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A Graphic History of...

# THE U.S. WHEAT MARKET

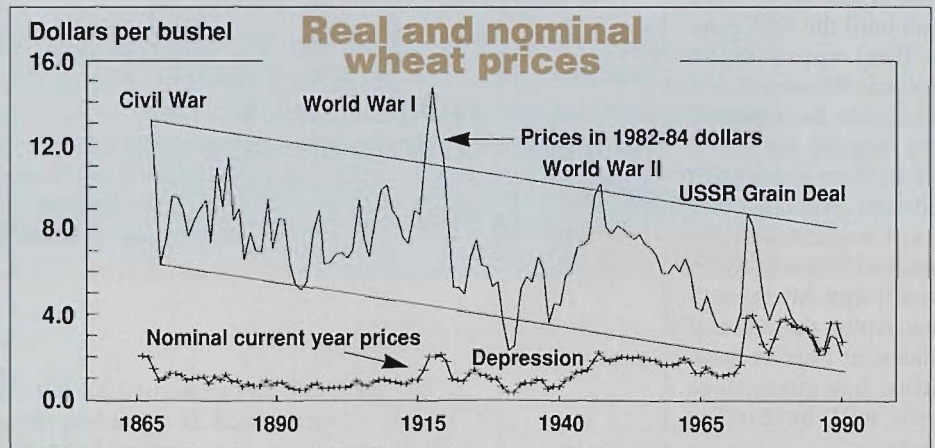
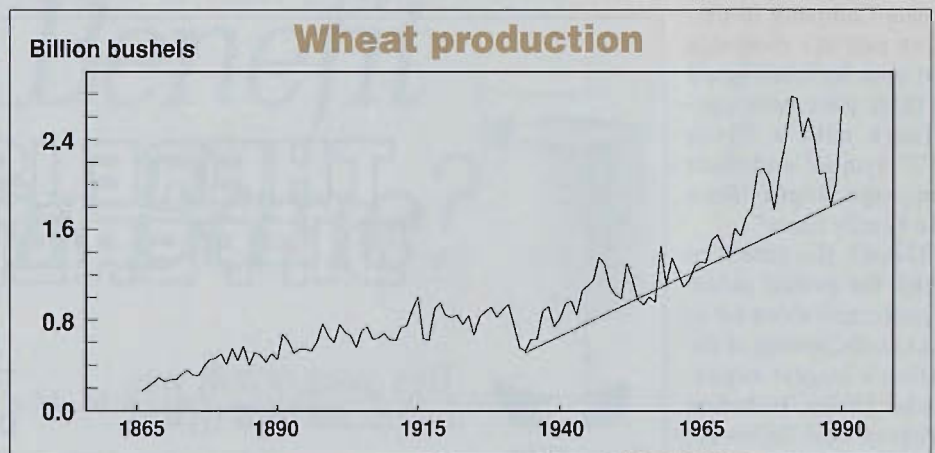
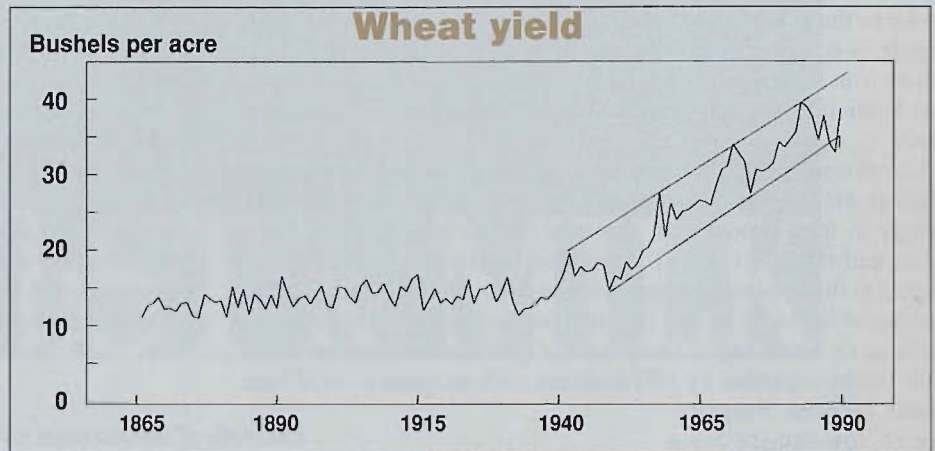
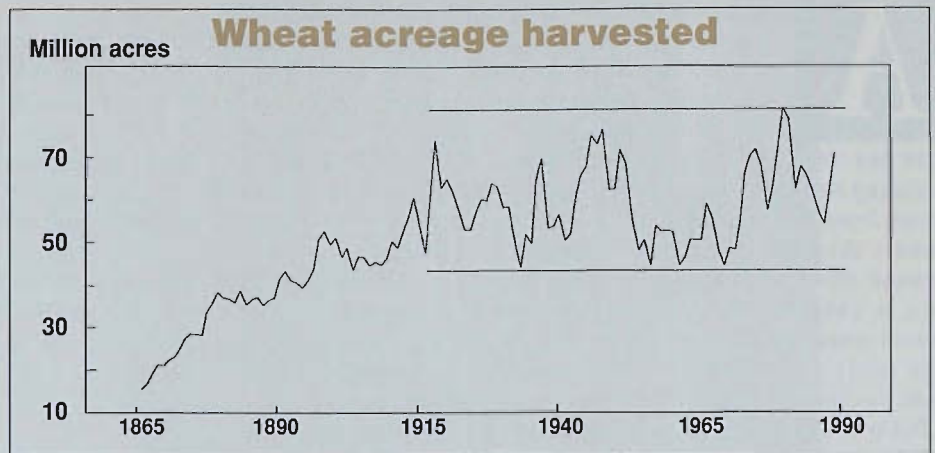
by Robert D. Reinsel

