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# 1994 Cotton Management Economic Notes

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## *Arizona's Program Preferences*

Earlier this year the Cooperative Extension Service University of Arizona and the Arizona Agricultural Statistics Service conducted a survey of agricultural producers. The survey probed producer's preferences for policies on commodity programs, the environment, water quality, disaster assistance, international trade, and food safety. This information will be important for the upcoming 1995 farm bill. Producers were also asked to identify "personal data" such as age, approximate income, education level, and their most important source of cash receipts in 1993. This article compares the responses of primarily cotton farmers to other Arizona producers.

A total of 269 randomly selected producers responded to the phone and mail survey. 17.5% indicated that cotton was their primary source of cash receipts and only one of these individuals said that they did not receive any program price support during 1993. Thus, the responses to the first two questions given in "Arizona's Farm Commodity Program Preferences" chart below are no surprise. Of the "other" individuals, 2.6% indicated that they had participated and received deficiency payments for cotton in 1993. The majority of cotton individuals would like to keep the present program (67.4%) and raise target prices each year to match the rate of inflation (57.5%). However, the majority of "other" individuals think that all commodity programs should be gradually eliminated (68.9%) and target prices should be phased out completely over a 5 to 10 year period (64.3%).

### *Arizona's Farm Commodity Program Preferences*

| | Primary Source of Cash Receipts: Cotton | Other |
|---|---|---|
| 1. What should be the policy toward production controls and associated price supports after the 1990 Food, Agriculture, Convservation and Trade Act (1990 Farm Bill) expires in 1995? | | |
| a. Keep the present program | 67.4% | 23.8% |
| b. Establish a mandatory supply control program with all farmers required to participate after approved in a referendum | 2.2% | 0.5% |
| c. Separate government payments from production requirements (Sometimes called decoupling) | 4.4% | 6.7% |
| d. Gradually eliminate all commodity programs including set aside, price support, deficiency payments and government storage programs | 26.1% | 68.9% |
| 2. What should be the policy toward target prices? | | |
| a. Keep target prices at the current levels | 17.0% | 14.3% |
| b. Raise target prices each year to match the rate of inflation | 57.5% | 15.9% |
| c. Lower target prices by some percent each year to reduce federal deficiency payments and federal expenditures and to discourage production | 0.0% | 5.5% |
| d. Phase out target prices completely over a 5 to 10 year period | 25.5% | 64.3% |

It is interesting to note that the second highest response rate from cotton producers is to gradually eliminate all commodity programs (26.1%) and phase out target prices completely (25.5%). Over 20% of the cotton participants preferred to phase out government support in both questions 1 and 2 and 80% of these individuals strongly agree or agree that the US should

| **Recent Prices** | ***July 25, 1994*** Upland (¢/lb) | Pima (ELS) (¢/lb) |
|---|---|---|
| **Spot - uncompressed** | 74.40 | 94.00 |
| **Target Price** | 72.90 | 102.00 |
| **Loan Rate** | 50.00 | 85.03 |
| **Dec '94 Futures** | 73.80 | |

Note: Upland Spot for Desert SW grade 31-3, staple 35, add 300 points for compressed bales, Pima Spot for grade 03, staple 46, 7/8/94, 1994. Phoenix Base loan rates without discounts or premiums for quality.

## *Estimated To-Date Production Costs*

**$/lint lb (July 31)**

*The following table gives estimated production costs/lb to-date. These costs include both growing and fixed or ownership costs and are based on the displayed target yields. Producers with higher yields will have lower costs/lb if input costs are the same. Growers with lower yields will have higher costs/lb.*

