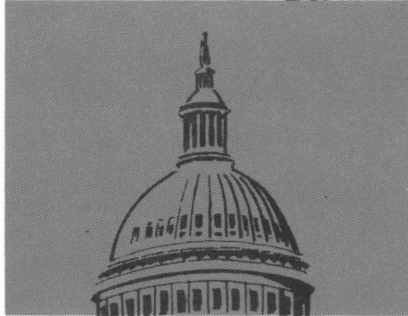


ACREAGE ALLOTMENTS

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WHAT IS THE ISSUE?

Acreage allotments were brought into being in the 1930's to help raise farm prices. Acreage allotment apportionments to individual farmers the national acreage considered appropriate for balancing supply and demand for selected farm commodities. Allotments are used (1) to control production and, (2) to distribute deficiency and disaster payments.

For some crops the national requirements are expressed in volume rather than acreage terms. For such crops a national marketing quota sets forth the quantity of a particular commodity that, in general, will provide adequate and normal supplies. This quantity in turn is translated into acreage and allotted proportionately among states, counties and individual farms.

Should allotments be eliminated as a basis for other programs, and if not should they be updated? If updated, how?

WHY IS IT AN ISSUE?

Acreage allotments were originally established on a commodity basis for the purpose of raising farm prices and controlling production. Allotments were assigned to each farm on the basis of historical cropping patterns.

The short-fall on world production of grain in the early 1970's increased export demand for U.S. feed grains and wheat. U.S. and world prices rose, and farm production control programs came to an end except for tobacco, peanuts and extra long staple cotton.

Acreage allotments, however, continued to be used as a basis for making deficiency and disaster payments under the Agriculture Act of 1973. The shift away from production controls resulted in: (1) dramatically expanded acreage of certain crops and, (2) regional shifts in the location of production.

If the U.S. farm program goes back to acreage allotments to limit production and increase prices, the question exists as to whether the old allotments should be used as a basis for such programs or whether a new allotment based upon a more recent production period should be established. If we do not go back to acreage allotments, the question arises as to the equity of limit-

ing payments on the basis of old allotments.

Marketing quotas and acreage allotments were in effect for extra long staple cotton, peanuts, and most kinds of tobacco in 1976. Rice deficiency payments and disaster payments are also based on acreage allotments.

Current Situation

Under the 1973 Agriculture and Consumer Protection Act acreage allotments were continued for feed grains (corn, sorghum, barley), wheat and cotton as a basis of granting government economic assistance to farmers. Target prices and disaster payments were applicable only to production on allotted acres. All production on farms with allotments is eligible for loans for upland cotton, feed grains and wheat. Allotments could be used for production control under the set-aside program at the discretion of the Secretary.

Allotments have been assigned to farms based on historical cropping patterns as follows:

Crop	Base Years
Upland Cotton	1951-1952-1953
Long Staple Cotton	1951-1952-1953
Corn	1959-1960
Grain Sorghum	1959-1960
Barley	1959-1960
Wheat	1945-1946-1947-1948-1949
Peanuts	1946-1947-1948
Tobacco	1933-1934-1935-1936-1937
Rice	1950-1951-1952-1953-1954

Acreage allotments may be transferred between counties in a state for upland and extra long staple cotton, peanuts and 1976-1977 rice. The Secretary of Agriculture can permit peanut acreage allotment transfers provided they do not add to total supply. The Secretary has no powers over transfers for both kinds of cotton or rice. Inter-county transfers of cotton allotments must be approved by the County ASCS Committee. Rice allotments are transferred between farmers in the same state without Secretary or County Committee approval.

Any value attached to acreage allotment transfers between producers is privately negotiated.

Allotment transfers tend to reflect changes in area of production within each state.

Other Alternatives

Among others, there are three major alternatives for the current system of acreage allotments. These are:

(1) Allow transfer of existing acreage allotments for all crops across county and state lines without Secretary of Agriculture or County Committee approval.

(2) Update the acreage allotments by using the average production record on each farm for the most recent two to three years.

(3) Make all current production eligible for support loans, target price deficiency payments and disaster payments without regard to acreage allotments.

CONSEQUENCES OF ALTERNATIVE PROGRAMS

Transfer Allotments

This method allows current allotment holders to sell their allotments to farmers in areas where production is increasing. It would tend to concentrate production on fewer, but larger farms and may increase total output. Average yields would probably increase and average per unit production costs should decrease.

Since this alternative would tend to boost total production, agribusiness would have access to larger supplies and more agricultural products would be available for export. Higher percentage of production would be produced in the least cost regions thus concentrating location of agribusiness firms.

Consumers will experience slower increase in total food costs relative to the current program because of increased supplies of farm products. There should be less variability in food supply from year to year.

The agricultural production would move out of marginal production regions, lessening food related employment opportunities in those areas. Transfers of allot-

ments would gradually improve the efficiency of agricultural production.

Acreage allotment programs tend to restrict ability of U.S. to provide farm products for export.

Update Allotments

The economic consequences of this method are exactly the same as for the transfer allotment method, except it brings changes in location of production more quickly and profoundly. This method increases efficiency to agriculture more quickly than transfer of allotments and results in increased supply at lower cost. The incidence of allotment leases or sales would be temporarily eliminated.

Updating allotments would continue a basis for controlling production and making deficiency and disaster payments to farmers.

Eliminating Allotments

This is the fastest method for shifting agricultural production to least cost regions, and continuing shifts would continue to occur. Production efficiency would be maximized, cost per unit minimized and overall production would be more responsive to market price changes. Farm income will be more concentrated than under other alternatives discussed.

Consumers food prices will increase more slowly under this system than under any other acreage allotment program. Farm prices will vary more and food supply would be less predictable.

Cost to taxpayers would be less than other discussed alternatives if loan rates are kept well below world price levels.

This method is consistent with the "Right to Food" resolution and should provide maximum exportable volume given favorable prices. It also provides the most sensitive basis for adjusting production to market needs.