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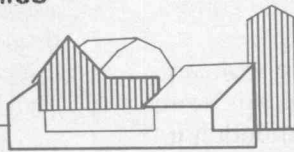
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Agricultural exports

U.S. agricultural exports continued their recovery during fiscal 1989. Following several upward revisions during the course of the year, the value of agricultural exports during the twelve months ending on September 30 was pegged at \$39.7 billion, a 12 percent increase from the previous fiscal year and more than 50 percent above the low recorded in fiscal 1986. Export tonnage in fiscal 1989 approached 148 million metric tons, slightly below last year's level but more than a third higher than the low recorded in 1986. The USDA forecast of agricultural exports for the fiscal year that began in October points to a slight decline from last year. The volume of U.S. agricultural commodities shipped overseas is projected to drop about 1.5 percent, while somewhat weaker prices compared to a year ago drop the value of exports about 4 percent.

The increase in agricultural exports last year stemmed largely from increased shipments of coarse grain and from strong grain and feed prices. Coarse grain shipments rose almost 15 percent, while higher prices boosted the value of those exports by more than 42 percent compared to a year earlier. Although wheat tonnage dropped from the previous year's level, higher prices boosted the value of wheat exports more than a third. Exports of livestock products and horticultural products registered substantial gains as well, rising 10 percent and 8 percent, respectively, from year-earlier levels.

Partially offsetting these gains, exports of oilseeds and oilseed products declined sharply in fiscal 1989. Soybean exports dropped a third to only 14 million tons, while shipments of soybean meal and oil recorded substantial declines as tight supplies in the United States and stiff competition from Southern Hemisphere producers limited exports. However, sharply higher prices in fiscal 1989 limited the drop in the value of all oilseeds and their products to about 13.5 percent from a year earlier.

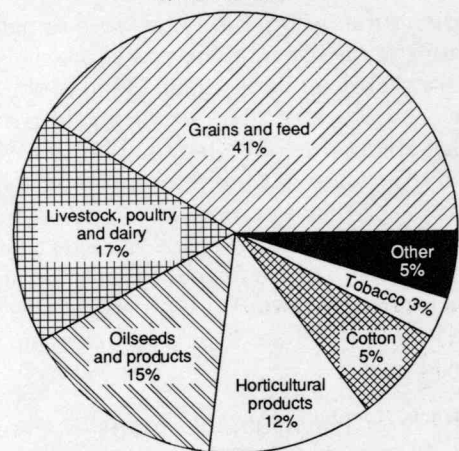
Initial projections of U.S. agricultural exports in fiscal 1990 suggest some decline from last year's level. Export volume is currently projected to show a decline of about 1.5 percent in fiscal 1990, due largely to a drop in wheat exports as food grain crops around the world recover from last year's weather-reduced levels. Moreover, grain and oilseed prices are expected to

drop from last year's high levels, contributing to a 4 percent drop in the value of U.S. agricultural exports during the current fiscal year.

U.S. coarse grain shipments during the fiscal year that began in October are expected to record another sizable year-to-year gain. At an estimated 63.5 million metric tons, coarse grain exports would be up 4 percent from last year and at their highest level since the early 1980s. However, increases in coarse grain production will lower prices sharply this year, resulting in a 9.5 percent decline in the value of U.S. coarse grain exports.

U.S. wheat export volume is expected to fall even lower in fiscal 1990. At about 33 million metric tons, shipments are forecast to be down almost 13 percent from last year. Exports of wheat flour, a relatively small volume compared to grain, will likely hold near last year's level. The projected drop in wheat exports is attributable to stiff competition from the European Community, Canada, and Argentina. In addition, USDA analysts predict greater production among major importing countries will dampen world wheat trade. Despite the increased production, world stocks of wheat may fall to their lowest level in eight years, offsetting the downward pressure on price exerted by increased production. As a result, current USDA estimates point to a 14 percent drop in the value of U.S. wheat and flour exports during fiscal 1990.

Agricultural exports in fiscal 1990
(\$38 billion)*



*Forecast
SOURCE: USDA

USDA projections of soybean exports in the current fiscal year are mixed. Soybean shipments are projected to rise more than a tenth, while soybean products and other oilseeds hold at last year's level. However, USDA expects Southern Hemisphere producers to garner an even larger increase in exports as Argentina's crop recovers from last year's drought and Brazil reaps another large harvest. With both United States and foreign oilseed production expected to be up from a year ago, prices are expected to drop substantially. Current prospects suggest that the drop in prices will swamp the increase in tonnage, lowering the value of U.S. oilseed exports by 17 percent.

