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WHEAT SITUATION

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THE WORLD SITUATION

The crop year 1931-32 is now a matter of history. It is true that time must elapse before the full significance of the past year is realized and events are viewed in their proper perspective. At the present time, however, certain broad characteristics are evident and the present issue of the Monthly Review of the Wheat Situation is devoted to a discussion of these matters. The cereal year, 1931-32 marks the third successive year in which the wheat situation contained peculiar difficulties in addition to being affected by widespread economic depression. Since the autumn of 1929, the world has been passing from one crisis to another and month by month the difficulties inherent in economic analyses have become more complex. The current prospects and future outlook for any basic commodity such as wheat have become increasingly bound up with larger considerations. It is natural therefore that during the past year commodity analyses have become wider in scope as many inter-relations with other economic movements have become more evident. This fact might be considered the important characteristic of the past year. Scarcely a month has passed without national and international events causing repercussions in the economic field--sometimes offering a measure of hope and at other times offering further uncertainty and increasing difficulties. The chain of significant events which have influenced the economic history of the past year commenced with the German financial crisis, the British financial crisis, the abandonment of the gold standard by Great Britain, and the Disarmament Conference, and ended with the facts and implications of Lausanne and the Imperial Economic Conference at Ottawa.

The crop year commenced under the shadow of the German financial crisis of July, 1931. At that moment Germany seemed to be wavering and liquid capital flowed out of the country. The crisis was far reaching in its effect and the nations of the world rushed to the assistance of Germany in order to protect the financial and economic stability of Europe.

Scarcely had the continental emergency been met when the United Kingdom found itself in financial difficulties and careful analyses revealed that governmental revenues were falling short of expenditures. The situation culminated in the formation of the National Government and in spite of every effort, the United Kingdom was forced to abandon the gold standard in September 1931. The action of Great Britain was closely followed by similar action on the part of many trading nations. This development had many repercussions but it is only necessary to mention two main results, namely, the increasing difficulty of conducting international trade and in making international settlements, and the general feeling of uncertainty that became manifest.

In addition to economic and financial uncertainty, political events disturbed several important countries. General elections were held in Great Britain, France and Germany and the presidential term was drawing to a close in the United States. In addition political difficulties were experienced in Spain, Roumania, Austria, Greece and other countries. These happenings had an effect quite outside of the usual uncertainty caused by political developments in that during the past year the world has been faced with problems that essentially required international co-operation and action. The concern of many countries in domestic matters has made it difficult for concerted international action to take place.

In spite of the foregoing limiting factors, however, and in response to pressing international problems distinct progress has been made during the past year in dealing with troublesome problems that affect all nations. In the first place the deliberations of the Disarmament Conference in Geneva may be mentioned. Quite aside from the moral implications of disarmament, the questions has a financial and economic aspect which cannot be ignored. A curbing of the present tendency to pour national resources into unproductive channels and to reduce the burden of internal taxation can have a constructive effect upon the economic life of all countries burdened with tremendous annual expenditures for the sinews of war.

Constructive international action in regard to reparations was taken at Lausanne. The object of the Lausanne Conference was "to agree on a lasting settlement of the questions raised in the Report of the Basle Experts and on measures necessary to solve the other financial difficulties which are responsible for, and may prolong, the present world crisis." In addition, Lausanne laid the foundations for constructive assistance to the harassed countries of eastern Europe, and for a world conference to consider economic conditions. The Lausanne Conference definitely brought the nations of the world to grips with pressing international problems the solution of which undoubtedly means the hastening of economic recovery throughout the world.

Within the range of the influence of these outstanding events, among others, the commerce of the world has been carried on during the past year and the results of 1931-32 attained.

WHEAT ACREAGE, 1931.

The following table shows world wheat acreage figures for 1931 as compiled by the International Institute of Agriculture (with comparative figures for previous years):

	1931	1930	1929	1928
		(Thousand acres)		
World Wheat Acreage -	241,342	251,386	238,583	241,909

Taking the world as a whole, exclusive of Russia and China, world wheat acreage in 1931 declined by about 10 million acres compared with 1930, and approached the 1928 level.

The following table shows wheat acreage in the chief wheat producing regions in 1931 (with comparative figures for previous years):

	1931	1930	1929	1928
		(Thousand acres)		
Canada	26,116	24,898	25,255	24,119
United States	55,299	61,671	62,671	58,272
Argentine	17,295	21,283	19,486	20,756
Australia	13,990	18,212	14,977	14,840
India	32,181	31,654	31,973	32,193
Europe (Ex-Russia)	75,546	73,840	69,576	71,382
TOTAL	220,427	231,558	223,938	221,562

Acreage figures for the above countries show that in 1931 there was a net decrease of 11.1 million acres compared with 1930. Acreage decreases were shown in the United States, the Argentine and Australia, while India and Europe showed increases. Canada also increased her acreage in 1931 according to the foregoing figures but the figures for 1931 and 1930 are on a different basis. The 1931 acreage figures are the result of the decennial census, which figures showed a substantial increase over the annual figures. Until the census data for 1930 is released, it is not possible to make a valid comparison between 1931 and 1930, as very likely the 1930 figures are too low.

It should be pointed out that in the case of the United States, the Argentine and Australia acreage for harvest is given, while in Canada acreage data are compiled on the basis of sown acreages. Acreage figures as shown above therefore take into account abandonment for various causes and do not reflect entirely farmers' intended acreage. Care must be taken, therefore, in the case of the three mentioned countries, to avoid the incorrect deduction that acreage declines have been due solely to the price situation that has existed during the past two years.

It seems fair to say that as yet unprofitable price levels have not influenced acreage in exporting countries. This reflects the economic fact that the wheat farmer has not as yet a satisfactory substitute crop. At the same time, high overhead costs, especially in fixed charges, urge the farmer to utilize his land to the greatest possible extent.

The situation in Canada is indicative of the tenacity with which the wheat farmer clings to his basic crop. Preliminary acreage figures for 1932 show a further increase of 984,000 acres over 1931 and a total of 27,099,000 acres sown to wheat. It is evident that the Canadian wheat acreage has increased considerably since the crisis of 1929.

Co-incident with this fact is the situation in Europe where the acreage sown to wheat has increased by some 5½ million acres since 1929. It should be remembered of course that these increases have taken place in highly protected countries under a regime of high prices. Under the existing state of affairs, therefore, the responsibility of acreage reduction, if such be necessary, is placed entirely upon the shoulders of the large exporting countries who so far have singularly resisted the theoretical tendency to reduce acreage in response to low prices.

In short, it may be truthfully stated that 1931-32, the third year of the cereal depression, has not witnessed any noticeable attempt on the part of exporting countries to adjust their position in relation to the wheat situation generally by the instrument of acreage reduction, if the issue be judged on the basis of farmers' intentions to plant and if untoward physical conditions and abandonment be considered.

In addition, progress has been made in the field of plant breeding and in Canada at least, there is a marked tendency to increase the acreage of early ripening wheats which have a greater chance of surviving frost and rust and in the long run will tend to increase the productivity of the sown acre.

WHEAT PRODUCTION 1931.

The following table shows world production (excluding Russia and China) of wheat in 1931, along with comparative figures for previous years.

	1931	1930	1929	1928
		(Million bushels)		
World Wheat Production (except Russia & China)	3,650	3,724	3,429	3,825

The total world production of wheat in 1931 amounted to 3,650 million bushels compared with 3,724 million bushels in 1930. The level of the 1930 crop stood about half way between the large crop of 1928 and the short crop of 1929.

The following table shows the production of wheat in the chief wheat producing areas of the world (except Russia) in 1931, along with comparative figures for previous years.

