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## **Colorado Producers' Preferences for Federal Agricultural Policy and the 2002 Farm Bill**

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# Colorado Producers' Preferences for Federal Agricultural Policy and the 2002 Farm Bill

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## Executive Summary

### Introduction

Federal farm policy covers a wide and complex range of issues. Key policy areas under debate for the upcoming Farm Bill include farm income support, risk management tools, conservation and environmental incentives, trade negotiations, food safety, rural development, and concentration of agribusiness firms. Federal farm legislation may reflect producer preferences for agricultural policy. In order to reveal these preferences, a national survey of farmers and ranchers in 27 states, including Colorado, was undertaken in the spring of 2001. These 27 states represent nearly 70 percent of all U.S. producers. Survey results presented in this report highlight the policy preferences of both small and large agricultural producers in Colorado, along with a composite (weighted average) and U.S. producers. The response rate for this survey from the U.S. and Colorado was 20% and 21%, yielding 14,183 and 1,016 useable responses. For the purposes of this survey "small producers" are those with sales less than \$100,000 and "large producers" are those that exceed \$100,000 in sales. Within Colorado 723 small producers and 293 large producers responded to this survey.

### Farm Income and Risk Management Policy

While the majority of agricultural producers want to continue or increase funding for farm income support through commodity programs, 22% and 26% of U.S. and Coloradoan respondents think that the government should eliminate or gradually phase out all commodity programs. Historically low commodity prices and large government payments during the last few years have contributed to a shift in producer views on the role government shall be involved in providing income support. The majority of both large and small producers in Colorado feel that the government should provide a safety net for producers. Small producers would much rather see this support be tied to commodity prices rather than income, subsidized insurance, ad hoc disaster assistance, or fixed payments. Large farms in Colorado on the other hand would prefer to see

continued high levels of ad hoc assistance and place support payments tied to price as the least favored option. Small producers prefer to manage risk using farmer savings accounts rather than crop and revenue insurance, livestock insurance, or incentives to adopt risk management tools. Large producers prefer an increase in coverage regions, premium subsidies and protection levels for crop and revenue insurance to manage risk.

### Conservation and Environmental Policy

Similar to the rest of the U.S., producers in the Colorado are generally supportive of financial incentives to manage toward environmental objectives. Incentives for water quality, reducing soil erosion, and producing fuels from crops and other biomass rank at the top for both small and large producers in Colorado. Other items that received support were protection of farmland, providing wildlife habitat, animal waste management, and open space. Increasing soil carbon and providing habitat for endangered species failed to receive a majority of favorable responses from Colorado producers. If the government were to provide a policy for preserving open space and farmland, Colorado producers would prefer voluntary conservation easements and entrepreneurial programs to improve farm profitability over the purchase of development rights by the government or private entities.

### Food and Trade Policies

Over 70% of farm and ranch respondents from both the U.S. and Colorado believe they benefit from international trade and all states are supportive of pursuing free-trade agreements. A slim majority of Colorado respondents supported allowing countries to restrict trade to pursue their own domestic economic and social policies, while only 48% of all U.S. respondents supported this notion. Nationwide support was expressed for including labor laws, environmental impacts, and food safety standards in trade negotiations. Over 97% of respondents from every region in the U.S. indicated that labeling

should be used to identify country of origin on food products. About 90% of producers from the Colorado and U.S. expressed that food products made with biotechnology should be labeled if there is a scientific difference in the products and 55% to 65% feel that biotechnology should be labeled even if there is no scientifically-determined difference in products. About 75% of all producers feel that the federal government should increase efforts to improve trace-ability from consumer back to producer, but less than 50% feel that labels should explain production practices when there is no scientifically determined product difference.

### **Rural Development and Concentration Issues**

If funding for rural development were to occur, improving access to capital for business expansion and development ranks at the top for large and small Colorado producers and in the case of large farms this option is followed closely by business development/job creation and education/training programs for rural areas. Small farms have a virtual tie for the second most preferred approaches for funding in rural areas, which are improvement of education and training programs for rural development, followed very closely by increase in funds for business development and job creation. Improving rural access to the Internet and local government infrastructure and services ranked at the bottom of rural development alternatives. In addition, support for existing federal farm and rural credit programs is quite high since approximately 86% Coloradoan and national producers feel that these programs should continue at present levels of funding or the funding should increase. If credit programs were to be targeted, producers feel that low-income and beginning farmers should receive these funds first, then new enterprises and socially disadvantaged groups. Regarding the concentration of agribusinesses, large producers in Colorado are more skeptical of reducing antitrust regulation, offering 24% approval for such an option. One quarter of small producers would prefer to see regulations reduced. Overall 43% prefer to see existing antitrust regulations enforced, while 33% advocate strengthening antitrust laws to limit concentration.

### **Research, Extension and Education**

Producers statewide indicated strong support for the present existence of research, extension, and education in Colorado agriculture. The majority of producers, 58% and 53% of small and large farms in Colorado prefer to continue the current funding level for research and extension. Results indicate about a quarter of producers wish to increase public funding levels for research and extension. Elimination of funding was the least preferred option among state producers. The targeting of research and extension by land grant universities did not receive exceptional support for either large or small producers (12% and 26% approval). Overwhelming support was offered for allowing new technology developed through research, extension, and education to be considered public domain, 72% and 61% of small and large farms.

### **Demographics**

Approximately, 75% and 85% of the principal farm operators on both large and small farms in Colorado are 45 years of age or older and the percentage under age 35 has steadily declined since 1992. In 1992, 10% of Colorado producers were under the age of 35 and this percentage dropped to 7% by 2000. Farm operators over 65 years of age represent 30% of farms with annual gross sales less than \$100,000 while they only make up 14% of operations with sales larger than \$100,000. About 28% of small farms and 46% of large farm operations in Colorado have remained within the same family for three or more generations. In addition, when current operators retire in Colorado and U.S., 52% and 60% expect to transfer ownership of their operation to their children or another relative. Agricultural producers are well educated, despite their greater average age, since 56% and 68% of U.S. and Coloradoan producers report at least some college education. The percentage of land that producers operate and own in Colorado is high compared to the Nation. Colorado producers who own at least 50% of the land they farm account for 64% of farms in the state, while the national rate is 58%. About 26% and 81% of small and large producers in Colorado receive over half of their income from farming and ranching, whereas 39% of U.S. producers receive this amount.

## Western Producers' Preferences for Federal Agricultural Policy and the 2002 Farm Bill

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### Introduction

The Federal Agricultural Improvement and Reform Act of 1996 provides direction for federal policy on a comprehensive set of agricultural, food, and public policy issues through September of 2002. Permanent legislation dating from 1949 ensures that a new Farm Bill will be addressed prior to the expiration of the current law. Traditionally, the Farm Bill is among the most important pieces of federal legislation to the welfare of agriculturists and rural America.

This document reviews the results of a national survey of producers' preferences for federal agricultural policy, highlighting the results from Colorado in comparison to the United States as a whole. By comparing and contrasting responses of large and small producers of Colorado to the rest of the nation, issues of common interest can be more readily identified as well as issues that require a more concerted statewide effort to sway national opinion.

### Survey Approach

The survey was mailed to a random sample of producers in each participating state. The four-page questionnaire contained 28 federal policy questions and 11 demographic questions that

were asked in all participating states. In addition, each state questionnaire included one page of optional questions from a common list of alternatives. For Colorado, 12 questions were included on this optional questions page.

The protocol employed involved three mailings; two identical questionnaires and a reminder postcard over a two month period. Only questionnaires returned from people actively engaged in agricultural production were tabulated. Statistical results were tabulated by state. State composite results were calculated as a weighted average of the results by size, based on the number of farms reported by size in the 1997 Census of Agriculture. Regional and national results are also reported where appropriate and are calculated by a similarly constructed weighted average.

The census reports a total of 28,268 farms in the Colorado, which is comprised of 23,504 small farms and 4,764 large farms, based upon a \$100,000 gross annual sales threshold. The total 1997 farm population in the 27 surveyed states of 1,336,398 represents nearly 70 percent of the 1,911,859 farms reported nationwide. A total of 5,000 producers in Colorado were surveyed, representing 7% of all farms from the nation. Of the 5,000 surveys mailed, 1,064 useable responses were received (Table 1). Return rates varied substantially by state and Colorado's 21% slightly exceeded the national average.

**Table 1:** Farm population, sample size and response rate, for Colorado and U.S.

State/Region	Farm Population		Sample Size (Number)	Survey Responses			Response Rate (Percent)
	<\$100K Sales	?\$100K Sales		Large Farm	Small Farm	Total Usable	
Colorado	23,504	4,764	5,000	293	723	1,064	21
Rest of U.S.	1,076,828	231,302	64,863	5,079	7,450	13,119	20
Total	1,100,332	236,066	69,863	5,372	8,173	14,183	20

## Results

### Farm Income and Risk Management Policy

Farm income and risk management are major components of keeping a long-term agriculture enterprise functioning and Colorado producers are no exception to this general rule. Both large and small Colorado producers are taking steps to improve economic viability. Overall, a high proportion (60%) of Colorado producers manage risk by supplementing farm income with off farm income. Large farms are using substantially more management tools to hedge risk than are smaller operators. Between 30-47% of large producers use grain storage, production revenue insurance, management education, output price hedging, off farm income, financing or savings, and information from the Internet. However, a high proportion

of Colorado producers report having drawn on personal equity to finance farming operations within the past three years. Large producers in Colorado were much more likely to draw on personal equity in order to finance their farm or ranch (70% of large producers), relative to small producers in the state (47% of small producers).

Federal programs assist producers in both risk management and income generation from farm operations. In the Colorado survey producers were asked nine questions regarding their preferences for government support payments, general commodity program provisions, and risk management policies and programs.

**Figure 1: What should be the policy for baseline farm income support payments after the current Farm Bill expires at the end of the 2002 crop year?**

