XVI. WORLD DEVELOPMENTS AND OUTLOOK, 1944–45

Through mid-February of the present crop year striking changes have occurred on the principal military fronts. In western Europe forces of the United Nations, previously in control of the Normandy peninsula, liberated virtually all the rest of France, all of Belgium, and the southern part of the Netherlands. Over the same period, Allied armies in Italy moved northward from the Arno River to a line just south of Bologna. These gains, though important, were by no means so spectacular as the much greater advances made on the Soviet front: from the first of August to mid-January the Russians extended their control over the major grain-producing areas of the Danube basin and prepared for an all-out central offensive which carried their conquering armies through western Poland, up to and, in the south, beyond the Oder River by mid-February. In the Pacific war, Allied forces took possession of the Palau Islands, of Moratai in the Moluccas, and finally of Leyte, Samar, and parts of Mindoro and Luzon in the Philippines.

These developments have been extremely important, not only from a military standpoint, but also for the world grain position. They have influenced the distribution and utilization of European grain supplies and have opened up western Continental markets and a few Pacific markets to grain shipments from overseas.

Although the total bread-grain crop of Continental Europe ex-USSR appears to be some 5 per cent smaller for the current year than for 1943–44, this decline is less important for the grain-supply positions of the various Continental countries than are the reductions in territory held by the German army. Moreover, close analysis reveals that a major part of the total crop reduction must be attributed to the adverse effects of military operations on grain plantings and harvests in Italy, Rumania, Poland, and the Baltic States, rather than to unfavorable weather conditions.

Among the various countries of Continental Europe, Spain, Sweden, and France appear to have somewhat better domestic bread-grain positions this year than last, whereas Italy, Poland, and Germany have smaller domestic supplies. In the Danube basin, the bread-grain supplies of the current year are practically the same size as those of 1943–44, since the reduction in the 1944 crop was about offset by an increase in the carryover of old-crop wheat.

Germany's bread-grain position for the current year, adversely affected by a reduction of 5–10 per cent in the domestic crop, has suffered even more severely through the loss of imports from outside sources—the Soviet Ukraine, the Danube basin (except perhaps Hungary), and France. We infer that the net supply of bread grain in Germany for 1944–45 is 10–15 per cent smaller than that of the preceding year. This basic supply situation has been and will be made worse by losses suffered through invasion and war destruction after mid-January. On the other hand, German bread-grain consumption should not have to be reduced this year as sharply as the available supplies, since Germany's substantial grain reserves were apparently increased in 1943–44. During August–January 1944–45 German bread rations were reportedly cut twice, by 15–20 per cent in total.

Russia's anticipated absorption this year of the remaining grain surplus of the Danube basin will keep Switzerland and northern Italy, as well as Germany, from importing the Danubian wheat they would probably otherwise obtain. On the other hand, liberated Belgium and Finland (which previously benefited indirectly from German imports of Danubian grain) would not receive any grain imports from Germany this year even if the entire Danubian surplus were at Germany's disposal. Sweden has already agreed to make good to Finland her loss of German grain imports; and Belgium and southern Italy (perhaps also Switzerland) will be able to make up their loss of grain imports from Continental sources through even larger shipments from overseas.

The overseas markets, previously open on a restricted basis only to the neutral countries and Greece, will also be drawn on this year by a number of other Continental countries. In spite of prospective tightness in shipping, the United Nations Relief and Rehabilitation Administration will presumably supply small quantities of wheat and flour to Poland and Czechoslovakia; and additional small shipments will go to France and Holland, partly in fulfillment of purchases already made by the governments of those two countries. If Germany collapses in the near future or if Allied armies soon penetrate deeply into the grain-deficit areas of western Germany, the United Nations will face the task of supplying considerable quantities of overseas grain to maintain food rations at minimum levels of subsistence in western Germany.

Our analysis of Continental bread-grain requirements and of the prospective tight world shipping position leads us to conclude that Continental Europe ex-Russia may secure from overseas sources during the current crop year 100–175 million bushels of wheat and flour, as compared with 65 million in 1943–44. The upper limit of this range rests

upon the assumption of an early German collapse and covers the anticipated requirements of western Germany and northern Italy. Even if those areas do not actually come under Allied control within the next month or so, fair-sized stocks of overseas grain and flour may be built up in or near Continental Europe to meet the prospective requirements of those areas in the first few weeks following their surrender. We infer that overseas shipments of other grains to Continental Europe will be relatively small during 1944–45, despite the great need that exists for feed grains in the countries of northern and western Europe in particular.

