



WEEKLY OUTLOOK

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FEEDGRAIN PROGRAM FOR 1993 — SOME CHANGES

Participants in the 1993 Acreage Reduction Program for feedgrains will see some changes in provisions from earlier programs. The basic provisions will be similar, in that participants will have to idle a portion of their base acreage (10 percent for corn, 5 percent for sorghum, 0 percent for barley and oats) in order to be eligible for Commodity Credit Corporation (CCC) loans and deficiency payments. The loan rate for corn will remain at \$1.72 per bushel and the target price will stay at \$2.75. The loan rates and target prices will be \$1.63 and \$2.61 for sorghum; \$1.40 and \$2.36 for barley; and \$.88 and \$1.45 for oats. The loan rate is \$1.46 for rye. The deficiency payment will be the difference between the target price and the larger of the loan rate or average market price. Sign up for the 1993 program will begin on March 1, 1993 and end on April 30, 1993. Producers who participate may request 50 percent of the estimated deficiency payment at the time of sign up. The magnitude of the estimated deficiency payment has not yet been announced.

Two major changes in program provisions will be initiated with the 1993 marketing year. First, CCC loans will be marketing loans rather than the traditional non-recourse loans. Presumably the loan program will be operated similar to the oilseeds marketing loan program. Producers will repay the loans at the market price or at the CCC loan rate, whichever is lower. No announcement has been made in regards to a loan origination fee. In case of soybeans, the current provisions require the producer to pay a 2 percent loan origination fee.

The second change coming in 1993 involves the way the magnitude of the deficiency payment is calculated. In the past, the deficiency payment was the difference between the target price and the average market price during the first five months of the marketing year (assuming that average was higher than the loan rate). Beginning in 1993, the average market price for the entire 12-month marketing year will be used to determine the magnitude of the deficiency payment. This change will presumably change the date of payment for the final deficiency installment. The change is also expected to result in a slightly lower deficiency payment compared to a payment based on the five month average price.

Beginning with the 1993 crop, corn producers in nine counties will have the opportunity to participate in the USDA Options Pilot Program. Those counties include Champaign, Logan and Shelby in Illinois; Carroll, Clinton, and Tippecanoe in Indiana; and Boone, Grundy, and Hardin

in Iowa. In addition, wheat and soybean producers in the three Illinois counties will be eligible for the Pilot Program.

It is not possible to explain all the provisions of the program here, but a few of the major provisions for corn are summarized. The program was mandated in the 1990 farm bill and is designed to provide federal support for commodities by helping producers purchase put option contracts for 1993 crops. Participants must enroll in the annual acreage reduction program and may participate in the Option Pilot Program at a level that is an alternative to either deficiency payments or loan program protection. Participating producers will receive a subsidy to cover the premium for the purchase of put options at a strike price equivalent to the target price (probably \$2.90) or the loan rate (probably \$2.00). Those producers buying target price put options agree to forego deficiency payments and loan benefits on enrolled bushels. Those buying loan rate equivalent put options agree to forego loan benefits on those bushels.

For the target price puts, participants must buy at least one (5,000 bushels) and no more than 10 (50,000 bushels) December 1993 put options by June 15, 1993. For the marketing loan alternative, producers must buy March 1994 put options, beginning at harvest of the crop.

In addition to a subsidy to cover the put option premium, participants will receive an incentive payment of 15 cents per bushel for purchasing target price options and 5 cents per bushel for purchasing loan price options. Enrollment will be at the same time as sign up for the 1993 Acreage Reduction Program.

The ASCS and Extension Service will conduct information meetings in each of the nine counties during February 1993.



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