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# **THE AGRICULTURAL OUTLOOK FOR 1996**

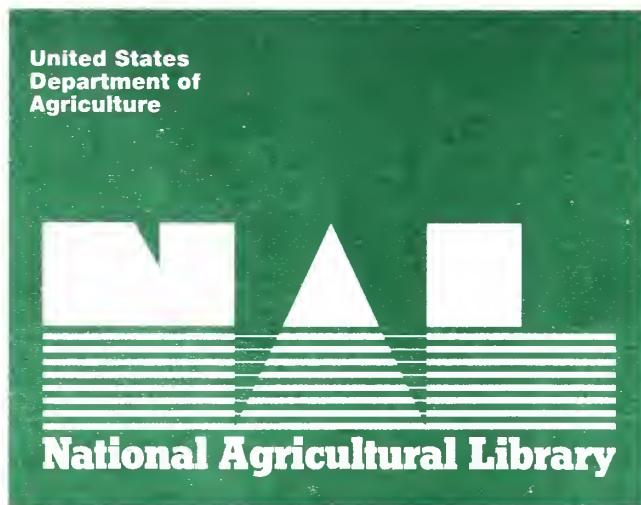
Economic Research Service  
Office of the Chief Economist  
World Agricultural Outlook Board  
**U.S. Department of Agriculture**

March 20, 1996

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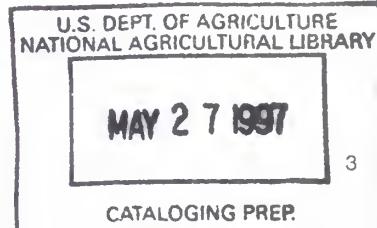
## **ACKNOWLEDGEMENT**

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## OVERVIEW OF 1996 PROSPECTS

- As American farmers prepare to plant spring crops, market conditions for crops remain highly favorable. A combination of weather-reduced 1995 harvests and strong export markets have reduced ending stocks to historically low levels and pushed prices up. With a big increase in planted acreage and a return to normal yields, 1996 crop production is set to increase. The strongest production gains are likely for grains, as land is bid away from soybeans and cotton. Even with bigger 1996 crops, very low carryin stocks and continuing strong export demand for U.S. farm products point to another year of tight supplies and relatively strong prices.
- Livestock production, growing through the 1990's, will continue upward in 1996, although high feed prices and lower livestock prices will squeeze returns. Total meat output could increase nearly 4 percent this year with larger production of beef, pork, and broilers. Meat exports, while continuing on a strong expansion track, will slow from 1995, and producer prices for meat and poultry will decline. Per capita total meat consumption could top the 1995 record by over 5 pounds. Dairy markets are tight, and farm milk prices are strong.
- In recent years, farmers' cash receipts from crops have gained while livestock receipts have declined. In 1996, these trends are expected to continue as total cash receipts rise to \$183 to \$192 billion, compared with \$184 billion in 1995. Government payments, which declined to \$6 billion in 1995, are forecast at \$3 to \$5 billion this year. Cash farming expenses will increase this year because of costs associated with planting more acres. Overall, net cash income is forecast to range from \$43 billion to \$53 billion in 1996, compared with \$51 billion in 1995 and \$50 billion the previous year.
- The U.S. economy faces another year of modest growth and low inflation. Higher unemployment, high personal debt levels and decreased consumer confidence levels will restrain personal spending. A modestly stronger dollar and slow world economic expansion are dampening overall U.S. trade prospects, although farm exports will set another record.
- Retail food prices are forecast to rise 2 to 4 percent in 1996, about the same as last year. Food at home could rise 1 to 3 percent, and food eaten out at 2 to 4 percent. Large meat supplies, modest gains in processing costs, retailer competition, and steady consumer demand are restraining retail price rises. Food assistance spending rose 1.6 percent in fiscal year 1995, and the average monthly number of food stamp recipients fell 3 percent, the first drop in 7 years.
- U.S. farm exports are forecast to grow more than 10 percent in fiscal year 1996, reaching a record \$60 billion. Higher bulk commodity prices and continued gains in sales of higher-valued products (HVP's) are boosting export values, but export volume is down, notably for feed grains and cotton. HVP exports are projected to be up 9 percent to \$33.5 billion. With farm imports unchanged, the agricultural trade surplus is forecast to reach \$30.5 billion in fiscal year 1996, surpassing the 1981 record of \$26.6 billion.
- World grain supplies are tight, demand strong, and prices the highest in many years. Ending stocks are the smallest in 20 years and the stocks-to-use ratio is the lowest in the USDA database. Global trade and U.S. exports are forecast down 5 percent from 1994/95. U.S. 1996 grain production is expected to be up around 25 percent because of larger area and a rebound in yields. Expanding use, however, will absorb most of the increased supplies.
- U.S. 1995/96 wheat supplies are down 7 percent as area and yield dropped for the third consecutive year. With expanding exports, wheat ending stocks are forecast to be the lowest since 1973/74 and farm prices are expected to average around \$1.00 above the \$3.45 per bushel of 1994/95. U.S. wheat supplies are expected to be up around 5 percent in 1996/97 as expanding production more than offsets the lower carryin stocks. Stocks will rise, but remain relatively small and farm prices could drop only 50 to 60 cents per bushel from this year's record.
- U.S. 1995/96 feed grain production is down almost 25 percent from last year's record and well below expected use, leaving ending stocks sharply lower. Tight U.S. and global supplies are expected to push the farm price of corn almost \$1.00 above the \$2.26 of 1994/95. Feed grain supplies in 1996/97 could rise around 10 percent as the low carryin stocks partially offset the larger production. Stocks will remain relatively tight because of expanding use. The farm price of corn could drop 40 to 50 cents from this year's near-record high.
- U.S. soybean production dropped nearly 15 percent in 1995 and is well below projected use in 1995/96. Expected ending stocks of only 190 million bushels are only 8 percent of use. Season-average farm prices are forecast about \$1.50 per bushel above last season, and prospects for the balance of 1995/96 will be sensitive to the pace of

soybean meal use and world crop prospects. World oil crops area in 1996/97 could be held in check by relatively attractive grain prices, and U.S. soybean plantings are projected to decline. Assuming normal weather, U.S. 1996 yields are projected a little above the long-term trend because of changing farming practices, suggesting only a small rebound in production. Supplies during 1996/97 would barely meet reduced U.S. crush and export needs, holding stocks and prices close to 1995/96 levels.

- In 1995, U.S. rice production declined 12 percent from the 1994 record, reflecting both reduced plantings and lower yields. Record domestic use is expected in 1995/96, while exports are forecast to decline almost 17 percent, reflecting tight U.S. supplies and high prices. The projected average farm price, \$8.25-\$9.25 per hundredweight, compares with \$6.78 last season.
- U.S. beef production is expected to increase 2-3 percent, partly because of high beef cow slaughter. A steady calf crop this year will limit production increases in 1997. Fed beef prices are likely to average \$1.50 to \$2.00 per hundredweight below 1995, pressured by large total meat supplies. With beef exports rising an estimated 15 percent in 1996 and steady imports, the United States will be a net beef exporter. The U.S. advantage as an exporter of grain-fed beef will continue.
- Pork production will be up an estimated 3 percent in 1996, with rising output in the second half. Pork exports are likely to increase 15 percent, following a 48-percent jump last year. Hog prices are expected to average about \$3.00 per hundredweight below last year's \$42 average.
- Broiler output in 1996 could top last year's 5-percent growth, although high feed costs and weakening prices are squeezing current returns. Broiler prices are expected to decline 2 cents or more from the 1995 average level, depending on the pace of production and exports. Exports are forecast 7 percent higher, but prospects for exports to Russia, the top market, are uncertain.
- Even with higher milk prices, milk-feed price ratios are the lowest since the mid-1970's. For 1996, a 1-percent decline in cow numbers and 2-percent higher output per cow indicate a 1-percent rise in production, down from 1.5 percent in 1995. Commercial use is strong, reflecting robust exports and strong domestic product markets. Milk removals and surplus levels will be down this year. With tight markets, 1996 milk prices could rise 3 to 6 percent above the \$12.78 per hundredweight average of 1995, possibly reaching the highest level since 1990.
- Continuing relatively tight stocks and strong prices highlight the 1995/96 cotton situation. Both production and use are down this season, reflecting poor yields and weaker demand. Production is expected to rebound in 1996/97, assuming yields recover to near trend. Output should exceed slightly larger anticipated use, helping to rebuild stocks.
- Programs in the new farm bill will influence plantings, domestic use, and exports, and prices for grains, oilseeds, cotton, and sugar. Other crops and the dairy industry will also be affected. Livestock sectors will be impacted by farm bill effects on the price and availability of feed stuffs.

## MACROECONOMIC OUTLOOK

U.S. real economic growth in 1996 is expected to average 2.0 percent in real chain-weighted dollars. A slight deceleration from 1995's 2.1 percent. Inflation is expected to remain under 3.0 percent for all major indices of inflation, although a very slight increase is expected. The unemployment rate is expected to move up to 5.8 percent after averaging 5.6 percent in 1995, reflecting a weaker economy in the first half of 1996, and slightly more rapid growth in the labor force relative to 1995.

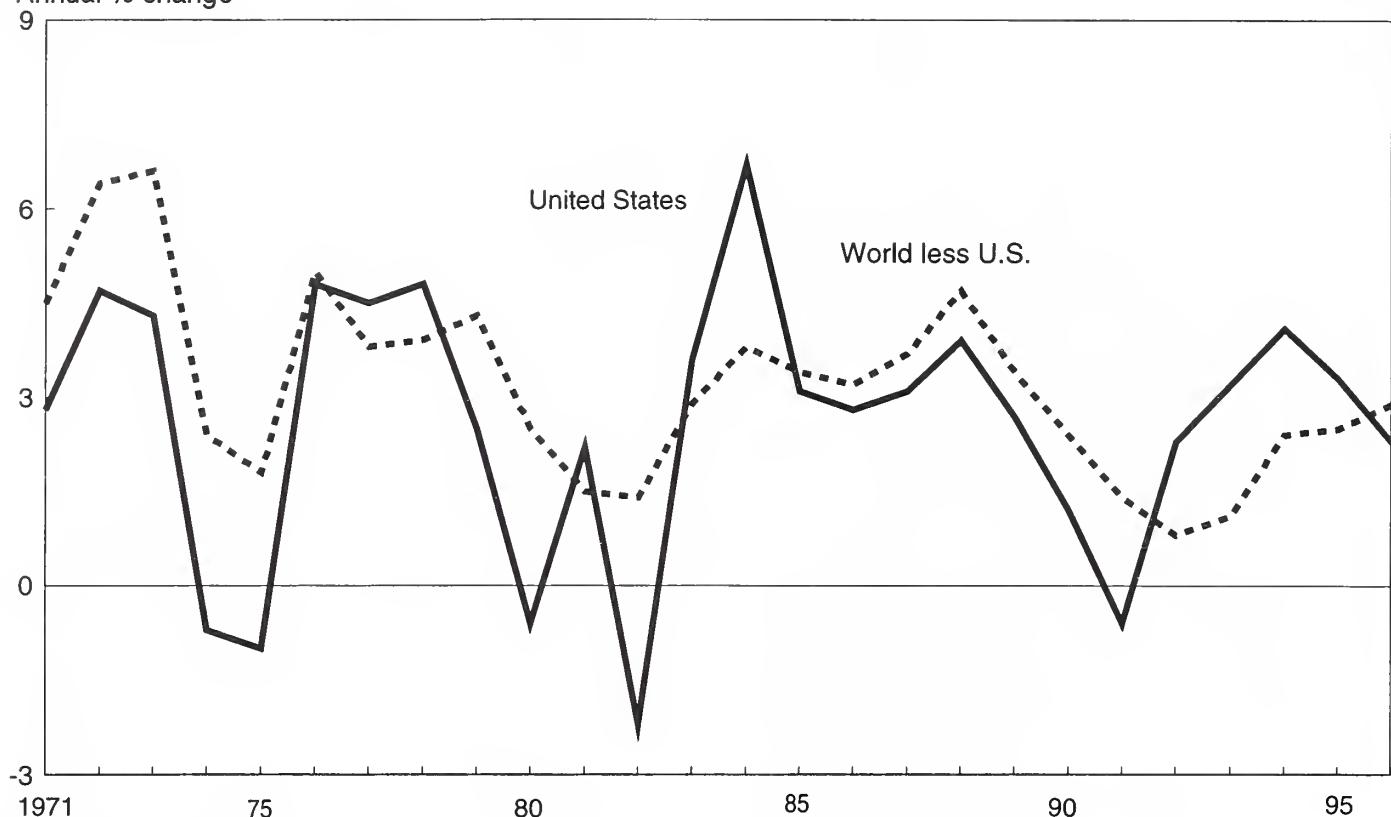
- Real growth in the first half of 1996 is expected to average about 1.6 percent. However economic growth in the second half is expected to accelerate to 2.4 percent. Growth in the first half is expected to be held down by slow growth in consumer spending, sharply negative growth in federal government spending, and slower inventory accumulation. Business fixed investment spending is expected to remain strong in 1996. Economic growth is expected to strengthen in the second half of 1996 due to the lagged effects of the easing of monetary policy in the second half of 1995 and the first half of 1996, and somewhat reduced consumer debt burdens by mid-1996.
- High consumer debt burdens and a mild deterioration in consumer confidence are expected to constrain consumer spending from personal disposable income and generate a moderately higher savings rate, especially in the first half of 1996. The savings rate out of personal disposable income was 4.5 percent in 1995.
- Inflation is expected to increase only slightly due to minimal upward pressure from capital and labor markets. Revised numbers indicate capacity utilization is now at a level consistent with only slight upward inflationary pressures. Labor market conditions are also consistent with only mild inflationary pressures. In particular, the increase in the unemployment rate to 5.8 percent in January, a relatively stable labor force participation rate, extremely modest wage and benefit gains in 1995, and expected mild economic growth in the first half of 1996 should place only slight upward pressure on inflation in 1996.
- The Federal Reserve Board is expected to continue to ease monetary policy in the first half of 1996, as long as real economic growth and inflation remain low. In an environment of moderate Federal Reserve easing, continued low domestic inflation, and falling real bond yields in the rest of the world, 30 year T-bonds are expected to fall

back below 6.0 by the second quarter. As the economy strengthens in the second half of 1996, long-term bond rates are expected to move back to between 6.0 and 6.3 percent.

- World economic growth in 1996 is expected to average 2.7 percent, the same as in 1995 but slower than 1994's 2.9 percent. The developed economies and Asia are slowing down while the rest of the developing regions, as well as Eastern Europe are expanding faster.
- Using 1990 as the base year, the region that has gained the most in per capita GDP is Asia — almost 40 percent through 1996. The other regions, including the developed economies, gained less than 10 percent since 1990. Per capita real GDP in the former Soviet Union is only about half of the level in 1990. The new purchasing power in Asia is attracting U.S. investors and exporters.
- The only major region with which the U.S. enjoyed a trade surplus in 1995 is Latin America. Because Latin America is expected to grow faster in 1996, U.S. exports to the region in 1996 should expand. However, the rest of the U.S.'s major trading partners — Europe, Japan, and the rest of Pacific Asia, — are slowing down. Thus, the recent U.S. net export gains will not carry over to 1996, especially in view of the dollar's relative strength against most currencies.
- The recent strength of the U.S. dollar against the yen, the Canadian dollar, the Mexican peso, and the German mark reflects the relative strength of the U.S. economy, not interest-rate differentials, which have hardly changed. Interest rates in the U.S., Japan, and Germany have all been falling, reflecting lower economic activity and less inflationary pressures and expectations. The dollar will likely remain strong in 1996 so long as U.S. economic activity does not turn for the worse and the trade deficit does not significantly deteriorate.

## World and U.S. Economic Growth

Annual % change



### Real GDP Growth

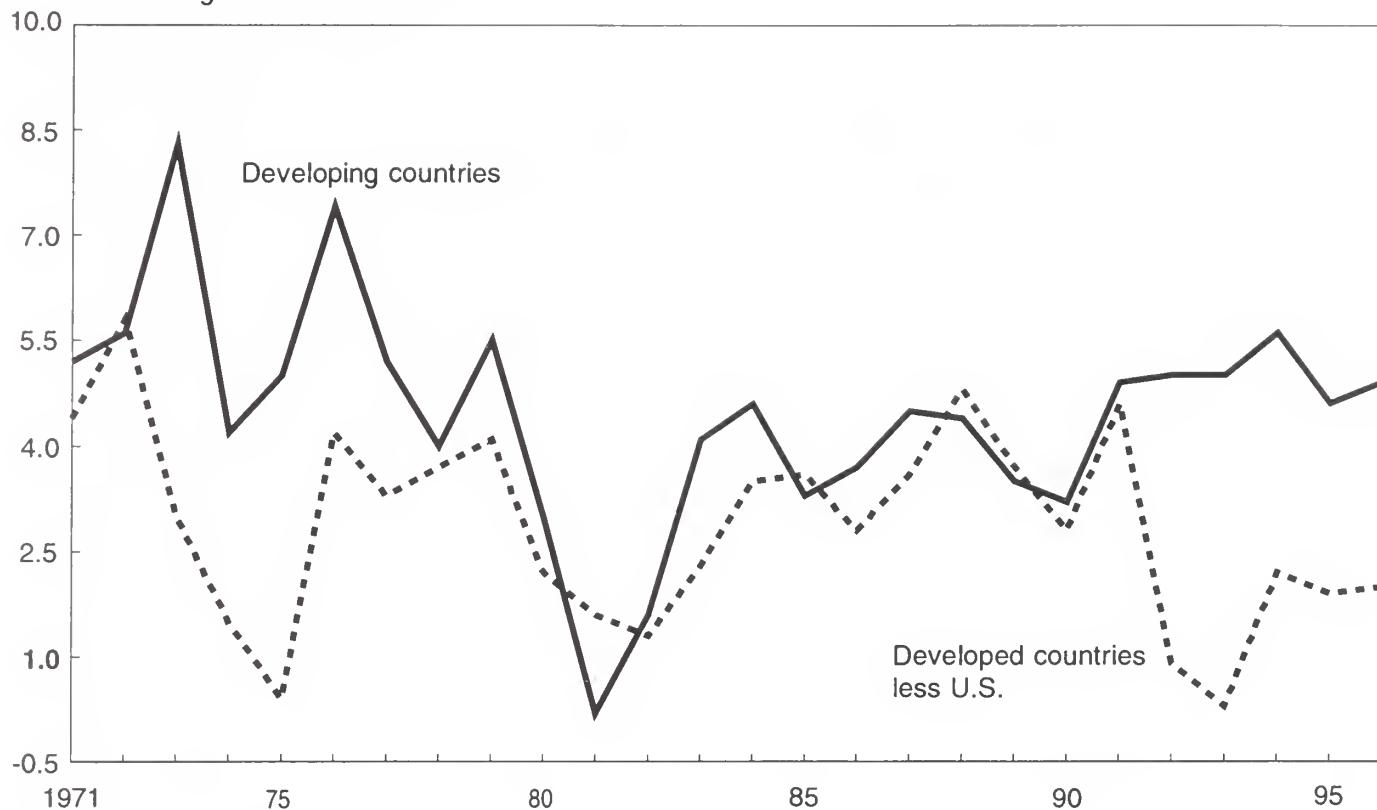
Region	1980-90	1992	1993	1994	1995 E	1996 F
<i>Percent change</i>						
World	2.8	1.2	1.7	2.9	2.7	2.7
United States <sup>1</sup>	2.4	2.3	3.2	4.1	3.3	2.3
World less U.S.	3.0	0.8	1.1	2.4	2.5	2.9

E = Estimate. F = Forecast.

<sup>1</sup> 1987 dollars.

## Economic Growth Abroad

Annual % change



1995 estimate. 1996 forecast.

## Real Foreign GDP Growth

Group	1980-90	1992	1993	1994	Percent change	
					1995 E	1996 F
Developed countries less U.S.	2.9	0.9	0.3	2.2	1.9	2.0
Developing countries	3.3	5.0	5.0	5.6	4.6	4.9

E = Estimate. F = Forecast.

### U.S. Economic Indicators

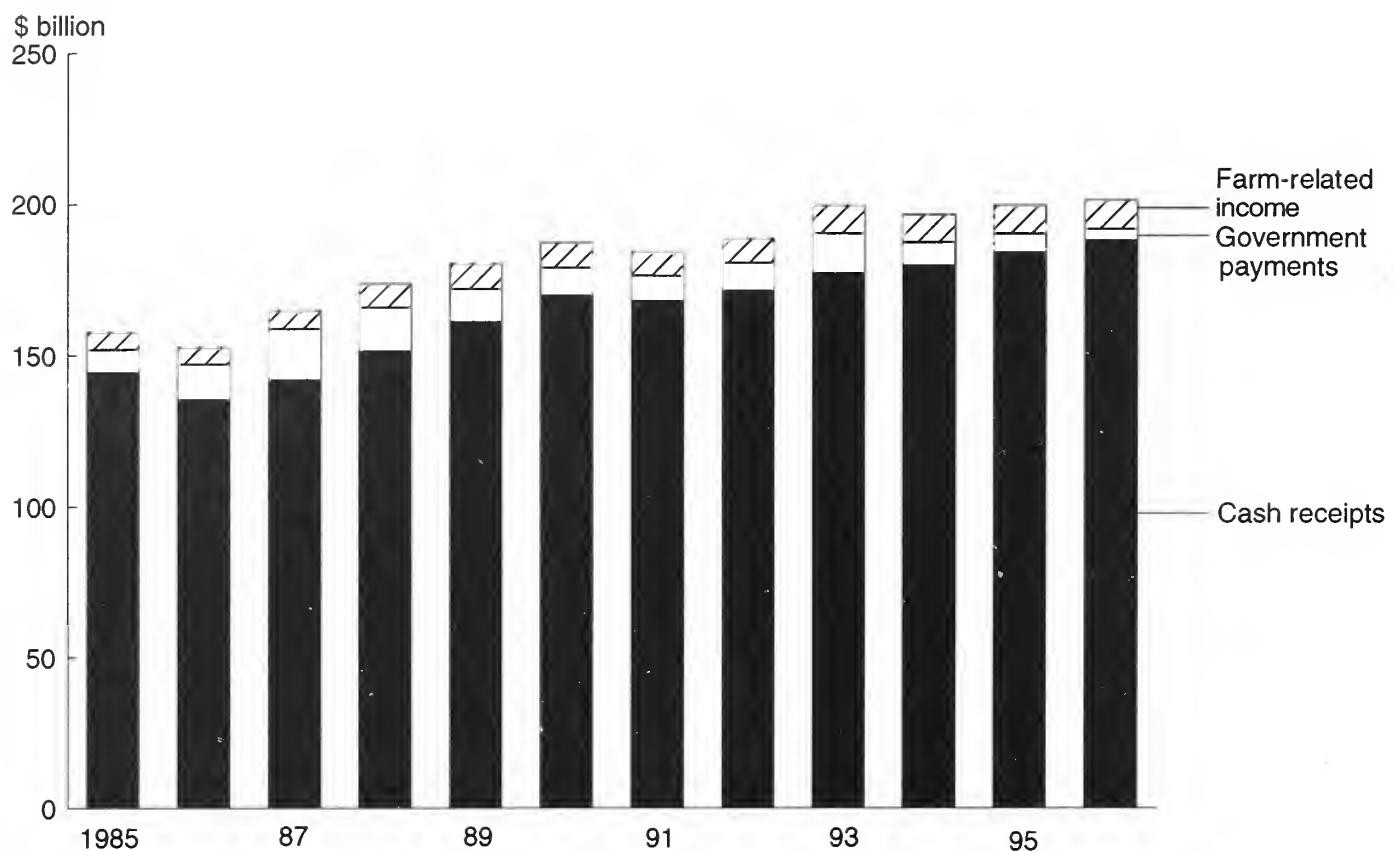
Quarters	Real GDP <sup>1</sup>	Inflation CPI-U <sup>1</sup>	Interest rate <sup>2</sup>	Unemployment rate
----- Percent -----				
1989				
I	4.0	4.7	8.5	5.2
II	3.0	6.3	8.4	5.2
III	2.2	3.2	7.9	5.2
IV	0.4	4.1	7.6	5.4
1990				
I	4.1	7.1	7.8	5.3
II	1.3	4.1	7.8	5.3
III	-1.9	7.1	7.5	5.6
IV	-4.1	6.9	7.0	6.0
1991				
I	-2.2	3.2	6.1	6.5
II	1.7	2.5	5.6	6.7
III	1.0	2.8	5.4	6.8
IV	1.0	3.6	4.6	7.0
1992				
I	4.7	2.8	3.9	7.2
II	2.5	3.4	3.7	7.5
III	3.0	2.6	3.1	7.6
IV	4.3	3.3	3.1	7.3
1993				
I	0.0	3.8	3.0	7.0
II	1.7	2.8	3.0	7.0
III	2.3	1.3	3.0	6.7
IV	4.7	3.4	3.1	6.5
1994				
I	2.5	2.1	3.3	6.6
II	4.8	2.8	4.0	6.1
III	3.6	3.5	4.5	6.0
IV	3.2	1.6	5.3	5.6
1995 <sup>3</sup>	2.1	2.8	5.5	5.6
1996 <sup>3</sup>	2.0	2.8	4.8	5.8

<sup>1</sup> Percent change from previous quarter, annual rate. <sup>2</sup> Three-month Treasury Bill. <sup>3</sup> Forecast.

## FARM FINANCIAL CONDITIONS

- Net cash income is the cash income farm businesses earn from commodity sales and farm-related activities, minus cash expenses for inputs like fertilizer and seed. After reaching a record \$58.1 billion in 1993, net cash income declined and is estimated at \$51 billion in 1995. USDA forecasts that 1996 net cash income will range from \$43 to \$53 billion.
- Cash receipts from commodity sales generally account for about 90 percent of farm gross cash income. Cash receipts for 1996 are expected to increase. USDA currently forecasts 1996 cash receipts at \$183-\$192 billion, compared to \$184 billion in 1995.
- Crop receipts are the main source of higher cash receipts in 1995 and have the most potential to increase in 1996. Smaller 1995 crops and strong export demand resulted in higher grain and oil crop prices which will carry over into 1996. Crop receipts should range from \$98 to \$103 billion, above the \$97 billion of 1995. Livestock production is forecast to remain high during the year. USDA currently expects livestock receipts of \$85-\$89 billion in 1995, compared with \$87 billion in 1995.
- Rising cash expenses partially offset gross cash income gains in 1995. A larger gain in expenses is expected in 1996 as planted area expands. Expenditures for fertilizer, pesticides, machine hire, custom work, and seed are likely to rise. High grain prices will increase feed costs.
- The farm sector remains in generally good financial condition despite lower farm income in 1995 and 1996. For example, debt-to-asset ratios have not risen significantly and remain below levels of a few years ago. About 47 percent all of farms were in a favorable financial position in 1994 and this situation continued in 1995. A decade ago 40 percent of all farms were in this category.
- Total farm household income, on average is about equal to that of all U.S. households. In 1994, which is the most recent year for which actual survey estimates are currently available, farm household income from both farm and off-farm sources averaged \$44,140. In comparison, the Bureau of the Census, Department of Commerce estimated average household income for all U.S. households at \$43,133 in 1994. Average farm household income is expected to remain steady in 1995 and through 1996.

## Gross Cash Income



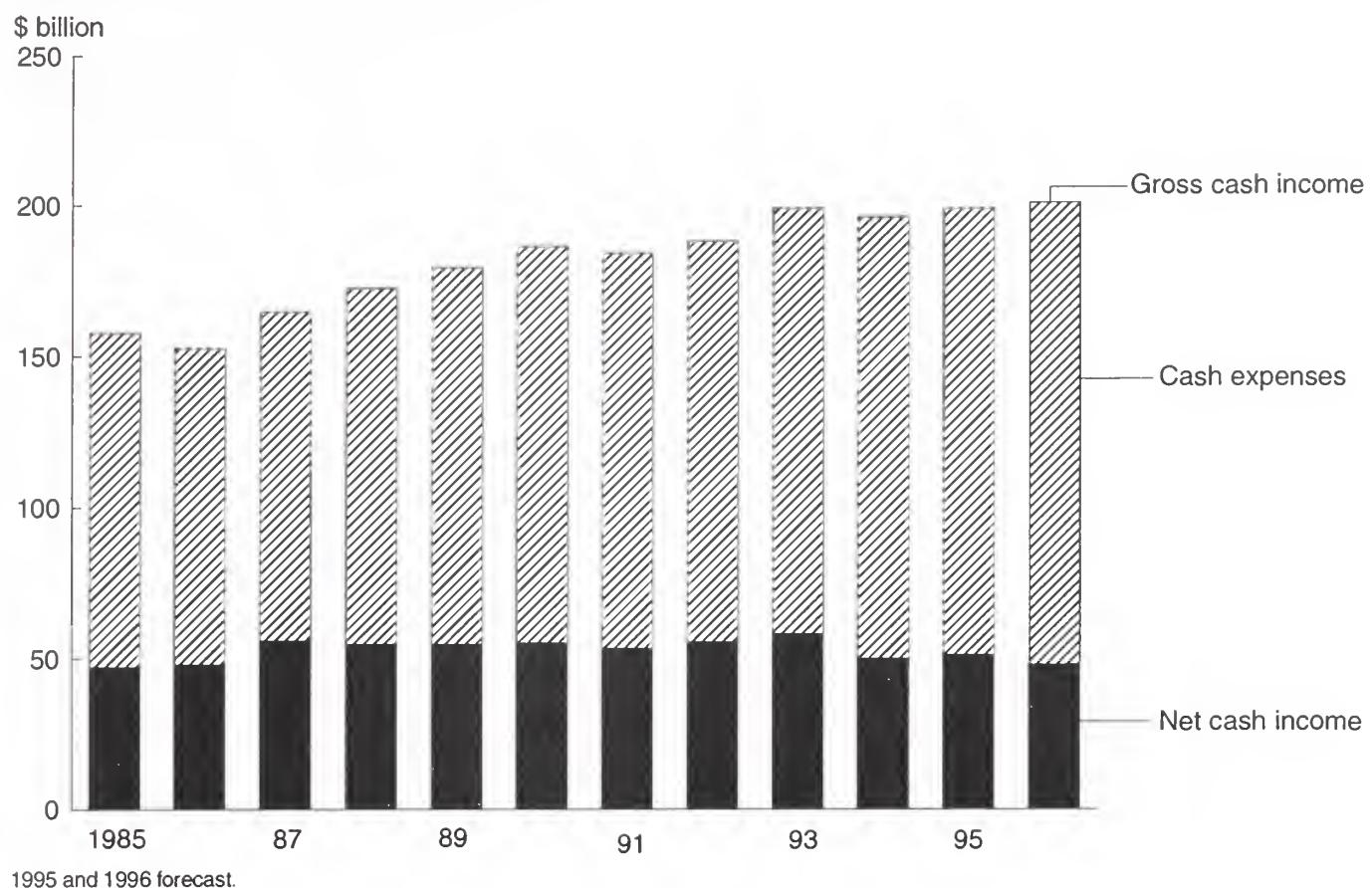
1995 and 1996 forecast.

### Gross Cash Income

Item	1991	1992	1993	1994	1995 F	1996 F
<i>Billion dollars</i>						
Cash receipts	167.8	171.3	177.1	179.7	184.2	183-192
Direct government payments	8.2	9.2	13.4	7.9	6.2	3-5
Farm-related income	8.3	8.2	9.1	9.2	9.3	9-11
Gross cash income	184.4	188.6	199.6	196.7	199.6	198-206

F = Forecast

## Net Cash Income and Cash Expenses



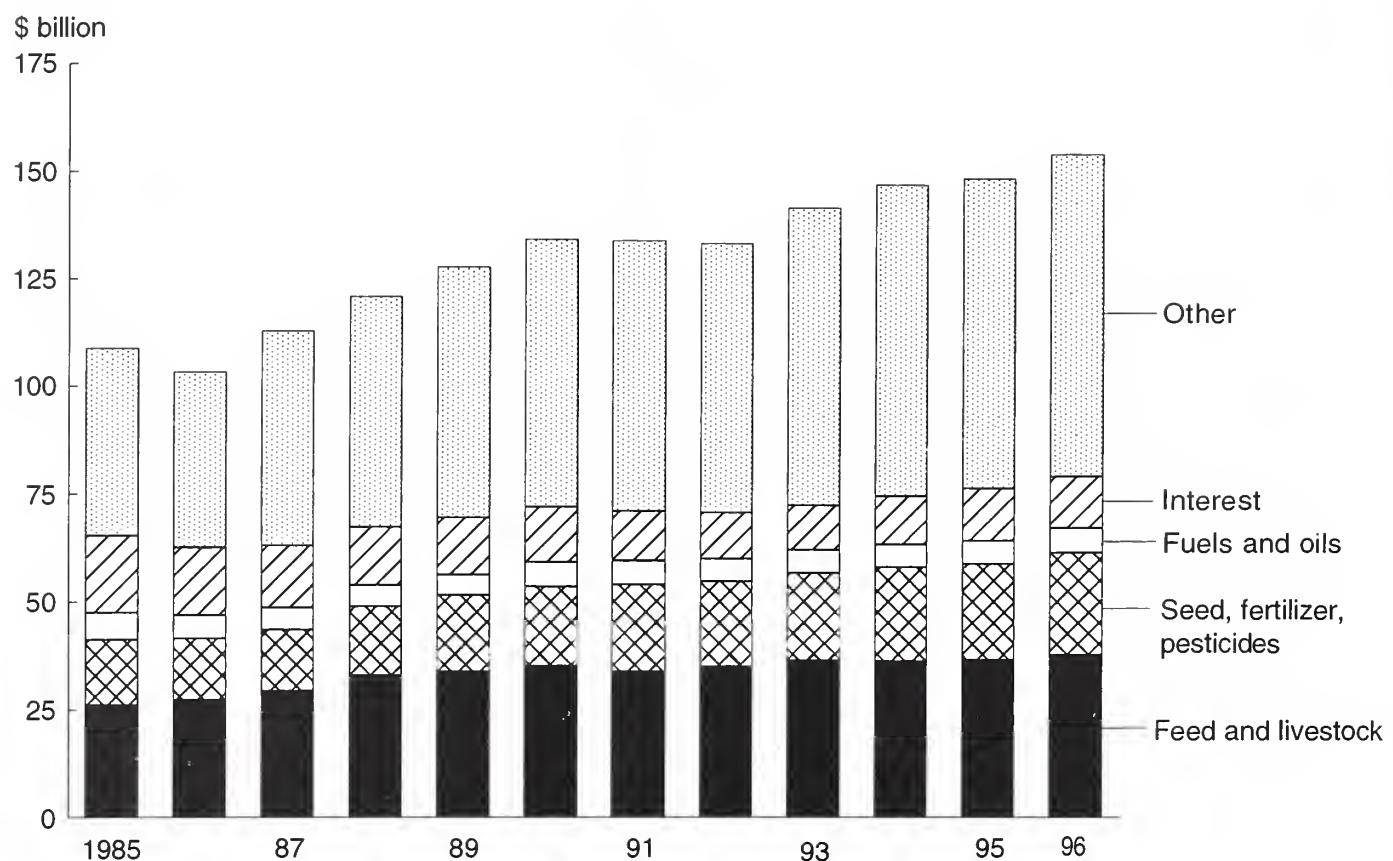
1995 and 1996 forecast.

