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December 1986

A.E. Ext. 86-35

**New York
Economic Handbook
1987**

**AGRICULTURAL SITUATION
and OUTLOOK**

**Prepared by
Extension Staff**

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New York State College of Agriculture and Life Sciences
A Statutory College of the State University
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This publication contains information pertaining to the general economic situation and New York agriculture. It is prepared primarily for use of professional agricultural workers in New York state. USDA reports provide current reference material pertaining to the nation's agricultural situation.

"Current Economic Situation" is a two page monthly release that carries the latest figures for selected economic indicators and highlights current developments. This release is a supplement to the Economic Handbook and is available to anyone requesting to be on the mailing list by writing to Department of Agricultural Economics, Cornell University, 40 Warren Hall, Ithaca, New York 14853-7801.

REAL GNP,* 3RD QUARTER 1986 AND ANNUAL RATES OF CHANGE

	Bil. \$	Annual Rate of Change (constant prices)		
		<u>1984-85</u>	<u>1986(III)</u>	<u>1986-87</u>
Consumption	2,447 (64%)	3.5	6.5	3 to 4
Business investment**	451 (12%)	-2.3	-0.1	0
Residential construction	197 (5%)	3.9	9.7	0 to 4
Government	756 (20%)	11.2	7.6	3 to 5
Net exports	-164 (-4%)	-29.4	0	0 to 10
GNP	3,687	2.7	2.9	2.5 to 3.0

* in 1982 prices.

** adjusted for inventory change.

Increases in consumer spending, residential construction, and government purchases (mainly related to defense) have been the major contributors to economic growth during the past two years. The principal negative factor has been the rise in imports relative to exports (a negative value for net exports). While only a small part of the total economy, it clearly has been a significant drag on the rate of growth. Some improvement in the foreign trade sector is likely in 1987 owing to a cheaper dollar and perhaps a slightly higher rate of economic growth in countries that are potential buyers of U.S. goods and services.

Slow to moderate growth is likely to characterize the economy again in 1987. Tax changes favor consumers, but a high level of debt will act as a brake on increased consumer spending. No significant improvement is expected in spending for new plants and equipment.

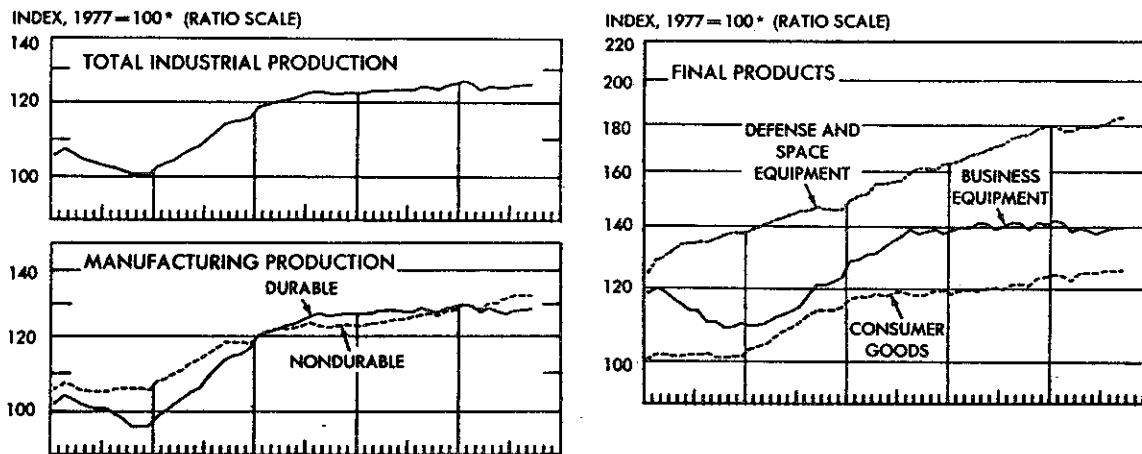
CHANGES IN REAL DISPOSABLE PERSONAL INCOME,
INSTALLMENT DEBT AND SAVINGS

	<u>Per cent change from preceding year</u>		<u>Installment debt as a per cent of disposable income</u>	<u>Savings rate (%)</u>
	<u>Disposable Income</u>	<u>Installment debt</u>		
1982	0	-1.2	14.5	6.8
1983	4.1	11.5	15.5	5.4
1984	5.4	15.9	17.0	6.3
1985	2.3	13.7	18.9	5.1
1986(III)	3.8	12.8	19.3	2.9

Based on statistics for the third quarter of 1986, real disposable personal income (income after taxes adjusted for inflation) has been increasing recently at a rate slightly greater than prevailed in 1985, but not as high as that prevailing in 1983 or 1984. Installment debt, however, continues to rise at double-digit levels. Over the past 5 years, installment debt outstanding has risen from around 14.5 per cent of disposable income to over 19 per cent. During the same period, the savings rate has declined from 6.8 per cent to less than 3 per cent; however, the rate prevailing in the third quarter of 1986 may be abnormally low.

No one knows just how much further installment debt can safely expand (on an aggregate basis), but it is clear that the current rate of growth in borrowing cannot be sustained indefinitely. Savings are at such a low level that one cannot anticipate much further increase in spending out of current income. Thus, despite the tax changes which will put more money in consumers' pockets, the rate of increase in consumer spending in 1987 is likely to be a little lower than in 1986. A slower rate of growth in consumer spending, especially for automobiles, will further discourage business investment.

INDUSTRIAL PRODUCTION, HOUSING STARTS
AND AUTO SALES



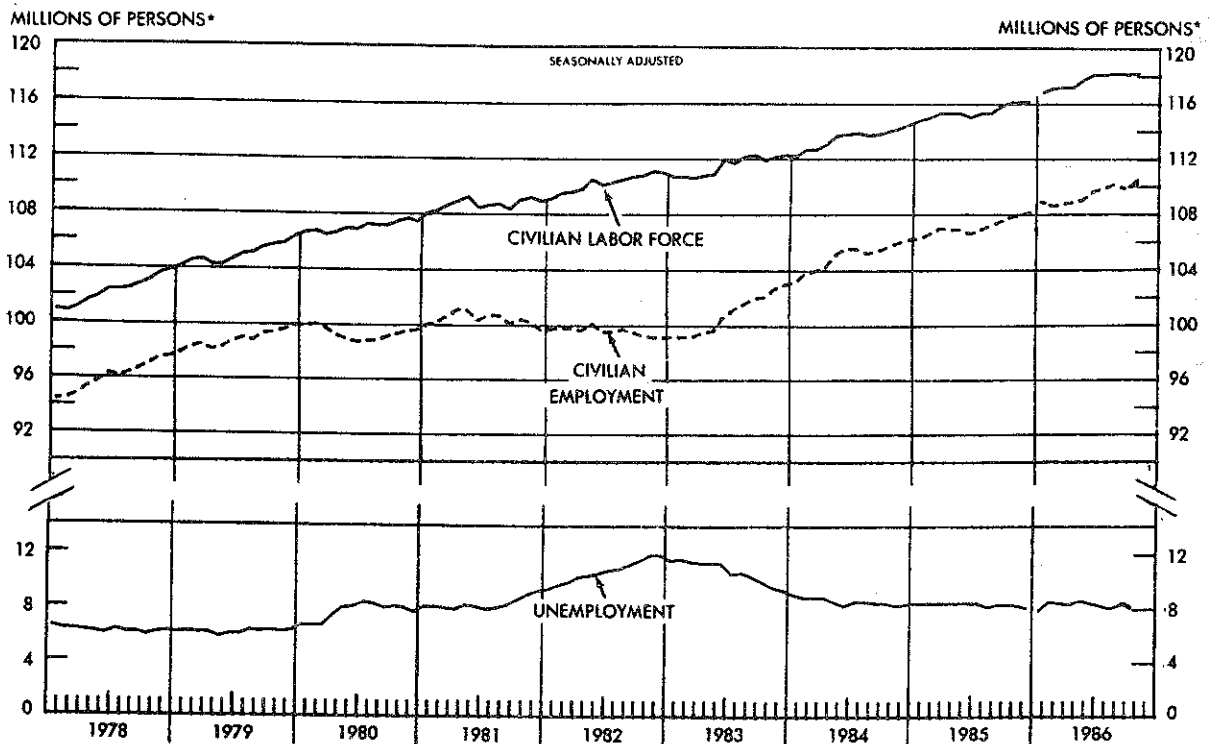
Source: Council of Economic Advisers. Economic Indicators, Oct. 1986.

The overall index of industrial production has remained flat for 2 1/2 years. Weakness in heavy industry has been offset by modest gains in the production of consumer goods, defense and space equipment. These trends are likely to persist in 1987, although the rate of increase in defense spending may slow down owing to budget constraints and resistance to higher appropriations for defense by a Democratically controlled Congress.

Housing starts rose dramatically in late 1985 and early 1986, but since then have declined despite lower mortgage rates. The accompanying decline in building permits does not suggest that a reversal of recent trends is imminent. Changes in tax laws will further depress incentives to construct apartments and condominiums. Construction of single family homes, however, is likely to remain at a relatively high level. Housing starts in 1987 are expected to total somewhere between 1.6 and 1.7 million units, close to the level that has prevailed in recent months.

Auto sales in 1987 are not likely to match those achieved in 1986. The incentive schemes adopted in 1986 led to a substantial boost in sales, but these are thought to have borrowed from potential future purchases.

EMPLOYMENT AND UNEMPLOYMENT



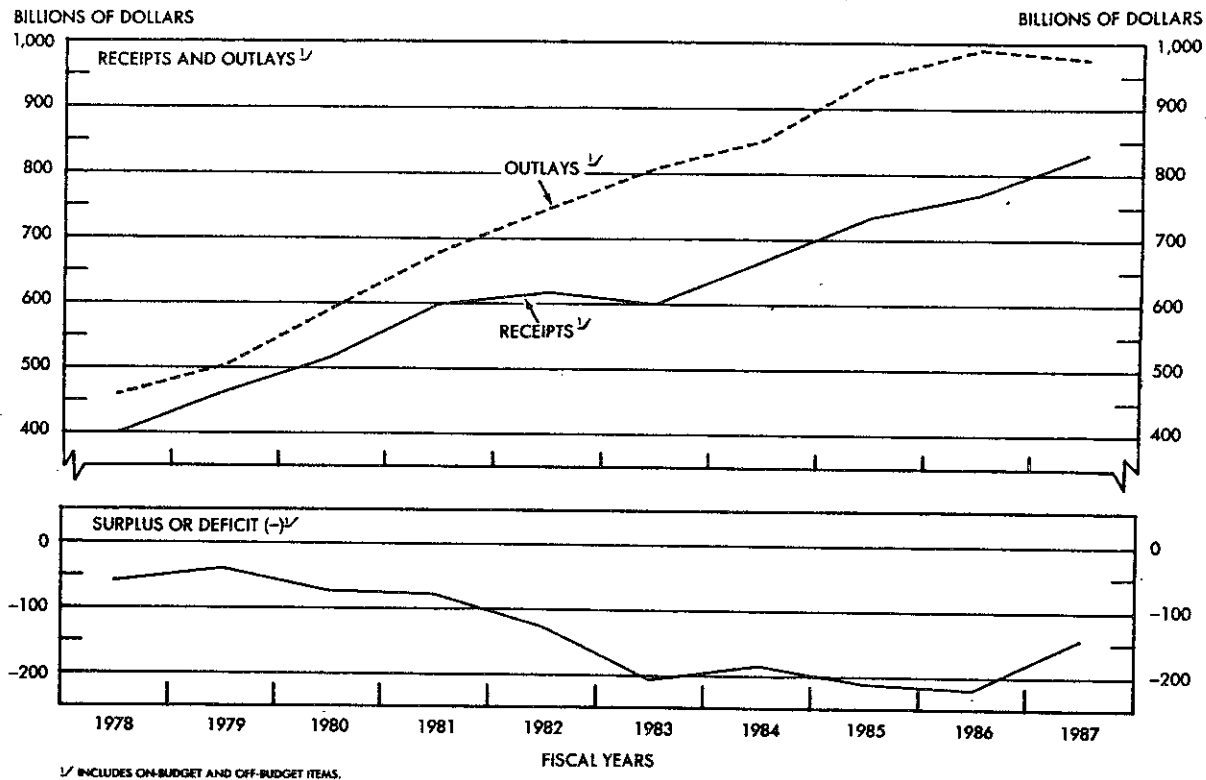
Source: Council of Economic Advisers. Economic Indicators, Oct. 1986.

Civilian employment in 1986 continued to rise at about the same rate as the labor force. As a result, the level of unemployment remained relatively constant at around 8 million. The rate of unemployment (unemployed as a per cent of the total labor force) for the year as a whole averaged around 7 per cent.

The growth of jobs since the 1982 recession has been outstanding, but almost all the gains have been in the service sector and in construction rather than in manufacturing. In fact, total manufacturing employment was slightly less in late 1986 than in 1984, and still less than in 1980. Manufacturing employment peaked at just over 21 million in 1979; in recent months it has averaged only about 19 million. The service sector (including government) now accounts for around 75 per cent of non-agricultural employment.

A decline in imports and/or a boost in exports would help to revive the industrial sector, but few forecasters are predicting a significant turn-around in 1987.

THE FEDERAL DEFICIT, RECEIPTS AND OUTLAYS

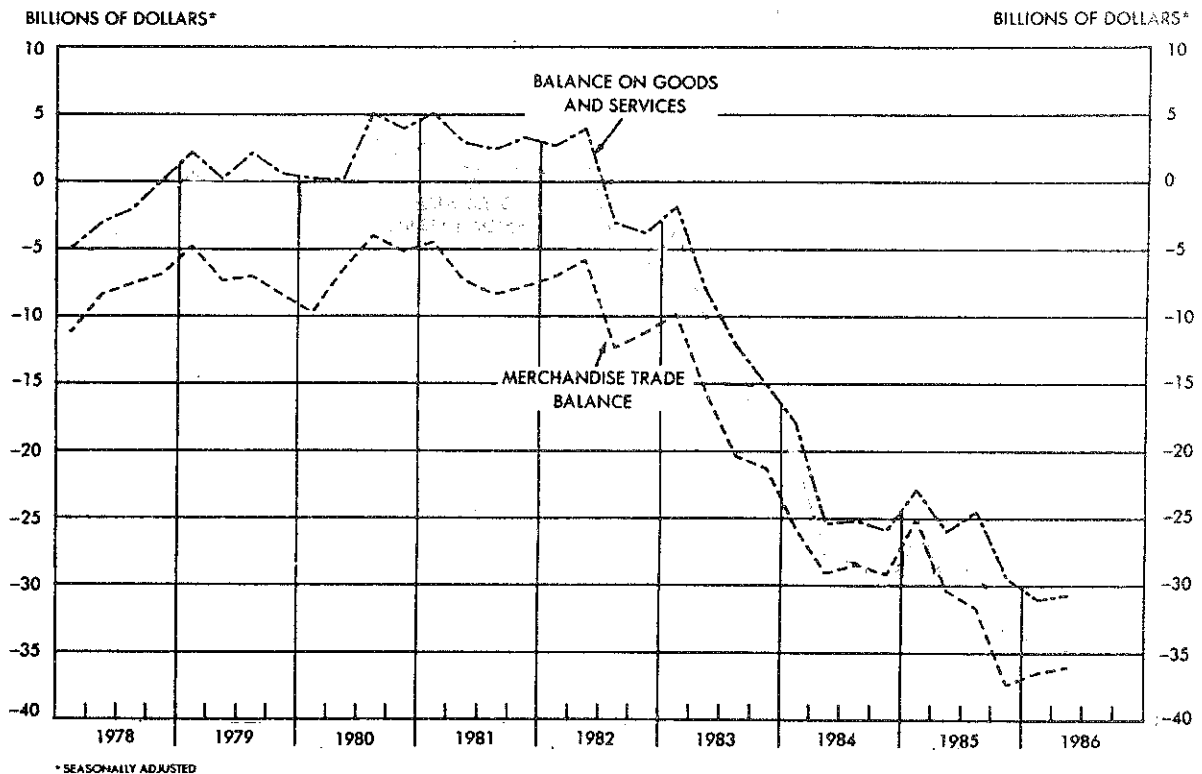


Source: Council of Economic Advisers. Economic Indicators. Oct. 1986.

Despite all the talk about reducing the deficit, the gap between receipts and expenditures actually widened in 1986 to around \$220 billion, a new record. Outlays are expected to decline slightly in the fiscal year ending September 30, 1987, while receipts may increase despite the new tax law. Thus, the deficit is likely to be a little less but probably still well above the Gramm-Rudman target of \$144 billion. A Democratic Congress will be less inclined to increase defense spending, but will strongly resist cuts proposed by the Administration in other activities. Neither side wants to accept responsibility for raising taxes.

The necessity for additional borrowing of \$150 to \$170 billion will maintain upward pressure on interest rates in 1987, although an "accommodating" Fed policy may help to neutralize this potential effect.

U.S. TRADE DEFICIT



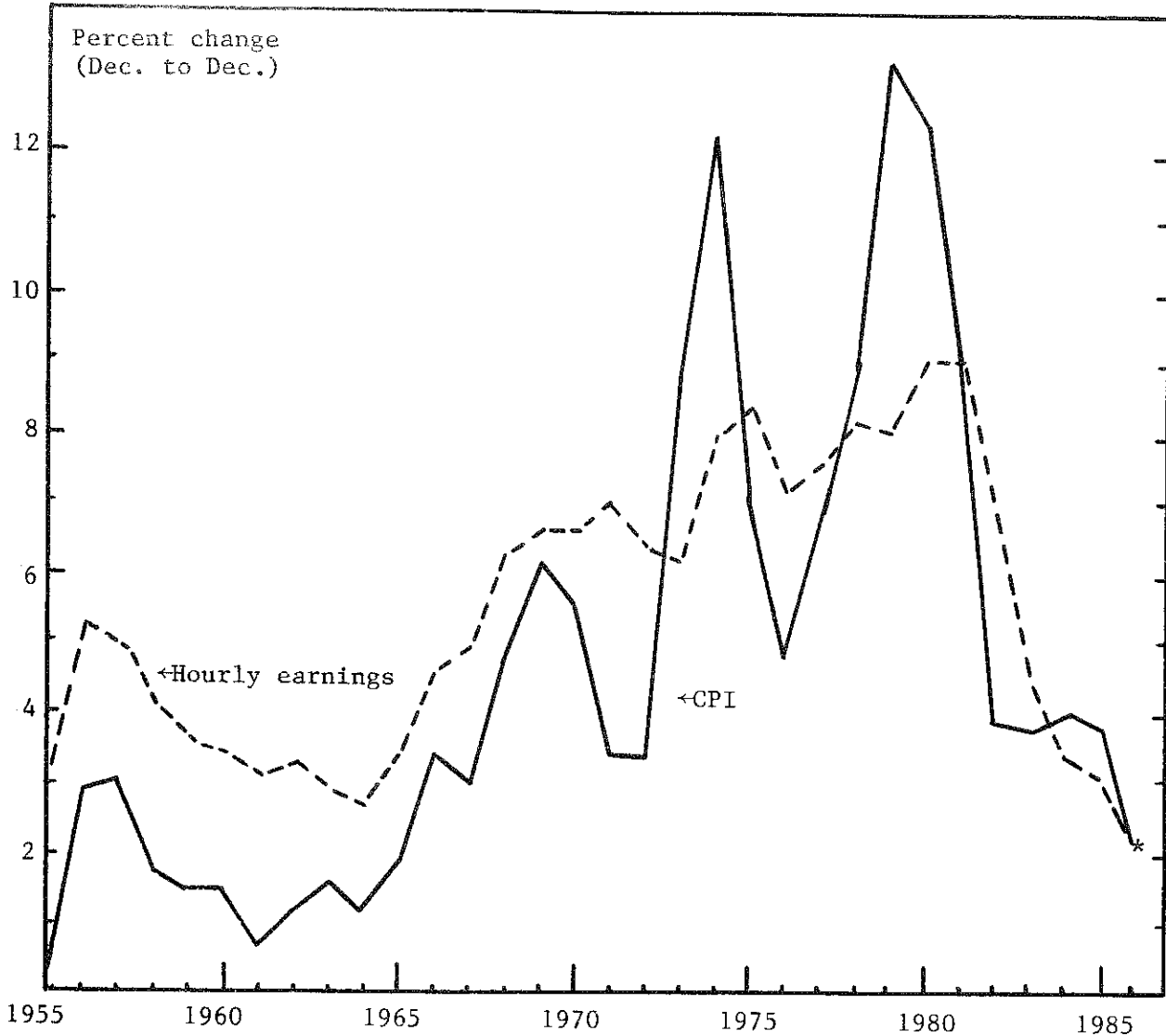
Source: Council of Economic Advisers. Economic Indicators, Oct. 1986.

The trade deficit, which is shown on a quarterly basis in the graph above, widened to between \$35 and \$40 billion per quarter in late 1985 and early 1986. Earnings from services and overseas investments slightly exceed payments and consequently the overall balance of payments deficit is slightly less than the trade deficit, but the two figures tend to move together although the difference between them has narrowed since 1981.

A modest improvement in the trade balance is expected in 1987 mainly because the dollar has depreciated relative to the Japanese yen and the German mark. But some other currency values have depreciated at the same rate as the U.S. dollar, thus affording little gain for companies competing against imports from third world countries and Canada. Exporters also have been cutting profit margins in an attempt to preserve their market share. For this reason, it would be premature to expect a major improvement in the balance of payments situation in 1987. Congress will be under even more pressure in 1987 than in 1986 to adopt protectionist legislation. Whether the President will be able to resist such pressure or to make a veto stick remains an open question.

A decline in U.S. imports, especially from developing countries, would further weaken the export prospects for grains, soybeans and cotton.

ANNUAL RATES OF CHANGE IN CONSUMER PRICES AND HOURLY EARNINGS

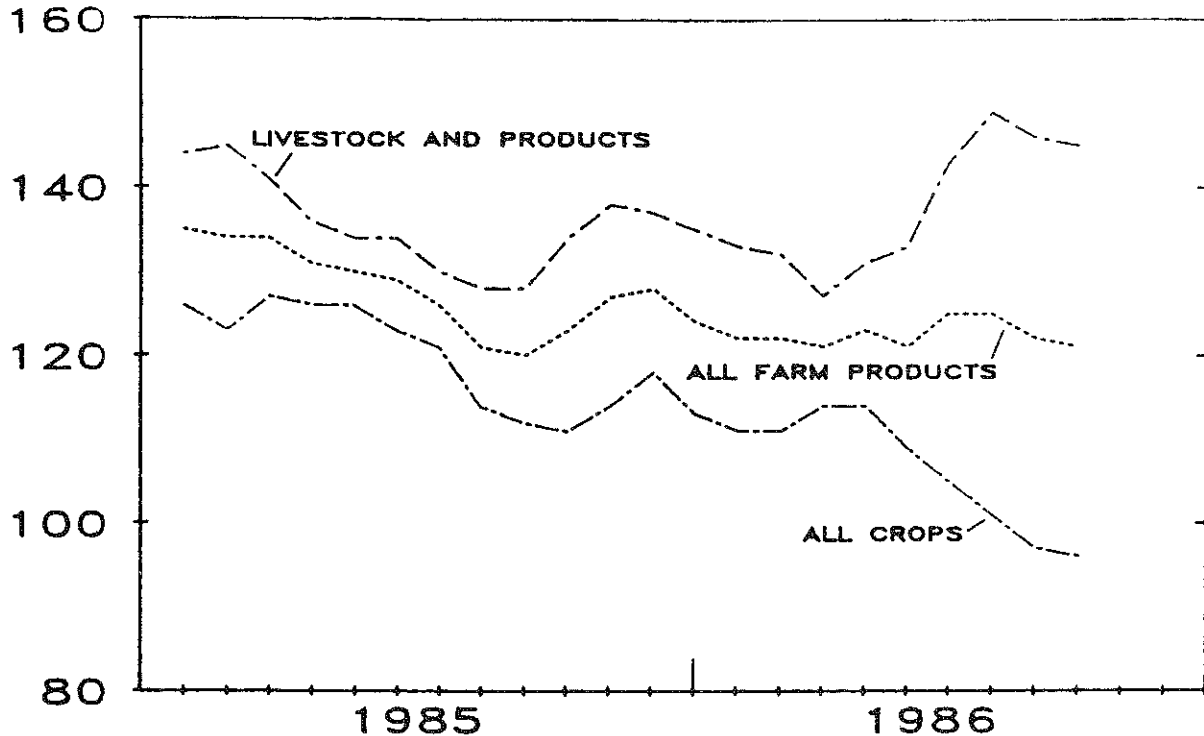


The drop in oil prices, moderate wage increases, and lower mortgage rates helped to hold down the average rate of inflation in 1986 to around 2 per cent, the best performance of the CPI in 20 years; however, the underlying rate of inflation (ignoring the transportation component which is strongly influenced by gasoline prices) was closer to 3.5 per cent than 2 per cent.

The annual rate of inflation is almost certain to be higher in 1987. There is little likelihood that oil prices will drop as much in 1987 as they did in 1986, thus eliminating one of the major factors contributing to the slower rate of inflation in 1986. A cheaper dollar also will raise the cost of imported items although exporters have in a number of cases trimmed profit margins in order to maintain U.S. sales. Service costs, especially those for medical care, will continue to rise more rapidly than other components of the CPI.

AVERAGE U.S. FARM PRICES

INDEX VALUES(1977=100)

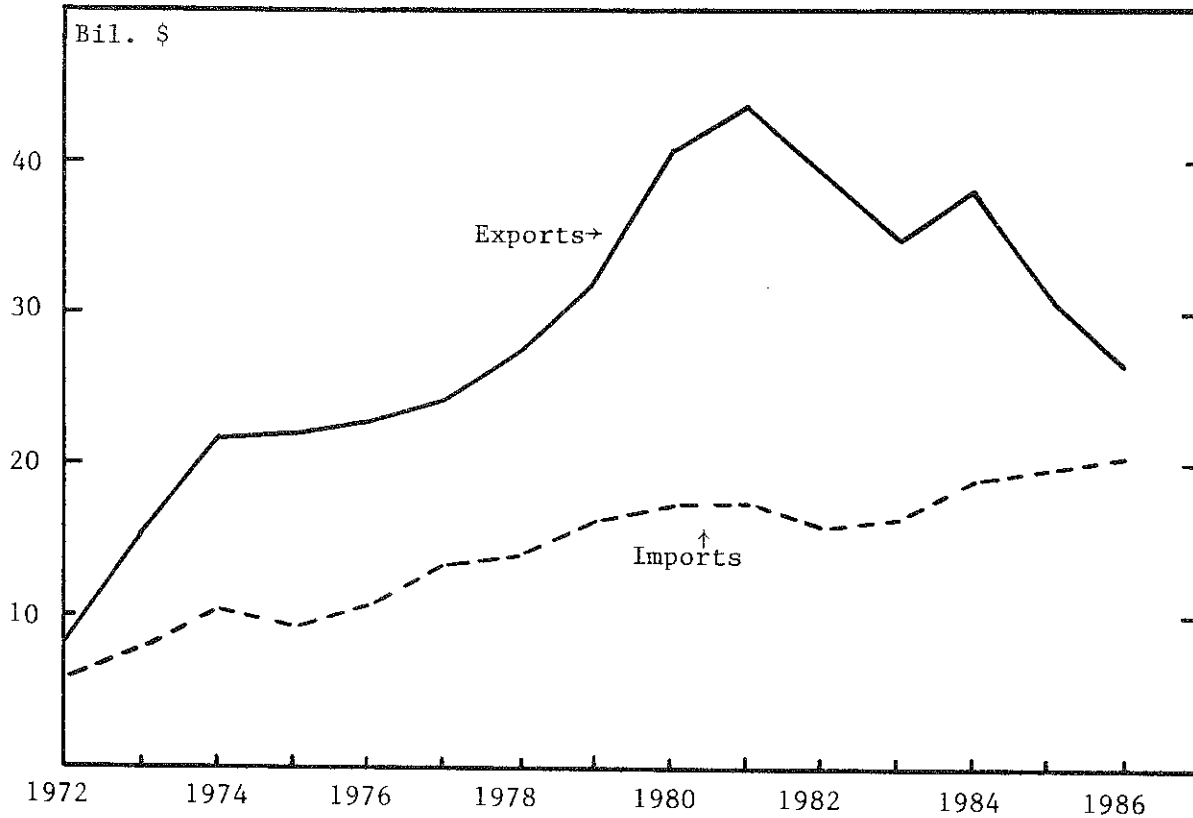


Source: U.S.D.A., Agricultural Prices, Oct. 31, 1986.

Crop and livestock prices followed similar trends in 1985 and the first half of 1986, but beginning about mid-year, the two series diverged. Prices for meat animals rose sharply while the crop price index continued to decline, owing mainly to lower prices for feed grains, wheat and soybeans.

Unless the 1987 crop season turns out to be poor, either in the U.S. or in one or more of the major competing exporting nations, the prices for internationally traded commodities, including wheat, corn, soybeans and cotton are likely to remain weak. Price-support loan rates which tend to put a floor under prices will be reduced modestly for 1987 crops although 1987 loan rates are above recent average market prices. Because of the substantial payments now being offered to wheat and corn producers, participation in government set-aside programs is likely to be even greater in 1987 than in 1986. As a result, harvest prices in 1987 may be a little closer to loan rates. Distant futures prices for wheat, corn and soybeans, which reflect the collective judgement of traders regarding 1987 prices, are not much different from those that have prevailed recently.

VALUE OF U.S. AGRICULTURAL IMPORTS AND EXPORTS



The annual value of U.S. agricultural exports rose from less than \$10 billion in the early 1970s to a peak of over \$40 billion in 1980 and 1981. Since then, the value of U.S. agricultural exports has declined by around 40 percent.

