CC192 The 1964 Wheat Referendum: The Program Choices and Basic Issues

Everett E. Peterson

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May 21 has been set by the Secretary of Agriculture for the referendum among wheat growers on the 1964 wheat program. Although such votes have been held in each of the past ten years, this one is especially important because of changes made by the Food and Agricultural Act of 1962. This act is the latest in a long series of efforts to solve the problem of imbalance between the production and consumption of wheat.

The 55-million-acre minimum national allotment, in effect since 1939, has been repealed. In 1964 and following years acreage allotments will be based on estimated production needs. The 15-acre "small farm" exemption and the 30-acre feed wheat exemption have been discontinued.

The law also provides for a two-price or certificate plan of price support, voluntary land diversion with payments, and marketing quotas and penalties, if approved by at least two-thirds of the wheat growers voting. The possible range of price support is 65 to 90 percent of parity for certificate wheat. The alternative program of price support at 50 percent of parity to those who comply with allotments, but no marketing quotas or penalties, is continued if less than two-thirds approve the first program.

1. Why were these changes made?

The previous program was not adequate to prevent continual increases in the carryover of wheat. Average yield per acre in the U.S. has doubled in the past 25 years because of better varieties, improved tillage methods, more fertilizer and favorable weather. This has offset the effects of acreage controls and special export programs. Carryover increased steadily from 1953 to a record 1.4 billion bushels on July 1, 1961, mostly hard red winter wheat and owned by the Commodity Credit Corporation.

The objectives of the wheat program are:

(1) Reasonable prices to consumers and fair incomes to producers;
(2) Orderly reduction of stocks by cutting production a little below total use;
(3) Balancing of production with demand after stocks are down to the desired level of 600-700 million bushels;
(4) Reduction of costs to taxpayers;
(5) Adjustments in wheat without disrupting other commodities, especially feed grains and livestock.

2. What is the wheat supply situation for 1963-64?

The carryover on July 1, 1963 will be about 1.2 billion bushels of which 925 million will be hard red winter wheat. This is down slightly from 2 years ago because acreage was reduced by the 1962 wheat program. Production in 1963 is estimated at over 1.2 billion bushels, up 100-200 million over 1962 because planted acreage is 8 percent higher.

Total supply for the next marketing year will be 2.4 billion bushels, enough for 4 years of domestic use or 2 years of domestic needs plus exports. The carryover on July 1, 1964 is likely to be 100-200 million bushels above this year with a larger 1963 crop and lower commercial exports.
3. Would lower prices expand the market outlets for wheat at home and abroad?

Lower prices would not significantly increase the use of wheat for food in this country. If wheat were free, the price of a loaf of bread would be only 2.5 cents less than at present. Major break-throughs in research are required before industrial uses could expand appreciably. Feeding wheat to livestock is the only important domestic outlet that might be enlarged.

Trade restrictions imposed by wheat importing nations prevent lower prices from encouraging more purchases of U.S. wheat. The Common Market can simply raise the variable import levy to protect domestic producers. The U.S. has agreed to supply wheat to importing countries at a specified range in prices under the International Wheat Agreement, which includes 45 countries. Special export programs under PL 480 have about reached their maximum because of limitations to recipient countries and cost to the U.S. taxpayer.

PROGRAM CHOICES FOR 1964

In the referendum on May 21, wheat growers will be asked whether they want the two-price, diversion program with allotments and quotas for the 1964 wheat crop. If at least two-thirds of those voting say "yes," it goes into effect. If less than two-thirds vote "yes," then the alternate program of acreage allotments and 50 percent-of-parity price support automatically becomes effective. Another possibility to be considered by wheat growers is whether Congress would enact new legislation if more than one-third vote "no."

4. Who can vote in the referendum?

All producers who have an interest in a 1964 farm wheat acreage allotment are eligible to vote. This includes owner-operators and tenant farmers, landlords renting under a crop-share lease, members of a farm partnership, and administrators or executors of estates.

When the allotment is less than 15 acres, the operator must decide at least seven days before the referendum, or by May 13, if he wishes to participate as an allotment grower in 1964, and if he wishes to vote in the referendum.

