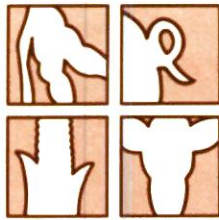




Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
University of Illinois at Urbana-Champaign

April 17, 1985

SET-ASIDE PARTICIPATION IS HIGH

ENROLLMENT IN THE 1985 ACREAGE REDUCTION PROGRAMS for all the program crops reached about 69 percent. Program crops include wheat, feed grains, cotton, and rice.

In the case of wheat, 74 percent of the base acreage has been enrolled in the program. In Illinois, enrollment reached 60 percent. Participating producers will place 30 percent of their base acreage in a conservation reserve. With a national base of 93.9 million acres, enrollment figures suggest that 20.8 million wheat acres will not be planted this year. Acreage on nonparticipating farms may increase, partially offsetting the decline.

In the case of corn, 58.96 million of the 83.27 million base acres (70.8 percent) are enrolled in the program. Enrollment in Illinois reached 75.3 percent. Enrollment was somewhat lower in the other eastern Corn Belt states. Producers in Indiana and Ohio enrolled 69.7 and 67.0 percent of the base acreage, respectively. Participation was at a higher level in the western Corn Belt. Sign-up reached 83.6 percent in Iowa, 84.3 percent in Nebraska, and 79.3 percent in Minnesota.

The participation in the acreage reduction program means that 5.9 million acres of the corn base will not be planted. Planted acreage, however, will likely exceed 77.4 million acres, which is the base acreage minus the conservation reserve. Nonparticipating producers may plant more corn.

Last year, for example, it is estimated that set-aside acreage of corn was 4.2 million and that actual plantings totaled 80.4 million. The total of 84.6 million acres was larger than the base of 83.3 million. In five of the past six years, set-aside plus planted acreage of corn has been stable. That sum ranged from 84.0 to 84.6 million acres, averaging 84.2 million. The exception was 1983. Under the PIK program of that year, set-aside plus planted acreage totaled 92.3 million. With set-aside of 5.9 million this year, planted acreage may be less than 79 million acres.

The high level of participation in the feed grain program suggests that new crop prices will be more sensitive to spring and summer weather conditions.

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THE ILLINOIS COOPERATIVE EXTENSION SERVICE PROVIDES EQUAL OPPORTUNITIES IN PROGRAMS AND EMPLOYMENT.

Acreage harvested for grain this fall may be about 70.5 million. A normal yield of 108 bushels per acre will result in an ample crop of 7.6 billion bushels. A yield of 100 bushels, however, will produce a crop of only about 7.05 billion bushels.

We continue to believe that weather related rallies should be used to price some of the 1985 crop. Producers enrolled in the set-aside program have some price protection from the loan and target price mechanisms. However, they should not become complacent about marketing new crop corn. The major benefit of the program will be the deficiency payment if prices are low. As the rules now exist, the magnitude of the deficiency payment is the difference between the target price of \$3.03 and the average market price for the period October 1985 through February 1986, with a maximum of 48 cents per bushel. Participating farmers are eligible for the deficiency payment regardless of what price they actually receive for corn or whether or not they use the Commodity Credit Corporation (CCC) loan program. The challenge to the producer, participating or not, is to do a good job of marketing the 1985 crop.

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