	1931	1930	1929	1928
		(Million bushels)		
Canada	304 ≠	421	305	567
United States	892	858	809	915
Australia	189	213	127	159
Argentine	226	235	162	349
India	347	391	321	291
Europe (except Russia)	1,434	1,377	1,431	1,411
T O T A L	3,045	3,104	2,834	3,401

≠ Underestimated - probably about 15 million bushels too low.

The distribution of the world's wheat crop in 1931-32 shows a good outturn in the United States and Europe with a small crop in Canada and moderate crops in other exporting countries.

It is noteworthy that Europe as a whole, produced a good crop in 1931 which exceeded the large crops of 1929 and 1928. While it is probable that some crops were overestimated in 1931, due allowance for this factor would still leave Europe on a level with the bumper year of 1928. This production would no doubt have seriously curtailed imports had it not been for the fact that rye production was relatively small--possibly 150 million bushels less than in 1930. This situation partially offset the effects of a good wheat crop and enabled Europe to purchase a fair amount of foreign wheat.

THE DANUBE

Of special interest in 1931-32 was the situation that developed in the Danubian countries. The following table shows production of wheat in 1931 in the Danube area along with comparative figures for previous years.

	1931	1930	1929	1928
		(Million bushels)		
Roumania	135	131	100	116
Yugoslavia	99	80	94	103
Bulgaria	61	57	33	49
Hungary	69	84	75	99
T O T A L	336	319	302	367

Allowing for a domestic utilization of about 265 million bushels in the above countries, there were about 70 million bushels of wheat available for export and carry-over. During the crop year 1931-32 Danubian countries shipped about 60 million bushels compared with 38 million bushels for the previous year. In addition Roumania, encouraged by a subsidy, exported heavily during the fall months of 1931. Heavy production and heavy exports from Danubian countries constituted an important element in the wheat situation during 1931-32.

INTERNATIONAL TRADE

TRADE RESTRICTIONS AFFECTING WHEAT

The crop year 1931-32 commenced with the continental European wheat market regulated to an unprecedented extent and even more restricted than was the case a year previous. The severe restrictions against imports resulted in domestic crops in protected countries going into consumption in the first half of the crop year at a relatively high price. In late January and early February a noticeable scarcity of milling wheat became apparent in continental countries and in particular in France and Italy. These countries then modified their restrictions by lowering progressively the quantities of domestic wheat required to be milled. In the last five months of the crop year Italy and France were both relatively large purchasers of foreign wheats. With the advent of domestic crops in these countries, however, the restrictions against foreign wheat have been revised upward and the early months of the 1932-33 season will find the continent of Europe again tightly guarded.

Writing in the "Journal of Farm Economics," April, 1932, Dr. Mordecai Ezekiel states:

> "The international markets of today are characterized by the almost universal presence of political restrictions. In the past, changes in prices were dominant in controlling production and consumption, and in tending to bring them to a balance. Now, international restrictions are so numerous that the ability of prices to control economic activity is seriously weakened.
>
> Political restrictions on international trade have taken many forms besides the long-familiar protective tariffs. The quota system for imports, by which the quantity of each product imported is definitely limited, is one new development in the way of direct control. This system is now applied by France to a wide range of products. The quota system for processors is another. As applied to wheat in many countries, this requires a definite proportion of each miller's grindings to be of domestic wheat. International cartels, for a large number of products, have divided up trade territories between them, and so have applied a very definite control of exports. In many countries today, particularly in central and eastern Europe, foreign exchange transactions are under direct control. This is apparently being used to control imports, deliberately in some countries, perhaps unintentionally in others. Purchase, sale, and import or export under government license or government monopoly, are also found in several countries. Export or production bounties also are in use. Soviet Russia's complete control of imports and exports is but the most extreme case of a development which is now in evidence almost throughout the world.

Looking at the question of milling quotas, tariffs and other restrictive measures applied against foreign wheat by leading continental importing countries, it is difficult to see any immediate prospect of freer markets for wheat. Producers in these countries have experienced satisfactory price levels during the time when the international market has fallen to unprecedented levels. Having become accustomed to such a high degree of assistance, growers will be reluctant to yield this advantage. Little or no consideration seems to be given as yet to the long-time factors in the situation. It is difficult to see how the present spread between domestic prices in France, Germany, Italy and other importing countries, and the international price level can continue indefinitely. In the long run, the industrial populations of these countries will require equality in breadstuffs both in regard in quality and price with industrial populations of the United Kingdom and wheat exporting countries. Competitive advantage in export trade cannot be maintained upon the basis of artificially high food prices and in many cases accompanied by a lowering of quality. How long before the long-time viewpoint will be recognized or stated conversely, how long the present status can be prolonged, cannot be approximated at the present time. The immediate outlook seems to favour a continuation of the existing state of affairs.

THE BRITISH WHEAT ACT, 1932.

The Wheat Act, 1932, is the legislative instrument by which the United Kingdom hopes to restore a measure of prosperity to the cereal farmer of that country. Being a relatively high cost producer the British farmer has suffered severely from the fall in prices and cereal production has been decreasing in recent years. The Wheat Act, 1932, provides for a direct subsidy to the British farmer in so far as he is a producer of millable wheat. The Wheat Act plans "to secure to growers of home-grown millable wheat a standard price and a market therefor; to make provision for imposing on millers and importers of flour obligations to make payments calculated by reference to a quota of such wheat and as to the disposal of the moneys thereby received." Under the terms of the Act growers are free to sell their wheat to anyone at what price they can get for it, and millers are free to buy any wheat they please at what price they can get it for. In the month of June in any year the Wheat Commission set up to administer the act may require the millers to buy any unsold wheat at a price to be fixed by the Commission. After the entire domestic crop is sold the domestic producer will receive a subsidy equal to the difference between the average price paid by the millers for domestic wheat purchased and a standard price established by the Commission. The standard price agreed upon, and to be revised in 1935 is 45 shillings per quarter of 504 pounds or approximately $1.25 per bushel. All administrative expenses of the scheme are deducted from the subsidy paid to the farmer.

It is anticipated that the Wheat Act will cause an increase in the production of wheat in the United Kingdom and to safeguard the Wheat Commission at the moment, the subsidy will only be paid on a maximum of 27 million hundred weight.

The above paragraphs outline the essential features of the British Wheat Act and with a guaranteed price of $1.25 per bushel for the next few years, it is likely that wheat production in the United Kingdom will start to increase again. However domestic production of wheat only amounts to about one-fifth of domestic requirements and no pronounced effect upon imports is likely at least until the Wheat Act has had time to demonstrate its effectiveness.

EXCHANGE FLUCTUATIONS IN RELATION TO THE WHEAT MARKET

Violent adjustments in currency valuations during the past year made considerable difference in the relative advantage due to exchange enjoyed by the major wheat exporting countries. As far back as the autumn of 1929, the Australian pound and the Argentine peso had begun to show signs of weakness and subsequently they depreciated materially. At the beginning of August 1931, quotations for the pound were at a discount of approximately 24 p.c. in terms of sterling and the corresponding discount for paper pesos was nearly 34 p.c. The Canadian dollar at this time was under pressure but had been maintained consistently at less than one p.c. below par, while the U.S. dollar was at a slight premium. Thus the two large southern hemisphere exporters by virtue of the weak condition of their exchanges occupied favourable positions in competing for the wheat requirements of the world.

The suspension of the gold standard by the United Kingdom on September 21st, however, made an appreciable difference in the relationship of the exchanges mentioned above.

