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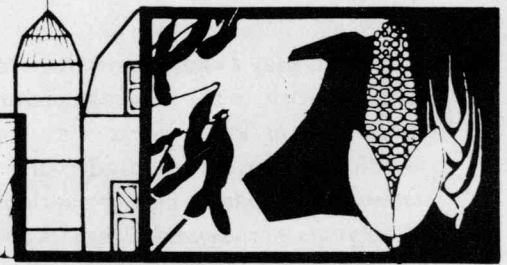
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U.S. AGRICULTURAL EXPORTS are expected to reach another new high in the fiscal year that started in October. Nevertheless, the overall export picture lacks the strength that would normally be desired with the large supplies available for export. In early November, the USDA forecast that agricultural exports would rise 4 percent to \$45.5 billion in fiscal 1982. Subsequent downward revisions in price and export tonnage estimates for some individual commodities, however, imply the increase may be somewhat smaller.

A rise of 4 percent or less in the value of agricultural exports for fiscal 1982, if it materializes, would mark the smallest annual rise in seven years. It would also fall well short of the average annual rise of 14 percent during the past five years. Since prices are expected to average well below year-earlier levels, all of the projected value increase hinges on a significant recovery in export tonnage. Initially, the USDA forecast that the tonnage of agricultural exports would rise 11 percent in fiscal 1982 to 180 million metric tons. More recent estimates for individual commodities, however, imply that the overall tonnage estimate has been lowered by nearly 2.5 million metric tons, portending an increase of only 9 percent.

A large share of the increase in tonnage will go to the Soviet Union. The USSR has authorization to purchase 23 million metric tons of U.S. corn and wheat in fiscal 1982. Most analysts believe that actual Soviet purchases of U.S. grains will range from 15 to 18 million tons, up from 9.6 million in fiscal 1981. The USSR is also expected to purchase 1 or 2 million tons of U.S. soybeans and related products.

About half of the projected increase in tonnage is for wheat and flour shipments, which are expected to rise 18 percent to 51 million metric tons in fiscal 1982. If achieved, that would mark a phenomenal two-year rise of 38 percent in export shipments of wheat and flour. Export shipments of soybeans and related products, as revised, are expected to reach 30 million metric tons, up 12 percent from the reduced level of fiscal 1981 but still nearly 7 percent short of the record set in 1980. Export shipments of feed grains, as revised, are forecast to reach

72.2 million metric tons, up nearly 5 percent from fiscal 1981 but only 1 percent above the record of two years ago. Together, feed grains, wheat and flour, and soybeans and related products account for more than 85 percent of the export tonnage projected for fiscal 1982 and roughly two-thirds of the projected value of fiscal 1982 agricultural exports.

Although new highs in tonnage and value for agricultural exports are expected for fiscal 1982, the export picture, except for wheat, is still sluggish. Under more normal conditions, the price declines that have accompanied the huge 1982 crop harvests might be expected to trigger more aggressive buying patterns. This clearly has not yet occurred. Reflecting this, export shipments of corn since October 1 are down a fourth from the year-earlier pace and down a tenth from the average of the past three years. Moreover, outstanding export orders for corn in early November were 60 percent below the level of unshipped orders for that date the previous two years. After a sluggish performance throughout last year, soybean shipments are off to a fast start this year. Since September 1, soybean exports have exceeded the year-ago pace by 37 percent and the three-year average pace by 12 percent. But unshipped export orders for soybeans as of early November were 26 percent below the average for that date the past two years. Overall, the combined total of shipments-to-date and unfilled export orders for soybeans does not depict an aggressive export picture.

The sluggishness in exports in recent months, particularly for corn and soybeans, is attributable to the availability of relatively abundant supplies from other exporting countries in the Southern Hemisphere. In addition, export demand has been undermined by the deteriorating economic growth patterns in most developed countries, the higher value of the U.S. dollar, and high interest rates. These factors have encouraged importing countries to purchase more on a hand-to-mouth basis. While low commodity prices may yet trigger more aggressive buying patterns, problems of slow economic growth abroad will likely cast a cloud on the export picture for several more months.

Exports play a vital role in the overall U.S. economy and particularly in the earnings picture for U.S. farmers. In fiscal 1981, agricultural exports were 2.5 times imports, providing an agricultural trade surplus of \$26.6 billion. That was more than double the agricultural trade surplus of five years earlier and a remarkable performance in light of the fact that the U.S. was consistently a net importer of agricultural products as recently as two decades ago.

