

## Planting intentions for 2001 . . . Farm credit use . . . Global food demand . . . Ag conservation policies . . . Canada's transport subsidies

### U.S. Field Crop Plantings to Decline in 2001

**Planting intentions in 2001** for the eight major U.S. field crops (corn, soybeans, wheat, barley, sorghum, oats, cotton, and rice) total 251.5 million acres, down 1.3 percent from last year's planted area. Expansion in hay area will more than offset the decrease. While lower expected prices and higher fertilizer and fuel costs pulled down corn planting intentions by 4 percent, benefits from the government marketing loan program upheld producer incentives (per-unit returns) for soybeans and cotton. Farmers intend to plant a record 76.7 million acres of soybeans and the largest cotton area (15.6 million acres) since 1995. Despite higher expected prices for wheat, planting intentions are down 4 percent as dry conditions last fall delayed and reduced seeding in the Southern Plains.

### Farm Credit Use Expected to Rise Slightly

**Total farm business debt** will rise just 1.2 percent to \$182.8 billion in 2001, the smallest projected increase since debt dipped slightly in 1992. With limited potential gains in farm prices this year following relatively low levels in 2000, farmers remain cautious about debt expansion. High levels of direct government payments to farmers (including emergency assistance) and adequate levels of working capital and off-farm earnings are limiting farmers' demand for credit. Farmers have been maintaining or improving their balance sheets by applying some of the additional government payments to existing debt.

**Average interest rates** for farm loans from commercial banks should dip below 9 percent by midyear and may drift slightly lower in the second half of 2001, following the Federal Reserve's easing of monetary policy earlier in the year. Should U.S. economic growth in the second half of 2001 and the first half of 2002 strengthen as expected, interest rates on agricultural loans are likely to rise slightly in the winter or spring of 2002.



### Forces Shaping Global Food Demand & Agricultural Trade

**Recent shifts in trade patterns** reveal dramatic changes in global food demand that will likely continue well into the future. Bulk commodities (primarily grains and oilseeds) now make up less than 30 percent of the value of world agricultural trade compared with 41 percent in 1985, and processed consumer-oriented products such as meat, beverages, bakery products, and snack foods make up a growing share. Driving these shifts are changes taking place in both developing and developed countries, particularly income growth. Growth in urbanization, interest in food quality, and concerns about food safety standards are also shaping demand and influencing future prospects for food consumption and international trade.

### Canada's Agriculture: 5 Years After The End of Transportation Subsidies

**The 1995 repeal** of Canada's Western Grain Transportation Act (WGTA) ended government support that had lowered producers' cost of transporting grain to export ports from the Prairie Provinces—Alberta, Manitoba, and Saskatchewan. Subsidized freight rates had helped encourage grain exports and diverted grains away from

domestic enterprises. Elimination of freight subsidies has reduced returns for traditional grains such as wheat and caused shifts to relatively minor nontraditional crops such as dry peas, which have become an important part of successful low-cost livestock operations. Rising transportation costs for producers have also led to retention of feed in the Prairie region to support the expanding livestock sector.

### Agri-Environmental Payments to Farmers: Rewarding Performance

**Initiating a program** to provide agri-environmental payments to producers could help maintain past agri-environmental gains, address emerging environmental problems (e.g., nutrient runoff), and perhaps support farm income. Such a program, based on use of environmentally sound practices, could reward high levels of environmental performance on agricultural land or improvement over past performance. To explore issues of program design, USDA's Economic Research Service linked farm-level data from the Agricultural Resource Management Study with several indicators of potential for environmental damage. Among the findings: designing a conservation program to focus on a specific farm type (e.g., large family farms) is not likely to solve a particular agri-environmental problem.

### Moving Farmers Toward New Production Practices

**What motivates U.S. farmers** to adopt environmentally beneficial production practices? USDA's Economic Research Service examined the impact of a range of factors, including government programs, farmers' technical knowledge, land tenure, and natural resource characteristics of farms (e.g., soil type and climate), using survey data from farmers in 10 watersheds spread throughout the country. Among the findings is that education has a significant positive effect on farmers' willingness to adopt practices that require specialized knowledge (such as biological pest control).