The following review questions cover the topics and concepts that may be targeted by Exam II. Sources for information to answer these questions are the Knutson text, Sanders lectures and lecture notes, handouts, guest speakers and homework. Exam questions may be taken verbatim from this study guide and Quiz 2, or rewritten (multiple-choice questions may become short-answer or fill-in-the-blank, or short-answer questions may become multiple-choice questions, or the concepts in the multiple-choice questions and choices may be altered).

**Exam II will be given Tuesday 1 Nov and will be closed book, closed notes. It will consist of multiple-choice questions, short answer questions and essay questions, and will be worth 100 points.**

I. MULTIPLE CHOICE: Circle the best answer.

1. With production control policy, Sanders lecture notes suggest options to the free market include:
   a. allotments and quotas
   b. land retirement and diversion
   c. termination and buyout
   d. marketing orders
   e. all of the above
   f. none of the above

2. During the lecture on disaster assistance policy, Sanders indicated that
   a. Federal policy has worked very well to encourage producers to self-insure against disasters.
   b. Federal policy has done a poor job in getting producers to self-insure against disasters
   c. Federal policy is silent about disaster insurance programs
   d. Federal policy is a mix of subsidized crop insurance, emergency loans and disaster payments
   e. both b and d
   f. none of the above

3. With respect to the marketing loan program in the 2002 farm act, Sanders notes explain:
   a. the potential Loan Deficiency Payment (LDP) or Marketing Loan Gain (MLG) is equal to the loan rate minus the Posted County Price (PCP)
   b. the LDP has been eliminated in the current farm bill
   c. the PCP reflects terminal prices from the previous day’s market
   d. the LDP is equal to the MLG minus the market price in Chicago
   e. both a and c
   f. none of the above
4. FSRIA02 contained provisions to maintain and expand several programs, including:
   a. quadrupling EQIP funds
   b. expanding funds and acreage for CRP and WRP
   c. adding the new Grassland Reserve Program
   d. adding the new Conservation Security Program
   e. all of the above
   f. none of the above

5. 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

6. The Direct and Counter Cyclical Program (DCP) is the basis for federal income support for participating producers during ______________.
   a. 1985-1990
   b. 1990-1996
   c. 1996-2002
   d. 2002-2007
   e. all of the above
   f. none of the above

7. 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

8. 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. AGI no more than $2.5 million if greater than 75% income from farming/ranching
   e. none; all are correct
9. Based on 2002 farm act, “actively engaged in farming” means
   a. significant contribution of land, capital or equipment, or combination.
   b. significant contribution of active persons labor or active persons
      management of combination.
   c. sharing all risk
   d. all of the above
   e. a and b
   f. none of the above

10. A key shift in 2002 farm act environmental/conservation programs is to
    a. reduce authorized funds
    b. reduce the type of programs
    c. abandon conservation on farmland
    d. support working farmlands
    e. all of the above
    f. none of the above

11. The 2002 farm act is estimated to cost ___________ over the next 10 years.
    a. $1-2 billion
    b. $17-20 billion
    c. $50-70 billion
    d. $100-120 billion
    e. $180-200 billion

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

13. The farm act the 2002 act replaced is entitled the ______________ of ________.
    b. Farm Agrarian Incentive Reform Act, 1996.
    d. Federal Agriculture Improvement & Reform Act, 1996.

14. The FSRIA 2002 Dairy Program
    a. is nonexistent
    b. maintains $9.90/cwt support program and is based on Boston price.
    c. increases to $12/cwt support program and is based on Dallas price.
    d. runs to 2010
    e. all of the above
    f. none of the above
15. The FSRIA 2002 Peanut Program
   a. buys out quota
   b. continues recent program provisions
   c. is very different from other commodity programs
   d. is a mix of past and new programs
   e. all of the above
   f. none of the above

16. Provisions that were proposed but did not survive to passage of FRSIA 2002 include(s) all except
   a. packer ownership base
   b. Cuba trade
   c. any COOL
   d. shift to "green payments"
   e. none; all were killed
   f. none; all were passed

17. 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.

