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DEPARTMENT OF TRADE AND COMMERCE

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WHEAT SITUATION

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THE WORLD WHEAT SITUATION

The present crop year commences with a world economic situation leaving much to be desired. There are few signs of general trade movement that can have any particular effect in stimulating the disposition of the 1931 wheat crop. The financial situation in Europe and existing unemployment in all countries in the world are factors that indicate international trade in the next 11 months will follow the rather depressed level of 1930. In spite of many adverse factors in the trade situation, no commodity has maintained its international movement more effectively than has wheat. Surveying the wheat markets of the world for the past two years, considering difficult economic conditions in importing countries, considering the maze of tariff barriers, milling regulations and other Governmental legislation dealing with wheat in all European markets with the exception of the United Kingdom and Belgium, it is extremely notable that international trade in wheat has held to average levels. In 1930-31, world trade in wheat practically reached the average of the five-year period, 1925 to 1929, when economic conditions were relatively good. The demand for wheat, however, is inelastic, and in good years and in bad, the volume of international trade in wheat varies within relatively narrow limits with due regard to volume of production, and geographic distribution of supply.

It is an axiom of life that healthy economic conditions breed optimism which ignores the warnings that precede a general slowing down of business activity. Likewise depression creates a pessimistic outlook which retards the recognition of factors that are gradually working toward general improvement. After two years of declining wheat prices and cumulative depression in the cereal industry, after two years of natural and artificial effort to solve the problems of the wheat producer, a critical analysis of the situation at the present moment reveals a series of factors quietly operating on the constructive side. The year 1931 opened with a situation barren of any immediate hope. For practically nine months prices have ranged closely around the level established at the beginning of the period, and even though subjected to unprecedented bearish influences and uncertainty, price levels have been relatively constant for the first time since the downward trend commenced during the fall of 1929. This situation has its significance. In the meantime several new influences have entered the situation.

Constructive Influences.

Constructive factors bearing upon the wheat situation at the present time may be briefly outlined as follows:

1. As far as Europe is concerned, the period of high prices from 1925 to 1929 and the period of artificially high prices from 1929 to the present time, have not induced any appreciable increase in wheat acreage in normally importing countries.

2. Expansion in wheat production, the basic factor in the cereal depression, has been the sole responsibility of the exporting countries of Canada, Australia, United States and the Argentine, aggravated by the re-appearance of Russia on the export market. Official and unofficial data indicate the possibility of a large contraction in wheat acreage in the United States, the Argentine and Australia which will bear directly upon the wheat market within the next twelve months. This development is a practical example of the economic fact that wheat, like any other commodity, cannot indefintely sell below its cost of production without reducing the quantity offered for sale.

3. The absolute amount of the accumulated world surplus of wheat has never been large although its importance in weighing on the market has been great. Indications are that the surplus over and above import requirements and normal carry-overs will be substantially reduced in the next twelve months.

Constructive Influences - Con.

4.Low prices in exporting countries have appreciably increased the domestic consumption of wheat as human and animal food. The domestic markets in exporting countries have undergone a broadening process which is providing an important new outlet for surplus stocks at or near the point of actual production.

5.When price deflation is complete and prices become sufficiently influenced by constructive factors, the holding of stocks becomes profitable and attractive. There are factors in the present situation to strengthen the disposition to hold stocks of wheat. Considering the speculative basis of the world's grain markets, this factor becomes of prime importance. Mr. Broomhall, in the Corn Trade News of August 19, 1931 writes "we feel certain there will be a tendency to import freely and reconstruct stocks at the low prices now ruling".

Extent of Over-Production

While under-consumption has been a factor in the cereal depression, it is generally agreed that the acute depression in the wheat trade has been due more particularly to over-production. Post-war production of wheat, accentuated by the re-entrance of Russia into the market, has temporarily overtaken and exceeded existing consumptive capacity with the resultant accumulation of unsold stocks in exporting countries during the past five years. Accepting this statement as the fundamental weakness in the wheat situation, it is interesting to examine the extent and location of expansion in wheat production.

In a recent publication of the Economic Committee of the League of Nations entitled "The Agricultural Crisis" the following tables prepared by the International Institute of Agriculture appear:

Table 1.- World Production of Wheat.

(Million bushels).

Country	Average 1920-13	1925	1926	1927	1928	1929	1930	Average 1925-30
Europe 1/	1,363	1,404	1,216	1,275	1,407	1,429	1,363	1,348
Canada	198	397	408	481	566	305	397	426
United States	691	676	830	878	915	808	852	827
Argentine	147	191	228	283	349	162	239	243
Australia	92	114	162	118	158	125	206	158

Table 11. Index Numbers of World Wheat Production.

Country	Average 1909-13	1925	1926	1927	1928	1929	1930	Average 1925-30
Europe 1/	100.0	100.9	89.2	93.5	103.2	104.9	100.0	98.9
Canada	100.0	200.9	205.6	242.6	285.2	153.7	200.0	214.8
United States	100.0	97.9	120.2	127.1	132.4	117.0	123.4	119.7
Argentine	100.0	130.0	155.0	192.5	237.5	110.0	162.5	165.0
Australia	100.0	124.0	176.0	128.1	172.0	136.0	224.0	172.0

1/ Not including Russia.

Europe at Pre-War Levels.

