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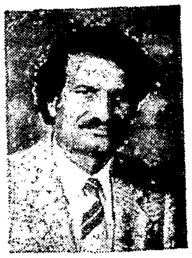

SOUTH DAKOTA FARMER-RANCHER PREFERENCES FOR AGRICULTURAL POLICY AFTER 1995

Bashir A. Qasmi, Ag Economist
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Twice every decade the US Congress frames, debates, and ultimately enacts a farm bill which establishes agricultural policy for the next five years. Sometimes, from bill to successor bill, the changes are largely cosmetic, essentially maintaining the status quo. The 1985 Food Security Act was the last time that fairly major changes were made. This time, given a Republican sweep in Congress, increased attention to deficit reduction, and changing attitudes of agricultural producers, revisions in the 1995 farm bill may be substantial.

As part of a 15 state study to document agricultural producer preferences for present farm and food policy, we surveyed South Dakota farmers and ranchers. The intent of the research was threefold: (1) To determine the attitudes of South Dakota agricultural producers concerning present farm policy and thereby provide local input to the national survey; (2) To measure the reaction of farm producers to a 9 issue subset of agricultural questions unique to the South Dakota sample; and (3) To provide legislators and advocacy groups with insight into the perspectives of South Dakota's agricultural producers.

South Dakota Ag Policy Survey Results

In conducting the South Dakota survey, a sample of 1,500 agricultural producers was randomly drawn (by the South Dakota Agricultural Statistics Service, Sioux Falls) from a comprehensive list of agricultural producers in South Dakota. In all, a total of 463 useable, completed surveys were returned (a 30.9% response rate).

Overall, South Dakota farm producers tend to mirror the attitudes of the larger, 15 state sample toward
(Continued on page 2)

BUSINESS CONSULTING AT SDSU

Richard Shane
SBI Director/
Extension Economist

The Small Business Insitute (SBI) received three years additional funding from the U.S. Small Business Administration to carry the program through Spring 1997. The SBI gives small business owners the opportunity to receive management consulting from qualified undergraduate and graduate business students working with expert faculty guidance. Over the course of one academic semester, SBI students meet several times with a local small business manager to solve problems and explore opportunities. A full range of management areas is considered including business or market plan writing, market research, product costing or pricing, accounting systems, computerization, expansion feasibility and strategic planning.

During the past academic year, eleven local businesses and twenty-one student consultants (eleven teams) participated in the SBI. These students received real world experience in applying their business skills in financial planning, market research, business plan writing, marketing and business expansion feasibility. Businesses assisted included a farm machinery and salvage company, automobile dealership, long term board and care facility, building construction firm, TV production company, rural hospital, golf course, computer sales & service, and small manufacturing firm.

This program has been a whole department effort. Faculty members volunteer to serve as team advisors and informational consultants to the students. Secretaries assist with accounting and coordination. A student Associate Director assists with program implementation and marketing and team advisement.
(Continued on page 4)

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Cattle Comments by Gene Murra are presented on page 3.

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present and preferred national agricultural policy, essentially running in the middle of the pack. As similar surveys have been conducted in South Dakota prior to the 1985 and 1990 farm bills, it is instructive to consider the in-state trend over time. Generally, over the 10 year span, South Dakota farm producers increasingly favor a gradual reduction of government intervention in agricultural markets. Specifically, an increasing percent (but not a majority) of South Dakota farmers prefer less supply controls, eventual elimination of commodity programs, phasing out of target prices, and the decoupling of government income supports from production variables.

More than two-thirds of producers want to plant more flexible, nonpayment acres per year, while maintaining their historic program acreage bases. Also, two-thirds of farmers and ranchers disagree with the view that farm chemicals are becoming a serious threat to the South Dakota environment. It follows that a sizable majority of the South Dakota respondents feel that they are doing a responsible job of preserving environmental quality and that farm wastes are not a serious threat to the environment.

South Dakota agricultural producers support freer international trade. A two-thirds majority favor active US involvement in seeking additional bilateral and multilateral trade accords by way of lower protectionist barriers. However, where the negative impact of increased foreign imports was particularly visible, respondents became protectionist. A sizable majority of the responding sample favored limiting imports of Canadian durum wheat into the US, even if it draws Canadian retaliation against US exports.

Other issues where a sizable majority of South Dakota producers supported a particular policy approach were targeting agricultural research, restricting agribusiness farming, subsidizing plant based fuel, and promoting rural development. More than three-quarters of respondents think that government funded research should focus on the needs of small and medium size farms rather than larger entities. Not surprisingly, 80% of farmers and ranchers favor maintaining or strengthening current laws which restrain agribusiness corporations from engaging in large scale farming activity. Two-thirds of the responding sample support federal subsidies to develop fuels from plants (soy diesel and ethanol).

As part of the survey, participants were asked to focus on rural development and select the three most important needs which should be addressed by policymakers. South Dakota respondents identified business development, added support for public education, and an improved road system as the most urgent priorities in rural development. A comparison of responses from South Dakota with findings for the overall, 15 state survey reveals two essential differences. First, while rural business development was ranked as the number one need by both South Dakotans and survey participants overall, more South Dakotans (61% v. 47%) saw it as the critical priority. Second, added law enforcement and crime prevention was viewed as a top three priority by more respondents in the overall sample (40% v. 21%) than in South Dakota.

