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Feed Grain & Wheat Planting Intentions Down

Planting intentions for the eight major U.S. field crops total 250.7 million acres in 1999, down 2.1 percent from last year's planted area and down 3.9 percent from the most recent peak in 1996. With prices depressed from a year earlier, farmers intend to reduce corn plantings to the lowest level in 4 years, cutting back other feed grain area as well, and to plant the fewest wheat acres in 26 years. In contrast, farmers intend to plant more soybeans, cotton, and rice. While prices for these crops are also lower, expected returns are higher than for competing crops, bolstered in part by prospective gains under government nonrecourse marketing loan programs for soybeans and cotton.

Catfish Industry to Haul in Higher Revenues

Catfish is the dominant and most successful sector of the U.S. aquaculture industry, accounting for over 50 percent of aquaculture production. Production is concentrated in four southern states, with Mississippi's 65-percent share leading the way. From 1990 to 1998, annual catfish production rose from 392 to 599 million pounds, a 53-percent increase, the result of a rise in both total acreage devoted to catfish ponds and average per-acre production. The 5-7 percent increase forecast for 1999 would bring total production to 630-640 million pounds. With farm and wholesale prices expected to remain about the same as 1998, farm sales for the catfish industry in 1999 should approach $500 million, up from $469 million.

Farmers to Cut Borrowing Amid Income Uncertainty

Farm-sector borrowing is expected to decline by $1.3 billion in 1999, ending 7 years of debt expansion. Given the expectation of lower crop prices and farm income in 1999, as well as continuing uncertainty about the economies of some major importers of U.S. farm products, farmers are likely to remain cautious about debt use. At yearend 1998, total farm business debt was an estimated $170.4 billion, up 3 percent from 1997, with nonreal estate loans up 3.4 percent and real estate loans up 2.6 percent. The strong financial position of most commercial agricultural lenders at yearend 1998 is expected to carry over into 1999.

Recent Developments in Crop Yield & Revenue Insurance

The Federal crop insurance program in the 1990's has broadened the scope and variety of risk protection products offered to producers. The list of covered crops has grown from about 50 in the early 1990's to over 70 in 1999. A major reform in 1994 dramatically increased acreage covered by crop insurance by increasing insurance premium subsidies, adding a basic coverage level (catastrophic), and linking insurance to other farm programs. Maximum optional coverage levels have also been raised under pilot programs for some crops in some areas. Revenue insurance, a relatively new product that provides income protection against both price and yield fluctuations, has captured significant shares of the crop insurance business. At the same time, private insurance companies have played a larger role in delivering crop insurance, developing new products, and sharing underwriting risk. Still, questions remain about the adequacy of crop insurance coverage.

Tax-Deferred Savings Accounts For Farmers

A program of tax-deferred savings accounts for farmers is among the alternatives currently under consideration by Congress to help farm operators manage year-to-year income variability. A farmer could deposit funds into a special Farm and Ranch Risk Management (FARRM) account during years of high net farm income and draw on it during years with abnormally low income; Federal income taxes would be deferred until withdrawal. Taxpayers could benefit if the additional financial diversification and liquidity these accounts provide to farmers reduce the need for continued income support programs or ad hoc farm disaster relief. The program's effectiveness could be limited if benefits are concentrated among operators with large farms and relatively high off-farm income, or if farmers fund FARRM accounts with existing liquid assets instead of new savings.

Concentration & Competition in the U.S. Food & Agricultural Industries

Concentration and competition have come into focus as the U.S. food and agricultural sector continues to industrialize, with farms or factories expanding in size, becoming more specialized, and relying more on contractual and administrative methods for buying or selling agricultural commodities. Concentration—a sharp decline in the number of buyers or sellers in an industry—may limit competition and affect prices, depending on such factors as ease of entry into the market, availability of substitutes for the product, and the nature of rivalry among existing firms in the market. Broad structural changes associated with industrialization also raise issues unrelated to competition and market prices, such as environmental concerns involving large livestock operations or processing plants.