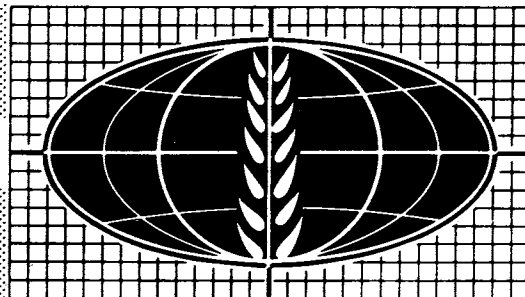


THE AGRICULTURAL SITUATION IN THE FAR EAST AND OCEANIA

TRI-AGENCY READING ROOM

1969 MIDYEAR REVIEW

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HIGHLIGHTS

Total farm production in the Far East and Oceania in 1969/70 is expected to exceed the record level of the previous year. This favorable outlook stems from improved farming methods and practices, along with generally good growing conditions.

Most countries in the region enhanced their foreign trade position during the first half of 1969. Higher export levels of industrial products accounted for much of the gain. Exports of rubber, tropical fruit, meat, wool, and a few other agricultural products were up moderately through midyear, aided by higher prices for some of these commodities. But reduced exports and lower prices for rice totally or partially offset other export gains by some countries.

The situation for rice, the region's most important crop, has changed significantly. Although production in 1969/70 will be record high, exports from surplus producing countries and imports by deficit countries are both significantly lower. Higher production and reduced trade have resulted in the price decline.

Wheat production in 1969 is at an alltime high for the region. Production is up in both India and Pakistan. Australia's crop will be down only moderately from the record harvest of the previous season. It appears that Australia will export less wheat in 1970 and accumulate large stocks. All other Far East countries import wheat; most will take slightly more in 1969/70, as per capita wheat consumption continues to grow in Asia.

Far East and Oceania feedgrain production is up but not enough to take care of the region's booming poultry and livestock industries. Consequently, import requirements are higher. Thailand's exports of corn will likely be at a record level in the current marketing year. Its recent agreements with Japan and Taiwan cover trade in corn during the Thai marketing year begun September 1, 1969.

Production of oilseeds will be up in 1969/70 primarily because of improved weather in the major growing areas of India. On the other hand, copra production will be down

due principally to drought in the Philippines. Soybean and soybean oil imports will continue to increase.

An unexpected rapid rise in rubber prices in 1969 is benefiting several countries. New York quotations near 28 cents per pound in October 1969 contrast sharply with the 16.5 cents in early 1968. Malaysia, the world's largest producer, is gaining most from the higher prices; tappings there are up in 1969. Other countries benefiting include Cambodia, Ceylon, Thailand, and Indonesia.

Japan is by far the most important importer of agricultural products in the region. It is also the largest foreign market for U.S. agricultural products. Growing foreign pressures recently led the Japanese Government to liberalize its trade restrictions, including those on agricultural imports. In September the government announced that 22 agricultural commodities would be subject to import liberalization by the end of 1969. These include soybean meal, rapeseed meal, cake mixes, fresh apples, fruit purees, and unrendered pig fat. However, many commodities of interest to the United States were not included.

FARM PRODUCTION

Far East and Oceania agricultural production in 1969/70 is expected to exceed the previous year's record high. Most countries will share in the increase. Food grain production in India may reach 100 million tons ^{1/}, compared with the previous record of 95 million tons in 1967/68.

Generally favorable weather should account for much of the prospective production gains. Also contributing to the record outturn in prospect are: Record use of chemical fertilizers in every country; increased planting of improved varieties of rice, wheat, and other grains; expanded irrigation; more multiple cropping; increased mechanization; and wider use of improved farming techniques.

Factors Influencing Production

Weather: Rainfall and other weather conditions affecting crop production have been favorable in most of the region in 1969. Heavy monsoon rains throughout the Indian subcontinent have generally been very good for production. However, considerable flood damage occurred to crops in East Pakistan and parts of Eastern India. Continental Southeast Asia had adequate rainfall during the summer, in contrast with last year's severe drought in South Vietnam, Cambodia, and Thailand. On the other hand, farm production in the Philippines is still suffering from a drought that began some 3 years ago, but which seems to have abated since July.

Weather conditions have mostly favored agricultural production in Australia during 1969; record harvests of cotton, tobacco, and rice are reported. The big exception is Queensland where drought has prevailed for some time over large areas. Dry weather is also

^{1/} All tonnages in the report are metric.

reported in the Barkly tableland district of the Northern Territory and parts of Western Australia. Not only pastures and beef cattle but also such crops as corn, grain sorghum, wheat, and oilseeds have been affected by drought. Both the Commonwealth and Queensland governments have set up programs to aid farmers by transporting feed to the affected areas or by moving cattle to pastures in other states.

In Korea summer rains have been very favorable for the rice crop. This contrasts with very damaging droughts in 1967 and 1968. Up to late September growing conditions in Taiwan were quite good, but typhoons Elsie and Flossie brought high winds and excessive rainfall, causing considerable damage. Cool damp spring weather and some flooding in Japan dimmed prospects for another record rice harvest.

