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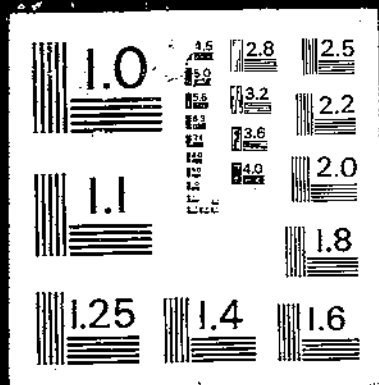
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FOREIGN AGRICULTURAL ECONOMIC REPORT NO. 33

THE WORLD AGRICULTURAL SITUATION

Review of 1966 and Outlook for 1967

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FOUR REGIONAL REPORTS

TO BE ISSUED

More detailed statements of the situation by regions will be issued in four publications in February and March 1967. Separate reports will be presented on each of the following: Western Hemisphere, combined Europe and Soviet Union, Far East, and combined Africa and West Asia. Publications will be complete with text, tables, and charts.

(Approved by Outlook and Situation Board, December 5, 1966)

THE WORLD AGRICULTURAL SITUATION

HIGHLIGHTS



World output of agricultural products in 1966 continued the long-term uptrend. During the past decade, agricultural production has increased at a faster rate in the less developed countries than in the developed countries. However, per capita production in the less developed countries has remained relatively stable because of a high rate of population growth (fig. 1 and table 1).

In North America, agricultural production in 1966 increased 10 percent in Canada but leveled off in the United States. Crops in the Caribbean suffered from the effects of drought and tropical storms. The decline in U.S. stocks of grain, fats and oils, and dairy products has brought about a fundamental change in policy toward food aid in the past year. U.S. food aid, along with capital and technical assistance, will be directed more toward encouraging "self-help" agricultural development efforts in recipient countries. In Mexico, the major agricultural event in 1966 was the Government-fostered shift in acreage from surplus crops (wheat and, to a lesser extent, corn) to those in short supply (such as sorghum and oilseeds).

Rainfall was above average throughout the eastern and southern parts of South America, but the growing season was very dry in the Andean region. Wet weather during harvest reduced the output of food crops in Brazil, and total agricultural production dropped about 10 percent from the record 1965 level. Brazil's large stocks of coffee will be reduced--the 1966 crop was down 45 percent and severe frost damage will affect

the 1967 crop. The output of grain and livestock products in Argentina recovered in 1966 in response to more favorable prices and some improvement in growing conditions. A significant increase in Argentine exports of wheat and feed grains is anticipated in 1967.

Because of cool wet weather during the fall of 1965, many West European countries shifted acreage from winter food grains to spring feed grains. The disastrous November 1966 floods in Italy killed large numbers of livestock and hindered fall seeding. Wheat production dropped more than one-fourth in France. Wheat crops were poor in Portugal and the Scandinavian countries. The prolonged drought was broken in 1966 in Spain and Portugal, bringing agricultural recovery in Spain, but flood damage in Portugal. Spain's new support prices favor the production of feed grains at the expense of wheat. Because of improved domestic availability of feed in West Germany and Austria, the outlook is for reduced grain import requirements in these countries. The United Kingdom harvested a record barley crop in 1966. The austerity program in the United Kingdom may have an adverse short-run effect on demand for imported food and fiber. Beef production increased to near-record levels in 1966 in Western Europe and prices fell sharply. Hog slaughter declined in Western Europe, so export prospects for U.S. lard should improve. Outbreaks of foot-and-mouth disease in 1966 were particularly costly to the Netherlands, since many West European countries temporarily banned imports of meat and meat products from that country.

Table 1.--World agricultural production, total and per capita by region 1960-66 ^{1/}

(Index numbers 1957-59 = 100)

Country or region	Total						
	1960	1961	1962	1963	1964	1965	1966 ^{2/}
United States	106	107	108	112	112	115	113
Canada	109	96	119	128	119	131	144
Latin America	104	110	112	116	115	126	122
Western Europe	108	106	113	116	116	116	121
Eastern Europe ^{3/}	108	105	104	109	114	115	119
USSR ^{3/}	102	108	110	104	120	114	130
Japan	108	109	114	112	115	116	119
Communist Asia	84	83	89	91	95	96	96
Other Far East	110	114	112	118	122	116	124
Western Asia	100	107	111	118	120	124	128
Rep. of South Africa	106	116	118	125	123	125	129
Other Africa	109	104	114	115	118	119	119
Australia - New Zealand	108	110	117	122	127	119	127
World (Incl. Comm. Asia)	103	105	108	111	114	114	117
World (Excl. Comm. Asia)	107	108	111	114	117	117	122
Developed ^{4/}	106	107	111	113	116	116	121
Less developed ^{5/}	108	111	112	117	119	120	123
	Per capita						
United States	103	102	102	104	102	104	100
Canada	104	90	109	116	105	114	124
Latin America	98	101	100	101	97	103	97
Western Europe	106	103	109	111	110	109	112
Eastern Europe ^{3/}	106	103	101	105	109	109	112
USSR ^{3/}	98	102	103	96	109	102	115
Japan	106	106	110	107	109	108	110
Communist Asia	81	78	83	83	85	84	83
Other Far East	105	106	102	105	106	98	102
Western Asia	95	99	100	103	102	102	103
Rep. of South Africa	101	108	107	111	107	107	107
Other Africa	104	97	104	103	103	101	99
Australia - New Zealand	104	103	107	109	112	103	108
World (Incl. Comm. Asia)	99	99	100	101	102	100	100
World (Excl. Comm. Asia)	103	103	103	104	104	102	104
Developed ^{4/}	103	103	105	106	108	106	110
Less developed ^{5/}	103	103	102	103	103	101	101

^{1/} Canadian index is that computed by Dominion Bureau of Statistics, with base period shifted. U.S. index is ERS index of farm output. ERS computed the indexes for Western and Eastern Europe and the USSR by using regional commodity production totals and West European regional price weights. For other regions ERS used production data and price weights for individual countries and averaged country indices in proportion to production in the base period. FAS data for corn, cotton, rice, and sugar have been adjusted to calendar years. FAS data on other commodities have been used without adjustment and have been supplemented by data from various sources. ^{2/} Preliminary--subject to revision in regional reports to be published in February and March 1967. ^{3/} Revised series. ^{4/} U.S., Canada, Europe, USSR, Japan, Rep. of South Africa, and Australia - New Zealand. ^{5/} Latin America, Other Far East, Western Asia, and Other Africa.

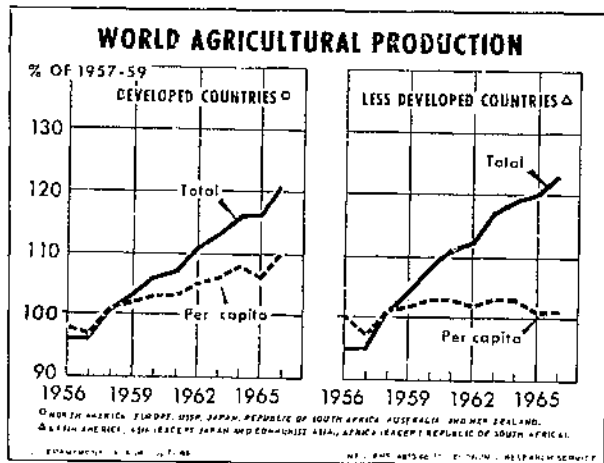


Figure 1

Agricultural production increased sharply to a new record in the Soviet Union, primarily because of an exceptional grain crop. Some increase in Soviet grain exports is expected, especially to Eastern Europe, Cuba, and a few other countries where small amounts of Soviet wheat may have special political significance. However, the bulk of this year's surplus grain likely will be used to build stocks as a hedge against future shortfalls like those of 1963 and 1965. Good supplies of oilseeds in the USSR and the southern countries of Eastern Europe will likely result in increased exports. Weather conditions were favorable for all crops in the Balkan countries, but mixed in the remainder of Eastern Europe. A bumper corn crop--almost 20 percent above 1965--was harvested in Yugoslavia, Romania, and Bulgaria, and exports of feed grains from these countries are likely to increase in 1967.

Near-average weather prevailed in South Asia, so production of most crops is expected to be above the low level of 1965/66 that resulted in a severe food shortage in the Indian subcontinent. However, because of stock depletion and crop failures in several localities, food shortages continue in some regions of India. The ultimate size of India's 1966/67 food grain production, tentatively estimated at 78 to 82 million tons,¹ will depend on the

¹ Metric tons are used throughout this report.

size of the spring grain crop. Currently, India's 1967 import requirements of food grains are estimated at about 11 million tons--equal to 1966 imports. Because of reduced production, Pakistan's import requirements are expected to be around 1 1/2 million tons--up 0.4 million from 1966. Because of increased domestic rice consumption and a crop about the same as last year, export availabilities in the Southeast Asian rice bowl are expected to be down in 1967.

Food shortages are developing in Mainland China, following another poor crop year. China has already purchased over 4 million tons of wheat for delivery during 1966/67 and it appears likely that total imports for this period will at least equal the 6-million-ton level of recent years.

Good rains in late 1966 improved prospects for Australian wheat, so the 1966/67 harvest is expected to reach a record of more than 11 million tons. Cattle and sheep slaughter is expected to decline in 1966/67 as Australia continues to rebuild its drought-depleted herds. Output of New Zealand's livestock products--in good world demand--is expected to set new records in 1966/67.

East Africa and the Republic of South Africa recovered in 1966 from the previous year's drought, but drought increased the grain deficit over most of North Africa and the central part of West Asia. Record crops of wheat and barley were harvested in Turkey and Iran. Production of rice improved in the United Arab Republic. The UAR has doubled the retail price of rice to reduce the domestic subsidy and release more rice for export. Israel is seeking association with the European Economic Community (EEC) to improve its competitive position in citrus fruits.

Exporters' end-of-season stocks of wheat in 1966 were at their lowest level since 1953, reflecting the large imports of India, the USSR, and Mainland China, and U.S. policies to reduce stocks. Wheat stocks are likely to increase during 1967. Production of wheat reached record levels in the USSR and Canada. Canada's supply of wheat stands at an all-time

high of 34 million tons, but 1966/67 exports probably will be down about a million tons from last year's 15.8 million. French exports of soft wheat will be curtailed in 1967, but wheat supplies have recovered in Australia and Argentina. Although import requirements are expected to remain high in Mainland China and India, the import requirements of Eastern Europe have been reduced sharply and the USSR probably will again become a net exporter of wheat.

U.S. agricultural exports are expected to exceed \$7 billion in 1966/67, compared to \$6.7 billion in 1965/66. Larger commercial sales will account for most of the gain. In

1966, Japan may have become the first billion-dollar market for U.S. agricultural products. U.S. exports to Japan were up 10 to 15 percent in 1966, with soybeans and sorghum accounting for the major gains. The outlook for U.S. agricultural exports to Japan is generally favorable.

World agricultural prices, after a pickup early in the year, resumed a decline, begun about 3 years ago, at the rate of about 5 percent a year. This downward movement was in contrast to that of the prices of manufactured goods, of retail prices in general, and of retail food prices in particular.

WORLD SITUATION



PRODUCTION AND SUPPLY

In 1966, world output of cereals, vegetable oils, and sugar each increased about 5 percent. The gain in the output of livestock food products almost matched the gain in world population (table 2).

World production of wheat and rice was brought back to the trend line in 1966 by generally favorable weather in the major producing countries. It was depressed by drought in the Soviet Union and in the Indian subcontinent in 1965. In the USSR--the world's largest producer of wheat--the 1966 crop totaled almost 75 million tons compared to 50 million in 1965. Wheat and other grains will continue to fill the gap between the world supply of and demand for rice. Over the last decade, the size of the world cereal crop has increased about 20 percent. During that period, the largest gains in volume have been in wheat, corn, and rice; volume gains in sorghum and millet have about equaled the loss in oat production.

Despite a significant decline in production of cottonseed, the world supply of edible oilseeds reached a new high in 1966. Record crops of soybeans and sunflowerseed were harvested and the output of olive oil rose about 7 percent. In 1966, soybean and sunflowerseed crops were about 45 percent and 60 percent larger, respectively, than the average levels of 1955-59.

World production of sugar in 1966/67 is expected to surpass the record set in 1964/65. Production will exceed consumption for the third year in a row and year-end stocks should

be equivalent to about 5 months' consumption requirements. The citrus crop was one-fifth larger than in 1965 and almost two-thirds above the 1955-59 average.

Output of livestock food products in 1966 continued the long-term gradual uptrend. The production of pork remained at the 1965 level and the output of other meats increased, with poultry meat again registering the fastest rate of gain. Larger quantities of milk have been channeled into butter production in recent years and stocks of butter in West European countries are near record levels.

Among the beverage crops, coffee and cocoa beans have followed divergent up and down courses during the past 4 years. World output of coffee in 1966/67 (October-September) is forecast at about 20 percent below the very high level of the previous year. World supplies of coffee will continue to be far in excess of demand, although some lowering of the large Brazilian stocks is expected. Cocoa bean production is forecast to increase 13 percent in 1966/67, for the second largest crop on record. The output of tea in 1966 continued its steady upward trend. Expanding consumption will again reduce cocoa stocks in 1967 but world tea inventories are expected to rise slightly.

In a reversal of the recent trend, world cotton production is expected to decline by 10 percent in 1966/67, primarily because of the sharp cutback in U.S. cotton acreage in 1966. Despite the decline, the world supply of cotton in 1966/67 is equivalent to 18 months' consumption requirements. Wool production in 1966 remained stable at about the same level

Table 2.--Estimated world production of selected agricultural commodities, average 1955-59, annual 1963-66

Commodity	Unit	Average 1955-59	1963	1964	1965	1966 ^{1/}	% change ^{2/} --	
							1955-59 : 1965 average : to	1966 : 1966 to 1966 : 1966
							- Percent -	
Wheat	: Million tons	216	226	256	247	274	27	11
Rye	: Million tons	37	30	32	34	31	-17	-9
Rice, rough ^{3/} ^{4/}	: Million tons	214	242	249	241	250	17	4
Corn ^{4/}	: Million tons	167	206	197	207	217	30	5
Barley	: Million tons	71	88	94	92	99	39	8
Oats	: Million tons	59	46	42	44	44	-27	-1
Sorghum & millet ^{5/}	: Million tons	28	35	34	34	41	45	20
Sugar, centrifugal	: Million tons	45.0	54.3	65.9	62.4	66.0	47	6
Sugar, non-cent. ^{6/}	: Million tons	6.7	8.4	8.9	7.9	8.4	25	7
Fruits, citrus	: Million tons	14.5	16.6	18.1	19.6	23.7	63	21
Apples & pears ^{7/}	: Million tons	12.8	17.4	18.2	16.5	17.4	36	5
Potatoes ^{8/}	: Million tons	232	236	246	230	232	0	1
Dry beans ^{9/}	: 1,000 tons	4,014	5,035	4,989	4,899	4,899	22	0
Dry peas ^{10/}	: 1,000 tons	603	581	567	522	494	-18	-5
Hops ^{11/}	: 1,000 tons	71	91	93	92	93	31	1
Soybeans	: Million tons	24	28	28	32	35	43	8
Peanuts	: Million tons	13.4	15.2	16.2	15.6	15.9	18	2
Cottonseed	: Million tons	19.3	21.8	22.6	23.2	21.3	10	-9
Flaxseed	: 1,000 tons	3,358	3,469	3,317	3,563	2,966	-11	-16
Sesame seed	: 1,000 tons	1,473	1,544	1,547	1,437	1,516	3	5
Castor beans	: 1,000 tons	497	684	838	713	653	31	-8
Sunflowerseed	: 1,000 tons	5,125	6,125	7,741	7,477	8,328	62	11
Rapeseed	: 1,000 tons	3,483	3,424	3,544	4,784	4,300	23	-10
Olive oil	: 1,000 tons	^{12/} 990	1,699	982	1,206	1,289	30	7
Palm oil	: 1,000 tons	1,265	1,261	1,270	1,275	1,279	1	0
Palm kernel oil	: 1,000 tons	421	372	381	367	376	-11	2
Coconut oil	: 1,000 tons	2,074	2,195	2,209	2,141	2,245	8	-5
Butter ^{13/}	: 1,000 tons	^{14/} 4,581	4,899	4,989	5,307	5,443	19	3
Milk ^{15/}	: Million tons	^{14/} 259	282	285	293	298	15	2
Meats ^{16/}	: Million tons	44.5	51.3	51.6	52.2	52.6	18	1
Eggs ^{17/}	: Million tons	10.8	12.2	12.7	12.9	12.9	19	0
Lard	: 1,000 tons	^{14/} 3,080	3,180	3,030	3,121	3,084	0	-1
Tallow & greases	: 1,000 tons	^{14/} 2,930	3,706	3,996	3,887	3,969	35	2
Tobacco	: 1,000 tons	3,864	4,357	4,637	4,447	4,536	17	2
Coffee	: Mil. bags ^{18/}	58.3	71.0	51.3	81.1	64.1	10	-21
Tea	: 1,000 tons	739	884	925	936	987	34	5
Cocoa beans	: 1,000 tons	887	1,237	1,504	1,227	1,389	57	13
Cotton	: Mil. bales ^{19/}	43.9	50.1	52.0	53.0	48.2	10	-9
Wool	: 1,000 tons	^{14/} 2,443	2,640	2,620	2,624	2,657	9	1
Jute	: 1,000 tons	^{14/} 2,037	2,421	2,322	2,237	2,489	19	11
Sisal	: 1,000 tons	532	676	705	639	645	21	1
Henequen	: 1,000 tons	135	151	163	164	164	21	0
Abaca	: 1,000 tons	117	119	112	106	100	-15	-6

Note: Except for rice, corn, and sorghum & millet, the data are as published by FAS. Statistics for sorghum & millet are official estimates for 9 countries compiled by FAS. Statistics refer either to calendar years or to crop years beginning in the year shown. For livestock products, rice, corn, sorghum & millet, potatoes, hops, oilseeds, (except cottonseed), oils (except olive oil) and tobacco, tea, jute, and hard fibers, the data refer to calendar years. For coffee and cocoa beans the data refer to crop years beginning July to October of the year shown. For cotton and cottonseed the data refer to crop years beginning August 1 of the year shown. For sugar the data refer to production in national sugar campaigns beginning between May 1 of the year shown and April 30 of the following year. For other commodities, harvests in the Northern Hemisphere beginning in the year shown are combined with Southern Hemisphere harvests which immediately follow.