(1) <u>Australia.</u>- It required 131½ Australian pounds to purchase at sight £100 sterling at the beginning of the 1931-2 crop year. This was a "pegged" ratio which was maintained until the second week of December, so that in so far as Australian exchange was concerned the abandonment of gold by the United Kingdom made no immediate difference in rates on London. In December, however, the exchange ratio was changed to 126½ Australian pounds for £100 sterling, and it remained in this position for the balance of the year, i.e., until July 31st, 1932. This meant a reduction in the London discount from about 24 p.c. to 21 p.c.

(2) <u>The Argentine.</u>- London discounts on peso exchange increased almost steadily from approximately 34 p.c. at the beginning of August, 1931, to 39 p.c. early in October, despite the September break in sterling. During a secondary decline, however, in November and December, the discount on peso exchange was gradually reduced to roughly 14 p.c. In the first quarter of 1932, despite the free movement of Argentine wheat exports, Buenos Aires rates again became steadily weaker, when quoted in terms of sterling. By the end of March, discounts were in the neighbourhood of 22 p.c. and at the close of July, 28 p.c.

(3) Canada.- London quoted Montreal at a small discount from August 1st, until September 19th, 1931, but subsequently the Canadian dollar failed to reflect fully the drastic decline in sterling. At the beginning of December when sterling was at its lowest for the year, Canadian funds were quoted at a premium of 24 p.c. in London, although they were at a discount of nearly 19 p.c. in New York. A minor rally in sterling occurred in late December and January, but Montreal was again quoted at a premium of nearly 24 p.c. in February. In the following five months London-Montreal rates were fairly stable with Montreal premiums ranging commonly from 14 p.c. to 17 p.c.

(4) United States.- The U.S. dollar was steadily at a premium in terms of sterling throughout the past crop year. The premium increased from a fraction of one p.c. for the first six weeks to about 25 p.c. with the suspension of free gold shipments by the United Kingdom in September, and reached a peak of 47 p.c. in December. During 1932, a premium ranging from 30 p.c. to 40 p.c. commonly existed.

From the above summaries, it may be noted that the southern hemisphere exporters of wheat now enjoy a greater advantage due to exchange fluctuations than they did a year ago. Argentine and Australian currencies have depreciated almost as much as has sterling during the past year, and it will be remembered that they were already at substantial discounts in terms of sterling in August, 1931. Canada now is at a greater disadvantage with relation to these countries than a year earlier, but occupies a decidedly more favourable position when compared with the United States.

The unnatural influences playing upon exchange during the year made it impossible to distinguish any effect of wheat movements upon the strength of the various currencies concerned. As noted above, Buenos Aires was actually weaker in the first three months of the year, when shipments were heaviest, than at any other time. Similarly, New York rates on Montreal in the fall months, moved precipitously downward, at a time when they are normally firm due to the fact that settlements for Canadian grain shipments are made through that market. (See Appendix 1 for exchange rates for 1931-32).

WORLD SHIPMENTS

In spite of depressed conditions and the highly restricted nature of world wheat markets, the volume of world shipments has been surprisingly large during the past two crop years. Both in 1930-31 and 1931-32 world trade in wheat has been considerably larger than in 1929-30. Big and large, trade has been satisfactory in volume and with due allowance for added consumption of wheat in exporting countries resulting from low price levels, annual world production has been well taken care of during the past two years. The following table shows world shipments of wheat and wheat flour for the five year period from 1924-25 to 1928-29 and for 1929-30, 1930-31 and 1931-32 (Broomhall's figures).

Average 1924-25 to 1928-29	784	million	bushels
1929-30	612	"	"
1930-31	787	"	"
1931-32	770	"	"

As shown by the above figures, world shipments were slightly above average in 1930-31 and slightly below in 1931-32.

The maintenance of the volume of world trade in wheat during the past two cereal years, in spite of restricted markets, is significant in two ways:-

1. The volume of international trade, assisted by high consumption in exporting countries has been sufficient to take care of world production in the last two crop years.

2. The volume of international trade, assisted by high consumption in exporting countries has not been sufficient to make any important reduction in accumulated stocks of wheat.

3. The volume of world shipments, and in particular the demand for wheat in Europe in spite of trade restrictions and the stretching of domestic supplies, indicates a strong demand and large shipments when wheat is given a fair chance in importing markets.

SEASONAL ANALYSIS OF WORLD SHIPMENTS.

Chart I shows world shipments of wheat by weeks from August 1, 1931 to July 31, 1932. The chart reveals two periods of extremely heavy international movement and two periods of extremely light shipments. The first period of heavy international movement occurred during the months of August, September, October and the early part of November. This period coincided with the Russian export drive of 1931, assisted by liberal shipments from the Danubian countries (more especially from Roumania where exports were subsidized) and moderate shipments from North America. With the continental market tightly guarded, the United Kingdom bore the brunt of this movement. More wheat was exported to the United Kingdom than could be currently consumed with the result that large stocks of wheat were built up in the United Kingdom. With the slackening of Russian shipments in November world shipments declined sharply in late November, December and early January. During these eight weeks import requirements were amply filled by small shipments and the stocks accumulated during the first four months of the crop year.

The second large movement commenced late in January and lasted until the end of April. In this period the southern hemisphere shipped heavily, the movement of new crop wheat from the Argentine and Australia being singularly rapid. The pressure was not as keen in European markets however as the Orient took a large share of Australian shipments.

Hopes of larger world shipments in 1931-32 than in 1930-31 faded rapidly in the last three months of the crop year. The movement of wheat from exporting countries during the last quarter of the crop year was frankly disappointing and in this general decline in trade no one fared worse than Canada. With wheat scarce in European countries, with France and Italy opening their markets, it was thought, and reasonably so, that North America and particularly Canada would sell at least as much wheat as during the same three months last year. Actually Canada exported ten million bushels less this year than last year during the May - July period, and only a good recovery in July prevented a more unfavourable comparison.

In general the movement of wheat from exporting countries during 1931-32 reflected the extraordinary pressure of supplies, the Russian export drive in the first half of the crop year and the unevenness of demand during the last six months of the crop year due in the last quarter of the year to the reluctance of importers to make commitments in the face of maturing domestic crops.

SOURCE OF WORLD SHIPMENTS 1931-32.

