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OUTLOOK FOR U.S. FARM EXPORTS DOWN AFTER RECORD \$21.3 BILLION IN FISCAL YEAR 1974

U.S. sales of agricultural products to foreign countries reached a record of \$21.3 billion during fiscal 1974 (July 1, 1973 - June 30, 1974). Wheat, feedgrains and soybeans, three crops important to South Dakota's economy, led the parade to record agricultural exports. Wheat export volume totaled 31.2 million tons, about 1 million tons below the fiscal 1973 level. But the price per bushel doubled to over \$4.00, pushing the value of wheat exports to a record \$4.7 billion. Feed grain shipments rose by about 8.5 million tons to total nearly 44 million tons, worth \$4.6 billion. Soybean exports of 519 million bushels, \$3.2 billion, were about 15 million bushels above fiscal 1973. Significant increases also occurred for soybean products, cotton, tobacco, fruits and vegetables and animals and animal products.

Some of the developments that generated increased demand for our farm exports in fiscal 1973 were still being felt in fiscal 1974. These included: (1) unfavorable weather conditions that sharply curtailed 1972 grain harvests in the Soviet Union, Australia, parts of Latin America, and Africa causing the severe drawdown in world grain stocks, (2) the sharp decline in 1972 production of protein meal due to the failure of the Peruvian anchovy catch, reduced peanut production in Asia and Africa, and (3) a small sunflower crop in the Soviet Union.

In addition, incomes in several major markets continued to increase, boosting the demand for U.S. farm products. Incomes in Japan have gained over 10 percent annually in the past five years and those in Western Europe by around 5 percent. The realignment

of currencies that began in 1971 still contributed to the competitive position of U.S. farm products in major markets. In early fiscal 1974, the dollar depreciated an average of 18 percent when compared with the currencies of our major export markets. But the devaluation currently amounts to only 13 percent because of the adverse impact of the energy crisis on our primary markets.

The four major markets for U.S. agricultural exports include Japan, West Germany, the Netherlands, and Canada. Exports to the USSR fell from \$1 billion in fiscal 1973 to \$509 million in fiscal 1974. Exports to the Peoples' Republic of China increased by five times to a record \$852 million. Japan surpassed the \$3 billion mark with a 49 percent increase over the previous fiscal year. Exports to Latin America were a record \$2.4 billion. Exports to developing countries in Africa and Asia also expanded sharply.

The Peoples' Republic of China was the top market for U.S. wheat, taking about 3 million tons, compared with around 600,000 tons in fiscal 1973. A record 1973 wheat crop, and the prospects of a favorable crop this year caused a decline in wheat sales to the USSR. U.S. wheat exports to the USSR fell from 9.5 million tons in fiscal 1973 to 2.7 million tons in fiscal 1974. Other important foreign markets for U.S. wheat included Italy, India, Brazil, Argentina, Colombia, Poland, Venezuela, Peru, Chile, Indonesia, Bangladesh, North Africa, Middle East countries, Japan, the Republic of China (Taiwan), and Mexico. Over 90 percent of the wheat exports were commercial sales for dollars.

The rise in U.S. farm exports in fiscal 1974 resulted in a record \$11.8 billion agricultural trade balance. This occurred despite an all-time high of \$9.5 billion worth of agricultural commodity purchases from foreign countries. The agricultural trade balance more than offset our non-agricultural trade deficit of \$9 billion, giving the U.S. an overall trade surplus of \$2.8 billion for fiscal 1974.

In fiscal year 1975 (July 1, 1974 - June 30, 1975) the volume of our agricultural trade is expected to decline by about one-fourth because of limited supplies available for export. However, higher prices for what we do export will likely keep the value close to last year's level. Our wheat exports during fiscal year 1975 may drop to between 2.45 and 2.70 million tons. Most of the decline will probably occur in sales to the USSR, Peoples' Republic of China and Western Europe.

Feed grain exports in fiscal year 1975 will be off sharply because of the substantial reduction in U.S. corn out-

put. Feed grain exports may decline to around 21 to 27 million tons. Reduced sales to the developed nations, USSR, and the Peoples' Republic of China will account for most of the decline. With higher feed grain prices, Europe may feed considerably more wheat. The greatest uncertainty about the intensity of demand for feed grains concerns the impact of steep price rises upon feed utilization in Europe.

U.S. exports of soybeans during fiscal year 1975 are expected to be slightly above a year earlier. Soybean meal exports will probably be slightly higher, while soybean oil shipments will decline slightly.

Our purchases of agricultural products from other countries during fiscal year 1975 are expected to be about \$10 billion, resulting in an agricultural trade surplus of over \$10 billion. However, because of the substantial worsening of the industrial trade balance, the U.S. is expected to suffer an overall trade deficit during fiscal year 1975.

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