

## Price Determination Factors for Corn and Wheat

Prices are determined by the interaction of the supply and demand functions, which historically have been influenced by government agricultural policies. This section provides information regarding supply and demand factors for the corn and wheat markets. Selected agricultural policies are also discussed because they, too, can affect the supply, demand, and pricing of commodities. Some policies have affected supply or demand factors and thus have influenced prices indirectly. Such policies include, for example, acreage reduction programs that affected supplies of corn and wheat, and export programs that affected demand. The price effects of these policies are usually embedded in the supply and demand data and thus do not need to be modeled separately. These policies are discussed within the context of the relevant supply and demand factors.

Other policies have affected the pricing of corn and wheat more directly, beyond the effects on supply and demand and, therefore, need to be considered separately in pricing models. In particular, governmental price support and commodity storage programs have affected market prices for corn and wheat in certain periods. And public stockholding by the Government has influenced prices. These programs are discussed in a separate policy section.

### Supply Factors for Corn and Wheat

The components of supply are beginning stocks, imports, and production. Corn is the largest feed grain domestically and globally. Corn accounts for over 85 percent of total U.S. feed grain production. The United States is the largest producer of corn in the world, averaging 210 million metric tons in 1990-96, representing about 40 percent of global production. U.S. farmers' cash receipts from corn averaged nearly \$16 billion in 1990-96, the largest of all field crops.

Wheat is the principal food grain in the United States and throughout much of the world. The United States is the third largest producer of wheat in the world, averaging 63.6 million metric tons in 1990-96, accounting for about 11 percent of world production. Cash receipts for wheat in the United States averaged almost \$8 billion in 1990-96, the third largest of all field crops (soybeans ranked second).

### *Beginning Stocks*

Carryover stocks from the previous year become the current year's beginning stocks and augment current production in determining total supply. Large stocks can provide additional supplies in a low production year while small stocks provide less cushion.

### *Imports*

Corn and wheat imports have been fairly insignificant relative to total supply for many years. U.S. corn imports continue to have little impact on domestic supply as they averaged 15 million bushels during 1990-96, less than 1 percent of supply. Imports of seed and trade with Canada account for most U.S. corn imports. Wheat imports were an insignificant factor for the U.S. wheat supply for many years, representing less than 1 percent of domestic wheat supply between 1960 and 1989. However, imports of wheat (including wheat products) from Canada in the 1993/94 marketing year pushed total wheat imports to 109 million bushels, or 4 percent of supply. Wheat imports have since declined to about 3 percent of supply, but the United States remains an attractive market for Canadian wheat.

### *Production*

Production is the major component of supply and is determined by the amount of acreage harvested for grain and the yield per acre.

**Acreage.** Acreage planted generally reflects producer net returns per acre for a given commodity compared with returns for competing crops. Government policy and agronomic considerations, such as crop rotations, can also influence plantings. Income support and supply management/production control programs were important in affecting land use from 1974 through 1995. Income support policies may have provided economic incentives to increase acreage during those years, but supply management policies, such as acreage reduction programs, could be offsetting.

In an effort to influence production, support farm income, and limit government costs, various acreage limitation programs have been employed, such as the acreage reduction program, paid land diversions, and

the voluntary 0,50/85-92 programs.<sup>1, 2</sup> In addition, the long-term Conservation Reserve Program (CRP) affected acreage available for production.<sup>3</sup>

Income support through the target price/deficiency payment system provided economic incentives for producers to participate in annual farm programs, thereby influencing farmers' planting decisions. For an individual farmer, program benefits would be compared with costs of participating in the programs, such as complying with any requirement to idle land under a supply management program. Planting choices were also affected by program rules for determining crop-specific acreage bases to maintain eligibility for future farm program benefits. The 1996 Farm Act replaced deficiency payments with annual production flexibility contract payments, eliminated annual supply control programs, and decoupled planting decisions from program parameters. Thus, planting decisions now are mostly based on market prices rather than farm programs.

