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WORLD WHEAT REVIEW AND THE DOMESTIC OUTLOOK

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This year's review of the world's wheat situation features record supplies, a significant increase in utilization and prospects for record high year ending stocks. World wheat prices are currently running at their lowest level since the early 1970's, but 1986/87 trade is expected to increase only modestly. Low prices along with larger supplies are encouraging greater use; however, very little of this increase is dependent on imported grain. World imports are projected to increase only around 2 percent from last year's depressed level.

WORLD WHEAT OUTLOOK

The world's total wheat area in 1986/87 is estimated to be the smallest in nine years. However, this apparently will have little impact on the over-supply situation as the 1986 crop is the second largest on record, reflecting near-record yields. Improving yields may continue to thwart efforts to bring world supplies more in line with demand. As farmers in the major exporting countries reduce area, only the more productive land is left in production, limiting the effect of the cutback in area. In addition, farmers in the developing countries are readily embracing new technologies which, in many cases is pushing yields far above levels realized just a few years ago.

WORLD WHEAT PRODUCTION

Country/Region	1983/84	1984/85	Preliminary 1985/86	Projected 1986/87
		-- Million Tons --		
United States	65.9	70.6	66.0	56.5
Australia	22.0	18.7	16.1	16.0
Argentina	12.8	13.2	8.5	9.6
Canada	26.5	21.2	24.3	31.3
EC-12	63.8	82.9	71.8	71.2
China	81.4	87.8	85.8	89.0
USSR	77.5	68.6	78.1	81.0
India	42.8	45.5	44.2	47.0
Others	96.8	102.8	104.3	112.0
Total	489.5	511.3	499.1	513.6

The answer to the problem of excess supplies, therefore, must lay in large part with stimulating consumption. This is the basis for the new U.S. farm legislation. During the 1970's, world wheat utilization grew at an annual rate of well over 3 percent. Exports expanded sharply as many countries found it both economical and attractive to cover expanding consumption with imports. However, this consumption growth rate may have been to good too be true as the era of the 1980's has seen annual consumption expansion slow. What has changed? A number of factors have contributed to the slower rate in the 1980's. During the early 1980's, U.S. loan rates for wheat increased significantly, and the dollar also strengthened, making imports more expensive. The abundance of easy credit that had supported a number of countries grain buying binges started to shrink. In addition, the new farm policies that were put in place in the 1970's by a number of countries started to bear fruit in the early 1980's, particularly for major importers such as India and China and more recently the USSR.

Recent U.S. policies were designed to turn around the export outlook. The dollar has declined sharply against many countries' currencies. However, it appears that currencies for a number of the developing markets have also declined, minimizing any benefits. More important has been the adjustment in U.S. loan rates for grains. The loan rate for the 1986 wheat crop has been set at an effective level of $2.30 per bushel, down 37 percent from the 1983 level. USDA has already announced the 1987 loan at $2.28 per bushel. Export prices have adjusted accordingly. As an example, HRW wheat at the Gulf is currently quoted at around $105 per ton, compared with $130 a year ago, and $153 two years ago. Many people have been critical of the new farm legislation, pointing out that our competitors are meeting or undercutting U.S. prices so what are we, as exporters, gaining. The lower loans for U.S. wheat are a signal to the world's other major exporters that they should not depend on the U.S. holding a high price umbrella over the world wheat market any longer. These lower loans should also encourage wheat users to expand wheat consumption. If the average annual increase in consumption for the balance of the 1980's and into the early 1990's should return to the level of the 1970's, the world's huge wheat stockpiles would be worked down and programs to limit area could be eased.

THE COMPETITION

The 1985 U.S. farm legislation has already started to have some impact on programs and policies of our major competitors. The most dramatic has been lower initial returns from 1986 wheat crops. In addition, some countries have already announced adjustments which could affect future production.

