AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
http://ageconsearch.umn.edu
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

FEDERAL RESERVE BANK OF CHICAGO

AGRICULTURAL LETTER

ISSN 0002 - 1512

June 8, 1984 Number 1631

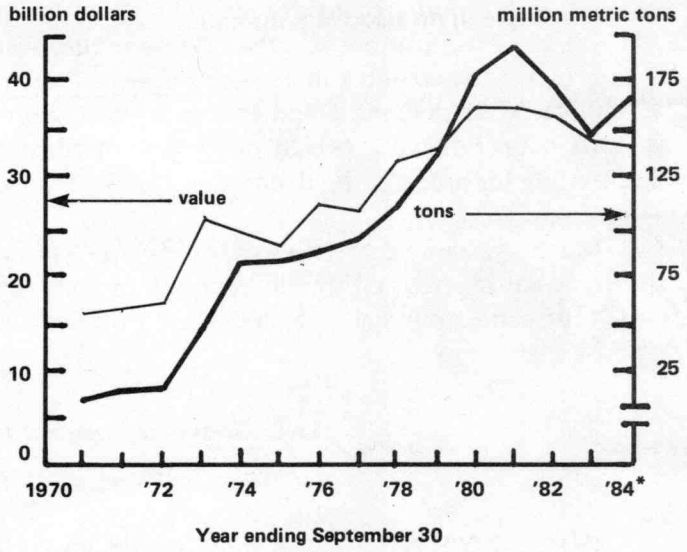
WAITE MEMORIAL BOOK COLLECTION
DEPT. OF AGRIC. AND APPLIED ECONOMICS

AGRICULTURAL EXPORT ESTIMATES for fiscal 1984 were recently revised. The revisions project a slight increase in both the value and the tonnage of export shipments expected for the current fiscal year that ends with September. The value of U.S. agricultural exports is now expected to reach $38 billion in fiscal 1984, up $500 million from the previous estimate and up 9 percent from the fiscal 1983 low. The tonnage estimate for this year was raised to 142 million metric tons, up from the previous estimate of 140 million tons but still lagging the three-year low of 144.8 million metric tons in fiscal 1983. While the upward revisions are encouraging, the quantity of corn and soybean exports will continue at a very sluggish pace through the summer months. Early projections for fiscal 1985, however, foreshadow an upswing.

Agricultural exports, after growing rapidly in the 1970s, have declined in recent years. The downturn reflects numerous factors that have produced a general decline in the world grain trade and a withering of the U.S. share of world grain exports. In the late 1960s, the value of U.S. agricultural exports approximated $6 billion annually. By the end of the 1970s, the annual value approximated $30 billion, marking a compound rate of increase of about 17.5 percent annually. Exports soared again in fiscal 1980 and reached a peak of $43.8 billion in fiscal 1981. The next two fiscal years brought consecutive declines of 10 percent. The projected rise in the value of U.S. agricultural exports for this fiscal year will offset only a third of the decline of the past two years.

Much of the rise in the value of U.S. agricultural exports in the 1970s represented high commodity prices. But even so, the quantity of export shipments achieved an exceptional growth rate of about 8 percent annually, with that for grains and soybeans approximating 10 percent annually. In fiscal 1979, some 137 million metric tons of U.S. agricultural commodities were exported, and in fiscal 1980 agricultural exports soared to the still-standing record of 164 million tons. In the past three fiscal years, the volume of shipments has dropped nearly 12 percent,

U.S. agricultural exports up in value this year but down again in tonnage



USDA forecast

and the latest estimates foreshadow another 2 percent decline for the current fiscal year. Interestingly, had the growth rate of the 1970s prevailed into the 1980s, the volume of U.S. agricultural exports this fiscal year would have been roughly 40 percent higher than the 142 million metric tons currently projected, alleviating present concerns about excess production capacity in U.S. agriculture.

For Midwest corn and soybean farmers, the recent upward revisions in the export tonnage estimate largely acknowledge the "faster than expected" pace in shipments since last September rather than any hope for a considerably faster pace in the months ahead. For corn, the latest estimate suggests that exports this fiscal year will reach 1.9 billion bushels. That would represent a 1.6 percent increase from last year's low but would still fall well short of the fiscal 1980 peak of over 2.4 billion bushels, and it would still be the second lowest for any year since fiscal 1977. Through April of this fiscal year, corn exports reached 1.2 billion bushels, or 3 percent

above the year-ago pace. In light of the pace through April, the estimate for all of fiscal 1984 implies that corn exports for the five months ending in September will at best only match the year-earlier pace, which was the slowest for that period in six years.

The increase in corn exports to date reflects large increases in shipments to a few areas of the world that have offset declines in most other areas. Big increases in year-to-date corn shipments include those to the USSR (up 86 percent), Japan (up 18 percent), Africa (up 120 percent), and Taiwan (up 9 percent). In contrast shipments to China dropped to zero, while those to other Asian countries were off 20 percent. Also, corn exports to Europe, which have been on the downswing the past several years, continued to decline, with those to the EEC off 25 percent, those to other Western European countries off 10 percent, and those to Eastern European countries off 62 percent. Shipments to western hemisphere countries were off 20 percent with Mexico accounting for much of the decline.

