Extension Pamphlet 167 December 1948

1949 OUTLOOK

Wheat, Flax and Soybean

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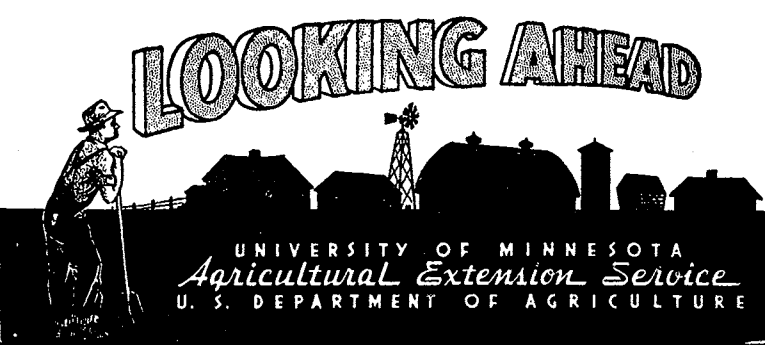
GRAIN—Wheat and flax prices for the 1949 crop will be supported at 90 per cent of parity as of the beginning of the marketing year.

Soybean prices will be supported between 60 and 90 per cent of parity, with the exact support level to be announced in advance of the planting season.

POTATOES—The 1949 potato program provides that potatoes will be supported at 60 per cent of parity. This situation demands that more growers become more efficient.



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General Considerations

A NUMBER OF FACTORS affect the grain outlook. Some of these factors are long-time in effect and their influence is world-wide.

Weather

The weather is a highly important but unpredictable factor. For example, unfavorable weather accentuated the 1947 world food crisis resulting from war. Favorable weather in 1948 improved the situation considerably.

Policies of Foreign Governments

Because of the present policy of the Russian government, much food for western Europe, obtained from eastern Europe before the war, must now come from Australia, Canada, Argentina, and the United States. The government of Argentina recently raised the prices of many exports from that country to take advantage of world shortages. This policy resulted in increased acreages of flax in Canada, Mexico, and the United States. France has been obtaining more flax from French territory in North Africa. The British government has adopted a policy which is expected to relieve the shortage of fats and oils in Europe. The government is financing extensive plantings of peanuts in its territories in Africa.

Policies of the United States

A policy of high tariffs in most countries of the world in the early 1930's resulted in a near stagnation of world trade. By 1937 this country had adopted a policy of Reciprocal Trade Agreements and had negotiated them with 16 countries. During the three years following these treaty negotiations, grain exports from the United States averaged 100 million bushels annually compared with about 25 million bushels during the early 1930's.

The present foreign policy which made the European Recovery Program possible has increased exports of grain from this country to more than five times the prewar level. Even in the prewar years Europe imported one third of its food supply. For this reason Europe should provide us with an outlet for the grain not needed in the United States for some time to come. Whether or not Europe will continue to take large quantities of grain from this country will depend on (1) our policy of foreign aid during the next few years, and (2) whether or not Europe can again produce goods for world trade and thus obtain dollars to buy our grain.

Grain Prices May Press Support Levels

Wheat

PRICES—To Be Near Support Level

Prices for the 1949 crop of wheat are expected to be near the price support level. They may drop below the loan level for a brief period following harvest. According to the Agricultural Act of 1948, the loan rate for the 1949 wheat crop will be calculated at 90 per cent of parity as of June 30, 1949, and announced about that time. On November 15, 1948, the 90 per cent of parity price in the United States was $1.96.

SUPPLY—Indicated Acreage Above 1948

Reports indicate that in 1949 farmers in the United States plan to seed a million acres more wheat than the 78 million acres in 1948. The yield in 1948 was 2 bushels per acre more than the 10-year average (1937-46). A normal yield in 1949 from the increased acreage may still produce less wheat than the 1.3 billion-bushel crop in 1948. The recommended 1949 goal for wheat is 6 million acres less than in 1948.

DEMAND—Domestic Use Fairly Constant

The total amount of wheat used domestically for food and seed remains quite constant. Per capita consumption of wheat has declined from the prewar level. Consumption of fruits, vegetables, dairy products, and eggs has increased. The relatively constant requirement for food and seed in this country and the importance of exports during the last few years may be seen in the table below.

During the crop year 1947-48 the United States exported 475 million bushels of wheat, mostly to Europe. The Economic Cooperation Administration has provided funds for exporting about 450 million bushels of wheat in 1948-49. There is reason to believe that foreign aid will be continued in 1949-50. Some reduction is expected, however, and exports may be reduced to 350 million bushels.

Utilization of the United States Wheat Crop

	1935-39	1943	1946	1947	1948
	Million bushels				
Uses:					
Food	476	543	494	498	510
Seed	85	77	86	91	90
Feed	125	488	191	179	150
Industrial use	.....	108	.....	1	.....
Exports	56	66	398	484	454
Carry-over end of year	202	317	84	195	275
Total utilization	944	1,599	1,253	1,448	1,479

Flax

PRICES—Lower in 1949

The Agricultural Act of 1948 provided for a support price on flax between 60 and 90 per cent of parity. The Department of Agriculture announced in October, 1948, that the 1949 flax crop would be supported at 90 per cent of the July 1, 1949, parity price. Calculated at 90 per cent of parity on November 15, 1948, the support price would have been $3.75 per bushel. The support price of $6.00 per bushel which has been in effect through 1947 and 1948 was 135 per cent of parity at the beginning of the marketing year—July 1, 1948.