18. Actual payments during the 1996 farm act and FSRIA 2002, according to Sanders, show(s):
   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

19. The 2002 farm act:
   a. attempts to address concerns of profitability, stability, rural development and the environment.
   b. is a response to farm/commodity groups and Congressional reps who had earlier favored a market orientation, and now favor more Federal support.
   c. shows, according to Sanders, that the free market was not what agriculture really wanted.
   d. all of the above, according to lecture notes.
   e. none of the above.
20. 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
   h. none of the above.

21. While it was eliminated by the 1996 farm act, the Farmer-Owned Reserve was extensively used until that time. Identify a primary purpose for such a program.
   a. Farmers like to let the government take care of them.
   b. The hope is that taking commodity out of the market will allow prices to rise.
   c. The USDA pays storage costs.
   d. All of the above.
   e. None of the above.

22. The 1996 farm act replaced target prices and deficiency payments with ________________, which is more ________________, and its development was driven by ________________________________.
   a. LDP, competitive, the trade deficit.
   b. the free market, expensive, federal budget pressures.
   c. AMTA payments, market-oriented, federal budget pressures.
   d. LDP, market-oriented, environmentalists.
   e. none of the above.

23. 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.

24. The 1996 farm act eliminated the Acreage Reduction Program. If we know the demand for wheat is fairly inelastic & assume that producers would plant more acres to wheat, what was likely to happen to the level of total income derived from wheat sales, all other factors remaining constant?
   a. Increase
   b. Decrease
   c. Remain stable
   d. Unknown
25. 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 decrease, 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.

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 a decreased 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. Which of the following is/are (a) problem(s) with supporting farm prices & incomes above market-clearing levels?
   a. The government acquires large quantities of forfeited commodities.
   b. Farmers increase production.
   c. Government involvement increases.
   d. All of the above.
   e. None of the above

29. Mandatory supply controls:
   a. Will decrease slippage.
   b. Are anti-competitive in a world market.
   c. Result in the benefits capitalized into quota and allotments or breed inefficiency if such instruments are not negotiable.
   d. All of the above.
   e. None of the above.
30. According to Sanders' lecture, which statement is not true?
   a. Asia has 40% of the world population, but only 15% of the food production.
   b. Each minute, 7-20 children die from hunger and malnutrition.
   c. The world’s population is expected to double by 2050.
   d. Chronic malnutrition affects about 14 in 100 humans.
   e. All of the above are true.
   f. None of the above are true.

31. In resolving the world hunger crisis, lecture notes indicated a need for key resources, including
   a. human capital
   b. financial capital
   c. natural capital
   d. all of the above
   e. none of the above can really solve the problem

32. Sanders suggests that _________________ is the key to resolving world hunger.
   a. food production
   b. economic development
   c. war
   d. more morality
   e. none of the above

33. 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

34. Historically, according to lecture notes, the US does have some expectations of the countries it helps:
   a. shift to export-based agriculture
   b. shift to a government that is friendly to the US and its goals
   c. to have a 20% decline in population growth
   d. to become a democracy before aid is given
   e. both a & b
35. Factors of special concern in the economic management of natural resources related to agriculture include:
   a. private vs. social costs
   b. current vs. future generations
   c. market vs. nonmarket value
   d. the cost of labor
   e. all of the above
   f. a, b, c
   g. none of the above

36. Alternatives to resolving the water use supply issue include:
   a. pricing or sale of rights
   b. WQIP
   c. EQIP
   d. CRP
   e. CZMA
   f. ESA
   g. a & b
   h. c & d
   i. e & f
   j. all of the above
   k. none of the above

37. 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 released from protection, 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.