The first basic point to note from the above tables is the fact that wheat production in Europe is about at pre-war levels, being slightly over pre-war levels in favourable years and slightly less in unfavourable years. Nor has Europe been successful in expanding wheat production in more recent years, the index of production for 1930 being 2.9 per cent lower than the index for 1925. This fact is very significant. Europe enjoyed the relatively high prices that obtained from 1925 to 1929 and since 1929 prices have been maintained in leading European importing countries by means of tariffs and regulatory measures. In spite of high domestic prices which in 1930-31 averaged $1.69 per bushel in Germany, $1.78 per bushel in France and $1.61 per bushel in Italy, production has not been seriously stimulated as would have been the case in exporting countries, under similar conditions. From the foregoing data it is evident that, in spite of nationalistic tendencies and substantial bonusing of wheat production, the European market, quantitatively described, remains much the same as ever and under normal conditions Europe may be expected to take those supplies of imported wheat that have become recognized by long experience.

Consumption Limited

Another aspect of the European situation deserves comment. It has been an economic dictum that low price levels stimulate consumption. As far as the leading continental importing countries are concerned, the low international price level for wheat has had the opposite effect. Wheat production is the European industry par excellence and insofar as these countries have been on balance, importing units, steps have been taken to relieve their producers of the effects of the catastrophic decline in the world market price. In preserving the solvency of their domestic wheat producers, large continental importing countries have had to take action which has resulted in trade restriction and the undue utilization of domestic wheats. Consumers have had to pay substantial prices for bread products of less than usual quality due to lack of strong wheats in milled flour. Consequently the quantity of wheaten products entering into consumption has been retarded. Accepting the view that import restrictions have been adopted in Europe as a defence against the effects of the decline in world prices, it is reasonable to view the rapprochement of the world market and price levels in importing countries in terms of appropriate easing of restrictions and freer trade, generally in wheat and wheat products. It is entirely reasonable to expect an expansion of wheat trade with Europe with a higher international price level.

Exporting Countries.

Referring to Table 11 it will be seen that over-expansion of wheat production has been entirely the responsibility of the four large wheat-exporting countries. It is true that Russia has added to the burden of the present situation but it must be remembered that Russia is normally a wheat-producing country having many of the geographical characteristics of the other exporting nations. Furthermore, Russia is located within Europe itself and the surplus production of Russia, barring unforeseen events will be marketed in Europe in the future, as it has been in the past. While Russia today is a large producer of wheat it should always be recalled that Russia is the greatest potential market for wheat in Europe. Russian exports to date have not been in any way out of line with reasonable long time expectations from that region.

Table 11. shows that Canada has increased wheat production for the five-year period, 1925-1930, 114 per cent as compared to pre-war; on the same basis, Argentine has increased production 65 per cent; United States 19.7 per cent and Australia 72 per cent. This increase in productive capacity has

resulted in the building up of surplus stocks during the past six years as shown by the following table:

Table 111.- Showing Carryovers of Wheat in Exporting Countries

1925 to 1931.

(Million bushels).

Country	1925	1926	1927	1928	1929	1930	1931
United States	117	99	123	128	247	291	319
Canada	27	37	51	78	104	111	133
Argentine	57	51	69	90	135	70	85
Australia	23	17	23	29	26	35	38
TOTAL	224	204	266	325	512	507	575

No matter what other factors are playing upon the wheat situation today,there must be an adjustment in the productive efforts of the above countries before there can be permanent improvement in the wheat situation. This adjustment can only take the form of reduced wheat acreage and the substitution as far as possible, of other agricultural products.

Reduced Acreage in Prospect for 1931-32.

Without doubt, the most important development in the wheat situation to date has been the recent evidence of reduced acreage and prospects of reduced acreage in the four large exporting countries.

The Argentine - The Argentine Government has officially estimated the 1931 acreage sown to wheat at 17,050,000 acres as compared to 21,283,000 acres sown in 1930, or a net reduction of 19 per cent. The following table shows the sown acreage in the Argentine for the past 6 years.

Table lV.-Sown Acreage Argentine 1925 - 1931.

(Million acres).

1925	-	17.7
1926	-	18.9
1927	-	20.0
1928	-	20.0
1929	-	21.0
1930	-	21.3
1931	-	17.0

The United States.- On August 26th the United States Depart- of Agriculture issued its estimate of farmers' intentions in regard to the approaching winter wheat sowing. According to the report, winter wheat acreage

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sown in 1931 will be 37,344,000 acres compared to 42,422,000 acres sown in 1930 or a net reduction in prospective acreage of 12 per cent. The following table shows the winter wheat acreage in the United States from 1925 to the present time.

Table V.-Sown Winter Wheat Acreage - United States 1925 - 1930.

(Million acres).

	1925	-	39.9
	1926	-	39.9
	1927	-	43.4
	1928	-	47.3
	1929	-	42.8
	1930	-	42.4
(Prospective)	1931	-	37.3

Australia.- While the Australian Government has not issued an official estimate of 1931 acreage, there is ample evidence of a large reduction. Private estimates range from a reduction of 4,000,000 acres to 5,500,000 acres. A very wet seeding time reduced the acreage even more than intended by farmers. The following table shows the Australian acreage in recent years:

Table Vl.- Sown acreage Australia 1925 - 1930.

	Year		Million acres.
	1925	-	10.2
	1925	-	11.7
	1927	-	12.3
	1928	-	14.9
	1929	-	14.9
	1930	-	18.7
(Prospective)	1931	-	14.7

The following table shows the combined prospective wheat acreages in the Argentine, United States, and Australia. As it is too early to estimate the Canadian acreage, the 1931 Canadian acreage is used in both years.-

Table Vll.- Combined Acreage in Four Exporting Countries.

