

## Cotton outlook . . . Bell pepper consumption . . . EU preferential trading . . . U.S. crop insurance . . . Dairy market trends

### Cotton Production Up, Demand Down

*Cotton is experiencing* greater weakness in world prices than grains and other crops. World cotton prices, down 39 percent from a year earlier as of October 2001, have suffered from slackening demand, coinciding with rebounding world production. Larger crops of cotton in the world's major producing countries in 2001/02 have resulted from favorable weather and government policies, among other factors. The largest production gains occurred in China, up 3.5 million bales, and in the U.S., up 3 million bales. The global economy is forecast to rebound in 2002/03 and foreign cotton mill use to expand. With the largest share of world stocks in a decade, the U.S. will be in a unique position to supply the growing need for cotton fiber around the globe.



### Sweet Peppers: Saved by the Bell

*Over the past two decades*, consumption of sweet bell peppers has been on the rise in the U.S. Given continued strong demand, U.S. growers harvested 12 percent more bell pepper acreage in 2000 than a year earlier. Bell peppers are produced and marketed year-round, with domestic shipments peaking during May and June and import shipments highest in winter months (20 percent of fresh-market demand is satisfied by imports). Grown commercially in most states, bell peppers are shipped by 6,271 farms into fresh and processing markets. From 1998 to 2000, annual farm cash receipts for sweet bell peppers averaged \$535 million—with an estimated retail value of over \$1.7 billion.

### EU Preferential Trade Agreements: Heightened Competition for U.S.

*Although the European Union (EU)* has pursued global multilateral trade negotiations within the World Trade Organization (WTO) and extends most-favored-nation treatment to the U.S. and other WTO members, it also participates in more non-global preferential trading agreements (PTAs) than any other WTO member.

Over two-thirds of EU imports come from countries with such agreements, which do not include the U.S. PTAs provide lower tariffs and other favorable import terms for preferred trading partners, and recent reciprocal agreements also provide advantages for EU exports. For the EU, preferential agreements enhance control over imports and help maintain domestic commodity prices. The EU is the world's largest agricultural importer and second-largest exporter—an important U.S. market as well as a competitor. EU PTAs disadvantage U.S. exports to EU markets while providing advantages to EU exports in the markets of EU preferred partners.

### U. S. Crop Insurance: Premiums, Subsidies, Participation

*U.S. crop insurance programs*, which have traditionally been limited to yield insurance products, now include a variety of insurance products. The type of insurance and the coverage level that producers choose, as well as the riskiness of producing a particular crop in a particular area, determine the premium. Since the early 1980s, the Federal government has been subsidizing premiums, effectively lowering the cost of crop yield and revenue insurance coverage to producers. Producers pay only a portion of the actu-

arial or risk-based premium plus a small administrative fee. Increases in premium subsidies in 2001 and the addition of premium discounts in 1999 and 2000 have increased participation in insurance programs, and producers have moved to higher coverage levels.

### Dairy Industry in 2002 to Encounter Uncertain Climate of Demand

*Recent years have seen* strong demand for dairy products; prices were generally robust except when rapid expansion in milk production temporarily overcame demand. But in 2002, softening economic conditions probably will result in less vigorous demand growth for cheese, butter, and dairy products overall. Milk production is expected to grow by almost 3 percent in 2002, more than projected growth in demand. A price drop seems certain, with the extent of the fall highly uncertain and largely related to softness of demand.

### Consumers Face Higher Prices For Fresh-Market Grapes

*U.S. grape growers* are producing a smaller crop in 2001, but consumer demand for high-quality fresh-market grapes is still being met—at slightly higher prices. USDA forecasts a 16-percent decline in this year's output over the record crop in 2000. Harvests are down in most grape producing states, including California, which continues to lead the U.S. in grape production. This year's crop forecast would be 4 percent larger than in 1999.

### Forecast for Citrus: A Mixed Bag for Growers

*The first estimates* for the 2001/02 citrus crop are more sweet than tart with more oranges, grapefruit, and tangerines available for harvesting but fewer lemons. The estimate indicates a larger U.S. citrus crop than last year but smaller than 2 years ago. For Florida, the most prolific citrus producing state, an increase of 4 percent over last season is projected, accounting for nearly all the expected increase in the U.S. citrus crop.