THE PRESIDENT HAS SEEN
6-25-97

THE SECRETARY OF AGRICULTURE
WASHINGTON, D.C. 20250-0100

June 11, 1997

MEMORANDUM FROM SECRETARY GLICKMAN

To: Thurgood Marshall, Jr.,
Deputy Counsel and Legislative Director to the Vice President

Subject: The President's Civil Rights Initiative

As the Administration prepares to embark on its Civil Rights Initiative and an ambitious effort to promote racial healing in America, I am increasingly concerned about a growing enemy from an unlikely corner that unites civil rights advocates and opponents alike. That enemy is cynicism.

Given the Department of Agriculture's recent efforts to overcome a history of insensitivity to diverse employees and customers, I thought some practical, on-the-ground advice might be of some use to you. It's not the makings of a moving speech, just some practical wisdom that might actually get the job done. Here's what I've learned from the trenches:

1) *Talk and walk at the same time*. Most leaders are quite willing to say a few uplifting words in favor of civil rights, but precious few have followed it up with concrete actions. Too often, the result has been that when America's leaders talk about improving civil rights, few people believe them, and for good reason -- they *have* heard it all before.

In wading through USDA's problems, I quickly found that there is no substitute for action. We set clear goals. We laid out an aggressive timeline, and we're sticking to it. The result is credibility. From the people who run our agencies to the people who answer the phones, folks clearly see that something real is happening, and they want to be a part of it.

2) *Commissions need clear missions*. If we swept together all the dust that's settled on the countless reports of past civil rights commissions, all of Washington would sneeze. It is useful to gather a braintrust, just make sure they have a strict deadline and clear

copied
Matthews
COS

.... more

direction from the top that their dialogue must be constructive. Without concrete recommendations for action, it's all just talk, and we fuel the very cynicism that we're trying to root out.

I did establish a civil rights commission at USDA. It was headed by an esteemed career civil servant. They travelled the country for 3 months listening not just to the experts, but real people -- farmers, rural Americans, and USDA employees. Given those perspectives, they delivered a 121-page report which was almost entirely a series of bullets recommending specific actions.

Here's a sampling of what they came up with:

-- Eliminate the years-old backlog of civil rights complaints in 120 days.

-- Freeze all foreclosures where a civil rights complaint has been filed until an independent review can be performed.

-- Make it a condition of employment at USDA that every employee treat every co-worker and customer fairly and equitably, with dignity and respect.

-- Establish a results-oriented National Commission on the Small Farm to pull together the threads of economics, civil rights, and rural conditions and weave a national strategy to stem the alarming loss of America's small farms -- many of which are minority-owned.

Taken as a whole, these recommendations form a detailed road map for how USDA can get out from under a history of discrimination and become a federal civil rights leader.

Finally, when the report gets passed up to you, be ready to run. When I received my civil rights report, there certainly were bureaucrats who recommended we form a committee to report on the committee's report and make recommendations on the recommendations. Instead, I disbanded our civil rights commission and formed an action team.

The day after I received the report, I went before my entire department and the media and announced that we would immediately get down to business. This sustained the momentum, and since the report contained a clear set of goals and deadlines, people knew that they could expect -- and hold us accountable for -- quick, concrete progress.

3) *Learn to like paper cuts.* Speeches are the fun part. But it's the dogged, day-to-day staying on top of the specific initiatives that keeps the ball moving forward.

. . . . . more

I have a meeting every week with my top civil rights advisor. He gets whatever resources he needs. His staff files a 20-page report every week detailing the progress that's been made in each agency -- on hiring, on complaints resolution, on customer service. The results? A strong sense of accountability throughout our ranks and crystal clear progress.

4) *Report regularly to the shareholders.* If we ask the American people to set aside their doubts and come along with us in this effort, we've got to be a broken record and regularly hold ourselves accountable to them for making real progress.

Virtually every time I give a speech I talk about civil rights. Eventually, it sinks in that this really is a very big deal. I talk about the big picture of America's racial divide, but I also catalog what we're doing about it. People need to hear that we are making real progress.

5) *One small step per man is one giant leap for mankind.* History will judge our Civil Rights Initiative by the simple meter of how Americans treat one another and function as a society in the 21st century. But the Chinese have a saying, 'the journey of a thousand miles begins with a single step.' As leaders in this effort, we must plot a methodical strategy and give people concrete ways that they can help piece our people back together. We change the world by each person changing their little corner of the world -- in their homes, churches, schools, workplaces, and communities.

This is how we are finding some success in changing the culture of the Department of Agriculture. I hope that our experiences may be of some use in healing America's old wounds.

There will always be a few rotten apples in the barrel, but my belief is that the vast majority of Americans yearn to be called on in a meaningful way to be a part of the solution. Too many of us have experienced firsthand the pain of mindless divisions. But too many of us, too, have been given false hope by uplifting words from our leaders that in the end turn out to be thin air.

This President and this Administration are uniquely qualified to rise above mere talk. But if we are to give the American people hope, first and foremost we must give them action.

more

THE PRESIDENT HAS SEEN
6-25-97

THE SECRETARY OF AGRICULTURE
WASHINGTON, D.C. 20250-0100

June 11, 1997

MEMORANDUM FROM SECRETARY GLICKMAN

To: Thurgood Marshall, Jr.,
Deputy Counsel and Legislative Director to the Vice President

Subject: The President's Civil Rights Initiative

Dan Glickman

As the Administration prepares to embark on its Civil Rights Initiative and an ambitious effort to promote racial healing in America, I am increasingly concerned about a growing enemy from an unlikely corner that unites civil rights advocates and opponents alike. That enemy is cynicism.

Given the Department of Agriculture's recent efforts to overcome a history of insensitivity to diverse employees and customers, I thought some practical, on-the-ground advice might be of some use to you. It's not the makings of a moving speech, just some practical wisdom that might actually get the job done. Here's what I've learned from the trenches:

1) *Talk and walk at the same time.* Most leaders are quite willing to say a few uplifting words in favor of civil rights, but precious few have followed it up with concrete actions. Too often, the result has been that when America's leaders talk about improving civil rights, few people believe them, and for good reason -- they *have* heard it all before.

In wading through USDA's problems, I quickly found that there is no substitute for action. We set clear goals. We laid out an aggressive timeline, and we're sticking to it. The result is credibility. From the people who run our agencies to the people who answer the phones, folks clearly see that something real is happening, and they want to be a part of it.

2) *Commissions need clear missions.* If we swept together all the dust that's settled on the countless reports of past civil rights commissions, all of Washington would sneeze. It is useful to gather a braintrust, just make sure they have a strict deadline and clear

.... more

copied
Mathews
COS

direction from the top that their dialogue must be constructive. Without concrete recommendations for action, it's all just talk, and we fuel the very cynicism that we're trying to root out.

I did establish a civil rights commission at USDA. It was headed by an esteemed career civil servant. They travelled the country for 3 months listening not just to the experts, but real people -- farmers, rural Americans, and USDA employees. Given those perspectives, they delivered a 121-page report which was almost entirely a series of bullets recommending specific actions.

Here's a sampling of what they came up with:

-- Eliminate the years-old backlog of civil rights complaints in 120 days.

-- Freeze all foreclosures where a civil rights complaint has been filed until an independent review can be performed.

-- Make it a condition of employment at USDA that every employee treat every co-worker and customer fairly and equitably, with dignity and respect.

-- Establish a results-oriented National Commission on the Small Farm to pull together the threads of economics, civil rights, and rural conditions and weave a national strategy to stem the alarming loss of America's small farms -- many of which are minority-owned.

Taken as a whole, these recommendations form a detailed road map for how USDA can get out from under a history of discrimination and become a federal civil rights leader.

Finally, when the report gets passed up to you, be ready to run. When I received my civil rights report, there certainly were bureaucrats who recommended we form a committee to report on the committee's report and make recommendations on the recommendations. Instead, I disbanded our civil rights commission and formed an action team.

The day after I received the report, I went before my entire department and the media and announced that we would immediately get down to business. This sustained the momentum, and since the report contained a clear set of goals and deadlines, people knew that they could expect -- and hold us accountable for -- quick, concrete progress.

3) *Learn to like paper cuts.* Speeches are the fun part. But it's the dogged, day-to-day staying on top of the specific initiatives that keeps the ball moving forward.

more

I have a meeting every week with my top civil rights advisor. He gets whatever resources he needs. His staff files a 20-page report every week detailing the progress that's been made in each agency -- on hiring, on complaints resolution, on customer service. The results? A strong sense of accountability throughout our ranks and crystal clear progress.

4) *Report regulady to the shareholders.* If we ask the American people to set aside their doubts and come along with us in this effort, we've got to be a broken record and regularly hold ourselves accountable to them for making real progress.

Virtually every time I give a speech I talk about civil rights. Eventually, it sinks in that this really is a very big deal. I talk about the big picture of America's racial divide, but I also catalog what we're doing about it. People need to hear that we are making real progress.

5) *One small step per man is one giant leap for mankind.* History will judge our Civil Rights Initiative by the simple meter of how Americans treat one another and function as a society in the 21st century. But the Chinese have a saying, 'the journey of a thousand miles begins with a single step.' As leaders in this effort, we must plot a methodical strategy and give people concrete ways that they can help piece our people back together. We change the world by each person changing their little corner of the world -- in their homes, churches, schools, workplaces, and communities.

This is how we are finding some success in changing the culture of the Department of Agriculture. I hope that our experiences may be of some use in healing America's old wounds.

There will always be a few rotten apples in the barrel, but my belief is that the vast majority of Americans yearn to be called on in a meaningful way to be a part of the solution. Too many of us have experienced firsthand the pain of mindless divisions. But too many of us, too, have been given false hope by uplifting words from our leaders that in the end turn out to be thin air.

This President and this Administration are uniquely qualified to rise above mere talk. But if we are to give the American people hope, first and foremost we must give them action.

more

THE SECRETARY OF AGRICULTURE
WASHINGTON, D.C.
20250-0100

To John for filing

March 27, 1999

MEMORANDUM FOR THE PRESIDENT

From: Secretary Dan Glickman

Subject: Farm Program Recommendations

I recommend that you announce a farm program initiative that includes 1) income enhancement 2) crop insurance reform, 3) a program to idle farm land for three to five years, 4) extending the dairy program, and 5) on-farm storage

After a generally healthy farm economy over most of your Administration, farm prices have dropped dramatically, both in amount and the rapidity with which they receded from their highs. While many of the aggregate indicators of the sector's financial condition show only moderate signs of stress – largely because of the increased government payments USDA will make this year from the emergency aid you secured in last year's omnibus appropriations bill and the continuing strength in the fruit, vegetable, and horticultural segments – traditional field crop and livestock farmers are realizing prices far below their averages for the 1990's. The repercussions of these trends are beginning to evidence themselves in eroding land values, higher debt levels, and extremely tight cash flows.

As prices stay soft, these trends will spread and worsen and will manifest in growing public and congressional attention to the problem. Already, in fact, many in Congress, on both sides of the aisle, foresee another disaster-type bill this year; clearly the Democrats in the Senate want farm program changes and even some Republicans have begin to break with their party's general aversion to revisiting the 1996 farm bill.

To date, the proposals we have advanced mainly concern reforming crop insurance coupled with items that involve minimal, or no, additional resources. We need to continue those efforts and they should be a part of your initiative. However, even at its best, a strengthened crop insurance program, and one that includes new methods to insure against price and revenue declines, will not respond adequately to the weak prices that will fall across the agricultural sector for the duration of your Administration. Moreover, if we are to offer a credible response to the growing crisis in agriculture, we have to be

prepared to devote commensurate resources.

The initiative will cost $2.5 to $3 billion annually, though the final figure can be adjusted, upward or downward, based on how the variables of each of the components are put together. While some portion of this cost could come from USDA's existing budget, not all of it can, and in fact, I would recommend that only a nominal amount come from reallocating USDA's funds. Most of the farm program spending in the USDA budget are income support payments, thus they would have to be the source of off sets. But if a new initiative is to enhance farm income, it seems counter productive to diminish existing income support payments.

The main elements of the initiative are summarized below:

- INCOME ENHANCEMENT: Under this program, USDA would make a payment when the gross income from a crop falls by a certain percent under the average of the preceding five years. For example, if the gross income for corn farmers in 1999 falls 30% under the average of the last five years, USDA would make a payment to compensate for the decline. The program would apply to all the major field crops.

  USDA examined such a program during consideration of the FY99 omnibus appropriations bill. Based on the 30% threshold cited above, the cost would have been about $1.8 billion per year. I recommend designing such a program to spend about $1.5 billion annually.

  The Administration's most salient criticism of the 1996 farm bill, the one that resonates best, is that the bill lacks the counter cyclical protection of past programs – it fails to increase income support payments when prices fall. This program, to run for the rest of the life of the current farm bill, responds to that criticism and does so without raising some of the policy objections of other alternatives, most notably increasing commodity loans.

- CROP INSURANCE: We need to continue pursuing crop insurance reform; however, it alone can not respond to all of the problems beginning to beset the farm economy. It should be a component of your initiative, but not necessarily the center piece.

  I recommend a $1 billion crop insurance initiative, consisting of increased premium subsidies for the higher levels of coverage, known as buy-up coverage, including

revenue insurance; improving the non-insured assistance program (NAP); and livestock protection. This initiative would actually cost more than $1 billion, but I think we could propose some changes to the basic crop insurance coverage, known as CAT for catastrophic coverage, that would off set some of these costs.

- LAND IDLING: The Administration should recommend a program to pay farmers to idle farm land for three to five years if they agreed to implement conservation practices on the land during that period. Modeled on the existing Conservation Reserve Program (CRP), that requires farmers to idle their land for ten years, this program would cost about $200 million per year.

  When first considered by the Administration during the disaster bill debate, the proposal was designed to help farmers whose land was submerged temporarily or unproductive because of disease, such as wheat scab or Karnal bunt. It still would apply to those purposes, and while achieving conservation benefits, it would also help respond to the growing surpluses depressing crop prices.

- DAIRY: The dairy price support program ends December 31, two years before the rest of the farm bill. The Administration should propose extending the dairy price support program for two years at $10 per hundredweight, a slight increase over the current level. Compared to the present program, this would cost about $25 million per year; compared to no program, this would cost about $100 million.

  After hitting record highs in December, milk prices have plummeted. In February, they registered their sharpest one-month drop ever and production is significantly above year-earlier levels. The farm bill requires a milk marketing order reform plan from USDA by April 4. While this plan, and milk marketing orders generally, are not price supporting mechanisms, its issuance and the drop in dairy prices will fuel the likely congressional debate over whether to permit USDA to implement the plan – Congress has until September 30 to block it. At the same time, several state legislatures are seriously considering joining the existing New England dairy compact or forming their own new ones.

  In short, all of these events mean that the debate over dairy policy will surface this year and extending the price support program will not only offer dairy farmers some stability and price protection, it will get the Administration in front of the debate.

- ON-FARM STORAGE: The Administration should propose an on-farm storage

program that would enable USDA to finance the construction of such facilities. At $50 million per year, USDA could finance about $1 billion worth of such facilities, which would help farmers by allowing them to store their grain during times of low prices rather than being forced to sell.

In addition to the above discussed items, the Administration should continue pursuing several other, lower or no cost reforms, including: mandatory livestock price reporting, extending commodity loans, greater planting flexibility for fruits and vegetables, haying and grazing reform, and strengthening protections for livestock producers and farmers who join cooperatives.

Finally, there are a couple of administrative actions that could help exports:

- EXPANDING DONATIONS: I think we should expand the wheat donation program you announced last summer to include other commodities. Under the existing program, USDA has moved almost three times as much food aid as it did before the program. If we applied the same criteria used to justify starting that program, soybeans, soybean meal, and soybean oil would likely qualify. Although they are not as applicable to donations as wheat, we can use them in certain countries and, from a domestic stand point, the drop in soybean prices this year is likely to be the sharpest of the major crops.

- SANCTIONS: I know the issue of sanctions, particularly with respect to allowing grain shipments to Iran, has undergone extensive debate within the Administration. The agricultural community would react very favorably to any action you take to lift or otherwise ease sanctions, either broadly speaking, or just in this one case.

Farm Program Recommendations

- INCOME ENHANCEMENT: Under this program, USDA would make a payment when the gross income from a crop falls by a certain percent under the average of the preceding five years. For example, if the gross income for corn farmers in 1999 falls 30% under the average of the last five years, USDA would make a payment to compensate for the decline. The program would apply to all the major field crops. Based on the 30% threshold, the cost would be about $1.5 billion per year.

- CROP INSURANCE: The Administration should pursue a $1 billion crop insurance initiative, consisting of increased premium subsidies for the higher levels of coverage, known as buy-up coverage, including revenue insurance; improving the non-insured assistance program (NAP); and livestock protection. This initiative would actually cost more than $1 billion, but with changes to the basic crop insurance coverage, known as CAT for catastrophic coverage, that would off set some of these costs, the annual cost would hit the $1 billion estimate.

- LAND IDLING: The Administration should recommend a program to pay farmers to idle farm land for three to five years if they agreed to implement conservation practices on the land during that period. Modeled on the existing Conservation Reserve Program (CRP), that requires farmers to idle their land for ten years, this program would cost about $200 million per year.

- DAIRY: The dairy price support program ends December 31, two years before the rest of the farm bill. The Administration should propose extending the dairy price support program for two years at $10 per hundredweight, a slight increase over the current level. Compared to the present program, this would cost about $25 million per year; compared to no program, this would cost about $100 million.

- ON-FARM STORAGE: The Administration should propose an on-farm storage program that would enable USDA to finance the construction of such facilities. At $50 million per year, USDA could finance about $1 billion worth of such facilities, which would help farmers by allowing them to store their grain during times of low prices rather than being forced to sell.

Farm Program Recommendations

- INCOME ENHANCEMENT: Under this program, USDA would make a payment when the gross income from a crop falls by a certain percent under the average of the preceding five years. For example, if the gross income for corn farmers in 1999 falls 30% under the average of the last five years, USDA would make a payment to compensate for the decline. The program would apply to all the major field crops. Based on the 30% threshold, the cost would be about $1.5 billion per year.

- CROP INSURANCE: The Administration should pursue a $1 billion crop insurance initiative, consisting of increased premium subsidies for the higher levels of coverage, known as buy-up coverage, including revenue insurance; improving the non-insured assistance program (NAP); and livestock protection. This initiative would actually cost more than $1 billion, but with changes to the basic crop insurance coverage, known as CAT for catastrophic coverage, that would off set some of these costs, the annual cost would hit the $1 billion estimate.

- LAND IDLING: The Administration should recommend a program to pay farmers to idle farm land for three to five years if they agreed to implement conservation practices on the land during that period. Modeled on the existing Conservation Reserve Program (CRP), that requires farmers to idle their land for ten years, this program would cost about $200 million per year.

- DAIRY: The dairy price support program ends December 31, two years before the rest of the farm bill. The Administration should propose extending the dairy price support program for two years at $10 per hundredweight, a slight increase over the current level. Compared to the present program, this would cost about $25 million per year; compared to no program, this would cost about $100 million.

- ON-FARM STORAGE: The Administration should propose an on-farm storage program that would enable USDA to finance the construction of such facilities. At $50 million per year, USDA could finance about $1 billion worth of such facilities, which would help farmers by allowing them to store their grain during times of low prices rather than being forced to sell.

THE SECRETARY OF AGRICULTURE
WASHINGTON, D.C.
20250-0100

May 20, 1997

MEMORANDUM FOR THE PRESIDENT

From: Secretary Dan Glickman

Subject: Progress on Civil Rights at the Department of Agriculture

Since my January 27, 1997 memorandum to Chief of Staff Bowles, the Department of Agriculture (USDA) has established a Civil Rights Implementation Team (CRIT) to implement the 92 recommendations in the Civil Rights Action Team (CRAT) Report I commissioned last December and which I received February 28, 1997.

Under the acting assistant secretary for administration, who served as the CRAT leader, the CRIT, composed of 300 employees in 33 sub-teams, will have implemented approximately one-half of the CRAT recommendations and by the end of this September, most of the rest will be in place.

I am attaching to this memorandum the full CRAT report as well as the most recent weekly CRIT progress report. The department has been involved in a number of related events. Below, I have summarized some of the most significant:

U.S. COMMISSION ON CIVIL RIGHTS AUDIT

On April 4, I met with Mary Francis Berry, Chairwoman of the Commission on Civil Rights. Ms. Berry shared her continuing concerns about whether USDA has sufficient resources dedicated to civil rights in program delivery and outreach, that a culture exists within the department that is unreceptive to diversity and change, and about the lack of good legal assistance in the area of civil rights from the office of the general counsel. I explained to her what we are doing to address these issues. She and I agreed that the commission will continue to monitor these issues and will conduct a civil rights audit after October 1998.

CONGRESSIONAL BLACK CAUCUS HEARING

On April 16, I met with members of the Congressional Black Caucus (CBC) to

discuss the CRAT recommendations and implementation. The CBC raised several specific issues including: the backlog of program and employee complaints, providing legal assistance on civil rights, ensuring accountability for those who discriminate, and departmental policy on foreclosures and making farm operating loans when the borrower has alleged discrimination.

On April 23, the CBC held a hearing focused on these issues of discrimination that CBC Chairwoman Maxine Waters chaired. She was joined by Representatives Bennie Thompson, Sanford Bishop, William Clay, Elijah Cummings, Danny Davis, Jesse Jackson, Jr., Eddie Bernice Johnson, Cynthia McKinney, Donald Payne, Robert Scott, Albert Wynn, Sheila Jackson-Lee, John Conyers, Eva Clayton, Donna Christian-Green, Eleanor Holmes Norton, Juanita Millender-McDonald and William Jefferson. House Minority Leader Dick Gephardt made a surprise appearance.

Farmers at the hearing questioned whether USDA is working quickly enough on CRAT implementation, stated that the USDA loan program was unresponsive to black farmers, and that they had received racist threats. The farmers also stated their contention that USDA is at the center of a conspiracy to take their land. They were concerned about a continued decline in the number of black farmers and about the lack of loans for this spring's crops.

BLACK FARMERS RALLY AT USDA

Prior to the April 23 CBC hearing, several hundred black farmers rallied outside of USDA headquarters that featured Representatives Maxine Waters and Bennie Thompson, and John Boyd, President of the National Association of Black Farmers. Speakers were concerned about the declining numbers of black farmers and one speaker stated if the current trend continues, there would be no black farms by the year 2000. Farmers charged that USDA was not doing enough, fast enough, to satisfy them. They stated that discrimination and lack of access to capital were key reasons for the declining numbers. They also charged that USDA was not making money available to them in time to plant their crops this spring.

CREDIT

USDA's credit programs continue to be near the center of many of the civil rights concerns with which I am dealing.

Virginia's Senator Robb and Lieutenant Governor Donald S. Beyer, Jr., asked me by telephone for emergency aid for black farmers who need loans this growing season. USDA has now freed up this money so it is available to the farmers. USDA is securing guaranteed loans from banks to provide immediate aid to the

farmers. Last week, senior USDA credit officials met with representatives of Virginia banks, black farmers, and others to facilitate providing operating credit this planting season. Also, the pending supplemental appropriations bill includes funds to provide an additional $110 million in guaranteed loans this fiscal year.

I issued two directives the week of April 21 freezing foreclosures at all stages of processing until all charges of discrimination are investigated by an independent review team. This is a more stringent civil rights protection measure than USDA has had in the past and a step further than the policy I announced last December. In the second directive, I changed other loan processing actions to make sure loan processing continues when a discrimination complaint is pending. Further, if a loan applicant alleges discrimination and his or her application is being process by the USDA employee against whom the charge is made, another loan officer must process the application. If USDA cannot approve a loan, the applicant must be advised, in a meeting and in writing, to explain why the loan application was denied.

COMPLAINT BACKLOG

In early April, the department began dealing with the backlog of at least 2,000 discrimination complaints. The new civil rights division has 12 sub-teams working to eliminate the backlog of 550 program discrimination and 1,450 equal employment opportunity complaints. Cases that can be dismissed will be; cases with incomplete investigations will be mediated, settled or assigned for completion of investigation; and cases that have possible cause will be settled or decided. My goal is to resolve those cases that can be resolved by the first week of June.

However, the backlog issue may be worse than I had originally thought. Files are disorganized and, in some cases, have not yet been located. Officials have as yet been unable to reconcile some records. But in many cases, because employees and customers have filed more than one case, if the department handles one case, 5 or 6 cases may be settled.

The new civil rights division officials are working to streamline the basic complaint process. When the new process is in place, all civil rights information will be merged into a centralized data base. This will help the department respond and resolve any future civil rights complaints in a more timely manner. The goal is to have the new system in place by August 1.

SETTLEMENTS

The department has settled three major complaints from farmers who were discriminated against by the former Farmers Home Administration, including the

case of the president of the National Black Farmers Association. These settlements total $1,195,000 in payments and $442,000 in debt write-offs. The settlements underscore USDA's commitment to quickly and fairly resolve legitimate civil rights complaints. I hope there will be more settlements in the future.

In summary, I have made the civil rights issues at USDA my top priority. We have many dedicated employees who are working diligently to address the long-standing and entrenched problems here at USDA. In addition to addressing the root causes of these problems and instituting long-last organizational change, I have stressed diversity and commitment to civil rights in my recommendations to fill the openings in top leadership positions.

I appreciate your continued interest and ask for your continued support.

attachments:

Civil Rights at the United States Department of Agriculture: A Report by the Civil Rights Action Team, February, 1997.

Civil Rights at the United States Department of Agriculture: Civil Rights Implementation Team Progress Report Number 4, May 16, 1997.

cc:

Erskine Bowles, Chief of Staff to the President
Sylvia Mathews, Assistant to the President and Deputy Chief of Staff
Rahm Emanuel, Senior Advisor to the President
Kitty Higgins, Cabinet Secretary
Maria Echaveste, Director of Public Liaison

Mr. President - The challenges confronting USDA in this issue are great, but the opportunities are even greater to us and the Administration if we can continue to make substantial progress on our commitments. To date, employees at USDA and our customers trust that we are acting in good faith.
Dan

THE SECRETARY OF AGRICULTURE
WASHINGTON, D.C.
20250-0100

May 20, 1997

MEMORANDUM FOR THE PRESIDENT

From: Secretary Dan Glickman

Subject: Progress on Civil Rights at the Department of Agriculture

Since my January 27, 1997 memorandum to Chief of Staff Bowles, the Department of Agriculture (USDA) has established a Civil Rights Implementation Team (CRIT) to implement the 92 recommendations in the Civil Rights Action Team (CRAT) Report I commissioned last December and which I received February 28, 1997.

Under the acting assistant secretary for administration, who served as the CRAT leader, the CRIT, composed of 300 employees in 33 sub-teams, will have implemented approximately one-half of the CRAT recommendations and by the end of this September, most of the rest will be in place.

I am attaching to this memorandum the full CRAT report as well as the most recent weekly CRIT progress report. The department has been involved in a number of related events. Below, I have summarized some of the most significant:

U.S. COMMISSION ON CIVIL RIGHTS AUDIT

On April 4, I met with Mary Francis Berry, Chairwoman of the Commission on Civil Rights. Ms. Berry shared her continuing concerns about whether USDA has sufficient resources dedicated to civil rights in program delivery and outreach, that a culture exists within the department that is unreceptive to diversity and change, and about the lack of good legal assistance in the area of civil rights from the office of the general counsel. I explained to her what we are doing to address these issues. She and I agreed that the commission will continue to monitor these issues and will conduct a civil rights audit after October 1998.

CONGRESSIONAL BLACK CAUCUS HEARING

On April 16, I met with members of the Congressional Black Caucus (CBC) to

discuss the CRAT recommendations and implementation. The CBC raised several specific issues including: the backlog of program and employee complaints, providing legal assistance on civil rights, ensuring accountability for those who discriminate, and departmental policy on foreclosures and making farm operating loans when the borrower has alleged discrimination.

On April 23, the CBC held a hearing focused on these issues of discrimination that CBC Chairwoman Maxine Waters chaired. She was joined by Representatives Bennie Thompson, Sanford Bishop, William Clay, Elijah Cummings, Danny Davis, Jesse Jackson, Jr., Eddie Bernice Johnson, Cynthia McKinney, Donald Payne, Robert Scott, Albert Wynn, Sheila Jackson-Lee, John Conyers, Eva Clayton, Donna Christian-Green, Eleanor Holmes Norton, Juanita Millender-McDonald and William Jefferson. House Minority Leader Dick Gephardt made a surprise appearance.

Farmers at the hearing questioned whether USDA is working quickly enough on CRAT implementation, stated that the USDA loan program was unresponsive to black farmers, and that they had received racist threats. The farmers also stated their contention that USDA is at the center of a conspiracy to take their land. They were concerned about a continued decline in the number of black farmers and about the lack of loans for this spring's crops.

BLACK FARMERS RALLY AT USDA

Prior to the April 23 CBC hearing, several hundred black farmers rallied outside of USDA headquarters that featured Representatives Maxine Waters and Bennie Thompson, and John Boyd, President of the National Association of Black Farmers. Speakers were concerned about the declining numbers of black farmers and one speaker stated if the current trend continues, there would be no black farms by the year 2000. Farmers charged that USDA was not doing enough, fast enough, to satisfy them. They stated that discrimination and lack of access to capital were key reasons for the declining numbers. They also charged that USDA was not making money available to them in time to plant their crops this spring.

CREDIT

USDA's credit programs continue to be near the center of many of the civil rights concerns with which I am dealing.

Virginia's Senator Robb and Lieutenant Governor Donald S. Beyer, Jr., asked me by telephone for emergency aid for black farmers who need loans this growing season. USDA has now freed up this money so it is available to the farmers. USDA is securing guaranteed loans from banks to provide immediate aid to the

farmers. Last week, senior USDA credit officials met with representatives of Virginia banks, black farmers, and others to facilitate providing operating credit this planting season. Also, the pending supplemental appropriations bill includes funds to provide an additional $110 million in guaranteed loans this fiscal year.

