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UNITED STATES TARIFF COMMISSION

WHEAT AND MILLED WHEAT PRODUCTS

Report to the President
on Investigation No. 22-38
Under Section 22 of the Agricultural Adjustment Act, as Amended



TC Publication 675
Washington, D. C.
May 1974

UNITED STATES TARIFF COMMISSION

COMMISSIONERS

**Catherine Bedell, Chairman
Joseph O. Parker, Vice Chairman
Will E. Leonard, Jr.
George M. Moore
J. Banks Young
Italo H. Ablondi**

Kenneth R. Mason, Secretary to the Commission

**Address all communications to
United States Tariff Commission
Washington, D. C. 20436**

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REPORT TO THE PRESIDENT

U.S. Tariff Commission,
May 10, 1974

To the President:

Pursuant to your request of October 31, 1973, the U.S. Tariff Commission instituted an investigation under subsection (d) of section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), to determine whether the import quotas on wheat and milled wheat products described in item 950.60 of the appendix to the Tariff Schedules of the United States (TSUS) may be suspended without rendering or tending to render ineffective, or materially interfering with, the programs for wheat now conducted by the Department of Agriculture, or reducing substantially the amount of products processed in the United States from domestic wheat.^{1/}

The products subject to quota which are referred to in your request are wheat fit for human consumption, and wheat flour, semolina, crushed or cracked wheat, and similar milled wheat products, all of which are fit for human use.

On January 15, 1974, the Commission made an interim report to you. In that report, the Commission found that the quotas on wheat and milled wheat products could be suspended until June 30, 1974, without rendering or tending to render ineffective, or materially interfering with, the

^{1/} Public notice of the institution of the investigation was issued on Nov. 7, 1973. The notice was posted at the Commission's offices in Washington, D.C., and in New York City, and was published in the Federal Register of Nov. 14, 1973 (38 F.R. 31482) and in the Customs Bulletin of Jan. 16, 1974. See appendix A for the President's letter and the Commission's notices. A public hearing was held on Jan. 7, 1974, at which interested parties were afforded the opportunity to produce evidence and to be heard. In addition to the information submitted at the hearing, the Commission obtained information from briefs of interested parties and from fieldwork to grain traders.

programs for wheat now conducted by the U.S. Department of Agriculture, or reducing substantially the amount of products processed in the United States from domestic wheat. 1/ The Commission therefore recommended that you suspend the annual import quotas on such products until June 30, 1974. On January 25, 1974, you issued a proclamation suspending the import quotas on wheat and milled wheat products for the period beginning January 26, 1974, and ending June 30, 1974 (appendix B). The proclamation provided that quantities of these products entered during the period May 29, 1974, through June 30, 1974, will not be counted against the quotas for the 12-month period beginning May 29, 1974.

Findings 2/

On the basis of the investigation--

1. The Commission finds (Commissioner Leonard dissenting) that the import quotas on wheat and milled wheat products described in item 950.60 of the appendix to the Tariff Schedules of the United States may be suspended for a one-year period, July 1, 1974, to June 30, 1975, inclusive, without rendering or tending to render ineffective, or materially interfering with, the programs for wheat now conducted by the Department of Agriculture, or reducing substantially the amount of products processed in the United States from domestic wheat.

2. Commissioner Leonard finds that the import quotas on wheat and milled wheat products described in item 950.60 of the appendix to the Tariff Schedules of the United States may be suspended without rendering

1/ The Commission's report, TC Publication 643, was released on January 24, 1974.

2/ Commissioner Young did not participate in the decision.

or tending to render ineffective, or materially interfering with, the programs for wheat now conducted by the Department of Agriculture, or reducing substantially the amount of products processed in the United States from domestic wheat.

Recommendations

1. The Commission recommends (Commissioner Leonard dissenting) that the President issue a proclamation pursuant to section 22(d) of the Agricultural Adjustment Act, as amended, suspending the import quotas on the products described in item 950.60 of the appendix to the Tariff Schedules of the United States, for a one-year period, July 1, 1974, to June 30, 1975, inclusive.

2. Commissioner Leonard recommends that the President issue a proclamation pursuant to section 22(d) of the Agricultural Adjustment Act, as amended, continuing the suspension of the import quotas on the products described in item 950.60 of the appendix to the Tariff Schedules of the United States.

Statement of Chairman Bedell, Vice Chairman Parker,
and Commissioners Moore and Ablondi

As indicated above by our findings and recommendations, we have concluded that the import quotas on wheat and milled wheat products described in item 950.60 of the appendix to the Tariff Schedules of the United States may be suspended for the period from July 1, 1974, through June 30, 1975*, without adversely affecting the programs for wheat of the Department of Agriculture or the amount of products processed in the United States from domestic wheat within the terms of section 22 of the Agricultural Adjustment Act, as amended. The principal considerations supporting our findings and recommendations are set forth below.

The programs for wheat of the Department of Agriculture

The programs of the Department of Agriculture that are of concern to the Tariff Commission in this investigation are primarily the wheat price-support programs. Under the current programs, price support is offered to wheat producers in the form of loans and direct payments.

In general the loan programs have placed a floor under domestic market prices for wheat. Eligible producers can place any or all their harvested wheat under loan to the Government at specified amounts per bushel. Producers doing so may repay the loan at any time during the crop year and sell their wheat in the market, or they can turn over their wheat to the Government in fulfillment of their loan obligation.

The Agriculture and Consumer Protection Act of 1973 calls for the Secretary of Agriculture to set the national average loan rate to producers for wheat in the 1974/75 to 1977/78 crop years (each beginning July 1) at between \$1.37 per bushel and parity (\$3.77 per bushel in March 1974). The Secretary announced that the loan rate for the 1974/75 crop would be \$1.37 per bushel, the minimum rate allowed by law. The national average loan rate for each of the previous crops back to 1965/66 was \$1.25 per bushel, the minimum rate provided by earlier legislation.

The 1973 legislation also provides for payments to U.S. wheat producers if farm prices are below a target price established by the statute. The target price for the 1974/75 and 1975/76 crops is \$2.05 per bushel. For the 1976/77 and 1977/78 crops, the target price can be adjusted to reflect changes in prices paid by farmers for production items, interest, taxes and wages, and changes in crop yields. For wheat grown on their allotted acreage, producers may receive a payment equal to the amount by which the target price exceeds the average monthly farm price during July-November or the loan rate (\$1.37), whichever is higher. If the average farm price is above the target price, no payment is made. The national acreage allotment for all producers for 1974/75 is 55 million acres--an acreage equivalent to about 85 percent of the acreage that the Department of Agriculture forecasts will be harvested in that year.

The situation through mid-1975

In recent years, increasing world demand and needs for wheat have markedly affected the world and domestic wheat situations. U.S. production and exports of wheat have risen and stocks have been drawn down. A record crop (1.7 billion bushels) was harvested in the 1973/74 crop year; the 1974/75 crop is expected to total 2.1 billion bushels--about 360 million bushels more than a year earlier. Average annual U.S. exports in 1972/73 and 1973/74 were materially larger than those in 1970/71 and 1971/72. Domestic consumption of wheat for food and seed has increased moderately. Thus, although U.S. wheat production has been at historically high levels, demand has been strong and stocks have declined. The bulk of the wheat used domestically for food is milled into flour which is used to bake bread. In the fourth quarter of 1973, the cost of flour in a 1-pound loaf of white bread was equivalent to about one-fifth of the retail price of the bread.

A viable U.S. wheat economy is dependent on substantial sales abroad inasmuch as the major part of U.S. production of wheat is grown for the export market. World demand for wheat in 1974/75, although expected to decline somewhat from the preceding year, will probably remain strong. Total world usage of wheat in 1974/75 is estimated by the Department of Agriculture to be only 26 million bushels (less than one-half of 1 percent) below the record established in 1972/73. World stocks of wheat in mid-1975 are likely to be larger than in recent years; nevertheless, such stocks are likely to be equivalent to only 20 percent of annual world consumption, compared with 26 percent in the period 1968/69 to 1971/72.

The easing in world demand for wheat in 1974/75 will undoubtedly affect U.S. exports. The Department of Agriculture forecasts that exports in that crop year will probably be some 200 million bushels below the record high shipments anticipated for 1973/74. U.S. exports of wheat and flour (in terms of wheat), however, would still be the third largest annual exports on record. A new market for the United States--the People's Republic of China--has become a major outlet of U.S. wheat (taking more than a tenth of U.S. exports during July 1973-February 1974) and that country's import requirements are expected to remain substantial during 1974/75. Although importing countries will continue efforts to expand their own production, growing wheat efficiently on a large-scale production basis is fraught with many difficulties.

Since July 1972 monthly prices of wheat in the United States have advanced almost steadily. In February 1974 prices were at record high levels. In March and April prices declined amid reports that the 1974/75 world wheat crop would be about 2 percent larger than the preceding crop and that U.S. exports in 1973/74 probably would not attain the level expected by shippers. The U.S. price of wheat, however, is expected to continue to be well above the target price for the 1974/75 crop year as is evident on the wheat futures market. For example, the closing prices of wheat quoted in early May at the Kansas City futures market for the months of July, September, and December 1974 (which cover the first half of the 1974/75 crop year), ranged from \$3.46 to \$3.84 per bushel. Such prices are substantially above the target price of

\$2.05 per bushel and the loan rate of \$1.37 per bushel announced by the Department of Agriculture for the 1974/75 crop.

The price of wheat in Canada (a major potential source of U.S. imports) has been substantially above the U.S. price, reflecting in part the Canadian view that the world supply-demand relationship will continue to favor exporting countries in 1974/75. Because of the higher Canadian price and transportation problems, U.S. imports during the period from late January 1974 (when import quotas were temporarily suspended) to early May were very small, being substantially below the amount that would have been permitted entry by the suspended quotas. Wheat production in Canada is forecast by the Department of Agriculture to be 13 percent larger in 1974/75 than in the previous year. Meanwhile, Canadian domestic consumption plus exports are expected to be nearly equal to the output. Thus, stocks of wheat in Canada by mid-1975, while expected to be 7 percent larger than a year earlier, would still be the third lowest in the past two decades, which generally was a period of large carryover stocks. The high level of utilization (principally exports) and the relatively low yearend stocks (which have been evident for the past several years when the U.S. import quota on wheat was not filled) will tend to enable the Canadian Wheat Board to keep Canadian wheat prices firm.

The U.S. farm price of wheat (monthly average of \$4.45 per bushel during July 1973-April 1974) in relation to the Government's national average loan rate (\$1.25 per bushel) precluded any deliveries of the commodity to the Government (i.e., to the Commodity Credit Corporation (CCC)) in the first 8 months of the 1973/74 crop year; it appears that

none will be delivered in the remainder of the crop year. Meanwhile, the strong demand for wheat has reduced the CCC's uncommitted stocks of wheat from 358 million bushels in June 1972 to only 2.3 million bushels in late April 1974. Current CCC stocks of wheat are at their lowest level since shortly after World War II. Inasmuch as the price of wheat is likely to remain well above support levels in 1974/75, the CCC's stocks of wheat should continue at a negligible level and costs to the Government should be at a minimum.

At the present time, we do not foresee any development in the supply-demand relationship for wheat during 1974/75 that will so affect prices as to cause any material interference with the programs for wheat now conducted by the Department of Agriculture or reduce substantially the amount of products processed in the United States from domestic wheat. Although U.S. output is expected to increase in 1974/75 and exports to show some decline, the nation's yearend inventory of wheat this coming June 30 will be at a very low level and some of the increased quantities of wheat available in the succeeding crop year will likely be used to replenish stocks.

The quota on milled wheat products was established in order to prevent circumvention of the quota imposed on wheat. Before the quotas on wheat and milled wheat products were established in 1941, the import trade was predominantly in wheat. We believe that this practice will continue. Indeed, during the period from late January 1974 (when the quotas were temporarily suspended) to early May, imports of milled wheat products were equivalent to only 78,000 bushels

of wheat and accounted for about one-fifth of aggregate imports of wheat and milled wheat products fit for human consumption entered during the period.

The situation beyond mid-1975

Supply and demand factors affecting the world production and consumption of wheat in the period beyond mid-1975 are uncertain. Wheat supply can change abruptly, as is common with agricultural commodities. Changes in foreign and domestic supply-demand relationships for wheat and other foods can result in sharp and rapid shifts in U.S. farm prices. This is particularly true in the case of wheat because a large part of the U.S. crop goes to the export market. That market circumstances and prices can change with surprising speed is evidenced by the recent price situation in the U.S. market. For example, average monthly cash prices for No. 1 Hard Red Winter wheat, ordinary protein, at Kansas City rose from \$1.52 per bushel in June 1972 to \$2.67 per bushel in January 1973, and from \$2.69 per bushel in June 1973 to \$5.68 per bushel in January 1974 and then declined to \$4.07 per bushel in April. Under these circumstances, it is not possible at this time to evaluate market conditions in 1975/76.

From the information presently available to the Commission, including estimates from the U.S. Department of Agriculture, total U.S. stocks of wheat by mid-1975 (the end of the 1974 crop year) are estimated to be about 494 million bushels, or an increase of 314 million bushels over the level of stocks at the end of the previous crop year in mid-1974. This increase in stocks will undoubtedly exert some downward pressure on prices, but the extent of the price impact is uncertain.

Conclusion

On the basis of the Commission's investigation, we have concluded that the import quotas on wheat and milled wheat products may be suspended from July 1, 1974, through June 30, 1975, without rendering or tending to render ineffective, or materially interfering with, the programs for wheat now conducted by the Department of Agriculture, or reducing substantially the amount of products processed in the United States from domestic wheat.

Additional Statement of Commissioner Ablondi

I have joined in the preceding statement which gives the reasons for the Tariff Commission's determination that the temporary suspension of the import quotas on wheat and milled wheat products can be continued through June 30, 1975, within the terms of section 22 of the Agricultural Adjustment Act, as amended.

One additional consideration merits attention. In my view, the Commission has a continuing responsibility to determine, whenever it believes it appropriate, the effect of imports on programs of the Department of Agriculture or if the imports reduce substantially the amount of products processed in the United States from the domestic products involved. Hence, with respect to wheat and milled wheat products, I believe that the Commission should periodically review developments pursuant to section 22, and make such findings and recommendations with respect to the quotas as it deems appropriate.

Statement of Commissioner Leonard

I concur with my colleagues that the continued suspension of the import quotas on wheat and milled wheat products would not adversely affect programs for wheat of the Department of Agriculture or reduce substantially the amount of products processed in the United States from domestic wheat, within the terms of section 22 of the Agricultural Adjustment Act, as amended. I also generally agree with the reasons given by my colleagues in support of the decision that the suspension can be continued.

I do not concur with my colleagues that the suspension of the import quotas on wheat and milled wheat products should be proclaimed only for the period through June 30, 1975. Rather, I have concluded that, within the terms of the statute, the quotas should be suspended without time limit. As I pointed out in my statement in the recent section 22 investigation of cotton, 1/ an indefinite suspension of the quotas would not preclude their reimposition at some future time should circumstances warrant. They should not be reinstated, however, until conditions have so changed that quotas on imports would be required to carry out the purposes of section 22 of the Agricultural Adjustment Act, as amended. Such changed conditions, moreover, must be evident or predictable; uncertainty about future circumstances or speculation about possible changes is not enough. In my view, the evidence available to the Commission in the instant investigation

1/ U.S. Tariff Commission, Certain Cotton, Cotton Waste, and Cotton Products . . . Investigation No. 22-37. . . TC publication 658, March 1974, pp 15-16.

gives no indication that circumstances that would warrant the reinstatement of the quotas are likely to arise by mid-1975. In the absence of persuasive evidence that the conditions existing or anticipated at that time would warrant the imposition of quotas under section 22, there can be no reason to reinstate the present quotas automatically. Therefore, I find that the import quotas on wheat and milled wheat products described in item 950.60 of the Appendix to the Tariff Schedules of the United States may be suspended without rendering or tending to render ineffective, or materially interfering with, the programs for wheat now conducted by the Department of Agriculture, or reducing substantially the amount of products processed in the United States from domestic wheat, and I recommend that the President issue a proclamation pursuant to section 22(d) of the Agricultural Adjustment Act, as amended, continuing to suspend the import quotas identified above.

INFORMATION OBTAINED IN THE INVESTIGATION

Overview

During the 1960's U.S. production and consumption of wheat trended upward at a gradual pace, and exports, although fluctuating in quantity from year to year, showed no marked upward or downward trend (table 1 in appendix C). In the early 1970's, however, the conditions affecting U.S. wheat changed drastically. U.S. exports rose sharply to a record high level in crop year 1972/73 1/ and projected exports in 1973/74 are even higher; more wheat was consumed domestically in 1971/72 than in any preceding year; the 1973/74 U.S. crop of wheat was the largest on record; the monthly average price that farmers received for their wheat rose substantially during 1972/73 and continued to advance in 1973/74 until it reached a record high of \$5.52 in February 1974 before declining to \$4.96 in March; and the Government's uncommitted inventory of wheat at the end of crop year 1972/73 was at its lowest point in 25 years and total stocks of wheat (commercial and Government-owned) were at the second lowest level in 20 years. Furthermore, the absolute import quota on wheat had been only partly filled each year during the period 1970-74. 2/

Many of the changes in the U.S. market reflected developments in the world wheat economy. In 1972, a poor wheat harvest in the U.S.S.R. forced that country to look to the United States for wheat. In 1972/73, purchases by the U.S.S.R. and larger than usual purchases by some regular U.S. customers (which partly reflected reduced rice output in

1/ In the United States, the crop year for wheat begins on July 1 and ends the following June 30. Although some wheat is harvested before July 1 in the southern plains, the great bulk of the U.S. crop is harvested after that date.

2/ The quota on milled wheat products, on the other hand, had been

major Asian rice-exporting countries) established the record exports of wheat that year and, in turn, reduced domestic inventories and exerted upward pressure on U.S. prices.

So far during the crop year 1973/74, the demand abroad for U.S. wheat has remained strong and domestic prices have been at record levels. The quantity of wheat consumed domestically plus that exported during 1973/74 is expected to be 15 percent larger than the size of the crop harvested, thus further reducing stocks. By June 30, 1974, the stocks are expected to drop to 180 million bushels, the smallest since 1947. Government-held stocks of wheat are expected to be negligible by the end of the current crop year because of the high price of wheat relative to the Government's loan rate.

In the crop year 1974/75, U.S. wheat disappearance (domestic consumption plus exports) is expected by the Department of Agriculture to be about 1.8 billion bushels, 11 percent below that in 1973/74. Most of the reduction will be in exports, which are expected to be a sixth smaller than in crop year 1973/74. Thus, with 180 million bushels of old crop wheat on hand at the beginning of the crop year and a record high new crop of 2.1 billion bushels predicted for 1974/75, stocks of domestically produced wheat on June 30, 1975, will total about 495 million bushels--more than double the unusually low inventory of a year earlier, but still about a fourth less than the average annual yearend stocks during the 3-year period 1970/71 to 1972/73.

Description and Uses

Wheat is generally classified as hard, soft, or durum wheat on the basis of kernel characteristics. In the United States most wheat is milled into flour and meal and further processed to make products for human consumption. Wheat is also used in significant quantities for seeding purposes and as livestock feed and, in small amounts, for the manufacture of starch, gluten, and alcohol.

Hard wheat has a kernel that is high in protein and gluten content. It is produced in areas where the summers are hot and the rainfall is moderate. The flour made from hard wheat readily absorbs water and produces an elastic and tenacious dough well suited to commercial bread baking. Wheat cereal breakfast foods to be prepared by the consumer, such as farina, are also generally made from hard wheat. The principal classes of hard wheat grown in the United States are Hard Red Winter wheat and Hard Red Spring wheat.

Durum wheat is a hard wheat not generally milled into flour. Its principal outlet is in the production of semolina, a meal used for making macaroni, spaghetti, vermicelli, and other edible pastes.

Soft wheat has a kernel relatively low in protein content. It is produced in areas of abundant rainfall and moderate temperature. The flour made from soft wheat is used primarily for baking cakes, crackers, biscuits, and pastry. Prepared breakfast foods, such as wheat flakes, are made from soft wheat. The principal classes of soft wheat are Soft Red Winter wheat (grown largely in the eastern United States) and White wheat (produced mostly in the Pacific coast region).

Although much of the wheat produced in the United States is milled "straight," there is considerable blending of hard and soft wheats to obtain flours of various grades for baking.

U.S. Customs Treatment

Imported wheat and wheat flour are classified for tariff purposes under part 7 of schedule 1 of the Tariff Schedules of the United States. The rates of duty currently applicable to imports from countries other than those designated as being under Communist control 1/ and the share of total imports that entered under each TSUS item in crop year 1972/73, are shown in the following table.

Wheat and milled wheat products: U.S. rates of duty and percentage distribution of imports (based on quantity) by TSUS items, crop year 1972/73

TSUS No.	Commodity	Rate of duty	Share of U.S. imports
	Wheat:		Percent
130.65	Not fit for human consumption.	5% ad val.	38
130.70	Other-----	21¢ per bu of 60 lb	22
	Milled wheat:		
131.40	Fit for human consumption.	52¢ per 100 lb	40
	Not fit for human consumption:		
131.72	Flour-----	2.5% ad val.	<u>1/</u>
131.75	Other-----	5% ad val.	-
			<u>100</u>

1/ Less than 0.5 percent.

The above rates of duty, which have been in effect since January 1948, resulted from concessions granted by the United States in the General Agreement on Tariffs and Trade. The average ad valorem equivalent of the present rate on wheat fit for human consumption (item 130.70)

1/ Products of most Communist-controlled countries are dutiable at the statutory rates shown in table 2 in appendix C.

was 7.7 percent based on the value of imports from all countries in 1972/73, and that on milled wheat products fit for human consumption (item 131.40), 8.5 percent.