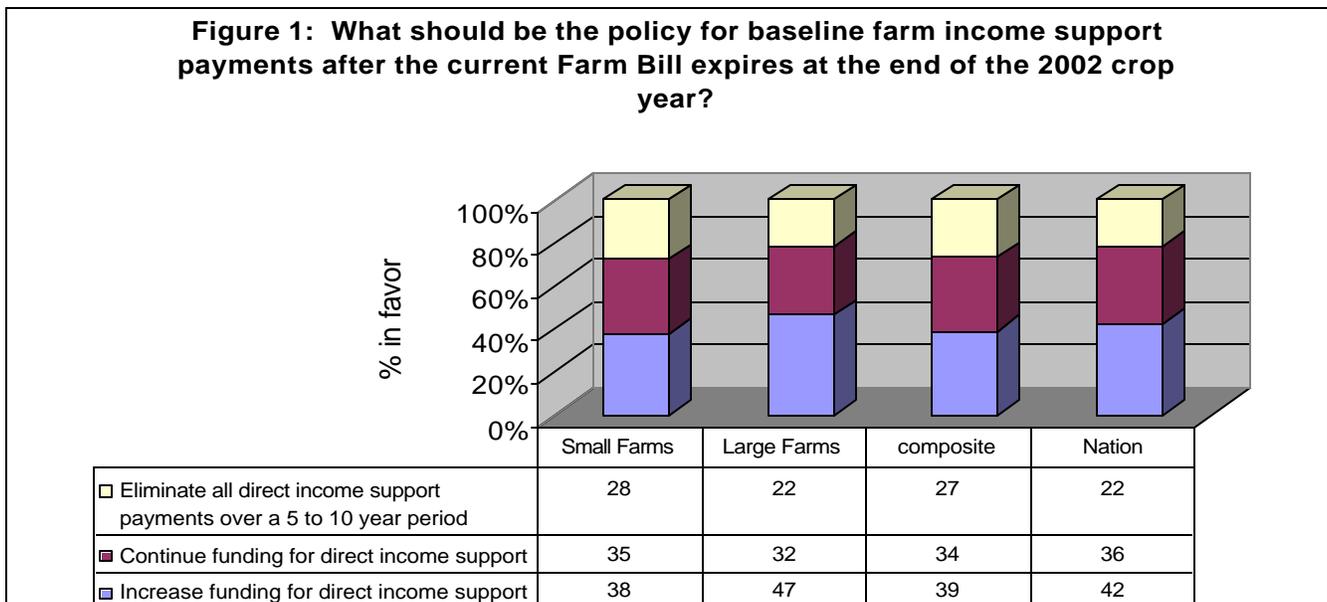
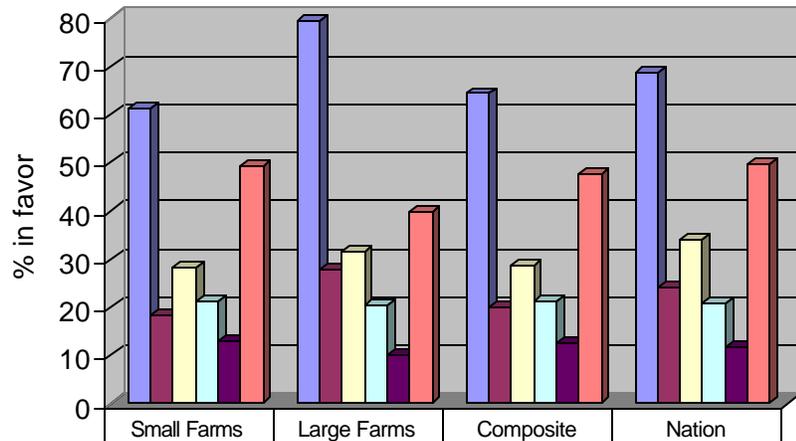


Figure 1 illustrates Colorado producer preferences for federal farm income support. Colorado producers have similar preferences for farm income support as the rest of the nation. Nationwide, producers' (42%) 1<sup>st</sup> choice, to increase direct income support, was preferred to the current level of support (36%), and to the elimination of income support (22%). Colorado producer responses paralleled the national

averages. Colorado producers indicated somewhat greater support for increased direct income assistance among large producers (47%) relative to small producers (38%) and the national average. About 1/3 of all farm categories preferred maintaining current support levels. A greater proportion of small producers in Colorado (28%) favored elimination of direct income support relative to large farms (22%) and the national average.

**Figure 2: If farm income supports are included in the next Farm Bill for commodities which ones should be included?**

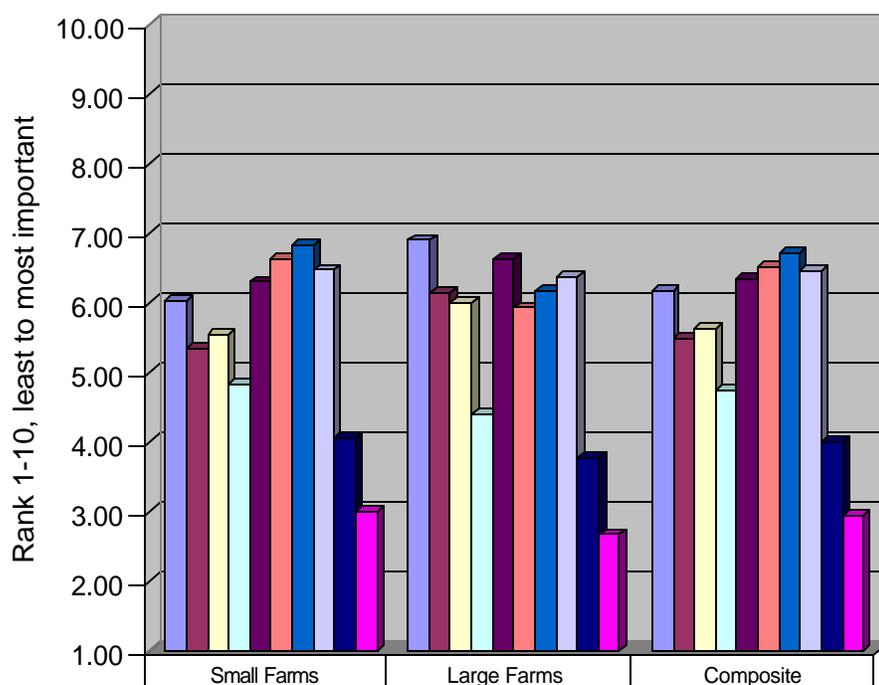


■ Program crops currently eligible for benefits	61	80	64	69
■ Crops currently covered by other farm programs	18	28	20	24
□ Dairy commodities	28	32	29	34
□ Fruits, vegetable, tree nuts, and pulses	21	21	21	21
■ Nursery and horticultural specialty crops	13	10	13	12
■ Other livestock and livestock products	49	40	48	50

Figure 2 graphically illustrates producer preferences for the types of agricultural products that should receive federal income supports. Nationwide (69%) current program crops (wheat, corn, sorghum, barley, oats, oilseeds, cotton and rice) received the highest proportion of responses favoring continued support. Similarly, Colorado producers (small 61%, large 80% and composite 64%) strongly supported program crops currently eligible for benefits. Livestock and livestock products were consistently the second most favored for direct income support. Although the national average

reached 50%, Colorado (small 49%, large 40% and overall 48%) fell slightly short of majority support. Dairy programs received the third greatest level of support across all farm categories. Approximately 1/3 of responding producers nationwide support dairy programs, while Colorado producers are slightly less in favor of dairy supports. Support for nursery and specialty crops was weakest. Colorado's small producers (13%) was slightly above the national average (12%), while the state's large producers (10%) were below it.

**Figure 3: In the next Farm Bill, what should be the most important considerations regarding commodity programs?**



	Small Farms	Large Farms	Composite
Combination of fixed payments and marketing loans	6.03	6.90	6.18
Continue fixed payments	5.34	6.14	5.47
Continue marketing loan programs	5.54	6.01	5.62
Production Controls	4.82	4.40	4.75
Counter-Cyclical Income Payments	6.30	6.62	6.35
Crop Disaster Payments	6.62	5.93	6.50
Income Disaster Payments	6.83	6.17	6.72
Crop Insurance	6.47	6.38	6.45
Environmental Incentives	4.06	3.76	4.01
Elimination	3.00	2.67	2.94

Figure 3 portrays Colorado producers' preferences for how commodity programs should be implemented in future Farm Bill legislation. Responses are ranked from least (1) to most important (10). There are both distinctions and similarities between small and large farm responses to this question. The three least alternatives receiving the lowest rankings are consistent across Colorado's large and small farms; elimination of commodity programs, provision of environmental incentives, and supply or production controls. Crop insurance was the third ranking alternative across

operation size. Counter-cyclical payments ranked highly for both large (2<sup>nd</sup>) and small (4<sup>th</sup>) operations in Colorado. However, the issues of greatest importance differ across size of operation in Colorado. Small farms rank income and crop disaster payments their highest priorities, while they ranked 4<sup>th</sup> and 7<sup>th</sup> in importance among Colorado's larger operations. In contrast, Colorado's large farms rank fixed payments and marketing loans as their highest priority item, while for small producers the category ranks 5<sup>th</sup>.

**Figure 4: How should counter-cyclical income payments be determined?**

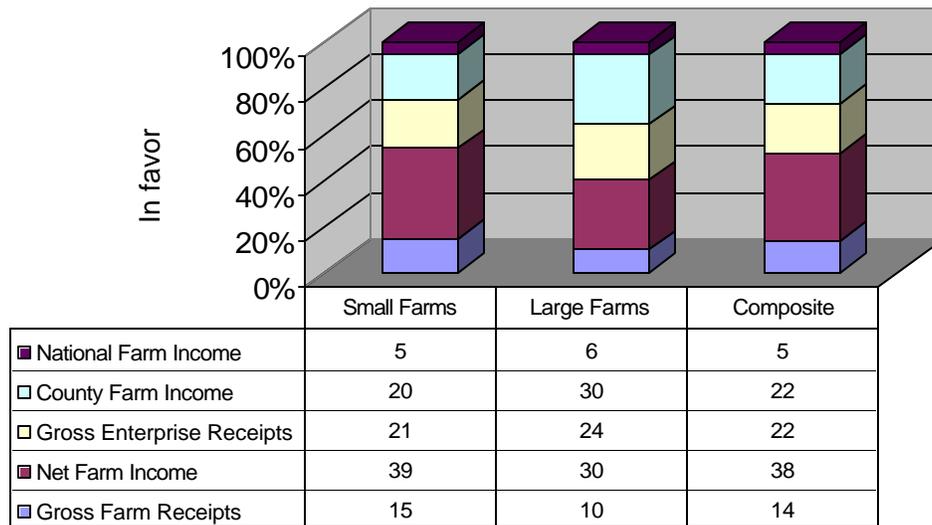


Figure 4 illustrates Colorado producers' preferences for how counter-cyclical income payments should be determined if such a program were established. Some distinctions in small and large farm responses are revealed. Small farms clearly support net farm income as their most preferred criteria for determining counter-cyclical payments, with gross enterprise receipts and county level income closely

competing for second most preferred. Responses from large farms were evenly divided between net farm income and county income averages as their preferred option with gross enterprise receipts clearly ranking third. Both small and large operations in Colorado indicate a lack of support for counter-cyclical income payments based upon national farm income averages or gross farm receipts.

**Figure 5: Should the government fund programs that provide income support for agricultural producers and partially protect them from the full impact of market conditions?**

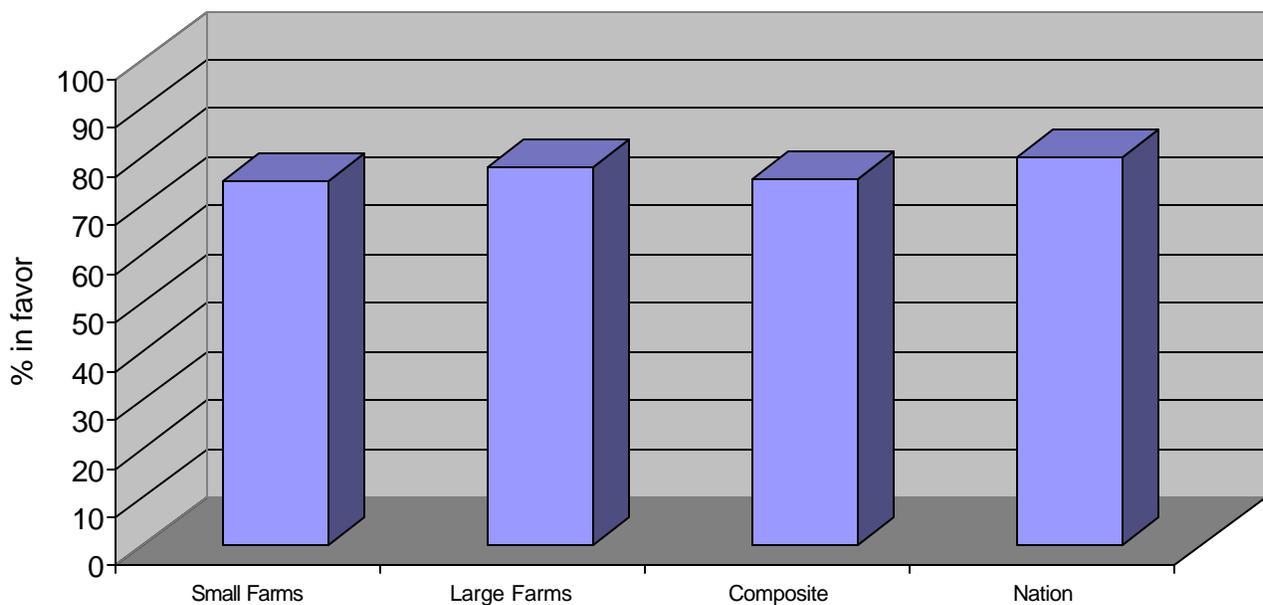


Figure 5 represents the proportion of respondents who were in favor of federal income support for farmers. Results indicate that respondents from Colorado as well as producers nationwide are strongly in favor of

income support programs. Colorado producers from large farms (78%) were more supportive of federal income support than those from small farms (75%), but less than the national average (80%).

