



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE DEPARTMENT OF AGRICULTURAL ECONOMICS

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RUSSIAN GRAIN SALES--A NORMAL OCCURRENCE

"THE RUSSIANS ARE COMING," meaning that the Soviets plan to buy U.S. grains to supplement their crops, has greatly unsettled our grain markets and aroused public suspicion, if not alarm. All of these responses are understandable. The ideological and political differences between our nations are great, although as individuals we are much alike.

We still remember that the U.S. sold grain to the Russians at too low a price in 1972. Some people erroneously attribute higher food costs to these grain sales--rather than to the real culprit, monetary inflation. We are concerned that world grain reserves have been reduced to low levels as a result of short crops in 1972 and 1974. Also, we know little about Russia.

Thus, it is difficult for most of us to view sizeable grain exports to the USSR in the same way that communities view a growing market for the products of their main industries. Most people accept the fact that expanding markets are needed to keep their businesses profitable, their people gainfully employed, and their community modern.

So it is with U.S. grains and the agricultural community. Exports of corn, soybeans, and wheat must expand as farmers step up crop production. Grain usage within the U.S. amounts to only four-fifths of the corn production, three-fifths for soybeans, and half or less for wheat.

Large grain and soybean exports are essential to the economic health of U.S. agriculture and all who serve it. Moreover, grain exports are one of the largest sources of foreign exchange--the money with which we pay for the many raw materials and manufactured goods we buy from other nations.

The Soviet Union is a logical growth market for surplus U.S. grains because livestock feeding there is being increased in order to improve the diet of the Russian people. Much of the soil and climate there is not suitable for corn and sorghums, and crop production in Russia varies more from year to year than it does here.

In 1974, according to the USDA, Russia produced about 195 million metric tons of all grains, and will use about 205 million during the 1974-75 feeding year. This gap of about 10 million metric tons is being filled out of reserves from their record 222-million ton crop in 1973 and by net imports of 1 million metric tons.

This year, with about 3 percent more livestock in Russia, grain usage is expected to be about 210 million metric tons. A production goal of 215 million metric tons was set. USDA economists put Russia's potential at 210 million, but with unfavorable weather have reduced this estimate to 195 million. They also assumed that the U.S. would sell the Soviets 10 million metric tons of wheat and corn (about 400 million bushels), and for several weeks have included these data in their publicized projections about corn and wheat exports for 1975-76. Market prices are reflecting these projections.

How high will prices go? Assuming that Russia only wants about 200 million bushels each of wheat and corn from us and that our 1975 harvest brings in 2.2 billion bushels of wheat and 6 billion of corn, we can meet all projected uses and substantially increase our carryover stocks.

Corn stocks for October 1, 1976, are projected to be 842 million bushels--more than double the estimate of 360 million for this October 1. These data presume a 17- to 23-percent comeback from the 1974-75 in the use of corn by the U.S. livestock and poultry industry. In view of current prospects, the estimate of 6,046 million bushels for this year's corn crop could be 300 to 500 million too low.

Russia may also buy some U.S. soybeans or meal, but not a large quantity. The USDA's projected crop of 1,400 to 1,500 million bushels plus this year's large carryover stocks of 235 million, will meet anticipated needs and add another 200 million to the carryover stocks for 1976.

The knowledge that Russia will buy substantial quantities of our corn and wheat will give prices needed support. However, weaker consumer demand, lower hog numbers, and our large crops will prevent run-away markets.

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