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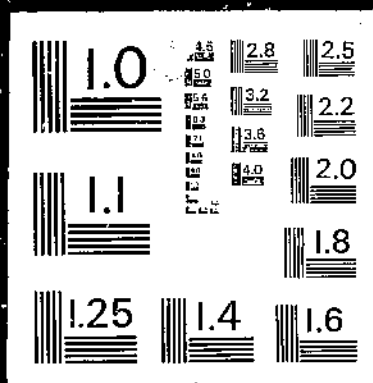
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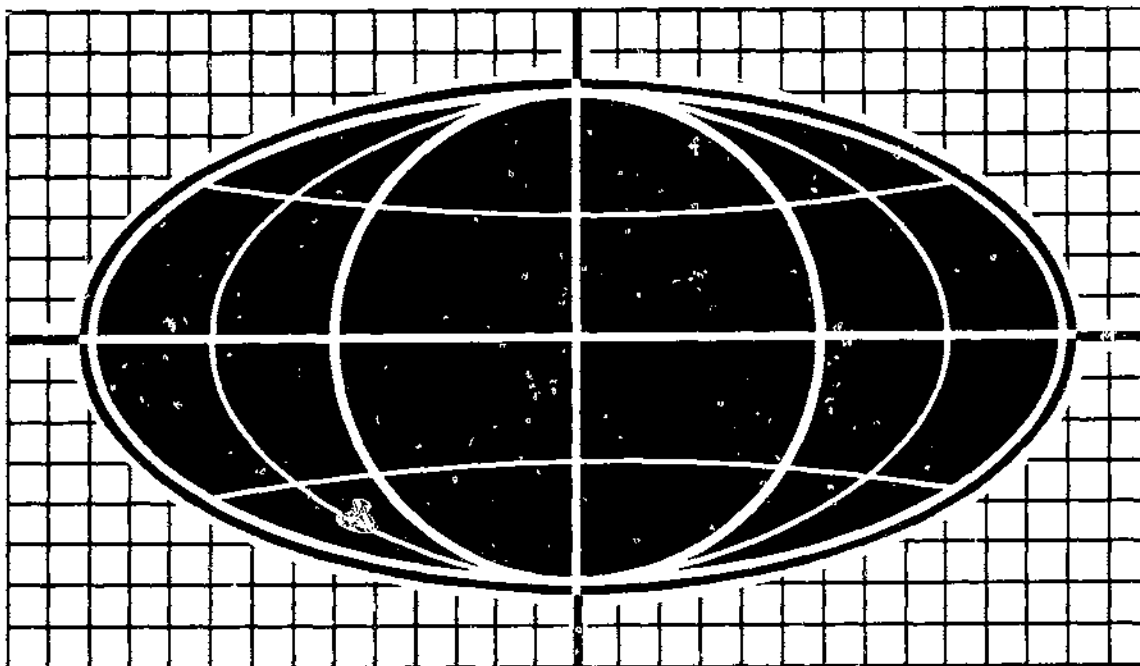
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Foreign Agricultural Economic Report No. 38

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THE WORLD AGRICULTURAL SITUATION

Review of 1967 and Outlook for 1968

U.S. DEPARTMENT OF AGRICULTURE
ECONOMIC RESEARCH SERVICE

Washington, D.C.

FOREWORD

This issue of the World Agricultural Situation follows a different format than that followed in previous years. Discussion has been limited to world developments of wide concern to U.S. agricultural interests instead of separate summaries for each region and commodity. More detailed statements of the situation by regions will be issued in April 1968. Separate reports will be presented on each of the following four regions: Western Hemisphere, Europe and the Soviet Union, Far East and Oceania, and Africa and West Asia.

This report was prepared by Donald Chrisler, Situation and Outlook Specialist, in consultation with other specialists in the Economic Research Service and the Foreign Agricultural Service.

Quentin M. West

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CONTENTS

	Page
Summary	3
Production Up Significantly in LDC's	6
World Production of Food Grains	7
Recovery in India	11
Improved Food Supplies in Latin America	12
Middle East Crisis	13
Devaluation of the Pound Sterling	15
Record Feed Grain Crop	16
Competition and Demand in the Japanese Market	19
Development in Australia	21
Cotton Production Remains Low	22
Record Output of Edible Oilseeds	24
The Kennedy Round and the Grains Arrangement	26

SUMMARY

The past year was one of record output for world agriculture and, most significantly, a record for the less developed world. Per capita agricultural output in the less developed countries (excluding communist Asia) increased by about 5 to 6 percent in 1967, a recovery to the level of 1964 or slightly above. In particular, most of the developing countries with large populations--India, Pakistan, and Brazil--made substantial gains in the production of grain and other foods. However, there was no measurable improvement in per capita food production in Indonesia.

World grain output, which advanced slowly during 1960-65, expanded rapidly in 1966 and 1967. For many years, most major grain-producing countries except the United States have fostered expansion of production. This trend in other countries continued in 1967, except in the USSR. The USSR, after an exceptional harvest in 1966, reduced its wheat area by 6 percent (10 million acres); most of the reduction represented an increase in fallow in the New Lands area. Following a 5-year reduction in stocks, the United States in 1967 increased its planted grain area by about 10 percent (17 million acres). Increases in planted grain acreage in other exporting countries for the 1967 harvest were as follows: Argentina, 4 million; Australia, 2 million; and Canada, 1 million.

South Africa and France were the only major grain exporting countries that enjoyed better than average growing conditions; Australia and Canada suffered from drought, and weather was not very favorable for grain production in the USSR. On the other hand, growing conditions ranged from good to excellent in the grain-deficit countries of Europe, West Asia, and Latin America, and in India, Pakistan, and Mainland China. In India, sharply increased inputs played an important role, and in Canada increased inputs offset some of the effects of drought.

It is too early to judge if world grain acreage will increase or decline in 1968; no clear pattern emerges from the fall seeding record. The U.S. acreage seeded to winter wheat for 1968 harvest was 8 percent less than in the previous year. The estimated area sown to winter grains in the EEC is close to the 1963-66 average. Argentina has increased the area sown for the 1968 corn and sorghum crops by 8 and 15 percent, respectively; plantings of rice in Brazil are estimated to have increased 30 percent. The Soviet Union planned to increase the area sown to winter grains (chiefly wheat), but unfavorable weather delayed fall seeding.

The short-term outlook for world exports of wheat is not as favorable as in 1966/67, but for feed grains a moderate increase in world commercial trade is

(Approved by the Outlook and Situation Board, February 12, 1968)

expected. ^{1/} Record grain crops were harvested in most major importing countries, but utilization--especially for feed--continues to rise in Japan and most of Europe. The Soviet Union and Mainland China have taken less grain so far in 1967/68, and India's 1968 requirements, although high, may be less than last year. Japan is likely to increase grain imports--this increase is expected to be in feed grains; wheat requirements are about the same as in 1967, and rice imports will decline.

World rice production reached a new high in 1967, but exportable supplies remain relatively small because most of the increase in production occurred in the importing countries. The world export outlook is more favorable for rice than for wheat.

U.S. wheat exports during the first half of the current fiscal year were about 10 percent below the same period a year earlier, but are expected to recover in the latter half of the year. U.S. feed grain exports for the first 4 months of the 1967/68 marketing season (October-September) were 10 to 15 percent above the same period a year earlier; corn exports were up about 30 percent.

