UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
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THE WHEAT SITUATION
- Including Rye -

Summary

Another wheat crop in excess of domestic needs is likely in 1938. This opinion of the Bureau of Agricultural Economics is based on the assumption that the winter wheat crop will not be materially less than indicated on December 1 and that the spring wheat crop will be no lower than the small harvest of 1934.

Winter wheat production was tentatively indicated at 630 million bushels in the December Crop Report. Weather conditions between December 1 and harvest time, however, may cause production to differ considerably from this indication. If the winter wheat crop should turn out to be 630 million bushels and if the spring wheat harvest should approximate the 10-year (1928-37) average, the total wheat crop would amount to about 820 million bushels. Even if the spring wheat crop should be as small as in 1934, the total harvest would still be about 720 million bushels. Total supplies would include the carry-over on July 1, 1938, which is expected to be about 200 million bushels compared with the very small carry-over of about one-half that amount on July 1, 1937. Inasmuch as the domestic disappearance averages about 670 million bushels, supplies in 1938-39 are likely to be more than 100 million bushels in excess of domestic needs, and domestic prices may be expected to remain substantially below those at Liverpool.

Fall rains over the Prairie Provinces of Canada have been the best since 1933 and conditions in Europe, where early indications point to some increase in acreage, are generally good. If world production is larger in 1938 than in the past year, world prices may be expected to decline from the 1937-38 level, unless demand is increased beyond present indications.

Domestic wheat prices during the next few weeks will depend largely on

European buying. If European demand remains about as now indicated, the newly harvested Southern Hemisphere crop may be absorbed without becoming much of a price-depressing factor. Because of the decline in world wheat prices following the increased estimates of the world crop and the generally disturbed business conditions local market prices in the United States (weighted by monthly sales) are expected to average about 99 cents a bushel in the current marketing year (through June 1938), compared with $1.03 in 1936-37.

World supplies outside of Soviet Russia and China are only about 30 million bushels larger than the very small supplies of a year ago. With practically no carry-over of old wheat in Argentina and the new crop greatly reduced by frost and drought damage, and with Canada's exportable surplus small, the current wide spread between domestic and foreign prices may be expected to encourage takings of United States wheat. Both Argentina and Canada usually compete with the United States in the marketing of hard wheats which are used by importers to strengthen soft wheat flour.

From July through about mid-January, wheat exports from the United States are estimated at 48 million bushels. Present indications point to further exports of around 45 million bushels before the close of the marketing season(through June).

In the United States the acreage of rye sown for all purposes in the fall of 1937 is estimated at 6,869,000 acres, or about 10 percent less than the large acreage planted in the fall of 1936. Condition of the crop on December 1, 1937, was reported at 74 percent of normal, compared with 71 percent on December 1,1936. The area sown to rye in Europe is indicated to be slightly larger than that of last year with condition generally good.

Special article in this issue to inform readers of "The Milling In Bond Provision" of the 1930 Tariff Act.

THE WORLD WHEAT SITUATION

BACKGROUND.- Total world supplies of wheat, after increasing from 1929 to 1933, declined sharply following successive years of small production and increased world demand. The apparent world disappearance has averaged about 3,770 million bushels during the past 10 years. World market prices of wheat moved steadily upward from the spring of 1933 to the summer of 1937, reflecting higher world commodity price levels, four successive below average harvests in North America, and the 1935-36 short Southern Hemisphere crop. In 1936-37 wheat prices advanced sharply as a result of increased demand and the smallest supplies in recent years. World supplies, exclusive of Soviet Russia and China, in 1937-38 are estimated at

World wheat supplies and trade in 1937-38

The wheat production of the world, excluding Soviet Russia and China, during ~~the current season~~ is ~~now~~ estimated at 3,784 million bushels, which is 5 million bushels more than indicated a month ago. Slight upward revisions in England and Wales, Denmark, France, and Uruguay more than offset slight downward revisions in Greece, Tunisia, Chosen, and the Union of South Africa. The present production estimate represents an increase of about 240 million bushels over the production a year earlier. However, with carry-over stocks on July 1, 1937, estimated at about 210 million bushels less than on July 1, 1936, total supplies, excluding those of Soviet Russia are only about 30 million bushels larger than the very small supplies in 1936-37.

