

To plant or not to plant**Having doubts about 1982 planting decisions?**

WASHINGTON, D.C. — With the finish of the 1981 winter wheat harvest, thoughts turn to preparing land for the 1982 crop. Here are a few things to keep in mind when making your decisions:

✓ In all probability, there will be no wheat set-aside or diversion program for 1982. This sets the stage for planting decisions in a wide open, free market atmosphere.

✓ Current prospects point to a carryover of around 1.03 billion bushels when the marketing year ends next May 31. This would be only the third time in the last 17 years that stocks have topped 1 billion bushels.

✓ This season's record wheat supply suggests that the average farm price will be below last year's \$3.96 a bushel. Current futures prices (July, 1982 contracts) indicate that next year's prices may not be much improved.

✓ Production costs (national average, excluding land charges) for the 1981 crop are estimated at around \$3.80 a bushel and certainly will be higher next time around. Interest costs on operating money, along with fuel and fertilizer expenses, will probably be just as high if not higher.

✓ Even if you're satisfied with this year's excellent harvest, you should explore potential returns for other crops—assuming you have that option, and especially if you're in a Soft Red wheat area.

✓ If provisions of the new farm bill are well defined and enacted into law as you complete your planting decisions, you'll have fewer uncertainties to contend with. But don't count on it: Much work needs to be done before all the details are hammered out, and Mother Nature can't wait.

Prices begin season at low levels

This year's price picture has been dominated by record supplies and also by prospects for record disappearance.

Prices this season will hinge on the size of export sales, use of the loan and reserve program, and the impact of weather on world grain crops. The season average farm price is expected to fall slightly from last year's \$3.96 a bushel to between \$3.70 and \$4.00.

The record Soft Red harvest has depressed early season farm prices to the \$3.20-per-bushel loan level in many areas. In contrast, harvest delays, a frost-damaged crop, and limited producer selling

have kept Hard Red Winter prices about on par with last year. Anticipated record harvests of Durum and Hard Red Spring wheat dropped prices to below \$4 for the first time since May 1980.

Early season prices are below the \$3.81 target price. Unless prices rebound dramatically by October, deficiency payments will be made for the first time since the 1978 crop. The payment rate could be 10 to 15 cents per bushel. Total payments would be about \$25 million for each cent that the June-October average price falls below the target price.

Outlook by classes

Wheat, by itself, is often the headline in commodity news items. But as you well know, wheat is really a composite of five major classes. This makes production, supply, export, and price prospects for each class all-important to the producers of each.

The 1981 Hard Red Winter crop

will be down 7 percent from last year's alltime high. That's because a mid-May freeze struck the Western Plains, destroying an earlier forecast for a record harvest. Yet, because of large old-crop stocks, this year's total supply will remain large. But with disappearance projected at an alltime high (another record export season) and large stocks in the reserve program, free HRW stocks could tighten considerably by season's end.

A complete turnaround from last season's drought-reduced, Hard Red Spring harvest will result in record supplies, exceeding 700 million bushels for only the second time. This situation will weaken prices and in turn may encourage expanded foreign demand above last season's mediocre 188 million bushels. Competition may come from accelerated Canadian wheat exports and the generally very

good protein content of the Hard Red Winter crop.

Soft Red Winter supplies are record large, depressing prices to their lowest in 3 years. This should make SRW attractive to world wheat bargain hunters. Estimated new season shipments could be over 100 million bushels above last year's record 299 million. Behind the big supplies: The 1981 crop was a bin-busting 658 million bushels. So far in the 1980's, the SRW crop has averaged more than 540 million bushels, versus 260 million during the 1970's.

