



Dateline ERS

New ERS research and analysis at: www.ers.usda.gov

Economic Research Service

December 2009

U.S. Department of Agriculture

ERS is a primary source of economic research and analysis from the U.S. Department of Agriculture, providing timely information on economic and policy issues related to agriculture, food, the environment, and rural America.



www.usda.gov/oce/forum

Commodity Markets and Trade

ERS Outlook reports provide timely analysis of major commodity markets and trade.

This Month

- Rice
- Feed
- Wheat
- Oil Crops
- Cotton and Wool
- Vegetables and Melons
- Livestock, Dairy and Poultry
- Ag Income and Finance

All reports along with a calendar of future releases are available at:

www.ers.usda.gov/publications/outlook

Meeting Total Fat Requirements for School Lunches

www.ers.usda.gov/Publications/ERR87



Concerns about child obesity have raised questions about the quality of meals served in the National School Lunch Program (NSLP). Local, State, and Federal policymakers responded to these concerns beginning in the mid-1990s by instituting a range of policies and standards to improve the quality of USDA-subsidized meals. Schools have been successful in meeting USDA nutrient standards except those for total fat and saturated fat. *Meeting Total Fat Requirements for School Lunches: Influence of School Policies and Characteristics* identifies school policies and practices linked to lower fat lunches including promotion of fresh fruits and vegetables or locally grown foods, offering low fat dairy products, eliminating vending machines in middle and high schools, and adopting a “nutrient content” or “enhanced food-based” meal planning method.

Peanut and Tobacco Sectors Adapt to Policy Reform

www.ers.usda.gov/Publications/EIB60

Marketing quota and price support programs for peanuts and tobacco were a longstanding feature of U.S. farm policy from the 1930s until the Government enacted quota buyouts in 2002 for peanuts and in 2004 for tobacco. Quota owners were compensated with temporary payments, but elimination of the quota programs exposed producers more to market risks and brought about structural changes at farm, regional, and marketwide levels. Since the buyouts, many peanut and tobacco farms have exited production. The farms that remain are mostly larger and have adopted new risk management strategies, such as contracting. Freed of the planting restrictions in the quota programs, production of peanuts, and to a lesser extent of tobacco, has been relocated to regions better suited to their growth. While total acreage and prices for peanuts and tobacco have remained below pre-buyout levels, the lower prices—along with increased production efficiency—have supported renewed growth in demand, particularly in export markets.



Targeted Farmers Tend to Operate More Environmentally Sensitive Land

www.ers.usda.gov/Publications/EIB62



Beginning, limited-resource, and socially disadvantaged farmers make up as much as 40 percent of all U.S. farms. Some Federal conservation programs contain provisions that encourage participation by such “targeted” farmers and the 2008 Farm Act furthered these efforts. *Participation in Conservation Programs by Targeted Farmers: Beginning, Limited-Resource, and Socially Disadvantaged Operators’ Enrollment Trends* compares the natural resource characteristics, resource issues, and conservation treatment costs on farms operated by targeted farmers with those of other participants in the largest U.S. working-lands and land retirement conservation programs. Some evidence shows that targeted farmers tend to operate more environmentally sensitive land than other farmers, have different conservation priorities, and receive different levels of payments. Data limitations preclude a definitive analysis of whether efforts to improve participation by targeted farmers hinders or enhances the conservation programs’ ability to deliver environmental benefits cost effectively. But the different conservation priorities among types of farmers suggest that if a significantly larger proportion of targeted farmers participates in these programs, the programs’ economic and environmental outcomes could change.

Net Farm Income Forecast for 2009 Down 34.5 Percent

www.ers.usda.gov/Briefing/FarmIncome/nationalestimates.htm

Net farm income is forecast to be \$57 billion in 2009, down \$30 billion (34.5 percent) from 2008. The 2009 forecast is \$6.5 billion below the average of \$63.6 billion in net farm income earned in the previous 10 years. Still, the \$57 billion forecast for 2009 remains the eighth largest amount of income earned in U.S. farming. The top five earnings years have been tightly grouped between 2003 and 2008, attesting to the profitability of farming this decade. Net cash income, at \$69.8 billion, is forecast down \$27.7 billion (28.4 percent) from 2008, and \$1.8 billion below its 10-year average of \$71.6 billion. Net cash income is projected to decline less than net farm income in part because net cash income reflects the sale of \$1.0 billion in carryover stocks from 2008. Net farm income reflects only the earnings from production that occurred in the current year.



China Is Using More Corn for Industrial Products

www.ers.usda.gov/Publications/FDS/2009/12Dec/FDS09K01

China’s corn imports are minimal, even though it is using a growing proportion of its corn to produce starch, ethanol, and other industrial products. The corn-processing industry’s growth was encouraged by Chinese government policy, but the industry now has excess capacity. Many of the corn-based industrial products are exported. China’s future as a processor of corn products depends largely on the scarcity or abundance of corn in the country. The Chinese government encouraged the development of the corn-processing industry largely to reduce excess corn supplies and raise farm prices. A trend of rising corn prices in China since 2005 suggests that these goals have been met. If Chinese corn prices continue rising in future years, the growth of the industry will slow and exports of industrial corn products may decline.

How to get more information...

More information about the items featured in DatelineERS can be found on our website: www.ers.usda.gov by going to the web address listed in each article. This newsletter is available online at www.ers.usda.gov/news