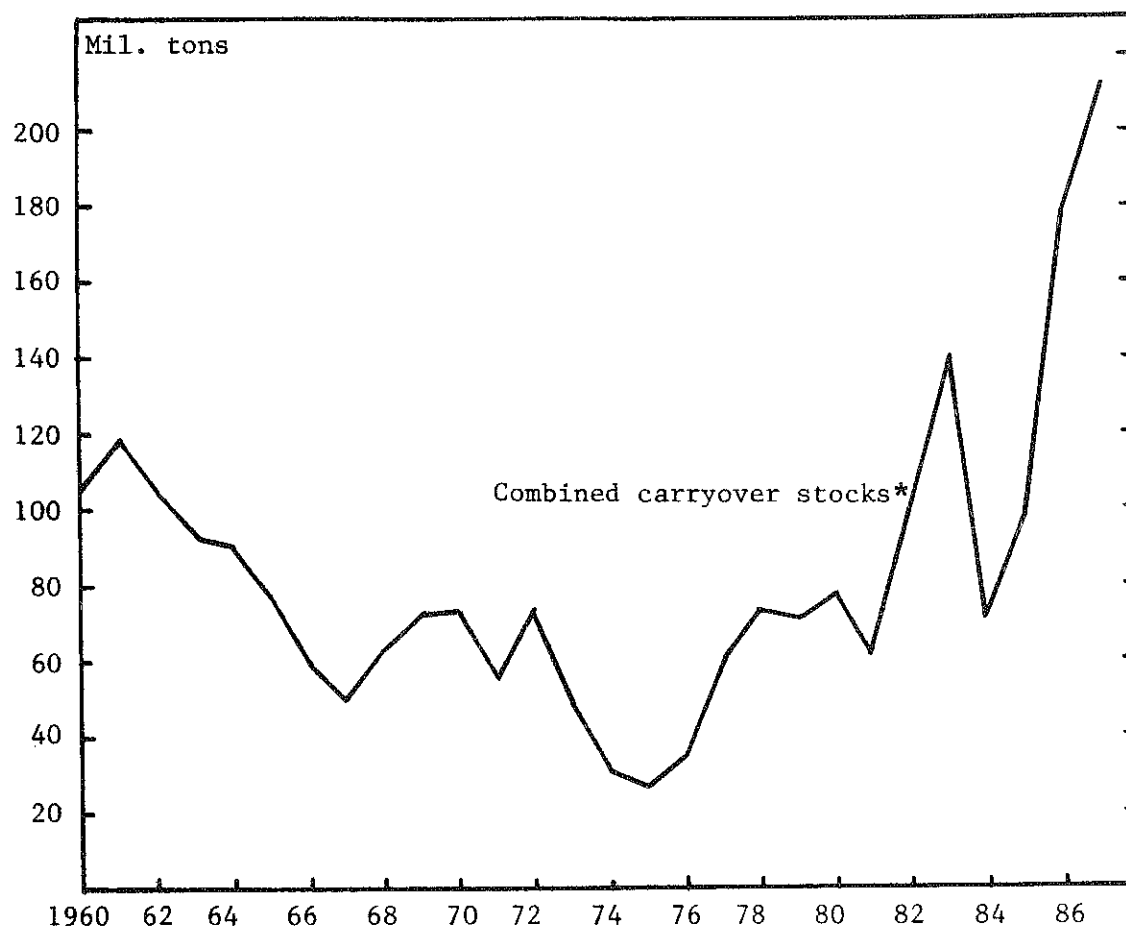
Over the same period, there has been a consistent upward trend in the value of agricultural imports. Since 1981, the net contribution of agriculture to reducing the trade deficit has declined although agriculture is still a net earner of foreign exchange.

U.S. agriculture has suffered from a decline in the total world demand for imported grain and a loss in market share. In 1986, U.S. grain exports fell to around 62 million tons, a decline of nearly a third from the preceding year. Some modest recovery in U.S. grain exports is anticipated in 1987.

World and U.S. Grain Exports

<u>Fiscal year</u> <u>ending in</u>	<u>World</u> (mil. tons)	<u>U.S.</u>	<u>U.S. Share</u> (%)
1982	198	108	55
1983	189	94	50
1984	194	95	49
1985	208	95	46
1986 (est.)	167	62	37
1987 (projected)	174	68	39

COMBINED CARRYOVER STOCKS OF WHEAT AND FEED GRAINS



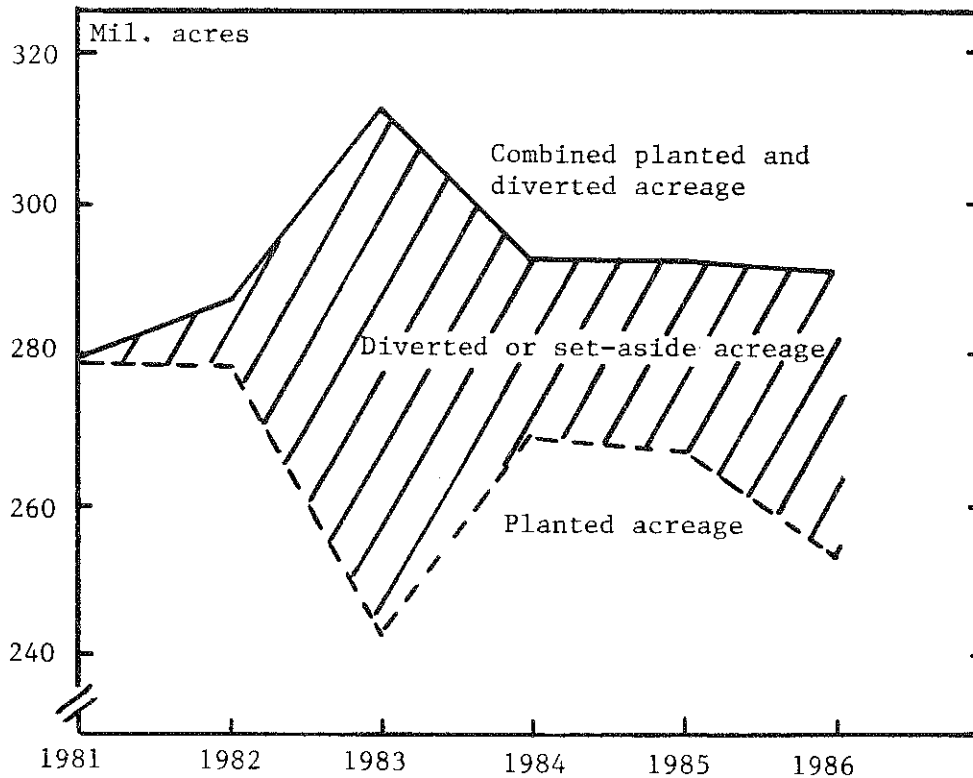
* Includes privately held as well as government stocks.

Despite large-scale set-aside or acreage diversion programs, total grain production has exceeded use in 4 of the past 5 years. Only in 1984 was it possible to reduce carryover stocks (owing to a combination of dry weather and the PIK program in 1983). Since then stocks have risen from around 60 to an estimated 210 to 215 million tons in 1987, by far the largest grain carryover stocks in our history. Most of the increase over the past two years has been in carryover stocks of corn. Wheat production and use were approximately equal in 1985-86 and the same situation is expected to prevail in 1986-87.

Combined Wheat and Feed Grain

	<u>Production</u>	<u>Use</u> (million tons)	<u>Difference</u>
1982	326	288	38
1983	203	273	-70
1984	308	290	18
1985	340	260	80
1986 (est.)	307	273	34

COMBINED PLANTED ACREAGE OF WHEAT, FEED GRAINS AND SOYBEANS
AND DIVERTED OR SET-ASIDE ACREAGE, 1981-86



The most recent year without any acreage diversion or set-aside programs was 1981. Beginning in 1982, producers of wheat and feed grains (corn, oats, barley and sorghum) have been compelled to set aside or keep idle a minimum proportion of their base acreage in order to be eligible for price-support loans and deficiency payments. Set-aside requirements have varied from year to year.

While the total planted acreage has been reduced, the cuts in planted acreage have been made from an inflated base, thereby reducing the efficacy of the set-aside program as a supply-adjustment mechanism. The sum of the planted and diverted acreage in every year since 1981 exceeds what was planted in that year. In 1983, for example, the set-aside or PIK acreage was reported to be 69 million acres, but the reduction in acreage from the 1981 high was only about 36 million acres. In 1986, nearly 40 million acres were idled, but the planted acreage was around 254 million acres, a cut of only 25 million acres from the 1981 peak.

Changes in national average support levels and set aside requirements for wheat and corn harvested in 1987 are as follows:

	<u>Wheat</u>		<u>Corn</u>	
	<u>1986</u>	<u>1987</u>	<u>1986</u>	<u>1987</u>
Target price (\$/bu.)	\$4.38	\$4.38	\$3.03	\$3.03
Loan rate	<u>2.40</u>	<u>2.28</u>	<u>1.92</u>	<u>1.82</u>
Max. deficiency payment	1.98	2.10	1.11	1.21
Min. set-aside (% of base acreage)	25%	27.5%	20%	20%
Optional paid diversion	-	-	-	15%

CHART 1. INCOME FROM FARMING

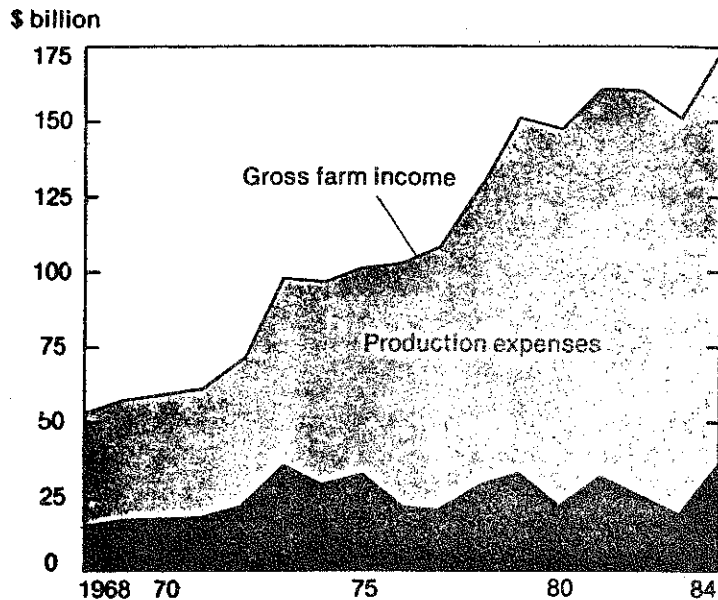
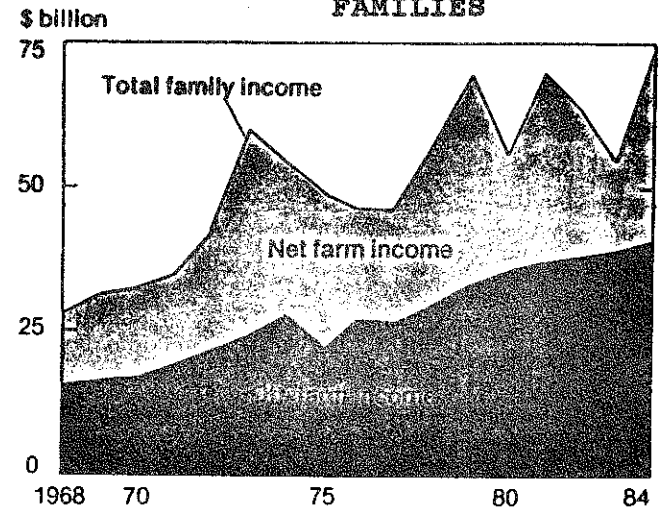


CHART 2. INCOME OF FARM OPERATOR FAMILIES



Net farm income includes an adjustment for changes in year-end crop and livestock inventories and represents returns to operator families' labor, capital, and management.

Source: USDA Agricultural Handbook 652.

In the years since 1968, gross sales from America's farms have increased more than threefold. Purchased farm inputs, however, have increased even more proportionally. As shown in Figure 1, net farm income in the aggregate has not increased much since the early 1970s. Specialization in production has increased in nearly all sectors of agriculture, and reliance on buying necessary factors of production has accompanied this change.

The total incomes of farm operator families have gradually increased over the past 20 years with substantial variations from year to year. The stable part of family income has been provided by off-farm sources. This kind of income has grown slowly and steadily. Net farm income has been much more variable reflecting changing yields, prices and export markets particularly in the last half of the 1970s and the 1980s.

Off-farm income makes up such a large share of family income because such a large proportion of the total number of farms counted in the Census and official USDA statistics are residential or part-time farms. For the United States as a whole, over 70 percent of all farms sell less than \$40,000 of gross sales; 35 percent sell less than \$5,000 annually (Table 2). As a result, off-farm income makes up more than half of total family income. On farms with gross sales of \$40,000 - \$99,999, net farm income is smaller than off-farm income in the aggregate but both are important. On farms with gross sales of \$100,000 or more, net farm income is usually the principal source of family income.

Aggregate income and expenses from farming in New York State and the United States are compared in Table 1. Production agriculture is a three billion dollar business in New York in the aggregate. Livestock products are the major source of cash receipts here, while for the country as a whole, crops and livestock are almost equally important. Government payments are more than 2.5 times more important in the national totals than in New York.

Table 1. AGGREGATE INCOME AND EXPENSE FROM FARMING
New York and United States, 1984

Description	Aggregate Income & Expense		Percent of Total	
	New York	United States	New York	United States
Number of farms	48,000	2,328,000		
<u>Sources of Income:</u>	<u>millions</u>	<u>billions</u>		<u>percent</u>
Cash receipts:				
Crops	794	69.1	25.6	41.6
Livestock	1,911	72.7	61.5	43.7
Total	(2,705)	(141.8)	(87.1)	(85.3)
Government payments	64	8.4	2.0	5.1
Other farm income	70	3.1	2.3	1.8
Value of dwelling, home consumption	268	12.9	8.6	7.8
Gross farm income	3,107	166.2	100.0	100.0
<u>Uses of Income:</u>				
Farm operating expenses	2,022	96.6	65.1	58.1
Depreciation	516	23.0	16.6	13.8
Real estate taxes	157	4.4	5.0	2.7
Interest on mortgages	127	10.7	4.1	6.4
Net rent	-20	4.8	-0.6	2.9
Total production expenses	(2,802)	(139.5)	(90.2)	(83.9)
Net farm income before inventory adjustment	305	26.7	9.8	16.0
Net change in inventory	25	7.8	-0.8	-4.7
Net farm income	330	34.5	10.6	20.7

Source: USDA Economic Indicators of the Farm Sector, 1984, ECIFS4-5, March 1986.

On the expense side of the ledger, New York's statistics are also quite different. Net farm income makes up only 10.6 percent of gross farm income compared with 20.7 percent nationally. Farm operating expenses, depreciation and real estate taxes are larger items in the percentage distributions. Interest on mortgages and net rent are smaller items.

Table 2. PERCENT OF FARMS BY SIZE AND TOTAL SALES
New York and United States, 1982

Value of agricultural sales	Number of farms		Total value of sales	
	New York	U.S.	New York	U.S.
	<u>percent of total</u>			
<u>Residential farms:</u>				
Less than \$5,000	35.3	34.4	1.0	1.4
<u>Part-time farms:</u>				
5,000 - 9,999	10.3	13.8	1.3	1.8
10,000 - 19,999	8.4	11.7	2.1	3.1
20,000 - 39,999	8.8	11.4	4.5	6.1
<u>Commercial farms:</u>				
40,000 - 99,999	19.7	16.4	23.2	19.2
100,000 - 199,999	11.8	7.7	28.1	19.3
200,000 - 499,999	4.7	3.6	23.4	19.0
\$500,000 and over	1.0*	1.0	16.4*	30.1

*Abnormal farms included.

Source: Census of Agriculture.

Detailed information on the structure of farms by size classes is obtained only every five years when the Census of Agriculture is completed. Then next census will be taken early in 1988 for the 1987 business year. The best available data for New York in comparison to other parts of the United States is presented in Table 2 based on data for 1982. New York has about the same proportion of residential farms (less than \$5,000 sales) in the total as in the rest of the United States. The highest proportions of small and residential farms are found in the Appalachian states and in the Southeast. As a proportion of the total, New York has more farms with \$40,000 or more of sales than does the nation as a whole.

The way in which the aggregate value of sales is distributed by size classes is particularly interesting. In New York, a little more of the aggregate is found among the farms with \$40,000 or more of sales than nationally. In these larger, more nearly commercial operations, the aggregate sales are quite equally spread among three of the four largest categories. Unlike the United States as a whole, farms with \$500,000 or more of sales make up a little over 16 percent of the total compared to 30 percent nationally. Family-size farms with relatively small labor forces predominate in New York.

Table 3. CHANGES IN THE PERCENTAGE DISTRIBUTION
OF GROSS AND NET FARM INCOME
United States, 1974 and 1984

Value of agricultural sales	Number of farms	Gross farm income	Net farm income*
1974:	thousands	percent of total	
under \$20,000	1,984	11.6	5.7
20,000 - 39,999	330	11.6	11.3
40,000 - 99,999	330	23.9	22.9
100,000 - 199,999	100	16.7	18.4
200,000 - 499,999	40	14.1	16.6
\$500,000 and over	<u>11</u>	<u>22.1</u>	<u>25.1</u>
Total	2,795	100.0	100.0
1984:			
under \$20,000	1,391	5.7	-8.9
20,000 - 39,999	247	5.0	0.4
40,000 - 99,999	353	16.0	8.0
100,000 - 199,999	229	24.4	27.4
200,000 - 499,999	77	17.7	23.6
\$500,000 and over	<u>31</u>	<u>31.2</u>	<u>49.5</u>
Total	2,328	100.0	100.0

*Income including farm households before inventory adjustment.

Source: USDA, Economic Indicators of the Farm Sector, ECIFS4-3, January 1986.

Estimates of the distribution of aggregate farm income by size classes are made annually by the Economic Research Service. They are based on data from the Census of Agriculture and are revised using results from the annual Farm Cost and Returns Survey. In 1974, there were approximately 2.8 million farms of which 2 million had sales of less than \$20,000 annually, equivalent to \$40,000 in 1984 because of inflation.

Farm numbers decreased by more than 450,000 in the succeeding 10 years. Much of that decrease, 346,000 farms, occurred in the two smallest classes which in 1984 are roughly equivalent in size to the under \$20,000 group in 1974. Most of the rest of the decrease in numbers came from among the smaller commercial farms.

The most important changes have occurred in the proportions of gross and net farm income accounted for by the largest farms. If we think of the farms with \$100,000 of sales or more in 1974 as roughly equivalent to those with \$200,000 of sales or more in 1984, some comparisons can be made. Thus, about 52.9 percent of gross sales was accounted for by the largest farms in 1974 and 48.9 percent in 1984 -- not much change in the aggregate. But the net farm income totals are somewhat different. The ERS estimates are that 60.1 percent of the total in 1974 went to these larger farms, but 73.1 percent was accounted for by the 108,000 largest farms in 1984.

HIGHLIGHTS OF THE MARKETING COSTS SECTION

The seven tables and two charts on the following pink pages contain recent figures on trends in food marketing costs. Marketing costs include all expenses incurred in transmitting food from the farm to consumers. All transformations of the raw product through packing, shipping, processing, manufacturing, and retailing activities are components of marketing costs and represent the value added by marketing.

On the next page, virtually all of the major marketing input cost increases were smaller in 1985 than in 1984. The market basket indices appear to indicate that the farmer's share of the retail dollar will fall again in 1986 continuing the long term decline.

On page 19, what a dollar spent on food paid for in 1985 is depicted. The distribution of the food dollar shows clearly that the value of marketing activities outweigh farm level activities and, in fact, the labor portion (34%) of the marketing bill alone is greater than the farm value (25%). Food expenditures as a percent of disposable income, also displayed, did not change from 1984 levels thus halting, at least temporarily, their secular decline.

Page 20 contains a table detailing retail food chain net earnings ratios and a table depicting the major components of consumer food spending. The earnings of food chains have improved since 1979 but still hover around 1 percent of sales. It's noteworthy that in the past ten years the total marketing bill portion has increased from two-thirds to three quarters of consumer food spending.

Following, on page 21, pie charts indicate the 1985 distribution of consumer expenditures between food consumed at home and food consumed away from home. Note the difference between the farmers' share of the "at home" dollar (31%) and "away from home" dollar (14%). This results primarily from the much greater value added to away from home in terms of preparation and service. Also included on this page are expected increases in market basket statistics.

A comparison of the distribution of the average household's weekly food spending in grocery stores for 1985 and 1984 is presented on page 22. Average total grocery store spending increased 3.8 percent over the past year, however, the increases in several individual categories, including fresh fish, in-store delis and bakeries, and wines, liquors and coolers, were considerably above this average. Conversely, the largest category, fresh meat and provisions, representing 15 percent of the total, declined 0.3 percent between the most recent two years. In fact, when this category is omitted, all other perishables categories exhibited a growth rate (6.0%) nearly twice as great as the dry grocery category (3.8%) reflecting both consumers' and retailers' growing interest in fresher foods.

MEASURING PRICE CHANGES IN FOOD MARKETING INPUTS¹

Cost Item	1980	1981	1982	1983	1984	1985 ²
	Annual Percentage Change					
Labor ³	10.1	9.8	6.7	4.1	2.9	0
Packaging materials	14.4	7.5	-2.0	2.0	9.6	0.2
Paperboard boxes and containers	16.1	10.0	-1.3	-1.5	12.0	-2.2
Metal cans	11.2	6.2	5.1	2.9	6.1	4.3
Transportation	18.5	16.1	7.3	.9	4.4	.8
Fuels & electricity	34.9	18.7	5.4	0	1.1	-1.8
Electricity	18.4	14.9	10.4	2.9	5.3	3.1
Petroleum	48.1	24.1	-4.1	-11.5	-1.7	-6.7
Natural gas	34.7	12.6	19.8	16.6	.7	-0.6
Maintenance & repair	11.0	9.7	6.9	4.0	3.6	2.8
Supplies	15.4	9.7	1.9	-.9	.6	-0.2
Interest, short term	12.6	20.2	-19.5	-25.2	14.0	-20.8
Total marketing cost index (FMCI)	13.5	10.9	5.1	2.8	4.2	0.6

¹Data measure changes in prices for fixed quantities of labor and other inputs used in processing, wholesaling, and retailing farm foods sold through foodstores.

²Preliminary.

³Hourly earnings and benefits.

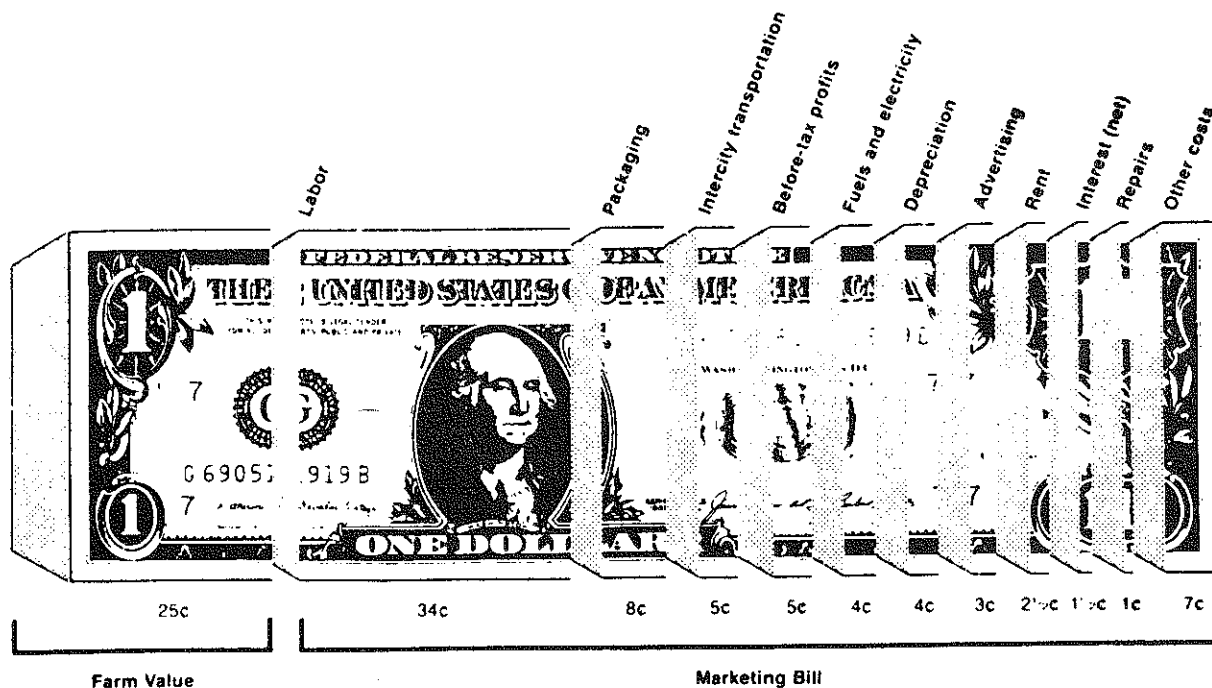
Source: National Food Review, Number 32, 1986.

PRICE INDICES OF MARKET BASKET OF FARM FOODS

Period	Retail Price	Farm Value	Farm Retail Spread	Farmer's Share (Percent)
1979	222.7	227.3	220.0	38
1980	238.8	239.8	238.3	37
1981	257.1	246.4	263.4	36
1982	266.4	247.8	277.4	34
1983	268.7	242.3	284.3	33
1984	279.3	255.4	293.3	34
1985	282.6	237.1	309.3	31
1986 June	284.6	224.7	319.8	29

Source: Agricultural Outlook, USDA, September 1986.

WHAT A DOLLAR SPENT ON FOOD PAID FOR IN 1985



Includes food at home and away from home. Other costs include property taxes and insurance, accounting and professional services, promotion, bad debts and many miscellaneous items.

Source: USDA 1986.

FOOD EXPENDITURES AS PERCENT OF DISPOSABLE INCOME

Year	Total Food, Except Alcoholic Beverages	Food Except Alcoholic Beverages	
		At Home	Away From Home
1975	16.5	12.3	4.2
1976	16.3	12.0	4.3
1977	16.1	11.7	4.4
1978	15.9	11.4	4.5
1979	15.9	11.3	4.6
1980	15.5	11.2	4.3
1981	15.4	10.9	4.5
1982	15.5	11.0	4.5
1983	15.2	10.6	4.6
1984	15.0	10.4	4.6
1985	15.0	10.4	4.6

Source: National Food Review, Summer 1986.

FOOD CHAIN EARNINGS AFTER TAXES, UNITED STATES 1979-1985

Year	Earnings as a Percent of		
	Sales	Total Assets	Net Worth
1979	0.80	4.55	11.66
1980	0.89	4.92	12.55
1981	0.88	4.75	11.53
1982	0.86	4.33	9.90
1983	0.94	4.52	9.87
1984	0.93	4.42	10.35
1985 ¹	1.10	5.50	12.03

Source: Operating Results of Food Chains, Cornell University 1985-86.

¹1985 Data based on smaller sample of firms than past years.

COMPONENTS OF CONSUMER FOOD SPENDING

	1975	1984	1985
	Billion Dollars (Percent)		
Consumer expenditures	167.0 (100)	334.6 (100)	346.3 (100)
Farm value	55.6 (33)	90.0 (27)	85.1 (25)
Total marketing bill	111.4 (67)	244.6 (73)	261.2 (75)
Labor ¹	48.3 (29)	111.4 (33)	118.6 (34)
Packaging	13.3 (8)	26.7 (8)	27.5 (8)
Transportation ²	8.4 (5)	16.2 (5)	16.6 (5)
Energy	4.6 (3)	12.9 (4)	13.5 (4)
Corporate Profits (before taxes)	7.1 (4)	16.2 (5)	17.3 (5)
Other ³	29.7 (18)	61.2 (18)	67.7 (19)

Source: Agricultural Outlook, USDA, May 1986.

¹Includes supplements to wages and salaries such as pensions and health insurance premiums. Also includes imputed earnings of proprietors, partners, and family workers not receiving stated remuneration.

²Excludes local hauling charges.

³Includes business taxes, depreciation, rent, advertising, interest, and other costs.

Where the Food Dollar Goes at Home and Away

At home

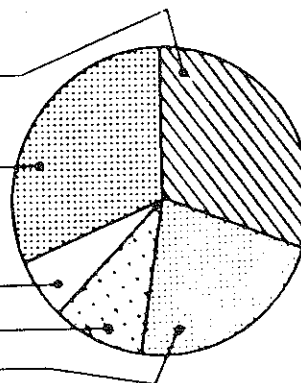
Farm value 31¢

Processing 31¢

Transportation 6¢

Wholesaling 10¢

Retailing 22¢

**Away from home**

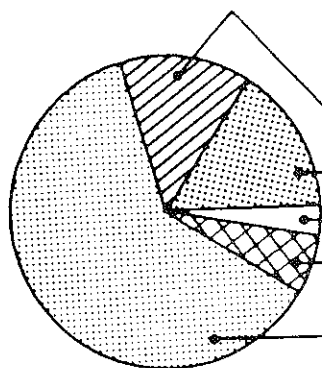
Farm value 14¢

Processing 15¢

Transportation 3¢

Wholesaling 6¢

Food service 62¢



1985 data.

Source: USDA 1986

MARKET BASKET STATISTICS

Category	Changes from Previous Years						June 1986
	1980	1981	1982	1983	1984	1985	
Retail price	7.2	7.7	3.8	0.8	3.9	1.2	0.9
Farm value	5.5	2.8	1.0	-2.6	1.4	-7.2	-5.2
Farm-to-retail spread	8.3	10.5	5.1	2.7	3.1	5.5	3.8

Source: Agricultural Outlook, USDA, September 1986.

HOW AN AVERAGE HOUSEHOLD DOLES OUT ITS
DOLLARS IN GROCERY STORES EACH WEEK

	1984*	1985	Change
PERISHABLES			
Baked goods	\$ 2.35	\$ 2.41	+ 2.2%
Dairy	3.96	4.12	+ 4.0
Frozen foods	2.71	2.87	+ 5.5
Fresh meat and provisions	8.87	8.84	- 0.3
Fresh fish	.54	.60	+10.8
Fresh poultry	1.42	1.57	+ 9.7
Produce	5.11	5.33	+ 4.1
Instore bakery	.79	.91	+12.6
Instore deli	1.12	1.29	+12.8
Total	\$26.97	\$27.97	+ 3.7
DRY GROCERY (FOOD)			
Beer	\$ 2.90	\$ 2.87	- 1.2
Wine, liquor, coolers	.85	1.00	+15.2
Baby food	.35	.38	+ 9.8
Breakfast foods	1.04	1.16	+10.7
Candy and chewing gum	.65	.68	+ 3.7
Canned foods			
Fruits	.32	.33	+ 2.2
Juices and drinks	.69	.72	+ 4.5
Meat and poultry	.35	.34	- 2.0
Milk	.90	.90	--
Seafood and fish	.39	.40	+ 1.8
Soups	.41	.45	+ 7.8
Vegetables	.67	.67	--
Prepared drinks	1.64	1.64	--
Dried foods	.50	.52	+ 3.5
Jams, jellies and preserves	.41	.41	--
Macaroni, spaghetti, noodles	.20	.21	+ 7.1
Desserts	.12	.13	+ 5.8
Soft drinks	1.44	1.49	+ 3.6
Sugar	.35	.33	- 7.3
Miscellaneous	2.29	2.50	+ 3.3
Total	\$16.48	\$17.13	+ 3.3
Total Foods	\$43.45	\$45.10	+ 3.8
DRY GROCERY (NON-FOOD)			
Paper goods	1.93	2.02	+ 5.4
Soaps, detergents	1.15	1.18	+ 2.7
Other households supplies	1.06	1.09	+ 3.4
Pet foods	1.18	1.22	+ 4.4
Tobacco products	2.30	2.38	+ 3.3
Total	\$ 7.62	\$ 7.92	+ 4.0
GENERAL MERCHANDISE/HBA			
Health and beauty aids (non-Rx)	\$ 2.14	\$ 2.28	+ 6.4
Prescriptions	.26	.35	+33.1
Housewares	.19	.19	--
All other general merchandise	1.81	1.58	-12.7
Total	\$ 4.40	\$ 4.59	+ 4.3
All other sales	1.20	1.24	+ 3.3
GRAND TOTAL	\$56.67	\$58.85	+ 3.8

Source: Supermarket Business, September 1986.

*1984 figures revised from those previously published to reflect inclusion of new items.

