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New York
Economic Handbook
1986

AGRICULTURAL SITUATION and OUTLOOK

Prepared by
Extension Staff

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[1]Department of Agricultural Economics unless specifically indicated.

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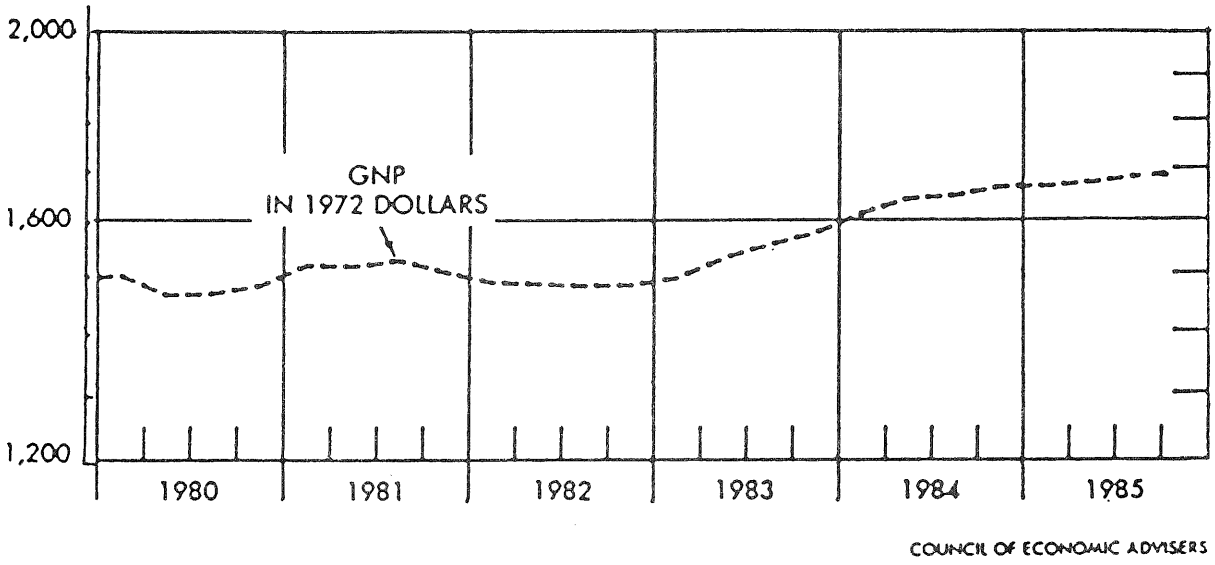
[3]Extension Specialist.

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

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

GNP IN CONSTANT (1972) DOLLARS



Real GNP (adjusted for inflation) dipped slightly in 1982, rose rapidly in 1983 and early 1984, but since then has risen very slowly. The growth rate for 1985 is likely to average under 3 per cent.

Sluggish growth is likely to persist, at least during the first half of 1986. The concensus view among business economists is that growth will average a little higher in 1986 than in 1985, but not by very much.

Growth prospects appear to be limited for the following reasons:

1) *Growth in consumer incomes has been relatively slow in recent months. Employment is rising, but most of the increase has been in lower-paying service jobs.*

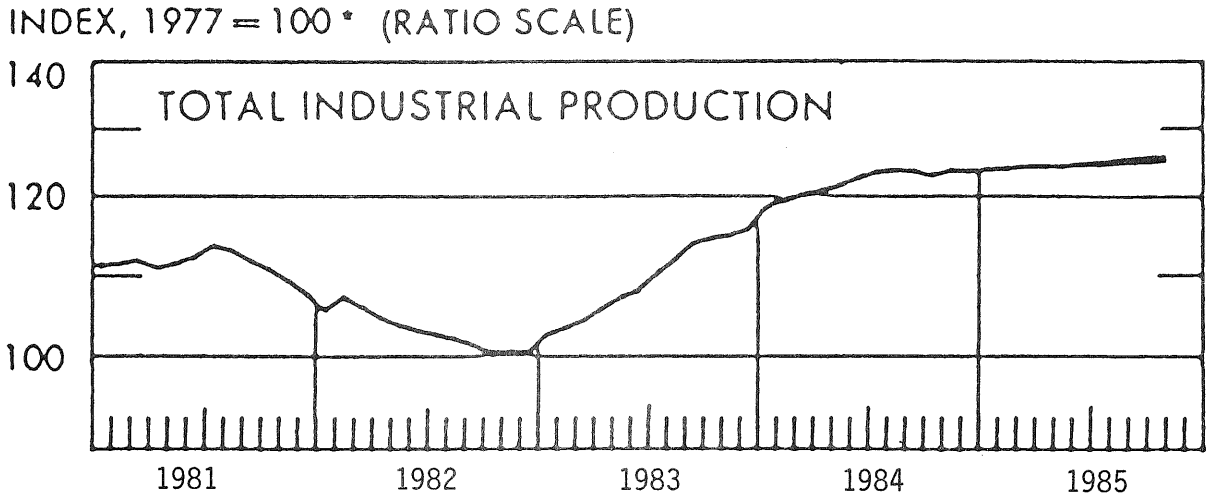
2) *Consumer debt is high which means that a substantial proportion of current income must be devoted to debt repayment. Discretionary income available for the purchase of consumer durables is limited.*

3) *Business profits have been disappointing. This provides little incentive for new investment in plant and equipment.*

4) *Commercial loan demand is weak.*

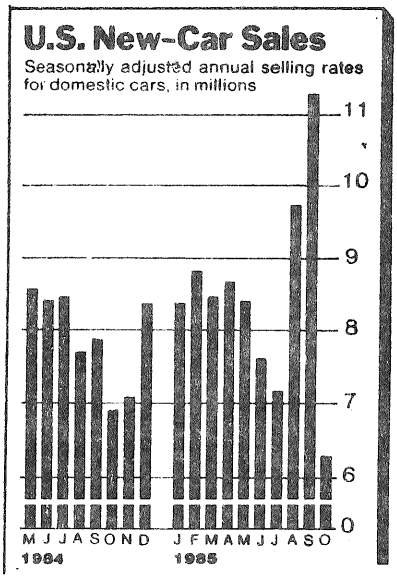
The optimists point to the decline in interest rates and little prospect for any reversal of recent Federal Reserve policies as positive signs. Residential construction should pick up a bit in response to lower mortgage rates. Increased government spending, mainly for defense, also should help to give the economy a modest boost in 1986.

INDUSTRIAL PRODUCTION AND AUTO SALES

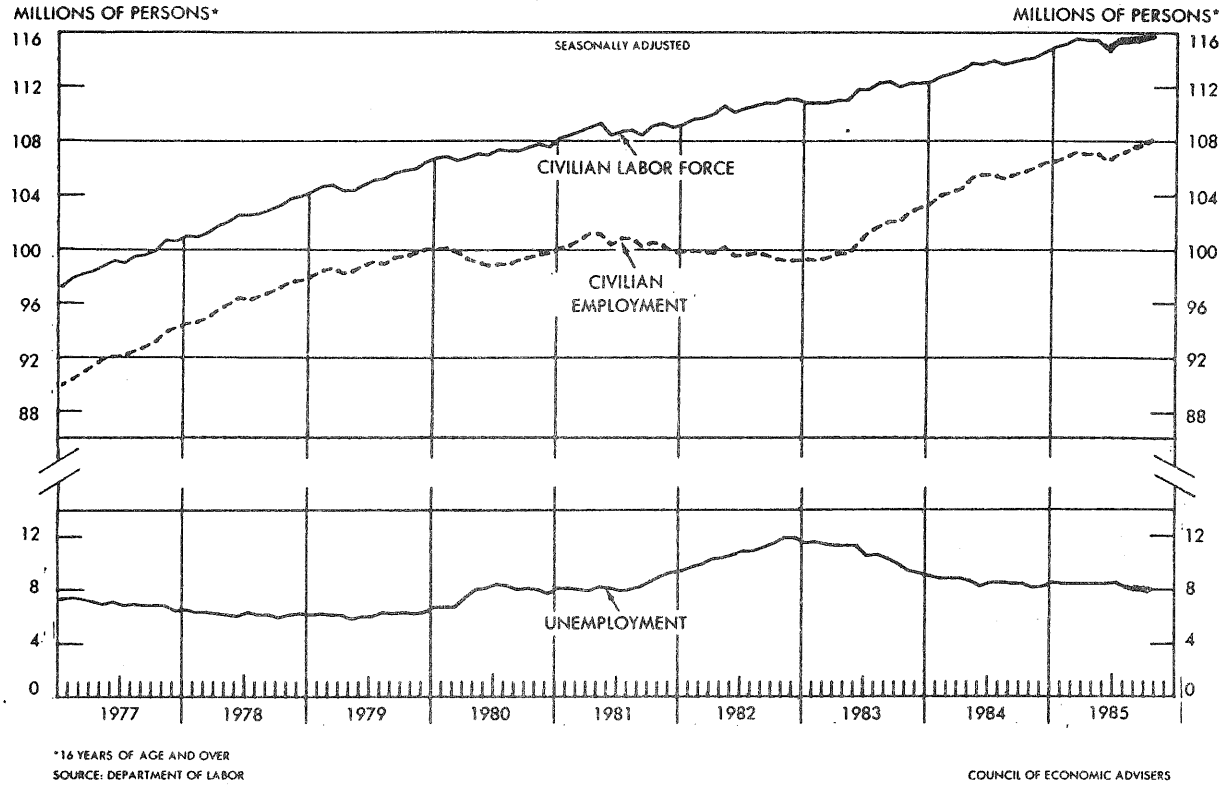


Industrial production has followed a path similar to that of real GNP over the past two years. Following the 1981-82 recession, industrial output rose vigorously until mid-1984. Since then it has increased very little. In October of 1985, the overall index was only 1.8 per cent above the corresponding month of 1984. Most of what little expansion occurred in 1985 is attributable to growth in industries associated with defense and space equipment.

Auto sales are unlikely to increase in 1986 and could dip slightly. Sales of domestic cars have been erratic over the past few months. They rose sharply in August and September in response to generous credit terms, but have slumped since then. Sales of imported cars have been rising. In October, imports accounted for slightly over 30 per cent of total car sales, the highest rate in three years. Small trucks and vans now account for a higher proportion of the sales volume of car dealers; consequently statistics based on domestic car sales no longer fully reflect what is happening in the auto industry.



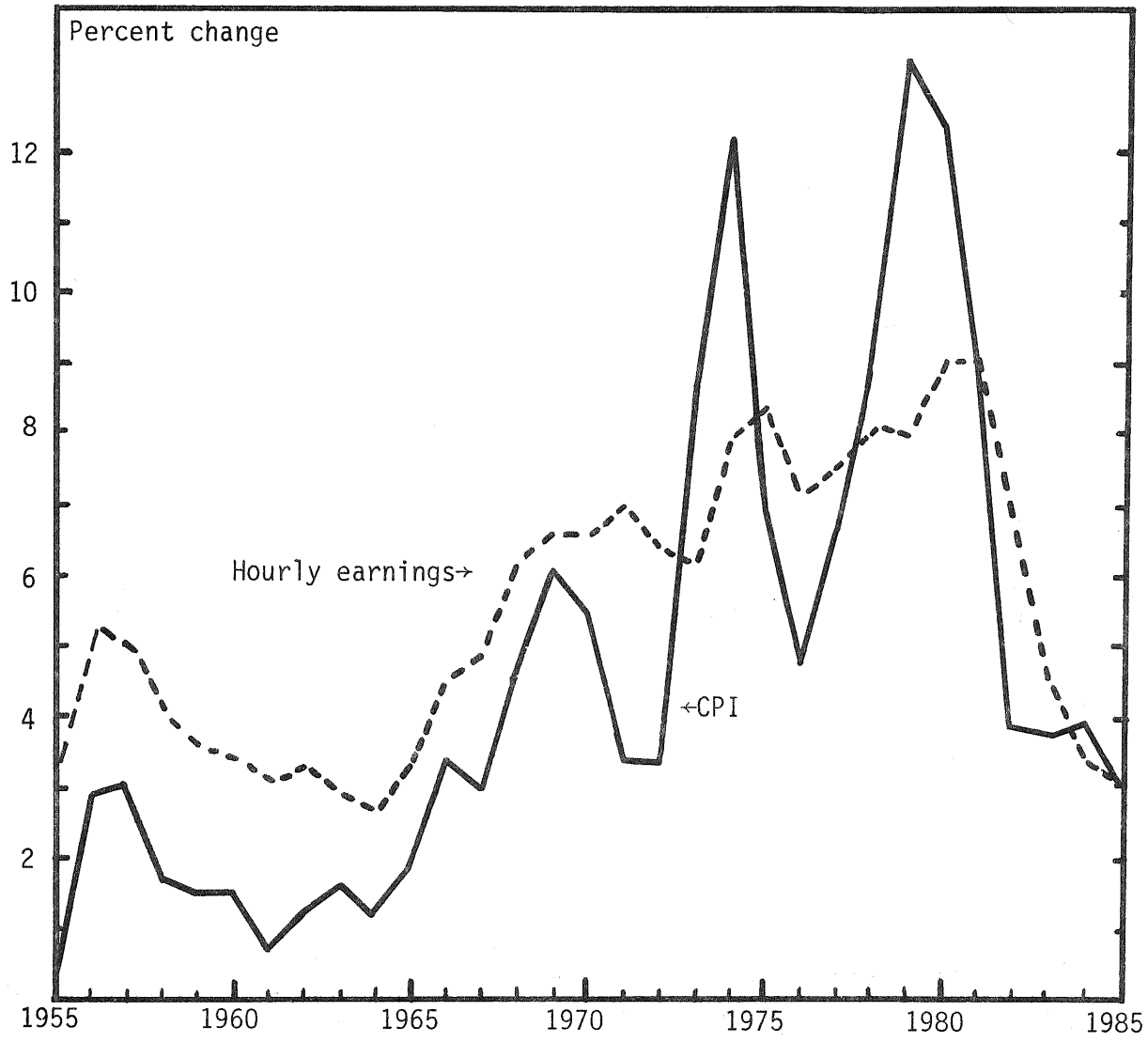
EMPLOYMENT AND UNEMPLOYMENT



Total civilian employment continued to rise in 1985, but less rapidly than during the last half of 1983 and in 1984. Around 8 million potential workers remain unemployed. The unemployment rate has hovered around 7 per cent in recent months. It is expected to dip only slightly in 1986, perhaps to around 6.8 per cent. This implies that total employment in 1986 will continue to rise at about the same rate as growth in the labor force.

All the increase in employment in the past year and a half has been in the service sector. Manufacturing employment is still not back up to the level prevailing in 1981. The proportion of total employment accounted for by goods-producing sectors of the economy (manufacturing, mining, construction and agriculture) continues to decline. Trade, transportation, finance, other services and government now account for over 70 per cent of non-farm employment. Wages in the service sector tend to average a little lower than in manufacturing and construction. This is one reason for the slower rate of increase in incomes that has occurred in recent years.

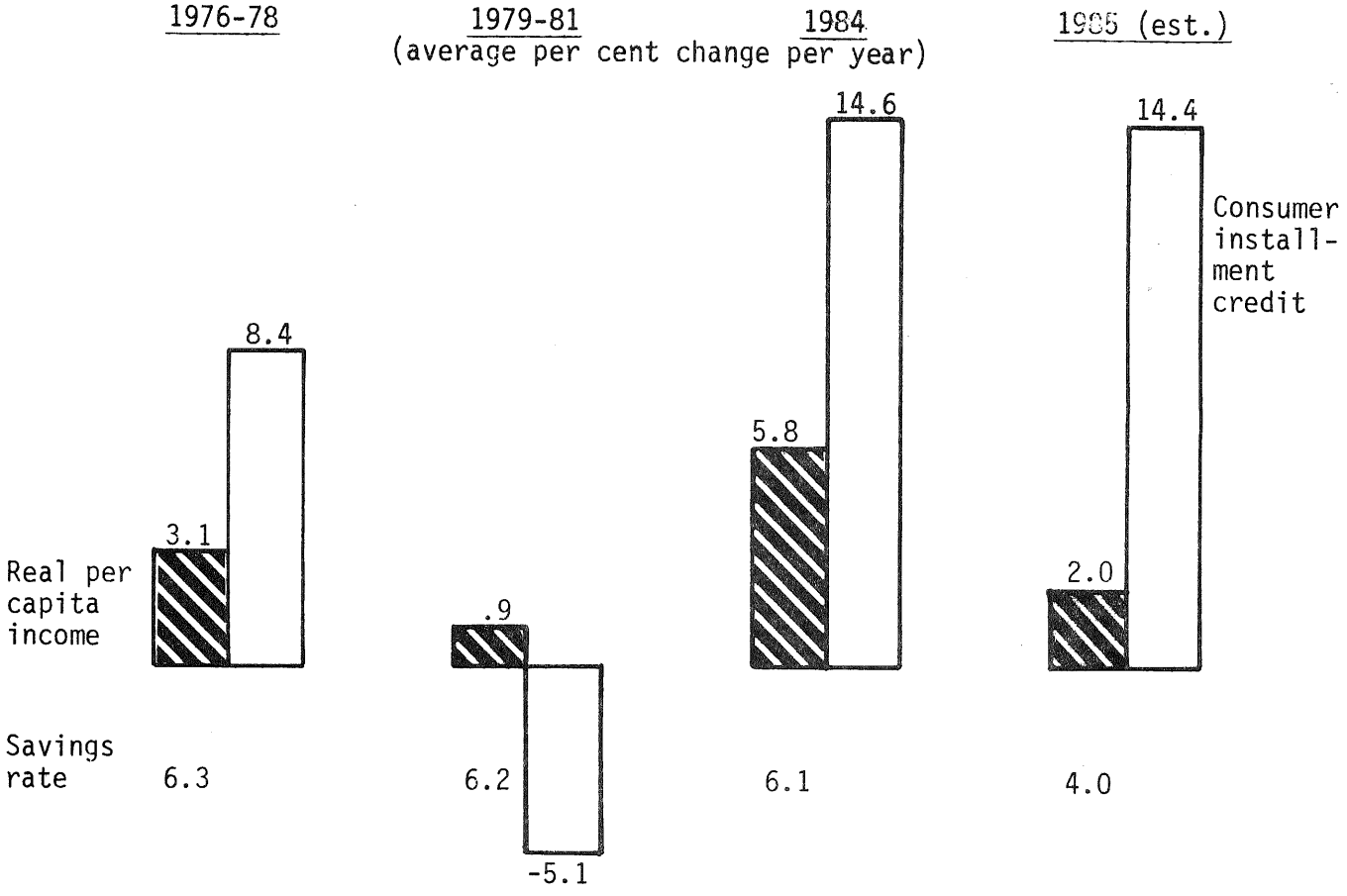
ANNUAL RATES OF CHANGE IN CONSUMER PRICES AND HOURLY EARNINGS



The annual rate of increase in both consumer prices and hourly earnings declined to just over 3 per cent in 1985, a better performance than most forecasters had anticipated. Relatively cheap imported goods, lower oil prices and persistent weakness in farm prices helped to hold down the rate of inflation in 1985.

A modest increase in the rate of inflation to around 4 per cent is possible in 1986. Farm prices are not likely to drop much further and therefore food prices will rise owing to increases in processing, packaging and distribution costs. If the dollar weakens still further, the cost of imported items will rise. This could add as much as 1 per cent to the annual rate of inflation. There is still much uncertainty about oil prices, but if prices decline, as many of the large oil firms anticipate, this could help to hold down the rate of inflation again in 1986.

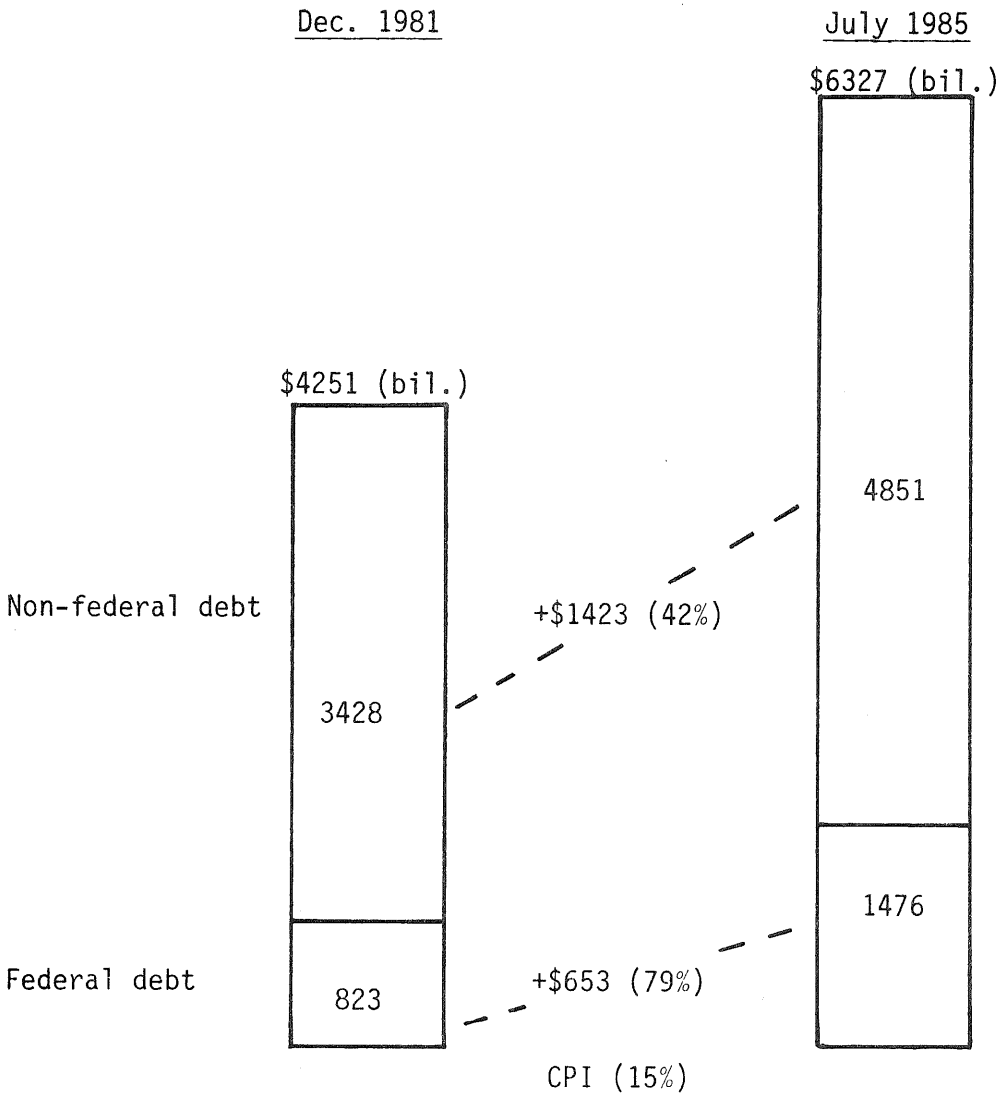
CHANGES IN REAL PER CAPITA DISPOSABLE INCOME AND INSTALLMENT CREDIT



Per capita real disposable income (current income adjusted for inflation, income taxes and population growth) rose at an average annual rate of about 3 per cent in the late 1970s. Growth slowed down during the following three years, but picked up in 1983 and 1984. The growth rate in 1984 was unusually high, averaging just under 6 per cent. In 1985, the growth rate in personal disposable income slowed down to somewhere around 2 per cent. The savings rate in 1985 also dropped well below the long-term trend. During the first half of the year, it averaged close to 5 per cent, but in September and October it dipped to an average of just under 2.5 per cent.

Installment credit also has risen at a phenomenally high rate (over 14 per cent per year) during each of the past two years. (Unadjusted for inflation and population, the rise has been around 20 per cent per year.) Large repayment obligations are likely to limit the ability of consumers to increase purchases at as high a rate in 1986 as they did in the third quarter of 1985.

FEDERAL AND NON-FEDERAL DEBT

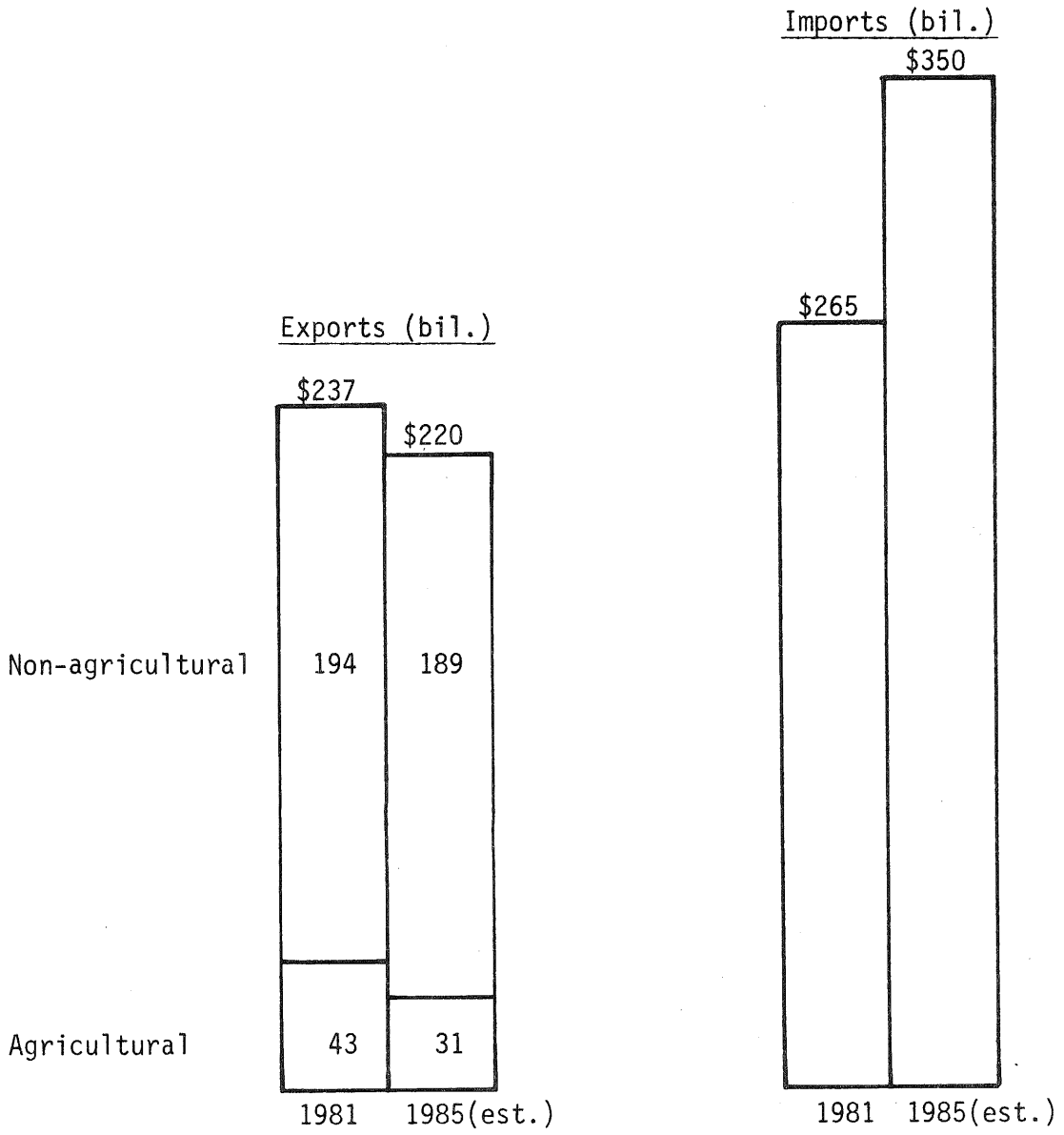


Source: Federal Reserve Bulletin, Nov. 1985, p. A13.

The growth of debt over the past 4 years has been enormous, not only because of persistent government deficits, but also because of a period of unusually high growth in non-federal (mainly private) debt. The increase in non-federal debt has averaged around $500 billion per year over the past two years, more than twice the increase in the federal debt.

The growth of debt is partly a function of our tax laws which encourage both households and businesses to finance purchases with loans (on which they can deduct interest) rather than out of savings.

U.S. MERCHANDISE EXPORTS AND IMPORTS

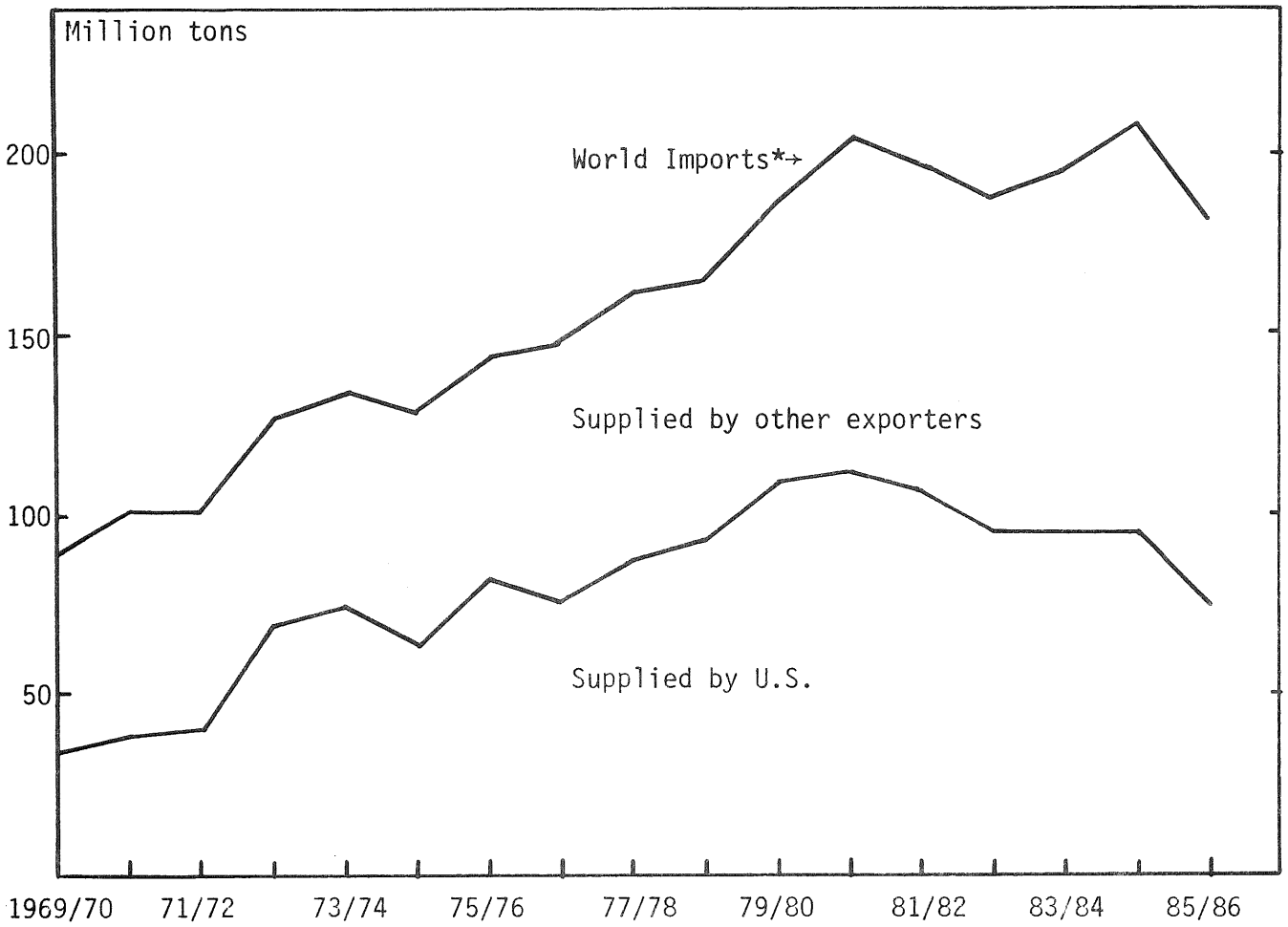


Source: Council of Economic Advisers, Economic Indicators, Sept. 1985.

During the past 4 years, the U.S. trade deficit has increased from less than $30 billion per year to over $130 billion. As a result of a persistent tendency to import more than we export, the U.S. external debt is likely to reach $500 billion before the end of the current decade.

The rising trade deficit is mainly the result of an enormous increase in the value of imports rather than a decline in the value of exports (except for agriculture). Since 1981, the value of agricultural exports has decreased by about $12 billion while the value of imports has increased by over $80 billion.

WORLD IMPORTS OF WHEAT AND FEED GRAINS



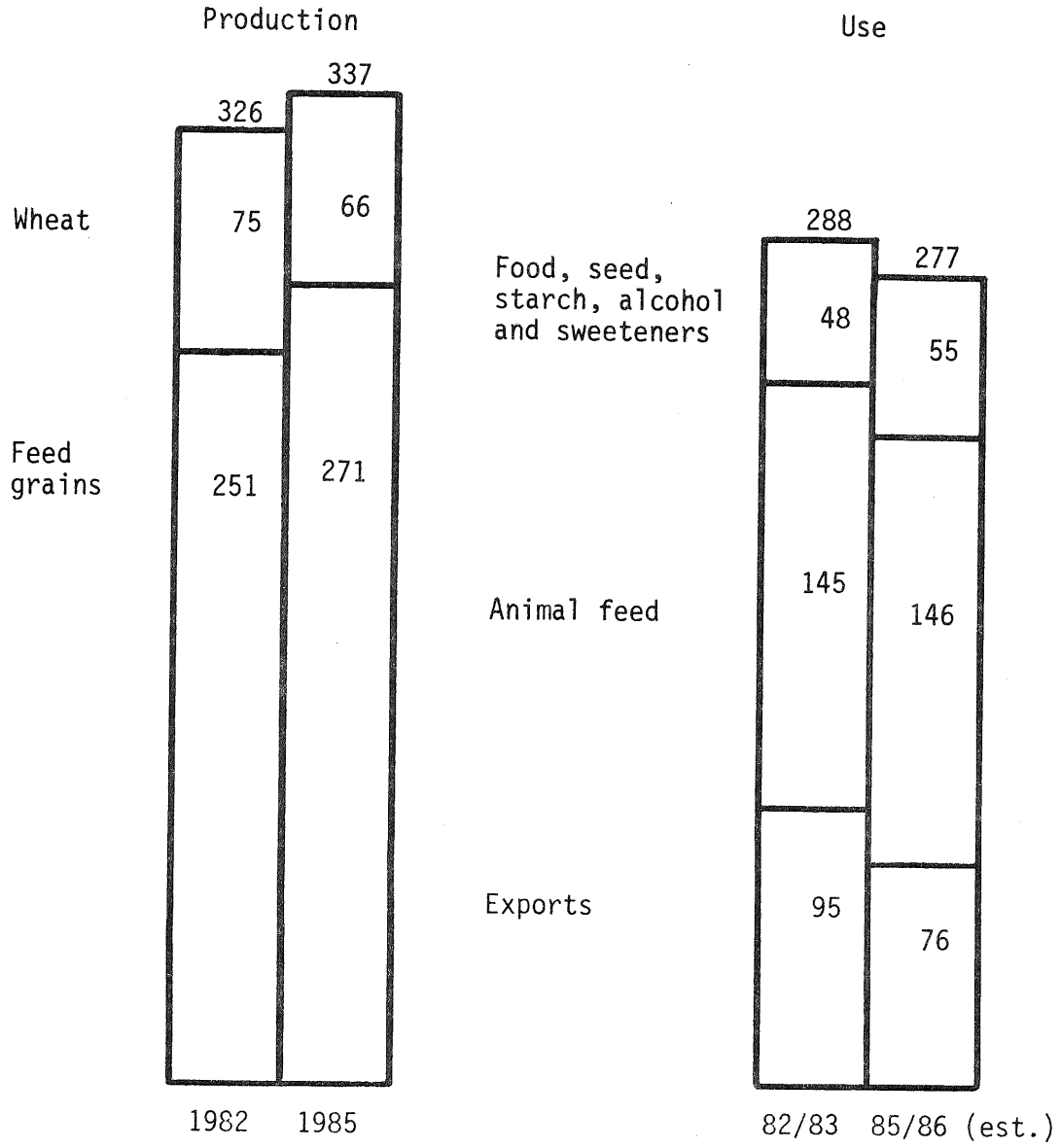
* Excluding trade within the European Community.

World grain imports rose from around 100 million tons in the early 1970s to just over 200 million tons in 1981-82. Since then, total imports have fluctuated around the 200 million ton level. They are expected to decline in 1985-86 by as much as 20 million tons owing mainly to a larger grain crop in the Soviet Union.

Other countries have been supplying an increasing share of world grain imports. U.S. grain exports reached a peak of 111 million tons in 1980-81. They fell to around 95 million tons in 1984-85 and are likely to decline still further in 1985-86, perhaps to as low as 75 to 80 million tons. The U.S. is still the dominant supplier on world markets, but the U.S. share of world imports has declined from a peak of 55 per cent in 1980-81 to around 40 per cent during the past year.

The European crop is not quite so large this year as in 1984, and the quality is poor. Canada also will have a smaller crop. But there are still ample supplies from other countries, thus maintaining a very competitive environment for U.S. grain exporters.

