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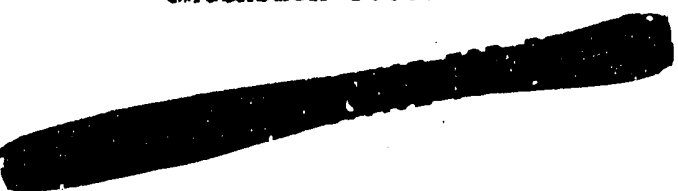
9 JUN 1975



MEMORANDUM FOR: Mr. John Ray  
Director, Office of Trade Policy  
Department of the Treasury

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

1. In response to your request we are transmitting an update of our 28 February 1975 study of the World Supply/Demand Situation for Grain. This is the fourth in a series of reports on this subject. The thrust of the analysis is aimed at estimating foreign demand for US wheat and corn in the 1974/75 marketing year.
2. A short section has been included on world wheat production prospects for 1975/76. The excellent outlook is currently depressing demand for old crop wheat and corn in international markets.
3. Because of the interest of other governmental components in this subject, this Office may send the attached paper to other interested officials.
4. Please let us know if we can be of any further assistance. Queries concerning the attached contribution should be directed to [redacted] code 143, 25X1A9a extension 5868.



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Chief  
Industrial Nations Division  
Office of Economic Research

Attachment:  
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# WORLD SUPPLY AND DEMAND FOR GRAIN, 1974/75

(WITH EMPHASIS ON FOREIGN DEMAND FOR US WHEAT AND CORN)

REPORT No. 4

OFFICE OF ECONOMIC RESEARCH  
CENTRAL INTELLIGENCE AGENCY  
6 JUNE 1975  
S-07525

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CONFIDENTIAL  
NO FOREIGN DISSEMWorld Supply and Demand for Grain, 1974/75Introduction

This updates our 28 February 1975 report on alternative estimates of world export supply and demand for grain (excluding rice). It represents the fourth and possibly final report on the 1974/75 grain situation. It compares CIA estimates with those of USDA\* and, for wheat, with the International Wheat Council (IWC). The analysis is aimed at determining the foreign import demand for US wheat and corn in the 1974/75 marketing year (MY).\*\*

We have included in this report a brief section on prospects for the 1975/76 world wheat harvest. This was included because of the impact it is having on import demand for wheat during the current marketing year, which ends on 30 June 1975. Some of the US new crop wheat will be marketed this month.

The analysis and judgments arrived at in this report were based on data available as of 26 May 1975.

Appendix A provides a discussion of the grain situation in selected individual countries. Appendix B explains the methodological approach we used to estimate foreign demand for US grain.

\*All references to USDA estimates in this report refer to those contained in the Foreign Agriculture circular FG6-75, 16 April 1975 and Wheat Situation, ERS, May 1975.

\*\* The marketing year for wheat is 1 July - 30 June and for corn, 1 October - 30 September.

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### Key Findings

- The world grain situation has eased considerably during the past 3 months with further easing expected if bullish prospects for 1975 grain crops hold. Currently a 7-10% increase in wheat production is forecast.
- World stocks of both wheat and corn will be drawn down -- mostly in the US -- to a low level but above earlier predictions.
- We estimate foreign demand for US wheat and flour for FY 1975 at 30 million tons\* or about the same as USDA. Shipping rates indicate, however, that actual exports may fall 1/2 million tons short of this projection.
- A sharper cut in feedgrain usage and larger exports from southern hemisphere corn producers than predicted 3 months ago have combined to ease the tight corn supply situation.
- Foreign demand for US corn in MY 75 is estimated at 27.9 million tons, down 300,000 tons from our February estimate. Stocks on 30 September 1975 will still be at a dangerously low level.
- Futures quotations point to lower grain prices in the fall. Markets however will remain sensitive to any marked changes in harvest prospects during the coming months because of the low stock levels in the US.
- USSR grain import intentions are still a big unknown and may not be known before late summer. It will take Soviet purchases of more than 3 million tons to strengthen prices according to private traders.

\*metric tons are used throughout this report.

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and Outlook for 1975/76

1. The tight world supply/demand balance for wheat has continued to ease since last November. Prices have fallen by nearly 40% with \$3.00 per bushel wheat projected by USDA. However, the market situation is expected to remain sensitive to weather reports until Northern Hemisphere spring planted crops are harvested in the fall of 1975. Although world carryover wheat stocks on 1 July 1975 will be slightly larger than previously projected, they will still be below last year. Therefore next year's export requirements are more dependent than ever on an increase in wheat output in Canada, Australia, and Argentina, as well as the US. Current projections for 1975/76 wheat output indicate a 7-10% increase over last year.

World Wheat Production, 1974/75

2. Production estimates remain virtually the same as those made last February. Based on firmer estimates for the southern hemisphere, world wheat production is now put at 347 million tons, 20 million tons short of last year's record level. A 26 million ton drop in the Soviet crop as well as smaller reductions in Canadian, Australian, and Argentine harvests more than offset record harvests in the US and West Europe. (See Table 1)

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Table 1

World Wheat Production<sup>a/</sup>

(In million metric tons)

<u>Country or Region</u>	<u>1972/73</u>	<u>1973/74</u>	<u>Preliminary 1974/75</u>	<u>Forecast 1975/76</u>
Argentina	6.9	6.6	5.1	6.5
Australia	6.4	12.1	11.7	12.0
Canada	14.5	16.5	14.2	17.3
East Europe	30.6	31.6	33.4	31.0
India	26.4	24.7	22.1	26.0
West Europe	51.4	50.7	55.9 <sup>b/</sup>	52.0
USSR	86.0	109.8	83.8	105.0
USA	42.0	46.4	48.8 <sup>b/</sup>	57.8
Other	<u>70.7</u>	<u>68.4</u>	<u>71.3<sup>b/</sup></u>	<u>75.0</u>
Total	334.9	366.8	346.3	382.6

<sup>a/</sup> Production data include all harvests occurring in the May-April period of years shown.

<sup>b/</sup> No independent estimates made, accepted those of USDA.