The Customs Regulations of the United States, sec. 10.106 (19 CFR 10.106), presently require importers to file a declaration for each entry of wheat not fit for human consumption. When the importer's declaration claims that all of the wheat is to be used otherwise than in the manufacture of food products, Customs requires that the shipment consist of "wheat containing 30 percent or more by weight of damaged kernels" before it is permitted entry as wheat not fit for human consumption (T.D. 47577, Mar. 13, 1935). When no such claim is made, the wheat is classified as other wheat (item 130.70). 1/

Imports of wheat and milled wheat products other than flour into the continental United States from 30 countries or regions are embargoed pursuant to Plant Quarantine 59, a regulation adopted in 1925 to prevent the entry into the United States of wheat flag smut disease. 2/ Imports into Hawaii are exempt from the restriction. Australia is the only major wheat exporting country listed in Quarantine 59.

1/ On Jan. 17, 1968, the U.S. Bureau of Customs (now the U.S. Customs Service) ruled that second clear wheat flour (a low grade flour) was a milled wheat product rather than a byproduct feed and that it was classifiable under item 131.40 if fit for human consumption or under item 131.72 if not fit for human consumption (CIE C-38/68). The Customs Bureau further ruled that second clear wheat flour was not fit for human consumption if it had an ash content of more than 1 percent. (Most second clear wheat flour has an ash content greater than 1 percent.) After further review, the Customs Bureau, on July 14, 1971, ruled that the ash content of wheat flour does not in and of itself render wheat flour unfit for human consumption and that all wheat flour (including second clear) is fit for human consumption in the tariff sense unless it is adulterated or contaminated at time of importation and in need of processing in order to eliminate such alteration or contamination before it can be consumed by humans (T.D. 71-180).

2/ The regulation was issued under authority of the Plant Quarantine Act of 1912 and is contained in the Code of Federal Regulations (7 CFR 319.59).

U.S. Department of Agriculture Program for Wheat

Description of domestic programs

In recent years the U.S. Department of Agriculture has supported the price of wheat to farmers primarily through two programs-- (1) nonrecourse loans and (2) payments to farmers. The programs for recent crops prior to the 1974/75 crop were based on the Agricultural Act of 1970 (Public Law 91-524); the programs for the 1974/75 crop, which were announced in August 1973, reflect the provisions of the Agriculture and Consumer Protection Act of 1973 (Public Law 93-86), which amended the 1970 Act. The purpose of the 1970 legislation, as stated in the preamble, is "to establish improved programs for the benefit of producers and consumers of . . . wheat . . ."; the purpose of the 1973 legislation is to assure the production of adequate supplies at reasonable prices to consumers by insuring producers against losses if their expanded production results in prices below the target price.

Acreage allotment.--The price-support legislation has required the Secretary of Agriculture to establish annually a national acreage allotment for wheat, which in recent years has served principally to limit the amount of wheat for which farmers could receive supplementary payments (see the section on payments below). Under the 1970 legislation the Secretary was directed to proclaim an annual allotment that would represent the acreage needed, with average yields, to produce a quantity of wheat equal to estimated domestic use. Under the 1973 legislation, the annual allotment was to represent the acreage needed, with average yields, to produce a quantity of wheat equal to estimated domestic use, plus exports,

minus imports; the level of carryover stocks was also to be taken into account. As a result of the change in criteria, an acreage allotment that would meet the 1973 criteria would ordinarily be much larger than one that would meet the 1970 criteria.

Nonrecourse loans.--The loan program has been a basic feature of wheat price-support legislation since the 1930's. Under the program, producers can place their harvested wheat under loan from the Commodity Credit Corporation (CCC), at specified amounts per bushel. Producers doing so may repay the loan at any time during the crop year and then sell their wheat in the market, or they can elect to turn over the wheat to the Government and fulfill their loan obligation; producers generally would elect to do the former if the market price were higher than the loan rate, and they would elect to do the latter if the market price were lower than the loan rate. 1/

In general, the loan rate has acted as a floor for domestic market prices, which have seldom dropped appreciably below the loan rate. The 1973 legislation calls for the Secretary of Agriculture to set the loan rate for the 1974/75 to 1977/78 wheat crops at between \$1.37 per bushel and parity (\$3.77 per bushel in March 1974); 2/ the 1970 legislation required the Secretary to set the loan rate between \$1.25 per bushel and 100 percent of parity, while the preceding legislation (the Food and Agriculture Act of 1965) required the Secretary to set the loan rate between \$1.25 per bushel and 90 percent of parity. On August 16, 1973,

1/ In some cases, the period of the loan can be extended beyond the crop year (called a resale loan). In any event, producers who redeem their loans are obliged to pay the accrued interest (5.5 percent per annum) and storage charges.

2/ Parity is, in general, the price which will give agricultural commodities the same purchasing power in terms of goods and services farmers buy that the commodities had in a specified base period.

the Secretary announced that the national average loan rate 1/ for the 1974/75 crop would be \$1.37 per bushel--the minimum rate allowed by law. The national average loan rate for each of the wheat crops of 1965/66 to 1973/74 was \$1.25 per bushel, the minimum rate as provided by the 1970 (and earlier) legislation. During this period (1965-74), producers participating in the wheat program could place their entire output of wheat under loan.

Payments.--Under the 1971/72 - 1973/74 programs, producers could receive certificates (which could be cashed) equal in value to the difference between the average price received by farmers in the first 5 months of each crop year and 100 percent of wheat parity on July 1, whenever the average price was lower than parity (\$3.39 per bushel on July 1, 1973). An initial payment was made early in the crop year, and a final payment, sometime after December 1. 2/ The certificates could be obtained by producers for wheat grown on the farm's acreage allotment. The national acreage allotment for the 1973/74 crop was 18.7 million acres or about a third of the total acreage planted to wheat for that crop year.

The 1973 act replaced the certificate plan with a target price. The act calls for a target price of \$2.05 per bushel for the crops

1/ Each county in the commercial growing area is assigned its own loan rate, which is based on the national rate and the county's proximity to a terminal market.

2/ To help defray the cost of certificate payments to farmers, processors of wheat were required to purchase certificates for all wheat processed by them for domestic human consumption. The cost of such certificates to processors was 75 cents per bushel (equivalent to about \$1.60 per 100 pounds of flour) during the 1965/66 to 1972/73 crop years.

of 1974/75 and 1975/76, and an adjusted target price for the 1976/77 and 1977/78 crops to reflect changes in prices paid by farmers for production items, interest, taxes and wages, and changes in crop yields. In effect, producers are guaranteed a return equal to the target price for wheat grown on their allotted acreage. Under the program, producers may receive a payment equal to the amount by which the target price exceeds the weighted average farm price of wheat during the first 5 months of each crop year or the loan rate (\$1.37 per bushel), whichever of the latter two is higher. If the average price is above the target price, there is no payment. The farm output eligible for the target price payment is based on the farm's acreage allotment times the farm's established yield per acre; the national acreage allotment for 1974/75 is 55 million acres, while the Department of Agriculture estimates that 64 million acres will be harvested. 1/

Operation of program

The Government, through its loan program, has attempted to bolster the price of wheat by controlling the flow of the grain into the commercial market. Thus, the CCC became a substantial factor in the wheat economy.

1/ The national acreage allotment for 1975/76 is 53.5 million acres (1.5 million acres less than in 1974/75), reflecting primarily an expected decline in wheat usage coupled with an anticipated 2-percent increase in yield per acre.

Quantities placed under loan and deliveries to the CCC.--In the past 5 crop years the annual quantity of wheat used by producers as collateral for CCC loans ranged from 453 million bushels in 1968/69 to 143 million bushels in 1972/73 (table 3). During July 1973-March 1974 60 million bushels of the 1973/74 crop had been placed under loan, compared with 143 million bushels in the corresponding period in 1972/73. 1/

Crop year 1969/70 was the last one in which a significant proportion of the wheat produced was delivered to the CCC. In that year, producers turned over to the Government 96 million bushels, equivalent to 7 percent of the crop. By comparison, less than 50,000 bushels of the 1972/73 crop was delivered to the CCC and during July 1973-March 1974, none of the 1973/74 crop was delivered. The sharp reduction in the quantity of wheat placed in the loan program and ultimately delivered to the CCC reflects the disparity in the loan rate and the average price received by farmers. During July 1973-March 1974 the average price received by farmers was \$3.25 per bushel higher than the average loan rate, whereas in 1968/69 the average price received by farmers was 1 cent per bushel lower than the loan rate. The Department of Agriculture anticipates that the farm price will continue to be substantially above the loan rate in 1974/75 and that deliveries of wheat to the CCC will be negligible.

1/ About 99 percent of the wheat placed under loan during July 1973-March 1974 was redeemed by producers, compared with 68 percent in the corresponding period in 1972/73.

CCC stocks and sales of wheat.--During the 1950's and 1960's the bulk of the U.S. stocks of wheat were generally in the hands of the CCC (table 1). This condition changed during crop year 1972/73, however, when the price of wheat increased substantially. On June 30, 1973, CCC's inventory of uncommitted wheat stood at 6 million bushels, compared with 358 million bushels on June 30, 1972; by April 12, 1974, its uncommitted stocks had dropped to 2.7 million bushels. On June 30, 1973, CCC's uncommitted inventory was equivalent to 1 percent of total U.S. wheat stocks (commercial and CCC-held). CCC stocks are expected to remain relatively small during 1973/74 because of high wheat prices and negligible deliveries by producers to the CCC. In its budget for fiscal 1975, the Department of Agriculture foresees CCC stocks of wheat continuing to be small in crop year 1974/75.

Section 407 of the Agricultural Act of 1949 (63 Stat. 1051), as amended, sets forth the conditions for CCC sales of wheat. Sales in the domestic market must be made at not less than 115 percent of the current average loan rate (with certain adjustments) or the market price, whichever is higher, plus reasonable carrying charges. Sales for export must be made at the domestic market price plus transportation costs to the port of export. Over the years, most of the wheat sold by the CCC was generally channeled into export markets. In the 1972/73 crop year, however, a substantial increase in the domestic market price resulted in the sale of a large proportion of the CCC-owned wheat for unrestricted use (largely in the domestic market). This change in the sales pattern is shown in the following table.

Wheat: CCC sales, crop years 1968/69 to 1972/73, July 1972-March 1973, and July 1973-March 1974

(In millions of bushels)

Year beginning July 1	Export	Unrestricted use	Total
1968/69-----	12	2	14
1969/70-----	24	6	30
1970/71-----	40	45	85
1971/72-----	50	4	54
1972/73-----	45	317	362
July-March:			
1972/73-----	41	315	356
1973/74-----	3	7	10

Source: Official statistics of the U.S. Department of Agriculture.

Costs of the price-support program.--The Government has primarily three programs for wheat that can require an expenditure of funds by the CCC: (1) Price support to producers, as indicated above; (2) differential payments to U.S. exporters when domestic prices are higher than those in foreign markets; and (3) purchases of wheat products for donations. ^{1/} The realized net cost of the three programs is reimbursed to the CCC by appropriations in accordance with Public Law 87-155, approved August 17, 1961. The costs of these programs are shown in the following table.

^{1/} The CCC purchases flour and other processed wheat products in the open market for certain donations. Products are donated domestically to nonprofit school-lunch programs and summer camps for children, assistance to needy persons, charitable institutions, and certain penal and correctional institutions. Products are donated abroad for famine relief and other assistance.

Wheat and milled wheat products: Net expenditures of price-support and related programs, crop years 1969/70 to 1973/74

(In millions of dollars)

Year beginning July 1	Net expenditures on price-support programs	Net export payments	Net export payments	Net expenditures on wheat product purchases	Total net expenditures
		Wheat	Flour		
1969/70-----	564.7	55.6	1.8	30.1	652.2
1970/71-----	551.4	126.8	2.4	36.5	717.1
1971/72-----	577.8	63.5	1.9	32.4	675.6
1972/73-----	390.5	297.9	1.9	36.9	727.2
1973/74:					
July-Feb--	488.9	37.2	<u>1/</u>	34.8	560.9

1/ Less than \$50,000.

Source: Official statistics of the U.S. Department of Agriculture.

Costs to the CCC of the price-support program to producers accounted for 83 percent of the total net expenditures 1/ during the period covered by crop years 1969/70 to 1971/72. In 1972/73 the support program expenditure accounted for only 54 percent of the total; export-payment costs in that year rose sharply and accounted for 41 percent of the CCC total net expenditures. The relatively large export-payment costs reflect the unusually large sales of wheat in the summer of 1972 before world wheat prices began to rise sharply and U.S. export payments ceased.

CCC net expenditures in crop year 1973/74 should be well below those in recent years because the quantities of wheat placed under loan and CCC stocks of wheat are relatively low, domestic market prices are high, and export payments on wheat and flour have ceased. 2/ The major expenditure during crop year 1973/74 has been an initial payment to producers under the domestic marketing certificate plan. About \$474

1/ Net expenditures comprise the CCC purchases and other costs (storage, transportation, and handling), less proceeds from sales.

2/ Payments shown in the table above for 1973/74 reflect commitments

million was paid out to producers early in the crop year. ^{1/} Because the July-November average price received by producers was above 100 percent of parity, no final payment was made.

Section 22 Quotas

In an investigation made in 1941 under the provisions of section 22 of the Agricultural Adjustment Act, as amended, the U.S. Tariff Commission determined in effect that wheat and wheat flour fit for human consumption were practically certain to be imported under such conditions and in such quantities as to interfere materially with the Government's price-support program for wheat. After consideration of the Commission's finding, the President on May 29, 1941, issued Proclamation No. 2489 establishing, effective on that date, absolute annual import quotas of 800,000 bushels of wheat fit for human consumption and 4 million pounds of milled wheat products (wheat flour, semolina, crushed or cracked wheat, and similar wheat products) fit for human consumption. That proclamation was modified three times by providing certain exemptions from the quota, as follows: in 1942, Presidential Proclamation No. 2550 exempted distress shipments and experimental or seed wheat; in 1943, Presidential Proclamation No. 2584 exempted purchases by the War Food Administrator; and in 1962, Presidential Proclamation No. 3448 exempted Shmurah wheat flour used for religious and ritual purposes in the making of matzos for Passover.

The wheat quota was apportioned among 14 countries and the milled wheat products quota was apportioned among 25 countries (table 4) on the basis of average annual U.S. imports of these products from the several countries in the 12-year period 1929-40 but not less than 50

^{1/} Includes \$98 million in payments to producers who voluntarily put a part of their acreage into soil conservation uses.

percent of the average annual imports from each of such countries during the period from January 1, 1929, to December 31, 1933.

Canada was allotted 795,000 bushels, or 99.4 percent, of the wheat quota and 3,815,000 pounds, or 95.4 percent, of the quota for milled wheat products.

The import quotas on wheat and milled wheat products fit for human consumption were administered by the U.S. Bureau of Customs (now the U.S. Customs Service) on a first-come-first-served basis. No special applications or licenses were required. As indicated above, the quotas have been suspended for the period January 26, 1974, to June 30, 1974.

U.S. Producers

Wheat growers

In crop year 1969/70, 45 million acres of wheat were harvested on about 580,000 farms in the United States. By 1973/74, the number of harvested acres had increased to 54 million. In 1973/74, 82 percent of the wheat acreage was concentrated in an area extending from Texas north to North Dakota and also including the States of Colorado, Montana, Washington, and Minnesota. Farm operators in this 10-State area produced four-fifths of the U.S. output of wheat in 1973/74. The major area of production of hard wheat is in the Great Plains, whereas the areas of production of soft wheat are east of the Mississippi River and on the west coast; most of the Durum wheat is grown in the northern Great Plains.

The number of farms on which wheat is grown has been declining in recent decades. The remaining farms have become larger, and some have diversified their operations.

Flour millers

In recent years, some 200 mills, employing about 14,000 workers, have ground wheat into flour. Although wheat flour mills are situated throughout the country, the principal producing States have been Kansas, Minnesota, Missouri, and New York. In 1972 these four States accounted for 45 percent of the total U.S. output.

In recent years, U.S. wheat flour millers have been producing at near capacity. In 1972 the millers utilized 99 percent of their estimated annual capacity, and in 1973 they utilized, on a monthly basis, from 90 to 103 percent of their estimated capacity. 1/

U.S. Consumption

Wheat

U.S. consumption of wheat has increased gradually in recent years. In the crop years 1963/64 to 1972/73, consumption increased at an annual rate of 3.4 percent. The following table shows domestic apparent consumption of wheat, by outlets, for the crop years 1970/71 to 1972/73 and estimated consumption for 1973/74 and 1974/75.

Wheat: U.S. apparent consumption, by outlets,
crop years 1970/71 to 1974/75

(In millions of bushels)					
Year beginning July 1	Food <u>1/</u>	Seed	Feed	Apparent consump- tion	
1970/71-----	520	62	187	769	
1971/72-----	526	63	266	855	
1972/73-----	526	66	195	787	
1973/74 <u>2/</u> -----	532	82	160	774	
1974/75 <u>2/</u> -----	534	76	150	760	

1/ Wheat processed into other products (e.g., distilled spirits and beer) has been negligible.

2/ Estimated.

1/ Estimated capacity is calculated by the U.S. Bureau of the Census on the basis of a 24-hour day, 5-day week with allowances made for six

Generally, somewhat more than half of the U.S. wheat crop has been consumed domestically as food (chiefly in the form of flour used for baking purposes), seed, or livestock feed in recent years; the remainder has been either exported as grain and flour or placed in storage. In crop years 1973/74 and 1974/75, probably less than half of the total output will be consumed domestically because of anticipated record large harvests and heavy exports in those years (table 1).

Wheat flour

U.S. consumption of wheat flour for food increased only slightly during the period covered by crop years 1963/64 to 1972/73; the annual rate of increase during the period was less than 1 percent. In the 3 crop years 1970/71 to 1972/73 the annual consumption of flour averaged 23 billion pounds (table 5). Domestic consumption in 1973/74 and 1974/75 will probably be near the average of recent years.

The bulk of the wheat flour consumed domestically is used by bakers to produce bread. Approximately 0.6 pound of flour is used to make a 1-pound loaf of white pan bread. The cost of the flour in a 1-pound loaf, however, is not proportional to its weight in the bread, although the cost has gone up with the increase in the price of wheat. For example, the cost to the baker of the flour in a 1-pound loaf of white pan bread was equivalent to 17 percent of the retail price of a 25-cent loaf in the third quarter of 1972. Wheat prices subsequently rose, and the cost of the flour was equal to 22 percent of the price of a 31-cent loaf of bread in the fourth quarter of 1973. 1/

1/ These data are based on an average price of wheat delivered to millers of \$2.50 per bushel in the third quarter of 1972 and of \$4.46 per bushel in the fourth quarter of 1973.

Demand situation

The demand for wheat for food consumption in the United States has generally been insensitive to price changes. For example, in the crop year 1972/73 the average cost of wheat to produce 100 pounds of flour at Kansas City increased 31 percent over the cost in 1971/72, and that at Minneapolis rose 25 percent, but the amount of wheat ground nationwide into flour in 1972/73 declined less than 1 percent. 1/ Dietary dependence on foods with wheat content has varied inversely with the standard of living, and per capita human consumption of wheat flour and semolina in the United States declined from 155 pounds in 1940 to 109 pounds in 1973. 2/ However, the decline in per capita consumption has been sufficiently offset by the increase in population to have resulted in a slight increase in the aggregate human consumption of wheat, as indicated above.

Wheat used for feeding purposes is mostly confined to the southern Plains and Western States, where it competes primarily with grain sorghum. Most of the wheat is fed in the last quarter of the grain sorghum crop year (July-September), when grain sorghum supplies are usually at a seasonal low and the wheat crop year is beginning with seasonally large supplies. During the 10 years preceding 1972/73, the price differential between wheat and grain sorghum decreased, resulting in substantial

1/ Over the same period, the wholesale price of bakery flour increased 27 percent at Kansas City and 19 percent at Minneapolis and the price of byproduct wheat millfeeds increased about 50 percent at each milling center.

2/ Annual per capita consumption of wheat breakfast foods has been at 3 pounds for a number of years.

increases in the amount of wheat fed to livestock. ^{1/} However, the price differential again began to increase in the 1972/73 crop year, and the amount of wheat fed to livestock decreased. A further increase in the differential thus far in 1973/74 suggests that there will be a continuation in the decline of wheat consumed as feed in this crop year. Overall, the amount of wheat fed to livestock declined by about 40 percent from 1971/72 to 1973/74.

U.S. Production and Stocks

Wheat

Wheat is the fourth most important crop grown in the United States, being exceeded in farm value by corn, soybeans, and baled hay.

Production.--At times during the past two decades when domestic supplies of wheat reached burdensome levels, the Government required producers to reduce their acreage planted to wheat. However, improved cultural practices employed by growers and favorable weather conditions partly negated the Government's attempts to keep output down. At other times when additional supplies were deemed necessary to meet domestic and export requirements, the Government encouraged growers to increase their output of wheat; at such times, the Government increased acreage allotments or suspended them altogether, and offered additional income

^{1/} Livestock feeders, in formulating rations for their animals, take into consideration (among other factors) the relative prices and feeding values of alternative grains. In the United States the feeding value of a grain is generally measured against that of corn, which is placed at a value of 1.0. The relative feeding values of wheat and grain sorghum are 1.05 and 0.95, respectively.

incentives. Overall, U.S. production of wheat has gradually increased in the last 20 years (table 1).

The 1973/74 U.S. wheat crop amounted to more than 1.7 billion bushels--the highest output on record. This figure is 11 percent above that for the 1972/73 crop and 6 percent above that for the previous record crop (1971/72). The relatively large output in 1973/74 was due mainly to a 14-percent increase in harvested acreage over 1972/73 and to very favorable growing conditions in the central and southern Plains. Most of the increase in production was accounted for by increased output of Hard Red Winter wheat, which was 26 percent larger, and Hard Red Spring wheat, which was 20 percent larger. At the same time, soft wheat production in 1973/74 was down 23 percent from 1972/73 because of winter-kill and drought in the Northwest and excessive moisture in the eastern soft wheat region.