**United States Farm Balance Sheet
Current Dollars, January 1**

Item	1960	1970	1980	1984	1985	1986
-----billion dollars-----						
<i>Assets</i>						
Real Estate	137.2	215.8	755.9	798.0	693.7	607.4
Livestock	15.3	23.5	61.4	49.7	49.6	45.9
Machinery	22.7	32.3	96.7	105.8	99.4	97.6
Crops	7.7	10.9	33.5	33.2	33.7	37.1
Household	<u>9.2</u>	<u>9.6</u>	<u>17.2</u>	<u>24.4</u>	<u>26.1</u>	<u>26.1</u>
Total NonRE	(54.9)	(76.3)	(208.8)	(213.1)	(208.8)	(206.7)
Deposits & Currency	9.2	11.9	15.9	18.2	19.8	21.1
U.S. Savings Bonds	4.7	3.7	4.0	3.6	3.6	3.9
Coop. Invest.	4.2	7.2	20.2	28.5	29.8	27.7
Total Financial	<u>(18.1)</u>	<u>(22.8)</u>	<u>(40.1)</u>	<u>(50.3)</u>	<u>(53.2)</u>	<u>(52.7)</u>
TOTAL	210.2	314.9	1004.8	1061.4	955.7	866.8
<i>Claims</i>						
RE Debt	12.0	29.2	85.4	111.6	111.6	105.4
NonRE Debt	<u>12.8</u>	<u>23.8</u>	<u>80.4</u>	<u>103.0</u>	<u>100.9</u>	<u>99.5</u>
TOTAL	24.8	53.0	165.8	214.6	212.5	204.9
Owner Equity	<u>185.4</u>	<u>261.9</u>	<u>839.0</u>	<u>846.8</u>	<u>743.2</u>	<u>661.9</u>
TOTAL	210.2	314.9	1004.8	1061.4	955.7	866.8
% Equity		88	83	83	80	76

Source: Economic Research Service, USDA

**Changes in Structure, U.S. Farm Balance Sheet
Current Dollars, 1960-86**

Item	1960	1970	1980	1984	1985	1986
-----percent of total-----						
<i>Assets</i>						
Real Estate	65	68	75	75	73	70
Livestock	7	8	6	5	5	5
Machinery	11	10	10	10	10	11
All Other	<u>17</u>	<u>14</u>	<u>9</u>	<u>10</u>	<u>12</u>	<u>14</u>
TOTAL	100	100	100	100	100	100
<i>Liabilities</i>						
RE Debt	49	55	52	52	53	51
NonRE Debt	<u>51</u>	<u>45</u>	<u>48</u>	<u>48</u>	<u>47</u>	<u>49</u>
TOTAL	100	100	100	100	100	100

Distribution of United States Farm Debt by Lender
Current Dollars, January 1

Lender	1986		Percent Change From	
	%	Bil \$	1985	1981
<u>Real Estate</u>				
Federal Land Bank	22	44.6	- 9	+24
Individuals & Others	13	27.2	- 9	-10
Insurance Companies	6	11.8	- 5	- 9
Commercial Banks	5	11.4	+12	+31
Farmers Home Admin.	5	10.4	+ 4	+35
TOTAL	51	105.4	- 6	+10
<u>Nonreal Estate</u>				
Commercial Banks	17	35.5	-11	+ 12
PCA's and FICB's	7	14.6	-22	- 28
Merchants & Dealers	8	15.4	-14	- 13
Farmers Home Admin.	9	17.1	+ 9	+ 45
Commodity Credit Corp.	8	16.9	+94	+238
TOTAL	49	99.5	- 1	+ 15
TOTAL DEBT	100	204.9	- 4	+ 13

Source: ERS, USDA

Level and Change in Outstanding Debt
June 30, 1985

Lender	Billion Dollars June 30, 1986	% Change, June 30	
		1984 to 1985	1985 to 1986
<u>Real Estate</u>			
Federal Land Bank	40.8	- 3	-15
Life Insurance Companies	11.3	- 4	- 7
Farmers Home Admin.	10.5	+ 6	+ 2
Commercial Banks	12.1	+ 6	+14
Individuals & Others	26.5	- 8	- 7
<u>Nonreal Estate</u>			
Commercial Banks	24.3	- 3	-14
Farmers Home Admin.	17.8	+11	+ 1
PCA's and FICB's	13.2	-15	-24
Commodity Credit Corp.	15.4	- 5	-14

Source: Emanuel Melichar, Board of Governors of the Federal Reserve System.

New York Farm Balance Sheet
In Current Dollars, Including Farm Households

Item	January 1, 1986	
	Million Dollars	Percent
<u>Assets</u>		
Real Estate	\$ 7,580	58
Livestock	1,055	8
Machinery & Vehicles	2,214	17
Crops Stored	524	4
Household Items & Equip.	592	5
Deposits & Currency	424	3
Coop. Investments	564	4
Savings Bonds	63	1
TOTAL ASSETS	<u>\$13,016</u>	<u>100</u>
<u>Liabilities & Equity</u>		
Real Estate Debt	\$ 1,190	42
Nonreal Estate Debt ^a	1,676	58
TOTAL LIABILITIES	<u>\$ 2,866</u>	<u>100</u>
EQUITY	10,150	
TOTAL LIABILITIES & EQUITY	<u>\$13,016</u>	

^a All emergency loans are included under nonreal estate. This overestimates nonreal estate loan volume and underestimates real estate loan volume.

Changes in New York Farm Balance Sheet
Current Dollars, January 1

Item	1960	1970	1980	1984	1985	1986
Total Assets	\$3,579	\$5,428	\$11,698	\$13,518	\$13,194	\$13,016
Total Debts	547	842	2,527	3,509	3,076	2,866
Owner's Equity	3,032	4,585	9,171	10,009	10,118	10,150
Percent Equity	85	81	78	74	75	78

Source: ERS, USDA

New York Farm Credit Outstanding
December 31, 1985

Credit Type & Source	Million Dollars	Percent
<i>Real Estate Loans</i>		
Commercial Banks	\$ 96	4
Federal Land Banks	460	16
Farmers Home Admin. ^a	209	7
Insurance Companies	29	1
Individuals & Others	396	14
TOTAL	\$ 1,190	42
<i>Nonreal Estate Loans</i>		
Commercial Banks ^b	\$ 629	22
Production Credit Assn.	384	13
Farmers Home Admin. ^a	326	11
Merchants, Dealers, Individuals and Others	285	10
Commodity Credit Corp.	52	2
TOTAL	\$ 1,676 ^b	58
TOTAL DEBT	2,866	100

^a All emergency loans are included under nonreal estate. This overestimates nonreal estate loan volume and underestimates real estate loan volume.

^b Includes loans made outside of New York by New York City banks. Both the level of bank loans and the rate of change are exaggerated by this inclusion.

Trends in New York Farm Lending

Credit Type and Source	Percent Change in Outstanding Loans			
	1983 to 1984	1984 to 1985	1985 to 1986	1981 to 1986
<i>Real Estate Loans</i>				
Commercial Banks	+ 6	-18	+ 3	-24
Federal Land Banks	0	- 7	- 7	+ 7
Farmers Home Admin.	+ 1	+ 3	- 2	+22
Insurance Companies	- 7	- 4	+ 7	- 6
Individuals and Others	+ 1	- 8	+ 9	- 9
<i>Nonreal Estate</i>				
Commercial Banks	+35	-29	- 9	- 5
Production Credit Assoc.	- 2	+ 2	- 7	+13
Farmers Home Admin.	- 4	- 3	+ 6	2
Merchants and Dealers	+ 6	- 9	-21	
Commodity Credit Corp.	-22	-43	+63	0
<i>Total Debt</i>	+13	-12	- 7	+ 2

Trends in the Financial Condition of New York Farmers

Category	1985	1986
<u>Debt/Asset Ratio</u> ----- Percent of All Farms -----		
No Debt	42	32
0.1 - 19.9	24	29
20.0 - 39.9	15	19
40.0 - 69.9	13	15
70.0 plus	6	5
<u>Type of Farm</u> ----- Debt/Asset Ratio -----		
Dairy	25	27
Other Livestock	13	12
Cash Grain	26	27
Tree Fruits	24	18
Grapes	23	22
Vegetables	17	22
All	22	24
<u>Type of Delinquency</u>		
Real Estate Loans	5	9
Other Loans ^a	17	18

^a Includes accounts payable, 1985 estimated.

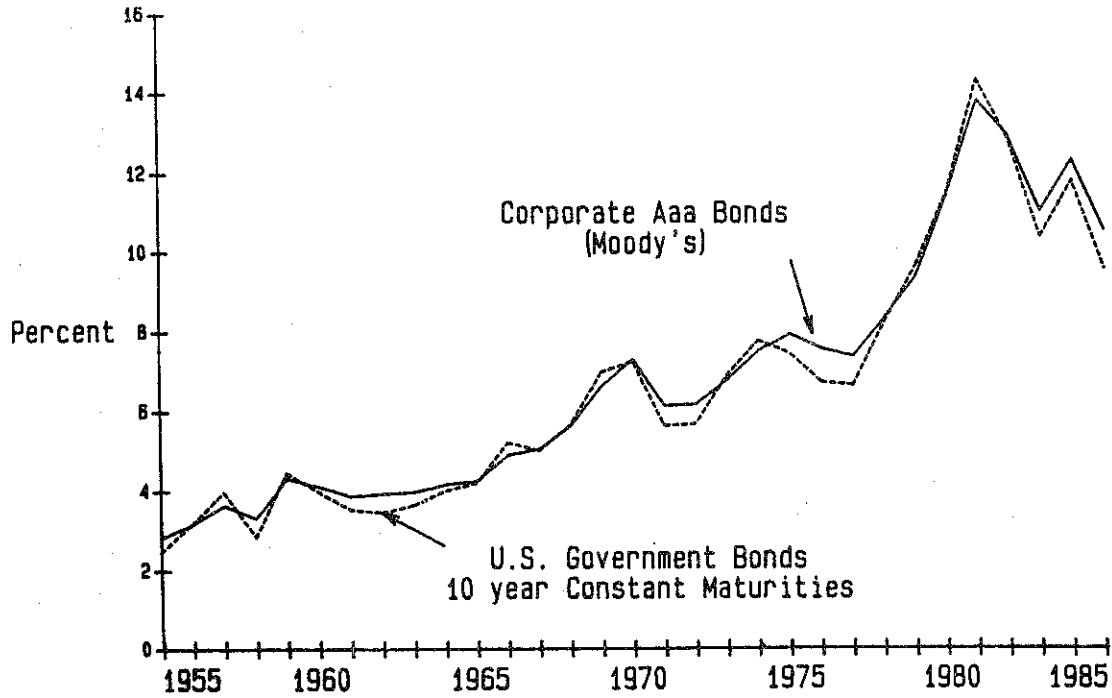
Source: Farm Finance Surveys, New York Agricultural Statistics Service.

Trends in the Financial Condition of New York Farm Suppliers

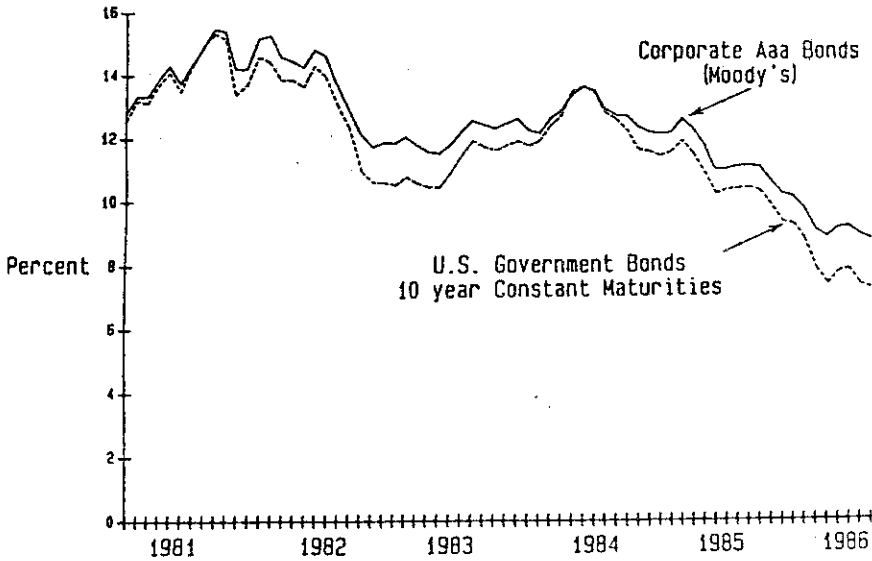
	1985	1986
<u>Change from Prior Year</u>		
Sales	- 7.2	- 2.0
Net Income (average percent)	- 3.3	- 1.3
Value of Accounts Payable	- 0.1	- 1.1
Value of Accounts Receivables	+ 9.2	+ 0.6
Overdue Accounts:		
Outstanding	-10.0	+ 3.8
% Uncollectable	+ 7.3	+ 5.0

Source: New York Farm Suppliers Surveys, New York Agricultural Statistical Service.

ANNUAL LONG TERM INTEREST RATES



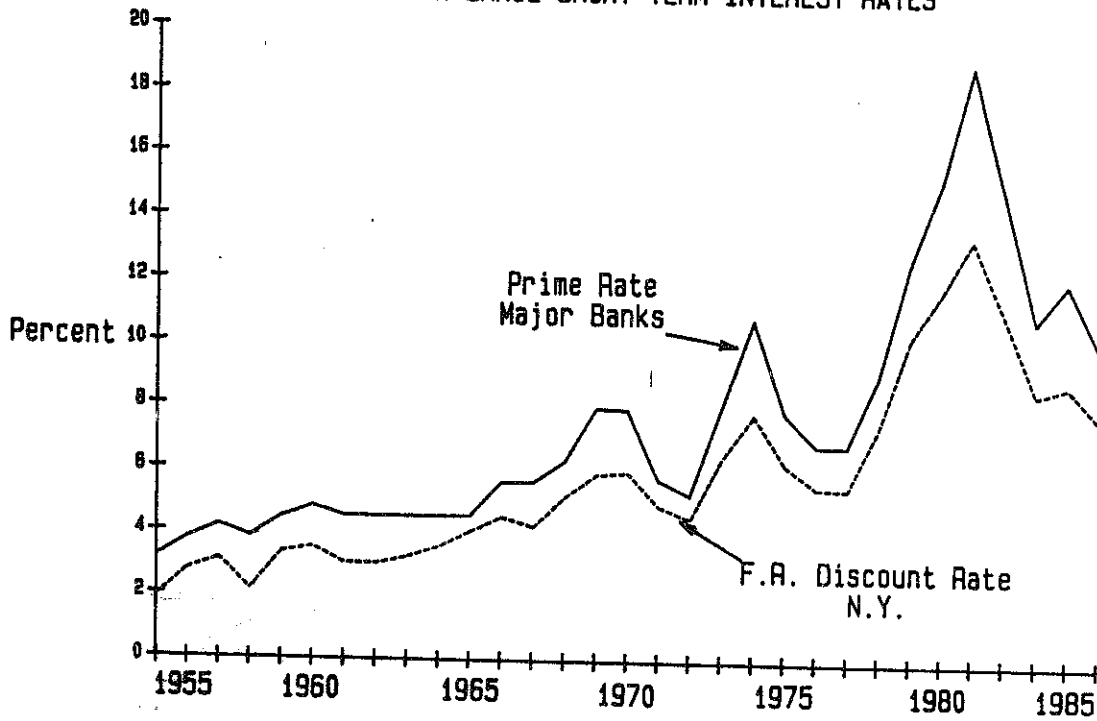
MONTHLY LONG TERM INTEREST RATES



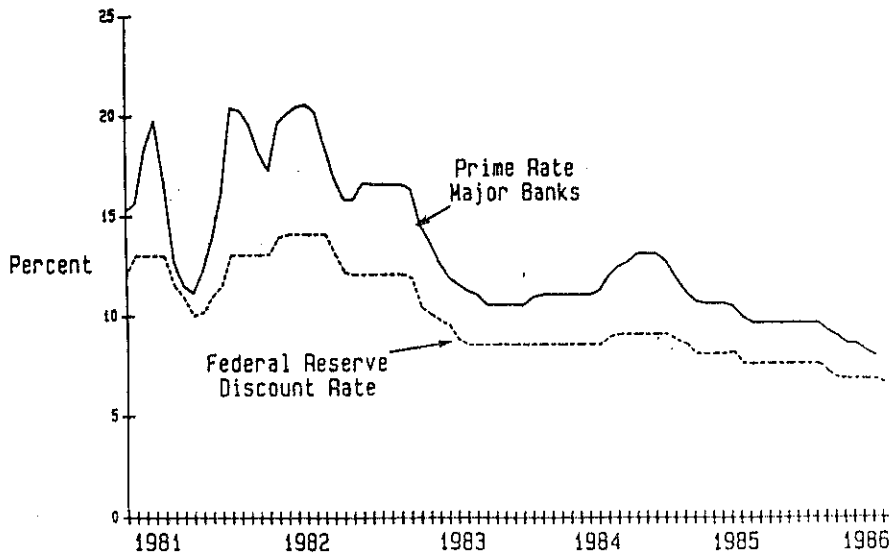
U.S. Government Bonds
10 Year Constant Maturities

	1985	1986
Jan	11.38	9.19
Feb	11.51	8.70
Mar	11.86	7.78
Apr	11.43	7.30
May	10.85	7.71
Jun	10.16	7.80
Jul	10.31	7.30
Aug	10.33	7.17
Sep	10.37	
Oct	10.24	
Nov	9.78	
Dec	9.26	

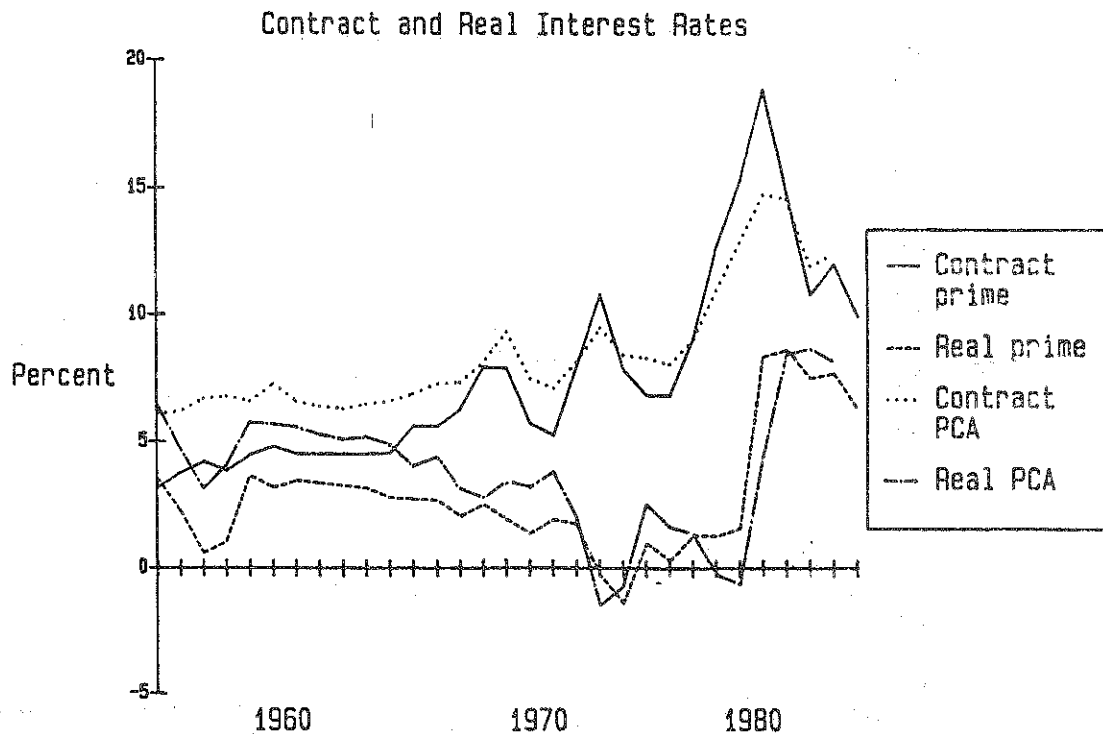
ANNUAL AVERAGE SHORT TERM INTEREST RATES



MONTHLY SHORT TERM INTEREST RATES



	Prime Rate Major Banks	
	1985	1986
Jan	10.61	9.50
Feb	10.50	9.50
Mar	10.50	9.10
Apr	10.50	8.83
May	10.31	8.50
Jun	9.78	8.50
Jul	9.50	8.16
Aug	9.50	7.90
Sep	9.50	_____
Oct	9.50	_____
Nov	9.50	_____
Dec	9.50	_____



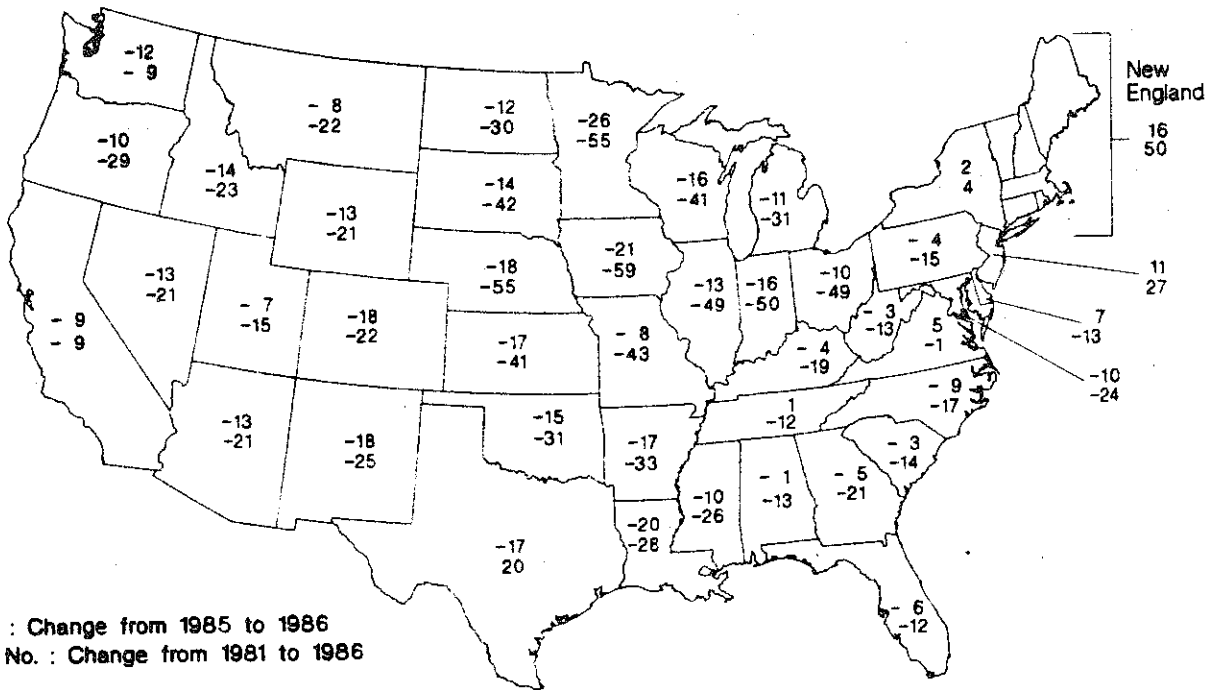
Farm level interest rates declined throughout 1986. Some Farm Credit Service rates declined later in the year than rates of other institutional lenders. However, current rates charged by farm lenders are consistent with underlying financial market forces after including provisions for loan losses. In 1987, interest rates are expected to drift somewhat lower early in the year as the Federal Reserve continues to pump liquidity into the relatively soft economy. A decline of 1/2 to 1 percent from late 1986 levels could be achieved. Rates should start to rise by the record quarter in response to (1) increases in the measured rate of inflation as oil and commodity prices decline less rapidly, or increases and, thus, no longer offset increases in other prices, (2) some improvement in economic growth and/or, (3) increased government borrowing due to less deficit control than implied by Gramm-Rudman. Rates could rise to 1 to 2 percentage points above late 1986 levels. Average rates paid for 1987 will likely be about 1 percent below average 1986 rates.

CHANGE IN FARM REAL ESTATE VALUES, UNITED STATES

Figure 2

Percent Change in Average Value of Farm Real Estate Per Acre

April 1, 1985 - February 1, 1986 and February 1, 1981 - February 1, 1986

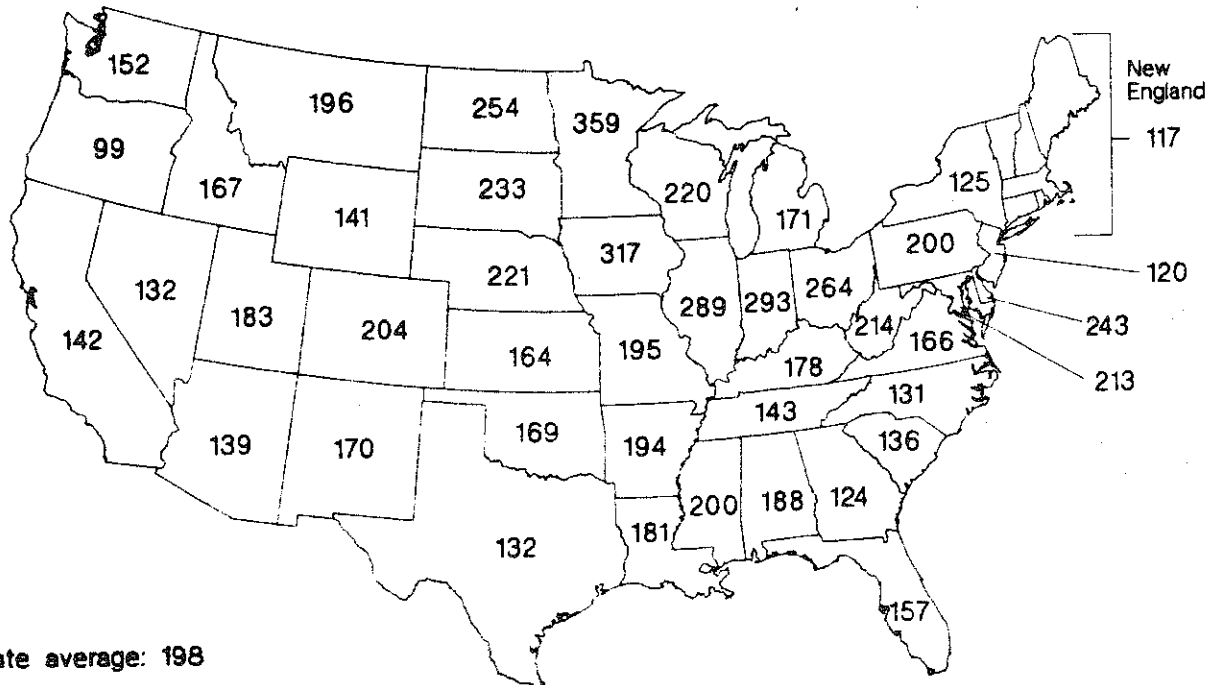


Top No. : Change from 1985 to 1986
 Bottom No. : Change from 1981 to 1986

Based on index of average value per acre (1977=100)

Figure 3

Percent Increase in Farm Real Estate Value Per Acre, 1973-81



48-State average: 198

Based on index of values, 1977=100

AVERAGE VALUE PER ACRE OF UNITED STATES FARM REAL ESTATE

Table 2—Farm real estate values: Average value per acre of land and buildings, by State, grouped by farm production region, Feb. 1, 1979-81; April 1, 1982-85; and Feb. 1, 1986

State	1979	1980	1981	1982	1983	1984	1985	1986
Dollars								
Northeast								
Maine	538	594	642	680	708	750	856	993
New Hampshire	919	1,004	1,078	1,136	1,174	1,244	1,419	1,646
Vermont	660	721	774	815	842	893	1,017	1,180
Massachusetts	1,443	1,608	1,752	1,874	1,963	2,081	2,372	2,752
Rhode Island	2,370	2,523	2,646	2,729	2,760	2,926	3,335	3,869
Connecticut	2,227	2,387	2,517	2,610	2,655	2,814	3,208	3,721
New York	670	720	773	821	817	842	808	824
New Jersey	2,701	2,947	3,040	3,181	3,140	3,234	3,525	3,913
Pennsylvania	1,273	1,464	1,568	1,513	1,520	1,642	1,510	1,450
Delaware	1,500	1,798	1,928	1,787	1,829	1,866	1,642	1,757
Maryland	1,800	2,238	2,530	2,376	2,121	2,185	2,097	1,887
Lake States								
Michigan	975	1,111	1,289	1,278	1,223	1,223	1,052	936
Wisconsin	856	1,004	1,152	1,144	1,113	1,046	847	711
Minnesota	901	1,086	1,281	1,272	1,165	1,083	823	609
Corn Belt								
Ohio	1,483	1,730	1,831	1,629	1,504	1,444	1,126	1,013
Indiana	1,589	1,863	2,031	1,804	1,610	1,594	1,259	1,058
Illinois	1,858	2,041	2,188	2,023	1,837	1,800	1,314	1,143
Iowa	1,550	1,840	1,999	1,889	1,684	1,499	1,064	841
Missouri	726	902	990	945	856	856	659	606
Northern Plains								
North Dakota	347	405	436	455	439	439	360	317
South Dakota	256	292	329	349	348	338	250	215
Nebraska	525	635	729	730	701	617	444	364
Kansas	501	587	619	628	601	583	466	387
Appalachian								
Virginia	930	1,028	1,118	1,056	1,125	1,114	1,091	1,146
West Virginia	592	669	681	723	688	667	554	537
North Carolina	1,051	1,219	1,340	1,297	1,314	1,380	1,242	1,130
Kentucky	861	976	1,033	1,058	1,049	1,007	906	870
Tennessee	860	976	1,070	1,040	1,014	1,044	982	992
Southeast								
South Carolina	773	900	972	980	946	927	899	872
Georgia	777	896	971	926	929	910	865	822
Florida	1,149	1,381	1,565	1,518	1,576	1,608	1,527	1,435
Alabama	639	780	910	885	826	809	769	761
Delta States								
Mississippi	681	819	1,034	981	894	939	835	752
Arkansas	770	918	1,056	1,096	972	933	849	705
Louisiana	1,001	1,256	1,454	1,414	1,351	1,351	1,256	1,005
Southern Plains								
Oklahoma	512	614	681	725	699	699	566	481
Texas	386	436	468	539	544	593	652	541
Mountain States								
Montana	196	235	251	271	259	264	222	204
Idaho	585	698	774	839	814	814	749	644
Wyoming	144	161	180	193	193	197	177	154
Colorado	322	387	434	451	454	468	435	357
New Mexico	143	185	192	195	178	182	163	134
Arizona	199	267	287	302	289	295	265	231
Utah	400	530	567	589	560	571	514	478
Nevada	191	248	262	268	249	254	229	199
Pacific States								
Washington	692	736	877	922	933	961	923	812
Oregon	504	587	668	705	705	698	579	521
California	1,186	1,424	1,732	1,900	1,918	1,918	1,726	1,571
48 States	628	737	819	823	788	782	679	596

1/ These values are based on land-value benchmarks obtained from the Census of Agriculture. For intercensal years, interpolations and extrapolations are made using the indexes in Table 1. For some years, the dollar values show changes that differ from the changes shown in Table 1.