	1931 - 32 (acres)	1930 - 31 (acres)
Argentine (1)	17,050,000	21,283,000
United States (2)	54,321,000	59,019,000
Australia (3)	14,700,000	18,200,000
Canada	23,900,000	23,900,000
Total	109,971,000	122,462,000

(1) Official.
(2) Winter wheat intentions plus 1930 spring wheat acreage.
(3) Highest of unofficial estimates.

The above table shows a prospective reduction in wheat acreage in the above four countries of approximately 12,500,000 acres compared to 1930. In order to evaluate the relative importance of the prospective reductions, the following table shows the combined wheat acreage in the four exporting countries from 1921 - 22 to 1930 - 31 with prospective acreage for 1931 - 32:

Table Vlll.

Table showing combined Wheat acreage in Canada, United States, the Argentine and Australia 1921 - 22 to 1930 - 31.

	1921 - 22	-	110,800,000
	1922 - 23	-	110,800,000
	1923 - 24	-	108,300,000
	1924 - 25	-	103,200,000
	1925 - 26	-	102,600,000
	1926 - 27	-	110,300,000
	1927 - 28	-	114,300,000
	1928 - 29	-	120,000,000
	1929 - 30	-	122,200,000
	1930 - 31	-	122,400,000
(Prospective)	1931 - 32	-	109,971,000

Thus the prospective reduction in wheat acreage in the four countries enumerated above will reduce productive capacity to the 1926-27 level, or in other words, there are indications that the large expansion in wheat acreage in exporting countries between 1925 and 1930 will be largely eliminated in the next twelve months. It is further interesting to note that prospective acreage for 1931-32 is just under the level established in 1921-22.

Surplus Relatively Small

While a great deal has been written and spoken about the world's surplus of wheat, the extent of over production is relatively small, and reasonably sensitive to adjustments. There is always, under normal conditions, a surplus of wheat at the end of any cereal year. The measure of over production is, therefore, largely the measure of the difference between present year end stocks and normal stocks.

Mr. Broomhall estimates the surplus for the present cereal year over and above import requirements at approximately 192 million bushels, including government controlled stocks in the United States. For the past cereal year, on the basis of Mr. Broomhall's estimates of available supplies and actual shipments, the surplus over and above normal carryovers was 348 millions bushels. Consequently, on the basis of Mr. Broomhall's analysis of the situation, the world's wheat surplus will be reduced at the end of the present year by approximately 156 million bushels.

Thus, while entering the present crop year with the largest carryover on record in exporting countries, the next 12 months hold the prospect of substantial liquidation of stocks and a reduced surplus on July 31st, 1932.

Broadening Basis of Consumption.

Low price levels have had the effect of broadening the domestic consumption of wheat in exporting countries. This tendency received an impetus as a result of the corn shortage in the United States in 1930-31. Recent disposition figures of the 1930 wheat crop and 1929 carryover show that domestic utilization of wheat in the United States increased over 100 million bushels for the year. Private estimates indicate a similar disappearance for the coming year. In Canada the same tendency is noted and for 1930-31 domestic consumption reached its highest point and some 40 million bushels of wheat were fed to livestock during the year. Feed rations are fairly stable and once wheat is introduced as a fodder ration it will have a marked tendency to continue as long as it is economically profitable. While no specific data are available for other exporting countries, it is probable that the same tendency is at work. The general effect, therefore, of the extremely low world price level has been to broaden domestic utilization in countries of production, thereby creating an important new outlet for surplus wheat. Over 150 million bushels of wheat were fed to livestock in Canada and the United States during the 1930-31 cereal year.

Disposition to Carry Stocks.

The improved basic factors in the wheat situation should react upon the wheat market through a growing willingness to carry stocks. In this connection it is interesting to refer to the following paragraph appearing in "Wheat Studies" published by the Food Research Institute - Stanford University, December,1930.

"The events of 1929-30 were distinctly such as to weaken the disposition to hold stocks. The crop of 1929 turned out to be larger than was anticipated early in the crop year; initial carryovers proved to be larger than was thought; the volume of trade became strikingly small; business depression in its various aspects began to attract attention; the broad chances favored not a smaller wheat crop in 1930 than in 1929 but a larger one merely because that of 1929 had been unusually small, trend considered. In short, outstanding features of the wheat situation seemed in the winter of 1928-29 to favor holders of wheat, but in the winter of 1929-30 practically the reverse was true. Although the point cannot be proved, it seems reasonable to suppose that the disposition to hold wheat was unusually weak in 1929-30".

The above quotation is mentioned because it outlines the genesis of a weakness that has been inherent in the wheat market since the collapse of 1929. General business depression and a declining market moving with momentum caused the withdrawal of ordinary sources of market support, with a consequent weakening of the price structure. On the basis of the factors outlined above there seems to be in the wheat market at the present time elements which make the holding of wheat more attractive than at any time in the past two years. In a market which depends upon speculative activity, the importance of this development cannot be overestimated in the general process of improvement in the wheat trade.

Import Requirements 1931-32.

On August 19th, Mr. Broomhall issued a preliminary estimate of world import requirements for 1931-32. According to Mr. Broomhall's calculations based upon early crop estimates (subject to revision) import requirements for the present crop year will amount to 776 million bushels as compared to world shipments of 784 million bushels in 1930-31, or a net reduction of 8 million bushels.

Mr. Broomhall bases his figures upon the following estimates of import requirements: (million bushels).

