Glossary Of Agricultural Policy Terms

- ***Acreage reduction program (ARP)***—A voluntary land retirement system for wheat, feed grains, cotton, or rice in which participating farmers idled a crop-specific, nationally-set portion of their crop acreage base. Farmers participating in this program were eligible for benefits such as Commodity Credit Corporation (CCC) loans and deficiency payments, although no payments were made on the idled ARP land. The Federal Agriculture Improvement and Reform Act of 1996 (1996 Act) did not reauthorize authority for ARP's.

- ***Additional peanuts***—Peanuts sold from a farm in any marketing year in excess of the amount of quota peanuts sold from that farm. Additional peanuts are eligible only for the lower of the two peanut price support levels. The level is determined by the Secretary, taking into consideration the demand for peanut oil and meal, expected prices of other vegetable oils and protein meals, and the demand for peanuts in foreign markets. Under the 1996 Act, loans for additional peanuts remain available.

- ***Base acreage***—A farm's crop-specific acreage of wheat, feed grains, upland cotton, or rice eligible to enroll in commodity programs under previous legislation. Base acreage equals land planted for harvest to the crop, plus any land enrolled in ARP's, plus land considered planted to the crop in 0,50/85-92 or under permitted normal flex or optional flex acreage shifts during a specified period of time. A farmer's crop acreage base is reduced by the portion of land placed in the Conservation Reserve Program, but is increased by CRP base acreage leaving the CRP.

- ***Commodity Credit Corporation (CCC)***—A federally owned and operated corporation within the U.S. Department of Agriculture created to stabilize, support, and protect agricultural prices and farm income through loans, purchases, payments, and other operations. All money transactions for agricultural price and income support and related programs are handled through the CCC.

- ***Commodity loan rates***—Price per unit (pound, bushel, bale, or hundredweight) at which the CCC provides nonrecourse loans to farmers to enable them to hold program crops for later sale. Commodity loans under the 1996 Act can be recourse for sugar and will become recourse for dairy in 2000.

- ***Conservation Reserve Program (CRP)***—A major provision of the Food Security Act of 1985 designed to reduce erosion and protect water quality on up to 45 million acres of farmland. Under the program, enrolled landowners agree to convert environmentally sensitive land to approved conserving uses for 10-15 years. In exchange, the landowner receives an annual rental payment as well as an initial cost-share payment for up to 50 percent of the cost of establishing permanent vegetative cover. The 1996 Act authorizes a 36.4 million acre CRP, its 1995 level.

- ***Contract acreage***—Enrolled 1996 commodity base acreage under the 1996 Act for wheat, feed grains, upland cotton, and rice, generally fixed for 1996 through 2002. A farmer may voluntarily choose to reduce contract acreage in subsequent years. Land leaving the CRP may be entered into a production flexibility contract if the land had an acreage base.

- ***Contract crops***—Crops eligible for production flexibility payments: wheat, corn, sorghum, barley, oats, rice, and upland cotton.

- ***Crop year***—Generally, the 12-month period from the beginning of harvest.

- ***Dairy Export Incentive Program***—A program that offers subsidies to exporters of U.S. dairy products to assist in competition with other nations. Payments are made by the Commodity Credit Corporation on a bid basis either in cash or through certificates redeemable for commodities. The program was originally authorized by the 1985 Act and reauthorized by the 1990 Act. The 1996 Act extends the program through 2002.

- ***Decoupled payments***—Payments to farmers that are not linked to current production decisions. When payments are decoupled, farmers make production decisions based on expected market returns.

- ***Deficiency payments***—Direct government payments made to farmers who participated in an annual commodity program for wheat, feed grains, rice, or cotton, prior to 1996. The crop-specific deficiency payment rate was based on the difference between the target price and the higher of the loan rate or the national average market price during a specified time. The total payment was equal to the payment rate, multiplied by a farm's eligible payment acreage and the program payment yield established for the particular farm. In recent years, farmers could receive up to one-half of their projected deficiency payments at program signup. If actual deficiency payments, which were determined after the crop year, were less than advance deficiency payments, the farmer was required to reimburse the Government for the difference, except for 0,50/85-92 payments.

