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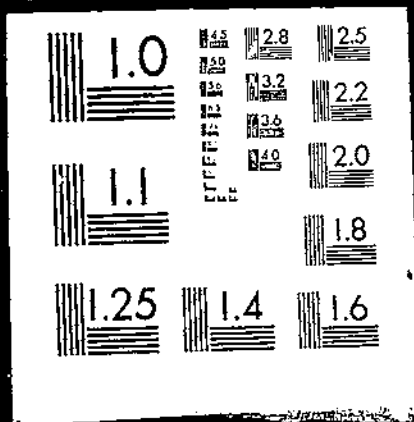
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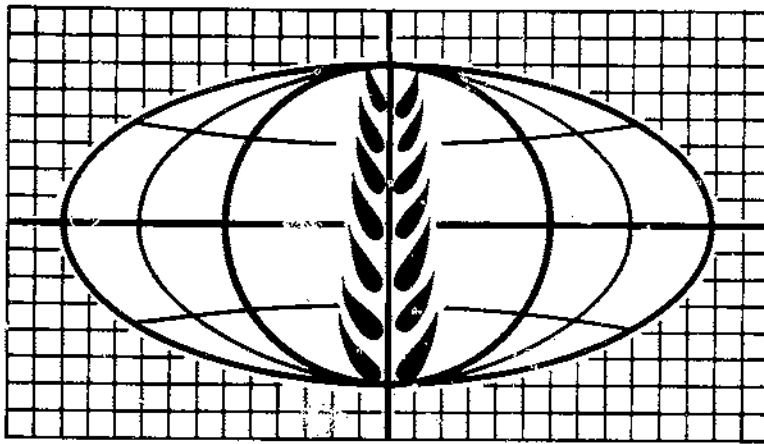
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# I O F I U S D A FAER-57





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February 11, 1970

Foreign Agricultural Economic Report No. 57

# THE WORLD AGRICULTURAL SITUATION

**Review of 1969 and Outlook for 1970**

**U.S. DEPARTMENT OF AGRICULTURE  
ECONOMIC RESEARCH SERVICE**

Washington, D.C.

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### FIVE REGIONAL REPORTS TO BE ISSUED

Detailed statements of the situation by regions will be issued in April 1970. Separate reports will be presented on each of the following: Africa and West Asia, Communist Areas, Far East and Oceania, Western Hemisphere, and Western Europe.

(Approved by the Outlook and Situation Board, February 4, 1970)

## SUMMARY

Agricultural production last year fell somewhat below trend in the industrial countries but was above trend in the less developed countries. Production was well above trend in India, Pakistan, and Indonesia, and recovered to the trend line in Brazil. Total output in the less developed countries rose about 3 percent but per capita output failed to increase because of the continued high rate of population growth in this group of countries. Canada was the only major industrial nation where production in 1969 was significantly above the trend.

Average annual production of grain during 1966-69 was 115 million tons larger than in the preceding 4-year period. The bumper crops of the past 4 years raised the level of stocks and, although production did not increase in 1969/70 <sup>1/</sup>, world grain supplies are the largest in history. Importing countries are accumulating sizable grain stocks, a characteristic usually associated with export economies. West Germany holds record stocks of wheat and Japan holds record stocks of rice. Efforts to dispose of these stocks include the diversion of some of the highest-cost grain in the world to livestock feed.

Because of large stocks in importing and exporting countries, the outlook for world grain trade is not much more favorable than last year. However, U.S. grain exports, particularly corn, are expected to be larger than in 1968/69 when shipments were disrupted by the U.S. dock strike. Although European imports of corn probably will decline, Japanese demand is expected to increase. Supplies of corn held by our major competitors are limited until the Southern Hemisphere crops become available in April.

World market prospects have been good for oilseeds and products. Inventories of oilseeds and products were worked down in the European Community and Japan, the European rapeseed crop was below average, supplies of peanut oil and of fish oil and meal have been down, and there has been uncertainty concerning Soviet intentions to export sunflower oil. U.S. exports of soybeans should set another record by a wide margin in 1969/70.

For cotton, world import requirements appear to be up this year but the U.S. supply position, particularly for shorter staple cotton, has worsened and U.S. exports probably will decline in 1969/70 for the third consecutive year.

U.S. tobacco exports in 1970 should be close to the level of 1969. Britain may take more U.S. leaf to rebuild stocks, but no large recovery is expected in exports to Japan, which still has sizable stocks.

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<sup>1/</sup> Unless stated otherwise, split years mean July-June, tons are metric, dollars are U.S., and exports are in terms of volume, not value.

Table 1.--Indices of agricultural production, per capita and total, 1962-69

		(1957-59 = 100)							
Area or country 1/		1962:	1963:	1964:	1965:	1966:	1967:	1968:	1969 2/
<u>PER CAPITA</u>									
World 3/	:	103	103	105	104	106	107	109	107
Industrial countries 4/	:	105	105	109	107	114	115	118	115
Less developed countries 3/	:	102	104	103	102	100	103	103	103
<u>TOTAL</u>									
World 3/	:	111	114	118	119	124	128	132	133
Industrial countries	:	110	112	117	117	125	128	132	130
Less developed countries 3/	:	113	118	120	122	122	129	133	137
United States	:	108	112	112	115	114	118	120	121
USSR	:	109	103	122	116	137	135	144	138
European Community	:	114	116	116	118	118	129	132	130
India	:	110	117	119	109	107	120	128	134
Brazil	:	114	119	109	141	126	135	135	140
Poland	:	107	117	121	122	128	133	139	125
Australia	:	119	124	131	121	139	128	151	146
Argentina	:	104	116	114	104	111	119	111	118
Canada	:	116	127	117	128	145	125	134	141
Pakistan	:	112	124	122	127	123	138	146	155
Japan	:	113	112	116	117	120	130	131	130
United Kingdom	:	122	121	127	132	131	137	135	138
Mexico	:	117	124	133	145	145	146	152	146
Turkey	:	108	116	119	117	130	135	136	132
Indonesia	:	116	100	108	107	113	113	126	131

1/ The 15 countries shown account for about two-thirds of the estimated value of world agricultural production, excluding that of Communist Asia. In this respect, the countries are arranged in descending order of importance.