Because of record 1967 crops of soybeans, peanuts, and sunflowerseed, world output of edible vegetable oils should increase by 5 to 10 percent in 1968. U.S. exports of soybeans increased in 1966/67 (September-August) for the sixth successive year. So far this year, the volume of U.S. soybean exports has been above year-earlier levels; exports are expected to continue at a high level for the remainder of 1967/68. Larger sales of U.S. soybeans to Western Europe are expected to compensate for a leveling off in the volume of exports of Japan. Mainland China may press for larger sales of soybeans to Japan because higher shipping costs caused by the closing of the Suez Canal may limit Mainland China's exports to Europe. The Soviet Union may sell more sunflowerseed to Japan. In addition, Canada is expected to increase its rapeseed exports to Japan rather than to Europe, where a record crop was harvested.

World production of cotton declined 10 percent in 1966 and remained at that level in 1967. Although there was no increase in cotton production in the Soviet Union, the large decline for the second year in a row in U.S. production placed the USSR in the position of the world's largest producer. The 1968 U.S. Upland Cotton Program is designed to increase production, particularly of medium- and long-staple varieties. Following a large increase in sales in 1966/67 (August-July), U.S. cotton exports got off to a slow start in 1967/68. However, some recovery is expected in the remainder of the year because export availabilities are low for the second consecutive year in Mexico, the UAR, Brazil, and Central America, and the import requirements of India and Europe are expected to increase. On the other hand, export availabilities are large in Turkey and Pakistan, and Japan's imports of cotton are expected to decline.

Several important international developments during 1967 have affected or may affect the level and direction of trade in agricultural commodities: the Middle East crisis, devaluation of the pound sterling, the U.K. foot-and-mouth disease

^{1/} Unless stated otherwise, split years mean July-June, tons are metric, and dollars are U.S. Exports are in terms of volume, not value, unless otherwise stated.

outbreak, conclusion of the Kennedy Round of GATT negotiations, and negotiation of the new International Grains Arrangement.

Although the Middle East conflict and its aftermath temporarily disrupted internal distribution systems, average or above-average grain crops were harvested over most of the area. The annual grain deficit in the UAR was met by sizable imports, primarily from the USSR and Eastern Europe. The closing of the Suez Canal has raised shipping costs, caused shipping delays, and forced some countries to adjust to new export markets; this burden has fallen most heavily on Pakistan, India, and the countries of East Africa. Analysis of the impact on the level and direction of trade must await more complete data; preliminary statistics suggest that India maintained the level of her exports despite the closing of the Suez Canal.

As a consequence of devaluation of the pound sterling, pressures for import savings and compensation for increased farm costs of imported inputs are expected to stimulate increased U.K. self-sufficiency in feed concentrates and meat. In the reduced U.K. market, the livestock products of Denmark, Ireland, and New Zealand--countries that also have devalued and that have special trade arrangements with Britain--would appear to have an additional competitive advantage. The United Kingdom has temporarily banned meat imports from countries where foot-and-mouth disease is endemic, and this provides Australian beef a temporary advantage over beef from South America.

No country that is a major exporter of feed grains, wheat, oilseeds, cotton, fruit other than citrus, or lard devalued its currency at the time of the U.K. devaluation. Spain's devaluation is not likely to affect its imports of feed grains because in December Spain's import duties on feed grains were cut almost in half. Devaluation should provide Guyana with a price advantage in world markets for rice, Malawi for tobacco, and Ceylon for tea.

THE WORLD AGRICULTURAL SITUATION
Review of 1967 and Outlook for 1968

by the Foreign Regional Analysis Division
Economic Research Service

Production Up Significantly in LDC's

World agricultural production set another record in 1967. The less developed countries (excluding communist Asia) accounted for most of the increase. Production in these countries rose by 7 to 8 percent. Some developed areas failed to gain, but most less developed areas showed improvement. The largest increase was in India, where production rose about one-fifth.

Largely because of drought in India, per capita production in the less developed countries in 1966 had fallen below the 1957-59 average. The gain in 1967 was sufficient to bring per capita production back to a level slightly above the recent high in 1964. Food production in 1967 increased more than total agricultural production in the less developed countries.

Table 1.--World agricultural production, total and per capita, 1960-67

(1957-59 = 100)								
Area	Total							
	1960	1961	1962	1963	1964	1965	1966	1967 ^{1/}
World (excl. communist Asia)	106	108	111	114	117	118	122	127
Developed countries ^{2/}	106	107	111	112	116	117	123	126
Less developed countries ^{3/}	107	111	112	117	119	121	120	130
India	110	115	110	117	120	109	107	128
Other LDC's	106	109	113	117	119	126	125	130
Area	Per capita							
	1960	1961	1962	1963	1964	1965	1966	1967 ^{1/}
World (excl. communist Asia)	102	102	103	103	104	103	104	107
Developed countries ^{2/}	103	103	106	105	108	107	112	113
Less developed countries ^{3/}	102	103	102	103	103	102	98	104
India	105	108	101	104	105	93	89	104
Other LDC's	101	101	102	103	102	105	102	103

^{1/} Preliminary.

^{2/} North America, Europe, USSR, Japan, Republic of South Africa, Australia and New Zealand.

^{3/} Latin America, Asia (except Japan and communist Asia) and Africa (except Republic of South Africa.)

World Production of Food Grains

World production of food grains advanced in 1967 for the second consecutive year--the only 2-year advance during the 1960s. There were record crops of wheat in the United States, Western Europe, Eastern Europe, India, and Turkey; average crops in the USSR, Canada, and Argentina; and a poor crop in Australia.

Table 2.--World production of food grains, 1960-67

Commodity	1960	1961	1962	1963	1964	1965	1966	1967
			- - Million metric tons - -					
Wheat	222	211	237	226	255	247	280	277
Rice, rough	229	233	233	242	253	243	241	262
Rye	34	34	32	30	32	34	30	32
Total	485	478	502	498	540	524	551	571
Annual change		-7	+24	-4	+42	-16	+27	+20

Wheat production and procurements in the USSR, the world's largest producer, were well below the exceptionally high 1966 levels, but beginning stocks in 1967/68 were much larger than in the previous year. Therefore, the USSR again is in a position to be a net exporter, as it was in 1966/67 following several years of large imports (table 3). Net exports of wheat may increase to about 3 million tons in 1967/68. The USSR purchased 2 million tons from Canada for 1967/68 delivery and, in August 1967, the Soviet Minister of Foreign Trade forecast 1967/68 exports at about 5 million tons, mainly to Eastern Europe, the UAR, and Cuba. ^{2/}

The wheat supply situation in the United States was almost the reverse of that in the USSR: Despite a large increase in U.S. production, the supply was well below that of any recent year except 1966/67 because of small beginning stocks.

Despite rainfall that was only 55 percent of normal, Canadian wheat yields were about average. The surprisingly good yields were attributed to a large increase in fertilizer application, increased use of herbicides and improved seed, and above-average moisture reserves coupled with improved moisture-holding practices. Beginning stocks (August 1967) of wheat in Canada not only were the highest since August 1961 but were larger than U.S. stocks, and the outlook is for a further buildup in the coming year. The USSR has curtailed its exceptionally large purchases of Canadian wheat and, thus far, Mainland China has purchased a smaller quantity of Canadian wheat for 1967/68 delivery than in the previous year.

^{2/} The USSR has an option to buy 9 million tons of Canadian wheat during 1966/67-1968/69. Purchases to date under this agreement total 5 million tons.

