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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.

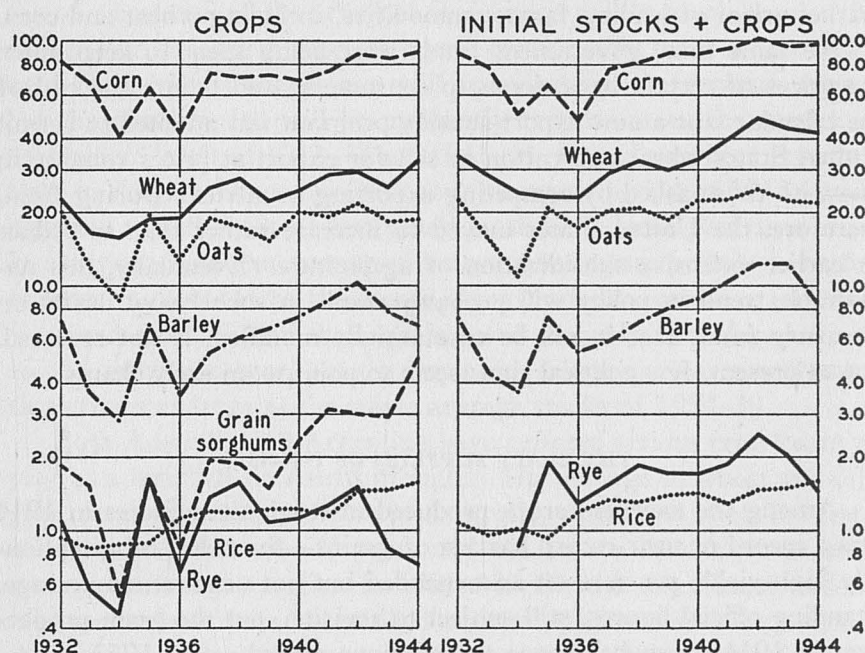
THE GRAIN SUPPLIES OF 1944-45

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-

plies were relatively less large than the corresponding crops. This is readily apparent in Chart 36, which shows that the domestic supplies of both corn and wheat were smaller for 1944-45 than for 1942-43, despite the larger harvest in the current year. Only rice and grain sorghums appear to be in larger supply this year than ever before. In total, the supplies of the six grains designated in Chart 36 are now estimated to be about 1 million short tons smaller in 1944-45 than they were in 1943-44 and 17 million tons smaller than in 1942-43. In no year prior to 1942-43 were the supplies of the present year exceeded or even closely approached.

CHART 36.—UNITED STATES GRAIN CROPS AND SUPPLIES, FROM 1932*
(Million short tons; logarithmic vertical scale)



* Data in Tables 23, 45, 54, and 55, and from publications of the U.S. Bur. Agr. Econ.

Abundant grain supplies are not invariably associated with an easy grain position. Much depends on the intensity of demand for the different kinds of grain and on the division of the supply as between food grains and feed grains. Other factors, such as grain quality, are of lesser but occasionally considerable importance. In 1943-44 *feed-grain* supplies only slightly smaller than those of the current year and *food-*

grain supplies significantly larger were associated with distinct tightness in the feed position and with concern over the possible inadequacy of the available supplies of wheat. This abnormal situation was due to extraordinarily heavy feeding of grain to the nation's record livestock population and to unprecedented use of grain for industrial purposes—mainly for alcohol and starch.

In the current crop year the demand for grain for feeding and industrial uses is considerably smaller and less pressing than it was in 1943-44; but the poorer quality of the new corn crop and the existing shortage of high-protein wheats are contributing to market strength for good-quality corn and for hard wheats of high protein content. These factors are discussed further below.

THE FEED POSITION

The aggregate domestic feed-grain supply of 1944-45 differs but little from that of last year, though on the whole it appears to be slightly larger. Considerably more impressive and important is the substantial increase in the supply of feed grains per animal unit (Chart 29, p. 145).

Between January 1944 and January 1945 the number of grain-consuming animal units in the United States declined from a record peak of 171.2 million to an estimated 147.1 million—a reduction of 14 per cent. This primarily reflected drastic cuts in the nation's pig herd and poultry flocks under the influence of marked shortage of feed, increased feed prices, and lower official goals for the production of pigs and poultry in 1944. Mainly as a result of the reduced livestock population, the supply of domestic feed grains per animal unit is estimated at .90 ton for 1944-45 as compared with .76 in 1943-44—an increase of 18 per cent (Chart 29, p. 145). The per unit supply for the current year is among the largest reported during the past two decades, closely approximating the record of .91 ton in 1940-41 and the near-record figures of .90 and .89 ton respectively in the two following years. On the supply side, therefore, the feed-grain position of 1944-45 appears distinctly easy.