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<sup>1</sup> Acreage reduction programs (ARP's) began in the early 1980's, replacing set-aside programs of the late 1970's. If supplies were estimated by USDA to be excessive, ARP's were required and paid land-diversion programs (PLD's) were permitted. To participate in the annual farm programs and be eligible for program benefits, farmers were required to idle a crop-specific percentage of their acreage base, as specified by the ARP. No payments were made for idled ARP land. Some PLD's were optional and some were required for program participation.

<sup>2</sup> 0,50/85-92 programs are the 50/85 and 50/92 provisions for rice and cotton and the 50/92, 0/92, and 0/85 provisions for wheat and feed grains that were in effect in various forms from 1986 through 1995. Under these provisions, farmers could idle all or part of their permitted acreage, putting the land in a conserving use, and receive deficiency payments for part of the acreage. A minimum planting requirement of 50 percent of maximum payment acreage applied for rice and cotton for all years during that period, and applied for feed grains and wheat in 1986 and 1987. For feed grains and wheat in 1991 through 1995, producers could plant acreage in this program to selected alternative crops (minor oilseeds, sesame, crambe, or "industrial and other crops") instead of idling the land.

<sup>3</sup> The CRP was created by the Food Security Act of 1985 to reduce erosion and protect water quality, initially on up to 45 million acres of farmland. Under the program, landowners who sign contracts agree to convert environmentally sensitive land to approved permanent conserving uses for 10 to 15 years. In exchange, the landowner receives an annual rental payment and an initial payment of up to 50 percent of the cost of establishing permanent vegetative cover. The 1996 Farm Act caps CRP acreage at 36.4 million acres. Over 40 percent of current CRP enrollments come from wheat and corn cropland.

Corn area planted and harvested for grain averaged 76.0 and 68.7 million acres, respectively, for 1990-96, compared with averages of 66.5 and 56.8 million acres in 1965-70. Wheat plantings and area harvested averaged 72.3 and 62.6 million acres, respectively, for 1990-96, compared with averages of 57.1 and 50.5 million acres in 1965-70.

The proportion of corn planted area that is harvested for grain has been trending upward during the last 20 to 25 years. Low harvest-to-planting ratios for corn typically occur in years of weather-related production and yield shortfalls. For wheat, the relationship between area planted and harvested for grain can vary by region, but at the national level, the harvest-to-planting ratio has been more stable. Typically, the harvest-to-planting ratio for wheat reflects the yield and quality of the crop, market prices, farm program provisions, and, in some regions, the relative grazing value.

Acreage for both corn and wheat in the future is expected to reflect relative net returns from the marketplace as farmers use full planting flexibility provided by the 1996 Farm Act to respond to changes in domestic and international demand.

**Yields.** Many factors affect U.S. yields for corn and wheat, including climatic conditions, weather, farm management practices, crop variety, and soil type. Trend yields are a good composite indicator of gains related to productivity from production practices, management skills, technology, and input use. In any given year, weather events are crucial and can push yields above or below trends. Major deviations from trend yields may have a significant impact on prices.

Corn yields increased from 74.1 bushels per acre in 1965 to 127.1 bushels per acre in 1996, a 72-percent increase. Corn yields trended upward by 1.5 to 2 bushels per acre per year from 1965 to 1997. Yields are expected to continue to increase, assuming producers adopt favorable production practices developed through research and select hybrids with high yield potential.

Average U.S. wheat yields rose from around 30 bushels per acre in the mid-1970's to 37 bushels per acre in 1990-96. The current yield trend for wheat is about 0.2 to 0.3 bushel per acre per year.

