in-kind program for the 1983 crop which provided an added incentive to reduce production with payments made in Government-owned commodities.

The trend to reduce the cost of price support programs continued with the Agricultural Programs Adjustment Act of 1984. That act froze 1985 target prices for feed grains, upland cotton, and rice at their 1984 levels. Acreage reductions for feed grains, including oats, was 10 percent.

The Food Security Act of 1985 was signed into law at a time when U.S. farm commodities were uncompetitive in the world market. Lagging exports contributing to mounting inventories and declining farm income became major factors in the farm sector's financial crisis. Objectives for the 1985 Act were to expand exports, protect farm income, and eventually reduce Federal outlays for farm programs as well as Government intervention in the agricultural sector. Despite these conflicting objectives, the apparent goals for the 1986 program were to lower market prices and expand exports, protect farm income with direct payments, and minimize budget outlays by using in-kind payments, if possible.

Many of the policy parameters contained in the 1981 Act were continued in the 1985 Act. However, the Secretary was granted considerably more discretion. For example, loan rates may be adjusted to achieve competitive conditions or repayment of price support loans may be less than the basic loan rate. Target prices under the 1985 Act remained constant in 1986 and 1987 for most commodities and were gradually lowered by about 10 percent during 1988-90. The Secretary retains discretionary power with acreage reduction programs and establishes acreage reduction program requirements each year within mandated limits. However, such programs become mandatory if stocks reach a certain level. Likewise, the act continues the farmer-owned reserve program, but sets both minimum and maximum entry levels.

The 1985 Act added several new facets in farm policy such as allowing the Secretary to set price support loan rates at levels to more closely reflect market prices, thereby allowing loan rates to respond to world supply and demand conditions. Loan rates for specified commodities may be repaid at existing market prices if these prices drop below loan rates. Also new is the conservation reserve program which was established to reduce erosion. This program will simultaneously reduce production potential because the cropland base could decrease 10 percent by 1990. The formulas for computing acreage bases and program yields were changed, reducing the relationship between production and eligibility for Government payments. The Secretary was given discretionary authority to institute advance recourse loans to producers for commodities with nonrecourse loans, further boosting a farmer's cash-flow.

Loan rates are adjusted annually to reflect market prices and may be lowered further if deemed necessary by the Secretary to make U.S. commodities competitive. For example, feed grain loan rates

for 1986-90 will be 75-85 percent of the previous average 5-year market price, excluding high and low years. The base rate cannot drop by more than 5 percent from the previous year. However, the Secretary has discretionary power to lower loan rates by up to 20 percent in 1986-90, if the previous marketing year's average price was not greater than 110 percent of that year's loan rate or if such action is necessary to regain a competitive market position.

Loan rates for oats are set at levels that the Secretary determines are fair and reasonable in relation to the loan rate for corn based on relative feed values of the two commodities. Loan rates for the 1986 crop of oats were set at $0.99 per bushel and corn at $1.92 per bushel, a difference reflecting the relative feed value.

Deficiency payments for oats have been the main income transfer mechanism since 1983, followed by either paid land diversion, reserve program storage payments, or disaster payments. Deficiency payments have become more important because target prices were frozen for 1986 and 1987 and loan rates and market prices declined in 1986. Although target prices were reduced slightly in 1988 and will continue to be reduced, sufficient target price protection remains for producers. The deficiency payment limit of $50,000 per person is effectively increased because of added exemptions. These additions include loans and purchases, loan deficiency payments realized through the marketing loan provision, forgone loans in return for payments, additional deficiency payments due to an additional downward adjustment in loan rates, and inventory reduction payments. A maximum 5 percent of the total deficiency payments may be made in kind. Thus, Commodity Credit Corporation inventories have been reduced at no additional budget outlay by the Government.

Target prices for the 1989 crop of oats were set at $1.50 per bushel, compared with $2.84 per bushel for corn. The target price for oats, if designated by the Secretary, must be fair and reasonable in relation to the target price established for corn. Target prices for oats are also based on their feed value in relation to corn, about 51-52 percent of the price of corn. Some industry representatives claim that the oats target price should be raised because it is no longer a feed grain, but a specialty crop.

Cross-compliance requirements for oats were no longer required for the 1987 through 1989 feed grains programs. The waiving of cross-compliance requirements on oats provides farmers in other commodity programs with additional flexibility to plant oats.

In an effort to encourage additional oats production, the Omnibus Budget Reconciliation Act of 1987 directed the Secretary of Agriculture to establish a lower acreage reduction program requirement of no more than 5 percent for the 1988-90 crops of oats. With the barley acreage reduction program maintained at 20 percent in 1988 and 10 percent in 1989, the 5-percent oats ARP was intended to allow the market price for oats to compete with

the higher target price for barley. Although there was a slight shift in acreage from barley to oats in 1988, both barley and oats acreage fell as farmers either went into the conservation reserve program or planted soybeans.

The Drought Assistance Act of 1988 allows producers to plant any portion of their farm acreage base to oats in 1989 and 1990 if the feed grain acreage reduction program requirement is 12.5 percent or less of the crop acreage base. Additional plantings of oats will not alter a farm's existing base for other program crops in future years. This base protection provision provides wheat, corn, and sorghum producers with increased flexibility to plant oats in response to anticipated record oats prices.

## Effects of Oats Programs

This section discusses the effects of Government programs on crop producers, processors, consumers, and public costs as well as some indirect effects.

### Crop Producers

Government oats programs have generally supported producer prices and incomes through price supports or, more recently, through direct income payments (deficiency or diversion payments). Programs have contributed to the stability of producer prices through their orderly marketing features of the price support loan. Producers' price risk is generally minimized through participation in the oats program.