^{1/} Preliminary. ^{2/} Computed from unrounded data. ^{3/} Includes Mainland China; excludes Nepal, North Korea and North Vietnam. ^{4/} FAS estimates adjusted to calendar years. ^{5/} 9 countries; calendar years. ^{6/} Selected countries only. ^{7/} Dessert and cooking; 20 countries. ^{8/} 32 countries. ^{9/} 30 countries. ^{10/} 10 countries. ^{11/} 21 countries. ^{12/} 1954/55-1957/58 average. ^{13/} Product weight; includes ghee. ^{14/} 1956-60 average. ^{15/} 35 countries. ^{16/} 44 countries; excludes poultry and variety meats. ^{17/} 38 countries. ^{18/} 60 kg. (132 pounds) each. ^{19/} Bales of 480 pounds net.

as in the 3 preceding years. Output of jute increased more than 10 percent, but the production of hard fibers, as a group, remained at the 1965 level.

TRADE

World agricultural trade increased again in 1966, with large gains for grains and oilseeds. Trade in dairy products and tobacco probably was down.

World wheat and flour trade in 1965/66 reached a record of about 61 million tons. The level of world wheat trade in 1966/67 is likely to decline somewhat because of decreases in Soviet and East European purchases. These countries have contracted to purchase about 5 million tons from the Free World in 1966/67, compared to imports of 13 million in 1965/66. West European imports will approximate the 1965/66 level. Asian imports probably will gain as the result of increased purchases by Japan and the continued large requirements of India and Pakistan. Mainland China will continue to be a large importer of wheat from the Free World. Africa will require more wheat during 1966/67 because of reduced crops in such countries as Morocco, Algeria, and Tunisia.

World trade in rice in 1967 is expected to remain at the relatively high level of recent years--about 7 1/2 million tons. World feed grain trade in 1966/67 is expected to increase, but at a much lower rate than in 1965/66. The improved feed supply situation in Europe will tend to limit expansion of imports by this area. With larger supplies available for export in Argentina, Canada, and Yugoslavia, competition in the principal world markets should increase in 1966/67. Import requirements in Japan are larger because of continued growth in the livestock and poultry industries.

World trade in oilseeds and vegetable oils in 1966 may have approximated the record level of 1964. An increase from 1965 in the palm oils was partially offset by declines in the other edible and industrial oils. Exports of copra and coconut oil from the Philippines rose sharply from the previous year's level. U.S. exports of soybeans reached a new record,

but exports of soybean and cottonseed oils were below those of recent years. World exports of peanuts and peanut oil probably attained a new high, reflecting record peanut crops in 1965 in West Africa. Exports of sunflowerseed oil from the Soviet Union and Argentina increased significantly from the previous year. Spanish olive oil exports were up sharply, but olive oil exports from Tunisia were down. U.S. exports of flaxseed and linseed oil, on a combined oil basis, exceeded the previous year's level by about one-fifth, but Argentina's linseed oil exports declined sharply. Aggregate trade in oilseeds and vegetable oils in 1967 is expected to approximate the high level of 1966.

World trade of oilcake and meal is expected to increase further in 1967. Demand for oilcake and meal will be stimulated by favorable livestock/feed price ratios, improved feeding practices, and increased production of livestock in Western Europe and Japan.

World cotton trade this season is expected to increase 5 to 10 percent from the 16.8 million bales of 1965/66. U.S. cotton exports should gain substantially because of lower supplies available for export in other major producing countries and a rise in consumption in both the exporting and importing countries. However, cotton will continue to face strong competition from man-made fibers. In the past 5 years, world cotton consumption has increased by 7 percent while man-made fiber use has risen more than 50 percent. Significantly lower cotton prices will improve the competitive position of cotton during 1966/67.

Beef and veal exports increased moderately in 1966 while pork exports probably remained at the 1965 level. In 1966, Australia and New Zealand exported a larger share to the United States of their total beef shipments because U.S. prices were higher than prices in Western Europe. Argentina was able to export more to Europe in 1966 because of an increase in production.

There was little change in world sugar trade in 1966. Exports from Cuba were down considerably because of reduced production.

This decline was offset by larger exports from other producers. Although the volume of sugar trade has expanded since 1963, the value of world trade has decreased because of lower prices.

World tobacco exports in 1966 are believed to have fallen somewhat from the 829,000 tons in 1965. Exports from Rhodesia probably dropped sharply because of economic sanctions imposed by the major tobacco importing countries. World exports are expected to increase in 1967, with the United States sharing in the expansion.

In fiscal year 1965/66 U.S. agricultural exports of \$6.7 billion accounted for nearly one-fourth of the \$28.8 billion U.S. export total (fig. 2). Agricultural imports of \$4.5 billion in 1965/66 represented one-fifth of total U.S. imports valued at \$23.3 billion (U.S. imports are valued at the point of origin; that is, exclusive of ocean freight). Gains in non-agricultural imports in recent years have more than offset increases in nonagricultural exports. Thus, the increase in agricultural exports has become a major factor in maintaining a favorable total U.S. trade balance.

U.S. agricultural exports are expected to advance to over \$7 billion in fiscal year 1966/67. Much larger exports of cotton and tobacco are in prospect for 1966/67. Volume

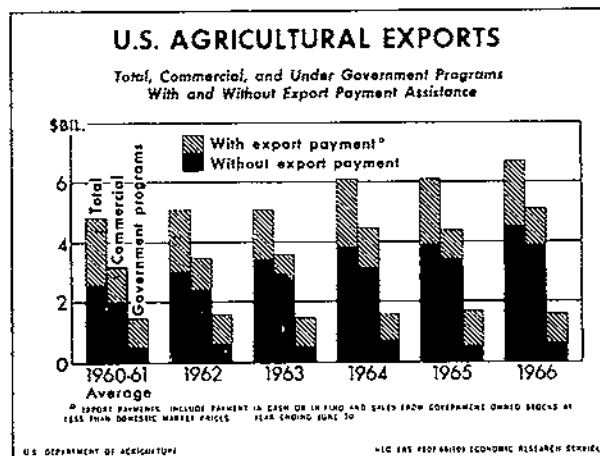
increases are likely for soybean and rice exports. The volume of feed grain exports is expected to be at about the record level of 1965/66. Wheat exports, including products, may drop as much as 10 percent below the record 24 million tons in 1965/66. The record value of agricultural exports is expected to result mainly from larger commercial sales for dollars, as exports under Government-financed programs probably will continue near the \$1.6 billion total of 1965/66. Higher prices for wheat, feed grains, soybeans, rice, and oilcake and meal will contribute to the increased total value of exports.

Kennedy Round: Most of the major participants in the Sixth (Kennedy) Round of Trade Negotiations under the General Agreement on Tariffs and Trade (GATT) submitted their initial agricultural offers on September 16, 1965. Because the EEC was unable to submit its offers at that time, some countries--including the United States--withheld offers of primary interest to the EEC. Other countries which are largely dependent on agricultural exports to the EEC withheld agricultural offers in their entirety. After many months of deliberation on the Common Agricultural Policy (CAP) of the Community, the EEC submitted its agricultural offers in July 1966. At about the same time, the United States supplemented its 1965 offers to include products of primary interest to the EEC. Other participants in the trade negotiations also submitted supplementary offers or revised their 1965 offers.

With agricultural offers finally on the negotiating table, the major participants undertook a multilateral discussion of these offers in September 1966. Bilateral discussions followed. Parallel talks continued in the Cereals and Dairy Groups, and on tropical products.

Of particular importance to the United States were the bilateral meetings with the EEC, since the Community is the largest dollar market for U.S. farm products. Talks also took place with the other major participants--Canada, the United Kingdom, and Japan. These talks focused on clarifying existing offers and on pointing out areas of needed

Figure 2



improvements in offers. In the U.S. view, considerable improvement in some agricultural offers to the United States will be necessary if there is to be satisfactory negotiation.

The final intensive phase of bargaining is to be concluded by the end of February or early March 1967. After bargaining is concluded, about 4 months are needed to complete technical procedures before a final agreement can be signed. Negotiating authority under the U.S. Trade Expansion Act of 1962 expires June 30, 1967.

The U.N. Conference on Trade and Development (UNCTAD): In 1966 the UNCTAD began preparation for its second general conference, to be held in New Delhi in winter 1967/68. A tentative agenda was agreed upon in part and will be finalized at the next session of the Trade and Development Board (TDB) in May 1967. The agenda likely will be an all-inclusive one comparable to that for the first conference. Some countries had hoped that the conference would limit itself to a few issues.

The meeting of the Committee on Commodities, initially scheduled for October 1966, was postponed until January 1967. Various meetings under UNCTAD auspices were held in an effort to develop international arrangements for cocoa and sugar. Such efforts will continue in 1967.

The less developed countries continue to place great emphasis on the granting of preferences by the developed countries for imports of manufactured and semimanufactured products from the less developed countries. The developed Free World countries are exploring this issue among themselves. At the TDB meeting held last September, some developing countries expressed the hope that the Western developed countries would come forward with concrete proposals for granting preferences by the time the Committee on Manufactures (the body charged with responsibility for this issue) meets in February 1967.

A group of intergovernmental experts is holding a series of meetings to study and report on supplementary financial measures to deal with problems of less developed countries arising from adverse movements in export proceeds which cannot adequately be dealt with by short-term balance-of-payments support. The purpose would be to provide longer-term assistance to developing countries which would help them avoid disruption of development programs.

PRICE DEVELOPMENTS

World agricultural prices, as measured by either the Reuter's or the Dow-Jones spot index, have continued to decline about 5 percent a year from the high levels attained during 1963, although the decline has been interrupted by seasonal pickups. In 1966 such a pickup occurred relatively early in the year, but average prices in the fall were relatively low. The index of world agricultural export prices declined gradually from 108.7 in the first quarter of 1964 to 100.8 in the third quarter of 1965, but rallied to 103.8 in the second quarter of 1966 (fig. 3).

Export prices of manufactured goods, on the other hand, continued their uninterrupted gradual rise from an index of 100 during 1958-60 to 108 during the first 2 quarters of 1966--an average monthly increase of about 0.1 percent. Thus, agricultural export prices, which had compared favorably with export prices of manufactured goods for over a year until mid-1964, have been below the latter since then. Agricultural export prices in 1966 peaked during the second quarter but were still 4 percentage points below the index of export prices of manufactured goods.

Agricultural price movements at the wholesale and export levels declined while consumer prices rose. In each of 11 Free World countries (selected because of their large population or their importance as exporters), consumer prices during the year ended June 30, 1966, were higher than a year earlier. The increase was smallest in the United States (2.1 percent) and largest in Brazil (48 percent), Argentina (36 percent), and India (8 percent).

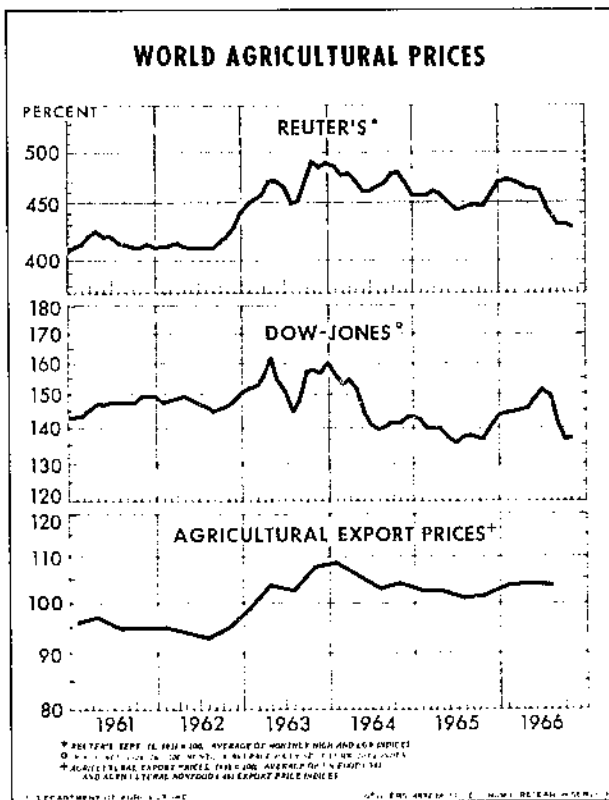


Figure 3

Retail food prices during the year ended June 30, 1966, were 4.2 percent higher in the United States and 5.4 percent higher in Canada than a year earlier. Only in France, the United Kingdom, and Italy did retail prices increase less than in the United States. Increases in the other 7 countries, including Canada, exceeded those in the United States, with Brazil (42 percent), Argentina (35 percent), and India (8 percent) in the lead. In those countries in which the general inflation was moderate, the rise in retail food prices tended to be steeper than the rise in overall consumer prices.

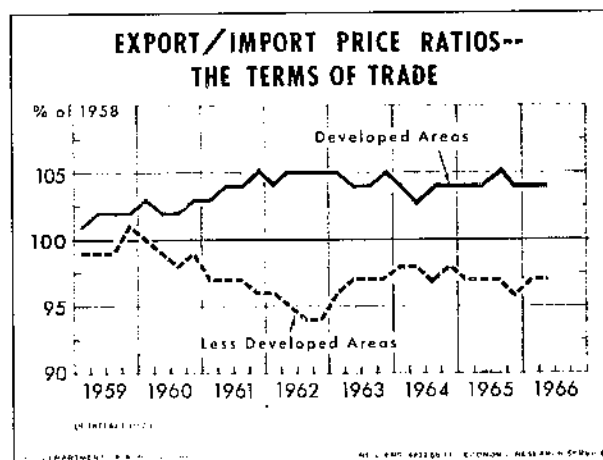
The terms of trade (export price indexes divided by import price indexes) for both developed and less developed areas have continued remarkably stable since the spring of 1963, the former at 104 percent and the latter at 97 percent of 1958. The gap between the two ratios widened temporarily during the second half of 1965, but narrowed again to 7 percentage points in 1966 (fig. 4).

Price movements of about 25 commodities important in world or U.S. foreign trade were quite divergent. Movement in line with the price indexes--up early in 1966 and down later in the year--can be observed in the price movements of bananas, beef, ham and bacon. Similarly, prices of British Dominion wool were quite high early in the year but dropped considerably thereafter.

