Emerging Patterns . . .

Farm Trade In The 80's

The future could be bright for continued expansion of U.S. farm exports, according to the latest reading from USDA's Economic Research Service (ERS) analysts.

However, exports can be expected to fall from their current peaks before resuming an upward course.

Total U.S. agricultural exports to 1985 have been projected for two sets of conditions. Though both sets assume steady long-term growth in world demand for livestock feeds, the more conservative projection assumes importing countries will pursue self-sufficiency policies and that high prices will constrain import demand. Under these conditions the volume of our agricultural exports can be expected to rise 46 percent from the base year of 1970, but only 7 percent from current high levels.

The higher projection for 1985 shows a 25-percent increase in exports over last fiscal year's and 70 percent above 1970's. It assumes animal production will be encouraged in importing countries and that demand for feed grains and high-protein meal will remain strong. The U.S.S.R. would permit increased livestock consumption even if it meant importing significant amounts of grain. China would import to improve diets of city people. The enlarged European Community, under inducements, would set lower target prices. In the developing countries, accelerated income growth would stimulate food consumption and would strengthen the demand for feed grains.

Under the analysts' higher projection, for example, U.S. exports of feed grains could increase to 56 million tons, or 20 million more than what is expected this year. Soybean exports could jump to 31 million tons, twice the level of current sales and 19 million more than in 1970. Even under the higher projection, the increase in wheat would be small.

Growth in volume has explained most of the increase in the value of U.S. agricultural exports during the last 2 decades. In the low projection, however, half of the increase is the result of rising prices. This study assumes 3 percent annual inflation for the U. S. and nearly 4 percent for the rest of the world. The dollar devaluations of December 1971 and February 1973 are allowed for. Inflation beyond these rates, or further dollar depreciation, would call for a reassessment.

Import demand for U. S. grains looks especially promising in Japan. Even under the lower projection, Japan is expected to take 28 million metric tons—nearly three times the imports in 1970. Taiwan and Korea, both with rapidly expanding economies, would also demand healthy amounts of grain.

Crucial markets. Our actual exports 12 years from now will depend in large part on developments in the enlarged European Community (EC-9), Eastern Europe, and the U.S.S.R. If these markets approach self-sufficiency in meat and grains, we can expect under the lower projection to export 31 million tons of feed grains to all destinations in 1985.

This would be 10 million more than in base 1970 but below the 36 million reached in fiscal 1973.

The potential for bigger U.S. soybean shipments is considerable even if Europe and the U.S.S.R. attain self-sufficiency in meat and grains. Soybean exports in this case are projected at nearly 26 million tons in 1985—two and a half times the 1970 level.

World consumption of meat will continue on its long-term uptrend, as will meat prices. The bulk of the supplies will continue to come from Australia, New Zealand, and Argentina. U.S. imports will keep going up, but the net imports of the EC will decline as a result of stimulated production in the new member countries. Japan's consumption and imports are likely to rise rapidly.

For dairy products, projections indicate ample supplies. Reflecting buoyant demand for livestock products, especially in the developed and Communist countries, total coarse grain exports will rise more steeply than wheat exports and will be larger than wheat exports.

Developed and Communist countries will produce and consume most of the wheat and coarse grains. The developed countries will continue to supply the less developed countries (LDC's) with grain. However, the developed importers will buy more coarse grain whereas the LDC's will import more wheat. This is because the LDC's need to use their limited foreign exchange for importing food grains.

Projected production and trade of the LDC's permit an increase in per capita grain use over 1970, but any sizable increase would probably come from larger domestic production rather than from larger imports. In some LDC's, where wheat production is relatively unimportant, such as Korea and Taiwan, there could be significant expansion of wheat imports.

Under the lower projection alternative, all of Europe will tend toward self-sufficiency in grain production, and by 1985, the area should be practically self-sufficient in wheat. Europe's coarse grain imports will fall except in the non-EC countries of Western Europe where net imports may total about 6 million tons.

Worldwide, Japan will remain the largest single market for wheat and coarse grains.

And in the Soviet Union and the People's Republic of China, larger imports are possible. However, this would run contrary to policies of trying to minimize grain imports and to maximize grain production.

But under the higher projection alternative, U.S.S.R. and Eastern Europe would follow a policy to increase livestock consumption at a faster rate of growth than planned under Alternative I, even if it meant importing grain. This assumes a high overall level of trade with the western world.

The People's Republic of China would become more trade oriented and import more grain to improve city diets.

The enlarged European Community would find it advantageous to set price targets somewhat below those specified under Alternative I, say, because the high cost of the Common Agricultural Policy is becoming politically unacceptable.

The livestock economies, particularly poultry, in the developing world would grow faster than projected either in countries with large revenues from petroleum exports or in countries with faster economic growth than projected. This would accelerate the demand for feed grains.

All the projections would need to be adjusted if crop yields and production around the world could increase through major breakthroughs in plant science, or even continued steady progress in the work of plant breeders. The result would be changes in production costs and in the nutritional value of cereals.

World meat consumption is expected to grow by 3 percent a year to 1985, reaching 163 million metric tons. Beef will account for 59 million tons, pork 54 million, poultry 26, mutton 10, and other types 14. Pork use is seen increasing in the same proportion as total meat, at 3 percent annually, while beef increases by 2.8 percent. Poultry will set the pace with 3.8 percent. Mutton will lag.

Prime consumer. As the

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