5. Where will the voting take place?

Local polling places and times will be announced by the County ASCS Committee in advance of the referendum date.

A. Two-Price, Diversion Program ("Yes" Vote)

6. Will there be acreage allotments under this program?

Yes. The national acreage allotment has been set at 49.5 million acres for 1964. The Nebraska allotment is 2,851,226 acres; 306,596 less than in 1963. The U.S. allotment represents the acreage needed to produce about 1,070 million bushels. Production at this level would permit 150 million bushels to be drawn from CCC stocks, and so provide the national marketing quota of 1,220 million bushels for domestic use and exports.

Before May 21, each wheat producer will be notified as to his share of the national acreage allotment. In most cases this will be about the same as in 1962. Wheat produced on these allotments will be eligible for price support. Producers who comply with their acreage allotments will also be eligible for diversion payments.

7. How will the two-price plan for price support operate?

Eighty percent of the national marketing quota will be designated as "certificate wheat." Each wheat grower who participates in the program will be issued marketing certificates for his share, or 80 percent of his normal production on his 1964 allotment. The price support rate for wheat covered by certificates is $2.00 a bushel, national average, on the 1964 crop. For the remainder of the wheat grown on the allotment, the support price is $1.30 a bushel, national average.
High quality wheat will earn a premium under the program and in the market; dis-
counts will be applied to low quality wheat.

8. **Can marketing certificates be transferred or sold by one farmer to another?**

No. The law states "all persons are prohibited from acquiring marketing certificates
from the producer to whom such certificates are issued, unless such certificates are
acquired in connection with the acquisition from the producer of a number of bushels
equivalent to the marketing certificates."

Details of how marketing certificates will apply as wheat moves through the market-
ing channels will be announced later by U.S.D.A. after consulting with trade groups.

The law also provides penalties of up to a $10,000 fine or prison sentence of up to
10 years or both for felony violations such as forging or counterfeiting marketing certi-
ficates, the same as for U.S. currency, postage stamps and savings bonds.

9. **What happens to marketing certificates if the farmer has less wheat than the amount
covered by certificates?**

If he does not have enough wheat to match his certificates because of crop failure,
on-the-farm use or bona-fide seed sales, he can redeem the unused certificates at his
county ASCS office for 70¢ a bushel, the difference between the two support prices.

If he has excess wheat stored under bond from previous years, he could market
enough of such wheat to equal the unused portion of his certificate allocation.

These provisions provide some crop insurance to the wheat grower.

10. **Will the marketing certificates issued to a farm be reduced if the allotment is
underplanted in 1964?**

Certificates to a farm will be reduced if the underplanting exceeds 20 percent of
the allotment. An important exception is that certificates will be issued to cover wheat
stored under bond from a previous crop provided that this wheat can be released by
underplanting in 1964.

11. **What is the penalty for overplanting the 1964 wheat allotment on a farm?**

The penalty provided by law is 65 percent of parity times twice the normal production
on the excess acres. If the grower can prove that his actual yield is less than twice
the normal yield, the penalty will be the actual yield.

The excess may be stored according to U.S.D.A. regulations to avoid or postpone
payment of the penalty and may be released in future years of low yields or by under-
planting the allotment. Handling the excess in this manner restores eligibility for
price support and certificates but not for diversion payments.

12. **Will future acreage allotments be reduced by overplanting in 1964?**

Yes. Acreage history would be reduced because only the allotted acres are counted
for the year in which overplanting occurred. This can be avoided by storage or disposal
of excess wheat according to U.S.D.A. regulations.

13. **What is the land diversion phase of the program?**

This phase of the program will apply during the 1964-65 transition period from the
old 55-million-acre allotment to the new flexible allotment based on needs and set each
year.

The land diversion program for 1964 will have two parts. The mandatory part is the
reduction from 55 million acres to 49.5 million acres. The per-acre payment rate on this
11.11 percent of the 1964 allotment is: 30 percent times the county support price times
the normal yield. The normal yield for a farm is the average for 1958-62 unless adjusted
for unusual conditions.

