ASA Meeting Report
Drought to affect yield outlook

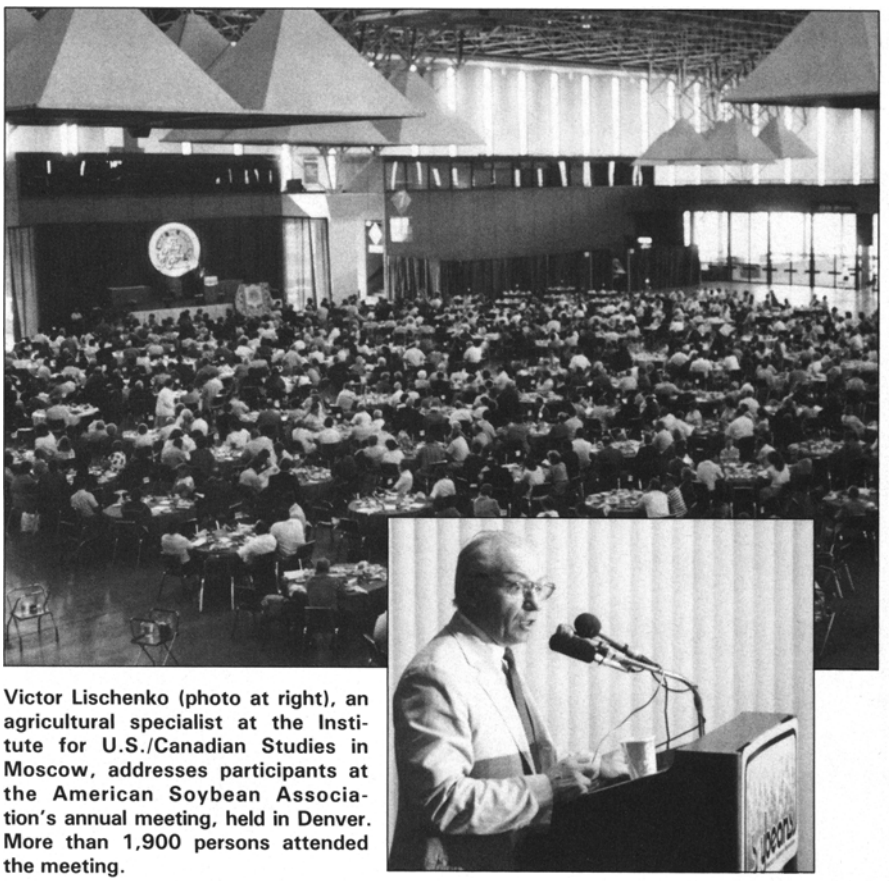
The 1988 drought, U.S. federal farm legislation and the prospect of increased exports of soybeans or soybean meal to the Soviet Union were major topics during the American Soybean Association's (ASA) 1988 annual meeting in Denver.

Soybean growers met a week before the U.S. Department of Agriculture's Aug. 11 crop report forecast soybean production to be 1.5 billion bushels at most, down from 1987's 1.9 billion bushel crop, because of the worst drought of the century. The Aug. 11 estimate was based on conditions as of Aug. 1. However, at the ASA meeting, producers said hot dry conditions after Aug. 1 had continued in key soybean-growing areas. Dry weather, they said, was fostering insect damage that could cut yields even further.

In an informal survey taken at the meeting, approximately 150 participating soybean producers said they expected their yields to be down 40%. ASA noted that the number of respondents was too low to be considered indicative of overall conditions.

Farmers expressed even greater concern that if the drought continues through 1988 with no significant replenishment of ground water before next year's growing season, soybeans could be in even shorter supply in 1989. Surplus soybeans available at the end of 1987 have been drawn into the market by drought-induced high prices this summer.

The growers met as the U.S. Congress was completing work on a $3.9-billion drought-relief package later signed into law by President Ronald Reagan. That measure provides aid to farmers who lost at least 35% of their crops because of weather or weather-related conditions. Farmers were told not to expect much change in the 1985 farm bill when a new Congress takes office after the November election. William Lesher, Washington, D.C., adviser to the Republicans on farm issues, and Lynn Daft, a former adviser to President Jimmy Carter, said they expect no major changes as both parties seem somewhat satified with the 1985 legislation.



