



## 2002 Cotton Management Economic Notes

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### Arizona Farm Policy Preferences

Early last summer the University of Arizona Cooperative Extension and the Arizona Agricultural Statistics Service conducted a survey of farm policy preferences from Arizona's agricultural producers. Respondents gave their policy preferences for commodity programs, trade and food, conservation and the environment, rural development, antitrust laws, and other agribusiness issues. Twenty-six other states also participated in this survey. In total, the survey represented nearly 70% of all U.S. producers.

A higher sampling rate was imposed for large farms (sales  $\geq$  \$100K) than small farms (sales  $<$  \$100K) to assure that the bulk of U.S. production was adequately represented. The study adjusted responses of large and small farms using weights from the latest Agricultural Census. About 20% of those surveyed in both the U.S. and Arizona responded to the questionnaire—14,183 for the U.S. and 113 for Arizona. This article highlights responses of a) AZ cotton or respondents with some cotton sales in recent years, b) other AZ agricultural producers, and c) the overall U.S. response.

**Farm Income and Risk Management:** While the majority of agricultural producers want to continue

or increase funding for farm income support through commodity programs, 4%, 47%, and 22% of AZ cotton, other AZ, and U.S. respondents think that the government should eliminate or gradually phase out all commodity programs. When a similar survey of policy preferences was solicited prior to the last Farm Bill in 1994, 26% or over six times as many of AZ cotton respondents were in favor of a phase out. Low commodity prices and large government payments since 1994 have resulted in a big shift in AZ and U.S. producers' views on the role of the government in providing income support. As described in the table on the following page, most producers (96% AZ cotton, 55% other AZ, and 80% U.S.) feel that the government should provide a safety net for them and they would like this support to be tied to commodity prices rather than income, subsidized insurance, ad hoc disaster assistance, or fixed payments.

**Trade and Food:** All AZ cotton and 80% of other AZ respondents believe that they benefit from international trade. Over 75% of U.S. producers believe that they benefit from international trade and all regions are supportive of pursuing free-trade agreements. Overall support for negotiating freer trade was quite similar for both the 1994 and 2001 surveys. Nationwide support was also expressed in last spring's survey for including labor laws, environmental impacts, and food safety standards in trade negotiations. Virtually all AZ and U.S. respondents indicated that labeling should be used to identify country of origin on food products. Although not supported by Arizona (13% for AZ cotton and 49% for other AZ), national support (61%) was found for the notion that biotechnology food products should be labeled as such even if there is no "scientifically determined" difference in products. About 75% of all U.S. producers feel that the federal government should increase efforts to improve traceability, but less than 50% feel that labels should explain produc-

Recent Prices (January 7, 2002)	Upland (¢/lb)	Pima (ELS) (¢/lb)
Spot - uncompressed	34.31	80.00
Mar '02 Futures	37.56	
July '02 Futures	40.35	
Dec '02 Futures	43.50	
Adj. World Price	28.93	

Note: Upland Spot for Desert SW grade 31-3, staple 35, add 300 points for compressed bales, Pima Spot for DSW grade 03, staple 46.

## Farm Policy Preferences of Arizona and U.S. Ag. Producers

	AZ Cotton	Other AZ	Overall U.S.
• In general, should the government fund programs that provide income support for agricultural producers and partially protect them from the full impact of market conditions? . . . . .	96%	55%	80%
	(% responding yes)		
• If answer to above is yes, what should the safety net look like? (please rank from 1=most to 5=least important, using each ranking only once)	(the lowest score is most important, the highest score is least important)		
a. Support payments tied to price (such as marketing loans) . . . . .	1.5	2.2	2.1
b. Fixed payments (such as AMTA or PFC payments) . . . . .	1.9	3.1	3.1
c. Support payments tied to income . . . . .	3.9	2.8	3.1
d. Subsidized insurance . . . . .	3.3	3.0	3.4
e. Ad hoc disaster assistance . . . . .	4.1	2.8	3.3
• If funding for risk management programs was increased, which approach would be most preferred? (please rank from 1=most important to 5=least important)	(the lowest score is most important, the highest score is least important)		
a. Increase coverage regions, protection levels, and premium subsidies for crop and revenue insurance . . . . .	2.0	2.8	2.4
b. Expand federal programs to include insurance for livestock producers . . . . .	3.3	2.5	2.6
c. Establish tax-deferred savings accounts for farmers, providing for withdrawals in a low-income year or at retirement . . . . .	2.3	1.9	2.2
d. Provide an incentive payment for using various risk management tools, including hedging, insurance, debt equity financing, savings accounts, and education . . . . .	2.5	2.5	2.8

tion practices when there is no scientifically determined product difference.

### **Rural Development and Concentration Issues:**

Improving access to capital for business expansion and development rank at the top for rural development alternatives and they were followed closely by business development/job creation and education/training programs for rural areas. Improving rural access to the Internet and local government infrastructure and services ranked at the bottom. Support for existing federal farm and rural credit programs is rather marginal. Regarding the concentration of agribusinesses, only 13% (AZ cotton), 32% (other AZ), and 35% (U.S.) of respondents advocate strengthening antitrust laws.

### **Conservation and the Environment:**

Both U.S. and AZ producers are supportive of financial incentives to encourage environmental amenities. Water quality incentives and subsidies to produce fuels from crops and other biomass rank at the top. Other items that received support were farmland preservation, reducing soil erosion, providing wildlife habitat, animal waste management, and open space preservation. Policies to promote carbon sequestration and providing habitat for endangered species ranked

at the bottom and these items failed to receive a majority for their support in the West.

### **Demographics:**

Despite large government payments in recent years, young managerial talent has been difficult to attract into production agriculture. About 5% and 4% of large and small farm respondents from the U.S. indicated their principal operator was less than 35 years of age. In 1990, 9% of all U.S. respondents were under 35. However, 8% of AZ cotton respondents indicated their principal operator was less than 35. Farm operators over 65 years of age represent 33% of small farms in the U.S. but they only make up 13% of the large farms. The percentage of operations that make more than 50% of their family income from farming are 52% (AZ cotton), 49% (other AZ), and 68% (U.S.). When current AZ operators expect to retire, about 17% believe that the land they operate will be transferred to non-farm use. This is 4% higher than the overall U.S. response for this question. AZ producers own less of the land they operate on than the average U.S. farmer. 52% of AZ cotton and 49% of other AZ respondents own more than 50% of the land they operate versus 69% for the U.S. More survey results are available online under “publications” at [www.farmfoundation.org](http://www.farmfoundation.org) and [extension.usu.edu/WRDC/](http://extension.usu.edu/WRDC/).