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THE FAR EAST AND OCEANIA AGRICULTURAL SITUATION

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MIDYEAR REVIEW



IMPORTS CONTINUE HIGH IN 1967

Imports of food into countries of East and South Asia continue at high levels in 1967. Two consecutive drought years in India caused serious shortages and hardship, and grain imports of unprecedented volume moved into the country.

The Philippines may import some 400,000 tons of rice and at least as much wheat in 1967. South Korea is seeking 80,000 tons of rice despite a record harvest last fall. South Viet Nam is now importing about 70,000 tons a month. Japan--the largest commercial market in Asia--imported more than 6 million tons of grains in the first half of 1967; this was nearly one-fourth more than in the January-June period a year earlier. Imports of rice may approach 500,000 tons; this will be off about 300,000 tons from the previous year.

The wheat crop harvested in India earlier this year is a near record, and many farmers appear ready to shift from traditional to commercial production. The monsoon broke fair and as of mid-1967 there were prospects for a near-normal rice harvest in that country. Much depends now on continuation of rain through September and October. In Pakistan, too, the monsoon has favored prospects for major crops.

The area planted to wheat in Australia is at a record level of 21.5 million acres. Recent rains offer prospects of another good season in New South Wales. Sales abroad from the record 1966/67 crop exceeded 7 million tons by the end of June.

In Mainland China the summer harvest showed little or no improvement over 1966. There are indications of continued large imports of wheat and other grains, but exports of rice will probably be less than in 1966 when shipments are estimated to have reached 1 million tons for the first time since 1960. Burma, for many years the world's leading exporter of rice, will have scarcely 600,000 tons surplus to move in 1967.

AFGHANISTAN

With a significant drop in 1966 production, wheat prices in Kabul reached a peak in the spring of 1967 as commercial stocks fell to low levels. In some cases the price was equivalent to \$4.00 per bushel at retail shops. Higher grain prices apparently caused farmers to expand the area planted in wheat, corn, and barley this year. The wheat plantings in the Baghlan-Kunduz area were estimated to be from 50 to 75 percent higher than last year. If good rains continue, the wheat harvest during 1967 may even surpass the excellent 1965 crop of 2.3 million tons. About one-fourth of the wheat crop enters commercial channels. It comes particularly from large farms in the north. Afghanistan has imported most of its wheat from the United States since 1960, when 40,000 tons were imported from the USSR and 48,000 tons of wheat and flour came from the United States. During the last 2 years, wheat and wheat flour imported from the United States under Title II of P.L. 480 have accounted for over one-third of the grain available in Kabul.

Through a Title I agreement under P.L. 480 signed on July 19, 1967, the United States is exporting 40,000 tons of wheat and wheat flour and 4,000 tons of vegetable oils to Afghanistan in 1967/68. 1/ These items are valued at an estimated \$4.1 million.

A new fertilizer factory planned by the Russians is scheduled to begin producing 100,000 tons of urea by 1971. The urea will be made from byproducts of the natural gas industry.

Exports of karakul skins to the United Kingdom jumped from \$4.3 million in 1964/65 to \$10.0 million in 1965/66, while exports of these skins to the United States declined from \$8.2 million to \$6.1 million.

AUSTRALIA

Gross national product for 1966/67 has been estimated at \$25.5 billion--10 percent above 1965/66. An overall trade surplus of \$112 million is expected in 1966/67, compared with a deficit of \$216 million in 1965/66.

The total volume of all agricultural output in 1966/67 was substantially above last year and may exceed the record production of 1964/65. The gross value of rural production is estimated at \$3.8 billion. Farm income is estimated at \$1.5 billion, or 36 percent above 1965/66.

The 1966/67 season resulted in record crops of wheat, cotton, rice, and sugar. Production of fruits was well maintained except for citrus and pears, which were below last year. Total meat production is estimated 4 percent below 1965/66 because of a decline in cattle and sheep slaughterings. Cattle and sheep are both in demand for restocking drought areas. Fluid milk production is expected to set a new record, and the output of most dairy products will be larger than in 1965/66.

