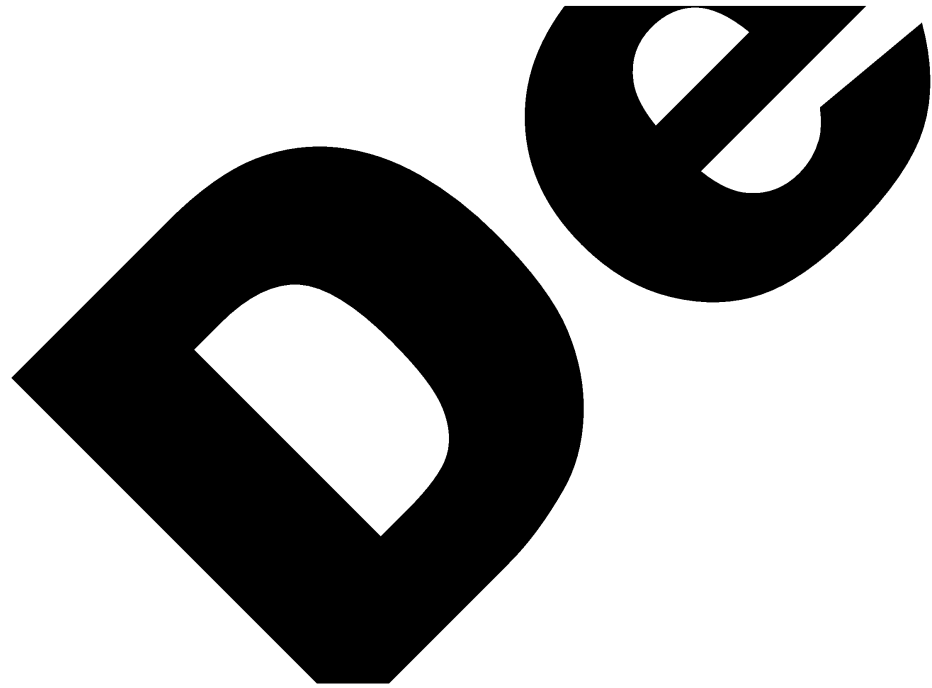


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24 SEP 1974

MEMORANDUM FOR: Mr. Howard L. Wortnington  
Deputy Assistant Secretary for  
Trade and Investment Policy  
Department of the Treasury

SUBJECT : Transmittal of CIA Analysis of World  
Supply and Demand for Grain, 1974/75

1. In response to a request by your office on  
4 September we are transmitting a study of the World  
Supply/Demand Situation for grain. The thrust of the  
analysis is aimed at projecting foreign demand for  
US wheat and corn in the current fiscal year 1975.

2. Because of the possible interest of other  
governmental components in this subject, this Office  
may send the attached paper to other interested officials.

3. Queries concerning the attached contribution  
should be directed to

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[Redacted]

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Chief

Industrial Nations Division  
Office of Economic Research

**MICRO  
ONLY**

On file Department of Agriculture  
release instructions apply.

Attachment:  
As stated

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State Dept. review completed

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World Supply and Demand  
for Grain, 1974/75

(With Emphasis on Demand for US Wheat and Corn)

Office of Economic Research  
Central Intelligence Agency

23 September 1974

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World Supply and Demand for Grain, 1974/75Introduction

This report provides alternative estimates of world export supply and demand for grain. It compares CIA estimates with those of USDA and, when applicable, the International Wheat Council. The analysis is aimed at determining the foreign import demand for US wheat and corn in fiscal year (FY) 1975.\*\*

Any forecast of the 1974/75 world grain situation must be very tentative. Supply and export availability estimates include forecasts of coarse grain not yet planted in the southern hemisphere, wheat and corn harvests not completed in the Northern Hemisphere, and rice crops yet to be harvested in Asia. Demand analysis is hindered by limited knowledge on the impact of sharp price rises on utilization of grain for feed. Also, there is an incomplete understanding of how worldwide inflation is affecting effective demand.

Principal Findings

The 1974/75 world grain situation has tightened in recent weeks. A 3% decline in total grain production rather

\*\*Fiscal years in this report refer to 1 July - 30 June.

than an increase from last year's record level is now forecast. Cuts of nearly 40 million tons in US grain estimates and lesser reductions in those for Canada and Russia are responsible.

CIA estimates that world wheat production will be down 20 million tons\* to 347 million tons in 1974/75, 13 million tons below USDA's estimate. Exportable supplies of wheat have been reduced to about 58 million tons compared to the 64 million tons exported in FY 74.

Worldwide import demand for wheat is estimated by USDA to approximate export supplies at 59 million tons. CIA estimates indicate an excess import demand of .3 million tons. Both estimates point up a tight situation permitting no build-up in stocks or softening of prices.

CIA estimates that total foreign demand for US wheat in FY 75 will exceed USDA's projection by over 2 million tons. At an export level of 28 million tons (1,027 million bushels) carryover stocks on 30 June 1975 would be reduced to a new record low. Canadian transport problems and likely higher import demands by India could put additional pressure on US supplies before January.

The supply situation for corn is tighter than for wheat. Sharp cuts in US harvest prospects -- the world's largest producer

\*Metric tons are used throughout this report.

and exporter --- are directly reflected in a 20% drop in export availabilities. Large US feedgrain stocks used to support a high export level during the past 2 years are no longer available. CIA agrees with USDA that foreign demand for corn will be down because of high prices, but projects less of a reduction, especially for Europe.

CIA estimates that export demand for US corn in FY 75 will approximate 23 million tons. This projection is over 3 million tons above USDA's projection of 19.7 million tons (775 million bushels). CIA's higher level of export -- assuming no change in USDA's estimate of domestic usage -- would draw down stocks by 5 million tons.

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Supply/Demand Situation for WheatWorld Production of Wheat, 1974/75

1. World wheat production, according to USDA estimates, is expected to fall 7 million tons short of last year's record output of 368 million tons. An International Wheat Council (IWC) press release in early September gave a production forecast that ranged from 6 million tons below to 3 million tons above 1973/74. CIA considers both of these estimates to be optimistic -- partly based on more recent information -- and has reduced USDA's projection by about 13 million tons to 347 million tons, 20 million tons below last year. This includes the lower estimate of the US wheat crop released by USDA on 11 September.