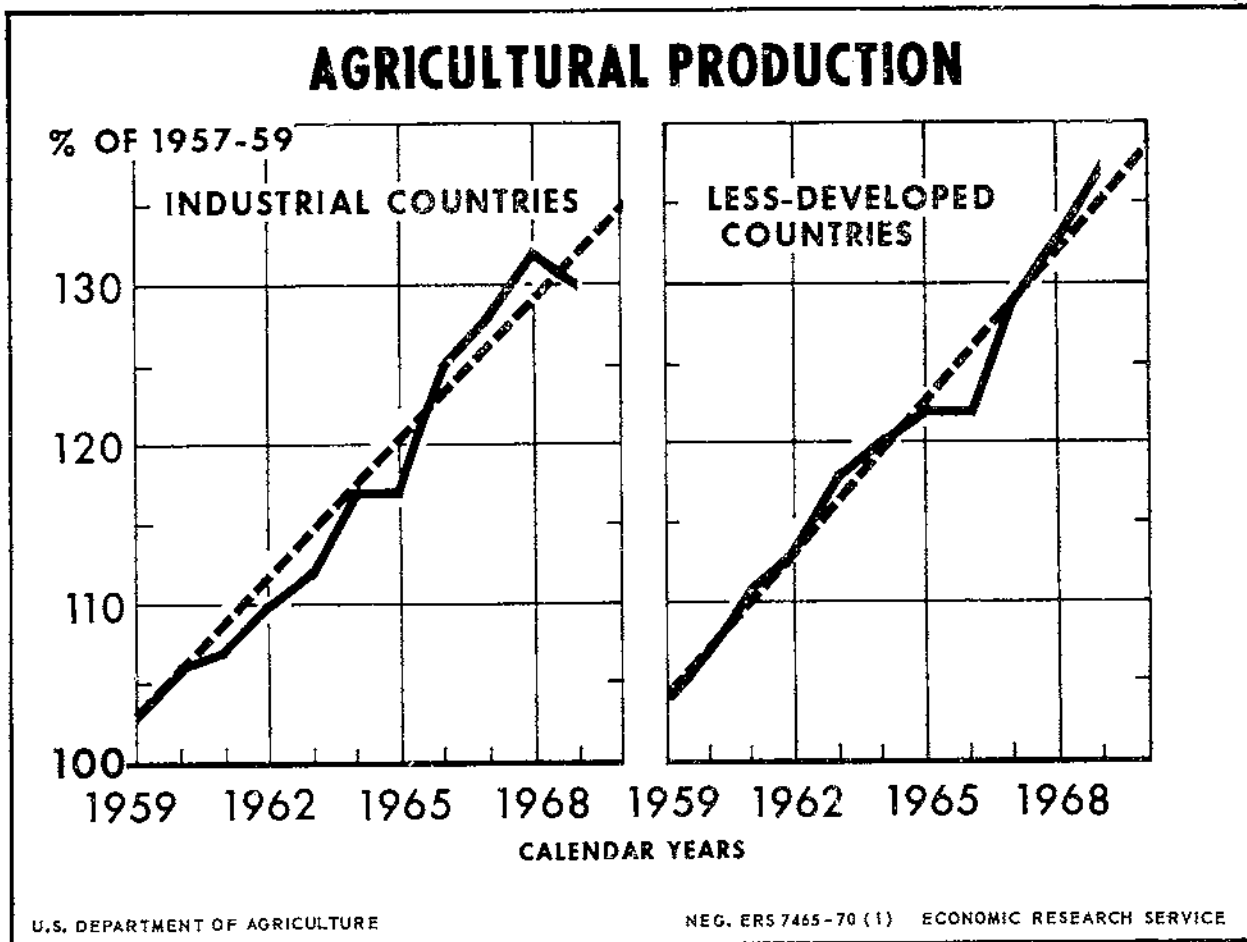
2/ Preliminary. 3/ Excluding Communist Asia. 4/ United States, Canada, Europe, USSR, Republic of South Africa, Japan, Australia, and New Zealand.

THE WORLD AGRICULTURAL SITUATION  
by Donald Chrisler  
Foreign Regional Analysis Division  
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AGRICULTURE CONTINUES TO ADVANCE IN LESS DEVELOPED COUNTRIES

World agricultural production in 1969 remained close to the long-term trend. <sup>2/</sup> Output in the less developed countries was above the trend line but per capita output remained on trend. Output has been above trend for the past 3 years in Pakistan and for the past 2 years in India and Indonesia, reflecting the impact of high-yielding varieties of grain coupled with generally favorable weather. Agricultural production in Mexico and Turkey, which had been at or above the trend line for several years, fell below in 1969.

<sup>2/</sup> Trend lines were calculated--on the basis of 1954-68 data--for the world, industrial countries, less developed countries, and each of the 15 countries shown in table 1.





Production in the less developed countries increased about 3 percent in 1969, primarily because of the increment to grain production in India, the largest producer among the LDC's. Increased farm output in Pakistan and a recovery in production in Brazil and Argentina also contributed to the advance.

Among the industrial nations, only Canada's output was significantly above the trend line in 1969. Farm output in the USSR, above trend during 1966-68, fell moderately and production in Poland, above trend in 1968, fell sharply in 1969 because of drought. British output, retarded by cool wet weather for the second consecutive year, continued below trend.

Agricultural output in the industrial countries declined primarily because of reduced wheat production in the USSR and Australia, and short crops of grain and potatoes in the northern countries of Eastern Europe.

#### U.S. AGRICULTURAL TRADE AND PRICE LEVELS

In 1968/69, the total value of U.S. agricultural exports declined 9 percent from the previous year, falling to the lowest level since 1962/63. The value of U.S. agricultural imports increased 6 percent and net exports were the smallest of the decade. <sup>3/</sup> As shown on the chart, the volume of exports has declined for the past 3 years but, because of changes in unit value <sup>4/</sup>, the value of exports has fallen only in the past 2 years.

<sup>3/</sup> In the 1950's the United States was a net importer of agricultural commodities.

<sup>4/</sup> Unit value is derived by dividing the total value of exports by the volume of exports. Unless there are significant year-to-year changes in the composition or quality of a particular commodity group, changes in unit values represent changes in prices.

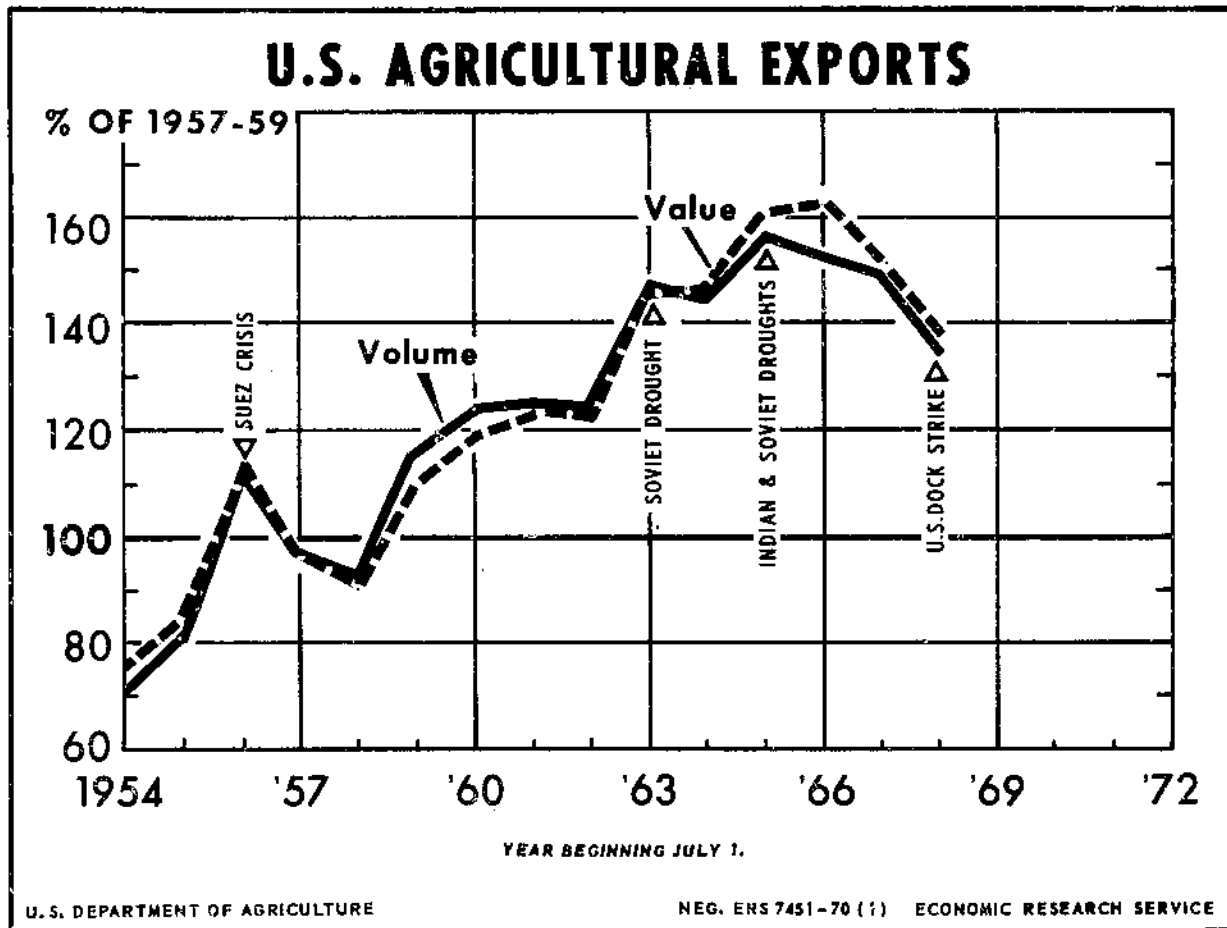
Table 2.---Quantity indices of U.S. agricultural exports 1962/63-1968/69 <sup>1/</sup>