Country	1931-32	1930-31	1929-30
United Kingdom and Ireland	248.0	244.8	224.0
France	52.0	56.0	5.6
Italy	56.0	80.0	41.6
Germany	20.0	31.2	48.0
Belgium	40.0	41.6	42.4
Holland	32.0	36.0	30.4
Spain & Portugal	6.4	3.2	8.0
Greece	20.0	23.2	21.6
Denmark	12.8	12.8	8.8
Sweden & Norway	15.2	13.6	15.2
Switzerland	18.4	18.4	16.0
Czecho-Slovakia	18.4	16.8	13.6
Austria	19.2	15.2	16.8
Others	9.6	12.8	12.8
Total Europe	568	605.6	504.8
Total Ex-Europe	208	180.0	168.0
World Total	776	785.6	672.8

In arriving at European import requirements, Mr. Broomhall gives appropriate consideration to the 1931 European crop. From preliminary and somewhat incomplete data, he estimates the 1931 European crop at 1,430 million bushels compared to 1,370 million bushels in 1930, or an increase of 60 million bushels. Considering this increase in European production and other relevant factors, Mr. Broomhall has estimated European import requirements at 568 million bushels compared to actual takings of 605.6 million bushels last year or a decrease of 37 million bushels.

It should be considered however, that since Mr. Broomhall made his preliminary estimate, Europe has experienced very unfavourable harvest weather and the wheat crop has suffered seriously in many sections, both in outturn and quality. As a result of the unfavourable weather in Europe the United States Department of Agriculture has reduced its estimate of the European crop by about 30 million bushels, the greatest depreciation taking place in Germany, France and Italy. If the United States Department has accurately gauged the loss, then it appears that the outturn of the 1931-32 European crop will be approximately 25 to 30 million bushels more than last year.

It is further interesting to note that Mr. Broomhall's preliminary estimate of world import requirements for 1931-32 is some 40 million bushels greater than his preliminary estimate of 1930-31 requirements, the latter estimate being raised several times during the crop year.

Another important feature of the Broomhall estimate is the volume of trade allotted to ex-European countries, namely 208 million bushels, as compared to 180 million bushels last year and 168 million bushels in 1929-30. The ex-European demand for wheat is notoriously dependent upon price levels and the low range of prices during the past year has had the effect of pushing greater volumes of wheat into ex-European countries.

World Wheat Shipments.

In order to evaluate the possible extent of world wheat trade during the present crop year, the following table shows world shipments of wheat and flour for the past ten years. (Broomhall).

			Million Bushels
	1921-22	-	647.2
	1922-23	-	676.4
	1923-24	-	775.3
	1924-25	-	715.2
	1925-26	-	667.6
	1926-27	-	817.6
	1927-28	-	792.8
	1928-29	-	927.6
	1929-30	-	612.9
	1930-31	-	784.0
Estimated	1931-32	-	776.0
Average	1921 to 1925	-	696.3
Average	1926 to 1930	-	786.9

From the above table it will be seen that prospective world trade in wheat for the present crop year measures up well to other years, being only 10 million bushels below the average of the past five years.

Available Supplies.

At the present time the Argentine and Australian crops are in early stages of growth and have to run the hazards of the growing season. For the purpose of the following analysis, these two countries are credited with average yields on estimated sown acreage. The final outturn of the crops will modify the supply situation as outlined below.

The following table shows estimated available supplies during the crop year 1930-31:

Table IX. - Estimated Available Supplies - 1930-31.

(Million bushels).

Country	Carryover	New crop	Total supply	Domestic consumption	Normal carryover	Available supplies
Canada	111	397	508	129	70	308
United States	291	863	1,154	733	150	271
Argentine	60	239	299	90	60	149
Australia	35	205	240	50	30	160
Total	497	1,704	2,201	1,002	310	888
		Actual Exports 1930-31			Russia	93
					Others	56
						1,037

The above table shows how the crop year 1930-31 commenced with a very unfavourable situation. After allowing for carryovers in exporting countries, available supplies, including actual Russian, Danubian, Indian, etc. exports, there remained over 1,000 million bushels of wheat available to meet actual import requirements of 785 million bushels. This situation meant that some stocks must be added to the accumulated carryover in exporting countries. A market situation was presented which was highly unfavourable to selling countries and which carried prices to new low levels. The supply situation at the commencement of the present crop year is indicated by the following table:

Table I.- Estimated Available Supplies, - 1931-32.

(Million bushels)

Country	Carryover	New Crop	Total Supply	Domestic Consumption	Normal Carryover	Available Supply
Canada	133	271	404	120	70	214
United States	319 1/	886	1,205	750	250	205
Argentine	85	200	285	90	60	135
Australia	38	165	203	50	30	123
Total	575	1,522	2,097	1,010	410	677
			Estimated Exports -	Russia		93
				Others -		56
						826

1/ June 30th.

The above table shows the relatively strong supply situation as compared with last year. While the carryovers on July 31st, 1931 were larger than at the same time last year, the estimated 1931 production for the four countries is 182 million bushels lower and total supplies 104 million bushels lower than in 1930. According to the above figures, each of the four countries shows smaller estimated available supplies than in 1930 and combined show estimated available supplies of 211 million bushels less than in 1930.

