1961

Feed Grain Program

Cooperative Extension, South Dakota State University

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Subject: 1961 Emergency Feed Grain Program

Mr. Feed Grain Producer,

Do you know how the new emergency feed grain program is going to affect you? I'm sure you have been reading about it, and I thought you might also be interested in figuring this thing out on a dollars and cents basis.

Inside this folder you will find a form that will help you determine:

* payment you get on diverted acres
* price support advantage on 1961 feed crops
* reduced costs on diverted acres
* value of production lost
* costs on diverted acreages

If you add the extra income and subtract the added costs, you should come out with a fair estimate of how the program stacks up for you.

As usual, the Agricultural Extension Service is not trying to either promote the program or discourage you from participating in it. We do want to see to it that you get as much information as possible about the program so that you can decide for yourself. This is the way we serve you.

In case you have not had a chance to study the program, you will find a general outline of it on the front page. If you would like help with the enclosed form, bring it either to the County Extension Office or to the County ASC Office and they will be glad to help you make it out.

Sincerely,

A. W. Anderson
Farm Management Specialist

County Agricultural Agent
FEED GRAIN PROGRAM

If you grow either corn or grain sorghum you are eligible to take part in the 1961 feed grain program. The program is voluntary, but you must participate if you want to be eligible for price support on 1961 crops of corn, grain sorghum, barley, oats and rye. The program is for 1961 only.

PURPOSE

The 1961 feed grain program was authorized by Congress on March 22, 1961. It is designed to stop the buildup of the feed grain supply that is now at an all-time record high. By October 1, 1961, carry-over is expected to reach 80 million tons. Presently the Commodity Credit Corporation has over $4 billion invested in stored feed grains, mostly corn.

Farmers who reduce corn and grain sorghum acreages will receive payments for diverting this land to soil conserving uses. For some farms the payment may be higher than the probable net income from these acres if they were in production. The payment assures a farmer of a reasonable net income from the diverted land regardless of drought, hail, flood, or other crop damage.

For those who use their feed grain production on their own farm, the payment will be enough to purchase at market price, a quantity of feed grain equal to more than one-half the normal production from the diverted acres.

OBJECTIVES

1. Stop buildup of feed grain surplus and reduce it if possible.
2. Reduce Government costs of storage programs.
3. Reduce risk of serious overproduction of meat, poultry and dairy products.
4. Increase farm income.

REQUIREMENTS

In order to participate in this program you must reduce your combined corn and sorghum acreage by at least 20%. If your base acreage is over 100 acres you may reduce up to 40%. If your base acreage is between 20 and 100 acres you can reduce by 20 acres plus 20% of whatever your base acreage might be. For example, a 50 acre base would allow you to put up to 30 acres into the program. If you should plan to take out a minimum acreage of 20%, plan to increase it to at least 21 or 22%. Here's why: If your diverted acreage is measured and it turns out to be, say, 19.5%, rather than the minimum of 20% required, you would be out of compliance and you would not qualify for price support. Any advance payments made would also have to be returned.

You must also certify that for each acre diverted from corn and sorghum, you will add an additional acre devoted to conservation uses on your farm in 1961. In other words, your average acreage devoted to conservation use for 1959 and 1960 must be maintained and increased by the number of acres equal to those diverted from corn and sorghum production in 1961.

You may plant grass or legumes, establish a temporary cover or establish protected summer fallow on this diverted land. You can not harvest or graze it between April 15 and December 31, 1961. You will be expected to control weeds, insects and rodents on the diverted acres.

OTHER CONSERVATION USE OF DIVERTED ACREAGE

1. Permanent-type rotation cover of grasses and legumes.
2. Temporary cover of grasses, legumes or small grains.
3. Water storage.
4. Wildlife food or habitat plantings.
5. Trees or shrubs.
6. Cropland in volunteer natural cover or in protected summer fallow may be allowed by county ASC committees.