Export prospects for most other agricultural commodities appear favorable. Shipments of cotton from the United States are forecast to be up more than a tenth from last year, with a fairly tight world market boosting the value of those exports by about 30 percent. Exports of livestock, dairy and poultry products are expected to remain at last year's high level, while horticultural product exports are projected to reach a record high.

U.S. agricultural exports to most regions of the world are expected to hold near last year's level. The European Community is an exception, with USDA analysts expecting a drop of about 7 percent due primarily to reduced meat sales because of the hormone ban. Exports to Eastern Europe, however, are projected to increase substantially from the ten year low recorded in fiscal 1989. At the same time, U.S. agricultural exports to the Soviet Union are expected to approach last year's record as larger livestock product exports mostly offset declines in grains and oilseeds. Exports to Asian countries are expected to remain stable with the exception of China. USDA analysts expect sluggish economic growth and the uneasy political situation in China to contribute to a drop of perhaps a fifth from last year's very high level of exports to that country.

U.S. agricultural product imports have remained fairly stable for the past several years and are expected to drop only slightly in fiscal 1990. Much of the projected decline is attributable to a drop in world coffee prices. Although shipments of coffee may be up a tenth from last year, the value of these imports will be substantially lower if a new International Coffee Agreement doesn't prop up prices. Imports of vegetables, after jumping sharply last fiscal year following the 1988 drought, are likely to decline somewhat this year, although fruit imports are expected to remain at a record level.

With the drop in agricultural exports expected to exceed the decline in imports, the U.S. agricultural trade

surplus is likely to narrow somewhat this year. At a projected \$17 billion, the surplus is projected to be down about \$1 billion from last year, but still well above the lows recorded in the mid 1980s.

Peter J. Heffernan

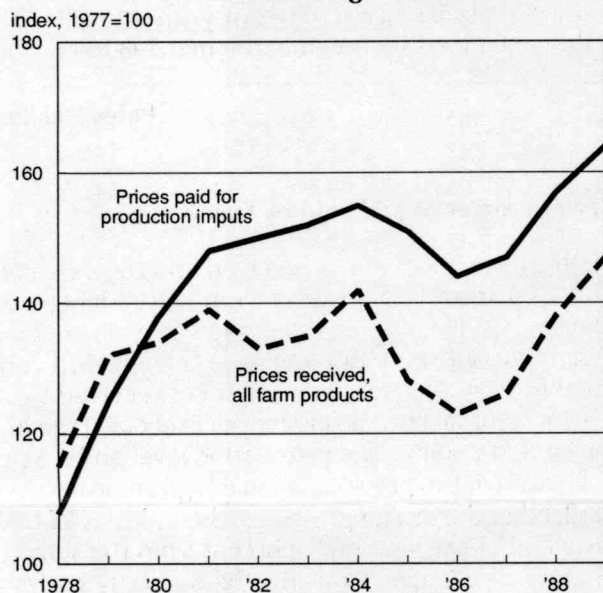
Prices received and paid by farmers

Both the index of prices received and the index of prices paid by farmers will record new, average annual highs this year. But as 1989 draws to a close, the upward pressures on both measures have eased considerably. For 1989, the index of prices received by farmers for all farm products will likely average about 6.5 percent above the year-earlier level and 3.5 percent above the previous annual high set in 1984. But reflecting the easing pressures, the index as of mid-November was up only 2 percent from the same month a year ago. Similarly, the quarterly survey of prices paid by farmers for production inputs in October was up only 1 percent from a year ago, well below the 4.5 percent rise recorded for all of this year.

The narrowing year-over-year gains in both prices received and prices paid by farmers reflect this year's rebound in crop production from the drought-reduced outcome of last year. The improved harvest led to lower prices received by crop farmers and lower prices paid for feed for livestock and poultry farmers. While the index of crop prices received by farmers for all of this year will likely average 6.5 percent higher than in 1988, recent declines have pulled the November index more than 5 percent below the rapidly rising level of a year ago. Corn and soybean farmers have witnessed the largest price declines in recent months. Reflecting this, the November index of feed grain prices was down 13 percent while the index of oil-bearing crops was down 21 percent from a year ago. In comparison, food grain prices in November were down only 1 percent from a year ago while hay prices were down 5 percent. For most other major crops, mid November prices exceeded year-earlier levels. Farm-level prices for commercial vegetables were up 1 percent while potato and dry bean prices were up 4 percent. Fruit prices were up a 9 percent and cotton prices were up 18 percent.

From a longer historical perspective, the recent declines have pulled feed grain and oilseed prices below their fourth-quarter averages for the past 10 years. Conversely, recent food grain prices received by farmers were somewhat above the fourth-quarter average of the past 10 years while recent fruit and vegetable prices have been among the highest for any fall season of the past 10 years.