## Demand Factors for Corn and Wheat

Major components of demand for corn and wheat include food, seed, industrial, feed and residual, exports, and carryover stocks. Domestic use is a growing component of total U.S. consumption for both corn and wheat. Domestic corn use averaged 79 percent of total disappearance in 1990-96 compared with 69 percent in 1975-80. Increased production of alcohol fuels and corn sweeteners contributed significantly to this growth. Domestic consumption of U.S. wheat accounts for about 50 percent of total wheat disappearance, up from an average 39 percent during 1975-80, with much of this gain reflecting increased wheat flour consumption.

### *Food, Seed, and Industrial Use*

Food, seed, and industrial (FSI) use is a growing component of total demand for both corn and wheat, with its relative share rising. Such a situation strengthens prices at the farm level. FSI use for corn represented an average of 19 percent of total use in 1990-96, up from an average of 9 percent in 1975-80. Food and seed uses for wheat accounted for 39 percent of total wheat disappearance in 1990-96, compared with 34 percent in 1975-80.

**Food use.** Consumption of corn or wheat for food purposes usually follows a trend because gains are largely related to population growth. Changes in tastes or preferences may at times alter consumption trends. Annual growth for food-use items also depends on whether the market is new and developing, with relatively strong growth, or has reached a stage of mature or stable growth. Food uses of corn and wheat are relatively unresponsive (inelastic) to farm-level prices since the farm value of grain in consumer food items is small.

Food use of corn, consisting of cereals and other products, starch, beverage alcohol, and corn sweeteners, has grown sharply over the past 20 years. Demand for corn-based cereals, snack foods, and baked goods is expected to increase near the rate of population growth. Use of corn starch as a thickening agent for food also is expected to grow in line with population gains. Demand for corn sweeteners has been stimulated indirectly by the sugar program. The U.S. sugar program has kept the price of domestically refined sugar high, thereby stimulating consumption of high-fructose corn syrup, an alternative sweetener. Future growth in demand for corn

sweeteners is expected to exceed population growth, but will likely be much less than the sharp gains in the early to mid-1980's.

Wheat food use has been the largest and most stable component of domestic wheat use and is characterized by a steady growth rate, closely tied to population, tastes, and preferences. Wheat food use accounted for an average of 35 percent of total wheat disappearance in 1990-96, compared with an average of 30 percent in 1975-80. Wheat is unique because it is the only cereal grain with sufficient gluten to produce bread without requiring mixing with another grain.

Understanding the different classes of wheat, their uses, and their degree of substitutability is an important demand consideration. Hard red winter wheat, possessing a typical protein content of 9 to 14 percent, is generally used for making white breads and rolls. Hard red spring wheat, typically consisting of 11.5 to 18 percent protein, is used for making whole-wheat and hearth breads. Soft red winter wheat has a protein content from 8.25 to 11.75 percent and is generally used to produce cakes, cookies, crackers, or pastries with a tender, flaky, or crisp texture. Soft white wheat has a protein content ranging from about 6.75 to 10.5 percent and is used to produce cookies, cakes, pastries, and cereal. New hard white wheat varieties are being developed with milling and end-use characteristics superior to hard red winter wheat. Finally, durum wheat is primarily used for spaghetti, macaroni, and other pastas. The amount of potential substitution among the different wheat classes depends on the end use. Thus, the greatest degree of substitutability is between hard red winter and hard red spring wheats. This substitutability allows blending of these two varieties to achieve minimum protein requirements in various end uses if protein content of either variety is low. Additional substitution potential exists between the hard red wheats and new hard white varieties.

**Seed use.** Seed use is a relatively small component of total demand for corn and wheat. Seed use reflects the amount of land planted to the crop and the per-acre seeding rates. Seeding rates for corn and wheat vary across States due to differences in soil types and production practices, and change slowly over time as production practices evolve. As a result, national average seeding rates for these crops tend to be fairly stable. Thus, variations in total seed use for corn and wheat are

mostly due to changes in acreage, which historically have reflected provisions of annual supply management programs.