Government program participation rates for oats producers has been much lower than other commodities. For example, during the past 5 years, participation rates for oats producers ranged from 14-45 percent, compared to 54-90 percent for corn producers or 60-87 percent for wheat producers. Nonparticipants also benefit indirectly from supported market prices. Both participating and nonparticipating oats producers will benefit from the price-enhancing effects of the feed grain program.

#### Size of Program Payments

Although payments were permissible in 1982, market price strength precluded such payments in that year. U.S. oats farmers began receiving program payments (deficiency, diversion, disaster, and producer storage payments) in 1983 totaling $14 million, consisting mostly of diversion and deficiency payments. These payments amounted to 3 cents per bushel of production or 4.2 percent of gross farm returns above cash expenses. Program payments in 1987 totaled $17.3 million, 4.6 cents per bushel of production, or 6.5 percent of gross farm returns above cash expenses.

## Distribution of Program Payments

Larger farms, although fewer in number, receive a larger share of the program benefits because they have the largest production (table 6). The distribution of 1983's program payments was estimated assuming program participation followed a pattern similar to 1982. Program benefits are likely to be proportional to participating acreage. As expected, the largest farms accounting for about one-third of the total number received 60 percent of the total payments. The smallest farms accounting for about 45 percent of the total number received only 19 percent of total payments. Oats producers with cropland of 1,500 acres or more, though accounting for only 5 percent of participating producers, received about 15 percent of total payments. Producers with less than 500 acres, although comprising two-thirds of participating producers, received only 40 percent of total payments.

Oats program payments are concentrated in the Plains and North Central regions based on reports from 1982 and 1987 (table 7). Regions with a larger participating base receive a larger share of program payments. Oats program payments closely follow the regional pattern of oats production, since payments are proportional to production. For example, payments concentrated in the Plains are expected because over half of the national oats base was located in the region. However, program payments might also have been more heavily concentrated in the region because

Table 6--Distribution of 1982/83 oats program participation by farm size

| Size of farm | Percentage of-- | | | |
|---|---|---|---|---|
| | Participating producers | | Participating acreage | |
| Acres | Pct. | Cum. pct. | Pct. | Cum. pct. |
| Fewer than 70 | 12.1 | 12.1 | 2.3 | 2.3 |
| 70-139 | 14.7 | 26.8 | 5.4 | 7.7 |
| 140-219 | 13.3 | 40.1 | 7.3 | 15.0 |
| 220-259 | 5.2 | 45.3 | 3.6 | 18.6 |
| 260-499 | 22.1 | 67.4 | 21.0 | 39.6 |
| 500-999 | 20.5 | 87.9 | 29.8 | 69.4 |
| 1,000-1,499 | 6.9 | 94.8 | 13.8 | 83.2 |
| 1,500-1,999 | 2.6 | 97.4 | 6.0 | 89.2 |
| 2,000-2,499 | 1.1 | 98.5 | 3.0 | 92.2 |
| 2,500 and over | 1.5 | 100.0 | 7.8 | 100.0 |

Source: U.S. Senate Committee on the Budget, 1982 Farm Program Benefits: Participants Reap What They Sow, 1985.

Table 7--Distribution of oats acreage base by region, 1982 and 1987

| Year/Region | Base | Participation base | Participation rate | Share of national Participation base |
|---|---|---|---|---|
| | - - 1,000 acres - - | | - - Percent - - | |
| 1982: | | | | |
| North Central | 3,966.7 | 153.2 | 3.9 | 14.9 |
| Plains | 5,321.1 | 785.1 | 14.8 | 76.3 |
| Northwest | 139.1 | 24.5 | 17.6 | 2.4 |
| Southwest | 120.3 | 11.6 | 9.6 | 1.1 |
| South | 357.7 | 13.7 | 3.8 | 1.3 |
| Northeast | 453.0 | 40.8 | 9.0 | 9.9 |
| Total | 10,357.9 | 1,028.9 | 9.9 | 9.9 |
| 1987: | | | | |
| North Central | 2,944.8 | 599.0 | 20.3 | 15.8 |
| Plains | 4,559.7 | 2,809.8 | 61.6 | 74.5 |
| Northwest | 122.8 | 69.4 | 56.5 | 1.8 |
| Southwest | 97.0 | 40.6 | 46.5 | 1.1 |
| South | 366.5 | 142.0 | 38.7 | 3.8 |
| Northeast | 342.1 | 110.1 | 32.2 | 3.0 |
| Total | 8,433.0 | 3,770.9 | 44.7 | 100.0 |

Source: Calculated from data in: (1) U.S. Senate Committee on the Budget, 1982 Farm Program Benefits: Participants Reap What They Sow, 1985. and (2) U.S. Department of Agriculture, News: Final Compliance Figures for 1982 Reduced Acreage Program.

the rate of program participation in this region (15 percent for 1982 and 62 percent for 1987) was higher than the national average of 10 percent in 1982 and 44.7 percent in 1987.

## Effects on Oats Production and Prices

Until 1982 and 1983, there had been no concerted effort on the part of the Federal Government to control oats production since oats supply was in line with consumption. The acreage reduction programs, however, have not always been effective. For example, 0.1 million acres of oats base were idled in 1982; however, harvested acreage actually went up from 9.4 million acres in 1981 to 10.6 million in 1982.

Although recent attention has been given to the need for additional oats production, producers of this short-supply crop are still required to reduce acreage in order to participate in the Government program. Between 1982 and 1988, acreage diverted from production ranged from 100,000 to 800,000 acres per year. And, the conservation reserve program claimed about 1 million

acres of oats base as of March 1989. One might question why oats is required to have an acreage reduction program when oats are in short supply.