The Department of Agriculture estimates that planting for the 1974/75 wheat crop will be 20 percent larger than for the 1973/74 crop, and that, assuming favorable weather conditions, the new crop will amount to 2.1 billion bushels, nearly 350 million bushels more than the record 1973/74 crop, or a gain of 21 percent. The production of Hard Red Winter wheat is forecast to remain about the same, but the output of Hard Red Spring wheat, soft wheat and Durum wheat is expected to increase.

Hard Red Winter wheat and Hard Red Spring wheat account for the bulk of domestic output of wheat. During the crop years 1971/72 to 1973/74 the average annual production of Hard Red Winter wheat accounted for 51 percent of the total wheat crop and Hard Red Spring

wheat accounted for 20 percent. The shares of the total crop accounted for by Soft Red Winter wheat, White wheat, and Durum wheat were 12 percent, 12 percent, and 5 percent, respectively. U.S. production of wheat in recent years is shown, by classes, in tables 6 to 10, and the output of wheat by principal producing States is shown in table 11.

Stocks.-- U.S. yearend stocks of wheat (commercial and Government-controlled) were reduced by half during the 1972/73 crop year. Stocks on hand on June 30, 1973--438 million bushels--were the second lowest in 20 years (table 1). On that date, about four-fifths of the stocks were privately held, 1/ and the remainder consisted of uncommitted Commodity Credit Corporation (CCC) stocks and wheat offered as collateral by producers for CCC loans. The sharp reduction in stocks of wheat in 1972/73 reflects unusually heavy exports during the crop year.

A continuation of large shipments of wheat abroad in 1973/74 has further reduced stocks. The Department of Agriculture estimates that the U.S. inventory of wheat on June 30, 1974, will be 180 million bushels. The Department further forecasts that stocks on June 30, 1975, will amount to 494 million bushels, about 300 million bushels more. The 300-million bushel increase is about 50 million bushels less than the anticipated increase in the U.S. output of wheat from 1973/74 to 1974/75.

Stocks of all classes of wheat were down at the end of the 1972/73 crop year. Stocks as a share of total supplies (stocks plus production) available for each class of wheat in crop year 1973/74 were the smallest for Soft Red Winter wheat (5 percent of the total supplies of such

1/ Privately held stocks, as here used, include CCC committed stocks, that is, grain sold by the CCC but not yet delivered to the buyer.

wheat) and largest for Hard Red Spring wheat (34 percent).

Since World War II, the CCC generally has owned the bulk of the nation's yearend inventories of wheat or has committed itself to acquire from producers most of their unsold stocks of wheat should they elect to turn them over to the Government. However, the heavy export demand in crop years 1972/73 and 1973/74 raised the domestic price of wheat well above the Government's loan rate to producers. Hence, producers did not deliver much wheat to the Government and the CCC sold most of its inventory. ^{1/} On June 30, 1973, CCC's uncommitted inventory of wheat totaled only 6 million bushels, down from 358 million bushels on June 30, 1972. By April 12, 1974, CCC's uncommitted stocks had dropped further to 2.7 million bushels. The Department of Agriculture expects CCC stocks to be about 500,000 bushels at the end of crop year 1973/74 and some 200,000 bushels at the end of 1974/75.

Wheat flour

Annual U.S. production of wheat flour has remained virtually unchanged in recent years (table 5). In the 5-year period 1968/69 to 1972/73, annual output averaged 25 billion pounds. In July-December 1973, production of wheat flour amounted to 12.7 billion pounds, the same quantity produced in the corresponding periods in 1971 and 1972. About nine-tenths of the flour produced is white flour, and the bulk of the remainder is durum flour and semolina. Some 500 million bushels of

^{1/} As indicated above, sec. 407 of the Agricultural Act of 1949 (63 Stat. 1051), as amended, sets forth the conditions for CCC sales of wheat; see earlier section of this report on U.S. Department of Agriculture programs for wheat.

wheat is ground annually to produce flour.

Millers generally store the raw material (wheat) rather than the finished product (flour). Flour production is evenly distributed throughout the year, and inventories are kept to a minimum. In recent years, yearend (June 30) inventories of flour have been equivalent to about 2 percent of domestic output.

U.S. Imports

Aggregate U.S. imports of wheat and milled wheat products have been negligible in recent years. During the crop years 1968/69 to 1972/73, annual imports ranged from 156,000 bushels to 2,972,000 bushels; they averaged 983,000 bushels in that period, a quantity equivalent to less than 1 percent of apparent consumption. About two-thirds of the total imports were classified as not fit for human use. These imports were exempt from the quota imposed on wheat and milled wheat products fit for human consumption. Virtually all imports came from Canada (table 12). 1/ Most of the wheat and milled products fit for human use entered at Buffalo, N.Y., and St. Albans, Vt., while most of the wheat not fit for human use (virtually all seed wheat) entered at customs ports in North Dakota and Montana, and the bulk of the milled wheat not fit for human consumption entered at Detroit, Mich.

1/ While significant imports from Mexico of seed wheat unfit for human consumption occurred in 1968/69 and 1969/70, they subsequently dropped to an insignificant level.

As indicated earlier, imports of wheat fit for human consumption were limited to an absolute annual quota of 800,000 bushels. ^{1/} During the crop years 1968/69 to 1972/73, the quota was from 0 to 99 percent filled (table 13). Virtually none of the 1973/74 quota had been filled up to the time (January 25, 1974) that it was suspended. During 1968/69 to 1972/73 wheat subject to quota accounted for about 37 percent of total imports of wheat; the remainder, not subject to quota, consisted almost entirely of seed wheat not fit for human consumption.

Milled wheat products fit for human consumption also were subject to import quotas during the same period as for wheat. Imports were limited to an absolute annual quota of 4 million pounds. From 1968 to early 1974 the quota for milled wheat products was about 96 percent filled each year (table 13). During 1968/69 to 1972/73, milled wheat products subject to quota accounted for 34 percent of total imports of milled wheat products.

In the period from July 1973 to January 1974 90,000 bushels of wheat were imported (of which 24,000 bushels were fit for human consumption) and 2 million pounds of flour were entered (all of which was for human use). From the time the quotas were suspended (January 26, 1974) until April 19, about 211,000 bushels of wheat fit for human consumption and 2,739,000 pounds of milled wheat products fit for human use were imported, according to the U.S. Customs Service. The

^{1/} The quota year for wheat and milled wheat products ran from May 29 to the following May 28. This differed slightly from the wheat crop year, which runs from July 1 to June 30.

Department of Agriculture anticipates imports of up to 5 million bushels of Canadian wheat during the current (1973/74) crop year. According to trade reports, about 3 million bushels of Canadian wheat have been contracted for delivery, largely in the month of May. About 60 percent of the 3 million bushels to be imported will consist of western hard wheat and the remainder will be eastern soft wheat.

Since July 14, 1971, second clear wheat flour has been considered by the U.S. Customs Service to be fit for human consumption. 1/ As a result, imports of wheat flour not fit for human consumption (previously consisting primarily of second clear flour) declined markedly after mid-1971, and milled wheat products fit for human use became relatively more important.

The quota on wheat had not been filled in recent years because the price of the imported wheat was generally higher than that of the domestic wheat. However, the quota on milled wheat products continued to be nearly filled because U.S. millers were required from 1963 to August 1973 to purchase marketing certificates for the wheat they milled for human use, which raised the price of flour domestically to where it attracted imported flour.

Seldom had countries with a quota allotment--other than Canada--exported wheat and its milled products to the United States. The quantities allocated to these countries were relatively small, and commercial shipments were not practical. Wheat not fit for human consumption which was not subject to quota is generally low in value compared with that

1/ See discussion on classification of second clear flour in section "U.S. Customs Treatment" above.

used for flour and seed, and the United States has had abundant supplies of domestic feed grains on hand, resulting in few imports of wheat and flour unfit for human consumption.

U.S. Exports

The United States is the world's principal exporter of wheat and flour, accounting for nearly two-fifths of the world trade in recent years. In the 1960's, U.S. exports of wheat and flour (in terms of grain equivalent) showed no discernible upward or downward trend; annual exports during that period averaged about 700 million bushels. In the crop year 1972/73, however, a record high in exports of wheat and flour was established when 1.2 billion bushels was shipped abroad. Whereas exports in the 1960's were equivalent to about half of domestic production of wheat, they were equal to three-fourths of U.S. output in 1972/73, 1/ reflecting substantial purchases by the Soviet Union owing to a decline in that country's production of wheat, which is a major food staple in the Soviet diet. The Department of Agriculture predicts that U.S. exports in the current crop year (1973/74) will be slightly above the record level set in the preceding year. In the period July-early April, exports of wheat and flour (in wheat equivalent) amounted to about 946 million bushels. Exports have remained strong in the current crop year because of large shipments to several markets, including the People's Republic of China, the U.S.S.R., Japan, and India.

1/ It must be remembered, of course, that exports in any given year may include wheat produced in an earlier year and released from storage.

U.S. exporters have been required since June 1973 to report to the Government their intentions to export wheat and flour. ^{1/} Exporters reported that as of April 7 they had contracted to deliver abroad, but had not yet shipped, some 262 million bushels of wheat and 76 million pounds of flour (equivalent to about 1.3 million bushels of wheat). Thus, with about 946 million bushels of wheat and flour (grain equivalent) already shipped abroad by early April, total exports for the crop year may reach 1.21 billion bushels, about 25 million bushels more than was exported in 1972/73.

In 1972/73 and 1973/74 the principal markets for U.S. wheat, in addition to the Soviet Union, were Japan, the European Community (EC), the People's Republic of China, and several countries in South Asia and in Latin America (table 14). U.S. exports of wheat flour went largely to developing countries in Asia and the Near East (table 15).

In recent years more than nine-tenths of U.S. exports of wheat and flour consisted of the grain. The relative importance of flour in U.S. exports has declined over the years as developing countries in Latin America, Africa, and Asia have encouraged the establishment of local flour mills to process domestic and imported wheat. Furthermore, members of the EC no longer are important markets for U.S. flour but continue to import U.S. wheat.

^{1/} From June 13, 1973, to Oct. 5, 1973, exporters reported their operations to the U.S. Department of Commerce as required by Export Control Bulletins 84(a) and 87. Since the latter date they have been required to report to the U.S. Department of Agriculture, pursuant to sec. 812 of the Agriculture and Consumer Protection Act of 1973.

Most of the exports of wheat consist of hard wheat. In recent years, the exports of Hard Red Winter wheat and Hard Red Spring wheat accounted for three-fourths of the total, as shown in the following table.

Wheat: Percentage distribution of U.S. exports, by classes, crop year average 1970/71 to 1973/74

Class of wheat	Percentage distribution
Hard red:	
Winter-----	60
Spring-----	17
White-----	13
Durum-----	6
Soft Red Winter-----	4
Total-----	100

For many years the Government has had programs to promote the export of surplus domestic wheat. The programs were necessary to move the surplus supplies abroad because (1) until very recently domestic wheat prices were generally at levels above those in foreign countries and (2) many developing countries were unable to buy wheat without financial assistance. Primary among the programs established by the Government are those provided for under the Agricultural Trade Development and Assistance Act of 1954 (better known as Public Law 480) and those carried out by the Agency for International Development (AID). In recent years, the relative importance of exports of wheat and flour under the programs has declined (table 16). In crop year 1972/73, 13 percent of the total exports of wheat and flour moved under the programs of Public Law 480 and AID, compared with about half in 1969/70;

during July 1973-February 1974, only 9 percent of the exports moved under such programs. Exports under these Government programs have declined largely because wheat is no longer a surplus commodity in the domestic market and the Congress has reduced the funds available for such programs.

In the past, exports of wheat and flour were also encouraged through Government payments to exporters to compensate them for the difference when domestic prices were higher than prices in foreign markets. The payments were available on all exports except for wheat and flour donated abroad. The payments ceased in September 1972 on wheat and in January 1973 on flour when the price disparity disappeared in the face of tight world grain supplies. 1/

The export market for U.S. wheat is affected by crop conditions abroad as well as policy considerations of trading countries. Although world wheat and other food-grain trade is directly influenced by the level of world production, the demand for U.S. wheat appears to be inelastic with respect to price. Importing countries have traditionally filled their shortfalls in wheat production largely through direct cash or concessional purchases and partly through the reception of gifts and donations. U.S. wheat prices have increased when export demand rises because of shortfalls, and U.S. prices have declined when stocks build up and export demand declines.

1/ The average export payment to exporters on shipments of No. 1 Northern Spring wheat (14 percent protein) from Duluth was 13 cents per bushel in September 1972, the last month such payments were made; the payment on No. 2 Hard Red Winter wheat (ordinary protein) at gulf ports was 18 cents per bushel in the same month.

World Wheat Production, Trade, and Stocks

Production

World production of wheat increased from 11.2 billion bushels in 1969/70 to a record crop estimated at 13.5 billion bushels in 1973/74 (table 17). Preliminary estimates place the world crop in 1974/75 at about 13.8 billion bushels. Production increased yearly during 1969/70 to 1973/74 with the exception of crop year 1972/73, when a 13-percent reduction in the U.S.S.R. wheat crop resulted in a 2-percent decline in the world wheat crop. Seven countries produce the bulk of the world's wheat crop. The U.S.S.R. is the principal producer of wheat; crops in that country increased from 3.0 billion bushels in 1969/70 to 3.6 billion bushels in 1971/72, but then declined to 3.2 billion bushels in 1972/73. Estimated U.S.S.R. output in 1973/74 is a record 4.0 billion bushels. During 1969/70 to 1973/74 the annual average output by the U.S.S.R. accounted for a fourth of the world total. The United States is the second major producer, with crops that increased from 1.5 billion bushels in 1969/70 to a record 1.7 billion bushels in 1973/74; its production accounted for 13 percent of the world wheat crop during the period. Other important wheat-producing countries are Argentina, Australia, Canada, India, and the People's Republic of China. Production in these five countries averaged 2.9 billion bushels annually during 1969/70 to 1973/74 and accounted for 23 percent of the world total.

World hard-wheat production generally exceeds the output of soft wheat. The U.S.S.R., the United States, and Canada produce primarily hard wheat. In 1973/74 the U.S.S.R. accounted for 42 percent of the world total, the United States, for 16 percent, and Canada, for 7 percent.

Hard wheat is also grown extensively in the People's Republic of China and, to some extent, in Australia.

The European Community grows mainly soft wheat, and that area accounted for about one-third of world soft-wheat production in 1973/74. Other important producers were the United States and Australia, each of which accounted for about one-tenth of the world output.

Argentina produces primarily medium hard or semihard wheat that falls between the hard and soft classes and is often used for blending purposes. The U.S.S.R., the EC, the United States, and Canada are major production areas for Durum wheat. In 1973/74 the U.S.S.R. accounted for about one-half of the world total, the EC accounted for one-fifth, and the United States and Canada each accounted for about one-tenth of the output.

Trade

International trade in wheat and flour increased each year during 1969/70 to 1973/74 (table 17), reflecting in part reduced grain production in west Asia and in North and Central Africa owing to drought; higher incomes in some Asian countries, which have spurred demands for more wheat; continuing food deficits in India, Bangladesh, and other east Asian countries; and large imports by the People's Republic of China and, in some years, by the U.S.S.R. ^{1/} A larger world output in 1974/75 over that in 1973/74 is expected to reduce international trade about 2 percent, principally in imports by Western Europe and the U.S.S.R.

Four countries have supplied the bulk of the world exports of wheat: the United States, Canada, Australia, and Argentina. In the

^{1/} The People's Republic of China is expected to import about 239 million bushels of wheat during 1974/75, of which the bulk may come from the United States and most of the remainder from Canada and

crop years 1969/70 to 1973/74, these four countries exported an average of 1.7 billion bushels annually and accounted for nearly three-fourths of the total world trade in wheat in that period (tables 1 and 18-20).

The major exporters ship to many countries but most have traditional markets. The principal markets for U.S. wheat have been Japan, the EC, Republic of Korea, Pakistan, India, and several countries in Latin America. The U.S.S.R. and the People's Republic of China, however, were major markets for U.S. wheat in 1972/73 and 1973/74. Canada's principal markets have included the United Kingdom, the EC, the People's Republic of China, the U.S.S.R., Japan, and India; major markets for Australian wheat have included the United Kingdom, United Arab Republic, and Japan. ^{1/} The principal buyers for Argentine wheat have included Brazil and the EC. In some years the U.S.S.R. has been an important supplier of wheat; most of this wheat has gone to East European markets. France is an important producer of wheat, but most of its shipments are in intra-EC trade.

In November 1973 Argentina announced an embargo on its exports of wheat and flour (except Durum) to all countries except those with which it has bilateral arrangements, principally Brazil. In January 1974 Argentine foreign trade in grains came under the control of the Argentine Grain Board. Exports of wheat in 1974 will continue to be confined mainly to Brazil. Argentina has signed an agreement with

^{1/} A new agreement between Canada and the People's Republic of China was announced Oct. 5, 1973; it calls for shipments to China of a minimum of 179 million bushels and a maximum of 224 million bushels in a 3-year period starting in January 1974. A 3-year agreement between Australia and China, signed on Oct. 18, 1973, calls for the sale of up to 173 million bushels of Australian wheat, beginning in January 1974.

the People's Republic of China to sell that country 3 million metric tons of corn and wheat over a 3-year period; somewhat more than half of the shipments will consist of corn.

All the major classes of wheat enter world trade. The hard wheats constitute the largest part, accounting for about 60 percent of the total. The soft wheats account for about one-third of the wheat moving in international trade, and Durum wheat accounts for the remainder.

International trade in wheat flour is small in relation to that in the grain. In crop year 1971/72, for example, world exports of flour accounted for less than a tenth of aggregate exports of wheat and flour. By far, the principal importers of flour have been countries in Asia and Africa. The major exporters of flour have been the EC and the United States. Canada, Australia, and Argentina, which are important exporters of wheat to world markets, have been relatively unimportant shippers of flour abroad.

During crop year 1972/73, 91 percent of world exports of wheat went under commercial sales transactions and 9 percent went under special governmental credit or currency arrangements, according to data from the International Wheat Council; during 1969/70 to 1971/72 commercial sales had accounted for 75 percent of the total. During July-December 1973, 95 percent of the world exports went under commercial transactions. The United States and Canada have been the principal sources of special-transaction shipments and both countries have sharply reduced such exports.

Stocks

Available information on world stocks of wheat shows that stocks on hand at the end of crop year 1972/73 (June 30) were approximately one-half of the stocks on hand at the end of 1969/70 (table 17). World stocks will probably increase as reserve stocks in exporting and importing countries are built up. Nevertheless, the level of stocks in mid-1975, as estimated by the Department of Agriculture, will still be 6 percent (170 million bushels) less than the annual average during 1969/70 to 1971/72. Aggregate stocks in the four major exporting countries (the United States, Canada, Australia, and Argentina) (tables 1 and 18-20) declined more sharply than total world stocks, falling about 60 percent during crop years 1969/70 to 1972/73. These countries will have near record exports in 1973/74, thus further reducing their stocks. Stocks of wheat in the four countries are expected to increase in 1974/75 because of increased world output and reduced world import demand but by mid-1975 they will be about half of what they averaged during 1969/70 to 1971/72.

Competition with rice and feed grains 1/

World grain production has been increasing in recent years. In 1973/74 total output of wheat, feed grains, and rice amounted to 1.3 billion metric tons, which was 13 percent above the production in 1969/70. In 1973/74, feed grains accounted for 47 percent of the total world output, wheat accounted for 29 percent, and rice, for 24 percent.

1/ The feed grains are corn, oats, barley, and grain sorghum.

Rice and most feed grains can be substituted in varying degrees for wheat as a food for human use and wheat can be used as a feed for animals. The degree of substitution that takes place depends primarily on the level of consumer income, price relationships among the grains, and consumer preferences. Studies conducted by the U.S. Department of Agriculture indicate that the food demand for grain in the aggregate is inelastic in the major grain-producing regions of the world; that is, consumer response to price changes is relatively small. ^{1/} Thus, the demand for wheat as food is largely independent of price changes in North America, Europe, Argentina, and Australia. However, in non-wheat-producing countries demand for wheat declines when the price is high and other grains can be substituted for wheat. The demand for rice is generally inelastic with respect to price in rice-producing countries such as Japan and those in Southeast Asia, and in high-income regions such as North America and Western Europe. The price elasticity of demand for feed wheat is considerably higher than that for food wheat. This is an important factor in those developed countries in which a significant portion of wheat can be used in feed outlets.

International Wheat Agreement

International trade in wheat has been subject to special trading agreements since 1949. The first International Wheat Agreement went into effect on August 1, 1949. The latest agreement began on July 1, 1971, with a duration of 3 years.

The central objective of agreements before 1971 was to assure supplies of wheat and flour to importing countries and markets for wheat and flour to exporting countries at equitable and stable prices.

^{1/} The results of the studies are published in a number of U.S. Department of Agriculture reports and are summarized in World Demand Prospects for Grain in 1980, Foreign Agricultural Economic Report No. 75. Economic Research Service, 1971.

Exporting countries agreed to supply, and importing countries agreed to purchase, certain quantities of wheat and flour within prescribed price ranges. In the late 1960's, however, export prices came under severe pressure following several bumper world wheat harvests, which resulted in extreme competition for available markets from both member and nonmember wheat exporters. Efforts were made in the International Wheat Council to stabilize the market and prevent the erosion of prices below minimum levels by establishing minimum prices for new grades and qualities coming into prominence and to establish related prices for wheat available from nonmember suppliers. It proved impossible to reach a consensus on new price levels among exporting and importing countries. Furthermore, the issue was not resolved during renegotiation of the agreement in 1971; thus, the present agreement does not call for minimum and maximum prices, such as were part of previous agreements. 1/

The 1971 agreement contains two conventions, the Wheat Trade Convention (WTC) and the Food Aid Convention (FAC). The WTC provides for a group to keep the world wheat market under review and to assist the International Wheat Council in dealing with problems of market instability; it also provides for the continued reporting of export data and other relevant information. Under the FAC, nine countries, including the United States, have pledged to contribute specified amounts of wheat or other grain suitable for use as food to developing countries for the duration of the agreement.