Inputs: Although still quite low in most South and Southeast Asian countries, the use of fertilizers and other capital inputs has expanded very rapidly throughout the region. India is projected to distribute 3.2 million nutrient tons of fertilizer in 1970/71, compared with an expected 2.4 million in 1969/70 and 2.0 million in 1968/69. Korea's consumption of fertilizer in 1969 is estimated to total 740,000 tons, up from 640,000 tons in 1968 and 486,000 in 1967. Taiwan's fertilizer usage has nearly doubled in the past 5 years and will approximate 1.2 million tons in 1969.

In some countries, lower prices for rice and other food grains have reduced the incentive for farmers to use fertilizer. Indonesia's falling rice prices substantially reduced the farmers' ability to purchase fertilizer. In consequence, its fertilizer stocks have accumulated with resultant storage problems. Additional supplies, apparently not immediately needed, have been purchased abroad. To avoid storage problems or costly diversion of recent purchases, the government is considering lowering the price of fertilizer to the farmer or raising the price the farmer is paid for his rice.

Best results from the use of new high-yielding varieties of grains have been obtained from planting improved varieties of wheat on irrigated land in northern India and West Pakistan. Both areas harvested record wheat crops in 1969 despite very dry weather. The largest production gains owing to new varieties of rice planted have occurred in the Philippines and West Pakistan, but significant gains have also been made in several other countries. Unfortunately, the new rice is not well liked by consumers and it usually sells at a discount. Current research on high-yielding varieties is placing much emphasis on developing more palatable rice.

Commodity Developments

Rice: Rice is the most important crop and food staple in all countries of the region except Afghanistan and those in Oceania. Production in 1969/70 is expected to be a record high for the third year in a row. Recent sharp increases are attributable to generally good growing conditions, widespread planting of new high-yielding varieties, and to record use of fertilizers and other capital inputs.

Record rice harvests are expected in 1969/70 in all of South Asia. Largely because of exceptionally favorable weather, rice production in India is forecast at 63 million tons,

compared with 59.6 million the previous season. ^{2/} In Pakistan the 1969/70 crop is forecast at roughly 750,000 tons above the 1968/69 harvest of 19.5 million. Floods and pest damage in East Pakistan have dimmed earlier prospects for a good crop this autumn, the first of 3 harvest seasons there. However, the expanded use of fertilizers on the large winter crop in East Pakistan and increased planting of high-yielding varieties in West Pakistan should result in a larger total 1969/70 harvest for all of Pakistan.

Ceylon's production likely will total 1.4 million tons. This is about 4 percent above 1968/69 but below earlier forecasts because a drought lowered yields of the early-autumn Yala crop. About half of Ceylon's rice area is now planted to new high-yielding varieties. Indications are that Nepal's harvest this year will barely surpass 1968's 2.4 million-ton crop.

Japan's 1969 crop, harvested from September to November, is forecast at 17.7 million tons, compared with 18.1 million last year. Despite the slightly lower production in prospect, the government's November 1 carryover stocks will be about 7 million tons of paddy—the highest on record. For the past 11 seasons, the Japanese Government has provided incentives to rice growers by increasing producer prices. The fixed prices for paddy rice were increased from \$81 per ton in 1962 to \$306 in 1968. The price for the 1969 crop was set at the 1968 level, but it is still about three times the U.S. price.

Unfavorable prospects for world rice trade, added to Japan's high prices, and rice varieties not sought in the global market have practically excluded Japan from being a rice exporter. To cope with the surplus problem, Japan has acted to limit production and facilitate marketing of rice during 1969/70. Chief among these actions are: (1) diversion of land to other crops, (2) introduction of a limited free market system, and (3) maintenance of the 1969 price of rice at the 1968 level. By these steps, the government hopes to reduce rice production and modify its control over markets. The possible allocation of 1.1 million tons of 1969-crop rice for sale as feed is being studied. If this shift materializes, it would likely reduce feedgrain import levels in late 1969 or early 1970.

Following 2 years in which drought sharply reduced rice production, the 1969 harvest in Korea is expected to reach a record 6 million tons, up from 4.4 million in 1968. In Taiwan a crop of 3.3 million tons is forecast, roughly the same as in 1968. In Hong Kong where rice acreage has declined sharply year by year, the 1969 harvest is expected to total only 12,000 tons, down from 14,000 tons in 1968. After many years as a major importer, the Philippines attained self-sufficiency in rice in 1968. Despite a severe drought, the Republic's 1969 rice crop will substantially exceed the 1968 harvest, enabling the country to meet domestic requirements and possibly providing a small surplus for export. Efforts, though somewhat reduced, are continuing to be directed toward the increased planting of high-yielding varieties, expanded irrigation, and improved production practices.

Thailand's 1969 rice crop likely will approximate 14 million tons, compared with last season's outturn of 12.4 million. Burma's current crop should barely surpass the 8.0 million tons harvested in 1968. South Vietnam's rice harvest should be close to 5.0 million tons, compared with the drought-reduced 1968 outturn of 4.4 million tons. Due to the expanded use of high-yielding varieties, production in Laos was up sharply in 1968 and may be moderately higher this year. Indonesia's current crop is forecast at around 16.8 million tons, compared with 16.3 million tons in

^{2/} All rice production figures are in terms of paddy.

