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Understanding the Economic Factors Influencing Farm Policy Preferences

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Abstract

A survey conducted in Mississippi, Texas, Indiana, and Nebraska elicited producers' preferences for various farm policy changes. This permitted examination of the diversity of preferences that single-state studies have not allowed. Five policy choices, including deficiency payments, loan programs, crop insurance, export programs, and disaster payments were examined. Logit model results predicting producer preferences for each of the five dichotomous policy choices are reported. Explanatory variables based on expected utility theory such as risk aversion, price and yield variability, and price-yield correlation are significant in various models.

There are often intense debates about the future direction of farm policy. As Congressional leaders and the Administration continue to seek solutions to concerns expressed by producers and their representative organizations, they are often confronted by divergent and even contradictory messages from various regions and producer groups. Because alternative policies have potentially dissimilar economic implications for producers, their preferences could logically be derived from an economic evaluation of the various alternatives. The research reported in this paper follows the vein of literature that has investigated producer policy preferences at various points in time. Past agricultural policy surveys include Barkley and Flinchbaugh; Edelman and Lasley; Kastens and Goodwin; Orazem, Otto, and Edelman; and Zulauf, Guither, and Henderson.

Scrimgeour and Passour related preferences for farm policy to the public choice literature where self-interest is generally treated as a strong force motivating individual political preferences. They go on to argue that many factors beyond wealth maximization may enter into policy preferences. Given that many farm policy options under consideration today involve providing risk protection, a natural extension of policy preference analysis consistent with Scrimgeour and Passour is to consider policy preferences in an expected utility framework.

This study explores producers' preferences for current farm policy options. It is commonly observed that these preferences differ by commodity and region. U.S. farm policy generally reflects a compromise among these competing interests, compared with a more decentralized policy structure, such as in Canada. However, the causal economic relationships between policy preferences and economic context in which producers operate is not always clear. For example, a stronger preference for the FAIR Act in the Midwest than in the South during the 1996 farm bill debate was reflected in the legislative concessions leading to final passage. However, economic factors that underlie producer preferences in the various regions are not clear. By capturing variables that characterize the economic context of respondents, we provide insights into the basis for particular policy preferences. A better understanding of the underlying causes of policy preference may lead to a clearer dialogue with respect to formulation of future farm policy. In particular, we examine the economic characteristics of those producers who favor and disfavor the general policy trends of the past decade—movement away from deficiency payments and toward greater reliance on insurance programs.

Survey Procedures

A survey conducted in the spring of 1999 elicited producers' preferences for various farm policy changes. The project objective was to gain a better understanding of farmers' risk management decision making and educational needs. The survey was conducted in Mississippi, Texas, Indiana, and Nebraska. Two major crops were chosen for particular emphasis in each state: corn and soybeans in Indiana and Nebraska; cotton and soybeans in Mississippi; and cotton and grain sorghum in Texas.¹

Each state's Agricultural Statistical Service was contracted to sample from their pool of commercial farms. After excluding small noncommercial farms generating less than \$25,000 in gross income, the sample was stratified across four categories of gross farm income. Mail surveys were sent to crop producers near planting. A follow-up reminder card was sent two weeks following the first mailing and a second mailing was sent to those who had not returned the survey two weeks after the postcard reminder. A total of 1,812 questionnaires were returned for a response rate of 26.6%. After elimination of nonresponses to particular questions used in this analysis, 1,350 useable responses were analyzed.

Producers were asked to compare two policy alternatives and to state their preference for one versus the other. Five possible responses were allowed: strongly agree, agree, disagree, strongly disagree, or not sure. In this analysis,

the responses are collapsed into a binary choice framework. Responses of either strongly agree or agree are treated as a positive response to a particular policy, while responses of disagree, strongly disagree, and not sure are treated as a nonpositive response. This approach does not fully reflect the diversity of responses that might be captured with a multinomial model. However, this approach allows for a simplicity of interpretation that is confounded by more complex models.²

Policy Choices Examined

Five policy choices were examined (table 1). First, producers were asked if they agreed or disagreed with the statement, "Eliminate transition payments and go back to deficiency payments." This question elicited producers' preference for the 1996 Freedom to Farm Act versus the deficiency payment program that had existed prior to 1996. Producers were also asked if they agreed or disagreed with "Subsidies should be increased on higher crop insurance coverages, rather than increasing the level of catastrophic coverage." This question was relevant to the Congressional debate on crop insurance reform. Catastrophic coverage insurance provides a 50% yield guarantee indemnified at 55% of expected price. Subsidies for higher crop insurance coverage options were keyed off the value of the catastrophic coverage policy. However, the percent subsidy on higher levels of coverage declined from 100% on a catastrophic policy. A key provision of crop insurance reform enacted in 2000 was increasing the benefits of the program through higher subsidies on buy-up coverage. The impact of this change on producer welfare is still a matter of debate (Skees).