Table 3.--Exports of wheat and flour 1/ by major exporting countries, 1960-66

Country	Year beginning July 1						
	1960	1961	1962	1963	1964	1965	1966 <u>2/</u>
	- - Million metric tons - -						
United States	18.0	19.6	17.3	23.1	19.6	23.6	20.2
Canada	9.3	9.9	9.0	15.0	11.8	14.9	14.8
Australia	5.0	6.3	4.8	7.8	6.4	5.6	7.2
Argentina	1.9	2.4	1.8	2.8	4.3	7.8	3.3
France	1.6	1.8	3.0	2.7	4.6	4.8	2.9
USSR	5.0	5.0	5.3	1.5	1.5	2.2	4.1
(USSR net wheat trade) <u>3/</u>	(+4.7)	(+4.8)	(+5.3)	(-8.5)	(-0.4)	(-6.5)	(+1.3)
Total 5 countries	22.8	25.4	23.9	29.8	28.6	35.3	32.3
Other countries	2.1	2.8	2.6	3.6	3.0	3.7	3.8
World total	42.9	47.8	43.8	56.5	51.2	62.6	56.3

1/ Wheat equivalent.

2/ Preliminary.

3/ Plus denotes net exports; minus, net imports.

Australia planted a record 22 million acres to wheat, almost 2 million more than in 1965. However, because of severe drought, more than 3 million acres were not harvested and yields were low on much of the remaining area. Although Australia has sufficient wheat to meet export commitments, sales probably will decline from last year's high levels. Australia's exports rose sharply in 1966/67 (December-November), particularly those to Pakistan, India, and Latin America. However, Mainland China remained Australia's principal customer, taking about 3 million of the 8 million tons exported by Australia.

Because of depleted stocks, Argentine wheat sales during 1966/67 (December-November) fell to about half the exceptionally high level of the previous year. The Argentine Government banned wheat exports from June to October 1967. In 1967, Argentina planted the largest area to wheat in 20 years. Conditions indicate an average crop, and Argentina is back in the export market. However, beginning stocks were again low and the Argentine wheat supply is below the 1963/64-1965/66 level.

French wheat exports dropped sharply in 1966/67, particularly those to the USSR and Eastern Europe. With larger supplies available, the French grain agency (ONIC) has forecast a recovery in soft wheat exports. Although France recently sold 0.5 million tons of soft wheat to Mainland China, the ONIC forecast may be optimistic. Import requirements are down in other EEC countries and the USSR should be able to provide most of Eastern Europe's reduced requirements. Furthermore, Spain has another large surplus of soft wheat for export.

Although the total wheat supply of the four major competing countries is down somewhat (table 4) import requirements also are down for most importing countries

Table 4.--Wheat supply in major exporting countries, 1960-67

Country	Year beginning 1/							
	1960	1961	1962	1963	1964	1965	1966	1967
	- - Million metric tons - -							
Canada:								
Stocks	16.3	16.5	10.6	13.3	12.5	14.0	11.4	15.7
Production	14.1	7.7	15.4	19.7	16.3	17.7	22.5	16.1
Supply	30.4	24.2	26.0	33.0	28.8	31.7	33.9	31.8
Australia:								
Stocks	1.7	.8	.6	.7	.7	.7	.5	2.2
Production	7.4	6.7	8.4	8.9	10.0	7.0	12.6	7.6
Supply	9.1	7.5	9.0	9.6	10.7	7.7	13.1	9.8
Argentina:								
Stocks	1.2	.8	.2	.5	2.2	3.3	.2	.2
Production	4.2	5.7	5.7	8.9	11.3	6.2	6.4	7.4
Supply	5.4	6.5	5.9	9.4	13.5	9.5	6.6	7.2
France:								
Stocks	1.9	2.3	1.7	3.2	2.3	2.0	2.7	1.7
Production	11.0	9.6	14.1	10.2	13.8	14.8	11.3	14.4
Supply	12.9	11.9	15.8	13.4	16.1	16.8	14.0	16.1
Total, 4 countries:								
Stocks	21.1	20.4	13.1	17.7	17.7	20.0	14.8	19.8
Production	36.7	29.7	43.6	47.7	51.4	45.7	52.8	45.5
Supply	57.8	50.1	56.7	65.4	69.1	65.7	67.6	65.3
United States:								
Stocks	35.7	38.4	36.0	32.5	24.5	22.2	14.6	11.6
Production	36.9	33.5	29.7	31.2	34.9	35.8	35.7	41.5
Supply	72.6	71.9	65.7	63.7	59.4	58.0	50.3	53.1
Soviet Union:								
Production	46.3	52.3	54.4	40.0	57.7	46.5	80.0	63.0

1/ Year beginning July 1 for United States and France, August 1 for Canada, and December 1 for Australia and Argentina.

except Japan and, perhaps, India. The record wheat crop in the European Economic Community, which accounts for two-thirds of West European output, was produced on an area about the same as the 1966 area. Although conditions were unfavorable for seeding, the generally excellent weather that prevailed throughout the growing and harvesting season had a very favorable impact on yields, raising them 20 percent above the 1962-66 average. EEC import requirements are expected to decline. U.S. total wheat exports during the first half of 1967/68 were about 10 percent below the same period a year earlier but are expected to recover in the latter half of the year.

World rice production changed little during 1963-66 and international prices have risen sharply in recent years despite import substitution of wheat and other grains. The 1967 world rice harvest increased almost 10 percent, reaching record proportions in India, Pakistan, Japan, the Philippines, and the United States (table 5). Mainland China reportedly harvested a near-record crop, substantially larger than in 1966. However, the harvest in Thailand, the largest exporter in the Southeast Asian Rice Bowl, was cut about 15 percent by drought and the crop in Burma was only a little larger than the poor crop of last year. Because of larger supplies of rice in Mainland China and the record harvests in Japan and Pakistan--important markets for Mainland China--more Chinese rice may be available for export to Europe and Africa.

Table 5.--Rice production (rough), 1963-67

Country	Year beginning July 1 ^{1/}				
	1963	1964	1965	1966	1967
	- - Million metric tons - -				
Mainland China	78.4	85.0	87.0	82.2	86.4
India	55.4	58.6	46.0	46.4	62.3
Pakistan	17.7	17.8	17.7	16.4	18.0
Japan	16.0	15.7	15.5	15.9	18.1
Indonesia	12.2	13.0	13.7	14.1	14.3
Thailand	10.0	9.6	9.2	11.8	10.0
Burma	8.2	8.2	8.1	7.4	7.5
Brazil	5.7	6.3	6.6	6.8	7.0
Philippines	3.8	4.0	4.1	4.2	4.4
United States	3.2	3.3	3.5	3.9	4.1

^{1/} Crops harvested in the Northern Hemisphere during the latter part of the year, together with those harvested in Asia from November to May, are combined with crops harvested in Southern Hemisphere during the first part of the following year.

Although the world rice crop reached a new high, exportable supplies remain relatively small because most of the increase in production occurred in the importing countries. The outlook continues favorable for U.S. rice exports in 1968. In 1967, the United States became the leading rice exporter--U.S. exports amounted to 1.7 million tons (milled), including about 1 million tons of commercial exports. The bulk of the Government-financed shipments go to South Vietnam.

Recovery in India

Excellent growing conditions and sharply increased inputs are expected to raise India's total agricultural production to a record level in 1967/68, more than 20 percent above production in the drought-stricken 1966/67 season. Production of grain, oilseeds, and fibers reached new highs, in sharp contrast to the poor performance of the past 2 years:

Commodity	Previous high	Year beginning July 1		
		1965	1966	1967
Total grain and pulses	89.0	72.0	76.7	95.8
Rice, milled	39.0	30.6	30.9	41.5
Wheat	12.3	10.4	11.5	13.5
Jowar (sorghum)	9.81	7.49	8.74	10.5
Corn	4.69	4.63	4.69	5.5
Peanuts	5.89	4.23	4.48	6.3
Cotton	1.14	1.00	1.00	1.16
Jute	1.14	0.80	0.96	1.28

The above 1967/68 figure for wheat is a rough estimate--the harvest will not be completed until May. Growing conditions have been favorable and high-yielding varieties of wheat and other winter grains were planted on about 7 million acres, compared with 4 million acres in the previous year.

