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Agricultural Letter

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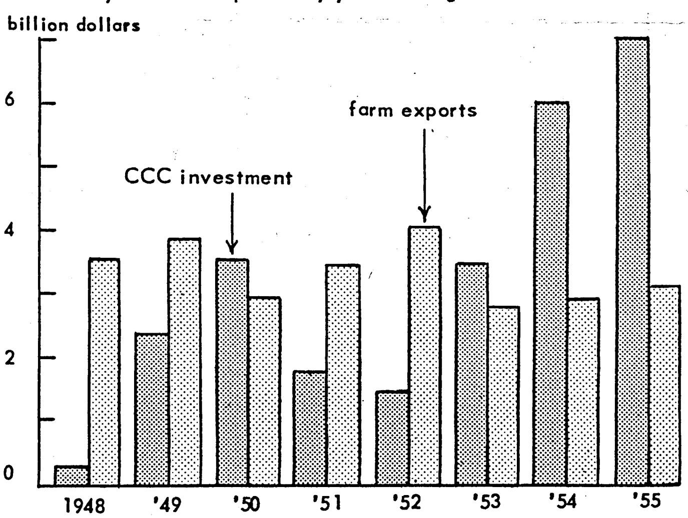
FARM EXPORTS in the first quarter of the current fiscal year (July-September) were 20 per cent higher than in the corresponding period of 1954. All major commodity groups except cotton shared in the gain. The substantial increase comes on top of a 7 per cent increase in exports during the year which ended last June 30.

If this margin were to be maintained during the succeeding three quarters of the year, exports would total nearly 3.8 billion dollars—about one-third above the low point reached in 1952-53 and only 7 per cent below the peak dollar volume reached during the Korean war. Major reasons behind the sizable increase in exports are the increased purchasing power of foreign countries as economic activity abroad sets new records and the U.S. export "subsidy" programs. However, large harvests of most crops throughout the world raise a question of whether this first-quarter pace can be maintained in the months ahead.

Spurred by the demands for additional stocks as a result of the Korean conflict, exports of farm commodities increased to over 4.0 billion dollars in 1951-52. But as these demands subsided and inventories were drawn down to more normal levels, farm exports dropped to a low of 2.8 billion dollars in 1952-53. The value of exports represented about 12 per cent of cash receipts from farm marketings in 1951-52 but only 9 per cent in the latter year. The decline in foreign demand had its greatest impact on wheat and cotton, our major export crops. Exports of wheat declined by over 50 per cent, while cotton exports declined by more than 40 per cent. It was during this and the subsequent year that surplus stocks of these and other commodities accumulated most rapidly.

Farm exports and total investment in farm commodities by the Commodity Credit Corporation, year ending June 30.



Government-financed exports are being expanded primarily under a program to sell for foreign currency. Other government programs include grants and sales tied in with foreign aid, donations by USDA of commodities in danger of spoiling, emergency relief donations, export subsidy payments and sales of CCC stocks at special export prices below domestic market prices. The Agricultural Trade and Development Act adopted by Congress in mid-1955 has given the added impetus to disposing of surpluses by boosting exports. The Act authorized sales for foreign currencies during the three-year period ending mid-1957 up to 700 million dollars. This was subsequently raised to 1.5 billion dollars.

To the extent that exports are increased by drawing down present surplus stocks, the gain will have little effect on current market prices. But, to the extent that these and other programs are successful in disposing of the current surpluses, the prospect for improvement in domestic farm prices and income will be strengthened over the long pull.

THE CONCERTED EFFORT to dispose of agricultural surpluses, along with acreage allotments and marketing quotas on some crops, has slowed but not halted the build-up of stocks. Surpluses cannot be dumped in large volume without disrupting domestic and world markets and having serious consequences on the economies of countries heavily dependent on exports of agricultural commodities. Thus, at best, it will take a long time to work off the stocks that have been accumulated in the past three years.

While world population increased during the war, food supplies actually declined. However, since the close of the war, world food production has increased about one-third. Currently food production is about in the same relation to world population as before World War II.

With many foreign markets now less dependent on supplies from surplus-producing countries than immediately after the war and with continued efforts on the part of importing countries as well as a number of exporting countries to expand their agricultural output, it appears that sales abroad are likely to meet with increasing resistance. The problem is complicated also by the support of domestic prices of important export crops at levels which are not fully competitive in world markets.

Research Department