

Current Report

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Flood Damaged Wheat and Government Program Alternatives

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Oklahoma farmers face a number of situations relative to harvestable wheat acres and the 1987 government wheat program. Some producers planted wheat that was flooded or drowned out and some did not get the wheat planted. Some have wheat planted on one farm but not on another.

The 1987 government program may provide relief for some farmers. But for others, they may not qualify for program benefits. Farmers have until March 30, 1987 to sign up or change programs.

The purpose of this report is to outline some of the alternatives available for producers that may not have been able to plant their full intended acreage. Information pertaining to planting spring wheat is available in OSU Current Report Number 2093.

Generally, the producer's first decision is to decide whether to participate in the government wheat program. If he participates in the program, he has several alternatives: 1) full participation on 72.5 percent of the base acreage; 2) partial participation using the 50-92 plan; or 3) partial participation to the extent of acreage planted.

If the producer elects to not participate, there are also several decision choices: 1) planting a cash crop; 2) planting pasture; 3) participation in the Conservation Reserve Program (CRP); and 4) leave the land fallow.

If 72.5 percent of the wheat base is planted, then all three alternatives may be considered. If the harvestable acreage is less than 72.5 percent of the base acreage but higher than 36.25 percent, you may participate in the regular program but you will receive deficiency payments on the percentage of the base harvested. For percentages between 66.7 and 72.5, you may want to participate in the regular program. For percentages between 36.25 and 66.7, you will probably be better off in the 50-92 program.

If less than 36.25 percent of the base acreage has been planted, then you are not eligible for the 50-92 provision of the government program. In this case, there are still opportunities to protect your wheat base and receive some deficiency payments on the acreage actually planted.

Regular Program

Participation in the regular loan program requires that no more than 72.5 percent of the base acreage be harvested. Additionally, Acreage

Conservation Reserve (ACR) must be given equal to 37.93 percent of the acres that qualify for deficiency payments. Less than 72.5 percent of the base may be harvested but program benefits will be reduced.

Benefits include eligibility for a \$2.28 (minus nine months storage) loan for each bushel harvested. Producers may also receive up to a maximum deficiency payment of \$2.10 per bushel. The deficiency payment is paid on the harvested acres (not to exceed 72.5 percent of the base acreage) and the base yield. Adjustments may be made for changes in farming practices. This will be discussed in detail below.

50-92 Option

Participation in the 50-92 option requires that at least 36.25 percent of the wheat base acreage was planted for harvest in 1987. Up to 66.7 percent of the base acreage may be harvested. There are Acreage Conservation Reserve and Conservation Use requirements. These requirements are based on the acreage base and the number of harvested acres.

Benefits include \$2.28 loan eligibility for each bushel harvested. Producers may also receive up to \$2.10 deficiency payment on 66.7 percent of the base acreage and the base yield.

Not having 36.25 percent of the base acreage planted may create a problem. However, if the wheat was planted for harvest but failed, then the producer may request that the ASCS county committee declare the acreage as planted for harvest. If the county committee declares the acreage as planted for harvest but failed because of factors beyond the producer's control, the producer will be eligible for deficiency payments on 66.7 percent of the base acreage and base yield.

If 36.25 percent of the base was not planted for harvest, the producer has at least five alternatives: 1) plant spring wheat, 2) plant an alternate program crop, 3) sign up for the conservation reserve program, 4) leave the land fallow, and 5) participate on the basis of the acreage initially planted.

There are provisions for producers that plant spring wheat. For program purposes, wheat is not broken down into classes. For example, the gross loan for all classes of wheat is \$2.28 per bushel and the maximum deficiency payment is \$2.10. However, reductions of program payment yield may result if

planting spring wheat is ruled as a substantial change in farming practices.

County ASCS Committees have been given the responsibility to determine what should be considered as changes in farming practices and what reductions, if any, should result.

Changes in farming practices may affect program payments via temporary adjustments in the yields for payment purposes. Recent federal directives have required county committees to consider a producer decision to change from winter wheat to spring wheat as a change in farming practices. Producers may want to check with local offices to see if this directive is still in force.

Non-participation

Producers may plant and harvest other crops on the wheat base acreage. The crop will not be eligible for the loan or other program benefits. But the wheat base acreage will not be protected unless a zero wheat acreage report is filed and conservation use acreage is available for credit equal to the wheat base.

Producers not participating in the 1987 government wheat program have no production restrictions nor will they receive any benefits. To protect the base acreage, producers should notify the County ASCS office about their intentions.

Conservation Reserve Program

Where affected land meets certain erodibility criteria, another alternative is to sign up in the Conservation Reserve Program (CRP). Part of The Food Security Act of 1985, the CRP allows eligible producers to enter into a bid process with USDA through local ASCS offices.

USDA will pay 50 percent of the cost of establishing approved conservation measures and will pay an annual rental payment to compensate for conversion for 10 years and temporary retirement of any cropland base, and also provide technical assistance.

A new sign up has been announced for February 9-27, 1987. The steps are as follows:

1. The producer should check with SCS to determine eligibility based on erodibility;
2. The producer develops a bid, which is an estimate of the minimum he would be willing to receive as an annual payment for 10 years to cease any productive activity on the land and to establish and maintain an approved conservation system;
3. Submit the bid to ASCS during the sign up period;
4. Await the USDA announcement for approval; probably between mid-March and early April; if you are approved, return to ASCS to begin the contract process.

While there are a variety of techniques to develop an appropriate bid, the general idea is to estimate the opportunity cost or value of income lost, 50 percent of the cost to establish conservation cover (prorated over 10 years), and an estimate of annual maintenance cost. The producer may also wish to consider a time value of money.

USDA simplifies this process by suggesting the appropriate bid be generally equivalent to the rental value of the land, keeping in mind that if the land also qualifies as highly erodible land under the conservation compliance provision, a conservation system must be implemented by 1990 to be eligible for participation in any government program.

In the previous three signups, Oklahoma has placed over 440,000 acres under CRP contract. Competition for bids is on a pool basis. There are four pools in Oklahoma: the Panhandle, Northcentral, Southwest and East. Maximum approved bids have ranged from \$40 in the Panhandle to \$45 for the Southwest and East and \$50 for the Northcentral.

Program provisions are subject to change and County ASCS Committees have initial rulings of program provisions. There is an appeals process.

There may be other alternatives that have not been presented in this paper. Producers should visit the County ASCS office as soon as possible about these or other production and program alternatives.



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