(1963/64-1967/68 = 100)							
Period	: 1962/63	: 1963/64	: 1964/65	: 1965/66	: 1966/67	: 1967/68	: 1968/69
July	: 80	80	95	103	88	87	89
August	: 71	78	81	87	105	87	94
September	: 77	84	95	93	101	92	91
October	: 76	107	108	113	110	100	88
November	: 88	110	115	124	125	127	113
December	: 89	113	127	123	113	106	116
January	: 39	105	41	95	95	104	32
February	: 95	101	60	98	93	105	43
March	: 99	102	131	117	100	105	93
April	: 97	102	105	103	94	100	113
May	: 98	104	101	102	99	93	110
June	: 80	92	101	99	95	88	95
Annual	: 83	98	97	105	102	99	90

<sup>1/</sup> Not adjusted for seasonal variation.

Because of the wide fluctuations in U.S. exports during the past 15 years, no trend line is shown on the chart. But it is clear that both the volume and value of exports were significantly below trend in 1968/69. The U.S. dock strike--which lasted from late December 1968 through February 1969--accounted for about a third of the 9-percent decline in U.S. exports. (Table 2 indicates the impact of winter dock strikes on the volume of U.S. exports for 1962/63, 1964/65, and 1968/69.) Another third may be attributed to the drop in food aid shipments, chiefly those to India and Pakistan where bumper crops were harvested. The final third resulted from a loss of dollar sales because of large grain crops in Europe and competing countries, and because of noncompetitive U.S. cotton prices and a shortage of certain grades of U.S. cotton.

Unlike the previous two years, there was little change in the average unit value of exports in 1968/69, although some major commodities showed significant changes. Among the major export commodities, the largest absolute declines in total value were in wheat, cotton, corn, and sorghum; changes in unit values were most significant for corn and sorghum. Higher prices reinforced the increase in the volume of flour exports but lower prices dampened the growth in the value of soybean exports (table 3).



For the first 6 months (July-December) of 1969/70, the total value of U.S. agricultural exports was 6 percent higher than for those months a year earlier. The volume was about the same, but prices advanced for most major commodities, except wheat, rice, and soybeans. There was a large increment in the total value of corn exports; significant gains for soybeans, fresh and canned fruit, and rice; and significant losses in cotton and wheat exports.

In 1968/69, the value of U.S. agricultural imports rose 6 percent, following an increase of 5 percent the previous year. The volume was up only 2 percent, however, and most of the gain in value was the result of higher prices. Among the major import items, the largest increments in total value were in rubber, beef, and sugar; higher unit values were responsible for most of the gains. Both the value and volume of coffee imports fell. A large decline in the volume of cocoa bean imports was tempered by higher prices, but lower prices reinforced the decline in the volume of tobacco imported.

Table 3.--Unit value of major U.S. trade commodities, 1966/67-1968/69 <sup>1/</sup>

Commodity	Unit	Unit value			Change	
		1966/67	1967/68	1968/69	1966/67 to 1967/68	1967/68 to 1968/69
		-- Dollars --			-- Percent --	
<u>Exports</u>						
Wheat	bu.	1.77	1.70	1.67	-4	-2
Wheat flour	cwt.	4.24	3.82	4.00	-10	5
Corn, except seed	bu.	1.47	1.30	1.24	-12	-5
Grain sorghum	bu.	1.28	1.29	1.21	1	-6
Rice, milled	cwt.	7.83	8.48	8.45	8	0
Soybeans	bu.	3.10	2.83	2.70	-9	-5
Cotton, upland, 1-1 1/8"	R. bale	124.39	125.21	123.39	1	-1
Cotton, upland, under 1"	R. bale	102.06	102.32	107.84	0	5
Tobacco, flue-cured, unstemmed	lb.	.83	.83	.85	0	2
Tobacco, flue-cured, stemmed	lb.	1.15	1.14	1.17	-1	3
Average unit value <sup>2/</sup>					-4.3	-2.1
<u>Imports</u>						
Coffee, green	lb.	.35	.34	.34	-3	0
Cocoa beans	lb.	.22	.25	.30	14	20
Sugar, cane	cwt.	6.06	6.36	6.58	5	3
Bananas, fresh	cwt.	4.75	4.65	4.73	-2	2
Beef, fresh, chilled, frozen	lb.	.40	.41	.44	2	7
Pork hams or shoulders, canned	lb.	.75	.74	.79	-1	7
Rubber, crude, dry form	lb.	.18	.15	.18	-17	20
Tobacco, cigarette, unstemmed	lb.	.74	.70	.67	-5	-4
Average unit value <sup>2/</sup>					-0.6	+4.1

<sup>1/</sup> These commodities account for the bulk of U.S. agricultural exports and imports. <sup>2/</sup> Average of commodities shown.

For the first 5 months of 1969/70, the total value of U.S. agricultural imports declined 2 percent but the volume fell 7 percent. Unit values for all major commodities, except coffee, were above the level of July-November 1968. Prices of rubber and cocoa beans were especially high. A sharp drop in the total value of coffee imports and a lesser decline in sugar imports were almost offset by gains for rubber, beef, and cocoa beans. The drop in coffee imports was from a very high level in the previous year, when importers made heavy purchases in anticipation of the U.S. dock strike.