THE ACP AND DIVERTED ACRES

Cost-sharing may be applied for, but payment depends on the amount of money available in County ACP cost-sharing budgets. The crop must then also comply with ACP specifications.

PAYMENT RATES

Each county will have two average rates of payment per acre for corn and two for grain sorghum. One will be based on 50% of the normal county yield per acre. The other will be based on 60% of the normal county yield per acre for each crop.

If you participate, your farm will be assigned a productivity index which simply is a rating of your farm against all others in the county. For example, if
A Suggested Procedure to Determine:

**How Will the 1961 Feed Grain Program Affect My Net Farm Income?**

**THE QUESTION:** Should I put 20% of my 1959-60 Corn Base into the program? How might it affect my net farm income?

**ASSUMPTIONS:** In Example Farm, 100 acre Corn Base, 40 bu. per acre "normal yield," and County Support Price of $1.09 are assumed. For Your Farm, use your own figures. (A similar procedure can be used for Grain Sorghum.)

**SECTION A. ESTIMATED GAINS**

<table>
<thead>
<tr>
<th>I. Payments on Diverted Acreage</th>
<th>Example Farm</th>
<th>Your Farm</th>
</tr>
</thead>
<tbody>
<tr>
<td>(50% of &quot;normal yield&quot; x County Support Rate x Acres)</td>
<td>$436</td>
<td>$ _ _ _</td>
</tr>
<tr>
<td>(for acreage above 20% cut, use 60% of &quot;normal yield&quot;)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**II. Price Support Advantage on 1961 Crop**

(Eligible for Price Support on normal yield from 80 acres of corn at about (?)* cents per bu. higher than the market price.) See footnote.

80 A. x 40 bu. x 14 cents* = $448

**III. Reduced Costs**

(Some reduced costs from not growing 20 acres corn)

- Seed: 1/4 bu. per acre x $12 x 20 A. = $40
- Tractor fuel: 6 gal. x 23c x 20 A. = 28
- Grease and oil: Estimate at 1/2 of fuel cost = 5
- Repairs: Estimate equal to fuel cost = 28
- Fertilizer: 100 lbs. x 20 A. x $90 T. = 90
  (if fertilizer is normally used on corn)
- Hired Labor: 1 hr. x 20 A. x $1.00 hr. = 20
  (if hired labor would be saved)
- Other: (Shelling, hauling, hail insurance, etc.) = 60

A. Total, All Gains (I+II+III) $1,155

**SECTION B. ESTIMATED COSTS**

<table>
<thead>
<tr>
<th>IV. Value of Production Lost</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Some reduced income from not growing 20 acres of corn, but at free market price of (?)* per bu.)</td>
</tr>
<tr>
<td>20 A. x 40 bu. x 95 cents* = $760</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>V. Costs on Diverted Acreage</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Some increased costs, to establish cover crops, summer fallow, or put to conserving use. These costs might be partially offset by ACP payments, if the county ACP budget permits.)</td>
</tr>
<tr>
<td>(1) Grass or legume seed:</td>
</tr>
<tr>
<td>4 lbs. Alfalfa @ 40c x 20 A. = $32</td>
</tr>
<tr>
<td>8 lbs. Brome @ 22c x 20 A. = 35</td>
</tr>
<tr>
<td>(2) Nurse crop:</td>
</tr>
<tr>
<td>1 bu. Oats or Rye @ $1.00 x 20 A. = 20</td>
</tr>
<tr>
<td>(3) Fuel, oil, and machine use on cover crop:</td>
</tr>
<tr>
<td>Estimate at $2.00 per acre x 20 A. = 40</td>
</tr>
<tr>
<td>$127</td>
</tr>
</tbody>
</table>

B. Total, All Costs (IV+V) $887

<table>
<thead>
<tr>
<th>VI. Gains minus Costs, (A minus B) = ($1,155−887)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(This is calculated effect on Farm's Net Income)</td>
</tr>
<tr>
<td>$268</td>
</tr>
</tbody>
</table>
SECTION C. OTHER CONSIDERATIONS

(1) By cutting his corn and grain sorghum acreage, farmer becomes eligible for price support on his 1961 crops of Oats, Barley and Rye.

