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WHEAT-WORLD PRODUCTION AND USE

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Drastic change has taken place in the world wheat situation during the past 18 months.

1. Production has increased sharply.
2. Use has dropped sharply
3. Stocks have started to build up again.

Production in 1966 and 1967 is up 10 percent from the previous record. World production of wheat is now estimated at 10.2 billion bushels in 1967 and 10.3 billion in 1966 compared with the previous record of 9.3 billion in 1964.

In 1966, Russia, Canada and Australia all produced very large crops, far above their previous records. Acreage was up in all three countries and weather was unusually favorable.

In 1967, weather was less favorable in Russia, Canada and Australia and all three came up with smaller crops. However, record crops were produced in the United States, Europe and Asia. The increases resulted from a sharp acreage jump in the United States, a record per-acre yield in Europe and both larger acreage and higher yields in Asia.

The following table gives the U.S. Department of Agriculture's latest wheat estimates for the past eight years by major producing areas.

Table 1. World Wheat Production

	1960	1961	1962	1963	1964	1965	1966	1967
	(billion bushels)							
North America	1.93	1.57	1.71	1.93	1.96	2.04	2.20	2.22
Western Europe	1.32	1.27	1.62	1.37	1.59	1.67	1.47	1.67
Eastern Europe	.59	.60	.62	.64	.66	.81	.83	.89
Russia	1.70	1.90	2.00	1.47	2.10	1.70	2.94	2.42
Asia	1.92	1.87	2.00	1.93	1.92	2.05	1.88	2.09
Africa	.21	.16	.21	.24	.21	.22	.17	.23
South America	.23	.26	.28	.40	.51	.32	.32	.40
Australia & N.Z.	.28	.25	.32	.34	.38	.27	.47	.30
World Total	8.18	7.88	8.76	8.32	9.33	9.08	10.28	10.22

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Use of wheat dropped sharply in the 1966 crop marketing year. (The term "use" as used here means total disappearance - food, feed, seed, industrial use and waste.)

Total world use of wheat probably dropped something like 100 or 200 million bushels. The big unknown is Russian use. Russian use must have increased considerably. Because of the huge crop, they no doubt fed more wheat. Also reports from Russia indicate that there were heavy spoilage losses because of inadequate storage facilities.

Use of wheat in the world outside Russia and China, including net exports to Russia and China, was down some 500 or 600 million bushels from the year before (Table 2). It was, however, larger than in any year prior to 1965. This is a sharp reversal, following a 5-year period in which use plus exports to Russia and China increased an average of 300 million bushels per year.

Table 2. World Wheat Production, Supply and Use 1960-67
(billion bushels)

Crop Year	Production Excluding Russia & China	Carryover U.S., Canada Aust., & Arg.*	Supply	Apparent Use Inc. Net Exports to Russia & China
1960	5.6	2.0	7.6	5.5
1961	5.2	2.1	7.3	5.5
1962	6.0	1.8	7.8	6.1
1963	6.0	1.7	7.7	6.2
1964	6.4	1.5	7.9	6.4
1965	6.6	1.5	8.1	7.1
1966	6.6	1.0	7.6	6.5
1967	7.1	1.1	8.2	7.0**
1968		1.2**		

* Carryover as of July 1 for the U.S., August 1 for Canada, and December 1 for Australia and Argentina.
** My own preliminary guess.

Why did use drop so sharply in the past marketing year?

1. U.S. aid shipments were reduced by 180 million bushels (Table 3).

2. Feeding of wheat was reduced sharply, probably by at least 200 million bushels. (60 million in the U.S. alone.)

3. Exports to Russia dropped by something like 150 million bushels.

4. Use of wheat for human food declined in some countries such as India where wheat was scarce and higher in price. (India imported 85 million bushels of sorghum grain from the U.S. in the 1966 crop marketing year compared with 40 million the year before. No doubt, practically all of the increase replaced wheat for human food.)

