

**AN OVERVIEW OF CORN, SOYBEAN AND WHEAT  
PRICE AND INCOME SUPPORT PROGRAMS FOR 1988**

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February 1988

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\* The author thanks Pam Brown for typing and editorial assistance.

## Policy Terms

### Basic Loan Rate

- Set by 1985 Farm Bill for 1986 crops: (soybean rate also set in Farm Bill for 1987 - \$5.02); can decline no more than 5%/year thereafter; eventually could be set by underlying formula of 75 - 85% (75% for soybeans) of 5 year moving average of prices minus high and low price.

### Target Price

- Minimum levels are established in law for corn and wheat. None is established for soybeans. Determines level of income support.

### Deficiency Payment

- Income support to farmers based on the difference between target price and market price. (Calculations discussed on next page.) Payment can be made in cash, generic certificates or with commodities.

### Findley Loan Rate

- Secretary of Agriculture's discretionary authority to reduce corn and wheat loan rates by up to 20% and soybean loan rate by up to 5% below basic loan rate for a year (\$4.50 minimum for soybeans).

### Marketing Loan Rate

- Secretary of Agriculture's discretionary authority to allow producers to repay nonrecourse loan at the world market price instead of the original loan rate.

### Generic Certificates

- Negotiable certificates issued for a specific dollar amount. They can be redeemed for any commodity, except peanuts and tobacco, under nonrecourse loan or government ownership, or can be redeemed for cash after an expiration date.

### Nonrecourse Loan

- A loan from government (Commodity Credit Corporation) to farmer for nine months. Farmer uses commodity as collateral and will generally default to government if market price is below loan rate. Loan rate thus becomes a market price support level.

### Set-Aside

- Land may have to be set aside (i.e., taken out of production) to qualify for deficiency payments and nonrecourse loans. Set-aside may be paid or unpaid. Level of unpaid set asides depends on Secretary's discretion, but a maximum is set by 1985 Farm Bill based on level of stocks.

**Income (Deficiency) Payments**  
**(Corn used as numeric example)**

**Deficiency Payment (Basic Loan Rate)**

- Always occurs if market price is less than target price.
- Equals: target price minus higher of national average price received by farmers during the first five months of crop year for corn (same for wheat) or basic loan rate.
- Maximum for corn in 1988:  $\$2.93 - 2.21 = \$0.72$  (If market price is greater than \$2.21, deficiency payment is smaller).

**Deficiency Payment (Findley Loan Rate)**

- Occurs if Secretary of Agriculture uses discretionary authority to reduce basic loan rate and if market prices are below the basic loan rate.
- Equals: basic loan rate minus higher of national average market price received by farmers during crop year for corn or Findley Loan Rate.
- Maximum for corn in 1988:  $\$2.21 - \$1.77 = \$ .44$  (If market price is greater than \$1.74, deficiency payment is smaller).

Maximum Total Deficiency Payment if Findley authority used:  $\$2.93 - 1.77 = \$1.16$ .

**Marketing Loan Payment**

- Can be implemented by Secretary of Agriculture through discretionary authority.
- Producers repay loans at the marketing loan repayment rate, which equals the higher of the world market price or 70 percent of the basic loan rate.
- Payment may also be made to producers who forego nonrecourse loans on eligible grain. Payment rate is the difference between the basic loan rate and marketing loan repayment rate.