INDEXES OF FARM REAL ESTATE VALUES PER ACRE

Table 1—Farm real estate values: indexes of the average value per acre of land and buildings, by State, grouped by farm production region, Feb. 1, 1979-1981; and April 1, 1982-85; and Feb. 1, 1986 1/

State	1979	1980	1981	1982	1983	1984	1985	1986	Percent change 1985-86
1977 = 100									
Northeast									
Maine 2/	126	135	143	149	152	162	185	215	16
New Hampshire 2/	126	135	143	149	152	162	185	215	16
Vermont 2/	126	135	143	149	152	162	185	215	16
Massachusetts 2/	126	135	143	149	152	162	185	216	16
Rhode Island 2/	126	135	143	149	152	162	185	215	16
Connecticut 2/	126	135	143	149	152	162	185	215	16
New York	113	119	126	132	129	133	128	131	2
New Jersey	111	120	123	128	125	129	141	157	11
Pennsylvania	127	140	144	133	128	138	127	122	-4
Delaware	129	151	158	143	143	146	128	137	7
Maryland	133	166	188	178	160	165	185	142	-10
Lake States									
Michigan	124	138	157	152	141	141	121	108	-11
Wisconsin	139	159	179	174	165	155	126	106	-16
Minnesota	131	154	179	174	155	144	109	81	-26
Corn Belt									
Ohio	138	156	160	137	121	116	90	81	-10
Indiana	130	150	161	140	122	121	96	81	-16
Illinois	125	135	144	131	117	115	84	73	-13
Iowa	119	139	150	139	121	108	77	61	-21
Missouri	127	154	165	153	133	133	102	94	-8
Northern Plains									
North Dakota	119	136	145	149	142	142	116	102	-12
South Dakota	132	141	150	150	140	136	101	87	-14
Nebraska	120	137	151	143	129	114	82	67	-18
Kansas	117	134	137	136	126	122	98	81	-17
Appalachian									
Virginia	128	139	149	143	144	143	140	147	5
West Virginia	126	150	160	177	177	172	143	139	-3
North Carolina	122	141	155	149	150	158	142	129	-9
Kentucky	133	147	153	154	149	143	129	124	-4
Tennessee	122	136	146	138	131	135	127	128	1
Southeast									
South Carolina	114	130	137	136	128	125	121	117	-3
Georgia	118	132	139	128	124	122	116	110	-5
Florida 3/	120	141	157	149	152	155	147	138	-6
Alabama	120	149	176	174	165	162	154	152	-1
Delta States									
Mississippi	129	156	198	189	174	183	163	147	-10
Arkansas	137	163	188	196	174	167	152	126	-17
Louisiana	132	169	200	199	195	195	181	145	-20
Southern Plains									
Oklahoma	121	143	156	164	156	156	126	107	-15
Texas	124	144	158	185	191	208	229	190	-17
Mountain States									
Montana	121	142	148	157	146	149	125	115	-8
Idaho	117	134	144	151	140	140	129	111	-14
Wyoming 5/	118	126	135	140	133	136	122	106	-13
Colorado	126	147	161	164	161	166	154	126	-18
New Mexico 4,5/	126	166	178	185	176	180	162	133	-18
Arizona 4,5/	126	167	179	186	177	181	163	142	-13
Utah 4,5/	127	169	181	188	179	183	165	153	-7
Nevada 4,5/	134	178	190	198	188	192	173	151	-13
Pacific States									
Washington	118	124	146	152	152	157	151	133	-12
Oregon	120	132	144	145	138	137	114	103	-10
California	138	166	201	221	223	223	201	183	-9
48 States	125	145	158	157	148	146	128	112	-12

1/ These indexes are based on USDA surveys. For some years, they show changes that differ from those shown by the dollar values in Table 2. Indexes for 1979-85 were estimated by combining survey data to obtain an average rate of change for these 6 New England States. 2/ Indexes for 1979-82 were estimated using the average of the percentage changes in the Georgia and Alabama indexes. 3/ Indexes for 1979-80 were estimated by combining survey data to obtain an average rate of change for these 4 Mountain States. 4/ Indexes for 1981-1985 were estimated using the average of the percentage changes in the Montana, Idaho, and Colorado indexes. 1986 indexes for Arizona and Nevada, based on the average of the percentage change in Montana, Idaho, and Colorado.

CASH RENT PER ACRE AND RATIO OF RENT TO VALUE

Table 7—Cropland rented for cash: Gross cash rent per acre and ratio of rent to value, selected States, 1982-86 1/

State	Rent per acre					Ratio of rent to value				
	1982	1983	1984	1985	1986	1982	1983	1984	1985	1986
	Dollars					Percent				
Northeast										
Vermont	25.60	24.10	31.32	28.25	26.01	3.6	3.2	3.8	4.1	3.0
Massachusetts	32.10	37.00	36.07	--	--	2.1	2.7	1.6	--	--
New York 2/	34.20	33.40	35.79	34.78	30.81	6.5	7.0	5.4	5.0	5.1
New Jersey	48.90	52.30	48.43	43.18	45.96	2.0	2.1	1.2	1.1	0.9
Pennsylvania 3/	39.50	38.80	38.01	42.98	37.18	2.5	2.5	2.1	2.5	2.7
Delaware	60.50	59.10	66.90	66.77	64.48	3.6	3.6	3.8	3.8	3.7
Maryland	51.00	50.50	58.33	63.62	54.46	2.6	2.7	2.8	2.7	3.3
Lake States										
Michigan 4/	55.40	57.30	54.14	51.09	47.73	4.4	4.9	3.7	5.5	5.8
Wisconsin	58.10	57.00	58.26	53.08	48.83	5.1	5.2	5.8	6.3	7.0
Minnesota 5/	72.40	71.30	68.43	62.19	53.85	5.1	5.6	6.5	7.8	8.7
Corn Belt										
Ohio	88.40	89.10	79.96	72.64	70.32	4.9	5.8	5.2	5.4	6.5
Indiana	104.90	100.20	103.13	95.70	85.55	5.3	6.0	6.0	7.3	7.5
Illinois	119.40	116.30	119.30	110.07	99.92	5.0	5.6	5.8	7.2	7.7
Iowa	118.80	117.10	117.30	102.65	87.61	5.2	6.0	6.8	8.4	9.3
Missouri	70.00	68.60	67.05	56.54	54.42	6.3	7.3	7.3	8.5	9.0
Northern Plains										
North Dakota	32.90	32.60	32.42	31.74	29.69	6.1	6.5	6.7	7.6	8.1
South Dakota	31.10	31.70	30.77	29.35	26.44	5.9	6.5	7.0	8.3	9.2
Nebraska										
(Nonirrigated)	52.10	53.40	56.87	47.10	46.72	5.9	6.6	8.0	8.6	10.4
(Irrigated)	111.00	105.50	113.80	92.53	86.29	6.8	7.1	8.4	9.6	10.6
Kansas										
(Nonirrigated)	34.00	34.00	34.10	32.38	30.34	5.2	5.6	5.9	7.2	8.0
(Irrigated)	60.90	64.00	62.80	62.50	63.80	7.2	6.9	6.9	7.5	7.8
Appalachian										
Virginia	42.00	39.00	36.75	37.63		3.6	3.6	3.5	3.0	
North Carolina	48.30	45.30	43.56	41.44	39.50	4.0	3.8	3.1	2.0	3.5
Kentucky	64.00	62.50	55.80	50.67	53.63	5.1	5.5	4.8	5.2	6.0
Tennessee	54.60	47.90	50.66	45.76	47.35	5.5	5.3	5.1	4.8	5.8
Southeast										
South Carolina	27.80	28.30	27.93	27.00	25.46	3.4	3.7	3.0	3.5	2.9
Georgia	33.10	34.90	32.68	30.32	27.84	4.1	4.5	3.9	4.3	3.2
Alabama	36.10	37.80	30.45	29.49	29.66	4.4	4.7	4.4	4.7	4.3
Delta States										
Mississippi	46.10	42.80	43.75	40.96	34.95	4.7	4.7	4.9	5.2	6.1
Arkansas	50.70	46.60	49.50	50.97	48.21	4.4	4.4	5.5	6.4	6.5
Southern Plains										
Oklahoma										
(Nonirrigated) 6/	32.30	30.90	27.76	31.14	24.94	4.0	4.0	3.5	4.8	4.6
(Irrigated)	51.60	50.30	51.42	31.45	23.38	5.3	5.7	4.7	5.4	5.9
Texas										
(Nonirrigated) 7/	25.20	24.40	22.62	21.32	20.22	3.3	3.2	2.5	1.9	2.2
(Irrigated)	54.50	52.20	50.73	43.61	39.64	5.8	5.4	5.0	4.6	5.1

1/ 1982-83 estimates based on data from crop reporters, Statistical Reporting Service, USDA. For 1984-1986, estimates are based on surveys by the Economic Research Service, USDA, and may not be comparable with earlier estimates. 2/ Estimates omit crop district (c.d.) no. 3 and 9a for 1982-83. 3/ Estimates omit c.d. 3 for 1982-83. 4/ Estimates omit c.d.'s 1, 2, 3, and 4 for 1982-83. 5/ Estimates omit c.d.'s 2 and 3. 6/ Estimates omit c.d. 99 for 1982-83. 7/ Estimates omit c.d. 60 for 1982-83.

Farmland Retention Programs

In many respects New York has established itself as one of the leading states in farmland retention. It has shown the way to many other states by developing the agricultural district concept. The implementation of the purchase of development rights was first tested on a large scale at the county and town level in Suffolk County. Transfer of development rights has been put into effect in at least two towns in New York. Contractual agreement for the maintenance of open space and agricultural land has been tried in innovative cases across the state. Land trusts have been able to function in the state and have been used to permanently constrain development in several counties.

It is important to note that New York has in place, the constitutional and statutory capability of utilizing the above mentioned tools in addition to zoning to retain lands for the production of food and fiber as well as for open space and environmental quality. This is not to say the whole job is done and that there is universal agreement on how to deal with land use allocations to meet the needs of the people of a highly complex state like New York.

Conflict continues to arise in the local governments of the state between those who wish to "preserve" agricultural lands and those who seek to develop the land for non-farm purposes. Dynamic economic situations provide the impetus for some areas to experience economic pressures for non-farm growth and development that result in conflicts between zoning and retention interests.

Good public policy on farmland retention will come about only if state and local government officials, public and private organizations and informed citizens understand the issues and have access to the knowledge necessary to weigh alternatives before deciding on a course of action.

The State Board of Equalization and Assessment announced on June 19, 1985 that the Agricultural Values per acre would be the same for 1987 as those previously used in 1985 and 1986. E&A retained the services of two private consultants to review and make recommendations on the procedures to establish Agricultural Values.

On May 1, 1986 Governor Cuomo announced the appointment of an eleven member Task Force on Agricultural Values to make recommendations on the improvement of the program.

In addition Assemblyman Richard Keane, Chairman of the Assembly Committee on Agriculture invited a number of organizations to participate in a working group to study the current agricultural district law and make recommendations for new directions in protecting farmland in New York State.

The recommendations from both of the above mentioned groups will in all likelihood produce the grist for legislative initiative in the next session of the legislature.

CREATION OF AGRICULTURAL DISTRICTS BY COUNTY
1972-1979 and 1980 through November 1986

County	1972-1979		1980-Nov. 1986		Total	
	No. of Districts	Acres	No. of Districts	Acres	No. of Districts	Acres
Albany	5	40,605	1	514	6	41,119
Allegany	7	31,054	5	26,313	12	57,367
Broome	5	122,425	0	0	5	122,425
Cattaraugus	6	50,580	0	0	6	50,580
Cayuga	4	167,622	2	157,799	6	325,421
Chautauqua	10	165,530	1	20,197	11	185,727
Chemung	2	16,331	0	0	2	16,331
Chenango	15	169,374	9	149,220	24	318,594
Clinton	5	58,507	2	2,763	7	61,270
Columbia	10	212,774	0	0	10	212,774
Cortland	11	105,275	0	0	11	105,275
Delaware	17	306,128	0	0	17	306,128
Dutchess	18	181,508	0	0	18	181,508
Erie	13	152,698	3	82,483	16	235,181
Essex	5	32,031	2	12,156	7	44,187
Franklin	2	5,719	0	0	2	5,719
Fulton	1	15,000	0	0	1	15,000
Genesee	4	49,552	6	115,959	10	165,511
Greene	3	18,444	1	10,464	4	28,908
Herkimer	3	87,411	0	0	3	87,411
Jefferson	3	32,541	9	106,939	12	139,480
Lewis	5	281,511	0	0	5	281,511
Livingston	8	107,706	2	20,627	10	128,333
Madison	9	89,226	3	15,678	12	104,904
Monroe	5	105,269	0	0	5	105,269
Montgomery	7	217,087	0	0	7	217,087
Niagara	7	78,038	2	24,746	9	102,784
Oneida	35	164,625	4	17,600	39	182,225
Onondaga	10	192,383	1	35,690	11	195,952
Ontario	7	162,734	3	41,518	10	204,252
Orange	23	147,932	0	0	23	147,932
Orleans	5	59,582	3	33,341	8	92,923
Oswego	9	81,482	2	19,000	11	100,482
Otsego	7	84,848	2	41,610	9	126,458
Rensselaer	6	70,525	2	22,495	8	93,020
St. Lawrence	6	416,316	1	56,521	7	472,837
Saratoga	4	75,958	1	2,907	5	78,865
Schoharie	9	104,237	2	15,205	11	119,442
Seneca	10	104,763	2	15,704	12	120,467
Steuben	10	165,017	11	116,713	21	281,730
Suffolk	1	3,145	5	8,716	6	11,861
Sullivan	8	53,748	0	0	8	53,748
Tioga	3	88,815	2	23,503	5	112,318
Tompkins	7	118,720	1	38,244	8	156,964
Ulster	22	75,144	0	0	22	75,144
Washington	24	230,553	5	38,335	29	268,888
Wayne	9	346,450	1	51,594	10	398,044
Wyoming	4	104,518	2	114,574	6	219,092
Yates	2	109,210	0	0	2	109,210
Total	411	5,860,651	98	1,407,007	509	7,267,658

NET ACREAGE CHANGE RESULTING FROM
REVIEW OF AGRICULTURAL DISTRICTS
1980 through November 1986

County	No Change		Decrease		Increase	
	No. of Districts	Acres	No. of Districts	Acres	No. of Districts	Acres
Albany	5	NA			1	5,829
Allegany	8	"	1	84	3	5,201
Broome	2	"	2	3,261	1	292
Cattaraugus	1	"			5	19,301
Cayuga	2	"	3	3,650	1	62,280
Chautauqua	7	"	2	1,251	2	893
Chemung	0	"			2	2,542
Chenango	17	"	1	21	6	34,334
Clinton	4	"			3	3,355
Columbia	1	"	3	9,090	6	5,489
Cortland	7	"			4	25,763
Delaware	10	"	1	13,327	6	47,250
Dutchess	14	"	3	18,481	1	641
Erie	8	"	2	2,067	6	14,110
Essex	6	"			1	3,590
Franklin	1	"			1	101
Fulton	1	"				
Genesee	6	"	1	34,886	3	10,278
Greene	1	"	2	10,278	1	1,458
Hamilton*	0	"				
Herkimer	2	"			1	10,076
Jefferson	11	"			1	1,562
Lewis	4	"	1	4,232		
Livingston	6	"	1	12,756	3	57,703
Madison	4	"	4	28,099	4	5,731
Monroe	1	"			4	25,256
Montgomery	4	"	1	1,438	2	22,852
Nassau*	0	"				
Niagara	5	"	1	778	3	32,099
Oneida	20	"	4	2,379	15	48,803
Onondaga	2	"	3	18,978	6	8,684
Ontario	4	"			6	27,176
Orange	22	"			1	9,935
Orleans	7	"			1	2,704
Oswego	11	"				
Otsego	6	"			3	2,518
Putnam*	0	"				
Rensselaer	4	"	1	220	3	12,610
Rockland*	0	"				
St. Lawrence	3	"	3	28,454	1	3,495
Saratoga	5	"				
Schenectady*	0	"				
Schoharie	10	"			1	1,597
Schuyler*	0	"				
Seneca	5	"			7	36,968
Steuben	12	"	2	597	7	22,571
Suffolk	0	"				
Sullivan	6	"			2	101,293
Tioga	2	"	1	1,000	2	93,585
Tompkins	6	"	1	3,227	1	2,228
Ulster	12	"	5	1,237	5	1,773
Warren*	0	"				
Washington	19	"			10	25,475
Wayne	5	"	3	23,627	2	3,018
Westchester*	0	"				
Wyoming	4	"			2	29,354
Yates	1	"			1	3,868
Total	304		52	223,418	147	835,641

Source: New York Department of Ag & Markets

* No districts as of November 1986.

Some Examples of Purchase and Transfer
of Development Rights and Easements

Suffolk County Purchase of Development Rights Program			
Phase I	3,164.1	Acres	\$ 9,213,939
Phase II	840.562	Acres	3,250,000 ±
Phase IIa	837.83	Acres	6,000,000 ±
Phase IIb	<u>374.0</u>	Acres	<u>2,000,000 ±</u>
 Total	 5,215 ±	 Acres	 \$20,463,939 ±

Southampton Town Purchase of Development Rights Program			
Phase I	602 ±	Acres	\$ 4,000,000 ±
	<u>200 ±</u>	Acres	<u>2,000,000</u>
 Total	 802 ±	 Acres	 \$ 6,000,000 ±

East Hampton Purchase of Development Rights Program			
Phase I	60 ±	Acres	\$ 1,000,000

Southold Purchase of Development Rights Program	
Southold PDR Program	Bond Issue for \$1,750,000

Transfer of Development Rights Program	
Town of Eden	Erie County
Town of East Hampton	Suffolk County

Contractual Easements	
Town of Perinton	Monroe County

CROP PRODUCTION
United States and New York
1984-86 a/

Crop	Acres Harvested			Yield Per Acre			Production		
	1984	1985	1986	1984	1985	1986	1984	1985	1986
<u>United States</u>	(million)			(bu.)			(million bu.)		
Corn grain	71.8	75.1	69.0	106.6	118.0	119.3	7,674	8,865	8,223
Sorghum	15.3	16.7	13.5	56.4	66.7	66.7	866	1,113	900
Oats	8.2	8.2	7.0	58.0	63.7	54.9	474	521	384
Barley	11.2	11.6	12.0	53.4	51.0	50.0	599	591	600
Wheat	66.9	64.7	60.5	38.8	37.5	34.3	2,595	2,425	2,077
Soybeans	66.1	61.6	59.5	28.1	34.1	33.8	1,861	2,099	2,009
<u>New York</u>	(thousand)			(bu.)			(thousand bu.)		
Corn grain	660	720	640	93	95	98	60,970	68,400	62,720
Oats	180	230	190	59	77	72	10,620	17,710	13,680
Wheat	170	145	155	46	58	52	7,820	8,410	8,060
				(tons)			(thousand tons)		
Corn silage	665	640	NA	13.5	14.0	NA	8,978	8,960	NA
All hay	2,260	2,230	2,160	2.37	2.36	2.45	5,366	5,269	5,292
Alfalfa <u>b/</u>	940	930	840	2.90	2.80	3.00	2,726	2,604	2,520

Source: USDA Crop Production and New York Crop Reporting Service.

a/ All 1986 data are preliminary and subject to revision. Estimates for the United States are as of November 1, 1986. New York estimates are as of October 1986.

b/ Includes alfalfa mixtures.

Grain and oilseed production in the United States in 1986 is below year earlier levels largely due to government acreage reduction programs. Corn for grain production of 8.2 billion bushels is 7 percent below the record 1985 level and about equal to the previous record set in 1982. Sorghum production is 19 percent below the 1985 crop.

Oat production is down 26 percent from 1985 levels. Barley production is about equal to last year. Total feed grain production is down 9 percent from 1985 but about equal to the record 1982 output.

The soybean crop is down 4 percent from 1985. Wheat production of nearly 2.1 billion bushels is well below the crops of the early 1980's.

Based on estimates made in October, the New York corn for grain crop is forecast at 63 million bushels, down 8 percent from 1985. Wheat production is down 4 percent. Oat production is estimated to be down 23 percent from 1985. Hay production is up slightly from the 1985 level.

CORN AND FEED GRAIN BALANCE SHEETS

Item	1983/84	1984/85	1985/86 (Prelim.)	1986/87 (Proj.)
<u>Supply</u> ----- CORN (million bushels) -----				
Beginning Stocks (Sept. 1) <u>a/</u>	3,120	1,006	1,648	4,038
Production	4,175	7,674	8,865	8,223
Imports	2	4	11	3
Total	7,297	8,684	10,524	12,264
<u>Disappearance</u>				
Feed	3,736	4,116	4,116	4,200
Food, Ind. and Seed	973	1,055	1,129	1,150
Total domestic	4,709	5,170	5,245	5,350
Exports	1,865	1,865	1,241	1,300
Total	6,574	7,036	6,486	6,650
<u>Ending Stocks</u> (Aug. 30)	723	1,648	4,038	5,614
Season average farm price	\$3.25	\$2.62	\$2.35	\$1.35-1.65
----- FEED GRAINS <u>a/,b/</u> (million metric tons) -----				
<u>Supply</u>	97.3	39.6	57.5	126.3
Beginning Stocks	97.3	39.6	57.5	126.3
Production	136.4	236.9	273.9	250.4
Imports	.6	.8	0.9	0.6
Total	234.4	277.3	332.2	377.3
<u>Disappearance</u>				
Feed	117.5	131.1	135.1	133.6
Food, Ind. and Seed	29.8	32.0	34.3	35.0
Total domestic	147.3	163.2	169.4	168.6
Exports	55.7	56.6	36.6	40.3
Total	202.9	219.8	205.9	209.0
<u>Ending Stocks</u>	31.5	57.5	126.3	168.3

Source: Agricultural Supply and Demand Estimates, USDA.

a/ Prior to 1984/85, the corn marketing year began October 1. Therefore the 1983/84 data are not strictly comparable to later data.

b/ Marketing year beginning September 1 for corn and sorghum, June 1 for barley and oats.

The fall 1986 corn supply of 12 billion bushels is up 17 percent from 1985 and is a record. Feed use is projected to rise 2 percent. Exports are projected to increase 5 percent from 1985 levels. Total utilization is expected to be 3 percent above the 1985/86 level. Projected carryover in the fall of 1987 of 5.6 billion bushels is nearly 40 percent above the 1986 level and will be the largest ever.

Feedgrain supplies are dominated by corn, so changes in supply and demand are similar. The total supply of feedgrains is 14 percent above last year. Domestic feed use in the 1986-87 marketing year is projected to decline slightly. Exports are projected to increase 10 percent. Carryover stocks at the end of the 1986-87 marketing year are projected to be 168 million metric tons, one-third above the 1986 level and a record.

WHEAT AND SOYBEAN BALANCE SHEETS

Item	1983/84	1984/85	1985/86 (Prelim.)	1986/87 (Proj.)
<u>Supply</u> ----- WHEAT (million bushels) -----				
Beginning Stocks (June 1) <u>a/</u>	1,515	1,399	1,425	1,905
Production	2,420	2,595	2,425	2,077
Imports	4	9	15	10
Total	3,939	4,003	3,865	3,992
<u>Disappearance</u>				
Food	635	651	678	690
Seed	100	98	93	90
Feed	376	405	273	350
Total domestic	1,111	1,154	1,044	1,130
Exports	1,429	1,424	915	1,025
Total	2,540	2,578	1,960	2,155
<u>Ending Stocks</u> (May 31)	1,399	1,425	1,905	1,837
Season average farm price	\$3.53	\$3.38	\$3.16	\$2.20-2.40

<u>Supply</u> ----- SOYBEANS (million bushels) -----				
Beginning Stocks (Sept. 1)	345	176	316	536
Production	1,636	1,861	2,099	2,009
Total	1,981	2,037	2,415	2,545
<u>Disappearance</u>				
Crushings	983	1,030	1,053	1,080
Exports	743	598	740	760
Seed, Feed	66	61	60	57
Residual	13	32	26	33
Total	1,805	1,721	1,879	1,930
<u>Ending Stocks</u> (Aug. 30)	176	316	536	615
Season average farm price	\$7.81	\$5.78	\$5.10	\$4.50-4.90

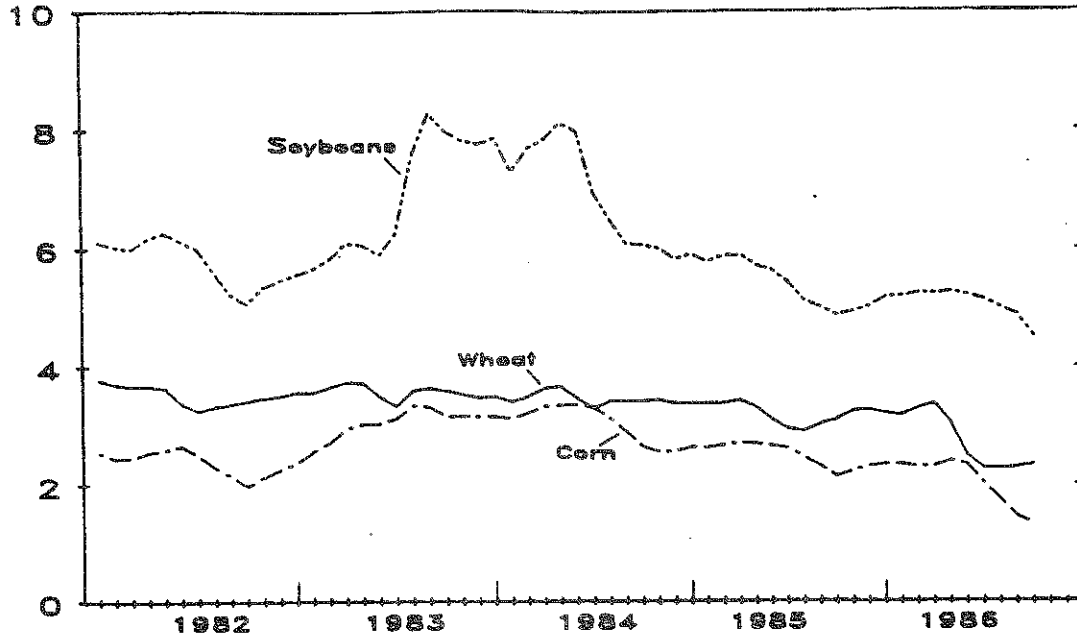
Source: Agricultural Supply and Demand Estimates, USDA.

The 1986 United States wheat supply of nearly four billion bushels is three percent above the 1985 level but not greatly different from the levels of the early 1980's. Domestic food use is projected to increase slightly and feed use to increase 22 percent. Exports are expected to increase 8 percent. Carryover on May 31, 1987 is projected to be 1.8 billion bushels, down 4 percent from the 1986 level.

Total soybean supply is 2.5 billion bushels, up 5 percent from 1985 and also from the previous record set in 1982. Crushings are projected to be up 2 percent and exports to increase 3 percent from year earlier levels. Carryover in the fall of 1987 is projected to be about 615 million bushels, 13 percent above the record level set in 1986.

Prices Received by Farmers, US

DOLLARS PER BU



Source: USDA Agricultural Prices

Except for a brief period in late 1985 and early 1986, soybean prices continued the decline that began in mid-1984. The October 1986 average price received by U.S. farmers was \$4.50, \$.35 per bushel below the level of October 1985.

Wheat prices declined sharply in the second quarter of 1986, but leveled off in the fall. The October 1986 price received by U.S. farmers was \$2.33 or \$.76 below the year earlier price. The N.Y. price of \$2.15 was \$.51 below the October 1985 level.

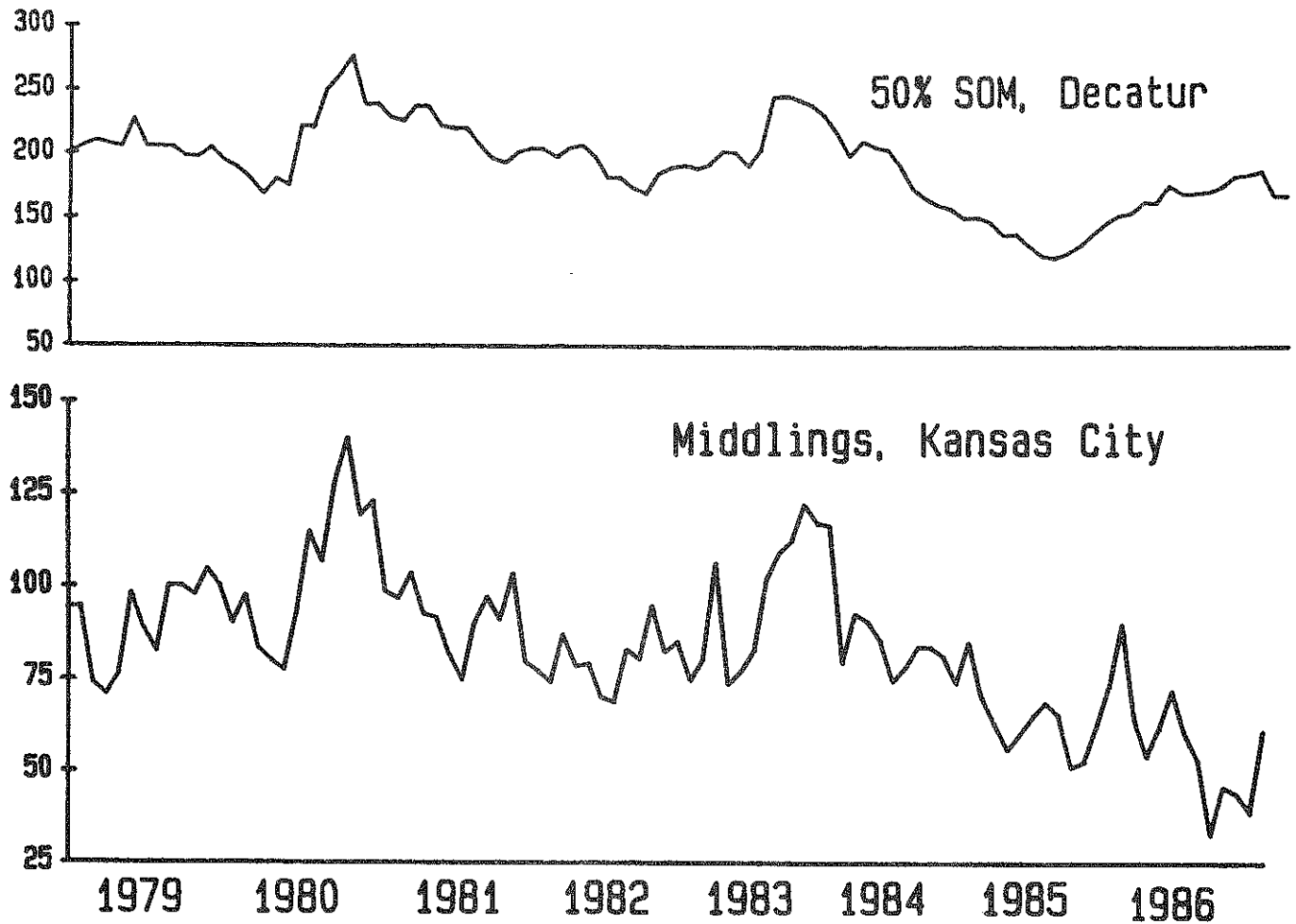
Corn prices declined substantially during the second and third quarters of 1986. The U.S. average price received by farmers in October 1986 was \$1.31, \$.80 below the year earlier level. The N.Y. price in October was \$1.75 per bushel, \$.38 below the level of a year earlier.

