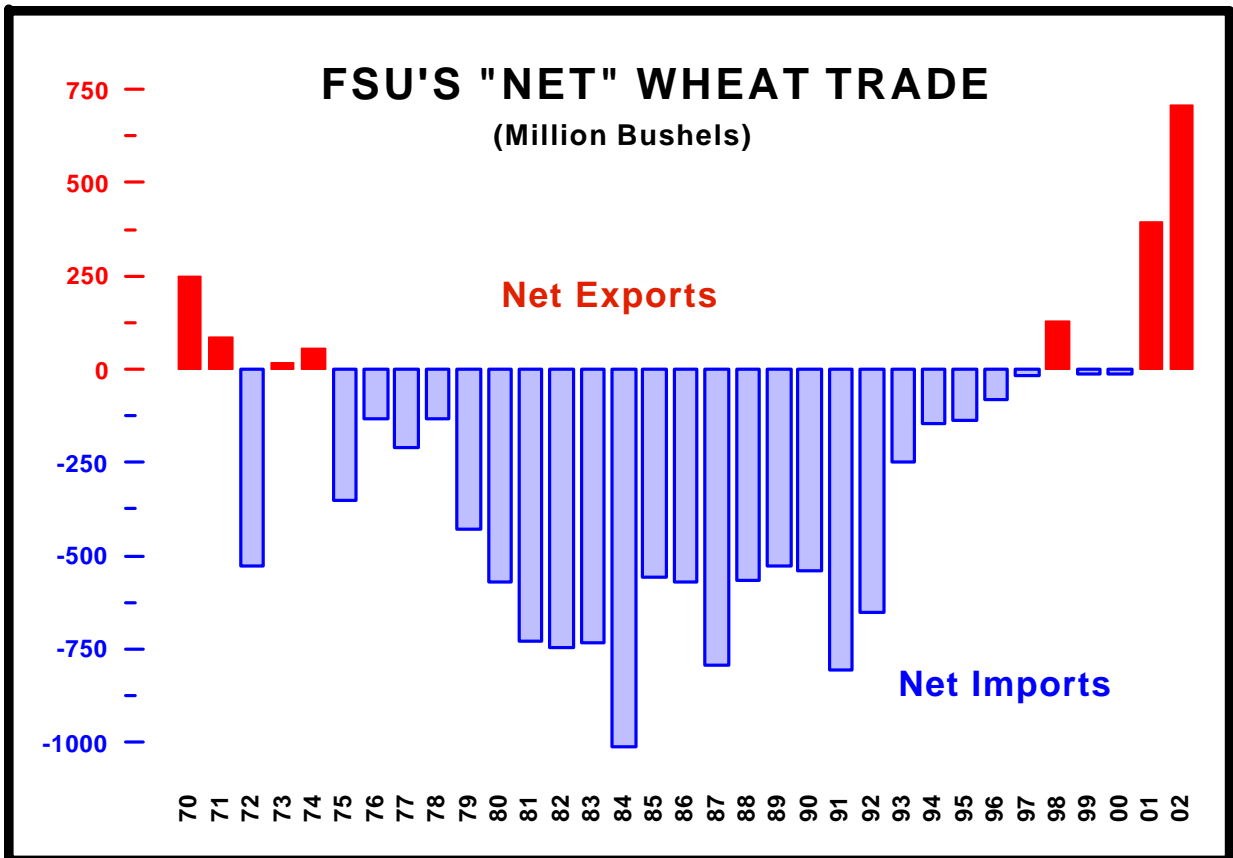


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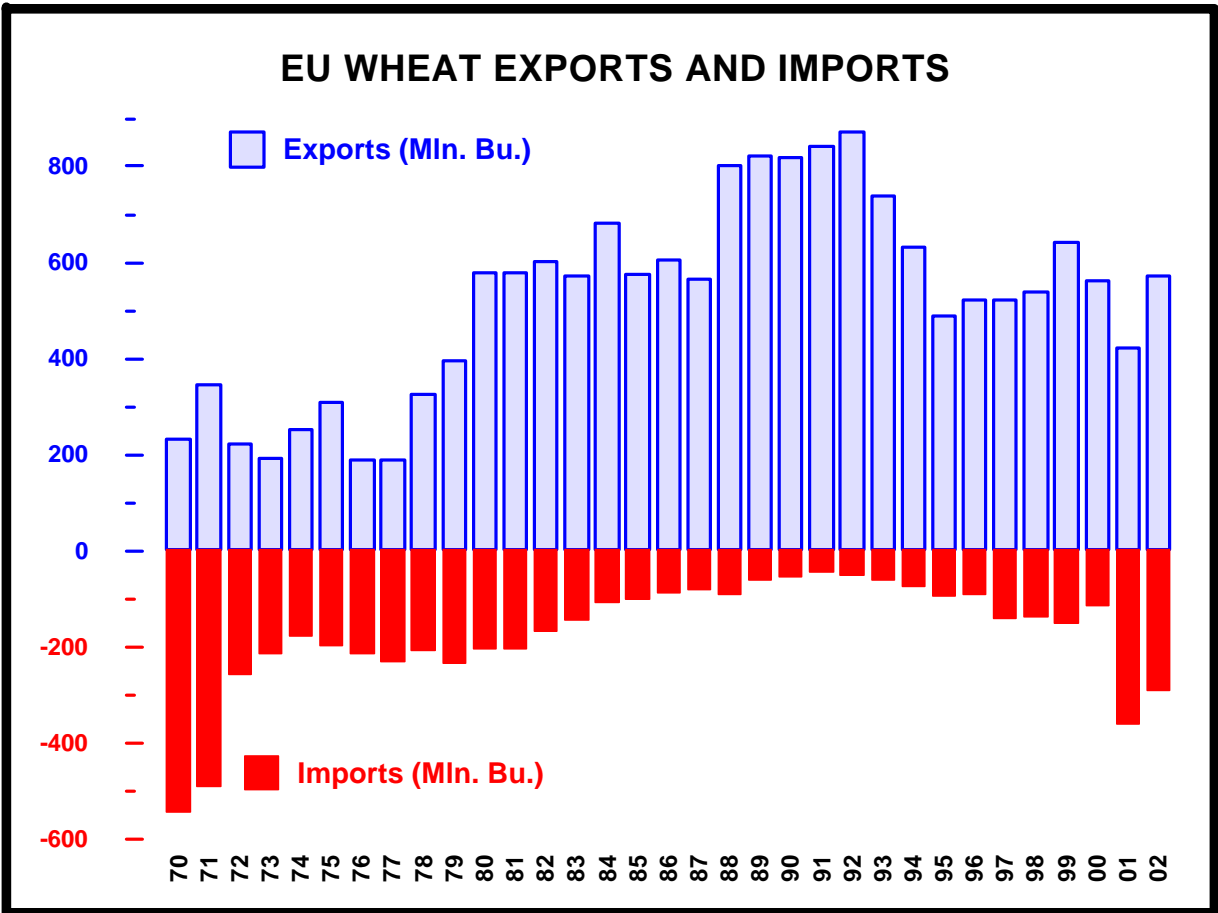


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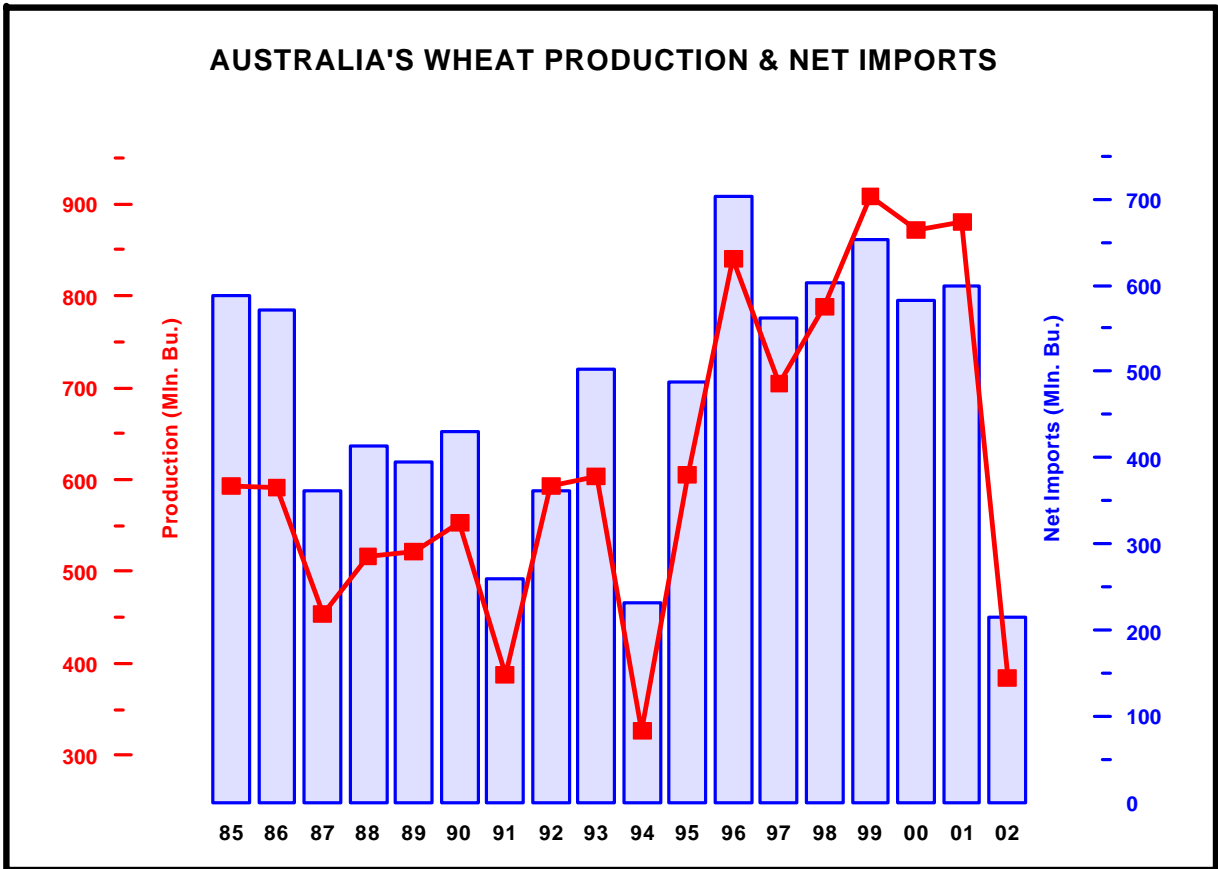