The importance of exports to U.S. agriculture is further amplified in a recent Iowa State University publication entitled *World Food Trade and U.S. Agriculture, 1960-1980*. The report notes that in 1980-81, 69 percent of the world's coarse grain exports originated in the United States, up from 41 percent a decade earlier. Exports of U.S. corn, which is by far the dominant coarse grain, rose fourfold over the past decade and now typically account for about a third of annual domestic produc-

tion. A decade ago, corn exports utilized around 13 percent of annual production. U.S. exports of soybeans account for well over three-fourths of world trade in unprocessed soybeans, while U.S. exports of soybean meal and soybean oil account for 35 and 25 percent, respectively, of the world total in those two products. The U.S. share of world trade in soybeans and related products has declined significantly over the past decade, largely because of huge growth in production in Southern Hemisphere countries. Nevertheless, exports of soybeans and related products, on a bean equivalent basis, have nearly doubled over the past decade and now account for 55 percent of annual U.S. soybean production. A decade ago, exports of soybeans and products accounted for about 50 percent of annual domestic production.

Gary L. Benjamin

RETAIL FOOD PRICE PRESSURES have eased considerably since last winter. Overall, retail food prices rose at an annual rate of only 5 percent during the first ten months of this year. With moderate gains likely in the last two months it now appears that retail food prices for all of 1981 will average 8 percent higher than in 1980. A somewhat smaller increase is likely next year according to the USDA.

Retail food prices had been expected to increase substantially in 1981 and contribute heavily to the overall inflation rate. Many early estimates of the increase in retail food prices had ranged from 10 to 15 percent. But, owing to a number of developments, sharply higher prices have not materialized for several major food items. Despite a decline in pork supplies from year-earlier levels in the first three quarters of 1981, beef and poultry supplies were ample enough to hold total meat supplies moderately above year-ago levels. As a result, retail meat prices declined during the first five months of this year and in October were only nominally higher than the year before. Retail prices of meats, which make up a fifth of the measure of retail food prices, were up 1 percent in October from December. Retail pork prices accounted for most of the gain, as they rose 4.1 percent from December to October. Retail beef prices, however, were 0.1 percent lower in October than in December and retail poultry prices were down 3.0 percent for the same period. Beef supplies this year increased 4 percent above a year ago while poultry supplies were up 6 percent.

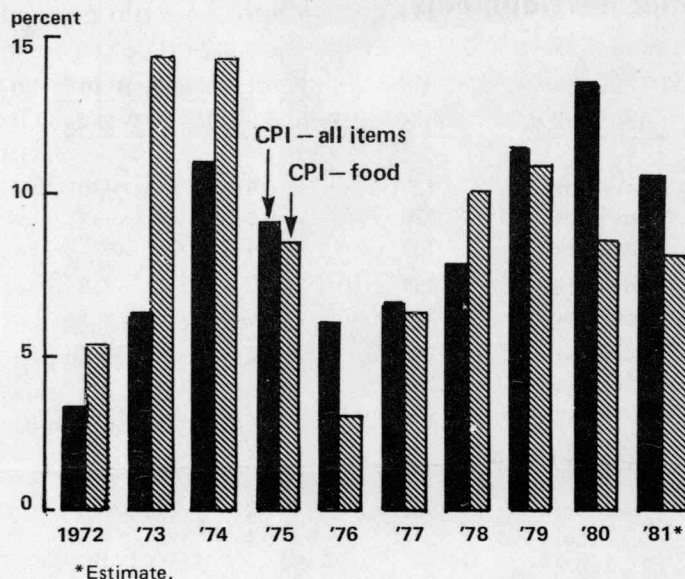
Little movement has occurred in retail dairy prices

since spring. Abandonment of a scheduled April 1 increase in the dairy support price and continued high levels of milk production have resulted in slower price advances in recent months. Retail prices of dairy products, which represent a tenth of the index of retail food prices, were up 2.8 percent in October from December, and were up 5.1 percent from a year ago. Sugar prices, which peaked above 40 cents per pound in 1980, have dropped to less than half that level recently. Consequently, retail prices for sugars and sweeteners in October were 6.8 percent below December's level. Since sugar is a component in bakery items, beverages, and other products, this price decline has helped to slow the rate of increase in a number of other grocery items.

Fruits and vegetables, fats and oils, and cereal and bakery products led the rise in retail food prices during the first ten months of 1981. A mid-January Florida freeze substantially reduced the availability of some fruits and vegetables. Fresh fruit and vegetable prices rose sharply in the late winter and spring but have trailed off since then in line with seasonal increases in supplies. Nevertheless, retail prices of fresh fruits and vegetables in October were still 4.4 percent higher than in December. Owing to tighter supplies this year, processed fruits and vegetables were up 11.4 percent from December. Fats and oil prices also rose substantially this year, increasing 6.5 percent from December to October, while cereal and bakery products were up 6.4 percent.

Increases in processing and distribution costs have accounted for most of this year's rise in food prices. Food

Food undercut the rise in consumer prices in six of the last seven years.



marketing costs—which account for two-thirds of consumer food expenditures—increased 9.5 percent from December to October. In recent months, transportation and labor have led the rise in all marketing costs. In particular, increases in rail freight rates charged for transportation of food products caused a sharp month-to-month gain in October. In contrast, fuel and power costs have remained virtually unchanged in recent months. Nevertheless, fuel and power costs in October were up 17 percent from a year ago.

