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## Arriving at Wheat Marketing Decisions

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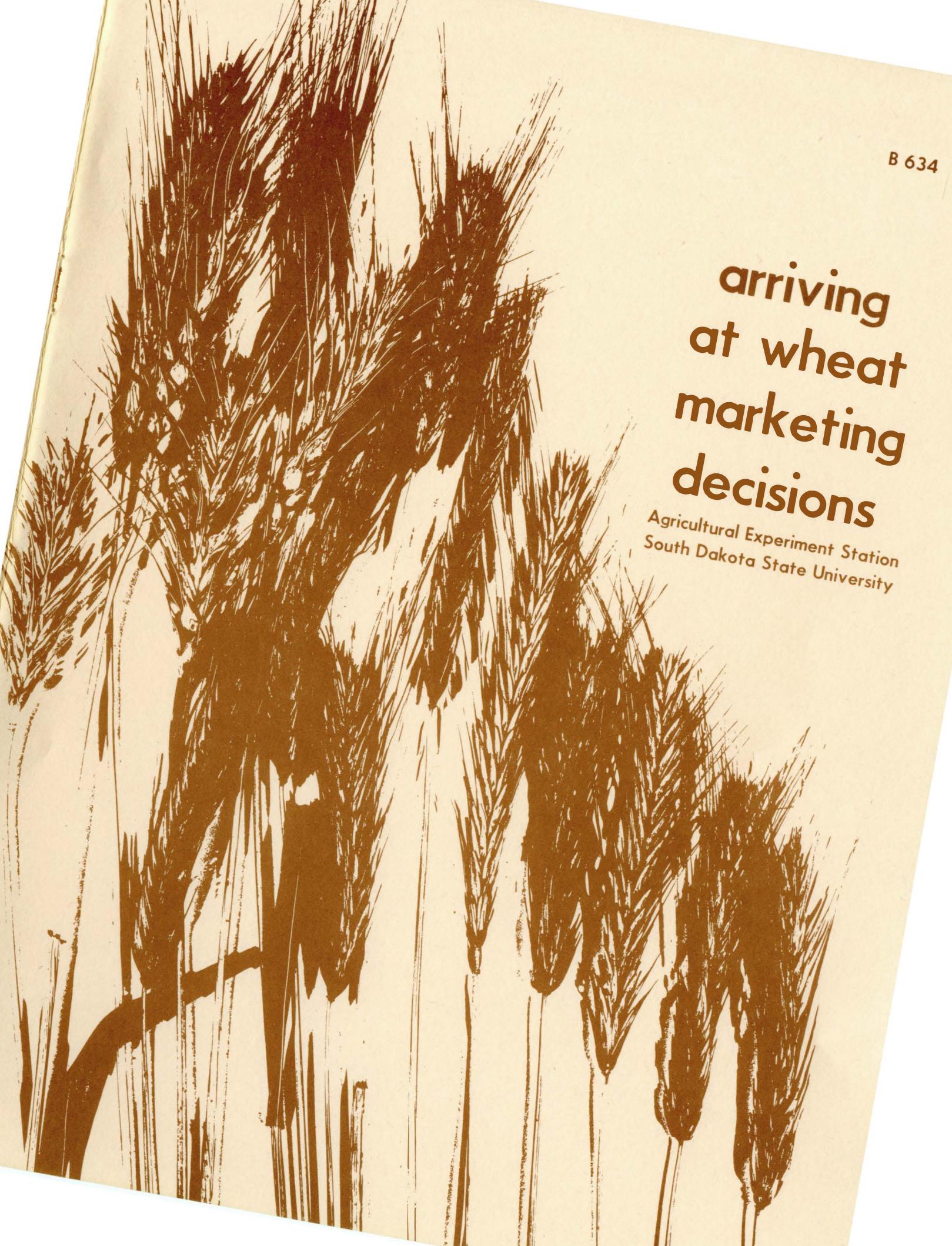
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arriving  
at wheat  
marketing  
decisions

Agricultural Experiment Station  
South Dakota State University





# arriving at wheat marketing decisions

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Wheat is the world's most widely exported food grain. About 20 percent of world production is traded on an international basis. In the United States the export figure for wheat is over three times that for the world with over 65 percent of our production currently being exported.

This dependence of the United States on foreign countries to buy or take our wheat makes it essential that producers and the wheat industry understand the economic forces that determine prices.

Price is the hub of the system for the producer, regardless of whether wheat is sold in the domestic or foreign market. Price guides and regulates production, consumption, and distribution and the form of goods. While price is generally governed by the forces of supply and demand whether in the domestic or foreign market, neither market operates in a freely competitive environment.

International trading between nations is erratic and is often complicated or regulated by differences in ability to pay, trading policies, political philosophies, and significant differences in market structures.

While there are international agreements and conferences, each country develops its own policy based on its domestic situation and the world wheat situation. Collectively these independent decisions influence world supplies and demands for wheat. They also create substantial variations which interfere with orderly export markets and ultimately create fluctuations in both world and domestic wheat prices.

In our own country, specific government influences such as the Commodity Credit Corporation storage and loan programs, export and domestic subsidies, acreage control programs and others have affected the domestic market for wheat. Business cycles, labor disputes, monopolistic practices, political interest groups, energy concerns, technology and many other domestic forces combine to create fluctuations in agricultural production and demand.

All these factors clearly signal that the agricultural market is neither self-determining or independent; nor is it freely competitive.

Producers themselves, however, do make many of the final decisions of what to produce, how much to produce, and when to sell. Any one producer does not affect the market. Producers acting in aggregate, however, do influence and change market prices. If enough growers sell grain at harvest time, or choose to store instead, prices are affected considerably for some time.

Because all these factors are at work in the marketplace, no one has ever been able to develop a foolproof price forecasting system. Consequently, each producer must rely on his own considered judgment of the market and of the factors that influence it.

Proper use of market information has enabled many producers to sell at or near the high points during the year. Many producers realized that increased demand through the development of cash export markets substantially increased their prices and that more accurate and more timely information about trades could have influenced the timing of

their sales and thus increased their profits even more.

## Types of Information

Market information can be divided into historical, current, and technical classifications.

Historical marketing information is data or news material from which long-run marketing trends, projections and other analyses can be developed. Current information is short-run data or news material that affects the market on either an immediate basis or in the near future. Producers normally can get hold of and use historical and current information.

Technical information, however, is not so readily available. It includes findings from an analysis of the internal operation of the markets. Such an analysis involves the development of price charting, recording and analyzing the volume of trading and open interest, and the study of the actions of people that make up the market. Technical information is primarily used by grain trading specialists.