### Net Cash Income

	1991	1992	1993	1994	1995 F	1996 F
<i>Billion dollars</i>						
Gross cash income	184.4	188.6	199.6	196.7	199.6	198-206
Cash expenses <sup>1</sup>	133.9	133.2	141.5	146.9	148.4	150-158
Net cash income	50.5	55.4	58.1	49.8	51.2	43-53

F = Forecast. <sup>1</sup> Excludes expenses associated with the operator dwelling.

## Cash Production Costs



1996 forecast.

## Farm Production Cost Components

Items	1991	1992	1993	1994	1995	1996 F
<i>Billion dollars</i>						
Feed and livestock purchased	33.8	34.0	36.4	36.2	36.5	34-42
Seed, fertilizer, pesticides	20.1	19.7	20.3	21.8	22.3	20-28
Fuels and oils	5.6	5.3	5.4	5.3	5.4	4-7
Total interest charges <sup>1</sup>	12.1	11.2	10.8	11.7	12.6	11-14
Hired and contract labor	13.9	14.0	15.0	15.3	15.0	14-18
Capital consumption <sup>1</sup>	18.2	18.3	18.4	18.5	18.6	16-20
Taxes and rent <sup>1</sup>	15.7	16.8	17.3	17.6	18.4	17-21
Other costs <sup>1</sup>	34.0	33.3	37.3	40.3	39.2	36-46
Total production costs	153.4	152.6	160.9	166.7	168.0	169-177

F = Forecast. <sup>1</sup> Includes expenses associated with the operator dwelling, which account for 2.6 percent of total costs.

## Farm Income Statement

	1992	1993	1994	1995F	1996F	94/93	95/94	96/95
	Billion dollars					Percent change		
<b>Cash income statement:</b>								
1. Cash receipts	171.3	177.1	179.7	184.2	192 to 203	1.4	2.4	3.2
Crops <sup>1</sup>	85.7	87.1	91.6	97.0	98 to 103	5.1	5.8	6.2
Livestock	85.6	90.0	88.1	87.2	85 to 89	-2.1	-1.1	-0.1
2. Direct Government payments	9.2	13.4	7.9	6.2	3 to 5	-41.2	-21.9	-37.0
3. Farm-related income <sup>2</sup>	8.2	9.1	9.2	9.3	9 to 11	0.8	1.2	3.8
4. Gross cash income (1+2+3)	188.6	199.6	196.7	199.6	198 to 206	-1.5	1.4	2.0
5. Cash expenses <sup>3,4</sup>	133.2	141.5	146.9	148.4	150 to 158	3.8	1.0	3.8
6. NET CASH INCOME (4-5)	55.4	58.1	49.8	51.2	43 to 53	-14.3	2.6	-3.3
Deflated (1987\$) <sup>5</sup>	47.7	47.0	39.5	39.9	33 to 40	-16.1	0.8	-5.3
<b>Farm income statement:</b>								
7. Gross cash income (1+2+3)	188.6	199.6	196.7	199.6	198 to 206	-1.5	1.4	2.0
8. Nonmoney income <sup>6</sup>	7.8	7.9	8.1	8.2	7 to 9	3.1	3.1	3.4
9. Inventory adjustment	4.2	-4.5	8.7	-1.2	3 to 7			
10. Total gross income (7+8+9)	200.5	203.0	213.5	206.6	211 to 219	5.2	-3.1	5.0
11. Total expenses	152.6	160.9	166.8	168.0	169 to 177	3.7	0.7	3.4
12. NET FARM INCOME (10-11)	47.9	42.1	46.7	38.6	37 to 47	11.1	-17.0	12.2
Deflated (1987\$) <sup>5</sup>	39.7	34.1	37.1	30.1	27 to 37	8.8	-18.4	9.9

F = forecast on 01/29/96; <sup>1</sup> Includes CCC loans. <sup>2</sup> Income from custom work, machine hire, recreational activities, forest product sales, and other farm sources.

<sup>3</sup> Excludes depreciation and perquisites to hired labor. <sup>4</sup> Excludes farm households. <sup>5</sup> Deflated by the GDP implicit price deflator. <sup>6</sup> Value of home consumption of farm products plus the imputed rental value of operator dwellings. Totals may not add due to rounding.

## Average income to farm operator households

Item	1992R	1993	1994	1995F	1996F
	Dollars per operator household				
Farm income to household <sup>1</sup>	7,180	4,815	5,200	4,898	2,600 to 5,600
Self-employment farm income	5,172	3,623	3,983	n/a	n/a
Other farm income to household	2,008	1,192	1,217	n/a	n/a
Plus: Total off-farm income	35,731	35,408	38,939	38,512	39,100 to 41,100
Income from wages, salaries, and non-farm businesses	27,022	25,215	29,355	n/a	n/a
Income from interest, dividends, transfer payments, etc.	8,709	10,194	9,584	n/a	n/a
Equals:					
Farm operator household income	42,911	40,223	44,140	43,410	41,700 to 46,700

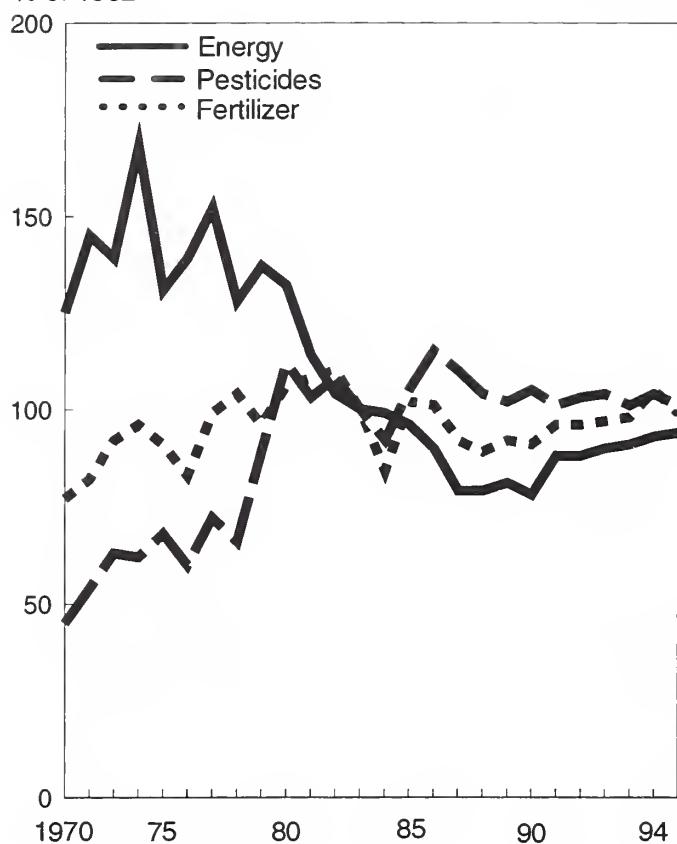
R = revised; F = forecast. n/a = not available. Data for 1990 are expanded to represent the farm operator households surveyed in USDA's Farm Costs and Returns Survey; data for 1991-94 are expanded to represent the total number of U.S. farms and ranches. Totals may not add due to rounding.

<sup>1</sup> Farm income to the household equals self-employment income (net cash farm income less depreciation, adjusted for the share received by the senior operator household in the case of multiple household farms) plus amounts that operators pay themselves and family members to work on the farm, income from renting out acreage (1990-92), and net income from a farm business other than the one being surveyed. In 1993-94, income from renting out acreage is included in income from interest, dividends, transfer payments, etc.

## Farm Input Use and Prices

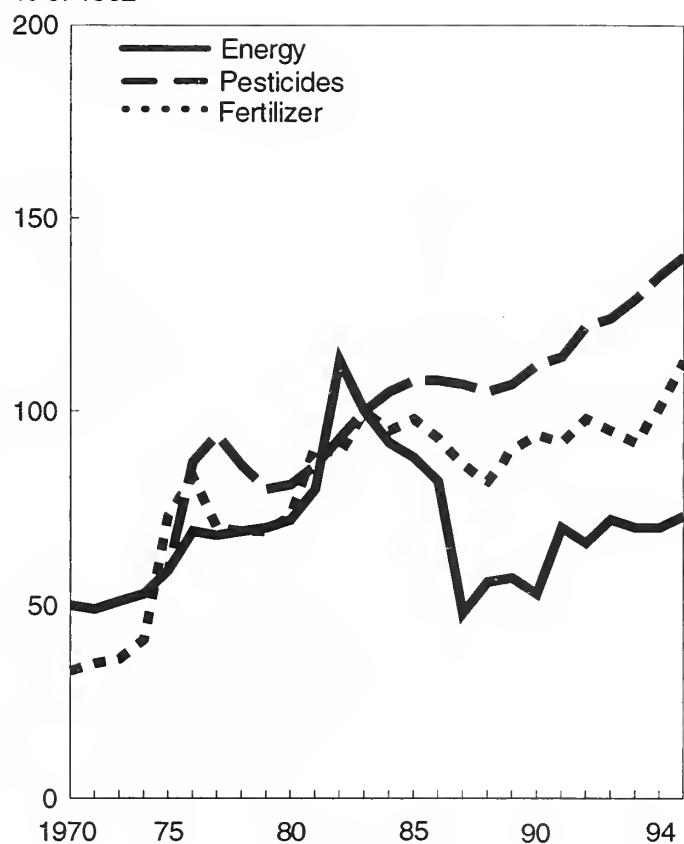
### Quantity indices

% of 1982



### Price indices

% of 1982



### Selected Farm Input Quantity and Price Indices

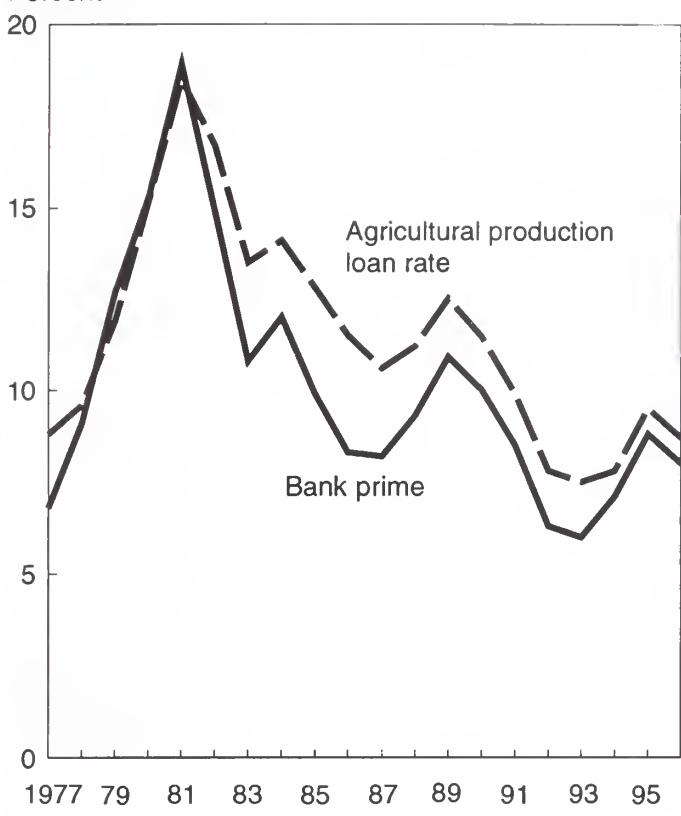
Item	1990	1991	1992	1993	1994	1995 P
<i>1982 = 100</i>						
Quantity						
Fertilizer	96	96	97	98	105	99
Pesticides	101	103	104	101	104	101
Energy <sup>1</sup>	77	77	89	87	93	94
Prices						
Fertilizer	92	98	95	92	101	113
Pesticides	114	122	124	129	135	140
Energy <sup>1</sup>	70	66	72	70	70	73

<sup>1</sup> Includes gasoline, diesel fuel, and LP gas. P = Preliminary.

## Interest Rates

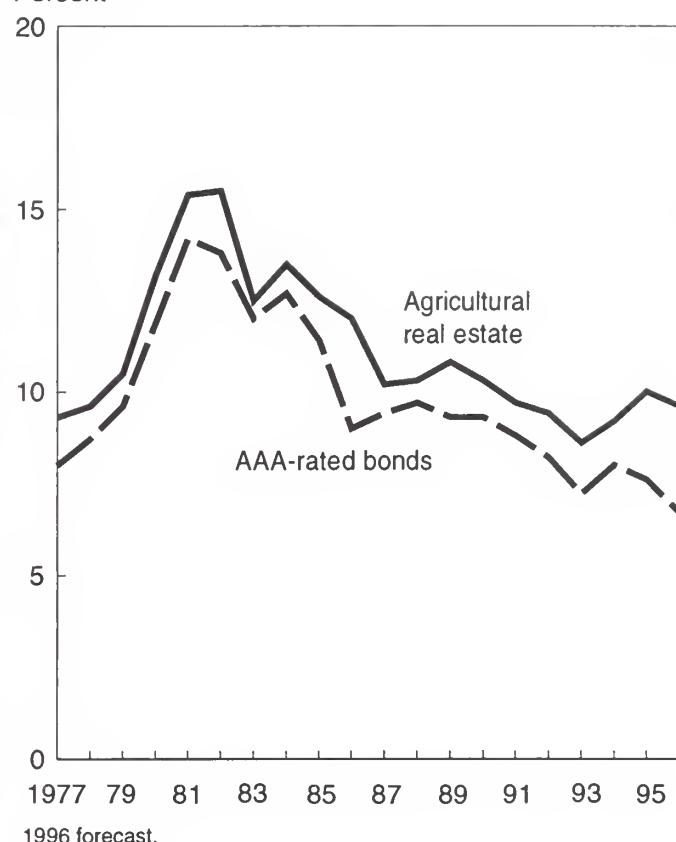
Short Term

Percent



Long Term

Percent

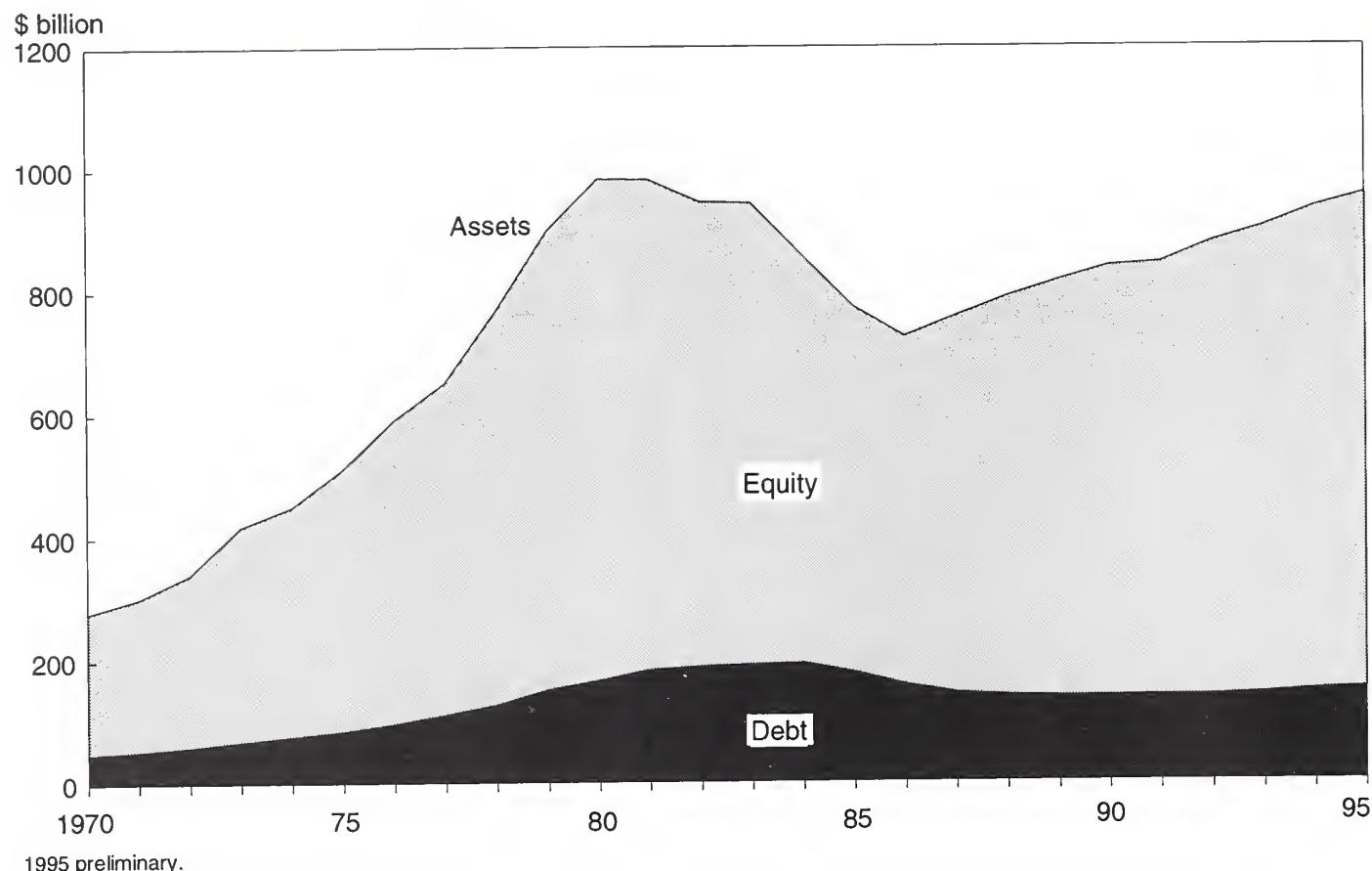


### Yearly Average Interest Rates

Item	1991	1992	1993	1994	1995 P	1996 F
<i>Percent</i>						
Agricultural production loan rate <sup>1</sup>	9.9	7.8	7.5	7.8	9.5	8.7
Bank prime	8.5	6.3	6.0	7.1	8.8	8.0
Agricultural real estate loan rate	9.7	9.4	8.6	9.2	10.0	9.6
AAA bond rate	8.8	8.2	7.2	8.0	7.6	6.7

P = Preliminary. F = Forecast. <sup>1</sup> Non-real estate farm loan rate at commercial banks.

## Total Farm Business Assets, Debt, and Equity



### Farm Business Balance Sheet (excludes dwellings)

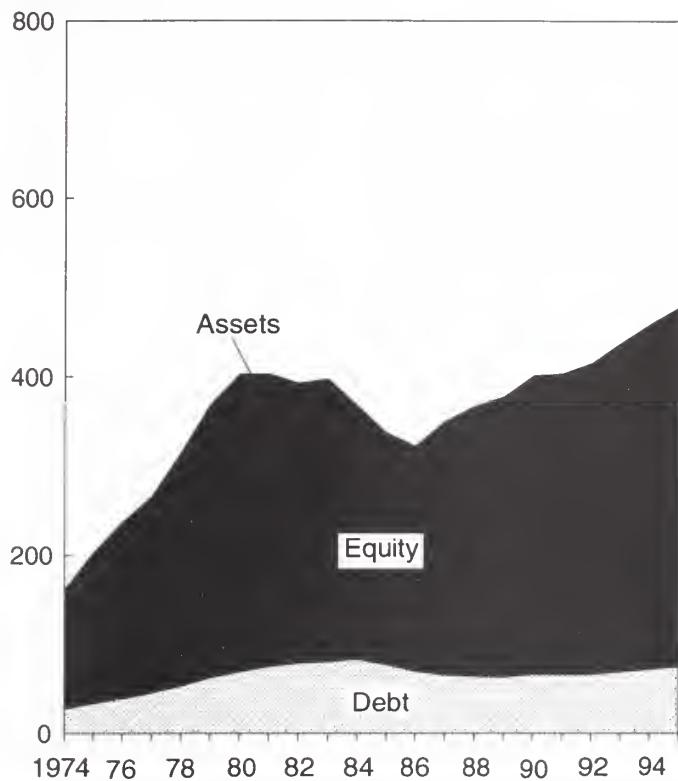
Item	1990	1991	1992	1993	1994	1995 P
<i>Billion dollars</i>						
Assets (Dec. 31)	839	843	868	903	933	952-962
Real estate	618	624	641	671	703	721-731
Other	221	219	227	232	230	226-236
Liabilities	138	139	139	142	147	149-153
Real estate	75	75	75	76	78	77-81
Other	63	64	64	66	69	71-73
Equity	701	705	729	761	787	801-811

P = Preliminary.

## Assets, Debt, and Equity

Per Farm

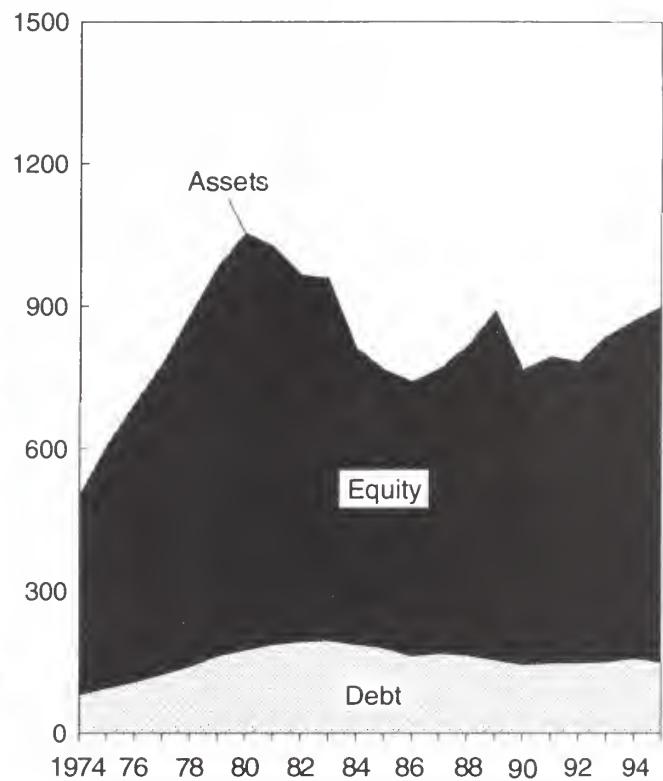
\$ thousand



1995 preliminary.

Per Medium and Large Farm

\$ thousand



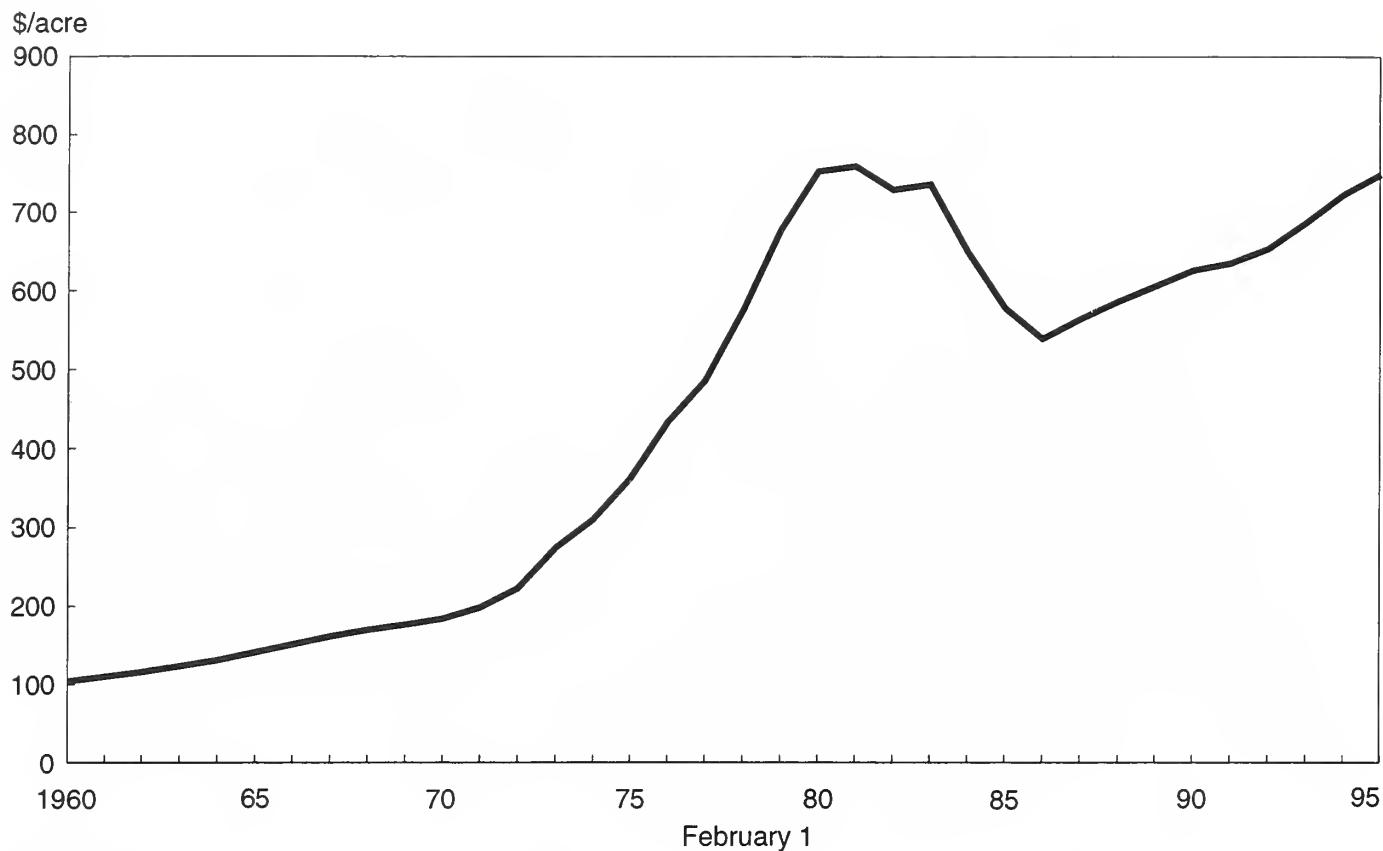
1995 preliminary. Medium and large farms=sales of \$40,000 or more.

## Farm Balance Sheet per Farm, (excludes dwellings)

Item	1980	1990	1992	1993	1994	1995 P
<i>Thousand dollars</i>						
Assets (Dec. 31)						
All	403	401	415	438	459	476-480
Medium and large <sup>1</sup>	1,054	765	782	830	870	897-901
Liabilities						
All	68	66	66	69	72	73-77
Medium and large <sup>1</sup>	175	145	147	150	156	148-152
Equity						
All	335	335	348	369	387	401-405
Medium and large <sup>1</sup>	879	639	657	704	733	800-802

P = Preliminary. <sup>1</sup> Sales of \$40,000 or more.

## Farm Business Real Estate Values



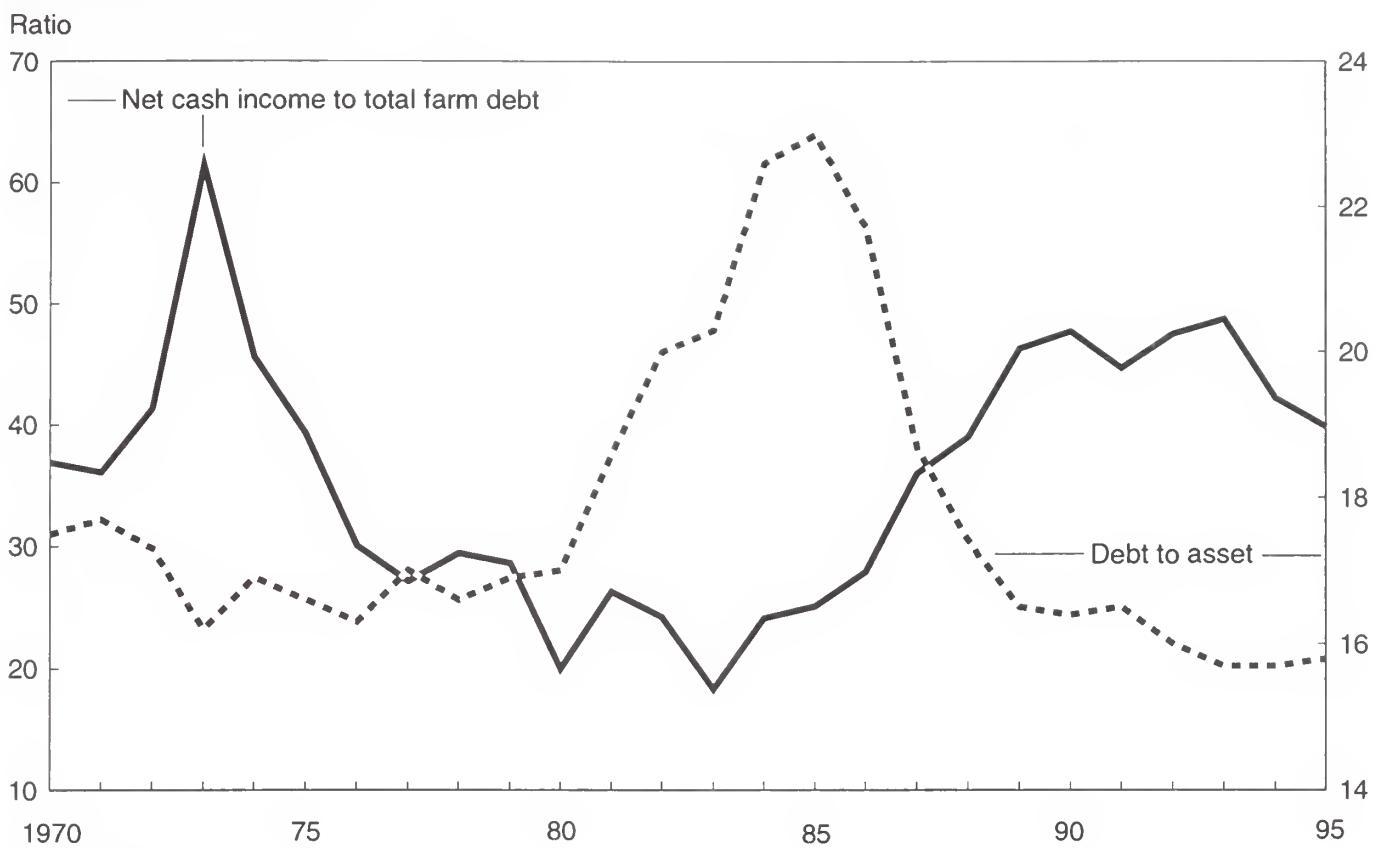
1995 forecast.

### U.S. Farm Business Real Estate Value <sup>1</sup>

Item	1970	1980	1990	1993	1994	1995P
<i>Dollars per acre</i>						
Farm business real estate value	184	754	626	687	723	744-754

P = Preliminary. <sup>1</sup> Real estate includes farmland and operator dwelling only.

## Selected Financial Ratios



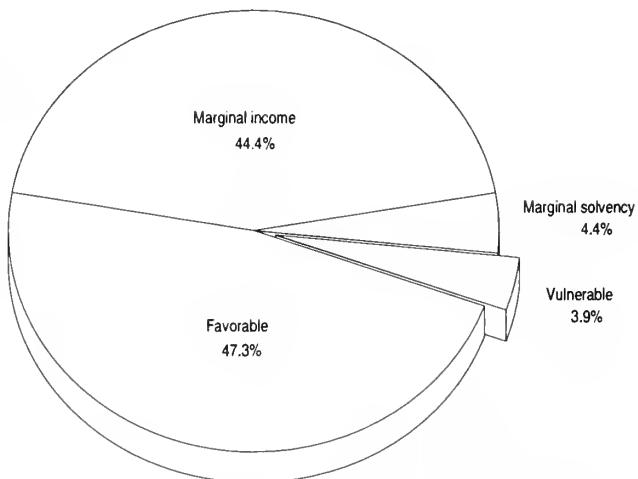
1995 preliminary.

## Selected Financial Ratios

Item	1980	1990	1992	1993	1994	1995 P
<i>Percent</i>						
Debt to asset <sup>1</sup>	17.0	16.4	16.0	15.7	15.7	15-16
Net cash income to debt <sup>1</sup>	20.0	47.7	47.5	48.7	42.2	42-44
Farm business debt service coverage <sup>2</sup>	1.5	2.3	2.4	2.5	2.2	2-3
Times interest earned <sup>3</sup>	2.2	4.3	5.8	5.5	5.6	4-5
Return on assets <sup>1</sup>	1.3	4.3	4.1	2.9	3.6	2-3
<i>1990 - 92 = 100</i>						
Prices received to prices paid (1990-92=100) <sup>1</sup>	98	104	98	98	94	93

P = Preliminary. <sup>1</sup> Percent. <sup>2</sup> Assesses ability of farm businesses to repay both principal and interest. <sup>3</sup> Shows the farm sector's ability to service debt out of net income.

**Percent of Farm Operations in Stress, January 1, 1994**



Source: Farm Costs and Returns Survey, USDA.

**Financial Position of Farms<sup>1</sup>**

Year	Favorable	Marginal income	Marginal solvency	Vulnerable
All farms				
1984	40.8	40.1	9.2	9.9
1985	40.4	38.3	11.3	10.0
1986	41.0	37.0	11.7	9.9
1987	45.3	39.8	7.8	7.1
1988	42.8	43.6	6.6	7.0
1989	43.8	44.0	5.6	6.6
1990	44.3	43.8	5.6	6.3
1991 <sup>2</sup>	47.2	44.0	4.6	4.3
1992	48.1	44.3	3.8	3.8
1993	47.6	42.8	5.3	4.4
1994	47.3	44.4	4.4	3.9
Farms with gross sales \$50,000				
1991	69.2	13.8	12.6	4.3
1992	72.4	14.3	10.6	2.7
1993	69.2	13.4	13.7	3.7
1994	68.4	14.2	13.3	4.1

<sup>1</sup> This estimate is based on USDA survey data. The categories of financial stress are: Favorable—positive net cash farm income and debt-to-asset ratio of .4 or less; Marginal Solvency—positive net cash farm income and debt-to-asset ratio above .4; Marginal Income—negative net cash farm income and debt-to-asset ratio of .4 or less; Vulnerable—negative net cash farm income and debt-to-asset ratio above .4. <sup>2</sup> Beginning in 1991, the FCRS expands to the official number of farms. Before 1991 the FCRS was known to undercount farms by 350,000-400,000. Most of those farms were in the sales classes of less than \$50,000.