1968, In Malaysia indications are that the 1969 rice crop will be at least 5 percent above the previous year's record outturn of almost 1.1 million tons.

Expansion of irrigation in the Coleambally and the Murray River areas of New South Wales contributed to a 14-percent increase in the area planted to rice in Australia in 1969. A record 255,000 tons was harvested in 1968/69, compared with 220,000 tons the previous year.

Wheat: Australia's wheat crop, which will be harvested in December-January, is forecast at 13.6 million tons, compared with 14.7 million in 1968/69. The area sown is reported at 27 million acres, a million more than in 1968/69. Weather and growth conditions have been excellent except in Queensland and Western Australia where dry weather is expected to result in some lowering of yields

India's 1969 harvest was a record 18 million tons, surpassing the previous high recorded last year by 1.4 million tons. Dry weather caused low yields in some nonirrigated wheat areas, but yields from the high-yielding varieties of wheat grown under irrigation were uniformly high. The 10.9 million acres seeded to the newer varieties were about 4 million more than in 1968 and accounted for about three-fourths of the total wheat crop. Due to the favorable supply situation, food zones for wheat were eliminated in Northern India in early 1969 except for the city of Calcutta. Farmers in the surplus wheat states of the Punjab, Haryana, and Madhya Pradesh may now transport wheat privately to such deficit states as Bihar and Uttar Pradesh for sale in the open market.

Pakistan's 1969 harvest totaled about 7 million tons, or 8 percent more than in the previous season. The record outturn was achieved by using improved varieties and more fertilizer, since very dry weather during the winter drastically curtailed yields of nonirrigated wheat and also caused a shortage of irrigation water in some areas. The area planted to improved varieties in 1969 reportedly reached 5 million acres, compared with 2.3 million acres a year ago. By using the newer varieties and growing winter wheat as the second crop on land that produces rice in the summer, Nepal substantially increased its wheat harvest every year for the past 5 seasons. The 1969 harvest is estimated at 227,000 tons. Afghanistan's 2.9-million-ton crop this year compares with 3.1 million in 1968 and 2.6 million in 1967. The decline in 1969 is reportedly due to wet weather at harvest time and to some increase in disease damage.

Wheat production in Japan in 1969 is estimated at only 790,000 tons, about 22 percent below 1968. Some wheat land in Japan is being diverted to urban use, and some to the production of vegetables and other more profitable crops. But more important, farmers have stopped growing wheat and have left the land idle over the winter to work at off-farm jobs. Korea's 1969 wheat harvest is estimated at 374,000 tons, up from 345,000 in 1968.

Other Grains: Good crops of most other grains are anticipated for most countries. Nevertheless, demand for feedgrains is increasing more rapidly than production due to the expanding poultry and livestock industries.

In India a record crop of 29.5 million tons of coarse grains is likely in 1969/70, compared with 25.2 million tons the previous season. Most of the production is used for human consumption. Corn production may reach 7 million tons, up from 5.7 million tons in 1968/69. Grain sorghum production should slightly exceed the 9.8 million tons turned out last season. Production of all millets is forecast to reach 9 million tons, compared with 7.3 million in 1968/69. Coarse grain crops in Pakistan are expected to be moderately above the 1967/68 level of 1.5 million tons after

declining about 17 percent in 1968/69 to an estimated 1.3 million tons. Corn will account for more than half of the coarse grains produced.

In the Philippines, corn production in 1969/70 is expected to show a substantial increase from the estimated 1968/69 outturn of 1.5 million tons, due to expanded plantings and improved production practices stimulated by strong demand. However, production is likely to be barely adequate to satisfy the demand from a growing population and expanding livestock production. The situation is reflected in rising corn prices. Thailand, which exports most of its corn, expects an excellent harvest of 1.5 to 1.7 million tons. Programs in Indonesia for increasing the production of corn for export to Japan are being supported by both the Japanese Government and Japanese business interests. As a Colombo Plan contribution, Japan has an active corn research and education program in East Java where technicians are developing varieties adapted to the area and are also working on problems of drying and fumigating corn. A Japanese company and an Indonesian agricultural cooperative recently agreed to develop a large area in South Sumatra and to produce corn on it for export.

Larger crops of barley and oats are forecast for Australia in 1969/70. Coarse grain prices may be affected by wheat sales for feed outside regular marketing channels.

Coarse grain production is up in several other countries. Korea harvested a record 2.1 million tons of barley in 1969. Nepal's corn harvest this year is estimated up from the 928,000 ton harvest of 1968. In Ceylon corn production in 1969 is almost double the 10,000 tons produced in 1966.

Feedgrain production is declining in Japan and Taiwan as the result of diversion of the limited arable land to more profitable crops or to nonagricultural uses. In Japan, barley production, the largest component of domestic feedgrain production, is estimated at 900,000 tons in 1969, compared with 1 million in 1968. Declines are also expected this year for corn, oats, and rye production. Taiwan's corn production has been placed at 50,000 tons, a 4-percent decrease from 1968. Production of corn in Laos has declined moderately, owing to difficulties in marketing the surplus.

