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U.S. AGRICULTURAL OUTLOOK

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Nature was unkind to many farmers in 1993. Flood, drought and associated problems ranging from late planting to disease reduced many a farmer's crop. Crop production in 1993 is a tenth below last year's record.

As we look ahead to 1994, there are some positive signs of improvement that should help those hardest hit to get back on their feet, and put the United States in a better position to supply our customers at home and abroad.

With a return to normal weather, farm output should recover. Crop production is likely to rise 5 to 10 percent next year. Add to that prospects for record production of animal products. In all, total farm output could be up around 5 percent.

This larger output and higher crop prices will mean increased marketing receipts for farmers in 1994; but Government payments are likely to be lower in the absence of disastrous weather and production expenses will move up with expanded crop acreage and higher prices for a few inputs, including those for feed.

This would suggest net cash income of \$55 to \$62 billion, with the midpoint about matching the \$59 billion forecast for 1993. The coming year should prove better for farmers who suffered severe production and income losses to floods and drought in 1993.

After adjusting for changes in the value of inventory, projected net farm income of \$47 to \$54 billion in 1994, with the mid-point of the range about 15 percent above the nearly \$44 billion forecast for 1993. Expanded crop production next year and an increase in the value of inventories will push up net farm income.

Farm operator household income in 1994 is expected to move higher with further improvement in the economy.

The 1994 outlook for U.S. consumers is for a moderate rise of 2 to 4 percent in retail food prices, following the expected 2 percent rise in 1993. Larger food production in 1994 and a

moderate rise in food marketing costs, reflecting slow inflation in the economy, will hold down the increase in food prices. The effects of prospects for another sharp drop in crop production next year would primarily impact on animal product output and food prices in late 1994 and into 1995.

The demand outlook for agricultural products in 1994 calls for continuing relatively strong domestic use of crops, as animal product production expands and as U.S. economic recovery provides some support to commodity prices.

U.S. export demand should benefit from continued economic growth in many developing countries and some recovery in developed economies, particularly in Western Europe and Japan; still, U.S. exports will face large supplies in both customer and competitor countries. Despite lower export volumes for bulk commodities, higher prices for corn and soybeans and increased exports of high value products will keep the value of U.S. agricultural exports in FY 1994 at \$42.5 billion, the same as FY 1993. With imports projected to again total \$24.5 billion, the U.S. trade surplus will remain at \$18 billion in fiscal 1994.

WORLD COMMODITY OUTLOOK

Production outside the United States is increasing for most crops in 1993/94, but U.S. output is off sharply and will pull world production down. Favorable weather has upped potential output in a number of producing countries and several others will see production down only slightly from last year. Animal product output will reach a new record as pork and poultry supplies continue to expand.

World commodity demand will be stronger in response to: Real economic growth of 2 1/2 to 3 percent, double the increase estimated for 1993; and population growth continuing at about 1.7 percent. Demand growth will be especially strong in Asia and parts of Latin America. Larger grain crops will lead to an expansion in consumption in some countries; but in the Former Soviet Union (FSU), dropping industrial production, limited financial resources and adjustments to market reform will mean a continued contraction in consumption. For the United States, grain exports will drop in response to weak import demand and increased competition in world markets. These same factors are limiting the gain in cotton exports. U.S. exports of animal and horticultural products will continue to increase in 1993/94.

U.S. domestic demand for commodities will benefit from U.S. economic expansion of 3 to 3 1/2 percent and population growth of about 1 percent.

Total Grains

World 1993/94 grain production, trade and ending stocks are expected to be off sharply from a year earlier, but consumption is projected up slightly to a new record. While poor growing conditions in the United States and parts of East Asia, especially for Japan's rice crop, will have the greatest impact on these world projections, there are a number of other significant country and regional developments. Cool, wet conditions at harvest cut prospective yields in the FSU, but shrinking demand and smaller subsidies, along with poor financial resources, will drop use and imports. Parts of North Africa suffered through another poor season and will have to expand imports. However, much of South Asia had good growing conditions. Also timely rains led to a rebound in crops across southern Africa and the region is once again expected to be a net exporter of corn. China had large crops again and it is expected to have record exports of corn for the fourth consecutive year.

Global grain production is forecast down 5 percent, largely because of a 31-percent drop in U.S. corn crop. Foreign output is practically the same as a year earlier as a lower rice crop offsets higher coarse grain production. World grain consumption is projected up slightly from a year earlier, as expanding foreign use more than offsets lower consumption in the United States. FSU consumption is expected to drop again in response to reduced consumer subsidies and difficult economic conditions. However, robust economic growth and/or larger crops are leading to expanding consumption throughout much of Asia and parts of Latin America. The EC will also increase grain consumption, largely in livestock feedings, as CAP reform sharply reduces prices.

Forecast 1993/94 U.S. grain production is down 25 percent from last year's record as yields for all the feed grains, especially corn, were down sharply and wheat and rice yields were lower, too. While 1993/94 domestic use and exports are projected down from last year, the huge production drop will be overwhelming and stocks will fall sharply, possibly to their lowest level since the mid-1970's. With weaker global import demand and increased competition, U.S. grain exports will likely drop to their lowest level since the mid-1980's.

Wheat

The global wheat outlook for 1993/94 is highlighted by slightly smaller production and ending stocks, expanding consumption, but significantly smaller world trade. While world wheat production is down slightly from last year, higher carryin stocks are raising total supplies. Output declines are dominated by the EC,

the FSU and the United States. Eastern Europe, China, India, Turkey and several other countries are expecting significant gains in production. Projected consumption gains are widespread throughout Asia, Europe and the Middle East. Most of the projected drop in foreign ending stocks is in the FSU and the EC.

The outlook for U.S. wheat in 1993/94 is for slightly larger supplies, higher domestic use, but sharply lower exports than last year. The smaller total use is projected well below production and imports, so 1993/94 ending stocks are expected to be up nearly 30 percent.

Wheat harvested acres are up 1 percent, largely because of smaller area idled under government programs and higher prices. While total wheat yields were down one bushel per acre last year, prolonged cool, wet conditions led to disease problems, especially in several spring wheat producing areas. Durum and other spring wheat yields were off 4.5 and 7.8 bushels per acre, respectively, from last year's records.

Total use is projected down 5 percent from 1992/93 because of an expected 17 percent drop in exports. Wheat feed and food use, however, are expected to be up from last year's levels.

World wheat trade in 1993/94 is forecast down 9 percent from last year's near-record to the lowest level since 1986/87. While a number of countries are expected to show significant gains or reductions in imports from last year, the FSU and China continue to be the main focus. Import declines of 28 and 9 percent, respectively, are forecast for the FSU and China.

Despite the smaller crops in the EC and Canada, the relatively large stocks in most competing countries and reduced world trade mean continued strong competition for markets. The EC entered 1993/94 with record stocks, which will provide ample supplies to export, despite a reduced 1993 crop and expanding consumption. Canada also entered the year with relatively big stocks and, despite a lower 1993 crop, supplies will remain relatively large. However, Canada's exports will be limited by another poor quality crop. Both Australia and Argentina are expected to have larger crops and exports equal to, or larger than last year. Thus, U.S. exports are forecast down sharply and the U.S. share of the world market will drop.

U.S. wheat plantings for the 1994 crop will likely be up if weather conditions are favorable. Although the ARP is the same as last year's "0", some land expected to be planted to wheat in 1993 was not planted because of unfavorable conditions. As usual, foreign production will importantly depend on the FSU. Planting progress reports point to a drop in winter grains in the

FSU. Given normal weather, a rebound in production can be expected in North Africa. A major uncertainty is how producers in the EC will respond to the reduced support prices and required idling of cropland, although relative yields seem to favor wheat over other crops. The major foreign competitors' exportable supplies will likely remain relatively large in 1994/95 even with a drop in carryin stock.

Rice

Global rice production in 1992/93 is forecast at 344 million metric tons, down 2 percent from last year's harvest. Smaller crops in China, Japan, the Philippines, South Korea and the United States account for much of the decline. Slightly larger crops are forecast for India and Vietnam. Global consumption is forecast up, while world ending stocks are expected to decline 22 percent from last year. World trade in calendar 1994 is forecast to rise 10 percent to around 15.4 million metric tons.

U.S. production in 1993/94 is forecast at 162.0 million cwt, down 10 percent from last year. Domestic and residual use is forecast to rise 3 1/2 percent, while exports are projected to increase 10 percent. U.S. market share is expected to slightly rise to 18.2 percent in calendar 1994 compared with 17.9 percent in 1993. Carryout stocks in 1993/94 are forecast to fall 40 percent. The season-average price is forecast at \$8.00-\$9.50 per cwt, compared with \$5.90 estimated for 1991/92.