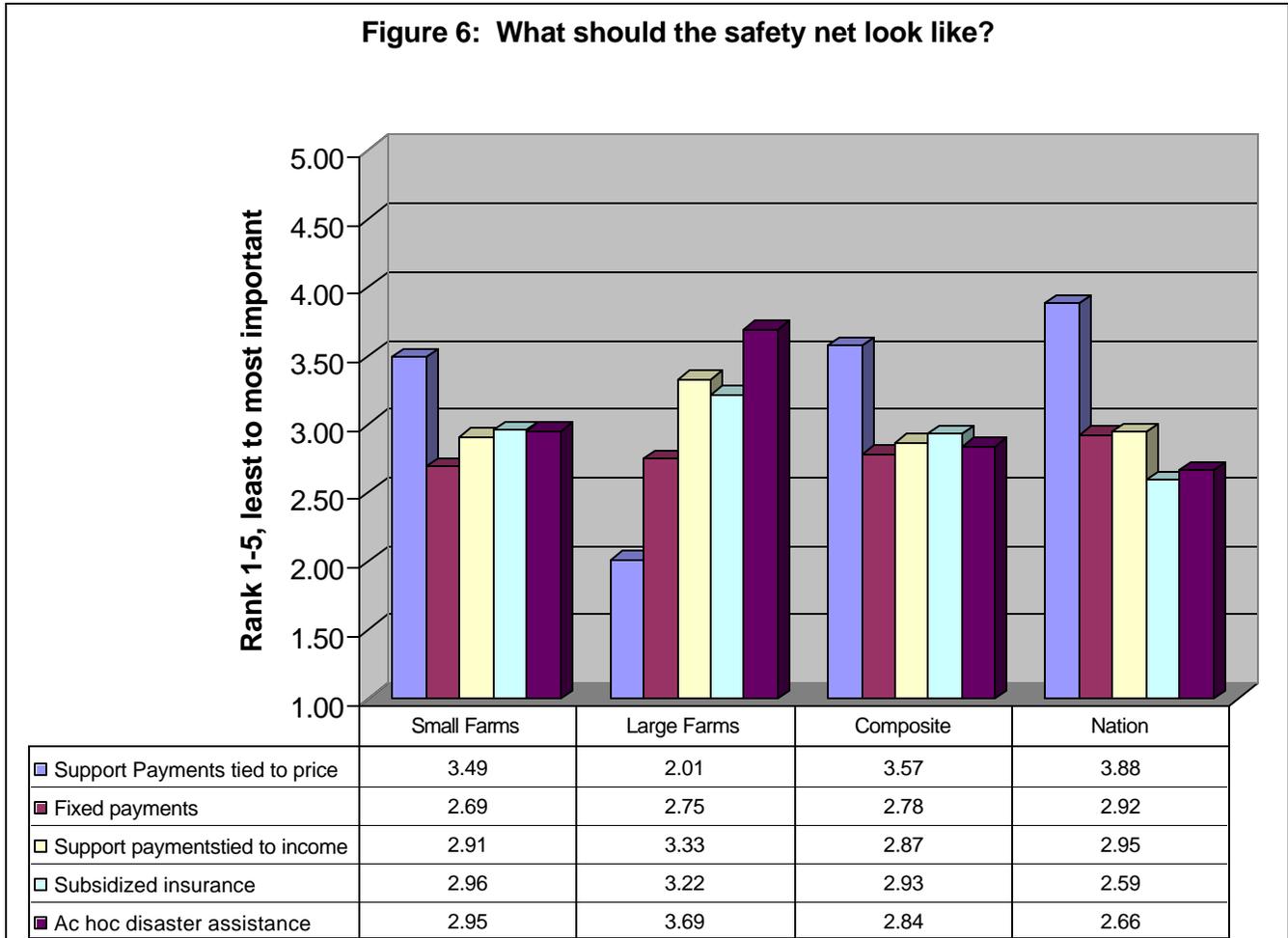
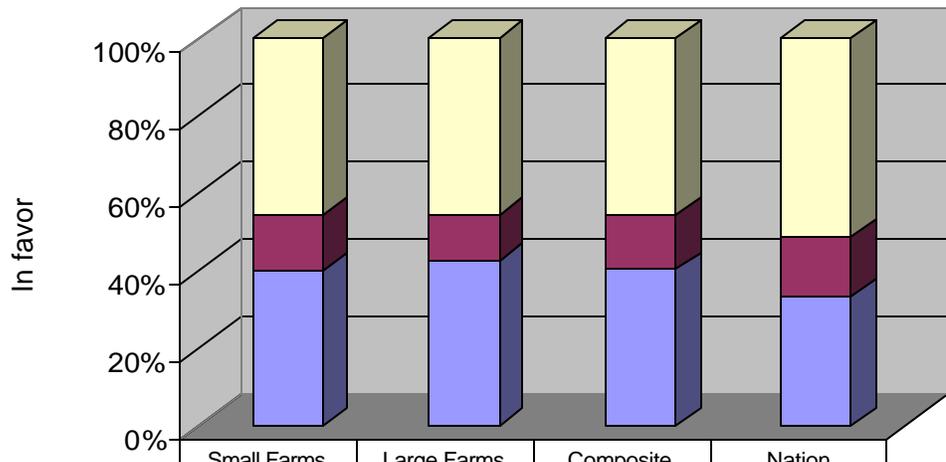


Figure 6 provides an illustration of the types of policies preferred by those in favor of some sort of federal income support program for agricultural producers. Responses were ranked from least important (1) to most important (5) and the mean responses are reported here. Responses from small farm and large farm operators in Colorado were distinct from one another as well as from national averages. Support payments tied to price were by far the least preferred option among large farms and the most preferred option among small farms and national averages. Ad hoc disaster assistance

was the most preferred alternative among large farms and received mid-range preference among small farms and the national average. Fixed payments obtained similar average scores across categories, but distinct relative rankings within categories; last in small farms, 4<sup>th</sup> in large farms, and 3<sup>rd</sup> in the national average. Support payments tied to income ranked 4<sup>th</sup> among Colorado small farm respondents, 2<sup>nd</sup> among Colorado large farm respondents and nationwide. Finally subsidized insurance ranked 2<sup>nd</sup> among Colorado small farms, 3<sup>rd</sup> among large farms and last nationwide.

**Figure 7: What should be the policy regarding interstate dairy compacts?**



	Small Farms	Large Farms	Composite	Nation
□ Allow expansion of the Northeast Dairy Compact to additional states and the development of dairy compacts in other regions of the country	46	46	46	51
■ Maintain the Northeast Dairy Compact for the five states presently included	14	12	14	15
■ Eliminate the Northeast Dairy Compact	40	42	40	33

Figure 7 graphically illustrates producer’s preferences for the future of the Northeast Dairy Compact. Colorado producers were very consistent in their preferences across operation size categories. Colorado producers’ and national averages expressed a preference for the expansion of the dairy compact to include other states over the elimination of the compact and the status quo was least preferred. However, unlike national averages expansion did not obtain a majority in Colorado and preferences for elimination of the compact entirely were more prevalent in the state relative to national averages.

Figure 8 shows the ranked preferences of producers for risk management programs.

Responses were ranked from least (1) to most important (5). The establishment of tax-deferred savings accounts was the most preferred tool for Colorado’s small farms and producers nationwide. This was the 2<sup>nd</sup> most preferred policy option among Colorado’s larger producers. Enhancements in crop and revenue insurance programs was the most preferred alternative among larger Colorado producers and 2<sup>nd</sup> nationwide. The provision of incentive payments for using risk management tools obtained similar mean scores across all categories and ranked last in small Colorado farms and nationwide, but second to last on larger Colorado farms. Large producers offered the least support for the expansion of insurance coverage to livestock.

**Figure 8: If funding for risk management programs was increased, which approach would be most preferred?**

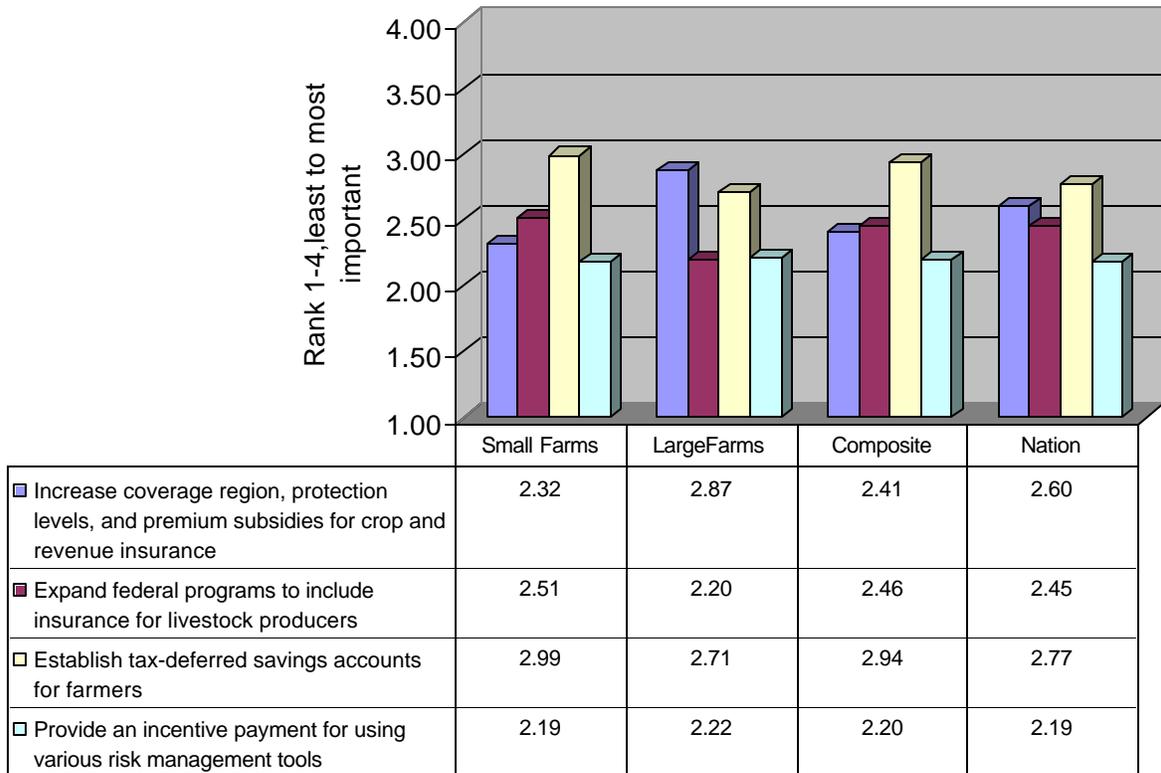
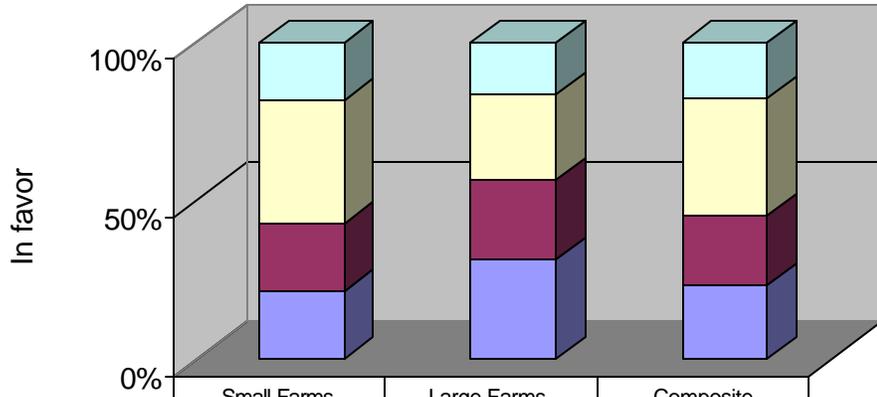


