REVIEW OF THE WORLD WHEAT SITUATION

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The world is at present facing the most acute wheat shortage in recent times, and this shortage is likely to last for at least two years. Estimates of Europe's requirements vary widely but it is certain that, whatever the total needs, it has not been, nor will it be possible to supply even the bare minimum required to prevent starvation on the Continent before the European crop is harvested in about three months' time. This crop is expected to be well below average and, while it will provide some temporary relief, it will be necessary to maintain imports at the present high levels, if this is possible, at least until the 1947 crop is harvested.

In Asia the position is equally serious. The 1945-46 rice crop showed a substantial decline and this, combined with low year end stocks, means that large sections of the population in India and adjoining countries are facing starvation. Wheat would be used to make up the deficiency if it were available, but production in India is no more than normal so that relief can come only from wheat surplus countries such as Australia, which, while able to relieve the situation to some extent, are quite unable to supply the full requirements.

Less than a year ago it was thought that wheat stocks held by the four major wheat-exporting countries would be sufficient to meet all needs during the present year. Wheat, it was thought, would be the only important foodstuff which would not be in short supply. That this view was contrary to the facts was not fully realised by most authorities until towards the end of 1945; by then there could be no doubt that existing wheat stocks were quite inadequate.

The chief reasons for this comparatively sudden change in the world wheat outlook were: (i) the failure of the 1945 wheat crop in Europe, this crop being the smallest for many years; (ii) the 1945 world rye crop (the other important bread grain) was the lowest for 25 years; and (iii) the reduced Asiatic 1945-46 rice crop. This called for the substitution of wheat for rice.

There were no surplus stocks of wheat or other grains in Europe and, even if the wheat, rye and Asiatic rice crops had been up to the average level of pre-war years there would have been a greatly increased demand for wheat because of the acute world shortage of all other foodstuffs and of feed for livestock. In addition to these already above-normal requirements the wheat exporting countries were called upon to meet an unexpected deficiency in European crops of several hundred million bushels and also a substantial deficiency in Asia.

Despite the fact that 1945-46 crops in Canada, Argentina and Australia were all well below the pre-war average, it is expected that during their present crop years these countries will export over 850 million bushels. This will be nearly double their war-time level of exports and probably the largest on record. These four countries hold the key to the world wheat supply position but, before dealing with the situation there in detail, it is worth examining available statistics relating to European production.

The Situation in Europe.

While European production (excluding Russia) declined during the war it did not fall to the extent that might have been expected considering the difficulties under which farmers had to work. On the other hand, Europe has always imported wheat and during most of the war she was almost entirely cut off from access to the major exporting countries. The position was further aggravated by poor crops in North Africa, which had previously been a surplus producing area, and by small Russian crops (about which, however, few *facts* are available).

The greatest fall in European production occurred in 1945, after the cessation of hostilities. Production in that year (excluding Russia) is estimated by the United States Office of Foreign Agricultural Relations at 1,035 million bushels. This is nearly 370 million bushels below the previous year and over 600 million bushels below the 1935-39 average.

The production of rye, which occupies an important place as a bread grain in Europe, also suffered, particularly in 1945 when estimated production was 300 million bushels below the 1935-39 average and over 160 million bushels below the estimated production in 1944. The small rye crops, of course, created additional demand for wheat.

Table I sets out the estimated production of wheat and rye in Europe during the war years. The figures do not include Russia.

Table I.—*Estimated European Production.**

	Wheat. (m. bushels)	Rye. (m. bushels)
Average 1935-39	1,632	898
1939	1,695	973
1940	1,300	781
1941	1,425	836
1942	1,380	805
1943	1,500	816
1944	1,465	742
1945	1,035	575

* Estimates by the Office of Foreign Agricultural Relations, U.S. Department of Agriculture.