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World Import Demand for Wheat, FY 1975

3. Our estimate of the total world import demand for wheat has changed only marginally since February, from 65.3 million tons to 65.6 million tons. This compares with lower projections by USDA and the International Wheat Council (IWC) of 64.6 million tons and 64.3 million tons, respectively. CIA estimates are somewhat higher for each of the major regions than those of USDA or IWC. The drop in wheat prices and higher than previously expected levels of PL-480 aid have contributed to the increase in effective import demand. Because of shipping delays, however, the total volume imported by 30 June 1975 may not exceed 64 million tons.

4. Total imports of about 65 million tons would exceed last year's level by over 3 million tons and be only 2 million tons short of the record set in FY 73. Import requirements this year are up nearly 7 million tons for the near East and south Asia regions. This sizable increase is only partially offset by smaller import requirements for Europe and South America.

(See Table 2)

Export Availabilities

5. The availability of wheat for export in FY 75 has gone up about one million tons since our February estimate to a total of 69 million tons. This resulted from smaller than expected quantities of wheat being fed to livestock in

Table 2

World Imports of Wheat, FY 74 and Estimated FY 75

(In Thousand Metric Tons)

Region	FY 1974	FY 1975 <sup>a/</sup>	
		CIA (29 May)	IWC (13 Apr)
Europe	<u>16,050</u>	<u>13,296</u>	<u>12,850</u>
West Europe <sup>b/</sup>	7,554	6,605	6,250
East Europe	4,107	3,996	4,100
USSR	4,389	2,695	2,500
West Hemisphere	<u>9,118</u>	<u>8,211</u>	<u>7,500</u>
North and Central America	2,590	2,707	2,600
South America	6,528	5,504	5,200
Asia	<u>28,029</u>	<u>34,836</u>	<u>34,400</u>
Near East	4,016	6,591	6,500
Far East	24,103	28,245	27,950
Africa	<u>8,448</u>	<u>9,042</u>	<u>8,800</u>
Oceania	<u>188</u>	<u>326</u>	<u>500</u>
World Total	<u>61,909</u>	<u>65,637</u>	<u>64,350</u>

a/ USDA does not publish a similar regional breakdown for comparison. Their estimate of total exports is 64.6 million tons.  
 b/ Excludes intra EC-9 trade.

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the EC and the US. Export availability is more than adequate to cover world demand. The EC and Australia will have larger surpluses to export than a year ago without drawing down stocks. However, for the other major exporters -- the US and Canada -- the maximum amount of wheat available for export is based on a drawdown in stocks by 30 June 1975 to minimum acceptable levels. It is now certain that US stocks, already at a 25 year low, will not be drawn down further.

6. As shown on Table 3, of the major exporters only Argentina is expected to export up to its full potential. Transportation delays, measures to restrict sales early in the market year, bullish projections for the 1975 wheat crop, contract cancellations, and late allocations to aid programs (such as PL-480) will all contribute to holding actual shipments in FY 75 to less than 65 million tons. Probably as much as a million tons sold for delivery in FY 75 will not be shipped until after 30 June.

Foreign Demand for US Wheat

7. CIA forecasts the FY 75 export demand for US wheat (including flour) at nearly 30.3 million tons, 900,000 tons less than our February estimate. USDA has maintained their estimate at 29.9 million tons. Thus the difference in estimates is now only 400,000 tons, an insignificant difference. This amount compares with exports of 31.1 million tons a year ago.

Table 3

World Exports of Wheat and Flour by Source

(million metric tons)

<u>Exporter</u>	<u>FY 73</u>	<u>FY 74</u>	<u>FY 75 Estimates<sup>a/</sup></u>	
			<u>Available</u>	<u>Actual</u>
Argentina	3.5	1.1	2.5	2.5
Australia	5.6	5.5	9.0	8.0
Canada	15.6	11.7	11.3	10.6
West Europe <sup>b/</sup>	6.5	5.8	9.0	8.2
USSR	1.3	5.0	3.7	3.7
US	31.5	31.1	32.0	30.0
Other	<u>2.9</u>	<u>1.6</u>	<u>1.5</u>	<u>1.5</u>
Total	67.2	61.8	69.0	64.5

<sup>a/</sup> Estimates as of mid-May 1975.

<sup>b/</sup> Excludes intra EC-9 trade.

8. CIA estimates by region and selected countries are compared to shipments plus outstanding export sales (SOES) in Table 4. Since last November the SOES has increased by about 5.5 million tons to 30.7 million tons or 101% of our export estimate for the year. Although the SOES for the EC-9, still exceeds CIA estimates, it has dropped 1.3 million tons. We believe that additional contracts will be cancelled or that some of the wheat will be transhipped to Eastern Europe.

9. Our earlier judgments have been borne out that there is less speculation in the wheat market this year than a year ago, and therefore, the SOES for wheat now represents a relatively good indicator of export demand. Nevertheless some contracts will be cancelled and some purchases delayed to take advantage of lower prices, so that actual shipment of US grain by 30 June may fall short of the 30.3 million tons we have projected. It will mostly depend on how fast PL-480 shipments are covered or officially allowed to extend into FY 76, such as the 2 month extension recently granted Egypt.

10. US exports of 30.3 million tons of wheat would draw down stocks for the third successive year. Given this level of export and USDA's Outlook Board projection of 19.2 million tons (707 million bushels) for domestic consumption, carryover stocks on 30 June 1975 would be down to 6 million tons the lowest level in 25 years. This amount would be some

ESTIMATED DEMAND FOR US WHEAT AND FLOUR EXPORTS, FY 75<sup>a/</sup>  
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 (In Thousand Metric Tonn)