Both the regular and reserve price support loan programs provide an orderly marketing mechanism that strengthens prices and reduces downward price risk. The program participants can receive a regular loan on their oats and pay back the principal plus interest or forfeit the grain. In times of tight cash flow,large surpluses, or strict credit qualifications by lending institutions, price support loans can be beneficial to farmers. The reserve loan can be even more attractive when reserve loan rates are higher than regular loan rates and at least part of the interest cost is waived (as was the case with the 1982 crop). Loan rates generally support prices, thereby minimizing the risk of lower prices. However, because farm prices of oats were much higher than their loan rates, oats loan rates had little effect on farm prices during most of 1972-88 (fig. 6).

Acreage reduction programs in conjunction with the operation of the farmer-owned reserve and the regular Commodity Credit Corporation loan programs tend to keep prices higher than they would be otherwise. Stocks placed in the farmer-owned reserve are not available to the market until oats prices reach release levels. The release level is equal to the target price of oats. In times of large oats production such as 1982/83, the operation of the loan program could reduce free stocks and raise prices above what they would be otherwise.

However, generic commodity certificates have tended to reduce oats prices. Generic commodity certificates can be used to release stocks under the 9-month loan program, the farmer-owned reserve, or CCC-owned inventory at any time for the posted county price. Although such action would tend to reduce market prices for oats, price-depressing effects have been minor because participation of oats producers in the price and income support program has not been very large.

**Processors**

The oats program has until recently generally contributed to an adequate supply of processing oats. The supply and demand situation for oats was generally balanced during 1950-87. The stocks-to-use ratio ranged from 25-42 percent (stocks equalled about 3-5 months of disappearance) except for the few times when supplies were tight such as during the early 1950's and late 1980's when the stocks-to-use ratio declined to a low of 23-25 percent. Supplies have been especially tight in the past several years as processors have had to rely, in part, on imports. Supplies were excessive in periods such as 1965, 1968-72, and 1977-78 when stocks-to-use ratios were equal to or greater than 43 percent (stocks equalled 5-8.5 months of disappearance), peaking at 70 percent in 1971.

However, since 1982, Government programs have created a competitive disadvantage for oats. For example, since the 1982

crop year, the Government program for oats assigned a common acreage base to oats and barley. Producers preferred to plant barley instead of oats because barley had higher net returns per acre due, in part, to a higher target price and a potentially larger deficiency payment. Large deficiency payments encourage producers to plant crops that are in surplus, such as corn, wheat, and barley, rather than crops in short supply such as oats. Finally, the 1985 Act tended to reduce oats production through the conservation reserve program, which has removed the least productive land from production. In many instances, this land was planted to oats prior to entry into the program.

The supply of U.S. oats has declined in recent years, market prices have increased, and processors have turned to imports. Food and feed processors must compete to acquire usable supplies. Consequently, oats prices are above the competitive level based on relative feeding value (about 51 percent of corn's price).

**Consumers**

Although feed grain programs provide benefits to feed grain producers, higher oats prices represent an increase in input costs that affect livestock producers, processors, and consumers of oats food products. Although the 1985 Act reduced loan rates, market prices remained significantly above the loan rate for most years.

Oats consumed as livestock feed is more responsive to a change in price than is oats consumed as food or specialty feed by the pleasure and race horse industry. Changes in feed use primarily reflect adjustments made by other livestock and poultry producers in response to prices and availability of oats and competing feed grains.

**Program Activity and Costs**

Government program activity for oats varies from price support loans to direct payments. Price support began in 1945 and has continued to the present. Government-owned stocks reached a peak during 1971 when the stocks-to-use ratio reached 70 percent and prices received by farmers declined to $0.60 per bushel. These forfeitures occurred when the percentage of production that was put under price support loans reached 16 percent in 1969 and 12 percent in 1970, and prices failed to reach redemption value (table 8). The surge in export demand beginning in 1972/73 caused loan activity to decline as farmers redeemed their loans and sold their oats directly to the market. During the 1980's, the percentage of production put under price support loans was less than 2 percent.

During fiscal year 1987, total net CCC expenditures totaled $17.1 million, compared with $1.5 million in 1985 and $103.7 million in 1970 (app. table 4). The first deficiency and diversion payments were made during fiscal year 1983 and totaled $4.9 million.