Table 1.- Wheat surplus for export or carry-over in three principal exporting countries, United Kingdom port stocks, and stocks afloat, January 1, 1935-38 1/

Position	1935	1936	1937	1938 2/
	Million bushels	Million bushels	Million bushels	Million bushels
U.S. Canada: 3/				
In Canada	270	250	106	59
In United States	28	35	25	5
Argentina	164	60	147	87
Australia	113	99	95	100
Total	575	444	373	251
United Kingdom port stocks	16	11	9	9
Stocks afloat to:				
United Kingdom	11	12	15	11
Continent	7	6	14	10
Orders	7	2	7	10
Total	41	31	45	40
Total above	616	475	418	291

1/ Carry-over at the beginning of the year (Canada, July 31; Argentina, January 1; Australia, December 1 of the previous year) plus production, minus domestic utilization for the year, minus monthly exports to date. 2/ Preliminary.

3/ Import basis

Table 1 shows the estimated wheat surplus for export or carry-over on January 1, 1938 in Canada, Argentina, and Australia, as well as United Kingdom port stocks and stocks afloat. These total 291 million bushels compared with 418 million bushels a year ago, and 475 million bushels 2 years ago. Canadian stocks, estimated at only 64 million bushels, leave a very small quantity for export when an allowance for carry-over stocks is deducted. The estimate for Argentina is 87 million bushels, compared with 147 million in 1937 and 144 million bushels for the 5-year (1932-36) average. The surplus in Argentina this year consists almost entirely of new wheat, stocks of old wheat having been reduced to about 1 million bushels by January 1, the beginning of the new crop year in Argentina. The surplus for export or carry-over in Australia is estimated at 100 million bushels compared with 95 million in 1937, and with 129 million bushels for the 5-year average.

Exports from Soviet Russia from July through December amounted to about 32 million bushels. Of this amount only about 4 million bushels were exported in December, suggesting that total exports for the season from that country may not exceed 40 million bushels. Usually, exports from Soviet Russia are very small after January 1. The Danubian countries have only about 30 million bushels still available for export.

On the basis of these estimates, and assuming total exports for the 1937-38 season of 485 million bushels, which quantity has been forecast by the Bureau, exports from January through June 1938 by the four principal exporting countries may approximate only about 20 million bushels from Canada, 55 million from Argentina, and 60 million from Australia, leaving about 45 million bushels as probable exports from the United States. These estimates include flour in terms of wheat. Exports of United States wheat and flour made from domestic grain in terms of wheat from July 1, 1937 to January 1, 1938 are estimated at about 44 million bushels.

Tables 8 to 11 show figures on the movement of wheat in international trade this season compared with the corresponding periods and totals for other years.

Area and condition of fall-sown wheat and rye

The acreage sown to winter wheat in Canada in the fall of 1937 is reported at 690,000 acres, compared with the estimate of 781,000 acres sown in the fall of 1936. Winter wheat, however, represents only a small proportion of the total Canadian wheat acreage (only 3 percent in 1937). The condition of the fall seedings on October 31, 1937, was reported as 93 percent of the long-time average. The condition on the same date of 1936 was reported as 107 percent of the average.

The fall-sown rye acreage in Canada is estimated at 517,000 acres, compared with the 1936 seedings of 799,000 acres. The condition of the crop on October 31, 1937, was 84 percent of the long-time average, compared with the condition figure of 76 percent for October 31, 1936. Good rains have been received throughout the Prairie Provinces, much of which area was affected by the drought in 1936-37. Fall precipitation, which provides the sub-soil moisture reserves for next year's crop, has been normal in Manitoba and Alberta and 80 percent of normal in Saskatchewan.

Definite data on the wheat acreage planted in Europe are not yet available, but indications point to a slightly larger acreage than that planted in the fall of 1936. Assuming a normal winter-kill, we might expect an acreage for harvest somewhat larger than that of 1936-37 since abandonment in some important producing countries was much above average in 1936-37. The area sown to rye in Europe is indicated to be slightly larger than that of last year, with conditions generally good. In Poland, winter rye acreage is officially reported to be 2.8 percent above that of last year. The condition of the crop is somewhat better than at this time last year.

The condition of the fall sown crops over most of Europe is reported to be satisfactory, and in many of the countries the prospects seem better than those of a year ago. A notable exception is Italy, where much resowing was necessary because of floods. Excessive moisture was followed by extreme cold and as the result of these unfavorable conditions, observers in Italy now believe it is impossible that the wheat crop should equal that of 1937. In the important producing Danubian countries, where an increased acreage is indicated, the condition of the wheat and rye crops is reported to be satisfactory.