Destination	MY 74	CIA Forecast FY 75		SOESB/ <sup>b/</sup>
		Feb	May	18 May 1975
<b>Western Hemisphere:</b>				
Mexico	704	830	832	832
Brazil	1,550	700	700	795
Chile	600	600	570	602
Colombia	472	300	380	380
Peru	490	535	520	608
Venezuela	607	540	540	601
Central America	299	341	262	334
Others	1,145	734	752	585
Sub-total	5,877	4,580	4,556	4,731
<b>Europe:</b>				
USSR	2,725	1,140	1,115	1,115
Eastern Europe	851	715	137	145
EC-9	2,477	2,525	2,466	2,606
Other West Europe	693	485	371	364
Sub-total	6,746	4,865	4,089	4,280
<b>Asia:</b>				
Japan	3,067	3,200	3,268	3,299
India	1,620	4,500	4,900	4,811
Taiwan	849	550	525	411
People's Republic of China	3,190	1,595	1,595	1,449
Korea, South	1,588	1,700	1,800	1,775
Iraq	459	550	500	502
Iran	584	1,700	1,700	1,710
Israel	449	425	370	368
Philippines	385	450	380	322
Bangladesh	730	1,100	900	867
Indonesia	315	110	140	130
Pakistan	544	900	900	904
Vietnam, South	119	100	50	48
Turkey	329	665	640	961
Other	834	905	1,037	967
Sub-total	15,062	18,450	18,705	18,524
<b>Africa:</b>				
Algeria	1,046	665	655	661
Egypt	713	1,000	850	988
Morocco	599	800	655	424
Nigeria	368	300	240	237
Sudan	656	155	155	80
Others		365	390	274
Sub-total	3,382	3,285	2,945	2,664
Total Wheat	31,067	31,180	30,295	30,205
Flour and Products	c/	c/	c/	c/
Total Wheat and Flour	31,067	31,180	30,295	30,205
Unspecified				
Destination	---	---	---	541
Total Wheat (known and unknown destination)	---	---		30,746

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

b/ Wheat Shipments inspected for export 1 July 1974 through 18 May 1975 plus Outstanding Export Sales as of 18 May 1975 for the balance of FY 1975

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

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400,000 tons smaller than USDA's estimate. Unless export shipments pick up carryover stocks could be at 6.8 million tons, exceeding estimates of both USDA and CIA. Private grain traders estimate that 1 July 1975 carryover stocks will be equal to or larger than a year ago.

11. Total US inspections of wheat for export in the 1 July 1974 - 11 May 1975 period were running 2.3 million tons behind a year ago. These data imply an annual rate of export of only 28.9 million tons (excluding flour). Larger shipments of wheat and flour can be expected in June, reflecting recent commercial purchases and fulfillment of delayed PL-480 commitments. It is doubtful that the shipments will be large enough, however, to push total US exports of wheat and flour in FY 75 to the level estimated by USDA or CIA of 29.95 and 30.0 million tons, respectively.

Prospects for 1975/76 World Wheat Production

12. We are currently estimating a record 1975/76 world wheat crop of about 380 million tons, nearly 10% larger than last year. This compares with increases of 7% projected by USDA and IWC. These projections all assume normal weather conditions until harvest time. This level of output should meet import demand and provide for some stock rebuilding.

13. The area planted to wheat is expected to be up in all the major exporting countries according to planting intentions

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reports of farmers. Bumper harvests are expected in the US and Soviet Union which will more than offset smaller crops in Europe and north Africa (See Table 1). Nevertheless, any production forecast at this time should be read with caution. Weather dominates the short-run factors affecting output. Weather conditions so far have been favorable over most of the winter wheat areas in the northern hemisphere. This could quickly change as in 1973/74, however, and adversely affect the outlook for spring wheat yields of important producers like Canada and the Soviet Union. Also, in the southern hemisphere wheat has yet to be planted and won't be harvested until December 1975.

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Corn: Supply/Demand Situation 1974/75

14. The tight world supply/demand situation for feedgrains in 1974/75 has continued to ease somewhat during the past three months. Although total supplies show a slight decrease, total consumption has decreased more. World feedgrain production for 1974/75 is estimated to be some 41 million tons below the previous year, and USDA April production estimates show a net decrease of about 600,000 tons from ten weeks earlier. Production improvements were registered for South Africa and Eastern Europe while offsetting decreases were registered for Australia and Argentina. Virtually all of the decrease in world demand has occurred in the US. Because of the resulting price decline, foreign buyers are absorbing the grain released by the decrease in US consumption and maintaining feedgrain usage near 1973/74 levels.

World Production of Corn, 1974/75

15. World production of feedgrains in 1974/75 is now projected to be down by 6.8 percent -- to about 563 million metric tons in 1974/75 compared to 607 million tons in 1973/74. Over 36 million tons of the decrease from last year is in the US alone. World production of corn has declined similarly, with production of the major exporters down by 12.5% to 140 million tons. Although production in Argentina

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South Africa, and Thailand is estimated to be up by over 5 million tons, it was not enough to offset a 25 million ton shortfall in the US corn crop. Production in the EC and USSR was also down by about 10%.

Table 5  
Estimated Corn Production of Major Exporters

	(million metric tons)	
<u>Exporter</u>	<u>1973/74</u>	<u>1974/75</u>
US	143.4	118.1
Argentina	9.9	8.4
South Africa	4.2	11.0
Thailand	<u>2.4</u>	<u>2.4</u>
Total	159.9	139.9

Export Availabilities

16. Corn export availability in MY 1975<sup>a/</sup> has increased since our February estimate because the larger than expected decrease in US domestic consumption and the higher production in other exporting countries. The maximum total export availability of the major exporters now exceeds the MY 74 export level by 200,000 tons. (See Table 6) While corn exports of non-US suppliers should be up by over 3 million tons barring further transport difficulties, those of the US will be down by

a/ The marketing year (MY) for corn is 1 October - 30 September, unless otherwise noted.

nearly 2 million tons. Adding another 2.9 million tons of corn exports from other countries, such as the EC, Brazil, and Indonesia -- raises the maximum total export availability to 44.2 million tons or about equal to last year's export level (excluding intra EC-9 trade).

Table 6

## Availability of Corn for Export in MY 1975

(million metric tons)		
<u>Exporter</u>	<u>MY 74</u>	<u>Forecast MY 75</u>
US	31.6	29.7*
Argentina	5.2	5.8
South Africa	1.2	3.9
Thailand	2.0	1.9
Other	<u>4.0</u>	<u>2.9</u>
Total	44.0	44.2

World Import Demand for Corn

17. Worldwide import demand for corn in MY 75 is now estimated at 42.2 million metric tons -- a 4% drop from last year -- and less than export availability. The lower import demand is due mostly to depressed livestock markets in the industrial countries. US livestock producers are expected to feed nearly 23% less grain because of the unfavorable ratio of feedgrain prices to livestock prices.

