



## EXPECTED WHEAT PRODUCTION INCREASES 45 PERCENT

**INCLUDED  
IN THIS  
ISSUE**

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PRODUCTION

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The 2003 Kansas wheat crop is forecast at 388.0 million bushels as of May 1, 2003. The current forecast is up 45 percent from the 2002 crop. This year's crop is expected to be harvested from 9.7 million acres, up 1.6 million acres from a year ago. This will be the largest acreage harvested since 1998. Yield per harvested acre is expected to average 40 bushels, up from 33 bushels last year.

Seeding of wheat acres began the first week of September and progressed ahead of normal through completion. Fifty percent was seeded and 18 percent was emerged by the end of September, ahead of the 5-year averages of 36

percent and 14 percent, respectively. Widespread showers the first week and the last two weeks of October helped improve soil moisture for the seeding of wheat. Wheat seeding was 96 percent complete and emergence was at 87 percent by the first of November. Wheat condition was just above 50 percent good to excellent all fall and by the

first of December was up to 59 percent good to excellent. Ninety-eight percent of the crop was emerged by the first of December. Wheat condition declined during the winter due to dry conditions. On March 2, 26 percent of the crop was rated in poor to very poor condition. By the end of March, weeds were becoming a problem in some areas. On April 27th, 16 percent of the crop was judged to be in poor to very poor condition compared to 40 percent last year. Widespread showers the last two weeks of April helped improve conditions. Subsoil remained short to very short in most of the Western, North Central, and Central parts of the State despite the rains. Crop progress has been near normal this spring with 86 percent jointed on April 27th, compared with 66 percent last year and the 5-year average of 80 percent. Statewide, subsoil conditions were rated 51 percent short to very short, compared to 69 percent last year.

### KANSAS WHEAT PRODUCTION, MAY 1, 2003

District	Acres Planted		Acres Harvested			Yield Per Acre		Production		
	2002	2003	2002	2003	% of Prev. Yr	2002	2003	2002	2003	% of Prev. Yr
<b>WINTER WHEAT</b>	----- 1,000 Acres -----		----- Percent			Bushels		1,000 Bushels		Percent
Northwest	1,060	1,060	920	995	108	29	40	26,440	39,600	150
West Central	1,200	1,240	885	1,180	133	27	36	23,865	42,800	179
Southwest	1,545	1,750	1,010	1,565	155	27	33	27,215	51,000	187
North Central	1,230	1,390	1,120	1,340	120	38	43	42,885	57,600	134
Central	1,460	1,500	1,400	1,440	103	37	43	51,220	62,300	122
South Central	2,195	2,340	1,900	2,185	115	33	41	61,755	89,900	146
Northeast	150	200	145	195	134	49	47	7,165	9,200	128
East Central	224	270	215	265	123	40	43	8,605	11,300	131
Southeast	536	550	505	535	106	36	45	18,150	24,300	134
State	9,600	10,300	8,100	9,700	120	33	40	267,300	388,000	145

## U.S. WINTER WHEAT PRODUCTION UP 37 PERCENT

Winter wheat production is forecast at 1.56 billion bushels, up 37 percent from 2002. Based on May 1 conditions, the U.S. yield is forecast at 42.9 bushels per acre, 4.4 bushels more

than last year. Grain area totals 36.4 million acres, up 23 percent from last season.

### WINTER WHEAT, KANSAS AND SELECTED STATES 1/, MAY 1, 2003

State	Acreage			Yield Per Acre		Production		
	Harvested 2002	For Harvest 2003	% of Prev. Yr.	2002	2003	2002	2003	% of Prev. Yr.
	1,000 Acres		Percent	Bushels		1,000 Bushels		Percent
<b>KANSAS</b>	<b>8,100</b>	<b>9,700</b>	<b>120</b>	<b>33.0</b>	<b>40.0</b>	<b>267,300</b>	<b>388,000</b>	<b>145</b>
Oklahoma	3,500	4,700	134	28.0	34.0	98,000	159,800	163
Texas	2,700	3,700	137	29.0	31.0	78,300	114,700	146
Washington	1,750	1,800	103	59.0	62.0	103,250	111,600	108
Colorado	1,650	2,200	133	22.0	30.0	36,300	66,000	182
Ohio	810	960	119	62.0	68.0	50,220	65,280	130
Nebraska	1,520	1,650	109	32.0	38.0	48,640	62,700	129
Montana	750	1,700	227	28.0	36.0	21,000	61,200	291
South Dakota	625	1,440	230	29.0	39.0	18,125	56,160	310
Idaho	690	710	103	79.0	79.0	54,510	56,090	103
United States	29,651	36,447	123	38.5	42.9	1,142,802	1,563,314	137

1/ Selected states based on top 10 states according to production of winter wheat.