1/ The 1971 agreement has been renegotiated for a one-year extension (until June 30, 1975) and is now awaiting the signatures of member countries.

Prices

Domestic prices

The prices of wheat and wheat flour in the United States have been at or near record levels thus far in crop year 1973/74.

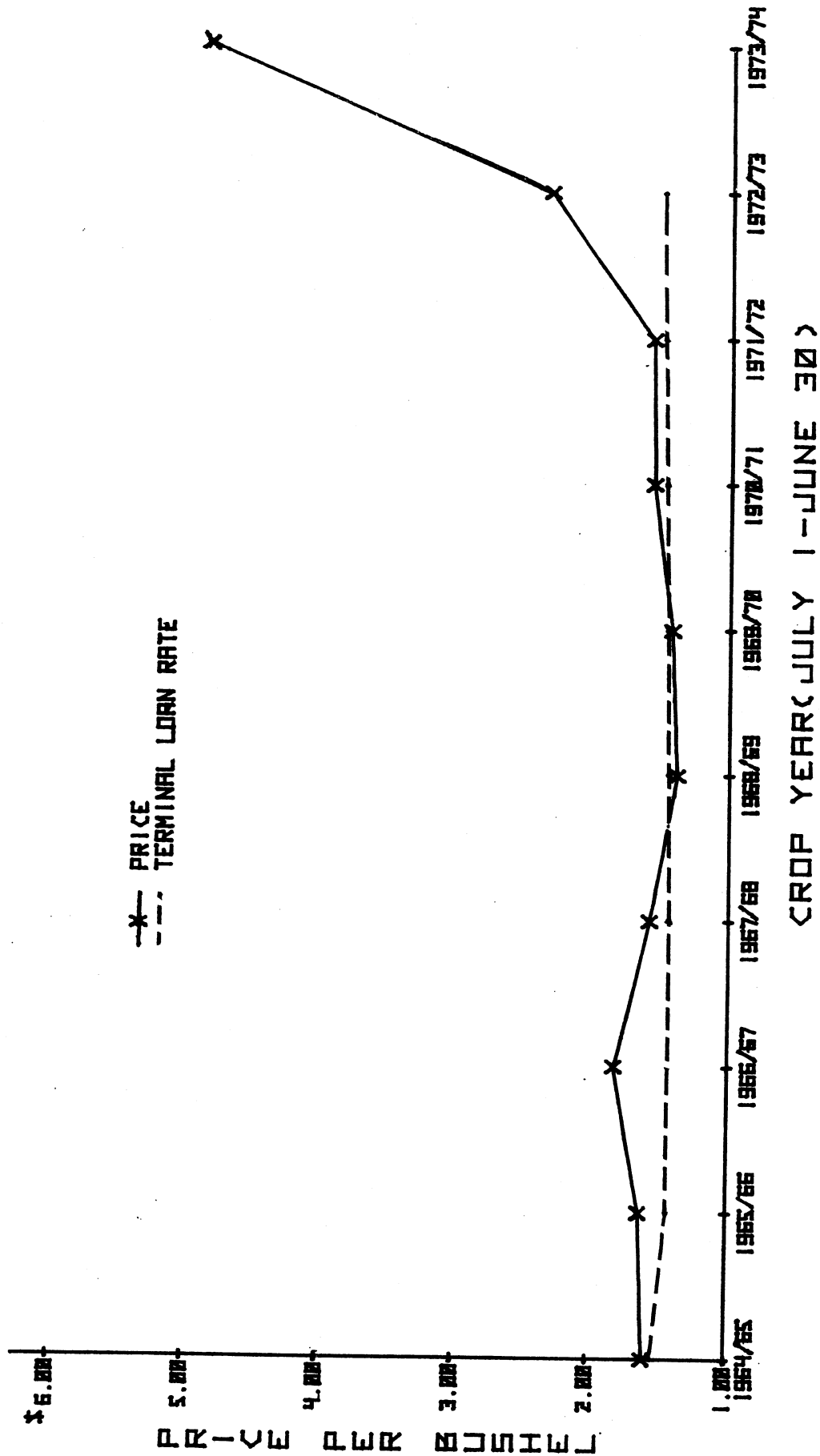
Wheat.--There are five major classes of wheat grown in the United States: Hard Red Winter, Hard Red Spring, Soft Red Winter, White, and Durum. Tables 21 and 22 show average annual prices of the five major classes of wheat in the United States for the crop years 1964/65 to 1973/74 and average monthly prices for the period July 1971 to March 1974.

Hard Red Winter wheat is the most important wheat in terms of quantity produced. For this reason the prices of Hard Red Winter wheat will be given the most detailed discussion, and prices for the other four classes of wheat will be compared with those of Hard Red Winter wheat.

A representative price for Hard Red Winter wheat is that reported at Kansas City for No. 1 Hard Red Winter, ordinary protein. The price for this wheat increased from \$1.59 per bushel in the 1964/65 crop year to \$1.82 per bushel in 1966/67--an increase of 14 percent (fig. 1). The price then fell by 24 percent to \$1.38 per bushel in 1968/69--the crop year when deliveries of wheat to the Government under the price-support program were at their highest level for the 9-year period. Prices then rose gradually to \$1.57 per bushel in 1971/72.

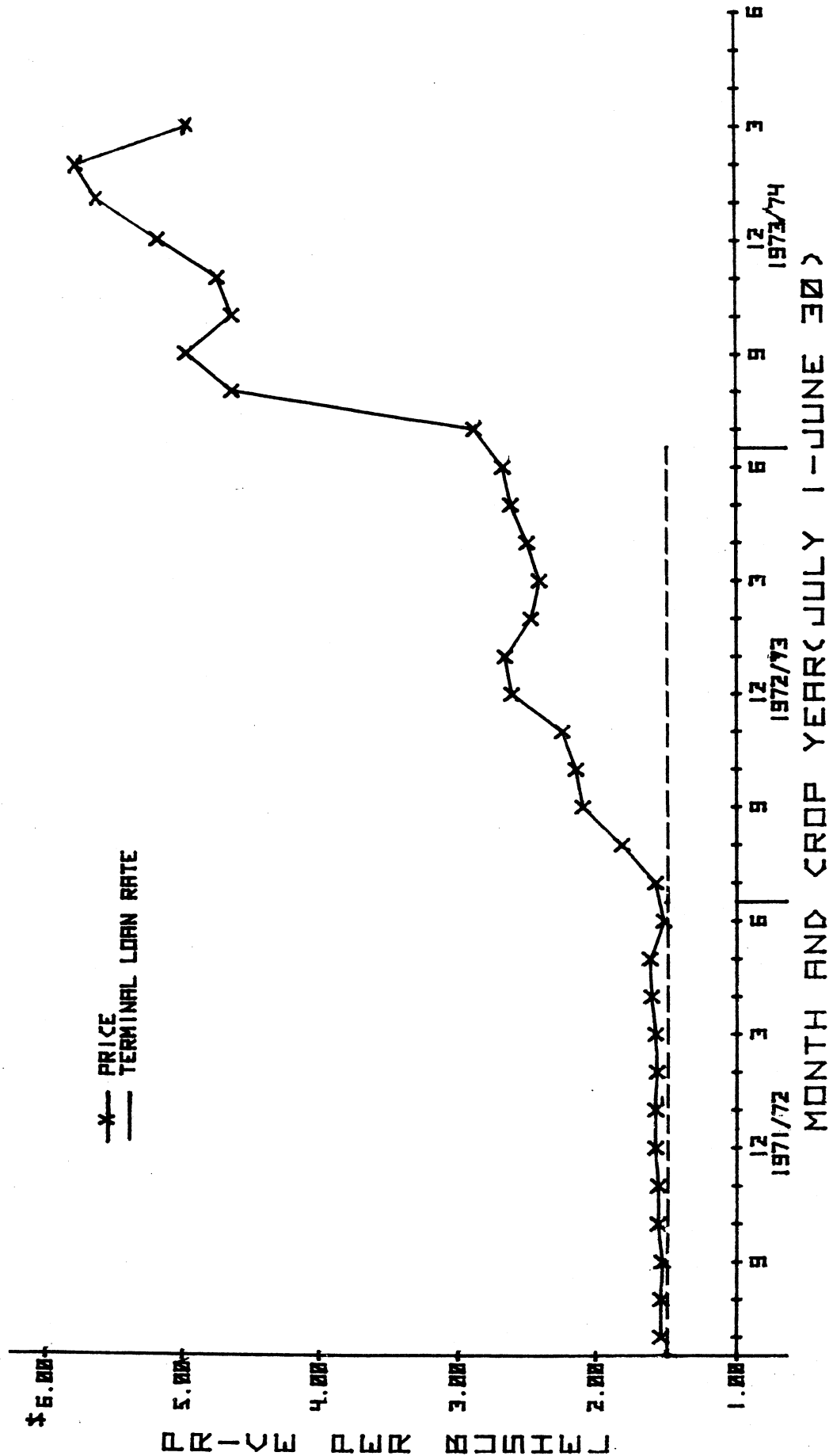
In the first half of 1972/73 the price of Hard Red Winter wheat rose to \$2.67 in January 1973 and then remained fairly stable for the remainder of the crop year (fig. 2). In the first half of 1973/74 the price rose sharply; from July to August 1973 the average monthly price of

FIGURE 1.--PRICES AND TERMINAL LOAN RATES OF NO. 1 HARD RED WINTER WHEAT, ORDINARY PROTEIN, KANSAS CITY, CROP YEARS 1964/65 TO 1973/74



SOURCE: U.S. DEPARTMENT OF AGRICULTURE.

FIGURE 2.--PRICES AND TERMINAL LOAN RATES OF NO. 1 HARD RED WINTER WHEAT,
ORDINARY PROTEIN, KANSAS CITY, BY MONTHS, JULY 1971-MARCH 1974



SOURCE: U.S. DEPARTMENT OF AGRICULTURE.

Hard Red Winter wheat rose from \$2.90 to \$4.67 per bushel--a jump of 61 percent in one month. After fluctuating higher in September and lower in October the price rose to \$5.82 per bushel for February and then dropped to \$5.01 per bushel for the month of March. Day-to-day fluctuations of 20 cents and more in the price of wheat were typical during February and March. On April 10, 1974, when Hard Red Winter wheat closed at \$4.22 per bushel, the futures price of wheat on the Kansas City market for July 1974 was \$4.14 per bushel and for December 1974 was \$4.15.

The most representative grades for the other four classes of wheat are Hard Red Spring--No. 1 Dark Northern Spring, 15 percent protein, Minneapolis; Soft Red Winter--No. 2 Soft Red Winter, Chicago; White--No. 1 Soft White, Portland; and Durum--Hard Amber Durum, Minneapolis. For the remainder of the discussion the price of each class of wheat will be that of its most representative grade.

During 1964/65 to 1972/73 price fluctuations of the five classes of wheat were highly correlated. In general the price levels of Hard Red Winter, Soft Red Winter and Soft White were comparable while Durum and Hard Red Spring commanded higher prices. A comparison of the prices of the four other classes of wheat with those of Hard Red Winter wheat during 1964/65 to 1972/73 shows that the price of Soft Red Winter wheat stayed within 7 percent of the price of Hard Red Winter wheat. The price of White wheat stayed within 9 percent of the price of Hard Red Winter wheat, being lower in the first 3 crop years of the period and thereafter being higher. For the first 8 years of the period the price of Hard Red Spring wheat was higher than that of Hard Red Winter wheat

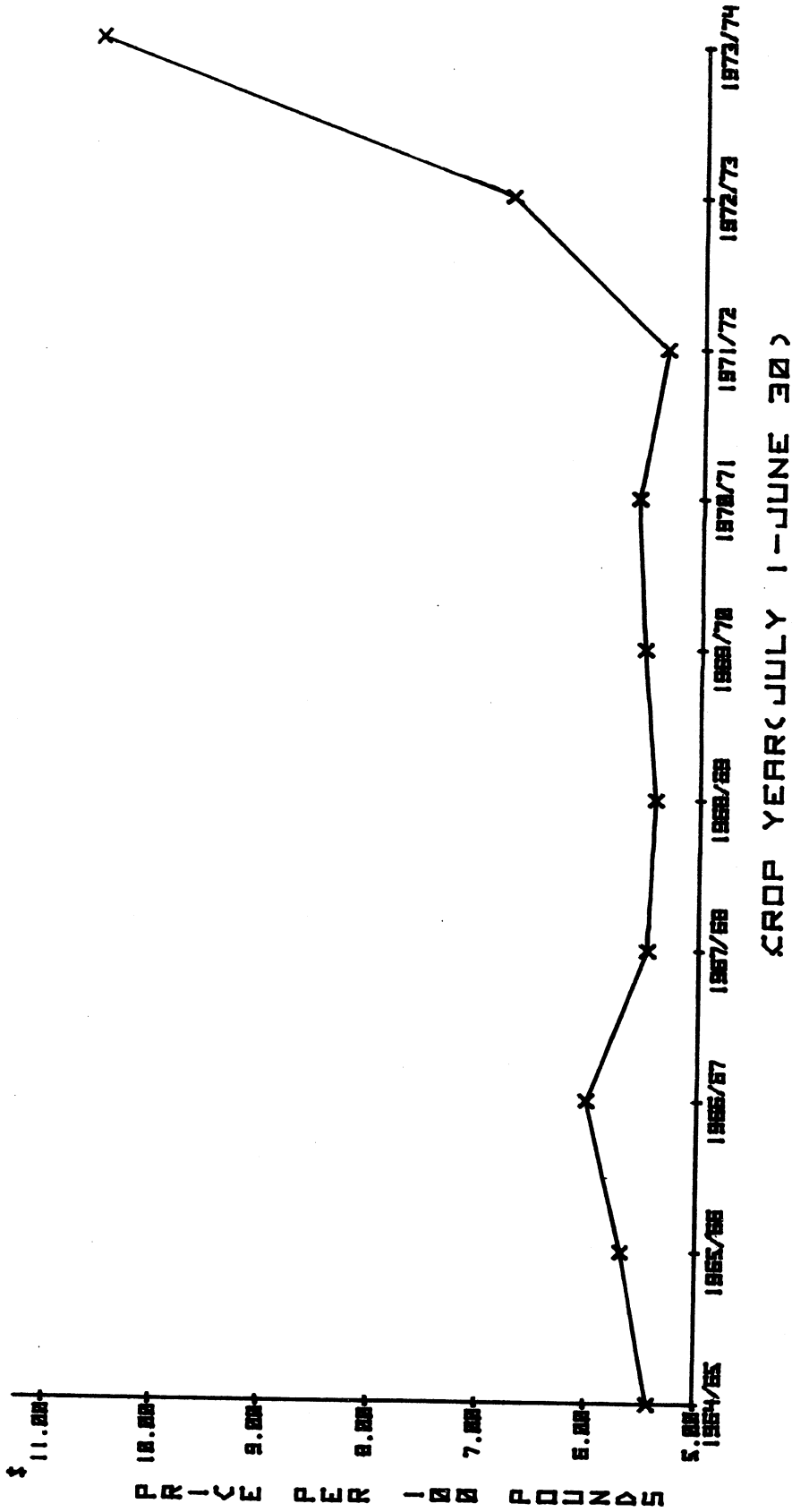
by as much as 30 percent, but in 1972/73 it averaged 2 percent less. For the first 8 years of the period the price of Durum was higher than Hard Red Winter wheat but in 1972/73 they were about equal. For March 1974 the four other wheats compared with Hard Red Winter wheat as follows: Soft Red Winter--12 percent higher; White--20 percent higher; Hard Red Spring--6 percent higher; and Durum--48 percent higher.

While Hard Red Spring wheat had traditionally commanded a high price, in 1972/73 and the first half of 1973/74 the situation reversed and it became the lowest priced wheat of the 5 major classes. This was partly due to record production. Production of Hard Red Spring wheat for 1971/72 to 1973/74 averaged about 60 percent higher than the previous 3 years. More recently, however, the price of Hard Red Spring has again been higher than Hard Red Winter wheat.

The U.S. average of prices received by farmers has risen sharply in recent months (table 23). The mid-month average price per bushel ranged from \$1.28 to \$1.38 in 1971/72, rose to \$2.43 in June 1973, and then to \$5.52 in February 1974 and then fell to \$4.96 in March.

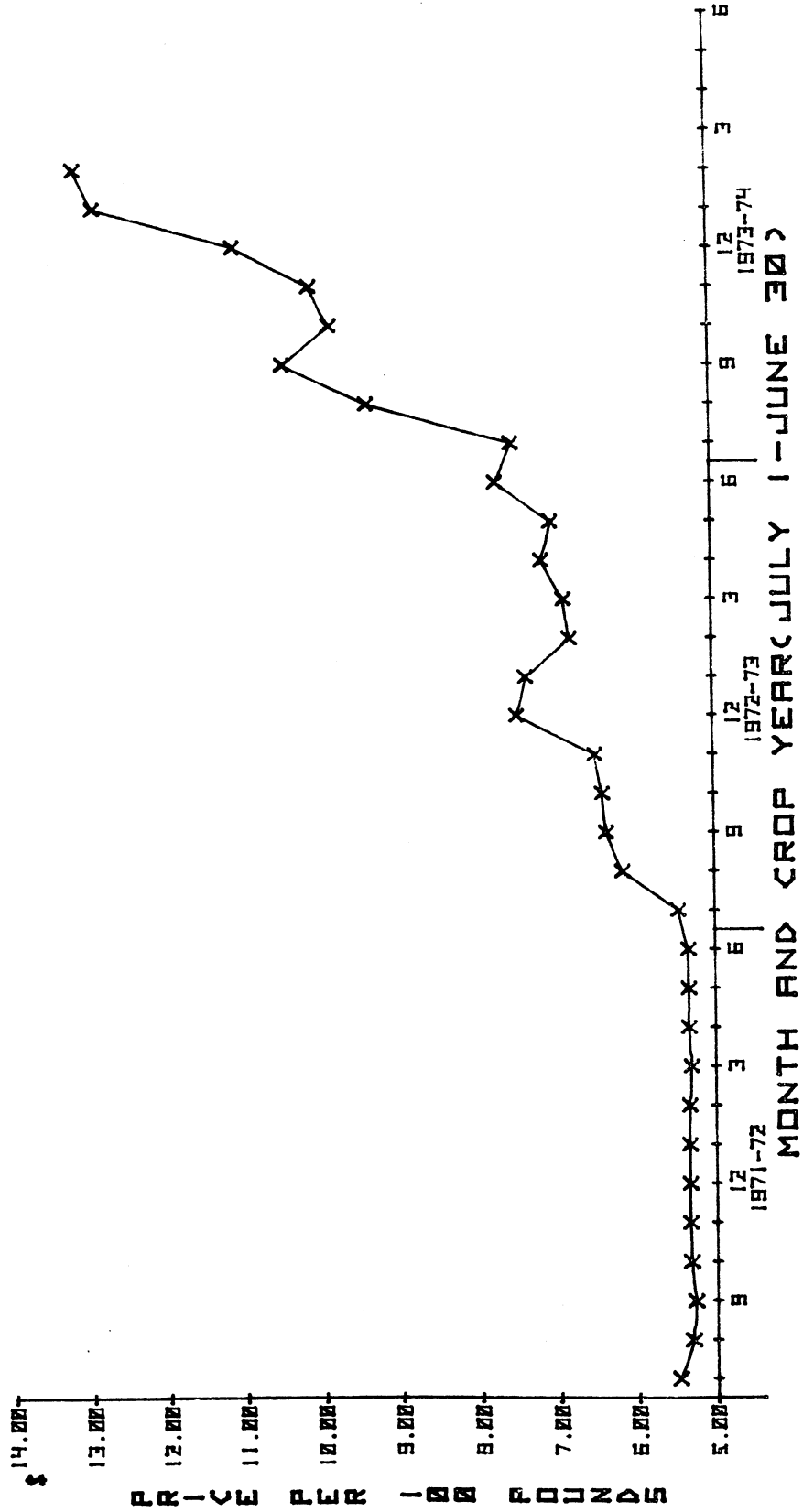
Wheat flour.-- Prices of wheat flour (tables 24 and 25) have risen along with the higher prices for wheat, as is shown in figures 3 and 4. During 1964/65 to 1971/72 the price of Hard Winter wheat flour, 95 percent patent, at Kansas City, ranged from \$6.01 per 100 pounds in 1966/67 to \$5.34 per 100 pounds in 1971/72. The price then rose rapidly to an average of \$10.56 for the first 8 months of 1973/74. The average price for February 1974 was \$13.15 per 100 pounds.

FIGURE 3.--AVERAGE WHOLESALE PRICES OF HARD WINTER WHEAT FLOUR,
95 PERCENT PATENT, KANSAS CITY, CROP YEARS 1964/65 TO 1973/74



SOURCE: U.S. DEPARTMENT OF AGRICULTURE.

FIGURE 4.--AVERAGE WHOLESALE PRICES OF HARD WINTER WHEAT FLOUR,
95 PERCENT PATENT, KANSAS CITY, BY MONTHS, JULY 1971-FEBRUARY 1974



SOURCE: U.S. DEPARTMENT OF AGRICULTURE.

