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When Will Normalcy Return To Commodities Markets?

Between June 1972 and the present, wheat has risen from below \$1.50 per bushel to over \$4., corn from \$1.15 to around \$3 and soybeans from \$3.35 to \$10 per bushel. Hog prices are up 50 per cent, broilers 75 per cent and

livestock levels are up comparably, although price ceilings have distorted the picture.

For example, maintaining beef ceilings and permitting exports of feed grains to continue to record rates virtually creates

unprofitable feeding ratios for domestic producers of all animals. Despite heavy pressure from meat industry people and contrary to USDA policy, these ceilings will apparently remain intact until September 12.

In the meantime, foreign consumers of U. S. food and feed grains are making the heaviest commitments in history in order to provide supplies and buffer stocks to protect their own food industry.

The availability of wheat, for example, in world markets has become exceedingly short and prices are expected to remain much higher than normal for a long time. The general surplus condition in American agriculture has evaporated and food prices are rising rapidly here and abroad. The starting U. S. wheat supply of more than 1.7 billion bushels has been more than committed if export sales have in fact reached 1.1 billion bushels as officially indicated and domestic requirements reach 750 million bushels. The July 1, 1973 carryover of 430 million bushels will be cut to about half that amount or the smallest carryover in post World War II history by July 1974. This almost assures USDA of having to impose export allotments which probably will result in the cutting across contract lines and forcing shippers to cancel sales previously made. Certainly there is no room to sell additional quantities which is a disturbing item inasmuch as we have on a regular basis sold wheat under Food For Peace to India, Pakistan, Bangladesh and other food deficit countries.

The Prime Minister of Japan just toured the U. S. and along

with government leaders from other lands pleaded with President Nixon to insure a flow of food to countries where imports are needed. This also creates a favorable trade balance, with U. S. shipments of farm products having reached almost \$1.3 billion during the fiscal year ended June 30 boosting the nation's agricultural trade surplus to a record \$5.6 billion. That reflects a gain of \$3.6 billion over fiscal 1972.

Again government action will be needed insofar as restoring adequate domestic supplies, or wheat prices according to some analysts could rise as high as \$7-10 per bushel. Corn would tend to follow and per our above discussion, animal prices and feeding ratios would be seriously

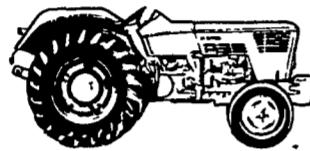
affected.

All of this results originally from a \$900 million sale of farm products to the Soviet Union last year, encouraging Western Europe to take a record \$4-1/2 billion worth of U.S. agricultural exports, compared with \$3 billion a year earlier, and Japan \$2.3 billion for a near 100 per cent increase. Developing countries in Asia purchased about 30 per cent more in fiscal 1973 and the People's Republic of China became a significant customer taking over \$200 million worth. Past shortages have proved short lived, so unprecedent demand had knocked normal technical and statistical theories way out of kilter. It is impossible to predict when anything resembling normalcy might be restored.

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A check in excess of \$10,000 was presented this month to the American Egg Board by customers of Merck and Company, Inc., Chemical Division.

The program to fund new promotion activities was initiated by Merck in 1972. The amount presented to AEB represents three cents for each pound coccidiostat purchased by Merck's customers and is being used by the chemical firm for national poultry promotion programs.

The check was presented by T.T. Tressler, Merck's Sales Manager for the North Central Region, to Richard L. Kathe,

These funds will be used for advertising, merchandising, consumer education, and market research activities in the recently expanded AEB program, Kathe stated.

"Merck and Company is very pleased to provide the means for expanded poultry and egg promotion programs. Our customers have indicated their wholehearted approval of our joint effort," concluded Tressler.

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