Producers were also asked whether they agreed or disagreed with the statement, "Raise loan rates rather than increase crop insurance funding." Much of the decline in farm income since 1997 was due to price declines resulting from weakened export markets. The 1996 farm bill left the marketing loan program intact, but capped at 1995 levels. Thus, this question elicited producers' preferences for price support through higher marketing loan rates versus increased insurance subsidies.

To elicit preferences between export enhancement programs and domestic price supports, producers were asked for agreement or disagreement with the statement: "Expand export assistance programs rather than raise loan rates." This question was meant to capture producer preferences for indirect price support through a program that increases the foreign demand for U.S. production and presumably raises domestic prices versus a program that mitigates the effect of low prices by providing payments which make up the shortfall when price falls below the loan rate.

Producers were also asked if they agreed or disagreed with the statement, "Provide insurance premium subsidies, rather than make disaster payments." This question elicited producer preferences for receiving risk protection in the form of insurance subsidized at a higher level rather than disaster payments, which have traditionally been offered after a disaster event and on an ad hoc basis. Producers in all four states were assumed familiar with the choices, given that ad hoc disaster payments were made in 1998 through 2000.

Table 1. Dependent and independent variables examined

Dependent Variables	Description
	Producers were asked how strongly they agree or disagree with the statement: ^a
Prefer deficiency payments	Eliminate transition payments and go back to deficiency payments.
Prefer export enhancement	Expand export assistance programs rather than raise loan rates.
Prefer more insurance subsidy	Subsidies should be increased on higher crop insurance coverages rather than increasing the level of catastrophic coverage.
Prefer increased loan rates	Raise loan rates, rather than increase crop insurance funding.
Prefer insurance premium subsidy	Provide insurance premium subsidies, rather than make disaster payments.
Independent Variables	Description
Total crop acres	Total owned and rented crop acres in the farming operation in 1999.
Percent corn	Intended planted corn acres in 1999 divided by the total crop acres.
Percent soybeans	Intended planted soybean acres in 1999 divided by the total crop acres.
Percent cotton	Intended planted cotton acres in 1999 divided by the total crop acres.
Percent sorghum	Intended planted sorghum acres in 1999 divided by the total crop acres.
Yield risk	Producers evaluated yield risk on a 5-point scale as to the potential effect on their farm income. Five represented a high potential to affect farm income. Respondents indicating a value of 5 are identified with a dummy variable.
Price risk	Producers evaluated price risk on a 5-point scale as to the potential effect on their income. Five represented a high potential to affect farm income. Respondents indicating a value of 5 are identified with a dummy variable.
Perceives negative yield-price correlation	Perceptions of negative farm yield-price correlation between farm yield and price were elicited through a hypothetical scenario where their farm yield fell 30% below average. Respondents were asked whether they would expect prices to increase, decrease, or remain unchanged given this yield shock. Individuals expecting an increase in market price given a low yield for either major crop on their farm are indicated by a dummy variable.

(Continued)

Table 1. Continued

Independent Variables	Description
Risk aversion	Producers were asked their willingness to accept a lower price to avoid risk on a 5-point agree/disagree scale. This question, although couched in terms of price risk, is indicative of whether the individual is willing to pay a risk premium. Individuals indicating that they agreed or strongly agreed that they were willing to accept a lower price risk are indicated by a dummy variable.
Below average income	Survey respondents were asked whether the producer's farm income in 1998 was below the average of the preceding 5 years.
Percent farm income	Survey respondents were asked what percent of their household gross farm income was from farming.
Percent borrowed	Producers were asked what percent of the total assets were used in the farming.
College education	The college education variable indicates completion of at least a 4-year college degree.
Perceive government program risk	Producers were asked, "In terms of the potential to affect your farm income, how would you rate changes in government programs as a source of risk?" Measured on a 5-point scale, a 5 indicated government program changes had a strong potential to affect farm income and a 1 indicated that they perceive government program changes as a low risk. A dummy variable is used to indicate the respondent marked either a 4 or 5 on the 5-point scale.
Crop insurance purchase	The purchase of buy-up crop insurance is indicated by a dummy variable, which takes a value of one if the individual purchased some form of buy-up crop insurance in 1998. This variable takes a value of zero for all individuals who did not purchase crop insurance or only purchased the catastrophic coverage policy.

