I. MULTIPLE CHOICE (select the most correct response for 2 points each; partial credit may not be awarded).

1. _______________ are payments to participating producers who agree not to obtain a commodity loan on their production for a particular crop year; the intent is to minimize the _______________, minimize the costs of government storage, and to allow U.S. commodities to be marketed freely and competitively.
   a. Farmer Owned Reserve payments; accumulation of stocks by farmers
   b. Target payments; hassle with government agencies
   *c. Loan deficiency payments; accumulation of stocks by the government
   d. Counter cyclical payments; lawsuits by foreign competitors
   e. none of the above

2. _______________ establish and maintain orderly marketing for certain perishable commodities; they are binding upon all handlers of a commodity in a specified geographic area.
   *a. Marketing orders
   b. Compensation agreements
   c. Prior appropriations
   d. Marketing loans
   e. none of the above

3. According to Knutson, federal crop insurance programs ______________ worked, for several reasons, including:
   a. have; Congress has effectively subsidized programs.
   *b. have not; the low risk producer drops out, causing the program to run a loss even with a premium subsidy, and Congress often bails out producers with disaster assistance.
   c. have; Congress has been very disciplined in enforcing noncompliance.
   d. have not; prediction of disasters is so risky no program can be effective
   e. none of the above

4. Farm legislation that was established in ______ and 1949 is called ______________; its importance is that, if new farm bills are not passed when current farm acts expire, the law reverts back to these laws, likely increasing program costs.
   a. 1933; interim farm legislation
   b. 1862; reserve rules of law
   c. 1996; agricultural protection policy
   *d. 1938; permanent legislation
   e. all of the above are correct
5. ________________________ measures the difference between the percent of land removed from production and the percent reduction in production.
   a. Scarcity
   b. Allotment
   *c. Slippage
   d. Countercyclical payment rate
   e. none of the above

6. With production control policy, Sanders lecture notes suggest options to the free market include land retirement and diversion, termination and buyout, marketing orders and ____________________________.
   *a. allotments and quotas
   b. farm income insurance
   c. marketing loans
   d. decoupling
   e. disaster assistance
   f. all of the above
   g. none of the above

7. CRP acres continue to be concentrated in the _________ of Oklahoma and in ___________ US.
   a. Southern half, Western
   b. Southeastern region, Southwest
   *c. Panhandle, Midwest
   d. Eastern half, Northeast
   e. none of the above

8. According to Mr. Joe Lyde, Oklahoma FSA, US farm bill support programs date back to ____________.
   *a. 1933
   b. 1973
   c. 1985
   d. 2002
   e. none of the above

9. Assume you’re hired by the Oklahoma Wheat Growers Assn. to keep track of relevant government legislation. Chemicals are an input in the production of wheat. If changes in government programs causes chemical prices to increase, how will that likely impact the wheat market, assuming all other factors remain constant:
   a. Supply of wheat will increase, causing price of wheat to increase.
   b. Supply of wheat will decrease, causing price of wheat to decrease.
   *c. Supply of wheat will decrease, causing price of wheat to increase.
   d. Supply of wheat will increase, causing price of wheat to decrease.
   e. Demand for wheat, rather than supply, will change.
10. _________________, OK FSA Conservation Branch Chief, explained that the Environmental Benefits Index establishes the criteria for scoring bids into the Conservation Reserve Program. These factors include price (cost), wildlife habitat, reduced erosion, enduring benefits, air quality, conservation priority area and
   *a. Rod Wanger, water quality
   b. Jim Horne, farm manager experience
   c. Rod Wanger, soil type
   d. Joe Lyde, farming history
   e. Joe Lyde, all of the factors noted above
   f. none of the above

11. The FSA conservation speaker explained that the current ___________________________ has its roots in earlier programs such as the Soil Bank of the 1950s.
   a. Conservation Security Program
   b. Wetlands Reserve Program
   c. Grasslands Reserve Program
   *d. Conservation Reserve Program
   e. Wildlife Habitat Incentive Program
   f. none of the above

12. The guest speaker from FSA that discussed the CRP indicated the current Oklahoma CRP acreage is about ____________________ acres and the average rental rate is about ________________.
   *a. 1.06 million; $33
   b. 500,000; $45
   c. 2 million; $47
   d. 14,000; $60

13. Sincity is the largest city in Tradition County, and is one of the fastest growing cities in the Southern Plains. The free market approach has resulted in a good example of urban sprawl on the rural-urban fringe. Based on the overview in class notes, a local committee is considering alternative solutions to protect farmland, including regulations such as ________________ and right-to-farm laws, as well as incentives such as easements and

   a. zoning laws; land trusts
   b. development rights; land trusts
   c. transportation restrictions; commodity payments
   d. The Clean Water Act; EQIP cost sharing
   *e. both a & b
   f. both c & d
   g. all of the above
14. The DCP include(s)
   a. direct payments not tied to production
   b. counter cyclical payments not tied to production
   c. direct payments tied to production
   d. counter cyclical payments tied to production
   e. marketing loan payments (MLGs and LDPs) not tied to production
   f. marketing loan payments (MLGs and LDPs) tied to production
   g. a, b, e
   h. c, d, f
   *i. a, b, f
   j. none of the above

