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Letter No. 2192

December 13, 1984

1985 SOVIET WINTER
GRAIN CROP

The prospects remain good for the 1985 Soviet winter grain crop, but in the South, the crop may be more susceptible than usual to winterkill, according to the U.S. Department of Agriculture. While general conditions this fall have been the best in the last 3 years, the weather in Nov. and early Dec. probably weakened the winter grain plants that will be harvested in 1985. The estimated size of the 1984 Soviet grain harvest remains unchanged at 170 million tons, including 75 million wheat, 84 million coarse grains and 11 million miscellaneous grains and pulses.

USSR GRAIN
IMPORTS

The Soviets appear to have more than two-thirds of their projected 1984/85 imports covered, according to the U.S. Department of Agriculture. The estimate of Soviet grain imports for July-June 1984/85 continues at 50 million tons, including 26 million in wheat, 23 million in coarse grains. The pace of Soviet grain liftings continues unseasonably heavy, although imports from the U.S. are lagging behind expectations. For the first four months of the marketing year, the Soviets had already lifted more than 11 million tons of wheat and 4 million of coarse grains based on reports from major suppliers.

WORLD CROP
PRODUCTION
1984/85

The projected 1984/85 total world grain production remains the same as last month, according to the U.S. Department of Agriculture. A slight increase in forecast wheat output was offset by a drop in production of coarse grains, with no change in forecast rice production. World and foreign output still is expected at record levels for wheat, coarse grains and rice. The major change in forecast grain output is in the European Community, with a 1.4 million ton increase this month. Total EC grain output now is forecast almost 21 pct. above last year.

NET FARM
INCOME

Net farm income in 1984 may nearly double 1983's \$16 billion, which was cut by drought-reduced crops and depressed livestock prices, according to a U.S. Department of Agriculture report. Much of this year's gain will come from an increase of \$7 to \$11 billion in the value of inventories, primarily crops. A rise in production expenses will more than offset an increase in marketing receipts, so net cash income may total \$34 to \$38 billion, below 1983's record \$40 billion.

CONSUMER PRICE
INDEX FOR '85

The Consumer Price Index for food next year is expected to average 2 to 5 pct. above 1984, according to the U.S. Department of Agriculture. Most commodities will probably be in good supply, so little if any rise in farm prices is likely. Food marketing costs will rise 3 to 5 pct. Growth in consumer demand will be moderate next year, putting little pressure on retail prices.

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WORLD OILSEED
PRODUCTION
FORECAST

The world oilseed production for 1984/85 is forecast at a record 184.6 million tons, up slightly from last month and 12 pct. above year-earlier levels, according to the U.S. Department of Agriculture. Upward revisions for peanuts and sunflowerseed in China and for rapeseed in Canada are only partially offset by a reduction in the Soviet sunflowerseed crop. Very favorable weather in China has aided both record yields and outturn of peanuts and sunflowerseed. Soybean crop prospects around the world are unchanged this month.

WORLD WHEAT

World wheat trade is now projected to top 106 million tons, up slightly from last month's forecast. The wheat situation will remain very competitive during the remainder of the 1984/85 marketing year because of increased supplies and aggressive selling, according to the U.S. Department of Agriculture. Exportable supplies of wheat continue to swell following another upward revision in the production estimate for the EC and improved prospects for the Argentine crop. However, these larger supplies were partially offset by a lower projection for Australia's production. And India will be exporting a substantial amount of wheat in 1985.

CANADIAN WHEAT
TO JAPAN

The Canadian Wheat Board announced the renewal of a one-year supply agreement with Japan, according to the U.S. Department of Agriculture. The agreement calls for the shipment of 1.3 million tons of wheat and 800,000 tons of barley during calendar year 1985. The amount of barley offered was reduced by 100,000 tons for 1985 because of lower Canadian production. Prices for the wheat and barley will be established under the weekly tenders held by the Japanese Food Agency.

EGYPT BUYS
U.S. BUTTER
& CHEESE

The U.S. Department of Agriculture has signed a contract with Egypt for the sale of 35,000 metric tons of butter, butteroil and cheese, according to Sec'y John R. Block. The total value of the sale, made at current market prices, is \$47.8 million.

1984/85 SOYBEAN
EXPORT PROSPECTS

U.S. soybean exports are forecast at 21 million tons for 1984/85, down slightly from last month's assessment but still 5 pct. above last year's depressed levels, according to the U.S. Department of Agriculture. Carryin stocks of Brazilian soybean meal into 1984/85 were reported at much larger-than-expected levels. This is another indication of the very weak world protein meal demand that currently is dominating the market situation. Lowered Brazilian domestic meal use is expected to promote larger exports of both soybean meal and soybeans in this marketing year, contributing to lower U.S. export indications.

PRESSURES DOWN
ON THE FARM

Persistently low farm income and declining farmland values in many regions have created severe financial stress among highly leveraged farmers, according to the U.S. Department of Agriculture. More of these farmers fall into the top sales classes--selling over \$100,000 in farm products a year. Some of these may have to restructure their balance sheets over the next few years to improve cash flow and profitability, according to USDA economists Keith Scearce and Herb Moses. This situation will keep downward pressure on the value of farm assets, particularly land and machinery. Over 14 pct. of all farm assets are owned by farmers with debt/asset ratios above 40 pct. (Scearce's and Moses' phone number is 202-447-7383.)

