



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE DEPARTMENT OF AGRICULTURAL ECONOMICS

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AGRICULTURAL EXPORT PROSPECTS: HIGHER VOLUME BUT LOWER VALUE

THE VOLUME OF U.S. AGRICULTURAL EXPORTS in the fiscal year ending September 30, 1978, is expected to set a new record high of about 110 million tons, 8 million tons above the same period a year earlier. However, lower prices will offset the larger volume. So the total value of agricultural exports will be around \$22 billion, \$2 billion less than in the 1977 fiscal year. Grain and feed, oilseeds and oilseed products, cotton, and livestock and livestock products will account for most of this reduction.

Good harvests in Western Europe in 1977 could reduce imports from the United States by 20 percent--mostly feed grains and potatoes. However, the demand for high protein feed is likely to increase because of a more favorable grain-oilseed price ratio, expanding the purchases of soybeans and soybean meal. Although the 1977 wheat harvest was close to the one last year, wet weather caused lower quality. Therefore, larger imports of high-quality U.S. wheat are expected.

A larger volume of soybean, soybean meal, and feed grain shipments to Japan is also expected; but with lower prices for major bulk commodities, the value of agricultural imports from the United States could fall about 10 percent. The Japanese livestock industry has been expanding because of profitable conditions brought about by rising product prices and stable feed prices.

Canada is likely to buy slightly more U.S. agricultural products during the current fiscal year. The volume of corn and soybean shipments is expected to go up. Animal product, fruit, and vegetable purchases may also increase. However, the value of exports to Latin America will be down about 11 percent.

Shipments to the Soviet Union are expected to rebound sharply in the year ahead. Shipments of wheat and feed grains are estimated at 15 million metric tons, compared to 6 million in the year ending October 1. Although our government has agreed to permit purchases of 15 million tons of wheat and corn without further consultations, the reported purchases through November 6 amounted to only 2.3 million tons. The big boost in Soviet purchases is best explained by a drop in their 1977 grain crop to 194 million tons, compared to a record 224 million tons in 1976.

Eastern Europe also represents a growing market for U.S. farm products. Larger exports of grains, soybeans, soybean products, and cotton are expected to boost the

value of shipments by 12 percent to \$1.1 billion. As livestock herds are rebuilt, the need for protein feeds is likely to increase.

The People's Republic of China will buy more U.S. farm products in the coming year than anytime since 1975. U.S. cotton has already been purchased. The P.R.C.'s grain imports will probably increase, but whether they will buy from the United States is uncertain.

A continued high level of U.S. agricultural exports is essential if U.S. producers are to maintain the record and near-record outputs of grains and oilseeds of recent years. In each major market, exports of U.S. farm products must compete with domestic production and with imports from other exporting countries. To maintain or expand our export shipments will require: (1) producing quality products; (2) maintaining dependable and reliable delivery schedules; (3) pricing competitively; and (4) in some cases, supplying credit under terms to meet the buyer's needs. Since trade moves both ways, we must also be willing to buy as well as to sell. Any shift in the present free-trade policy toward a greater restriction of imports, either agricultural or nonagricultural, could adversely affect efforts to maintain and expand our agricultural exports.

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