Much the same pattern emerges for soybean exports, now projected at 760 million bushels for this fiscal year. The estimate indicates a 16 percent decline from fiscal 1983, with the decline largely reflecting the curtailed supplies following last year's drought. Through April, soybean exports totaled 519 million bushels, off 15 percent from the year-ago pace. Subtracting shipments thus far from the shipments projected for the entire fiscal year implies that soybeans exports in the five months ending with September will be down more than a fifth from the year-earlier pace.

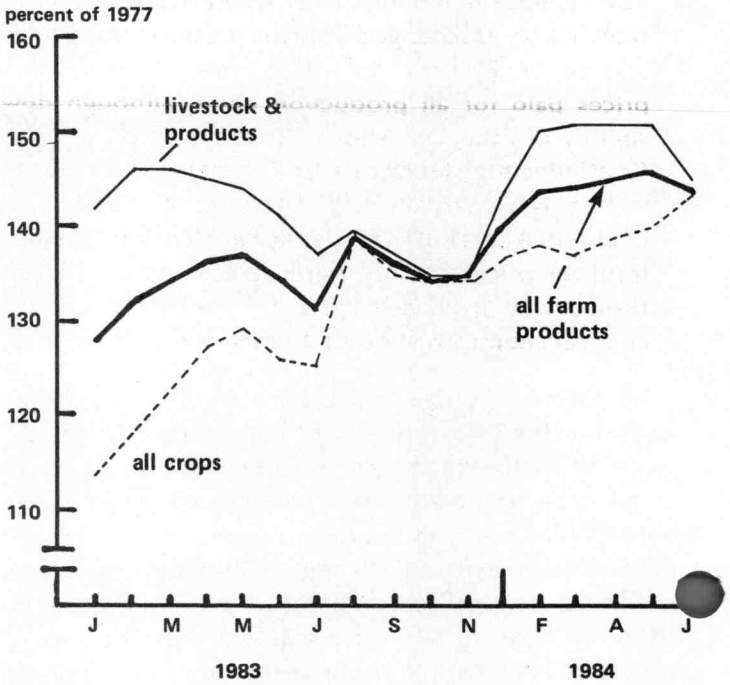
The probable sluggish export pace for corn and soybeans through the summer months reflects several factors, including the drought-reduced domestic supplies and the recent completion of a bumper harvest of soybeans and coarse grains in major exporting countries of the Southern Hemisphere. But with a more normal domestic harvest this fall, the USDA is projecting a pickup in corn and soybean exports in fiscal 1985. In its first assessment of next year's prospects, the USDA recently suggested that corn exports in fiscal 1985 might increase about 7 percent while soybean exports might rise about 10 percent. These projections offer hope for an upturn in exports but clearly do not predict a boom.

Gary L. Benjamin

PRICES RECEIVED BY FARMERS edged lower in May, but the index average for the first five months of the year was at a record high for the period. The 1 percent drop in the May index of prices received for all farm products marked the first monthly decline in the index since October of last year. However, the May index, at 144 percent of the 1977 base, was up 5 percent from the level of a year earlier. The index of prices paid by farmers held at 166 percent of its 1977 base in May, unchanged from the previous month but up about 3 percent from the May 1983 level. These price trends combined to boost the ratio of the index of prices received to the index of prices paid to 87 percent, up 2 points from last year's level.

The trend in the overall index of prices received conceals differences in trends between crops and livestock. After a gradual increase in the fourth quarter of 1983 and early this year, the index of prices received for crops fell in February before resuming its upward trend in the subsequent three-month period. The index of all crop prices in May was up 3 percent from a month earlier and exceeded the year-ago level by almost 12 percent. A

Index of prices received by farmers



SOURCE: USDA

small month-to-month decline in food grain prices and a sharp drop in vegetable prices in May partially offset the gains registered by most other crops. Corn prices in mid-May—at $3.36 per bushel—were up 4 cents from the previous month's level and 33 cents above year-ago prices. After ranging between $7.30 and $7.85 a bushel in the first four months of the year, soybean prices jumped to $8.24 per bushel in mid-May, approaching the previous high $8.28 per bushel recorded in September.

Producers of livestock and livestock products, following the rapid rise in livestock prices during the fourth quarter of last year, have experienced a somewhat different trend this year. After a slight increase early in the year, the index of prices received for livestock and products remained stable through April, and then declined in May. The May index of livestock and product prices was down 4 percent from the previous month and less than 1 percent above the year-earlier level. The decline in the index was paced by a sharp drop in egg prices, down almost 25 percent from April's level. Steer and heifer prices in May fell almost 4 percent from the previous month and trailed year-ago levels by 2 percent. In contrast, barrow and gilt prices rose slightly in May and remained almost 4 percent above last year's level.

