



Current Report

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The 1978 WHEAT PROGRAM
Provided by the Food and Agriculture Act of 1977

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March 1 through April 30 will be the sign-up period for the 1978 wheat program which became law on September 29, 1977, as part of the Food and Agriculture Act of 1977. The ASCS is developing final regulations and some refinements are still needed before the sign-up period begins.

While Congress expected that most producers would participate in the program, this decision is one each farmer must make based on his judgment regarding yields and market prices which will prevail for his farm for each crop for each year.

Advantages

Farmers who participate could benefit in three ways:

1. Eligibility for CCC loans at \$2.25 per bushel on all produced.
2. Deficiency payments based on the difference between the Target Price (\$3/bu.) and the average price received by farmers for the first five months of the marketing year (June-October) times the Normal Farm Yield times the number of acres for harvest in 1978. (Allocation factor may reduce paid acreage if harvested acreage is not reduced by 20% from 1977 acreage.)
3. Disaster payments on the difference between 60% of the Normal Farm Yield times the actual production times 50% of the Target Price. Disaster payments apply to the entire acreage for harvest. (Allocation Factor does not apply.)
 - a. Target Price will raise to \$3.05 if the 1978 crop is below 1,800 Mil. Bu. If the Five-Mo-Ave Price is below the loan-rate, the loan rate is substituted.

Whether the benefits to the participating farm will justify the 16.7% reduction¹ in wheat acreage required will depend on two results which cannot be known until after harvest: 1) yields actually achieved, and 2) prices from June through October.

It's possible that no benefits at all could result--if yields are above 60% of the Normal Farm Yield there can be no disaster payment, and if the Five-Month Average Price is above the Target Price there will be no deficiency payment and the \$2.25 loan would be meaningless. Some operators will want the "insurance value" of a guaranteed minimum income, however.

¹The setaside requirement is stated as 20% of the acreage planted for harvest in 1978 which is equivalent to 16.67% of the acreage devoted to wheat purposes, including setaside.

If, on the other hand, yields are substantially below 60% of the Normal Farm Yield, or prices are below the target price, the advantages of participation could be important.

STEPS TO PARTICIPATION

The basic requirement for participation for most is to set aside an acreage equal to 20% of the acreage planted for harvest in 1978. The ASCS also requires the following information and formal commitments:

1. Establish a Normal Crop Acreage for your farm at the county ASCS office. In most cases, this will be the acreage which was devoted to grains, oilseeds (other than peanuts) and cotton in 1977, including grain crops planted for hay or pasture, but not those used only for "green manure" or cover crops. If not already done, you should report 1977 crop acreages to the ASCS office so an NCA can be established, even though you do not expect to participate in 1978 since you might want to have it available for use in one or more of the following three years of this law.
2. Sign a participation contract at the county ASCS office during the sign-up period, March 1-April 30.
3. Setaside an acreage equal to 20% of the acreage for harvest. The setaside acreage must be:
 - a. land which has been used for crops in at least one of the past three years.
 - b. devoted to an approved cover crop, either planted or volunteer.
 - c. not grazed during the non-grazing period announced for your county.
4. The total acreage of wheat and other NCA crops (grains, soybeans, sunflowers, cotton, etc) plus required setaside must not exceed the Normal Crop Acreage for your farm.

Table 1. Crop Acreages Possible with Eligibility for CCC Loans, Deficiency Payments and Disaster Payments for the 1978 Crop with 1000 Acre No. C. Acreage.

	1977 Acres	Farm				
		A Minimum Changes	B Maximum Payments	C Maximum Wheat Acres	D Maximum Gr. Sg. Ac.	E Maximum Crop Acres
Wheat Harv. as Grain	500	416.67	400	833.33	0	0
Wheat Grazed Out ⁴	100	100	100	0	0	0
Wheat Setaside ⁵	n.a. ¹	83.33	80	166.67	0	0
Barley	100	90.91	80	0	0	0
Barley Setaside	n.a.	9.09	8	0	0	0
Grain Sorghum	200	181.82	190	0	909.1	0
Grain Sorghum Setaside	n.a.	18.18	19	0	90.9	0
Soybeans or Mungbeans	100	100.0	127	0	0	1000
Normal Crop Acreage	1000	1000.0	1000	1000	1000.0	1000
Pasture & Hay	400	400	400	400	400	400
Total Acres	1400	1400	1400	1400	1400	1400
Total NCA Crops	1000	900	900	1000	1000	1000
Total Setaside	n.a.	110.6	107	166.67	90.9	0
Eligible for Benefits? ²	Yes	Yes	Yes	Yes	Yes	Soybean Loan Only
Subject to Allocation? ³	n.a.	Yes	No	Yes	Yes	n.a.

1. n.a. = not applicable

2. On 1977 allotted acreage only

3. Allocation factor is expected to reduce deficiency payments by about 10%, can be no more than by 20%

4. Grazed-out wheat does not count toward the NCA Crop Average for 1978-81 even though it was included to determine the Normal Crop Average from 1977.
5. Setaside may be grazed except for a non-grazing period to be announced for each county.