Figure 9 shows producers preferences for crop and livestock insurance programs if they themselves were the designers of these programs. Composite results for Colorado exhibit the highest preference for whole farm coverage (37%). Whole farm coverage is also the most preferred option among small Colorado farms (39%), followed by coverage for crop and livestock production losses under separate policies (22%). Large producers preferred these two policies in reverse order, with coverage of

crop and livestock production losses under separate policies ranking 1<sup>st</sup> (31%) and whole farm coverage ranking 2<sup>nd</sup> (27%). The third most preferred option among both large and small producers was coverage of crop and livestock from revenue losses. The least preferred option among large and small Colorado farms was the option of discontinuing government-subsidized crop and livestock insurance programs.

**Figure 9: If you could design a government-subsidized crop and livestock insurance program, what would you choose?**



	Small Farms	Large Farms	Composite
Eliminate all government-subsidized insurance	18	17	18
Cover whole farm income losses	39	27	37
Cover crop and livestock production and revenue losses under separate policies	21	25	22
Cover crop and livestock production losses under separate policies	22	31	23

**Conservation and Environmental Policy**

The national survey posed two multi-part questions on conservation and environmental policy. Table 2 and Figures 10 – 22 illustrate producer preferences for federal financial incentives to encourage the provision of a variety of public environmental benefits. Each figure shows the proportion of respondents indicating support for the creation or continuance of federal incentive programs for environmental benefits.

On average, Colorado producers are supportive of all environmental incentive programs, except

two: incentives to introduce farming practices to increase carbon sequestration; and programs to provide habitat for endangered species. The relative ranking for the composite was very similar to the national averages, except in the case of management of animal waste and providing habitat for endangered species. Colorado producers’ show less support for environmental incentive programs than producers nationwide. In contrast, small Colorado producers exceed the national average in supporting environmental incentive programs to protect open space.

**Table 2:** Should the federal government provide financial incentives to encourage the provision of the following environmental benefits? Percent responding "yes."

	<b>Small Farms</b>	<b>Large Farms</b>	<b>Colorado Composite</b>	<b>Nation</b>
Protection of open space	64	57	63	62
Protection of farmland	86	76	84	86
Protection of water quality	90	90	90	91
Provision of wildlife habitat	68	65	68	69
Management of animal waste	60	59	60	68
Reducing soil erosion	84	86	84	89
Increasing carbon in the soil	47	55	48	49
Producing fuels from crops and other biomass	81	86	81	86
Providing habitat for endangered species habitat	45	44	45	52

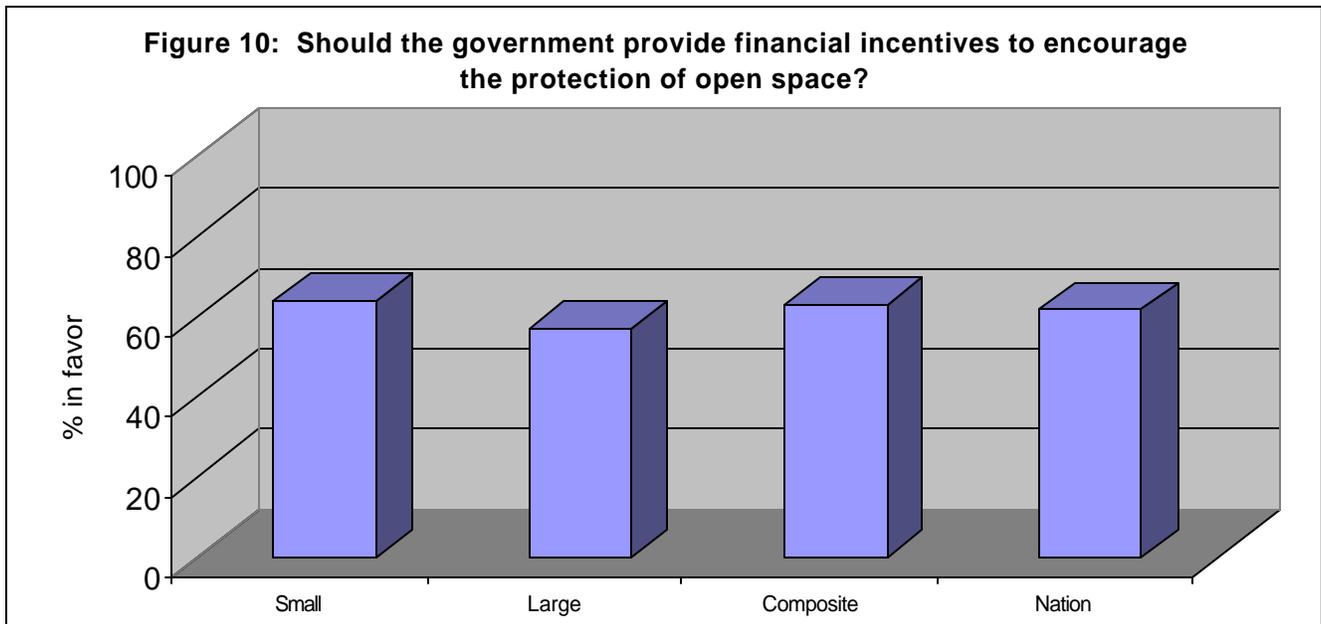


Figure 10 illustrates the proportion of responses in favor of financial incentives to preserve open space. The Colorado average (63%) is greater than the national average (62%) and small

Colorado producers (64%) are substantially more supportive of incentive based open space protection programs than are large producers (57%).

**Figure 11: Should the government provide financial incentives to encourage farmland preservation?**

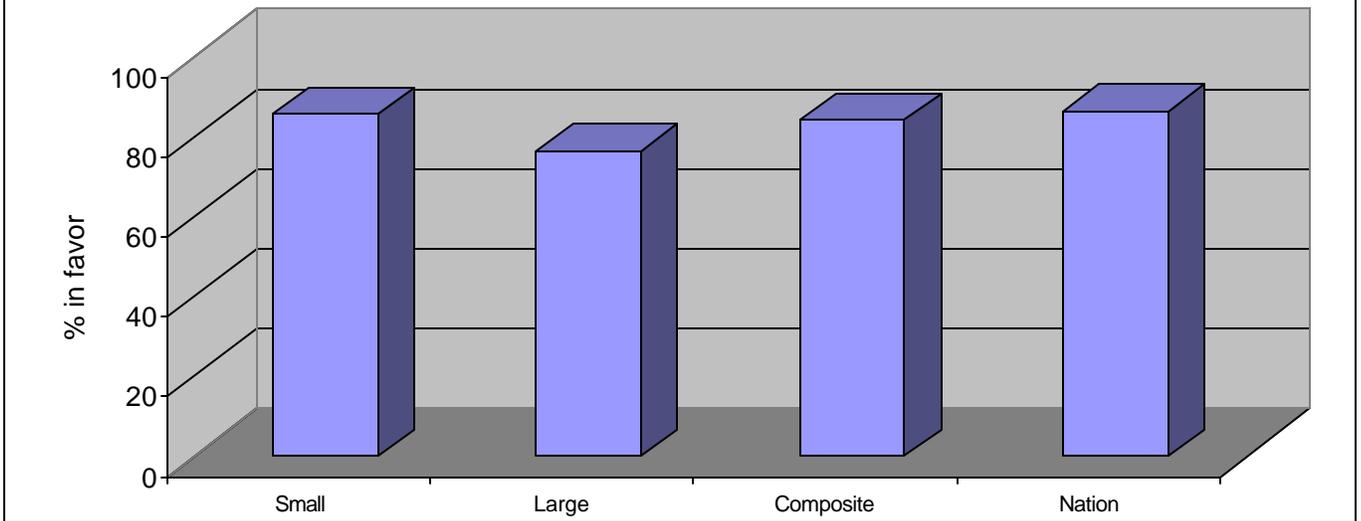
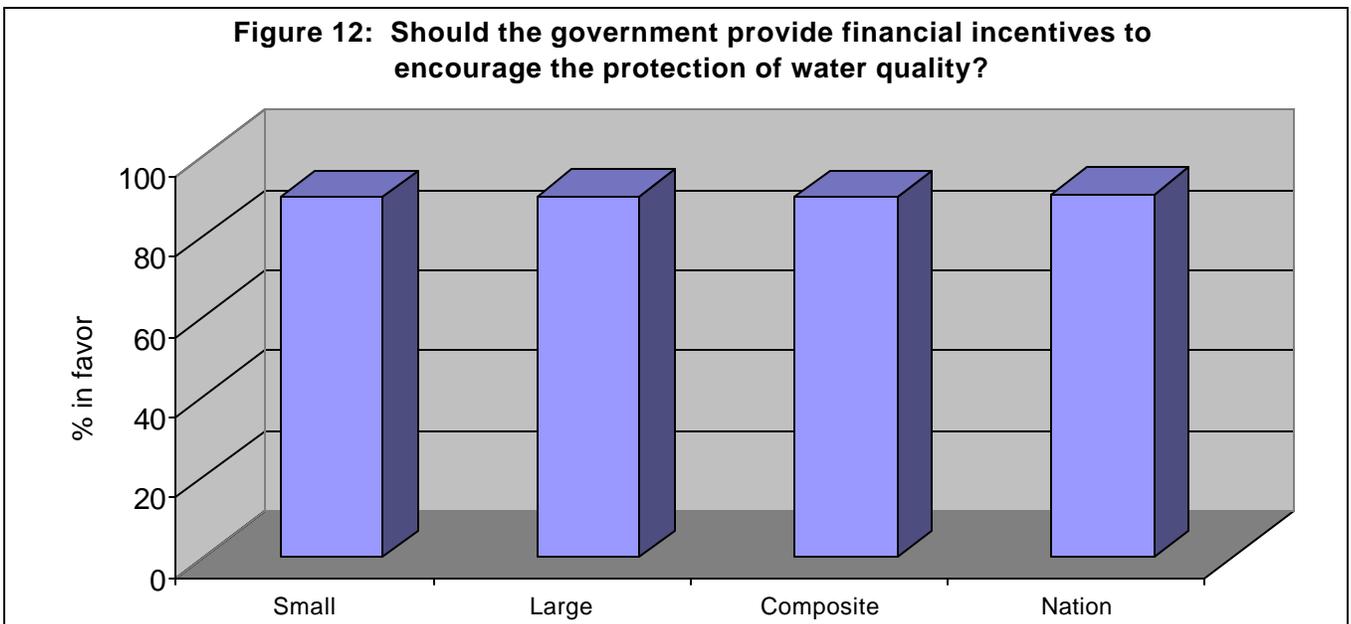


Figure 11 graphically illustrates the degree of support for federal incentive programs to preserve farmland, namely the Farmland Protection Program (FPP). Both large (76%) and small Colorado producers (86%) are strongly in favor of incentive programs to protect farmland. The Colorado average (84%) is slightly lower than the national average (86%).

