



AgEcon SEARCH

RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

OUTLOOK FOR WHEAT IN 1960

Talk by Robert E. Post
Agricultural Economics Division
At the 37th Annual Agricultural Outlook Conference
Washington, D. C., 9:15 a.m., Wednesday, November 18, 1959

The wheat outlook for 1960-61 was discussed in the August issue of the Wheat Situation, which was issued prior to the seeding of the 1960 winter wheat crop. My remarks today will largely review the August statement. While there has been little change since that time, I will elaborate on some of the more important points.

The Wheat Situation for 1959-60

The total U. S. wheat supply for the marketing year beginning July 1, 1959, estimated at 2,404 million bushels, an all-time record, is practically unchanged from the August report. It exceeds the previous peak last year by about 50 million bushels, or 2 percent, and the 1957-58 year by about 535 million bushels, or 28 percent. A sharp increase in the carryover from last year more than offsets a 24 percent reduction in this year's crop. The table on page 4 shows the items which make up the 1959-60 supply compared with earlier years. Distribution items are also shown.

Yields per harvested acre in 1959 of 21.0 bushels were below the all-time record of 27.3 bushels last year, but still the third largest of record. The 21.0 bushels this year is a sixth above the 1948-57 average of 18.0 bushels. Farmers harvested 53.2 million acres in 1959, only a third of a million acres less than in 1958. Production of 1,117 million bushels was a fourth less than the record crop in 1958 of 1,462 million bushels but still 4 percent above the 1948-57 average.

So much for supply. Domestic disappearance in 1959-60 is estimated to total about the same as the 629 million bushels last year. Exports are expected to total about 410 million bushels, somewhat smaller than the 443 million exported in 1958-59. On the basis of the estimates of supply and disappearance, the carryover July 1, 1960 would total about 1,365 million bushels. This would be 7 percent above the 1,279 million bushels July 1, 1959 and 55 percent above the 881 million on July 1, 1958.

Losses in United States exports are expected to be the greatest in sales to traditional dollar markets of Western Europe. Shipments under Government export programs, on the other hand, should hold to last year's level or even increase slightly.

Domestic prices continue to exceed world prices. Virtually all United States wheat exports require export payments. In the case of wheat grain these export payments are paid in grain; flour payments are still in cash. Shipments under export programs, to which I just referred, are in addition to these payments. The special Government programs, including sales for foreign currencies, barter and various donation programs, have materially increased the size of our exports. Of the total exports in 1958-59, 68.2 percent moved under these special programs; this was an increase over the 62.0 percent in the previous year and the 60.8 percent, the average of the past 5 years.

The principal factor expected to cause a reduction in U. S. exports this year is increased competition from other exporters. Australia and France have much more wheat available for export this year than last. Their wheats are similar in quality to those offered by the U. S. and their traditional outlets have also been important cash customers for U. S. wheat. A few exporting countries, such as Italy and Argentina, will have less to export this year than in 1958-59, but this will not be sufficient to offset the increased export availabilities that exist elsewhere.

Analysis of Wheat by Classes

This year, special attention has been given to supply and distribution by classes and prices by classes. The 4 great wheat producing areas of the United States were shown on a map in the Wheat Situation of April 1959. Hard red winter wheat is grown principally in the Southern Great Plains and hard red spring chiefly in the Northern Great Plains. These hard wheats are especially suited to the making of bread flours.

While most of you know the uses of the different classes of wheat, there might be some of you who are not familiar with the uses of the types of wheat grown in other than your immediate areas.

Soft red winter wheat is produced in the eastern half of the United States and white wheat predominates in the Pacific Northwest, with important districts also in Michigan, New York and California. Flours from soft red and soft white wheats are used in the making of pastry, crackers, biscuits and cakes. Durum wheat is grown principally in North Dakota and adjoining States. This type of wheat is used in the manufacture of macaroni, spaghetti, and similar products.

Carryover stocks of hard red winter wheat, which make up around three-quarters of the total United States carryover of wheat, increased sharply between July 1, 1958 and 1959. Of the total increases in the United States carryover of about 400 million bushels, 80 percent of the increase was in hard red winter. Stocks of hard red spring, white and soft red winter had moderate increases. Durum stocks decreased.

Analysis shows a further substantial increase in the prospective carryover of hard red winter wheat next July 1. On the other hand, indications are that there may be little or no change in the prospective carryover of soft red winter and moderate reductions in the prospective carryover stocks of hard red spring, durum and white wheats.

In order to show the relative magnitude of the July 1, 1959 carryover stocks of the various classes, let us compare the carryover of each with the 1954-58 average total disappearance (domestic and export). The carryover of hard red winter wheat is over twice its average disappearance, and that of hard red spring over a third larger than its average disappearance. Stocks of the other classes are less than their average disappearance; stocks of durum were nine-tenths of disappearance, those of white only a little over a third of disappearance and those of soft red winter only about a tenth of disappearance.

Hard red winter wheat supplies present the greatest problem, not because we do not use large quantities or export large quantities, rather because our production is so large. Of the total wheat consumed as food in the United States, 40 percent is hard red winter. Exports of hard red winter make up half of our total exports.