2. Important differences in production forecasts for major exporting countries are those for Canada and the USSR. We have estimated the impact of unfavorable weather on wheat yields in both countries to be more serious than USDA. For the USSR, the CIA estimate is 10 million tons lower than USDA's 95 million tons. In Canada, drought and recent frost damage have lowered earlier wheat estimates by 1.5 to 2 million tons. The 1 September official Canadian estimate put the wheat crop at 14.7 million tons -- 1.5 million less than USDA's 20 August report -- and subsequent frost



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damage has further reduced the crop. Reports from both East and West Europe indicate that wheat harvests are better than expected.

Export Availabilities

3. There is agreement between CIA and USDA estimates that the quantity of wheat available for export in FY 75 is less than a year ago. We forecast that the major exporters will have 5 1/2 million tons less wheat for export (Table 1) and USDA about 3 million. The US and Western Europe account for most of the drop despite record wheat harvests. Unlike the past 2 years, when the US exported over 31 million tons by drawing down stocks, wheat is no longer available in such quantities. The European Community (EC) is expected by USDA to feed 3 to 4 million tons more wheat this year to replace imported corn and we agree. This in turn will reduce exports from the region by 2-3 million tons compared to last year's level of 6 million tons.

4. Australia and Argentina are both expected to boost exports but not enough to offset the US shortfall. Canada -- with stocks equivalent to a 2 year domestic supply on hand -- could have increased exports over last year's level until hit by transportation strikes in early September. We now estimate that they may even have difficulty moving as much grain as last year. Argentina's level of export will also be limited.

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Table 1Wheat and Flour Exports by Selected Countries

	Million Metric Tons			
	<u>FY 73</u>	<u>FY 74</u>	<u>Forecast FY 75</u>	
			<u>CIA</u>	<u>USDA</u>
Argentina	3.5	1.1	3.0	3.0
Australia	5.5	6.0	8.2a/	8.5
Canada	15.6	11.5	11.5	12.2
W. Europe <sup>b/</sup>	7.3	6.5	4.0a/	4.0
USSR	1.3	5.0	4.0	5.0
US	<u>32.0</u>	<u>31.0</u>	<u>25.8c/</u>	<u>25.8</u>
TOTAL	65.2	61.1	55.5	58.5

a/ Mid-point of range

b/ Excluding intra EC 9 trade

c/ Based on USDA forecast of 950 million bushels

by transport constraints rather than supply.

5. Two major sources of uncertainty in the wheat export supply estimates -- other than the transport problem -- are (1) whether the Canadian Government or wheat board will decide to draw down stocks for export, and (2) the extent to which wheat will be substituted for imported feed grains in the European Community (EC) and other exporters.

World Import Demand for Wheat, 1974/75

6. CIA agrees with USDA and IWC forecasts that total world import demand for wheat will be less than the 64 million tons (excluding intra EC-9 trends) imported in FY 74. There are differences, however, on the extent of the drop. IWC and USDA estimate that demand is down by about 5 million tons and CIA by only 3 million tons. None of these estimates fully reflect the need of South Asia for larger imports of foodgrains for which they must have some foreign aid.

7. USDA and IWC estimates imply a balance between supply and demand entailing no drawdown in stocks. Our estimates show an excess demand with resultant strong upward pressure on prices and stock draw downs.

8. It is difficult to pinpoint all the differences between the estimates because USDA provides demand estimates

for only selected countries or regions. It appears that the major differences are on India and the PRC. For each country our estimate of demand exceeds that of USDA by at least 2.5 million tons.

9. FY 75 import demand requirements for wheat are currently being obscured by a number of factors difficult to analyze. These include:

- °Unknown influence of tight feed grain supplies on use of wheat for feeding livestock;

- °Whether the size and quality of wheat stocks held by the USSR will forestall sizeable imports; and

- °Stockpiling policies of certain Middle East countries.

#### Foreign Demand for US Wheat

10. We agree with USDA estimates that export demand for US wheat this year will be less than in FY 74, but by a smaller amount. CIA forecasts FY 75 export demand at about 28 million tons (1,027 million bushels), approximately 2 million tons above USDA's 25.8 million tons (950 million bushels)\*. This compares with exports of 31 million tons of wheat and flour last year. An export level of 28 million tons is feasible, but carryover stocks on 30 June 1975 would be down to a record low of 6.3 million tons (224 million bushels) or equivalent to domestic requirements for 14 weeks. On the other hand, USDA's smaller level of export would permit a small increase (52 million bushels) in carryover stocks. Private

\*Mid-point of USDA's projection of 900-1,000 million bushel.

grain brokers indicate that carryover stocks of 150-200 million bushels are needed for orderly marketing.

11. CIA estimates by region and selected countries are compared to those of USDA and outstanding export contracts (SOES)\* as reported by grain brokers to USDA in Table 2 and described in the Appendix. Unlike the situation at this time a year ago when the SOES exceeded the projected exports for the entire marketing year, the SOES on 1 September 1974 represented less than 50% of projected exports for the year. Only for the European area does the SOES exceed USDA or approach CIA estimates.

12. The smaller amount of US wheat on export contracts (SOES) so far this year probably reflects less speculation, reduced demand at the higher prices, full impact of recent unfavorable crop developments not having reached the market, and commercial market participants approaching the market in a more orderly fashion. Factors which could put additional pressure on US wheat supplies before January include:

° Importers, such as Japan and PRC, switching from Canadian to US wheat because of Canadian transport problems;

\* Shipments 1 July-30 August plus Outstanding Export Sales for the balance of FY 75 as reported by US grain brokers to USDA on 1 September 1974.