Other Crops: Production of oilseeds will be up in 1969/70 primarily because of improved weather in major growing areas of South Asia. In India, a peanut harvest of about 5.5 million tons is in prospect. This compares with the poor 1968/69 harvest of only 4.5 million tons. In Pakistan the 1969 peanut crop has been forecast at 179,000 tons, more than double the level of 4 years ago. A record cotton harvest is expected in India; indications are that it will be up about 6 percent to total around 1.2 million tons of lint cotton. In Pakistan a record crop of about 550,000 tons is forecast. Tobacco production will be up slightly in India but down in Indonesia. Although the 1968/69 production in the Philippines was expected to be hard hit by drought, the native leaf suffered slight damage and the crop of Virginia type leaf reportedly was one of the best in years. Little change in pulse production is anticipated. In India and Pakistan, land is usually switched from pulses to wheat or other crops when irrigation water is available.

Fruit and vegetable production continues to expand in almost every country of the region. In the last 5 years, West Pakistan's production of oranges, apples, pineapples, mangoes, onions, and potatoes has more than doubled. Japan is expected to harvest its second largest crop of satsuma oranges (tangerines) in 1969; the area planted is up 9 percent. However, Japan's production of most deciduous fruits is estimated to be lower in 1969.

Several countries in South and Southeast Asia depend heavily on the production and export of a few tropical agricultural products for their foreign exchange earnings. Jute and its products

represent the most important source of foreign exchange of both India and Pakistan. India's jute production in 1969 is estimated at 8 million bales (180 kilograms each), compared with the short 3-million-bale crop in 1968 and the good 6.3-million-bale outturn in 1967. Pakistan's production this year is expected to be above the 5.9 million bales produced in 1968; jute production in 1967 was 6.9 million bales. The area planted to jute in Pakistan is declining because farmers are switching some land to rice and potatoes, which have recently been more profitable.

Thailand's kenaf production in 1969 is expected to be up sharply from the 148,000 tons produced in 1968, but the quality is poor. Tea production in 1969 is up moderately in both India and Ceylon, the two major exporters. Rubber output in West Malaysia, the world's largest producer, rose by 12 percent in 1968 to a new peak of 1.1 million tons. Recent plantings of higher yielding stocks accounted for the increase. Production in the first half of 1969 was ahead of the comparable period of last year. Rubber production is also up somewhat in Ceylon and Thailand, but down in Indonesia.

Coffee production improved in Indonesia, the leading producing country in the region. Coconut production is down in the whole region. The drought in the Philippines had some adverse effect on coconut production in 1968, but the effect has been much more severe in 1969; official statements have indicated a production drop of as much as 25 percent. Copra production is down moderately in Indonesia. Black pepper production will be lower in Indonesia in 1969. In consequence, international prices for this commodity rose rapidly in September.

Sugar production in the Philippines will be reduced by the severe drought, which has lingered for 3 years, and the effects of two typhoons last November. In the sugarcane producing areas of Australia, dry weather in the growing period and excessive moisture in the harvesting season resulted in reduced sugar content of the cane. This points to a decline in raw sugar production. This contravenes an early-season forecast of a record outturn of sugar in 1969/70. Sugar production will also be down in Pakistan and Afghanistan.

Livestock: Except for draft animals, livestock have traditionally played a relatively small role in the agricultural economies of most Asian countries. Although per capita consumption of livestock and poultry products is still very low by Western standards, consumption reached record levels in 1969. Indications are that it will continue to rise quite rapidly, particularly in Japan and other countries of the region where incomes are registering substantial increases. The policy in most countries is to try to meet increased demand for livestock products from domestic production. For example, South Vietnam's emphasis on protein has led to a sharp increase in the production of swine and poultry. This policy has resulted in a rapidly increasing demand for imported feedstuffs. Production has gone up most rapidly for poultry and eggs, but also substantially for dairy products and pork. Gains in beef production have been quite moderate.

Japan's poultry meat production for 1969 is forecast at 400,000 tons, up 19 percent from 1968. Total cattle numbers in Japan as of February 1, 1969, are reported at 3.5 million or 9 percent above the 1968 level; about half of the total is beef cattle. Beef and veal production in 1969 is estimated at 175,000 tons or 10 percent above the previous year. Although hog numbers are down slightly, pork production is estimated at 530,000 tons, 2 percent above 1968.

Livestock and their products play a very important role in the agricultural economies of Australia and New Zealand. In Australia, wool production for 1969/70 is estimated at a record 2 billion pounds, some 3 percent higher than the previous year. As of March 1969, sheep numbers

were 6 percent over the same period of the previous year. In New Zealand, wool production is up only slightly in 1969, but improved prices for coarser wools have resulted in significant increases in farm incomes. New Zealand wool prices as of March 1969 averaged 32 cents per pound, compared with 25 cents the same time last year.

Australia's cattle totaled 20.8 million as of March 31, 1969, up 8 percent from last year. Cattle slaughterings in 1968/69 were the lowest since 1963/64, but the increase in meat production to 920,000 tons, the highest level since 1965/66, indicates that animals were slaughtered at heavier weights. Hog numbers as of March 31 were 11 percent above the same date in 1968.