- ***Export Enhancement Program (EEP)***—Started in May 1985 under the Commodity Credit Corporation Charter Act to help U.S. exporters meet competitors' prices in subsidized markets. Under the EEP, exporters are awarded bonuses, enabling them to compete for sales in specified countries.

- ***Federal Agriculture Improvement and Reform Act of 1996 (1996 Act) (P.L. 104-127)***—The omnibus food and agriculture legislation signed into law on April 4,1996 that provided a 7-year framework (1996-2002) for the Secretary of Agriculture to administer various agricultural and food programs. The 1996 Act fundamentally redesigns income support and supply management programs for producers of wheat, corn, grain sorghum, barley, oats, rice, and upland cotton. The 1996 Act also makes program changes for dairy, sugar, and peanuts. Additionally, trade programs are more targeted and environmental programs are consolidated and extended in the 1996 Act.

- ***Federal Crop Insurance Program***—A subsidized insurance program providing farmers with a means to manage the risk of crop losses resulting from natural disasters. With the Federal Crop Insurance Reform Act of 1994, coverage is classified as "catastrophic" (CAT) or "additional." CAT coverage guarantees 50 percent of a farmer's average yield, at 60 percent of the price election, for a nominal processing fee. The 1996 Act continues the Federal Crop Insurance Program, but eliminates the requirement that producers purchase crop insurance to be eligible for farm program benefits and the dual delivery of Federal and private crop insurance in areas that have adequate access to private crop insurance providers.

- ***Federal milk marketing orders***—A regulation issued by the Secretary of Agriculture specifying minimum prices and conditions under which milk can be bought and sold within a specified area. The orders classify and fix minimum prices according to the products for which milk is used. The 1996 Act consolidates the Federal milk marketing orders into 10-14 orders, down from 33.

- ***Food, Agriculture, Conservation and Trade Act of 1990 (1990 Act) (P.L. 101-624)***—The omnibus food and agriculture legislation signed into law on November 28, 1990, that provided a 5-year framework (1991-95) for the Secretary of Agriculture to administer various agricultural and food programs.

- ***Food Security Act of 1985 (1985 Act) (P.L. 99-198)***—The omnibus food and agriculture legislation signed into law on December 23, 1985, that provided a 5-year framework (1986-90) for the Secretary of Agriculture to administer various agricultural and food programs.

- ***Food Security Commodity Reserve***—Formerly the Food Security Wheat Reserve, a special wheat, corn, grain sorghum, and rice reserve of up to 4 million metric tons to be used for humanitarian purposes. The reserve, created by the Agriculture Act of 1980 (P.L. 96-494), is generally used to provide famine and other emergency relief when commodities are not available under P.L. 480. The 1996 Act expands the reserve to include corn, grain sorghum, and rice in addition to wheat and makes other administrative changes.

- ***General Agreement on Tariffs and Trade (GATT)***—An agreement originally negotiated in 1947 to increase international trade by reducing tariffs and other trade barriers. The agreement provides a code of conduct for international commerce and a framework for periodic multilateral negotiations on trade liberalization and expansion. The Uruguay Round Agreement established the World Trade Organization (WTO) to replace the GATT. The WTO officially replaced the GATT on January 1, 1995.

- ***Loan deficiency payments***—A provision begun in the 1985 Act to provide direct payments to producers who, although eligible to obtain price support loans for wheat, feed grains, upland cotton, rice, or oilseeds and thereby receive marketing loan gains, agree not to obtain loans.

- ***Market Access Program (MAP)***—Formerly the Market Promotion Program. Participating organizations include nonprofit trade associations, state regional trade groups, and private companies. Fund authority is capped at $90 million annually for fiscal 1996-2002.