## HAY STOCKS

Hay production during 2002 totaled 6.97 million tons, down 13 percent from last year. As of May 1, Kansas hay stocks

totalled 1,150,000 tons, compared with 4,800,000 tons on December 1, 2002 and 1,040,000 tons on May 1, 2002.



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**MARKET IMPLICATIONS**

by Bill Tierney, Kansas State University - Extension Service

The USDA's first estimate of the winter wheat crop was smaller than the average of a survey of industry pre-release estimates. At 1,563 million bushels, the 2003 winter wheat crop was 19 million bushels below the average estimate, but 36.8 percent (420 million bushels) more than last year's crop. The 2003 crop is up due to a combination of larger plantings and less abandonment resulting in increased harvested acres (up 23 percent) and higher yields (up 11 percent).

The May 4 weighted index of winter wheat crop conditions had a value of 357 (300 = Fair and 400 = Good). That's 51 points above last year and 10 points more than the 17-year average for this time of year. Based on current crop conditions, models project all winter wheat yields to be 43.1 bushels, two-tenths of a bushel more than the USDA's May yield of 42.9 bushels. Assuming harvested acres remain unchanged at 36.447 million acres, the models suggests that the June winter wheat production estimate could be 1,571 million bushels (8 million bushels larger than the May estimate).

**USDA Projects Higher Wheat Exports.**

The USDA's World Board (an in-house group of economists who provide supply and demand projections) raised their U.S. total wheat production to 2,113 million bushels, up 497 million bushels from last year.

The World Board also lowered food use, industrial, and seed use by 15 million bushels and reduced feed use by 50 million bushels. As a consequence of these and other changes, the USDA pegged wheat ending stocks at 511 million bushels. That's 63 million bushels larger than 2002/03's ending stocks.

The midpoint of the range of the USDA's forecast for annual average prices is \$3.35, \$.21 lower than the 2002/03 price.

USDA raised the projection for wheat exports to 950 million bushels, up 75 million bushels from 2002/03 exports (which were the lowest exports in 30 years). If correct, 2003/04 will see the largest exports in 3 years. As of May 1, export commitments were estimated to be 55 million bushels, up 10 million bushels from last year.

**USDA Projects Larger World Wheat Crop, Smaller Stocks, But Less Trade.**

USDA estimates world wheat production will be 569.52 million metric tons (MMT), up just 4.8 MMT from last year and about 15 MMT less than industry expectations. Ending stocks are now projected to be just 22.7 percent, down from last year's 25.9 percent and the lowest ratio since 1974/75 (22.8 percent).

Seasonally, harvest pressure could eventually push KCBT July futures lower. In the last week, however, July futures have staged an impressive rally. If winter wheat and spring wheat crop prospects worsen, prices could move higher. However, should relatively "normal" conditions prevail, and considering the low level of export demand, wheat futures (and cash prices) will probably move lower and challenge the previous life-of-contract lows (\$2.94).

Producers may want to take advantage of this rally to price an additional portion of their expected 2003 wheat crop. However, producers may find that basis bids for new crop have widened. Therefore producers may want to consider a hedge-to arrive contract (HTA). If HTA's are not available, producers may want to sell futures themselves.

Alternatively, producers may want to consider the purchase of at-the-money puts or establishing a "window or fence" by purchasing an at-the-money put and selling an out-of-the-money call. On May 12, KCBT September futures were trading at \$3.40; a \$3.40 September put option cost \$.1525 while a \$3.80 September call could be sold for \$.055. For the net cost (plus commissions) of around \$.10, a wheat producer could put a floor under the futures price at \$3.40 and still be in a position to capture higher prices up to \$3.80.

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Access Dr. William Tierney's Market Implications on the Internet at <http://www.agecon.ksu.edu/risk>

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