

# ASCS Program On ARP Wheat Program

UNIVERSITY PARK (Centre Co.) — Pennsylvania wheat farmers planted more than 225,000 acres in 1989; however, only 36,759 acres were in the ASCS wheat program according to George Greaser, Penn State research associate in agricultural economics. "Wheat farmers should take a serious look at the program," says Greaser. "On the average, Pennsylvania farmers in the program received \$10 more per acre than the non-participants; that translates into a potential loss for non-participants of more than \$1.8 million dollars. Wheat farmers should take a serious look at the program."

The 1989-1990 government wheat program has two options. Greaser says that farmers should take time and determine whether or not to be in the program. Farmers also should select the program option that offers them the largest net returns.

Option 1 includes planting this year's acreage allotment, which is 95 percent of the CAB or Crop Acreage Base. The program pays 95 percent of the government wheat program payments or deficiency payments.

Option 2 allows a producer to

plant 10 percent additional wheat or 105 percent of their CAB. A farmer must be willing to deduct 1 percent of government deficiency payments for each 1 percent increase in production from 95 to 105 percent.

The rules of both programs are as follows:

1. The farmer must sign up for either option during the sign-up period, which is Jan. 16, 1990 to April 13, 1990.

2. Options can be changed only during the sign-up period.

3. A farmer who exits the program after the sign-up date must pay the penalties.

4. The forms used to sign up are:

a. CCC-477 regular form for the 95 percent planting option.

b. CCC-477 addendum for the additional planting program.

5. The soybeans and sunflower replacement option is not applicable for option 2.

6. The transfer of wheat CAB to oats is not applicable for option 1.

7. Other non-program crops may not be credited for wheat P&CP, or Planted and Considered

Planted acreages for option 2.

8. Normal advance deficiency payments will be paid to modified contracts if a request is made during the sign-up period.

9. Limited cross compliance provisions will apply to both options, but the modified option for wheat is limited to 105 percent of CAB.

Using a computerized spreadsheet, Greaser can analyze the three possibilities for farmers--participating in option 1 or 2, or not participating in the program.

"There are two main reasons not to participate in the program," says Greaser. "If there is not enough available land to increase production or if a farmer has decided to increase the CAB.

Greaser says that in the following example there is little question, that the largest net return of the three options is participating in option 2 at the 105 percent level.

He prepared the following hypothetical analysis of the government set-aside program on wheat.

1. ASCS yield per acre	34
2. Expected yield	60

3. Expected Pa/national price	\$3.60	percent of CAB	85%
4. Percent of CAB planted	105%	13. Total variable costs	\$100.00
5. Cost to cover barren ground	\$0.50		
6. Cost to maintain barren ground	\$0.50		
7. Variable cost per acre	\$100.00		
8. Target price	\$4.00		
9. Projected Pennsylvania loan rate	\$2.29		
10. National loan rate	\$1.95		
11. Deficiency payment per bushel	0.40		
12. Payment level as a			

Using the above information yields the following analysis according to Greaser.

At \$3.60 the net income for a non-participant would be \$121.00; At \$3.60 the net income for a participant 105 percent would be \$132.00; At \$2.29 the net income for a non-participant would be \$39.00; At \$2.29 the net income for a participant 105 percent would be \$87.69.

More information about this program is available from your Penn State Cooperative Extension county office, an ASCS office, or George Greaser, 204 Armsby Building, University Park, Pa. 16801, (814) 865-7656.



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