

# AGRICULTURAL OUTLOOK



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**Cover Photo:** Sugarcane harvest, Louisiana

# The Florida Freeze . . . China's "Grain Bag" Policy . . . U.S. Sugar Output & Consumption . . . & Egypt's Poultry Industry

## Florida Freeze Heats Up Vegetable Prices

*Mother Nature* delivered the latest in a series of setbacks for growers of Florida winter vegetables, with a devastating freeze the mornings of January 18 and 19. The freeze caused substantial damage to U.S. supplies of tender warm-season winter vegetables (e.g., squash, snap beans, bell peppers, eggplant, and tomatoes). Losses in Dade County alone were estimated close to \$100 million.

The freeze impact on retail prices is likely to last until late April. The revised USDA forecast for consumer prices in first-half 1997 indicates a rise of 6-7 percent compared with a year earlier. The CPI rise is moderated by stable prices for a number of fresh vegetables largely unaffected by the freeze.

## U.S. Sugar Consumption Continues to Grow

*U.S. sugar consumption* is forecast at 9.8 million short tons (raw value) in 1996/97, up from 9.6 million last year. If the forecast is realized, sugar consumption will have risen by about 1 million tons in 6 years, implying a per capita increase of 2.5 pounds. Continued growth in domestic sugar consumption has become more important for domestic producers since passage of last year's Farm Act, which suspended USDA's authority to restrict marketings of domestic sugar when supplies depressed prices. Combined with changes to the price support loan program, this means prices could drop if production outpaces consumption.

U.S. sugar production for 1996/97 is projected at 7.29 million tons (raw value), down about 80,000 tons from last year. Beet sugar production is projected to be 55 percent of the total, at 4 million tons, well below the record 4.5 million tons 2 years earlier. U.S. sugar beet acreage is likely to rise in 1997/98, with prices at planting time higher than the previous year.



## China: Retreating from Ag Reform?

*While market forces* are increasingly important in China's economy, the government since 1994 has intensified its role in the markets for several basic agricultural commodities. This policy reversal—which has boosted grain production and reduced imports—was a response to higher inflation, concerns for food self-sufficiency, and a decline in grain acreage. With the success of China's policy turn at boosting grain production, world demand for these crops may dampen in the short run. But based on projected gains in population and grain demand for the next decade, China's demand for grain will outpace production, requiring expanded imports.

## Sustainable Agriculture Incentives

*The concept of sustainable* agriculture integrates technologies and practices that are as profitable as conventional farming methods but more environmentally responsible. The 1996 Farm Act created new programs and extended existing ones, providing incentives to farmers to adopt sustainable practices. Several other policy options could also bolster incentives. For example, more sustainable

technologies might be adopted more quickly if farmers could purchase insurance to offset any risks that accompany the application to particular sites. Or, farm credit policies could be restructured so that farmers could finance the costs of switching to a new technology regime.

## Egypt's Poultry Industry Drives Feed Imports

*Egypt is the Middle East's* fastest growing and largest market for U.S. agricultural exports, with purchases of \$1.5 billion in fiscal 1996, up from \$613 million in 1994. The substantial increase is due partially to higher global prices of wheat and feed grains, but also to increased shipments of feed grains and of oilseeds and products. Import demand has grown as Egypt's poultry industry expanded in the 1990's.

Egypt's per capita poultry consumption (5.8 kilograms in 1996) has been climbing steadily the past 5 years, driven by rising incomes. Egypt's feed import requirements may decline on or before 2000 when it is expected to lift a ban on poultry imports—a commitment under acceptance into the World Trade Organization. The U.S. is likely to continue to supply much of Egypt's feed grain needs and be in a good position to tap the poultry meat market when the ban is lifted.

## Food-Aid Grain Needs Are Down

*Sixty-five developing countries* would need 9 million tons of grain food aid in 1996/97 to maintain per capita consumption at the previous 5-year average. But that figure is down 5 million tons from 1995/96 aggregate needs. In a study of 65 major food-aid recipient countries, USDA's Economic Research Service also found that the "grain deficit" is down in all eight regions covered by the study. Favorable weather and expanded plantings allowed most low-income countries to maintain recent consumption levels while reducing imports and avoiding high global grain prices in 1996.