The disposition of United States stocks remains indefinite at the present time. The Federal Farm Board and subsidiaries hold a large share of the carryover and it is very unlikely that its entire holdings will be liquidated during 1931-32. It is, therefore, taken that at least 100 million bushels of state controlled wheat will be carried over until 1932-33, or until such time as the 1932 crops at home and abroad are known quantities, and the full effect of acreage reductions are evidenced. In view of this situation, therefore, it appears that the United States will show a fairly large carryover on June 30th, 1932, but one considerably smaller than on the same date in 1931. In view of lack of accurate data of Russian production in 1931 and probable exports, this source is estimated as the same as 1930 although it is now evident that the 1931 Russian crop is smaller than last year. However, it should be remembered that the size of the crop is not the only factor affecting Russian exports. The Five-Year Plan calls for large foreign purchases, Russia has foreign obligations to meet and it is presumed that wheat will play its part in this respect. Therefore, it is possible that Russia may overcome the difficulties incident to a smaller crop by reducing the volume of wheat for domestic consumption.

The general supply situation indicates, after allowance is made for carryovers, approximately 825 million bushels available to meet a prospective demand of 776 million bushels, a relatively strong situation. If the Southern Hemisphere should produce below average yields, the situation would be further improved, or conversely, weakened by above average yields.

The Carryovers.

The above analysis indicates a carryover of slightly over 400 million bushels including holdings of the Federal Farm Board and its subsidiaries, and being above normal by the Government owned stocks in the United States. An allowance of 300 million bushels for normal carryovers in the four large exporting countries is large when compared with carryovers of five or six years ago. However, the situation in respect to the amount of wheat carried over from one crop year to another in exporting countries has undergone a change in recent years. Developments in the world grain trade and allied industries have tended to place the burden of carrying stocks of wheat on exporting countries. The general process of rationalization in the milling industry in Europe has been a factor in creating this change. The apparent desire of European countries to develop their own milling industries, has tended to make the flour market uncertain and has had the effect of disposing millers to purchase wheat largely on the

basis of flour orders. These are but examples of the general tendency which is making it necessary for exporting countries to assume the responsibility of carrying stocks and unless unforeseen factors develop, future years are likely to see the accepted definition of normal carryovers in exporting countries on a somewhat larger scale. Nor is it reasonable to accept the typical carryover of 1925 or 1926 as normal under conditions as they have developed since that time.

International Movement to Date - 1931-32.

World Shipments.

In order to fulfill Mr. Broomhall's estimate of world import requirements of 776 million bushels for 1931-32, average weekly shipments of 14,923,000 bushels are required. During the first six weeks of the present crop year (from August 1st to September 12th), world shipments have amounted to 91,168,000 bushels or an average of 15,194,000 bushels, or slightly higher than the amount required to meet the estimate for the year.

The following table shows weekly world shipments of wheat and flour by countries of origin (Data from Broomhall).

Table XI. - World Shipments Aug. 1, to Sept. 12, 1931.

(Thousand bushels).

Week Ending	North America	Argentine	Australia	Russia	India	Others	Total
Aug. 8	7,848	1,234	2,144	3,080	232	1,296	15,834
15	4,428	1,131	1,576	4,484	-	876	12,495
22	5,676	1,337	2,096	4,616	-	264	13,990
29	5,696	1,625	1,751	5,800	16	1,464	16,350
Sept.5	6,005	1,903	2,032	4,512	16	2,032	16,500
12	5,232	1,301	1,241	6,056	-	2,168	15,998
Total	34,885	8,531	10,840	28,548	264	8,100	91,168
1930-31 Comparative	58,307	5,077	5,885	9,032	2,304	9,383	89,988

During the first five weeks of the present crop year, world shipments averaged lower than shipments for the same period of 1930. During the week ending Sept. 12th, however, world shipments totalled 15,998,000 bushels compared to 12,755,000 bushels for the same week last year. On September 12th total world shipments exceeded the total for the same period last year by over one million bushels.

The feature of world shipments to date, has been the early appearance of Russian wheat in large volume. Up to September 12th Russia had shipped 28,548,000 bushels compared to 9,032,000 bushels for the same period last year-- an increase of 19,516,000 bushels. North American shipments to date are lower than a year ago being on September 12th, 34,885,000 bushels compared to 58,307,000 on the same date in 1930. The North American shipments reflect the slow movement of the United States crop and the very short crop of hard spring wheat both in the United States and Canada as well as the low prices at which Russian wheat has been offered on continental markets. The Argentine and Australia have been shipping in greater volume than last year while India has practically disappeared from the export market.

The Canadian Wheat Situation

Canadian Wheat Production, 1931. - The preliminary estimate of the Bureau released on September 9th, forecasted a wheat crop of 271,400,000 bushels in Canada--of which 250,323,000 bushels are spring wheat and 21,077,000 bushels fall wheat. The Ontario crops of both fall and spring wheat exceed those of 1930, despite the effects of summer drought. The regional distribution of the 246,500,000 bushels forecasted as the western production presents a situation unparalleled in western agricultural records.

The yield of 10.4 bushels per acre and the total production of 26 million bushels in Manitoba are the lowest in the Bureau records for that province dating back to 1908. Crop Districts 1, 2, 7 and 8 (containing about half the Manitoba wheat acreage) show the lowest yields, while the largest wheat district (No. 3) in the Red River Valley promises a return of 13.6 bushels per acre.

In Saskatchewan the area of about 5¾ million acres in Crop Districts 1, 2 and 3 of southern Saskatchewan will return little more than seed, while the 4½ million acres in Crop Districts 4, 5 and 6 promise yields of 5 to 9 bushels per acre. The good crops in the remaining districts of less concentrated wheat production are insufficient to alter the provincial average materially. At 7.3 bushels per acre, this is also the lowest in the records of the Bureau, as only once previously, in 1919, did the provincial average drop below 10 bushels per acre--in that year, it was 8.5. The total yield forecasted is the lowest since 1919, when the wheat area was 3.3 million acres lower. The extent of the drought damage is emphasized by the fact that Saskatchewan produced more wheat in 1911 when with about 5¼ million acres seeded, the production was 109,323,000 bushels. With a seeded wheat area of 13,881,000 acres this year, the production is estimated at only 101,300,000 bushels.