^a Treated as a positive response if the respondent either strongly agreed or agreed.

Data

Fifty-six percent of the sample indicated that they would prefer to go back to the deficiency payment program (table 2). The second dependent variable, indicating a preference for increased insurance subsidies over increased catastrophic coverage, was preferred by 53% of the survey respondents. Of the five dependent variables, the lowest level of agreement, 42%, was indicated for the question asking a preference for increased loan rates rather than increased insurance subsidies. Forty-five percent of producers indicated that they prefer export enhancement to increased loan rates. Fifty-four percent of those responding indicated that they would prefer insurance programs to disaster payments.

Table 2. Data summary

Variable	Mean	Std. Dev.	Min.	Max.
Prefer a return to deficiency payments	56.0	50.0	0	100
Prefer more insurance subsidy to increased catastrophic coverage	53.0	50.0	0	100
Prefer increased loan rates to increased insurance subsidy	42.0	49.0	0	100
Prefer Export Enhancement to increased loan rates	45.6	49.7	0	100
Prefer insurance premium subsidy to disaster payments	54.0	50.0	0	100
Yield risk	0.44	0.49	0	1.00
Price risk	0.69	0.46	0	1.00
Perceives negative yield-price correlation	0.28	0.45	0	1.00
Risk aversion	0.33	0.47	0	1.00
1998 income was below 5-year average	0.65	0.48	0	1.00
Percent of income from farming	73.53	27.62	2	100
Percent of farm investment borrowed	31.9	28.25	0	99
College education	0.36	0.48	0	1.00
Perceive government program risk	0.64	0.48	0	1.00
Crop insurance purchase	0.53	0.50	0	1.00
Total crop acres	1,440.4	1,572.7	46	18,000
Percent corn acres	24.0	23.0	0	97.0
Percent soybean acres	28.0	27.0	0	96.0
Percent cotton acres	14.0	25.0	0	99.0
Percent sorghum acres	3.0	11.0	0	98.0

The first three independent explanatory variables reflect the perceived potential for yield and price variability to affect farm income and the correlation between price and yield.

The mean values for price and yield variability are both relatively high. Slightly more than 44% of respondents indicated yield variability had a high potential to affect their farm income and 69% of respondents indicated price variability had that potential.

A negative correlation between market price and farm yield may influence the overall risk environment of a firm. For example, a strong negative correlation implies price and yield variations tend to offset each other. There is evidence suggesting that negative correlation may exist in some crops and regions (Heifner and Coble; Hennessy, Babcock, and Hayes). Twenty-eight percent of respondents perceived that there was a negative correlation between the yield of one of their crops and market price.

In an indicator of risk aversion, 33% of respondents were identified as willing to accept a lower price to avoid risk on a 5-point agree/disagree scale. This percentage is comparable to the previous study by Musser, Patrick, and Eckman that elicited similar producer risk preferences.

The "1998 Income Was Below 5-Year Average" variable was included to indicate whether the producers had recently suffered a farm income loss, making

them more sensitive or vulnerable to risks in the current year. Summary statistics show that 65% of the respondents had below-average income in 1998.

One of the commonly recognized approaches to mitigating farm risk is augmenting the farm family's income with off-farm earnings. This has the potential to both raise household income and diversify it. Survey respondents were asked the percent of household gross farm income from farming. The average value was 73.5%, with a range from 2 to 100%.

Percent of total farm investment that is borrowed measures an important aspect of financial risk. This information is hypothesized to be an important component of characterizing the risk decision-making environment for the farm. Among the survey respondents, the mean value was 31.98%.

The college education variable indicates completion of at least a 4-year college degree and serves as an indicator of management training. The summary statistics show that 36% of the individuals responding to the survey had completed a 4-year college degree.

Sixty-four percent of the respondents perceive government program risk as having significant potential to affect their farm income. The purchase of buy-up crop insurance is indicated by a dummy variable. Fifty-three percent of the individuals in the survey bought some form of buy-up crop insurance.

Total crop acres was included in the analysis to reflect differences in scale of operation. Among the survey respondents, the mean total crop acres was slightly more than 1,440 acres. The maximum size was 18,000 acres of cropland.

