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UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service

OUTLOOK FOR WHEAT IN 1968/69

Talk by William R. Askew
Economic and Statistical Analysis Division
at the 46th National Agricultural Outlook Conference
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CURRENT SITUATION AND OUTLOOK

The total supply of wheat in 1968/69, at 2.1 billion bushels, was up 160 million from a year earlier and 260 million above 1966/67. The July 1, 1968, carryover of 537 million bushels was up from a year earlier and the 1968 crop was record large.

With the large supply and a smaller overseas requirement, wheat prices have declined and are more competitive with feed grain prices. Thus, it seems likely wheat feeding could total 150 to 200 million bushels in 1968/69 compared with around 60 million last year. Combining this feed estimate with food and seed requirements puts total domestic disappearance at 730 to 780 million bushels.

During the first half of 1968/69, U.S. wheat exports reached 301 million bushels, about 95 million under the same period of 1967/68. U.S. food aid shipments, of which India and Pakistan take the bulk, accounted for much of the decline.

For the rest of the year, a number of important factors come to bear in addition to the world supply-demand imbalance. East and Gulf Coast port movements have been stalled by a strike for a month and a half. A second factor is the issue of Japan's purchases of U.S. wheat. Purchases of U.S. wheat by Japan (for January and February shipment) were temporarily suspended, due to a question about the quality of some U.S. shipments. In addition, competition from both Australia and Canada in the Japanese market has intensified. A third critical factor in the export outlook is the volume of U.S. food-aid shipments. Some step-up could occur in food-aid shipments during the second half, providing the port situation permits, but the total for the year will still be well below that of a year ago.

These factors make it difficult to estimate second half exports and the resulting 1968/69 total. However, considering the movement to date and the related problems, exports for the entire 1968/69 marketing year may reach only 600 to 625 million bushels, in contrast to last year's 761 million.

Based on the range of prospects for domestic disappearance and exports, the carryover on June 30, 1969, could total 700 to 775 million bushels compared with last summer's 537 million. During 1967/68, the carryover increased 112 million bushels, the first increase in carryover since 1960/61.

The Commodity Credit Corporation owned or controlled more wheat on January 1, 1969, than a year earlier. Holdings were as follows:

Item	1968	1969
	<u>Mil. bu.</u>	
CCC owned	111	103
Under loan		
Previous crops	62	208
Current crop	190	327
Total	363	638
Total Stocks All Positions	1,209	Not Available

Wheat prices are being supported by the loan program to a much greater extent than a year ago, with 21 percent of the crop under loan on December 31, 1968, compared with 12 percent a year earlier.

Farm wheat prices were below the loan rate until October 1968. They have since held slightly above the loan. For the rest of the year they are likely to hover near the price support loan. Due to the adequacy of storage space and farmers' ability to use the loan, prices may not fall far below loan. And conversely, because of farmer readiness to redeem from the large quantities presently under loan, prices may not go much over the loan.

Based on prices to date, the season-average U.S. farm price of wheat in 1968/69 is likely to be slightly below the loan rate. The last time the season average price was below the loan was in 1960/61 when the loan was \$1.78 per bushel and the average price was \$1.74 per bushel. During that year the carryover rose from 1.3 billion bushels in the summer of 1960 to the record high of 1.4 billion by June 30, 1961.

THE INTERNATIONAL SITUATION

Based on current indications, world wheat trade in 1968/69 will be the lowest since 1964/65, and possibly the lowest since 1962/63. The earlier years are as shown:

Year	:	Million metric tons	:	Million bushels
1962/63	:	43.7	:	1,604.6
1963/64	:	56.4	:	2,074.0
1964/65	:	50.7	:	1,864.2
1965/66	:	62.4	:	2,292.4
1966/67	:	56.1	:	2,061.8
1967/68	:	52.4	:	1,926.6

While import needs in Western Europe and the Far East are above recent years, this is more than offset by a large decline in requirements in India and Pakistan. Communist-Bloc imports are expected to be little changed from 1967/68, and some 125-150 million bushels less than the average of the past 5 years. Meanwhile, because of larger crops and the low trade volume, exporting countries face a net stocks increase of about 600 million bushels by next June 30--the most on record within a single year.

A major cause of these developments, of course, is the 1968 world crop outturn. Record yields brought surprisingly large crops in India and Pakistan, while a poor durum wheat harvest resulted in greater import needs for Italy. Australia has harvested a record crop--at least 60 percent larger than its average domestic-and-export disposition of recent years. Elsewhere among the exporting countries crops were average or above, and such was also the case in the Communist-Bloc countries, despite earlier reports of drought in the Danube basin countries and parts of the USSR.