5. The farm must be in compliance with setaside for all other crops grown on the farm for which a setaside has been announced.
6. If you own or operate another farm(s) on which a setaside crop is grown, the acreage of NCA crops must not exceed the established NCA.

Table 1 illustrates some examples of extreme alternatives available on a farm which had 1,000 acres of crops included in the Normal Crop Acreage set up in 1977.

Farmer A provides for minimum changes from the 1977 plan to be eligible for program benefits, but this plan is subject to the allocation factor because acreages for harvest are not reduced by the amount of the setaside (20% for wheat and 10% for feed grains).

Farmer B reduces acreages for harvest so as to be exempt from the allocation factor. Excess acres from wheat, barley and milo not needed for setaside are planted to beans.

Farmer C provides for maximum wheat acreage by taking land from feed grains and beans and devoting all the cropland to wheat and the minimum setaside required to qualify the wheat for benefits. Note that 833.3 acres of wheat are eligible for CCC loans, deficiency payments and for disaster payments, in case of a short crop, but this farmer is subject to payment reductions by the allocation factor.

Farmer E avoids setaside through a minimal sort of participation which provides for loan privileges for soybeans, but no other payments since there are no feed grains or wheat acres planted for harvest.

Farmer D plants a maximum acreage of 909 acres of grain sorghum (10% of the acreage for harvest) setaside. His deficiency payments will be reduced by the Allocation Factor.

Table II shows how payments and income work out for 100 acres of wheat land when yields are assumed to turn out either very low (5 bu.) or normal (25 bu.), when acreage planted is reduced by 20% from 1977 (80 Ac.), or only the minimum (20% of acreage for harvest) is setaside and 83.333 acres are planted. Assumed market price for the illustration is \$2.25 per bu. at harvest time.

Column	Setaside	Acres for Harvest	Yield	Total Receipts
1	16 Ac.	80 Ac.	5 bu.	\$3,000
2	16	80	25	6,000
3	16.67	83.33	5	3,000
4	16.67	83.33	25	6,125

Table 2. Payment Computations.

1977 Wheat Acreage	=	100.0 Acres
Normal Farm Established Yield	=	25.0 Bu./Ac.
Actual Yield 1978	=	(1) 5.0 Bu.
		(2) 25.0 Bu.
The Selling Price, Five Month Average Price & Loan Rate	=	\$2.25

(Table 2 Continued on Page 145.4)

Table 2 Continued--

A. Disaster Payment		20% Reduction and 20% Setaside		20% Setaside Only	
		80 Acres for Harvest		83.33 Acres for Harvest	
		5 Bu.	25 Bu.	5 Bu.	25 Bu.
Assumed Yields	(Bu/A)				
60% of Normal Farm Yld.	(Bu/A)	15	15	15	15
Underproduction for pmt.	(Bu/A)	10	0	10	0
X Acres for harvest	(Acres)	80		83.33	
= Payment Quantity	(Bushels)	800	0	833.33	0
X 50% of Target Price	(\$/Bu)	1.50		1.50	
= Farm Disaster Payment	(\$Total)	1200	0	1250	0
B. Deficiency Payment					
Acres for Harvest		80	80	83.33	83.33
X Allocation Factor		1	1	.92	.92
= Payment Eligible	(Acres)	80	80	76.67	76.67
X Normal Farm Yield	(Bu/A)	25	25	25	25
= Farm Prgm Prodn	(Bu)	2000	2000	1916.5	1916.5
- Bu. Paid by Dis. Pymnt	(Bu)	800	0	833.33	0
= Adj. Program Bu.	(Bu)	1200	2000	1083.17	1916.5
X Tgt Pr-5MoAvPr	(\$/Bu)	.75	.75	.75	.75
= Farm Deficiency Payment	(\$)	900	1500	812.50	1437.50
Total Govt Payment		2100	1500	2062.50	1437.50
Bushels Produced	(Total Bu.)	400	2000	416.67	2083.33
X Assumed selling Price	(\$/Bu)	2.25	2.25	2.25	2.25
= Grain Sale Receipts	(\$)	900	4500	937.50	4687.50
Grain Sales + Payments	(\$)	3000	6000	3000	6125
Setaside Requirement	(Acres)	16	16	16.67	16.67
Land left over for other use		4	4	0	0

WHEAT PROGRAM PROVISIONS

	Provisions of 1973 Law			Provisions of 1977 Law		
	1973	1976	1977	1977	1978	1979-1981
Loan Rate	1.25	1.37	1.50	2.25	2.25	Adjusts according to world market
Target Price	2.05	2.29	2.47	2.90	3.00	Adjusts according to cost of production
Setaside Required	0	0	0	0	20%	Set each year by the Sec'y. of Agriculture.
Deficiency Pymt. Rate per Bu.	0	0	.22	.65	.75?	Target Price-5 Mo. Average
Maximum Payment per Farm	20,000		20,000	40,000	40,000	45,000 in 1979 50,000 in 1980
Disaster Payment Rate per Bu.	.68	.76	.82	1.45	1.50	50% of Target Price
Acreage Eligible (Wheat Allotment Only)						Acreage Planted for Harvest as Grain

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