This view is modified to some extent by consideration of the prospective demand for feed per animal unit. Although livestock-feed price ratios appear to have been less favorable to heavy feeding of grain in July-November 1944 than in the corresponding months of any of the three preceding years, the data on disappearance of domestic feed grains to January 1 suggest that there was no reduction in the rate of grain

feeding per animal unit.¹ Indeed, the percentage reduction in feed-grain disappearance from 1943-44 (and also from 1942-43) was apparently less than the percentage decline in number of animal units.

This broad picture is changed but little by evidence that less wheat and rye were fed during July-December this year than last, whereas more grain sorghums were probably used for feed this year than ever before. All evidence considered, it seems clear that the feeding of grain per animal unit remained extremely heavy during the early months of the current crop year, perhaps about as heavy as in 1943-44.

Several factors contributed to this continued heavy feeding of grain. Until October 1, 1944, when the government's basic support price for hogs was lowered from \$13.75 to \$12.50 per cwt. at Chicago, many Corn Belt farmers found it more profitable to market their corn in the form of heavy hogs than to sell it as grain under existing price-ceiling limits (pp. 150-51). Moreover, the related market shortage of corn was associated with unusually heavy feeding of other available grains, including wheat sold by the Commodity Credit Corporation (CCC). Although CCC sales of wheat for feed in July-December were less than half as large as in the same months of the preceding year—103 million bushels as compared with 213 million—they were considerably larger than the initial sales of 68 million in the corresponding period of 1942.

Feed-grain feeding continued heavy after October 1, partly because a record new corn crop became available and partly because the moisture content of much of the new grain was so high that early use (mostly for feed) was the only alternative to threatened heavy spoilage. This increased feeding of corn was associated with a sharp decline in government sales of feed wheat, but apparently not with an unusually big seasonal reduction in the quantity of other grains used for feed. Since the beginning of December livestock-feed price ratios higher than in 1943-44 have given additional incentives to heavy feeding of grain.

In the present crop year as a whole, the feed use of grain per animal unit will certainly be large, perhaps about the same as in 1943-44 or a little larger. Even the total tonnage of grain utilized for feed in 1944-

¹ The following tabulation shows the disappearance (disregarding exports and imports) of the three chief feed grains in the periods indicated (data in thousand short tons):

Year	Corn Oct.-Dec.	Oats July-Dec.	Barley June-Nov.	Total
1938	29,176	9,191
1939	31,472	8,624	3,843	43,939
1940	31,276	9,477	3,896	44,649
1941	31,892	10,289	4,735	46,916
1942	36,624	10,448	5,504	52,576
1943	39,788	10,554	5,456	55,798
1944	36,092	9,505	3,840	49,437

45 will appear large in comparison with most earlier years, though considerably smaller than in either 1942-43 or 1943-44. No grain except sorghums will be fed on as extensive a scale as last year, and the feeding of wheat and perhaps of rye will be cut in half. The Bureau of Agricultural Economics recently estimated (*Demand and Price Situation*, February 1945) that 277 million bushels of wheat may be used for feed in the current crop year, as compared with 503 million in 1943-44. Our own analysis suggests the feeding of some 250 million bushels this year. The 112 million bushels of CCC wheat sold for feed during July-January 1944-45 may be raised to 150 million by the end of June, and about 100 million more may be fed on farms where grown.

INDUSTRIAL AND FOOD REQUIREMENTS

In the present crop year the demand for grain for industrial alcohol will be abnormally heavy for the third successive year. More grain was used for producing industrial alcohol in 1943-44 than in 1942-43, and in the current year the amount will presumably be larger still. This prospect rests partly upon recent upward revisions of estimated alcohol requirements in 1945 (now put 3 per cent above the production of 1944), and partly upon the fact that neither sugar nor invert molasses will be available to distillers in 1945.

Only corn, grain sorghums, and barley seem likely to contribute substantially to the increased use of grain for alcohol in 1944-45. Oats have never been used in the industrial-alcohol program, and rye did not become significant until the late spring of 1944, when market shortages of corn and wheat induced the War Production Board (WPB) to direct distillers to use 10 per cent rye in their grain mashes, effective July 1. This order, which remained in force through November 14, probably resulted in the utilization for alcohol of an additional 4 million bushels of rye—an amount that is quite small in relation to the total grain requirement for industrial alcohol.