The average wheat yield in Alberta will be nearly equal to the long-time average of 17.9 bushels per acre, although condition figures during the growing season indicated a much lower return. The July 31 condition figures for spring wheat in Alberta was only 77 per cent of the long-time average, but the month of August was particularly favourable for growth and ripening in the central and western areas of heaviest yields, resulting in a notable appreciation in prospects. Much of the crop in central Alberta was late and in the exact stage of growth at which it could take advantage of good rains, in the absence of killing frosts. Crop District 7 in the region of Edmonton has the highest average yield in the West with a promised return of 28.2 bushels per acre.

The weather in the West during August and the first half of September was generally favourable for cutting and threshing operations, although some heavy rains have fallen. The latest crops are along the foothills north of Calgary, Alberta and in central Alberta but even in these districts the great bulk of the wheat crop ripened before the recent light frosts.

Primary Movement.- Up to the present, neither the internal nor the external movement of Canadian wheat has been very encouraging. The movement from farms to country elevators has fallen sharply compared with the same period of 1930, and a greater portion of the marketings is old crop wheat. The deliveries at western country elevators and the shipments over loading platforms, however, have shown the usual seasonal rise, from a total of 625,157 bushels in the first week of August to 9,324,039 bushels in the week ending September 4. In these five weeks, 18,304,284 bushels of wheat were delivered or shipped, made up as follows:

Manitoba	4,147,415 bushels.
Saskatchewan	7,352,601 bushels.
Alberta	6,804,268 bushels.

Although threshing is much later in Alberta than in Saskatchewan, the deliveries in Alberta during this period were only half a million bushels less. Larger than usual quantities of Manitoba wheat are being shipped over loading platforms. Although the primary movement is lighter and later than that of 1930, it is gaining momentum. The threshing season was generally two to three weeks later and the farmers are showing evident reluctance to part with their grain at present prices. The release of Pool members from their marketing contracts has also retarded deliveries to some degree.

Quality.- Early inspections and tests show that the crop will be high in both grade and protein content. The drought area will not market sufficient light wheat to reduce greatly the quality of the whole crop, although early inspections of new crop wheat during August show a smaller volume of the higher contract grades than in the same month of 1930. There were 15,090 cars inspected in August last year and 6,437 of new crop and 1,933 of old crop during August, 1931; 85.6 per cent of the 1930 deliveries fell in the straight grades, No. 3 Northern or higher and only 67.8 per cent in August, 1931. A large number of cars (938) was graded 'tough' in August of this year.

Lake Movement.- Although the receipts of wheat at the Head of the Lakes are much lower than in 1930, the clearances from the two ports are only slightly less. In the period from August 1 to September 7, 18,735,947 bushels of wheat were shipped from Fort William and Port Arthur, consigned as follows:

To Buffalo	8,618,449 bushels.
To Canadian Lower Lake Ports	7,517,097 bushels.
To Montreal	2,117,866 bushels.
To Quebec and Sorel	482,535 bushels.

In the same period of 1930, the shipments amounted to 23,530,162 bushels.

Statistical Position.- The following table summarizes the statistical situation regarding wheat in Canada at the end of the first month of the new crop years in 1930 and 1931:

	1930-31	1931-32
	Bushels	Bushels
Carryover, July 31.	111,094,912	133,381,623
Exports, August	20,461,776	14,258,909
Balance (1)	90,633,136	119,122,714
Production	397,872,000 1/	271,400,000 2/
Domestic Consumption (estimated)	130,000,000	120,000,000
Balance (2)	267,872,000	151,400,000
Available for export or carryover ((1) and (2))	358,505,136	270,522,714

1/ Final estimate
2/ Preliminary estimate.

The higher carry over and the lower outward movement during August of this year combine to place the stocks of old wheat at September 1 about 28½ million bushels higher than the comparable figure for the same date of 1930. This excess, however, is more than offset by the difference of 126½ million bushels in the crop estimates of the two years. The domestic consumption is placed at a lower figure for 1931-32 than for 1930-31, because there will be less dockage, less unmerchantable and less fed to livestock, particularly in Saskatchewan. The stocks of wheat available for export and carryover during the next season are thus estimated at approximately 270½ million bushels, or 88 million bushels less than the comparable figure for last season at the same date. When it is considered that the exports of wheat and wheat flour in the 12 months from August 1, 1930 to July 31, 1931 amounted to 258,637,887 bushels and that even this figure was below the average of recent years, the prospects of a considerable reduction in carryover are apparent.

Course of Wheat Prices.- The following summary of wheat prices since August 1st, has been prepared by the Internal Trade Branch of this Bureau:

Wheat markets during the past six weeks, have been relatively quiet. A short decline in the opening days of August, which carried No. 1 Northern cash prices at Winnipeg down about three cents, terminated at around 51¢ per bushel. By the beginning of the second week, however, 56¢ per bushel had been reached again, in consequence of frost in the Peace River area and considerable short covering. From the 8th until the 31st of August, the market for No. 1 Northern cash wheat fluctuated narrowly, never closing below 55¢ per bushel. Subsequently, persistent pressure from Russian offerings, and the effect of increasing Canadian country marketings, exerted a weakening influence which reduced the range of prices roughly to between 52¢ and 54¢ per bushel.