Reports now coming to hand from Europe indicate that while the acreage under wheat this year is greater than in 1945 it is still well below the pre-war average. This is due largely to shortage of labour, equipment and fertilisers. It, therefore, seems certain that import needs will continue at a high level throughout the 1946-47 crop year and probably longer.

It would appear that the situation in the Soviet Union has improved considerably during the past year. No reliable information nor official statistics are available, but it is reported in the press that efforts are being made to sow a record crop this year and, if these efforts are successful, Russia should have some surplus with which to assist other European countries later in the year.

The Situation in the Four Chief Exporting Countries.

During the war years the four major wheat exporting countries, Canada, Argentina, Australia and the United States, provided from 80 per cent. to over 90 per cent. of the total world wheat exports, and it is likely that they will provide a similar proportion during this and the following year. Therefore the key to the present wheat supply situation lies in the stock and production position in these four countries. Table II shows the statistical position since the outbreak of war.

Table II.—*Movements in the World Wheat Situation. Four Chief Exporters.*

(Figures in millions of bushels.)

Country.	1. Initial Exportable Surplus.	2. Crop.	3. Domestic Disappearance.	4. (2 — 3) Current Exportable Surplus.	5. (1 + 4) Total Exportable Surplus.	6. Net Exports.	7. (5 — 6) Final Stocks.
				1939–40			
Canada	103	521	132	389	492	192	300
U.S.A.	250	741	663	78	328	48	280
Argentina	120	131	107	24	144	133	11
Australia	21	210	59	151	172	95	77
Total	494	1,603	961	642	1,136	468	668
				1940–41			
Canada	300	540	129	411	711	231	480
U.S.A.	280	813	674	139	419	34	385
Argentina	11	299	101	198	209	89	120
Australia	77	82	59	23	100	58	42
Total	668	1,734	963	771	1,439	412	1,027
				1941–42			
Canada	480	315	145	170	650	226	424
U.S.A.	385	943	668	275	660	28	632
Argentina	120	224	101	123	243	83	160
Australia	42	167	60	107	149	44	105
Total	1,027	1,649	974	675	1,702	381	1,321
				1942–43			
Canada	424	557	171	386	810	215	595
U.S.A.	632	974	951	23	655	33	622
Argentina	160	235	134	101	261	76	185
Australia	105	156	69	87	192	38	154
Total	1,321	1,922	1,325	597	1,918	362	1,556
				1943–44			
Canada	595	284	179	105	700	344	356
U.S.A.	622	841	1,217	−376	246	−71	317
Argentina	185	250	165	85	270	88	182
Australia	154	110	95	15	169	91	78
Total	1,556	1,485	1,656	−171	1,385	452	933
				1944–45			
Canada	356	417	169	248	604	346	258
U.S.A.	317	1,072	1,011	61	378	97	281
Argentina	182	150	189	−39	143	93	50
Australia	78	53	98	−45	33	21	12
Total	933	1,692	1,467	225	1,158	557	601
				1945–46			
Canada	258	310 (a)	150 (b)	160 (b)	418 (b)	368 (b)	50 (b)
U.S.A.	281	1,123 (a)	849 (b)	274 (b)	555 (b)	355 (b)	200 (b)
Argentina	50	150 (a)	110 (b)	40 (b)	90 (b)	75 (b)	15 (b)
Australia	12	144 (a)	81 (b)	63 (b)	75 (b)	60 (b)	15 (b)
Total	601	1,727 (a)	1,190 (b)	537 (b)	1,138 (b)	858 (b)	280 (b)

(a) Official Estimate—subject to alteration. (b) Forecast.

If the forecast of domestic consumption and exports during 1946 is correct it will be seen that stocks at the end of the present crop year* will have dropped to less than 300 million bushels which, with the possible exception of the United States, is the absolute minimum to which they may be safely allowed to fall.