World Prices

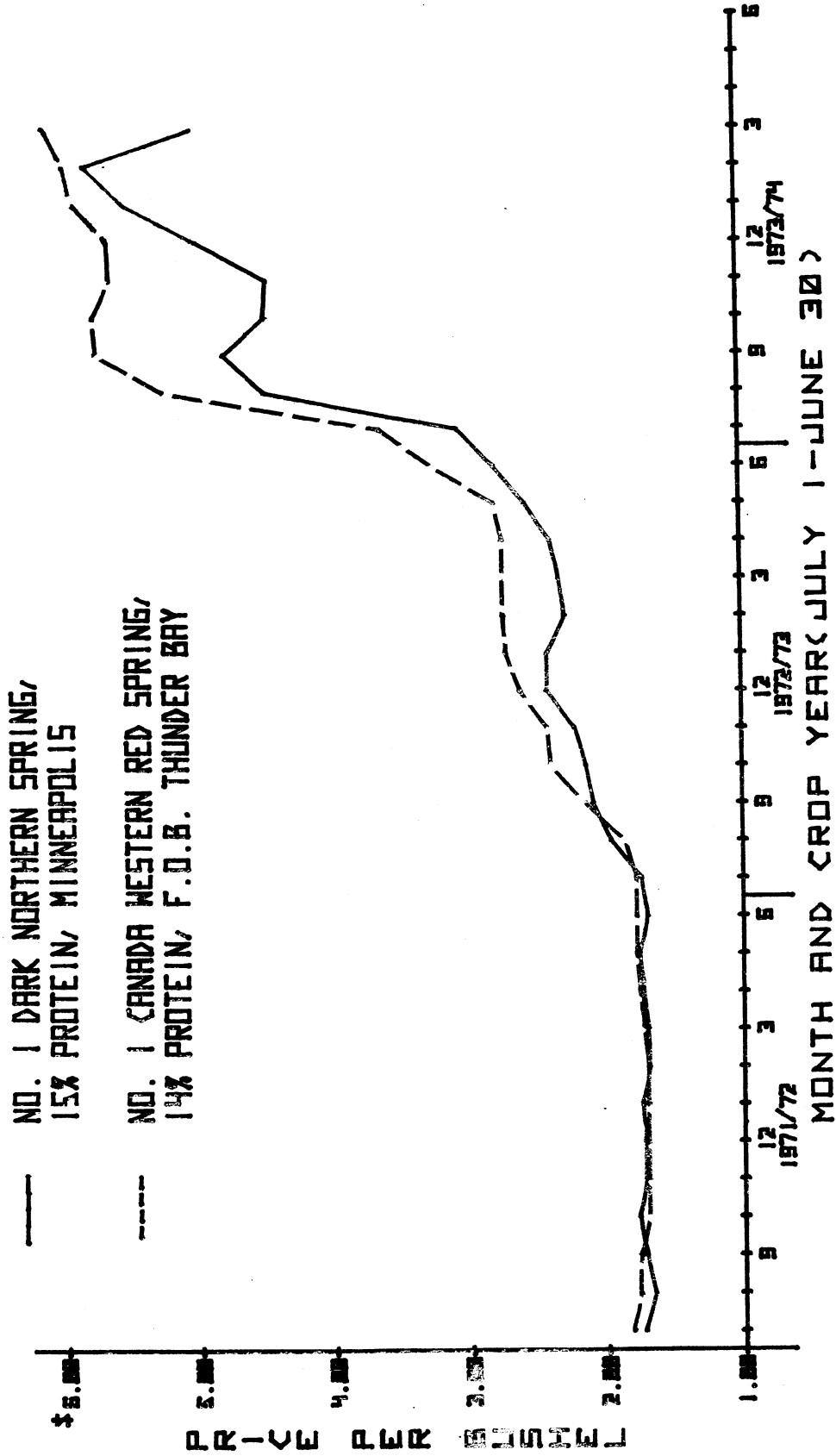
The Department of Agriculture's price-support program has kept the domestic price of wheat relatively high. In order to make U.S. wheat competitive on world markets, wheat exports have been subsidized. With world prices rising relative to U.S. domestic prices, the export subsidy became unnecessary and was reduced to zero in September 1972.

Besides the United States, three of the largest exporters of wheat in the past have been Canada, Australia, and Argentina. Prices for leading classes of wheat in these countries are shown in tables 26 and 27. Canadian prices in recent years have been high enough relative to U.S. prices to make a substantial flow of wheat from Canada to the U.S. market unprofitable.

Since mid-1972 the spread between U.S. and Canadian prices became higher, as evidenced by prices for two classes of wheat--Hard Spring and Durum. Prices for No. 1 Canada Western Red Spring, 14 percent protein, f.o.b. Thunder Bay, and U.S. Dark Northern Spring, 15 percent protein, Minneapolis, were about equal in crop year 1971/72 (fig. 5). In 1972/73 the Canadian price averaged 11 percent (24 cents) higher than the U.S. price of \$2.28 per bushel and for the first 9 months of 1973/74, the price of the Canadian Hard Spring wheat averaged 15 percent (74 cents) higher than the U.S. price of \$4.78.

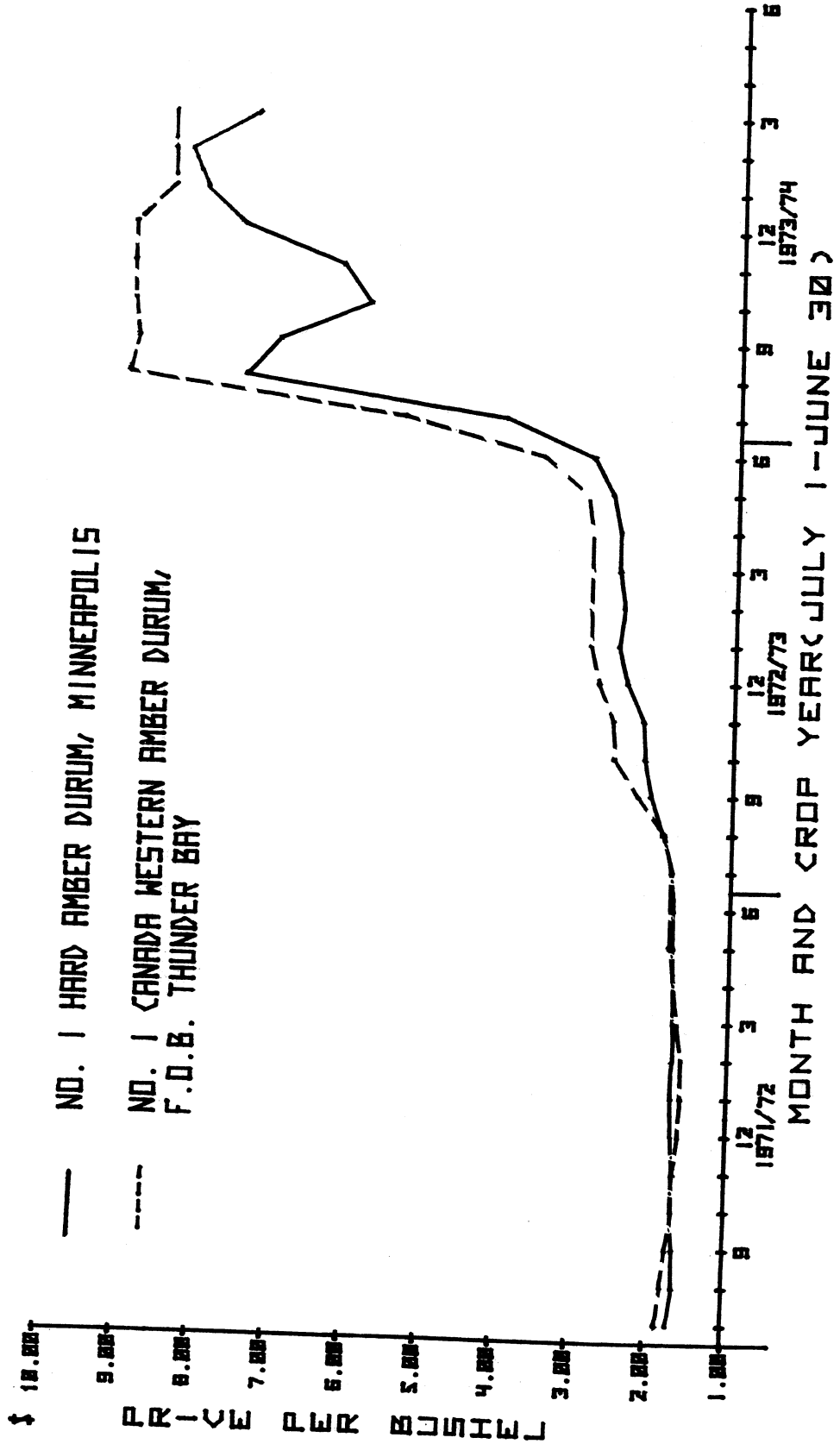
A similar price relationship held for No. 1 Canada Western Amber Durum, f.o.b., Thunder Bay, and No. 1 Hard Amber Durum, Minneapolis (fig.6). After being equal in price in 1971/72 the Canadian price rose relatively higher and for the first 9 months of 1973/74 the price of the Canadian Durum wheat averaged 22 percent (\$1.52) higher than the U.S. Durum price of \$6.91.

FIGURE 5. ---PRICES OF U.S. AND CANADIAN HARD SPRING WHEAT,
BY MONTHS, JULY 1971-MARCH 1974



SOURCE: U.S. DEPARTMENT OF AGRICULTURE AND INTERNATIONAL WHEAT COUNCIL.

FIGURE 6. ---PRICES OF U.S. AND CANADIAN DURUM WHEAT,
BY MONTHS, JULY 1971-MARCH 1974



SOURCE: U.S. DEPARTMENT OF AGRICULTURE AND INTERNATIONAL WHEAT COUNCIL.

Table 28 shows the daily prices for the U.S. and Canadian wheats for December 1973-early April 1974. The comparison of Canadian Hard Spring wheat having 14 percent protein with U.S. Hard Spring wheat having 15 percent protein (which is of comparable quality) shows that the Canadian price was 15 percent higher than the U.S. price in December and 7 percent (40 cents) higher than the U.S. average price for January. By mid-February the U.S. price had risen to the level of the Canadian price. By early April, while the Canadian price stayed about the same, the U.S. price had fallen by about \$2 per bushel. The gap between the U.S. and Canadian Durum wheat narrowed from December, when the Canadian Durum was 20 percent higher than the U.S. Durum, to February, when the Canadian wheat averaged 2 percent (17 cents) higher than the U.S. average price of \$8.32 per bushel. In March and the first part of April the gap widened as the U.S. price fell. By mid-April, U.S. prices began to gradually increase again amid reports that India was entering the world market for more wheat. The fact that Canadian wheat prices have remained high in spite of the recent drop in prices of U.S. wheat is a reflection of the Canadian Government's view that the world wheat situation will continue to be tight. Furthermore, Canada is experiencing a tight transportation situation that has made the movement of wheat unusually difficult. The prices of Canadian wheat are set by the Government through the Canadian Wheat Board, and in the absence of quotas, the Canadian Government could by administrative decision set Canadian wheat export prices enough below the U.S. price to sell wheat in the U.S. Such a decision would of course depend upon the relationship between the price of wheat in the U.S. and world markets.

Owing to the prevalence of flag smut disease in Australia, that country is not allowed to export wheat to the continental United States. Argentina currently has export controls on all bread wheat because of its tight supply situation.

Circumstances That Could Influence U.S. Imports

Wheat

Of the three major foreign exporters of wheat (Canada, Argentina, and Australia), Canada, because of its proximity to the U.S. market, would be the most likely source of imported wheat in the absence of an import quota. Canada was virtually the only source of wheat and flour imports in the 12-year period preceding the imposition of the quota in 1941.

In the past several years, the price of Canadian wheat has been above the price of U.S. wheat. For example, in crop year 1972/73 the average monthly price of a representative grade of Canadian hard spring wheat for export at the Lakehead on Lake Superior was from 4 cents to 46 cents per bushel higher than the price of a comparable grade of U.S. wheat at Minneapolis. The price disparity has continued in 1973/74 except for a short period in mid February, when the U.S. price advanced to a point where it was equal to or slightly above the Canadian price. During March and early April the U.S. price declined irregularly (a trend begun late in February) but the Canadian price remained firm. In early April the price of wheat in the United States was from \$1.60 to \$1.88 per bushel below the price of a comparable grade of wheat in Canada.

In the early 1970's, Canada consumed about a third of its annual crop of wheat; the remainder was available for either export or storage. It is estimated by the U.S. Department of Agriculture that on July 31, 1974, yearend stocks in Canada will be about 350 million bushels, the lowest level in 20 years. A 13-percent increase in production in 1974/75 probably will not be fully offset by an anticipated increase in exports and domestic consumption. Thus, stocks may increase slightly to 375 million bushels on July 31, 1975, the third lowest yearend inventory in two decades.

Canada has bilateral agreements in effect to supply wheat to several countries. The agreement covering the largest quantity is with the People's Republic of China. It calls for 179 million to 224 million bushels of wheat to be shipped to China over a 3-year period (1974-76). Agreements with three other countries could result in sales of up to another 100 million bushels over the next 3 years. If Canada's annual output over the next 3 years remains close to the 700 million bushels forecast for harvest in 1974/75, nearly 15 percent of that country's anticipated production is already committed for export.

Argentina generally consumes the bulk of its annual crop of wheat. In crop years 1969/70 to 1973/74 that country consumed about 70 percent of its crop and exported most of the remainder. Argentine yearend stocks were equivalent to less than a tenth of domestic output in the period. Argentina has traditional export markets in South America and Europe and in some years it is forced to import wheat in order to meet its overseas commitments and domestic needs. During

July-December 1973, for example, Argentina imported 17 million bushels of wheat from the United States. In early 1974, Argentina signed an agreement with the People's Republic of China to sell to that country about 60 million bushels of corn and 55 million bushels of wheat over a 3-year period, but in view of Argentina's tight supply of wheat most of the shipments in the first year of the agreement will be of corn.

Wheat grown in Australia is not permitted to be imported into the United States (except into Hawaii) because of the prevalence of flag smut disease in that country. Virtually all of the wheat and flour consumed in Hawaii (about 2 million bushels annually) comes from the continental United States, with occasional imports from Canada.

Wheat flour

Before the imposition of the import quotas in 1941, imports traditionally entered as grain rather than flour. Bakers generally use a flour made with several kinds of wheat and it is easier to mix the grain before it is ground.

For a number of years wheat in the form of flour was dutiable at a higher rate than wheat not milled. In 1940, for example, the ad valorem equivalent of the rate of duty on imported wheat was 68.5 percent and that on imported flour was 88.3 percent. In more recent years, however, the margin of tariff protection for the flour largely disappeared. In 1969, the last year the quotas on wheat and flour were almost filled, the ad valorem equivalent on imported wheat was 14.3 percent and that on imported flour, 10.6 percent. Imports of wheat in 1973

were too small to compute a meaningful ad valorem equivalent. Based on the average monthly export price of a leading class of Canadian wheat during June, July, and September 1973 (when most of the flour was imported), however, the ad valorem equivalent on the imported flour in June and July was 6.7 percent, while that on wheat was 6.2 percent; the ad valorem equivalent on the imported flour in September was 3.8 percent, and that on wheat was 3.7 percent.

Foreign flour millers have the ability to produce for the export market. For example, Canadian millers have excess productive capacity. In 1973, Canadian millers utilized, on a monthly basis, from 86 percent of their capacity in September to 63 percent in December. Since mid-December 1973, the EC has imposed export taxes on wheat and flour because the prices of those products in the EC are lower than prices abroad. At other times the EC has subsidized exports of wheat and flour. EC millers generally have exported flour at very competitive prices.

Prospects for crop year 1974/75

The demand for foreign-produced wheat by importing countries is expected to decline in 1974/75 as their own output increases. The aggregate output in the major exporting countries is also expected to increase. World output in 1974/75 is projected to be 300 million bushels (2 percent) larger than the record crop of 1973/74. Thus, the exporting countries will become more competitive when looking for markets abroad and the world price of wheat will probably decline in 1974/75.

The general opinion of representatives in the trade and at the Department of Agriculture is that whatever price decline occurs at home and abroad in crop year 1974/75, the average U.S. price of domestic wheat will not decline to the level of the target price of \$2.05 per bushel. Support for this belief is found in the wheat futures market. In early April, the closing price on the Kansas City futures market for wheat to be delivered in May, June, September, or December 1974 was about \$4 per bushel each month.

In view of the excess capacity available to Canadian millers, the relatively low flour prices in the EC, and the similarity in U.S. rates of duty on wheat and flour, it appears that such imports as might enter could include some flour.

APPENDIX A

THE PRESIDENT'S LETTER AND THE
COMMISSION'S NOTICES OF INVESTIGATION
AND HEARING



THE WHITE HOUSE
WASHINGTON

RECEIVED

NOV 1 1973

OFFICE OF CHAIRMAN

October 31, 1973

RECEIVED

NOV 1 1973

OFFICE OF THE SECRETARY
U.S. TARIFF COMMISSION

Dear Madam Chairman:

Pursuant to Section 22 of the Agricultural Adjustment Act, as amended, I have been advised by the Secretary of Agriculture, and I agree with him, that there is reason to believe that the import quotas on wheat and milled wheat products may be suspended without rendering or tending to render ineffective, or materially interfering with, the programs for wheat now conducted by the Department of Agriculture, or reducing substantially the amounts of products processed in the United States from domestic wheat.

Specifically, reference is made to the articles presently subject to Section 22 quantitative limitations as described in item 950.60 of Part 3 of the Appendix to the Tariff Schedules of the United States.

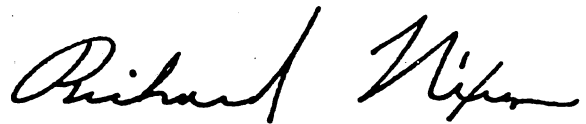
The United States Tariff Commission is therefore directed to make an investigation under Section 22 of the Agricultural Adjustment Act, as amended, and to make findings and recommendations as to whether the import quotas on wheat and milled wheat products may be suspended without rendering or tending to render ineffective, or materially interfering with, the programs for wheat now conducted by the Department of Agriculture, or reducing substantially the amount of products processed in the United States from domestic wheat.

We must, of course, anticipate the possibility that the suspension of import quotas on wheat could at some future date result in interference with the Department of Agriculture's support program for wheat. If significant

acquisitions of wheat products by the Commodity Credit Corporation occur or threaten to occur, it would be my intention to invoke the Section 22 authority to impose the necessary import controls.

The Commission shall report its findings and recommendations at the earliest practicable date.

Sincerely,

A handwritten signature in cursive script, appearing to read "Richard Nixon".

The Honorable Catherine Bedell
Chairman
U.S. Tariff Commission
Eighth and E Streets
Washington, D.C. 20436

UNITED STATES TARIFF COMMISSION
Washington

[22-38]

WHEAT AND MILLED WHEAT PRODUCTS

Notice of Investigation

At the request of the President (reproduced herein), the United States Tariff Commission, on November 5, 1973, instituted an investigation under subsection (d) of section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), to review the quotas for wheat and milled wheat products provided for in item 950.60 of Part 3 of the Appendix to the Tariff Schedules of the United States. Specifically, the Commission instituted the investigation under subsection (d) to determine whether the annual import quotas on wheat and milled wheat products may be suspended without rendering or tending to render ineffective, or materially interfering with, the programs for wheat now conducted by the Department of Agriculture, or reducing substantially the amount of products processed in the United States from domestic wheat.

The text of the President's letter of October 31, 1973, to the Commission follows:

Pursuant to Section 22 of the Agricultural Adjustment Act, as amended, I have been advised by the Secretary of Agriculture, and I agree with him, that there is reason to believe that the import quotas on wheat and milled wheat products may be suspended without rendering or tending to render ineffective, or materially interfering with, the programs for wheat now conducted

by the Department of Agriculture, or reducing substantially the amounts of products processed in the United States from domestic wheat.

Specifically, reference is made to the articles presently subject to Section 22 quantitative limitations as described in item 950.60 of Part 3 of the Appendix to the Tariff Schedules of the United States.

The United States Tariff Commission is therefore directed to make an investigation under Section 22 of the Agricultural Adjustment Act, as amended, and to make findings and recommendations as to whether the import quotas on wheat and milled wheat products may be suspended without rendering or tending to render ineffective, or materially interfering with, the programs for wheat now conducted by the Department of Agriculture, or reducing substantially the amount of products processed in the United States from domestic wheat.

We must, of course, anticipate the possibility that the suspension of import quotas on wheat could at some future date result in interference with the Department of Agriculture's support program for wheat. If significant acquisitions of wheat products by the Commodity Credit Corporation occur or threaten to occur, it would be my intention to invoke the Section 22 authority to impose the necessary import controls.


The Commission shall report its findings and recommendations at the earliest practicable date.

Sincerely,

(Signed)
Richard Nixon

The date for a public hearing in connection with this investigation will be announced at a later time.

By order of the Commission:


KENNETH R. MASON
Secretary

UNITED STATES TARIFF COMMISSION
Washington

[22-38]

WHEAT AND MILLED WHEAT PRODUCTS

Notice of Hearing

Notice is hereby given that on January 7, 1974, the United States Tariff Commission will hold a public hearing in connection with Investigation No. 22-38 under subsection (d) of section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), to review the quotas for wheat and milled wheat products provided for in item 950.60 of Part 3 of the Appendix to the Tariff Schedules of the United States. The Commission on November 5, 1973, instituted the investigation under subsection (d) to determine whether the annual import quotas on wheat and milled wheat products may be suspended without rendering or tending to render ineffective, or materially interfering with, the programs for wheat now conducted by the Department of Agriculture, or reducing substantially the amount of products processed in the United States from domestic wheat.

