



WEEKLY OUTLOOK

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THE 1983 FEEDGRAIN PROGRAM: IMPLICATIONS FOR CORN PRODUCTION

THE 1983 FEEDGRAIN PROGRAM ANNOUNCED ON SEPTEMBER 21 calls for farmers to reduce corn planting by 20 percent of their base acreage. In return, producers will be eligible for the government loan and target price provisions of the program. The national average loan rate for the 1983 crop is \$2.65 and the target price is \$2.86.

In addition, participating farmers will receive a diversion payment equal to \$1.50 multiplied by the established farm yield times 10 percent of the base acreage. Half of this payment plus half of the deficiency payment can be received at the time of sign-up.

The program has been designed to address two problems now faced by feed-grain producers. First, the advance payment provisions will help alleviate the cash-flow problem experienced by some producers because of low grain prices. Second, the acreage reduction is expected to help reduce the surplus of feed-grains, particularly corn. The paid-diversion provision and the opportunity to receive advance payment are additions to the 1982 program. These provisions, along with the low level of grain prices, are expected to increase the participation rate above last year's 25 percent level.

The effectiveness of the 1983 feedgrain program in reducing the surplus of corn will hinge on two factors--the level of participation and weather conditions in the spring and summer of 1983. The USDA will report weekly on the number of producers and acres signed up for the program. In addition, information concerning the number of farmers accepting advance payment will also be reported. This latter figure should give a good indication of the eventual level of compliance with the program.

Weather conditions next year and the resulting yield levels are more difficult to estimate. The average yield will still be the most important factor in determining the size of the 1983 corn crop. A 50 percent rate of participation in the acreage reduction program would reduce planted acreage about 10 percent from

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the 84 million acres planted in 1980 and 1981. Planted acreage of 75.6 million acres would result in harvested acreage of about 67.3 million acres.

Corn use for 1982-83 is expected to total 7.5 to 7.6 billion bushels. If that rate is maintained in 1983-84, the average yield in 1983 will have to be under 113 bushels per acre for surpluses to decline at all. The yield in 1981 was 113.9 bushels per acre. The five-year average yield is 105 bushels per acre. An average yield, then, would produce nearly 7.1 billion bushels and reduce the corn surplus by 500 million bushels. Carryover stocks would still exceed 2 billion bushels or more than double a comfortable carryover level.

Unless the 1983 corn yield is well below average, a corn surplus will still exist at the end of the 1983-84 marketing year. Under such circumstances, corn prices could not be expected to exceed support prices. Another large crop could keep prices well under support levels. Producers who cannot afford the risk of such low prices will probably be attracted to the 1983 reduced acreage program. Those who do not plan to participate should evaluate forward pricing opportunities carefully. Opportunities to price the 1983 crop at levels above government support prices are likely to be offered and probably should be taken on at least a portion of expected production.

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