Table 2

Estimated Demand for US Wheat and Flour Exports

(In Thousand Metric Tons)			
<u>Destination</u>	<u>CIA</u>	<u>USDA<sup>b/</sup></u>	<u>SOES<sup>c/</sup></u> <u>1 Sept. 74</u>
<u>Western Hemisphere:</u>			
Mexico	800	900	375
Brazil	1,300	1,000	244
Chile	500	750	52
Colombia	380	430	59
Peru	645	500	257
Venezuela	635	600	66
Central America	345	920	134
Others	600		466
Sub-total	<u>5,205</u>	<u>5,100</u>	<u>1,653</u>
<u>Europe:</u>			
USSR	500	200	297
Eastern Europe	550	500	151
European Communities	2,290	2,200	3,143
Belgium-Luxembourg	(200)		(74)
France	(200)		(43)
Italy	(170)		(425)
Netherlands	(600)		(890)
United Kingdom	(800)		(142)
West Germany	(300)		(1569)
Other	(20)		(0)
Other West Europe	520	500	24
Sub-total	<u>3,860</u>	<u>3,400</u>	<u>3,615</u>
<u>Asia:</u>			
Japan	3,200	3,000	927
India	2,500	2,300	1,482
Taiwan	700	600	235
People's Republic of China	3,000	2,400	1,855
Korea, South	1,700		485
Iraq	445		442
Iran	1,000		1,094
Israel	300		238
Philippines	480		210
Bangladesh	700		254
Indonesia	30		69
Pakistan	400		206
South Vietnam	150		0
Turkey	600		454
Other	895		219
	<u>16,100</u>	<u>14,000</u>	<u>8,170</u>
<u>Africa:</u>			
Algeria	700	500	212
Egypt	1,000	950	59
Morocco	260	200	92
Nigeria	270	300	164
Sudan	150	150	6
Others	410	100	107
Sub-total	<u>2,790</u>	<u>2,200</u>	<u>640</u>

Table 2 - con't

<u>Destination</u>	<u>CIA</u>	<u>USDA<sup>b/</sup></u>	<u>SCIS<sup>c/</sup> 1 Sept. 74</u>
Total Wheat	27,955	24,700	14,079
Flour and Products	d/	1,300	d/
Total Wheat and Flour	<u>27,955</u>	<u>26,000</u>	<u>14,079</u>
Unspecified destination	---	---	1,388
Total Wheat (known and Unknown destination)	---	---	<u>15,457</u>

a/ Marketing year, 1 July 1974 through 30 June 1975.

b/ Statistical data shown were supplied by Grain and Feed Division, FAS/USDA on 5 September 1974.

c/ Wheat shipments inspected for export, 1 July 1974 through 1 September 1974 plus outstanding export sales as of 1 September for the balance of FY 1975.

d/ Flour included with individual country's wheat import projections in grain equivalent.

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- °USSR unwillingness to provide India with 2 million tons of wheat;
- °Deterioration of grain prospects in the southern hemisphere; and
- °Adoption of policies by Canada and the EC that would restrict wheat exports below present projections.

The major differences between USDA and CIA export are centered in Asia and Africa. Differences in our estimates are not as large as shown, because flour requirements are not broken out for individual countries in USDA projections. Nevertheless, our estimates for India, PRC, and Taiwan are higher. Poor monsoon development in South Asia, particularly in India, indicate additional commercial purchases, and requests for aid, could push imports from the above current projections. Also, tight sorghum supplies have caused Indian buyers to switch to US wheat. If there is a cutback in EC exports, African buyers will be expected to turn to the US and other exporters for a larger share of their wheat and wheat flour imports this year. In our projections we have allocated somewhat larger quantities of wheat to this region.

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Supply/Demand Situation for Corn, 1974/75

The world supply/demand situation for feedgrains can be expected to be tighter than in 1973/74. British economic conditions have brought some relief and aside through the declining demand for meat, conditions have deteriorated in recent weeks. Production in the US -- a wet spring causing late planting and dry weather in the critical summer months in the and a severe drought in the southwest -- have been major factors upsetting 1974 world feedgrain production. Crop failure in dry weather in Western Europe has also taken place, the impact is not yet clear. A good Southern Hemisphere harvest earlier this year has helped ease the supply situation, but port problems in Argentina and South Africa introduce a new element of uncertainty in the export picture.

Production of Corn, 1974/75

World production of feedgrains in 1974/75 is expected to be down by almost 3 percent -- to 581 million tons in 1974/75 compared to 599 million tons in 1973/74. If production lived up to earlier expectations, there would have been a 35 million ton increase in world feedgrain production rather than a decrease. World production of corn increased similarly with production of the major exporters up almost 6% from 158.8 million tons in 1973/74 to 169.8 million tons in 1974/75. However, while US corn production is

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decline by 12% to 127 million tons, production in South Africa, and Thailand is estimated to be 50% to over 24 million tons.

availabilities

Because of the lowest world feedgrain stocks in recent years, the corn export availability shows the effect of the production shortfall. The export availability of the corn exporter, South Africa, shows an increase (see Table 3) This was due to a severe production shortfall in South Africa in 1973 which sharply reduced exports. Slight corn stockbuilding may take place in South Africa and Thailand, but US stocks will be severely strained.

Table 3

Corn Exports of Major Exporters

	<u>FY 74</u>	<u>Forecast FY 75</u>
	35.0	23.1
	5.1	4.9
ca	.4	4.0
	<u>2.1</u>	<u>2.0</u>
	42.6	34.0

World Demand for Corn

Worldwide import demand for corn in FY 1975 is estimated at 35.5 million metric tons -- a 20% drop from last year. Lower import demand is due mostly to depressed livestock and high grain prices. The EC is expected to increase its use of internally produced grain for animal

The EC is expected to feed an additional 3 million  
at in place of imported corn and to reduce corn  
1-2 million tons. Also, livestock producers  
can be expected to feed less grain to livestock  
the high ratio of feedgrain prices to livestock  
the USSR, which imported over 5 million tons of  
year, is not expected to import significant  
corn this year because of large grain stocks  
world market prices. The PRC is also expected  
to increase corn imports by more than 1 million tons.