#### RECORD GRAIN SUPPLY

World grain output for 1969/70 is forecast to equal the high level of the previous year (table 4). World stocks--which fell sharply in 1965 and 1966 because of drought in India and the USSR--have built up again and grain supplies

Table 4.--Grain production by major producers, 1962-69 <sup>1/</sup>

Country <sup>2/</sup>	Year beginning July 1							
	1962	1963	1964	1965	1966	1967	1968	1969
	- - Million metric tons - -							
United States	:162.3	174.7	160.8	182.9	183.2	205.8	201.4	202.6
Mainland China <sup>3/</sup>	:156	155	166	162	156	166	159	163
USSR <sup>4/</sup>	:109.6	90.0	121.6	100.4	145.9	125.0	144	134
India <sup>5/</sup>	: 94.9	99.0	108.6	87.4	89.5	113.9	114.1	120
EC <sup>6/</sup>	: 59.0	57.8	60.6	61.2	59.2	69.5	71.0	71.2
Canada <sup>7/</sup>	: 29.1	34.0	28.3	32.0	38.5	29.8	34.3	36.6
Pakistan <sup>5/</sup>	: 21.6	24.3	24.0	23.8	23.3	28.0	29.5	30
Japan <sup>8/</sup>	: 20.0	17.8	18.5	18.3	18.3	20.3	20.3	19.3
Brazil	: 16.5	15.9	20.0	17.4	20.0	19.8	19.1	22.3
Argentina	: 12.3	18.4	19.9	16.7	17.3	17.8	17.2	18.6
Indonesia <sup>8/</sup>	: 17.1	14.6	16.7	15.9	17.1	17.3	18.8	19
Poland <sup>9/</sup>	: 13.9	15.1	14.0	16.3	15.9	16.5	18.2	16.8
Turkey <sup>10/</sup>	: 12.7	15.0	12.5	13.4	14.6	15.8	14.8	15
Australia	: 11.1	11.7	12.9	9.6	16.7	9.8	18.8	16.4
United Kingdom <sup>7/</sup>	: 11.8	11.4	12.8	13.7	13.4	14.6	13.1	13.7
Thailand	: 10.5	12.6	12.0	11.8	14.5	12.4	13.8	15.5
Romania	: 9.7	10.4	11.1	12.6	13.9	13.5	12.8	13.1
Yugoslavia	: 9.8	10.6	11.7	10.6	13.9	13.2	12.1	13.7
Mexico	: 8.7	9.1	10.4	11.3	11.8	12.4	12.9	11.1
Spain	: 9.3	9.4	8.3	8.9	9.3	10.7	11.9	11.7
Total	:796	807	851	826	892	932	957	964
Annual change	:	+11	+44	-25	+66	+40	+25	+7

- <sup>1/</sup> Wheat, rice (rough), corn, barley, oats, sorghum and millet, and rye.  
<sup>2/</sup> These countries account for about 85 percent of world grain production.  
<sup>3/</sup> Includes pulses, mixed grains, and buckwheat. <sup>4/</sup> Includes pulses and buckwheat. <sup>5/</sup> Includes pulses. <sup>6/</sup> Includes mixed grains and buckwheat, and meslin.  
<sup>7/</sup> Includes mixed grains. <sup>8/</sup> Calendar year. <sup>9/</sup> Includes mixed grains and buckwheat. <sup>10/</sup> Includes mixed grains and spelt.

have reached a new high. Stocks are at record levels in Canada, the European Community, Australia, and Japan; U.S. stocks are the largest since 1965. There has been a shift in the location of free-world grain stocks during the past 5 years. At present only a little more than half of these stocks are in the United States, compared with three-fourths in 1964 (table 5).

Because of large stocks in importing and exporting countries, the outlook for grain trade is not much more favorable than last year.

### The Markets

Taking advantage of low world prices, Mainland China signed agreements in 1969 to buy 7.3 million tons of wheat. It is estimated that China will import about 5.4 million tons of this wheat during 1969/70, including 2.7 million from Australia, 1.9 million from Canada, and 0.8 million from France. As indicated below, this would be 1.8 million tons more than in 1968/69 and the largest since 1965/66:

<u>Year</u>	<u>Million tons</u>	<u>Year</u>	<u>Million tons</u>
1963/64	5.1	1967/68	4.1
1964/65	4.6	1968/69	3.6
1965/66	6.3	1969/70 est.	5.4
1966/67	5.0		

In December, the USSR purchased 3.5 million tons of Canadian wheat, of which 2 million is to be delivered before December 1970. This belatedly completes the Soviet-Canadian 3-year agreement which expired August 1, 1969. Probably about 1 tons of the 1970 shipments will fill the usual requirements of the Soviet Far East and Cuba, and some of the remainder may represent purchases for other countries, particularly the northern countries of Eastern Europe.

Except for Mainland China, the USSR, and the northern countries of Eastern Europe, world import demand for milling wheat is about the same as in 1968/69. There should be an increase in wheat imports by Japan and other countries of East Asia where per capita consumption is trending upward. Production of wheat continues to decline in Japan; its imports are expected to increase from 4.2 million tons in 1968/69 to 4.5 million in 1969/70. U.S. exports to Japan are regaining ground lost to Australian wheat in 1968/69 because of the U.S. dock strike and a quality issue. Milling wheat import requirements also are up 0.3 million tons in Portugal, where excessive rainfall reduced both acreage and yield. West Asia and North Africa have larger breadgrain deficits. On the other hand, the EC and Yugoslavia will import less wheat. EC wheat stocks are at record levels and the quality of this year's crop is better than that of 1968. U.S. exports of wheat to the EC during July-December 1969 were down 0.5 million tons from the July-December 1968 level. India's imports, which fell by 2.7 million tons in 1968/69, may increase moderately. Because of a better quality domestic crop, U.K. imports of soft milling wheat may decline.

The world feed grain market is much more complicated. In the EC mixed feed industry, cassava chips, pulses, milling byproducts, and meals of all types are making inroads at the expense of grain. And among the grains, corn, sorghum, and barley have been losing ground to EC feed wheat. About 7 to 8 million tons of wheat was fed to EC livestock in 1968/69. 5/

Plenty of feed wheat is available at attractive prices in Western Europe. Community carryover stocks are record high, the EC subsidy for denaturing wheat or for using wheat in mixed feed was increased for 1969/70, and the EC wheat export subsidy was increased on August 1. In addition, the EC has **another large feed grain crop**. Community imports of feed grain are expected to follow the declining trend which began in 1966/67. EC export-import certificates issued during August 1969-January 1970 indicate that net feed grain imports were a million tons below those during the same period a year earlier.

5/ In 1968/69, U.S. use of wheat for feed amounted to about 4.5 million tons, the highest in 20 years.

