



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

Federal Reserve Bank of Chicago - -

November 10, 1972

Agricultural Letter



Number 1195

U. S. AGRICULTURAL EXPORTS are slated for a substantial gain during fiscal 1973. The value of agricultural exports is expected to rise to a record \$10 billion during the 12 months ending June 1973 according to a recent report by the U. S. Department of Agriculture—up nearly 24 percent from the record established in fiscal 1972. During the first three months of this period (July-September), agricultural exports rose 9 percent over the comparable year-earlier level.

A tenfold increase in Soviet purchases is expected to account for one-half of the projected \$2 billion gain in agricultural exports during the current fiscal year. Major increases also are projected for exports to Japan and the Near East. Wheat exports are expected to nearly double, while gains of around one-third or more are anticipated for feed grains and livestock products. Soybean exports are expected to rise by 13 percent.

Soviet imports of U. S. agricultural products—primarily grains—are currently estimated at \$1.2 billion, compared to last year's \$150 million. This unprecedented volume reflects adverse weather conditions which cut the 1972 Soviet wheat crop by approximately one-fourth and reduced the gain in other grain production despite a substantial boost in acreage. As a result, total grain production in the Soviet Union is expected to fall 17 million metric tons short of last year's 139 million metric tons. The U. S. Department of Agriculture estimates the Soviet Union will more than offset this loss, however, by importing 27 million metric tons of grains, of which 5 million will be used to fulfill Soviet commitments to other countries. About two-thirds of this—11 million tons of wheat and 7 million tons of feed grains—is expected to come from U. S. exports.

Soviet grain production over the past ten years has been marked by sharp advances followed by sharp declines. In only two years has the fluctuation in grain production been less than 10 percent. Consequently, short crops are not new to the Soviet Union. Indeed, grain crop failures of a substantially greater degree than that estimated for this year occurred in 1963, 1965, and 1967. But unlike the current situation, past shortages were overcome either by dipping into reserve stocks or by reduced domestic consumption. In 1967, the U.S.S.R. maintained a net export position, while net imports following the short crops in 1963 and 1965 equaled only about one-fourth the level estimated for this year.

The Soviets' unexpected emphasis on imports following this year's short crop likely reflects tight reserve stocks and an attempt to raise consumption levels—particularly for feeding purposes. Since 1962, Soviet grain stocks have declined an estimated 11 million metric tons, while total annual consumption has risen more than 40 percent.

Long-run implications of this year's large volume of agricultural exports to the U.S.S.R. are not entirely clear. On the one hand, it now appears that the Soviet Union is placing strong emphasis on its livestock production goals. If these goals are to be attained, current estimates suggest that annual grain requirements could rise to 160 million metric tons by 1975. The recent easing of trade barriers between the United States and U.S.S.R. also could signal less emphasis by the Soviet Union on domestic grain production and more emphasis on imports. Moreover, the history of widely fluctuating grain crop yields could lead the Soviet Union to place more emphasis on building reserve stocks and thus further boost import requirements.

But on the other hand, widely fluctuating grain crop yields could lessen the Soviet Union's grain import requirements. It's possible that the Soviet Union will make every effort to boost grain production in 1973. Following short crops in 1963, 1965, and 1967, grain production in the Soviet Union in the following years registered gains of 35 percent, 48 percent, and 14 percent, respectively. Gains of similar magnitudes next year would boost grain production to a range of 140 to 180 million metric tons and substantially reduce import needs or even make the U.S.S.R. a net grain exporter—a position it has taken in six of the past ten years. Furthermore, the currently high world grain prices are sure to attract increased production in other grain exporting countries and present the United States with additional competition on world markets. Finally, first-year commitments under the recently signed, three-year, \$750 million grain trade agreement between the United States and the U.S.S.R.—the pact upon which this year's trading activity is based—more than fulfill U.S.S.R. purchase requirements. Consequently, there will be no binding level of purchases on the Soviet Union for the last two years of the agreement.