I issued two directives the week of April 21 freezing foreclosures at all stages of processing until all charges of discrimination are investigated by an independent review team. This is a more stringent civil rights protection measure than USDA has had in the past and a step further than the policy I announced last December. In the second directive, I changed other loan processing actions to make sure loan processing continues when a discrimination complaint is pending. Further, if a loan applicant alleges discrimination and his or her application is being process by the USDA employee against whom the charge is made, another loan officer must process the application. If USDA cannot approve a loan, the applicant must be advised, in a meeting and in writing, to explain why the loan application was denied.

COMPLAINT BACKLOG

In early April, the department began dealing with the backlog of at least 2,000 discrimination complaints. The new civil rights division has 12 sub-teams working to eliminate the backlog of 550 program discrimination and 1,450 equal employment opportunity complaints. Cases that can be dismissed will be; cases with incomplete investigations will be mediated, settled or assigned for completion of investigation; and cases that have possible cause will be settled or decided. My goal is to resolve those cases that can be resolved by the first week of June.

However, the backlog issue may be worse than I had originally thought. Files are disorganized and, in some cases, have not yet been located. Officials have as yet been unable to reconcile some records. But in many cases, because employees and customers have filed more than one case, if the department handles one case, 5 or 6 cases may be settled.

The new civil rights division officials are working to streamline the basic complaint process. When the new process is in place, all civil rights information will be merged into a centralized data base. This will help the department respond and resolve any future civil rights complaints in a more timely manner. The goal is to have the new system in place by August 1.

SETTLEMENTS

The department has settled three major complaints from farmers who were discriminated against by the former Farmers Home Administration, including the

case of the president of the National Black Farmers Association. These settlements total $1,195,000 in payments and $442,000 in debt write-offs. The settlements underscore USDA's commitment to quickly and fairly resolve legitimate civil rights complaints. I hope there will be more settlements in the future.

In summary, I have made the civil rights issues at USDA my top priority. We have many dedicated employees who are working diligently to address the long-standing and entrenched problems here at USDA. In addition to addressing the root causes of these problems and instituting long-last organizational change, I have stressed diversity and commitment to civil rights in my recommendations to fill the openings in top leadership positions.

I appreciate your continued interest and ask for your continued support.

attachments:

Civil Rights at the United States Department of Agriculture: A Report by the Civil Rights Action Team, February, 1997.

Civil Rights at the United States Department of Agriculture: Civil Rights Implementation Team Progress Report Number 4, May 16, 1997.

cc:

Erskine Bowles, Chief of Staff to the President
Sylvia Mathews, Assistant to the President and Deputy Chief of Staff
Rahm Emanuel, Senior Advisor to the President
Kitty Higgins, Cabinet Secretary
Maria Echaveste, Director of Public Liaison

Mr. President - The challenges confronting USDA in this issue are great, but the opportunities are even greater to us and the Administration if we can continue to make substantial progress on our commitments. To date, employees at USDA and our customers trust that we are acting in good faith.

Dan

THE SECRETARY OF AGRICULTURE
WASHINGTON
20250-0100

12-12-96

MEMORANDUM TO THE PRESIDENT

FROM: **Secretary Dan Glickman**

SUBJECT: **Civil Rights**

I want to let you know about the actions I have taken to address concerns about racial discrimination at the Department of Agriculture. USDA is a vast, decentralized Department that has an unfortunately long history of civil rights and program delivery problems. I am firmly committed to rooting out these problems, improving USDA's service to minorities and socially disadvantaged farmers and communities. There is not a simple solution, but I will get the job done.

This is an issue we have been struggling with for some time. For example, when I took office, the Department had a severe backlog of equal opportunity employment (EEO) complaints and we had completely inadequate systems in which to resolve these complaints. We have a focused, intensive effort to address this problem, and we are making significant progress, but obviously there are also other areas of concern that we must address.

In fact, the recent press reports provide me with the opportunity to fix these problems. I am using them as leverage against the institutional inertia that has hindered further progress.

Today I established a Civil Rights Action Team, which will be headed by Mr. Pearlie Reed. Pearlie is a 27 year veteran of the Department of Agriculture, currently the Associate Chief of the Natural Resource Conservation Service. Pearlie's reputation as a leader and a manager is impeccable and his selection gives strong credibility to this effort both within and outside the Department.

The Action Team will develop a plan by mid-February to address two fundamentally important issues -- (1) civil rights complaint and enforcement systems, and (2) improved program delivery to minorities and socially disadvantaged farmers. In preparing this action plan, Pearlie will meet with and listen to Departmental staff and constituency groups.

I announced this action in a meeting this morning of all subcabinet officers, their deputies, and agency administrators. I instructed them to give Pearlie their full support. There will be some resistance to this effort within the Department, but there will be consequences. I will hold the leadership of the Department personally accountable for their vigorous cooperation with this effort.

The creation of this Action Team does not relieve the Department's leadership of their personal

responsibility and accountability for proactively dealing with civil rights and program delivery issues in their mission areas. There is no more important issue facing the Department.

Earlier in the week, I issued the attached statement directing all USDA agencies, including State offices, to establish an Outreach Office, reporting directly to the administrator or State Director. I also laid out a plan for a National Dialogue to address both civil rights concerns as well as ways in which to improve our partnerships with and program delivery to minority and socially disadvantaged farmers, an idea which was developed in meetings with Ralph Paige of the Federation of Southern Cooperatives. Finally, I asked the Office of the Inspector General to investigate the particular issues recently raised in the press regarding our farm loan programs and civil rights complaints.

I subsequently issued the attached memorandum to our State offices to express my deep concern about this issue. Given the decentralized nature of the Department, I also expect to take additional action to make sure that my message of commitment, responsibility, and accountability reaches down to every county in the Nation.

I want to reiterate my commitment to addressing these problems, and I will continue to keep you apprised of our actions.

THE SECRETARY OF AGRICULTURE
WASHINGTON, D.C.
20250-0100

March 12, 1997

MEMORANDUM FOR THE PRESIDENT

FROM SECRETARY DAN GLICKMAN

SUBJECT: Our Telephone Conversation Yesterday (3/11/97)

Mr. President, I have been reflecting on your call to me regarding farm issues. I agree with you: There is a fair amount of anxiety around the country, and particularly in the South and Midwest, regarding the extraordinary amount of change in the agricultural sector. That anxiety in my judgement is based on three factors:

*1. **The Farm Bill*** The 1996 Farm Bill begins the process of reducing and perhaps eliminating programs, particularly for wheat, corn, cotton, rice and other row crops. The bill continues the process of removing government supports for dairy, and makes additional adjustments in sugar and peanuts. Notwithstanding the bill's positive provisions on conservation issues, many farmers remain disturbed about the long term implications of possibly ending farm programs.

*2. **Reorganization and Downsizing*** The controversy concerning potential USDA county office closings is directly related to provisions of the 1996 Farm Bill which reduced the traditional Farm Service Agency workload, and the current budget which includes fiscal year (FY) 1998 reductions of 1,850 non-Federal county office staff years (SY) and 269 Federal SYs. In fact, county office SYs are projected to continue to drop to a level of about 4,900 by FY 2002, from a pre-streamlining base of just under 15,000 SYs in FY 1993. The budget also proposes to reduce USDA county offices from approximately 2,500 in FY 1997 to no more than 2,000 by the end of FY 1999. This is down from about 3,700 county offices in FY 1993.

I have attempted to assuage Congressional concerns by writing to each member of the House and Senate, a copy is enclosed, to indicate that (One), no specific office closing plans have been approved; (Two), I am committed to working with Congress on this issue; and (Three), I will keep Congress apprised of our plans. I also testified with this same message on February 26 and 27, to both the House and Senate Agriculture Appropriations Subcommittees.

With respect to the immediate future, we have developed a two phased approach. The first is to deal with the FY 1998 staffing reduction and office closure issue. We are currently reviewing budget

options that could be offered to minimize the affect on personnel. The idea is to limit the SY reductions in FY 1998 which in turn would allow us to stabilize the county office situation until we can complete phase two of our plan, which is composed of two steps.

First, we will conduct an agriculture policy forum involving key policy officials from the executive and legislative branches of the Government. We need to reach a consensus, or at least an understanding, on the assumptions for key USDA programs from FY 1999 through FY 2002, the strategic goals for the Department and how these assumptions and goals relate to the Department's overall structure, and in particular, to the county based delivery system. We also need general discussion on the possible role of Government in supporting agriculture beyond 2002. Further, the 1996 Farm Bill mandates a Commission on 21st Century Production Agriculture. One requirement of the Commission is to identify the appropriate relationship of the Federal Government with production agriculture after 2002. We anticipate convening this forum within the next six to eight weeks.

Second, we will proceed with a management study which would be based on the results of the policy forum, and also take into account previous studies and estimates done by the Department's bureaus, the recommendations of the recent Civil Rights Action Team, and other sources. The study would be designed to provide more precise information with respect to appropriate staffing levels, number of offices, the criteria for closing or maintaining county offices, changes needed to ensure efficiency, the role of county committees, and the appropriate time frame for implementing further changes. The FY 1998 budget also calls for such a study. We are planning to use an outside contractor for this study to ensure objectivity, as well as the perception of objectivity. We intend to work closely with the Office of Management and Budget on this.

3. Civil Rights Our recent internal focus on civil rights enforcement of USDA has focused in part on the farmers in the historic county committee system. The Civil Rights Action Team which I appointed has given me an excellent report that recommends that I be given the power to appoint under-represented persons to county committee posts, that the existing 12,000 county committee staff people be made federal employees, and that you as President, through me, take a much more direct role in the appointment of FSA state directors and FSA state committee persons rather than relying almost exclusively on recommendations from the state's congressional delegation. All of these recommendations represent significant change from the status quo and have made some of our employees rather nervous. Nonetheless, I believe the recommendations to be correct.

To deal with all the concerns you and I discussed, we are proposing to slow the efforts to consolidate field offices and reduce staff further until we can sit down with key congressional leaders and OMB officials and engage each other with respect to USDA's delivery systems during the next decade. Structuring our delivery systems based exclusively on arbitrary budget numbers is certainly not a complete way of analyzing our future resource needs. To get the proper buy-in from our USDA staff and farmers and ranchers, they need to know far better than they do now the "whys" of our future

downsizing and the strategic plans for delivering our services in the future.

I would point out that the reductions in staffing and employees have also affected our rural development functions, but not as severely. These people are federal employees and generally not affected by the traditional county office structure, although each State Director of Rural Development is a Presidential appointment. Our conservation employees have been affected the least, largely because the farm bill dramatically expands their functions. Needless to say, the fact that our conservation staffing is not being reduced at the same rate as the others has caused some internal squabbling by those working in the FSA system.

Deputy Secretary Rominger and I are well aware of the challenges we face in managing change at USDA. Working with Congress and our own staff, I am convinced we can sensibly and prudentially continue to reinvent and improve ourselves and still remain committed to serve the needs of production in agriculture. This may mean that we slow down the downsizing process for a while until we get a better handle on our longer term strategic needs.

Finally, the good news is that net farm income, farm asset value and exports have all shown significant gains in the past four years. I have spoken about these in recent speeches, two of which are attached. Economically, the future of producing agriculture has never looked better.

THE SECRETARY OF AGRICULTURE
WASHINGTON, D.C.
20250-0100

Wednesday, February 17, 1999

The President
The White House
Washington, DC 20500

Dear Mr. President:

I would like to convey my strong support for the nomination of Edward W. Stimpson for the position of U.S. Representative to the International Civil Aviation Organization. The position will be available March 2, 1999, as the current U.S. Representative has already submitted her resignation. This position is a Presidential Appointment that requires confirmation by the United States Senate.

I have personally known Ed Stimpson for the last 20 years during his long tenure as President and founder of the General Aviation Manufacturers Association. I worked very closely with Ed as we worked to enact the General Aviation Revitalization Act of 1994, which you signed in August 1994. He played a pivotal role in the passage of that legislation and the restart of the small aircraft industry in the United States. Since enactment of this legislation, over 25,000 jobs have been created in the general aviation industry and production of single-engine aircraft in the United States has nearly doubled.

Most recently, Ed was awarded in 1998 with aviation's most prestigious award, the Wright Memorial Trophy, presented "to a living American citizen who has contributed significant public service of enduring value to aviation in the United States." Ed served for seven years as the Chairman of Embry Riddle Aeronautical University, and currently serves on the University's Executive Committee. He has literally spent his adult life promoting the advance of aviation. Ed has been involved in international activities, including airport access, satellite navigation, environmental standards, and the harmonization of airworthiness standards worldwide. He has led trade missions for the Department of Commerce and has represented the aviation industry on trade negotiations.

Ed Stimpson has been involved in Democratic politics for decades. As a native of Bellingham, WA, Ed's political mentors were Senators Warren Magnuson and Henry Jackson. In fact, he hosted the first fundraiser in Ambassador Tom Foley's career at his home in Georgetown.

I could not recommend more strongly a candidate for this nomination, representing the United States at the International Civil Aviation Organization. Ed is a friend, a mentor, a coalition builder and a leader to those who have had the privilege of working with him.

With best regards,

DAN GLICKMAN
Secretary

cc: Bob Nash

THE SECRETARY OF AGRICULTURE
WASHINGTON, D.C.
20250-0100

July 12, 1999

MEMORANDUM FOR THE PRESIDENT

From: Secretary Glickman

Subject: The Agricultural Outlook

This morning, USDA released its most up-to-date forecast for crops and livestock. In a word, the outlook is bearish. There is nothing in today's *World Agricultural Supply and Demand Estimates* – USDA's primary and most watched such report – indicating any significant recovery in prices; instead, these estimates, absent some major and unforeseen event, suggest weakness continuing through the end of next year.

The Department's chief economist provides me a summary of each month's report and based on our conversation today, I thought you would like to see it, so I have attached a copy; its highlights:

- WHEAT: Wheat surpluses grew again in June and this year's harvest, though smaller in acreage, may set a per acre yield record; as a result of these factors and continuing sluggish exports, USDA lowered its price projections 15 cents per bushel from those one month ago.

- RICE: US rice production will set a record this year, but slack overseas' sales and growing domestic supplies pushed prices down again in June; USDA lowered its forecast 5 to 15 cents per hundredweight, which would be the lowest since the 1992-1993 crop.

- CORN: Domestic corn supplies climbed by 212 million bushels in June to their highest level since 1992-1993, and USDA dropped its price projection by 15 cents per bushel – portending the lowest corn prices since 1986-1987.

- SOYBEANS: This year's harvest will be up 6% from last year, setting another record, and the harvest may still grow if yields also trend up, meaning that this year's $4.30 per bushel average price will be the lowest since 1971-1972, and could go lower.

- COTTON: While USDA is prevented statutorily from projecting precise cotton price forecasts, USDA projects prices this year will fall to their lowest level since the early 1970's.

- BEEF: USDA's next authoritative forecast of beef prices will be released July 16, but today's report indicates that production and supplies continued to grow in June, indicating lower prices.

- HOGS: After recovering slightly in recent months, today's report sees larger production and as a result, USDA dropped its price projection $5 from June's level.

- DAIRY: Dairy prices actually held stead in June; however, they fluctuate annually and will, in all likelihood, drop again next spring.

In sum, this report adds urgency to the need to address the income pressures farmers face, and will to continue enduring through the end of 2000.

attachment

United States Department of Agriculture

Office of Secretary

Office of the Chief Economist

14th & Independence Ave., SW
Washington, DC 20250

INFORMATIONAL MEMORANDUM FOR THE SECRETARY

FROM: Keith Collins
Chief Economist

JUL 12 1999

SUBJECT: July 12 Lockup Reports

ISSUE:

Today's forecasts of 1999/2000 production and use for U.S. crops and dairy, 1999 and 2000 production and use for animal products, and revisions to 1998/99 supply and use data. The reports generally show larger production than last month--notably wheat, rice, corn, cotton, and pork--and lower prices.

DISCUSSION:

The July 12 *World Agricultural Supply and Demand Estimates* report uses U.S. area, yield, and production forecasts for winter wheat, durum, other spring wheat, barley, and oats released today by the National Agricultural Statistics Service (NASS) in *Crop Production.* Forecasts of area planted and harvested for other crops (area planted only for cotton) are taken from the June 30 *Acreage* report, but yields reflect time series analysis and judgment. Today's WASDE report also includes projections of U.S. livestock and dairy supply and use for the coming year (2000 for animal products and 1998/99 for milk); U.S. sugar supply and use; the first USDA forecasts for 1999/2000 supply and use of wheat by class; and the first individual country 1999/2000 supply and use forecasts for soybeans and products, rice, and cotton.

Winter Wheat. Winter wheat production is forecast at 1.67 billion bushels, up 4 percent from June, but down 11 percent from last year. Yield is forecast to be 47.0 bushels per acre, up 2.3 bushels from last month and, if realized, a record. Record yields are forecast for the SRW states of Arkansas, Indiana, Kentucky, Louisiana, Mississippi, Alabama, and Tennessee.

Spring wheat. Durum production is forecast at 132 million bushels, down 6 percent from 1998, despite a projected 9 percent increase in harvested area, as yields are down 5.1 bushels per acre to 32.7 bushels. Lower 1999 production in California, Arizona, and Montana more than offsets a rise in North Dakota, where

the late-planted crop trails average development. Other spring wheat production is forecast at 527 million bushels, down less than 1 percent from 1998.

All Wheat. Total U.S. wheat production is forecast at 2.33 billion bushels, 50 million above the industry estimate. Projected U.S. 1999/2000 ending stocks of wheat are up 48 million bushels from last month as the larger crop and increased imports more than offset lower beginning stocks and larger domestic use. Carryover stocks on June 1, 2000 are now forecast at 913 million bushels compared with 945 million on June 1, 1999. The 1999/2000 projected price range is down 15 cents on each end to $2.45 to $2.95 because of lower than expected early-season price and larger, ending stocks. The midpoint is $2.70 per bushel, compared with $2.65 for 1998/99.

Rice. U.S. production in 1999/2000 is projected at a record high 211 million cwt, up 4 million cwt from last month and an increase of 23 million cwt from 1998/99. Planted area is up from last month and yield is adjusted slightly higher because of a change in the distribution of reported area by State and type of rice. Ending stocks in 1999/2000 are projected at 55.6 million cwt, up 4.5 million cwt from last month and an increase of nearly 25 million cwt from 1998/99. The 1999/2000 season-average price range is lowered $0.50 per cwt on each end to $5.50-$6.50 per cwt. In addition, the season-average price for 1998/99 is lowered $0.05 per cwt on the low end and $0.15 per cwt on the high end to $8.70-$8.80 per cwt.

Corn. Projected 1999/2000 ending stocks of corn are raised 212 million bushels this month to 1,994 million bushels. If realized, this would be the highest carryout since that of 1992/93. Reflecting excellent crop conditions, prospective corn yield was raised to 135.8 bushels or over, higher than the trend yield used last month of 131.8. This yield change raises 1999 production by 205 million bushels. Total use for 1999/2000 is up only 10 million bushels, as a 75-million-bushel increase in exports is largely offset by lower domestic use. The projected price range for corn is down 15 cents on each end to $1.65 to $2.05 per bushel, with a midpoint of $1.85 compared with $1.95 in 1998/99.

U.S. 1998/99 corn exports are up 50 million bushels because of larger imports by a number of countries and lower forecast Chinese exports. The bigger exports are more than offset by reductions in food, seed, and industrial use and feed and residual use. The estimated price of $1.95 is down 5 cents from the midpoint of last month's forecast price range.

Soybeans and products. Soybean production is projected at a record 2,935 million bushels, more than 6 percent above last year, using a trend yield of 40 bushels per acre. As of early July, growing conditions are very similar to 1994/95 when yields set a record of 41.4 bushels per acre.

Despite larger production than indicated last month, ending stocks of soybeans and other oilseeds are little changed, with projected soybean stocks of 590 million bushels slightly below a month ago. Improved U.S. soybean crush and export prospects, mainly for 1998/99, cut carryin stocks by 35 million bushels to 395 million bushels. U.S. soybean and soybean meal exports in 1998/99

are increased to reflect dwindling soybean export supplies in South America. Lower new-crop supply prospects for that region bode well for U.S. exports in 1999/2000.

The U.S. soybean season-average producer price for 1999/2000 is lowered slightly this month to $3.90 to $4.70 per bushel, with a midpoint of $4.30, the lowest since the early 1970's. The soybean meal price range is projected at $125 to $145 per short ton, sharply below last year but slightly improved from last month. Soybean oil, projected at 15.0 to 18.0 cents per pound, is off sharply from last month and last year and would be the lowest since 1986/87.

Cotton. U.S. cotton projections for 1999/2000 include larger production, exports, and ending stocks relative to last month. The production forecast is raised 0.7 million bales to 18.7 million, based on larger area reported in the June 30 *Acreage* report. Exports are raised slightly due to the larger available supply. Ending stocks are now projected at 6.0 million bales, nearly 37 percent of total use, and the largest since 1988/89.

Sugar. Projected fiscal year 1999/2000 U.S. sugar production is increased 60,000 short tons, raw value, to 8.46 million this month based on higher sugarbeet area. Projected deliveries are increased 100,000 tons to 10.25 million, based on revised trend increases. Sugar production in fiscal year 1998/99 is estimated at 8.23 million tons, up 1 percent from last month and 2.6 percent above 1997/98. Exports and domestic consumption are increased due to larger than expected movement in April and May. The ending stocks-to-use ratio is 14.5 percent, compared with last month's 14.3 percent.

Livestock. The beef production forecast for 1999 is increased this month reflecting the large number of animals placed on feed early in the year are marketed. Slaughter is estimated to remain above last year through the third quarter and continued heavy weights will boost 1999 production over 1998. Large supplies of meat are expected to pressure cattle prices; forecast cattle prices are lowered slightly from last month. The release of USDA's *Cattle* report on July 16 will provide a basis for reevaluating beef production into 2000.

Farrowings in the second quarter and farrowing intentions for remainder of the year as reported in the June 25 *Hogs and Pigs*, report are lower than a year ago, but higher than anticipated, prompting increases in forecast pork production for 1999 and 2000. Stocks are forecast to rise from their already high levels. Increased supplies will pressure prices; consequently, forecasts for hog prices are reduced from last month. The 1999 hog price was reduced $5 per cwt to about $31, and the 2000 price was reduced $6 to $36.

Poultry supply and use estimates are little changed from last month.

Dairy. Demand for dairy products remains strong and the supply and use estimates are little changed from last month. Milk price forecasts for 1998/99 are raised to reflect recent strength in product prices.

SUMMARY:

Wheat 1999/2000 production, use, and ending stocks are forecast higher this month. The wheat price forecast for 1999/2000 was reduced and is now only slightly above 1998/99. Corn production is raised, but domestic use is forecast down and stocks are up sharply. Soybean production and domestic use is raised for 1999/2000, but forecast ending stocks are down slightly. Cotton production and exports for 1999/2000 are raised. Meat supplies and consumption are still forecast to increase in 1999, but fall in 2000, but supplies in both years are higher than previously forecast. Hog price forecasts were sharply reduced. Higher dairy prices are encouraging milk production and increases are forecast for 1998/99 and 1999/2000.

Regarding prices:

Crop	1999/00 Price Forecast	Lowest Since
Rice	$6.00 per cwt	1992/93
Corn	$1.85 per bu.	1986/87
Soybeans	$4.30 per bu.	1971/72
Cotton	Not published	Early 1970's

cc: Gus Schumacher, FFAS
Mike Dunn, MRP

THE SECRETARY OF AGRICULTURE
WASHINGTON, D.C.
20250-0100

February 23, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Secretary Dan Glickman

SUBJECT: The Outlook for the Farm Economy

The Department of Agriculture (USDA) sees a much weaker agricultural economy over the immediate to medium term than it did one year ago. While prices, exports, and income will gradually recover, the outlook for this year and next, particularly, is especially bearish.

Released February 22, 1999, at its annual Outlook Conference, *USDA's Agricultural Baseline Projections to 2008* – the most recent version of the annual 10 year projection USDA releases – depicts a dramatic reversal from the conditions USDA foresaw just one year ago. According to these estimates, farm income will fall $8 to $9 billion from the 1998 estimates, dragged down by lower domestic prices and exports USDA now projects will be $15 billion lower over the next 10 years than the level estimated on year ago.

While the overall U.S. economy is doing very well, the farm economy is struggling and will likely continue to struggle in the coming months. In 1998, bad weather from California to Florida, very large global grain and soybean harvests, and the Asian slowdown combined to reduce farm exports and commodity prices. Nearly $6 billion in economic and disaster relief enacted last fall is helping many farmers through the leaner times. Unfortunately, exports and prices will be low in 1999 and farm financial pressure is likely to escalate.

While. most observers, in the media, farm groups, and in Congress, have been aware of the slide in the farm economy for several months – as evidenced by last year's congressional debate on the emergency bill and, more recently, the crisis in hog prices – the release of this report, and the significant amount of news coverage it has garnered, puts an official USDA imprimatur on the decline, reinforcing the growing restiveness in the agricultural community about both the economic outlook and the policy and political implications.

On the latter point, I have already been questioned repeatedly about the Administration's

plans for a FY99 supplemental spending request for USDA, primarily for our farm lending programs, some of which have already exhausted their original FY99 appropriations and all of which will be out of money in the next 4 to 6 weeks. Congress expects such a request, and many in the farm community have already begun pressuring Congress to act; I expect that drumbeat to increase in intensity.

While I expect this to be the most immediate congressional manifestation of the growing concern about the farm economy's weakness, I also foresee more serious and attention from Congress to the crop insurance reform initiative you announced in the State of the Union message, the continued dramatic structural changes in the livestock industry, and I believe that there is a high likelihood that Congress will again turn its attention to basic farm policy changes.

I am reluctant to burden you with a detailed discussion of the analysts' projections; however, because of the prospects that this situation will continue to attract both media and congressional attention, I think it is important for you to have the following fairly thorough overview of USDA's most current estimates.

Farm Financial Conditions. After strong economic performance in 1996 and 1997, critical sectors of the farm economy are undergoing the most severe financial stress of the decade. There are two fundamental causes for this weakness. First, farmers and ranchers in many areas suffered crop production losses due to disease, drought, pests, flooding, and excessive moisture in 1998. Except for cotton, these crop losses did not offset production increases elsewhere. Second, large U.S. crop and livestock production and lower demand for U.S. agricultural exports due to large global production, the Asian and Russian economic crises, and a strengthening U.S. dollar caused agricultural commodity prices and incomes to plunge and will likely continue to pressure prices during 1999. U.S. agricultural exports reached a record high of $60 billion in 1996. This year, we project exports of only $49 billion.

Aggregate indicators of the agricultural economy portray a sector with problems in some areas, but generally financially performing adequately entering 1999, primarily because of higher government payments. Net cash farm income, while falling slightly in 1998, was still near the record high set in 1997. But, government payments to producers increased from $7.5 billion in 1997 to nearly $13 billion in 1998. The debt-to-asset ratio of farm operators remained at about 15 percent in 1998, compared with over 20 percent during the farm financial crisis of the mid-1980s. And, stable interest rates, low oil prices, and low inflation are helping to contain production expenses.

Rising crop surpluses, continued low prices, and declining incomes will contribute to increasing farm financial stress in 1999. Farm income which is projected to decline in 1999, coupled with little or no increase in farm asset values, means farmers will have more trouble getting credit and those who do will use up a greater portion of their income servicing debt. Producers who struggled with cash flow in 1998 resulting from low prices and adverse weather will see their problems worsen in 1999.

Continued low hog, cattle, and field crop prices will place additional financial pressures on producers who specialize in the production of these commodities and are already highly leveraged. Hog prices could continue to remain below break-even levels for most producers for much of 1999, and cattle prices, which have been low for quite some time, may still not be strong enough to return a profit for some producers. For principal crops, net income could fall sharply. For the crops to be harvested in 1999, net income from wheat, corn, soybean, upland cotton and rice production could drop to $17 billion, compared with over $19 billion in the 1998 crop year and the average of $22.7 billion for the previous 5 years.

Commodity Markets. The following table shows USDA's official season-average price estimates for the current crop year compared with other years of the 1990s:

Commodity	1990/91-97/98 Average	1998/99 Forecast	Percent Change
Wheat ($/bu)	3.47	2.70	-22
Corn ($/bu)	2.48	1.95	-21
Soybeans ($/bu)	6.16	5.20	-16
Cotton (cents/lb.)	64.7	64.2*	-1
Rice ($/cwt)	7.97	8.50	+7
Fed cattle ($/cwt)	70.2	65.5	-7
Hogs ($/cwt)	45.2	34.0	-25
Broilers (cents/lb)	56.4	59.0	+5
Milk ($/cwt)	13.5	14.4	+7

(Note: Livestock, broiler and milk prices are for calendar years 1991-98, and 1999.)
*Year to date; current prices are below 60 cents per pound.

Crops. This season, wheat prices are being pressured by large stocks, a large winter wheat crop, and strong foreign competition. Wheat producers have reacted to the drop in wheat prices by reducing winter wheat planted acreage to the lowest level in 27 years. The drop in plantings should foster some recovery in wheat prices next season, which begins on July 1st. However, substantial recovery in wheat prices is unlikely since U.S. wheat stocks at the end of the current season are projected to be the highest in more than a decade.

Corn and soybean prices also dropped sharply during the 1998/99 season, which ends on August 31st for both crops. The prices of both crops are being pressured by large South American production and weak exports. U.S. carryover levels at the end of the 1998/99 season are projected to be the highest in 6 years for corn and the highest in 12 years for soybeans. These high carryover levels will likely prevent much recovery in corn and soybean prices in the months ahead.

Despite a 25-percent reduction in U.S. cotton production due to weather problems in California, Texas, and the Southeast, cotton prices are down nearly 20 percent since early November. Strong foreign cotton competition and from imported textiles and apparel, declining foreign demand have contributed to lower exports, domestic use, and prices.

In 1998/99, U.S. rice production was the second largest crop on record. All States produced larger rice crops in 1998, except California because of adverse weather there in 1998. Somewhat larger U.S. supplies and increased foreign competition are placing pressure on rice prices this season. Rice prices are projected to average down 14 percent this season, compared with 1 year ago, but remain above the average of the 1990s.