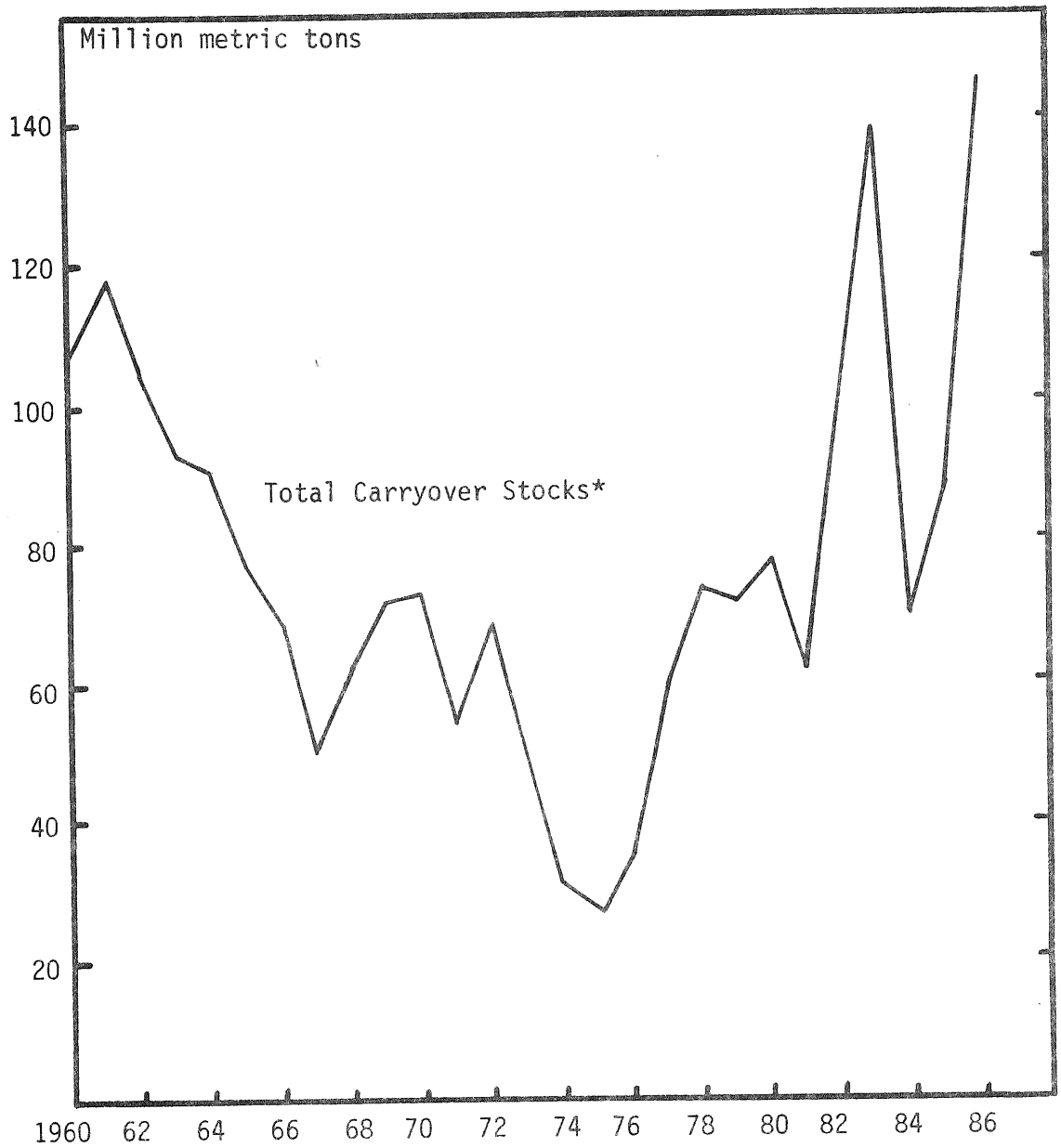
COMBINED PRODUCTION AND USE OF WHEAT AND FEED GRAINS



Total grain production in 1985 established a new record, around 11 million tons higher than the previous record of 326 million tons established in 1982. Wheat production, however, was down. All the increase is attributable to the record corn harvest.

Estimated use during the 1985-86 marketing season will be less than three years ago because of a significant drop in exports. Total domestic use has been averaging around 200 million tons in recent years. Exports would have to increase enormously to balance current production and use. Projected use in 1985-86 is likely to fall short of 1985 production by as much as 60 million tons.

COMBINED CARRYOVER STOCKS OF WHEAT AND FEED GRAINS

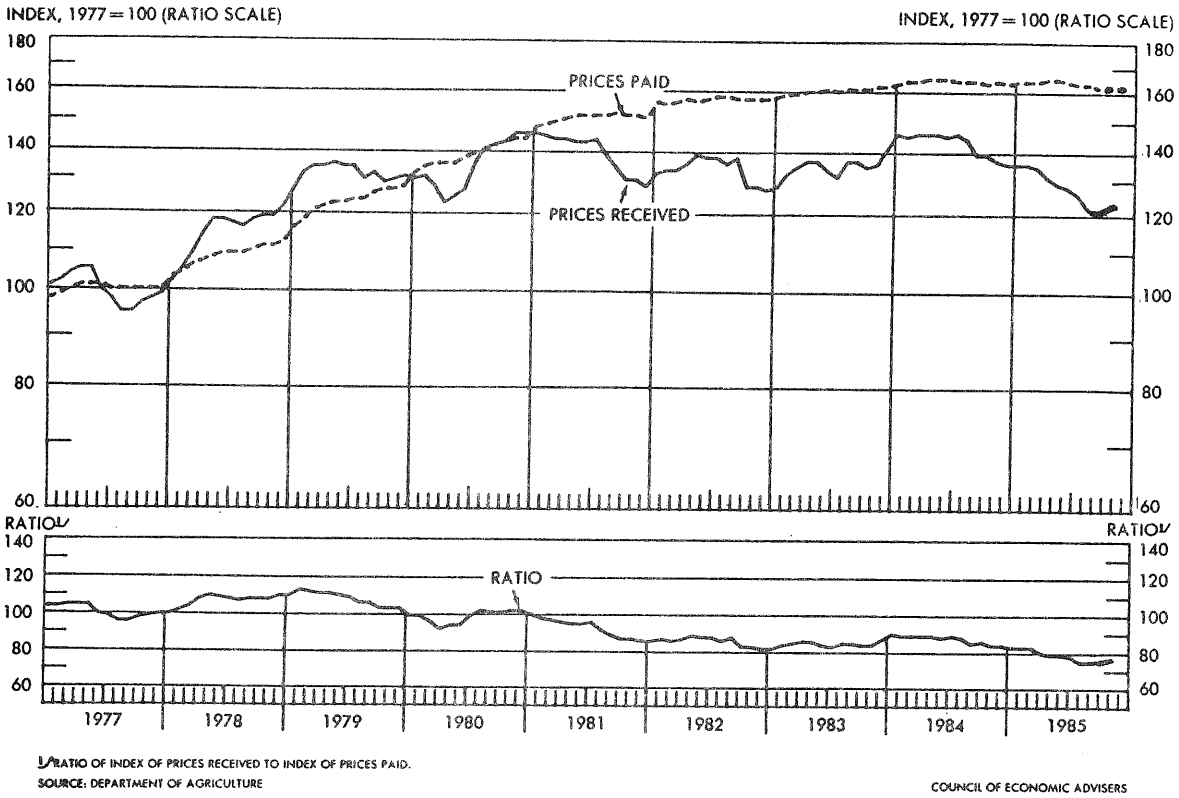


* Includes privately-held as well as government stocks.

Persistent weakness in export demand combined with a record harvest will lead to a large addition to grain carryover stocks in 1986. At the end of the current marketing year, stocks are likely to exceed 140 million tons. It has taken only two years to replace the reduction in stocks that occurred as a result of the PIK program and poor weather in 1983.

The government cannot live with the current high rate of accumulation of stocks. As a result, there will be strong pressure to increase set-aside requirements in 1986 and possibly to reinstitute a PIK-type program sometime during the next two years. Paying farmers in the form of grain to keep land idle has a number of advantages from the standpoint of the government. It reduces pressure on the budget (substitutes for cash payments) and helps to keep prices competitive on world markets, thus reducing the incentives for other countries to take advantage of U.S. cut-backs by increasing their own production.

INDEX OF PRICES RECEIVED AND PAID BY FARMERS



1/RATIO OF INDEX OF PRICES RECEIVED TO INDEX OF PRICES PAID.
SOURCE: DEPARTMENT OF AGRICULTURE

COUNCIL OF ECONOMIC ADVISERS

Average U.S. farm prices continued the slide that began in 1984 during the first 9 months of 1985. The index of prices paid by farmers remained relatively flat in 1985 owing mainly to lower prices for agricultural-based inputs such as feed and feeder cattle, but also to depressed prices for fertilizer. Crop prices are likely to turn up early in 1986. Livestock prices, especially for cattle and hogs, have already done so.

Harvest-time prices of grains and soybeans will be dictated in 1986 as in 1985 mainly by support levels. Owing to the publicity given to the widespread financial distress of farmers, rural bankers and agribusiness firms, Congress is unlikely to cut support levels very dramatically in 1986. Loan rates for corn, wheat and soybeans may be reduced (perhaps by as much as 5 to 10 per cent), but the loss in loan rates probably will be offset by larger government payments (target prices are likely to remain frozen at 1985 levels).

It is unlikely that Congress will accept a cut in the support price for manufacturing milk of more than 50 cents per hundredweight in 1986. Further reductions can be expected in 1987 and subsequent years, however, if government purchases of surplus dairy products remain high.

Table 1. CHANGES IN THE DISTRIBUTION OF FARMS BY ACRES PER FARM United States, 1910, 1950 and 1982

Acres per farm	Census Years 1910	1950	1982	Percent of total acres, 1982
	percent of farm numbers			
1 - 49	35.4	36.5	28.4	1.4
50 - 99	22.6	19.5	15.4	2.7
100 - 179	23.8	20.5	16.4	5.4
180 - 259	8.4	9.1	9.4	4.9
260 - 499	7.0	8.9	14.1	12.1
500 - 999	2.0	3.4	9.1	15.0
1,000 and over	0.8	2.3	7.2	58.5
Total	100.0	100.0	100.0	100.0
Number of farms, millions	6.36	5.38	2.24	2.24

Source: Censuses of Agriculture.

Table 2. CHANGES IN THE DISTRIBUTION OF FARMS BY ACRES PER FARM New York 1900, 1950, 1982

Acres per farm	Percent of total acres 1900	1950	1982	Percent of total acres, 1982
	percent			
1 - 49	29.8	27.0	22.1	2.1
50 - 99	28.1	21.4	15.5	5.2
100 - 179	28.2	27.7	19.2	11.9
180 - 259	9.4	13.0	14.0	13.9
260 - 499	3.9	9.1	19.7	32.0
500 - 999	0.5	1.6	7.8	23.2
1,000 and over	0.1	0.2	1.7	11.7
Total	100.0	100.0	100.0	100.0
Number of farms	226,720	124,780	42,207	42,207

Source: Censuses of Agriculture.

The proportion of America's farms with less than 180 acres has steadily decreased throughout the 20th century in both New York and the country as a whole. The proportion of the farms with 180 acres or more has grown over time in all these size categories in Tables 1 and 2 in both New York and the United States. In this sense the same forces have been at work in this state as nationally as farm numbers decreased.

Table 3. NUMBER OF FARMS AND VALUE OF PRODUCTS SOLD
New York Census, 1982

Value of agricultural sales	Number of farms	Percent of total	Total value of sales	Percent of total
			millions	
Residential farms:				
Less than $5,000	14,900	35.3	$ 25.2	1.0
Part-time farms:				
5,000 - 9,999	4,339	10.3	30.7	1.3
10,000 - 19,999	3,563	8.4	50.3	2.1
20,000 - 39,999	3,696	8.8	107.8	4.5
Commercial farms:				
40,000 - 99,999	8,313	19.7	563.3	23.2
100,000 - 199,999	4,991	11.8	682.6	28.1
200,000 - 499,999	1,975	4.7	567.9	23.4
$500,000 and over	398	0.9	391.7	16.1
Abnormal farms*	32	0.1	7.4	0.3
Total	42,207**	100.0	$2,426.9	100.0

*Abnormal farms are institutional, experimental and cooperative operations.

**USDA estimates another 6,000 farms with sales of less than $10,000 were not counted by Census.

One of the most common ways of measuring size of business is to look at sales volume, a common industry practice. Three groups of farms are differentiated in Table 3. All the farms with less than $5,000 of sales are described as residential farms. They make up at least 35% of the total and probably more because census undercounting is concentrated in this group. Although there are a substantial number of these "farms" they account for only 1 percent of total agricultural sales.

A second group described as part-time farms, sell between $5,000 and $40,000 of agricultural products. In nearly all cases this amount of sales is not enough to support a family. One or

more family members work off the farm. This group accounts for 27.5 percent of the census farms and about 8 percent of aggregate sales.

The third group designated commercial farms, produced 91 percent of all the agricultural products sold in 1982 from 15,700 farms. Most of these are full-time farm businesses where the primary source of family income comes from farming operations.

Table 4. PERCENT OF FARMS BY SIZE AND TOTAL SALES
New York and United States, 1982

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

*Abnormal farms included.
Source: Census of Agriculture.

When the number of farms by size groups, based on agricultural sales, is compared on a percentage basis, New York is similar to the national distributions. In both cases about 35 percent of the total number have sales of less than $5,000. In the part-time category, New York has proportionately smaller numbers. Nationally 37 percent of the total have sales between $5,000 and $40,000. In New York that total is only 27.5 percent. As a consequence more of New York's farm numbers are in the full-time commercial category with sales over $40,000. There are over 37 percent in New York but less than 29 percent nationally.

When the total value of agricultural sales is considered by size groups, there are other important differences between New York and the country as a whole. The 1 percent of farms in the United States with sales of $500,000 or more produce 30 percent of total output. In New York this proportion is 16.4 percent. In general New York's largest farms have not attained the size and relative importance of their counterparts in other regions of the country. In a corresponding manner much more of total farm

output in New York comes from traditional "family farms" with sales between $40,000 and $500,000. In New York the total is approximately 75 percent contrasted to the national figure of 57.5 percent. Concentration of production on a relatively small number of large farms has not occurred at the same rate as it has in the irrigated west, Hawaii and Florida.

Table 5. CHANGES IN THE PERCENTAGE DISTRIBUTION OF GROSS AND NET FARM INCOME United States, 1973 and 1983

Value of agricultural sales	Number of farms	Gross farm income*	Net farm income*
1973:	thousands	percent of total	
under $20,000	2,051	15.8	9.2
20,000 - 39,999	327	12.2	12.9
40,000 - 99,999	308	23.5	24.9
100,000 - 199,999	91	15.5	17.0
200,000 - 499,999	36	12.8	14.6
$500,000 and over	10	20.2	21.4
Total	2,823	100.0	100.0
1983:			
under $20,000	1,433	10.5	-1.4
20,000 - 39,999	272	6.7	2.9
40,000 - 99,999	381	19.8	14.6
100,000 - 199,999	177	18.6	17.0
200,000 - 499,999	83	17.7	18.5
$500,000 and over	24	26.7	48.4
Total	2,370	100.0	100.0

*Income including farm households before inventory adjustment.
Source: ERS, USDA, Economic Indicators of the Farm Sector, ECIFS 3-3, September 1984.

Estimates of the distribution of aggregate farm income by size classes are made annually by the Economic Research Service. Ten years ago in 1973 these calculations suggested that the distributions of gross farm income and net farm income (after production expenses including depreciation and interest were deducted) were quite similar. The proportions of net farm income accruing to the largest farms were not very much different from the proportions of gross farm income.

In 1983, the ERS estimates suggest a very different structure. Farms with $200,000 or more of gross sales are estimated to retain a larger proportion of their gross return than are smaller farms. These data suggest somewhat surprising economies of size over this 10 year span. It also suggests that small farms on the average are not covering all costs if imputed returns to the owner's labor and capital are considered.

HIGHLIGHTS OF THE MARKETING COSTS SECTION

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

On the next page, indices of the major marketing costs indicate that the 1985 increases will be smaller than those in 1984. In fact, it appears that short-term interest, utilities, and labor may actually decline in 1985.

Next, on page 19, tables present food expenditures as a percent of disposable income and price indices for a typical market basket of food products. The portion of total disposable income spent for food consumed at home fell again in 1984, continuing a downward trend evident for over a decade. The total income spent for food declined to 15.1 percent in 1984, from 15.6 percent in 1983. The market basket indices appear to indicate that the farmers' share of the retail dollar will fall again in 1985 continuing another secular decline.

Following, on pages 20 and 21, pie charts indicate the 1984 distribution of consumer expenditures between food consumed at home and food consumed away from home. Note the difference between the farmers' share of the "at home" dollar (15%) and "away from home" dollar (33%). Also included on these two pages are expected increases in major marketing cost components and market basket statistics.

A comparison of the distribution of the average household's weekly food spending in grocery stores for 1984 and 1983 is included on page 22. Average total grocery store spending increased 6.5 percent over thepast year, however, the increases in several individual categories, including fresh fish, fresh poultry, in-store delis and bakeries, were considerably above this average. Conversely, the largest category, fresh meat and provisions, representing almost 16 percent of the total, declined 1.7 percent between the most recent two years.

PRICE INDICES OF FOOD MARKETING COSTS

	1982	1983	1984	1985Q1	1985Q2
	Percent of Total Marketing Bill				
Labor	342.7	354.7	368.1	370.0	366.7
Packaging	275.2	280.7	307.6	314.4	312.9
Transportation (rail & truck)	371.0	374.5	391.7	394.0	393.9
Fuel & power	705.1	705.1	712.5	695.2	706.0
Advertising	260.1	280.2	300.3	314.6	317.0
Property Taxes & Insurance	309.9	327.5	343.7	353.8	358.1
Communications, water & sewage	186.7	199.6	215.5	219.7	222.4
Rent	264.3	260.6	261.6	266.2	266.2
Maintenance & repair	325.1	338.2	350.3	357.9	358.4
Business Services	277.2	291.9	306.1	315.8	317.9
Supplies	289.1	286.5	288.5	287.4	289.1
Interest, short-term	232.6	174.0	198.8	170.1	154.8
Total Marketing Costs	333.9	342.4	358.1	361.1	360.1

Source: Agricultural Outlook, USDA, September 1985.

FOOD EXPENDITURES AS PERCENT OF DISPOSABLE INCOME

Year	Total Food, Beverages and Other Groceries	Total Food, Except Alcoholic Beverages	Food Except Alchoholic Beverages	
			At Home	Away From Home
1975	22.8	16.9	12.7	4.2
1976	22.6	16.8	12.5	4.3
1977	22.2	16.5	12.2	4.3
1978	21.8	16.3	12.0	4.3
1979	21.9	16.5	12.1	4.4
1980	21.8	16.4	12.1	4.3
1981	21.5	16.2	12.0	4.2
1982	21.2	16.1	11.7	4.4
1983	20.8	15.6	11.2	4.3
1984	20.1	15.1	10.8	4.3

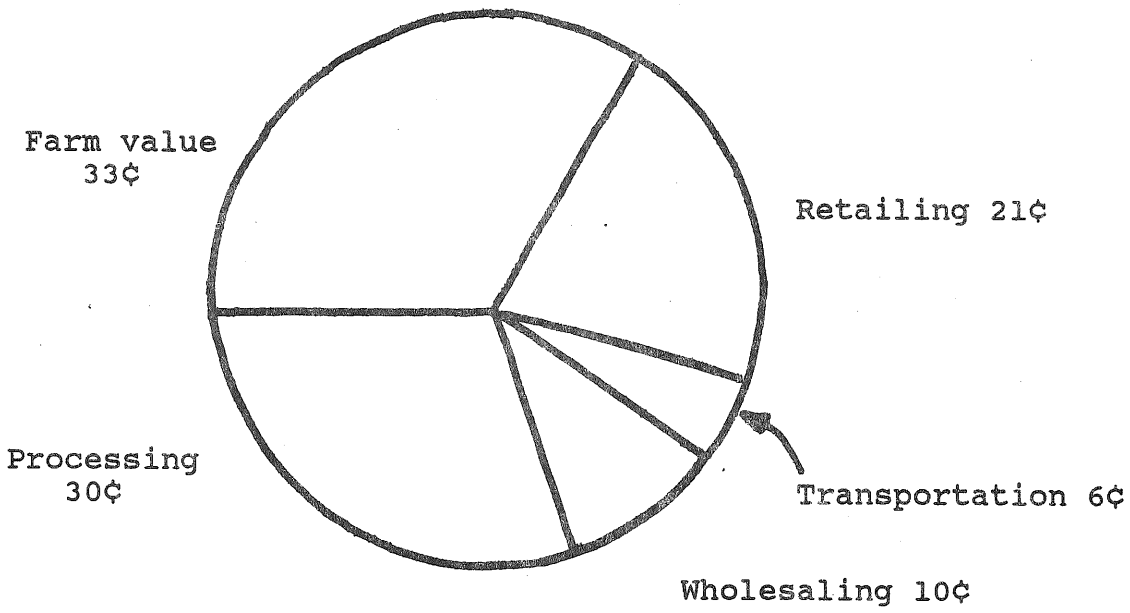
Source: National Food Review, Winter/Spring 1985.

MARKET BASKET OF FARM FOODS PRICE INDICES

Period	Retail Cost	Farm Value	Farm Retail Spread	Farmer's Share
				(Percent)
1979	222.7	227.3	220.0	38
1980	238.8	239.8	238.3	37
1981	257.1	246.4	263.4	36
1982	266.4	248.8	276.8	35
1983	268.7	242.3	284.3	33
1984	279.3	255.7	293.1	34
1985 August	281.6	222.2	316.5	29

Source: Agricultural Outlook, USDA, November 1985.

WHAT A DOLLAR SPENT ON FOOD AT HOME PAID FOR IN 1984



Source: National Food Review, USDA, Winter/Spring, 1985.

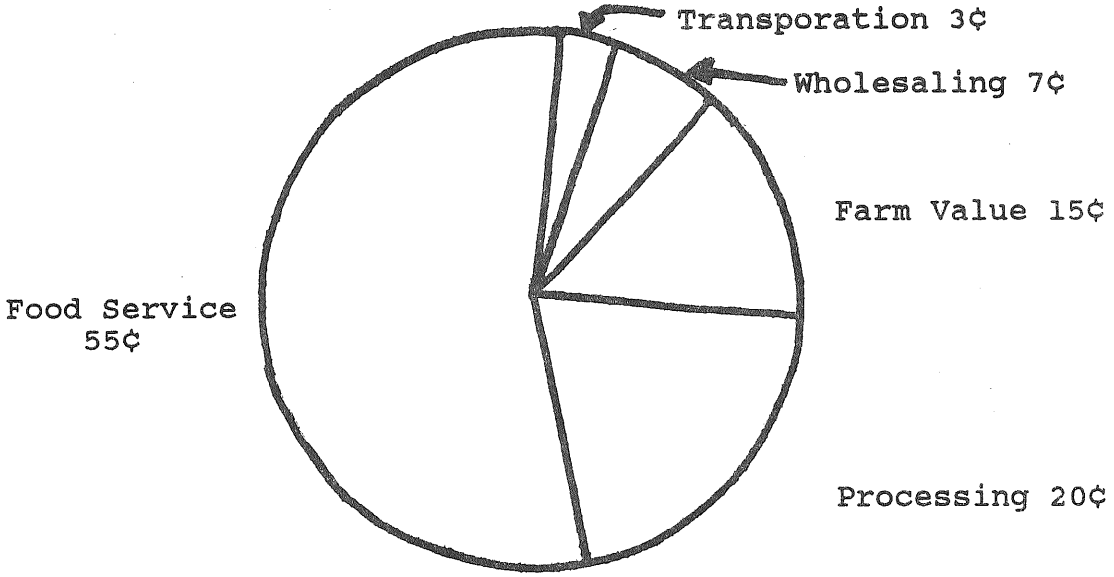
MAJOR FOOD MARKETING COSTS

Category	Changes from Previous Year 1982	1983	1984P	1985F
		(Percent)		
Food marketing costs	5	3	4	3 - 5
Labor	7	4	3	3 - 4
Packaging	-2	2	10	4 - 6
Fuel and power	5	0	1	1 - 3
Transportation	7	1	4	4 - 6

Source: National Food Review, USDA, Winter/Spring 1985.

P = Preliminary
F = Forecast

WHAT A DOLLAR SPENT ON FOOD AWAY FROM HOME PAID FOR IN 1984



Source: National Food Review, USDA, Winter/Spring, 1985.

MARKET BASKET STATISTICS

Category	1979	Changes from Previous Years 1980	1981	1982	1983	1984	1985 August
				(Percent)			
Retail cost	11.7	7.2	7.7	3.8	0.8	3.9	0.8
Farm value	10.7	5.5	2.8	1.0	-2.6	1.4	-13.1
Farm-to-retail spread	12.3	8.3	10.5	5.1	2.7	3.1	7.9

Source: National Food Review, USDA, Winter 1984.
Agricultural Outlook, USDA, November 1985.

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

	1984	1983	Change
PERISHABLES			
Baked goods	$ 2.37	$ 2.27	+ 4.4%
Dairy	4.00	3.79	+ 5.5
Frozen foods	2.75	2.54	+ 8.3
Fresh meat and provisions	8.95	8.80	+ 1.7
Fresh fish	.55	.49	+12.2
Fresh poultry	1.45	1.27	+14.2
Produce	5.17	4.86	+ 6.4
Instore bakery	.82	.72	+13.9
Instore deli	1.16	1.01	+14.9
Total	$27.22	$25.75	+ 5.7
DRY GROCERY (FOOD)			
Beer	$ 2.57	$ 2.41	+ 6.6
Wine and liquor	.53	.51	+ 3.9
Baby food	.35	.33	+ 6.1
Cereal and rice	1.16	1.04	+11.5
Candy and chewing gum	.67	.61	+ 9.8
Canned foods			
Fruits	.33	.33	--
Juices and drinks	.63	.59	+ 6.8
Meat and poultry	.35	.33	+ 6.1
Milk	.09	.09	--
Seafood	.40	.40	--
Soups	.34	.31	+ 9.7
Vegetables	.65	.65	--
Coffee and tea	1.29	1.24	+ 4.0
Dried foods	.48	.49	- 2.1
Jams, jellies and preserves	.41	.41	--
Macaroni, spaghetti, noodles	.19	.19	--
Desserts	.12	.12	--
Soft drinks	1.45	1.34	+ 8.2
Sugar	.36	.37	- 2.8
Misc.	3.69	3.53	+ 4.5
Total	$16.06	$15.29	+ 5.0
Total Foods	$43.28	$41.04	+ 5.5
DRY GROCERY (NON-FOOD)			
Paper goods	1.92	1.78	+ 7.9
Soaps, detergents	1.16	1.12	+ 3.6
Other households supplies	.27	.26	+ 3.8
Pet foods	1.18	1.12	+ 5.4
Tobacco products	2.32	2.06	+12.6
Misc.	.90	.97	- 7.8
Total	$ 7.75	$ 7.31	+ 6.0
GENERAL MERCHANDISE/HBA			
Health and beauty aids (non-Rx)	$ 2.31	$ 2.12	+ 9.0
Prescriptions	.35	.31	+12.9
Housewares	.75	.71	+ 5.6
All other general merchandise	2.23	1.72	+29.7
Total	$ 5.64	$ 4.86	+16.0
GRAND TOTAL	$56.67	$53.21	+ 6.5

Source: Supermarket Business, September 1985.

UNITED STATES FARM BALANCE SHEET
Current Dollars, January 1

Item	1950	1960	1970	1980	1984	1985
	Billion Dollars					
Assets						
Real Estate	77.6	137.2	215.8	755.9	798.0	693.7
Livestock	12.9	15.3	23.5	61.4	49.7	49.6
Machinery	12.2	22.7	32.3	96.7	105.8	99.4
Crops	7.6	7.7	10.9	33.5	33.2	33.7
Household	8.6	9.2	9.6	17.2	24.4	26.1
Total NonRE	(41.3)	(54.9)	(76.3)	(208.8)	(213.1)	(208.8)
Deposits & Currency	9.1	9.2	11.9	15.9	18.2	19.8
U.S. Savings Bonds	4.7	4.7	3.7	4.0	3.6	3.6
Coop. Invest.	2.0	4.2	7.2	20.2	28.5	29.8
Ttl Financial	(15.8)	(18.1)	(22.8)	(40.1)	(50.3)	(53.2)
Total	134.7	210.2	314.9	1004.8	1061.4	955.7
Claims						
RE Debt	5.6	12.0	29.2	85.4	111.6	111.6
NonRE Debt	6.9	12.8	23.8	80.4	103.0	100.9
Total	12.5	24.8	53.0	165.8	214.6	212.5
Owner Equity	122.2	185.4	261.9	839.0	846.8	743.2
Total	134.7	210.2	314.9	100.4	1061.4	955.7
% Equity	91	88	83	83	80	78

Source: Economic Research Service, USDA

CHANGES IN STRUCTURE, U.S. FARM BALANCE SHEET
Current Dollars, 1950-85

Item	1950	1960	1970	1980	1984	1985
	Percent of Total					
Assets						
Real Estate	57	65	68	75	75	73
Livestock	10	7	8	6	5	5
Machinery	9	11	10	10	10	10
All Other	24	17	14	9	10	12
Total	100	100	100	100	100	100
Liabilities						
RE Debt	45	49	55	52	52	53
NonRE Debt	55	51	45	48	48	47
Total	100	100	100	100	100	100

DISTRIBUTION OF UNITED STATES FARM DEBT BY LENDER
Current Dollars, January 1

Lender	1985 %	1985 Mil $	Percent Change From 1984	Percent Change From 1980
Real Estate				
Federal Land Bank	23	49,103	+ 2	+ 66
Individuals & Others	14	29,900	- 9	+ 7
Insurance Companies	6	12,444	- 1	+ 2
Commercial Banks	5	10,177	+ 9	+ 18
Farmers Home Admin.	5	10,013	+ 7	+ 41
Total	53	111,637	+ 0	+ 31
Nonreal Estate				
Commercial Banks	19	39,742	+ 2	+ 27
Production Credit Assn. and FICB's	9	18,800	- 4	+ 1
Merchants & Dealers	8	18,000	- 5	+ 14
Farmers Home Admin.	7	15,651	+ 7	+ 74
Commodity Credit Corp.	4	8,719	- 19	+ 72
Total	47	100,912	- 2	+ 26
Total Debt	100	212,549	- 1	+ 28

Source: Economic Research Service, USDA

LEVEL AND CHANGE IN INSTITUTIONAL DEBT
June 30, 1985

Lender	Million Dollars	% Change From June 30, 1984
Real Estate		
Federal Land Bank	48.0	- 2.5
Life Insurance Companies	12.1	- 3.6
Farmers Home Admin.	10.7	5.8
Commercial Banks	10.6	6.3
Nonreal Estate		
Commercial Banks	40.1	- 3.0
Farmers Home Admin.	18.5	10.9
Production Credit Assn. & FICB's	17.4	-15 1
Commodity Credit Corp.	8.7	33.3

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

NEW YORK FARM BALANCE SHEET
In Current Dollars, Including Farm Households

Item	January 1985 Million Dollars	Percent
Assets		
Real Estate	$ 7,595	58
Livestock	1,143	9
Machinery & Vehicles	2,347	18
Crops Stored	524	4
Household Items & Equip.	532	4
Deposits & Currency	416	3
Coop. Investments	575	4
Savings Bonds	61	0[b]
Total Assets	$ 13,194	100
Liabilities & Equity		
Real Estate Debt	$ 1,264	41
Nonreal Estate Debt	1,812	59
Total Liabilities	3,076	100
Equity	10,118	
Total Liabilities & Equity	$ 13,194	

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

[b] Less than 0.5 percent.

CHANGES IN NEW YORK FARM BALANCE SHEET
Current Dollars, January 1

Item	1960	1970	1980	1984[a]	1985
Total Assets	$ 3,579	$ 5,428	$ 11,698	$ 13,518	$ 13,194
Total Debts	547	843	2,527	3,509	3,076
Owner's Equity	3,032	4,585	9,171	10,009	10,118
Percent Equity	85	81	78	74	75

[a] Revised.

NEW YORK FARM CREDIT OUTSTANDING
January 1, 1985

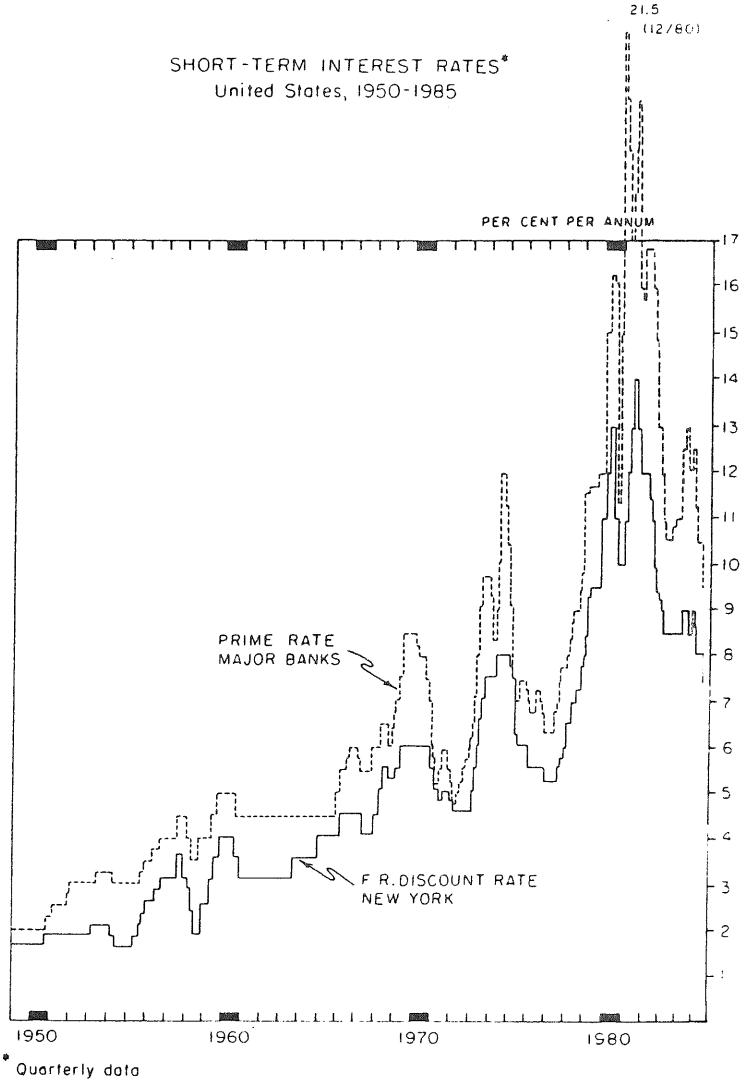
Credit Type & Source	Million Dollars	Percent Change From 1984	Percent Change From 1980
Real Estate Loans			
Commercial Banks	$ 93	- 18	- 27
Federal Land Banks	497	- 7	34
Farmers Home Admin[a]	213	3	44
Insurance Companies	27	- 4	17
Individuals & Others	435	- 8	20
Total	$ 1,264	- 7	22
Nonreal Estate Loans			
Commercial Banks[b]	$ 694	- 29	34
Production Credit Assn.	415	+ 2	39
Farmers Home Admin[a]	308	- 3	7
Merchants, Dealers, Individuals and Others	362	- 9	66
Commodity Credit Corp.	32	- 43	
Total	$ 1,812[b]	- 16[b]	35
Total Debt	3,076	- 12	30

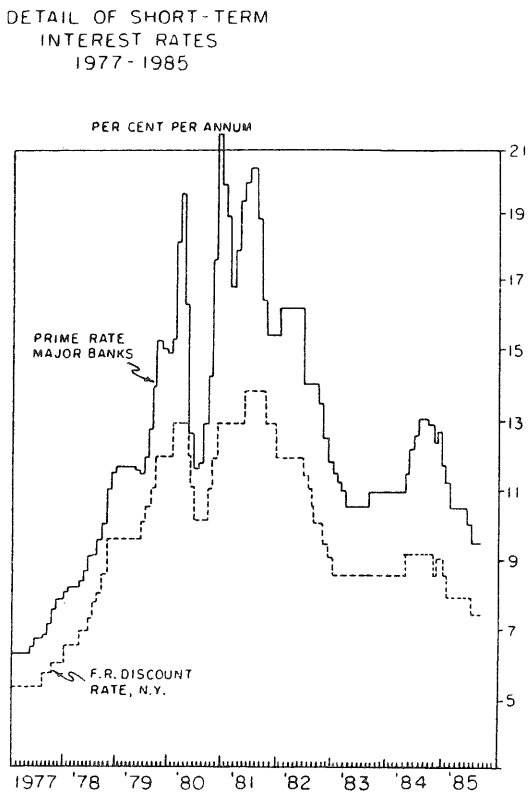
[a] All emergency loans are included under nonreal estate. This overestimates nonreal estate loan volume and underestimates real estate loan volume.

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

During 1984, a 13 percent reduction in the value of farm real estate and a six percent fall in machinery values resulted in a 10 percent decline in the value of United States farm assets. Over the same period debts declined only one percent resulting in a $104 billion (12 percent) loss in farmer equity. Lender shares of farm debt are shifting from private to public as the declining volume of commercial banks, Federal Land Banks and (especially) Production Credit Associations is largely offset by increases in lending by the Farmers Home Administration and the Commodity Credit Corporation.