Because of excellent growing conditions, the 1981 White wheat harvest was forecast at a record 350 million bushels on August 1. This adds further to an enormous U.S. supply of soft wheats. Continuation of last year's strong export activity will depend on purchases by China, Egypt, Iran and India — past large U.S. White wheat customers. The price of

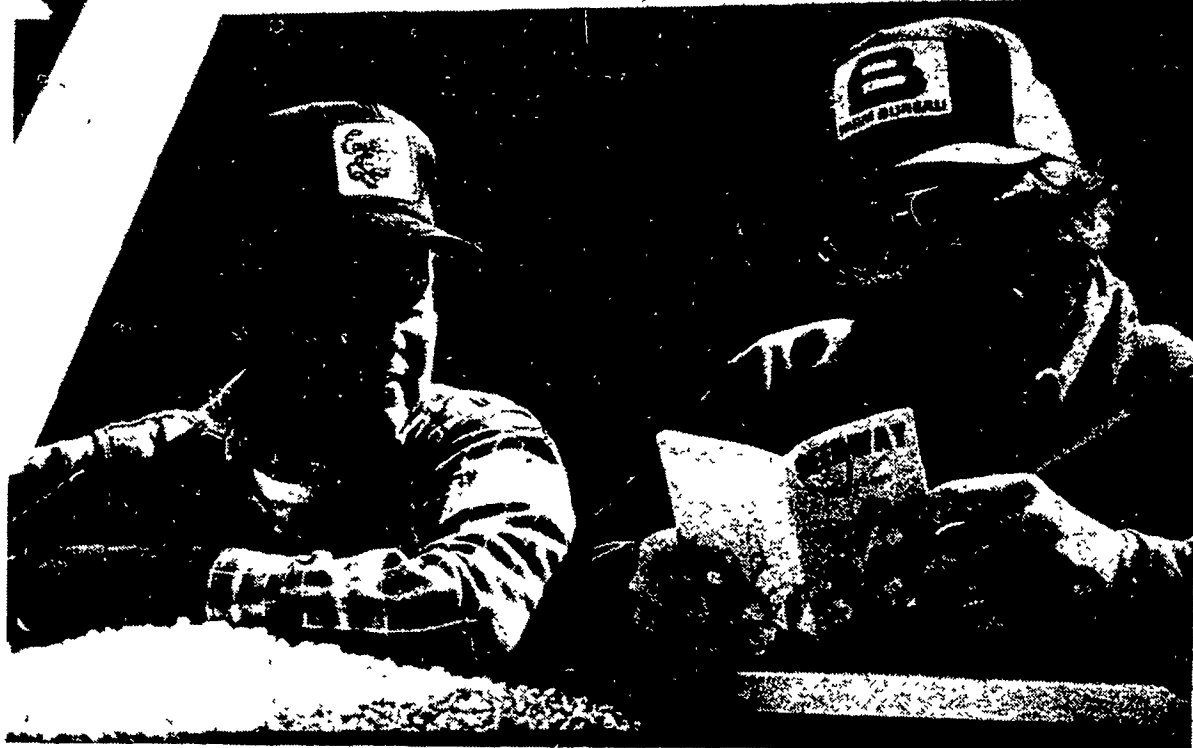
White wheat relative to SRW and West Coast freight cost advantages will figure in their decisions.

Short supplies of quality Durum led to very strong prices last season, encouraging expanded plantings this spring. It looks as if improved growing conditions will result in record-high yields and a crop of about 186 million bushels. Because of the likely large supply, beginning season market prices slipped to the lowest level in 3 years. At lower prices, both domestic and overseas sales of Durum should pick up this year, following a relatively sluggish 1980/81.

Reserve opened for 1981 wheat

Effective July 24, you may place 1981-crop wheat that is under CCC loan into the 3-year farmer-owned reserve program. But the provision (enacted last December) that waived interest charges for

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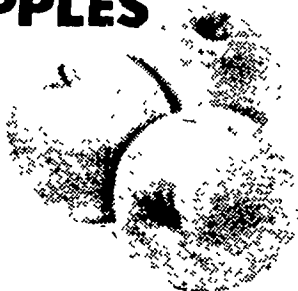
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