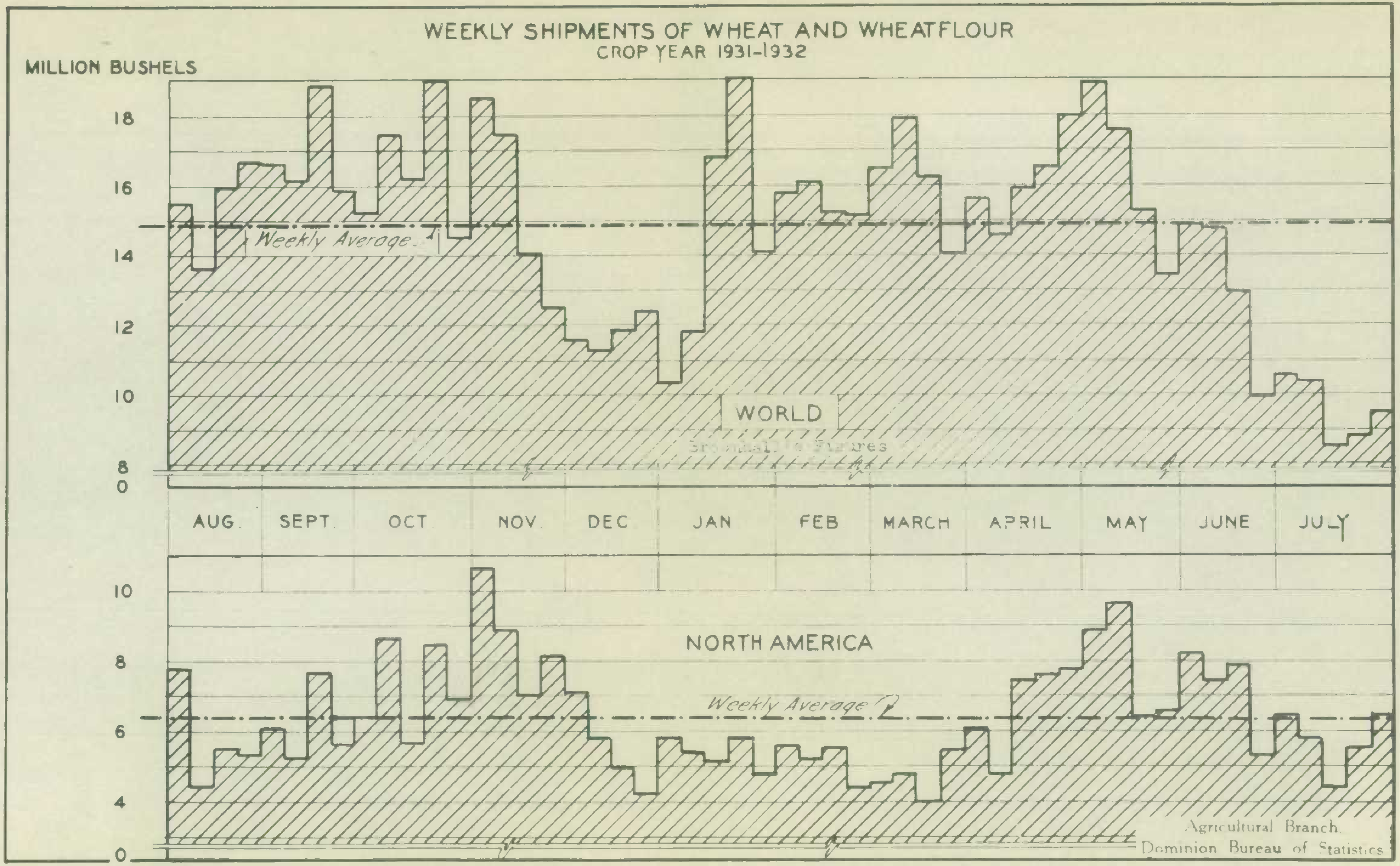
The following table shows the source of world shipments of wheat and wheat flour during 1931-32 with comparative figures for recent years. (Broomhall's figures).

	North America	Argentine	Australia	Russia	Other	Total
			(Million bushels)			
1931-32	331	136	153	71	76	770
1930-31	354	123	154	93	63	787
1929-30	319	152	65	-	77	613

IMPORT REQUIREMENTS - MR. BROOMHALL.

Early in 1931-32 Mr. Broomhall estimated world import requirements at 776 million bushels for the crop year. In spite of the heavy movement of the fall of 1931 and again the heavy movement of the late winter and early spring months Mr. Broomhall maintained his original estimate of world requirements. The fact that the international movement of wheat in the last three months of the crop year declined even more than Mr. Broomhall may have anticipated, does not detract from the sound view which he took of the international situation this year. Mr. Broomhall's work during the present crop year adds another year of accurate and timely service to a lifetime of useful endeavour which is recognized not only in the United Kingdom and Europe but in exporting countries as well.

Chart "A"


WEEKLY SHIPMENTS OF WHEAT AND WHEATFLOUR
CROP YEAR 1931-1932
MILLION BUSHELS
18
16
14
12
10
8
0
Weekly Average
WORLD
Broomhall's Figures
AUG.
SEPT.
OCT.
NOV.
DEC.
JAN.
FEB.
MARCH
APRIL
MAY
JUNE
JULY
10
8
6
4
0
NORTH AMERICA
Weekly Average
Agricultural Branch
Dominion Bureau of Statistics

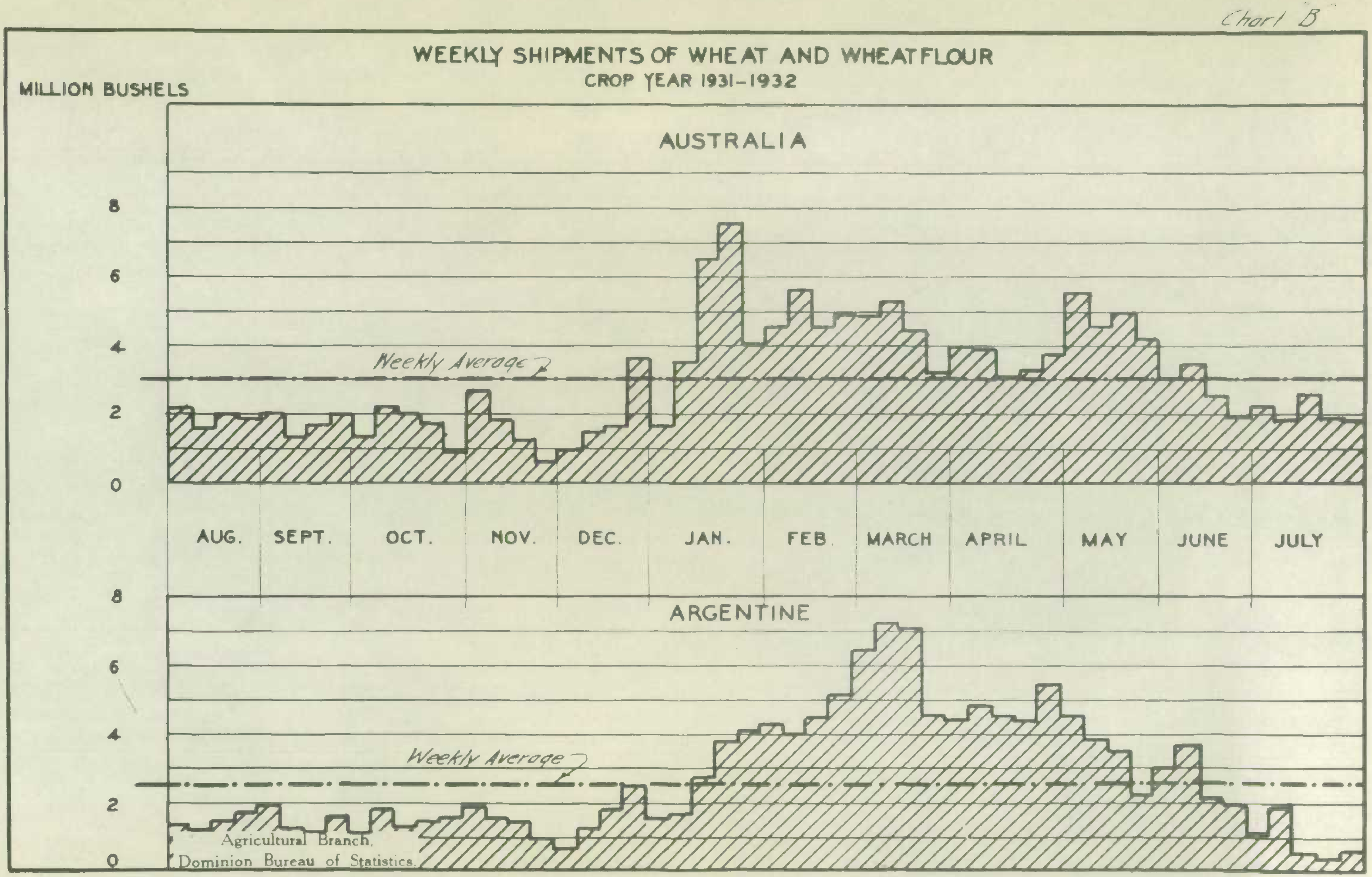
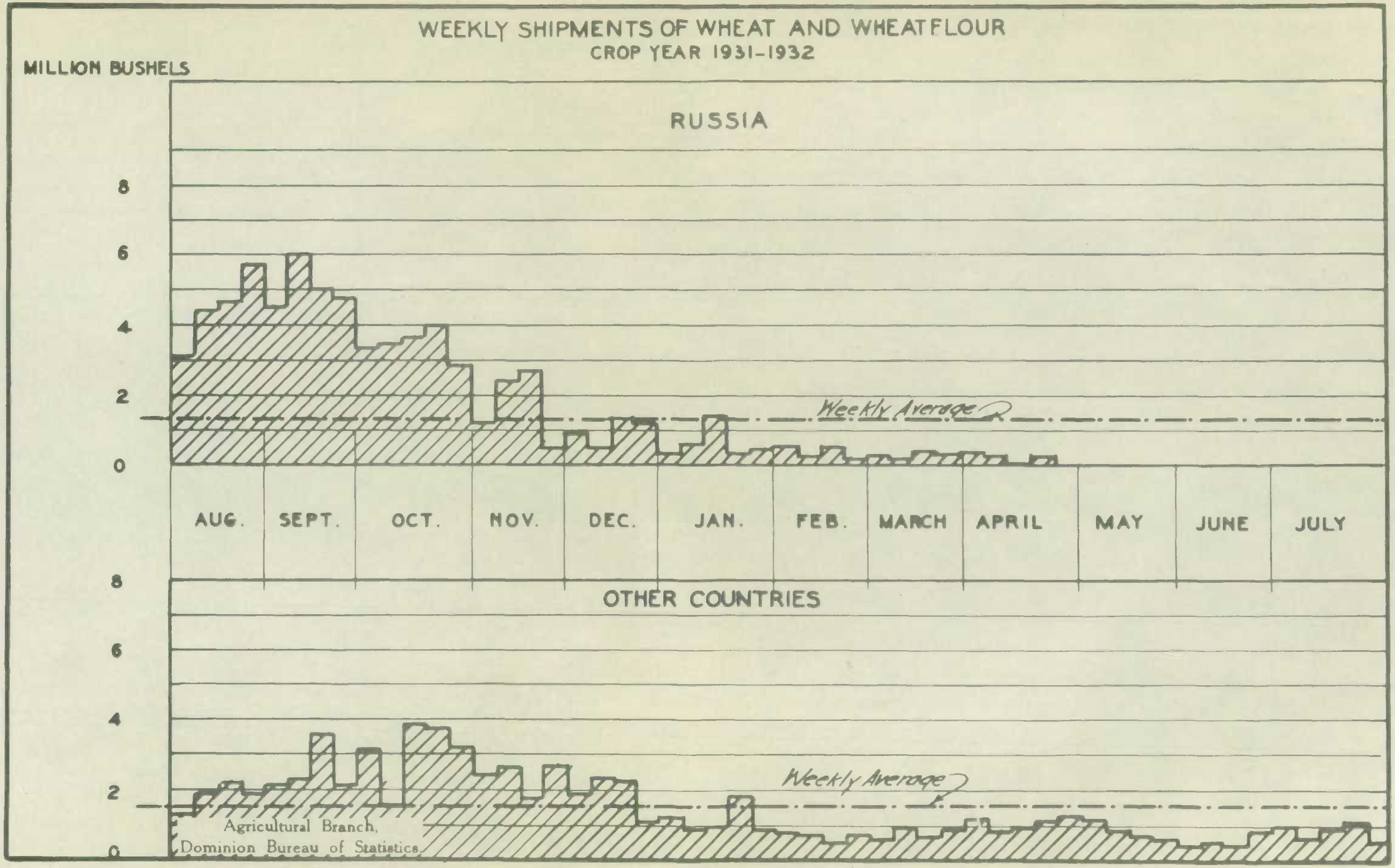