The second part is voluntary land diversion. Under this provision, the wheat grower
may divert from wheat production additional acreage up to 20 percent of his 1964 allot-
ment or a total of 15 acres, whichever is larger. The per-acre payment rate for volun-
tary diversion is: 50 percent times the county support rate times the normal yield. County support prices will be announced before May 21.

14. **Will it be necessary to sign up for participation in the diversion program?**

Yes. A sign up will be required for wheat farmers who want diversion payments. This will be held near planting time for the 1964 crop.

Farmers with over 15-acre allotments who meet allotment, conserving base and diversion requirements, will be eligible for certificates and price support even though they do not sign up for diversion payments. Those with allotments of 15 acres or less must sign up to get all these provisions of the program.

15. **What are the requirements as to use of diverted acres?**

This land may be planted to grass or legumes, summer fallowed or devoted to other conserving uses. It must be in addition to the 1959-60 average acreage of cropland in soil conserving uses.

The Secretary of Agriculture may authorize the planting of non-surplus special crops, such as safflower and castor beans, on diverted land when increased production of these crops is desirable. Diversion payments will be reduced when such crops are grown.

Grazing will be permitted during the winter months (November 1-April 1) without loss of payments. Grazing during the remainder of the year will be permitted upon notification of the county ASCS committee but payments will be reduced by one half.

16. **How does the 1964 wheat program apply to small wheat farmers?**

The small farm exemption, under which up to 15 acres of wheat could be grown, has been ended, as has the home-use exemption of up to 30 acres. All farmers who produced wheat in 1959, '60 or '61 will have an allotment for 1964. Farms without wheat history in these three years cannot grow wheat in 1964 without being subject to the marketing quota penalty.

The grower with an allotment of 15 acres or less for 1964 must sign up at least seven days before the referendum (May 13) in order to vote in the referendum and to be eligible for participation if the program is approved. He will then receive his share of certificates and will qualify for price support. He can also divert his entire base or allotment, whichever is larger, at the higher payment rate.

He also has the option of staying out of the program, and planting wheat up to his 3-year base or allotment whichever is larger. Marketing quota penalties will apply to any excess over this limit. He can sell his wheat at market price or as seed or feed, but will not be eligible for any price support, or for diversion payments.

17. **Can wheat be substituted for feed grain acreage?**

Yes, this will be possible on farms with both a wheat acreage allotment and a feed grain base if a feed grain diversion program is in effect for 1964. Certificates will be based only on the wheat allotment. No wheat history will be given for wheat grown on the feed grain base. Price support on wheat substituted for feed grains will be at the lower, or $1.30, level.

18. **What would this program cost the government?**

The cost of export subsidies and diversion payments is estimated at around $600 million. This would be reduced by savings in storage costs if the carryover in 1964-65 is smaller than at present.

**B. Acreage Allotments, Price Support at 50% of Parity**

19. **Under what conditions would this program go into effect?**

This alternate program, the same as in previous years, is provided by law if less than two-thirds of the wheat producers voting in the May 21 referendum vote "Yes." No additional Congressional action is needed for this program to go into effect.

20. **Would there still be acreage allotments under this program?**

Yes, the national, state and farm acreage allotments would remain the same as under Program A.
21. What would be the penalty for overplanting the farm allotment?

No marketing quotas would be in effect so no penalties would apply. Growers who exceed their allotments would not be eligible for price support and would have their wheat history reduced for future allotments.

22. What would be the level of price support under this program?

The law provides that the price support rate would be 50 percent of parity. This would mean a price support of about $1.25 a bushel, national average. The March, 1963 parity price for wheat was $2.49 a bushel.

This price support would be available only to those wheat growers who comply with their acreage allotments.

23. What would happen to the market prices of wheat under this program?

The average market price has been estimated at $1.10-1.25 a bushel if a feed grain program is in effect, or 90¢-$1.00 if there is no feed grain program in 1964. The actual level would depend upon how much the wheat acreage planted would exceed the national allotment and upon yields per acre and total production. These estimates are based upon Land-Grant university, U.S.D.A., and Congressional studies made before 1960.

24. Will a referendum be held on the 1965 wheat crop if the 1964 program (alternative A) is rejected?

Yes. The present law and the wheat supply situation will require that a referendum be held on the 1965 wheat program regardless of the outcome of this year's voting.

