In This Issue . . .

Yearend ag-sector wrap-up . . . China's feed industry . . . Global rice trade . . . EU looking east . . . Crop insurance demand

The Ag Sector: Yearend Wrap-Up

The U.S. farm sector saw cash receipts slide in 1999 as supplies rose and farm prices fell overall. But record government payments are expected to pull up net cash income to just below the 1997 record. With national average crop yields high and export demand stagnant over the last 3 years, stocks are mounting for key commodities, including wheat, corn, soybeans, cotton, and rice. Field crop prices have fallen from record or near-record levels in the mid-1990's to the lowest in many years. Although total meat production is forecast record large in 1999, some livestock prices, particularly for cattle, are showing signs of recovery. Farm financial conditions on average remain strong, but regional fortunes vary significantly, depending on the mix of production and local weather.

The Long-Term Boom in China's Feed Manufacturing Industry

China's feed manufacturing sector is expanding rapidly as livestock production shifts from a sideline—feeding farm byproducts to very few animals—into a full-time occupation—feeding purchased feedstuffs to a relatively large number of animals. China may continue to resist importing complete feeds as it emphasizes self-sufficiency in grain production, but imports of nongrain feed ingredients will likely expand. For U.S. exporters of oilseeds, oilseed meals, and feed additives, medium- and long-term prospects remain positive as China's livestock and feed sectors prepare to respond to growing consumer demand.

Rising Milk Production Restrains Prices

Milk production gains likely will exceed demand growth for the remainder of 1999 and into early 2000, leaving farm-level milk prices somewhat weak in first-half 2000 and pulling down the projected annual average by 8-12 percent from 1999. Prices are forecast to recover in second-half 2000 as rises in milk production start to abate and demand growth remains firm.

Larger Citrus Crop Expected in 1999/2000

The 1999/2000 citrus crop is expected up 20 percent from last year as better weather conditions so far in California and Florida promise substantially larger orange, lemon, and tangerine crops. Oranges for fresh use should be in ample supply this winter, and both growers and consumers will likely see lower prices than last year.

Abundant World Rice Supplies Pull Down Prices

International rice prices have declined sharply this year in the face of large supplies in nearly all exporting countries and weaker global demand stemming from a production rebound in major importing countries. World rice trade is projected to fall 11 percent in 1999 from last year's record 27.3 million metric tons (milled basis). Indonesia, Bangladesh, the Philippines, and Brazil—the four largest rice importing countries—are responsible for the bulk of the 3-million-ton drop. Global trade is projected to drop in 2000 as well. With a record 1999 U.S. crop and lower export demand, the U.S. season-average 1999/2000 farm price is projected to drop about a third to $5.50-$6 per cwt, with a midpoint the lowest since 1986/87.

Profiling Crop Insurance Purchasers

Demand for crop insurance has increased recently as commodity program changes followed passage of the 1996 Farm Act, Federal insurance premium subsidies rose, and several new revenue insurance products were introduced. USDA's Economic Research Service examined three factors affecting demand for insurance—farmers' risk characteristics, farm income level, and insurance cost—based on data from Iowa corn and soybean producers who purchased yield and revenue insurance in 1997. Study results suggest that by considering risk and other characteristics associated with farmers who buy different types of contracts, it may be possible to structure insurance rates to more closely reflect farmers' risk profiles and may lead to a more self-sustaining agricultural insurance industry.

Agriculture in Poland & Hungary: Preparing for EU Accession

Several Central and East European countries (CEE's), including Poland, Hungary, and the Czech Republic, are likely to join the European Union (EU) in the next decade. CEE economies will benefit from the inflow of structural funds (e.g., for developing institutions and infrastructure), and CEE farmers will benefit from price and income supports enjoyed by EU-15 farmers. But many CEE producers, especially in Poland, are dubious about their ability to compete with high-quality EU products in a single market, particularly when costs of adopting EU regulations raise farmers' production costs. USDA's Economic Research Service recently analyzed the effects of enlargement on farm production and trade. Among the conclusions: enlargement could lead to EU surpluses of rye, beef, and pork, and as a result the EU could have difficulty meeting commitments on limiting beef and pork export subsidies.