As far as possible the forecasts are based on official estimates but it is emphasised that circumstances may intervene which will alter the position considerably. Special efforts are now being made to encourage U.S. farmers to release all farm stocks for export and if these efforts are successful the U.S. carryover may be less than is now forecast. On the other hand, transport difficulties in Argentina and even in Australia may reduce consumption in and exports from these countries.

However, the year end stocks of 280 million bushels should be fairly close to the mark, and undoubtedly stocks at the end of the crop year will be the lowest since before the outbreak of war.

Due mainly to heavy North American crops and also to the loss of export markets, stocks built up heavily during the early war years until, at the end of the 1942-43 crop year, they amounted to well over 1,500 million bushels; since then, however, they have rapidly declined and at the end of the present crop year they will probably fall to their lowest level for very many years.

If stocks at the end of the present crop year fall to the level predicted it will mean that, with the possible exception of the United States, all exports from these countries in 1946-47 will have to come from current production. For the past three years domestic consumption and exports have exceeded current production by drawing upon old stocks; this will no longer be possible, except in the United States where it may be possible to draw upon from 50 to 100 million bushels.

It is therefore worth noting the probable production in 1946-47 based on average yields and the area expected to be sown. It is emphasised that the following figures must not in any sense be taken as forecasts of production. They merely represent the production which will be obtained if the areas which at present appear to be likely are sown, and average pre-war yields are obtained. In the forecasts of exports given below domestic consumption is allowed for at something above pre-war levels but at levels well below the war-time years 1942-43 to 1944-45.

* NOTE: Different crop years are taken for different countries depending on the seasons. By doing this the true total carry-over, or exportable surplus, is obtained, a result which is not achieved when any one date is selected for all countries. The crop year commences on—1st July in the United States; 1st August in Canada; 1st December in Australia and Argentina. Until 1944 the crop year in Argentina was taken as commencing on the 1st January.

It would appear, on these assumptions, that production in the four countries this year may amount to nearly 1,800 million bushels. If this proves to be the case there should be about 750 million bushels for export.

These total figures are made up as indicated in Table III.

Table III.—*Probable Production.*

	(Assuming average yields.) m. bushels.	Available for Export. m. bushels.
Canada	400	250
United States	1,000	300
Argentina	200	100
Australia	180	100
TOTAL	1,780	750

Poor yields might easily reduce the quantity available for export to 600 million bushels, but it can fairly safely be assumed that the four chief exporters will have from 600 to 1,000 million bushels available for export in 1946-47 if domestic consumption is strictly controlled. There should be no difficulty in disposing of all this wheat if transport and handling facilities prove adequate.

It is, perhaps, dangerous to prophesy more than one year ahead but, unless yields from the 1946 crops are extraordinarily good, it would appear that stocks at the end of the 1946-47 crop year will be small and therefore the Australian acreage in 1947 could well remain at the recommended 1946 level of 15.5 million acres.

