

Briefs



Jack Harrison

Field Crops

Overview: Major U.S. Field Crops

Weather conditions have been mixed this year for the major U.S. field crops as harvests near completion. A record crop is forecast for soybeans in 1997, and the third-highest output on record is expected for corn. U.S. wheat production is forecast to be the highest in 7 years—the Hard Red Winter production region has recovered dramatically from the 1995-96 drought, rebounding from low yields of the past 2 years and producing a record crop in Kansas. Rice production is also forecast to be higher in 1997, on the strength of a 13-percent jump in planted acreage.

With good harvests expected, season-average prices for wheat and soybeans are expected to drop significantly from last year. However, corn and rice prices are forecast to remain relatively firm in 1997/98 due to strong domestic and export demand.

Cotton production is forecast to be lower in 1997, as some acreage was diverted to soybeans, but output would still be the fourth largest on record.

U.S. farmers are forecast to harvest a record soybean crop in 1997, with production up 14 percent from last year. Extremely high soybean prices during the spring months triggered a 10-percent increase in seedings, resulting in the largest planted area of soybeans since 1982 and the third highest on record. In addition, timely rains during August in several midwestern states improved potential yields and helped to speed crop development.

Total soybean use is forecast up for 1997/98, as crushings are driven higher by near-record domestic use and exports of soybean meal. In addition, soybean exports are forecast record high in 1997/98 with a rapid pace of sales to China, the European Union, and Brazil. But with the largest U.S. soybean harvest in history and abundant international supplies anticipated, the U.S. season-average

farm price is forecast down sharply to \$5.75-\$6.85 per bushel, from \$7.38 in 1996/97.

U.S. corn production for 1997 is forecast up slightly from last year at 9.31 billion bushels, despite the highest planted corn acreage since 1985. After a very promising start to the season, crop conditions generally deteriorated from early July through the middle of August due to widespread dryness across the Corn Belt. Nevertheless, the 1997 corn crop is forecast to be the third largest ever.

Forecast total use in 1997/98 is up sharply from 1996/97. U.S. corn exports are expected to be 13 percent greater in 1997/98 as reduced competitor supplies—particularly in Argentina, South Africa, and China—lessen competition in international markets. Lower domestic feed grain prices have also boosted U.S. corn usage

U.S. Field Crops—Market Outlook

	Area		Yield	Output	Total supply	Domestic use	Exports	Ending stocks	Farm price
	Planted	Harvested							
	— Mil. acres —		Bu/acre	— Mil. bu —				\$/bu	
Wheat									
1996/97	75.6	62.9	36.3	2,285	2,753	1,308	1,001	444	4.30
1997/98	71.0	63.6	39.7	2,527	3,065	1,325	1,075	665	3.30-3.70
Corn									
1996/97	79.5	73.1	127.1	9,293	9,732	7,058	1,790	884	2.70
1997/98	80.2	74.0	125.8	9,312	10,206	7,400	2,025	781	2.55-2.95
Sorghum									
1996/97	13.2	11.9	67.5	803	821	569	205	47	2.34
1997/98	10.3	9.5	69.9	664	712	460	200	52	2.30-2.70
Barley									
1996/97	7.1	6.8	58.5	396	532	391	31	110	2.74
1997/98	6.9	6.4	58.3	374	524	357	70	97	2.25-2.65
Oats									
1996/97	4.7	2.7	57.8	155	319	250	3	67	1.96
1997/98	5.2	2.9	60.5	176	343	270	3	70	1.55-1.75
Soybeans									
1996/97	64.2	63.4	37.6	2,382	2,576	1,562	882	132	7.38
1997/98	70.9	69.8	39.0	2,722	2,859	1,629	960	270	5.75-6.85
Rice			Lbs./acre		— Mil. cwt (rough equiv.) —				\$/cwt
1996/97	2.82	2.80	6,121	171.3	206.3	102.8	76.4	27.1	9.90
1997/98	3.07	3.04	5,907	179.4	216.5	107.9	85.0	23.6	9.00-10.00
Cotton			Lbs./acre		— Mil. bales —				c/lb.
1996/97	14.6	12.9	707	18.9	22.0	11.1	6.9	4.0	69.3
1997/98	13.9	13.4	658	18.4	22.4	11.3	6.9	4.2	*

Based on October 10, 1997 *World Agricultural Supply and Demand Estimates*.