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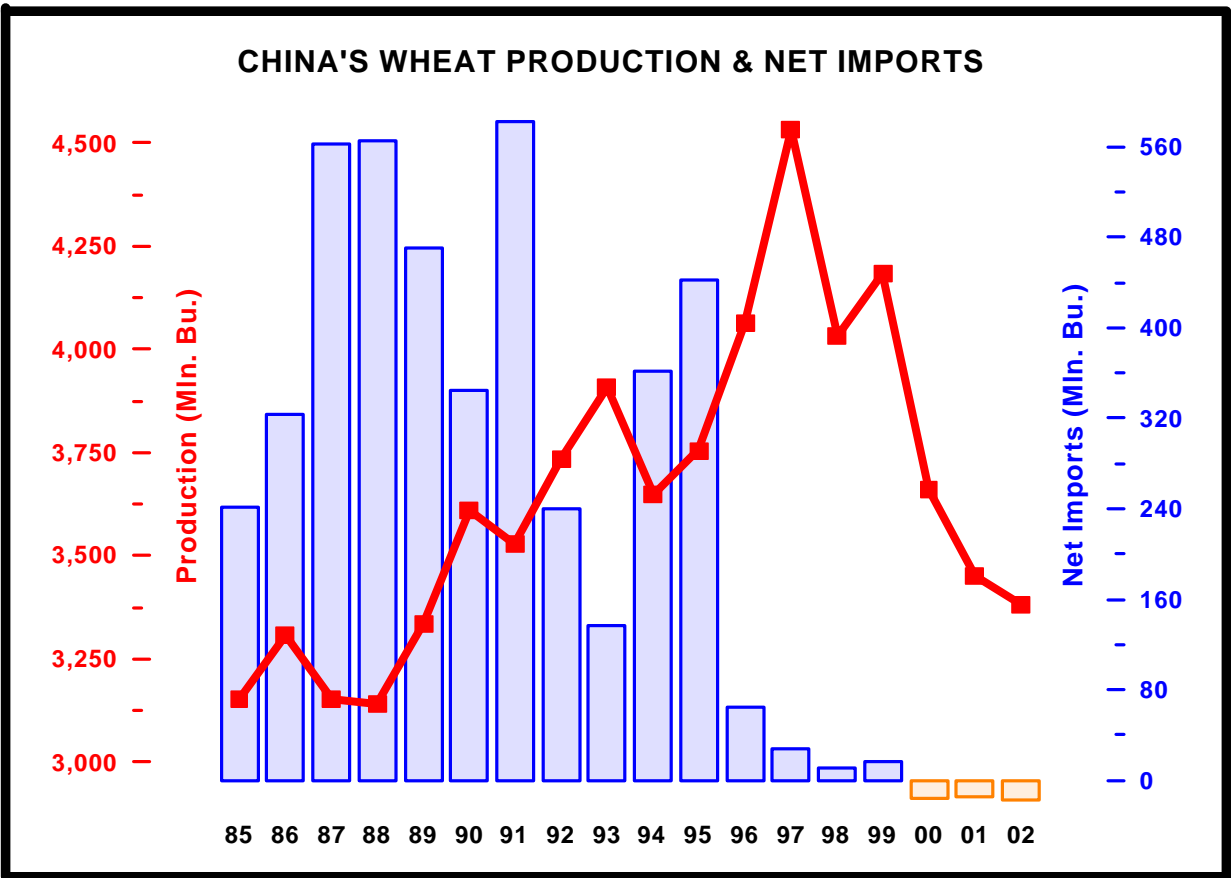


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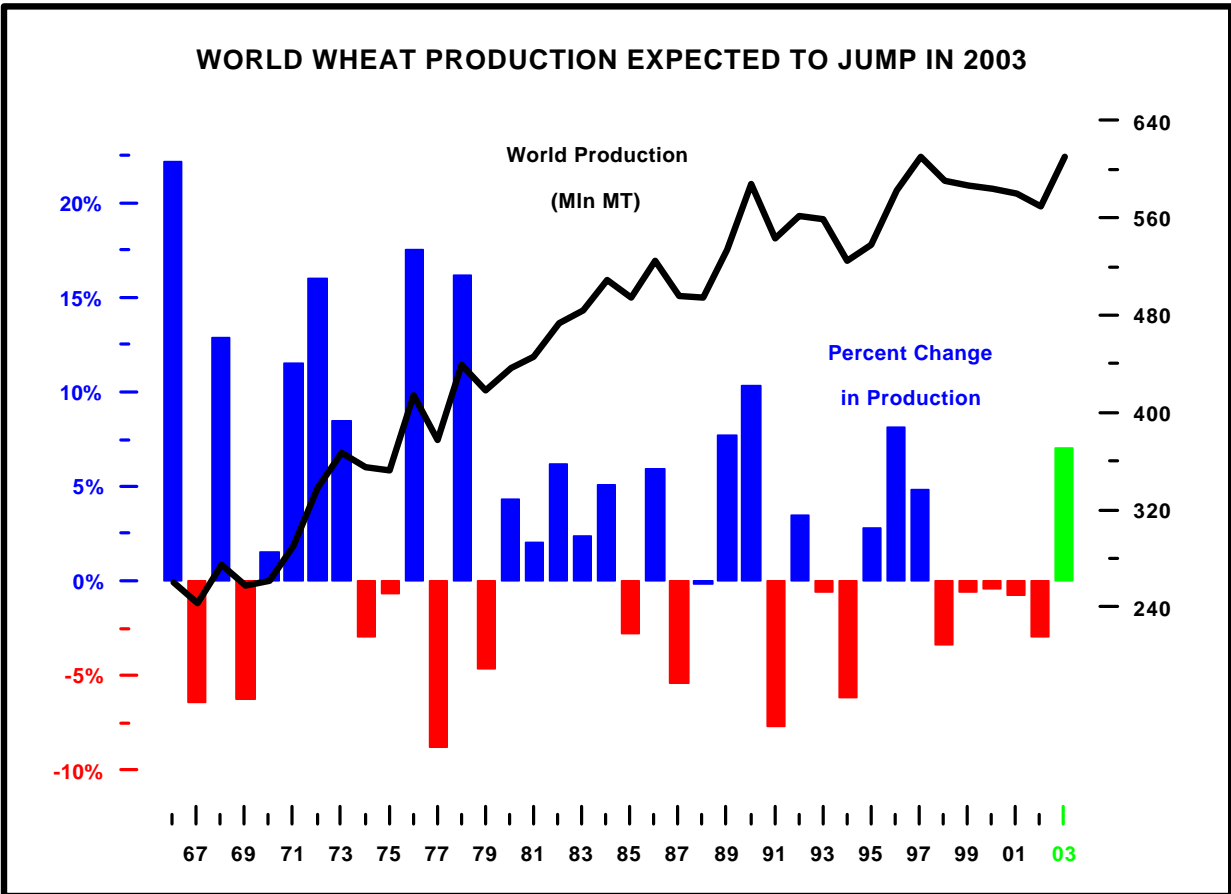


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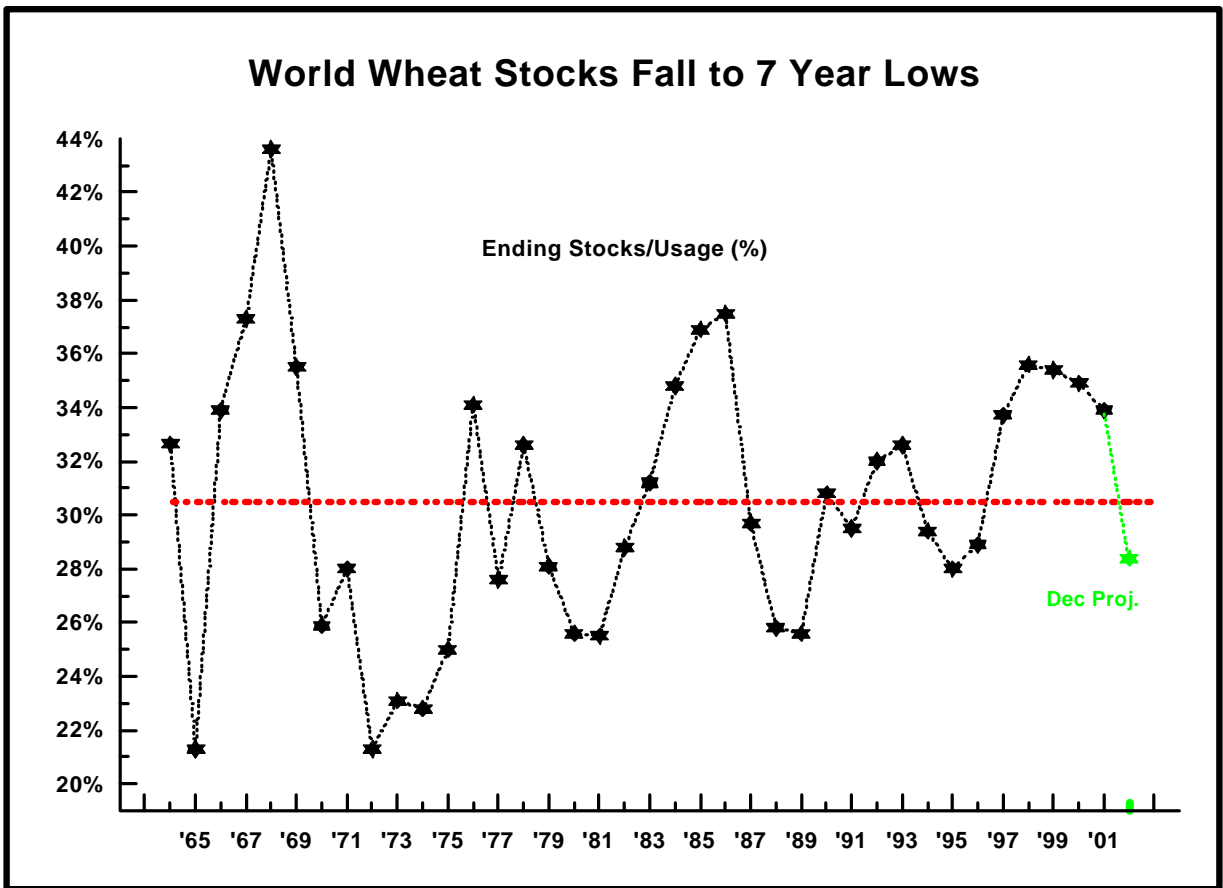