Early in 1966 some representative hide prices rose to levels almost twice as high as a year earlier. By September 1966, these representative prices had dropped approximately to the level of a year earlier, but U.S. export and import unit values were still above a year earlier. In mid-November, light native cow hides were quoted at 16.5 cents a pound in Chicago, 0.5 cent less than a year earlier.

Wheat prices recovered in mid-1966, but remained slightly below the level attained in 1963/64 after the Soviet Union had entered the world market as a major buyer. The wheat flour price was also up in the summer of 1966. Corn prices were strong and barley prices were up. Sorghum grain prices, while above a year earlier, were low in relation to corn, reflecting the 35 percent increase in the U.S. crop. Rice prices were sharply up. For example, in October 1966 the Bangkok export price for a leading grade of rice (white, 15 percent broken) was \$170 per ton, up 17 percent from a year earlier.

Figure 4



Strong demand for soybeans and soybean meal resulted in higher prices in spite of a 10 percent increase in U.S. soybean production. Soybean oil prices, however, were recently below year-earlier levels.

U.S. tobacco prices continued strong, while the price of unstemmed cigarette leaf tobacco from Turkey--by far the leading type and origin of tobacco imported into the United States--declined further.

U.S. prices for butter and nonfat dry milk were up sharply. Prices of these commodities from other origins have been relatively stable, although New Zealand butter, in mid-fall, sold for 7 percent less in London than a year earlier.

Cocoa bean prices, after reaching a very low level in mid-1965, doubled by 1966 and moved more narrowly within the range of the preceding 5 years. However, 1966 prices were still below the level held throughout the 1950s. The price of Brazilian coffee was down in 1966. Prices of Columbian and Angolan coffee were up most of the year, but declined in the fall.

The prices of some other commodities were down during the second half of 1966, without a preceding price recovery earlier in the year. Upland cotton prices were substantially below year-earlier levels. Orange prices tended to be somewhat lower in 1966 than in 1965. If the current harvest results in as plentiful a crop as expected, orange prices will decline further in 1967. Tea, rubber, and inedible tallow prices were down and copra prices were sharply down.

The world sugar price dropped to about 1.5 cents a pound in the fall and the average price for the year was about 1.9 cents. Because of the preferential arrangements under which traders price roughly half the sugar that moves in world trade, the average unit value of exports is at least double the free market price. As of mid-fall, the export price of sugar destined for the United States was slightly above 6 cents--more than 4 1/2 cents above the world free market sugar price.

ECONOMIC ASSISTANCE AND DEVELOPMENT

The net flow of public assistance and private capital to the less developed countries from 17 developed countries (including the USSR) and the multilateral agencies reached an all-time high of an estimated \$11 billion in 1965, compared to the previous high of \$10 billion in 1964. The United States continued to supply about half the total flow of development assistance to the developing countries. Economic aid from donor governments and multilateral agencies likely increased still further in 1966.

The increase in total economic aid from donor countries between 1964 and 1965 was due primarily to a rise of 21 percent in private capital flows to a record level of \$4 billion. The United States supplied most of this increase, with its outflow of private capital to the less developed countries reaching a new high of \$1.7 billion. Economic aid from public sources also reached a record level of \$6.7 billion, with the United States and Japan contributing most of the increase. However, the rise in public U.S. aid reflected more of a recovery from the 1964 decline than an expansion, as the 1965 level was just above the peak year of 1963. Public aid from France--the second largest donor--continued to decline from the peak reached in 1962. The decline in the share of grants relative to loans in total U.S. and French public aid continued a trend which began in 1963. In 1965, the United States and France committed two-fifths and four-fifths, respectively, of their total public aid in the form of grants.

Since 1962, the flow of assistance from the multilateral technical assistance and financial agencies to the developing countries has exceeded total member contributions to these agencies. Since almost all of the available funds of the multilateral agencies have been committed to specific projects, their ability to expand future operations will depend upon the magnitude of new financial contributions made by donor countries.

Technical assistance grants continued to increase, both from donor governments (such

as those of the United States and the United Kingdom), and from multilateral agencies.

Technical advisers in agriculture accounted for about 15 percent of the total number of experts sent by donor governments to the developing countries. Scholarships for students and trainees in agriculture totaled just over 10 percent of the total granted. Most of the technical advisers and scholarship grants went to African countries.

The United States is encouraging other developed countries to increase their contributions to food and agricultural assistance programs. During the last decade, net agricultural commodity aid from donor countries and the World Food Program totaled close to \$14 billion and represented approximately one-fourth of the total public flow of bilateral aid over the period 1961 to 1965. In 1965, net

aid under the P.L. 480 program of the United States totaled \$1.4 billion, a drop of 16 percent from 1964. Most of the decrease in 1965 was due to a reduction in Title I grants. In 1966, P.L. 480 was superseded by new legislation which emphasizes the "self-help" principle of encouraging the recipient countries to give greater attention to their own agricultural development.

During 1962-64, donor government and multilateral agencies committed \$1.5 billion in financial assistance to the agricultural sector of the less developed countries. This amount was only 6 percent of the total commitments of public aid. Principal projects assisted were land and water resources development; agricultural industries; agricultural development banks; processing, marketing and storage facilities; soil conservation, and rural development.

SITUATION BY COMMODITY



GRAINS

Wheat: World production in 1966/67 is estimated at a record 274 million tons, compared with 247 million in the preceding year, and the previous record of 256 million in 1964/65. Higher yields account for the production increase, as total acreage was near the previous year's level. The increased production is mainly in the large exporting countries and in the Soviet Union. In 1966, the Soviet Union produced a crop estimated at 73.5 million tons, 11 million tons larger than in any previous year.

Wheat production in the five major exporting countries--the United States, Canada, Argentina, Australia and France--is approximately 90 million tons compared to the previous high of 85 million tons in 1964/65 and an average of 75 million tons for the 4 years ending in mid-1964. Although beginning 1966/67 stocks are somewhat reduced in these countries, total exportable supplies are more than ample to meet estimated world import demand, and thus year-end stocks are expected to show an increase.

Canada's stocks will increase about 4 million tons by the end of the year (July 31, 1967) due to the record crop and reduced exports. Year-end (November 30, 1966) stocks in both Argentina and Australia were very low because of poor harvests last year, but, with expected favorable harvests, exportable supplies will be near record levels and stocks should be back to normal levels by November 1967. A poor harvest has reduced French exportable supplies in 1966/67 to only about 70 percent of the previous year's exports.

Because of reduced carry-in stocks and a slight decline in production, U.S. wheat exports are expected to be about 2 to 3 million tons below the 1965/66 record of 23.6 million tons.

North America's harvest, estimated at 60 million tons, is nearly 4 million tons larger than the preceding year's record. Increased acreage and exceptionally favorable crop conditions in Canada were responsible for the increase. Canada's record crop of 23 million tons exceeds 1965 by more than 5 million tons. U.S. production declined 2 percent and Mexico's production was down one-fourth, mostly because of reduced acreage.

This season's prospects in the Southern Hemisphere are much brighter than a year ago, when drought severely reduced production in Argentina and Australia. Australia has increased acreage by 14 percent over the previous record acreage and the December-January harvest is estimated at a record 11.3 million tons. In Argentina, acreage was increased by 17 percent, but below-normal rainfall has diminished early season prospects for a record crop.

Production in Western Europe in 1966 was the smallest in 3 years, but above the 1960-64 average. An early winter (1965/66) across northern countries kept farmers from planting planned acreages. The French crop was down sharply from the 1965 record. West Germany's harvest was larger than the poor 1965 crop, but again below average. Spain had a good harvest.

World wheat and flour trade in 1966/67 is expected to be about 10 percent below the peak

1965/66 volume of approximately 61 million tons, partly because of a decline in purchases by the Soviet Union and East European countries. With favorable crops, imports by the Soviet Union and East European countries are expected to decline to about the 1964/65 level of 6.6 million tons.

Free World imports are expected to be about the same as last year. Imports by West European countries will decrease by about 5 percent this season. Although production is below last year's level, most of the shortfall is in France and Sweden, which are exporting countries. The EEC and United Kingdom are expected to account for most of the drop in imports; in these countries imports of wheat for feed are likely to decline because of larger barley production.

A rise in Asian wheat imports is anticipated. Although the total of 1966/67 food grain production in India is moderately above the poor crop of the preceding year, grain import needs will remain strong. Japanese imports will be about half a million tons above the 1965/66 volume of 3.6 million tons. Communist Asian imports, which were 6.6 million tons in 1965/66, are expected to at least equal that level.

Total African imports are expected to increase from the 1965/66 level because of drought in Morocco, Algeria, and Tunisia. These countries, usually marginal exporters of durum wheat, will be importers of both durum and bread wheats this year.

Rice: The 1966/67 Free World rough rice crop is expected to be about 170 million tons compared with a 1965/66 harvest of 159 million and a 1964/65 harvest of 172 million. The small 1965/66 crop was largely due to the short crop in India, and two-thirds of the recovery this season is in India. India's crop, however, is not as large as 2 years ago and only larger production in the United States, Italy, Thailand, Japan, and other countries brought the total back to the level of 2 years ago.

World demand for rice will continue strong in 1967. Production has been increasing

at a lower rate than population in the major rice-importing countries. With good crops expected in most exporting countries, there will be considerably more rice available for exports after domestic requirements have been met. World trade in 1967 should remain at the relatively high level of recent years; approximately 7.5 million tons were traded in 1965.

Rye: World rye production in 1966 was about 31 million tons, a decline of 3 million tons from 1965 and 1 million tons below the 1960-64 average. Rye area dropped 2.8 million acres from the 1965 level and about 3.0 million from the 1960-64 average. The rye crop in Western Europe, normally about 20 percent of the world total, was 8 percent below 1965. Eastern Europe normally produces over 30 percent of the world crop; the 1966 crop was smaller than 1965's good harvest of 11 million tons, primarily because of a decline in Poland. For the USSR, which accounts for over 40 percent of the world crop, early reports indicate a 1966 harvest 10 percent below the previous year's 14.5 million tons.

Feed grains: World production of corn, barley, and oats, plus production of grain sorghum in the United States and Argentina in 1966 is estimated at 380 million tons. Corn, barley, and sorghum continued their upward trend, and production of oats continued to decline.

Corn production in 1966 established another record at 217 million tons, 10 million tons more than in 1965. The U.S. harvest of 105 million tons is 1 percent below a year earlier and 10 percent above the 1960-64 average. There were substantially larger crops in Europe and the USSR. Argentina's 1966 crop of 7 million tons was the largest since 1944, while the crop harvested in South Africa increased 14 percent from the short 1965 crop.

The 1966 barley harvest totaled almost 100 million tons--up 8 percent. Canadian production at 6.4 million tons was 34 percent larger than in 1965, and the largest since 1952. Acreage harvested increased 19 percent, while yields were 15 percent higher. The U.S. barley crop was down 4 percent. Barley production

in Western Europe continued to increase and, at 32.4 million tons, was up 9 percent from the previous year. Most countries showed gains, notably the United Kingdom, 10 percent, and France, 6 percent. The East European crop was only slightly larger, but production in the USSR was about 20 percent higher than in 1965 and about the same as in 1964. The barley crop in northern Africa was cut sharply by drought. Barley production was up in Turkey.

Oat production in 1966 is estimated at 44 million tons, almost 10 percent below the 1960-64 average. The Canadian crop was down 6 percent, mainly because of a decline in acreage. The U.S. harvest of 12 million tons was 13 percent below a year ago. There was little change in the European oat crop. However, the Soviet crop was about 13 percent higher, although 9 percent below the 5-year average.

The United States and Argentina are the principal producers of grain sorghum for export. The 1966 U.S. crop reached a record of 18.6 million tons, up 10 percent from 1965 and more than 35 percent above the 1960-64 average. Argentine 1965/66 production was also a record at 2.1 million tons, compared to 0.9 million tons a year earlier.

World feed grain trade is expected to be up again this season, although the expected rise of about 5 percent is modest compared to the 19 percent increase shown in 1965/66. The West European import market, which expanded by about 4 million tons last year, is not expected to show much if any increase in 1966/67 because of an improvement in forage crops and large barley production. East European imports will drop off as a result of improved harvests. Japan's imports of feed grains, second only to those of the EEC, are expected to rise about 10 percent above the 1965/66 level of approximately 5.8 million tons. Other areas of the world also will show some increase partly because several food aid recipient countries, particularly India, are expected to import these grains to supplement imports of wheat.

U.S. shipments of feed grains are not expected to change materially from the 1965/66

level of 26 million tons. Argentina's exports will be increased substantially since its April 1966 harvests of corn and sorghum were excellent. Canada and France have good supplies of barley on hand and their combined shipments will be about 20 percent above last year's level. Yugoslavia has had a very good corn crop and is expected to export close to 1 million tons. Thailand will export larger quantities of corn and Mexico about the same amount as in 1965/66.

OILSEEDS AND VEGETABLE OILS

World production of vegetable oils in 1967 is forecast at a record 22 million tons, about 5 percent above the 1966 level and more than one-third above the 1955-59 average. An increase in edible oils will outweigh declines expected in the palm and industrial oils. Major factors which should account for increased oil production in 1967 are record 1966 crops of soybeans and sunflowerseed and increased olive oil output from 1966-crop olives. Increases in these crops will more than offset sharp declines in the production of cottonseed (down an estimated 8 percent) and flaxseed (down an estimated 17 percent). Most of the oil produced in 1967 will be from oilseed crops harvested in 1966 with the exception of the palm, rapeseed, and castor oils.

Prospects are for a record production of about 17 million tons of edible vegetable oils in 1967, 6 percent above the record set in 1966. Of particular significance in the edible oil pattern in 1967 will be the record 1966 outturn of U.S. soybeans and the sharp decline in production of U.S. cottonseed; the increased volume of sunflowerseed in the Soviet Union; the increase in olive oil in Spain; indications of a near-normal peanut crop in India, following the drought-reduced harvest of 1965; and the significant decline in West African peanut crops, following record crops in 1965.

Some decline in the availabilities in the palm oils group is anticipated because of a drop in Philippine production and exports of copra and coconut oil. However, production and exports of palm kernels and palm oil

are not expected to vary significantly from the previous year's levels.

The 1967 production of industrial oils is expected to be below that of last year because of the decline in linseed oil output. World flaxseed production was down an estimated one-sixth in 1966 from the above-average level of 1965, largely reflecting declines in the United States and Canada. Castor oil production probably will be above the reduced level of 1966 but below the record and near-record levels of 1964 and 1965. Favorable prices to producers in Brazil and the Brazilian government's program of diversification are expected to stimulate increased castorbean plantings for the 1967 harvest. Tung oil output is expected to reach the highest volume since 1958, because of a marked increase in U.S. production to 13,600 tons and record outturns in both Argentina and Paraguay, approximating 25,000 and 8,000 tons, respectively.

World exports of oilseeds and vegetable oils (in terms of oil) in 1967 are expected to approximate the estimated record 6.8 million tons of 1966 of which about 3.8 million tons were in the edible oils category. The aggregate gain in availabilities of soybeans and soybean oil (in terms of oil) from the United States may more than offset the decline in availabilities of cottonseed oil from the United States and peanuts and peanut oil from West Africa. Availabilities of sunflowerseed oil will reach a new record, reflecting larger crops in 1966 in the Soviet Union and Argentina. A record tonnage of rapeseed and oil also is expected to enter world trade in 1967 in view of the record 1966 Canadian crop and prospects of large seedings in 1967. Net exports of olive oil from the major producing countries of the Mediterranean Basin probably will increase in 1967. However, because of policy changes affecting this commodity in the EEC, there may be some reduction in trade between France and Spain and between Italy and North Africa.

Exports of industrial oils in 1967 are not expected to reach the previous year's level. Large carry-in stocks of flaxseed in the United States and Canada only partially offset a total

decline in production of over 400,000 tons. Supplies also are likely to be down by 10 to 15 percent in Argentina as the result of reduced year-end stocks and another small crop. These reduced supplies are expected to result in reduced trade in flaxseed and linseed oil. On the other hand, exports of castor oil will exceed those of 1966 if Brazil's expected increase in castorbean production materializes. Indian exports of castor oil will continue to be small as long as Indian prices are well above the world level. Also, an increase in the volume of tung oil traded in world markets is expected because of sharply increased availabilities at prices well below those of recent years.