*USDA is prohibited from publishing cotton price projections.

See table 17 for complete definition of terms and data for prior years.

Economic Research Service, USDA

in 1997/98. Season-average farm prices for corn are forecast at \$2.55-\$2.95 per bushel, compared with \$2.70 in 1996/97 and a record \$3.24 in 1995/96.

The 1997 U.S. wheat crop is forecast 11 percent above last year and the largest in 7 years. Much of this increase resulted from a strong recovery in Hard Red Winter wheat production in the Southern and Central Plains. Yields in Kansas, Oklahoma, and Texas had been severely reduced the past 2 years because of prolonged dry conditions during critical growing periods and large areas of winterkill.

U.S. wheat exports are forecast slightly higher for 1997/98, due to production declines for several export competitors. But most of the increase in U.S. wheat production is forecast to build 1997/98 ending stocks, rising by 50 percent over 1996/97. As a result, 1997/98 U.S. farm prices are projected lower at \$3.30-\$3.70 per bushel, compared with \$4.30 in 1996/97.

Winter wheat planting for the 1998/99 crop year is currently underway in the Southern and Central Plains. Conditions are presently favorable because of abundant soil moisture in both Kansas and Oklahoma. The first USDA forecast of winter wheat seedings will be released on January 10, 1998.

U.S. rice production in 1997 is forecast to be nearly 5 percent larger than the 1996 crop on the strength of a significant expansion of planted acreage—up 13 percent. Higher output is expected in five of the six major rice producing states, with Texas the exception. Cold, wet weather in Texas this year delayed rice planting and emergence, resulting in the smallest rice crop since 1983. In California a record crop is expected, as a warm, dry spring promoted early completion of plantings, while a cooler-than-normal growing season benefited yields. And Arkansas, which generally accounts for 40 percent of the U.S. crop, is forecast to have its second-highest yield on record, producing a bumper crop.

World Commodity Market Outlook

	Year	Production ¹	Exports ²	Consumption ^{1,3}	Carryover ¹
<i>Million tons</i>					
Wheat	1996/97	582.7	117.0	578.0	108.4
	1997/98	600.6	111.4	581.6	127.4
Corn	1996/97	589.8	69.2	571.8	84.2
	1997/98	570.4	71.4	590.9	63.7
Barley	1996/97	153.3	16.3	149.7	23.3
	1997/98	154.9	16.3	153.3	24.9
Rice	1996/97	380.0	18.9	376.2	53.9
	1997/98	380.9	19.8	381.4	53.3
Oilseeds ⁴	1996/97	257.2	46.7	218.0	16.2
	1997/98	276.4	50.6	224.9	21.6
Soybeans ⁴	1996/97	131.4	36.0	135.6	12.8
	1997/98	147.2	38.6	141.9	18.2
Soybean meal ⁴	1996/97	92.3	33.9	92.4	4.1
	1997/98	96.7	35.2	96.8	4.1
Soybean oil ⁴	1996/97	20.7	5.9	20.9	2.3
	1997/98	21.8	6.2	22.0	2.2
<i>Million bales</i>					
Cotton	1996/97	89.0	26.6	88.1	36.4
	1997/98	89.9	27.3	90.1	35.8

1. Aggregate of local marketing years. 2. Wheat, July-June; coarse grains, October-September; cotton, August-July. Rice trade is for the second calendar year. All trade includes trade among countries of the former Soviet Union. All grain trade excludes intra-EU trade; oilseed and cotton trade include intra-EU trade. 3. Crush only for soybeans and oilseeds. 4. Brazil and Argentina adjusted to October-September. Economic Research Service, USDA

Total U.S. rice use is forecast 8 percent higher in 1997/98, driven mainly by increased exports, primarily to Latin America. Despite greater supplies, the projected higher use results in a stocks-to-use ratio that would be the lowest since 1980/81. This has helped to support the season-average farm price, forecast at a robust \$9-\$10 per cwt, compared with \$9.90 in 1996/97.