## COMMODITY OUTLOOK

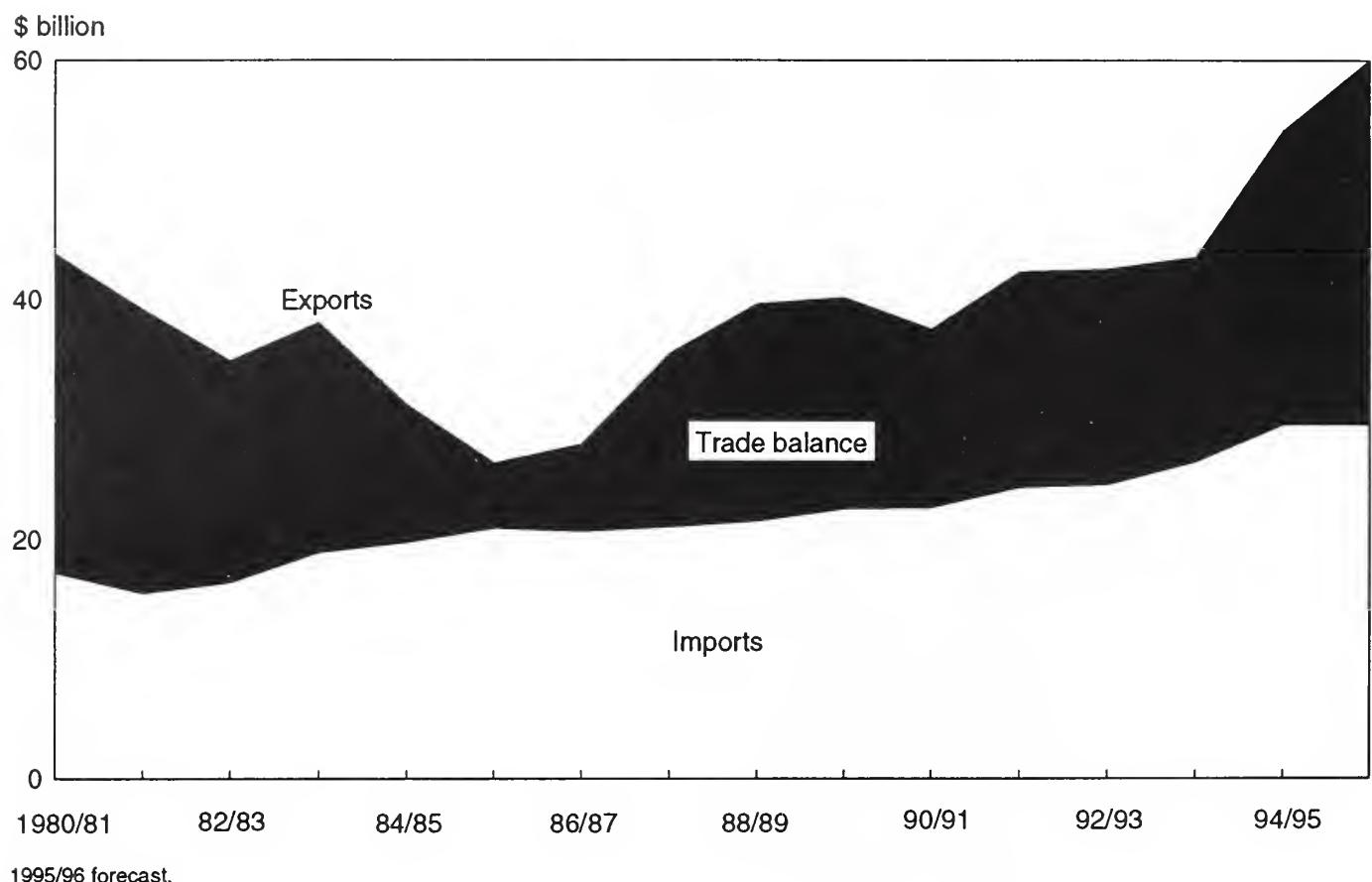
### U.S. AGRICULTURAL TRADE

- U.S. agricultural exports in fiscal 1996 are forecast at a record \$60 billion, \$6 billion above fiscal 1995. Higher bulk commodity prices and continued gains of high-value product (HVP) sales are boosting export prospects in 1996. Bulk exports are expected to reach nearly \$26.5 billion, up 13 percent. Tight global supplies are expected to substantially raise prices for wheat, coarse grains, and soybeans. Despite lower volume, the value of corn exports is expected to rise \$1.2 billion to \$7.8 billion; wheat (including flour) increase \$1.5 billion to \$6.7 billion; and soybeans gain \$1.0 billion to \$6.3 billion. Cotton export value is projected at \$2.7 billion, \$800 million lower than in fiscal 1995 because of reduced shipments and lower prices.
- Bulk export volume in fiscal 1996 is expected to fall 6 percent to 119 million tons, as most major bulk commodities are likely to decline. Total export volume is forecast at nearly 162 million tons, 8 million less than in fiscal 1995. Tight coarse grain supplies will reduce export prospects and account for most of the volume decline. Coarse grain exports are forecast down 11 percent to 59 million tons, and corn down 10 percent to 53 million tons. Sorghum shipments are expected to be 1 million tons less. Cotton exports are expected down 18 percent to 1.7 million tons because of increased production in foreign markets and lower global imports. Soybean exports are expected to decline 7 percent to 22.0 million tons on lower U.S. production and reduced global imports.
- HVP exports are projected to increase about 9 percent to \$33.5 billion. Horticultural exports are expected to increase \$900 million to \$10 billion, with fruits and vegetables accounting for \$500 million of the increase. Beef, pork, and variety meats are expected to rise \$700 million to \$4.7 billion due to

strong demand in Asian markets. Poultry meat exports are expected to continue gaining, boosting poultry and product exports to \$2.4 billion. The HVP share of total agricultural exports will remain at 56 percent because of the especially strong bulk export growth.

- Japan will again be the largest market for U.S. agricultural exports, with exports projected to rise to \$11.7 billion from \$10.5 billion in fiscal 1995. Exports to the European Union are likely to increase to \$9.0 billion, and exports to Canada will rise to \$6.1 billion. Exports to Mexico are expected to gain slightly to \$3.8 billion after declining sharply from \$4.4 billion in fiscal 1994 to \$3.7 billion in fiscal 1995. Strong demand for U.S. farm products in South Korea is expected to boost exports to \$4.6 billion, moving South Korea ahead of Mexico as the fourth leading market. Exports to China and Taiwan are expected at \$2.9 and \$2.8 billion, respectively.
- Agricultural imports are expected to reach \$29.5 billion in fiscal 1996, unchanged from the previous year. The value of coffee imports is expected to decline \$400 million to \$3 billion because of lower coffee prices. With expected imports of \$1.6 billion, rubber shipments should continue at historically high levels. Animal product imports are expected to decline \$500 million to \$5.4 billion because of reduced cattle and beef imports. Horticultural imports are expected to gain \$200 million to \$10.1 billion and grain and feed imports are expected to gain \$100 million to \$2.4 billion.
- The agricultural trade surplus for fiscal 1996 is projected to rise to \$30.5 billion, surpassing the FY 1981 record \$26.6 billion.

## U.S. Agricultural Trade



1995/96 forecast.

## U.S. Agricultural Trade <sup>1</sup>

Item	1991	1992	1993	1994	1995	1996 <sup>2</sup>
<i>Billion dollars</i>						
Exports	37.5	42.3	42.5	43.5	54.1	60.0
Imports	22.6	24.3	24.5	26.4	29.5	29.5
Trade balance	14.9	18.0	18.0	17.1	24.6	30.5
<i>Million metric tons</i>						
Exports	129.4	143.6	146.4	126.8	169.2	161.6

<sup>1</sup> Fiscal years. <sup>2</sup> = Forecast.

Source: Outlook for U.S. Agricultural Exports.

### U.S. Agricultural Exports: Value by Commodity <sup>1</sup>

Item	1991	1992	1993	1994	1995	1996 <sup>2</sup>
<i>Billion dollars</i>						
Grains & feeds	12.5	14.1	14.3	13.3	17.6	21.0
Wheat & flour	3.1	4.5	5.0	4.2	5.2	6.7
Corn	4.9	4.6	4.3	3.8	6.6	7.8
Oilseeds						
& products	5.7	7.3	7.4	7.0	9.1	10.0
Soybeans						
& products	4.7	6.0	6.1	5.6	7.2	8.1
Animals & products	6.9	7.9	8.1	8.9	10.8	12.1
Beef & Pork	2.5	2.9	3.1	3.2	4.0	4.7
Fruits, nuts						
& vegetables	5.0	5.6	5.8	6.3	6.9	7.3
Fruit	2.5	2.8	2.7	3.0	3.3	3.5
Vegetables	1.7	1.9	2.1	2.2	2.5	2.6
Cotton	2.6	2.2	1.5	2.3	3.5	2.7
Other	4.8	5.2	5.4	5.7	6.2	6.9
Total	37.6	42.3	42.5	43.5	54.1	60.0

<sup>1</sup> Fiscal years, October-September. <sup>2</sup> = Forecast.

Source: Outlook for U.S. Agricultural Exports.

### U.S. Agricultural Exports: Leading Markets, 1980 and 1995

Fiscal 1980		Fiscal 1995	
Country	Bil. dol.	Country	Bil. dol.
Japan	5.8	Japan	10.5
Netherlands	3.5	Canada	5.8
Mexico	2.0	Mexico	3.7
China (PRC)	2.0	S. Korea	3.6
Germany (Fed. Rep)	1.9	Taiwan	2.6
Canada	1.8	China	2.4
So. Korea	1.6	Netherlands	2.1
Spain	1.5	Hong Kong	1.4
USSR	1.5	Egypt	1.4
Italy	1.3	Spain	1.2

### U.S. Trade in High-Value Agricultural Products <sup>1</sup>

Item	1991	1992	1993	1994	1995	1996 <sup>2</sup>
<i>Billion dollars</i>						
Exports	20.4	23.2	24.0	25.9	30.1	33.5
<i>Percent</i>						
Share of total	54	55	56	60	56	56
<i>Billion dollars</i>						
Imports	21.4	22.4	22.8	24.3	27.9	27.6
<i>Percent</i>						
Share of total	95	92	93	92	95	94

<sup>1</sup> Fiscal years. High-value products are those that receive additional processing beyond the farm gate or represent a higher-priced segment of a group of products.

<sup>2</sup> = Forecast.

### U.S. Agricultural Exports: Volume by Commodity <sup>1</sup>

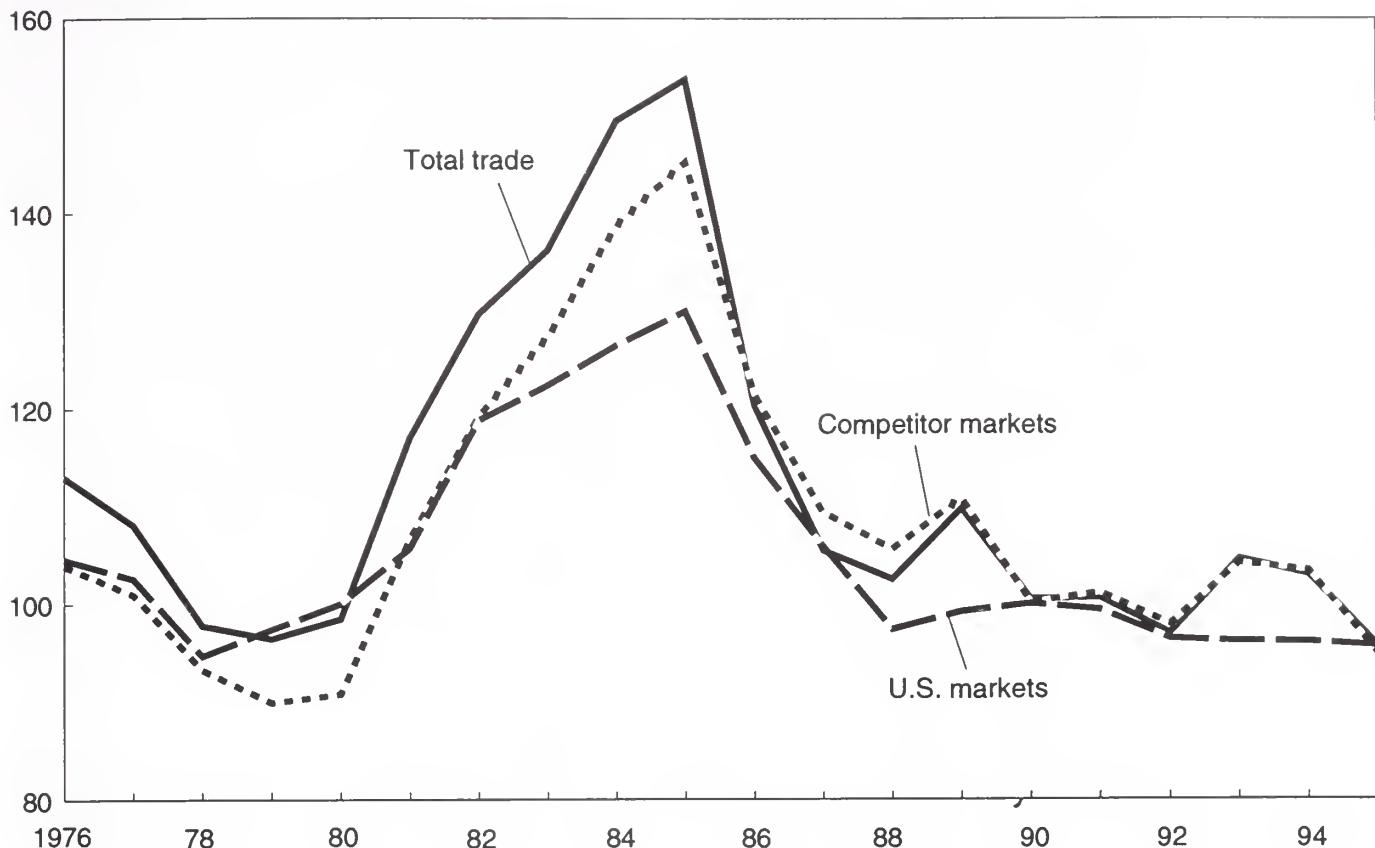
Item	1991	1992	1993	1994	1995	1996 <sup>2</sup>
<i>Million tons</i>						
Grains & preparation	93.1	99.3	101.8	86.2	116.2	110.2
Wheat	26.7	34.3	36.1	31.1	32.1	35.5
Corn	44.5	40.6	41.8	33.1	58.6	53.0
Oilseeds & products	22.4	28.9	29.4	24.2	34.1	30.9
Soybeans & products	20.5	26.3	26.7	21.9	30.9	28.1
Animals products	2.8	3.5	3.7	4.2	5.5	--
Beef, pork & poultry meat	1.4	1.7	1.9	2.4	3.2	3.7
Fruits, nuts & vegetables	5.4	5.9	6.2	6.6	6.9	--
Fruits	2.4	2.9	2.8	3.1	3.1	--
Vegetables	2.4	2.6	2.8	2.9	3.2	--
Cotton	1.6	1.5	1.2	1.6	2.1	1.7
Other	4.1	4.5	4.1	4.0	4.4	5.5
Total	129.4	143.6	146.4	126.8	169.2	161.6

<sup>1</sup> Fiscal years, October-September. <sup>2</sup> = Forecast.

Source: Outlook for U.S. Agricultural Exports. Foreign Agricultural Trade of the United States.

## Exchange Rate Indexes for U.S. Total Trade and Agricultural Markets

1990=100

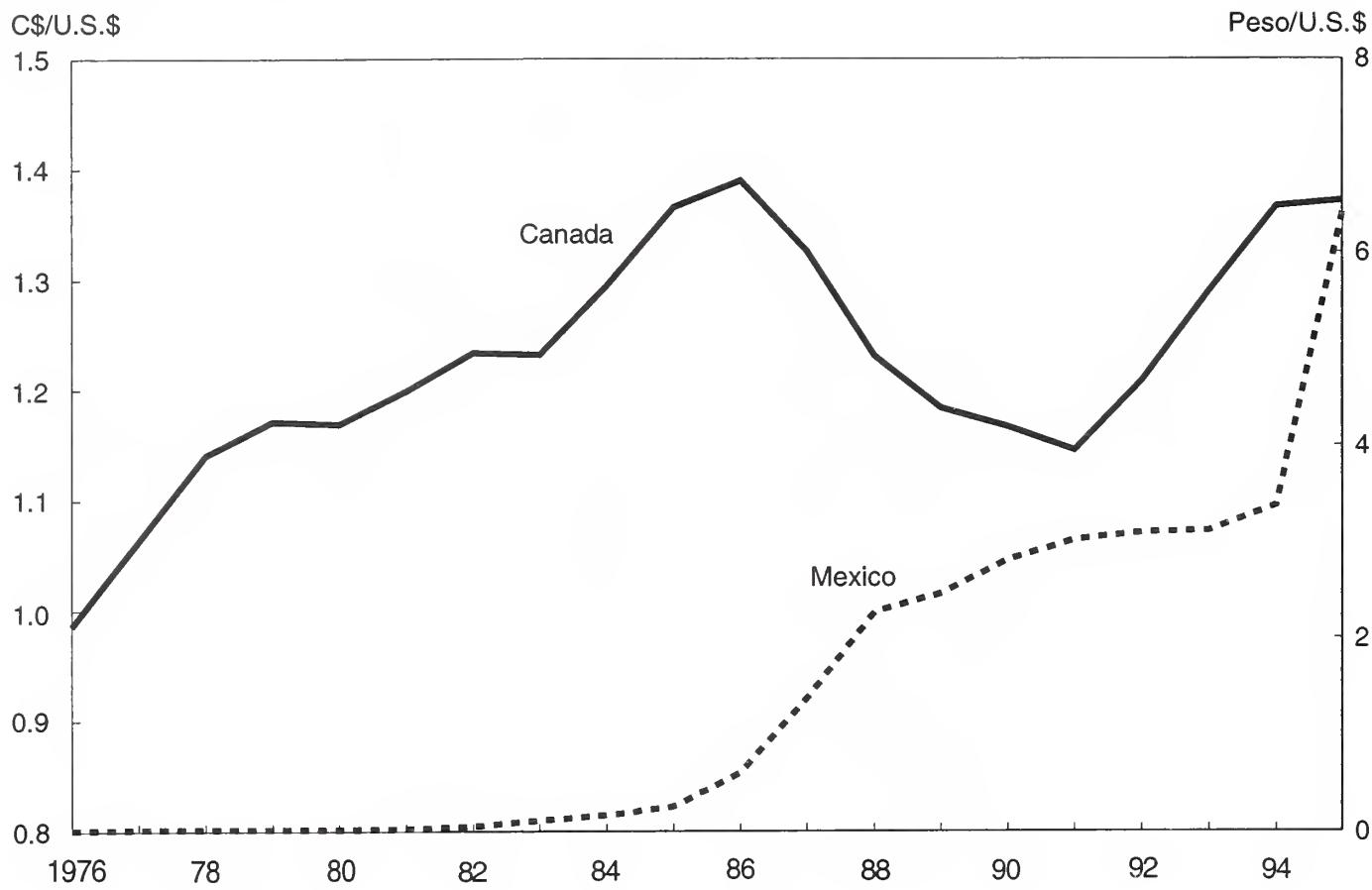


## Exchange Rate Indexes for U.S. Trade, Agricultural Markets, and Agricultural Competitors

Item	1980	1985	1990	1993	1994	1995 p
1990 = 100						
Total trade <sup>1</sup>	98.5	153.7	100.5	104.6	103.0	95.7
U.S. agricultural markets						
Total	100.0	130.0	100.0	96.2	96.1	95.7
Soybeans	101.0	144.6	100.3	95.6	93.9	91.2
Wheat	81.2	104.2	99.1	103.4	104.5	98.3
Major agricultural competitors						
Total	90.8	145.2	100.2	104.4	103.3	94.9
Soybeans	63.4	132.8	99.5	78.8	72.7	62.8
Wheat	91.9	138.3	100.2	105.0	106.3	101.4

P = Preliminary. Data are expressed in indexed (1990 = 100) unit per dollar. A rising value means the dollar is appreciating, i.e., U.S. currency purchases an increasing quantity of foreign goods. The index is calculated from U.S. and foreign exchange rates adjusted to factor out inflation. Trade volumes are used as weights. <sup>1</sup> Value of U.S. dollar according to U.S. Federal Reserve System.

## Canada and Mexico Exchange Rates



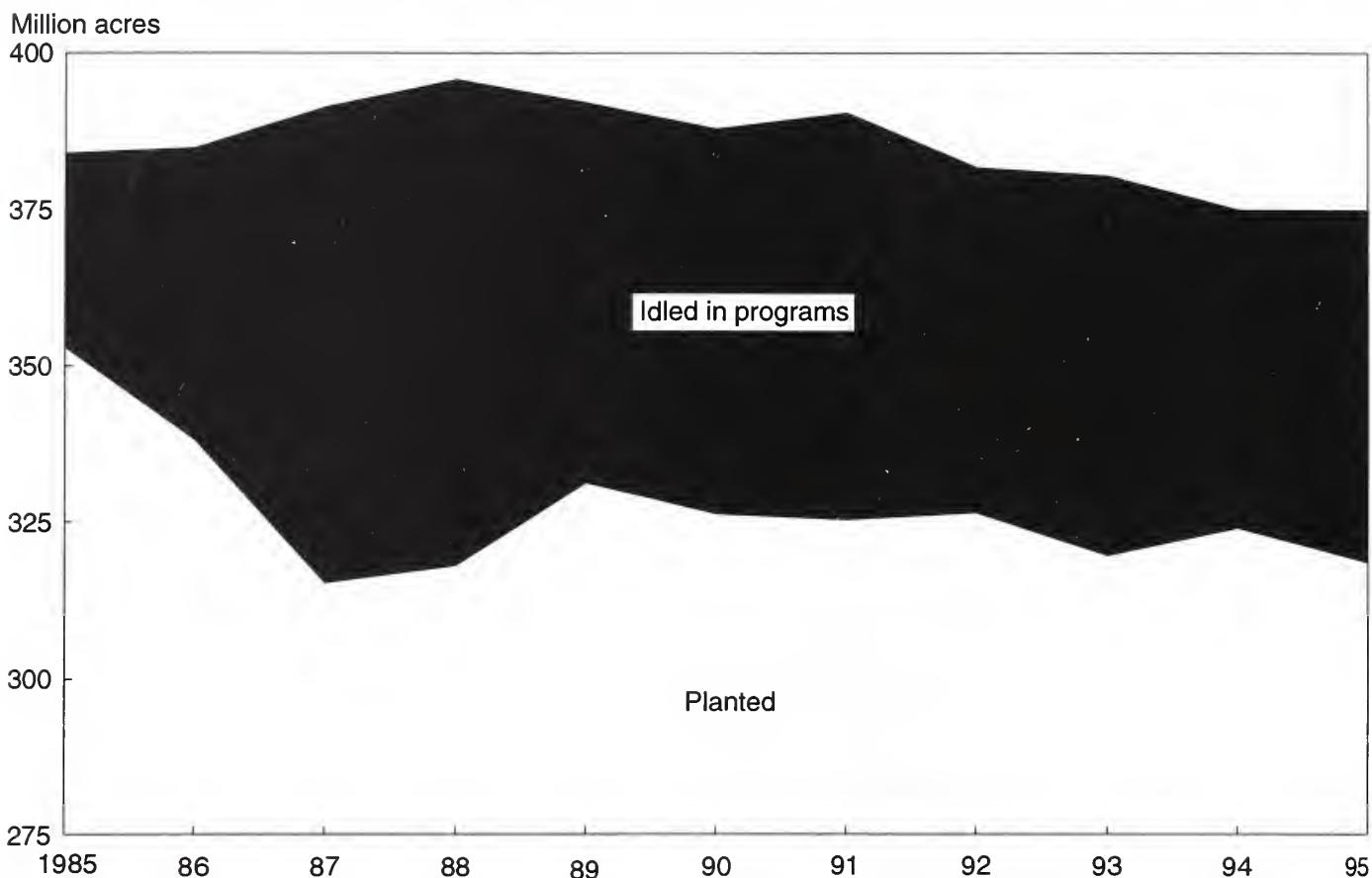
## NAFTA Agricultural Trade

Item	Canada	Mexico	North America	World	N. America/World Share
<i>\$ million</i>					
U.S. exports to Canada and Mexico					<i>Percent</i>
1990	3,714	2,666	6,381	40,220	15.9
1991	4,409	2,885	7,293	37,609	19.4
1992	4,812	3,676	8,488	42,430	20.0
1993	5,220	3,660	8,880	42,589	20.8
1994	5,261	4,133	9,394	43,511	21.6
1995	5,838	3,701	9,539	54,160	17.6
U.S. imports from Canada and Mexico					
1990	3,096	2,581	5,678	22,560	25.2
1991	3,215	2,536	5,751	22,588	25.5
1992	3,930	2,286	6,216	24,323	25.6
1993	4,422	2,708	7,130	24,454	29.2
1994	5,210	2,801	8,011	26,365	30.4
1995	5,359	3,716	9,075	29,530	30.7
Balance of ag. trade					
1990	619	85	703	17,659	4.0
1991	1,194	349	1,542	15,021	10.3
1992	882	1,390	2,272	18,107	12.6
1993	797	952	1,750	18,135	9.6
1994	51	1,332	1,383	17,146	8.1
1995	479	-15	464	24,630	1.9

## CROPS OVERVIEW

- As the U.S. spring planting season approaches, mostly seasonable winter precipitation in the West raised California's reservoirs to 120 percent of normal by late February. Abundant precipitation in the Pacific Northwest favors winter grain growth this spring.
- In early March, generally favorable soil moisture was present for early land preparation in the South and for the upcoming planting season in the Midwest. However, autumn dryness hampered crop establishment in the hard red winter wheat areas of the Great Plains, and highly fluctuating winter temperatures and periodic high winds have further stressed dormant grains. Root establishment is poor, and timely spring rains are needed as wheat breaks dormancy. The growing season is similar to date to 1988/89, when yields were poor.
- In Ukraine and Russia, winter grains are in good condition. Weather conditions last fall were favorable for crop emergence and establishment. Although the winter has been unusually cold, snow cover has been adequate to protect overwintering crops.
- Europe's winter crop prospects are favorable as weather conditions last fall favored germination and establishment in most areas. Unusually cold weather prevailed over northern and eastern Europe during winter, and spring barley and rapeseed are under stress. In Spain, moderate to heavy rain since December alleviated long-term drought and helped winter grain prospects.
- In Morocco, adequate to abundant moisture has maintained above-average yield prospects for winter grains. In Algeria and Tunisia, moisture was limited at planting. However, precipitation since January has increased in both timeliness and intensity, improving yield prospects.
- In Argentina, below-normal winter rainfall followed by heat in December reduced soil moisture for reproductive corn and vegetative soybeans. Favorably cooler weather reduced crop water demand in January and February, but soil moisture remains limited due to variable rainfall. Recent timely rain is benefiting flowering to filling soybeans, and soybean yield prospects are fair. In Brazil, following a dry December, four weeks of heavy rain through mid-February dramatically increased soil moisture for soybeans as the crop flowered and entered the early filling stage.
- In South Africa, warmer, drier weather is needed for filling corn following the wettest growing season to date (October- February) in modern history. Despite excessive wetness and flooding, corn prospects are much better than last year when drought struck.
- In China, rainfall favored winter wheat establishment across the North China Plain. Dry winter weather reduced moisture supplies for winter oilseeds and grains across the Yangtze Valley, but February rainfall was above normal. Winter grains are greening across the Yangtze Valley and are nearing greening across the North China Plain.
- In South Asia, frequent, periodically heavy rain since January was timely for reproductive winter grains and oilseeds, sustaining good crop prospects.

## U.S. Crop Acreage Planted and Idled in Programs



## U.S. Crop Acreage Planted and Idled in Programs

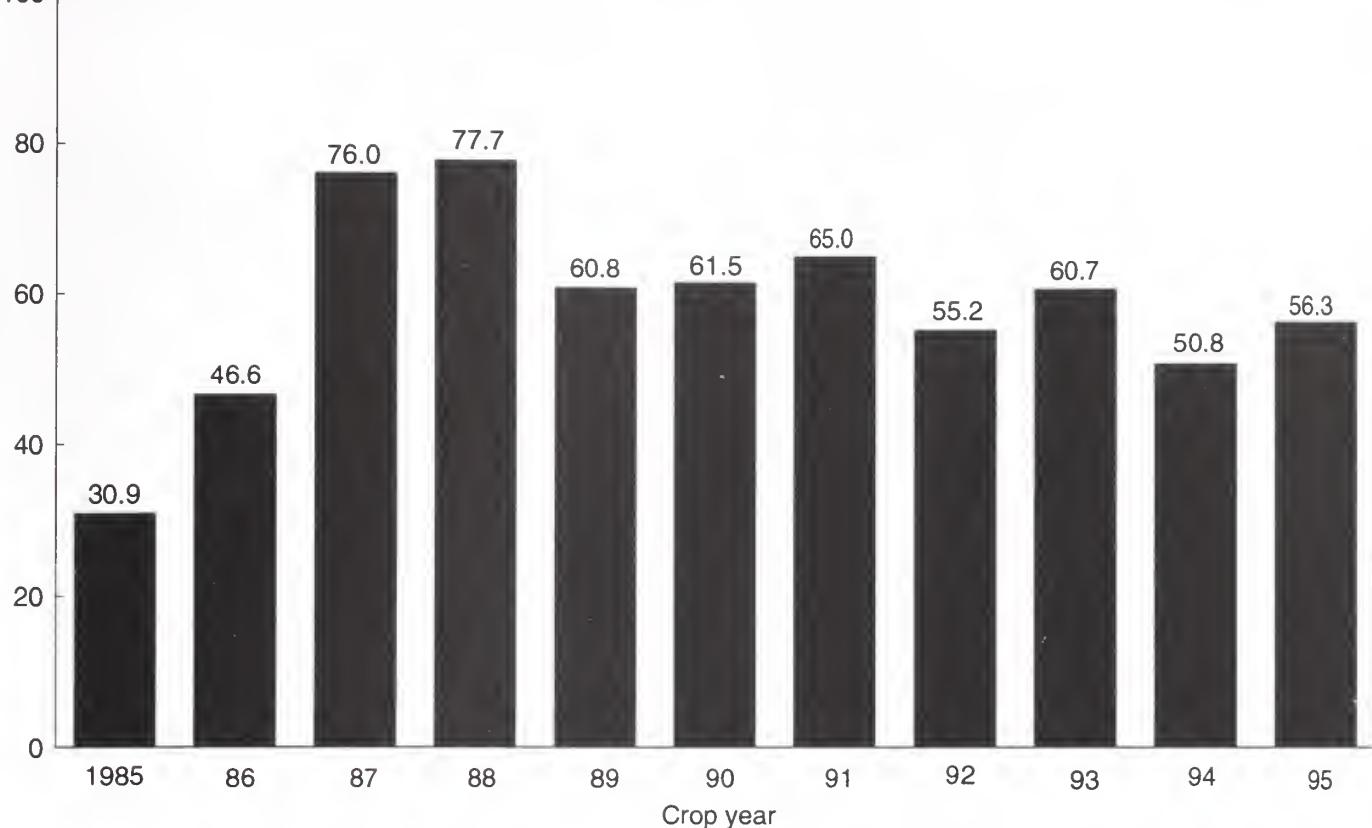
Item	1991	1992	1993	1994	1995
Million acres					
Principal crops <sup>1</sup>	325.4	326.5	319.6	324.0	318.5
Feed grains	104.6	108.2	98.8	102.8	93.7
Corn	77.0	79.3	73.2	79.2	71.2
Wheat	69.9	72.2	72.2	70.3	69.2
Soybeans	59.2	59.2	60.1	61.7	62.6
Cotton	14.1	13.2	13.4	13.7	16.9
Fruit and vegetables <sup>2</sup>	7.1	7.1	7.0	7.3	7.3
Idled in programs	65.0	55.2	60.7	50.8	56.3
ARP	17.1	8.6	8.4	1.5	4.9
0-50/85-92 <sup>3</sup>	13.5	11.2	15.9	12.9	15.0
Conservation Reserve	34.4	35.4	36.4	36.4	36.4

<sup>1</sup> Includes corn, sorghum, oats, barley, wheat, rice, rye, soybeans, flaxseed, peanuts, sunflower, cotton, dry edible peas, potatoes, and sugarbeets. Harvested acreage is used for all hay, tobacco, and sugarcane in computing total area planted. Includes double-cropped acres and unharvested small grains planted as cover crops. <sup>2</sup> Excludes vegetables included in principal crops groups. <sup>3</sup> Includes land signed up for these programs but planted to minor oilseeds or other minor crops as permitted.