**Industrial use.** Industrial use of corn reflects the production of starch and alcohol. Corn starch is used in the paper industry for coating paper and in the construction industry as an ingredient for wallboard construction. Corn used in starch production follows the growth rate of population and the general economy. Corn use for fuel alcohol depends on government incentives and policies, technology, corn prices, prices of production byproducts, and prices of energy substitutes. Fuel alcohol use of corn, which began in the late 1970's, averaged about 425 million bushels in 1990-96.

### *Feed and Residual*

Feed and residual use is a major demand component for corn, but represents a relatively smaller component of total demand for wheat. Despite corn's rising levels of feed use, its share of total disappearance remained fairly constant between 1975 and 1996. In contrast, the share of wheat feed use of total wheat disappearance is more variable, reflecting both feed wheat's small share of total wheat use and wheat's primary use as a food grain. The reported data for the category "feed and residual" are derived by subtracting other domestic uses (food, seed, and industrial uses), exports, and ending stocks from total supply. As a result, some variation in this category reflects unaccounted statistical measurement errors in other categories of supply and demand.

Feed use of corn is related to the number of animals on feed, the price of corn, and prices of competing feed grains and feed wheat. Feed and residual use for corn averaged 5.0 billion bushels during 1990-96, about 60 percent of total disappearance for corn. This compares with an average corn feed and residual use of 4.0 billion bushels during 1975-80, again about 60 percent of total corn use. Corn feed use may vary annually, reflecting changes in the numbers of animals fed and adjustments in rations made by feeders in response to relative prices and availability of corn and competing feed ingredients.

Feed use for wheat is more variable than food use and is related to wheat prices, feed grain prices, and wheat crop quality. Feed and residual use for wheat accounted for 18-20 percent of total disappearance in the 1986 and 1990 crop years, years of lower wheat prices, compared with about 6 percent in 1988 and 1995, years of higher

wheat prices. Typically, most feed use of wheat occurs in the summer, when wheat prices are seasonally low following the wheat harvest but before new crops of corn and sorghum are harvested.

### *Exports*

Exports are important to both the corn and wheat market. Crop developments in other countries and U.S. agricultural policies (such as EEP<sup>4</sup> and P.L. 480 programs<sup>5</sup>) can affect the demand for U.S. exports and, consequently, the U.S. price. A crop shortfall in a major producing foreign country can increase the demand for U.S. exports, strengthening U.S. prices. Or an abundant crop in an importing country can reduce U.S. export demand, lowering U.S. prices. One expected result of global trade liberalization is that export demand for U.S. corn and wheat will become more responsive to price changes (more price-elastic) as foreign import demand and export supply become more elastic.

Corn exports averaged 21 percent of total U.S. corn consumption in 1990-96, compared with an average of 31 percent in 1975-80. In fiscal 1996, corn exports accounted for 14 percent of the total value of U.S. agricultural exports, or \$8.4 billion. The United States is the world's largest exporter of corn, with a world market share averaging over 70 percent in 1990-96.

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<sup>4</sup> The Export Enhancement Program (EEP) was initiated in May 1985 under the Commodity Credit Corporation Charter Act to help U.S. exporters meet competitors' subsidized prices in targeted markets. The program was later authorized by the Food Security Act of 1985 and has continued under subsequent legislation. Under the EEP, exporters are awarded cash payments to enable the sale of certain commodities to specified countries at competitive prices. The 1996 Farm Act caps EEP program levels annually through 2002 and allows the Secretary to target up to \$100 million annually (under certain conditions) for the sale of intermediate-value products.

<sup>5</sup> Public Law 480 (P.L. 480), the common name for the Agricultural Trade Development and Assistance Act of 1954, seeks to expand foreign markets for U.S. agricultural products, combat hunger, and encourage economic development in developing countries. P.L. 480 is also referred to as the Food for Peace Program. Title I of P.L. 480 makes U.S. agricultural commodities available by financing export sales on concessional terms, such as using low interest rates for up to 30 years. Donations for emergency food relief and nonemergency humanitarian assistance are provided under Title II. Title III authorizes a Food for Development program that provides government-to-government grant food assistance to least developed countries. The 1996 Farm Act extends the authority to enter into new P.L. 480 agreements through fiscal year 2002.