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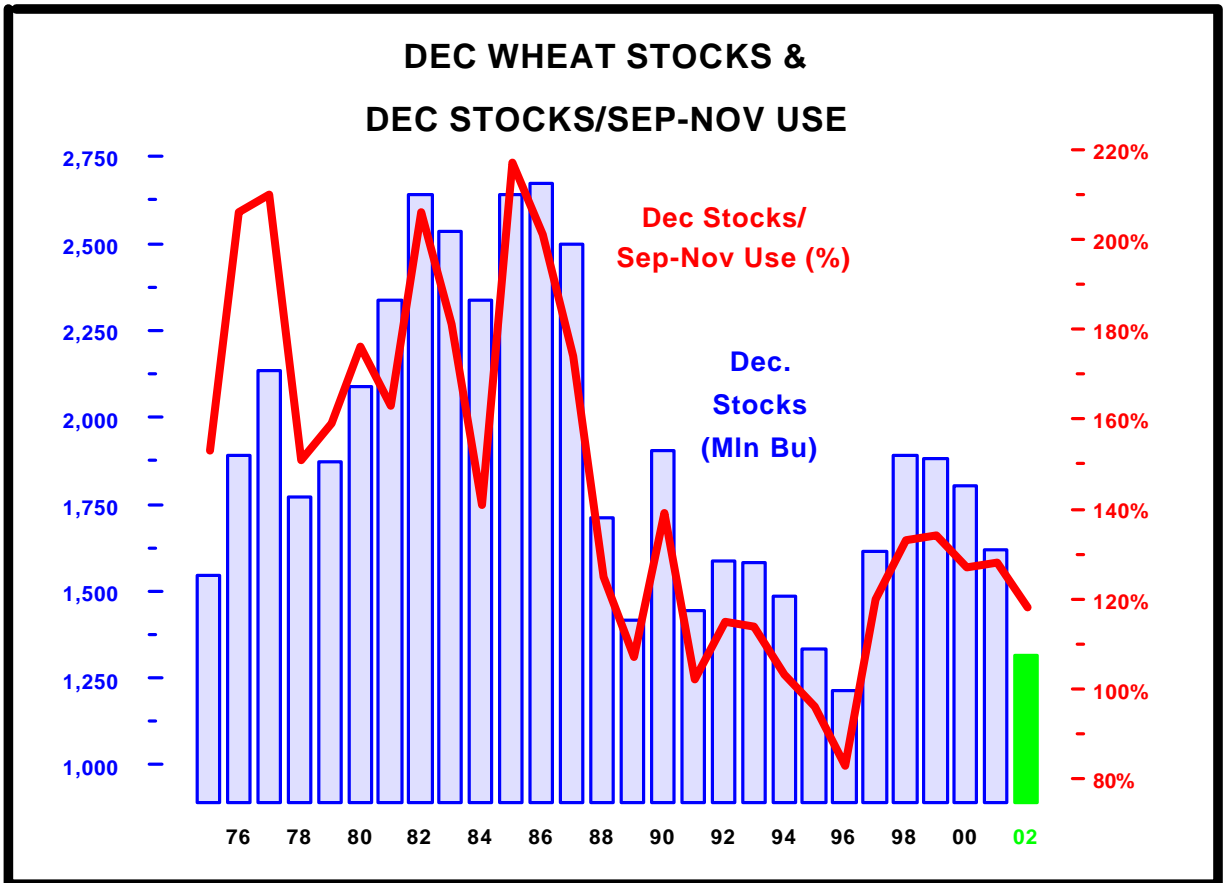


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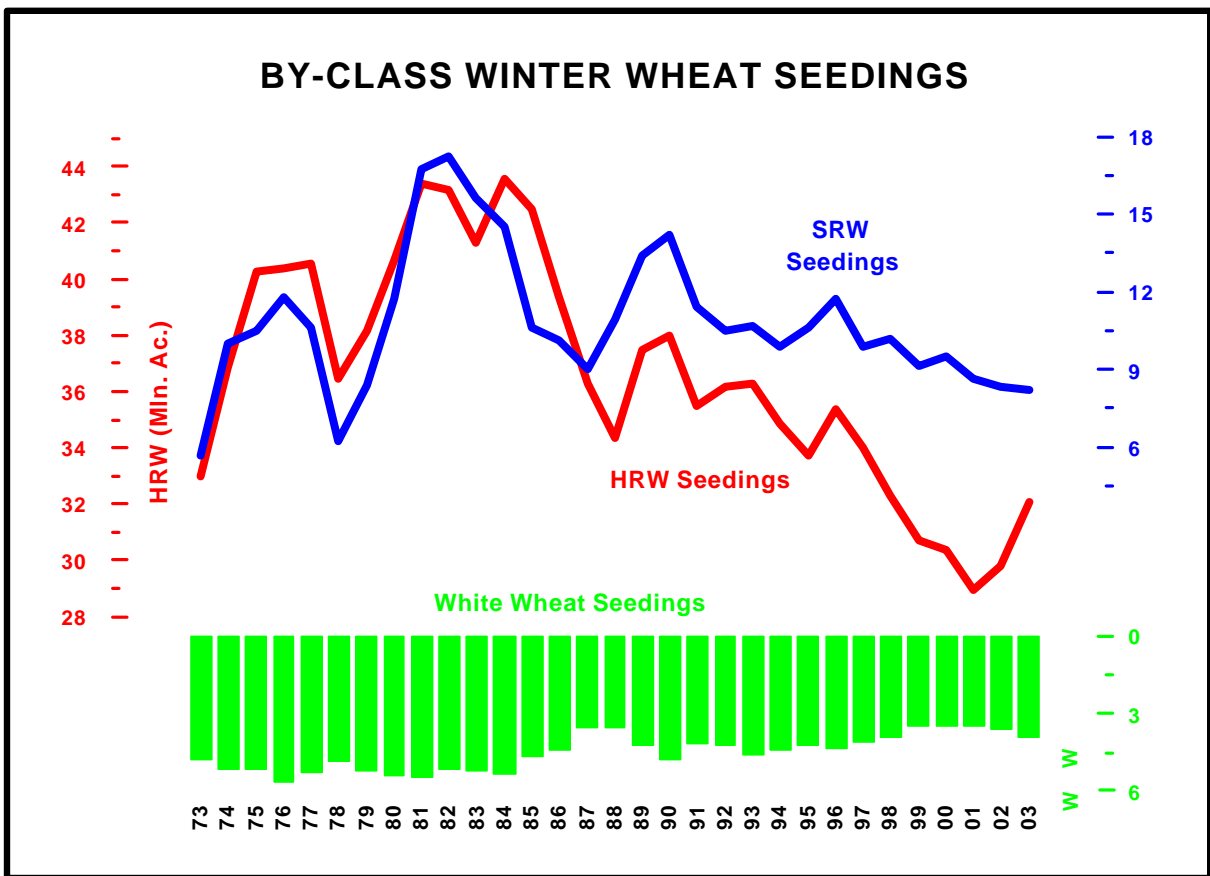


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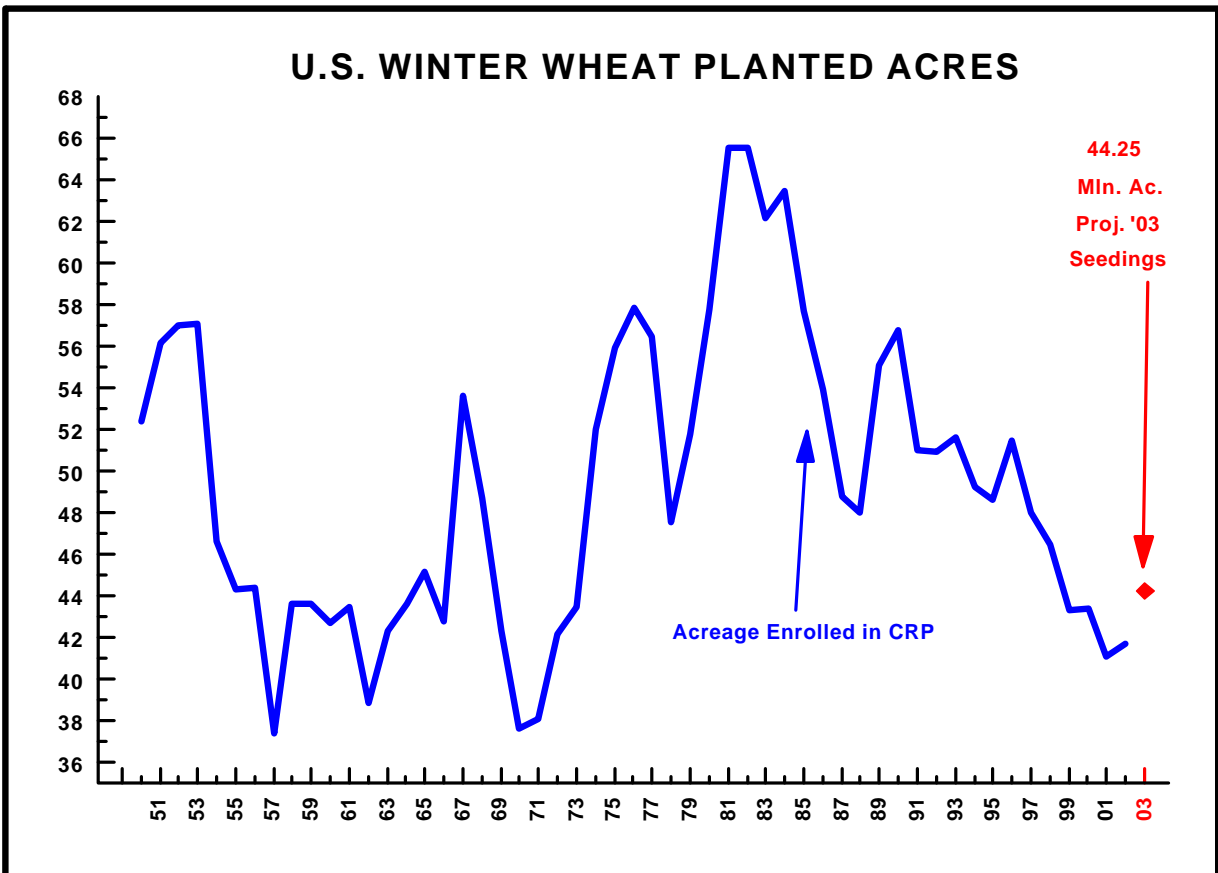


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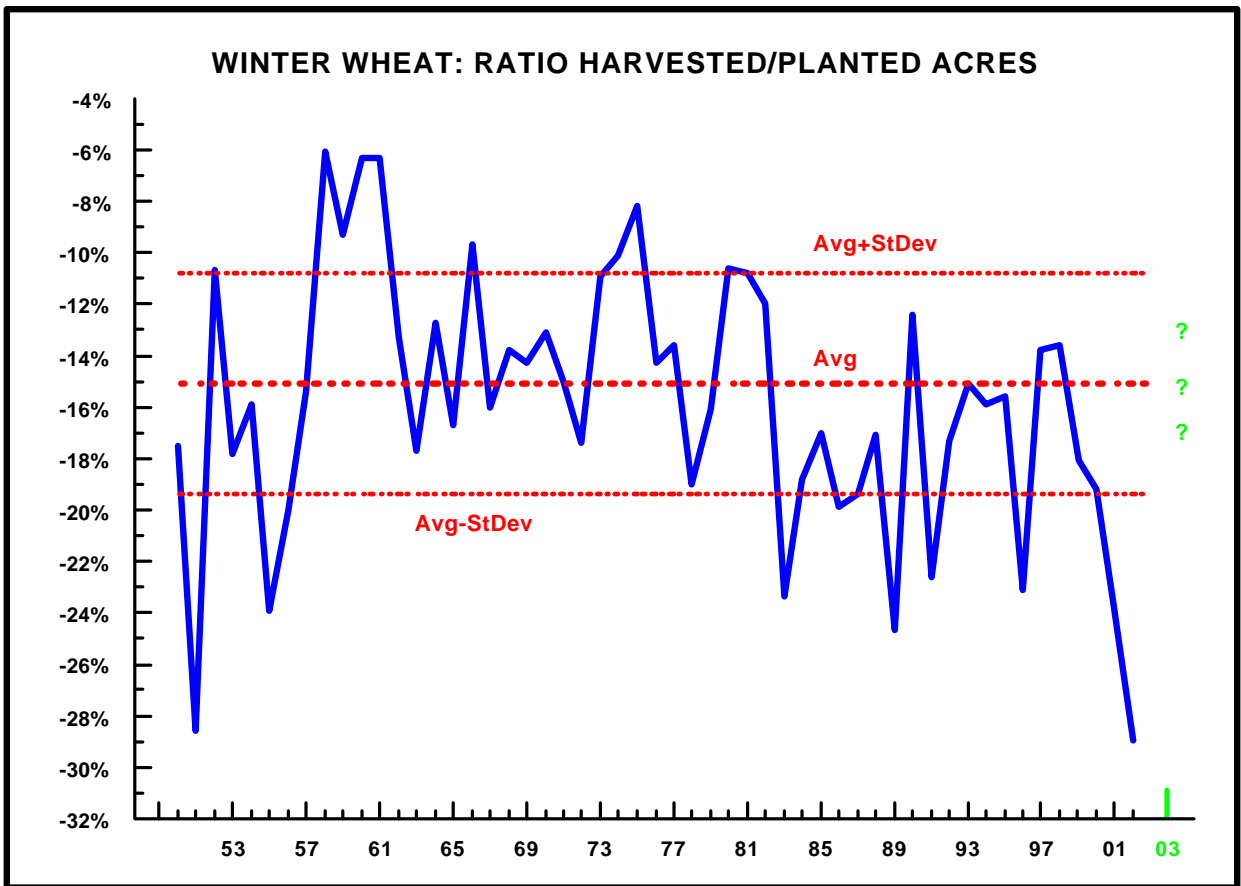