SUPPLY—One-third Cut in Acreage Recommended

The acreage goal for 1949 in the United States is 3 million acres, compared to 4.5 million acres harvested in 1948. A crop the size of the 1948 crop provides more flax than can be used in this country at the present rate of use. During November, 1948, the Commodity Credit Corporation authorized exports of 10 million bushels of flaxseed. A comparison of domestic production and imports is given below.

Flax Production and Imports—United States

	Production	Net imports	Total supply	Per cent imports are of production
	Millions of bushels			
1935-39 average	11	18	29	165
1941-45 average	36	7	43	20
1948	50	.....	57*	.....

* Total supply includes carry-over.

DEMAND—Probably Less in 1949

A high proportion of the flaxseed supply is always crushed to make linseed oil and linseed meal.

Practically all the linseed oil produced has been used in the drying industry. The strong demand for drying oils in the manufacture of paint, varnish, and floor coverings since the war has been the result of record peacetime industrial production. In proportion to other drying oils, 15 per cent less linseed oil was used in 1948 than before the war. The use of soybean oil and other oils has increased materially since prewar, largely as the result of chemical research and high prices of linseed oil.

At the support price, the use of linseed oil in 1949 in the United States may not be much over 600 million pounds, or the equivalent of 31 million

bushels of flax. Industrial production is not expected to increase much.

In August, 1948, the price of linseed meal dropped below the level that crushers considered necessary in order for them to pay the support price of $6.00 per bushel for flax. Because of this situation they purchased very little flax. Between August and December, 1948, the Commodity Credit Corporation purchased about 40 per cent of the 1948 crop of flax. Purchases will continue as long as farmers need this support outlet. An advance announcement will be made before purchases are discontinued.

Soybeans

PRICES—Lower in 1949

The 1948 Agricultural Act requires the Secretary of Agriculture to establish price supports on soybeans between 60 per cent and 90 per cent of parity for the 1949 crop. An official announcement of the level of support and the date used for calculating parity price will probably be made well in advance of the planting season. On November 15, 1948, 90 per cent of parity was $2.13 per bushel and 60 per cent of parity was $1.42.

Soybean oil prices will have a lot to do with soybean prices. Over 80 per cent of the soybeans produced in this country are processed into oil and 80 per cent of the oil is used in food products.

SUPPLY—Some Increase Likely

Production of soybeans in the United States has increased in recent years. The 1948 crop was 210 million bushels compared with the 135 million bushel average for 1937-46. The supply in 1949 will probably be greater than in 1948.

DEMAND—Consumption May Increase

Food products utilize a large share of soybean oil. Lower food prices in 1949 may increase consumption. Other uses of soybean oil have increased. Three times as much soybean oil was used in paints and varnishes in 1948 as the 1937-46 average.

Because of the high proportion of digestible nutrients in soybean oil meal it is a popular protein supplement for livestock. It competes with linseed oil meal, cottonseed oil meal, and tankage. Whether or not an increase in the use of soybean oil meal will occur depends upon the relationship of prices between these protein feeds.

Uses of Soybean Oil

Food Products	Per Cent	Nonfood Products	Per Cent
Shortening	46	Paint and Varnish	6
Margarine	16	Other drying oils	5
Other	18	Miscellaneous	9
Total	80	Total	20

POTATO OUTLOOK

Total demand for potatoes in 1949 is expected to be about the same as in 1948. Civilian consumption probably will continue at the current annual rate of about two bushels per person. Military requirements may be up a little but will be only a small percentage of total consumption. Demand for 1949-crop potatoes for seed, feed, and starch is not likely to be any greater than that for potatoes from the 1948 crop. Commercial export demand will involve only about 1 per cent of production.

The major provisions of the 1949 potato program are: (1) the crop will be supported at 60 per cent of parity, the minimum level under the "60 to 90 per cent" range provided in the applicable legislation; (2) to be eligible for price support operations, individual growers must stay within the acreage goals established for each farm; and (3) participating growers, will, to the extent practicable, market their potatoes under the provisions of marketing agreements, in order to help stabilize marketing, keep lower grades out of commercial channels, and assure consumers better-quality potatoes.

Sixty per cent of parity as of September 15, 1948, was $1.12 per bushel, and 90 per cent was $1.67. The actual price received by growers on September 15 averaged $1.53 per bushel.

The winter-season potatoes of Florida and Texas will be the first of the 1949 crop to go to market. Growers in these states will plant 9,000 acres to commercial early potatoes for harvest next winter.

Minnesota's late potato crop yielded above expectations, as most of the crop in northern counties escaped blight damage which was threatening on September 1. Total production for Minnesota in 1948 is estimated at 14,300,000 bushels, only slightly below the 1947 production but 5 million bushels under the 1937-46 average. The 1948 yield is estimated at 130 bushels per acre, a record for the state.

An unusual feature of the 1948 production situation is the very high proportion of production which has occurred on highly commercialized farms. Large acreages of potatoes on peat or other lands which respond to scientific handling are producing up to 600 and 700 bushels per acre. In contrast, a large number of farmers who raise only a small acreage for their own use often obtain yields of only 25 to 50 bushels per acre.

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Cooperative Extension Work in Agriculture and Home Economics, University of Minnesota, Agricultural Extension Division and United States Department of Agriculture Co-operating. Paul E. Miller, Director. Published in furtherance of Acts of Congress of May 8 and June 30, 1914.
10M—12-48