

# AGRICULTURAL OUTLOOK



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## Statistical Indicators

Statistical Indicators can be found in the printed version of the October 1997 issue of *Agricultural Outlook*. For more information, please contact Randy Schnepf at (202) 219-1281 (202-694-5331 after October 31).

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## The Corn Market . . . Updates on Food Prices & CRP . . . The U.S. Ag Export Picture . . . & WTO Compliance

### Corn Output Stable, Demand Prospects Strong

**The corn market** this fall is relatively calm, with supplies more abundant than a year ago and prices fairly stable. Corn production in 1997, forecast at 9.27 billion bushels, is down fractionally from 1996 but would be the fourth-highest on record. With much larger carryin stocks, corn supplies in 1997/98 are expected to increase 5 percent, but with strong prospective domestic demand and increased exports, the supply outlook is relatively tight and ending stocks are projected to shrink. The season-average price of corn received by farmers is forecast at \$2.45-\$2.85 per bushel in 1997/98.

### U.S. Ag Exports To Rise In Fiscal '98

**Fiscal 1998 U.S. agricultural exports** are projected at \$58.5 billion, up \$2 billion from the 1997 forecast and second only to the 1996 record of \$59.8 billion. At \$38 billion, agricultural imports are also projected up \$2 billion, so the agricultural trade surplus will remain unchanged from the 1997 forecast of \$20.5 billion. The export value of both bulk and high-value products (HVP's) is expected to rise—HVP value is projected up \$1.5 billion over fiscal 1997 and bulk exports are expected up \$500 million. Meat and horticultural products account for much of the increase expected in HVP export value in 1998. The volume of bulk exports will be pushed up by larger U.S. exportable supplies of wheat, declining export competition for wheat and corn, and strong foreign demand for soybeans.

### Food Prices Maintain Slow Rise

**The Consumer Price Index (CPI)** for food in 1998 is forecast to rise 2.5-3 percent, close to the 2.8-percent rise forecast for 1997. The at-home component of the CPI is forecast to increase 2.5 percent in 1997 and between 2.5 and 3 percent in 1998, and the away-from-home component is expected up 2.9 percent in 1997 and 2.5-3 percent in 1998. Food prices have held to moderate gains of 3 percent



annually since 1992, largely because general inflationary pressure has remained stable, keeping in check the costs of food production and marketing.

### New CRP Criteria Enhance Environmental Benefits

**The 1996 Farm Act** continued the Conservation Reserve Program (CRP) up to a maximum of 36.4 million acres through the year 2002. The 15th CRP sign-up, conducted in March 1997, was the largest sign-up ever—USDA accepted 16.1 million acres of the 23.3 million offered. Acceptance was based on ranking of offers using an environmental benefits index. Early results suggest that the farmland acres accepted in the 15th sign-up, the first major CRP sign-up under the 1996 Farm Act, will provide greater environmental benefits and cost 22 percent less than CRP historically. USDA will hold a 16th sign-up during October and November with modifications to further enhance environmental effectiveness.

### U.S. Is Well Below WTO Domestic Farm Support Ceilings

**The U.S. will be able** to meet World Trade Organization (WTO) commitments to reduce domestic support to agriculture

without making any further changes in domestic programs through the final year of the WTO implementation period—2000. The 1994 Uruguay Round (UR) Agreement on Agriculture requires WTO member-countries to reduce the total amount of trade-distorting domestic support for agriculture by 20 percent from a base-period level (1986-88). The ability of the U.S. to meet its WTO domestic support reduction commitments stems from two main factors. The first involves WTO provisions that specified how domestic support reduction objectives would be defined and implemented. Second is the shift in U.S. farm programs after 1985 toward increased market orientation and reduced subsidies.

### New Tax Law: How Farmers Benefit

**Most farmers will pay less** Federal income tax, and farm families will find it easier to transfer farms across generations, under the Taxpayer Relief Act of 1997. Farmers are expected to save over \$1.6 billion per year in Federal income taxes and between \$150 and \$200 million in Federal estate taxes through a number of general and targeted tax relief provisions.

### New Standards for Pesticide Residues in Food

**The Food Quality Protection Act** of 1996 (FQPA) creates a new, uniform, health-based standard for allowable pesticide-related risks in food. Under FQPA, a new safety standard for residues applies to all foods—raw and processed. FQPA establishes a new risk assessment process and requires the U.S. Environmental Protection Agency (EPA) to review all residue tolerances against the new standard within 10 years. EPA must also consider any special susceptibility of infants and children to pesticide effects. Additional provisions address registration of minor-use pesticides; uniformity among state, Federal, and international standards; improved data collection to support implementation of the law; and Federal communication to consumers about the risks and benefits of pesticide use.