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Approved by the World Agricultural Outlook Board

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Highlights

-- **U.S. Wheat Production Prospects Improved Dramatically In July**
-- **Prices To Remain Under Pressure as Harvest Progresses**
-- **Domestic Use Down as Feed and Residual Use Declines**
-- **World Wheat Production and 1999/2000 Ending Stocks Forecasts Up This Month**

U.S. Wheat Production Prospects Up Dramatically In July

Total U.S. production is projected at 2,333 million bushels, down 217 million bushels from 1998. The July production estimate is 4 percent above the June estimate and well above the average of pre-release trade guesses. Although reported beginning stocks are down from the June forecast, they are well above year-earlier levels. The larger beginning stocks and this month's increase in projected imports raise the U.S. wheat supply for 1999/2000 to 3,378 million bushels, the largest since 1987/88 and 5 million bushels above last year's burdensome level.

U.S. winter wheat production prospects for 1999 have improved dramatically since the June forecast because of improved yield prospects in the U.S. hard red winter (HRW) wheat and soft red winter (SRW) wheat production regions. The yield projection of 47.0 bushels per acre for winter wheat sets a new record, exceeding the 1998 record by one-tenth of a bushel.

Prices To Remain Under Pressure as Harvest Progresses

Wheat prices have been under significant pressure since the 1996/97 marketing year due to large crops, relatively weak export demand, and rising carryover stocks. Stocks have rebounded rapidly from the record low of 376 million bushels on June 1, 1996. Even though 1999 production is projected down, the large supplies will keep pressuring cash and futures prices during the harvest season. U.S. exports in 1999/2000 are expected to increase 100 million bushels from 1998/99, but competition in the world market will continue to be keen because of large supplies in major exporting countries. As a result, the U.S. season average farm price is expected rise up only marginally from the $2.65 per bushel estimate for 1998/99. This month's 1999/2000 projected price range is down 15 cents on each end to $2.45 and $2.95 per bushel because of higher ending stocks and lower than expected early-season prices.

Unlike last season, when the average price received by farmers peaked in November, monthly-average prices received by farmers are expected to follow a more normal seasonal pattern in 1998/99, hitting seasonal lows during harvest (June through September), then increasing to reflect carrying charges. The preliminary U.S. farm price for all wheat in June 1999 is $2.48 per bushel, 29 cents below June 1998. In the coming months, the wheat price will not only be influenced by the large U.S. and global wheat supplies but also by weather patterns in the Corn Belt States that affect the corn and soybean crops.

Domestic Use Down as Feed and Residual Use Declines

Domestic feed and residual use is projected to drop to 300 million bushels this season as lower corn prices make wheat-feeding less attractive. Food use is projected to rise modestly after a year of no demand growth. The projected increase in exports will reduce the current burdensome carryover stocks. Ending stocks are forecast to decline to 913 million bushels, down 33 million bushels from 1998/99 and the second highest since 1990/91.

Wheat by Class

Hard Red Winter Wheat--Hard red winter (HRW) wheat production prospects continued to improve during June, especially in Kansas, Nebraska, and Texas. Kansas production is pegged at 423 million bushels in 1999, up 28 million from June. The Kansas yield is projected at 45 bushels per acre, up 3 bushels from June and 3 bushels below last year's record. Based on July 1 conditions, yield in Nebraska is projected up 6 bushels per acre from June, a new record for the State. Texas yield is projected at a record 36 bushels, up 3 bushels from last month. Total HRW output is forecast at 1,031 million bushels, 50 million above the June forecast but down about 150 million from 1998/99. HRW use is projected to total 1,086 million bushels in 1999/2000, accounting for about 44 percent of total U.S. wheat use.

The wheat harvest was delayed because of above normal precipitation in the southern Plains during most of June. However, the harvest has picked up in recent weeks, and as of July 11, 70 percent of the winter wheat crop was harvested, below last year's 74 percent on that date but above the 5-year average of 66 percent. Current expectations are that the abundant rainfall in the HRW belt this spring and summer will cause high yields but low protein levels. Since average protein content of HRW is expected to be below normal, price premiums for high protein wheat will likely be large and low protein HRW will likely be discounted this marketing season.