The mid-November USDA projection of the season average price received by U.S. farmers for the 1986 corn crop was \$1.35 to \$1.65 per bushel. The mid-point is \$.85 below the season average price for the 1986 crop.

USDA's projection for the season average price of 1986 crop soybeans is \$4.50 to \$4.90, with a mid-point \$.40 below the 1985 crop average price.

The projected season average 1986 crop price for U.S. wheat is \$2.20 to \$2.40. The mid-point is \$.86 below the 1985 crop average price received by farmers.

MONTHLY PRICES OF SOYBEAN MEAL AND MIDLINGS 1979 TO DATE

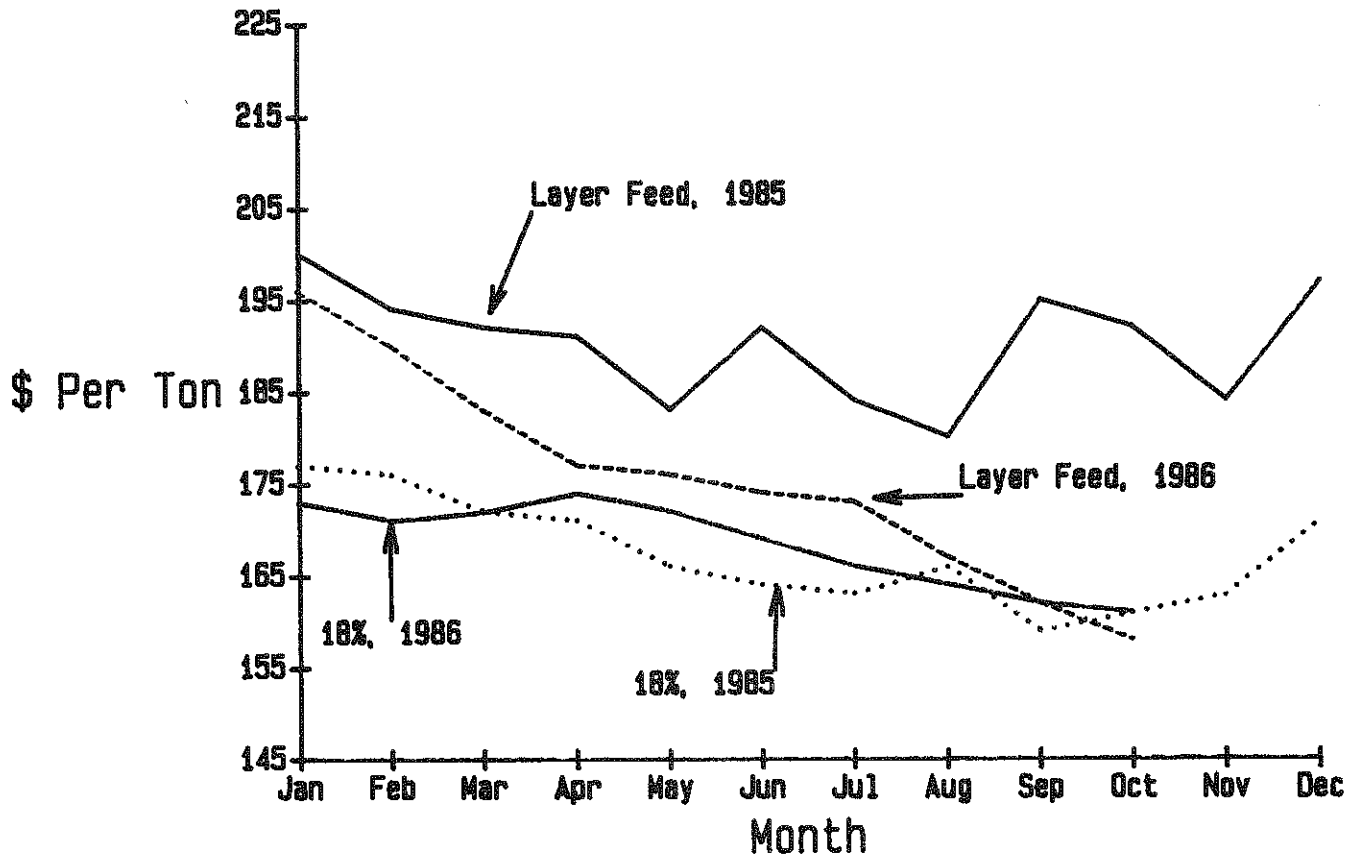


Source: USDA Feed Situation and Feedstuffs

Prices of soybean oil meal (50%, Decatur), increased rather steadily from \$120 in June 1985 to \$178 in September 1986 and then declined to \$166 in October. Fall 1986 prices were \$15 to \$20 above year earlier levels but well below any period since 1977 except for the late 1984-early 1986 period. Near-records supplies of soybeans in the fall of 1986 and the prospects for record carryovers in the fall of 1987 will prevent large seasonal increases in soybean oil meal prices. Average prices paid by farmers in the first half of 1987 are not likely to be much different than in the first half of 1986.

Prices of byproducts such as middlings generally declined from early 1984 to late 1985, but there have been large short-run fluctuations. Prices increased substantially in late 1985 but declined during 1986. Ample supplies of wheat and corn are likely to prevent any substantial increase in the general level byproduct prices during at least early 1987.

Prices of Layer Feed and 18% Dairy, 1985 & 1986, New York



Source: USDA Agricultural Prices and New York Crop Reporting Service

Prices for 18% dairy feed declined moderately during the summer of 1986 to around \$160 per ton by fall. Layer feed prices also declined markedly from January to October. In October 1986, 18% dairy was the same price as a year earlier. Layer feed was \$34 per ton below year earlier levels.

Feed prices, particularly for 18% dairy, have fallen much less than prices of feed grains. With large supplies of feed grains and soybeans, large seasonal increases in feed prices are not likely. Prices in the first half of 1987 are likely to average below the levels of the first half of 1986.

Month	1986			1987		
	18% Dairy	44% SOM	Layer feed	18% Dairy	44% SOM	Layer feed
Jan	173	220	196	---	---	---
Feb	171	230	190	---	---	---
Mar	*	*	*	---	---	---
Apr	174	234	177	---	---	---
May	---	---	---	---	---	---
June	---	---	---	---	---	---
July	166	236	173	---	---	---
Aug	---	---	---	---	---	---
Sept	---	---	---	---	---	---
Oct	161	234	158	---	---	---
Nov	---	---	---	---	---	---
Dec	---	---	---	---	---	---

*Only quarterly data are available after February 1986, and those data are for New York and New England combined.

COMMERCIAL NON-CITRUS FRUIT PRODUCTION, NEW YORK AND UNITED STATES

Fruit	New York				United States			
	1983	1984	1985	1986	1983	1984	1985	1986
----- thousand tons -----								
Apples	550	510	530	475	4,187	4,143	3,974	3,869
Grapes	191	198	146	165	5,506	5,194	5,605	4,908
Tart Cherries	12	13	11	13	77	136	143	115
Pears	19	20	16	22	775	710	747	710
Peaches	9	6	9	8	928	1,330	1,074	1,140
Sweet Cherries	3	2	2	2	181	182	133	140
Total New York's Major Fruit Crops	784	749	714	685	11,654	11,695	11,676	10,882

AVERAGE FARM PRICES OF NON-CITRUS FRUITS, NEW YORK AND UNITED STATES

Fruit	New York				United States			
	1983	1984	1985	1986	1983	1984	1985	1986
----- dollars per ton -----								
Apples								
Fresh	338	402	230		298	310	342	
Processed	102	107	89		103	111	102	
All sales	196	224	142		210	224	232	
Grapes	199	189	177		199	190	171	
Tart Cherries	920	406	512	454	932	500	486	474
Pears	271	228	242		170	229	265	
Peaches	464	548	466		296	260	302	
Sweet Cherries	569	575	735	849	630	610	802	855

VALUE OF UTILIZED PRODUCTION NON-CITRUS FRUITS, NEW YORK AND UNITED STATES

Fruit	New York				United States			
	1983	1984	1985	1986	1983	1984	1985	1986
Apples								
Fresh	73.5	80.6	47.0		686	724	723	
Processed	33.9	33.4	31.5		193	204	186	
All Sales*	107.4	114.0	78.5		879	927	909	
Grapes	36.5	33.8	21.4		1,065	979	986	
Tart Cherries	10.6	5.1	5.8	2.7	72	64	68	53
Pears	5.1	4.6	3.9		132	160	196	
Peaches	3.9	3.0	4.0		260	321	309	
Sweet Cherries	1.7	1.3	1.4	1.2	106	100	102	119
Total New York's Major Fruit Crops	165.2	161.8	115.0		2,514	2,551	2,570	

*May not add from total of fresh and processed due to rounding errors.

APPLE PRODUCTION, UNITED STATES AND CANADA, 1981-1985, FIVE-YEAR AVERAGE PRODUCTION,
AND 1985 FORECAST, 1,000 42-POUND BUSHEL

States and Areas	1981	1982	1983	1984	1985	August Est. 1986	% change from 1985
Maine	1,905	2,191	2,024	1,667	2,024	2,024	N.C.
New Hampshire	1,071	1,191	1,310	1,190	1,333	1,190	-11
Vermont	667	1,238	1,143	976	1,167	1,048	-10
Massachusetts	1,976	2,381	2,310	2,310	2,119	2,309	+9
Rhode Island	107	143	119	119	95	119	+25
Connecticut	905	1,190	952	1,119	1,000	1,024	+2
New York	19,048	26,905	26,190	24,286	26,667	24,048	-10
New Jersey	2,262	3,333	2,381	2,619	2,500	2,381	-5
Pennsylvania	9,524	12,500	11,905	13,690	13,928	14,524	+4
Delaware	312	345	321	572	452	500	+11
Maryland	1,667	1,905	1,667	1,905	1,905	1,905	N.C.
Virginia	11,071	11,905	10,833	11,072	9,405	11,905	+27
West Virginia	4,762	5,714	5,238	5,357	5,476	5,476	N.C.
North Carolina	8,929	4,048	9,881	8,572	6,548	2,619	-60
South Carolina	857	167	429	1,071	381	714	+87
Georgia	1,071	357	476	1,190	476	714	+50
Total East	66,134	75,513	77,179	77,715	75,476	72,500	-4
Ohio	2,381	3,571	2,381	3,214	3,452	2,262	-35
Indiana	1,619	1,833	1,333	1,524	1,786	738	-59
Illinois	2,452	2,095	2,143	2,143	2,524	2,190	-13
Michigan	15,714	23,333	17,857	18,333	26,190	16,667	-36
Wisconsin	1,405	1,429	1,381	1,262	1,429	1,357	-5
Minnesota	524	595	524	357	548	405	-26
Iowa	262	274	298	119	321	155	-52
Missouri	1,476	1,071	1,071	952	1,476	786	-47
Kansas	333	298	321	119	357	155	-57
Kentucky	500	286	333	429	405	119	-71
Tennessee	262	107	202	262	202	143	-29
Arkansas	548	190	357	190	381	238	-38
Total Central	27,476	35,082	28,201	28,904	39,071	25,215	-36
Total East & Central	93,610	110,595	105,380	106,619	114,547	97,715	-15
Colorado	1,786	952	2,024	1,548	2,619	429	-84
New Mexico	405	286	143	190	238	190	-20
Utah	1,286	1,286	1,381	1,072	1,357	952	-30
Idaho	3,214	3,000	3,048	3,214	3,119	2,619	-16
Washington	65,714	62,262	72,738	70,238	48,810	70,238	+44
Oregon	3,690	3,571	3,691	3,095	3,810	2,738	-28
California	14,905	11,429	10,952	12,381	14,762	11,905	-19
Total West	91,000	82,786	93,977	91,738	74,715	89,071	+19
Total U.S.	184,610	193,381	199,357	198,357	189,262	186,786	-1
Provinces							
Nova Scotia	2,860	3,100	2,800	2,900	2,600	1,750	-33
Ontario	6,499	8,348	8,671	7,562	9,590	7,946	-17
Quebec	2,378	4,100	3,416	4,466	4,820	2,830	-41
New Brunswick	260	315	330	225	400	360	-10
British Columbia	9,814	9,208	10,233	7,641	7,554	6,953	-8
Total Canada	21,811	25,071	25,450	22,794	24,964	19,839	-21
Total U.S. & Canada	206,421	218,452	224,807	221,151	214,226	206,625	

FRESH APPLES: EXPORTS AND IMPORTS, U.S., 1979/80 - 1985/86 SEASONS
42 POUND UNITS

Area of Distribution	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86
	----- 1,000 42-pound units -----						
Canada	3,156	2,072	3,463	2,240	2,040	1,620	1,323
Europe	1,132	2,036	1,888	1,291	1,377	950	1,110
Mexico & North America	744	827	545	235	252	360	331
Caribbean	343	404	337	370	289	238	175
South America	676	1,552	1,687	1,727	401	228	238
Middle East	1,272	2,491	1,926	2,127	2,520	2,506	716
Africa	64	89	48	30	7	3	13
Far East	4,852	6,386	4,040	6,105	4,530	4,947	3,983
Pacific Area	130	174	421	197	255	163	127
Other	44	2	12	24	389	0	4
Total Exports	12,412	16,032	14,368	14,346	11,672	11,014	8,020
Total Imports	3,653	4,142	3,508	4,627	5,480	5,440	6,514

SOURCE: Foreign Agricultural Service, Horticultural and Tropical Products Division.

Fresh apple exports from the U.S. experienced a dramatic decline during the period 1981-1985. Exports increased from 6.3 million bushels in 1976/77 to 16.0 million bushels in 1980/81. Since then, exports have decreased each year and amounted to only eight million bushels last year.

Fresh apple exports slipped unexpectedly in 1985, despite a reduction in the value of the dollar. This was attributed to a shortage of apples suitable for exporting from Washington State, the largest exporting state in the U.S. This year, larger supplies, a still weaker dollar, a boycott in Europe of South African fruit, and a reduced crop of apples in Canada (-21 percent) are factors which appear favorable for increased exports of the 1986 crop.

APPLE JUICE: IMPORTS INTO THE UNITED STATES, 1977/78 - 1984/85 SEASONS¹

Season	Million Gallons ²	Million 42-Pound Bushel Equivalents ³	Percent of U.S. Domestic Production of Apple Juice
1977/78	41.6	11.6	27.8
1978/79	62.8	17.5	33.0
1979/80	45.9	12.8	21.6
1980/81	70.3	19.7	27.9
1981/82	76.4	21.3	33.2
1982/83	139.8	38.9	47.5
1983/84	145.2	40.4	46.1
1984/85	209.2	58.3	57.4
1985/86	221.8	61.8	58.4

SOURCE: Foreign Agricultural Service, Horticultural and Tropical Products Division and Non-Citrus Fruits and Nuts Annual Summaries, various issues.

¹Includes pear juice, but volume is believed to be negligible.

²Expressed in single-strength (natural juice) equivalents.

³Computed on the basis of one gallon single-strength juice = 0.2785 bushels.

Imports of single-strength apple juice have increased dramatically since the 1977/78 season, from 41.6 million gallons to 221.8 million gallons. On the basis of a 42-pound bushel, this translates into the equivalent of 61.8 million bushels for 1985/86 compared with domestic production of 189 million bushels, fresh apple exports of 8 million bushels, and fresh apple imports of 6.5 million bushels. Imports now make up about 58 percent of the apple juice marketed in the U.S.

Accounting for exports and imports of fresh apples and imports of concentrate, the U.S. now is a net importer of 60 million bushels of apples (fresh-weight equivalent).

APPLES IN COLD STORAGE BY VARIETY FOR EASTERN AND WESTERN NEW YORK
AS OF OCTOBER 31, 1982, 1983, 1984, 1985, AND 1986

Variety and Area	Apples in Cold Storage*				
	10/31/82	10/31/83	10/31/84	10/31/85	10/31/86
----- thousand bushels -----					
<u>McIntosh:</u>					
Eastern New York	2,466	2,251	2,028	2,005	1,610
Western New York	846	575	659	717	443
Total	3,312	2,826	2,687	2,722	2,053
<u>Rome:</u>					
Eastern New York	680	497	491	616	497
Western New York	328	176	271	498	679
Total	1,008	673	762	1,114	1,176
<u>Red Delicious:</u>					
Eastern New York	1,106	1,318	1,123	1,195	827
Western New York	473	637	484	618	400
Total	1,579	1,955	1,607	1,813	1,227
<u>Golden Delicious:</u>					
Eastern New York	299	474	224	260	339
Western New York	221	184	180	253	239
Total	520	658	404	513	578
<u>R.I. Greening:</u>					
Eastern New York	25	**	20	15	11
Western New York	834	**	653	681	670
Total	859	718	673	696	681
<u>Cortland:</u>					
Eastern New York	383	313	273	225	200
Western New York	310	246	250	270	166
Total	693	559	523	495	366
<u>Northern Spy:</u>	200	270	299	303	219
<u>Idared:</u>	622	537	640	647	916
<u>All Other Varieties:</u>	986	874	927	1,058	1,025
<u>Total All Varieties:</u>					
Eastern New York	5,381	5,299	4,653	4,699	4,019
Western New York	4,398	3,771	3,859	4,662	4,222
Total New York State	9,979	9,070	8,522	9,361	8,241

SOURCE: State of New York Department of Agriculture and Markets, Apples in Cold Storage, October reports.

*Includes apples in controlled atmosphere storage.

**Not listed to avoid disclosure of individual operations.

APPLES IN CONTROLLED ATMOSPHERE STORAGE
NEW YORK STATE AS OF OCTOBER 31, 1982, 1983, 1984, 1985, AND 1986

Variety and Area	10/31/82	10/31/83	10/31/84	10/31/85	10/31/86
	----- thousand bushels -----				
<u>McIntosh:</u>					
Eastern New York	1,792	1,710	1,489	1,393	1,181
Western New York	232	184	251	261	194
Total	2,023	1,894	1,740	1,654	1,375
<u>Rome:</u>					
Eastern New York	548	416	380	449	336
Western New York	106	43	97	84	169
Total	654	459	477	533	505
<u>Red Delicious:</u>					
Eastern New York	864	950	810	864	619
Western New York	216	299	230	342	228
Total	1,080	1,249	1,040	1,206	847
<u>Golden Delicious:</u>	89	161	171	162	107
<u>Cortland:</u>	219	209	146	137	137
<u>Other Varieties:</u>	649	752	900	828	969
<u>Total All Varieties:</u>					
Eastern New York	3,720	3,661	3,261	3,168	2,632
Western New York	994	1,063	1,213	1,352	1,308
Total New York State	4,714	4,724	4,474	4,520	3,940

(These apples are included in the stocks of apples in cold storage; thus, by deducting the figures in this table from their counterpart in the previous table, the volume of apples in regular storage can be ascertained.)

SOURCE: State of New York Department of Agriculture and Markets, Apples in Cold Storage, October reports.

Apples in cold storage in New York as of the end of October amounted to 8.2 million bushels, 12 percent less than a year ago and seven percent below the five-year average holdings. Controlled atmosphere holdings were 3.9 million, 13 percent below a year ago.

There are smaller than normal supplies of most major varieties. Red Delicious are particularly in short supply, down a third from last year. Idareds, however, are far above usual levels.

PRICES RECEIVED BY NEW YORK GROWERS FOR FRESH APPLES,
MONTHLY AVERAGE PRICE PER 42-POUND BUSHEL, 1971-1986 CROP YEARS

Crop Year	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	Season Average
1971/72	2.94	2.31	2.10	2.56	2.69	2.77	2.60	2.73	2.94	2.94	
1972/73	3.65	3.15	3.82	4.12	4.20	4.41	4.62	5.04	5.67	5.46	
1973/74	4.91	4.75	5.80	5.88	6.09	6.30	6.30	6.51	6.51	6.30	5.88
1974/75	4.70	4.20	4.07	3.99	4.79	5.12	5.75	6.09	6.30	6.30	5.04
1975/76	5.04	3.82	3.91	4.82	4.87	4.41	6.09	6.01	5.54	5.54	4.96
1976/77	4.66	4.41	5.04	5.21	5.29	5.38	6.13	6.09	6.26	6.51	5.38
1977/78	5.04	5.25	5.46	5.46	5.46	5.67	6.09	6.51	6.72	6.93	5.75
1978/79	6.30	5.46	5.46	5.04	5.25	5.25	5.67	6.09	6.09	6.30	5.67
1979/80	5.04	5.25	5.67	7.14	7.35	7.56	8.61	9.24	9.45	9.87	7.35
1980/81	7.18	7.48	6.51	7.39	7.22	7.43	7.73	7.77	8.06	8.40	7.56
1981/82	8.61	8.19	8.82	8.40	8.82	9.03	8.82	9.66	10.08	10.08	8.82
1982/83	6.09	5.67	5.67	6.13	6.05	6.13	6.30	6.09	6.30	6.30	6.09
1983/84	7.56	6.64	6.43	7.14	7.14	7.56	7.35	7.56	7.56	7.56	7.10
1984/85	8.06	8.86	7.98	8.40	8.61	8.19	8.19	8.40	8.82	8.82	8.44
1985/86	5.25*	4.70*	4.70*	4.91*	5.21*	5.04*	4.62*	4.58*	4.96*	N.A.	4.93*
1986/87	7.64*	6.72*									

*Beginning in July of 1985, price is equivalent packing house door rather than price at point of first sale.

SOURCE: New York Crop Reporting Service, New York Agricultural Statistics, 1983.

The season average price for last year's crop of apples sold for fresh market utilization was \$4.93 per 42-pound bushel. This price is not comparable to the 1984/85 price of \$8.44 because of a change in procedures in the way that fresh apple prices in New York were calculated. Prices in September and October of 1986 opened strongly, averaging more than two dollars per bushel higher than a year ago.

UTILIZATION OF APPLES, UNITED STATES, 1970-85

Year	Fresh	Canned	Juice	Frozen	Other*	Total Utilized
----- million 42-pound units -----						
1970	84.1	27.6	24.6	4.8	7.9	149.0
1971	83.0	26.0	25.9	4.5	5.4	144.8
1972	79.6	23.3	24.5	5.6	6.8	139.7
1973	84.3	29.9	19.6	6.2	8.9	148.8
1974	87.9	29.2	24.5	4.3	9.6	155.5
1975	103.7	24.4	28.4	4.9	7.6	169.1
1976	93.2	21.9	26.4	5.2	7.2	153.9
1977	91.9	25.6	30.2	3.8	8.2	159.8
1978	100.2	29.1	35.6	4.9	9.7	179.6
1979	102.5	31.8	46.5	3.3	9.2	193.3
1980	117.7	28.6	50.9	4.0	8.6	209.8
1981	106.0	23.9	42.9	4.1	6.6	183.5
1982	108.0	29.7	43.0	4.5	7.8	193.1
1983	110.0	28.7	47.3	4.0	9.0	199.0
1984	111.0	28.0	44.9	4.7	9.5	198.0
1985	100.8	30.4	44.0	4.2	7.8	187.2

*Includes dried apples, vinegar, wine, jam, slices for pies, etc.
 SOURCE: Noncitrus Fruits and Nuts Annual Summary, various years.

AVERAGE ANNUAL PRICES RECEIVED BY NEW YORK GROWERS FOR APPLES, 1970-85

Year	Fresh	Canned	Juice	All Uses
----- \$ per bushel -----				
1970	2.86	.98	.49	1.60
1971	2.65	.97	.52	1.52
1972	4.37	1.27	1.12	2.42
1973	5.88	3.13	2.02	4.07
1974	5.04	2.52	1.39	3.07
1975	4.96	1.11	.76	2.86
1976	5.38	2.52	1.62	3.32
1977	5.75	2.48	1.64	3.61
1978	5.67	2.33	1.82	3.57
1979	7.35	2.48	1.72	4.20
1980	7.56	1.97	1.60	3.95
1981	8.82	2.90	2.31	5.38
1982	6.09	2.60	2.00	3.74
1983	7.10	2.44	1.76	4.12
1984	8.44	2.77	1.76	4.70
1985	4.93*	2.31	1.39	2.98*

*Beginning in 1985, fresh apple price is equivalent to packing house door price rather than price at point of first sale.

SOURCE: New York Agricultural Statistics, various years.

RECEIPTS AND UTILIZATION OF APPLES AT PROCESSING PLANTS, NEW YORK, CROPS OF 1970-1985

Crop Year	Net Receipts ¹	Receipts from Other States		Used for Cider & Apple Juice ²	Used for Canning or Applesauce	Used for Freezing	Used for Other Products ³
		& Canada (included in Preceding Column)	thousand pounds				
1970	559,286	11,369	186,892	293,074	62,270	17,050	
1971	520,403	13,550	170,213	278,841	57,835	13,514	
1972	476,826	27,973	152,279	241,404	70,995	12,148	
1973	410,794	28,777	140,325	194,666	56,912	18,891	
1974	555,945	13,063	161,106	292,647	40,870	61,322	
1975	419,453	8,619	148,866	208,630	42,013	19,944	
1976	463,489	23,303	184,904	195,480	59,484	23,621	
1977	492,020	26,168	190,791	218,919	34,306	48,004	
1978	600,595	27,579	239,447	260,497	40,689	59,962	
1979	632,201	35,122	308,069	226,642	41,473	56,017	
1980	667,313	44,193	349,518	229,704	39,883	48,208	
1981	455,408	42,929	238,100	164,700	22,557	27,819	
1982	730,418	51,932	336,475	288,301	42,618	63,024	
1983	618,616	38,347	342,809	212,154	26,179	37,474	
1984	568,736	16,529	305,187	192,616	32,634	38,224	
1985	678,894	17,073	350,967	268,263	25,899	33,765	

¹ Apples received at a plant and then transferred to another plant for processing are included only in plant where processed.

² Includes juice used to make concentrate.

³ Among other products for which these apples were used are jelly, apple butter, drying, mincemeat, and fresh sliced apples for pies in upstate areas. Beginning in 1974 apples used in making vinegar are excluded from cider and juice category and included under "other products".

SOURCE: State of New York Department of Agriculture and Markets, Fruit Reports (most recently, No. 4-86).

Processing plants in New York utilized 678,894 thousand pounds of apples from the 1985 crop, a 19 percent increase from 1984 utilization. Apples utilized for juice accounted for 351 million pounds or 52 percent of the total apples processed in 1985. Sixty-three percent of the New York crop in 1985 was utilized for processing.

GRAPES: NEW YORK GROWN, RECEIVED BY WINERIES AND PROCESSING PLANTS, 1981-85

Variety	1981	1982	1983	1984	1985
	----- tons -----				
Concord	103,077	105,840	128,390	128,746	106,379
Catawba	9,659	13,786	14,286	10,901	7,902
Niagara	8,113	9,372	9,874	9,990	5,702
Delaware	5,980	4,031	7,412	7,170	2,714
Aurore	6,847	5,718	8,901	10,652	6,116
de Chaunac	2,520	3,198	3,611	2,478	2,898
Baco Noir	1,002	1,601	1,775	1,692	1,114
Seyval Blanc	415	746	1,086	1,031	1,256
Rougeon	612	424	795	810	579
Marechal Foch	429	395	445	315	216
Vitis Vinifera (all)	329	463	729	1,412	1,374
Total of all varieties	146,500	154,000	186,500	184,000	142,000

SOURCE: Fruit, New York Crop Reporting Service, 1-82, 1-83, 2-84, 1-85, and 1-86 and New York Agricultural Statistics, 1985.

GRAPES: PRICES PAID FOR NEW YORK GROWN GRAPES PROCESSED, 1981-85

Variety	1981	1982	1983	1984	1985
<u>American Varieties</u>					
Catawba	339	332	271	244*	161*
Concord	197	175	143	125*	120*
Delaware	439	429	316	311	152
Dutchess	492	493	409	445	138
Elvira	232	232	211	207	203
Ives	414	420	299	301	132
Niagara	306	313	216	182*	173*
<u>French Hybrids</u>					
Aurore	423	425	357	347	195
Baco Noir	402	410	362	377	217
de Chaunac	262	255	205	199	162
Marechal Foch	386	389	291	257	157
Rougeon	341	316	226	218	156
Seyval Blanc	565	547	423	381	251
<u>Vitis Vinifera</u>					
All varieties	1,040	1,235	821	871	856
Average all varieties	249	217	187	174*	139*

*Preliminary estimates of future payments by cooperatives have been included based upon historical data.

SOURCE: Fruit, New York Crop Reporting Service, No. 2-84, 1-85, and 1-86.

Concords are by far the predominant variety grown and processed in New York. There were 106,379 tons of Concords from New York processed in 1985. Over the past five years, Concords have comprised 71 percent of total tonnage utilized. The second leading variety is Catawba (11.3 thousand tons) and Niagara (8.6 thousand tons). For the 1985 season, Aurore was the third leading variety.

In general, the prices for red varieties (e.g., Concord, de Chaunac) trended downward during the late 1970's and early 1980's while white varieties (e.g., Niagara, Aurore, Seyval Blanc) trended upward. For 1983 and 1984, however, with large crops and large inventories held by wineries and processors, prices were down for most white as well as red varieties. Average prices in 1985 were lower for every variety. Catawba, Delaware, Dutchess, Ives, and Aurore prices were considerably lower, as significant quantities of wine grapes were sold at \$105 per ton. The average price for all varieties processed in 1985 was only \$139 per ton, a 20 percent decrease from 1984. In 1986, prices for most major varieties were improved.

UNITED STATES GRAPE PRODUCTION, BY STATES, 1981-85 AND 1986 (ESTIMATED)

State	1981	1982	1983	1984	1985	1986(est.)	% change 1985-86
	----- thousand tons -----						
Arizona	12.4	15.1	14.6	14.0	18.5	24.0	+29.7%
Arkansas	6.0	10.5	10.0	9.0	8.0	N.A.	N.A.
California	3993	6076	4919	4670	5180	4450	-14.1
Georgia	N.A.	2.8	2.5	2.7	2.1	N.A.	N.A.
Michigan	53.0	58.5	60.0	49.0	51.0	35.0	-33.4
Missouri	2.2	3.4	3.6	3.1	0.9	N.A.	N.A.
New York	150	157	191	198	146	165	-13.0
N. Carolina	5.1	4.5	3.0	5.9	1.5	N.A.	N.A.
Ohio	10.3	9.0	11.0	11.2	7.0	10.0	+42.9
Pennsylvania	61.0	47.0	62.5	60.0	50.0	55.0	+10.0
S. Carolina	N.A.	2.4	1.5	2.5	0.8	N.A.	N.A.
Washington	159	168.9	227	168.5	116.1	155.0	+38.9
Other States*	5.6	0.0	0.0	0.0	0.0	N.A.	N.A.
U.S. Total	4457.6	6555.1	5505.7	5193.9	5581.9	4907.5	-12.1

*Other states: 1975-76 - Georgia, S. Carolina, New Jersey
1977-81 - Georgia, S. Carolina

SOURCES: Noncitrus Fruits and Nuts Annual Summaries, 1983-85 and Fruit, New York Crop Reporting Service, 8-86.