| *County* | *Target Yield* | *Growing Costs July* | *Growing Costs To Date* | *Fixed Cost* | *All Costs To Date* |
|---|---|---|---|---|---|
| Yuma | **1,250** | **.08** | **.22** | **.26** | **.48** |
| La Paz | **1,300** | **.08** | **.23** | **.30** | **.53** |
| Mohave | **1,000** | **.06** | **.18** | **.22** | **.40** |
| Maricopa | **1,200** | **.05** | **.23** | **.23** | **.46** |
| Pinal | **1,200** | **.07** | **.28** | **.30** | **.58** |
| Pima | **1,100** | **.08** | **.26** | **.24** | **.50** |
| Cochise | **660** | **.12** | **.48** | **.43** | **.91** |
| Graham | **1,000** | **.04** | **.23** | **.32** | **.55** |
| Greenlee | **900** | **.11** | **.29** | **.33** | **.62** |

Note: Based on Wade, Daugherty, et al., "1994-95 Arizona Field Crop Budgets", Various Counties, Arizona Cooperative Extension, Tucson, March, 1994.

continue to vigorously negotiate multilateral and bilateral arrangements to further reduce trade barriers, beyond the current NAFTA and GATT agreements. This result reflects that many cotton growers feel they can compete effectively in the international marketplace if they are allowed to compete on an equal basis with other countries.

Question 3 reveals that "non-cotton" producers prefer that payments from commodity programs be based on financial need (40.7%) or only be eligible for small and medium sized farms (28.6%). Several cotton participants also think that only small and medium sized farms should be eligible for government payments (34.8%). Former USDA Secretary Block recently outlined that the budget-driven 1995 farm bill might contain provisions for targeting resources to small farms or the rural economy. Block also feared that this would result in "a social welfare program to subsidize the inefficiency of the small farm." The notion of increasing flex acres if further spending cuts are required is popular among cotton participants (30.4%) but much less popular among others (8.2%).

Survey participants were least divided over food security or some form of the farmer-owned grain reserve. Most individuals are at least not against having some form of a grain reserve and food security. Less than 20% of all participants disagreed or strongly disagreed with continuing some form of a grain reserve. Budget cuts also mean less money for government held grain stocks and these lower stocks could translate into much higher food prices in the event of a poor crop year, as warned by some.

## *Implications*

Results of the survey indicate that cotton producers would like to keep commodity programs at a status quo while other agricultural producers would like to phase out farm commodity programs. The tide is pulling toward reduced commodity program support even among agricultural producers. Deficiency payments and the loan rate have been important for the survival of many cotton growers in the State in recent years. Now may be the time to reduce your debt load and find ways to cut per pound production costs so that the next time the world market is floating in cotton and local production is down you can turn to your bank account. The farm commodity programs we used to know probably won't be around or at the same level and most bankers will be more stingy at extending credit, even though that may not seem possible.

### *Farm Program Preferences Continued*

| | Cotton | Other |
|---|---|---|
| 3. If further spending cuts must be made in farm commodity programs, which would you prefer? | | |
| a. Reduce target prices and deficiency payments | 23.9% | 22.5% |
| b. Reduce the number of payment acres (increase flex acres) | 30.4% | 8.2% |
| c. Make payments only to small and medium size farms | 34.8% | 28.6% |
| d. Make payments based on financial need | 10.9% | 40.7% |
| 4. Farmers should be permitted to plant more flexible non-payment acres in any year and still retain the historic acreage bases for their program crops. | | |
| a. Strongly Agree | 31.9% | 16.8% |
| b. Agree | 44.7% | 30.5% |
| c. Not Sure | 23.4% | 41.3% |
| d. Disagree | 0.0% | 11.4% |
| e. Strongly Disagree | 0.0% | 11.4% |
| 5. Some form of farmer-owned grain reserve (FOR) with national minimum and maximum amounts to be stored should be continued. | | |
| a. Strongly Agree | 2.3% | 4.8% |
| b. Agree | 34.1% | 38.8% |
| c. Not Sure | 47.7% | 36.2% |
| d. Disagree | 13.6% | 13.3% |
| e. Strongly Disagree | 2.3% | 6.9% |