FROM OUR TELEVISION SERVICE "China--New Market for U.S. Farmers" ... USDA agricultural counselor Norman Kallemeyn focuses on China's new five year plan beginning in 1986 to increase livestock production by the year 2000. DeBoria Janifer interviews. (271)

"Inputs Outlook" ... USDA economist Herman Delvo talks about the 1985 outlook for pesticides, fertilizers and machinery, and how it compares to 1984. Vic Powell interviews. (272)

"Livestock and Poultry Outlook" ... USDA economist Leland Southard takes a look at the current outlook for total red meat and poultry supplies, and what it will mean for farmers and consumers. Vic Powell interviews. (273)

"Sugars and Sweeteners Outlook" ... USDA economist Robert Barry comments on the decline in U.S. sugar prices over the last year and the factors contributing to this decline. Vic Powell interviews. (274)

"Aspartame--The New Sweetener on the Block" ... For years, the sweetener industry has been searching for a sugar substitute--one with fewer calories and no aftertaste. USDA economist Fred Gray describes a new product, aspartame, that may be the answer. George Holmes interviews. (275)

U.S. SOYBEAN PRICES U.S. producer prices for soybeans are off slightly from last month's indications. The current forecast is \$220-\$260 a ton, which is the equivalent of \$6 to \$7 a bushel, according to the U.S. Department of Agriculture. Lower soybean prices are attributed mainly to weaker soybean meal price prospects with meal prices likely to fall between \$155-\$175 a metric ton, \$140 to \$160 a short ton.

WORLD COTTON SUPPLY AND DEMAND Global cotton stocks this season are expected to increase nearly 11 million bales to a record 35 million, according to the U.S. Department of Agriculture. Production that is sharply in excess of use, particularly in China and the United States, accounts for most of the buildup. World output in 1984/85 is estimated at a record 80.9 billion bales, one-fifth above a year earlier, primarily reflecting larger production in the U.S., China and Pakistan. Global consumption is up less than 2 pct. to an estimated 69.6 million bales, with China accounting for one-half of the gain.

CROP PRODUCTION HIGHLIGHTS The following are the highlights of the crop production report of the U.S. Department of Agriculture, as of Dec. 10: All cotton production is forecast at 13.4 million bales, 72 pct. above 1983 and nearly 1 pct. above Nov. 1...Burley tobacco is forecast at 740 million pounds, 54 pct. above 1983...Orange production--excluding Texas--is forecast at 181 million boxes, down 2 pct. from Oct. 1, up 8 pct. from last season, but 18 pct. less than 1982-83...Grapefruit--excluding Texas and Calif.'s "other areas" crop, is 51.8 million boxes, unchanged from Nov. 1 and 12 pct. more than last season.

SUGAR PRICES FALL U.S. sugar prices have declined over the last year. The national retail price during the third quarter of this year averaged 36 cents a pound, a half cent below 1983. In November, major U.S. soft drink companies announced decisions to sweeten cola drinks completely with high fructose corn syrup. For this reason, the U.S. Department of Agriculture forecasts U.S. sugar consumption in fiscal 1985 at just over 8 million tons, raw value, down 500,000 tons from the fiscal 1984 estimate. By 1986, sugar use is expected to stabilize at 7.8 million tons, down sharply from the slightly over 9 million in 1982.

OFF MIKE

Bruce Lease (KWOA, Worthington, MN) received the Minnesota Farm Bureau Ag Communicator of the Year Award, the second time this prestigious award has been presented. Our congratulations ... Tiya Tonn is now Broadcasting Operations and News Producer for KAWC, which is the Arizona Western College radio station. Tiya had been with George Gatley (KBLU/KTTI/W. Ag. Nets, Yuma, AZ) ... Doug Thomas (Southern States Network, Baton Rouge, LA) now writes a weekly newsletter for the network's affiliates. His latest gives our radio staff a pat on the back for their efforts during the recent Agricultural Outlook Conference. We always appreciate those kinds of comments, and this one (he said modestly) is richly deserved. Gary Crawford and Doug Wakefield (Brenda Curtis-Heiken was attending the RTNDA meeting in Texas) covered the conference with the able help of Jim Henry (USDA Agricultural Research Service) and Dave Carter and George Holmes (USDA Economics Management Service). During the days of the conference, we carried 29 stories on the radio news line, including a statement from President Reagan about food aid to Africa. Indeed a busy time for the radio staff ... Fortunato (Lucky) Teho (horticultural journalist and former broadcaster, Hawaii) reports that the Garden Writers Association of America has decided to tour Manila following their 1985 convention. And Lucky says if anyone is interested in the tour to contact him at 1778 Ala Moana Blvd, Honolulu, HI 96815 ... Space permitting, we'll have some "pork belly" talk next week, so stay tuned as they say in the industry.


FROM OUR RADIO
SERVICE

AGRICULTURE USA #1437...(Weekly 13½ min documentary) Brenda Curtis talks to experts from the U.S. Government about the African famine... Will the food arrive in time to save the lives of those starving in Ethiopia and other countries?

AGRITAPE/FARM PROGRAM REPORT #1426...(Weekly reel of news features) USDA news highlights; To buy or not to buy; The fate of the grape industry; Consumer changes affect producers; Aid to Ethiopia.

CONSUMER TIME #919...(Weekly reel of five 2½-3 min features) Little animals for a big job; Africa--What's the answer?; Food prices in '85; To buy or not to buy; Eating trends.

USDA RADIO NEWS SERVICE...Tues, Dec. 18, Weekly weather and crop outlook; Wed, Dec. 19, Dairy report; Thurs, Dec. 20, Agricultural finance report; Small grain report; and Hogs and pigs report; Fri, Dec. 28, Export markets for U.S. grain and feed; Mon, Dec. 31, Ag prices; Wed, Jan. 2, Weekly weather and crop outlook. Dial the USDA National News Lines 202/488-8358 or 8359. All material changed at 5 p.m EST each working day.


JAMES L. JOHNSON, Chief
Radio and Television Division