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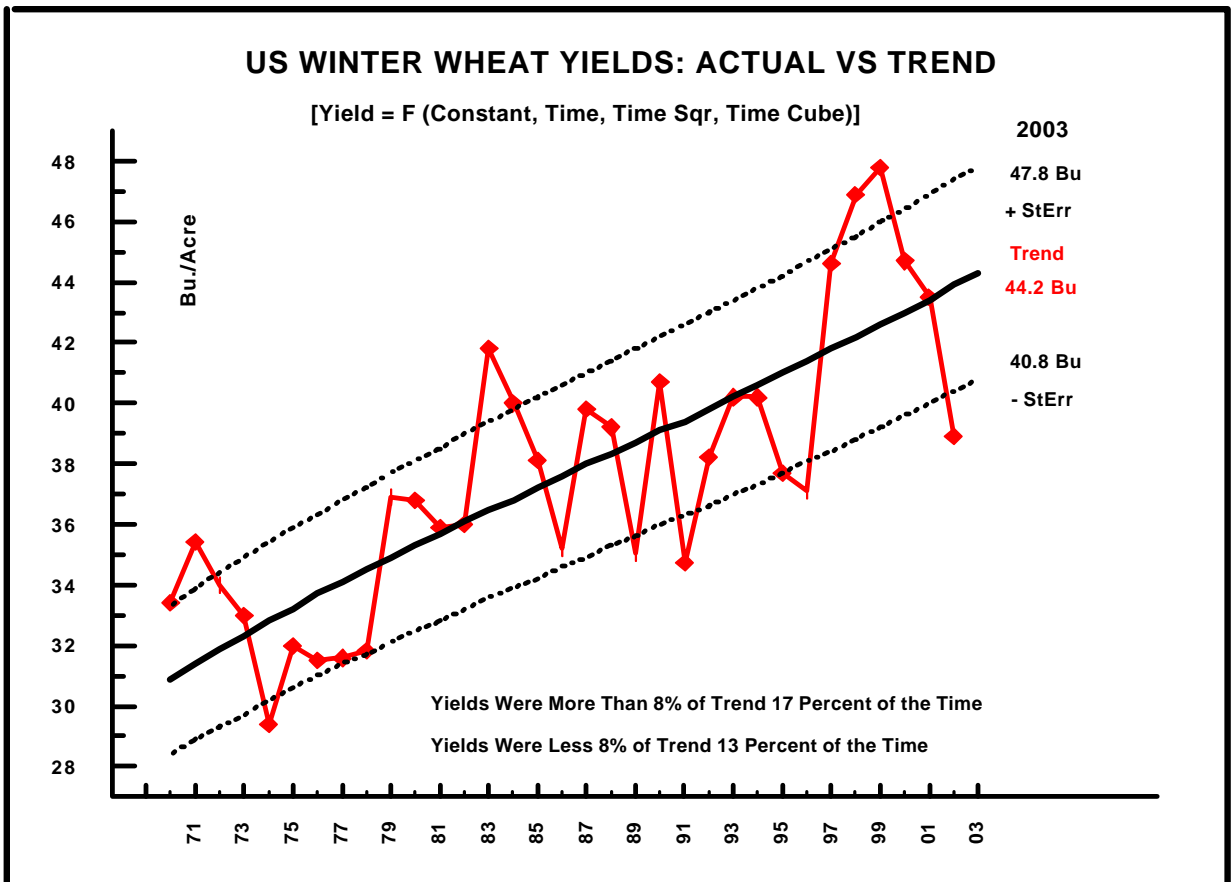


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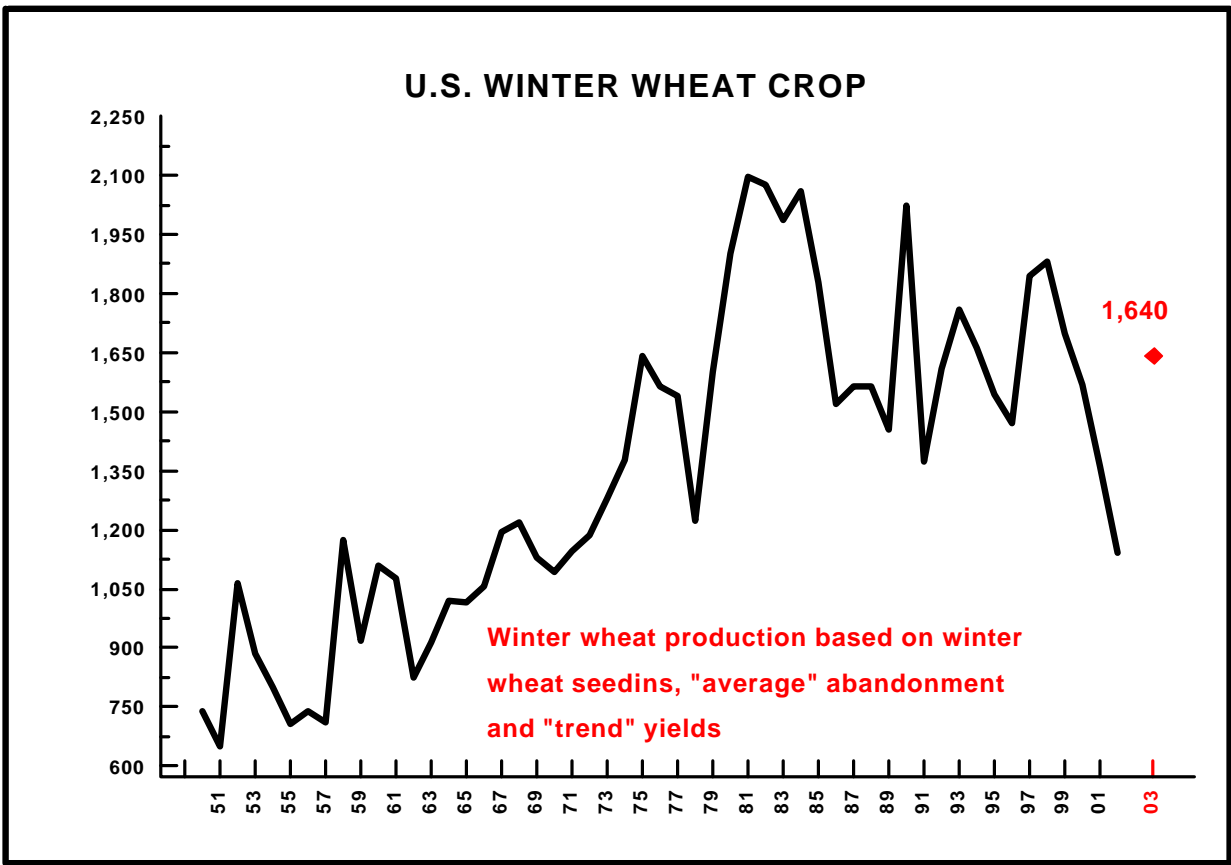


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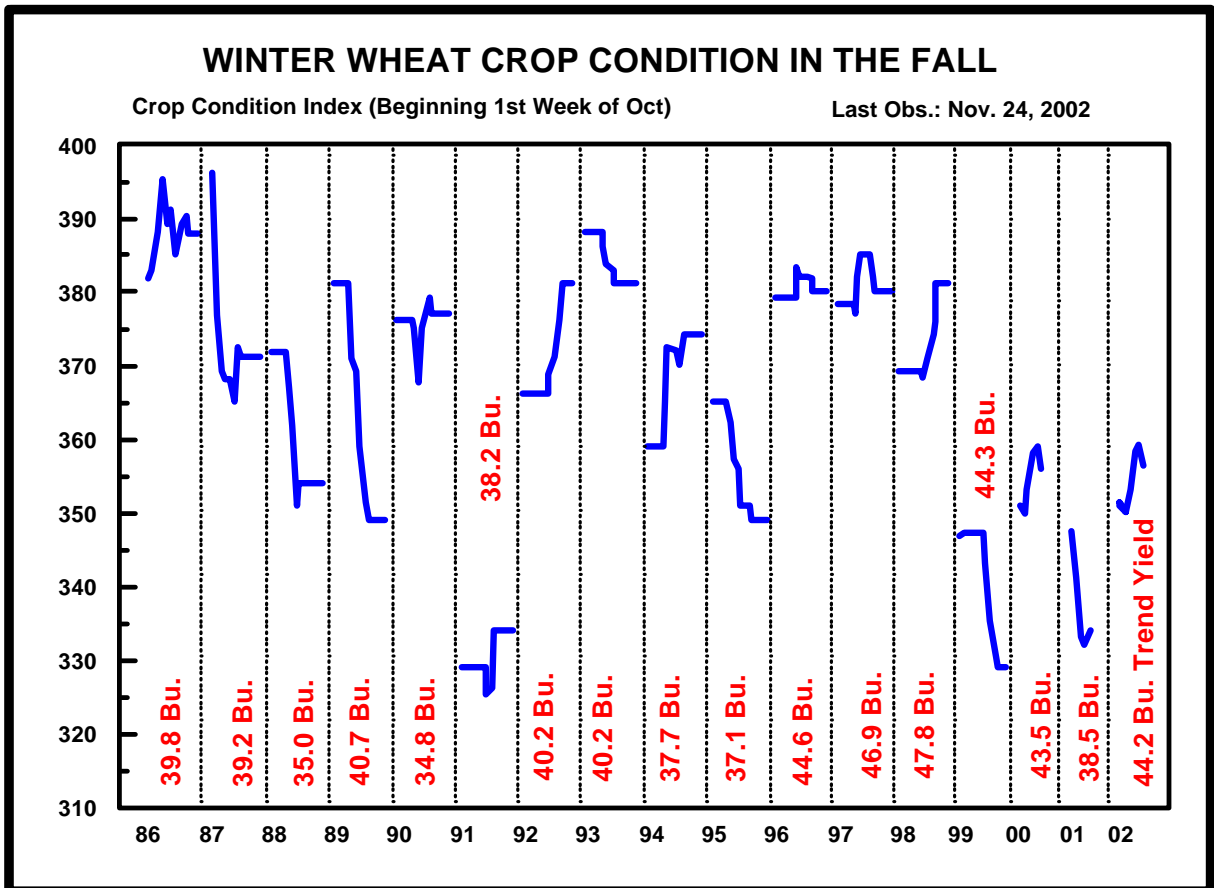


