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THE WHEAT SITUATION

Strength in world wheat prices during the next month will continue to depend largely on the aggressiveness of European buying. It is expected that purchases by Italy and Germany, two countries which have played a very minor role in European wheat trade in recent years, will continue active. The relatively close adjustment this season between world supplies and consumption, moreover, will tend to partially offset the price depressing effect of very large early shipments of wheat from Argentina.

Domestic prices have continued higher than world prices throughout the season. During the next month this spread between domestic and world prices is expected to remain unchanged or become slightly wider. Wheat supplies in the United States are small and the winter wheat crop is subject to the seasonal hazards of freezing and ice covering in unprotected situations. New crop July futures in Chicago, reflecting prospects for a larger crop than needed in the United States, are currently 16 to 18 cents below the old crop, May delivery.

The world carry-over of wheat on July 1, 1937, is expected to be materially less than last year, when the carry-over was somewhat above the average prior to the period of large surplus accumulations which began in 1929. During the past 6 months supplies from Southern Hemisphere countries were at very low levels, and as a result a large proportion of shipments have been premium Manitobas from Canada. World wheat shipments during this period, however, were larger than they were in the corresponding periods since 1932.

The acreage of winter wheat in the United States for harvest in 1937 was increased 15 percent and that for Canada 20 percent compared with a year earlier. It is expected that the area planted to fall wheat in Europe will show a little increase.

The world production of wheat for 1936, excluding Russia and China, is now estimated at 3,468,000,000 bushels compared with 3,565,000,000 bushels in 1935. The only significant change since the December estimate was published is the revision for Canada, the 1936 production now being estimated at 229,219,000 bushels and the 1935 production at 281,935,000 bushels.

PRICES

BACKGROUND:- World market prices of wheat have been moving steadily upward since the spring of 1933, reflecting higher world commodity price levels, three successive below-average harvests in North America, and last season's short Southern Hemisphere crops. During this same period domestic wheat prices have been unusually high relative to world market prices as a result of four small crops caused largely by abnormally low yields per acre. During the current season, both world and domestic prices have advanced sharply as a result of increased demand and the smallest supplies in recent years.

World wheat prices advanced during December as a result of heavy purchases by European countries 1/, particularly Italy. Shanghai entered the market and purchased two partial cargoes of Australian wheat for February delivery.

Wheat prices in domestic markets advanced about the same as world prices. In late December Liverpool and Chicago futures reached the highest levels since the winter of 1929-30, while No. 2 Hard Red Winter at Kansas City was the highest since June 1928, and No. 1 Dark Northern Spring at Minneapolis, the highest since July 1926.

During the first half of January, however, world wheat prices weakened

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1/ Italy purchased Argentine, Australian, Canadian and Danubian wheat; Germany, Canadian, Argentine and Danubian wheat; and France, Canadian durum.

influenced by slackened inquiry from European countries and increased offerings of Argentine wheat. Prices in domestic markets, on the other hand, were only slightly lower than those of early January in spite of improvement in prospects for next year's domestic wheat crop.

Table 1.- Spreads between domestic wheat prices and prices at Winnipeg and Liverpool, specified periods, 1933-37

Month and year	Price of cash wheat: Amount No. 2 Hard Winter (Kansas City) averaged above No.3 Manitoba (Winnipeg)	Price of cash wheat: Amount No.2 Hard Winter (Kansas City) averaged above parcels (Liverpool)	Price of May futures: Amount Chicago averaged above Winnipeg	Price of May futures: Amount Chicago averaged above Liverpool
	Cents per bushel	Cents per bushel	Cents per bushel	Cents per bushel
Month of Dec. -				
1933............	26	15	21	22
1934............	31	23	16	22
1935............	35	18	10	9
1936............	19	6	8	3
Week ended Jan.16 -				
1934............	25	1/	22	22
1935............	29	1/	15	24
1936............	34	1/	12	5
1937............	16	1/	7	4

1/ Price of Liverpool parcels not available.

The average price of wheat received at local United States markets on December 15 was 114.5 cents compared with 106.5 cents on November 15, and 89.0 cents, the revised figure for December 1935. Prices of No. 2 Hard Red Winter at Kansas City and No. 2 Red Winter at St. Louis were 16 cents higher for the week ended January 2 than for the week ended December 5. For the week ended January 16 the former had declined 4 cents and the latter 2 cents compared with the week ended January 2.