Soft Red Winter Wheat--Soft red winter (SRW) wheat production is forecast at 443 million bushels in 1999, up 24 million bushels from last month and slightly above last year. Quality is reported to be excellent in the Corn Belt. SRW production is forecast to account for about 19 percent of the U.S. wheat crop in 1999. Total use is projected at 443 million bushels in 1998/99, also about 18 percent of total wheat use.

White Winter Wheat--White winter (WW) wheat production is pegged at 199 million bushels, down 12 million bushels from last month and 22 percent below 1998 due to fewer acres and lower average yield in 1999. Washington, Oregon, Idaho, and Michigan account for most of WW production. Yield in Michigan is projected up 4 bushels in 1999 while yields in the Pacific Northwest will be down dramatically, particularly in Oregon (down 15 bushels) where drought conditions have taken a toll on yield. Yield in Washington is down 6 bushels from last year.

Other Spring Wheat--Based on July 1 conditions, the "other spring" wheat (i.e., excluding durum) crop is forecast at 527 million bushels in 1999, down slightly from 1998. Production of white spring (WS) wheat is expected to increase in 1999, and that increase will be offset by a similar decline in HRS production. The June 30 Acreage report indicated that planted and harvested acreage of other spring wheat declined 2 and 1 percent, respectively, from last year. Farmers will harvest about 15 million acres in 1999/2000, and production of other spring wheat is forecast to total 528 million bushels. The first survey-based forecast indicates an average yield of 35 bushels per acre for other spring wheat. The other spring wheat crop is larger than earlier expectations which were based on historical yields. As of July 11, 63 percent of the spring wheat crop was headed, compared to a 5-year average of 68 percent. In the five major spring wheat States, 68 percent of the crop was rated good to excellent, 1 percentage point above the same date last year.

Durum Wheat--According to the June 30 Acreage report, farmers had either planted or intended to plant 4.2 million acres of durum wheat this spring and planed to harvest 4.0 million acres. Area planted is up 9 percent from last year but down 105,000 acres from the March planting intentions. Based on July 1 conditions, production of durum wheat in the United States is forecast to total 132 million bushels, down 6 percent from 1998. This production level will expand ending stocks of durum in the United States and put pressure on durum prices in 1999/2000.

World Wheat Production and 1999/2000 Ending Stocks Forecasts Up This Month

World wheat production prospects for 1999/2000 increased 5 million tons this month, with the largest increases in China and the United States. China’s wheat production forecast increased 6 million tons to 112 million. Planting conditions were drier than normal, and the winter was exceptionally dry, but timely spring rains and dry weather favorable for harvesting improved yields recently. Although China’s wheat crop is now expected to be up from last year, it remains 11 million tons below the 1997/98 record. Other countries with increased production prospects include three important exporters: the European Union (EU), up 1 million tons; Kazakstan, up 1 million, because of good conditions to date; and Australia, up 0.5 million, because of improved moisture before planting. Increased wheat production in these countries was partly offset by excess dryness in parts of the Middle East, North Africa, Russia, and Ukraine. Although the drought in Russia and Ukraine is not nearly as bad a year ago, a late frost followed by hot dry weather in the major winter wheat producing regions reduced forecast-1999/2000 production by 2.0 million tons for Russia and by 0.5 million in Ukraine. The continuing effects of drought in the Middle East further reduced wheat-production prospects by 1 million tons each for Iran and Turkey.

World wheat consumption forecast for 1999/2000 was reduced 1 million tons this month. Consumption in the former Soviet Union is expected to continue to decline, down 3 million tons from last month’s forecast. Reduced production prospects, tight stocks, declining animal numbers, and an exchange rate that makes it more attractive to maintain exports instead of selling on the domestic market, are contributing to the decline. The drop in expected consumption in the former Soviet Union is partly offset by increased use of 1 million tons in China, where the much larger crop is expected to encourage more consumption, especially in use as animal feed.

