

# Ag sales to Reds to be \$2.4 billion

WASHINGTON, D.C. - According to the U.S. Department of Agriculture, the United States exported \$3.3 billion worth of agricultural products to communist countries in fiscal year 1976 ended last September 30. This was a record amount and a 22-fold increase over the \$147 million exported to communist countries only six years ago in fiscal 1970.

Due to the large grain harvest in the Soviet Union last year, U.S. exports of farm products to communist countries will decline in fiscal year 1977 which began last October 1, but will remain at a relatively high level - presently estimated at \$2.4 billion.

Although exports to the communist countries account for only 10 to 15 per cent of all U.S. exports of farm commodities, they provide impetus to overall export sales and are regarded as being important to American agriculture.

Nearly all U.S. exports of agricultural products to communist countries in fiscal year 1976 went to the Soviet Union or other communist countries in Eastern Europe. Exports to Red China were minimal. This same pattern is expected to continue in fiscal year 1977.

U.S. exports of agricultural products to the Soviet Union in fiscal year 1977 are expected to be about \$1.3 billion; down from last year's record \$2 billion. Exports to Eastern Europe, however, are expected to be down less - from \$1.3 billion last fiscal year to \$1.1 billion in fiscal year 1977. Barring some unexpected development, sales to Red China will be minimal again in fiscal year 1977.

The potential exists for even greater exports of U.S. farm commodities to communist countries in the future, says USDA. Provided the U.S. follows the right farm and trade policies, there is no reason why U.S. exports of agricultural commodities to communist countries should not be averaging \$5 billion a year by the early 1980's.

"By the right policies, I mean a continuation of the kind of farm policy which has prevailed in the U. S. since 1971 - e.g., a market-oriented production guided by freely moving market prices, with government commodity loan rates set at levels which do not hamper the development of export markets," said Richard Bell, former assistant secretary for USDA. "By the right trade policies, I mean giving products of communist countries an access to the U.S. market equal to that now available to most other countries."

"The Soviet Union has been and will continue to be the leading market for U.S. farm products in the communist world," Bell continued. "We have sold the Soviet Union

approximately \$4 billion worth of farm products since the market was opened in mid-1971." The Soviet Union the third most important export market for U.S. grain, being exceeded only by the European Community (the European Common Market) and Japan.

In its new 5-year plan which began in 1976 and spans the period 1976-80, the Soviet Union has lowered its sights with respect to increasing livestock production. For example, annual meat production in the Soviet Union in 1976-80 is expected to average only seven to 11 per cent higher than in 1971-75; and the increase in egg production is expected to be only 13 to 18 per cent. Grain production, meanwhile, is projected to increase by 18 to 21 per cent; and sunflower seed production is expected to increase 27 per cent.

The Soviet Union probably will be fortunate to average 200 to 205 million tons of grain production per year in the 1976-80 period. This means the Soviet Union is likely to need to import on average between 10 and 15 million tons of grain a year during the period.

The long-term Grain Supply Agreement concluded between the United States and Soviet Union a year ago last October provides the U.S. with a framework whereby the market for U.S. grain in the Soviet Union can be further developed in the future. There is no reason - if the policies are right - that the United States should not be selling the Soviet Union on average nine to 12 million tons of grain a year by 1980.

Many of the basic facts and trends apparent in the Soviet Union are also true in the other communist countries in Eastern Europe. The region is a large net importer of grain as well as oilseeds and oilseed products.

Net imports in 1976-77 are expected to be around 10 million tons and the U.S. should provide 8 million tons of these imports. The East Europeans have already bought 5.7 million tons of U.S. grain for shipment in 1976-77.

To date, U.S. exports of oilseeds and oilseed products to Eastern Europe have been mostly soybean meal. The U.S. shipped a million tons of soybean meal to Eastern Europe in 1975-76. This trade can be expected to grow as the East Europeans increase their livestock production and efficiency. Poland has been buying edible soy protein from the U.S. this past year, and the product has wider market development prospects elsewhere in the region.

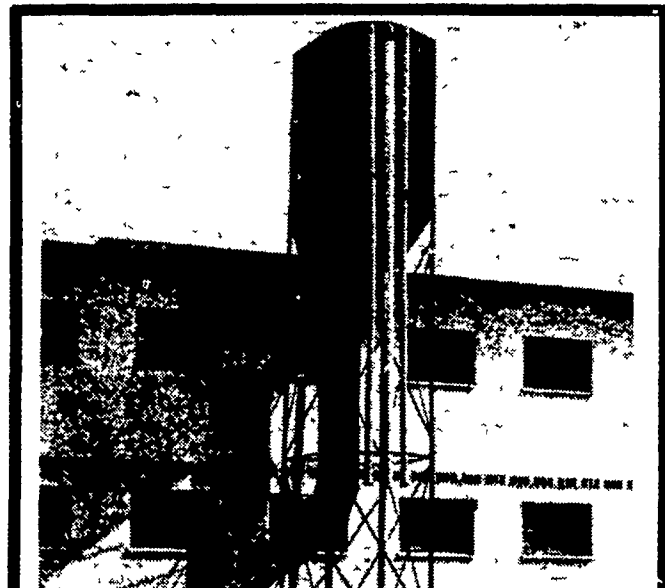
The Agriculture Department has been using short-term export credit from the Commodity Credit Corporation to help develop the market for U.S. farm products in Eastern Europe. Constraints imposed by the Congress limit use of this credit to Poland, Yugoslavia and Romania.

Red China traditionally has been one of the world's great wheat importers. It also sometimes imports coarse grains and soybeans, while continuing to export rice, and

occasionally soybeans. The soybean exports are mostly food beans destined for Japan.

Annual imports of wheat by the People's Republic of China have averaged about 4.5 million tons during the past five years. Coarse grain imports, on the other hand, averaged less than a million tons a year during this period.

The potential exists for much larger U.S. agricultural trade with communist countries, particularly in U.S. exports of farm products to them. But this potential can be fully realized only if there is an improvement in overall trade with the United States and the communist countries. This means that they must be given a better opportunity to sell their goods in this country, and this means a lowering of U.S. tariffs that now exist against their goods, concludes Bell.



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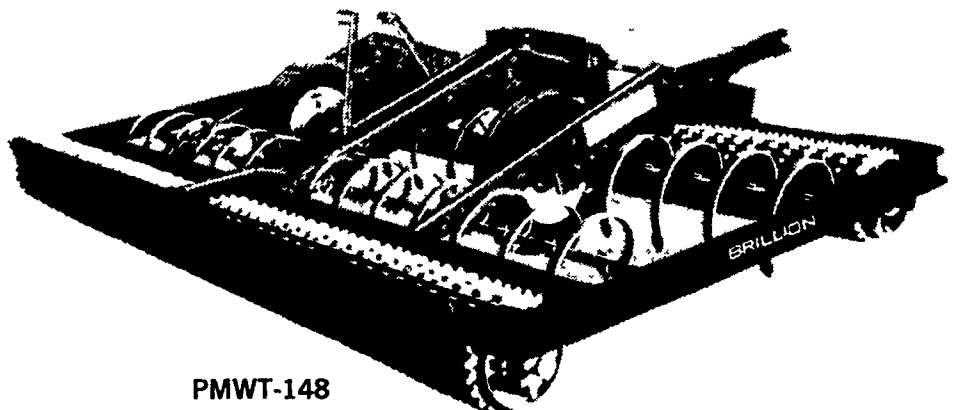
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