

# What does the 1982 farm economy forecast reveal?

WASHINGTON, D.C. — Going into 1982, inventories of farm products will continue to be large relative to demand in domestic and world markets.

Yet developments in the weather, world economy, agricultural and trade policy, and other key areas could certainly modify this picture. Perhaps the most important variable in the agricultural outlook, outside of weather, is the performance of the domestic and world economies, reports the USDA Economic Research Service.

In 1981, some expansion in planted area, plus unusually good weather, triggered strong increases in world production of grains, oilseeds, and fibers. Strikingly, most of this year's gains took place in the United States where crop production jumped 14 percent from the poor output of 1980 and livestock output increased 2 percent.

Although U.S. farm exports should expand in the next 12 months, U.S. supplies of feed grains, rice, oilseeds, and cotton will still exceed projected use, pointing to sharp stock buildups.

Poor economic performance, both here and in most other countries besides the oil exporters, is sharply accentuating the effects of large supplies on American farmers. Slack demand is weighing on livestock product prices and moderating exports of farm commodities.

The export picture is especially complex. Not only have weak economic conditions and rapid inflation abroad cut into agricultural product demand, but the strong dollar in 1981 has somewhat offset lower commodity prices, and high interest rates here and abroad have forced most users to buy on a hand-to-mouth basis.

## Economic Growth Prospects Mixed

World economic activity should pick up somewhat next year. However, the outlook is still clouded by high interest rates, high unemployment, slow economic growth, high inflation, and serious balance-of-payments deficits for most nonoil-exporting countries.

Among the developed countries, Japan will probably show the best

performance and the United Kingdom the weakest. Economic growth in Western Europe, which has been poor during 1981, may recuperate. In the United States, improvement in the second half of 1982 is expected to strengthen demand for farm products.

Economic growth in the developing countries probably won't match historical rates next year, but there is great diversity. OPEC countries, for example, are trying to slow their hectic pace of expansion, while the low-income developing countries are still struggling to recover from the oil price shocks of 1979-1980. Many have drawn down reserves, suffered high debt-service ratios, and grown more dependent on external aid. Next year won't bring much improvement. For some nonoil-exporting — but rapidly expanding — developing countries, growth is likely to maintain its present fairly strong pace next year.

## Trade with the Soviet Bloc to Expand

For the third consecutive year, poor weather has cut deeply into Russian grain production. Consequently, Soviet grain imports may reach an unprecedented 43 million tons in the coming year. The United States recently offered the Soviets up to 23 million tons of grain under the sixth year of our long-term bilateral grain agreement. The sensitivity to overall food availability in Eastern Europe has been heightened by a smaller total grain harvest, burdensome debt-service commitments, and, in Poland, continuing political and economic difficulties. Tight food supplies have necessitated rationing in Poland and, more recently, in Romania.

## CROP HIGHLIGHT

### Wheat (U.S.)

The record U.S. wheat crop has pushed total 1981/82 supplies to 3.74 billion bushels, 14 percent above last year's all-time high. These large supplies, combined with prospects for a slight reduction in foreign production and increased world trade, have raised projections of U.S. wheat shipments to a record 1.9 billion bushels.

Domestic use is forecast to rise, with food use continuing to grow

and feed use increasing fourfold. Feed use for 1981/82 is estimated at 200 million bushels.

The huge 1981 wheat harvest, the sluggish economy, record feed grain production, and the high cost of carrying inventories have combined to hold wheat prices down. The 1981/82 season average price is projected to range from \$3.80 to \$3.95 a bushel, compared with \$3.96 last season.

### Food Grains (World)

World food grain production in 1981 is now estimated at a record 858 million tons, up 3 percent from 1980. The increase, well over half of it in the United States, will be more than enough to meet the growing world feed grain demand in 1981/82 and allow for a buildup in ending stocks.

While world crops of both wheat and rice are expected to reach record levels in 1981/82, trade levels for these two grains will move in opposite directions. Import demand for wheat is forecast to rise to a record level but demand for rice will contract.

World wheat trade will expand this year largely because the major importing countries — especially the USSR, Eastern Europe, Brazil, and Spain — have had particularly poor crops, while the major exporting countries have had record production. Such a pattern will lead to record world trade despite the static nature of global requirements for wheat. Most of the increase is expected to result from the larger requirements of the developing countries, which account for about two-thirds of the world's wheat imports.

### Feed Grains (U.S.)

Although carryin stocks are 18 million tons below a year ago, this fall's record feed grain crop will boost U.S. supplies 12 percent from 1980/81. At 280 million tons, total feed grain supplies for 1981/82 are only 4 million below the 1979/80 record.

These large supplies, lower expected prices, and some improvement in livestock feeding margins will lead to increased feed use in 1981/82. More normal winter weather than last year's mild conditions would also raise requirements.

