1962

The 1962 Wheat Stabilization Program

Cooperative Extension, South Dakota State University
The wheat stabilization program, initiated last fall, calls for a minimum of 10% cut in 1962 wheat acreage. All wheat producers have been notified concerning their 1962 allotment by County ASCS offices. That allotment figure includes the reduction and is the actual number of acres you may plant in 1962.

If you agree to stay within this allotment, and if you will plant those diverted acres to soil conserving crops, you will be eligible for price supports and diversion payments on 1962 wheat.

PURPOSE

The public now has about 3 billion tax dollars invested in wheat. The estimated carryover last July was over 1.4 billion bushels even before the 1961 wheat harvest of 1.2 billion bushels. The carryover alone was more than enough wheat to take care of all U.S. needs for a full year.

Government stocks continue to grow. One of the main objectives for starting a program for wheat is to stop this trend and reverse it if possible. Right now 9 out of every 10 bushels of stored wheat are either government owned or under Commodity Credit Corporation loan. The USDA would hope to reduce wheat production by 100 million bushels in 1962. This would reduce storage expenses. Price supports would tend to maintain or increase farm income.

REQUIREMENTS

The basis for figuring the amount of acreage to be diverted under the 1962 wheat program is different for (1) farms with more than 15 acres of wheat in the past three years and (2) for farms with 15 acres of wheat or less.

(1) If more than 15 acres of wheat was planted on your farm for harvest in 1959, 1960, or 1961; or if the 1962 allotment is 13.5 acres or more, you must reduce your 1962 acreage by at least 10% and divert that acreage to soil conserving crops.

(2) If not more than 15 acres of wheat were planted on the farm for harvest in each of the years 1959, 1960, and 1961, you must divert at least 10% of the highest acreage of wheat planted for harvest in any of those three years and divert them to conservation uses. This means the old 15 acre exemption has been replaced.

Important Points:

1. Those who divert will receive payments and will be eligible for the support price. (National average is $2.00 per bushel for 1962.) In addition cooperators will be able to market their wheat without a marketing quota penalty.

2. Some producers have the impression that they would lose wheat acreage history and thus get smaller allotments in the future if they voluntarily divert more than the required 10% of their acreage to conserving uses under the 1962 program. This is not the case. Full history credit will be given to producers on

The Farmer Asks

HOW MUCH WHEAT ACREAGE SHOULD I DIVERT IN 1962?

all acreage they divert under the program. This will apply to the establishment of all future farm, county, and state wheat allotments. A similar provision now applies to wheat acreage history on farms under the Conservation Reserve and Great Plains programs.

3. Producers who do not comply with allotments will be subject to market quota penalties and they will also lose acreage history.

4. Producers who have not grown wheat during 1959, 1960, or 1961 will not have an allotment or exemption, hence they will be subject to marketing penalties if they produce any wheat in 1962.

HOW DIVERTED ACRES MAY BE USED

For every acre taken out of wheat you must add an acre devoted to conservation uses on your farm. However, there is no cross-compliance feature between the wheat program and the 1962 feed grain or barley programs.

In other words you may divert wheat acres and receive payments and receive price support even though you do not participate in either of the other two programs. The reason for this is that wheat is not considered a feed grain, hence it is not in competition with feed grains.

Diverted wheat acres may be used in the same manner as diverted feed grain acres are to be used. You may:

1. Establish a permanent type of rotation cover of grasses and legumes.
2. Plant a temporary cover of grass, legumes, or small grains.
3. Use the land for water storage.
4. Make a planting of food and habitat for wildlife.
5. Plant trees or shrubs.
6. Let a volunteer natural cover form or use a protected summer fallow if your county ASC committee determines that other conservation practices are impractical.

PAYMENT RATES

Conservation payments for the original 10% diversion and that above 40% will be figured at the basic county support rate for No. 1 wheat, multiplied by 45% of the adjusted yield, times the acres diverted on your farm. That payment will be available either in cash or in wheat, if you prefer.

For any acreage diverted between the 10% minimum and up to 40%, the payment rate will be based on 60% of the adjusted yield. The formula for figuring diversion rates stays the same.

PENALTY RATE

The wheat program for 1962 increases the penalty rate per bushel on farm marketing excess to 65% of parity. The previous law provided a rate equal to 45% of parity. On farms on which there is excess wheat acreage, the amount of wheat subject to a marketing quota penalty would be two times the normal yield of the excess acres.