In Soviet Russia, snow covers the greater part of the grain area and the condition of the crops is believed to be satisfactory. India has received widespread, beneficial rains, and the wheat crop is said to be in excellent condition.

Foreign Wheat Prices

During the last half of December, wheat prices at Winnipeg and Buenos Aires rose while those at Liverpool remained weak. Small remaining exportable supplies in Canada, and a greatly reduced quantity and lower quality of wheat for export in Argentina were strengthening factors. Continued slow demand and Australian hedging featured the Liverpool futures market, which declined to the lowest point since the summer of 1936.

During the first week in January, foreign markets advanced sharply, with improved demand, less selling by Australian shippers, and small offerings of Russian and Argentine wheat. During the second week, wheat prices in foreign markets ranged from unchanged to somewhat lower even though prices in the United States advanced, influenced by uncertainty of moisture in the winter wheat area. Prices in Winnipeg dropped around 3 cents which brought Canadian prices more in line with other export wheats.

Table 2.- Average price per bushel of wheat, specified markets and dates, 1937-38

Date	Kansas City 1/	Minneapolis 2/	Winnipeg 3/	Buenos Aires 4/	Liverpool 4/	Great Britain 5/	Berlin 6/
	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Month							
Oct.	106.0	126.8	117.4	137.7	130.4	123.0	215.0
Nov.	94.2	115.3	110.6	106.9	120.5	120.4	218.7
Dec.	96.5	119.6	116.4	104.9	114.4		220.7
Week ended							
Dec. 4	95.4	111.6	110.0	104.1	114.7	117.0	217.5
11	96.8	121.3	112.3	106.0	115.4	116.0	221.5
18	96.8	116.1	117.6	106.2	114.9	114.9	222.0
25	96.1	122.0	118.8	104.3	112.6	112.7	221.5
Jan. 1	96.3	--	122.6	102.8	112.8		221.0
8	98.3	126.2	125.3	108.3	113.9		
15	104.8	131.1	121.6	111.5	114.7		

Prices are averages of daily prices for the week ending Saturday except as follows: Berlin prices are Wednesday quotations. Prices at foreign markets are converted to United States money at the current rates of exchange.
1/ No. 2 Hard Winter. 2/ No. 1 Dark Northern Spring. 3/ No. 3 Manitoba Northern. 4/ Near Futures. 5/ Home-grown wheat in England and Wales. 6/ Central German wheat, wholesale trade price free Central German Station.

Table 3.- Average closing prices of May wheat futures, specified markets and dates, 1936-37 and 1937-38

Date	Winnipeg 1/		Liverpool 1/		Buenos Aires		Chicago		Kansas City		Minneapolis	
	1936-37	1937-38	1936-37	1937-38	1936-37	1937-38	1936-37	1937-38	1936-37	1937-38	1936-37	1937-38
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Month												
Oct.	109.8	118.6	--	123.0	--	--	113.5	110.4	110.4	96.5	123.0	107.3
Nov.	107.8	110.4	112.6	116.3	--	--	114.7	90.8	110.9	87.2	124.6	97.9
Dec.	120.5	116.3	125.6	112.6	--	--	128.3	92.1	122.5	89.3	136.4	99.7
Week ended												
Dec. 4	113.0	112.4	119.1	114.1	91.2 2/	101.0 3/	120.1	91.6	115.2	88.7	129.0	98.7
11	115.6	115.6	122.0	114.0	92.8 2/	102.5 3/	123.4	93.3	117.6	90.4	131.6	100.7
18	123.7	117.0	128.6	113.4	98.9 2/	103.2 3/	131.0	91.8	125.1	89.2	138.8	99.2
25	125.0	116.7	128.1	110.5	97.4 3/	102.1 3/	133.0	91.7	127.0	88.9	140.8	99.3
Jan. 1	128.5	118.2	132.1	109.8	100.1 3/	103.5 3/	135.2	90.9	129.3	88.1	143.4	99.3
8	127.8	126.3	131.0	113.8	99.1 3/	108.9 3/	133.4	94.7	127.3	92.3	141.7	103.2
15	127.2	127.2	129.9	114.8	98.2 3/	112.0 3/	133.8	97.4	127.5	96.3	141.4	107.3
High 4/	128.5	127.2	132.1	124.7	100.1 5/	112.0 5/	135.2	108.8	129.3	104.0	143.4	114.8
Low 4/	106.9	109.1	110.4	109.8	91.2 5/	99.8 5/	112.2	89.8	109.5	85.9	121.6	97.0

1/ Conversions at noon buying rate of exchange. 2/ February futures.
3/ March futures. 4/ October 1 to January 15. 5/ February and March futures.

