

Rice Outlook...Livestock Sector in China...Cotton Textiles... WTO Environmental Issues

China's Livestock Sector Growing Rapidly

China is among the world's largest producers and consumers of animal proteins. Although current per capita consumption of animal proteins is lower in China than in wealthier nations, it is increasing rapidly as China's economy and personal incomes grow. Increasing overall population and rural-to-urban migration is expected to foster continued rapid growth in demand for animal products. Despite measures to increase feed efficiency, China has the potential to become a growing market for feedstuffs and/or animal protein imports, as demand for meats, fish, eggs, and milk is expected to outstrip domestic feedgrain supplies. And because of the sheer size of China's livestock sector, even relatively small changes in either livestock inventory growth or meat demand trends can have notable impacts on global trade projections for feedstuffs or animal proteins.

Environmental Policy & the WTO

The World Trade Organization (WTO) recognizes that environmental protection is a legitimate policy goal, despite the fact that environmental policies can effectively alter production and price levels and thus affect trade patterns. When environmental policies affect trade and production only minimally, the "green box" provisions of the Uruguay Round Agreement on Agriculture permit such policies to be exempt from a country's commitments to reduce support to agriculture. Discussions between now and the conclusion of the WTO mini-round on agriculture scheduled to begin in late 1999 may address a number of unresolved questions, such as how to assess the tradeoff between environmental protection and trade distortion and how to interpret "minimal trade-distorting effects."

U.S. Rice Prices Firm Despite Bumper Supplies

Relatively high prices at planting pulled up U.S. rice area more than 5 percent in 1998 from a year earlier to nearly 3.22 million acres, the second consecutive annual increase. The larger planted area will more



than offset a drop in yield to produce the third-largest rice crop on record. U.S. farm prices are projected to remain firm during the 1998/99 marketing year, given expectations of record domestic use, continued strong exports, and smaller ending stocks.

Global rice production is projected to drop more than 2 percent from the 1997/98 record of 385.4 million tons, a result of weaker crops in several major Asian rice producing countries, particularly China and India. The low level of global stocks relative to use will likely have minimal impacts on world trade and international prices, as supplies in these two countries remain adequate for domestic needs and as several exporting countries—particularly Thailand, Vietnam, and Pakistan—are projected to produce large crops in 1998/99.

Textile Imports & Cotton Production Weave New Relationship

U.S. imports of cotton textiles and apparel have been rising during 1998 at twice the average rate of the last decade. In part because of this import surge, U.S. textile mills are expected to use less cotton fiber in 1998/99. The U.S. milling industry purchases domestically produced cotton fiber almost exclusively, and farmers are seeing their best customer reduce its purchases.

At the same time, Asian textile exporters that traditionally ship to the U.S. are expected to enter the next century with weaker currencies and with notably lower wages and incomes than originally expected, making their exports more price-competitive. However, the increasing technical complexity and vertical integration of the U.S. textile industry, combined with several decades of global trade liberalization, will help U.S. cotton farmers continue to find both domestic and foreign customers for their fiber.

Hog Producers Signal Plans To Expand

Hog producers plan to continue increasing production over the next 6 months, according to the September *Hogs and Pigs* report, despite sharply lower hog prices. Large supplies of pork and competing meats have pushed hog prices nearly 40 percent below a year ago. This might have been expected to lead to a decline in farrowings, dampening prospective pork production gains next year. But many producers may be receiving higher prices through carcass quality pricing and forward contracts, and corn and soybean meal prices have declined this year. Consequently, returns to production may have dropped less sharply than the decline in average hog prices would suggest.

Sharp Decline For U.S. Orange Crop

After 2 years of record-setting citrus crops, adverse weather is expected to lower U.S. production 17 percent from last season. Wet and cool conditions have reduced production prospects in California, and wet weather in Florida this past winter followed by drought in the spring stressed orange trees. Florida's citrus crop is expected to drop about 18 percent from last year, with orange production accounting for most of the decline. The orange crop, primarily used for juice, is forecast at 8.6 million tons, down 22 percent from last year. Smaller crops in Florida and in Brazil, the world's other major orange juice producer, could boost grower prices this season, but large beginning stocks will partially offset declines in orange juice production.