Demand for US Corn

CIA estimates foreign demand for US corn at 23.1  
million tons -- 3.4 million tons above USDA's latest estimate  
of 19.7 million tons. The US exported about 35 million tons  
last year. The major differences for this year between  
CIA and USDA estimates are centered on Europe, the largest importing  
region (see Table 4)

CIA estimates the EC total import needs from third  
countries at 12.2 million tons of corn -- a drop of 19% from  
15 million tons imported last year. Assuming that the EC  
will import 2.2 million tons each from Argentina and South Africa  
and 7.8 million tons of corn to be obtained from the  
USSR, less than 9.3 million tons last year. USDA estimates  
foreign demand for US corn at 6.5 million tons. The EC as of 1 September  
has only been shipped or contracted for 13.6 million tons of  
US corn for FY 75 according to US exporters. However, past

Table 4

Estimated Demand for U.S. Corn Exports 1974/75<sup>a/</sup>

(In Thousand Metric Tons)			
Destination	CIA	USDAb/	SOESc/ 1 Sept. 1974
<u>Western Hemisphere:</u>			
Canada	700		817
Other	1220		624
Sub-total	1920	1900	1441
<u>Europe:</u>			
USSR	230	0	264
Eastern Europe	1750	900	1165
East Germany	(1000)		--
Poland	(600)		(760)
Other	(150)		(450)
European Community	7800	6500	13501
Other Western Europe	3340	2200	1137
Greece	(300)		(62)
Spain	(2000)		(645)
Other	(1040)		(430)
Sub-total	13,120	9600	16,157
<u>Asia:</u>			
Japan	6200	6500	7938
Taiwan	100	200	98
People's Republic of China	80		23
South Korea	500		575
Other	570		328
Sub-total	7450	7600	8962
<u>Africa:</u>	645	400	23
Total corn	---	19,500	26,583
Products	d/	200	--
Total corn and products	23,135	19,700	26,583
Unspecified destination	---	---	5,955
Exports on brokers' accounts <sup>e/</sup>	---	---	36
Total	---	---	32,614

a/ 1 July 1974 through 30 June 1975.

b/ Provided by FAS, USDA; numbers are approximate.

c/ Corn shipments inspected for export 1 July 1974 through 30 August 1974 plus outstanding export sales as of 1 September 1974 for the balance of the 1974 marketing year and all of the October 1974-September 1975 marketing year. This assumes that most contracts made so far are for delivery of US corn before 1 July 1975.

It also assumes that corn contracted for but not delivered by 30 September 1974 (the end of the 1974 US corn marketing year) will be re-negotiated for the 1975 marketing year. This adjustment of data from a marketing year to a fiscal year may overstate outstanding sales to known destination by as much as one million tons. Data compiled from USDA, SRS, Grain Market

News and from USDA, SRS, Exports.

d/ Products included with individual countries' corn import estimates.

e/ Unsold corn shipped abroad.

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experience indicates

that (1) all of this will not necessarily be delivered (hedging against possible US export controls), (2) corn from other countries can be used to fulfill the contracts, and (3) some of the grain will be re-exported to other European countries.

20. Total corn import demand for other West Europe is estimated at about 9.6 million tons with the US share at 3.3 million tons compared to the USDA estimate of 2.2 million tons. Total requirements for Eastern Europe is estimated at 2.0 million tons with 1.75 million tons from the US. USDA places US corn exports to Eastern Europe at 900,000 tons. While shipments plus outstanding sales for both of these regions are lower than CIA estimates, we believe that transshipments from the EC to both regions will make up at least part of the discrepancy.

21. The estimates of both world import demand and US export demand are indicators of market pressures rather than estimates of final exports. Using the CIA estimate of US corn export demand and USDA's latest estimates of domestic production and usage, US stocks as of 30 June 1975 would be drawn down by 5 million tons (200 million bushels). It would appear that the US could export 23.3 million tons if conditions -- domestic usage and production -- are favorable. In any event, there will be additional upward price pressure on corn unless there are significant decreases in demand which are not apparent now.

CIA/OER  
23 September 1974

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APPENDIX A  
Situations in Selected Countries



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Major ExportersArgentina

Assuming normal growing conditions the 1974/75 wheat harvest beginning in December should be about 7.5 million tons, 20 percent above last year. Higher support prices have induced an expansion of the area sown to wheat to the 1972 level of 5 million hectares. On the other hand, output of the two principal feed grains, corn and sorghum, are expected to be down by at least 10 percent.

Despite an overall net reduction in total grain output, large carryover stocks should provide export availabilities of both wheat and feed grains in FY 75 well above the previous year.

	Million tons				
	<u>Production</u> <u>1973/74</u>	<u>Production</u> <u>1974/75</u>	<u>Exports</u> <u>FY 74</u>	<u>Export</u> <u>Availability</u> <u>FY 75</u>	<u>Anticipated</u> <u>Actual</u> <u>Shipments</u> <u>FY 75</u>
Wheat	6.2	7.5	1.1	3.4	3.0
Sorghum	6.0	4.8	3.0	2.7	2.7
Corn	10.0	9.4	5.1	5.5	4.9

Actual grain shipments will fall some 10 percent below estimated availabilities because of inadequate transport and storage facilities. Grain shipments from the 1973/74 crop to central elevators are currently running 1 million tons behind schedule with about 3 million tons of corn still in rural areas.

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About 1 million tons of sorghum was destroyed on the stalk by heavy rains. Port congestion also is causing backlogs in deliveries and a decline in commitments for new grain sales.

#### Australia

Australia's last December-January wheat harvest totaled about 12 million tons, third largest on record, resulting mainly from a more than 20 percent increase in acreage. Taking into account carryover stocks and an estimated output of 11.0 million tons from the 1974/75 harvest, the Australians should have 8.1 - 8.3 million tons available for export during FY 75. About 6 million tons were exported during FY 74.

The area sown to barley, Australia's second largest grain export, declined last year because of the expansion in wheat acreage. Still, a good crop was harvested and production in 1974 was up nearly 40% over 1973. The outlook is for a harvest of some 2½ million tons for marketing next year, which should leave 1.3 million - 1.4 million tons of barley available for export during FY 75, compared with an estimated 1.2 million tons exported during FY 74.

Million tons

	Production		Exports FY 74	Export Availability FY 75
	1973/74	1974/75		
Wheat	12.0	11.0	6	8.1 - 8.3
Barley	2.4	2.6	1.2	1.3 - 1.4

Canada

Wheat: Canada's 1974 wheat harvest is now forecast at about 14.7 million tons -- 1.5 million tons below last year's level of 16.5 million tons. A 5% reduction in sown acreage, late planting, drought, weed growth, and grasshopper infestations are the factors responsible for the expected decrease in production. Output could drop even further when the damage from recent frosts is evaluated.

