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CC303 1982 Acreage Reduction Programs

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1982 ACREAGE REDUCTION PROGRAMS
(Should You Participate?)
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In late January, the federal government announced that there would be a voluntary acreage reduction program in 1982 for wheat, corn, sorghum, barley, oats, cotton, and rice. This publication outlines some of the more important provisions of the 1982 program for wheat and feed grains and analyzes factors that producers may want to consider as they decide whether or not to participate.

Acreage Bases

An acreage base is established for each crop on each farm based upon the planted and considered planted (for example, acreage that the farmer could not plant because of drought or flooding) acreages in previous years. In 1982, the base will be the higher of the acreage (planted and considered planted) of the crop for 1981 or the average of the 1980 and 1981 acreages (planted and considered planted). County ASC committees are authorized to vary the crop years used to establish acreage bases on farms where established rotation patterns exist. For example, in some areas of Nebraska, there is a two year rotation of summer fallow and wheat. If 1981 was a "summer fallow year," then the county committee could use 1978 and 1980 to establish the wheat base since these would have been the two most recent "wheat years." Also, in some cases, there could be a three year rotation of summer fallow, wheat, and sorghum. The 1982 wheat base could then be determined by going as far back as 1976 and 1979 if those were the last years wheat was grown in rotation. Normal appeal rights are given to producers who disagree with how the base is established by the county ASC committee.

In addition to individual crop bases discussed above, farms where both corn and sorghum are produced will have both crops grouped together for the purpose of determining an acreage base. Also, barley and oats will be grouped together. This will give producers flexibility to switch between crops in each base. The bases for individual crops do not have to be determined the same way for a combination base; i.e., the 1981 corn acreage could be combined with the average of 1980-81 sorghum acreage to determine the corn/sorghum base.

Reduced Acreage Program (RAP)

Producers who choose to participate must reduce the acreage of the crop planted for harvest by the announced percentage from the established base. In 1982, there is a 10 percent RAP for feed grains (corn, sorghum, oats, and barley) and a 15 percent RAP for wheat. There

are three potential benefits for those who comply with the voluntary reduced acreage program:

* Regular (nonrecourse) loans. These are 9-month loans at the prevailing Commodity Credit Corporation interest rate. They may be repaid at any time during the term of the loan. At the due date, a producer has the option of forfeiting the grain which has been collateral for the loan. In so doing, the principal and interest owed on the loan is forgiven, provided the loan collateral delivered to the CCC is of sufficient quantity and quality to liquidate the loan.

* Reserve loans. These are 3-year loans with interest assessed for the first year only (in the event the loan is redeemed). Interest is waived for the second and third years in the reserve, except that interest may be charged some periods of time when the reserve is in a release status. In addition to the loan, a producer will receive an annual storage payment of 26½ cents/bushel. Loans on reserve grain cannot be redeemed without penalty until the average farm price reaches the "trigger price." The forfeiture option at the end of the 3-year term is similar to the regular loan program.

* Target price protection (deficiency payments). If national average farm prices during the first five months of the marketing year for each crop fail to meet the respective target prices, the government will make up the difference to producers in (direct) deficiency payments to producers. By law, deficiency payments may not exceed the difference between the regular loan rate and the target price. A summary of program benefits for crops grown in Nebraska is presented in Table 1.

Table 1. SUMMARY OF 1982 FARM PROGRAM BENEFITS			
	Target prices	Regular loan	Reserve loan	Reserve trigger
Corn ($/bu.)	2.70	2.55	2.90	3.25
Sorghum ($/bu.)	2.60	2.42	2.75	3.10
($/cwt.)	4.64	4.32	4.91	5.54
Barley ($/bu.)	2.60	2.08	2.37	2.65
Oats ($/bu.)	1.50	1.31	1.49	1.65
Wheat ($/bu.)	4.05	3.55	4.00	4.65

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Individual Farm Calculation of Reduced Acreage

For wheat, the 15 percent RAP means that if an individual farm has an established acreage base of 100 acres, the permitted acreage in 1982 would be 85 acres (100 acres minus 15 percent). The producer must have 15 acres in conservation uses which is 17.65 percent of the 85.0 acres planted. If that same producer only plants 50 acres, the conservation use acreage would still be 17.65 percent of the planted acreage or 8.8 acres.