## Acreage Idled Under Federal Programs

Million acres

100



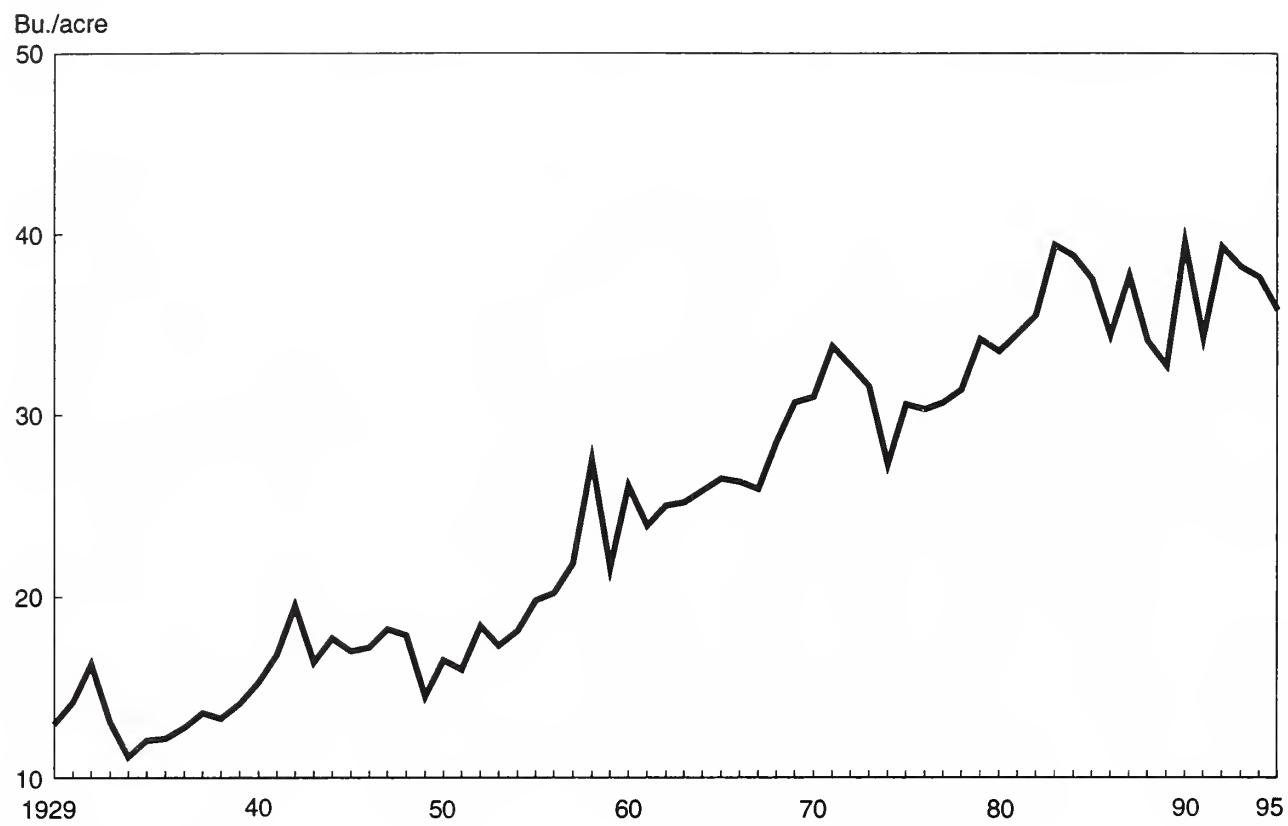
### Crop Acreage Idled Under Federal Programs

Item	1990	1991	1992	1993	1994	1995
<i>Million acres</i>						
Annual programs						
Corn	6.1	4.7	3.1	6.6	0.0	4.7
Sorghum	1.0	0.8	0.5	0.6	0.0	0.0
Barley	0.7	0.7	0.4	0.0	0.0	0.0
Oats	0.0	0.0	0.0	0.0	0.0	0.0
Wheat	2.2	10.1	3.3	0.0	0.0	0.0
Cotton	1.5	0.6	1.3	1.0	1.5	0.0
Rice	0.7	0.2	0.0	0.2	0.0	0.2
0-50/85-92 <sup>1</sup>	15.4	13.5	11.2	15.9	12.9	15.0
Conservation Reserve	33.9	34.4	35.4	36.4	36.4	36.4
Total idled <sup>2</sup>	61.5	65.0	55.2	60.7	50.8	56.3
Major crops harvested <sup>3</sup>	229.7	223.5	231.2	218.1	231.7	224.2
Idled plus harvested	291.2	288.5	286.4	278.8	282.5	280.5

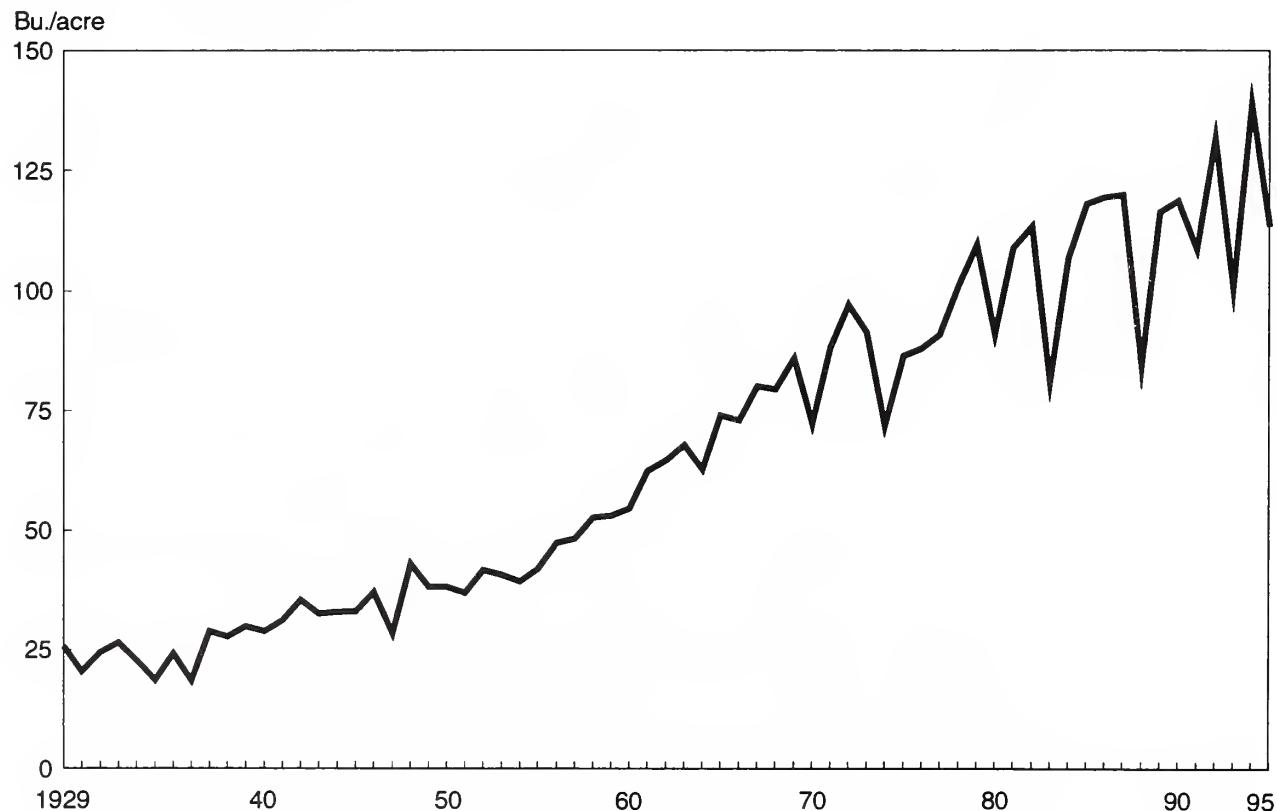
<sup>1</sup> Includes land signed up for these programs but planted to minor oilseeds or other minor crops as permitted. <sup>2</sup> Breakdown may not add to totals due to rounding.

<sup>3</sup> Feed grains, wheat, rice, cotton, and soybeans.

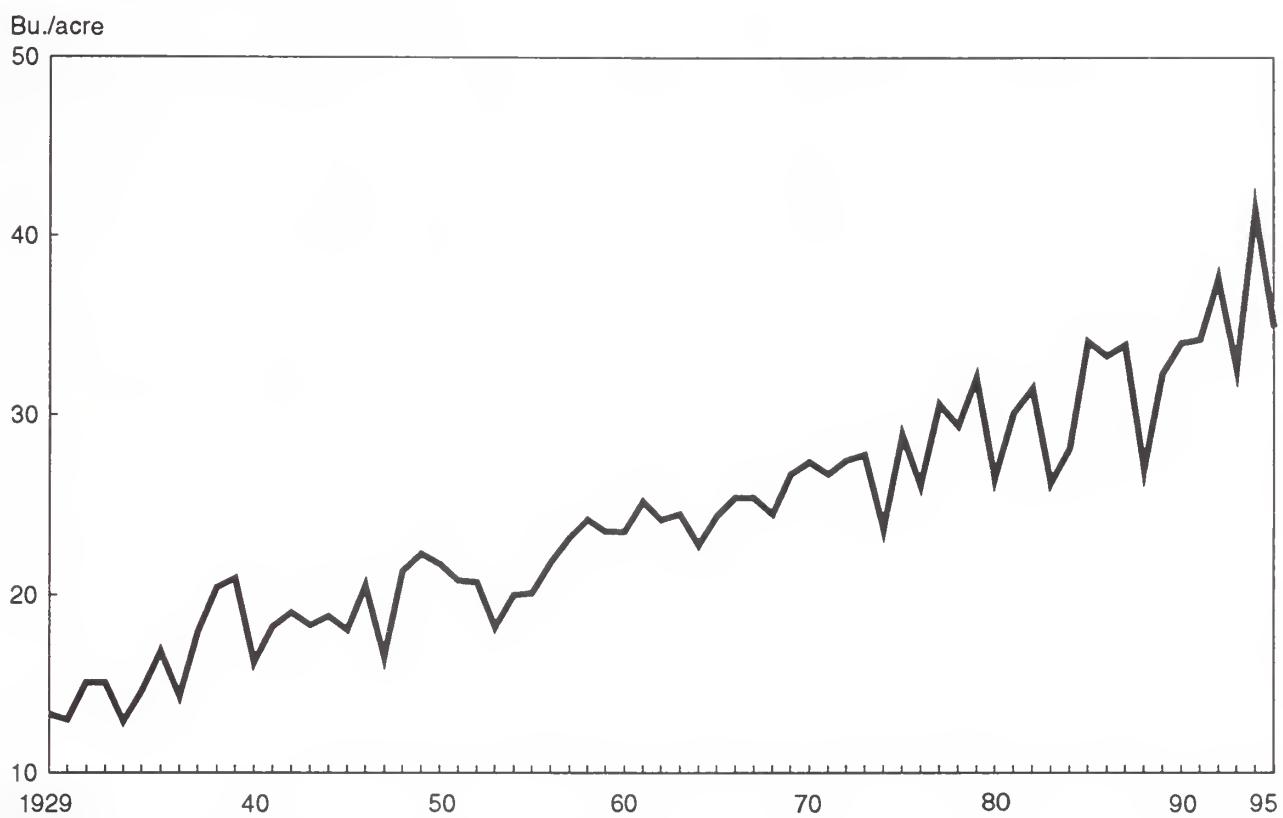
### U.S. Wheat Yields



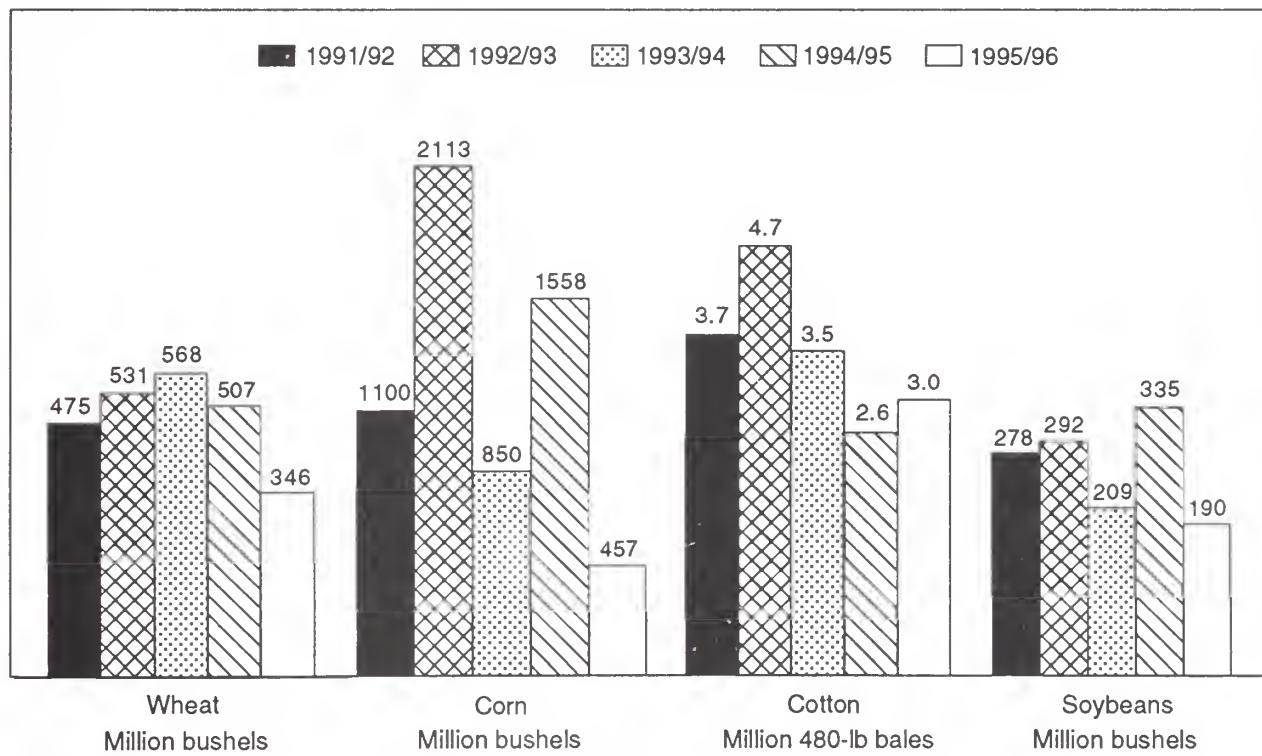
### U.S. Corn Yields



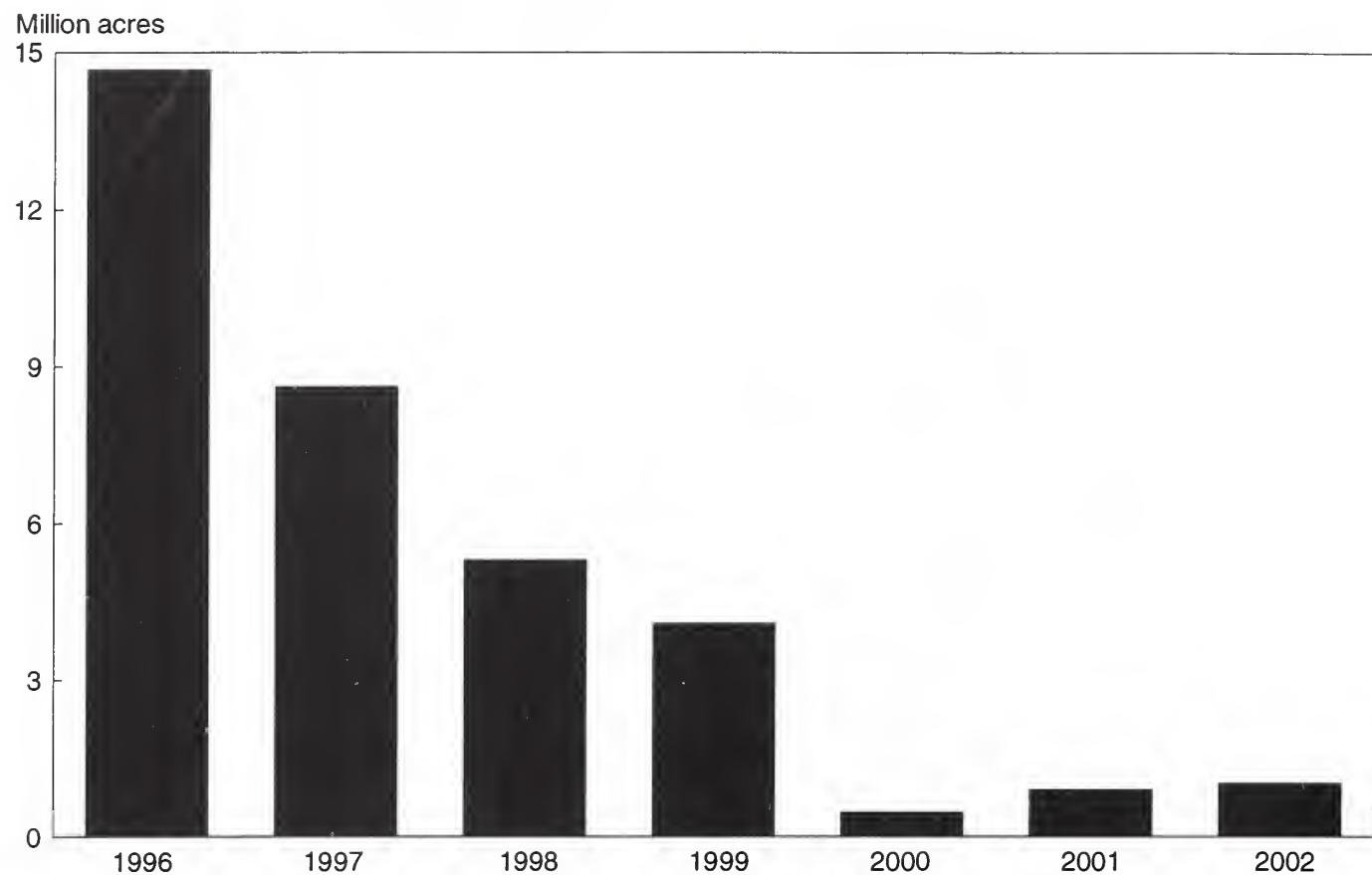
## U.S. Soybean Yields



## End-of-Season Inventories, 1991/92-1995/96



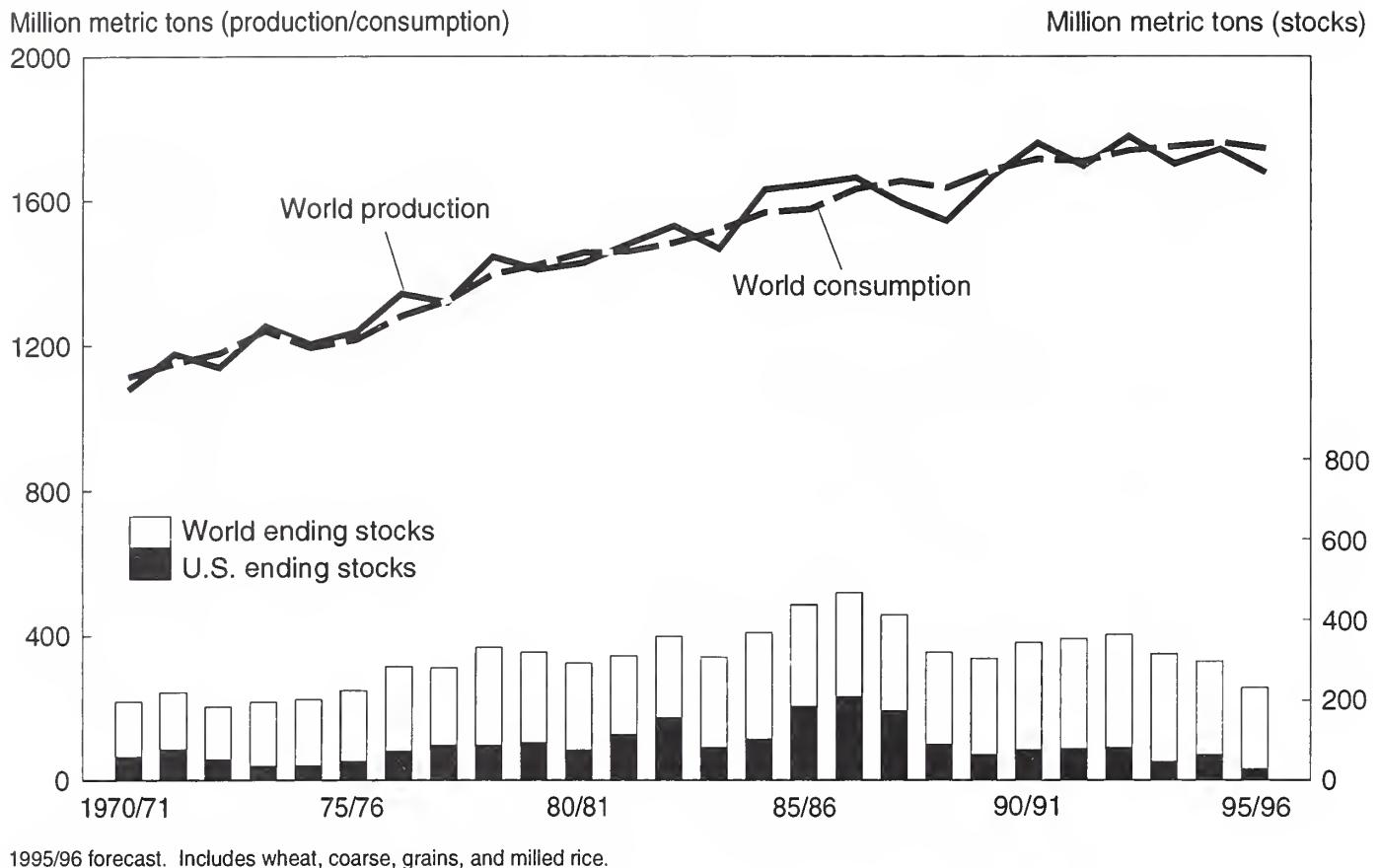
## CRP Contract Expiration



## GRAINS

- World grain production in 1995/96 is down almost 4 percent from last year as U.S. output dropped 23 percent. Foreign output is up 1 percent, despite the former Soviet Union (FSU) having the smallest crop in 30 years. Global use will decline but remain well above production, leaving stocks at the lowest level since 1975/76. The stocks-to-use ratio is the smallest in the USDA database, which begins with 1960/61. World grain trade and U.S. exports are expected to be down 5 percent from 1994/95.
- Grain imports by the nations of the former Soviet Union remain weak, despite a 16-percent drop in the region's grain crop. Feed use is off sharply as livestock and animal product production continues to decline. In Russia, the declining demand for feeding, poor financial conditions, and the strong opposition of many government officials to grain imports from the West are constraining imports.
- China continues to be a large importer of grains, especially wheat. This year, China is expected to import 18.4 million tons of grain and export 1.3 million, a dramatic switch from 1993/94, when China imported 6.2 million tons and exported 13.7 million.
- World wheat production is up 2 percent in 1995/96, despite a 6-percent drop in the U.S. crop. However, global supplies are down 2 percent as lower carryin stocks more than offset the larger production. Global use continues to expand, led by gains in Asia, North Africa, and the Middle East. The smaller supplies and expanding use are expected to drop global stocks to their lowest level since 1975/76. Global trade is little changed from 1994/95, but U.S. exports and market share will rise. Although Australia's crop is up sharply from the drought-reduced levels of a year earlier, exportable supplies are down in the other major exporting countries.
- U.S. 1995/96 wheat supplies are down 7 percent because of lower production, carryin stocks, and imports. Domestic use will decline, but expanding exports will be largely offsetting. Thus, ending stocks are forecast to be to the lowest since 1973/74 and the stocks-to-use ratio is the smallest since 1947/48. The tight U.S. supplies and strong global demand are pushing farm prices to record highs, around \$1.00 above the \$3.45 per bushel of 1994/95.
- U.S. 1996/97 wheat supplies are expected to be up around 5 percent as a larger crop more than offsets the lower carryin stocks. Domestic use will rise as wheat feeding expands, but exports will de-  
cline because of larger competitor production. Stocks will rise, but remain relatively tight, leaving the farm price of wheat down only 50 to 60 cents per bushel from this year's record.
- Global 1995/96 coarse grain production is down 10 percent from a year earlier, largely because of the smaller U.S. and FSU crops. Global use is also down, but much less than production, leaving stocks the lowest since 1973/74. World coarse grain trade is forecast down 8 percent as the tight exporter supplies and much higher prices reduce imports. U.S. exports also will drop, but the continued absence of corn exports by China will mean the U.S. market share will remain strong.
- U.S. 1995/96 feed grain output is down more than 26 percent, largely because of the smaller corn crop. While domestic use will decline, exports continue strong and total use will be well above production, pulling down stocks sharply. Corn stocks are expected to be the lowest since 1974/75. The farm price of corn is expected to average almost \$1.00 above the \$2.26 of 1994/95.
- U.S. feed grain supplies are expected to be up more than 10 percent in 1996/97 as the low carryin stocks partially offset the expected production increase of 25 to 30 percent. Planting of all feed grains is expected to rise, led by an expansion of 8 to 10 million acres for corn. However, expanding domestic use and continued strong exports will use up most of the larger expected supplies, leaving 1996/97 ending stocks up from this year but still relatively small. Thus, while the average farm price for corn could drop 40 to 50 cents per bushel from this year's near-record, it will remain around 20 percent above the 1990/91-1994/95 average.
- In 1995, U.S. rice production declined 12 percent from the 1994 record. A 5-percent area reduction program (ARP) contributed to nearly a 7-percent decline in planted area; and higher than normal nighttime temperatures reduced average yield nearly 6 percent from the 1994 record. Domestic use is projected to be record high, while exports are projected to decline almost 17 percent from the 1994/95 record. Tight supplies and high prices in 1995/96 will keep the U.S. uncompetitive in some foreign markets. The projected average farm price, \$8.25-\$9.25 per hundredweight, compares with \$6.78 last season.
- Record or near-record crops in a number of countries produced a record 1995/96 world rice crop, but with rising use stocks are likely to remain relatively tight. Global trade in calendar year 1996 is projected at 17.6 million metric tons, down 13 percent from the 1995 record but still the second highest ever.

## World Grain Production, Consumption, and Ending Stocks

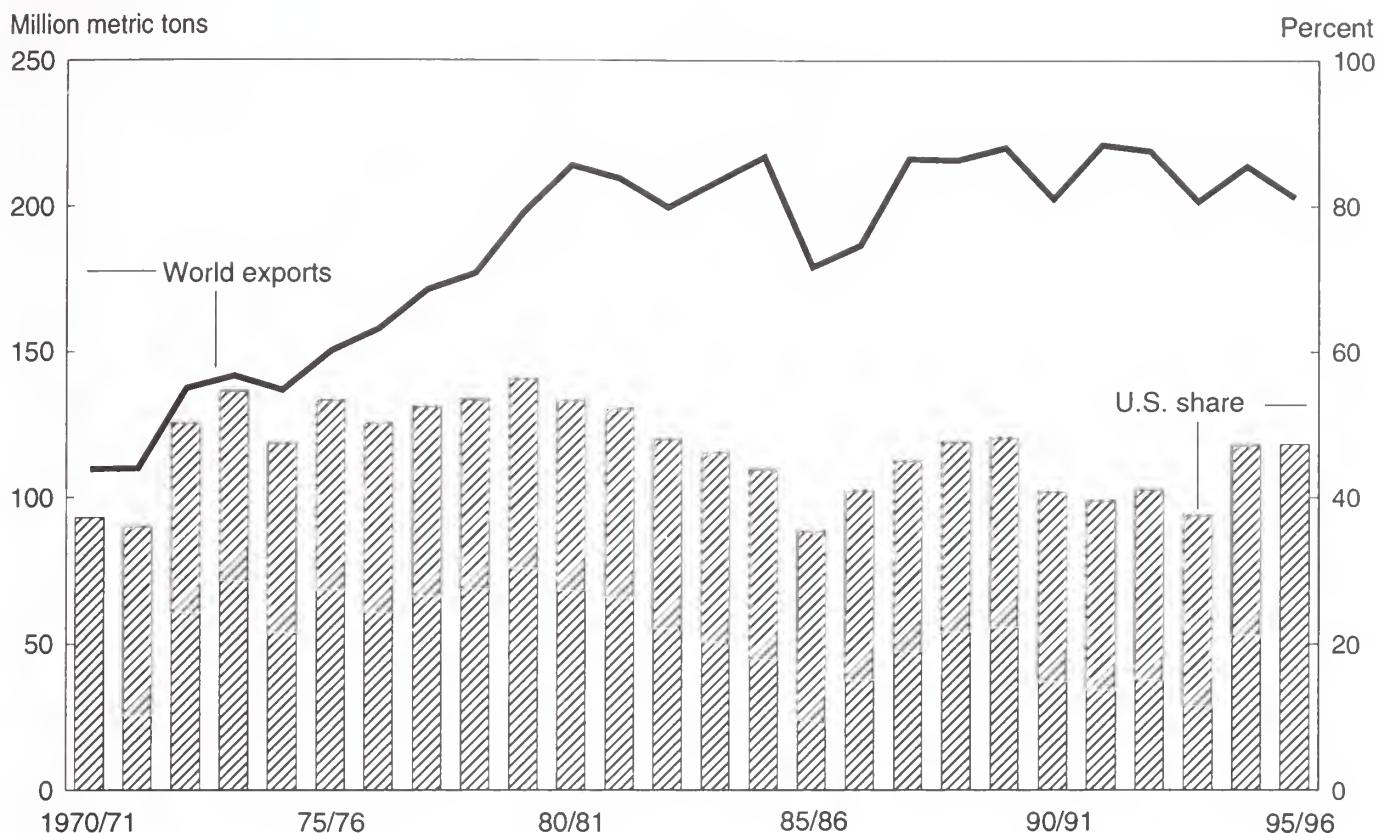


### World and U.S. Grain Supply, Use, and Stocks Indicators<sup>1</sup>

Item	1991/92	1992/93	1993/94	1994/95	1995/96 F
<i>Million tons</i>					
Production <sup>1</sup>					
World	1,696	1,779	1,702	1,745	1,679
U.S.	278	350	257	355	275
Consumption					
World	1,710	1,741	1,751	1,763	1,745
U.S.	219	232	223	246	215
Ending stocks					
World	324	362	313	295	229
U.S.	48	79	44	60	26
<i>Percent</i>					
Stocks/use ratio					
World	18.9	20.8	17.9	16.7	13.1
U.S. <sup>2</sup>	15.6	24.4	14.6	17.5	8.2

F = Forecast. <sup>1</sup> Includes wheat, coarse grains, and milled rice. Aggregate of local marketing years. <sup>2</sup> Stocks to total use (including exports).

## Total World Grain Exports and U.S. Share



1995/96 forecast. Includes wheat flour, excludes intra-EC trade.

## Total World Grain Supply and Use and U.S. Grain Exports

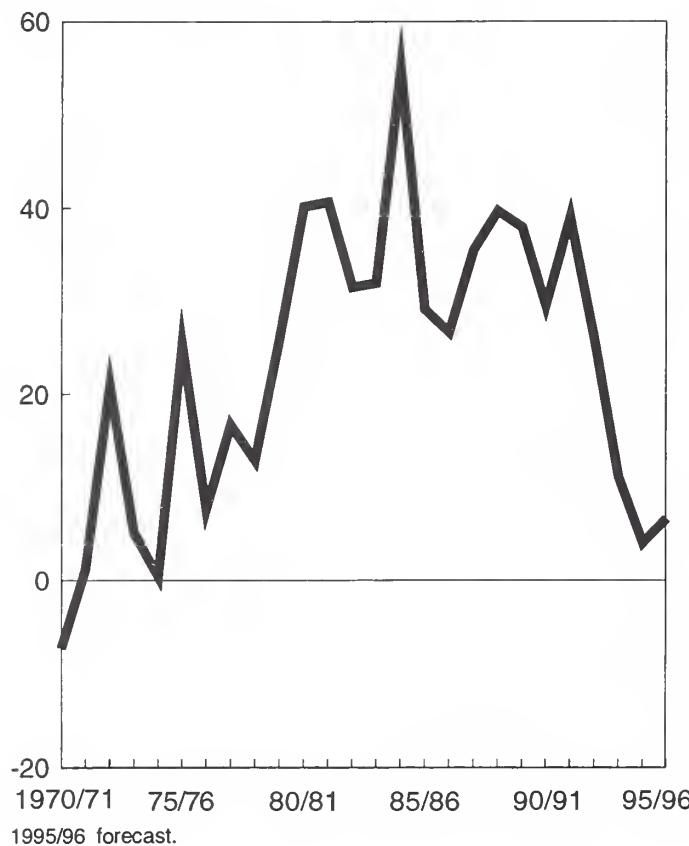
Item	1991/92	1992/93	1993/94	1994/95	1995/96 F
<i>Million tons</i>					
World <sup>1</sup>					
Production	1,695.8	1,779.1	1,702.3	1,744.6	1,679.2
Use	1,710.3	1,741.1	1,751.4	1,762.6	1,745.1
Ending stocks	324.1	362.0	312.9	295.0	229.1
<i>Percent</i>					
Exports <sup>2</sup>					
World	220.9	219.0	201.8	213.8	203.0
U.S.	87.4	89.9	75.9	100.9	96.1
Trade share					
U.S.	40	41	38	47	47
EU	16	15	15	12	11
Canada	13	12	12	12	11

F = Forecast. <sup>1</sup> Aggregate of local marketing years. <sup>2</sup> Wheat is a July/June trade year, coarse grain is October/September, and rice is calendar year. Excludes intra-EU trade. Includes intra-FSU trade.