Million tons

	Production		Exports FY 74	Export Availability FY 75
	1973/74	1974/75		
Wheat	16.5	14.7	11.5	11.5
Barley	10.3	10.1	2.7	2.7

Wheat export levels in FY 75 are still uncertain due to transport problems and lack of information on Canadian intentions to draw down stocks. Despite a smaller output, exports could reach the 11.5 million metric tons moved last year if the Canadians chose to drawdown stocks -- now equivalent to a two year domestic supply -- and there are no further or prolonged disruptions in the transport system.

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In addition to the production shortfall, transport delays -- due to current strikes affecting both East and West coast ports and a traffic accident in the Welland Canal -- now are expected to hold Canadian exports of wheat and feed-grains 1½ million tons, or 8%, below our earlier estimates for FY 75. Total grain exports consequently will be no larger than last year's level of 15.7 million tons, including 11.5 million tons of wheat, 2.7 million tons of barley, and 1.5 million tons of other grains and oil seeds.

The level of wheat exports may be even lower depending on stock withdrawals and pricing policies of the Canadian Wheat Board. In FY 74, the Canadian Wheat Board raised its prices well above those of the US market in anticipation of shortages in the United States. If a similar policy is followed again this year, export volume would tend to be depressed, especially for sales to LDCs already hard pressed by high oil import costs. Also if feedgrain prices escalate, Canada may use its transport capacity to export more feed-grains instead of wheat.

An examination of foreign demand for Canadian wheat by country also indicates a tentative export of 11.5 million tons. Of this amount, over one-half is expected to go to Canada's four largest consumers -- Japan, China, the USSR, and United Kingdom. Inclement weather conditions have lowered

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harvest prospects in China and the USSR. China has already increased imports by one million tons and the USSR is expected to approach Canada seeking 1.5 million tons. Japan is expected to again increase its import demands, and the UK, although decreasing its demand slightly in recent years, will still account for over one million tons. India, usually a major factor, has already received grants of 140,000 tons. High prices will probably keep India out of the market with hopes of an additional grant from Canada of 160,000 tons. The balance of our export estimates are based on past data available from the IWC and assumes Canadian wheat exports to regular customers.

Feedgrains: Canada is a net importer of corn; probably about 700,000 tons from the US in FY 75 compared to 785,000 tons in FY 74. The barley harvest this fall is expected to reach 10.1 million tons, just short of the 1973 crop. Increased stocks, however, could make 3.7 million tons available for export, compared with about 2.7 million tons exported in FY 74. Yet actual export may not exceed 2.7 million tons due to the transport problems mentioned earlier.

South Africa

South Africa is the third largest world exporter of corn. The 1974 crop, harvested in April-June, amounted to a record 11.7 million tons, compared with the drought-stricken 5 million ton crop in 1973. Even so, transport will limit exports to about 4 million tons in FY 75, a dramatic increase over the 400,000 tons exported in FY 74 and slightly above the 3.6 million tons exported in FY 73. Based on past trends, Japan can be expected to purchase 1 million - 1.5 million tons and the UK about 1 million tons. Taiwan has contracted about 450,000 tons. Most of the remainder will go to the EC and Venezuela.

Thailand

Wheat: Thailand produces no wheat, so will import almost 100,000 tons in FY 1975, all of it on strictly commercial terms. Imports from the US are expected to be about 35,000 tons, up from 30,000 tons in FY 74.

Corn: Thailand is a large producer and exporter of corn. Production of corn for FY 75 is estimated at 2.3 million tons, compared with 2.4 million in FY 74. Since domestic consumption is between 300,000 - 400,000 tons per year, exports will decrease from 2.1 million tons in FY 74 to 1.9 - 2.0 million tons in FY 75. Thailand has commitments to sell Japan 1.2 million tons of its 1974-75 crop. Commitments to Taiwan are about 300,000 tons and to PRC 350,000 tons with the small balance going to other Asian nations.

Western Europe and the EC

Grain production in 1974 is expected by USDA to set a record of 137.5 million tons -- 3% higher than last year. The high output results from an expanded grain area of nearly 1 million hectares; yields remain at last year's level. Most of the increased area was sown to wheat, thus contributing to an expected boost in output of 2.8 million tons or about 5%. Production of coarse grains may be up only 2% to 84.5 million tons but recent reports of dry weather in Europe could cause a decrease in production. Major gains in grain production will be registered by Spain, France, and Italy.

Wheat: Little wheat is expected to be available for export by Western Europe from other than the European Community (EC). Given the record harvest of wheat and large carryover stocks in the EC, an estimated 10 million tons should be available for export or for livestock feed. Recent forecasts of a poor US corn crop, high prices on the world market, and US official pressure on the EC to cutback feedgrain imports, however, now means that more wheat will be fed livestock than earlier predicted. The EC Agricultural Commissioner recently told USDA officials that 500,000 tons of wheat/month will be substituted for feedgrains over the next six months. Thus EC exports of wheat outside the area in FY 75 are now estimated at no more than 3 million tons compared to six million tons the previous year. Considerable

uncertainty obviously still surrounds any such quantitative estimates of export levels at this time.

The main wheat importing area in Western Europe is the EC, which may import 4-5 million tons (excluding intra-EC trade) in FY 75 compared with imports of six million tons in FY 74. Hard wheats are imported, as well as durum, for mixing with the domestic soft wheats by the milling industry. The final level of import will depend not only on the size of the harvest but also on milling quality and protein content of the wheat; both were unusually high a year ago.

Feedgrains: Western Europe is a large net importer of feedgrain, especially corn. In FY 74, the region was a net importer of slightly more than 20.5 million tons. The US exported over 15 million tons of feedgrains -- mostly corn -- to Western Europe in FY 74, including 11.5 million to the EC.

According to August estimates of USDA, the region's FY 75 net import demand for feedgrains compared to last year is expected to drop by about 7 million tons. Demand for US corn is expected to fall from 9.3 million tons to 7.8 million. The predicted lower import demand is based on the expanded use of wheat as a feedgrain and a smaller requirement for concentrated feed because of the depressed European live-stock industry. The excess supply of poultry products and pork has resulted in EC actions to reduce numbers of chickens and hogs in the coming year.