Considerably larger increases will presumably be recorded in 1944-45 for grain sorghums and corn, which were used sparingly last year in accordance with WPB directives (p. 147). Such increases seem likely to be registered entirely or mainly after December, since WPB restrictions were no less severe in July-November 1944 than they had been the year before. Through September 1944 distillers were forbidden to use either of these grains, and for corn the prohibition remained in effect until late in November. From October 1, however, all restrictions on the use of grain sorghums were removed, and from

November 29 to January 1 distillers were allowed to use unlimited amounts of moist corn that was in danger of spoilage (No. 5 and sample grades).² Since January 1, however, distillers' use of corn has again been restricted to 50 per cent of the total grain and malt utilization—with no restriction as to the grades of corn used in January, but with these limited to No. 5 and sample during February.

The use of barley and wheat for industrial alcohol increased sharply in 1943–44. Although barley (in the form of malt) will be used even more extensively during the current crop year, the utilization of wheat will presumably decline. We infer that little, if any, decline in the use of wheat took place during July–November 1944, when the amount ground for granular flour totaled 20 million bushels, as compared with only 15 million in the same months of the preceding year. But since the end of November less wheat and more grain sorghums and moist corn have presumably gone into distillers' grain mashes. Experts now figure that during the present wheat crop year as a whole some 75–80 million bushels of wheat will be used for alcohol.

Other industrial uses of corn, barley, and rye will also be larger in 1944–45 than they were last year, though the aggregate increase is certain to be small in relation to the total utilization. The use of these grains for alcoholic beverages has been increased in the current year by the "liquor holidays" of August and January,³ and there has been evidence of an increased demand for barley-malt for beer. In addition, more corn will be used in the wet-processing industries, the operations of which will presumably not be restricted during the coming spring, as they were in 1944, by shortage of corn supplies.

Millings of wheat and rice for domestic food use and for export were of record or near-record size in July–December 1944, and they will probably reach a new high level in the crop year as a whole. The quantity of wheat ground for consumption by American armed forces and American civilians in 1943–44 was the largest ever recorded, and we infer that a similar quantity will be milled for these groups in 1944–45 (Table 23). Since the millings of the past two years have included a substantial allowance for the construction of military and other stocks, domestic flour consumption could be increased this year without raising

² As early as November 15 limited use of out-of-condition corn was authorized under special permits. In late November, market weakness of kaffir and milo prompted the WPB to urge distillers to use larger quantities of these sorghums as a substitute for other grains.

³ Corn could not be used for the beverage alcohol produced in August, while in January each distiller was limited in his use of corn to 50 per cent of his total grain consumption during the month or to 40,000 bushels, whichever was larger.

the reported production of flour for domestic use. The prospect for increased millings in 1944–45 rests not on anticipated expansion of domestic civilian or military consumption, but on expansion of flour orders for relief distribution in Europe.

TRADE DEVELOPMENTS AND PROSPECTS

During July–December 1944 the United States reversed its wheat-trade position of the preceding year and once again ranked as a net exporter of wheat and flour. There is no clear indication as to the size of these net exports, but we hazard the guess that they may have reached 15 million bushels, including lend-lease shipments and shipments to Italy, but not including all of the military flour released by United States armed forces for foreign civilian relief. Exports of flour to Latin America were apparently well maintained; lend-lease shipments were small—2.0 million bushels as compared with 7.3 million in the same period of the preceding year; exports to Mexico were probably appreciably reduced from their high level in 1943; and shipments to United States possessions were presumably about the same as usual. On the import side, the CCC brought into this country during July–November 6–8 million bushels of Canadian wheat and about 2 million bushels of Australian. CCC imports in December and commercial imports in July–December probably did not exceed a million bushels.

To facilitate exports of United States wheat and flour (also cotton) at prices comparable with those asked by other exporting countries, the War Food Administration (WFA) reintroduced a general export-subsidy program effective November 15, 1944.⁴ The program initially applied to exports of both wheat grain and wheat flour and was limited to countries in the Western Hemisphere. Although the CCC reserved the right to furnish grain to millers for flour exports under the subsidy program, millers were actually permitted to buy wheat as usual and to collect from the CCC the appropriate subsidy payments. The rates of subsidy were initially set at the following moderate levels:⁵ (1) 34 cents per bushel for exports by water from Atlantic and Gulf ports, (2) 29 cents per bushel for exports by water from Pacific Coast ports, and (3) 6 cents per bushel for exports by rail.

