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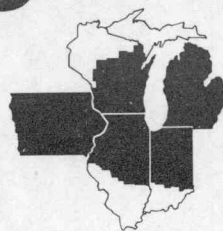
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Agricultural Letter



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AGRICULTURAL EXPORTS may set a new record in fiscal 1977. Exports of agricultural commodities are expected to reach the \$24 billion mark for the fiscal year ending September 30, 1977—up from \$22.8 billion during the previous 12-month period, according to recent estimates by the U.S. Department of Agriculture (USDA). However, if the level of agricultural imports attains the record proportions now being forecast, the U.S. agricultural trade balance would deteriorate for the second consecutive year.

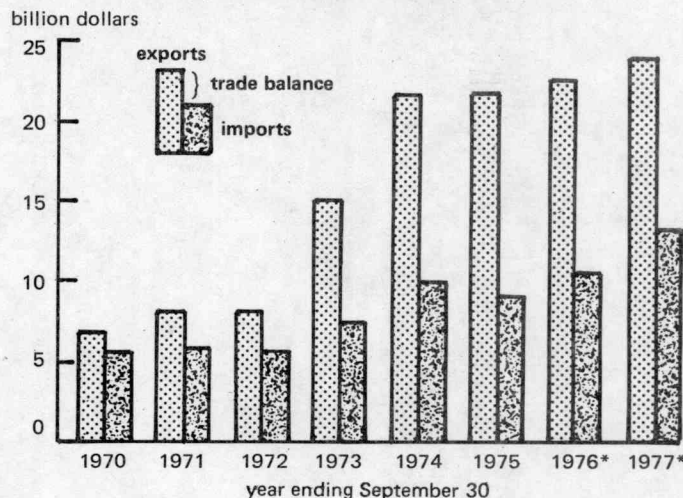
Farm product exports of \$2.2 billion during May were nearly one-fifth above the year-earlier pace, bringing the October 1976-May 1977 export total to \$17.1 billion. This eight-month total represents an increase of approximately one-tenth in the value of U.S. agricultural exports even though the volume fell slightly. Wheat and products experienced the largest decline in export volume, dropping to 15 million metric tons—more than 5 million tons below the level of a year earlier. This drop in export volume coupled with prices averaging nearly one-fifth lower reduced the value of U.S. wheat and products exports by two-fifths for the period. Soybean exports were partially offsetting as both higher prices and larger shipments boosted the total value 55 percent over a year ago. The volume of corn exported was virtually unchanged for the eight months, but lower prices decreased the value of corn exports by 8 percent. Higher cotton prices in conjunction with increased foreign purchases produced more than a doubling in the value of cotton exports for the period. Exports to major U.S. customers show significant shifts, reflecting the varying worldwide growing conditions last year.

Japan strengthened her position as the leading single-country purchaser of U.S. agricultural commodities. For the eight-month period Japan purchased roughly one-sixth of the total U.S. agricultural exports and is presently about one-half billion dollars above the year-earlier level. The nine member countries of the enlarged European Community (EC) have purchased nearly one-third of the October-May total, while Asia (excluding Japan) has purchased another approximately one-sixth. During the current fiscal year EC purchases of U.S. farm products have increased by \$1.35 billion, which approaches 90 percent of the increased value of the October-May U.S. agricultural exports. Canada's purchases of U.S. farm products are averaging 18 percent higher than for the preceding fiscal year, while the USSR's purchases are down nearly two-fifths for the same period.

Agricultural imports could reach \$13.6 billion during fiscal 1977, according to USDA projections. This would represent a nearly 30 percent increase over the year-earlier period and would reduce the agricultural trade surplus to \$10.4 billion—nearly \$3 billion less than the fiscal 1976 balance. Green coffee imports accounted for most of the increase, more than doubling in value over the October 1975-May 1976 period even though the quantity imported declined

slightly. The value of vegetables and associated products imported also increased substantially, while smaller increases were registered for bananas, tea, dry rubber, dairy products, live animals, vegetable oils, fruits, cocoa, and wines. Sugar imports declined more than 26 percent as sharply lower prices offset a one-fifth increase in the quantity imported.

Agricultural exports expected to reach record level in fiscal 1977



*USDA forecasts.

Brazil continues to be the recipient of more U.S. agricultural trade dollars than any other individual country due largely to purchases of green coffee. During the October 1976-May 1977 period, the value of U.S. green coffee imports from Brazil rose more than fourfold. While the quantity of Brazilian coffee purchased by the United States has doubled since a year ago, the countries of Angola, Venezuela, Ethiopia, and Colombia have experienced dramatic reductions in their coffee sales to the United States.

Demand for U.S. agricultural commodities in fiscal 1978 will depend largely on production prospects throughout the world. In general, crop conditions worldwide continue to appear favorable, and numerous countries are anticipating good, if not record, harvests. As a result, preliminary developments suggest that the United States may well experience greater competition in world markets next year.

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