Each of these marketing information classifications can reflect changes in supply and demand statistics which play the dominant role in how high or low prices may go. Technical information, however, can be directly related to how prices achieve their high or low levels.

## Historic Market Information

Historic market information factors which affect the total available supplies of grain are the amount of carryover of the previous crop and the current year's



production. Carryover stocks consist of grain which is owned or stored by farmers, carried by the trade to meet current needs, and stored under various government programs. Production for the year is determined by acreage and yield which, in turn, are dependent upon technology, weather conditions, and government agricultural programs. Imports have been insignificant in determining supplies of grain in the U.S.

Basic historic factors affecting the demand for grain include domestic utilization and exports to other nations. Domestic utilization consists of the amounts used for feed, seed, industrial purposes and human consumption. Exports to other nations are divided into sales for cash or foreign aid.

### **Current Market Information**

In the broadest sense current market information includes any factors that alter the basic demand for or supply of grain within the crop year. In addition to being numerous, many of these factors change from year to year. Many of them also are not predictable; therefore, producers find adjustments not only difficult to make, but also often have to make them quickly or face substantial price declines.

Only a few basic factors will be identified here. Those that influence supply are the rate of harvest; the method and rates of sales; weather conditions; insect and disease incidence; availability of transportation; trade policies; farm supply items, such as fertilizer, fuel, and capital; and storage availability.

Influencing demand in the short-run are such factors as general domestic economic conditions, trade policies, competing or substitute grains, labor union policies, foreign economic conditions, and consumers' tastes and preferences.

### **Technical Information**

As stated previously, basic technical market information includes price movement patterns, market volumes, open interest, and the study of people.

Grain specialists who study price movements are concerned with their daily, weekly, and monthly gyrations. They have discovered that certain price movements often signal a break in either a downward or upward trend. This break may be temporary, or it could signal the beginning of a new pattern. Daily market volumes and open interest from other segments of technical marketing information used by the grain trading specialist. In general, increasing market volume as prices move up indicates continued support and momentum on the upside.

Open interest is the number of outstanding or unsettled contracts in the futures markets. The specialist uses open interest as one indicator of broad-scale public interest or participation in the futures market. In general, the simultaneous upward movement of price and open interest is indicative of a market that is becoming geared for higher price levels. Conversely, when price heads one direction and open interest moves the opposite way, this signals a forthcoming move to lower levels.

To producers, who traditionally think in terms of supply and demand, technical market information may seem like a lot of mumbo-jumbo. However, simply because price movements, market volumes, and open interest do exist, they will be analyzed and used by the specialist in daily, weekly, and monthly trading.

While such information can be dominant in very short-term price changes, the production, use, weather, government policy and other forces will and do dictate eventual price levels.

### **Developing An Approach for Using Marketing Information**

A producer should develop a deliberate marketing strategy. That means he needs to know something about the many marketing alternatives to the one he's now using.

He may have to break with habits or tradition. For example, he might decide to contract part of a crop, possibly before it is planted; or use the futures markets to hedge-in acceptable profits, or join in grain

pools to improve market influence; or become more flexible in crop production, mix, and acreages planted from year to year.

The second step is to establish production and marketing goals as far in advance as possible.

To a producer the development of a marketing goal is often nothing more than flatly stating: "My goal is to get the highest price for my grain."

On the surface this sounds like a very sensible and realistic goal, but it has its faults. Aiming for the highest price entails considerable risk and requires substantial knowledge and forecasting ability—or just plain luck. When prices are rising, farmers often jubilantly believe prices will continue to rise indefinitely. The converse is also often true: when prices are falling, producers lose heart and feel prices will never recover.

Furthermore, the goal of achieving the highest price may require so much of the producer's attention that other shifts that should be made in the original goals are overlooked.

Thus, goals should be developed on the best knowledge and information available and on personal conditions, and adapted to the producer's individual selling opportunities. Furthermore, the goal established should be alterable as new current information becomes available. The producer should be able to either set goals higher or lower depending on what the market indicates.

The third step is to develop and maintain historic and current market information. This is not an easy task and requires as much pencil pushing, analysis, and time as the more familiar farm management process. Some sources of information are government and university publications, trade journals, newspapers, commercial firms, and Board of Trade newsletters.

### **Basic Wheat Marketing Information**

Historic marketing information, whether it be an estimate of last year's production or whether it is used to project future demand, reflects the accumulative impacts of a number of factors. Basically, these factors include consumers' tastes,



price, government programs, technology, weather conditions, substitute products, storage and marketing patterns, trading psychology, foreign competition, and domestic and world economic conditions.

One or more of these factors may change from day to day. In many cases small changes in these factors will require little adjustment to the basic data; however, significant changes may require substantial adjustment. For instance, a local rain may increase yield in an area significantly, but its impact on total domestic or world production will be minor. On the other hand, a

worldwide or domestic drought will have a major impact on production.

The following historic marketing information provides a basis for determining price trends, and a marketing strategy. As new information develops, it must be used to adjust the basic figures.

The tables, charts, and figures report marketing information about the supply, demand, price, and other special data that is important to South Dakota's wheat producers. Where clarification is necessary footnotes have been added to explain how the particular information should be interpreted.

SOURCE: Agricultural Statistics, 1974, USDA, ERS, Washington, D.C., 1974; Wheat Situation (selected years), USDA, ERS, Washington, D.C.; and Crop Production (selected years), USDA, ERS, Crop Reporting Board, Washington, D.C.

Table 1. U.S. Wheat Disposition for Selected Crop Years

Year	Domestic Use	Feed and Seed	Exports	Total
	----- (millions of bushels) -----			
1963-64	514.1	74.3	856.1	1,444.5
1964-65	509.2	134.4	725.0	1,368.6
1965-66	515.4	215.7	867.4	1,598.6
1966-67	501.9	177.3	744.3	1,423.5
1967-68	519.2	128.5	761.1	1,408.8
1968-69	519.7	234.2	544.2	1,298.1
1969-70	520.2	271.0	606.1	1,397.3
1970-71	519.0	267.0	738.6	1,525.6
1971-72	525.9	328.8	632.5	1,487.2
1972-73	527.7	256.9	1,186.3	1,970.9
1973-74	528.0	223.3	1,148.7	1,900.0
1974-75	530.0	162.0	1,100.0	1,792.0

SOURCE: Agricultural Statistics, 1974, USDA, ERS, Washington, D.C., 1974; Wheat Situation (selected issues), USDA, ERS, Washington, D.C.; and Crop Production (selected issues), USDA, SRS, Crop Reporting Board, Washington, D.C.

