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Arkansas Producers' Attitudes Towards the 2002 Farm Bill and Preferences for the 2007 Farm Bill

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The *Federal Security and Rural Investment Act of 2002*, otherwise known as the 2002 Farm Bill, contains the current legislation regarding federal public policies and programs for United States food and agriculture. This legislation will expire in 2007 and thus new legislation will be written to replace this legislative act. It is important to have producers' input to develop this legislation because the policies and programs influence their business practices and livelihoods. Without knowledge of farmers' attitudes towards this legislation, it will be difficult to develop policies that strengthen and stabilize the agricultural economy for Arkansas. Arkansas agriculture accounts for 20 percent of the total value of the Arkansas economy (Popp, Kemper and Miller).

In 2002, a survey was developed to investigate producers' attitudes toward the existing farm legislation and the development of the 2002 Farm Bill. This study was based on responses to the survey questionnaire sent to farmers in participating states. The survey responses were analyzed and reported at the national, regional and state levels to indicate producers' preferences for the 2002 legislation (Lubben, et al., 2001). Arkansas did not participate in the 2002 study. However, a similar survey was implemented in most states, including Arkansas, in 2006 to identify preferences for the 2007 Farm Bill. The Arkansas field office of the National Agricultural Statistical Service (NASS) of the United States Department of Agriculture (USDA) implemented the survey in Arkansas (Cochran). As a result of delay in implementation, results for Arkansas were not included in the National Report (Lubben et al 2006).

The objectives of this paper are to analyze attitudes of Arkansas farm producers about the 2002 Farm Bill and their preferences for new 2007 legislation. The study determines key value differences among Arkansas producers as well as develops a comparison for those producers in the United States and other southern states based on the report given by Lubben et al. The null

hypothesis is that there is no difference among producers in their attitudes and preferences for the Farm Bill. An alternative hypothesis is that there are differences among producers that can be explained normatively by differences in past participation in farm programs.

Materials and Methods

NASS distributed the survey in Arkansas to 2,400 operations in three different strata. These strata included (1) producers making less than \$100,000 in farm sales, (2) producers making between \$100,000 and \$249,999 in farm sales, and (3) producers making more than \$250,000 in farm sales. Thirty percent of the samples was drawn from the first stratum and 30% was drawn from the second stratum, with the remaining 40% drawn from the third stratum. Each response was assigned a weight in order to correct for under-sampling of the Arkansas farm population in stratum one and over-sampling in the strata two and three. A second mailing of the questionnaire was sent to all non-respondents to the first distribution. The responses were sent directly to the Department of Agricultural Economics and Agribusiness at the University of Arkansas.

After surveys were received from respondents, responses were entered into a Microsoft Access database that was then transferred to JMP® and SAS, statistical software packages. Comparisons were made between producers who produced program crops and those who did not. Program crops are crops eligible for government price and income support payments authorized by the Farm Bill. In Arkansas, key program crops are cotton, corn, rice, soybeans, sorghum, and wheat. Also, the researcher compared responses considering whether the respondent had received government program funding previously from commodity payments and environmental/conservation programs that might have affected the responses on questions about these policies. No additional comparisons by demographic characteristics were made given the

homogeneity of the respondents. An overwhelming majority of respondents were within the same age range, race, and educational level. Where possible statistical comparisons were made between Arkansas producers and producers in the rest of the U.S.

Results and Discussion

Farm Programs and Budget Priorities

Producers were first asked to rank goals of the Farm Bill with 5 being most important and 1 being least important. For simplicity in presentation, responses to each question were combined in two groups, important or most important compared to all other responses. The most important goals indicated by Arkansas producers were those of assuring a safe, secure, abundant, and affordable food supply, and reducing the nation's dependency on non-renewable sources of energy. In both areas, about 88% of the respondents agreed that it is important/most important to prioritize these as goals in the upcoming Farm Bill. In general, however, respondents agree that all of the goals listed are important for the upcoming legislation. The area with the least support was that of protecting the nation's land, water, and environmental policies, with still 68% agreeing that this should be a major goal for the upcoming Farm Bill (Table 1). One interpretation is that this is an issue that respondents might think does not need as much discussion in policy debate because this issue has been adequately dealt with through past legislation. Other issues that drew strong support (72-83% of respondents indicating important or most important goal) for upcoming legislation were the areas of enhancing farm income, reducing price/income risk, increasing global competitiveness, creating opportunities for small farms, and enhancing rural economies.