THE DOMESTIC WHEAT SITUATION

BACKGROUND.- The carry-over of wheat in the United States for the 5-year period (1924-28) averaged about 115 million bushels. Stocks which began to accumulate in 1929 reached the record peak of 378 million bushels in 1933. Four small wheat crops since that time, however, reduced stocks to about 100 million bushels by July 1, 1937.

Domestic wheat prices from the spring of 1933 to that of 1937 were unusually high relative to world market prices, because of four small domestic crops caused largely by abnormally low yields per acre. During 1936-37 both world and domestic prices advanced sharply as a result of increased demand and the smallest supplies in recent years.

Domestic wheat supplies and distribution for 1937-38

The estimated domestic supplies and distribution for 1937-38 remain essentially unchanged from those in the analysis published in the December issue of "The Wheat Situation", pages 12-13. A reappraisal will be made following the issuance of the figures on January 1 stocks of wheat. Estimated stocks of wheat in interior mills and elevators will be issued by the Crop Reporting Board on January 24, and figures on merchant mill and elevator stocks will be made available by the Bureau of the Census on about January 26. The figures for the other two positions used in making up the total as of January 1 are now available, and are shown in table 4.

Table 4.- Farm and commercial stocks, January 1, 1938

Item	1934	1935	1936	1937	1938
	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels
Farm stocks	196,860	145,591	163,360	128,314	208,745
Commercial stocks	132,511	90,937	76,694	62,366	94,520
Total	329,371	236,528	240,054	190,680	303,265

An analysis of the white wheat supply and distribution suggests small changes from the estimates of the prospective utilization and carry-over reported in the December issue of "The Wheat Situation". It now seems reasonable to expect that total utilization in 1937-38 may approximate 64 million bushels, which would leave a carry-over of 32 million bushels if total exports of white wheat amount to 25 million bushels. This is based on a 35-million bushel utilization of white wheat produced in Washington, Oregon, and Idaho; this would suggest a carry-over of about 18 million bushels of white wheat in these States.

Table 5.- Estimated supply and distribution of white wheat, Pacific Northwest and other areas, 1933-34 to 1937-38

Item	1933-34	1934-35	1935-36	1936-37	1937-38 1/
	Million bushels	Million bushels	Million bushels	Million bushels	Million bushels
Wash., Ore., and Idaho					
Stocks July 1	24	22	12	10	6
Production	60	45	51	64	72
Total supply	84	67	63	74	78
Domestic utilization	37	45	48	59	35
Exports 2/	25	10	5	9	25
Stocks June 30	22	12	10	6	18
Total distribution	84	67	63	74	78
Other than Wash., Ore., & Idaho					
Stocks July 1	8	8	4	7	4
Production	28	24	35	35	39
Total supply	36	32	39	42	43
Domestic utilization	28	28	32	38	29
Stocks June 30	8	4	7	4	14
Total distribution	36	32	39	42	43
Total United States					
Stocks July 1	32	30	16	17	10
Production	88	69	86	99	111
Total supply	120	99	102	116	121
Domestic utilization	65	73	80	97	64
Exports 2/	25	10	5	9	25
Stocks June 30	30	16	17	10	32
Total distribution	120	99	102	116	121

1/ Prospects as of January 23, 1938.
2/ Wheat and flour in terms of wheat including shipments to possessions.

Area and condition of fall-sown United States wheat as of July

The acreage of winter wheat sown in the fall of 1937, for harvest in 1938, is estimated at 57,492,000 acres, only a fraction of 1 percent below the record acreage (57,612,000 acres) sown in the fall of 1936. The 5-year (1927-31) average was slightly more than 45 million acres. Rather sharp decreases in winter wheat acreages from those of last year are reported throughout most of that part of the North Central group of States lying east of the Missouri River. Marked increases in Washington and Oregon reflect a return to more nearly normal acreage following the reduction caused by unfavorable seeding conditions in the fall of 1936. In the important hard red winter wheat area, moderate increases are shown in Kansas, Nebraska, and Colorado, while Texas and New Mexico report no change from the acreage sown last fall.