For feed grains, the 10 percent RAP means that the permitted acreage in 1982 must be reduced at least 10 percent from the established acreage base. The conservation use acreage is 11.11 percent of the planted acres.

Conservation Use Acreage

Cropland that was devoted to a small grain or row crop in 1980 or 1981 or land that was cropped in previous years as part of an established rotation pattern on the farm will be eligible for conservation use acreage. Land that was devoted to a hay crop for hay, green chop, or silage in 1980 and 1981, and land the county ASC committee determines is in a normal rotation pattern with a small grain or row crop, is also eligible.

If winter wheat, barley, or oats were planted before the 1982 program details were announced on January 29 then this small grain acreage can be designated as conservation use acreage and at the same time be utilized as follows: 1) It could be grazed during any time period, providing it is grazed down sufficiently to prevent the crop from maturing to a grain crop, and the land is protected against wind and water erosion; 2) It could be hayed or taken for silage up to the end of the soft dough stage.

Other conservation use acreage must be protected from wind and water erosion. National approved practices applicable to Nebraska are annual, biennial, or perennial grasses or legumes but excluding soybeans; small grains including volunteer stands other than weeds which must be clipped prior to hard dough stage; prior year crop residue from the use of "no till" or "minimum till" practices. Weeds must be controlled in any approved cover. Specific practices may be developed at the local level by county ASC committees in consultation with the Soil Conservation Service (SCS) District Conservationist, and approved by the state ASC committee, with the the concurrence of the SCS State Conservationist. This acreage can be grazed except during the six principal growing months. This 6-month period will be determined by the local ASC committee during the period February 28 - October 31. Mechanical harvesting of any crop will be prohibited.

Acreage that had been planted to wheat, barley or oats on January 29 can be planted to another crop after being grazed or hayed. However, it can be replanted only to eligible cover crops that cannot be harvested

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at all or grazed during the remaining part of the 6-month nongrazing period.

Compliance Requirements

The 1981 farm bill specifically prohibits cross compliance between crops on a farm when only a reduced acreage program is in effect, which is the case in 1982. Because corn/sorghum and barley/oats are grouped together, producers may participate in the corn/sorghum program and not the barley/oats program or vice versa. Cross compliance means that to be eligible to participate in the program for one crop on a farm, a producer would be required to comply with the program requirements for other crops planted on the farm.

There is no offsetting compliance requirement in effect for 1982. Offsetting compliance is a requirement that owners and operators of a farm who participate in the reduced acreage program for one crop must not exceed the acreage base for that crop on other farms that they own or operate.

Should You Participate?

There are two steps required in order to participate in each of the three programs (corn/sorghum, oats/barley, wheat) discussed above. The first step is to "sign up." This incurs no obligation, and keeps your options open. Events such as an early summer hail storm may change your mind regarding program participation. The second step is to be in compliance with program requirements by the dates specified in your county. This may be as late as mid-June for wheat and late summer for corn.

Also, as pointed out above, a "participation vs. non-participation" decision for 1982 crops can be made separately for each "crop" (corn/sorghum, oats/barley, wheat) on each farm.

As with any short run planning decision, the appropriate economic criterion for comparing participation with non-participation is "return over cash costs," from the time you make the decision through harvest. For feed grains which are spring planted, this will probably be total cash costs. But, for wheat, you will likely consider only the costs of harvest plus the cost of any insect control, top-dress fertilizer, or hail insurance which may be incurred between the time of your decision and harvest.

The reason for considering only cash costs is that land mortgage payments, machinery interest, depreciation, your labor and management, and even the costs you have invested in the growing wheat crop up to now are fixed. They will not change whether you participate or not. Thus, your objective is to maximize your return over cash, or variable, costs. This will not guarantee that you will cover all of your fixed costs, but

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it will show you which option will allow you to minimize your loss or maximize your profit.

Worksheets on pages 6 and 7 provide a framework for comparing your expected return over cash costs from participation vs. non-participation for a single crop. The first example is for a circle of irrigated corn. The second is for 100 acres of wheat. Complete instructions and a blank worksheet for your use are also included.