25. What are the chances for new legislation to provide a different wheat program for 1964 if over one-third vote "no" on May 21?

The choice in the referendum is between Programs A and B as provided in the Food and Agriculture Act of 1962. Those who vote "no" assuming that Congress will enact a new program before 1964-crop planting are running a risk in which the odds are difficult to predict.

The President has stated that he sees no justification for new wheat legislation this year. The U.S.D.A. is on record that it will not initiate or promote new legislation if a "no" vote prevails. The Chairman of the House and Senate Committees on Agriculture have indicated no plans for new legislation. Several urban Congressman and Senators have stated they will oppose any attempt to pass a new law.

If program A is rejected, strong pressures will be exerted for a new program by some Congressmen, farm organizations and other interested groups. The type of program, if any, would be uncertain. It might be one similar to 1962 or '63 on a one-year basis or it could be a voluntary land retirement program with lower price support than in recent years. The effects on income to wheat farmers, cost to the government, wheat carryover, exports, etc., would depend upon the type of program.

THE BASIC ISSUES IN THE REFERENDUM

Factual information on the main provisions of the two alternative programs between which farmers will choose in the May 21 referendum is important for making sound decisions. Such information by itself is not enough because other important issues are involved in major policy decisions.

1. Effect upon farm income

The typical Nebraska farm examples shown in Appendix I show that Program A ("Yes" vote) has a definite income advantage over Program B. This same situation would exist in other wheat producing areas.

The income effects of possible new programs which Congress might enact can only be speculative. These would depend upon the type of program as to level of wheat production, price support, diversion payments, etc.
2. **Farmers' goals and values**

Each wheat farmer needs to think through: (1) his attitude toward government farm programs; (2) how highly he values "freedom to produce" as compared with a reduction of price uncertainty; and (3) his ability to compete in an economy characterized by highly organized business and labor.

3. **Effects on agribusiness**

The effects of farm programs extend "beyond the line fence." Programs that reduce the inputs of farm production items result in lower sales for the suppliers of these items, such as fertilizer, seed, chemicals, tractor fuel, etc. When the production of farm commodities is reduced, those who handle these products after they leave the farm will do less business.

4. **Impacts upon the entire agricultural economy**

Some important questions to consider are:

1. Would the total supply of feed grains be increased to be followed by more livestock production, and lower livestock prices a year or two later?

2. Would needed agricultural adjustments in the region and in the nation be facilitated or retarded?

3. Would the program provide competitive advantages to wheat producers as compared with other farmers?

5. **International implications**

Export subsidies would be required under Program A because most exports would be from certificate wheat. Program B would seriously disrupt the International Wheat Agreement unless preventive action were taken.

Any farm program should be evaluated in terms of whether or not it is consistent with our national trade policy goals.

6. **Impacts on local communities in the Great Plains region**

The wheat adjustment problem is especially difficult in the Great Plains because wheat is the basic income source in the specialized producing areas. Wheat provides about $150,000,000 a year or 12 percent of the total receipts from farm marketings in Nebraska but is much more important in the Panhandle counties.

Grain marketing facilities are based on wheat. Land prices reflect the income that has been realized under past and expected price support levels. The economic, political and social structure of many Plains communities depends on continued wheat production.

The consequences of a sudden, major change in wheat policy should be known and understood. Decisions that would produce such changes can then be made with full realization of these consequences and a willingness to accept them.
Appendix I

EXAMPLE FARM SITUATIONS

1. South Central Nebraska

Basic Information on the Farm

Wheat acreage allotment in 1963 of 100 acres; in 1964, allotment of 90 acres. Farm normal yield of 25 bushels per acre; actual yield in 1964 assumed equal to normal yield. Normal production on allotted acres in 1964: 90 acres times 25 bushels = 2250 bushels. Total certificated wheat: 80% of normal production, 1800 bushels. County support rate for certificate wheat, $2.04 per bushel; for non-certificate wheat, $1.34 per bushel; $1.25 a bushel under Program B. Market price under Program B conditions assumed to be $1.15 a bushel with a feed grain program in effect; $1.00 a bushel with no feed grain program in 1964. See question 23.