\*This represents an export availability assuming USDA's estimate of domestic use of 94 million tons and ending stocks of 6.7 million tons. The ending stocks figure is 3.5 weeks domestic supply and represents the lowest level to which stocks could be drawn without seriously disrupting the domestic market.

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On the other hand, livestock producers in Europe are now expected to feed about the same amount of grain to livestock as last year. Because of declining US corn prices, the EC will probably feed only about 900,000 tons more of soft wheat than last year instead of the additional 2.2 million tons expected in December. The USSR has entered the corn market for almost 2.2 million tons this year. The PRC has cut corn shipments -- used for human consumption -- by more than 1.4 million tons due to a good domestic crop and foreign exchange problems.

18. Importing countries are not actively pursuing policies designed to decrease feedgrain usage so the decrease in overall import demand is due solely to market forces. The USSR is adhering to its goal of producing more meat to upgrade Soviet diets. The EC is protecting its domestic livestock industry, thus shoring up the demand for imported feedgrains by limiting meat imports and supporting domestic livestock prices. The largest decrease in corn or feedgrain usage seems to be occurring in the US -- currently forecast by USDA at 20% -- where the relatively unprotected livestock industry is depressed. If the current lower prices for grain continue to prevail, however, increased feeding of wheat can be expected in the coming months.

Foreign Demand for US Corn

19. CIA estimates foreign demand for US corn in MY 75 at 27.9 million tons, slightly above USDA's April estimate of 27.3 million tons but 300,000 tons below our February forecast. Shipments plus outstanding export sales (SOES) to known destinations as of 18 May totaled 28.9 million tons, about 2.7 million tons less than the US exported in MY 74. CIA estimates are shown in Table 7.

20. We agree with the EC Commission projection of total import needs at 12 million tons of corn -- up about 3.4% from the 11.6 million tons imported last year. The EC sources of corn imports will be 1.3 million tons from Argentina 1.0 million tons from South Africa and 800,000 tons from other non-US sources, leaving 8.9 million tons to be obtained from the US or 10% less than the 9.9 million tons last year. While we tentatively accept the EC estimate of 12 million tons under present circumstances, EC total imports could fall below 12 million tons, including the 8.9 million from the US, if the price relationship between imported corn and domestic soft wheat warrants. The EC as of 18 May had already received or contracted for 11.5 million tons of US corn in MY 75 according to US exporters. This is down from 15 million tons in February. We estimate that (1) additional contracts will

TABLE 7  
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 DEMAND FOR US CORN EXPORTS,  
 MARKETING YEARS<sup>a/</sup> 1974 AND 1975

(In Thousand Metric Tons)

Destination	MY 74	Forecast MY 75		SOES <sup>b/</sup>
		28 Feb 75	30 May 75	18 May 75
<b>Western Hemisphere:</b>				
Mexico	1,194	1,750	1,250	1,243
Canada	1,267	1,000	1,000	1,170
Other	795	900	910	
Sub-total	3,256	3,650	3,160	2,413
<b>Europe:</b>				
USSR	3,016	1,300	850	852
Eastern Europe	908	3,140	3,210	2,311
East Germany	(152)	(1000)	(1300)	(755)
Poland	(483)	(1000)	(1000)	(678)
Romania	(195)	(975)	(800)	(735)
Other	(78)	(165)	(110)	(143)
Economic Community	9,854	8,500	8,900	11,536
Other West Europe	3,986	3,850	4,320	4,152
Spain	(2501)	(2000)	(2180)	(2248)
Portugal	(492)	(1000)	(1050)	(1020)
Greece	(836)	(400)	(610)	(651)
Other	(157)	(450)	(480)	(282)
Sub-total	17,764	16,790	17,280	18,851
<b>Asia:</b>				
Japan	6,382	6,100	5,300	5,694
Taiwan	305	200	300	339
People's Republic of China	1,465	0	0	} 899
South Korea	381	490	490	
Other	463	540	670	
Sub-total	8,996	7,330	6,760	6,932
<b>Africa:</b>				
	734	420	650	681
Total Corn Products	31,178 <sup>e/</sup> 406	28,190 c/	27,850 c/	28,877 ---
Total Corn and Products	31,584 <sup>e/</sup>	28,190	27,850	28,877
Unspecified destination	---	---	---	933 <sup>d/</sup>
Total	---	---	---	29,870

a/ 1 October through 30 September of year shown.

b/ Corn shipments inspected for export 1 October 1974 through 18 May 1975 plus outstanding export sales as of 18 May 1975 for the balance of the 1975 marketing year. Data compiled from USDA, FAS, Exports.

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

d/ Includes 76,600 tons of unsold corn shipped abroad on broker's accounts and 67,000 tons already shipped as optional origin.

e/ Includes 428,000 tons to unspecified destinations.

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be cancelled, (2) corn from other countries may be used to fulfill the contracts, and (3) part of the grain will be transhipped to other European countries.

21. Total corn import requirements for Eastern Europe are estimated at 3.6 million tons with 3.1 million tons from the US. While the SOES for Eastern Europe are lower than our estimates, we believe that transhipments through the EC will make up the discrepancy.

22. Other West European countries have been making purchases recently, apparently taking advantage of falling US corn prices. Spain's SOES now stands at about 2.2 million tons and Portugal has been purchasing US corn from Romania. We estimate other West Europe total import demand for corn at 6.2 million tons with 4.3 million from the US, slightly up over last year.

23. CIA estimates on total corn imports for the Western Hemisphere have decreased in the last 3 months -- all due to lower Mexican imports. We estimate total corn import demand for the Western Hemisphere to be about 5.1 million tons, including about 3.2 million from the US and 1.7 million from Argentina. Mexico's total corn consumption appears to be less than earlier forecast so that corn purchases will be reduced accordingly. We now expect Mexico to import almost 2.4 million tons of corn in MY 75 with over 1.2 million

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from the US and most of the remainder from Argentina.