The next four variables indicate the percent of total acres planted to a specific crop (corn, soybeans, cotton, and sorghum). It is hypothesized that potential differences in the economic context of producing different crops may influence policy preferences. For example, cotton tends to be a high-input and high-cost crop compared to soybeans. Of the four crops, soybeans had the highest mean percentage value of approximately 28%. Sorghum, which is only analyzed in one state, has the lowest mean value of 3%. A maximum value of near 100% indicates that some of the participating farms were nearly completely specialized in production of each of the crops.

Results

The logit model results indicate several significant relationships between economic variables and farm policy preferences. For example, the effect of the components of revenue variability (yield risk, price risk, and yield-price correlation) are related directly to policy preferences. These may be argued to be fundamental underlying causes of preferences that have often been characterized as regional differences. An understanding that an economic parameter like yield-price correlation may influence policy preference is instructive both because this perception differs by region and crop and because previous studies of policy preferences have generally overlooked such variables.

Because the parameter estimates in a logit model do not reflect the marginal effect of a variable as in ordinary least squares models, marginal effects are calculated and reported. Further, Greene's recommended approach of calculating the marginal effect at every observation is followed. The averages of individual marginal effects are reported in table 3 and are calculated based on a probability range

Table 3. Marginal effects

Marginal Effects of Explanatory Variables on the Probability of Preferring the First Policy	Prefer to Go Back to the Deficiency Payment Program	Prefer More Insurance Subsidy to Increased Catastrophic Coverage	Prefer Increased Loan Rates to More Insurance Subsidy	Prefer Increased Export Programs to Increased Loan Rates	Prefer Insurance to Disaster Programs
Yield variability perceived as a high potential to affect farm income	-5.25	7.72	-8.53	2.16	13.58
Price variability perceived as a high potential to affect farm income	2.06	-11.57	13.20	14.89	5.20
Perceive a negative correlation between farm yield and price	-2.65	2.39	-4.77	6.02	5.80
Risk aversion	1.39	8.20	3.40	7.64	8.80
1998 income was below 5-year average	7.31	-2.36	5.26	-1.86	-4.63
Percent of household gross income from farming	-0.05	-0.01	0.10	-0.017	0.09
Percent of total farm investment that is borrowed	0.06	0.12	-0.004	-0.018	0.06
College education	-9.56	5.25	-6.96	6.28	5.81
Government programs perceived as having a high potential to affect farm income	9.81	-	6.57	-9.48	-
Purchased buy-up crop insurance	-	27.87	-9.24	-	13.36
Total crop acres (1000s)	-0.07	0.15	0.19	0.00	-0.05
Percent of total acres planted to corn	-0.13	-0.14	0.07	0.11	0.15
Percent of total acres planted to soybeans	-0.04	0.05	0.01	0.17	0.13
Percent of total acres planted to cotton	0.29	0.12	0.09	-0.02	0.04
Percent of total acres planted to sorghum	-0.08	0.07	-0.23	0.30	-0.04
Likelihood ratio	105.202	181.64	50.44	61.2	83.5
Percent concordant	65.4	70.5	60.1	61.5	64.2

Marginal effects in bold are based upon parameter estimates that are significant at the 10% level.

of 0 to 100%. For discrete explanatory variables, marginal effects are calculated as the difference in the probability of preferring the first policy given the dummy variable is set equal to one versus zero.

Likelihood ratio test chi-squared statistics for each of the models are reported and all models are strongly significant. A second measure of model performance, percent concordance, gives the percent of observations where the predicted and observed response agree. The models had a percent concordance ranging from 60% to 71%.

The three variables characterizing the components of revenue variability—price risk, yield risk, and yield–price correlation—are each significant in some models. These variables are assumed to reflect the magnitude of risk the producer faces and not the degree of risk aversion, which is quantified separately. Producers perceiving yield variability as having a significant potential to affect them have a 5.2% lower probability of preferring a return to deficiency payments and are 13.6% more likely to prefer insurance subsidy to disaster payments. This is consistent with wanting relatively more government funding devoted to higher insurance protection and relatively less to price protection programs. The implication is that producers facing relatively greater yield risk are more likely to support enhanced insurance programs over low-level yield coverage or even the price support provided under the previous farm bill.