Chart "B"
WEEKLY SHIPMENTS OF WHEAT AND WHEATFLOUR
CROP YEAR 1931-1932
MILLION BUSHELS
AUSTRALIA
Weekly Average
8
6
4
2
0
AUG.
SEPT.
OCT.
NOV.
DEC.
JAN.
FEB.
MARCH
APRIL
MAY
JUNE
JULY
ARGENTINE
Weekly Average
8
6
4
2
0
Agricultural Branch,
Dominion Bureau of Statistics.

Chart "C"



WEEKLY SHIPMENTS OF WHEAT AND WHEATFLOUR
CROP YEAR 1931-1932
MILLION BUSHELS
RUSSIA
8
6
4
2
0
Weekly Average
AUG.
SEPT.
OCT.
NOV.
DEC.
JAN.
FEB.
MARCH
APRIL
MAY
JUNE
JULY
OTHER COUNTRIES
Weekly Average
Agricultural Branch,
Dominion Bureau of Statistics.

PRICES

The following table shows monthly average cash prices for No. 1 Northern wheat at Winnipeg for recent years:

MONTHLY AVERAGE WINNIPEG CASH PRICE - NO. 1 NORTHERN WHEAT - CROP YEARS
1925-26 to 1931-32

(Dollars per bushel)

	1925-26	1926-27	1927-28	1928-29	1929-30	1930-31	1931-32
August	1.67.5	1.46.3	1.59.9	1.18.8	1.58.0	.92.5	.55.1
September	1.37.5	1.38.5	1.45.1	1.17.0	1.49.5	.78.1	.53.6
October	1.27.0	1.39.6	1.44.1	1.23.7	1.41.4	.72.5	.59.9
November	1.42.0	1.36.2	1.45.1	1.20.9	1.33.0	.64.4	.67.3
December	1.57.0	1.29.2	1.40.6	1.17.1	1.37.8	.55.4	.60.6
January	1.56.5	1.30.9	1.42.8	1.20.9	1.30.5	.53.9	.60.0
February	1.54.7	1.35.1	1.42.6	1.27.9	1.17.4	.59.3	.63.2
March	1.48.4	1.37.6	1.48.1	1.27.0	1.06.2	.56.7	.63.1
April	1.56.9	1.41.2	1.56.3	1.22.8	1.09.8	.59.7	.62.6
May	1.53.8	1.52.3	1.57.2	1.12.3	1.07.9	.60.6	.62.9
June	1.53.1	1.56.9	1.42.6	1.18.3	1.03.2	.60.8	.55.1
July	1.59.6	1.58.3	1.30.9	1.59.9	.95.1	.57.3	.54.7

During 1931-32 prices have remained very stable although at a low level. The lowest level marked during the year was 51 1/8 cents per bushel on August 6, 1931 (Winnipeg cash price for No. 1 Northern) and the highest price 73 1/8 cents per bushel on November 5, 1931 (Same basis). The range of Winnipeg cash prices for the crop year was therefore 22 cents per bushel. As shown by the above table monthly average cash prices in 1930-31 averaged higher in seven months and lower in five months than during 1930-31. Prices were fractionally lower in July 1932 than in August 1931.

In August 1929 the average price was $1.58 per bushel. Monthly average prices declined drastically for a period of 18 months until the 53 cent level was reached in January 1930. Since January 1930 monthly average prices have ranged from 53 to 67 cents per bushel for another period of 18 months. At the present time therefore the period of price deflation has been equalled by a corresponding period of relatively stable, if low, price levels.