Given normal weather, global rice production could expand next year. World prices are expected to remain at an increased level as import demand, particularly from Japan, will continue to be strong and competitor supplies will remain relatively tight.

Coarse Grains

The 1993/94 outlook for world coarse grains is dominated by the sharply smaller U.S. corn crop. Outside of the United States, production is expected to be up 1 percent and stocks are projected down 9 percent from a year earlier, with consumption largely unchanged, but exports up sharply.

World coarse grain production for 1993/94 is forecast down 9 percent from last year because of the huge drop in the U.S. crop. The rest of the world is expected to show a small increase from 1992/93, led by 25 percent gain in Canada. Global supplies are off 5 percent as the larger U.S. carryin stocks and foreign output only partially offset the smaller U.S. crop. World consumption is forecast up marginally as foreign use expands but consumption drops in the United States.

U.S. 1993/94 feed grain supplies are forecast down 17 percent as the larger carryin stocks will only partially offset the 30 percent drop in feed grain production. While smaller exports and domestic use are expected to push total use down 8 percent from a year earlier, use will remain well above production and ending stocks will shrink to their lowest level since 1975/76.

This year's corn crop of 6.5 billion bushels is down 31 percent from the 1992 record as yields are down 22 percent from last year's record and the lowest since 1988 and harvested acres are down 12 percent. Yields and harvested acres are also down for the other feed grains. Output changes from last year range from a 30-percent drop for sorghum to a 9 percent reduction for barley. Domestic use of corn is expected to decline in 1993/94 for the first time since the 1988/89 year because of smaller supplies and higher prices. Also exports are forecast down sharply from 1992/93. Despite the projected 9 percent drop, total use will exceed production by more than 1.2 billion bushels. Corn stocks will drop below one billion bushels for the first time since 1975/76. Ending stocks of the other feed grains are also expected to drop sharply.

World corn trade is forecast down 8 percent for 1993/94, largely because of reduced imports by southern Africa and Eastern Europe. Also, the sharply lower U.S. corn supplies and higher prices will mean some importers will turn to other coarse grains and wheat for their import needs.

For many years, the FSU has been the major determinant of the level of world corn trade and this year will be no different. While larger FSU domestic procurements are expected and reduced subsidies and economic contraction will reduce needs, financial assistance will still be a key determinant in 1993/94 FSU imports of corn.

U.S. corn exports for 1993/94 are forecast down one-fifth because of reduced global imports and increased competition from China, South Africa and the EC.

Looking ahead to 1994, U.S. corn production will likely increase, assuming trend yields and higher planted acres in response to reduced area idled under government programs and higher prices. Foreign coarse grain production will largely depend on FSU production, but normal weather would lead to a rebound in output in Eastern Europe. A major uncertainty is in the EC as producers respond to the reduced support prices and required idling of cropland. Historical relationships would indicate that coarse grains, especially barley, are at a disadvantage compared with other crops.

Oilseeds

The global oilseeds outlook for 1993/94 is for sluggish demand and stagnant to declining trade. Nevertheless oilseed inventories are expected to decline to the lowest levels since 1984/85, reflecting a large drop in U.S. production. With foreign oilseed supplies forecast to reach record levels, U.S. exports of soybeans and soybean meal will be down sharply from year-earlier levels and the U.S. market share for soybeans and soybean meal will drop to their lowest levels ever.

In sharp contrast to slow global demand growth for protein meal feeds, vegetable oil demand is forecast to grow more rapidly while supplies lag. As a result, world ending vegetable oil stocks will fall sharply from last year and be substantially below the peak levels reached in 1989/90. Stocks relative to use will be the lowest since the mid-1970's, providing good underlying support for vegetable oil prices and in turn some support for oilseed prices.

The world protein meal outlook is dominated by events in the EC, Eastern Europe and the FSU. These regions account for about 40 percent of foreign protein use and even a larger share of world trade. Consumption in these regions could be down by 1 to 3 percent from 1992/93 with much of the decline concentrated in the EC. Continuing financial and credit concerns, along with declining livestock herds, are hurting Eastern Europe and the FSU while the implementations of CAP reform policies in the EC are leading to a substantial drop in grain prices relative to protein feeds, encouraging substitution of grain feeds for protein meals. While protein growth is also stagnant in some other industrial markets, like Japan, rapid growth is forecast for several emerging market countries in Latin America, Southeast Asia and North Africa.

Global oilseed production in 1993/94 is forecast at 223.5 million tons, down less than 1.5 percent from last year's record outturn. A sharp decline in U.S. oilseed output, mainly soybeans, is largely offset by record foreign crops with foreign soybean production rising by over 5 million tons due to strong gains in India, Canada and China and more modest gains in South America. U.S. soybean production prospects in 1993/94 were hit with the unexpected wet weather and excessive flooding problems in the Midwest while the Southeast experienced widespread drought. Yet, some large producing states, such as Indiana and Illinois, are turning out yields above year earlier levels, limiting the drop in U.S. average yields to much less than in previous poor weather years.

U.S. soybean exports are forecast to drop to 625 million bushels, down about 19 percent from last year. Soybean meal exports are likely to fall by 19 percent as well, pulling down the U.S. soybean crush to 1,225 million bushels, a 4 percent drop. A continued strong U.S. domestic feed offtake helped by rising poultry output is preventing a much larger drop in soybean crushings. As indicated already, both larger foreign supplies, mainly soybeans, and slow meal demand growth in Europe are pulling down U.S. exports. U.S. market share for soybeans and soybean meal combined will likely be at a new low of 36 percent or less, down from about 50 percent in the mid-1980's and below last year's 44 percent share.

With a lower U.S. crush, soybean oil inventories are dropping to their lowest levels since 1985/86. Soybean oil exports are forecast to drop while domestic use remains close to last year's high levels. Reduced U.S. availabilities and higher prices are a big factor in reducing the soybean oil export forecast to 1.35 billion pounds from 1992/93's 1.5 billion. Domestic soybean oil use gains will be limited by increased availabilities of other oils, particularly canola oil from Canada.

Looking forward to 1994/95, global oilseed supplies will likely be at record levels in the absence of any serious crop weather problems in the main producing countries. Most of this gain will likely be in the United States, based on more normal crop yields and a slight expansion in area. Reductions in U.S. set-aside acres and a favorable soybean to competitive crop price ratio will encourage more U.S. soybeans as well as sunflowerseed plantings.

While foreign oilseed supplies may show little gain in 1994/95, demand weakness for protein feeds will likely persist, particularly in Europe and in the FSU. As a consequence, U.S. soybean and soybean meal exports may show only a small recovery from this year's lower levels, helped by growth mainly in emerging markets, such as Mexico. Domestic soybean meal use should show a modest rise, helping soybean crush to recover but not likely to the record 1992/93 crush of 1,279 million tons.

With U.S. use gains up much less than total supplies U.S. soybean stocks should rise to higher levels of 250 to 300 million bushels.

Season average soybean farm prices in 1994/95 would be expected to drop to levels near or slightly above those seen in 1992/93.

Cotton

The world cotton outlook for 1993/94 is highlighted by a second consecutive season of relatively small production, stable use, and declining stocks. Output this year is projected at nearly 83 million bales, virtually unchanged from 1992/93 as 3-percent smaller area is offsetting 3-percent higher yields. While China's production is down nearly one-tenth because of smaller area, output is up in Pakistan, the FSU, India, and several Southern Hemisphere countries. India is expecting another record crop.

World cotton use, forecast at nearly 87 million bales, is up 1 percent in 1993/94, about one-half the growth rate of the past decade. Larger consumption is mainly evident in a few major exporting countries such as Pakistan, India and the United States. However, use in major importing countries, primarily in Europe and the Far East, is down 2 percent this season. Global trade is projected at about 26.5 million bales, moderately above 1992/93. This season's ending stocks are placed at 34 million bales, down nearly 5 million from the beginning level and equal to 39 percent of use, which matches the 5-year average.

The U.S. cotton outlook for 1993/94 features a close balance between production and total use, and stocks near the congressionally targeted 30 percent of use. The crop is forecast at 16.3 million bales, less than 1 percent above 1992 as 18-percent larger harvested acreage slightly more than offsets 15-percent lower yields. Use is expected to total 16.2 million bales, up 5 percent from last season. While exports are projected to increase 13 percent to 5.9 million bales as they recover somewhat from last season's depressed level, mill use is placed at 10.3 million bales, slightly above last season's 42-year high. Ending stocks are forecast at 4.9 million bales, 5 percent above the beginning level, and equal to the targeted 30 percent of use.