World exports of oilseed cake and meal are expected to exceed 7 million tons in 1966/67, for an increase of 5 to 10 percent. U.S. exports of soybean meal are expected to total about 2 1/2 million tons, or about one-third of total world exports of oilseed cake and meals. Argentine exports of oilseed cake probably will approximate 1 million tons in 1966/67, a moderate increase from the level of the previous year. Indian exports of oilseed cake and meal, which declined in 1965/66, are expected to recover in 1966/67 and range between 900,000 and 1 million tons. Fishmeal exports probably will increase to 2.4 million tons from the 1965/66 level of about 2.3 million, primarily as a result of larger carry-in stocks in Peru.

FRUITS, NUTS, AND VEGETABLES

Citrus fruit: World production of oranges is expected to reach a new high in 1966/67. Significantly larger crops are expected in the two major producing areas--the United States and the Mediterranean Basin. The increased availability of oranges should prompt a moderate increase in U.S. exports, mostly to Canada. U.S. exports of grapefruit and lemons are expected to at least maintain the relatively favorable movement of last season.

The sharp increase in the supply of processed citrus juices in Florida at attractive prices should stimulate export activity to both

the Canadian and the West European markets. Although competition will be keener than in former years, the United States is expected to maintain an advantage in quality and price.

Fresh deciduous fruit: The 1966 production of dessert and cooking apples in the Northern Hemisphere totaled 10.6 million tons (490 million bushels), 3 percent above both 1965 and the 1960-64 average. The increase was primarily in Western Europe where the crop was 8 percent larger than the below-average output in 1965. Spring frosts and a prolonged summer drought reduced the U.S. commercial crop from a year ago. In 1965/66, the United States exported the largest volume in over a quarter of a century, 130,000 tons. This season, with a larger European crop, exports are expected to be about one-fifth smaller than last year.

Northern Hemisphere production of pears totaled 3 million tons in 1966, 13 percent above 1965 and slightly above the 1960-64 average. The largest gain was recorded in the United States, where production was nearly 220,000 tons larger than in 1965. The West European crop was 6 percent larger than last year but still slightly below average. U.S. 1966/67 exports of fresh pears are expected to register a moderate increase from 1965/66, primarily because of the smaller supplies in the United Kingdom and Sweden and more favorable movement of Bartletts to Canada during the forepart of the 1966/67 season.

Canned deciduous fruit: The 1966 world pack will be at least an eighth larger than the reduced 1965 output primarily because of increased U.S. production. The California cling peach pack was up sharply from the level of 1965, when rain damaged the crop. The U.S. fruit cocktail pack was also larger than in 1965. Canned fruit output in 1966, especially peaches and pears, increased about 15 percent in Australia and about 10 percent in South Africa.

U.S. exports will likely exceed the low 1965 level as a result of the increased supply and lower prices. Australian and South African shipments should also be higher despite a

slight increase in their opening minimum prices.

Raisins and prunes: The 1966 world raisin and prune packs were down from 1965. Raisin production, though 13 percent below the record 1965 level, was 13 percent above average. The prune pack dropped for the second successive year and was 8 percent below the near-average 1965 volume. World exports of raisins may be 5 percent lower than the peak achieved in 1965/66, while prune exports may be off at least 10 percent from the 8-year high attained in 1965/66. U.S. raisin exports in 1965/66 were the largest since 1955/56 and are expected to be heavy in 1966/67 because of another large crop. Due to a short crop and higher prices, U.S. prune exports in 1966/67 will be sharply reduced from the 16-year high reached in 1965/66.

Almonds, filberts, and walnuts: The world almond crop in 1966 was 8 percent above that of 1965 and 25 percent above the 1960-64 average. Although carry-in stocks were lower than normal, total supplies available for export are 5 percent above those in 1965/66. World almond trade will probably increase about 8 percent in 1966/67 and U.S. exports are likely to exceed the 1965/66 record level.

World filbert production reached an all-time high in 1966. All major producers harvested above-average crops. However, Turkey--which produced two-thirds of the world total--is restricting marketings in an effort to keep prices up. This measure probably will hold down Turkish exports to near the 1965/66 level. World trade is expected to be about the same as in the previous year.

The world commercial walnut crop was well above 1965 and also the 1960-64 average. Foreign production, although above 1965, was below average. Hence, exports by overseas producers (who account for most of the world walnut trade) will likely be up from the past season but below average. Exports from the near-record U.S. crop probably will not equal the 1965/66 high because of increased competition.

Potatoes: Preliminary 1966 estimates indicate an increase in world potato output of less than 1 percent. The production estimate of the U.S. crop indicates an increase of about 4 percent. West European production was at about the same level as in 1965. West Germany, the largest producer in Western Europe, experienced a decline in acreage but, with higher yields, output in 1966 exceeded that of 1965 by about 5 percent. In Canada, an important market for U.S. potatoes, the 1966 crop was at an all-time high, about 20 percent above a year earlier. The potato crop in the USSR was smaller than in 1965.

LIVESTOCK AND MEAT

Production of red meat in the 44 major producing countries (excluding Mainland China, but accounting for about 85 percent of the world supply) totaled about 52 million tons in 1966, slightly above 1965 and almost 20 percent above the 1956-60 average. World pork production was about the same as in 1965; production of beef and veal and lamb and mutton increased.

Cattle and beef: World cattle numbers have trended upward since the end of World War II. Cattle and buffalo numbers reached a record 1.1 billion head at the beginning of 1966, 13 percent above the 1956-60 average. During 1965, increases occurred in all geographic regions except Oceania. Numbers in Australia were down about 3 percent because of prolonged drought. In New Zealand, numbers increased about 6 percent.

World beef production in 1966 was about 2 percent greater than a year earlier with all geographic regions except Oceania showing increases. Production recovered in Western Europe and was near the record 1963 level. Production in Argentina increased 7 percent, following a 2-year decline. World beef production in 1967 is expected to be about the same as in 1966 as the United States and Australia enter the rebuilding phase of their cattle cycles.

World beef trade in 1966 returned to pre-1964 patterns. Australia and New Zealand found the U.S. market more attractive than

the European market and Argentina supplied larger quantities to the European market.

U.S. imports of beef and veal increased from 400,000 tons (carcass weight) in 1965 to an estimated 550,000 tons in 1966. Imports are expected to increase again in 1967.

Hogs and pork: World hog numbers in early 1966 were unchanged from a year earlier; decreases in North America and Europe were offset by increases in the USSR. In the United States, numbers declined 3 percent. This was the second straight year of decline.

World pork production in 1966 totaled about the same as in 1965. However, there were sizable declines in Yugoslavia, Poland, and Hungary. World trade in pork in 1965 was almost one-fifth larger than in 1964. According to preliminary indications, pork trade in 1966 remained at about the 1965 levels. The major pork exporters continued to be Denmark and the Netherlands; the major pork importers were the United Kingdom, the United States, and France.

Sheep, lamb and mutton: World sheep numbers, at about 1 billion head, were up slightly from the 1965 level. Further increases are expected in 1967.

World lamb and mutton production in 1966 is estimated at about 3 percent over 1965, even though small declines occurred in the three major producing countries--the USSR, Australia, and New Zealand. Production in 1967 is expected to remain near the 1966 level. Total trade in lamb and mutton in 1966 was unchanged from the 1965 levels. Leading exporting countries continued to be New Zealand and Australia; the leading importing countries were the United Kingdom and Japan. World trade in 1967 is not expected to change substantially from the 1966 levels.

Variety meats: World production and trade statistics for variety meats are not available. U.S. exports of variety meats in 1966 were 5 to 10 percent below the 100,000 tons exported in 1965. The largest importers of U.S. variety meats are the EEC countries.

U.S. exports are expected to increase in 1967 because of increased supplies of pork variety meats.

Lard: The total production of lard in 1966 in the major producing countries was unchanged from the previous year. U.S. production was at about the 1965 level, although lard yield per hog was lower. U.S. lard prices increased and exports were down. Hog slaughter in Western Europe during 1966 continued at high levels and resulted in a considerable surplus of lard for export. The United Kingdom is the only major import market for lard. The United Kingdom's total imports of lard in 1966 declined about 15 percent and the U.S. share of this market--which had been as much as 90 percent in recent years--was only about 30 percent.

U.S. lard production in 1967 is expected to show a 5 to 10 percent increase from 1966 levels. An increase in exports is expected, but lard will continue to encounter strong competition from vegetable oils.

Tallow: World tallow and grease production in 1966 was at about the same level as in the previous year. Production declined in Australia but increased in the United States, Canada and Western Europe.

In 1966, exports from the United States, which accounts for most of the tallow and grease entering world trade, were down 10 percent from the previous year. Exports of hog grease were off sharply. U.S. tallow production in 1967 is expected to be down slightly because of reduced cattle slaughter. Exports will be about the same as in 1966.

DAIRY AND POULTRY

Dairy products: World milk production in 1966 is estimated at 298 million tons (656 billion pounds), about 2 percent above 1965. West European production, which increased 3 percent in 1965, rose another 2 percent in 1966. An estimated 106 million tons were produced in Western Europe in 1966, including 70 million tons in the EEC countries. As in 1965, the largest production gains were

registered in the EEC countries, where production rose about 3 percent. Production gains were sharpest in France, which accounted for more than a fourth of total West European production in 1966. Higher prices to producers, more cows, and plentiful pastures brought about an increase in milk output of about 6 percent in France. Generally favorable production factors in Western Europe, particularly in the EEC, suggest that milk production will continue to move upward in 1967.

In Oceania, milk production in 1966 was up about 3 percent compared with the previous year, when output totaled 13 million tons. New Zealand produced a record 6.2 million tons. Australian production is again moving upward after a sharp decline in 1965 resulting from severe drought. Reduced milk cow numbers, however, held 1966 output below the record 1964 level.

Milk production in North America was down about 2 1/2 percent in 1966. Most of the drop is attributable to lower U.S. output; Canadian production declined only 1 percent. An exodus of farmers from dairying and heavy culling of milk cows are principally responsible for the decline, as production per cow continues upward. Improved prices that may reduce culling and increase gains in milk per cow suggest a moderate gain in North American milk production in 1967. Even with a moderate increase, combined U.S.-Canadian output in 1967 likely will fall substantially short of the record 66 million tons produced in 1964.

Largely because of production gains in Brazil, Argentina, and Mexico, output of milk increased in Latin America. This continues an expanding production trend which is expected to continue uninterrupted in 1967. However, population is expanding more rapidly than milk production in Latin America.

Milk production in the East European countries and the Soviet Union increased by about 3 percent in 1966. Production in the USSR totaled 60 million tons compared with 58 million tons in 1965. As in 1965, much of the increased output in Eastern Europe and the

Soviet Union was channeled into manufactured products, particularly butter, some of which was for export. Much of the butter channeled into the export market was offered at relatively low prices, which in turn depressed world butter prices.

The most significant increase in milk production outside traditional dairy producing countries occurred in Japan. In 1966, the substantial increase of about 7 percent reflected the Japanese Government's emphasis on increased milk output.

World output of the principal manufactured dairy products--butter, cheese, and nonfat dry milk--rose from the 1965 level although the rate of gain was less than in 1965. West European production of butter and nonfat dry milk reached record levels in 1966, exceeding the 1.8 million tons and 860,000 tons, respectively, produced in 1965. The bulk of the nonfat dry milk increase--about 240,000 tons--was accounted for by the EEC where, for the first time, production surpassed that of the United States. On a world basis, increases in production were largest for cheese, butter, and nonfat dry milk, in that order. Reductions in output of butter and nonfat dry milk in some major producing countries, particularly the United States, were substantial. North American output of butter declined 14 percent to 540,000 tons and nonfat dry milk declined 21 percent to 730,000 tons. Cheese production rose 7 percent to nearly 860,000 tons.

Due to increased production on the Continent, European butter stocks carried over into 1967 were near a record level--about 230,000 tons. Nearly 60 percent of West European butter holdings were in the EEC, principally France and West Germany. The accumulation of large butter stocks prompted the EEC to adopt various schemes in 1966 designed to reduce stocks. Such schemes included reducing domestic prices for cold storage butter to encourage increased per capita consumption and facilitating exports through payment of large export subsidies.

World trade in dairy products, in terms of whole milk equivalents, declined slightly

in 1966 from the level of about 20 million tons traded a year earlier. This was the second consecutive year of reduced trade. Increased output of most dairy products in Western Europe, traditionally the most important market, reduced import demand and depressed world prices. A further decline is expected in 1967.

World butter trade declined for the second consecutive year from the 1964 peak. Although trade between member countries of the EEC increased slightly, non-EEC shipments to West European markets, other than the United Kingdom, declined. Butter trade in 1967 is expected to remain near the 1966 level of 550,000 tons.

Commercial trade in nonfat dry milk also declined in 1966 for the second consecutive year after reaching a record high of 480,000 tons in 1964. The same factor contributing to the lower level of trade in 1965 was also responsible for the 1966 drop: increased production in the EEC, largely a function of higher prices and strong consumer demand. An additional factor in 1966 was the substantially lower output and consequent depletion of Government-owned stocks in the United States, normally the largest commercial exporter. Production in Western Europe is expected to continue rising; thus commercial import demand likely will be reduced in 1967.

World cheese trade continued its upward expansion of recent years. Western Europe, mainly the United Kingdom and West Germany, remained the major importing area, accounting for over three-fourths of the 540,000 tons estimated to have moved in world trade in 1966. Despite rising producer prices which encourage higher production, the EEC remains a net cheese importer. Trade is expected to expand further in 1967.

Evaporated milk trade in 1966 rose to about 270,000 tons while condensed milk trade fell below the 280,000 tons exported in 1965. The gain in evaporated milk trade was due to larger exports from the Netherlands (the leading exporter) to the Philippines, Nigeria, the Dominican Republic, and West Germany,

and larger exports from the United States to Mexico. Although France and the United States exported larger quantities of condensed milk in 1966, substantially lower exports from the Netherlands (the largest exporter), Australia, and the United Kingdom resulted in smaller total trade.

Trade in dry whole milk has increased substantially in recent years. World trade as measured by exports from major supplying countries rose over 60 percent from 1961 to 1965. Trade increased further in 1966--to over 180,000 tons--though the rate of increase was slightly lower than the 10 percent registered for 1965. Larger imports by a number of developing countries are responsible for the increase. With rising incomes and expectations of further improvement in the developing countries, trade in dry whole milk is expected to increase further in 1967.

Poultry meat: World output of poultry meat in 1966 increased about 10 percent compared with a year earlier, with broiler output accounting for most of this increase. Total production in 16 leading countries rose to almost 7 million tons. Between 1960 and 1962, production remained fairly stable at around 5 million tons. However, since 1962 higher red meat prices and increasing income levels have led to sharp increases in demand for poultry meat.

Expansion of poultry production has been especially rapid in the EEC, reflecting not only increased incomes but also the policies of the EEC which have curtailed imports from non-EEC countries and thus accelerated internal expansion.

In two of the major import markets--West Germany and Japan--poultry meat production continued its sharp uptrend. German production is expected to have reached 170,000 tons in 1966, 12 percent more than a year earlier and 50 percent above 1962. Japanese production may be up as much as 20 percent--totaling about 190,000 tons.

In each of the two largest exporting countries--the Netherlands and the United

States--poultry meat production is up about 9 percent. These two countries account for over 50 percent of the poultry meat entering world trade.

For the eight major markets (West Germany, Switzerland, Austria, Greece, the United Kingdom, Hong Kong, Japan and Italy) imports are expected to exceed 280,000 tons, up about 10 percent from 1965. West Germany is expected to continue to account for about three-fourths of total world imports of poultry meat.

The leading poultry exporting countries maintained their positions in 1966. Exports from the leading country, the Netherlands, continued to expand reaching about 110,000 tons. The United States was second, accounting for about 90,000 tons. Exports from Denmark declined in 1966. Dutch exports will continue to rise in 1967 as the EEC eliminates internal trade barriers between member states. Also, U.S. exports of turkeys, poultry parts, and poultry specialty items are expected to increase further in 1967.

World trade in poultry meat will likely remain at a high level in 1967. With substantially larger supplies available late in 1966 and early in 1967, poultry meat will continue to be priced attractively. Under such conditions, sizable gains in per capita consumption of poultry meat are expected.

Eggs: Production of eggs in 38 countries remained unchanged in 1966 at 232 billion eggs. Production was down slightly in the United States, Canada, Denmark, the United Kingdom, and Japan, while West Germany registered another large gain--about 5 percent--moving closer to self-sufficiency.

World trade in shell eggs declined again in 1966, following the trend since 1960. In West Germany, a market which took about 40 percent of world exports in 1965, imports of shell eggs were down about 20 percent. U.K. imports were also down about 10 percent in 1966. In Italy, another large import market, the level of imports remained about the same as a year earlier.