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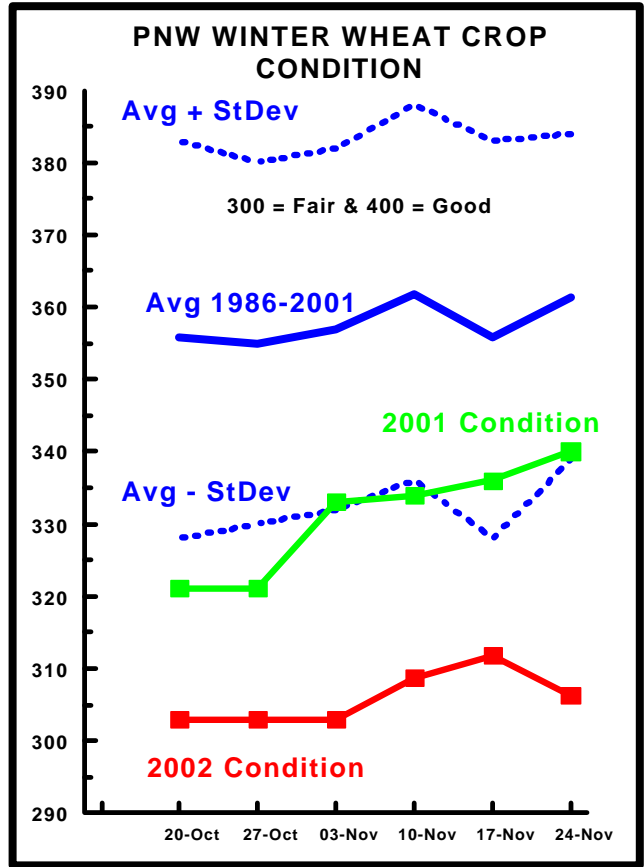
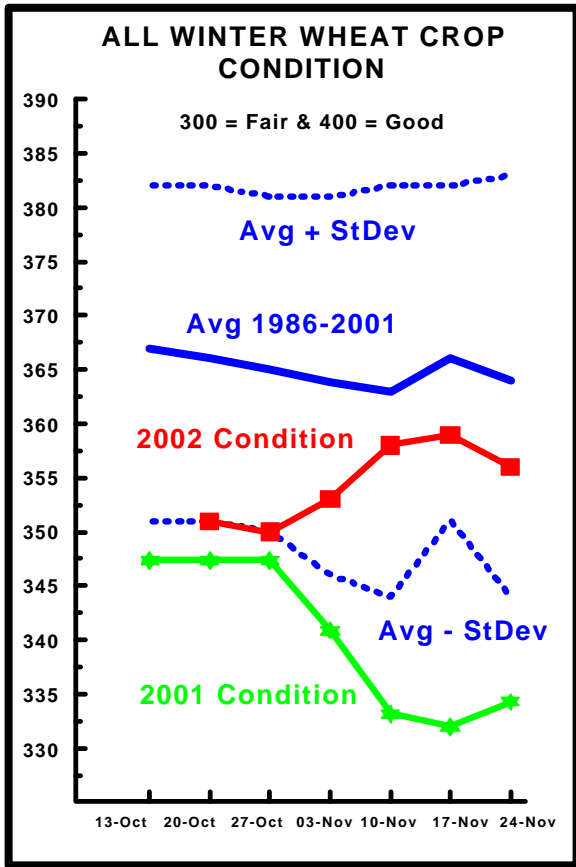
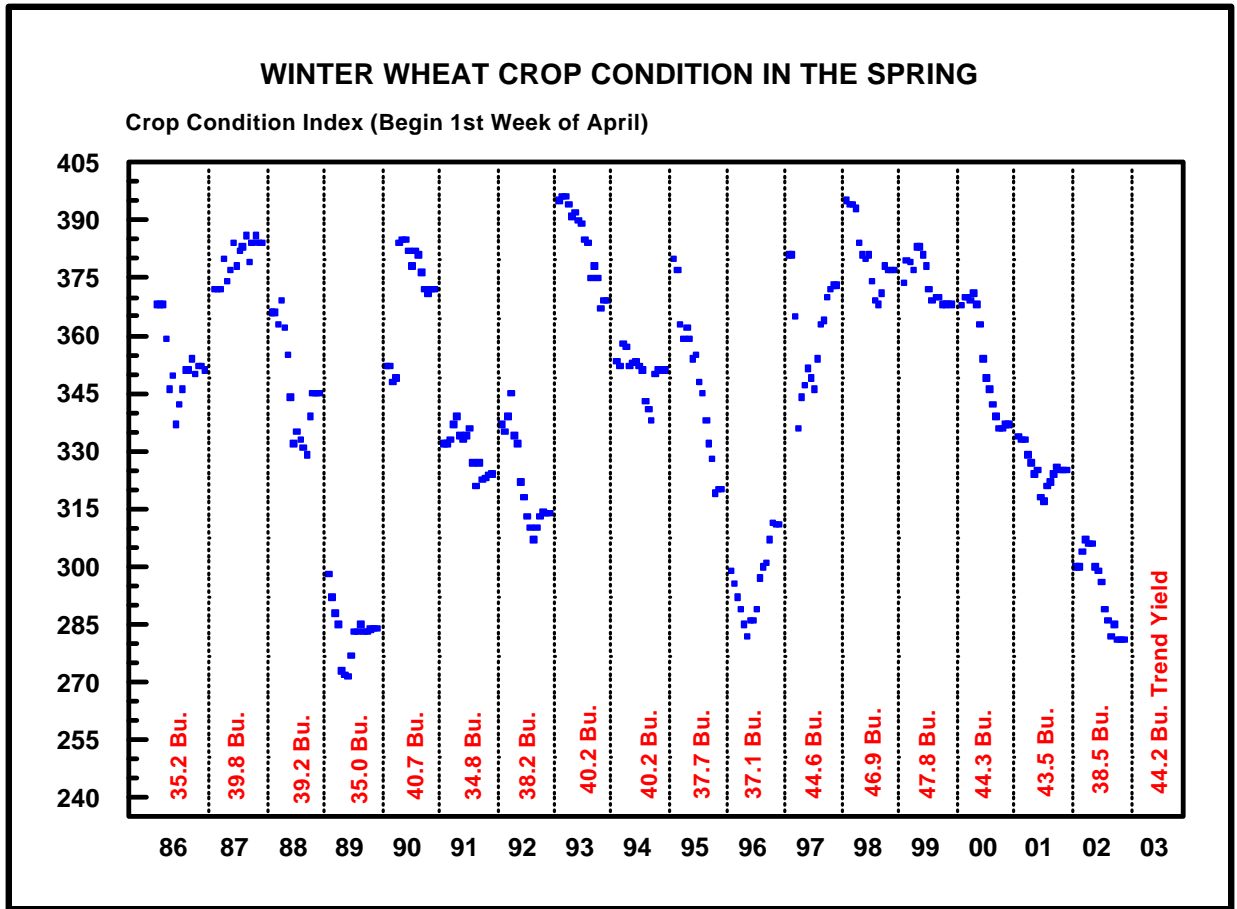


Figure 18



U.S. Drought Monitor

December 31, 2002
Valid 7 a.m. EST

Figure 20

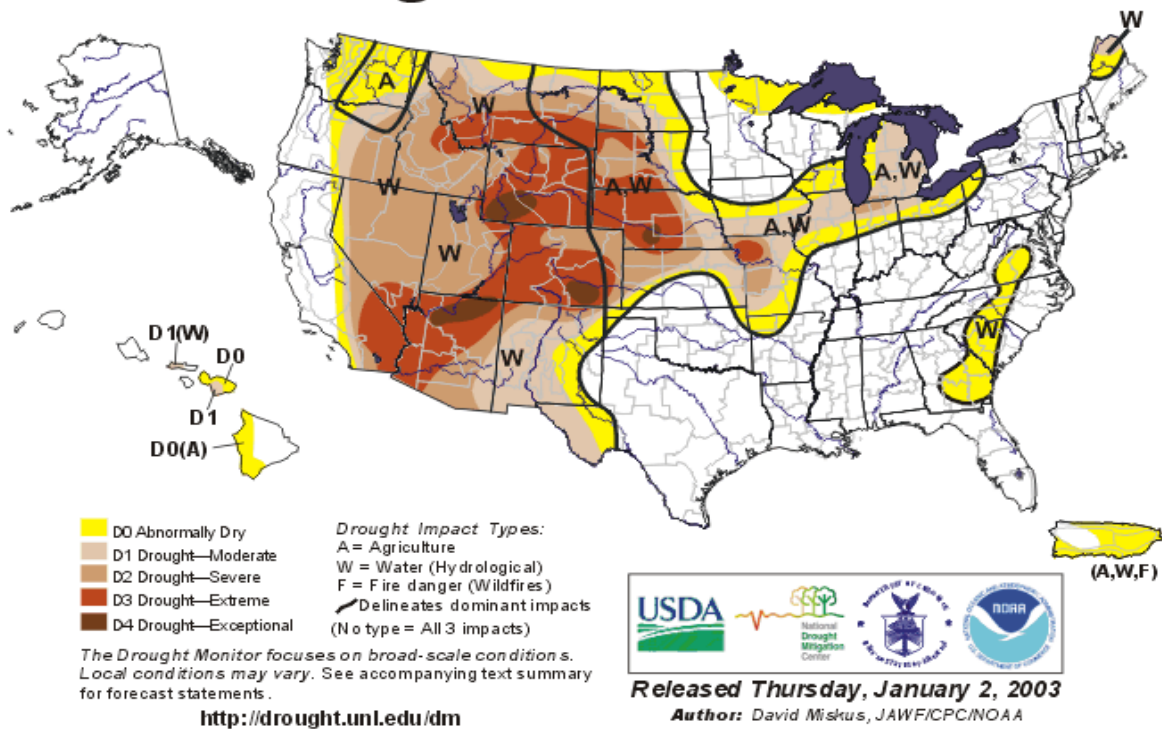
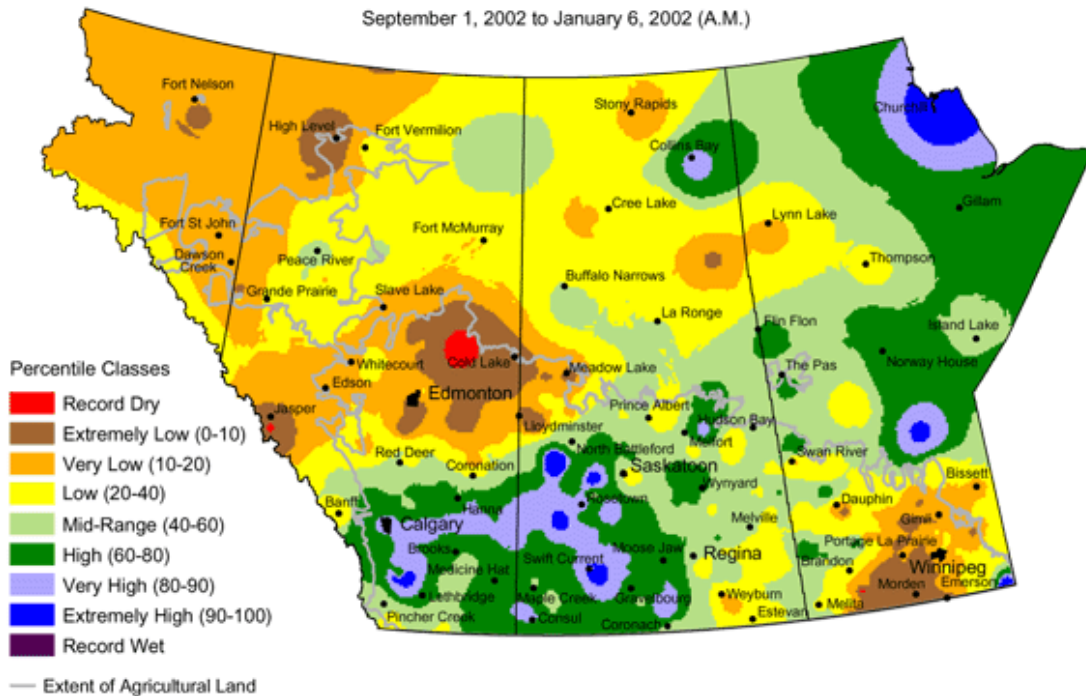


