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May 20, 1966

Agricultural Letter

Number 857

WHEAT SUPPLIES for the coming marketing year, beginning July 1, are likely to be the smallest since 1957. This year's wheat crop is currently expected to be slightly larger than the one harvested in 1965. However, sharply increased exports, especially those moving under Government assistance programs, and slightly larger domestic consumption are expected to reduce this year's carry-over to the lowest level since the Korean conflict.

Winter wheat output is expected to exceed the year-earlier harvest by a wide margin although subfreezing temperatures during late April in some of the major wheat producing states and dry conditions in other areas reduced the expected production somewhat. Both acreage to be harvested for grain and yields per acre are anticipated to be larger than in 1965. May 1 conditions pointed to a yield of 28.4 bushels per acre—1 bushel above 1965 and only slightly under the 1958 record. Acreage to be harvested was indicated at 38.4 million acres or 2 percent more than last year.

Exports of wheat and wheat flour for 1965-66 are expected to total 100 to 150 million bushels more than the 728 million shipped abroad during the previous year. The increase from the year-earlier level will depend to some extent upon the capacities of transportation and port facilities, both in the United States and India, to handle food assistance shipments. There have been reports that the available facilities are being used close to capacity.

Exports of wheat during the July-February period were running about 100 million bushels above the 430 million exported during the comparable year-earlier period. Much of the increase was accounted for by larger commercial exports—which during the July-January period were nearly double the relatively low year-earlier level. Sales of wheat for foreign currencies were somewhat smaller during the first seven months of the current marketing year but these sales have been sharply expanded in recent months, reflecting large commitments to India. These commitments in mid-December, coupled with additions in early February, total about 125 million bushels.

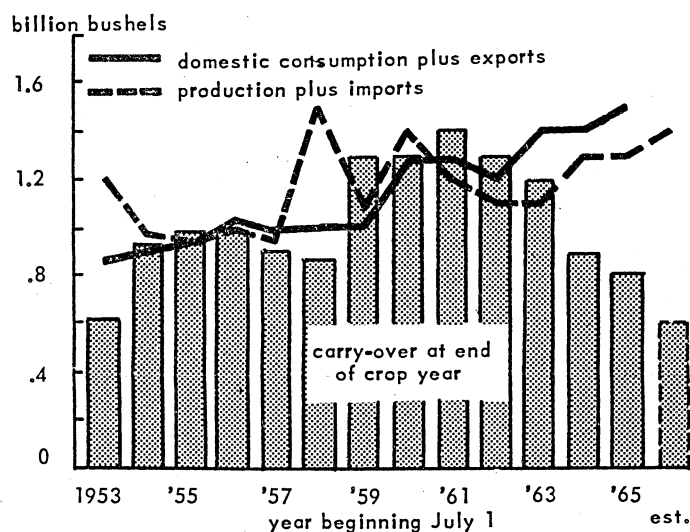
Domestic use of wheat is also expected to show a sharp increase from a year ago, following several years of relative stability. For the year, domestic use is expected to total about 40 million bushels more than the 648 million consumed last year. Sharply increased feeding of wheat to livestock, reflecting changes in the Government program, accounts for nearly all of the gain. Food consumption is also expected to be slightly higher.

Because of the declining supplies and the prospects for continued strong demand for wheat—primarily for Government financed exports—the Secretary of Agriculture recently announced that the national wheat allotment for the 1967 crop would be increased 15 percent. This, in effect, restores the national allotment in effect prior to 1962. Since 1962, the Government has attempted to reduce the substantial stocks of wheat accumulated during the Fifties, by inducing farmers to withhold wheat acreage from production. In return for idling a portion of their wheat acreage, farmers were eligible for price support loans and other Government payments.

Farmers will still be required to plant within their allotments and comply with other program provisions in order to be eligible for program benefits for the 1967 crop. However, because of the increased allotments, no acreage diversion will be required.

Roby L. Sloan
Agricultural Economist

Reduced Stock Spurs Expansion in Allotments



As a result, production of winter wheat is currently forecast at nearly 1.1 billion bushels—7 percent above last year's output and 10 percent more than the 1960-64 average. The indicated production of winter wheat plus the estimate of the spring wheat crop, which is very tentative this early in the season, would put total wheat production for 1966 near 1.4 billion bushels. This compares with the slightly less than 1.3 billion bushels produced last year.

Stocks of wheat as of April 1, totaled about 900 million bushels, 21 percent below year earlier and the smallest April holdings in 12 years. By July 1 these stocks are expected to be reduced to around 600 million bushels or less, reflecting the continued high exports and domestic use.