Those perceiving a high degree of price risk are 11.6% less likely to prefer insurance subsidy over catastrophic coverage, have a 13.2% higher probability of preferring increased loan rates to insurance subsidy, and 14.9% higher probability of desiring an increase in export programs rather than loan programs. Combining the last two results and the fact that price variability is not significant in the “return to deficiency payments” question suggests that those perceiving a high degree of price risk want price protection and have a clear preference for how it should be achieved. They are not inclined to return to deficiency payments, or utilize crop insurance (including revenue insurance) for risk protection. Rather, they support increases in loan programs, but prefer export programs even more.

The price–yield correlation variable has a positive effect on the probability of preferring insurance to disaster programs and on the preference for export programs over increased loan rates. Producers who perceive a negative correlation between price and yield are 5.8% more likely to prefer insurance funding over disaster programs. A factor here may be the introduction of revenue insurance. Individuals perceiving negative correlation in price and yields might be expected to prefer revenue insurance because revenue indemnities are more reflective of their economic losses than yield-triggered disaster payments. Likewise, the positive effect of price–yield correlation on the preference for export programs versus the loan rate may stem from a recognition that when yield and price are correlated, managing only price or yield risk may do a poor job of protecting revenue. As Miranda and Glauber show, when a negative price–yield correlation exists, censoring either price or yield risk individually may do little to reduce revenue risk.

Risk aversion has a significant positive effect on the preference for increased insurance subsidy over increased catastrophic coverage, insurance over disaster programs, and export enhancement rather than increasing the loan rate. In

all three models, the difference in probability is more than 7%. This suggests that risk aversion is positively related to a preference for the high levels of protection afforded by buy-up insurance coverage versus the low level of yield protection afforded by either catastrophic coverage or disaster programs.

Producers who realized a below-average farm income in 1998 might be expected to desire greater government support. Given that the questions posed require a preference between alternative policies, it was found that this variable is positively related to a desire for traditional farm policy mechanisms. Farmers who incurred a below average income in 1998 are 7.3% more likely to desire a return to deficiency payments and 5.3% more likely to prefer increased loan rates over insurance subsidy. Farmers incurring a below-average income in 1998 are also 4.6% less likely to show a preference for insurance over disaster programs. Thus, this group appears least in favor of the policy trends toward Freedom to Farm and expanding crop insurance programs.

The percent of household income from farming is significant in two models. This variable has a positive relationship with both a preference for increasing loan rates over insurance subsidy and for insurance versus disaster payments. The marginal effect of this variable is near 0.09 in both models. This implies that a 10% increase in the percent of household income coming from farming increases the probability by slightly less than 1%.

While the percent of farm investment that is borrowed often is suggested as an important component of the risk characteristics of a farm, it is significant in only one of our policy models. It has a positive effect on the probability of preferring insurance subsidy over catastrophic coverage, with the marginal effect calculated to be 0.12. This implies that a 10% increase in the farm's percent debt increases the probability of preferring insurance subsidy to increased catastrophic coverage by just over 1%.

The college education variable is significant in all five models and is positively associated with the policy trends of the 1990s – toward Freedom to Farm and expanding crop insurance programs. This variable is estimated to have a marginal effect of -9.6% in the model of a preference for a return to deficiency payments and an effect of -7.0% in the model of preferring increased loan rates to increased insurance subsidy. Conversely, college education has a positive effect of 5.3% on the probability of preferring insurance subsidy to catastrophic coverage. Similarly, this variable has a positive 6.3% effect on the preference for export programs relative to loan rates and a 5.8% marginal effect in the model of preferring insurance subsidy to disaster payments. It is our interpretation of these results that college-educated producers are more likely to understand economic relationships and have less confidence in direct government intervention into commodity and risk markets. The college educated perceive deficiency payments, loan, and disaster programs negatively, while giving indication that they desire insurance and export programs. Further, the college educated appear to want to obtain a level of insurance protection above some free minimal coverage as provided by catastrophic insurance and ad hoc disaster programs.

Producers who perceive government programs as having a high potential to affect income tend to prefer a return to deficiency payments, loan rates to insurance subsidy, and are less likely to prefer exports over loan rates. The marginal effect is a positive 9.8% on the preference for a return to deficiency payments

and a 6.6% increase in the probability of preferring loan rates over insurance subsidy.

Previous purchase of buy-up insurance is consistently related to a preference for higher insurance subsidies rather than increased loan rates, disaster programs, or greater catastrophic coverage. Having previously purchased crop insurance increases the probability of preferring insurance subsidy to increased catastrophic coverage by 27.9%. This variable also has a marginal effect of -9.2% in the model of preferring increased loan rates to more insurance and a positive 13.4% effect in the insurance versus disaster programs model. These results suggest that those who have previously participated in buy-up insurance tend to find it useful, and would like to see additional government resources devoted to it.

