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OUTLOOK FOR WHEAT

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Extensive farmer use of the loan program and anticipation of gains in exports brighten wheat price prospects, despite indications of a rise in the carryover again this summer.

The wheat supply for the 1969/70 marketing year was up some 160 million bushels from a year earlier. Total disappearance in July-December 1969 at 752 million bushels was down slightly. Stocks on January 1 totaled 1,527 million bushels, around 180 million above a year earlier.

January 1 "free" or privately held stocks totaled 653 million bushels, down 55 million from January 1969. These smaller "free" stocks together with an anticipated increase in disappearance during January-June 1970, relative to a year ago, point to somewhat more price strength than the $1.28 per bushel average farm price of January-May 1969.

Exports of all wheat in 1969/70 are expected to total around 600 million bushels, some 10% above last year's outgo. This prospect is based on improved exports to Japan, more competitive U.S. export prices, and somewhat reduced competition in spring wheats from the USSR and Australia the rest of this year.

The anticipated wider spread between wheat prices and prices of most feed grains during the rest of the year will sharply reduce wheat feeding from the high level of July-December 1969. The total for 1969/70 may be around 200 million bushels, compared with 172 million last season. Farmers fed over 165 million bushels in July-December 1969, virtually the same as a year earlier, even though wheat prices were more depressed. Food and seed usage may change little from 1968/69.

Production of winter wheat in the United States in 1970 was estimated at 1,030 million bushels as of last December 1. At this level the crop would be off 118 million bushels from 1969. Soft red wheat production in 1970 may total around 170 to 180 million bushels; 1969 production was 195 million.

The 1970 Wheat Program is virtually the same as in 1969 but the acreage allotment at 45.5 million acres is 6.1 million smaller than in 1969. The voluntary acreage diversion program for payment and the marketing certificate payments are also continued.

World wheat supplies continue heavy. Even with some expansion in world trade from last year's low level, they may increase further. But world wheat prices have stabilized and are likely to at least hold at current levels.

Exports of the various classes of wheat (grain only) this year have followed a mixed pattern. The most notable change from last year is the 46% reduction in exports of soft red winter. Hard red spring exports are up 10% while durum is off by the same percent. Hard red winter exports are off slightly while white wheat exports are down 12%.

Most hard spring and durum exports have been under commercial terms while hard winter and white wheat have relied heavily on PL 480 authorizations. About half the soft red sales have been for dollars with most of the remainder moving under Title I of PL 480.

Japan in July-December 1969 was the major dollar purchaser and also the biggest individual buyer of wheat. Traditionally, India is the leading taker. This year India fell to 2nd place trailed by Brazil and Korea.

After registering a substantial rise at most markets during the fall, wheat prices began to level in January. The price support loan remains the basic factor maintaining hard winter and white wheat prices, although the recent pickup in exports has added support. Exports are primarily responsible for price strength in hard spring and durum wheat, with the loan program helping.

However, in soft red wheat prices it is more difficult to single out any one factor as the basic source of strength. We know that (1) exports are not responsible and (2) the loan program is not a particular factor. Thus, domestic disappearance has likely been heavy. Domestic disappearance of soft red winter wheat may total as much as 175 million bushels during the entire marketing year; last year it totaled 171 million. Apparent heavy domestic use along with the largest quantity controlled by CCC in several years (it owned 12.2 million bushels on December 31 and held another 2 million in the warehouse reseal program) have created a tightness in the market.

Based on July-December exports, plus prospects for January-June, and the levels of domestic disappearance shown in table 2, the June carryovers of the various classes of wheat might range as follows:

Item	June 30	
	1969	1970
	- - Million bushels - -	
Hard red winter	547	640-660
Soft red winter	33	20-25
Hard red spring	140	95-105
Durum	41	65-75
White	58	50-60
Total	819	899

Table 1.--Wheat: Supply, distribution and prices, average 1964-68 and annual 1966-69

Item	Average 1964-68	1966	1967	1968 1/	1969 Projected
	Year beginning July				
	- - - - Million bushels - - - -				
Supply					
Beginning carryover	643.6	535.2	425.0	539.4	819
Production	1,401.9	1,311.7	1,522.4	1,576.2	1,459
Imports 2/	1.2	1.7	.9	1.1	1
Total supply	2,046.7	1,848.6	1,948.3	2,116.7	2,279
Domestic disappearance					
Food 3/	513.1	501.9	519.2	519.8	525
Seed	67.8	78.4	71.5	61.6	55
Industry	.1	.1	.1	.1	---
Feed (residual) 4/	110.2	98.9	57.0	172.5	200
On farms where grown	(40.1)	(26.1)	(42.9)	(58.6)	
Total	691.2	679.3	647.8	754.0	780
Available for Export and Carryover	1,355.5	1,169.3	1,300.5	1,362.7	1,499
Exports 2/	728.4	744.3	761.1	544.1	600
Commercial, incl. barter	(322.6)	(438.8)	(306.9)	(293.2)	
Total disappearance	1,419.6	1,423.6	1,408.9	1,298.1	1,380
Ending carryover	627.1	425.0	539.4	818.6	899
Privately owned--"Free"	(194.5)	(223.7)	(216.2)	(202.9)	
	- - - - Dollars per bushel - - - -				
Price Support					
National average loan rate	1.26	1.25	1.25	1.25	1.25
Average certificate payment	.50	.59	.48	.55	.65
Season Average Price Received					
By non-participants	1.39	1.63	1.39	1.24	1.23
By program participants	1.89	2.22	1.87	1.79	1.88

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.

Table 2.--Wheat: Estimated supply and distribution by classes, United States, average 1964-68, annual 1968/69 and Jan. 1, 1970 availability

Item	Hard winter	Red winter	Hard spring	Durum	White	Total
	- - - -	Million	bushels	- - - -		
Average 1964-68						
Carryover, July 1	411	13	161	43	16	644
Production	700	225	205	73	199	1,403
Imports 1/	---	---	1	---	---	1
Supply	1,111	238	367	116	215	2,047
Domestic disappearance 2/	302	147	138	39	66	692
Available for export or carryover	809	91	229	77	149	1,355
Exports 1/	422	73	76	34	123	728
Carryover, June 30	387	18	153	43	26	627
1968/69 3/						
Carryover, July 1, 1968	328	30	129	24	28	539
Production	811	224	228	100	214	1,577
Imports 1/	---	---	1	---	---	1
Supply	1,139	254	358	124	242	2,117
Domestic disappearance 2/	324	171	138	37	84	754
Available for export or carryover	815	83	220	87	158	1,363
Exports 1/	268	50	80	46	100	544
Carryover, June 30, 1969	547	33	140	41	58	819
1969/70 (Projected)						
Carryover, July 1, 1969	547	33	140	41	58	819
Production	789	195	187	107	181	1,459
Imports 1/	---	---	1	---	---	1
Supply	1,336	228	328	148	239	2,279
Domestic disappearance 2/	335	175	145	35	90	780
Exports, July-December 1/	150	15	47	21	47	280
Available for export or carryover, Jan. 1, 1970	851	38	136	92	102	1,219

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

2/ Wheat used for food (in the United States and U.S. territories, and by the military both at home and abroad), feed, seed and industry.

3/ Preliminary.