

W H E A T S T U D I E S

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WHEAT SUBSIDIZATION AND EXPORTS

THE EXPERIENCE OF 1938-39

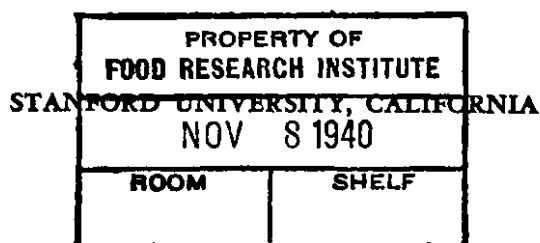
V. P. Timoshenko

Government interventions on wheat markets and various schemes of wheat subsidization reappeared in the third quarter of 1938 with great rapidity after a short period of relaxation during the two preceding years. In particular, wheat exports were subsidized during 1938-39 by practically all the principal exporting countries. This experience deserves careful study, even though full information on the operations and results is not yet available. Conclusions from such study have important bearings on national policy.

American subsidization of wheat exports was perhaps the greatest departure from traditional policy, and it represents the clearest case of direct export subsidy. But other exporting countries participated in competitive subsidization. This resulted in a substantial depression of wheat prices in international markets. The depression of international wheat prices partly defeated efforts of exporting countries to raise prices for their own wheat growers, and made the costs of these efforts excessively high.

Competitive subsidization of exports threatened to continue at great losses in 1939-40. This was prevented by the onset of the European war. The war soon led to concentration of wheat buying in many of the important countries, and the problem of coping with wartime conditions made government interventions in wheat markets indispensable for all countries involved in the war.

Altogether, extensive study of the experience with competitive export subsidization in 1938-39 yields little support for this approach to the problem of coping with export surpluses of wheat.



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APPENDIX TABLES

**TABLE I.—ANNUAL AVERAGE WHEAT PRICES
FROM 1921-22***

August- July	British parcels ^a		Kansas City ^b cur- rency	Winnipeg ^c		Buenos Aires ^d	
	Cur- rency	De- flated		Cur- rency	De- flated	Cur- rency	De- flated
1921-22..	56.3	49.4	120	123	124	13.64	13.22
1922-23..	47.0	44.2	113	106	108	11.78	11.76
1923-24..	45.0	41.1	107	97	99	11.48	10.90
1924-25..	61.7	55.3	151	160	156	15.29	13.86
1925-26..	56.0	55.5	162	142	140	13.38	12.99
1926-27..	53.9	54.9	136	136	138	11.90	12.08
1927-28..	50.0	52.2	138	130	134	11.27	11.42
1928-29..	42.6	45.7	111	115	121	9.50	9.76
1929-30..	41.8	48.1	113	118	126	10.07	10.64
1930-31..	25.0	33.7	73	58	75	6.30	7.14
1931-32..	25.1	36.0	50	52	75	6.26	6.94
1932-33..	24.7	36.1	51	51	77	5.89	6.72
1933-34..	22.3	31.4	85	63	90	5.68	6.15
1934-35..	25.8	36.4	100	75	105	6.55	6.69
1935-36..	29.3	39.8	107	78	107	9.43	9.62
1936-37..	42.0	50.1	128	118	144	12.16	11.35
1937-38..	39.3	45.8	98	114	137	11.96	10.77
1938-39..	23.2	29.3	68	55	74	6.83	6.67

* Arithmetic averages of monthly prices in domestic currency, and deflated by an index of wholesale prices of "all commodities."

^a Basic data from *London Grain, Seed and Oil Reporter*; averages of all sales of wheat parcels on British markets, in shillings per quarter of 480 pounds. Deflation by the Board of Trade Index, converted to 1926 = 100.

^b July-June averages of monthly prices of No. 2 Hard Winter from *U.S. Department of Agriculture Yearbooks*; weighted averages of carlot sales in U.S. cents per bushel.

^c Averages of monthly prices of No. 3 Northern Manitoba from *Canadian Grain Statistics*, and *Prices and Price Indexes* (data prior to August 1922 received direct from Dominion Bureau of Statistics), in Canadian cents per bushel. Deflation by Dominion Bureau of Statistics index, 1926 = 100.

^d Averages of monthly prices from *Boletín Estadística Agropecuaria*, in paper pesos per quintal. Deflation mainly by the Banco de la Nación Argentina index, 1926 = 100, published in *Economic Review*, January-March 1934, VII, 30, continued in *Wholesale Prices*, U.S. Bureau of Labor Statistics; prior to January 1926, monthly index numbers estimated from annual figures.

**TABLE II.—WORLD WHEAT STOCKS EX-RUSSIA
EX-INDIA ABOUT AUGUST 1, 1922-39***

(Million bushels)

Year	Total	Four chief exporters	United States grain ^a	Canadian grain
1922.....	557	221	107	28
1923.....	497	250	134	23
1924.....	620	285	137	48
1925.....	479	228	111	31
1926.....	556	232	101	40
1927.....	598	272	111	56
1928.....	658	337	115	91
1929.....	919	529	232	127
1930.....	880	534	294	127
1931.....	933	608	329	139
1932.....	964	640	391	136
1933.....	1,123	730	382	218
1934.....	1,194	680	274	204
1935.....	943	503	147	214
1936.....	763	378	142	127
1937.....	524	212	83	37
1938.....	590	293	153	25
1939.....	1,150	626	253	103

* Food Research Institute estimates mainly from *WHEAT STUDIES*, October 1939, XVI, 66, but here including data for Japan and revisions up to September 1940. Based as far as possible upon stocks of old-crop wheat reported either officially or unofficially.

^a As of July 1.

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