(2) Reduction in risk of crop loss from drought, hail, etc., on the diverted acreage.

(3) Value of increased fertility and conservation on future yields from the diverted acreage.

(4) Reduction in field operation and family labor, which could be used in other enterprises.

(5) Farmer offers his cooperation and assistance towards reducing expensive storage costs of large stocks of old feed grains.

*NOTE*—The net price advantage or difference, if any, between the county support price and the free market price next fall is impossible to forecast with accuracy. This is the unknown factor at present. With our large storage stocks, there most likely will be some spread. Guesses seem to run in the 5c to 20c per bu. range. In this example, a spread of 14c is estimated, or a market price of 95c compared with a county support price of $1.09. If a spread of only 5c is estimated, and a market price of $1.04, the effect on net farm income in this example would be reduced from a gain of $268 to a loss of $92. On the other hand, if the spread is as high as 20c, with a market price of 89c, the gain in net farm income in this example would be raised to $508.

The county yield is 30 bushels per acre and your average has been 30 bushels per acre your productivity index would be 100. If your average yield has been higher, the index number will be higher. Farm payment rates will be the county rate times the farm productivity index. If you have a record of corn or grain sorghum grown in 1959 or 1960 at the county ASC office, they will mail a notice of the rate to you.

The rate, based on 50% of the assigned normal yield for a farm, applies to each acre of the first 20% diverted from the farm base acreage and also for each acre diverted in excess of 40% of the base. The payment rate per acre increases to 60% of the assigned normal yield for the farm for each acre above the 20% minimum and up to 40% of the base.

HOW PAYMENT WILL BE MADE

You will be paid in the form of a certificate for which you may receive cash or a cash equivalent of grain. At the time you file your intention-to-participate form you may also receive an advance payment. This cannot exceed 50% of the estimated total payment expected upon compliance. You will receive the remainder after performance on your farm has been checked. If you do not redeem your certificate for either cash or grain within 30 days, it will decrease in value. Storage costs and other charges will then be deducted.

Where a division of payment is to be made between landlord and a tenant, the division must be shown on the application for payment. You and your landlord or tenant should come to some agreement on this before you sign up for the program.

WHAT ABOUT THE NON-COOPERATOR

The non-cooperator will not be eligible for price support on any feed grain (corn, grain sorghum, oats, barley, rye) of the 1961 crop. He will get only market price, whatever it may be.

The non-cooperator should not expect to build up his acreage base for a future program. The Department of Agriculture will strongly recommend to the Congress that any legislation involving establishment of base acreages for production adjustment should give no advantage to producers who do not cooperate in the 1961 feed grain program.

The non-cooperator will receive no payment under the special program.

TO HELP YOU DECIDE

You will want to make a decision soon concerning this program for your farm. Above is a partial budget which will help you estimate possible effects on your net farm income. Only those items of income and expense, which would be different by participating in the program, enter into these calculations. It is really a "supposing sheet," aimed at helping you think through the program for your own farm business.

The calculations are made in sections A and B of the form. Section C calls attention to "Other Considerations," which are practically impossible to calculate in terms of specific dollar figures; but they should also be considered before you make this management decision for your farm.

HOW TO SIGN UP FOR THE PROGRAM

County Agricultural Stabilization and Conservation (ASC) offices will have forms on which you can declare your intention of cooperating in the program. Most farmers may not want to sign this form until they have the following information for their farm:

1. The corn or grain sorghum base.
2. The minimum acreage reduction required on that farm.
3. The rates of payment per acre for corn and grain sorghum.

Farmers will be notified by their County ASC office as soon as this information is available.