Table 8--Oats: Price support operations, United States, 1953-88

| Year beginning July 1 | Loan rate | Farm price | Put under support: Quantity | Put under support: Percentage of production | Acquired by CCC 1/ | Owned by CCC June 30 |
|---|---|---|---|---|---|---|
| | Dollars per bushel | | Mil. bushels | Percent | Million bushels | |
| 1953 | 0.80 | 0.72 | 56.0 | 4.9 | 43.5 | 15.6 |
| 1954 | .75 | .71 | 74.9 | 5.3 | 59.7 | 40.5 |
| 1955 | .61 | .60 | 69.1 | 4.6 | 36.3 | 58.5 |
| 1956 | .65 | .69 | 36.1 | 3.1 | 17.7 | 26.7 |
| 1957 | .61 | .61 | 61.8 | 4.8 | 42.9 | 26.7 |
| 1958 | .61 | .58 | 84.6 | 6.0 | 48.3 | 42.4 |
| 1959 | .50 | .65 | 8.3 | .8 | .1 | 14.5 |
| 1960 | .50 | .60 | 19.7 | 1.7 | .5 | 9.0 |
| 1961 | .62 | .64 | 20.6 | 2.0 | 8.4 | 14.3 |
| 1962 | .62 | .62 | 32.0 | 3.2 | 19.0 | 17.1 |
| 1963 | .65 | .62 | 38.9 | 4.0 | 31.9 | 28.3 |
| 1964 | .65 | .63 | 44.9 | 5.3 | 25.1 | 42.2 |
| 1965 | .60 | .62 | 43.9 | 4.7 | 6.8 | 50.6 |
| 1966 | .60 | .67 | 22.7 | 2.8 | 6.5 | 47.8 |
| 1967 | .63 | .66 | 37.2 | 4.7 | 19.5 | 45.2 |
| 1968 | .63 | .60 | 94.9 | 10.1 | 35.6 | 54.2 |
| 1969 | .63 | .58 | 152.4 | 15.7 | 62.0 | 104.3 |
| 1970 | .63 | .62 | 108.8 | 11.9 | 26.6 | 168.9 |
| 1971 | .54 | .60 | 81.9 | 9.3 | .7 | 178.1 |
| 1972 | .54 | .72 | 31.8 | 4.6 | 0 | 104.9 |
| 1973 | .54 | 1.18 | 10.4 | 1.6 | 0 | 23.9 |
| 1974 | .54 | 1.53 | 3.9 | .6 | 0 | 5.8 |
| 1975 | .54 | 1.45 | 3.9 | .6 | 0 | 0 |
| 1976 2/ | .72 | 1.56 | 4.6 | .8 | 0 | 0 |
| 1977 | 1.03 | 1.09 | 82.9 | 11.0 | 0 | 0 |
| 1978 | 1.03 | 1.20 | 25.1 | 4.2 | 1.3 | 2.7 |
| 1979 | 1.08 | 1.36 | 12.0 | 2.2 | .2 | 2.7 |
| 1980 | 1.16 | 1.79 | 6.3 | 1.4 | 0 | 2.3 |
| 1981 | 1.24 | 1.89 | 9.7 | 1.9 | .4 | .7 |
| 1982 | 1.31 | 1.49 | 9.2 | 1.5 | .7 | .6 |
| 1983 | 1.36 | 1.67 | 3.6 | .8 | .1 | 1.5 |
| 1984 | 1.31 | 1.69 | 3.2 | .7 | .1 | 1.4 |
| 1985 | 1.31 | 1.25 | 5.6 | 1.1 | 1.0 | 1.9 |
| 1986 | .99 | 1.21 | 7.8 | 2.0 | .1 | 3.0 |
| 1987 | .94 | 1.56 | 2.9 | .7 | 0 | 3.0 |
| 1988 | .90 | 2.67 | 1.0 | .5 | 0 | 2.5 |

1/ CCC = Commodity Credit Corporation.
2/ Beginning June 1, 1976, marketing year begins June 1.

Net Government expenditures for the oats program during 1982-87 were consistently low in relation to the other feed grains, wheat and soybeans. In fiscal year 1987, net expenditures for oats totaled $17.1 million, compared with $10.5 billion for corn. A smaller crop size and lower participation rates are major reasons for the low level of oats expenditures. Participation rates for the oats program were 14-45 percent during the past 5 years, compared with 54-90 percent for corn and 60-87 percent for wheat.

Deficiency, diversion, and storage payments totaled $17.3 million in fiscal year 1987. Each participating farm received an average of $159 in program payments, or nearly 5 cents per bushel of oats produced.

**Indirect**

Oats programs have also affected land value, resource use, and trade competition. Program benefits, particularly those associated with a base or allotment, are capitalized into the value of land. Landowners who were originally allocated a base or allotment benefit from an increase in both current income and wealth. Renters or tenants, who account for about 55 percent of farmers growing oats, receive a share of the current income, but they also face increased rents because of higher land values. Subsequent landowners have to pay a higher price for land. This dilutes the program benefits, particularly in the longer run, and also increases the subsequent cost of entry for new farmers. These effects became less pronounced when program participation was no longer tied to historical allotments. Farmers with 5 years of oats production records essentially can request the USDA's Agricultural Stabilization and Conservation Service to certify their base acreage for program participation.

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## Glossary

**Acreage reduction program (ARP)** -- A voluntary land retirement system in which farmers must idle a portion of their base acreage; the remaining base acreage must be planted in the base crop. Farmers must participate to be eligible for benefits like Commodity Credit Corporation loans and deficiency payments.

**Acreage slippage** -- A measure of the effectiveness of acreage reduction programs. Slippage occurs when harvested acres change by less than the change in idled acres.

**Advance deficiency payments** -- The Secretary is required to make advance deficiency payments to producers of crops when an acreage limitation program is in effect and deficiency payments are expected to be paid. Advance deficiency payments can range from 30 to 50 percent of expected payments.

**Advance recourse loans** -- Price support loans made early in a marketing year to enable farmers to hold their crops for later sale. Farmers must repay the recourse loan with interest and reclaim the crops used as collateral.

**Agricultural Stabilization and Conservation Service (ASCS)** -- A USDA agency responsible for administering farm price support and income support programs and some conservation and forestry cost-sharing programs.

**Basic commodities** -- Six crops (corn, cotton, peanuts, rice, tobacco, and wheat) declared by legislation as price supported commodities.

**Carryover** -- Existing supplies of a farm commodity at the beginning of a new harvest.

**Cash-out option for generic certificates** -- The original holder of a generic commodity certificate has the option to redeem the certificate at its face value for cash from the Commodity Credit Corporation instead of exchanging it for commodities.

**Census of Agriculture** -- A survey taken by the Bureau of Census every 5 years to determine the number of farms, land in farms, crop acreage and production, farm spending, and so forth.

**Coarse grains** -- Includes corn, barley, oats, grain sorghum, and rye. Millet is also included in the statistics of some foreign nations.

**Commodity Credit Corporation** -- A federally owned and operated corporation within the U.S. Department of Agriculture created to stabilize, support, and protect farm income and prices through loans, purchases, payments, and other operations. All money transactions for agricultural price and income support and related programs are handled through the CCC; the CCC also helps maintain balanced, adequate supplies of agricultural commodities and helps in their orderly distribution.