24. Asia's total corn import demand -- estimated at 11.6 million tons -- is down about 500,000 tons from 3 months earlier due primarily to a lower import demand for Japan. Japan's decreased demand is a result of both lower livestock feeding and industrial use. We now expect Japan to import 7.4 million tons of corn in MY 75 with 5.3 million from the US and most of the remainder from South Africa and Thailand.

25. The USSR has cancelled some contracts for US corn and substituted some Argentine corn. The cancellations and substitutions were made on the basis of poor quality problems, although falling prices may have been an important consideration. We estimate the Soviet total imports at 2.2 million tons, including about 850,000 tons from the US.

26. The estimates of both world import and US export demand are indicators of market pressure rather than estimates of final exports. Using our estimate of US corn export demand and USDA's latest estimates of domestic production and usage, US stocks as of 30 September 1975 would be drawn down to about 8.6 million tons -- 3.7 million tons less than the previous year but enough to ensure orderly marketing. This compares with the USDA outlook board projection of ending stocks at 9.1 million tons. Nevertheless, upward price pressure is not indicated unless there are increases in demand which are not

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apparent now. However, if US corn usage recovers -- spurred by declining prices -- or if the prospects for a large 1975 grain crop deteriorate, the current bear market for corn could quickly reverse itself.

27. Corn moving out of the US began slowly this marketing year, picked up rapidly and declined somewhat in the last 4-6 weeks. US corn exports in the 1 October - 23 May period were 1.8 million tons less than in the same period last year. This rate implies an annual export of 30.8 million tons for MY 75, exceeding both CIA and USDA estimates. However, the export rate for the balance of MY 75 can be expected to drop below that of the last 5 months as more southern hemisphere corn becomes available.

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## APPENDIX A

### SITUATION IN SELECTED COUNTRIES

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EXPORTERS

Argentina

Adverse climatic conditions seriously damaged Argentina's wheat and feedgrain crops this year. The 1974/75 wheat harvest was cut to about 5.1 million tons, some 25% below last year's production, while output of corn is not expected to exceed 8.4 million tons -- down 15% from last year. Sorghum plantings were also damaged by heavy rains and production is estimated at 4.5 million tons, also down some 15%.

Despite the decline in the major grain production, large carryover stocks are permitting exports of around 2.5 million tons of wheat and will probably permit shipments of about 8.0 million tons of feedgrains in US MY 75. Exports during the first part of MY 76 will be limited, however. Less than 100,000 tons of wheat will be available for export during the July/November 1975 period prior to the December harvest. Lower feedgrain production will also keep export supplies of corn and sorghum to around 500,000 tons each for the September 1975 - March 1976 period until new crops are available in April 1976. The export situation will be particularly tight for wheat, however, since commitments for 1975/76 already exceed 900,000 tons and the current durum crop appears to be

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overcommitted. While imports of 30,000 tons or more of durum may be necessary later this year, careful scheduling of shipments should preclude larger imports or the necessity of cancelling export contracts.

(million tons)

	Production		Exports <sup>1/</sup>		Shipped thru 4/75
	1973/74	1974/75	1973/74	1974/75	
Wheat	6.6	5.1	1.1	2.5	(2.0)
Corn	9.9	8.4	5.2	5.8	(2.8)
Sorghum	5.2	4.5	3.2	2.2	(1.1)

<sup>1/</sup> 1 July - 30 June for wheat; 1 October - 30 September for corn and sorghum.

This year more than one-third of the Argentine wheat exports are going to the USSR and Italy, about one-fourth to Asia and Africa and the remainder to South American countries. Italy and other European countries will take over 40% of Argentine corn exports; the USSR will take about 15%; Latin America, including Mexico, Cuba, and Venezuela, almost 30%; and Asia and Africa the remainder.

#### Australia

Taking into account carryover stocks from the bumper 1973/74 harvest and an estimated output of 11.7 million tons from the 1974/75 harvest, the Australians have 9 million tons of wheat available for export during FY 75. Exports are

unlikely to exceed 8 million tons, however, as only 6.5 million tons had been exported by 26 April. Nearly half of the total has been shipped to 4 countries -- China, the USSR, Egypt and Japan. The Wheat Board is projecting a 7% increase in acreage in the 1975/76 crop year that could produce a crop of about 12 million tons.

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 2.8 million tons this spring, which should leave 1.6 million tons of barley available for export during FY 75 compared with 1.2 million tons exported during FY 74.

	Production		Exports	Projected
	1973/74	1974/75	FY 74	Exports FY 75
Wheat	12.1	11.7	6	8
Barley	2.4	2.8	1.2	1.6

Brazil

Brazil's corn crop is expected to total some 16-17 million tons. Corn exports have increased rapidly since the latter part of 1974 with shipments of approximately 700,000 tons during the last quarter alone. Exports for the marketing year ending 30 September 1975 could total

some 1.7 million tons, making Brazil a major exporter. Most of the recently harvested crop appears to be uncommitted at this time except for sales to the USSR and Europe totaling some 300,000 tons. Broker activity, however, has been concentrated in the Middle East including large offers to Iran and Kuwait. Other negotiations have been observed with dealers in Hong Kong and Taipei but few sales are evident.

Canada

Wheat: Canada will have difficulty this year matching the FY 74 export level of 11.7 million tons. Although roughly the same amount is available, exports probably will not exceed 10.6 million tons, primarily because of strikes and transport problems.

Canada's 1974/75 wheat harvest totaled 14.2 million tons -- down 2 million tons from the previous crop year and about 15% below the 10 year average. An unusual combination of factors accounted for the reduced harvest. Wet spring weather forced a 4% reduction in acreage. Subsequent drought, early frost, and wet harvest conditions cut yields by 10%.