Figure 21

Current Precipitation Compared to Historical Distribution

September 1, 2002 to January 6, 2002 (A.M.)



Prepared by PFRA (Prairie Farm Rehabilitation Administration) using data from the Timely Climate Monitoring Network and the many federal and provincial agencies and volunteers that support it.

Figure 22

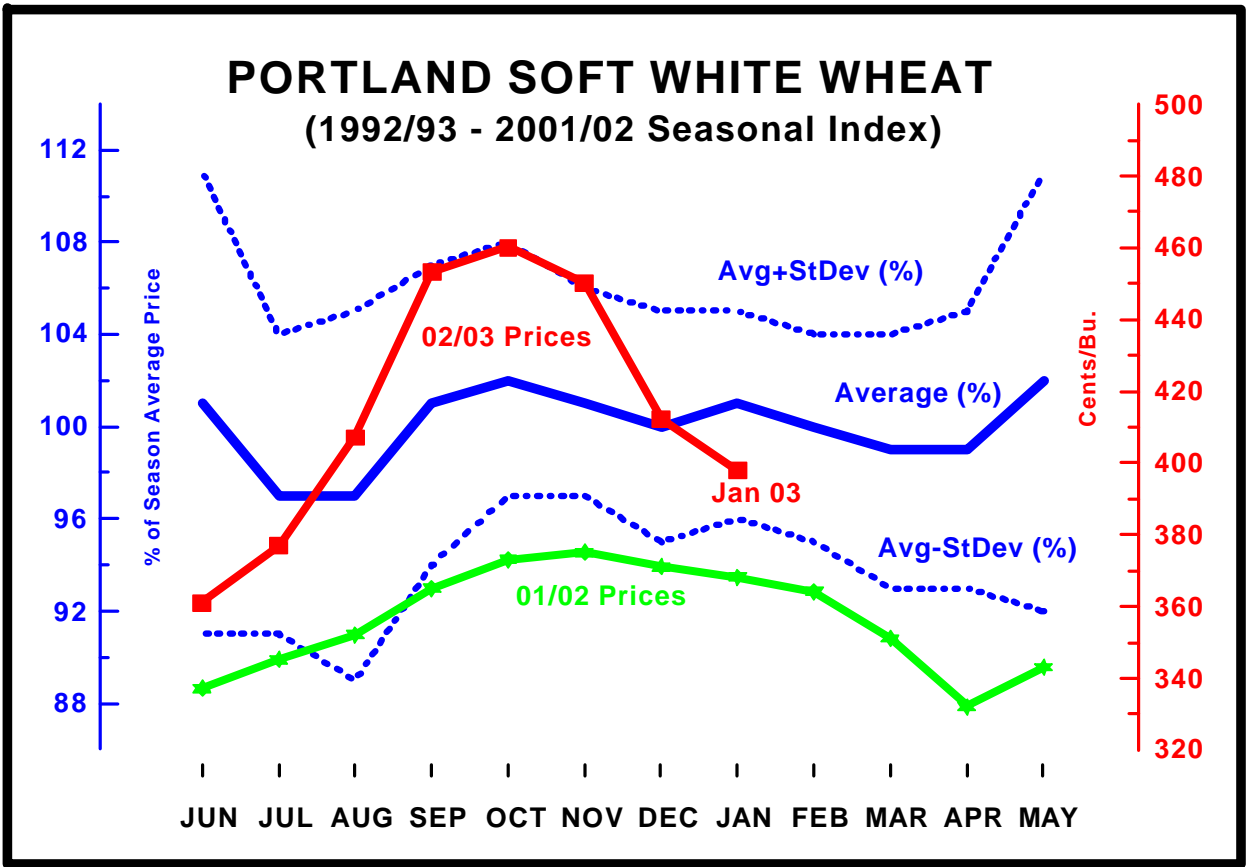


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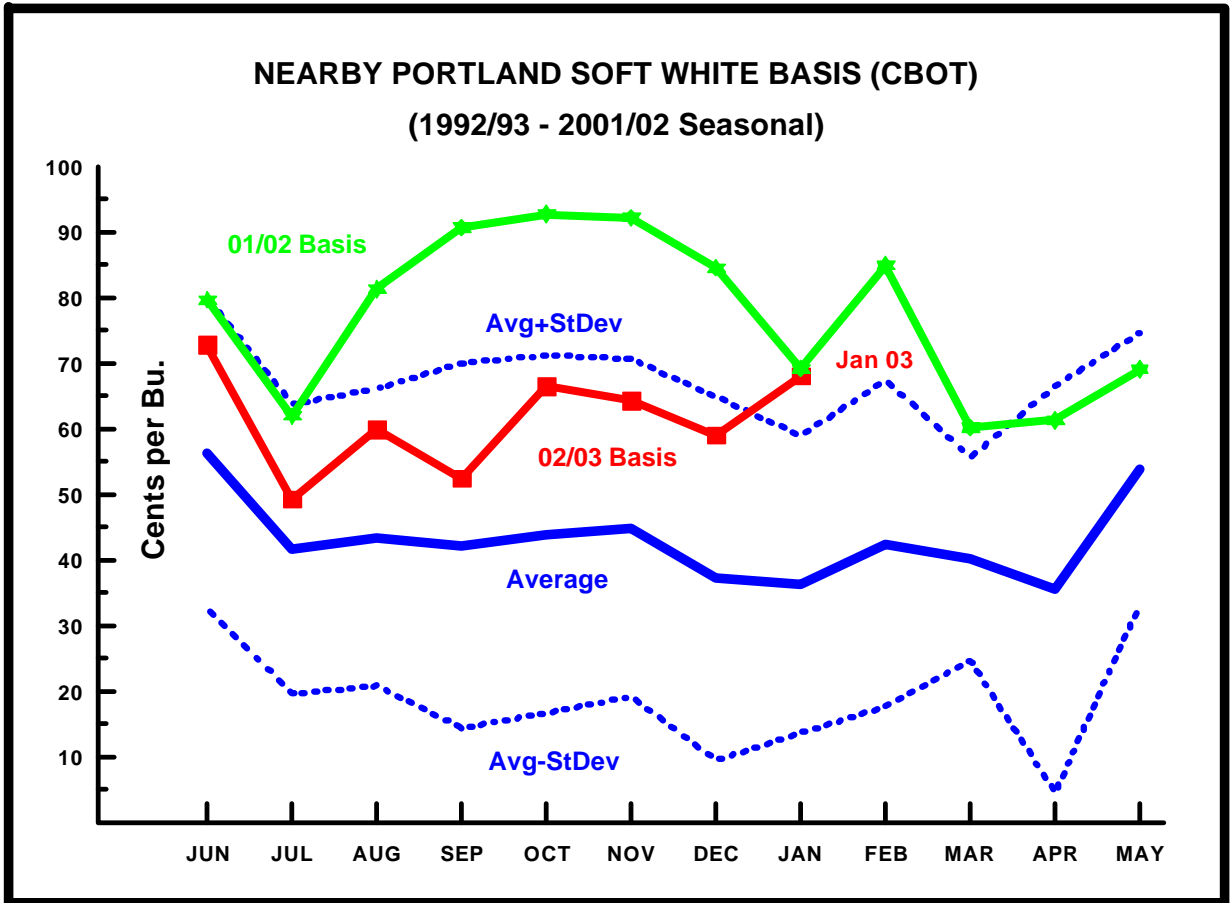


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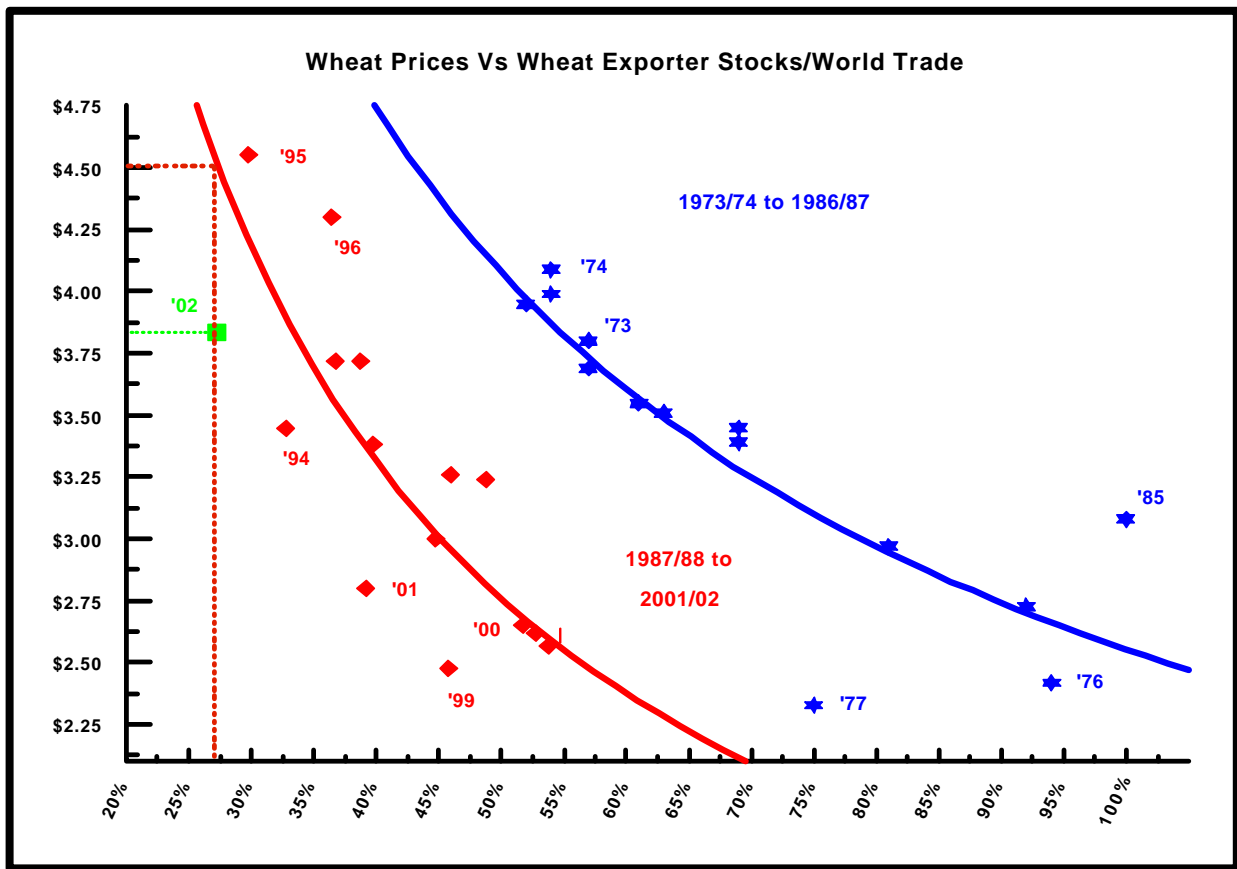