**Conservation reserve program (CRP)** -- A major provision of the Food Security Act of 1985 designed to reduce erosion on 40-45 million acres of farmland. Under the program, producers who sign contracts agree to convert highly erodible cropland to approved conservation uses for 10 years. In exchange, participating producers receive annual rental payments and cash or inkind payments to share up to 50 percent of the cost of establishing permanent vegetative cover.

**Conserving uses** -- Land idled from production and planted in a soil conserving crop. It excludes acreage (1) devoted to a crop of rice, upland or ELS cotton, feed grains, wheat, soybeans, peanuts, other program crops, or approved nonprogram crops; (2) required to be taken out of production under an acreage limitation program; and (3) designated under the conservation reserve program or other conservation programs.

**Cost of production** -- An amount, measured in dollars, of all purchased inputs, allowances for management, and rent, that is necessary to produce farm products. Cost of production statistics may be expressed as an average per-acre or per-bushel basis for all farms in an area or in the country.

**Cover crop** -- A close-growing crop grown primarily to protect and improve soil between periods of regular crops.

**Crop failure** -- Acreage on which crops were not harvested because of weather, insects, and diseases, but includes some land not harvested due to lack of labor, low market prices, or other factors.

**Crop rotation** -- The practice of growing different crops in recurring succession on the same land. Crop rotation plans are usually followed for the purpose of increasing soil fertility.

**Crop year** -- The year in which a crop is planted; used interchangeably with marketing year.

**Cross compliance (full or strict)** -- A requirement that a farmer participating in a program for one crop must also meet the program provisions for other major program crops which the farmer grows. Strict cross compliance provisions have not been enforced since the 1960s.

**Cross compliance (limited)** -- A producer participating in one commodity program must not plant in excess of the crop acreage base on that farm for any of the other program commodities for which an acreage reduction program is in effect. Limited cross-compliance authority was implemented in the late 1970's and remains in effect under the Food Security Act of 1985.

**Decoupling** -- A farm policy concept which, by separating farm program payments from the amount of production, would represent an alternative to current policies. Farmers would make planting

decisions based on market prices but receive income-support payments independent of production and marketing decisions.

**Deficiency payment** -- A Government payment made to farmers who participate in wheat, feed grain, rice, or cotton programs. The payment rate is per bushel, pound, or hundredweight, based on the difference between the price level established by law (target price) and the higher of the market price during a period specified by law or the price per unit at which the Government will provide loans to farmers to enable them to hold their crops for later sale (loan rate). The payment is equal to the payment rate multiplied by the acreage planted for harvest and then by the progam yield established for the particular farm.

**Direct payments** -- Payments in the form of cash or commodity certificates made directly to producers for such purposes as deficiency payments, annual land diversion, or conservation reserve payments.

**Disaster payments** -- Federal aid provided to farmers for feed grains, wheat, rice, and upland cotton who have crop insurance (when available), when either planting is prevented or crop yields are abnormally low because of adverse weather and related conditions. Payments also may be made under special legislation enacted after an extensive natural disaster.

**Farm acreage base** -- The annual total of the crop acreage bases (wheat, feed grains, upland cotton, and rice) for a farm, the average acreage planted to soybeans, peanuts, and other approved nonprogram crops, and the average acreage devoted to conserving uses.

**Farm act** -- The omnibus agricultural legislation that expires every 4 or 5 years. The act's titles include program commodity titles, trade, conservation, credit, agricultural research, food stamps, and marketing.

**Farmer-owned reserve (FOR)** -- A program designed to provide protection against wheat and feed grain production shortfalls and provide a buffer against unusually sharp price movements. Farmers can place eligible grain in storage and receive extended loans for 3 years with extensions as warranted by market conditions. The loans are nonrecourse in that farmers can forfeit the commodity held as collateral to the Government without penalty and without paying accumulated interest in full settlement of the loan.

**Federal crop insurance** -- A subsidized insurance program which provides farmers with a means for risk management and financial stability against crop production loss.

**Federal Crop Insurance Corporation (FCIC)** -- A wholly owned Federal corporation within USDA that administers the Federal Crop Insurance Program.

**Feed grains** -- Any of several grains most commonly used for livestock or poultry feed, including corn, grain sorghum, oats, and barley.

**Findley loan rates** -- Originally proposed by Representative Paul Findley (R-Il), this provision was adopted in the Food Security Act of 1985. It gives the Secretary of Agriculture the discretionary authority to reduce the loan rate (price per unit at which the Government will provide loans to farmers to enable them to hold their crops for later sale) by up to 20 percent, if necessary, to make the commodity more competitive on the world market.

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

**Generic commodity certificates** -- Negotiable certificates, which do not specify a certain commodity, issued by USDA in lieu of cash payments to commodity program participants and sellers of agricultural products. The certificates, frequently referred to as payment-in-kind (PIK) certificates, can be used to acquire stocks held as collateral on Government loans or owned by the Commodity Credit Corporation.

**Harvested acres** -- Acres actually harvested for a particular crop. Usually somewhat smaller at the national level than planted acres because of abandonment due to weather damage or other disasters or market prices too low to cover harvesting costs.

**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.

**Mandatory supply controls** -- A mandatory supply control program would make it illegal for farmers to produce or sell to others more than specified amounts of certain commodities without penalty. All producers of any controlled commodity would be required to participate, with fines or other legal penalities used to enforce the restricitions.

**Nonprogram crop** -- Crops such as potatoes, vegetables, fruits, and hay that are not included in Federal price support programs.