International trade in egg products likely showed a slight increase in 1966. Imports of three of the leading markets--West Germany, Italy, and the Netherlands--were up sharply. However, imports of the largest market, the United Kingdom, were down due to the domestic sale of large stocks of frozen eggs by the British Egg Marketing Board.

Egg production is expected to increase in 1967. However, shell egg exports will continue to decline as the major importing countries move toward self-sufficiency. This is particularly true of West Germany.

SUGAR AND BEVERAGES

Sugar: The 1966/67 world production of centrifugal sugar is estimated at a record 66 million tons (raw value). Production will exceed consumption by a wide margin for the third straight year. The excess of production over consumption will amount to about 4 to 5 million tons, and carryover stocks will be built up to about 25 million tons.

Contributing to the increase in production for 1966/67 were larger 1966 crops in the USSR, the Republic of South Africa, and Western Europe and an expected recovery in the Cuban sugar crop to be harvested in the first quarter of 1967. Additionally, many small countries are producing more sugar. Communist countries will have a surplus of production over consumption of almost 6 million tons for 1966/67. Free World countries will have a deficit and will import almost 3 million tons from the Communist countries.

Barring any major unforeseen developments during 1967, there will probably be no substantial change in world prices during the next year. After reaching an average level of 8.5 cents per pound in 1963, world sugar prices have dropped almost steadily and in the latter part of 1966 were around 1 1/2 cents per pound.

A negotiating conference in the fall of 1965 for a new International Sugar Agreement did not succeed. Since that time consultative conferences have been held between UNCTAD

and the International Sugar Council to prepare for another negotiating conference. Such a conference may be held during the first half of 1967. Quota and price provisions of the International Sugar Agreement have not been in effect since 1961. On November 3, 1966, a protocol extending the Agreement (without quota or price provisions) through December 31, 1968 was formulated.

Coffee: World coffee production in the marketing year that began October 1966 is estimated at about 64 million bags (60 kgs. each), a decrease of 20 percent from the preceding crop which was a record. World exportable production for 1966/67 is estimated at about 50 million bags, close to world import requirements. Prices, however, are expected to remain around recent levels, because (1) world stocks are still at a high level (more than enough to supply world needs for a year), and (2) the International Coffee Agreement (ICA) has a built-in mechanism to assure that more coffee becomes available almost immediately should prices rise above predetermined levels. Brazil probably will lower its stocks slightly in 1966/67 as its crop is not large enough to meet export requirements (ICA export quota level) and internal consumption. Most of the exports, however, will be new-crop coffee as some carryover will be used for domestic consumption.

N.Y. green coffee prices during the first 9 months of 1966 generally averaged below 1965 levels. Robustas were an exception, averaging almost 3 cents above the 1965 level of 31 cents per pound. By the end of September, however, a general weakening brought the Robusta price down close to the 1965 level, while other coffees were 3 to 4 cents lower than the average for the previous year. At the beginning of the 1966/67 coffee year (October-September), the average price of "other millds" (basically Central Americans and Mexicans) was slightly below the floor level (40.5 cents) set at the August International Coffee Organization (ICO) meetings. The ceiling price for this type coffee is 44.5 cents per pound. The price ranges for the other coffee groups are as follows: unwashed Arabicas (mostly Brazils), 37.5 to 41.5 cents; Colombians, 43.5

to 47.5 cents; and Robustas (mostly Africans), 30.5 to 34.5 cents. This new "selectivity" system should result in relative stability in the green coffee market in 1967, with prices remaining in the lower halves of the respective ranges.

The ICO passed a major crisis in August 1966, when its governing body, the International Coffee Council, met and found at least temporary answers to its most pressing problems. The price selectivity system described above, for example, should answer some of the complaints of consumer countries that export quotas restrict the amounts of various type coffees that are available. Under the new system, heavy demand for a particular type of coffee would automatically trigger a quota increase for that type, bringing prices down to the established range. A second provision requires producer countries to set aside part of their income from coffee sales over normal quotas (waivers) for use in diversification programs to discourage overproduction of coffee. The problem of clandestine shipments, beyond quota levels, was attacked by the imposition of tightened controls.

Cocoa: The 1966/67 world cocoa bean crop is forecast at 1.39 million tons, up 13 percent and the second highest on record. The large crop is the consequence of favorable growing conditions in Ghana, Nigeria, and the Ivory Coast.

World cocoa bean grindings amounted to an estimated 1.4 million tons in 1966. Grindings during 1967 are expected to approximate the record 1966 level and may result in a further reduction of world bean inventories in 1967.

World exports of cocoa beans during 1965 amounted to a record 1.3 million tons, reflecting abundant supplies from the large 1964/65 harvest. Because of the reduced 1965/66 crop, exports during 1966 probably were below the 1965 level.

Responding to increased grindings and lower 1965/66 production, cocoa bean prices (N.Y. spot Accra) averaged 24.4 cents a pound during the first 10 months of 1966, compared

with 16.7 cents a pound for the corresponding period in 1965. For the 1966/67 season, prices are expected to approximate those of 1966, provided the near-balance of production and grind remains as currently estimated.

The U.N. Cocoa Negotiating Conference met in New York during May and June 1966. The participants failed to agree on the mechanics of operation of a buffer stock, minimum and maximum prices, removal of obstacles to consumption, conversion factors, and other related matters. A follow-up Geneva cocoa meeting was held during the week of September 5 for discussions at the technical level in an effort to facilitate early resumption of the negotiating conference. Considerable progress was made in resolving a number of technical issues. Agreement was reached on putting the cocoa year on a July-June basis, and on measures to control sales quotas. Measures to restrict imports from non-members were also discussed and substantial agreement was reached.

Tea: World tea production (excluding Mainland China) in 1966 approximated a record 1 million tons, 5 percent above the previous year. Large crops in India and Ceylon boosted Asian production to a record 900,000 tons.

World consumption of tea has paralleled the upward trend in production; however, a slight buildup of stocks is expected as a result of the large 1966 harvest.

World tea exports in 1966 exceeded the previous record level of 583,000 tons achieved in 1965. In 1965, Ceylon replaced India as the world's leading tea exporter, shipping 224,000 tons against India's exports of 199,000 tons.

Tea prices weakened during 1966 under the weight of the record crop and because of curtailed buying by the United Kingdom--the world's largest tea importer. Prices (average N.Y. wholesale quotations for black tea) declined from 53 cents per pound in January to approximately 46 cents per pound in September.

Another large world tea crop is anticipated in 1967, reflecting expansion programs

in effect in most producing countries. However, prices in 1967 are not expected to change significantly from recent levels.

Hops: Despite increased acreage, production of hops in 1966 was down slightly from the near-record level of 1965 but well above the 1960-64 average. Substantial weather damage to the crop in the United States and West Germany, the two leading producers, accounted for the shortfall. With lower exports by the United States and West Germany, international trade probably will not equal the record 1965/66 level. Exports by East European producers, however, should continue to rise.

TOBACCO

World tobacco production in 1966 was about 4 1/2 million tons (10 billion pounds), almost the same as the 1965 world harvest.

The world crop of flue-cured tobacco in 1966--at 1.66 million tons--was almost 5 percent above the previous year's. Larger crops in the United States, Canada, Japan, and South Korea more than offset smaller harvests in Brazil, Rhodesia, India, and the Philippines. The U.S. crop of flue-cured tobacco was about 20,000 tons larger than 1965's 480,000 tons--mainly because of an increase in the planted area--and is considered to be generally of excellent quality, due at least in part to the acreage-poundage control system which assigns a maximum acreage and places a limit on marketings.

Canada's record 1966 flue-cured crop of about 95,000 tons likely will be exceeded by her 1967 crop. Rhodesia's 1966 harvest probably was in excess of 90,000 tons, but official data have not been released on the size of the harvest. A goal of 90,000 tons has been set for the 1967 Rhodesian harvest. Reduced plantings caused the smaller harvests in Brazil, India, and the Philippines. Nearly half the tobacco entering world trade is flue-cured.

The excellent quality of the 1966 U.S. flue-cured crop, continuing sanctions imposed by many countries on Rhodesia's exports,

steadily rising world cigarette output, and the U.S. export payment program are expected to result in about a 20 percent increase in U.S. flue-cured exports in the year ending June 30, 1967.

The world crop of oriental tobacco in 1966, at about 760,000 tons, was slightly above the 1965 harvest but substantially below the record world harvest of 1964. Larger harvests in Turkey and Yugoslavia accounted for the production increase in 1966.

World burley tobacco production in 1966 was about 10 percent below that of 1965. Smaller plantings reduced the outturn in the United States. Greece and South Korea, however, had record crops of burley--mainly for export.

Exports of unmanufactured tobacco from the Free World and Cuba amounted to 0.83 million tons in 1965, a little under the record of 0.85 million tons in 1964.

The United States is the world's largest exporter of tobacco. Of the total exports from the Free World and Cuba in 1965, the United States accounted for about 25 percent, compared with 35 percent in 1955-59. In 1966, the U.S. share rose a little, as sanctions limited Rhodesia's exports, and U.S. exports rebounded from the low level of 1965. The full effect of the sanctions, however, cannot be gauged at this time since Rhodesia--the world's second largest exporter--has released no information on its 1966 export trade.

World cigarette manufacture rose to 2,682 billion pieces in 1965--up 6 percent from the previous high of 2,526 billion in 1964. A further increase occurred in 1966 with the total estimated at around 2,775 billion. Filter-tipped cigarettes accounted for almost 46 percent of total Free World output in 1965, compared with 41 percent in 1964.

FIBERS

Cotton: The world supply of cotton in 1966/67 is estimated at about 78 million bales (480 pounds net weight). Consumption

(52 million bales) will exceed production (48 million) for the first time since 1961/62. Thus, stocks, which have increased by 10 million bales since that time, will be reduced this season, declining from a record of 30 million to a level of 26 million bales. World trade in cotton is expected to total around 18 million bales in 1966/67, a rise of around a million bales. U.S. exports are estimated at 5 million bales compared with 2.9 million in 1965/66.

World cotton production is tentatively estimated at about 48 million bales for 1966/67, compared with about 53 million last season. Most of the reduction this season is in the United States, where the crop is estimated at 10.3 million bales (November estimate), down more than one-fourth from 1965 and the smallest harvest since 1950. Acreage was reduced sharply this season, as producers diverted about 4.6 million acres of their farm allotments under the provisions of the Food and Agriculture Act of 1965. Other Free World countries are likely to harvest about 23.2 million bales, roughly the same amount as in 1965/66. Larger crops in Nicaragua, Colombia, India, Pakistan, Turkey, and a few other countries probably will be about offset by smaller ones in the UAR, Sudan, El Salvador, Guatemala, Mexico, Brazil, Iran, and Syria. Production in Communist countries this season is placed at 14.7 million bales, the same as in 1965/66. In 1966, the Soviet Union harvested a crop about equal to the 1965 record of 8.8 million bales.

World cotton consumption is estimated at 52.2 million bales in 1966/67, about 1.7 million above last season. In the United States, mill consumption is estimated at 9.6 million bales, up 0.1 million from 1965/66 and the largest amount used since 1950/51 when mill consumption was 10.5 million bales. Consumption for the rest of the world is expected to increase by about 1.6 million bales, four-fifths of which will be in Free World countries. Thus, foreign Free World countries may use about 26 million bales this season, compared with 24.8 million used in 1965/66. Gains in consumption will be experienced in almost all cotton-producing countries in 1966/67 as domestic demand for textiles continues to grow.

Net importing countries of the Free World may consume almost a million bales more cotton this season than in 1965/66. India and Japan, where the sharpest declines occurred in 1965/66, are likely to use more cotton this season. Consumption in Western Europe may increase slightly in 1966/67, with the largest gains expected to occur in Italy and France. West Germany probably will use less cotton this season.

The world carryover of raw cotton on August 1, 1966, totaled about 30 million bales. This is the largest carryover on record, the result of 4 consecutive years in which world production exceeded consumption. During those 4 years more than 10 million bales of cotton were added to the carryover, mostly in the United States. This trend will be reversed in 1966/67, with end-of-season stocks likely to be down by 4 million bales. Stock reduction will be mainly in the United States, where stocks on August 1, 1966, totaled a record 16.9 million bales. Cotton stocks in foreign countries are expected to remain low in 1966/67.

World trade in cotton is forecast at about 18 million bales--up from 16.8 million in 1965/66--based on an expected rise in consumption in foreign importing countries. Raw cotton stocks in many of those countries are at minimum levels and imports will at least have to keep pace with the higher level of mill consumption in 1966/67. With export availabilities in Free World producing countries expected to be lower this season because of increased domestic requirements and smaller crops in some important exporting countries, the export potential of the United States is enhanced.

During the early part of the 1966/67 marketing year, upland-type cottons were selling from 50 to 200 points lower than a year earlier and in early November U.S. Strict Middling 1 1/16" cotton was being quoted in Liverpool at 27.40 cents per pound.

Wool: Wool production in 1966 (including the 1966/67 clip in the Southern Hemisphere) is estimated at 2.65 million tons (5.85 billion

pounds), greasy basis--about the same as in each of the 2 previous years. Total output in the five major producing countries of the Southern Hemisphere (Australia, New Zealand, Argentina, Uruguay and the Republic of South Africa) is expected to change very little in 1966/67. Production declined in Australia and South Africa, but increased in New Zealand, Uruguay, and Argentina.

Production was up in the USSR, U.S. production continued its downward trend, and there were small increases in output in Eastern and Western Europe.

Jute: World jute production is estimated at 2.5 million tons for 1966, an increase of 11 percent from the previous year's output. The first estimate puts the Pakistan crop at a level slightly below that of 1965, but the Indian crop is one-third larger than the previous year's production. The Indian-Pakistani crops account for about 90 percent of the world's output of true jute. Thailand's 1966 production of kenaf, a jute-type fiber, is estimated at 540,000 tons.

Exports of jute from Pakistan were 788,000 tons during 1965/66 (July-June), about 12 percent above the 1964/65 level. Thailand exported 276,000 tons of kenaf in 1965/66, making that country the world's second largest exporter of a jute-type fiber.

Prices of raw jute, c.i.f. New York, in 1965 averaged 17.4 cents a pound and in the latter half of 1966 were averaging 18.5 cents.

Hard fibers: The 1966 crop of sisal is estimated at about 650,000 tons, slightly above that of 1965. The crop could have been larger, judging from the area cultivated, but because of drought in the principal growing areas of Africa and low world prices the entire acreage was not harvested. World exports have been

relatively stable during the past 4 years at between 550,000 and 580,000 tons. The price of sisal reached its peak of the past 14 years in 1963 at an average 18.3 cents per pound (spot price, New York) but declined to 10.6 cents in 1966 as supplies increased and demand fell. Synthetic cordage fibers are now being produced in several countries and offer significant competition to natural fibers.

Production of abaca fell to about 100,000 tons in 1966 from a high of 119,000 tons in 1963. Exports from the Philippines, the principal producer and exporter, declined to about 84,000 tons--8 percent less than the 1965 level. The price fell from a 15-year peak of 31.7 cents a pound in 1960 to somewhat less than 22 cents in 1966. Abaca is facing increased competition from synthetic fibers, especially in marine lines and the smaller types of cordage, and from sisal, the price of which has declined to roughly half the price of abaca. For many uses, sisal and abaca are interchangeable, with price the determining factor.

Production of henequen in 1966 is estimated about equal to the 1965 crop of 164,000 tons. Mexico is the leading producer and exporter. Exports were at about the same level in 1966 as in the previous year. The average price at New Orleans has remained nominal since February 1965 at about 9.5 cents per pound. Synthetic baler and binder twines, developed in the United States and the United Kingdom, have the potential for strong competition with henequen products.

An FAO Study Group for Hard Fibers (principally sisal, abaca, and henequen) was established in June 1966 to seek means of improving statistics and to study the problems of the industry, looking toward long-term equilibrium in supply and demand to minimize short-term price fluctuation, and toward means of meeting the growing competition from synthetic products.

