

Strong dollar: good news and bad news

NEWARK, DE — For tourists planning to travel abroad, today's strong American dollar is an advantage because they can buy more for their money. But for farmers trying to sell grain, the rate of exchange is less favorable. In fact it's putting some producers out of business.

Just what is a "strong" dollar? And what difference does it make to U.S. and Middle Atlantic farmers? Are reduced farm exports the only effect, or does a strong dollar also have its virtues?

"By calling it 'strong' we mean the U.S. dollar has more purchasing power in other countries than normally would be expected," explains University of Delaware extension farm policy specialist Gerald F. Vaughn. "If, for example, a ballpoint pen made in France costs two francs there, and a comparable pen made in the U.S. sells for one dollar here, the normal rate of exchange between the two currencies would be two francs per dollar. But if the dollar exchanges for three, four, or more francs, it's considered strong or overvalued."

Importers must pay exporters in the exporting country's currency. A French importer needs dollars to buy U.S. exports; a U.S. importer needs francs to buy French exports.

"Ordinarily," says Vaughn, "when the exchange rate gets too far out of line, the flow of merchandise will tend to be one way until the rate returns to normal. French pens, for example, might be shipped to the U.S. until dollars accumulate in France, causing the dollar's value to fall there." This adjustment hasn't occurred yet with today's strong dollar.

Instead of falling, its value has actually increased as the result of foreign investments in the U.S. This is because exchange rates between countries depend on the flow of capital investment as well as merchandise.

"Even though the U.S. is running substantial deficits in merchandise trade, which should lower the dollar's value, the dollar remains strong because foreign investors want to invest here and need dollars to do so," the economist explains.

"Capital (money) is the most liquid of all resources," he continues. "It flows quickly, with few restraints, from country to country. Capital usually flows to countries with high interest and low inflation rates. The tax policies of different countries also influence foreign investors looking for after-tax profits. Since 1979 real rates of return on investment in the U.S. have been generally higher than in other countries."

Unfortunately, a strong dollar makes U.S. farm products more expensive in world markets.

"A 10 percent rise in the dollar's value means a 5 percent fall in U.S. farm exports," Vaughn says. "Declining exports depress the U.S. price of commodities, first to farmers in the Midwest, the major exporting region of the U.S., and then to farmers across the nation, including Delmarva, whose price is based on the Midwest price."

But there's also a positive side to the strong dollar, Vaughn reminds.

"It may price us out of the export market, but on the other hand it makes goods from other countries cost less to import here. In turn, these cheaper goods help hold down American production expenses and living costs. A 10 percent rise in the dollar's value reduces the U.S. inflation rate by one percentage point."

The strong dollar, together with an export push by developing countries to acquire dollars, has produced a surge of imports into the U.S.—particularly electronic goods, machinery and machine tools. These capital equipment

items now account for 22 percent of U.S. imports, up from 12 percent just a few years ago.

This trend has benefits for agriculture, the specialist says. For example, farm machinery imports (especially small- to medium-size tractors) have risen

twice as fast as exports. This reflects business arrangements between U.S. manufacturers and overseas firms or foreign subsidiaries to produce these tractors.

Fertilizer imports (mainly potash and nitrogen) have risen

nearly four times as fast as exports. More of these imports now come from developing countries where production costs (particularly wages) are much below U.S. levels.

According to the economist, the

surge of imports has helped keep U.S. price increases in check, including prices farmers pay for production supplies. This has helped put a lid on inflation. "The outlook," concludes Vaughn, "is for continuation of a relatively strong dollar."

Use testing to determine if treated hay is dry

PISCATAWAY, NJ — Everything from microwaves to electronic probes to human hands are used to test the moisture content in mowed alfalfa. All tests, however, have the same objective — determining when hay is dry enough to store, yet moist enough for optimum leaf retention.

Now that chemical conditioners have entered the forage market, alfalfa growers are concerned whether previous test methods will be effective in measuring hay dryness. Chemical conditioners allow hay to be baled at normal moisture levels up to a day sooner. But the treatment leaves hay feeling softer and wetter than it really is.

John Arledge, research agronomist at New Mexico State University, has been studying alfalfa moisture testing for several years. He suspects the different feel of treated hay is not from the chemical, but from reduced environmental exposure. He also sees no problems in determining

when treated hay is dry enough for baling.

"A grower can employ the same moisture testing method used before," says Arledge. "When you first use a chemical conditioner, however, you may want to rely on a moisture testing technique more elaborate than 'feel'. After you become familiar with the shorter curing time, then you can use

whatever procedure seems consistently efficient."

The primary methods for testing moisture in alfalfa include, desiccating or heat devices, electronic probes and "feel". Arledge says no method is both very fast and accurate.