**Nonrecourse loans** -- The major price support instrument used by the Commodity Credit Corporation (CCC) to support the price of feed grains, cotton, peanuts, and tobacco. Farmers who agree to comply with all commodity program provisions may pledge a quantity of a commodity as collateral and obtain a loan from the CCC. The borrower may elect either to repay the loan with interest within a specified period and regain control of the collateral commodity or default on the loan. In case of a default, the borrower forfeits without penalty the collateral commodity to the CCC.

**Normal crop acreage** -- The acreage on a farm normally devoted to a group of designated crops. When a set-aside program is in effect, the total of the planted acreage of the designated crops and the set-aside acreage cannot exceed the normal crop acreage. Producers must comply to be eligible for commodity loan programs or deficiency payments.

**Normal yield** -- A term designating the average historical yield established for a particular farm or area.

**Offsetting compliance** -- Requires that a producer participating in a diversion or acreage reduction program must not offset that reduction by planting more than the acreage base for that crop on another farm under the same management control.

**Paid land diversion** -- If the Secretary of Agriculture determines that planted acres for a program crop should be reduced, producers may be offered a paid voluntary land diversion. Farmers are given a specific payment per acre to idle a percentage of their crop acreage base. The idled acreage is in addition to an acreage reduction program.

**Parity price** -- Originally defined as the price which gives a unit of a commodity the same purchasing power today as it had in the 1910-14 base period. In 1948, the base prices used in the calculation were made dependent on the most recent 10-year average price for commodities.

**Parity ratio** -- A measure of the relative purchasing power of farm products; the ratio between the index of prices received by farmers for all farm products and the index of prices paid by farmers for commodities and services used in farm production and family living.

**Payment-in-kind (PIK)** -- A payment made to eligible producers in the form of an equivalent amount of commodities owned by the Commodity Credit Corporation.

**Payment limitation** -- The maximum amount of commodity program benefits a person can receive. A $50,000 per person payment limitation was established in 1981 and applies to direct subsidy payments to wheat, feed grain, cotton, and rice producers. The law was amended in 1987 for the 1987 through 1990 crops to place a $250,000 limit on total program payments.

**Permanent legislation** -- Legislation that would be in force in the absence of all temporary amendments and temporarily suspended provisions. The Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949 serve as the principal laws authorizing the major commodity programs.

**Permitted acreage** -- The maximum acreage of a crop which may be planted for harvest. The permitted acreage is computed by multiplying the crop acreage by the permitted acreage percent

(announced by the Commodity Credit Corporation each year) minus the diversion acreage (if applicable).

**PIK and roll** -- A procedure by which producers attempt to profit from situations where certificate exchange values (posted county prices) are below nonrecourse loan rates. With this procedure, a producer places the eligible commodity under nonrecourse loan at the loan rate, and uses generic certificates to exchange the commodity out from under loan. If the posted county price is below the nonrecourse loan rate, then the producer is able to acquire the quantity placed under loan for less than the proceeds of the nonrecourse loan, in addition to saving interest and storage charges.

**Prevented planting disaster payments** -- Payments made to eligible producers to compensate them for being unable to plant any portion of the acreage intended for wheat, feed grains, rice, or upland cotton because of a natural disaster (drought or flood) or other condition beyond the producer's control.

**Price support programs** -- Government programs that aim to keep farm prices received by participating producers from falling below specific minimum prices.

**Production controls** -- Any Government program or policy intended to limit production. These have included acreage allotments, acreage reduction, set aside, and diverted acreage.

**Program crops** -- Federal support programs are available to producers of wheat, corn, barley, grain sorghum, oats, rye, extra long staple and upland cotton, rice, soybeans, tobacco, peanuts, and sugar.

**Program yield** -- The farm commodity yield of record determined by averaging the yield for the 1981-85 crops, dropping the high and low years. Program yields are constant for the 1986-90 crops. The farm program yield applied to eligible acreage determines the level of production eligible for direct payments to producers.

**Reduced yield disaster payments** -- Payments made to eligible producers to compensate them when, because of a natural disaster, the total quantity of wheat, feed grains, rice, or upland cotton they are able to harvest is less than 60 percent of the farm program yield times the acreage actually planted to the affected commodity.

**Set aside** -- A voluntary program to limit production by restricting the use of land. When offered, producers must participate to be eligible for Federal loans, purchases, and other payments.

**Supply control** -- The policy of changing the amount of acreage permitted to be planted to a commodity or the quantity of a commodity allowed to be sold by a program participant; used to maintain a desired carryover or price level.

**Target price** -- A price level established by law for wheat, feed grains, rice, and cotton. Farmers participating in the Federal commodity programs receive the difference between the target price and the higher of the market price during a period prescribed by law or the unit price at which the Government will provide loans to farmers to enable them to hold their crops for later sale (the loan rate).

**0/92** -- An optional acreage diversion program that allows wheat and feed grain producers to devote all or a portion of their permitted acreage to conserving uses and receive deficiency payments on the acreage. The program will make deficiency payments for a maximum of 92 percent of a farm's permitted acreage.

**50/92** -- Allows cotton and rice growers who plant at least 50 percent of their permitted acreage to receive 92 percent of their deficiency payments under certain conditions. The Farm Disaster Assistance Act of 1987 also authorized 50/92 for wheat, feed grain, cotton, and rice producers who were affected by a natural disaster in 1987 and met certain criteria stated in the law.

