



WEEKLY OUTLOOK

Department of Agricultural Economics
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March 30, 1983

PIK IMPLICATIONS

THE LEVEL OF PARTICIPATION AND THE NUMBER OF WHOLE-BASE BIDS accepted under the Payment in Kind (PIK) program were surprisingly high. In the case of corn and sorghum, 78 percent of the U.S. base acreage is enrolled in either the Acreage Reduction Program (ARP) or the PIK program. Nationally, 39 percent of the base acreage of these two crops is to be idled. Of the acres to be idled, 10 percent are enrolled in the ARP, 55 percent are enrolled in the regular PIK program, and 35 percent are enrolled in the whole-base PIK program.

In the case of wheat, 86.2 percent of the base acreage is enrolled in the program. In total, 35.3 percent of the base acreage is to be left idle. Of those acres to be idled, about 20 percent are enrolled in ARP, 56 percent in the regular PIK program, and 24 percent in the whole-base bid.

The base acreage of corn is estimated at 83.2 million acres. Idled acres under the various programs are estimated at 32.5 million, suggesting that planted acreage could be as low as 50.7 million compared to 81.9 million last year. However, at current prices, much of the 3.2 million acres idled under ARP may be planted to corn. In addition, current new crop prices favor corn over soybeans, suggesting that noncompliers may direct acreage from soybeans to corn. There is also the "slippage" factor. History suggests that total planted acreage will not be reduced by as much as has been calculated from program enrollment. As a result, planted acreage may be as high as 58 million, with harvested acres for grain of 50 million.

With a good growing season, the 1983 average corn yield could be close to the 115 bushels of this past year, resulting in a crop of 5.75 billion bushels and a total supply of 9.18 billion bushels. With higher prices, corn use next year is not likely to exceed this year's projected use of 7.25 billion bushels. Carryover supplies at the end of the 1983-84 crop year could be as high as 1.9 billion bushels, a surplus of 900 million bushels. In addition to the crop of 5.75 billion bushels produced, 1.6 to 1.7 billion bushels of corn received in PIK payment would be available to the market. Under these conditions, free market supplies would exceed total use.

The projected 1983-84 supply and demand balance suggests that corn prices on average need not exceed current levels and that price increases would be limited by

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the \$3.15 trigger price on the 1981 farmer-owned reserve. However, with such large acreage reductions and extremely tight free market supplies, prices may be very sensitive to spring and summer weather conditions. In any case, it seems likely that the season's high price will occur before harvest.

Soybean acreage may be reduced by 4 to 5 million acres as a result of reduced double-cropping after wheat and a switch to corn among noncompliers. Even so, the 1983 crop could exceed 2.1 billion bushels. Unless corn prices are maintained above \$3.15, soybean meal at Decatur would be limited to about \$225 per ton, keeping new crop soybean prices below \$7.00. However, prices will be sensitive to the actual level of soybean plantings and late summer weather.

With normal yields, the 1983 wheat crop will total about 2.2 billion bushels, compared to 2.8 billion in 1982. Even so, the wheat surplus would be reduced only marginally. Under these circumstances, the season's average price for the 1983 soft red winter crop should be near the \$3.65 loan level.

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