Cotton production is forecast to decline 3 percent in 1997 as acreage reductions occurred in Louisiana, Mississippi, and Tennessee. Higher prices of soybeans relative to cotton at planting time encouraged greater soybean area, largely at the expense of cotton. Despite lower acreage this year, 1997 is forecast to be the fourth-largest cotton harvest on record as crop conditions have improved continually through the growing season.

Slightly stronger domestic mill use and exports are forecast for 1997/98, resulting in a moderate buildup in projected ending stocks. The pace of cotton export sales to several major buyers to date, including Mexico, Japan, and South Korea, has been strong.

Mark Simone (202) 694-5312
msimone@econ.ag.gov

For further information, contact:

Dennis Shields and James Barnes, domestic wheat; Ed Allen, world wheat and feed grains; Allen Baker and Pete Riley, domestic feed grains; Nathan Childs, rice; Scott Sanford and Mark Ash, oilseeds; Steve MacDonald, world cotton; Les Meyer, domestic cotton. All are at (202) 694-5823. 

Briefs

Livestock, Dairy, & Poultry**Growing U.S. Supplies, Uncertain Demand Pressuring Meat Prices**

Increasing U.S. supplies of meats—both seasonal and year-over-year—are pressuring prices of pork and broilers downward this fall. At the same time, meats continue to trade under the shadow of uncertain domestic and international demand. Hog and broiler prices have been hit hardest by a combination of expected large production increases (6-9 percent) in 1998 and current exports falling below early expectations, especially for pork. Although the recent cattle herd liquidation is expected to lead to a fall of about 2 percent for beef production in 1998, beef prices will be pressured by lower prices for pork and chicken.

U.S. hog prices fell over \$10 per cwt over the last 3 months, from the high \$50's per cwt in July to the mid-\$40's in October. During the same period, broiler prices dropped close to 10 cents per pound, from the mid-60's to the mid-50 cents. Choice steer prices remain steady in the mid-\$60's per cwt. In the final quarter of 1997, hog prices are expected to remain in the mid-\$40's, and broiler prices are expected to recover slightly but remain in the mid-50-cents range, while Choice steers move up slightly into the high \$60's per cwt.

High-value wholesale broiler and pork cut prices also declined sharply from July to early October. Chicken breast meat prices dropped from 99 cents to 74 cents per pound, and whole pork loin prices declined from \$123 per cwt to around \$100. These lower prices will make chicken breasts and pork chops more attractive for retail featuring than the more expensive Choice beef cuts, limiting the competitive position of Choice beef.

Despite recent price pressure, hog and broiler producers' returns have been relatively favorable this year, and since feed costs in 1998 are expected to be somewhat lower than this year, expectations are for continued expansion in both

industries. The September *Hogs and Pigs* report confirms the June report that producers are planning to increase the number of sows farrowing in the coming months—farrowing intentions for September 1997–February 1998 are up 7 percent over actual farrowings a year ago. On September 1, the broiler hatchery supply flock was 5 percent higher than a year ago, which would support a large increase in production.

In contrast, beef cow numbers were down 3 percent as of July 1, predicting a smaller 1997 calf crop than in 1996. A smaller number of calves will tighten feeder cattle supplies in the coming year, reducing the number of cattle placed on feed and ultimately the supply of U.S. beef.

Slower-than-expected increases in export sales of broilers and pork have influenced the recent weakening of prices. Although broiler exports in 1997 are expected to grow about 5 percent, they are well below the double-digit growth forecast earlier this year and witnessed over the past several years. While export growth to Russia, other Newly Independent States (NIS), and Mexico has shown strong gains, the overall increase has been moderated by falling sales to many Asian markets. The forecast for 1998 is for only a 2-3-percent

increase in broiler exports, as a result of a gradual slowdown in expansion of exports to Russia and continued strong competition in Asian markets from China, Brazil, and Thailand.