SITUATION BY REGION



WESTERN HEMISPHERE

Total farm production in Canada continued a sharp rise in 1966 and exceeded the record 1965 output by nearly 10 percent. The record output reflected expanded area and improved yields for major crops with a slight decline in output of livestock products. A larger seeded area, favorable moisture at planting time with timely rains, and excellent harvest conditions resulted in a record wheat harvest of 23 million tons (840 million bushels). Production also increased for other major crops such as barley, corn, rapeseed, tobacco, and potatoes. Due to reduced area, the 1966 harvests of oats, rye, and flaxseed were below 1965 levels. Meat production declined slightly and the gradual downward trend in milk production continued.

Canada maintained near-record wheat exports during 1965/66 (August-July) despite strikes by longshoremen and railroad workers. Oilseed exports--mainly flaxseed and rapeseed to Japan and Europe--increased by about 30 percent. Foreign shipments of livestock and livestock products were maintained near the high 1965 levels.

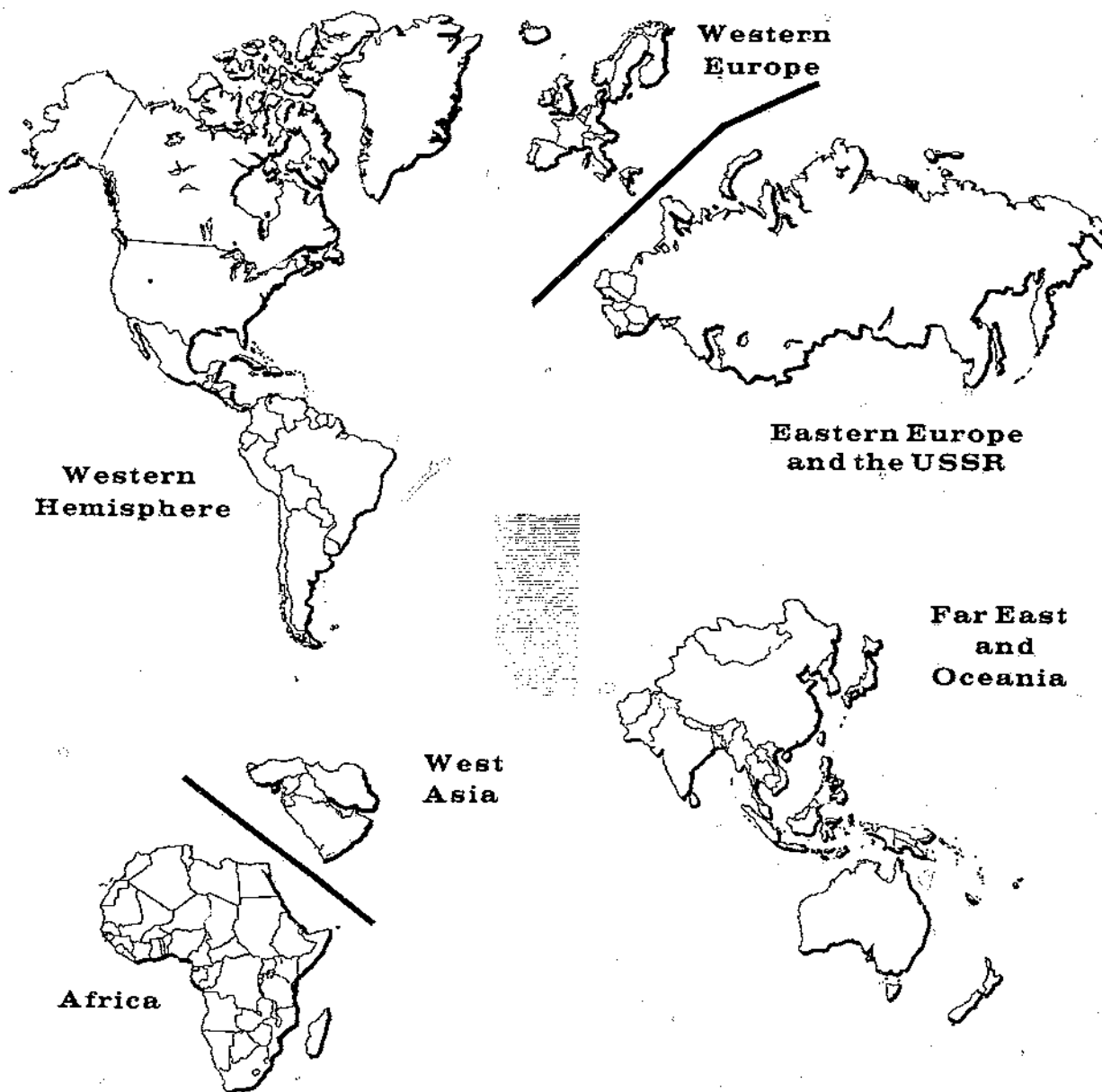
Canadian wheat shipments are expected to be somewhat lower during the coming year. There will be some increase in exports of other grains. Strong foreign demand should maintain exports of oilseeds, livestock, and other agricultural products at relatively high levels despite some restriction on available supply. Strong import demand for U.S. fruits and vegetables is expected to continue with some weakening for corn and cotton.

Total agricultural production in the United States in 1966 declined about 2 percent from the record 1965 level. An unusually cool spring and widespread summer drought contributed to lower crop production and restricted output of livestock products to near the 1965 levels. A decline of more than 30 percent in cotton reflects a smaller planted area. This is attributed to relatively heavy participation in the acreage diversion program and to unfavorable seeding conditions in some areas. Because of summer drought, production of wheat, corn, and tobacco declined slightly; there were larger reductions in the production of barley, oats, rye, flaxseed, and summer vegetables. Increased area and yields contributed to record production of rice and soybeans. High yields produced a record crop of grain sorghum. Production of citrus fruit, potatoes, beans, sugarcane, sugarbeets, and meat was up. Milk output was below the 1965 level.

Exports of \$6.7 billion for 1965/66 (July-June) were 10 percent above 1964/65. There were strong gains in U.S. exports of wheat, feed grains, soybeans, and oilseed meals. Exports of cotton, dairy products, and fats and oils declined. Agricultural imports for 1965/66 were up 12 percent to \$4.5 billion with major expansion in live animals, livestock products, and vegetables and preparations. Midyear 1966 carryover stocks were down sharply for wheat, corn, and grain sorghum, with a significant rise for cotton.

Strong domestic and foreign demand may be expected to maintain upward pressure upon prices of many U.S. agricultural commodities during the coming year. The outlook

WORLD GEOGRAPHIC REGIONS



THESE ARE THE REGIONS THAT ARE USED IN THIS REPORT

is for a continued expansion in exports of rice and oilseeds and oilseed products, and recovery in cotton and tobacco exports. U.S. imports of live animals, livestock products, vegetables and preparations, sugar, and tropical products also should continue to rise.

Latin America: Total agricultural production for 1966 declined from the record output achieved in 1965. The reduced output reflects drought and hurricane damage in the Caribbean and extremely low rainfall in the central Andean highlands. In the eastern and southern regions of South America, above-normal rainfall damaged early crops but provided favorable moisture levels which benefited livestock and later-seeded crops.

The principal impact of adverse weather was in coffee, sugarcane, and rice, with some reduction in beans, cocoa, cotton, tobacco and tubers. Production of grain sorghum, wheat, barley, and oats was up sharply, with some rise in output of corn, oilseeds, bananas, meat, and milk. The agricultural situation suggests a significant expansion in exports of wheat and coarse grain by the major producing countries with a moderate rise in other exports. A general decline in total per capita food output may be expected to increase import demand for many agricultural products.

Favorable growing conditions continued in Mexico with early drought in some areas alleviated by timely rains. Total agricultural production exceeded the record level of 1965 but per capita output declined. Changes in Government price policy encouraged a shift of some irrigated land from wheat and corn to sorghum grain and oilseeds. Due principally to reduced area, wheat production has declined and will approximate domestic requirements. The irrigated corn area also was reduced but total production is estimated up about 5 percent. Grain sorghum increased sharply and soybeans and safflower continued to expand. A 10 percent decline in cotton is attributed to reduced plantings and adverse weather in some producing areas. Coffee production also declined. Sugar continued an uptrend in progress since 1963. Production of onions was down but production of some other

winter vegetables and of fruits increased. There were some gains in output of livestock products.

Agricultural production in the principal Caribbean countries declined in 1966 as a result of drought and tropical storms. Continuing drought reduced output of sugar and principal food crops in the western area including Jamaica and Trinidad-Tobago. The 1966 Cuban sugar harvest (January-June) of 4.5 million tons was 25 percent below 1965 but larger crops were harvested in the Dominican Republic and Haiti. Hurricane "Inez" (September-October 1966) severely damaged late-harvested crops including coffee, cocoa beans, bananas, and tobacco in Cuba, the Dominican Republic, and Haiti.

Near-normal conditions prevailed in Central America in 1966. With recovery from drought in Nicaragua and El Salvador, total production of the six countries (excluding British Honduras) was well above 1965. The cotton area declined in El Salvador and Guatemala but lower production in those countries was partially offset by an increase in Nicaragua. There were significant gains in production of domestic food crops with record corn harvests in El Salvador and Honduras. Sugar production continued to rise; the region's output of coffee, bananas, and livestock products expanded moderately.

A delay in the rainy season in Colombia resulted in early drought in some producing areas with later improvement in growing conditions. Agricultural production in 1966 was estimated near the 1965 level. A larger planted area contributed to some increase in output of wheat, barley, and sugar, while soybean production continued a strong uptrend. Coffee production increased and there was some decline in the rice harvest. Milk production continued a slight uptrend and meat production recovered.

Above-normal rainfall was unfavorable to harvests of major crops in Brazil in 1966. Total agricultural production dropped about 10 percent from the record 1965 level. Coffee production dropped about 45 percent. Harvests

of sugarcane, corn, beans, cocoa beans, and tubers were more than 15 percent below the previous year with smaller reductions for rice and tobacco. Peanut production increased sharply and there was a significant rise in cotton, soybeans, bananas, and milk in 1966. Severe frosts in the main producing area may reduce the 1967 coffee crop. However, stocks of coffee, sugar, and cotton remain relatively large. Lower production may be expected to restrict trade in some other products, including rice and corn, during the coming year. Brazil also may need above-normal imports of wheat and other agricultural commodities to meet domestic requirements.

Adverse weather conditions in early 1966 affected a number of crops in Peru and total agricultural production declined for the second consecutive year. Cold weather and early drought accounted for a significant decline in the output of meat and those basic food crops produced in the highland region, including corn, wheat, barley, and potatoes. A rise in the Government support price encouraged a significant recovery in rice production. Production of milk, beans, sweet potatoes and yuca also increased. Sugar production was up slightly and cotton output declined for the second year with production about 5 percent below 1965.

Heavy rains and flood in Argentina damaged early-harvested crops during 1966 but contributed to some rise in output of livestock and later crops. Total agricultural production rebounded sharply from the year before and approximated the record level achieved in 1963. Rains near harvest resulted in lower production of potatoes, fruit, cotton, sugar, rice, and peanuts. However, the corn crop of 7 million tons (harvested March-June 1966) was the largest in recent years. A record crop of grain sorghum was harvested (March-June). Increased planting and yields are expected to produce a good wheat harvest (November 1966-January 1967). There was a significant recovery in other grains. Cattle slaughter and meat production resumed an uptrend following a buildup in cattle herds in progress since 1963. A significant increase in Argentine exports may be anticipated during

the coming year with larger supplies of wheat and other grains available. The outlook for Argentine meat trade is not clear but beef and veal exports probably will continue near current levels. Other exports may continue near or slightly below the 1966 level.

Venezuelan output of corn, sugarcane, dry beans, and livestock products increased in 1966 but not as rapidly as had been expected, primarily because of dry weather. Poor germination cut rice production and the harvest of potatoes, sesame and cotton also declined. Despite drought conditions, 1966 production of sugar and rice in Guyana was above 1965 levels.

Ecuador's 1966 situation improved somewhat with significant increases in the output of rice, sugarcane, corn, and barley. Production of bananas, coffee, and livestock was near 1965 levels but early rains curtailed the cocoa harvest and June frosts cut potato output.

Good 1966 corn and rice crops in Bolivia have partly offset the damaging effects of frost and drought on potato and barley production. Uruguayan agricultural production was slightly higher in 1966 than in 1965 owing to increased grain (mostly rice and corn) and wool production.

Heavy rains in late 1965 and the dry weather of mid-1966 reduced output of Paraguayan beef, cotton, and coffee. Losses were partly compensated for by increases in dairy products, tung nuts, corn, yuca, and fruits and vegetables.

Heavy rains with flooding in south Chile in 1966 continued the downtrend in agricultural production in Chile though at a reduced pace. 1966 output of wheat, potatoes, and beef dropped sharply with smaller losses for pulses, rice, and pork.

WESTERN EUROPE

Persistent rains throughout much of Western Europe during the fall of 1965 kept farmers from sowing the usual wheat area. Late spring rains in 1966 also were a problem

in some areas. However, heavier rainfall broke the drought which had plagued Spain and Portugal for the past 2 years. Outbreaks of foot-and-mouth disease continued into 1966 in a number of West European countries, resulting in some embargoes on intra-European trade and requiring costly control measures.

Agricultural output in France, Western Europe's major producer, fell below the 1965 level. The total grain crop, estimated at 25.7 million tons, was about 2.7 million below the previous year. Wheat production fell to 11.3 million tons, 3.5 million below the 1965 level. Although a record barley crop was harvested, increases in feed grain production failed to offset the decline in wheat. Potato production dropped below the 1965 level. Beef and veal production increased but pork production declined as hog numbers fell. Milk production rose about 5 percent from 1965, resulting in increased surpluses--particularly of butter.

West Germany, the major agricultural importer among the EEC countries, increased agricultural output in 1966. Output of wheat, feed grains, and potatoes rose. Improved feed availability, estimated at 5 to 10 percent above 1965, will dampen demand for imports. Beef and veal production increased about 15 percent and prices dropped sharply during the heavy autumn marketing period. Excellent pasture stimulated further increases in milk production. Pork production continued to decline as hog numbers fell further from the 1964 peak.

In the Netherlands there were significant increases in livestock and horticultural production. Beef and veal output moved up sharply, and the output of pork, poultry, and dairy products continued to increase. Outbreaks of foot-and-mouth disease were particularly costly to the Netherlands, as many West European countries temporarily banned imports of meat and meat products from Holland.

Grain production in the United Kingdom advanced for the eighth consecutive year--from 9.4 million tons in 1959 to 13.8 million in 1966. Expansion in 1966 resulted from the

record barley crop; output of other grains declined. Potato and sugarbeet production failed to increase. Cattle numbers continued to rise, but increases in beef production were below expectations.

Agricultural output in the South European countries in 1966 was favorable for all countries except Portugal. Italy, Western Europe's major fruit producer, enjoyed a substantial increase in the deciduous fruit crop. Olive production was 10 to 15 percent below the previous year. The wheat crop, which accounts for over two-thirds of Italy's grain production, declined slightly. Rice production, however, was much larger and the corn crop showed some increase. Outputs of beef and veal and pork were 5 to 10 percent above 1965 levels. Disastrous floods in central and northeastern Italy in early November caused extensive damage to farm facilities, killed large numbers of livestock, destroyed some vegetable crops, damaged some grain stocks, and considerably hampered farm work including the seeding of winter wheat.

Spain recovered from 2 years of drought, with increases in grains, sugarbeets, cotton, olive oil, fruit and vegetables, and livestock products. Portugal experienced heavy rains and floods in 1966, following 2 years of drought. Output of grain, olive oil, fruits and beef and veal declined but potato, pulse, and milk production rose. Greece was able to curtail partially the production of surplus soft wheat and expand feed grain output. With a smaller area planted, tobacco production declined. Livestock numbers are increasing and production of meat and other livestock products is estimated to have increased in 1966.

The Scandinavian countries experienced generally favorable agricultural production in 1966. A major exception was wheat, which declined substantially in Denmark, Sweden, and Finland. Feed grain production was at about the 1965 level except in Sweden where there was a substantial decline. Production of meat and milk was above the 1965 level, except in Denmark where meat production declined and in Sweden where milk output fell.

The economic growth rate slowed in several West European countries--notably the United Kingdom, Austria, Greece, and the Scandinavian countries. Major factors contributing to this deceleration were labor shortages, tightness of capital markets, and contractive policy measures. However, GNP in real terms grew about 4 1/2 percent in the EEC--slightly more than the 1965 rate. The economies of France and Italy experienced growth without inflation. Other West European countries--except the United Kingdom, Ireland, and Austria--experienced varying degrees of inflation. The United Kingdom's austerity program probably held economic growth to around 1.0 percent in 1966.

