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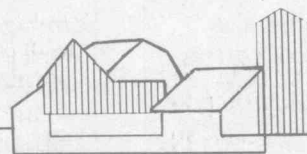
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Agricultural exports

Estimates of U.S. agricultural exports were revised steadily higher during the course of last year. Export tonnage for fiscal 1988 was pegged at almost 148 million metric tons, up about 15 percent from a year earlier. The value of agricultural exports, at \$35.5 billion was up even more, jumping 27 percent from the previous year. The USDA forecast for agricultural exports in fiscal 1989, which began in October, is mixed. While value is expected to continue rising to about \$36.5 billion, export volume is projected to drop about 8 percent to 136 million metric tons. These initial projections, combined with a relatively stable level of imports, suggest that the agricultural trade surplus will continue to expand this year, following a near doubling in fiscal 1988.

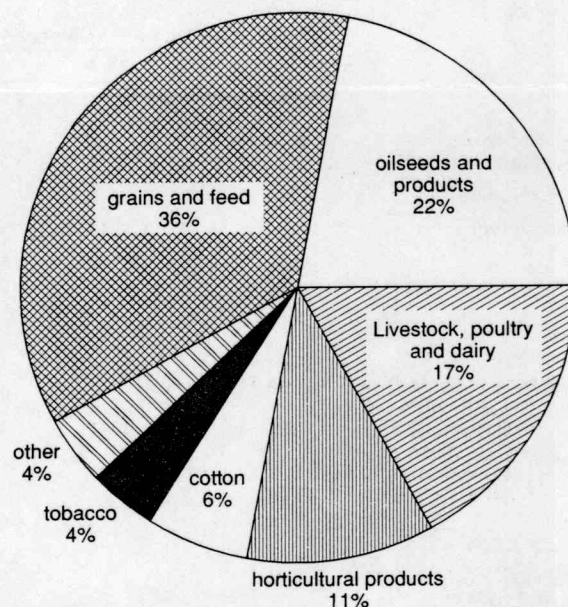
U.S. agricultural exports showed improvement this past year as commodities produced in this country continued to benefit from greater price competitiveness. Lower commodity price supports, subsidies under the export enhancement program, and a lower exchange value of the dollar all contributed to the second consecutive annual increase in exports. At the same time greater price competitiveness by the United States during the last few years reduced the incentive for expanded production abroad and helped boost the U.S. share of world commodity markets.

The increase in exports in the fiscal year ended in September was largely accounted for by larger shipments of grains. U.S. exports of wheat and wheat flour in fiscal 1988 rose more than 40 percent from a year earlier. The value of those exports was up even more, rising 50 percent from the year-ago level to more than \$4.6 billion. The strength in wheat exports last fiscal year stemmed largely from sales to China and the Soviet Union.

Coarse grain exports, the bulk of which are accounted for by corn, rose 12 percent in terms of tonnage in fiscal 1988. In terms of the value of shipments, coarse grain exports jumped almost 39 percent from a year earlier. The gains reflect the strong sales of corn and sorghum recorded during the first nine months of the fiscal year and the sharply higher prices following the drought this summer.

While grain exports continued to show strong gains in terms of both volume and value in fiscal 1988, export shipments of soybeans dropped from the year-earlier level. At just under 21 million metric tons, fiscal 1988 soybean exports were down about 2 percent from last year. The decline for the year was brought about by sharply lower shipments following this summer's drought that more than offset a slight year-to-year increase in export tonnage that had been registered during the first nine months of the fiscal year. However, the sharply higher prices following the onset of the drought did contribute to a 22 percent increase in the value of soybean shipments last year. In terms of other oilseed products, soybean cake and meal tonnage was off 6 percent from last year, but the value of those exports was up 11 percent. The volume of soybean oil exports was up 58 percent from last year, while the value of soybean oil exports almost doubled from the year-ago level. Although soybeans and soybean products account for almost 90 percent of the value of U.S. oilseed exports, exports of sunflower seed and other oilseed products increased as well, rising almost a fourth from the previous year's level.

**Agricultural exports in fiscal 1988
(\$35.5 billion)**



SOURCE: USDA.

Export of other U.S. agricultural commodities also fared well in fiscal 1988. While shipments of cotton were up about 7 percent from the previous year, higher average prices in 1988 boosted the value of cotton exports more than 50 percent. In addition, exports of horticultural products were up about a fifth in terms of both value and tonnage. Fiscal 1988 also saw a record level of animal product exports, with the value of livestock, dairy and poultry exports rising a fourth from the fiscal 1987 level.

Early estimates by the USDA of fiscal 1989 export prospects point to mixed results. On the one hand, as world stocks of drought-affected grains and oilseeds are drawn down during the course of the year, prices are expected to remain very strong, boosting the value of U.S. agricultural exports for the third consecutive year. On the other hand, shipments of commodities most damaged by the drought are projected to decline, reducing the United States' share of world trade in those commodities.