In the six largest Asian markets (Hong Kong, Japan, China, Singapore, Korea, and Taiwan), U.S. broiler exports fell 19 percent in the first half of 1997. Broiler producers in China have provided strong competition, expanding their share of the Japanese market, especially for deboned leg meat. Thailand, which had been losing market share in Japan, will also become a much stronger competitor with the large devaluation of the Thai baht. A substantial share of the decline in U.S. broiler product exports to the Asian markets, however, can probably be attributed to strong competition from other U.S. poultry products. Gains in exports of turkey products and mature chicken (spent laying hens) have almost totally offset the decline in broiler sales.

Broiler exports are seeing seasonal strengthening in the second half of 1997, with gains to Mexico and Russia offsetting lower shipments to Asia. The chief uncertainty in the Asian markets is whether the economic downturns and currency devaluations in Thailand and

Wholesale Turkey Prices on the Rise

Lower whole-turkey stocks and continuing strong export sales are expected to keep wholesale hen turkey prices above last year, although turkey production is expected to increase 1-2 percent this fall. Slightly lower turkey meat production in the first half of this year, and strong exports, have pulled down whole-bird stocks to 3 percent below last year (as of August 31).

Although wholesale turkey prices are expected to be about 2 cents per pound higher than last year, early-November retail prices (typically loss leaders for Thanksgiving shopping) are expected to be near those of 1996. Retailers will likely absorb the additional difference to guard market share against the extremely competitive position of hams.

Turkey processing margins have been negative since January, but are expected to turn positive as wholesale prices experience their typical rise prior to Thanksgiving. Average returns are still expected to be negative for the year, but should be considerably better than last year's loss of 6 cents per pound, in part because of lower feed costs.

The competition between hams and turkeys is usually more intense for Christmas than Thanksgiving, but August 31 stocks of hams in cold storage were 39 percent higher than a year earlier. Ham prices in September were down nearly 25 percent from a year ago, and pork production, expected up about 2 percent for the remainder of the year, should keep ham prices down.

U.S. Livestock and Poultry Products—Market Outlook

		Beginning stocks	Production	Imports	Total supply	Exports	Ending stocks	Consumption		Primary market price	
								Total	Per capita		
								<i>Million lbs.</i>		<i>Lbs.</i>	<i>\$/cwt</i>
Beef	1997	377	25,407	2,467	28,251	1,918	400	25,933	67.2	66.67	
	1998	400	24,931	2,680	28,011	2,095	350	25,566	65.7	70-76	
Pork	1997	366	17,067	620	18,053	1,064	400	16,589	48.0	52.48	
	1998	400	18,532	615	19,547	1,150	380	18,017	51.7	45-49	
Broilers*	1997	641	27,174	4	27,820	4,630	650	22,540	73.1	59.8	
	1998	650	28,953	3	29,606	4,750	750	24,106	77.5	57-62	
Turkeys	1997	328	5,399	1	5,728	547	325	4,856	18.1	66.6	
	1998	325	5,656	1	5,982	575	325	5,081	18.8	62-67	
Eggs**	<i>Million doz.</i>								<i>No.</i>	<i>c/doz.</i>	
	1997	8.5	6,437.9	5.4	6,451.8	220.0	10.0	5,325.7	238.5	79.9	
1998	10.0	6,580.0	4.0	6,594.0	255.0	10.0	5,389.0	239.1	72-78		

Based on October 10, 1997 *World Agricultural Supply and Demand Estimates*.

*Cold storage stocks previously classified as "other chicken" are now included with broiler stocks. **Total consumption does not include eggs used for hatching. See tables 10 and 11 for complete definition of terms.

Economic Research Service, USDA

other Southeast Asian countries will lower overall demand for poultry meats and increase the price of U.S. products relative to those from Thailand or China.

Over the last several years, the increase in exports to Eastern Europe and NIS has been the central factor in overall growth of U.S. broiler exports. The breakup of the Soviet Union and the resulting shift from government-controlled agricultural production to a more market-oriented structure had led to a large decline in domestic poultry production and the need for large imports. Changes in the agricultural sectors in these countries will likely continue to hold the key to growth in U.S. broiler exports.

USDA has lowered its forecast for U.S. pork exports for 1997 and 1998, due largely to weaker Japanese import demand than anticipated. The U.S. is expected to export a total of 1.064 billion pounds of pork in 1997, down 22 percent from the April forecast following the foot-and-mouth disease (FMD) outbreak in Taiwan in March. Exports in 1998 are expected to be 1.15 billion pounds, down 27 percent from the initial May forecast.