July - June Fiscal Year  
(million metric tons)

	Production		Exports	Projected
	1973/74	1974/75	1973/74	Exports 1974/75
Wheat	16.2	14.2	11.7	10.6
Barley	10.2	8.8	2.4	2.1

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Wheat quality was also affected by the early frost. Only 35% was graded No. 1 & 2 Canadian Wheat Red Spring milling compared with 86% in 1973. Another 34% was graded No. 3 CWRS milling. Utility wheat -- usually used only for feeding livestock -- accounted for about 30%, or 4 million tons, compared to the usual 1% of the crop.

Despite a smaller crop, Canada has the same amount available for export -- about 11.7 million tons -- that was exported last year. Domestic consumption will probably amount to about 5.0 million tons, leaving 9.2 million tons available for export from the current crop. In addition, Ottawa has stated it would permit a roughly 2.5 million ton stock drawdown this year.

Nonetheless, Canada is not likely to ship more than 10.6 million tons of the 11.7 million tons of wheat available for export in FY 75. Both east and west coast ports have been plagued by strikes since last July. As a result, only 8.1 million tons of wheat were shipped during the July 1974 - April 1975 period compared with 9.3 million tons a year earlier. Although all strikes are now settled, it is unlikely that more than 2.5 million tons can be shipped in the final two months of this fiscal year. Even the current level of wheat exports has cut into other grain exports. Feedgrains are running 5% behind 1974 marketing year schedules and oilseed exports are 40% behind.

A spokesman for the Canadian Wheat Board (CWB) has also admitted problems in selling the large amounts of utility wheat now filling grain elevators. According to trade sources, only 300,000 tons of the utility grade were committed as of early 1975. Although regular customers have accepted some for livestock feed, close to 3 million tons probably remain unsold.

To date, only one major wheat sale has been announced by the CWB for FY 76. The PRC has purchased 1.1 million tons, the third contract under the three-year agreement signed in 1973. Shipments to the PRC have been running behind schedule so far this year with only a little more than 1 million tons shipped compared with over 2 million tons committed. Some of this year's sales will probably be carried over to FY 76, the exact amount depending upon the priority that the PRC receives.

The outlook for the 1975/76 wheat harvest is good. A March survey of planting intentions indicates a 7% increase in acreage over last year to 24.5 million acres. Assuming a yield of 26 bushels per acre -- the average of the last 5 years -- production should reach 17.3 million tons, up 22% from the 1974/75 crop.

Feedgrains: Canada, a net importer of corn, probably will import 1 million tons from the United States in MY 75

compared to 1.3 million tons in MY 74. The large amount of utility grade wheat and reduced feedgrain exports account for the reduced import demand. Barley production was down to 8.8 million tons, about 14% below the 1973 crop. The reduced crop and transport problems will make only 2.1 million tons available for export in FY 75, down from 2.4 million tons in FY 74.

#### South Africa

South African corn exports during October 1974 - September 1975 probably will fall in the range of 3.7 million to 4.0 million tons, the maximum that the rail and port system is capable of handling. About 3.9 million tons were available for export at the beginning of October 1974 from that year's record 11 million ton crop, harvested in April-June. Preliminary estimates indicate that the crop currently being harvested will again be excellent, totaling approximately 10 million tons. This will be more than enough to keep shipments flowing through September 1975 at the maximum of transport capacity.

#### Thailand

Thailand is expected to have 1.9 million tons of corn for export in US MY 75. Thai corn sales to Japan have been revised downward because of differences over price. The original contract called for the sale of 1.2 million tons, whereas now only 850,000 tons will be delivered. Thai corn sales to Singapore will probably be about 200,000 tons --

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compared to 269,000 tons last year -- and Kuwait is expected to take some 20,000 tons, the same as last year. Most of the remainder will probably be sold among other Southeast Asian countries with likely recipients being Taiwan, Hong Kong and Malaysia.

Western Europe

West European grain production reached a record 140 million tons in 1974 and may reach a new record in 1975. The high 1974 output resulted from an expanded grain area of over half a million hectares and higher yields of all grains but corn. Most of the increased area was sown to wheat, thus contributing to a 10% or 5.2 million ton boost in wheat output. Production of coarse grains was up only slightly to 84 million tons because of a late summer drought that reduced the French corn harvest. 1975 production prospects point to a 5% decrease in wheat production due to a smaller area sown to wheat and slightly lower yields, but larger acreages and higher yields for coarse grains should more than offset the lower wheat production.

Wheat: According to the USDA, an estimated 8.3 million tons of wheat is expected to be available for export by Western Europe, mostly from the European Community (EC). Given the record harvest of wheat and large carryover stocks in the EC, an estimated 7.2 million tons will be exported

in FY 75, 1.8 million tons more than last year. The EC will feed more wheat to livestock than last year, but because of the drop in imported US corn prices the EC's use of wheat as feed will not be up nearly as much as anticipated earlier. The Community now projects a 0.9 million ton rather than a 2.2 million ton increase in the quantity of wheat fed to livestock.

In an unsuccessful attempt to stimulate expanded use of wheat as feed, the EC early in the year attempted to keep internal wheat prices below corn prices by raising wheat export levies and imposing corn import levies. However, in late January the EC removed export levies on wheat to encourage exports. Nevertheless, surplus wheat began accumulating within the EC, putting downward pressure on domestic prices. At the same time, world wheat prices were also falling. In a move to increase the international competitiveness of its wheat, the EC at the end of April began subsidizing wheat exports. The export subsidy has brought down the export price of EC wheat to about \$110 a ton. In addition, to avoid expensive intervention purchases and to shore up domestic prices, the Community is removing 1.3 million tons of wheat from the market through the implementation of storage subsidies which will last until February 1976.

Most wheat (including flour) exports will go to India, Bangladesh, regular customers in Africa, and to fulfill food

aid commitments. Some uncertainty, however, still surrounds  
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the total quantity that will be exported by 1 July 1975.  
The late release of the wheat for export and slack demand  
in the markets will make it difficult to sell and ship over  
7 million tons.