Increased global production and reduced consumption combine to boost projected 1999/2000 ending stocks by 5.45 million tons from last month’s forecast, to 123.4 million. The prospects of larger stocks contributes to a lower price outlook. However, world wheat stocks are still forecast down by 13.1 million tons compared to a year earlier. Much of the month-to-month rise in forecast stocks is in China, where wheat prices are isolated from the world market and where wheat stocks are still forecast to decline year-to-year.

Forecast world wheat trade in 1999/2000 was reduced marginally this month, but many changes were offsetting. With much larger production, China’s 1999/2000 wheat imports dropped from 4 million tons to 2 million, still an increase from the previous year. Offsetting the drop in China’s imports, were increased imports expected this month for Iran, Tunisia, the EU, Algeria, Venezuela, and the United States. The North African and Middle Eastern countries had reduced production prospects because of drought, while in the EU demand is stronger than expected .

Export forecasts were increased for Argentina, Australia, and Kazakstan, but dropped for India and Turkey. The pace of shipments from Argentina has been stronger than expected, boosting both 1998/99 and 1999/2000 export forecasts by 0.5 million tons and reducing domestic use. Larger production is expected to boost exports in Australia and Kazakstan by 0.5 million tons each, while reduced production sharply reduces Turkey's prospects by 1.0 million. However in India, with record production, prices have remained above world price levels, so exports prospects were reduced this month from 1.0 million tons to only 0.2 million. The U.S. export forecast was unchanged this month.

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The 1998 Wheat Yearbook is now available at:
1) ERS AutoFax; Call (202) 694-5700 and select document 12100 for a complete directory of the historical tables and special articles.
2) ERS Homepage: www.econ.ag.gov/, select “Products and Services,” then “Publications,” “Field Crops,” and “Wheat.”

Other wheat publications may be obtained from the ERS “Wheat Briefing Room” at http://www.econ.ag.gov/Briefing/wheat.

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Table 1--Wheat: U.S. market year supply and disappearance, 7/14/99

Item	1994/95	1995/96	1996/97	1997/98	1998/99E	1999/00P
Area: (mil. ac.)						
National total base	88.9	88.5	87.9	0.0	0.0	0.0
Eff. base/Ctr. acres						
0,50/92,85	5.2	6.1	0.0	0.0	0.0	0.0
CRP base retired	10.8	10.8	10.6	10.1	9.7	0.0
Planted	70.3	69.0	75.1	70.4	65.9	62.9
Harvested	61.8	61.0	62.8	62.8	59.0	54.6
Yield: (bu/acre)	37.6	35.8	36.3	39.5	43.2	42.7
Supply: (mil. bu.)						
Beginning stocks	568.5	506.6	376.0	443.6	722.5	944.9
Production	2,321.0	2,182.7	2,277.4	2,481.5	2,550.4	2,333.0
Imports 1/	91.9	67.9	92.3	94.9	100.0	100.0
Total supply	2,981.4	2,757.2	2,745.7	3,020.0	3,372.9	3,377.9
Use:						
Food	853.0	882.9	890.7	916.6	915.0	925.0
Seed	89.0	103.5	102.3	92.6	80.7	90.0
Feed and residual	344.5	153.7	307.6	248.0	382.2	300.0
Total domestic	1,286.6	1,140.1	1,300.6	1,257.1	1,377.9	1,315.0
Exports 1/	1,188.3	1,241.1	1,001.5	1,040.4	1,050.0	1,150.0
Total use	2,474.8	2,381.2	2,302.1	2,297.5	2,427.9	2,465.0
Ending stocks:	506.6	376.0	443.6	722.5	944.9	912.9
Farmer-owned reserve	0.0	0.0	0.0	0.0	0.0	0.0
CCC inventory 2/	142.0	118.0	93.0	94.0	128.0	100.0
Free stocks	364.6	258.0	350.6	628.5	816.9	812.9
Stocks-to-use ratio	20.5	15.8	19.3	31.4	38.9	37.0
Prices: ($/bu.)						
Target price	4.00	4.00	0.00	0.00	0.00	0.00
Loan rate	2.58	2.58	2.58	2.58	2.58	2.58
Contract rate 3/	0.61	0.00	0.87	0.63	0.66	0.64
Ave. farm price	3.45	4.55	4.30	3.38	2.65	2.45-2.95
Contract payments						
(mil. dollars) 3/	1,146	100	1,941	1,414	1,943	1,790
Market value						
of production						
(mil. dollars)	8,007	9,787	9,782	8,387	6,759	6,299