Whether the EC reduces imports as much as now forecast 25X1  
remain to be seen. Export contracts for corn is reported  
by US brokers on sales to Western Europe are running ahead  
of those in FY 74. Undoubtedly these data are inflated as a  
hedge against possible imposition of US export controls,  
but there is no way of knowing how much. Also, EC imports  
of corn from South America and Argentina may be stepped up,  
which could put pressure on US corn supplies by other  
importers. It may be early 1975 before the situation is  
clarified.

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Western HemisphereBrazil

Wheat: A 21% increase in domestic wheat production to about 2.4 million tons this year will decrease the need for imports from 2.8 to 2.5 million tons. FY 75 wheat imports from the US are estimated at 1.3 million tons, compared with 1.5 million in FY 74.

Corn: The corn harvest is expected to reach 15 million tons, 9% larger than last year. As a result, Brazil may export up to 600,000 tons of corn in FY 75, compared with only 41,000 tons in FY 74.

Chile

Wheat: Wheat imports in FY 75 are forecast at 950,000 tons, below last year's level of about 1.1 million tons. Earlier forecasts for a substantial rise in wheat output and a big decline in imports have been revised because heavy rains and flooding delayed plantings and destroyed about 10% of the winter wheat crop. Chilean wheat consumption is stagnating, in part, because of an April 1974 decree limiting wheat use to human consumption. It is estimated that 500,000 tons of the FY 75 wheat imports will come from the US, 85,000 tons less than during FY 74. About 400,000 tons of US wheat have been scheduled for delivery during the last half of this calendar year.

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Corn: Corn imports are expected to drop slightly to 250,000 tons -- about 25,000 tons below FY 74 imports. An excellent crop this year and forecasts for continued output increases next year will enable Chile to reduce imports, while increasing total consumption. The increase will be used mainly for animal feed. US corn will probably account for 150,000 tons of this year's imports compared with 126,000 tons last year.

#### Colombia

Assuming favorable weather conditions, production of most grains will increase substantially this crop year, reflecting success of government efforts to stimulate agriculture with credit, technical assistance, and price supports. Output of wheat is expected to increase by 80% to about 100,000 tons and corn by 30% to 760,000 tons. As a result wheat imports in FY 75 are expected to decrease to 380,000 tons, all from the US, compared with 470,000 tons in FY 74, of which 386,000 came from the US. Also Colombia could be a net exporter of corn in FY 75 -- importing 5,000 tons or less from the US and exporting 50,000 tons to other Latin American countries.

#### Mexico

Wheat: Mexican 1974-75 wheat production is estimated at 2.2 million metric tons, up 10% from 1973-74. However, consumption is also increasing at a rate of about 10% per year which is expected to result in imports of roughly 850,000

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tons including 800,000 tons from the US. Mexico took 706,000 tons of US wheat in FY 74.

Corn: Production of corn is expected to expand by 3% to 9.5 million tons in response to the recently increased support price and government provided incentives, such as credit. Nevertheless, imports of about 400,000 tons, all from the US, probably will be required in FY 75 (compared with 1.5 million tons from the US in FY 74) if the country is to meet its increasing domestic consumption and hold stocks at the current level of about 1 million tons (about 5 weeks supply).

Peru

Wheat: Peru's 1974-75 wheat production is estimated at about 160,000 tons or about 7% over last year. The government expected to reduce imports this year by about 8% to 720,000 tons through higher domestic prices and government import restrictions. However, more realistic estimates would put import needs at about 900,000 tons if shortages are to be avoided. The higher estimate means that Peru will probably need about 645,000 from the US. About 260,000 tons have been purchased and Peru asked in August for CCC credit for another 200,000 tons.

Corn: Corn production will decrease slightly, about 3 percent, this year due to shifts from corn to cotton production and short fertilizer supplies. Corn import needs could exceed 300,000 tons, most of which will be purchased from the US. About 220,000 tons of US corn went to Peru last year.

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Venezuela

Little wheat is grown in Venezuela. Because of low stocks, wheat imports in FY 75 should be around 650,000 tons compared to 570,000 tons in FY 74. While 1974 corn production is expected to be up by 25%, an increase in corn imports is expected in FY 75 -- to at least 300,000 tons from 275,000 tons in FY 74 -- because of strong demand and government policy to increase poultry, pork, and dairy production. Most of Venezuela's imports are expected to be South African corn.

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ASIA

Bangladesh

We estimate FY 75 good grain production at about 12.0 million tons -- not significantly different from last year's 11.8 million tons. This estimate includes allowances for recent flood damage.

Imports of at least 1.8 million tons of foodgrains are needed in FY 75 to prevent a deterioration in already minimal grain consumption. (Grain imports in FY 74 totalled 1.7 million tons of wheat, of which 730,000 tons came from the US). This volume of imports will not allow for any stock buildup and will sorely test the government's ability to keep its food distribution system operating. Imports now anticipated, including 150,000 tons of FY 75 PL-480 wheat and rice, will supply about 1 million tons leaving 800,000 tons to be arranged.

The government is seeking to purchase more foreign grain as well as pleading with potential donors for assistance. Government purchases will be severely constrained by a shortage of foreign exchange. A contract for 250,000 tons of wheat was cancelled in July for lack of funds. Additional foreign assistance will be required if the minimum 1.8 million tons are to be imported this year.

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Burma

Severe floods during August this year probably destroyed about 500,000 tons of rice, or about 10% of Burma's annual output. This loss will further erode the country's precarious foreign exchange position and accentuate the already tight domestic food situation. The tonnage, roughly equal to past annual exports represents a prospective loss of at least \$150 million. Food shortages earlier this year led to civil rioting in June, prompting a halt in rice exports and government promises to alleviate shortages of food and other consumer goods through imports.

Burma would like to import 15,000-20,000 tons of wheat in FY 75. The Burmese delegation attending the IMF/IBRD Governor's meeting in Washington in late September may use the occasion to sound out US officials on aid commitments, citing the recent flood losses as justification. If aid is not forthcoming, Burma will probably import only about 10,000 tons of wheat in FY 75, mostly from Australia.