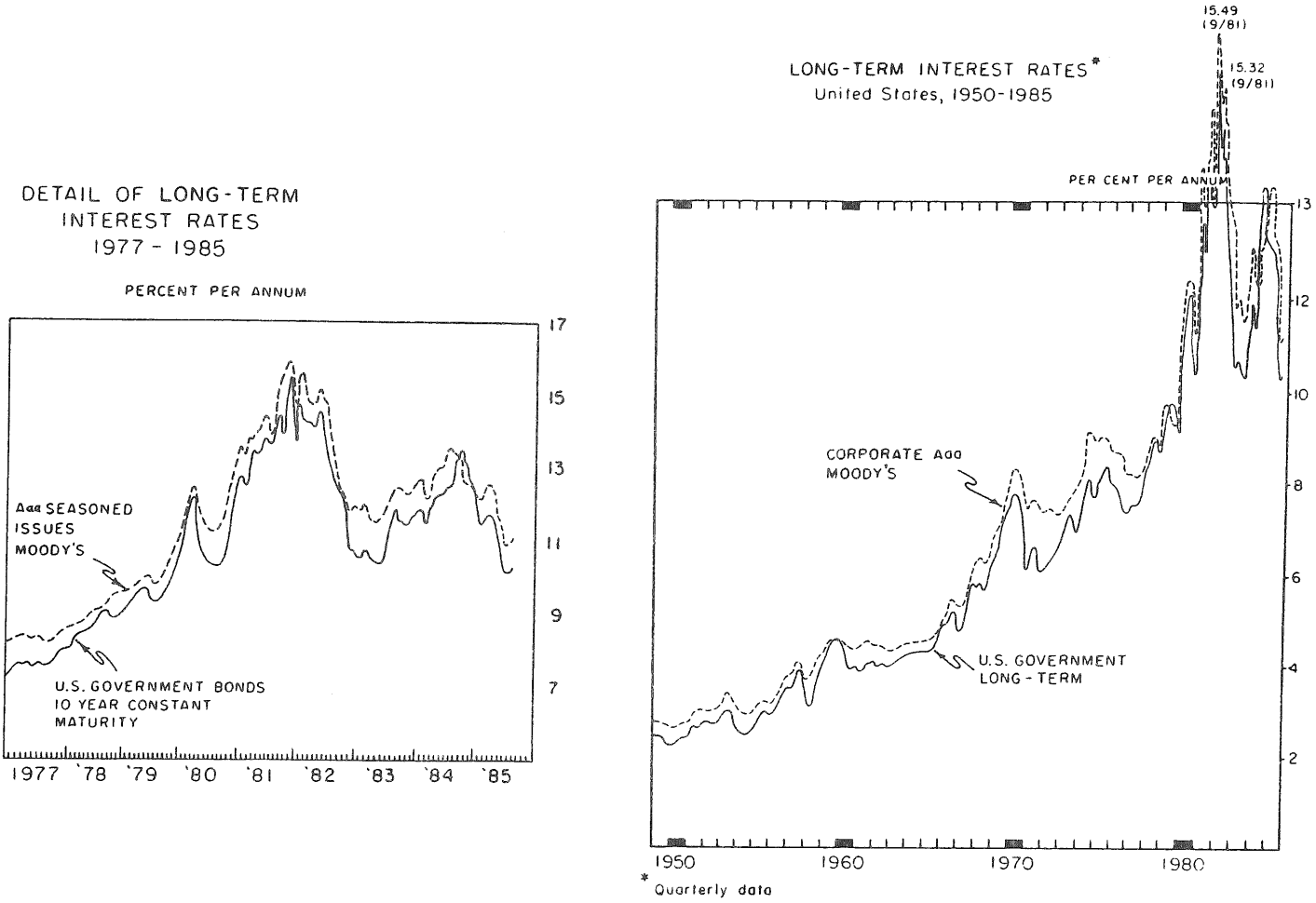
New York farm assets declined a modest 2.4 percent during 1984. New York land values increased less rapidly than U.S. values during the 1970s and, thus, are now declining less rapidly, resulting in a four percent decline in real estate values in 1984. Lender farm loan levels remained constant or declined during 1984. The large decline in bank lending is at least partly the result of distortion caused by large New York City banks reporting of large out-of-state lending volumes.





Short term interest rates reached a peak in mid-1981 and then declined irregularly until mid 19783. Following a general rise in rates from mid 1983 to mid 1984, rates declined throughout 1985.

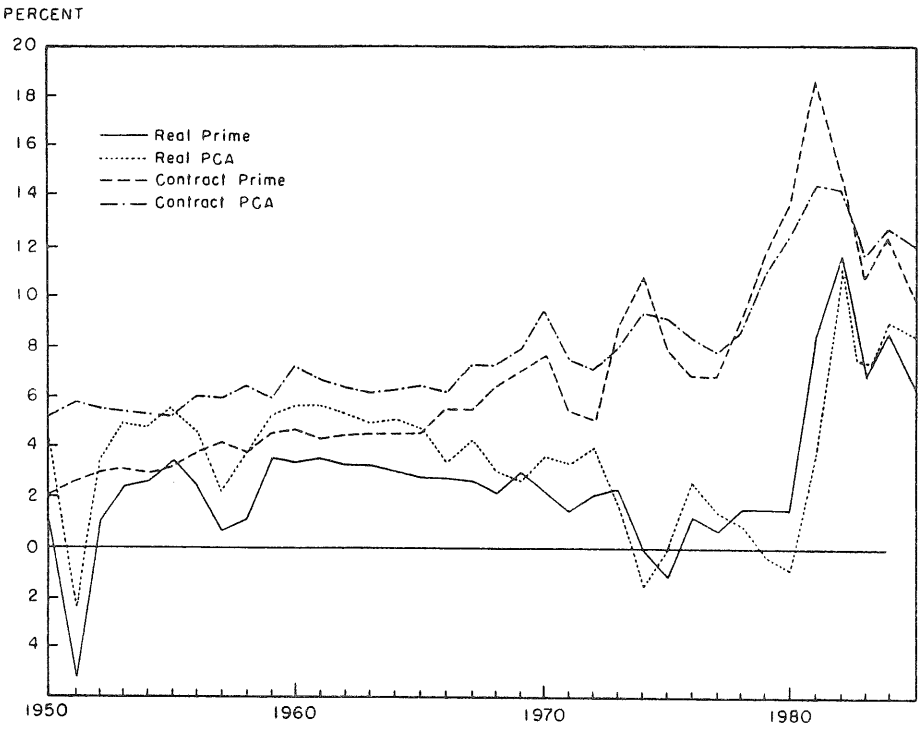
Long term rates peaked in late 1981 and have followed the same pattern of change as that experienced by short term rates. Rates are currently at their lowest level since the late 1970's. A positive yield curve (long term rates higher than short term rates) was maintained throughout 1985 with the difference between short and long term government issues increasing to 2 1/2 percent.



Major factors contributing to the recent decline in rates include continuation of a low inflation rate and an accomodative posture on the part of the Federal Reserve System, which allowed the money supply to expand quite rapidly. These forces appear likely to continue into early 1985 with some further modest declines in interest rates. Declines are likely to be less than one percent below late 1985 levels.

The large Federal deficits appear likely to continue, placing a high level of government demand on financial markets. However, continued sluggish growth of the economy, limited business investment plans and high current consumer debt levels imply only modest expansion in private credit demand. Depending on the level of international hostilities, the lower interest rates already experienced should reduce the supply of funds from overseas. The rapid expansion of the money supply and increased cost of imports, due to the declining value of the dollar, will likely result in upward pressure on inflation rates. These factors imply a turn around of interest rates at some point. Many believe it could occur by summer. Any increase in rates is likely to be modest, possibly a maximum of one percent above late 1985 levels by late 1986.

CONTRACT AND REAL INTERESTS RATES



Following nearly a decade when real interest rates were very low or negative, real interest rates moved up sharply in 1981 and reached an unprecedented new high in 1982. Real rates declined sharply in 1983 but have remained considerably above historical levels during 1984 and 1985. Continued low inflation rates allows some of the inflation premium included in real rates to be squeezed out, resulting in lower contract rates.

Farm Level Rates

Farm level rates in New York generally declined modestly during 1985. Losses experienced by the Farm Credit System (FCS) nationally as well as FCS and bank losses in New York will tend to keep farm rates from declining significantly during 1986. Given the basic interest outlook, 1985 farm rates appear likely to remain at near late 1985 levels. This implies a modest reduction in farm level interest costs in 1986 compared to 1985.

NEW YORK FARM FINANCIAL SITUATION COMPARED TO OTHER STATES
State Surveys, 1985

State	Debt/Asset Ratio		Deliquent on Debt Payments		Farmer Refused Credit[b]
	40-70%	Over 70%	Real Estate	Nonreal Estate	
	----------% of Farmers----------				
New York	13	6	5	7	9
Alabama	a	a	16	18	a
Colorado	19	18	17	29	19
Illinois	a	a	7	15	9
Iowa	18	10	a	a	
Michigan	16	9	7	11	15
Minnesota	19	18	11	25	a
Missouri	a	a	12	19	11
Montana	27	7	18	31	a
New Mexico	a	a	10	14	13
North Dakota	a	a	13	18	a
Wisconsin	a	a	18	25	a

[a] Not available.

[b] Some proportion of these farms ultimately found credit. In New York 3.4 percent of all farmers were unable to obtain credit from some source.

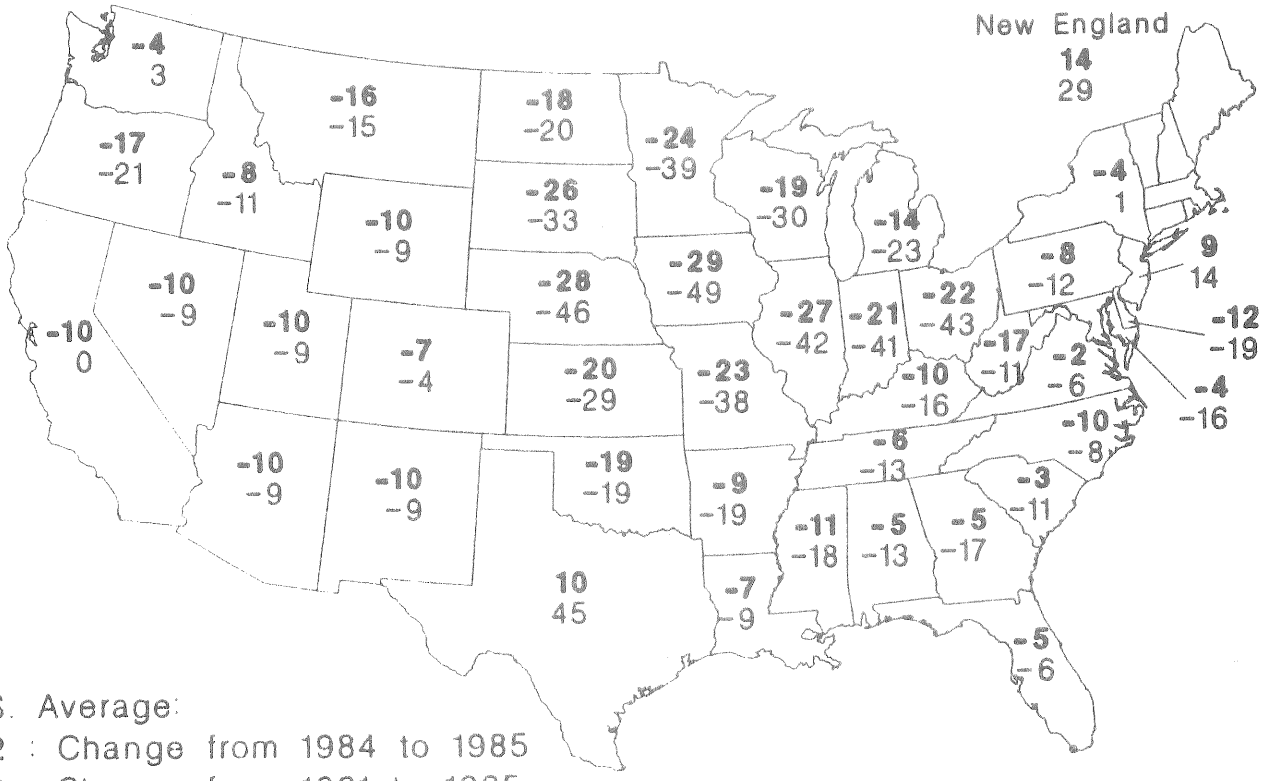
TRENDS IN THE FINANCIAL CONDITION OF NEW YORK FARM SUPPLIERS
State Survey, 1985

Type of Business	Percent Change From One Year Earlier				
	Sales (Jan-Apr)	Income (1984)	Accts Payable	Accts Rec'able	Overdue Rec'able
Feed & Seed	- 4	- 13	- 6	4	- 22
Fert. & Chem.	0	- 3	+ 2	19	+ 9
Farm Equip.	- 19	- 1	+ 7	13	+ 2
Fuels	- 5	+ 8	- 2	3	- 5
General & Bldg. Mat.	- 4	+ 5	+ 3	7	- 9
Other	- 6	- 3	- 2	9	- 12
All	- 7	- 3	0	9	- 10

Source: New York Farm Suppliers Financial Survey.

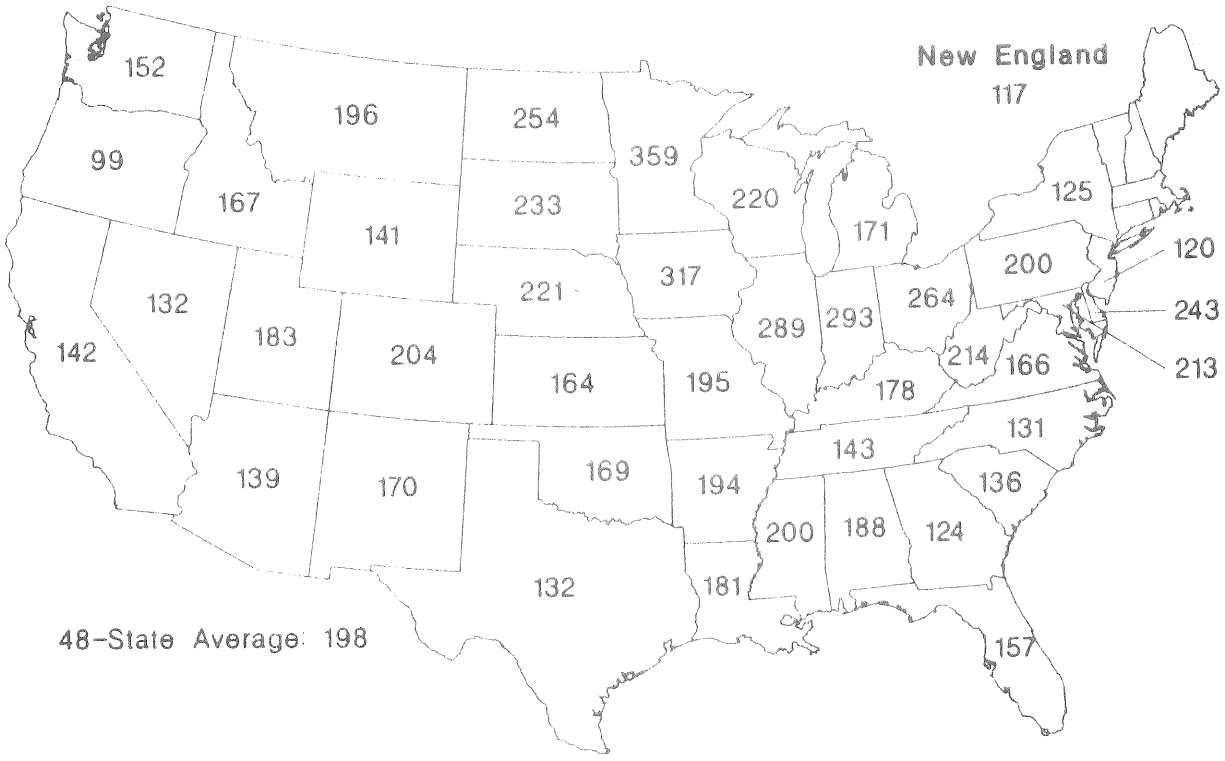
CHANGE IN FARM REAL ESTATE VALUES, UNITED STATES

Change in Average Value of Farm Real Estate per Acre, 1984-85 and 1981-85



U.S. Average:
-12 : Change from 1984 to 1985
-19 : Change from 1981 to 1985

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



48-State Average: 198

AVERAGE VALUE PER ACRE OF UNITED STATES FARM REAL ESTATE

Table 2--Farm real estate values: Average value per acre of land and buildings, by State, grouped by farm production region, Feb. 1, 1977-81; and April 1, 1982-85 1/

State	1977	1978	1979	1980	1981	1982	1983	1984	1985
					Dollars				
Northeast									
Maine	414	464	538	594	642	680	708	750	856
New Hampshire	696	787	919	1,004	1,078	1,136	1,174	1,244	1,419
Vermont	533	584	660	721	774	815	842	893	1,017
Massachusetts	1,138	1,261	1,443	1,608	1,752	1,874	1,963	2,081	2,372
Rhode Island	1,821	2,045	2,370	2,523	2,646	2,729	2,760	2,926	3,335
Connecticut	1,780	1,960	2,227	2,387	2,517	2,610	2,655	2,814	3,208
New York	587	600	670	720	773	821	817	842	808
New Jersey	2,211	2,386	2,701	2,947	3,040	3,181	3,140	3,234	3,525
Pennsylvania	994	1,115	1,273	1,464	1,568	1,513	1,520	1,642	1,510
Delaware	1,250	1,350	1,500	1,798	1,928	1,787	1,829	1,866	1,642
Maryland	1,353	1,579	1,800	2,238	2,530	2,376	2,121	2,185	2,097
Lake States									
Michigan	778	877	975	1,111	1,289	1,278	1,223	1,223	1,052
Wisconsin	598	718	856	1,004	1,152	1,144	1,113	1,046	847
Minnesota	672	761	901	1,086	1,281	1,272	1,165	1,083	823
Corn Belt									
Ohio	1,099	1,224	1,483	1,730	1,831	1,629	1,504	1,444	1,126
Indiana	1,188	1,357	1,589	1,863	2,031	1,804	1,610	1,594	1,259
Illinois	1,458	1,625	1,858	2,041	2,188	2,023	1,837	1,800	1,314
Iowa	1,259	1,331	1,550	1,840	1,999	1,889	1,684	1,499	1,064
Missouri	548	641	726	902	990	945	856	856	659
Northern Plains									
North Dakota	274	300	347	405	436	455	439	439	360
South Dakota	194	227	256	292	329	349	348	338	250
Nebraska	420	412	525	635	729	730	701	617	444
Kansas	398	418	501	587	619	628	601	583	466
Appalachian									
Virginia	701	774	930	1,028	1,118	1,096	1,125	1,114	1,091
West Virginia	430	459	592	669	681	723	688	667	554
North Carolina	759	830	1,051	1,219	1,340	1,297	1,314	1,380	1,242
Kentucky	619	715	861	976	1,033	1,058	1,049	1,007	906
Tennessee	618	736	860	976	1,070	1,040	1,014	1,044	982
Southeast									
South Carolina	600	653	773	900	972	980	946	927	899
Georgia	581	685	777	896	971	926	929	910	865
Florida	861	981	1,149	1,381	1,565	1,518	1,576	1,608	1,527
Alabama	477	527	639	780	910	885	826	809	769
Delta States									
Mississippi	461	567	681	819	1,034	981	894	939	835
Arkansas	542	606	770	918	1,056	1,096	972	933	849
Louisiana	665	818	1,001	1,256	1,454	1,414	1,351	1,351	1,256
Southern Plains									
Oklahoma	394	450	512	614	681	725	699	699	566
Texas	299	337	386	436	468	539	544	593	652
Mountain States									
Montana	157	176	196	235	251	271	259	264	222
Idaho	454	515	585	698	774	839	814	814	749
Wyoming	110	121	144	161	180	193	193	197	177
Colorado	256	273	322	387	434	451	454	468	435
New Mexico	101	112	143	185	192	195	178	182	163
Arizona	138	154	199	267	287	302	289	295	265
Utah	271	308	400	530	567	589	560	571	514
Nevada	112	140	191	248	262	268	249	254	229
Pacific States									
Washington	535	602	692	736	877	922	933	961	923
Oregon	342	414	504	587	668	705	705	698	579
California	759	914	1,186	1,424	1,732	1,900	1,918	1,918	1,726
48 States	474	531	628	737	819	823	788	782	679

1/ These values are based on land-value benchmarks obtained from the Census of Agriculture. For intercensal years, interpolations and extrapolations are made using the indexes in Table 1. For some years, the dollar values show changes that differ from the changes shown in Table 1. 1980 to 1984 values are revised.

INDEXES OF FARM REAL ESTATE VALUES PER ACRE

Table 1--Farm real estate values: Indexes of the average value per acre of land and buildings, by State, grouped by farm production region, Feb. 1, 1977-1981; and April 1, 1982-85 1/

State	1978	1979	1980	1981	1982	1983	1984	1985	Percent change 1984-85
					1977 = 100				
Northeast									
Maine 2/	110	126	135	143	149	152	162	185	14
New Hampshire 2/	110	126	135	143	149	152	162	185	14
Vermont 2/	110	126	135	143	149	152	162	185	14
Massachusetts 2/	110	126	135	143	149	152	162	185	14
Rhode Island 2/	110	126	135	143	149	152	162	185	14
Connecticut 2/	110	126	135	143	149	152	162	185	14
New York	102	113	119	126	132	129	133	128	- 4
New Jersey	103	111	120	123	128	125	129	141	9
Pennsylvania	112	127	140	144	133	128	138	127	- 8
Delaware	112	129	151	158	143	143	146	128	-12
Maryland	117	133	166	188	178	160	165	158	- 4
Lake States									
Michigan	112	124	138	157	152	141	141	121	-14
Wisconsin	118	139	159	179	174	165	155	126	-19
Minnesota	112	131	154	179	174	155	144	109	-24
Corn Belt									
Ohio	113	138	156	160	137	121	116	90	-22
Indiana	112	130	150	161	140	122	121	96	-21
Illinois	110	125	135	144	131	117	115	84	-27
Iowa	104	119	139	150	139	121	108	77	-29
Missouri	115	127	154	165	153	133	133	102	-23
Northern Plains									
North Dakota	106	119	136	145	149	142	142	116	-18
South Dakota	117	132	141	150	150	140	136	101	-26
Nebraska	96	120	137	151	143	129	114	82	-28
Kansas	101	117	134	137	136	126	122	98	-20
Appalachian									
Virginia	108	128	139	149	143	144	143	140	- 2
West Virginia	102	126	150	160	177	177	172	143	-17
North Carolina	103	122	141	155	149	150	158	142	-10
Kentucky	113	133	147	153	154	149	143	129	-10
Tennessee	112	122	136	146	138	131	135	127	- 6
Southeast									
South Carolina	102	114	130	137	136	128	125	121	- 3
Georgia	111	118	132	139	128	124	122	116	- 5
Florida 3/	108	120	141	157	149	152	155	147	- 5
Alabama	105	120	149	176	174	165	162	154	- 5
Delta States									
Mississippi	115	129	156	198	189	174	183	163	-11
Arkansas	110	137	163	188	196	174	167	152	- 9
Louisiana	115	132	169	200	199	195	195	181	- 7
Southern Plains									
Oklahoma	110	121	143	156	164	156	156	126	-19
Texas	111	124	144	158	185	191	208	229	10
Mountain States									
Montana	111	121	142	148	157	146	149	125	-16
Idaho	108	117	134	144	151	140	140	129	- 8
Wyoming 5/	104	118	126	135	140	133	136	122	-10
Colorado	107	126	147	161	164	161	166	154	- 7
New Mexico 4,5/	104	126	166	178	185	176	180	162	-10
Arizona 4,5/	104	126	167	179	186	177	181	163	-10
Utah 4,5/	106	127	169	181	188	179	183	165	-10
Nevada 4,5/	111	134	178	190	198	188	192	173	-10
Pacific States									
Washington	107	118	124	146	152	152	157	151	- 4
Oregon	109	120	132	144	145	138	137	114	-17
California	113	138	166	201	221	223	223	201	-10
48 States	109	125	145	158	157	148	146	128	-12

1/These indexes are based on USDA surveys. For some years, they show changes that differ from those shown by the dollar values in Table 2. 2/ Indexes for 1978-84 were estimated by combining survey data to obtain an average rate of change for these 6 New England States. 3/ Indexes for 1978-82 were estimated using the average of the percentage changes in the Georgia and Alabama indexes. 4/ Indexes for 1979-80 were estimated by combining survey data to obtain an average rate of change for these 4 Mountain States. 5/ Indexes for 1981-1985 were estimated using the average of the percentage changes in the Montana, Idaho, and Colorado indexes.

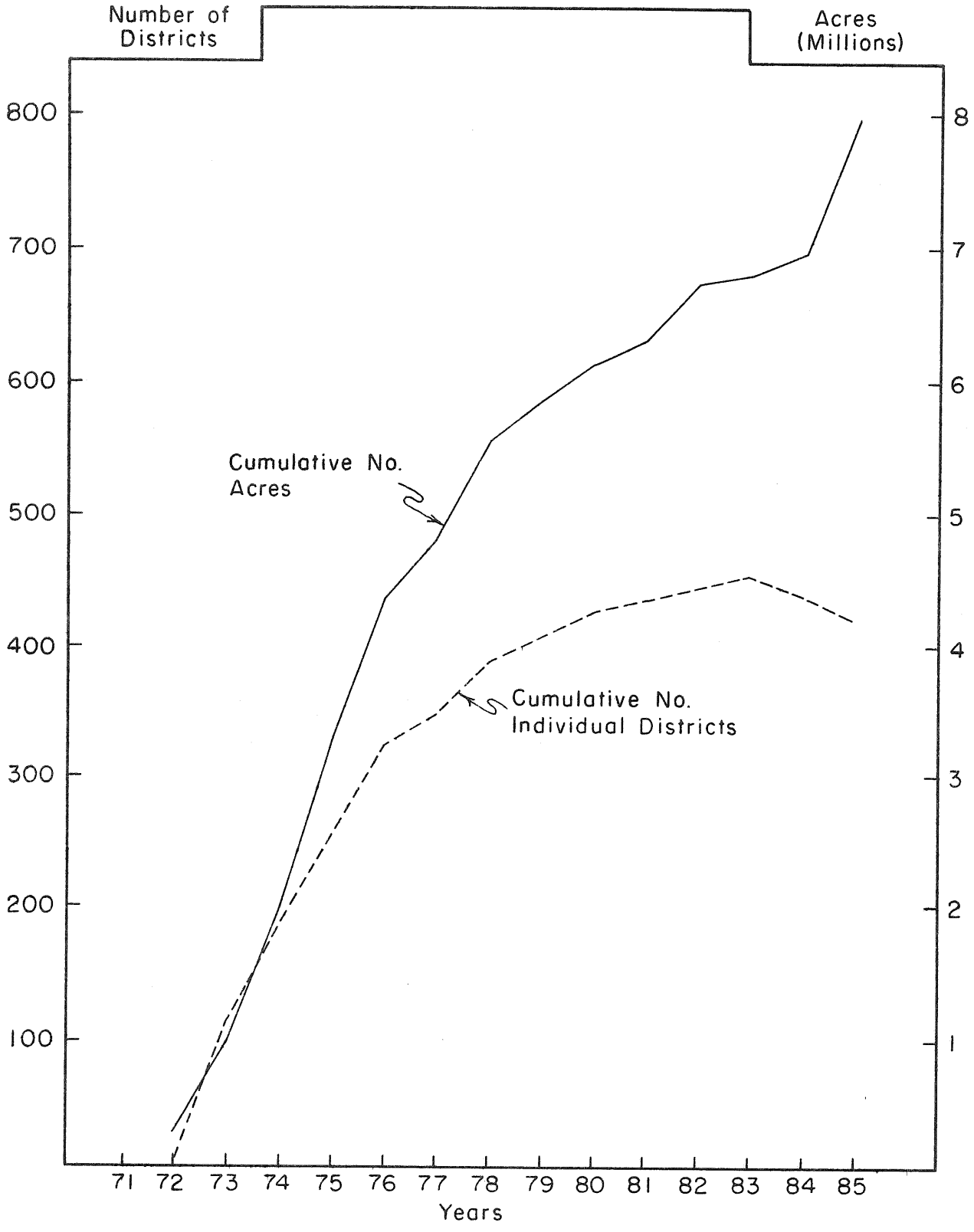
CASH RENT PER ACRE AND RATIO OF RENT TO VALUE

Table 8--Cropland rented for cash: Gross cash rent per acre and ratio of rent to value, selected States, March 1, 1981 and April 1, 1982-85 1/

State	Rent per acre					Ratio of rent to value				
	1981	1982	1983	1984	1985	1981	1982	1983	1984	1985
	Dollars					Percent				
Northeast										
Vermont	28.00	25.60	24.10	31.32	28.25	3.7	3.6	3.2	3.8	4.1
Massachusetts	35.00	32.10	37.00	36.07	—	2.4	2.1	2.7	1.6	—
New York 2/	35.20	34.20	33.40	35.79	34.78	6.5	6.5	7.0	5.4	5.0
New Jersey	40.30	48.90	51.30	48.43	43.18	1.6	2.0	2.1	1.2	1.1
Pennsylvania 3/	37.50	39.50	38.80	38.01	42.98	2.3	2.5	2.5	2.1	2.5
Delaware	59.30	60.50	59.10	66.90	66.77	3.4	3.6	3.6	3.8	3.8
Maryland	46.70	51.00	50.50	58.33	63.62	2.2	2.6	2.7	2.8	2.7
Lake States										
Michigan4	51.90	55.40	57.30	54.14	51.09	4.2	4.4	4.9	3.7	5.5
Wisconsin	55.70	58.10	57.00	58.26	53.08	5.2	5.1	5.2	5.8	6.3
Minnesota 5/	68.80	72.40	71.30	68.43	62.19	4.8	5.1	5.6	6.5	7.8
Corn Belt										
Ohio	87.70	88.40	89.10	79.96	72.64	4.3	4.9	5.8	5.2	5.4
Indiana	108.30	104.90	100.20	103.13	95.70	5.1	5.3	6.0	6.0	7.3
Illinois	113.80	119.40	116.30	119.30	110.07	4.5	5.0	5.6	5.8	7.2
Iowa	113.60	118.80	117.10	117.30	102.65	4.8	5.2	6.0	6.8	8.4
Missouri	68.80	70.00	68.60	67.05	56.54	6.1	6.3	7.3	7.3	8.5
Northern Plains										
North Dakota	31.60	32.90	32.60	32.42	31.74	6.1	6.1	6.5	6.7	7.6
South Dakota	29.50	31.10	31.70	30.77	29.35	5.9	5.9	6.5	7.0	8.3
Nebraska (Nonirr)	48.20	52.10	53.40	56.87	47.10	5.7	5.9	6.6	8.0	8.6
(Irrigated)	109.00	111.00	105.50	113.80	92.53	6.5	6.8	7.1	8.4	9.6
Kansas (Nonirr)	31.70	34.00	34.00	34.10	32.38	4.9	5.2	5.6	5.9	7.2
(Irrigated)	64.00	62.80	62.50	63.52	61.50	6.9	6.9	7.5	7.2	8.7
Appalachian										
Virginia	41.10	42.00	39.00	36.75	37.63	4.3	3.6	3.6	3.5	3.0
North Carolina	44.40	48.30	45.30	43.56	41.44	4.1	4.0	3.8	3.1	2.0
Kentucky	62.30	64.00	62.50	55.80	50.67	5.6	5.1	5.5	4.8	5.2
Tennessee	50.90	54.60	47.90	50.66	45.76	5.4	5.5	5.3	5.1	4.8
Southeast										
South Carolina	29.20	27.80	28.30	27.93	27.00	3.8	3.4	3.7	3.0	3.5
Georgia	35.20	33.10	34.90	32.68	30.32	4.4	4.1	4.5	3.9	4.3
Alabama	35.30	36.10	37.80	30.45	29.49	4.6	4.4	4.7	4.4	4.7
Delta States										
Mississippi	44.90	46.10	42.80	43.75	40.96	4.7	4.7	4.7	4.9	5.2
Arkansas	47.90	50.70	46.60	49.50	50.97	4.4	4.4	4.4	5.5	6.4
Southern Plains										
Oklahoma(Nonirr)6/	29.90	32.30	30.90	27.76	28.52	3.7	4.0	4.0	3.5	4.2
(Irrigated)		51.60	50.30	51.42	39.60		5.3	5.7	4.7	5.0
Texas (Nonirr) 7/	22.50	25.20	24.40	22.62	21.32	3.5	3.3	3.2	2.5	1.9
(Irrigated)	54.80	54.50	52.20	50.73	43.61	6.0	5.8	5.4	5.0	4.6

1/ 1981-83 estimates based on data from crop reporters, Statistical Reporting Service, USDA. For 1984-1985, estimates are based on surveys by the Economic Research Service, USDA, and may not be comparable with earlier estimates. 2/ Estimates omit crop district (c.d.) numbers 3 and 9a. 3/ Estimates omit c.d. 3. 4/ Estimates omit c.d. 1, 2, and 3. 5/ Estimates omit 2 and 3. 6/ Estimates omit c.d. 99. 7/ Estimates omit c.d. 60.

GROWTH IN THE NUMBER AND ACRES IN AGRICULTURAL DISTRICTS, FORMED, AND REVIEWED IN NEW YORK STATE, 1972-1985*



*Through July 1985
Source: NYS Department of Agriculture & Markets

Table 1. Original Agricultural Districts Created
Before 8-Year Review by County, New York State
January 1, 1972 - November 30, 1985

County	1972		1973		1974		1975		1976		1977		1978	
	No.	Acres	No.	Acres	No.	Acres	No.	Acres	No.	Acres	No.	Acres	No.	Acres
Albany					1	15,779					3	23,546	1	1,280
Allegany	1	793	1	11,268					1	2,826	3	14,773		
Broome	1	893					2	16,300	1	49,200			1	56,032
Cattaraugus			1	6,419	1	19,688	2	9,156			1	12,000		
Cayuga			1	6,013							1	8,350	2	153,259
Chautauqua	1	13,000	4	65,741	4	50,611	1	36,178						
Chemung									1	3,780	1	12,551		
Chenango	1	2,902	2	31,345	4	41,001	1	5,779	1	15,000	2	17,232	2	36,471
Clinton			1	5,462			3	39,578					1	13,467
Columbia			2	68,000	2	61,974	2	4,600	4	78,200				
Cortland			3	15,403	7	82,404	1	7,468						
Delaware			1	29,500	3	102,059	4	41,913	1	19,838	2	18,071	5	83,747
Dutchess	1	4,500	2	6,296	9	103,403	4	58,301			2	9,008		
Erie	1	10,652	4	36,138	1	23,135	1	1,550	3	37,808	1	18,225	1	18,600
Essex			3	17,041	1	11,150	1	3,840						
Franklin					1	3,863			1	1,856				
Fulton											1	15,000		
Genesee							1	1,472	2	45,940			1	2,140
Greene			1	2,223	1	12,734							1	3,487
Herkimer			1	3,311									2	84,100
Jefferson									1	16,100				
Lewis							1	22,500	3	186,061			1	72,950
Livingston			4	63,831			1	11,466	2	21,664	1	10,745		
Madison			1	2,700			2	36,506	6	50,020				
Monroe			1	15,463	1	34,581	2	25,797	1	29,428				
Montgomery					1	58,146	3	114,141	3	44,800				
Niagara	1	985			1	2,126	1	11,192	2	23,735			2	40,000
Oneida			10	43,036	3	7,364	6	43,906	7	22,292	4	19,067	2	9,937
Onondaga			4	11,056	1	13,334	3	87,043			1	53,650	1	27,300
Ontario	1	5,300	2	11,597			2	24,281	1	62,017				
Orange	2	24,433	11	57,535	7	28,964	1	6,200			2	30,800		
Orleans							2	36,912	1	8,585			1	6,000
Oswego									2	13,175	4	38,400		
Otsego			1	8,750			1	13,838	2	41,312			2	13,829
Rensselaer					1	11,000	3	40,000	1	7,500			1	11,225
St. Lawrence			1	1,207	2	41,121	2	320,875	1	53,113				
Saratoga			1	13,861	1	14,200							1	9,497
Schoharie	2	7,865			3	83,551	1	4,600					2	5,407
Seneca			1	4,000	7	84,163			2	16,600				
Steuben			1	11,660			2	30,750	3	18,295	3	75,559	1	28,753
Suffolk														
Sullivan			1	7,175	2	11,013	3	31,360	1	2,200			1	2,000
Tioga			2	21,815							1	67,000		
Tompkins			3	32,880	1	25,162			1	7,277				
Ulster			6	23,527	3	15,961	6	23,295	5	9,376	2	2,985		
Washington	1	712	6	69,522	2	11,711	7	60,416	3	38,853	1	14,659	2	16,018
Wayne			1	2,054	2	3,842	2	86,443	2	125,121	1	73,396		
Wyoming							2	19,425	1	53,093	1	32,000		
Yates							1	73,072			1	36,138		
Total	13	72,035	84	705,829	73	974,040	77	1,350,953	66	1,105,065	39	603,155	34	695,499

Table 1. Original Agricultural Districts Created
Before 8-Year Review by County, New York State
January 1, 1972 - November 30, 1985

1979		1980		1981		1982		1983		1984		1985		Total	
No.	Acres	No.	Acres	No.	Acres	No.	Acres	No.	Acres	No.	Acres	No.	Acres	No.	Acres
														5	40,605
1	1,394	2	6,648	1	12,564							1	4,999	11	55,265
														5	122,425
1	3,317													6	50,580
		1	64,179	1	93,620									6	325.421
				1	20,197									11	185,727
														2	16,331
2	19,644	4	128,819	3	15,465	1	3,521			1	1,415			24	318,594
						1	1,200			1	1,563			7	61,270
														10	212,774
														11	105,275
1	11,000													17	306,128
														18	181,508
1	6,590	1	30,380	1	43,853			1	8,250					16	235,181
						1	7,500	1	4,656					7	44,187
														2	5,719
														1	15,000
				1	27,469			2	46,747	1	26,429	2	15,314	10	165,511
		1	10,464											4	28,908
														3	87,411
2	16,441	2	18,645			1	47,663			2	8,074	1	7,953	9	114,876
														5	281,511
						1	15,846			1	4,781			10	128,333
						2	9,043			1	6,635			12	104,904
														5	105,269
														7	217,087
						1	24,746							8	102,784
3	19,023	2	13,021	1	2,028	1	2,551							39	182,225
														10	195,952
1	59,539			2	37,949	1	3,569							10	200,683
														23	147,932
1	8,085			2	24,000	1	9,341							8	92,923
3	29,907			1	4,000	1	15,000							11	100,482
1	7,119									1	13,340	1	28,270	9	126,458
		1	16,020	1	6,475									8	93,020
				1	56,521									7	472,837
1	38,400			1	2,907									5	78,865
1	2,814									1	3,531			10	107,768
				2	15,704									12	120,467
						1	10,175	1	23,600	2	24,931	7	58,007	21	281,730
1	3,145			1	1,026	1	1,091	1	3,600			2	2,999	6	11,861
														8	53,748
		1	3,503	1	20,000									5	112,318
2	53,401	1	38,244											8	156,964
														22	75,144
2	18,662	2	15,540	1	13,872					1	1,686	1	7,237	29	268,868
1	55,594													9	346,450
				1	55,800					1	58,774			6	219,092
														2	109,210
24	350,758	18	345,463	23	453,450	15	154,563	6	86,853	13	151,159	15	124,779	500	7,173,601

Net Acreage Decrease or Increase by County Resulting From Agricultural District Reviews Through June 1985

County	Decrease	Increase
Albany		7,109
Allegany		5,098
Broome		70
Cattaraugus		19,301
Cayuga		62,280
Chautauqua	447	
Chemung		2,542
Chenango		8,107
Clinton		1,819
Columbia		5,489
Cortland		25,763
Delaware		16,482
Dutchess*	18,769	
Erie		6,535
Essex		3,590
Franklin		99
Genesee		11,501
Greene		1,093
Herkimer		10,076
Jefferson		1,562
Lewis		1,000
Livingston*		44,960
Madison		2,989
Monroe		5,536
Montgomery	5,557	
Niagara		69,968
Oneida		18,652
Onondaga	11,943	
Ontario		27,276
Orange		9,935
Orleans		2,703
Oswego*		
Otsego		2,173
Rensselaer		5,835
St. Lawrence	17,884	
Saratoga*		
Schoharie*		
Seneca		35,131
Steuben		21,031
Suffolk*		
Sullivan		101,293
Tioga		93,585
Tompkins		6,636
Ulster*	100	
Washington		24,125
Wayne		2,779
Wyoming		28,913
Yates		627
Total	54,700	693,663

Source: New York Department of Ag & Markets

*County data missing or incomplete

WORKERS ON NEW YORK FARMS, JULY
1982-1984

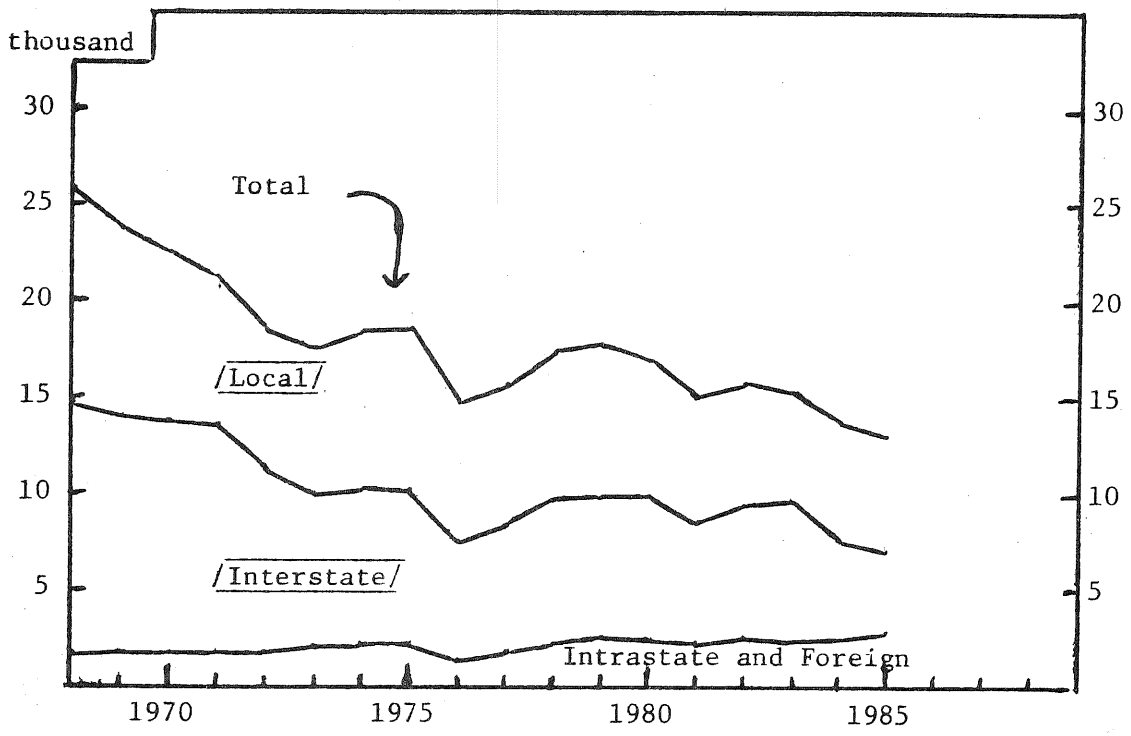
	Number of Workers			Hours Worked Per Week		
	Family	Hired	Total	Self-employed	Unpaid family	Hired workers
	- number -			- hours -		
1982	58	33	91	62.2	38.2	44.4
1983	51	40	91	65.4	49.0	38.1
1984	59	46	105	68.5	45.4	44.5

Source: New York Agricultural Statistics.

