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Farm Policy Decisions—What Do South Dakota Farmers Think?

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Most South Dakota agricultural producers favor the market growth provided by world trade. However, they are not willing to give up minimum trade barriers that cushion instability caused by the international trading system. In addition, farmers are overwhelmingly in favor of a balanced federal budget as a worthy national policy objective. These two key findings are from a recent statewide survey of farmers' opinions on agricultural policy issues.

In this Newsletter, we present the survey findings on international trade, federal budget, farm credit, and soil conservation policies. In the previous Newsletter, we discussed farmer opinions on domestic commodity programs.

REVIEW OF SURVEY PROCEDURE

The purpose of the farm policy survey is to document the attitudes of South Dakota farmers and ranchers for input into the Congressional debate and action on comprehensive farm and food legislation in 1985. South Dakota is one of 17 states across the nation participating in the survey effort. Final results from each state and survey

totals will be made available to members of Congress, the Secretary of Agriculture, and agricultural leaders.

The South Dakota survey is a joint effort of the SDSU Cooperative Extension Service and Agricultural Experiment Station.

A random sample of farmers in each state received copies of the survey questionnaire in late February and early March 1984. In South Dakota, 480 farmers and ranchers completed the survey—32% of the 1,500 producers contacted.

Based on previous survey experience and comparisons between the respondent profile and the 1982 Agricultural Census, we are confident that the survey is representative of a cross-section of South Dakota agricultural producers.

INTERNATIONAL TRADE POLICY

U.S. agricultural producers compete in an international market. Grain exports have increased from 1/6 of our harvested crop acres in the 1950s to nearly 1/3 of the harvested acres in the 1980's. On the other hand, the U.S. has continued to remain a net importer of livestock and dairy products.

International trade greatly contributed to the long-term rise in U.S. farm income, but has also exposed farmers to fluctuations in yearly prices and income. Exports expanded during the 1970s, but this trend has reversed in the last 3 years.

The most significant trade policy question in our survey was "How should international trade be organized?" Of the respondents, 18.1% favor more agreements with other food exporting nations to control production and raise prices,

26.5% favor strengthening the General Agreement on Tariffs and Trade (GATT) to provide a relatively open market for all food exporting and importing countries, 30.0 % favor more agreements with food importing nations to insure that the U.S. receives a minimal share of the international market, and 25.4% are undecided. On this question, there are no significant differences across commodity interests.

The results generally reaffirm the recent dual policy of pursuing long-term agreements (LTAs), where appropriate, and strengthening the GATT open market by multi-country trade negotiations. If anything, we suspect that the present sentiment is shifting more toward customer agreements to protect our share of the international markets. This might be expected because of the recent shrink in total world trade and the previous growth in the proportion of trade with non-GATT nations.

In addition, the survey shows support to be weak for a "food OPEC" or grain cartel. This is a proposal that has periodically received some media attention in South Dakota.

A second trade policy question on the survey is, "What should be done to increase U.S. export sales?" The question determines whether the respondents agree or disagree with 9 specific strategies (see Table 1).

In general, South Dakota farmers and ranchers are not satisfied with the present marketing system and are strongly in favor of making changes in U.S. trading strategies. More than 60 % of the respondents agree with (1) establishing an international trade marketing board, (2) lowering federal budget deficits to lower the exchange value of the dollar, and (3) providing more food aid to hungry nations.

A plurality of respondents agree with (1) farmer financed international market development and (2) matching the export subsidies of our competitors.

Table 1. "What Should Be Done To Increase U.S. Export Sales?"

ALTERNATIVE STRATEGIES	AGREE Percent	DISAGREE Percent	NOT SURE Percent
1. The U.S. should "not make any great effort beyond previous policy."	7.9	71.1	21.0
2. Establish an international trade marketing board.	66.7	3.9	29.4
3. Lower federal budget deficits to reduce the value of the dollar and make the U.S. more competitive.	62.9	11.3	25.8
4. Provide more food aid to hungry nations.	60.8	15.4	23.8
5. Expand more farmer financed foreign market development programs.	50.0	15.9	34.2
6. Match the export subsidies of our competitors.	42.5	15.0	42.5
7. Set up a two price plan with a higher price for commodities used in the domestic market and let exports sell at the world market price.	34.2	26.1	39.7
8. Encourage lower trade barriers for food importing nations by lowering U.S. import barriers.	30.2	37.1	32.7
9. Lower U.S. support prices to be more competitive in the world markets.	20.2	47.8	32.1

Wheat and beef producers more strongly agree with farmer financed foreign market development than do other interests. Grain producers more strongly agree with matching export subsidies, while, livestock producers are evenly split on this issue.