⁴ Between June 30, 1943 and Nov. 15, 1944, the only export subsidies granted were for limited sales of flour to Cuba in fulfillment of the contracts the United States government made for purchase of the Cuban sugar crop. During July–December 1944 such special subsidies on flour sales to Cuba were in effect only during Oct. 4–9, at \$1.35 per cwt. for 300,000 cwt., and again during Nov. 17–21 on the same restricted basis.

⁵ On flour exports the stated payments were reduced by the amount of the general flour subsidy paid to millers by the Defense Supplies Corporation.

These rates, virtually unchanged through January 1945,⁶ were too low to encourage any substantial increase in the flow of wheat to export from this country. Even after the program was extended on January 4 to apply to authorized exports of flour to any neutral or friendly country (at the same time the virtually inoperative subsidy on exports of wheat grain was suspended), the reported weekly sales failed to increase. Through February 16 cumulated export sales under this program amounted to only 3.16 million cwt. of flour (7.42 million bushels as wheat) and .29 million bushels of wheat grain.⁷ For these small exports the cost to the United States Treasury in direct export subsidies was not heavy. Moreover, the subsidized exports provided such negligible competition to Canada and other exporting countries that international protests were not loud. Nevertheless, the threat of the subsidy system persists, both to the Treasury and to other exporting countries (see also pp. 244-45).

For all other grains except rice, the United States was apparently on a net-import basis during July-December 1944. Rice exports, however, were far above prewar levels and probably larger than in the preceding year as a result of pressure for increased shipments to various liberated Pacific islands. Gross imports into this country of 11-12 million bushels of corn from Argentina were only partially compensated for by small exports from the United States to Canada and by lend-lease deliveries of .17 million bushels. Especially notable, however, were the large net imports of oats and barley in July-December 1944. We infer from the following tabulation of Canadian shipments to the United States that these imports were even larger than in the corresponding period of the preceding year, whereas imports of rye were perhaps slightly reduced (data in million bushels, U.S.). July-

	July-Dec.	Barley	Oats	Rye
1943		22	31	4
1944		26	42	3

December deliveries of each of these grains for lend-lease shipment amounted to less than half a million bushels in both 1943 and 1944, and other exports were presumably negligible.

In the crop year 1944-45 as a whole, therefore, the United States will probably again rank as a sizable net importer of barley and oats, taking perhaps 45 and 75 million bushels, respectively, of these grains—

⁶ During Nov. 28-Dec. 4, 1944 the rate from Pacific Coast ports was 1 cent higher. It was raised again to 30 cents on Jan. 18, 1945.

⁷ War Food Administration, *C.C.C. Wheat Loans* (Press release, Feb. 17, 1945).

about the same as in 1943-44. Imports of rye now seem unlikely to reach the 8 million bushels estimated for last year, though much will depend on the course of speculative activity in rye in the Chicago and Minneapolis markets.

During the next few months the United States may be expected to shift to a net-export position in corn, and during October-September 1944-45 the net exports of this grain may be fairly substantial. British corn requirements, estimated at 800,000 tons (about 30 million bushels),⁸ will be met largely by shipments from the United States and Argentina, with Argentina's role kept as small as possible as a result of political considerations. The CCC has already bought several million bushels of corn for shipment to Britain and further purchases are planned for later months. Moreover, the United States will presumably continue to export corn to Western Hemisphere countries and she may make additional moderate shipments to liberated areas in Continental Europe. On the other hand, shortage of shipping, the relatively high export price of United States corn, and perhaps also the poor quality of the current crop⁹ may keep United States net exports of this grain from exceeding 25 million bushels in 1944-45.

There is a much wider margin of doubt as to the volume of wheat exports that will be made by this country during July-June 1944-45. Wheat will presumably receive shipping priority over corn; military shipments for relief feeding of civilians in Continental Europe will probably increase sharply sometime before the end of the crop year; and the United Nations Relief and Rehabilitation Administration (UNRRA) may draw on the United States for a significant part of the 50 million bushels this country promised to the international relief pool. But the time now grows short for making huge exports in the current July-June crop year, and various considerations lead us to infer that the *net* wheat exports and foreign shipments of this country (exclusive of flour shipped for consumption by our own armed forces) will not appreciably exceed 100 million bushels in 1944-45.