## FSU and China Net Grain Trade

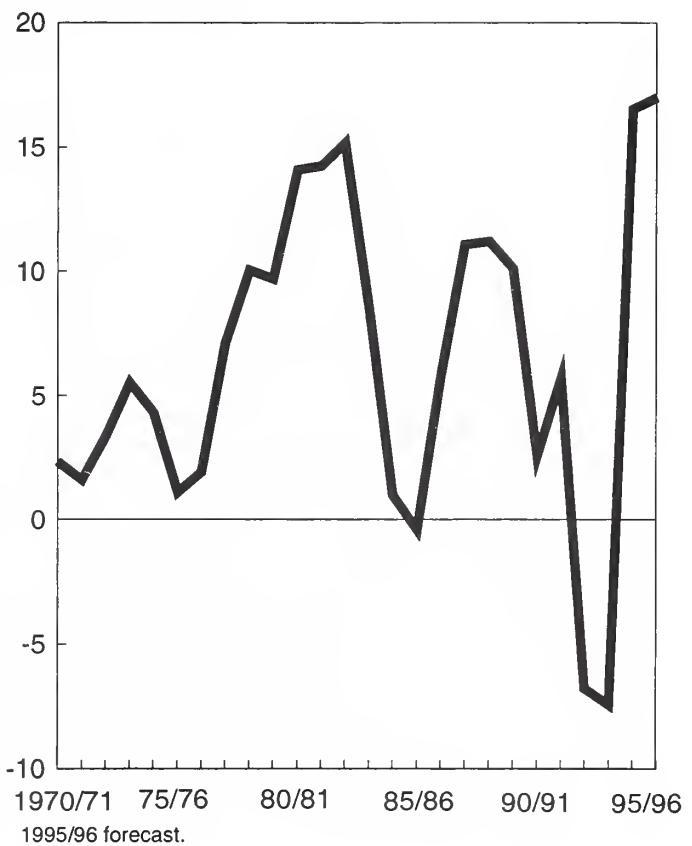
FSU Net imports

Million metric tons



China Net Imports

Million metric tons



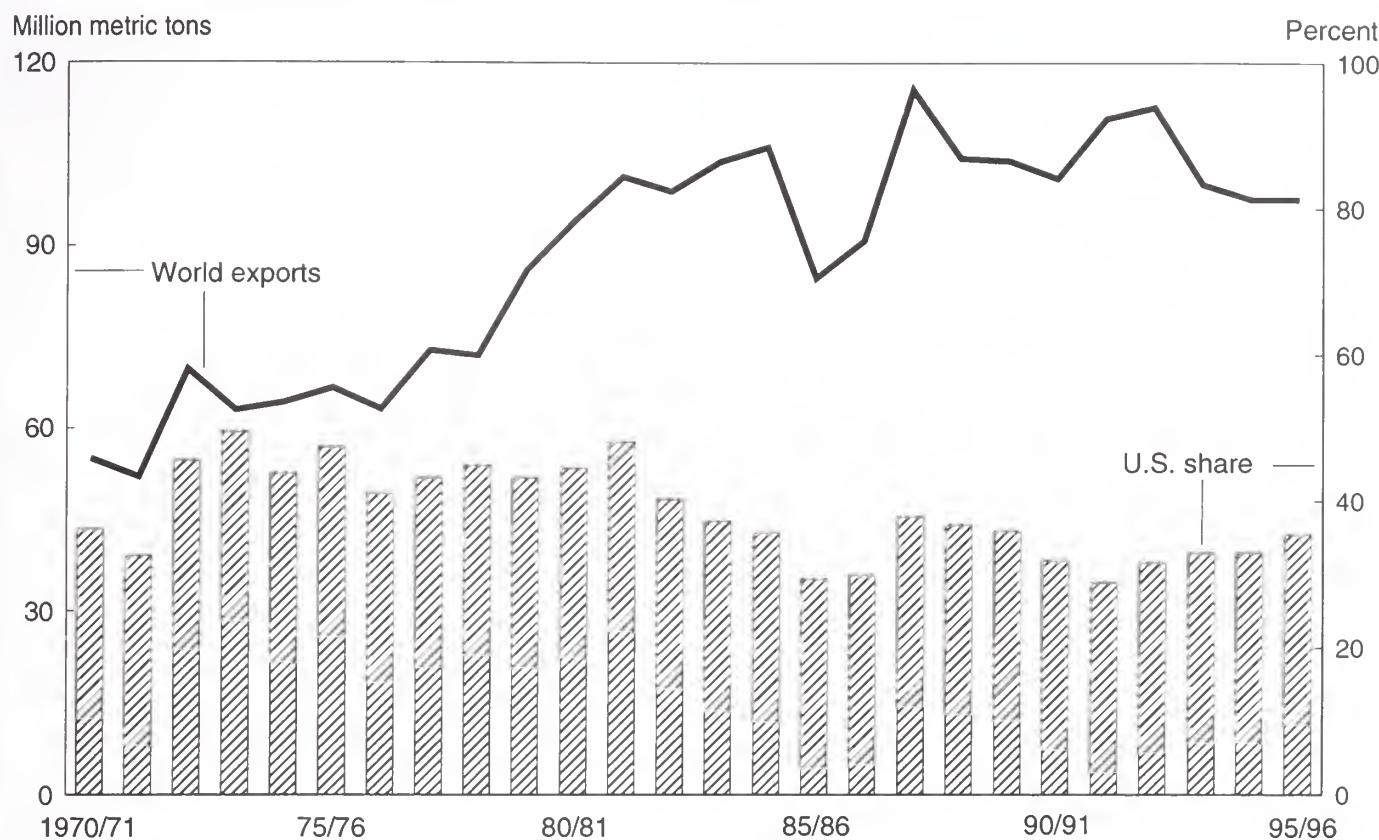
1995/96 forecast.

## Former Soviet Union and China Grain Imports and Exports<sup>1</sup>

Item	1990/91	1991/92	1992/93	1993/94	1994/95 E	1995/96 F
<i>Million tons</i>						
FSU						
Imports						
total <sup>2</sup>	38.7	44.5	36.6	19.7	11.1	11.6
from U.S.	9.4	15.8	10.9	5.7	NA	NA
Exports <sup>2</sup>	12.4	3.6	9.7	8.0	7.2	5.0
China						
Imports						
total <sup>3</sup>	10.4	17.0	7.5	6.2	18.3	18.4
from U.S.	3.5	5.6	2.1	1.7	NA	NA
Exports <sup>3</sup>	7.8	11.3	14.5	13.7	1.7	1.3

E= Estimate. F= Forecast. NA = Not Available. <sup>1</sup> Includes wheat, coarse grains, and rice. <sup>2</sup> Trade is on a July/June basis; Includes intra-FSU trade. <sup>3</sup> China trade is on a July/June basis for wheat, October/September for coarse grains and calendar year for rice.

## World Wheat Exports and U.S. Share



1995/96 forecast. Includes wheat flour, excludes intra-EC trade.

## World Wheat Supply and Use and U.S. Wheat Exports

Item	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96 F
<i>Million tons</i>						
World <sup>1</sup>						
Production	588.0	542.1	561.8	559.3	522.1	534.6
Use	561.5	554.7	549.8	563.2	549.4	551.5
Ending stocks	145.4	132.8	144.8	140.9	113.6	96.7
Exports <sup>2</sup>						
World	101.0	110.8	112.7	100.1	97.5	97.5
U.S.	29.1	35.1	37.1	33.1	32.2	34.5
<i>Percent</i>						
Trade share						
U.S.	29	32	33	33	33	35
EU	22	21	21	20	17	15
Canada	20	22	19	19	22	19

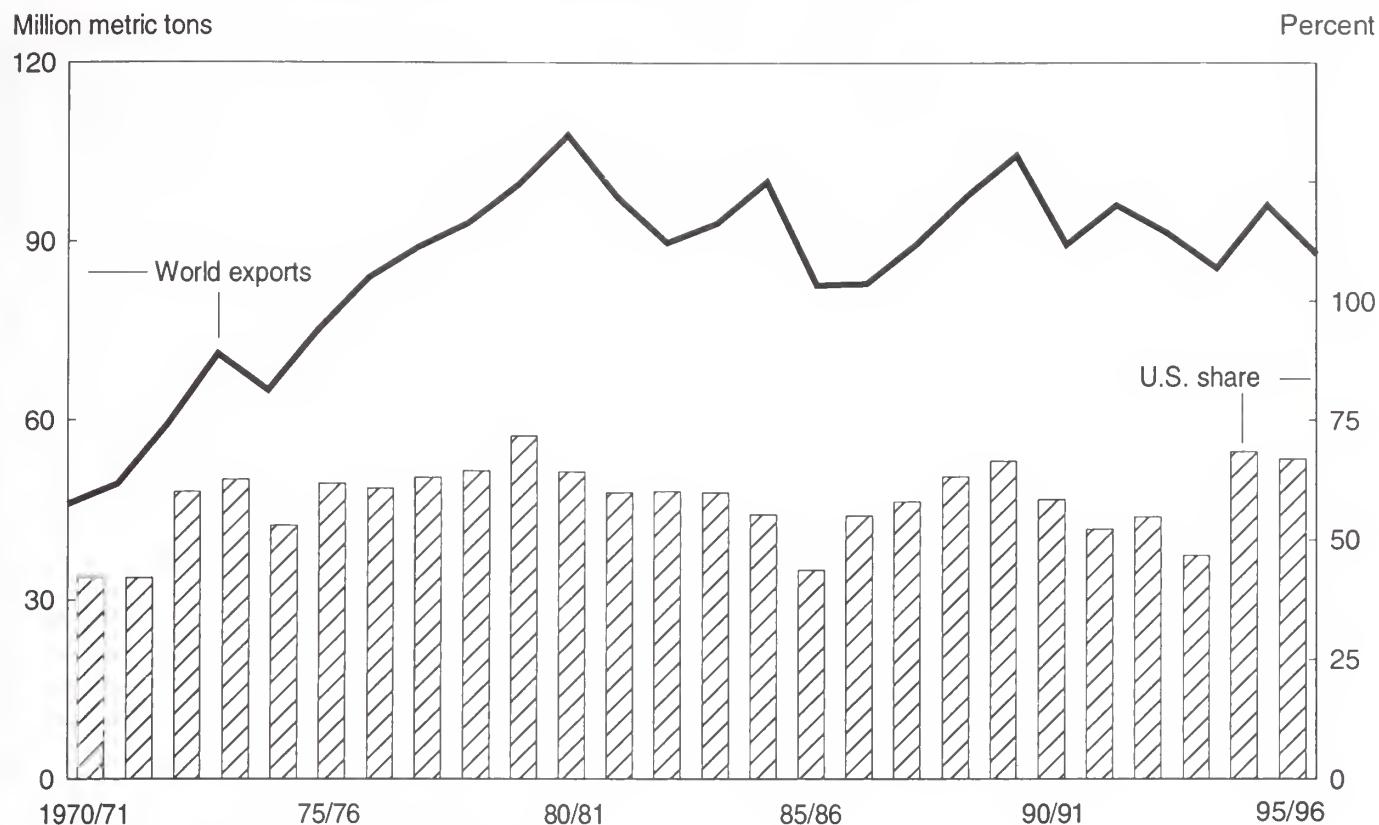
F = Forecast. <sup>1</sup> Aggregate of local marketing years. <sup>2</sup> July-June trade year. Excludes intra-EU trade. Includes intra-FSU trade.

# U.S. WHEAT SUPPLY AND DEMAND

	1993/94	1994/95	1995/96 F	CHANGE FROM YEAR AGO
<i>MILLION BUSHELS</i>				
BEGINNING STOCKS	531	568	507	-11
PRODUCTION	2,396	2,321	2,186	-6
TOTAL SUPPLY	3,036	2,981	2,762	-7
FOOD USE	872	852	860	+1
SEED	96	89	106	+19
FEED & RES.	272	345	175	-49
DOMESTIC USE	1,240	1,287	1,141	-11
EXPORTS	1,228	1,188	1,275	+7
TOTAL USE	2,467	2,475	2,416	-2
ENDING STOCKS	568	507	346	-32
<i>PERCENT</i>				
STOCKS/USE RATIO	23	20	14	-30
<i>DOLLARS PER BUSHEL</i>				
AVG. MARKET PRICE	3.26	3.45	4.40-4.50	+28 to +30
LOAN RATE	2.45	2.58	2.58	0

F = Forecast.

## World Coarse Grain Exports and U.S. Share



1995/96 forecast. Includes wheat flour, excludes intra-EC trade.

## World Coarse Grain Supply and Use and U.S. Coarse Grain Exports

Item	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96 F
<i>Million tons</i>						
World <sup>1</sup>						
Production	821.0	804.0	864.8	789.5	861.6	776.9
Use	808.8	803.9	836.4	830.4	850.1	826.0
Ending stocks	134.5	134.6	162.9	122.1	133.6	84.4
Trade <sup>2</sup>						
World	89.5	96.1	91.5	85.6	96.1	87.9
U.S.	51.8	50.2	50.1	40.0	65.7	58.7
<i>Percent</i>						
Trade share						
U.S.	58	52	55	47	68	67
EU	9	12	10	12	9	8
China	8	11	14	14	2	1
Argentina	—	8	7	6	7	7

F = Forecast. <sup>1</sup> Aggregate of local marketing years. <sup>2</sup> October- September trade year. Excludes intra-EU trade. Includes intra-FSU trade.

# U.S. FEED GRAINS SUPPLY AND DEMAND

	1993/94	1994/95	1995/96 F	CHANGE FROM YEAR AGO
	MILLION METRIC TONS			PERCENT
BEGINNING STOCKS	63.1	27.4	45.3	+65
PRODUCTION	186.2	284.6	209.2	-26
TOTAL SUPPLY	253.2	315.2	257.3	-18
FOOD, SEED, & INDUSTRY	46.2	48.8	48.6	small -
FEED & RES.	139.3	158.7	131.5	-17
DOMESTIC USE	185.5	207.5	180.1	-13
EXPORTS	40.3	62.4	61.8	-1
TOTAL USE	225.8	269.9	242.0	-10
ENDING STOCKS	27.4	45.3	15.4	-66
STOCKS/USE RATIO	12	17	6	-65

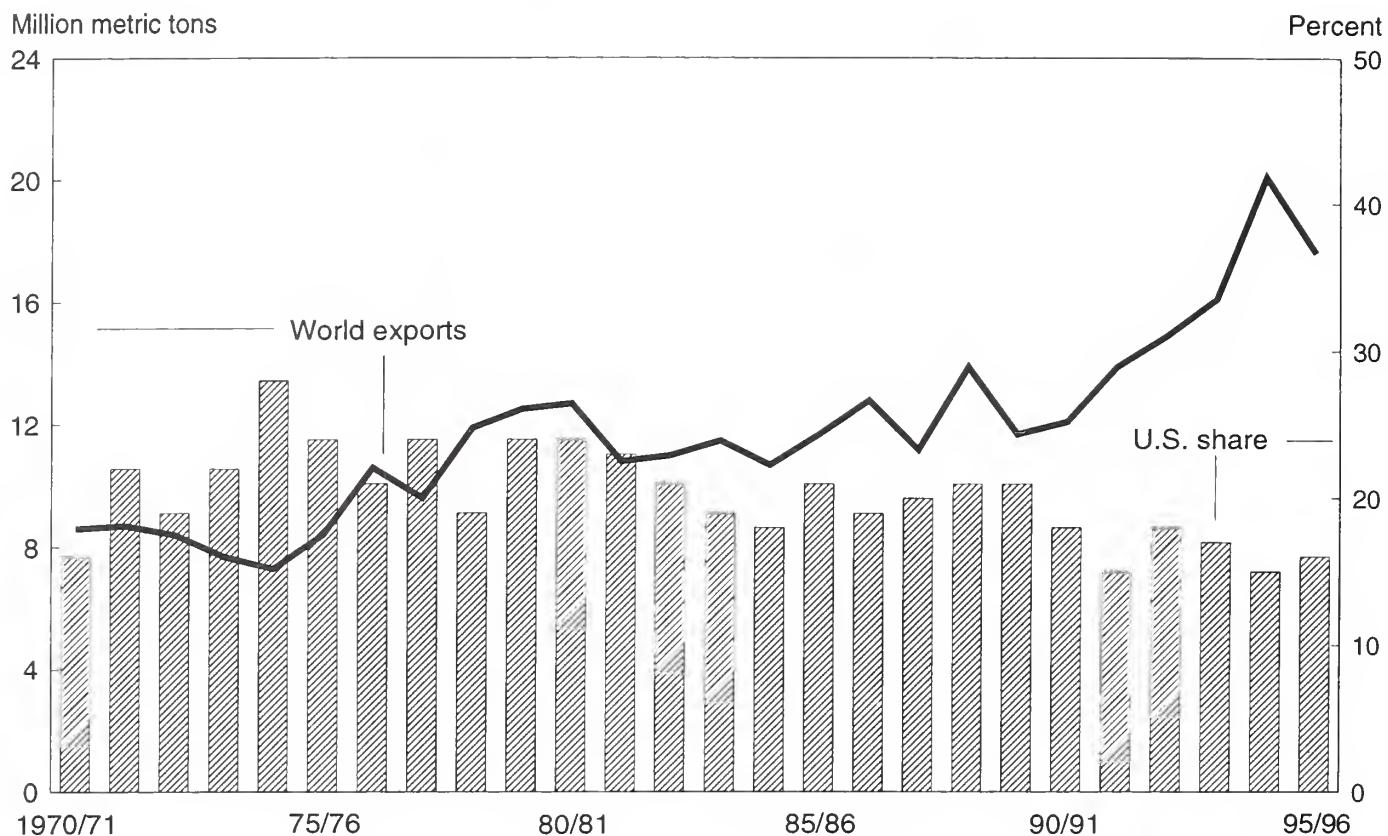
F = Forecast.

# U.S. CORN SUPPLY AND DEMAND

	1993/94	1994/95	1995/96 F	CHANGE FROM YEAR AGO
<i>MILLION BUSHELS</i>				
BEGINNING STOCKS	2,113	850	1,558	+83
PRODUCTION	6,336	10,103	7,374	-27
TOTAL SUPPLY	8,470	10,962	8,942	-18
FOOD, SEED, & INDUSTRY	1,588	1,693	1,685	small -
FEED & RES.	4,704	5,534	4,600	-17
DOMESTIC USE	6,292	7,227	6,285	-13
EXPORTS	1,328	2,177	2,200	+1
TOTAL USE	7,620	9,405	8,485	-10
ENDING STOCKS	850	1,558	457	-71
<i>PERCENT</i>				
STOCKS/USE RATIO	11	17	5	-71
<i>DOLLARS PER BUSHEL</i>				
AVG. MARKET PRICE	2.50	2.26	3.00-3.40	+33 to -50
LOAN RATE	1.72	1.89	1.89	0

F = Forecast.

## World Rice Exports and U.S. Share



1995/96 forecast. Excludes intra-EC trade.

## World Rice Supply and Use and U.S. Rice Exports

Item	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96 F
<i>Million tons, milled basis</i>						
World <sup>1</sup>						
Production	350.5	349.6	352.5	353.5	360.9	367.7
Use	345.8	351.7	354.9	357.8	363.1	367.5
Ending stocks	58.8	56.7	54.3	50.0	47.8	47.9
Exports <sup>2</sup>						
World	12.1	14.1	14.9	16.1	20.1	17.6
U.S.	2.2	2.1	2.6	2.8	3.0	2.9
<i>Percent</i>						
Trade share						
U.S.	18	15	18	17	15	16
Thailand	33	34	32	30	30	31
Vietnam	9	14	12	12	10	11
India	—	4	4	4	20	14

F = Forecast. — = not available. <sup>1</sup> Aggregate of local marketing years. <sup>2</sup> Exports are calendar year indicated by second half of split year. Excludes intra-EU trade. Includes intra-FSU trade.

# U.S. RICE SUPPLY AND DEMAND

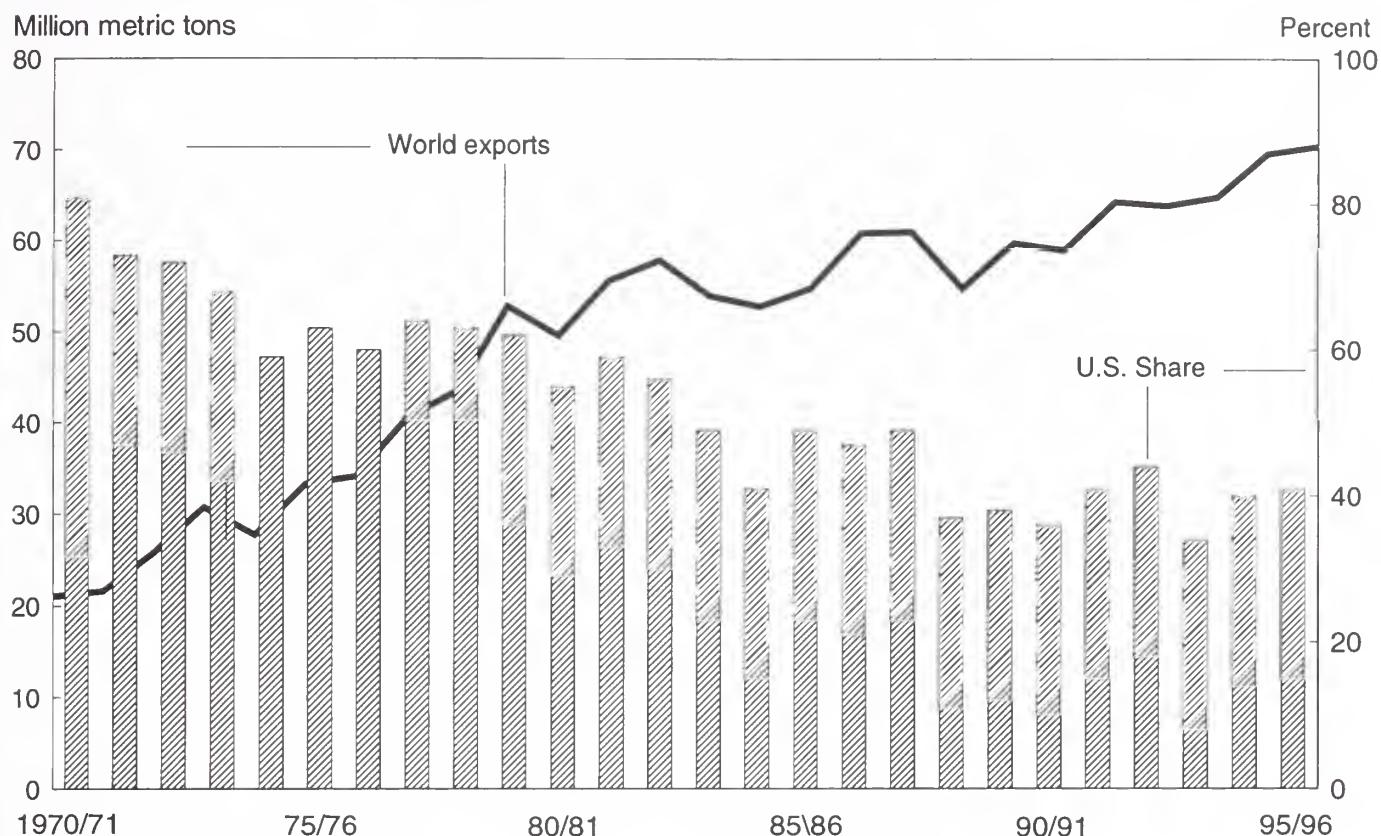
	1993/94	1994/95	1995/96 F	CHANGE FROM YEAR AGO
<i>MILLION CWT</i>				
BEGINNING STOCKS	39.4	25.8	31.4	+22
PRODUCTION	156.1	197.8	173.9	-12
TOTAL SUPPLY	202.5	230.6	212.8	-8
DOMESTIC USE	101.5	98.3	104.2	+6
EXPORTS	75.2	100.9	84.0	-17
TOTAL USE	176.7	199.2	188.2	-6
ENDING STOCKS	25.8	31.4	24.6	-22
<i>PERCENT</i>				
STOCKS/USE RATIO	15	16	13	-19
<i>DOLLARS PER CWT</i>				
AVG. MARKET PRICE	7.98	6.78	8.25-9.25	+22 to +36
LOAN RATE	6.50	6.50	6.50	0

F = Forecast.

## OILSEEDS

- Developments in 1995/96 for soybeans and other oilseeds are in sharp contrast to 1994/95 when record crops and supplies prevailed both in the U.S. and the world. U.S. soybean farm prices were in the low \$5 per bushel range and soybean meal prices were the lowest in 10 years. Relatively low prices in 1994/95 led to no growth in world soybean area in 1995/96 while helping to ignite strong soybean meal consumption gains in the U.S. and several other countries. As a result, U.S. stocks by year-end 1995/96 are forecast to be the lowest since the 1988 drought and global inventories are the lowest since 1983.
- For 1995/96, U.S. soybean production is off by over 350 million bushels at 2.15 billion bushels and well below total estimated use of 2.30 billion bushels, leaving stocks of 190 million bushels, or only 8 percent of use. With such a tight stocks situation, prospects for moderating prices for the remainder of 1995/96 and for 1996/97 depend importantly on some further slowing of protein meal use and for new crop production in the U.S. and abroad in 1996/97 to at least match this year's outturn.
- Early indications for world oilseed crop area in 1996/97 are for little change from 1995/96 as grower returns on grains are relatively more attractive in almost all countries. Some expansion in soybean area is anticipated in South America, mainly in Brazil, while U.S. soybean area is likely to drop slightly to a projected 61 million acres from 62.6 million in 1995/96.
- There is considerable uncertainty about U.S. and foreign soybean yield prospects, apart from the weather. Both the U.S. and Brazil have been experiencing above-trend yields for the past 3 or 4 years, which could be weather related but also may be related to other yield enhancing factors. The shift to higher density seeding and plant populations seems to be spreading into the U.S. Midwest, raising yield potential but probably increasing yield risk or variability in yields. For 1996/97, U.S. yields are tentatively projected at 37.0 bushels per acre, a little above long-term trends to account in part for the recent change in farming practices.
- With a 37-bushel yield and only 61 million acres, U.S. production would only show a small rebound in 1996/97 and would barely suffice to cover reduced U.S. crush and export prospects. As a result, stocks would remain close to 1995/96 levels as would prices. Factors limiting further price gains for soybeans would be larger grain availabilities and lower grain prices, pointing to larger oilseed supplies in 1997/98.
- Global soybean meal use gains in 1996/97 are expected to flatten following record consumption in 1995/96 of just over 87 million metric tons. Growth is still expected in the fastest growing markets in Asia and in some Latin American countries while some contraction is expected in most developed market economies, particularly in Europe. U.S. soybean meal use could drop slightly as meat exports slow and feeding rates decline particularly for hogs.
- Global vegetable oil consumption in 1996/97 is expected to grow by 3 percent, near longer term growth trends. China, along with many other developing countries, is contributing to the strong growth in world demand while most developed market economies are showing little or no per capita growth. Globally, vegetable oil stocks are low compared to historical norms with a larger share of these inventories concentrated in U.S. soybean oil stocks. U.S. vegetable oil exports and prices will be very sensitive to foreign developments particularly in China.

## World Soybean and Meal Exports (in Soybean equivalent) and U.S. Share



1995/96 forecast. Includes intra-EC trade.

## World Soybean Supply and Use and U.S. Soybean Exports<sup>1</sup>

Item	1990/91	1991/92	1992/93	1993/94	1994/95 P	1995/96 F
<i>Million tons</i>						
World						
Production	104.1	107.4	117.3	117.4	137.1	123.4
Crush	87.3	92.3	96.5	101.5	110.2	109.4
Ending stocks	20.6	18.4	20.0	16.7	25.6	15.8
Exports <sup>2</sup>						
World	59.0	64.2	64.3	65.4	71.2	70.4
U.S.	21.4	26.5	28.0	22.1	30.4	28.6
<i>Percent</i>						
Trade share						
U.S. <sup>2</sup>	36	41	44	34	43	41
Brazil	22	23	22	28	24	25
Argentina	19	17	16	18	16	17

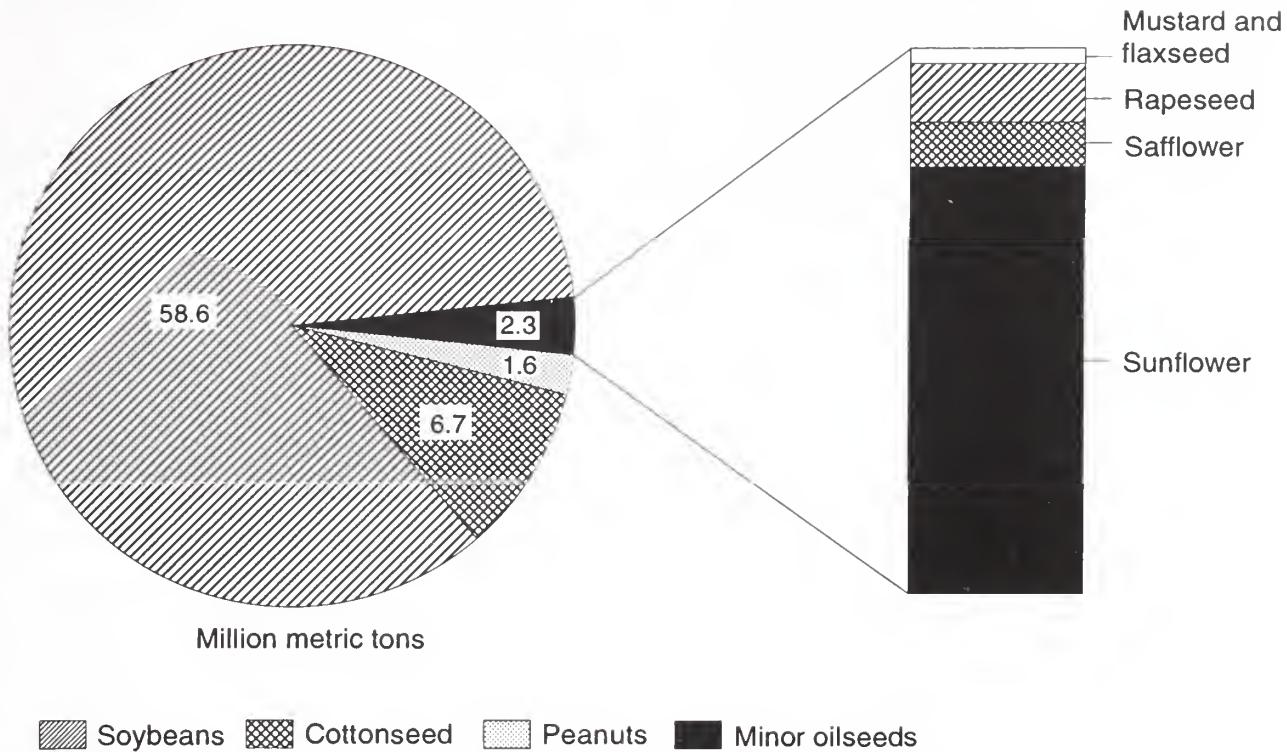
F = Forecast. <sup>1</sup> Local marketing year basis, except for Argentina and Brazil, which are on an October-September year. <sup>2</sup> Includes soybean meal on a soybean equivalent basis. Includes Intra-FSU trade and Intra-EU trade.

# U.S. SOYBEANS SUPPLY AND DEMAND

	1993/94	1994/95	1995/96 F	CHANGE FROM YEAR AGO
	<i>MILLION BUSHELS</i>			<i>PERCENT</i>
BEGINNING STOCKS	292	209	335	+60
PRODUCTION	1,871	2,517	2,152	-15
TOTAL SUPPLY	2,170	2,731	2,492	-9
CRUSHINGS	1,276	1,405	1,380	-2
SEED AND FEED	96	153	112	-27
DOMESTIC USE	1,372	1,558	1,502	-4
EXPORTS	589	838	810	-3
TOTAL USE	1,961	2,396	2,302	-4
ENDING STOCKS	209	335	190	-43
STOCKS/USE RATIO	11	14	8	-43
	<i>DOLLARS PER BUSHEL</i>			
AVG. MARKET PRICE	6.40	5.48	6.50-7.50	+19 to +37
LOAN RATE	5.02	4.92	4.92	0

F = Forecast.

## U.S. Oilseed Production, 1995



### Minor Oilseed Production <sup>1</sup>

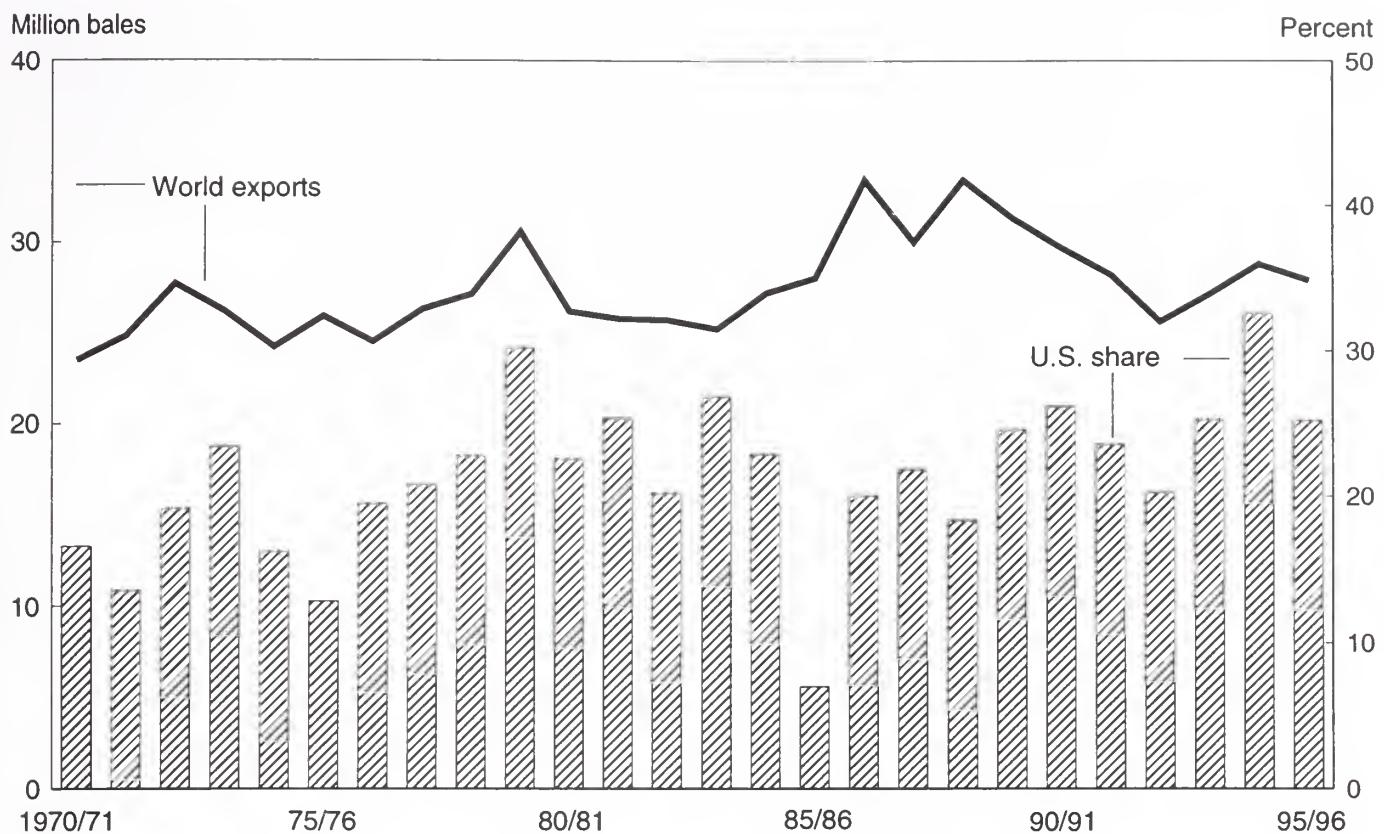
Item	1982	1987	1993	1994	1995
1,000 metric tons					
Sunflower	2,419	1,183	1,167	2,194	1,817
Flaxseed	261	189	88	74	56
Rapeseed <sup>2</sup>	3	21	118	209	249
Safflower	108	147	243	194	190
Mustard	10	8	6	6	8

<sup>1</sup> Data for 1982 and 1987 are from the Census of Agriculture for rapeseed, safflower, and mustard. Data for these oilseeds in 1995 are from the 1995 Crop Production Summary (NASS). <sup>2</sup> In 1995, canola accounted for 99 percent of total U.S. rapeseed production.

## COTTON

- The 1995/96 U.S. cotton situation is highlighted by production slightly above total use, continuing tight stocks, and strong prices. The crop totaled 18 million bales, 9 percent below last season's record as sharply lower yields overshadowed 27 percent larger acreage. Total use is projected at 17.7 million bales, down 14 percent from last season, reflecting sharply smaller exports and moderately smaller mill use. While increased foreign competition and reduced import demand by China are cutting U.S. export prospects, sluggish consumer demand and relatively high prices are trimming U.S. mill consumption. This season's ending stocks are projected at 3 million bales, slightly above beginning stocks, but equal to a relatively tight 17 percent of total use.
- Early-season U.S. cotton prospects for 1996/97 point to the possibility of record production and sharply larger stocks. Despite relatively high cotton prices, record or near-record prices for competing crops may result in smaller cotton area in 1996/97. Even so, if cotton yields recover to near trend, output could increase to 19 to 21 million bales.
- Demand for U.S. cotton is expected to strengthen slightly next season. Mill use is projected at 10.5 to 11.5 million bales, reflecting an anticipated rebound in consumer demand for textile products. Exports are projected at 6.5 to 7.5 million bales and may account for 24-28 percent of world trade, near this season's level.
- This scenario for 1996/97 would lead to a recovery in U.S. stocks to 4.5 to 5.5 million bales from this season's 3-million. The stocks-to-use ratio could increase to 26-29 percent, the highest since 1992/93, and place downward pressure on prices.