Appendix table 1--Acreage, yield, and production of oats, 1950-88

| Year | Planted | Harvested | Diverted | Yield | Production |
|---|---|---|---|---|---|
| | - - - Million acres - - - | | | Bushels/ acre | Million bushels |
| 1950 | 45.0 | 39.3 | 0 | 34.8 | 1,369.2 |
| 1951 | 41.0 | 35.2 | 0 | 36.3 | 1,277.6 |
| 1952 | 42.3 | 37.0 | 0 | 32.9 | 1,217.4 |
| 1953 | 43.2 | 37.5 | 0 | 30.7 | 1,153.2 |
| 1954 | 46.9 | 40.6 | 0 | 34.8 | 1,409.6 |
| 1955 | 47.5 | 39.0 | 0 | 38.3 | 1,496.0 |
| 1956 | 44.2 | 33.3 | 0 | 34.5 | 1,151.4 |
| 1957 | 41.8 | 34.1 | 0 | 37.9 | 1,289.9 |
| 1958 | 37.7 | 31.2 | 0 | 44.8 | 1,401.4 |
| 1959 | 35.1 | 27.8 | 0 | 37.8 | 1,050.1 |
| 1960 | 31.4 | 26.6 | 0 | 43.4 | 1,153.3 |
| 1961 | 32.3 | 23.9 | 0 | 42.3 | 1,010.3 |
| 1962 | 29.5 | 22.4 | 0 | 45.2 | 1,012.2 |
| 1963 | 28.1 | 21.3 | 0 | 45.3 | 965.5 |
| 1964 | 25.6 | 19.8 | 0 | 43.1 | 852.3 |
| 1965 | 24.0 | 18.5 | 0.1 | 50.2 | 929.6 |
| 1966 | 23.3 | 17.9 | 0 | 44.9 | 803.3 |
| 1967 | 20.7 | 16.1 | 0 | 49.3 | 793.8 |
| 1968 | 23.3 | 17.7 | 0 | 53.7 | 950.7 |
| 1969 | 23.6 | 18.0 | 0 | 53.7 | 965.9 |
| 1970 | 24.4 | 18.6 | 0 | 49.2 | 915.2 |
| 1971 | 21.8 | 15.7 | 0 | 55.9 | 878.1 |
| 1972 | 20.0 | 13.4 | 0 | 51.5 | 690.6 |
| 1973 | 18.6 | 13.8 | 0 | 47.9 | 659.1 |
| 1974 | 17.0 | 12.6 | 0 | 47.6 | 600.7 |
| 1975 | 16.4 | 13.0 | 0 | 49.0 | 639.0 |
| 1976 | 16.6 | 11.8 | 0 | 45.7 | 540.4 |
| 1977 | 17.7 | 13.5 | 0 | 55.8 | 752.8 |
| 1978 | 16.4 | 11.1 | 0 | 52.3 | 581.7 |
| 1979 | 14.0 | 9.7 | 0 | 54.4 | 526.6 |
| 1980 | 13.4 | 8.7 | 0 | 53.0 | 458.8 |
| 1981 | 13.6 | 9.4 | 0 | 54.2 | 509.5 |
| 1982 | 14.0 | 10.3 | .1 | 57.8 | 592.6 |
| 1983 | 20.3 | 9.1 | .3 | 52.6 | 477.0 |
| 1984 | 12.4 | 8.2 | .1 | 58.0 | 473.7 |
| 1985 | 13.3 | 8.2 | .1 | 63.7 | 520.8 |
| 1986 | 14.7 | 6.9 | .4 | 56.3 | 386.4 |
| 1987 | 18.0 | 6.9 | .8 | 54.0 | 374.0 |
| 1988 1/ | 13.9 | 5.6 | .5 | 39.1 | 218.8 |

1/ Preliminary.

Appendix table 2--Use and ending stocks for oats

| Crop year 1/ | Feed | Food and seed | Exports | Total use | Ending stocks | Stocks-to-use ratio |
|---|---|---|---|---|---|---|
| | | | Million bushels | | | Percent |
| 1950 | 1,176 | 134 | 6 | 1,316 | 361 | 27 |
| 1951 | 1,209 | 140 | 5 | 1,354 | 341 | 25 |
| 1952 | 1,179 | 142 | 4 | 1,325 | 308 | 23 |
| 1953 | 1,101 | 151 | 4 | 1,256 | 285 | 23 |
| 1954 | 1,179 | 153 | 12 | 1,344 | 374 | 28 |
| 1955 | 1,278 | 146 | 30 | 1,454 | 421 | 29 |
| 1956 | 1,125 | 142 | 28 | 1,295 | 292 | 23 |
| 1957 | 1,056 | 133 | 27 | 1,216 | 391 | 32 |
| 1958 | 1,193 | 129 | 30 | 1,352 | 446 | 33 |
| 1959 | 1,009 | 121 | 46 | 1,176 | 322 | 27 |
| 1960 | 934 | 125 | 32 | 1,091 | 386 | 35 |
| 1961 | 930 | 119 | 16 | 1,065 | 334 | 31 |
| 1962 | 878 | 116 | 30 | 1,025 | 325 | 32 |
| 1963 | 815 | 110 | 6 | 931 | 363 | 39 |
| 1964 | 784 | 106 | 5 | 895 | 325 | 36 |
| 1965 | 742 | 105 | 34 | 881 | 378 | 43 |
| 1966 | 749 | 97 | 22 | 868 | 317 | 37 |
| 1967 | 686 | 101 | 11 | 798 | 316 | 40 |
| 1968 | 735 | 101 | 8 | 844 | 424 | 50 |
| 1969 | 736 | 104 | 5 | 845 | 548 | 65 |
| 1970 | 778 | 97 | 19 | 894 | 571 | 64 |
| 1971 | 740 | 94 | 21 | 855 | 597 | 70 |
| 1972 | 715 | 93 | 19 | 827 | 463 | 56 |
| 1973 | 669 | 89 | 57 | 815 | 308 | 38 |
| 1974 | 580 | 86 | 19 | 685 | 224 | 33 |
| 1975 | 558 | 87 | 14 | 659 | 205 | 31 |
| 1976 | 484 | 88 | 10 | 582 | 164 | 28 |
| 1977 | 509 | 85 | 12 | 606 | 313 | 52 |
| 1978 | 526 | 77 | 13 | 616 | 280 | 45 |
| 1979 | 492 | 75 | 4 | 571 | 236 | 41 |
| 1980 | 432 | 74 | 13 | 519 | 177 | 34 |
| 1981 | 453 | 76 | 7 | 536 | 152 | 28 |
| 1982 | 441 | 85 | 3 | 529 | 220 | 42 |
| 1983 | 471 | 73 | 2 | 546 | 181 | 33 |
| 1984 | 432 | 76 | 1 | 509 | 180 | 35 |
| 1985 | 460 | 82 | 2 | 544 | 184 | 34 |
| 1986 | 395 | 73 | 3 | 471 | 133 | 28 |
| 1987 2/ | 361 | 79 | 1 | 441 | 112 | 25 |
| 1988 3/ | 215 | 86 | 1 | 302 | 89 | 29 |