Table 3. United States Wheat Exports
(million bushels)

Year beginning July 1	Total Exports	Cash Exports*	Near-cash Exports**	Aid Exports***
1954	274	116	46	112
1955	346	105	67	174
1956	549	174	87	288
1957	402	155	10	237
1958	442	139	20	283
1959	509	134	26	349
1960	661	204	34	423
1961	719	228	49	442
1962	644	158	13	473
1963	856	353	47	456
1964	725	158	71	496
1965	867	298	124	445
1966	742	371	106	265

* Includes credit and credit guarantees by the U.S. Government for relatively short periods.
** Long-term credit sales for payment in dollars and wheat bartered for strategic materials.
*** Sales for foreign currency and donations.
SOURCE: Economic Research Service, U.S. Department of Agriculture.

Use probably will rebound some in the 1967 crop marketing year (July 1, 1967 through June 30, 1968 for the U.S.)

1. U.S. aid shipments probably will increase some.

2. Feeding of wheat will increase because of lower wheat prices and large wheat supplies. This increase could easily amount to 200 or 300 million bushels.

3. Use of wheat for human food will no doubt resume its upward trend.

    a. Wheat crops are larger this year in most Asian and African countries where population is growing rapidly.

    b. Rice is scarcer and more expensive. Two years ago a ton of brown rice on the world market cost about twice as much as a ton of wheat. It's now up to almost three times as much.

4. Will Red China continue to import their usual 200 million bushels of wheat? No one knows. There's no doubt about China needing the wheat. But the uproar there has reduced China's export earnings and their capacity to unload ships and transport the wheat.

Carryover stocks of wheat are larger in several countries.

Russia: Size of wheat carryovers in Russia are not known. However, carryover in Russia no doubt increased from a low level in 1966 to at least 400 or 500 million bushels in 1967. Their 1966 crop was almost 3 billion bushels. That's at least 800 or 900 million bushels more than Russia has been using in recent years. The 1967 crop of 2.4 billion bushels should take care of their needs and add a bit more to carryover for next summer, especially since Russia is importing about 75 million bushels from Canada under their long-term contract.

The four major exporting countries of the U.S., Canada, Australia and Argentina will have 1967 carryovers totaling about 1.1 billion bushels, up about 100 million bushels from the 14-year low of 1 billion reached in the summer of 1966. Increases in Canada and Australia are partly offset by reductions in the U.S. and Argentina. Carryovers in these countries probably will be up by at least another 100 million bushels in the summer of 1968. If China should fail to import her usual 200 million bushels, carryovers will be up more.

Effect on prices: Prices on world markets have dropped 5 to 30 cents per bushel below last spring's peak.

Most quotations are below the minimum prices specified in the new International Wheat Agreement negotiated last summer, to become effective on July 1, 1968, if ratified by enough countries.

There's no good basis for expecting a rise in wheat prices on world markets in the coming winter or spring.

In the United States, some price advance could come this winter or next spring if foreign aid authorizations become quite large, if farmers are in a holding mood, and if export subsidy rates increase with rising domestic prices.

For 1968 and later crops, prices can rise quickly whenever unfavorable weather brings poor wheat crops to 2 or 3 major producing areas.

Looking ahead for the next 5 to 10 years: The prospect for a very rapid increase in the need for food, especially wheat, continues. But this does not guarantee a rapid increase in sales.

A. In the past year some questions have arisen concerning the ability of large populations with great needs to secure the buying power to feed themselves.

1. The turmoil in China might destroy China's ability ro earn enough foreign exchange to continue importing wheat. Such a condition could spread to other countries.

2. The Arab-Israel conflict and its aftermath has removed, at least for the time being, most Arab peoples as candidates for U.S. aid shipments of wheat. Of course, the gap may be filled by someone else - such as Russia.

3. Protectionist sentiment within the U.S. seems to have grown sharply in recent months. If this brings the erection of more and higher trade barriers by the U.S. it would reduce the ability of many foreign people to buy our wheat. It probably would also cause many countries to raise their own barriers, further restricting our ability to sell wheat.

4. Foreign countries have had more difficulty qualifying for U.S. foreign aid in the past year. This has been brought about by a tightening in U.S. requirements in an attempt to shift more of the food-aid burden to other countries.

