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Agricultural Contracting Update: Contracts in 2003

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Abstract

Marketing and production contracts covered 39 percent of the value of U.S. agricultural production in 2003, up from 36 percent in 2001 and a substantial increase over estimated values of 28 percent for 1991 and 11 percent in 1969. Large farms are far more likely to contract than small farms; in fact, contracts cover over half of the value of production from farms with at least $1 million in sales. Although use of both production and marketing contracts has grown over time, growth is more rapid for production contracts, which are largely used for livestock.

Keywords: contracts, contracting, marketing contracts, production contracts, vertical integration, vertical coordination, market structure, risk analysis, price signals

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Contents