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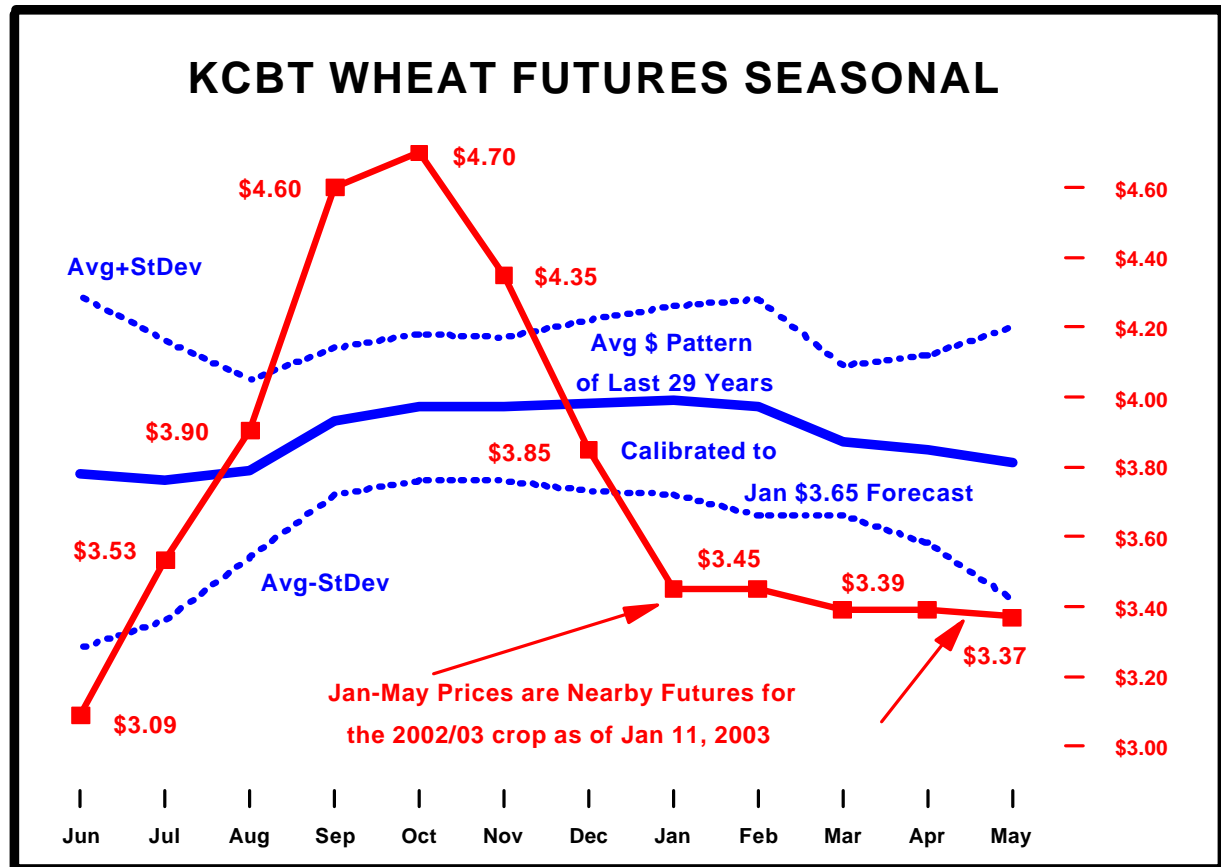


Table IV. KCBT JULY WHEAT FUTURES SEASONAL

(Price Moves From One Month To The Next)
(1963 - 2003)

Month	----- PRICE INCREASES -----			--2002/03 Price-- Movement		----- PRICE DECREASES -----		
	Average Price Increase When Prices Move Higher Than The Previous Month's HIGH Price	In 39 Years, Percent Of This Occured	In 39 Years, Percent Of This Occured	Month's High/Previous Month's High	Month's Low/Previous Month's Low	Average Price Decrease When Prices Move Lower Than The Previous Month's LOW Price	In 39 Years, Percent Of This Occured	In 39 Years, Percent Of This Occured
	Avg. @ (%)	[Max.:Year] #		High	Low	Avg. @ (%)	[Min.:Year] #	
Sep	4.5%	[10.0% : 1995]	52%	8.5%	6.7%	-3.5%	[-10.5% : 1976]	36%
Oct	3.2%	[8.9% : 1992]	57%	-4.4%	-2.6%	-3.8%	[-7.9% : 1982]	39%
Nov	1.9%	[5.7% : 1966]	49%	-3.4%	-2.9%	-3.0%	[-11.2% : 1975]	39%
Dec	4.5%	[23.3% : 1972]	52%	-3.4%	-6.1%	-3.7%	[-16.2% : 1980]	56%
Jan /1	3.1%	[13.0% : 1992]	46%	-4.7%	0.9%	-2.7%	[-15.6% : 1974]	49%
Feb	3.8%	[13.6% : 1973]	49%	-----	-----	-2.8%	[-12.3% : 1972]	54%
Mar	3.5%	[11.1% : 1977]	43%	-----	-----	-3.2%	[-14.7% : 1973]	64%
Apr	5.4%	[37.1% : 1996]	51%	-----	-----	-3.0%	[-7.8% : 1973]	51%
May	5.8%	[24.1% : 1972]	44%	-----	-----	-3.3%	[-9.7% : 1973]	54%
Jun	10.8%	[28.8% : 1978]	31%	-----	-----	-4.2%	[-14.2% : 1997]	61%

@ Average price movement only in those in years that the condition was met.

Largest price movement (in percent) and the year in which this occurred. 1/ As of Jan 09, 2003