New Zealand is very dependent upon dairying and the export of dairy products. Dairy production for 1968/69 was reported at record levels, with butterfat output estimated at 588 million pounds or 4 percent above last year.

FOREIGN TRADE IN FARM PRODUCTS

Exports

Increased exports and improved foreign exchange balances were recorded for a majority of the countries of the region in the first half of 1969. Higher prices for rubber, wool, meats, and certain other important agricultural export items partly accounted for this improvement. On the other hand, prices for rice and some other export commodities were lower. Much of the export gain in several countries was due to increased shipments of industrial products.

Compared with January-July 1968, Japan's total exports by value for the same months in 1969 increased by 28 percent to \$8.7 million. Among the exports showing significant increases were foodstuffs, textiles, chemicals, machinery, and automobiles.

In the first half of 1969, India's exports totaled \$912 million, 13.2 percent above the corresponding period of 1968. The trade deficit for the first half of 1969 amounted to \$106 million, against \$587 million for the corresponding period of 1968. Ceylon's exports during the first 6 months of 1969 totaled \$168 million, an increase of \$27 million over the first half of 1968. This substantial increase was chiefly due to greater earnings from tea and rubber. Pakistan's total exports increased from \$635 million in 1967/68 (July-June) to \$693 million in 1968/69. Exports of raw cotton, cotton textiles, tobacco, leather products, and processed foods were all higher, while raw jute and basmati rice exports were lower.

Taiwan's export shipments this year through June totaled \$516 million and were 25 percent higher than in the same period of 1968. Comparably imports increased by 14 percent to \$533 million. Exports of bananas and canned fruits and vegetables were up, but industrial items recorded the biggest gains. For the first 6 months of the year, Hong Kong's exports were up by 10 percent. West Malaysia had a \$75 million favorable balance of trade for the first 7 months of 1969. This was almost four times the surplus of the same period last year. Shipments and prices of rubber and tin were up. Malaysia in 1968 became the world's largest exporter of palm oil. New Zealand reported a balance of payments surplus of \$50 million for 1968/69, chiefly as the result of increased earnings from meat and wool exports. Australia's total exports in 1968/69 increased by 10 percent. Its agricultural exports in 1968/69 totaled \$2.1 billion, 3 percent above the previous year. South Korea's exports of \$274 million for the first half of 1969 were 36 percent more than in the same 6 months of 1968.

For the first time in recent years, Thailand may have an unfavorable balance of payments. Improved earnings from tourism, tin, and rubber exports in first half of 1969 were overshadowed by reduced earnings from rice and large imports. Other countries having difficulty in maintaining export earnings in 1969 include Indonesia and the Philippines.

Rice: Due mainly to expanded production in a number of rice deficit countries, exports and prices of rice have declined over the past year, reducing substantially the outlook for export earnings from this commodity. Japan has changed from a major rice importer to a country producing a large and growing surplus. The Philippines has become self-sufficient, and the import requirements of Indonesia, Malaysia, and South Vietnam have been reduced.

Thailand, Burma, and Cambodia are the countries most dependent on export earnings from rice; others that are somewhat less dependent include Taiwan, Australia, and Pakistan. Thailand is the region's major rice exporter, but the country's exports this year through June were at a 15-year low. For the entire calendar year, Thai exports are expected to approximate 1 million tons or about equal to last year's poor showing. Due mainly to recent unexpected purchases by Indonesia, Burma will reverse a 6-year downtrend by exporting around a half-million tons of rice this year. This compares with only 350,000 tons in 1968. Taiwan's rice exports are expected to total only 42,000 tons in 1969, less than one-fourth the level of 3 years ago. So far in 1969, South Korea has received some 330,000 tons of Japanese rice on a long-term loan basis. Japan is planning to lend Okinawa 30,000 tons during each of the next 3 years and to export 90,000 tons of rice to Indonesia as a part of Japan's aid program to that country. World rice prices rose from 1966 to 1968 but have declined since then. The Bangkok export quotation for white broken A-1 supergrade was \$93.60 per ton on September 8, 1969, down from \$141.60 a year earlier. Comparably, white rice 100-percent first grade was quoted at \$199.20 per ton in contrast to \$216 a year earlier.

Corn: Thailand is the major corn exporting country of the region; others include Cambodia and Indonesia. Exports from Thailand were nearly 1.5 million tons in 1968, up from 1.1 million tons the previous year. Exports in 1969 may be somewhat lower because of prolonged negotiations with Japan—the major market—which resulted in a temporary halt in trade around midyear. In contrast with rice prices, corn prices have been generally favorable.

After Japan, the next largest market for Thai corn is Taiwan. Japan recently agreed to purchase at least 540,000 tons during 1969/70 marketing year begun September 1. Under normal conditions, the price will be based on the Chicago quotation for No. 2 U.S. yellow corn the month before shipment is made. If market conditions are abnormal, say another prolonged U.S. dock strike is underway, Thailand can choose to have the price based on the price paid by Japan in procuring from other countries. Taiwan will buy 300,000 tons of corn during the current marketing season with 20 percent more or less at the buyer's option. Under the agreement, additional quantities may be made available by Thailand if the expected bumper crop materializes. No definite formula is specified for arriving at prices but the price of corn moving to Japan in the same month will be taken into consideration. Total shipments in the marketing year begun in September will likely be higher than in 1968/69.

