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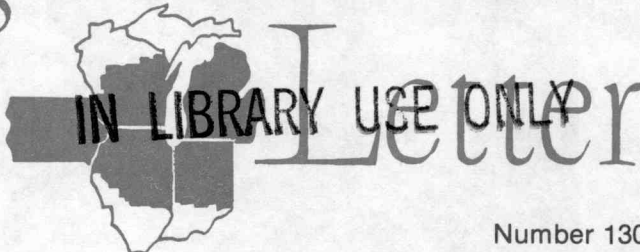
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# Agricultural Letter

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Division of Agricultural Economics



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**U.S. AGRICULTURAL EXPORTS** were valued at nearly \$23 billion in 1974, a record and up one-fourth from 1973. All of the increase represented higher prices. The volume of shipments actually declined last year. Although agricultural imports also climbed to a new record in 1974, the overall U.S. agricultural trade surplus exceeded \$12 billion, up from \$9.3 billion in 1973, one of the few bright spots in an otherwise deteriorating U.S. trade balance.

Corn and wheat export volume declined in 1974, while soybean export volume increased. Corn volume was just under 1.2 billion bushels and wheat volume totaled 930 million bushels, down 9 percent and 32 percent, respectively. Soybean volume rose to over 510 million bushels, up 5 percent. These three commodities accounted for more than one-half of all U.S. export sales for the second consecutive year.

The continued upward spiral in world grain prices that persisted through much of 1974 reflected a 20 percent reduction in U.S. feed grain and soybean production and a similar decline in Soviet wheat production. During October 1974 prices received for U.S. feed grain exports averaged 50 percent more than in the same month one year earlier. Similarly, export prices of soybeans averaged one-third higher than in October 1973; export prices of wheat were up nearly one-fourth. Since October, world prices of these commodities have been on the downswing as two years of rising prices have caused a rationing-effect of scarce supplies and have led to lower consumption rates, at least in those areas where higher prices have been passed on to the consumer.

Declining consumption also reflects deteriorating world economic conditions. In 1974 most countries experienced sharply higher rates of inflation, balance-of-payments deficits due at least in part to the high price of oil, higher rates of unemployment, and general slowdowns in economic growth. These conditions weakened demand and served to deter further price increases even in the face of shrinking supplies.

**World grain production estimates** for the 1974/75 crop year (July 1 to June 30) have been revised downward at least three times. In December world wheat production was estimated at 350 million metric tons, down 5 percent from the previous year, and coarse grain production (rye, corn, barley, oats, and sorghum) at 559 million metric tons, down 7 percent from 1973/74. Soybean production was estimated at 51.5 million metric tons, down 11 percent from the previous year.

The most recent world wheat estimates are closely linked to downward revisions in USSR and Argen-

tine wheat production figures. Late season moisture and related harvesting problems have pushed estimated USSR wheat production to 88 million metric tons in 1974/75, down 2 million metric tons from the previous estimate. Drought conditions in Argentina are expected to wipe out a 20 percent increase in wheat acreage. The full impact of these reductions has been lessened somewhat by upward revisions in the production estimates for the Australian and Canadian wheat crops.

Coarse grain production estimates were revised downward for the majority of the world's major producing countries. The largest reduction was for the United States, down nearly 4 million metric tons to 149 million metric tons, reflecting the disappointing corn harvest. The sharp decline in U.S. soybean production was offset in part by increases in Argentine and Brazilian soybean production estimates.

**U.S. export commitments** for future sales of corn continue to outpace shipments. Export commitments outstanding—to both known and unknown destinations—plus exports to date total over 1.3 billion bushels, far above the most recent USDA estimate of about 900 million bushels during the current corn crop year. However, actual corn exports during the fourth quarter were about 20 percent behind the pace set last year, and if they continue at that rate they would fall fairly close to the USDA estimate. This suggests that a substantial portion of outstanding corn commitments either will be cancelled or held back for shipment in the next crop year.

Soybean export commitments outstanding plus exports to date, about 650 million bushels, also exceed the USDA export estimate. As with corn, year-to-date exports lag the year-previous pace, down about 10 percent. Furthermore, soybean sales commitments have been slipping since mid-November and it appears they will be more in line with the USDA projected export volume of about 500 million bushels. Outstanding wheat export commitments plus exports to date in this crop year are just under 1.0 billion bushels, still under the USDA projection, but increasing at a pace that will easily bring them near the USDA estimate of about 1.1 billion bushels.

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