For 1981/82, feed use of feed grains is projected at 130 million tons, up 6 percent from last season but still 6 percent below 1979/80. Larger broiler production will account for most of the increase in feeding this year, as pork production could be down more than 5 percent, and fed beef production may be virtually unchanged from a year earlier.

Total feed grain exports for 1981/82 are forecast at a record 72 million metric tons, up 2.8 million from last season. Food, seed, and industrial use of feed grains will also increase this year, particularly as more corn will be used to produce gasohol and high fructose corn syrup. Total domestic use and exports of feed grains in 1981/82 are projected at 228 million tons, up 5 percent from 1980/81.

Despite the expected increase in both domestic use and exports, total use of feed grains in 1981/82 is still likely to fall well short of the record production. Thus, feed grain stocks in 1981/82 are likely to build to 53 million tons, 18 million above last season but about the same as in 1979/80. The stocks-to-use ratio in 1981/82 of 23 percent compares with 16 percent in 1980/81 and an average of 22 percent during 1977-79.

### Feed Grains (World)

The world feed grain situation and outlook for 1981/82 is characterized by a record crop in the United States, record or near-record production in other exporting countries, anticipated larger imports by the Soviet Union, and sluggish import demand elsewhere. These factors are combining to lower prices from those of a year earlier.

With expanded imports by the Soviet Union and several West European countries, world trade is currently forecast to rise 6 percent to a record 110 million tons. Production in most of the major foreign exporting countries — Canada, Australia, South Africa, and Thailand — is at record or near-record levels for the second consecutive year, so 1981/82 exports by these countries should increase at about the same rate as total world trade. These trade expectations hinge heavily on the

outcome of the Southern Hemisphere harvests in early 1982 and on the absence of shipping difficulties.

World production is currently expected to exceed utilization by about 18 million tons. As a result, the rise in global ending stocks is anticipated to exceed last season's decline. Most of the stock increase will occur in the United States, but stocks in the other exporting countries are also projected to rise.

### Oilseeds (U.S.)

The oilseeds outlook is dominated by larger supplies and lower prices — particularly for soybeans, which account for 85 percent of U.S. oilseed output. Total U.S. oilseed production is forecast at 67 million metric tons, nearly 20 percent above 1980.

Although domestic use and exports are both expected to rise this season, the increase will fall far short of the change in supplies. Consequently, stocks will build, and inflation-adjusted prices of oilseeds and products, on average, will fall to their lowest levels in several years.

This season's larger soybean supplies and lower prices are expected to raise total use of soybeans to around 2 billion bushels, nearly 10 percent above 1980/81. Weak economic growth, high interest rates, a flat livestock sector, and the strong U.S. dollar will moderate increases in total use. Thus, the gain in use will be due more to lower prices than to any underlying shift in soybean demand.

Forecasts of soybean production and use for 1981/82 imply a record-high carryover of 405 million bushels on September 1, 1982 — up from the 1980/81 carryover of 320 million. If realized, this season's carryover would be 20 percent of total use, up from 17 percent in the previous two seasons. During 1976/77-1978/79, the stocks-to-use ratio was below 10 percent.

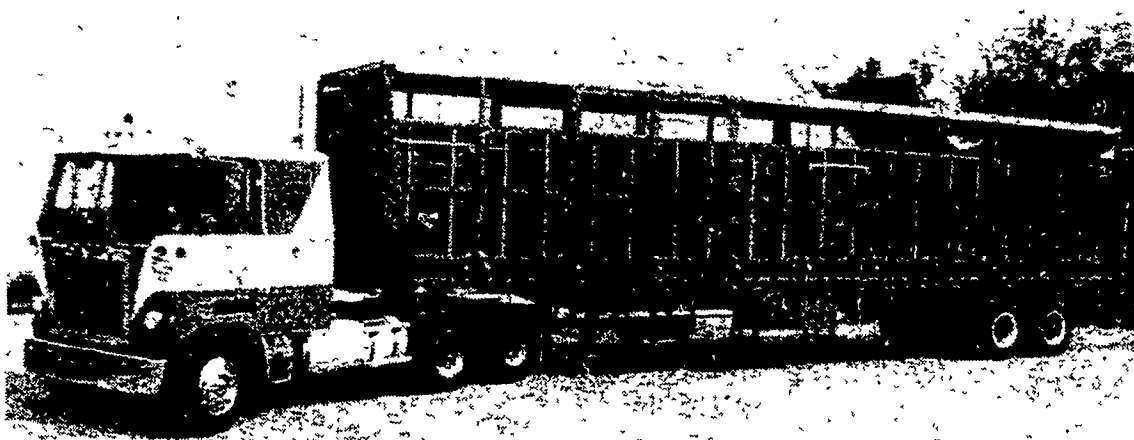
Primarily because of this season's larger supplies and declining oil and meal prices, soybean prices are forecast to fall sharply. At the farm, prices are forecast to average \$5.75 to \$6.75 a

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