1/ Metric tons and U.S. dollars are used throughout this report.

The volume of 1966/67 agricultural exports is now estimated at 9 percent greater than a year earlier and only 1 percent below the record level of 1963/64. Agricultural export earnings are estimated at \$2.2 billion. This is low in comparison to other peak periods of production because of depressed prices for some types of wool, sugar, hides and skins, butter and cheese. Earnings from wheat sales, on the other hand, are expected to set a new record. Of the estimated 12.6 million tons of wheat produced in 1966/67, about 10 million tons will be available for export. Estimates of foreign sales as of June exceeded 7 million tons, with sales to Mainland China alone totaling 3.3 million tons.

Despite the uncertainty of weather, forecasts indicate a record wheat acreage will be planted in 1967/68 and record dairy production is in prospect.

The fifth successive Five-Year Dairy Stabilization Plan became effective July 1. The plan continues the fixed annual Commonwealth subsidy payments allocated to farmers by butter and cheese manufacturers. During 1967/68, the subsidies totaling \$30 million will be distributed on the basis of \$27 million to producers of butterfat for butter and \$3 million to producers of butterfat for cheese. In subsequent years through 1971/72, the subsidy will be divided equally between butter producers and cheese producers. The subsidy payable on exports of other processed dairy products remains unchanged at \$896,000 a year.

BURMA

The farming sector of the Burmese economy has not performed well since 1962. Per capita farm output of major agricultural products in 1962 was almost 10 percent above the 1957-59 average. It declined each year thereafter, and by 1966 per capita production was about 5 percent less than the 1957-59 average. Recently, the Government has sought to increase agricultural output through enlarging the area under improved cultivation, increasing use of fertilizer and insecticides, and providing more credit and tractor services. But with the nationalization of the marketing functions, the farmer has not responded with any increase in production.

Burmese policies of nationalization have disrupted the rice economy. Farmers, for instance, must deliver their grain to Government stations generally some distance from the farm at a Government-set price. Before nationalization, merchants purchased grain from the farmer at his farm at bargained prices. This change alone discouraged the sale of rice to the Government which is the only authorized buyer and exporter. It gave rise to a thriving black market in rice and other essential commodities.

Some relaxation of nationalization in rice marketing occurred in June 1967 when the Government announced that consumers are now allowed to buy paddy direct from the farmer and to transport, mill, and store rice for their own consumption. Some 30 other staple items were previously released from Government control for sale by private businesses. These include cloth, fish, peanuts, fruits and vegetables.

Exports of rice during 1967 are expected to reach only 600,000 tons. This is about one half the average annual amount shipped over the past 3 years and the minimum amount needed to finance essential imports.

CEYLON

Declining tea prices and a critical shortage of rice dominated agricultural developments in early 1967. Purchases of tea by customers in Eastern Europe and the Middle East have been smaller this year. The events in the Middle East have also temporarily hampered shipments of tea to the United Kingdom, the leading market for Ceylon's tea.

Increased imports of wheat flour from the United States and Australia in the last year have helped the country to cope with the rice shortage. Rice imports are expected to exceed 600,000 tons again in 1967. Burma, Mainland China, and Thailand are the major suppliers. Imports of pulses from Ethiopia and the UAR will be smaller this year.

The Government has introduced a campaign to encourage food production through schemes for use of better seed and fertilizer and for expansion of irrigation.

Ceylon's imports of fertilizers have increased by more than 50 percent since 1962 and record arrivals of nitrogen fertilizer are expected in 1967. In the first 4 months of 1967 the United States shipped 35,000 tons of ammonium sulfate to Ceylon. The United Kingdom, France, West Germany, and Japan are major suppliers of imported fertilizer.

Efforts to provide incentives for foreign investors outlined in the White Paper of March 1966 have been partly successful. An Italian company is building an oil refinery at a cost of about \$30 million. It plans to add a fertilizer factory in the next few years.

A new textile mill is planned with financial and technical assistance from West Germany. Ceylon may import some shorter staples of American cotton under Title I of Public Law 480.

