

## Year-2000 forecasts for U.S. economy & farm income...China's water resources...Trade & global financial crises...Farm safety-net ideas

### Decline in U.S. Farm Income Tempered by Government Payments

*The cumulative effect* of 4 consecutive years of bumper crops in major agricultural producing countries is bearing down on U.S. farm income. Since little or no growth is expected for farm product demand in the near term, field crop prices are unlikely to improve. Net farm income is forecast at \$40.4 billion in 2000, a decline of \$7.6 billion from the preliminary estimate for 1999. In 1998 and 1999, the U.S. government helped maintain farm income and temper financial hardship for many producers by enacting emergency legislation to increase assistance to farmers. For 2000, government payments are forecast at \$17.2 billion, accounting for 8 percent of projected gross cash income—a \$5.5-billion decline from 1999's estimated record of \$22.7 billion.

### U.S. Economy Shows Continuing Strength

*U.S. economic expansion continued* in 1999 near the 4-percent rate of 1997 and 1998, but growth in Gross Domestic Product is expected to slow slightly in 2000 to 3.5 percent. Over 2.5 million jobs will be added in 2000, and compensation will rise 3.6 percent overall, triggering a strong rise in personal income. Solid consumer spending growth brought on by rising personal income and stock market returns in 1999 will slow in 2000, but should be strong. The robust 1999 economic growth was spurred by consumer and investment spending, which more than offset the rise in the trade deficit.

### Analyzing Farm Safety-Net Scenarios

*USDA's Economic Research Service* (ERS) has analyzed the concept of government assistance to agriculture based on ensuring some minimum standard of living for farm households. Guided by examples from existing Federal programs for low- and middle-income households, ERS constructed several safety-net scenarios for assisting farm households, retaining current government commodity programs. Results indicate, for example, that households of almost all farms classified



as *limited-resource* in the ERS farm typology would receive safety-net payments, compared with less than one-fifth who received direct government payments in 1997. Total safety-net payments going to households of family farms with annual sales over \$250,000 would be half the amount of direct farm payments made to these farms in 1997.

### Ag Trade & International Financial Crises

*The 1997-99 international* financial crises that began in parts of Asia and spread to the former Soviet Union and Brazil led to currency depreciation, reduced economic growth, and higher interest rates in the crisis countries. Currency depreciation helped some agricultural producers in crisis countries by making their products more competitive in export markets and raising domestic prices. But consumption in crisis countries fell as depreciation brought on higher prices and as income declined. For the U.S., the financial crises, along with depressed global commodity prices, reduced agricultural exports and decreased the agricultural trade surplus, but lowered costs for imports and helped keep inflation in check. The recovery of the crisis economies in 1999 will help boost the volume of U.S. agricultural

exports in FY2000, although overall value is expected to remain flat.

### Growing Pressure on China's Water Resources

*In China, one of the world's* most water-deficient economies, water scarcity is viewed as a major threat to long-term food security. While the farm sector is by far the largest user of China's water resources, rapid population expansion and economic growth are raising demand for urban and industrial use. China's leaders state that urban and industrial users will have first priority and that the proportion of water for irrigation purposes will decrease incrementally in the next few decades. While some areas continue to use water at unsustainable rates, the dominant trend is for both policy makers and farmers to begin adjusting to conditions of less available water for agriculture. The effects on crop mix could have consequences for trade.

### Cigarette Consumption Declines As Prices Climb

*U.S. tobacco growers* continue to be significantly affected by the November 1998 tobacco settlement between cigarette manufacturers and state attorneys general. Manufacturers increased prices to cover costs of the settlement, pushing cigarette consumption to the lowest level since 1957 and reducing demand for tobacco leaf. With cigarette and tobacco leaf exports also falling, grower incomes are likely to decline.

### Tree Nut Supply Bountiful

*Record world supplies* of almonds, walnuts, and hazelnuts—the three most important tree nuts in terms of global production and trade—are pushing availability of tree nuts to all-time highs and depressing grower prices. This season's large supply and low nut prices overall will likely boost consumption and trade volume in the U.S. and abroad. U.S. exports of almonds are forecast to rise 13 percent from last year, due partly to a weakening U.S. dollar. Exports of U.S. walnuts are expected to reach a record high.