CC134 Questions and Answers on the Acreage Reserve and Price Support Programs

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Questions and Answers on The Acreage Reserve and Price Support Programs

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1. What is the Soil Bank Program?

The Soil Bank was authorized by the Agricultural Act of 1956 (P. L. 540, 84th Congress). The basic purpose of the "soil bank" is to reduce surpluses by holding some of our cropland in reserve as a bank of soil fertility until needed for an emergency or to produce farm products for our growing population rather than using it for crops to add to "surpluses".

Under the Soil Bank, farmers will be paid to divert a portion of their cropland to one or both of the two "reserves" in the Soil Bank. The Acreage Reserve is designed to take some cropland completely out of the production of "Basic" crops and will operate on a year-to-year basis. Under the Conservation Reserve farmers will enter into contracts of at least 3 years to devote cropland to long-range conservation uses.

2. What is the "Acreage Reserve"?

Under the Acreage Reserve part of the Soil Bank Program, farmers will be paid (1) for reducing their acreages of wheat below their farm acreage allotments, and (2) for reducing their acreages of corn below their Soil Bank corn base. The Acreage Reserve program thus applies only in the commercial producing areas for eligible commodities, and in Nebraska to only two crops, wheat and corn.

3. Will the Soil Bank Program apply to 1956 crops in Nebraska?

Yes, the Acreage Reserve program is now in operation. The Conservation Reserve program is also expected to start this year but details are not yet available (as of June 20, 1956).

4. Does the Soil Bank Program replace acreage allotments, marketing quotas, and price supports?

No, it is an additional production control program and thus supplements rather than replaces those which were already "on the books". These will continue as important features of our federal farm price and income programs.

1956 ACREAGE RESERVE DEADLINES

June 1, 15, 20--Final dates for compliance with the wheat acreage allotments. Compliance by these dates required to participate in the acreage reserve program.

June 30--Deadline for disposing of the wheat crop on acres within the allotment to be put in the acreage reserve. Also the final date for disposing of oats, barley or rye now growing on acres to be designated as acreage reserve for wheat or corn.

July 20--Final date for signing an acreage reserve agreement for either wheat or corn. (Also the date of the referendum for wheat growers to vote on marketing quotas for the 1957 wheat crop.)

July 31--Deadline for disposing of corn, grain sorghum, soybeans or other crops not approved as a cover crop now growing on the acreage to be designated as acreage reserve for wheat or corn.
THE 1956 ACREAGE RESERVE AND PRICE SUPPORT PROGRAMS

WHEAT: HOW THE PROGRAMS APPLY

5. How can a wheat grower earn Soil Bank payments?

First, his 1956 wheat acreage must have been within his acreage allotment by the final date for such compliance in his area. These dates were June 1 for southeastern Nebraska, June 15 for northeastern and central Nebraska and June 20 for the Panhandle. If he is farming in the commercial corn area, his corn acreage cannot exceed his Soil Bank corn base if he plans to participate on wheat.

Then his wheat acreage must have been reduced below his allotment in one or more of the following three ways:

(1) Underplanting because of unfavorable weather (he must sign a certificate to that effect by July 20);

(2) Destruction by natural causes (drought, hail, flood, etc.) of the crop on part or all of wheat acreage not later than July 20;

(3) Disposing of the crop on an acreage by clipping, mowing, cutting, plowing or otherwise working it into the soil so as to prevent the crop from maturing. This must be done after May 27 and not later than June 30.

6. What payments can be made to wheat farmers?

(1) For underplanting 1956 winter wheat allotments because of adverse weather, $4.00 per acre;

(2) For destruction by natural causes, the rate per acre is the smaller of the appraised yield for the field or the farm normal yield times 60 percent of the 1956 county wheat loan rate, or an average of about $1.20 a bushel, but not less than $6.00 per acre. The appraised yield will be estimated by the County ASC Committee and will be based on the actual condition of the crop after the damage occurred.

(3) For disposing of the crop before maturing (June 30 for wheat in Nebraska), the rate per acre will be determined as under (2) and also will not be less than $6.00.

The number of acres to which these rates apply is the smallest of: the acreage designated as the acreage reserve; the measured acreage of the tract designated; or the difference between the allotment and the 1956 farm wheat acreage.

7. Are there any limits on the number of wheat acres a farmer can place in the Acreage Reserve?

The greatest number of acres is half the farm acreage allotment or 50 acres, whichever is larger. Thus whenever the allotment is less than 50 acres, the entire allotment could go into the acreage reserve.

The least number of acres is the larger of 10 percent of the wheat allotment or 5 acres. If the allotment is less than 5 acres, the minimum is the allotment.

8. Can a farmer with 1956 wheat acreage of up to 15 acres, but over his allotment, participate in the acreage reserve program?