Price relationships providing incentives to producers, plus increased inputs and better water management, played an important part in producing the record crops of grain and cotton already harvested. The use of fertilizer and high-yielding varieties is expected to increase again in 1968.

The Government of India has progressively liberalized its policies governing the importation, production, and distribution of fertilizers. Five new fertilizer factories were completed in 1967, adding about 300,000 tons of nitrogen-producing capacity and bringing India's total capacity up to almost 900,000 nutrient tons. In November, an Italian firm concluded an agreement with the Fertilizer Corporation of India to supply materials, equipment, and technical aid for building two fertilizer plants at a cost of \$37 million, which will add almost 300,000 tons of nitrogen-producing capacity. India's imports of 1.5 million nutrient tons of fertilizer (worth about \$300 million) in 1967 were five times the arrivals in 1964.

Despite the vast improvement in food grain production, India's import requirements will remain large. Most of the increase in production will be consumed in the rural areas or used to rebuild depleted rural and wholesale reserves. Urban needs and the building of a central emergency stock of 3 million tons are expected to require imports of about 7.5 million tons of food grains in

1968. Annual imports of grain since 1962 have been as follows, in millions of tons, with imports from the United States in parentheses:

1962	3.7	(3.0)	1965	7.6	(6.5)
1963	4.6	(4.3)	1966	10.2	(8.2)
1964	6.4	(5.5)	1967 prel.	8.3	(5.7)

Canada and Australia each supplied roughly 10 percent of India's grain imports in that year. In 1967, wheat and milo accounted for about three-quarters and one-fifth, respectively, of India's grain imports from all countries.

The record crops of fibers and oilseeds should stimulate industrial output in India and help provide more foreign exchange for imports of food and fertilizer. During 1966 and 1967, shortages of cotton, jute, and oilseeds led to cutbacks in the production of textiles and vegetable oils, and in the export of natural fibers, oilcake, and vegetable oils. Exports of tea, India's major agricultural export, and of cashews increased sharply in the first half of 1967; sales of tobacco, spices, and pulses also advanced.

Improved Food Supplies in Latin America

Food production in Latin America, after a decline in 1966, registered a sharp gain in 1967. The combined harvest of the three major grains was a record:

Commodity	Average 1957-59	1960	1961	1962	1963	1964	1965	1966	1967
- - Million metric tons - -									
Corn	20.7	22.4	23.5	25.7	25.7	26.5	30.0	30.2	34.6
Wheat	9.8	7.6	8.7	8.8	12.7	15.7	10.8	10.1	12.2
Rice, rough	6.2	7.5	8.1	8.4	8.4	9.2	10.9	9.1	10.5
Total	36.7	37.5	40.3	42.9	46.8	51.4	51.7	49.4	57.3
Index of total	100	102	110	117	128	140	141	135	156
Index of population	100	106	109	112	115	118	122	125	129

Brazil, the largest producer of corn and rice in Latin America, increased the area seeded to these crops for harvest in 1967; in the previous year, acreage had been reduced. A record corn crop was harvested and rice production was almost a record. Because of limited port facilities, 1967 corn exports were below expectations and year-end stocks were at a high level. Strong domestic demand was responsible for a decline in Brazil's exports of rice.

Imports of wheat by Brazil increased about 15 percent in 1967, despite a sharp increase in the Government's price to millers for imported wheat. The difference between the actual cost of imported wheat and the new price to millers, about \$17 a ton, is being used to encourage domestic wheat production. Brazil's minimum producer price for wheat from the 1967/68 crop was raised 20 percent;

and for corn, 25 percent. Stimulated by high market prices and favorable minimum prices, the acreages seeded to rice, wheat, and corn are estimated to have increased by 30, 20, and 5 percent, respectively.

In 1967, Argentina purchased 170,000 tons of foreign wheat to supplement domestic requirements until the December harvest. Wheat acreage increased in 1967 and, despite late-season drought, the December harvest was about equal to the 1962-66 average. Plantings of corn and grain sorghum for the 1967 harvest also were increased. Corn production set a postwar record and the sorghum crop, although reduced by drought, was the third largest in Argentine history.

Production of beef in Argentina, on the uptrend since 1964, dropped off in the latter part of 1967. Stockmen apparently were taking advantage of tax incentives designed to foster herd-building and the marketing of heavier steers and, since August 1967, marketing has been abnormally light. Because of reduced offerings, cattle prices were record high. Packers were caught in a squeeze between declining export prices for meat and record domestic cattle prices. Devaluation in the United Kingdom and Spain, combined with the U.K. dock strike and the U.K. ban on meat imports from South America, further darkened the outlook for Argentine beef exports. The United Kingdom and Spain are major markets for Argentine chilled and frozen beef.

The Mexican cattle industry continued its steady growth in 1967. Domestic demand for beef, however, is expanding at a more rapid rate than production, and beef exports declined in 1967. Exports of feeder cattle to the United States in 1967 were near the level of the recent 5-year average. Low producer prices and continued uncertainty concerning land reform have discouraged expansion by the large ranchers.

Mexico's program to shift acreage from surplus crops (wheat and, to a lesser extent, corn) to those in short supply (such as sorghum, rice, and oilseeds) met with initial success in 1966 but suffered a reversal in 1967. Despite lower support prices, wheat acreage increased. Because of increased use of fertilizer and improved varieties, yields were unusually high and a record wheat crop was harvested in 1967. The 1966 withdrawal of price supports for irrigated corn reduced the acreage of corn grown under irrigation but there was a large increase in the nonirrigated area and production reached a new high in 1966. This situation was repeated in 1967 and corn production again increased. The rains that accompanied hurricanes during 1967, although destructive to property and nonfood crops, were generally beneficial to food and feed crops in Mexico. Rice cultivation has replaced corn in some of the newer irrigation areas, and Mexico now is close to self-sufficiency in rice.

Middle East Crisis

There are no indications that the conflict and its aftermath caused any major disruptions in agricultural production in the Middle East, except in Jordan. There were, of course, temporary dislocations in the distribution systems in the area, aggravated by the movement of refugees and prisoners. Average or above-average grain crops were harvested over most of the area; crops in Israel and Syria, in particular, were much larger than in the previous 2 years.

Jordan's loss of the West Bank to Israel affected the economies of both countries, particularly that of Jordan. This area produced 20 to 25 percent of the grain, 70 percent of the fruit, and 40 percent of the vegetables (all in terms of value) produced in Jordan. Most refugees who fled the West Bank remained east of the Jordan River and have increased the relief rolls of the refugee programs on the East Bank. Except for grain, most of the products produced in West Jordan were already in good supply in Israel and the Government of Israel has allowed a major part of the West Bank production to be sold on the East Bank.

In the UAR, which accounts for more than half of the production in the area, grain is grown under irrigation and production does not fluctuate significantly from year to year. The grain deficit in the UAR was covered by imports of about 2.2 million tons of wheat and flour (in terms of wheat) and 100,000 tons of corn in 1967. The sources of UAR wheat and flour imports in 1967 were as follows:

	Percent
USSR	58
Eastern Europe	21
Spain	9
Mainland China	7
France	5
	<u>100</u>

The UAR has contracted for about 0.5 million tons of grain, mostly from the USSR, for delivery during January-March 1968. Most of the UAR imports have been on extended-payment terms ranging from 18 months to 5 years.

