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U.S. agricultural exports

The USDA's latest numbers continue to portray a sluggish export market for U.S. agricultural commodities, particularly for major Midwest crops. During the six months ending with March, the midpoint of the fiscal 1991 trade year, U.S. agricultural exports were 8 percent below the year-earlier level in value and down 17 percent in tonnage. Recent USDA projections for all of fiscal 1991 imply that both export measures will continue below year-ago levels during the spring and summer quarters.

Midwest corn and soybean farmers experienced a marked decline in export markets during the first half of fiscal 1991. In terms of both tonnage and value, corn exports during the six months ending with March were off about a third from the year-earlier pace. Soybean exports were nearly a fourth below a year ago. These two commodities more than accounted for the first-half decline in the value of all U.S. agricultural exports and the bulk of the decline in overall export tonnage.

For the last half of this fiscal year, the USDA is projecting that soybean exports will move ahead of the year-ago pace, largely because of problems again this year in the just-completed Brazilian harvest. But corn exports during the spring and summer months are likely to be off sharply. Total agricultural exports during the last half of fiscal 1991 are expected to be off 7 to 8 percent in terms of both value and tonnage. The latest projections suggest that the value of U.S. agricultural exports for all of fiscal 1991 will drop to a three-year low of $37.0 billion, down from $40.1 billion last year. Export volume for all of this year is now expected to retreat to 129 million metric tons, down from the tightly-clustered range of 146 to 149 million tons the last three years.

The level of U.S. agricultural exports in the months ahead will be partially buoyed by the Administration's decision this week to grant up to $1.5 billion in federal government guarantees on loans to finance shipments to the Soviet Union. This would be in addition to the $1 billion in credit guarantees extended on sales to the Soviets during the winter months. The new guarantees will be granted in three installments over the next nine months. Only the first installment of $600 million will be granted during the remainder of this fiscal year. Despite the guarantees, the value of all U.S. agricultural exports to the Soviet Union this year is expected to decline to $1.6 billion from $3.0 billion in fiscal 1990.

The U.S. Department of Agriculture operates two programs that provide federal government guarantees on loans to finance agricultural exports to eligible countries. The bulk are provided under the so-called GSM-102 program which began in 1981 and is available for loans with terms ranging from 6 months up to 3 years. The companion GSM-103 program began in 1986 and is available for export loans with terms of 3 years to 10 years. In general, the guarantees offered by these programs cover 98 percent of the value of the exported item, plus a portion of the interest. In some cases, the guarantees may also cover a portion of the shipping costs. In recent years, these two programs have provided some $4 to $5 billion in guarantees annually for U.S. agricultural exports.

In addition, the U.S. government offers two other types of programs that aid agricultural exports. The Export Enhancement Program (EEP) offers bonuses to U.S. exporters who try to sell specified commodities into specified countries at below-market prices in order to meet the subsidized competition from other exporting countries. The bonuses are given in the form of generic certificates which can be sold for cash or redeemed for CCC-owned commodities. Since the program began in 1985, EEP bonuses valued at $3.4 billion have been used to help export agricultural commodities (mostly wheat and flour) worth about $12.1 billion. About $530 million in EEP bonuses have been awarded to U.S. exporters so far this fiscal year.

The other major types of federal programs that augment U.S. agricultural exports are programs that offer government donations and steep concessional sales and financing on commodities shipped to developing countries. The value of agricultural commodities exported under these programs annually has ranged from $1 to $1.5 billion in recent years. Most of these shipments have been under Titles I and III of PL 480 which offer cash sales for the local currency of the recipient country and/or long-term concessional credit sales.

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Selected agricultural economic indicators

	Latest period	Value	Percent change from: Prior period	Year ago	Two years ago
Receipts from farm marketings *($ millions)*	January	15,402	−7.5	0	7
Crops*	January	8,080	11.7	7	16
Livestock	January	7,270	−4.4	−3	3
Government payments	January	52	−97.1	-87	−85
Real estate farm debt outstanding *($ billions)*					
Commercial banks	December 31	17.2	−0.6**	3	11
Farm Credit System	December 31	29.4	−0.1**	−3	−9
Life insurance companies	December 31	10.8	1.4**	12	12
Nonreal estate farm debt outstanding *($ billions)*					
Commercial banks	December 31	32.9	−0.9**	7	10
Farm Credit System	December 31	10.7	−2.8**	7	15
Interest rates on farm loans *(percent)*					
7th District agricultural banks					
Operating loans	April 1	11.40	−3.6**	−4	−9
Real estate loans	April 1	10.56	−3.6**	−5	−10
Commodity Credit Corporation	June	6.12	−2.0	−27	−33
Agricultural exports *($ millions)*	March	3,636	5.8	−10	−10
Corn *(mil. bu.)*	March	189	3.1	−2	−7
Soybeans *(mil. bu.)*	March	66	−1.5	−24	−1
Wheat *(mil. bu.)*	March	119	24.6	8	−20
Farm machinery sales[p] *(units)*					
Tractors, over 40 HP	April	6,348	−5.2	−23	−7
40 to 100 HP	April	3,468	4.8	−26	−11
100 HP or more	April	2,880	−15.0	−18	−1
Combines	April	654	12.0	−13	79

*Includes net CCC loans.
**Prior period is three months earlier.
[p]Preliminary

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