Table 5.--Stocks of wheat and feed grains in selected countries, 1960-69

Country	1960:	1961:	1962:	1963:	1964:	1965:	1966:	1967:	1968:	1969
	Million metric tons --									
United States <u>1/</u>	:	:	:	:	:	:	:	:	:	:
Wheat	: 35.7	38.4	36.0	32.5	24.5	22.2	14.6	11.6	14.7	22.3
Feed grains	: 67.7	76.8	65.5	58.4	62.9	49.7	38.2	33.7	43.8	45.5
Total	:103.4	115.2	101.5	90.9	87.4	71.9	52.8	45.3	58.5	67.8
Canada <u>2/</u>	:	:	:	:	:	:	:	:	:	:
Wheat	: 16.3	16.5	10.6	13.3	12.5	14.0	11.4	15.7	18.1	23.1
Feed grains	: 4.7	4.5	2.8	4.5	5.7	4.2	4.2	4.7	4.2	6.5
Total	: 21.0	21.0	13.4	17.8	18.2	18.2	15.6	20.4	22.3	29.6
EC <u>3/</u>	:	:	:	:	:	:	:	:	:	:
Wheat	: 5.4	6.5	6.3	8.2	6.1	5.6	6.8	6.1	7.6	8.7
Feed grains	: 5.4	5.4	4.6	5.0	5.7	4.7	4.9	4.4	6.4	7.0
Total	: 10.8	11.9	10.9	13.2	11.8	10.3	11.7	10.5	14.0	15.7
Australia <u>4/</u>	:	:	:	:	:	:	:	:	:	:
Wheat	: 1.7	.8	.5	.6	.6	.7	.5	2.2	1.4	6.9
Feed grains	: .1	.1	.2	.2	.4	.4	.4	.5	.2	.7
Total	: 1.8	.9	.7	.8	1.0	1.1	.9	2.7	1.6	7.6
Argentina <u>4/</u>	:	:	:	:	:	:	:	:	:	:
Wheat	: 1.2	.8	.2	.5	2.2	3.3	.4	.6	1.5	.7
Feed grains	: .3	.5	.4	.2	.4	.3	.1	.3	.5	.4
Total	: 1.5	1.3	.6	.7	2.6	3.6	.5	.9	2.0	1.1
Total	:138	150	127	123	121	105	82	80	98	122

1/ July 1 for wheat, oats, and barley. October 1 for corn and sorghum.

2/ August 1. 3/ 1960-66, July 1. 1967-69, August 1. 4/ December 1 for wheat, oats, and barley. April 1 for corn and sorghum.

In the British market, imports of feed wheat in 1968/69 increased 0.4 million tons and imports of corn declined 0.3 million. This trend is continuing in the current year with corn imports running 20-25 percent below the 1968/69 rate. In Spain, another major market for U.S. feed grain, corn production increased by roughly 20 percent in 1969.

Because of drought, feed import requirements have increased in Poland, East Germany, and Czechoslovakia.

In Japan, production of mixed feeds is expected to increase about 15 percent and the prospect is for a significant increase in feed grain imports in 1969/70. Looking farther ahead, however, the situation is clouded by a large surplus of rice hanging over the market. Record rice harvests in 1967 and 1968, coupled with a decline in rice consumption, have resulted in sharp increases in Japanese stocks. A near-record rice crop was harvested in 1969. Japan's export prospects are poor because of high producer prices and limited foreign demand for Japanese rice varieties. Because of the low cost of imported feed relative to domestic rice, only very low-grade rice--amounting to about 30,000 tons annually--has been used for feed in the past. The Japanese Government is studying a proposal to dispose of 1 million tons of rice stocks, at subsidized prices, for domestic feed. This program may get underway in April 1970.

Outside of Japan, rice production increased in most of the traditional rice-importing countries. Record crops were grown in India, Pakistan, Indonesia, the Philippines, South Korea, Ceylon, and Malaysia (table 6). India's imports of rice may increase in 1969/70 because of the growing demand in urban centers and the availability of cheaper rice in exporting countries, but import requirements are lower for Indonesia, Malaysia, South Vietnam, and South Korea. Ceylon and Hong Kong rice imports will not change significantly.

Table 6.--Rice production (rough) by major producers, 1963-69

	Year beginning August 1						
	1963	1964	1965	1966	1967	1968	1969 1/
	-- Million metric tons --						
Mainland China	78.4	85.0	87.0	82.2	86.4	82.0	85.0
India	55.4	58.6	46.0	45.7	56.4	59.7	60.0
Pakistan	17.7	17.8	17.7	16.4	19.0	20.1	21.3
Japan	16.0	15.7	15.5	15.9	18.1	18.1	17.6
Indonesia	12.2	13.0	13.6	14.1	14.3	16.6	16.8
Thailand	11.8	11.1	10.8	13.5	11.2	12.4	13.4
Burma	8.2	8.2	8.1	6.6	7.7	8.0	8.4
Brazil	6.3	7.6	5.8	6.8	7.0	6.9	7.0
Philippines	3.8	4.0	4.1	4.1	4.4	4.6	5.1
United States	3.2	3.3	3.5	3.9	4.1	4.8	4.1
South Vietnam	5.3	5.2	4.8	4.3	4.7	4.4	5.1
South Korea	5.1	5.4	4.8	5.3	4.9	4.4	5.6
Total	223	235	222	219	238	242	249

1/ Preliminary.

In the British market, imports of feed wheat in 1968/69 increased 0.4 million tons and imports of corn declined 0.3 million. This trend is continuing in the current year with corn imports running 20-25 percent below the 1968/69 rate. In Spain, another major market for U.S. feed grain, corn production increased by roughly 20 percent in 1969.

Because of drought, feed import requirements have increased in Poland, East Germany, and Czechoslovakia.

In Japan, production of mixed feeds is expected to increase about 15 percent and the prospect is for a significant increase in feed grain imports in 1969/70. Looking farther ahead, however, the situation is clouded by a large surplus of rice hanging over the market. Record rice harvests in 1967 and 1968, coupled with a decline in rice consumption, have resulted in sharp increases in Japanese stocks. A near-record rice crop was harvested in 1969. Japan's export prospects are poor because of high producer prices and limited foreign demand for Japanese rice varieties. Because of the low cost of imported feed relative to domestic rice, only very low-grade rice--amounting to about 30,000 tons annually--has been used for feed in the past. The Japanese Government is studying a proposal to dispose of 1 million tons of rice stocks, at subsidized prices, for domestic feed. This program may get underway in April 1970.

Outside of Japan, rice production increased in most of the traditional rice-importing countries. Record crops were grown in India, Pakistan, Indonesia, the Philippines, South Korea, Ceylon, and Malaysia (table 6). India's imports of rice may increase in 1969/70 because of the growing demand in urban centers and the availability of cheaper rice in exporting countries, but import requirements are lower for Indonesia, Malaysia, South Vietnam, and South Korea. Ceylon and Hong Kong rice imports will not change significantly.

Table 6.--Rice production (rough) by major producers, 1963-69

	Year beginning August 1						
	1963	1964	1965	1966	1967	1968	1969 1/
	-- Million metric tons --						
Mainland China	78.4	85.0	87.0	82.2	86.4	82.0	85.0
India	55.4	58.6	46.0	45.7	56.4	59.7	60.0
Pakistan	17.7	17.8	17.7	16.4	19.0	20.1	21.3
Japan	16.0	15.7	15.5	15.9	18.1	18.1	17.6
Indonesia	12.2	13.0	13.6	14.1	14.3	16.6	16.8
Thailand	11.8	11.1	10.8	13.5	11.2	12.4	13.4
Burma	8.2	8.2	8.1	6.6	7.7	8.0	8.4
Brazil	6.3	7.6	5.8	6.8	7.0	6.9	7.0
Philippines	3.8	4.0	4.1	4.1	4.4	4.6	5.1
United States	3.2	3.3	3.5	3.9	4.1	4.8	4.1
South Vietnam	5.3	5.2	4.8	4.3	4.7	4.4	5.1
South Korea	5.1	5.4	4.8	5.3	4.9	4.4	5.6
Total	223	235	222	219	238	242	249

1/ Preliminary.