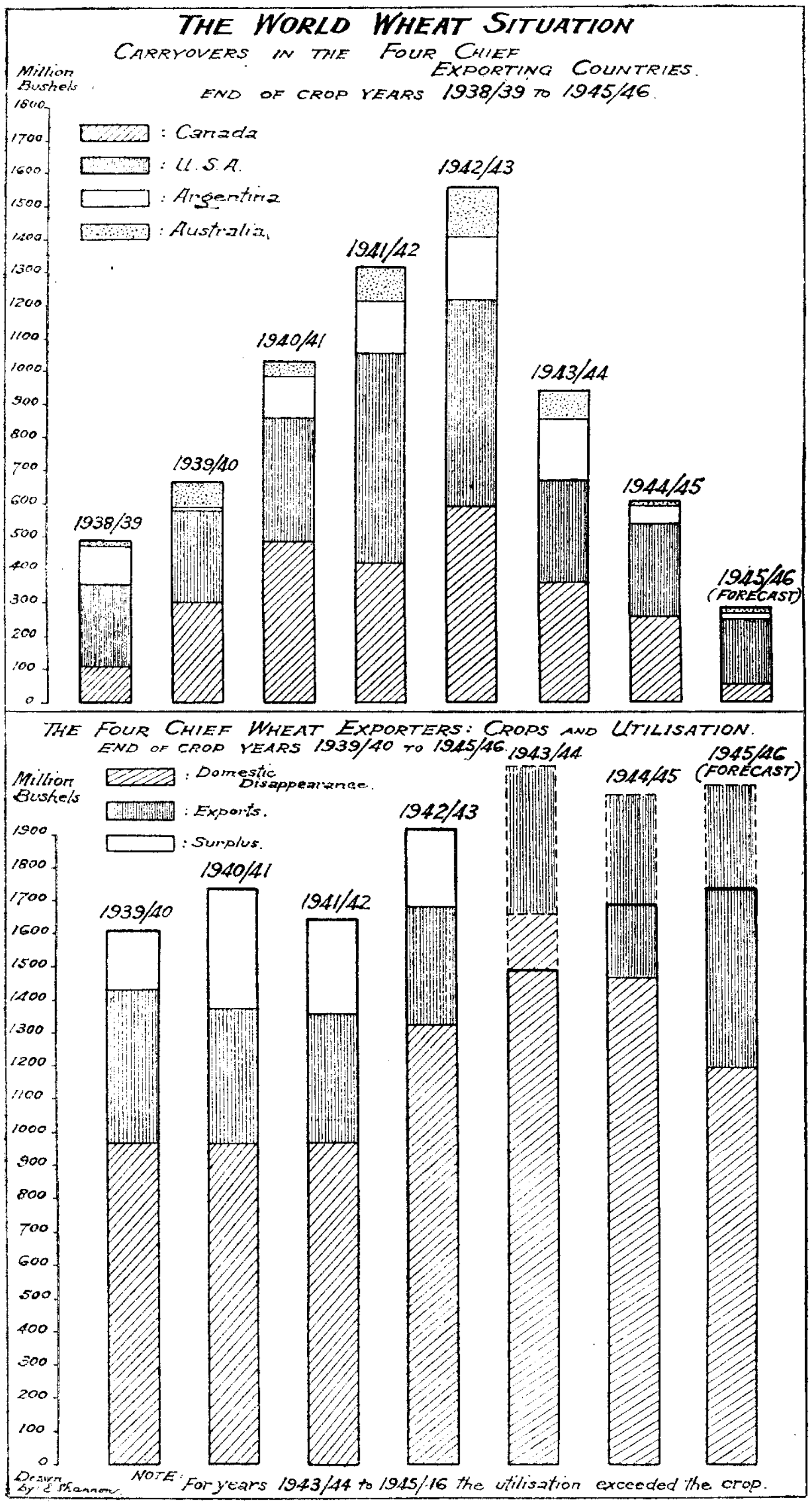
The stock position and policy in the four above-mentioned countries varies considerably and in the following pages will be considered individually.

Canada.

The Canadian wheat carryover which reached its peak in July, 1943, has rapidly diminished during the past two years and at the end of July next is expected to amount to little more than 50 million bushels. This is regarded as the minimum to which year end stocks can be allowed to fall.

The reduction in stocks which has taken place in the past two to three years has been encouraged by the Canadian Government. The area recommended for the current year is the same as was sown last year, 23,414,000 acres. But because of the high price now being received, it is expected that the goal will be exceeded by at least 2 million acres. If this occurs and average yields are obtained, production should be about 400 million bushels, of which perhaps 250 million bushels would be available for export.

The Canadian Minister for Agriculture recently explained why the Government was not asking for any increase in the area sown to wheat this year despite the world shortage. The chief reasons given were:—(i), any extra area sown to wheat would be principally at the expense of other grains, such as oats and barley, and this would not result in any net gain in the grain position; and (ii) it would affect the area of fallow to the detriment of future crops and of the land itself.


