

# Bumper Crop Means Supports Will Be Major Price Factor

By GILBERT GUSLER, Market Analyst

PRICES FOR THE 1958 wheat crop probably will make much the same pattern as in each of the last nine crop years: A drop below supports during harvest, then a rise to or near support levels later in the season. They're likely to average about 10 per cent lower than for the 1957 and 1956 crops.

The support program will be the dominant factor governing wheat prices. Supplies will be larger than ever before. Efforts to reduce surplus stocks by acreage controls, the soil bank and costly subsidized exports are being thrown for a big loss this year by good weather and constantly improving farmer know-how. After two years of decline a new high peak in carryover stocks is likely next year.

This year's carryover estimate, to be released in late July, is expected to be about 880 million bushels. That will be a cut of around 155 million bushels in the last two years, accomplished by large exports in the 1956-57 season and a reduction in the 1957 crop. Domestic disappearance offsets growth of population and support prices curb use of wheat for feed.

Nearly all of this year's carryover is CCC-owned or resealed under loan. "Free" stocks were 72 million bushels a year ago, but are much smaller this year. Because of the drop in supports, "free" stocks in trade channels were allowed to drop to the barest minimum.

New crop prospects in early June were appraised at 1,271 million bushels. Winter wheat, at 1,069 million bushels, promised a new high record, exceeding slightly the previous high in 1952, harvested from nearly 9 million more acres.

Increase in the total crop over last year is partly due to larger planted acreage resulting from smaller participation in the soil bank and more overplanting of allotments. Growers planted or intended to plant 56.9 million acres compared with 49.9 million acres last year. The national allotment was 55 million acres in both years.

Allowing for the 5.3 million allotment acres put in the soil bank this year, it is evident that several million non-compliance acres were planted. How much was plowed under in order to come into compliance will not be known until later.

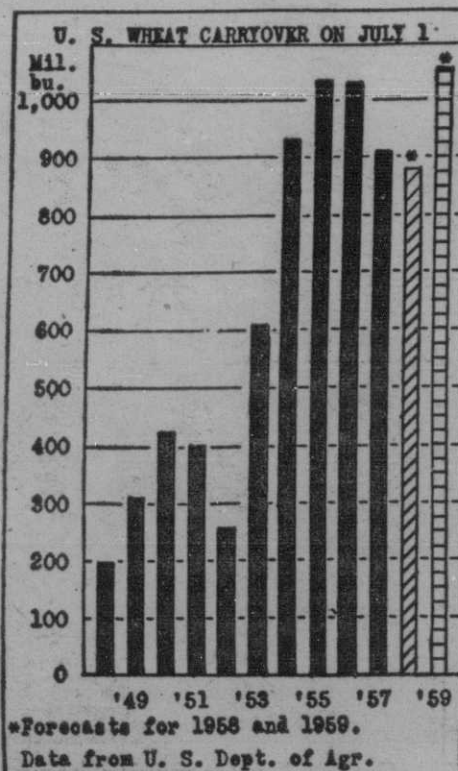
Usage in the 1958-59 season is expected to total slightly under one billion bushels—a little less than 600 million for domestic use and, with much less certainty, about 400 million bushels for export. Final estimates won't be available until late July, but U. S. Department of Agriculture forecasts have put domestic disappearance in the past season at 584 million bushels—480 million for food, 64 million for seed and 40 million for feed.

Canada's more aggressive selling policy probably will be continued. Growers in Argentina and Australia are reported to be planning to increase acreage, but their crops are still a long way from harvest.

European crop prospects are generally satisfactory and France and Italy may have export surpluses. Turkey and some other minor countries also may be on the exporter list this year.

Present prospects of a United States carryover of 880 million bushels, a crop of 1,271 million bushels and imports of 8 million bushels, mostly for feed, would mean a total supply of 2,159 million bushels. If domestic usage and exports should take about one billion bushels for that supply, around 1,160 million bushels would be left on July 1, 1959, a new all-time high. (See chart).

If prices are a few cents below the effective loan rate at time of harvest, it will pay to store. Ad-



In spite of acreage controls, the soil bank and heavily subsidized exports, wheat carryover probably will reach a new peak next year.

vantage will be greatest, of course, for growers who own good storage space. Growers ineligible for price support won't profit much if they must pay regular storage charges on commercial space.

Wheat must be in storable condition, of course. That means under 14 per cent of moisture and reasonably free from weed seeds, stems and trash that might cause spoilage.

To comply with pure food laws governing interstate shipment of grain, contamination of stored wheat must be prevented. Bins should be swept out thoroughly beforehand and sprayed heavily with DDT or methoxychlor. Remove old grain in nearby bins that might harbor insects. Make bins tight against birds, rodents and weather damage.

Check bins a few weeks after harvest and occasionally through the season. Fumigate if you find evidence of insects.

Make early arrangements if you must use commercial space. Be sure as to who is responsible for maintaining quality.

If you are eligible and have approved storage space, you can apply for a government loan as soon as the wheat is stored. If you don't need the money you can wait on the possibility that prices will rise close enough to the support level by early winter to make selling attractive. If they don't, price protection through a loan or purchase agreement should be sought before January 31.

If you are not eligible, you will have a harder time gauging when to sell. Don't expect too much. Do some selling if and when prices come fairly close to support levels. They are not likely to rise above support at any time.

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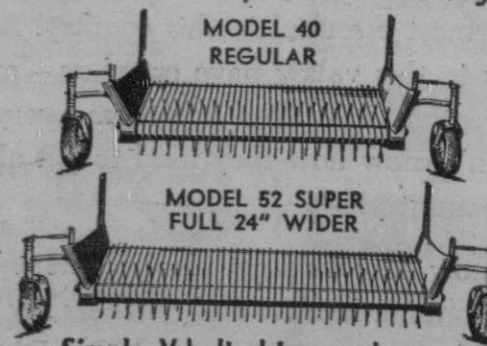
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