Increases in the retail prices of food consumed away from home outpaced the rise in prices of food bought for consumption at home. The index of food consumed away from home in October was 6.7 percent above December and 8.5 percent above a year ago. Rising labor and energy costs continued to be significant forces in the upward trend of the prices of food consumed away from home.

Despite increases in food prices, volumes have risen at both grocery stores and eating and drinking places. So far this year, the volume of grocery store food sales is up about 0.8 percent from last year. According to trade reports, the increase at eating and drinking places is about 1.4 percent. The upturn in sales volume at eating and drinking places reverses a trend of real losses in volume over the last couple of years.

For all of 1981, retail food prices are likely to average about 8 percent above last year. This would mark the smallest increase in retail food prices since 1977. Last year food prices rose, on average, 8.6 percent from the

year before. In 1978 and 1979, food prices increased 10 percent and 10.9 percent, respectively.

The outlook for food prices in 1982 is clouded by uncertainties regarding supplies of food. Near-term fundamentals point to continued declines in pork production, but large beef and poultry supplies. Preliminary indications also point to smaller citrus supplies but ample supplies of vegetables. High levels of production of vegetable oils, peanuts, and sugar are expected to dampen the price pressures for these commodities. Also, large supplies of milk and dairy products will temper price increases in these items if the dairy support price remains unchanged for another year as expected. However, as always, developments in the weather and other factors may substantially alter the pattern of supplies in the months ahead. Nevertheless, at this point the USDA is expecting relatively large supplies of food and only nominal pressures on retail food prices from rising farm-level prices of raw food commodities.

In contrast, higher food marketing costs are expected to account for virtually all of the rise in retail food prices in 1982. A majority of the labor contracts in the processing, distribution, and food retailing industries will be up for renegotiation in the year ahead. New contract settlements and another increase in social security benefits could boost the labor component—which makes up nearly half of food marketing costs—8 to 10 percent above this year. In addition, considerable pressure is expected from transportation costs.

Packaging and fuel and power costs, on the other hand, may not contribute as much to the rise in food marketing costs as they did this year. Smaller increases in prices are expected in 1982 for a number of container and packaging materials, owing in part to lower-than-normal utilization of plant capacity. Fuel and power costs, which rose sharply after deregulation in 1981, are not expected to rise significantly in view of sluggish economic growth and stagnant world demand. Some prices may be up, however. Natural gas prices will continue to escalate under existing legislation. Also, higher coal prices may result from higher labor costs associated with new labor contracts in that industry.

In all, the USDA estimates that retail food prices will rise 7 percent next year, largely because of the pressures from increased food marketing costs. Because this projection is also predicated on normal weather and modest gains in prices of farm commodities, any change in these factors could result in even faster gains in food prices.

Jeffrey Miller

Selected agricultural economic developments

Subject	Unit	Latest period	Value	Percent change from	
				Prior period	Year ago
Index of prices received by farmers	1977=100	November	129	- 0.8	-10
Crops	1977=100	November	120	+ 0.8	-14
Livestock	1977=100	November	138	- 1.4	- 7
Index of prices paid by farmers	1977=100	November	151	0	+ 5
Production items	1977=100	November	147	0	+ 1
Producer price index* (finished goods)	1967=100	October	274	+ 1.1	+ 7
Foods	1967=100	October	254	- 0.7	+ 2
Processed foods and feeds	1967=100	October	247	- 0.7	- 4
Agricultural chemicals	1967=100	October	292	0	+12
Agricultural machinery and equipment	1967=100	October	292	0	+10
Consumer price index** (all items)	1967=100	October	280	+ 0.2	+10
Food at home	1967=100	October	272	- 0.4	+ 5
Cash prices received by farmers					
Corn	dol. per bu.	November	2.33	- 4.9	-25
Soybeans	dol. per bu.	November	6.00	- 1.0	-27
Wheat	dol. per bu.	November	3.80	+ 0.8	-12
Sorghum	dol. per cwt.	November	3.96	+ 1.5	-27
Oats	dol. per bu.	November	1.91	+ 7.3	+ 4
Steers and heifers	dol. per cwt.	November	58.60	- 2.3	-11
Hogs	dol. per cwt.	November	42.20	- 6.2	- 7
Milk, all sold to plants	dol. per cwt.	November	14.10	+ 0.7	+ 1
Broilers	cents per lb.	November	25.2	- 2.7	-17
Eggs	cents per doz.	November	69.5	+ 8.9	+ 6
Income (seasonally adjusted annual rate)					
Cash receipts from farm marketings	bil. dol.	3rd Quarter	145	- 0.5	+ 4
Net farm income	bil. dol.	3rd Quarter	25	+ 6.9	+26
Nonagricultural personal income	bil. dol.	October	2,422	+ 0.6	+11

*Formerly called wholesale price index.

**For all urban consumers.

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