1/ Reflects June through May crop year.
2/ Preliminary.
3/ Projected as of March 9, 1989.

Appendix table 3--Prices and ending stocks for oats, 1950-88

| Crop year 1/ | Ending stocks | | | | Price received | Loan rate | Target price | Direct payment 4/ |
|---|---|---|---|---|---|---|---|---|
| | CCC 2/ | FOR 3/ | Free | Total | | | | |
| | - - - - Million bushels - - - - | | | | - - - Dollars per bushel - - - | | | |
| 1950 | 9 | -- | 352 | 361 | 0.79 | 0.71 | -- | -- |
| 1951 | 5 | -- | 336 | 341 | .82 | .72 | -- | -- |
| 1952 | 13 | -- | 295 | 308 | .79 | .78 | -- | -- |
| 1953 | 16 | -- | 269 | 285 | .74 | .80 | -- | -- |
| 1954 | 41 | -- | 333 | 374 | .71 | .75 | -- | -- |
| 1955 | 59 | -- | 362 | 421 | .60 | .61 | -- | -- |
| 1956 | 27 | -- | 265 | 292 | .69 | .65 | -- | -- |
| 1957 | 27 | -- | 364 | 391 | .61 | .61 | -- | -- |
| 1958 | 42 | -- | 404 | 446 | .58 | .61 | -- | -- |
| 1959 | 15 | -- | 307 | 322 | .65 | .50 | -- | -- |
| 1960 | 9 | -- | 377 | 386 | .60 | .50 | -- | -- |
| 1961 | 14 | -- | 320 | 334 | .64 | .62 | -- | -- |
| 1962 | 17 | -- | 308 | 325 | .62 | .62 | -- | -- |
| 1963 | 28 | -- | 335 | 363 | .62 | .65 | -- | -- |
| 1964 | 42 | -- | 283 | 325 | .63 | .65 | -- | -- |
| 1965 | 40 | -- | 338 | 378 | .62 | .60 | -- | -- |
| 1966 | 43 | -- | 274 | 317 | .67 | .60 | -- | -- |
| 1967 | 45 | -- | 271 | 316 | .66 | .63 | -- | -- |
| 1968 | 47 | -- | 377 | 424 | .60 | .63 | -- | -- |
| 1969 | 81 | -- | 467 | 548 | .58 | .63 | -- | -- |
| 1970 | 143 | -- | 428 | 571 | .62 | .63 | -- | -- |
| 1971 | 184 | -- | 413 | 597 | .60 | .54 | -- | -- |
| 1972 | 158 | -- | 305 | 463 | .72 | .54 | -- | -- |
| 1973 | 95 | -- | 213 | 308 | 1.18 | .54 | -- | -- |
| 1974 | 58 | -- | 165 | 223 | 1.53 | .54 | -- | -- |
| 1975 | 25 | -- | 180 | 205 | 1.46 | .54 | -- | -- |
| 1976 | 0 | -- | 164 | 164 | 1.56 | .72 | -- | -- |
| 1977 | 0 | 28 | 285 | 313 | 1.09 | 1.03 | -- | -- |
| 1978 | 3 | 39 | 238 | 280 | 1.20 | 1.03 | -- | -- |
| 1979 | 3 | 33 | 200 | 236 | 1.33 | 1.08 | -- | -- |
| 1980 | 2 | 0 | 175 | 177 | 1.72 | 1.16 | -- | -- |
| 1981 | 1 | 0 | 151 | 152 | 1.88 | 1.24 | -- | -- |
| 1982 | 1 | 5 | 214 | 220 | 1.49 | 1.31 | 1.50 | -- |
| 1983 | 1 | 4 | 176 | 181 | 1.62 | 1.36 | 1.60 | 0.86 |
| 1984 | 1 | 3 | 176 | 180 | 1.67 | 1.31 | 1.60 | 0 |
| 1985 | 2 | 1 | 180 | 183 | 1.23 | 1.31 | 1.60 | .29 |
| 1986 | 4 | 4 | 125 | 133 | 1.21 | .99 | 1.60 | .75 |
| 1987 5/ | 2 | 4 | 106 | 112 | 1.56 | .94 | 1.60 | 1.00 |
| 1988 6/ | 2 | 0 | 87 | 89 | 2.67 | .90 | 1.55 | .30 |

-- = Not available to oats.
1/ Reflects June-May crop year.
2/ CCC = Commodity Credit Corporation.
3/ FOR = farmer-owned reserve.
4/ Includes deficiency and paid land diversion payments.
5/ Preliminary.
6/ Projected as of March 9, 1989.