For those who were disappointed in other countries' responses to our new loan rates so far, it must be kept in mind that production decisions on the 1986 crop area were well along by the time the U.S. farm bill was enacted. Consequently, competing producers would likely have had little, if any, opportunity to modify production plans as a result of the new U.S. wheat program. Because of the annual nature of wheat production, any significant adjustments in area or applications of production inputs will likely have to wait for 1987.

For producers in most of these countries, prospects and problems are not much different from those faced by the U.S. farmer. The year ahead will be

characterized by production, price, and market uncertainties regardless of what flag they swear allegiance to. However, despite the similarity of the wheat outlook for most countries, there are some striking differences.

In order to bring these differences into focus, lets take a quick look at the competition starting with Argentina. Argentina is the only major competitor that has witnessed a significant reduction in wheat area in recent years. More attractive returns from oilseeds and coarse grains have encouraged a significant reduction in area devoted to wheat. Area devoted to wheat in 1986 is the smallest since 1980 and represents a 30-percent reduction from the recent 1982 high. This year's projected harvest of 9.6 million tons is up from a year ago's weather impacted-outturn but still well short of the recent record outturn. Reflecting this year's limited export availabilities and large commitments under government-to-government agreements, Argentina recently opened export registrations for only 1 million tons of wheat. Wheat sales are already thought to total in the area of 4 million tons, leaving little of the 1986 crop available for export. Reflecting developments in the world marketplace, Argentina has announced a modest reduction in the 1986 guarantees to producers.

Area devoted to wheat in Australia edged down in 1986 for the third consecutive year. This reflects some shift of wheat area back into grazing as the wheat outlook has deteriorated and livestock outlook improved. The 1986 crop of 16 million tons is below the level of recent years, but Australia can be expected to draw heavily on stocks again if international import demand warrants. Australia enjoyed a record-shattering export year in 1985/86, which may be difficult to duplicate in 1986/87. Last year's major buyer, the USSR, is expected to import less. In addition, Australia is likely to face increased competition in some of its other major markets, such as China and Egypt. Feed wheat sales to traditional U.S. corn markets are expected to again be an important segment of Australia's export picture. Australia, anticipating sharply lower returns from selling the 1986 crop, has announced that the 1986 guaranteed minimum payment would be reduced by 13 percent.

Canadian wheat producers, faced with prospects for lower returns for the 1986 wheat crop expanded area to an all time record. Despite periods of adverse weather, Canadian wheat producers harvested a record crop of 31 million tons. A larger than normal portion of this year's harvest will grade CWRS No. 3 or lower, but given the sheer magnitude of this year's outturn, Canada should have more than enough wheat to satisfy its high-quality markets. The more perplexing problem may be where to find markets for the abundant supplies of lower quality wheat. Canada has recently become more aggressive in the feed wheat market with sales of this type of wheat accounting for around 10 percent of total exports in 1985/86. Sales of low quality or feed wheat may become even more important in 1986/87. In anticipation of markedly lower world prices this marketing year, Canada announced an initial payment of C$130, down 19 percent from a year ago. Even given the lower initial payment it appears likely that the Wheat Pool may run a deficit in 1986/87, necessitating funding from the Federal government.

The European Community continues as a major force in the world's wheat market. Collectively, wheat production exceeds that of any of the major exporters. Domestic use still overshadows trade as the major end use for wheat. However, shipments to other member states or to third countries continue to be an

extremely important outlet for excess production. The dramatic story surrounding the EC's wheat industry has been the decline in dependence on outside wheat for its milling industry and expansion in trade to countries outside of the EC. This trend has been modified over the past two years as reduced world import demand has resulted in greater use of domestically produced supplies at the expense of imports. In 1986/87, EC wheat exports to third countries are estimated at 14.5 million tons, the lowest in seven years, reflecting in large part reduced sales opportunities to the USSR. Offsetting this, EC wheat imports are likely to continue at last year's record low of 2.6 million. The EC has reacted to lower world wheat prices under the new U.S. farm legislation by sharply increasing export subsidies. Recent wheat sales at around $63 per ton have necessitated a record subsidy of about US $130. So far the EC has been generally frustrated in its attempts to reduce program costs by lowering guarantees to grain producers.