High wheat prices have resulted in heavy farm marketings during the first half of the marketing season. Wheat stocks remaining on farms January 1, 1937, are estimated at 129,000,000 bushels, which is the smallest in the 10 years of record. January 1 stocks were 163,000,000 bushels in 1936; 146,000,000 bushels in 1935, and 249,000,000 bushels, the 1928-32 average. These figures together with those of production indicate a disappearance from farms, July through December, of about 540,000,000 bushels, or about 35,000,000 bushels more than for the corresponding period last season. The total stocks on farms and in interior mills and elevators, together with commercial stocks on January 1, 1937 1/, was 271,473,000 bushels compared wit 320,562,000 bushels in 1936, and 328,673,000 bushels in 1935.

1/Figures for stocks in "merchant mills and elevators" will be available in late January.

Table 2.- Weighted average cash price of wheat at stated markets

Date	All classes and grades six markets 1935-36	All classes and grades six markets 1936-37	No. 2 Hard Winter Kansas City 1935-36	No. 2 Hard Winter Kansas City 1936-37	No. 1 Dk.N.Spring Minneapolis 1935-36	No. 1 Dk.N.Spring Minneapolis 1936-37	No.2 Hard Amber Durum Minneapolis 1935-36	No.2 Hard Amber Durum Minneapolis 1936-37	No. 2 Red Winter St.Louis 1935-36	No. 2 Red Winter St.Louis 1936-37	Western White Seattle 1/ 1935-36	Western White Seattle 1/ 1936-37
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Month -												
July	97	110	99	111	113	136	105	143	87	106	76	90
Aug.	98	127	104	122	127	147	115	149	92	117	75	97
Sept.	103	125	115	122	133	146	111	137	103	119	80	95
Oct.	107	129	119	122	134	148	117	153	110	121	87	98
Nov.	98	127	113	122	128	144	113	148	105	123	83	---
Dec.	100	139	111	134	128	159	112	178	106	135	85	113
Week ended -												
High 2/	112	150	123	143	139	176	122	183	113	143	90	115
Low 2/	96	126	109	120	125	139	108	135	102	118	82	96
Dec.19	102	142	111	137	128	162	116	183	107	137	87	113
26	103	145	113	141	129	163	112	178	108	141	88	114
Jan. 2	107	149	118	143	135	176	119	180	111	143	90	115
9	108	150	115	141	130	167	122	180	111	143	90	114
16	105	148	112	140	132	166	120	168	107	141	88	

1/ Weekly average of daily cash quotations, basis No. 1 sacked. 2/October 1 to date

Table 3.- Average closing prices of May wheat futures

Date	Chicago 1935-36	Chicago 1936-37	Kansas City 1935-36	Kansas City 1936-37	Minneapolis 1935-36	Minneapolis 1936-37	Winnipeg 1/ 1935-36	Winnipeg 1/ 1936-37	Liverpool 1/ 1935-36	Liverpool 1/ 1936-37	Buenos Aires 1935-36	Buenos Aires 1936-37
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Month -												
Aug.	92	110	92	110	103	121	---	102	2/79	2/105	---	---
Sept.	97	111	98	109	112	121	94	105	2/87	2/111	---	---
Oct.	101	114	103	110	115	123	93	110	2/90	2/114	---	---
Nov.	97	115	97	111	109	125	89	108	85	113	---	---
Dec.	98	128	97	123	108	136	87	121	89	126	---	---
Week ended -												
High 3/	104	135	106	129	120	143	97	129	95	132	4/93	4/100
Low 3/	96	112	96	109	106	122	87	107	83	110	4/71	4/ 91
Dec.19	99	131	98	125	108	139	88	124	92	129	5/91	5/ 99
26	99	133	98	127	108	141	87	125	92	128	5/92	5/ 97
Jan. 2	102	135	101	129	111	143	88	129	95	132	6/93	6/100
9	102	133	101	127	110	142	88	128	94	131	6/92	6/ 99
16	100	134	99	128	109	141	88	127	95	130	6/92	6/ 98

1/Conversions at noon buying rate of exchange. 2/March futures.
3/October 1 to date. 4/February and March futures. 5/February futures.
6/ March futures.