Source: World Agricultural Supply and Demand Estimates, WAOB, USDA. Totals may not add due to rounding. E=Estimated, P=Projected, N.A.=not applicable. 1/ Imports and exports include flour and other products expressed in wheat equivalent. 2/ Includes Food Security Reserve. 3/ Deficiency payments prior to 1996/97.

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Table 2--Wheat: U.S. market year supply and disappearance, 7/14/99

1998/99E	HRW	HRS	SRW	White	Durum	All wheat
Area:			Million acres			
Planted	32.36	14.85	10.18	4.67	3.80	65.87
Harvested	27.34	14.41	9.06	4.46	3.73	59.00
Yield: (bu/acre)	43.24	33.78	48.86	66.77	37.82	43.23
Supply:			Million bushels			
Beg. stocks	306.7	220.0	80.0	90.0	25.8	722.5
Production	1,182.1	486.8	442.6	297.8	141.1	2,550.4
Imports 2/	2.0	55.0	0.0	10.5	32.5	100.0
Total	1,491	762	523	398	199	3,373
Utilization:						
Total domestic	596.6	283.8	283.6	113.3	100.6	1,377.9
Exports 2/	460.0	245.0	103.0	198.0	44.0	1,050.0
Total	1,056.6	528.8	386.6	311.3	144.6	2,427.9
Ending stocks:	434.1	233.0	136.0	87.0	54.8	944.9

1999/00P	HRW	HRS	SRW	White	Durum	All wheat
Area:			Million acres			
Planted	30.88	14.31	9.03	4.50	4.16	62.88
Harvested	24.53	13.99	7.92	4.13	4.05	54.62
Yield: (bu/acre)	42.05	33.98	55.95	60.71	32.66	42.72
Supply:			Million bushels			
Beg. stocks	434.1	233.0	136.0	87.0	54.8	944.9
Production	1,031.4	475.4	443.1	250.7	132.3	2,333.0
Imports 2/	2.0	55.0	0.0	11.0	32.0	100.0
Total	1,468	763	579	349	219	3,378
Utilization:						
Total domestic	581.0	248.0	318.0	81.0	87.0	1,315.0
Exports 2/	505.0	290.0	125.0	190.0	40.0	1,150.0
Total	1,086.0	538.0	443.0	271.0	127.0	2,465.0
Ending stocks:	381.6	225.4	136.1	77.7	92.1	912.9

Source: World Agricultural Supply and Demand Estimates, WAOB, USDA.
Totals may not add due to rounding. E=Estimated, P=Projected. 1/ ERS estimates of area, yield, and domestic use. 2/ Imports and exports include flour and other products expressed in wheat equivalent.

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Table 3--Wheat: Quarterly supply and disappearance (1,000 bu.), 5/12/99

Market Year	Produc- tion	Imports 2/	Supply	Food	Seed	Feed	Exports 2/	Ending stocks
1996/97:				Million bushels				
Jun-Aug	2,277	15	2,668	224	9	378	334	1,724
Sep-Nov	---	21	1,745	234	60	(76)	308	1,219
Dec-Feb	---	27	1,246	213	2	30	179	822
Mar-May	---	30	852	221	32	(24)	180	444
Mkt. year	2,277	92	2,746	891	102	308	1,002	444
1997/98 E:								
Jun-Aug	2,481	23	2,948	228	3	352	288	2,076
Sep-Nov	---	23	2,099	239	59	(113)	296	1,619
Dec-Feb	---	24	1,643	220	2	(1)	255	1,167
Mar-May	---	26	1,192	230	29	10	201	722
Mkt. year	2,481	95	3,020	917	93	248	1,040	722
1998/99 P:								
Jun-Aug	2,550	24	3,297	227	1	426	257	2,385
Sep-Nov	---	24	2,409	243	55	(76)	292	1,896
Dec-Feb	---	28	1,924	214	1	11	246	1,450
Mar-May	---	24	1,474	231	23	21	255	945
Mkt. year	2,550	100	3,373	915	81	382	1,050	945