Farm size is significant and positive in two of the five models. Given the economies of scale in agricultural production and the imposition of payment limitations on some government programs, it is not surprising that size would influence some preferences. Farms with more crop acres prefer more insurance subsidy to increased catastrophic coverage and increased loan rates to more insurance subsidy. This suggests larger farms find relatively little value in low-level insurance coverage and desire the price guarantee provided by loan programs. The aggregation effect of farm size can be considered in these two results. Catastrophic insurance coverage applies to all acres of a crop in which an individual has an interest. Higher coverages afford more protection and allow subdivision of acres into smaller insurance units. This makes buy-up coverage relatively more beneficial than catastrophic coverage to the large producer. Again, aggregation may play a role in the preference for price protection over insurance subsidy. If, by expanding the scale of operation, a producer becomes increasingly spatially diversified, then price risk will become relatively more important in comparison to yield risk.

The percent crop acres variables are each significant in at least one model. Percent of crop acres planted to corn is most often significant—in three of the five models. The most intriguing finding is the opposite signs taken by percent corn acres and percent cotton acres. Cotton producers are significantly more likely to prefer a return to deficiency payments and increased insurance subsidy over catastrophic coverage. The percent of acres planted to corn takes the opposite sign in both models. A farm with a 10% higher percentage of acres planted to corn would be about 1.3% less likely to prefer going back to deficiency payments and 1.4% more likely to prefer increased insurance subsidy over increased catastrophic coverage. Conversely, a 10% increase in cotton acres increases the probability of preferring a return to deficiency payments by 2.9% and the probability of preferring insurance subsidy over catastrophic coverage by 1.2%. This dichotomy suggests that the economics of these two crops are sufficiently distinct to lead to divergent policy preferences. We surmise that this divergence of policy preference stems in part from differences in producers' views of the U.S. markets. U.S. cotton has many world competitors and makes up a relatively small share of world exports. Cotton producers are likely to desire the protection of deficiency programs in spite of distortionary trade effects. Conversely, U.S. corn is a large share of world corn exports and past experience with deficiency payments and the associated acreage set-asides may be perceived as harmful to remaining competitive in world markets.

Conclusions and Interpretation

This study provides insights into producer policy preferences at a time when much attention is being given to farm policy issues. It is unique in that crop producers from four diverse regions are included. This permitted examination of the diversity of preferences that single-state studies have not allowed.

Our results indicate that there are strong commodity effects in policy preference, even after accounting for obvious crop differences, such as price and yield variability. For example, the economics of cotton and corn production appear to lead to strongly differing policy preferences. Further, it appears that modeling policy preferences in a fashion that accounts for the risks a producer faces and the producer's risk preferences is fruitful. Price or yield variability was significant in every model, and risk aversion significantly influenced three of five policy choices. The significance of variables quantifying risk and risk aversion suggests that analysis of policy preferences under the assumption of risk neutrality may lead to erroneous conclusions. Further, we find that producers perceive negative farm yield-price correlations and that these perceptions influence certain policy preferences. To our knowledge, this is a new finding.

Given that policy trends of the 1990s were away from deficiency and disaster payments, we can characterize several variables that are associated with favoring or disfavoring this trend. Producers who have a college education reveal preferences that are clearly consistent with this trend. Conversely, producers who perceive changes in farm programs as a risk and those who recently incurred a below-average income show a clear preference for returning to previous farm policies. We believe that the below-average income year variable suggests a transitory component of policy preferences that may be strongly influenced by recent events.

These findings add to our understanding of why producers of different commodities and regions do not always agree on preferred policy. Recognizing the underlying economic factors influencing farm policy preferences may provide guidance to finding resolution. While it is common for political leaders and various interest groups to be well versed in the economic situation of their constituents, this analysis gives perspective across regions and commodities that is seldom available.

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Endnotes

- 1 This survey was conducted as part of a research project funded through a U.S. Department of Agriculture risk management education initiative.
- 2 Auxiliary models that exclude all responses of "not sure" were estimated, but not reported, to test the influence of including these responses with those not agreeing with the statement. Out of 31 significant parameters in the models reported in this paper, 22

retained the same sign and significance. No significant parameter estimate switched to an opposite and significant sign. However, 9 parameters lost significance, which may partially be explained by a decline of about one-third in sample size. Six parameters that were not significant in the reported models became significant in the alternative models.

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