

U.S. faces stiff wheat export competition

USDA Farmline News Service

WASHINGTON, D.C. — The United States is still the world's top wheat exporter, but competition is getting fierce and U.S. farmers seem to be taking a beating.

How much of the blame belongs to the strong dollar is not clear. Analysts also cite foreign farm subsidies, world debt problems, U.S. support programs that seem to provide a price umbrella to foreign producers, and the 1980 U.S. grain embargo.

Whatever the causes, the results are clear according to a recent issue of the Agriculture Department's *Farmline* magazine:

- Foreign wheat production set records in 4 of the last 5 years, while U.S. wheat production dropped from its 1981 peak.

- Total wheat exports of other nations reached record highs in 8 of the last 10 years, while the United States watched its exports fall below previous records in 7 of the last 10 years.

- The U.S. share of world wheat trade recently dropped below 40 percent for the first time since 1971. From 1975 to 1980, the U.S. share averaged 44 percent, and reached as high as 48 percent in the record export year of 1981.

Given the dependence of U.S. farmers on exports, these developments have left their mark. Domestic wheat demand is fairly stable, but it usually takes well under half the U.S. crop. The rest must go into exports—or into

storage. About 55 to 60 percent of production entered world markets in the last few years, but that still left the United States with large stockpiles—and U.S. farmers with low prices. Wheat prices have fallen from an average \$3.91 per bushel in 1980/81 to this season's expected average of about \$3.35.

"If anything, the competition among exporting countries could intensify through the rest of the 1980's, particularly if global wheat trade grows as slowly as expected," says economist Allen Schuenbein of USDA's Economic Research Service. World wheat consumption and trade will set new records, Schuenbein explains, but the big U.S. export gains of the past will be tougher to achieve unless a major competitor suffers an unforeseen crop disaster.

Will the slight rise in world trade that's anticipated mostly benefit America's four major export competitors—the European Community (EC), Canada, Australia, and Argentina? Many analysts are reluctant to speculate, although they do agree that the competition isn't likely to relax.

Argentina: Number Five and Growing

Argentina is expected to export about 272 million bushels of wheat in 1984/85, or around 60 percent of its 467 million bushel crop. That's up from just 85 million bushels in 1970, although it is below 1983's record of 353 million bushels. The major reason for the decline in

wheat exports is lower production. Many farmers have switched from double cropping wheat with soybeans to growing only early-planted soybeans in response to government policies and improved financial returns.

The economic problems in Argentina represent a threat to its agriculture, explains USDA economist Jorge Hazera, a specialist on Argentina's agriculture. "Wheat farmers may help dig the country out of its economic crisis, but only if the crisis does not first overwhelm them," he adds. Some of Argentina's problems: 700 percent annual inflation in 1984, an unwieldy \$45 billion foreign debt, low prices for agricultural products, and a lack of farm credit.

Wheat producers are also subject to the risk of changing government policies. To reduce this risk, farmers usually plant several crops and use as few inputs as possible in order to keep costs down. This agricultural philosophy has protected them from changing export taxes and exchange rates, but they could improve their yield above the current 33 bushels per acre with more fertilizer, Hazera points out. Only 15 percent of Argentina wheat farmers use fertilizer—compared with 75 percent of U.S. wheat farmers.

However, the news is not all bad for Argentine wheat farmers. Although they apply few inputs, their yield is still third highest among the largest exporters.

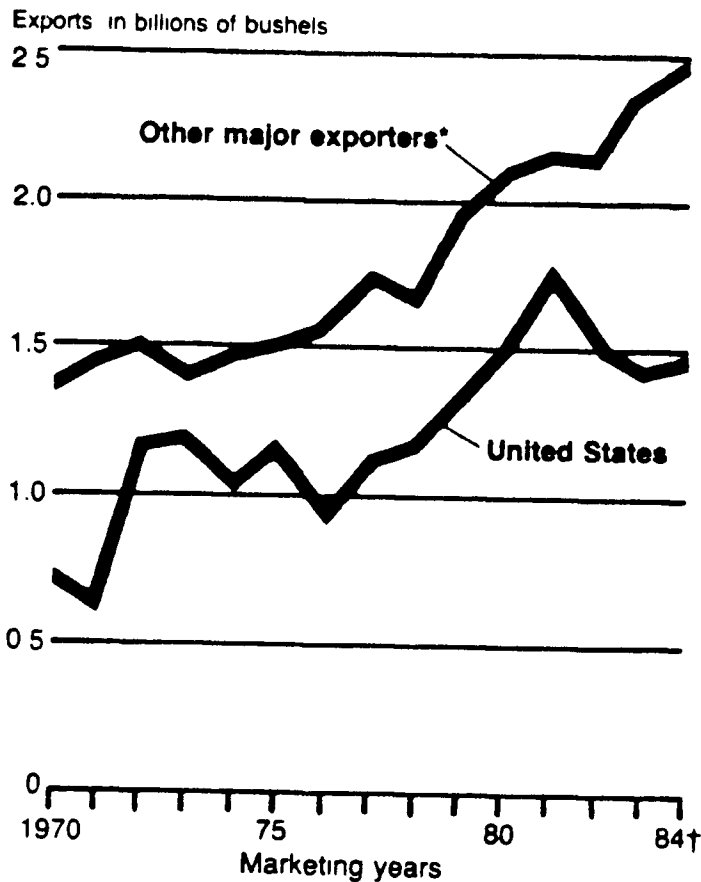
Hazera explains that this is because Argentina is blessed with generally good farmland and weather.

The government has attempted

to bolster wheat production by trying to balance the need for tax dollars with the farmer's need for higher prices. The new govern-

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U.S. growers: losing the export race



*Includes the European Community, Canada, Australia and Argentina
†Preliminary

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