Table 2. U.S. Gross Farm and Export Value of Wheat, Selected Years

Year	Gross Farm Value* --Million Dollars--	Year	Export Value** --Million Dollars--
1968-69	2,675	1968	1,306
1969-70	2,660	1969	924
1970-71	2,676	1970	965
1971-72	3,045	1971	1,225
1972-73	3,427	1972	1,071
1973-74	7,094	1973	2,387
1974-75	7,723	1974	4,739

\*Includes government payments

\*\*Includes wheat and wheat products

SOURCE: Wheat Situation (selected issues), USDA, ERS, Washington, D.C.

Table 3. Trends in Per Capita Consumption of U.S. Grain Products

Year	WHEAT	CORN	OATS	BARLEY
	Per Capita Consumption of Food Products	Per Capita Consumption of Food Products	Per Capita Consumption of Food Products	Per Capita Consumption of Food Products
----- (in pounds) -----				
1959	122.8	24.4	3.6	1.0
1964	116.9	28.1	3.6	1.1
1969	114.9	31.9	3.2	1.2
1974*	110.5	32.1	3.2	1.3

\*Preliminary

SOURCE: Agricultural Statistics, 1974, USDA, ERS, Washington, D.C.



Table 4. U.S. Wheat Production for Selected Years, 1964-74

Year	Winter	Durum	Other Spring	All
	----- (Thousands of Bushels) -----			
1964	1,020,987	68,146	194,238	1,283,731
1965	1,017,075	69,866	228,622	1,315,603
1966	1,057,371	62,638	184,880	1,304,889
1967	1,194,119	66,443	247,036	1,507,598
1968	1,217,555	99,644	239,436	1,556,635
1969	1,131,439	108,403	202,837	1,442,679
1970	1,091,744	52,771	207,043	1,351,558
1971	1,144,164	91,805	381,820	1,617,789
1972	1,185,225	72,912	286,799	1,544,936
1973	1,272,744	78,455	353,968	1,705,167
1974	1,391,303	79,245	322,774	1,793,322

SOURCE: Agricultural Statistics, 1974, USDA, ERS, Washington, D.C.; Crop Production (selected issues), USDA, SRS, Crop Reporting Board, Washington, D.C.; and Wheat Situation, USDA, ERS, Washington, D.C.



Table 5. U.S. Planted Acres of Wheat, 1963-74

Year	Winter	Durum	Spring	All
	----- (Thousands of Acres) -----			
1963	42,289	2,054	9,021	53,364
1964	43,632	2,519	9,521	55,672
1965	45,142	2,361	9,858	57,361
1966	42,746	2,491	8,868	54,105
1967	53,649	2,826	10,789	67,264
1968	48,667	3,715	9,478	61,860
1969	42,338	3,466	7,646	53,450
1970	37,623	2,167	8,949	48,739
1971	38,060	2,943	12,807	53,810
1972	42,166	2,592	10,138	54,896
1973	43,232	2,952	12,794	58,978
1974	52,407	4,074	14,688	71,169

SOURCE: Agricultural Statistics - 1974, USDA, ERS, Washington, D.C.; Wheat Situation (selected issues), USDA ERS, Washington, D.C.; and Crop Production (selected issues), USDA, SRS, Crop Reporting Board, Washington, D.C.



Table 6. Harvested Acres and Yield of Wheat for 1962-74

Year	Winter		Durum		Spring		All Wheat	
	Acres*	Yield**	Acres*	Yield**	Acres*	Yield**	Acres*	Yield**
1963	34,807	26.3	1,999	25.7	8,700	20.8	45,506	25.2
1964	38,075	26.8	2,467	27.6	9,220	21.1	49,762	25.8
1965	37,586	27.1	2,296	30.4	9,678	23.6	49,560	26.5
1966	38,616	27.4	2,423	25.9	8,574	21.6	49,613	26.3
1967	45,039	26.5	2,754	24.1	10,560	23.4	58,353	25.8
1968	41,929	29.0	3,621	27.5	9,215	26.0	54,765	28.4
1969	36,303	31.2	3,420	31.7	7,423	27.3	47,146	30.6
1970	32,702	33.4	2,105	25.1	8,757	23.6	43,564	31.0
1971	32,359	35.4	2,864	32.1	12,451	30.7	47,674	33.9
1972	34,840	34.0	2,550	28.6	9,894	29.0	47,284	32.7
1973	38,474	33.1	2,884	27.2	12,511	28.3	53,869	31.7
1974	47,117	29.5	3,999	19.8	14,343	22.5	65,459	27.4

\*In thousands of acres

\*\*In bushels per acre

SOURCE: Wheat Situation (selected issues), USDA, ERS, Washington, D.C.; Agricultural Statistics - 1974, USDA, ERS, Washington, D.C.



Table 7. U.S. Wheat Supply 1963-75

Year	Carry Over Stock	Production	Imports	Total Supply
	----- (Millions of Bushels) -----			
1963-64	1,195.2	1,146.8	4.0	2,346.0
1964-65	901.4	1,283.4	1.1	2,185.9
1965-66	817.3	1,315.6	.9	2,133.8
1966-67	535.2	1,304.9	1.7	1,841.8
1967-68	424.4	1,507.6	.9	1,932.9
1968-69	538.5	1,556.7	1.1	2,096.3
1969-70	816.7	1,442.7	3.2	2,262.6
1970-71	884.9	1,351.6	1.1	2,237.6
1971-72	731.5	1,617.8	1.0	2,350.3
1972-73	863.1	1,544.9	1.3	2,409.3
1973-74	438.4	1,705.2	3.8	2,147.4
1974-75	247.4	1,793.3	2.0	2,042.7

SOURCE: Agricultural Statistics - 1974, USDA, ERS, Washington, D.C.; Wheat Situation (selected issues), USDA, ERS, Washington, D.C.; and Crop Production (selected issues), USDA, Washington, D.C.




Table 8. Average Price per Bushel (All Wheat) for U.S. and South Dakota, 1963-74\*

Year	U.S.	S.D.
	----- (Dollars per Bushel) -----	
1963	1.85	1.92
1964	1.37	1.43
1965	1.35	1.45
1966	1.63	1.67
1967	1.39	1.40
1968	1.24	1.31
1969	1.25	1.36
1970	1.33	1.44
1971	1.34	1.45
1972	1.76	1.81
1973	3.96	4.24
1974	4.32	4.78

\*Excludes government payments

SOURCE: Wheat Situation (selected issues), USDA, ERS.

