Conclusions

By 2003, contracts covered 39 percent of U.S. agricultural production, up from 36 percent in 2001. The increase over the 2-year period continues the steady growth trend extending back to 1969. However, the share of farms that hold contracts shows little growth, in contrast to the share of production that is under contract. The largest farms use contracting far more extensively than other farms, and as production shifts to larger farms, shifts to more contract production will likely follow.

Far more heterogeneity in contracting exists among specific commodities than is apparent in the aggregate data. Contract coverage varies widely across commodities, from less than 10 percent of wheat production to more than 90 percent of sugar beets. Some commodities show sharp jumps in contract coverage in just a few years. Prices and fees received under contracts vary widely across producers of the same commodity, and contract durations also vary widely, particularly among livestock production contracts.

Contract terms are evolving to cover new and often unforeseen developments. Some livestock production contracts include more explicit clauses designed to address environmental concerns, and there is evidence of a greater reliance on simple marketing pools for some commodities. In the future, contracts may change to facilitate greater traceability of products and to allow new forms of risk-sharing and input provision. Designing future surveys to track such shifts would enable policymakers and stakeholders to better understand the determinants and effects of agricultural contracts.