Higher pork prices this year in Japan and the U.S., particularly since the FMD outbreak, have reduced Japanese pork consumption and limited U.S. exports to Japan. The Japanese government even took the unusual step of waiving the 4.7-percent tariff on pork imports for the month of August to increase available pork supplies and moderate high domestic prices. U.S. pork has also faced increased competition for the Japanese import market; Canada and South Korea, in particular, have been aggressively marketing pork to Japan since last spring.

Additional difficult-to-measure factors may be moderating demand for U.S. pork in Japan. Food safety concerns may have caused a shift in demand away from imported products. It is difficult to determine whether reluctance to consume imported meat products indicates a permanent shift in Japanese consumer preferences, or whether consumers will resume more normal consumption patterns as *E. coli* outbreaks decline and animal disease problems such as BSE and FMD come under control.

Japanese pork demand may also be affected by consumer responses to differences in appearance and taste between U.S. and

Asian pork. Pork produced in Taiwan, for example, is darker in color, sweeter in taste, and somewhat tougher in texture than U.S. pork. The absence of the anticipated surge in Japanese demand for U.S. pork products since the FMD outbreak in Taiwan, could be a signal that Japanese consumers view U.S. pork as a distinct product rather than a substitute for pork produced in Taiwan or Japan. Macroeconomic factors in Japan—continued slow income growth, an increase in the consumption tax in the second quarter, and continued appreciation of the U.S. dollar relative to the yen—are also likely slowing demand for U.S. pork.

While forecasts for exports to Japan have moderated, U.S. shipments to Canada, Mexico, and South Korea have increased so far in 1997 and are expected to continue to rise into 1998. U.S. pork exports have filled the gap in the Canadian market created by exports of Canadian hogs to the U.S. and by concerted efforts by Canadian packers to increase market share in Japan. Exports of Canadian hogs to the U.S. are expected to moderate in 1998, however, as Canadian packers bid more aggressively for hogs to fill new, lower cost packing capacity and continue their efforts to service the growing export market in Japan.

Briefs

Mexican economic growth has translated into a 38-percent increase in imports of U.S. pork, and first-half 1997 U.S. pork imports by South Korea are 40 percent greater than in 1996. Continued growth in U.S. exports to Korea is expected, following Korea's July 1 liberalization of its frozen pork import market structure in accordance with WTO commitments.

For further information, contact:

Leland Southard, coordinator; Ron Gustafson, cattle; Shayle Shagam, beef trade; Leland Southard, hogs; Mildred Haley, pork trade; Jim Miller, domestic dairy; Richard Stillman, world dairy; Milton Madison, domestic poultry and eggs; David Harvey, poultry and egg trade, aquaculture. All are at (202) 694-5797. **AO**

World Trade

What Determines U.S. & EU Trade Market Shares?

A common perception is that the European Union (EU) has become an important export supplier of agricultural commodities solely because of the Common Agricultural Policy (CAP) which provides large subsidies for European farmers. However, policies affecting supply are only part of the equation affecting aggregate market share. Shifts in the composition of world demand for agricultural goods can also alter the relative importance of the U.S., the EU, and other agricultural supplying nations.

Income growth, technological change, and the lowering of trade barriers have increased worldwide trade in consumer-oriented processed products, especially since the early 1980's. Trade of fresh produce and chilled meat among developed countries has also sharply accelerated, because of greater efficiencies in transportation. Increased competition in the shipping industry and improvements in container technology permit perishables to be transferred seamlessly across road, rail, and water. Expanding imports of

higher valued agricultural products by the newly industrializing countries have out-paced expansion of wheat, rice, and other bulk-commodity imports. This changing commodity mix of global agricultural trade has affected the market shares of both the U.S. and the EU.

Aggregate market shares of the U.S. and EU are weighted averages of market shares in all foreign commodity markets. The weights are a country's share of the world market for a specific commodity. Changes in the importance in world trade of *bulk commodities* (unmilled grains and oilseeds), *intermediate products* (feed, flour, and refined sugar), *horticultural and fresh produce* (fruits, vegetables, and flowers), and *consumer-ready processed products* (grain-based foods, meat, and beverages) help explain changes in U.S. and EU market shares.