WORLD WHEAT AND FLOUR TRADE
July/June Marketing Year

	1984/85	Preliminary 1985/86	Projected 1986/87
	-- Million Tons --		
EXPORTS			
Canada	19.4	16.9	18.0
Argentina	8.0	6.1	4.6
Australia	15.8	16.0	14.5
EC-10	18.5	15.5	14.5
Sub-Total	61.7	54.5	51.6
U.S.	38.1	25.0	28.0
Other	7.1	5.5	7.0
TOTAL	106.9	85.0	86.6
IMPORTS			
EC-12	3.4	2.6	2.6
Mid. East & N. Africa 1/	14.1	11.0	11.1
Egypt	6.6	6.7	7.0
Mexico	.5	.1	.2
India	.2	.1	.1
E. Europe	2.6	3.4	3.3
China	7.4	6.6	7.0
USSR	28.1	15.7	14.0
Other	44.0	38.8	41.3
TOTAL	106.9	85.0	86.6

1/ Algeria, Morocco, Tunisia, Iran, Iraq, and Nigeria.

WORLD IMPORT DEMAND

Despite earlier optimism, world wheat import demand is expected to expand only modestly in 1986/87. Early predictions for a significant increase in world wheat utilization appear to still be true as world wheat consumption will hit a record 507 million tons. However, the portion of this year's consumption that will be covered by imports appears to be falling far short of earlier expectations. Back in May, when USDA made its initial projection for 1986/87

world wheat supply-demand, imports were expected to cover over 18 percent of the world's wheat utilization. Now it seems likely that imports' share will fall short of this level.

Because of their importance in the world wheat market, there is a tendency to focus on the wheat situation in China and the USSR. However, a number of other countries are also meeting more of their 1986/87 wheat needs from domestic supplies than earlier expected. Larger crops have reduced import needs in many cases. For other countries, demand has not expanded as much as expected. It may take some time to accurately gauge the impact of the world's sharply lower wheat prices on consumption trends and import levels. The question many countries are now facing, with imported wheat prices 20 to 30 percent lower, is should they expand wheat imports and consumption, or just transfer the savings on wheat imports to other forms of expenditures. Even with lower prices, many countries are facing difficult import decisions because of scarce foreign exchange and limited credit availability.

Stocks To Rise to Record Levels

Even with the United States holding significant amounts of wheat land out of production for 1986 and many countries reducing prices which should encourage consumption, the 1986/87 marketing year seems to be destined to be another stock builder. It now appears that stocks will climb modestly from the record level at the end of the 1985/86 marketing year. The major exporting countries will continue to carry around 70 percent of the world's wheat stocks.

Wheat Prices Plummet

The lower loan rates for the 1986 U.S. wheat crop and abundant world supplies set the stage for a major restructuring of world wheat prices. As an example, HRW wheat the major U.S. export wheat has been trading at around $105 per ton. In December 1984, this same wheat was selling for around $150 per ton. As a matter of record, you would have to go back to the early 1970's to find lower wheat prices. Competition in the world wheat market has become even more intense as reports indicate that recent feed wheat quotes have fallen to close to $50 per ton, well below quotes for corn.

What Lies Ahead

Some of the uncertainty that hung over the wheat market 12 months ago when the 1985 Outlook Conference convened has been erased, only to be replaced by new uncertainties. New U.S. farm legislation is now in place, and lower wheat prices appear to be a given. However, a major question still to be answered is whether these lower prices will result in an upswing in the rate of growth in world utilization and a slowdown in the growth of production outside of the United States. The bottom line, of course, is what impact will this have on U.S. wheat exports.

There is already some evidence that other wheat-producing countries are reducing their production guarantees to wheat producers. While few have announced reductions as large as here in the United States, this start could be reflected in a more modest rate of production expansion in the years ahead.

The world's response to the price policy changes put in place by the U.S. will depend on how permanent they appear to be. For the new farm legislation to have a long-term positive effect on U.S. exports, both competitors and buyers must believe that the United States is serious about lowering U.S. prices to world levels and serious about increasing our export competitiveness. Without this commitment, the necessary adjustments in production and utilization outside of the U.S. will not take place. We must let the world know that our wheat will continue to be competitive. Part of being a reliable supplier is not only having the quantity available when a buyer needs it but also having it available at a reasonably predictable price.

Overhanging the world wheat market are recent developments in countries such as the USSR, China, India, and Brazil, where production successes have resulted in a significant decline in import demand. Policy changes have contributed to these recent production gains and have resulted in a shift away from dependence on imports. If these countries, along with others, continue their recent policy and production trends the outlook for future growth in world wheat trade would be diminished. But should future growth in consumption outstrip production increases, will these countries again turn to the world marketplace for large wheat imports? One would hope that lower world wheat prices would encourage many countries to expand wheat use even if additional imports are the result.

It is possible that many of those countries that have sharply increased wheat production in recent years and have held down consumption growth will continue to pursue these goals. This would likely guarantee that the world wheat market would continue in an oversupply situation and prices and returns to wheat producers would continue depressed.

As yet there is little indication that lower prices are stimulating wheat utilization around the world, except possibly in the case of early 1986/87 sales of wheat for feed. Much of the growth in world wheat utilization in 1986/87 is due to higher domestic production. Unfortunately in a number of countries, consumers are unable to realize the benefits of lower wheat prices because of import barriers. If lower wheat prices are to work we must work to eliminate these barriers, so wheat users everywhere can benefit from the reduced cost of wheat.

Lower world wheat prices should go far in stimulating import demand. There is ample evidence that in times of rising prices, world wheat utilization falls below long term trends and vice versa, during periods of falling prices consumption normally runs above trend. With the new price levels now in place, utilization should start to accelerate. It stands to reason that with world wheat prices down 20-30 percent, a buyer's dollar goes further; therefore, ceteris paribus, some expansion in wheat utilization and imports is likely. This pickup in demand would represent a permanent increase in trade as countries reach new levels of wheat consumption.

1986/87 Domestic Situation

The harvested area of the 1986 U.S. wheat crop was 60.5 million acres, about 7 percent lower than the previous year and the smallest since 1978. This area, combined with the lowest yield since the 1980 crop, produced a crop of 2,077 million bushels, nearly 350 million below the previous year.

Total supplies (3,992 million bushels) for 1986/87 are the second highest, but with use expected to exceed production for the first time since the 1983 crop, ending stocks on May 31, 1987 are projected to be 1,837 million bushels, down slightly from a year earlier. Domestic use for the 1986/87 season is projected to be 1,130 million bushels, reflecting heavy wheat feeding and a continued upward trend in food use. First quarter wheat feeding continued at the high level of the past four years as early season wheat prices (June-August) were competitive with feed grain prices. With the harvest of a huge feed grain crop and a substantial decline in feed grain prices since mid-August, wheat fed during the balance of the year will likely be minimal.

U.S. wheat exports for the 1986/87 marketing year are projected at 1,025 million bushels, up 12 percent from last year and the first year to year upturn since the record 1981/82 export year. U.S. wheat exports in 1985/86 were the smallest since 1976/77 reflecting the uncompetitiveness of U.S. prices in the world market. Sales under the Export Enhancement Program were a significant part of total export sales in 1985/86, and are expected to continue important in 1986/87. However, sales under this program were not able to offset losses in other markets. Despite lower U.S. export prices in 1986/87, U.S. wheat exporters are finding it extremely difficult to regain markets that were lost over the past 2 seasons as competition for markets among the major sellers continues to be extremely aggressive.

Wheat stocks as of May 31, 1987 are projected at 1,837 million bushels. Wheat stocks in various government programs and the projected disposition of such stocks through the end of the 1986/87 marketing year are shown on the following table.

Program	Quantity (mil. bu.)
(Quantities As of 11/1/86)	
Farm-Owned Reserve	484.4
Special Producer Storage Loan Program	163.4
CCC-Owned Inventory	859.1
9-Month Regular Loans:	
1985 Crop	187.5
1986 Crop	369.4
Total	2,063.8
Additions	
1986 Loan Placements 1/	175.0-225.0
Dispositions:	
Loan Redemptions 2/	25.0-30.0
Certificate Exchanges	300.0-400.0
P.L. 480, Other Use	75.0-100.0
Total As of June 1, 1987	1,838.8-1,758.8

1/ Estimated loan volume from 1986 crop = 575-625 million bushels. 2/ Cash.

The key element of the stocks situation continues to be its composition. Nearly all of the ending stocks for the 1986/87 marketing year will be tied up in some type of government program. A major factor affecting the composition of ending stocks will be the quantity of wheat exchanged with generic commodity certificates. An expanded issuance of generic certificates will

increase wheat exchanges and likely raise the quantity of wheat readily available to the market.

Wheat prices for the 1986/87 season are projected to average between $2.20-$2.40 per bushel, the lowest level since the 1977/78 season. Prices during the first five months have averaged $2.32 per bushel, 8 cents under the announced 1986 loan rate. Wheat prices for the balance of the marketing year are expected to remain essentially flat. Some seasonal adjustment may occur but such adjustments will likely be moderated due to the certificate program.

Since farm prices are averaging below the loan level, the wheat deficiency payment will be the maximum (difference between the target price of $4.38/bu and the loan level of $2.40/bu.) of $1.98 per bushel. This payment will be made to eligible producers after Dec. 1, 1986. Most producers have received an advance payment of $0.915/bu. The advance payment was paid 60 percent in cash discounted by the 4.3-percent Gramm-Rudman-Hollings deficit-reduction factor and 40 percent in generic certificates. No decision has been made as to what portion of the final deficiency payments will be paid in certificates. The final payments are estimated to total about $1.9 billion. Total deficiency payments for the 1986 wheat program will be about $3.5 billion, more than double the amount paid in the previous year.

Program provisions for the 1986 crop featured the first impacts of the Food Security Act of 1985. Although this farm bill was not what the Administration had proposed to correct past farm policies and to provide for an orderly transition to a more market-oriented farm program it promises to make U.S. producers more self-reliant and their products more competitive in the international marketplace. It also begins to break the link between high government price supports and production decisions. The 1986 wheat program provisions are shown in Appendix Table I.

1987 Crop Outlook/Announced Program

Generally, producers planted wheat this fall with good moisture conditions and full knowledge of the 1987 Wheat Program. Excessive moisture in Minnesota, Michigan, and many of the Delta States either delayed fall planting or prevented planting altogether. With the exception of areas where excessive moisture has caused planting delays, prospects at this time point to high yields for the 1987 winter wheat crop. Moisture conditions are also excellent in the spring wheat and durum areas. Wheat plantings for 1987 will be down from the 1986 level of 72.0 million acres by 10 to 15 percent, reflecting the expected high level of participation in the 1987 wheat program. The 1987 Wheat Program provisions basically resemble the 1986 program and are shown in Appendix Table II.

Based on provisions announced for the 1987 wheat program, the following example provides a simple format for determining how the program would operate for a farm with a 100-acre wheat base. The market prices, harvested yield and production estimates in this example do not reflect official USDA projections. Individuals can substitute their own acreages, price projections, yield estimates and variable costs of production to determine how the program might fit their operations. -#- denotes Item number.

Item	
1. Target Price ($/bu)	4.38
2. National Avg. Loan Level ($/bu)	2.28
3. Acreage Reduction Percentage	.275
4. Permitted Acreage Percentage (1.0-#3)	.725
5. Acreage Conservation Reserve (ACR) Percentage (#3/#4)	.3793
6. Farm Price ($/bu)	2.28
7. Deficiency Payment Rate ($/bu)[#1-#8] 1/	2.10
8. Program Payment Yield (bu/ac)	33.0
9. Harvested Yield (bu/ac)	37.0
10. Base Acreage (ac)	100.0
11. Permitted Acreage (#5 x #4)	72.5
12. Harvested Program Acreage (ac)	72.5
13. ACR Requirement (ac) [#12 x #5]	27.5
14. Production (bu)[#12 x #9]	2683
15. Income Factors:	
a. Production Value ($) [#14 x #6]	6116
b. Deficiency Payment ($) [#12 x #8 x #7]	5024
c. Total Income ($) [#15a + #15b]	11140
16. Variable Costs of Production:	
a. Harvested Acreage ($) [#12 x $45]	3263
b. Maintenance of ACR ($) [#13 x $15]	413
c. Total Variable Costs	3676
17. Net Income ($) [#15c - #16c]	7464

1/ Deficiency payment rates are determined in two phases. First: Based on difference ($1.53/bu) between target price ($4.38/bu) and higher of: (1) Basic loan level ($2.85/bu) or (2) average farm price during first 5-months (June-October) of marketing year ($2.25/bu). Payments earned under this phase are limited to $50,000 per person and would be paid after December 1, 1987. Second: Based on difference ($0.57/bu) between basic loan level ($2.85/bu) and higher of (1) announced loan level ($2.28/bu) or (2) season average farm price (June 1987-May 1988). Payments earned under this phase are not subject to a $50,000 payment limitation but will be subject to a $200,000 limitation and would be paid after July 1, 1988.

Food Security Act Provisions for 1988-90

The Food Security Act of 1985 contains specific details of minimum and maximum levels of program provisions that will apply to the 1988-90 crops of wheat. Unless changed by legislation the following provisions are given:

	Crop Year		
Provision	1988	1989	1990
Target Prices ($/bu) 1/	4.29	4.16	4.00
Loan Level ($/bu)			
Basic Rate 2/	2.71	2.57	2.44
"Findley" Rate 3/	2.17	2.06	1.95
ARP Percentage 4/	20-30	20-30	20-30
Crop Acreage Base (Crop Yr. Avg.) 5/	83-87	84-88	85-89
Program Payment Yields (Crop Yr. Avg.) 6/	81-85	81-85	81-85

1/ Minimum levels. May also set targets based on variable percentage of ARP reduction or a graduated scale of production.

2/ Not less than 75 to 85 percent of preceding 5-year average of market prices dropping high and low price years, except loan level cannot decline by more than 5 percent from preceding crop. 3/ May adjust "basic" loan level by up to 20 percent to maintain domestic and export markets. 4/ If beginning stocks for any crop year is above 1.0 billion bushels an acreage limitation program (known as ARP) is required within the range shown. 5/ Moving 5-year average of planted and considered planted wheat acreage on the farm. 6/ Based on the average of established program payment yields on the farm during the 1981 through 1985 program years dropping the high and low payment yields.

Other program provisions such as paid land diversion, cross/offsetting compliance, advance payments, certificate program, haying and grazing of ACR and 50/92 CU, Gramm-Rudman-Hollings budget deficit reduction factor and disaster programs may vary each year and will be determined based on factors existing at the time a program decision is made.

Future Legislative Changes

The outlays for all commodity programs during FY 1986 exceeded $25 billion. During the 1960's and 1970's commodity program outlays averaged about $4 billion and have averaged over $13 billion during the 1980's. With the huge deficit, the Congress and the Administration will continue to seek ways of reducing or eliminating the deficit. The Balanced Budget and Emergency Deficit Control Act of 1985 (the Gramm-Rudman-Hollings Act) is the main vehicle under which this objective will be accomplished. As a result, all Government spending will be under review and especially agricultural outlays since they have become so high. The actions taken to trim federal outlays will vary considerably. On the agricultural front the issues and opinions on how to control program costs and improve agriculture's economic situation are broad. Some issues that will likely be debated are:

1. Mandatory Controls.
2. Payment Limitations
3. Marketing Loans
4. Targeting Payments
5. Stay-the-course
6. Unhitching payments from planted acreage and prices.
7. Lowering Target Prices.
8. Limiting acreage on which deficiency payments are paid.

