



Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

Department of Agricultural Economics
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January 22, 1986

SOME PROVISIONS OF THE FARM PROGRAMS FOR 1986 REVEALED

ALL OF THE DETAILS OF THE COMMODITY PROGRAMS FOR 1986 have not yet been determined, but the major provisions were announced last week. The following is a brief overview of these provisions by commodity.

Feed grains. The Commodity Credit Corporation (CCC) loan rates for 1986 are \$1.92 per bushel for corn, \$1.82 for sorghum, \$1.56 for barley, and 99 cents for oats. Target prices for these commodities are \$3.03, \$2.88, \$2.60, and \$1.60, respectively. To be eligible for the loan and target-price programs, feedgrain producers will have to idle 20 percent of their base acreage, 2.5 percent of which is a paid diversion. Payment will be in kind, but the payment rate has not yet been announced.

Wheat. The CCC loan rate for wheat is \$2.40 per bushel, and the target price remains at \$4.38. To be eligible for provisions of the loan and target-price programs, producers will have to idle 25 percent of their base acres, 2.5 percent of which is a paid diversion. Payment will be in kind, but the payment rate has not been announced. The USDA will also offer a 10 percent, voluntary, diversion program with payment of \$2.00 per bushel on the farm's program yield.

General provisions. Sign-up for the set-aside and diversion programs is expected to begin in early March. Producers who participate in the acreage reduction program for one crop may not plant another program crop in excess of their farm base acreage. The program acreage for a specific crop on an individual farm is calculated as the average of the acreage actually planted or considered planted over the last 5 years, but it cannot exceed the average of the two most recent years. The program yield for a particular crop on an individual farm is calculated as the average *program yield* on that farm for 1981 through 1985 with the high and low figures during this period excluded from the calculation.

Part of the expected deficiency payment (up to 50 percent of the expected deficiency) must be paid in advance. Some of that payment may be in kind. No specific announcements about advanced deficiency payments or payment in kind have been made for the 1986 crops.

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Producers who underplant their permitted acreage (defined as base acreage minus set-aside requirements) by 8 to 50 percent will receive deficiency payments on the underplanted acreage that is devoted to nonprogram crops or to conservation uses. This provision is an incentive for producers to plant fewer acres of a program crop than permitted by the set-aside requirements. Such producers will still receive deficiency payments on the unplanted acreage, and that acreage can be planted to any other nonprogram crop.

Soybeans. The loan rate for the 1986 crop remains at \$5.02, but the Secretary of Agriculture has the authority to reduce this loan rate by as much as 5 percent (to as low as \$4.77 per bushel). There are no acreage reduction requirements for eligibility in the loan program.

Conservation reserve. Beginning in March, producers will be able to submit bids to the USDA to receive payment for placing "highly erodible" land in a 10-year conservation reserve. The bid will be the per-acre annual rent the producer will accept for putting such land to conservation use. The USDA will pay 50 percent of the cost of establishing trees or grass on that acreage. Bids will be judged on a state-by-state basis, and in-kind payment is permitted. Qualifying land must have been cropped or considered cropped in two of the last three years. It should be remembered that any land entering the conservation reserve will reduce the farm's base acreage for program crops.

The probable impact of the farm programs for 1986 will be examined in a future letter.

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