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Federal Reserve Bank of Chicago - -

February 1, 1963

The Feed Grain Program signup for 1963 will begin February 1 and run through March 22. Provisions of this year's program generally follow those for 1961 and 1962 crops but with several important changes: introduction of compensatory payments; a reduction in payments on diverted acres for most farmers and higher price supports.

Participation in the 1963 program, as in the two previous years, is voluntary; that is, there are no marketing quotas. In order to participate, farmers must reduce their acreage of corn, barley and grain sorghum a minimum of 20 per cent from their 1959-60 base. In return, farmers will receive payments for idling this acreage and will be eligible for price support loans on all of their production of all feed grains, including oats and rye. Additional payments will be made for retiring up to a maximum of 40 per cent of base acreage. Farmers on small farms may retire their entire base up to a maximum of 25 acres. Unlike 1961 and 1962, those who participate in the program must divert all of the acreage signed up to be eligible for price support loans and program payments.

Price supports for corn, barley and grain sorghum will be provided in two parts this year—support loans plus compensatory payments. In 1961 and 1962 support was provided entirely by loans. The compensatory payment for corn, for example, will be 18 cents per bushel on the normal yield of the planted acreage. Payments will be made regardless of the actual yield in 1963 and regardless of the use made of the feed grain—whether fed to livestock, marketed or placed under price support loan. Price supports have been increased from the 1962 levels but, because of the introduction of compensatory payments, price support loans on corn, barley and grain sorghum are substantially lower. (For corn, the loan will be \$1.07, making the total support \$1.25 per bushel, compared with \$1.20 in 1961-62.)

Feed Grain Support Prices Higher

Grain	1961 total support	1962 total support	1963 Support loan	Compensatory payment	Total support
Corn, bu.	\$1.20	\$1.20	\$1.07	\$.18	\$1.25
Barley, bu.	.90	.90	.82	.14	.96
Grain Sorghum, cwt.	1.93	1.93	1.71	.29	2.00
Oats, bu.	.62	.62	.65	—	.65
Rye, bu.	1.02	1.02	1.07	—	1.07

Payments for idled acreage will be lower in 1963. The first 20 per cent of the acreage idled will receive payments at a rate of 20 per cent of the total support price on the normal production (1959-60 average yield) of the diverted acres. (In 1961 and 1962 the payment rate was 50 per cent, the support price was slightly lower and there were no compensatory payments.) Farmers may idle an additional 20 per cent of base acreage and receive payments at a rate of 50 per cent of the support price. However, the compensatory payment is reduced when additional acreage is idled. (Last year payments were 60 per cent for additional acreage retired.)

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Farms with a base of 25 acres or less have special provisions. These farms will receive payments at 50 per cent on all normal production (but no compensatory payments) for idling their entire base acreage of barley, grain sorghum and corn. Thus farmers with a small base acreage will receive about the same amount of payment as in 1961 and 1962. Larger farms are eligible for this same payment if they idle 25 acres and do not grow any feed grains.

Comparative Returns in 1963 Feed Grain Program U. S. DEPT. OF AGRICULTURE NATIONAL AGRICULTURAL LIBRARY

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	Nonparticipation	Participation 20%	40%
<u>Acres</u>			
Diverted	—	20	40
CULTURAL RECORDS	100	80	60
<u>Yield (bu.)</u>			
Actual	81	83	84
Normal	67.5	67.5	67.5
<u>Gross Income</u>			
Crop (\$1.07 per bu.)	\$8,667	\$7,104	\$5,393
Diversion payment	—	338	1,188
Compensatory payment	—	972	729
Total gross income	\$8,667	\$8,351	\$7,310
Cost reduction (\$20 per acre)	—	400	800
Comparative return	\$8,667	\$8,751	\$8,110

This example shows a decided disadvantage for idling more than 20 per cent of the base. However, other factors must be considered such as the relative size of base acreage, actual vs. "normal" yield per acre, overall fertility of the farm, available labor and machinery and the degree of weather risk for the individual farm.

The number of small producers idling their entire base acreage in 1963 probably will be about the same as last year. While more large farmers may sign up in the program to obtain the price support loans and program payments, less acreage probably will be idled since payments for idling acreage above the minimum have been reduced. This will tend to reduce the total acreage retired and, if weather is favorable, boost feed grain production above the 1962 level.

Research Department