Arkansas producer responses are similar to those in the Southern region as well as those throughout the nation. Producers in Arkansas and the rest of the country indicated very strong

support for reducing the nation's dependency on non-renewable sources of energy. Less important for agricultural policy for producers in Arkansas and in the rest of the country is the goal of reducing price/income risk and the goal of protecting land, water and environment.

Among Arkansas producers, program crop producers and non-program producers were significantly different on two goals. Producers of program crops more strongly supported the goal of reducing price and income risks than did non-program producers. On the other hand, non-program producers more strongly supported the goal of providing opportunities for small farms than did program crop producers.

The next set of questions asked producers to indicate the importance of funding for specific government programs. Producers were asked to rank the importance of programs currently funded. A program that Arkansas producers would like to continue funding is that of disaster assistance programs with 75% of Arkansas producers indicating that this is important/most important. Other programs producers favor continued funding are agricultural credit programs/FSA loans (57%) and risk management programs for crops and livestock insurance programs (56%). There were significant differences between program crop producers and non program crop producers in Arkansas pertaining to the importance of maintaining funding for several current farm payment programs including direct payments, counter- cyclical payments (CCPs), loan deficiency payments (LDPs), and land conservation (Figure 1). The program crop producers rated commodity payment programs much higher than did the livestock producers. Program crop producers agree that funding should be maintained for fixed (direct payments) (87%), CCPs, commodity loans, and LDPs (88%). They were also more in favor of keeping land retirement conservation programs such as the Conservation Reserve Program and the Wetland Reserve program (50%) than were non program crop producers (37%). Of the

program crop producer respondents, 90% received government payments within the last year. Only 6% of non-program crop respondents received benefits from the land conservation programs last year. In general, non-program crop producers in Arkansas were in favor of changing the monetary distribution in the upcoming 2007 Farm Bill from program payments to other sources such as conservation and risk management.

Producers were asked to rank the importance of providing new or reallocated funds for a set of alternative programs. The program for new or reallocated funding most favored by Arkansas producers was that of providing incentives for bioenergy production (75%). The other two important issues for respondents were those of food safety programs and assistance (69%) and bio-security incentives and assistance (59%). Respondents either did not support or were neutral about new or reallocated funds towards payments tied to farm income levels, payments for currently non-funding commodities, and traceability and certification programs.

Nearly a quarter of producers in the Arkansas sample have produced food and feed grains, soybeans, or both within the past year. These farmers could qualify for the aforementioned bioenergy incentives because they already produce the materials that are being used commercially to produce biofuels. The issue of alternative fuels was also of great concern to producers because of the rising cost of fuel for producers. The percentage of costs on a farm for fuel has continued to rise over recent years. As a rising concern for producers, Arkansas would like to see some relief from high fuel prices and would also like to benefit directly from the development of biofuels made from grains and oilseeds.

Commodity Programs and Risk Management Policy

Current commodity programs, particularly trade-distorting subsidies like the LDPs (loan deficiency payments), are a contentious issue in the current Doha Development Round negotiations in the World Trade Organization (WTO). The G20 and G33 groups are pushing for the United States to reduce these subsidies (WTO). This, however, is not something that Arkansas producers support. Arkansas producer respondents generally agreed that new policies should not reduce or eliminate commodity payments, including LDPs, CCPs (counter cyclical payments), and direct (decoupled) payments. However, there were significant differences between program crop producers and non-program crop producers (Table 2). Those who did not produce program crops were less supportive of maintaining the trade-distorting program subsidies than are the program crop producers. Program crop producers strongly disagreed (88%) with phasing out farm commodity payments over the length of the 2007 Farm Bill. Non-program crop producers were more supportive in the areas of targeting commodity payments to small farmers (68%), tying commodity payment limits to a single individual (65%) and eliminating the unlimited use of generic certificates and forfeiture gains that are used to increase program crop payments (53%). Program crop producers were more in favor of maintaining funding for the milk subsidy programs than were the non-program crop producers. A slim majority of producers seem to agree (51%) that new legislation should also reauthorize both the current dairy price support program and the MILC (milk income loss contract) program.