An early look at 1994/95 indicates that production at close to the current level would balance anticipated demand and achieve the 30 percent stocks-to-use ratio target in the current farm bill. To encourage this level of production, a preliminary 17.5 percent Acreage Reduction Program (ARP) for upland cotton was announced November 1. This compares with the 7.5 percent ARP in effect for the 1993 crop. A final ARP decision will be announced by the end of December, taking into account any changes in supply and demand which have occurred since October.

U.S. cotton exports may increase a little in 1994/95 but growth will be tempered by static world trade and continuing strong foreign competition. Although global use is expected to rise further next season to a record level, most of the increase

likely will be in major producing countries, continuing the trend of recent years. Thus, world trade may grow only 1-2 percent to 27 million bales. Assuming the U.S. export share falls within the 20-25 percent range of the past three seasons, U.S. exports could total 5.5 to 7.0 million bales, compared with the 1993/94 forecast of 5.9 million.

Sugar

World sugar production in 1993/94 is expected to fall short of consumption for the second straight year. The relatively tight supply situation should keep world prices within a 10 to 12 cents per pound band for several months. If prices advance much above 12 cents, consumption in some developing countries could drop off.

World sugar production is likely to expand less than one-half of a percent in 1993/94. Production declines in China, the United States, South Africa and the European Community moderate the growth in world output. Input shortages and equipment breakdowns will limit production in Cuba, Ukraine, and Russia.

World sugar consumption is forecast to increase less than 1 percent in 1993/94, mostly because of continued unfavorable economic conditions in the FSU and other countries in Eastern Europe.

U.S. sugar production is expected to be down 5 percent from last year's record because of lower beet sugar output. Sugar beet production is forecast 8 percent lower, and sugar recovery from beets will be down.

Lower production and imports, along with increased domestic use and more shipments of reexport sugar, bring projected ending stocks to their lowest level in decades. If these forecasts materialize, the domestic raw cane sugar price next summer could be more than 2 cents above the current price. In response to this possibility, U.S. sweetener users have asked the Secretary of Agriculture to increase the tariff-rate quota for sugar.

During the past 2 years, U.S. consumption of high fructose corn syrup (HFCS), has increased at about the same pace as sugar consumption. In 1992/93 domestic HFCS consumption accounted for 44 percent of U.S. combined sugar and HFCS consumption.

Livestock and Poultry

World animal product output likely will increase a little over 2 percent in 1994, following an expected rise of 1.5 percent this year and an increase of 1.7 percent in 1992. Red meat production will be up nearly 1 percent this year, and a 1 to 2 percent

increase is expected next year. Pork output is expected to expand 2 to 3 percent in 1994, while beef production holds near the anticipated 1993 level. Poultry meat production continues to expand. World output is projected to increase nearly 4 percent in 1994, about the same increase as anticipated for this year, but below the 6 percent rise in 1992.

Total U.S. meat production in 1994 will increase around 3 percent from this year's record large output. Broilers will continue the long run upward trend and pork and beef output will also increase.

The U.S. cattle inventory at 100.9 million head on January 1, 1993, was up 1 percent from the 1992 level. The cow inventory at the beginning of the year was about unchanged from a year earlier. The indicated calf crop for 1993 is up 2 percent. Producers are holding more replacement heifers than a year ago and a modest expansion in the cattle inventory appears to be underway. The January 1, 1994 inventory is expected to be up around 1 percent.

The number of cattle on feed at the beginning of 1993 was up 7 percent from a year earlier. Inventories have remained sharply above the year-earlier level this year despite placements of cattle on feed that have been near 1992's level. The pace of marketings has been slow. On October 1, 1993, the number on feed was up 9 percent from the previous year. Larger calf crops will result in more feeder cattle available for placements in the coming months. This should support larger fed cattle marketings during late 1993 and in 1994. Cow slaughter in 1994 likely will be little changed from the 1993 level.

Average slaughter weights were sharply lower than a year earlier in the first half of 1993 due to weather-related stress. In recent months, slaughter weights have recovered and are now near record high levels. Average weights in the first half of 1994 are expected to be up from the low levels a year earlier. For all of 1994, average weights are expected to be higher and beef production likely will rise 3 to 4 percent. Beef production in 1993 will be little changed from the 1992 level.

Pork production has been lower than expected this year and for the year may be about 2 percent below the year-earlier level. Production is expected to remain below a year earlier through mid-1994. Output in the second half is expected to increase and for all of 1994 a small increase is forecast. In 1993, barrow and gilt prices will average \$3 to \$4 above the 1992 average. These prices have covered most producer's costs this year. In 1994, prices are forecast to average near the 1993 level which should cover cash costs for most producers.

U.S. poultry meat production continues to trend upward. Broiler producers expanded output almost 6 percent in 1992 and increases of around 5 percent are expected for 1993 and 1994. Despite increased production, broiler prices have been higher than a year ago. Strong export demand has helped support broiler prices and continued strong exports in 1994 are again expected to be positive for prices. The 12-city broiler price will average in the mid-50 cents range this year and next year's average is expected to be down only slightly. These prices are expected to result in continued positive returns for producers.

Turkey production will be about unchanged this year as producers faced another year of poor returns. However, returns late in the year will be the best in several years. Cold storage stocks of turkeys have been below the high levels of last year. Turkey supplies for the late 1993 holidays, while down from a year ago, will be plentiful. Hen turkey prices in fourth quarter 1993 are expected to be at their highest level since 1989. For all of 1993, prices are expected to average 2 to 3 cents above the 1992 level. These improved prices likely will result in a small increase in turkey production in 1994. Strong exports in 1993 have helped support turkey prices and this is likely to continue in 1994.

Egg production will increase about 1 percent in 1993 and a similar increase is anticipated in 1994. Egg producers have had favorable returns this year and have held the flock size above the year-earlier level. Despite increased egg output, egg prices have been higher than last year. The Grade A large egg price will average around 73 cents per dozen, about 8 cents above the 1992 average. Prices are expected to decline in 1994 as production increases.

Dairy

Milk production during 1992/93 was up nearly 1 percent from 1991/92. The number of milk cows continued to decline and for all of 1992/93 averaged 1 percent below the year-earlier level. Output per cow was up 1.8 percent from the strong increases of a year earlier. The cow herd is expected to decline again in 1993/94, but gains in output per cow will be more than offsetting and milk production will rise slightly.

(The milk production forecast assumes that BST will be available for use by producers in February 1994, following approval by the Food and Drug Administration on November 5, 1993.)

Commercial use during 1992/93 was up more than 2 percent from a year earlier. The modest recovery in the general economy has helped boost commercial use. Butter sales have been strong but

cheese, fluid milk and nonfat dry milk markets have been weak. In 1993/94, use is expected to rise 1 to 2 percent above the 1992/93 level.

Net removals of surplus products by the Government in 1992/93 totaled about 8.1 billion pounds, milk equivalent, milkfat basis, down from the 1991/92 level. On a skim solids basis, however, removals rose sharply from the previous year and totaled 4.7 billion pounds. Net removals, on a milk fat basis are expected to decline in 1993/94, but on a skim solids basis another increase is likely.

The all-milk price declined in 1992/93 and averaged \$12.75 per cwt, 50 cents below the 1991/92 average. Prices this fall likely will be above the year-earlier level, but for the remainder of the year they likely will be lower. For all of 1993/94 prices are expected to average \$11.60 to \$12.60 per cwt.

U.S. AGRICULTURAL EXPORTS

Fiscal 1994 agricultural exports are forecast to match FY 1993 at \$42.5 billion, slightly above the \$42.3 billion recorded in FY 1992 but still below the record \$43.8 billion in FY 1981. Lower export volumes for wheat, feed grains and oilseeds will partially offset by higher export unit values, particularly for corn and soybeans. Rice and cotton exports will rise in volume and value and exports of high-value products will continue to rise. High-value product sales will increase again aided by increasing global demand, falling trade barriers, tariff reductions in a number of countries, and U.S. export promotion activities. While the dollar is expected to strengthen somewhat in 1994, it will not increase enough to significantly dampen U.S. competitiveness in this growing market.