15. To be eligible for 2002 farm act payments, producers must do/have all except:
   a. risk
   b. active engagement in farming
   c. comply with HEL and wetlands provisions
   *d. plant 10% of program acres to grass
   e. AGI no more than $2.5 million if greater than 75% income from farming/ranching
   f. none; all are correct

16. Based on the 2002 farm act, "actively engaged in farming" means
   a. significant contribution of land, capital or equipment, or combination.
   b. sharing all risk
   c. significant contribution of active persons labor or active persons management of combination.
   d. living on the farm in the homestead
   e. all of the above
   *f. a and c
   g. b and d
   h. none of the above

17. Sanders suggests, with regard to the 2002 farm act commodity program payment limits, that
   *a. lower limits are established but have loopholes
   b. real and lower limits are in place and working.
   c. higher limits are established and working
   d. higher limits are established and don’t work
   e. none of the above

18. The farm act the 2002 act replaced is entitled the ______________ of _______.
   *a. Federal Agriculture Improvement & Reform Act, 1996.
   c. Farm Agrarian Incentive Reform Act, 1996.
   e. none of the above
19. According to Lesson 5a, farm acts in the 1980s and 1990s have focused primarily on
   a. budget surpluses.
   b. deficit reduction.
   c. becoming more competitive.
   d. food safety.
   e. enhancing the environment.
   f. a, b, c
   *g. b, c, e

20. The FSRIA 2002 Peanut Program
   a. continues recent program provisions
   b. is very different from other commodity programs
   c. is a mix of past and new programs
   *d. buys out quota
   e. all of the above
   f. none of the above

21. The separation of support payments from production decisions is known as _____________, and is an option to achieve _____________ goals.
   *a. decoupling; price and income
   b. base buyout; stocks management
   c. PIK; disaster assistance
   d. FOR; production controls
   e. none of the above.

22. FSRIA 2002, as well as actual payments during the 1996 farm act, according to Sanders, show:
   a. the free market works well for agriculture
   b. the 1996 farm act worked as planned
   c. the agricultural sector has lost political power
   *d. the free market and 1996 act did not work as hoped
   e. all of the above
   f. none of the above

23. While it was eliminated by the 1996 farm act, the ______________________ was extensively used until that time. The primary purpose for the program was that taking commodity out of the market would allow prices to rise.
   a. the nonrecourse loan.
   *b. the Farmer Owned Reserve.
   c. the target price.
   d. a post-harvest loan.
   e. None of the above.
24. The ____________ farm act increased CRP acreage and funding, expanded EQIP and established the Conservation Security Program.
   a. 1985
   b. 1990
   c. 1996
   *d. 2002
   e. none of the above

25. The concept of the CCC loaning money to farmers for a short period and farmers pledging the harvested crop as collateral so farmers were not required to sell right after harvest to obtain money was introduced in the Ag Adjustment Act of 1938. This concept is called
   *a. the nonrecourse loan.
   b. the Farmer Owned Reserve.
   c. the target price.
   d. a post-harvest loan.

26. Assume you’re hired by the Oklahoma Corn Growers Assn. to keep track of relevant government legislation. The purchase of crop insurance is an input in the production of corn (risk management choice). If changes in government programs provides an increased subsidy to purchase crop insurance, how will that likely impact the corn market, assuming all other factors remain constant:
   a. Supply of corn will increase, causing price of corn to increase.
   b. Supply of corn will decrease, causing price of corn to increase.
   c. Supply of corn will decrease, causing price of corn to decrease.
   *d. Supply of corn will increase, causing price of corn to decrease.
   e. Demand for corn, rather than supply, will change.

27. The basic price and income support dilemma is
   a. taxpayers do not like it.
   b. when supported above market-clearing levels, it leads to bankruptcy.
   *c. when supported above market-clearing levels, it leads to increased production, thus leading to more production controls by government.
   d. when supported above market-clearing levels, it forces loan rates to equal market prices.