Estimated Income From 100 Acres Under 1964 Program Alternatives

<table>
<thead>
<tr>
<th>Item</th>
<th>Program A (&quot;Yes&quot; Vote)</th>
<th>Program B (&quot;No&quot; Vote)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Minimum</td>
<td>Maximum</td>
</tr>
<tr>
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<td>div.</td>
</tr>
<tr>
<td>1. Mandatory diversion, acres</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>2. Voluntary diversion, acres</td>
<td>0</td>
<td>18</td>
</tr>
<tr>
<td>3. Total wheat acres</td>
<td>90</td>
<td>72</td>
</tr>
<tr>
<td>4. Total wheat production, bu.</td>
<td>2250</td>
<td>1800</td>
</tr>
<tr>
<td>5. Certificate wheat, bu.</td>
<td>1800</td>
<td>1800</td>
</tr>
<tr>
<td>6. Non-certificate wheat, bu.</td>
<td>450</td>
<td>0</td>
</tr>
<tr>
<td>7. Income: certificate wheat</td>
<td>$3672</td>
<td>$3672</td>
</tr>
<tr>
<td>8. Non-certificate wheat</td>
<td>603</td>
<td>0</td>
</tr>
<tr>
<td>9. Diversion payment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. 10 acres x $2.04 x 30 x 25 bu.</td>
<td>153</td>
<td>153</td>
</tr>
<tr>
<td>11. 18 acres x $2.04 x 50 x 25 bu.</td>
<td>459</td>
<td>0</td>
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<tr>
<td>12. Total income from wheat</td>
<td>$4428</td>
<td>$4284</td>
</tr>
<tr>
<td>13. Income from other crops</td>
<td>0</td>
<td>250</td>
</tr>
<tr>
<td>14. Total crop income</td>
<td>$4428</td>
<td>$4284</td>
</tr>
<tr>
<td>15. Less direct operating costs/</td>
<td>740</td>
<td>800</td>
</tr>
<tr>
<td>16. Return above direct costs</td>
<td>$3688</td>
<td>$3652</td>
</tr>
</tbody>
</table>

1/ To make income figures comparable under different situations since 100 acres of cropland is involved, other crop income (line 13) is figured at $25 per acre with a feed grain program in effect, and $20 per acre with no feed grain program in '64. 2/ Direct operating costs include: seed, fertilizer, tractor fuel, oil and grease; and machinery repair. Labor, land charges, depreciation, and return on investment are not included. Direct operating costs were figured at $8.00 per acre for land in crops and $2.00 per acre for diverted acres.

2. Western Nebraska (Panhandle)

Basic Information on the Farm

Wheat acreage allotment in 1963 of 300 acres; in 1964, 270 acres. Farm normal yield of 30 bushels per acre, assumed equal to actual yield in 1964. Normal production on allotted acres: 270 acres times 30 bushels = 8100 bushels. Certificate wheat in 1964: 8100 bushels times 80% = 6480 bushels. County support rate for certificate wheat, $1.94 a bushel; for non-certificate wheat, $1.24 a bushel; under Program B, $1.20 a bushel. Market price assumed under Program B conditions: $1.05 with a feed grain program in 1964; $0.95 with no feed grain program.