HONG KONG

The resurgence of Hong Kong's economy during the second half of 1966 continued into 1967. Preliminary data show increases in imports and exports during the first 5 months of 1967 almost equal to those for the last half of 1966 when each exceeded 20 percent. Increased orders for textiles by foreign buyers through May indicated a healthy demand for the colony's most important export commodity. Tourism--Hong Kong's second-place exchange earner--continued strong until the outbreak in May of the colony's worst disturbances in a decade. Concurrent with these disturbances has been a worsening water supply, resulting in stringent rationing by mid-July.

Extra amounts of food, especially vegetables, were rushed from farming areas to market during the 4-day food strike in July. Except for sharp increases in prices, which soon subsided, and a short-lived run on rice, marketing conditions returned to near normal. However, since Hong Kong's agriculture supplies less than 20 percent (by value) of its food requirement, the colony depends heavily on foreign supplies. In recent years Mainland China has supplied about half of these needs.

The \$48.7 million in U.S. agricultural exports to Hong Kong during 1966/67 was slightly above the annual average for the present decade thus far. Increases in Hong Kong's per capita income have resulted in a greater demand for higher quality goods. U.S. products have competed successfully in this type of market and should continue to do so, even possibly increasing somewhat over a period of time given normal civil conditions in the colony.

INDIA

The scarcity of food intensified in mid-1967, especially in cities. Following 2 years of drought and dwindling stocks of grains, the pipeline of imported grain was essential to major cities and Bihar. This pipeline was disrupted by the closure of the Suez Canal, and food shortages in Calcutta and other localities reached a critical stage.

Imports of about 4.5 million tons of grains during the first half of 1967 were not sufficient to prevent further declines in stocks available and in per capita consumption. The United States exported 1.9 million tons of wheat to India during the first half of 1967, mostly through Title I of Public Law 480. Other suppliers sent 1.1 million tons during this period. This includes 200,000 tons from the USSR--the first from that country in 5 years.

Shipping delays resulting from the Suez closure caused India to seek larger quantities of Australian wheat. Imports from that country in 1967 will be far more than the 295,000 tons obtained in 1966.

Good wheat yields in the Punjab and Western Uttar Pradesh contributed to the harvest of a better wheat crop this past spring. However, most of the 1.5 million ton increase in the wheat crop from the low 1966 level was consumed in the states where it was harvested, partly because of restrictions on movement between states.

The monsoon rains in June and July have been sufficient in most rice-growing areas to give the crop a good start. Officials hope for a harvest of 40 million tons--some increase over pre-drought levels--but this will require continued good rains through September and October.

Indian exports of tea and jute products will be adversely affected in the next few months by the closure of the Suez Canal. However, most of India's agricultural exports consist of items which are nonperishable, and a jump in exports is expected in the latter part of 1967.

Good rains in the tobacco growing areas of Andhyra Pradesh raised prospects for a better crop this year. The poor harvest last year caused a \$20 million dip in tobacco exports. Cotton yields should improve this year as a result of more extensive use of fertilizer and better rainfall.

Although large fertilizer factories are being built at Kanpur, Bombay, Madras, and Durgapur, imports will remain at high levels through 1967 and 1968. Over 60 percent of the approximately 2.1 million nutrient tons of fertilizer distributed in 1967 will be imported. Larger imports of fertilizer from Japan and Europe are expected this year. The United States usually supplies almost half of India's total fertilizer imports; shipments in 1966 were about 1.1 million tons.

INDONESIA

The new military-civilian coalition slowed the surge of inflation and assigned high priority to increasing agricultural production and restoring the run-down transportation system upon which the distribution of food and fertilizer is dependent.

In a series of moves the government (1) curtailed the flood of new printing press money; (2) cut off subsidies to nationalized industries and plantations; (3) ordered a cessation of interference with the operation of dollar-earning oil companies; (4) began to return to foreign firms those properties which had been taken over by the old regime; (5) scheduled repayment of overwhelming overseas debts and negotiated new credits which may total as much as \$200 million a year.