The closing of the Suez Canal has affected ocean transportation costs and the direction of trade. Since the closing, rates for grain shipments from U.S. Gulf ports to India via the Cape of Good Hope have been quoted \$1.50 to \$3.50 a short ton higher than benchmark rates quoted "via Suez." In shipping to the European market, the countries of East Africa, Asia (except West Asia), and Oceania have had to contend with higher shipping costs and shipping delays. In some instances, these countries have had to find alternate markets. This burden has been heaviest for East African countries, Pakistan, and India, as their trade routes to Europe have been lengthened by a much greater proportion than those of other countries. However, the impact of the 1967 closing has not been as pronounced as that of the 1956 closing because, in the interval, a great number of freight vessels have been built that are too large to use the Suez. Furthermore, where bilateral agreements or preferential treatment bind the trade of former Suez users, the cost of alternate trade routes has only a minor effect on the direction of trade.

Preliminary statistics suggest that the closing of the Suez Canal in 1967 did not have a significant impact on the level of India's exports. Following devaluation of the rupee in June 1966, India's exports increased sharply during the last two quarters of 1966 and the first quarter of 1967. Although there was a decline in the second quarter of 1967, exports remained well above the level of any second quarter during 1963-66. After the Suez closing,

exports increased in the third quarter of 1967 to a level above that of the peak third quarter of 1966:

Quarter 1/	1963	1964	1965	1966	1967
			Million rupees		
I	1,811	1,982	2,019	2,046	3,080
II	1,802	2,040	1,869	2,028	2,698
III	1,955	2,097	2,001	2,812	3,029
IV	2,198	2,208	2,140	3,060	
Total	7,766	8,328	8,030	9,945	

1/ Quarterly data may not add to annual totals because of rounding.

Devaluation of the Pound Sterling

Britain's 2-year austerity program failed to correct the adverse balance of payments, which had been aggravated by the closing of the Suez Canal and the dockworkers strike, and in November the United Kingdom devalued the pound sterling. Other countries that devalued their currencies at or about the same time include Ceylon, Cyprus, Denmark, Gambia, Guyana, Iceland, Ireland, Israel, Jamaica, Malawi, New Zealand, Sierra Leone, Spain, and Trinidad and Tobago. An evaluation of the effects of these moves is complicated by the reinforcing or counter-effects of the Suez closing, the U.K. foot-and-mouth disease outbreak, and special trade arrangements. It is clear that the United Kingdom, the largest importer of agricultural products in the world, will import less. Pressures for import savings and compensation for increased farm costs of imported inputs are expected to stimulate increased U.K. self-sufficiency in feed concentrates and meat.

In the reduced U.K. market, the products of certain countries will gain in competitive advantage. The greatest advantage would appear to be enjoyed by the livestock products of Denmark and Ireland, countries that have special trade agreements with Britain and that also have devalued. New Zealand also may fall in this category; New Zealand has devalued by more than either Denmark or Ireland and therefore may be as competitive despite higher freight costs. Argentina and other South American suppliers are facing the U.K. ban on meat imports from countries where foot-and-mouth disease is endemic. Until the ban is lifted, Australia stands to make the largest gain in the U.K. market for beef; although Australia has not devalued, it is the only beef exporter with a supply large enough to replace Argentina.

Of more specific interest to U.S. exporters, no major suppliers of the following commodities have devalued: feed grains, wheat, oilseeds and products, cotton, fruit other than citrus, and lard. However, as noted above, pressure for import savings on corn and sorghum may encourage increased U.K. production of wheat for feed.

Devaluation by Spain and Denmark is not likely to have a major impact on their imports of feed. Spain has lowered the tariff on feed grains and, with increased opportunities for sales of livestock products, Denmark is not likely to reduce imports of feed grains and protein supplements; in fact, Danish import levies on grains have been reduced to offset some of the increased cost of imports.

Devaluation should provide Guyana with a price advantage in world markets for rice, Malawi for tobacco, and Ceylon for tea. The devaluation of the British pound will affect Australia's earnings from exports. Sales of Australian wheat to Mainland China and India, which have large credits still outstanding, customarily have been made for sterling.

Record Feed Grain Crop

World production of feed grains, which remained at about the same level during 1960-65, has expanded rapidly in the past 2 years (table 6). In 1967, corn production reached new highs in the United States, Brazil, the Republic of South Africa, and Mexico, and a postwar high in Argentina. Record crops of barley were harvested in Europe. The United States, India, and the Republic of South Africa produced bumper sorghum crops.

Table 6.--World production of feed grains, 1960-67 ^{1/}

Commodity	1960	1961	1962	1963	1964	1965	1966	1967
- - Million metric tons - -								
Corn	180	177	179	193	182	193	206	227
Barley	71	69	78	82	87	86	94	98
Oats	56	49	48	45	41	43	44	43
Sorghum and millet ^{2/}	35	31	34	35	34	35	40	43
Total	342	326	339	355	344	357	384	411
Annual change		-16	+13	+16	-11	+13	+27	+27

^{1/} Excludes communist Asia.

^{2/} The United States, India, Argentina, Mexico, the UAR, Pakistan, the Republic of South Africa, Turkey, Australia, and Japan.

In the United States, which accounts for half of world corn production, the acreage planted to corn did not change significantly during 1964-66. In 1967, corn acreage increased and, with record yields, the crop exceeded the 1966 high by 15 million tons. The combined production of the four major feed grains increased sharply in 1967 but, with reduced stocks, the U.S. supply is only 6 percent larger than a year earlier (table 7).

Table 7.--Feed grain ^{1/} supply in major exporting countries, 1960-67

Country	Year beginning ^{2/}							
	1960	1961	1962	1963	1964	1965	1966	1967
	- - Million metric tons - -							
Argentina:								
Stocks	0.3	0.5	0.4	0.2	0.4	0.4	0.3	0.5
Production	6.3	7.6	7.4	7.2	8.2	6.9	10.1	11.2
Supply	6.6	8.1	7.8	7.4	8.6	7.3	10.4	11.7
France:								
Stocks	.8	1.3	1.1	1.2	1.8	1.0	1.2	.7
Production	11.3	10.5	10.4	14.0	11.3	13.4	14.5	16.3
Supply	12.1	11.8	11.5	15.2	13.1	14.4	15.7	17.0
South Africa, Rep. of								
Production	4.7	5.8	5.9	6.5	4.7	5.1	5.5	11.1
Canada:								
Stocks	4.7	4.5	2.8	4.5	5.7	4.2	4.5	5.7
Production	11.0	7.6	12.0	12.7	10.5	12.6	13.9	11.7
Supply	15.7	12.1	14.8	17.2	16.2	16.8	18.4	17.4
Thailand:								
Production	.5	.6	.7	.9	1.0	1.1	1.3	1.0
Australia:								
Stocks	.1	.1	.2	.2	.4	.4	.4	.5
Production	3.3	2.3	2.6	2.7	2.8	2.4	3.7	2.1
Supply	3.4	2.4	2.8	2.9	3.2	2.8	4.1	2.6
Total, 6 countries:								
Stocks	5.9	6.4	4.5	6.1	8.3	6.0	6.4	7.4
Production	37.1	34.4	39.0	44.0	38.5	41.5	49.0	53.4
Supply	43.0	40.8	43.5	50.1	46.8	47.5	55.4	60.8
United States:								
Stocks	67.7	76.8	65.5	58.4	62.9	49.7	38.2	33.7
Production	141.2	127.6	129.6	139.5	121.7	142.8	143.0	158.8
Supply	208.9	204.4	195.1	197.9	184.6	192.5	181.2	192.5

^{1/} Barley, oats, corn, and sorghum.^{2/} Marketing year beginning July 1 for France, August 1 for Canada, and December 1 for Australia. For the United States, the marketing year for corn and sorghum begins October 1, and for oats and barley, July 1. The marketing year for corn and sorghum begins April 1 in Argentina and May 1 in South Africa.

