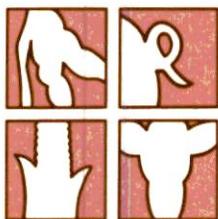




Cooperative  
Extension Service  
University of Illinois  
at Urbana-Champaign



# WEEKLY OUTLOOK

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

July 9, 1986

## PROGRAM PROVISIONS FOR 1987

THE SECRETARY OF AGRICULTURE HAS ANNOUNCED some general provisions for the 1987 wheat and feedgrain programs and specific provisions for the 1987 wheat program. These announcements indicate no change in the way the grain surplus problem will be addressed.

**Wheat Program.** The major focus of the 1987 wheat program is a voluntary acreage reduction program in return for loan and target price protection. Participating producers will be required to idle 27.5 percent of their base acreage to be eligible for price protection. The target price for the 1987 crop will remain at \$4.38 per bushel, but the loan rate will be lowered by 5 percent, to \$2.28 per bushel.

The farmer-owned reserve program remains, but entries into the reserve will not be permitted if existing reserve stocks exceed 17 percent of estimated domestic and export use for the 1987-88 marketing year. Reserve stocks currently exceed 25 percent of projected use for the 1986-87 marketing year.

Offsetting compliance will not apply to the 1987 wheat program: that is, participants in the wheat program will not be required to participate in programs for other crops that they produce.

Actual crop yields for 1987 and subsequent years will not be used to establish program payment yields in 1988 and beyond. The sign-up period for the 1987 wheat program is from October 1, 1986 through March 31, 1987.

**General Provisions.** Limited cross compliance will be required in the 1987 wheat and feedgrain programs: that is, to qualify for program benefits of one crop, producers may not exceed their base acreage for any other program crop, even though they are not participating in the program for that crop.

The so-called 50-92 program will be maintained. Under this provision, farmers who plant at least 50 percent of their permitted acreage for a program crop and devote remaining acreage to conservation use will be eligible for deficiency payments on 92 percent of the permitted acreage.

Under the 50-92 provision and acreage conservation reserve program, grazing (with some restrictions) will be allowed on conservation-use land at the request

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state ASC committee. Haying will be permitted on conservation-use land under the 50-92 program.

**Other Announcements.** The Secretary has indicated that there will *not* be a marketing loan provision in the 1987 wheat program. Such a provision, permitted by the Food Security Act of 1985, would allow alternatives for loan repayment if the market price is below the loan rate. Producers would repay loans at the world market price or 70 percent of the basic loan rate, whichever is higher. The Secretary would be required to issue a formula for defining the world market price.

The Secretary also announced that he would reserve the right to implement provisions to reduce program costs as outlined in the 1985 Act. The options fall into three categories. First, the Secretary could purchase commodities in the market if such purchases would be at a lower cost than acquiring the commodity through loan default. Second, the Secretary is allowed to forgive part or all of the accumulated interest on a nonrecourse loan. Third, the program for a particular commodity may be reopened any time prior to harvest if the Secretary determines that supply and demand conditions have changed so that burdensome surpluses seem likely. The Secretary could then accept bids from participating producers to convert planted acreage for conservation uses.

No announcement has been made about payment-in-kind or the use of commodity certificates. In the absence of a marketing loan provision, the use of such payments will probably increase.

*Darrel Good*

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