The Ministry of Agriculture reported the 1966/67 rice harvest as a record 16.9 million tons of paddy, up 7 percent from the previous crop year. The ministry attributed the gain to nearly ideal weather, more adequate supplies of fertilizer and pesticides, and an intensive program to increase the yield on selected fields with better-than-average soils.

Project Bimas again proved its worth in the 1966/67 crop year. This is a country-wide program to boost rice output on good land through use of improved cultural practices under the guidance of 3,000 dedicated agricultural students. Farmers on more than 320,000 hectares raised their yields an average of 55 percent above those of their neighbors, and the overall gain in production was 300,000 tons of paddy.

In a move to ease the chronic shortage of rice in Djakarta, Acting President Suharto authorized use of armed forces personnel to push the vast Djatiluhur irrigation projects to early completion. This development will benefit 400,000 hectares of rice land in four regencies which fringe the city. Hence, the large expected production increase should be able to move easily into the heavily populated capital without encountering the transportation blockages which plague rice shipments from more distant agricultural areas.

To improve Indonesia's competitive position in world trade, a variable-rate sales tax on 15 agricultural commodities produced chiefly for export was reduced to a uniform 10 percent. The more important of these products are: rubber grown by smallholders, oilseeds, pepper, mace, resin, cinchona bark, nutmeg and cinnamon. Nine additional items sold in both domestic and export markets will not be taxed. These include leaf tobacco, tea, sugar, coconuts, sweetpotatoes, and cassava.

The new administration also acted to protect Indonesian manufacturers and processors. A surcharge ranging from 20 percent to 100 percent was added to existing import duties on approximately 50 items, of which the most important were various types of textiles.

JAPAN

Economic activity is expected to increase in 1967, with forecasts of increases of 12 percent in GNP. Imports gained faster than exports in the first half of 1967. The balance of payments for fiscal 1967 is expected to net a surplus of about \$100 million as compared with \$230 million in 1966. Indications are that the Government will endeavor to give closer direction to the economy. Emphasis is being placed on stabilization of consumer prices, modernization of agriculture and mobilization of labor as well as realignment of the industrial sector.

Prices of farm products, excluding wheat and rice, advanced about 9 percent in 1966. Indications are that prices of farm commodities in 1967 will rise, but at a less rapid rate, and the increase will probably be about 6 percent. Consumer food prices increased in 1966 but at a slower rate than the sharp increases which occurred in 1965.

The Japanese Government has fixed a purchase price to farmers for the 1967 rice crop of ¥19,521 per 150 kilos of brown rice. On a milled rice basis, this amounts to \$397 per metric ton as compared to \$364 per ton in 1966. In the adoption of the Five-Year Economic Plan covering fiscal 1967 to fiscal 1971, the Government's Foodstuffs Control Special Account which administers the rice and wheat subsidy programs is to be limited to \$343 million. The consumer price of rice is to be raised by 14 percent effective October 1, 1967.

The total value of agricultural output in 1966 was about \$9.3 billion, or 10 percent above 1965. A 10 percent increase in value is forecast for 1967 production. The increase in value of agricultural output in 1966 resulted largely from price increases. Production of fruits, tea, pork, poultry, and milk made the largest quantity increases.

Japanese agricultural imports in calendar 1966 totaled \$3.3 billion. The United States furnished approximately a third of this trade, as compared with about 27 percent in 1962. The United States shared in an increased market in Japan in 1966 for wheat, grain sorghum, wheat bran, alfalfa meal, tobacco, soybeans, cattle hides and skins, and beef tallow. During the first 5 months of 1967, Japan's imports of U.S. wheat, grain sorghum, alfalfa meal, and cotton were well above imports of these same commodities during the same period of 1966. Imports of U.S. corn and soybeans were at high levels, but somewhat below last year.

Japan continues its policy of buying grains from many sources. A new contract was announced recently for purchase of 800,000 tons of corn from Thailand for delivery during fiscal 1967.

MAINLAND CHINA

China's harvest of winter grain crops and early rice--representing about one-fourth of total grain output--was about the same as in 1966 and less than in 1964 and 1965. Production of rapeseed, the country's main winter vegetable oilseed, may have surpassed that of last year, due mainly to higher yields.