Figure 12 provides a graphical depiction of the support for federal water quality incentive programs. A higher proportion of producers was in favor of water quality incentives than any other environmentally oriented program. Colorado producers were equally supportive of these programs across operation size (90%) and were slightly below the national average (91%).

**Figure 12: Should the government provide financial incentives to encourage the protection of water quality?**



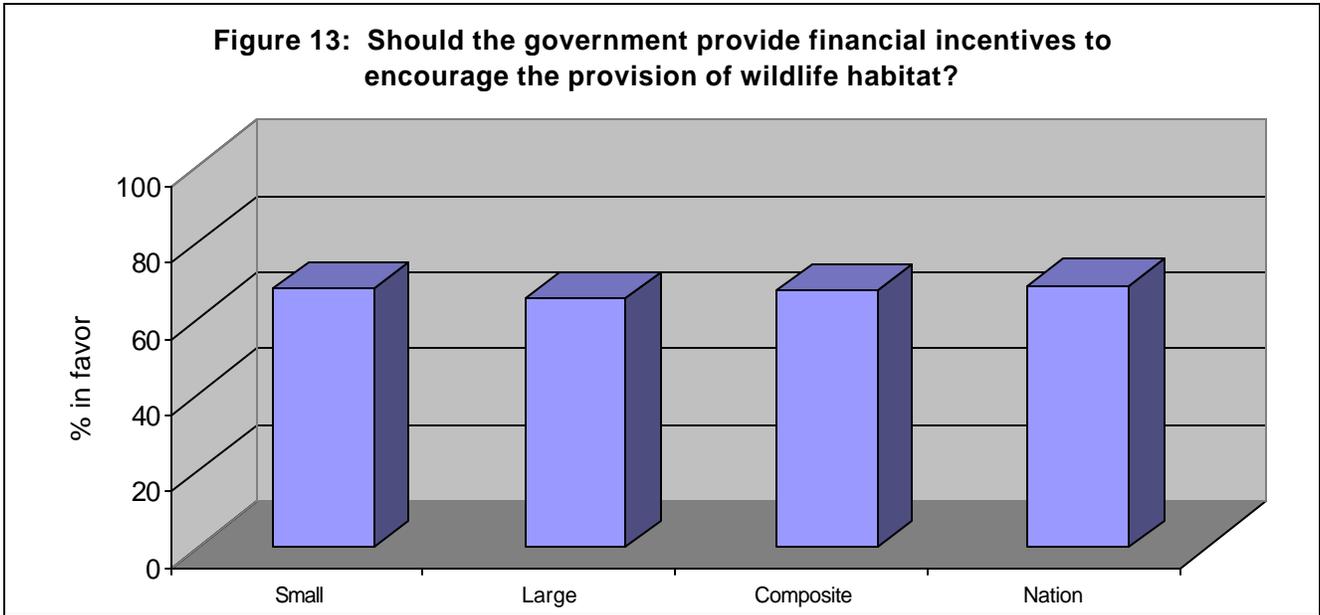


Figure 13 illustrates support for wildlife habitat provision. On average Colorado producers are slightly less supportive (68%) of wildlife habitat provision than are producers nationwide (69%).

Within Colorado, small producers (68%) are more supportive of wildlife habitat provision than are large producers (65%).

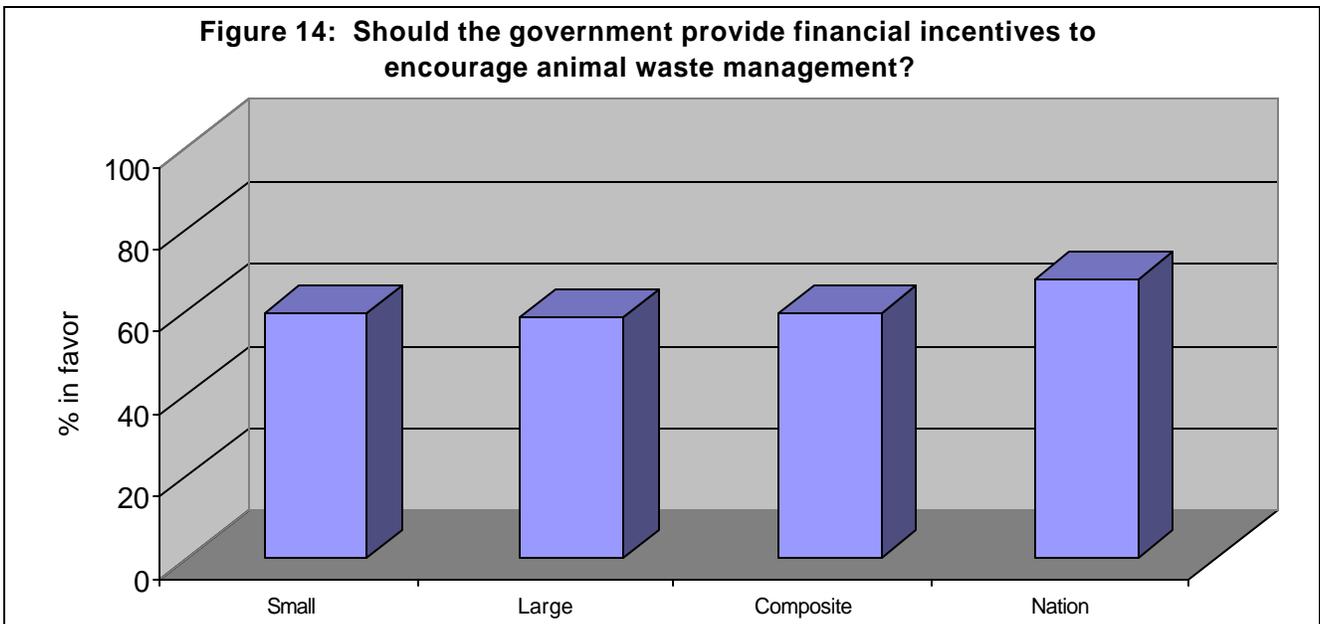


Figure 14 graphically illustrates producers' views toward financial incentive programs for animal waste management. Although support is consistent and strong across Colorado

producers, support for federal animal waste management incentives within Colorado (60%) is substantially less than the national average (68%).

**Figure 15: Should the government provide financial incentives to encourage the reduction of soil erosion?**

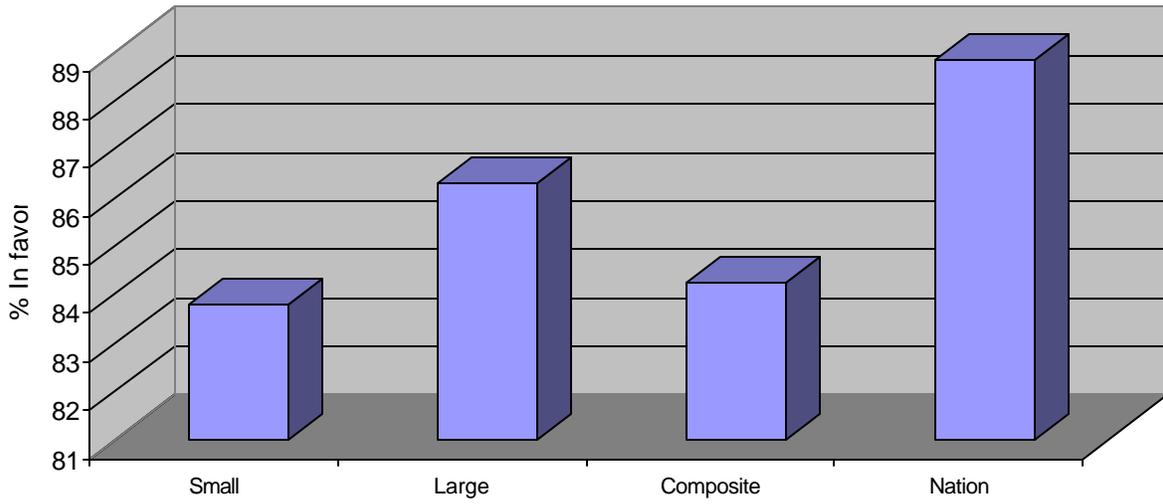


Figure 15 provides a graphical illustration of support for incentive programs to curb soil erosion. Reducing soil erosion received the second highest ranking among environmental incentive programs. On average Colorado producers (84%) are less supportive of incentive

programs to reduce soil erosion than the national average (89%). Large Colorado producers (86%) are more supportive of financial incentives to reduce soil erosion than are small producers (84%).

**Figure 16: Should the government provide financial incentives to encourage increasing carbon levels in soil?**

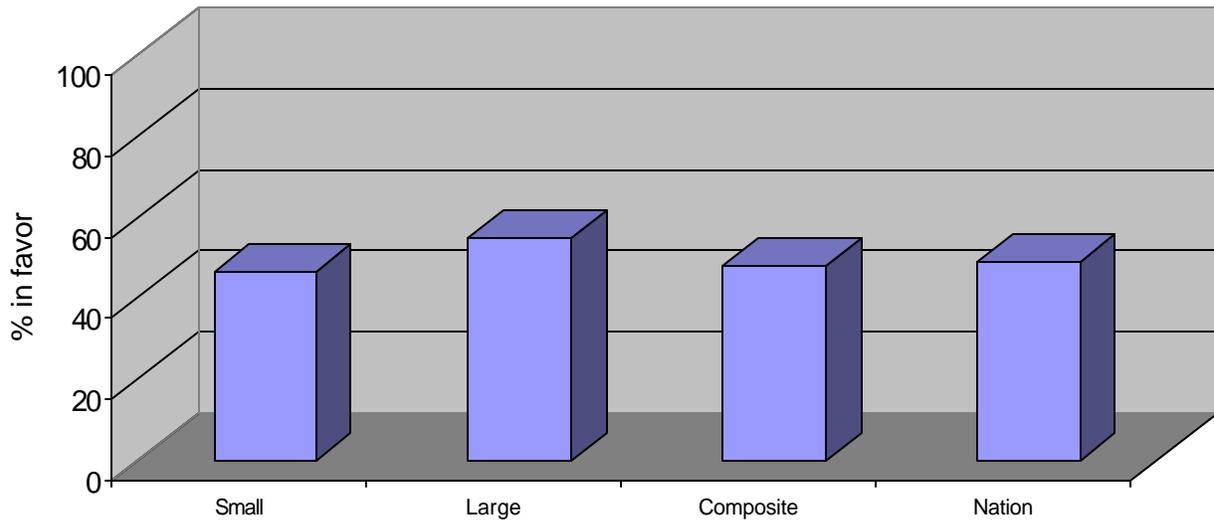


Figure 16 illustrates the support for financial incentives to increase carbon levels in soil. Carbon sequestration in soils was the second least popular environmental policy option for

the nation (49%) and overall (48%) for Colorado. Interestingly, a majority of large Colorado producers (55%) were supportive of carbon sequestration incentive programs.

