UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

THE WHEAT OUTLOOK

Address by Robert E. Post, Agricultural Economic Statistician at the 26th Annual Agricultural Outlook Conference, Washington 25, D.C., November 5, 1947.

The fall Wheat Outlook report is regularly released in August. A statement at this time serves to bring that report up to date. The situation and outlook seem to divide into five general headings or highlights. These relate to:

(1) THE EXPORT SITUATION

In the August outlook report, exports of 400 million bushels of wheat were indicated for 1947-48. Later on, it was clear that 400 million bushels would not be enough to meet the minimum needs of distressed people in other countries, and a campaign was launched to save at least another 100 million bushels of wheat so that 500 million bushels would be available for export.

Exports of wheat, including flour, began to become big business in late 1944. In 1945-46, exports of 391 million bushels were a fourth larger than the previous record in 1920-21. In 1946-47, exports were 400 million, a little larger than the year before. If 500 million bushels are expected this year, it will be by far the most wheat ever exported in a year by a single nation. Also in the three years ended October 1, 1947, exports totaled almost 1.1 billion bushels, which was more than our total exports in the preceeding 16 years.

You may be interested in a comparison of our exports with those of other countries. Our exports in 1947-48 will again be over half of the total world trade in wheat and flour. Compared with our possible 500 million bushels, of a total of about 900 million bushels, Canada is expected to export about 200 million, Australia 80 million, Argentina about 75 million, and other countries, including Soviet Russia possibly 50 million. Grain production in Russia this year has been fairly good and sizeable exports are possible.

Exports since 1930 are shown in the chart on the cover page of The Wheat Situation for July. This chart also shows the quantity carried over at the end of each year. The size of this carry-over changed considerably from the end of 1942-43 to the end of 1946-47. In 1942-43 it was 619 million bushels (more than enough to take care of a year of 500 million exports) and on last July 1 it was 84 million bushels. That large carry-over in 1942-43 came in very handy and we look forward again to the time when we can have at least half that quantity as a reserve against lean years.

(2) THE DOMESTIC SITUATION TO DATE

Of the various items of disappearance, the quantity used for feed shows the greatest variation, and points up the fact that only if wheat feeding is held down will it be possible to have the large exports desired. (See chart on cover page of The Wheat Situation for July.)

At the time of the Wheat Outlook in August, prospects for corn were so poor that wheat feeding was expected to reach 325 million bushels. This expectation resulted from various statistical determinations, as we were really without any actual basis in the current year to use as a guide. Out first guide came with the issuance of the October 1 stocks report, upon the basis of which we figured that about 60 million bushels were used for feed in July-September. We had previously expected that about 90 million would be fed in that quarter. Although our total grain feeding allowance was in line, feeding of corn was heavier than expected and feeding of wheat lighter. Corn prices have now adjusted to new crop conditions and corn is much cheaper than wheat. Moreover, there is much less soft corn and the feeding quality is better than was expected earlier. Although feeding in the last 9 months will depend upon such factors as the severity of the winter, livestock feed price relationships, and the rates of livestock marketing, an estimate of about 250 million bushels seems reasonable at this time. This estimate will need to be re-examined as reports on stocks for each quarter become available.

Items of domestic distribution other than feed differ little from the August indications. Food disappearance is estimated at 500 to 510 million bushels. Last year it was 492 million and the year before 496 million. Seed may not exceed 85 million, depending on seedings in the dry areas of the Southwest. Industrial use will probably be less than a million bushels. These items, together with feed at 250 million, total about 840 million bushels. The August total was 927 million.

With a total supply for the year indicated at 1,491 million bushels (84 million carried over July 1 and a crop of 1,407 million) a domestic disappearance of 840 million bushels and exports of 500 million bushels would leave a carry-over July 1, 1948 of about 150 million bushels.

In these estimates of domestic disappearance and carry-over, savings as a result of the work of the Luckman Committee and of the Department's grain conservation program have not been taken into consideration. On the basis of exports of 500 million bushels, savings from these programs designed to reduce domestic disappearance would increase the carry-over above the 150 million-bushel level. This would be most desirable.

(3) THE EFFECT OF THE DROUGHT AND THE 1948-49 OUTLOOK

You realize that there is no basis for a crop forecast before December, and in the remarks which follow no forecast is involved. However, an attempt is made to size up the situation for outlook purposes, if only on the basis of assumption.

In the August Outlook two assumptions were made with regard to yields. One of these was the 1937-46 average of 14.3 bushels per seeded acre, and the other the 1942-47 average of 16.3 bushels per seeded acre. It now appears that the higher yield is very unlikely, and that the lower one still has a chance, but growing conditions would have to be above the long-time average to make up for the poor start. On the basis of various assumptions, which include a reduced yield on a reduced acreage in the dry parts of Kansas, Oklahoma, Texas, and New Mexico, it looks as though it might still be posible to have another billion-bushel crop. Such a crop would be moderately below the 1,070 million bushels indicated on the goals acreage with an average yield of 14.3 bushels per seeded acre. Actually, we have had only 5 billion-bushel crops in our history, 4 of which have been in the last 4 years.

A crop of a billion bushels would fall far short of what would be desired. Domestic disappearance, considering food at 510 million bushels, feed at 200 million and seed at 87 would total about 800 million bushels. Out of a billion-bushel crop, this would leave only 200 million bushels for export.

If by various measures we could increase our carry-over July 1, 1948 well above the 150 million bushels already mentioned, which would permit a reduction of 100 million bushels a year later, exports could total 300 million bushels. Exports even of this size would be far below minimum requirements. In 1947-48 exports as high as 500 million bushels of wheat and about 70 million bushels of other grains would be insufficient to maintain the low consumption levels in importing countries which existed in 1946-47 -- but, of course, crops in importing countries this year were very poor. May I repeat that in order to have as large an amount for export in 1948-49 it will be desirable to have as large a carry-over July 1, 1948 as possible.

(4) PROSPECTS BEYOND 1948-49

Prospects are that the demand for U. S. wheat will be large enough to absorb all of our surplus, at least through 1949-50 and possibly 1950-51. Various committees have been working over the requirements set up under the Marshall plan and the ability of the various exporting countries to meet them. It is conceivable that very large acreages and exceptionally favorable yields in the United States and other important wheat-producing countries could result in a surplus situation, but this is not very likely. In other words, for the years immediately following 1948-49, export demand is expected to be large enough to call for a continued full acreage of wheat in the United States which, with good farming practices assumed, should not exceed 75 million acres, the goal for 1948.

(5) THE PRICE SITUATION AND OUTLOOK

Wheat prices to growers in mid-October reached an all-time peak. Prices are currently very little lower than in mid-October. The October price was 23 cents higher than the price for September and 56 cents higher than the price for August. The general level of wheat prices is high because of the large domestic and export demand. Much of the recent advance may be attributed to the persistence of dry conditions in parts of the important Southwest winter wheat-producing States.

With prospects for continued good demand in 1948-49 and in the years immediately following, it may be concluded that wheat prices will continue to be relatively high.