

Field Crop Acreage. . . Wheat Outlook. . . the Wine Industry. . . & Impacts of the Farm Act

Planted Soybean Acreage Up Sharply in 1997

U.S. soybean acreage planted in 1997 is the largest in 15 years and the third highest on record, according to USDA's *Acreage* report released June 30. The report—based on a survey of planted acreage conducted during the first 2 weeks of June—represents the first estimate of U.S. planted and harvested field crop acreage. The estimate for 1997 soybean plantings is 70.9 million acres, 10 percent above last year. The increase is a reaction to robust soybean prices, favorable weather at planting, and the 1996 Farm Act which eliminated most acreage restrictions for farm program participants. Farmers are expected to produce a record 2.69 billion bushels.

Corn plantings also increased in 1997, to an estimated 80.2 million acres, up 1 percent from last year and the highest planted corn acreage since 1985. Area planted to cotton, sorghum, and small grains was lower, with the exception of rice, which increased by 9 percent in response to favorable prices.

Seasonal Rise Ahead For Wheat Prices

The average price received by farmers for wheat in 1997/98 is forecast between \$3.10 and \$3.70 per bushel, down from \$4.35 in 1996/97. Monthly-average wheat prices for 1997/98 are expected to hit seasonal lows from June through September as U.S. wheat production, spurred by favorable weather in the central Plains states, is forecast at 2.43 billion bushels, up 7 percent from 1996 and the highest level in 5 years. In addition, large old-crop supplies in Canada and Australia are expected to provide stiff export competition during the U.S. harvest. However, relatively strong demand—both domestic and global—and an expected second-half slowdown in foreign export competition are expected to support higher U.S. wheat prices as the season progresses.



A Good Year for U.S. Wine

Booming demand coupled with limited supply has boosted U.S. grape and wine prices recently, and imports are pouring in to fill supply gaps created by several years of limited U.S. wine-type grape production. In addition, exports have jumped in the last 18 months as improvements in quality and marketing have increased the competitiveness of U.S. wine in Northern Europe.

In 1997, producer prices for U.S. wine have continued rising despite a forecast 16-percent increase in California's grape crop. But U.S. grape growers are concerned that maturing vineyards in the next several years will curtail the current boom, as increased production and imports pull down prices. In the years ahead, the U.S. wine industry hopes to take advantage of expanding foreign markets, free of trade barriers.

Managing Farm Resources Under New Farm Act

The 1996 Farm Act quickly and dramatically changed the decision-making environment for farm operators, landowners, and managers. Early indications of the act's impact are reflected in a study funded by USDA's Economic Research Service. Farm operators and managers on eight panels in several regions reported on changes they had made or might make in their farm management decisions following implementation of the farm act.

Panelists' responses disclosed that farm operators and managers have taken advantage of the elimination of acreage limitations to adjust their crop mixes. The value of now-predictable program payments (production flexibility contract payments) showed up in panelists' reports of higher land prices, higher rental rates, and changes in the provisions of leasing arrangements. Panelists expressed a high level of interest in strategies for marketing and for managing price risk.

Rise in Food Marketing Costs Slower Than Usual

Food marketing costs accounted for 77 cents of every dollar U.S. consumers spent on food in 1996, down marginally from 1995. Food marketing includes expenses associated with processing, wholesaling, distributing, and retailing of foods produced by U.S. farmers. It is the difference between the value farmers receive for food commodities and the amount consumers spend on food. Food marketing costs rose only about 2 percent in 1996, substantially below the average annual increase of almost 5 percent during the last decade. Higher farm prices and flat consumer expenditures reduced the marketing growth rate in 1996, with the food industry absorbing much of the farm price increase.