**Figure 17: Should the government provide financial incentives to encourage production of fuels from crops and other biomass?**

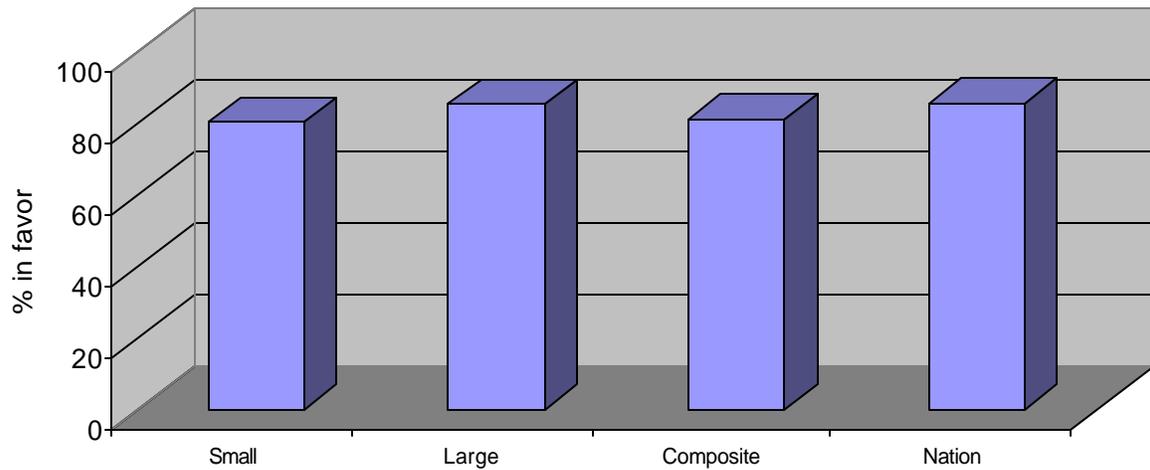
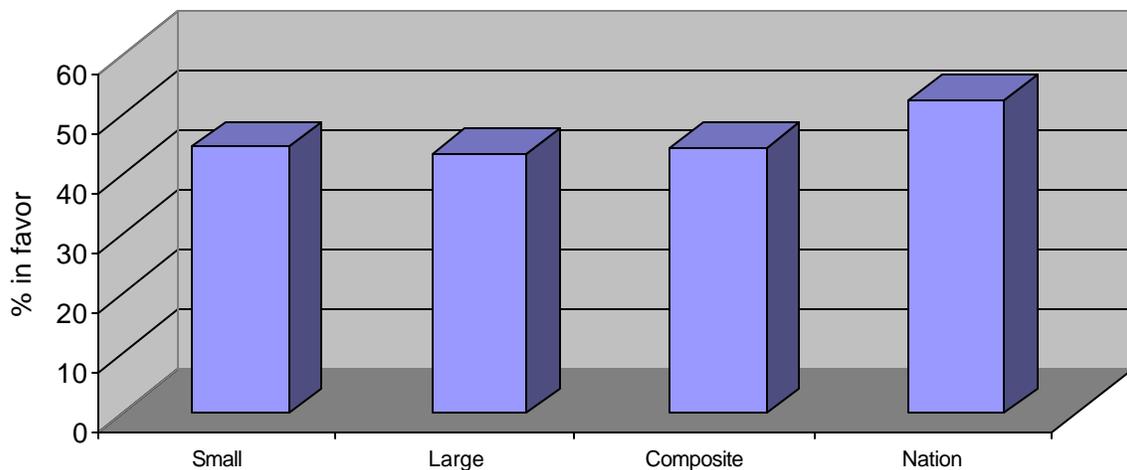


Figure 17 shows the support of financial incentives for the production of fuels from crops and other biomass. The Colorado average (81%) is lower than the national average (86%) in support of using crops for fuel and biomass. On the other hand, large Colorado producers (86%) are stronger supporters of these incentives than are small Colorado producers (81%).

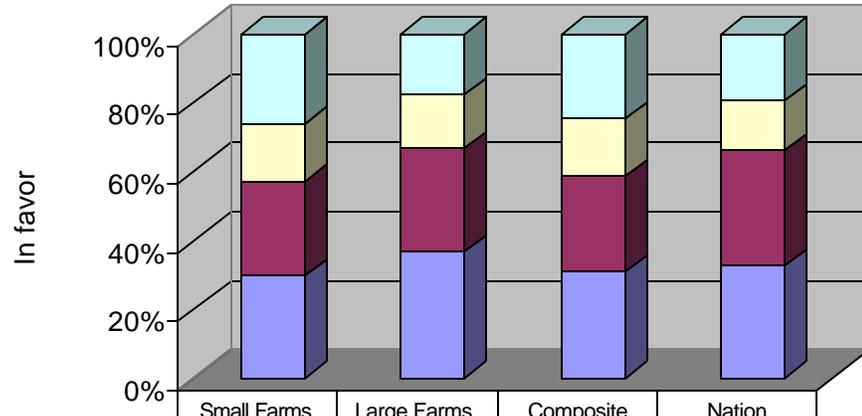
Figure 18 graphically illustrates the support for government incentives to protect endangered

species. While still obtaining a slim majority, producers nationwide (52%) were relatively unresponsive of endangered species habitat protection relative to other environmentally oriented programs. Endangered species habitat received the lowest level of support for environmental incentive policies nationwide. Small (44%) (45%) and large Colorado producers were similar in their lack of support for this program.

**Figure 18: Should the government provide financial incentives to encourage the provision of habitat for endangered species?**



**Figure 19: What should be the policy toward the Conservation Reserve Program after 2002?**

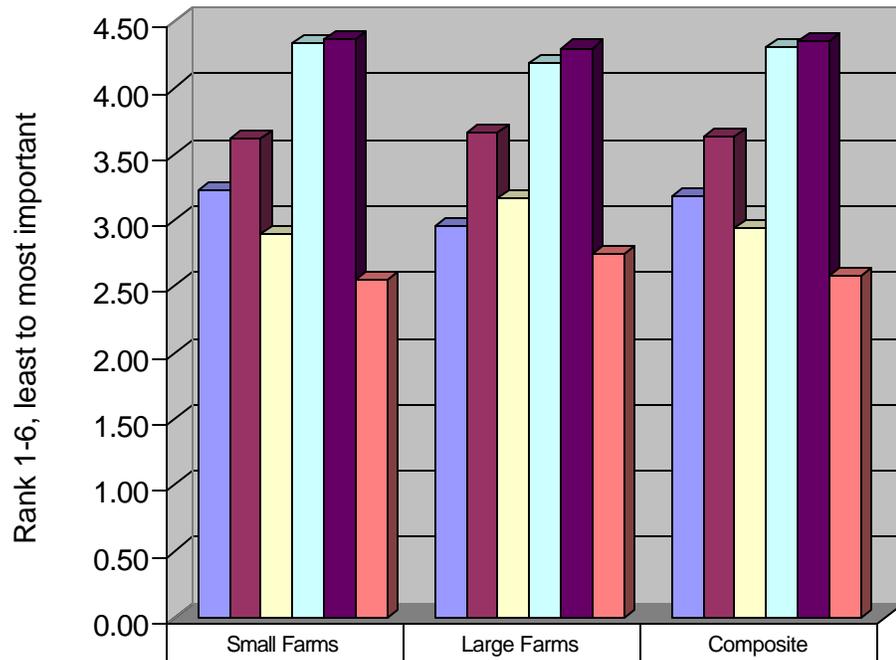


	Small Farms	Large Farms	Composite	Nation
Eliminate the CRP as current contracts expire	26	18	25	19
Restrict any future funding and enrollment to high-priority, environmentally-sensitive lands	17	16	17	15
Maintain existing funding and enrollment levels	28	30	28	33
Increase funding and enrollment levels	30	37	31	33

Figure 19 provides the responses in favor of separate options regarding the future of the Conservation Reserve Program (CRP). The mean responses of both the nation and Colorado were similar in their relative ranking of the proposed alternatives, although 1 in 4 Colorado producers were in favor of eliminating the program entirely compared to less than 1 in 5 nationwide. Nationwide, producers were equally divided in their preference for maintaining or increasing funding levels for the CRP (33% each), while Colorado producers were

somewhat more in favor of increasing support (31% versus 28%). Large Colorado farms were most supportive of increasing financial support of the CRP (37%), while small Colorado farms were more evenly distributed among increase (30%), maintain (28%) and eliminate (26%) the program. Consistently, the least favorable change to CRP was the restriction of future funding and enrollment to high-priority and environmentally sensitive lands.

**Figure 20: If programs are focused on open space and farmland preservation, what policy tool would be most preferred?**



	Small Farms	Large Farms	Composite
Government funding of programs that purchase development rights	3.22	2.95	3.17
Private funding of programs that purchase development rights	3.62	3.66	3.63
Establishment of government rules for transfer of development rights	2.90	3.16	2.94
Encouragement of voluntary conservation easements and conservation areas	4.34	4.18	4.31
Establishment of agricultural entrepreneurial programs to improve farm profitability	4.37	4.30	4.36
Enact no government policies for open space preservation	2.55	2.75	2.58

Figure 20 illustrates Colorado producer preferences for policy tools for open space and farmland preservation in the event Farm Bill legislation concentrates on these areas. Options were ranked from least (1) to most important (6). The relative ranking of large Colorado farm responses were quite similar to small farm responses. The most preferred option relative to both large and small Colorado farms was the establishment of agricultural entrepreneurial

programs to improve farm profitability. This option was followed closely by the option of encouragement of voluntary conservation easements and conservation areas. The third most preferred option among both large and small producers was that of private funding of programs that purchase development rights. The least support was found for the enactment of no policy that benefit open space preservation.

**Figure 21: Should farms or ranches with water supplies or water rights be allowed to rent out or sell their water for non-agricultural use?**

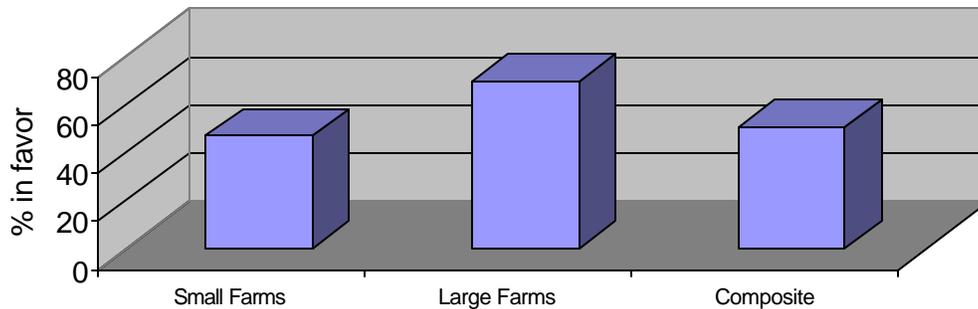


Figure 21 illustrates Colorado producer opinions on the issue of water right transfers to non-agricultural use. Large and small Colorado producers' preferences are quite different on the issue of water right transfers. On average 50% of producers approve of having the ability to sell

or lease water rights in Colorado. However, 70% of large producers approve compared to only 47% of small Colorado producers.