The EEC made significant strides during 1966 in advancing economic union in the critical area of agriculture. France lifted its boycott and resumed active participation in Common Market affairs. Member countries agreed on the financing of the European Agricultural Guidance and Guarantee Fund, which underwrites the Common Agricultural Policy (CAP). Half will come from levies on agricultural imports from nonmember countries while the other half will be appropriated by member countries. The "Guarantee" section of the Fund will assume costs of all internal market or export subsidies on farm products for which EEC-wide price or market regulations exist on July 1, 1967. The "Guidance" section of the Fund is concerned with the structural improvement of Community agriculture.

Agreement was reached among Common Market members on "common" prices for milk, beef and veal, rice, oilseeds, olive oil, sugar, and sugarbeets.² A market regulation for fats and oils, the fundamentals of a sugar regulation, and a more stringent fruit and vegetable regulation also were agreed upon. Commission price proposals forwarded to the Council for approval were based on grain

² For a detailed discussion of the common prices and the present state of the CAP, see the following issues of *Foreign Agriculture*: June 27, 1966, p. 7; August 15, 1966, pp. 7-10; August 22, 1966, p. 5; October 24, 1966, pp. 3-5.

prices agreed to in December 1964 and on the probable effect of various price levels (and price relationships) on the output mix. Consumer prices and world trade implications also were considered.

The Council's July decisions on "common" prices--to become effective at varying dates up to July 1, 1968--provide substantial incentives for Community farmers to expand output. Milk "target" prices, for example, were set above Commission proposals, and high price supports and liberal production quotas were established for sugarbeets. These two commodities are already at or near "surplus" levels in the Community. The beef/milk price ratio is below the 7 to 1 ratio often considered as a minimum ratio for encouraging livestock farmers to produce beef rather than milk. Common prices established for olive oil and oilseeds are substantially above both Commission proposals and prevailing price levels, and arrangements are included to provide producer subsidies. The new fruit and vegetable regulation provides for promotion of organized marketing through the establishment of producer cooperatives, a "crisis" intervention system, and export subsidies under specified conditions.

On July 1, 1966, the Anglo-Irish Free Trade Agreement became effective. Under this agreement the United Kingdom removed import duties and quantitative restrictions on virtually all Irish products. Imports of butter and bacon from Ireland, however, will still be restricted. Main-crop potatoes and sugar are excluded from the Agreement. In return, Ireland began a series of 10 percent yearly cuts on import duties to be completed in 1975.

U.S. agricultural exports to the EEC during 1965/66 reached \$1.59 billion, 16 percent above the previous fiscal year. Major absolute gains were in feed grains (from \$377 million to \$537) and wheat (from \$37 million to \$103 million). Substantial declines occurred for cotton (from \$127 million to \$54 million) and dairy products (from \$44 million to \$18 million).

Portugal will require larger wheat imports in 1967. However, in many countries where a substantial amount of domestic soft wheat is fed to livestock, domestic coarse grains may be substituted. French exports of soft wheat should be sharply curtailed from the level of recent years.

West European feed grain imports may decline slightly during 1966/67. Domestic availability of feed grains and forage is higher than in 1965. The decline in hog numbers (although counterbalanced in part by increased poultry and cattle numbers) also will tend to reduce demand for feed. U.S. exporters are expected to face stronger competition from other suppliers.

Beef production in Western Europe should continue its uptrend in 1967. Short supplies of pork will continue but an upswing may occur later in the year. The number of breeding sows is rising in West Germany and pig numbers are increasing in Austria. Increased supplies of beef and poultry are expected to preclude any substantial rise in pork prices in early 1967.

Western Europe's import demand for oilseeds, cake, and meal is expected to remain at a high level in 1967. The United States will remain the major supplier; and the Netherlands and West Germany will remain the major markets. Recent U.S. legislation should improve our competitive position in cotton. Continuing sanctions on Rhodesian tobacco and the excellent quality of the U.S. flue-cured crop will enhance our position in 1967. In the longer run, however, U.S. tobacco exports to Western Europe will face keen competition from suppliers of lower-quality, lower-priced tobacco. Trade may be further complicated if the proposed Common Agricultural Policy for tobacco becomes effective.

USSR AND EASTERN EUROPE

Agricultural production in the Soviet Union rose sharply to a new record in 1966. USDA estimates it to be almost 15 percent above the poor 1965 level and 8 percent above

the previous 1964 peak. Per capita agricultural production in 1966 exceeded the 1957-59 average by more than 15 percent.

The erratic performance of Soviet agricultural production, particularly grain production, during the past 4 years is striking. USDA estimates that grain production fell to 90 million tons in 1963, rose to 121 million tons in 1964, and fell to 100 million tons in 1965.³ The 1966 grain crop is estimated to be about 135 million tons, an exceptional record. The 1966 wheat crop, estimated at 73.5 million tons, is more than 23 million tons greater than last year and about 11 million tons above the 1958 record.

The 1966 grain outturn is the result of a combination of favorable weather, technological factors, and improved economic incentives. The weather was good in most winter and spring grain areas, a rare occurrence. Because harvesting conditions were close to optimal in many regions, the crop was above average in quality and harvest losses were low. The good harvest was also the result of major efforts by the Soviet Government to increase agricultural production in general, and grain production in particular. By comparison with the situation in 1957-59, significantly larger quantities of fertilizer, machinery, and other inputs were available for the 1966 crop. Prices of grain and livestock products are much higher, and the 50 percent bonus for sales above the required level--introduced for certain grains in 1965--now applies to all grains. Other incentive measures introduced in 1966, especially for collective farm workers and state farm machinery operators, probably brought forth greater efforts.

Improvements were not as impressive outside the grain sector. Although sugarbeet production was larger than in 1965, it was below the 1964 level. Potato output declined. Cotton, however, approximated the peak 1965

³ Soviet grain yields and production are reported in combine "bunker weight"--including excess moisture and foreign matter. USDA estimates are of usable grain, excluding excess moisture and foreign matter.

level and increases in both fruit and vegetable production are estimated. Potatoes suffered from unfavorable weather in some regions, but the decline in sugarbeets reflected a smaller area than in 1964.

The livestock sector, after advancing rapidly in 1965, is estimated to have grown more slowly in 1966, reflecting a less favorable feed supply in 1965 and some problems with foot-and-mouth disease.

Government purchases (procurements) of grain are reported to have exceeded 74 million tons. This is 18 million tons above the annual level planned during the period 1965-70, and greater than in any previous year. Wheat purchases of more than 54 million tons were 13 million above the previous peak in 1958 and greatly exceeded the 1961-65 average of 31 million. Government purchases of cotton, oilseeds, sugarbeets, and livestock products also were near record levels in 1966.

The Soviet Union is off to a good start in the first year of its eighth 5-year plan (1966-70) and is relieved, at least temporarily, from the burden of large wheat imports. The improvements are significant but, when viewed against the erratic performance of recent years, they suggest that much remains to be done before the Soviet Union approaches a level of agricultural adequacy, much less abundance. Accumulation of wheat stocks this year will be substantial, but if there is a shortfall in 1967, such as in 1963 or 1965, most of these stocks would be used up.

It is unlikely that the Soviet Union will resume heavy net grain exports out of the 1966 crop, although some increase can be anticipated, especially to Eastern Europe and a few other countries where a small amount of wheat exported by the USSR may have special political significance. For some other crops, however--cotton, oilseeds, and sugar--Government purchases during 1964-66 have been much above previous levels. Trade policy for these commodities will depend upon export possibilities and the alternative of increasing domestic consumption.

Major policy developments during 1966 reflect continuation of the Government's emphasis upon incentives and increasing agricultural output.⁴ The 5-year plan for agricultural production announced in March had heavily scaled-down output goals for 1966-70 and much-increased inputs of fertilizer, machinery and other capital.⁵ In May, a major program was initiated to irrigate 7 to 8 million hectares of new land and drain 15 to 16 million hectares between 1966 and 1975.

The most significant measure effected in 1966 was the July implementation of "guaranteed" monthly wages for collective farmers at a level (job for job) comparable with state farm workers. These higher wages are to be subsidized by the Government if farms are unable to meet them, and the wage fund is to have priority in the distribution of collective farm income. Although this measure will not raise the average income of collective farmers to that of state farm workers, it is the most significant step in the direction of improving collective farm incentives yet taken by the Soviet Government.

Eastern Europe: Gains in agricultural output ranging from 10 to 20 percent were registered in Bulgaria, Czechoslovakia, and Yugoslavia, while small declines occurred in East Germany, Poland, and Romania. Output increased about 5 percent in Hungary.

Weather conditions were favorable in the Balkan countries; mixed in Romania, Czechoslovakia, and Hungary; and less favorable in Poland and East Germany. Increased availability of inputs and the upward movement of producer prices gave added impetus to the farm sectors of most East European countries during the past year.

A bumper corn crop, almost 20 percent above 1965, was harvested in Yugoslavia,

⁴ The USSR and Eastern Europe Agricultural Situation, ERS-Foreign 151, Economic Research Service, U.S. Dept. of Agriculture, March 1966. Also, G. Stanley Brown, "New Soviet Farm Program Strikes at Low Output," Foreign Agriculture, May 3, 1965. ⁵ Harry E. Walters, "New Soviet Farm Plan," Foreign Agriculture, March 21, 1966.

Bulgaria, and Romania, which were favored with near-optimal weather in contrast to serious drought in 1965. Eastern Europe's barley and oat crops did not change significantly from the 1965 level.

Bread grain output declined about 5 percent, primarily because of a drop in Polish rye production, which accounts for nearly 70 percent of Eastern Europe's rye output. Rye is also an important feed grain in Poland. Total wheat output in the area failed to increase, although bumper crops were grown in Yugoslavia and Bulgaria.

Root crops benefited from the abundant rains which had damaged the grain crop in the northern countries of the area. Although potato output increased about 25 percent in Bulgaria, Hungary, Romania, and Yugoslavia, there was no increase in output in the more important potato producing countries--Poland, Czechoslovakia, and East Germany. Sugarbeet output for all East European countries was about 10 percent higher than in 1965.

Oilseed production declined slightly in 1966. Smaller areas and yields resulted in a 15 percent decline in rapeseed, the major oilseed in the northern countries. Sunflowerseed, produced only in the southern countries, increased 5 to 10 percent.

Meat output increased approximately 5 percent in 1966, with larger increases in the northern countries. Production was down slightly in Hungary and Yugoslavia where farmers attempted to rebuild herds. In the region as a whole the feed supply was much improved, especially in the Danubian countries. Milk production was up slightly, with declines occurring only in Hungary. The largest gains were in Poland and Bulgaria. Tobacco is estimated to have increased about 10 percent.

Because of the good feed grain harvests, exports from Bulgaria, Romania, and Yugoslavia are likely to increase in the first part of 1967. Markets probably will be found in Western Europe and in the feed-deficit countries of Eastern Europe, in competition with U.S. exports. Bread grain imports may

increase, however, in East Germany and Poland. Much of the Polish demand has been satisfied by Western countries in recent years, but the USSR has reappeared as a major supplier this year, agreeing to supply a million tons of grain from its bumper harvest. East Germany and Czechoslovakia also probably will look to the USSR. The trade situation with respect to other commodities--vegetable oil, sugar, and cotton--to a large extent hinges on the intentions of the USSR, which has exportable supplies of these commodities in substantial quantities. The good oilseed crop in the southern countries of the region may show up in increased exports of vegetable oil in 1967. The improved feed situation in the southern countries will be reflected first in additions to herds but could result in increased exports. Increased livestock numbers and a relatively good feed situation in Poland may generate increased exports of livestock products in 1967. In all these countries, however, the domestic demand for livestock products appears to be cutting into export availabilities, a situation that is likely to continue.

Policy changes favorable to the agricultural sector have been noted throughout Eastern Europe. Plans call for modest rates of growth in production but sharp increases in inputs, particularly fertilizer, during the last half of the decade. If these plans materialize they could have a significant impact upon output, especially in Bulgaria, Hungary, Poland, Romania, and Yugoslavia, where little fertilizer has been used and considerable yield response can be expected.

WEST ASIA

In 1966, West Asia's agricultural production was larger than in the previous year and was one-quarter larger than that of 8 or 9 years ago. The regional gain was the result of high output in Turkey and Iran. Most other countries suffered from drought, windstorms, and ill-timed rains.

Iran and Syria had short crops of cotton in 1966, but a bumper cotton harvest in Turkey brought regional output up to about the 1965

record level of 677,000 tons, almost double the average amount produced in 1957-59. Citrus production was only about 8 percent below the exceptionally abundant crop of 1965.

Turkey's index of farm production for 1966 rose about 10 percent from 1965 and was almost one-third greater than the 1957-59 average. A record crop of wheat and considerably larger quantities of barley, corn, rice, rye, and mixed grains were harvested. Output of oats and millet was close to 1965 levels. The filbert crop was about 7 percent below the 1964 peak of 195,000 tons but more than 2 1/2 times the poor output for 1965. An "on-year" olive harvest reached 700,000 tons--an all-time high. But production of grapes, peaches, apricots and most other deciduous and stone fruits was down somewhat in 1966, primarily due to spring frosts. Turkey produced its largest cotton crop in history--368,000 tons--more than double the 1957-59 average and 35 percent above the average of the preceding 5 years. The tobacco crop was 15 percent above the 1956-65 average.

Iran's 1966 farm output was about 3 percent greater than last year's high. On a per capita basis, however, production remained below the 1957-59 level. Iran had an excellent wheat crop, about 10 percent above the good 1965 harvest, and the output of barley was equal to the bumper million-ton crop of 1965. In 1966 rice production fell slightly below the all-time high 925,000-ton crop of 1965 but was 14 percent above the 1961-65 average. The 1966 production of sugarbeets increased dramatically--70 percent from the preceding year--due to increased plantings and improved cultural practices. Iran is pushing for self-sufficiency in sugar; the 1966 crop reached almost 50 percent of the long-term goal. Severe boll weevil damage was instrumental in a decline of about 20 percent in the cotton harvest.

A decrease in acreage planted, windstorms, and untimely rain were responsible for Syria's lowest outturn of cotton in the last 3 years, and the quality of the crop was reduced by spotting. Because of drought, only

about 400,000 tons of wheat were harvested in 1966, the smallest output in a decade and only 45 percent of the 1965 harvest. And barley production, at 300,000 tons, was only two-fifths the size of the 1965 crop. Syria's output of livestock products, except wool, declined; pastures were poor throughout the country and supplies of water and feed grains were unusually scant.

Production of wheat in Iraq dropped 30 percent because of prolonged winter drought. Barley production, 10 percent below the 1965 harvest, will about equal consumption requirements. Iraq's date harvest equaled the record 1964 high of 400,000 tons.

Jordan's 1966 farm production was more than one-third below that of the preceding season and only 75 percent of the 1961-65 average. Only 5 days of rain in late March saved the country's unirrigated crops--the greater part of all production--from complete failure. Production of grapes fell 25 percent to 60,000 tons; citrus and bananas declined less sharply. Tomato production increased almost 20 percent.

In Lebanon, although production dropped somewhat, 1966 was the fifth relatively good season following 4 years of drought. Output of grain and citrus rose by more than 5 percent. Wet weather in the spring reduced Lebanese apple production to about three-fourths of the 1965 level and output of other fruits showed a decline of 17 percent.

Agricultural production in Israel fell about 5 percent because of below-average rainfall in some dry-farmed sections and badly distributed rains in others. Wheat production was only 60 percent of 1965's 150,000-ton crop; barley and sorghum harvests dropped to a fraction of the 1965 level. The citrus crop was down, largely because of an unexpected decline from groves planted prior to 1939. Vegetables and other irrigated crops were nearly equal to or in excess of the 1965 output.

Although there are grain deficits in many parts of West Asia, exports of other farm

products--fresh and dried fruits, nuts, olive oil, oriental tobacco, cotton, oilcake, and inedible livestock products--should bring income from farm sales abroad up to the \$600 million level of the past few years.

Turkey's abundant 1966 wheat crop is well above domestic requirements. Despite an excellent harvest in 1966, Iran will need additional wheat this year; demand is outpacing production. Iraq's 1966 wheat crop is reckoned to be from 200,000 to 300,000 tons short of domestic needs. Syria has arranged to cover its wheat deficit through imports of 315,000 tons from the United States and Europe. Jordan's wheat and flour import requirements will be about 250,000 tons. Imports of some 45,000 tons of wheat and at least 25,000 tons of barley will be needed to carry Cyprus through until the next harvest. Lebanon, a regular importer of wheat, flour and feed grains, probably will take greater quantities of these commodities this season. Israel's wheat imports are estimated at 300,000 tons for 1966, barley at about 690,000 tons.