38. Property rights are ____________ determined, ____________ supported, are not ____________, and ____________ matter.
   a. historically, federally, absolute, do not
   b. culturally, religiously, important, legally
   c. socially, widely, environmental, spiritually
   d. socially, legally, absolute, externalities

39. An example of a nonrenewable resource is:
   a. Wayne Newton’s hair.
   b. trees.
   c. natural gas.
   d. mackerel.
40. Sanders explained that ________________ resources are stock resources where use leads to depletion; ___________ is an example.
   a. nonrenewable, petroleum
   b. nonrenewable, solar energy
   c. renewable, petroleum
   d. renewable, solar energy
   e. none of the above

41. 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

42. “Takings” refers to:
   a. depriving Endangered Species Act list animals/plants of habitat.
   b. depriving a property owner of some rights to/use of her land by law.
   c. everything but the scraps left over for Rover.
   d. both (a) & (b).
   e. None of the above.

43. Waste management is a cost of production for concentrated hog operations. If regulations decrease, how will that likely impact the hog market, assuming all other factors remain constant:
   a. Supply of hogs will increase, causing price to increase.
   b. Supply of hogs will decrease, causing price to decrease.
   c. Supply of hogs will increase, causing price to decrease.
   d. Supply of hogs will decrease, causing price to increase.

44. Oklahoma FSA conservation programs chief ___________________________ told the class that most of the conservation programs are now being administered by
   a. Joe Lyde, FSA
   b. Mason Mungle, the states
   c. Rod Wanger, NRCS
   d. Jeramy Rich, FCS
   e. Paul Muegge, DOE

45. Sanders reviewed the popular notion that the livestock sector doesn’t need or benefit from government programs. His research suggests
   a. this is correct
   b. this is incorrect
   c. livestock producers get more direct government aid than do crop producers
46. Water policy is a basic economic issue because:
   a. The problem is how to allocate a scarce resource.
   b. Agriculture would be very competitive in a free market for water.
   c. Unlike energy, it is a free good.
   d. Pricing policy doesn’t affect conservation.
   e. All of the above.

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

48. According to the American Farmland Trust, the US is losing ___________ acre(s) of farmland each minute.
   a. 2
   b. 10
   c. 100
   d. 200
   e. less than 1

49. Sanders indicated that did not meet the 1 October deadline for completing appropriations bills, and their work to complete them in a timely fashion is further complicated by
   a. no agreement on the Agricultural Appropriations bills
   b. the fall in energy prices
   c. the Chinese space mission
   d. the budget reconciliation process
   e. all of the above
   f. none of the above

50. CRP changes in the 2002 farm act included all except:
   a. increased limit to 39.2 million acres
   b. allows managed haying and grazing
   c. regular commercial production on CRP acres
   d. biomass harvesting

51. 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
52. _______________ 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

53. The CRP today
   a. is a competitive bid conservation program started in 1986.
   b. is a new program in the 2002 farm act.
   c. has nothing in common with the Soil Bank Act of 1956.
   d. is an amber box program.
   e. all of the above are true.

54. Biotech issues noted in Sanders' lecture notes include(s)
   a. unintended ecosystem impacts
   b. unintended human impacts
   c. labeling to give consumer choices
   d. bundling of agricultural input marketing
   e. all of the above
   f. none of the above

55. Alternatives to resolving the soil conservation issue include:
   a. pricing or sale of rights
   b. WQIP
   c. free market
   d. CRP
   e. CZMA
   f. ESA
   g. a & b
   h. c & d
   i. e & f
   j. all of the above
   k. none of the above

56. Society supports soil conservation through tax dollars. Why?
   a. Because returns generated by the market system are insufficient to insure correction of soil erosion.
   b. Farmers exploit the soil rather than conserve it.
   c. Soil conservation practices benefit the individual farmer in the long run.
   d. Cost-sharing between farmers and government is the most efficient way to conserve the soil.
   e. All of the above.
57. Based on authorization in the 2002 farm act, USDA recently selected 11 biomass research, development and demo projects to receive _____________ nationwide, including one at the ________________ in Oklahoma.
   a. $1 billion, OSU Research Station
   b. $600,000 Stockyards
   c. $500 million, Stillwater Dairy
   d. $12.6 million, Noble Foundation
   e. none of the above