Figure 1. 

\*This figure shows the relationship between wheat prices and ending wheat stocks. The 1973 and 1974 points were added to the original graph estimated by the Economic Research Service. The dark line represents the best relationship between wheat prices and carryover stocks and indicates the positive response of prices to reduced wheat supplies. Likewise the potential for sharp downward swings in wheat prices is also observable if supplies should increase significantly.

Figure 1. Season Average Farm Price and Ending Stocks for Wheat, 1964-74\*

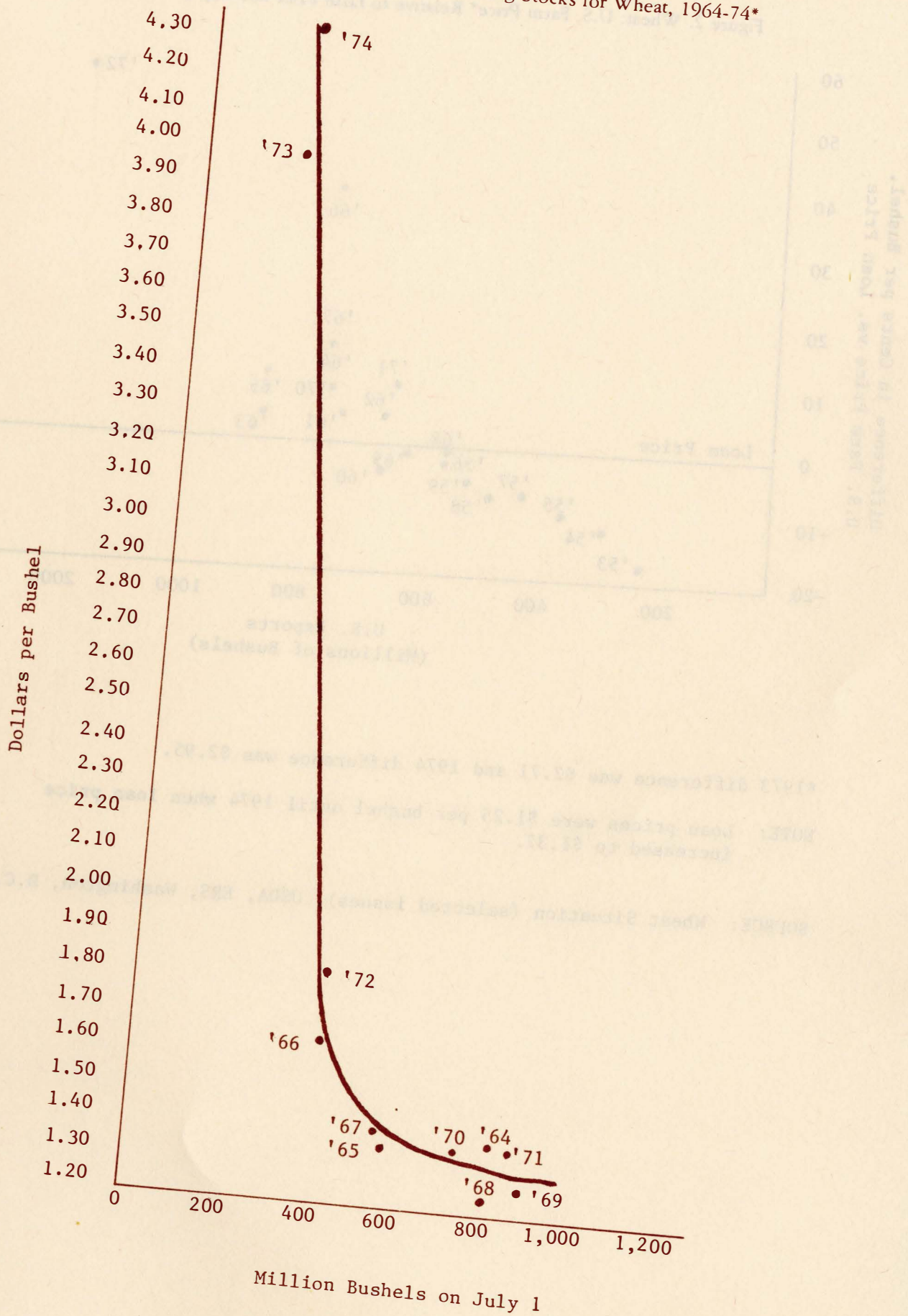
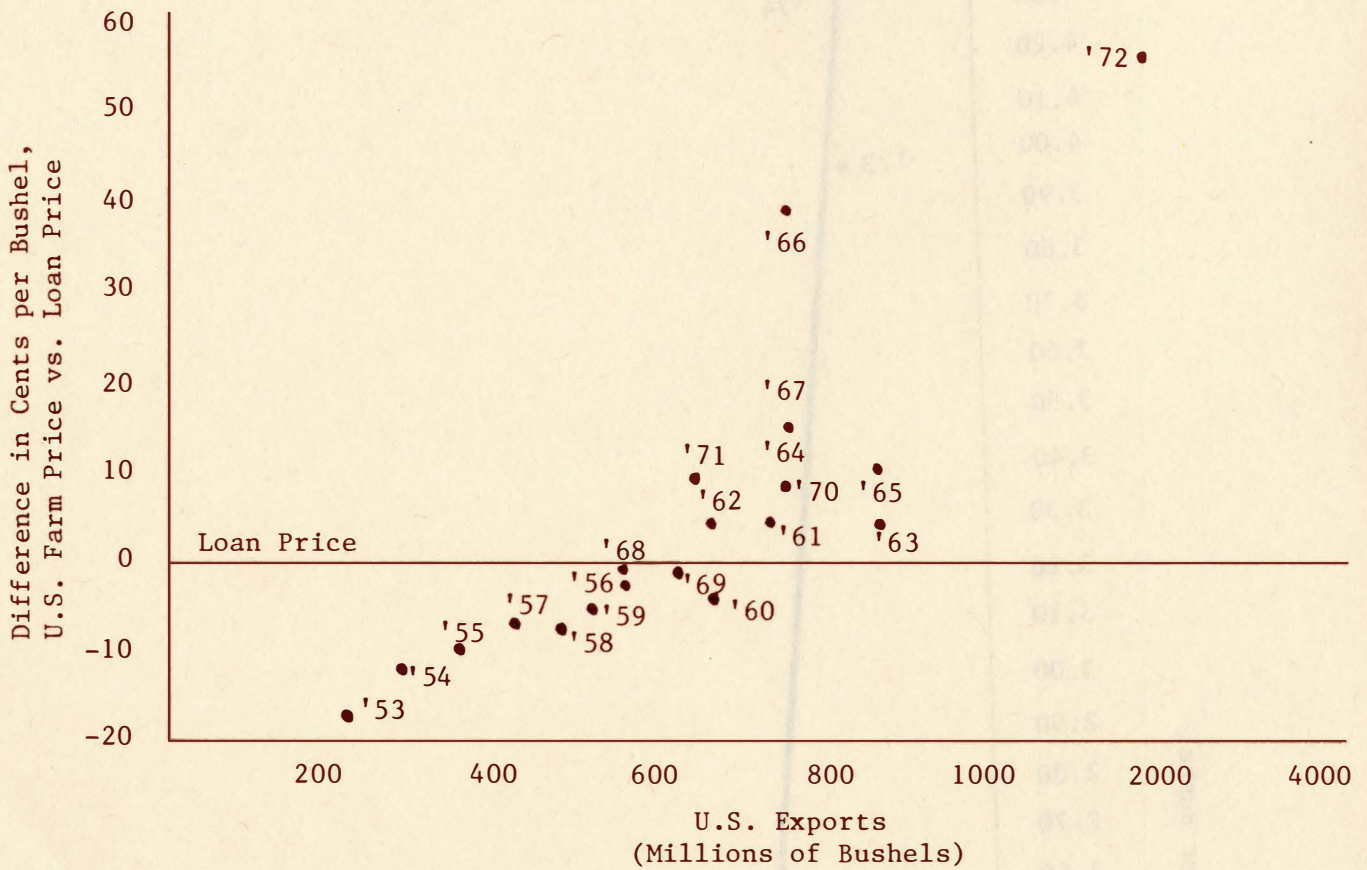




