

South Dakota State University  
**Open PRAIRIE: Open Public Research Access Institutional  
Repository and Information Exchange**

---

Economics Commentator

Department of Economics

---

7-7-1984

## Farm Policy Decisions--What Do South Dakota Farmers Think?


Larry Janssen

*South Dakota State University*, [larry.janssen@sdstate.edu](mailto:larry.janssen@sdstate.edu)

Mark Edelman

*South Dakota State University*

Follow this and additional works at: [http://openprairie.sdstate.edu/econ\\_comm](http://openprairie.sdstate.edu/econ_comm)

 Part of the [Agricultural and Resource Economics Commons](#), and the [Regional Economics Commons](#)

---

### Recommended Citation

Janssen, Larry and Edelman, Mark, "Farm Policy Decisions--What Do South Dakota Farmers Think?" (1984). *Economics Commentator*. Paper 207.

[http://openprairie.sdstate.edu/econ\\_comm/207](http://openprairie.sdstate.edu/econ_comm/207)

This Newsletter is brought to you for free and open access by the Department of Economics at Open PRAIRIE: Open Public Research Access Institutional Repository and Information Exchange. It has been accepted for inclusion in Economics Commentator by an authorized administrator of Open PRAIRIE: Open Public Research Access Institutional Repository and Information Exchange. For more information, please contact [michael.biondo@sdstate.edu](mailto:michael.biondo@sdstate.edu).



# Economics Newsletter

Editor: Donald C. Taylor

Economics Department SDSU, Box 504A Brookings, SD 57007-1007 Tele: (605) 688-4141

No. 211

July 7, 1984

## Farm Policy Decisions--What Do South Dakota Farmers Think?

by

Larry Janssen  
Assistant Professor  
of Economics and  
Mark Edelman  
Agriculture and  
Public Policy Economist



Most South Dakota farmers and ranchers favor major changes in the process used to make farm policy decisions but are split on the desirable future direction of farm commodity programs. These are two key findings from a recent statewide survey of farmers' opinions on agriculture policy issues.

In this Newsletter issue, we discuss survey findings related to domestic farm policies. Farmers' opinions on policies concerning credit, soil conservation, international trade and Federal budget issues are presented in the next issue of this Newsletter.

### FARM POLICY SURVEY

The farm policy survey reported in this Newsletter was designed to document attitudes of South Dakota farmers and ranchers on agriculture policy issues. Survey construction and processing was a joint effort of the SDSU Cooperative Extension Service and Agricultural Experiment Station.

South Dakota is one of 17 states across the nation participating in the farm policy survey. Results from each

state and survey totals from the 17 states will be used as input to Congressional debate and action on comprehensive farm and food legislation in 1985.

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 1500 producers contacted.

### RESPONDENT PROFILE

We developed a respondent profile by comparing characteristics of respondents (summarized in Table 1) to those of all South Dakota farmers as reported in recent U.S. Census publications. The

Table 1. Respondent profile: percent of respondents by selected characteristics.

Acres operated	%	Gross farm sales	%
\$1,000			
under 400	27	under \$40	36
400-1199	50	\$40-199	56
1200 and over	<u>23</u>	\$200 or over	<u>8</u>
	100		100
Principal enterprise	%	Operator age	%
Livestock	18	under 35	19
Mixed grain & livestock	49	35-49	29
Grain	<u>33</u>	50-64	39
	100	65 and over	<u>13</u>
			100

Source: 1984 South Dakota Agricultural Policy Survey completed by 480 farmers and ranchers. Most respondents (95-99%) provided information on each characteristic. Percent totals exclude non-response.

respondents are similar to all South Dakota farmers in terms of operator age, principal enterprise, farm size, location and land ownership/tenure. The major differences between respondents and all South Dakota farmers are (1) a larger proportion of respondents operating medium-size farms with annual sales of \$40,000 to \$200,000 and (2) a lower proportion of respondents operating small farms and/or receiving a majority of family income from off-farm sources. In addition, respondents report owning an average 62% of land operated, and 66% are members of one or more general farm or commodity organizations.

### COMMODITY PROGRAMS

Federal commodity programs providing price and income supports have been with us since 1933. Through the years, various program features have been modified, including a greater emphasis on voluntary producer participation rather than mandatory controls and cross-compliance requirements. Present wheat and feed grain programs combine the policy tools of price support loans, deficiency payments and target prices, acreage reduction programs and farmer-owned and CCC grain reserves. In addition, a payment-in-kind (PIK) program was used for feed grains in 1983 and for wheat in 1983 and 1984.

#### Who should decide

Congress and the Administration have been the principal decision-makers on agriculture policy. The key participants in the policy-making process are spokes-persons for various private interest groups, members of the House and Senate Agriculture Committees and Appropriations Committees, the President, the Secretary of Agriculture and other Executive branch officials.

In response to the question, "Who should make the major farm policy decisions?" only 19.0% of the respondents favor continuation of the present system in which Congress and the Secretary of Agriculture make the key decisions. Almost two-thirds of the respondents are

evenly divided between those (32.3%) favoring an independent decision-making board of farmers, agribusinessmen, and consumers and those (32.9%) favoring a farmer organized and financed commodity program of their own. Nearly one-sixth (15.8%) are not sure, offered other comments or had no responses.

Many farmers indicate that the present system is too sensitive to short-term politics. Farmers have experienced emergency program changes, embargoes and PIK programs. In some cases, programs have been changed after their crop has been planted.

The options picked by the survey respondents indicate that many farmers are dissatisfied with the present policy process and outcomes. They are interested in a more stable, longer-term approach to policy decisions that could be provided by either an independent board or through farmers controlling and financing their own programs.