The number of workers and the hours they work each week on New York farms varies from year to year and season to season with the volume of farm production. Data on employment and earnings has not been collected on a consistent basis in recent years, but it is evident that the long run trend is for the total number of workers on farms in New York to decline, mainly the operators and family members as farm numbers decline. The number of hired workers does not show any trend up or down, although the composition of the work force is changing. Data indicate that the number of family members employed on farms is about the same in October as in July, but the average number of hours they work per week is less in the fall. In contrast the number of hired workers is lower in October but they work about the same hours as in July.

The U.S.D.A. reported in August that the number of workers on farms in July in New England and New York combined dropped from 168 thousand in 1984 to 158 thousand in 1985 due almost entirely to the decline in the number of hired workers. The reduction took place about equally in workers expected to work 150 days or more, compared to those expecting to work 149 days or less. Wage rates in the region for all hired workers rose from an average of $3.61 to $3.84 per hour from July, 1984 to July, 1985.

NUMBER OF HIRED SEASONAL FARM WORKERS
AT THE PEAK PERIOD IN NEW YORK (September 16-30) 1968-1985
By Origin of Workers for ES-223 Agricultural Reporting Areas



Hired seasonal workers on New York farms the last two weeks in September, the peak period of employment, declined in 1985 to 13,030 compared to 13,937 in 1984. This year's employment consisted of 5,965 local, 440 intrastate, 4,195 interstate (including 61 contract Puerto Rican), and 2,430 foreign workers. In late September the apple harvest is the major source of employment, and seems to be depending less on interstate migrants and more on foreign workers.

Year	Total workers	Local	Inter-state	Intra-state	Foreign
		- thousands -			
1971-75	18.8	7.8	9.1	.4	1.5
1976-80	16.5	7.4	7.0	.2	1.8
1981	15.0	6.4	6.5	.2	2.0
1982	15.7	6.4	6.8	.2	2.3
1983	15.4	5.7	7.3	.2	2.2
1984	13.9	6.3	5.1	.1	2.4
1985	13.0	6.0	4.2	.4	2.4

Source: Agricultural Employment Bulletin, New York State Department of Labor.

CROP PRODUCTION
United States and New York
1983-85 a/

Crop	Acres Harvested			Yields Per Acre			Production		
	1983	1984	1985	1983	1984	1985	1983	1984	1985
United States	(million)			(bu.)			(million bu.)		
Corn grain	51.4	71.8	74.8	81.0	106.6	116.6	4,175	7,656	8,717
Sorghum	9.8	15.3	16.2	48.7	56.4	69.6	487	866	1,127
Oats	9.1	8.1	8.7	52.6	58.1	61.4	477	472	537
Barley	9.7	11.2	11.8	52.3	53.4	50.9	508	597	599
Wheat	61.4	66.9	64.6	39.4	38.8	37.4	2,420	2,595	2,419
Soybeans	62.5	66.1	62.2	26.2	28.1	34.2	1,636	1,861	2,129
New York	(thousand)			(bu.)			(thousand bu.)		
Corn grain	600	660	750	90	93	92	54,000	61,380	69,000
Oats	200	180	220	57	58	67	11,400	10,440	14,740
Wheat	160	170	135	46	46	48	7,360	7,820	6,480
				(tons)			(thousand tons)		
Corn silage	590	675	NA	13.5	13.5	NA	7,965	9,113	NA
All hay	2,270	2,260	2,280	2.33	2.37	2.22	5,284	5,366	5,052
Alfalfa b/	930	940	900	2.80	2.90	2.70	2,604	2,726	2,430

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

a/ All 1985 data are preliminary and subject to revision. Estimates for the United States are as of November 1, 1985. New York estimates are as of October 1985.

b/ Includes alfalfa mixtures.

Grain and oilseed production in the United States in 1985 is well above year earlier levels. Corn for grain production of 8.7 billion bushels is 14 percent above the 1984 level and six percent higher than the previous record of 1982. Sorghum production is 30 percent above the 1984 crop.

Oat production is up 14 percent from 1984 levels. Barley production is about equal to last year. Total feed grain production is up 15 percent from 1984 and nearly twice the 1983 output.

The soybean is up 14 percent from 1984. Wheat production is about equal to the 1983 crop but seven percent below the 1984 crop.

The New York corn for grain crop is forecast at 69 million bushels, up 12 percent from 1984. Wheat production is down 17 percent, due to a cut in acreage. Oat production is estimated to be up 41 percent from 1984. Hay production is down six percent from the 1984 level.

CORN AND FEED GRAIN BALANCE SHEETS

Item	1982/83	1983/84	1984/85 (Prelim.)	1985/86 (Proj.) a/
Supply	CORN (million bushels)			
Beginning Stocks (Oct. 1)	2,174	3,120	723	1,379
Production	8,235	4,175	7,656	8,717 ± 227
Imports	1	2	3	1
Total	10,410	7,297	8,383	10,097 ± 227
Disappearance				
Feed	4,522	3,736	4,100	4,300 ± 300
Food, Ind. and Seed	898	973	1,065	1,120 ± 35
Total domestic	5,420	4,709	5,165	5,420 ± 300
Exports	1,870	1,865	1,838	1,625 ± 150
Total	7,290	6,574	7,003	7,045 ± 450
Ending Stocks (Sept. 30)	3,120	723	1,379	3,052 ± 350
Season average farm price	$2.68	$3.25	$2.65	$2.35 - 2.55
Supply	FEED GRAINS b/ (million metric tons)			
Beginning Stocks	68.2	97.3	31.5	49.9
Production	250.2	136.4	236.3	270.9 ± 5
Imports	.3	.6	.8	0.6
Total	318.7	234.4	268.6	321.3 ± 5
Disappearance				
Feed	139.4	117.5	130.4	135.9 ± 9
Food, Ind. and Seed	28.0	29.8	32.3	33.8 ± 1
Total domestic	167.4	147.3	162.7	169.7 ± 9
Exports	54.0	55.7	56.0	49.1 ± 4
Total	221.4	202.9	218.7	218.8 ± 12
Ending Stocks	97.3	31.5	49.9	102.6 ± 11

SOURCE: Agricultural Supply and Demand Estimates, USDA.

a/ The chances are about 2 out of 3 that the final outcome will fall within the indicated ranges.

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

The fall 1985 corn supply of 10 billion bushels is up 20 percent from 1984 but not a record. Feed use is projected to rise 5 percent. Exports are expected to decline 12 percent from 1984 levels. Total utilization is expected to be equal to the 1984/85 level. Projected carryover in the fall of 1986 of three billion bushels is more than double the 1985 level.

Feedgrain supplies are dominated by corn, so changes in supply and demand are similar. The total supply of feedgrains is 15 percent above last year. Domestic feed use in the 1985-86 marketing year is projected to rise 4 percent. Exports are expected to decline 12 percent. Carryover stocks at the end of the 1985-86 marketing year are projected to be over 100 million metric tons, more than double the 1985 level and a record.

WHEAT AND SOYBEAN BALANCE SHEETS

Item	1982/83	1983/84	1984/85 (Prelim.)	1985/86 (Proj.) a/
	WHEAT (million bushels)			
Supply				
Beginning Stocks (June 1)	1,159	1,515	1,399	1,425
Production	2,765	2,420	2,595	2,419 ± 34
Imports	8	4	9	8
Total	3,932	3,939	4,003	3,852 ± 34
Disappearance				
Food	616	635	650	660 ± 10
Seed	97	100	93	100 ± 5
Feed	195	376	411	350 ± 70
Total domestic	908	1,111	1,154	1,110 ± 75
Exports	1,509	1,429	1,424	1,000 ± 100
Total	2,417	2,540	2,578	2,110 ± 150
Ending Stocks (May 31)	1,515	1,399	1,425	1,742 ± 175
Season average farm price	$3.55	$3.53	$3.38	$3.00 - 3.20
	SOYBEANS (million metric tons)			
Supply				
Beginning Stocks (Sept. 1)	254	345	176	318
Production	2,190	1,636	1,861	2,129 ± 90
Total	2,444	1,981	2,037	2,447 ± 90
Disappearance				
Crushings	1,108	983	1,030	1,070 ± 40
Exports	905	743	598	675 ± 50
Seed, Feed	86	66	61	60
Residual		13	30	27
Total	2,099	1,805	1,719	1,832 ± 65
Ending Stocks (Aug. 30)	345	176	318	615 ± 65
Season average farm price	$5.69	$7.81	$5.85	$5.00 - 5.30

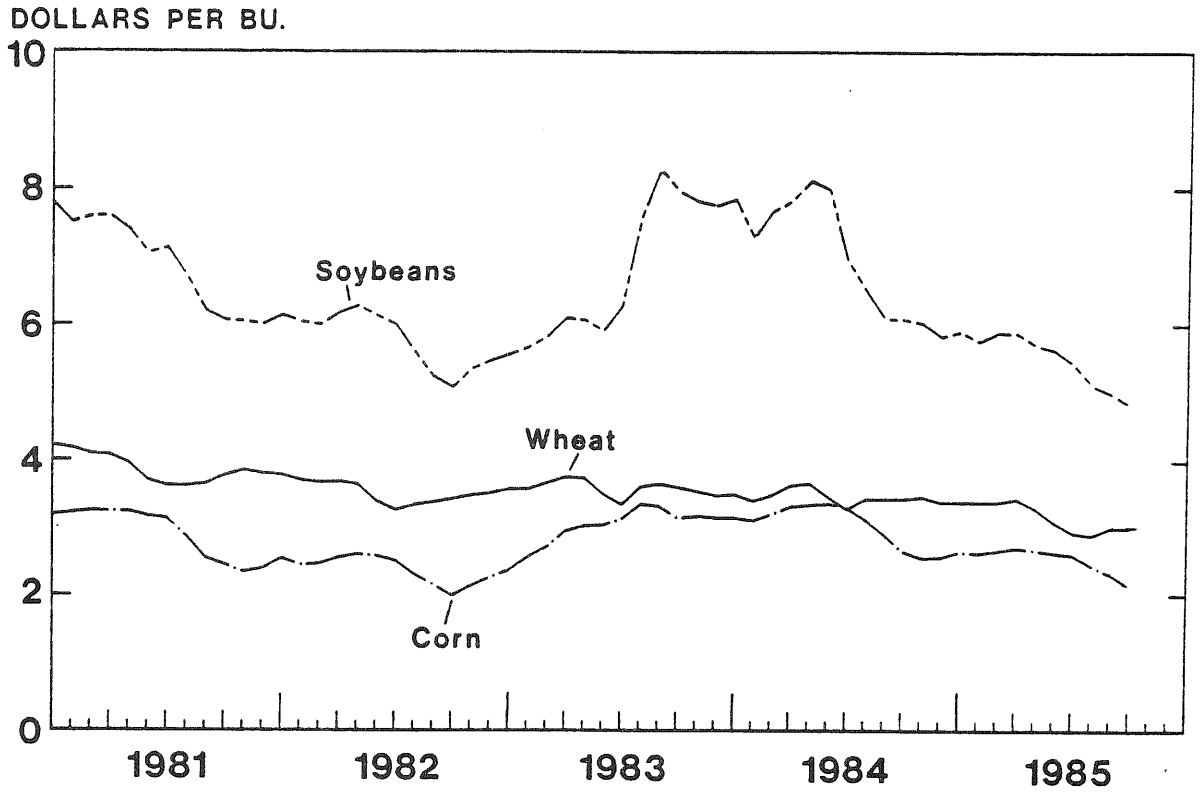
SOURCE: Agricultural Supply and Demand Estimates, USDA.

a/ The chances are about 2 out of 3 that the final outcome will fall within the indicated ranges.

The 1985 United States wheat supply of 3.85 billion bushels is down slightly from the 1984 level. Domestic food use is projected to increase slightly and feed use to decline 15 percent. Exports are expected to decline 30 percent. Carryover on May 31, 1986 is projected to be 1.7 billion bushels, up 22 percent from the 1985 level.

The 1985 soybean crop is forecast at 2.1 billion bushels, up 14 percent from the 1984 level. Total soybean supply is 2.4 billion bushels, equal to the 1982 record. Crushings are projected to be up 4 percent and exports to increase 12 percent from year earlier levels. Carryover in the fall of 1986 is projected to be about 600 milion bushels, nearly double the 1985 level and far above any previous carryover.

Prices Received by Farmers, US



Source: USDA Agricultural Prices

During 1985, soybean prices continued the decline that began in mid-1984. The October 1985 average price received by U.S. farmers was $4.83, $1.24 per bushel below the level of October 1984.

Wheat prices also generally continued to decline in 1985, but showed some strength in the fall. The October 1985 price received by U.S. farmers was $3.00 or $.43 below the year earlier price. The N.Y. price of $2.62 was $.65 below the October 1984 level.

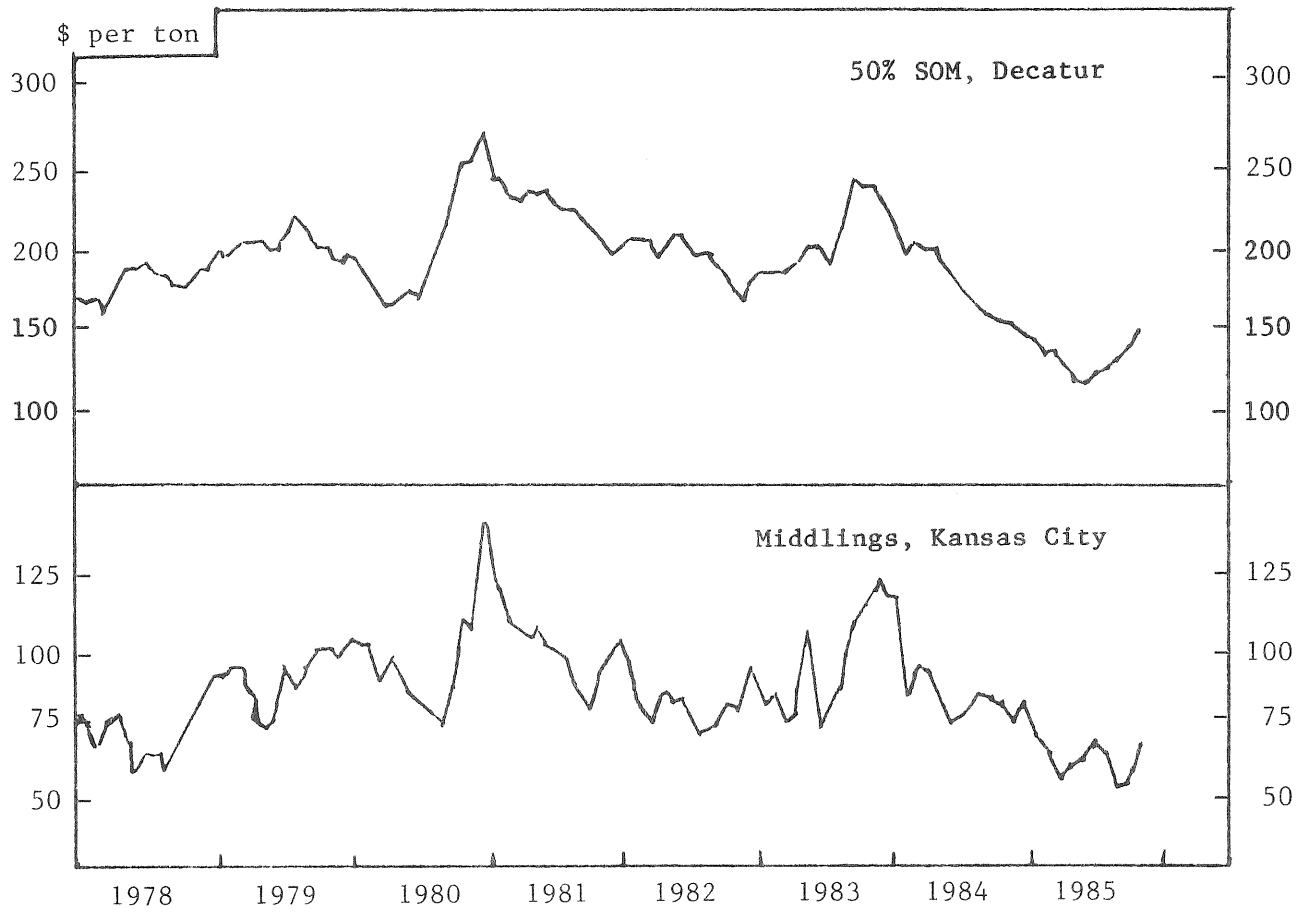
Corn prices were rather stable from late 1984 to mid-1985, and then declined substantially. The U.S. average price received by farmers in October 1985 was $2.16, $.49 below the year earlier level. The N.Y. price in October was $2.60 per bushel, $.38 below the level of a year earlier.

The mid-November USDA projection of the season average price received by U.S. farmers for the 1985 corn crop was $2.35 to 2.55 per bushel. The mid-point is $.20 below the season average price for the 1984 crop.

USDA's projection for the season average price of 1985 crop soybeans is $5.00 to $5.30, with a mid-point $.70 below the 1984 crop average price.

The projected season average 1985 crop price for U.S. wheat is $3.00 to $3.20. The mid-point is $.28 below the 1984 crop average price received by farmers.

MONTHLY PRICES OF SOYBEAN MEAL AND MIDDLINGS
1978 TO DATE

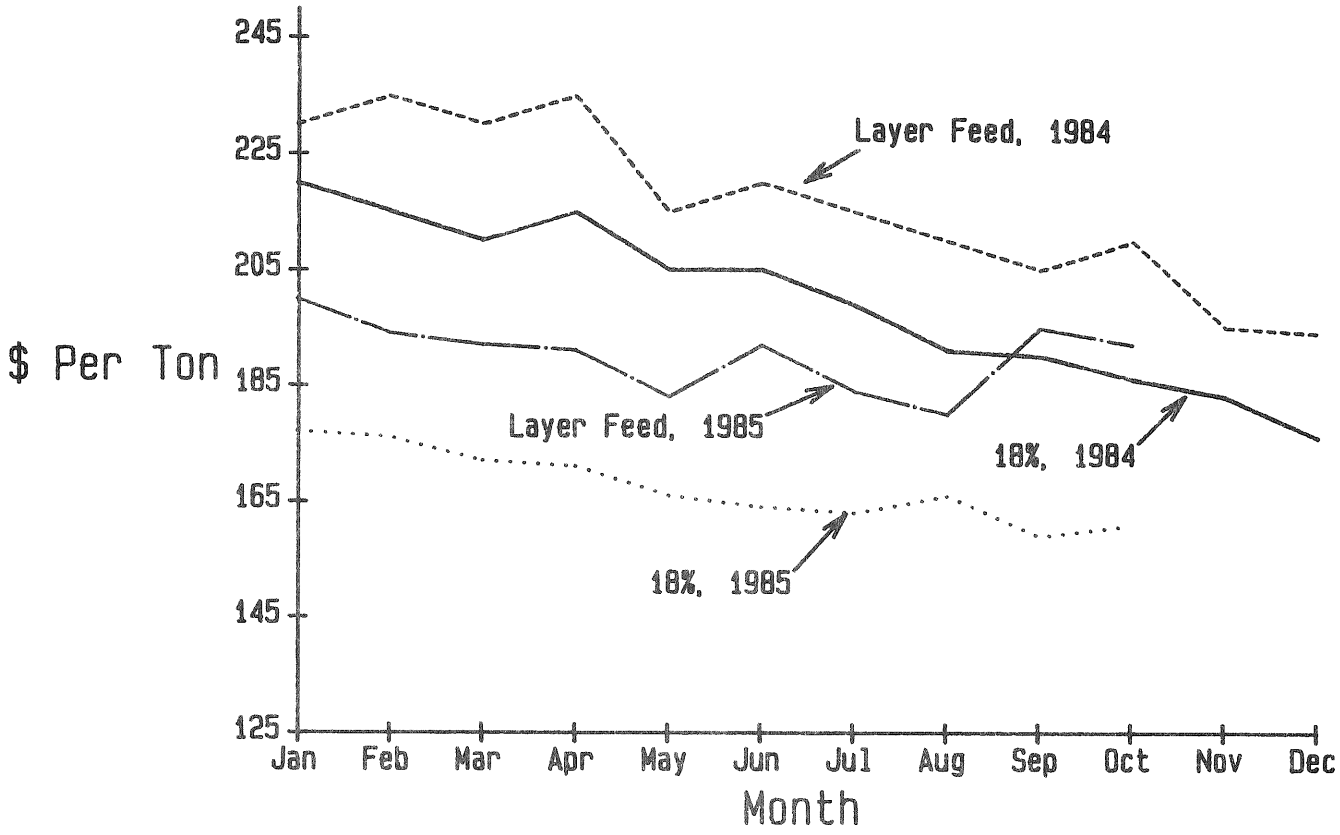


SOURCE: USDA Feed Situation and Feedstuffs

Prices of soybean oil meal (50%, Decator), which had declined from $220 in January 1984 to $121 in May 1985, rose steadily to $150 in October 1985. Fall 1985 prices were well below any period since 1977 except for the spring and summer of 1985. Near-records supplies of soybeans in the fall of 1985 and the prospects for record carryovers in the fall of 1986 will prevent large seasonal increases in soybean oil meal prices. Average prices paid by farmers in the first half of 1986 are not likely to be much different than in the first half of 1985. In contrast to 1985 there may be an increasing rather than decreasing trend in prices in the first half of 1986.

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

Prices of Layer Feed and 18% Dairy, 1984 and 1985, New York



Source: USDA Agricultural Prices and New York Crop Reporting Service

Prices for 18% dairy feed declined substantially during the first half of 1985 and then stabilized at around $160 per ton. Layer feed prices also declined markedly from January to August and then strengthened in the early fall. The declines in the first half of the year were continuations of the trends of 1984. In October 1985, 18% dairy was $25 and layer feed $18 per ton below year earlier levels.

	1985			1986		
Month	18% Dairy	44% SOM	Layer feed	18% Dairy	44% SOM	Layer feed
Jan	177	230	200			
Feb	176	230	194			
Mar	172	210	192			
Apr	171	210	191			
May	166	196	183			
June	164	192	192			
July	163	192	184			
Aug	166	198	180			
Sept	159	200	195			
Oct	161	210	192			
Nov						
Dec						

Feed prices have moved up slightly in the fall compared to the summer of 1985, which is unusual. With large supplies of grains and soybeans, large seasonal increases in feed prices are not likely. Prices in the first half of 1986 are likely to average about the same as in the first half of 1985, but the trend is likely to be upward rather than downward.

NURSERY AND GREENHOUSE PRODUCTS, MUSHROOMS, AND SOD
GROWN FOR SALE, NEW YORK, 1982

TOTALS

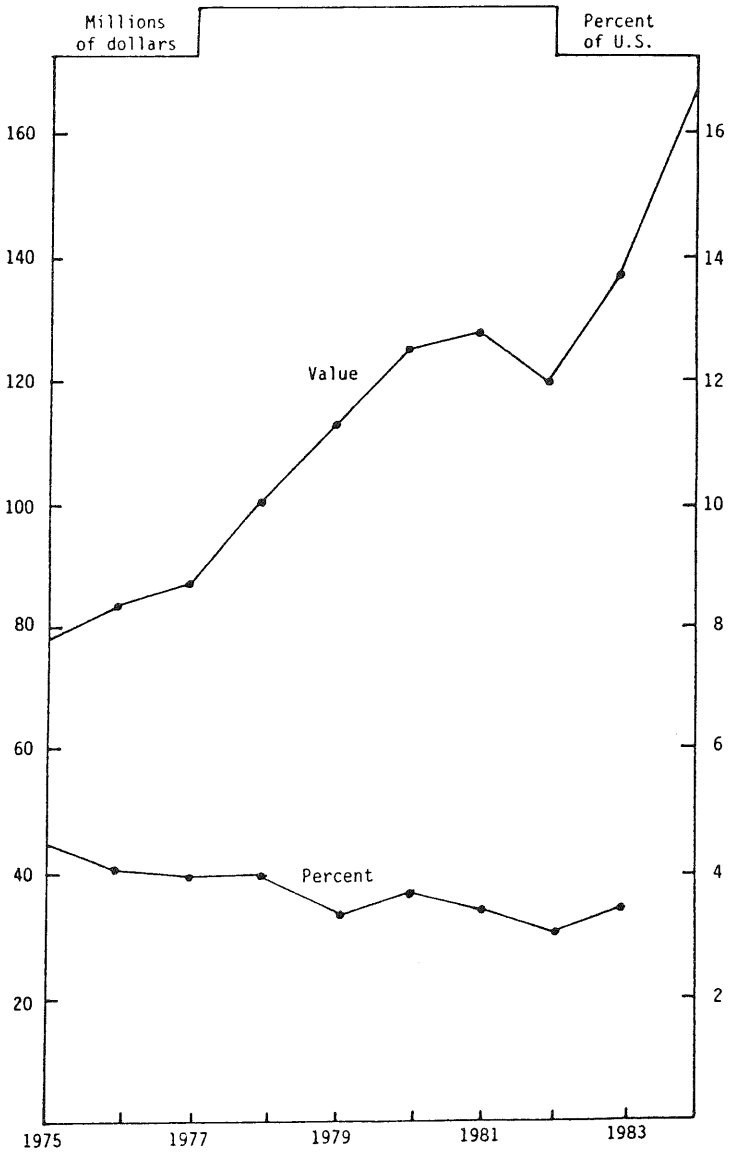
SALES: $108,816,000
FARMS: 1,886

FOLIAGE AND FLOWERING PLANTS	Sales: $32,690,000 Farms: 599
NURSERY PRODUCTS	Sales: $28,911,000 Farms: 586
BEDDING PLANTS	Sales: $24,275,000 Farms: 1,027
CUT FLOWERS AND FLORIST GREENS	Sales: $13,354,000 Farms: 236
SOD	Sales: $5,779,000 Farms: 16
OTHER	Sales: $3,391,000

Source: 1982 Census of Agriculture, Vol. 1, Geographic Area Series, Bureau of the Census, USDC.

According to the 1982 Census of Agriculture, florist crops accounted for the largest portion of "nursery and greenhouse products" sales. Comprised of both plants and cut flowers, florist crops were 65 percent of the total, about twice the other major group, nursery products and sod. While all categories increased in dollar value since the previous census, cut-flowers-and-florist-greens was the only major category to register a decline in relative importance. ("Other" crops included mainly mushrooms and seeds.)

NEW YORK CASH RECEIPTS FOR GREENHOUSE AND NURSERY CROPS



Based on: State Farm Income Statistics, ESCS, USDA, various issues.

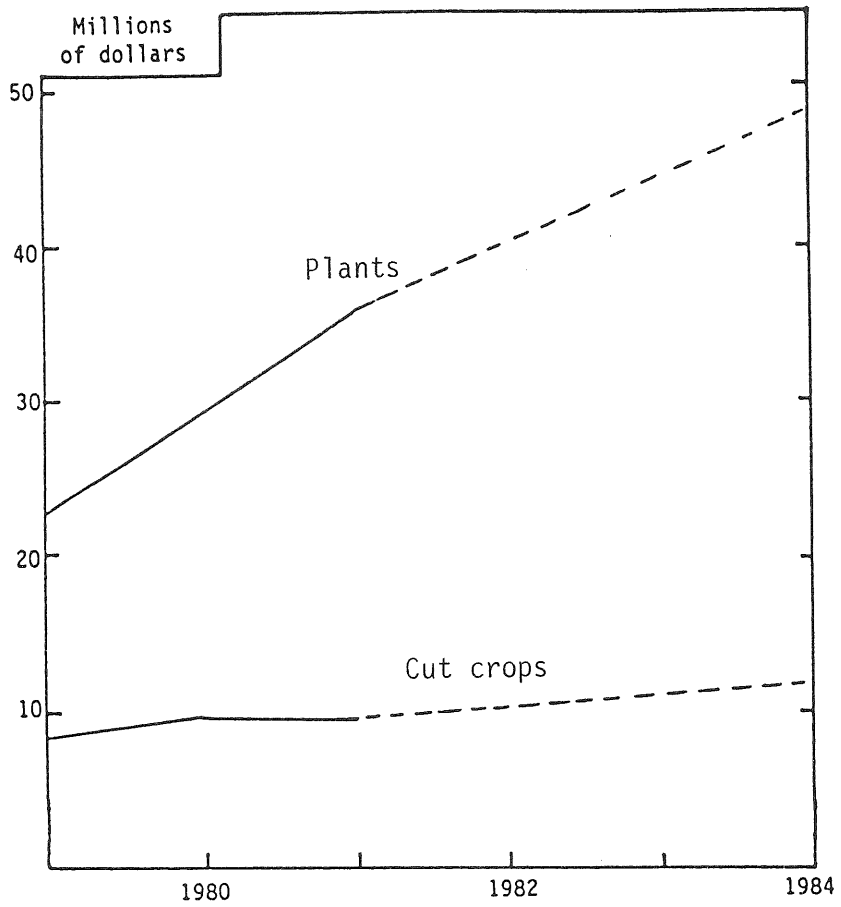
Preliminary estimates of cash receipts of New York growers for greenhouse and nursery crops were reported at $163 million for 1984. For recent years, receipts represent less than four percent of the U.S., to extend the trend of higher dollars but smaller proportions of national totals.

Year	Million dollars	Percent of U.S.	Year	Million dollars	Percent of U.S.
1975	78.3	4.6	1980	125.5	3.7
1976	84.0	4.1	1981	128.3	3.5
1977	87.4	4.0	1982	119.3	3.1
1978	100.6	4.0	1983	137.2	3.4
1979*	101.1	3.4	1984	163.4**	

* Revised.

** Preliminary.

SELECTED NEW YORK FLORICULTURE CROP SALES, AT WHOLESALE VALUE



Source: Floriculture Crops, Crop Reporting Board, ESCS, USDA, various issues.

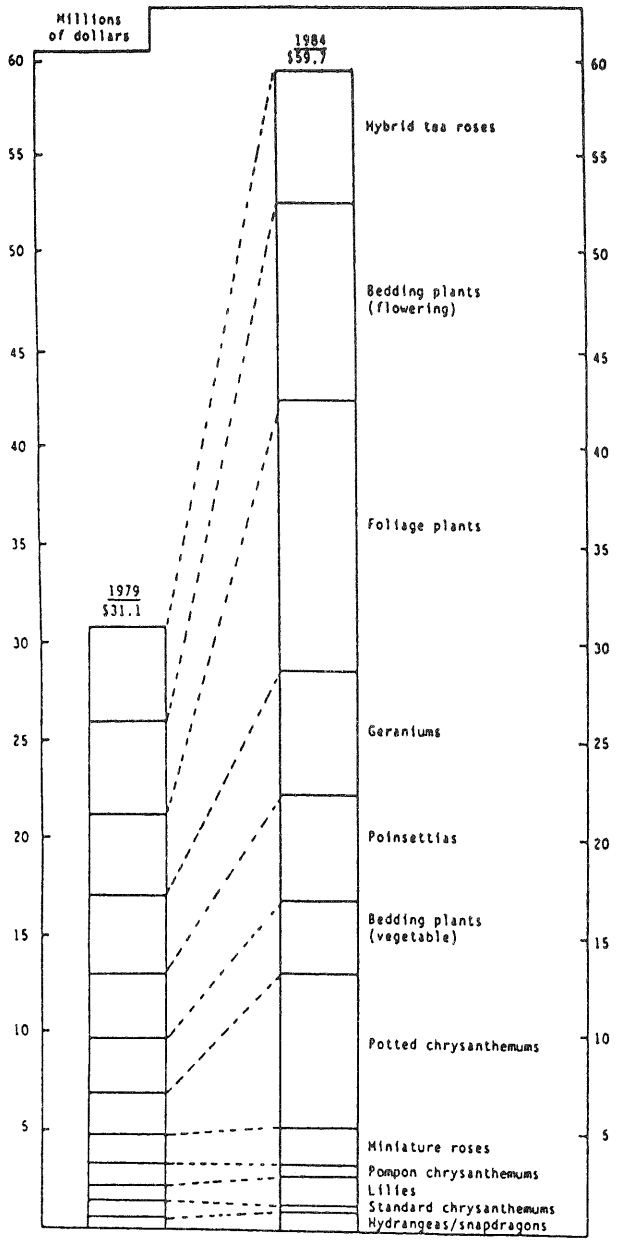
An interruption in the annual statistical series on selected florist crops provides only incomplete data for recent years. A resumption of the series after a two-year absence covered the 1984 production and marketing year. It provides evidence of continuing dollar expansion in both New York plants and cut flowers. The more rapid increase in plants (flowering, foliage, and bedding) than cut flowers was an extension of a trend clearly established two decades ago. But special strength shown by roses was the major cause of a renewed increase in value of cut flowers sold. Sustained pressures from foreign sources of cut flowers in the near future may temper New York expansion, while New York plant production most likely will continue its expansion at the higher rate.

Year	Selected plants[1]/	Selected cut flowers[2]/
	(Thousand dollars)	
1979	22,684	8,404
1980	31,331	9,463
1981	35,873	9,277
1984	49,472	10,239

1 Includes chrysanthemums, foliage (net value), geraniums lilies, hydrangeas, poinsettias, and bedding plants.

2 Includes standard and pompon chrysanthemums, hybrid tea and miniature roses, and snapdragons.

SELECTED NEW YORK FLORICULTURE CROP SALES, AT WHOLESALE VALUE



Source: Floriculture Crops, Crop Reporting Board, ESCS, USDA, various issues.

