

# Positives Outweigh Negatives For Agricultural Economy Direction

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Lancaster Farming Staff  
NORTH CORNWALL (Lebanon Co.) — The positives outweigh the negatives as far as existing conditions for the outlook of the agricultural economy.

That was the message of H. Louis Moore, Penn State University professor of agricultural economics, during his keynote address at the Wednesday agricultural seminar sponsored by Lebanon Valley National Bank for its agricultural lending customers, at the Lebanon Area Fairgrounds.

Moore is a perennial speaker at the spring educational forum where LVNB provides its customers a slate of speakers to address timely topics of concern.

In his talk, Moore said that the list of positive aspects in the economic environment includes the rate of inflation at a low 2.6 percent; unemployment at a low 5.6 percent (compared to 23 percent in Spain, 9 percent in Germany and from 30- to 40-percent or more in other nations in Eastern Europe); food prices and supplies are all positive for the consumer (food supplies good, prices low); thanks to the maneuvering of federal reserve chairman Alan Greenspan the economy had the "soft landing" desired; and competitiveness and exports are "booming."

According to the professor, the negative aspects are mostly related to human misbehavior.

"The antics of Congress and the president are all negative," Moore said about the obviously personal-politic motivated acts and grandstanding being done, such as allowing the government to close twice. "It shows how fragile government is," he said.

Also on Moore's list of negatives is the fact that retail sales and

consumer credit are directly linked and consumers appear to be slowing down on buying, as credit limits are being reached.

"We do have a recession coming," Moore said, "but when?"

He said it probably will come after the presidential election, unless something or somebody else does something to hasten it.

Some problems with the heralded trade agreements are surfacing and some producers are grouching about inequities not addressed, such as Mexico's not providing usable pre-harvest crop reporting — Florida tomato growers have recently complained about the onslaught of Mexican tomatoes reducing prices to the point that Floridians harvest at a loss.

"But overall," Moore said, "the positives do outweigh the negatives."

Moore covered a variety of different social and economic trends and provided some data to support an outlook that generally was optimistic for agriculture and the United States.

He said that despite the attempts of some to persuade consumers to decry the benefits of agriculture and meat consumption, per capita meat consumption has been increasing and despite the public clamor for low-fat and fat-free products, per capita fat consumption has risen significantly.

Using a bar chart showing the relative amounts of per capita consumption by type of fat, Moore illustrated that while per capita consumption fat from red meats has decreased over the past decade, the consumption of vegetable fats and butter has increased to the point that the total amount of dietary fat consumption has increased.

According to Moore, per capita meat consumption was about 200 pounds per person per year in 1990; it was estimated at about 216 pounds or more. The most increase in meat consumption has been with poultry, and that is worldwide, he said. The United States produces about 33 percent of the world's poultry and demand is increasing. Moore said China and many countries are increasing demand for poultry.

Further, he said that in areas such as in some of the nations of the former Soviet Union, the demand is for the dark meat of poultry, which is actually not much in demand domestically, and there are large markets for other parts of poultry that enjoy limited domestic demand.

(As an aside illustrating the increasing use of poultry, according to published report this week, Campbell's Soup is increasing the amount of chicken in its soup offering.)

He said that the trend of the past 20 years — for the demand for beef to decline slightly, pork to remain stable and poultry to increase — should continue, if not increase.

Last year United State agricultural exports were estimated at \$53 billion, though a late fourth quarter surge will probably correct that figure higher to \$54 billion or more, Moore said.

He predicted that agricultural exports should grow by at least \$1.5 billion this year.

The world population is continuing to boom, mostly in underdeveloped countries, and the demand

for meats and grains should increase.

Moore said that in 1950, there were two "cities" with populations of more than 10 million people — the New York metropolis and London.

In 1994, there were 14 cities with populations of more than 10 million people and only four were in industrially developed nations.

It is projected that by 2015, there will be 27 cities with populations greater of 10 million, five in the developed nations. The population in those 27 cities will equal about half the world population in 1950.

Land values and farmland values are increasing, by about 6.4 percent in 1994, with a project increase of 5 to 8 percent for 1996, Moore said. He said he interpreted the increase in value to demonstrate the increasing awareness of the production value of farmland and its tighter supplies.

He said he sees more freedom in the marketplace and less government.

While the percentage of retail food price returned to the farmer has decreased from 22 percent in 1993, to 21 percent today, Moore cautioned that he did not see that statistic as a useful measure of farming profit, but rather a reflection of the amount of "value-added" processing and the wider variety of use of farm commodities.

He said that while grains, such as corn, are in strong demand and tight supply, production has been

steadily increasing for the past 65 years and he said he expects no change.

However, he did say that demand should increase and that supplies of corn should continue to tighten. He said there is not enough carryover to keep prices stable. In order to have some national carryover of corn, he said the industry needs to reduce its use.

As far as conditions for grains for 1996, he said corn carryover is expected to be 7.4 percent of what is used; there should be no drop in feed use of corn during the first quarter despite its \$3.50 per bushel price; an 18-percent reduction in feed use would create carryover; the increasing cost per bushel may reduce demand somewhat; there is no Farm Bill to guide planting and acreage should be up; but the seed for the best corn varieties are almost gone as planting is expected to be about 18 percent above 1995.

For livestock producers, he said to expect to see low prices for a few years, but for that to change in about three to four years.

Overall, Moore said he sees a strong national economy, though not explosive, grain production and prices to rise, livestock production to rise and prices to fall, and exporting to help all segments.

He said the nation's agricultural trade balance is surplus and of the imports we get, most are commodities that can't be grown well here. Moore said the United States would be in great shape. "If the rest of the economy was as strong as agriculture."

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