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U.S. Wheat Supplies Remain Large In 1999/2000

Large beginning stocks of wheat will offset a forecast decline in U.S. production, leaving U.S. supplies at 3.4 billion bushels in 1999/2000, up slightly from last year and the highest since 1987/88. This year farmers planted an estimated 62.9 million acres, down 5 percent from last year and the lowest since 1973. Weather has been relatively favorable in several states, and the all-wheat yield in 1999 is forecast at 42.7 bushels per harvested acre, down slightly from last year's record 43.2 bushels.

Although global trade will pick up while world production declines moderately, little if any increase in world prices is expected because major wheat exporters' supplies are large. The average price received by U.S. farmers is projected at $2.45-$2.95 per bushel in 1999/2000, with the midpoint up 5 cents from last season.

Agriculture & the Evolution Of Tariff Bargaining

Preparations have already begun for the ninth round of international trade talks to be launched at the World Trade Organization Ministerial Conference in December. Over the previous eight rounds, countries successfully lowered tariffs for manufactured goods from a trade-weighted, most-favored-nation (MFN) average of over 40 percent to about 4 percent. While agriculture had been included in each round, it was not until the Uruguay Round of Multilateral Trade Negotiations (1986-94) that real progress was made in negotiating overall reductions in barriers to agricultural trade, particularly in reducing or eliminating export subsidies.

The weight of remaining agricultural trade protection has now shifted toward tariffs, some of which are extremely high. A review of how reduction in tariffs for manufactured goods was accomplished reveals some valuable lessons for future negotiations on agricultural tariffs, which are, on average, still much higher than for manufactured items.

Korea's Agricultural Imports Recovering from Financial Crisis

South Korea was the fourth-largest destination for U.S. agricultural products in 1997, buying 5 percent of U.S. agricultural exports. But beginning in late 1997 and extending into 1998, Korea experienced a major economic shock—including devaluation of its currency, a decline in the production of goods and services, and temporary inability to obtain credit. Agricultural imports fell by 28 percent in calendar-year 1998. The economy is now rebounding, following strong intervention by the government and the International Monetary Fund. Agricultural imports are rising again, particularly beef, soy oil and soymeal, and processed foods and beverages. The crisis appears to have only temporarily interrupted growth in a major U.S. agricultural market.

Facing the Methyl Bromide Phaseout

Public and private research programs are exploring alternatives to methyl bromide, a widely used agricultural pesticide that is being phased out by parties to the Montreal Protocol. Methyl bromide, used for over 50 years to control insects, pathogens, nematodes, and weeds in vegetable, fruit, and nut crops, is used for soil fumigation before planting crops and for post-harvest fumigation of agricultural products in storage and prior to shipment. In 1992, methyl bromide was classified as a substance that depletes the stratospheric ozone layer. Phaseout under the multilateral Montreal Protocol exempts some uses of the chemical. Many U.S. users of methyl bromide are concerned that alternative practices currently available to replace it will be less effective, resulting in financial losses. Some potential alternatives are fairly well developed while others are relatively new.

Reducing Greenhouse Gas Buildup: Impacts on Ag-Sector Returns

Efforts to reduce U.S. greenhouse gas (GHG) pollution come at a cost to all sectors of the economy, including agriculture. But a program to pay farmers to develop emissions-absorbing "carbon sinks" on agricultural land could add to farm income. Shifting cropland to forest and grasses and using conservation tillage could sequester (embed) atmospheric carbon in soil and above-ground biomass, reducing atmospheric GHG's. Private industry or government could pay farmers to engage in specific cultural practices that would remove GHG's from the air, reducing the need for more costly cuts in GHG emissions.

Crop & Revenue Insurance: Bargain Rates but Still a Hard Sell

Federal crop and revenue insurance subsidies alter the tradeoff between expected income and risk exposure, so operators may attain significant risk reduction at relatively low cost, while actually increasing expected (i.e., longrun) returns. Government outlays for insurance programs pay a portion of producers' premiums on approved policies, and reimburse private insurance carriers for the costs of selling and underwriting policies, adjusting losses, and processing policy data. Yet the rate of participation in insurance programs has remained significantly less than universal for a variety of reasons—for example, general lack of information about how insurance programs work, advantages they impart, and the true extent of farm-level risk.