At nearly \$9 billion, Japan will continue to be our top market for agricultural exports in FY 1994 with beef, feed grains and rice leading the increase. The EC and Canada are leading markets and Mexico is firmly in fourth position. Exports to Mexico are projected at a record \$3.9 billion, up 5 percent from FY 1993.

Forecast at \$24.5 billion, FY 1994 U.S. agricultural imports will match FY 1993. Tobacco imports will be down but most other products will be stable to slightly higher. Cocoa and coffee are likely to show modest gains due to slightly stronger prices.

With total exports and imports expected to be the same as last year, the FY 1994 trade surplus is forecast to remain at \$18 billion.

U.S. FARM INCOME AND FOOD PRICES

Many U.S. farmers are not likely to see the increased level of overall cash income achieved in 1993, when sales of accumulated crop inventories boosted income. But 1994 should prove to be a better year for some farmers who suffered severe losses to floods and drought in 1993. At the national level, the midpoint of the projected range of net cash income in 1994 about matches the \$59 billion forecast for 1993. U.S. consumers again will find record meat supplies, slow inflation and a moderate rise in food prices.

Farm Income

The 1994 outlook is for a fairly strong farm economy. Agricultural output should move up with crop production recovering from 1993's weather-reduced level and animal product output reaching a record high. Export markets will continue to be sluggish but continued strong domestic demand and falling crop stocks will provide support for commodity prices.

Farm marketing receipts will move up in 1994 with larger output and higher crop prices; but with production expenses increasing slightly and Government payments easing, cash farm income is likely to total \$55 to \$62 billion, about matching the 1993 forecast of \$59 billion and, perhaps, surpassing the 1992 record of \$57.7 billion. Cash farm income in 1994 will benefit from some disaster-related payments spilling over from 1993 crops.

Net farm income in 1994 is projected in the range of \$47 to \$54 billion, with the mid-point up some 15 percent from the 1993 forecast of nearly \$44 billion. The expected recovery in crop production and an increase of \$4 to \$5 billion in the value of inventories next year will boost net farm income.

Farm operator household income is likely to move higher in 1994. Many farm operators are highly dependent on off-farm income. The coming year should see continued improvement in the general economy, bringing more jobs and higher incomes.

Food Prices

Retail food prices will increase a moderate 2 percent in 1993. This follows the very low 1.2 percent increase in 1992 when farm output was at a record level and inflation in the economy dropped to 3 percent, holding down the rise in marketing costs.

The outlook for 1994 is for a continued moderate increase in retail food prices of 2 to 4 percent. Crop production is expected to recover from the weather-reduced level of 1993 and

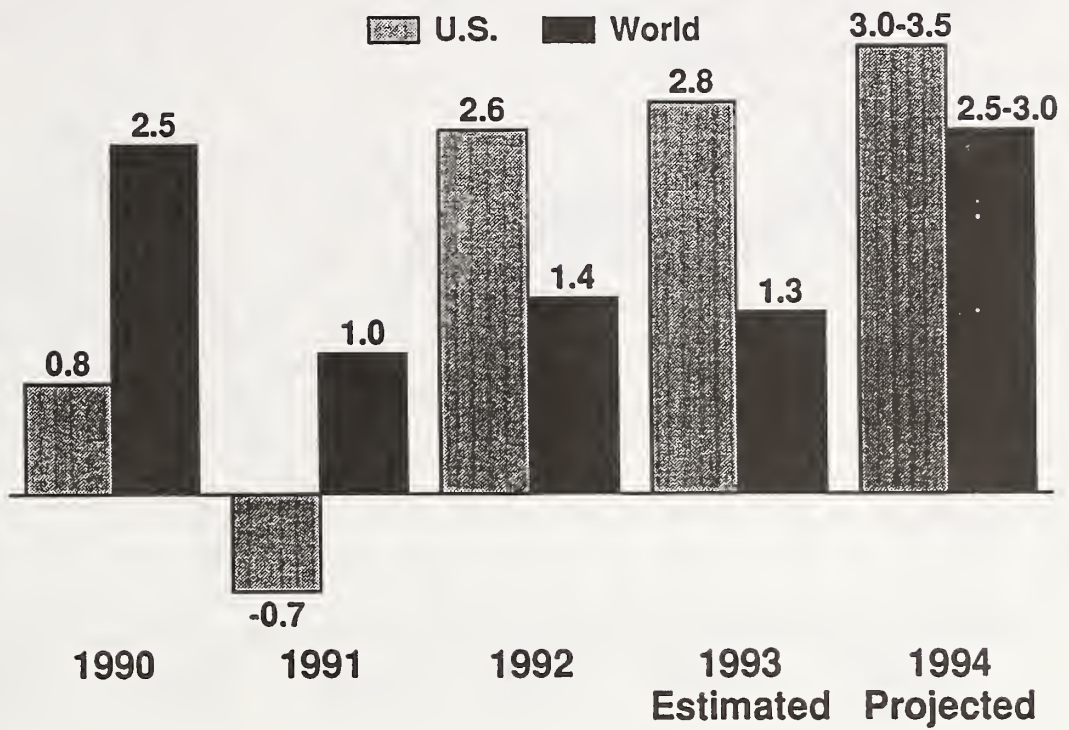
animal product output likely will reach a record level. At the same time, inflation will likely remain at a moderate pace, holding down the rise in marketing costs.

Marketing charges represent by far the biggest component of the retail cost of farm foods, accounting for over two-thirds of the total. Thus, if the United States were to suffer another sharp reduction in crop production in 1994, the effect on food prices would be moderated since the farm value accounts for less than one-third of the retail cost of farm foods. Also, sharply higher feed costs and liquidation of livestock inventories would temporarily increase meat supplies and reduce meat prices, particularly in the first half of 1994. Reduced meat production and higher food prices likely would come in late 1994 and into 1995.

