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8-1-1985

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### Recommended Citation

Greenbaum, Harry, "United States Agricultural Trade Prospects" (1985). *Economics Commentator*. Paper 222.  
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# Economics Newsletter



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No. 226

August 1, 1985



## United States Agricultural Trade Prospects

by  
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United States agricultural exports soared from less than 6 billion dollars in Fiscal Year 1969 to more than 43 billion dollars in Fiscal Year 1981. This increase in international markets contributed substantially to the relatively "good times" experienced by American agriculture during part of the 1970's.

Since that time, there has been a decrease in both the dollar value and volume of United States agricultural exports (Table 1). Agricultural imports into the U.S., have also increased since then. The U.S.'s share of world grain and oilseed exports was 62 percent in Fiscal Year 1980. It is expected to be less than 50 percent this year.

Table 1. U.S. Agricultural Trade Balance, Fiscal Years 1981-1985

Item	1981	1982	1983	1984	Forecast 1985
-- Billion Dollars --					
Exports	43.78	39.18	34.77	38.83	33.5
Imports	17.22	15.48	16.37	18.98	19.5
Trade Balance	26.56	23.62	18.40	19.13	14.8
-- Million metric tons --					
Export volume	162.3	157.9	144.8	143.6	137.0

Source: U.S. Department of Agriculture, May 22, 1985

The decrease in world markets for U.S. agricultural commodities is a major factor contributing to current depressed agricultural prices. We, therefore, need to analyze some of the

factors contributing to recent shifts in world market conditions.

In evaluating the situation, differences among countries have to be recognized. Importing countries vary widely in their resource endowments, financial resources and trading strategies.

The Very Poor Countries have to struggle to meet the basic needs of their people. They, however, have little in the way of exports to pay for the food products they need. Many of these countries have over 75 percent of their workforce engaged in agriculture, compared to two percent for the U.S. Vast differences exist among the poor countries. China and India have made considerable progress in their agriculture. Large parts of Africa, however, have been faced with both political instability and adverse weather conditions. Our exports to these countries presently are largely humanitarian in nature. Higher incomes, in these countries, would provide stronger demand for U.S. commercial agricultural exports.

Many Middle Income Countries had rapid increases in income during the 1960's and early 1970's. They attracted large foreign investments and developed huge international debt problems. In order to pay off these debts, they are presently involved with belt tightening programs that include massive currency devaluations.

As a result, countries like Argentina are becoming much more successful competitors with the United States in both grain and livestock products. Brazil, which has a population of over 130 million people, has reduced its imports of wheat and a number of other agricultural products from the U.S. At the same time, this country which has an international debt of over 100 billion dollars has lowered the value of its Cruzeiro to gain additional export markets. Brazil is

Another factor influencing future agricultural sales involves trade negotiations. It is important for us to convince our trading partners to grant us greater access to their markets. Achieving this goal is made more difficult because of the very strong political power that farmers have in Western Europe, Japan and many other countries.

The policies followed by our government with respect to monetary and fiscal policies will also have a big impact. At the time of this writing, Congress is debating the Fiscal Year 1986 budget. If we succeed in reducing the level of the federal deficit, it is likely that both interest rates and the value of the dollar will drop further.

Our foreign agricultural sales are likely to be influenced by a variety of other factors. Weather conditions both in the United States and in the rest of the world will influence agricultural exports. These sales will also be influenced by U.S. agricultural price-support programs and the governmental policies and legislation of our trading partners.

some downward pressure on the value of the dollar. If the dollar continues to drop in value, foreign markets for our farmers could improve.

Predicting future U.S. agricultural exports is a difficult task. The recent decrease in interest rates is causing

An even bigger impediment to agricultural exports has been the strong dollar. Large deficits in the U.S. Federal Budget contributed to higher interest rates. These high interest rates prompted a massive inflow of investment capital into our country. This caused sharp increases in the value of the dollar, between 1980 and early 1985, and made United States products more expensive to foreign buyers.

The biggest traditional markets for U.S. agricultural exports are the Rich Countries. Many of them, especially in Western Europe and Japan, have a very high population density. The Common Agricultural Policy of the European Community and the protectionist policies by Japan have enabled much greater domestic agricultural production in these countries than would have been the case if their farmers had been producing under free market conditions.

now one of the world's leading exporters of soybeans. Countries like Nigeria, Mexico, and Venezuela have also drastically reduced their agricultural imports from the U.S.

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