WHEAT PRICES AND THE GENERAL PRICE LEVEL

The following table shows the general Index Number of Wholesale Prices in Canada and Great Britain and of No. 1 Northern Wheat (Winnipeg Cash Prices, basis in store Port Arthur and Fort William):-

	General Index Canada 1926=100	Board of Trade (United Kingdom) 1926=100	Wheat No. 1 Manitoba Northern Fort William and Port Arthur basis 1926=100
1929	95.6	92.2	89.8
1930	86.6	80.7	63.0
1931	72.1	70.3	39.3
1931			
August	70.5	67.2	36.9
September	69.7	67.0	35.9
October	69.9	70.5	40.1
November	70.7	71.8	45.0
December	70.4	71.5	40.5
1932			
January	69.4	71.4	40.1
February	69.2	71.1	42.3
March	69.1	70.6	42.2
April	68.4	69.1	41.9
May	67.7	68.0	42.1
June	66.6	66.2	36.9
July	66.6	1/	36.6

1/ Not available.

During 1931-32 the trend of wholesale prices in Canada and Great Britain has been definitely downward. The decline in the Canadian index amounted to about 4 per cent in the twelve month period from August, 1931 to July, 1932.

In comparison the index of wheat prices at Winnipeg stood at practically the same level at the end of the year as at the beginning of the year and in the months of October, November and December actually increased from 3 to 5 per cent. In 9 of the 12 months of 1931-32 the index of Winnipeg cash wheat prices stood higher than the average level of the year 1931.

Price movements for 1931-32 may be summarized in the statement that while wholesale prices have drifted steadily lower wheat prices have been stable.

DISTRIBUTION OF CROPS IN EXPORTING COUNTRIES.

CANADA

The final estimate of the 1931 crop was 304 million bushels, compared with 420 million bushels in 1930. The carry-over of all crop wheat on July 31, 1931 amounted to 134 million bushels, which added to the new crop made total available supplies of 438 million bushels. Domestic consumption 1931-32 is tentatively estimated at 119 million bushels, leaving a balance of 319 million bushels available for export and carry-over. Exports of wheat and flour during 1931-32 amounted to 207 million bushels while the carry-over on July 31, 1932 amounted to 131 million bushels, These figures would suggest that the 1931 Canadian crop was underestimated by 18 to 19 million bushels. The distribution of the 1931 Canadian crop may be summarized as follows:-

Carry-over July 31, 1931	1931 Crop	Total Supplies	Domestic Consumption	Exports Crop Year	Carry-over July 31, 1932
			(Million bushels)		
134	304 1/	338	119	207	131

1/ Underestimated from 18 to 19 million bushels.

AUSTRALIA

The Australian crop of 1931 was underestimated early in the season. The first estimate placed the crop at 170 million bushels but later this amount was raised to 189 million bushels. Allowing for a carry-over of 36 million bushels on July 31, 1932 Australia had therefore a total of 225 million bushels of wheat this year. Allowing for domestic consumption of 50 million bushels the exportable supplies amounted to 175 million bushels. Australian shipments of wheat during 1931-32 amounted to 153 million bushels, which leaves a balance of 22 million bushels of old crop wheat still available for export.

The course of Australian shipments during 1931-32 is illustrated in Chart 11. It will be noticed that Australia shipped in fair volume during the fall months and in January commenced a heavy shipping period which reflected with the European and Oriental demand for wheat. Shipments continued heavy from January to May and gradually receded in the last eight weeks of the crop year.

The distribution of the 1931 Australian crop is summarized in the following table:-

Carry-over July 31, 1931	1931 Crop	Total Supplies	Domestic Consumption	Exports Crop Year	Carry-over July 31, 1932
			(Million bushels)		
36	189	225	50	153	22

THE ARGENTINE

The 1931 Argentine wheat crop was estimated at 226 million bushels. The carry-over of old wheat on July 31, 1931 amounted to about 50 million bushels making total supplies of 276 million bushels for the crop year. Allowing for a domestic consumption of 90 million bushels, the Argentine had 186 million bushels of wheat available for export and carry-over during 1930-31. Actual shipments of wheat and wheatflour amounted to 134 million bushels, leaving a balance of 47 million bushels on hand at July 31, 1932.

Carry-over July 31, 1931	1931 Crop	Total Production	Domestic Consumption	Exports Crop Year	Carry-over July 31, 1932
			(Million bushels)		
50	226	276	90	139	47 1/

1/ Probably too high.

UNITED STATES

The 1931 crop in the United States amounted to 892 million bushels while the carry-over on July 31st, 1931 amounted to about 252 million bushels (June 30th carry-over less July exports and one month's domestic consumption). This made available supplies of about 1,144 million bushels from the crop year 1931-32 (August to July). Exports of wheat are estimated at about 130 million bushels (July export figures are not available at the present time). Allowing for a domestic consumption of 735 million bushels, the United States carry-over at the end of July, 1932, will amount to about 280 million bushels, or about 27 million bushels larger than last year.

The probable distribution of the United States wheat crop is shown below:- (Entirely estimated).

Carry-over July 31, 1931	Crop 1931	Imports	Total Supplies	Domestic Consumption	Exports	Carry-over July 31, 1932
			(Million bushels)			
252	892	12	1,156	730	130	296

SUMMARY OF DISTRIBUTION OF SUPPLIES IN EXPORTING COUNTRIES.

	Carry-over July 31, 1931	1931 Crop	Total Supplies	Domestic Consumption	Exports	Carry-over July 31, 1932
			(Million bushels)			
Canada	134	304 1/	338	119	207	131
Australia	36	189	225	50	153	22
Argentine	50	226	276	90	139	47 2/
United States	252	892	1,156	730	130	296

1/ Underestimated from 18 to 19 million bushels.
2/ Probably too high.

RUSSIA

One of the most interesting features of the past crop year has been a better understanding of the Russian agricultural experiment. When Russia came on the market in the fall of 1930, the world was surprised. "Grain factories," "state farms," "collectivization and mechanization" were eerie terms and wheat producers in other exporting countries wondered what their position was in the face of this new competition. Soviet statistics and "plans" did not at the moment, inspire any confidence in wheat exporting countries.

Nearly three years have passed since Russia first appeared on the world's wheat market after an absence of many years. In the meantime, Soviet agricultural policy has been subjected to critical analysis and as a result a much saner view obtains in regard to the possibilities of Russia as a wheat producer and exporter. A few points in connection with Russia may be outlined:-

(1) The area of land in Russia suitable for wheat production is limited, and probably not a great deal more land can be brought into efficient production of wheat. Against limited resources must be placed the fact of a growing population--the annual increase being estimated as high as 3,000,000 per year.

(11) Much of Russia's wheat land is located in areas where rainfall is limited and Russia is subject to crop failures due to drought. This means that if Russia continues to export wheat, exports will be intermittent.

(111) Mechanized wheat production on a large scale, has yet to prove its superiority over the "family unit" with diversified productive effort.

(1V) The mechanization of Soviet wheat farming and the collectivization of peasants has resulted in a distinct loss in animal resources. This condition has resulted in loss of animal power and a limited domestic food supply, with a consequent greater dependence upon cereals.

(V) The acute food shortage in Russia following the ill-advised export program of last fall shows the precarious nature of the food situation in Russia and the difficulty of exporting wheat even when a moderate crop is harvested.

(Vl) The resistance of peasants to State grain collections is well known and is exemplified in the recent decree allowing the sale of farm products at local markets--a new departure for the Soviet government.

The foregoing are but a few points extracted from an ever growing fund of knowledge about Russia. The general conclusion seems to be that Russia has not created a new system of agricultural production but is rather struggling with a new order of things which was conceived in a wave of industrialism, and which has many obvious limiting factors.

No official estimate has been issued covering the production of wheat in Russia in 1931. However it is known that wheat production was far below the level of 1930--possibly a crop of about 900 to 925 million bushels was harvested compared with 1088 million bushels produced in 1930. In spite of greatly reduced production, Russia entered the market in the fall of 1931 and shipped about 71 million bushels of wheat in an intensive drive upon the world's wheat markets and upon the British market in particular. The earliness and volume of Russian exports probably reflected good crops in the Black Sea area where shipping was readily available.