U.S. exports of wheat are very important to the U.S. wheat market. Wheat exports averaged 49 percent of total disappearance in 1990-96, compared with an average of 61 percent in 1975-80. In fiscal 1996, wheat exports accounted for 12 percent of the total value of U.S. agricultural exports, or \$7.0 billion. Although the United States is the world's largest exporter of wheat, it has a smaller world-market share than for corn, averaging slightly over 30 percent of global wheat trade in 1990-96. Since wheat can be grown in more different climates than corn, relatively greater production occurs in other countries. Consequently, the United States has a less dominant role in the international wheat market than it does in the global corn market. Major wheat trade competitors include the European Union (EU), Canada, Australia, and Argentina.

U.S. wheat exports have been boosted by a variety of agricultural export programs, including food aid, export credit guarantees, export enhancement programs, and market development and market promotion programs. Between 1986 and 1994, over half of U.S. wheat exports received EEP subsidies. Although the EEP has not been used for U.S. wheat exports since July 1995, the 1996 Farm Act continues the program, but annual funding is limited by the 1996 Act and by WTO (World Trade Organization) export subsidy commitments.

### **Carryover Stocks**

In general, changes in carryover stocks are inversely related to the marketing year price. If total use rises relative to supply, ending stocks decline and farm prices tend to rise. On the other hand, if supply rises relative to total use, prices tend to decline as ending stocks build. For corn and wheat, government programs historically have influenced the holding of stocks, either through direct government (public) ownership of stocks or through programs that influence stockholding by the private sector.

Government programs led to a large buildup of stocks in the early to mid-1980's. Total ending stocks for corn exceeded 4 billion bushels from 1985 through 1987, an average of 61 percent of annual use. Wheat carryover

stocks reached levels greater than 1 billion bushels between 1981 and 1987, with ending stocks representing an average of 62 percent of annual use. Many of these stocks were in the Farmer-Owned Reserve (FOR) or held by the Commodity Credit Corporation (CCC). However, as 1985 and 1990 farm legislation steered the sector toward greater market orientation, grain stocks declined. Year-ending stocks of corn averaged about 1.2 billion bushels (14.5 percent of use) in 1990-96, while wheat carryover stocks averaged about 540 million bushels (22 percent of use).

Publicly held stocks owned by the Government (CCC) represent stocks acquired through loan defaults or market purchases. Stocks owned by the Government have historically influenced corn and wheat prices because these stocks have generally not been readily accessible to the marketplace. This reflects CCC sales price restrictions, which, until removed in the 1996 Farm Act, prohibited the Government from selling commodities it owned unless prices reached specified levels. Government-owned stocks of corn and wheat were high in the early to mid-1980's, but have fallen in recent years with more market-oriented stockholding policies. At the end of the 1996 crop year, the CCC held only 2 million bushels of corn and 93 million bushels of wheat.

For wheat, government-owned stocks have included those held in the Food Security Wheat Reserve (FSWR). The FSWR was created in the 1980/81 marketing year to provide a government-held reserve of up to 4 million metric tons (about 147 million bushels) of wheat for emergency food needs in developing countries. The FSWR was replaced in the 1996 Farm Act by a new Food Security Commodity Reserve (FSCR) that may include corn, grain sorghum, and rice, in addition to wheat. Almost all of the 93 million bushels of wheat held by the Government at the end of the 1996 crop year were in this grain reserve.

Privately held stocks have also been influenced by government programs, such as the government price-support loan program and, historically, the FOR program. Depending on the accessibility of these stocks, some of these government policies have affected prices.