A smaller area was planted to winter grains in the fall of 1966 when drought conditions still persisted in North China. In particular, the area planted to winter wheat was down for the third successive year. Favorable weather during the spring and early summer of 1967 helped to increase yields sufficiently to offset the reduction in area. Continuous serious civil disturbances thwarted efforts to expand inputs of fertilizer, insecticides, and improved seeds and to keep irrigation works in repair. Official claims of a bumper harvest 10 percent above a year ago, in spite of an acknowledged reduction in planted area, are probably overstated.

The early rice crop (in South China) had a poor start. Dry, cold weather at seeding time and continued dry weather--resulting from the lateness of the monsoon--at transplanting time delayed planting and caused a reduction in acreage compared with 1966. However, sufficient rain and favorable weather since transplanting time (April) likely boosted yields. Total production thus may equal or surpass that in 1966 when devastating typhoons reduced the crop just before harvest.

To augment domestic foodstuffs, China likely will import sizable amounts of grain in 1967. So far purchases of wheat from Australia and Canada and corn from Argentina exceed 4 million tons. If the usual amount of wheat is procured from Canada, total imports would exceed 5 million tons, a decrease from the past 2 years. Exports of rice may decline following sizable increases in exports since 1961. Japan, which took over 300,000 tons in 1966, contracted for a third less in 1967. Problems of Suez likely will not affect grain shipments. However, imports of chemical fertilizer from Western Europe as well as total trade with those countries may be disrupted during the second half of 1967.

MALAYSIA AND SINGAPORE

Declining prices for rubber and tin have drained some of the bounce from Malaysia's economy. The gross national product rose 5.5 percent in 1966, well short of the 8 percent recorded in 1965.

The average New York price of high quality natural rubber fell 8 percent in 1966 compared with 1965, and 10 percent more in the first half of 1967. The price level sank despite a sharp reduction in disposal of surplus rubber from the U.S. stockpile. In compliance with urgent requests from producing

countries, our annual disposal rate was cut from 170,000 tons to 120,000 in October 1966, and from 120,000 tons to 70,000 in June 1967. Following each action, prices rallied very slightly, then resumed their downward trend.

Reduced income from the lower prices of both rubber and tin were offset to a large degree by increased exports. Shipments of Malaysian rubber rose from 983,000 tons in 1965 to 1,065,000 tons in 1966. However, the shortfall in receipt of anticipated revenue was to some extent reflected in the 1966 Government investment of 18 percent less than the scheduled amount in the public sector of the First Malaysia Plan.

Despite money troubles, progress on two top-priority irrigation projects was encouraging. On the larger one--financed in part by a \$45 million World Bank Loan--canals were being dug and a huge dam was rising to impound water for double-cropping 260,000 acres of riceland. Plans for the second project--which will provide year-round irrigation for another 50,000 acres--were completed and the World Bank granted a loan of \$10 million in the spring of 1967 to defray foreign exchange costs. Completion of these two projects will add 310,000 acres to the 100,000 acres already growing two crops and hopefully will greatly reduce the need for costly rice imports sometime around 1970.

While economic activity gained ground in Malaysia and Singapore in the first half of 1967, both countries were plagued by rising prices of rice. Malaysia, which imports 30 percent of its needs, restricted releases from its stockpile to dealers pledged to resell at agreed prices. Singapore, which must import all its requirements, launched a determined drive to induce its people to switch from high cost rice to lower cost wheat products.

West Malaysia's rice production rose about 2.5 percent in 1966. Another gain is anticipated in 1967. Improved rural credit and marketing facilities were expected to encourage subsistence farmers to grow more rice and move the surplus above home needs into commercial channels.

Output of oil palm products moved up 23 percent in 1966 as thousands of new trees came into production. Another good advance is expected in 1967. With strong Government backing, the planted area increased 55 percent to 275,000 acres in the last 4 years alone. The output of coconut products climbed 12 percent and lesser gains were reported for pineapples, tea, and pepper.