Livestock, poultry and milk. Record-large per capita meat and poultry supplies and reduced exports to Asian countries depressed livestock prices in 1998. In 1999, meat and poultry supplies will again be record large and continue to pressure livestock prices. The drop in hog prices was especially severe in 1998, with the farm price falling 65 percent in December, compared to the same month a year earlier, as hog production reached slaughter capacity. Reflecting strong returns in 1996 and 1997, hog producers expanded production which was up 10 percent in 1998. Hog supplies will remain high through at least the first half of 1999. For all of 1999, hog prices are expected to average 25 percent below the average of the 1990s.

Cattle prices had been expected to strengthen in 1998, following 2 years of herd liquidation. However, low cattle prices and drought in Texas caused producers to continue to reduce their herds. For all of 1998, fed cattle prices averaged 7 percent lower than in 1997 and was the lowest price in the 1990's. In 1999, fed cattle prices are projected to improve to near the level of 2 years ago, but still well below the average of the 1990s.

Broiler prices did well in 1998, averaging 7 percent above the year earlier, as production was negatively affected by below normal egg hatching rates. In response to the higher prices and a return to more normal hatching rates, broiler production is projected to be up about 5 percent in 1999. Growing consumer demand will likely about offset the increase in broiler production helping to hold broiler prices in 1999 above the average of the 1990s.

Farm-level milk prices were record-high in 1998, averaging $15.38 per cwt. compared with $13.34 in 1997, as milk production was adversely affected by weather in California, Texas, and the Southeast. Dairy farmers appear to be reacting to the record-high milk prices and low feed costs over the past year by expanding milk production. After being up only fractionally for most of last year, milk production has increased sharply in recent months leading to lower milk prices. For all of 1999, farm-level milk prices to projected average about $1 per cwt. lower than last year but above the average of the 1990s.

To summarize, after 2 years of record and near record prices, exports, and income, the US agricultural economy is entering a period of significant weakness that will take at least 2 to 3 years before recovering. The grains will continue under pressure, soybeans will fall sharply in price, and the livestock sector will remain, at best, relatively flat. While the volume of US farm exports will stay at or near current levels, the value, because of low US and world prices, will fall significantly and absent major infusions of government spending, on the magnitude of what we witness last year, farm income will soften considerable, putting very significant pressure on small and medium sized farmers and accelerating the trends towards more bipolarization of the sector – increased concentration of fewer and bigger farmers, a scattering of small and very small, most part-time farmers, as the medium sized, what we normally consider the mainstay family farms, continue to be squeezed out of business.

attachments:

excerpts from –
USDA's Agricultural Baseline Projections to 2008 and
Outlook for US Agricultural Trade

This memo does not address those efforts that are needed to address shortfalls in the 1996 Farm Bill. We need to be actively engaged in working with Congress to make legislative changes to shore up the safety net.

Dan

USDA Agricultural Baseline Projections to 2008

Interagency Agricultural Projections Committee

Introduction

This report provides long-run baseline projections for the agricultural sector through 2008. Projections cover agricultural commodities, agricultural trade, and aggregate indicators of the sector, such as farm income and food prices.

The projections are a conditional scenario with no shocks and are based on specific assumptions regarding the macroeconomy, agricultural policy, the weather, and international developments. In particular, the baseline incorporates provisions of the Federal Agriculture Improvement and Reform Act of 1996 (1996 Farm Act) and assumes that current farm legislation remains in effect through 2008. The projections are not intended to be a Departmental forecast of what the future will be, but instead a description of what would be expected to happen under the 1996 Farm Act, with very specific external circumstances. Thus, the baseline provides a point of departure for discussion of alternative farm sector outcomes that could result under different assumptions.

The projections in this report were prepared in October through December 1998, in conjunction with the fiscal 2000 President's Budget analysis. Projections reflect a composite of model results and judgmental analysis. Normal weather is assumed. The baseline reflects major agricultural policy decisions made through midNovember 1998 and includes short-term projections from the November 1998 *World Agricultural Supply and Demand Estimates* report. The projections do not include the 5-year data revisions for agricultural commodities released by USDA's National Agricultural Statistics Service in late-1998 and 1999. Also, the baseline does not reflect effects of the recent currency devaluation in Brazil.

Summary of Projections

This year's baseline reflects the effects of a number of international factors which have combined to weaken the U.S. agricultural trade outlook for the next 10 years, either by reducing global demand or increasing world supplies. The economic crisis in Asia and, to a lesser extent, the near-term economic contraction in Russia contribute to a prolonged period of weak global agricultural demand (see boxes, page 96 and page 106). Key to baseline projections for agricultural trade are macroeconomic assumptions depicting these situations. As such, there are two distinct parts of the macroeconomic forecast. In the near to medium term, the crisis situations and subsequent recovery dominate the outcome. For Asia, 1 to 3 years of negative growth in crisis countries are followed by a return to moderately positive economic growth. Then, in the last 5 years of the baseline, structural reform leads to more stable longterm economic growth, although projected growth for crisis-affected Asian countries is lower than in previous USDA baselines. For Russia, negative growth is assumed through 2000, with positive economic gains resuming in 2002, followed by modest growth in later years.

- Additionally, growth in world grain trade is affected by relatively moderate gains projected for import demand by China, reflecting changes in a number of key assumptions (see box, page 93). Revised agricultural policy assumptions for China provide governmental support to rice, wheat, and corn, encouraging output and reducing import demand for these crops. Revised livestock data for China suggest significantly smaller animal inventories and lower feed grain demand throughout the baseline. Finally, an assumption of a declining real exchange rate against the U.S. dollar starting in 2001 reduces net agricultural import demand in China.

- Global supplies for many agricultural commodities are initially large for this baseline, and expanding production potential in a number of foreign countries result in strong export competition throughout the baseline. Increased yield growth for corn, wheat, and soybeans in Argentina and conversion of undeveloped land for soybeans in Brazil, for example, are projected in the baseline (see box, page 103).

As a consequence, in the initial years of the baseline, much of the U.S. agriculture sector is adjusting to a combination of weak demand and large global supplies, before moving back toward longer term trends. In the longer run, strong export competition and only moderate grain import demand in China continue to influence the baseline projections, although more favorable global economic growth supports gains in trade and U.S. agricultural exports. This leads to rising nominal market prices, gains in farm income, and increased stability in the financial condition of the U.S. agricultural sector.

The trend toward fewer but larger farms continues in the baseline. The sector will remain highly competitive, with successful producers having strong technical and managerial skills. Management of risk will be important for farmers, reflecting the reduced role of the government in the sector under the 1996 Farm Act.

Consumer food prices are projected to continue a long-term trend of rising less than the general inflation rate. Trends in consumer food expenditures towards a larger share for meals eaten away from home are expected to continue.

Macroeconomic Assumptions

The outlook for the world economy over the next 10 years reflects to a large extent the evolving Asia financial crisis, especially in the first half of the baseline. There are two distinct parts of the forecast. In the near to medium term, the crisis and subsequent recovery dominate the outlook. Negative economic growth in crisis countries for 1 to 3 years is followed by a return to moderately positive growth. Then, in the last 5 years of the baseline, structural reform in crisis countries leads to more stable long-term economic growth, although assumed growth rates are lower than previous expectations. Asian growth is assumed at 4.8 percent for 1997-2002, increasing to 6.1 percent for 2003-2008. While improving in the last 5 years of the baseline, this assumed rate of growth for Asia is 2 percentage points lower than the region's 1991-1996 average annual growth of 8.1 percent. Overall, economic growth for developing economies is slowed by the crisis in Asia, averaging under 5 percent annually in the baseline, compared to 5.4 percent during 1991-1996. The slowdown in economic growth for developing economies is important for global agricultural demand because many developing countries have incomes at

levels where consumers diversify their diets and include more meats and other higher valued food products.

For transition economies, growth is expected to remain strongest among the countries that are further along in the transformation from centrally planned to market economies. Countries of Central and Eastern Europe, particularly Poland and Hungary, are expected to show relatively strong growth. In the near term, however, crisis and structural adjustment characterize most FSU countries, with Russia and Ukraine showing negative growth through 2000. FSU countries are assumed to return to modest rates of economic growth by 2002.

Developed countries are relatively unaffected by the Asia crisis as structural adjustments undertaken throughout the second part of the 1980s and early 1990s have created a foundation for growth. Developed economies, including the United States, are projected to grow at higher rates than in the 1991-1996 period, 2.4 percent compared with 1.9 percent. Low inflation and interest rates characterize the outlook.

The economy of the United States is only moderately affected by the Asia crisis, although U.S. agriculture, as a trade-dependent sector, is very sensitive to conditions in the international economy. U.S. GDP growth is expected to average 2.5 percent in 2003-2008, compared to 2.1 percent growth during 1991-1996, reflecting growth of the labor force and gains in productivity. Inflation is projected at 3.0 percent for 2003-2008.

Despite the near-term declines in economic activity in the crisis-affected countries and their slower long-term growth, world real GDP is projected to grow by about 2.9 percent annually through 2008, compared with 2.3 percent during 1991-1996. Stronger growth in developed countries and in developing and transition countries that are not affected by the crisis account for the increase in global economic gains.

Agricultural Policy Assumptions

The baseline incorporates provisions of the 1996 Farm Act and assumes a continuation of current agricultural law through the end of the projections. The baseline also includes policy decisions as of mid-November 1998.

Nearly complete planting flexibility is provided under the 1996 Farm Act, allowing producers to respond to market prices and returns, augmented by marketing loan benefits in low price years. Production flexibility contract payments are largely decoupled because they generally are not related to current plantings or to market prices. Marketing loan/loan deficiency payment provisions of the 1996 Farm Act provide an effective per-unit revenue floor at the loan rate, with a countercyclical effect occurring through marketing loan gains or loan deficiency payments when the price is below the loan rate. The 1999 Appropriations Act provided additional funds in fiscal 1999 for contract crops for market loss assistance. The total funding level provided through fiscal 2002 under the 1996 Farm Act for cotton user marketing certificates (known as the Step 2 program) was reached in December 1998, but the baseline assumes that Step 2 payments resume in fiscal 2003 when the funding for the program is no longer capped.

The baseline assumes that the Conservation Reserve Program (CRP) will gradually build from its recent level of about 30 million acres to its maximum authorized level of 36.4 million acres by 2002. New enrollments in the CRP reflect periodic regular signups and continuous signups. A competitive selection process is used for CRP enrollments. CRP enrollment bids compete for acceptance into the program, based on an environmental benefits index with government costs taken into account.

The baseline assumes full compliance with all bilateral and multilateral agreements affecting agriculture and agricultural trade. Projections assume full compliance with the internal support, market access, and export subsidy provisions of the Uruguay Round (UR) Agreement on Agriculture. The baseline assumes no accession to the World Trade Organization (WTO) by the FSU, China, or Taiwan; no enlargement of the European Union beyond its current 15 members; no implementation of more liberalized trade among the countries of the Asia-Pacific Economic Cooperation; and no expansion of the North American Free Trade Agreement. Agricultural and trade policies in individual foreign countries are assumed to continue to evolve along their current paths.

Annual quantity and expenditure levels for the Export Enhancement Program (EEP) are assumed to be in compliance with reductions in the UR agreement. The baseline assumes that no EEP expenditures occur in fiscal 1999, with EEP expenditures then assumed to resume in the baseline at funding levels set in the 1996 Farm Act of $579 million in FY 2000 and $478 million in FY 2001 and FY 2002. The baseline assumes EEP funding remains at $478 million for subsequent years as well.

P.L. 480 program levels decline in fiscal years 2000 and 2001 and are then assumed constant for the rest of the baseline. Program levels projected for the GSM-102 and GSM-103 credit guarantee programs are nearly constant in the baseline. No special donations beyond the fiscal 1999 Section 416(b) shipments of wheat to Russia and other needy countries are assumed.

Crops

In the initial years of the baseline, many crops are adjusting to a combination of weak demand due in part to the Asia financial crisis and large global supplies, before moving back towards longer term trends with more robust growth. World demand is reduced for many U.S. crops over the first few years of the baseline, 1999/2000 to 2001/02. In the longer run, more favorable global economic growth supports increases in trade and U.S. agricultural exports, although gains are somewhat muted by continued strong export competition and only moderate growth in import demand in some markets, such as for grains to China.

Planted acreage for the eight major U.S. field crops (corn, sorghum, barley, oats, wheat, rice, upland cotton, and soybeans) increases nearly 10 million acres by 2008 from 1998 levels, surpassing the recent high level of plantings for these crops attained in 1996. However, reflecting low prices for many crops due to weak demand and large global supplies, aggregate area planted to these crops declines somewhat over the next few years before turning upward again in 2002. Planting flexibility of current agricultural legislation facilitates acreage movements by allowing producers to respond to market prices and returns, augmented by

marketing loan benefits in low price years. Marketing loan benefits influence the cropping mix somewhat in the early years of the baseline when many prices are relatively low, but projected acreage gains in the longer term reflect land drawn into production based on strengthening market incentives. Yield gains for many crops are sufficient to mitigate some of the pressure on total land use.

Projected gains in demand for U.S. soybeans, barley, and rice are driven primarily by domestic markets, with larger absolute increases and growth rates than exports. Increases in corn use also are larger in the domestic market than in trade, although corn exports have a higher growth rate. Strong competition in global corn trade from Argentina as well as moderate world import demand growth, particularly for China, which is projected in the baseline to be a net corn exporter until 2005/06, combine to mute U.S. corn export gains. Increases in disappearance for U.S. wheat, sorghum, and cotton are driven by exports, with U.S. trade gains that are larger in absolute terms and growth rates than for domestic demand. U.S. wheat exports rise steadily in the baseline but face greater competition from the European Union (EU) starting in 2002/03 when the EU is projected to be able to export wheat without subsidies. Cotton exports benefit from the assumed resumption of Step 2 payments in 2002/03.

Domestic demand for most crops is projected to grow slightly faster than population. Growth in domestic use of rice reflects a greater emphasis on dietary concerns and an increasing share of domestic population from Asia and Latin America. Gains in corn sweetener use and corn used for ethanol production also exceed population growth rates. Increases in domestic soybean crush reflect continued strong growth in poultry production and demand for soybean meal. Domestic wheat use, however, is nearly flat as declining feed use offsets food use gains. Greater U.S. exports of cotton yarn, fabric, and semi-finished products will promote growth in domestic mill use of cotton, although increases in textile imports, mostly apparel, and competition from man-made fibers limit domestic gains.

Stocks-to-use ratios decline for corn, wheat, and soybeans, with nominal prices rising. Rice stocks-to-use ratios change little in the baseline, with relatively smaller increases in nominal prices. Stocks-to-use ratios for cotton also change little in the baseline.

Livestock

Changes in the U.S. meat complex in the near term reflect the sharp decline of grain and soybean meal prices from the very high levels of the 1995/96 crop year. In the longer run, lower feed prices than in 1995/96, replenishment of forage supplies, low inflation, domestic demand strength, and gains in export sales are expected to contribute to producer returns that encourage higher pork and poultry output, although only moderate cyclical expansion is projected for beef. Record total meat supplies are projected through the baseline, with a larger proportion of poultry.

The cattle herd builds up only slightly from a cyclical low near 97 million head in 2000, remaining below 100 million head in 2002-2004 before turning downward again as producer returns provide economic incentives for only a brief and moderate expansion. Additionally, shifts toward a breeding herd of larger-framed cattle and heavy slaughter weights partially offset the need for further expansion of cattle inventories. The beef production mix continues to shift

toward a larger proportion of fed beef, with almost all steers and heifers being feedlot fed. Beef production also continues to move toward a higher graded product being directed toward the hotel-restaurant and export markets. The U.S. remains the primary source of high-quality, fed beef for export, including hotel-restaurant trade. However, the emergence of the United States as a long-term net beef exporter will be delayed until near the end of the baseline, after the cow herd is reestablished and weak demand in the Pacific Rim recovers.

The pork sector will continue to transform into a more vertically coordinated industry with a mix of production and marketing contracts. Larger, more efficient pork producers will market a greater percentage of the hogs over the next 10 years. With a more vertically coordinated industry structure, the hog cycle is dampened. As a result, a slow expansion in pork production begins in 2002 and continues for the remainder of the baseline. The United States becomes an increasingly important net pork exporter, in part reflecting environmental constraints for a number of competitors that limit their production gains. However, projected gains in U.S. pork exports are somewhat muted by reduced market growth prospects in the Pacific Rim and Russia.

Continued technological advances and improved production management practices are expected in the broiler and turkey industries, although gains are not anticipated to hold down production costs as significantly as in the past 10 years. Competition in global poultry markets holds U.S. poultry exports to moderate gains. Following slower growth in sales to Asia and a sharp reduction in exports to Russia in 1998 and 1999, a slow recovery is projected for poultry exports to both markets.

Decreases in real prices of meats combined with increases in real disposable income allow consumers to purchase more total meat with a smaller proportion of disposable income. Poultry gains a larger proportion of both total meat consumption and total meat expenditures, reflecting its lower production costs and prices relative to other meats. On a retail weight basis, poultry consumption is projected to exceed red meat consumption at the end of the baseline.

The structure of individual meat producing sectors is changing as meats compete with each other for consumer market share (see box, page 68). Both production and marketing practices are affected as the meat producing sectors respond to perceived consumer demand. The beef sector is moving toward an increasingly segmented market, with higher graded, consistent-quality production being directed toward the hotel-restaurant and export markets and generally less desirable quality beef competing with pork and poultry in retail markets. Increased vertical coordination in pork production will lower production costs and improve pork quality and consistency of product, allowing pork to increasingly challenge beef in the hotel-restaurant market as well as at retail. The poultry sector, already with a highly integrated structure, continues to develop new products with the current trend toward home meal replacement in grocery stores.

Per capita consumption of eggs stabilizes in the baseline as greater use of eggs in processed foods, reflecting consumer use of more convenience foods, offsets declining shell egg use.

High milk-feed price ratios and dairy productivity gains push milk output per cow higher. Milk production grows despite slowly declining cow numbers. Lower real milk prices continue to

push weaker operations out of dairying. Milk production will expand in the West as well as on large-scale dairy farms in the North. Expansion in commercial use of dairy products will be led by sales of cheese and dairy ingredients for processed foods, while fluid milk sales are stagnant.

Farm Income and Farm Financial Conditions

Farm income and financial conditions in the U.S. agricultural sector reflect adjustments in the near-term, followed by improvements beyond 2000 through the end of the baseline. The agricultural sector remains financially strong in the aggregate throughout the projections.

Reflecting the initial weakness in the sector, net farm income declines in the first few years of the baseline, falling to about $44 billion in 2000, slightly below the 1990-1997 average. Lower farm commodity receipts due to large global supplies and weak demand are the main cause of the near-term decline in farm income. Lower production expenses in the initial years, particularly for farm-origin inputs, energy-related costs, and interest expenses, offset some of the reduction in cash receipts. Additionally, increased government payments bolster farm incomes for 1998 and 1999.

Beyond 2000, due largely to strengthening demand, net farm income gradually moves upward for the rest of the baseline, exceeding $50 billion for the last few years of the projections. Nonetheless, gains in farm income are less than inflation, so real farm income declines. The agriculture sector increasingly relies on the marketplace for its income as direct government payments fall and represent about 2 percent of gross cash income by 2008. Both crop and livestock receipts are up in nominal terms due to larger production and higher prices. Production expenses increase in the baseline, with expenses for nonfarm origin inputs rising faster than expenses for farm-origin inputs. Cash operating margins tighten somewhat, with cash expenses increasing to about 79 percent of gross cash income by 2008.

Higher nominal farm incomes and relatively low interest rates assist in asset accumulation and debt management, thus leading to an improved balance sheet for the farm sector. Farm asset values increase through the baseline, led by gains in agricultural land values. Increases in farm debt rise less rapidly and are not beyond the ability of farmers to service the debt. As a result, debt-to-asset ratios continue the downward trend of the last decade from the high levels of over 20 percent in the mid-1980s, declining to near 13 percent by the end of the baseline. With asset values increasing more than debt, farm equity rises significantly. Increasing nominal farm income in the baseline, combined with rising farm equity, means relative stability in the financial condition of the farm sector.

Management of risk will be important for farmers to buffer potential income variability due to supply and demand variations. The trend toward fewer but larger farms will continue, as producers who are more efficient and better managers acquire the production resources of exiting farmers.

Food Prices and Expenditures

Retail food prices in the baseline are projected to rise less than the general inflation rate, continuing a long-term trend. The largest price increases generally occur among the more highly processed foods, such as cereals and bakery products and other prepared foods. Prices of these foods are related more to the costs of processing and marketing than to the costs of farm commodities. Expenditures for meals eaten away from home account for a growing share of food spending, reaching almost half of total food spending by 2008.

Agricultural Trade

Growth in global and U.S. agricultural trade will be slowed over the next 2 to 3 years by weakened demand in key markets, particularly in Asia and the former Soviet Union. Global trade will, however, continue to be supported by demand in other developing country markets in Latin America, North Africa, and the Middle East. In the near term, U.S. farm exports are likely to face increased competition stemming from productivity gains by other exporters, particularly Argentina, and from developing and transition economies where currencies have been sharply devalued.

Longer term prospects for global and U.S. trade remain relatively bright. Based on the outlook for an Asian recovery after 3 to 4 years, trade expansion will be driven by generally favorable economic growth in developing countries, and freer trade associated with ongoing unilateral policy reforms and existing multilateral reforms. Relatively strong longer term growth in the volume of global trade in bulk agricultural commodities is projected, with broad-based expansion across developing regions, including China, South and Southeast Asia, Latin America, North Africa, and the Middle East. Income growth in developing countries will continue to have a large impact on demand for agricultural goods, both through increases in direct food use and through derived demand for livestock feeds to meet rising meat demand.

Future trends in China's agricultural trade remain an important question in the global outlook. Significant uncertainty regarding basic data and future policies, combined with the size of China's agricultural economy, make alternative trade projections both plausible and globally significant. The current projections indicate only modest growth in China's import demand for most bulk commodities, particularly wheat and coarse grains.

In the near term, world commodity prices will be depressed by the combination of weakened global demand and increased exportable supplies from traditional and nontraditional competitors. Prices are projected to strengthen over the longer term, as supplies adjust and a recovery in Asian demand is added to steady growth in other regions. However, real prices are projected to continue to decline over the longer term, as productivity gains continue to outpace growth in demand.

Trade in grains is expected to lead the stronger projected growth of bulk commodity trade during 2000-2008. Projected growth in coarse grain trade is particularly strong, predicated on rising incomes in developing regions, diet diversification, and increased demand for livestock products and feeds. Wheat and vegetable oil trade will also continue to expand in response to rising

incomes in developing countries. Trade in soybeans and meal will benefit from the expansion of developing country feed-livestock sectors. Raw cotton demand and trade beyond 2000 are projected to be stronger than in the 1990s, but slower than in the 1980s when there was increased substitution of cotton for synthetic fibers.

U.S. export growth is projected to strengthen for most bulk commodities over the longer term. U.S. wheat and coarse grain exports are projected to expand the fastest, although competition is expected to increase in both markets. By the middle of the projection period, U.S. wheat export growth is projected to slow as stronger world wheat prices and lower internal prices in the European Union (EU) permit the EU to export wheat without subsidies. Little growth in U.S. rice exports is projected, as domestic demand captures most of the gains in U.S. production. U.S. exports of soybeans and products are projected to rise faster than in the 1980s, aided by both yield and acreage gains. U.S. raw cotton exports are projected to strengthen through most of the baseline, benefiting from rising demand and reduced competition in some countries.

Global meat demand and trade and U.S. meat exports will be depressed in the near term by the slowdown in import demand in East Asia and the FSU. Growth in meat trade is, however, projected to resume after 2000, as demand recovers in these key market regions. Already negotiated reductions in trade barriers will support growth in meat trade in East Asia. FSU import demand is likely to be depressed for 3 to 5 years by the impacts of the recent economic crisis.

The total value of U.S. agricultural exports is projected to decline in 1999 and 2000, but then increases to almost $73 billion by 2008. Weak global demand and prices hold down the value of U.S. bulk and high-value product (HVP) exports early in the baseline. After 2000, however, both bulk and HVP exports are projected to strengthen for the rest of the baseline. U.S. imports rise to $50 billion, resulting in an agricultural trade surplus in fiscal 2008 of nearly $23 billion.

Table 8. Selected supply, use, and price variables for major field crops, baseline projections

	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Yields 1/												
Corn	127.0	133.3	131.7	133.4	135.1	136.8	138.5	140.2	141.9	143.6	145.3	147.0
Sorghum	69.5	66.5	68.7	69.3	69.9	70.5	71.1	71.7	72.3	72.9	73.5	74.1
Barley	58.3	59.9	60.6	61.2	61.8	62.4	63.0	63.6	64.2	64.8	65.4	66.0
Oats	60.5	60.5	59.8	59.9	60.2	60.5	60.8	61.1	61.4	61.7	62.0	62.3
Wheat	39.7	43.3	39.5	39.8	40.1	40.4	40.7	41.0	41.3	41.6	41.9	42.2
Rice	5,896	5,660	5,905	5,935	5,964	5,994	6,024	6,054	6,084	6,115	6,145	6,176
Upland cotton	673	606	680	689	698	707	716	725	734	743	752	761
Soybeans	38.8	38.6	40.0	40.5	41.0	41.5	42.0	42.5	43.0	43.5	44.0	44.5
Production 2/												
Corn	9,366	9,836	9,680	9,670	9,795	10,055	10,320	10,515	10,715	10,840	10,970	11,100
Sorghum	653	521	600	615	620	650	655	660	680	685	690	710
Barley	374	358	390	390	395	400	410	420	425	430	430	435
Oats	176	170	165	160	155	155	160	160	160	160	160	160
Wheat	2,527	2,557	2,225	2,281	2,366	2,456	2,511	2,546	2,585	2,621	2,656	2,713
Rice	178.9	180.4	186.7	187.6	188.6	189.5	190.5	191.4	192.4	193.3	194.3	195.3
Upland cotton	18,245	12,785	17,400	17,400	17,200	17,700	18,000	18,300	18,500	18,600	18,600	18,900
Soybeans	2,703	2,763	2,855	2,830	2,795	2,775	2,830	2,905	2,975	3,030	3,085	3,145
Exports 2/												
Corn	1,504	1,675	1,775	1,925	2,000	2,050	2,150	2,225	2,300	2,375	2,425	2,500
Sorghum	212	195	225	235	240	250	255	260	270	280	290	300
Barley	74	35	70	70	70	70	70	70	70	70	70	70
Oats	2	2	2	2	2	2	2	2	2	2	2	2
Wheat	1,040	1,150	1,175	1,250	1,250	1,300	1,325	1,350	1,375	1,400	1,450	1,500
Rice	85.2	85.0	84.9	87.1	87.5	87.5	87.7	87.8	87.9	88.0	88.0	88.2
Upland cotton	7,060	4,160	5,100	6,500	6,300	6,500	6,700	6,800	6,900	7,000	7,100	7,200
Soybeans	870	840	930	965	965	955	955	965	990	1,015	1,040	1,065
Soybean meal	9,350	8,650	9,200	9,600	9,700	9,600	9,500	9,450	9,350	9,300	9,350	9,425
Ending stocks 2/												
Corn	1,308	1,779	1,859	1,659	1,389	1,239	1,189	1,194	1,234	1,234	1,224	1,174
Sorghum	49	55	55	55	50	55	55	55	60	60	50	45
Barley	120	116	119	117	115	113	116	119	117	115	113	111
Oats	74	72	74	70	70	69	72	74	75	75	74	72
Wheat	722	827	673	493	450	435	440	444	451	459	440	417
Rice	27.7	24.6	27.2	27.7	27.8	28.1	28.3	28.4	28.6	28.7	28.9	29.1
Upland cotton	3,822	2,224	3,919	3,819	3,619	3,619	3,619	3,719	3,819	3,919	3,919	4,119
Soybeans	200	365	480	490	435	350	295	275	270	265	260	255
Prices 3/												
Corn	2.43	2.00	2.00	2.10	2.30	2.45	2.50	2.50	2.50	2.50	2.50	2.55
Sorghum	2.21	1.85	1.85	1.95	2.15	2.30	2.30	2.30	2.30	2.30	2.35	2.40
Barley	2.38	1.95	1.90	2.00	2.15	2.25	2.30	2.30	2.30	2.30	2.30	2.35
Oats	1.60	1.15	1.15	1.25	1.35	1.45	1.45	1.45	1.45	1.45	1.45	1.50
Wheat	3.38	2.65	3.00	3.55	3.75	3.90	4.00	4.05	4.05	4.05	4.15	4.25
Rice	9.64	9.25	9.00	9.10	9.15	9.26	9.44	9.62	9.81	9.99	10.17	10.37
Soybeans	6.47	5.45	4.65	4.55	4.90	5.35	5.65	5.80	5.90	5.95	6.00	6.10
Soybean oil	0.258	0.268	0.255	0.245	0.243	0.253	0.270	0.288	0.303	0.310	0.308	0.303
Soybean meal	185.5	145.0	125.0	128.5	146.5	161.0	165.0	163.0	161.0	159.0	161.5	168.0

1/ Bushels per acre except for upland cotton and rice (pounds per acre).
2/ Million bushels except for upland cotton (thousand bales), rice (million hundredweight), and soybean meal (thousand tons).
3/ Dollars per bushel except for soybean oil (per pound), rice (per hundredweight), and soybean meal (per ton).