The main wheat importing area in Western Europe is  
also the EC, which we estimate will import about 5 million  
tons (excluding intra-EC 9 trade) in FY 75, down slightly from  
FY 74. Demand is for hard wheats, as well as durum, for mixing  
with the domestic soft wheats by the milling industry. The  
ultimate level of import will depend not only on prices but  
also on milling quality and protein content of the 1974 wheat  
crop in Europe. There are reports that the demand for high  
quality protein wheat by EC millers is greater than a year ago.  
The lower supply of high grade Canadian wheat strengthened  
demand for US No.2 hard red winter wheat. Thus, our current  
estimate of 2.5 million tons of US wheat exports to the EC  
in FY 75 could be low.

Feedgrains: Western Europe is a large net importer  
of feedgrain, especially corn. In FY 74, the regions' net  
feedgrain imports were 21 million tons. The US sold 17 million  
tons of these feedgrains -- mostly corn -- to the region,  
including 12.4 million to the EC.

According to a 16 April forecast of the USDA, Western

Europe's FY 75 net imports of feedgrains will drop 0.8 million tons to 20.2 million tons. This reduction is primarily based on expanded feeding of domestic wheat. Although earlier estimates predicted a drop in the feed use of grain, new price relationships recently established indicate an increase in the feed use of grain in MY 75 to 96.2 million tons from 94.5 last year. EC corn imports from the US in MY 75 are estimated by the EC Commission at 9 million tons out of a total import requirement of 12 million tons. The remaining corn imports will come mostly from Argentina and South Africa.

Some uncertainty still remains in the estimate of EC imports of US corn. Last fall the EC Commission agreed with US officials to import only 7 million tons of US corn, but subsequently revised it up to 9 million tons. As of mid-May US corn shipments to the Communist since 1 October were about 7.5 million tons -- an annual rate of 12 million tons. We currently estimate the EC will take only 12 million tons from all sources, of which probably 8.9 million tons will be from the US. However, recent tariff and licensing changes and/or possible re-institution of denaturing premiums for wheat could lower total imports of corn.

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IMPORTERS

Bangladesh

There have been no significant changes in the Bangladesh foodgrain situation since our last report. We still estimate FY 75 foodgrain production at about 11.7 million tons, about the same as last year. FY 75 foodgrain shipments to Bangladesh are now estimated slightly higher than earlier at about 2.4 million tons -- including nearly 2.1 million tons of wheat and 325,000 tons of rice. (Imports in FY 74 totaled 1.7 million tons made up of 1.6 million tons of wheat and 100,000 tons of rice.) Our total estimate of US wheat exports to Bangladesh includes 600,000 tons under PL-480 and 300,000 tons of commercial purchases financed in many cases by international aid donors. Sizable additional imports will be needed early in FY 76 for distribution in the lean period prior to the major harvest next fall. Bangladesh will remain dependent on aid-financed grain imports for the foreseeable future.

Eastern Europe

Grain production in Eastern Europe reached a record 74.8 million tons in 1974; grain imports during FY 75 are estimated at 8.5 million tons with imports almost evenly divided between wheat and feedgrains. The northern countries -- Czechoslovakia, East Germany, and Poland -- account for most of

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the grain imports. Among the southern countries -- traditional grain exporters -- Bulgaria and Romania are importing feedgrains to make up for harvest shortfalls.

Wheat: The Soviet Union is supplying about 3.1 million tons of wheat to Eastern Europe in FY 75. An additional 900,000 tons is being supplied by the West. US wheat exports to Eastern Europe are estimated at under 200,000 tons the smallest amount in several years.

East German requirements declined because of a bumper grain harvest. Imports of wheat are estimated at 1.0 million tons, almost all supplied by the Soviet Union. East Germany probably will not exercise its option to buy 500,000 tons of Australian wheat this year.

Czechoslovakia harvested a record 10.6 million tons of grain. Czech import requirements for wheat are estimated at 1.0 million tons, of which the Soviets will supply about 0.8 million tons.

Poland produced 22.9 million tons of grain, compared with 21.8 million tons in 1973. Total wheat imports are estimated at 1.5 million tons, but could go higher if prices continue to fall. Poland has acquired a \$15 million Commodity Credit Corporation credit for US wheat to be delivered by October.

Both Romania and Bulgaria imported wheat this year. Romania used its wheat purchases to largely satisfy export

commitments. Bulgaria received an emergency shipment of 0.3 million tons from the USSR -- probably lower quality wheat for feed -- as well as small quantities from other East European countries.

Corn: Rains first delayed then stalled the harvest of the important corn crop with resultant losses. Corn production in 1974 totaled 16.1 million tons, down from 16.5 million tons in 1973. Corn imports are estimated at 3.8 million tons, the bulk of it from the US.

Poland's potato crop, about 60% of which is fed to livestock, was damaged by excessive soil moisture and reached only 49 million tons compared with 52 million tons in 1973. Other fodder crops were also damaged. The regime is committed to expanding livestock numbers and required corn imports are estimated at about 1.2 million tons with 1 million from the US and the remainder from Argentina.

East Germany is also importing large amounts of corn to support its growing livestock sector. Corn imports are estimated at 1.5 million tons mostly from the US. A large share of US corn imported by East Germany is transhipped through Hamburg and thus may enter US records as an export to West German.

Czechoslovakia's corn crop, 0.7 million tons, fell below expectations. Import requirements are about 200,000 tons.

Romania's corn crop fell to 7.2 million tons in 1974, its second consecutive decline. Direct purchases of corn to meet domestic requirements and export commitments are estimated at 800,000 tons, all from the US.

#### India

India's overall foodgrain situation has improved slightly since February. Serious shortages, however, continue to plague areas in the south and east. Grain production for FY 75 is now estimated at 102 million tons; still below FY 74 but ahead of earlier FY 75 estimates of 96-99 million tons. The increase is due to a better than anticipated spring harvest which is expected to surpass the record set 3 years ago. The increased production is centered in northwestern wheat growing areas where well-timed rainfall and generally favorable weather helped boost yields.

The improved crop performance came too late to reduce Indian grain imports in FY 75, which are now estimated at 7.7 million tons. All is wheat except for 430,000 tons of Argentine sorghum. India is the world's largest purchaser of US wheat this year, taking 4.1 million tons commercially and 800,000 tons under PL-480. The size of next year's imports will depend primarily on the summer monsoon. India already has purchased 1.6 million tons of US wheat for shipment in FY 76.