The public hearing will be held in the Tariff Commission's Hearing Room, Tariff Commission Building, 8th and E Streets, N.W., Washington, D.C., beginning at 10 a.m., E.S.T., on January 7, 1974. All parties will be given opportunity to be present, to produce evidence, and to be heard at such hearing. Interested parties desiring to appear at the public hearing should notify the Secretary of the Tariff Commission, in writing, at its offices in Washington, D.C., not later

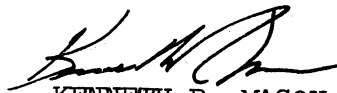
than noon Wednesday, January 2, 1974. The notification should indicate the name, address, telephone number, and organization of the person filing the request, and the name and organization of the witnesses who will testify.

Because of the limited time available, the Commission reserves the right to limit the time assigned to witnesses. Questioning of witnesses will be limited to members of the Commission and officials of the Department of Agriculture.

Written submissions. Interested parties may submit written statements of information and views, in lieu of their appearance at the public hearing, or they may supplement their oral testimony by written statements of any desired length. In order to be assured of consideration, all written statements should be submitted at the earliest practicable date, but not later than ten days after the conclusion of the public hearing.

With respect to any of the aforementioned written submissions, interested parties should furnish a signed original and nineteen (19) true copies. Business data to be treated as business confidential shall be submitted on separate sheets, each clearly marked at the top "Business Confidential," as provided for in section 201.6 of the Commission's Rules of Practice and Procedure.

By order of the Commission:


KENNETH R. MASON
Secretary

A-61

APPENDIX B.

PRESIDENTIAL PROCLAMATION 4260



FOR IMMEDIATE RELEASE

JANUARY 25, 1974

Office of the White House Press Secretary

THE WHITE HOUSEAMENDING PART 3 OF THE APPENDIX
TO THE TARIFF SCHEDULES OF THE UNITED STATES
WITH RESPECT TO THE IMPORTATION OF
AGRICULTURAL COMMODITIES-----
BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS, pursuant to section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), limitations have been imposed by Presidential proclamations on the quantities of wheat and milled wheat products which may be imported into the United States in any quota year; and

WHEREAS the import restrictions proclaimed pursuant to said section 22 are set forth in part 3 of the Appendix to the Tariff Schedules of the United States; and

WHEREAS, at my request, the United States Tariff Commission has made an investigation under the authority of subsection (b) of section 22 of the Agricultural Adjustment Act to determine whether the import quotas on wheat and milled wheat products provided for in item 950.60 of part 3 of the Appendix to the Tariff Schedules of the United States (TSUS) may be suspended without rendering or tending to render ineffective, or materially interfering with, the loan and payment programs now conducted by the Department of Agriculture for wheat or reducing substantially the amount of products processed in the United States from domestic wheat; and

WHEREAS the United States Tariff Commission has submitted to me a report with respect to this matter; and

WHEREAS, on the basis of such investigation and report, I find and declare that the entry of additional quantities of wheat and milled wheat products resulting from the suspension during the period ending June 30, 1974, of the quantitative limitations provided for in item 950.60 of the TSUS will not render or tend to render ineffective, or materially interfere with, the loan and payment programs now being conducted by the Department of Agriculture for wheat and will not reduce substantially the amount of products processed in the United States from domestic wheat, that the circumstances which required the imposition of such quantitative limitations on wheat and milled

more

(OVER)

wheat products no longer exist, and that such quantitative limitations should be suspended during the period ending June 30, 1974;

NOW, THEREFORE, I, RICHARD NIXON, President of the United States of America, acting under and by virtue of the authority vested in me as President, and in conformity with the provisions of section 22 of the Agricultural Adjustment Act, as amended, and the Tariff Classification Act of 1962, do hereby proclaim that headnote 3(a) of part 3 of the Appendix to the Tariff Schedules of the United States is amended by adding a new subdivision as follows:

(ix) Notwithstanding any other provision of this part the quantitative limitations for the articles provided for in item 950.60 shall be suspended during the period beginning January 26, 1974, and ending June 30, 1974. Quantities of such articles entered during the period of May 29, 1974, through June 30, 1974, shall not be deducted from the quantities which may be entered during the twelve month period beginning May 29, 1974, under the quantitative limitations provided for in item 950.60.

IN WITNESS WHEREOF, I have hereunto set my hand this twenty-fifth day of January, in the year of our Lord nineteen hundred seventy-four, and of the Independence of the United States of America the one hundred ninety-eighth.

RICHARD NIXON

#

APPENDIX C

STATISTICAL TABLES

Table 1.--Wheat: U.S. production, imports, exports, apparent consumption, and ending stocks, crop years 1950/51 to 1974/75

Year beginning July 1--	Pro-duction	Imports 1/	Exports 2/		Apparent consumption			Ending stocks, June 30--			Total 7/		
			Commer-cial 3/	Other	Total 4/	Food 5/	Seed and feed 6/	Total	CCC	Under loan		Com-mer-cial	
										Current			Reseal
1950/51	1,019	12	193	173	366	493	197	690	137	9	2	193	400
1951/52	988	32	316	159	475	497	192	689	129	12	-	101	256
1952/53	1,306	22	288	30	318	488	173	661	384	23	-	113	606
1953/54	1,172	5	116	101	217	488	146	634	738	71	4	84	934
1954/55	984	4	116	158	274	486	125	611	961	11	3	46	1,036
1955/56	937	10	105	241	346	481	123	604	908	28	1	54	1,034
1956/57	1,005	8	174	375	549	481	108	539	799	10	3	72	909
1957/58	955	11	155	247	402	487	105	592	835	15	3	28	881
1958/59	1,458	7	140	303	443	497	111	608	1,147	52	10	52	1,295
1959/60	1,118	7	135	375	510	497	100	597	1,195	26	35	26	1,313
1960/61	1,355	8	204	458	662	497	106	603	1,195	42	45	43	1,411
1961/62	1,232	6	228	491	719	502	106	608	1,091	18	40	130	1,322
1962/63	1,092	5	159	485	644	500	80	580	1,113	42	26	15	1,195
1963/64	1,147	4	353	503	856	504	85	589	815	17	36	9	901
1964/65	1,284	1	198	567	725	509	135	644	608	48	27	134	817
1965/66	1,316	1	259	569	828	515	216	731	252	32	43	195	535
1966/67	1,312	1	371	373	744	502	178	680	122	33	37	225	425
1967/68	1,522	1	284	477	761	519	129	643	101	166	55	216	539
1968/69	1,577	1	293	251	544	520	234	754	157	279	174	203	819
1969/70	1,460	3	337	269	606	521	270	791	290	180	251	153	885
1970/71	1,352	8/	494	243	737	520	249	769	364	74	118	169	731
1971/72	1,618	8/	395	237	632	526	329	855	358	201	148	148	863
1972/73	1,545	8/	1,033	151	1,184	526	261	787	6	15	67	139	438
1973/74 9/	1,711	5	10/ 1,080	10/ 120	1,200	532	242	774	11/	2	-	178	180
1974/75 9/	2,073	1	10/ 900	10/ 100	1,000	534	226	760	12/	5	-	489	494

1/ Includes full-duty wheat, wheat imported for feed, and dutiable flour in terms of wheat. Excludes wheat imported for milling in bond and export as flour.

2/ Includes exports of flour and semolina and macaroni products in terms of wheat. Beginning 1961/62, includes bulgar and rolled wheat in terms of wheat.

3/ Includes some exports with Government assistance in the form of (1) export payments in cash and (2) extension of credit and credit guarantees for relatively short periods.

4/ Adjusted for transshipments of U.S. wheat through Canada, beginning 1961/62.

5/ Includes shipments to U.S. territories and wheat for military food use at home and abroad.

6/ Residual; approximates feed use and includes negligible quantities used for distilled spirits and beer.

7/ Includes wheat held by the CCC but contracted to be sold or committed for domestic and foreign donations.

8/ Less than 500,000 bushels.

9/ Projected.

10/ Estimated on the basis of the relationship between commercial and special-transaction exports during July 1973-February 1974.

11/ 500,000 bushels.

12/ 200,000 bushels.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 2.--Wheat and milled wheat products: U.S. rates of duty,
June 18, 1930, to Jan. 1, 1974

TSUS No.	Description	Statutory rate effective June 18, 1930	Trade-agreement modification	
			Rate	Effective date
	Wheat:			
130.65	Not fit for human consumption.	10% ad val.	10% ad val. <u>1/</u>	Jan. 1, 1936
			5% ad val.	Jan. 1, 1939
			5% ad val. <u>1/</u>	Jan. 1, 1948
130.70	Other-----	42¢ per bu of 60 lb	21¢ per bu of 60 lb	Jan. 1, 1948
	Milled wheat:			
131.40	Fit for human con- sumption.	\$1.04 per cwt	52¢ per cwt	Jan. 1, 1948
	Not fit for human consumption:			
131.72	Flour-----	10% ad val.	10% ad val. <u>1/</u>	Jan. 1, 1936
			5% ad val.	Jan. 1, 1939
			2.5% ad val.	Jan. 1, 1948
131.75	Other-----	10% ad val.	10 ad val. <u>1/</u>	Jan. 1, 1936
			5% ad val.	Jan. 1, 1939
			5% ad val. <u>1/</u>	Jan. 1, 1948

1/ Bound.

Table 3.--Wheat: U.S. average loan rate and farm price, quantity placed under loan, deliveries to the Commodity Credit Corporation (CCC), and CCC stocks, crop years 1964/65 to 1972/73, July 1972-March 1973, and July 1973-March 1974

Year beginning July 1	Average loan rate	Average farm price	Quantity placed under loan	Deliveries to the Commodity Credit Corporation (CCC)	Ratio to production	CCC stocks at end of period
	<u>Per</u> <u>bushel</u>	<u>Per</u> <u>bushel</u>	<u>Million</u> <u>bushels</u>	<u>Million</u> <u>bushels</u>	<u>Percent</u>	<u>Million</u> <u>bushels</u>
1964/65----	\$1.30	\$1.37	206	87	7	608
1965/66----	1.25	1.35	173	11	1	252
1966/67----	1.25	1.63	133	12	1	122
1967/68----	1.25	1.39	282	64	4	101
1968/69----	1.25	1.24	453	178	11	157
1969/70----	1.25	1.25	408	96	7	290
1970/71----	1.25	1.33	254	5	<u>1/</u>	364
1971/72----	1.25	1.34	438	6	<u>1/</u>	358
1972/73----	1.25	1.76	143	<u>2/</u>	<u>1/</u>	6
July-Mar.--:						
1972/73--:	1.25	1.91	143	<u>2/</u>	<u>1/</u>	37
1973/74--:	1.25	4.50	60	0	-	3

1/ Less than 0.5 percent.

2/ Less than 50,000 bushels.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 4.--Wheat and milled wheat products: U.S. import quotas, by country

Country	Import quotas		Country	Import quotas	
	Bushels	Pounds		Bushels	Pounds
Canada	795,000	3,815,000	Mexico	100	1,000
China		24,000	Panama		1,000
Hungary		13,000	Uruguay		1,000
Hong Kong		13,000	Poland and Danzig		1,000
Japan		8,000	Sweden		1,000
United Kingdom	100	75,000	Yugoslavia		1,000
Australia		1,000	Norway		1,000
Germany	100	5,000	Canary Islands		1,000
Syria	100	5,000	Rumania	1,000	
New Zealand		1,000	Guatemala	100	
Chile		1,000	Brazil	100	
Netherlands	100	1,000	Union of Soviet		
Argentina	2,000	14,000	Socialist Republics	100	
Italy	100	2,000	Belgium	100	
Cuba		12,000	Total	800,000	4,000,000
France	1,000	1,000			
Greece		1,000			

Source: Pt. 3 of the appendix to the Tariff Schedules of the United States.

Table 5.--Wheat flour: U.S. production, imports for consumption, exports of domestic merchandise, apparent consumption, and ending stocks, crop years 1968/69 to 1972/73 and July-December 1973

(In millions of pounds)

Year beginning July 1	Production	Imports	Exports	Apparent con- sumption	Ending stocks, June 30
1968/69-----	25,292	4	2,656	22,634	432
1969/70-----	25,676	4	2,844	22,845	423
1970/71-----	25,074	4	2,269	22,773	459
1971/72-----	25,091	4	1,995	23,121	438
1972/73-----	24,892	4	1,756	23,039	539
1973/74 (July-Dec.)----	12,716	4	804	<u>1/</u>	<u>1/</u>

1/ Not available.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 6.--Hard Red Winter wheat: U.S. production, exports, apparent consumption, and ending stocks, crop years 1964/65 to 1973/74

(In millions of bushels)

Year beginning July 1	Production	Exports	Apparent consumption ^{1/}	Ending stocks, June 30
1964/65-----	635	498	275	532
1965/66-----	673	595	343	267
1966/67-----	678	377	316	252
1967/68-----	706	375	269	314
1968/69-----	811	271	330	475
1969/70-----	785	336	350	574
1970/71-----	755	450	387	492
1971/72-----	747	337	431	471
1972/73-----	761	702	329	201
1973/74 <u>3/</u> -----	959	755	339	66

^{1/} In addition to wheat grain, includes grain equivalent of flour made from U.S. wheat; also semolina and macaroni in terms of wheat.

^{2/} Wheat for food (including that for military use at home and abroad and shipment to U.S. territories), feed, seed, and industry.

^{3/} Preliminary.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 7.--Hard Red Spring wheat: U.S. production, imports, exports, apparent consumption, and ending stocks, crop years 1964/65 to 1973/74

(In millions of bushels)

Year beginning July 1	Production	Imports	Exports <u>1/</u>	Apparent consump- tion <u>2/</u>	Ending stocks, June 30
1964/65-----	180	1	25	136	200
1965/66-----	209	1	86	138	186
1966/67-----	177	2	120	131	114
1967/68-----	230	1	71	131	143
1968/69-----	228	1	77	132	210
1969/70-----	190	3	89	136	178
1970/71-----	198	1	113	118	146
1971/72-----	366	1	104	134	275
1972/73-----	276	1	198	181	173
1973/74 <u>3/</u> -----	331	1	232	189	84

1/ In addition to wheat grain, includes grain equivalent of flour made from U.S. wheat; also semolina and macaroni in terms of wheat.

2/ Wheat for food (including that for military use at home and abroad and shipments to U.S. territories), feed, seed, and industry.

3/ Preliminary.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 8.--Soft Red Winter wheat: U.S. production, exports, apparent consumption, and ending stocks, crop years 1964/65 to 1973/74

(In millions of bushels)

Year beginning July 1	Production	Exports ^{1/}	Apparent consumption ^{2/}	Endings stocks, June 30
1964/65-----	223	80	140	7
1965/66-----	185	45	139	8
1966/67-----	217	68	142	15
1967/68-----	274	121	138	30
1968/69-----	224	50	171	33
1969/70-----	186	28	168	23
1970/71-----	174	26	156	15
1971/72-----	212	43	166	18
1972/73-----	226	68	168	8
1973/74 ^{3/} -----	157	23	137	5

^{1/} In addition to wheat grain, includes grain equivalent of flour made from U.S. wheat; also, semolina and macaroni in terms of wheat.

^{2/} Wheat for food (including that for military use at home and abroad and shipments to U.S. territories), feed, seed, and industry.

^{3/} Preliminary.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 9.--White wheat: U.S. production, exports, apparent consumption, and ending stocks, crop years 1964/65 to 1973/74

(In millions of bushels)

Year beginning July 1	: Produc- : tion	: Exports <u>1/</u>	: Apparent : consump- : tion <u>2/</u>	: Ending : stocks, : June 30
1964/65-----	178	112	62	10
1965/66-----	179	107	62	<u>3/</u> 20
1966/67-----	177	132	50	<u>3/</u> 15
1967/68-----	246	163	70	<u>3/</u> 28
1968/69-----	214	100	84	58
1969/70-----	174	119	83	30
1970/71-----	171	110	71	20
1971/72-----	201	104	87	30
1972/73-----	209	151	69	19
1973/74 <u>4/</u> -----	179	125	63	10

1/ In addition to wheat grain, includes grain equivalent of flour made from U.S. wheat; also, semolina and macaroni in terms of wheat.

2/ Wheat for food (including that for military use at home and abroad and shipments to U.S. territories), feed, seed, and industry.

3/ Based largely on Pacific Northwest wheat survey, but includes allowance for White wheat in the East and other parts of the West.

4/ Preliminary.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 10.--Durum wheat: U.S. production, exports, apparent consumption, and ending stocks, crop years 1964/65 to 1973/74

(In millions of bushels)

Year beginning July 1	Production	Exports <u>1/</u>	Apparent consumption <u>2/</u>	Ending stocks, June 30
1964/65-----	68	10	31	68
1965/66-----	70	34	50	54
1966/67-----	63	47	41	29
1967/68-----	66	31	40	24
1968/69-----	100	46	37	41
1969/70-----	108	34	35	80
1970/71-----	53	39	36	58
1971/72-----	92	44	37	69
1972/73-----	73	65	40	37
1973/74 <u>3/</u> -----	85	65	44	13

1/ In addition to wheat grain, includes grain equivalent of flour made from U.S. wheat; also, semolina and macaroni in terms of wheat.

2/ Wheat for food (including that for military use at home and abroad and shipments to U.S. territories), feed, seed, and industry.

3/ Preliminary.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 11.--Wheat: Production, by groups, and by principal producing States, crop years 1969/70 to 1973/74

(In millions of bushels)

State	Year beginning July 1				
	1969/70	1970/71	1971/72	1972/73	1973/74
All Wheat					
Kansas-----	305	299	313	315	385
North Dakota-----	206	157	292	217	252
Oklahoma-----	118	101	72	90	158
Montana-----	97	85	112	99	97
Nebraska-----	88	92	102	95	94
Washington-----	95	93	113	122	89
All other-----	551	525	614	607	636
Total-----	1,460	1,352	1,618	1,545	1,711
Winter wheat					
Kansas-----	305	299	313	315	385
Oklahoma-----	118	101	72	90	158
Nebraska-----	88	92	102	93	94
Washington-----	89	90	108	120	74
All other-----	547	510	549	567	558
Total-----	1,147	1,092	1,144	1,185	1,269
Durum wheat					
North Dakota-----	92	46	82	65	76
All other-----	14	7	10	8	9
Total-----	106	53	92	73	85
Other spring wheat					
North Dakota-----	111	109	208	149	174
Minnesota-----	22	22	57	48	75
Montana-----	30	40	54	46	38
All other-----	44	36	63	44	70
Total-----	207	207	382	287	357

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 12.--Wheat: U.S. imports for consumption, by kinds, crop years 1968/69 to 1972/73 and July 1973-February 1974

Year beginning July 1	Wheat		Milled wheat products ^{2/}		Total
	Fit for human consumption ^{1/}	Not fit for human consumption	Fit for human consumption	Not fit for human consumption	
	Quantity (1,000 bushels)				
1968/69	3/	485	101	355	941
1969/70	1,178	1,426	58	310	2,972
1970/71	13	254	137	177	581
1971/72	101	81	66	18	266
1972/73	29	52	74	1	156
1973/74 (July-February)	31	66	56	-	153
	Value (1,000 dollars)				
1968/69	4/	1,053	201	495	1,749
1969/70	1,753	2,452	129	423	4,757
1970/71	32	454	388	251	1,125
1971/72	189	142	168	30	529
1972/73	80	156	198	1	435
1973/74 (July-February)	243	131	272	-	646
	Unit value (per bushel)				
1968/69	\$3.45	\$2.17	\$2.00	\$1.40	\$1.86
1969/70	1.49	1.72	2.23	1.36	1.60
1970/71	2.42	1.79	2.83	1.42	1.94
1971/72	1.88	1.75	2.57	1.63	1.99
1972/73	2.74	3.02	2.68	2.40	2.79
1973/74 (July-February)	7.86	1.99	4.83	-	4.22

^{1/} The importation of wheat fit for human consumption in excess of the annual quota of 800,000 bushels is due both to the variance between the quota year (beginning May 29) and the crop year (beginning July 1), and to the exemption from the quota of wheat to be used for experimental or seed purposes.

^{2/} Milled wheat products converted to grain equivalent.

^{3/} Less than 500 bushels.

^{4/} Less than \$500.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Virtually all imports came from Canada.

Table 13.--Wheat and milled wheat products fit for human consumption: U.S. imports for consumption, by kinds, quota years 1968-72 and May 29, 1973-Jan. 25, 1974

Quota year beginning May 29	Wheat		Milled wheat products	
	Quantity	Share of quota filled	Quantity	Share of quota filled
	<u>Bushels</u>	<u>Percent</u>	<u>Pounds</u>	<u>Percent</u>
1968/69-----	0	0	3,820,749	96
1969/70-----	791,525	99	3,821,429	96
1970/71-----	384,217	48	3,823,392	96
1971/72-----	190,614	24	3,797,750	95
1972/73-----	6,382	1	3,835,152	96
1973/74 (May 29-Jan. 25)-----	136	<u>1/</u>	3,819,319	95

1/ Less than 0.5 percent.

Source: Compiled from official statistics of the U.S. Customs Service.

Table 14.--Wheat: U.S. exports of domestic merchandise, by specified markets, crop years 1968/69 to 1973/74

Country or area	Year beginning July 1						
	1968/69	1969/70	1970/71	1971/72	1972/73	1973/74	1973/74 1/
U.S.S.R.	-	-	-	-	347,895	81,547	
Japan	67,365	87,517	105,739	80,646	124,086	69,900	
European Community 2/	70,121	53,192	74,234	39,238	80,758	35,358	
Republic of Korea	48,145	35,776	58,451	62,726	55,477	41,149	
Brazil	28,723	33,288	28,823	16,426	43,973	37,101	
Pakistan 3/	18,555	36,283	24,018	32,915	36,134	16,485	
Bangladesh 3/	-	-	-	11,175	27,362	14,221	
Mexico	94	125	132	14,763	24,581	20,552	
Venezuela	24,140	25,145	20,949	23,746	23,569	10,511	
Poland	-	-	-	-	22,407	14,175	
Peoples Republic of China	-	-	-	-	21,731	103,845	
Peru	3,778	5,802	6,986	16,510	20,524	12,081	
United Kingdom	4,485	11,821	44,816	25,493	19,908	3,698	
Iran	-	-	8,812	21,607	18,482	14,712	
Republic of China (Taiwan)	13,619	14,422	21,094	11,506	18,295	15,368	
India	85,099	85,042	53,109	27,814	18,046	52,135	
Indonesia	71	362	-	4,460	17,457	10,615	
All other	115,151	151,940	229,355	186,710	205,556	246,378	
Total	479,346	540,715	676,518	575,735	1,126,241	799,832	

1/ July-January.