Table 9. Corn baseline

Item	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Acreage (million acres):												
CRP acres:												
Cropping history 1/	4.7	3.9	4.0	4.4	4.5	4.5	4.4	4.4	4.4	4.4	4.4	4.4
Planted acres	80.2	80.8	80.0	79.0	79.0	80.0	81.0	81.5	82.0	82.0	82.0	82.0
Harvested acres	73.7	73.8	73.5	72.5	72.5	73.5	74.5	75.0	75.5	75.5	75.5	75.5
Yields (bushels per acre):												
Yield/harvested acre	127.0	133.3	131.7	133.4	135.1	136.8	138.5	140.2	141.9	143.6	145.3	147.0
Supply and use (million bushels):												
Beginning stocks	883	1,308	1,779	1,859	1,659	1,389	1,239	1,189	1,194	1,234	1,234	1,224
Production	9,366	9,836	9,680	9,670	9,795	10,055	10,320	10,515	10,715	10,840	10,970	11,100
Imports	9	10	10	10	10	10	10	10	10	10	10	10
Supply	10,258	11,154	11,469	11,539	11,464	11,454	11,569	11,714	11,919	12,084	12,214	12,334
Feed & residual	5,664	5,850	5,950	6,025	6,100	6,150	6,175	6,200	6,250	6,300	6,350	6,400
Food, seed, & industrial	1,782	1,850	1,885	1,930	1,975	2,015	2,055	2,095	2,135	2,175	2,215	2,260
Domestic	7,446	7,700	7,835	7,955	8,075	8,165	8,230	8,295	8,385	8,475	8,565	8,660
Exports	1,504	1,675	1,775	1,925	2,000	2,050	2,150	2,225	2,300	2,375	2,425	2,500
Total use	8,950	9,375	9,610	9,880	10,075	10,215	10,380	10,520	10,685	10,850	10,990	11,160
Ending stocks	1,308	1,779	1,859	1,659	1,389	1,239	1,189	1,194	1,234	1,234	1,224	1,174
Stocks/use ratio, percent	14.6	19.0	19.3	16.8	13.8	12.1	11.5	11.3	11.5	11.4	11.1	10.5
Prices (dollars per bushel):												
Farm price	2.43	2.00	2.00	2.10	2.30	2.45	2.50	2.50	2.50	2.50	2.50	2.55
Loan rate	1.89	1.89	1.89	1.89	1.85	1.81	1.81	1.89	1.89	1.89	1.89	1.89
Variable costs of production (dollars):												
Per acre	160.40	158.03	158.58	161.95	166.45	170.29	174.11	177.89	181.63	185.36	189.09	192.87
Per bushel	1.26	1.19	1.20	1.21	1.23	1.24	1.26	1.27	1.28	1.29	1.30	1.31
Returns over variable costs (dollars per acre):												
Market returns	148.21	108.57	104.82	118.19	144.28	164.87	172.14	172.61	173.12	173.64	174.16	181.98

1/ The cropping history allocation is based on 1996 plantings on farms with CRP acreage, and is used as a general indicator influencing land available for plantings.

Table 13. Wheat baseline

Item	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Acreage (million acres):												
CRP acres:												
Cropping history 1/	9.1	9.5	9.8	10.9	11.2	11.4	11.6	11.6	11.6	11.6	11.6	11.6
Planted acres	71.0	66.2	64.0	65.0	67.0	69.0	70.0	70.5	71.0	71.5	72.0	73.0
Harvested acres	63.6	59.1	56.4	57.3	59.0	60.8	61.7	62.1	62.6	63.0	63.4	64.3
Yields (bushels per acre):												
Yield/harvested acre	39.7	43.3	39.5	39.8	40.1	40.4	40.7	41.0	41.3	41.6	41.9	42.2
Supply and use (million bushels):												
Beginning stocks	444	722	827	673	493	450	435	440	444	451	459	440
Production	2,527	2,557	2,225	2,281	2,366	2,456	2,511	2,546	2,585	2,621	2,656	2,713
Imports	95	90	95	100	115	115	115	115	115	115	115	115
Supply	3,065	3,370	3,147	3,054	2,974	3,021	3,061	3,101	3,144	3,187	3,230	3,268
Food	917	925	935	945	955	965	975	985	995	1,005	1,015	1,025
Seed	93	93	89	91	94	96	96	97	98	98	100	101
Feed & residual	293	375	275	275	225	225	225	225	225	225	225	225
Domestic	1,302	1,393	1,299	1,311	1,274	1,286	1,296	1,307	1,318	1,328	1,340	1,351
Exports	1,040	1,150	1,175	1,250	1,250	1,300	1,325	1,350	1,375	1,400	1,450	1,500
Total use	2,342	2,543	2,474	2,561	2,524	2,586	2,621	2,657	2,693	2,728	2,790	2,851
Ending stocks	722	827	673	493	450	435	440	444	451	459	440	417
Stocks/use ratio, percent	30.8	32.5	27.2	19.3	17.8	16.8	16.8	16.7	16.8	16.8	15.8	14.6
Prices (dollars per bushel):												
Farm price	3.38	2.65	3.00	3.55	3.75	3.90	4.00	4.05	4.05	4.05	4.15	4.25
Loan rate	2.58	2.58	2.58	2.58	2.58	2.58	2.58	2.58	2.58	2.58	2.58	2.58
Variable costs of production (dollars):												
Per acre	70.49	69.40	69.65	71.16	73.13	74.79	76.46	78.12	79.78	81.39	83.04	84.70
Per bushel	1.78	1.60	1.76	1.79	1.82	1.85	1.88	1.91	1.93	1.96	1.98	2.01
Returns over variable costs (dollars per acre):												
Market returns	63.70	45.34	48.85	70.13	77.24	82.77	86.34	87.93	87.51	87.09	90.85	94.65

1/ The cropping history allocation is based on 1996 plantings on farms with CRP acreage, and is used as a general indicator influencing land available for plantings.

Table 14. Rice baseline, rough basis

Item	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Acreage (thousand acres):												
Planted	3,058	3,215	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200
Harvested	3,034	3,187	3,162	3,162	3,162	3,162	3,162	3,162	3,162	3,162	3,162	3,162
Yields (pounds per acre):												
Yield/harvested acre	5,896	5,660	5,905	5,935	5,964	5,994	6,024	6,054	6,084	6,115	6,145	6,176
Supply and use (million cwt):												
Beginning stocks	27.2	27.7	24.6	27.2	27.7	27.8	28.1	28.3	28.4	28.6	26.7	28.9
Production	178.9	180.4	186.7	187.6	188.6	189.5	190.5	191.4	192.4	193.3	194.3	195.3
Imports	9.2	10.0	10.3	10.5	10.8	11.0	11.3	11.6	11.9	12.2	12.5	12.8
Total supply	215.3	218.0	221.6	225.3	227.0	228.4	229.9	231.3	232.7	234.1	235.5	237.0
Domestic use	101.4	102.9	104.0	105.1	106.2	107.3	108.4	109.6	110.7	111.9	113.1	114.2
Exports	85.2	85.0	84.9	87.1	87.5	87.5	87.7	87.8	87.9	88.0	88.0	88.2
Residual	1.0	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Total use	187.6	193.4	194.4	197.7	199.2	200.3	201.6	202.9	204.1	205.4	206.6	207.9
Ending stocks (million cwt.)	27.7	24.6	27.2	27.7	27.8	28.1	28.3	28.4	28.6	28.7	28.9	29.1
Stocks/use ratio, percent	14.7	12.7	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Milling rate, percent	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0
Prices (dollars per cwt.):												
World price	8.45	7.75	7.90	8.05	8.21	8.36	8.52	8.69	8.85	9.02	9.18	9.36
Average market price	9.64	9.25	9.00	9.10	9.15	9.26	9.44	9.62	9.81	9.99	10.17	10.37
Loan rate	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Variable costs of production (dollars):												
Per acre	368	356	361	370	382	391	401	410	420	429	439	449
Per cwt.	6.24	6.30	8.11	8.24	6.40	6.53	6.65	6.78	6.90	7.02	7.14	7.26
Returns over variable costs (dollars per acre):												
Market returns	201	167	171	170	164	184	168	172	177	162	186	192

Table 15. Upland cotton baseline

Item	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Acreage (million acres):												
CRP acres:												
Cropping history 1/	1.0	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Planted acres	13.6	12.6	13.3	13.0	12.7	12.9	13.0	13.0	13.0	12.9	12.8	12.8
Harvested acres	13.0	10.1	12.3	12.1	11.8	12.0	12.1	12.1	12.1	12.0	11.9	11.9
Yields (pounds per acre):												
Yield/harvested acre	673	606	680	689	698	707	716	725	734	743	752	761
Supply and use (thousand bales):												
Beginning stocks	3,920	3,822	2,224	3,919	3,819	3,619	3,619	3,619	3,719	3,819	3,919	3,919
Production	18,245	12,785	17,400	17,400	17,200	17,700	16,000	16,300	16,500	16,600	16,600	16,900
Imports	13	300	200	5	5	5	5	5	5	5	5	5
Supply	22,178	16,907	19,824	21,324	21,024	21,324	21,624	21,924	22,224	22,424	22,524	22,824
Domestic use	11,234	10,500	10,600	11,000	11,100	11,200	11,300	11,400	11,500	11,500	11,500	11,500
Exports	7,060	4,160	5,100	6,500	6,300	6,500	6,700	6,800	6,900	7,000	7,100	7,200
Total use	18,294	14,660	15,900	17,500	17,400	17,700	18,000	18,200	18,400	18,500	18,600	18,700
Ending stocks	3,822	2,224	3,919	3,819	3,819	3,619	3,619	3,719	3,819	3,919	3,919	4,119
Stocks/use ratio, percent	20.9	15.2	24.6	21.8	20.8	20.4	20.1	20.4	20.8	21.2	21.1	22.0
Prices (dollars per pound): 2/												
Loan rate	0.5192	0.5192	0.5192	0.5192	0.5192	0.5192	0.5192	0.5192	0.5192	0.5192	0.5192	0.5192
Variable costs of production (dollars):												
Per acre	304.41	299.23	307.70	314.88	324.78	334.20	343.25	352.24	361.24	370.26	379.39	388.65
Per pound	0.45	0.49	0.45	0.46	0.47	0.47	0.48	0.49	0.49	0.50	0.50	0.51
Returns over variable costs (dollars per acre):												
Market returns	200.74	157.75	181.49	192.36	197.18	201.56	205.85	209.71	212.01	214.33	217.24	220.76

1/ The cropping history allocation is based on 1996 plantings on farms with CRP acreage, and is used as a general indicator influencing land available for plantings.
2/ USDA is prohibited from publishing cotton price projections.

Table 16. Soybean and products baseline

Item	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Soybeans												
Acreage (million acres)												
Planted	70.8	72.7	72.5	71.0	69.3	68.0	68.5	69.5	70.3	70.8	71.3	71.8
Harvested	69.8	71.6	71.4	69.9	68.2	66.9	67.4	68.4	69.2	69.7	70.2	70.7
Yield/harvested acre (bushels)	38.8	38.8	40.0	40.5	41.0	41.5	42.0	42.5	43.0	43.5	44.0	44.5
Supply (million bushels)												
Beginning stocks, Sep. 1	131	200	365	490	490	435	350	295	275	270	265	260
Production	2,703	2,763	2,855	2,830	2,795	2,775	2,830	2,905	2,975	3,030	3,085	3,145
Imports	5	6	7	6	4	7	9	6	4	6	8	10
Total supply	2,839	2,968	3,227	3,316	3,289	3,217	3,189	3,206	3,254	3,306	3,358	3,415
Disposition (million bushels)												
Crush	1,597	1,615	1,665	1,710	1,740	1,765	1,790	1,815	1,840	1,870	1,900	1,935
Seed and residual	171	148	152	151	149	147	149	151	154	156	158	160
Exports	870	840	930	965	965	955	955	965	990	1,015	1,040	1,065
Total disposition	2,639	2,603	2,747	2,826	2,854	2,867	2,894	2,931	2,984	3,041	3,098	3,160
Carryover stocks, Aug. 31												
Total ending stocks	200	365	490	490	435	350	295	275	270	265	260	255
Stocks/use ratio, percent	7.6	14.0	17.5	17.3	15.2	12.2	10.2	9.4	9.0	8.7	8.4	8.1
Prices (dollars per bushel)												
Loan rate	5.26	5.26	5.26	5.26	4.92	4.92	4.92	4.92	4.92	4.92	4.92	5.00
Soybean price, farm	6.47	5.45	4.65	4.55	4.90	5.35	5.65	5.80	5.90	5.95	6.00	6.10
Variable costs of production (dollars):												
Per acre	80.21	80.81	80.71	81.75	83.72	85.79	87.67	89.50	91.26	92.96	94.72	96.47
Per bushel	2.07	2.09	2.02	2.02	2.04	2.07	2.09	2.11	2.12	2.14	2.15	2.17
Returns over variable costs (dollars per acre):												
Net returns	170.63	129.56	129.69	131.28	118.00	136.23	149.63	157.00	162.44	165.84	169.28	174.98
Soybean oil (million pounds)												
Beginning stocks, Oct. 1	1,520	1,384	1,590	1,930	2,240	2,355	2,215	1,875	1,635	1,555	1,660	1,855
Production	16,143	16,250	16,780	19,295	19,645	19,935	20,235	20,535	20,840	21,195	21,555	21,960
Imports	58	58	60	65	70	75	75	75	80	85	90	95
Total supply	19,721	19,690	20,430	21,290	21,955	22,365	22,525	22,485	22,555	22,835	23,305	23,910
Domestic disappearance	15,162	15,400	15,700	16,000	16,300	16,600	16,800	17,200	17,500	17,800	18,125	18,450
Exports	3,175	2,700	2,600	3,050	3,300	3,550	3,750	3,650	3,500	3,375	3,325	3,400
Total demand	18,337	18,100	18,300	19,050	19,600	20,150	20,550	20,850	21,000	21,175	21,450	21,850
Ending stocks, Sep. 30	1,384	1,590	1,930	2,240	2,355	2,215	1,875	1,635	1,555	1,660	1,855	2,060
Soybean oil price (dollars per lb)	0.258	0.268	0.255	0.245	0.243	0.253	0.270	0.288	0.303	0.310	0.308	0.303
Soybean meal (thousand short tons)												
Beginning stocks, Oct. 1	210	218	250	250	250	225	225	225	225	225	225	225
Production	38,171	38,232	39,550	40,610	41,350	41,950	42,500	43,150	43,750	44,400	45,150	45,925
Imports	55	50	50	65	75	75	100	100	100	100	100	100
Total supply	38,436	38,500	39,850	40,925	41,675	42,250	42,825	43,475	44,075	44,725	45,475	46,250
Domestic disappearance	28,868	29,800	30,400	31,075	31,750	32,425	33,100	33,800	34,500	35,200	35,900	36,600
Exports	9,350	8,650	9,200	9,800	9,700	9,800	9,500	9,450	9,350	9,300	9,350	9,425
Total demand	38,218	38,250	39,600	40,875	41,450	42,025	42,600	43,250	43,850	44,500	45,250	46,025
Ending stocks, Sep. 30	218	250	250	250	225	225	225	225	225	225	225	225
Soybean meal price (dollars per ton)	185.54	145.00	125.00	128.50	146.50	161.00	165.00	163.00	161.00	159.00	161.50	168.00
Crushing yields (pounds per bushel)												
Soybean oil	11.36	11.30	11.28	11.29	11.29	11.30	11.31	11.32	11.33	11.34	11.35	11.35
Soybean meal	47.80	47.34	47.44	47.50	47.50	47.50	47.50	47.50	47.50	47.50	47.50	47.50
Crush margin (dollars per bushel)	0.90	1.00	1.19	1.27	1.32	1.33	1.32	1.33	1.36	1.34	1.33	1.33

1/ Net returns include loan rate value when prices are lower than the loan rate.

Table 23. Beef baseline

Item	Units	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Beginning stocks	Mil. lbs.	377	465	400	350	335	350	375	400	425	450	475	475
Commercial production	Mil. lbs.	25,384	25,687	24,075	23,492	23,495	24,242	24,702	24,629	24,550	24,496	24,521	24,563
Change	Percent	-0.1	1.2	-6.3	-2.4	0.0	3.2	1.9	-0.3	-0.3	-0.2	0.1	0.2
Farm production	Mil. lbs.	106	106	106	106	106	106	106	106	106	106	106	106
Total production	Mil. lbs.	25,490	25,793	24,181	23,598	23,601	24,348	24,808	24,735	24,656	24,602	24,627	24,669
Imports	Mil. lbs.	2,343	2,611	2,790	2,800	2,800	2,750	2,700	2,700	2,650	2,650	2,600	2,600
Total supply	Mil. lbs.	28,210	28,869	27,371	26,748	26,736	27,448	27,883	27,835	27,731	27,702	27,702	27,744
Exports	Mil. lbs.	2,136	2,158	2,340	2,150	2,200	2,316	2,402	2,472	2,552	2,632	2,714	2,795
Ending stocks	Mil. lbs.	465	400	350	335	350	375	400	425	450	475	475	475
Total consumption	Mil. lbs.	25,609	26,311	24,681	24,263	24,186	24,757	25,081	24,938	24,729	24,595	24,513	24,474
Per capita, carcass weight	Pounds	95.6	97.3	90.5	88.2	87.1	88.4	88.8	87.6	86.1	85.0	84.0	83.2
Per capita, retail weight	Pounds	68.9	68.1	63.4	61.7	61.0	61.9	62.2	61.3	60.3	59.5	58.8	58.2
Change	Percent	-1.8	1.8	-7.0	-2.5	-1.2	1.5	0.5	-1.4	-1.7	-1.3	-1.2	-1.0
Prices:													
Beef cattle, farm	$/cwt	63.34	59.95	71.00	70.93	72.73	72.54	73.45	75.25	77.30	79.03	80.62	82.03
Calves, farm	$/cwt	82.27	82.09	93.75	96.82	90.97	86.66	89.96	93.91	97.46	99.69	101.64	103.42
Choice steers, Nebraska	$/cwt	66.32	61.87	72.00	71.92	73.75	73.56	74.48	76.31	78.39	80.14	81.76	83.19
Deflated price	$/cwt	41.32	37.86	42.91	41.70	41.43	40.11	39.43	39.23	39.12	38.83	38.46	38.00
Yearling steers, Okla. City	$/cwt	76.19	72.60	83.50	86.24	81.02	77.19	80.12	83.64	86.80	88.79	90.52	92.11
Deflated price	$/cwt	47.47	44.43	49.76	49.99	45.52	42.09	42.41	43.00	43.31	43.02	42.58	42.06
Retail: Beef and veal	1982-84=100	136.6	136.5	139.0	142.1	145.7	143.5	143.8	147.2	151.1	154.2	156.9	159.2
Retail: Other meats	1982-84=100	148.1	146.8	148.0	151.3	155.1	152.7	152.8	156.7	160.9	164.2	167.1	169.4
ERS retail beef	$/lb.	2.80	2.78	2.83	2.89	2.97	2.92	2.92	3.00	3.08	3.14	3.19	3.24
Costs and returns, cow-calf enterprise:													
Variable expenses	$/cow	216.91	211.87	193.62	194.65	201.85	212.96	222.22	228.20	232.46	236.83	241.29	248.49
Fixed expenses	$/cow	118.52	119.55	123.72	127.20	129.99	132.80	136.09	140.04	144.03	147.81	150.98	154.62
Total cash expenses	$/cow	335.43	331.42	317.34	321.86	331.84	345.76	358.31	368.24	376.49	384.44	392.28	401.11
Returns above cash costs	$/cow	-1.03	-18.95	44.49	57.96	32.85	7.44	12.53	23.96	35.85	42.64	48.36	52.47
Cattle inventory	1,000 head	101,460	99,501	97,577	96,742	97,697	99,189	99,544	99,032	98,368	97,814	97,445	97,129
Beef cow inventory	1,000 head	34,271	33,683	32,925	32,241	32,755	33,233	33,376	33,156	32,942	32,820	32,777	32,756

Table 24. Pork baseline

Item	Units	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Beginning stocks	Mil. lbs.	366	408	475	490	450	450	450	450	400	400	400	400
Commercial production	Mil. lbs.	17,244	18,942	19,425	19,214	19,253	19,659	20,018	20,223	20,456	20,823	21,274	21,757
Change	Percent	0.9	9.8	2.5	-1.1	0.2	2.1	1.8	1.0	1.2	1.8	2.2	2.3
Farm production	Mil. lbs.	30	30	30	30	30	30	30	30	30	30	30	30
Total production	Mil. lbs.	17,274	18,972	19,455	19,244	19,283	19,689	20,048	20,253	20,486	20,853	21,304	21,787
Imports	Mil. lbs.	633	680	700	660	640	635	645	650	650	660	665	670
Total supply	Mil. lbs.	18,273	20,060	20,630	20,394	20,373	20,774	21,143	21,353	21,536	21,913	22,369	22,857
Exports	Mil. lbs.	1,044	1,232	1,355	1,270	1,300	1,325	1,425	1,525	1,600	1,700	1,800	1,875
Ending stocks	Mil. lbs.	408	475	490	450	450	450	450	400	400	400	400	400
Total consumption	Mil. lbs.	18,821	18,353	18,785	18,674	18,823	18,999	19,268	19,428	19,536	19,813	20,169	20,582
Per capita, carcass weight	Pounds	62.8	67.9	68.9	67.9	67.1	67.9	68.2	68.2	68.0	68.4	69.1	69.9
Per capita, retail weight	Pounds	48.7	52.7	53.4	52.7	52.1	52.7	52.9	53.0	52.8	53.1	53.6	54.3
Change	Percent	-0.7	8.1	1.5	-1.5	-1.1	1.1	0.8	0.0	-0.3	0.6	1.0	1.2
Prices:													
Hogs, farm	$/cwt	52.04	33.47	33.64	35.92	38.22	37.69	37.84	38.88	39.70	39.56	38.81	37.66
Iowa, So. Minn. market	$/cwt	51.36	32.27	33.00	35.42	37.72	37.39	37.34	38.38	39.20	39.06	38.31	37.18
Deflated price	$/cwt	32.00	19.75	19.67	20.53	21.19	20.39	19.77	19.73	19.56	18.92	18.02	16.98
Retail: pork	1982-84=100	155.9	148.5	144.0	145.7	148.9	146.2	144.7	146.3	148.0	146.1	147.4	146.2
ERS retail pork	$/lb.	2.32	2.30	2.24	2.27	2.32	2.27	2.25	2.28	2.30	2.30	2.29	2.27
Costs and returns, farrow to finish:													
Variable expenses	$/cwt	41.38	35.93	29.20	26.48	26.54	28.88	30.78	31.55	31.74	31.95	32.18	32.65
Fixed expenses	$/cwt	4.98	5.15	5.18	5.21	5.20	5.21	5.24	5.30	5.37	5.42	5.48	5.55
Total cash expenses	$/cwt	46.36	41.08	34.38	31.66	31.75	34.09	36.00	36.85	37.11	37.38	37.65	38.20
Returns above cash costs	$/cwt	5.00	-6.81	-1.38	3.74	5.97	3.29	1.34	1.53	2.09	1.68	0.66	-1.03
Hog inventory, Dec. 1, previous year	1,000 head	56,141	60,915	62,200	61,566	61,684	62,901	63,978	64,590	65,290	66,388	67,741	69,188

Table 27. Egg baseline

Item	Units	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Beginning stocks	Mil. doz.	9	7	5	5	5	5	5	5	5	5	5	5
Production	Mil. doz.	6,460	6,625	6,790	6,905	7,016	7,121	7,192	7,300	7,373	7,484	7,559	7,672
Change	Percent	1.4	2.6	2.5	1.7	1.6	1.5	1.0	1.5	1.0	1.5	1.0	1.5
Imports	Mil. doz.	7	4	6	4	5	5	5	5	5	5	5	5
Total supply	Mil. doz.	6,476	6,636	6,801	6,914	7,026	7,131	7,202	7,310	7,383	7,494	7,569	7,682
Change	Percent	1.4	2.5	2.5	1.7	1.6	1.5	1.0	1.5	1.0	1.5	1.0	1.5
Hatching use	Mil. doz.	895	922	970	1,019	1,055	1,092	1,127	1,164	1,203	1,244	1,287	1,329
Exports	Mil. doz.	228	226	243	260	270	275	280	285	290	295	300	305
Ending stocks	Mil. doz.	7	5	5	5	5	5	5	5	5	5	5	5
Consumption	Mil. doz.	5,345	5,483	5,583	5,631	5,696	5,759	5,790	5,856	5,885	5,949	5,977	6,043
Per capita	Number	239.4	243.3	245.6	245.5	246.2	246.8	246.0	246.8	246.0	246.6	245.7	246.4
Change	Percent	0.7	1.6	0.9	0.0	0.3	0.2	-0.3	0.3	-0.3	0.3	-0.4	0.3
Prices:													
Eggs, farm	Cents/doz.	69.6	65.5	62.4	60.1	57.5	56.7	60.8	58.8	64.9	60.6	64.9	60.6
New York, Grade A large	Cents/doz.	81.2	76.0	72.5	69.5	66.5	65.5	70.0	68.0	75.0	70.0	75.0	70.0
Deflated wholesale prices	Cents/doz.	50.6	46.5	43.2	40.3	37.4	35.7	37.1	35.0	37.4	33.9	35.3	32.0
Retail, Grade A, large	Cents/doz.	106	104	101	97	93	92	97	95	103	98	103	98
Retail: Eggs	1982-84=100	140.0	135.4	132.5	128.6	124.6	124.0	131.5	130.2	142.0	135.5	144.0	137.5
Costs and returns:													
Total costs	Cents/doz.	72.00	63.11	60.00	55.13	55.75	60.85	65.04	67.09	67.97	66.88	69.81	71.23
Net returns	Cents/doz.	9.20	12.89	12.50	14.37	10.75	4.65	4.96	0.91	7.03	1.12	5.19	-1.23

Table 28. Dairy baseline

Item	Units	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Production data:													
Milk production	Bil. lbs.	157.0	159.3	162.9	163.7	165.2	166.7	169.0	170.3	172.3	174.3	176.7	178.3
Number of cows	1,000	9,200	9,150	9,100	9,000	8,910	8,830	8,765	8,680	8,605	8,530	8,455	8,380
Milk per cow	Pounds	17,065	17,405	17,905	18,185	18,540	18,875	19,280	19,615	20,020	20,430	20,900	21,275
Commercial use:													
Milkfat basis	Bil. lbs.	159.1	161.4	164.1	165.0	166.3	167.7	170.2	171.4	173.8	175.5	178.1	179.8
Skim solids	Bil. lbs.	155.4	158.2	163.2	164.7	166.1	167.5	170.0	171.2	173.4	175.3	178.0	179.4
Net removals:													
Milkfat basis	Bil. lbs.	0.7	0.3	0.9	0.9	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Skim solids	Bil. lbs.	4.5	3.5	2.1	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Prices:													
Basic Formula Price	$/cwt	13.28	13.15	11.90	12.85	13.45	14.10	14.60	14.85	15.15	15.45	15.75	16.05
All milk	$/cwt	14.56	14.90	13.00	13.95	14.55	15.20	15.70	15.95	16.25	16.55	16.85	17.15
Retail, all dairy products	1982-84=100	148.6	156.5	153.0	155.5	160.0	164.5	168.5	171.5	175.0	178.0	182.0	185.0
Costs and returns:													
Ration value	$/cwt	8.12	7.11	8.80	8.85	7.35	7.80	8.10	8.25	8.35	8.45	8.55	8.75
Returns above concentrate costs	$/cwt	11.15	11.91	10.14	11.07	11.48	11.92	12.30	12.49	12.74	13.00	13.26	13.48
Milk-feed ratio	ratio	1.79	2.09	1.91	2.04	1.98	1.95	1.94	1.93	1.95	1.96	1.97	1.96

Table 29. Farm receipts, expenses, and incomes in nominal dollars

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
						Billion dollars						
Cash receipts:												
Crops	112.1	104.7	102.0	104.4	108.3	114.0	119.0	123.0	126.2	129.2	132.1	135.4
Livestock and products	96.6	93.4	96.0	94.9	97.7	100.1	103.9	107.2	110.4	112.8	115.6	117.8
All commodities	208.7	198.0	198.0	199.3	206.0	214.1	222.9	230.2	236.6	242.0	247.7	253.2
Farm-related income	11.8	11.8	11.6	11.6	11.7	11.7	11.8	11.9	11.9	12.0	12.0	12.1
Government payments	7.5	12.9	11.3	9.2	7.8	6.7	6.1	6.1	6.1	6.1	6.1	6.1
Gross cash income	228.0	222.7	220.9	220.1	225.4	232.5	240.6	248.2	254.6	260.0	265.8	271.3
Cash expenses	167.2	163.6	164.3	167.5	172.3	178.8	185.9	191.9	197.5	202.9	208.4	214.5
Net cash income	60.8	59.1	56.6	52.7	53.2	53.7	55.0	56.2	57.1	57.1	57.4	56.9
Value of inventory change	-0.4	-1.0	-0.4	0.7	1.2	0.9	0.4	0.2	0.3	0.2	0.1	0.0
Non-money income	10.7	11.3	11.9	11.9	11.9	12.0	12.1	12.2	12.2	12.5	12.7	13.0
Gross farm income	238.3	233.0	232.4	232.7	238.6	245.4	253.4	260.5	267.1	272.7	278.7	284.3
Noncash expenses	15.8	15.9	16.1	15.8	15.3	14.9	14.5	13.9	13.2	13.3	13.4	13.6
Operator dwelling expenses	5.5	5.6	5.7	5.7	5.7	5.7	5.7	5.8	5.8	5.8	5.8	5.8
Total production expenses	188.4	185.1	186.1	188.9	193.3	199.4	206.1	211.6	216.6	222.0	227.6	233.9
Net farm income	49.8	46.0	46.4	43.8	45.3	46.0	47.3	49.0	50.5	50.6	51.0	50.4
Farm assets	1,088.8	1,124.7	1,162.9	1,189.2	1,226.0	1,271.0	1,325.0	1,381.2	1,436.4	1,488.8	1,547.6	1,607.2
Farm debt	165.4	170.4	169.1	173.6	177.6	182.8	186.4	193.5	198.7	203.5	208.3	213.6
Farm equity	923.4	954.3	993.8	1,015.6	1,048.4	1,088.1	1,136.6	1,187.7	1,237.7	1,285.4	1,339.3	1,393.6
						Percent						
Debt/equity ratio	17.9	17.9	17.0	17.1	16.9	16.8	16.6	16.3	16.1	15.6	15.6	15.3
Debt/assets ratio	15.2	15.2	14.5	14.6	14.5	14.4	14.2	14.0	13.8	13.7	13.5	13.3

Table 30. Farm receipts, expenses, and incomes in 1992 dollars

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
						Billion 1992 dollars 1/						
Cash receipts:												
Crops	100.5	92.4	87.9	87.5	88.1	90.1	91.4	91.8	91.6	91.1	90.5	90.2
Livestock and products	86.6	82.4	82.7	79.6	79.5	79.1	79.9	80.1	80.2	79.6	79.2	78.5
All commodities	187.0	174.9	170.6	167.2	167.6	169.3	171.3	171.9	171.7	170.7	169.6	168.6
Farm-related income	10.6	10.4	10.0	9.7	9.5	9.3	9.1	8.9	8.7	8.4	8.2	8.1
Government payments	6.7	11.4	9.7	7.7	6.3	5.3	4.7	4.5	4.4	4.3	4.1	4.0
Gross cash income	204.3	196.7	190.3	184.7	183.4	183.9	185.1	185.3	184.8	183.4	182.2	180.7
Cash expenses	149.8	144.5	141.5	140.5	140.2	141.4	142.8	143.3	143.4	143.1	142.8	142.9
Net cash income	54.5	52.2	48.8	44.2	43.2	42.5	42.3	42.0	41.4	40.3	39.3	37.9
Value of inventory change	-0.4	-0.9	-0.3	0.6	1.0	0.7	0.3	0.2	0.2	0.1	0.1	0.0
Non-money income	9.6	10.0	10.2	10.0	9.7	9.5	9.3	9.1	8.9	8.8	8.7	8.6
Gross farm income	213.6	205.8	200.2	195.2	194.1	194.0	194.7	194.8	193.8	192.3	191.0	189.4
Noncash expenses	14.1	14.0	13.9	13.2	12.5	11.8	11.1	10.4	9.6	9.4	9.2	9.0
Operator dwelling expenses	4.9	4.9	4.9	4.8	4.6	4.5	4.4	4.3	4.2	4.1	4.0	3.9
Total expenses	168.9	163.4	160.3	158.5	157.3	157.7	158.4	158.0	157.2	156.6	156.0	155.8
Net farm income	44.7	42.3	40.0	36.7	36.8	36.4	36.4	36.6	36.6	35.7	35.0	33.6
Farm assets	975.9	993.2	1,001.9	997.6	997.5	1,005.0	1,018.2	1,031.5	1,042.4	1,050.0	1,060.7	1,070.5
Farm debt	148.3	150.5	145.7	145.6	144.5	144.6	144.8	144.5	144.2	143.5	142.8	142.3
Farm equity	827.7	842.7	856.2	852.0	853.0	860.4	873.4	886.9	898.2	906.5	918.0	928.2

1/ Nominal dollar values divided by the GDP deflator.