Crop	Sales in millions of dollars 1979	1984
Hybrid tea roses	4.98	7.00
Bedding (flowering)	4.77	10.16
Foliage plants	4.23	13.82
Geraniums	4.09	6.36
Poinsettias	3.37	5.60
Bedding (vegetable)	2.60	3.76
Potted chrysanthemums	2.31	7.91
Miniature roses	1.43	1.84
Pompon chrysanthemums	0.97	0.60
Lilies	0.93	1.58
Standard chrysanthemums	0.82	0.42
Hydrangeas	0.39	0.28
Snapdragons	0.20	0.38

From 1979 to 1984 the relative importance of selected florist crops produced and sold by New York growers has shifted. Foliage plants have seized first place among all crop groups, flowering bedding plants follow in second, and potted mums now hold third. In spite of a recent resurgence in the value of hybrid tea rose sales, that crop dropped from first to fourth place among florist crops reported over the 5-year period. Relative to other states, New York ranked fourth in the sale of cut roses, snapdragons and potted mums, geraniums and foliage plants.

POTATOES, VEGETABLES, AND DRY BEANS: FARM VALUE OF PRODUCTION
New York, 1981-1985

	1981	1982	1983	1984	1985*
	- million dollars -				
Potatoes: Long Island	32.5	21.5	32.6	21.2	13.2
Upstate	42.6	35.4	43.7	43.1	30.6
Total	75.1	56.9	76.3	64.3	43.8
Vegetables, Fresh market	155.9	131.5	173.9	139.6	120.0
Vegetables, Processing	33.7	36.1	31.7	33.8	35.0
Dry beans	10.1	6.2	7.0	9.1	6.5
Total	274.8	230.7	288.9	246.8	205.3

* Estimated.
Source: USDA - Vegetable, Field Crops, and Potato reports.

From a financial standpoint the 1985 season was not a favorable one for many New York potato, vegetable, and dry bean growers. Growing conditions were satisfactory for many crops over most of the state, but markets for fresh products were generally weak and prices depressed. Total New York farm gross returns for this group of commodities is expected to amount to only about $200 million this year, about $50 million less than the average of the last four years and well below the $300 million realized in 1980.

Long Island potato growers harvested a larger crop this year on a slightly smaller acreage than last year, but the record U.S. national crop brought extremely low prices. Early in the season Long Island potato packing houses were only offering growers $2.00 per hundredweight for bulk deliveries, and movement was largely restricted to growers' own pack. Upstate the weather conditions for potato growing were not as favorable as last season and prices were lower, but growers with established table stock markets or chipping potato contracts were able to insulate themselves somewhat from the disastrous market conditions.

Fresh market vegetable growers as usual were presented with many production challenges. Onion growers in Orange County, with over half the onion acreage in the State, obtained higher yields than the last two years, but growers in the Elba region had low yields for the third year in a row. Increased onion production in Idaho and Oregon brought lower prices, and farm returns in New York may fall to half what they were two years ago. For many other fresh market vegetables in New York supplies were also more than adequate and prices were depressed. One exception was head lettuce, that enjoyed a good market most of the summer.

Early indications are that production of snap beans and green peas for processing was up this year in New York while sweet corn may be down. Processing crops growers may receive a small increase in returns. Contract prices for processing crops have not changed appreciably in recent years. Growers have only been able to survive through higher yields and cost economies.

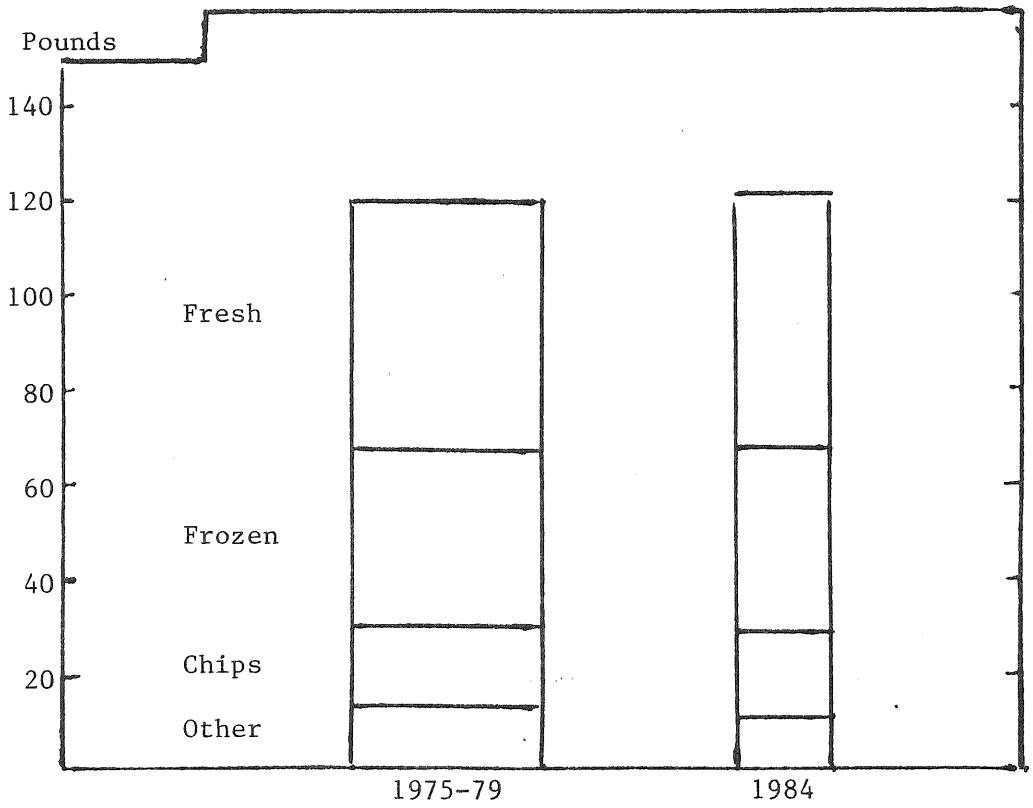
The U.S. dry bean crop increased again this year over last. Without strong export potentials the market has been weak and prices lower. These lower returns coupled with sharply lower yields in New York will likely result in a substantial reduction in the total farm value of the dry bean crop this year.

POTATOES: U.S. PRODUCTION BY SEASONAL GROUPS, 1982-1985

	1982	1983	1984	Ind. 1985
	- million hundredweight -			
Winter	2.3	2.2	2.6	2.7
Spring	21.1	18.3	23.8	24.2
Summer	22.8	18.7	23.1	27.3
Fall	308.9	294.7	313.1	346.1
Maine	27.0	22.6	21.4	26.7
New York: Long Island	5.1	4.1	3.6	3.9
Upstate	6.5	5.6	6.6	6.1
Pennsylvania	4.9	4.3	5.2	5.5
Other East	2.0	1.6	1.6	1.9
Total East	45.5	38.2	38.4	44.1
Michigan	10.5	9.8	12.5	12.1
Wisconsin	22.6	18.9	21.3	24.4
Minnesota	11.5	10.3	13.8	13.0
North Dakota	17.2	20.5	20.6	23.6
Other Central	4.5	3.9	5.0	5.1
Total Central	66.3	63.4	73.2	78.2
Idaho	91.8	86.1	86.6	100.9
Colorado	12.8	13.9	17.2	17.9
Washington	52.8	54.1	56.9	61.1
Oregon	21.1	20.7	23.5	26.5
California	7.6	7.8	7.3	8.1
Other West	11.0	10.5	10.0	9.3
Total West	197.1	193.1	201.5	223.8
UNITED STATES	355.1	333.9	362.6	400.3

Total U.S. 1985 potato production according to the November U.S.D.A. Crop Report is estimated at just over 400 million hundredweight, up 10.4 percent over last year and almost 20 percent over the 1983 crop. Over half the increase in production this year came from Idaho and Washington, but substantial increases were also recorded for Maine, Wisconsin, North Dakota, and Oregon. The larger than usual summer crop severely depressed potato prices early in the year, from which they have not recovered.

PER CAPITA CONSUMPTION OF POTATOES



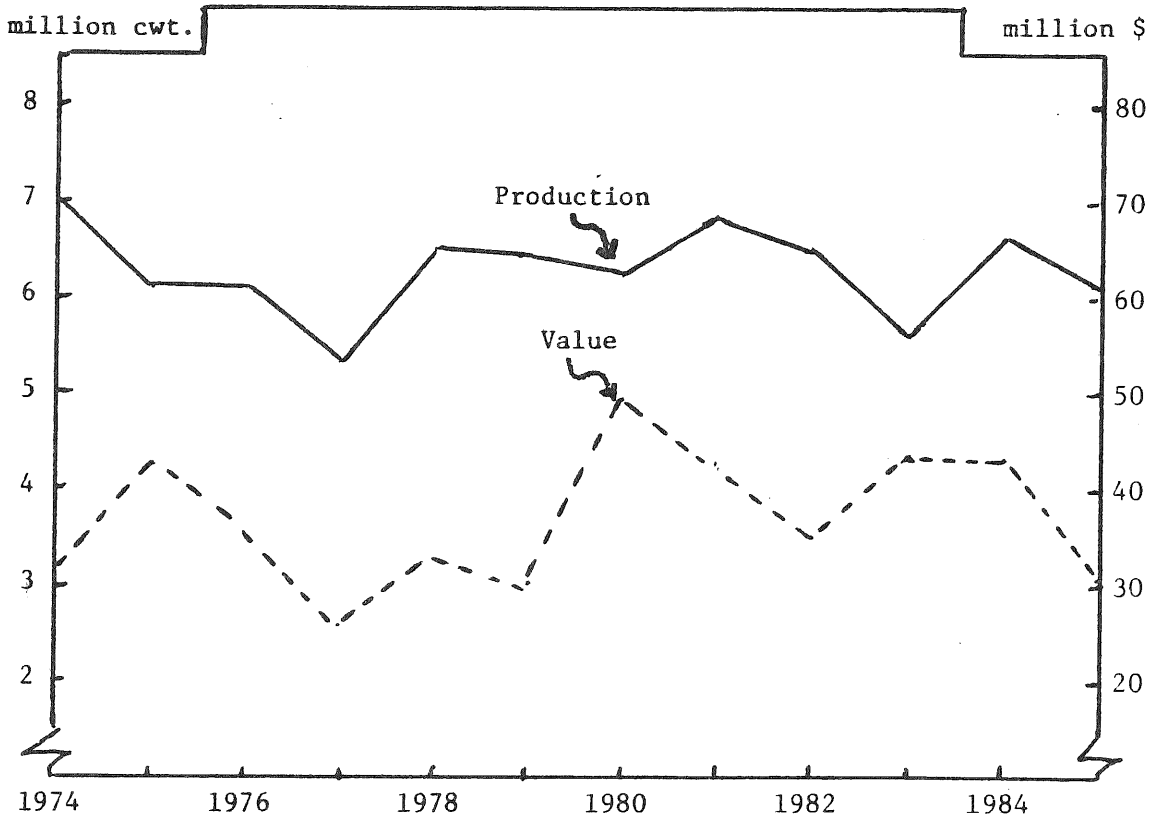
Per capita consumption of potatoes has remained relatively stable in recent years, varying with changes in production but showing little shift in utilization. Use for frozen products and for potato chips is increasing gradually, while use for other products such as canned potatoes and potato flour appears to be declining. Fresh use accounts for about 45 percent of consumption and processed products 55 percent.

PRODUCTION AND PER CAPITA CONSUMPTION OF POTATOES

Year	Total production	Per Capita Consumption 1/					
		Total fresh and processed	Fresh	Processed 1/			
				Total 2/	Frozen	Chips and shoestring	Other 2/
	mil. cwt.	- pounds -					
1975-79	348.7	120.3	53.7	66.6	36.3	16.5	13.8
1980	302.9	117.7	55.8	61.9	33.7	16.9	11.3
1981	338.6	112.6	47.2	65.4	36.3	17.0	12.1
1982	351.1	119.7	54.1	65.6	36.2	17.4	11.7
1983	333.9	112.1	50.0	67.1	37.5	18.1	11.2
1984	362.6	121.9	52.2	69.7	40.1	17.8	11.8

1/ Fresh weight basis. 2/ Includes dehydrated, canned, and flour.
Source: USDA, Potato Utilization, November 1985.

POTATOES: PRODUCTION AND FARM VALUE
UPSTATE NEW YORK

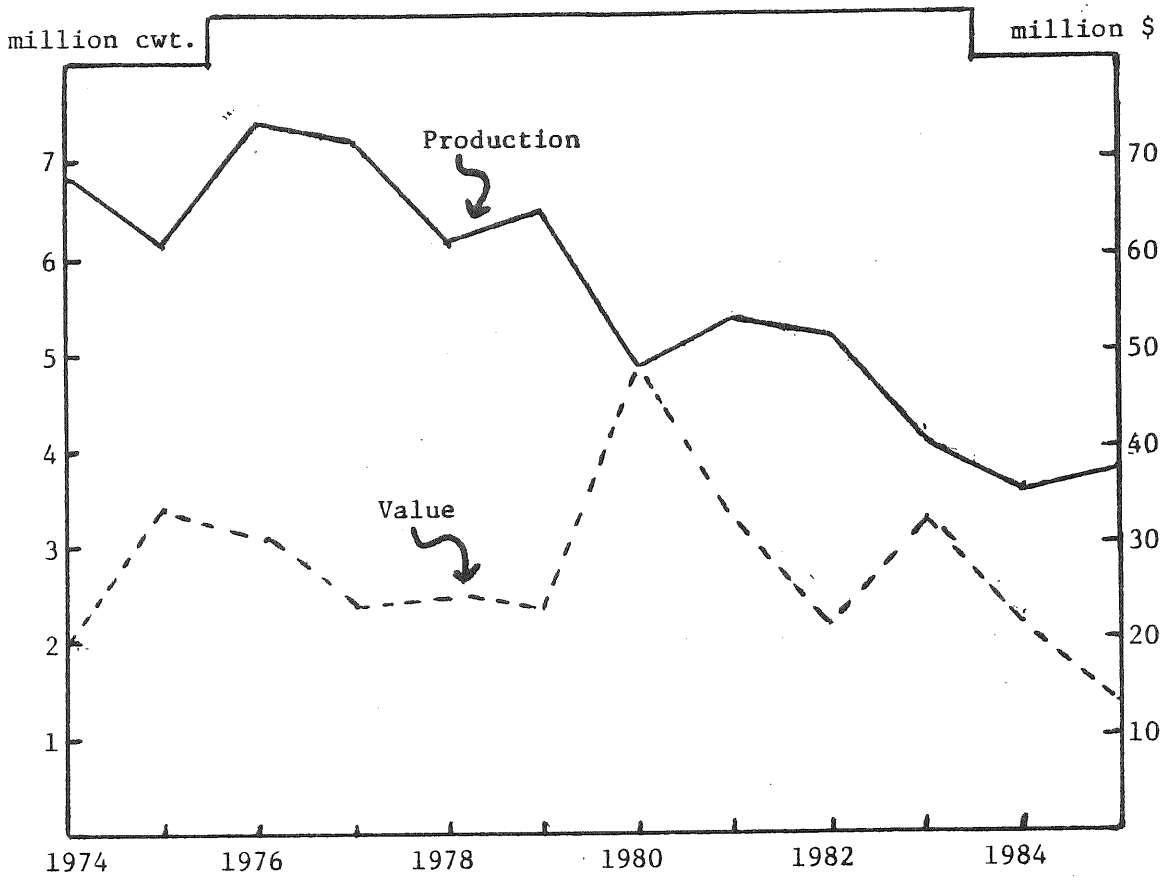


Potato acreage Upstate remains fairly stable from year to year, with some variation in yields due to weather. Preplanting contracts for potatoes for chip manufacture provide some price stability, but the depressed table stock market will take its toll this year. Indications are that the value of the Upstate potato crop will drop almost 30 percent below last year.

Year	Harvested acreage	Yield per acre	Production	Value per cwt.	Value of production
	acres	cwt.	1,000 cwt.	dollars	1,000 dol.
1970-74	29,840	236	7,046	4.15	29,248
1975-79	23,600	258	6,108	5.43	33,194
1980	25,000	250	6,250	7.95	49,688
1981	25,000	275	6,875	6.40	44,000
1982	25,000	260	6,500	5.45	35,425
1983	24,500	230	5,635	7.75	43,671
1984	25,500	260	6,630	6.50	43,095
1985 Ind.	24,500	250	6,125	5.00*	30,625*

* Based on October prices.

POTATOES: PRODUCTION AND FARM VALUE
LONG ISLAND



Long Island potato growers faced one of the highest average yields in history this past season, at least until Hurricane Gloria struck. Even more devastating, however, have been potato market prices that have been at absolute rock bottom levels due to the large national crop. Even with the increase in grower packing the value of the crop is likely to amount to only about $13 million, down 38 percent from last year and only a little more than one-quarter the value of the good crop of 1980.

Year	Harvested acreage	Yield per acre	Production	Value per cwt.	Value of production
	acres	cwt.	1,000 cwt.	dollars	1,000 dol.
1970-74	28,300	235	6,650	3.20	21,298
1975-79	23,020	289	6,651	4.11	27,309
1980	18,800	255	4,794	10.00	47,940
1981	18,500	290	5,365	6.20	33,263
1982	19,000	270	5,130	4.20	21,546
1983	16,300	250	4,075	8.00	32,600
1984	13,500	265	3,577	5.70	21,238
1985 Ind.	12,900	300	3,870	3.40*	13,158*

* Based on October prices.

VEGETABLES FOR FRESH MARKET
Area Harvested or For Harvest
New York, 1983-85

	Harvested 1983	Harvested 1984	For harvest 1985
	- acres -		
Sweet corn	25,300	26,800	28,400
Cabbage: Long Island	1,100	1,500	NA
Upstate	7,200	7,300	NA
Onions*	13,300	14,100	13,200
Snap beans	5,000	4,700	NA
Cauliflower:* Long Island	1,800	2,000	1,800
Upstate	1,700	1,900	2,000
Tomatoes	3,200	3,000	2,800
Lettuce	4,000	3,800	3,700
Cucumbers	3,100	3,200	NA
Carrots*	1,600	1,600	1,600
Celery	730	750	730

* Includes acreage for both fresh market and processing.
Source: New York Crop Reporting Service.

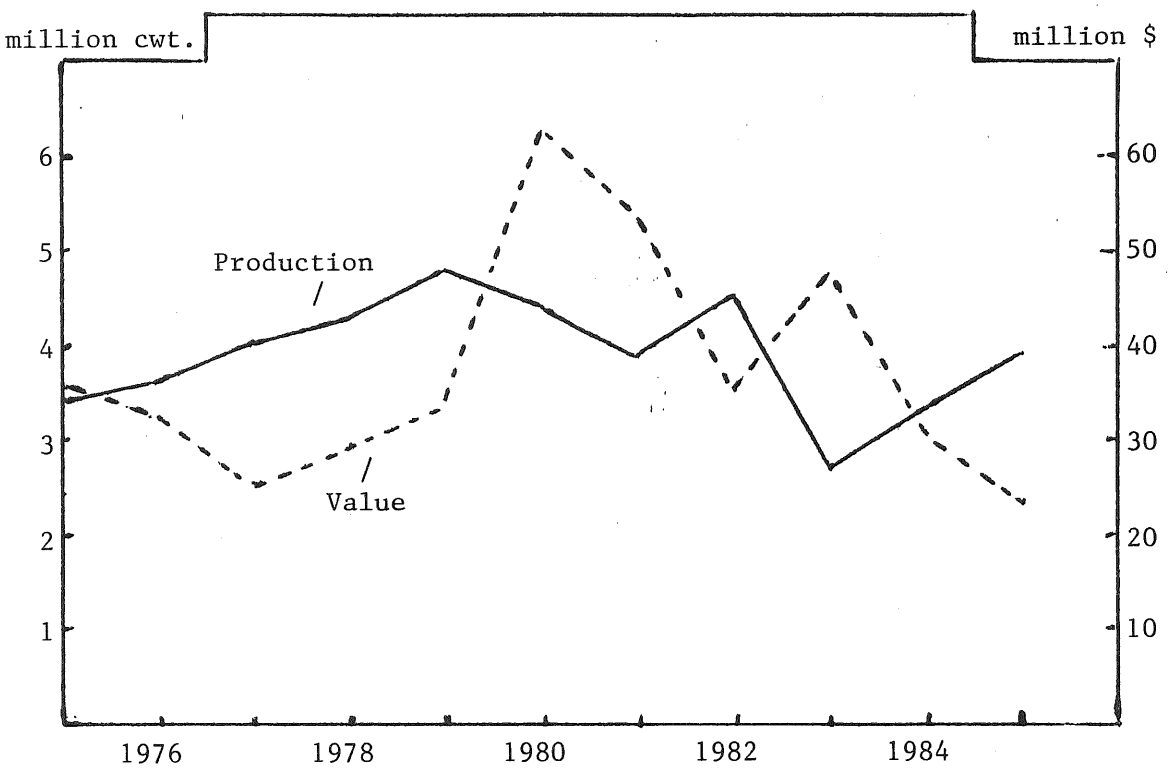
The acreage of vegetables for fresh market in New York appears to be increasing, especially for sweet corn. Onions are grown on only about half the acreage of sweet corn, but are the fresh market vegetable with the highest farm value in New York. Except for the Orleans-Genesee area the yield and production of onions in New York was greater in 1985 then in the previous two years. Lower market prices this season, however, will severely reduce the value of the total crop.

NEW YORK ONIONS BY SECTIONS, 1983-1985

Section	Acreage 1983	Acreage 1984	Acreage For harv. 1985	Yield per acre 1983	Yield per acre 1984	Yield per acre Ind. 1985	Production 1983	Production 1984	Production Ind. 1985
	- acres -			hundredweight			- 1,000 cwt. -		
Orange County	7,250	7,500	7,400	205	220	315	1,486	1,650	2,331
Orleans-Genesee	2,850	2,900	2,900	215	240	230	613	696	644
Oswego	850	1,200	1,250	260	340	395	221	408	494
Madison County	1,000	1,000	750	195	200	230	195	200	173
Steuben/Yates/ Ontario	850	950	600	210	300	350	179	285	210
Wayne and other	500	550	400	198	264	270	99	145	108
Total NEW YORK	13,300	14,100	13,200	210	240	300	2,793	3,384	3,960

Source: New York Crop Reporting Service, Vegetables.

ONIONS: PRODUCTION AND FARM VALUE, NEW YORK

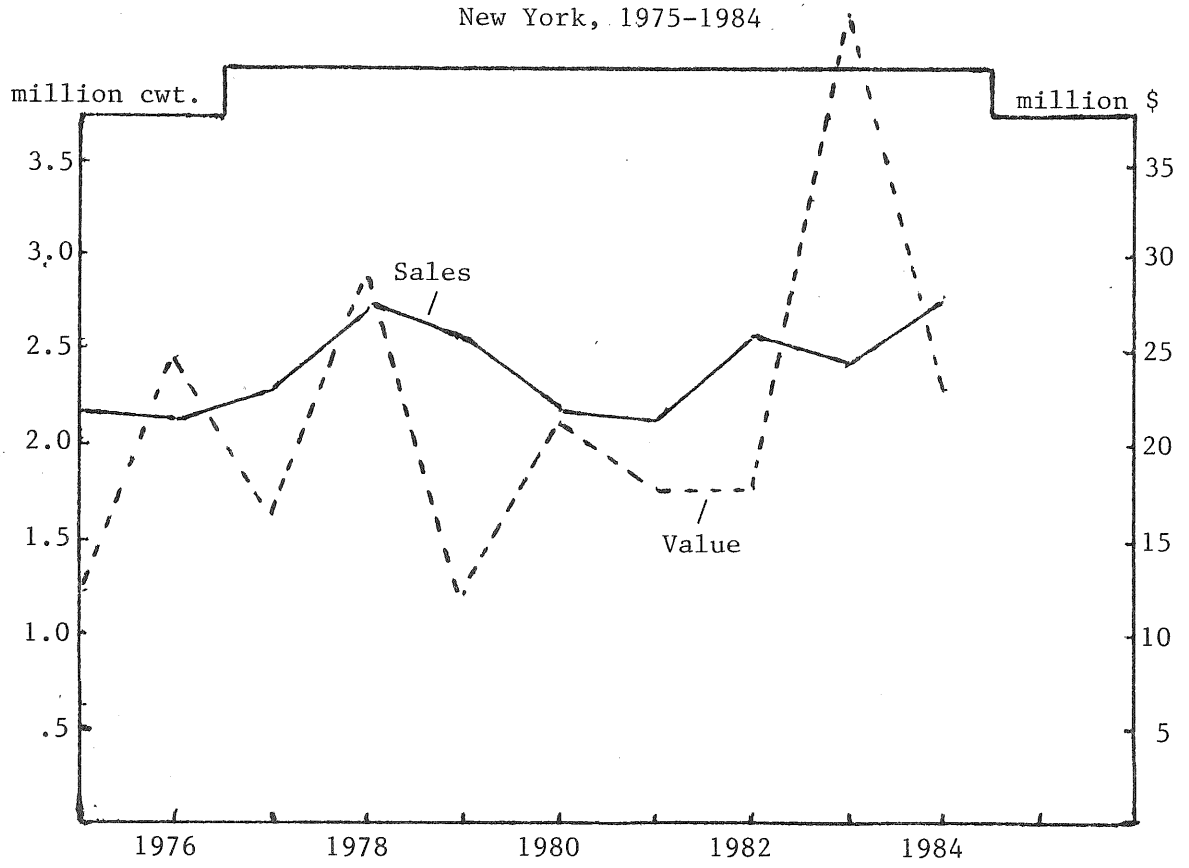


The summer storage onion crop, not counting California production that goes mainly for dehydration, was forecast in October at 24.6 million hundredweight, 4.3 percent over the large crop of 1984. The increase came mainly from higher yields in Idaho and eastern Oregon, as well as in New York. Slightly smaller crops were recorded for Colorado and Michigan. Including a smaller California crop the total summer storage production is down a little from last year. Prices, however, responded unfavorably to higher fresh market supplies and have fallen to the lowest levels in recent years.

Year	Harvested acreage	Yield per acre	Production	Price per cwt.	Value of sales
	acres	cwt.	1,000 cwt.	dollars	1,000 dol.
1975-79	13,800	294	4,052	9.26	31,720
1980	14,300	310	4,433	15.10	62,612
1981	14,300	275	3,933	14.70	53,390
1982	14,000	325	4,550	8.23	33,521
1983	13,300	210	2,793	19.50	47,676
1984	14,100	240	3,384	10.70	30,698
1985 Ind.	13,200	300	3,960	6.00*	23,760*

* Based on October prices.

CABBAGE UPSTATE FRESH MARKET: SALES AND FARM VALUE
New York, 1975-1984



The market for Upstate fresh storage cabbage is extremely volatile. Most of this cabbage goes to the cole slaw market, which has an inelastic demand. Small variations in production in New York or in Florida or Texas cause wide swings in price. In New York from 200 to 600 thousand hundredweight of cabbage is lost each year to shrinkage and waste, but even so production seems to go in cycles. Sharp freezes in Texas and Florida during the winter of 1983-84 sent western New York cabbage prices and values through the ceiling. The crop of 1984 was the largest in recent years. Early in the 1985 cabbage season supplies, including receipts from Canada, were more than adequate and prices were severely depressed, but wet weather at harvest strengthened the market.

Year	Harvested acreage	Yield per acre	Total production	Sales	Price per cwt.	Value of sales
	acres	cwt.	1,000 cwt.	1,000 cwt.	dollars	1,000 $
1975-79	7,420	374	2,772	2,380	7.13	16,980
1980	7,400	324	2,398	2,198	9.80	21,533
1981	7,200	325	2,340	2,145	8.25	17,696
1982	7,500	410	3,075	2,583	6.93	17,900
1983	7,200	370	2,664	2,446	18.90	46,229
1984	7,300	440	3,212	2,794	8.25*	23,051*

Source: New York Agricultural Statistics 1984. * Preliminary.

VEGETABLES FOR PROCESSING: PRODUCTION
New York, 1983-1985

Crop	1983 Total	1983 Contract	1984 Total	1984 Contract	1985 Contract
	- thousand tons -				
Snap beans	88.2	86.1	82.3	80.1	86.6
Beets	32.2	NA	33.7	NA	NA
Cabbage for kraut	51.2	NA	80.0	NA	NA
Sweet corn	132.9	130.6	157.9	162.4	140.6
Green peas	13.8	13.8	15.1	12.9	20.5

NA - Not available.

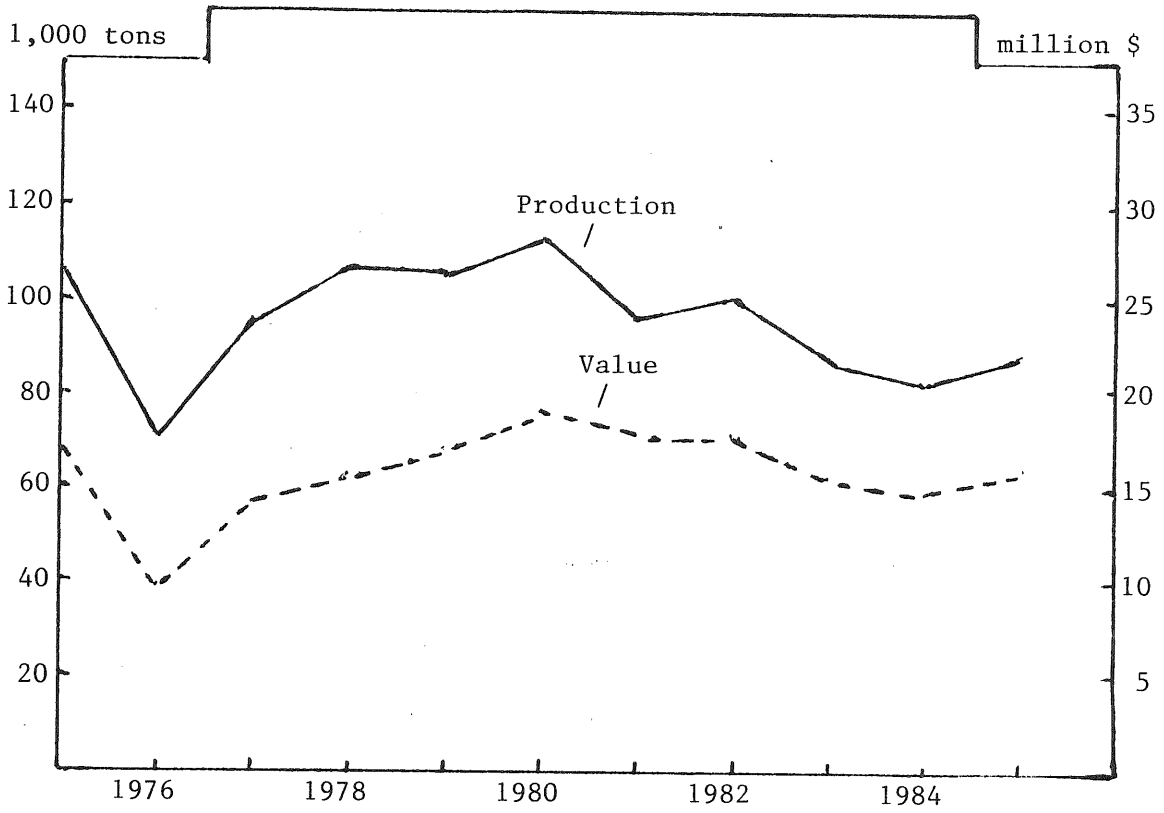
The U.S.D.A. reports that processors of snap beans, sweet corn, and peas will likely improve their inventory positions for the 1985/86 season. Stocks of canned snap beans and peas were tight last summer, but are expected to recover after the increased 1985 pack. Large canned sweet corn inventories may be offset by lower 1985 production. The U.S. packs of frozen snap beans, green peas, and sweet corn are all expected to be higher in 1985. In New York the tonnage of green peas contracted for processing was up substantially over the previous year, snap beans moderately higher, and sweet corn down compared to 1984.

VEGETABLES FOR PROCESSING: PRODUCTION
United States, 1983-1985

Crop	1983 Total	1983 Contract	1984 Total	1984 Contract	1985 Contract
	- thousand tons -				
Snap beans	587.4	557.6	666.1	624.4	679.0
Sweet corn	2,210.6	2,202.3	2,552.2	2,540.6	2,707.3
Green peas	416.1	416.1	495.3	495.3	525.0
Tomatoes	7,032.2	6,877.1	7,681.2	7,588.4	7,107.3

Source: U.S.D.A, Vegetables.

SNAP BEANS FOR PROCESSING:
PRODUCTION AND FARM VALUE, NEW YORK



Source: New York Crop Reporting Service.

U.S. supplies of canned beans were tight last season, but with a moderate increase in carryover stocks and pack this year the supply for the coming season should be higher than last year but below the average of recent years. An increased frozen snap bean pack in 1985 may result in the largest supply of frozen beans in recent years. In New York the farm value of processing snap bean production has remained fairly stable at about $15 to $16 million for the last three years.

Year	Harvested acreage	Yield per acre	Production	Value per ton	Total value
	acres	tons	tons	dollars	1,000 dol.
1975-79	45,980	2.12	97,300	152.80	14,874
1980	46,400	2.44	113,220	169.00	19,134
1981	38,900	2.47	96,080	185.00	17,775
1982	35,600	2.82	100,390	178.00	17,869
1983	33,800	2.61	88,220	178.00	15,703
1984	32,800	2.52	82,660	181.00	14,961
1985*	32,500	2.75	89,375	185.00	16,500

* Based on August indications.

DRY EDIBLE BEANS: PRODUCTION BY STATES
1981-1985

States	1981	1982	1983	1984	Ind. 1985
		- thousand hundredweight -			
California	4,105	3,585	2,357	3,099	3,125
Colorado	2,683	2,128	1,680	2,261	2,880
Idaho	4,277	2,594	1,452	2,470	2,065
Michigan	7,198	7,975	4,550	4,173	5,460
Nebraska	4,025	3,286	2,188	3,230	2,700
New York	578	686	308	425	323
North Dakota	4,565	2,520	1,648	2,520	3,000
Other states	4,752	2,789	1,335	2,474	2,517
U.S. TOTAL	32,183	25,563	15,518	20,754	22,070

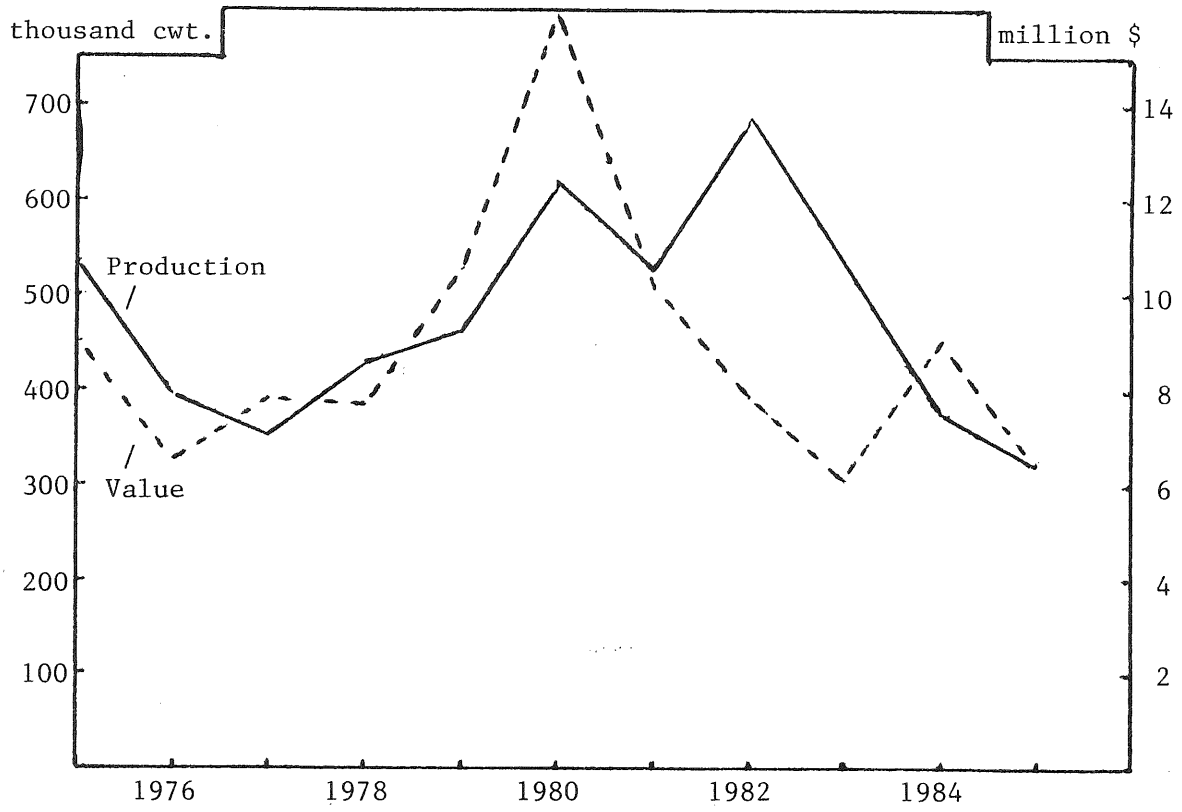
Source: Crop Production, USDA.

The 1985 U.S. dry bean crop is forecast at 22.07 million hundredweight, 6.3 percent over the previous year and a full 42.4 percent larger than the short crop of 1983. Increases in production were recorded in Colorado and Michigan, and decreases in Idaho and Nebraska. Production by classes for 1985 is not available at time of writing, but the greater production in Michigan probably means more Red Kidneys and Black Turtle Soup beans this year than last season. The larger national crop is bringing lower prices, at least early in the season.

