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**AGRICULTURAL EXPORTS** rose to a record \$12.9 billion for the year ending June 1973, up more than 60 percent from fiscal 1972. The sharp rise in exports more than offset the strong 21 percent advance in agricultural imports and boosted the agricultural trade surplus from \$2.0 billion in fiscal 1972 to \$5.6 billion in fiscal 1973. Agricultural exports proved a major factor in the nation's positive balance of trade in the second quarter of 1973, the first surplus since the first quarter of 1971. In addition, exports equaled 18 percent of the cash receipts received from farm marketings in fiscal 1973.

The volume of agricultural exports was up nearly one-third in fiscal 1973, and accounted for about 60 percent of the gain in value of trade. Wheat recorded the largest increase, 97 percent in volume and 133 percent in total value, while corn exports grew 72 percent in volume and 107 percent in value. Soybean shipments jumped 17 percent, but markedly higher prices increased the value by 65 percent. Cattle hides experience the largest increase in average unit value, 102 percent.

The rapid growth in agricultural exports is due to a number of major developments occurring in the last two years. There has been unprecedented simultaneous economic growth in most countries that import U. S. agricultural products. For example, growth in real GNP in West Germany jumped from 2.9 percent in 1972 to an estimated 6.3 percent in 1973, while Japan's growth in real GNP is expected to rise from 9.4 percent in 1972 to 13.4 percent in 1973. This new prosperity caused a sharp increase in demand for higher-quality foods such as red meats and poultry, and for U. S. feed grains, oilseeds, and oilseed products.

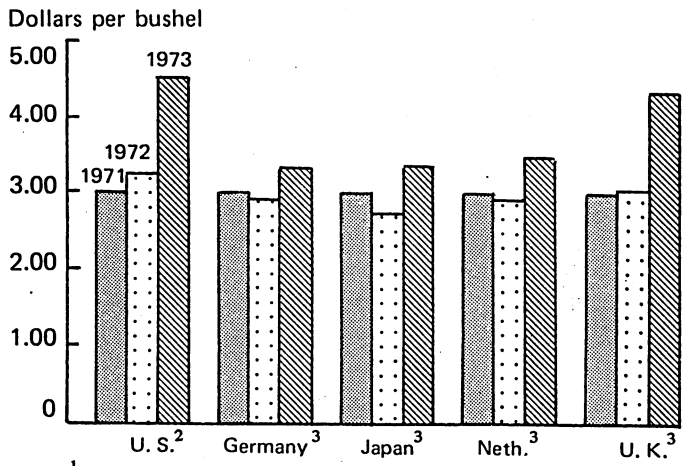
Another continuing factor is the currency realignments that have occurred in the last two years. Since 1971, the German mark has appreciated 36 percent in value relative to the U. S. dollar, and the Japanese yen has increased 35 percent. The dollar was devalued in December 1971 and adjusted downward again in February of this year, thus enhancing the competitive position of U. S. exports throughout the world. Shortly after the second devaluation, Japan and the members of the enlarged European Community (EC) floated their currencies. The currencies of several of these countries have sharply appreciated relative to the dollar since the float occurred. Not all of these countries have so benefited. The United Kingdom's pound appreciated relative to the U. S. dollar after the 1971 devaluation but lost ground after the 1973 float.

The impact of these currency realignments is dramatized in the graph below. The graph depicts the change in soybean prices in other countries relative the prices in the United States. The foreign country prices reflect the net change in price after adjusting for changes in exchange rates. Although the average price received for U. S. soybeans sold to other countries rose slightly over 50 percent in two years, the relative price change to other countries was much less.

Unfavorable weather conditions reduced the harvests in Africa, Latin America, Southeast Asia, Australia, and the USSR. The crop failures, resulting in additional worldwide de-

mand for feed grains to maintain animal herds and for wheat to supplement human diets, were another import factor in boosting U. S. agricultural exports in fiscal 1973.

**Average Soybean Price Paid by Purchasing Countries Expressed in Terms of U. S. Dollars<sup>1</sup>**



<sup>1</sup> Foreign prices adjusted to reflect changes in exchange rates.  
<sup>2</sup> Average price received for soybeans exported in fiscal year (value ÷ quantity).  
<sup>3</sup> Based on June exchange rate for given year.

A final factor that enhanced U. S. agricultural exports was the diplomatic thaw with the USSR and the People's Republic of China (PRC). Increased USSR and PRC sales accounted for one-fifth of the gain in U. S. agricultural export value in fiscal 1973. Agricultural exports to the USSR increased more than fivefold over the previous year, while agricultural exports to PRC advanced from zero to \$163 million in 1973.

The current favorable world demand and price situations indicate that the United States should experience a continued favorable level of agricultural exports in fiscal 1974. Most major exporting countries are anticipating substantial increases in their crop production; however, many countries will not be able to respond to the increasing demand for agricultural products until they replenish their present depleted inventories. The United States faces a similar problem with soybeans. However, if current production forecasts are achieved, the United States may be able to increase stocks and still have enough soybeans to expand export sales. Although inventories of other commodities, such as feed grains, are lower than the historical average, given current production forecast, it appears that the United States can still maintain the past year's volume of exports of most commodities.

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