Table 4.- Average price per bushel of wheat at specified markets in terms of United States currency, 1936-37

Date	Kansas City 1/	Minneapolis 2/	Winnipeg 3/	Buenos Aires 4/	Liverpool 4/	Great Britain 5/	Berlin 6/
	Cents	Cents	Cents	Cents	Cents	Cents	Cents
July	111.0	135.5	88.0	98.5+	100.4	94.4	233
Aug.	122.0	146.6	97.4	107.9	112.0	104.6	220
Sept.	122.1	146.5	99.7	99.7	116.3	99.2	210
Oct.	122.0	148.4	106.5+	99.4	123.7	110.9	212
Nov.	121.9	144.3	104.5+	94.8	118.1	112.4	214
Dec.	134.2	159.0	115.3	97.7	137.9		
Week ended							
Nov. 7	120.9	148.7	104.8	93.8	116.7	114.5+	214
14	121.2	144.4	104.1	95.1	117.1	113.3	214
21	123.0	144.5	104.9	95.6	117.5-	111.3	215
28	122.9	141.4	104.2	93.0	119.7	110.4	214
Dec. 5	127.7	139.0	106.5	96.0	128.2	110.6	223
12	129.8	155.4	109.1	96.1	132.8	112.7	223
19	137.0	161.7	119.3	98.9	139.8	116.2	223
26	140.7	163.2	120.9	97.5	130.0	119.5	223
Jan. 2	143.3	176.3	124.8	100.0	134.4	125.0	
9	140.8	167.5-	123.7	98.9	132.1		
16	139.6	166.4	123.2	98.0	129.9		

Prices are averages of daily prices for the week ending Saturday except as follows: Berlin and Paris prices are Wednesday quotations. Prices at Winnipeg, Buenos Aires, Liverpool, Great Britain, Berlin, and Paris, are converted to United States money at the current rates of exchange.

1/ No. 2 Hard Red Winter.
2/ No. 1 Dark Northern Spring.
3/ No. 3 Manitoba Northern.
4/ Near futures.
5/ Home-grown wheat in England and Wales.
6/ Central German wheat, wholesale trade price free Central German Station.

WORLD WHEAT SURPLUSES AND TRADE

BACKGROUND: Total world supplies of wheat, excluding China and including only net exports from Soviet Russia, averaged 4,100,000,000 bushels for the 5 years, 1923-24 to 1927-28, increased to 4,986,000,000 bushels in 1933-34, then declined sharply, as a result of successive years of small production. Total world supplies for 1936-37 are estimated at 4,226,000,000 bushels compared with 4,685,000,000 and 4,507,000,000 bushels for 1934-35 and 1935-36, respectively.

Total world shipments of wheat averaged 751,000,000 bushels for the 5 years, 1923-24 to 1927-28, increased to a peak of 913,000,000 bushels in 1928-29 (July-June), then declined sharply, largely as a result of measures by importing countries to reduce the use of foreign wheat. Shipments were 613,000,000 bushels in 1932-33, 525,000,000 bushels in 1933-34, 536,000,000 bushels in 1934-35, and 489,000,000 bushels in 1935-36.

Present estimates indicate that the surplus of wheat available for export or carry-over on January 1, 1937 in Canada, Argentina, and Australia, together with United Kingdom port stocks and quantities afloat, was about 419,000,000 bushels, or 57,000,000 bushels smaller than on January 1, 1936. Estimates by countries are shown in table 5. Wheat supplies available for export or carry-over in Danubian countries on January 1 totaled about 42,000,000 bushels. No exports of significance are expected from Soviet Russia this season; thus far a total of only 88,000 bushels has been shipped.

World wheat supplies for the current marketing year 1/ appear ample to take care of the net deficits in importing countries and also to build up substantial reserves in certain European importing countries in the event that purchases are actually made beyond current-year needs.

1/ See "The Wheat Situation", December 1936, pages 7-8 and 14.

Table 5.-Wheat surplus for export or carry-over in the three principal exporting countries and United Kingdom port stocks and stocks afloat, January 1, 1934-37 1/

Position	1934	1935	1936	1937
	Mil.bush.	Mil.bush.	Mil.bush.	Mil.bush.
Canada:				
In Canada	289	270	250	115
In United States	14	28	35	25
Argentina	197	164	63	154
Australia	134	110	97	80
Total	634	572	445	374
United Kingdom port stocks	19	16	11	9
Stocks afloat to:				
United Kingdom	11	11	12	15
Continent	5	7	6	14
Orders	5	7	2	7
Total	40	41	31	45
Total above	674	613	476	419

1/ Carry-over at the beginning of the year (Canada, July 31; Argentina, January 1; Australia, December 1 of the previous year) plus production, minus domestic utilization for the year, minus monthly exports to date.