Consider the Cost of a Wrong Decision

If it is difficult to estimate of the market price for your 1982 grain crop, you're not alone. Because future prices are uncertain, it may be helpful to estimate "the cost of a wrong decision." This involves working through the worksheet with two or more alternative market price estimates. Let's consider the irrigated corn example. With an estimated market price of $2.50 per bu. (either at harvest or net after subtracting carrying costs), the additional return from participating in the program is $6,683. If we recalculate, using market prices $2.75, $3.00 and $3.25, we get the following results:

Corn Price	Return Over Cash Costs		
$/bu	Non-participation	Participation	Non-participation minus participation
$2.50	$17,785	$24,558	$(6,683)
$2.75	$22,262	$22,245	$17
$3.00	$26,650	$23,855	$2,795
$3.25	$31,037	$27,803	$3,234

This summary yields considerable information and answers some "what if" questions.

1. The returns from participation and non-participation are about equal at the $2.75 corn price. Thus, if you expect the corn price to be below $2.75, it would be advisable to participate. If you expect a corn price above $2.75, it would be advisable to not participate.

2. Participation in the program narrows the range of potential returns over cash costs. The range is from $24,558 to $27,803, or $3,245. By comparison, the range under non-participation is from $17,785 to $31,037, or $13,252. Are you willing to risk the chance of a $17,785 return in order to have a chance at the $31,037 return? Or, would you rather be fairly sure of a return in the range of $24,558 to $27,803? Your financial position and your personal risk attitude will affect your decision.

WORKSHEET FOR COMPARING RETURNS OVER CASH COSTS FROM
PARTICIPATION VS. NON-PARTICIPATION IN 1982 REDUCED ACREAGE PROGRAM

*Example
No. 1*

Crop __Irrig. Corn__

INFORMATION NEEDED

IF YOU DO NOT PARTICIPATE

a. __130__ /ac Acres you intend to plant (harvest)

b. __135__ bu/ac Your expected yield per acre

c. $__2.50__ /bu Your expected market price per bushel

d. $__200__ /ac Your expected cash production costs per acre
(from now through harvest)

IF YOU DO PARTICIPATE

e. __130__ /ac Base acreage

f. __117__ /ac Acres you intend to plant (harvest)

g. __13__ /ac Conservation use acres

h. __130__ bu/ac ASCS established yield

i. $__0__ /ac Expected value per acre of production from conservation use acres

j. $__10__ /ac Expected cash costs per acre for conservation use acres

k. $__.15__ /bu Anticipated deficiency payment per bushel

l. $__2.55__ /bu County rate for regular loan

m. $__2.90__ /bu County rate for reserve loan

n. $__.265__ /bu Your annual storage cost per bushel

RETURNS

From production

$\underset{(a)}{130}$ ac X $\underset{(b)}{135}$ bu/ac = $\underset{(o)}{17,550}$ bu

$\underset{(o)}{17,550}$ bu X $\underset{(c)}{\$2.50}$ /bu = $\underset{(p)}{\$43,875}$

From production

$\underset{(f)}{117}$ ac X $\underset{(b)}{135}$ bu/ac = $\underset{(o)}{15,795}$ bu

$\underset{(o)}{15,795}$ bu X $\underset{(c)}{\$2.50}$ /bu = $\underset{(p)}{\$39,488}$

From deficiency payment

$\underset{(f)}{117}$ ac X $\underset{(h)}{130}$ bu/ac = $\underset{(q)}{15,210}$ bu

$\underset{(q)}{15,210}$ bu X $\underset{(k)}{.15}$ /bu = $\underset{(r)}{\$2282}$

From loan (Reserve)

$\underset{(l \text{ or } m)}{\$2.90}$ /bu − $\underset{(c)}{\$2.50}$ /bu = $\underset{(s)}{\$.40}$ /bu

$\underset{(o)}{15,795}$ bu X $\underset{(s)}{\$.40}$ /bu = $\underset{(t)}{\$6318}$

From conservation use acres

$\underset{(g)}{\quad}$ ac X $\underset{(i)}{\$0}$ ac = $\underset{(u)}{\$0}$

From storage

$\underset{(o)}{15,795}$ bu X $\underset{}{.265}$ /bu = $\underset{(v)}{\$4186}$

TOTAL RETURNS (p) $\underset{(v)}{\$43,875}$

TOTAL RETURNS (p+r+t+u+v) $\underset{(w)}{\$52,274}$

CASH COSTS

For production

$\underset{(a)}{130}$ ac X $\underset{(d)}{\$200}$ ac = $\underset{(x)}{\$26,000}$