Turkey's supplies of cotton available for export are about 225,000 tons for 1966/67, 8 percent above the preceding year. Syria will export less cotton than in the past 2 years.

Although Israel's citrus harvest was lower, quality was improved. Bumper date crops in Iran and Iraq point to larger supplies for export. With the second highest filbert harvest on record, Turkey should have very satisfactory quantities for export, but foreign sales of Turkish raisins are expected to decline from last season's level.

AFRICA

Northern Africa: Agricultural production in 1966 declined about 7 percent and per capita production was less than 90 percent of the 1957-59 average. Drought swept the entire region except the United Arab Republic and the cereal deficit is estimated to be 15 to 25 percent greater than in 1965. There was some reduction in the outturn of the area's irrigated crops, because of fruit fly infestation in citrus and a cutback in fertilizer and

acreage for grapes in Algeria and Tunisia. A drop in the 1966 Sudanese and Egyptian crops lowered the region's production of cotton and cottonseed. Olive oil production was substantially below the 1965 level of 108,000 tons. Tunisia's estimated production is down about one-half from the 1965 crop.

The United Arab Republic had a favorable grain harvest, in sharp contrast to most other countries of the region. In addition, production of pulses, fruits, and vegetables surpassed the 1965 levels.

However, the UAR is about 2.5 million tons short of food grains and because of the poor grain harvest in other countries of the area, Northern Africa is expected to require over 3.5 million tons of grain imports if normal consumption levels are to be maintained. Deficits in vegetable oils and some livestock products also have increased.

Exports from Northern Africa will be down in 1967. Sales of wheat and barley are not likely in view of the poor harvest, but shipments of livestock products may increase as herds are culled. Marketing of surplus wine and cotton remains a problem for some countries, but the outlook for exports of citrus and vegetables appears favorable.

West Africa: Ghana's 1966 cocoa crop is estimated at 470,000 tons compared to 416,000 tons in 1965. The 1966 Ivory Coast cocoa bean crop is estimated at 155,000 tons, up nearly 40 percent from 1965. The Ivory Coast's 1966 coffee crop is expected to be down about 30 percent to 190,000 tons, dropping the country into fourth position behind Brazil, Colombia, and Angola.

Senegal suffered from drought and the 1966 peanut crop is down about 30 percent. Senegal suffered shortages of food crops, particularly millet, as 1967 began. Tribal conflict has interrupted transport in the interior of Nigeria, slowing the movement of peanuts and peanut products to the ports.

East Africa: The long rains during the spring of 1966 were effective and crops were

better than in 1965. East Africa's sisal production in 1966 is expected to be about 280,000 tons. A recovery in agricultural production occurred in Kenya in 1966 with an increase in the production of all major crops. Wheat and corn are estimated to have considerably recovered from the drought levels of 1965. Tea production is expected to reach 24,000 tons. Present trends indicate that tea will replace coffee in the next few years as Kenya's most valuable export crop. In Uganda, agricultural production remained at about 1965 levels. However, tea production in 1966 is believed to have reached an all-time high of 10,000 tons, an increase of about 20 percent.

Southern Africa: The agricultural situation for most countries improved considerably because of timely rains, with production of most important food crops higher than in 1965 for the Republic of South Africa, Zambia, Rhodesia, Malawi, and Mozambique.

The Republic of South Africa produced 5 million tons of corn in 1966, the largest harvest since 1963. The 1966/67 sugar crop is estimated at a record 1.5 million tons, about 20 percent above the 1963-65 average. Despite a shortage of water, the 1966/67 citrus harvest could set a new record. Exports of citrus, canned deciduous fruit, and canned pineapples for 1966/67 are expected to be higher than the high levels of 1965/66. Plantings of peaches and apples are expanding. South Africa's livestock production may decrease again in 1967 because of the effects of several years' drought in the range country. Very dry weather forced South Africa to import more than 600,000 tons of wheat in 1966, and indications are that imports for 1967 will at least equal that quantity. Corn imports by South Africa in the first half of 1966 were 190,000 tons, mainly from the United States. About 90,000 tons were imported from Rhodesia in late 1966. U.S. agricultural exports to the Republic of South Africa were valued at \$44 million in 1965/66, compared with \$28.8 million for the previous year.

Rhodesia's official 1966 tobacco harvest statistics have not been released, but unoffi-

cial estimates place the crop at 100,000 to 115,000 tons. Zambian tobacco production is generally lower than in 1965. Malawi's flue-cured and other cigarette tobacco types are generally at about the same production level as 1965, while dark fire/sun-cured tobacco production was down in 1966. Malawi's tea production for 1966 is expected to be 14,500 tons compared with 18,000 tons in 1965.

Mozambique's agricultural production for most important food and export crops will be substantially improved for 1966 over 1965, despite the damage by cyclone Claude in January 1966. For the first time in many years, the corn crop is adequate to meet domestic requirements. The 1966 sugar crop established a new record of 200,000 tons, 20 percent above the previous year. Mozambique's cashew crop was down about a third in 1966 because of storm damage. Development of mechanical shelling and grading plants may permit the entire cashew nut crop to be handled by mechanical shellers in 1970. Mozambique is the world's major exporter of unshelled cashew nuts, now its second most valuable export. They are now largely exported to India for shelling and grading and re-export.

Malagasy Republic's 1966/67 coffee crop is 13 percent over 1965/66. Its most important food crop, rice, is slightly reduced for 1966, requiring some imports. Storms and vermin damaged the 1966 crop. Mauritius' all-important sugar crop for 1966/67 is estimated to be about one-sixth below that for the previous season because of drought.

In 1966/67, Angola is expected to again become the world's third largest coffee exporter, having an estimated production of 204,000 tons.

FAR EAST, MAINLAND CHINA, AND OCEANIA

South Asia: In 1966 rainfall and other weather factors were about average in the countries of South Asia--India, Pakistan, Ceylon, Afghanistan and Nepal. Consequently, the outturn of most crops is expected to be well above the low levels of 1965/66 that

resulted from widespread and severe drought in 1965 in the Indian subcontinent. India's total food grain production in 1966/67 is tentatively forecast in the range of 78 to 82 million metric tons. This compares with the extremely poor harvest of 72 million tons last year, and with the record of 89 million in 1964/65.

Production of rice increased in 1966/67 in India, Pakistan, and Ceylon. Nevertheless, substantial overseas purchases will be needed, as India must bring in a half million to a million tons even in good crop years, and Ceylon normally imports a half million tons, 40 to 50 percent of its rice requirements. It is expected that Pakistan will have a surplus of approximately 125,000 tons of high-quality basmati rice for export from West Pakistan, but will import into East Pakistan roughly the equivalent amount of lower-quality rice. In calendar year 1966 the country was able to export about 175,000 tons of basmati thanks to a big carryover at the beginning of the year. Imports totaled about 130,000 tons, of which 100,000 came from Mainland China and the remainder from Burma and Thailand.

The bulk of the wheat crop in India and Pakistan is planted in November and December. Consequently, it is too early to forecast the outturn. Even if peak wheat production is achieved in both countries, import requirements will be very large. Stocks have been reduced as a result of the poor 1965/66 harvest, and some wheat or coarse grains will be required as a substitute for rice, which is in short supply in exporting countries. In 1967, India's import requirements for food grains are estimated at about 11 million tons. This is about the same amount as India imported in 1966. Pakistan's import requirements for wheat in 1967 are expected to be around 1.5 million tons, up from about 1.1 million tons in 1966. Both countries hope to obtain most of their requirements on concessional terms, largely from the United States.

A near-record cotton crop is estimated for India and Afghanistan in 1966/67 and a record crop for Pakistan. Output of sugar appears

to have reached a record in both India and Pakistan. Jute production is higher. Oilseed harvest will be up, but the gap between production and consumption requirements of vegetable oils will widen further in 1967. Commercial poultry production is increasing rapidly in both India and Pakistan, especially in rural areas adjacent to the major cities.

Southeast Asia: In Thailand, Malaysia, Singapore and to a lesser extent the Philippines, agriculture and industry again registered significant gains. On the other hand, the economic situation deteriorated in Burma, Cambodia, North Vietnam, and South Vietnam. Indonesia's economy hit bottom early in 1966 when it became unable to pay foreign obligations coming due, but by the end of the year there were signs of improvement. Crop production was up in Thailand, the Philippines, Indonesia, and Malaysia, but down in Burma, Cambodia, North Vietnam, South Vietnam and Laos.

The 1966 rice harvest in Burma, once the world's leading rice exporting nation but now in third place, is estimated at 7.9 million tons of paddy, compared to 8.2 million in each of the previous 2 years. Burma is expected to export about 1 million tons of milled rice in 1967, compared with 1.2 million in 1966, 1.4 million in 1965, and a 1960-64 average of 1.7 million. Thailand, now the world's leading rice exporting nation, probably had a record harvest of some 10.2 million tons of paddy in 1966. However, the amount available for export in 1967 is not expected to exceed 1.6 million metric tons of milled rice, about the average of the past 2 years. The harvest in Cambodia is down sharply and so is the prospect for exports. Smaller harvests occurred in South Vietnam, North Vietnam, and Laos. Larger rice crops are anticipated for Indonesia and the Philippines, but both countries are normally net rice importers. Increasing domestic consumption--brought about by rapidly expanding populations and, to a less extent, higher per capita incomes in some countries--has reduced supplies available for export. The decline in volume of exports will be offset partially by higher world market prices for rice. In October 1966, the

Bangkok export price for a leading grade of rice (white rice, 15 percent broken) was \$170 a ton compared with \$145 a year earlier.

An important aspect of the current agricultural situation in Southeast Asia is the trend toward diversification of agricultural production. The most rapid gain in production has been registered for corn; production was up in most countries in the area in 1966. Thailand and Cambodia have become substantial exporters of corn to Japan. Other crops gaining in importance include sorghum, cassava, jute and kenaf.

East Asia: Agricultural production in Mainland China in 1966 appears to have changed little from the previous year, reflecting widespread drought and floods and the failure of farm programs. Grain production is estimated at 155 million tons, down about 2 million tons from 1965. Potato output dropped by 5 percent to around 80 million tons in 1966. Production of vegetables and fruit (grown mainly on private plots) probably increased again in 1966. Production of sugar and peanuts increased; tobacco, soybeans, and sesame seed fared about the same as in 1965; and output of cotton and rapeseed declined. The numbers of hogs and poultry (raised mostly on private plots) increased at a lower rate than in 1965 because of smaller feed supplies and lower prices for pork.

Total per capita availability of foodstuffs in Mainland China in 1966/67 is below the level of the previous year. Less grain is available because of smaller production, an increase in population, and little change in total imports. Some gains in the quantity of vegetables and other foods produced on the private plots may partially replace the caloric loss in food grains.

To date, Mainland China has purchased about 4 million tons of wheat from Canada and Australia for delivery during 1966/67. Likely purchases from Argentina and additional purchases from Canada should bring Mainland China's wheat imports for the year at least to the 6-million-ton level of recent years.

Mainland China's major agricultural exports in 1966 were rice, soybeans, livestock, vegetables and fruit, and processed food products. Rice exports substantially exceeded the 700,000 to 800,000 tons exported during 1965. In 1965, Mainland China shipped 300,000 tons of rice to Japan and 100,000 each to Ceylon and Pakistan. Trade agreements called for sizable shipments to Tanzania and Cuba. About half of the soybean exports go to Japan. That country's imports of Mainland China's soybeans during the first 9 months of 1966 totaled 307,000 tons, compared with 376,000 tons for all of 1965. Mainland China's sizable exports of livestock go mainly to Hong Kong. In 1965 they were valued at almost \$80 million. Hong Kong's total agricultural imports from Mainland China in 1965 were valued at more than \$200 million. In 1966 they were somewhat higher.

Japan's economy regained its rapid growth momentum in 1966 following a short recession which ended late in 1965. Although the increase in real GNP for 1966/67 will exceed the official forecast of 8 percent, inflation continues to be a problem. The extremely high Government support price for rice, which increased 9 percent in 1966, has contributed to the inflationary trend. Total farm output in 1966 rose slightly. Typhoons in September and October reduced the total harvest. However, production of dairy and poultry products increased significantly.

The Japanese Government forecasts the total value of imports in 1966/67 (year ending March) at a record \$10 billion, 15 to 20 percent above 1965/66. Food and feed items are expected to share fully in this increase. In calendar-year 1966 Japan may have become the first \$1 billion market for U.S. farm products, and the outlook for U.S. agricultural exports to Japan in 1967 is generally favorable. During the first 8 months of 1966, U.S. shipments of soybeans increased 30 percent and sorghum, 50 percent, compared with the same period in 1965. There were substantial gains in U.S. exports of wheat, tobacco, cattle hides, tallow and miscellaneous feedstuffs. Cotton imports lagged as Japan's cotton textile industry was one of the few sectors of its economy not sharing in the new economic

upswing. However, cotton imports are expected to rise in 1967.

Rapid economic growth continued in Taiwan, South Korea, and Hong Kong. Industrial production again was up sharply in all three countries and accounted for the bulk of the gains in GNP. The outlook is for continued rapid growth throughout 1967.

Taiwan's 1966 farm production reached an all-time high. The rice crop, which accounts for roughly 40 percent of the value of farm production, was at about the 1965 level of 3.1 million tons of paddy. Pineapple production increased and mushroom production was up 20 percent. A typhoon in midyear damaged the banana crop, but exports to Japan--the principal buyer--exceeded those of 1965.

In response to the sharp drop in the world sugar price, Taiwan's export pattern is changing rapidly. Unlike most leading sugar-producing countries, Taiwan sells a large share of its production in unprotected markets at the low world price. Thus, the relative importance of sugar, long the island's leading export, has been greatly diminished. Exports of bananas and fresh pineapples have moved steadily upward. In 1965 bananas were second only to sugar as a foreign exchange earner. Exports of vegetables and canned fruit (principally pineapples, mushrooms and asparagus) are booming and hit a new high of about \$75 million in 1966, up from \$58 million in 1965. This is nearly double the value of rice exports, long the island's second most important foreign exchange earner.

South Korea's farm production was also a record in 1966, largely as a result of generally favorable weather and basic agricultural improvements. Rice dominates the country's agriculture. Production of paddy in 1966 is officially placed at a record 5.7 million tons compared with only 4.8 million in 1965 and the previous record of 5.4 million in 1964. Generally Korea is self-sufficient in rice and occasionally can export small amounts. Some 60,000 tons were exported from the 1965 crop but in August shortages began to appear and it was necessary to purchase 30,000 tons of milled rice from

Taiwan for arrival in September before the bumper 1966 crop was harvested and available for consumption. The 1966 production of barley, the second most important crop, was about one-third above the 1965 harvest of 1.4 million tons. Korea's agriculture is becoming more diversified, and fruit and nut production is increasing rapidly.

Oceania: The overall economic outlook for the major countries of the region--Australia and New Zealand--is quite good for the year ahead. Agricultural as well as industrial production is expected to be up in 1966/67 in both countries and the value of farm exports should exceed previous records. In real terms, New Zealand's GNP increased by about 8 percent in 1965/66 as that country enjoyed a very favorable agricultural year. For Australia the 1965/66 gain in GNP was about 4 percent despite a 25 percent decline in farm income.

Widespread drought in New South Wales and Queensland caused a serious drop in total farm production in Australia in 1965/66. Generally good rains during the latter half of calendar-year 1966 greatly improved the prospects for total farm output in 1966/67. A record acreage was planted to wheat and the current year's harvest will reach a record 11.3 million tons.

As an aftermath of the drought, cattle and sheep slaughterings will be lower in 1966/67. A shortage of cattle and sheep breeding stock is expected to continue for another 3 or 4 years. The volume of farm exports in 1966/67 should exceed 1965/66 shipments, but higher ocean freight rates on meats and dairy products may result in no gain in foreign exchange earnings from farm exports.

The year 1966/67 will be another record one for total agricultural production in New Zealand. Output of the major export items--dairy products, meats and wool--are expected to set new records. With the exception of butter, the world demand for these commodities continues good. New Zealand is placing considerable emphasis on the diversification of foreign market outlets and is looking toward the United States as a market for increased sales of certain dairy products and meats.

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