The food-grain position of the Soviet Union is clearly less critical this year than last, although the government's reserves of old-crop grain were presumably much smaller at the beginning of 1944–45 than a year earlier. Improvement in Russia's current grain position rests partly on an increased domestic crop (which may be not far below prewar-average size despite below-average sowings) and partly on the prospect for increased imports. From the Danube countries alone the USSR may obtain 1–2 million tons of wheat (37–73 million bushels), and about a million tons of barley, corn, and pulses. Moreover, these imports may be supplemented by overseas shipments of 10–15 million bushels of wheat and flour to Vladivostok, Murmansk, and perhaps certain Black Sea ports. In spite of the improvement in Russia's grain position this year, Soviet news sources have given no indication of an increase in bread rations, which were reduced in 1943–44 in response to the critical grain deficiency then existing.

The British Isles and non-European importing countries as a group also seem likely to take more wheat and flour this year from the major overseas exporting countries. And the United Kingdom, at least, will probably import considerably larger quantities of corn than in any of the past three years.

The outlook for Britain's wheat imports is most uncertain, since that country has large war reserves of wheat which can be sharply reduced whenever official policy so dictates. In the current crop year British mills will undoubtedly require more foreign wheat and flour than in either of the two preceding years, but at least part of this increase may be supplied out of government stocks. The increased British requirements of the current year are to a large extent attributable to the poor domestic wheat crop of 1944—a crop some 10 per cent smaller than that of the preceding year and one which contained an abnormally high proportion of moist, sprouted, and unmillable wheat. Partly in response to this poor crop, the British government took steps during August–December 1944 to relax earlier restrictive milling regulations.

We infer that British wheat consumption (including feeding of unmillable wheat) will be extraordinarily heavy this year, and that imports will be materially increased unless British stocks are sharply reduced. Early termination of the European war, with resulting heavy food demands from the Continent, would presumably encourage a sharp reduction of British stocks; but so long as the European war continues, British reserves seem likely to be maintained at a high level. At present it appears most reasonable to anticipate only a small to moderate reduction in these stocks during 1944–45 and an associated increase of 25–30 million bushels in wheat imports.

Among non-European countries, India in particular will receive larger imports of wheat and barley this year than last. Indeed, India's imports of food grains were apparently larger in August–January than in the whole preceding crop year, and some additional imports are already scheduled for later months. Although India's food-grain problems cannot yet be regarded as solved, the current year has witnessed no serious threat of a repetition of the serious food crisis of September–November 1943. The indicated improvement is attributable only in small part to increased imports: more important were the bumper domestic grain crops of 1943–44 and the steps taken by the Central Food Department to improve the internal distribution of Indian grain supplies. During 1945 the government's food-distribution and rationing measures may be put to a severe test, since the grain crops of 1944–45 appear to be considerably smaller than those of the preceding year.

Egypt and French North Africa will probably also take more foreign wheat and flour in the current crop year. All of the countries of northern Africa harvested poor wheat crops in 1944, and their available grain supplies are below customary levels of consumption. On the other hand, shortage of shipping and price factors will seriously restrict the imports of these countries, keeping the volume low both absolutely and in relation to evident needs.

Only a small portion of the increase in the wheat imports of India and northern Africa seems likely to be offset by decline in the imports of other countries. Probably somewhat less wheat and flour will be imported this year than last by Ceylon and by Pacific areas normally supplied by Australia. But within the Pacific area, the Philippine Islands and other liberated territories which were blockaded last year will rank as net importers in 1944–45. And the countries of Latin America, which

took unusually large imports in 1943–44, will probably take about equally large quantities in the current year.

In total, the prospective import demands of the various European and non-European countries seem likely to be reflected in net exports of 550–575 million bushels from the four major overseas exporting countries in 1944–45. Although Canadian exports will probably represent some three-fifths of the total, they will be smaller than in 1943–44, when huge quantities of Canadian wheat were shipped to the United States for feed purposes. Australia and Argentina, like Canada, will probably export less wheat this year than last; but the United States will again rank as a net exporter, raising the total *net* exports of the four countries to outside destinations by 125–150 million bushels.

All four of the major exporting countries have smaller wheat supplies available for the current year than they had in 1943–44. And all except Australia will use less wheat this year for nonfood purposes. Yet the general level of domestic wheat utilization will remain high in all four countries, with the prospective total consumption larger than in any preceding year except 1943–44.