The index of prices paid by farmers for commodities and services, interest, taxes, and wages in May was unchanged from the previous month, but up 3 percent from the level of a year ago. Although almost all of the individual components of the prices paid index were above year-ago levels, the magnitude of the year-to-year changes varied somewhat. Interest, taxes, and wage rates in May, unchanged from the previous month, were up from 2 to 6 percent from year-ago levels. The index of prices paid for all production items, although down slightly in May, was about 3 percent above last year. Continued high feed costs, up 7 percent from a year ago in May, were partially offset by a year-to-year decrease of almost 8 percent in feeder livestock prices. Seed and fertilizer prices in May were up 8.5 and 6.5 percent, respectively, from year-ago levels, while prices of agricultural chemicals showed an increase of more than 2 percent. The index of prices paid for tractors and self-propelled machinery in May was unchanged from the previous month's level, but almost 5 percent greater than last year.

The higher prices paid for agricultural inputs along with larger purchases as PIK-diverted acres are brought back into production will lead to substantial increases in expenditures by farmers in 1984. USDA forecasts of expenditures by farmers this year on machinery, fertilizer, chemicals, seed, and energy suggest a 13 percent increase from last year's level. While the dollar volume of farm machinery purchases (including leasing and rental) are expected to be up almost 9 percent this year, expenditures on maintenance and repairs are expected to jump more than 15 percent with the increase in planted acreage. Similarly, applications of agricultural chemicals are projected to rise, boosting fertilizer and pesticide expenditures by 14.5 and 16 percent, respectively, above year-ago levels. Expenditures for seeds are expected to be up 23 percent from a year ago as the drought-reduced supplies and the upturn in acres planted boost seed prices. In addition, energy expenditures by agricultural producers are forecast to rise 10 percent in 1984 from last year's PIK-and drought-reduced level.

The outlook for farm income in 1984 was recently revised downward from the high levels of earlier estimates. The USDA forecast of total net farm income—the difference between total gross income, including the value of inventory change, and total expenses—is now indicating a range of $30 billion to $34 billion, down $1 billion to $2 billion from earlier estimates. The revised projection of net cash income—total cash income less cash expenses—ranges from $34 billion to $38 billion, down $3 billion from the previous projections. In addition, some analysts are expecting downward revisions of the earlier estimates of about $21 billion for total net income and $42 billion for net cash income in 1983.

Peter J. Heffernan

Selected Agricultural Economic Indicators

	Latest period	Value	Percent change from Prior period	Year ago	Two years ago
Prices received by farmers *(1977=100)*	May	144	- 1.4	+ 5	+ 4
Crops *(1977=100)*	May	144	+ 2.9	+12	+14
Corn *($ per bu.)*	May	3.36	+ 1.2	+11	+29
Oats *($ per bu.)*	May	1.88	+ 3.3	+22	- 6
Soybeans *($ per bu.)*	May	8.24	+ 5.4	+36	+31
Wheat *($ per bu.)*	May	3.59	- 1.1	- 4	- 1
Livestock and products *(1977=100)*	May	145	- 4.0	+ 1	- 4
Barrows and gilts *($ per cwt.)*	May	48.30	+ 0.8	+ 4	-16
Steers and heifers *($ per cwt.)*	May	62.30	- 3.6	- 2	- 7
Milk *($ per cwt.)*	May	12.90	- 1.5	- 3	- 2
Eggs *(¢ per doz.)*	May	68.9	-24.6	+13	+41
Prices paid by farmers *(1977=100)*	May	166	0	+ 3	+ 6
Production items	May	157	- 0.6	+ 3	+ 1
Feed	May	143	0	+ 7	+12
Feeder livestock	May	154	- 2.5	- 8	- 9
Fuels and energy	May	204	+ 0.5	+ 1	+ 1
Producer prices *(1967=100)*	April	291	- 0.1	+ 3	+ 5
Agricultural machinery and equipment	April	336	+ 0.8	+ 4	+10
Fertilizer materials	April	246	+ 1.4	+ 7	- 2
Agricultural chemicals	April	445	- 2.2	- 3	- 3
Consumer prices *(1967=100)*	April	309	+ 0.5	+ 5	+ 9
Food	April	302	0	+ 4	+ 6
Production or stocks					
Corn stocks *(mil. bu.)*	April 1	3,258	N.A.	-48	-37
Soybean stocks *(mil. bu.)*	April 1	753	N.A.	-36	-28
Beef production *(bil. lbs.)*	April	1.78	- 8.3	+ 3	N.A.
Pork production *(bil. lbs.)*	April	1.23	- 7.8	- 2	N.A.
Milk production *(bil. lbs.)*	April	11.7	- 0.6	- 2	N.A.

N.A. Not applicable

AGRICULTURAL LETTER
FEDERAL RESERVE BANK OF CHICAGO
Public Information Center
P.O. Box 834
Chicago, Illinois 60690

Tel no. (312) 322-5111

FEDERAL RESERVE BANK OF CHICAGO
AGRICULTURAL LETTER

FIRST-CLASS MAIL
U.S. POSTAGE
PAID
Chicago, Il.
Permit No. 1942

AG
HEAD-DEPT. OF AGRIC. ECON.
INSTITUTE OF AGRICULTURE
UNIVESITY OF MINNESOTA
ST. PAUL, MN 55101