



WEEKLY OUTLOOK

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PIK SIGN-UP CLOSED

FARMERS HAD THEIR FINAL OPPORTUNITY TO SIGN-UP in the PIK program last Friday (March 11). Next week the USDA will announce the level of participation in the program. Given the rather severe penalties for withdrawal from the program, this estimate will provide a reasonably accurate indication of acreage to be planted to key crops in 1983. In the meantime, guesses about acreage planted and harvested, particularly for corn, have a very broad range. Given the range of legitimate estimates for acreage and yield, the impact of the PIK program in 1983 remains unclear.

The range of guesses for corn acreage heard among analysts runs from an upper limit of about 69.6 million acres (February 1 prospective plantings) to as little as 64 million acres. This represents a range of about 5 1/2 million acres. Assuming that about 8 million acres of the corn planted will be used for silage, and that yields will be relatively high (115 bushels per acre) because only the best corn acreage will remain in production, corn production could range from 7.1 billion bushels to 6.4 billion bushels. In either case, corn stocks would be reduced by the end of the 1983-84 marketing year. If demand for corn does not exceed 7.5 billion bushels in the new marketing year, carryover stocks of corn in the fall of 1984 could be reduced by as little as 400 million bushels or as much as 1.1 billion bushels.

Presumably the USDA has a target acreage that would achieve the desired price results in 1983-84. At least one producer's organization is lobbying the USDA to reduce harvested acreage to 50 million acres. However, such acreage is considered unrealistically low.

Of course, the above estimates don't reflect the potential variability in yields. If we have another good growing season as we have in the past two, it's conceivable that corn yields could reach 120 bushels per acre or higher. In contrast, some analysts are contending that, because we have had two good years in a row, the 1983 corn crop is likely to suffer some weather problem, resulting in a lower yield, possibly as low as 100 bushels per acre. If the high acreage and yield estimates and low acreage and yield estimates are combined, the range of potential corn production in 1983 becomes wider--from 7.4 billion bushels to as low as 5.6 billion bushels. Under these circumstances, the reduction in stocks next year could be as little as 100 million bushels or as much as 1.9 billion bushels. In the former case, the PIK program may

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have very little price impact in the 1983-84 marketing year; in the latter case, the price impact may be quite large, obviously sending prices above \$3.25 a bushel. However, the same price rise is likely to limit demand during the marketing year and may, in fact, prevent use from rising much above this year's 7.25 billion bushels.

The USDA will announce the level of participation in the PIK program on March 22. Farmers will get an early glimpse of participation levels on March 18 when the USDA notifies individual farmers whether their whole-base acreage bids have been accepted or rejected. Once this information is known, we will at least have a good idea of the amount of corn acreage that will be planted and harvested in 1983. At the time, we will also be able to provide a more useful assessment of the PIK program's effect on the corn market.



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