

The Soybean Market . . . Rice Production & Prices . . . Everglades Restoration . . . & Impacts of NAFTA & the Farm Act

Farm Act Eases Acreage Shifts

The 1996 Farm Act granted U.S. farmers more flexibility to respond to strong market price signals by eliminating acreage reduction programs, base acreage planting requirements to maintain program payments, and limits on flex acreage that farmers could plant to other crops. Higher prices in 1996 prompted farmers to increase planted acreage of major field crops by 16 million acres, to nearly 262 million. In 1997, although total planted acreage was about the same as in 1996, the crop mix changed as farmers planted more soybeans in response to strong prices relative to other crops.

Under prior farm legislation, farmers' flexibility to switch acreage among crops was limited. But the 1996 Farm Act, by removing constraints on land use, permitted a larger supply response to the economic incentives provided by absolute and relative price movements.

Soybean Producers Look to World Market

U.S. soybean farmers responded to this spring's strong prices and greater planting flexibility by planting an estimated 70.9 million acres, up 10 percent and the largest in 15 years. Crop conditions to date suggest a record 1997 U.S. soybean crop. Soybean marketers will turn to growing international as well as domestic markets to sell the expected 1997 bumper crop.

Record supplies are projected to lift both domestic crush and U.S. soybean exports to record volumes. Recent trade agreements that have removed international barriers and opened U.S. export markets should provide a welcome boost. However, sensitivity in some European markets to the importation of new, genetically modified soybeans, and related discussions of product labeling, represent potential hurdles for future U.S. exports.



Rice Output Reflects Strong Prices

The 1997 U.S. rice crop is estimated at 182 million cwt, up over 6 percent from last year, although a cool, wet spring will keep southern rice yields from matching last year's record. The production increase comes entirely from a 15-percent rise in southern long grain rice acreage, the result of higher prices at planting for long grain rice compared with medium and short grain varieties and alternative crops.

Strong rice prices reflected an extremely tight domestic supply situation, with a stocks-to-use ratio of 13 percent at the end of the 1996/97 marketing year, the lowest since 1980/81. For long grain rice, the ratio fell even lower—to 7.4 percent. In recent years, stronger world trade, fueled by rising incomes in Asia, lower trade barriers, and faster growth in world rice consumption than in output, has helped maintain higher domestic prices for U.S. rice.

NAFTA: Third-Year Assessment

The North American Free Trade Agreement (NAFTA) has had a positive overall effect on the U.S. agricultural sector, reinforcing the trend toward greater integration of U.S., Canadian, and

Mexican markets and enhancing the competitiveness of U.S. agriculture. Analysis by USDA's Economic Research Service (ERS) has attempted to isolate the economic impacts of agricultural trade liberalization under NAFTA from other economic forces. Looking at the 3-year period following NAFTA's implementation on January 1, 1994, ERS analysis found that a little more than a fifth of the \$2.7-billion increase in U.S. exports to Canada and Mexico, and slightly less than a fifth of the \$3.3-billion increase in U.S. imports, can be attributed to NAFTA.

The agricultural provisions of NAFTA have had small but positive impacts to date on investment and employment in agriculture and agriculture-related industries. The effects are small principally because NAFTA trade is a small component of the U.S. farm economy, and to a lesser extent because trade liberalization under NAFTA is only partially complete.

Everglades Restoration & Agricultural Options

One of the most ambitious environmental restoration efforts—the South Florida Ecosystem Restoration Project—is underway to restore the Everglades watershed. Decades of urban and agricultural development in south Florida have profoundly altered the Everglades, with wetlands lost and natural water flows disrupted.

Restoration will place increasing demands on the agricultural sector to adjust traditional patterns of land and water use. Acquisition of land or land-use rights for environmental restoration is a priority, and much of the land would likely be areas currently in crop production or pasture. Changes in cropping patterns and crop type may help to integrate agricultural production with natural water flow systems. Improved management of land, water, chemicals, and other purchased inputs will be a key element. The environmental benefits of maintaining a strong agricultural sector need to be considered when assessing the benefits and costs of alternative restoration measures.