Agricultural Trade

Growth in global agricultural trade will be slowed over the next 2 to 3 years by weakened demand in key markets, particularly in Asia and the former Soviet Union (FSU). In these regions, import demand will be constrained by reduced incomes, and by the impact of large currency devaluations on both consumer and producer prices. Global trade will, however, continue to be supported by relatively strong demand in other developing country markets in Latin America, North Africa, and the Middle East. U.S. agricultural exports will slow over the next 2 to 3 years, reflecting slowed growth in global trade, as well as increased competition. In the near term, U.S. farm exports are likely to face increased competition stemming from productivity gains by other exporters, particularly Argentina, and from developing and transition economies where currencies have been sharply devalued.

Longer term prospects for global and U.S. trade remain relatively bright. The Asian economies are assumed to recover to relatively strong rates of growth over a 3 to 4 year period, and long-term growth in other developing regions is expected to higher than during the 1980s. This generally favorable economic outlook for developing countries is expected to drive faster gains in agricultural trade after 2000. Trade expansion will also be aided by freer trade associated with ongoing unilateral policy reforms and existing multilateral reforms. Relatively strong growth in import demand for bulk agricultural commodities is projected, supported by broad-based expansion across developing regions, including China, South and Southeast Asia, Latin America, North Africa, and the Middle East. The FSU, formerly a key grain importer, is not expected to be a source of significant import demand over the projection period. Higher incomes in developing countries, where consumers tend to spend a relatively large share of new income on food, will be a key determinant of demand and trade growth. As incomes rise in developing countries, the demand for agricultural goods expands rapidly, both through increases in direct food use and through derived demand for livestock feeds to meet rising meat demand.

Future trends in China's agricultural trade remain an important question in the global outlook. Significant uncertainty regarding basic data and future policies, combined with the size of China's agricultural economy, make alternative trade projections both plausible and globally significant. The current projections indicate only modest growth in China's import demand for most bulk commodities, particularly wheat and coarse grains. Recent developments in China suggest that there is still significant potential for boosting crop yields, and that historical growth in meat demand and feed use has been slower than once thought.

World commodity prices are expected to remain depressed in the near term by the combination of weakened global demand and increased exportable supplies from traditional and nontraditional competitors. Prices are projected to strengthen over the longer term, as supplies adjust and a recovery in Asian demand is added to steady growth in other regions. However, particularly with limited growth in imports by China and the FSU, real prices are projected to continue to decline over the longer term as productivity gains continue to outpace growth in demand.

Grains are expected to lead the stronger projected growth of bulk commodity trade during 2000-2008. Projected gains in coarse grain trade are particularly strong, predicated on rising incomes in developing regions and increased demand for livestock products and feeds. Wheat and vegetable oil trade will also continue to expand in response to rising incomes and urbanization in developing countries. Trade in soybeans and meal also is projected to show solid long-term growth as a result of the expansion of meat consumption and production in developing countries. Raw cotton demand and trade are expected to strengthen after 2000, but growth is expected to be slower than in the 1980s, when there was increased substitution of cotton for synthetic fibers.

Table 33. International trade summary, by decade or indicated period 1/

Years	Wheat	Rice	Coarse grains	Soybeans	Soybean meal	Soybean oil	Cotton
World trade growth, annual percent 2/							
1960 to 1970 3/	1.1	2.2	4.9	11.4	14.4	11.3	0.8
1970 to 1980	4.7	4.9	8.7	8.2	11.7	12.8	1.2
1980 to 1990	-0.3	0.6	-1.0	-0.4	2.9	0.5	2.5
1990 to 2000	-0.7	6.1	0.4	5.3	4.4	6.6	-0.9
2000 to 2008	2.3	2.7	2.8	1.6	1.9	2.8	1.9
U.S. export growth, annual percent							
1960 to 1970 3/	-0.8	6.3	3.8	12.6	13.0	5.3	-5.4
1970 to 1980	6.4	6.8	12.7	7.2	5.8	5.4	6.1
1980 to 1990	-3.3	-0.5	-0.7	-3.7	-1.8	-5.5	2.3
1990 to 2000	-0.4	0.5	0.4	4.7	5.7	11.6	-1.7
2000 to 2008	2.3	0.8	3.3	1.3	-0.4	3.3	1.6
U.S. share of world trade, average percent 2/							
1960 to 1970 3/	37.6	19.0	50.0	90.6	65.6	66.6	18.3
1970 to 1980	43.0	22.1	59.4	82.6	43.5	37.5	19.8
1980 to 1990	37.3	20.2	59.4	72.6	23.7	19.3	21.5
1990 to 2000	31.3	14.0	56.0	64.5	19.7	16.1	25.1
2000 to 2008	33.6	9.4	57.3	62.2	20.2	22.2	24.6

1/ Years refer to the first year of the commodity marketing year.
2/ Trade and trade shares include intra-FSU trade for periods starting in 1990 and later; intra-FSU trade for cotton also is included in the 1980 to 1990 and the 1970 to 1980 periods.
3/ Data for soybeans, soybean meal, and soybean oil begin in 1964.

U.S. exports are projected to strengthen for most bulk commodities over the longer term. U.S. wheat and coarse grain exports are projected to expand the fastest, although competition is expected to increase in both markets. By the middle of the projection period, U.S. wheat exports are projected to slow when higher world prices and declining internal EU prices permit the EU to export wheat without subsidy. U.S. corn exports are expected to face continued competition from China and, particularly, Argentina. U.S. rice exports are projected to be roughly constant, as domestic demand captures nearly all the gains in U.S. production. Anticipated growth in U.S. exports of soybeans and products is faster than in the 1980s because of projected gains in both area and yields, despite weaker market prices. U.S. raw cotton exports are projected to

strengthen in the longer term, benefiting from rising demand and reduced competition in some countries.

Global meat demand and trade, and U.S. meat exports, will be depressed in the near term by the slowdown in import demand in East Asia and the FSU. Growth in meat trade is, however, projected to resume after 2000, as demand recovers in these key markets. Already negotiated reductions in trade barriers will support gains in meat trade in East Asia. Although FSU import demand is likely to be depressed for 3 to 5 years by the recent economic crisis, imports are expected to rebound in the longer term, with the return of modest economic growth and only slow expansion in the domestic feed-livestock sector.

U.S. Agricultural Trade Value

The total value of U.S. agricultural exports is projected to decline in 1999 and 2000, but then grows for the rest of the baseline, reaching about $73 billion by 2008. U.S. imports rise to $50 billion in 2008. The resulting agricultural trade surplus in fiscal 2008 is projected at $22.5 billion.

Table 34. U.S. agricultural trade values, baseline projections, fiscal years

	1997	1998	1999 1/	2000	2001	2002	2003	2004	2005	2006	2007	2008	1998-2008 growth rate
						Billion dollars							*Percent*
Agricultural exports:													
Animals and products	11.4	11.2	11.3	11.4	11.9	12.3	12.9	13.5	14.2	14.8	15.4	15.9	3.5
Grains, feeds, and products	16.5	14.1	13.9	14.1	15.8	17.0	18.1	18.9	19.5	20.1	21.2	21.4	4.2
Oilseeds and products	11.4	11.1	9.3	7.1	7.2	7.7	8.2	8.7	9.0	9.3	9.6	9.8	-1.2
Horticultural products	10.6	10.3	10.1	10.7	11.4	12.0	12.7	13.4	14.2	14.9	15.7	16.5	4.8
Tobacco, unmanufactured	1.6	1.4	1.4	1.4	1.4	1.4	1.4	1.3	1.3	1.3	1.3	1.4	-0.6
Cotton and linters	2.7	2.5	1.6	1.9	2.4	2.4	2.5	2.6	2.6	2.7	2.7	2.8	1.0
Other exports	3.0	2.9	2.9	3.6	3.8	3.9	4.1	4.2	4.4	4.5	4.6	4.8	5.2
Total agricultural exports	57.3	53.6	50.5	50.2	53.9	56.7	59.9	62.8	65.2	67.6	70.6	72.6	3.1
Bulk commodities exports	23.3	20.0	18.0	17.5	19.7	21.0	22.5	23.6	24.2	25.0	26.2	26.5	2.8
High-value product exports	33.9	33.6	32.5	32.7	34.2	35.7	37.4	39.2	41.0	42.7	44.4	46.1	3.2
High-value product share	59.2%	62.7%	64.4%	65.1%	63.5%	62.9%	62.4%	62.5%	62.8%	63.1%	62.9%	63.5%	
Agricultural imports:													
Animals and products	6.4	6.8	6.8	6.9	7.0	7.1	7.4	7.7	8.0	8.3	8.6	9.0	2.8
Grains, feeds, and products	2.9	2.9	3.0	3.0	3.1	3.2	3.3	3.4	3.6	3.7	3.7	3.7	2.5
Oilseeds and products	2.2	2.2	2.4	2.5	2.6	2.9	3.2	3.2	3.5	3.5	3.6	3.6	5.0
Horticultural products	12.7	13.9	14.5	15.1	15.8	16.5	17.2	17.9	18.5	19.2	19.7	20.3	3.9
Tobacco, unmanufactured	1.2	0.8	0.9	1.1	1.1	1.2	1.2	1.3	1.3	1.3	1.3	1.3	5.0
Sugar and related products	1.9	1.7	1.8	1.9	2.0	2.2	2.3	2.4	2.5	2.5	2.5	2.5	3.9
Coffee, cocoa, and rubber	6.4	6.3	6.5	6.6	6.7	6.7	6.7	6.8	6.8	6.9	6.9	7.0	1.0
Other imports	2.1	2.4	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.6	0.9
Total agricultural imports	35.8	37.0	38.5	39.6	40.8	42.3	43.7	45.2	46.7	47.9	48.9	50.0	3.1
Net agricultural trade balance	21.5	16.6	12.0	10.6	13.1	14.5	16.1	17.6	18.5	19.8	21.7	22.5	3.1

1/ The projections were completed in November 1998 based on policy decisions and other information known at that time. For updates of the nearby year forecasts, see USDA's *Outlook for U.S. Agricultural Trade* report, published in February, May, August, and December.

Note: Other exports consists of seeds, sugar and tropical products, and beverages and preparations. Essential oils are included in horticultural products. Bulk commodities include wheat, rice, feed grains, soybeans, cotton, and tobacco. High-value products (HVP's) is calculated as total exports less the bulk commodities. HVP's includes semi-processed and processed grains and oilseeds, animals and products, horticultural products, and sugar and tropical products. Other imports includes seeds, beverages except beer and wine, and miscellaneous commodities.

Declining prices resulting from large world supplies, weak global demand, and a strong U.S. dollar led to lower export value in FY 1998, with exports of both bulk and high-value products (HVPs) declining. U.S. export value is projected in the baseline to fall to near $50 billion for FY 1999 and 2000. After 2000, however, growth in both bulk and HVP exports is expected to rebound for the remainder of the baseline. Averaging 2.8 percent per year during 1998-2008, projected bulk commodity value growth exceeds growth in both the 1980s and the 1990s, lending strength to total export earnings. HVP export growth is projected to average 3.2 percent annually during 1998-2008. Much of the HVP gain is in horticultural products. Exports of animals and products, led by beef, pork, and poultry, also show significant growth.

U.S. imports are projected to rise from $37 billion in fiscal 1998 to $50 billion in fiscal in 2008, an average annual increase of 3 percent. From 1994 to 1997, agricultural imports increased 10 percent annually. Import growth has recently returned to the expected long-term growth pace due to slower increases in domestic prices of meats and grain-based foods. While a stronger U.S. dollar has reduced prices of imported commodities, a small response in the import volume for many high-value food items has lessened the growth in the value of imports. Imports of horticultural products, the largest component of U.S. agricultural imports, are expected to increase by $6.4 billion from 1998 to 2008, with average annual growth of 4 percent. Beverages, fruits, and vegetables will be supplied largely by Mexico, Canada, Chile, and the European Union.

Foreign Agricultural Policy Assumptions and Highlights

Policy assumptions underlying both U.S. and foreign projections are based on full compliance with all bilateral and multilateral agreements affecting agriculture and agricultural trade as of November 1998. Bilateral agreements affecting agricultural trade between the United States and Canada, the United States and Mexico, the United States and Japan (beef and citrus), and the United States and Korea (beef) are examples of agreements for which full compliance is assumed. In contrast, no compliance is assumed for any agreements not formally ratified by November 1998.

For multilateral agreements, the projections assume full compliance with the internal support, market access, and export subsidy provisions of the Uruguay Round Agreement on Agriculture by all parties to the agreement. Several potential multilateral agreements that could have a significant impact on agricultural trade are now under consideration, but are assumed *not* to occur in these projections. These include:

- No accession to the World Trade Organization (WTO) by the FSU, China, or Taiwan;
- No enlargement of the EU-15 to add one or more Central or East European countries;
- No implementation of more liberalized trade among the Asia-Pacific Economic Cooperation (APEC) countries, and;
- No expansion of NAFTA to include additional countries.

OUTLOOK for U.S. Agricultural Trade

Approved by the
World Agricultural Outlook Board,
Economic Research Service,
and Foreign Agricultural Service,
U.S. Department of Agriculture

February 22, 1999 AES-21

FISCAL 1999 AGRICULTURAL EXPORTS FORECAST TO FALL BELOW $50 BILLION

U.S. agricultural exports in fiscal 1999 are forecast at $49 billion, down $1.5 billion from the November estimate and $4.6 billion below fiscal 1998. Weak world demand and large world supplies largely account for the decline. Excluding Mexico, year-to-year declines are forecast in all major markets. Soybean and soybean product exports are forecast down almost $3.5 billion from last year, as both volume and prices have fallen. The severe decline in U.S. production and weak world prices have sharply reduced U.S. cotton exports. The decline in exports of poultry meat from 1998 largely reflects reduced Russian imports and lower prices. Other major export commodities are forecast to record minor changes in value from 1998 as declining prices are offset by increasing volume. For example, the volume of corn exports is forecast up 17 percent, to 44 million tons, while the value is virtually unchanged at $4.3 billion.

U.S. agricultural imports are forecast to be $38 billion in fiscal 1999, up $1 billion from 1998. Most of the increase is accounted for by horticultural products. The agricultural trade surplus, forecast at $11 billion, is the lowest since 1987.

As of this issue, this publication is renamed Outlook for U.S. Agricultural Trade from Outlook for U.S. Agricultural Exports, reflecting the increased emphasis on imports.

Table 1--U.S. agricultural trade, fiscal years, 1994-1999
-- Year ending September 30 --

Item	1994	1995	1996	1997	1998	1999 Projected Nov.	1999 Projected Feb.
			--Billion dollars--				
Exports	43.9	54.6	59.8	57.3	53.6	50.5	49.0
Imports	26.6	29.9	32.6	35.8	37.0	38.5	38.0
Balance	17.3	24.7	27.2	21.5	16.6	12.0	11.0
			--Million metric tons --				
Ex. volume	127.5	169.7	158.4	147.3	142.0	149.8	146.7

This outlook reflects commodity forecasts in the Feb. 10, 1999, World Agricultural Supply and Demand Estimates.

Commodity Highlights

The forecast for fiscal 1999 exports of U.S. wheat and flour is lowered $300 million from November to $3.9 billion. Swamping an upward adjustment in wheat flour export volume, the forecast for wheat shipments is reduced 3 million tons to 28.5 million tons. The average export price for all wheat remains unchanged at $130/ton. This outlook still reflects a year-over-year increase in wheat export volume although not as large as envisioned in November. Since then, world import demand was reduced and Argentina is now expected to export more.

Table 2--U.S. agricultural exports: Value by commodity, 1997-1999

Commodity	October-December 1997	October-December 1998	Fiscal 1998	Fiscal 1999 Projected Nov.	Fiscal 1999 Projected Feb.
	--Billion dollars--				
Grains and feeds 1/	3.851	3.910	14.109	13.9	13.8
Wheat & flour	1.096	1.045	3.887	4.2	3.9
Rice	0.276	0.353	1.134	1.0	1.1
Coarse grains 2/	1.399	1.402	4.990	4.7	4.8
Corn	1.159	1.279	4.261	4.2	4.3
Feeds and fodders	0.650	0.621	2.411	2.3	2.3
Oilseeds and products	4.683	3.151	11.090	9.3	8.6
Soybeans	3.226	1.945	6.117	5.1	4.7
Soybean meal	0.637	0.328	1.944	1.4	1.2
Soybean oil	0.231	0.258	0.881	0.8	0.7
Livestock products	2.095	1.901	7.626	8.1	7.9
Beef, pork & variety meats	1.080	0.974	4.045	4.5	4.2
Hides & skins, incl. furs	0.354	0.255	1.358	1.5	1.4
Poultry & products	0.727	0.549	2.712	2.3	2.3
Poultry meat	0.632	0.461	2.347	1.8	1.9
Dairy products	0.236	0.224	0.897	0.9	0.9
Tobacco, unmanufactured	0.373	0.384	1.448	1.4	1.4
Cotton & linters	0.656	0.681	2.537	1.6	1.4
Seeds	0.253	0.254	0.838	0.9	0.9
Horticultural products	2.820	2.763	10.318	10.1	10.0
Fruits & preparations	0.842	0.823	3.202	3.0	2.9
Vegetables & preparations	0.714	0.740	2.805	2.8	2.8
Tree nuts & preparations	0.458	0.414	1.215	1.3	1.3
Sugar, tropical, and other	0.537	0.516	2.054	2.0	1.9
Total 3/	16.231	14.333	53.629	50.5	49.0

1/ Includes pulses and corn products. 2/ Includes corn, barley, sorghum, oats, and rye. 3/ Totals might not add due to rounding.

U.S. coarse grain exports are raised 1.2 million tons and $100 million to 49.4 million tons valued at $4.8 billion. The export forecast for corn is increased 1.5 million tons to 44 million tons and, with the export price of $98/ton unchanged, export value is raised $100 million to $4.3 billion. Partially offsetting corn volume gains, sorghum exports are reduced 200,000 tons since Japan is expected to shift to corn. The outlook for U.S. corn exports has improved since November with upward revisions in demand from Japan, Korea, and Malaysia and reduced competition from Argentina.

Fiscal 1999 rice exports are forecast to reach 3.2 million tons valued at $1.1 billion. This represents a 200,000-ton increase from the November estimate. Export value is restrained due to somewhat lower prices, the result of a larger proportion of rough rice shipments and generally reduced world rice prices. U.S. export volume is increased due to larger shipments to Brazil.

Reflecting downward adjustments to both export volume and prices, fiscal 1999 U.S. oilseed and products exports are lowered 1.3 million tons and nearly $800 million to 33.8 million tons valued at $8.6 billion. Soybean exports are reduced 800,000 tons and $400 million to 22.3 million tons valued at $4.7 billion. This reflects an average export price of $212/ton for soybeans, 4.5 percent lower than the November

Table 3--U.S. agricultural exports: Volume by commodity, 1997-99

Commodity	October-December 1997	October-December 1998	Fiscal 1998	Fiscal 1999 Projected Nov.	Fiscal 1999 Projected Feb.
	--Million metric tons--				
Wheat	6.729	7.827	25.800	31.5	28.5
Wheat flour	0.141	0.246	0.459	0.5	0.6
Rice	0.734	1.147	3.315	3.0	3.2
Coarse grains 1/	11.597	14.252	43.960	48.2	49.4
Corn	9.596	13.015	37.697	42.5	44.0
Feeds & fodders	3.058	3.129	11.688	11.9	11.9
Oilseeds and products	15.564	12.362	36.018	35.1	33.8
Soybeans	12.063	9.052	23.287	23.1	22.3
Soybean meal	2.359	1.924	8.464	7.8	7.2
Soybean oil	0.381	0.413	1.396	1.2	1.2
Beef, pork & variety meats	0.398	0.390	1.559	1.7	1.7
Poultry meat	0.688	0.562	2.663	2.3	2.3
Animal fats	0.232	0.187	1.365	1.3	1.3
Cotton & linters	0.401	0.462	1.602	1.0	0.9
Horticultural products	1.956	1.971	7.414	7.3	7.1
Other	1.641	1.876	6.169	6.0	6.0
Total agriculture	43.139	44.411	142.012	149.8	146.7
Major bulk products 2/	31.524	32.740	97.964	106.8	104.3

1/ Includes corn, barley, sorghum, oats, and rye. 2/ Includes wheat, rice, coarse grains, soybeans, and cotton.

THE SECRETARY OF AGRICULTURE
WASHINGTON, D.C.
20250-0100

February 23, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Secretary Dan Glickman

SUBJECT: The Outlook for the Farm Economy

The Department of Agriculture (USDA) sees a much weaker agricultural economy over the immediate to medium term than it did one year ago. While prices, exports, and income will gradually recover, the outlook for this year and next, particularly, is especially bearish.

Released February 22, 1999, at its annual Outlook Conference, *USDA's Agricultural Baseline Projections to 2008* – the most recent version of the annual 10 year projection USDA releases – depicts a dramatic reversal from the conditions USDA foresaw just one year ago. According to these estimates, farm income will fall $8 to $9 billion from the 1998 estimates, dragged down by lower domestic prices and exports USDA now projects will be $15 billion lower over the next 10 years than the level estimated on year ago.

While the overall U.S. economy is doing very well, the farm economy is struggling and will likely continue to struggle in the coming months. In 1998, bad weather from California to Florida, very large global grain and soybean harvests, and the Asian slowdown combined to reduce farm exports and commodity prices. Nearly $6 billion in economic and disaster relief enacted last fall is helping many farmers through the leaner times. Unfortunately, exports and prices will be low in 1999 and farm financial pressure is likely to escalate.

While. most observers, in the media, farm groups, and in Congress, have been aware of the slide in the farm economy for several months – as evidenced by last year's congressional debate on the emergency bill and, more recently, the crisis in hog prices – the release of this report, and the significant amount of news coverage it has garnered, puts an official USDA imprimatur on the decline, reinforcing the growing restiveness in the agricultural community about both the economic outlook and the policy and political implications.

On the latter point, I have already been questioned repeatedly about the Administration's

plans for a FY99 supplemental spending request for USDA, primarily for our farm lending programs, some of which have already exhausted their original FY99 appropriations and all of which will be out of money in the next 4 to 6 weeks. Congress expects such a request, and many in the farm community have already begun pressuring Congress to act; I expect that drumbeat to increase in intensity.

While I expect this to be the most immediate congressional manifestation of the growing concern about the farm economy's weakness, I also foresee more serious and attention from Congress to the crop insurance reform initiative you announced in the State of the Union message, the continued dramatic structural changes in the livestock industry, and I believe that there is a high likelihood that Congress will again turn its attention to basic farm policy changes.

I am reluctant to burden you with a detailed discussion of the analysts' projections; however, because of the prospects that this situation will continue to attract both media and congressional attention, I think it is important for you to have the following fairly thorough overview of USDA's most current estimates.

Farm Financial Conditions. After strong economic performance in 1996 and 1997, critical sectors of the farm economy are undergoing the most severe financial stress of the decade. There are two fundamental causes for this weakness. First, farmers and ranchers in many areas suffered crop production losses due to disease, drought, pests, flooding, and excessive moisture in 1998. Except for cotton, these crop losses did not offset production increases elsewhere. Second, large U.S. crop and livestock production and lower demand for U.S. agricultural exports due to large global production, the Asian and Russian economic crises, and a strengthening U.S. dollar caused agricultural commodity prices and incomes to plunge and will likely continue to pressure prices during 1999. U.S. agricultural exports reached a record high of $60 billion in 1996. This year, we project exports of only $49 billion.

Aggregate indicators of the agricultural economy portray a sector with problems in some areas, but generally financially performing adequately entering 1999, primarily because of higher government payments. Net cash farm income, while falling slightly in 1998, was still near the record high set in 1997. But, government payments to producers increased from $7.5 billion in 1997 to nearly $13 billion in 1998. The debt-to-asset ratio of farm operators remained at about 15 percent in 1998, compared with over 20 percent during the farm financial crisis of the mid-1980s. And, stable interest rates, low oil prices, and low inflation are helping to contain production expenses.

Rising crop surpluses, continued low prices, and declining incomes will contribute to increasing farm financial stress in 1999. Farm income which is projected to decline in 1999, coupled with little or no increase in farm asset values, means farmers will have more trouble getting credit and those who do will use up a greater portion of their income servicing debt. Producers who struggled with cash flow in 1998 resulting from low prices and adverse weather will see their problems worsen in 1999.

Continued low hog, cattle, and field crop prices will place additional financial pressures on producers who specialize in the production of these commodities and are already highly leveraged. Hog prices could continue to remain below break-even levels for most producers for much of 1999, and cattle prices, which have been low for quite some time, may still not be strong enough to return a profit for some producers. For principal crops, net income could fall sharply. For the crops to be harvested in 1999, net income from wheat, corn, soybean, upland cotton and rice production could drop to $17 billion, compared with over $19 billion in the 1998 crop year and the average of $22.7 billion for the previous 5 years.

Commodity Markets. The following table shows USDA's official season-average price estimates for the current crop year compared with other years of the 1990s:

Commodity	1990/91-97/98 Average	1998/99 Forecast	Percent Change
Wheat ($/bu)	3.47	2.70	-22
Corn ($/bu)	2.48	1.95	-21
Soybeans ($/bu)	6.16	5.20	-16
Cotton (cents/lb.)	64.7	64.2*	-1
Rice ($/cwt)	7.97	8.50	+7
Fed cattle ($/cwt)	70.2	65.5	-7
Hogs ($/cwt)	45.2	34.0	-25
Broilers (cents/lb)	56.4	59.0	+5
Milk ($/cwt)	13.5	14.4	+7

(Note: Livestock, broiler and milk prices are for calendar years 1991-98, and 1999.)
*Year to date; current prices are below 60 cents per pound.

Crops. This season, wheat prices are being pressured by large stocks, a large winter wheat crop, and strong foreign competition. Wheat producers have reacted to the drop in wheat prices by reducing winter wheat planted acreage to the lowest level in 27 years. The drop in plantings should foster some recovery in wheat prices next season, which begins on July 1st. However, substantial recovery in wheat prices is unlikely since U.S. wheat stocks at the end of the current season are projected to be the highest in more than a decade.

Corn and soybean prices also dropped sharply during the 1998/99 season, which ends on August 31st for both crops. The prices of both crops are being pressured by large South American production and weak exports. U.S. carryover levels at the end of the 1998/99 season are projected to be the highest in 6 years for corn and the highest in 12 years for soybeans. These high carryover levels will likely prevent much recovery in corn and soybean prices in the months ahead.

Despite a 25-percent reduction in U.S. cotton production due to weather problems in California, Texas, and the Southeast, cotton prices are down nearly 20 percent since early November. Strong foreign cotton competition and from imported textiles and apparel, declining foreign demand have contributed to lower exports, domestic use, and prices.

In 1998/99, U.S. rice production was the second largest crop on record. All States produced larger rice crops in 1998, except California because of adverse weather there in 1998. Somewhat larger U.S. supplies and increased foreign competition are placing pressure on rice prices this season. Rice prices are projected to average down 14 percent this season, compared with 1 year ago, but remain above the average of the 1990s.

Livestock, poultry and milk. Record-large per capita meat and poultry supplies and reduced exports to Asian countries depressed livestock prices in 1998. In 1999, meat and poultry supplies will again be record large and continue to pressure livestock prices. The drop in hog prices was especially severe in 1998, with the farm price falling 65 percent in December, compared to the same month a year earlier, as hog production reached slaughter capacity. Reflecting strong returns in 1996 and 1997, hog producers expanded production which was up 10 percent in 1998. Hog supplies will remain high through at least the first half of 1999. For all of 1999, hog prices are expected to average 25 percent below the average of the 1990s.