Wheat: As a foreign exchange earner, wheat is of great importance to Australia, the only country exporting that commodity in the region. Since it is one of the world's largest exporters of wheat, Australia's shipments can significantly affect the overall world market situation. Australia's exports of wheat and flour during 1968/69 totaled 5.3 million tons, down 1.6 million from 1967/68. Under present world marketing conditions, there are doubts that its exports for 1969/70

will exceed 5 million tons. A buildup in carryover stocks to about 13 million tons is forecast for December 1, 1970, an increase of 85 percent over the 7-million-ton carryover estimated for December 1, 1969.

Rubber: World rubber prices have reached unexpectedly high levels in 1969. New York quotations, near 28 cents a pound in October 1969, have recently been the highest in almost a decade. They contrast sharply with a low of 16.5 cents in early 1968. Rising prices have been a great boon to Malaysia, which leads the world in the production and export of rubber. It is estimated that for every 1-cent rise in the price of rubber, Malaysia earns an additional \$25 million in foreign exchange. Rubber exports totaled 591,000 tons during the first 6 months of 1969. This is 73,000 tons more than during the same period last year and 113,000 tons more than in the first half of 1967. Ceylon's exports of rubber for the first 6 months of 1969 rose to \$38 million from \$24 million a year earlier. Thailand has benefited significantly from higher rubber prices. Indonesia also has benefited since rubber represents a significant portion of total exports; however, production has been lower as many smallholders that abandoned the trade when prices were low have been slow in returning to rubber tapping.

Livestock Products: Exports of livestock products—meat, wool, and dairy products—are of great significance to the economies of Australia and New Zealand. Excluding dairy products, export demand and prices are up in 1969. New Zealand's wool production was only slightly higher, but improved prices for coarser wools resulted in an increase in the export value to \$241 million for the year ended June 1969, 40 percent above the previous year. Meat continued as New Zealand's main export with shipments valued at \$353 million in 1968/69. More than one-fourth of the total meat exports were consigned to the United States and were valued at about \$96 million. Meat and wool accounted for about half the value of Australia's total exports to the United States in 1968/69.

New Zealand's dairy industry faces serious surplus problems at home and abroad, particularly for butter. The accumulation of stocks in European countries has led to depressed prices and difficult marketing conditions in the United Kingdom—New Zealand's main dairy products market. The total value of dairy exports declined by 18 percent to \$213 million in 1967/68 and is reported down to \$205 million in 1968/69.

Other Commodities: Export earnings from sugar may be lower in 1969/70. Drought has reduced the crop in the Philippines so much that the country may not fill its export quota to the United States. Export availabilities from Australia may also be lower as a result of the reduced sugar content of the cane there. Exports of jute and jute products should be up due to the large crops in India and Pakistan. Earnings from coconut products will be down in the Philippines owing to lower prices as well as drought-reduced production, and they are unlikely to show any significant increase in Indonesia, Ceylon, or other exporting countries of the region. Tea production and shipments are slightly higher this year. The value of Ceylon's tea exports for the first half of 1969 totaled \$100 million, compared with \$83 million for the same period a year earlier. Production and exports of fruits are gaining in importance in several countries. Afghanistan's total exports of fresh and dried fruits were valued at \$26 million in 1967/68. Fresh fruit exports alone increased \$8 million over a year earlier to \$14 million. Excellent crops of grapes and stone fruits should result in Afghanistan's exporting more fresh fruits in 1969.

Imports

Japan is by far the most important importer of agricultural products in the region. India is second. Japan is the largest cash market in the world for U.S. farm products, and India represents the largest outlet for P.L. 480 sales.

Japan: Imports the first 7 months of 1969 totaled \$8.3 billion or 10 percent above the same period of last year. Farm products which registered volume increases were wheat, up 9 percent; raw wool, 12 percent; soybeans, 2 percent; and grain sorghum, 15 percent. Imports of corn and soybeans were down 7 percent, while incoming cotton declined by 25 percent.

To fulfill consumption and minimum stock requirements, Japan likely will import about 4.4 million tons of wheat in 1969/70, about 6 percent above 1968/69. In August the Food Agency, which controls purchases of all imported wheat, announced that future Japanese purchases of foreign wheat would be on the basis of type—soft, semihard, and hard—rather than by country of origin as in the past. The United States has been supplying about half of Japan's wheat imports. However, under the present world wheat surplus situation, the United States faces increased competition in maintaining its historical share.

The rapidly growing poultry and livestock industries in Japan require ever larger imports of feedgrains. Total imports of corn in 1969 are estimated at 5.6 million tons, with the U.S. share about 3.4 million tons. Heavy imports of U.S. corn during the second half of 1969 are expected because of the favorable U.S. price of corn relative to grain sorghum, as well as the limited availability of corn from competitive sources. Japan's corn imports for industrial uses in 1969 are expected to reach 1.3 million tons. This compares with 1 million tons used in 1968. The increase results from a rising demand for starch. Japanese imports of grain sorghums are forecast at 2.7 million tons in 1969, compared to 2.3 million tons in 1968. The U.S. share likely will be about 1.6 tons, down from 1.9 million in 1968. This decline is due to expected imports of about 970,000 tons from Argentina. The Government of Japan is considering the use of about 1.1 million tons of surplus 1967-crop rice as feed for livestock. If this materializes, corn and grain sorghum imports may be somewhat lower than indicated.