## Agricultural Policies: Price Support and Commodity Storage Programs, 1975 to 1996

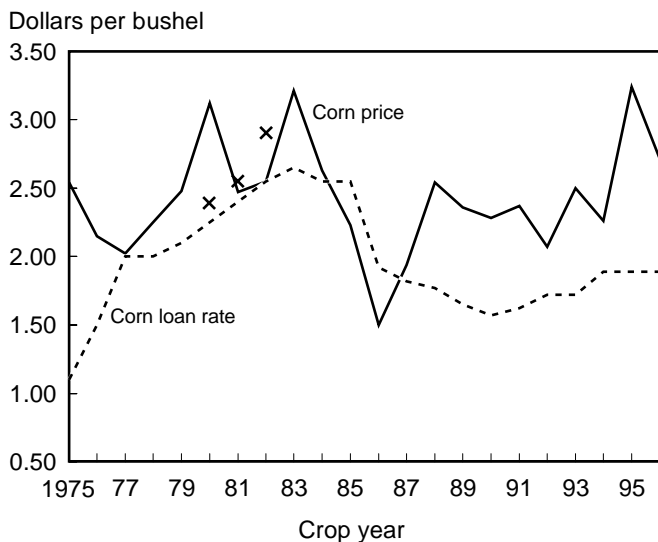
Beyond the effects of domestic agricultural policies on supply and demand factors, some policies have affected market prices more directly. The most important have been price support and commodity storage programs. This section discusses how these programs evolved from 1975 to 1996 and how their interactions with each other and with additional farm programs affected market prices.

Commodity price support programs for corn and wheat allow producers to receive a loan from the Government at a designated loan rate per unit of production by pledging some of their grain production as loan collateral. Following harvest of the crop, a farmer who has enrolled in the farm program may obtain a loan for all or part of the new crop. For each bushel put under loan and pledged as loan collateral, the farmer receives a per-bushel amount equal to that year's loan rate. Under the loan program, the producer must keep the crop designated as loan collateral in approved storage to preserve the crop's quality. The producer may repay the loan at any time during the length of the loan, usually 9 months for corn and wheat. Prior to 1993, when

marketing loans were implemented for corn and wheat (discussed below), the farmer would pay back the loan principal plus accrued interest charges. However, rather than repaying the loan, the farmer could choose instead to default on the loan at the end of the 9-month loan period, keeping the loan money and forfeiting ownership of the loan collateral (the grain) to the Government. If market prices were below the loan rate, the farmer would benefit from defaulting on the loan and keeping the higher loan rate. Additionally, if market prices were above the loan rate, but below the loan rate plus interest, defaulting on the loan would also make economic sense because the cost of settling the loan (loan rate plus interest) would be greater than the market value of the grain.

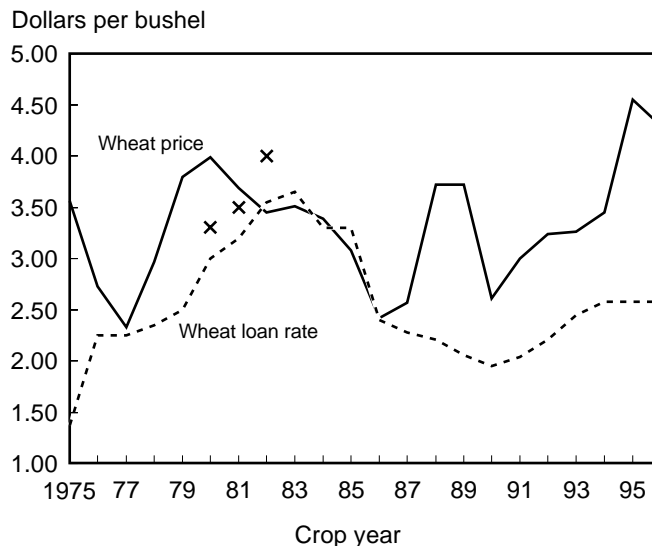
Historically, loan rates for corn and wheat were raised in the late 1970's and remained relatively high through the mid-1980's (figs. 1 and 2). Loan program defaults pushed government-owned stocks of corn to more than 1.1 billion bushels in 1982, or 16 percent of annual use (fig. 3), while government-owned stocks of wheat rose to almost 200 million bushels, representing 8 percent of annual use (fig. 4). Stocks owned by the Government have historically influenced corn and wheat prices because these stocks have generally not been readily accessible to the marketplace.