Figure 2. Wheat: U.S. Farm Price\* Relative to Loan Price and Export Volume



\*1973 difference was \$2.71 and 1974 difference was \$2.95.

NOTE: Loan prices were \$1.25 per bushel until 1974 when loan price increased to \$1.37.

SOURCE: Wheat Situation (selected issues), USDA, ERS, Washington, D.C.



Table 9. Monthly Spring Wheat Prices of Various Protein Levels, Selected Years, Minneapolis Market<sup>1</sup>

Month	1971-72			1972-73			1973-74			1974-75		
	0*	15%**	D***	0*	15%**	D***	0*	15%**	D***	0*	15%**	D***
	Dollars & Cents			Dollars & Cents			Dollars & Cents			Dollars & Cents		
July	\$1.57	1.73	.16	\$1.57	1.74	.17	\$2.99	3.07	.08	\$4.76	5.36	.60
Aug	1.50	1.66	.16	1.72	1.96	.24	4.36	4.50	.14	4.65	5.07	.42
Sept	1.50	1.72	.22	1.92	2.09	.17	4.47	4.80	.33	4.63	5.20	.58
Oct	1.51	1.77	.26	2.02	2.14	.12	4.37	4.50	.13	5.25	5.63	.38
Nov	1.55	1.72	.17	2.08	2.22	.14	4.47	4.48	.01	5.42	5.62	.20
Dec	1.57	1.72	.15	2.32	2.42	.10	4.99	4.98	.01	5.06	5.38	.32
Jan	1.56	1.74	.18	2.38	2.42	.04	5.52	5.52	.00			
Feb	1.54	1.69	.15	2.22	2.29	.07	5.80	5.83	.03			
March	1.54	1.70	.16	2.28	2.33	.05	5.23	5.33	.10			
April	1.52	1.73	.21	2.33	2.39	.06	4.16	4.41	.25			
May	1.53	1.76	.23	2.47	2.57	.10	3.97	4.23	.26			
June	1.50	1.70	.20	2.67	2.80	.13	4.51	5.07	.56			
Average	1.53	1.72	.19	2.16	2.28	.12	4.57	4.73	.16			

\*0 refers to ordinary protein level of 10%.

\*\*15% refers to protein level.

\*\*\*D refers to difference in price between ordinary and 15% protein.

<sup>1</sup>This chart shows that protein premiums change considerably from month to month. As a result spot markets of significant price increases are occasionally available to the informed wheat producer who has developed and used this kind of data.

SOURCE: Wheat Situation, August (1971-74), ERS, USDA, Washington, D.C.



Table 10. Monthly Winter Wheat Prices for Various Protein Levels for Selected Years, Kansas City Market<sup>1</sup>

Month	1971-72			1972-73			1973-74			1974-75		
	0*	13%**	D***	0*	13%**	D***	0*	13%**	D***	0*	13%**	D***
	Dollars & Cents			Dollars & Cents			Dollars & Cents			Dollars & Cents		
July	\$1.54	1.59	.05	\$1.58	1.68	.10	\$2.90	3.06	.16	\$4.36	4.78	.42
Aug	1.54	1.59	.05	1.82	1.90	.08	4.67	4.74	.07	4.33	4.74	.41
Sept	1.53	1.58	.05	2.10	2.15	.05	5.01	5.04	.03	4.35	4.85	.50
Oct	1.56	1.62	.06	2.15	2.21	.06	4.67	4.70	.03	4.94	5.47	.53
Nov	1.56	1.63	.07	2.25	2.30	.05	4.78	4.78	.00	4.88	5.36	.48
Dec	1.58	1.65	.07	2.62	2.65	.03	5.22	5.23	.01	4.66	5.15	.49
Jan	1.58	1.64	.08	2.67	2.68	.01	5.68	5.68	.00			
Feb	1.57	1.64	.07	2.48	2.49	.01	5.82	5.86	.04			
March	1.58	1.67	.08	2.42	2.45	.03	5.01	5.13	.12			
April	1.61	1.69	.08	2.51	2.55	.04	4.07	4.24	.17			
May	1.62	1.69	.07	2.63	2.69	.06	3.59	3.76	.17			
June	1.52	1.61	.09	2.69	2.80	.11	4.05	4.47	.42			
Average	1.57	1.63	.06	2.33	2.38	.05	4.62	4.72	.10			

\*0 refers to ordinary protein level of 9%.

\*\*13% refers to protein level.

\*\*\*D refers to difference in price between ordinary and 13% protein.

<sup>1</sup>This chart shows that protein premiums change considerably from month to month. As a result spot markets of significant price increases are occasionally available to the informed wheat producer who has developed and used this kind of data.

SOURCE: Wheat Situation, August (1971-74), ERS, USDA, Washington, D.C.