The condition of winter wheat on December 1 was reported at 76 percent of normal, the same as that of a year earlier, compared with the 10-year (1923-32) December 1 average of 82 percent. The condition was reported below average in all areas except in the Pacific Northwest and intermountain States. Reports indicate that the crop has gone into the winter in excellent shape in the Pacific Northwest. In the Great Plains region, and to a lesser extent in the soft red winter wheat area, the below-average condition reflects late seeding and slow development of the plant resulting from dry soil conditions at seeding time.

Based on the past relationship between December 1 condition and yield per seeded acre, with some allowance for the probable effect of weather conditions during the past summer and fall, the indicated production of winter wheat in 1938 is about 630 million bushels. It is expected that abandonment of sown acreage will be above average again in 1938, and will probably be between 15 and 20 percent.

The acreage of rye sown for all purposes in the fall of 1937 was estimated at 6,869,000 acres. This is 9.5 percent less than the 7,593,000 acres sown in 1936 when, because of drought, there were large seedings for pasture in the Eastern Corn Belt States. The 1935 seeded area was 6,494,000 acres. The condition of rye on December 1, 1937, was reported at 74 percent of normal compared with 71 on December 1, 1936, and the 10-year (1923-32) average of 85. The condition is lower than in 1936 in most of the central part of the country, particularly in the East North Central States where fall growth was slow. The condition in the Mountain and Western States on December 1 was higher than a year ago because the supply of moisture was better.

Domestic Wheat Prices

Domestic wheat prices fluctuated generally only within a narrow range during the last half of December. Strength at Winnipeg and Buenos Aires about offset the influence of the weak market at Liverpool and the reduced interest in domestic markets. During the last half of December the weekly average price of all classes and grades in six markets varied less than one-half cent, while the daily closing prices of May futures at Chicago fluctuated less than 3 cents.

During the first week in January, with a good export trade and an active milling inquiry supported by a sharp advance in foreign markets, including Liverpool, prices in domestic markets rose sharply. The strong market in Winnipeg tended directly to influence United States markets. Some uncertainty was in evidence concerning the new winter wheat crop in the United States, and prices continued to rise until about January 13. The price of No. 2 Hard Winter wheat at Kansas City averaged 105 cents for the week ended January 15 compared with 96 cents for the last half of December. The daily closing prices of May futures at Chicago advanced 9 cents from December 31 to January 13.

Table 6.--Weighted average cash price of wheat, specified markets and dates, 1936-37 and 1937-38

Date	All classes and grades six markets		No. 2 Hard Winter Kansas City		No. 1 Dk.N.Spring Minneapolis		No. 2 Hard Amber Durum Minneapolis		No. 2 Red Winter St. Louis		Western White Seattle 1/	
	1936-37	1937-38	1936-37	1937-38	1936-37	1937-38	1936-37	1937-38	1936-37	1937-38	1936-37	1937-38
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Month-												
Oct.	128.9	103.7	122.0	106.0	148.4	126.8	153.5	108.3	121.0	104.0	97.8	90.3
Nov.	127.5	93.5	121.9	94.2	144.3	115.3	148.0	100.2	122.7	93.2	2/	83.8
Dec.	139.3	96.2	134.2	96.5	159.0	119.6	178.5	105.8	135.4	95.0	112.7	85.5
Week ended-												
Dec. 4	129.9	95.2	127.7	95.4	139.0	111.6	175.4	105.1	127.1	95.6	---	85.3
11	131.4	97.5	129.8	96.8	155.4	121.3	153.5	108.9	130.4	95.4	107.5	86.0
18	142.0	95.9	137.0	96.8	161.7	116.1	183.1	104.4	136.7	94.0	112.6	85.0
25	145.0	95.9	140.7	96.1	163.2	122.0	177.8	103.4	141.1	95.0	113.7	86.0
Jan. 1	149.2	95.5	143.3	96.3	176.3	---	180.0	105.0	143.2	95.4	115.2	85.2
8	149.6	101.2	140.8	98.3	167.5	126.2	180.4	109.1	142.8	97.3	113.5	86.9
15	148.0	105.2	139.6	104.8	166.4	131.1	168.2	109.9	141.2	101.7	114.0	---
High 3/	149.6	109.7	143.3	111.3	176.3	133.1	183.1	110.4	143.2	111.9	115.2	94.6
Low 3/	126.5	90.9	120.3	92.5	139.0	108.9	142.6	98.2	118.0	85.5	95.9	81.8

1/ Weekly average of daily cash quotations, basis No. 1 sacked.
2/ No quotations October 31 - December 9, 1936 due to strike.
3/ October 1 to January 15.