By reason of intention, error in judgment, or economic necessity, Russian exports in 1931-32 were distinctly out of line with available wheat supplies. In the month of February, an acute food and feed shortage developed in Russia, especially in areas where crops were poor in 1931. Quite aside from the many results of this situation, the scarcity of cereals was such that sufficient seed could not be collected to fulfil the Spring sowing campaign, and a result wheat acreage in 1932 was reduced. The situation had another significant effect in that reserves of cereals were depleted prior to the harvesting of the 1932 crop, a serious situation in a country with 150 million people to feed. It is apparent that at least a portion of the 1932 crop will have to be put into reserve as an insurance against a repetition of the situation experienced in the first half of 1931.

THE CANADIAN SITUATION IN 1931-32

1.- Acreage

Canadian acreage figures were revised in the fall of 1931 as a result of the issuance of census acreage figures. The census data showed a considerable increase over the acreage figures based upon the annual survey and issued in August.

The census acreages for the prairie provinces and all Canada are shown in the following table:-

Manitoba	2,577,780	acres
Saskatchewan	14,775,047	"
Alberta	7,999,895	"
Canada	26,114,650	"

The acreage figures for 1931 and the figures for 1932, issued on August 10, 1932, show that wheat acreage in Canada has not only been maintained since 1929 but has increased noticeably.

11.- Production

As a result of the issuance of census acreages between the preliminary and provisional crop estimates, the wheat production estimate was maturely increased on the occasion of the provisional estimate - or from 271 million bushels to 298 million bushels. The final estimate issued in January showed a production of 304 million bushels. The crop was distributed as follows:-

Manitoba	27,000,000	bushels
Saskatchewan	121,000,000	"
Alberta	136,000,000	"
Canada	304,000,000	"

Distribution data show that the final estimate was about 18 million bushels too low.

111.- Primary Receipts

During the crop year 1931-32 the following amounts of wheat were marketed in the prairie provinces (with comparative figures for 1930-31)

	1931-32	1930-31
Manitoba	24,780,566	34,808,771
Saskatchewan	118,874,832	164,477,445
Alberta	121,442,987	107,721,082
T O T A L	265,098,385	307,007,298

The above figures are subject to final revision.

1V.- Quality

The 1931 crop of the prairie provinces was high in quality and was harvested in good condition. The following table shows the percentage of inspections grading No. 3 Northern or better along with comparative figures for 1930-31:-

1930-31 - 66.89 per cent graded No. 3 Northern or higher.

1931-32 - 78.7 per cent graded No. 3 Northern or higher.

V.- Exports

Total exports of wheat and wheatflour amounted to 207,029,555 bushels in 1931-32 compared with 258,637,887 bushels in 1930-31. Exports by months in 1931-32 are shown in the following table, with comparative figures for previous years:-

Months	1931-32	1930-31	1929-30	Average 1925-26 to 1929-30
	Bushels	Bushels	Bushels	Bushels
August	14,258,909	20,451,776	13,050,873	17,360,617
September	16,840,179	31,121,623	9,625,524	17,970,697
October	21,438,369	33,445,385	23,215,028	35,409,445
November	29,596,254	34,783,144	24,866,067	50,677,528
December	24,386,870	24,933,920	18,683,198	46,319,649
January	10,965,475	11,374,004	7,257,050	16,682,720
February	11,417,172	12,163,082	6,895,468	16,616,866
March	11,787,139	15,418,055	14,655,609	21,526,470
April	8,662,544	6,148,295	5,459,684	11,552,050
May	17,621,415	31,687,391	16,046,226	27,204,945
June	18,426,301	22,989,542	21,679,434	25,750,989
July	21,628,930	14,106,169	22,833,051	21,781,964
T O T A L S	207,029,555	258,637,887	186,267,212	308,853,540

Vl.- Carryover

The total stocks of Canadian wheat in Canada at July 31, 1932, are placed at 130,948,901 bushels, slightly lower than the record carryover of July 31, 1931, viz., 134,078,963 bushels. Canadian wheat in elevators and afloat in the United States amounted to 4,706,828 bushels, while 1,181,427 bushels of Canadian wheat were afloat destined for United States ports. The comparable figures for these items at July 31, 1931, were 5,538,334 and 1,259,978 bushels respectively.

The total amount of Canadian wheat in Canada and in the United States at July 31, 1932, was 136,837,156 bushels compared with 140,877,275 bushels at July 31, 1931.

Vll.- Distribution of the 1931 Wheat Crop

The final revision of the 1931 wheat crop estimates is not possible until January 1933, when the final figures for deliveries and platform loadings are made available by the Board of Grain Commissioners and when the final acreage figures for 1931 are released by the Census Branch of this Bureau. At the present time, however, a preliminary analysis of the distribution of the 1931 wheat crop may be interesting.

The carryover of wheat in Canada at July 31, 1931, was placed at 134,078,963 bushels and additional supplies were provided by the 1931 crop, estimated last January at 304,144,000 bushels. Adding the further small amount of 216,327 bushels imported during the period August, 1931, - July, 1932, the total for distribution amounts to 438,439,290 bushels.

The disposition of wheat during the same period was as follows:

	Bushels
Exports..........................	207,029,555
Human consumption................	41,500,000
Seed for 1932 crop...............	36,763,000
Feed for live stock and poultry..	32,606,000
Loss in cleaning.................	5,040,000
Unmerchantable...................	2,826,100
Carryover, July 31, 1932.........	130,948,901
	456,713,556

The figures for seed, feed and human consumption are subject to later revision.

The January estimate of the 1931 wheat crop appears to be about $13\frac{1}{4}$ million bushels too low, on the basis of the above disposition of supplies.

The 1931 wheat crop of the Prairie Provinces was estimated last January at 284,000,000 bushels. To this must be added the carryover on farms at July 31, 1931, of 17,804,000 bushels, making a total of 301,804,000 bushels for disposition. The unrevised total marketings in the period from August 1, 1931, to July 29, 1932, amounted to 265,098,385 bushels. In addition, allowance must be made for 2,477,000 bushels of unmerchantable grain, 1,650,000 bushels (approximately) as custom millings, 29,931,000 bushels for seed, 23,079,000 bushels as feed, and 5,829,000 bushels as carryover on farms at July 31, 1932. The total of these items is 328,064,385 bushels, an underestimate of 26,260,385 bushels. This figure will probably be reduced when final figures are available. The final revision is made in January, 1933.

EXCHANGE QUOTATIONS AT MONTREAL AUGUST, 1931 TO JULY, 1932.

