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Federal Reserve Bank of Chicago - -

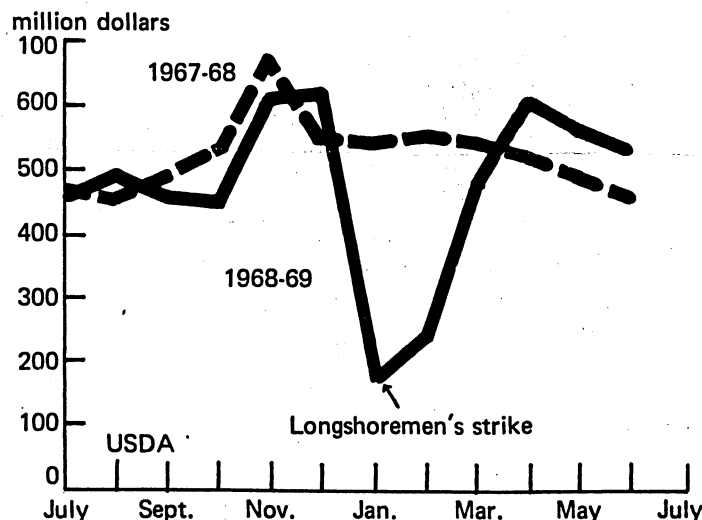
September 5, 1969

AGRICULTURAL EXPORTS in the year ended June 30 declined for the second consecutive year and were the smallest since 1963. Totalling \$5.7 billion—shipments lagged 9 percent behind the previous year.

Exports under the Food-for-Peace Program fell to around \$900 million—down sharply from the previous year's \$1.3-billion and the record \$1.9 billion shipped abroad in 1956. Commercial sales for dollars were also lower—estimated at \$4.8 billion compared with about \$5 billion last year. These developments represent a substantial change from the early 1960s when exports were steadily increasing. Agricultural policies of most nations have been increasingly aimed at achieving self-sufficiency and maintaining the incomes of their farm populations. Those policies, coupled with the new agricultural technology, have resulted in food supplies in excess of what can be sold at "acceptable" prices.

An added factor curtailing American exports in fiscal 1969 was the longshoreman's strike at Atlantic and Gulf ports during the early part of 1969. Since most agricultural commodities can be supplied by other countries, sales not made during a strike are difficult, if not impossible, to recover after the strike is settled. That was especially true this year because of the large supplies of agricultural commodities held by other exporting countries. Estimates by the Department of Agriculture indicate that the strike's direct effect was to reduce agricultural exports more than \$200 million.

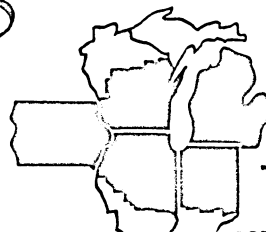
Farm Exports Curtailed by Dock Strike



The reduction in exports from the previous year was confined largely to cotton and the major grains. Cotton exports, at \$329 million, tumbled by more than 30 percent in fiscal 1969. Larger world production depressed prices while reduced planting in the United States resulted in smaller supplies available for export. Also, industrialized countries continued to substitute man-made fibers for cotton. In the United States, man-made fibers account for about 45 percent of the market.

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Agricultural Letter



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Wheat exports fell nearly a third from the previous year reflecting in large part the record wheat production worldwide. Exports under the Food-for-Peace Program dropped sharply because of the reduced need—mainly in India and Pakistan. Shipments under this program were about two-fifths of the total in fiscal 1969, compared with over half in the previous year. In addition, because of large crops, competition from the suppliers of wheat was keen. Indeed, the price floor in the International Wheat Agreement has come under increased pressure. The United States recently lowered its export price on wheat 2 to 10 cents a bushel depending on the quality and port of destination in response to price cuts by other nations.

Feed grain exports also dropped sharply—down about a fifth from the year before. More than 40 percent of this decline was accounted for by smaller exports to the European Economic Community (EEC) countries. Production of grains in the EEC has been markedly stimulated by the high price support programs of the EEC common agricultural policy, thereby reducing the need to import. The EEC's variable tariff levied on feed grain averaged around 21 to 23 cents per bushel for corn and sorghum grain.

Soybean exports, on the other hand, were greater than the year before. Lower prices induced foreign buyers to increase their purchases about 10 percent above the 265 million bushels exported in the previous year. The high level of feed grain prices in the EEC, because of the tariff levies, encouraged greater use of soybeans. Lower prices for soybeans also encouraged their use in lieu of other meals.

Exports of animals and their products—up nearly a fifth—provided another bright spot in the overall foreign trade picture. Most of the increase was attributable to larger shipments of meat and dairy products. Exports of hides and skins were also larger—up 23 percent—despite the increased competition from synthetic leather products.

Prospects for U. S. agricultural exports over the next several years continue poor. These prospects could change as a result of widespread adverse weather or a basic change in the agricultural policies of many nations.

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Agricultural Economist