OUTLOOK FOR GRAIN SUPPLIES IN 1945-46

At the end of the current crop year the United States will presumably have on hand larger quantities of old-crop wheat, corn, and oats, and smaller carryovers of barley and rye than existed a year earlier.

⁸ *Kansas City Grain Market Review*, Dec. 7, 1944, p. 1.

⁹ Trade sources report that the CCC has been having difficulty obtaining enough corn of No. 3 and higher grades for their stock-building program; and private buyers have bid actively for the short market supplies of these grades.

This is suggested not only by our analysis of the current prospects for domestic utilization and exports in 1944-45, but also by data recently published on January 1 grain stocks (December 1 for barley and rye). These are shown in the accompanying table.

UNITED STATES GRAIN STOCKS, JANUARY 1, 1945 WITH COMPARISONS*
(Million bushels of various weights; totals in million short tons)

Year ^a	Wheat	Corn	Oats	Barley	Rye	Total
1930-39 av.	572 ^b	1,424	659
1940.	606	2,041	615	176	34	90
1941.	724	2,033	801	205	34	97
1942.	1,101	2,182	761	234	44	113
1943.	1,158	2,316	891	281	57	122
1944.	818	1,980	721	201	37	97
1945.	835	2,157	765	192	25	103

* Official data on farm stocks plus commercial stocks for oats, barley, rye, and (inclusive of government holdings) corn. The wheat data (estimates of the U.S. Bur. Agr. Econ.) include also stocks in country mills and elevators, city mills, and CCC bins.

^a Jan. 1, except for barley and rye, for which the data are as of the preceding Dec. 1.

^b Including our approximations to the stocks in country mills and elevators in 1930-34.

The current level of United States grain stocks is definitely above the average for prewar years. So long as the war in Europe lasts, and until large grain crops are definitely assured for 1945, these heavy stocks may reasonably be regarded with more complacency than concern. But early cessation of the European war, with continued favorable development of the United States winter-wheat crop¹⁰ and good planting and growing weather for the various spring-grain crops would again raise the threatening prospect of a burdensome grain surplus in this country. Perhaps we should say that the threat of future surplus is here in any case, but that it may or may not materialize during 1945-46. Its development is clearly encouraged by the official grain-acreage goals for 1945,¹¹ and by the government's agricultural-price policy as

¹⁰ This crop was officially forecast as of Dec. 1, 1944 at 762 million bushels—a figure exceeded only by the winter-wheat harvest estimates of 1931 and 1944.

¹¹ The final sown-acreage goals recommended for the principal grain crops of 1945 are shown below in comparison with reported sowings for earlier years in million acres:

Year	Wheat	Corn	Oats	Barley	Rye ^a	Rice
1929-33 av.	58.2	107.0	43.4	14.2	3.1	.9
1934-38 av.	73.5	98.8	41.0	12.7	3.3	1.0
1929.	62.8	91.7	38.2	15.5	3.8	1.0
1940.	61.6	88.9	39.2	15.6	3.2	1.1
1941.	62.3	87.6	41.6	15.8	3.6	1.3
1942.	52.2	90.6	42.6	19.5	3.9	1.5
1943.	55.1	96.8	42.8	17.3	2.8	1.5
1944.	65.7	98.7	43.0	14.3	2.3	1.5
1945 goal.	67.7	99.1	44.3	13.9	2.5	1.4

^a Harvested-acreage basis.

defined in the Stabilization Act. But the time of emergence of a new burdensome surplus will be determined partly by weather conditions and partly by relief needs and policies in Europe and the Orient.

PRICE POLICIES AND RECENT DEVELOPMENTS

Since July 1944 grain-price developments in the United States have been dominated by (1) legislative and administrative measures of the federal government and (2) indicated changes in the demand-supply positions of the various grains. For most grains except rice, crop and demand developments during July-October 1944 were bearish, but the market effect of these developments was substantially modified by administrative action (both anticipated and actual) in support of the price policy established by Congress in the Stabilization Extension Act of 1944.¹²

That act, signed on June 30, contained one new provision that was of particular importance for grain prices. It instructed the President to take "all lawful action" to assure that the farm producer of any "basic" or "Steagall" commodity¹³ would receive not less than the higher of the two following prices: (1) the adjusted parity price for the commodity, or (2) the highest price received by producers of the commodity between January 1 and September 15, 1942 (as adjusted for gross inequity).