Cambodia

Cambodia's rice import needs for FY 75 will depend not only on the size of its domestic harvest, but on the government's ability to procure this harvest and on changes in the number of refugees residing in government-controlled

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areas. Government losses of territory and farmers, combined with shortages of fertilizer and spare parts, have kept domestic rice output at a fraction of pre-war levels. The 1973/74 crop was one-fourth that of 1969/70, the last pre-war harvest. Although it is still early to estimate the 1974/75 crop, it will probably not be significantly greater than last year's because of continued military operations and reduced availability of fertilizer. As a result, requirements of imported rice for FY 75 will most likely be about the same as last year's or on the order of 300,000 metric tons.

Corn, once an important export, now is imported primarily for animal feed. Domestic corn output, as with rice production depends largely on military developments. It is unlikely, however, that Cambodia's corn import requirements will fall much below the level of 5,000 tons.

Cambodia is completely dependent on foreign aid to finance imports. Foreign exchange earned by exports will cover less than 10% of the country's anticipated imports in 1974, and exchange reserves are currently running at less than two months' worth of imports.

#### India

The fall grain harvest, which accounts for two-thirds of annual grain production, will fall below last year's output of 67 million tons. The US Embassy estimates production

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between 59 and 64 million tons depending principally on rainfall during the remainder of the June-September monsoon.

At the lower end of the grain production forecast -- 59-61 million tons -- India will need imports of 7-8 million tons or more in FY 75. Production at the high end of this range -- 62-64 million tons -- would reduce grain import requirements to about 5-6 million tons. India already has arranged imports of about 2.8 million tons of grain, mostly through commercial purchases. About 500,000 tons of sorghum is included in the total; world shortages of sorghum will likely preclude India buying more.

India has discussed with US officials a need for 8 million tons of concessional grain imports from all sources during the next 18 months, but prospects for such aid are poor. New Delhi is seeking a repeat of last year's 2 million ton grain loan from Moscow. The USSR, however, now appears unwilling to provide additional grain. New Delhi is also seeking 1 million tons of wheat from the EEC which is not likely to materialize. So far, however, India has not officially requested a resumption of PL-480 grain shipments. Instead, India would like grain provided on long term credits, or barter terms, or indirectly through the UN.

Foodgrain imports are a major part of the import bill India faces over the next 12 months. Food, petroleum, and fertilizer import requirements will cost about \$3 billion, some 80-90% of export earnings. With foreign exchange

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reserves of \$1.4 billion, India will need foreign aid beyond existing commitments to meet its import bill.

Indonesia

Wheat: No wheat is produced in Indonesia. As a part of its planned imports of 720,000 tons in FY 75, the government has requested 100,000 tons of US PL-480 wheat. Such a grant is not necessary, however, because Indonesia can afford to purchase wheat commercially with its large new oil earnings. If forced to buy wheat commercially, it is unlikely that Indonesia will buy more than 30,000 tons from the US and 650,000 tons in total. In FY 74 wheat imports totaled 880,000 tons of which 474,000 tons were from the US (227,000 tons under PL-480).

Corn: Corn production in Indonesia is sufficient to meet domestic needs. Although exports of high grade corn for human consumption are forbidden, exports of fodder-type corn for animal feed are allowed. Exports of fodder corn are expected to be about 100,000 tons in FY 1975, possibly to Singapore.

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Iran

Wheat: Earlier predictions of a record wheat harvest have been revised due to the lack of rainfall in April, May and June which seriously affected dry-land wheat and a significant area of so-called irrigated wheat. FY 75 production is now estimated at 3,900,000 metric tons -- slightly under the 3,950,000 metric tons harvested last year. Iran will continue to look to the US for wheat imports to supplement its domestic production. In FY 74 the US supplied Iran with 90% of the one million tons of wheat imported. Under pressure of increased consumption requirements and a desire to boost stocks, Iran will be in the market for 1.3 million tons of wheat in FY 75 with one million tons of that to come from the U.S.

Corn: A small percentage of the total supply of corn in Iran is produced domestically. The major portion of the balance has historically come from the US. The growing demands of poultry and livestock for feedgrain has increased imports of corn into Iran from a yearly average of 25,000 ton in 1969-72 to about 105,000 tons in FY 74. According to the US agricultural attache, FY 75 imports will be 250,000 tons, including 225,000 tons from the US.

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Japan

Wheat: Japan's FY 75 wheat imports are expected to total about 5.7 million tons, up from 5.4 million tons in FY 74. This increase of 5% is in line with the longterm average growth in consumption. Tokyo has assured US officials that imports of US wheat will be much the same as in FY 74, or about 3.2 million tons. The Japanese apparently expect Canada and Australia to supply somewhat larger amounts than they did last year.

Corn: Japanese corn imports, which jumped by nearly 20% to 8.2 million tons in FY 74, should increase only slightly this year. The abnormally large increase in imported feedgrain occurred last year to replace rice, which had been a major source of animal feed until stocks ran out. This year's estimate is subject to change, however, depending in part on the availability of other feeds, especially sorghum and soybeans.

Japan, which normally imports two-thirds of its feed-grain from the United States, bought about 7.0 million tons of US corn in FY 74. Because shipments from Thailand and South Africa are expected to increase to more than 2 million tons this year, Japan's imports from the United States should decline to about 6.2 million tons. Until mid-July the Japanese stayed out of the market in anticipation of a price decline. Since then, however, they have placed orders for more US corn than is needed in FY 75.

Malaysia

Wheat: Traditionally Malaysian import requirements for grain have been obtained from nations in the Southeast Asian region. Malaysian wheat imports from the US are expected to be about 10,000 in FY 75 (down from 15,000 tons in FY 74), while the remainder of the 375,000 tons of wheat requirement will come from Australia.

Corn: Although 23,000 tons of corn were imported from the US during FY 74, this was an anomaly resulting from the shortfall of the Thai crop that year. Corn imports from the US could be as much as 15,000 tons in FY 75, with the remainder of the 200,000 ton corn requirement coming from Thailand.

