

THE CROP YEAR, 1939-40

Summary

This first year of war was characterized by nervous markets, necessitating flexible policies to keep up with the changing conditions.

With the initial wheat price both East and West, set at 70 cents per bushel for top grades, the Board was again responsible for the handling of a large proportion of the Canadian wheat crop.

In chronological review of the year from the standpoint of prices and sales, it is evident that there was some improvement during August. On Aug. 24 and again on Aug. 29, sales of 5,000,000 bushels were made to the British Food (Defence Plans) Department. At the first of September, when war broke out, there was a rise of about 20 cents per bushel in wheat prices, bringing No. 1 Northern up to about 80 cents per bushel by Sept. 7—some 10 cents above the Board's initial price. The Board's position was uncertain because it lacked control of marketable wheat supplies, having only about 110,000,000 bushels of 1938 and 1939 crop wheat. However, good sales were made during this period of rising prices and good demand. In the last half of September both the price and demand fell and with the market price then approximating the Board initial price, deliveries to the Board increased, although farmers still held large quantities on storage tickets in the hope of a market rise. The Board's supply position being more secure, good sales were made in October although buying methods precluded any price advance from the 70-cent level. During this period and continuing into November, there were bullish crop reports from the United States and Argentina. At the end of November, No. 1 Northern was selling at 75 $\frac{3}{4}$ cents. By Dec. 18, this price had risen to 87 $\frac{1}{4}$ cents under good buying. During this month most of the farmers' deliveries were sold at the higher open-market prices. January was a period of lower prices but good sales were made, mostly to the Cereals Import Committee of the United Kingdom. Most of the January price decline was recovered in February and prices held steady in March. Another price advance took place during the first three weeks of April, bringing the May future up to 91 $\frac{1}{2}$ cents on April 20. Large sales to the United Kingdom were made during this period. The German invasion of Denmark and Norway, beginning Apr. 9, removed two more wheat markets. The month of May was featured by the German invasion of the Low Countries and the Allied retirement from Norway. Good markets prevailed until May 10 but on May 11 a sharp price decline began, aggravated by the invasion of France on May 15. On May 18, at the request of the Board, trading in Winnipeg wheat futures was forbidden below the closing prices of May 17, namely, 70 $\frac{3}{8}$, 71 $\frac{3}{8}$ and 73 $\frac{5}{8}$ for the May, July and October futures, respectively. In the remainder of the month, the price showed minor advances but market sales were limited. On May 31, a sale of 50,000,000 bushels in the form of October futures was made to the United Kingdom. June was a month of declining prices as the Germans over-ran France and began bombing the United Kingdom. Prices fell to the pegged levels and all country deliveries were sold to the Board. This condition persisted throughout July, but during this period exports of wheat continued to the United Kingdom, the exporters covering with the Board by taking back equivalent amounts of futures from the 50,000,000 bushel block sale. Negotiations for a further sale of 100,000,000 bushels began in July and were completed on Aug. 8.