

IV. GLOSSARY OF AGRICULTURAL POLICY TERMS !

Acreage Allotment. An individual farm's share, based on its previous production, of the national acreage needed to produce sufficient supplies of a particular crop; currently used only for tobacco.

Acreage Reduction Program (ARP). A voluntary land retirement system in which farmers reduce their planted acreage from their base acreage. This is generally an unpaid reduction, although it can be required for participation in other agricultural programs.

Agricultural Stabilization and Conservation Service (ASCS). An agency of the U.S. Department of Agriculture responsible for administering farm price and income support programs as well as some conservation and forestry cost-sharing programs; local offices are maintained in nearly all farming counties.

Basic Commodities. Six crops (corn, cotton, peanuts, rice, tobacco, and wheat) declared by legislation as requiring price support.

Bilateral Agreement. A two-country agreement for the exchange of specified products.

Carryover. The supplies of a farm commodity not yet used at the end of a marketing year. Marketing years generally start at the beginning of the new harvest for a commodity.

Commodity Credit Corporation (CCC). A wholly owned Federal corporation within, and managed by officials of, the U.S. Department of Agriculture. It functions as the financial institution through which all money transactions are handled for farm price and income support.

Deficiency Payment. Government payment made to farmers who participate in feed-grain, wheat, rice, or cotton programs; payment rate is per bushel, pound, or hundredweight, based on the difference between a target price and the market price or the loan rate, whichever difference is less. See Target Price.

Disaster Payment. Federal aid provided to farmers for feed grains, wheat, rice, and upland cotton when either planting is prevented or crop yields are abnormally low because of adverse weather and related conditions.

Export Allocation or Quota. Control applied to exports by an exporting country to limit the amount of goods leaving that country. Such controls usually are applied in time of war or during some other emergency requiring conservation of domestic supplies.

Export Subsidy. A government grant, made to a private enterprise, for the purpose of facilitating exports. In Europe, it is often termed "restitution."

Farm. Starting in 1978, defined by the Bureau of the Census as any place that has or would have had \$1,000 or more in gross sales of farm products.

¹/ Compiled by R. Thomas Fulton, social science analyst, Food and Agricultural Policy Branch, National Economics Division, Economic Research Service.

Farmer-Owned Grain Reserve. Program designed to provide protection against wheat and feed grain production shortfalls and provide a buffer against unusually sharp price movements. Farmers place their grain in storage and receive an extended nonrecourse loan for 3 to 5 years. Interest on the loan may be waived and farmers may receive annual storage payments from the Government. Farmers cannot take grain out of storage without penalty unless the market price reaches a specified "release price." When the release price is reached, farmers may elect to remove their grain from the reserve but are not required to do so. However, at that point the storage and interest incentives may be reduced or eliminated.

Federal Crop Insurance. A voluntary risk management tool, available to farmers since the thirties, that protects them from the economic effects of unavoidable adverse natural events. Administrative costs are appropriated by the Congress and 30 percent of the insurance costs are federally subsidized.

Federal Marketing Orders and Agreements. To promote orderly marketing, a means authorized by legislation for agricultural producers to collectively influence the supply, demand, or price of particular commodities. Approved by a required number of a commodity's producers--usually two-thirds--the marketing order is binding on handlers of the commodity. It may limit total marketings, prorate the movement of a commodity to market, or impose size and grade standards. Currently 41 marketing orders are in effect.

Food Stamp Program. A USDA program designed to help low-income households buy an adequate and more nutritious diet. The program began as a pilot operation in 1961 and was made part of permanent legislation in the Food Stamp Act of 1964.

General Agreement on Tariffs and Trade (GATT). An agreement negotiated in 1947 among 23 countries, including the United States, to increase international trade by reducing tariffs and other trade barriers. This multilateral agreement provides a code of conduct for international commerce. GATT also provides a framework for periodic multilateral negotiations on trade liberalization and expansion. Seven sessions have been held, including most recently, the Tokyo Round Multilateral Trade Negotiations, begun in 1973 and ended early in 1979.

