

Cooling Of Foreign Markets Will Cut Grain Prices

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As the Midwestern farmer anticipates warm weather and spring planting, the current economic turmoil in Asia may seem but a distant reality.

However, in today's global economy, what's happening on the other side of the world hits quite close to the farm.

The economic strength and

stability of our Asian trading partners has a direct impact on the continued prosperity of the U.S. agricultural industry and our entire nation.

American agriculture is more than twice as reliant on foreign trade as our national economy as a whole, and agricultural exports now account

for 30 percent of U.S. farm sales. One out of every five rows of U.S. corn takes a trip overseas. And corn growers depend on strong export markets not just for the grain we grow, but for value-added corn products such as meat, dairy, poultry, corn gluten feed, biodegradable plastics and corn syrup.

Robust international markets are especially important in this era of market-oriented farm policy. The domestic market for U.S. agricultural products is relatively mature and slow growing. Meanwhile, export markets are growing more than three times as fast as domestic demand, making them a key to the future health and expansion of the U.S. agricultural economy.

Not only is Asia the largest market for U.S. farm exports, it is also where demand had been expected to grow most. Last fiscal year, Asian nations purchased \$23.8 billion, or nearly 42 percent, of the \$57.3 billion in agricultural products exported by the United States. South Korea, Indonesia, Malaysia, Thailand, and the Philippines — some of the countries hit hardest by the continued turmoil in currency markets — account for 10 percent of our agricultural sales abroad. In these five countries, the adverse impact of the financial crisis on U.S. farm exports in 1998 is "conservatively estimated" at \$500 million, according to the U.S. Department of Agriculture.

While it's too soon to tell what long-term effect the Asian situation will have, we've already begun to feel the ripples from across the Pacific. These include some deterioration in corn prices. The price



for the March corn contract slipped below \$2.60 per bushel just prior to the January USDA reports, down about 25 cents from early December. Export prospects for corn and other coarse grains have also diminished.

USDA now predicts that we will export 1.75 billion bushels of the 1997 U.S. corn crop. But that estimate is down 125 million bushels from a month ago and 2.5 percent from last year, a decline that is directly related to the upheaval in Asia. The situation poses problems that extend beyond grain. In the recent past, the economic success of the Asian Tigers contributed to a higher standard of living for consumers in the region. As a result, meat and poultry consumption increased, creating more demand both for U.S. livestock and poultry and for U.S. grain to feed livestock raised in Asia. But now, belt-tightening in Asia is bound to reduce consumption across the board. In its most recent supply and demand reports, USDA indicates that export prospects for beef, pork and poultry have already dimmed because of poor economic conditions and the dollar's strength against Asian currencies.

So what does this mean to U.S. farmers and consumers? President Clinton's 1992 campaign slogan was right: "It's the economy, stupid" — the global economy. It doesn't matter whether you're talking about Seoul or Sioux City, Jakarta, or Jefferson City — we cannot afford to bury our heads in the sand. We need to support prudent policies that help beleaguered Asian nations get back on their feet and also en-

sure long-term economic stability in the region.

Toward this end, USDA has already extended export credits to boost sales of U.S. agricultural commodities to the region and the IMF has made its loan packages contingent upon broad institutional reforms, including deregulation of trade in agricultural products.

In the next few months, isolationists will question the need for continued U.S. investment in the IMF. While this might normally be tough for farm country and Main Street to support, our own livelihoods may depend on the ability of the IMF to respond in times of economic crisis.

We have a choice. We can support efforts to speed recovery of the Asian economies in a manner that will lead to further liberalization of trade. Or we can look the other way and let these nations erect trade barriers and dump products on world markets in a misguided attempt to export their way out of crisis. Either way you cut it, the economic fate of our Asian neighbors is inextricably linked to our own.

Agriculture Secretary Dan Glickman summed it up recently at the Oxford Farming Conference in England: "As we step into a new century, we are crossing into a world where economic regulations are replacing military relations as the primary means by which countries deal with one another. The more we grow our economies in tandem, the more peaceful and universally prosperous our world will be, and the stronger customers we will have. Nowhere is this more true than in agriculture."

Value-Enhanced Corn Report

WASHINGTON, D.C. — "We have a commitment to educate endusers about the quality and reliability of U.S. feed grains," said Ken Hobbie, president and CEO of the U.S. Feed Grains Council (USFGC). "One way in which we meet that commitment is with the 1996-97 Value-Enhanced Corn Quality Report."

"Originally, the VEC report was developed for use in our market development efforts in Japan, where educational and trade servicing efforts work to increase customers' familiarity with the availability and quality of specialty corn grown in the United States. We translate the VEC report into Japanese and this year have added a Spanish translation as we have seen the number of requests for VEC information increase in the Mexican and Latin American markets. VEC is becoming an important part of the export equation — profiting the U.S. corn grower at the same time high-volume exports are a critical part of the equation, too."

This year's report shows that traditional "specialty" corns such as white, waxy, hard endosperm/food grade and high amylose represent a small but growing market for VEC.

High oil corn, which has grown from virtually no acres in 1993 to an estimated 1,000,000 acres in 1997, is at the moment the fastest growing VEC product in the marketplace. The market potential for both high oil and nutritionally dense corn is very high, and along with markets for specified handling characteristics such as low stress cracks, represents the most significant growth potential for the VEC market.

The report also addresses the quality of the 1996 crop. The 1996 U.S. corn crop was 26 percent larger than the previous year, due to a 13 percent increase in harvested acres and a 12 percent increase in yield over 1995.

However, the near-record crop did not reflect optimal growing conditions. Average harvest moisture levels increased from 18.5 to 22.4 percent in 1996. The larger corn crop and higher moisture content caused an increase in the volume of corn dried — both on farm and commercially. Lower test weights due to incomplete crop development in some areas, were observed in

sample tests, shipment data and survey responses; however, these lower test weights were not statistically significant for white, waxy, and high amylose corn.

The report includes corn storage practices, with producer respondents indicating the average length of on-farm storage was six months. Steel bins account for 89 percent of respondents' on-farm storage capacity, and 87 percent of the steel bins have aeration fans, critical for maintaining corn quality during storage.

Farmer premiums for the five value-enhanced varieties sampled ranged from \$.15-.30 per bushel for high-oil varieties to \$1 per bushel for high amylose corn.

The Council retained Ag Education and Consulting, Savoy, Ill., to conduct the second broad-based compilation of test results and analysis of the VEC market in the United States, which included a comprehensive survey of producers, elevators, and companies who produce and merchandise value-enhanced corn varieties such as white, high-oil, high amylose and others.



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