Early in the season domestic and foreign wheat prices rose sharply following reports of serious damage to the Canadian crop and the threat of rust damage in the United States, and it was thought possible at that time that world prices might remain sufficiently above the 1936-37 levels to offset the decline in United States prices to an export basis. However, with an increase of over 100 million bushels in the estimate of the world crop, excluding Soviet Russia and China, the likelihood of large shipments from Soviet Russia, a slow European demand, disturbed business conditions, and a falling general commodity price level, wheat prices in world markets have declined, and the price of wheat at local United States markets, weighted by monthly sales, is now expected to average 99 cents a bushel in 1937-38 compared with $1.03 in 1936-37.

For the week ended January 15 Kansas City prices averaged somewhat higher relative to Liverpool prices than in December. In December the spread between No. 2 Hard Red Winter wheat at Kansas City and Parcels at Liverpool averaged 44 cents, which was the widest spread of Kansas City prices under those at Liverpool since August 1921.

Table 7.--Spreads between domestic wheat prices and prices at Winnipeg and Liverpool, specified periods, 1937-38

Month and week	May futures per bushel				Cash wheat per bushel	
	Amount Chicago averaged below		Amount Kansas City averaged below		Amount No. 2 Hard Winter (Kansas City) averaged below	
	Winnipeg	Liverpool	Winnipeg	Liverpool	No. 3 Manitoba (Winnipeg)	Parcel (Liverpool)
	Cents	Cents	Cents	Cents	Cents	Cents
Sept.	16	---	22	---	12	26
Oct.	18	23	22	26	11	31
Nov.	20	26	23	29	16	42
Dec.	24	20	27	23	20	44
Week ended--						
Jan. 15 ..	30	17	31	18	17	1/

1/ Liverpool parcels not available.

With the January 1 stocks of old wheat in Argentina exhausted and the new crop greatly reduced by frost and drought damage, and with Canada's exportable surplus small, this wide spread between domestic and foreign prices may be expected to encourage takings of United States wheat. Moreover, hard milling wheats such as our Hard Red Winter are used by European importing countries to strengthen flour made from soft wheats such as are largely produced in Europe and in Australia. Small supplies in Canada and Argentina, the two principal producers of hard milling wheat, are expected to turn much of this trade toward United States wheat.

Increased Southern Hemisphere marketings usually become an important price factor at this time of the year. Unless the demand is materially below that now indicated, however, small world wheat supplies this year may tend to offset the seasonal price decline.

THE WHEAT MILLING IN BOND PROVISION 1/

The milling in bond provision of the 1930 Tariff Act should be distinguished from the drawback provision of that Act. The milling in bond provision, which is embodied in Section 311 of the Act, permits the milling of foreign wheat in Government bonded American mills under customs custody without payment of duty on the wheat under certain conditions. On the other hand, the drawback provision, embodied in Section 313 of that Act, specifically states that the drawback privilege shall not be enjoyed by imported wheat. Under earlier Tariff Acts an importer of wheat could withdraw such wheat from customs custody upon payment of the duty and, upon proof of the exportation of the flour or byproducts produced from such wheat, the full amount of the duties paid less 1 percent would be refunded. This drawback privilege, as far as wheat is concerned, was abolished by the new language in Section 313 of the 1930 Tariff Act.

1/ Prepared by C. F. Wells. This statement has been included in response to inquiries indicating rather general interest in the subject.