The Philippines, for many years a major importer, may again have an exportable surplus. Almost all of the irrigated paddy in the Philippines was planted to high-yielding varieties.

### The Competition

In the depressed grain market last year, France provided the strongest competition. In 1968/69, the combined wheat exports of the United States, Canada, Australia, and Argentina fell to the lowest level of the decade. The United States sustained the largest loss--a drop of 5.5 million tons (30 percent) from the 1967/68 level. Argentine wheat recovered somewhat from the very low level of 1967/68 and Soviet net exports were higher, but France--because of export subsidies, franc speculation, and easy credit terms--was the only major exporter that sustained significant successive increases in wheat exports (table 7). For the current year, French wheat exports are running somewhat above the level of 1968/69.

The bulk of the increase in French wheat exports last year went to other EC countries, primarily West Germany. Thus, French grain stocks did not increase but stocks of other EC countries increased sharply, and West Germany has been exporting grain to make room for the 1969 crop. German wheat and flour exports to non-EC countries are forecast to be 1.3 million tons higher than in 1968/69. EC export-import certificates indicate that net EC wheat and flour exports during August 1969-January 1970 were 2.3 million tons above those during the same period a year earlier.

Canada produced its third largest wheat crop in 1969 (table 8), despite a 15-percent decline in acreage, and for the third consecutive year is carrying stocks larger than those in the United States. Canadian exports thus far in 1969/70 are much below the level of last year and yearend stocks will again increase.

Table 7.--Exports of wheat and flour by major exporting countries, 1960-68 1/

Country	Year beginning July 1								
	1960	1961	1962	1963	1964	1965	1966	1967	1968 <u>2/</u>
-- Million metric tons --									
United States	18.0	19.6	17.3	23.1	19.3	23.4	20.0	20.2	14.7
Canada	9.3	9.9	9.0	15.0	11.8	14.9	14.8	8.9	8.7
Australia	5.0	6.3	4.8	7.8	6.4	5.7	7.0	7.0	5.3
Argentina	1.9	2.4	1.8	2.8	4.3	7.9	3.1	1.4	2.7
Total	34.2	38.2	32.9	48.7	41.8	51.9	44.9	37.5	31.4
France	1.6	1.8	3.0	2.7	4.6	4.7	3.1	4.2	6.0
USSR <u>3/</u>	4.7	4.8	5.3	-8.5	-0.6	-6.5	1.3	3.5	4.0

1/ Wheat and wheat equivalent of flour. 2/ Preliminary. 3/ Net exports; minus denotes net imports.

For the first time in many years, Australia did not increase wheat acreage. In Argentina, the wheat area declined from the 1968 high because of poor planting conditions and a frozen support price. Despite a drop of 3 million tons in wheat output and the likelihood of near-record shipments to Mainland China in 1969/70 (December-November), Australian supplies are so large that their stocks are expected to be higher next December. Another below-average crop is expected in Argentina and, with very low stocks, Argentine exports probably will remain at a low level.

In the USSR, winter wheat was damaged by severe weather and the major spring wheat crop, on an expanded area, was affected by wet harvesting conditions. Nevertheless, total wheat output was the third largest on record and government domestic procurements are adequate to cover domestic needs. However, Soviet net exports should be down sharply in 1969/70.

Table 8.--Wheat production in major exporting countries, 1961-69

Country	Year beginning January 1								
	1961	1962	1963	1964	1965	1966	1967	1968	1969 1/
-- Million metric tons --									
Canada	7.7	15.4	19.7	16.3	17.7	22.5	16.1	17.7	18.6
Australia	6.7	8.4	8.9	10.0	7.1	12.7	7.5	14.6	11.7
Argentina	5.7	5.7	3.9	11.3	6.1	6.2	7.3	5.7	6.5
France	9.6	14.1	10.2	13.8	14.8	11.3	14.3	15.0	14.5
USSR	52.3	54.4	40.0	57.7	46.5	85.0	64.0	76.6	65.0
Total	82.0	98.0	87.7	109.1	92.2	137.7	109.2	129.6	116.3
United States	33.5	29.7	31.2	34.9	35.3	35.7	41.4	42.7	39.7

1/ Preliminary.

Table 9.--Exports of feed grains by major exporting countries, 1960-68

Country	Year beginning July 1								
	1960	1961	1962	1963	1964	1965	1966	1967	1968 1/
-- Million metric tons --									
United States	11.5	14.7	15.4	16.3	18.1	25.9	21.4	20.2	16.5
Argentina	2.5	3.5	3.3	3.7	5.1	3.7	6.5	4.2	5.7
South Africa	1.0	1.7	2.3	2.6	.8	.3	.6	3.3	2.5
Canada	1.0	1.1	.7	1.3	1.0	1.0	1.1	1.1	.5
Thailand	.5	.6	.7	.9	.9	1.2	1.3	1.3	1.4
Australia	1.3	1.2	.7	.8	.8	.5	.9	.3	.9
Mexico	.1	---	---	---	.9	1.3	1.1	.8	1.0
Brazil	---	---	.1	.7	---	.6	.6	.7	1.2
Total	17.9	22.8	23.2	26.3	27.6	34.5	33.5	31.9	29.7
France	1.9	2.1	1.3	3.3	3.0	2.8	3.8	4.0	6.1

1/ Preliminary.

The United States suffered a 20-percent loss in feed grain exports in 1968/69 mainly because of competition from French feed wheat, barley, and corn, coupled with reduced demand from Spain and the U.S. dock strike. Wheat for feed probably accounted for the bulk of the increase in French wheat exports. French exports of feed grains in 1968/69 exceeded the 1967/68 record by 50 percent (table 9), reflecting larger shipments of corn and barley to other EC countries and increased sales of barley to Japan. French barley almost entirely replaced Canadian barley in the EC and Japan.

Among the other competitors, Argentina and South Africa are virtually sold out of feed grains until spring when the coming crop will be harvested. However, Argentina has been doing a brisk business in future corn sales to Europe and Japan. Canada, both a market and a competitor, has record supplies of feed grains--although the corn crop is down--and a large carryover of feed-quality wheat from the 1968 crop. Thailand, with a record corn crop, will again be an important factor in the Japanese and Taiwan markets (table 10). Mexico, which exported 1 million tons of corn in 1968/69, will be out of the market in the current year because of prolonged drought. Production of corn in 1969 in the southern countries of Eastern Europe recovered from last season's drought, and the Soviet corn harvest was up about 5 million tons--a result of replanting winterkilled areas coupled with excellent weather in the Ukraine.