For production

$\underset{(f)}{117}$ ac X $\underset{(d)}{\$200}$ ac = $\underset{(x)}{\$23,400}$

For conservation use acres

$\underset{(g)}{13}$ ac X $\underset{(j)}{\$10}$ ac = $\underset{(y)}{\$130}$

For storage

$\underset{(o)}{15,795}$ bu X $\underset{(n)}{\$.265}$ /bu = $\underset{(z)}{\$4186}$

For interest

$\underset{(o)}{\quad}$ /bu X $\underset{(l \text{ or } m)}{\$\quad}$ /bu X $\underset{}{\quad}$ % = $\underset{(aa)}{\$0}$

TOTAL CASH COSTS (x) $\underset{(bb)}{\$26,000}$

TOTAL CASH COSTS (x+y+z+aa) $\underset{(bb)}{\$27,716}$

RETURN OVER CASH COSTS

(w−w) $\underset{(cc)}{\$17,875}$

(w−bb) $\underset{(cc)}{\$24,558}$

Difference in favor of __Participation__ $__6683__
(participation or non-partipation)

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WORKSHEET FOR COMPARING RETURNS OVER CASH COSTS FROM
PARTICIPATION VS. NON-PARTICIPATION IN 1982 REDUCED ACREAGE PROGRAM

*Example
No. 2*

Crop ___Wheat___

INFORMATION NEEDED

IF YOU DO NOT PARTICIPATE		IF YOU DO PARTICIPATE	
a. __100__ /ac	Acres you intend to plant (harvest)	e. __100__ /ac	Base acreage
b. __35__ bu/ac	Your expected yield per acre	f. __85__ /ac	Acres you intend to plant (harvest)
c. $__3.50__ /bu	Your expected market price per bushel	g. __15__ /ac	Conservation use acres
d. $__18__ /ac	Your expected cash production costs per acre (from now through harvest)	h. __30__ bu/ac	ASCS established yield
		i. $__40__ /ac	Expected value per acre of production from conservation use acres
		j. $__25__ /ac	Expected cash costs per acre for conservation use acres
		k. $__.50__ /bu	Anticipated deficiency payment per bushel
		l. $__3.55__ /bu	County rate for regular loan
		m. $__4.00__ /bu	County rate for reserve loan
		n. $__.265__ /bu	Your annual storage cost per bushel

RETURNS

From production

$\underset{(a)}{100}$ ac X $\underset{(b)}{35}$ bu/ac = $\underset{(o)}{3500}$ bu

$\underset{(o)}{3500}$ bu X $\underset{(c)}{3.50}$ /bu = $\underset{(p)}{12,250}$

From production

$\underset{(f)}{85}$ ac X $\underset{(b)}{35}$ bu/ac = $\underset{(o)}{2975}$ bu

$\underset{(o)}{2975}$ bu X $\underset{(c)}{3.50}$ /bu = $\underset{(p)}{\$10,412}$

From deficiency payment

$\underset{(f)}{85}$ ac X $\underset{(h)}{30}$ bu/ac = $\underset{(q)}{2550}$ bu

$\underset{(q)}{2550}$ bu X $\underset{(k)}{.50}$ /bu = $\underset{(r)}{\$1275}$

From loan (Reserve)

$\underset{(l\ or\ m)}{\$4.00}$ /bu - $\underset{(c)}{3.50}$ /bu = $\underset{(s)}{\$.50}$ /bu

$\underset{(o)}{2975}$ bu X $\underset{(s)}{.50}$ /bu = $\underset{(t)}{\$1487}$

From conservation use acres

$\underset{(g)}{15}$ ac X $\underset{(i)}{\$40}$ ac = $\underset{(u)}{\$600}$

From storage

$\underset{(o)}{2975}$ bu X $\underset{}{\$.265}$ /bu = $\underset{(v)}{\$788}$

TOTAL RETURNS (p) $\underset{(w)}{\$12,250}$

TOTAL RETURNS (p+r+t+u+v) $\underset{(w)}{\$14,562}$

CASH COSTS

For production

$\underset{(a)}{100}$ ac X $\underset{(d)}{\$18}$ ac = $\underset{(x)}{\$1800}$

For production

$\underset{(f)}{85}$ ac X $\underset{(d)}{\$18}$ ac = $\underset{(x)}{\$1530}$

For conservation use acres

$\underset{(g)}{15}$ ac X $\underset{(j)}{\$25}$ ac = $\underset{(y)}{\$375}$

For storage

$\underset{(o)}{2975}$ bu X $\underset{(n)}{\$.265}$ /bu = $\underset{(z)}{\$788}$