**Figure 22: Should producers be offered payments or increased crop support prices in return for reducing nitrogen fertilizer use for the crop?**

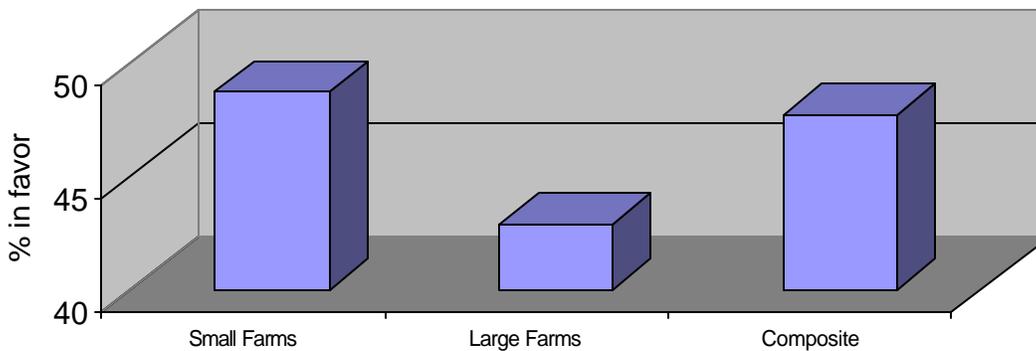


Figure 22 illustrates producers' opinions on whether payments should be issued for a reduction in nitrogen fertilizer application. Composite results reveal that fewer than half of Colorado producers would be willing to

exchange a reduction in nitrogen application for government financial transfers. Small farms were more likely to support this option (49%) than large farms (43%).

## Trade Policy

The national survey requested information on five areas of trade policy. In each of the ten

figures (Figure 23 –27) the proportion of respondents answering “yes” is reported.

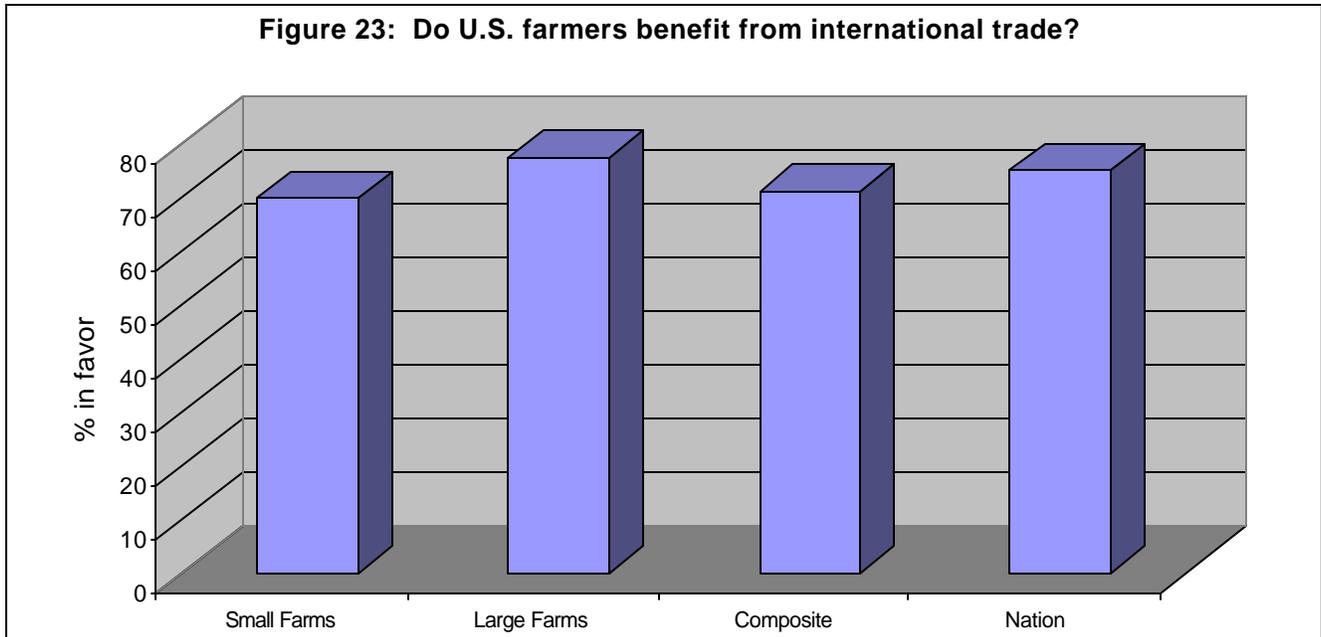


Figure 23 indicates that producers believe that U.S. farmers benefit from international trade. Nationwide, 75% of producers feel U.S. farmers benefit from international trade, whereas 71% of Coloradoans agree with this sentiment. Small (70%) and large Colorado producers (77%) see benefits from international trade somewhat differently, with support falling to either side of the national average.

Figure 24 illustrates the producers' feelings regarding whether the U.S. should pursue free-trade agreements to eliminate trade barriers. Large Colorado producers (77%) are more supportive than the national average (74%) for the elimination of trade barriers. However, small Colorado producers (71%) are less supportive of this pursuit as compared to the nation as a whole.

**Figure 24: Should the U.S. pursue free-trade agreements to reduce and eliminate trade barriers?**

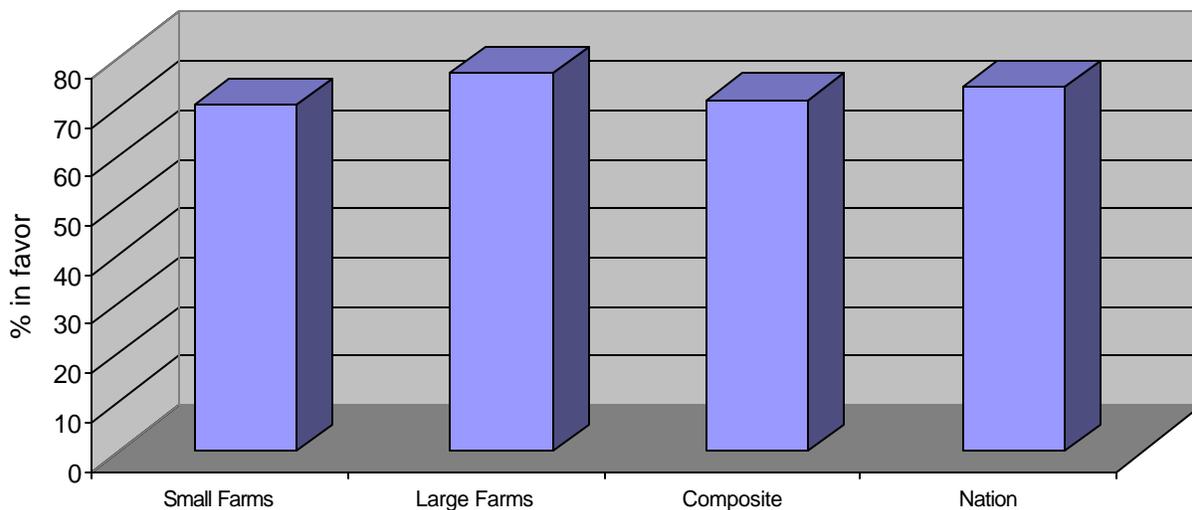
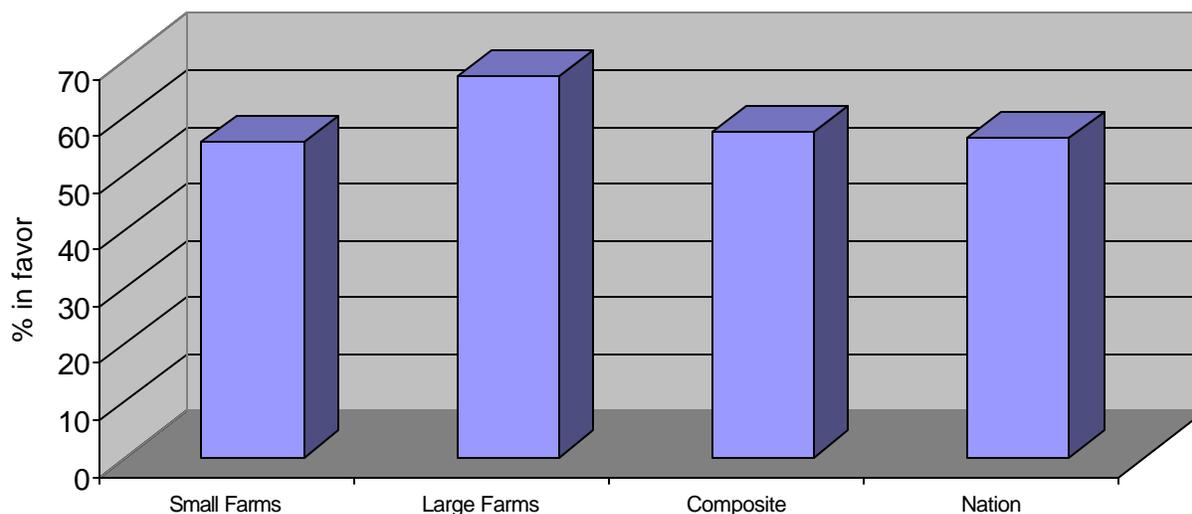


Figure 25 graphically illustrates support for the U.S. government's elimination of unilateral sanctions prohibiting trade in food and medicine with other countries. Largely in line with national averages (56%), Colorado producers (57%) were only mildly in favor of elimination

of unilateral trade sanctions including food and medicine. Small Colorado producers (55%) responses were far less supportive of the elimination of unilateral trade sanctions than large Colorado producers (67%).

**Figure 25: Should the government eliminate unilateral sanctions prohibiting trade in food and medicine with other countries?**



**Figure 26: Should labor laws, environmental impacts, and food safety standards be included as part of international trade negotiations?**

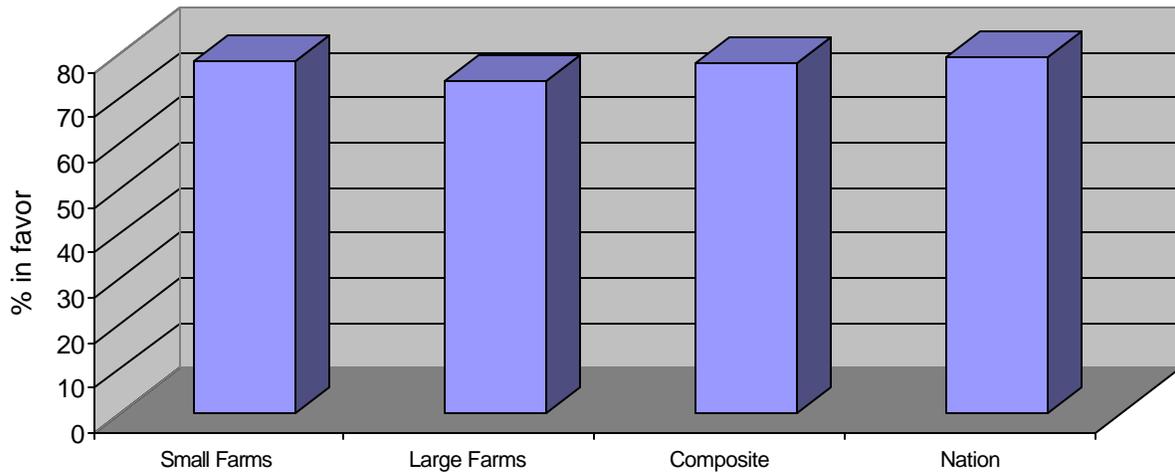
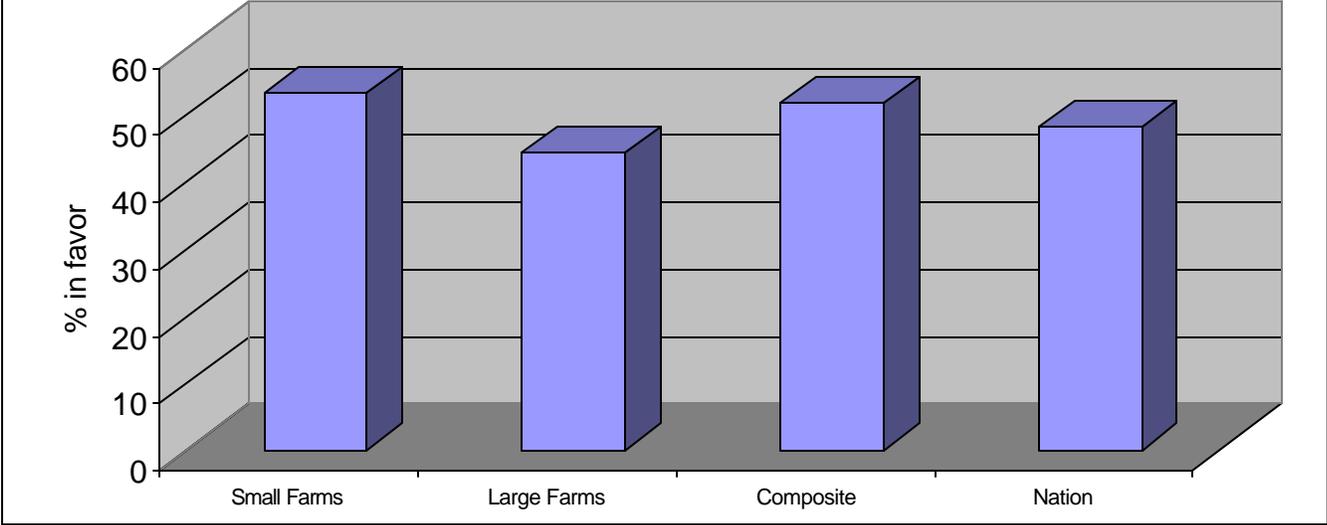