Victor Lischenko (photo at right), an agricultural specialist at the Institute for U.S./Canadian Studies in Moscow, addresses participants at the American Soybean Association's annual meeting, held in Denver. More than 1,900 persons attended the meeting.

Soybean growers, however, may ask Congress to permit them to have a nationwide checkoff system to support soybean research and marketing, both domestically and internationally. Currently, each state's growers must approve a checkoff. Under such plans, a specified amount (presently ranging from a half-cent to two cents per bushel in different states) is deducted from the payment a farmer receives when he sells his soybeans. Some soybean association officials feel the state-by-state plan is hit-or-miss and would prefer the wider support a national checkoff would provide. Right now, the program raises about $7.1 million a year for domestic and international programs. One suggestion was to make the checkoff a percentage deduction, rather than a cents-per-bushel plan, to keep funds proportional to overall crop value. A national checkoff plan was endorsed earlier this year by beef producers.

ASA meeting organizers focused farmers' attention on potential sales to the Soviet Union (U.S.S.R.) by inviting Victor Lischenko, an agricultural specialist at the Institute for U.S./Canadian Studies in Moscow, to deliver a plenary talk. Laurie Law, a Soviet specialist in Washington who previously worked for the U.S. government in the U.S.S.R., also was on the program.

The message from Lischenko was that the Soviet Union needs protein to increase meat supplies

to its citizens, and soybeans are the best source of protein for livestock feeds. Recent successful swine-feeding trials are to be expanded, he said, with even Soviet leader Mikhail Gorbachev aware of the success of initial efforts. Law noted that if Gorbachev is to ask the Soviet people to give up subsidized food prices, guaranteed jobs and low-priced housing, he must offer something in return. That something could be increased food supplies, particularly meat, she said. Soviet citizens have surplus savings—which is why they line up to buy quality goods when these items appear in stores—so they would buy more meat if it was available, she said.

Lischenko said Soviet planners now realize the importance of economic incentives to agricultural producers. About 28% of vegetable foodstuffs are produced in backyard plots, he said. By loosening centralized planning, the Soviet Union hopes to spur higher productivity throughout its agricultural areas.

The Soviet Union has very limited soy crushing capacity, Lischenko said, noting that one major U.S. firm has been urging the Soviet Union to construct a 3-million-metric-ton (MT) processing plant. Since the Soviets produce about 500,000 to 700,000 MT of soybeans a year, imports would be required to run the plant to capacity. Lischenko said he thinks such a plant would be too large for Soviet needs.

Phil Mackie, head of the oilseed products section of the U.S. Department of Agriculture's Foreign Agricultural Service, said the potential for large-volume sales of soy meal to the U.S.S.R. exists, if the Soviets make the political decision to buy meal. ASA marketing specialist Mike Phillips said he thinks there is potential for increased oil exports as well.

Law noted the Soviets have given indications they want to participate in major international financing programs. First, old debts from czarist days, previously repudiated by the Communist government, have been paid off. Second, the Soviets have borrowed money on a relatively limited scale in European money markets. She suggested this may be a way of establishing credit before seeking even larger loans to finance major purchases. The Soviets might even turn the ruble into a hard currency by making it convertible for other nations' currencies, but this, she said, probably would not occur for at least five years. If it does happen, it would signal the U.S.S.R.'s intention to become a major figure and financial participant in international trade.

Law said other Soviet specialists think the recent activity in financial circles is leading up to major purchases of high techology items, but she believes Gorbachev needs solid support from the populace for his economic and political

reforms. Providing more and better quality foodstuffs would be one way to seek that support, she said.

Lischenko said Soviet attempts to raise soybean production to 2 million MT a year have failed, partially because Soviet growers are unfamiliar with the crop. He noted there are efforts, including higher procurement prices, to produce more oilseeds. Rapeseed production is expected to rise from 110,000 MT in 1987 to 450,000 MT by 1989, according to a recent report from USDA observers in the Soviet Union. Cottonseed production is nearing 5 million MT annually; sunflowerseed production is around 6 million MT annually.

Lischenko noted the Soviets are interested in canola-style rapeseed and also are looking at lupins and peas as potential domestic protein crops. Lischenko said that while the U.S.S.R. may be the world's largest producer of single-cell protein—about 1.2 million metric tons annually—it is quite expensive and soon may be subject to a reappraisal of the emphasis that should be placed on the program.