Among the grains, the only ones specifically covered by this provision were wheat, corn, and rice—all "basic" commodities. And for these grains¹⁴ there was the somewhat conflicting additional requirement (first established under the Stabilization Act of 1942) that non-recourse loans to producers should be provided at 90 per cent of parity unless the President should determine that a lower rate was "necessary to prevent an increase in the cost of feed for livestock and poultry and to aid in the effective prosecution of the war." Under such a determination, the President could fix a loan rate as low as 85 per cent of parity for any of the basic commodities. During 1943-44 the discretionary rate of 85 per cent had been ordered for both wheat and corn,

¹² Public No. 383, 78th Cong.

¹³ The "basic" commodities include wheat, corn, rice, cotton, tobacco, and peanuts. The Steagall commodities include flaxseed, soybeans, and peanuts for oil; potatoes, cured sweet potatoes, and certain varieties of dry peas and of dry edible beans; hogs, eggs, chickens, turkeys, milk, and butterfat; and American-Egyptian cotton. These products are all nonbasic commodities which the Secretary of Agriculture has publicly declared should be increased in production during the present war emergency.

¹⁴ The same requirement applied to the other basic commodities except cotton, for which a higher loan rate of 92½ per cent was specified in the Stabilization Extension Act of 1944.

and the WFA had announced in the spring of 1944 that wheat loans would again be available at 85 per cent of parity during 1944-45. After the Stabilization Extension Act of 1944 was signed, however, the WFA (on July 7) raised the wheat-loan rate to 90 per cent of parity retroactive to June 1. For corn a 90 per cent loan rate was announced November 22, 1944, effective December 1.¹⁵

During July-October 1944 wheat was the only one of the three "basic" grains that was currently selling below its parity level. Consequently, the WFA, as the administrative agency responsible for price-support programs, was primarily concerned with supporting wheat prices.¹⁶ How soon it was after the President signed the amended Stabilization Act on June 30 that the WFA began to purchase wheat with the main objective of supporting prices is not entirely clear. We infer, however, that as early as July 5 price-support considerations played an important part in the decision of the WFA to buy wheat on the open market for the announced purpose of obtaining additional supplies for the wheat-feed program.¹⁷ The bid price of the WFA on July 5 was 6 cents higher than the unrevised 1944 loan rate on wheat; and this same support price was maintained after the basic loan rate was raised 7 cents per bushel to the 90 per cent of parity authorized under the Stabilization Extension Act.¹⁸ From that time until late September, WFA buying in the various wheat markets was consistently at prices 1 cent under the corresponding loan rates.

On September 24, 1944 the WFA announced an extended support plan for wheat and cotton. Specifically, this committed the WFA to purchase from farm producers on May 1, 1945 all unredeemed loan wheat of the 1944 crop at parity prices less accrued carrying charges to the end of the storage year.¹⁹ The same WFA statement indicated

¹⁵ Although loans at 90 per cent of parity have also been available for rice, the loan program for that cereal has been inoperative because market prices have been substantially above parity levels.

¹⁶ Under the Stabilization Extension Act of 1944, the WFA would have been forced to try to raise rice prices to the still higher peak reached between Jan. 1 and Sept. 15, 1942 if that price had not been officially found to be excessive and therefore subject to correction for gross inequity.

¹⁷ *Kansas City Grain Market Review*, July 6, 1944, p. 1.

¹⁸ *Wheat Situation* (U.S. Dept. Agr., Bur. Agr. Econ., WS-83, August 1944), p. 8.

¹⁹ The end of the "storage year" was defined as May 31 for warehouse loans in the Southwest, as June 30 for other warehouse loans, and as the specific dates of delivery in May and June for farm-storage loans (U.S. Dept. Agr. Press Release 3247-44, Sept. 24, 1944). Subsequent instructions issued by the WFA to its field agents indicated that any farmer who wished to sell his unredeemed, farm-stored loan wheat to the CCC on May 1 would receive the loan rate plus 15 cents minus such accrued charges as (a) the unpaid amount of the loan note, (b) interest at 3 per cent a year on the unpaid balance figured from the date of disbursement to the end of the storage year, (c) any storage advance

that CCC purchase prices for wheat for feed and for other government requirements would be advanced from time to time during the season.