Figure 1  
**Corn price and loan rate**



X = Higher FOR loan rate, 1980-82.

Figure 2  
**Wheat price and loan rate**



X = Higher FOR loan rate, 1980-82.

Also, a multi-year FOR program was initiated in the late 1970's under the Food and Agriculture Act of 1977. The FOR provided storage subsidies to farmers to store grain under loan for 3 to 5 years (with some extensions)—farmers agreed not to market their FOR grain for this time period unless the average farm price reached a specified release level. Additional price support was provided under the FOR program in 1980-82, with a higher reserve loan rate than available under the regular, 9-month loan program. The long duration of the FOR program, combined with high release prices needed for grain to exit the reserve, effectively isolated a large amount of grain from the marketplace. By 1982, corn held in the FOR rose to almost 1.9 billion bushels, about 26 percent of annual use, and the wheat FOR exceeded 1 billion bushels, representing 44 percent of annual use. Thus, high price supports along with the isolation of FOR stocks from the marketplace resulted in a significant policy effect on corn and wheat prices.

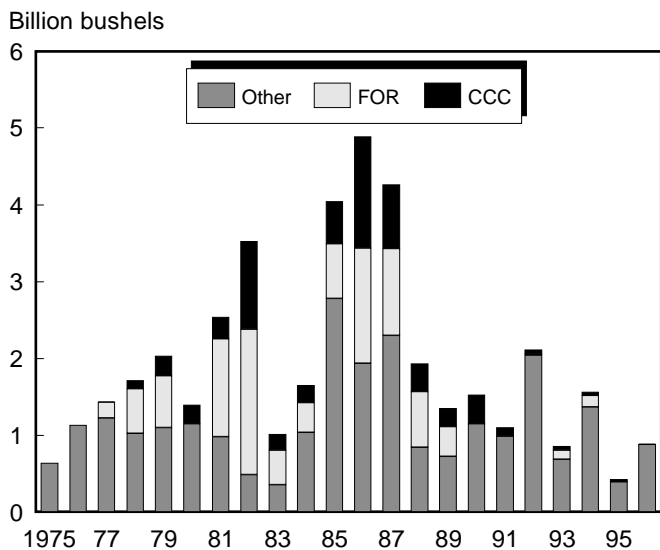
Changes in the price support program since 1986 have reduced the interference of that program with price determination. Three important policy features of programs enacted in 1985 farm legislation significantly changed the loan program and the effect of price supports on market prices starting in 1986. These changes were part of a general movement in U.S. agricultural policy toward more market orientation. First, price support levels for grains were sharply reduced. Loan rates for corn and wheat were lowered—corn from \$2.55 per bushel in 1985 to \$1.92 per bushel in 1986, wheat from \$3.30 to \$2.40. Second, corn produced in 1986-90 was

not permitted to enter the FOR; the wheat FOR was opened for wheat produced in 1990, but not for 1986-89 crops. Finally, a new policy instrument, generic certificates,<sup>6</sup> made grain in the reserve more available to the marketplace by allowing early access to that grain before its FOR contract expired.