International Trade Barriers. Regulations used by governments to restrict imports from, and exports to, other countries. Examples are tariffs, embargoes, import quotas, and unnecessary sanitary restrictions.

Import Quota. The maximum quantity or value of a commodity allowed to enter a country during a specified period of time.

Loan Rate. The price per unit (bushel, bale, or pound) at which the Government will provide loans to farmers to enable them to hold their crops for later sale. The 1981 Farm Act established minimum loan rates for wheat, feed grains, and rice; and set soybean and cotton rates by formula reflecting an average of previous years' market prices. See Nonrecourse Loans.

Marketing Quota. Under certain agricultural programs, that quantity of a commodity that will provide adequate and normal market supplies. When marketing quotas are in effect (only after approval by two-thirds or more of the eligible producers voting in a referendum), growers who produce in excess of their farm acreage allotments are subject to marketing penalties on the "excess" production and are ineligible for Government price support loans. Quota provisions have been suspended for wheat, feed grains, and cotton since the sixties; rice quotas were abolished in 1981. Quotas are still used for domestically consumed peanuts,

but not for exported peanuts. For certain tobaccos, a poundage limitation is applicable as well as acreage allotments.

Multilateral. Agreements or programs involving three or more countries, such as the General Agreement on Tariffs and Trade. See Bilateral.

National Farm Program Acreage. The number of harvested acres of feed grains, wheat, and cotton needed nationally to meet domestic and export use and to accomplish any desired increase or decrease in carryover levels.

Nonrecourse Loans. Price support loans to farmers to enable them to hold their crops for later sale, usually within the marketing year. The loans are nonrecourse in that farmers can forfeit without penalty the loan collateral (the commodity) to the Government as settlement of the loan. See Loan Rate.

Normal Crop Acreage. The acreage on a farm normally devoted to a group of designated crops. When a set-aside program is in effect, a farm's total planted acreage of such designated crops plus set-aside acreage cannot exceed the normal crop acreage, if the farmer wants to participate in the commodity loan program or receive deficiency payments.

Normal Yield. A term designating the average historical yield established for a particular farm or area. Normal production would be the normal acreage planted to a commodity multiplied by the normal yield.

Paid Diversion. A voluntary land retirement system in which farmers are paid for forgone production from their base acreage.

Parity Price. Originally, the price per bushel, pound, or bale that would be necessary for a bushel today to buy the same quantity of goods (from a standard list) that a bushel would have bought in the 1910-14 base period at the price then prevailing. In 1948, the parity price formula was revised to make parity prices dependent on the relationship of farm and nonfarm prices during the most recent 10-year period for nonbasic commodities. Basic commodities, including wheat, corn, rice, peanuts, and cotton, use the higher of the historical formula or the new formula.

Payment Limitation. A limitation set by law on the amount of money any one individual may receive in farm program payments, such as deficiency and disaster payments, each year under the feed grain, wheat, cotton, and rice programs. The limitation, currently \$55,000, does not include the value of loans received.

Permanent Legislation. The statutory legislation upon which many agricultural programs are based (for the major commodities, principally the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949). Although these laws are frequently amended for a given number of years, they would once again become law if current amendments, such as the 1981 farm act, were to lapse or new legislation not be enacted.

Public Law 480. Enacted in 1954 to expand foreign markets for U.S. agricultural products, combat hunger, and encourage economic development in the developing countries. Makes U.S. agricultural commodities available through low-interest, long-term credit under Title I of the act, and as donations for famine or other emergency relief under Title II. Under Title I, the recipient country agrees to

undertake agricultural development projects to improve its own food production or distribution. Title III authorizes "food for development" projects.

Set-Aside. A program to limit production by restricting the use of land. Restriction is placed on amount of a farmer's total cropland base used for production rather than on the acres used to produce a specific crop.

Target Price. A price level established by law for wheat, feed grains, rice and cotton. If the market price falls below the target price an amount equal to the difference (but not more than the difference between the target price and price support loan levels) is paid to farmers who participate in commodity programs. See Deficiency Payment.

Tariffs. A system of duties imposed by Government on imported goods. Sometimes used as a means of generating revenue.