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WORLD WHEAT SITUATION AND OUTLOOK

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World wheat production in 1959-60 is forecast well below last year's record but will be the second highest of record. The preliminary forecast of 7.9 billion bushels is subject to considerable revision since firm estimates of most Southern Hemisphere crops are not yet available.

The indicated reduction of about 9 percent from the high 1958 level is due mainly to smaller crops in the United States and the Soviet Union. Production in those two large areas is estimated to be 15 - 20 percent less than last year. Harvests are also expected to be down in Argentina and Australia, the principal wheat exporters of the Southern Hemisphere.

Wheat production in Western Europe is the largest of record and import requirements may be lower in normally deficit countries of the area. A sizable amount of wheat will be available for export in France and small quantities in Italy, Sweden, and Spain.

The total volume of 1958-59 world wheat and flour trade is now estimated at 1,259 million bushels. This is 69 million bushels above the final estimate of 1957-58 trade and about 71 million below the record high of 1,328 million established in 1956-57.

The dominant features of last season's world trade were (1) a marked decline in French exports, and (2) a substantial increase in exports to non-Communist areas by the U.S.S.R.

French exports, which reached over 83 million bushels in 1957-58, fell to only about 39 million in 1958-59. Soviet wheat exports meanwhile, are believed to have reached a modern-day record. Imports of Soviet wheat into non-Communist countries reached over 60 million bushels as compared to only about 16 million in 1957-58. As a result, Soviet wheat filled the gap left by the short supply of French wheat. Moreover, in so doing, the Soviet wheat cut sharply into markets which otherwise might have been met with U.S. and Canadian wheat.

Most of the recent growth in the world's wheat and flour trade has been accounted for by larger imports into Asia, particularly India, Pakistan, and several other less well-developed nations where food needs have been outgrowing domestic production. African imports, largely in the form of flour, have also increased somewhat. European imports have been holding very steady at about 600 million bushels, however, a growing portion of these imports are being supplied by countries within the continent, such as France and Italy. This has resulted in a diminishing market for such traditional overseas sources as the U.S., Canada, Argentina, and others.

Outlook for World Trade

Although earlier estimates predicted a small decline in world trade during 1959-60, indications currently show that little or no change is likely. Imports into European countries may decline 40 to 50 million bushels as compared to last year, but larger offsetting import requirements have appeared in Asia and Latin America.

Exportable supplies are generally higher than a year ago and pressure to sell has increased accordingly. Australia, France, and Spain have considerably more wheat for export and will probably be successful in selling all or most of these increases. Argentina, Turkey, Italy, and the U.S.S.R. all have somewhat less to export during the current season, while the U.S. and Canada continue to hold supplies considerably in excess of what they will be able to sell abroad.

The net effect of the export supply situation as it presently appears will probably be a reduction in the export sales of both Canada and the U.S. Exportable supplies outside the U.S. and Canada are greater in relation to total import demand than was the case in 1958-59. Thus, since these two countries have a vital interest in avoiding any serious disruption of world prices, they will very likely be forced to yield to the increased competition by lowering their export volumes. Canadian exports, which reached 300 million bushels last year, will probably fall to 280 or 285 million bushels, while U.S. shipments will do well to exceed 410 million.

U.S. Wheat Exports Up as Government Programs Expand

With the help of government export programs, U.S. wheat and flour exports have risen considerably over the last several years. Sales for dollars, meanwhile have remained fairly stable at about 150 million bushels annually. Barter sales, after reaching a volume of over 86 million bushels in 1956-57, accounted for only about 20 million bushels during the past two seasons. Sales for foreign currencies under Title I of P.L. 480 have been climbing fairly steadily since they were begun in 1954-55, and last year for the first time accounted for over one-half of total U.S. exports. In 1959-60, Title I sales are again expected to reach a new record.

Generally, about one-third of U.S. wheat production finds a market overseas. Despite a relatively high volume of exports in 1958-59, the record 1958 harvest of over 1.4 billion bushels caused this proportion to fall to its lowest level in four years. In 1959-60, with a harvest of 1.1 billion bushels and exports predicted to exceed 400 million, foreign marketings should again take up roughly 40 percent of U.S. wheat production.

As a result of increased emphasis on special financing measures, U.S. exports to Asia rose phenomenally between 1954-55 and 1956-57, and during each of the last two years, have made up over one-half of total U.S. exports.

Shipments to Europe are declining, primarily as a result of greatly increased production in many parts of the continent. Exports to Asia, Latin America, and Africa should all increase somewhat in 1959-60 over last year.

Outlook for U.S. Exports

U.S. exports of wheat and wheat flour in 1959-60 are likely to fall some 30 million bushels short of the 443-million level reached in 1958-59. Losses are expected to be the greatest in sales to traditional dollar markets of Western Europe. Shipments under special government export programs on the other hand should hold last year's level or even increase slightly.

The principle 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. 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. Other exporting countries, such as Italy and Argentina, will compete less strongly this year than in 1958-59 but such changes will fall far short of offsetting the increased export availabilities which exist elsewhere.