In 1965/66, U.S. feed grain exports were exceptionally large because of reduced supplies in Argentina, South Africa, Western Europe, and Eastern Europe but, in 1966/67, such exports declined because of improved production in those countries. These exports continue to face keen competition; feed grain exports for the first half of fiscal 1967/68 were about 15 percent below the same period a year earlier. However, this situation is changing rapidly--U.S. feed grain exports for the first 4 months of the October-September marketing season were 10 to 15 percent above the same period in 1966/67; corn exports were up about 30 percent.

Table 8.--Exports of feed grains by major exporting countries, 1960-66

Country	Year beginning July 1						
	1960	1961	1962	1963	1964	1965	1966
	- - Million metric tons - -						
United States	11.5	14.7	15.4	16.3	18.1	25.8	21.7
Argentina	2.5	3.5	3.3	3.7	5.1	3.7	6.5
France	1.9	2.1	1.3	3.3	3.0	2.8	3.7
South Africa, Rep. of	1.0	1.7	2.3	2.6	.8	.3	.6
Canada	1.0	1.1	.7	1.3	1.0	1.0	1.1
Thailand	.5	.6	.7	.9	.9	1.2	1.3
Australia	1.3	1.2	.7	.8	.8	.5	.9
Mexico	.1	--	--	--	.9	1.3	1.1
Brazil	--	--	.1	.7	--	.6	.6
Total, 8 countries	8.3	10.2	9.1	13.3	12.5	11.4	15.8
Other exporters	3.6	5.5	5.9	5.6	6.0	7.2	5.0
World total	23.4	30.4	30.4	35.2	36.6	44.4	42.5

As shown in table 8, Argentina made the greatest advance in world feed grain trade in 1966/67. Exports from Argentina's large 1967 corn crop continued at a fairly high rate during the first half of 1967/68 and--with almost no wheat exports during this period to compete for limited port facilities--at least two-thirds of the exportable supply was cleared. The ability to clear Argentina's larger wheat crop during January-March may be a more important factor than the size of the March 1968 corn crop in determining the amount of corn exported during April-June 1968. The area sown for Argentina's 1968 corn and sorghum crops increased 8 percent and 15 percent, respectively, from 1967.

In 1967, the Republic of South Africa produced exceptionally large crops of feed grains (see table 7). Exportable supplies of corn and sorghum exceeded 5 million tons, of which only about half was cleared during May-December 1967 because rail and port facilities were not adequate to handle these large supplies. Therefore, South Africa should be in a position to be a stronger competitor than Argentina during January-June 1968.

Canadian supplies of feed grains are below the level of last year and world demand for barley and oats, Canada's principal feed grains, is not as strong as for corn and sorghum. Mexico's production increased somewhat in 1967 and the 1967/68 goal for exports of feed grains is 1.0 to 1.5 million tons. By the end of 1967, Mexico had sold almost 0.5 million tons of corn in Western Europe and Japan for November-March delivery. Brazil's large 1967 corn crop generated an exportable supply exceeding 1 million tons, but less than half this amount was shipped during 1967 and year-end stocks were large. Drought has caused a shortage of feed and forage in Australia and exports of feed grains may be reduced sharply.

Production of feed grains in EEC countries was about 3.5 million tons above the previous record set in 1963. Almost all of the increases can be attributed to excellent weather. In the longer run, the new EEC target prices on feed grains--to become effective September 1, 1968--will provide further stimulus to EEC production. France's export targets for 1967/68 include 2.8 million tons of barley and 1 million tons of corn, primarily for export to other European countries. However, for the first half of 1967/68, French exports of barley amounted to only about a million tons.

Outside the EEC, the United Kingdom and Spain are the major European markets for U.S. feed grains. The United Kingdom had another record crop of barley and an exportable supply of 1 million tons. Spain's feed grain program, aimed at shifting acreage from surplus wheat to feed grains through differential support pricing, met with very limited success in 1967 but excellent weather raised feed grain production. However, Spain's demand for imports of feed grains, particularly corn, remains strong. Effective December 1, 1967, Spain's import duties on corn, sorghum and barley were cut almost in half to curb domestic meat prices and meat imports.

Feed grain production in Eastern Europe was somewhat below the record 1966 level. Corn production was cut back by late-season drought, particularly in Yugoslavia and Romania. Yugoslav corn exports, estimated at 0.8 million tons in 1966/67, should drop sharply in 1967/68. Although there was some carryover from the large 1966 crop, most of this probably has been fed because domestic livestock prices were favorable.

Competition and Demand in the Japanese Market

The Japanese Ministry of Agriculture and Forestry has estimated that Japan's self-sufficiency in edible farm products, currently about 75 percent, is falling at the rate of 2 percent annually. Self-sufficiency in nonedible farm products has been falling at a similar rate. Japan's growing import requirements have spurred U.S. market development activities and, in 1966, Japan's imports of U.S. agricultural products increased by 10 percent and exceeded \$1 billion (c.i.f.), by far the largest U.S. farm product sales to any country. In 1967, however, imports from the United States leveled off because of increased competition from Argentine and South African corn and from Soviet sunflowerseed.

The outlook is favorable for an expansion in Japan's feed grain imports. Demand continues to be strong and production declined somewhat in 1967. The production of mixed feed in Japan, which failed to increase during 1967, is expected to resume the upward trend of recent years because of an increase in broiler output and higher prices for pork. Competition, particularly from South Africa and Mexico, will be keen. However, Japan has agreed to a sharp reduction in Thailand's shipments of corn during 1967/68, because of a short crop in Thailand.

Japan continued its "aid through import promotion" activities in Southeast Asia and East Africa in 1967. These activities, designed to provide these countries with currency for the purchase of Japanese goods, have an important bearing on U.S. exports, especially of feed grains, to Japan. In November, the Japanese Government sent a mission to Thailand, Cambodia, Indonesia, and Tanzania to assess the possibilities for establishing Japanese-manned experiment stations in these countries. The ultimate aim of the project is to increase the production and improve the quality of export crops, primarily corn and sorghum. A joint Japanese-Cambodian enterprise is getting underway in Cambodia to produce 165,000 tons of corn in 1968 and 360,000 tons in 1969 for export to Japan. Similar ventures in past years raised Thailand to the status of an important competitor in the Japanese market. (The new joint Japanese-Australian sorghum program is discussed in the following section.)

Japanese trading firms, in cooperation with the Japan Emigration Service, are assisting Japanese immigrants in Paraguay in soybean and tung production. An oil-processing plant is scheduled for completion in 1968. A total investment of \$2.1 million is planned by the Japanese in vegetable oil production in Paraguay.

Japan's imports of soybeans from the United States and Mainland China (at present virtually the only competitor in the Japanese soybean trade) did not increase in 1967. Mainland China may press for larger sales of soybeans to Japan in 1968 and the Soviet Union also may turn to Japan for somewhat larger sales of sunflowerseed.

Stimulated by an increase in the Government support price, Japanese farmers planted more rice in 1967 and, with good weather, produced a crop of 18 million tons of paddy; the previous record was 16.3 million in 1962. The 1967/68 (November-October) import quota has been set at only 250,000 tons compared to 490,000 and 1 million tons, respectively, in 1965/66 and 1966/67. There was a sharp decline in the area planted to wheat in 1967, but weather was generally favorable and the crop was close to the 1966 level. Therefore, 1967/68 wheat imports are not expected to increase. A realignment of Japanese wholesale prices in November has encouraged millers to use more U.S. wheat. A smaller area was seeded to wheat for the 1968 crop.