PRODUCTION, STANDARD WINE REMOVED FROM FERMENTERS, BY STATES CROP YEARS 1980-1984^{1 2 3}

State	1981		1982		1983		1984		1985 ⁴		% change 1984-85
	1,000 Gallons	% of Total	1,000 Gallons	% of Total	1,000 Gallons	% of Total	1,000 Gallons	% of Total	1,000 Gallons	% of Total	
CA	421,330	91.1	514,279	92.5	384,873	89.9	398,362	90.4	414,742	91.3	4.1
NY	30,304	6.6	29,101	5.2	29,804	7.0	27,940	6.3	24,389	5.4	-12.7
VA	2,354	0.5	2,517	0.5	2,233	0.5	2,898	0.7	2,701	0.6	-6.8
WA	1,220	0.3	2,276	0.4	3,099	0.7	2,610	0.6	2,618	0.6	0.3
FL	107	0.0	128	0.0	235	0.1	424	0.1	684	0.2	61.3
OR	308	0.1	558	0.1	527	0.1	533	0.1	644	0.1	20.8
NJ	335	0.1	315	0.1	482	0.1	530	0.1	536	0.1	1.1
OH	1,127	0.2	896	0.2	853	0.2	978	0.2	506	0.1	-48.3
MI	932	0.2	882	0.2	578	0.1	390	0.1	371	0.1	-4.9
PA	255	0.1	289	0.1	343	0.1	327	0.1	368	0.1	12.5
AK	405	0.1	425	0.1	437	0.1	370	0.1	322	0.1	-13.0
NM	7	0.0	16	0.0	29	0.0	51	0.0	310	0.1	507.8
MO	195	0.0	282	0.1	346	0.1	263	0.1	149	0.0	-43.3
IN	41	0.0	54	0.0	49	0.0	134	0.0	129	0.0	-3.7
IA	78	0.0	75	0.0	67	0.0	66	0.0	66	0.0	0.0
WI	61	0.0	71	0.0	61	0.0	55	0.0	49	0.0	-10.9
Other States ⁵	3,566	0.8	4,005	0.7	3,990	0.9	4,887	1.1	5,740	1.3	17.5
Total	462,625	100.0	556,169	100.0	428,006	100.0	440,818	100.0	454,324	100.0	3.1

¹Removals of still wine from fermenters. Excludes substandard wine produced as distilling material. Also excludes increases after fermentation by amelloration, sweetening, and addition of wine spirits.

²Crop year is July 1 to June 30.

³Percentages less than 0.05 percent are rounded to zero.

⁴February-June removals estimated.

⁵Includes states which remove significant quantities of wine but are not reported separately to avoid disclosure of individual operations.

SOURCES: Economic Research Department, Wine Institute, 1985 Wine Industry Statistical Report, from reports of Bureau of Alcohol, Tobacco and Firearms; and U.S. Treasury Department.

U.S. IMPORTS OF STILL WINE, 1975 AND 1980-1985, BY COUNTRY OF ORIGIN

	<u>1975</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
	(million gallons)						
EC:							
Italy	11.9	54.3	59.9	63.0	63.4	62.9	58.5
France	7.4	11.4	15.1	18.1	22.3	27.9	27.6
W. Germany	6.1	11.7	13.0	13.2	15.1	16.0	14.3
Other EC	0.7	0.6	0.8	1.0	1.1	1.0	1.4
Total EC*:	26.1	77.9	88.8	95.3	101.8	107.8	101.8
OTHER:							
Spain	4.2	1.6	1.5	1.5	1.3	1.8	1.5
Portugal	6.7	5.7	5.4	5.0	4.6	4.9	4.5
All other	1.2	2.7	2.7	3.0	3.4	3.9	3.9
TOTAL WORLD*:	38.2	87.9	98.3	104.9	111.1	118.4	111.7
PERCENT EC OF TOTAL:	68.4	88.6	90.3	90.9	91.6	91.0	91.1
PERCENT EC, SPAIN, & PORTUGAL OF TOTAL:	96.9	96.9	97.4	97.0	96.9	96.7	96.5

*Totals may not add due to rounding errors.

SOURCE: Foreign Agricultural Service, USDA, Foreign Agricultural Circular, Horticultural Products, March 1985.

VALUE OF U.S. TABLE WINE IMPORTS, 1975 AND 1980-1985, BY COUNTRY OF ORIGIN

	<u>1975</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
	(million dollars)						
EC:							
Italy	44.7	241.4	229.8	238.8	243.4	240.1	229.5
France	65.0	141.0	172.9	188.6	211.2	259.3	294.1
W. Germany	33.4	94.1	97.3	98.5	103.3	101.3	95.6
Other EC	2.8	2.3	2.1	6.1	5.8	5.3	9.3
Total EC*:	145.9	478.8	502.1	532.0	563.7	606.0	628.5
OTHER:							
Spain	11.1	9.9	9.0	9.2	8.2	10.0	8.8
Portugal	27.3	32.7	30.8	28.7	23.6	24.4	25.7
All other	4.3	14.4	18.1	16.1	18.5	18.6	18.9
TOTAL WORLD*:	188.6	535.8	560.0	586.0	614.0	659.0	681.9
PERCENT EC OF TOTAL:	77.4	89.4	89.7	90.8	91.8	92.0	92.2
PERCENT EC, SPAIN, & PORTUGAL OF TOTAL:	97.7	97.3	96.8	97.3	97.0	97.2	97.2

*Totals may not add due to rounding errors.

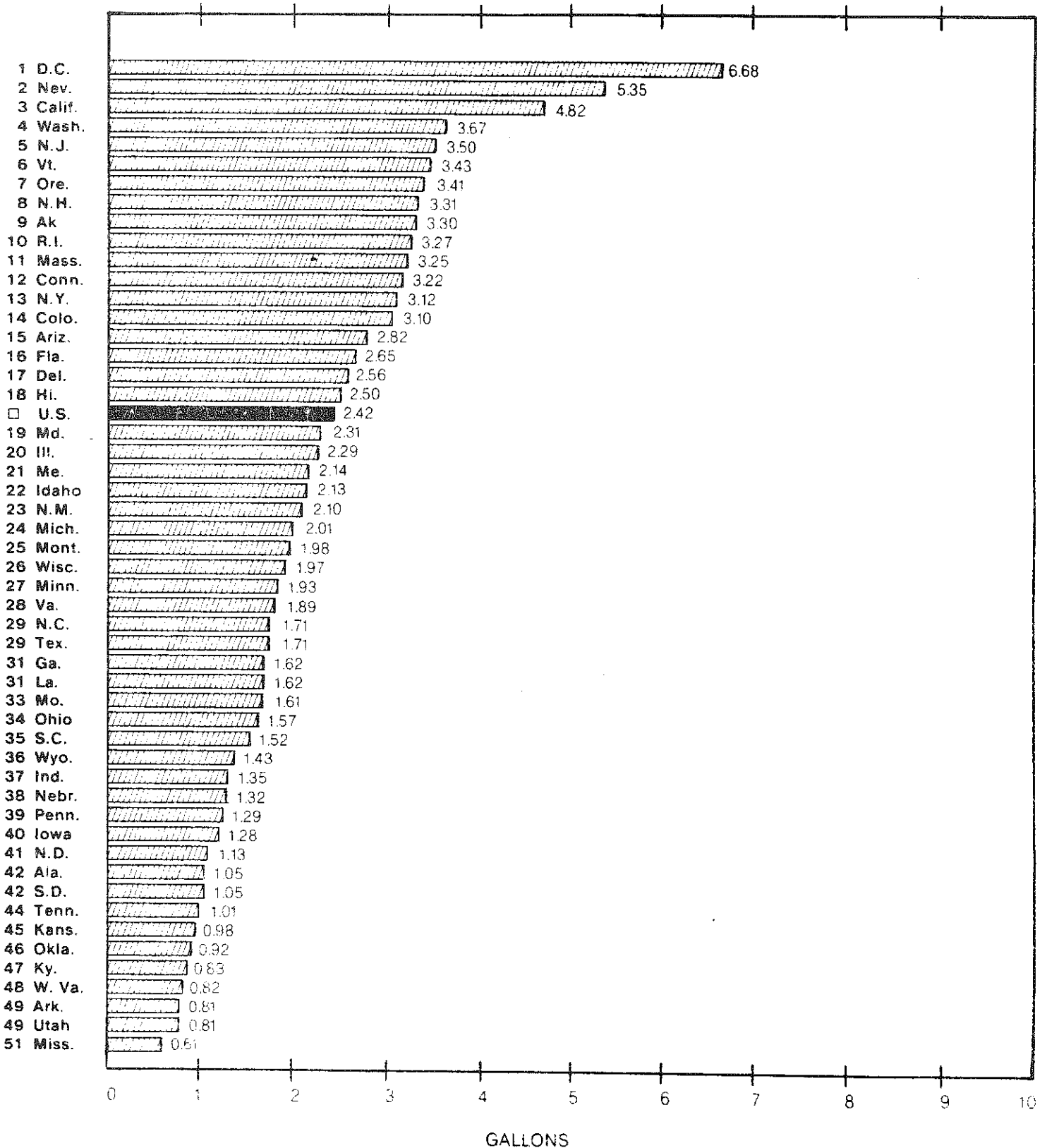
SOURCE: Foreign Agricultural Service, USDA, Foreign Agricultural Circular, Horticultural Products, March 1986.

WINE ENTERING DISTRIBUTION CHANNELS IN THE U.S. BY STATES, 1981-1985

State	1981	1982	1983	1984	1985	1985 Rank
	----- thousand gallons -----					
<u>NORTHEAST</u>						
Connecticut	8,698	9,106	9,825	10,059	10,219	14
Delaware	1,202	1,262	1,328	1,455	1,590	45
District of Columbia	4,376	4,281	4,329	4,452	4,164	29
Maine	2,127	2,123	2,136	2,302	2,491	37
Maryland	9,294	9,394	9,255	10,211	10,148	15
Massachusetts	17,919	18,210	18,260	18,848	18,922	7
New Hampshire	3,442	3,434	3,365	3,623	3,307	31
New Jersey	23,484	24,383	24,492	25,945	26,504	5
New York	52,883	52,774	52,276	55,108	55,483	2
Pennsylvania	16,948	17,170	16,559	16,514	15,344	11
Rhode Island	3,176	3,363	3,069	3,214	3,161	32
Vermont	1,578	1,605	1,615	1,612	1,837	42
West Virginia	1,630	1,672	1,535	1,458	1,585	46
Total Northeast	146,757	148,777	148,188	154,807	154,755	
<u>OTHER STATES</u>						
Alabama	4,396	4,184	4,083	3,910	4,241	28
Alaska	1,348	1,425	1,537	1,652	1,719	43
Arizona	7,127	7,014	7,780	8,215	8,983	20
Arkansas	1,690	1,730	1,794	1,700	1,902	41
California	108,791	109,921	116,465	117,186	127,200	1
Colorado	7,867	8,590	8,730	9,128	10,001	16
Florida	25,174	26,642	27,077	28,345	30,106	3
Georgia	6,882	7,262	7,876	8,532	9,682	17
Hawaii	2,628	2,879	2,728	2,593	2,638	36
Idaho	1,841	1,705	1,753	1,836	2,145	39
Illinois	24,910	25,062	24,244	26,036	26,386	6
Indiana	5,999	6,132	6,234	6,991	7,399	23
Iowa	2,400	2,302	2,270	2,343	3,691	30
Kansas	1,810	1,954	1,898	2,247	2,389	38
Kentucky	2,327	2,671	2,567	2,834	3,077	33
Louisiana	6,979	7,637	7,592	7,669	7,240	24
Michigan	16,326	15,651	15,417	17,411	18,312	8
Minnesota	6,822	6,912	6,823	6,971	8,088	22
Mississippi	1,583	1,649	1,636	1,623	1,583	47
Missouri	6,546	6,533	6,846	7,841	8,120	21
Montana	1,575	1,560	1,555	1,585	1,633	44
Nebraska	1,960	1,983	1,948	1,994	2,119	40
Nevada	4,204	4,198	4,385	4,628	5,010	26
New Mexico	2,485	2,751	2,631	2,684	3,049	34
North Carolina	7,619	7,924	8,186	9,351	10,671	13
North Dakota	709	714	706	683	774	49
Ohio	14,434	14,641	14,281	15,330	16,885	10
Oklahoma	2,945	3,172	3,166	3,154	3,031	35
Oregon	8,187	8,553	8,605	8,691	9,159	19
South Carolina	3,661	3,931	4,142	4,784	5,098	25
South Dakota	790	743	717	699	744	50
Tennessee	3,685	3,950	4,069	4,423	4,819	27
Texas	21,444	23,836	25,667	26,443	27,955	4
Utah	1,186	1,231	1,192	1,218	1,335	48
Virginia	8,994	9,179	9,275	10,199	10,733	12
Washington	13,993	13,697	14,210	15,183	16,194	10
Wisconsin	9,204	8,841	9,802	9,024	9,395	18
Wyoming	695	699	659	661	725	51
UNITED STATES TOTAL	497,920	508,237	518,591	540,595	568,958	
PERCENT NORTHEAST OF U.S.	29.5%	29.3%	28.6%	28.6%	27.2%	

SOURCES: Wines and Vines, July 1986 as compiled from Economic Research Dept., Wine Institute; State Beverage and Tax Agencies; Bureau of Alcohol, Tobacco, & Firearms; and Bureau of the Census, U.S. Department of Commerce.

All Ages Per Capita Quantity of Commercially Produced Wine
Entering Distribution Channels in the United States, 1985



Sources: Prepared by Economic Research Department Wine Institute on behalf of Winegrowers of California. Based on data obtained from reports of state beverage and tax agencies, Bureau of Alcohol, Tobacco and Firearms, U.S. Treasury Department and Bureau of the Census, U.S. Department of Commerce.

Beef Cattle

The national beef cattle herd is undergoing the most severe and prolonged liquidation in its history. The driving force is clearly a weakening in demand for beef. We peaked "real" retail price in 1979-1980 (Table 1); the deflated price of beef has declined since then. The impact on the cow herd has been a reduction of about 2 million beef cows per year, with a corresponding reduction in beef calves produced annually. A further reduction in the deflated retail price is expected to have occurred in 1986. The actual retail price of beef peaked at \$2.42/lb in 1982. To add to the problem at the producer level, the retail to farm price spread has moved from 85 cents in 1979 to \$1.06/lb in 1985. The effect of reduced demand is ultimately passed down to the feeder calf producer; the rest of the system covers its margins first. As a result, feeder calf producers have been selling calves at \$20/cwt below all costs for several years, forcing many out of business. At some point, perhaps at a total cattle herd of about 90 million in 1990, the market price will respond to the reduced supply, causing a further reduction in beef supplies as more heifers are held back to increase breeding herds. At that point, the beef industry could lose some more market share. Given the present trends and continued growth in population per capita availability will drop by more than 25% by 1990. All of this points to higher prices for beef cows and feeder calves in the foreseeable future. It is hoped that education and promotional programs planned using funds generated by the beef check-off program will hold and perhaps strengthen demand. New products being developed by major packers that are lower in fat and packaged to target different consumers should help. Assuming demand can be stabilized, there will be substantial profit opportunities for the survivors in the cattle business for several years after the turnaround point. The size of national herd we can profitably support in the 1990's will likely be greater than the herd size reached when liquidation ceases as a result of higher prices for a reduced supply, because we almost always overreact while the system searches out the balance between supply and demand. As the market is still searching for this balance, fed cattle prices will likely be in the low to mid-60's; feeder cattle are likely to be pushed toward the 70's by low corn prices and a reduced supply of feeder cattle.

Regardless of the stage of the cattle cycle, there are those operations that are profitable. I know several that have made a profit nearly every year during these "worst of times". The key is to be cost competitive by taking advantage of unique resources and markets, having superior market (buying and selling cattle and feed) skills, and being able to manage risk. For example, the national break-even cost to produce feeder cattle is over 90 cents/lb to cover all costs and over 65 cents/lb to cover variable costs. We have beef herd producers who are up to 20% lower cost than average. We have a limited number of cattle feeders who average 5 to 10% above national price for their finished cattle, while producing at a break-even sale price of 5 to 10% below the national average. We have initiated a program to identify the "rules of the game" to be

economically successful with feeder calf production or cattle finishing enterprises in New York. To identify these guidelines, we intend to work closely with a limited number of producers who have a high potential for success over the next few years. They will be widely diverse in the type of enterprise as one of the keys is to identify a niche for a particular producer, based on individual skills and resources.

One of the major limitations to beef production in New York has been prices 10 to 20% below the national market due to a lack of market access and power by individual producers because of our widely scattered, small numbers. The current national cattle marketing "rules of the game" are sale of uniform groups (sex, weight, frame size) in truckload (40,000-50,000 lb) lots based on description and reputation. A system of packaging, pooling, and marketing feeder cattle was developed over a period of 8 years in northern New York and was implemented statewide in 1986 under joint sponsorship of the New York Beef Cattlemen's Association, Cornell University's Department of Animal Science and College of Veterinary Medicine, New York State Department of Agriculture and Markets and Empire Livestock Marketing Cooperative. Over 1200 feeder cattle from 98 producers were sold to producers in Illinois, Indiana, Pennsylvania and New York. Key components include producer commitment, health management and on-farm grading prior to shipment, sale by Tel-O-Auction while still on farm, assembly and packaging into uniform truckload (40,000 to 50,000) lots.

National or above prices were received for all groups that could be uniformly packaged and described in truckload lots. Buyer satisfaction was high because of the uniformity and health management (treatment rates of less than 10% and death loss of 0 to 0.5%). We demonstrated that we could sell on the national market if the system is developed to play by the rules of those setting the market. Our production will now become market driven, with a focus on management techniques to achieve the best prices.

Table 1. Changes in consumption, retail price and cattle numbers

	<u>Lb retail weight/capita consumed</u>	<u>Retail price \$/lb</u>	<u>Deflated retail price \$/lb</u>	<u>Total cattle herd, 1000 head</u>	<u>Beef cows, 1000 head</u>	<u>Total calf crop, 1000 head</u>
1970	84	1.01	0.88	112,369	36,689	45,871
1975	88	1.55	0.98	132,028	45,712	50,183
1980	77	2.38	1.06	111,192	37,086	44,988
1985	79	2.34	0.80	109,749	35,370	41,043
1986	NA ^a	NA ^a	NA ^a	105,468	33,362	NA ^a
1987	NA ^a	NA ^a	NA ^a	100,500 ^b	30,000 ^b	NA ^a

^aNA = not available.

^bProjected.

Sheep

Several components essential for an expanded sheep industry in New York are present. These are reasonable prices, available resources and sheep management systems that can utilize the resources and be profitable. The New York average weekly wholesale lamb choice carcass price has averaged \$1.35/lb over the past year. This translates into a live lamb price of 67-68 cents per pound. The price was below \$1.30 for 4 weeks in October when a considerable number of Colorado west slope and Wyoming lambs were marketed. It was above \$1.50 the last week of May and the first 3 weeks of June. There continues to be significant available forages for sheep in New York and with the changes in the dairy industry other resources such as buildings, labor and equipment are apparently available for sheep production. New sheep management systems have also been developed that will increase production and provide a uniform supply of lambs with increased carcass yield and quality that should demand above average prices.

The primary factors restricting an increase in sheep production in the state are the availability of sufficient breeding animals of the preferred genotypes and the general level of knowledge and acceptance of the newer management systems. If these systems are implemented and if lamb production increases, then marketing will deserve more attention.

Prices for breeding ewes of the generally preferred crosses (R-F-D or Rambouillet-Finn-Dorset) are demanding higher prices with yearling ewes selling for up to \$150/head. Traditional blackface cross ewe lambs only demand slaughter market prices. This price differential is interpreted as an indication of a shift toward the newer sheep production systems.

Swine

During 1986 pork producers have been the beneficiaries of good fortune which has allowed them to achieve their own adventurous goal of raising pork for profit - an accomplishment thought nearly impossible in previous years. Low corn price, less than \$1.70, coupled with hog prices that cracked the \$60 per hundredweight barrier this summer, accounted for the widest hog-corn ratio in history - 40 to 1.

No one expects \$60 hogs to last forever, but it appears corn prices are going to remain low for awhile. While hog prices have allowed producers to make money at a higher cost than that, in order to be competitive in today's economic climate, pork producers should get their cost of production as low as possible to hedge against uncertain hog prices.

Futures trend will be toward a smaller number of swine farms producing the same number or more pigs. Only efficient producers will stay in business and expand.

Raising swine continues to be one of the most profitable activities for both full and part-time farmers in New York. There is an abundance of deserted dairy barns in New York as a result of the decline of the small dairy farm. Former poultry houses are also available for swine production with slight remodeling. Demand for pork continues to be high in large cities in New York. There will be more packing companies interested in slaughtering local hogs to supply New York cities. Contract feeding of feeder pigs will be very feasible and practical for both part-time producers and packers. The trend in New York will be toward more small swine farms producing more pork to be sold to New York consumers.

POTATOES, VEGETABLES, AND DRY BEANS: FARM VALUE OF PRODUCTION
New York, 1982-1986

	1982	1983	1984	1985	1986*
- million dollars -					
Potatoes: Long Island	21.5	32.6	19.3	11.4	20.6
Upstate	<u>35.4</u>	<u>43.7</u>	<u>41.8</u>	<u>28.2</u>	<u>39.4</u>
Subtotal	56.9	76.3	61.1	39.6	60.0
Vegetables, Fresh Market	131.5	173.6	139.7	127.0	140.0
Vegetables, Processing	36.1	31.7	33.8	37.6	36.0
Dry beans	<u>7.9</u>	<u>6.2</u>	<u>7.7</u>	<u>5.6</u>	<u>6.8</u>
Total	232.4	287.8	242.3	209.8	242.8

* Estimated

Source: USDA - Vegetable, Field Crops, and Potato reports

For many New York potato, vegetable, and dry bean growers the 1986 season presented a real challenge for crop production. Weather conditions especially at harvest time in Western New York were especially unfavorable. One bright spot, however, is that prices of several major crops early in the season were substantially higher than last year. Should markets continue strong it is expected that the gross farm value of this group of commodities should amount to about \$240 million, or the same as the average of the previous 5 years. In view of rising costs of production this is not likely to reflect an adequate return on investment for many growers, but a more favorable return than that earned in some other sectors of farming.

A 13 percent reduction in the U.S. fall production of potatoes has brought sharply higher prices for table stock this year. This has had a greater impact on Long Island growers than on those Upstate where a significant proportion of potato production is contracted for sale prior to planting. The higher prices this fall should more than offset the reduced production and result in crop values about equal to two years ago.

U.S. production of storage onions, excluding California, in 1986 dropped 14 percent below the previous year. Michigan in particular, a close competitor of New York, was especially hard hit by bad weather at harvest time as were growers in Western New York. But markets have rallied and those growers with onions to sell are likely to do much better than in the last two years.

Another large crop of dry beans is in prospect across the country. At time of writing the USDA has not issued estimates of production by classes but the sharply lower crops in Michigan may reduce supplies this season of Red Kidney and Black Turtle Soup beans. At harvest time, however, farm prices for these two classes, the most important in New York, were running about the same as last season.

U.S. FALL POTATOES: PRODUCTION AND CROP VALUE

	1983	Production		1986 ¹	1983	Crop Value		
		1984	1985			1984	1985	1986
	1,000 cwt				1,000,000 dollars			
New York:								
L.I.	4,075	3,577	3,870	2,581	32.6	19.3	11.2	20.6 ²
Upstate	5,635	6,630	6,125	5,635	43.7	41.8	28.4	39.4 ²
California	7,790	7,280	7,878	6,840	69.3	56.1	51.1	
Colorado	13,950	17,225	17,920	16,900	89.3	80.1	40.3	
Idaho	85,990	86,600	102,515	87,150	447.1	420.0	338.3	
Maine	22,560	21,360	27,160	21,000	141.0	91.8	79.0	
Michigan	9,840	12,540	12,100	9,240	64.9	69.0	53.8	
Minnesota	10,313	13,775	14,145	13,650	53.6	64.7	41.7	
North Dakota	20,480	20,615	23,630	21,960	100.4	95.9	75.6	
Oregon	21,680	24,725	28,355	22,712	96.2	112.1	95.6	
Pennsylvania	4,300	5,160	5,720	5,160	34.8	32.8	26.0	
Washington	54,080	56,925	62,370	58,000	229.8	293.2	219.5	
Wisconsin	18,910	21,350	24,130	20,590	105.9	102.5	76.0	
Other	15,076	15,326	14,607	16,150	102.5	95.3	71.6	
Total Fall	294,679	313,088	350,525	307,548	1,608.3	1,574.5	1,208.3	

¹November 1 estimates²Based on fall prices

The large Fall crop of potatoes across the United States in 1985 brought sharp lower prices and severely reduced returns to growers in most production areas last year. Crop values were substantially lower in Colorado, Washington, and Idaho as well as on Long Island. Upstate New York growers with chipping potato contracts were somewhat protected.

Fortunately markets have recovered this season. The combination of a 10.5 percent reduction in harvested acreage nationwide and a 2.9 percent lower yield has reduced production by 13.3 percent and prices have responded accordingly. Neither Upstate nor Long Island growers will be able to take full advantage of those higher prices, however, since growers on the Island cut back acreage substantially this year and Upstate growers were plagued by unusually wet weather at harvest time. Crop values in both areas, however, are expected to amount to about the level of the 1984 crop.

U.S. STORAGE ONIONS: PRODUCTION AND CROP VALUE

	Production				Crop Value			
	1983	1984	1985	1986 ¹	1983	1984	1985	1986
	1,000 cwt				1,000,000 dollars			
New York	2,793	3,384	3,960	3,392	47.4	30.7	35.6	40.7 ²
Colorado	3,432	4,636	5,355	4,050	39.1	47.5	31.1	
Idaho & Molhaus	6,717	7,828	9,020	8,448	89.2	70.4	40.3	
Michigan	2,573	2,933	2,535	1,653	30.3	16.9	14.2	
Oregon & other	1,050	1,280	1,505	1,408	10.9	9.3	6.9	
Washington	1,540	1,935	1,763	1,848	17.4	14.5	6.8	
Other	1,473	1,598	1,571	1,241	15.4	9.7	10.9	
Subtotal	19,578	23,594	25,709	22,040	249.9	19.9	145.8	
California	9,179	9,819	9,250	9,435	76.1	74.0	65.9	
Total	28,757	33,413	34,959	31,475	326.0	273.0	211.7	

¹October 1 estimate²Based on fall prices

New York onion growers have struggled through two seasons of severely reduced prices and prospects of recovery seemed favorable in 1986 with early reports of reduced acreage in other regions. U.S. production estimates for the fall storage crop came in at 14 percent below last season, excluding California, and market prices reacted positively. Unfortunately, heavy rains hampered harvesting operations in New York, especially in the western region. In spite of reduced production, however, it does appear that the value of the 1986 New York onion crop will exceed that of the past two years by a comfortable margin.

NEW YORK ONION PRODUCTION BY AREA 1983-1986

	1983	1984	1985	1986 ¹
Orange County	1,486	1,650	2,331	1,917
Orleans-Genesee	613	696	644	650
Oswego County	221	408	494	392
Madison County	195	200	173	160
Steuben-Yates-Ontario	179	285	210	185
Wayne and Other	99	145	108	88
Total	2,793	3,384	3,960	3,392

¹October 1 estimate

DRY EDIBLE BEANS: PRODUCTION AND CROP VALUE

	1983	Production			Crop Value			
		1984	1985	1986 ¹	1983	1984	1985	1986
	1,000 cwt				1,000,000 dollars			
New York	255	372	297	375	6.2	7.7	5.6	6.8 ²
California	2,412	3,218	3,466	3,103	78.4	90.7	80.4	
Colorado	1,680	2,394	2,948	2,772	30.9	40.0	55.7	
Idaho	7,452	2,470	2,006	2,461	26.3	39.8	40.5	
Michigan	4,550	4,290	5,912	3,000	105.6	84.1	85.5	
Nebraska	2,198	3,230	2,701	3,895	43.1	48.1	58.6	
North Dakota	1,648	2,520	3,010	4,125	30.8	40.6	46.1	
Other	1,335	2,576	2,428	2,590	26.6	44.2	42.6	
Total	15,520	21,070	22,268	22,321	347.9	415.0		

¹ Estimate October 1² Based on Fall prices

Another large crop of dry beans is being harvested in 1986 in spite of sharply reduced production in Michigan, the leading producer. Increases in North Dakota, Nebraska, and Idaho more than offset the lower yields in Michigan. Official statistics on production by class is not available at time of writing but it appears that production of Red Kidney and Black Turtle Soup beans, the classes most widely grown in New York, will not be as large in other states in 1986 as in 1985 which could help strengthen the market. The increase in New York production this past season should result in a moderately larger crop value this year.