These announcements brought about a sharp increase in wheat prices—both cash and futures. Perhaps equally important, they went far toward clarifying the official position with regard to the execution of price-support obligations imposed on the Administration by the Stabilization Extension Act. They clearly indicated, for example, that the WFA intended to take vigorous action (within the limits of its available funds) to support the prices of basic agricultural commodities at parity levels less carrying charges to the end of the marketing season. Moreover, the announcements seemed to suggest that any large-scale government purchases of the basic commodities would probably be made at the farm level. Finally, the "parity price" which the WFA would pay to wheat producers was specifically defined as the wheat-loan rate plus 15 cents—a price that was several cents above the prevailing legal ceiling price for wheat.

Scarcely had the new wheat-price-support program of the WFA been made public than the CCC raised its bid prices for wheat on the major markets. By October 2, therefore, CCC support prices for wheat were at the full-loan basis in the principal hard-wheat markets and 1 cent above the corresponding loan rates in Chicago, St. Louis, and eastern markets. Meanwhile, however, cash prices of wheat had moved upward to levels that were 6-17 cents higher than the low points of early September—levels that were close to ceiling limits and therefore above both the original and the revised bid prices of the CCC (Chart 8, p. 30). Not again during October-January did cash wheat prices drop to such an extent as to encourage large support purchases of wheat at prices several cents above prevailing loan rates. The bulk of the wheat purchases made by the CCC on domestic markets were thus made during the first few months of the crop year: through November such purchases totaled 102 million bushels, and they were probably only moderately larger at the end of January 1945. After the beginning of October all of the wheat offered for sale to the CCC was wheat of ordinary rather than choice quality, since owners could obtain considerably higher prices from millers for their high-protein hard wheats and for their short offerings of soft red varieties.

made by the CCC, (d) any other indebtedness to the CCC. A farmer delivering unredeemed warehouse-stored wheat to the CCC under this program would have deducted the first two charges above (a and b) and, in addition, accrued unpaid storage charges to the end of the storage year and accrued unpaid conditioning and insurance charges to the end of the storage year.

The higher wheat prices of October–December furnished relatively little incentive to farmers to put their wheat under CCC loans. Moreover, the market-support program of the WFA clearly held out the hope that market prices of wheat would be at about parity levels by May 1945. Under these conditions, the amount of 1944 wheat pledged under loan reached a total of only 183 million bushels and of this quantity a reported 16.2 million had been redeemed by January 31. This moderate volume of loan wheat and the reduced market operations of the CCC after the end of September encouraged millers and other processors of wheat to anticipate continued adequate supplies of “free” wheat even toward the end of the current crop year.

More disturbing to millers during the past few months has been the market shortage of high-protein hard wheats and of soft red winters. These types of wheat were particularly scarce at ceiling levels before wheat-price ceilings were revised upward by the Office of Price Administration (OPA), effective December 13.

The September announcement of the WFA's support plan for wheat had clearly implied that existing OPA wheat ceilings were several cents too low. Even the OPA was ready to raise its maximum price limits on wheat; but revision was reportedly delayed by rumored disagreement between the WFA and the OPA as to the proper extent of upward adjustment. Finally, the increase was put at 4 cents per bushel—a decision made by the Office of Economic Stabilization, probably partly on the ground that a minimum increase of this amount was necessary to permit millers and dealers to match the CCC bid for unredeemed loan wheat.

At the same time that the new ceilings for wheat became effective, the CCC announced its willingness to sell wheat at ceiling prices plus 2½ cents for commission and elevation charges. During the next few weeks millers turned eagerly to the CCC for high-protein and good soft wheat, but their total purchases through January probably did not exceed 5 million bushels.

In line with the government's revised price-support program for wheat and with the December increase in ceiling prices, the Defense Supplies Corporation (DSC) announced increases in the subsidy rates on domestic flour production in each month from October 1944 to February 1945 (pp. 30–33). The net increase in the flour subsidy during these months to mills east of the Rocky Mountains was 14 cents or more. The high subsidy rates for February and the announced ruling of the DSC that no subsidy payments can be made on wheat ground after

June 30, 1945 unless Congress appropriates funds for that specific purpose raised new marketing problems for millers.²⁰ At present it seems reasonable to expect Congress to make the required appropriations for extending the flour-subsidy program, but this is not yet assured.

