

Export Market Problems Tricky

By Ferdie J. Deering

Actions are being taken to increase export trade, but unless things change, farmers may ship more volume without more net profit.

During the past week the president announced an export promotion program "to fight inflation and boost the dollar." Among other things, the Small Business Administration will provide loan guarantees to help more companies enter the export markets.

Agriculture undoubtedly will be included in actions that may be taken, but stated objectives appear to be more political and basically economic in nature than moves to aid farmers.

This is revealed in the statement that when weighing applications for export licenses involving sales to communist countries, the government will consider export consequences and whether the same goods can be readily purchased elsewhere.

"U.S. wheat exports are currently running 19 percent ahead of

last year's levels for the same period," says R.E. "Gus" Page, extension economist, grain marketing, Oklahoma State University. "It now appears that the U.S. will reach or exceed last year's exports and increase its share of world trade."

The U.S. Department of Agriculture (USDA) has raised its wheat export estimate for the coming marketing year by 50 million bushels as a result of stronger-than-expected world demand.

Exports are now projected to range between 1,050 and 1,250 million bushels. Carryover stocks could fall below 1.1 billion bushels for the first time since 1975.

USDA analysts aren't so optimistic about prices. Their forecast indicates an average between \$2.80 and \$3 per bushel, no higher on the topside than earlier estimates.

Big 1978 harvests reported from around the world seem to give another picture. The Food and Agriculture Organization of the United Nations (FAO) says food carryover stocks are expected to be boosted to a peak level,

resulting in price downturns.

"Cereal prices in world trade have already steadied or dropped in anticipation," FAO says.

The Senate has passed by 65-1 a bill which would liberalize export credit financing and provide for more aggressive promotion of U.S. farm products abroad. This includes short-term credit financing on wheat sales to Peoples Republic of China.

The 1978 legislature authorized an increase in wheat grower contributions to enable the Oklahoma Wheat Commission to participate in wheat market promotions on a larger scale.

Agricultural shipments abroad have climbed from \$9.4 billion in 1972 to a peak of \$23.7 billion in 1977, and could reach as much as \$26 billion this year.

It might appear that such gains would assure adequate profits for farmers. Not so. Net farm income slipped from \$30 billion in 1973 to a little more than \$20 billion in 1977.

Foreign buyers are watching both the

grain markets and the money markets to time their purchases. Cheaper dollars benefit most U.S. farm export customers.

If they buy on loans financed by USDA, with up to three years to remit, they might be able to pay with even cheaper dollars. Some seem to think the dollar has not hit bottom in currency markets.

A proposal to create an "Organization of Wheat Exporting Countries" (OWEC), similar to the Organization of Petroleum Exporting Countries (OPEC) has been revived and is being pushed anew.

Sponsors believe that if the United States, Canada, Australia and Argentina, the big four wheat exporting nations, joined in such a cartel, they could set wheat prices at \$5 or \$6 per bushel and control the world market, as OPEC does with oil.

Critics of the plan say it might stimulate larger grain production in areas not now largely involved in export markets, and that importing nations might strive to become more nearly self-sufficient by growing more or shifting to other foods.

The extent of world hunger often is misunderstood. FAO estimates that 455 million people, not including the Asian centrally-planned countries, are malnourished.

However, total world food grains supplies are more than adequate to feed them on a per capita basis. The trouble is that underfed peoples usually don't have enough money to buy food.

If they can't afford to buy grain at today's bargain prices, would they buy more if the world price were higher?