	United Kingdom Pound 4.8666	United States Dollar 1.000	Australia Pound 4.8666	Argentine Paper Peso .4244
1931				
August 3rd,	4.8704	1.00203	3.7504	.2931
" 10th,	4.8741	1.00343	3.7541	.2810
" 17th,	4.8844	1.0031	3.7684	.2946
" 24th,	4.87393	1.00312	3.7539	.2834
" 31st,	4.87782	1.00328	3.7573	.2884
September 8th,	4.8847	1.0051	3.7647	.2852
" 14th,	4.9031	1.0087	3.7831	.2837
" 21st,	4.6009	1.0625	3.4053	.2802
" 28th,	4.2846	1.110	4.1514	.2697
October 5th,	4.3861	1.140	3.1093	.2632
" 13th,	4.3650	1.1250	3.3559	.2632
" 19th,	4.3743	1.1187	3.3631	.2524
" 26th,	4.3498	1.1125	3.3444	.2836
November 2nd,	4.1162	1.1087	3.1647	.2608
November 9th,	4.2136	1.1081	3.2396	.2825
" 16th,	4.2191	1.1125	3.2439	.3142
" 23rd,	4.1638	1.1400	3.2014	.3135
" 30th,	3.9297	1.1575	3.0214	.3009
December 7th,	3.875	1.1912	3.0979	.3216
" 14th,	4.2576	1.2350	3.4118	.3177
" 21st,	4.2009	1.2387	3.3590	.3220
" 28th,	4.2305	1.2325	3.3827	.3142
1932				
January 4th,	4.0048	1.1875	3.2022	.3057
" 11th,	4.0253	1.1887	3.2186	.3061
" 18th,	4.0555	1.1675	3.2427	.3035
" 26th,	3.9947	1.1587	3.1942	.3012
February 1st,	3.9746	1.1512	3.1781	.2993
February 8th,	4.0063	1.1600	3.2034	.3016
" 15th,	3.9666	1.1468	3.1716	.2953
" 22nd,	3.9441	1.1350	3.1537	.2951
" 29th,	3.9409	1.1312	3.1512	.2912
March 7th,	3.9196	1.1100	3.1340	.2858
" 14th,	4.0633	1.1193	3.2489	.2882
" 21st,	4.0819	1.11875	3.2619	.2880
" 29th,	4.1855	1.1087	3.3500	.2869
April 4th,	4.1804	1.1100	3.3460	.2858
" 11th,	4.2057	1.1075	3.3662	.2879
" 18th,	4.2116	1.1112	3.3709	.2889
" 25th,	4.0884	1.1150	3.2797	.2892
May 2nd,	4.0896	1.1162	3.2732	.2902
May 9th,	4.1267	1.1206	3.3029	.2885
" 16th,	4.1287	1.1250	3.3045	.2925
" 23rd,	4.2360	1.1518	3.3904	.2908
" 30th,	4.1934	1.1337	3.3563	.2919
June 6th,	4.2440	1.1493	3.3968	.2959
" 13th,	4.2521	1.1562	3.4016	.2962
" 20th,	4.1937	1.1625	3.3567	.2993
" 27th,	4.1272	1.1425	3.3018	.2941
July 5th,	4.0322	1.1362	3.2329	.2925
" 11th,	4.0647	1.1450	3.2534	.2948
" 18th,	4.1246	1.1618	3.3013	.2991
" 25th,	4.0785	1.1463	3.2644	.2953
August 1st,	4.0262	1.1462	3.2225	.2951

RATES OF EXCHANGE - LONDON

AUGUST 1931 - JULY 1932

		New York Dollar Cable 4.8666	Montreal Dollar Cable 4.8666	Buenos Aires Gold Peso T.T. 47.62d.	Australia Pound Buying Sight Rates
1931					
August	6th,	4.85 5/16 - 7/16	4.86 5/8 - 7/8	31 3/8 - 5/8	131½
"	13th,	4.85 23/32 - 25/32	4.87½ - ¾	32 1/8 - ¼	131½
"	20th,	4.85 13/16 - 15/16	4.87¼ - ½	32¼ - 3/8	131½
"	27th,	4.85 1/8 - 3/16	4.87 5/8 - 7/8	31 7/16 - 9/16	131½
September	3rd,	4.80 1/16 - 1/8	4.88 7/16 - 9/16	31 5/8 - 11/16	131½
"	10th,	4.85 15/16 - .86	4.89 - 89½	31 3/16 - 5/16	131½
"	17th,	4.85 31/32 - .86	4.90 3/8 - 5/8	29¼ - 3/8	131½
"	24th,	3.88 - .91	4.20 - .25	34¼ - ½	131½
October	1st,	3.93 - .95	4.49 - .52	32 3/8 - 32½	131½
October	8th,	3.82 - .84	4.31 - .34	29 - 29¼	131½
"	15th,	3.87½ - .88½	4.37 - .40	32 5/8 - ¾	131½
"	22nd,	3.92¼ - ¾	4.37 - .40	32½ - 5/8	131½
"	29th,	3.86½ - .87	4.26 - .29	33 - 1/8	131½
November	5th,	3.74½ - .75	4.16 - .19	36 1/8 - 3/8	131½
"	12th,	3.79¼ - ¾	4.19 - .21	39½ - 40½	131½
"	19th,	3.75¾ - .76¼	4.20 - .22	37 - 37½	131½
"	26th,	3.59 3/8 - 7/8	4.13 - .15	38 3/8 - 5/8	131½
December	3rd,	3.37¼ - ½	3.91 - .93	40¼ - ½	131½
"	10th,	3.30½ - .31¼	3.95 - .97	41¼ - ½	126½
"	17th,	3.44½ - .45¼	4.14 - .17	40¾ - 41	126½
"	22nd,	3.40¼ - .40¾	4.20 - .22	41 - 41¼	126½
"	31st,	3.38¾ - .39¼	4.09 - .11	40½ - 40¾	126½
1932					
January	7th,	3.38½ - .39	3.98 - 4.01	40 3/8 - 40 5/8	126½
"	14th,	3.45 - ½	4.07 - 4.10	39 5/8 - 39 7/8	126½
"	21st,	3.45½ - ¾	4.04 - 4.05	39½ - 40	126½
"	28th,	3.46¾ - .47¼	3.99 - 4.01	39 5/8 - 40 5/8	126½
February	4th,	3.45 - .45½	3.95 - .96	39½ - 40	126½
"	11th,	3.43 - .43½	3.98 - .99	39½ - 39¾	126½
"	18th,	3.44½ - .45	3.94 - .95	39¼ - ¾	126½
"	25th,	3.48 - .48¼	3.93 - .94	39½ - 7/8	126½
March	3rd,	3.48¾ - .49	3.93 - .95	40 - 40¼	126½
"	10th,	3.67¼ - ¾	4.08 - .11	38 - 38½	126½
"	17th,	3.61½ - .62¼	4.05½ - 4.06½	37½ - 39	126½
"	23rd,	3.64 - .64½	4.07 - 4.09	38¼ - 38½	126½
"	31st,	3.76½ - .77	4.17 - 4.19	37 - 37½	126½
April	7th,	3.79 - 79½	4.17 - 4.19	36 5/8 - 36 7/8	126½
"	14th,	3.76¾ - 77¼	4.17 - 4.19	36½ - 36¾	126½
"	21st,	3.75½ - 76	4.18 - 4.20	36 - 36½	126½
"	28th,	3.65½ - 66	4.12 - 4.14	36 - 36½	126½
May	5th,	3.67 - 67½	4.09 - 4.10	36 - 36¼	126½
"	12th,	3.66¾ - 67	4.13 - 4.15	36¼ - 36½	126½
"	19th,	3.67½ - 68¼	4.17 - 4.18	35¾ - 36¼	126½
"	26th,	3.69 - 69½	4.20 - 4.22	34 7/8 - 35 1/8	126½
June	2nd,	3.68¼ - 68¾	4.18 - 4.20	34 3/8 - 34 5/8	126½
"	9th,	3.67½ - 67¾	4.27 - 4.29	Nominal	126½
"	16th,	3.65¼ - 65¾	4.22 - 4.24	"	126½
"	23rd,	3.61 - 61½	4.12 - 4.14	"	126½
"	30th,	3.60 - 60½	4.11 - 4.13	"	126½
July	7th,	3.56¾ - 57¼	4.06 - 4.07	"	126½
"	14th,	3.54½ - 55	4.08 - 4.10	"	126½
"	21st,	3.55¾ - 56¼	4.08 - 4.10	"	126½
"	28th,	3.51 - 51½	4.03 - 4.04	"	126½