A plurality are opposed to (1) lowering U.S. import barriers and (2) lowering U.S. price supports. Of those expressing an opinion on lowering price supports, grain producers strongly disagree, however, livestock producers are about evenly split on this strategy. On lowering import barriers, no differences occur across commodity interests.

The plurality of South Dakota producers are undecided on initiating a two-price plan. Predictably, South Dakota producers are also more undecided on all trade strategies than on the domestic farm policy options that were discussed in the last Newsletter. On trade, 21 to 42 % are not sure or left the question blank, whereas 5 to 10 % is the norm for the other policy questions.

FEDERAL BUDGET POLICY

Federal budget deficits have been running \$100 to \$200 billion per year. In response to budget issues, 85.0 % of the respondents agree with balancing the budget as a worthy national objective, 3.0 % disagree, and 12.1 % are not sure.

Two follow-up survey questions are asked to determine the most preferred strategy to accomplish this goal. The more preferred approach is that "The federal budget should be balanced even if it means a substantial cut in all government programs including farm price and income supports."

63.2 % AGREE
17.0 % DISAGREE
19.9 % NOT SURE

Conversely, a plurality of respondents disagree with freezing present federal expenditures and raising taxes.

29.4 % AGREE
40.2 % DISAGREE
30.5 % NOT SURE

As a result, agricultural producers generally favor across the board expenditure cuts (including farm programs) over the combination spending freeze and tax hikes.

On federal farm spending priorities, 39.4 % favor export expansion and international market development as the highest priority of three options, 24.4% favor price and income support programs, and 24.2 % favor soil conservation and erosion programs.

There are significant differences across commodity interests. Livestock producers--particularly beef producers--are evenly split on soil conservation and market development, with income supports coming in third. Grain producers overwhelmingly pick export development as the first choice, price and income supports as second choice, and soil conservation as third.

SOIL CONSERVATION POLICY

Since 1933, the federal government has been involved with voluntary soil conservation programs on our nation's farms and ranches. Past and present programs have emphasized technical assistance and cost-sharing programs and have not been linked directly to income and price support benefits of commodity programs. As mentioned earlier, respondents are concerned about soil conservation but only 24.2% favor these programs as the highest farm program spending priority.

Two survey questions determine the level of agreement or disagreement on soil conservation policy:

1. To help achieve national and state soil erosion control goals, each farmer should be required to follow recommended soil conservation measures for his farm to qualify for price and income support programs.

69.1 % AGREE
21.6 % DISAGREE
9.3 % NOT SURE

A two-thirds majority of grain producers agree with soil conservation requirements, but livestock producers--beef producers in particular--even more strongly agree with conservation requirements as a precondition to receiving income and price supports.

2. How should federal government funds for soil conservation programs be distributed among the states?

42.5 % favor more to states with most severe erosion problem.
31.1 % favor in proportion to acreage within each state.
10.4 % favor in proportion to the number of farms.
6.3 % other
9.6 % not sure

Presently, part of the federal conservation dollars are distributed to

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states based on the number of farms and part are targeted to states with the most severe soil loss problems. Compared to many other states, South Dakota is large in acreage and small in farm numbers. This might partly explain producer attitudes on this question.

Also, for present federal conservation aid distribution purposes, soil loss is defined without regard to the inches of topsoil available. Areas with 1 inch of topsoil and areas with 6 feet of topsoil are treated the same if the estimated annual "soil loss" is equal. Many areas of South Dakota are "fragile" because of a shallow layer of topsoil but may not be targeted because of low estimated soil loss. Some areas in other states have deep topsoil, but may be targeted because they have higher annual soil loss.

FARM CREDIT POLICY

The Farmers Home Administration (FmHA) was established to provide credit to farmers who could not get credit from other sources. Presently, FmHA estimates indicate that about one-third of South Dakota farmers are FmHA borrowers.

The survey asks respondents, "Which credit policy should FmHA follow with present borrowers?"

- 48.5 % favor continuing present policy of not foreclosing unless all repayment efforts have failed.
- 26.0 % favor moratoriums on foreclosures either for all farm borrowers or selected young farm borrowers.
- 14.6 % favor a stricter policy on delinquent loans.
- 9.9 % other and not sure

We are not able to segregate opinions of FmHA borrowers from other respondents, therefore the responses represent non-borrowers as well as FmHA borrowers.

There are major differences in opinion by commodity enterprise. A higher percentage of livestock producers favor moratoriums than do grain producers.

In addition, there are differences by age of respondent. Almost 47% of the over-65 respondents favor a moratorium compared to about 25% for the other age categories. On the other hand, nearly half of the under-65 age categories favor continuation of present policy, whereas only 37 % of those over-65 favor present policy. Perhaps the differences by age are, in part, due to the ability of those over the age of 65 to remember the Great Depression.