NEW ZEALAND

The general economy still remains depressed, due chiefly to the lower prices for coarser types of wool which have prevailed throughout the 1966/67 season. Auction prices of wool for the first 9 months of the year averaged about 7 cents below those in 1965/66.

Foreign exchange earnings from wool for the entire season are estimated down about \$140 million. The Wool Commission's purchases totaled an estimated \$84 million as of June 30, the highest on record. The Wool Commission is empowered to enter the market and bid on wool offerings whenever auction

prices fall below the set floor price of 36d (\$0.42) per pound of greasy wool. The floor price for the 1967/68 season has been announced as \$0.35¢ per pound, 17 percent below 1966/67. During 1966/67 auction season the Commission purchased 617,000 bales of wool, about 40 percent of the total offerings. Butter prices in the United Kingdom have also been at low levels for many months.

Preliminary reports indicate New Zealand's balance-of-payments deficit for 1966/67 may exceed \$300 million as compared with \$260 million last year.

As part of the slowdown in economic activity, farm income for 1966/67 declined to \$420 million, 8.5 percent below last year. Farm income represents 9 percent of GNP.

July 1967 was an epic month in New Zealand's reorientation of its economy. On July 1, the Government adopted a new tariff schedule based on the Brussels nomenclature. Also on this date a new 1967/68 import licensing schedule became effective. Tighter restrictions on imports have been embodied in the new regulations in an effort to reduce imports and curtail foreign exchange deficits. On July 10, a dollar decimal currency was introduced. The old New Zealand pound was worth U.S. \$2.78. The new dollar will be equivalent to U.S. \$1.39.

From a crop standpoint, wheat and other grain crops are at record levels, and New Zealand's imports of wheat for 1967 are expected to be well below the 125,000 tons imported in 1966.

Sheep sales throughout the country are showing the effects of low wool prices. The unfavorable market for coarser wools as compared to finer counts has increased buyer interest in sheep producing finer types of fleeces. As a result, prices for Romney stock have declined. Second shearings of sheep are also down because of increased shearing costs and the tendency of farmers to hold back wool until prices increase.

The United Kingdom's move toward membership in the EEC has focused attention once again on New Zealand's dependency on the United Kingdom as a market for her agricultural products. Efforts are again being made to secure guarantees from the United Kingdom that New Zealand's trade interests will be protected in the event the United Kingdom's application for membership in the EEC should be accepted.

PAKISTAN

Although the harvest of wheat in the spring of 1967 was estimated at about 4.2 million tons--6 percent above the poor harvest during the previous year--the shortage of wheat in West Pakistan intensified. Imports of wheat declined from a record 1.7 million tons in 1965 to 1.1 million tons in 1966. The United States exported 726,000 tons of wheat, corn, and sorghums to Pakistan in the first half of 1967. Most of this moved under Title I of Public Law 480. Larger shipments of American wheat to Pakistan are anticipated in late 1967.

Sales made to Pakistan under Title I of P.L. 480 now provide for payment at some later date in convertible rupees rather than immediate payment in rupees that can be used only in Pakistan.

During the year that ended June 30, 1967, Pakistan purchased 252,600 tons of grain from Mainland China. This included 98,400 tons of rice obtained through barter for jute and 104,200 tons of rice and 50,000 tons of wheat obtained under a credit agreement.

During the first half of 1967, Pakistan was a market for about 500,000 tons of Australian wheat. About 90 percent of the purchases of Australian wheat were made on credit terms of 10 percent down, about 20 percent within the remainder of 1967 and 70 percent to be repaid within 12 years. Total shipments of Australian wheat to Pakistan may reach 800,000 tons in 1967. This will be the largest import of wheat ever made by Pakistan for hard currency.

Monsoon rains have been very favorable for the rice crop in West Pakistan and slightly above average in East Pakistan. A substantial gain in rice production is expected this year, and larger exports of basmati rice from West Pakistan may be forthcoming, possibly reaching 300,000 tons. Some improvement in the corn crop is also expected this year as a result of the recent rains and the use of improved seeds and more fertilizer. The cotton and jute crops are larger. A record tobacco crop of about 150,000 tons has been indicated as a result of increased plantings and higher yields. Small gains have been recorded in the harvest of oilseeds.