Chemical conditioners also can require more aggressive management. "A hay grower will

want to check his fields a day sooner after cutting and about twice as often," says Jeff Roberts, president of Harvest Tec, a manufacturer of hay equipment. "It's important to bale at safe moisture levels, and when you first use chemical conditioners, it's surprising how much quicker hay will be ready."

Wheat vote postponement okayed by Senate Ag group

WASHINGTON — The Senate Committee on Agriculture, Nutrition, and Forestry, today passed by voice vote S. 822, a bill to give the Secretary of Agriculture discretionary authority to postpone a producer referendum on wheat marketing quotas for 1986.

The bill allows the Secretary to delay the referendum until not later than 30 days after ad-

journalment of the first session of the 99th Congress.

Under permanent law, the Secretary is required to hold a referendum by August 1 of the calendar year in which a national marketing quota for wheat is proclaimed. That permanent law, which was last suspended with the enactment of the 1981 farm bill, will be applicable to the 1986 wheat

crops unless new legislation suspending or repealing permanent law is passed.

Agriculture Secretary John Block has proclaimed national marketing quotas for the wheat marketing year beginning June 1, 1986, and has announced that a referendum will be held July 19-26, 1985.



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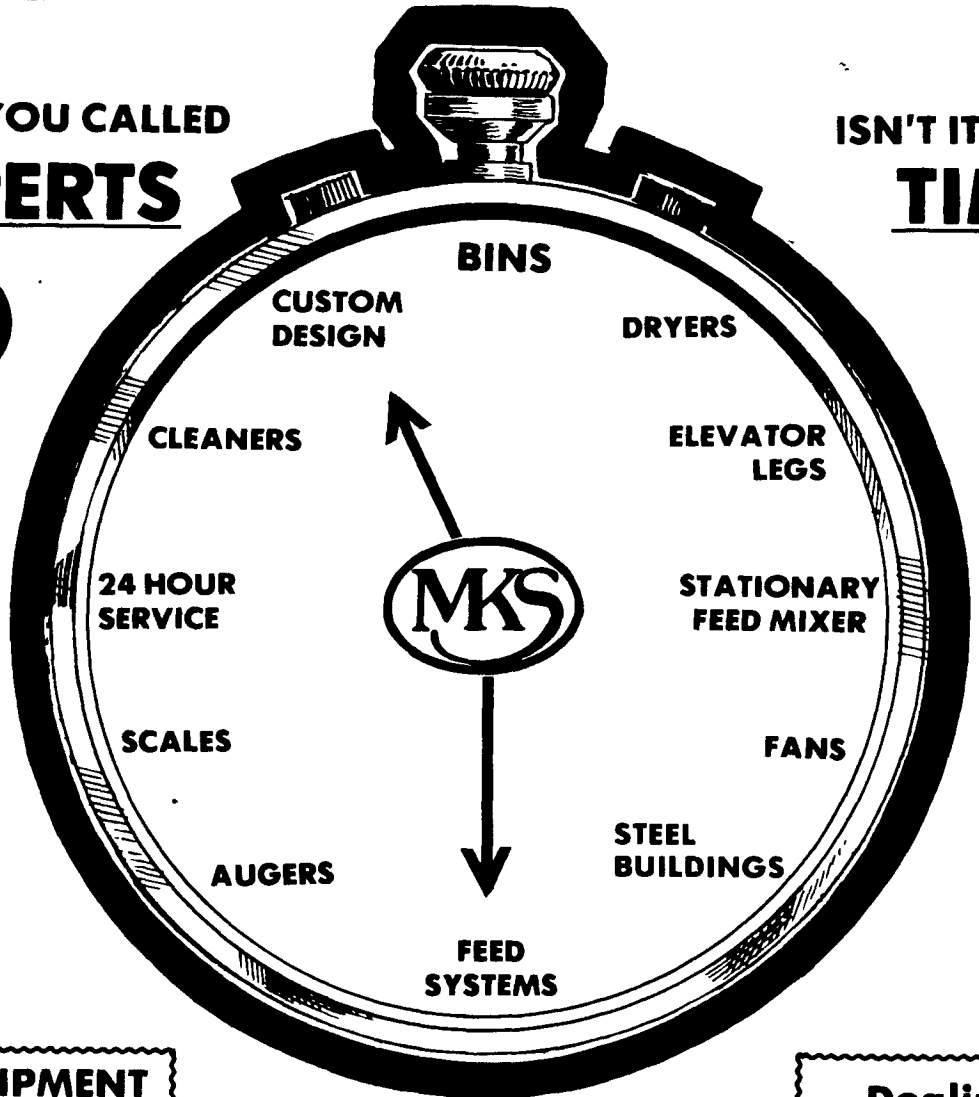
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