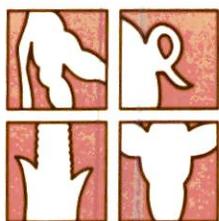




Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

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

February 5, 1986

MORE DETAILS OF THE 1986 FARM PROGRAM RELEASED

ON JANUARY 29, THE USDA RELEASED additional details about the wheat and feedgrain programs for 1986. These details pertained mostly to deficiency and diversion payments.

Deficiency payments are estimated at \$1.83 per bushel for wheat, \$1.03 for corn, 98 cents for sorghum, and 45 cents for oats. Forty percent of the estimated deficiency payments will be made available in advance. Seventy-five percent of the advanced deficiency payment will be in cash at the time of sign-up, and 25 percent will be in kind. Producers may request in-kind payments from May 1 to September 30. The sign-up period for the wheat and feedgrain programs will be from March 3 through April 11.

The payment rate for the 2.5 percent in-kind diversion program was also announced. These rates are \$1.10 per bushel for wheat, 73 cents for corn, 65 cents for sorghum, and 36 cents for oats. All of the diversion payments will be made available at the time of sign-up.

The USDA also announced that producers who have price support loans on any commodity on the day they request in-kind payments will have to make that loan collateral available for these payments. The quantity of the commodity received for in-kind payment will depend on the value of the commodity as determined by the Commodity Credit Corporation (CCC) at the time payment is made.

Producers who do not have commodities under loan or who have insufficient quantities to meet in-kind payments that are due them will be issued negotiable certificates for the monetary amount owed them. While these certificates can be sold, they are only redeemable for CCC commodities.

The USDA also announced that if Congress passed a technical amendment to the Act that would make cross-compliance for wheat and feedgrains discretionary, cross-compliance would not be required in 1986. As the Act now stands, participants in the program for one crop would not be allowed to exceed their base acreage on any other program crop. The Senate introduced such an amendment last week. The House introduced a similar amendment but also included wording to alter the way base acreages and yields are calculated for the 1986 crop year. Secretary Block has

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said that he will not support legislation designed to change base acreage and yield provisions.

As now legislated, base acreage for 1986 crops on individual farms will be calculated as the average of planted acreage plus acreage considered planted for the last five years, but it is not to exceed the average of the past two years; that is, base acreage will be the smaller of the 5-year and 2-year averages. The base yield will be calculated as the average of the *effective* yields for the 1981 through 1985 crop years with the high and low yields eliminated. It is believed that these rules would reduce the base acreage and yields for a large number of farms.

The payment-in-kind provisions announced last week will probably have a tempering effect on the prices of old-crop grain. The extent to which these prices will be pressured depends on how many producers will request advance payment, when they will request payment, and what commodities will be received as payment.

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