U.S. and World Economic Growth

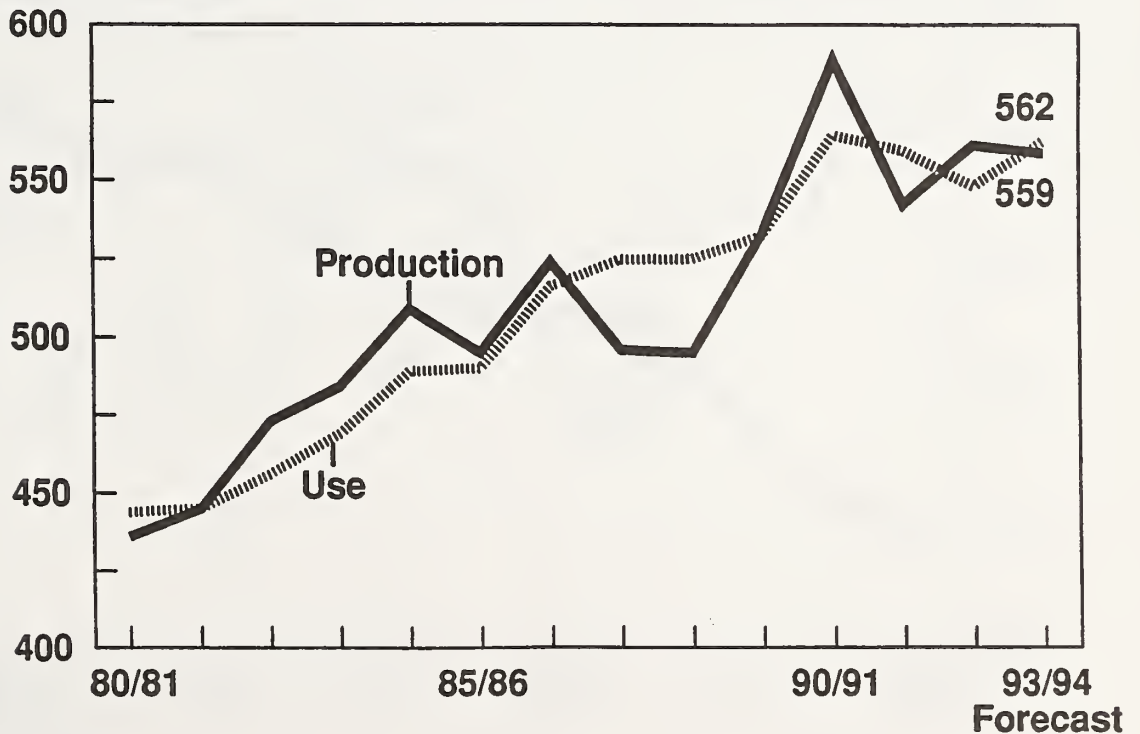
Percent, Real GDP

U.S. World



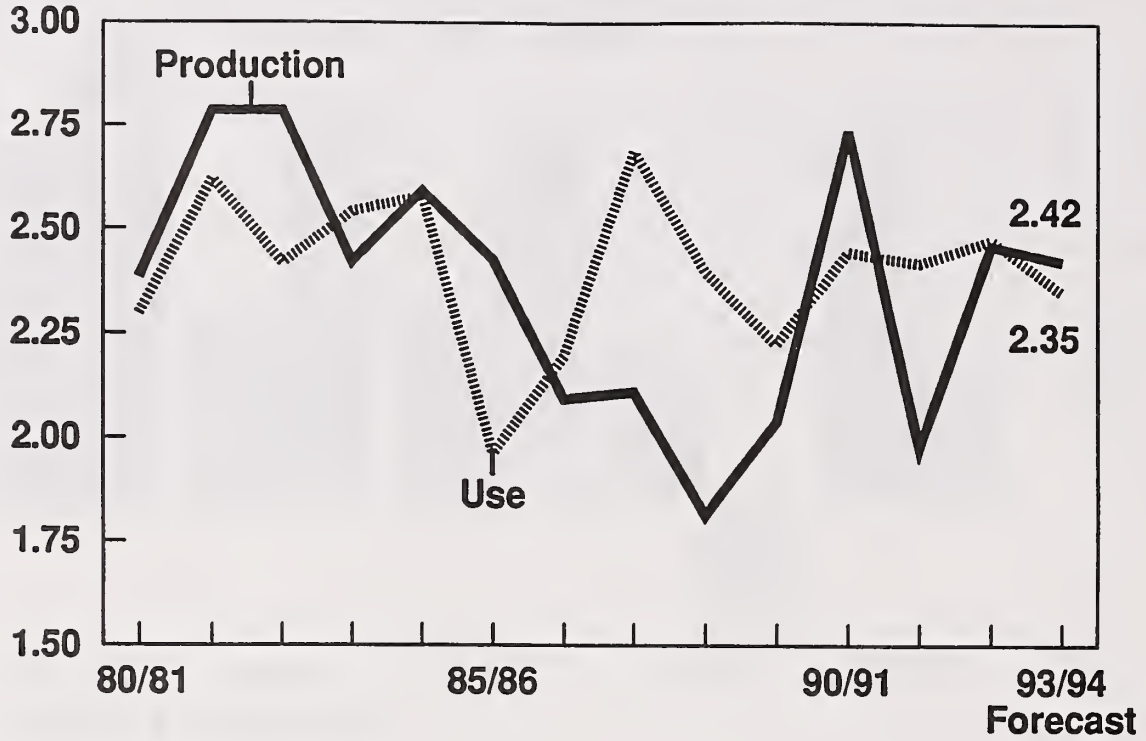
World Wheat

Million Metric Tons



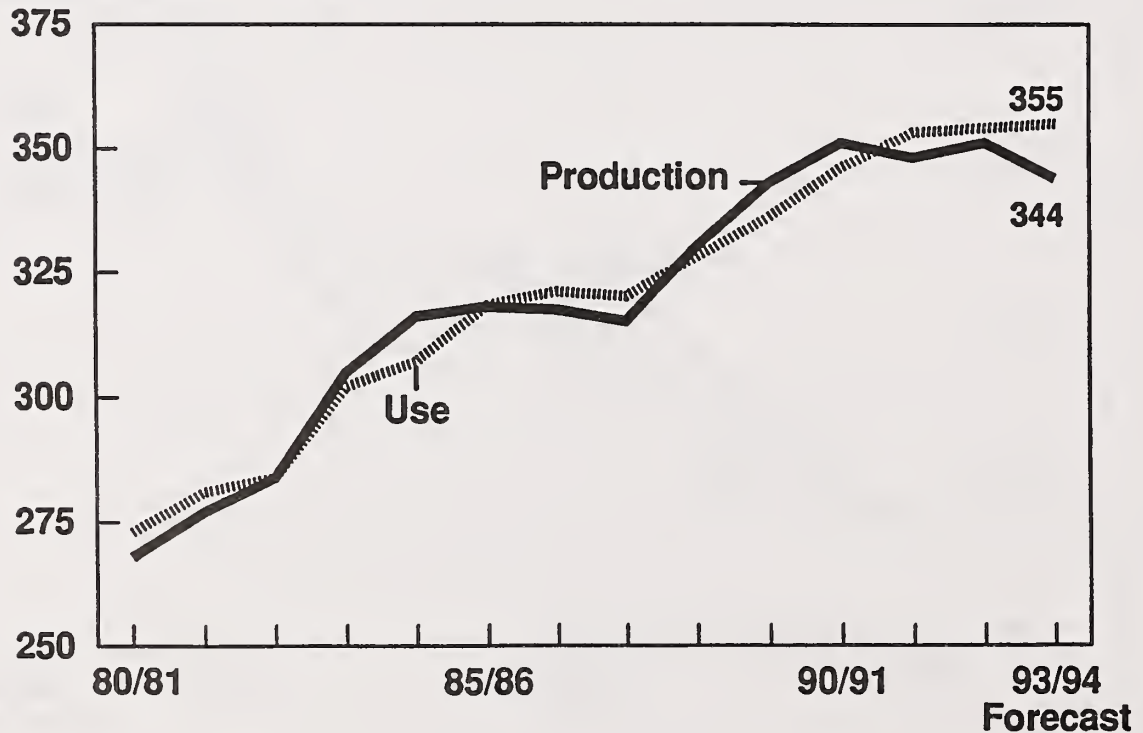
U.S. Wheat

Billion Bushels



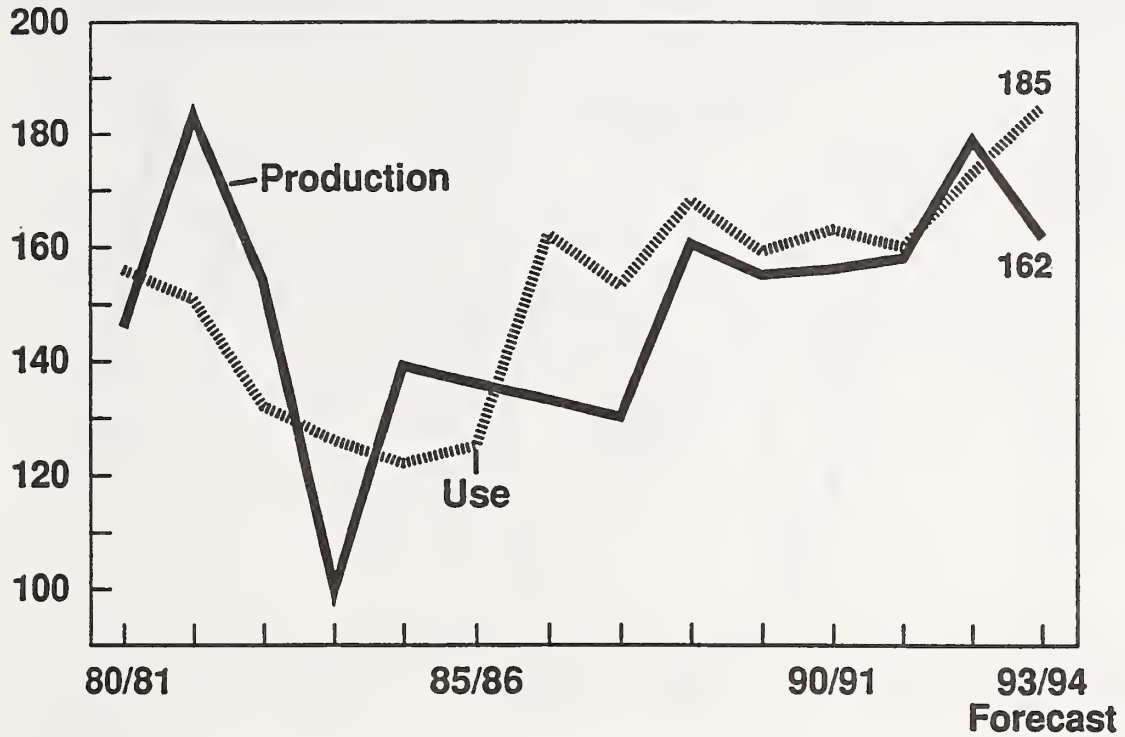