DRY EDIBLE BEANS: PRODUCTION BY CLASSES
United States, 1981-1984

	1981	1982	1983	1984
		- thousand hundredweight -		
Pea (Navy)	5,550	7,937	4,618	4,966
Great Northern	2,686	2,736	1,940	2,404
Pinto	14,029	6,980	4,106	7,111
Red Kidney	1,542	2,036	987	1,389
Pink	1,941	872	636	841
Black Turtle Soup	2,244	236	46	109
Large Lima	639	580	486	630
Baby Lima	661	530	485	529
Blackeye Ca.	875	1,050	608	840
Other classes	724	887	490	1,722
U.S. TOTAL	32,183	25,049	15,254	20,541

DRY EDIBLE BEANS: PRODUCTION AND FARM VALUE
NEW YORK



New York dry bean production in 1985 is down sharply from last season due to a substantial reduction in yield per acre. Prices are also somewhat below last year as a result of the larger national crop. Indications are, consequently, that the value of the 1985 New York dry bean crop will be down about 30 percent below last season.

Year	Harvested acreage	Yield per acre	Total production	Average farm value	Value of production
	thousand	pounds	thous. cwt.	dol. per cwt.	1,000 dol.
1970-74	49	1,121	547	15.39	8,416
1975-79	40	1,105	437	18.00	7,866
1980	48	1,280	614	26.50	16,271
1981	47	1,250	578	17.50	10,115
1982	49	1,200	588	11.50	6,210
1983	25	1,020	255	24.20	6,171
1984	34	1,250	425	21.40	9,095
1985 Ind.	34	950	323	20.00*	6,460*

* Based on October prices.

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

Fruit	New York				United States			
	1982	1983	1984	1985	1982	1983	1984	1985
	thousand tons							
Apples	565	550	510	530	4,058	4,187	4,143	4,028
Grapes	157	191	198	145	6,555	5,506	5,164	5,410
Tart Cherries	11	12	13	11	155	77	136	140
Pears	19	19	20	15	804	775	710	675
Peaches	7	9	6	9	1,147	928	1,322	1,054
Sweet Cherries	4	3	2	2	156	181	182	133
Total New York's Major Fruit Crops	763	784	749	712	12,875	11,654	11,657	11,440

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

Fruit	New York				United States			
	1982	1983	1984	1985	1982	1983	1984	1985
	dollars per ton							
Apples								
Fresh	290	338	402		264	298	310	
Processed	114	102	108		118	103	112	
All sales	178	196	224		200	210	224	
Grapes	221	199	180		232	199	164	
Tart Cherries	296	920	406	512	282	932	494	486
Pears	201	271	228		183	170	223	
Peaches	542	464	548		288	296	260	
Sweet Cherries	608	569	575	735	699	630	610	802

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

Fruit	New York				United States			
	1982	1983	1984	1985	1982	1983	1984	1985
Apples								
Fresh	59.5	73.5	80.6		599	688	725	
Processed	41.0	33.9	33.4		211	192	201	
All Sales*	100.5	107.4	114.0		809	879	928	
Grapes	34.6	38.1	33.8		1,361	1,066	838	
Tart Cherries	3.1	10.6	5.1	5.8	35	72	63	67
Pears	3.8	5.1	4.6		147	132	156	
Peaches	3.9	3.9	3.0		303	260	319	
Sweet Cherries	1.9	1.7	1.3	1.4	94	106	100	102
Total New York's Major Fruit Crops	147.8	166.8	161.8		2,749	2,515	2,404	

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

APPLE PRODUCTION, UNITED STATES AND CANADA, 1980-1984, FIVE-YEAR AVERAGE PRODUCTION, AND 1985 FORECAST, 1,000 42-POUND BUSHELS

States and Areas	1980	1981	1982	1983	1984	Average 1980-84	Oct. Est. 1985	% Change from 1984
Maine	2,024	1,905	2,191	2,024	1,667	1,962	1,952	+17.0
New Hampshire	1,381	1,071	1,191	1,310	1,190	1,229	1,238	+4.0
Vermont	1,190	667	1,238	1,143	976	1,043	1,142	+17.0
Massachusetts	2,381	1,976	2,381	2,310	2,310	2,272	2,024	-12.0
Rhode Island	131	107	143	119	119	124	95	-20.0
Connecticut	1,000	905	1,190	952	1,119	1,033	952	-15.0
New York	26,191	19,048	26,905	26,190	24,286	24,524	25,238	+4.0
New Jersey	2,619	2,262	3,333	2,381	2,619	2,643	2,500	-5.0
Pennsylvania	13,571	9,524	12,500	11,905	13,690	12,238	12,380	-10.0
Delaware	321	312	345	321	322	324	298	-7.0
Maryland	2,143	1,667	1,905	1,667	1,905	1,857	1,905	nc
Virginia	10,000	11,071	11,905	10,833	11,072	10,976	8,809	-20.0
West Virginia	5,833	4,762	5,714	5,238	5,357	5,381	5,595	+4.0
North Carolina	9,762	8,929	4,048	9,881	8,572	8,238	7,619	-11.0
South Carolina	762	857	167	429	1,071	657	286	-73.0
Georgia	857	1,071	357	476	1,190	790	833	-30.0
Total East	80,166	66,134	75,513	77,179	77,465	75,291	72,866	-6.0
Ohio	4,048	2,381	3,571	2,381	3,214	3,119	3,452	+7.0
Indiana	1,690	1,619	1,833	1,333	1,524	1,600	1,857	+22.0
Illinois	2,405	2,452	2,095	2,143	2,143	2,248	2,476	+16.0
Michigan	21,429	15,714	23,333	17,857	18,333	19,333	26,190	+43.0
Wisconsin	1,548	1,405	1,429	1,381	1,262	1,405	1,548	+23.0
Minnesota	548	524	595	524	357	510	595	+67.0
Iowa	200	262	274	298	119	231	286	+140.0
Missouri	1,333	1,476	1,071	1,071	952	1,181	1,429	+50.0
Kansas	262	333	298	321	119	267	333	+180.0
Kentucky	452	500	286	333	429	400	381	-11.0
Tennessee	190	262	107	202	262	205	167	-36.0
Arkansas	238	548	190	357	190	305	381	+100.0
Total Central	34,343	27,476	35,082	28,201	28,904	30,801	39,095	+35.0
Total East & Central	114,509	93,610	110,595	105,380	106,369	106,093	111,961	+5.0
Colorado	1,667	1,786	952	2,024	1,548	1,595	2,261	+46.0
New Mexico	286	405	286	143	190	262	238	+25.0
Utah	1,238	1,286	1,286	1,381	1,072	1,253	1,357	+27.0
Idaho	3,929	3,214	3,000	3,048	3,214	3,281	3,452	+7.0
Washington	71,548	65,714	62,262	72,738	70,238	68,500	57,143	-19.0
Oregon	4,643	3,690	3,571	3,691	3,095	3,738	3,929	+27.0
California	12,381	14,905	11,429	10,952	11,588	12,251	12,857	+11.0
Total West	95,691	91,000	82,786	93,977	90,905	90,872	81,237	-11.0
Total U.S.	210,200	184,610	193,381	199,357	197,274	196,964	193,202	-2.0
Provinces								
Nova Scotia	2,475	2,860	3,100	2,850	3,047	2,866	3,000*	-2.0
Ontario	8,994	6,499	8,348	8,362	7,500	7,941	9,534*	+27.0
Quebec	6,221	2,378	4,100	3,416	4,404	4,102	4,850*	+10.0
New Brunswick	280	260	315	330	224	282	325*	+45.0
British Columbia	11,036	9,814	9,208	9,619	6,783	9,292	8,081*	+19.0
Total Canada	29,006	21,811	25,071	24,577	21,958	24,485	25,790*	+17.0
Total U.S. & Canada	239,206	206,421	218,452	223,934	219,232	221,449	218,992	

*Canadian estimate for October is unavailable. Used the August estimate.

FRESH APPLES: EXPORTS AND IMPORTS, U.S., 1978/79 - 1984/85 SEASONS
42 POUND UNITS

Area of Distribution	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85
	1,000 42-pound units						
Canada	2,576	3,156	2,072	3,463	2,240	2,040	1,620
Europe	953	1,132	2,036	1,888	1,291	1,377	950
Mexico & Central America	501	744	827	545	235	252	360
Caribbean	255	343	404	337	370	289	238
South America	502	676	1,552	1,687	1,727	401	228
Middle East	1,134	1,272	2,491	1,926	2,127	2,520	2,506
Africa	55	64	89	48	30	7	3
Far East	1,420	4,852	6,386	4,040	6,105	4,530	4,947
Pacific Area	123	130	174	421	197	255	163
Other	---	44	2	12	24	389	0
Total Exports	7,520	12,412	16,032	14,368	14,346	11,672	11,014
Total Imports	2,948	3,653	4,142	3,508	4,627	5,480	5,484

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

Fresh apple exports from the U.S. have increased dramatically during the period 1976-1983. Exports increased from 6.3 million bushels in 1976/77 to 16.0 million bushels in 1980/81. Since then, exports have decreased each year and amounted to only 11 million bushels last year. Columbia and Venezuela did not open their markets for holiday sales as had been expected. Total shipments to South America have been greatly reduced after reaching 1.7 million bushels for the 1982 crop and now total only 228 million bushels. The strong U.S. dollar, even though moderating in value in recent months, continues to impede exports.

The potential for exports appears slightly improved for the 1985 crop. The total production from Northern Hemisphere countries for 1985 is estimated at 972 million bushels, down three percent from last year's bumper crop. A further slide in the value of the dollar will be a positive factor. However, Canada expects a 12 percent increase in production over 1984 (and five percent above their five year average production). Canada traditionally has been the largest importer of U.S. fresh apples.

APPLE JUICE: IMPORTS INTO THE UNITED STATES, 1977/78 - 1984/85 SEASONS[1]

Season	Million Gallons[2]	Million 42-Pound Bushel Equivalents[3]	Percent of U.S. Domestic Production of Apples
1977/78	41.6	11.6	7.1
1978/79	62.8	17.5	9.7
1979/80	45.9	12.8	6.6
1980/81	70.3	19.7	9.4
1981/82	76.4	21.3	11.5
1982/83	139.8	38.9	20.1
1983/84	145.2	40.4	20.3
1984/85	209.2	58.3	29.5

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

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

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

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

Imports of single-strength apple juice have increased dramatically since the 1977/78 season, from 41.6 million gallons to 209.2 million gallons. On the basis of a 42-pound bushel, this translates into the equivalent of 58.3 million bushels for 1984/85 compared with domestic production of 197 million bushels, fresh apple exports of 11 million bushels, and fresh apple imports of 5.5 million bushels. Expressed as a percentage of domestic production, this amounts to about 30 percent of the U.S. crop.

The major importers into the U.S. in the most recent three years have been Argentina (42 million gallons annually), West Germany (30 million gallons annually), and South Africa (11 million gallons annually). The growth in imports from West Germany has been phenomenal. In 1984, Argentine imports increased by 28 percent. The total value of imported concentrate was $122 million. Imports now account for 55 percent of the total supply of apple juice produced in the U.S.

Accounting for exports and imports of fresh apples and imports of concentrate, the U.S. now is a net importer of 941,000 metric tons (fresh-weight equivalent), or 54 million bushels.

APPLES IN COLD STORAGE BY VARIETY FOR EASTERN AND WESTERN NEW YORK AS OF OCTOBER 31, 1981, 1982, 1983, 1984, AND 1985

Variety and Area	Apples in Cold Storage*				
	10/31/81	10/31/82	10/31/83	10/31/84	10/31/85
	thousand bushels				
McIntosh:					
Eastern New York	1,566	2,466	2,251	2,028	2,005
Western New York	406	846	575	659	717
Total	1,972	3,312	2,826	2,687	2,722
Rome:					
Eastern New York	541	680	497	491	616
Western New York	304	328	176	271	498
Total	845	1,008	673	762	1,114
Red Delicious:					
Eastern New York	882	1,106	1,318	1,123	1,195
Western New York	400	473	637	484	618
Total	1,282	1,579	1,955	1,607	1,813
Golden Delicious:					
Eastern New York	410	299	474	224	260
Western New York	240	221	184	180	253
Total	650	520	658	404	513
R.I. Greening:					
Eastern New York	15	25	**	20	15
Western New York	537	834	**	653	681
Total	552	859	718	673	696
Cortland:					
Eastern New York	189	383	313	273	225
Western New York	168	310	246	250	270
Total	357	693	559	523	495
Northern Spy:	160	200	270	299	303
Idared:	451	622	537	640	647
All Other Varieties:	613	986	874	927	1,058
Total All Varieties:					
Eastern New York	3,945	5,381	5,299	4,653	4,699
Western New York	2,937	4,398	3,771	3,859	4,662
Total New York State	6,882	9,979	9,070	8,522	9,361

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

*Includes apples in controlled atmosphere storage.
**Not listed to avoid disclosure of individual operations.

APPLES IN CONTROLLED ATMOSPHERE STORAGE
NEW YORK STATE AS OF OCTOBER 31, 1981, 1982, 1983, 1984, AND 1985

Variety and Area	10/31/81	10/31/82	10/31/83	10/31/84	10/31/85
	thousand bushels				
McIntosh:					
Eastern New York	1,156	1,792	1,710	1,489	1,393
Western New York	163	232	184	251	261
Total	1,319	2,023	1,894	1,740	1,654
Rome:					
Eastern New York	467	548	416	380	449
Western New York	90	106	43	97	84
Total	557	654	459	477	533
Red Delicious:					
Eastern New York	703	864	950	810	864
Western New York	229	216	299	230	342
Total	932	1,080	1,249	1,040	1,206
Golden Delicious:	163	89	161	171	162
Cortland:	143	219	209	146	137
Other Varieties:	482	649	752	900	828
Total All Varieties:					
Eastern New York	2,791	3,720	3,661	3,261	3,168
Western New York	805	994	1,063	1,213	1,352
Total New York State	3,596	4,714	4,724	4,474	4,520

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

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

Apples in cold storage in New York as of the end of October amounted to 9.4 million bushels, 10 percent more than a year ago and eight percent above the five-year average holdings. Controlled atmosphere holdings were 4.5 million, just one percent above a year ago. Controlled atmosphere holdings in Western New York are now 1.3 million bushels, compared with 0.8 million bushels in 1981. Total holdings in Western New York increased 21 percent above October 1984 and 27 percent above the five-year average. The larger holdings in storage in Western New York may reflect the decision of major processors to buy fewer apples than in the past.

There are larger than normal supplies of Romes and Idareds in storage.

PRICES RECEIVED BY NEW YORK GROWERS FOR FRESH APPLES,
MONTHLY AVERAGE PRICE PER 42-POUND BUSHEL, 1971-1985 CROP YEARS

Crop Year	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	Season Average
1971/72	2.94	2.31	2.10	2.56	2.69	2.77	2.60	2.73	2.94	2.94	
1972/73	3.65	3.15	3.82	4.12	4.20	4.41	4.62	5.04	5.67	5.46	
1973/74	4.91	4.75	5.80	5.88	6.09	6.30	6.30	6.51	6.51	6.30	5.88
1974/75	4.70	4.20	4.07	3.99	4.79	5.12	5.75	6.09	6.30	6.30	5.04
1975/76	5.04	3.82	3.91	4.82	4.87	4.41	6.09	6.01	5.54	5.54	4.96
1976/77	4.66	4.41	5.04	5.21	5.29	5.38	6.13	6.09	6.26	6.51	5.38
1977/78	5.04	5.25	5.46	5.46	5.46	5.67	6.09	6.51	6.72	6.93	5.75
1978/79	6.30	5.46	5.46	5.04	5.25	5.25	5.67	6.09	6.09	6.30	5.67
1979/80	5.04	5.25	5.67	7.14	7.35	7.56	8.61	9.24	9.45	9.87	7.35
1980/81	7.18	7.48	6.51	7.39	7.22	7.43	7.73	7.77	8.06	8.40	7.56
1981/82	8.61	8.19	8.82	8.40	8.82	9.03	8.82	9.66	10.08	10.08	8.82
1982/83	6.09	5.67	5.67	6.13	6.05	6.13	6.30	6.09	6.30	6.30	6.09
1983/84	7.56	6.64	6.43	7.14	7.14	7.56	7.35	7.56	7.56	7.56	7.10
1984/85	7.22	8.02	6.38	7.56	7.77	7.56	7.81	N.A.	N.A.	N.A.	8.44*
1985/86	2.48*	5.08*									

*Preliminary estimate.

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

The season average price for last year's crop of apples sold for fresh market utilization was $8.44 per 42-pound bushel, up 19 percent from the 1983 season's average. The preliminary prices for fresh apples recorded in New York in October of this year was $5.08, down substantially from the October 1984 price of $8.02.

UTILIZATION OF APPLES, UNITED STATES, 1970-84

Year	Fresh	Canned	Juice	Frozen	Other*	Total Utilized
	million 42-pound units					
1970	84.1	27.6	24.6	4.8	7.9	149.0
1971	83.0	26.0	25.9	4.5	5.4	144.8
1972	79.6	23.3	24.5	5.6	6.8	139.7
1973	84.3	29.9	19.6	6.2	8.9	148.8
1974	87.9	29.2	24.5	4.3	9.6	155.5
1975	103.7	24.4	28.4	4.9	7.6	169.1
1976	93.2	21.9	26.4	5.2	7.2	153.9
1977	91.9	25.6	30.2	3.8	8.2	159.8
1978	100.2	29.1	35.6	4.9	9.7	179.6
1979	102.5	31.8	46.5	3.3	9.2	193.3
1980	117.7	28.6	50.9	4.0	8.6	209.8
1981	106.0	23.9	42.9	4.1	6.6	183.5
1982	108.0	29.7	43.0	4.5	7.8	193.1
1983	110.0	28.6	47.2	4.0	9.0	198.9
1984	111.4	28.1	43.2	4.7	9.5	196.9

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

AVERAGE ANNUAL PRICES RECEIVED BY NEW YORK GROWERS FOR APPLES, 1970-84

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

SOURCE: New York Agricultural Statistics, 1979 and 1984.

RECEIPTS AND UTILIZATION OF APPLES AT PROCESSING PLANTS, NEW YORK, CROPS OF 1970-1984

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

[1]Apples received at a plant and then transferred to another plant for processing are included only in plant where processed.
[2]Includes juice used to make concentrate.
[3]Among other products for which these apples were used are jelly, apple butter, drying, mincemeat, and fresh sliced apples for pies in upstate areas. Beginning in 1974 apples used in making vinegar are excluded from cider and juice category and included under "other products".

SOURCE: State of New York Department of Agriculture and Markets, Fruit Reports (most recently, No. 4-85).

Processing plants in New York utilized 568.7 million pounds of apples from the 1984 crop, an eight percent decline from 1983 utilization. Apples utilized for juice accounted for 305.2 million pounds or 54 percent of the total apples processed in 1984. Increased utilization for juice and cider and reduced utilization for canning and applesauce has been occurring for several years.

The total amount of apples received in processing plants will decrease considerably in 1985 due to cutbacks by major processors.

APPLES: REPRESENTATIVE TRUCK RATES, MARCH, 1980-1985

Commodity, Area, and City	March 1980	March 1981	March 1982	March 1983	March 1984	March 1985
	dollars per package					
Apples (tray packed carton):						
Yakima, Washington area to:						
Atlanta	2.41	2.71	2.69	N.A.	3.25	2.78
Chicago	1.98	2.03	2.08	2.08	2.31	2.05
Dallas	2.17	2.44	2.42	2.56	2.64	2.25
Los Angeles	1.39	1.50	1.39	1.47	1.50	1.40
New York City	3.04	3.25	3.25	3.25	3.44	3.20
Hudson Valley, NY area to:						
Atlanta	.94	1.30	1.11	1.11	N.A.	N.A.
New York City	.42	.58	.56	.53	.61	.53

SOURCE: ERS, USDA, Fruit Outlook & Situation, July issues, 1981-1984.

APPLES: PER CAPITA CONSUMPTION, PRODUCT WEIGHT BASIS, 1973-1984

Year	Fresh	Canned	Canned Juice	Frozen	Dried
	pounds				
1973	16.1	3.4	2.56	.62	.14
1974	16.5	3.1	2.54	.33	.11
1975	19.1	3.1	2.86	.47	.13
1976	17.1	2.3	3.32	.39	.14
1977	16.9	2.5	3.31	.44	.12
1978	17.5	2.6	4.26	.39	.13
1979	17.6	2.5	5.28	.33	.13
1980	19.1	2.4	4.77	.35	.10
1981	16.8	2.1	6.45	.37	.16
1982	17.9	2.0	7.15	.43	.11
1983	18.4	2.4	8.58	.32	.11
1984	18.1	N.A.	N.A.	N.A.	N.A.

SOURCE: ERS, USDA, Fruit Outlook and Situation, July 1984.

FARM PRICES RECEIVED AND PAID BY FARMERS, 1980-1984

	1980	1981	1982	1983	1984
	1977=100				
Prices Received					
All farm products	134	139	133	134	142
All crops	125	134	121	127	138
Fruit	124	130	175	122	197
Fresh market fruit	128	132	186	123	214
Prices Paid					
Prod. items, interest, taxes & wage rates	139	190	157	160	164
Production items	138	148	150	153	155
Agricultural chemicals	102	111	119	125	128
Fuels & energy	188	213	210	202	201
Tractors & self-propelled machinery	136	152	165	174	181
Wage rates	126	137	144	148	150

SOURCE: Crop Reporting Board, SRS, USDA, Agricultural Prices 1984 Summary.

GRAPES: NEW YORK GROWN, RECEIVED BY WINERIES AND PROCESSING PLANTS, 1980-84

Variety	1980	1981	1982	1983	1984
			tons		
Concord	123,121	103,077	105,840	128,390	128,746
Catawba	11,990	9,659	13,786	14,286	10,901
Niagara	9,207	8,113	9,372	9,874	9,990
Delaware	5,101	5,980	4,031	7,412	7,170
Aurore	6,713	6,847	5,718	8,901	10,652
de Chaunac	2,921	2,520	3,198	3,611	2,478
Baco Noir	1,971	1,002	1,601	1,775	1,692
Seyval Blanc	898	415	746	1,086	1,031
Rougeon	735	612	424	795	810
Marechal Foch	425	429	395	445	315
Vitis Vinifera (all)	749	329	463	729	1,412
Total of all varieties	166,225	146,500	154,000	186,500	184,000

SOURCE: Fruit, New York Crop Reporting Service, 1-81, 1-82, 1-83, 2-84, and 1-85 and New York Agricultural Statistics, 1984.

GRAPES: PRICES PAID FOR NEW YORK GROWN GRAPES PROCESSED, 1980-84

Variety	1980	1981	1982	1983	1984
American Varieties					
Catawba	287	339	332	271*	244
Concord	196	197	175	154*	125*
Delaware	417	439	429	316	311
Dutchess	453	492	493	409	445
Elvira	221	232	232	211	207
Ives	430	414	420	299	301
Niagara	245	306	313	216*	182*
French Hybrids					
Aurore	374	423	425	357	347
Baco Noir	377	402	410	362	377
de Chaunac	254	262	255	205	199
Marechal Foch	371	386	389	291	257
Rougeon	291	341	316	226	218
Seyval Blanc	398	565	547	423	381
Vitis Vinifera					
All varieties	858	1,040	1,235	821	871
Average all varieties	220	249	217	195*	174*

*Preliminary estimates of future payments by cooperatives have been included based upon historical data.
SOURCE: Fruit, New York Crop Reporting Service, No. 1-83, 2-84, and 1-85.

Concords are by far the predominant variety grown and processed in New York. There wre over 128,000 tons of Concords from New York processed in 1984. Over the past five years, Concords have comprised 70 percent of total tonnage utilized. The second leading variety is Catawba (12.1 thousand tons) and Niagara (7.8 thousand tons). For the 1984 season, Aurore was the third leading variety, very close to Catawba.

In general, the prices for red varieties (e.g., Concord, de Chaunac) trended downward during the late 1970's and early 1980's while white varieties (e.g., Niagara, Aurore, Seyval Blanc) trended upward. For 1983 and 1984, however, with large crops and large inventories held by wineries, prices were down for most white as well as red varieties. Average prices in 1985 were lower for most major varieties except for Concord. Catawba, Niagara, Delaware, and Aurore prices will be considerably lower, as significant quantities were sold at $105 per ton.

UNITED STATES GRAPE PRODUCTION, BY STATES, 1980-84 AND 1985 (ESTIMATED)

State	1980	1981	1982	1983	1984	1985 (est.)	% change 1984-85
	thousand tons						
Arizona	12.4	12.4	15.1	14.6	14.0	18.0	+28.6%
Arkansas	6.6	6.0	10.5	10.0	9.0	N.A.	N.A.
California	5124	3993	6076	4919	4640	5000	+7.8
Georgia	N.A.	N.A.	2.8	2.5	2.7	N.A.	N.A.
Michigan	49.5	53.0	58.5	60.0	49.0	50.0	+2.0
Missouri	4.2	2.2	3.4	3.6	4.1	N.A.	N.A.
New York	175	150	157	191	198	145	-26.8
N. Carolina	5.8	5.1	4.5	3.0	5.9	N.A.	N.A.
Ohio	12.0	10.3	9.0	11.0	11.2	8.0	-28.6
Pennsylvania	56.0	61.0	47.0	62.5	60.0	55.0	-8.3
S. Carolina	N.A.	N.A.	2.4	1.5	2.5	N.A.	N.A.
Washington	145	159	168.9	227	168.5	119	-29.4
Other States*	4.5	5.6	0.0	0.0	0.0	N.A.	N.A.
U.S. Total	5595.1	4457.6	6555.1	5505.7	5163.9	5410.4	+4.8

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

PRODUCTION, STANDARD WINE REMOVED FROM FERMENTERS, BY STATES
CROP YEARS 1980-1984[1] [2] [3]

	1980		1981		1982		1983		1984[4]		
State	1,000 Gallons	% of Total	1,000 Gallons	% of Total	1,000 Gallons	% of Total	1,000 Gallons	% of Total	1,000 Gallons	% of Total	% change 1983-84
CA	472,382	92.1	421,330	91.1	514,279	92.5	384,873	88.9	407,122	90.4	+5.8
NY	29,796	5.8	30,304	6.6	29,101	5.2	29,804	7.0	29,747	6.6	-0.2
VA	2,466	0.5	2,354	0.5	2,517	0.5	2,233	0.5	2,962	0.7	+32.6
WA	1,026	0.2	1,220	0.3	2,276	0.4	3,099	0.7	2,597	0.6	-16.2
OH	997	0.2	1,127	0.2	896	0.2	853	0.2	894	0.2	+4.8
OR	318	0.1	308	0.1	558	0.1	527	0.1	518	0.1	-1.7
NJ	241	0.0	335	0.1	315	0.1	482	0.1	461	0.1	-4.4
MO	345	0.1	195	0.0	282	0.1	346	0.1	394	0.1	+13.9
MI	906	0.2	932	0.2	882	0.2	578	0.1	375	0.1	-35.1
AK	275	0.1	405	0.1	425	0.1	437	0.1	370	0.1	-15.3
FL	97	0.0	107	0.0	128	0.0	235	0.1	350	0.1	+48.9
PA	179	0.0	255	0.1	289	0.1	343	0.1	316	0.1	-7.9
IN	71	0.0	41	0.0	54	0.0	49	0.0	82	0.0	+67.3
IA	85	0.0	78	0.0	75	0.0	67	0.0	69	0.0	+3.0
WI	66	0.0	61	0.0	71	0.0	61	0.0	61	0.0	0.0
Other States[5]	3,401	0.7	3,573	0.8	4,021	0.7	4,019	0.9	3,795	0.8	-5.6
Total	512,651	100	462,625	100	556,169	100	428,006	100	450,113	100	+5.2

[1]Removals of still wine from fermenters. Excludes substandard wine produced as distilling material. Also excludes increases after fermentation by amelloration, sweetening, and addition of wine spirits.
[2]Crop year is July 1 to June 30.
[3]Percentages less than 0.05 percent are rounded to zero.
[4]January-June removals estimated.
[5]Includes states which remove significant quantities of wine but are not reported separately to avoid disclosure of individual operations.

SOURCES: Wines and Vines, July 1985 as compiled from Economic Research Department, Wine Institute, from reports of Bureau of Alcohol, Tobacco and Firearms; and U.S. Treasury Department.

WINE PRODUCTION IN THE WORLD BY SELECTED COUNTRIES, 1978-1983

Country	1978	1979	1980	1981	1982	1983
			million gallons			
Italy	1913.7	2228.0	2286.3	1862.5	1919.2	2171.6
France	1536.7	2207.0	1828.2	1506.1	2092.3	1799.7
Soviet Union	685.0	810.3	845.4	909.3	914.7	927.3
Spain	766.9	1322.1	1114.9	908.8	984.4	801.0
Argentina	563.2	711.9	615.6	571.5	660.0	653.0
United States	426.9	423.9	475.5	530.6	515.0	390.0
West Germany	192.8	216.1	122.4	189.1	406.9	344.5
South Africa	160.2	166.5	219.8	204.1	236.4	242.4
Romania	207.4	234.3	200.8	200.7	229.8	229.8*
Portugal	174.2	377.8	268.7	234.4	265.3	219.3
Yugoslavia	155.3	178.1	215.9	169.3	226.6	208.1
Hungary	129.8	137.0	150.8	129.4	179.2	165.8
Greece	148.1	138.5	142.5	145.3	144.5	125.1
Bulgaria	72.1	118.9	111.3	128.7	129.1	118.2
Chile	148.3	148.2	156.5	142.7	161.2	115.8
Australia	87.8	88.5	109.4	98.9	106.4	106.4*
Austria	88.9	73.3	81.5	55.1	129.6	97.7
Brazil	75.3**	76.6	76.6**	76.6**	72.7	72.7*
Czechoslovakia	36.7	38.1	35.3	23.8	51.8	52.5
Algeria	52.8**	71.0	79.5	70.3	38.4	46.2
Switzerland	20.6	29.2	22.2	22.5	48.5	42.5
Cyprus	24.0	33.6	25.1	25.1	21.9	25.6
Uruguay	11.9**	14.5**	14.5**	14.5**	21.4	21.4*
Japan	4.8	6.4	12.0	12.0*	15.6	15.6*
New Zealand	10.7	11.1	9.0	9.0*	11.9	15.2
Tunisia	20.9	16.2	16.3	14.7	13.6	15.2
Canada	10.3**	13.7	13.7**	13.7**	12.4	12.4*
Morocco	14.5	23.8	22.5	13.6	8.9	11.5
Turkey	9.7	16.6	10.6	10.6*	10.3	10.3*
Albania	5.5**	5.5**	5.5**	5.5**	5.8	5.8*
Israel	9.8	9.8	4.8	5.4	5.0	5.0*
Luxembourg	1.9	1.7	1.3	2.6	6.8	4.9

*Production in previous year. Figure for year shown is not available. **Estimated.

SOURCES: Wines & Vines, July 1985, as compiled from Economic Research Department, Wine Institute; International Wine Office, Paris; Bureau of Alcohol, Tobacco and Firearms.

PER CAPITA CONSUMPTION OF WINE, BY COUNTRIES

Country	1965	1970	1975	1980	1983[1]
			Gallons		
Italy	28.80	29.32	28.40	21.13	24.15[2,3]
Portugal	28.77	20.26	23.71	18.49	24.14
France	31.07	28.83	27.39	24.04	22.46
Argentina	22.67	24.25	22.11	20.15	18.79[3]
Luxembourg	10.00	10.00	10.90	12.73	17.17
Spain	16.64	16.25	19.55	15.85	15.06
Switzerland	10.12	10.30	11.44	12.44	12.38
Greece	10.36	10.57	10.04	11.87	11.66[2,3]
Uruguay	8.00	6.87	6.63	6.60	10.33
Chile	14.95	11.60	11.48	13.29	9.45
Austria	7.87	9.99	9.40	9.38	9.43
Hungary	8.67	9.96	9.77	9.25	7.82[2]
Yugoslavia	6.21	7.11	7.56	7.45	7.66[2]
Rumania	7.71	6.10	8.72	7.63	7.40
West Germany	3.88	4.28	6.13	6.74	7.00[2]
Bulgaria	5.47	4.91	5.28	5.81	5.81
Austrialia	1.27	2.25	2.96	4.60	5.22[2]
Belgium	2.27	3.17	4.49	3.79	5.02
Denmark	1.08	1.56	3.03	3.38	4.70
Czechoslovakia	1.35	2.80	2.91	3.17	3.96
Holland	0.89	1.36	2.43	3.14	3.62[2]
USSR	2.60	3.01	3.53	3.80	3.43
New Zealand	0.76	1.44	2.32	N.A.	3.30
Cyprus	3.17	2.17	1.64	2.59	3.12
Sweden	1.14	1.69	2.20	2.54	2.91[2]
Canada	0.73	0.58	1.76	2.21	2.51
S. Africa	1.85	2.96	2.77	2.40	2.51
United States	0.98	1.31	1.71	2.21	2.26
United Kingdom	0.58	0.76	1.24	1.97	2.19[2]
Poland	1.27	1.48	1.95	2.59	1.59

[1]Per capita consumption data unavailable for East Germany. In 1979, per capita consumption in East Germany was estimated to be 2.14 gallons.
[2]Per capita consumption in 1982; figure for 1983 not available.
[3]Figure as reported by Office International De La Vigne et du Vin appears to be high and is not consistent with previously published reports.

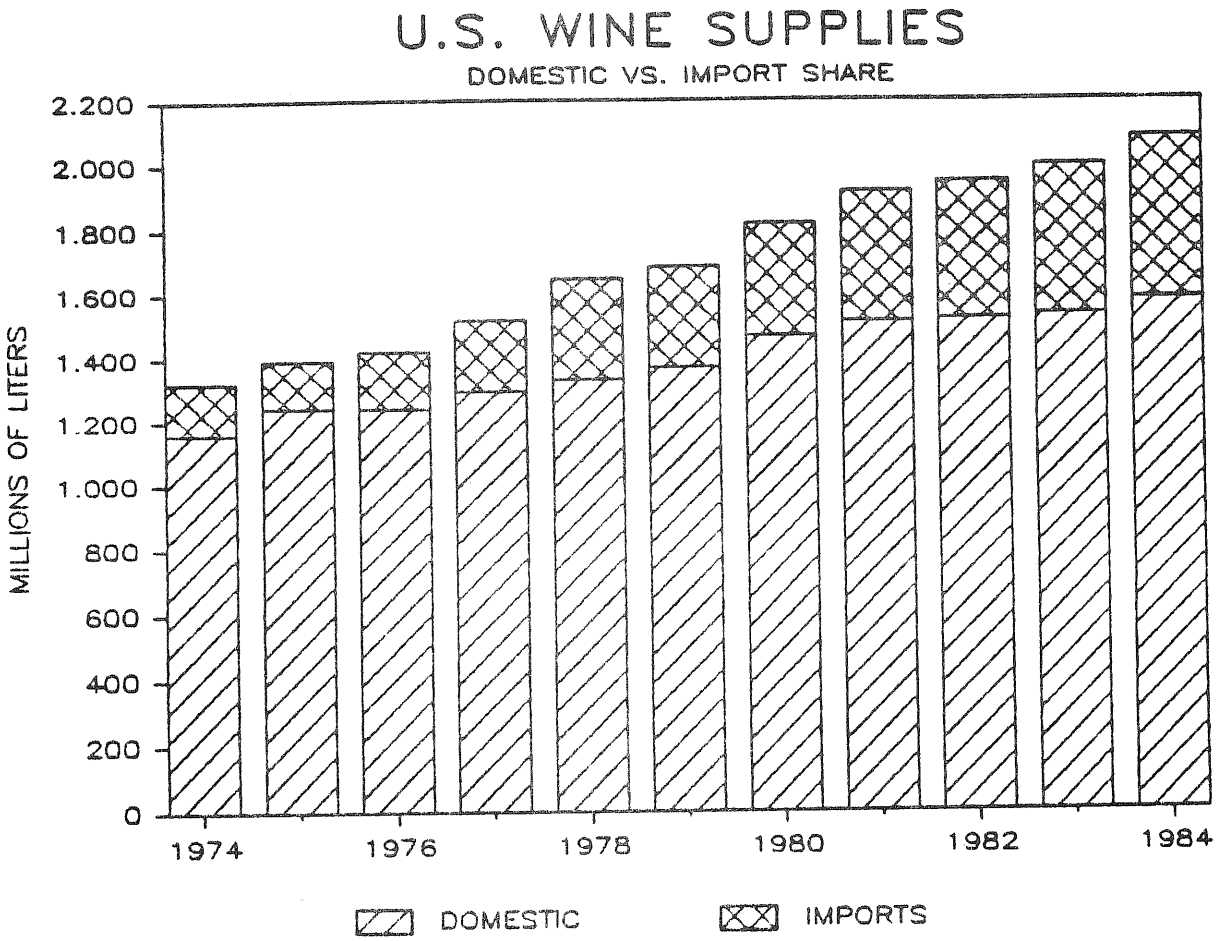
SOURCES: Wines and Vines, July 1985, compiled from Economic Research Department, Wine Institute, Office International De la Vigne et du Vin, Paris; Bureau of Alcohol, Tobacco and Firearms; and Bureau of the Census.

UNITED STATES: IMPORTS OF GRAPE WINE

	Jan-Dec 1983	Jan-Nov 1983	Jan-Nov 1984	Jan-Dec 1983	Jan-Nov 1983	Jan-Nov 1984
	------ 1,000 hl* ------			----- $1 million -----		
European Community	4,292	3,868	4,188	736	656	744
West Germany	583	529	566	106	96	96
France	959	847	1,084	305	267	344
Italy	2,706	2,452	2,498	318	285	297
EC Applicants	406	363	417	83	74	83
Spain	228	198	242	56	49	56
Portugal	178	165	175	27	25	27
Others	133	121	142	19	17	18
Total	4,831	4,352	4,747	838	747	845

*1,000 hectoliters (hl) = 26,417 gallons.