For interest

$\underset{(o)}{}$ /bu X $\underset{(l\ or\ m)}{}$ /bu X $\underset{}{}$ % = $\underset{(aa)}{}$

TOTAL CASH COSTS (x) $\underset{(bb)}{\$1800}$

TOTAL CASH COSTS (x+y+z+aa) $\underset{(bb)}{\$2693}$

RETURN OVER CASH COSTS

(w-bb) $\underset{(cc)}{\$10,450}$

(w-bb) $\underset{(cc)}{\$11,869}$

Difference in favor of ___*Participation*___ $__1419__
(participation or non-partipation)

3. The "cost of a wrong decision" can also be identified. For example, if you participate, and corn turns out to be $3.25, your wrong decision cost you $3,234. Conversely, if corn turns out to be $2.50 and you don't participate, your wrong decision cost you $6,683. Which wrong decision can you afford? Which one can't you afford?

Consider the Timing of Cash Flows

If you would normally plan to store your corn crop for a spring or early summer sale, or wait a few months before placing it under loan, you should consider the timing of the cash flows as well as the carrying costs (interest and storage). These will vary among individual situations, but can easily amount to 5¢ per bushel per month on corn, for example.

A producer who holds corn for a May 1 sale could incur a 30¢ per bushel carrying charge and he would likely <u>not</u> be able to pay his 1982 operating loan until May 1. If he were to place his crop under loan at harvest time, he could use those proceeds to pay off his 1982 operating loan and possibly make some long term loan payments, thereby saving further interst costs. He would not incur any interest costs with the government loans unless the market price increased substantially and he redeemed the loan.

If the producer did not have any loan payments to make, he would not have a cash interest cost for holding the grain, but if he sold or placed it under loan at harvest time, he could invest the proceeds and earn interest.

We might summarize the cash flow and carrying charge implications of three options:

1) Non-Participation--if you store for a spring sale, you pay the storage and interest and your cash flow comes in the spring.

2) If you put your crop in the regular loan program at harvest, you get the cash right away, based on the loan rate ($2.55 for corn, for example), you pay the storage, and the grain will be out of storage before the next year's harvest. You will not pay interest unless you elect to redeem the loan.

3) If you put your crop in the reserve loan program at harvest, you get the cash right away based on the loan rate ($2.90 for corn, for example), you get 26½¢ per bushel storage payment in advance, and the grain may be in storage up to 3 years. You will not pay interest unless the trigger price is reached ($3.25 for corn, for example) during the 3-year storage period.

Although it is normally advantageous to have the cash flow as early as possible, the potential income tax liability should be considered if government loan proceeds are to be treated as income.

Factors Which Affect Your Decision

The outcome of the "return over cash costs" calculation on the worksheet as well as other aspects of your decision will likely depend on factors which are unique to you and your farm. Some of these are:

1. Your expected yields vs. ASCS established yields.

2. The compatibility of your acreage bases with your cropping plans for 1982.

3. Availability and cost of storage.

4. Do you usually feed all or most of your grain?

5. Are you able to use or sell forage produced on reduced acres?

6. National average price vs. local average price for individual grains.

7. Your personal expectation of grain prices for your 1982 crop.

8. Your financial position, and consequently your need for a "guaranteed minimum price" for your 1982 crop.

9. Your attitude toward risk.

10. Possible income tax implications due to differences in the amount and timing of income.

11. Regular or reserve loan programs differ from outright sales in that you could always take advantage of subsequent higher prices with a loan.