On balance, the implications of this year's large world grain purchases by the U.S.S.R. are likely to be felt for some time, if for no other reason than the one-shot instability it has caused on world markets. For U. S. farmers, continued sales to the Soviet Union in the years ahead is a possibility. Nevertheless, the volume of sales is not likely to approach that of this year, and may fluctuate widely in accordance with crop yields in the Soviet Union.

Gary L. Benjamin
Agricultural Economist

AGRICULTURAL ECONOMIC DEVELOPMENTS

Subject	Unit	Latest period	Value	Percent change	
				Prior period	Year ago
INDEX OF PRICES					
Received by farmers	1967=100	October	129	+ 1	+13
Crops	1967=100	October	116	- 1	+ 9
Livestock	1967=100	October	138	+ 1	+17
Paid by farmers	1967=100	October	129	+ 1	+ 7
Production items	1967=100	October	125	+ 1	+ 8
Family living items	1967=100	October	125	- 1	+ 4
Ratio of prices received to prices paid	1967=100	October	100	0	+ 6
Consumer price index (<i>all items</i>)	1967=100	September	126	0	+ 3
Food at home	1967=100	September	125	0	+ 5
CASH FARM PRICES (<i>U. S. average</i>)					
Corn	dol. per bu.	October	1.19	- 2	+19
Soybeans	dol. per bu.	October	3.13	- 4	+ 6
Wheat (<i>all</i>)	dol. per bu.	October	1.89	+ 9	+45
Sorghum grain	dol. per cwt.	October	2.09	- 1	+19
Oats	dol. per bu.	October	.67	+ 4	+15
Beef steers and heifers	dol. per cwt.	October	36.40	+ 3	+16
Hogs	dol. per cwt.	October	27.50	- 2	+41
Milk, all sold to plants	dol. per cwt.	October	6.36	+ 2	+ 4
Milk cows	dol. per head	October	402	+ 1	+10
Chickens, broilers, live	cents per lb.	October	14.6	- 6	+13
Eggs	cents per doz.	October	31.0	- 9	+ 8
INCOME (<i>seasonally adjusted annual rate</i>)					
Cash receipts from farm marketings	bil. dol.	2nd qtr.	56.9	+ 1	+ 9
Net farm income	bil. dol.	2nd qtr.	18.3	- 1	+19
Nonagricultural personal income	bil. dol.	August	914.1	+ 1	+ 8
FARM FINANCE					
Total deposits at agricultural banks ¹	1967-69=100	October	159.10	+ 2	+17
Time deposits	1967-69=100	October	187.66	+ 1	+19
Net demand deposits	1967-69=100	October	130.55	+ 4	+12
Total loans at agricultural banks ¹	1967-69=100	October	174.76	+ 3	+18
Production Credit Associations					
loans outstanding:					
United States	mil. dol.	August	6,679	- 1	+ 8
Seventh District states	mil. dol.	August	1,187	0	+ 1
new loans made:					
United States	mil. dol.	August	680	+ 3	+15
Seventh District states	mil. dol.	August	113	- 1	+ 4
Federal Land Bank Associations					
loans outstanding:					
United States	mil. dol.	August	8,631	+ 1	+12
Seventh District states	mil. dol.	August	1,658	0	+ 9
new loans made:					
United States	mil. dol.	August	159	+23	+72
Seventh District states	mil. dol.	August	21	+ 1	+44
Interest rates					
Three-month Treasury bills	percent	week ending 11/8	4.71	- 1	+13
Federal funds rate	percent	week ending 11/8	5.25	+ 4	+ 6
Government bonds (<i>long-term</i>)	percent	week ending 10/27	5.65	- 1	+ 4
AGRICULTURAL TRADE					
Agricultural exports	mil. dol.	September	709.9	+ 4	- 5
Agricultural imports	mil. dol.	September	545.4	- 2	-13
FARM MACHINERY SALES					
Farm tractors	units	September	11,342	+15	-22
Combines	units	September	4,765	+85	- 5
Balers	units	September	3,149	-35	-16

¹ Member banks in Seventh District having a large proportion of agricultural loans in towns of less than 15,000 population.