Not on wheat because he is ineligible for price supports by exceeding his allotment. He could go into the acreage reserve program on corn if his farm is in the commercial corn area.

9. Must wheat growers participate in the acreage reserve program in order to be eligible for price support?

No, participation in the acreage reserve program is not required but compliance with the farm wheat acreage allotment is required the same as before the Soil Bank Act was passed.

10. What is the support price or loan rate for the 1956 wheat crop in Nebraska?

Farmers who complied with their wheat acreage allotments by the deadlines listed under question 5 will be eligible for the price support of $1.95 a bushel in western Nebraska to $2.13 a bushel in eastern Nebraska.
CORN AND THE 1956 ACREAGE RESERVE AND PRICE SUPPORT PROGRAMS

11. What is the Soil Bank Corn Base?
   The Agricultural Act of 1956 replaced the 1956 corn acreage allotment of 43.3 million acres as announced previously with a new Soil Bank corn base of 51.0 million acres, or 17.8 percent more than the allotment.

   The Soil Bank corn base for a farm is the corn acreage allotment multiplied by 1.178.

12. How can a Nebraska corn grower participate in the Acreage Reserve Program?
   First, he must be farming in the commercial corn area of the state. Second, his 1956 corn acreage cannot be more than his Soil Bank corn base. He has until July 31 to comply with this base. Third, if he also grows wheat, his 1956 wheat acreage must not have exceeded his wheat allotment or 15 acres, whichever is larger.

   Once he has met these general requirements he may earn acreage reserve payments on corn by:
   (1) Underplanting his 1956 Soil Bank corn base and signing a certificate that this was done to participate in the acreage reserve, or because of unfavorable weather;
   (2) Destruction of an acreage of the crop by natural causes before July 20 so that the corn acreage for harvest is less than the corn base;
   (3) Plowing up or otherwise working into the soil, or clipping, mowing, or cutting the crop on an acreage of corn within the base acreage after May 27 and not later than July 31.

13. What payments are made to farmers for participating in the corn acreage reserve?
   For underplanting the corn base, the payment rate per acre will be the normal yield for the designated tract times about 87 cents per bushel (actually, 60 percent of the 1956 county loan rate).

   For harvesting less than the corn base because of destruction by natural causes or disposing of the crop on an acreage, the payment rate per acre will be the smaller of the appraised yield for the tract or normal yield for the farm times about 87 cents per bushel, but will not be less than $6 per acre.

   The number of acres to which these rates apply will be the smallest of the following: the acreage of the tract designated in the agreement; the actual measured acreage of such a tract as determined by the County ASC Committee; or the difference between the Soil Bank corn base and the corn acreage remaining on July 31.

14. Are there upper and lower limits on the corn acreage that a farmer can put in the acreage reserve?
   The maximum is the larger of half of the Soil Bank corn base or 50 acres. With a corn base acreage of 120 acres a farm could place up to 60 acres in the acreage reserve.

   The minimum is the larger of 10 percent of the corn base or 5 acres. If the corn base is less than 5 acres, the minimum acreage is the entire corn base acreage.

15. Is participation in the acreage reserve necessary to be eligible for price supports on corn?
   No, such participation is not required but the corn acreage on a farm must not be more than the Soil Bank corn base by July 31 to obtain the maximum support price of about $1.45 a bushel in Nebraska.
16. How can a corn grower qualify for the maximum corn support price?

He has four possibilities available to him this year:

1. Comply with his 1956 corn acreage allotment as received previously. He has until July 31 to do this. There are no restrictions on the use of diverted acres unless he elects to place such acres in the Soil Bank.

2. Limit his corn acreage to not more than 85 percent of his Soil Bank corn base and place an acreage of at least 15 percent of this base in the acreage reserve.

3. Plant up to his Soil Bank corn base but put an acreage of other cropland equal to at least 15 percent of his corn base into the conservation reserve.

4. Comply with his Soil Bank corn base but place an acreage of at least 15 percent of this base into a combination of the acreage reserve and conservation reserve. For example, a farmer with a corn base of 118 acres could harvest 106 acres of corn, place 12 acres (10 percent of 118) in the acreage reserve and 6 acres of other cropland in the conservation reserve.

17. Is any price support available to the corn grower who exceeds his 1956 acreage allotment or Soil Bank corn base?

A farmer in the commercial corn area who exceeds his corn allotment without participating in the Soil Bank or who exceeds his Soil Bank corn base can receive a support price for corn of about $1.20 a bushel in Nebraska.

18. What is the support price for corn grown in the non-commercial area?

The support price in the 27 Nebraska counties outside the commercial corn area will be 82 1/2 percent of the maximum commercial area rate or about $1.20 a bushel. The acreage reserve program does not apply to the non-commercial area.