January 09, 2003

W:\Tierney\Grain\Wheat\Futures\KCBT\Other\Jul\Jul-Seas.Wk3

Figure 26

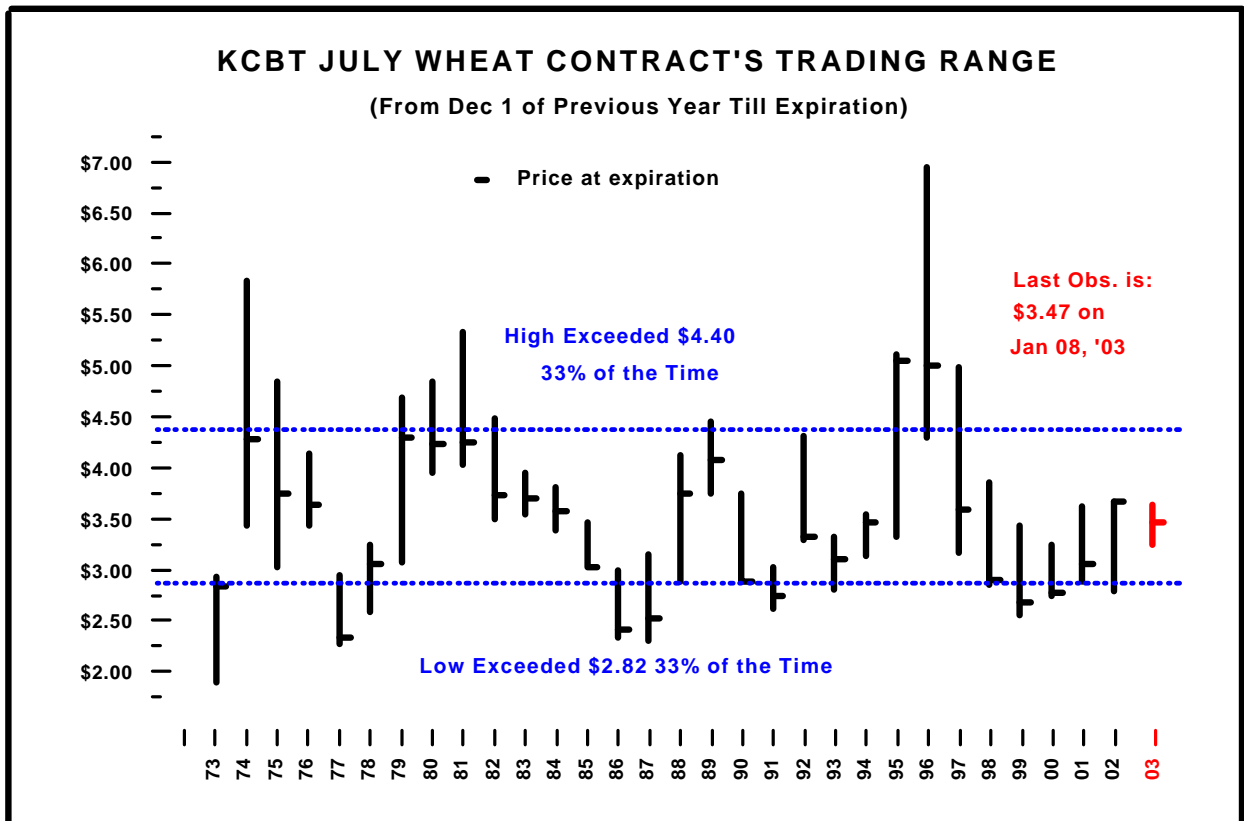


Figure 27

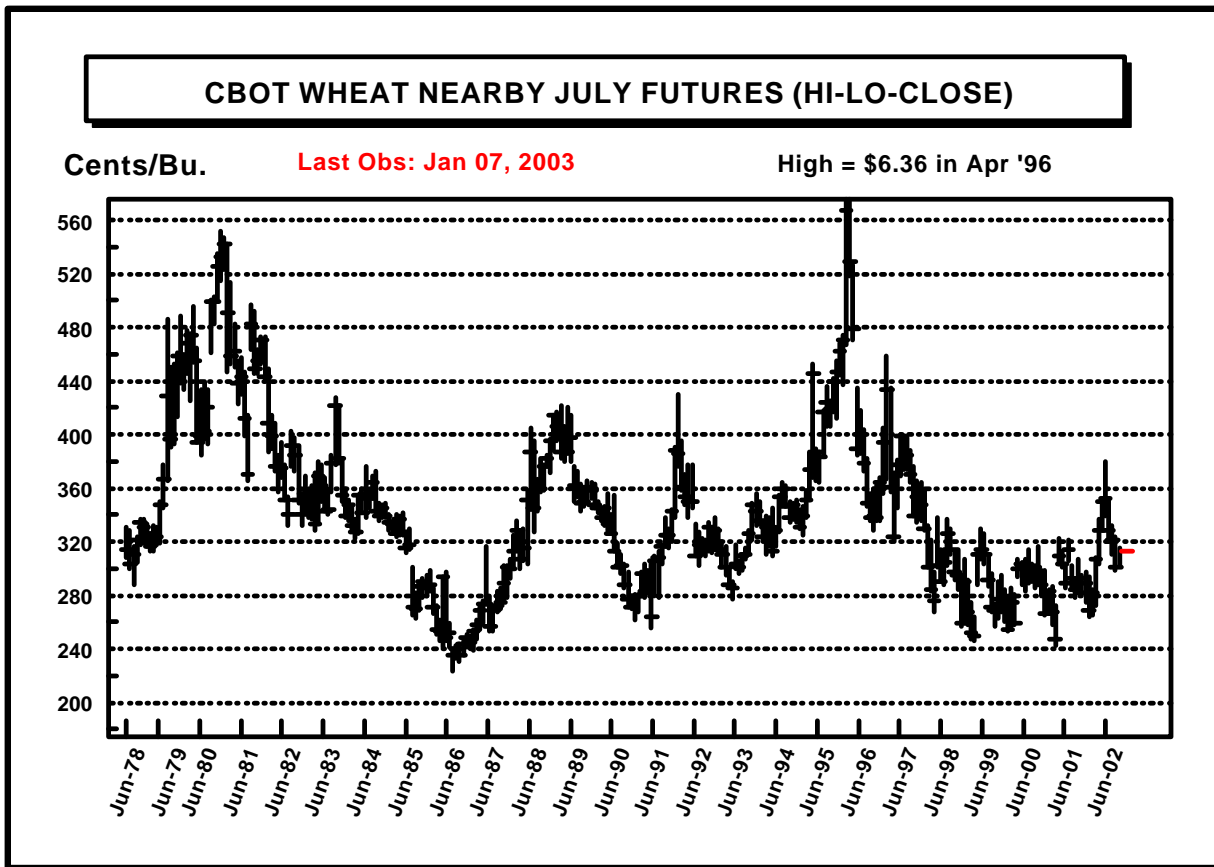


Figure 28

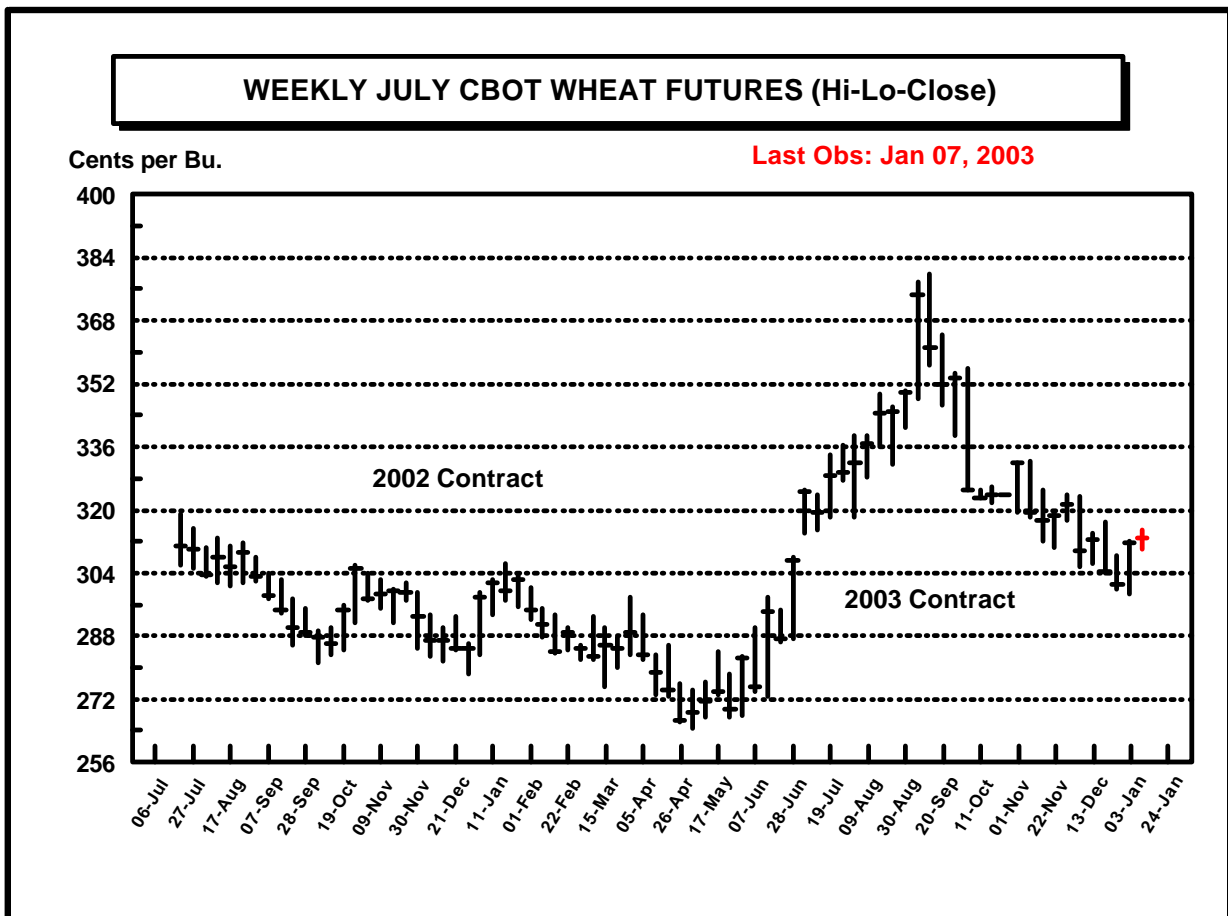
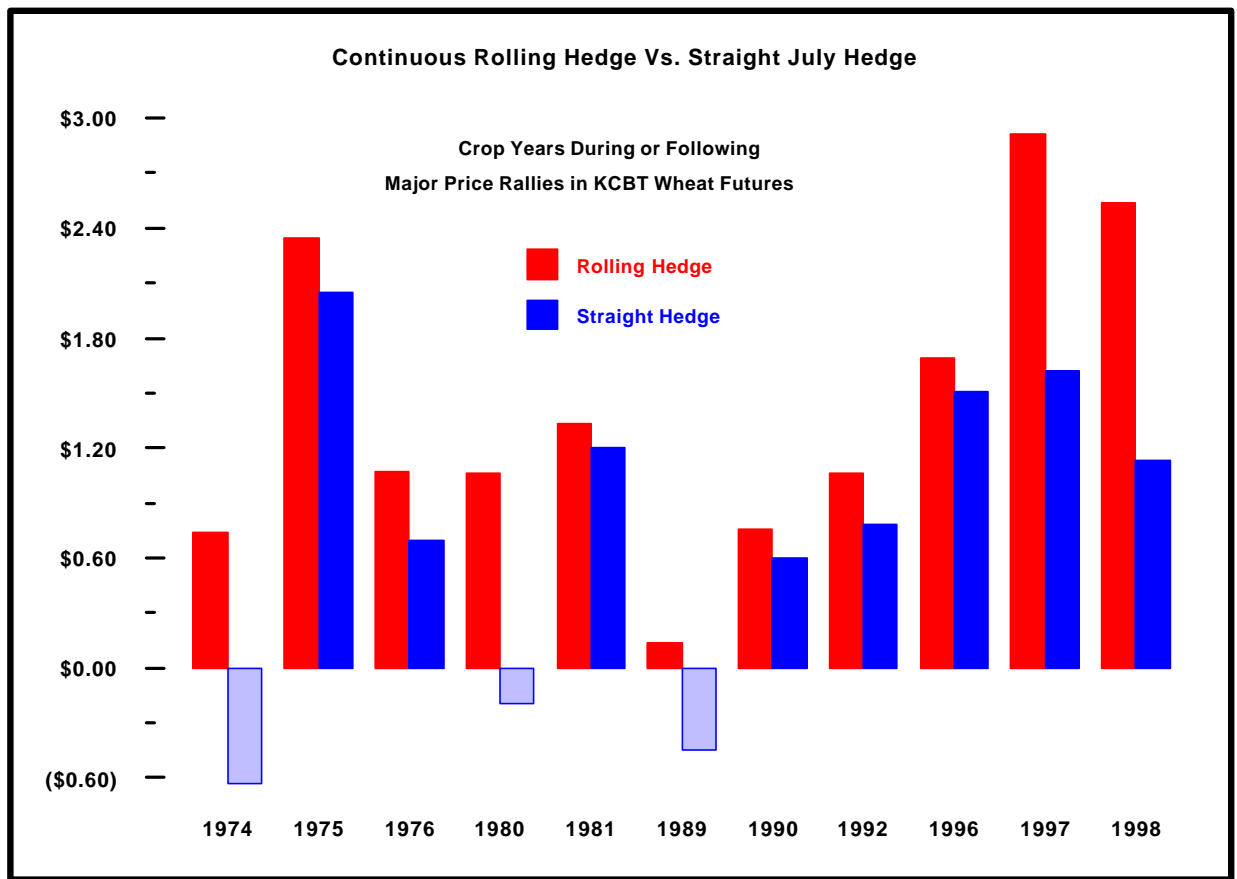


Figure 29



Hard White Wheat Incentive Program Provisions

The following provisions explain the Hard White Wheat Incentive Program included in the Farm Security and Rural Investment Act of 2002.

- Effective for the white wheat crops produced in 2003, 2004, and 2005
- Both domestic and export production will qualify for the incentive payment.
- Hard White wheat (HW) grown under contract and also for open production qualifies for the incentive payment if the quality requirements are met. Certified seed producers will not qualify for the incentive payment.
- The incentive payments are capped at \$20 million dollars over the three years of the program. Production enrolled in the program is capped at 2 million acres for the duration of the program. There is no specific limit for each year.
- Local markets for HW wheat will determine where the production of HW wheat will occur.
- The HW wheat produced must grade #2, or better, to qualify for the incentive payment. If certified seed is used and the #2 quality is not achieved, the \$2/acre payment will still be issued.
- Protein will not be a determining factor of quality.
- A producer of HW wheat must certify his acres of HW wheat at the FSA office and declare the variety to the purchaser at time of delivery. Producers must re-enroll each year. No preference is given for previous HWW production or participation in the program.
- Certified seed will not be required; however, to encourage its use, a \$2 per acre payment will be made to a HW wheat grower who uses certified seed or registered. The producer qualifies for this \$2 per acre payment during each year of participation in the program.
- In addition to the \$2 payment if certified seed is used, all producers of HW wheat, which meets the quality requirements, will receive an incentive payment of 20 cents per bushel up to a maximum of 60 bushels per acre. (This limits the payments going to the PNW where they have consistent yields of 100 bu/acre.)