2/ The European Community includes Belgium, Luxembourg, France, Italy, the Netherlands, and West Germany. Data do not include exports to the United Kingdom, Ireland, and Denmark, which joined the EC on Jan. 1, 1973.

3/ Exports to Bangladesh are included with Pakistan through Apr. 1972.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 15.--Wheat flour: U.S. exports of domestic merchandise, by specified markets, crop years 1968/69 to 1973/74

Country or area	Year beginning July 1					
	1968/69	1969/70	1970/71	1971/72	1972/73	1973/74 1/
		Grain equivalent (1,000 bushels)				
Sri Lanka (Ceylon)	10,988	6,212	2,098	11,199	7,387	2,358
Saudi Arabia	3,720	4,146	4,869	5,086	4,792	3,467
Republic of Korea	7,134	4,578	3,417	1,742	4,071	583
Jordan	2,079	3,439	2,938	2,162	3,373	445
Morocco	1,735	2,583	2,106	2,581	2,915	1,415
Israel	2,538	3,366	3,453	3,094	2,356	888
South Vietnam	6,097	7,602	5,196	2,714	1,613	-
Jamaica	621	530	396	947	1,297	688
Turkey	626	623	589	807	1,128	70
Philippines	502	280	581	694	1,091	535
All other	35,494	37,690	26,097	14,467	10,006	10,810
Total	60,546	64,837	51,740	45,493	40,029	21,258
		Product weight (1,000 pounds)				
Sri Lanka (Ceylon)	481,930	272,456	92,018	491,184	323,991	103,415
Saudi Arabia	163,158	181,842	213,553	223,070	210,175	152,044
Republic of Korea	312,895	200,789	149,868	76,404	178,553	25,555
Jordan	91,184	150,833	128,860	94,825	147,939	19,528
Morocco	76,096	113,289	92,368	113,202	127,851	62,078
Israel	111,316	147,632	151,447	135,702	103,333	38,950
South Vietnam	267,412	333,421	227,895	119,035	70,746	-
Jamaica	27,237	23,246	17,368	41,535	56,886	30,163
Turkey	27,456	27,325	25,833	35,395	49,474	3,063
Philippines	22,018	12,281	25,482	30,439	47,851	23,483
All other	1,074,824	1,380,614	1,144,605	634,518	438,860	474,114
Total	2,655,526	2,843,728	2,269,298	1,995,307	1,755,658	932,393

1/ July-January.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

Table 16.--Wheat and flour (wheat equivalent): 'U.S. exports, by types of transactions or programs, crop years 1968/69 to 1973/74

Transaction or program	(In thousands of bushels)					
	1968/69	1969/70	1970/71	1971/72	1972/73	1973/74 ^{1/}
Commercial ^{2/}	293,204	336,854	493,611	394,890	1,033,308	848,509
Public Law 480:						
Long-term credit	194,024	244,144	191,026	176,279	90,442	42,078
Donations	55,210	45,086	51,932	60,616	58,412	33,095
Other ^{3/}	1,736	-	966	754	2,092	3,850
Total ^{4/}	544,174	606,084	737,535	632,539	1,184,254	927,532

^{1/} July-March.

^{2/} Unassisted sales as well as those with Government assistance in the form of (1) export payments in cash and (2) extension of credit and credit guarantees for relatively short periods.

^{3/} Exports under programs of the Agency for International Development and predecessor agencies. Includes various country relief programs authorized by Congress.

^{4/} Includes rolled wheat, meal and groats, wheat flour, semolina, and macaroni products in terms of wheat.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 20.--Argentina: Wheat production, exports, domestic consumption, and ending stocks, crop years 1969/70 to 1974/75

(In millions of bushels)

Year beginning Dec. 1	: Produc- : tion	: Exports, : including : flour	: Domestic : consump- : tion <u>1/</u>	: Ending : stocks
1969/70-----	258	85	175	29
1970/71-----	181	36	149	25
1971/72-----	209	60	160	14
1972/73 <u>2/</u> -----	254	119	155	7
1973/74 <u>3/</u> -----	220	55	165	7
1974/75 <u>3/</u> -----	231	66	165	7

1/ Includes net changes in farm stocks.

2/ Preliminary.

3/ Estimated.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 21.--Wheat: Average U.S. cash prices for leading classes at major markets, crop years 1964/65 to 1973/74 ^{1/}

Year beginning July 1	(Per bushel)			
	No. 2 Soft Red Winter, Chicago	No. 1 Soft White, Portland	No. 1 Hard Red Winter, ordinary protein, Kansas City	No. 1 Dark Northern Spring, 15 percent protein, Minneapolis
1964/65	\$1.49	\$1.51	\$1.59	\$1.78
1965/66	1.64	1.53	1.63	1.87
1966/67	1.76	1.76	1.82	1.97
1967/68	1.46	1.62	1.57	1.82
1968/69	1.30	1.47	1.38	1.79
1969/70	1.43	1.49	1.42	1.84
1970/71	1.67	1.70	1.56	1.88
1971/72	1.58	1.60	1.57	1.72
1972/73	2.31	2.48	2.33	2.28
1973/74 ^{2/}	5.27	5.14	4.86	4.78
				\$1.66
				1.65
				1.94
				2.02
				1.95
				1.68
				1.79
				1.70
				2.32
				6.91

^{1/} Domestic prices are on-track prices established at the close of the market. Prices do not include 75-cent-per-bushel payment required of processors of wheat for domestic human consumption during 1964/65 to 1972/73. Payment was not required in 1973/74.

^{2/} Based on 9-month period July-March.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 22.--Wheat: Average U.S. cash prices for leading classes at major markets, by months, July 1971-March 1974 1/

Year and month	(Per bushel)			
	No. 2 Soft Red Winter, Chicago	No. 1 Soft White, Portland	No. 1 Hard ordinary protein, Kansas City	No. 1 Dark Northern Spring, 15 percent protein, Minneapolis
1971/72:				
July	\$1.54	\$1.60	\$1.54	\$1.73
August	1.45	1.55	1.54	1.66
September	1.45	1.54	1.53	1.72
October	1.53	1.56	1.56	1.77
November	1.60	1.55	1.56	1.72
December	1.71	1.56	1.58	1.72
January	1.69	1.57	1.58	1.74
February	1.61	1.57	1.57	1.69
March	1.62	1.60	1.58	1.70
April	1.66	1.70	1.61	1.73
May	1.63	1.74	1.62	1.76
June	1.46	1.67	1.52	1.70
1972/73:				
July	1.53	1.60	1.58	1.74
August	1.76	1.82	1.82	1.96
September	2.02	2.12	2.10	2.09
October	2.11	2.41	2.15	2.14
November	2.28	2.53	2.25	2.22
December	2.60	2.78	2.62	2.42
January	2.65	2.80	2.67	2.42
February	2.47	2.56	2.48	2.29
March	2.37	2.59	2.42	2.33
April	2.45	2.61	2.51	2.39
May	2.71	2.78	2.63	2.57
June	2.82	3.13	2.69	2.80
1973/74:				
July	3.08	3.43	2.90	3.07
August	4.75	4.88	4.67	4.50
September	5.11	5.20	5.01	4.80
October	4.75	4.95	4.67	4.50
November	5.47	4.81	4.78	4.48
December	5.84	5.27	5.22	4.99
January	6.30	5.72	5.68	5.52
February	6.50	6.01	5.82	5.83
March	5.59	6.01	5.01	5.33

1/ Domestic prices are on-track prices established at the close of the market. Prices do not include 75-cent-per-bushel payment required of processors of wheat for domestic human consumption during 1971/72 and 1972/73. Payment was not required in 1973/74.

Table 23.--Wheat: Average U.S. price per bushel received by farmers on the 15th of the month, July 1971-March 1974

Month	Year beginning July 1		
	1971/72	1972/73	1973/74
July-----	\$1.34	\$1.32	\$2.47
August-----	1.28	1.51	4.45
September-----	1.26	1.73	4.62
October-----	1.30	1.89	4.22
November-----	1.31	1.97	4.20
December-----	1.34	2.38	4.78
January-----	1.33	2.38	5.29
February-----	1.34	1.97	5.52
March-----	1.34	2.06	4.96
April-----	1.36	2.15	-
May-----	1.38	2.15	-
June-----	1.33	2.43	-

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 24.--Wheat flour: Average wholesale prices at milling centers,
crop years 1964/65 to 1973/74

(Per 100 pounds)		
Year beginning July 1	: Hard Winter wheat, : 95 percent patent, : Kansas City	: Spring wheat, : standard patents, : Minneapolis
1964/65-----	\$5.41	\$5.68
1965/66-----	5.67	6.01
1966/67-----	6.01	6.46
1967/68-----	5.46	5.97
1968/69-----	5.40	5.87
1969/70-----	5.51	6.03
1970/71-----	5.58	6.27
1971/72-----	5.34	5.99
1972/73-----	6.78	7.12
1973/74 (July-February)-----	10.56	10.82

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 25.--Wheat flour: Average wholesale prices at milling centers, by months, July 1971-February 1974

(Per 100 pounds)		
Year and month	Hard Winter wheat, 95 percent patent, Kansas City	Spring wheat, standard patents, Minneapolis
1971/72:		
July-----	\$5.48	\$6.11
August-----	5.31	6.06
September-----	5.28	5.98
October-----	5.33	6.00
November-----	5.34	6.01
December-----	5.34	6.01
January-----	5.34	6.00
February-----	5.34	5.99
March-----	5.31	5.91
April-----	5.34	5.91
May-----	5.34	5.93
June-----	5.34	5.95
1972/73:		
July-----	5.46	6.03
August-----	6.16	6.53
September-----	6.36	6.89
October-----	6.41	6.85
November-----	6.50	6.94
December-----	7.50	7.63
January-----	7.38	7.61
February-----	6.81	7.14
March-----	6.88	7.26
April-----	7.16	7.33
May-----	7.04	7.31
June-----	7.74	7.88
1973/74:		
July-----	7.54	7.74
August-----	9.39	10.28
September-----	10.46	10.60
October-----	9.86	9.91
November-----	10.11	10.22
December-----	11.08	11.52
January-----	12.91	12.98
February-----	13.15	13.31

Source: U.S. Department of Agriculture.

Table 26 --Wheat: Average export prices 1/ for leading classes in Canada, Australia, and Argentina, crop years 1964/65 to 1973/74

Year beginning July 1	(In U.S. dollars per bushel)					
	No. 1 Canada Western Red Springs; 14 percent protein; Thunder Bay, Ontario <u>2/</u>	No. 1 Canada Western Amber Durum, Thunder Bay, Ontario	Australian fair and average quality	Argentine Candeal Taganrog (Durum)	Argentine Candeal No. 1 Hard	
1964/65	<u>3/</u> \$1.81	<u>3/</u> \$1.84	\$1.59	\$1.54	\$1.59	
1965/66	<u>3/</u> 1.83	<u>3/</u> 1.85	1.60	1.56	1.51	
1966/67	<u>3/</u> 1.93	<u>3/</u> 2.09	1.72	1.76	1.60	
1967/68	<u>3/</u> 1.78	<u>3/</u> 2.00	1.58	1.74	1.69	
1968/69	<u>3/</u> 1.78	2.04	1.58	1.93	1.59	
1969/70	1.75	1.87	1.47	1.68	1.50	
1970/71	1.81	1.77	1.57	1.63	1.54	
1971/72	1.76	1.70	1.57	1.66	1.74	
1972/73	2.52	2.64	2.47	4/ 2.59	2.34	
1973/74 (July- March)	5.52	8.43	5.36	5/ 4.74	6/	

1/ Prices are f.o.b., except as noted.

2/ Canada introduced a new grading system on Aug. 1, 1971, and the old grades No. 1 and No. 2 Manitoba Northern became No. 1 Canada Western Red Spring.

3/ Prices on an "in store" basis

4/ Estimated. Since October 1972 prices are for Candeal Bahia Blanca.

5/ Estimated July-December for Candeal Bahia Blanca.

6/ Not available.

Source: Compiled from statistics of the International Wheat Council.

Table 27.--Wheat: Average export prices ^{1/} for leading classes in Canada, Australia, and Argentina, by months, July 1971-March 1974

(In U.S. dollars per bushel)

Year and month:	No. 1 Canada Western Red Spring, 14 percent protein, Thunder Bay, Ontario	No. 1 Canada: Western Amber Durum, Thunder Bay, Ontario	Australian fair: and average quality	Argentina Candeal Bahia Blanca ^{2/}
1971/72:				
July-----:	\$1.82	\$1.84	\$1.61	\$1.74
August-----:	1.77	1.79	1.62	1.70
September-----:	1.76	1.74	1.58	1.65
October-----:	1.70	1.67	1.55	1.58
November-----:	1.70	1.67	1.54	1.55
December-----:	1.70	1.61	1.56	1.57
January-----:	1.70	1.59	1.55	1.69
February-----:	1.70	1.59	1.55	1.68
March-----:	1.73	1.66	1.55	1.70
April-----:	1.76	1.71	1.58	1.70
May-----:	1.78	1.77	1.59	1.70
June-----:	1.78	1.77	1.58	1.71
1972/73:				
July-----:	1.78	1.77	1.59	1.71
August-----:	1.86	1.87	1.66	1.72
September-----:	2.15	2.22	1.98	2.20
October-----:	2.40	2.54	2.32	2.53
November-----:	2.42	2.56	2.40	2.56
December-----:	2.62	2.76	2.88	2.74
January-----:	2.72	2.87	2.86	2.78
February-----:	2.74	2.88	2.80	2.68
March-----:	2.74	2.88	2.74	2.63
April-----:	2.74	2.88	2.72	2.65
May-----:	2.80	2.95	2.77	2.91
June-----:	3.26	3.53	3.22	2.35
1973/74:				
July-----:	3.64	5.39	3.50	4.08
August-----:	5.26	9.04	5.02	4.96
September-----:	5.76	8.98	5.55	5.33
October-----:	5.78	9.01	5.45	4.82
November-----:	5.66	9.02	5.45	4.44
December-----:	5.68	9.01	5.45	4.81
January-----:	5.86	8.47	5.72	^{3/}
February-----:	5.95	8.49	6.01	^{3/}
March-----:	6.11	8.50	6.13	^{3/}

^{1/} Prices are f.o.b.

^{2/} Prior to October 1972 prices are for Candeal Taganrog; from then on prices are estimated.

^{3/} Not available.

Source: Compiled from statistics of the International Wheat Council.

Table 28.--Wheat: U.S. and Canadian daily prices, for specified classes
December 1973-April 1974

(In U.S. dollars per bushel)

Date	Minneapolis		Thunder Bay <u>1/</u>	
	No. 1 Dark Northern Spring, 15 percent protein	No. 2 Hard Amber Durum <u>2/</u>	No. 1 Canada Western Red Spring, 14 percent protein <u>3/</u>	No. 2 Canada Western Amber Durum
December 1973:				
3-----	4.64	7.23	5.68	9.01
4-----	4.80	7.43	5.68	9.00
5-----	4.72	7.43	5.68	9.01
6-----	4.81	6.93	5.68	9.01
7-----	4.97	7.18	5.67	9.00
10-----	4.94	7.30	5.67	9.00
11-----	5.12	7.55	5.68	9.01
12-----	5.11	7.80	5.68	9.01
13-----	5.03	7.60	5.68	9.01
14-----	4.99	7.63	5.68	9.01
17-----	5.09	7.63	5.67	9.01
18-----	5.01	7.78	5.68	9.01
19-----	5.04	7.78	5.67	9.01
20-----	5.02	7.68	5.67	9.01
21-----	5.01	7.63	5.68	9.01
26-----	4.93	7.63	5.72	9.06
27-----	4.94	7.63	5.73	9.06
28-----	5.06	7.63	5.73	9.07
January 1974:				
2-----	5.28	7.63	5.73	9.07
3-----	5.33	7.63	5.73	8.36
4-----	5.31	7.78	5.73	8.43
7-----	5.51	8.03	5.73	8.43
8-----	5.64	8.03	5.73	8.43
9-----	5.44	8.13	5.83	8.43
10-----	5.59	8.13	5.83	8.44
11-----	5.54	8.13	5.85	8.45
14-----	5.73	8.13	5.95	8.45
15-----	5.64	8.13	5.94	8.45
16-----	5.54	8.15	5.95	8.45
17-----	5.58	8.15	5.95	8.44
18-----	5.43	8.15	5.95	8.45
21-----	5.59	8.15	5.95	8.46
22-----	5.49	8.15	5.95	8.46
23-----	5.30	8.15	5.95	8.45
24-----	5.37	8.15	5.95	8.45
25-----	5.57	8.15	5.95	8.46
28-----	5.77	8.15	5.95	8.46
29-----	5.67	8.15	5.95	8.46
30-----	5.58	8.15	5.95	8.46
31-----	5.54	8.15	5.95	8.46

See footnotes at end of table.

Table 28.--Wheat: U.S. and Canadian daily prices, for specified classes
December 1973-April 1974--Continued

(In U.S. dollars per bushel)				
Date	Minneapolis		Thunder Bay ^{1/}	
	No. 1 Dark Northern Spring, 15 percent protein	No. 2 Hard Amber Durum ^{2/}	No. 1 Canada Western Red Spring, 14 percent protein ^{3/}	No. 2 Canada Western Amber Durum
February 1974:				
1-----	5.54	8.15	5.95	8.47
4-----	5.41	8.15	5.95	8.47
5-----	5.52	8.15	5.95	8.48
6-----	5.50	8.15	5.94	8.47
7-----	5.54	7.95	5.95	8.49
8-----	5.69	7.90	5.95	8.48
11-----	5.80	7.95	5.95	8.48
12 ^{4/} -----				
13-----	5.82	8.10	5.95	8.49
14-----	5.95	8.30	5.95	8.50
15-----	6.10	8.35	5.95	8.50
18 ^{4/} -----				
19-----	6.05	8.35	6.00	8.50
20-----	6.06	8.23	6.00	8.50
21-----	5.87	8.28	6.01	8.51
22-----	6.05	8.28	6.01	8.51
25-----	6.24	8.35	6.11	8.50
26-----	6.18	8.48	6.11	8.50
27-----	5.98	8.48	6.11	8.51
28-----	5.81	8.48	6.11	8.52
March 1974:				
1-----	5.99	8.48	6.11	8.51
4-----	5.91	8.48	6.11	8.51
5-----	5.71	8.35	6.11	8.51
6-----	5.59	8.35	6.11	8.50
7-----	5.69	8.35	6.11	8.50
8-----	5.51	8.35	6.11	8.51
11-----	5.49	8.23	6.11	8.50
12-----	5.55	7.85	6.11	8.50
13-----	5.56	7.85	6.11	8.50
14-----	5.47	7.85	6.11	8.50
15-----	5.27	7.38	6.11	8.50
18-----	5.28	7.25	6.11	8.50
19-----	5.22	7.05	6.11	8.50
20-----	5.09	7.05	6.11	8.51
21-----	5.02	6.83	6.11	8.51
22-----	5.08	6.83	6.11	8.51
25-----	5.01	6.58	6.11	8.51
26-----	5.18	6.58	6.11	8.50
27-----	4.98	6.58	6.11	8.50
28-----	4.77	6.25	6.11	8.50
29-----	4.60	6.13	6.10	8.50

See footnotes at end of table.

Table 28.--Wheat: U.S. and Canadian daily prices, for specified classes December 1973-April 1974--Continued

(In U.S. dollars per bushel)

Date	Minneapolis		Thunder Bay <u>1/</u>	
	No. 1 Dark: Northern Spring, 15: percent protein	No. 2 Hard Amber Durum <u>2/</u>	No. 1 Canada Western Red Spring, 14 percent protein <u>3/</u>	No. 2 Canada Western Amber Durum
April 1974:				
1-----	4.37	6.13	6.11	8.50
2-----	4.20	5.63	6.08	8.47
3-----	4.40	5.63	6.08	8.47
4-----	4.46	5.63	6.08	8.48
5-----	4.43	6.00	6 08	8.48
8-----	4.46	6.00	6.08	8.47
9-----	4.44	6.38	6.07	8.47
10-----	4.48	6.50	6.08	8.47
11-----	4.52	6.50	6.08	8.48
12 <u>4/</u> -----				
15-----	4.65	6.75	6.07	8.47
16-----	4.58	6.75	6.08	8.48
17-----	4.43	6.75	6 08	8.48
18-----	4.38	6.25	6.08	8.49
19-----	4.37	6.25	6.08	8.48

1/ F.o.b., price.

2/ Midpoint of daily range.

3/ Prices for wheat having 14 percent protein which have not been quoted in recent months, are calculated by subtracting the usual differential of 4 cents from the prices for wheat having 14 1/2 percent protein.

4/ Holiday.

Source: U.S. Department of Agriculture.

APPENDIX D

A QUANTITATIVE ASSESSMENT

A Quantitative Assessment 1/

In this section of the report, several quantitative models are used to provide insight into the possible effects of the removal of U.S. import controls on wheat on programs now conducted by the Department of Agriculture. Both short and long term effects on the domestic price of wheat are estimated. For short-term estimates (through 1975) a dynamic stock model is used. To give perspective for the longer term a spatial price equilibrium model is used to show likely price trends up to 1980.

