

AGRICULTURAL OUTLOOK



Economics Editor
Anne B. W. Effland
(202) 694-5319
aeffland@econ.ag.gov

Consulting Editor
Greg Gajewski
(202) 694-5321

Managing Editors
Mary Reardon
(202) 694-5322
Dale Simms
(202) 694-5137

Art Director
Victor Phillips, Jr.

Statistical Coordinator
David Johnson
(202) 694-5324

Design Assistance, Layout, Charts
Cynthia Ray

Tabular Composition
Cliola Peterson

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Cover: Cabbage field, Matanuska Valley, Alaska. Grant Heilman, Grant Heilman Photography.

Asia Crisis . . . Farm Income . . . Leafy Vegetables . . . Dairy Markets

U.S. Economy To Cool in 1998

GDP growth in the U.S. is expected to slow in 1998 to 2.5 percent, following 3.8-percent growth estimated for 1997. With the labor market expected to remain tight, slightly higher wages and high capacity utilization rates in 1998 will bump inflation up by a very small amount. Interest rates are expected to be stable over the course of 1998. The Asian financial crisis will curtail growth in the U.S. rural economy in 1998 because of both weaker farm exports and increased competition in the manufacturing sector.

The Asia Crisis & the Farm Economy

Although forecasts can reflect only a best guess as to how the markets will “bottom out” until the current financial crisis in Asia stabilizes, business forecasters have all lowered their expectations for global economic growth in 1998. The slowdown in Asian and world economic growth and the weakening of Asian currencies relative to the U.S. dollar will affect the U.S. rural and agricultural sectors through a reduction in international demand for U.S. exports and, therefore, slower U.S. economic growth. U.S. agricultural exports are expected to grow more slowly in fiscal 1998 and 1999, reaching a level 3-6 percent lower than would be expected without the Asia events.

U.S. Farm Income: Below Record But Strong

While not likely to equal the record set in 1996, farm income estimates for 1997 and prospects for 1998 look quite favorable. *Net farm income* is forecast to be around \$46 billion for both 1997 and 1998, above the average for 1990-95 (\$43 billion), but lower than the record \$52 billion for 1996. The lower farm income forecasts for 1997 and 1998 derive from a modest \$1.6-billion decline in crop and livestock receipts from 1996's record of \$202 billion and a modest increase in expenses. Export market uncertainties, triggered by the Asia crisis, will be important in evaluating farm income prospects for 1998.

Americans Eating More Leafy Green Vegetables

Consumption of leafy green vegetables—including lettuce, endive, escarole, cabbage, spinach, broccoli, collards, turnip greens, mustard greens, and kale—has been trending higher over the past two decades, accounting for 16 percent of all farm cash receipts for vegetables in 1996, up from 13 percent in 1986. Lettuces of all types account for the largest share of farm cash receipts for leafy green vegetables, amounting to more than half in 1996. Production of leaf and romaine varieties have jumped 40 percent from 1989 to 1996.

Per capita use of all leafy green vegetables, despite a longrun upward trend, has remained stable during the 1990's at around 50 pounds, with the overall numbers influenced strongly by trends for head lettuce—the leader in consumption of leafy greens. Exports provide a key market for several leafy greens. About 21 percent of fresh-market broccoli supplies are exported, up from 17 percent in 1990. About 14 percent of the U.S. fresh-market spinach supply is exported, 12 percent of leaf and romaine lettuce, and 6 percent of head lettuce.

U.S. Dairy Product Markets Restructuring

Technological advances and automation in the U.S. dairy industry have increased productivity and improved product quality and consistency, leading to fewer and larger farms and processing plants. Reduced transportation costs have led to integration of local markets into regional or even national markets, and rapid capital flows and ownership changes have altered the objectives of marketing and distribution firms.

The dairy sector is divided into several distinct markets, each with unique characteristics. Cooperatives have been most important in the bulk raw milk and manufactured product markets, while proprietary firms have gravitated toward fluid milk processing and frozen products, as well as yogurt and cheese.

Farmers' Use of “Green” Practices Varies Widely

Farmers increasingly face pressures to convert from traditional production systems to “green” practices that are potentially more friendly to the environment. These practices are used for a variety of purposes, including pest management, nutrient management, irrigation water management, and crop residue management, and include techniques such as pest scouting; soil testing; applying fertilizer at or after, rather than before, planting; and conservation tillage.

Farmers' use of green practices varies widely among crops and from year to year, but some positive trends can be identified. For example, surveys show that no-till, a form of conservation tillage, occurred on nearly 15 percent of land planted to crops in 1996, up from 5 percent in 1989. Farmers have also been improving irrigation water management by switching from gravity-flow irrigation to pressurized sprinkler irrigation, by scheduling irrigation according to plant needs, and by using improved gravity irrigation practices.