SOURCE: U.S. Department of Commerce, Bureau of Census.



WINE ENTERING DISTRIBUTION CHANNELS IN THE U.S. BY STATES, 1979-1984

State	1979	1980	1981	1982	1983	1984	1984 Rank
	thousand gallons						
NORTHEAST							
Connecticut	7,759	8,419	8,698	9,106	9,825	10,059	14
Delaware	947	1,077	1,202	1,262	1,328	1,455	47
District of Columbia	4,095	4,141	4,376	4,281	4,329	4,451	28
Maine	1,913	1,983	2,127	2,123	2,136	2,302	36
Maryland	8,068	8,581	9,294	9,394	9,255	10,211	12
Massachusetts	15,215	16,378	17,919	18,210	18,260	18,848	7
New Hampshire	3,363	3,431	3,440	3,434	3,365	3,623	30
New Jersey	19,586	21,644	23,484	24,383	24,656	26,063	5
New York	48,167	50,584	52,883	52,845	52,933	55,266	2
Pennsylvania	16,127	16,887	16,948	17,170	16,559	16,514	9
Rhode Island	2,910	3,194	3,176	3,363	3,069	3,214	31
Vermont	1,402	1,506	1,578	1,605	1,615	1,612	44
West Virginia	1,062	1,097	1,630	1,672	1,535	1,465	46
Total Northeast	130,614	138,922	146,755	148,848	149,009	155,083	
OTHER STATES							
Alabama	2,810	3,878	4,396	4,184	4,067	4,560	27
Alaska	1,070	1,172	1,348	1,425	1,537	1,652	42
Arizona	5,682	5,920	7,127	7,014	7,780	8,215	20
Arkansas	1,435	1,586	1,690	1,730	1,794	1,700	41
California	97,970	104,471	108,791	109,921	116,465	117,186	1
Colorado	7,913	8,503	7,867	8,590	8,730	8,747	17
Florida	20,446	23,127	25,077	26,642	27,077	28,345	3
Georgia	5,602	6,545	6,882	7,262	7,876	8,532	19
Hawaii	2,427	2,705	2,628	2,879	2,725	2,593	35
Idaho	1,487	1,677	1,837	1,705	1,753	1,836	40
Illinois	22,285	23,709	24,910	25,062	24,244	26,036	6
Indiana	5,144	5,723	5,999	6,132	6,234	6,991	23
Iowa	2,087	2,342	2,400	2,302	2,223	2,121	38
Kansas	1,738	1,656	1,810	1,954	1,898	2,248	37
Kentucky	1,982	2,222	2,327	2,608	2,751	2,877	33
Louisiana	6,115	6,712	6,979	7,637	7,592	7,669	22
Michigan	15,173	15,778	16,326	15,651	15,417	17,411	8
Minnesota	5,900	6,389	6,822	6,912	6,823	6,971	24
Mississippi	1,431	1,538	1,586	1,649	1,636	1,623	43
Missouri	5,920	6,190	6,546	6,533	6,846	7,841	21
Montana	2,000	1,673	1,574	1,560	1,555	1,579	45
Nebraska	1,735	1,852	1,960	1,983	1,948	1,994	39
Nevada	3,741	4,005	4,204	4,198	4,385	4,628	26
New Mexico	2,211	2,535	2,485	2,751	2,631	2,684	34
North Carolina	7,078	7,312	7,619	7,924	8,186	9,351	15
North Dakota	641	683	709	714	706	683	50
Ohio	12,807	14,147	14,434	14,641	14,281	16,482	10
Oklahoma	2,624	2,925	2,945	3,172	3,166	3,154	32
Oregon	7,350	8,170	8,187	8,553	8,605	8,692	18
South Carolina	3,019	3,358	3,661	3,931	3,984	4,784	25
South Dakota	722	763	790	743	717	699	49
Tennessee	3,046	3,379	3,658	3,950	4,069	4,423	29
Texas	17,050	18,785	21,444	23,836	25,667	26,443	4
Utah	1,072	1,147	1,186	1,231	1,192	1,218	48
Virginia	8,016	8,346	8,994	9,179	9,275	10,199	13
Washington	11,547	13,072	13,992	13,697	14,210	15,183	11
Wisconsin	8,147	8,888	9,204	8,841	9,802	9,015	16
Wyoming	599	674	695	699	659	661	51
UNITED STATES TOTAL	438,636	472,479	497,891	508,246	519,371	542,109	
PERCENT NORTHEAST OF U.S.	29.8%	29.4%	29.5%	29.3%	29.7%	28.6%	

SOURCES: Wines and Vines, July 1985 as compiled from Economic Research Dept., Wine Institute; State Beverage and Tax Agencies; Bureau of Alcohol, Tobacco, & Firearms; and Bureau of the Census, U.S. Department of Commerce.

PER CAPITA WINE CONSUMPTION IN THE UNITED STATES BY STATES, 1973, 1983, AND 1984.

State	1973	1983	1984	1984 Rank
NORTHEAST				
Connecticut	1.82	3.13	3.19	11
Delaware	1.39	2.19	2.37	18
District of Columbia	4.93	6.95	7.14	1
Maine	1.19	1.87	1.99	21
Maryland	1.57	2.15	2.35	19
Massachusetts	1.96	3.17	3.25	9
New Hampshire	2.03	3.51	3.71	4
New Jersey	2.13	3.30	3.47	6
New York	2.38	3.00	3.12	12
Pennsylvania	1.13	1.39	1.39	36
Rhode Island	2.23	3.21	3.34	7
Vermont	2.35	3.08	3.04	13
West Virginia	0.50	0.78	0.75	47
OTHER STATES				
Alabama	0.52	1.03	1.14	40
Alaska	2.06	3.20	3.30	8
Arizona	1.73	2.62	2.69	15
Arkansas	0.67	0.77	0.72	50
California	3.56	4.62	4.57	3
Colorado	2.01	2.77	2.75	14
Florida	1.84	2.52	2.58	16
Georgia	0.82	1.37	1.46	34
Hawaii	1.93	2.68	2.50	17
Idaho	1.31	1.78	1.83	26
Illinois	1.65	2.11	2.26	20
Indiana	0.80	1.14	1.27	38
Iowa	0.45	0.77	0.73	49
Kansas	0.56	0.78	0.92	45
Kentucky	0.52	0.74	0.77	46
Louisiana	1.35	1.71	1.72	28
Michigan	1.42	1.70	1.92	22
Minnesota	1.01	1.65	1.67	29
Mississippi	0.53	0.63	0.62	51
Missouri	1.04	1.38	1.57	31
Montana	0.88	1.91	1.92	22
Nebraska	0.75	1.22	1.24	39
Nevada	4.01	4.89	5.08	2
New Mexico	1.64	1.88	1.88	25
North Carolina	1.06	1.35	1.52	33
North Dakota	0.76	1.04	1.00	41
Ohio	1.02	1.33	1.53	32
Oklahoma	0.89	0.96	0.96	43
Oregon	2.58	3.24	3.25	9
South Carolina	1.98	1.22	1.45	35
South Dakota	0.83	1.03	0.99	42
Tennessee	0.61	0.87	0.94	44
Texas	1.03	1.63	1.65	30
Utah	0.76	0.74	0.74	48
Virginia	1.32	1.67	1.81	27
Washington	2.23	3.30	3.49	5
Wisconsin	1.33	2.07	1.89	24
Wyoming	1.02	1.28	1.29	37
UNITED STATES TOTAL	1.66	2.26	2.35	

SOURCES: Wines and Vines, July 1985 as compiled from Economic Research Dept., Wine Institute; State Beverage and Tax Agencies; Bureau of Alcohol, Tobacco, & Firearms; and Bureau of the Census, U.S. Department of Commerce.

Beef cattle, sheep and swine industries in New York continue to be comprised of a large number of small enterprises. Over the past 5 years, we have had an average inventory of approximately 200,000 beef cattle, 140,000 hogs and 60,000 sheep; however we have about 15,000 farms with beef cattle, 5,000 farms with hogs and about 2,000 farms with sheep. Size of these industries have been limited because dairying has been a more profitable use of the forage and feed grain produced in the state. However, past and projected changes in dairy farming in New York indicate that fewer of the states resources will be used in dairying. Over the past 25 years, the number of dairy cows has been reduced by 300,000 and the number of dairy farms has been reduced by over 25,000. This trend is projected to continue, with another decline of up to 25% over the next decade. As a result, over 3 million acres and an uncounted number of farmsteads have been or will be idled. Economies of many rural communities may be under considerable pressure as a result of these changes; support services (feed and equipment dealers, hardware, veterinarians, etc.) for all farmers may be reduced or nonexistent.

The development of alternative uses for these resources would be of great benefit. In many of these areas, beef cattle and sheep are logical alternatives as much of the land in question is best suited for forage production. Swine are logical options in areas where grain is available. The use of available resources with meat animals would add over 300 million to agricultural income in New York, with a net benefit to rural communities of about one billion dollars.

Markets in the region for meat animals at midwest or above prices greatly exceed the supply; a large number now are trucked in alive from 500 to 1,000 miles away. Our present meat animal numbers are too small and widely scattered to effectively market to regional packers, however without pooling of finished animals. To take advantage of these markets, we must:

1. Continue development of marketing pools to increase our marketing power with existing supplies, which in turn will stimulate increased production as a result of improved prices.

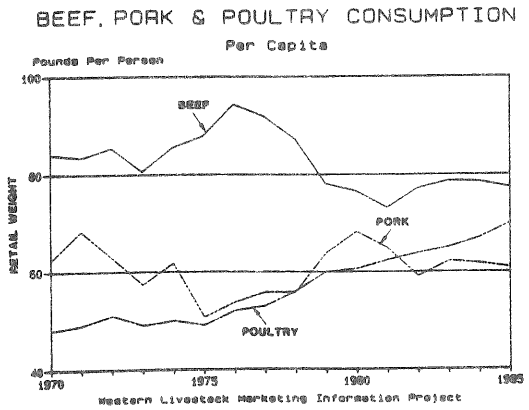
2. Produce at or below the cost of production in competing regions, primarily the midwest.

The following is a more specific summary of the outlook, both nationally and for New York for beef cattle, sheep and swine.

Beef Cattle

Table 1 summarizes changes in beef cattle numbers and in beef and total meat consumption. Beef production is predicted to decline for the next few years, as a result of a reduction in herd size; the impact will be a drop in beef supplies of 6-7

lbs/capita. As shown in the table, total meat supplies and thus consumption has remained large for several years, consistently averaging about 220 lb/capita. A steady increase in per capita poultry supplies has offset any decreases in red meat production (figure 1).



CATTLE INVENTORY AND BEEF SUPPLIES, 1975-86

Year	Jan 1 —Cattle Numbers— Total Cattle	Cows	Calves Born	Commercial —Slaughter— Total Cattle	Cows	Meat Supplies Beef Prod.	Beef (3) Consumption	Tot. Meat (3) Consumption
	mil. hd.			mil. hd.		(bil lbs)	(lb/cap)	(lb/cap)
1975	131.0	56.9	50.2	40.9	11.6	23.7	87.9	204.6
76	128.0	55.0	47.4	42.7	10.6	25.7	94.4	217.8
77	122.8	52.4	45.9	41.9	9.9	25.0	91.8	218.3
78	116.4	49.6	43.8	39.6	8.5	24.0	87.2	214.8
79	110.9	47.9	42.6	33.7	5.9	21.3	78.1	218.3
1980	111.2	47.9	45.0	33.8	6.3	21.5	76.5	221.1
81	114.4	49.6	44.8	35.0	6.6	22.2	77.2	220.3
82	115.4	50.2	44.2	35.8	7.3	22.4	77.2	215.4
83	115.0	49.0	43.9	36.7	7.6	23.1	78.7	222.1
84	113.7	48.6	42.5	37.6	8.6	23.6	78.5	223.6
1985(1)	109.8	46.2	41.1	36.0	7.6	23.1	77.0	225.3
86(2)	106.6	44.9	40.7	34.8	7.0	22.1	72.5	221.0

(1) Preliminary (2) Projected (3) Retail Weight Sources: USDA & NCA

The poultry industry has been able to lower their costs and sell chicken at declining inflation adjusted prices, and still remain profitable. The average chicken price as a percent of beef price has continued to decline. Beef industry cash production cost was $67/cwt in 1984-85, which was above average sale price much of the time. The expectation is that in 1986 production cost should drop because of record supplies of feed grain and sale price should strengthen because of the reduced beef herd size. Most forecasters predict choice beef price to be in the mid-60s to low 70s; this places cull cow prices in the range of 40-45 cents/lb since utility beef cow price has averaged 65% of choice steer price over the last 10 years. This price range may be lower if a dairy herd buyout program is implemented. Feeder calf prices (steer basis) should be in the range of choice fed steer prices or higher since average midwest feedlot cost of gain is likely to remain in the range of 50-55 cents/lb.

Our prices for cull cows in the northeast should be equivalent or slightly higher to reflect the transportation differential, since we have 3 major and numerous small packers competing for the available supply. The three major packers import considerably more live choice grade cattle than produced in the region; in this category we have the potential for a 1-3 cents/lb advantage because of transportation costs. However our production for choice grade cattle is so small, intermittent and unpredictable that most do not realize this potential except where sold direct to companies. If our marketing system and production can be changed to provide uniform loads on a regular basis, we can equal or exceed national prices for choice beef. We can be production cost competitive if resources that are available at low cost (food processing, by-products, forages, etc.) are utilized efficiently.

Information is available from animal science extension at Cornell on developing competitive beef cattle enterprises for this region.

Hogs

During much of the past decade low interest and high inflation rates allowed farmers to borrow money and increase their net worth because land prices were increasing rapidly. In addition, hog prices were generally good, making swine production a profitable business to be in. In general, the late 70s were some of the best years in the swine industry, when management mistakes could be easily overlooked.

The 80s have brought about extreme changes. Swine producers are facing one of the most trying times in recent history. Widely fluctuating market prices, high overhead costs and high interest rates have led to the need for intense management and increased efficiency per sow unit.

Improving the efficiency of production requires a high degree of output. Goals of 20 pigs produced per sow per year and 10 pigs weaned per litter should be set to encourage competitive efficiency of production. Goals for reducing mortality rates should include less than 10% death loss from birth to weaning, less than 2% from weaning to market and less than 1% in the breeding herd. Feed efficiency should be improved markedly to reduce total cost of production and enhance profitability.

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

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

Sheep

Sheep numbers in the United States have generally declined for the past 50 years, but have leveled off during the past 5-10 years at about 10 million sheep. Some decrease was caused by the drought in Texas in 1982 and 1983 and by the late spring snow storm in northeast Wyoming in 1984. With these reductions in numbers, lamb prices have enjoyed the longest and highest

sustained level in their history for the past year and a half. Wholesale carcass prices have not been below $1.30/lb since June of 1984 and were in the $1.50 range for several months in 1985. These generally translate into live prices of 65-75 cents per pound. While the U.S. per capita consumption of lamb is only about 1.6 lb, we import 7% of that consumed, mainly from New Zealand.

Regionally, the Northeast United States has an excellent opportunity for increased lamb production, especially if prices remain at a reasonable level. Three things in particular enhance this opportunity. Firstly, a new slaughterhouse has recently opened in northern Virginia (Rocco Enterprises, Inc.) with the capacity to kill 2,000 lambs per day, 5 days a week, 50 weeks per year. Secondly, new sheep management systems have been developed (primarily at Cornell) that allow for uniform year-round lamb production. Thirdly, forage and facilities in the northeast are becoming available as a result of changes in the dairy industry.

The individual components necessary for an expanding sheep production in the northeast are present. The probability that it will occur is the unanswered question.

1986 DAIRY OUTLOOK

Overview

POSITIVE FACTORS

- Production cost lower.
- Favorable milk-feed price ratio.
- Continued favorable economic climate during first half of 1986.
- Continued increase in commercial demand for milk and dairy products.

NEGATIVE FACTORS

- Lower milk price.
- Few, if any, attractive farm alternatives to dairy.
- Possible assessment or decrease in support price likely.

UNCERTAINTIES

- 1985 farm bill provisions.
- Possible whole-farm buyout program.
- Effectiveness and impact of a potential whole-farm buyout provision.
- Timing of potential buyout and impact on marketing system and dairy cooperatives.

NEW YORK DAIRY SITUATION AND OUTLOOK
1983, 1984, Preliminary 1985, and Projected 1986

Item	Year				Percent Change	
	1983	1984	1985	1986	84-85	85-86
Number of milk cows (thousand head)	940	931	947	955	+1.7	+0.8
Milk per cow (lbs.)	12,393	12,250	12,432	12,600	+1.5	+1.4
Total milk production (million lbs.)	11,649	11,405	11,773	12,033	+3.2	+2.2
Blended milk price ($/cwt.)[a]	13.23	13.03	12.32	11.97[b]	-5.4	-2.8
Index of prices paid by dairy farmers	159[c]	162[c]	152[c]	148	-6.2	-2.0

[a]New York-New Jersey blend price, 201-210 mile zone, 3.5 percent fat. Effective farm price after milk price assessments for 1984 is $12.53, 1985 is $12.19, and the possibility of an assessment of as much as $.50 in 1986.

[b]Assumes an $11.60 support price and a buyout program.

[c]Includes milk price and promotion assessments.

Table 1

U.S. Milk Supply and Utilization
1978-1986

	1978	1979	1980	1981	1982	1983[a]	1984[a]	1985[b]	1986[c]
	(billion pounds)								
Supply									
Production	121.5	123.4	128.5	133.0	135.5[a]	139.7	135.4	143.0	141.0
Farm Use	2.7	2.5	2.3	2.3	2.4	2.4	3.1	2.3	2.3
Marketings	118.8	120.9	126.2	130.7	133.1[a]	137.3	132.3	140.7	138.7
Beginning Commercial Stocks	4.9	4.5	5.4	5.8	5.4	4.6	5.2	4.9	5.0
Imports	2.3	2.3	2.1	2.3	2.5	2.6	2.7	2.8	2.8
TOTAL SUPPLY	126.0	127.7	133.7	138.8	141.0	144.5	140.2	148.4	146.5
Utilization									
Commercial Disappearance	118.8	120.2	119.2	120.5	122.1[a]	122.5	126.7	129.9	132.5
Ending Commercial Stocks	4.5	5.4	5.8	5.4	4.6	5.2	4.9	5.0	5.0
Net Government Removals	2.7	2.1	8.8	12.9	14.3	16.8	8.6	13.5	9.0
TOTAL USE	126.0	127.7	133.7	138.8	141.0	144.5	140.2	148.4	146.5

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

[a]Revised.

[b]Based on preliminary USDA data and Cornell estimates.

[c]Estimated by Andrew Novakovic, Department of Agricultural Economics, Cornell University; assumes new dairy policy will include a dairy herd buyout program to take effect in the spring and a cut in the support price and/or assessment which reduces the farm price about 50¢/cwt.

The U.S. Dairy Situation and Outlook

Milk, milk and more milk--for many dairy industry observers these words pretty well sum up 1985. Continuing the trend begun in 1980, more milk was produced and marketed in the U.S. in 1985 than ever before. Although most industry attention has been focused on milk production, especially the very large monthly increases in the fall, commercial use in 1985 has quietly shattered the 1984 record, which also was a record-shattering year.

Despite the large increases in commercial use of dairy products, even larger increases in milk production have resulted in the third highest level of net removals on record. The net government expenditure on dairy price support operations for the fiscal year ending September 30, 1985 is estimated to exceed $2 billion, the third time in the last four years that this level has been breached.

The good news on dairy policy is that the same policy has been in effect for two years, the longest stretch since the decade began. Coming into 1985, farmers could anticipate the end of the Milk Diversion Program and 50¢/cwt. assessment on March 31, 1985. The optional price cut of 50¢/cwt. on April 1 was widely expected. The second optional 50¢/cwt. on July 1 was less certain, which in retrospect is probably surprising, but the possibility was well known and the Secretary of Agriculture repeatedly stated his intention to exercise the July option. The only surprise came in April when USDA made changes in how it calculated purchase prices for cheese and butter. In addition to lowering the underlying farm price support level. These changes resulted in somewhat lower product prices and consequently a lower effective level of support for the farm price of milk.

If the good news is some measure of policy stability early in 1985, the bad news is that Congress failed to deliver a new policy on schedule. Besides the basic dairy price support program, other issues and programs important to dairy farmers are at stake, including feed grain and farm credit programs. New farm policy legislation, including dairy, was slated for October 1, 1985. The House didn't approve a farm bill until October 8 and the Senate's version wasn't passed until November 23. Congress' failure to reach a timely agreement on farm legislation has contributed to further speculation, uncertainty and confusion among dairy farmers and other industry participants.

The combination of uncertain policy directions and a continuing large surplus of milk production compared to commercial use has once again left many farmers concerned about the dairy situation in 1985 and what to expect in 1986. Specific supply, use, and price estimates for 1985 and possible changes in 1986 are discussed below.

Milk Supplies

As shown in Table 1, total milk supplies from current production, beginning commercial stocks, and imports were over 8 billion pounds, or 6% higher in 1985, primarily due to a 6% increase in milk production. The 7.6 billion pound increase in milk production in 1985 exceeded the 4.3 billion pound decrease in 1984 by 75%, i.e., the rebound from the diversion program and general growth more than compensated for the earlier cutback. This is especially notable because the Milk Diversion Program was still in effect during the first quarter of 1985. Between January and March, 1985, production was 1% below 1984 (adjusted for leap year); after April 1 milk production increased 8%, with the largest monthly increases coming in the fall. Even compared to 1983, milk

production increased at a hefty pace in 1985, over 3% after April 1 and 2% for the year.

As is almost always the case, milk production increased at different rates across states. Ignoring the months in which the diversion program was in effect, New York milk production between April and October was 1.2% greater in 1985 than 1983. In Pennsylvania, the neighboring state to the south, milk production during that period was up 5.7% whereas in the state to the east, Vermont, production was 2.5% lower than in 1983. In Wisconsin and Minnesota, production was up 6.7% and 0.9%, respectively, during this post-MDP period compared to 1983. California production was estimated to be up 11.7% for this period.

Although still under quota, imports are estimated to be marginally higher than last year and are the highest they have been in 12 years. Beginning commercial stocks were lower than usual, although not as low as in the beginning of 1984.

Milk Utilization

Commercial sales of dairy products (as measured by commercial disappearance) ran about 2.5% above year earlier levels. Early reports of commercial sales indicated lower increases and this was reflected in the much less favorable forecasts that were made earlier in the year. Fortunately, the hefty production increases in the last half of 1985 were matched with sizeable gains in commercial use. Especially following the 3.5% increase in 1984, this is a large increase in the commercial use of milk. This 7 billion pound increase in commercial use in the last two years is greater than the increase in the 6 years between 1977 to 1983. Although it is difficult to be certain of the causes and their relative importance, this increase is surely due in part to lower or moderately increasing retail prices and expanded dairy promotion efforts.

With production up more than consumption, net removals of dairy products under the price support program increased 57%, leaving the equivalent of 13.6 billion pounds of milk that was not sold commercially in 1985. This represents 9.5% of the milk produced in the U.S., and is about equal to the level of net removals in 1981 and 1982.

Prices

As shown in Table 2, farm milk prices in 1984 are estimated to be about 65¢/cwt. below 1984 levels, or 46¢/cwt. if one includes the assessments in both years. Wholesale prices for cheddar cheese, butter and nonfat dry milk returned to their normal, nearly equal relationship to CCC purchase prices, after running above the purchase price during the last half of 1984. Retail prices of dairy products are estimated to have increased less than 2%, slightly less than the rate of increase in food prices and almost half the rate of increase in consumer prices in general. Retail prices of butter and cheese increased much less than other dairy products, 0.4% and 0.8%, respectively, reflecting at least in part the decline in wholesale prices.

The Outlook

Projections for 1986 are even more difficult to make than they were in 1983 before the MDP began. Much like late 1983, a new program is expected that would

give farmers special incentives to reduce production and which would also include price cuts and an assessment. Unlike December 1983, it is still not known for sure whether this type of program will actually be inaugurated in 1986 or not. The chance that dairy policy will feature a buyout program is very high. Despite all the discussion, there is little detail on how a dairy buyout program would work, and even what is available is not yet official. The gist of the House proposal is that farmers would be invited to submit bids for government payments, in return for which they would agree to cease producing milk for a period of 3, 4, or 5 years. The length of the commitment would be selected by the Secretary of Agriculture in advance of the sign-up period. If a farmer's bid is accepted, the farmer would be required to slaughter all his dairy cattle, including all heifers and calves. The participating farmer agrees to cease producing milk on his farm or to acquire an interest in milk production on any other farm. Furthermore, the farmer agrees to retire his barn and equipment from milk production. No one else can use a retired facility to produce milk, and if a farmer sells his farm this agreement is binding on the purchaser. The farmer is permitted to use his farm for any enterprise not related to milk production. This will certainly include growing hay or other crops, raising meat animals, and the like; raising dairy heifers will probably be excluded, although the legislation is vague on this point. The final bill will also contain provisions for setting support prices and an assessment. The bill may call for a dairy parity approach to setting prices (as proposed by the House) or it may use a simple trigger mechanism approach (as proposed by the Senate). In either case, annual price cuts of 50 cents are likely as long as net removals exceed 5 billion pounds or so.

A new "dairy herd buyout" program could have dramatic effects on milk production once it got underway later in the spring. If such a program is not approved or if the sign-up is poor, further increases in milk production are a distinct possibility. Although milk price will be low, feed prices could go even lower and some other input costs may decrease as well. The forecast shown in Table 1 assumes that input costs will be lower in 1985 (as is discussed later in the section), that a combination of a price cut and assessment will reduce returns to producers about 50¢/cwt. in 1986, and that a buyout program will take out some 8 billion pounds of milk production during the last nine months of 1986.

Milk production is projected to be down two billion pounds. This would still make milk production in 1986 second only to the 1985 record of 143 billion pounds. On the other hand, commercial sales of milk can be expected to increase, given moderate, perhaps even lower, prices and a continued promotion program that is in full swing and growing. A 2% increase is projected, bringing commercial disappearance well over the 130 billion pound mark.

This leaves net removals at nine billion pounds, about where it was in 1984. Of course this number, like production, depends greatly on whether a buyout program is instituted and how large a sign-up it draws. If the sign-up is greater than a 12 billion pound annual equivalent, net removals could be lower. Even so, a program is not likely to get under full swing until after the large seasonal purchases in the first half of the year are already made. If no program is offered or if the sign-up is very light, net removals could be in the area of the 1983 record 16.8 billion pounds. Even if one is optimistic about a buyout program, this indicates that the problem of substantial milk supplies in excess of commercial use will continue in 1986, but a successful program in the last half of 1986 would bode well for a much better balance between milk supply and demand in 1987.

Table 2

Farm Prices for Milk, CCC Purchase, Wholesale, and Retail Prices for Cheese, Butter, and Nonfat Dry Milk and Selected Retail Price Indices
1978-1985

	1978	1979	1980	1981	1982	1983	1984[b]	1985[c]
Farm Milk ($/cwt., ave. fat):								
All Milk	10.58	12.03	13.05	13.76	13.59	13.57[d]	13.45[e]	12.73[f]
Grade A	10.79	12.23	13.21	13.94	13.73	13.73[d]	13.58[e]	12.90[f]
Grade B	9.65	11.09	12.05	12.73	12.66	12.63[d]	12.54[e]	11.73[f]
Milk/Feed Ratio	1.53	1.55	1.48	1.43	1.53	1.44[d]	1.42[e]	1.52[f]
Cheese (¢/lb.):								
CCC Purchase, Natural Cheddar, Grade A or higher, blocks[a]	102.6	115.5	132.0	140.0	140.0	139.1	134.8	127.9
Wholesale, American Cheddar (40 pound blocks), f.o.b. Wisconsin Assembly Points	107.1	123.8	133.0	139.4	138.3	138.3	138.0	128.0
Retail, American (1/2 lb. pieces)	191.2	214.0	235.0	255.7	263.5	265.2	269.0	271.1
Butter (¢/lb.):								
CCC Purchase, Grade A or higher, Chicago[a]	106.4	121.5	140.2	149.0	149.0	148.5	143.3	141.5
Wholesale, Grade A, Chicago (1 lb.)	109.8	122.4	139.3	148.0	147.7	147.3	148.8	141.7
Retail, Grade AA, sticks (1 lb.)	149.1	168.3	187.8	199.3	204.6	206.6	210.7	211.6
Nonfat Dry Milk (¢/lb.):								
CCC Purchase, Spray Process, Extra Grade, Unfortified[a]	70.9	78.9	89.1	94.0	94.0	93.7	91.0	84.3
Wholesale (1 lb.)	71.4	80.0	88.7	94.0	94.0	93.2	90.9	84.1
Retail Price Indices (1967=100.0):								
Fluid Whole Milk	171.7	191.4	208.4	220.2	221.4	222.9	224.6	228.1
All Dairy Products	185.6	207.1	227.4	243.6	247.0	249.9	253.2	258.1
All Food	211.4	234.5	254.6	274.6	285.7	291.7	302.9	309.4
All Consumer Prices	195.4	217.4	246.8	272.4	289.1	298.4	311.1	322.2

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

[a] Simple annual average of announced support price.
[b] Revised.
[c] Estimated.
[d] Excludes assessments averaging 48¢/cwt. for the year.
[e] Excludes 50¢/cwt. assessment.
[f] Excludes assessment averaging 12.5¢/cwt. for the year.

Number of Producers Delivering Milk, Simple Average of Months per Year
Northeast Federal and State Marketing Orders
1979-1985

Markets	1979	1980	1981	1982	1983	1984	1985[a]
New York-New Jersey	17596	17555	17656	17485	17434	16870	16518
New England	7506	7352	7042	6923	6812	6668	6350
Middle Atlantic	7219	7287	7327	7168	7033	6891	6725
E. Ohio-W. Pennsylvania	6592	6379	6199	6219	6322	6235	5730
N.Y. State Orders (Buffalo & Rochester)	1375	1365	1337	1311	1286	1258	1211
Regional Total	40288	39938	39561	39106	38887	37922	36534

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

[a]Estimated.

The number of producers in Northeast Federal and State order markets declined by 1388, or 3.7 percent in 1985. This represents a further increase in the attrition rate over the previous five years when producer numbers declined an average of 473, or slightly more than 1 percent annually.

The higher dropout rate this year can generally be attributed to the deteriorating financial condition of many Northeast dairy farmers.

Receipts of Milk from Producers by Regulated Handlers, Million Pounds
Northeast Federal and State Marketing Orders
1979-1985

Markets	1979	1980	1981	1982	1983	1984[a]	1985[b]
			(million pounds)				
New York-New Jersey	10157	10560	10925	11094	11643	11358	11734[c]
New England	5089	5221	5093	5253	5483	5252	5391
Middle Atlantic	5391	5634	5940	6043	6140	5850	6253
E. Ohio-W. Pennsylvania	3369	3379	3356	3486	3750	3669	3867[d]
N.Y. State Orders (Buffalo & Rochester)	1093	1091	1081	1090	1172	1158	11212
Regional Total	25099	25885	26395	26966	28188	27287	28456[c]

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

[a]Revised.

[b]Estimated.

[c]Includes order expansion in December 1985, court action taken after these estimates were made will at least delay order expansion until March or so.

[d]Includes shift of plant from Order 33.

Producer receipts of milk in Northeast order markets increased by 1169 million pounds, or 4.3 percent in 1985.

The largest percentage increases occurred in the Middle Atlantic and E. Ohio-W. Pennsylvania orders, with increases of 6.7 and 5.4 percent, respectively.

Producer receipts in all orders were sharply higher following the end of the Federal Milk Diversion Program in March.

In 1986, producer receipts in Northeast order market are expected to increase by an additional 4 percent, unless a supply management program is included in pending dairy legislation. Inclusion of a whole herd buyout program is expected to result in producer receipts near 1985 levels.

Producer Milk Used in Class I by Regulated Handlers, Million Pounds
Northeast Federal and State Marketing Orders
1979-1985

Markets	1979	1980	1981	1982	1983	1984[a]	1985[b]
	(million pounds)						
New York-New Jersey	4594	4612	4561	4523	4457	4535	4702
New England	2926	2879	2821	2762	2788	2786	2788
Middle Atlantic	2906	2899	2866	2792	2884	2895	2867
E. Ohio-W. Pennsylvania	2035	1979	1933	1942	1954	2019	2024
N.Y. State Orders (Buffalo & Rochester)	459	443	459	447	441	437	444
Regional Total	12920	12812	12640	12466	12524	12672	12825

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

[a]Revised.

[b]Estimated.

Class I fluid milk sales in the Northeast order markets increased 1.2 percent in 1985. This is the third consecutive year that fluid sales have increased following a seven-year decline.

Fluid sales increased most in the New York-New Jersey order(+3.7%). The increase reflects the expansion of the Order 2 marketing area to include an additional 15 counties in Pennsylvania. The order expansion will be a major factor causing an estimated 5 percent increase in Class I sales in 1986. The court-ordered delay in expansion, which occurred after these estimates were made, will at least hold up expansion until March or so. This will, of course, result in somewhat lower Class I sales and producer receipts.

Producer Milk Used in Class I as Percentage of All Producer Milk Received by Regulated Handlers
Northeast Federal and State Marketing Orders
1979-1985

Markets	1979	1980	1981	1982	1983	1984[a]	1985[b]
				(percent)			
New York-New Jersey	45	44	42	41	38	40	40
New England	58	55	55	53	51	53	52
Middle Atlantic	53	51	48	46	47	50	46
E. Ohio-W. Pennsylvania	60	59	58	56	52	55	52
N.Y. State Orders (Buffalo & Rochester)	44	43	42	41	38	38	37

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

[a]Revised.

[b]Estimated.

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

Fluid utilization remained the same in the New York-New Jersey order and changed nominally in New England and the New York State order markets. Declines in the Middle Atlantic and E. Ohio-W. Pennsylvania orders were a result of sharply higher milk receipts.

Class I utilization should improve in 1986 if milk receipts are reduced via a herd buyout program.

Minimum Class I Prices for 3.5% Milk
Northeast Federal and State Marketing Orders
1979-1985

Markets	1979	1980	1981	1982	1983	1984	1985[a]
				($/cwt)			
New York-New Jersey[1]	13.02	13.92	14.83	14.73	14.78	14.49	13.97
New England[2]	13.19	14.09	15.00	14.76	14.82	14.52	14.00
Middle Atlantic[3]	13.56	14.45	15.36	15.26	15.32	15.02	14.50
E. Ohio-W. Pennsylvania[4]	12.62	13.62	14.53	14.43	14.49	14.19	13.67
N.Y. State Orders[3] (Buffalo & Rochester)	13.48	14.38	15.29	15.19	15.25	14.95	14.46

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

[a]Estimated.

[1]201-210 mile zone.

[2]21st zone.

[3]Priced at major city in the marketing area.

[4]Pittsburgh district.

Fluid milk prices in the Northeast orders were down approximately 4 percent in 1985 following a decline of 2 percent in 1984.

The Class I price declined by 52 cents per cwt in 1985 following a 30-cent decrease the previous year.

A further decrease of 3 to 4 percent is projected for 1986.

Minimum Class II Prices for 3.5% Milk
Northeast Federal and State Marketing Orders
1979-1985

Markets	1979	1980	1981	1982	1983	1984	1985[a]
				($/cwt)			
New York-New Jersey[1]	10.91	11.88	12.58	12.49	12.50	12.29	11.48
New England[2]	10.91	11.88	12.58	12.49	12.50	12.29	11.48
Middle Atlantic[3]	10.93	11.90	12.60	12.51	12.52	12.31	11.51
E. Ohio-W. Pennsylvania[4]	10.91	11.88	12.58	12.49	12.49	12.29	11.50
N.Y. State Orders[1] (Buffalo & Rochester)	10.86	11.83	12.53	12.44	12.45	12.24	11.42

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

[a]Estimated.

[1]201-210 mile zone.

[2]21st zone.

[3]Priced at major city in the marketing area.

[4]Pittsburgh district.

Class II manufacturing milk prices declined by 6.6 percent in 1985 following a 1.8 percent drop in 1984.

The New York-New Jersey Class II price was 81 cents lower, dropping from $12.29 per cwt in 1984 to $11.48 in 1985.

Class II prices are expected to decline an additional 2 percent in 1986.

Minimum Blend Prices for 3.5% Milk
Northeast Federal and State Marketing Orders
1979-1985

Markets	1979	1980	1981	1982	1983	1984[a]	1985[b]
				($/cwt)			
New York-New Jersey[1]	11.74	12.64	13.39	13.26	13.23	13.03	12.32
New England[2]	12.18	13.06	13.90	13.61	13.59	13.38	12.67
Middle Atlantic[3]	12.29	13.20	13.95	13.80	13.85	13.67	12.90
E. Ohio-W. Pennsylvania[4]	12.03	12.90	13.67	13.53	13.46	13.35	12.69
N.Y. State Orders[1] (Buffalo & Rochester)	11.88	12.82	13.57	13.43	13.36	13.18	12.47

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

[a]Revised.

[b]Estimated.

[1]201-210 mile zone.

[2]21st zone.