INSTRUCTIONS FOR USING WORKSHEET

Information Needed

Item

a. Enter the number of acres of the crop which you would plant if you do not participate in the program. In the case of wheat, it would be the number of acres which you would intend to harvest. In an effort to keep this worksheet as simple as possible, only one crop can be calculated on each worksheet. Thus, you may need to calculate separate ones for corn and grain sorghum, which have a combined base for government program purposes.

b. Enter your most realistic estimate of the yield per acre.

c. Enter your present estimate of the market price you feel you could get for your 1982 crop. This would be a harvest time price, or a

price net of carrying charges (storage and interest) if not sold at harvest.

d. Enter your estimated cash production costs per acre which will occur from now through harvest. This will probably be total cash costs for spring planted crops. For wheat, it will only be harvesting and hauling, plus possibly hail insurance, insect spray, or top-dress fertilizer. See EC 81-872 or the CROPBUDGET program on AGNET for assistance in calculating cash costs.

e. Enter your base acreage which includes this crop. For example, if you have a combined corn-sorghum base, but are considering planting all corn, enter the combined base.

f. Enter the acreage you would plant if you participate in the program. The maximum would be the base, less the required percentage for the reduced acreage program (10% for feed grains and 15% for wheat).

g. Enter the number of acres that must be committed to conservation use. This must be at least 11.11% of the planted acres for feed grains or 17.65% of the wheat acres intended for harvest.

h. Enter the ASCS established yield for this crop.

i. Enter an estimate of the gross value which you expect to receive from the conservation use acres. This could be the value of a hay crop cut from wheat, grazing out of wheat, or off-season grazing. You may receive benefits which are difficult to quantify, such as tilling the acres to get rid of a weed problem, using them to establish a legume, or summer fallowing them to store moisture for the following year's crop. In some areas, and particularly on farms without livestock, the reduced acres may yield no quantifiable value.

j. Enter the cash costs per acre which you will incur on the conservation use acres. This may be the cost of harvesting a hay crop of wheat, the cost of temporary fencing to pasture it, the cost of tillage and planting a conserving crop, or just the cost of tillage to eliminate weeds.

k. Enter your estimate of the probable deficiency payment for this crop. You may want to re-read the section above on "target price protection" to see how deficiencies are calculated. The amount of the deficiency payment depends on your estimate of what market prices will be. The maximum deficiency payments per bushel for each crop are: wheat 50¢, corn 15¢, grain sorghum 18¢, barley 52¢, and oats 19¢.

l. Enter your county rate for the regular 9-month loan on this crop. The national average rates are presented in Table 1. Individual counties in Nebraska may be above or below the national average,

except for milo where all Nebraska counties have frequently been below the national average.

m. Enter your county rate for the reserve loan on this crop. National rates are presented in Table 1, but will vary from county to county.

n. Enter your annual storage cost per bushel. This is necessary if you want to consider program benefits under either of the loan programs. This could be the cost of commercial storage, your cash costs of existing storage, or estimated annual costs of storage which you anticipate building.

Calculating Returns Over Cash Costs

The calculation procedure is fairly self-explanatory, but here are a few comments which may be helpful.

The calculation of returns and cash costs under non-participation are fairly straight-forward, using the information from items (a) through (d).

There are several potential sources of returns which you need to consider if you participate.

- From production--income from the acres you plant (harvest).

- From deficiency payment--this is a cash payment which will be determined after the first five months of the marketing year for the 1982 crop. To calculate this, use your estimate from item (k).

- From loan--you would receive returns over and above the market price from either the regular loan program or the reserve loan program only if you have storage space or can rent it, and if the loan rates are higher than the market price which you expect (item c). If you want to consider the returns from a loan program, subtract your expected market price (item c) from the loan rate (either regular or reserve, whichever you want to consider, although the returns will be higher under the reserve loan program.) The difference between your expected price and the loan rate represents the additional price per bushel which you would receive for grain produced and placed under loan.

- From conservation use acres--this is the value of production from the conservation use acres.

- From storage--if you intend to consider the reserve loan program, an advance annual storage payment of 26½¢ per bushel is made on grain placed in the reserve.

There are also several potential cash cost items under the participation option.

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- For production--the cost per acre planted (harvested).

- For conservation use acres--this is the cost associated with the conservation use acres. This could be the cost of harvesting wheat hay, tillage, planting a soil conserving crop, etc.

- For storage--this is the cost of storage _if_ you are considering the loan program. This could be the cost of commercial storage, your cash costs of storing and handling on-farm, etc.