PROSPECTS AND PROGRAMS FOR 1969/70

The U.S. acreage seeded to winter wheat in the fall of 1968 for harvest in 1969 was off 13 percent from that of a year earlier. The 43.0 million acres seeded was some 6.4 million below the fall 1967 seedings and the least since fall 1965 seedings for harvest in 1966.

The national acreage allotment in 1969 was the same as the 51.6 million acre allotment in effect for the 1966 wheat crop. A voluntary acreage diversion program is in effect for the 1969 crop, as was the case for the 1966 crop. No such program applied to the 1967 or 1968 crops.

The indicated proportion of the crop to be harvested for grain, based on the survey in December, was placed at 88 percent. This would put 1969 winter wheat acreage for harvest 1 million acres below the 38.8 million harvested in 1966.

The indicated yield per seeded acre of 25.9 bushels is up 1 bushel from last year. This yield estimate, with the indicated acreage, would provide a crop of 1,115 million bushels, down 114 million from 1968.

The sharpest cuts in seeded acreage took place in the soft red winter wheat regions, particularly the Mississippi Delta and the Cornbelt. In the hard winter wheat States and the Pacific Northwest, seedings were 10 to 12 percent below a year earlier. The Southern Plains experienced good to excellent seeding conditions and probably seeded extensively to utilize the growing crop for grazing. However, in that region as in all others, the full details of the 1969 Feed Grain Program were not known at planting time, and final decisions on substitution of acreage between wheat and feed grains were not possible.

Increased voluntary acreage diversion in 1969 over the 2 million acres diverted in 1966 is likely. The voluntary diversion program for the 1969 crop provides larger payments than in 1966 ($62\frac{1}{2}$ cents per bushel against 50 cents on a national average basis). Also, there has been a change in basic supply and demand factors. As the 1966 crop developed, there was concern over the rapidly declining carryover, and producers were encouraged to plant their full allotment. In the face of rising inventories currently, no such encouragement would seem to be needed this year.

The national average price support loan for the 1969 crop continues at the \$1.25 per bushel in effect since 1965. The value of the marketing certificate will be the difference between the July 1969 parity price for wheat and the loan rate. The 1968 crop marketing certificate was valued at \$1.38 per bushel. Certificates will be issued on 43 percent of projected production in 1969 compared with 40 percent in 1968.

The sign-up period for both the wheat and feed grain programs will run from February 3 through March 21.

Wheat: Supply, distribution and prices, annual 1965-68

Item	Year beginning July			
	1965	1966	1967 <u>1/</u>	1968 Projected
-- Million bushels --				
<u>Supply</u>				
Beginning carryover	817.3	535.2	425.0	537
Production	1,315.6	1,311.7	1,522.4	1,570
Imports <u>2/</u>	.9	1.7	.9	1
Total supply	2,133.8	1,848.6	1,948.3	2,108
<u>Domestic disappearance</u>				
Food <u>3/</u>	515.4	501.9	519.2	520
Seed	61.9	78.4	71.8	60
Industry	.1	.1	.1	---
Feed (residual) <u>4/</u>	153.8	98.9	58.6	150-200
On farms where grown	(41.7)	(26.1)	(38.8)	
Total	731.2	679.3	649.7	730-780
<u>Available for Export and Carryover</u>	1,402.6	1,169.3	1,298.6	1,328-1,378
<u>Exports <u>2/</u></u>	867.4	744.3	761.1	600-625
Commercial, incl. barter	(344.0)	(438.8)	(373.7)	
Total disappearance	1,598.6	1,423.6	1,410.8	1,330-1,405
<u>Ending carryover</u>	535.2	425.0	537.5	703-778
Privately owned--"Free"	(194.8)	(223.7)	(214.3)	
-- Dollars per bushel --				
<u>Price support</u>				
National average loan rate	1.25	1.25	1.25	1.25
Average certificate payment	.44	.59	.48	.55
<u>Season Average Price Received</u>				
By non-participants	1.35	1.63	1.39	1.22
By program participants	1.79	2.22	1.87	1.77

1/ Preliminary.

2/ Imports and exports are of wheat, including flour and other products in terms of wheat.

3/ Used for food in the United States and U.S. territories, and by the military both at home and abroad.

4/ Assumed to roughly approximate total amount used for feed, including amount used in mixed and processed feed.