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

59. Sanders lecture notes suggested several factors that will affect the debates for the next farm bill, including
   a. the twin deficits in trade and the Federal budget
   b. perceptions
   c. distributional equity
   d. global markets
   e. all of the above
   f. none of the above

60. Sanders suggested that with the alternative to reduce payment caps to reduce the Federal budget deficit, that the consequence would likely be:
   a. uncertainty
   b. stewardship improvement
   c. hurting larger operations, especially larger cotton producers
   d. smaller operations
   e. all of the above
   f. none of the above
II. SHORT ANSWER QUESTION:
List, complete or fill-in the-blank the best answer or respond as appropriate:

61. Based on Lesson 7 and the text, (a) select one of the following natural resource/environmental issues in agriculture, (b) identify the problem, and (c) discuss 3 alternative solutions.
   –soil conservation
   –water use
   –water quality
   –endangered species
   –global warming

   a. the issue:

   b. The problem:

   c. Discuss the alternative solutions:

      (1)

      (2)

      (3)

63. In 2-3 sentences, define the following term using the text, lectures, or glossary (2 points):
   a. permanent legislation--
   
   b. counter cyclical payments –
   
   c. loan deficiency payment:
   
   d. payment limits –
   
   e. marketing orders –
   
   f. ________________ measures the difference between the percent of land removed from production & the percent reduction in production.
64. Sanders reviewed sources of resource policy issues. Briefly discuss how these might affect the issue of soil conservation.
   a. scarcity–
   
   b. value questions –
   
   c. property rights–
   
   d. public goods–
   
   e. free market/populist movement–

65. Regarding the 2002 farm act:
   a. briefly provide an overview of the new act.
   
   b. explain how it differs from recent farm bills.
   
   c. explain how it is similar to recent farm bills.
66. With respect to your term paper, objectively:
   a. define the problem that may require a public policy solution and reasons.

   b. summarize the 3 alternatives to that problem;
      (1) status quo
      (2) more government
      (3) less or no government

   c. briefly discuss your scientific methods of analysis/evaluation;

   d. identify what impacts or types of consequences could result from each alternative if implemented.

67. Briefly discuss the purpose of World Food Day and review what you learned in viewing the WFD video program or a search of the subject on the web.
68. Price and income is one of the domestic farm policy categories:

a. Identify the key goal of public policy in that category.

b. Based on Lecture Notes 5a, select 3 options, including free market, and briefly discuss the likely/actual impacts of such alternatives.

c. Include supply/demand graphs to support your points.
69. 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. Pockets of growth in nearby bedroom communities has resulted in in-fill of strip malls, business offices, subdivisions and loss of green space and farms. Using Lesson 7 discussion of farmland protection, suggest 3 alternatives to the free market status quo.

(1) 

(2) 

(3) 

70. Explain why federal crop insurance programs have not worked.
71. How was the 1996 farm act intended to fundamentally change the way farmers make decisions on what and how much to plant?

72. Based on the readings and lectures and the concept of "public policy", provide a complete definition of agricultural public policy (3 points).
73. Compute (show your work) the direct payment, counter cyclical payment and likely total gross return to participants in the wheat program given the following:

direct payment rate: $0.52
target price: $3.92
loan rate: $2.75
market price: $3.00
base acres: 100
yield: 30 bu/ac

a. your work formulas:
(1) total gross return = (market price x base x yield) + [(direct payment x 85%) + (counter cyclical payment) x base x yield]

(2) counter cyclical payment/bu = [(target price - direct payment rate) - (higher of market price or loan rate)] x 85%

b. direct payment:

c. counter cyclical payment:

d. total gross return: