



# WEEKLY OUTLOOK

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## PIK - HOW MUCH SLIPPAGE?

LAST WEEK WE REFERRED TO THE MAGNITUDE OF SLIPPAGE in the 1983 reduced acreage programs. Slippage is an important factor in set-aside programs and deserves a closer look, using planted acreage figures as a starting point. The USDA May Planting Intentions report estimated that 1983 planted acreage of all principal crops, including harvested acreage of hay, would reach 325.2 million acres. Rye was the only major crop not included in this report. Planted acreage of rye has totaled about 2.5 million acres for the last four years. The crops included in the estimate of planted acreage accounted for 98 percent of the harvested acreage over the last several years.

Some of the planted acreage included small grains that are intended for use as conservation acreage. Subtracting these acres from total planted acres leaves planted acreage at 305 million acres. Assuming that rye acreage will be close to 2.5 million, planted acreage is projected to total 307.5 million acres.

Planted acreage of these crops totaled 369.5 million acres last year and a record 371 million acres in 1981. Using the large acreage of 1981 as the base, the reduced acreage programs will take about 63.5 million acres out of production in 1983.

The USDA final figures on participation in the reduced acreage and payment-in-kind programs indicated that farmers intended to idle about 84 million acres, suggesting a total slippage of 21.5 million acres. Intended acreage of feed grains is down 30.3 million acres, compared to the 42 million acres to be idled under government programs. Intended wheat plantings total 66.7 million acres, down 22.9 million acres from the record plantings of two years ago. Idled acres under government programs were expected to exceed 32 million acres. Slippage in cotton acreage totals about 3.5 million acres. There appears to be little slippage in the rice program.

Part of the slippage may reflect some drop out among those producers enrolled in only the acreage reduction program (ARP) and not PIK. If all of those producers dropped out, which is not likely, slippage would still total 8.3 million acres.

Another way to calculate slippage is to project harvested acreage of the major crops. Harvested acreage of the program crops (feed grains, wheat, rice, and

cotton) is estimated to total 152.6 million acres. These estimates are based on normal relationships between planted and harvested acreages for individual crops. This would be a reduction of 53 million acres from 1981, when no government programs were in place and harvested acreage was at an all-time high. Harvested acreage of competing crops (soybeans and sunflowers) is expected to be reduced by 2.1 million acres, bringing the total reduction to 55.1 million acres.

Even assuming that all producers enrolled in only the ARP drop out, acreage should be reduced by about 70.5 million acres, rather than 55.1 million. This slip-page factor is not unusual with government set-aside programs. Last year, for example, 10.8 million acres were enrolled in acreage reduction programs, but harvest acreage of all crops declined by less than 2 million acres.

Actual plantings may differ from intentions. The extremely wet weather, particularly in the southern areas, suggests the possibility of more soybean acreage at the expense of corn and cotton. If conditions remain wet, however, some acreage intended for planting may remain idle.

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