U.S. coarse grain exports in the fiscal year that began on October 1 are expected to drop about 3.4 percent from the previous year in terms of tonnage. The drop will be accounted for by coarse grains other than corn, which is projected to show an increase in shipments of almost 2.5 percent compared to fiscal 1988. Higher coarse grain prices, however, are forecast to boost the value of these exports by almost 23 percent.

U.S. wheat and flour export volume in fiscal 1989 is expected to register a slight decline. At about 40.2 million metric tons, shipments would be down about 3 percent from a year earlier. However, tight supplies

among major exporting countries will maintain upward pressure on prices, boosting the value of wheat and flour exports by more than a fourth.

USDA projections of soybean exports in the current fiscal year point to a sharp year-to-year decline. The drop is attributable to the drought-reduced supplies available for export from the United States and likely record crop response by South American producers. At 15.4 million metric tons, the USDA projection points to a drop of almost 27 percent from last year and the lowest level of soybean exports in twelve years. Stronger prices, however, will only partially offset the drop in tonnage, resulting in a 10.5 percent drop in the value of soybean exports. Shipments of soybean meal in fiscal 1989 are forecast to drop more than 37 percent from a year earlier, with the value off more than a fourth. Soybean oil exports will likely register a drop of about 30 percent in tonnage and value.

Exports of horticultural products are expected to continue rising in fiscal 1989. The USDA forecast points to a 4 percent rise in tonnage and a 7 percent increase in value to a record level. The value of livestock, dairy, and poultry product exports in fiscal 1989 is expected to hold at last year's record level. Cotton exports, however, are expected to be pressured by competition, resulting in a year-to-year drop of about 23 percent in shipments and almost 30 percent in value.

The value of U.S. agricultural exports to all regions of the world recorded significant gains in fiscal 1988 and exports to most regions are expected to remain strong this year. Exports of U.S. agricultural products to the European Economic Community will likely be an exception to this trend. Somewhat slower economic growth in the region along with large grain and oilseed crops are cited as reasons for an almost 3 percent year-to-year drop in the USDA forecast of the value of exports to the region in fiscal 1989. The outlook for agricultural trade is further clouded by the recent announcements of a ban on imports of U.S. meat products from livestock treated with growth hormones effective January 1 and retaliatory restrictions by the United States on a variety of products imported from EC countries.

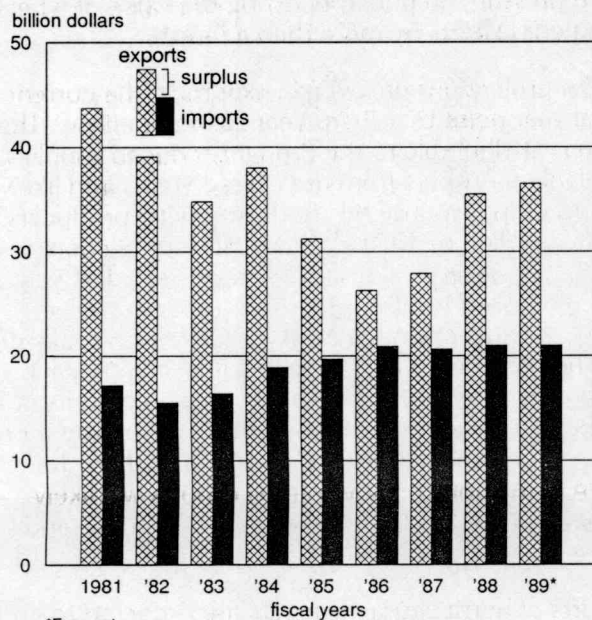
U.S. agricultural exports to Eastern Europe, after a 23 percent increase in value last year, are expected to show little change this year. Increased grain production in the region along with pressures associated with a large external debt are expected to limit U.S. exports. The value of exports to the Soviet Union, however, is projected to move higher again this year, following a near tripling in fiscal 1988. A drop in coarse grain production will contribute to strong U.S. corn sales to the country as well as sustaining oilseed and

U.S. agricultural exports by region

	Fiscal year beginning October 1			
	1986	1987	1988	1989*
	(----- billion dollars -----)			
Western Europe	6.8	7.2	8.0	7.8
European Community	6.4	6.8	7.5	7.3
Eastern Europe	.4	.5	.6	.5
Soviet Union	1.1	.7	1.9	2.2
Asia	9.3	10.3	14.0	15.1
Japan	5.1	5.6	7.3	8.0
China	.1	.2	.6	.8
Other Asia	4.1	4.5	6.1	6.3
Middle East	1.2	1.7	1.9	1.9
Africa	2.1	1.8	2.3	2.4
Latin America	3.6	3.8	4.4	4.5
Canada	1.5	1.8	2.0	2.0
Oceania	.2	.2	.2	.2
Total	26.3	27.9	35.5	36.5

*Forecast.
SOURCE: USDA.

U.S. agricultural trade balance



product exports. Combined with higher prices, that will help boost the value of exports to the Soviet Union by about 15 percent.