Both prices received and paid by farmers reached new highs in 1989



*Preliminary, based on reports through mid-November.
SOURCE: USDA

While the overall measure of crop prices has dropped below the year-ago level, the index of prices received by farmers for all livestock, poultry, dairy, and related products in mid November was up 8 percent from a year earlier and at a new all-time high. The index of meat animal prices (primarily cattle and hogs) was up nearly 7 percent from the November peak set one year ago and up about 15 percent from the fourth quarter average of the past 10 years. Similarly, the index of farm level prices for dairy products in mid November was at a new all-time high, up 14 percent from both a year ago and from the fall-quarter average of the past 10 years. The index of poultry and egg prices in mid November, although down from the levels reached earlier in the year, was up 4 percent from a year ago and 12 percent above the average of the past decade.

The easing pressures on prices paid by farmers primarily stem from recent declines in feed prices. For all of this year, the index of prices paid for feed averaged 6 percent above the year-earlier level and nominally above the 1984 peak. But declines since spring pulled the October index of feed prices 9 percent below the year-ago level. Prices paid for fertilizer, after rising to a 5-year high in April, declined considerably during the summer and in October were down 2 percent from a

year earlier. Prices paid for feeder livestock, although fluctuating over the past four quarterly surveys, held close to the high, year-ago level in October.

Prices paid by farmers for most other production inputs that were covered in the October survey remain above year-ago levels. Fuel and energy prices, although down slightly from the mid-year level, were still up 12 percent from a year earlier. Prices paid for tractors and self-propelled machinery were up 6 percent, while prices for other farm machinery and equipment were up 3 percent. Prices paid for building and fencing materials were also up 3 percent from a year ago.

Not all production inputs are covered in each of the USDA's quarterly surveys of prices paid by farmers. Consequently, the April 1989 survey is the most recent information available on prices paid for such things as seeds, agricultural chemicals, and autos and trucks. At that time, seed prices were up 13 percent from a year earlier while agricultural chemical prices were up 4 percent. Prices paid by farmers for autos and trucks in April were up 5 percent from a year earlier.

In addition to the above production items, the latest survey of prices paid by farmers also noted continuing pressures on wage rates. Wage rates paid by farmers in October were up more than 12 percent from a year ago, capping an average rise of 10 percent for all of 1989. The 1989 rise in wages paid by farmers substantially exceeds the annual gains of 2 to 4 percent recorded from 1982 through 1988 and even exceeds the gains of the late 1970s and early 1980s when overall inflation rates were markedly higher.

Gary L. Benjamin

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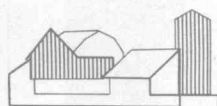
Selected Agricultural Economic Indicators

	Latest period	Value	Percent change from		
			Prior period	Year ago	Two years ago
Prices received by farmers (1977=100)					
Crops (1977=100)	November	147	1.4	2	13
Corn (\$per bu.)	November	129	0.8	-5	10
Oats (\$per bu.)	November	2.25	1.4	-10	40
Soybeans (\$per bu.)	November	1.39	-5.4	-42	-14
Wheat (\$per bu.)	November	5.62	1.3	-24	5
	November	3.76	0.3	-3	40
Livestock and products (1977=100)					
Barrows and gilts (\$per cwt.)	November	163	0.6	8	14
Steers and heifers (\$per cwt.)	November	45.00	-4.9	22	9
Milk (\$per cwt.)	November	74.80	1.8	2	12
Eggs (¢per doz.)	November	15.20	3.4	13	18
	November	78.6	10.2	32	47
Prices paid by farmers (1977=100)					
Production items	October	178	0.0†	3	9
Feed	October	164	-0.6†	1	9
Feeder livestock	October	128	-3.8†	-9	22
Fuels and energy	October	196	1.6†	0	3
	October	184	-2.1†	12	10
Producer Prices (1982=100)					
Agricultural machinery and equipment	November	115	0.0	5	8
Fertilizer materials	November	119	0.8	4	8
Agricultural chemicals	November	92	0.1	-12	4
	November	117	0.3	7	11
Consumer prices (1982-84=100)					
Food	November	126	0.2	5	9
	November	127	0.3	6	11
Production or stocks					
Corn stocks (mil. bu.)	September 1	1,930	N.A.	-55	-60
Soybean stocks (mil. bu.)	September 1	182	N.A.	-40	-58
Beef production (bil. lbs.)	October	2.04	6.7	2	-3
Pork production (bil. lbs.)	October	1.42	5.3	-2	5
Milk production (bil. lbs.)††	November	9.69	-2.3	-1	1

N.A. Not applicable.

† Prior period is three months earlier.

†† 21 selected states.



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