#### Future program directions

Farmers are evenly split on the type of programs preferred - 15.4% favor continuation of present voluntary programs, 25.1% favor mandatory programs, and 27.7% favor elimination of all acreage reduction price support and grain reserve programs. Another 13.0% had no response while a fairly high percentage (8.8%) wrote other comments including proposals for parity pricing, expanded and lower cost crop insurance programs, income insurance programs and soil bank programs. Cross tabulations indicate that grain producers give a slight edge to continuation of voluntary programs while livestock producers give the edge to the elimination of farm programs.

The level of price support and income is generally a major issue if voluntary farm programs are continued (Table 2). The loan rate not only provides a price floor to grain farmers but also affects the United States' ability to compete in export markets. South Dakota farmer-respondents favor

Table 2. If voluntary programs are contained in the 1985 Farm bill, should the following policy tools be used?

Policy tool	Yes	No	Not sure, no response
Target prices/ deficiency payments	66.7	21.7	11.6
Acreage diversion payments	60.0	27.3	12.7
Farmer-owned grain reserve	56.5	23.3	20.2
Payment-in-kind (PIK) -if large stocks reappear	42.5	43.6	13.9
Dairy production pay- ment cutbacks--if milk production is excessive	31.1	40.4	28.5

Source: 1984 South Dakota Agriculture Policy Survey completed by 480 farmers and ranchers.

raising loan rates to higher levels (54%) or leaving them at present levels (27%). Only 9% favored lowering loan rates.

Target prices provide a direct payment incentive for program participants. South Dakota respondents (43%) favor raising target prices, 41% favor the present target price level and 9% favor lowering target prices.

If voluntary programs are continued, 66.7% of respondents favor continuation of acreage diversion payment (Table 2). Many farmers indicate that loan rates, target prices and diversion payments are all necessary for high rates of voluntary program participation.

The farmer-owned grain reserve program was adopted in 1977. A solid majority (56.5%) favor continuation of this program, while 23.3% are opposed and 20.2% offered no opinion. However,

67% of respondents are in favor of setting a limit based on the percentage of the previous year's commodity use.

#### Payment-in-Kind Program

The 1983 PIK program greatly reduced feed grain reserves, and involved the highest participation rate for any farm program in the past 20 years. Two-thirds of respondents participated in a PIK program and 74% participated in a commodity program in 1983. The PIK program provided some price and cash flow relief for many crop farmers, but had adverse side effects for livestock feeders and agribusiness input supply and marketing firms. South Dakota respondents are evenly divided (42.5% - yes, 43.6% - no) on whether a PIK program should be used again if large stocks reappear (Table 2). Grain producers favor continuation of PIK programs by a 2-1 margin, while livestock producers are opposed by a similar margin. Similarly, PIK program participants favor the program while non-participants are strongly opposed.

A majority (51.5%) of respondents agree that the PIK program is basically unfair to livestock and poultry producers, while 26.7% disagree.

#### Dairy Program

The dairy program for 1984 includes some production control payments for the first time in history. A production control program was added because 1982-83 CCC purchases of surplus dairy production amounted to 10-12% of total milk production. Present policy also includes mandated price support reductions if CCC annual purchases remain above 5 billion pounds.

Less than one-third (31.1%) of respondents favor continuation of production cutback payments to dairy farmers in 1985 and in later years if milk production is excessive. Forty percent do not favor continuation of production cutback payments and 28.5% are unsure (Table 2).

# Economics Newsletter

OFFICIAL BUSINESS  
Penalty for Private Use \$300

Cooperative Extension Service  
U.S. Department of Agriculture  
South Dakota State University  
Brookings, SD 57007



Postage and Fees Paid  
U.S. Department of Agriculture  
AGR 101  
Third class mail  
Bulk Rate

Issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the USDA, DeWyn Dearborn, Acting Director of CES, SDSU, Brookings, SD. Educational programs and materials offered without regard to age, race, color, sex, handicap or national origin. An Equal Opportunity Employer.

## Payment benefit

The distribution of program benefits by farm size and maximum payment limits per farm have been a major political issue for many years. Respondents favor targeting program benefits to small and medium size farms with annual gross sales under \$200,000 (69% - favor, 12% - opposed, 19% - no opinion). In addition, 49% recommend no change in the present \$50,000 farm program payment limit, 34% favor reducing the payment limit and 15% favor increasing it or eliminating the limit completely. A much higher percent of young farmers and those with larger operations favor increasing or eliminating the payment limits.

## PRODUCTION RISK/DISASTER POLICIES

Since 1973, two major disaster protection policies have been used. From 1973-80, disaster payments and natural disaster loans were used along with Federal crop insurance. Since 1980, there has been a shift to increased coverage by an all-risk crop insurance program with the Federal government subsidizing 30% of the premium cost up to 65% yield protection. Disaster payments and loans have been phased down.

This policy switch is controversial. Only 29.4% of respondents favor the present policy of increased use of all-risk crop insurance, while 31.7% favor a return to disaster payments and 23.1% prefer elimination of both protection policies and 15.8% were not sure.

Less than 15% of respondents feel that the Federal Crop insurance program is a good buy, provides adequate coverage and is easy to understand. One third to a half thought it was expensive, inadequate, and complicated, while 40 to 50% were unsure.

South Dakota producers encounter higher production and yield risk, due to climatical variations, than producers in most other states. South Dakota producers were among the leading recipients of disaster payments and loans in the latter 1970's. This may have contributed to the opposition of many producers to recent policy changes in this area.

In the next newsletter, we discuss South Dakota producer opinions on agriculture credit policies, soil conservation policies, international trade and Federal budget policies and priorities for future agricultural program spending.