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Net Farm Income To Decline but Remain Near 1990-98 Average

USDA's financial outlook for U.S. agriculture remains generally favorable, despite recent price collapses for many commodities. With prospects of lower production expenses and additional government payments authorized by recent legislation, net farm income for 1999 is forecast down $3.4 billion to $44.6 billion, still near the 1990-98 average. Farmers' equity should increase for the 10th straight year, reflecting the combination of a relatively small increase in agricultural assets and a modest decline in farm debt. Nonetheless, specific segments of the industry and areas of the country will continue to have cash flow problems.

Financial Crises Abroad, Lower Feed Costs Shape Broiler Prospects

Economic crises in Asia and Russia have combined to depress U.S. poultry export projections for 1998 and 1999, especially for broilers. The 1998 broiler export estimate has been lowered to 4.5 billion pounds and the forecast for 1999 reduced to 4.3 billion. With the export market impact on dark meat, which represents only 25-35 percent of the value of a broiler, the strength of the domestic market has offset potential negative effects on profitability. U.S. broiler producers' net returns were near record levels this summer as wholesale meat prices have been up and feed costs below a year earlier. As a result, U.S. broiler production is expected to grow about 5 percent in 1999.

Green Industry Receipts Grow Despite Imports

The U.S. green industry—producers of indoor and outdoor flowers and plants—has seen cash receipts rise an average $500 million per year for more than a decade despite a steady loss of domestic market share to foreign growers. Consumer confidence in a robust economy, and low interest rates that spur new housing and businesses, will push retail floral and plant product purchases to a record $54.6 billion in 1998, up $2.9 billion from 1997.

Cigarette Price Increase Follows Tobacco Pact

Key elements of the recent agreement between the tobacco industry and state attorneys general require manufacturers to pay $206 billion to states over a 25-year period (including $300 million annually for research to reduce youth smoking and to support other anti-smoking measures). Combined with expenses from four previous state settlements, the agreement will have an inflationary effect on cigarette prices—the wholesale price, including tax, has already gone up nearly 50 percent since January 1998. Cigarette consumption is expected to decline, curbing demand for tobacco leaf and reducing marketing quota levels.

Farming Under Contract

Nearly $60 billion of U.S. crops and livestock—about one-third—was grown or sold under contract in 1997, according to USDA's Agricultural Resource Management Study, and more than 1 in 10 farm operators reported income from contractual arrangements. Two-thirds of farms with contracts (marketing and/or production) in 1997 were small family farms (sales under $250,000), but larger family farms (sales $250,000 and over) and nonfamily farms accounted for more than three-fourths of the value of products grown and sold under contract.

Conservation on Rented Farmland: A Focus on U.S. Corn Production

Analysis by USDA's Economic Research Service indicates a significant relationship between land tenure and corn farmers' decisions to adopt certain conservation practices. Based on 1996 data, cash-renters and share-renters are less likely than owner-operators to adopt contour farming, strip cropping, or grassed waterways—practices offering only longer term benefits. Cash-renters are also less likely to adopt conservation tillage, a practice that provides short-term profits as well as longer term benefits, while share-renters adopt this practice at about the same rate as owner-operators. These findings may have implications for agricultural resource use and environmental quality. If the percentage of farmland rented, especially through cash leases, continues to rise as it has in recent decades, future adoption of certain conservation practices, at least for corn producers, may be lower than otherwise expected.

Technology Eases Perishables' Journey

Advances in transportation technology have extended the marketing reach of U.S. perishable products by reducing delivery times, maintaining product quality, and reducing costs. The revolution in perishable product shipping technology began with containerization—handling standardized containers filled with cargo, rather than the cargo itself. Next came "reefers"—20- or 40-foot boxes with refrigeration units—and a further refinement—controlled atmosphere technologies—allowed shippers to regulate gases and humidity within containers to slow ripening, retard discoloration, and maintain freshness. Conventional refrigerated carriers are meeting the container ship challenge by concentrating into larger firms, utilizing capacity more effectively year-round, speeding cargo handling, and installing highly efficient refrigeration systems.