The use of fertilizer for rice, cotton, jute, and tobacco has more than doubled in the last 3 years. About half of the fertilizer distributed in 1966 was imported. Some 176,000 nutrient tons of imported fertilizer are planned for distribution in 1967/68, compared with only 125,000 tons of imported fertilizer during the previous year.

PHILIPPINES

Progress accelerated on repair of farm-to-market roads and improvement of run-down irrigation systems, many of which had been abandoned. President Marcos announced that 943 irrigation projects servicing 30,500 hectares were completed in 1966, as compared with 395 projects servicing 12,700 hectares in 1965.

Although Philippine rice output rose more than 2 percent in the 1966/67 crop year, it failed to keep pace with population gains and the growing demand in the cities. The production increase was particularly gratifying because it resulted from a rise of 4 percent in yields and was obtained despite localized damage from drought and typhoons. The overall food pinch was eased somewhat, as the corn harvest created a surplus for the first time in recent years.

Despite the increased availability of corn, the shortfall in the domestic supply of rice again forced the Government to make overseas purchases. Early contracts were signed with Thailand, the United States, Burma, and the United

Arab Republic for delivery of 250,000 tons; and tentative, more recent commitments were expected to raise total rice imports to as much as 400,000 tons in calendar 1967.

For the second successive year the Philippines had to decline additional quotas of well over 100,000 tons of sugar in the profitable U.S. market because of failure of the harvest to satisfy both domestic and overseas demand.

Too little rain in late 1965 and early 1966 cut coconut production sharply in the first 5 months of 1967. Registered exports of copra and coconut oil during January-May 1967 totaled 260,000 tons on an oil equivalent basis--25 percent less than shipments in the same period of 1966. A good recovery was expected in the last half of 1967, but probably not enough to outbalance the earlier shrinkage.

Philippine imports of agricultural commodities of direct interest to U.S. shippers declined about 40 percent in the first quarter of 1967 from the level of the last quarter of 1966. A sharp reduction in arrivals of wheat and cotton--both in good supply at the domestic mills--was the chief cause. The U.S. share of the local market for these selected commodities increased from 58 percent during October-December 1966 to 63 percent in the following quarter.

The powerful Chamber of Agriculture has opened a drive to extend the customs preference the Philippines now enjoys in the U.S. market under provisions of the Laurel-Langley Agreement. The 40 percent of the U.S. tariff presently paid by Philippine exports will rise to 60 percent in 1968, to 80 percent in 1971, and to 100 percent upon expiration of the agreement in 1974. Agricultural products contribute well over half the value of the Republic's exports. The Philippines and the United States have each named delegations to assess the trade pact and discuss possible revisions.

SOUTH KOREA

With the beginning of 1967, Korea started its second 5-year economic development plan. During the period 1967-71, the plan sets an annual GNP growth rate of 7 percent compared to the 8 percent achieved annually during the first 5-year plan. In the next 5 years Korea expects to be able to produce all its own food, cut down its balance-of-payments deficit, and take a giant step in industrialization. In seeking self-sufficiency in food, the Government plans to develop water resources for expansion of irrigation, encourage use of insecticides, fertilizer, and high-yielding varieties, and develop some additional land.

Agricultural production during 1966 was 8 percent above the 1964 peak after a poor rice crop in 1965. The country is near self-sufficiency in food grains other than wheat. The Government estimates that wheat imports during 1967 will reach slightly over 600,000 tons. The 1967 summer grain harvest (barley, wheat, and rye) was expected to have reached 1.54 million tons, slightly lower than the record 1.74 million tons produced in 1966. The Ministry of Agriculture has set the farmer's price of barley for Government

acquisition 8.5 percent higher than the 1966 price. However, the volume procured by the Government is limited by the amount of funds budgeted by the Ministry of Finance for purchases of summer grains. The Government's purchases of summer grains are about 10 percent of the total farm output.

