



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

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FARM PROGRAM CHANGED--AGAIN!

THE CARTER ADMINISTRATION HAS ANNOUNCED SEVERAL CHANGES IN THE FARM PROGRAM, affecting both the 1977 and 1978 feed-grain and wheat crops. As anticipated, the changes are more modest than those proposed by the Senate.

The major change in the Farm Program is the establishment of land-diversion payments for feed-grain producers. As before, to be eligible for program benefits feed-grain producers must set-aside 1 acre for each 10 acres of corn, sorghum, or barley planted in 1978. Under the new program, land-diversion payments will be made if 1 ADDITIONAL acre is idled for each 10 planted in corn, sorghum, or barley. The total crop acres plus set-aside acres cannot exceed 1977 crop acreage.

The diversion payment is based on a formula under which an established payment level is multiplied by the Program yield times the PLANTED acreage. The payment level is 20 cents per bushel for corn and 12 cents per bushel for sorghum and barley. The Program yield is established for each farm and is on record at the local ASCS office.

As an example, if a corn producer plants 100 acres of corn with a program yield of 100 bushels per acre and idles 20 acres (10 acres under the initial provisions of the set-aside program and 10 acres under the new paid-diversion program), he would receive diversion payments of \$2,000 (20 cents per bushel x 100 acres x 100 bushels per acre). The payment per acre of diverted cropland would be \$200, but the payment per acre idled would be \$100. Half of the payment is to be received at sign-up. Farmers who sign up but do not comply will have to refund the initial payment, without penalty.

Cotton producers will be eligible for diversion payments of 2 cents per pound, times the Program yield, times the PLANTED acreage if they idle 1 acre for each 10 planted.

The new program also makes changes affecting soybean and wheat producers. The soybean loan rate has been increased to \$4.50, from \$3.50 per bushel. Wheat producers who participate in the 20 percent set-aside program that already exists will be allowed to graze or harvest for hay 40 percent of their wheat acreage, instead of harvesting it for grain. In addition, producers would receive either 50 cents per bushel times the Program yield, or the deficiency payment--whichever is larger--on the

grazed-out wheat. In a separate action, the Administration announced a willingness to work with the Congress to raise target prices for wheat per bushel to the \$3.40/\$3.50 level.

Two other changes concern 1977 feed grains and wheat. If these are put under the CCC loan in the three-year reserve program, no interest will be charged after the first year. The former limit on the size of that reserve has been removed.

IMPLICATIONS. The Administration estimates that the new program will reduce feed-grain plantings by 10 million acres, wheat by 3 million, and cotton by 1 million acres. The total cost of the Program will depend on participation, but is estimated at \$2.7 to \$7.9 billion. The Administration apparently believes that a program such as that proposed by the Senate would be too costly and would create the risk of shortages if unfavorable growing conditions develop in 1978.

The feed-grain producers's decision to participate in the 10-percent set-aside and the 10-percent diversion parts of the programs would depend on the level of his program yield, the net return which he could otherwise earn on the idle acres, and his expectations about prices for feed grains. The expectation of a substantial reduction in the 1978 feed-grain supply has already been bid into the price of feed grains.

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