> The wheat market is depressed. In mid December 1990 wheat prices averaged \$2.38 per bushel, down \$1.41 from a year earlier and June 1991 wheat stocks were projected to be up 451 million bushels above the June 1990 level. The following graphic history puts the current market in perspective with where we've been and suggests factors to be considered in a longer term outlook.

**W**HEAT acreage harvested in the United States increased steadily from 1866 until 1915. Since 1915, acreage harvested has varied greatly, reaching as high as 80 million acres and declining to 43 million. Much of the variability since the 1940s has been due to farm programs.

Wheat yields increased very slowly from 1866 to 1933. Since 1933 yields have followed a rather steep upward trend with improvements in varieties and with fertilization. Annual variation

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around the trend, of plus or minus 4 bushels, has been common since the 1940s.

As the result of rising yields, wheat production in the United States has been on an upward trend since the depression of the 1930s. Production peaked in the early 1980s and declined sharply but is now rising.

Real wheat prices have been trending downward since the Civil War. The trend has been interrupted by major shocks including World War I, World War II and the USSR Grain Deal. Since the 1930s nominal prices have been supported by nonrecourse loans.

The level of support through nonrecourse loans has varied under specific pieces of legislation. During the early 1940s and again in the 1970s wheat markets were short of grain and prices rose well above support levels. In most other years prices were near the loan rate. Loan rates are now set at a percentage below recent average prices.

Wheat exports were normally less than 300 million bushels prior to the 1940s. In the 1930s the U.S. was actually a small net importer of wheat. Since the 1940s exports have been on an upward trend and are averaging near a billion bushels per year.

Prior to the 1950s wheat exports did not exceed 40 percent of production. Since then exports have normally exceeded 40 percent of production and have reached as high as 75 percent.

Wheat stocks were largely pipeline stocks prior to the 1930s. Since then carry out stocks have been on an upward trend, as stocks were accumulated to support nominal prices. C