The August average price for No. 1 Manitoba Northern cash wheat, Fort William and Port Arthur basis, was 55.1¢, as against 57.3¢ per bushel for July. The cash closing price of September 15th for the same grade was 52.5¢ as against 56.2¢ a month earlier.

Recent Reports on European Crops

Germany. The Canadian Trade Commissioner at Hamburg reports that during the greater part of August there prevailed continuous rains throughout Northern Europe. It is generally believed that the quality of the German grain crops must have suffered severly from the abnormal August weather, but it has not yet been reliably determined to what extent the yields from this year's harvest have been affected by the prevalence of rainy weather in August. The only estimates of the German Statistical Bureau at present available are those based on the condition of the crops at the beginning of August. These estimates indicate only slightly reduced yeilds per acre as compared with the previous year, as the following table shows:

Kind of Grain	Estimated Yield Per Acre	
	1931	1930
Winter rye	26.1	26.8
Summer rye	21.2	21.7
Winter wheat	31.2	31.7
Summer wheat	30.8	30.6
Winter barley	41.3	42.6
Summer barley	35.5	35.9
Oats	51.4	51.2

Converting the above expected average yields per acre into total yields for the whole country on the basis of the estimated areas cultivated with the different grains, the following results are obtained:

Kind of Grain	Total estimated Yield	Final estimate of total yield in 1930
	Bushels	Bushels
Winter rye	279,516,350	299,200,600
Summer rye	3,936,850	3,543,165
Winter wheat	143,298,090	124,926,540
Summer wheat	21,678,429	12,492,654
Winter barley	22,965,300	22,046,688
Summer barley	121,716,090	109,314,828
Oats	426,662,992	367,007,984

It is thus seen that the total yield of rye is expected to be 19,290,565 bushels less than that of last year and that the wheat crop will probably exceed that of the previous year by 27,557,325 bushels. These changes reflect the decrease in the area cultivated with rye and the 21.2 per cent increase in the area planted with wheat. The increase in the total yield of barley is also a reflection of the greater area cultivated with this grain. There was a decrease this year in the area sown to oats, but as the estimated yield is better than last year a larger crop is anticipated.

The German Minister for Food and Agriculture has estimated the rye requirements for the 1931-32 crop year at 196,842,500 bushels for breadstuffs, 27,557,950 bushels for seed and 59,052,750 bushels for fodder or a total of 283,453,200 bushels, which is exactly equal to the estimated total yield based on the condition of crop at the beginning of August.

With respect to wheat the German requirements for the crop year are estimated to amount to around 176,320,000 bushels. Since the estimated yield from this year's harvest, based on the condition of the crop at the beginning of August, totals 165,000,000 bushels, the deficit to be covered by imports from abroad should amount to only 11,388,000 bushels.

On the other hand, in view of the shortage of credits for financing the harvest, the Government have re-introduced in a modified form the import bond system for exports of wheat and rye. In this way it is intended to encourage the exports of German wheat and rye in the autumn. The quantities exported in this manner will have to be replaced by the importation of equivalent quantities of foreign grain later on in the crop year.

During August the German Government announced the measures for overcoming the difficulties of financing the harvest in view of the prevailing shortage of credit in Germany. The semi-official German Grain Trading Company has been empowered to issue warehouse receipts for grain and when endorsed by a third party these warehouse receipts can be discounted at the Reichsbank at rates below the general rates of interest. The other measures for facilitating the financing of the harvest are the re-introduction of the import bond system for exports of wheat and rye.

On August 13th., 1931, the German Government issued a decree fixing the compulsory milling of domestic wheat up to the end of July, 1932, at 97 per cent. On August 14th., 1931, a decree was issued providing for the granting of an import bond on the export of German wheat up to December 31st., 1931. This import bond could then be used to cover the importation of an equivalent quantity of foreign wheat up to July 31st., 1932, at the reduced rate of duty of R.M. 2.00 per 100 kg. (220 lbs.) or 13 cents per bushel instead of at the general rate of duty of R.M.25.00 per 100 kg. or $1.62 per bushel. Mills using wheat imported under an import bond are also to be permitted to grind up to 30 per cent of foreign wheat instead of the 3 per cent permitted under the regulations for the compulsory milling of domestic wheat. Another decree of August 19th., 1931, provided for the granting of import bonds on the export of rye up to December 31st., 1931, these import bonds to be used for importing foreign rye up to July 31st., 1932, at the reduced rate of duty of R.M. 1.00 ($0.238) per 100 kg. (220 lbs.) as compared with present rate of duty of R.M. 20.00 ($4.76) per 100 kg.

It is not yet clear what quantities of Germany wheat it will be possible to export under the import bond system. Transactions have already taken place, but it is being found difficult to realize satisfactory prices on the British and Scandinavian markets on account of the competition of cheap Danubian wheat. The import bonds are transferable and the price at which they can be purchased depends on the difference between the domestic price of German wheat plus transport to the foreign market and the price realized on that foreign market.

It is estimated that the mills using foreign wheat in Germany require around 88,160,000 bushels of wheat annually. Under the regulations for the compulsory milling of domestic wheat these mills would be permitted to grind during the crop year 1931-32 a total of 23,803,200 bushels of foreign wheat imported under import bonds and 2,644,800 bushels imported at the full rate of duty or a total of 26,448,000 bushels of foreign wheat. This presupposes, however, that Germany will be able to find markets abroad before the end of the calendar year for 23,809,529 bushels of German wheat, which most authorities do not believe possible.