Totals might not add due to rounding. E=Estimated, P=Projected. 1/ Imports and exports include flour and selected products expressed in wheat equivalent.

Table 4--Wheat: Monthly food use estimates (1,000 bu.), 1998/99, 7/14/99

1998/99 (Est.)	June	July	August	September	October	November
Mill grind 1/ +	71,086	72,020	78,713	75,688	84,414	80,798
Food imports +	**1,991**	1,886	2,064	1,744	2,076	2,020
Non-flour						
food use 2/ +	2,000	2,000	2,000	2,000	2,000	2,000
Food exports -	2,189	1,968	2,297	3,151	4,056	2,524
Food use	**72,889**	73,938	80,480	76,282	84,436	82,294

	December	January	February	March	April	May
Mill grind 1/ +	75,842	69,869	69,314	73,539	N.A.	N.A.
Food imports +	2,090	**1,996**	**1,846**	1,945	**1,915**	N.A.
Non-flour						
food use 2/ +	2,000	2,000	2,000	2,000	2,000	2,000
Food exports -	6,721	2,755	3,535	4,323	**3,304**	N.A.
Food use* =	73,210	**71,110**	**69,626**	73,160	N.A.	N.A.

Source: Department of Commerce, Bureau of Census. Totals may not add due to rounding. 1/ Wheat flour and products converted to wheat grain equivalent. 2/ Non-flour food use is ERS estimate. *Monthly food use and durum food use estimates since 1990/91 are available in ERS AutoFax Document 12180, and electronically at www.econ.ag.gov/briefing/wheat/data. N.A.-not available.

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Table 5--Wheat: Farm prices and prices at selected markets ($/bu.), 7/14/99

	Farm prices							
	All wheat		Winter		Durum		Other spring	
Month	98/99	99/00	98/99	99/00	98/99	99/00	98/99	99/00
Jun 1/	2.77	2.48	2.68	2.37	3.98	2.91	3.22	3.01
Jul	2.56	.	2.48	.	3.37	.	3.08	.
Aug	2.39	.	2.25	.	3.25	.	2.70	.
Sep	2.41	.	2 32	.	3.08	.	2.65	.
Oct	2.79	.	2.66	.	3.16	.	3.12	.
Nov	2.97	.	2.78	.	3.17	.	3.26	.
Dec	2.87	.	2.67	.	3.14	.	3.26	.
Jan	2.80	.	2.67	.	3.21	.	3.07	.
Feb	2.74	.	2.56	.	2.84	.	3.10	.
Mar	2.65	.	2.53	.	2.81	.	3.01	.
Apr	2.62	.	2.48	.	2.80	.	2.95	.
May	2.53	.	2.36	.	2.84	.	2.93	.

	KC HRW #1 ordinary		KC HRW #1 13% prot.		St. Louis #2 SRW		Portland #1 soft white	
Month	98/99	99/00	98/99	99/00	98/99	99/00	98/99	99/00
Jun	3.16	.	3.57	.	2.66	.	2.93	.
Jul	3.02	.	3.57	.	2.43	.	2.72	.
Aug	2.74	.	3.12	.	2.26	.	2.66	.
Sep	2.81	.	3.17	.	2.12	.	2.69	.
Oct	3.30	.	3.67	.	2.23	.	3.15	.
Nov	3.42	.	3.89	.	2.41	.	3.15	.
Dec	3.31	.	3.74	.	2.54	.	3.12	.
Jan	3.27	.	3.61	.	2.51	.	3.15	.
Feb	3.05	.	3.35	.	2.33	.	3.10	.
Mar	3.02	.	3.34	.	2.44	.	3.22	.
Apr	2.94	.	3.34	.	2.44	.	3.23	.
May	2.89	.	3.28	.	2.45	.	3.17	.