What the Milling in Bond Provision Permits

Under the provisions of the Milling in Bond section of the 1930 Tariff Act, the foreign wheat contained in wheat flour manufactured in whole or in part of foreign wheat in Class 6 Government bonded manufacturing warehouses under supervision of a Government customs officer is exempt from duty upon the exportation of the flour, with one exception. The exception is milled in bond flour exported to Cuba. The foreign wheat contained in milled in bond flour exported to Cuba pays a United States duty equal to the reduction in the Cuban duty and the internal tax applicable to flour milled in the United States. Thus, though flour milled in bond in the United States from Canadian wheat enjoys the same reduction in the Cuban duty and tax as flour milled in the United States from United States wheat, yet this benefit is, in effect, cancelled, or offset, by the fact that the Canadian wheat milled in bond for the Cuban market must pay a United States duty just equal to the Cuban tariff and tax preference. This duty on Canadian wheat milled in bond for the Cuban market is a new provision in the 1930 Tariff Act and was added to prevent flour made from Canadian wheat from enjoying Cuban preferences intended for flour made from American wheat. In 1936 the duty on foreign flour milled in bond for export to Cuba averaged 12.3 cents per bushel.

The milling in bond provision does permit the mixing of domestic wheat with foreign wheat in Class 6 bonded mills either before or after milling. The milling in bond provision does permit the withdrawal of bran and other wheat byproduct feeds from Class 6 bonded mills for consumption in the United States upon the payment of the same duties that would apply if they were imported directly from Canada or any other foreign country. Finally, it should be remembered that these privileges are granted subject to fulfillment of customs regulations under which the foreign wheat is constantly under customs supervision and control.

What the Milling in Bond Provision Does Not Permit

Foreign wheat in Class 6 bonded mills may not be withdrawn for consumption in the United States even if the regular duty of 42 cents per bushel is paid. 2/ Nor can United States wheat or flour received into Class 6 bonded mills be withdrawn for consumption in the United States even if the duty is paid. 2/ Flour manufactured from foreign or domestic wheat in Class 6 bonded mills may not be withdrawn for consumption in the United States even if the regular duty of $1.04 per 100 pounds is paid. 2/ The only purpose for which either wheat or flour may be withdrawn from Class 6 bonded mills is for exportation, and then only under bond and under customs supervision until actually

2/ Imports into the United States for grinding in bond and export as well as for domestic utilization, annually 1923-24 to 1936-37 and monthly, January to October 1937 are shown in the December issue of "The Wheat Situation", page 21. Imports for grinding in bond in November, the last figure available, amounted to 182,527 bushels, while imports for domestic utilization for the same month amounted to only 60 bushels.

exported. 3/

In view of these facts it is clear that it is not legally possible for the operator of a Class 6 bonded mill, by substitution or otherwise, to bring foreign wheat or flour therefrom into the domestic market even upon payment of the regular duties on the same.

Table 8.-Exports of wheat and wheat flour from the United States, 1936-37 and 1937-38
(Includes flour milled in bond from foreign wheat)

Period	Wheat		Wheat flour		Wheat including flour	
	1936-37	1937-38	1936-37	1937-38	1936-37	1937-38
	1,000 bushels	1,000 bushels	1,000 barrels	1,000 barrels	1,000 bushels	1,000 bushels
July-Nov.	1,683	23,768	1,597	2,022	9,191	33,270
Week ended:						
Dec. 4	0	2,211	31	144	146	2,888
11	0	1,690	8	161	38	2,447
18	17	2,220	49	36	247	2,389
25	0	1,103	9	37	42	1,277
Jan. 1	0	1,645	34	54	160	1,899
8	0	1,588	22	84	103	1,983
15	0	1,902	13	53	61	2,151

Compiled from reports of the Department of Commerce.

Table 9.-Shipments of wheat, including flour from principal exporting countries, specified dates, 1936-37 and 1937-38

Period	Argentina		Australia		Danube		North America	
	1936-37	1937-38	1936-37	1937-38	1936-37	1937-38	1936-37	1937-38
	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels
July-Nov.	23,692	15,032	27,724	26,680	35,040	21,704	123,544	73,200
Week ended:								
Dec. 4	1,336	368	1,812	2,872	1,648	1,160	6,640	6,360
11	1,048	408	1,600	1,476	432	976	4,856	3,592
18	1,828	1,068	1,272	2,068	1,680	176	4,256	4,128
25	3,236	1,912	2,068	2,192	1,344	408	3,736	4,816
Jan. 1	4,116	1,108	1,844	3,164	944	488	4,016	3,080
8	3,928	1,048	2,000	802	904	545	3,864	3,635
15	5,740	1,656	1,720	3,591	1,392	288	2,720	4,155

Compiled from Broomhall's Corn Trade News.

