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Analysis of December 21, 1979, Winter Wheat and Rye Plantings Report

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ANALYSIS OF DECEMBER 21, 1979, WINTER WHEAT AND RYE PLANTINGS REPORT

by

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TABLE 1. WINTER WHEAT PLANTINGS, 1979 AND 1980*

	Planted Acres (100 acres)	Yield per Seeded Acre (bushels)	Yield per Harvested Acre (bushels)	Production (Mill. bu.)	Area Harvested as % of Area Seeded
1979	51,919	31.0	36.9	1,609	84.0
1980	56,841	27.6*	32.8*	1,568*	84.2*

*Projected, as of December 1, 1979

TABLE 2. WINTER WHEAT PRODUCTION FOR 1977, 1978, 1979 and PROJECTIONS FOR 1980

Winter Wheat	1980 Proj.	1979	1978	1977
	Millions of Bushels			
Hard Red	993	1,093	834	992
Soft Red	346	321	202	350
White	229	195	212	195
Total	1,568	1,609	1,248	1,537

Analysis of winter wheat plantings and the implications for South Dakota and other areas of the Midwest must be made in at least two areas: 1) Implications on hard red spring wheat price and (2) Implications on soybean plantings and the ensuing effect of soybean prices for 1980.

First, the winter wheat plantings report issued December 21 indicated increased plantings but lower projected total production as shown in Table 1. The report had no immediate effect on prices because it was about what the grain trade had expected.

Some reasons must be given for projecting winter wheat yields for 1980 at substantially less than the 1979 yields. First to be considered is that the report was made as of conditions on December 1. At this time a large portion of the hard red winter wheat area was dry. By January 1, 1980, however, considerable moisture had fallen on that area. Also, as acres planted increase, it is expected that more of the poorer land is included. The year 1979 was a banner year for yield in the hard red winter wheat area. This writer believes the yield prospects as of January 1 are considerably higher than those given for December 1 and bear watching as the season progresses.

The projected decrease in hard red winter wheat production shown in Table 2 is moderately bullish for the hard winter and spring wheats of South Dakota for the obvious reasons. The increase in soft red wheat plantings is not very bearish for hard wheats because it is a cake and pastry wheat rather than a bread wheat. The increase in soft red wheat plantings is, however, bullish for soybeans. This is because in the states where soft red wheat is grown, soybeans, corn and wheat compete for acres in the northern states; and cotton, soybeans and wheat compete for acres in the southern red wheat area. With cotton acreage much higher than last year, the increase in soft red wheat acres has come from soybean acreage.

Even though there is considerable double-cropping with Winter Wheat and soybeans in the southern states, the yield from double-cropping is always considerably lower than single-crop soybeans. These factors are already evidenced in 1980-crop soybean prices. As this is written, the 1980 November soybean futures are 80 cents higher than 1979-crop January futures. It is currently estimated that 1980 sorghum yields will be down 2.5 bushels per acre and a crop of about two billion bushels compared with a current estimate of 34.1 bushels per acre and a crop of 2.236 billion bushels for 1979.

RYE PLANTINGS

Rye plantings of 2,646,000 acres are 86 percent of last year's planted acres. However, they are about at the level of 1974, 1975, 1976 and 1978. The year-end total of production is difficult to assess because only about one-fourth of the rye planted is harvested. Assuming harvested acres of .7 million acres and a yield of 26 bushels per acre, we could produce a rye crop of 18.2 million bushels. A crop of this size, along with the current demand for export, should reduce supplies and result in higher prices for the 1980 crop.

Summary:

Crop conditions have improved since December 1 when the winter wheat survey was made. However, if there isn't a grain embargo or some other problem arises that is not now foreseen, the winter wheat plantings are bullish for soybeans, and neutral to slightly bullish for hard red spring wheat.

Based on knowledge now available, hard red wheat should be between \$3.70 and \$4.00 a bushel farm price at harvest. Rye prices could be at least 50 cents per bushel higher by fall of 1980. Spring wheat plantings could alter the wheat price forecast.

(Editor's Note: This analysis of winter wheat plantings was written the day before the embargo on grain shipments to Russia. The embargo should not necessitate any great change in the analysis, particularly for wheat. Price estimates may be slightly lower than originally estimated, however.)

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