Raw cotton imports for the 1968/69 marketing year ended July 31 are estimated at 682,000 tons, a decline of 11 percent from 1967/68. Imports from the United States during 1968/69 totaled 144,000 tons. This represents 21 percent of total imports against 30 percent last year. Comparatively higher prices for U.S. cotton, especially Arizona-California cottons, and the prolonged dockworkers' strike at Gulf ports were among the major factors leading to the decline in imports from the United States. Japan increased its takings of cotton from Mexico, Brazil, and the Soviet Union. These imports have been displacing U.S. medium staple cotton in the Japanese market. The U.S. Export-Import Bank in May 1969 authorized Japan a credit of \$75 million to finance the import of 650,000 bales of U.S. raw cotton during the 1969/70 marketing year begun August 1.

Japan's major import of red meat is mutton. Imports of mutton from New Zealand in 1968 totaled 76,000 tons, compared with 16,000 tons in 1960. During that span, imports from Australia increased from 2,000 tons to 30,000. Fresh poultry imports totaled over 16,000 tons in 1968, double the 1967 level. The Japanese Government's import quota on beef and pork severely curtails meat imports and drastically restricts the amount available for consumption. The Japanese Government is faced with growing foreign pressures to liberalize these and other restrictions on agricultural imports.

The Ministry of Agriculture and Forestry announced in September that import controls on 22 agricultural commodities would be liberalized by the end of 1969. Among the important commodities affected are soybean meal, rapeseed meal, cake mixes, fresh apples, fruit purees, and pig fat. But import controls on grapefruit, beef, canned tomatoes, and certain other vegetable items which the United States has pressed the Japanese Government to liberalize were not listed.

India: India's total food grain imports in 1969/70 are expected to approximate 4.5 million tons, compared with 4.3 million tons in 1968/69 and 8.2 million tons in 1967/68. Wheat is the major food grain import, totaling 3.8 million tons in 1968/69. Some 2.6 million tons were imported from the United States, the rest largely from Canada, Argentina, and Australia. The United States is expected to supply about three-fourths of the 4 million tons of wheat planned for import in 1969/70; Canada will supply most of the remainder. Imports of U.S. grain sorghums are expected to total roughly 300,000 tons. This compares with total imports of only 55,000 tons in 1968/69 and 1.3 million tons in 1967/68. Imports of rice (milled basis) in 1969/70 will be higher and may exceed 500,000 tons. The increase is explained by the ever-growing demand in urban centers and larger supplies available at lower prices in nearby exporting countries. Burma is scheduled to export about 200,000 tons of rice to India in 1969. About 100,000 tons of U.S. rice was purchased under Title I of P.L. 480 in mid-1969. Other countries expected to ship rice to India in 1969/70 include Egypt, Thailand, and Cambodia.

India is scheduled to import about 650,000 bales of cotton from all sources in 1969/70, including over 200,000 bales from the United States under P.L. 480. The Sudan probably will supply about 190,000 bales. Imports of soybean oil from the United States under P.L. 480 are anticipated in 1969/70 to help meet the growing consumer demand for vegetable oils. Some imports into India of Russian sunflower oil and Ceylonese coconut oil are also expected. Prices for vegetable oils increased sharply in recent months, reflecting fast-growing consumer demand and the shortage of peanut oil due to the small 1968/69 harvest.

Pakistan Though still a major food grain importer, Pakistan has made progress toward reducing its food needs from abroad. Wheat imports fell to 756,000 tons in 1968/69 from 2.2 million tons the preceding year. The United States supplied 659,000 tons that moved mostly under P.L. 480, but 92,000 tons were commercial purchases. Almost all the wheat imported in 1968/69 went to East Pakistan. About 30,000 tons of rice came from Burma in the first quarter of 1969/70 to ease a shortage in East Pakistan. Vegetable oil imports may reach 150,000 tons in 1969/70 because of large purchases from the United States under P.L. 480. Commercial imports of tallow are increasing.

Ceylon: Ceylon's rice imports in 1969 are likely to be close to the 355,000 tons received in 1968. Its takings from mainland China may exceed the 200,000 tons delivered in 1968 because higher prices for rubber entitle Ceylon to more rice in the rubber-for-rice trade arrangement between the two countries. Imports of wheat flour in 1969 are expected to exceed 400,000 tons; about half of this should come from the United States, mostly under P.L. 480. About 25,000 tons of Australian wheat were imported in the first half of 1969 for the new flour mill in Colombo. Meanwhile, about 80,000 tons of Australian wheat flour arrived in Ceylon.