U.S. PRODUCTION OF RED KIDNEY AND BLACK TURTLE SOUP BEANS

	1983	Red Kidney Beans			Black Turtle Soup			
		1984	1985	1986	1983	1984	1985	1986
	1,000 cwt							
New York	215	261	205		18	75	72	
California	411	746	710					
Idaho	16	34	40					
Michigan	250	260	398		30	35	165	
Minnesota	70	80	139					
Nebraska	35							
Total	997	1,381	1,492		48	110	237	

NEW YORK CASH RECEIPTS FOR GREENHOUSE AND NURSERY CROPS, 1975-84

Year	Receipts	Year	Receipts
	- million dollars -		- million dollars -
1975	78.3	1980	125.5
1976	84.0	1981	128.3
1977	87.4	1982	119.3
1978	100.6	1983	137.2
1979	101.1	1984	153.4

Source: State Farm Income Statistics, USDA/ERS

NUMBER OF NEW YORK NURSERY AND GREENHOUSE PRODUCERS
Mushrooms and Sod Farmers and Value of Sales, 1982

	Number of Farms	Value of Sales
		1,000 dollars
Foliage and Flowering Plants	599	32,690
Nursery Products	586	28,911
Bedding Plants	1,027	24,275
Cut Flowers and Florist Greens	236	13,354
Sod	16	5,779
Other (mushrooms and seeds)		3,391

Source: 1982 Census of Agriculture, U.S. Dept. of Commerce

U.S. IMPORTS OF SELECTED FRESH CUT FLOWERS, 1981-85

Crop	1981	1982	1983	1984	1985
	1,000,000 blooms				
Roses	72	90	120	129	173
Chrysanthemums	66	79	88	89	108
Carnations	492	498	570	614	714
Chamaedorea	333	319	245	265	345
Statice	32	37	35	63	83
Tulips	7	13	20	33	58
Gypsophilia	14	13	21	28	59
Daisies	31	36	34	26	17
Freesia	5	10	16	24	34
Iris	6	10	14	21	29
Lilies	13	20	28	27	33

Source: Foreign Agriculture Circular Horticultural Products, U.S. Department of Agriculture, April 1986

COMMERCIAL PRODUCERS, QUANTITIES SOLD, AND
WHOLESALE VALUE OF SELECTED FLORICULTURE CROPS
New York, 1985

Crop	Commercial	Quantity Sold	Wholesale
	Producers ¹		Value
	Number		\$1,000
<u>Cut Flowers</u>			
Carnations			
Standard	7	109,000 blooms	26
Miniature	4	8,000 bunches	8
Chrysanthemums			
Standard	47	738,000 blooms	506
Pompon	65	186,000 bunches	409
Roses			
Hybrid tea	22	14,484,000 blooms	7,677
Sweetheart	12	5,542,000 blooms	1,873
Snapdragons	45	431,000 stems	165
Other cut flowers	43	--	632
Total			11,300
<u>Potted Flowering Plants</u>			
African violets	28	206,000 pots	286
Chrysanthemums	88	1,236,000 pots	2,620
Hydrangea	37	137,000 pots	338
Easter lilies	112	352,000 pots	1,098
Other lilies	25	149 pots	380
Poinsettias	209	2,072,000 pots	6,755
Other flowering plants	78	1,648,000 pots	4,450
Total			15,927
<u>Foliage for indoor/patio use</u>			
Potted foliage	123	--	3,919
Flowering hanging baskets	222	662,000 baskets	2,860
Foliage hanging baskets	137	562,000 baskets	2,327
Total			9,106
<u>Bedding garden plants (flats)</u>			
Geraniums	78	299,000 flats	1,908
Flowering foliage plants	339	1,963,000 flats	11,385
Vegetable type plants	311	599,000 flats	3,336
Total			16,629
<u>Other potted plants</u>			
Hardy garden mums	144	984,000 pots	1,948
Geraniums (cuttings)	316	4,870,000 pots	5,065
Geraniums (seed)	101	1,596,000 pots	1,229
Other foliar plants	133	1,428,000 pots	1,585
Vegetable plants	61	356,000 pots	271
Total			10,098
Total Surveyed Plants			63,060

¹More than \$10,000 in gross sales of all floriculture crops
Source: Floriculture Crops 1985 Summary Intentions for 1986,
U.S. Department of Agriculture, March 1986

1987 DAIRY OUTLOOK

Overview

POSITIVE FACTORS

- Production costs stable.
- Effective milk price higher.
- Favorable milk-feed price ratio.
- Continued increase in commercial demand for milk and dairy products.
- CCC purchases and government stocks significantly lower.

NEGATIVE FACTORS

- Tight cash flows during Spring 1987.
- Limited farm and nonfarm alternatives to dairying.

UNCERTAINTIES

- Strength of the economy in 1987.
- Possibility of change in Food Security Act.
- National production during last half of 1987.

NEW YORK DAIRY SITUATION AND OUTLOOK
1984, 1985, Preliminary 1986, and Projected 1987

Item	Year				Percent Change	
	1984	1985	1986	1987	85-86	86-87
Number of milk cows (thousand head)	931	948	948	920	+0.0	-3.0
Milk per cow (lbs.)	12,290	12,390	12,576	12,700	+1.5	+1.0
Total milk production (million lbs.)	11,442	11,746	11,922	11,684	+1.5	-2.0
Blended milk price (\$/cwt.) ^a	13.03	12.32	12.07	12.10	-2.0	+0.2
Index of prices paid by dairy farmers	162 ^b	152 ^b	155 ^b	152 ^b	2.0	-1.9

^aNew York-New Jersey blend price, 201-210 mile zone, 3.5 percent fat. Effective farm price after milk price assessments for 1984 is \$12.53, 1985 is \$12.19, \$11.71 for 1986, and projected 1987 is \$11.91.

^bIncludes milk price assessment and promotion deduction. Index without assessments is projected to equal 149 in 1987, the same as 1986.

Table 1
U.S. Milk Supply and Utilization
1979-1987

	1979	1980	1981	1982	1983	1984 ^a	1985 ^b	1986 ^c	1987 ^d
(billion pounds)									
<u>Supply</u>									
Production	123.4	128.5	133.0	135.5	139.7	135.4	143.7	145.1	142.0
Farm Use	2.5	2.3	2.3	2.4	2.4	2.9	2.5	2.3	2.2
Marketings	120.9	126.2	130.7	133.1 ^a	137.3	132.5	140.2	142.8	139.8
Beginning Commercial Stocks	4.5	5.4	5.8	5.4	4.6	5.2	4.9	4.6	4.7
Imports	2.3	2.1	2.3	2.5	2.6	2.7	2.8	2.8	2.8
TOTAL SUPPLY	127.7	133.7	138.8	141.0	144.5	140.5	148.9	150.2	147.3
<u>Utilization</u>									
Commercial Disappearance	120.2	119.2	120.5	122.1 ^a	122.5	126.9	131.1	135.0	137.0
Ending Commercial Stocks	5.4	5.8	5.4	4.6	5.2	4.9	4.6	4.7	4.7
Net Government Removals	2.1	8.8	12.9	14.3	16.8	8.6	13.2	10.5	5.6
TOTAL USE	127.7	133.7	138.8	141.0	144.5	140.5	148.9	150.2	147.3

Source: Dairy Outlook and Situation, U.S. Department of Agriculture.

^aRevised.

^bPreliminary.

^cBased on preliminary USDA data and Cornell estimates.

^dEstimated.

The U.S. Dairy Situation and Outlook

The sharp swings in milk production and farm prices, plus uncertainty over the direction of dairy policy that have characterized the past five years were again evident in 1986. This continuing instability coupled with lower spring milk prices and additional assessments further aggravated an already tight cash flow situation on many farms. In several parts of the country a sense of frustration prompted talk of supply controls, over-order prices and even milk strikes.

The Dairy Termination Program (DTP) dominated the industry's thinking throughout much of the year and speculation as to its long-term effectiveness is continuing. Some 13,988 dairy farmer contracts were accepted into the program. Their 1985 milk marketings represented 12.28 billion pounds, or 8.7 percent of all milk sold in 1985, and thus achieved the 12 billion pound goal established by Congress at one-third the per hundredweight cost of its predecessor, the Milk Diversion Program (MDP). Although the DTP has been criticized by some as another short-term fix, it undoubtedly has had and continues to have a major impact on adjustments in the dairy industry. By mid-1987, the DTP will have removed 8.6 percent of the national dairy cow herd and 7.2 percent of the U.S. dairy replacement heifers, thus greatly reducing the industry's short-term productive capacity and limiting the potential for a rapid expansion of milk production in the latter part of 1987 and 1988.

One of the bright spots in 1986 was the continued large increase in the commercial use of dairy products. The three-year surge in demand is one of the strongest in recent history and has not shown any indication of slackening. Lower real retail prices, continued economic growth, and expanded promotion have been major factors in boosting dairy sales.

The combination of lower milk production during the last half of the year and strong commercial demand have greatly improved the national supply-demand situation, providing a base for improved price and income stability in the year ahead.

Milk Supplies

Even with the DTP, U.S. milk production will have established a new record of 145 billion pounds in 1986 (Table 1). This was largely due to the record-shattering production that followed the end of the Milk Diversion Program in March 1985 and continued on into the first half of 1986. Increases of 6 to 8 percent over year earlier levels were recorded during the January through March period. By mid-year, the DTP was beginning to have an impact and production levels have declined steadily throughout the summer and fall. October production was 4 percent below year earlier levels causing supplies in some areas of the country to be extremely tight.

Milk Utilization

Commercial sales of dairy products (as measured by commercial disappearance) are estimated to be about 3 percent above year earlier levels (Table 1). Nineteen eighty-six will be the third year in a row that sales increased at or above the 3 percent level, placing the total 3-year increase at 10 percent. This is approximately equal to the increase in sales over the 10-year period from 1973 to 1983.

Price Support Program

With production up less than consumption, net removals under the price support program decreased 20 percent, to 10.5 billion pounds (M.E.), (Table 1). This represents about 7.2 percent of the milk produced in the U.S. and is considerably below prior USDA projections that estimated purchases at near 15 billion pounds, or 10 percent of the milk produced if a dairy termination program had not been implemented in 1986.

Milk Prices

As shown in Table 2, farm milk prices in 1986 are estimated to be about 40 cents/cwt below 1985 levels, or 63 cents lower, if the assessments in both years are included. Wholesale prices for cheddar cheese, butter, and nonfat dry milk were at their normal, nearly equal relationship to CCC purchase prices for most of the year, but rose above support levels during the last four months of 1986 as milk supplies tightened. Retail prices of dairy products are estimated to have remained stable during the year while all food prices and the CPI increased 3 and 2 percent, respectively.

The 1987 Outlook

Whereas 1986 milk production reflects the large monthly increases of 6 to 8 percent that occurred early in the year, next year's production will reflect the full impact of the DTP plus some additional reductions due to farm sales by non-participating dairymen. Increases in herd size and expected gains of 2 to 3 percent in milk per cow will offset some of these reductions, but this should still result in a decrease of approximately 3 billion pounds for the year, leaving 1987 production at 142 billion pounds.

This level of supply and more moderate gains of 1 to 2 percent in commercial sales would bring CCC purchases down to near the 5 billion pound (M.E.) level established in the 1985 Farm Security Act as a guideline for the Secretary of Agriculture for deciding on future price support cuts.

The Dairy Termination Program and continued increases in commercial demand should provide some market stability over the next 12 to 18 months. Beyond that it will fall on the back-up provisions of the Farm Security Act to stifle production increases. The Act provides for additional price support cuts of 50¢/year through 1990, to the \$9.60 support level, in the event that CCC purchases continually exceed the 5 billion pound guideline. It also provides the authority

for the Secretary to institute further herd buyouts or diversion programs if needed.

Although there has been considerable discussion of supply control programs within the industry, and legislation for a quota and a target price deficiency payment program have been introduced, recent comments by key congressmen would indicate that passage of new dairy legislation is highly unlikely until the current legislation expires.

Milk prices in 1987 should follow a similar pattern to that of 1986. The price support level will be reduced 25 cents on both January 1 and October 1, 1987, as mandated in the 1985 farm bill. These reductions will be partially offset by a drop in the assessment rate from the current 40 cents to 25 cents per cwt on January 1. The assessment will expire on September 30.

Manufacturing milk prices will drop to near support levels during the spring, but should strengthen quickly following the flush months.

Commercial and government stocks should be at low levels by year end, providing the opportunity for farm prices to rise above 1986 levels.

Table 2
Farm Prices for Milk, CCC Purchase, Wholesale, and Retail Prices for Cheese, Butter,
and Nonfat Dry Milk and Selected Retail Price Indices
1979-1986

	1979	1980	1981	1982	1983	1984	1985b	1986c
Farm Milk (\$/cwt., ave. fat):								
All Milk	12.03	13.05	13.77	13.61	13.58d	13.46e	12.75f	12.35g
Grade A	12.23	13.23	13.95	13.80	13.75d	13.61e	12.90f	12.63g
Grade B	11.09	12.01	12.72	12.60	12.61d	12.49e	11.72f	11.44g
Milk/Feed Ratio	1.55	1.47	1.43	1.54	1.45d	1.41e	1.52f	1.78g
Cheese (¢/lb.):								
CCC Purchase, Natural Cheddar, Grade A or higher, blocks ^a	115.5	132.0	140.0	140.0	139.1	134.8	127.9	125.0
Wholesale, American Cheddar (40 pound blocks), f.o.b. Wisconsin Assembly Points	123.8	133.0	139.4	138.3	138.3	138.0	127.7	127.8
Retail, Cheddar Cheese (\$/lb.)	N.A.	N.A.	N.A.	N.A.	N.A.	3.065	3.093	3.06
Butter (¢/lb.):								
CCC Purchase, Grade A or higher, Chicago ^a	121.5	140.2	149.0	149.0	148.5	143.3	141.5	139.75
Wholesale, Grade A, Chicago (1 lb.)	122.4	139.3	148.0	147.7	147.3	148.8	141.7	145.33
Retail, Grade AA, sticks (1 lb.)	168.3	187.8	199.3	204.6	206.6	210.7	211.6	215.10
Nonfat Dry Milk (¢/lb.):								
CCC Purchase, Spray Process, Extra Grade, Unfortified ^a	78.9	89.1	94.0	94.0	93.7	91.0	84.3	80.75
Wholesale (1 lb.)	80.0	88.7	94.0	94.0	93.2	90.9	84.1	80.72
Retail Price Indices (1967=100.0):								
Fluid Whole Milk	191.4	208.4	220.2	221.4	222.9	224.6	228.1	226.5
All Dairy Products	207.1	227.4	243.6	247.0	249.9	253.2	258.1	258.2
All Food	234.5	254.6	274.6	285.7	291.7	302.9	309.4	319.5
All Consumer Prices	217.4	246.8	272.4	289.1	298.4	311.1	322.2	328.4

Source: Dairy Outlook and Situation, U.S. Department of Agriculture.

^aSimple annual average of announced support price.

^bRevised.

^cEstimated.

^dExcludes assessments averaging 48¢/cwt. for the year.

^eExcludes 50¢/cwt. assessment.

^fExcludes assessment averaging 12.5¢/cwt. for the year.

^gExcludes assessment averaging 36.5¢/cwt. for the year.

Number of Producers Delivering Milk, Simple Average of Months per Year
Northeast Federal and State Marketing Orders
1980-1986

Markets	1980	1981	1982	1983	1984	1985 ^a	1986 ^b
New York-New Jersey	17555	17656	17485	17434	16870	16521	15825
New England	7352	7042	6923	6812	6668	6350	5886
Middle Atlantic	7287	7327	7168	7033	6891	6712	6597
E. Ohio-W. Pennsylvania	6379	6199	6219	6322	6235	6103	5884
N.Y. State Orders (Buffalo & Rochester)	1365	1337	1311	1286	1258	1211	1161
Regional Total	39938	39561	39106	38887	37922	36902	35353

Source: Annual Federal Milk Order Market Statistics and Annual Statistical Reports for State Orders.

^aRevised.

^bEstimated.

The number of producers in Northeast Federal and State Order markets declined by 1181, or 4.2 percent in 1986. This represents an increase of 1.5 percentage points in the dropout rate over the previous year.

Considering the extremely low attrition rates that prevailed during the 1979-84 period, when producer numbers fell by only 1 percent annually and the current loss of producers participating in the DTP, it might seem surprising that attrition rates were not higher in 1986.

It should be noted, however, that not all markets experienced similar attrition rates. The New England and New York Orders had the highest dropout rate with 7.3 and 4.1 percent, respectively, while the Middle Atlantic Order had a 2 percent decline and E. Ohio-W. Pennsylvania had a 2.7 percent increase. These numbers reflect some inter-order shifts.

Northeast producer numbers are expected to decline by an additional 3 to 4 percent in 1987.

Receipts of Milk from Producers by Regulated Handlers, Million Pounds
Northeast Federal and State Marketing Orders
1980-1986

Markets	1980	1981	1982	1983	1984	1985 ^a	1986 ^b
	(million pounds)						
New York-New Jersey	10560	10925	11094	11643	11358	11690	11681
New England	5221	5093	5253	5483	5252	5391	5362
Middle Atlantic	5634	5940	6043	6140	5850	6239	6415
E. Ohio-W. Pennsylvania	3379	3356	3486	3750	3669	3866	3882
N.Y. State Orders (Buffalo & Rochester)	1091	1081	1090	1172	1158	1212	1233
Regional Total	25885	26395	26966	28188	27287	28406	28573

Source: Annual Federal Milk Order Market Statistics and Annual Statistical Reports for State Orders.

^aRevised.

^bEstimated.

Producer receipts of milk in Northeast Order markets increased by 167 million pounds, or 0.6 percent in 1986.

The Middle Atlantic Order had the largest increase of 2.8 percent. The E. Ohio-W. Pennsylvania Order and the New York State Order markets had increases of 1.7 and 1.4 percent, respectively, while the New York-New Jersey and New England Orders had decreases of less than 1 percent.

Producer receipts were generally above 1985 levels during the first half of the year and declined below year earlier levels during the second half as the whole herd buyout reductions took effect.

In 1987, producer receipts for these markets are expected to decline from 2 to 3 percent as the whole herd buyout continues to reduce cow numbers during the second and third disposal period.

Producer Milk Used in Class I by Regulated Handlers, Million Pounds
Northeast Federal and State Marketing Orders
1980-1986

Markets	1980	1981	1982	1983	1984	1985 ^a	1986 ^b
	(million pounds)						
New York-New Jersey	4612	4561	4523	4457	4535	4662	4680
New England	2879	2821	2762	2788	2786	2793	2822
Middle Atlantic	2899	2866	2792	2884	2895	2869	3005
E. Ohio-W. Pennsylvania	1979	1933	1942	1954	2019	2033	1991
N.Y. State Orders (Buffalo & Rochester)	443	459	447	441	437	443	437
Regional Total	12812	12640	12466	12524	12672	12800	12935

Source: Annual Federal Milk Order Market Statistics and Annual Statistical Reports for State Orders.

^aRevised.

^bEstimated.

Class I fluid milk sales in the Northeast Order markets increased 1.1 percent in 1986. This is the fourth consecutive year that fluid sales have increased following a seven-year decline. Fluid sales increased the most in the Middle Atlantic Order (+4.7%). The New England and New York-New Jersey Orders had moderate increases of 1% and .4%, respectively. Fluid sales declined in the E. Ohio-W. Pennsylvania Order and the N.Y. State Order markets.

The market order expansion that was to have included 15 Pennsylvania counties in the New York-New Jersey Order and five counties in the Middle Atlantic Order was reversed by the courts and thus did not become effective during 1986, thus negating expected Class I sales increases.

Class I fluid sales are expected to again increase by one percent in 1987.

Producer Milk Used in Class I as Percentage of All Producer Milk Received
by Regulated Handlers
Northeast Federal and State Marketing Orders
1980-1986

Markets	1980	1981	1982	1983	1984	1985 ^a	1986 ^b
	(percent)						
New York-New Jersey	44	42	41	38	40	40	40
New England	55	55	53	51	53	52	53
Middle Atlantic	51	48	46	47	50	46	47
E. Ohio-W. Pennsylvania	59	58	56	52	55	53	51
N.Y. State Orders (Buffalo & Rochester)	43	42	41	38	38	37	35

Source: Annual Federal Milk Order Market Statistics and Annual Statistical Reports for State Orders.

^aRevised.

^bEstimated.

The Class I fluid utilization is affected by the volume of fluid sales in a market and the total supply of milk.

Fluid utilization remained about the same in the New York-New Jersey Order and improved nominally in the New England and the Middle Atlantic Order. Declines in the N.Y. State Order markets and the E. Ohio-W. Pennsylvania Order were a result of lower Class I sales.

Class I utilization should improve in most markets in 1987 as milk receipts decline due to the whole herd buyout.

Minimum Class I Prices for 3.5% Milk
Northeast Federal and State Marketing Orders
1980-1986

Markets	1980	1981	1982	1983	1984	1985	1986 ^a
	(\$/cwt)						
New York-New Jersey ¹	13.92	14.83	14.73	14.78	14.49	13.97	13.63
New England ²	14.09	15.00	14.76	14.82	14.52	14.00	13.61
Middle Atlantic ³	14.45	15.36	15.26	15.32	15.02	14.50	14.13
E. Ohio-W. Pennsylvania ⁴	13.62	14.53	14.43	14.49	14.19	13.67	13.20
N.Y. State Orders ³ (Buffalo & Rochester)	14.38	15.29	15.19	15.25	14.95	14.43	14.09

Source: Annual Federal Milk Order Market Statistics and Annual Statistical Reports for State Orders.

^aEstimated.

¹201-210 mile zone.

²1st zone.

³Priced at major city in the marketing area.

⁴Pittsburgh district.

Fluid milk prices in the Northeast Orders were down between 2.5 and 3 percent in 1986 following a decrease of 4 percent in 1985.

The Class I price declined 36 cents per cwt in four of the five N.E. markets during 1986, following a 52-cent decrease the previous year. The fluid price declined by 47 cents in the E. Ohio-W. Pennsylvania Order due to a lower fluid differential increase.

The 1985 Food Security Act mandated increases in fluid differentials on May 1, 1986 as follows: New England (24¢); New York-New Jersey (30¢); Middle Atlantic (25¢); and E. Ohio-W. Pennsylvania (10¢).

Class I prices are expected to increase from 1 to 2 percent in 1987.

Minimum Class II Prices for 3.5% Milk
Northeast Federal and State Marketing Orders
1980-1986

Markets	1980	1981	1982	1983	1984	1985	1986 ^a
	(\$/cwt)						
New York-New Jersey ¹	11.88	12.58	12.49	12.50	12.29	11.48	11.25
New England ²	11.88	12.58	12.49	12.50	12.29	11.48	11.27
Middle Atlantic ³	11.90	12.60	12.51	12.52	12.31	11.50	11.29
E. Ohio-W. Pennsylvania ⁴	11.88	12.58	12.49	12.49	12.29	11.48	11.28
N.Y. State Orders ¹ (Buffalo & Rochester)	11.83	12.53	12.44	12.45	12.24	11.43	11.24

Source: Annual Federal Milk Order Market Statistics and Annual Statistical Reports for State Orders.

^aEstimated.

¹201-210 mile zone.

²21st zone.

³Priced at major city in the marketing area.

⁴Pittsburgh district.

Class II manufacturing milk prices declined 2 percent in 1986, following a 6.6 percent drop in 1985.

The New York-New Jersey Class II price was 23 cents lower, having dropped from \$11.48 in 1985 to \$11.25 per cwt in 1986.

Class II prices are expected to be stable or increase slightly in 1987.

Minimum Blend Prices for 3.5% Milk
Northeast Federal and State Marketing Orders
1980-1986

Markets	1980	1981	1982	1983	1984	1985	1986 ^a
	(\$/cwt)						
New York-New Jersey ¹	12.64	13.39	13.26	13.23	13.03	12.32	12.07
New England ²	13.06	13.90	13.61	13.59	13.38	12.67	12.41
Middle Atlantic ³	13.20	13.95	13.80	13.85	13.67	12.90	12.62
E. Ohio-W. Pennsylvania ⁴	12.90	13.67	13.53	13.46	13.35	12.69	12.30
N.Y. State Orders ¹ (Buffalo & Rochester)	12.82	13.57	13.43	13.36	13.18	12.47	12.21

Source: Annual Federal Milk Order Market Statistics and Annual Statistical Reports for State Orders.

^aEstimated.

¹201-210 mile zone.

²21st zone.

³Priced at major city in the marketing area.

⁴Pittsburgh district.

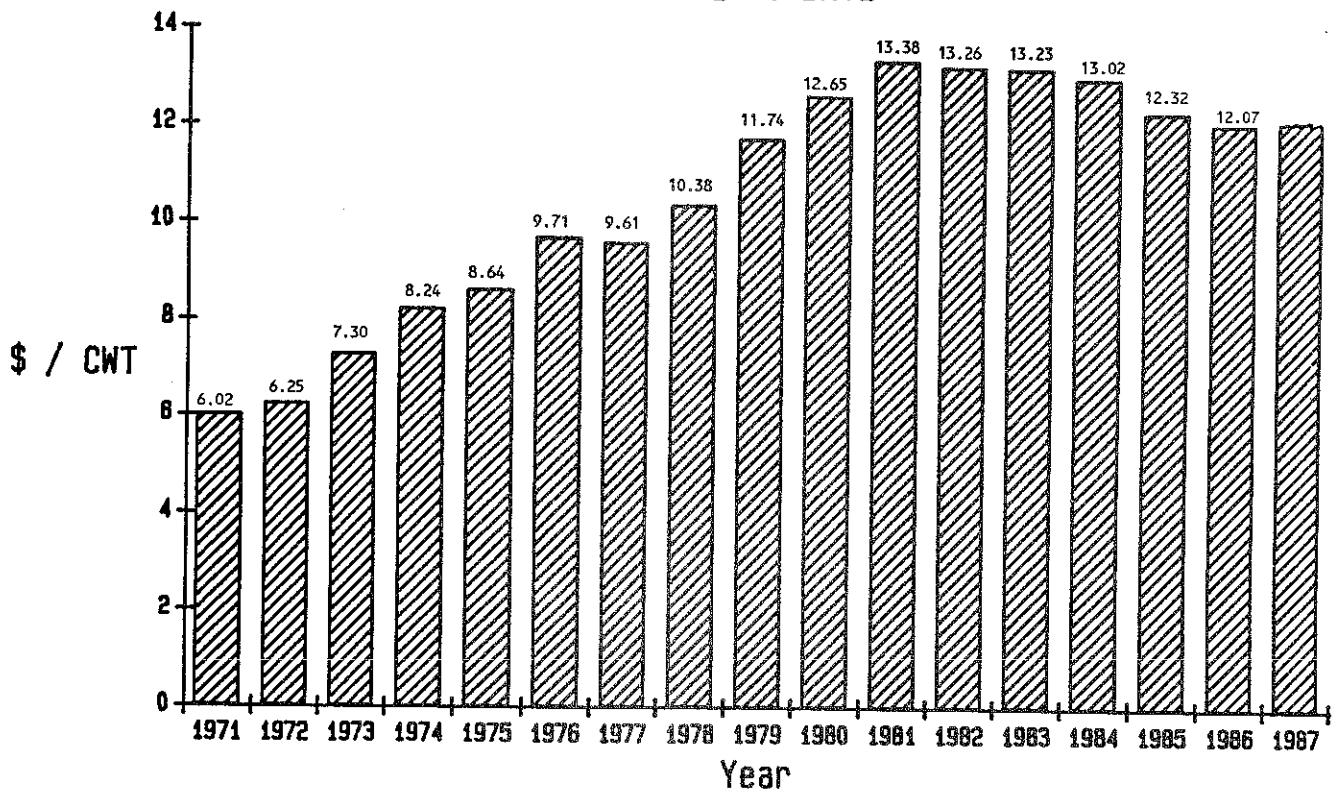
The blend price of milk declined between 2 and 3 percent in the Northeast Order markets in 1986.

Declines ranged from 25 to 28 cents in the New England, New York-New Jersey, Middle Atlantic, and New York State Order markets. The E. Ohio-W. Pennsylvania Order was 39 cents lower.

In 1987, blend prices should be relatively stable to up slightly, with second quarter blend prices slightly below year earlier levels. Blend prices will again strengthen during the summer and fall with over-order premiums being prevalent throughout Northeast markets.

Net farm prices should average at least 17 cents higher as the average assessment drops from 36 cents in 1986 to 19 cents in 1987. There should be further upward price potential if supply-demand remains in near balance.

NEW YORK-NEW JERSEY BLEND PRICE 3.5% M.F.,
201-210 MILE ZONE
1971 TO DATE



N.Y.-N.J. Blend Price, 3.5% M.F., 201-210 Mile Zone, 1980-1986

Month	1980	1981	1982	1983	1984	1985	1986
January	\$12.25	\$13.46	\$13.35	\$13.35	\$12.99	\$13.34	\$11.92
February	12.24	13.46	13.30	13.35	12.79	13.13	11.84
March	12.08	13.20	13.02	13.01	12.55	12.64	11.50
April	11.96	13.00	12.82	12.85	12.36	12.19	11.31
May	11.90	12.83	12.61	12.64	12.26	11.78	11.25
June	11.92	12.83	12.63	12.61	12.29	11.47	11.27
July	12.48	13.33	13.16	13.12	12.84	11.93	11.86
August	13.01	13.68	13.59	13.59	13.39	12.27	12.46
September	13.31	13.83	13.74	13.75	13.74	12.37	12.79
October	13.57	13.87	13.81	13.74	13.83	12.40	13.05
November	13.54	13.74	13.71	13.63	13.91	12.30	12.91*
December	13.44	13.41	13.41	13.07	13.38	12.01	12.58*
Average	12.65	13.38	13.26	13.23	13.03	12.32	12.07*

*Estimates

Source: Price Announcements, Office of the Administrator, New York-New Jersey Milk Marketing Area.

MILK PRICE PROJECTIONS
New York-New Jersey Blend Price, 3.5 Percent, 201-210 Mile Zone
Last Quarter 1986 - First Half 1987

Month	1985	1986	Difference
	(dollars per hundredweight)		
October	12.40	13.05a	+0.65
November	12.30	12.91p	+0.61
December	12.01	12.58p	+0.57
<u>Annual Average</u>	<u>12.32</u>	<u>12.07p</u>	<u>-0.25</u>
	1986	1987p	
January	11.92	12.10	+0.18
February	11.84	12.09	+0.25
March	11.50	11.66	+0.16
April	11.31*	11.37	+0.06
May	11.25**	11.20	-0.05
June	11.27	11.21	-0.06
<u>Six Month Average</u>	<u>11.52</u>	<u>11.60</u>	<u>+0.08</u>
Annual Average Blend Price	12.07	12.10	+0.03
<u>Annual Effective Price</u>	<u>11.71</u>	<u>11.91</u>	<u>+0.20</u>

a=actual; p=projected; e=effective price to N.Y.-N.J. producers would reflect an average assessment of 19 cents/cwt for 1987. *40 cents/cwt DTP assessment and 12 cents/cwt Gramm-Rudman assessment began. **Class I Differential increased 30 cents/cwt as of May 1, 1986.

Assumptions Associated With These Projections

Support price drops to \$11.35 on January 1, and \$11.10 on October 1, 1987.

National milk production down 2 percent.

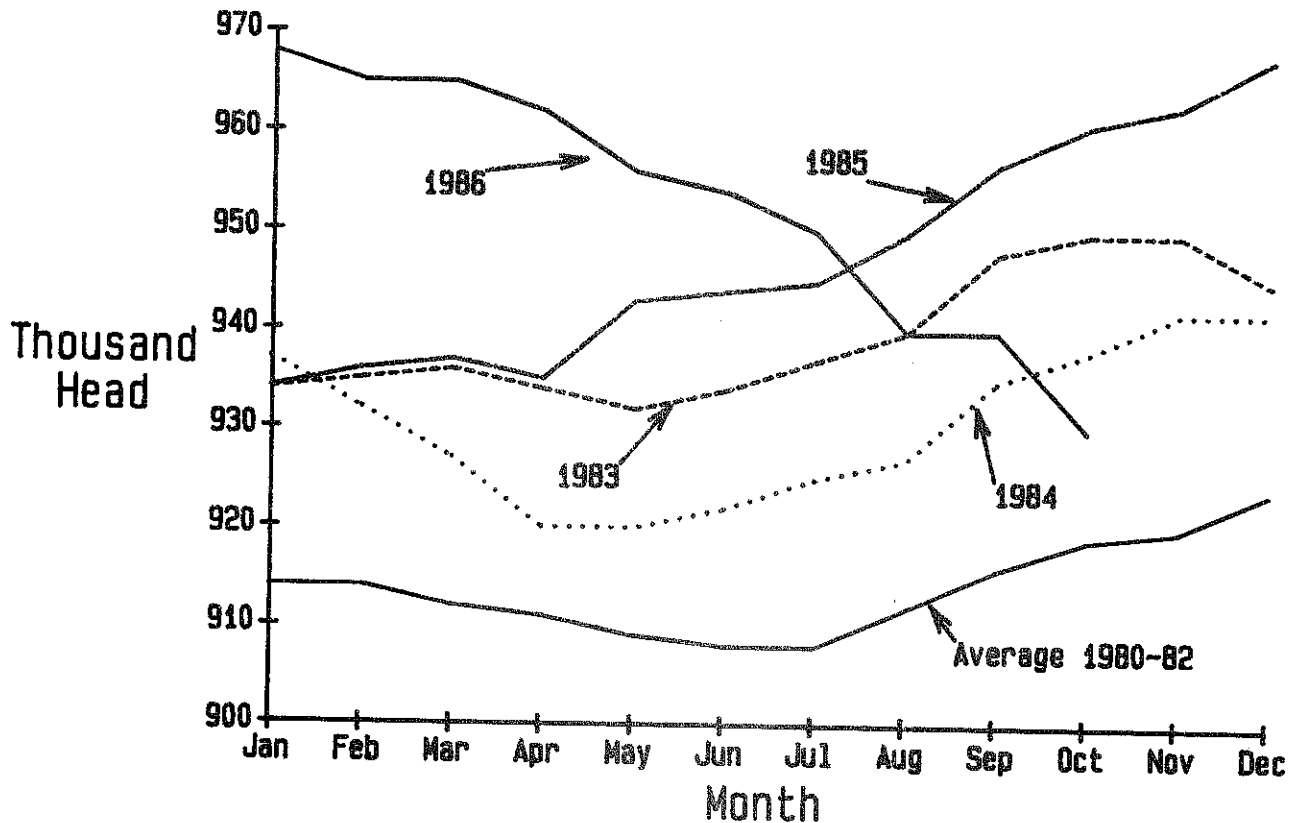
Commercial sales up 1 to 2 percent.