Japan's imports of cotton increased about 15 percent in 1966/67; most of the increment was used for rebuilding stocks in anticipation of high world prices. Imports from the United States increased 50 percent; imports from the USSR and East Africa made smaller gains; and those from El Salvador and Mexico declined. In 1967/68, imports of U.S. cotton are expected to fall back to the 1965/66 level. U.S. supplies of medium- and long-staple cotton are limited; prices of U.S. cotton have advanced; and stocks in Japan are large.

In July 1967, a Japanese-Australian venture offered sorghum growers in New South Wales a guaranteed price of \$46 per long ton, f.o.r. (free on rail) Sydney. The long-range aim of the joint venture is to ship 1 million long tons of grain sorghum to Japan annually. The Australian firm is building a fertilizer plant in Queensland which should be completed by 1970. This firm is providing technical assistance to growers, concentrating on increased use of nitrogen in grain production. In 1967, a U.S.-Australian enterprise began construction of an advanced plant-breeding research station in New South Wales to develop high-yielding varieties of grain sorghum and other feed and forage crops.

Cotton Production Remains Low

World cotton output, which fell 10 percent in 1966, remained at the 1966 level in 1967. There was another large decline in U.S. output but significant increases for India, Mainland China, Pakistan, and Brazil.

Because of a sharply reduced crop in 1966 and an increase in exports in 1966/67, U.S. cotton stocks on August 1, 1967, were down substantially from the level of the previous 2 years (in million running bales, approximately 480 pounds of lint per bale):

1962	7.8	1965	14.3
1963	11.2	1966	16.9
1964	12.4	1967	12.4

A somewhat smaller acreage was planted in the United States for the 1967 crop, reflecting general participation in the acreage diversion program, and about 15 percent of the planted acreage was abandoned. Furthermore, adverse weather reduced yields on the harvested area and the crop was the smallest of this century. The U.S. supply of cotton for 1967/68 (August-July) is the lowest of the 1960s, and by August 1968 stocks may fall to around 6.5 million bales. The 1968 U.S. Upland Cotton Program is designed to increase production, particularly of medium and longer staples.

Soviet production of cotton did not increase in 1967, but the large decline in U.S. production placed the Soviet Union in the position of the world's largest producer (table 9). Increased production in India and Pakistan was the result of high yields; the good yields obtained in India were the result of above-average rainfall, increased fertilization, and improved water management. The UAR crop was heavily infested with cotton leafworm but control was fairly effective and production was about equal to the reduced 1966 level. Production leveled off in Turkey following a large increase in 1966.

Anticipating higher prices, Brazilian producers planted a larger acreage for the 1967/68 crop; this represents a recovery from the reduced acreage planted the previous season. In Mexico, cotton acreage remained well below the 1960-64 average and yields were reduced by early-season drought and late-season hurricane damage. Crops were again small in Central America and Peru. In Peru, insect damage and a shortage of irrigation water cut the extra-long-staple crop from 220,000 bales in 1966 to 165,000 in 1967.

Table 9.--Cotton production by major producers, 1963-67

Country or region	Season beginning August 1				
	1963	1964	1965	1966	1967 ^{1/}
		- - Million bales ^{2/} - -			
United States	15.33	15.18	14.97	9.58	7.62
Mexico	2.11	2.40	2.63	2.25	2.05
Brazil	2.30	2.10	2.50	2.05	2.30
Central America	1.11	1.32	1.24	1.07	1.13
Peru	.63	.65	.52	.48	.48
Colombia	.34	.30	.30	.40	.45
Other South America	.56	.79	.67	.54	.54
Western Europe	.90	.70	.74	.83	.75
Eastern Europe	.09	.10	.08	.13	.11
USSR	8.10	8.20	8.80	9.30	9.30
UAR	2.03	2.32	2.39	2.09	2.00
Sudan	.45	.70	.75	.89	.90
East Africa ^{3/}	.54	.63	.70	.73	.67
Nigeria	.21	.20	.20	.24	.24
Chad	.18	.17	.15	.19	.20
Other Africa	.59	.75	.69	.81	.85
Mainland China	4.70	5.50	5.80	6.00	6.50
India	5.20	4.90	4.60	4.60	5.20
Pakistan	1.94	1.75	1.92	2.10	2.30
Turkey	1.15	1.50	1.50	1.75	1.80
Iran	.53	.53	.64	.52	.55
Syria	.70	.81	.82	.65	.51
Other Asia and Oceania	.49	.53	.60	.59	.70
World ^{4/}	50.20	51.96	53.21	47.79	47.16

^{1/} Preliminary.^{2/} Bales of 480 pounds net.^{3/} Kenya, Tanzania, and Uganda.^{4/} Components may not add to totals because of rounding.

U.S. cotton exports recovered sharply in 1966/67 after a 2-year decline. Mexican and Central American exports fell during the past season partly because of smaller supplies (table 10). Major U.S. gains were in exports to Japan, India, Taiwan, and Italy.

U.S. exports got off to a slow start in the first 5 months of the 1967/68 season (August-July), with the volume running about one-third below the same period a year earlier, but some recovery is expected in the remainder of the year. For the second year in a row, export availabilities are low in Mexico, the UAR, and Central America. Although Brazilian production is expected to recover, stocks

(August 1, 1967) were down about 250,000 bales from a year earlier. In addition, the import requirements of India and Europe should increase. The increase in demand for cotton textiles in India, at prevailing prices, is expected to be greater than the increase in fiber available from India's record crop. However, imports by Japan are expected to decrease, and export availabilities are large in Turkey and Pakistan.

Table 10.--Cotton exports by country of origin, 1963-66

Country	Year beginning August 1			
	1963	1964	1965	1966
	- - Million bales 1/- -			
United States	5.78	4.20	3.04	4.83
USSR	1.70	2.00	2.30	2.40
Mexico	1.43	1.62	2.13	1.39
UAR	1.37	1.56	1.58	1.43
Brazil	1.02	1.04	.94	1.00
Turkey	.59	.77	.92	1.05
Central America	.98	1.11	1.12	.84
Sudan	.72	.47	.57	.68
Syria	.61	.73	.71	.58
East Africa	.52	.60	.63	.65
Pakistan	.69	.48	.49	.56
Peru	.51	.47	.52	.38

1/ Bales of 480 pounds net.

Record Output of Edible Oilseeds

During the 5-year period 1963-67, world production of the major edible oilseeds, except cottonseed, expanded rapidly (table 11). In 1967, there were record world crops of soybeans, peanuts, and sunflowerseed, and a near-record crop of rapeseed, although cottonseed production remained at the low 1966 level. On the basis of this performance, output of edible vegetable oils should increase by 5 to 10 percent in 1968.

The soybean crop in the United States, which accounts for three-quarters of world output, was about 5 percent larger than in 1966; acreage was up almost 10 percent. U.S. exports of soybeans increased in 1966/67 (September-August) for the sixth year in succession. Major gains were in exports to Spain, Taiwan, Italy, Netherlands, and Denmark; shipments to Canada and the United Kingdom declined. (Exports to Canada and the Netherlands include large transshipments to other countries, primarily European countries.) Japan, West Germany, Netherlands, and Spain were the major markets for U.S. soybeans. U.S. soybean exports were above year-earlier levels for the first 4 months of the current marketing year (September-August) and are expected to continue at a high level during the remainder of the year. However, there are large supplies of oilseeds in competing countries, and several current developments may alter the direction, if not the level, of trade.