World Rice

Million Metric Tons



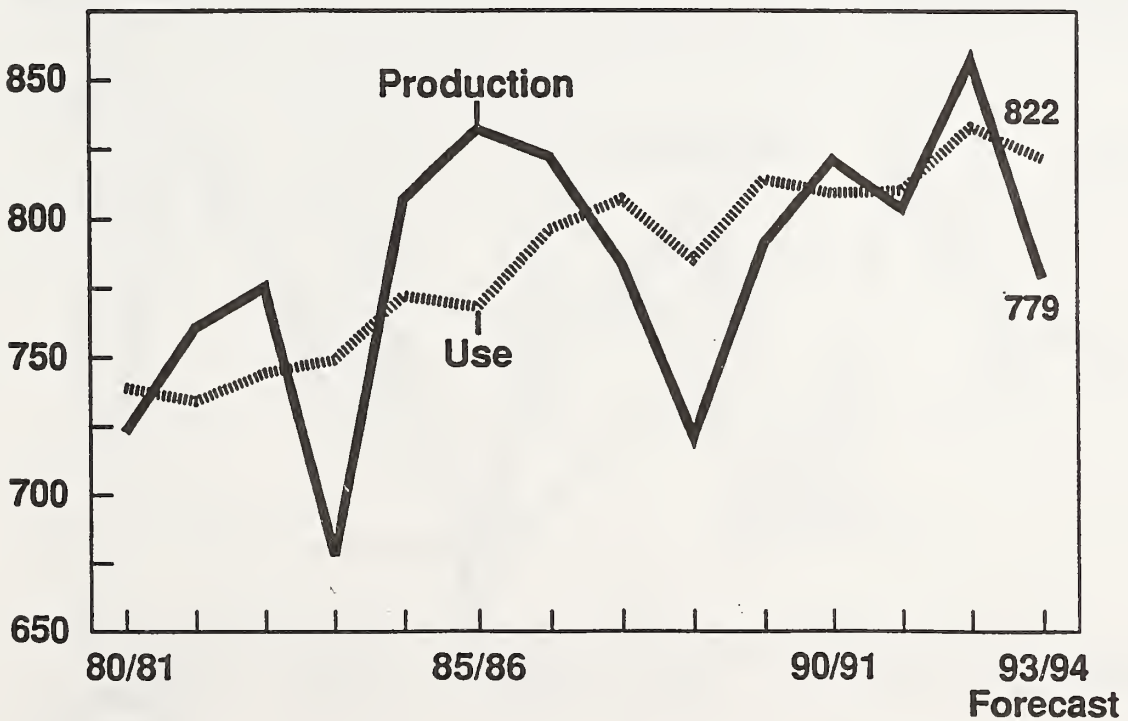
U.S. Rice

Million Hundredweight



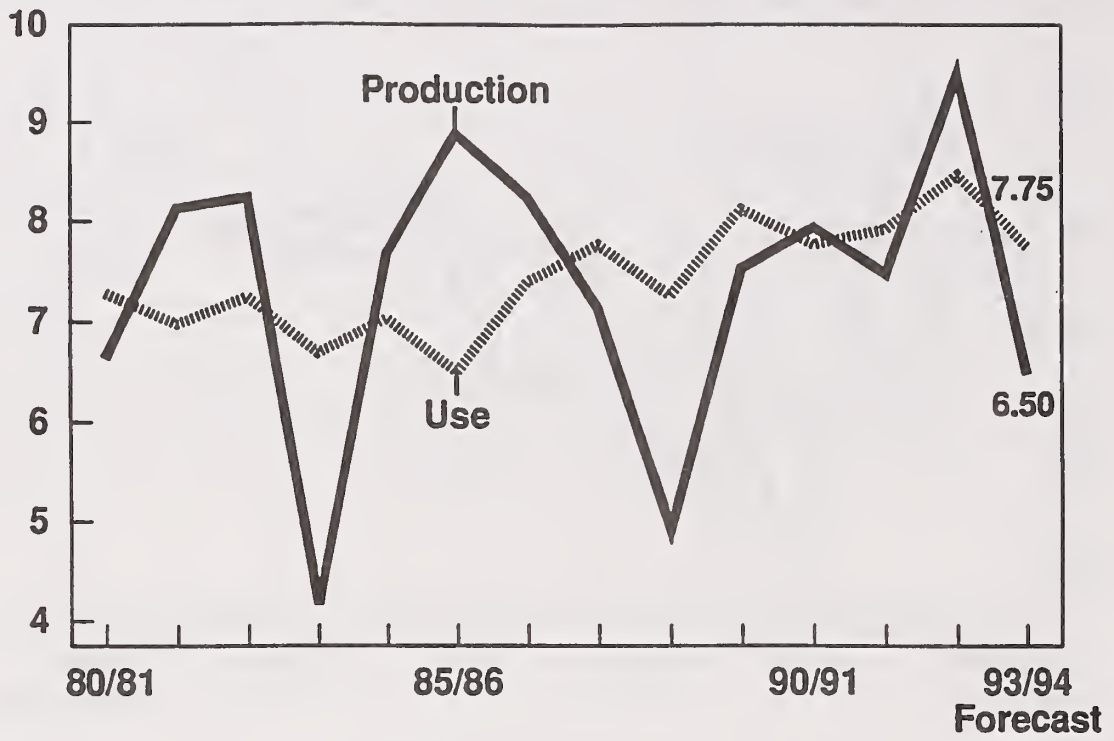
World Coarse Grains

Million Metric Tons



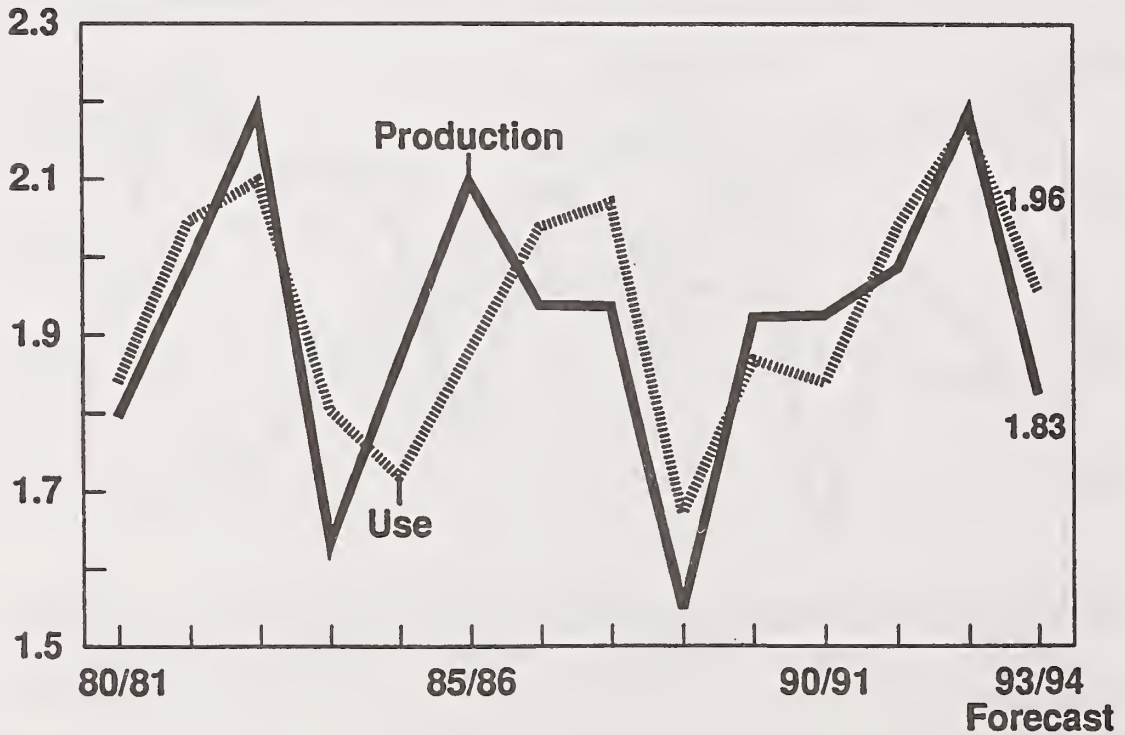
U.S. Corn

Billion Bushels