- ***Marketing allotments***—Provides each processor or producer of a particular commodity a specific limit on sales for the year, above which penalties would apply.

- ***Marketing assessments***—Require producers, processors, or first purchasers to pay a fee per unit of domestic production sold in order to share program costs with the Government.

- ***Marketing loan program***—Allows producers to repay nonrecourse price support loans at less than the announced loan rates whenever the world market price or posted county price for the commodity is less than the commodity loan rate.

- ***Marketing orders***—Federal marketing orders authorize agricultural producers to promote orderly marketing by influencing such factors as supply and quality, and to pool funds for promotion and research. Marketing orders are initiated by the industry, and are approved by the Secretary of Agriculture and by a vote among producers. Once approved, a marketing order is mandatory.

- ***Marketing year***—Generally, the 12-month period from the beginning of a new harvest.

- ***Nonrecourse loan program***—Provides operating capital to producers of wheat, feed grains, cotton, peanuts, tobacco, rice, and oilseeds. Dairy processors (until 2000) and sugar processors are also eligible for nonrecourse loans. Farmers or processors participating in government commodity programs may pledge a quantity of a commodity as collateral and obtain a loan from the CCC at a commodity-specific, per-unit loan rate. The borrower may repay the loan with interest within a specified period and regain control of the commodity, or forfeit the commodity to the CCC after the specified period as full settlement of the loan with no penalty. For those commodities eligible for marketing loan benefits, producers may repay the loan at the world price (rice and upland cotton) or posted county price (wheat, feed grains, and oilseeds).

- ***Normal flex acreage***—Provision of the Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) requiring a mandatory 15-percent reduction in payment acreage. Under this provision, producers were ineligible to receive deficiency payments on 15 percent of their crop acreage base (not including any acreage removed from production under any production adjustment program). Producers, however, were allowed to plant any crop on this acreage, except fruits, vegetables, and other prohibited crops. Normal flex acreage no longer exists under the 1996 Act.

- ***Oilseeds***—Soybeans, sunflowerseed, canola, rapeseed, safflower, mustard seed, and flaxseed.

- ***The Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508)***—Signed November 5, 1990. This law amended the 1990 Act and included agricultural provisions to address budgetary concerns for 1991-95. It included a mandatory reduction of 15 percent of payment acreage, and assessments on certain other crop loans and incentive payments.

- ***Optional flex acreage***—Under the planting flexibility provision of the 1990 Act, producers could choose to plant up to 25 percent of the crop acreage base to other CCC-specified crops (except fruits and vegetables) without a reduction in crop acreage bases on the farm, but receive no deficiency payments on this acreage. The Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) made a 15-percent reduction in payment acreage mandatory. The remaining 10 percent was optional flex acreage. Optional flex acreage was eligible for deficiency payments when planted to the program crop. Optional flex acreage no longer exists under the 1996 Act.

- ***Peanut poundage quota***—A supply control mechanism authorized by the Agricultural Adjustment Act of 1938 (P.L. 75-430) to regulate the marketing of domestically consumed peanuts when supplies are or could become excessive. Under the 1990 Act, each year's national peanut poundage quota was set equal to estimated domestic use of peanuts for food products and seed, subject to a minimum 1.35 million tons. The 1996 Act redefined the national poundage quota to exclude seed use and eliminated the 1.35 million ton minimum. The 1996 Act also permits the sale, lease, and transfer of a quota across county lines within a State up to specified amounts of quota annually. Government entities and out-of-state farmers cannot hold quotas.

- ***Permanent legislation***—Legislation that would be in effect in the absence of all temporary amendments (farm acts). The Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949 serve as the basic laws authorizing the major commodity programs. Technically, each new farm act amends the permanent legislation for a specified period.