Throughout the current crop year distant wheat futures have sold far below nearer futures, and the new-crop futures particularly have been subject to heavy discounts (see Chart 9, p. 33). These price relationships have probably mainly reflected the belief of the trade that relatively small stocks of old-crop wheat will be carried on July 1, 1945 by private holders interested primarily in earning carrying charges on their holdings.²¹ A major portion of the carryover will be under the control of the CCC and a large part of the remaining old-crop wheat will be in working reserves required by merchants and processors. A second factor which may have contributed to the negative spreads on new-crop futures this year was the belief of some traders that the agricultural-price-support program established under the Stabilization Extension Act of 1944 would be too expensive to be long continued. On January 9, President Roosevelt asked Congress to increase the “borrowing” power of the CCC from \$3,000 million to \$5,000 million in order to provide increased funds for carrying out this program; and experts commented that the additional \$2,000 million would fall far short of the amount required.

At no time during recent months has the price of corn been far enough below parity levels to call for active price-support operations by the WFA. The 90 per cent loan rate on corn, effective from December 1 on grades No. 3 and better, had attracted only 9.0 million bushels into the loan program by the middle of February. Probably this figure would be less small if the 1944 crop had not consisted of such a large portion of moist, low-grade corn, but other market factors were strong enough to prevent heavy participation in the corn-loan program for 1944–45.

²⁰ Representatives of the Millers' National Federation had previously “proceeded on the assumption that . . . it would be possible for DSC to permit the program to continue until June 30, 1945, terminate it on that date, if necessary, and then make payments on the amount of wheat ground within 120 days thereafter to cover either the net forward sales position as of November 30, 1943, or the net forward sales position on the day preceding the day on which notice of termination is given, whichever is lower” (*Milling around in Washington*, Feb. 14, 1945, p. 1). See also *Hook-up*, Feb. 19, 1945, pp. 1–2.

²¹ See also Holbrook Working, “Price Relations between July and September Wheat Futures at Chicago since 1885,” *Wheat Studies*, March 1933, IX, 187–238; and “Price Relations between May and New-Crop Wheat Futures at Chicago since 1885,” *ibid.*, February 1934, X, 183–238.

The WFA has so far taken no step to supplement its current loan program for corn, except in so far as its recent decision to build up a stockpile of up to 50 million bushels is regarded as a price-supporting measure. That some element of price support was involved seems to be indicated by the announced intention of the CCC to purchase corn for the stockpile directly from farmers at the loan rate or the market price for corn, whichever is higher.

Other feed grains and rye were influenced only indirectly during July-January by the government's price-support program. In general, prices of these grains tended to weaken on good war news, to strengthen on bad news. The rye market continued to be the major speculative grain market, with a leading food company still heavily invested on the long side. The two "liquor holidays" in August 1944 and January 1945 helped the rye market, but it was obviously depressed in November by suspension of the earlier order to include 10 per cent rye in distillers' mashes.

XVIII. SUPPLIES AND PROSPECTIVE EXPORTS OF CANADA, AUSTRALIA, AND ARGENTINA

Of the four major grain-exporting countries, only the United States secured record crops in 1944. Canada's harvests, however, were also notably large, and they will bring Canadian grain producers an income of record size. In contrast, the two exporting countries of the Southern Hemisphere suffered severely from drought, which persisted from the early planting period for the 1944 crops to well beyond the harvest time. In Argentina, growers are being partly compensated for their losses by increases in the government's guaranteed minimum prices for wheat and linseed and by higher market prices for corn; but in Australia, the only compensation provided is in the form of drought relief, which is limited to those who suffered the most extreme losses.

CROP-YEAR SUPPLIES AND PRICES

Although drought drastically cut the 1944 grain crops of Australia and resulted in a relatively poor new crop of wheat (and prospectively of corn also) in Argentina, these declines were to a considerable extent offset by the existence of heavy stocks of old-crop grain. Chart 37 shows that even Australia's disastrously small new wheat crop was supplemented by such sizable old-crop stocks (as of August 1) that Australian wheat supplies were not much smaller for the Northern Hemisphere crop year of 1944-45 than they had been in several other years of the preceding decade. The chart also indicates that Argentina's total wheat supplies for 1944-45 were relatively large, despite the sub-average crop harvested by that country in December 1944. And although it is still too early to forecast the size of Argentina's corn crop of April-May 1945, two important facts are clear: (1) the corn crop will certainly be much smaller than last year's good harvest, and (2) Argentina's total supplies of corn will be reduced less sharply than the crop, because a larger carryover will remain on April 1, 1945 than a year earlier.

Canada was favored with large crops of both wheat and feed grains in 1944, and her total supplies of these grains were notably heavy for the third year in succession. The level of Canadian grain supplies, however, was moderately lower for 1944-45 than for the preceding year, as well as below the all-time record for 1942-43. And since the