## World Cotton Exports and U.S. Share



1995/96 forecast.

## World Cotton Supply and Use and U.S. Cotton Exports

Item	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96 F
Million 480-pound bales						
World <sup>1</sup>						
Production	87.0	95.8	82.6	76.8	85.6	88.6
Use	85.6	86.0	85.7	85.3	84.5	85.7
Ending stocks	27.0	37.2	34.7	26.5	28.9	31.8
Exports <sup>2</sup>						
World	29.7	28.2	25.6	27.1	28.8	27.9
U.S.	7.8	6.6	5.2	6.8	9.4	7.2
Percent						
Trade Share						
U.S.	26	24	20	25	33	26
Uzbekistan	18	18	21	22	18	17
Franc-Zone Africa	7	8	8	7	9	10

F = Forecast. <sup>1</sup> Local marketing year basis. <sup>2</sup> August/July trade year.

# U.S. COTTON SUPPLY AND DEMAND

	1993/94	1994/95	1995/96 F	CHANGE FROM YEAR AGO
<i>MILLION 480-POUND BALES</i>				
BEGINNING STOCKS	4.66	3.53	2.65	-25
PRODUCTION	16.13	19.66	17.97	-9
TOTAL SUPPLY	20.80	23.21	20.72	-11
MILL USE	10.42	11.20	10.50	-6
EXPORTS	6.86	9.40	7.20	-23
TOTAL USE	17.28	20.60	17.70	-14
ENDING STOCKS	3.53	2.65	3.00	+13
<i>PERCENT</i>				
STOCKS/USE RATIO	20	13	17	+31
<i>CENTS PER POUND</i>				
AVG. MARKET PRICE	58.40	73.00	<sup>1</sup>	—
LOAN RATE, UPLAND	52.35	50.00	51.92	+4

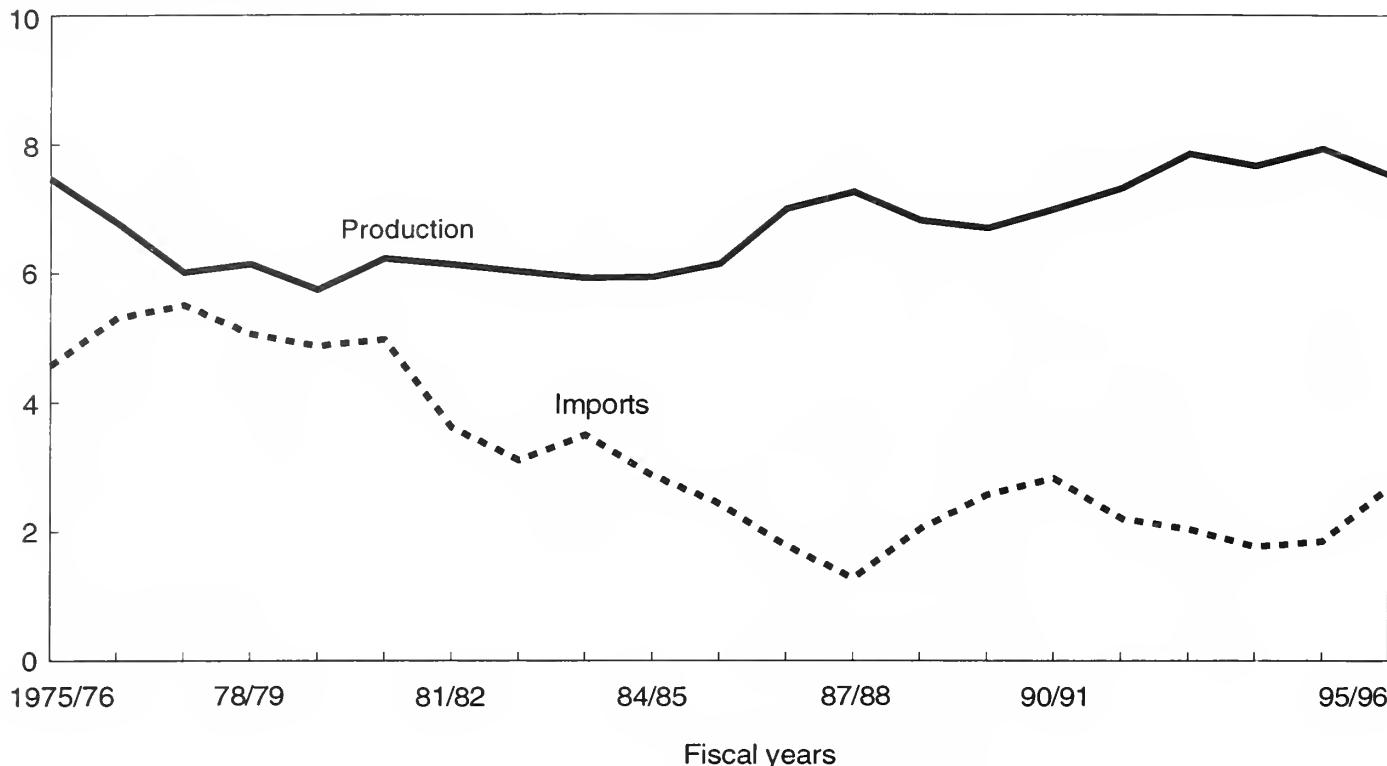
<sup>1</sup> USDA is prohibited from publishing cotton price projections.

## HORTICULTURAL PRODUCTS, SUGAR, AND TOBACCO

- Grower cash receipts from vegetables are forecast at \$13.3 billion in 1996, down 3 percent from 1995. Cash receipts for vegetables increased in 1995 because lower supplies—due to weather—brought higher prices. Winter vegetable plantings are down for the second year because of low returns attributable in part to increased imports from Mexico.
- Grower cash receipts from fruit and tree nuts in 1996 are forecast at \$11.5 billion, up 4 percent from 1995. Prices will be up because of smaller crops of apples, pears, Florida oranges, grapefruit, almonds, and walnuts. U.S. orange juice production is forecast down 2 percent.
- The greenhouse, turf grass, and nursery industries form one of the most dynamic sectors of U.S. agriculture. Cash receipts in 1996 are forecast at \$10.6 billion, up 4 percent from 1995.
- *Horticultural product exports* in fiscal 1996 are forecast at \$10.3 billion, up 10 percent from last year. Higher U.S. prices, crumbling trade barriers, rapidly growing economies in East Asia and some Latin American countries, and market promotion efforts are supporting the export boom.
- U.S. *sugar production* in fiscal 1996 is forecast down 5 percent from last season's record high. The sugar beet crop was down because of poor weather in several producing states. High prices for alternative crops could limit sugar beet acreage in 1996.
- Domestic *sugar use* in fiscal 1996 is expected to rise about 1 percent. High fructose corn syrup (HFCS) use could rise nearly 4 percent. Sugar accounts for about 44 percent of U.S. caloric sweetener use, followed by 39 percent for HFCS, and 16 percent for other corn sweeteners.
- The United States has a commitment to the World Trade Organization (WTO) to allow at least 1.26 million short tons of *sugar imports* per year under a low duty. Low duty imports in fiscal year 1996 are forecast at 1.9 million tons. Domestic marketing allotments, authorized under the current farm act, are not in place this fiscal year.
- The U.S. domestic *price for refined sugar* in February 1996 was about 30 cents per pound, up 4.5 cents from a year ago, and the highest since 1990. The high price follows the reduction in beet sugar production. Despite high corn prices, corn sweetener prices are down from a year ago because of greatly expanded corn wet milling capacity.
- Higher demand for *tobacco* and an agreement by U.S. cigarette manufacturers to purchase surplus tobacco have enhanced U.S. tobacco use prospects. Effective flue-cured and burley tobacco marketing quotas are up in 1996 because of reduced loan stocks, a short 1995 crop, and greater cigarette production. Price supports have edged up, but prices of flue-cured tobacco may decline after the 10-percent gain last year.

## U.S. Sugar Production and imports<sup>1</sup>

Million short tons, raw value



1995/96 forecast. 1/ Includes Puerto Rico.

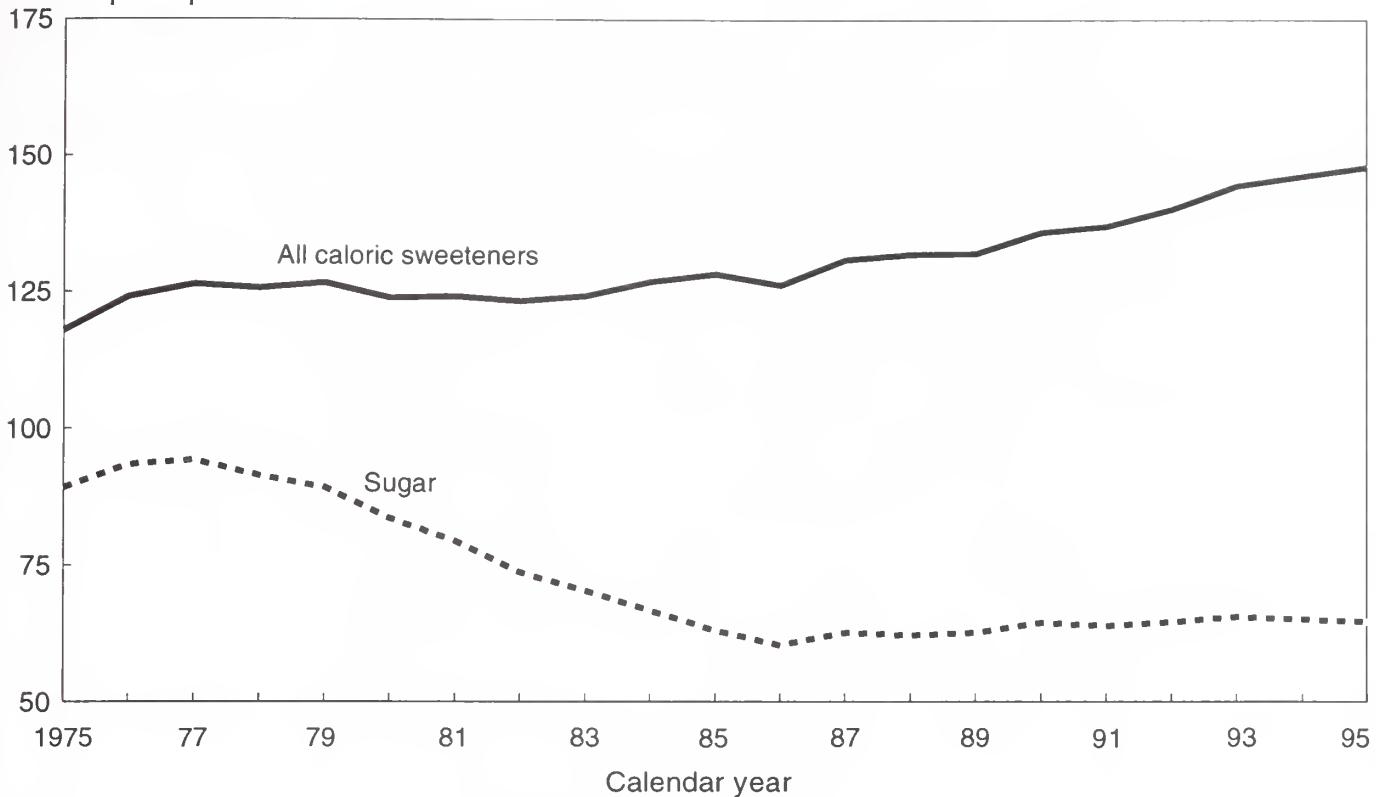
## U.S. Sugar Supply and Use, Fiscal Years

Description	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96F
1,000 short tons, raw value						
Beginning stocks <sup>1</sup>	1,224	1,524	1,477	1,704	1,337	1,233
Production	6,978	7,306	7,838	7,655	7,927	7,520
Imports	2,825	2,194	2,039	1,772	1,853	2,690
Supply	11,027	11,024	11,354	11,131	11,117	11,443
Exports	627	554	405	454	502	500
Deliveries	8,901	9,006	9,197	9,333	9,337	9,420
Use <sup>2</sup>	9,503	9,547	9,650	9,794	9,884	9,920
Ending stocks <sup>1</sup>	1,524	1,477	1,704	1,337	1,233	1,523

F = Forecast. <sup>1</sup> Stocks in hands of U.S. primary distributors and CCC. <sup>2</sup> Includes CCC disposal, polyhydric alcohol, refining loss, and statistical discrepancy as well as total deliveries and total exports. U.S. sugar supply and use includes Puerto Rico.

## U.S. Caloric Sweetener Consumption

Pounds per capita



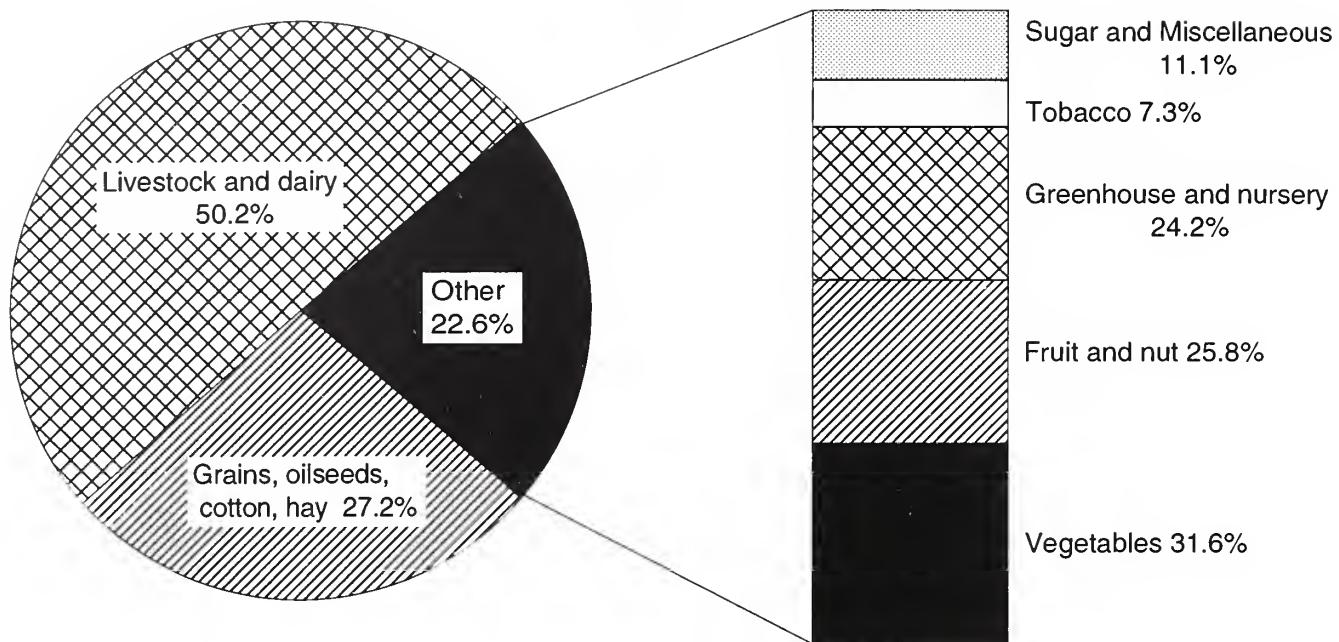
1995 forecast. Caloric sweeteners include sugar, corn sweeteners, honey, and edible syrups.

### Per Capita Consumption of Caloric Sweeteners

Item	1990	1991	1992	1993	1994	1995 F
<i>Pounds</i>						
Sugar use <sup>1</sup>	64.5	63.8	64.6	65.5	65.1	64.6
<i>Pounds</i>						
All caloric sweeteners <sup>2</sup>	135.9	136.9	140.0	144.3	146.1	147.8

F = Forecast. <sup>1</sup> Does not include sugar in imported blends. <sup>2</sup> Comprises sugar, corn sweeteners, honey, and edible syrups.

## Other Crops' Share of Cash Receipts



1991-94 average.

### Other Crops: Cash Receipts

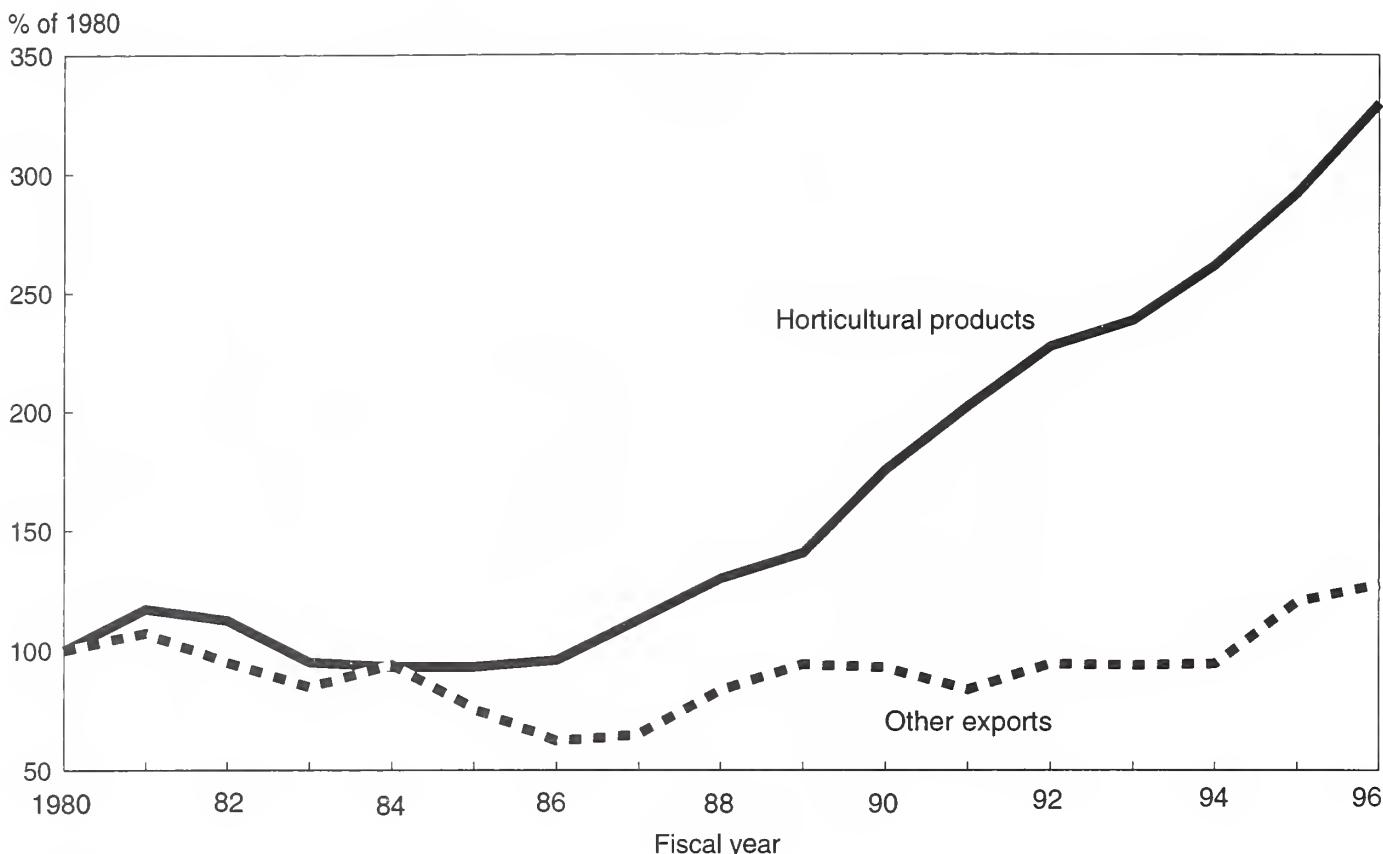
Crop	1990	1991	1992	1993	1994
<i>Million dollars</i>					
Vegetables	11,424	11,537	11,824	13,144	13,033
Fruits & nuts	9,418	9,928	10,175	10,260	10,146
Greenhouse & nursery	8,697	9,053	9,303	9,663	10,044
Tobacco	2,733	2,881	2,962	2,949	2,646
Miscellaneous	4,108	4,013	4,392	4,277	4,704
Total	36,360	37,412	38,656	40,293	40,573

F = Forecast.

**Other Crops: Leading Products, 1994**

Product	Cash receipts
	<i>Million dollars</i>
<b>Fruit and nuts</b>	
Grapes	1,854
Oranges	1,580
Apples	1,321
Almonds	894
Strawberries	824
Walnuts	317
<b>Vegetables</b>	
Potatoes	2,529
Tomatoes	1,683
Lettuce	1,111
Onions	633
Com, sweet	631
Beans, dry	568
<b>Other</b>	
Sugarbeets	1,242
Cane for sugar	882
Mushrooms	721

## Horticultural Product Exports



1996 forecast.

## Horticultural Product Exports <sup>1</sup>

Item	1992	1993	1994	1995	1996F
<i>Billion dollars</i>					
Horticultural	7.0	7.3	8.1	9.1	10.3
Fruits	2.8	2.7	3.0	3.3	3.6
Nuts	.9	.9	1.1	1.1	1.2
Vegetables	1.9	2.1	2.2	2.5	2.9
<i>Percent</i>					
Share of total agricultural exports	16.5	17.2	18.6	16.8	17.8

F = Forecast. <sup>1</sup> Fiscal year data.

Source: Outlook for U.S. Agricultural Exports

## LIVESTOCK AND POULTRY OUTLOOK

- Recent data published by National Agricultural Statistics Service show the January 1996 beef cow inventory to be 1 percent larger than a year earlier and 2 percent larger than at the start of 1994. The January 1, 1995, inventory was revised downward about 2.5 percent from the previous estimate. The 1994 calf crop was revised downward 1.6 percent and the 1995 calf crop was 3 percent smaller than indicated in the July 1995 survey. The number of heifers being held for herd replacements was down 4 percent from a year earlier. The 1996 calf crop probably will be about the same as 1995's crop.
- Beef production in 1995 was up 3 percent from 1994. Production is expected to increase 2-3 percent in 1996, due in part to higher beef cow slaughter. The expected 1996 calf crop will limit increases in beef production in 1997.
- Beef exports were up about 14 percent in 1995. Prospects for future growth are bright with a projected increase of over 15 percent in 1996. Japan is the largest market, currently taking about 55 percent of U.S. beef exports. The U.S. will continue to hold a comparative advantage in grain-fed beef exports and most market growth will continue in Pacific Rim countries. Grain-fed beef supplies from Australia are expected to decline due to higher grain prices and lower feedlot profits. However, competition from grass-fed beef cuts is expected to remain stiff from Australia, New Zealand, and South America.
- Beef imports in 1995 were down around 13 percent. Imports in 1996 are expected to be near the 1995 level and, for the first time in modern history, the U.S. will be a net beef exporter. Increased U.S. beef supplies and less attractive prices for importers are holding down imports.
- Fed cattle prices are forecast to average \$1.50-\$2.00 per cwt below a year earlier in 1996. Fed cattle marketings are expected to remain high throughout 1996. Increased beef output and large supplies of competing meats will keep downward pressure on prices.
- Returns to cattle feeders were relatively good in 1995 despite higher grain prices. Returns for cow-calf producers, however, were poor as feeder cattle prices dropped sharply. Cow-calf producers likely will have another bad year in 1996 as the high corn prices and lower fed cattle prices cause cattle feeders to bid lower prices for feeder cattle.
- Pork production in 1995 rose nearly 1 percent and is expected to increase about 3 percent in 1996. The *Hogs and Pigs* report released in late Decem-

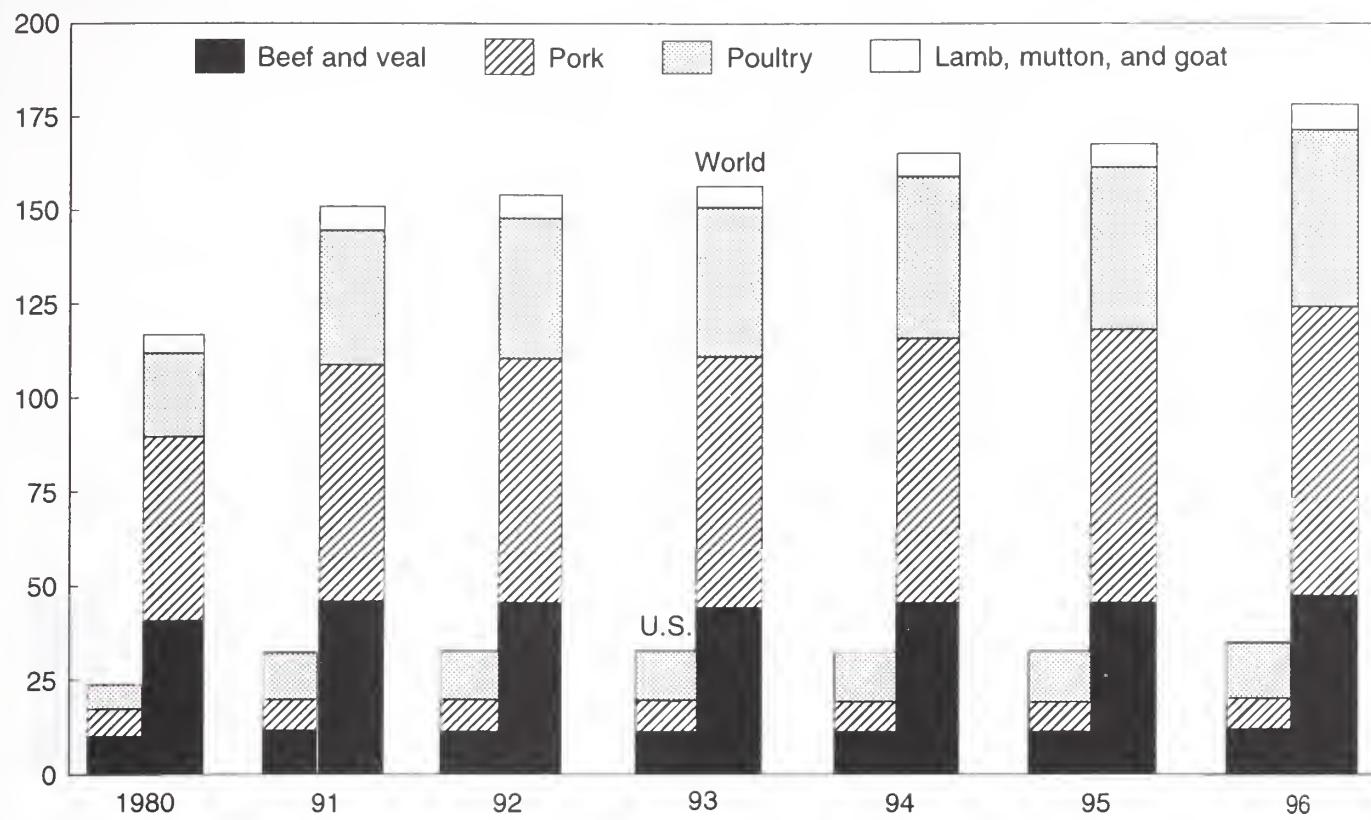
ber showed a larger breeding inventory than a year earlier despite high feed prices.

- Pork imports in 1995 were down 12 percent from the year earlier and little change from the 1995 level is expected this year. Exports increased nearly 48 percent in 1995 and an additional increase of around 15 percent is expected in 1996. Japan was the largest importer, followed by Russia. Modest sales will continue to the Pacific Rim countries with competition from other suppliers such as China, which is expanding hog breeding herds. If Chinese pork surpluses are created and spill over into the Korean market, U.S. market share could be hindered. Taiwan and Denmark are expected to remain competitive in the global market.
- Supported by a strong export market and production about even with the year before, hog prices in 1995 averaged around \$42 per cwt. Prices in 1996 are forecast about \$3 per cwt below the 1995 average. Large competing meat supplies and rising pork production in second-half 1996 are expected to weigh on prices.
- Continued growth of the largest hog operations is expected. The operations probably have lower per unit costs, a major reason the high feed prices are not causing a cutback in inventories.
- Broiler production continues to increase at a relatively fast pace in response to favorable returns. Output was up about 5 percent in 1995, and is forecast to rise around 6 percent in 1996. Producer returns are now being squeezed by higher feed costs and weaker broiler prices. If feed prices rise more than expected or broiler prices are weaker than forecast, the production increase could be smaller.
- Broiler exports in 1995 rose about 30 percent from the previous year. Broiler export gains are expected to slow to around 7 percent in 1996. Exports to Japan, Korea, and China will continue to grow. Russia was the largest market for U.S. broiler exports in 1995. Russia should remain an attractive market this year, but the problems that arose in February 1996 show how fragile this market can be.
- Broiler prices in 1995 averaged around 56 cents per pound, supported by strong export growth. If production increases as projected, stronger exports to areas such as South America, Asia, the Middle East, and North Africa will be needed to help sustain the 12-city price of 54 cents per pound forecast for 1996. Otherwise, the year-over-year decrease could be greater than 2 cents.

- Turkey production increased close to 3 percent last year and is expected to increase 4-5 percent in 1996. Turkey prices in 1995 were the highest in several years at around 66 cents per pound and are expected to average around 65 cents this year. Turkey exports are forecast to slow to around a 5-percent annual increase in 1996, compared with 1995's 25-percent increase. The export pace has recently slowed because of declining sales to Mexico. The export growth forecast for 1996 is based on large expected sales to Korea and Hong Kong, and a slight rebound from Mexico.
- Strong production growth for beef, pork, and broilers boosted total meat output about 3.1 percent in 1995, and an increase of nearly 4 percent is forecast for this year. Strong growth in exports held per capita total meat consumption about equal to the record level of 1994. In 1995, per capita red meat and poultry consumption was over 211 pounds (retail basis). Current projections point to an increase of over 5 pounds for 1996.

## U.S. and World Meat Production

Million metric tons



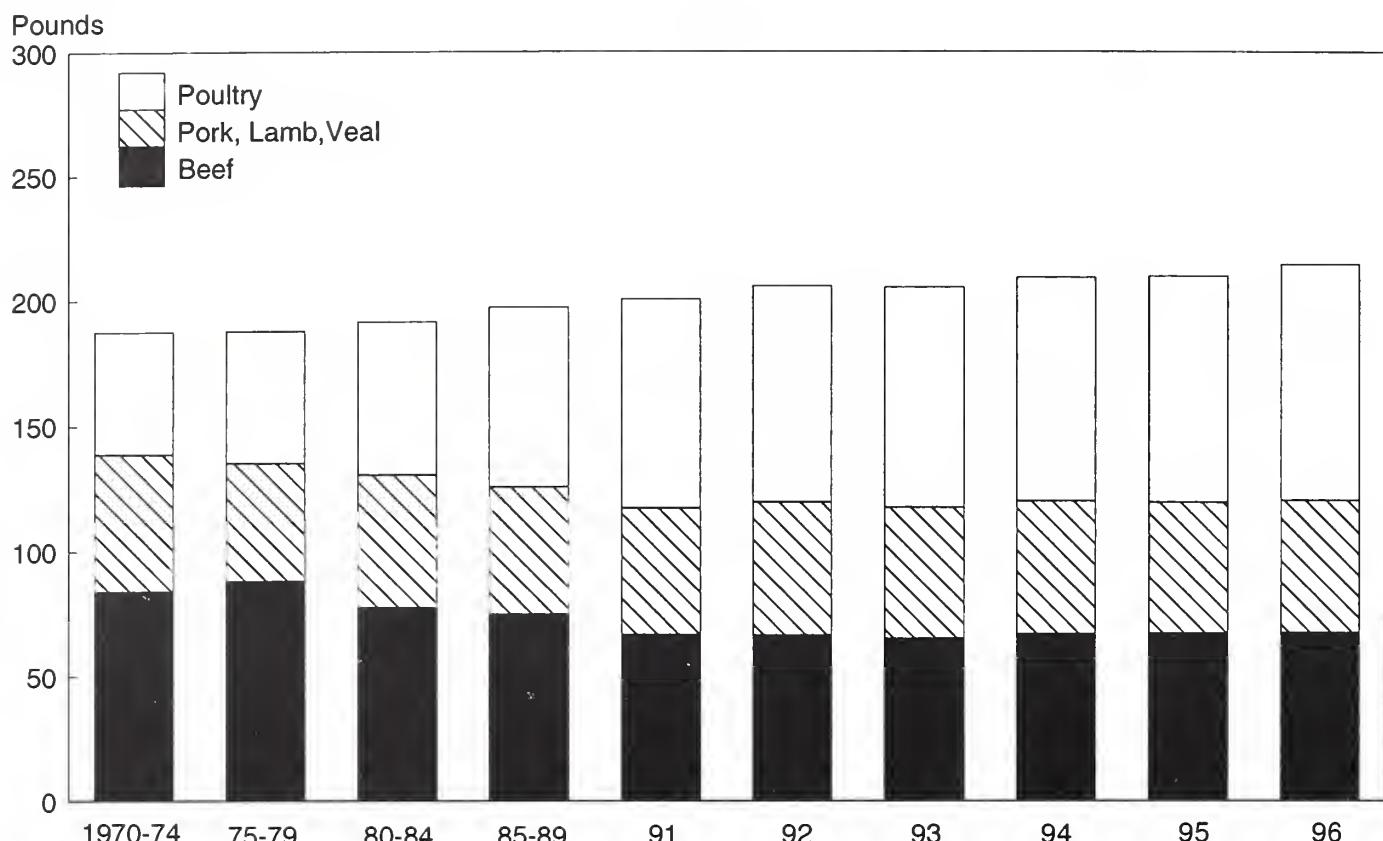
1995 preliminary, 1996 forecast.

## U.S. and World Meat Production

Item	1980	1990	1993	1994	1995 P	1996 F
Million metric tons						
Beef and veal						
U.S.	10.0	10.5	10.6	11.2	11.5	11.9
World	40.8	45.8	44.4	45.6	46.8	47.4
Pork						
U.S.	7.5	7.0	7.8	8.0	8.1	8.3
World	48.8	61.4	66.6	70.1	74.7	76.8
Poultry						
U.S.	6.4	10.6	12.4	13.2	13.9	14.7
World	22.2	33.8	39.7	43.2	44.5	47.1
Lamb, mutton, and goat						
U.S.	0.1	0.2	0.2	0.1	0.1	0.1
World	4.9	6.1	6.2	6.3	6.5	7.0

P = Preliminary. F = Forecast.