Producers were also asked in this section if they would be in favor of a buy-out program that would offer producers a lump-sum payment or series of payments in exchange for eliminating all future commodity program payments (Figure 2). The producers did not support option of buying-out current commodity payments. The only option in the survey that produced

a positive majority was that of accepting a lump sum worth 25 years of current payment in today's dollars (63%). Producers did not favor eliminating these program crop subsidies. It is important to note the large number of "don't know/no opinion" responses to the buy-out option questions. In Arkansas, there were no less than 42% missing values on each of the buy-out questions. Nearly 40% of the US producers responded "no opinion/don't know" to every buy-out option. If new farm legislation were to include a buy-out program, producers would have to be more informed about the option before many would likely support this policy approach.

Conservation and Environmental Policy

The third section of the survey examined farmers opinions regarding conservation and environmental policies. The first question asked producers whether federal technical and financial assistance should be offered to producers in the areas of water quality, wildlife, biodiversity and other areas to assist with meeting environmental and conservation goals. In general, Arkansas producers favored assistance for most programs listed in the survey with water quality and soil erosion being the most favored areas (71% and 63%, respectively). In addition, producers indicated a high response of "don't know" for the questions about carbon sequestration and maintenance of biodiversity. Arkansas producers were concerned about environmental issues and would like to do something to help, however they will need assistance, including monetary and technical support. The U.S. survey responses were similar with technical/financial assistance being the most popular choice.

Another question on the environmental program area was whether funding for conservation programs should be given to the states in the form of block grants to give individual states more authority over implementation of conservation programs. Sixty percent of the respondents agreed that the funds should be reallocated to the states to give the states more

control of the implementation of funds for these conservation programs. The producers in the national and the southern region samples were almost identical in their responses on this topic. One may conclude that a large number of producers would prefer that individual states be given more discretion to manage state level environmental programs.

Preferences in the area of the Conservation Reserve Program (CRP) and the Conservation Security Program (CSP) were examined to determine what Arkansas producers would prefer regarding these programs. The highest support for CRP (39%) was to keep current rules and allow current contracts to expire on schedule and compete for re-enrollment against other land being offered for re-enrollment (Figure 3). Another popular response (25%) was to completely eliminate the CRP as current contracts expire. This option was only the third highest ranked option for the Southern States and U.S. The reason why Arkansas producers would be more likely to eliminate this program is because only about 10% of Arkansas respondents received benefits from the CRP last year. This is a lower priority than other programs that are more highly practiced in Arkansas. The respondents seemed more in favor of continuing with the current policies of the CSP on a watershed basis as funding allows (Figure 4).

Trade Policy

Trade policy is an issue that affects many agricultural producers, particularly the producers in Arkansas as they are the leading rice exporter in the U.S. Producer respondents in Arkansas were very much in favor of including labor laws, environmental impacts, and food safety standards as part of international trade negotiations (74%), continuing to pursue free trade (60%), and eliminating unilateral sanctions of food trade (52%). They were not generally in favor of withdrawing from the WTO (73% indicated disagreement or neutrality) and they believe that if we were to withdraw, we would experience market access losses and agricultural export

problems (55.5%). Arkansas producers disagreed or were neutral about complying with the WTO ruling on cotton and eliminating Step 2 cotton payments (63% indicated disagreement or neutrality) as well as the issue of whether the US should emphasize domestic economic and social policy goals rather than trade policies (63% indicated disagreement or neutrality).

