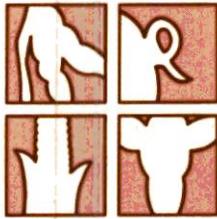




Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

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

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CONSERVATION RESERVE PROGRAM

The food security act of 1985 created the Conservation Reserve Program (CRP). The program requires the placement of 40 to 45 million acres of highly erodible cropland into the reserve by 1990. The minimum cumulative rate of entry into the reserve was specified as follows: 1986 - 5 million acres; 1987 - 15 million; 1988 - 25 million; 1989 - 35 million; and 1990 - 40 million acres. The maximum of 45 million acres can be reached any time prior to 1990.

Landowners desiring to participate in the CRP must agree to implement a plan, approved by the local conservation district, that places highly erodible cropland into grasses, trees, and other acceptable vegetative covers for 10 years. In return, the landowner receives an annual rental fee. The magnitude of the fee is determined by the acceptance, from the Secretary of Agriculture, of bids submitted by landowners. In addition, landowners can receive up to 50 percent of the cost of establishing conservation practices.

To date, four periods for submitting and accepting bids have been completed. The most recent bid period was February 9 through 27, 1987. For this bid period, the USDA offered a bonus payment of \$2.00 per bushel times program yield for each acre of corn base accepted into the CRP. The USDA announced the results of the latest bids on March 13, 1987.

In the February bid period, 11,254,837 acres were bid from 101,020 farms. The USDA accepted bids on 10,572,402 acres from 69,099 farms. Accepted bids reportedly ranged as high as \$90 per acre and averaged \$51.17 per acre. Of the total acreage accepted, 1,894,764 acres were identified as corn base.

The results of the latest round of bids brings the total entries in the CRP to 19,488,587 acres. About 2.4 million acres are in Texas, while from 1.2 to 1.6 million acres each are in Colorado, Iowa, Kansas, Minnesota, and Montana. Only 322 thousand acres have been accepted into the CRP in Illinois. The next bid period will be July 20 through 27, 1987.

The USDA did not immediately provide a state-by-state breakdown of corn acreage base entered into the CRP. However, a state-by-state breakdown of the magnitude of the bonus payment was provided. Iowa led that list with a total payment of \$122.7 million, 36 percent of the total payments of \$340.2 million. Minnesota was a distant second with \$45 million. Bonus payments to Illinois landowners totaled only \$17.9 million. The bonus payment will be made in the form of commodity certificates.

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The magnitude of acreage accepted into the CRP was below trade expectations, which ranged as high as 20 million acres. However, the acceptance of nearly 2 million acres of corn base was very close to the early forecasts by the USDA. Combined with a very high rate of participation in the acreage reduction and paid diversion programs, the 2 million acre corn base figure points to a sharp reduction in planted acreage of corn in 1987.

In 1986, the national corn base was reported at 81,883,142 acres. Of that total, 83.06 percent were enrolled in the 20 percent acreage reduction program. Idled acreage, then, totaled 13.6 million acres. Given the results of the latest CRP entries, the 1987 corn base should be near 80 million acres. If 90 percent of that acreage is enrolled in the 20 percent acreage reduction program in 1987 and 60 percent is enrolled in the 15 percent paid diversion, idled acreage under all three programs would total about 23.6 million acres in 1987. Planted acreage may not decline the full 10 million acres but could be reduced by 8 to 9 million acres. A reduction of 8.5 million acres and "normal" yields would point to a 1987 harvest of just under 7 billion bushels, a drop of 15 percent from the 1986 harvest. With continued improvement in export demand, surplus stocks would not be expected to grow during the 1987-1988 marketing year.

The USDA will release its *Prospective Plantings* report on March 31. This report will give the first indication of the magnitude of corn plantings as well as the acreage of other spring seeded crops.



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