## U.S. Per Capita Meat Consumption



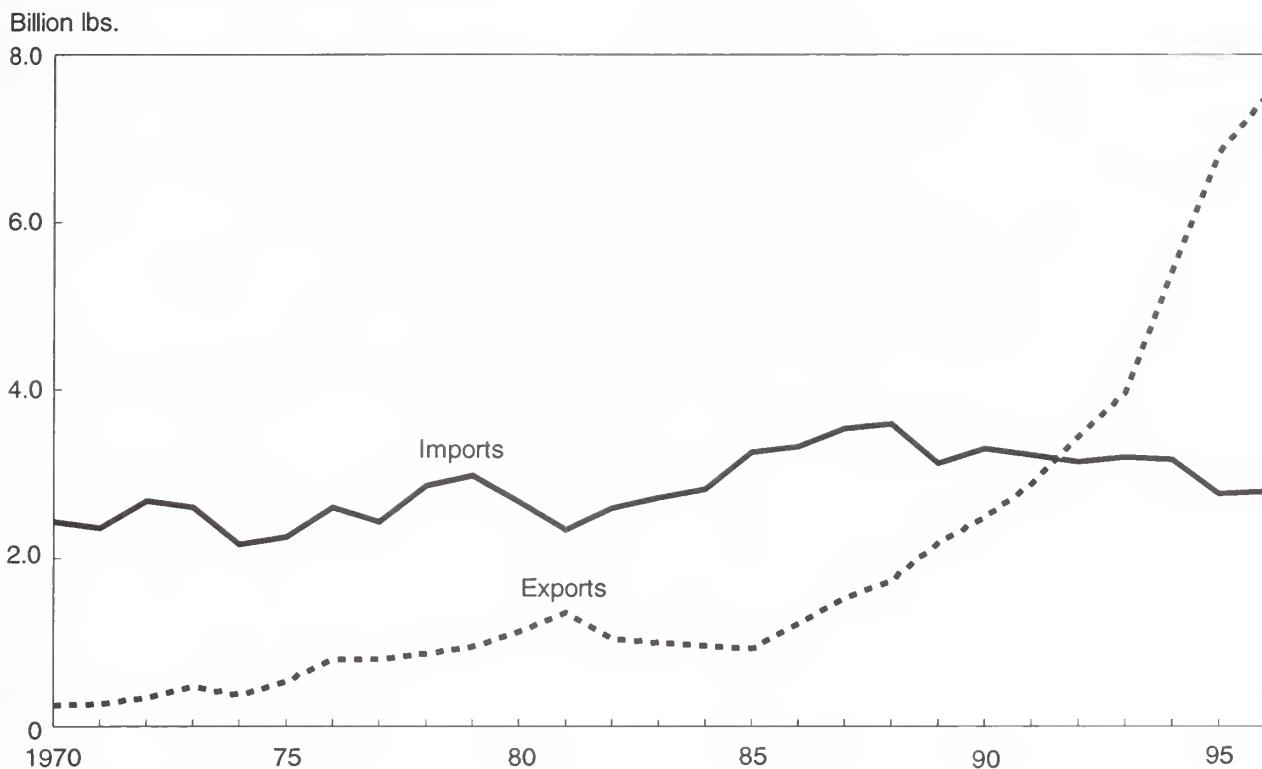
1995 preliminary, 1996 forecast.

### Per Capita Meat Consumption (Retail Weight Basis)

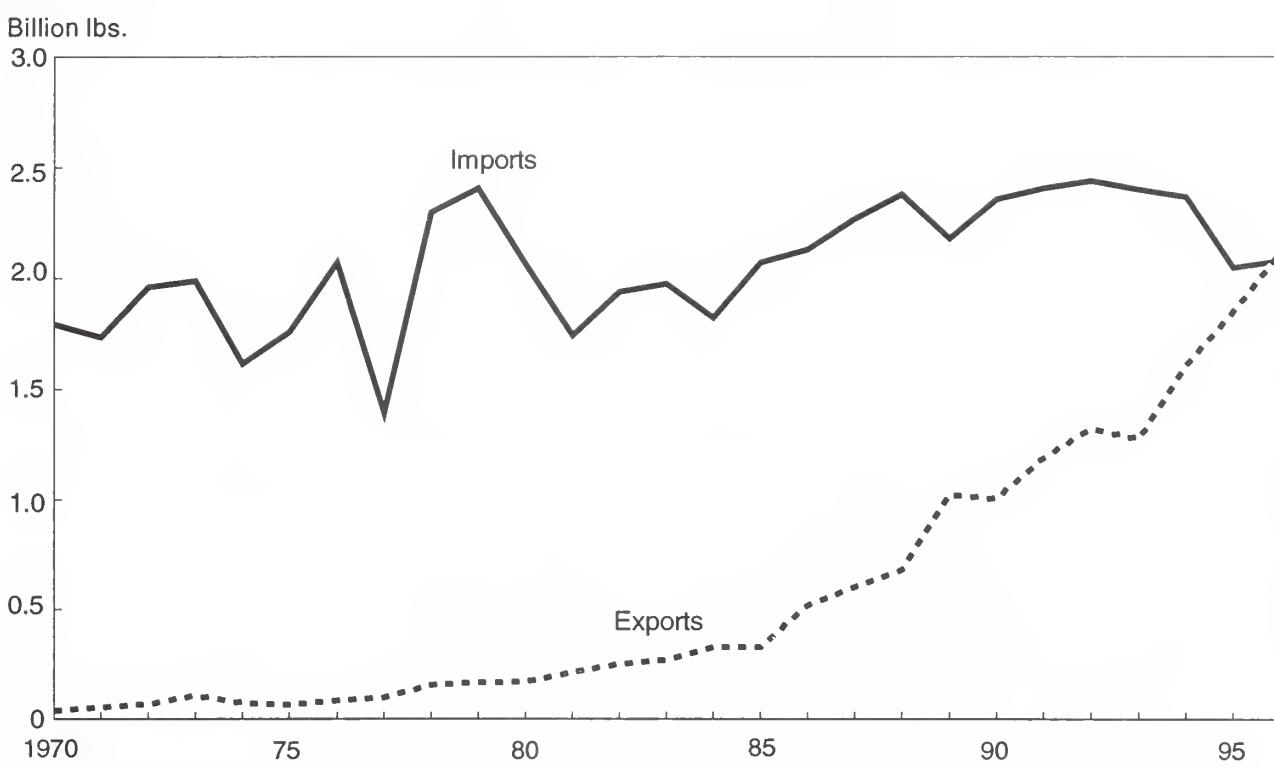
Item	1980	1990	1993	1994	1995 P	1996 F
Beef	76.6	67.8	65.1	67.0	67.1	67.4
Veal	1.5	1.1	.9	.9	1.0	1.0
Pork	57.3	49.8	52.3	53.1	52.4	52.9
Lamb and mutton	1.4	1.4	1.3	1.2	1.1	1.0
Total red meat	136.8	120.1	119.6	122.2	121.6	122.4
Broilers	46.5	60.9	68.3	69.9	70.2	74.1
Turkeys	10.3	17.6	17.8	17.8	17.9	18.5
Other chicken	2.2	2.0	1.8	1.7	1.5	1.6
Total poultry	59.0	80.5	87.9	89.4	89.6	94.2
Total meat	195.8	200.5	207.6	211.5	211.3	216.5

P = Preliminary. F = Forecast.

## U.S. Red Meat and Poultry Trade

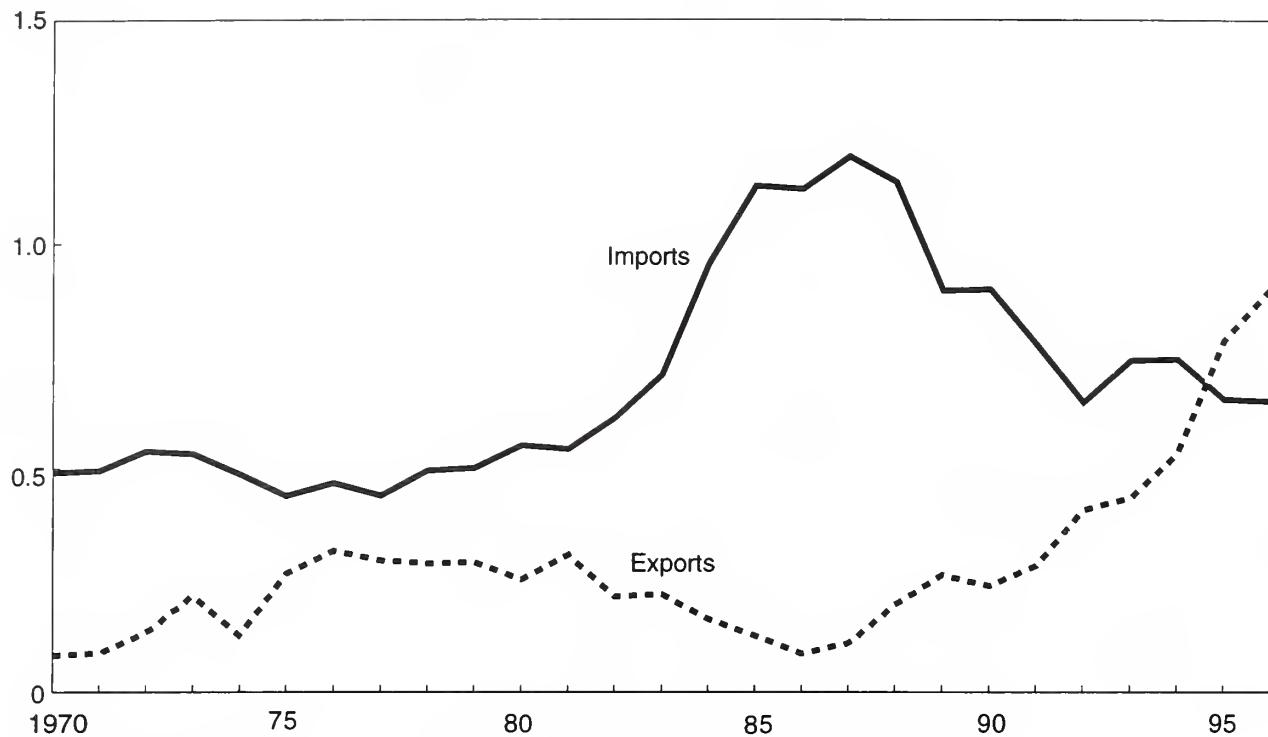


## U.S. Beef Trade



## U.S. Pork Trade

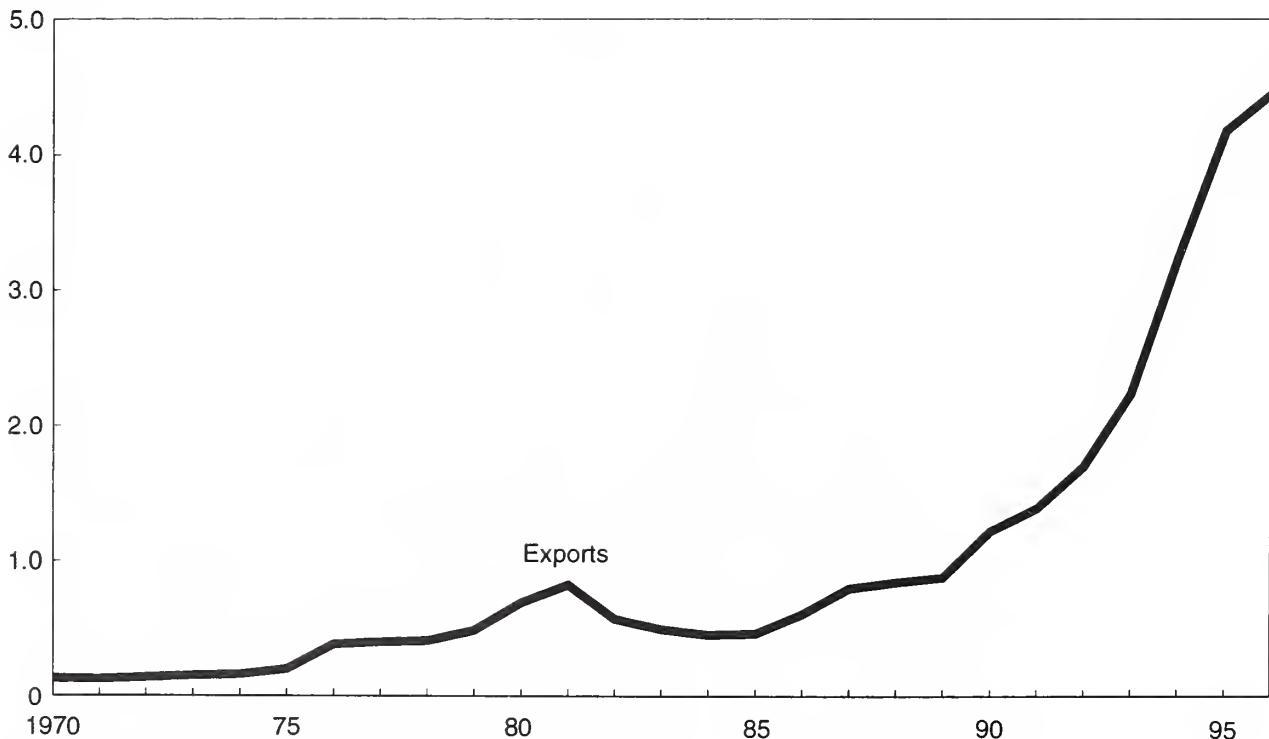
Billion lbs.



1995 preliminary. 1996 forecast.

## U.S. Poultry Trade

Billion lbs.



1995 preliminary. 1996 forecast.

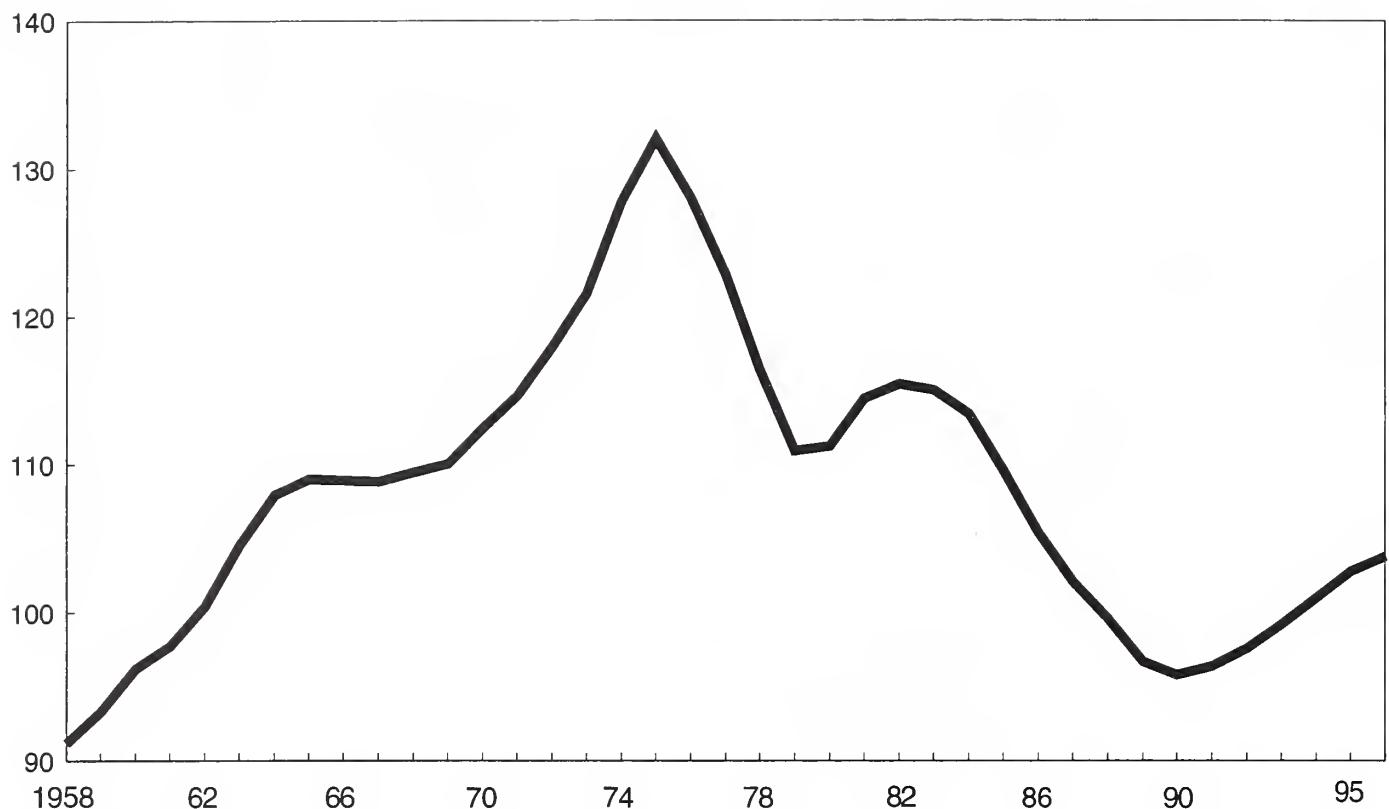
**U.S. Meat Production and Trade**

Item	1980	1990	1993	1994	1995 P	1996 F
<i>Million pounds</i>						
Beef						
Production	21,643	22,743	23,049	24,386	25,149	25,758
Imports	2,064	2,356	2,401	2,369	2,050	2,080
Exports	173	1,006	1,275	1,611	1,835	2,120
Pork						
Production	16,617	15,354	17,088	17,696	17,849	18,363
Imports	550	898	740	743	654	650
Exports	252	238	435	531	784	900
Poultry						
Production	14,173	23,468	27,328	29,113	30,379	32,140
Imports	0	0	0	0	0	0
Exports	695	1,222	2,234	3,246	4,197	4,476
Total meats						
Production	53,151	62,255	68,087	71,796	73,982	76,841
Imports	2,668	3,295	3,194	3,161	2,763	2,783
Exports	1,124	2,473	3,953	5,397	6,823	7,504
Net imports	1,544	822	(759)	(2,236)	(4,060)	(4,721)
Exports( )						
<i>Percent of production</i>						
Beef						
Imports	9.5	10.4	10.4	9.7	8.2	8.1
Exports	0.8	4.4	5.5	6.6	7.3	8.2
Pork						
Imports	3.3	5.8	4.3	4.2	3.7	3.5
Exports	1.5	1.6	2.5	3.0	4.4	4.9
Poultry						
Exports	4.9	5.2	8.2	11.1	13.8	13.9
Total meats						
Net imports	2.9	1.3	(1.1)	(3.1)	(5.5)	(6.1)

P = Preliminary. F = Forecast.

## U.S. Cattle and Calf Inventory

Million head



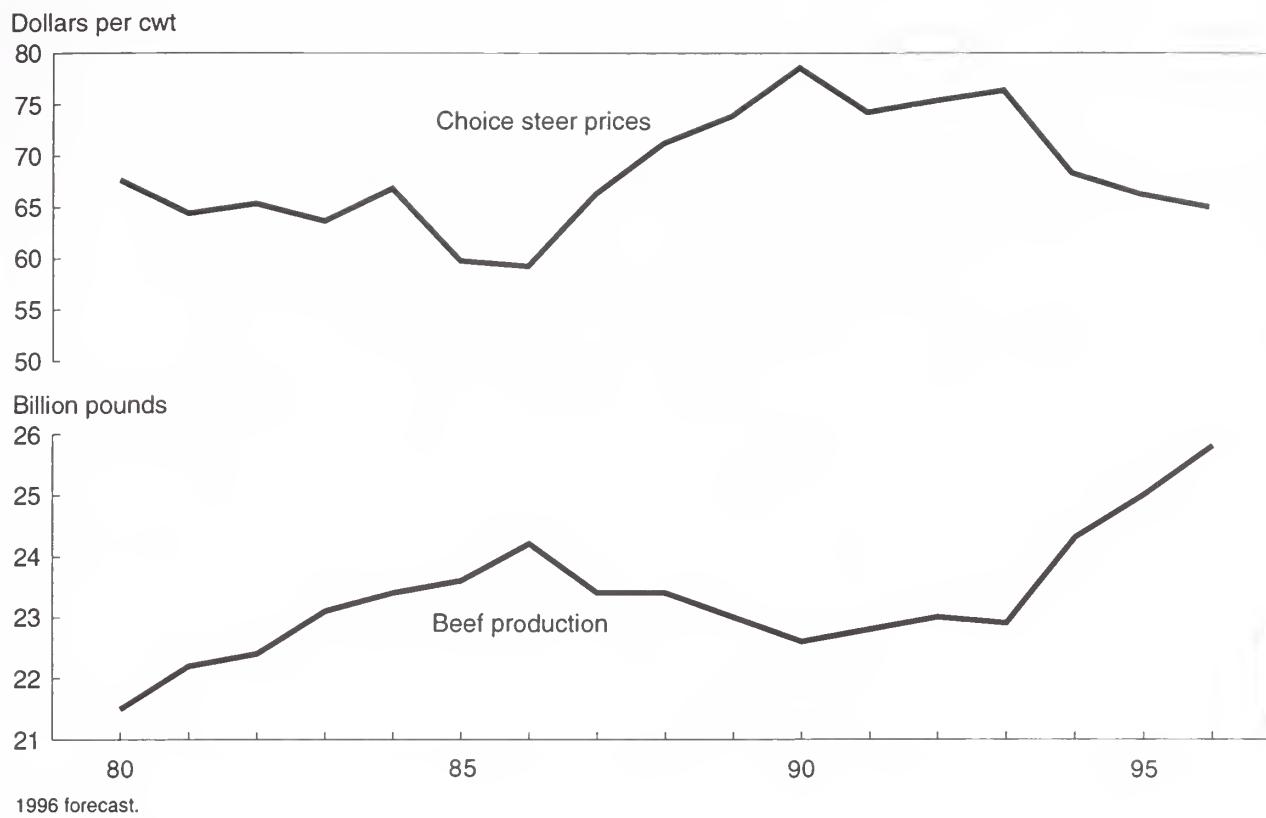
As of January 1.

### Cattle Balance Sheet

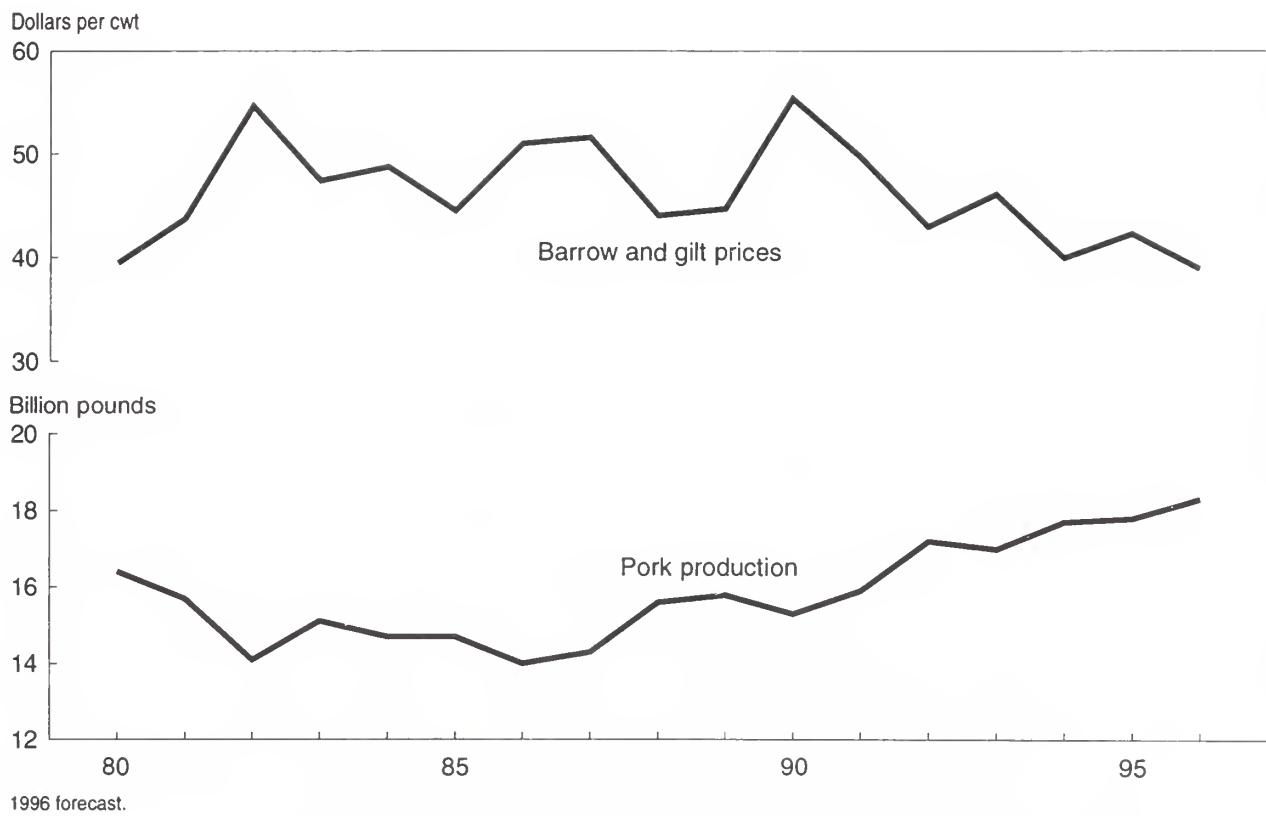
Item	1980	1985	1990	1993	1994	1995 E
	Million head					
Beginning inventories	111.2	109.6	95.8	99.2	101.0	102.8
Calf crop	44.9	41.0	38.6	39.4	40.1	40.3
Supply	156.9	151.5	136.5	141.1	143.1	145.7
Slaughter	36.8	40.0	35.3	34.7	35.7	37.1
Deaths and exports	5.4	5.0	4.4	4.8	4.5	4.5
Disappearance	42.3	45.2	39.8	39.5	40.2	41.7
Ending inventory	114.4	105.4	96.4	101.0	102.8	103.8

E = Estimated.

## Beef Production and Steer Prices

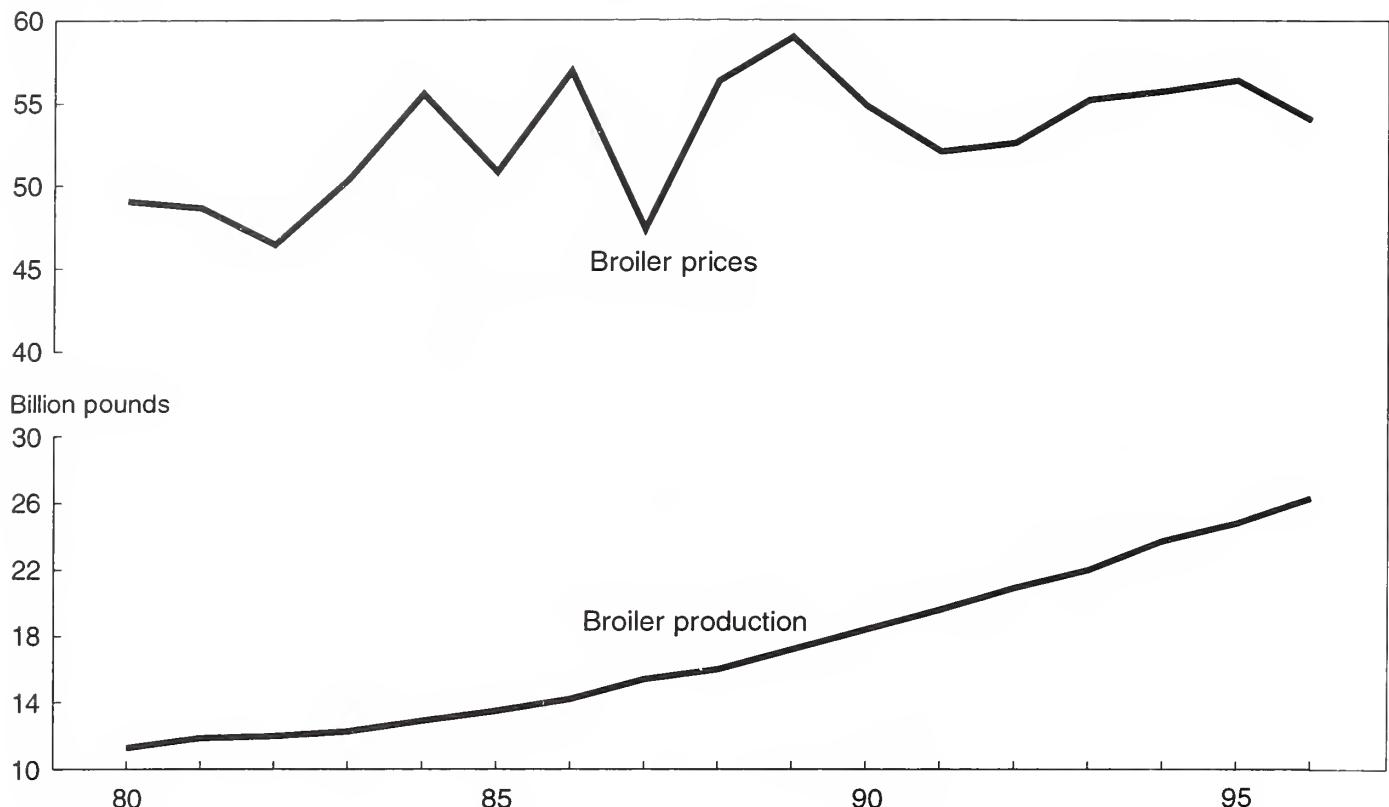


## Pork Production and Hog Prices



## Broiler Production and Prices

Cents per pound

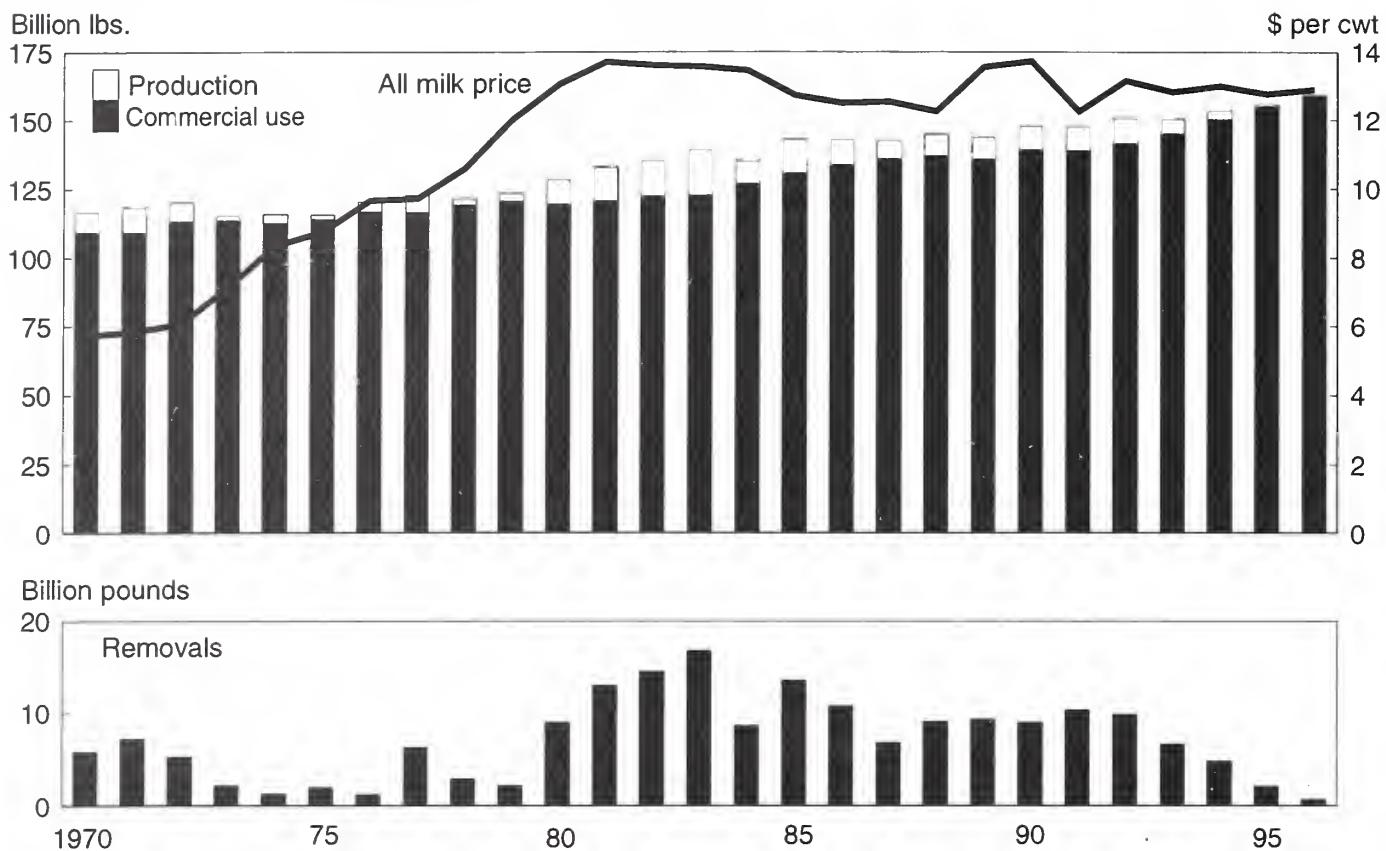


1996 forecast.

## DAIRY

- Milk production increased nearly 1.5 percent in 1995, with almost all of the increase coming in the first half of the year. Production slowed during the year as output per cow weakened. Production in 1996 is expected to increase about 1 percent. High feed costs will be only partially offset by higher milk prices. The lowest milk-feed price ratios since the mid-seventies will trim expansion in milk per cow. Farmers will be conservative about increases in concentrate feeding, and growth in the number of cows receiving bovine somatotropin (bST) may slow. Milk per cow may increase about 2 percent. The number of cows is expected to decline almost 1 percent.
- Commercial use of dairy products increased over 3 percent in 1995, in part because of larger commercial exports. The 1-percent increase in production is expected to be easily absorbed by expansion in commercial use in 1996. Sales of milkfat and skim solids are expected to increase 1 to 2 percent. Butter exports are expected to absorb the available butter, and domestic cheese sales are expected to grow. Fluid milk sales and nondairy use of nonfat dry milk are projected to be steady.
- The 1996 surplus of skim solids will be small, while the milkfat surplus could be very small. Removals of skim solids are projected to be equivalent to 2 to 4 billion pounds of milk and will be mostly exports under The Dairy Export Incentive Program. The milkfat surplus could be less than 1 billion pounds, milk equivalent.
- Tight markets are expected to generate higher milk prices, particularly during the first half of the year. The 1996 average milk price is projected to rise 3 to 6 percent from 1995's \$12.78 per cwt, to possibly the highest since 1990.