The value of exports to Asian countries, the largest regional market for U.S. agricultural exports, are forecast to rise at a more moderate pace than the 36 percent increase recorded last year. The expected 7.5 percent year-to-year increase will be led by a strong 10 percent growth in agricultural exports to Japan, which accounts for more than half of the value of U.S. agricultural exports to the region. Little change in grain imports, but at higher prices along with expanded markets for U.S. beef and oranges will spur the increase. Sales to China, after more than doubling last year, are expected to register a 30 percent year-to-year gain in fiscal 1989.

Agricultural exports to Latin American countries are expected to show additional strength this year, following a 17 percent rise in fiscal 1988. Analysts attribute much of last year's increase to large animal product imports by the government in order to maintain adequate supplies and curb domestic price increases. With this policy expected to continue in fiscal 1989, and larger imports of wheat, oilseeds, and rice to supplement drought-reduced crops, U.S. agricultural exports to Mexico are forecast to increase about 10 percent from last year.

Sales of U.S. agricultural commodities to the Middle East, after increasing more than 14 percent last year, are expected to hold at that level in fiscal 1989. However, exports to Africa are forecast to be up more than

5.5 percent from last year when a year-to-year gain of 27 percent was recorded. The increase in the value of exports will be registered largely in North Africa, but import restrictions on foreign exchange constraints will continue to inhibit imports in the region.

Imports of agricultural products by the United States have been fairly stable in recent years, but at record levels. Following a year-to-year gain of less than 2 percent in fiscal 1988, imports are projected to hold at the \$21 billion level this year. Imports of animals and animal products are forecast to drop about 10 percent from last year's level, but will be offset by greater imports of coffee. Shipments of coffee into the United States are forecast to rise almost 4 percent from a year ago, and higher prices will boost the value of coffee imports by about 15 percent. Imports of fruits, nuts, and vegetables are expected to hold at or above last year's record level.

With U.S. agricultural exports expected to rise again this year while imports remain steady, the U.S. agricultural trade surplus will likely register a third consecutive annual increase. At \$15.5 billion, the agricultural trade surplus is expected to be up almost 7 percent from last year and almost triple the low recorded in fiscal 1986. Nevertheless, the excess of U.S. agricultural exports over imports remains far below the \$26.6 record of fiscal 1981.

The agricultural trade balance has improved due to a reversal of the 1986 agricultural trade deficit with less developed countries, and continued gains in the trade surplus with developed and centrally planned countries. After recording an agricultural trade deficit of more than \$400 million with less developed countries in fiscal 1986, the United States has recorded a growing surplus the last two years and is expected to record another gain to \$3.4 billion this year. Similarly the balance of trade in agricultural commodities with developed countries is expected to expand again this year to more than \$9 billion, while the surplus with centrally planned countries is projected to approach \$3 billion.

Peter J. Heffernan

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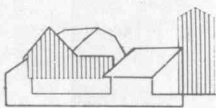
Selected Agricultural Economic Indicators

	Latest period	Value	Percent change from		
			Prior period	Year ago	Two years ago
Prices received by farmers (1977=100)					
Crops (1977=100)	November	142	-0.7	8	15
Corn (\$per bu.)	November	133	0.0	11	33
Oats (\$per bu.)	November	2.46	-4.7	52	67
Soybeans (\$per bu.)	November	2.40	-6.3	48	82
Wheat (\$per bu.)	November	7.27	-3.5	36	57
	November	3.90	1.6	45	60
Livestock and products (1977=100)					
Barrows and gilts (\$per cwt.)	November	151	-0.7	6	4
Steers and heifers (\$per cwt.)	November	36.80	-6.8	-10	-31
Milk (\$per cwt.)	November	72.60	0.0	9	21
Eggs (¢per doz.)	November	13.20	1.5	2	-1
	November	59.4	1.2	11	-11
Prices paid by farmers (1977=100)					
Production items	October	174	1.2†	5	10
Feed	October	162	1.3†	8	14
Feeder livestock	October	142	-3.4†	35	43
Fuels and energy	October	196	8.9†	3	23
	October	162	-2.4†	-4	8
Producer Prices (1982=100)					
Agricultural machinery and equipment	November	110	0.4	3	6
Fertilizer materials	November	113	0.1	3	3
Agricultural chemicals	November	103	3.1	17	26
	November	110	1.7	4	7
Consumer prices (1982-84=100)					
Food	November	120	0.1	4	9
	November	120	-0.1	5	9
Production or stocks					
Corn stocks (mil. bu.)	September 1	4,260	N.A.	-13	5
Soybean stocks (mil. bu.)	September 1	303	N.A.	-31	-43
Beef production (bil. lbs.)	October	2.01	-1.8	-4	-7
Pork production (bil. lbs.)	October	1.44	6.1	6	12
Milk production (bil. lbs.)††	October	10.1	2.3	2	5

N.A. Not applicable

†Prior period is three months earlier.

††21 selected states.



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