Trade complaint

Early 1989 may be the soonest that a General Agreement on Tariffs and Trade (GATT) panel can begin hearings on a U.S. complaint that European Economic Community (EEC) oilseed producer subsidies constitute an unfair trade practice, violating the GATT agreement.

The EEC dropped objections to the formation of a three-member hearing panel earlier this year, but the U.S. refused an EEC proposal to have representatives from Finland, Brazil and the Philippines constitute the panel.

John Baize, chief trade policy staff officer for the American Soybean Association (ASA), said a panel might not be selected until the end of October. Baize's comments were made during the ASA annual meeting Aug. 5–8, 1988, in Denver, Colorado.

At that time, the EEC and U.S. also had not yet agreed on the "terms of reference" for the hearing. Defining those terms will essentially set the hearing panel's scope, Baize said. The agreement on "terms of reference" is needed before a hearing can begin. The relative slow pace toward a hearing may be a deliberate effort by the EEC to delay the hearing until after a December 1988 meeting in Montreal to review progress in the current Uruguay Round of GATT negotiations, Baize said.

Selecting representatives for the panel also is a major task. Baize said the U.S. will oppose any European or Nordic representatives, as well as those of specialized trading blocs. He speculated that the U.S. might accept a panel composed of representatives from Iceland, Korea and Singapore.

If a hearing upholds the U.S. complaint, the U.S. could impose tariffs on EEC exports to the U.S. to offset economic loss outlined in the complaint. The entire hearing procedure would be aborted at any time by a compromise settlement. As of early August, no offer had been made to the U.S. by EEC representatives, according to Baize.

U.S. representatives have been dropping hints in Europe as to what goods might be targeted for tariffs, hoping representatives of those industries will urge the EEC to a compromise settlement. The U.S. could target any goods—not just agricultural products—for offsetting tariffs if a GATT hearing panel upholds the complaint.

Japan update

The Japan Oil Chemists' Society has set up an oilseed protein research division. Members are T. Watanabe of Kyoritsu Women's University, chairman; K. Saio of the National Food Research Institute and I. Hara of Tosoh Corp., managers; and S. Arai of the University of Tokyo, M. Kito of the Research Institute for Food Science at Kyoto University, H. Sakurai of Nara National College of Technology, H. Taniguchi of Fujio Oil Co., Y. Doi of the Ajinomoto Corp. and T. Toyama of the Nissin Oil Mills Ltd.

Japan oilseed processors saw 1987 sales decline to 85.6% of those in 1986 and a decrease in terms of value, chiefly due to recent high appreciation of the yen. Tadasu Toba, president of the Japan Oilseed Processors Association, noted that processing profit decreased by 14.5% from 1986. The milling industry saw profits increase by 12.4% and compound feed industry's profit rose by 34.1%.

Meanwhile, Mori Oil Mills, a corn oil manufacturer in Japan, has announced it will produce natural pigments, spice extracts, flavor and other food additivies by using supercritical extraction. The company's factory at Matsuzaka, Mie Prefecture, will be one of the largest plants in the Japan industry.

Research notes

University of Minnesota scientists have found that by removing oligosaccharides from soybean meal, chickens can obtain more energy and nutrients from the meal and other ration ingredients, according to a report in the August/September 1988 issue of *Soybean Digest.*

Craig Coon and Mel Hamre, poultry scientists with the Minnesota Agricultural Experiment Station, have reported that rations containing oligosaccharide-free soybean meal remain in the gut of chickens approximately 30% longer than a ration from which oligosaccharides have not been removed.

Meanwhile, U.S. Department of Agriculture scientists in the Agricultural Research Service laboratory in Lubbock, Texas, believe they know why heat damages plants, a discovery they hope will lead to crops better able to withstand not only heat and drought but other stresses as well.

Two enzymes—glutathione reductase and hydroxypyruvate reductase—are now thought to function best within a temperature range scientists call a "thermal kinetic window." Researchers believe that as the plant's temperature rises above the "window," it begins losing its ability to cope with heat stress. This "window" varies by plant species. The scientists hope to transfer one plant's genes for controlling an enzyme's temperature-specific behavior into other plants.