Corn - 1988

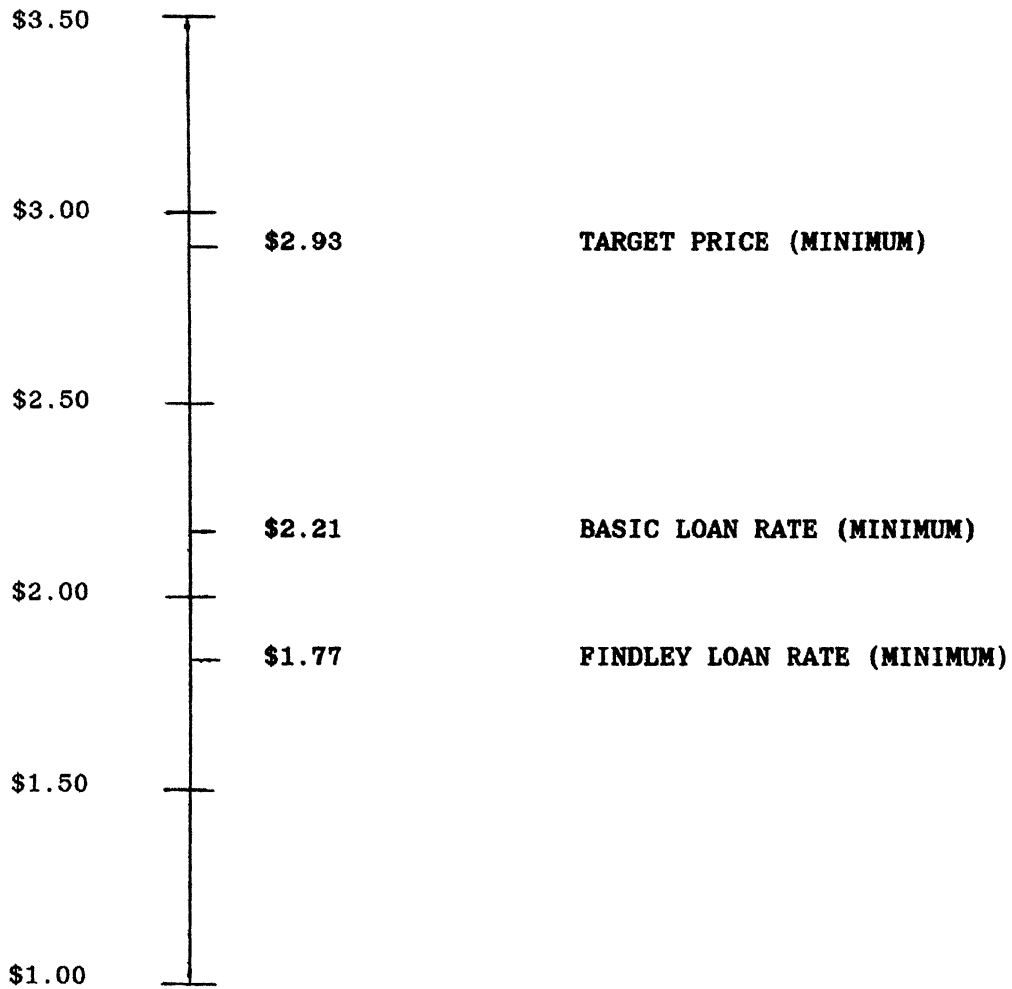
ANNOUNCED PROGRAM PARAMETERS

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Target Price	\$2.93	
Loan Rate (Findley used)	\$1.77	
Maximum Deficiency Payment	\$1.16	(2.93 - 1.77)
Land Set-Aside Required for Program		
Participation	20%	(unpaid)
Paid Land Diversion	10%	
(Payment Rate is \$1.75 per program bushel per paid set-aside acre)		

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PRICE/BUSHEL



Soybeans - 1988

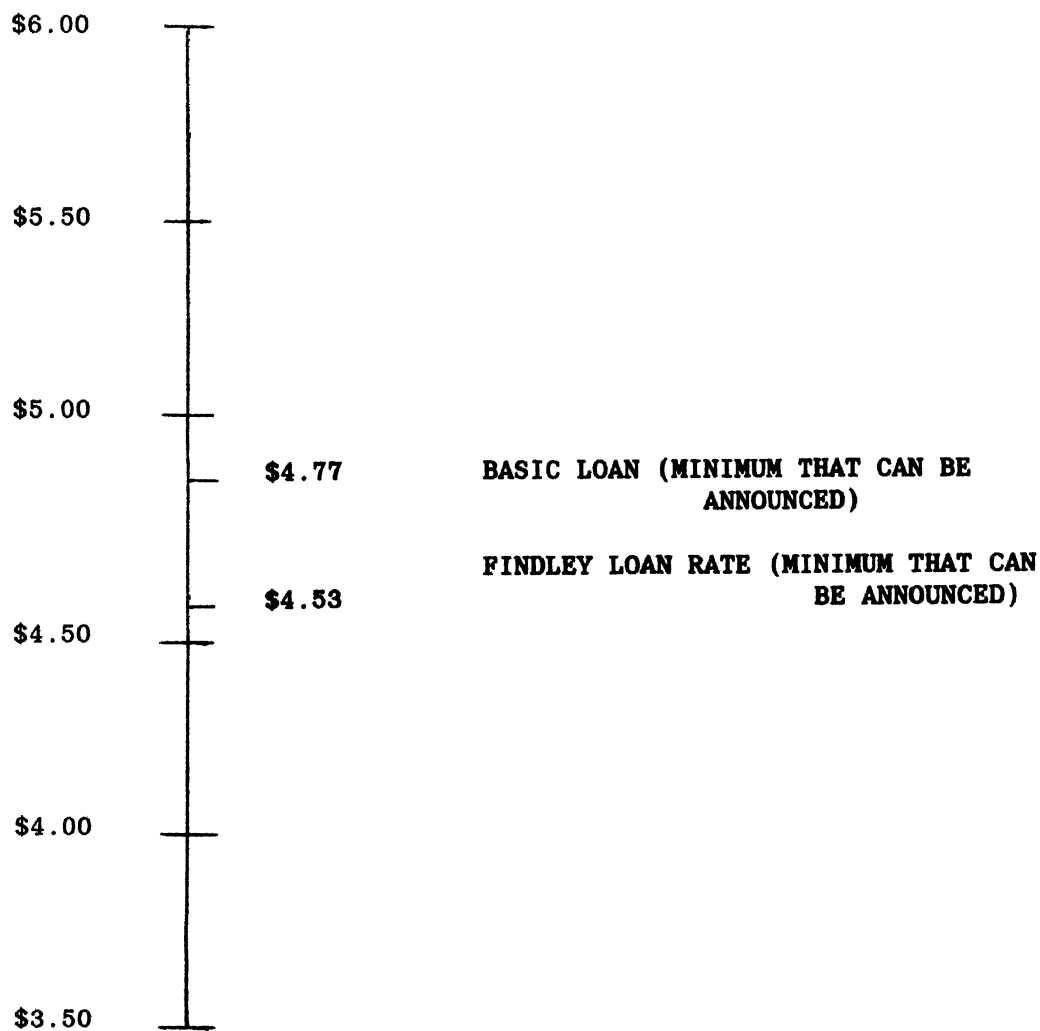
**ANNOUNCED PROGRAM PARAMETERS**

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Loan Rate	Can be announced no earlier than 8/1/88.
Deficiency Payment	None
Set-Asides	None

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PRICE/BUSHEL



Wheat - 1988

ANNOUNCED PROGRAM PARAMETERS

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Target Price	\$4.23	
Loan Rate (Findley used)	\$2.21	
Maximum Deficiency Payment	\$2.02	(\$4.23 - \$2.21)
Land Set-Aside Required for Program Participation	27.5%	(unpaid)
Paid Land Set-Aside	None	

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PRICE/BUSHEL