Interpretation and Commentary

The preferences and priorities of the South Dakota sample reflect, to a large extent, the ongoing evolution in US agriculture. Technological progress and economies of size continue to reshape the agrarian sector. Fewer farmers are farming larger farms. Per the USDA, 5% of American farms produce about 50% of total agricultural output, while the smallest 50% of farms (defined by annual sales) contribute only 5% of total farm output. By 1990 only 17% of the 3,097 counties in the US reported farm income as the major source of income - down from 65% in 1950. An increasing percentage of farm income comes from non-agricultural sources. The USDA notes that, in 1991, only 20% of farm households earned over 50% of family income from farm production.

While federal payments to farmers have supported farm incomes, these subsidies are often contingent on taking cropland out of production. Agricultural downsizing, in turn, has a negative multiplier effect on the rural economy. Sales in the farm implement, transport, storage, and general agricultural support industries decline. Consequently, employment decreases in these sectors and rural development suffers. Excess capacity in infrastructure results in the closure of schools, hospitals, storage facilities, rural businesses, and the like. Youth emigrate to cities in search of jobs while foreign competitors gain share in commodities markets. The offshoot is that farm income support programs may have the unintended effect of weakening the rural economy.

Some have advocated that a pro-growth stance be part of the 1995 farm bill. They argue that "agriculture" should be more broadly defined to include those whose income is ag-reliant or ag-related, rather than just those whose income comes directly from the sale of agricultural commodities. They propose that a broader definition of agriculture would force policy makers to consider the positive and negative ramifications of commodity and incomes policy for the rural sector as a whole. That is, a redistribution of federal monies and effort within agriculture might result in a healthier, more-tax-dollar-efficient rural sector.

Despite all the uncertainties facing the structuring and passage of a 1995 farm bill, two factors are essentially certain. First, a smaller agricultural sector and Congressional voting bloc guarantees that farm legislators must increasingly win support from outside the farm sector to win passage of their agenda. Outsider support may entail reciprocal farm bloc support of non-farm programs. This phenomenon, termed "log-rolling," where voting minorities support each other's legislation, actually increases the scope and expense of government. Second, the changing of the Congressional guard, increased deficit concerns, and demands for greater Congressional accountability insure that virtually all farm programs are vulnerable to reductions or even elimination.

Senator Richard Lugar (R, Indiana), the new Chairman of the Senate Agriculture Committee, in speaking of the forthcoming farm bill, has stated, "this is the time to lay it (all) on the table; nothing is sacrosanct. The public really demands that point of view." With near certainty, one might predict that debate over the 1995 farm bill is likely to be spirited and changes in the ultimate legislation substantive, relative to the 1990 farm bill.

Readers interested in more detailed research results should contact the authors at the address shown in the Editor's box on page 4.

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CATTLE COMMENTS

Gene Murra
Extension Economist
Livestock Marketing

The January 1 Cattle Inventory report is due to be released by the USDA on Feb. 3. That report could have major impacts on the nation's beef industry for several years.

First, the report is expected to show some increase in numbers over the year ago inventory. That would mean a continuation of the slow but steady growth noted over the past few years. For example, the 1990 inventory was estimated at about 96 million head. By Jan 1, 1994, the inventory was about 102 million head. The Jan 1, 1995 level could be close to 104 million head. Even then, that level would be well below the record of 132 million head in 1975.

Second, while the current inventory is low relative to 1975, beef production is very close to the 26 billion pounds produced in 1976. In fact, production has been above 22 billion pounds every year since 1981. Production has held up (an even increased) largely because of larger framed animals and by the fact that we "feed almost everything." Today, few animals are slaughtered as calves or at weights under 1000 pounds.

Third, if the 1995 inventory is above the 1994 level, it will mean increased beef production, not only for 1995 but probably also for 1996 and 1997. Production easily could increase from the 24 billion pounds produced in 1994 to 25.5 billion pounds in 1997. If that occurs, price pressure will be one result.

Pressure on cattle prices also will come from increased supplies of other meats. For example, it would not be surprising to see pork production increase from 17.5 billion pounds in 1994 to 19 billion pounds in 1997 and poultry production to

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increase from 30 billion pounds in 1994 to 34 billion pounds in 1997.

All of the above means that cattle producers may want to use more conservative prices when planning for the next several years. For 550-600 pound calves, that may mean $80-85. For yearlings, the mid-$70's level might be appropriate. Yes, prices could go above those levels. However, there is at least an equal chance that they could go lower. It probably would be better to lower expectations and then be pleasantly surprised than to have expectations which are not met.

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(Shane -- Continued from p.1)

Students conducted market research with SBI business clients from the past five years. All clients indicated they would participate in SBI again and would recommend SBI to business associates. Two-thirds of the respondents to the questionnaire rated student consultants as excellent, no students were rated below fair. Seventy-four percent of the clients implemented some or all of the student consultants' recommendations, while fifteen percent implemented none of the student recommendations. Forty-five percent of the respondents said their businesses benefitted economically, with 23 percent responding economic impact was difficult to assess.

The Department looks forward to continuing this program that exemplifies the cooperation that exists between SDSU and the Brookings area business community. If any business is interested in participating in the SBI program, please contact Dick Shane, Economics Dept., Box 504A Scobey Hall, SDSU, Brookings, SD 57007-0895 or call 688-4862.

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