World wheat shipments, July 1936 through January 16, 1937, totaled 304,000,000 bushels, which represent a material increase over the 266,000,000 bushels for the same period a year earlier, and a slight increase over the shipments of 293,000,000 bushels made in the same period 2 years ago. Argentina's new crop movement has started and early shipments are extremely large.

Area and Condition of Fall-sown Wheat

Estimates of the acreage sown to winter wheat have been received for only seven countries. Of these countries only one, Czechoslovakia, reports a smaller acreage than for the previous year. Winter wheat sowings in the United States are reported at 57,187,000 acres, or 15 percent above the acreage planted last year. The acreage sown in Canada is estimated at 702,000 acres compared with 585,000 acres sown for the 1936 harvest. Winter wheat acreage in Canada, however, is only about 2 percent of the total wheat acreage in that country. In the Punjab district of India, sowings are reported at 10,612,000 acres, or 6 percent above those of last year.

Table 6.- Acreage sown to winter wheat, 1935-36 to 1937-38

Country	1935-36	1936-37	1937-38
	1,000 acres	1,000 acres	1,000 acres
United States	47,067	49,688	57,187
Canada	685	585	702
Total (2)	47,752	50,273	57,889
Czechoslovakia	2,246	2,217	1,969
England and Wales	1,772	1,703	1,754
France 1/	13,007	12,536	12,772
Lithuania	403	349	388
Punjab, India 2/	9,709	9,983	10,612
Total (5)	27,137	26,788	27,495
Total, 7 countries	74,889	77,061	85,384

1/ Sowings to January 1.
2/ The Punjab sowings represent, ordinarily, about 30 percent of the total wheat area in India.

The condition of the domestic winter wheat crop in the Ohio Valley States the middle of January was mostly fair to good, but continued rains have resulted in much standing water, which probably will result in some damage. An ice blanket was causing some apprehension in northern Illinois, nothern Missouri, and most of Iowa, but in the eastern half of Kansas it was not thought that the cover of sleet was materially harmful. In the southwestern portion of the Great Plains, including western Kansas, eastern Colorado, and western Oklahoma, the soil continued dry and was subject to drifting. In other parts of Oklahoma and in Texas the condition remained generally satisfactory. The Plains States from central Nebraska northward and northwestward have a fairly good snow cover and there is ample snow protection in wheat sections of the Pacific Northwest.

A production of about 600,000,000 bushels was forecast by the Crop Reporting Board on the basis of the winter wheat condition on December 1 and the very large acreage planted to winter wheat. Moisture in the spring wheat area is very short and the crop will be dependent upon rains at planting time and during the growing season. Even a very small crop of spring wheat would provide enough additional grain to bring the prospective total above the amount of the usual domestic disappearance, which is about 650,000,000 bushels.

In Southern and Central Europe conditions at present are generally satisfactory, but crops are somewhat too advanced in the Scandinavian countries and snow cover is needed in the Balkans and Soviet Russia. Present information from China indicates that the continued drought will probably result in the 1937 wheat production being materially below that of 1936. The crop in India is reported to be in satisfactory condition.

Table 7.- Movement of wheat, including flour, from principal exporting countries, 1933-34 to 1936-37

Country	Exports as given by official sources: Total 1933-34	Total 1934-35	Total 1935-36	July 1 to date shown 1934-35	July 1 to date shown 1935-36	July 1 to date shown 1936-37	Date
	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	
United States	37,002	21,532	15,930	12,062	6,920	9,185	Nov. 30
Canada	198,555	169,630	237,447	114,532	132,539	159,959	Dec. 31
Argentina	144,854	187,000	76,577	91,151	50,464	36,509	Dec. 31
Australia	86,509	108,010	102,258	33,540	29,328	20,206	Oct. 31
Russia	33,787	4,286	29,704	2,692	18,207	1,290	Oct. 31
Hungary	29,615	12,499	14,644	4,860	5,284	12,426	Oct. 31
Yugoslavia	839	4,401	728	2,090	79	7,490	Oct. 31
Rumania	248	3,432	9,996	0	8,894	5,042	Oct. 31
Bulgaria	4,236	375	987	7	577	3,161	Oct. 31
British India	2,084	2,318	2,529	139	176	359	July 31
Total	537,729	513,483	490,800				