DURUM WHEAT

Fifty South Dakota counties have been approved for durum wheat production in 1962. Since the 1961 crop of durum wheat was short, South Dakota farmers may take advantage of provisions provided under the Agricultural Act of 1961 for producing durum wheat. These are special classes of wheat used for making macaroni, spaghetti, and other semolina products.

If you have produced durum wheat for commercial food use during 1960 or 1961, you may be eligible to participate in this special program.

Under the program producers may increase their 1962 wheat allotment (which included the 10% diversion under the wheat program) by an acreage equal to 40% of the 1960-61 plantings of durum wheat.

Premiums will be added to the basic county wheat price support rates of 10c a bushel for ordinary durum; 25c a bushel for amber durum, and 40c a bushel for hard amber durum.

The durum wheat producer who increases his acreage is not eligible for diversion payments under the 1962 wheat stabilization program, but he is still eligible for price support. He will not be subject to marketing penalties if he stays within his allotted increase and does not exceed the permitted acreage of other wheat.

The durum grower must also grow an approved variety in 1962. Varieties recommended for South Dakota include Lakota, Langdon, Ramsey, and Wells.

Eligible producers on durum farms must fill out a worksheet application blank at their local ASCS office before they can expand this acreage.
1962 Wheat Acreage Diversion Budget

NOTE: This worksheet applies only to the question: Shall I divert the additional 30% of my farm wheat base in 1962? This is an example to illustrate a method for calculating the possible effect on net farm income. Substitute the figures and values for your own farm.

ASSUMPTIONS: Wheat base, 100 acres; average 1959-60 yield, 20 bushels; expected 1962 yield, 20 bushels; support price, $2.00; net value that may be received from support price, $1.90. Mandatory 10% (10 acres) will be diverted to qualify for price support and to avoid penalty for excess wheat acreage.

A. ESTIMATED GAINS from Maximum Participation

1. Payments on Diverted Acreage (at 60% rate)

   Acres diverted x payment per acre = 30 x $24.00 = $720

2. Reduced Costs

<table>
<thead>
<tr>
<th>Cost Item</th>
<th>Per Acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seed</td>
<td>$4.00</td>
</tr>
<tr>
<td>Fuel and oil</td>
<td>$1.25</td>
</tr>
<tr>
<td>Repairs</td>
<td>$1.00</td>
</tr>
<tr>
<td>Fertilizer</td>
<td>$1.00</td>
</tr>
<tr>
<td>Spraying</td>
<td>$1.00</td>
</tr>
<tr>
<td>Hauling</td>
<td>$1.25</td>
</tr>
<tr>
<td>Hired labor</td>
<td>$1.00</td>
</tr>
<tr>
<td>Other (Insurance, etc.)</td>
<td>$2.00</td>
</tr>
</tbody>
</table>

   Total = $11.50 x Diverted Acres (30) = 345

3. Value of Released Resources

   Labor saved = hrs. x value per hr. in other uses = 60
   Value of increase in future yields on diverted land = 60
   Other (such as reduced interest cost) = 10

   All Gains = Total = $1,135

B. ESTIMATED COSTS of Added Participation

1. Value of Production Given Up

<table>
<thead>
<tr>
<th>Yield assumed</th>
<th>50% of Normal</th>
<th>1962 Expected</th>
<th>150% of Normal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acres diverted</td>
<td>10</td>
<td>20</td>
<td>30</td>
</tr>
<tr>
<td>Total production lost, bushels</td>
<td>300</td>
<td>600</td>
<td>900</td>
</tr>
<tr>
<td>Price expected per bu.</td>
<td>1.90</td>
<td>1.90</td>
<td>1.90</td>
</tr>
<tr>
<td>Value of total production lost</td>
<td>$570</td>
<td>$1,140</td>
<td>$1,710</td>
</tr>
<tr>
<td>Net value of pasture or straw lost</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
</tbody>
</table>

2. Costs on Diverted Acreage (acres x cost per acre)

<table>
<thead>
<tr>
<th>Cost Item</th>
<th>(acres x cost per acre)</th>
</tr>
</thead>
</table>
   | Seeding estab    | x $5.00=
   | Noxious weed con | x 1.00= |
   | Other (summer fallow) | 30 x 3.00= 90 |

   All Costs Total = $690 $1,260 $1,830

C. ESTIMATED GAINS OR LOSSES

   $1,445 $-125 $-695

   (Total gains minus total costs. This is the calculated effect on net farm income for this particular farm example, illustrating the possible effect of variations from normal in the actual 1962 wheat crop.)