

## Fact Sheet on USSR Grain Purchase and U.S. Supply Situation

### I. USSR grain production and purchasing estimates.

1. U.S.D.A. latest estimate for USSR grain production is for a crop no greater than 185 million metric tons. Private estimates are less than U.S.D.A. estimates. The drought continues in the spring crop area of the Soviet Union and it is entirely possible that final Soviet grain output may be in the 1972 range of 168 million tons.
2. U.S.D.A. estimates that the Soviet Union's import requirements will be 20 or more million metric tons. In 1972, the USSR's total imports of grain approached 30 million metric tons.
3. Thus far, the USSR has purchased 10.3 million metric tons from the U.S.:
  - Wheat - 4.5 million tons (165 million bushels)
  - Corn - 4.7 million tons (185 million bushels)
  - Barley - 1.1 million tons (50.5 million bushels)

In addition, the USSR has purchased 3 million metric tons of wheat and durum from Canada and .75 million metric tons of wheat from Australia for total Soviet purchases of 14 million metric tons.

4. The contracts for the U.S. sales are on an "all origin basis," meaning that the export selling firm has the option of selecting the country from which the sales will be shipped. U.S.D.A. expects that most, if not all, of the corn and wheat will originate in the U.S. However, it is doubtful that all of the barley will originate in the U.S. Delivery under these contracts, in some instances, can be extended into the 1976 crop year, if necessary.
5. Equating Soviet purchases to date to projected import requirements suggests that the USSR could be in the world grain markets for 6 or more million metric tons in the future. Other exporting countries could furnish approximately 3 million metric tons--the remainder would have to be filled from U.S. stocks.
6. In 1972, private U.S. grain firms sold the Soviet Union about 19 million metric tons of grain:
  - Wheat - 12 million tons (441 million bushels)
  - Feed Grain - 6 million tons (300 million bushels)
  - Soybeans - 1 million ton
7. In 1972, the USSR paid U.S. exporters about \$1.63 per bushel, compared with about \$4.00 per bushel so far this year. In 1972, and again this year, the USSR is selling gold to finance their grain purchases. Comparative values for gold and grain in 1972 and 1975 suggest that the Soviets are paying less in gold for their grain this year than in 1972.

### II. Projected U.S. supply/demand situation.

1. The July 25 crop forecast is:

Wheat -

2.187 billion bushels (60 million metric tons). This is up 395.6 million bushels (22%) from last year's crop.

Corn -

6.046 billion bushels (153 million tons). This is up 1.4 billion bushels (30%) from last year's crop.

2. Projected supply availabilities for 1975/76 marketing year (July 1 - June 30):

Wheat -		
1974/75 carryover	-	319 million bushels ( 8.7 million tons)
1975/76 estimated production	-	<u>2.187 billion bushels</u> ( <u>60.0 million tons</u> )
Total 1975/76 available stocks	-	2.507 billion bushels (68.7 million tons)
Corn -		
1974/75 carryover	-	360 million bushels ( 9.1 million tons)
1975/76 estimated production	-	<u>6.045 billion bushels</u> ( <u>153.0 million tons</u> )
Total 1975/76 available stocks	-	6.405 billion bushels (162.1 million tons)

3. Projected disappearance for 1975/76 marketing year.

Wheat -		
domestic use (food, feed, & seed)	-	707 million bushels (19.2 million tons)
exports, including 5 million tons (183.5 million bushels) projected sales to USSR	-	<u>1.200 billion bushels</u> ( <u>32.4 million tons</u> )
Total estimated disappearance	-	1.907 billion bushels (51.6 million tons)

Estimated carryover into 1976/77 crop year 600 million bushels (19 million tons) up 281 million bushels (7.7 million tons) or an 88% increase in carryover stocks.

Corn -		
domestic use (food, feed & seed)	-	4.300 billion bushels (109 million tons)
exports, including 6 million tons (236 million bushels) projected sales to USSR	-	<u>1.200 billion bushels</u> ( <u>30.5 million tons</u> )
Total estimated disappearance	-	5.500 billion bushels (139.5 million tons)

Estimated carryover into 1976/77 crop year 907 million bushels (23 million tons) up 547 million bushels (14 million tons) or a 152% increase in carryover stocks.

4. The U.S. normally exports approximately 50-60 percent of the wheat production, 50 percent of the soybean production, 33 percent of the cotton production, and 20 percent of the feed grain production. Last year the U.S. exported 58 percent of the wheat production and 23 percent of the corn production.

III. Major differences between the 1972 and the 1975 grain sales to the Soviets.

1. In 1972, export subsidies were used to sell grain to the Soviets at an approximate cost to the U.S. of \$160 million. This year there are no Federal subsidies other than a shipping subsidy to American flag vessels for carrying U.S. grain. The current Maritime Agreement requires that one-third of the Soviet grain shipments move in American flag vessels.
2. In 1972, the Commodity Credit Corporation provided three-year credits to the Soviet Union. This year there are no credits.
3. In 1972, there was no requirement that U.S. grain export firms report current sales to the Government. This year, these firms must report to the U.S.D.A., within 24 hours, sales of 100,000 metric tons or more to any destination. Additionally, starting last week, the U.S.D.A. is asking the U.S. grain trade to give notice before beginning any negotiations involving major grain sales. In effect, this amounts to an informal prior approval system.

IV. General observations:

1. As the projected supply/demand and carryover figures indicate, the U.S. needed to find a major outlet for excess grain production this year to avoid a greater build-up in price-depressing carryover stocks.
2. The estimated corn production figure for this year is the result of multiplying acres seeded by estimated yields resulting from normal weather. The corn crop is still 2-3 months away from harvest, and so is still very vulnerable to weather patterns. Presently, the Western corn belt is experiencing some dryness. So in effect, these projected production figures are estimates only. The wheat crop, on the other hand, is a much more positive figure as most of the wheat harvest is completed.
3. The uncertainties of the final corn production has prompted the U.S.D.A. to discourage any further grain sales to the Soviet Union (prior approval requirement) until at least the August 11, crop report is available.
4. So far, the Soviet grain purchases have caused domestic wheat prices to recover about 40 percent of the price decline experienced in the wheat market since the seasonal highs of last November. Any additional sales to the Soviet Union would probably have more of a significant impact on domestic prices. Depending on the size of the U.S. corn crop, future Soviet grain buying may be in more direct competition with domestic users and traditional export customers.
5. The impact of the USSR grain purchase on U.S. bread prices is hard to measure. The wheat price decline experienced since last November has resulted in little if any price decline for a loaf of bread. This suggests that the cost of the raw material (wheat) isn't all that significant to the cost of a loaf of bread. Presently, there is about 5 cents of wheat in a standard loaf of bread.
6. Any sizable increase in feed grain (corn) prices would have a more direct effect on consumer food prices. Higher feed costs would discourage the industry from feeding large numbers of livestock and although, meat prices might decline somewhat over the short term as feeding stock was liquidated, over the long run, there would be price increases as numbers of livestock on feed were reduced, eventually resulting in less pounds of meat available at the market place.