Pakistan

Government estimates of Pakistan's 1974 spring wheat harvest were lowered recently from 8.6 million tons to between 7.5 and 8.0 million tons. (Our Agricultural Attache is holding his estimate at 8 million tons.) We estimate wheat imports for FY 75 at 800,000 tons. In FY 74, 1.1 million tons of wheat were imported, in part to make up losses incurred in the August 1973 floods. About 500,000 tons came from the US -- 109,000 tons under PL-480.

Wheat imports will go to the government's ration shops to supplement urban consumption at subsidized rates. The

government is about one million tons short of its supply goal of 2.2 million tons. Domestic procurement has been hampered by the smaller than expected spring wheat harvest and the government's below-market procurement price.

Pakistan has already purchased 200,000 tons of US wheat and expects donations from various countries to total about 100,000 tons. Islamabad has indicated it must import at least 500,000 tons more and is pushing for PL-480 assistance and CCC credits.

The nation is in a reasonably good financial position due to the recent rescheduling of its foreign debt, a \$500 million aid commitment from consortium countries and several hundred million in loans from oil-rich Moslem countries. Nonetheless, import costs have soared while markets for its principal exports -- cotton and cotton textiles -- are sagging.

Peoples Republic of China

The PRC appears to be headed for another disappointing harvest and record foodgrain imports. Output in 1974 will likely fail to reach the 250 million tons harvested in 1973 and may fall below the 236 million ton level of 1972, China's poorest harvest in recent years. Yields of early harvested grain crops -- which normally account for 40% of China's grain output -- were below normal because of drought in the north and unseasonable frost in the south. The fall-harvested

crops have been adversely affected by the late arrival and erratic behavior of the monsoon this year. While a good harvest of intermediate and late rice is still possible, the harvest of coarse grains is unlikely to match the good crop of 1973. In addition to weather problems, growth in grain output this year has been limited by holding the growth in fertilizer supply to only 7%, compared with 16% in 1973.

The smaller harvest and expanding needs will push China's imports to about 10 million tons in FY 75, nearly 2 million tons more than last year. The PRC is cutting back corn imports and expanding those of wheat relative to FY 74.

Wheat: Total wheat imports probably will amount to about 9.0 million tons, of which 8.1 million tons have already been contracted. The contracts show 2.8 million tons from the US, 3 million tons from Canada, 2 million tons from Australia, 0.21 million tons from the EC and 0.25 million tons from Argentina. Additional purchases are expected.

Corn: About 750,000 tons of corn will be imported, of which about 500,000 tons are already contracted -- 420,000 tons from Argentina and 80,000 tons from the US (carryover from FY 74). China is not expected to buy more US corn because of dissatisfaction with quality and a deliberate policy of diversifying sources of supply.

PRC Grain Imports (in Thousand Tons)

	<u>Wheat</u>		<u>Corn</u>		<u>Total</u>	
	<u>FY 74</u>	<u>FY 75</u>	<u>FY 74</u>	<u>FY 75</u>	<u>FY 74</u>	<u>FY 75</u>
United States	3,108	3,000	1,734	80	4,842	3,080
Canada	1,608	3,000	0	0	1,608	3,000
Australia	1,216	2,000	0	0	1,216	2,000
Argentina	0	500	342	670	342	1,170
Other and Unknown	0	500	0	0	0	500
TOTAL	5,932	9,000	2,076	750	8,008	9,750

Philippines

Projected imports of wheat for the Philippines are about 630,000 tons for FY 75, up from 524,000 MT in FY 74 when foreign purchases were held down by high costs and domestic pricing problems. Three-fourths of this year's imports will come from the US and the major part of the remainder will come from Canada.

Corn production will be up slightly this year, but corn imports are expected to increase by 10,000 tons to at least 100,000 tons in FY 75. Imports from the US will be about 80,000 tons. The Philippines has asked for 50,000 - 60,000 tons through the PL-480 program and intends to get the balance through commercial transactions. If aid is not forthcoming, the full 80,000 tons probably will be purchased. Imported corn, which is used by commercial feed millers, releases domestic white corn for human consumption.



Saudi Arabia

Wheat: Improvements in rural living standards which will trigger a shift in diets from millet and sorghum to wheat and rice account for the estimated increase in total wheat imports of 600,000 metric tons in FY 75 from 475,000 tons in FY 74. With expanding US-Saudi relations, wheat imports from the US during FY 75 can be expected to increase to about 400,000 tons from an estimated 250,000 tons in FY 74.

Corn: Saudi Arabia's corn imports reached at 31,744 tons in 1965 but remained below that level in 1966-73. New facilities to prepare poultry feed from imported corn will push corn import needs to around 30,000 tons in FY 75 with about 10,000 tons expected from the US.

South Korea

Wheat: In FY 74, South Korea imported an estimated 1.6 million tons of wheat and 25,000 tons of wheat flour, all from the United States. Domestic production from the June-July 1974 harvest is down 8% to 150,000 MT and consumption has been increasing. It is tentatively estimated that FY 75 wheat imports will reach 1.7 million tons in FY 75. It is difficult to estimate requirements during the last half of FY 75 until more is known about what the relationship of rice vs wheat flour will be at the retail level. Recent

price changes tend to favor consumption of wheat over rice to reverse a trend.

Corn: In FY 74, South Korea imported about 465,000 MT of corn including 420,000 MT from the US and nearly 45,000 MT from Thailand. In FY 75, requirements for feed corn are likely to reach 520,000 MT, while those for non-feed purposes should total about 140,000 MT. Production of corn this September-October is likely to total at least 60,000 MT, the same as last year. Since no change in stocks is indicated, FY 75 corn imports are estimated at 600,000 MT. Thailand will provide some 100,000 MT, with the remainder being sought almost entirely from the US.

Rice: Rice imports in FY 74 amounted to 155,000 tons. Last year's October-November crop totaled a record 4.21 million tons, but this year's harvest is likely to be lower due to unfavorable weather, insufficient fertilizer, and insect damage. Government-owned rice stocks are low, and in June Seoul purchased 200,000 tons of US rice on a commercial basis for delivery in FY 75. Additional imports probably will be needed later in the fiscal year, but the amount is uncertain. In May, the Koreans asked for \$86 million worth of PL 480 rice deliveries in FY 75 -- an estimated 250,000 tons at current US prices.

Korea's ability to finance grain imports during FY 75 is being adversely affected by soaring oil import costs.