Cattle prices had been expected to strengthen in 1998, following 2 years of herd liquidation. However, low cattle prices and drought in Texas caused producers to continue to reduce their herds. For all of 1998, fed cattle prices averaged 7 percent lower than in 1997 and was the lowest price in the 1990's. In 1999, fed cattle prices are projected to improve to near the level of 2 years ago, but still well below the average of the 1990s.

Broiler prices did well in 1998, averaging 7 percent above the year earlier, as production was negatively affected by below normal egg hatching rates. In response to the higher prices and a return to more normal hatching rates, broiler production is projected to be up about 5 percent in 1999. Growing consumer demand will likely about offset the increase in broiler production helping to hold broiler prices in 1999 above the average of the 1990s.

Farm-level milk prices were record-high in 1998, averaging $15.38 per cwt. compared with $13.34 in 1997, as milk production was adversely affected by weather in California, Texas, and the Southeast. Dairy farmers appear to be reacting to the record-high milk prices and low feed costs over the past year by expanding milk production. After being up only fractionally for most of last year, milk production has increased sharply in recent months leading to lower milk prices. For all of 1999, farm-level milk prices to projected average about $1 per cwt. lower than last year but above the average of the 1990s.

To summarize, after 2 years of record and near record prices, exports, and income, the US agricultural economy is entering a period of significant weakness that will take at least 2 to 3 years before recovering. The grains will continue under pressure, soybeans will fall sharply in price, and the livestock sector will remain, at best, relatively flat. While the volume of US farm exports will stay at or near current levels, the value, because of low US and world prices, will fall significantly and absent major infusions of government spending, on the magnitude of what we witness last year, farm income will soften considerable, putting very significant pressure on small and medium sized farmers and accelerating the trends towards more bipolarization of the sector – increased concentration of fewer and bigger farmers, a scattering of small and very small, most part-time farmers, as the medium sized, what we normally consider the mainstay family farms, continue to be squeezed out of business.

attachments:

excerpts from –
USDA's Agricultural Baseline Projections to 2008 and
Outlook for US Agricultural Trade

This memo does not address those efforts that are needed to address shortfalls in the 1996 Farm Bill. We need to be actively engaged in working with Congress to make legislative changes to shore up the safety net.

Dan

USDA Agricultural Baseline Projections to 2008

Interagency Agricultural Projections Committee

Introduction

This report provides long-run baseline projections for the agricultural sector through 2008. Projections cover agricultural commodities, agricultural trade, and aggregate indicators of the sector, such as farm income and food prices.

The projections are a conditional scenario with no shocks and are based on specific assumptions regarding the macroeconomy, agricultural policy, the weather, and international developments. In particular, the baseline incorporates provisions of the Federal Agriculture Improvement and Reform Act of 1996 (1996 Farm Act) and assumes that current farm legislation remains in effect through 2008. The projections are not intended to be a Departmental forecast of what the future will be, but instead a description of what would be expected to happen under the 1996 Farm Act, with very specific external circumstances. Thus, the baseline provides a point of departure for discussion of alternative farm sector outcomes that could result under different assumptions.

The projections in this report were prepared in October through December 1998, in conjunction with the fiscal 2000 President's Budget analysis. Projections reflect a composite of model results and judgmental analysis. Normal weather is assumed. The baseline reflects major agricultural policy decisions made through midNovember 1998 and includes short-term projections from the November 1998 *World Agricultural Supply and Demand Estimates* report. The projections do not include the 5-year data revisions for agricultural commodities released by USDA's National Agricultural Statistics Service in late-1998 and 1999. Also, the baseline does not reflect effects of the recent currency devaluation in Brazil.

Summary of Projections

This year's baseline reflects the effects of a number of international factors which have combined to weaken the U.S. agricultural trade outlook for the next 10 years, either by reducing global demand or increasing world supplies. The economic crisis in Asia and, to a lesser extent, the near-term economic contraction in Russia contribute to a prolonged period of weak global agricultural demand (see boxes, page96 and page 106). Key to baseline projections for agricultural trade are macroeconomic assumptions depicting these situations. As such, there are two distinct parts of the macroeconomic forecast. In the near to medium term, the crisis situations and subsequent recovery dominate the outcome. For Asia, 1 to 3 years of negative growth in crisis countries are followed by a return to moderately positive economic growth. Then, in the last 5 years of the baseline, structural reform leads to more stable longterm economic growth, although projected growth for crisis-affected Asian countries is lower than in previous USDA baselines. For Russia, negative growth is assumed through 2000, with positive economic gains resuming in 2002, followed by modest growth in later years.

- Additionally, growth in world grain trade is affected by relatively moderate gains projected for import demand by China, reflecting changes in a number of key assumptions (see box, page 93). Revised agricultural policy assumptions for China provide governmental support to rice, wheat, and corn, encouraging output and reducing import demand for these crops. Revised livestock data for China suggest significantly smaller animal inventories and lower feed grain demand throughout the baseline. Finally, an assumption of a declining real exchange rate against the U.S. dollar starting in 2001 reduces net agricultural import demand in China.

- Global supplies for many agricultural commodities are initially large for this baseline, and expanding production potential in a number of foreign countries result in strong export competition throughout the baseline. Increased yield growth for corn, wheat, and soybeans in Argentina and conversion of undeveloped land for soybeans in Brazil, for example, are projected in the baseline (see box, page 103).

As a consequence, in the initial years of the baseline, much of the U.S. agriculture sector is adjusting to a combination of weak demand and large global supplies, before moving back toward longer term trends. In the longer run, strong export competition and only moderate grain import demand in China continue to influence the baseline projections, although more favorable global economic growth supports gains in trade and U.S. agricultural exports. This leads to rising nominal market prices, gains in farm income, and increased stability in the financial condition of the U.S. agricultural sector.

The trend toward fewer but larger farms continues in the baseline. The sector will remain highly competitive, with successful producers having strong technical and managerial skills. Management of risk will be important for farmers, reflecting the reduced role of the government in the sector under the 1996 Farm Act.

Consumer food prices are projected to continue a long-term trend of rising less than the general inflation rate. Trends in consumer food expenditures towards a larger share for meals eaten away from home are expected to continue.

Macroeconomic Assumptions

The outlook for the world economy over the next 10 years reflects to a large extent the evolving Asia financial crisis, especially in the first half of the baseline. There are two distinct parts of the forecast. In the near to medium term, the crisis and subsequent recovery dominate the outlook. Negative economic growth in crisis countries for 1 to 3 years is followed by a return to moderately positive growth. Then, in the last 5 years of the baseline, structural reform in crisis countries leads to more stable long-term economic growth, although assumed growth rates are lower than previous expectations. Asian growth is assumed at 4.8 percent for 1997-2002, increasing to 6.1 percent for 2003-2008. While improving in the last 5 years of the baseline, this assumed rate of growth for Asia is 2 percentage points lower than the region's 1991-1996 average annual growth of 8.1 percent. Overall, economic growth for developing economies is slowed by the crisis in Asia, averaging under 5 percent annually in the baseline, compared to 5.4 percent during 1991-1996. The slowdown in economic growth for developing economies is important for global agricultural demand because many developing countries have incomes at

levels where consumers diversify their diets and include more meats and other higher valued food products.

For transition economies, growth is expected to remain strongest among the countries that are further along in the transformation from centrally planned to market economies. Countries of Central and Eastern Europe, particularly Poland and Hungary, are expected to show relatively strong growth. In the near term, however, crisis and structural adjustment characterize most FSU countries, with Russia and Ukraine showing negative growth through 2000. FSU countries are assumed to return to modest rates of economic growth by 2002.

Developed countries are relatively unaffected by the Asia crisis as structural adjustments undertaken throughout the second part of the 1980s and early 1990s have created a foundation for growth. Developed economies, including the United States, are projected to grow at higher rates than in the 1991-1996 period, 2.4 percent compared with 1.9 percent. Low inflation and interest rates characterize the outlook.

The economy of the United States is only moderately affected by the Asia crisis, although U.S. agriculture, as a trade-dependent sector, is very sensitive to conditions in the international economy. U.S. GDP growth is expected to average 2.5 percent in 2003-2008, compared to 2.1 percent growth during 1991-1996, reflecting growth of the labor force and gains in productivity. Inflation is projected at 3.0 percent for 2003-2008.

Despite the near-term declines in economic activity in the crisisaffected countries and their slower long-term growth, world real GDP is projected to grow by about 2.9 percent annually through 2008, compared with 2.3 percent during 1991-1996. Stronger growth in developed countries and in developing and transition countries that are not affected by the crisis account for the increase in global economic gains.

Agricultural Policy Assumptions

The baseline incorporates provisions of the 1996 Farm Act and assumes a continuation of current agricultural law through the end of the projections. The baseline also includes policy decisions as of mid-November 1998.

Nearly complete planting flexibility is provided under the 1996 Farm Act, allowing producers to respond to market prices and returns, augmented by marketing loan benefits in low price years. Production flexibility contract payments are largely decoupled because they generally are not related to current plantings or to market prices. Marketing loan/loan deficiency payment provisions of the 1996 Farm Act provide an effective per-unit revenue floor at the loan rate, with a countercyclical effect occurring through marketing loan gains or loan deficiency payments when the price is below the loan rate. The 1999 Appropriations Act provided additional funds in fiscal 1999 for contract crops for market loss assistance. The total funding level provided through fiscal 2002 under the 1996 Farm Act for cotton user marketing certificates (known as the Step 2 program) was reached in December 1998, but the baseline assumes that Step 2 payments resume in fiscal 2003 when the funding for the program is no longer capped.

The baseline assumes that the Conservation Reserve Program (CRP) will gradually build from its recent level of about 30 million acres to its maximum authorized level of 36.4 million acres by 2002. New enrollments in the CRP reflect periodic regular signups and continuous signups. A competitive selection process is used for CRP enrollments. CRP enrollment bids compete for acceptance into the program, based on an environmental benefits index with government costs taken into account.

The baseline assumes full compliance with all bilateral and multilateral agreements affecting agriculture and agricultural trade. Projections assume full compliance with the internal support, market access, and export subsidy provisions of the Uruguay Round (UR) Agreement on Agriculture. The baseline assumes no accession to the World Trade Organization (WTO) by the FSU, China, or Taiwan; no enlargement of the European Union beyond its current 15 members; no implementation of more liberalized trade among the countries of the Asia-Pacific Economic Cooperation; and no expansion of the North American Free Trade Agreement. Agricultural and trade policies in individual foreign countries are assumed to continue to evolve along their current paths.

Annual quantity and expenditure levels for the Export Enhancement Program (EEP) are assumed to be in compliance with reductions in the UR agreement. The baseline assumes that no EEP expenditures occur in fiscal 1999, with EEP expenditures then assumed to resume in the baseline at funding levels set in the 1996 Farm Act of $579 million in FY 2000 and $478 million in FY 2001 and FY 2002. The baseline assumes EEP funding remains at $478 million for subsequent years as well.

P.L. 480 program levels decline in fiscal years 2000 and 2001 and are then assumed constant for the rest of the baseline. Program levels projected for the GSM-102 and GSM-103 credit guarantee programs are nearly constant in the baseline. No special donations beyond the fiscal 1999 Section 416(b) shipments of wheat to Russia and other needy countries are assumed.

Crops

In the initial years of the baseline, many crops are adjusting to a combination of weak demand due in part to the Asia financial crisis and large global supplies, before moving back towards longer term trends with more robust growth. World demand is reduced for many U.S. crops over the first few years of the baseline, 1999/2000 to 2001/02. In the longer run, more favorable global economic growth supports increases in trade and U.S. agricultural exports, although gains are somewhat muted by continued strong export competition and only moderate growth in import demand in some markets, such as for grains to China.

Planted acreage for the eight major U.S. field crops (corn, sorghum, barley, oats, wheat, rice, upland cotton, and soybeans) increases nearly 10 million acres by 2008 from 1998 levels, surpassing the recent high level of plantings for these crops attained in 1996. However, reflecting low prices for many crops due to weak demand and large global supplies, aggregate area planted to these crops declines somewhat over the next few years before turning upward again in 2002. Planting flexibility of current agricultural legislation facilitates acreage movements by allowing producers to respond to market prices and returns, augmented by

marketing loan benefits in low price years. Marketing loan benefits influence the cropping mix somewhat in the early years of the baseline when many prices are relatively low, but projected acreage gains in the longer term reflect land drawn into production based on strengthening market incentives. Yield gains for many crops are sufficient to mitigate some of the pressure on total land use.

Projected gains in demand for U.S. soybeans, barley, and rice are driven primarily by domestic markets, with larger absolute increases and growth rates than exports. Increases in corn use also are larger in the domestic market than in trade, although corn exports have a higher growth rate. Strong competition in global corn trade from Argentina as well as moderate world import demand growth, particularly for China, which is projected in the baseline to be a net corn exporter until 2005/06, combine to mute U.S. corn export gains. Increases in disappearance for U.S. wheat, sorghum, and cotton are driven by exports, with U.S. trade gains that are larger in absolute terms and growth rates than for domestic demand. U.S. wheat exports rise steadily in the baseline but face greater competition from the European Union (EU) starting in 2002/03 when the EU is projected to be able to export wheat without subsidies. Cotton exports benefit from the assumed resumption of Step 2 payments in 2002/03.

Domestic demand for most crops is projected to grow slightly faster than population. Growth in domestic use of rice reflects a greater emphasis on dietary concerns and an increasing share of domestic population from Asia and Latin America. Gains in corn sweetener use and corn used for ethanol production also exceed population growth rates. Increases in domestic soybean crush reflect continued strong growth in poultry production and demand for soybean meal. Domestic wheat use, however, is nearly flat as declining feed use offsets food use gains. Greater U.S. exports of cotton yarn, fabric, and semi-finished products will promote growth in domestic mill use of cotton, although increases in textile imports, mostly apparel, and competition from man-made fibers limit domestic gains.

Stocks-to-use ratios decline for corn, wheat, and soybeans, with nominal prices rising. Rice stocks-to-use ratios change little in the baseline, with relatively smaller increases in nominal prices. Stocks-to-use ratios for cotton also change little in the baseline.

Livestock

Changes in the U.S. meat complex in the near term reflect the sharp decline of grain and soybean meal prices from the very high levels of the 1995/96 crop year. In the longer run, lower feed prices than in 1995/96, replenishment of forage supplies, low inflation, domestic demand strength, and gains in export sales are expected to contribute to producer returns that encourage higher pork and poultry output, although only moderate cyclical expansion is projected for beef. Record total meat supplies are projected through the baseline, with a larger proportion of poultry.

The cattle herd builds up only slightly from a cyclical low near 97 million head in 2000, remaining below 100 million head in 2002-2004 before turning downward again as producer returns provide economic incentives for only a brief and moderate expansion. Additionally, shifts toward a breeding herd of larger-framed cattle and heavy slaughter weights partially offset the need for further expansion of cattle inventories. The beef production mix continues to shift

toward a larger proportion of fed beef, with almost all steers and heifers being feedlot fed. Beef production also continues to move toward a higher graded product being directed toward the hotel-restaurant and export markets. The U.S. remains the primary source of high-quality, fed beef for export, including hotel-restaurant trade. However, the emergence of the United States as a long-term net beef exporter will be delayed until near the end of the baseline, after the cow herd is reestablished and weak demand in the Pacific Rim recovers.

The pork sector will continue to transform into a more vertically coordinated industry with a mix of production and marketing contracts. Larger, more efficient pork producers will market a greater percentage of the hogs over the next 10 years. With a more vertically coordinated industry structure, the hog cycle is dampened. As a result, a slow expansion in pork production begins in 2002 and continues for the remainder of the baseline. The United States becomes an increasingly important net pork exporter, in part reflecting environmental constraints for a number of competitors that limit their production gains. However, projected gains in U.S. pork exports are somewhat muted by reduced market growth prospects in the Pacific Rim and Russia.

Continued technological advances and improved production management practices are expected in the broiler and turkey industries, although gains are not anticipated to hold down production costs as significantly as in the past 10 years. Competition in global poultry markets holds U.S. poultry exports to moderate gains. Following slower growth in sales to Asia and a sharp reduction in exports to Russia in 1998 and 1999, a slow recovery is projected for poultry exports to both markets.

Decreases in real prices of meats combined with increases in real disposable income allow consumers to purchase more total meat with a smaller proportion of disposable income. Poultry gains a larger proportion of both total meat consumption and total meat expenditures, reflecting its lower production costs and prices relative to other meats. On a retail weight basis, poultry consumption is projected to exceed red meat consumption at the end of the baseline.

The structure of individual meat producing sectors is changing as meats compete with each other for consumer market share (see box, page 68). Both production and marketing practices are affected as the meat producing sectors respond to perceived consumer demand. The beef sector is moving toward an increasingly segmented market, with higher graded, consistent-quality production being directed toward the hotel-restaurant and export markets and generally less desirable quality beef competing with pork and poultry in retail markets. Increased vertical coordination in pork production will lower production costs and improve pork quality and consistency of product, allowing pork to increasingly challenge beef in the hotel-restaurant market as well as at retail. The poultry sector, already with a highly integrated structure, continues to develop new products with the current trend toward home meal replacement in grocery stores.

Per capita consumption of eggs stabilizes in the baseline as greater use of eggs in processed foods, reflecting consumer use of more convenience foods, offsets declining shell egg use.

High milk-feed price ratios and dairy productivity gains push milk output per cow higher. Milk production grows despite slowly declining cow numbers. Lower real milk prices continue to

push weaker operations out of dairying. Milk production will expand in the West as well as on large-scale dairy farms in the North. Expansion in commercial use of dairy products will be led by sales of cheese and dairy ingredients for processed foods, while fluid milk sales are stagnant.

Farm Income and Farm Financial Conditions

Farm income and financial conditions in the U.S. agricultural sector reflect adjustments in the near-term, followed by improvements beyond 2000 through the end of the baseline. The agricultural sector remains financially strong in the aggregate throughout the projections.

Reflecting the initial weakness in the sector, net farm income declines in the first few years of the baseline, falling to about $44 billion in 2000, slightly below the 1990-1997 average. Lower farm commodity receipts due to large global supplies and weak demand are the main cause of the near-term decline in farm income. Lower production expenses in the initial years, particularly for farm-origin inputs, energy-related costs, and interest expenses, offset some of the reduction in cash receipts. Additionally, increased government payments bolster farm incomes for 1998 and 1999.

Beyond 2000, due largely to strengthening demand, net farm income gradually moves upward for the rest of the baseline, exceeding $50 billion for the last few years of the projections. Nonetheless, gains in farm income are less than inflation, so real farm income declines. The agriculture sector increasingly relies on the marketplace for its income as direct government payments fall and represent about 2 percent of gross cash income by 2008. Both crop and livestock receipts are up in nominal terms due to larger production and higher prices. Production expenses increase in the baseline, with expenses for nonfarm origin inputs rising faster than expenses for farm-origin inputs. Cash operating margins tighten somewhat, with cash expenses increasing to about 79 percent of gross cash income by 2008.

Higher nominal farm incomes and relatively low interest rates assist in asset accumulation and debt management, thus leading to an improved balance sheet for the farm sector. Farm asset values increase through the baseline, led by gains in agricultural land values. Increases in farm debt rise less rapidly and are not beyond the ability of farmers to service the debt. As a result, debt-to-asset ratios continue the downward trend of the last decade from the high levels of over 20 percent in the mid-1980s, declining to near 13 percent by the end of the baseline. With asset values increasing more than debt, farm equity rises significantly. Increasing nominal farm income in the baseline, combined with rising farm equity, means relative stability in the financial condition of the farm sector.

Management of risk will be important for farmers to buffer potential income variability due to supply and demand variations. The trend toward fewer but larger farms will continue, as producers who are more efficient and better managers acquire the production resources of exiting farmers.

Food Prices and Expenditures

Retail food prices in the baseline are projected to rise less than the general inflation rate, continuing a long-term trend. The largest price increases generally occur among the more highly processed foods, such as cereals and bakery products and other prepared foods. Prices of these foods are related more to the costs of processing and marketing than to the costs of farm commodities. Expenditures for meals eaten away from home account for a growing share of food spending, reaching almost half of total food spending by 2008.

Agricultural Trade

Growth in global and U.S. agricultural trade will be slowed over the next 2 to 3 years by weakened demand in key markets, particularly in Asia and the former Soviet Union. Global trade will, however, continue to be supported by demand in other developing country markets in Latin America, North Africa, and the Middle East. In the near term, U.S. farm exports are likely to face increased competition stemming from productivity gains by other exporters, particularly Argentina, and from developing and transition economies where currencies have been sharply devalued.

Longer term prospects for global and U.S. trade remain relatively bright. Based on the outlook for an Asian recovery after 3 to 4 years, trade expansion will be driven by generally favorable economic growth in developing countries, and freer trade associated with ongoing unilateral policy reforms and existing multilateral reforms. Relatively strong longer term growth in the volume of global trade in bulk agricultural commodities is projected, with broad-based expansion across developing regions, including China, South and Southeast Asia, Latin America, North Africa, and the Middle East. Income growth in developing countries will continue to have a large impact on demand for agricultural goods, both through increases in direct food use and through derived demand for livestock feeds to meet rising meat demand.

Future trends in China's agricultural trade remain an important question in the global outlook. Significant uncertainty regarding basic data and future policies, combined with the size of China's agricultural economy, make alternative trade projections both plausible and globally significant. The current projections indicate only modest growth in China's import demand for most bulk commodities, particularly wheat and coarse grains.

In the near term, world commodity prices will be depressed by the combination of weakened global demand and increased exportable supplies from traditional and nontraditional competitors. Prices are projected to strengthen over the longer term, as supplies adjust and a recovery in Asian demand is added to steady growth in other regions. However, real prices are projected to continue to decline over the longer term, as productivity gains continue to outpace growth in demand.

Trade in grains is expected to lead the stronger projected growth of bulk commodity trade during 2000-2008. Projected growth in coarse grain trade is particularly strong, predicated on rising incomes in developing regions, diet diversification, and increased demand for livestock products and feeds. Wheat and vegetable oil trade will also continue to expand in response to rising

incomes in developing countries. Trade in soybeans and meal will benefit from the expansion of developing country feed-livestock sectors. Raw cotton demand and trade beyond 2000 are projected to be stronger than in the 1990s, but slower than in the 1980s when there was increased substitution of cotton for synthetic fibers.

U.S. export growth is projected to strengthen for most bulk commodities over the longer term. U.S. wheat and coarse grain exports are projected to expand the fastest, although competition is expected to increase in both markets. By the middle of the projection period, U.S. wheat export growth is projected to slow as stronger world wheat prices and lower internal prices in the European Union (EU) permit the EU to export wheat without subsidies. Little growth in U.S. rice exports is projected, as domestic demand captures most of the gains in U.S. production. U.S. exports of soybeans and products are projected to rise faster than in the 1980s, aided by both yield and acreage gains. U.S. raw cotton exports are projected to strengthen through most of the baseline, benefiting from rising demand and reduced competition in some countries.

Global meat demand and trade and U.S. meat exports will be depressed in the near term by the slowdown in import demand in East Asia and the FSU. Growth in meat trade is, however, projected to resume after 2000, as demand recovers in these key market regions. Already negotiated reductions in trade barriers will support growth in meat trade in East Asia. FSU import demand is likely to be depressed for 3 to 5 years by the impacts of the recent economic crisis.

The total value of U.S. agricultural exports is projected to decline in 1999 and 2000, but then increases to almost $73 billion by 2008. Weak global demand and prices hold down the value of U.S. bulk and high-value product (HVP) exports early in the baseline. After 2000, however, both bulk and HVP exports are projected to strengthen for the rest of the baseline. U.S. imports rise to $50 billion, resulting in an agricultural trade surplus in fiscal 2008 of nearly $23 billion.

Table 8. Selected supply, use, and price variables for major field crops, baseline projections

	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Yields 1/												
Corn	127.0	133.3	131.7	133.4	135.1	136.8	138.5	140.2	141.9	143.6	145.3	147.0
Sorghum	69.5	66.5	68.7	69.3	69.9	70.5	71.1	71.7	72.3	72.9	73.5	74.1
Barley	58.3	59.9	60.6	61.2	61.8	62.4	63.0	63.6	64.2	64.8	65.4	66.0
Oats	60.5	60.5	59.6	59.9	60.2	60.5	60.8	61.1	61.4	61.7	62.0	62.3
Wheat	39.7	43.3	39.5	39.8	40.1	40.4	40.7	41.0	41.3	41.6	41.9	42.2
Rice	5,896	5,660	5,905	5,935	5,964	5,994	6,024	6,054	6,084	6,115	6,145	6,176
Upland cotton	673	606	680	689	698	707	716	725	734	743	752	761
Soybeans	38.8	38.6	40.0	40.5	41.0	41.5	42.0	42.5	43.0	43.5	44.0	44.5
Production 2/												
Corn	9,366	9,836	9,680	9,670	9,795	10,055	10,320	10,515	10,715	10,640	10,970	11,100
Sorghum	653	521	600	615	620	650	655	660	680	685	690	710
Barley	374	358	390	390	395	400	410	420	425	430	430	435
Oats	176	170	165	160	155	155	160	160	160	160	160	160
Wheat	2,527	2,557	2,225	2,281	2,366	2,456	2,511	2,546	2,585	2,621	2,656	2,713
Rice	178.9	180.4	186.7	187.6	188.6	189.5	190.5	191.4	192.4	193.3	194.3	195.3
Upland cotton	18,245	12,785	17,400	17,400	17,200	17,700	18,000	18,300	16,500	18,600	18,600	18,900
Soybeans	2,703	2,763	2,855	2,830	2,795	2,775	2,830	2,905	2,975	3,030	3,085	3,145
Exports 2/												
Corn	1,504	1,675	1,775	1,925	2,000	2,050	2,150	2,225	2,300	2,375	2,425	2,500
Sorghum	212	195	225	235	240	250	255	260	270	280	290	300
Barley	74	35	70	70	70	70	70	70	70	70	70	70
Oats	2	2	2	2	2	2	2	2	2	2	2	2
Wheat	1,040	1,150	1,175	1,250	1,250	1,300	1,325	1,350	1,375	1,400	1,450	1,500
Rice	85.2	85.0	84.9	87.1	87.5	87.5	87.7	87.8	87.9	88.0	88.0	88.2
Upland cotton	7,060	4,160	5,100	6,500	6,300	6,500	6,700	6,800	6,900	7,000	7,100	7,200
Soybeans	870	840	930	965	965	955	955	965	990	1,015	1,040	1,065
Soybean meal	9,350	8,650	9,200	9,600	9,700	9,600	9,500	9,450	9,350	9,300	9,350	9,425
Ending stocks 2/												
Corn	1,308	1,779	1,859	1,659	1,389	1,239	1,189	1,194	1,234	1,234	1,224	1,174
Sorghum	49	55	55	55	50	55	55	55	60	60	50	45
Barley	120	116	119	117	115	113	116	119	117	115	113	111
Oats	74	72	74	70	70	69	72	74	75	75	74	72
Wheat	722	827	673	493	450	435	440	444	451	459	440	417
Rice	27.7	24.6	27.2	27.7	27.8	28.1	28.3	28.4	28.6	28.7	28.9	29.1
Upland cotton	3,822	2,224	3,919	3,819	3,619	3,619	3,619	3,719	3,819	3,919	3,919	4,119
Soybeans	200	365	480	490	435	350	295	275	270	265	260	255
Prices 3/												
Corn	2.43	2.00	2.00	2.10	2.30	2.45	2.50	2.50	2.50	2.50	2.50	2.55
Sorghum	2.21	1.85	1.85	1.95	2.15	2.30	2.30	2.30	2.30	2.30	2.35	2.40
Barley	2.38	1.95	1.90	2.00	2.15	2.25	2.30	2.30	2.30	2.30	2.30	2.35
Oats	1.60	1.15	1.15	1.25	1.35	1.45	1.45	1.45	1.45	1.45	1.45	1.50
Wheat	3.38	2.65	3.00	3.55	3.75	3.90	4.00	4.05	4.05	4.05	4.15	4.25
Rice	9.64	9.25	9.00	9.10	9.15	9.26	9.44	9.62	9.81	9.99	10.17	10.37
Soybeans	6.47	5.45	4.65	4.55	4.90	5.35	5.65	5.80	5.90	5.95	6.00	6.10
Soybean oil	0.258	0.268	0.255	0.245	0.243	0.253	0.270	0.288	0.303	0.310	0.308	0.303
Soybean meal	165.5	145.0	125.0	128.5	146.5	161.0	165.0	163.0	161.0	159.0	161.5	168.0

1/ Bushels per acre except for upland cotton and rice (pounds per acre).
2/ Million bushels except for upland cotton (thousand bales), rice (million hundredweight), and soybean meal (thousand tons).
3/ Dollars per bushel except for soybean oil (per pound), rice (per hundredweight), and soybean meal (per ton).