While the general level of wheat prices is related to the support level, the price of each class of wheat reflects its own supply and demand situation. The price of soft red winter wheat usually averages above the price of hard red winter, but large crops of soft red winter resulted in depressed prices of that type in 1952-55. The price of No. 1 Dark Northern Spring wheat at Minneapolis in the past 10 years averaged 9 cents above that of No. 2 Hard Winter at Kansas City. The price of white wheat at Portland was high relative to other markets in 1956 and 1957 as a result of the unusual export demand created largely by the P. L. 480 program at a time when dollar exports to Japan were large.

The Wheat Supply Outlook for 1960-61

With the minimum national allotment of 55 million acres in effect for 1960, it is estimated that a little more than 53 million acres may be harvested. In 1959, 53.2 million acres were harvested. Rainfall in the Great Plains has provided generous soil moisture supplies for the winter wheat crop, but at the same time has delayed seeding. Should the 1956-59 average yield of 22.6 bushels be obtained, a crop of about 1.2 billion bushels would be produced. A crop of this size would be about 8 percent larger than the 1959 crop and would again exceed domestic requirements and exports, resulting in a further increase in the carryover. With domestic disappearance and exports the same as those estimated for 1959-60 and allowing for small imports, the carryover July 1, 1961 would be increased by about 170 million bushels over the estimated carryover July 1, 1960.

The Price Situation and Outlook

Since harvest this year, wheat prices have been higher than usual relative to support levels. The strength this year reflects the large quantities withheld from the market and a crop that is smaller than last year. Because prices have risen to near or above the effective support level, further advances may be less than usual. Markets may display some temporary weakness at times. Farmers who have been withholding 1959 wheat from market because of large sales earlier in the year from the 1958 record production, may market in substantial quantities at the beginning of the new tax year.

Reflecting the market strength this year, U. S. prices to farmers in 1959-60 may average slightly higher than the \$1.72 for last year, even though the support price of \$1.81 is down 1 cent.

The "advance" minimum national average support price of \$1.77 per bushel for 1960-crop wheat was announced on July 8. The average support price for the 1959 crop was \$1.81 and for 1958-crop wheat, \$1.82. The \$1.77 per-bushel minimum average support for 1960-crop wheat is based on the July 1959 modernized parity price of \$2.36 per bushel (announced June 30). This "advance" minimum price will not be reduced but could be raised if the parity price at the beginning of the 1960 marketing year is higher.

Wheat: Supply and distribution, United States,
1953-58 and 1959 projected

| Item | Year beginning July | | | | | | |
|---------------------------------|---------------------|----------------|----------------|----------------|----------------|----------------|--------------|
| | 1953 | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 |
| | | | | | | <u>1/</u> | <u>2/</u> |
| | Mil. bu. | Mil. bu. | Mil. bu. | Mil. bu. | Mil. bu. | Mil. bu. | Mil. bu. |
| <u>Supply</u> | | | | | | | |
| Carryover on | | | | | | | |
| July 1 | 605.5 | 933.5 | 1,036.2 | 1,033.4 | 908.8 | 881.0 | 1,279 |
| Production | 1,173.1 | 983.9 | 934.7 | 1,004.3 | 950.7 | 1,462.2 | 1,117 |
| Imports <u>3/</u> | 5.5 | 4.2 | 9.9 | 7.8 | 10.9 | 7.8 | 8 |
| Total | <u>1,784.1</u> | <u>1,921.6</u> | <u>1,980.8</u> | <u>2,045.5</u> | <u>1,870.4</u> | <u>2,351.0</u> | <u>2,404</u> |
| <u>Domestic disappearance</u> | | | | | | | |
| Food <u>4/</u> | 487.1 | 485.9 | 481.5 | 482.4 | 483.7 | 492.5 | 500 |
| Seed | 69.5 | 64.8 | 67.7 | 57.7 | 63.2 | 65.6 | 66 |
| Industry | .2 | .2 | .7 | .5 | .3 | .1 | --- |
| Feed <u>5/</u> | 76.8 | 60.1 | 51.2 | 46.6 | 39.3 | 71.2 | 63 |
| Total | <u>633.6</u> | <u>611.0</u> | <u>601.1</u> | <u>587.2</u> | <u>586.5</u> | <u>629.4</u> | <u>629</u> |
| <u>Exports <u>6/</u></u> | <u>217.0</u> | <u>274.4</u> | <u>346.3</u> | <u>549.5</u> | <u>402.9</u> | <u>443.0</u> | <u>410</u> |
| Total disappearance | <u>850.6</u> | <u>885.4</u> | <u>947.4</u> | <u>1,136.7</u> | <u>989.4</u> | <u>1,072.4</u> | <u>1,039</u> |
| <u>Stocks on June <u>30</u></u> | <u>933.5</u> | <u>1,036.2</u> | <u>1,033.4</u> | <u>908.8</u> | <u>881.0</u> | <u>1,278.6</u> | <u>1,365</u> |

1/ Preliminary. 2/ Projected. 3/ Excludes imports of wheat for milling in bond and export as flour. 4/ Includes shipments to United States Territories and military food use at home and abroad. 5/ This is the residual figure, after all other disappearance is accounted for. 6/ Actual exports. Prior to October 1954 they included those for civilian feeding under the military supply program.