These policy changes facilitated a reduction in grain stocks in the late 1980's. Corn stocks fell from over 4 billion bushels at the end of the 1986/87 season to 1.5 billion bushels at the end of 1990/91 while government-owned and FOR corn stocks fell from nearly 3 billion bushels to under 400 million bushels, declines accelerated in 1988 by a major drought in the Corn Belt region that sharply lowered corn production. Similarly, total wheat stocks fell from about 1.8 billion bushels at the end of 1986/87 to under 900 million bushels by the end of 1990/91. Government-owned and FOR wheat stocks dropped from nearly 1.3 billion bushels to about 175 million bushels, with less than 14 million bushels in the FOR. As with corn, production difficulties for wheat (in 1988 and 1989) accelerated the decline in stocks. Importantly, however, the combina-

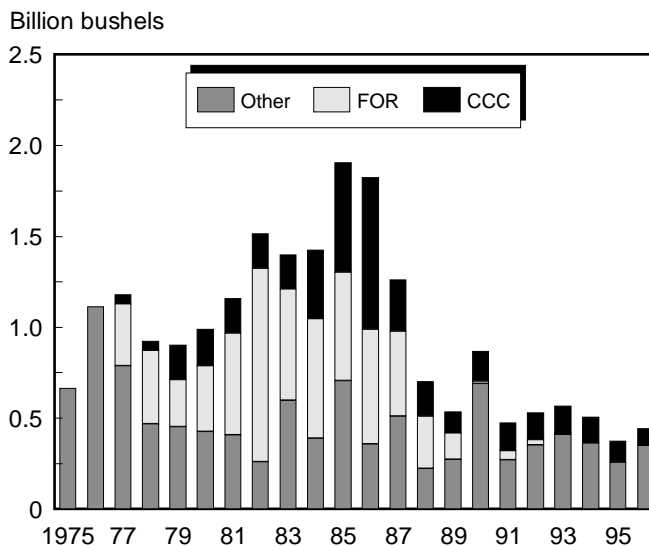
<sup>6</sup> Generic certificates were dollar-denominated negotiable certificates that were issued by USDA in lieu of cash payments to commodity program participants and sellers of agricultural products. Generic certificates did not specify any particular commodity. They could be used to acquire stocks held as collateral on government loans (regular loans or FOR loans) or stocks owned by the CCC. Farmers received generic certificates as payment for participation in numerous government programs. Grain merchants and commodity groups also were issued certificates through the Export Enhancement Program and the Targeted Export Assistance Program.

Figure 3  
**Corn stocks**



FOR is Farmer-Owned Reserve stocks.

Figure 4  
**Wheat stocks**



FOR is Farmer-Owned Reserve stocks.

tion of lower price supports for corn and wheat, no further corn FOR entry and only limited wheat FOR entry, and generic certificates that allowed access to FOR stocks reduced the strong policy effect on price determination for these grains. Essentially, the loan program continued to provide corn and wheat producers a source of short-term liquidity, but it no longer supported prices. Also, the lower level of stocks held by the Government reduced the price effects of public stockholding.

Policy changes since 1990 have continued to keep the price effects of government price support and commodity storage programs small. Since 1991, the corn loan rate has ranged from \$1.62 to \$1.89 per bushel, while wheat loan rates have ranged from \$2.04 to \$2.58 per bushel. Until recently, these loan rates have been well below market prices in most years. Further, marketing loans for corn and wheat were implemented starting in 1993 and continued under the 1996 Farm Act.

Marketing loans allow repayment of commodity loans at less than the original loan rate if market prices are lower, which decreases the loan program's potential effect on supporting prices because stock accumulation by the Government through loan defaults is reduced. Additionally, although the availability of generic certificates declined in the early 1990's, new FOR rules in the 1990 Farm Act permitted farmers to repay their FOR loans and re-acquire the loan collateral at any time rather than when prices reached specific FOR release levels, thereby continuing the accessibility of those stocks to the marketplace. The 1996 Farm Act suspended the FOR. Finally, government-owned stockholding has continued to decline, with only 2 million bushels of corn held by the CCC at the end of the 1996 crop year and 93 million bushels of wheat held, nearly all of the latter in the Food Security Commodity Reserve. As a consequence, since 1986, prices for corn and wheat have largely been based on market supply and demand conditions with a reduced influence of government price support and commodity stockholding programs.