Table 9. Corn baseline

Item	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Acreage (million acres):												
CRP acres:												
Cropping history 1/	4.7	3.9	4.0	4.4	4.5	4.5	4.4	4.4	4.4	4.4	4.4	4.4
Planted acres	80.2	80.8	80.0	79.0	79.0	80.0	81.0	81.5	82.0	82.0	82.0	82.0
Harvested acres	73.7	73.8	73.5	72.5	72.5	73.5	74.5	75.0	75.5	75.5	75.5	75.5
Yields (bushels per acre):												
Yield/harvested acre	127.0	133.3	131.7	133.4	135.1	136.8	138.5	140.2	141.9	143.6	145.3	147.0
Supply and use (million bushels):												
Beginning stocks	883	1,308	1,779	1,859	1,659	1,389	1,239	1,189	1,194	1,234	1,234	1,224
Production	9,366	9,836	9,680	9,670	9,795	10,055	10,320	10,515	10,715	10,840	10,970	11,100
Imports	9	10	10	10	10	10	10	10	10	10	10	10
Supply	10,258	11,154	11,469	11,539	11,464	11,454	11,569	11,714	11,919	12,084	12,214	12,334
Feed & residual	5,664	5,850	5,950	6,025	6,100	6,150	6,175	6,200	6,250	6,300	6,350	6,400
Food, seed, & industrial	1,782	1,850	1,885	1,930	1,975	2,015	2,055	2,095	2,135	2,175	2,215	2,260
Domestic	7,446	7,700	7,835	7,955	8,075	8,165	8,230	8,295	8,385	8,475	8,565	8,660
Exports	1,504	1,675	1,775	1,925	2,000	2,050	2,150	2,225	2,300	2,375	2,425	2,500
Total use	8,950	9,375	9,610	9,880	10,075	10,215	10,380	10,520	10,685	10,850	10,990	11,160
Ending stocks	1,308	1,779	1,859	1,659	1,389	1,239	1,189	1,194	1,234	1,234	1,224	1,174
Stocks/use ratio, percent	14.6	19.0	19.3	16.8	13.8	12.1	11.5	11.3	11.5	11.4	11.1	10.5
Prices (dollars per bushel):												
Farm price	2.43	2.00	2.00	2.10	2.30	2.45	2.50	2.50	2.50	2.50	2.50	2.55
Loan rate	1.89	1.89	1.89	1.89	1.85	1.81	1.81	1.89	1.89	1.89	1.89	1.89
Variable costs of production (dollars):												
Per acre	160.40	158.03	158.58	161.95	166.45	170.29	174.11	177.89	181.63	185.36	189.09	192.87
Per bushel	1.26	1.19	1.20	1.21	1.23	1.24	1.26	1.27	1.28	1.29	1.30	1.31
Returns over variable costs (dollars per acre):												
Market returns	148.21	108.57	104.82	118.19	144.28	164.87	172.14	172.61	173.12	173.64	174.16	181.98

1/ The cropping history allocation is based on 1996 plantings on farms with CRP acreage, and is used as a general indicator influencing land available for plantings.

Table 13. Wheat baseline

Item	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Acreage (million acres):												
CRP acres:												
Cropping history 1/	9.1	9.5	9.8	10.9	11.2	11.4	11.6	11.6	11.6	11.6	11.6	11.6
Planted acres	71.0	66.2	64.0	65.0	67.0	69.0	70.0	70.5	71.0	71.5	72.0	73.0
Harvested acres	63.6	59.1	56.4	57.3	59.0	60.8	61.7	62.1	62.6	63.0	63.4	64.3
Yields (bushels per acre):												
Yield/harvested acre	39.7	43.3	39.5	39.8	40.1	40.4	40.7	41.0	41.3	41.6	41.9	42.2
Supply and use (million bushels):												
Beginning stocks	444	722	827	673	493	450	435	440	444	451	459	440
Production	2,527	2,557	2,225	2,281	2,366	2,456	2,511	2,546	2,585	2,621	2,656	2,713
Imports	95	90	95	100	115	115	115	115	115	115	115	115
Supply	3,065	3,370	3,147	3,054	2,974	3,021	3,061	3,101	3,144	3,187	3,230	3,268
Food	917	925	935	945	955	965	975	985	995	1,005	1,015	1,025
Seed	93	93	89	91	94	96	96	97	98	98	100	101
Feed & residual	293	375	275	275	225	225	225	225	225	225	225	225
Domestic	1,302	1,393	1,299	1,311	1,274	1,286	1,296	1,307	1,318	1,328	1,340	1,351
Exports	1,040	1,150	1,175	1,250	1,250	1,300	1,325	1,350	1,375	1,400	1,450	1,500
Total use	2,342	2,543	2,474	2,561	2,524	2,586	2,621	2,657	2,693	2,728	2,790	2,851
Ending stocks	722	827	673	493	450	435	440	444	451	459	440	417
Stocks/use ratio, percent	30.8	32.5	27.2	19.3	17.8	16.8	16.8	16.7	16.8	16.8	15.8	14.6
Prices (dollars per bushel):												
Farm price	3.38	2.65	3.00	3.55	3.75	3.90	4.00	4.05	4.05	4.05	4.15	4.25
Loan rate	2.58	2.58	2.58	2.58	2.58	2.58	2.58	2.58	2.58	2.58	2.58	2.58
Variable costs of production (dollars):												
Per acre	70.49	69.40	69.65	71.16	73.13	74.79	76.46	78.12	79.76	81.39	83.04	84.70
Per bushel	1.78	1.60	1.76	1.79	1.82	1.85	1.88	1.91	1.93	1.96	1.98	2.01
Returns over variable costs (dollars per acre):												
Market returns	63.70	45.34	48.85	70.13	77.24	82.77	86.34	87.93	87.51	87.09	90.85	94.65

1/ The cropping history allocation is based on 1996 plantings on farms with CRP acreage, and is used as a general indicator influencing land available for plantings.

Table 14. Rice baseline, rough basis

Item	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Acreage (thousand acres):												
Planted	3,056	3,215	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200
Harvested	3,034	3,187	3,162	3,162	3,162	3,162	3,162	3,162	3,162	3,162	3,162	3,162
Yields (pounds per acre):												
Yield/harvested acre	5,896	5,660	5,905	5,935	5,964	5,994	6,024	6,054	6,084	6,115	6,145	6,176
Supply and use (million cwt):												
Beginning stocks	27.2	27.7	24.6	27.2	27.7	27.8	28.1	28.3	28.4	28.6	26.7	28.9
Production	178.9	180.4	186.7	187.6	188.6	189.5	190.5	191.4	192.4	193.3	194.3	195.3
Imports	9.2	10.0	10.3	10.5	10.8	11.0	11.3	11.6	11.9	12.2	12.5	12.8
Total supply	215.3	218.0	221.6	225.3	227.0	228.4	229.9	231.3	232.7	234.1	235.5	237.0
Domestic use	101.4	102.9	104.0	105.1	106.2	107.3	108.4	109.6	110.7	111.9	113.1	114.2
Exports	85.2	85.0	84.9	87.1	87.5	87.5	87.7	87.8	87.9	88.0	88.0	88.2
Residual	1.0	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Total use	187.6	193.4	194.4	197.7	199.2	200.3	201.6	202.9	204.1	205.4	206.6	207.9
Ending stocks (million cwt.)	27.7	24.6	27.2	27.7	27.6	28.1	28.3	28.4	28.6	28.7	28.9	29.1
Stocks/use ratio, percent	14.7	12.7	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Milling rate, percent	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0
Prices (dollars per cwt.):												
World price	8.45	7.75	7.90	8.05	8.21	8.36	8.52	8.69	8.85	9.02	9.18	9.36
Average market price	9.64	9.25	9.00	9.10	9.15	9.26	9.44	9.62	9.81	9.99	10.17	10.37
Loan rate	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Variable costs of production (dollars):												
Per acre	368	356	361	370	382	391	401	410	420	429	439	449
Per cwt.	6.24	6.30	6.11	6.24	6.40	6.53	6.65	6.78	6.90	7.02	7.14	7.26
Returns over variable costs (dollars per acre):												
Market returns	201	167	171	170	164	164	168	172	177	182	186	192

Table 15. Upland cotton baseline

Item	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Acreage (million acres):												
CRP acres:												
Cropping history 1/	1.0	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Planted acres	13.6	12.6	13.3	13.0	12.7	12.9	13.0	13.0	13.0	12.9	12.8	12.8
Harvested acres	13.0	10.1	12.3	12.1	11.8	12.0	12.1	12.1	12.1	12.0	11.9	11.9
Yields (pounds per acre):												
Yield/harvested acre	673	606	680	689	698	707	716	725	734	743	752	761
Supply and use (thousand bales):												
Beginning stocks	3,920	3,822	2,224	3,919	3,819	3,619	3,619	3,619	3,719	3,819	3,919	3,919
Production	18,245	12,785	17,400	17,400	17,200	17,700	18,000	18,300	18,500	18,600	18,600	18,900
Imports	13	300	200	5	5	5	5	5	5	5	5	5
Supply	22,178	16,907	19,824	21,324	21,024	21,324	21,624	21,924	22,224	22,424	22,524	22,824
Domestic use	11,234	10,500	10,800	11,000	11,100	11,200	11,300	11,400	11,500	11,500	11,500	11,500
Exports	7,060	4,160	5,100	6,500	6,300	6,500	6,700	6,800	6,900	7,000	7,100	7,200
Total use	18,294	14,660	15,900	17,500	17,400	17,700	18,000	18,200	18,400	18,500	18,600	18,700
Ending stocks	3,822	2,224	3,919	3,819	3,619	3,619	3,619	3,719	3,819	3,919	3,919	4,119
Stocks/use ratio, percent	20.9	15.2	24.6	21.8	20.8	20.4	20.1	20.4	20.8	21.2	21.1	22.0
Prices (dollars per pound): 2/												
Loan rate	0.5192	0.5192	0.5192	0.5192	0.5192	0.5192	0.5192	0.5192	0.5192	0.5192	0.5192	0.5192
Variable costs of production (dollars):												
Per acre	304.41	299.23	307.70	314.88	324.78	334.20	343.25	352.24	361.24	370.26	379.39	388.65
Per pound	0.45	0.49	0.45	0.46	0.47	0.47	0.48	0.49	0.49	0.50	0.50	0.51
Returns over variable costs (dollars per acre):												
Market returns	200.74	157.75	181.49	192.36	197.18	201.56	205.85	209.71	212.01	214.33	217.24	220.76

1/ The cropping history allocation is based on 1996 plantings on farms with CRP acreage, and is used as a general indicator influencing land available for plantings.
2/ USDA is prohibited from publishing cotton price projections.

Table 18. Soybean and products baseline

Item	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Soybeans												
Acreage (million acres)												
Planted	70.8	72.7	72.5	71.0	69.3	68.0	68.5	69.5	70.3	70.8	71.3	71.8
Harvested	69.6	71.6	71.4	69.9	68.2	66.9	67.4	68.4	69.2	69.7	70.2	70.7
Yield/harvested acre (bushels)	38.8	38.6	40.0	40.5	41.0	41.5	42.0	42.5	43.0	43.5	44.0	44.5
Supply (million bushels)												
Beginning stocks, Sep. 1	131	200	365	480	490	435	350	295	275	270	265	260
Production	2,703	2,763	2,855	2,830	2,795	2,775	2,830	2,905	2,975	3,030	3,085	3,145
Imports	5	6	7	6	4	7	9	6	4	6	6	10
Total supply	2,839	2,968	3,227	3,316	3,289	3,217	3,189	3,206	3,254	3,306	3,358	3,415
Disposition (million bushels)												
Crush	1,597	1,815	1,665	1,710	1,740	1,765	1,790	1,815	1,840	1,870	1,900	1,935
Seed and residual	171	148	152	151	149	147	149	151	154	156	158	160
Exports	870	840	930	965	965	955	955	965	990	1,015	1,040	1,065
Total disposition	2,639	2,603	2,747	2,826	2,854	2,867	2,894	2,931	2,984	3,041	3,098	3,160
Carryover stocks, Aug. 31												
Total ending stocks	200	365	480	490	435	350	295	275	270	265	260	255
Stocks/use ratio, percent	7.6	14.0	17.5	17.3	15.2	12.2	10.2	9.4	9.0	8.7	8.4	8.1
Prices (dollars per bushel)												
Loan rate	5.26	5.26	5.26	5.26	4.92	4.92	4.92	4.92	4.92	4.92	4.92	5.00
Soybean price, farm	6.47	5.45	4.65	4.55	4.90	5.35	5.65	5.80	5.90	5.95	6.00	6.10
Variable costs of production (dollars):												
Per acre	80.21	80.81	80.71	81.75	83.72	85.79	87.87	89.50	91.26	92.98	94.72	96.47
Per bushel	2.07	2.09	2.02	2.02	2.04	2.07	2.09	2.11	2.12	2.14	2.15	2.17
Returns over variable costs (dollars per acre):												
Net returns	170.83	129.56	129.69	131.28	118.00	136.23	149.63	157.00	162.44	165.84	169.28	174.98
Soybean oil (million pounds)												
Beginning stocks, Oct. 1	1,520	1,384	1,590	1,930	2,240	2,355	2,215	1,875	1,635	1,555	1,660	1,855
Production	18,143	18,250	18,780	19,295	19,645	19,935	20,235	20,535	20,840	21,195	21,555	21,960
Imports	58	58	60	65	70	75	75	75	80	85	90	95
Total supply	19,721	19,690	20,430	21,290	21,955	22,365	22,525	22,485	22,555	22,835	23,305	23,910
Domestic disappearance	15,162	15,400	15,700	16,000	16,300	16,600	16,900	17,200	17,500	17,800	18,125	18,450
Exports	3,175	2,700	2,800	3,050	3,300	3,550	3,750	3,850	3,500	3,375	3,325	3,400
Total demand	18,337	18,100	18,500	19,050	19,600	20,150	20,650	20,850	21,000	21,175	21,450	21,850
Ending stocks, Sep. 30	1,384	1,590	1,930	2,240	2,355	2,215	1,875	1,635	1,555	1,660	1,855	2,060
Soybean oil price (dollars per lb)	0.258	0.268	0.255	0.245	0.243	0.253	0.270	0.288	0.303	0.310	0.308	0.303
Soybean meal (thousand short tons)												
Beginning stocks, Oct. 1	210	216	250	250	250	225	225	225	225	225	225	225
Production	38,171	38,232	39,550	40,610	41,350	41,950	42,500	43,150	43,750	44,400	45,150	45,925
Imports	55	50	50	65	75	75	100	100	100	100	100	100
Total supply	38,436	38,500	39,850	40,925	41,675	42,250	42,825	43,475	44,075	44,725	45,475	46,250
Domestic disappearance	28,868	29,600	30,400	31,075	31,750	32,425	33,100	33,600	34,500	35,200	35,900	36,600
Exports	9,350	8,650	9,200	9,600	9,700	9,600	9,500	9,450	9,350	9,300	9,350	9,425
Total demand	38,218	38,250	39,600	40,675	41,450	42,025	42,600	43,250	43,850	44,500	45,250	46,025
Ending stocks, Sep. 30	218	250	250	250	225	225	225	225	225	225	225	225
Soybean meal price (dollars per ton)	185.54	145.00	125.00	128.50	146.50	161.00	165.00	163.00	161.00	159.00	161.50	168.00
Crushing yields (pounds per bushel)												
Soybean oil	11.36	11.30	11.29	11.29	11.29	11.30	11.31	11.32	11.33	11.34	11.35	11.35
Soybean meal	47.80	47.34	47.44	47.50	47.50	47.50	47.50	47.50	47.50	47.50	47.50	47.50
Crush margin (dollars per bushel)	0.90	1.00	1.19	1.27	1.32	1.33	1.32	1.33	1.36	1.34	1.33	1.33

1/ Net returns include loan rate value when prices are lower than the loan rate.

Table 23. Beef baseline

Item	Units	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Beginning stocks	Mil. lbs.	377	465	400	350	335	350	375	400	425	450	475	475
Commercial production	Mil. lbs.	25,384	25,687	24,075	23,492	23,495	24,242	24,702	24,629	24,550	24,496	24,521	24,563
Change	Percent	-0.1	1.2	-6.3	-2.4	0.0	3.2	1.9	-0.3	-0.3	-0.2	0.1	0.2
Farm production	Mil. lbs.	106	106	106	106	106	106	106	106	106	106	106	106
Total production	Mil. lbs.	25,490	25,793	24,181	23,598	23,601	24,348	24,808	24,735	24,656	24,602	24,627	24,669
Imports	Mil. lbs.	2,343	2,611	2,790	2,800	2,800	2,750	2,700	2,700	2,650	2,650	2,600	2,600
Total supply	Mil. lbs.	28,210	28,869	27,371	26,748	26,736	27,448	27,883	27,835	27,731	27,702	27,702	27,744
Exports	Mil. lbs.	2,136	2,158	2,340	2,150	2,200	2,316	2,402	2,472	2,552	2,632	2,714	2,795
Ending stocks	Mil. lbs.	465	400	350	335	350	375	400	425	450	475	475	475
Total consumption	Mil. lbs.	25,609	26,311	24,681	24,263	24,186	24,757	25,081	24,938	24,729	24,595	24,513	24,474
Per capita, carcass weight	Pounds	95.6	97.3	90.5	88.2	87.1	88.4	88.8	87.8	86.1	85.0	84.0	83.2
Per capita, retail weight	Pounds	86.9	88.1	83.4	81.7	81.0	81.9	82.2	81.3	80.3	79.5	78.8	78.2
Change	Percent	-1.8	1.8	-7.0	-2.5	-1.2	1.5	0.5	-1.4	-1.7	-1.3	-1.2	-1.0
Prices:													
Beef cattle, farm	$/cwt	63.34	59.95	71.00	70.93	72.73	72.54	73.45	75.25	77.30	79.03	80.62	82.03
Calves, farm	$/cwt	82.27	82.09	93.75	96.82	90.97	86.66	89.96	93.91	97.46	99.69	101.84	103.42
Choice steers, Nebraska	$/cwt	68.32	61.87	72.00	71.92	73.75	73.56	74.48	76.31	78.39	80.14	81.76	83.19
Deflated price	$/cwt	41.32	37.86	42.91	41.70	41.43	40.11	39.43	39.23	39.12	38.83	38.46	38.00
Yearling steers, Okla. City	$/cwt	76.19	72.60	83.50	86.24	81.02	77.19	80.12	83.84	86.80	88.79	90.52	92.11
Deflated price	$/cwt	47.47	44.43	49.76	49.99	45.52	42.09	42.41	43.00	43.31	43.02	42.58	42.08
Retail: Beef and veal	1982-84=100	136.8	136.5	139.0	142.1	145.7	143.5	143.6	147.2	151.1	154.2	156.9	159.2
Retail: Other meats	1982-84=100	148.1	146.6	148.0	151.3	155.1	152.7	152.8	156.7	160.9	164.2	167.1	169.4
ERS retail beef	$/lb.	2.80	2.76	2.83	2.89	2.97	2.92	2.92	3.00	3.08	3.14	3.19	3.24
Costs and returns, cow-calf enterprise:													
Variable expenses	$/cow	216.91	211.87	193.62	194.65	201.85	212.96	222.22	228.20	232.46	236.83	241.29	246.49
Fixed expenses	$/cow	118.52	119.55	123.72	127.20	129.99	132.80	136.09	140.04	144.03	147.61	150.98	154.62
Total cash expenses	$/cow	335.43	331.42	317.34	321.86	331.84	345.76	358.31	368.24	376.49	384.44	392.26	401.11
Returns above cash costs	$/cow	-1.03	-18.95	44.49	57.96	32.85	7.44	12.53	23.96	35.85	42.64	48.36	52.47
Cattle inventory	1,000 head	101,460	99,501	97,577	96,742	97,697	99,189	99,544	99,032	98,368	97,814	97,445	97,129
Beef cow inventory	1,000 head	34,271	33,883	32,925	32,241	32,755	33,233	33,376	33,156	32,942	32,820	32,777	32,756

Table 24. Pork baseline

Item	Units	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Beginning stocks	Mil. lbs.	366	408	475	490	450	450	450	450	400	400	400	400
Commercial production	Mil. lbs.	17,244	18,942	19,425	19,214	19,253	19,659	20,018	20,223	20,456	20,823	21,274	21,757
Change	Percent	0.9	9.8	2.5	-1.1	0.2	2.1	1.8	1.0	1.2	1.8	2.2	2.3
Farm production	Mil. lbs.	30	30	30	30	30	30	30	30	30	30	30	30
Total production	Mil. lbs.	17,274	18,972	19,455	19,244	19,283	19,689	20,048	20,253	20,486	20,853	21,304	21,787
Imports	Mil. lbs.	633	680	700	660	640	635	645	650	650	660	665	670
Total supply	Mil. lbs.	18,273	20,060	20,630	20,394	20,373	20,774	21,143	21,353	21,536	21,913	22,369	22,857
Exports	Mil. lbs.	1,044	1,232	1,355	1,270	1,300	1,325	1,425	1,525	1,600	1,700	1,800	1,875
Ending stocks	Mil. lbs.	408	475	490	450	450	450	450	400	400	400	400	400
Total consumption	Mil. lbs.	16,821	18,353	18,785	18,674	18,623	18,999	19,268	19,428	19,536	19,813	20,169	20,582
Per capita, carcass weight	Pounds	62.8	67.9	68.9	67.9	67.1	67.9	68.2	68.2	68.0	68.4	69.1	69.9
Per capita, retail weight	Pounds	48.7	52.7	53.4	52.7	52.1	52.7	52.9	53.0	52.8	53.1	53.8	54.3
Change	Percent	-0.7	8.1	1.5	-1.5	-1.1	1.1	0.6	0.0	-0.3	0.6	1.0	1.2
Prices:													
Hogs, farm	$/cwt	52.04	33.47	33.84	35.92	38.22	37.89	37.84	38.88	39.70	39.56	38.61	37.66
Iowa, So. Minn. market	$/cwt	51.36	32.27	33.00	35.42	37.72	37.39	37.34	38.38	39.20	39.06	38.31	37.18
Deflated price	$/cwt	32.00	19.75	19.67	20.53	21.19	20.39	19.77	19.73	19.56	16.92	18.02	16.98
Retail: pork	1982-84=100	155.9	148.5	144.0	145.7	148.9	148.2	144.7	148.3	148.0	148.1	147.4	146.2
ERS retail pork	$/lb.	2.32	2.30	2.24	2.27	2.32	2.27	2.25	2.28	2.30	2.30	2.29	2.27
Costs and returns, farrow to finish:													
Variable expenses	$/cwt	41.38	35.93	29.20	26.48	26.54	28.88	30.78	31.55	31.74	31.95	32.18	32.65
Fixed expenses	$/cwt	4.98	5.15	5.18	5.21	5.20	5.21	5.24	5.30	5.37	5.42	5.48	5.55
Total cash expenses	$/cwt	46.36	41.06	34.38	31.68	31.75	34.09	36.00	36.85	37.11	37.38	37.65	38.20
Returns above cash costs	$/cwt	5.00	-8.61	-1.38	3.74	5.97	3.29	1.34	1.53	2.09	1.68	0.66	-1.03
Hog inventory, Dec. 1, previous year	1,000 head	58,141	60,915	62,200	61,566	61,684	62,901	63,978	64,590	65,290	66,388	67,741	69,188

Table 27. Egg baseline

Item	Units	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Beginning stocks	Mil. doz.	9	7	5	5	5	5	5	5	5	5	5	5
Production	Mil. doz.	6,460	6,625	6,790	6,905	7,016	7,121	7,192	7,300	7,373	7,484	7,559	7,672
Change	Percent	1.4	2.6	2.5	1.7	1.6	1.5	1.0	1.5	1.0	1.5	1.0	1.5
Imports	Mil. doz.	7	4	6	4	5	5	5	5	5	5	5	5
Total supply	Mil. doz.	6,476	6,636	6,801	6,914	7,026	7,131	7,202	7,310	7,383	7,494	7,569	7,682
Change	Percent	1.4	2.5	2.5	1.7	1.6	1.5	1.0	1.5	1.0	1.5	1.0	1.5
Hatching use	Mil. doz.	895	922	970	1,019	1,055	1,092	1,127	1,164	1,203	1,244	1,287	1,329
Exports	Mil. doz.	228	226	243	260	270	275	280	285	290	295	300	305
Ending stocks	Mil. doz.	7	5	5	5	5	5	5	5	5	5	5	5
Consumption	Mil. doz.	5,345	5,483	5,583	5,631	5,696	5,759	5,790	5,856	5,885	5,949	5,977	6,043
Per capita	Number	239.4	243.3	245.6	245.5	246.2	246.8	246.0	246.8	246.0	246.6	245.7	246.4
Change	Percent	0.7	1.6	0.9	0.0	0.3	0.2	-0.3	0.3	-0.3	0.3	-0.4	0.3
Prices:													
Eggs, farm	Cents/doz.	69.8	65.5	62.4	60.1	57.5	56.7	60.6	58.8	64.9	60.6	64.9	60.6
New York, Grade A large	Cents/doz.	81.2	76.0	72.5	69.5	66.5	65.5	70.0	68.0	75.0	70.0	75.0	70.0
Deflated wholesale prices	Cents/doz.	50.6	46.5	43.2	40.3	37.4	35.7	37.1	35.0	37.4	33.9	35.3	32.0
Retail, Grade A, large	Cents/doz.	106	104	101	97	93	92	97	95	103	98	103	98
Retail: Eggs	1982-84=100	140.0	135.4	132.5	128.6	124.6	124.0	131.5	130.2	142.0	135.5	144.0	137.5
Costs and returns:													
Total costs	Cents/doz.	72.00	63.11	60.00	55.13	55.75	60.85	65.04	67.09	67.97	68.88	69.81	71.23
Net returns	Cents/doz.	9.20	12.89	12.50	14.37	10.75	4.65	4.96	0.91	7.03	1.12	5.19	-1.23

Table 28. Dairy baseline

Item	Units	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Production data:													
Milk production	Bil. lbs.	157.0	159.3	162.9	163.7	165.2	166.7	169.0	170.3	172.3	174.3	176.7	178.3
Number of cows	1,000	9,200	9,150	9,100	9,000	8,910	8,830	8,765	8,680	8,605	8,530	8,455	8,380
Milk per cow	Pounds	17,065	17,405	17,905	18,185	18,540	18,875	19,280	19,615	20,020	20,430	20,900	21,275
Commercial use:													
Milkfat basis	Bil. lbs.	159.1	161.4	164.1	165.0	166.3	167.7	170.2	171.4	173.6	175.5	178.1	179.6
Skim solids	Bil. lbs.	155.4	158.2	163.2	164.7	166.1	167.5	170.0	171.2	173.4	175.3	178.0	179.4
Net removals:													
Milkfat basis	Bil. lbs.	0.7	0.3	0.9	0.9	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Skim solids	Bil. lbs.	4.5	3.5	2.1	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Prices:													
Basic Formula Price	$/cwt	13.28	13.15	11.90	12.85	13.45	14.10	14.60	14.85	15.15	15.45	15.75	16.05
All milk	$/cwt	14.56	14.90	13.00	13.95	14.55	15.20	15.70	15.95	16.25	16.55	16.85	17.15
Retail, all dairy products	1982-84=100	148.6	156.5	153.0	155.5	160.0	164.5	168.5	171.5	175.0	178.0	182.0	185.0
Costs and returns:													
Ration value	$/cwt	8.12	7.11	6.80	6.85	7.35	7.80	8.10	8.25	8.35	8.45	8.55	8.75
Returns above concentrate costs	$/cwt	11.15	11.91	10.14	11.07	11.48	11.92	12.30	12.49	12.74	13.00	13.26	13.48
Milk-feed ratio	ratio	1.79	2.09	1.91	2.04	1.98	1.95	1.94	1.93	1.95	1.96	1.97	1.96

Table 29. Farm receipts, expenses, and incomes in nominal dollars

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
						Billion dollars						
Cash receipts:												
Crops	112.1	104.7	102.0	104.4	108.3	114.0	119.0	123.0	126.2	129.2	132.1	135.4
Livestock and products	96.6	93.4	96.0	94.9	97.7	100.1	103.9	107.2	110.4	112.8	115.6	117.8
All commodities	208.7	198.0	198.0	199.3	206.0	214.1	222.9	230.2	236.6	242.0	247.7	253.2
Farm-related income	11.8	11.8	11.6	11.6	11.7	11.7	11.8	11.9	11.9	12.0	12.0	12.1
Government payments	7.5	12.9	11.3	9.2	7.8	6.7	6.1	6.1	6.1	6.1	6.1	6.1
Gross cash income	228.0	222.7	220.9	220.1	225.4	232.5	240.8	248.2	254.6	260.0	265.8	271.3
Cash expenses	167.2	163.6	164.3	167.5	172.3	178.8	185.9	191.9	197.5	202.9	208.4	214.5
Net cash income	60.8	59.1	56.6	52.7	53.2	53.7	55.0	56.2	57.1	57.1	57.4	56.9
Value of inventory change	-0.4	-1.0	-0.4	0.7	1.2	0.9	0.4	0.2	0.3	0.2	0.1	0.0
Non-money income	10.7	11.3	11.9	11.9	11.9	12.0	12.1	12.2	12.2	12.5	12.7	13.0
Gross farm income	238.3	233.0	232.4	232.7	236.6	245.4	253.4	260.5	267.1	272.7	278.7	284.3
Noncash expenses	15.8	15.9	16.1	15.8	15.3	14.9	14.5	13.9	13.2	13.3	13.4	13.6
Operator dwelling expenses	5.5	5.6	5.7	5.7	5.7	5.7	5.7	5.8	5.8	5.8	5.8	5.8
Total production expenses	188.4	185.1	186.1	188.9	193.3	199.4	206.1	211.6	216.6	222.0	227.6	233.9
Net farm income	49.8	48.0	46.4	43.8	45.3	46.0	47.3	49.0	50.5	50.6	51.0	50.4
Farm assets	1,088.8	1,124.7	1,162.9	1,189.2	1,226.0	1,271.0	1,325.0	1,381.2	1,436.4	1,488.8	1,547.6	1,607.2
Farm debt	165.4	170.4	169.1	173.6	177.6	182.8	188.4	193.5	198.7	203.5	208.3	213.6
Farm equity	923.4	954.3	993.8	1,015.6	1,048.4	1,088.1	1,136.6	1,187.7	1,237.7	1,285.4	1,339.3	1,393.6
						Percent						
Debt/equity ratio	17.9	17.9	17.0	17.1	16.9	16.8	16.6	16.3	16.1	15.8	15.6	15.3
Debt/assets ratio	15.2	15.2	14.5	14.6	14.5	14.4	14.2	14.0	13.8	13.7	13.5	13.3

Table 30. Farm receipts, expenses, and incomes in 1992 dollars

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
						Billion 1992 dollars 1/						
Cash receipts:												
Crops	100.5	92.4	87.9	87.5	88.1	90.1	91.4	91.8	91.6	91.1	90.5	90.2
Livestock and products	86.6	82.4	82.7	79.6	79.5	79.1	79.9	80.1	80.2	79.6	79.2	78.5
All commodities	187.0	174.9	170.6	167.2	167.6	169.3	171.3	171.9	171.7	170.7	169.8	168.6
Farm-related income	10.6	10.4	10.0	9.7	9.5	9.3	9.1	8.9	8.7	8.4	8.2	8.1
Government payments	6.7	11.4	9.7	7.7	6.3	5.3	4.7	4.5	4.4	4.3	4.1	4.0
Gross cash income	204.3	196.7	190.3	184.7	183.4	183.9	185.1	185.3	184.8	183.4	182.2	180.7
Cash expenses	149.8	144.5	141.5	140.5	140.2	141.4	142.8	143.3	143.4	143.1	142.8	142.9
Net cash income	54.5	52.2	48.8	44.2	43.2	42.5	42.3	42.0	41.4	40.3	39.3	37.9
Value of inventory change	-0.4	-0.9	-0.3	0.6	1.0	0.7	0.3	0.2	0.2	0.1	0.1	0.0
Non-money income	9.6	10.0	10.2	10.0	9.7	9.5	9.3	9.1	8.9	8.8	8.7	8.6
Gross farm income	213.6	205.8	200.2	195.2	194.1	194.0	194.7	194.6	193.8	192.3	191.0	189.4
Noncash expenses	14.1	14.0	13.9	13.2	12.5	11.8	11.1	10.4	9.6	9.4	9.2	9.0
Operator dwelling expenses	4.9	4.9	4.9	4.8	4.6	4.5	4.4	4.3	4.2	4.1	4.0	3.9
Total expenses	168.9	163.4	160.3	158.5	157.3	157.7	158.4	158.0	157.2	156.6	156.0	155.8
Net farm income	44.7	42.3	40.0	36.7	36.8	36.4	36.4	36.6	36.6	35.7	35.0	33.6
Farm assets	975.9	993.2	1,001.9	997.6	997.5	1,005.0	1,018.2	1,031.5	1,042.4	1,050.0	1,060.7	1,070.5
Farm debt	148.3	150.5	145.7	145.6	144.5	144.6	144.8	144.5	144.2	143.5	142.8	142.3
Farm equity	827.7	842.7	856.2	852.0	853.0	860.4	873.4	886.9	898.2	906.5	918.0	928.2

1/ Nominal dollar values divided by the GDP deflator.