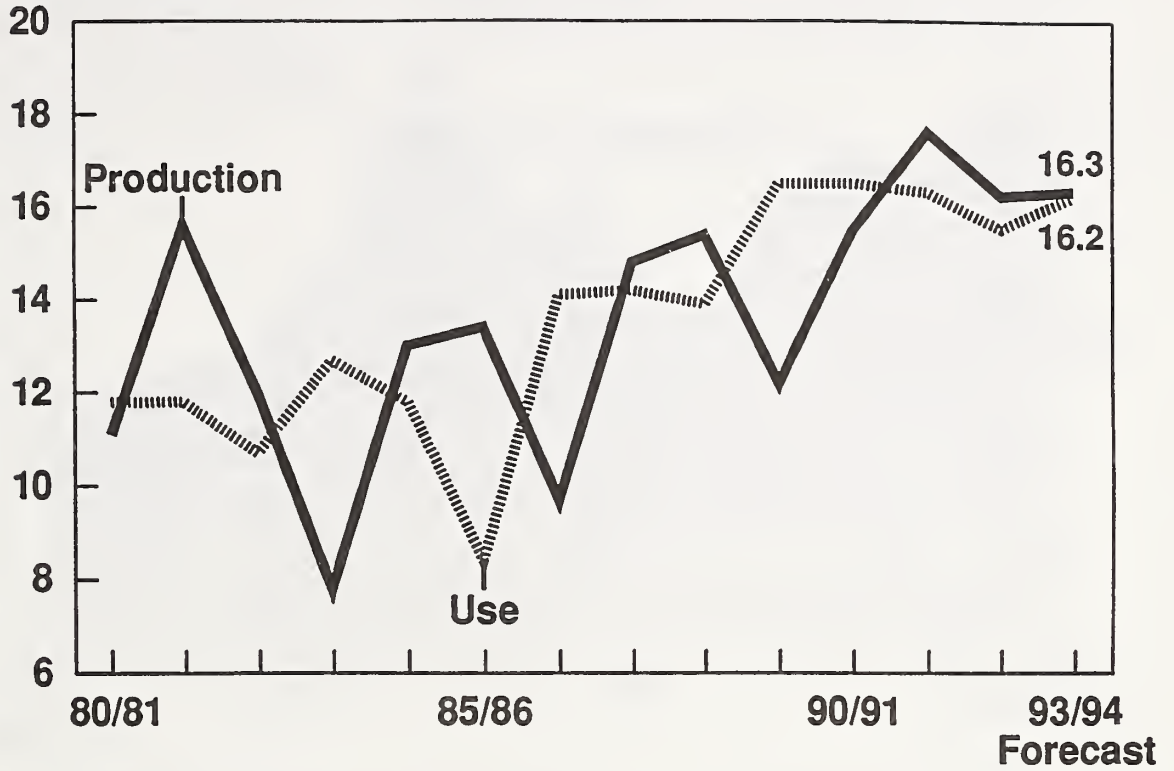
U.S. Soybeans

Billion Bushels



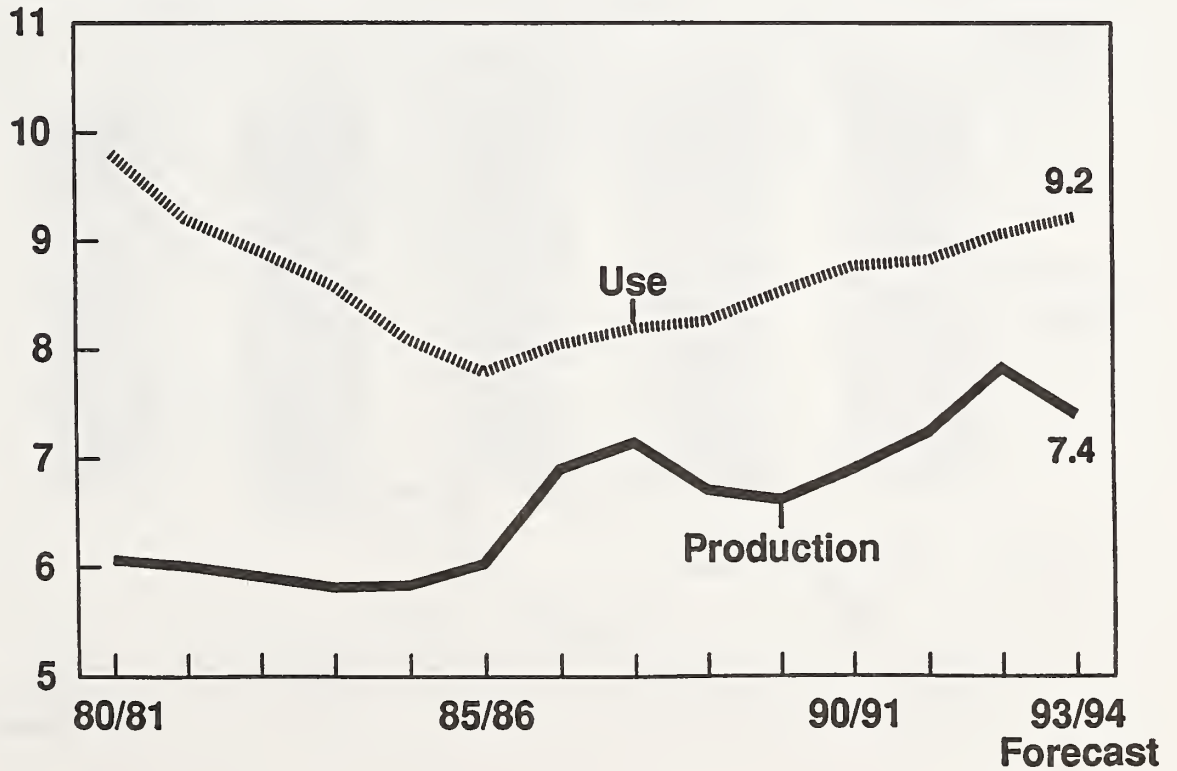
U.S. Cotton

Million Bales



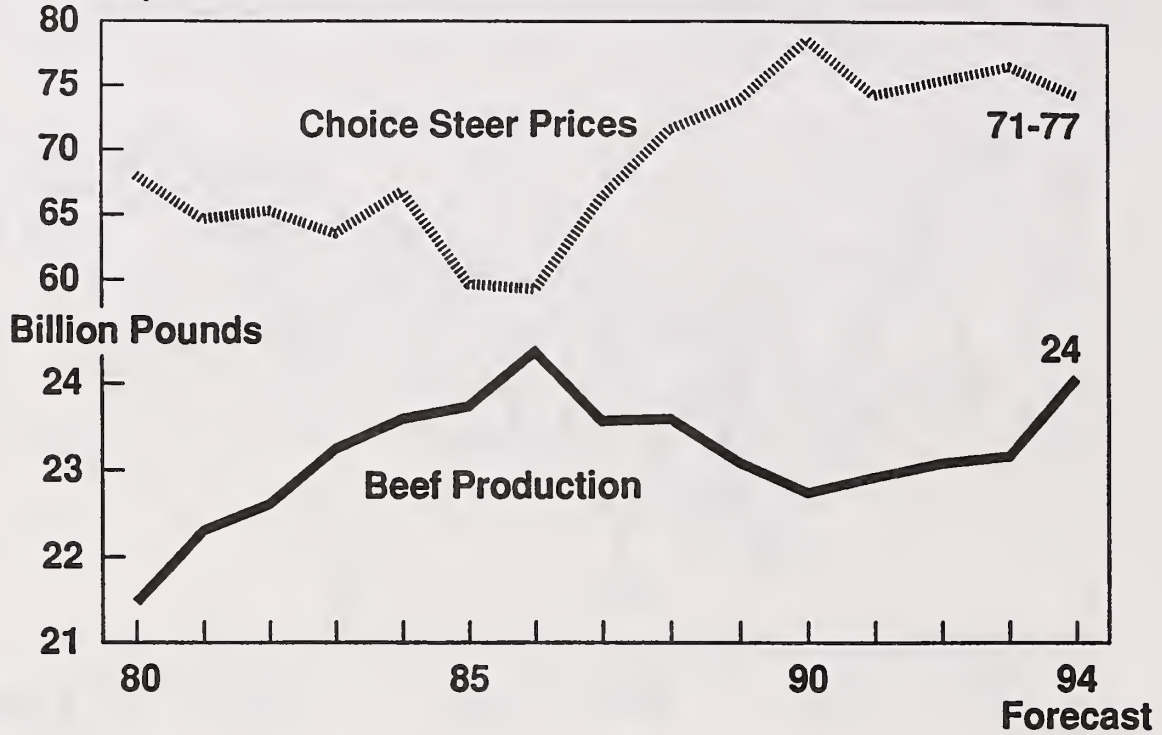
U.S. Sugar

Million Short Tons



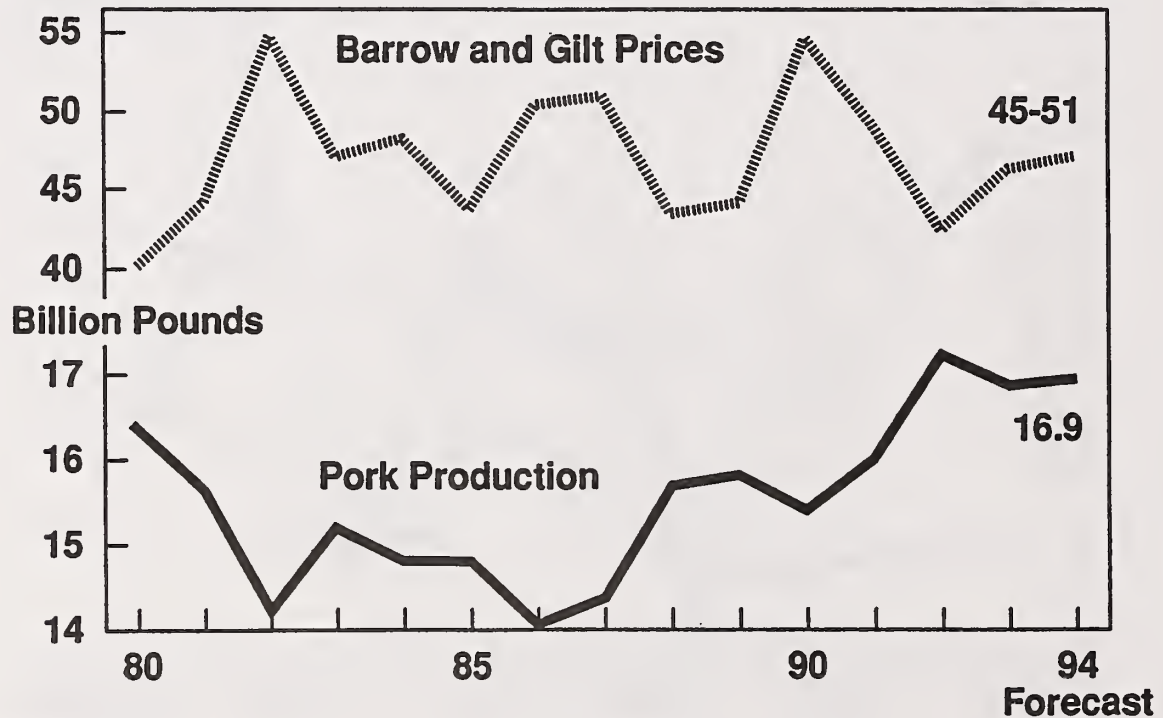
Beef Production and Steer Prices