Japan

Wheat: Although originally estimated at 5.7 million tons, Japan's FY 75 wheat imports probably will be unchanged from last year's level of 5.4 million tons. Consumption may actually decline slightly in view of the reduction in household spending on luxury items including cakes and pastries. Imports of US wheat at about 3.3 million tons will be up fractionally from earlier estimates primarily because Canadian shipments have been delayed by longshoremen's strikes. As of 18 May, US wheat shipments to Japan combined with outstanding orders amounted to 3.3 million tons.

Corn: In recent months the Japanese have been whittling down their demand estimates for feedgrains. Mixed feed consumption in February was down nearly 25% from the earlier level and stocks of feed corn and sorghum were up by about one-third. Since last summer, corn import requirements have been reduced by about 1 million tons to 7.4 million tons. Because of this reduction, imports of US corn in MY 75 now are estimated at only 5.3 million tons. Outstanding orders still reflect a somewhat higher level (5.8), but these are gradually being cut back. Imports from Thailand and South Africa, the other major suppliers to the Japanese market, also are expected to be down somewhat from earlier estimates. Japanese officials anticipate a recovery in feedgrain consumption during the remainder of the marketing

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year which should boost corn and sorghum imports by about 5% in MY 76.

#### Mexico

Mexican corn imports for MY 75 have been revised downward from 2.8 to 2.4 million tons because consumption now appears to be less than previously estimated in February. Mexico is estimated to have bought all the corn needed for this year. The government has stated that no more corn purchases for MY 75 will be made. We estimate US exports to Mexico at 1.25 million tons with most of the remainder coming from Argentina.

#### Pakistan

There has been little change since our last report. Pakistan has arranged to meet its FY 75 wheat import goal of 1.55 million tons, 550,000 tons more than imported the previous year. The increase was needed because of insignificant improvement in the 1974 spring wheat harvest over 1973 and government apprehension that the 1975 spring wheat harvest would be about one million tons below the 1974 harvest. The US is Pakistan's largest supplier with shipments in FY 75 of 500,000 tons purchased commercially and 400,000 tons under PL-480. Pakistan is seeking even higher total wheat imports in FY 76 and will again look to the US as its principal supplier.

People's Republic of China

No major changes have occurred in China's foodgrain import position since February. As expected, the PRC contracted for 1.1 million tons of Canadian wheat on 4 April. This contract was negotiated under a three-year trade agreement which will expire in March of 1977.

Wheat: Total wheat imports probably will amount to about 5.7 million tons in FY 75, compared with 5.9 million tons in FY 74. Sources of wheat this year are 1.6 million tons from the US, all of which has been delivered, 2.3 million tons from Canada, 1.4 million tons from Australia, 0.2 million tons from Argentina, and 0.2 million tons for the EC.

Corn: About 615,000 tons of corn will be imported during MY 75, all from Argentina, representing a 70% reduction from the levels of MY 74. China is not expected to buy more US corn because of dissatisfaction with quality. Similar quality problems have arisen lately with corn from Argentina.

Taiwan

Wheat: Because of higher flour prices, wheat consumption in Taiwan is expected to be somewhat below the FY 74 level. Since domestic production is negligible, requirements must be

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met by imports and/or stocks. Imports probably will amount to some 600,000 tons in FY 75 compared with about 850,000 tons last year. Australia already has shipped 50,000 tons and the remainder probably will be purchased from the United States.

Corn: Domestic demand in 1974/75 probably will total about 1.2 million tons, while production is estimated at only 95,000 tons. Assuming no stock drawdowns, imports are estimated at about 1.1 million tons. Taiwan is scheduled to import 450,000 tons from South Africa, 350,000 tons from Thailand, and 25,000 tons from Argentina. The remaining 300,000 tons will be sought from the United States. As of 18 May shipments plus outstanding orders from the United States amounted to 339,000 tons, of which 267,000 tons had been shipped.

#### USSR

Because of a good grain crop last year and even better prospects this year, the only action in world grain markets so far in 1975 has been cancellation of some 1974 contracts. Cancellations in January and February were made to take advantage of price fluctuations. Cancellation in May of 250,000 tons of US corn occurred because the grain did not meet Soviet quality standards. At the same time the Soviets arranged to substitute 72,000 tons of new crop US wheat for part of the corn while the remainder was switched to other countries, largely Argentina.

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The Soviets have shown no interest in buying more grain for shipment within the current crop year. For example, in March the US government offered to sell the USSR 500,000 tons of corn but no orders followed. Moscow probably will not enter the market until summer when they can better assess their needs and the trend in world grain prices, and this will likely be for purchases of new crop corn and wheat.

USSR: Grain Imports Crop Year 1975

(thousand metric tons)

<u>Supplier</u>	<u>Wheat</u>	<u>Corn</u>
	<u>1 Jul - 30 Jun</u>	<u>1 Oct - 30 Sept</u>
Total	2,695	2,172
United States	1,115	852
Canada	400	--
Australia	500	--
Argentina	630	890
Thailand	--	50
Brazil	--	180
Romania	--	200
Hungary	50	--

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APPENDIX B  
METHODOLOGY AND SOURCES

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Methodology and Sources

The procedure for estimating the export demand for US wheat and corn was to construct a world trade matrix for each grain showing import demand for each importing country and sources of the imports with the US being the residual supplier. This approach requires that capabilities and commitments of major exporters be assessed against importer requirements and any discrepancies be resolved. The approach used in estimating the trade matrix was to determine:

- (1) for each importing country the total import demand and the demand from each exporting country. These estimates were made by individual country analysts assuming f.o.b. Gulf Port Prices of \$135-\$150 per ton for wheat and \$125-\$135 per ton for corn and normal weather for the balance of the season.
- (2) for each exporting country the total export availability and the importing countries to which the grains are either committed or expected to move. These estimates were made by individual analysts under the same price and weather assumptions.

Sources of information were varied and an attempt was made to use all sources. [REDACTED] The 25X1C most important were FAS cables and publications, State Department reporting, private grain trade information, foreign government reports, Commerce Department trade information, and discussions with analysts in USDA.

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