Agricultural Trade

Growth in global agricultural trade will be slowed over the next 2 to 3 years by weakened demand in key markets, particularly in Asia and the former Soviet Union (FSU). In these regions, import demand will be constrained by reduced incomes, and by the impact of large currency devaluations on both consumer and producer prices. Global trade will, however, continue to be supported by relatively strong demand in other developing country markets in Latin America, North Africa, and the Middle East. U.S. agricultural exports will slow over the next 2 to 3 years, reflecting slowed growth in global trade, as well as increased competition. In the near term, U.S. farm exports are likely to face increased competition stemming from productivity gains by other exporters, particularly Argentina, and from developing and transition economies where currencies have been sharply devalued.

Longer term prospects for global and U.S. trade remain relatively bright. The Asian economies are assumed to recover to relatively strong rates of growth over a 3 to 4 year period, and long-term growth in other developing regions is expected to higher than during the 1980s. This generally favorable economic outlook for developing countries is expected to drive faster gains in agricultural trade after 2000. Trade expansion will also be aided by freer trade associated with ongoing unilateral policy reforms and existing multilateral reforms. Relatively strong growth in import demand for bulk agricultural commodities is projected, supported by broad-based expansion across developing regions, including China, South and Southeast Asia, Latin America, North Africa, and the Middle East. The FSU, formerly a key grain importer, is not expected to be a source of significant import demand over the projection period. Higher incomes in developing countries, where consumers tend to spend a relatively large share of new income on food, will be a key determinant of demand and trade growth. As incomes rise in developing countries, the demand for agricultural goods expands rapidly, both through increases in direct food use and through derived demand for livestock feeds to meet rising meat demand.

Future trends in China's agricultural trade remain an important question in the global outlook. Significant uncertainty regarding basic data and future policies, combined with the size of China's agricultural economy, make alternative trade projections both plausible and globally significant. The current projections indicate only modest growth in China's import demand for most bulk commodities, particularly wheat and coarse grains. Recent developments in China suggest that there is still significant potential for boosting crop yields, and that historical growth in meat demand and feed use has been slower than once thought.

World commodity prices are expected to remain depressed in the near term by the combination of weakened global demand and increased exportable supplies from traditional and nontraditional competitors. Prices are projected to strengthen over the longer term, as supplies adjust and a recovery in Asian demand is added to steady growth in other regions. However, particularly with limited growth in imports by China and the FSU, real prices are projected to continue to decline over the longer term as productivity gains continue to outpace growth in demand.

Grains are expected to lead the stronger projected growth of bulk commodity trade during 2000-2008. Projected gains in coarse grain trade are particularly strong, predicated on rising incomes in developing regions and increased demand for livestock products and feeds. Wheat and vegetable oil trade will also continue to expand in response to rising incomes and urbanization in developing countries. Trade in soybeans and meal also is projected to show solid long-term growth as a result of the expansion of meat consumption and production in developing countries. Raw cotton demand and trade are expected to strengthen after 2000, but growth is expected to be slower than in the 1980s, when there was increased substitution of cotton for synthetic fibers.

Table 33. International trade summary, by decade or indicated period 1/

Years	Wheat	Rice	Coarse grains	Soybeans	Soybean meal	Soybean oil	Cotton
World trade growth, annual percent 2/							
1960 to 1970 3/	1.1	2.2	4.9	11.4	14.4	11.3	0.8
1970 to 1980	4.7	4.9	8.7	8.2	11.7	12.8	1.2
1980 to 1990	-0.3	0.6	-1.0	-0.4	2.9	0.5	2.5
1990 to 2000	-0.7	6.1	0.4	5.3	4.4	6.6	-0.9
2000 to 2008	2.3	2.7	2.8	1.6	1.9	2.8	1.9
U.S. export growth, annual percent							
1960 to 1970 3/	-0.8	6.3	3.8	12.6	13.0	5.3	-5.4
1970 to 1980	6.4	6.8	12.7	7.2	5.8	5.4	6.1
1980 to 1990	-3.3	-0.5	-0.7	-3.7	-1.8	-5.5	2.3
1990 to 2000	-0.4	0.5	0.4	4.7	5.7	11.6	-1.7
2000 to 2008	2.3	0.8	3.3	1.3	-0.4	3.3	1.6
U.S. share of world trade, average percent 2/							
1960 to 1970 3/	37.6	19.0	50.0	90.6	65.6	66.6	18.3
1970 to 1980	43.0	22.1	59.4	82.6	43.5	37.5	19.8
1980 to 1990	37.3	20.2	59.4	72.6	23.7	19.3	21.5
1990 to 2000	31.3	14.0	56.0	64.5	19.7	16.1	25.1
2000 to 2008	33.6	9.4	57.3	62.2	20.2	22.2	24.6

1/ Years refer to the first year of the commodity marketing year.
2/ Trade and trade shares include intra-FSU trade for periods starting in 1990 and later; intra-FSU trade for cotton also is included in the 1980 to 1990 and the 1970 to 1980 periods.
3/ Data for soybeans, soybean meal, and soybean oil begin in 1964.

U.S. exports are projected to strengthen for most bulk commodities over the longer term. U.S. wheat and coarse grain exports are projected to expand the fastest, although competition is expected to increase in both markets. By the middle of the projection period, U.S. wheat exports are projected to slow when higher world prices and declining internal EU prices permit the EU to export wheat without subsidy. U.S. corn exports are expected to face continued competition from China and, particularly, Argentina. U.S. rice exports are projected to be roughly constant, as domestic demand captures nearly all the gains in U.S. production. Anticipated growth in U.S. exports of soybeans and products is faster than in the 1980s because of projected gains in both area and yields, despite weaker market prices. U.S. raw cotton exports are projected to

strengthen in the longer term, benefiting from rising demand and reduced competition in some countries.

Global meat demand and trade, and U.S. meat exports, will be depressed in the near term by the slowdown in import demand in East Asia and the FSU. Growth in meat trade is, however, projected to resume after 2000, as demand recovers in these key markets. Already negotiated reductions in trade barriers will support gains in meat trade in East Asia. Although FSU import demand is likely to be depressed for 3 to 5 years by the recent economic crisis, imports are expected to rebound in the longer term, with the return of modest economic growth and only slow expansion in the domestic feed-livestock sector.

U.S. Agricultural Trade Value

The total value of U.S. agricultural exports is projected to decline in 1999 and 2000, but then grows for the rest of the baseline, reaching about $73 billion by 2008. U.S. imports rise to $50 billion in 2008. The resulting agricultural trade surplus in fiscal 2008 is projected at $22.5 billion.

Table 34. U.S. agricultural trade values, baseline projections, fiscal years

	1997	1998	1999 1/	2000	2001	2002	2003	2004	2005	2006	2007	2008	1998-2008 growth rate
						Billion dollars							*Percent*
Agricultural exports:													
Animals and products	11.4	11.2	11.3	11.4	11.9	12.3	12.9	13.5	14.2	14.8	15.4	15.9	3.5
Grains, feeds, and products	16.5	14.1	13.9	14.1	15.8	17.0	18.1	18.9	19.5	20.1	21.2	21.4	4.2
Oilseeds and products	11.4	11.1	9.3	7.1	7.2	7.7	8.2	8.7	9.0	9.3	9.6	9.8	-1.2
Horticultural products	10.6	10.3	10.1	10.7	11.4	12.0	12.7	13.4	14.2	14.9	15.7	16.5	4.8
Tobacco, unmanufactured	1.6	1.4	1.4	1.4	1.4	1.4	1.4	1.3	1.3	1.3	1.3	1.4	-0.6
Cotton and linters	2.7	2.5	1.6	1.9	2.4	2.4	2.5	2.6	2.6	2.7	2.7	2.8	1.0
Other exports	3.0	2.9	2.9	3.6	3.8	3.9	4.1	4.2	4.4	4.5	4.6	4.8	5.2
Total agricultural exports	57.3	53.6	50.5	50.2	53.9	56.7	59.9	62.8	65.2	67.6	70.6	72.6	3.1
Bulk commodities exports	23.3	20.0	18.0	17.5	19.7	21.0	22.5	23.6	24.2	25.0	26.2	26.5	2.8
High-value product exports	33.9	33.6	32.5	32.7	34.2	35.7	37.4	39.2	41.0	42.7	44.4	46.1	3.2
High-value product share	59.2%	62.7%	64.4%	65.1%	63.5%	62.9%	62.4%	62.5%	62.8%	63.1%	62.9%	63.5%	
Agricultural imports:													
Animals and products	6.4	6.8	6.8	6.9	7.0	7.1	7.4	7.7	8.0	8.3	8.6	9.0	2.8
Grains, feeds, and products	2.9	2.9	3.0	3.0	3.1	3.2	3.3	3.4	3.6	3.7	3.7	3.7	2.5
Oilseeds and products	2.2	2.2	2.4	2.5	2.6	2.9	3.2	3.2	3.5	3.5	3.6	3.6	5.0
Horticultural products	12.7	13.9	14.5	15.1	15.8	16.5	17.2	17.9	18.5	19.2	19.7	20.3	3.9
Tobacco, unmanufactured	1.2	0.8	0.9	1.1	1.1	1.2	1.2	1.3	1.3	1.3	1.3	1.3	5.0
Sugar and related products	1.9	1.7	1.8	1.9	2.0	2.2	2.3	2.4	2.5	2.5	2.5	2.5	3.9
Coffee, cocoa, and rubber	6.4	6.3	6.5	6.6	6.7	6.7	6.7	6.8	6.8	6.9	6.9	7.0	1.0
Other imports	2.1	2.4	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.6	0.9
Total agricultural imports	35.8	37.0	38.5	39.6	40.8	42.3	43.7	45.2	46.7	47.9	48.9	50.0	3.1
Net agricultural trade balance	21.5	16.6	12.0	10.6	13.1	14.5	16.1	17.6	18.5	19.8	21.7	22.5	3.1

1/ The projections were completed in November 1998 based on policy decisions and other information known at that time. For updates of the nearby year forecasts, see USDA's *Outlook for U.S. Agricultural Trade* report, published in February, May, August, and December.

Note: Other exports consists of seeds, sugar and tropical products, and beverages and preparations. Essential oils are included in horticultural products. Bulk commodities include wheat, rice, feed grains, soybeans, cotton, and tobacco. High-value products (HVP's) is calculated as total exports less the bulk commodities. HVP's includes semi-processed and processed grains and oilseeds, animals and products, horticultural products, and sugar and tropical products. Other imports includes seeds, beverages except beer and wine, and miscellaneous commodities.

Declining prices resulting from large world supplies, weak global demand, and a strong U.S. dollar led to lower export value in FY 1998, with exports of both bulk and high-value products (HVP's) declining. U.S. export value is projected in the baseline to fall to near $50 billion for FY 1999 and 2000. After 2000, however, growth in both bulk and HVP exports is expected to rebound for the remainder of the baseline. Averaging 2.8 percent per year during 1998-2008, projected bulk commodity value growth exceeds growth in both the 1980s and the 1990s, lending strength to total export earnings. HVP export growth is projected to average 3.2 percent annually during 1998-2008. Much of the HVP gain is in horticultural products. Exports of animals and products, led by beef, pork, and poultry, also show significant growth.

U.S. imports are projected to rise from $37 billion in fiscal 1998 to $50 billion in fiscal in 2008, an average annual increase of 3 percent. From 1994 to 1997, agricultural imports increased 10 percent annually. Import growth has recently returned to the expected long-term growth pace due to slower increases in domestic prices of meats and grain-based foods. While a stronger U.S. dollar has reduced prices of imported commodities, a small response in the import volume for many high-value food items has lessened the growth in the value of imports. Imports of horticultural products, the largest component of U.S. agricultural imports, are expected to increase by $6.4 billion from 1998 to 2008, with average annual growth of 4 percent. Beverages, fruits, and vegetables will be supplied largely by Mexico, Canada, Chile, and the European Union.

Foreign Agricultural Policy Assumptions and Highlights

Policy assumptions underlying both U.S. and foreign projections are based on full compliance with all bilateral and multilateral agreements affecting agriculture and agricultural trade as of November 1998. Bilateral agreements affecting agricultural trade between the United States and Canada, the United States and Mexico, the United States and Japan (beef and citrus), and the United States and Korea (beef) are examples of agreements for which full compliance is assumed. In contrast, no compliance is assumed for any agreements not formally ratified by November 1998.

For multilateral agreements, the projections assume full compliance with the internal support, market access, and export subsidy provisions of the Uruguay Round Agreement on Agriculture by all parties to the agreement. Several potential multilateral agreements that could have a significant impact on agricultural trade are now under consideration, but are assumed *not* to occur in these projections. These include:

- No accession to the World Trade Organization (WTO) by the FSU, China, or Taiwan;
- No enlargement of the EU-15 to add one or more Central or East European countries;
- No implementation of more liberalized trade among the Asia-Pacific Economic Cooperation (APEC) countries, and;
- No expansion of NAFTA to include additional countries.

OUTLOOK for U.S. Agricultural Trade

Approved by the
World Agricultural Outlook Board,
Economic Research Service,
and Foreign Agricultural Service,
U.S. Department of Agriculture

February 22, 1999 AES-21

FISCAL 1999 AGRICULTURAL EXPORTS FORECAST TO FALL BELOW $50 BILLION

U.S. agricultural exports in fiscal 1999 are forecast at $49 billion, down $1.5 billion from the November estimate and $4.6 billion below fiscal 1998. Weak world demand and large world supplies largely account for the decline. Excluding Mexico, year-to-year declines are forecast in all major markets. Soybean and soybean product exports are forecast down almost $3.5 billion from last year, as both volume and prices have fallen. The severe decline in U.S. production and weak world prices have sharply reduced U.S. cotton exports. The decline in exports of poultry meat from 1998 largely reflects reduced Russian imports and lower prices. Other major export commodities are forecast to record minor changes in value from 1998 as declining prices are offset by increasing volume. For example, the volume of corn exports is forecast up 17 percent, to 44 million tons, while the value is virtually unchanged at $4.3 billion.

U.S. agricultural imports are forecast to be $38 billion in fiscal 1999, up $1 billion from 1998. Most of the increase is accounted for by horticultural products. The agricultural trade surplus, forecast at $11 billion, is the lowest since 1987.

As of this issue, this publication is renamed Outlook for U.S. Agricultural Trade from Outlook for U.S. Agricultural Exports, reflecting the increased emphasis on imports.

Table 1--U.S. agricultural trade, fiscal years, 1994-1999

Item	1994	1995	1996	1997	1998	1999 Projected Nov.	1999 Projected Feb.
	-- Year ending September 30 --						
	--Billion dollars--						
Exports	43.9	54.6	59.8	57.3	53.6	50.5	49.0
Imports	26.6	29.9	32.6	35.8	37.0	38.5	38.0
Balance	17.3	24.7	27.2	21.5	16.6	12.0	11.0
	--Million metric tons --						
Ex. volume	127.5	169.7	158.4	147.3	142.0	149.8	146.7

This outlook reflects commodity forecasts in the Feb. 10, 1999, World Agricultural Supply and Demand Estimates.

Commodity Highlights

The forecast for fiscal 1999 exports of U.S. wheat and flour is lowered $300 million from November to $3.9 billion. Swamping an upward adjustment in wheat flour export volume, the forecast for wheat shipments is reduced 3 million tons to 28.5 million tons. The average export price for all wheat remains unchanged at $130/ton. This outlook still reflects a year-over-year increase in wheat export volume although not as large as envisioned in November. Since then, world import demand was reduced and Argentina is now expected to export more.

Table 2--U.S. agricultural exports: Value by commodity, 1997-1999

Commodity	October-December 1997	October-December 1998	Fiscal 1998	Fiscal 1999 Projected Nov.	Fiscal 1999 Projected Feb.
	--Billion dollars--				
Grains and feeds 1/	3.851	3.910	14.109	13.9	13.8
Wheat & flour	1.096	1.045	3.887	4.2	3.9
Rice	0.276	0.353	1.134	1.0	1.1
Coarse grains 2/	1.399	1.402	4.990	4.7	4.8
Corn	1.159	1.279	4.261	4.2	4.3
Feeds and fodders	0.650	0.621	2.411	2.3	2.3
Oilseeds and products	4.683	3.151	11.090	9.3	8.6
Soybeans	3.226	1.945	6.117	5.1	4.7
Soybean meal	0.637	0.328	1.944	1.4	1.2
Soybean oil	0.231	0.258	0.881	0.8	0.7
Livestock products	2.095	1.901	7.626	8.1	7.9
Beef, pork & variety meats	1.080	0.974	4.045	4.5	4.2
Hides & skins, incl. furs	0.354	0.255	1.358	1.5	1.4
Poultry & products	0.727	0.549	2.712	2.3	2.3
Poultry meat	0.632	0.461	2.347	1.8	1.9
Dairy products	0.236	0.224	0.897	0.9	0.9
Tobacco, unmanufactured	0.373	0.384	1.448	1.4	1.4
Cotton & linters	0.656	0.681	2.537	1.6	1.4
Seeds	0.253	0.254	0.838	0.9	0.9
Horticultural products	2.820	2.763	10.318	10.1	10.0
Fruits & preparations	0.842	0.823	3.202	3.0	2.9
Vegetables & preparations	0.714	0.740	2.805	2.8	2.8
Tree nuts & preparations	0.458	0.414	1.215	1.3	1.3
Sugar, tropical, and other	0.537	0.516	2.054	2.0	1.9
Total 3/	16.231	14.333	53.629	50.5	49.0

1/ Includes pulses and corn products. 2/ Includes corn, barley, sorghum, oats, and rye. 3/ Totals might not add due to rounding.

U.S. coarse grain exports are raised 1.2 million tons and $100 million to 49.4 million tons valued at $4.8 billion. The export forecast for corn is increased 1.5 million tons to 44 million tons and, with the export price of $98/ton unchanged, export value is raised $100 million to $4.3 billion. Partially offsetting corn volume gains, sorghum exports are reduced 200,000 tons since Japan is expected to shift to corn. The outlook for U.S. corn exports has improved since November with upward revisions in demand from Japan, Korea, and Malaysia and reduced competition from Argentina.

Fiscal 1999 rice exports are forecast to reach 3.2 million tons valued at $1.1 billion. This represents a 200,000-ton increase from the November estimate. Export value is restrained due to somewhat lower prices, the result of a larger proportion of rough rice shipments and generally reduced world rice prices. U.S. export volume is increased due to larger shipments to Brazil.

Reflecting downward adjustments to both export volume and prices, fiscal 1999 U.S. oilseed and products exports are lowered 1.3 million tons and nearly $800 million to 33.8 million tons valued at $8.6 billion. Soybean exports are reduced 800,000 tons and $400 million to 22.3 million tons valued at $4.7 billion. This reflects an average export price of $212/ton for soybeans, 4.5 percent lower than the November

Table 3--U.S. agricultural exports: Volume by commodity, 1997-99

Commodity	October-December 1997	October-December 1998	Fiscal 1998	Fiscal 1999 Projected Nov.	Fiscal 1999 Projected Feb.
	--Million metric tons--				
Wheat	6.729	7.827	25.800	31.5	28.5
Wheat flour	0.141	0.246	0.459	0.5	0.6
Rice	0.734	1.147	3.315	3.0	3.2
Coarse grains 1/	11.597	14.252	43.960	48.2	49.4
Corn	9.596	13.015	37.697	42.5	44.0
Feeds & fodders	3.058	3.129	11.688	11.9	11.9
Oilseeds and products	15.564	12.362	36.018	35.1	33.8
Soybeans	12.063	9.052	23.287	23.1	22.3
Soybean meal	2.359	1.924	8.464	7.8	7.2
Soybean oil	0.381	0.413	1.396	1.2	1.2
Beef, pork & variety meats	0.398	0.390	1.559	1.7	1.7
Poultry meat	0.688	0.562	2.663	2.3	2.3
Animal fats	0.232	0.187	1.365	1.3	1.3
Cotton & linters	0.401	0.462	1.602	1.0	0.9
Horticultural products	1.956	1.971	7.414	7.3	7.1
Other	1.641	1.876	6.169	6.0	6.0
Total agriculture	43.139	44.411	142.012	149.8	146.7
Major bulk products 2/	31.524	32.740	97.964	106.8	104.3

1/ Includes corn, barley, sorghum, oats, and rye. 2/ Includes wheat, rice, coarse grains, soybeans, and cotton.

THE SECRETARY OF AGRICULTURE
WASHINGTON, D.C.
20250-0100

May 25, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Secretary Dan Glickman

SUBJECT: Prospects for the Farm Economy in Year 2000

On May 12, the Department of Agriculture (USDA) revised its outlook for crops and livestock for the remainder of this year and released its first official forecasts for next year.

Generally, USDA expects prospects for livestock to improve somewhat over the coming months, as farmers continue to reduce production in the face of low returns. Although weather around the world over the coming months could alter price prospects for US crops, USDA's forecasts through next year indicate that crop farmers will continue to endure financial stress, heightening concern within the farm community about what the Administration is doing to help farmers, which could have implications for next year's presidential campaign.

The health of the farm sector depends heavily on exports, so it comes as discouraging news that USDA forecasts they will decline for the third consecutive year, falling 18% below 1996's record high of $60 billion. While USDA expects Asia to improve over the coming year, the modest pace of recovery will not keep pace with growth in US and world production, keeping next spring's farm prices near or below current levels for most commodities, particularly crops.

Continued low prices and income could further pressure land values, particularly in the Plains States, causing farmers to have problems obtaining credit again next year; in the spring of 2000, we are likely to repeat the credit crunch we endured this planting season, along with increasing numbers of farm foreclosures.

The following summarize USDA's estimates for major commodity markets:

WHEAT: Farmers are reducing 1999 wheat plantings to the lowest level in 26 years, because of last year's low wheat prices. Initial surveys of the winter wheat crop suggest yields will decline from last year's record-high, but could still be the third highest ever. USDA's outlook for

1999/2000 for wheat sees a 12% drop in production, increased exports, and lower ending stocks on June 1, 2000. However, USDA expects total US wheat supplies to be down only 2% from a year earlier, because very large carryin stocks will largely offset this year's smaller harvest, and because USDA predicts only a modest increase in exports, thus wheat stocks on June 1, 2000, will be the second largest in the 1990's.

USDA expects farm prices for 1999/2000 to average $2.85 per bushel, up from this year's $2.65 but down from the 1993-97 average of $3.79. While wheat prices will fall 25% off the average of the previous 4 years, it may be the most improved market of major crops during this period.

CORN: USDA expects the 1999 corn crop will drop slightly as farmers continue to expand soybean acreage. However, with stocks already large, USDA forecasts total corn supplies to be up slightly in 1999/2000 because exports will increase only modestly given continued slow foreign import growth and strong competition from Argentina and China. Corn stocks on September 1, 2000, may rise a little, keeping the 1999/2000 farm price near this year's average of $2.00 per bushel, which is 24% below the 1993-97 average of $2.63.

SOYBEANS: Farmers plan to expand even further their soybean acreage this year; USDA forecasts production in 1999/2000 will surpass last year's record. Although USDA expects record exports, large stocks and record production could cause US carryover stocks on August 30, 2000, topping the previous record high set in 1986. As a result, USDA projects that farm prices will drop steeply in 1999/2000, averaging $4.35 per bushel, down from about $5.05 this season and 33% off the 1993-97 average of $6.48.

COTTON AND RICE: Cotton and rice face a similar fate in 1999/2000 because large production increases will lead to larger carryover stocks and lower prices. USDA estimates that rice production will be record-high in 1999/2000, up nearly 10% from 1998/99 – farmers plan to plant the largest crop in nearly 20 years following fairly strong prices and returns over the last 4 seasons. After last year's drought-reduced crop, US cotton production will jump nearly 30% in 1999/2000.

USDA projects rice exports to be unchanged because of reduced

demand from Latin America and stiffer competition, while cotton exports increase with larger US production. Unfortunately, the large rice and cotton supplies could boost carryover stocks on August 1, 2000, to levels unseen in more than 10 years for both crops.

USDA forecasts that the price for rice will be $6.50 per cwt. for the coming season, down 25% from this season's $8.65, the 1993-97 average. USDA forecasts that cotton prices will slip from this year's weak $0.61 per pound, compared with the 1993-97 average of $0.68.

BEEF: A decline in beef production, which USDA forecasts to begin in the second half of 1999, should continue through 2000 as cattle inventories diminish. USDA forecasts that fed cattle prices in 2000 will average over $73 per cwt., compared with this year's forecast of under $65 – Fed cattle prices last exceeded $73 per cwt. in 1993.

PORK: USDA also expects hog production to fall in 2000, following 2 years of low returns. Hog prices could finally average above $40 per cwt. in 2000 after falling below that level in 1998. Despite the projected increase, USDA forecasts that hog prices in 2000 will average 15% below the 1993-97 average.

POULTRY: USDA expects that poultry production will likely register another increase in 2000, as consumers continue to replace beef and pork with increasing amounts of poultry. With some recovery in Asian exports, producer returns should remain favorable, though prices could move lower in 2000.

MILK: USDA estimates milk production will rise sharply this year and in 2000 following last year's record-high milk prices. In addition, USDA expects that the termination of the milk price support program on January 1, 2000, will contribute to lower farm milk prices next year. USDA forecasts milk prices averaging $13.25 per cwt in 2000, compared with $13.55 in 1999, and the 1993-97 average of $13.35.

To summarize, there is little on the horizon that suggests anything but continued financial problems for much of US agriculture through 2000. USDA expects land prices to decline in key midwestern production areas, a trend which when combined with low cash flows and the likelihood of more conservative lending policies by

commercial banks–something we are already witnessing–will put a strain on farmers' and ranchers' ability to obtain financing in 2000. Only cattle prices look poised for a meaningful increase, but that is only because ranchers have been liquidating their herds for 3 straight years. Crop growers will likely face increasing financial stress as larger soybeans, cotton, and rice crops lead to weak and declining prices, as summarized by the following characterizations:

OUTLOOK	COMMODITY
weak and declining	cotton, rice, soybeans
moderately strong but declining	broilers
weak and stable	corn, milk
weak but improving slightly	hogs, wheat
weak and improving sharply	cattle

To deal with the political repercussions of a weak farm economy in 2000 and prevent it from becoming a liability for us, we need to focus in coming months on actions that may help prevent these projections from being realized:

- First, rising crop surpluses are the single most important factor driving the outlook, thus we need to find ways to move surpluses into commercial and humanitarian channels.

- Second, because I predict Congress and farm groups will continue to raise attention to this problem and the adequacy of the farm safety net with several legislative options – most likely to surface during consideration of USDA's FY00 appropriations bill – I continue to advocate that the Administration explore ways, and advance proposals, to provide an infusion of cash to support farmers' incomes.

THE WHITE HOUSE

WASHINGTON

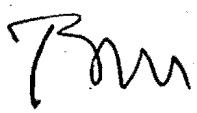
November 12, 1998

The Honorable Daniel R. Glickman
Secretary of Agriculture
Washington, D.C. 20250

Dear Dan:

Happy Birthday! Hillary and I want to wish you the very best on this special occasion and a happy, healthy year to come.

Sincerely,



THE WHITE HOUSE

WASHINGTON

September 16, 1997

The Honorable Daniel R. Glickman
Secretary of Agriculture
Washington, D.C. 20250

Dear Dan:

Thanks for sending the article about *Air Force One*. It's an entertaining piece and I enjoyed reading it. We'll have to compare the movie version to the real thing the next time we travel together.

Sincerely,

Bill

LP

Action Office: osec
Referral Code: 6

To John Gibson -
File all Presidential letter/ responses in me place.
Thanks

THE WHITE HOUSE

WASHINGTON

April 21, 1997

The Honorable Daniel R. Glickman
Secretary of Agriculture
Washington, D.C. 20250

Dear Dan:

Thanks so much for sending the article about expanding rice exports into the Japanese market. It was great to read about the continued success of this research project. I've taken the liberty of sending notes to the individuals involved in the project. Keep up the good work.

Sincerely,

Bill Clinton