Compared to the United States sample, the same issues receive similar levels of support. The strongest support in trade policy for Arkansas, Southern States, and national producers is to include labor, environment, and food safety standards in international trade negotiations. The next highest support for all areas was that of continuing to pursue free trade with the realization that withdrawal from the WTO would result in market access problems for exports to other countries. The lowest ranking trade issue for all respondents in Arkansas, the Southern States, and the nation is to comply with the recent WTO ruling on cotton. Overall, producers are interested in expanding trade, but are not necessarily as interested in being held accountable to the WTO rules included in trade agreements. The producers would also like to see some reforms in trade policies so that they include the areas of human welfare and food safety.

Food System and Regulatory Policy

The next area of questions pertained to topics that are of recent interest to the producers not only in Arkansas, but across the U.S. including questions about country-of-origin labeling (COOL) as well as animal ID, Bovine Spongiform Encephalopathy (mad cow disease) testing, and biotechnology labeling. Eighty five percent of Arkansas respondents agreed that the government should implement mandatory COOL labeling on all food products. They also agreed (70%) that the government should increase efforts to improve traceability of food products from the consumer back to the producers. Issues of biotechnology seem to be an important issue also, with the majority favoring labeling of all biotechnology food, no matter the degree of genetic

modified presence (58%). They were less concerned with government intervention in the area of BSE testing (59% responded disagree or neutral), as well as government implemented animal identification (53% responded disagree or neutral).

Related Policy Issues

The final section of the survey contained questions that questioned opinions on issues of importance to Arkansas. Arkansas producers were asked about current agricultural issues such as credit extension and the allocation of research funds. Producers indicated that there are adequate suppliers of funds from commercial lenders (63%) and that there is also adequate competition among agricultural credit suppliers (57%). However, they believe that the Farm Service Agency's (FSA) guaranteed loans to beginning farmers are too low (39%), and they think that the FSA direct loans are just right or too high (76%). They responded that the cap for the FSA direct loans is too low (43%). They also indicated that only those who bought at least the minimum amount of disaster insurance should be able to get the FSA emergency disaster loans (56%). Overall this data indicates that Arkansas producers are fairly happy with current credit availability and programs, but think that more help should be given to beginning farmers and that lenders should lower the caps for direct loans.

In the area of research, Arkansas producers were interested in funds being put towards almost all areas of research. The most important research area for Arkansas respondents was biofuels and renewable energy (90%). Research on water quality and food safety were the second and third highest ranking issues (83% and 82%, respectively). Areas receiving 60-79% support include the areas of production agriculture, food security, biotechnology, biosecurity, nutrition and obesity, air quality, and soil quality. The areas that were ranked as least important

were private forest land management and community and economic development. Sixty percent and 52%, respectively responded with disagreement or neutrality in funding in these areas.

Conclusions

In general, many producers in Arkansas believe that the priorities of the upcoming Farm Bill should focus on programs with particular emphasis on renewable sources of energy as well as assuring a safe, secure, abundant, and affordable food supply. Disaster assistance is also an important issue for Arkansas producers. This is an important issue because many of the respondents from Arkansas received more disaster assistance than those respondents from any other state in the survey within the last year. One of the lesser concerns for Arkansas producer respondents was reducing price and income risks. This could simply mean that renewable sources of energy take precedence over income risk right now, or it could mean that they believe current policies do a good job of minimizing these risks. Even though producers did not indicate that they valued the goal of income risk security, their responses in other areas show that this is not the case. Arkansas respondents indicated that they would not like to reduce or eliminate commodity program payments. The only way that they would be in favor of a buy-out program similar to the tobacco program would be if they were to be given a lump sum worth 25 years of current payment in today's dollars. In other words, these producers believe the government should focus on developing new technologies, while at the same time continuing to help secure the future of agriculture by means of income supports.

Other programs including: dairy programs, conservations programs, and trade agreements were supported by the respondents. Many environmental goals will require further assistance, especially in the areas of water quality and soil erosion. Farmers were in favor of keeping the current CRP and CSP programs and their rules. Arkansas producers were in favor of free trade,

although they supported reform in the areas of labor laws, environmental impacts, and food safety in trade agreements.