The longrun share of bulk commodities in world agricultural trade has, with the exception of an interlude during the 1970's, steadily declined, and the share of consumer-ready processed products has increased. In contrast, the relative importance of intermediate agricultural commodities did not change appreciably throughout the 1962-94 period.

The U.S. is the world's principal supplier of wheat, corn, and soybeans. Bulk commodity exports comprised about 60 percent of total U.S. agricultural shipments between 1962 and 1994. In the early 1970's, the Soviet Union shifted away from a policy of self-sufficiency and began importing grain. In the same period, floods ravaged South Asia, and droughts plagued Sub-Saharan Africa. As a result, the relative importance of bulk commodities in world trade increased, and total U.S. agricultural market share soared.

Between 1970 and 1981, the U.S. market share jumped nearly 7 percentage points, and 82 percent of the gain was from bulk commodities. In contrast, bulk commodities contributed only 20 percent to the 5-percentage-point rise in the EU agricultural market share during this period.

U.S. market share reached a high of 25 percent in 1981, then fell precipitously, dropping more than 7 percentage points to just under 18 percent by 1986. Part of

the U.S. market-share decline was due to the global recession and debt-repayment problems which hampered many developing countries' ability to pay for bulk-commodity imports. As aggregate EU market share was climbing, U.S. market share declined because the structure of world agricultural trade moved away from bulk commodities.

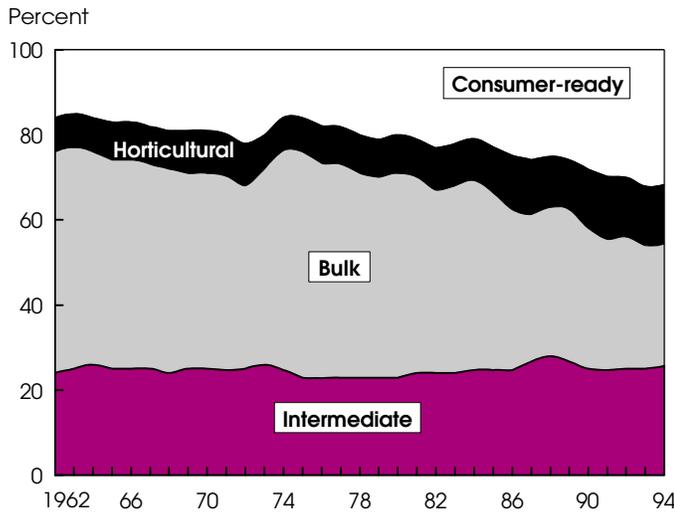
Consumer-ready processed products are a significant and growing component in EU agriculture. Exports from this sector comprised 45 percent of total EU agricultural exports as early as 1962. Mirroring global trade, the composition of EU agricultural exports has moved toward more consumer-ready processed products. By 1994, these products comprised 55 percent of total EU agricultural exports. Much of the increases in aggregate EU market share can be explained by shifts in world agricultural trade toward more consumer-ready processed products, goods in which the EU had retained higher market shares than for the bulk commodities.

The growing importance in world trade of consumer-ready processed products as well as horticultural and fresh produce accelerated between 1986 and 1994. Collectively, these two consumer-oriented product sectors contributed more than 3 percentage points to U.S. market share during this period. The U.S. also increased its shares in most bulk-commodity markets at this time, but this improved performance did not translate into a higher U.S. aggregate share for agricultural exports because the importance of bulk commodities continued to decline in global trade.

Market distortions, induced by policies such as the CAP, affect the individual commodity market shares of the U.S. and the EU. However, the changing mix of demand for commodities also influences aggregate shares. Changes in aggregate market share of the U.S. and the EU reflect not only shifts in performance in individual commodity and product markets but also shifts in the structure of world agricultural trade.