28. According to Sanders’ lecture on world hunger, which statement is not true?
   *a. China’s population is declining.
   b. Asia has 40% of the world population, but only 15% of the food production.
   c. Each minute, 7-20 children die from hunger and malnutrition.
   d. The world’s population is expected to double by 2050.
   e. Chronic malnutrition affects about 14 in 100 humans.
   f. All of the above are true.
   g. None of the above are true.
29. Sanders suggests that economic development is the key to resolving
___________________________________________.
   a. world war
   b. budget crises
   c. political disharmony
   d. the failure to compromise
   *e. world hunger

30. In assisting hungry developing countries, the US contends with others in the
world labeling us as:
   a. a good neighbor and world citizen
   b. a cheapskate
   c. an uncaring country
   d. Imperialist
   *e. both a & d
   f. both b & c

31. In lecture notes, Sanders suggest there are 5 categories of domestic farm policy. 
These include, price and income support, production control, disaster assistance, 
family and community and:
   a. trade policy
   b. tax policy
   *c. stocks management
   d. welfare policy
   e. energy policy

32. The _________ farm act was intended to fundamentally change the way farmers 
make decisions on what and how much to plant by letting market forces drive 
those decisions.
   a. 1985
   b. 1990
   *c. 1996
   d. 2002
   e. none of the above

33. Assume you’re hired by the Oklahoma Cattlemens Assn. to keep track of 
relevant government legislation. If changes in government programs causes 
wetlands to be protected, how will that likely impact the cattle market, assuming 
all other factors remain constant?
   a. Supply of beef will increase, causing price of beef to increase.
   b. Supply of beef will decrease, causing price of beef to decrease.
   *c. Supply of beef will decrease, causing price of beef to increase.
   d. Supply of beef will increase, causing price of beef to decrease.
   e. Demand for beef, rather than supply, will change.
34. According to Joe Lyde, the average direct payment per Oklahoma farm would be about:
   a. $20,000
   *b. $7,600
   c. $50,000
   d. $320

35. According to Sanders, property rights are __________ determined, __________ supported, are not ____________, and ____________ matter.
   a. historically, federally, absolute, do not
   *b. socially, legally, absolute, externalities
   c. culturally, religiously, important, legally
   d. socially, widely, environmental, spiritually

36. Sanders explained that ________________ resources are stock resources where use leads to depletion; ____________ is an example.
   a. renewable, petroleum
   b. renewable, solar energy
   *c. nonrenewable, petroleum
   d. nonrenewable, solar energy
   e. none of the above

37. An example of a renewable resource is
   *a. lumber
   b. oil
   c. water
   d. coal
   e. all of the above
   f. none of the above

38. According to Sanders natural resources lecture notes, “takings” refers to:
   a. depriving Endangered Species Act list animals/plants of habitat.
   b. taking land and oil in Iraq.
   c. depriving a property owner of some rights to/use of her land by law.
   d. everything but the scraps left over for Rover.
   *e. both a & c.
   f. a, b, c
   g. None of the above.

39. Water policy is a basic economic issue because:
   a. Unlike energy, it is a free good.
   b. Pricing policy doesn’t affect conservation.
   *c. The problem is how to allocate a scarce resource.
   d. Agriculture would be very competitive in a free market for water.
   e. All of the above.
40. According to Joe Lyde, the average direct payment per Oklahoma farm would be about:
   a. $320
   b. $20,000
   *c. $7,600
   d. $50,000

41. Sanders reviewed the consensus of Congressional Ag Committee staff that changes in farm policy through the next farm bill will likely be
   a. revolutionary
   b. nonexistent
   *c. evolutionary
   d. delayed until the Democrats regain power
   e. none of the above

42. The ____________ farm act was estimated to cost about $180 billion, was a 6 year act, included provisions for Country of Origin Labeling and food stamps for illegal aliens.
   a. 1985
   b. 1990
   c. 1996
   *d. 2002
   e. none of the above

43. The Energy Title of the 2002 farm act provides for
   a. Federal procurement of biobased products
   b. drilling in ANWR
   c. purchase of Iraqi oil
   d. biorefinery development grants
   *e. both a & d
   f. all of the above

44. _______________ allows producers to offer land with high priority conservation practices anytime, without the competitive bid process.
   a. EQIP
   b. WRP
   c. GRP
   d. CRP
   *e. Continuous CRP
II. SHORT ANSWER QUESTION:
List, complete or fill-in the-blank the best answer or respond as appropriate:

45. Sanders reviewed sources of resource policy issues. Briefly discuss how these might affect the issue of soil conservation (4 points).
   a. scarcity – without steps to conserve soil, erosion would increase scarcity of quality soil, increasing value and cost; the price mechanism needs to reflect scarcity of quality soil, or government needs to intervene for soil conservation to occur
   
   b. property rights – determination by society regarding who is responsible for assuring conservation; price mechanism needs to reflect the value of soil conservation, or govt needs to intervene to assure soil is conserved; it is up to the public to determine what this is worth for current and future generations, and to provide incentives or restrictions.

46. With respect to your term paper, objectively:
   a. define the problem that may require a public policy solution and reasons (1 point).
   
   b. summarize the 3 alternatives to that problem (3 points);
      (1) status quo
      (2) more government
      (3) less or no government
Based on the readings and lectures and the concept of "public policy", provide a complete definition of agricultural public policy (3 points).

Knutson: Ag policy is a course of action or guiding principle pursued by government in production, resources utilized in production, marketing, and consumption of food and rural America conditions. Sanders: Whatever government chooses to do or not do regarding ag.