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Federal Reserve Bank of Chicago - -

June 17, 1966

AGRICULTURAL EXPORTS have advanced sharply since mid-1965, after having shown a moderate decline during the first part of the year. For the calendar year 1965, agricultural exports were \$6.2 billion, slightly below the record \$6.3 billion in 1964. However, exports during the current fiscal year ending June 30 are expected to set a new record. During the July 1965 to March 1966 period, exports totaled \$5 billion—up 12 percent from the same period a year earlier. Recent Department of Agriculture estimates indicate that farm exports may reach \$6.7 billion in the current fiscal year, compared to \$6.1 billion each of the two preceding years.

Several domestic and foreign developments contributed to the export pattern in 1965. Agricultural exports in the first half of 1965 were down significantly from the previous years because of the Longshoremen's strike at East Coast and Gulf ports in January and February. Also, wheat exports to Western Europe and the Soviet Union dropped well below the high level of the previous year during which reduced harvests had resulted in the large movement of wheat to these countries.

Continued availability of high-quality American agricultural products at relatively low prices has made these commodities attractive to foreign buyers. Exports of farm products for which domestic prices are higher than world prices are subsidized by Government payments to the United States exporters.

The demand for agricultural commodities has been stimulated by continued economic growth and the expansion of foreign trade in the industrialized countries, such as Japan and Western Europe. The recent trend to higher incomes in these countries has resulted in a strong demand for imported meats and also has stimulated foreign meat production which in turn has created a demand for high protein feeds and feed grains. Moreover, the rapid expansion in exports from Japan and Western Europe—up 35 and 11 percent, respectively, from the previous year—has provided the means for purchasing more American farm products. In the less developed countries, economic growth and rapid population expansion has resulted in more imports of agricultural products.

Many agricultural commodities showed significant gains from a year earlier during the first three quarters of the current fiscal year. Feed grains, hides, milled rice, soybeans, protein meal, fruits, poultry products and wheat increased while declines were recorded in the exports of cotton, dairy products, cottonseed and soybean oils, and animal fats and tallow.

Feed grain exports have risen sharply because of increased livestock production in Western Europe and Japan. Reduced grain and root crop production in Europe and in other major feed grain producing areas apparently strengthened the demand for United States feed grains last year. During the July-February period, exports of

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feed grains totaled 16.3 million tons, compared with 10.3 million tons a year earlier. The sharp increase reflects larger shipments of corn which totaled 435.7 million bushels—up about 42 percent from the same period in the previous year—and accounted for about three fourths of total feed grain exports.

In addition, exports of wheat and rice increased 10 and 28 percent, respectively, during the nine-month period since mid-1965. Japan was the leading cash buyer of United States wheat while India was the largest outlet for wheat sold under Government programs. Increased demand for rice by Japan and South Vietnam, combined with short crops in other rice exporting countries, accounted for the sharp increase in American rice exports.

Soybean exports during the nine-month period were valued at \$548 million in the current fiscal year—up 24 percent from the same period in the previous year. Likewise, exports of soybean meal, a high-protein feed supplement, increased by 20 percent to countries using large quantities of animal feeds. Japan continued to be the largest buyer of United States soybeans with about half of their purchases used for food and the remainder for animal feed.

Foreign markets are a growing outlet for domestic production, especially for feed grains and soybeans produced in the Midwest. Farmers who produce primarily for the domestic market benefit also from the favorable effect on production and prices of domestically used commodities that results from exports.

Agricultural exports in recent years have averaged about 16 percent of cash receipts from farm marketings, while other merchandise exports account for only 4 to 5 percent of nonfarm production. It appears likely that exports will continue to increase and account for a greater portion of domestic production in future years. According to recent projections by the Department of Agriculture, exports could grow to \$8 billion by 1970 and \$9 billion by 1980.

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FARM BUSINESS CONDITIONS
March 1966 with Comparisons

ITEMS	1966		1965
	March	February	March
PRICES:			
Received by farmers (1957-59=100)	112	113	99
Paid by farmers (1957-59=100)	113	112	109
Parity price ratio (1910-14=100)	82	83	75
Wholesale, all commodities (1957-59=100)	105	105	101
Paid by consumers (1957-59=100)	112	112	109
Wheat, No. 2 red winter, Chicago (dol. per bu.)	1.63	1.71	1.51
Corn, No. 2 yellow, Chicago (dol. per bu.)	1.30	1.31	1.33
Oats, No. 2 white, Chicago (dol. per bu.) . . . . .	.77	.78	.74
Soybeans, No. 1 yellow, Chicago (dol. per bu.)	2.94	2.91	3.01
Hogs, barrows and gilts, Chicago (dol. per cwt.)	24.56	27.88	17.22
Beef steers, choice grade, Chicago (dol. per cwt.)	29.22	27.79	24.31
Milk, wholesale, U. S. (dol. per cwt.)	4.54	4.55	4.17
Butterfat, local markets, U. S. (dol. per lb.) . . . . .	.63	.62	.59
Chickens, local markets, U. S. (dol. per lb.) . . . . .	.17	.16	.15
Eggs, local markets, U. S. (dol. per doz.) . . . . .	.42	.41	.31
Milk cows, U. S. (dol. per head)	238	227	208
Farm labor, U. S. (dol. per week without board)	--	--	--
Factory labor, U. S. (dol. earned per week)	111.22	110.27	107.38
PRODUCTION:			
Industrial, physical volume (1957-59=100)	153	152	140
Farm marketings, physical volume (1957-59=100)	92	86	89
INCOME PAYMENTS:			
Total personal income, U. S. (annual rate, bil. of dol.)	561	557	518
Cash farm income, U. S. ¹ (annual rate, bil. of dol.)	48.1	45.8	41.5
EMPLOYMENT:			
Farm (millions)	3.8	3.6	4.0
Nonagricultural (millions)	68.2	67.9	66.2
FINANCIAL (District member banks):			
Demand deposits:			
Agricultural banks (1957-59=100)	121	121	113
Nonagricultural banks (1957-59=100)	112	115	107
Time deposits:			
Agricultural banks (1957-59=100)	222	219	194
Nonagricultural banks (1957-59=100)	242	239	215

¹ Based on estimated monthly income.