



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

November 21, 1978

1979 FEED-GRAIN PROGRAM ONLY ONE FACTOR IN OUTLOOK

THE 1979 FEED-GRAIN PROGRAM is changed only slightly from 1978. The goal of having farmers set aside 20 percent of their acreage remains the same. The target price will be \$2.20 per bushel, up from \$2.10 on the 1978 crop. The corn loan price remains at \$2.00 per bushel. The soybean loan rate remains at \$4.50 per bushel.

Farmers who voluntarily reduce their acreage by 10 percent will be eligible for target prices, loan rates, and disaster payments. Those who divert another 10 percent of their acreage will be eligible for a diversion payment of 10 cents per bushel compared to 20 cents in 1978.

Under the 1978 set-aside program with its 20 percent acreage diversion, harvested corn acreage declined 2.8 percent from 1977. However, yields are now estimated to be 11.2 percent above last year, resulting in a record corn crop of 6.89 billion bushels. The U.S. soybean acreage for 1978 harvest rose 9.8 percent. The combined corn and soybean acreage harvested exceeded the 1977 total by 2.9 percent.

In changing the program, administration officials expect the higher target price to increase participation, perhaps up to 50 percent of the feed-grain acreage planted. About 42 percent of the 1978 feed-grain acreage is covered by the current set-aside program.

From the acreage and production data, the set-aside program can hardly be called an acreage or production-control program. It is actually an effort to limit acreage and influence production. Producers who voluntarily participate receive protection against low prices through the target-price payments and loan eligibility. They may also qualify for disaster payments.

Any effort to predict prices for the 1979 crops based on the recently announced Feed-Grain Program requires assumptions about acreages, yields, and production; also, about weather conditions at planting time and during the growing season. Weather patterns seldom remain the same from one year to the next. Weather conditions and developments abroad will also affect export demand and the prices received for our major crops, including soybeans, feed grains, and wheat.

The 1979 Feed-Grain Program is only one factor affecting decisions by farmers about crop acreages next year. The Grain Reserve Program took 1 billion bushels of

of wheat and feed grains off the market from the 1977 and 1978 crops. As yet, no announcement has been made as to whether additional stocks will be added to the grain reserve from the 1979 crops. Weather conditions as they affect supply at home and demand abroad still remain a major force in determining output and prices for the 1979 crops.

The final decision about the 1979 program resulted in a compromise between forces wanting to reduce the set-aside to encourage large production and keep food prices low and those wanting to recognize the unfavorable effects for producers when grain output is above the rate of use. Recent efforts to restrain inflation also influenced the final decision to keep the program about the same as in 1978, despite the desire for higher payments by many producers.

Harold D. Guither

Harold D. Guither, Extension Economist, Public Policy

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801

Official Business
Penalty for private use, \$300

FIRST CLASS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101