- For interest--this blank is for interest on regular or reserve loans. Interest would be payable when the loan is redeemed. But if the market price does not reach a level which would cause you to redeem the regular loan, or the trigger level on the reserve loan, there is no interest charge. Thus, you may not want to consider an interest cost.

Subtract the cash costs from the returns for each option. Then subtract the smaller of the "returns over cash costs" figures from the larger one, write the difference on the bottom line, and note which option results in the greater returns over cash costs.

WORKSHEET FOR COMPARING RETURNS OVER CASH COSTS FROM
PARTICIPATION VS. NON-PARTICIPATION IN 1982 REDUCED ACREAGE PROGRAM

Crop_____

INFORMATION NEEDED

IF YOU DO NOT PARTICIPATE

a. _____/ac Acres you intend to plant (harvest)

b. _____bu/ac Your expected yield per acre

c. $_____/bu Your expected market price per bushel

d. $_____/ac Your expected cash production costs per acre
(from now through harvest)

IF YOU DO PARTICIPATE

e. _____/ac Base acreage

f. _____/ac Acres you intend to plant (harvest)

g. _____/ac Conservation use acres

h. _____bu/ac ASCS established yield

i. $_____/ac Expected value per acre of production from conservation use acres

j. $_____/ac Expected cash costs per acre for conservation use acres

k. $_____/bu Anticipated deficiency payment per bushel

l. $_____/bu County rate for regular loan

m. $_____/bu County rate for reserve loan

n. $_____/bu Your annual storage cost per bushel

RETURNS

From production

$$\frac{}{(a)}\text{ac} \times \frac{}{(b)}\text{bu/ac} = \frac{}{(o)}\text{bu}$$

$$\frac{}{(o)}\text{bu} \times \$\frac{}{(c)}\text{/bu} = \frac{}{(p)}$$

From production

$$\frac{}{(f)}\text{ac} \times \frac{}{(b)}\text{bu/ac} = \frac{}{(o)}\text{bu}$$

$$\frac{}{(o)}\text{bu} \times \$\frac{}{(c)}\text{/bu} = \$\frac{}{(p)}$$

From deficiency payment

$$\frac{}{(f)}\text{ac} \times \frac{}{(h)}\text{bu/ac} = \frac{}{(q)}\text{bu}$$

$$\frac{}{(q)}\text{bu} \times \frac{}{(k)} = \$\frac{}{(r)}$$

From loan (Reserve)

$$\$\frac{}{(l\ or\ m)}\text{/bu} - \$\frac{}{(c)}\text{/bu} = \$\frac{}{(s)}\text{/bu}$$

$$\frac{}{(o)}\text{bu} \times \$\frac{}{(s)}\text{/bu} = \$\frac{}{(t)}$$

From conservation use acres

$$\frac{}{(g)}\text{ac} \times \$\frac{}{(i)}\text{ac} = \$\frac{}{(u)}$$

From storage

$$\frac{}{(o)}\text{bu} \times \$\frac{.265}{}\text{/bu} = \$\frac{}{(v)}$$

TOTAL RETURNS   (p) $\frac{}{(w)}$

TOTAL RETURNS (p+r+t+u+v) $\frac{}{(w)}$

CASH COSTS

For production

$$\frac{}{(a)}\text{ac} \times \$\frac{}{(d)}\text{ac} = \$\frac{}{(x)}$$

For production

$$\frac{}{(f)}\text{ac} \times \$\frac{}{(d)}\text{ac} = \$\frac{}{(x)}$$

For conservation use acres

$$\frac{}{(g)}\text{ac} \times \$\frac{}{(j)}\text{ac} = \$\frac{}{(y)}$$

For storage

$$\frac{}{(o)}\text{/bu} \times \$\frac{}{(n)}\text{/bu} = \$\frac{}{(z)}$$

For interest

$$\frac{}{(o)}\text{/bu} \times \$\frac{}{(l\ or\ m)}\text{/bu} \times \frac{}{}\% = \$\frac{}{(aa)}$$

TOTAL CASH COSTS   (x) $\frac{}{(bb)}$

TOTAL CASH COSTS (x+y+z+aa) $\frac{}{(bb)}$

RETURN OVER CASH COSTS

(w-bb) $\frac{}{(cc)}$ (w-bb) $\frac{}{(cc)}$

Difference in favor of _____ $_____
(participation or non-partipation)

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