In the United States, wheat millings for the domestic market and for American military use will again be heavy in 1944–45. So too will the use of wheat for feed and alcohol, though these nonfood uses may absorb only a little more than half as much wheat as in the preceding year. But even if the total wheat consumption of this country approaches a probable 950 million bushels, with net exports accounting for an additional 100 million or more, something like 350 million bushels of old-crop wheat will remain to be carried over into 1945–46. This raises again the threat of a burdensome wheat surplus, since the growing winter-wheat crop now promises to be of near-record size. Domestic wheat prices do not now reflect this prospect, nor are they likely soon to do so, since the declared policy of the government is to support wheat prices without reference to supply conditions by means of (1) nonrecourse loans to producers at 90 per cent of the parity price as of July 1, and (2) standing offers of the Commodity Credit Corporation (CCC) to purchase wheat on the open market at prices only slightly below the basic loan rate plus carrying charges. This general price-support program is currently supplemented by special government subsidies to millers both on wheat milled for the domestic market and on wheat ground for export to friendly countries.

For other United States grains governmental price-support measures have been less important during the current year. Only a trickle of the record 1944 corn crop has been sealed under loan, and CCC purchases of corn have been confined to small quantities for lend-lease shipment and for planned stockpiling of 50 million bushels. Strength in the principal feed-grain markets has been maintained in recent months mainly by a continued heavy demand for grain for feeding and by increased industrial demands for corn and malting barley. Although the total feed utilization of corn and of all feed grains combined will be lower in 1944–45 than in either of the two preceding years, it will appear notably high in historical perspective. Despite the current high rate of feeding, carryovers of corn, oats, and all feed grains combined will be larger in 1945 than a year earlier and well above average levels.

Canada's grain position, like that of the United States, is one of general abundance. And in Canada, as in the United States, domestic use of wheat and of the principal feed grains will be much heavier than usual. For the fourth successive year considerably more wheat will be used for feed in Canada than will be milled for the domestic market, but the quantity fed will be materially reduced from the record and near-record levels of 1942–43 and 1943–44. Canadian wheat exports, as large in August–December 1944 as in the same period of 1943, may be expected to fall short of last year's total in the crop year as a whole. In contrast, Canadian exports of oats and barley seem likely to be fully as large in 1944–45 as the record exports of the preceding crop year. Year-end stocks of all three grains will probably be reduced for the second successive year, but the important wheat carryover will still be three times as large as the ample average stocks of 1934–39.

Both Australia and Argentina have suffered serious crop losses this year as a result of persistent drought. The damage to wheat and other grains was particularly severe in Australia, where the wheat harvest of 1944 is the smallest in 25 years and not even a third as large as the average annual production in 1929–38. On the other hand, old-crop stocks of wheat were unusually heavy in Australia and Argentina on August 1, 1944 and the total crop-year supplies are not, therefore, seriously deficient. Indeed, in Argentina the wheat supplies for August–July 1944–45 are well above prewar average levels. Large amounts of wheat will again be fed in both Australia and Argentina; but Argentina will probably feed considerably less wheat than in 1943–44, when less corn was available. More important will be the reduced use of wheat for fuel in Argentina—a reduction of perhaps 35–40 million bushels. On August 1, 1945 old-crop stocks of wheat will still be large in Argentina but down to prewar levels in Australia.

XVII. CURRENT POSITION IN THE UNITED STATES

The remarkable food-crop production record set by American farmers in 1942 was surpassed in 1944 (Table 26), in spite of a decline in the number of skilled farm laborers and of moderate shortages of farm machinery and equipment. During the calendar year 1944 the realized net income of American farmers was higher than ever before, over twice as large as in any of the 20 years from 1921 through 1940, and 3–4 per cent larger than in 1943. This new prosperity might well have been associated with relaxation of governmental efforts to support agricultural prices. Actually, under the direction of Congress, United States administrative agencies adopted new measures to maintain or raise the market prices of leading farm commodities, including wheat and corn. At the same time, government funds were being spent to keep down the prices of certain basic foods to consumers; and before the end of the calendar year a new export-subsidy program was adopted to permit United States wheat and cotton to sell for export at prices roughly in line with those asked by competing exporting countries. During 1944, therefore, the United States moved to increase rather than to reduce its earlier extensive subsidization of agriculture. Eventually, this undesirable trend in policy will probably result in such heavy drafts on Treasury funds that it will be substantially modified, if not reversed, but, at present, few political signs seem to point to an early change.

THE GRAIN SUPPLIES OF 1944–45

Among the excellent crops produced in the United States in 1944 was a record or near-record harvest of grains—the result of exceptionally high yields per acre on an expanded but not near-record acreage. Standing official figures, still subject to revision, put the grain production of 1944 somewhat above the previous record set in 1942. Corn, wheat, rice, and grain sorghums apparently made record crops in 1944, and the harvests of oats and barley were well above average size (Chart 36, p. 182). Only the unimportant rye crop was distinctly small in comparison with earlier years.

The huge grain crops of 1944 meant that the year's total domestic supplies of grain (crops plus inward carryovers) were also large. But since the carryovers of the different grains were generally smaller in 1944 than in any of the three or more preceding years, the total sup-