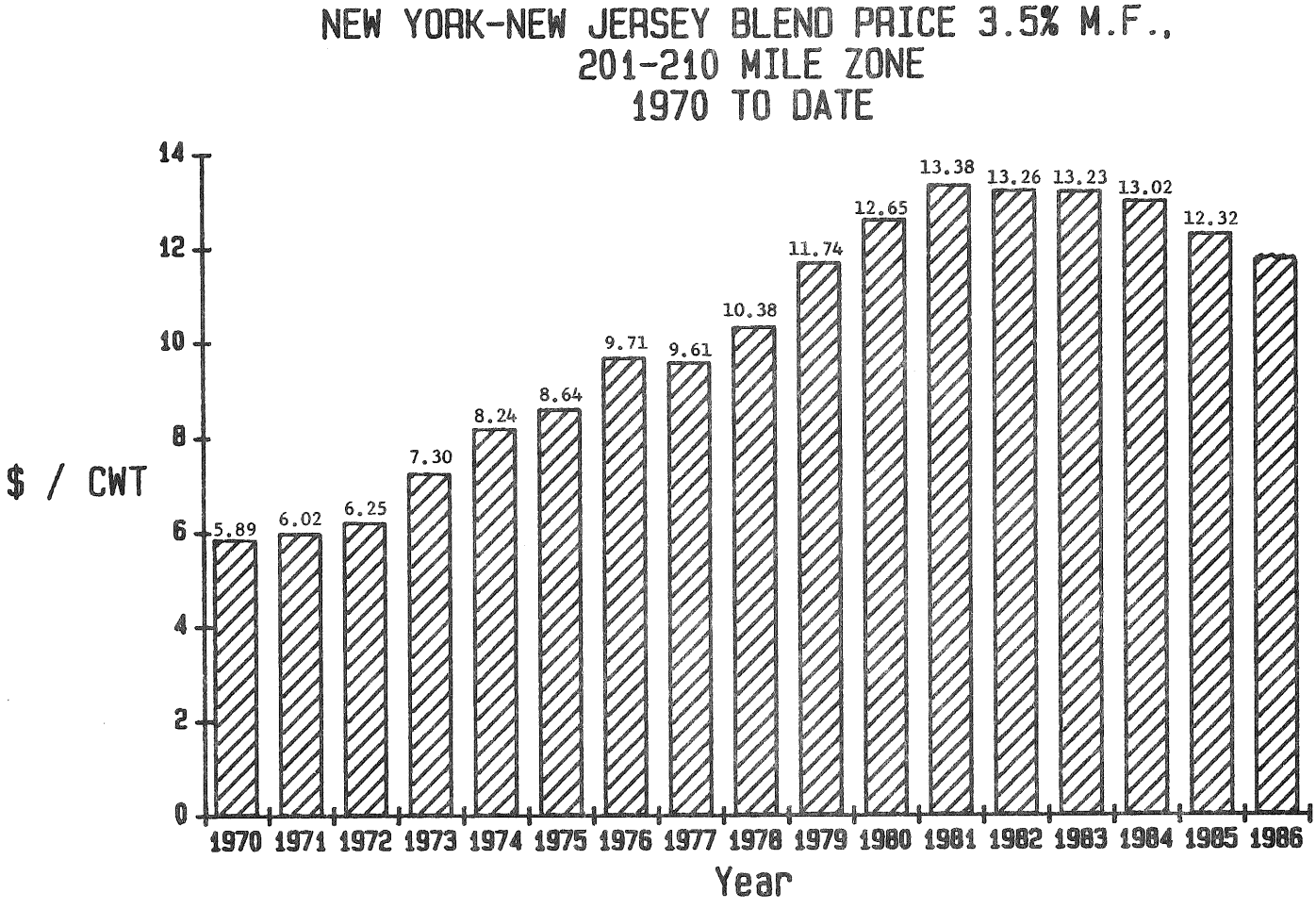
[3]Priced at major city in the marketing area.

[4]Pittsburgh district.

The blended price of milk declined from 5.0 to 5.6 percent in the Northeast order markets in 1985.

Declines ranged from 77 cents in the Middle Atlantic order to 66 cents in the E. Ohio-W. Pennsylvania order. The New York-New Jersey and New England orders were 71 cents lower.

In 1986, blend prices are expected to decline an additional 2 to 3 percent, assuming an $11.60 support price and a herd buyout program in the second quarter of the year. The net farm price would be reduced further if an assessment were instituted in conjunction with a herd buyout program.



N.Y.-N.J. Blend Price, 3.5% M.F., 201-210 Mile Zone, 1979-1985

Month	1979	1980	1981	1982	1983	1984	1985
January	$11.49	$12.25	$13.46	$13.35	$13.35	$12.99	13.34
February	11.57	12.24	13.46	13.30	13.35	12.79	13.13
March	11.12	12.08	13.20	13.02	13.01	12.55	12.64
April	10.95	11.96	13.00	12.82	12.85	12.36	12.19
May	10.93	11.90	12.83	12.61	12.64	12.26	11.78
June	11.03	11.92	12.83	12.63	12.61	12.29	11.47
July	11.60	12.48	13.33	13.16	13.12	12.84	11.93
August	12.23	13.01	13.68	13.59	13.59	13.39	12.27
September	12.51	13.31	13.83	13.74	13.75	13.74	12.37
October	12.64	13.57	13.87	13.81	13.74	13.83	12.40
November	12.62	13.54	13.74	13.71	13.63	13.91	12.29*
December	12.25	13.44	13.41	13.41	13.07	13.38	11.95*
Average	11.74	12.65	13.38	13.26	13.23	13.03	12.32*

*Estimates

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

MILK PRICE PROJECTIONS
New York-New Jersey Blend Price, 3.5 Percent, 201-210 Mile Zone
Last Quarter 1985 - First Half 1986

Month	1984	1985	Difference
October	$13.83	$12.40a	$ -1.43
November	13.91	12.29p	-1.62
December	13.38	11.95p	-1.43
Annual Average	13.03	12.32p	-.71
	1985	1986p	
January	13.34	11.89	-1.45
February	13.13	11.82	-1.31
March	12.64	11.50	-1.14
April	12.19	11.29	-.90
May	11.78	11.09	-.69
June	11.47	11.09	-.38
Six Month Average	12.43	11.45	-.98
Annual Average Blend Price	12.32	11.97	-.35
Annual Effective Price	12.19	N/A	--

a=actual; p=projected; e=effective price to N.Y.-N.J. producers would reflect a 12½-cents per hundredweight deduct for 1985. A forecast on a possible assessment in 1986 is not feasible at this time.

Assumptions Associated With These Projections

1. Support Price - Lacking a definitive farm bill at this time, it is assumed that the support price will remain at $11.86 per cwt during 1986. Compromise legislation could contain provisions for a support price reduction and/or an assessment in conjunction with a whole herd buyout program.

2. Whole Herd Buyout Program - Current indications are that a herd reduction or "buyout" program is very likely. For purposes of this forecast I have assumed that this program will be in place by the beginning of the second quarter of 1986. There is no basis for making an assumption on a possible assessment at this time.

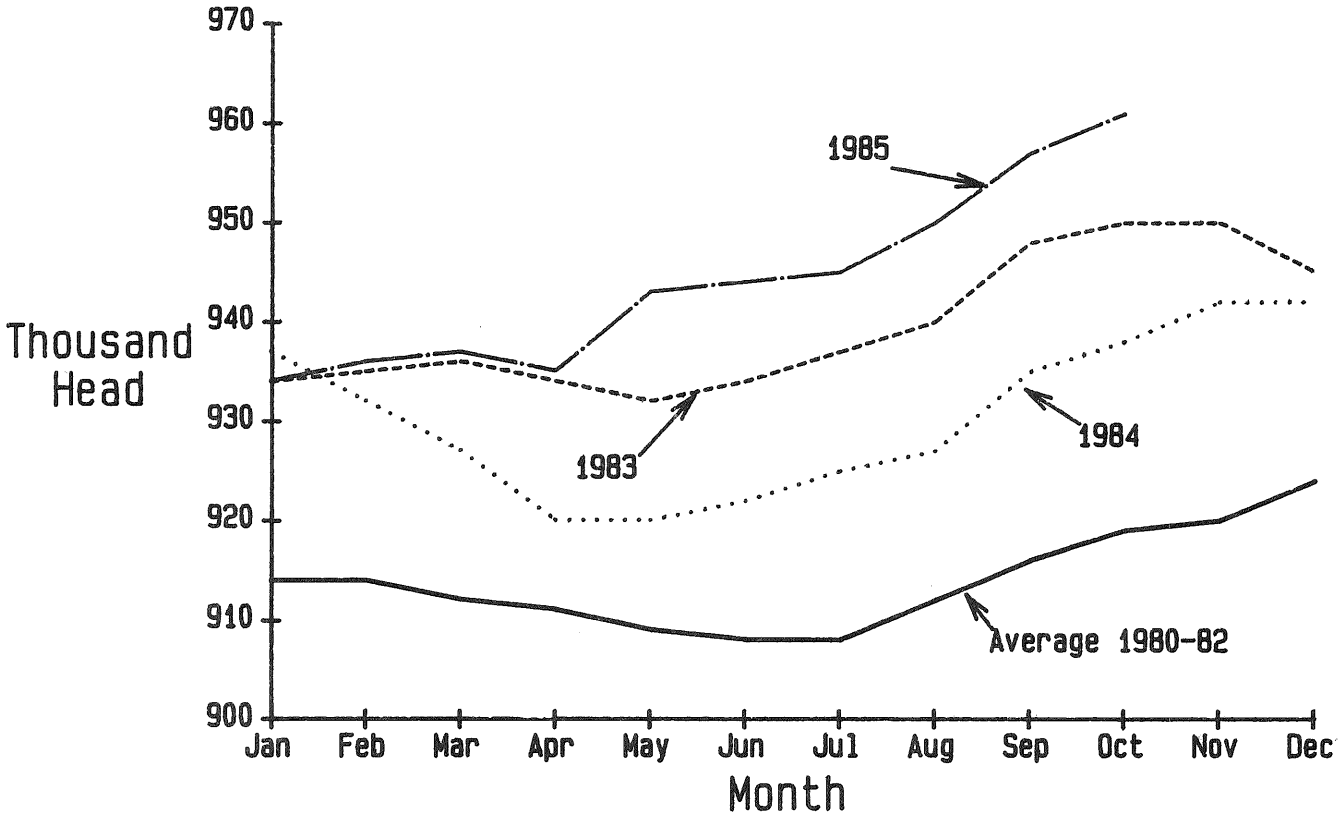
3. Milk Production - Milk supplies in 1986 will depend on whether or not a supply management program is included in the pending farm legislation. Assuming a herd buyout program is enacted, we would anticipate milk production for 1986 to drop 1 to 2 percent. Production during the first quarter of 1986 is expected to be sharply higher.

4. Commercial Sales - Commercial sales are expected to increase by 1 to 2 percent for 1986.

5. Government Purchases - CCC removals are expected to decline by one third from 1985 levels if a "buyout" program is enacted. This level of purchases assumes that removals would be very heavy during the first 4 to 5 months of the year.

December 3, 1985 W. C. Wasserman

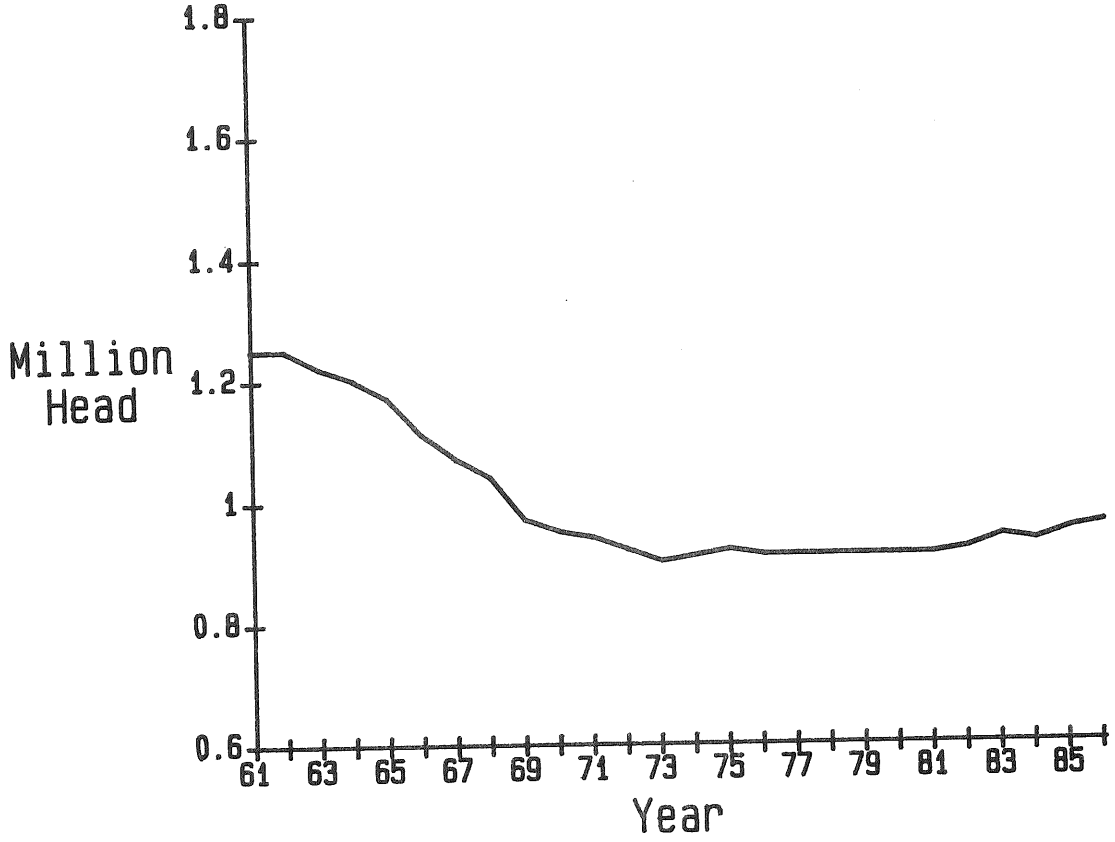
MILK COWS ON FARMS, NEW YORK, MONTHLY, 1980-82 AVERAGE AND 1983-1985



Source: New York Agricultural Statistics

As seen in the above chart, 1985 monthly cow numbers have been above 1983 and 1984 levels with the exception of January. A steady increase in cow numbers began in June 1984 and has continued through October of 1985. October 1985 cow numbers are 961,000; the highest monthly number since November of 1969. The end of the dairy diversion program, a very favorable milk-feed price ratio and a large inventory of heifers available to increase herd size to maintain or improve profits, have contributed to this increase.

NUMBER OF MILK COWS, NEW YORK, 1961-86

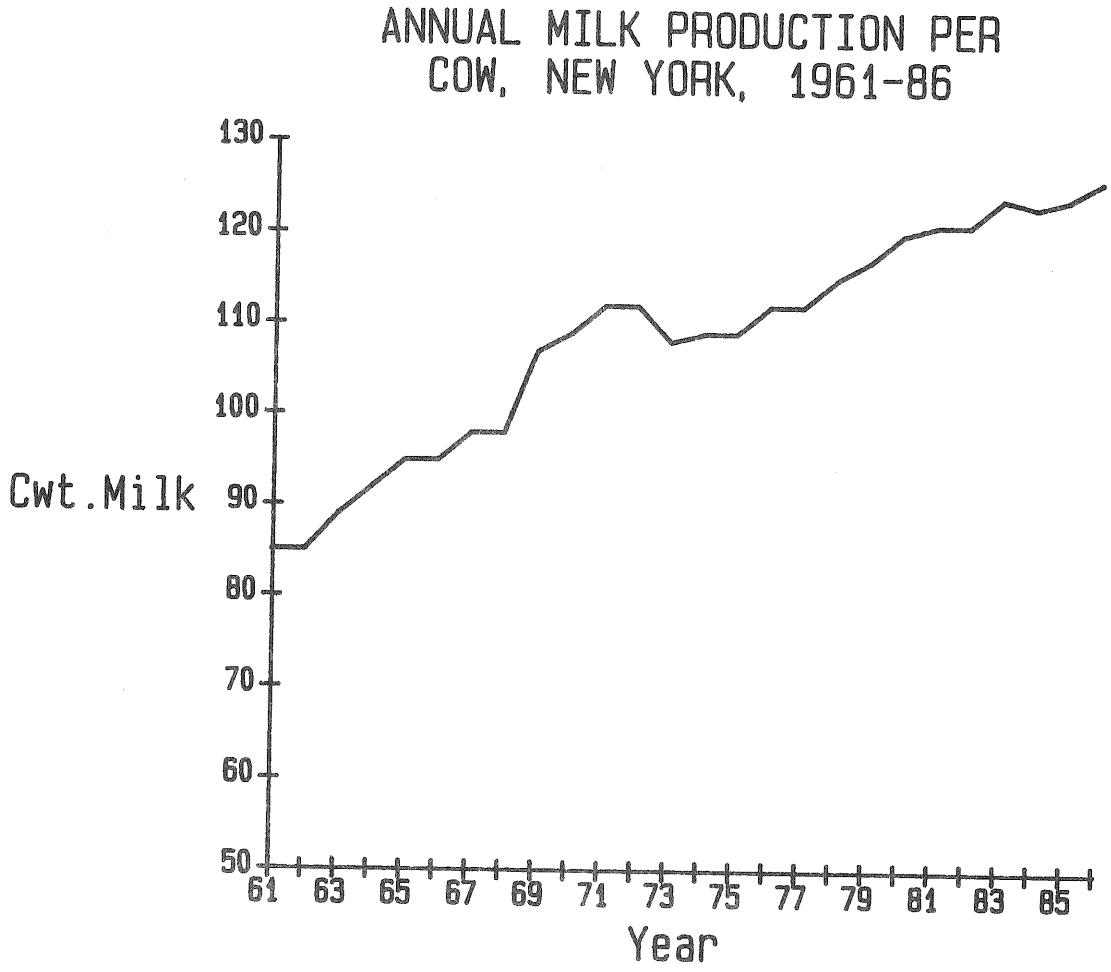


Source: New York Agricultural Statistics

Heifers as a percent of cow numbers on January 1, 1985 increased 1.3 percent from 1984. This is 7.5 percent higher than the average of heifers as percent of cow numbers for 1974-1983. The average number of milk cows on New York farms during 1985 increased to 947,000 head, 16,000 more than 1984. Without a buyout program, cow numbers are projected to average 955,000 head in 1986, up 8,000 head over 1985. If a buyout program is enacted, cow numbers are projected at 935,000 head.

Year	Milk Cows 1,000 head	Year	Milk Cows 1,000 head
1961	1,253	1974	905
1962	1,253	1975	917
1963	1,217	1976	912
1964	1,196	1977	914
1965	1,165	1978	906
1966	1,109	1979	905
1967	1,069	1980	911
1968	1,039	1981	912
1969	969	1982	919
1970	950	1983	940
1971	935	1984	931
1972	920	1985	947*
1973	903	1986	955**

*Preliminary **Projected without a buyout program.



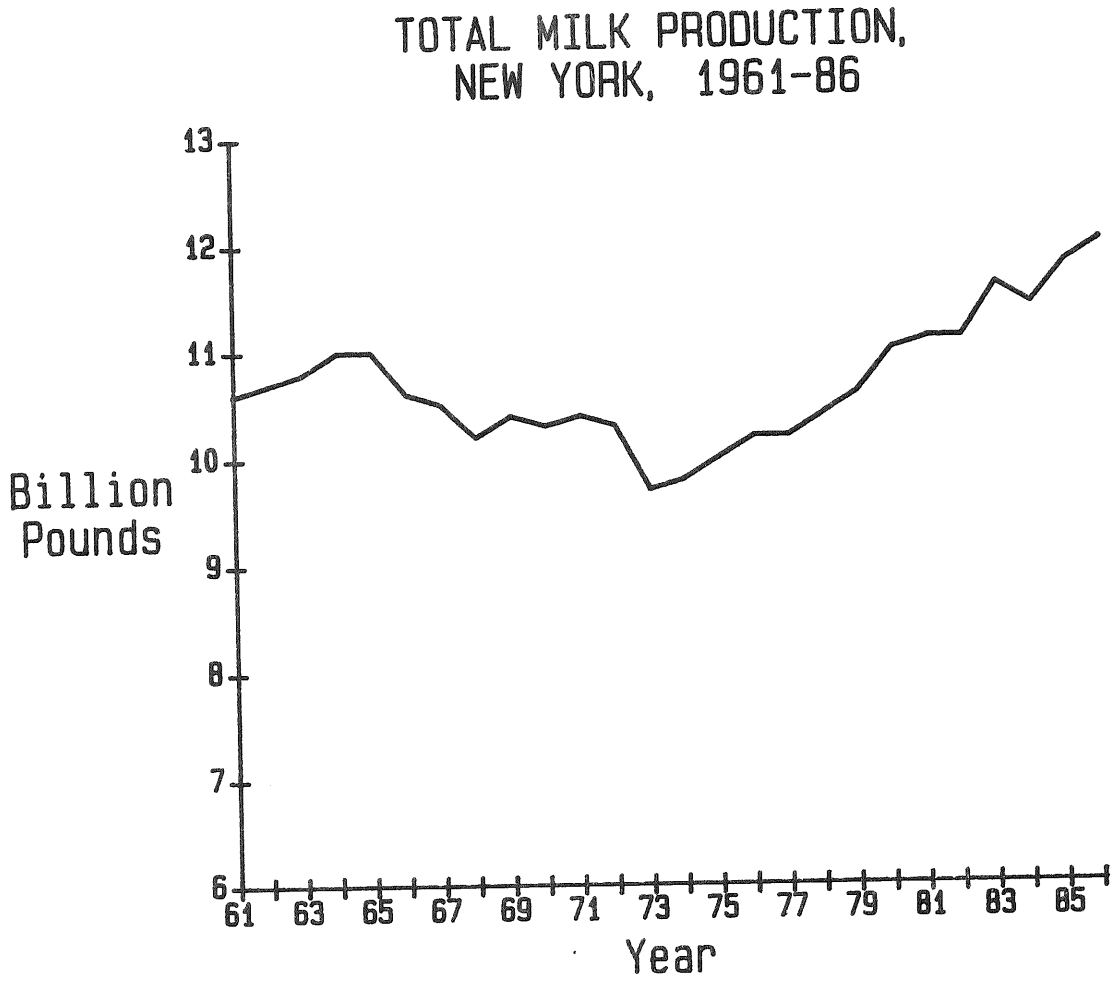
Source: New York Agricultural Statistics

Pounds of milk produced per cow in 1984 were down 1.2 percent from 1983 as a result of the dairy diversion program. Milk production per cow averaged 12,432 pounds in 1985, an increase of 1.5 percent over 1984. Milk production per cow has increased steadily since 1960 with the exception of 1973 and 1974 and small declines in 1982 and 1984. During 1985, the increase in milk production per cow can be attributed to the end of the dairy diversion program and one of the most favorable milk-feed price ratios in the last 10 years.

An increase of 1.4 percent in milk production per cow is expected in 1986. A continued favorable milk-feed price ratio and genetic improvement will likely be the dominant contributing factors.

Year	Lbs. of Milk Prod. per Cow	Year	Lbs. of Milk Prod. per Cow	Year	Lbs. of Milk Prod. per Cow
1961	8,450	1970	10,885	1979	11,746
1962	8,530	1971	11,156	1980	12,046
1963	8,880	1972	11,202	1981	12,137
1964	9,160	1973	10,773	1982	12,075
1965	9,470	1974	10,853	1983	12,393
1966	9,540	1975	10,866	1984	12,250
1967	9,780	1976	11,182	1985	12,432*
1968	9,835	1977	11,186	1986	12,600**
1969	10,682	1978	11,488		

*Preliminary **Projected



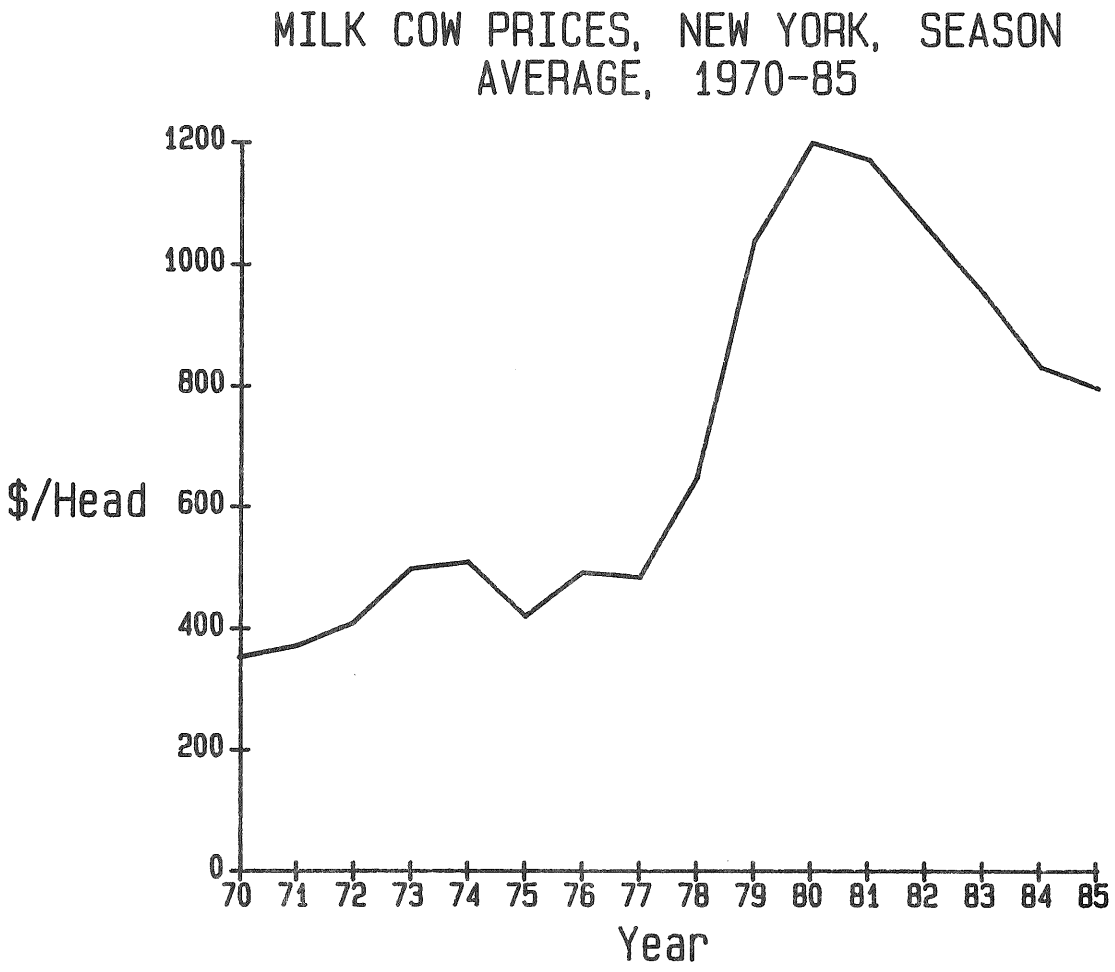
Source: New York Agricultural Statistics

Total milk production in 1985 is estimated at 11,773 million pounds, up 3.2 percent over 1984. An increase in cow numbers of 1.7 percent and an increase in milk production per cow of 1.5 percent accounts for the increased production.

Total milk production is projected to increase 2.2 percent in 1986 without a buyout program. This is a result of the factors discussed on the previous two pages in regard to cow numbers and production per cow. With a buyout program, total milk production is projected at 11,780 million pounds. A reduction in cow numbers, but no change in production per cow, is projected with a buyout program.

Year	Total Milk Production Million Pounds	Year	Total Milk Production Million Pounds
1961	10,588	1974	9,822
1962	10,688	1975	9,964
1963	10,807	1976	10,198
1964	10,955	1977	10,224
1965	11,033	1978	10,408
1966	10,580	1979	10,630
1967	10,455	1980	10,974
1968	10,219	1981	11,069
1969	10,351	1982	11,097
1970	10,341	1983	11,649
1971	10,431	1984	11,405
1972	10,306	1985	11,773*
1973	9,728	1986	12,033**

*Preliminary **Projected without a buyout program.



Source: New York Agricultural Statistics

Milk cow prices have steadily declined since their peak in late 1980. Prices for milk cows during 1985 averaged approximately $30 lower than a year earlier.

Milk cow prices are likely to stabilize at current levels in 1986. Downward pressures on cow prices still exist and prices could move lower in response to possible lower milk prices.

	Milk Cows, $/Head		Slaughter Cows, $/Cwt		Calves, $/Cwt	
Month	1984	1985	1984	1985	1984	1985
January	$800	$800	$34.50	$35.90	$59.40	$68.70
February	800	800	38.60	38.20	79.10	66.20
March	840	810	39.50	38.50	75.00	60.60
April	860	820	39.20	36.80	74.80	59.10
May	850	820	39.90	38.40	80.30	67.50
June	840	810	39.70	36.90	78.20	72.50
July	840	800	38.30	34.60	63.10	58.60
August	830	790	37.60	33.60	62.60	49.90
September	810	780	35.30	32.60	66.70	49.00
October	810	750	34.20	32.00	71.90	52.00
November	800		32.60		60.60	
December	790		33.40		67.20	

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

Item	Weight	1981	1982	1983	1984	1985*	1986**
Feed	.31	141	129	141	141	118	115
Purchased animals	.03	243	217	195	170	163	160
Fuel & energy	.05	211	209	205	206	203	200
Fertilizer	.05	150	149	139	142	134	130
Seed	.02	146	157	160	169	169	170
Machinery	.18	147	161	172	181	184	182
Building & fencing supplies	.08	134	135	138	138	136	135
Farm services & rent	.08	137	143	147	149	152	152
Agricultural chemicals	.01	111	119	125	128	128	128
Interest rates	.07	156	161	145	151	146	145
Farm wage rates	.09	140	141	151	158	167	170
Taxes	.03	133	142	152	161	176	180
Prices Paid, Not Including Assessment		149	148	153	156	150	148
Prices Paid, Including Assessment & Promotion Increase	--	--	--	159	162	152	--

Source: New York Crop Reporting Service

*Preliminary
**Projected

The index of prices paid by New York dairy farmers decreased four percent in 1985. Machinery, farm services and rent, farm wage rate and taxes categories increased, seed and agricultural chemicals remained unchanged, while all other categories decreased, most notably feed decreased 16 percent.

A small downward movement is expected in the index of prices paid by dairy farmers in 1986. Feed prices are projected to be down approximately three percent with purchased animals, fuel and energy, fertilizer, machinery, building and fencing supplies, and interest rates also lower but by smaller percentages. Farm services and rent and agricultural chemicals are projected to be constant while seed, wage rates, and taxes are projected to show small increases.

COST AND RETURN ESTIMATES PER HUNDREDWEIGHT OF MILK
Specialized Dairy Farms by Region, United States, 1984

Region	Returns per Cwt. Milk	Returns per Cwt. Total	Costs per Cwt. Variable	Costs per Cwt. Total	Return to Operator's Labor & Mgmt.
1. Pacific (CA,WA)	$12.91	$13.74	$8.68	$11.05	$2.69
2. Southern Plains (TEXAS)	14.32	15.16	9.84	13.73	1.43
3. Northeast (NY,PA,OH,NEW ENGLAND)	13.73	14.75	8.16	13.67	1.08
4. Upper Midwest (MN,WI,MI,SD)	13.07	14.35	7.01	13.48	0.87
5. Appalachia (KY,TN,VA,NC,GA)	13.94	14.87	9.70	14.78	0.09
6. Corn Belt (IN,IL,IA,MO)	13.23	14.23	8.27	14.85	-0.62
National Average	13.37	14.44	8.02	13.49	0.95

Source: USDA, ERS, Economic Indicators of the Farm Sector, Costs of Production, 1984.

The Agriculture and Consumer Protection Act of 1973 directed the Secretary of Agriculture to make annual estimates of the costs of producing a number of major agricultural commodities. One of these is milk. The most recent set of estimates was issued in 1985 as part of the Economic Indicators of the Farm Sector series by the ERS. Cost estimates were developed by the USDA for six major producing regions in the United States.

Over the past 10 years the differences in prices received for milk at the farm between regions have narrowed substantially. The highest prices received nationally are in the south and the lowest in the Pacific region. The spread is now about $1.40 per hundredweight. There are important differences in average production costs between regions. The USDA estimates are based on a consistent methodology and appear reasonable in relation to other data and information from the six designated regions. In 1984, the Pacific region replaced the Southern Plains as the region with the highest return to labor and management. The Northeast moved ahead of the Upper Midwest into third place on this measure.

The average costs of production for fluid milk on the following page are calculated from whole farm financial records for specialized dairy farms in the New York Farm Business Summary. This annual series of cost estimates shows the nature of changes from year to year using a consistent method of calculation but is quite different from the USDA budget estimates.

AVERAGE COST PER HUNDREDWEIGHT OF PRODUCING MILK*
New York Dairy Farms, 1977 to 1984

Item	1977	1979	1981	1982	1983	1984
Cash Operating Expenses						
Hired labor	$ .84	$ .99	$ 1.20	$ 1.29	$ 1.25	$ 1.39
Purchased feed	2.90	3.37	3.62	3.40	3.59	3.46
Purchased animals	.27	.50	.23	.19	.16	.10
Vet & medicine	.17	.22	.28	.29	.28	.29
Breeding fees	.12	.15	.18	.19	.19	.20
Other dairy expenses	.58	.74	.89	1.02	1.47	1.58
Machinery repairs	.57	.69	.81	.81	.77	.80
Auto expenses (farm share)	.03	.04	.04	.04	.04	.03
Gas & oil	.31	.43	.62	.59	.49	.50
Lime & fertilizer	.49	.62	.72	.71	.63	.66
Seeds & plants	.16	.20	.23	.23	.21	.22
Spray & other crop expense	.13	.16	.21	.18	.19	.20
Land, building, fence repair	.16	.21	.22	.21	.18	.18
Taxes	.27	.28	.35	.34	.34	.33
Insurance	.18	.20	.23	.23	.21	.20
Electricity (farm share)	.17	.21	.27	.30	.31	.32
Telephone (farm share)	.04	.04	.05	.05	.05	.04
Interest paid	.72	1.00	1.43	1.54	1.40	1.40
Miscellaneous	.25	.31	.41	.43	.44	.44
Total	$ 8.36	$10.36	$11.99	$12.04	$12.20	$12.34
Operating Expenses						
Depreciation: mach. & bldgs.	$ .89	$ 1.06	$ 1.56	$ 1.60	$ 1.56	$ 1.65
Unpaid labor	.12	.13	.14	.14	.12	.12
Operator(s) labor	.93	.91	.99	.93	.89	.87
Operator(s) management	.54	.68	.76	.75	.76	.76
Interest on farm equity cap.	.98	1.22	1.32	1.27	1.20	1.22
Total	$ 3.46	$ 4.00	$ 4.77	$ 4.69	$ 4.53	$ 4.62
Gross Farm Operating Cost	$11.82	$14.36	$16.76	$16.73	$16.73	$16.96
Less: Non-milk cash receipts	1.04	1.78	1.58	1.47	1.49	1.74
Inc. in feed & supplies	.00	.40	.11	.03	.26	.18
Inc. in livestock	.08	.38	.25	.35	.24	.16
NET COST OF MILK PRODUCTION	$10.70	$11.80	$14.82	$14.88	$14.74	$14.88
AVERAGE FARM PRICE OF MILK	$ 9.76	$11.90	$13.66	$13.56	$13.64	$13.49
Return per cwt. to oper. labor, capital, & management	$1.51	$2.91	$1.91	$1.63	$1.75	$1.46
Rate of return on farm eq. cap.	0.2%	5.4%	0.6%	-0.2%	0.4%	-0.7%

*Using farm unit (whole farm) method.
Source: New York Farm Business Summary data.

These cost estimates indicate that production costs increased $0.14 per hundredweight in 1984 compared with 1983 while receipts decreased $0.15 per hundredweight. The result was a decrease of $0.29 per hundredweight in the return to operator's labor, management, and equity capital. The increase in milk production costs is due to increases in promotion and marketing costs that contributed to the $0.11 increase in other dairy expenses, also hired labor expense increased $0.14 per hundredweight. These increases are offset by decreases in other categories, most notably purchased feed and purchased animals.

In addition to the cash operating expenses, values are placed on unpaid family labor, the operator's labor, a charge is made for management, and interest on equity capital is calculated at a rate of five percent. Together with depreciation these charges amounted to $4.62 per hundredweight in 1984. Adjustments were also made to reflect income and expenses for crop and livestock sales so that the net costs center on fluid milk production.

CHANGES IN NUMBER AND SIZE OF NEW YORK DAIRY FARMS: 1975 to 1985

Between 1975 and 1985, the number of dairy farms in New York decreased by 3,600 or from roughly 17,000 to 13,400 farms. Thus, over twenty percent of the farms that were producing milk in 1975 were not in dairying in 1985. The decline was much higher among smaller farms. Farms with less than 30 cows declined by 75 percent over the 10-year period, while those with 60 or more cows increased by nearly one-half.

However, in 1985 many small farms still exist. About six percent of the farms kept less than 30 cows, and 20 percent of the total number of farms were in the 20 to 39 cow size range. About 12 percent of the farms kept 100 or more cows.

The change in the size distribution of herds has been very rapid between 1970 and 1985. In 1970, 13 percent of the dairy farms in New York State kept fewer than 20 cows. By 1985, this had decreased to 1 percent. Meanwhile, dairy farms that kept 60 or more cows increased from 15 to 45 percent of the total during the 15 year period.

The concentration of cows in larger herds is also increasing. In 1975, roughly 10 percent of the cows were kept in herds with 100 or more cows; herds with 100 or more cows had 30 percent of the total number of cows in 1985.

CHANGE IN NUMBER OF DAIRY FARMS BY SIZE OF HERD*
New York State, 1970, 1975, 1980, and 1985**

Cows per farm	1970	1975	1980	1985	Change between 1975 and 1985	
					Number	Percent
Under 20	2,800	1,000	300	150	- 850	-85
20 - 29	3,800	2,000	900	600	-1,400	-70
30 - 39	5,500	4,000	2,750	2,200	-1,800	-45
40 - 49	4,500	3,300	2,300	2,050	-1,250	-38
50 - 59	2,200	2,500	2,700	2,400	- 100	- 4
60 - 69	2,400	3,075	4,000	4,400	+1,325	+43
100 - 149	450	625	800	875	+ 250	+40
150 - 199	225	325	425	450	+ 125	+38
200 and over	125	175	225	275	+ 100	+57
TOTAL	22,000	17,000	14,400	13,400	-3,600	-21

*Source: Cornell Producer Panel of Dairymen
**Estimates for 1975, 1980 and 1985 by G. J. Conneman