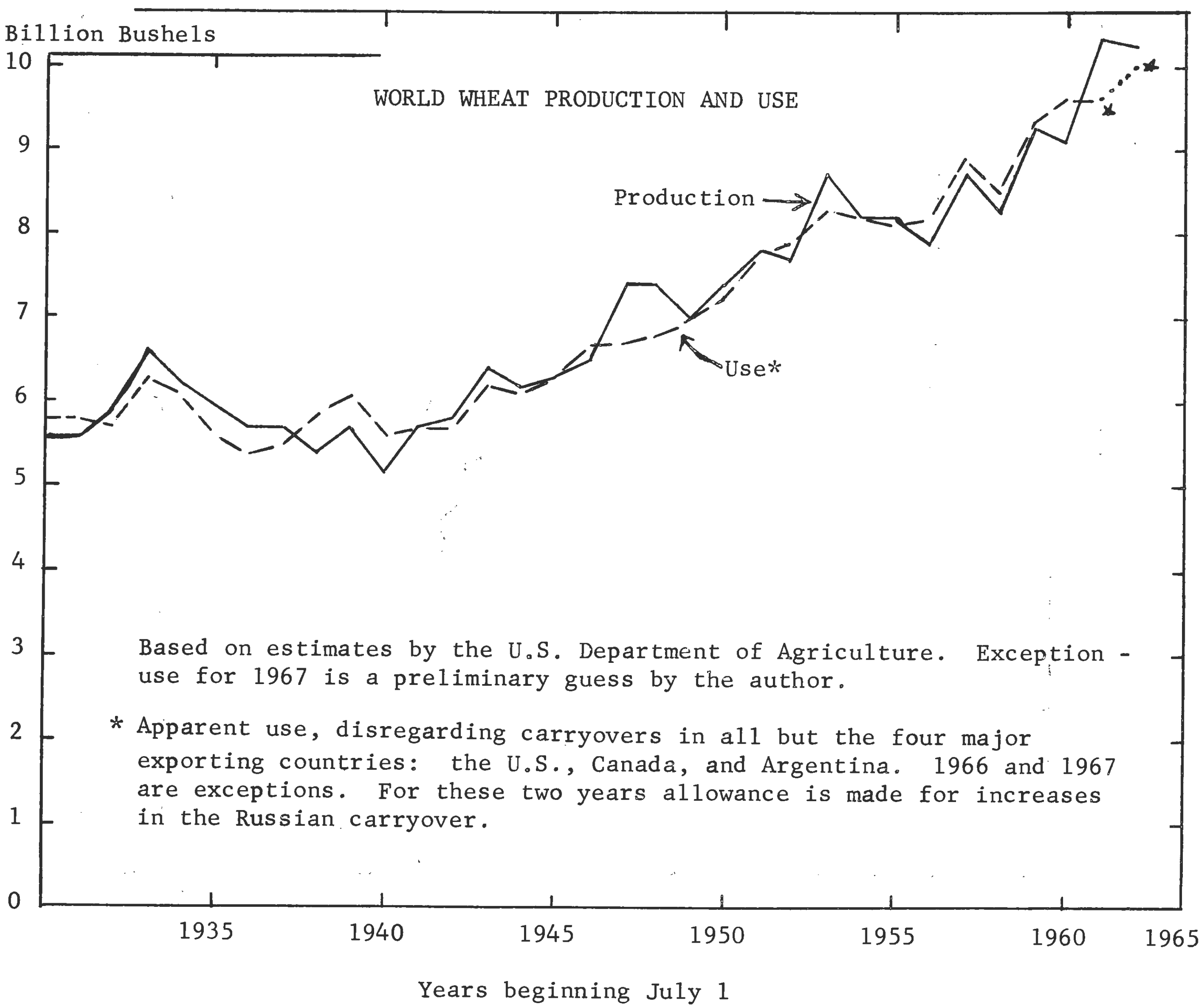
B. These developments of the past year should not blind us to the real possibility that world use of wheat may resume its rapid upward trend.