CCC purchases near 5 billion pounds M.E.

Government stocks at very low levels by end of the year.

An additional Gramm-Rudman reduction in support price is possible in 1987, but not considered likely at the present time.

MILK COWS ON FARMS, NEW YORK, MONTHLY, 1980-82 AVERAGE AND 1983-1986



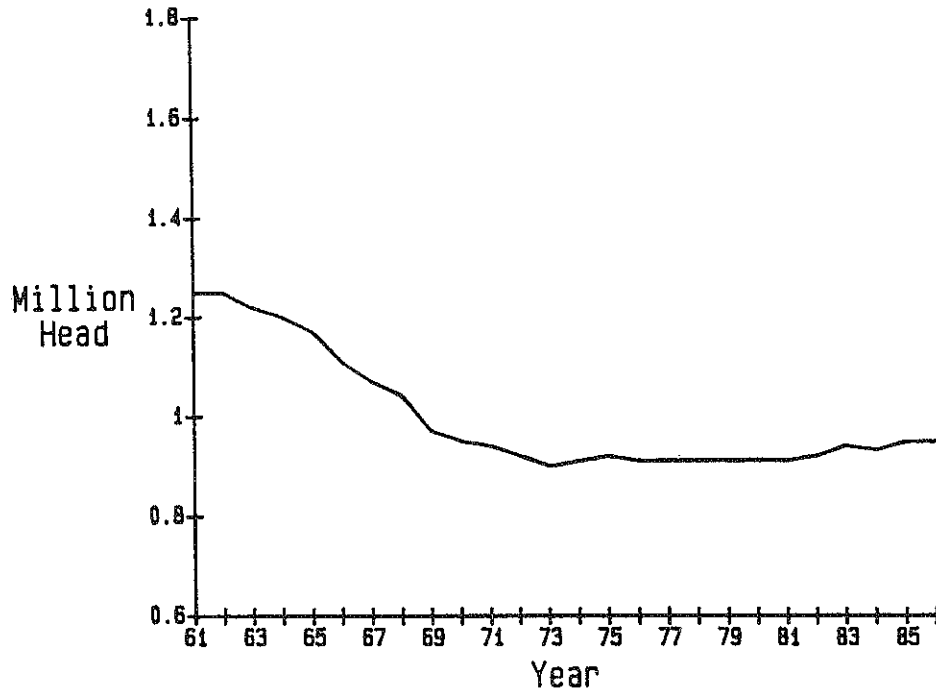
SOURCE: New York Agricultural Statistics.

The steady increase in cow numbers that began in June of 1984 ended in January 1986. The increase that occurred during this period was most dramatic after the Milk Diversion Program ended on March 31, 1985. As seen in the above chart, monthly cow numbers have declined precipitously since January. Cow numbers in January 1986 were 968,000 head and have declined by 38,000 head through October 1986.

Cows slaughtered or exported under the Dairy Termination Program are largely responsible for the decline. During the first disposal period, April 1 through September 30, 1986, 20,300 cows were eliminated from the New York dairy herd. The total decline in cow numbers during this period was 22,000. Therefore, the net impact of additional herds being liquidated or reduced and those herds which increased cow numbers was a further reduction in the New York dairy herd of 1,700 cows.

During the second period, October 1, 1986 through March 31, 1987, it is expected that 8,900 dairy cows will be removed from the New York herd under the Dairy Termination Program. For the third period, April 1 through August 31, 1987, an additional 5,200 head will be removed.

NUMBER OF MILK COWS, NEW YORK, 1961-86



SOURCE: New York Agricultural Statistics.

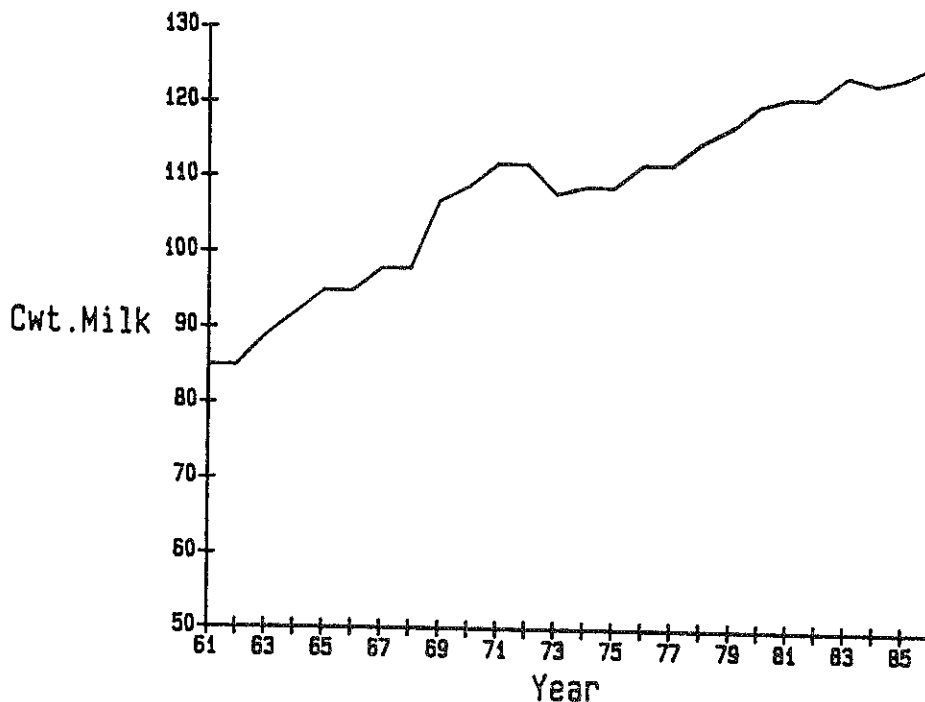
Heifers as a percent of cow numbers on January 1, 1986 decreased 2.3 percentage points from 1985 to 44.4. This is 4.0 percentage points higher than the average number of heifers as a percent of cow numbers for 1974-1985.

The average number of milk cows on New York farms for 1986 is 948,000 head, the same number as 1985. The projected average number of cows for 1987 is 920,000. This is based on an additional 10,000 head being eliminated under the Dairy Termination Program and changes due to herd expansion of remaining farms being cancelled by herd reduction or liquidation.

<u>Year</u>	<u>Milk Cows</u> <u>1,000 head</u>	<u>Year</u>	<u>Milk Cows</u> <u>1,000 head</u>
1961	1,253	1974	905
1962	1,253	1975	917
1963	1,217	1976	912
1964	1,196	1977	914
1965	1,165	1978	906
1966	1,109	1979	905
1967	1,069	1980	911
1968	1,039	1981	912
1969	969	1982	919
1970	950	1983	940
1971	935	1984	931
1972	920	1985	948
1973	903	1986	948*
		1987	920**

*Preliminary **Projected

ANNUAL MILK PRODUCTION PER COW,
NEW YORK, 1961-86



SOURCE: New York Agricultural Statistics.

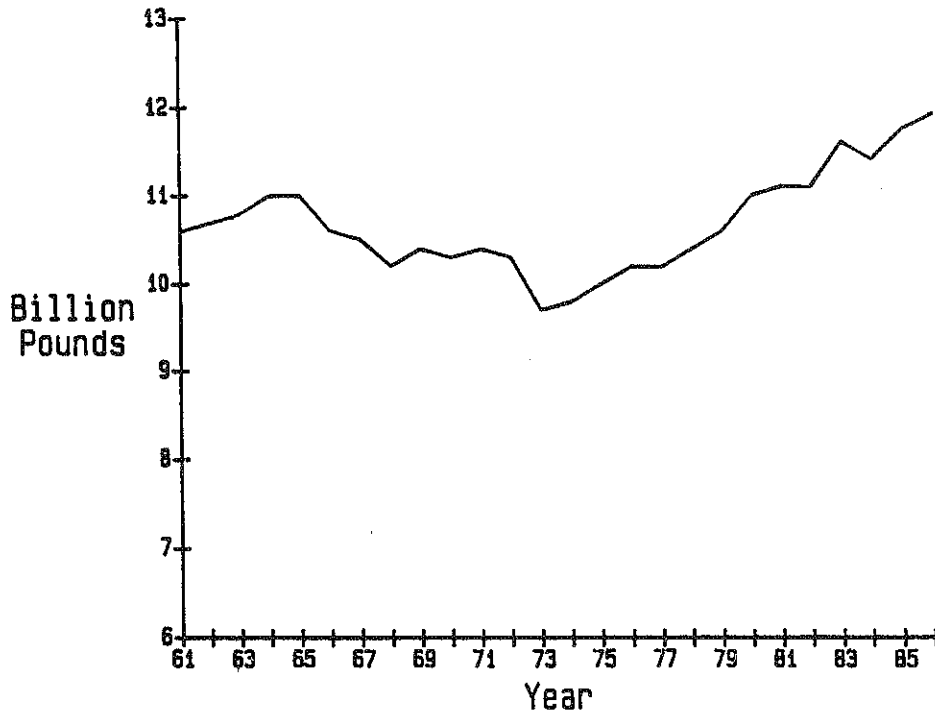
Pounds of milk produced per cow in 1985 was up 0.8 percent from 1984. The increase in milk production per cow in 1985 can be attributed to the end of the Milk Diversion Program and one of the most favorable milk-feed price ratios in the last 10 years. Milk production per cow is expected to average 12,576 pounds in 1986, an increase of 1.5 percent over 1985. Milk production per cow has increased steadily since 1960 with the exception of 1973 and 1974 and small declines in 1982 and 1984.

An increase of 1.0 percent in milk production per cow is expected in 1987. A continued favorable milk-feed price ratio and genetic improvement will likely be the dominant contributing factors.

<u>Year</u>	<u>Lbs. of Milk Prod. per Cow</u>	<u>Year</u>	<u>Lbs. of Milk Prod. per Cow</u>	<u>Year</u>	<u>Lbs. of Milk Prod. per Cow</u>
1961	8,450	1970	10,885	1979	11,746
1962	8,530	1971	11,156	1980	12,046
1963	8,880	1972	11,202	1981	12,137
1964	9,160	1973	10,773	1982	12,075
1965	9,470	1974	10,853	1983	12,393
1966	9,540	1975	10,866	1984	12,290
1967	9,780	1976	11,182	1985	12,390
1968	9,835	1977	11,186	1986	12,576*
1969	10,682	1978	11,488	1987	12,700**

*Preliminary **Projected

TOTAL MILK PRODUCTION, NEW YORK,
1961-86



SOURCE: New York Agricultural Statistics.

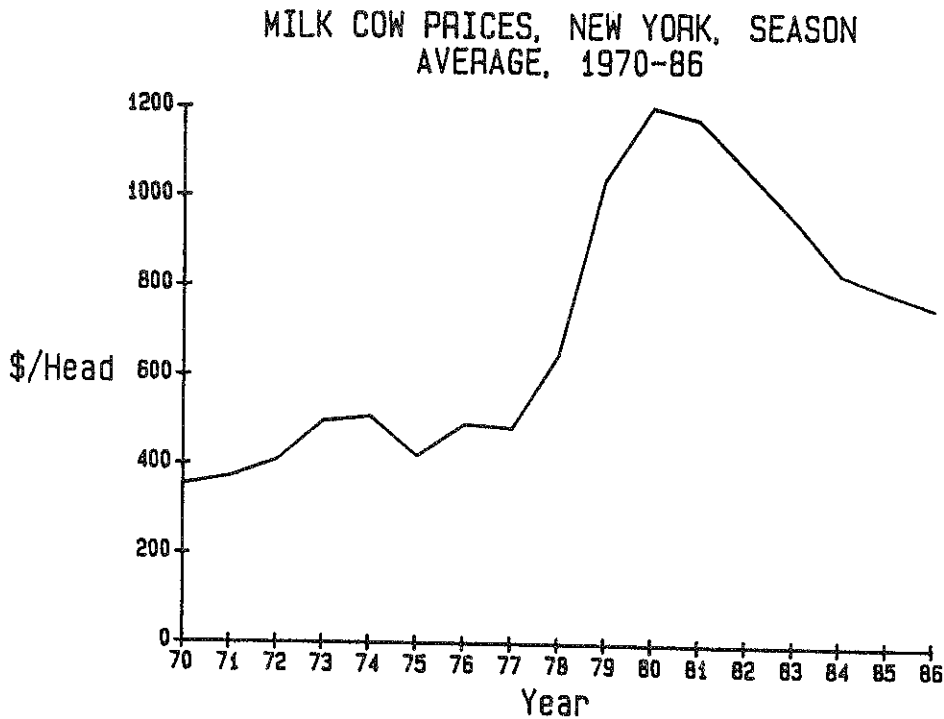
Total milk production in 1986 is estimated at 11,922 million pounds, up 1.5 percent over 1985. An increase in milk production per cow of 1.5 percent accounts for the increased production.

Total milk production is projected to decrease two percent in 1987. This is a result of the factors discussed on the previous two pages in regard to cow numbers and production per cow.

Over the last 10 years the total number of milk cow operations in the state has steadily declined. The number of farms with less than 100 cows has decreased, while the farms with more than 100 cows has steadily increased. The number of milk cow operations in the state decreased 1,000 farms from 1984 to 1985. There were 250 less farms with 50-99 cows, 350 less farms with 30-49 cows, and 400 less farms with 1-30 cows in 1985 compared to 1984. Farms with more than 100 cows remained at 1,850 farms in 1985, the same number reported for 1984.

Year	Tot. Milk Prod. mil. lbs.	Year	Tot. Milk Prod. mil. lbs.	Year	Tot. Milk Prod. mil. lbs.
1961	10,588	1970	10,341	1979	10,630
1962	10,688	1971	10,431	1980	10,974
1963	10,807	1972	10,306	1981	11,069
1964	10,955	1973	9,728	1982	11,097
1965	11,033	1974	9,822	1983	11,649
1966	10,580	1975	9,964	1984	11,442
1967	10,455	1976	10,198	1985	11,746
1968	10,219	1977	10,224	1986	11,922*
1969	10,351	1978	10,408	1987	11,684**

*Preliminary **Projected



SOURCE: New York Agricultural Statistics.

Milk cow prices have steadily declined since their peak in late 1980. Monthly prices for milk cows were stable during 1986, but averaged \$45 lower than a year earlier.

Milk cow prices are likely to stabilize at current levels in 1987. Favorable feed prices and strengthening milk prices could provide some upward price movement for milk cows in 1987.

Month	Milk Cows, \$/Head		Slaughter Cows, \$/Cwt		Calves, \$/Cwt	
	1985	1986	1985	1986	1985	1986
January	\$800	\$740	\$35.90	\$33.30	\$68.70	\$54.80
February	800	750	38.20	34.20	66.20	60.10
March	810	740	38.50	33.60	60.60	53.70
April	820	740	36.80	31.90	59.10	50.50
May	820	750	38.40	34.70	67.50	67.80
June	810	770	36.90	35.50	72.50	66.90
July	800	770	34.60	33.70	58.60	52.80
August	790	760	33.60	33.10	49.90	50.50
September	780	750	32.60	34.10	49.00	58.70
October	750	760	31.80	33.00	49.40	64.00
November	740		31.20		52.30	
December	740		32.10		50.60	

INDEX OF PRICES PAID BY NEW YORK DAIRY FARMERS
(1977=100)

Item	Weight	1981	1982	1983	1984	1985	1986*	1987**
Feed	.31	141	129	141	141	119	118	118
Purchased animals	.03	243	217	195	170	163	156	158
Fuel & energy	.05	211	209	205	206	204	178	170
Fertilizer	.05	150	149	139	142	134	128	125
Seed	.02	146	157	160	169	169	167	167
Machinery	.18	147	161	172	181	185	185	185
Building & fencing supplies	.08	134	135	138	138	136	136	138
Farm services & rent	.08	137	143	147	149	152	153	155
Agricultural chemicals	.01	111	119	125	128	128	127	126
Interest rates	.07	156	161	145	151	146	143	140
Farm wage rates	.09	140	141	151	158	169	181	182
Taxes	.03	133	142	152	161	176	181	185
Prices Paid, Not Including Assessment		149	148	153	156	150	149	149
Prices Paid, Including Assessment & Promotion Deduction		--	--	159	162	152	155	152

Source: New York Crop Reporting Service

*Preliminary

**Projected

The index of prices paid by New York dairy farmers not including the assessment decreased by less than one percent in 1986. Including the milk price assessment and promotion deduction, the index increased two percent in 1986. Fuels and energy showed the largest decrease at 13 percent, with purchased animals, fertilizer, and interest rates also declining.

For 1987, the index of prices paid is projected to average the same as 1986. Feed and machinery are likely to exhibit small changes, while fuel and energy, fertilizer, and interest rates are likely to average less in 1987 than 1986. Fuel and energy prices may strengthen during the year, but are not likely to reach beginning of 1986 levels. Purchased animals, building materials, and taxes are projected to exhibit the largest increases.

COST AND RETURN ESTIMATES PER HUNDREDWEIGHT OF MILK
Specialized Dairy Farms by Region, United States, 1985

Region	Returns per Cwt.		Costs per Cwt.		Return to Operator's Labor & Mgmt.
	Milk	Total	Variable	Total	
1. Pacific (CA,WA)	\$12.33	\$13.08	\$8.13	\$10.41	\$2.67
2. Southern Plains (TEXAS)	13.78	14.62	9.00	12.27	2.35
3. Appalachia (KY,TN,VA,NC,GA)	13.51	14.37	8.48	13.14	1.23
4. Northeast (NY,PA,OH,NEW ENGLAND)	12.98	13.91	7.55	12.91	1.00
5. Upper Midwest (MN,WI,MI,SD)	12.26	13.42	6.41	12.54	0.88
6. Corn Belt (IN,IL,IA,MO)	12.49	13.44	7.46	13.70	-0.26
National Average	12.66	13.64	7.34	12.54	1.10

SOURCE: USDA, ERS, Economic Indicators of the Farm Sector, Costs of Production, 1985.

The Agriculture and Consumer Protection Act of 1973 directed the Secretary of Agriculture to make annual estimates of the costs of producing a number of major agricultural commodities. One of these is milk. The most recent set of estimates was issued in 1986 as part of the Economic Indicators of the Farm Sector series by the ERS. Cost estimates were developed by the USDA for six major producing regions in the United States.

Over the past 10 years the differences in prices received for milk at the farm between regions have narrowed substantially. The highest prices received nationally are in the South and the lowest in the upper Midwest region. The spread is now about \$1.50 per hundredweight. There are important differences in average production costs between regions. The USDA estimates are based on a consistent methodology and appear reasonable in relation to other data and information from the six designated regions. In 1985, the Pacific region continues as the region with the highest return to labor and management. The Northeast fell behind the Appalachia region into fourth place on this measure.

In the Dairy Farm Business Summary Project at Cornell University, the "whole farm data" method is used to compute the cost of producing milk. This method is based on the actual costs and returns reported by 404 dairy farmers which is quite different from the USDA's use of budget estimates. One could compare cost of production data from these two sources keeping in mind the different methodologies.

AVERAGE COST PER HUNDREDWEIGHT OF PRODUCING MILK*
New York Dairy Farms, 1977 to 1985

Item	1977	1979	1981	1983	1984	1985**
<u>Cash Operating Expenses</u>						
Hired labor	\$.84	\$.99	\$ 1.20	\$ 1.25	\$ 1.39	\$ 1.38
Purchased feed	2.90	3.37	3.62	3.59	3.46	3.10
Replacement livestock	.27	.50	.23	.16	.10	.10
Vet & medicine	.17	.22	.28	.28	.29	.27
Breeding fees	.12	.15	.18	.19	.20	.20
Other dairy expenses	.58	.74	.89	1.47	1.58	1.33
Machinery repairs & rent	.57	.69	.81	.77	.80	.79
Auto expenses (farm share)	.03	.04	.04	.04	.03	.03
Fuel, oil & grease	.31	.43	.62	.49	.50	.48
Lime & fertilizer	.49	.62	.72	.63	.66	.62
Seeds & plants	.16	.20	.23	.21	.22	.24
Spray & other crop expense	.13	.16	.21	.19	.20	.23
Land, building, fence repair	.16	.21	.22	.18	.18	.17
Taxes	.27	.28	.35	.34	.33	.34
Insurance	.18	.20	.23	.21	.20	.22
Electricity (farm share)	.17	.21	.27	.31	.32	.32
Telephone (farm share)	.04	.04	.05	.05	.04	.05
Interest paid	.72	1.00	1.43	1.40	1.40	1.25
Miscellaneous	.25	.31	.41	.44	.44	.40
Total	\$ 8.36	\$10.36	\$11.99	\$12.20	\$12.34	\$11.52
<u>Operating Expenses</u>						
Depreciation: mach. & bldgs.	\$.89	\$ 1.06	\$ 1.56	\$ 1.56	\$ 1.65	\$ 1.64
Unpaid labor	.12	.13	.14	.12	.12	.12
Operator(s) labor	.93	.91	.99	.89	.87	.97
Operator(s) management	.54	.68	.76	.76	.76	.72
Interest on farm equity cap.	.98	1.22	1.32	1.20	1.22	1.16
Total	\$ 3.46	\$ 4.00	\$ 4.77	\$ 4.53	\$ 4.62	\$ 4.61
Gross Farm Operating Cost	\$11.82	\$14.36	\$16.76	\$16.73	\$16.96	\$16.13
Less: Non-milk cash receipts	1.04	1.78	1.58	1.49	1.74	1.58
Inc. in feed & supplies	.00	.40	.11	.26	.18	.06
Inc. in livestock	.08	.38	.25	.24	.16	.18
NET COST OF MILK PRODUCTION	\$10.70	\$11.80	\$14.82	\$14.74	\$14.88	\$14.31
AVERAGE FARM PRICE OF MILK	\$ 9.76	\$11.90	\$13.66	\$13.64	\$13.49	\$12.90
Return per cwt. to oper. labor, capital, & management	\$1.51	\$2.91	\$1.91	\$1.75	\$1.46	\$1.44
Rate of return on farm eq. cap.	0.2%	5.4%	0.6%	0.4%	-0.7%	-1.1%

*Using farm unit (whole farm) method. **Calculated on an accrual basis.

Includes cash expenses plus changes in accounts payable and cash receipts plus changes in accounts receivable.

Source: New York Farm Business Summary data.

These cost estimates indicate that production costs decreased \$0.57 per hundredweight in 1985 compared with 1984 while receipts decreased \$0.59 per hundredweight. The result was a decrease of \$0.02 per hundredweight in the return to operator's labor, management, and equity capital. The decrease in milk production costs is due to decreases in promotion and marketing costs that contributed to the \$0.25 per hundredweight decrease in other dairy expenses. Also, purchased feed expense decreased \$0.36 per hundredweight, and interest paid decreased \$0.15 per hundredweight.

In addition to the cash operating expenses, values are placed on unpaid family labor, the operator's labor, a charge is made for management, and interest on equity capital is calculated at a rate of five percent. Together with depreciation these charges amounted to \$4.61 per hundredweight in 1985. Adjustments were also made to reflect income and expenses for crop and livestock sales so that the net costs center on fluid milk production.

SELECTED BUSINESS FACTORS FOR NONPARTICIPATING MILK DIVERSION FARMS
Same 270 New York Farms, 1983-1985

Item	1983	1984	1985
<u>Size of Business</u>			
Number of cows	88	91	96
Number of heifers	74	78	79
Number of crop acres	281	292	304
Number of workers	3.17	3.17	3.33
Number of operators	1.42	1.42	1.42
Milk sold (pounds)	1,371,802	1,434,332	1,532,697
<u>Rates of Production</u>			
Milk sold per cow (pounds)	15,531	15,749	15,945
Hay DM per acre (tons)	2.7	2.8	2.8
Corn silage per acre (tons)	13.7	14.3	14.8
<u>Labor Efficiency</u>			
Cows per worker	28	29	29
Milk sold per worker (pounds)	433,201	452,947	459,809
<u>Income Analysis & Cost Control</u>			
Milk sales per cow	\$2,112	\$2,117	\$2,056
Dairy cattle sales per cow	\$175	\$194	\$169
Government receipts per cow	\$15	\$10	\$17
Average gross price per cwt. milk sold	\$13.60	\$13.44	\$12.89
Average effective price*	\$13.12	\$12.94	\$12.77
Purchased grain & conc. % of milk receipts	24%	24%	22%
Feed & crop expenses per cwt. milk	\$4.56	\$4.48	\$4.10
Labor & machinery costs per cow	\$827	\$843	\$819
<u>Profitability</u>			
Net farm income (without appreciation)	\$29,819	\$23,874	\$25,213
Labor & management income per farm	\$11,187	\$4,756	\$6,116
Labor & management income per operator	\$7,897	\$3,357	\$4,317
Rate of return on equity (with appreciation)	1.8%	1.7%	0.0%
<u>Financial Situation (end year)</u>			
Farm assets	\$532,083	\$546,168	\$550,496
Farm liabilities	\$192,452	\$196,807	\$201,550
Farm net worth	\$339,631	\$349,361	\$348,946
Percent equity	64%	64%	63%
Debt per cow	\$2,115	\$2,094	\$2,015
Debt/asset ratio	0.36	0.36	0.37

*Average gross price per hundredweight milk sold minus \$0.48 in 1983, \$0.50 in 1984, and \$0.125 in 1985.

Source: New York Farm Business Summary data.

Farms that did not participate in the Milk Diversion Program who were in the Dairy Farm Business Summary Project each of the last three years have experienced a steady increase in herd size. In 1985, the average number of cows was 96, eight greater than 1983. Milk per cow has also steadily increased to 15,945 pounds sold per year, an increase of 414 pounds since 1983. In spite of these increases, profits were less in 1985 than 1983 for these nonparticipating milk diversion farms. Farm assets have steadily increased during this period as have farm liabilities. Farm net worth for 1985 is up almost \$10,000 over 1983, debt per cow is down \$100, and debt/asset ratio is virtually unchanged.

Summary^{*}

In August, 1979, the Community Nutrition Institute (CNI) and four individuals petitioned the Secretary of Agriculture to call a hearing on federal milk marketing order provisions regarding reconstituted milk. Current regulations essentially require that a processor pay the Class I differential on all beverage milk, whether it is made from fresh milk or dried milk ingredients. CNI proposes that reconstituted milk be totally deregulated.

The proposal has sparked a heated controversy between its proponents and those who fear the consequences of the proposed changes. The purpose of this paper is to provide some background information on reconstituted milk, review the arguments for and against deregulation, and discuss three scenarios of the possible consequences of changing current provisions of federal orders.

Reconstituted milk is a beverage milk product made by adding water to dried or condensed skim milk solids. The fat content of reconstituted lowfat or whole milk is obtained by adding anhydrous butteroil, butter, cream, or whole milk to reconstituted skim milk.

Most states in some way regulate the sale of reconstituted milk. The methods vary from outright bans on reconstituted milk to simple laws which require clear labeling of reconstituted products. Some of the sanctions involve pricing provisions or product codes which discourage the use of reconstituted milk for economic reasons.

Federal milk marketing orders do not explicitly restrict the production of reconstituted milk, but there are pricing provisions which discourage its use. Current order provisions require processors to pay the Class I differential on the milk equivalent of all Class I products, regardless of whether they are made from fresh milk or dried milk solids and water. Because of the costs of the dried ingredients and recombining, the additional charge of the Class I differential effectively eliminates any possible economic incentive to reconstitute. If reconstituted milk was not priced as a Class I product, it would be cheaper than fresh milk.

Proponents of deregulating reconstituted milk support their position primarily by citing the potential savings to consumers that they believe would result from deregulation. They support this contention by referring to three studies of reconstituted milk which conclude that milk prices would fall if reconstituted milk is deregulated.

* This paper has benefited from the reviews of Richard Aplin, Herbert Kling, and Walter Wasserman. The opinions and analysis presented here remain solely those of the authors and should not be attributed to any other person or institution.

A study undertaken at the University of Minnesota by Jerome Hammond, Boyd Buxton, and Cameron Thraen estimates that deregulation would result in a drop in the U.S. average blend price of 10 cents per cwt. Class I prices would drop an average of 69 cents per cwt., while the manufacturing price would increase 24 cents per cwt., due to the increased demand for dried milk. The drop in Class I prices translates into about a 3 cents per half gallon reduction in the retail price of milk. Manufactured product prices, on the other hand, would increase slightly. Annual per capita expenditures would decline an average of \$1.05. The distribution of savings varies with milk consumption, so families consuming more milk would expect a greater absolute savings. The annual income for dairy farmers would drop about \$1175 per farm. There would be marked differences in the geographic distribution of these impacts. The greatest price drops would occur in the Northeast and South. Prices would increase in the Upper Midwest and, to a lesser extent, the Southwest. The basic premise of the study by Hammond et al. is that Class I differentials in federal order markets would drop until they essentially equated with the cost of reconstituted milk. In all other respects, federal orders would continue to operate as they now do.

Opponents to deregulation advance two major arguments. First, consumers are already able to reconstitute and blend milk at home, and home reconstitution is cheaper than commercial reconstitution. Second, the proposed deregulation would require federal orders to price reconstituted milk differently than fresh milk. Because it is virtually impossible to test how a beverage milk product was produced, it would be impossible to verify processor reports of their use of dried milk. This would undermine classified pricing and lead to the disruption of federal orders. Consumers, as well as producers and processors, would eventually suffer under the disorderly and unstable economic environment that would result from the elimination of marketing orders.

The evidence to date is not strong enough to substantiate the arguments or either side. The gravity of the arguments put forward by opponents of the CNI proposal require thoughtful and serious consideration, however. Until specific proposals are defined, it is difficult to estimate the ramifications of deregulation. It is unlikely that a move that would lead to the dismantling of market orders would be politically acceptable or in the long run interests of consumers, producers, and processors alike.