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Agricultural Letter

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AGRICULTURAL EXPORT VOLUME exceeded the year-earlier level by 17 percent during the first nine months (July-March) of the current fiscal year. However, the value of commodities shipped was down slightly, reflecting lower commodity prices. Furthermore, contrary to earlier expectations, the total value of agricultural exports in the current fiscal year may fall below the record \$21.6 billion set in 1974/75.

Soybeans recorded the largest gain in volume of the major commodities during the July-March period, up 27 percent. Feed grains and wheat—plus associated products—rose 23 and 16 percent, respectively. Significant declines in volume were recorded for vegetable oils, rice, and cotton, down 37 percent, 30 percent, and 14 percent, respectively.

Agricultural exports in the nine-month period were valued at \$16.5 billion, down about 2 percent from the \$16.9 billion received in the same period last year. During this period the average price received per bushel of wheat, corn, and soybeans exported was 12 percent, 13 percent, and 26 percent, respectively, lower than a year earlier. These three commodities typically account for about three-fifths of the value of all agricultural exports.

The decline in total sales stems solely from the drop in value of oilseed and products exported, down 15 percent. Marginal increases in the total value of feed grains and wheat were sufficient to offset the 45 percent drop in the value of rice exported and to hold the value of all grains and preparations at year-earlier levels. While the categories of animals and products plus other products and preparations experienced some slight increases in the value of exports, these were, nonetheless, insufficient to offset the decline in oilseeds and products.

The outlook for the remainder of the fiscal year, April-June, appears brightest in the area of feed grains and soybeans. Increases in volume of both products should be more than sufficient to offset the lower prices. The total volume of corn and soybean exports may double the year-earlier level. Nevertheless, lower prices and/or declines in the volume of exports of the other major commodities and associated products will probably offset the higher corn and soybean volume and hold the value of agricultural exports during the current quarter near the year-earlier level.

The preliminary export outlook for the upcoming crop years was revealed by the USDA's recent estimates on future crop supply and demand. (In contrast to the fiscal year beginning July 1, the soybean crop year starts September 1 and the corn crop year

October 1.) Using the midpoint of the estimated range for the 1976/77 crop years, compared to the most recent estimate of exports in the 1975/76 crop years, suggests corn exports may drop about one-fifth, wheat exports may decline around one-tenth, and soybean exports may rise slightly. Concurrently, crop prices are generally expected to decline in the upcoming crop year if projected U.S. production levels are achieved. The combination of lower export volume and lower prices may hold the value of agricultural exports below the \$20 billion mark in the upcoming fiscal year.

The lower export projections reflect the somewhat guarded optimism about the upcoming world crop harvest. For the most part worldwide weather conditions have been more favorable than a year ago. Planted acreage is likely to be expanded in many of the major crop-producing countries. Fertilizer supplies are more abundant and prices are correspondingly lower than a year ago—conditions that usually enhance fertilizer application rates, which in turn will stimulate crop production.

Recent action by the European Community (EC) Council of Ministers to increase EC grain intervention and target prices—up 4 to 9 percent—and raise levies on imports—increased 30 to 44 cents per bushel for barley, corn, and wheat—may also be detrimental to future U.S. crop exports. Their action will likely stimulate EC production and at the same time the higher prices will likely deter crop demand. In the past EC countries have purchased one-third or more of all U.S. corn exports along with substantial quantities of various other crops.

Russian purchases may also drop substantially in the next year. The USSR has purchased about 4.4 million metric tons (161 million bushels) of wheat and just over 12 million metric tons (474 million bushels) of corn this year. The U.S./Russian Grain Agreement specifies that the USSR will import 6-8 million metric tons of grain in the next crop year, less than one-half the level of current-year purchases. So far, the USSR has purchased about 2 million tons for shipment in the new crop year; including 423,000 metric tons (16 million bushels) of wheat and almost 1.7 million metric tons (65 million bushels) of corn.

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