## U.S. Milk Production, Use, Price, and Removals



1995 preliminary. 1996 forecast.

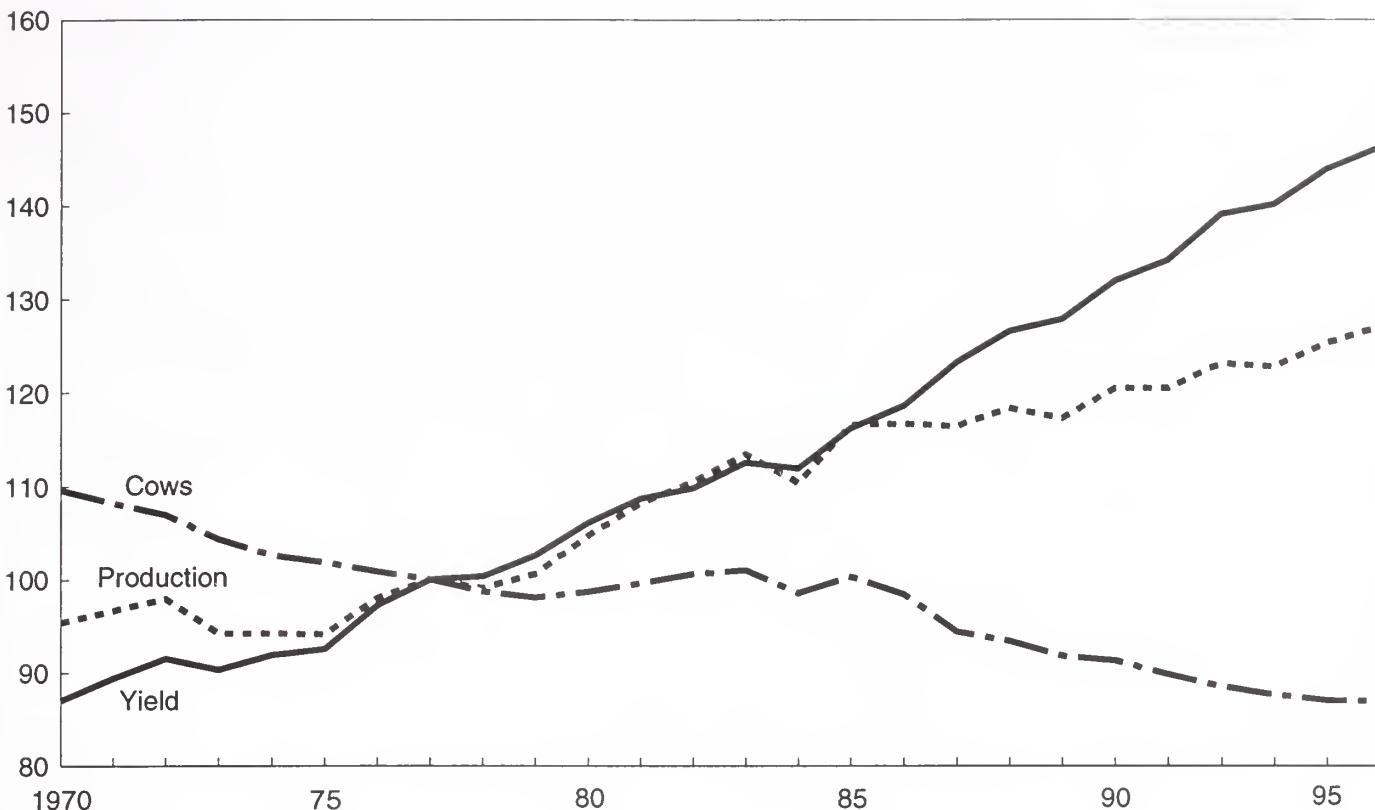
## U.S. Milk Production, Use, Prices, and Removals

Item	1980	1990	1993	1994	1995 P	1996 F
<i>Billion pounds<sup>1</sup></i>						
Production	128.4	147.7	150.6	153.6	155.6	157.3
Commercial use	118.9	139.0	145.1	150.2	154.9	157.5
Net CCC removals	9.0	9.0	6.7	4.8	2.1	0.6
<i>Dollars per cwt</i>						
All milk, price received by farmers	13.05	13.74	12.84	13.01	12.78	13.40

<sup>1</sup> Milk equivalent, fat basis. P = Preliminary. F = Forecast.

## Milk Production, Number of Cows, and Milk per Cow

% of 1977



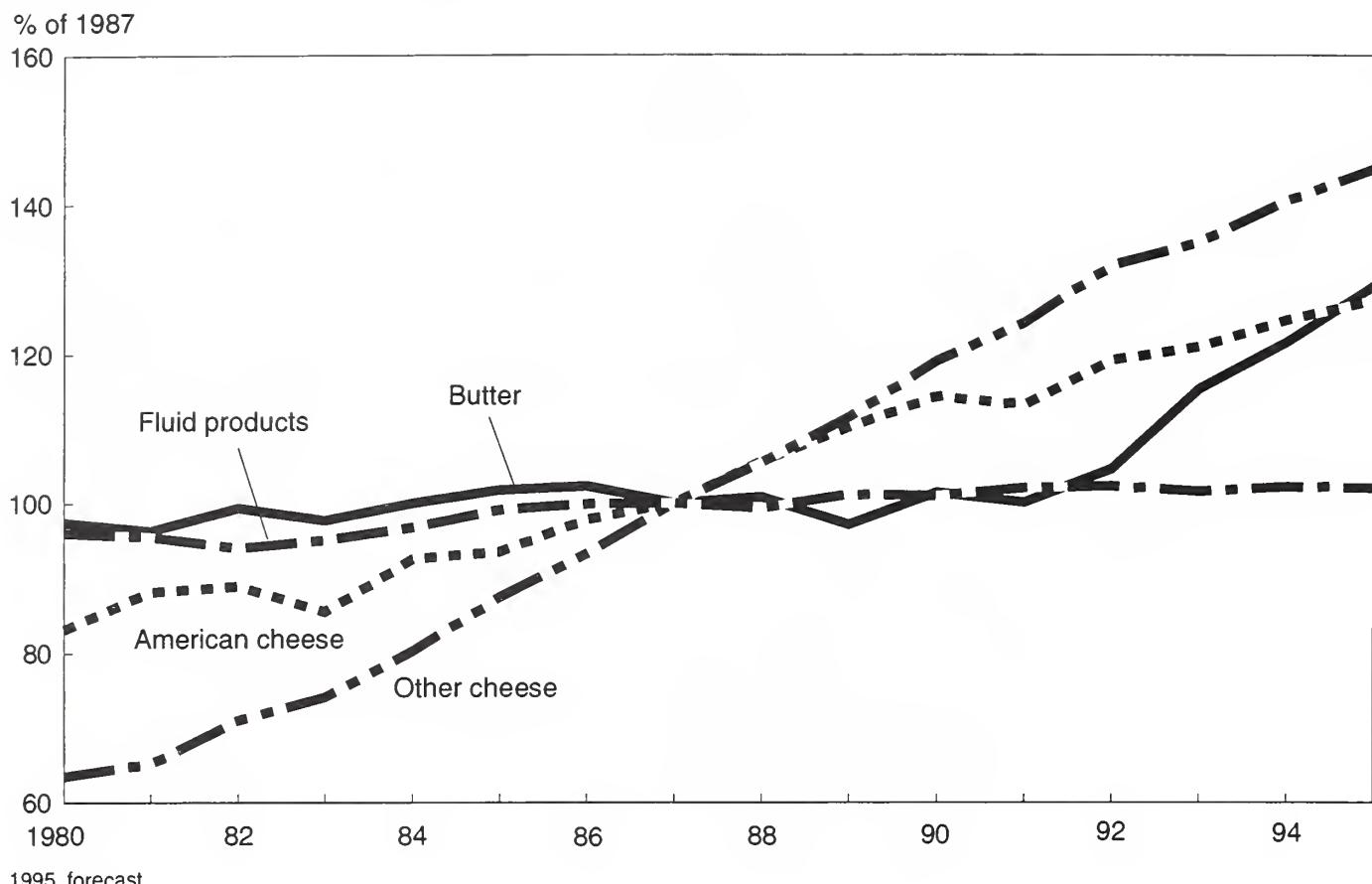
1995 preliminary. 1996 forecast.

## U.S. Milk Production, Milk Per Cow, and Milk Cows

Item	1980	1990	1993	1994	1995 P	1996 F
<i>Billion pounds</i>						
Production	128.4	147.7	150.6	153.6	155.6	157.3
<i>Pounds per cow</i>						
Milk per cow	11,891	14,782	15,704	16,128	16,451	16,805
<i>Million head</i>						
Cows <sup>1</sup>	10.8	10.0	9.6	9.5	9.5	9.4

<sup>1</sup> Average number on farms during year. P = Preliminary. F = Forecast.

## Sales of Selected Dairy Products



## Sales of Selected Dairy Products

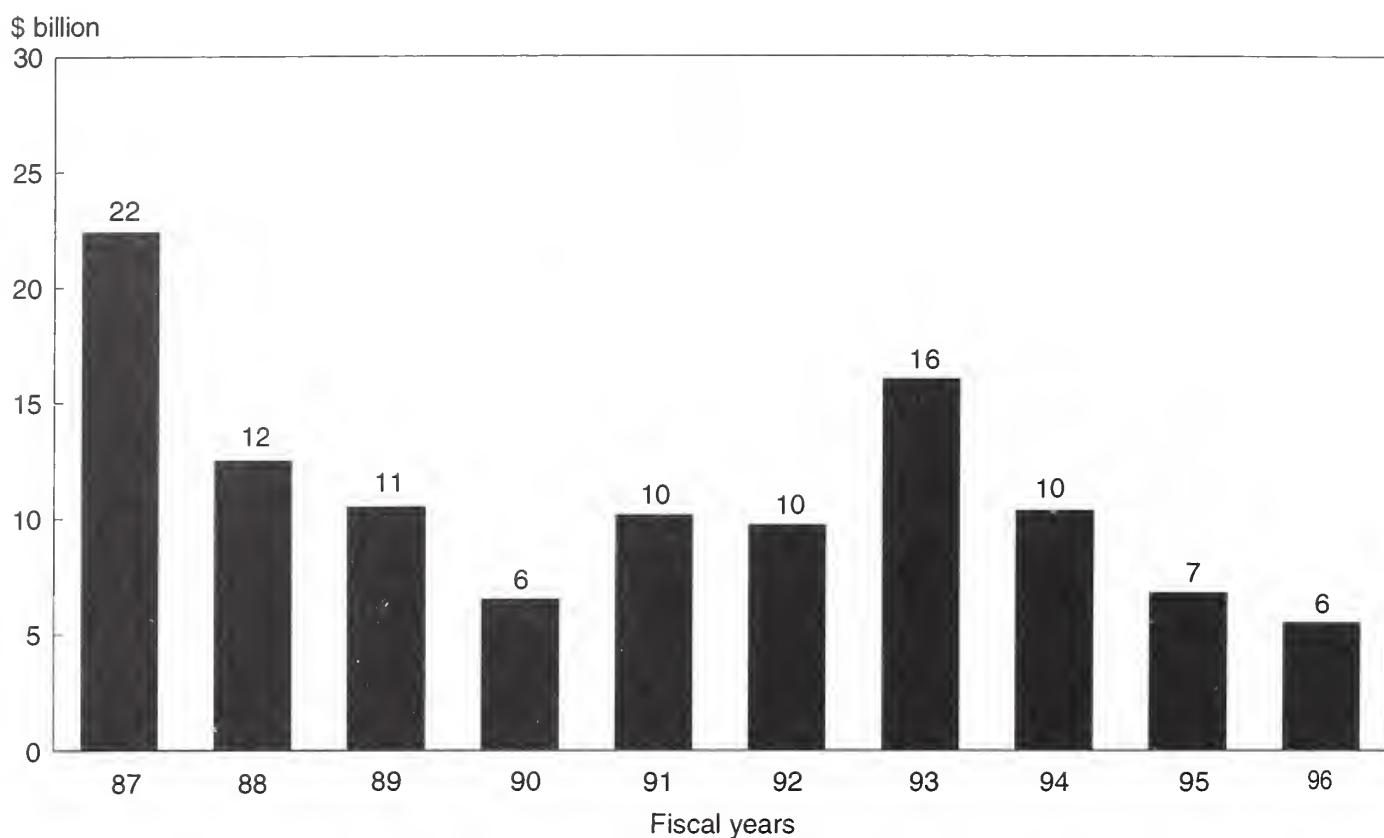
Product	1980	1990	1992	1993	1994	1995 F
<i>Million pounds</i>						
Fluid <sup>1</sup>	54,857	57,696	58,433	58,030	58,366	58,300
Butter <sup>2</sup>	879	915	944	1,041	1,097	1,165
American cheese <sup>2</sup>	2,024	2,784	2,903	2,945	3,034	3,100
Other cheese <sup>2</sup>	1,828	3,426	3,795	3,884	4,048	4,170
Nonfat dry milk <sup>2</sup>	539	698	721	649	903	890

F = Forecast. <sup>1</sup> All fluid milk, cream, and specialty products. <sup>2</sup> Commercial disappearance (including commercial exports).

## GOVERNMENT PAYMENTS

- In the farm income accounts, direct cash government payments (through commodity programs such as deficiency and diversion payments, and through reserve storage, conservation programs, and disaster assistance) are measured for the *calendar year*. This is in contrast to the President's and USDA's official budget forecasts which are on a *fiscal year* basis. Thirty to forty percent of direct payments are made in the fourth calendar quarter, mainly wheat deficiency and conservation rental payments.
- Direct government payments are forecast at about \$6 billion for calendar 1995 and \$3-\$5 billion for 1996. These are well below the 1993 levels.
- "Government spending on agriculture was down in 1995 and was expected to remain low this year. Spending in 1996 will depend partly on pending budget and farm legislation.
- "Commodity support payments were down in calendar 1995 and will remain low in 1996 because of higher commodity prices. Support payments to corn and wheat producers in 1995/96 will be very small, for the first time in many years.
- "Low grain stocks, tight world supplies, and resulting high prices are reducing the use of export subsidies for grains under programs like the Export Enhancement Program.
- "Future spending will depend on farm legislation and market conditions. Even under current legislation, government payments would trend downward in future years, given the market conditions envisioned in USDA's February 1996 long-term baseline forecasts.

## Farm Program Outlays



1996 forecast.

### CCC Net Outlays by Program <sup>1</sup>

Item	1991	1992	1993	1994	1995	1996 F
<i>Billion dollars</i>						
Feed grains	2.7	2.5	5.8	1.0	2.0	1.0
Wheat	2.8	1.7	2.2	1.7	1.0	0.9
Rice	0.9	0.7	0.9	0.8	0.8	0.7
Cotton	0.4	1.4	2.2	1.5	0.1	0.1
Other	3.3	3.4	4.9	5.3	2.9	2.8
Total	10.1	9.7	16.0	10.3	6.8	5.5

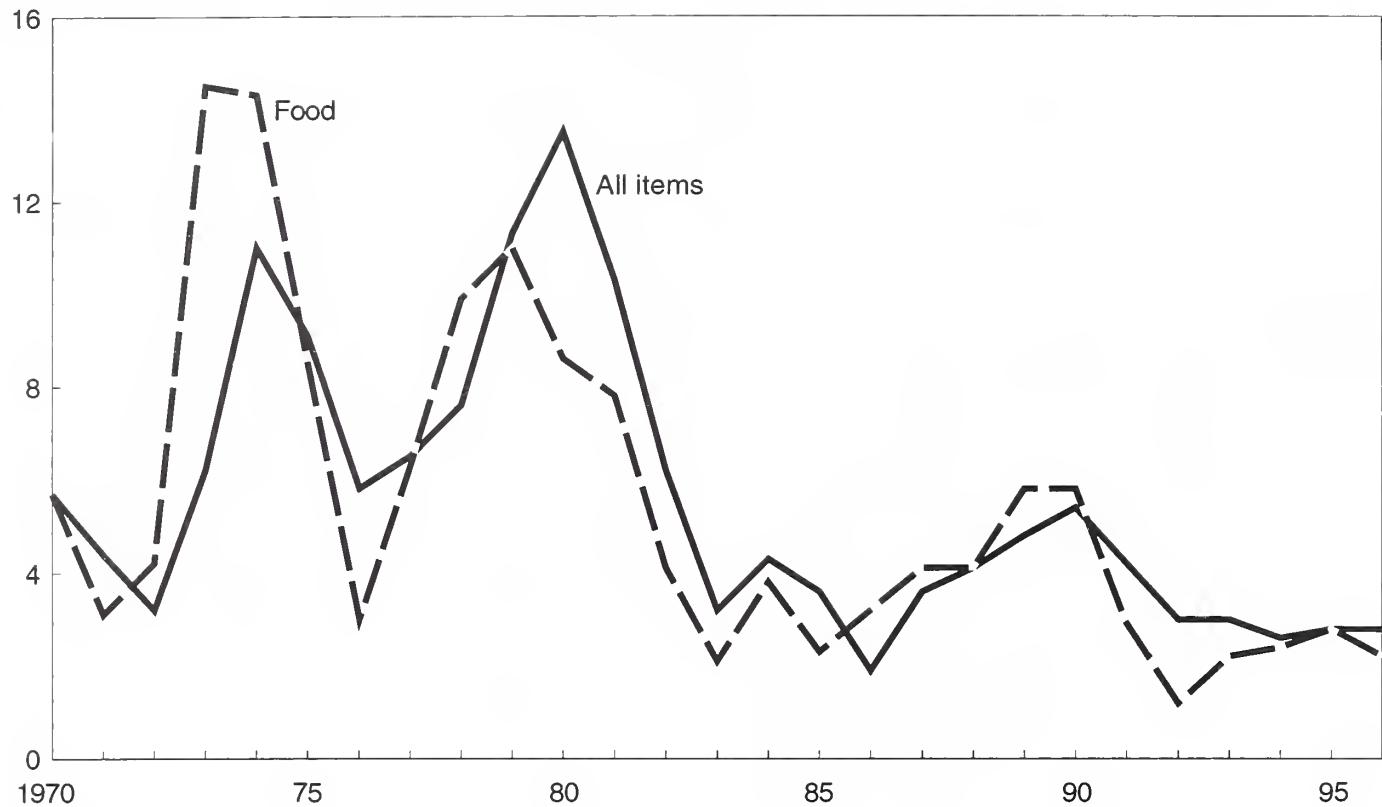
<sup>1</sup> Fiscal years. F = Forecast.

## FOOD PRICES AND FOOD ASSISTANCE

- The Consumer Price Index (CPI) for food is expected to rise 2 to 4 percent in 1996, about the same as in 1995. Food away from home will increase 2 to 4 percent, while food at home increases 1 to 3 percent.
- The general economy will likely expand more slowly than in 1995, and employment will rise only slightly, adding little upward pressure on food prices from consumer demand.
- Costs of processing and distributing foods are expected to rise modestly in 1996, but these increases may not be completely passed on to the retail level because of slow growth in consumer demand and aggressive competition among retailers.
- After record supplies of meats in 1995, which will carry at least into the first half of 1996, the beef, pork, and poultry retail price indexes are expected to change only between -1 and 0 percent in 1996. The index for eggs is expected to fall 2 to 4 percent.
- The change in the index for fresh fruit prices in 1996 is forecast to range from 6 to 8 percent and processed fruit prices should show little change. Exports have become a key factor in determining prices as exporters are expected to ship 25 percent of the U.S. fresh-market supply of apples, grapes, pears, grapefruit and oranges in 1996.
- The retail price index for fresh vegetables is forecast to rise 3 to 6 percent in 1996. This increase is due to exports that have grown 15 percent annually since 1989. Processed vegetable prices should increase 1 to 3 percent in 1996, despite expanded production of processing tomatoes, as output of some vegetables for processing fell in 1995.
- Fiscal year 1995 saw food assistance program spending rise to \$37.8 billion, up of 1.6 percent from 1994. Food Stamp Program costs, accounting for \$2 of every \$3 in food assistance, rose less than 1 percent in fiscal 1995. Child Nutrition Program costs rose 4.4 percent while expenditures for the Special Supplemental Food Program for Women, Infants, and Children (WIC) rose 7.7 percent.
- The maximum monthly allotment for a family of four in the Food Stamp Program-based on 103 percent of the cost of USDA's Thrifty Food Plan—rose \$9 from \$375 in fiscal 1994 to \$386 in fiscal 1995. Every \$1 increase in the allotment raises the annual benefit cost of the Food Stamp Program by about \$82 million.
- In fiscal 1995, the average monthly number of food stamp recipients fell about 853,000 to 26.6 million, a 3-percent drop from the previous year. This was the first decrease in the number of food stamp recipients in 7 years. During each month of fiscal 1995, the number of food stamp recipients was lower than the corresponding month a year earlier.

## Consumer Price Index

Annual % change



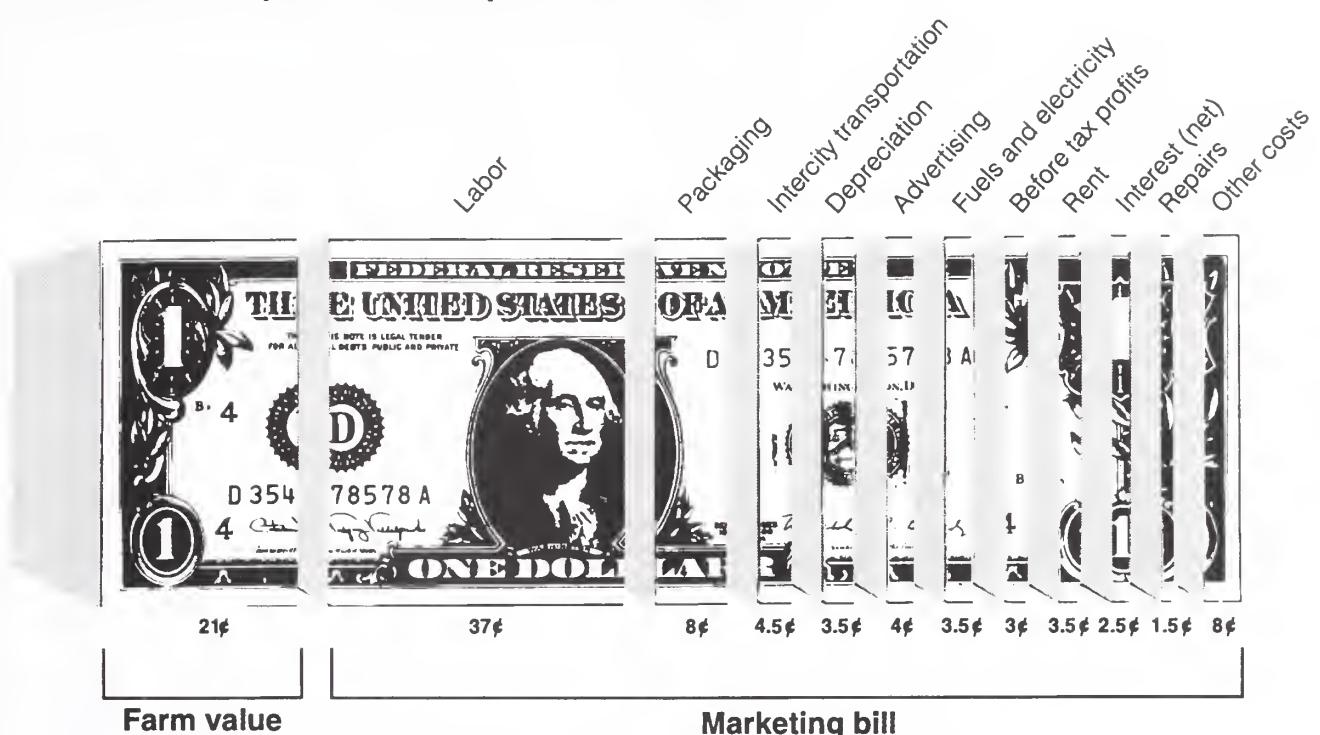
1996 forecast.

### Changes in the Consumer Price Index

Item	1980	1990	1992	1993	1994	1995	1996 F
Percent							
All items	13.5	5.4	3.0	3.0	2.6	2.8	2.8
Housing	15.7	4.5	2.9	2.7	2.5	2.6	NA
Medical care	10.9	9.0	7.4	5.9	4.8	4.5	NA
Transportation	17.8	5.6	2.2	3.1	3.0	3.6	NA
Energy	34.7	8.3	0.5	1.2	0.4	0.6	NA
Food <sup>1</sup>	8.6	5.8	1.2	2.2	2.4	2.8	2-4

F = Forecast. NA = Not available. <sup>1</sup> Excludes alcoholic beverages.

## What a dollar spent on food paid for in 1995



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

### Marketing Bill, Farm Value, and Consumer Expenditures for Farm Foods

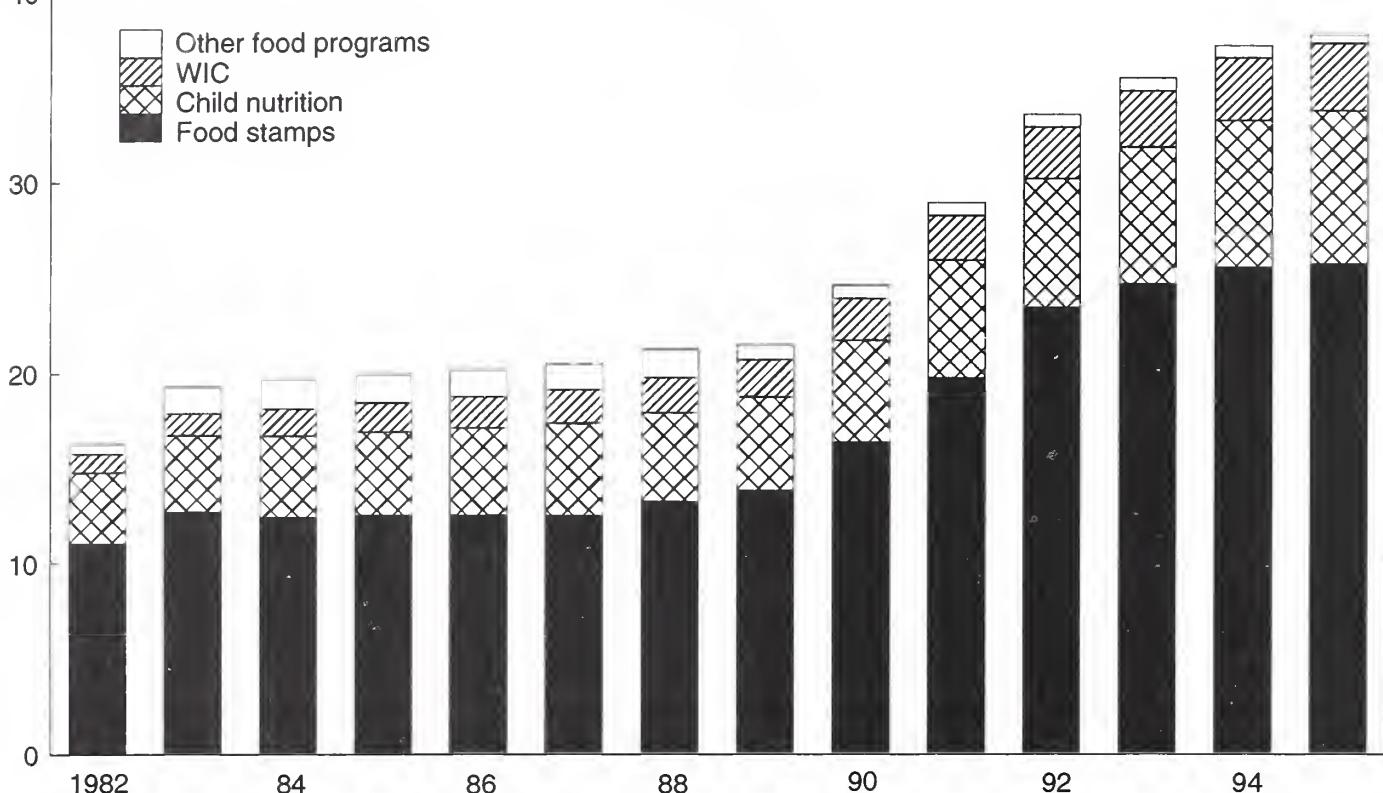
Item	1990	1991	1992	1993	1994	1995 P
<i>Billion dollars</i>						
Consumer expenditures	449.8	465.1	474.5	489.2	513.5	531.6
Farm Value	106.2	101.6	105.1	109.6	109.6	114.1
Marketing Bill	343.6	363.5	369.4	379.6	403.9	417.5

P = Preliminary.

## USDA Costs for Food Assistance

\$ billion

40



Fiscal years.

### Food Assistance Expenditures <sup>1</sup>

Items	1991	1992	1993	1994	1995
Million dollars					
Food stamps <sup>2</sup>	19,736	23,465	24,697	25,556	25,732
Women, Infants, and Children (WIC) Program <sup>3</sup>	2,394	2,702	2,942	3,277	3,529
Child nutrition <sup>4</sup>	6,129	6,754	7,183	7,673	8,011
Food donations <sup>5</sup>	601	596	583	588	417
Food program administration	97	104	104	106	106
<b>Total</b>	<b>28,956</b>	<b>33,621</b>	<b>35,508</b>	<b>37,200</b>	<b>37,795</b>

<sup>1</sup> Fiscal years. <sup>2</sup> Food stamps include nutrition assistance for Puerto Rico. <sup>3</sup> Includes the Commodity Supplemental Nutrition Program. <sup>4</sup> Includes the National School Lunch Program, School Breakfast program, Child and Adult Care Program, Summer Food Service, and the Special Milk Program. <sup>5</sup> Includes the Food Distribution Program on Indian Reservations, Nutrition Program for the Elderly, Disaster Feeding Program, The Emergency Food Assistance Program, Food Distribution Programs for Charitable Institutions and Summer Camps, and Food Donation Programs to Soup Kitchens and Food Banks.

## Unemployment Rate and Participation in the Food Stamp Program

Million persons/percent

30

20

10

0

1982 84 86 88 90 92 94

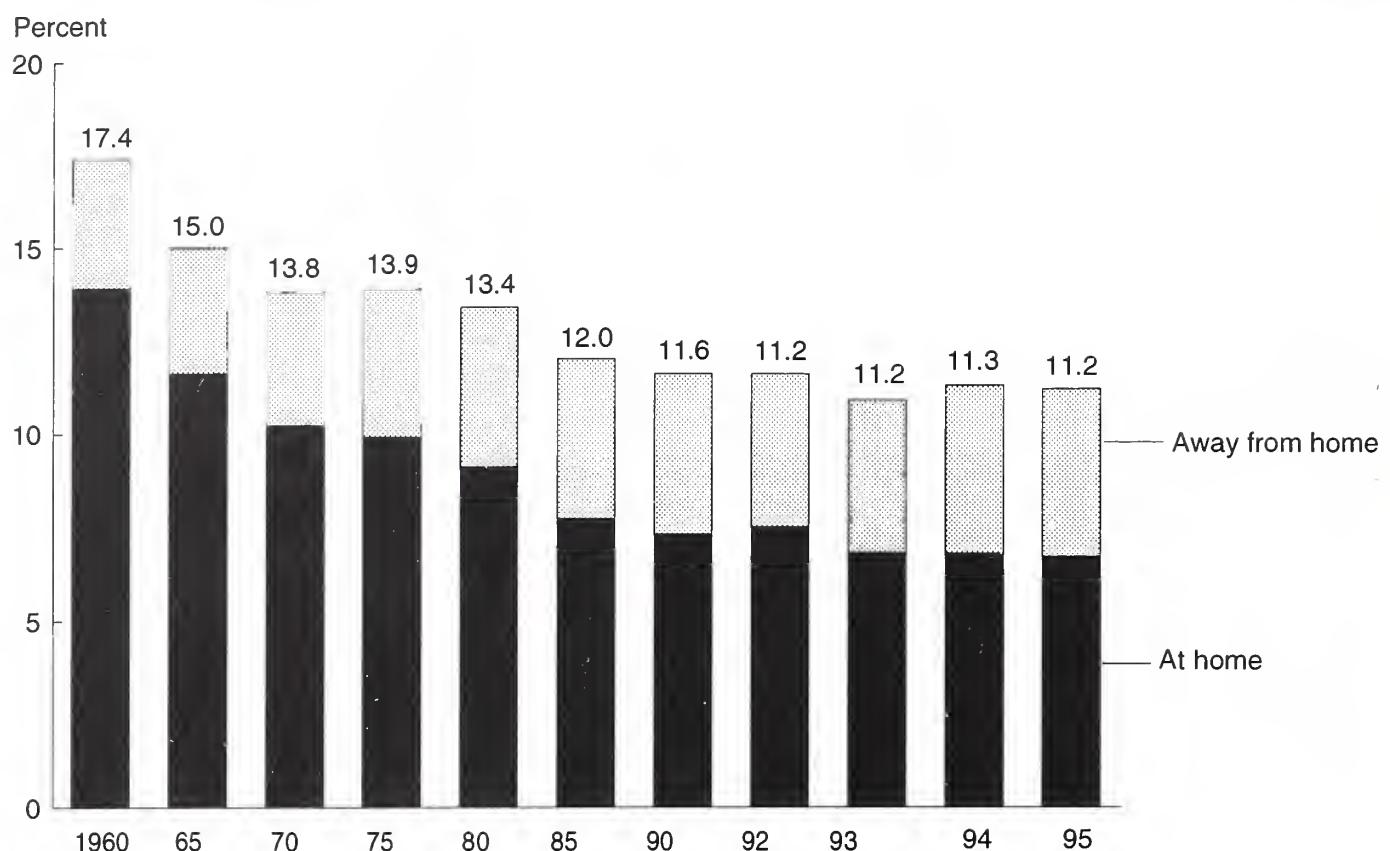
Food stamp participation (million persons)

Unemployment (percent)

### Food Stamp Program Participation

Item	1991	1992	1993	1994	1995
Participation (million)	22.6	25.4	27.0	27.5	26.6
Unemployment (percent)	6.8	7.4	6.8	6.1	5.6

## Food Expenditures' Share of Disposable Personal Income



1995 preliminary.

## Food Expenditures as Share of Disposable Personal Income

Category	1970	1980	1990	Percent			1995 P
				1993	1994	1995 P	
At home	10.2	9.1	7.3	6.8	6.8	6.7	
Away from home	3.6	4.3	4.3	4.4	4.5	4.5	
Total	13.8	13.4	11.6	11.2	11.3	11.2	

P = Preliminary