Table 11. U.S. Wheat Stocks Under CCC and Private Ownership for Selected Years

Year	CCC	Private
	----- (million bushels) -----	
1969-70	737.5	147.4
1970-71	569.6	161.9
1971-72	714.4	148.7
1972-73	211.5	227.0
1973-74	7.8	240.8

SOURCE: Agricultural Statistics - 1974, USDA, ERS, Washington, D.C.; and Crop Production (selected issues), USDA, SRS, Washington, D.C.

Table 12. On-farm Grain Storage Capacity, 1971

State and Region	Type Storage	
	Bins <sup>1</sup>	Corn Cribs <sup>2</sup>
--(Millions of Bushels)---		
Northeast:		
Maine - - - - -	0.1	(3)
New Hampshire - - - - -	(3)	(3)
Vermont - - - - -	(3)	(3)
Massachusetts - - - - -	(3)	(3)
Rhode Island - - - - -	(3)	(3)
Connecticut - - - - -	(3)	(3)
New York - - - - -	9.2	1.7
New Jersey - - - - -	.9	1.5
Pennsylvania - - - - -	4.4	3.5
Delaware - - - - -	3.1	1.0
Maryland - - - - -	6.1	1.4
Total - - - - -	23.7	9.1
Lake States:		
Michigan - - - - -	25.7	9.4
Wisconsin - - - - -	18.2	4.0
Minnesota - - - - -	294.6	30.9
Total - - - - -	338.5	44.3



TABLE 12.--Continued

State and Region	Type Storage	
	Bins <sup>1</sup>	Corn Cribs <sup>2</sup>
Appalachian:		
Virginia - - - - -	7.3	.7
West Virginia - - - - -	(3)	.1
North Carolina - - - - -	15.5	.4
Kentucky - - - - -	13.9	1.5
Tennessee - - - - -	7.6	.8
Total - - - - -	44.4	3.4
Southeast:		
South Carolina - - - - -	11.0	.4
Georgia - - - - -	11.8	.4
Florida - - - - -	1.9	.1
Alabama - - - - -	5.3	.8
Total - - - - -	29.9	1.7
Delta States:		
Mississippi - - - - -	15.5	.4
Arkansas - - - - -	26.3	.4
Louisiana - - - - -	14.6	.2
Total - - - - -	56.4	1.0
Corn Belt:		
Ohio - - - - -	62.8	21.9
Indiana - - - - -	143.4	40.4
Illinois - - - - -	329.3	156.0
Iowa - - - - -	297.7	137.9
Missouri - - - - -	81.3	6.1
Total - - - - -	914.5	362.4
Northern Plains:		
North Dakota - - - - -	401.0	.9
South Dakota - - - - -	103.8	7.1
Nebraska - - - - -	260.1	26.3
Kansas - - - - -	142.3	1.8
Total - - - - -	907.2	36.1
Southern Plains:		
Oklahoma - - - - -	29.2	.1
Texas - - - - -	45.3	.5
Total - - - - -	74.5	.5

TABLE 12.--Continued

Mountain:		
Montana - - - - -	142.4	(3)
Idaho - - - - -	28.3	.2
Wyoming - - - - -	5.1	.1
Colorado - - - - -	39.1	.5
New Mexico - - - - -	2.6	(3)
Arizona - - - - -	2.2	(3)
Utah - - - - -	3.3	(3)
Nevada - - - - -	.3	(3)
Total - - - - -	<u>223.4</u>	<u>.8</u>
Pacific:		
Washington - - - - -	28.5	.1
Oregon - - - - -	15.4	.1
California - - - - -	30.3	(3)
Hawaii - - - - -	(3)	(3)
Alaska - - - - -	(3)	(3)
Total - - - - -	<u>74.2</u>	<u>.2</u>
United States - - - - -	2,686.7	459.5

(1) Includes metal, wood, and concrete or block bins.

(2) Includes bar, mesh, or wire and wooden corn bins.

(3) Not tabulated, or less than 50,000 bushels.

NOTE: The sum of individual items may not equal the total because of rounding.

SOURCE: Based on U.S. Department of Commerce, Bureau of Census, 1971 Survey of Specialized Agriculture, Grains, Soybeans, Dry Beans, Dry Peas, Vol. V, pt. 1 of 1969 Census, tables 11 & 12, November 1973.



Table 13. Off-farm Grain Storage Capacity, 1974

State and Region	Storage Capacity --(In Millions of Bushels)--
<b>Northeast:</b>	
Maine - - - - -	(1)
New Hampshire - - - - -	(1)
Vermont - - - - -	(1)
Massachusetts - - - - -	(1)
Rhode Island - - - - -	(1)
Connecticut - - - - -	(1)
New York - - - - -	67.3
New Jersey - - - - -	2.4
Pennsylvania - - - - -	27.2
Delaware - - - - -	16.3
Maryland - - - - -	33.9
District of Columbia - - - - -	(1)
Total - - - - -	<u>147.1</u>
<b>Lake States:</b>	
Michigan - - - - -	62.0
Wisconsin - - - - -	118.1
Minnesota - - - - -	352.7
Total - - - - -	<u>532.8</u>
<b>Corn Belt:</b>	
Ohio - - - - -	183.0
Indiana - - - - -	179.7
Illinois - - - - -	601.4
Iowa - - - - -	502.0
Missouri - - - - -	199.5
Total - - - - -	<u>1,665.6</u>
<b>Northern Plains:</b>	
North Dakota - - - - -	147.6
South Dakota - - - - -	85.8
Nebraska - - - - -	450.4
Kansas - - - - -	782.0
Total - - - - -	<u>1,465.8</u>
<b>Appalachian:</b>	
Virginia - - - - -	22.5
West Virginia - - - - -	.3
North Carolina - - - - -	51.3
Kentucky - - - - -	38.4
Tennessee - - - - -	42.2
Total - - - - -	<u>154.7</u>



TABLE 13.--Continued

State and Region	Storage Capacity
<b>Southeast:</b>	
South Carolina - - - - -	26.9
Georgia - - - - -	36.4
Florida - - - - -	4.3
Alabama - - - - -	18.4
Total - - - - -	<u>86.0</u>
<b>Delta States:</b>	
Mississippi - - - - -	58.6
Arkansas - - - - -	156.1
Louisiana - - - - -	77.9
Total - - - - -	<u>292.6</u>
<b>Southern Plains:</b>	
Oklahoma - - - - -	188.2
Texas - - - - -	751.8
Total - - - - -	<u>940.0</u>
<b>Mountain:</b>	
Montana - - - - -	48.5
Idaho - - - - -	51.5
Wyoming - - - - -	4.4
Colorado - - - - -	78.5
New Mexico - - - - -	17.7
Arizona - - - - -	31.9
Utah - - - - -	17.3
Nevada - - - - -	.0
Total - - - - -	<u>249.8</u>
<b>Pacific:</b>	
Washington - - - - -	168.2
Oregon - - - - -	57.6
California - - - - -	120.3
Hawaii - - - - -	(1)
Alaska - - - - -	(1)
Total - - - - -	<u>346.1</u>
United States - - - - -	<u>5,884.4</u>

(1)Not tabulated, or less than 50,000 bushels.