THE WORLD WHEAT SITUATION
CARRYOVERS IN THE FOUR CHIEF EXPORTING COUNTRIES.
END OF CROP YEARS 1938/39 TO 1945/46.
Million Bushels
: Canada
: U.S.A.
: Argentina
: Australia
1938/39
1939/40
1940/41
1941/42
1942/43
1943/44
1944/45
1945/46 (FORECAST)
THE FOUR CHIEF WHEAT EXPORTERS: CROPS AND UTILISATION.
END OF CROP YEARS 1939/40 TO 1945/46.
Million Bushels
: Domestic Disappearance.
: Exports.
: Surplus.
1939/40
1940/41
1941/42
1942/43
1943/44
1944/45
1945/46 (FORECAST)
Drawn by E. Shannon.
NOTE: For years 1943/44 to 1945/46 the utilisation exceeded the crop.

Canadian wheat exports during the first six months of the present crop year amounted to nearly 206 million bushels, more than double those in the same period last year. Nearly all of this wheat was shipped to overseas destinations. However, existing stocks will not allow of shipments proceeding at this rate during the second half of the year. It is expected that the total exports for the year will amount to from 360 to 370 million bushels. This will be possible only by reducing domestic consumption over the level of recent years and by reducing year end stocks to the bare minimum consistent with safety.

Price Policy.

Because Canadian wheat export price policy differs radically from that of any of the other exporting countries, it is worth noting here the general outline of the present policy which was introduced in September last.

In spite of the world shortage of wheat and the consequent high prices which could be obtained on the open market, the Canadian Government considers that it is in the interest of Canada and of Canadian wheat growers that importing countries should continue to obtain Canadian wheat at prices not in excess of those prevailing at the end of hostilities and, accordingly, the export price has been fixed on this basis. At the same time it has guaranteed growers a minimum price for all authorised deliveries for each of the next five crop years.

In adopting this policy of a maximum price for overseas shipments for the present and a floor price for five years the Government is asking the producers, in their own interests, to forgo exceptional short-run advantages in favour of a long-run stability of income. In deciding upon this policy the Government was influenced by the following considerations: (i) any further increase in wheat prices would aggravate the problems of economic and political readjustment in the liberated areas to Canada's detriment in future trade with those areas; (ii) there is a moral obligation not to take advantage of recent Allies in their time of compelling need; (iii) higher wheat prices would encourage the importing countries in a hurried return to wheat production and to pre-war wheat policies very directly to the detriment of the wheat exporting countries, particularly Canada. Moreover, production in a number of exporting countries would be unduly encouraged.

United States.

The U.S. Bureau of Agricultural Economics estimated, in December last, that the U.S. would probably export some 350 million bushels during the current crop year and that the carryover on 30th June next would be approximately 200 million bushels. However, recent cables indicate that special efforts are now being made to encourage farmers to sell wheat which they are reported to be holding in the hope of higher prices later. If the bonus being offered has the desired effect, the carryover will be somewhat below the abovementioned figure.

Last year net exports amounted to 97 million bushels and in the year before that exports were 71 million bushels below imports. The substantial increase in exports this year has been made possible by (i) the record 1945-46 crop, (ii) a substantial reduction in domestic consumption (achieved primarily by a reduction in use of wheat as stock feed and in the manufacture of alcohol, but also by a recently announced reduction in human consumption), and (iii) by some reduction in the carryover at the end of the year.

The 1946 wheat goal was for 68.9 million acres, about the same area as was planted in 1945. Over 51 million acres of winter wheat have been sown, the largest area on record; and farmers reported their intention to sow 19 million acres of spring wheat; if this figure is achieved the goal will be exceeded by one million acres.

Given average yields such an area would yield something over 900 million bushels. The latest official estimate of the winter crop is, however, for 743 million bushels, indicating above average yields and, if this estimate proves correct, the total crop should again exceed 1,000 million bushels.