Korea's production of cotton is very small, but in recent years about one-third of the total value of all exports has been from the textile industry. Output of this industry is scheduled to nearly double over the next 5 years. Imports of cotton to support the textile industry were 74,000 tons in 1966. Nearly two-thirds of this was imported from the U.S. under P.L. 480.

There are indications of a slowly rising demand for poultry, rice, and red meats as unemployment is reduced and per capita income moves higher. There is a consumer preference for rice over barley which in turn provides additional barley for use as a feed for the expanding livestock industry.

The country has sought to obtain 80,000 tons of rice to supply the demand until the current harvest in November. A contract has been signed with Taiwan to provide about half this amount. Additional quantities are expected to be obtained from the United States.

SOUTH VIET NAM

Although agricultural production per capita in 1962 and 1963 was 12 percent above the 1957-59 average, it fell sharply thereafter to about 13 percent below the base period. Most of the decline occurred in rice, and the country--once an exporter of rice--has had to import substantial quantities in each of the last 3 years. South Viet Nam imported 467,000 tons of rice in 1966. Imports are expected to continue at about 70,000 tons per month during 1967 and the first half of 1968, supplementing the 2.5 to 3 million tons expected from the 1967 harvest.

Increased production of pork is being planned, especially in the Mekong Delta provinces near Saigon, with imports of feed grains to supplement locally grown feed.

U.S. military procurement of locally grown vegetables has stimulated greatly the output of these foods. In addition to the Dalat vegetable-growing area north of Saigon, a new area south of Saigon near My Tho is now in commercial production.

Rubber, the country's greatest source of foreign exchange, is running at about one-half the normal output.

TAIWAN

Growing conditions during early 1967 were favorable and there were excellent harvests from the first rice crop. If weather--the critical factor now--continues favorably, Taiwan will claim another record rice year. Banana exports for the year are expected to be slightly higher than 1966. Bananas are exported primarily to Japan.

Production of processed (canned) asparagus, pineapples, and mushrooms continues to advance, but increases in sales are not expected to move ahead as spectacularly this year as during recent years. A leveling-off is expected as the Government takes steps to assure international buyers of consistent high quality.

Generally low, unprotected world sugar prices found Taiwan's earnings from sugar exports dropping sharply in 1966 and declining further in 1967. First-quarter 1967 returns from sugar exports are only 50 percent of first-quarter 1966 levels.

THAILAND

Remarkable expansion and diversification of agricultural exports have been major factors in Thailand's economic growth.

For 1967, the export goal for rice is a minimum of 1.5 million tons, with 625,000 tons allocated to fulfill Government agreements and the balance for private trade.

Thailand's corn contract with Japan calls for delivery of 10 percent less corn during the 1967/68 crop year (September-May) than the previous year's contract of 800,000 tons. Given an estimated crop of 1.1 million tons in 1967, 300,000 to 400,000 tons would be left to sell to other Asian and European markets. In addition, sorghum production of approximately 80,000 tons is likely to all be shipped to Japan.

The Kingdom's economic development plan has as a target for 1971 the export of 1.65 million tons of rice, 1.4 million tons of corn, and 250,000 tons of sorghum annually.

Rising farm income, from new and larger cash crops and wages received from mushrooming construction projects, is raising the purchasing power and levels of living for a growing proportion of the Thai population. Consumer prices are also going up. In March, the cost of living for an average Bangkok family was 4.1 percent above what it had been a year earlier. Almost half the increase was due to a rise in rice prices. During the first half of 1967, the export price of most grades of rice was 25 percent above a year earlier. Some of the price increase was the result of lower output in rice-consuming countries of Asia and some from higher premiums levied on rice shipments by the Government. Part of the amount received by the Government from the rice export premium is passed on to the farmer through low-interest farm production loans, fertilizer subsidies, and other farm input assistance to promote higher and more efficient production.

Under the agribusiness promotion program, the Thai Government is encouraging business to modernize and initiate new industries based on the Kingdom's substantial agricultural resources.

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This report was prepared in the Far East Branch under the direction of Riley H. Kirby.

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