SOURCE: Based on U.S. Department of Agriculture, Stocks of Grain in All Positions, Crop Reporting Board, Statistic Reporting Service, January 1974.



Table 14. U.S. Farm Marketings of Wheat (Percent of Open Market Farm Sales, by Month)\*

CROP PRO- DUCED IN:	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MARCH	APRIL	MAY	JUNE
1963	1.1	15.7	25.4	12.5	8.4	6.4	4.2	5.1	10.1	3.9	2.9	2.2	1.6	.5
1964	1.1	17.8	22.6	9.2	7.5	6.5	5.0	5.7	7.3	4.2	5.4	4.0	2.3	1.4
1965	.8	13.5	19.9	10.5	7.7	7.6	5.6	7.0	9.5	4.8	5.1	3.3	2.7	2.0
1966	.5	14.6	22.0	10.2	7.5	4.2	5.0	7.3	7.1	4.7	7.7	4.1	2.9	2.2
1967	.9	10.4	21.7	11.7	8.2	6.3	5.2	7.5	8.8	5.5	5.8	3.2	2.6	2.2
1968	.5	11.5	19.8	9.5	8.0	7.3	6.1	7.2	7.6	5.3	5.6	4.4	3.9	3.3
1969	.6	11.1	19.1	10.2	8.2	6.7	5.5	7.4	10.0	5.3	5.2	4.9	3.1	2.7
1970	.6	11.2	18.7	11.5	10.4	7.2	5.4	7.2	9.0	5.0	4.6	4.0	2.9	2.3
1971	.3	11.3	16.4	9.9	7.0	6.3	5.0	6.8	8.9	6.1	6.9	6.8	4.5	3.8
1972	1.1	10.8	17.9	17.0	10.1	5.1	4.7	5.4	8.8	3.7	3.9	3.8	4.4	3.3
1973	.5	9.7	20.2	16.4	10.8	6.1	5.0	6.8	8.8	4.4	3.3	3.4	2.6	2.0
1974														

\*This chart assumes that 100% of the annual production of wheat is marketed within 14 months of the start of harvest in the U.S. On a long run basis this is generally true; however, there are many years in which grain produced in one year would be stored for several years. This chart does show that the traditional period of marketing is at harvest with 35 to 55 percent of the crop annually being marketed in June, July or August. This pattern has usually led to a harvest time price that is lower than the rest of the marketing year. Changes in these patterns could alter annual price patterns for the crop.

SOURCE: Wheat Situation, May 1974, ERS, USDA, Washington, D.C.

Table 15. Wheat Movements to Terminal Areas, Selected Areas, Selected Years

Class of Wheat and Terminal Areas	1971-72	1972-73	1973-74	1974-75*
	----- (Million Bushels) -----			
Hard Winter:				
Great Lakes	-	1.7	1.2	N.A.
Atlantic	-	27.1	2.6	
Gulf	255.5	560.1	565.5	
Pacific	37.8	67.0	123.7	
Hard Spring:				
Great Lakes	28.2	55.7	71.5	N.A.
Atlantic	1.2	22.9	7.6	
Gulf	37.4	50.0	58.2	
Pacific	35.5	66.2	79.7	
Total of All Wheat:				
Great Lakes	55.8	99.1	101.2	N.A.
Atlantic	17.8	83.6	20.7	
Gulf	332.5	661.4	644.9	
Pacific	175.5	284.8	329.0	

\*N.A. refers to not available.

SOURCE: Wheat Situation (selected issues), USDA, ERS, Washington, D.C.



**Using Basic Information to Make Decisions**

So how can anything meaningful be gleaned from the preceding tables?

Any one of them alone is not enough to determine market trends,

what crop to plant, or whether to sell, store, or feed wheat. However, when many of these figures are arranged systematically and adjusted to any new information, they give significant evidence of a trend in the market (see the example).

Example. Commodity Market Outlook Form for U.S. Wheat Acreage, Supply, and Distribution

	1971/72	1972/73	1973/74	1974/75	1975/76*
	<u>Million Acres</u>				
Planted		54.9	59.0	71.2	74.4
Harvested		47.3	53.9	65.5	68.9
Yield Per Acre		32.7	31.8	27.4	31.1
	<u>Million Bushels</u>				
<u>Supply</u>					
Carry In	731	863	439	247	319
Production	1,618	1,545	1,711	1,793	2,141
Imports	1	1	4	2	1
Total	2,350	2,409	2,154	2,042	2,446
<u>Disappearance</u>					
Domestic	855	785	757	684	686
Export	632	1,185	1,148	1,039	1,350
Total	1,487	1,970	1,905	1,723	2,036
Carry Out	863	439	249	319	425

\*Projected



A producer can make a judgment on the amount of "carryover" or extra wheat and its resulting influence on market trend. But he cannot make market trend decisions based on only local conditions, for seldom is the local situation the dominant market factor.

The first part of the outlook form in the example pertaining to **acreage** is determined by making an estimate of acres of wheat planted or to be planted, estimating how many of the planted acres are likely to be harvested, and then—based on present conditions and the history of yield—approximating the expected yield for the coming crop.

The second section pertaining to **supply** consists first of the carryover wheat from the previous year. To this are added the expected production (based on acreage and yield from part one) and the anticipated imports for a total supply.

The third section pertaining to **demand or disappearance** of the estimated supply is based on history plus the current situation regarding anticipated domestic use (wheat has not changed much) and the estimated amount of export wheat. The total of these two items subtracted from the total supply will indicate the expected amount of carryover for the current crop year.

The amount of carryover of wheat from any crop year does influence price as there is either more or less wheat available to the market.

An evaluation of a price range can be made from the amount of

carryover as it relates to the carryover and prices of former years (see Fig. 1.). Current conditions regarding the general economy, the amount of storage available, the transportation situation, and world supplies must be applied to the carryover figure to add reliability to the carryover price relationship.