Estimates of short-run price movements

A clear relationship exists between stocks of wheat and world (or domestic) wheat prices. Historically, little movement in wheat prices occurs until wheat stocks approach some critical minimum, at which point prices shoot up dramatically. The rate of price increase accelerates rapidly as stocks are drawn down. Based on this experience a model has been constructed that provides an estimate of wheat prices in the short run, using data for the United States and Canada. 2/

The U.S. model.--The cash price of wheat in the United States is expressed as the ratio of domestic wheat consumption for food use to the average of beginning and ending stocks of wheat in the United States.

The estimative equation is as follows:

1/ Material in this section was provided by Prof. Andrew Schmitz, Giannini Foundation of Agricultural Economics, University of California, Berkeley.

2/ Canada is the most likely source of imports into the United States because of its proximity and available supplies. Of the other major exporting countries, Australia cannot ship wheat to the United States because of a U.S. quarantine against Australian wheat, and Argentina is hard pressed to supply its traditional export markets.

$$P_{w_s} = 1.437 + .093 \left(\frac{D_d}{\frac{S_t + S_{t+1}}{2}} \right)^6 \quad \begin{array}{l} t \text{ ratio} = 7.418 \\ R^2 = .873 \\ \text{D.W.} = 1.97 \end{array} \quad (1)$$

where

P_{w_s} = United States average cash wheat price in July, No. 1
Hard Red Winter wheat at Kansas City (dollars per bushel)

D_d = domestic wheat consumption--food use only (millions of
bushels)

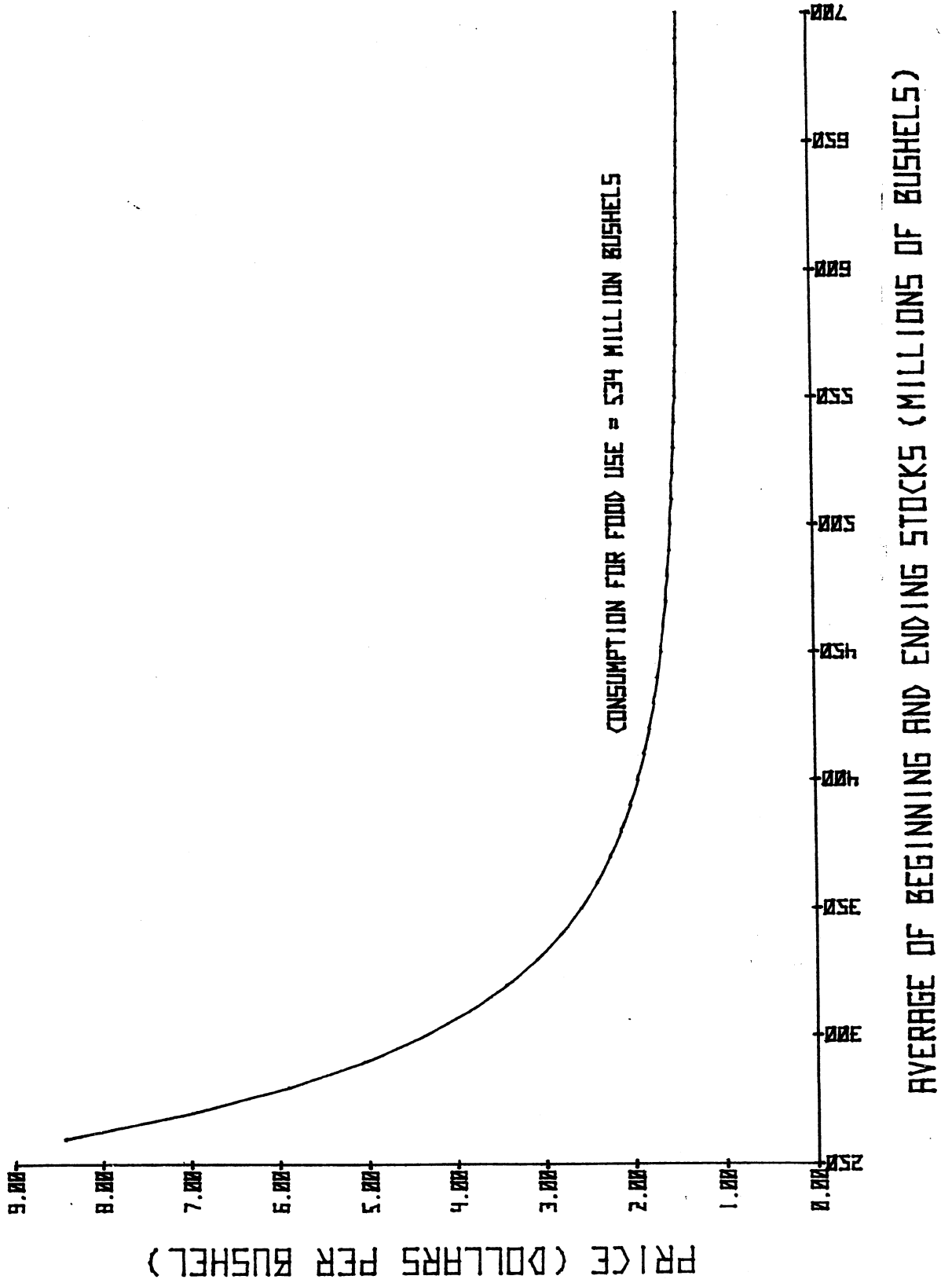
S_t = carry-over wheat stocks (millions of bushels).

Based on data available from past years, the model illustrates the non-linear relationship between average wheat stocks and prices. This is shown in figure 7, which indicates the particular sensitivity of price to changes in stocks when the level of stocks is relatively low. For example, when average stocks are as low as 300 million bushels, an increase in average stocks of 50 million bushels indicates a decline in price of about \$1.50 per bushel (from somewhat over \$4.00 to about \$2.50). However, a further increase of 50 million bushels in average stocks will drop the price only an additional 50 cents to \$2.00 per bushel. In other words, successive additions to stocks have a smaller and smaller impact on price.

Equation (1), used in connection with estimates by the U.S. Department of Agriculture for 1974/75 of 534 million bushels of wheat for domestic food use, beginning stocks of 178 million bushels, and ending stocks of 479 million bushels, indicates a price in July 1974 of \$3.15 per bushel.

For crop year 1975/76, data from the Department of Agriculture show beginning stocks of 479 million bushels. Domestic food use in 1975/76 is likely to be approximately the same as in the previous year

FIGURE 7.--RELATIONSHIP BETWEEN STOCKS AND PRICES OF WHEAT,
UNITED STATES



(534 million bushels). It is difficult, however, to estimate at this time the size of ending stocks on June 30, 1976. Therefore, two figures have been used (200 million bushels and 400 million bushels) in order to provide a range of likely prices in July 1975. These estimated prices are \$1.74 and \$2.85.

The Canadian model.--The cash price of wheat in Canada is expressed as the ratio of wheat consumption to the average of beginning and ending stocks. The estimative equation is as follows (see also Figure 8):

$$P_w = 2.030 + 40.463 \left(\frac{C_t}{\frac{S_{t_c} + S_{t+1_c}}{2}} \right)^{.5} \quad \begin{array}{l} t \text{ ratio} = 12.447 \\ R^2 = .939 \\ \text{D.W.} = 2.50 \end{array} \quad (2)$$

where

P_w = Canadian wheat price at Rotterdam for No. 2 northern, cost, insurance, and freight [c.i.f.] (dollars per bushel)

S_{t_c} = carry-over wheat stocks in Canada (millions of bushels)

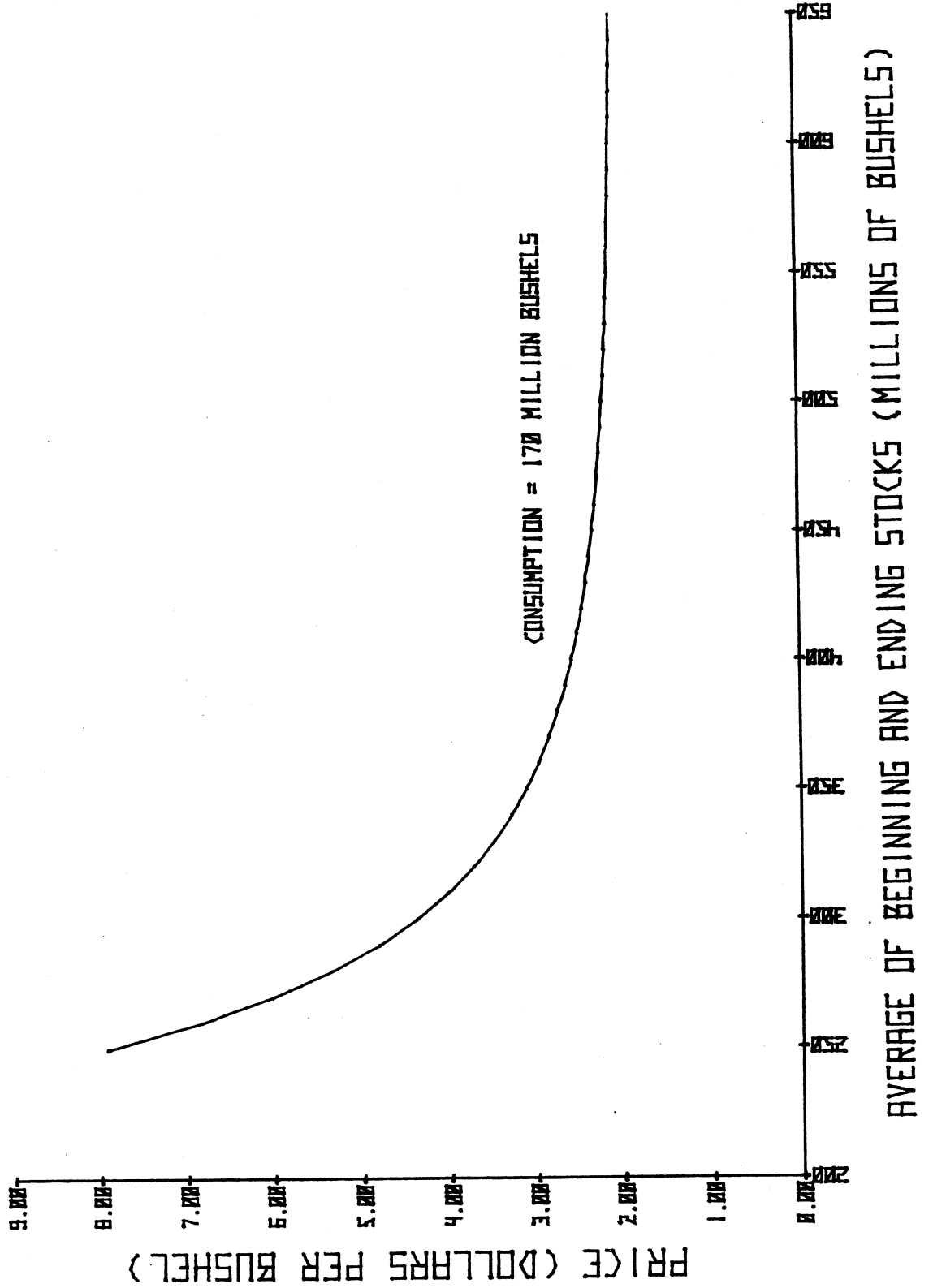
C_t = domestic wheat consumption--all uses (millions of bushels).

Using equation (2), domestic consumption of 170 million bushels, estimates of beginning stocks of 250 million bushels ^{1/} and ending stocks of 350 million bushels, the indicated price of Canadian wheat for 1974/75 is \$4.39 per bushel.

For 1975/76, domestic consumption is estimated at 170 million bushels, beginning stocks at 350 million bushels, and ending stocks within a range of 300 to 400 million bushels. The range of likely prices of Canadian

^{1/} The U.S. Department of Agriculture estimates that 347 million bushels will be in Canadian stocks in August 1974. However, Canadian sources report that approximately 100 million bushels of this total are already committed for export but cannot be moved out of the country because of a shortage of transport. Therefore, uncommitted carryover stocks will be about 250 million bushels.

FIGURE 8.--RELATIONSHIP BETWEEN STOCKS AND PRICES OF WHEAT,
CANADA



wheat is then \$2.80 to \$3.61.

Summary of short-term outlook.--The estimates of U.S. and Canadian wheat prices may be compared as follows (U.S. prices are for July, Canadian prices are average for the year):

Estimated Prices of Wheat in the United States and Canada, 1974 and 1975 (per bushel)		
<u>Year</u>	<u>United States</u>	<u>Canada</u>
1974	\$3.15	\$4.39
1975	\$1.74 to \$2.85	\$2.80 to \$3.61

From these estimates, it is unlikely that Canadian wheat would move to the U.S. market in substantial quantity in 1974. Although the U.S. price of \$3.15 appears low when compared with the February cash price of \$5.80, it is within the season's low and high range for the July futures price (\$2.72 to \$5.21). The Canadian price of \$4.39 is c.i.f. Rotterdam, a principal export market. During recent years, the freight and insurance costs per bushel from Thunder Bay to Rotterdam have been approximately equal to the freight and 21 cents duty per bushel when Canadian wheat is shipped from Thunder Bay to Duluth.

In 1975, the spread between U.S. and Canadian prices is somewhat narrower. If the U.S. price is at the high end of the range (\$2.85) and the Canadian price at the low end (\$2.80), the difference of 5 cents per bushel may result in some movement of Canadian wheat to the United States. However, in view of Canada's long-term export commitments and the probable need to rebuild stocks, a 5-cent differential is probably not attractive enough to induce a large volume of exports to the United States.

Estimates of long-run prices

This section reports some of the results from a spatial price equilibrium model of international trade in wheat. ^{1/} The objective is to specify the conditions under which U.S. wheat prices may vary over a longer period. Unlike the stock models of the previous section, no comparison is made between U.S. and Canadian wheat prices. Instead, all wheat producing and consuming countries are considered and an estimate is made of world trade in wheat. The result is to show U.S. price of wheat under varying conditions.

^{1/} This type of model was first developed rigorously by Samuelson ("Spatial Price Equilibrium and Linear Programming," American Economic Review, Vol. XLII, No. 3 (June, 1952), pp. 283-303). The algorithm used was developed by Takayama and Judge ("An Intertemporal Price Equilibrium Model," Journal of Farm Economics, Vol. 46, No. 2 (May, 1964), pp. 477-484; Equilibrium Among Spatially Separated Markets: A Reformulation," Econometrica, Vol. 32, No. 4 (October, 1964), pp. 510-524; "Spatial Equilibrium and Quadratic Programming," Journal of Farm Economics, Vol. 46, No. 1 (February, 1964), pp. 67-93). It was modified for international trading situations by Bawden ("A Spatial Price Equilibrium Model of International Trade," Journal of Farm Economics, Vol. 48, Part I (November, 1966), pp. 862-874). The model used in this report is described in detail in Domestic and Foreign Government Programs and Policies Affecting U.S. Agricultural Trade, U.S. Tariff Commission Publication 613, Washington, D.C., October, 1973.

The free-trade model for a single commodity is described in notation form below:

Let

Subscript i = consuming regions 1, ..., n

Subscript j = producing regions 1, ..., m

D_i = quantity consumed in region i

S_j = quantity produced in region j

DP_i = the (destination) price in consuming region i

OP_j = the (origin) price in producing region j

X_{ij} = quantity shipped to region i from region j

and

T_{ij} = transfer cost to region i from region j .

Given demand equations for each region,

$$D_i = a_i - b_i DP_i \quad \text{for all } i;$$

supply equations for each region,

$$S_j = c_j + d_j OP_j \quad \text{for all } j;$$

and transfer costs among all regions,

$$T_{ij} \quad \text{between each } i \text{ and } j;$$

find:

$$DP_i, OP_j, D_i, S_j, \text{ and } X_{ij} \quad \text{for all } i \text{ and } j$$

by maximizing:

$$f(P) = \sum_i a_i DP_i - \frac{1}{2} \sum_i b_i DP_i - \sum_j c_j OP_j - \frac{1}{2} \sum_j d_j OP_j$$

subject to:

$$DP_i - OP_j \leq T_{ij} \quad \text{if } X_{ij} = 0$$

$$DP_i - OP_j = T_{ij} \quad \text{if } X_{ij} > 0$$

$$D_i = \sum_j X_{ij}$$

$$S_j = \sum_i X_{ij}$$

$$DP_i, OP_j, X_{ij} \geq 0.$$

The model has been modified to include such policies as fixed import duties, ad valorem import duties, quotas, subsidies, and the like.

The world wheat economy was divided into 15 trading regions. Production and consumption points were specified for each region, and the costs of transferring wheat among regions were computed. Within the spatial price framework, the effects on wheat prices, trade, and consumption were determined, corresponding to production and demand changes in areas such as the United States, the Soviet Union, and Canada.

The table below presents a summary of predicted U.S. wheat prices in 1980. The range of prices is provided by assumptions that (1) United States wheat production will vary between a low of 1.2 billion bushels and a high of 1.8 billion bushels (the high is above the record wheat crop in the United States in 1973/74 of 1.727 billion bushels but below the anticipated output in 1974/75 of 2.060 billion bushels), and (2) the level of wheat stocks for the United States, Australia, Argentina, and Canada fluctuates between 1.6 billion and 2.2 billion bushels (compared with an uncommitted carry-over wheat stock for the 1973/74 crop year of less than 800 million bushels). The estimated U.S. prices, using five assumptions described below, are as follows (prices are weighted average of U.S. farm prices for all wheat, plus U.S. duty of 21 cents per bushel):

Predicted United States Wheat Prices, 1980
(dollars per bushel)

Assumption	Prices plus duties assuming 4% inflation	Prices plus duties assuming 8% inflation
1	1.74	2.47
2	2.13	3.05
3	2.24	3.22
4	2.42	3.48
5	2.56	3.69

Assumption 1:

- a) United States production of 1.8 billion bushels
- b) Canadian production of 885 million bushels
- c) Other Europe's exports (including USSR) of 200 million bushels
- d) EEC duty (nominal) of \$4.00 per bushel
- e) U.S. exports of 1.2 billion bushels

Assumption 2:

- a) United States production of 1.2 billion bushels
- b) Canadian production of 1 billion bushels
- c) Other Europe's exports of 200 million bushels
- d) No EEC duty
- e) U.S. exports of 900 million bushels

Assumption 3:

- a) United States production of 1.5 billion bushels
- b) Canadian production of 985 million bushels
- c) Other Europe's exports of 200 million bushels
- d) EEC duty (nominal) of \$4.00 per bushel
- e) U.S. exports of 900 million bushels

Assumption 4:

- a) United States production of 1.5 billion bushels
- b) Canadian production of 1.15 billion bushels
- c) Other Europe self-sufficient
- d) EEC duty of \$4.00 per bushel
- e) U.S. exports of 900 million bushels

Assumption 5:

- a) United States production of 1.2 billion bushels
- b) Canada's production of 1.2 billion bushels
- c) Other Europe's exports of 200 million bushels
- d) EEC duty of \$4.00 per bushel
- e) U.S. exports of 600 million bushels

All prices in the table are current prices of 1980, the first column assuming an annual inflation rate of 4 percent and the second column an annual rate of 8 percent from 1974 to 1980. An intermediate rate of inflation, i.e., 6 percent, would produce prices between those indicated in the two price columns.

Of the ten prices indicated in the table, only one is below the U.S. target price of \$2.05 per bushel established for the 1974 and 1975 crops. After 1975, the U.S. target price is to be adjusted by the Department of Agriculture to reflect changes in prices paid by farmers for farm inputs. If prices of farm inputs increase 4 percent annually, the target price in 1980 could be about \$2.50; whereas if prices of farm inputs increase 8 percent annually, the target price in 1980 could be about \$3.00. Three of the five prices in column 1 of the table, corresponding to a 4 percent inflation rate, are substantially below \$2.50 per bushel. One of the prices in column 2, corresponding to an 8 percent inflation rate, is below \$3.00 per bushel.

The conclusions to be drawn from the table vary according to the conditions that are assumed might exist in 1980. For example, if the inflation rate is 4 percent annually and farm input prices increase at the same rate so that the target price is about \$2.50, then the U.S. could expect imports of wheat in 1980 under the following sets of conditions:

(1) Production of wheat is 1.8 billion bushels in the United States and 885 million bushels in Canada; the EEC has a nominal duty of \$4.00 per bushel; exports from Europe excluding the EEC but including the USSR are 200 million bushels, and U.S. exports are 1.2 billion bushels.

or (2) Production is 1.2 billion bushels in the U.S. and 1.0 billion bushels in Canada; there is no EEC duty on wheat; exports from Europe excluding the EEC but including the USSR are 200 million bushels, and U.S. exports are 900 million bushels.

or (3) Production of wheat is 1.5 billion bushels in the U.S. and 985 million bushels in Canada; the EEC has a nominal duty of \$4.00 per bushel; exports from Europe excluding the EEC but including the USSR are 200 million bushels, and U.S. exports are 900 million bushels.

If the inflation rate is 8 percent annually and farm input prices increase at the same rate so that the target price is about \$3.00, then only one of the five alternative sets of conditions would result in U.S. wheat imports in 1980, i.e., production of wheat is 1.8 billion bushels in the U.S. and 885 million bushels in Canada; the EEC nominal duty is \$4.00 per bushel; exports from Europe excluding the EEC but including the

USSR are 200 million bushels, and exports from the U.S. are 1.2 billion bushels.

It should be emphasized that any attempt to portray the possible range of wheat prices several years ahead (i.e., to 1980) depends on numerous factors, including those that affect production, consumption, and trade in wheat in the major countries concerned. Under the 10 sets of conditions portrayed in the table above, wheat imports by the United States would be implied in four cases (specified in the paragraphs above), would be uncertain in two cases (where the indicated price is approximately equal to the target price), and would be unlikely in four cases (where the indicated price is substantially above the target price).