Estimated Income From 400 Acres Under 1964 Program Alternatives

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<tr>
<td></td>
<td>Minimum</td>
<td>Maximum</td>
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<tr>
<td></td>
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<tr>
<td>1. Mandatory diversion, acres</td>
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<td>30</td>
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<tr>
<td>2. Voluntary diversion, acres</td>
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<tr>
<td>3. Total wheat acres</td>
<td>270</td>
<td>216</td>
</tr>
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<td>4. Total wheat production, bu.</td>
<td>8100</td>
<td>6480</td>
</tr>
<tr>
<td>5. Certificate wheat, bu.</td>
<td>6480</td>
<td>6480</td>
</tr>
<tr>
<td>6. Non-certificate wheat, bu.</td>
<td>1620</td>
<td>0</td>
</tr>
<tr>
<td>7. Income: certificate wheat</td>
<td>$12571</td>
<td>$12571</td>
</tr>
<tr>
<td>8. Non-certificate wheat</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>9. Diversion payment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. 30 a. x $1.94 x 30 x 30 bu.</td>
<td>524</td>
<td>524</td>
</tr>
<tr>
<td>11. 54 a. x $1.94 x 50 x 30 bu.</td>
<td>524</td>
<td>571</td>
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<tr>
<td>12. Total income from wheat</td>
<td>$15104</td>
<td>$14666</td>
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<tr>
<td>13. Income from other crops</td>
<td>2500</td>
<td>2500</td>
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<tr>
<td>14. Total crop income</td>
<td>$17604</td>
<td>$17166</td>
</tr>
<tr>
<td>15. Less direct operating costs/</td>
<td>2280</td>
<td>2064</td>
</tr>
<tr>
<td>16. Return above direct costs</td>
<td>$15324</td>
<td>$15102</td>
</tr>
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1/ Since 400 acres of cropland are involved in all situations, other crop income (line 13) is figured at $25 per acre when a feed grain program is in effect, and at $20 per acre with no feed grain program. This makes it possible to compare total crop income and total returns above direct operating costs for all 8 cases. 2/ Direct operating costs were figured at $6.00 per acre for land in crops and $2.00 per acre for diverted acres. Direct operating costs include: seed, fertilizer, tractor fuel, oil and grease; and machinery repair. Labor expense, land charges, depreciation, and return on investment are not included.
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</tr>
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<tbody>
<tr>
<td></td>
<td>Minimum</td>
<td>Maximum</td>
<td>Allotment</td>
</tr>
<tr>
<td>1. Mandatory diversion, acres</td>
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<td>(3)</td>
</tr>
<tr>
<td>2. Voluntary diversion, acres</td>
<td>0</td>
<td>10</td>
<td>0</td>
</tr>
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<td>72</td>
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<tr>
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<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td>2. Voluntary diversion, acres</td>
<td>0</td>
<td>30</td>
<td>0</td>
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<tr>
<td>4. Total wheat production, bu.</td>
<td>8100</td>
<td>6480</td>
<td>8100</td>
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<tr>
<td>5. Certificate wheat, bu.</td>
<td>6480</td>
<td>6480</td>
<td>6480</td>
</tr>
<tr>
<td>6. Non-certificate wheat, bu.</td>
<td>1620</td>
<td>1200</td>
<td>1620</td>
</tr>
<tr>
<td>7. Income: certificate wheat</td>
<td>$12571</td>
<td>$12571</td>
<td>$12571</td>
</tr>
<tr>
<td>8. Non-certificate wheat</td>
<td>200</td>
<td>0</td>
<td>200</td>
</tr>
</tbody>
</table>

1/ Since 400 acres of cropland are involved in all situations, other crop income (line 13) is figured at $25 per acre when a feed grain program is in effect, and at $20 per acre with no feed grain program. This makes it possible to compare total crop income and total returns above direct operating costs for all 8 cases.

2/ Direct operating costs were figured at $6.00 per acre for land in crops and $2.00 per acre for diverted acres. Direct operating costs include: seed, fertilizer, tractor fuel, oil and grease; and machinery repair. Labor expense, land charges, depreciation, and return on investment are not included.
Appendix II

ESTIMATED INCOME ON YOUR FARM

To estimate your income from wheat the following form may be used:

A. "Yes" Vote:

your 1964 allotment in acres
minus diverted acres
equals acres to plant
times your average yield
equals total production in bushels
times 80% certificate wheat
equals bushels x $2.00 = $ 

Balance x $1.30 = $ 

Diverted acres @ $ ------ 

Diverted acres @ $ ------ 

TOTAL INCOME 

B. "No" Vote:

1. Within allotment

your 1964 allotment in acres
times average yield
equals total bushels
times $1.25 equals TOTAL INCOME 

2. Overplanting the allotment

total acres seeded
times expected average yield
times your estimate of wheat market price $ per bu.
equals TOTAL INCOME 

1/ Your county support rate may be a few cents above or below the figures given here which are the national average rates. The exact figures for your area may be obtained at your County ASCS Office.