Based on the prospects for a record crop of wheat on a record amount of acres at an average yield, and on the expected doubling of the amount of carryover wheat in 1975-76, a producer could expect a price decrease in both the 1974-75 and 1975-76 wheat prices.

This kind of information cited for wheat is available to anyone for nearly all grains. Even though a person may be primarily a wheat producer, the information on other grains is important in determining farm strategy.

For example, if a producer is fearful of a big price drop in wheat because the prospects are for excessive supplies, but indications are for a moderate supply of oats or barley, a producer may then plant less wheat and more feed grains. The adjustments which a producer could make because of current outlook information are limitless.

The above example illustrates only one means of organizing and analyzing marketing information. Producers that have an aptitude for basic statistics and mathematics may choose to use other means. Equations, graphs, and models can be developed and used to estimate supply, demand, and prices.

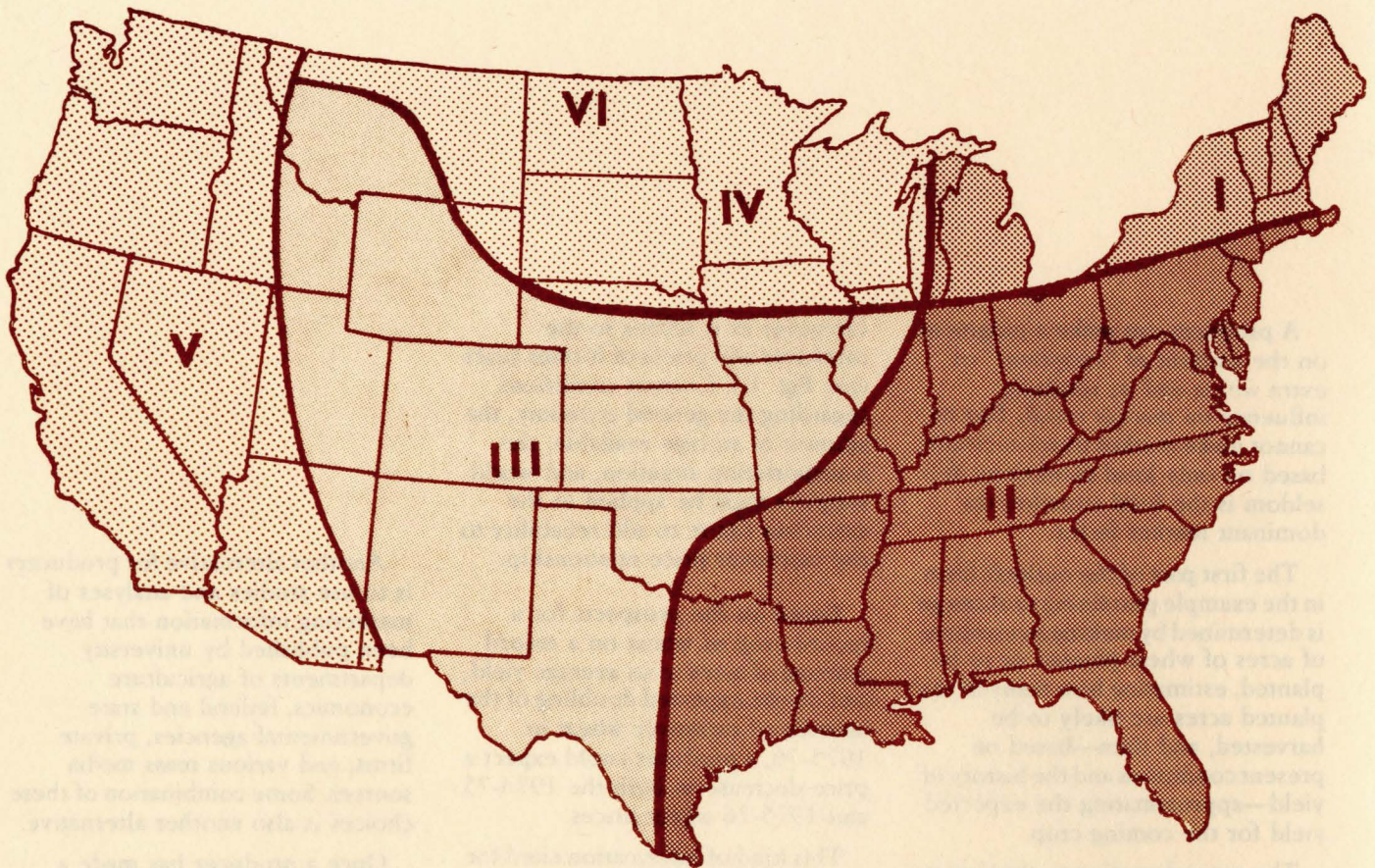
Another alternative for producers is to use studies and analyses of marketing information that have been published by university departments of agriculture economics, federal and state governmental agencies, private firms, and various mass media sources. Some combination of these choices is also another alternative.

Once a producer has made a judgment with respect to price movement he is then in a position to incorporate this knowledge into his farming operation. A producer can decide what crops to produce, whether to store, sell or hedge his crop, and what kind of alternative adjustments to these primary decisions might be needed. He has the opportunity to be flexible—to choose the marketing method most suited to his goals and most realistic for his operation.

From understanding and using marketing data, a producer can develop marketing strategy based on the best knowledge available. While this does not eliminate all risks or uncertainty, it reduces them. The result is that the producer can expect to realize profits from marketing just as he does from using modern production equipment, fertilizers, herbicides, new plant varieties, and production management.



Figure 3. Approximate distribution of wheat acreage, by region.



Predominant class of wheat grown in region:

- I - Soft White, used for quick breads, pastries & crackers.
- II - Soft Red Winter, used for quick breads, cakes, & crackers.
- III - Hard Red Winter, used for quality yeast breads & hard rolls.
- IV - Hard Red Spring, used for quality yeast breads & hard rolls.
- V - Soft White, used for quick breads, pastries & crackers.
- VI - Durum, used for macaroni and spaghetti.

SOURCE: Adapted from "Quality Wheat for the World," Western Wheat Associates; Great Plains Wheat, Inc; USDA Foreign Agricultural Service.



FOR ADDITIONAL INFORMATION REFER TO THE FOLLOWING PUBLICATIONS:

Larry N. Langemeier, Editor, "Wheat Production Budget Information", Wheat Industry Resource Committee Report, Kansas State University, Manhattan, Kansas, December 1973.

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Owen S. Wirak, Walter G. Heid, Jr., and R. E. Menze, "Factors Determining the Price of White Wheat in the Pacific Northwest", E.M. 3887, Washington State University, Pullman, Washington, November, 1974.