



Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

Department of Agricultural Economics
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July 24, 1985

ARE ACREAGE REDUCTION PROGRAMS EFFECTIVE?

THE 1985 ACREAGE REDUCTION PROGRAM FOR FEED GRAINS resulted in a reduction in planted acreage, but not of feed grains. As pointed out last week, planted acreage of feed grains is at the highest level since 1977. The projection of harvested acreage for grain is at the highest level since 1960. Excluding oats, harvested acreage for grain is at the highest level since 1945.

In the case of corn, an estimated 70.8 percent of the base acreage of 83.27 million acres was enrolled in the 1985 acreage reduction program. Participants were required to idle 10 percent of the base acreage. Set-aside acreage, therefore, totaled 5.9 million acres, up 1.9 million from last year. Planted acreage, however, increased by 2.8 million acres and the forecast of harvested acreage is up 3 million.

For all feed grains, an estimated 79.2 million acres were enrolled in the 10 percent acreage reduction program. Set-aside acreage totaled 7.9 million, up 2.7 million from last year. However, planted acreage is up 5.3 million and the forecast of harvested acreage is up 5.6 million from last year.

The low price of alternative crops apparently resulted in the increase in feed grain acreage in spite of a higher rate of participation in the program. Participants had incentive to plant the full 90 percent of their base acreage and non-participants had incentive to increase the acreage of feed grains.

There was an acreage reduction program for feed grains in 10 of the 16 years from 1970 through 1985. There were no such programs for the period 1974 through 1977 nor in 1980 and 1981.

Excluding 1983, when the large scale payment-in-kind (PIK) program was in place, harvested acreage of feed grains during years of an acreage reduction program averaged 103.7 million. Set-aside acreage in those years ranged from 3.3 to 37.4 million, averaging 14.6 million acres. Harvested acreage of feed grains in years with no reduction program averaged 104.5 million, not significantly different than in years with acreage reduction programs.

A look at years when set-aside acreage increased is also revealing. In 1972, set-aside acreage under the feed grain program totaled 36.6 million acres, 18.4

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million more than the previous year. Harvested acreage declined by 12.3 million one-third less than the increase in set-aside acreage. In 1978, set-aside acreage totaled 8.3 million acres, compared to none the previous year. Harvested acreage declined by 3 million, 64 percent less than the change in set-aside. In the case of corn, set-aside acreage increased from zero to 6.1 million, and harvested acreage increased by 0.3 million.

In 1983, set-aside acreage increased by 35.8 million acres. Harvested acreage of feed grains declined by 25.8 million, 28 percent less than the increase in set-aside.

A similar pattern to that of feed grains has been followed in wheat. In 1970, set-aside acreage increased by 4.6 million and harvested acreage declined by 3.5 million. Set-aside increased by 6.6 million in 1972, but harvested acreage declined by only 0.4 million. Set-aside acreage increased by 24 million in 1983 and harvested acreage declined by 16.5 million. The exception to the general pattern was in 1978. Harvested acreage of wheat declined by 10.2 million while set-aside acreage increased by only 9.6 million.

The evidence over the past 16 years suggests that acreage reduction programs for feed grains and wheat generally result in less harvested acreage of the designated crops. Only rarely, however, are the reductions nearly as large as the increase in set-aside acreage. On occasion, harvested acreage of specific crops increases in years of greater set-aside acreage. Programs may be effective in supporting prices and incomes but are not very effective in reducing acreage.

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United States Department of Agriculture
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At Urbana-Champaign
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