The list of issues will probably be broader, but those listed are likely to be the key elements. The 100th Congress will be faced with tough decisions and only time will show what actions were taken to accomplish the task of lowering the federal deficit and improving the agricultural economy.

Appendix Table I: 1986 Wheat Program Provisions

1. Acreage Reduction Program (ARP) [(% of CAB)] . . 22.5
2. Paid Land Diversion (PLD) [(% of CAB)] 2.5
3. Optional PLD (% of CAB) . . . . . 5.0 or 10.0
4. PLD Payments ($/bu) 1.10/2.00
5. Target Price ($/bu) 4.38
6. Loan Level ($/bu) 2.40

7. Advance Payments:
   -- 50 percent of $1.83 estimated deficiency payment (40 percent in generic certificates and 60 percent in cash) -- 100 percent of diversion payments

8. No cross or offsetting compliance requirements.

9. Crop acreage bases (CAB) established by averaging wheat planted and considered planted on the farm during the preceding 5 years (1981-85).

10. Program payment yields were established using the average of the program payment yields on the farm during the 1981-85 program years dropping the high and low yield years. For 1986, the program payment yield on the farm could be no lower than 97 percent of the 1985 program payment yield.

11. Haying and grazing of idled wheat land (ARC) and underplanted permitted wheat acreage (50/92 CU) maintained in conservation uses was permitted at the request of each State ASC Committee.

12. The 50/92 provisions were in effect. This provision permits producers to plant one-half of the farm permitted acreage to wheat and devote the balance to conservation uses. Deficiency payments would be paid on 92 percent of the permitted acreage. In past years, deficiency payments were paid only on acreage actually planted to wheat within the permitted acreage.

13. Contracts signed by program participants were binding and liquidated damages assessed for failure to comply with program requirements.

14. Implementation of the generic certificate program.

15. The sign-up period was March 6, 1986 through April 25, 1986.

Appendix Table II: 1987 Wheat Program Provisions

1. Acreage Reduction Program (ARP) [% of CAB] . . . 27.5
2. Optional Paid Land Diversion (PLD) [% of CAB] 0
3. Target Price ($/bu) 4.38
4. Loan Level ($/bu) 2.28

5. Advance Payments:
   -- 40 percent of $2.10 estimated deficiency payment (50/50 split; cash/certificates)

6. No offsetting compliance requirements, limited cross compliance requirements will apply. (Condition of eligibility for wheat program benefits on a farm requires that the plantings for harvest of other program crops on the farm cannot exceeds such crop's established crop acreage base.)

7. Crop acreage bases (CAB) established by averaging wheat planted and considered planted on the farm during the preceding 5 years (1982-86).

8. Program payment yields are established in same manner as discussed for 1986 program, except yield decline from the 1985 level is limited to 5 percent.

9. Grazing of idled wheat acreage (ACR) is permitted at request of the State ASC Committees with a designated 5-month nongrazing period. Haying of ACR is not authorized. Haying and grazing of 50/92 CU land is permitted at the request of State ASC Committees (STC). When making this decision, STC's must council with all interested parties.

10. The 50/92 provisions remain unchanged from the 1986 program.

11. The upper limits on the farmer-owned reserve quantity will be not more than 17 percent of the estimated domestic and export use (about 350 million bushels) for the 1987/88 marketing year. If reserve quantities exceed the upper limit at the time 1987-crop loans mature, no entry into the reserve will be permitted.

12. No Grahmm-Rudmann Hollings deficit reduction factor will apply to the 1987 program payments.

13. Program contracts will be binding at conclusion of sign-up or at the time a producer requests an advance payment.

14. Unless exempted, any producers who, after December 23, 1985, produce an agricultural commodity on a field which is predominately highly erodible land, or who converts wetland for the production of any agricultural commodity, will be ineligible for any program benefits or payments on all farms in which they have an interest.

15. Actual harvested yields from the 1987 crops will not be considered in the establishment of 1988 and subsequent years farm program payment yields.

16. The sign-up period is from October 1, 1986 through March 30, 1987.