U.S. rice exports, following a steady rise since 1961, failed to increase in 1968/69 and in the current year face increased competition in a shrunken market. Among the major rice exporters, production in 1969 declined in the United States, reached a near-record level in Thailand, and increased in Mainland China, Burma, and Cambodia. Because of weak foreign demand, Thailand lowered its rice export tax for the first quarter of 1970 and Thai export prices have fallen.

Table 10.--Feed grain production in major exporting countries, 1961-69 <sup>1/</sup>

Country	Year beginning January 1								
	1961	1962	1963	1964	1965	1966	1967	1968	1969 <sup>2/</sup>
	-- Million metric tons --								
Argentina	7.6	7.4	7.2	8.2	6.9	10.1	10.7	9.3	10.4
France	10.5	10.5	14.1	11.2	13.4	14.7	17.0	17.2	17.4
South Africa	5.8	5.9	6.5	4.7	5.1	5.5	10.7	5.7	5.3
Canada	7.6	12.0	12.7	10.5	12.6	14.0	12.0	14.7	16.3
Thailand	.6	.7	.9	1.0	1.1	1.3	1.2	1.5	1.7
Australia	2.3	2.6	2.7	2.8	2.4	3.7	2.0	3.9	4.7
Mexico	6.0	5.9	7.3	3.3	8.9	9.8	9.9	10.2	8.4
Brazil	9.1	9.6	10.5	9.5	12.1	11.4	12.9	12.9	11.5
Total	49.5	54.6	61.9	56.2	62.5	70.5	76.4	75.4	75.7
United States	127.6	129.6	139.5	121.7	142.8	143.0	159.7	153.2	158.0

<sup>1/</sup> Barley, oats, corn, and sorghum. <sup>2/</sup> Preliminary.



Short-term prospects are favorable for soybean and rapeseed imports by the EC and Japan, and for soybean imports by Taiwan. Community inventories of oilseeds and products were worked down, the EC rapeseed harvest was below expectations, prices of fish oil and meal are much higher than a year ago because of smaller supplies in Peru, and high prices reflect the recent shortage of peanut oil. In addition, there has been uncertainty concerning Soviet intentions to export sunflower oil. Japanese demand for soybeans, which slackened in 1968/69 because crushers experienced difficulty in disposing of vegetable oil, is expanding in the current season. The January and April 1970 reductions in the Japanese tariff on soybeans should also stimulate imports. The sharply increased Japanese import quota for rapeseed for April 1969-March 1970 improved prospects for rapeseed exporters in the current season. In November 1969, Taiwan suspended imports of all oilseeds except soybeans; this action will temporarily affect rapeseed imports.

Drought in Northeast China was relieved by timely rains and an average soybean crop was harvested. Brazil produced a record soybean crop in early 1969 and acreage for the 1970 harvest is forecast to be up by 20 percent.

Canada, the largest exporter of rapeseed, may reclaim some of its former markets in Europe. In Poland, rapeseed suffered heavy winterkill and the 1969 crop was the smallest since 1964. There were significant declines in rapeseed harvests in East Germany and Sweden, and EC production--which had been growing rapidly--slowed in 1969. Following a drop in 1968, Canadian rapeseed production exceeded the previous high by 40 percent.

Table 12.--U.S. exports of soybeans, 1965-68

Destination	Year beginning September 1			
	1965	1966	1967	1968 1/
	-- Million bushels --			
Netherlands 2/	38.5	37.5	39.4	50.3
West Germany	33.2	32.9	32.4	33.5
Italy	17.1	20.2	15.0	17.9
Other EC	10.3	11.1	9.5	11.1
Total EC	99.1	101.7	96.3	112.8
Japan	65.3	62.5	75.5	74.9
Spain	20.1	29.7	30.8	35.2
Canada 3/	15.3	14.7	13.3	10.0
Denmark	13.8	14.9	15.5	11.9
Taiwan	5.9	11.3	11.0	16.6
Others	31.1	26.8	24.2	25.4
Total	250.6	261.6	266.6	286.8

1/ Preliminary. 2/ Exports to the Netherlands include large transshipments to other countries, primarily other EC countries. It is estimated that in 1968/69, the Netherlands transshipped about 24 million bushels to other EC countries and 3 million to non-EC countries. 3/ Exports to Canada are net of transshipments to other countries.

The Soviet sunflower crop was down about 5 percent, but a good crop was produced in the southern countries of Eastern Europe. Effective October 15, 1969, the EC suspended its import levy on Soviet and East European sunflowerseed oil. Argentina, because of a small sunflowerseed crop, will not be a factor in the international market until spring.

The peanut harvest in India, the world's largest producer, recovered from the low 1968 level. In Nigeria, the largest exporter of peanuts, production increased from the low level of the previous 2 seasons. Senegal's crop is up from last year but remains below average.

U.S. COTTON EXPORTS CONTINUE TO DECLINE

U.S. cotton exports in 1968/69 were the smallest since 1955/56. There were large declines in U.S. exports to Japan, Italy, India, Taiwan, and Hong Kong (table 13). U.S. cotton lost ground to Mexican and Brazilian cotton in Japan and Italy; and to Brazilian cotton in Taiwan and Hong Kong. In addition, stocks were drawn down in Japan. For India, there was a delay in P.L. 480 allocations and shipments of cotton. Comparatively high U.S. prices, a short supply of certain qualities, the U.S. dock strike, and increased use of man-made fibers hurt U.S. exports. World production of man-made fibers, on a cotton-equivalent basis, increased 19 percent last year, exceeding world cotton production.

Table 13.--U.S. cotton exports, 1965-68

Destination	Year beginning August 1			
	1965	1966	1967	1968 1/
-- Thousand bales 2/ --				
Italy	106	275	266	65
France	112	168	154	91
West Germany	95	165	104	32
Other EC	84	86	83	50
Total EC	397	694	607	238
Japan	727	1,336	1,146	557
South Korea	309	383	362	459
Taiwan	181	381	383	264
India	64	295	355	176
Canada	281	314	151	116
Hong Kong	97	190	310	201
Philippines	96	139	160	123
United Kingdom	135	157	130	49
Yugoslavia	175	144	70	56
Indonesia	---	168	73	110
Poland	44	81	80	112
Others	529	550	534	364
Total	3,035	4,832	4,361	2,825

1/ Preliminary.

2/ Bales of 480 pounds net.

World cotton production in 1969/70 is estimated to be near the level of last year, with significant increases in the UAR, Brazil, and India; major declines in the United States and Mexico; and significant declines in the USSR, Mainland China, Turkey, and Central America (table 14).

Acreage planted to cotton in the United States was up about 10 percent in 1969 but unfavorable weather caused considerable boll rot and insect damage.

In the USSR, a 15-percent increase in the government purchase price stimulated an increase in the planted area of about 5 percent. Planting was delayed because of a late spring, however, and wet weather interfered with the 1969 harvest.

The effects of good soil moisture in most of the northern provinces of China were more than offset by poor growing conditions in the southern cotton area. In India, domestic prices were high, rainfall was satisfactory, and the supply of irrigation water adequate. In Turkey, increased plantings of Mexican wheat crowded cotton in the coastal areas.