In the areas of regulatory policy, credit extension, and research, Arkansas producers were favorable towards new ideas that could make production safer as well as inform the public about the products that they are consume. Country-of-origin labeling (COOL), animal identification, biotechnology labeling, and BSE testing are all new regulatory policies that Arkansas producers support. Producers felt it was important to have COOL labeling and animal identification. They were less in favor of BSE testing being done by the government, but think it needs to be done on the private level. Respondents agreed that credit extension in Arkansas could be better if the availability for new producers was increased. The allocation of research funds is consistent with other goals throughout the survey. Producers want to see more research in the areas of biofuels, food safety and security, and biotechnology.

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Table 1. Importance of Farm Bill Goals for Producers, Arkansas, U.S., and Southern States.

	Most important goal for Arkansas ¹	Arkansas Mean Response ²	National Mean Response ²	Southern Mean Response ²
Goals of the Farm Bill				
Enhance farm income	81.41	4.24	4.08	4.18
Reduce price/income risk	72.11	3.93	3.85	3.92
Increase global competitiveness	83.00	4.31	4.19	4.28
Opportunities for small farms	80.93	4.31	4.32	4.34
Protect land, water, and environment	68.83	3.92	3.98	4.07
Enhance rural economics	78.61	4.09	4.03	4.07
Assure safe, secure, affordable food supply	88.30	4.50	4.29	4.50
Reduce dependency on non-renewable energy	88.88	4.49	4.32	4.29

¹ Percent of respondents who indicated goal as important or most important.

² 1= least important and 5= most important

Figure 1. Importance of Commodity Payment Programs, Arkansas Producers.

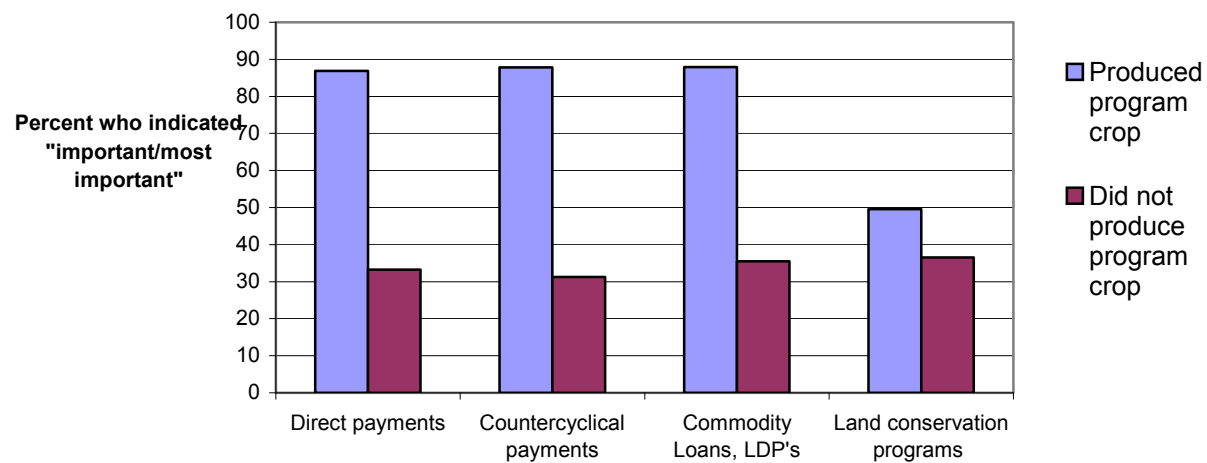


Table 2. Support for Reform of Commodity Payment Programs, Arkansas Producers.

Commodity Programs and Risk Management Policy	Produced program crop			Did not produce program crop			Chi square prob. value
	N	Agree (%)	Disagree (%)	N	Agree (%)	Disagree (%)	p<0.05
Phase out commodity payments	78	11.34	88.66	221	31.41	68.59	0.0042
Reduce commodity payments	76	14.38	85.62	216	28.42	71.58	0.0151
Target commodity payments to small farmers	77	29.41	70.59	243	67.94	32.06	0.0001
Reduce payment limits for commodity payments	77	17.64	82.36	220	44.10	55.90	0.0001
Commodity pay limits apply to single individual	73	33.95	66.05	186	65.16	34.84	0.0001
Change limits on marketing loans: eliminate the unlimited use of certificate and forfeiture gains.	34	19.92	80.08	159	53.21	46.79	0.0001

Figure 2. Support for Commodity Program Payment Buy-Out Options, Arkansas Producers.