The wheat import requirements of Germany for the 1931-32 crop year will depend largely upon the quantities of Germany wheat exported in the early part of the year. If these exports are considerable the total imports of foreign wheat may not fall very short of those in the previous crop year.

Austria.- The Canadian Trade Commissioner at Hamburg reports that the estimates of the Austrian Ministry of Agriculture based on the condition of the crops at the beginning of August indicate lower yields of grain than in the previous year. The total yield of winter wheat is estimated at 8,796, 298 bushels, as against 11,603,471 bushels in 1930, that of winter rye at 17,125,298 bushels, as compared with 19,936,208 bushels, that of winter barley at 5,190,158 bushels as against 5,327,950 bushels and that of summer barley at 10,247,117 bushels as compared with 11,744,454 bushels in the previous year. The yield of summer wheat is reported to be in general satisfactory and about the same as last year.

Hungary.- The grain crops in Hungary are reported to be poor and to give yields considerably below those of last year. According to the Canadian Trade Commissioner at Hamburg the official Hungarian crop report issued on August 7th., 1931, estimates the total yield of wheat at 64,484,141 bushels as against 84,325,415 bushels in 1930. The estimated yield of rye at 21,258,990 bushels compares with a final estimate for last year of 28,384,689 bushels. The yield of barley is estimated at 19,612,366 bushels as compared with 27,604,291 bushels in 1930, that of oats at , 9,726,360 bushels as against 16,923,866 bushels and that of corn at 54,486,004 bushels as compared with 55,391,480 bushels in the previous year.

Czechoslovakia.- The Canadian Trade Commissioner at Hamburg writes that according to the official report based on the condition of the crops on August 1st, 1931, the prospects have greatly deteriorated. Winter grain particularly is anticipated to give unsatisfactory yields. Whereas the prospects for winter rye were previously reported as poor, it would now appear that winter wheat will also give unsatisfactory returns. When 2 - good, 3 - average and 4 below average, the condition of the crops on August 1st, 1931, was reported as follows:

Winter wheat	3.28
Summer wheat	3.00
Winter rye	3.45
Summer barley	3.06
Oats	3.01

Poland.- The Canadian Trade Commissioner at Hamburg reports that the latest available Polish crop report was based on the condition of the crops on July 15th. and indicated a wheat crop about equal to that of last year, a lower yield of rye, but larger crops of barley and oats. In view of the unfavourable weather conditions in recent weeks later reports may result in a revision of the previous estimates. The possibility of Poland having a surplus of wheat for export is still being reckoned with.

Baltic States.- According to information supplied by the Canadian Trade Commissioner at Hamburg, the area cultivated with rye in Lithuania has been reduced by 19,768 acres and consequently no rye should be available for export from Lithuania this year. A further increase in the area cultivated with wheat is indicated and the crop prospects are now more favourably reported upon. Last year the total yield of wheat amounted to 11,316,875 acres, permitting an export from Lithuania of around 918,578 bushels. A total yield of wheat not less than last year is anticipated.

The crop prospects in Esthonia are reported to be satisfactory. The harvest for winter grain should be below the average for the last ten years, but that of summer grain above the average. The area cultivated with rye is estimated at 11,930 acres less than last year. The total yield of rye is estimated at 5,765,596 bushels or about 35 per cent less than the record crop of last year. The crop of winter wheat is expected to be 2 per cent above the average for the last ten years, but considerably below that of last year. On the other hand a good crop of summer wheat is anticipated, which should go far to make up the deficiency in winter wheat.

Soviet Russia.- The Canadian Trade Commissioner at Hamburg writes that according to the latest report of the Soviet Commissariat for Agriculture the total area of winter and summer grain harvested in Soviet Russia up to August 20th. amounted to 161,850,500 acres, of which the collective farms accounted for 101,805,200 acres, the individual peasant farms for 49,914,200 acres and the Soviet estates for 101,131,100 acres. Rains have recently hindered the collection of the harvested grain in the Northern Caucasus, in the Ukraine, in the Bashkir Republic and in Moscow district. The gath ring of the harvested grain is proceeding unsatisfactorily. A third of the cut grain is estimated to have been still lying unstacked in the fields on August 20th. This was especially marked in the Ukraine, Kasakstan, Northern Caucasus, the Bashkir Republic and the Ural district.

The only available reports regarding the yield of this year's harvest in Soviet Russia would indicate that the prospects are not unsatisfactory, provided the harvested grain is gathered and threshed in time. The grain has suffered from drought in the Northern Caucasus, on the Lower Volga and in Western Siberia. It is therefore improbable that this year's yield of grain will exceed that of last year. In the Ukraine the crop results usually turn out similar to those in Roumania. According to the most recent reports the prospects for the wheat harvest in Roumania are said to be satisfactory and the total yield is estimated at 5 per cent less than that of last year.

Australia.

The following cable was received on Sept. 1?th from the Canadian Trade Commissioner for Australia.

"Total shipments to date including flour equivalent one hundred and forty million and one hundred and fifty thousand bushels wheat. Estimated today about ten million bushels wheat available for shipment but mostly already sold, leaving small balance chiefly in growers hands. Today's quotation fifty-nine cents bushel, f.o.b. main ports. Expert opinion estimates with continuance favourable season in principal wheat growing states, the exportable surplus of new crop shipment beginning December will approximate one hundred and thirty million bushels. Freight rates on wheat September October shipment to United Kingdom six dollars eighteen cents and on flour six dollars seventy cents to United Kingdom and Egypt. Flour in hundred and fifty pound sacks quoted today twenty four dollars ninety four cents."

18/9/31/M.