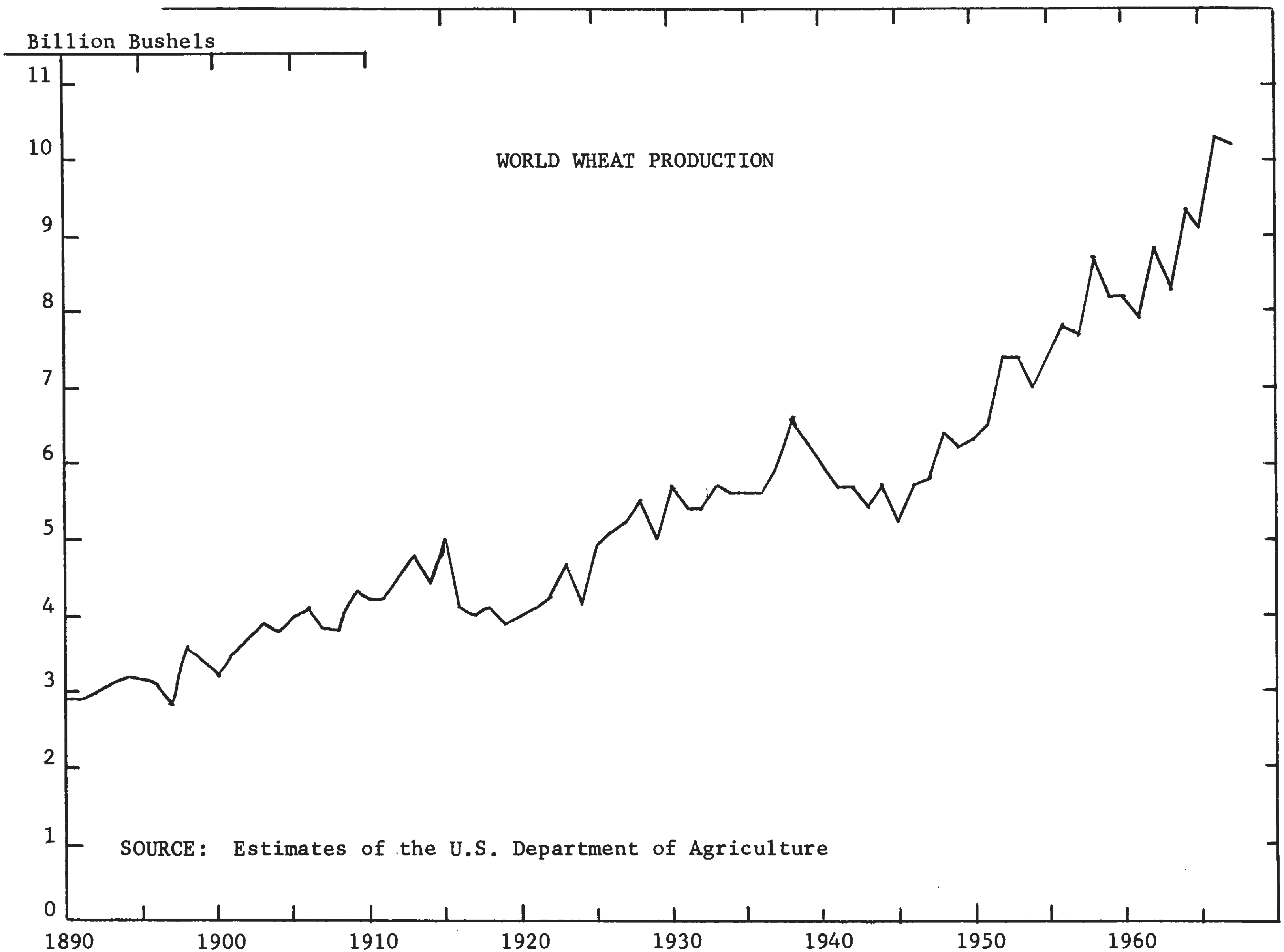
1. Incomes may continue to increase in the hungry countries and world trade may continue to grow. If this happens more underfed people will be able to eat better, greatly increasing the effective demand for wheat.

2. There will be more mouths to feed. World population seems likely to continue growing at the current rate of 2 percent per year.

3. Barriers to world trade might be reduced.

4. Food-aid programs might be increased to or above earlier levels.




WORLD WHEAT PRODUCTION
Billion Bushels
0
1
2
3
4
5
6
7
8
9
10
11
1890
1900
1910
1920
1930
1940
1950
1960
SOURCE: Estimates of the U.S. Department of Agriculture