Table 11.--World production of major types of edible vegetable oils,
1962-68 ^{1/}

Type of oil	: 1962	: 1963	: 1964	: 1965	: 1966	: 1967	: Forecast 1968
	:	:	:	:	:	:	:
	:	- -	Million metric tons			- -	
Soybean	: 3.73	3.89	3.96	4.16	4.54	4.81	5.12
Peanut	: 2.59	2.72	2.82	3.00	2.89	2.96	3.46
Sunflowerseed	: 1.98	2.33	2.12	2.76	2.72	3.13	3.22
Cottonseed	: 2.25	2.35	2.43	2.52	2.49	2.19	2.37
Rapeseed	: 1.18	1.08	1.12	1.51	1.38	1.45	1.47

^{1/} Estimates of U.S. oil production include actual oil produced plus the oil equivalent of exported oilseeds. Estimates for other countries are based upon the production of various oilseeds and the estimated normal proportions crushed for oil.

For the Japanese fiscal year ending March 31, 1968, the Japanese Ministry of Agriculture and Forestry estimates that soybean imports will be no higher than in the previous fiscal year, while imports of sunflowerseed and rapeseed will increase. Japanese statistics available at this time reflect this change in the pattern of oilseed imports. This trend may continue for the remainder of the current U.S. marketing year (September-August).

Soviet Government procurements of domestic sunflowerseed have increased rapidly in the past 5 years (in million tons):

1962	3.08	1965	3.89
1963	3.03	1966	4.66
1964	3.93	1967	4.53

Until the past few years, most of the increased oilseed procurements have shown up in larger Soviet exports of vegetable oil. In recent years, however, the USSR has been exporting larger quantities of seed, particularly to Japan.

In Canada, the largest exporter of rapeseed, there has been a rapid expansion in production (in thousand tons):

1962	133	1965	513
1963	190	1966	585
1964	300	1967	601

Acreage increased sharply in 1967 and, despite severe drought, a record crop was harvested in Canada. In Japan, the major market for Canadian rapeseed, rapeseed production declined in 1967 for the third successive year. Canada is expected to increase its exports to Japan rather than to Europe, where rapeseed output was at a peak.

Although export availabilities of soybeans in Mainland China are about the same as in the previous year, shipments to Europe may be reduced by the Suez closing and additional quantities may be exported to Japan.

Larger sales of U.S. soybeans to Western Europe are expected to compensate for the leveling off of exports to Japan. U.S. exports to Western Europe, particularly to EEC countries, have been moving at a somewhat higher rate than a year ago. Relatively low export prices on Brazilian soybeans harvested last spring proved attractive to EEC buyers, and Brazil's 1967 exports were about double the 1966 level. Currently, however, U.S. prices are much more competitive in the European market.

India, the largest producer of peanuts, harvested a record crop in 1967 as a result of ample monsoon rains. Exports of oilseeds and edible oils, except for small lots of peanuts and peanut oil, have been banned since 1964. In October 1967, this ban was lifted but, following 2 years of domestic shortages, India is not likely to increase its peanut exports substantially. Nigeria, the largest exporter of peanuts, produced a near-record crop but exports will be delayed unless transportation difficulties resulting from civil disturbances can be overcome. Senegal is experiencing no difficulty in moving its record peanut crop to market.

The Kennedy Round and the Grains Arrangement

As a result of the Kennedy Round of GATT negotiations, the United States received trade concessions affecting exported agricultural commodities valued at \$866 million (c.i.f., 1964, the base year for negotiations) and granted concessions affecting imported agricultural products valued at \$860 million (c.i.f.). Most of these concessions are to be phased over a 4-year period. Soybeans, tallow, variety meats, tobacco, and processed fruits are the major U.S. export commodities affected.

Japan's agreement to reduce its duty on soybeans from 13 percent to about 6 percent (ad valorem equivalent) was the most important oilseed concession received by the United States. Our soybean exports to Japan were valued at over \$150 million in 1964. The United Kingdom agreed to eliminate its 5-percent duty on soybean imports, placing U.S. beans on an equal competitive footing with oilseeds from Commonwealth suppliers. The bulk of the concessions on oilseeds and related products granted by the United States (affecting about \$25 million) were on such tropical commodities as castor oil, cocoa-butter, and sesame seed. Brazil and Nicaragua will be the principal beneficiaries of these duty reductions.

During the Kennedy Round the United Kingdom offered to reduce its tobacco tariff by 25 percent, provided the United States repeals the American Selling Price system of valuation for assessing duties on certain chemical imports. In 1964, U.S. tobacco exports to the United Kingdom were valued at over \$100 million. The EEC agreed to reduce its 28 percent duty on tobacco to 23 percent, the maximum charge from 17.2 to 15 cents a pound, and the minimum charge from 13.2 to 12.7 cents a pound.

Principal reductions in the livestock product sector that were of benefit to the United States were in tallow (\$65 million, 1964 basis) and variety meats (about \$45 million). The EEC eliminated its 2-percent duty on inedible tallow and Canada reduced its rate from 4 percent to 2.5 percent. The EEC cut its duties on variety meats from 20 percent to 13 percent. Chief U.S. concessions on livestock products were the binding of duties on canned pork (about \$105 million, mostly hams from Denmark, Poland, and EEC countries) and a 50 percent reduction on canned beef (\$25 million, mainly from Argentina, Paraguay, and Uruguay).

The United States received concessions on exports of canned fruits (\$55 million) and fruit and vegetable juices (about \$25 million); those granted by the United Kingdom and Canada were the most significant. In addition, concessions were received on more than \$20 million in dried vegetables and pulses, chiefly from the EEC and the United Kingdom. U.S. fruit and vegetable exports will become more competitive with those from Commonwealth suppliers in the U.K. and Canadian markets. The major U.S. concessions were on tropical fruits and nuts (valued at \$190 million, primarily from the less developed countries) and on wine (about \$35 million, primarily from EEC countries).

During the Kennedy Round, the major wheat-trading members of GATT negotiated the basic price arrangements and food aid provisions of the new International Grains Arrangement (IGA) to replace the International Wheat Agreement (IWA). Negotiations were completed in Rome in August 1967 and, following ratification, the IGA will be in effect for 3 years beginning July 1, 1968.

One of the major objectives of the IGA is to assure equitable and stable prices in international wheat trade. In an effort to improve on former IWA pricing arrangements, the IGA has established a series of minimum and maximum prices for 14 major wheats moving in world trade, based on differences in market value and quality at a common location. A Prices Review Committee has the power to adjust these prices in response to changes in competitive conditions. For U.S. wheats, the new IGA minimum prices are about 23 cents a bushel above the old IWA minimums.

The food-aid provisions of the IGA commit member countries to contribute a total of 4.5 million tons of grain annually in food aid to less developed countries. These contributions may be wheat, coarse grains suitable for human consumption, or cash equivalent. (Japan retains an option to give other aid in substitution for grains.) Grain purchases are to be made from member countries and, in the use of monetary grants for grain purchases, priority will be given to grain produced in the less developed member countries. Donor countries may select recipients and either administer their own programs or channel contributions through international organizations. The minimum contribution of each donor country is fixed as follows:

	Percent	1,000 metric tons		Percent	1,000 metric tons
United States	42.0	1,890	Sweden	1.2	54
EEC	23.0	1,035	Switzerland	.7	32
Canada	11.0	495	Denmark	.6	27
Australia	5.0	225	Argentina	.5	23
Japan	5.0	225	Finland	.3	14
United Kingdom	5.0	225	Norway	.3	14

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