Country	Shipments as given by trade sources: Total 1934-35	Total 1935-36	Week ended Jan. 2	Week ended Jan. 9	Week ended Jan. 16	July 1 - Jan. 16 1935-36	July 1 - Jan. 16 1936-37
	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels
North American 1/ ..	162,832	219,688	3,976	3,051	2,827	102,440	152,836
Canada, 4 markets 2/	176,059	246,199	1,588	1,133	1,398	169,489	157,298
United States	20,997	14,207	160	108	70	4,189	5,335
Argentina	186,228	77,384	4,103	3,926	5,711	53,189	44,862
Australia	111,628	110,060	1,844	1,990	1,712	50,361	40,022
Russia	1,672	30,224	0	0	0	25,504	88
Danube & Bulgaria 3/	4,104	8,216	944	928	1,400	7,512	43,416
British India	4/2,318	4/2,529	0	112	0	256	7,604
Total 5/	468,782	448,101				239,262	288,288
Total European shipments 1/	387,752	355,032	9,576			6/ 175,392	6/ 211,736
Total ex-European shipments 1/	147,938	133,528	1,784			6/66,664	6/69,632

1/ Broomhall's Corn Trade News.
2/ Fort William, Port Arthur, Vancouver, Prince Rupert, and New Westminster.
3/ Black Sea shipments only.
4/ Official.
5/ Total of trade figures includes North America as reported by Broomhall's, but does not include items 2 and 3.
6/ To January 2.

Table 8.- Shipments of wheat, including flour from principal exporting countries, specified dates, 1935-36 and 1936-37

Date	Argentina		Australia		Danube		North America	
	1935-36	1936-37	1935-36	1936-37	1935-36	1936-37	1935-36	1936-37
	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels
July-Nov.	45,992	23,692	38,328	27,724	6,584	35,040	75,256	123,638
Week ended								
Dec. 5	1,736	1,336	1,584	1,812	224	1,648	5,136	6,608
12	1,368	1,048	1,872	1,600	288	432	3,672	4,824
19	924	1,828	1,680	1,272	312	1,680	5,088	4,216
26	656	3,236	768	2,068	0	1,344	3,264	3,696
Jan. 2	792	4,116	1,620	1,844	0	944	1,496	3,976

Compiled from Broomhall's Corn Trade News.

Table 9.- Exports of wheat and wheat flour from the United States, 1935-36 and 1936-37 1/

Date	Wheat		Wheat flour		Wheat including flour	
	1935-36	1936-37	1935-36	1936-37	1935-36	1936-37
	1,000 bushels	1,000 bushels	1,000 barrels	1,000 barrels	1,000 bushels	1,000 bushels
July-Nov.	131	1,383	1,385	1,596	6,920	9,185
Week ended						
Dec. 5	24	0	15	31	94	146
12	2	0	41	8	195	38
19	0	17	8	49	38	247
26	0	0	15	9	71	42
Jan. 2	2	0	32	34	152	160
9	0	0	13	23	61	108
16	1	0	22	15	104	70

Compiled from reports of the Department of Commerce.

1/ Includes flour milled in bond from foreign wheat.

Table 10.-Net imports of wheat, including flour, into European countries, year beginning July 1, 1935-36 to 1936-37

Country	1935-36	1936-37 forecast 1/	Net imports reported: July 1 to	1935-36	1936-37
	Million bushels	Million bushels		Million bushels	Million bushels
Austria	7	10	Oct. 31	3	3
Belgium	39	40	Sept. 30	10	12
Czechoslovakia	1	2/ -7	Oct. 31	2	2/ -1
Denmark	9	10	Oct. 31	3	3
Finland	4	3	Oct. 31	1	1
France	7	41	July 31	3/	4/
Germany	3/	11	Oct. 31	4/	3/
Greece	15	17	July 31	1	2
Irish Free State	15	14	Oct. 31	4	5
Latvia	2/ -2	1	Oct. 31	2/ -2	3/
Netherlands	21	22	Nov. 30	10	8
Norway	8	8	Nov. 30	3	2
Poland	2/ -8	2/ -6	Oct. 31	2/ -3	2/ -3
Portugal	2/ -3	4	Oct. 31	4/	4/
Spain	4/	6	June 30	4/	---
Sweden	2/ -2	1	Oct. 31	2/ -2	2/ -1
Switzerland	17	17	Oct. 31	7	2
United Kingdom	205	220	Oct. 31	64	64
Total imports of above	348	425		108	102
Italy	7	45			
Total	355	470			
Total exports	15	13		7	5
Total, net imports	340	457		101	97

Compiled from official sources, except as otherwise stated.

1/ Based largely on estimates of the Berlin Office of Foreign Agricultural Service
2/ Net exports.
3/ Net exports of less than 500,000 bushels.
4/ Less than 500,000 bushels.