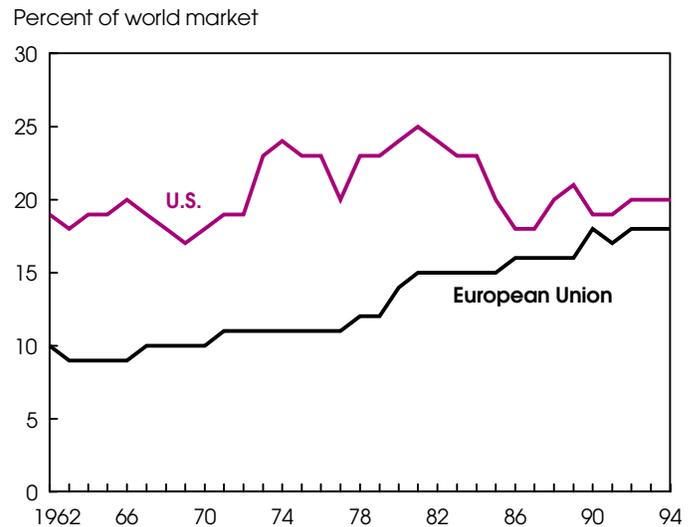
Thomas L. Vollrath (202) 694-5285 and Mark J. Gehlhar (202) 694-5273
thomasv@econ.ag.gov
mgehlhar@econ.ag.gov **AO**

Consumer-Ready Products Account for Rising Share Of World Ag Trade



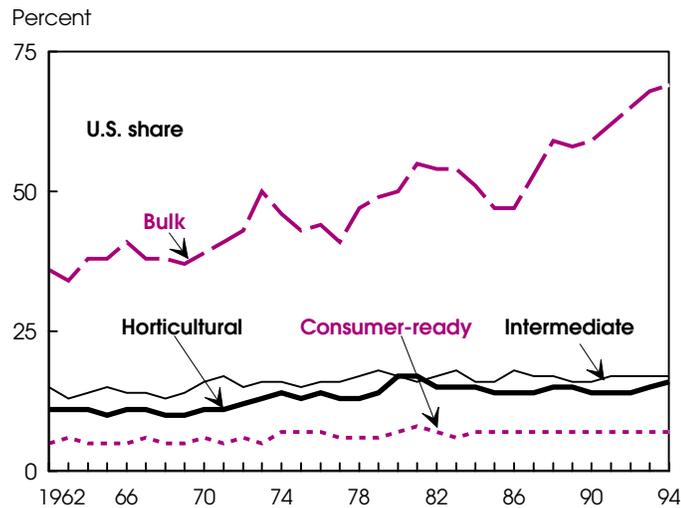
Intra-EU trade excluded from world totals.
Economic Research Service, USDA

U.S. Lead Over EU's Ag Market Share Has Narrowed



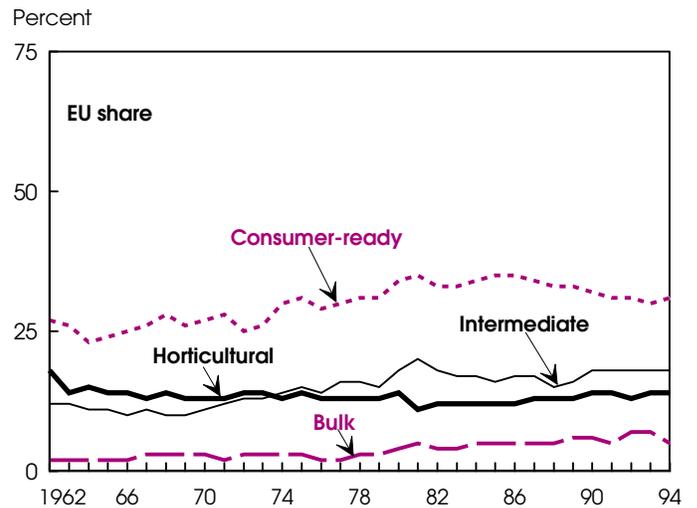
Intra-EU trade excluded.
Economic Research Service, USDA

U.S. Dominates World Market in Bulk Ag Commodities . . .



Intra-EU trade excluded from world totals.
Economic Research Service, USDA

. . . While EU Is a Major Supplier of Consumer-Ready Products



Intra-EU trade excluded.
Economic Research Service, USDA