3/ "Except for...supplies for vessels, no articles or materials received into bonded manufacturing warehouse or articles manufactured therefrom, shall be withdrawn or removed therefrom, except for direct shipments and exportation or for transportation and immediate exportation in bond to foreign countries, or the Philippine Islands, under the supervision of a customs officer." - (Customs Regulations of 1937, Article 980 (b).

Table 10.-Movement of wheat, including flour, from principal exporting countries, 1934-35 to 1937-38

Country	Exports as given by official sources: Total 1934-35	Total 1935-36	Total 1936-37	Jul. 1 to date shown 1935-36	Jul. 1 to date shown 1936-37	Jul. 1 to date shown 1937-38	Date
	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	
United States	21,532	15,929	21,584	6,639	9,191	33,270	Nov. 30
Canada	169,630	237,447	213,028	132,539	159,959	61,331	Dec. 31
Argentina	187,000	76,577	162,085	50,464	37,096	21,763	Dec. 31
Australia	108,007	102,258	95,970	29,328	20,206	22,035	Oct. 31
Russia	4,286	29,704	4,479	11,801	890	9,969	Sept. 30
Hungary	12,499	14,644	27,428	5,847	12,426	2,994	Oct. 31
Yugoslavia	4,401	728	17,302	79	7,490	4,209	Oct. 31
Rumania	3,472	6,391	35,540	8,894	17,277	16,742	Oct. 31
Bulgaria	375	988	7,275	577	3,010	2,764	Oct. 31
British India	2,318	2,556	14,674	162	359	609	July 31
Total	513,480	487,222	599,363				

	Shipments as given by trade sources: Total 1935-36	Total 1936-37	Week ended 1937-38 Jan. 1	Jan. 8	Jan. 15	July 1 - Jan. 15 1936-37	July 1 - Jan. 15 1937-38
	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels
North American 1/	220,464	225,902	3,080	3,635	4,155	153,542	102,966
Canada, 4 markets 2/	246,199	194,531	566	651	513	157,298	60,513
United States	7,219	10,049	1,899	1,983	2,151	5,321	40,762
Argentina	78,312	164,678	1,108	1,048	1,656	44,924	22,600
Australia	110,575	105,836	3,164	802	3,591	40,040	42,845
Russia	29,024	88	0	1,239	288	88	31,559
Danube & Bulgaria 3/	8,312	65,544	488	545	288	43,384	25,745
British India	4/2,556	4/14,674	160	0	192	7,064	10,490
Total 5/	449,244	576,722				289,042	236,205
Total European shipments 1/	360,264	484,600	7,064			6/ 211,816	6/ 186,896
Total ex-European shipments 1/	131,760	127,192	1,384			6/ 70,360	6/ 44,336

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

Table 11.- Net imports of wheat, including flour, into European countries, year beginning July 1, 1936-37 and 1937-38

Country	1936-37	1937-38 forecast 1/	Net imports reported: July 1 to	1936-37	1937-38
	Million bushels	Million bushels		Million bushels	Million bushels
Austria	10	10	Oct. 31	3	2
Belgium	40	40	Oct. 31	15	14
Czechoslovakia	2/-11	2/ -1	Nov. 30	2/ -1	2/ -2
Denmark	7	7	Nov. 30	4	2
Finland	4	3	Oct. 31	1	1
France	7	26	Sept. 30	1	2
Germany	23	28	Oct. 31	3/	22
Greece	21	13	Oct. 31	6	5
Irish Free State	14	14	Nov. 30	7	6
Latvia	1/ 1	0	Oct. 31	3/	4/
Netherlands	21	24	Nov. 30	8	10
Norway	9	8	Nov. 30	2	3
Poland	2/ -6	2/ -1	Oct. 31	2/ -3	3/
Portugal	4/	1	Oct. 31	4/	4/
Spain	1/ 6	1			
Sweden	4/	2/ -1	Nov. 30	2/ -1	4/
Switzerland	19	17	Nov. 30	8	5
United Kingdom	199	202	Nov. 30	83	81
Total imports of above	381	394			
Italy	1/ 55	6			
Total imports	436	400		138	153
Total exports	17	3		5	2
Total, net imports	419	397		133	151

Compiled from official sources except as otherwise stated.

1/ Forecast by European offices of the Bureau of Agricultural Economics.
2/ Net exports.
3/ Net exports of less than 500,000 bushels.
4/ Less than 500,000 bushels.