- ***Previous legislation***—As used in this report, previous legislation refers to U.S. agricultural laws in effect during 1995. These laws include provisions of the Agricultural Adjustment Act of 1938, the Commodity Credit Corporation Charter Act of 1948, and the Agricultural Act of 1949 (the so-called permanent legislation), as amended by the Food, Agriculture, Conservation, and Trade Act of 1990 and the Omnibus Budget Reconciliation Acts of 1990 and 1993.

- ***Production flexibility contract payments***—The payments to be made to farmers for contract crops in 1996 through 2002 under the 1996 Act. Payments for each crop are allocated each fiscal year based on budgetary levels and crop-specific percentages in the 1996 Act.

- ***Production flexibility contract payment rate***—The amount paid per unit of production to each participating farmer for eligible payment production under the 1996 Act.

- ***Production flexibility contract payment quantity***—The quantity of production eligible for production flexibility contract payments under the 1996 Act. Payment quantity is calculated as the farm's program yield (per acre) multiplied by 85 percent of the farm's contract acreage.

- ***Program crops***—Crops for which federal support programs are available to producers, including wheat, corn, barley, grain sorghum, oats, extra long staple and upland cotton, rice, oilseeds, tobacco, peanuts, and sugar.

- ***Program payment yield***—The farm commodity yield of record (per acre), determined by a procedure outlined in legislation. Previous law allowed USDA to update program yields at the average of the preceding 5 years' harvested yield (dropping the high and low years). This provision has not been implemented in recent years as program yields continue to be frozen at 1985 levels.

- ***Public Law 480 (P.L. 480)***—Common name for the Agricultural Trade Development and Assistance Act of 1954, which seeks to expand foreign markets for U.S. agricultural products, combat hunger, and encourage economic development in developing countries. Title I of P.L. 480, also called the Food for Peace Program, makes U.S. agricultural commodities available through long-term dollar credit sales at low interest rates for up to 30 years. Donations for humanitarian food needs are provided under Title II. Title III authorizes "food for development" grants.

- ***Recourse loan program***—A provision that allows farmers or processors participating in government commodity programs to pledge a quantity of a commodity as collateral and obtain a loan from the CCC. The borrower must repay the loan with interest within a specified period. Under the 1996 Act, a recourse loan program will be implemented for butter, nonfat dry milk, and cheese beginning in 2000. Loans for sugar are recourse when the tariff-rate import quota is at or below 1.5 million short tons, but these loans revert to nonrecourse loans if the tariff-rate import quota is increased above 1.5 million short tons.

- ***Revenue insurance***—A program that would provide farmers with guaranteed minimum revenue. The 1996 Act mandates a revenue insurance pilot program for crop years 1997-2000 under which producers of feed grains, wheat, soybeans, and other crops may elect to insure against loss of revenue.

- ***Target prices***—Price levels established by past law for wheat, corn, grain sorghum, barley, oats, rice, and upland cotton. Prior to 1996, farmers participating in annual Federal commodity programs received deficiency payments based on the difference between the target price and the higher of the national market price during a specified time period, or the loan rate. Target prices were not reauthorized by the 1996 Act.

- ***Tariff-rate quota (TRQ)***—System by which a certain quantity of imports, called a quota amount, receives a low tariff, and imported quantities above that quota level are assessed a higher tariff.

- ***Uruguay Round***—The Uruguay Round of Multilateral Trade Negotiations (UR) under the auspices of the GATT; a trade agreement designed to open world agricultural markets. The UR agricultural agreement covers four areas: export subsidies, market access, internal supports, and sanitary and phytosanitary rules. The agreement is implemented over a 6-year period, 1995-2000.

- ***0,50/85-92 provisions***—Refers to the 50/85 and 50/92 provisions for rice and cotton and the 0/85 and 0/92 provisions for wheat and feed grains that were in effect in various forms from 1986 through 1995. Under these provisions farmers could idle all or part of their permitted acreage, putting the land in a conserving use, and receive deficiency payments for part of the acreage. A minimum planting requirement of 50 percent of maximum payment acreage applied for rice and cotton.

References

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