Table 14.--Cotton production by major producers, 1963-69

Country 1/	Year beginning August 1						
	1963	1964	1965	1966	1967	1968	1969 2/
	- - Million bales 3/ - -						
United States	15.33	15.18	14.97	9.58	7.46	10.95	10.10
USSR	8.16	8.28	8.87	9.37	9.35	9.31	8.95
Mainland China	4.70	6.00	6.60	6.50	7.00	6.80	6.60
India	5.20	4.90	4.60	4.60	5.30	4.90	5.10
Brazil	2.30	2.10	2.50	2.05	2.70	3.30	3.50
Pakistan	1.94	1.75	1.92	2.10	2.39	2.45	2.45
Mexico	2.11	2.40	2.63	2.25	2.00	2.45	1.70
UAR	2.03	2.32	2.39	2.09	2.01	2.00	2.35
Turkey	1.15	1.50	1.50	1.75	1.80	2.00	1.80
Central America	1.11	1.32	1.23	1.06	1.04	1.00	.80
Sudan	.45	.70	.75	.89	.90	1.05	1.10
Syria	.70	.81	.83	.65	.58	.70	.65
East African Community	.54	.63	.70	.74	.62	.60	.70
Iran	.53	.53	.65	.52	.53	.69	.70
Colombia	.34	.30	.30	.40	.46	.64	.70
Peru	.63	.65	.52	.48	.46	.42	.40
Total	47.2	49.4	51.0	45.0	44.6	49.3	47.6

1/ These countries account for about 95 percent of world cotton production.  
2/ Preliminary. 3/ Bales of 480 pounds net.

In 1969, many Mexican and Central American farmers substituted other crops for cotton because of unfavorable prospects for cotton prices. In addition, weather extremes and insect damage reduced Mexican production. Because of favorable prices received last year, cotton growers in southern Brazil planted a larger area for the 1969/70 crops, and growing conditions have been favorable.

World import requirements appear to be up this season but--because of production declines in the United States, Mexico, and the USSR--any significant increase in trade will have to be met from stocks. The U.S. supply position, particularly in regard to shorter staple cotton, has worsened and U.S. exports probably will decline for the third consecutive year. August-December 1969 exports were about 30 percent below the same period a year earlier.

Table 15.--Cotton exports by country of origin, 1963-68

Country 1/	Year beginning August 1					
	1963	1964	1965	1966	1967	1968 2/
	- - Million bales 3/ - -					
United States	5.78	4.20	3.04	4.83	4.36	2.82
USSR	1.70	2.00	2.30	2.40	2.50	2.20
Mexico	1.43	1.62	2.13	1.39	1.24	1.63
UAR	1.37	1.56	1.58	1.43	1.17	1.10
Brazil	1.02	1.04	.94	1.01	.84	1.50
Turkey	.59	.77	.92	1.05	1.04	.95
CACM 4/	.98	1.11	1.12	.85	.82	.88
Pakistan	.69	.49	.49	.56	.89	.57
Sudan	.72	.47	.57	.68	.79	.85
Syria	.61	.73	.71	.58	.49	.55
East African Community	.52	.60	.63	.73	.57	.47
Peru	.51	.47	.52	.38	.28	.38
Total	15.92	15.06	14.95	15.89	14.99	13.90

1/ These countries account for about 85 percent of world cotton exports.  
 2/ Preliminary. 3/ Bales of 480 pounds net. 4/ Central American Common Market.

#### TOBACCO PRODUCTION AT AVERAGE LEVEL

Following a record in 1967, world output of tobacco fell slightly in 1968 to about the 1963-67 average and remained near that level in 1969. Among the major exporting countries, there were significant increases in the United States and Brazil and significant declines in India and Turkey (table 16).

The increase in the United States represented a partial recovery from the very low level of 1968. U.S. tobacco acreage, which had decreased steadily during 1963-68, increased about 5 percent in 1969 but, with excessive rains in Georgia and the Carolinas, yields were no better than in 1968. Stocks of tobacco have declined regularly since 1965 and probably will fall again in 1970.



In Brazil, improved yields were responsible for the third consecutive increase in production; acreage has declined since 1967. Flue-cured tobacco accounted for most of the increase in Brazilian output in 1969. Canada's flue-cured crop was up about 10 percent and reached a record 230 million pounds. Although total production was down in India, the flue-cured crop was larger than in 1968, adding to India's surplus.

In Rhodesia, production remained at the low level of 1968. For 1968 and 1969, the Rhodesian Government supported a flue-cured production goal of 132 million pounds at a price of U.S. 29 cents per pound. For the next two seasons, the target has been cut to 100 million pounds at 32 cents per pound. If the Government holds to this target, growers stand to lose about \$6 million annually.

The decline in Turkey was in the production of oriental leaf. Turkish stocks of oriental are large, and high-yielding wheat varieties are being planted on some land formerly devoted to tobacco and cotton.

U.S. exports of tobacco in 1969 fell below the very high level of the previous year. U.S. exports to the United Kingdom and Japan declined but exports to the EC increased (table 17). Total British imports declined as stocks were drawn down but Commonwealth suppliers maintained their 1968 level of trade. With stocks well above normal levels, Japan reduced total imports and the United States, the largest supplier, suffered most. The U.S. dock strike also reduced U.S. export during the first quarter of 1969.

Table 16.--Tobacco production by major producers, 1963-69

Country	Year beginning January 1						
	1963	1964	1965	1966	1967	1968	1969 1/
	-- Million pounds 2/ --						
United States	2,344	2,228	1,855	1,887	1,968	1,710	1,800
Mainland China 3/	1,590	1,700	1,720	1,740	1,370	1,870	1,710
India	806	790	762	656	779	313	765
USSR	344	514	467	518	573	562	570
Japan	347	468	424	435	460	426	390
Pakistan	221	228	242	303	373	410	400
Turkey	291	386	293	362	403	356	320
Brazil	412	302	429	299	319	335	410
Bulgaria	232	330	272	292	261	231	220
Greece	284	299	276	217	252	194	180
Canada	201	153	169	234	213	219	235
Rhodesia	182	304	240	249	206	132	135
Indonesia	190	115	170	194	209	232	220
Philippines	167	170	144	153	143	194	170
Total	7,610	7,990	7,460	7,540	8,030	7,680	7,520

1/ Preliminary. 2/ Farm sales weight. 3/ The production series on Mainland China is based on fragmentary information. Both the absolute level and direction of change are subject to revision.

In 1970, U.S. exports should be close to the level of 1969. The United Kingdom may take more U.S. leaf to rebuild stocks, but no large recovery is expected in exports to Japan, which still has sizable stocks.

Table 17.--U.S. exports of tobacco to major markets, 1966-69

Destination	Year beginning January 1			
	1966	1967	1968	1969 1/
	-- Million pounds --			
West Germany	99	114	89	102
Netherlands	29	40	44	34
Belgium	18	18	20	17
Other EC	12	13	12	28
Total EC	158	185	165	181
United Kingdom	130	138	147	134
Japan	42	27	49	41
Thailand	18	23	29	24
Switzerland	17	21	25	26
Sweden	23	19	17	14
Denmark	18	16	19	19
Australia	16	13	20	20
Ireland	14	14	15	11
Other countries	115	116	113	107
<b>Total</b>	<b>551</b>	<b>572</b>	<b>599</b>	<b>577</b>

1/ Preliminary.

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