Dollars per cwt



Pork Production and Prices

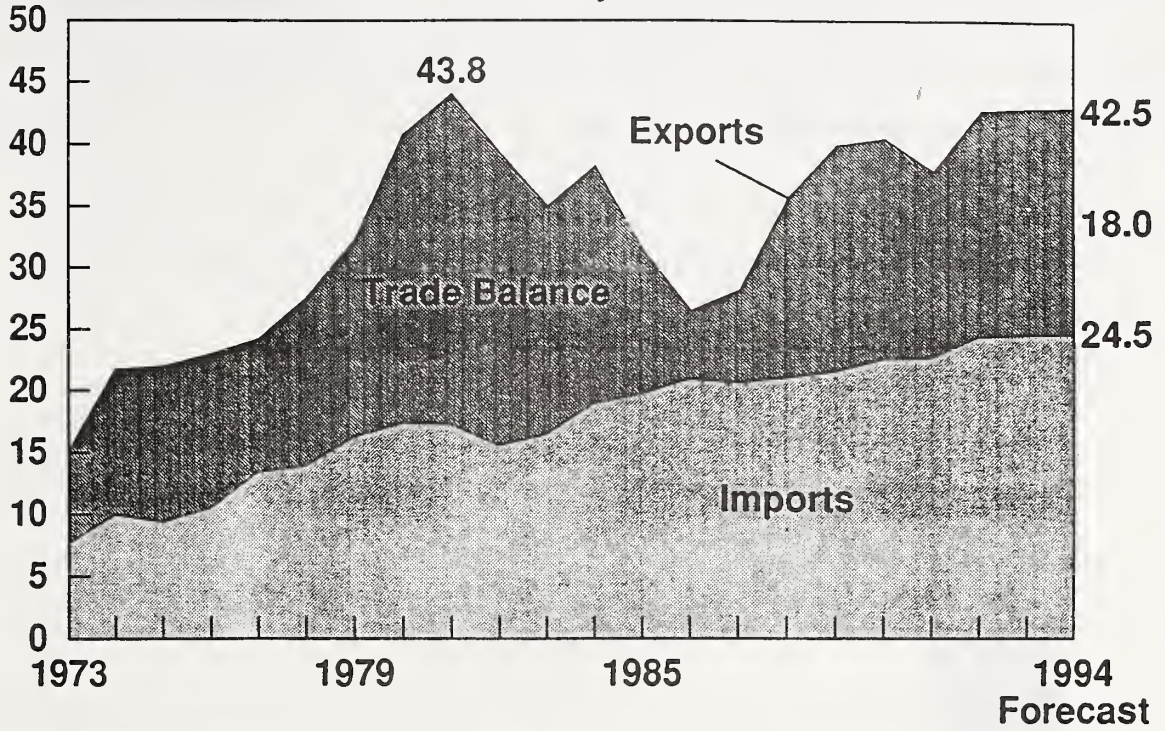
Dollars per cwt



U.S. Agricultural Trade

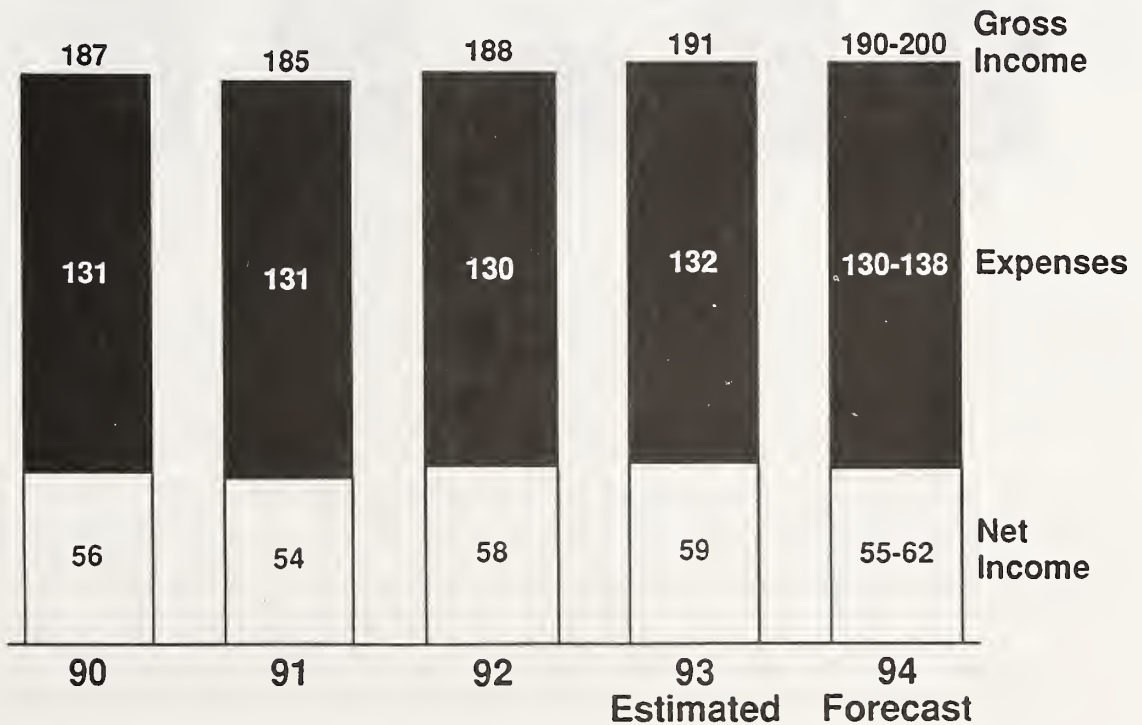
Billion Dollars

Fiscal years



Cash Farm Income

Billion Dollars



Food Prices Percent Change

