

The U.S. wheat sector . . . Consolidation in food retailing . . . Expansion in field crop acreage . . . Genetic engineering & pesticide use

U.S. Wheat Economy Confronts Challenges

The U.S. wheat sector enters the new century facing many challenges, despite a strong domestic market for wheat products. U.S. wheat area is trending down because of declining returns relative to other crops, due partly to continued sharp competition from abroad. U.S. share of the world wheat market has eroded for more than two decades, with exports holding fairly steady while global wheat trade increased. During the past quarter century, U.S. per capita consumption of wheat as food products shows an upward trend, and the rise has benefited the U.S. wheat processing industry, although foreign producers have captured a share of the expanded domestic market.

Global wheat consumption will outpace production for a third year, causing worldwide wheat stocks to drop 10 percent in 2000/01. But exporters' stocks remain large, and U.S. prices are forecast little changed from a year earlier. The extent of an increase in world wheat trade—forecast to reach its highest level in nearly 10 years—is likely to be crucial for wheat prices in 2000/01.

U.S. Field Crop Acreage Expands

Planted area for the eight major U.S. field crops totals 254.9 million acres in 2000, up more than 3 million acres from last year when prices were lower for most crops at planting time. According to USDA's June 30 *Acreage* report, increases in soybean, corn, barley, wheat, and cotton area more than offset declines in sorghum, oats, and rice. U.S. farmers have planted a record 74.5 million acres of soybeans in 2000, 1 percent over last year's record. Corn plantings increased to an estimated 79.6 million acres, up 3 percent. Normal weather in the coming months would result in large output and stable or declining farm prices for most U.S. field crops in 2000/2001.



Slow Growth Persists for U.S. Meat Exports

Growth in overall U.S. red meat and poultry exports is expected to continue on a slow course this year and flatten in 2001, as increases in pork and broilers are offset by declines in beef and turkey. Sluggish growth in total meat exports in recent years can be traced to a healthy economy in the U.S., where strong domestic demand has bid up prices of meat products. At the same time, buying power of some major importers of red meats and poultry (e.g., in Russia and Asia) dropped as incomes fell and currencies collapsed.

U.S. Agricultural Imports Head Higher

U.S. imports of agricultural commodities and products are projected to reach \$39 billion in fiscal 2000, a 72-percent rise from 1990. This astonishing growth results in part from exceptional U.S. economic expansion during the decade. In the last half of the decade, the strong U.S. dollar and sluggish growth or recessions elsewhere in the world have also contributed to the surge in U.S. imports. Continued strong U.S. economic growth,

the dollar's high purchasing power, and relatively low global commodity prices point toward higher imports in 2001.

Consolidation in Food Retailing

The U.S. food retailing industry has undergone unprecedented consolidation and structural change in recent years. Large retailers have since 1996 purchased almost 3,500 supermarkets, representing annual grocery store sales of more than \$67 billion. The nationwide share of sales for the four largest retailers rose from nearly 16 percent in 1992 to almost 29 percent in 1998.

Widespread consolidation in the grocery industry could have implications for consumers and food market suppliers such as grower-shippers, and wholesalers. Some consumers fear that fewer food retailers will eventually mean higher grocery prices and less variety. Suppliers worry that fewer but larger buyers could force prices lower for products and services that food retailers purchase. Retailers are likely to continue consolidating in order to maintain profitability as competition for the consumer food dollar heightens.

Does Genetic Engineering Reduce Crop Pesticide Use?

Planting genetically engineered (GE) crops appeals to producers because of the potential to simplify pest management, reduce pesticide use, and help control costs. Analysis by USDA's Economic Research Service indicates that adoption of GE corn, soybeans, and cotton is associated with a decrease in the number of acre-treatments of pesticides (number of acres treated multiplied by number of pesticide treatments). Reduction in *volume* of active ingredients applied is less consistent, since adoption alters the mix of pesticides used in the cropping system, as well as the amounts used. Comparison of different mixes of pesticides involves evaluating tradeoffs between the amounts used and the environmental characteristics, primarily toxicity and persistence.