Prospects for ag trade in '86

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COLLEGE PARK, MD – The value of agricultural exports is expected to be $32 billion in 1985, down almost 16 percent from 1984 (Table 1). This is below the peak of $44 billion reached in 1981, but considerably above the 1970 level of seven billion dollars.

The major reasons for the decrease in 1985 were: generally lower prices, loan rates above world prices, increased grain production around the world and reduced dairy production in the European Community (EC).

Imports of agricultural products are expected to reach $20 billion in 1985, one billion dollars above 1984 and nearly 16 times the amount in 1970. Most of the increase in 1985 was due to higher prices, as tonnage increased less than one percent. The increase in imports can be attributed to the strong dollar, consumer demand, and the need for some countries to earn foreign exchange.

Export tonnage decreased for the fifth consecutive year in 1985, to 129 million metric tons (mmt) (table 2). This is down from 144 mmt in 1984 and 164 mmt in 1980. The largest decreases occurred in wheat (27%) soybeans (14%) and cotton (13%). The main reasons were: lower dairy production in the EC, increased competition from the EC and India for wheat and Argentina and Brazil for soybeans.

The value of agricultural exports to the USSR is expected to reach $2.8 billion, up from $2.5 billion in 1984 and $983 million in 1983 (table 3). The USSR imported cotton to offset a poor cotton crop and feed grains to replenish stocks depleted in 1984 as a result of a poor grain harvest and increased livestock numbers.

The value of exports to all other major destinations decreased, with the largest decreases occurring in Western Europe, Japan and Mexico. Agricultural exports to the EC declined because of increased grain production in the EC, slow economic growth, weak demand for livestock products, decreased milk production, the strong dollar and the use of EC wheat for feed.

Increased competition from China for corn, cotton, and soybeans and from India for wheat were the main reasons for decreased exports to Japan. Exports to Mexico fell because good corn and soybean crops reduced the need for imports.

Forecasting agricultural exports for 1986 at this time is subject to a wide margin of error. USDA says the outlook for 1986 is not bright for either tonnage or prices. Wheat tonnage is expected to decrease about 6.5 mmt, while coarse grain tonnage is expected to be down about 5.6 mmt.

Soybean tonnage may be up slightly if Brazil and Argentina reduce exports as expected. Increased production in both importing and competing exporting countries is the main reason US exports will be down.

On the plus side, the Administration announced the establishment of a "war chest" and promised more aggressive action against countries using unfair trade practices.

Population and income are the two major driving forces behind long run demand for food. World population increase has slowed to about 1.6 percent per year, but increasing income is expected to push the long run demand for food up about 2.0-2.5 percent per year.

Production around the world will increase as a result of bio technology, new land, irrigation and economies of larger farms. The US will have to fight hard to maintain its share of world agricultural trade.

If current share is maintained, US agricultural exports could increase about 2.0-2.5 percent per year. If the US, through its superior agricultural research and extension programs, gets farmers to adopt new technologies faster here than in other countries, the US could underprice competitors and increase its market share.

Table 1. U.S. AGRICULTURAL TRADE, SELECTED YEARS[1]

	1970	1975	1984	1985[2]	Change 1984-1985
		(million dollars)			(percent)
Exports	6,958	21,854	38,031	32,000	-15.9
Imports	5,686	9,470	18,898	20,000	+5.8
Balance	1,272	12,384	19,133	12,000	-37.3

Table 2. TONNAGE OF U.S. AGRICULTURAL EXPORTS BY COMMODITIES[1]

	1972	1975	1984	1985	Change 1984-1985
		(1000 metric tons)			(percent)
Animal & An. Prod.	1,448	1,424	1,999	1,700	-14.9
Grain & Feed	45,362	67,979	107,459	97,100	- 9.6
Oil Seeds & Prod.	15,931	17,010	26,336	22,800	-13.4
Other	5,871	7,114	7,780	7,400	- 4.9
Total	68,612	93,527	143,574	129,000	-10.2

Table 3. VALUE OF U.S. AGRICULTURAL EXPORTS BY DESTINATION[1]

	1980	1981	1984	1985[2]	Change 1984-1985
		(million dollars)			(percent)
Western Europe	12,033	11,286	9,264	6,900	-25.5
Eastern Europe	2,281	1,940	741	600	-19.0
USSR	1,414	1,573	2,512	2,800	+11.5
Asia	14,129	15,965	15,210	12,400	-18.5
Africa	2,181	2,792	2,868	2,600	- 9.3
Latin America	5,478	6,869	5,282	4,700	-11.0
Oceania	189	208	216	200	- 7.4
Canada	1,750	2,022	1,936	1,800	- 7.0
Unknown	1,206	1,132	—	—	—
Total	40,481	43,788	38,031	32,000	-15.9

[1]Fiscal year October 1 to September 30.
[2]Forecast as of August 1985
SOURCE: U.S.D.A.