Even so it is not likely that there will be more than 300 million bushels available for export in 1946-47, unless very drastic cuts are made in domestic consumption.

Argentina.

Argentine statistics relating to stocks and their disposition are not at all satisfactory. As far as possible official figures have been used but these are not always available, and it has been necessary, in a number of cases, to use unofficial estimates. Neither are the official figures of stocks always reliable.

The 1944-45 carryover of 50 million bushels may be too low; at this stage it is difficult to estimate just what wheat was used for feed and fuel during 1945. Should this figure prove to be low the quantity available for domestic utilisation and export during the present year would be greater than the estimate now given.

Estimates of domestic requirements vary greatly and ultimately they will depend on several factors which cannot at this stage be assessed accurately. The price and demand for cattle and the yield of the current corn crop will affect the amount used for feed, while the quantity of fuel oil imported will affect the amount used as fuel.

Exports in turn will depend largely upon domestic consumption but they will also be influenced by internal transport facilities which do not appear to be satisfactory. The figure of 75 million bushels given in Table II as probable exports is the lowest for many years, but nevertheless may be regarded as the maximum possible under the circumstances. If this quantity is exported, year-end stocks will be reduced to the bare minimum. It should also be noted that most Argentine wheat exports will go to other South American countries; there is very little available for Europe.

The area sown to wheat has fallen off considerably during the war, only a little over 14 million acres being sown in 1945. This was more than one million acres below the area sown in 1944 and nearly 3 million acres below the pre-war average.

It was announced last month that the Government is providing a subsidy in order to encourage wheat growing and it is expected that the acreage to be sown this year will show some increase over that sown in 1945.

If a little over 15 million acres is sown, and given an average yield, production would amount to about 200 million bushels. With domestic consumption at pre-war levels, which under the circumstances is the minimum possible, there would not be more than 100 million bushels available for export in 1946-47.

Australia.

Exports were reduced to 21 million bushels in 1944-45 because of the exceptionally small crop in that year, and at the end of the year stocks amounted to less than 12 million bushels, the lowest since before the outbreak of war.

It is expected that about 60 million bushels will be exported during the current year. This is still well below the pre-war level but will consume the whole of the 1945-46 crop after domestic needs have been met. Domestic consumption should be less than in the previous year as the allocation for stock feed has been reduced and no wheat will be used in the manufacture of power alcohol. Year-end stocks should be little different from the previous year, *i.e.*, at the minimum to which they can safely be reduced.

The Government has recommended a maximum wheat area in 1946 of 15.5 million acres; this is 4 million acres more than was sown in 1945 which, in turn, was over 3 million acres greater than the area sown in 1944. While it is impossible to forecast the area to be sown with any degree of accuracy, present indications are that the recommended area may be reached. Should this be the case, an average yield would result in the production of about 180 million bushels. Of this probably 100 million bushels would be available for export.

Summary.

The failure of the European wheat and rye crops in 1945—the combined crop was 900 million bushels below the pre-war average —and a small Asiatic rice crop combined with an otherwise greatly increased demand for wheat caused by the severe shortage of all other foodstuffs has completely changed the world wheat supply position during the past year.

Stocks held by the four chief wheat exporters, Canada, United States, Argentina and Australia are insufficient to meet the present extraordinary demands and little wheat is available from other sources. By the end of the present crop year these four countries will have almost exhausted their surplus stocks which built up during the war years to record levels, and in 1947 both exports and domestic consumption will have to come almost entirely from current production.

While the coming European harvest will probably be greater than in 1945 it will be well below the pre-war average and it would appear unlikely that the four chief exporters forecast surplus of from 600 to 1,000 million bushels in the 1946-47 crop year will be sufficient to meet European and Asiatic demand. So while the present acute supply position in Europe is likely to be alleviated to some extent in three or four months' time the world position is likely to remain tight for at least two years and on present indications Australian wheatgrowers should be able to dispose of record crops both this year and in 1947.