GENERAL PROVISIONS APPLYING TO BOTH WHEAT AND CORN

19. An acreage of cropland must be specifically designated as acreage reserve. In general it must be cropland which will not be grazed after June 22, 1956, or from which no crop has been or will be harvested in 1956.

20. If a farmer now has wheat or corn acreage less than his allotment or corn base, can he designate an acreage planted to other crops as acreage reserve?

Yes, provided that such crops are disposed of, so none can be harvested, by the final dates set by the State ASC Committee. The final dates set for Nebraska are: June 30 for wheat, oats, barley, or rye now growing on cropland to be designated as wheat or corn acreage reserve; and July 31 for corn, grain sorghum, soybeans, or other crops not approved as a cover crop by the County ASC Committee.

21. Are farmers required to "sign up" or enter into an agreement or contract to get acreage reserve payments?

Yes, owner-operators and both tenants and landlords on rented farms will be required to sign an Acreage Reserve Agreement. This agreement must specifically designate the acreage of cropland set aside as the acreage reserve. The agreement must be signed not later than July 20, 1956. (If an owner other than the farm operator is not available for signing by that date, the County ASC Committee may allow the operator until July 31, 1956, to obtain the owner's signature.)

22. What penalties are provided for violating the agreement?

The penalties for failure to live up to the terms of the agreement are: forfeiture of part or all rights to payment; refund of part or all of payments received.
23. How and when will acreage reserve payments be made?

Negotiable certificates will be issued to eligible producers after the County ASC Committee has determined that the requirements of the program have been met. These certificates can be cashed like any government check or can be redeemed in wheat, corn, or other grain in government storage. It does not have to be redeemed in the grain for which it was issued. Rates for redemption "in kind" are not yet available. Grain taken instead of cash as an acreage reserve payment can be fed or sold on the market but cannot be turned back to CCC under the price support program.

24. On what basis will payments be divided between landlords and tenants?

The law states that adequate safeguards shall be provided "to protect the interests of tenants" including sharing payments "on a fair and equitable basis" and "such provision as may be necessary to prevent them from being forced off the farm". (Sec. 122, P.L. 540). Consideration will be given to the respective contributions normally made by landlord and tenant in producing crops on the "banked" acres and to the usual basis for sharing crops from such land.

In many cases the "usual" arrangement for sharing crops on a farm may not be satisfactory for dividing the acreage reserve payments. The following items might well be considered carefully in arriving at a "fair and equitable" division:

1. Property taxes and maintenance costs for fences continue when land is kept out of production.
2. The landowner expects a reasonable return on his investment in land.
3. The tenant also has fixed costs, such as his own labor and management and depreciation, interest, and taxes on machinery. Farming less land, although resulting in some saving in operating costs, will often mean less efficient use of labor and machinery.
4. Some costs will be incurred by the tenant or landlord or both in controlling erosion and weeds on the "banked" acres.
5. Both landlord and tenant forego income from crops in placing land in the acreage reserve; the payment is made to compensate for this loss in income.

A possible approach to the problem might be for the landlord to receive a share equal to the taxes on acres placed in the acreage reserve plus the expense of maintaining fences on such land plus a reasonable return on his investment. The remainder of the acreage reserve payment would go to the tenant. This suggested approach will probably result in a division on about a 50-50 basis. The final division must be specified in the acreage reserve agreement and approved by the County ASC Committee.

25. How will "normal" and "appraised" yields be determined?

The "normal" yields of wheat and corn for each farm will be determined by the Community ASC Committee according to detailed instructions from the State ASC Office.

"Appraised" yields will also be established by the County Committee and, in general, will be based on the actual condition of the crop at the time of signing the acreage reserve agreement.

26. Will taking wheat and corn acreage out of production for the acreage reserve reduce farm acreage allotments or corn bases in the future?

No, cropland placed in the acreage reserve will be regarded as acreage devoted to the crop in establishing future allotments and bases.
Will it be profitable to participate in the acre reserve in 1956?

There is no "pat answer" to this question because of the wide variation among farms as to prospective crop yields and needs for corn to feed livestock. Participation is good farm management if net income is higher than by staying out. Where the wheat or corn crop has been seriously damaged by drought, hail, flood or other natural causes, the possible payments will mean the difference between some return and no return.

Before disposing of the crop on any acreage to participate in the acreage reserve, the net income from harvesting the crop should be compared with the payment. A careful check should also be made to be sure that the requirements for eligibility can be met as to compliance with allotments and corn bases and deadlines as to disposal of crops.

FOR ADDITIONAL INFORMATION

1. Watch for and read circular letters from your County ASC Committee and Agricultural Extension Agent.
2. Attend public meetings held in your area to explain this program.
3. Talk with your Community ASC committee man.
4. Visit your County ASC Office.
5. Your County Agricultural Extension Agent can give you information to help you decide whether it will be profitable for you to participate this year.