	Minneapolis DNS 14% prot.		Minneapolis #1 durum		FOB Gulf $/ton (HRW)		Average EEP bonus $/ton 2/	
Month	98/99	99/00	98/99	99/00	98/99	99/00	98/99	99/00
Jun	4.01	.	5.00	.	120.52	.	0.00	0.00
Jul	3.89	.	4.59	.	117.95	.	0.00	.
Aug	3.58	.	4.20	.	108.76	.	0.00	.
Sep	3.53	.	3.78	.	108.03	.	0.00	.
Oct	4.03	.	4.04	.	126.03	.	0.00	.
Nov	4.15	.	4.15	.	131.18	.	0.00	.
Dec	3.97	.	4.05	.	126.40	.	0.00	.
Jan	3.92	.	3.91	.	125.29	.	0.00	.
Feb	3.78	.	3.67	.	117.21	.	0.00	.
Mar	3.79	.	3.65	.	117.21	.	0.00	.
Apr	3.65	.	3.61	.	113.90	.	0.00	.
May	3.61	.	N.A.	.	113.17	.	0.00	.

1/ Mid-month price for current month of the 1999/00 marketing year.
2/ Weighted average, all classes. N.A.-not available.
Source: NASS & AMS, USDA.

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Table 6--Wheat: Exports and imports for last 6 months, 7/14/99

U.S. wheat exports, (1,000 bu.) 1998/99

Item 1/	November	December	January	February	March	April
Wheat grain	81,913	96,486	73,017	63,794	65,522	86,066
Wheat flour	2,354	6,472	2,551	3,341	4,126	3,105
Products	237	274	260	271	271	248
Total	84,505	103,233	75,828	67,406	69,919	89,419

U.S. wheat imports, (1,000 bu.) 1998/99

Item 1/	November	December	January	February	March	April
Wheat grain	5,728	6,064	7,702	8,199	6,929	5,299
Wheat flour	637	618	718	667	739	707
Products	1,386	1,473	1,283	1,180	1,208	1,215
Total	7,750	8,154	9,702	10,046	8,876	7,220

Source: Department of Commerce, Bureau of Census. 1/ Wheat flour and products converted to wheat grain equivalent. Totals may not add due to rounding. Monthly and quarterly estimates since 1995/96 are available in ERS AutoFax Document 12181, and electronically at www.econ.ag.gov/briefing/wheat/data.

Table 7--Wheat: U.S. exports, Census and Export Sales comparison, 7/14/99 1/

	1997/98		1998/99		1999/2000 (as of 7/1/99)		
	Shipments				Shipments	Outstanding sales	Total
Data Source	Census	Export sales	Census	Export sales	Export Sales		
Country:	--1,000 metric tons--						
Egypt	4,837	4,982	N.A.	4,397	333	172	504
EU	1,265	1,298	N.A.	1,407	123	187	310
Israel	830	786	N.A.	734	120	98	218
Japan	3,169	3,373	N.A.	3,201	102	416	518
S. Korea	1,446	1,400	N.A.	1,366	149	272	421
Mexico	1,156	1,151	N.A.	1,860	159	201	361
Nigeria	730	817	N.A.	1,300	153	155	309
Pakistan	2,180	2,232	N.A.	844	0	0	0
Philippines	1,458	1,531	N.A.	1,749	139	251	390
Taiwan	1,003	975	N.A.	920	110	87	196
Total grain	27,295	27,518	N.A.	25,555	1,961	3,076	5,038
Total(incl) products)1/	28,308	27,626	N.A.	25,648	1,965	3,083	5,048
USDA forecast of Census			28,577				31,298

1/Export sales and shipments from USDA’s monthly *U.S. Export Sales* report.
N.A.-not available.