Taiwan: Imports of wheat into Taiwan in 1969 may exceed 600,000 tons, including 56,000 tons of feed wheat purchased from France in the first half of the year. Wheat imports in 1968 totaled 449,000 tons. Corn imports are continuing to expand rapidly and may reach 500,000 tons this year. This will, however, be less than earlier expectations, due to the purchase of low-priced

French feed wheat. Most corn imports so far in 1969 are from Thailand and the United States. Incoming raw cotton likely will match the 87,000 tons received in 1968. Imports of U.S. soybeans in 1969 might reach 610,000 tons, compared with 405,000 tons in 1968. Growing poultry, hog, and fishery industry needs for soybean meal have been the major factor in the rapid expansion in soybean imports. The Government of Taiwan has placed limits on imports of wheat, corn, and soybeans for the period April 1-December 1, 1969. Port congestion and the island's limited storage and transportation facilities made these restrictions necessary.

Korea: The 760,000 tons of rice (milled basis) programed for import by Korea in 1969 have mostly been received. The United States is supplying about 460,000 tons and Japan, the rest from its surplus stocks. Korea expected to import over 1 million tons of wheat in 1969, compared with 813,000 tons in 1968. Wheat comes largely from the United States, mostly under P.L. 480. Korea has increased its corn imports in 1969, largely to meet the needs of the rapidly expanding poultry industry. Cotton imports are expected to be around 81,000 tons, 5,000 tons less than in 1968. Imports in the first 6 months of 1969 totaled 37,000 tons. Sales of cotton to Korea under P.L. 480 amounted to only 35,000 tons in 1969, compared with 83,000 tons in 1968.

Hong Kong: Rice imports into Hong Kong in 1969 probably will total 300,000 tons, some 14,000 tons less than in 1968. Stocks on hand at the beginning of the year were unusually large, and per capita consumption is apparently showing a slight decline as diets are upgraded and diversified. There were no rice imports from the United States during the first half of 1969, largely because of lower prices for Thai rice and the availability of large quantities from mainland China. Thai prices have since advanced and the Crown Colony recently made additional purchases from the United States. Imports of wheat and wheat flour in 1969 will probably be close to the record 1968 level of 216,000 tons (wheat equivalent basis). In first half of 1969, Australia and Canada were the principal sources. The United States supplied only 7,000 tons during that period. Corn imports during the first 6 months of 1969 totaled 64,000 tons, with Thailand supplying 46,000 tons. The United States sent about 20,000 tons of mixed poultry feed during this period. Total imports of raw cotton in 1969 are estimated at 163,000 tons, 33,000 tons less than in 1968.

Philippines: Imports from the United States by the Philippines have dropped substantially in 1969, although the country's total imports have increased. In the agricultural sector, only imports of United States dairy products and tobacco registered gains in the first 5 months of 1969. The Philippines initiated a tough program to reduce its huge trade deficit in 1968, and reinforced it in 1969. The principal weapon is denial of credit for overseas purchase of items officially classified as nonessential. One of the earliest items so classified was wheat flour. In early September, Filipino flour millers reportedly were planning to reduce their multimillion dollar wheat purchases from the United States and to turn to Canada in the coming year for 150,000 tons under an agreement offering very liberal credit terms and renewable after a year.

South Vietnam: In recent years South Vietnam has become important as an importer of rice and other U.S. agricultural commodities. Some 322,000 tons of rice have been scheduled for import this year, all from the United States. This compares with total imports of 680,000 tons in 1968. Improved transportation and security, allowing South Vietnam wider use of its own production, were responsible for the lower volume of imports, despite the short 1968/69 crop. Corn imports are increasing to meet the needs of the growing poultry and swine industries. It is forecast that 150,000 tons of corn will be imported for feed in 1970, compared with estimated imports in 1969 of approximately 80,000 tons and only about 25,000 tons in 1967.

South Pacific Islands: Over the past 5 years, the islands of the South Pacific from French Polynesia to New Guinea, between the Tropic of Capricorn and the Equator, have more than doubled their imports of agricultural products. Imports of poultry meat have gone up about 3½ times; the largest gain is in French Polynesia.

Of the approximately \$80 million worth of agricultural products being imported, cereals account for about 25 percent; meats, 22 percent; fruits and vegetables, 13 percent; beverages, 11 percent; and dairy products and eggs, 10 percent.

The U.S. share of the area's agricultural imports is nearly 10 percent. The largest island market for U.S. products is French Polynesia where the U.S. share is 25 percent. Smallest markets for U.S. products are the Territories of Papua and New Guinea; combined imports there from the United States amount to about 2 percent of total agricultural imports.

Other Countries: With more spindles to be in operation in Thailand and a sharp drop in cotton production likely in 1969/70, Thai imports of raw cotton are expected to be more than double the 1968/69 level of 17,000 tons. In recent years, U.S. share of that Nation's cotton imports was about 80 percent. As the result of a good crop, Indonesia is expected to reduce its rice imports in 1969 to about 500,000 tons from around 600,000 tons a year earlier. Due to some decline in production in 1969, Afghanistan might purchase 90,000 tons of wheat from the United States under P.L. 480 in 1969/70 and additional quantities from Australia and the Soviet Union. This compares with total imports in 1968/69 of roughly 40,000 tons from the Soviet Union, Canada, and Australia.

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