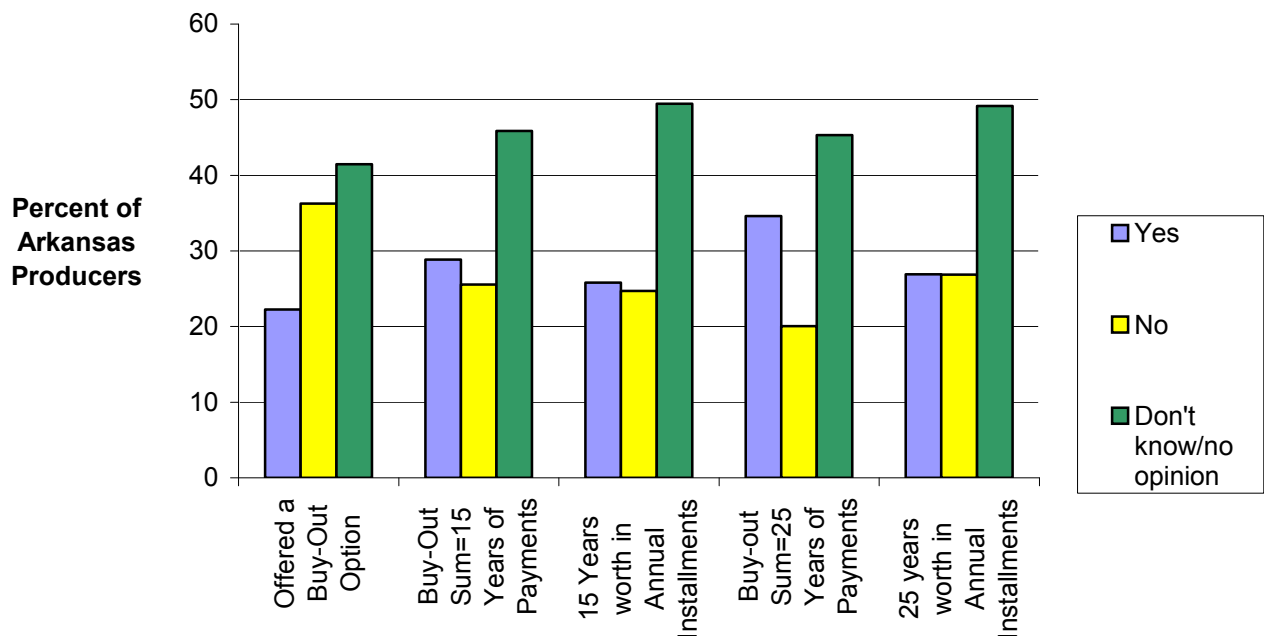


Figure 3. Support for reform of the Conservation Reserve Program, Arkansas Producers.

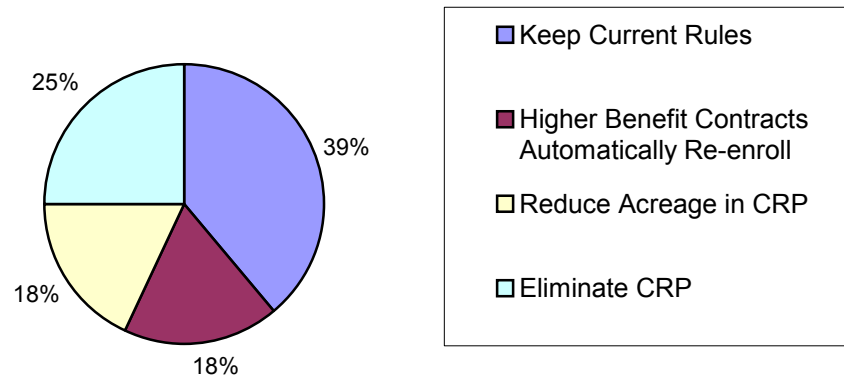


Figure 4. Support for reform of the Conservation Security Program