Figure 26 illustrates other issues discussed in the international trade negotiations often called into play when discussing the “level playing field” or fairness in the trade environment. U.S. producers (79 %) were strongly in favor of including labor, environmental and food safety issues in international trade negotiations and agreements. Small (78%) and large (74%) Colorado producers were somewhat less supportive of the inclusion of these factors in trade negotiations.

Figure 27 graphically illustrates support for restricting trade to pursue domestic economic and social policy goals even if the domestic goals affect international trade. A majority of Colorado’s small producers (53%) support such national self-determination on trade policy, somewhat greater than U.S. producers (48%) and substantially greater than Colorado’s larger producers (44%).

**Figure 27: Should countries be allowed to restrict trade to pursue domestic economic and social policy goals even if the policies affect international trade?**



**Food Policy**

The national survey requested information regarding five issues of federal food policy. The

proportion of favorable responses is reported and illustrated in Figures 28 –32.

**Figure 28: Labeling should be used to identify country of origin on food products**

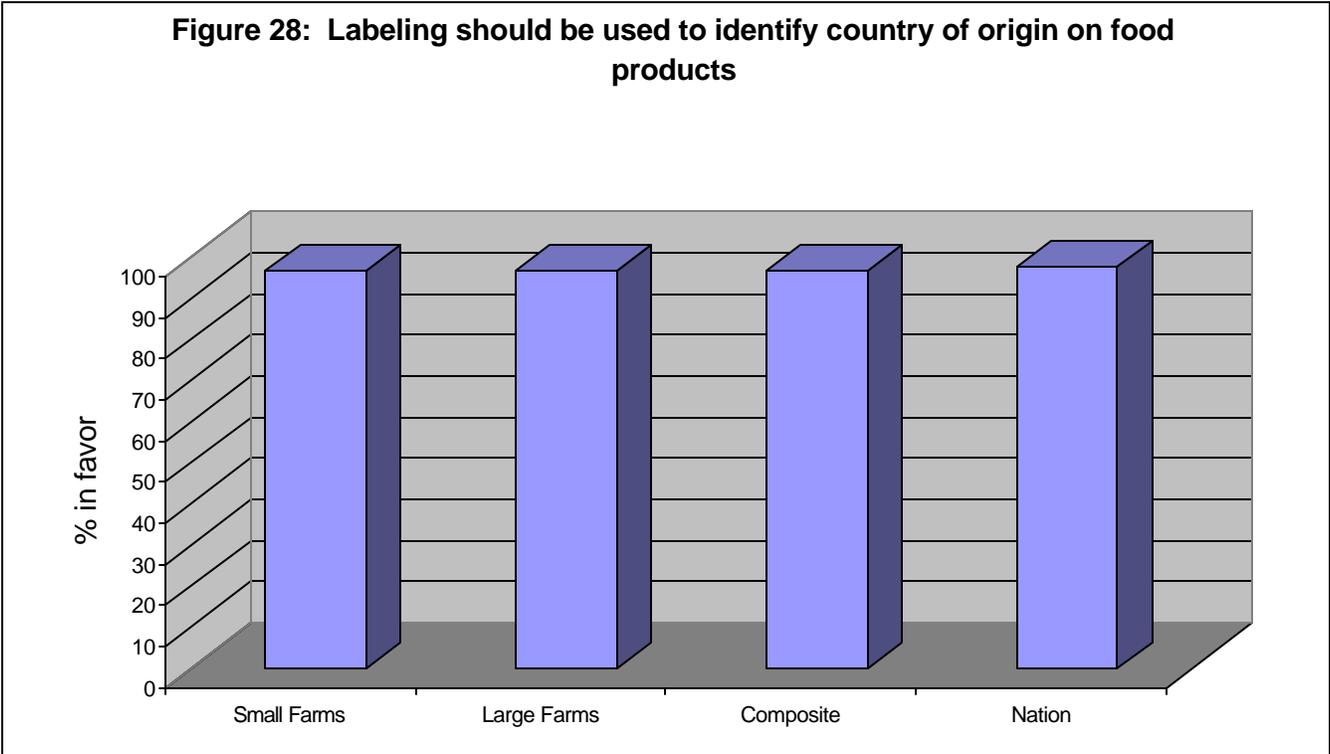


Figure 28 illustrates that producers strongly agree that labeling should be used to identify the country of origin on food products. U.S. producers (98%), large and small Colorado

producers (97%) concur that labeling food products by their country of origin should be used with near unanimity of opinion.

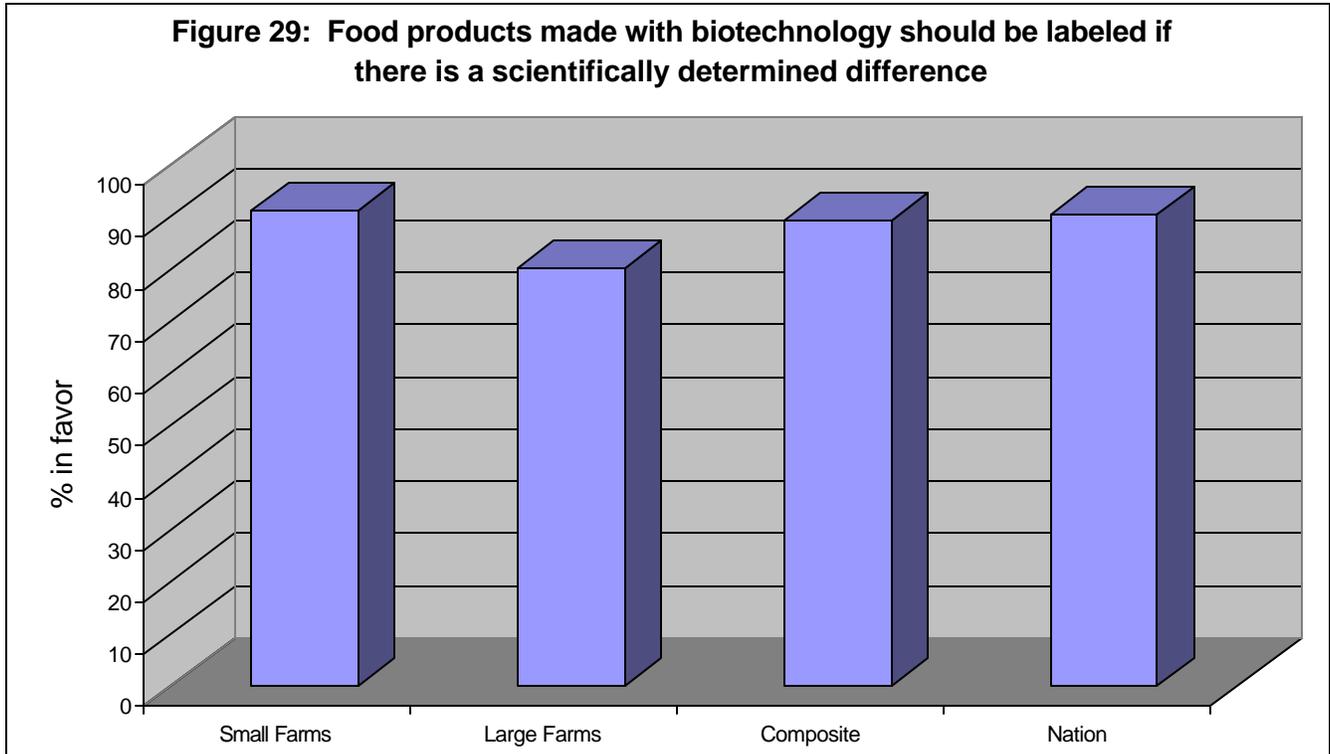


Figure 29 illustrates producers' preferences regarding the labeling of food products made with biotechnology, if there is determined scientific difference in the product. U.S. producers (90%), small (91%) and large

Colorado producers (89%) largely concur that agriculture products that are genetically engineered should be labeled, if they are found to differ substantially from food produced without biotechnology.

**Figure 30: Food products made with biotechnology should be labeled even if there is no scientifically determined difference in the product**

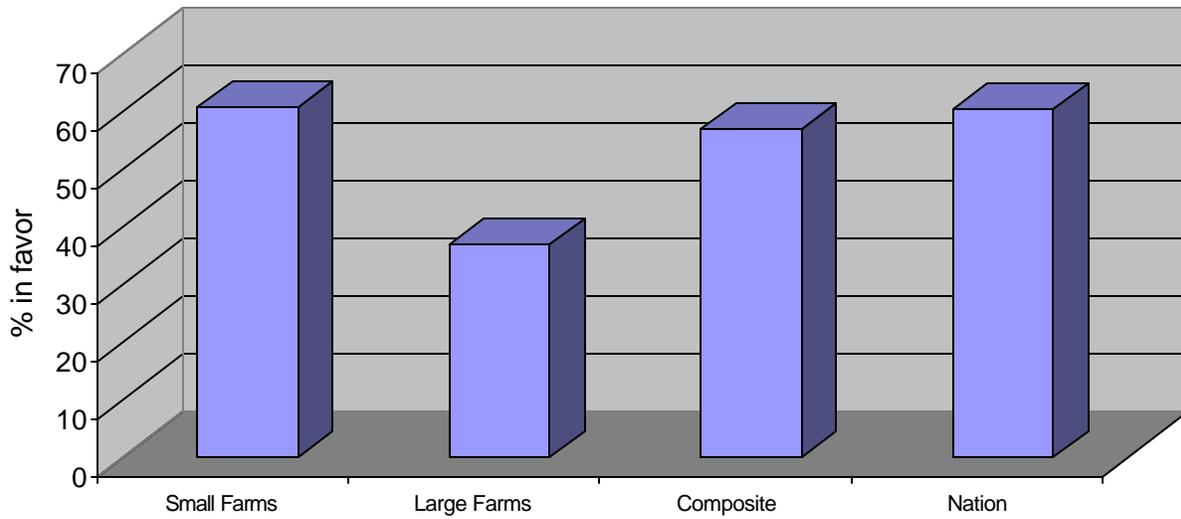
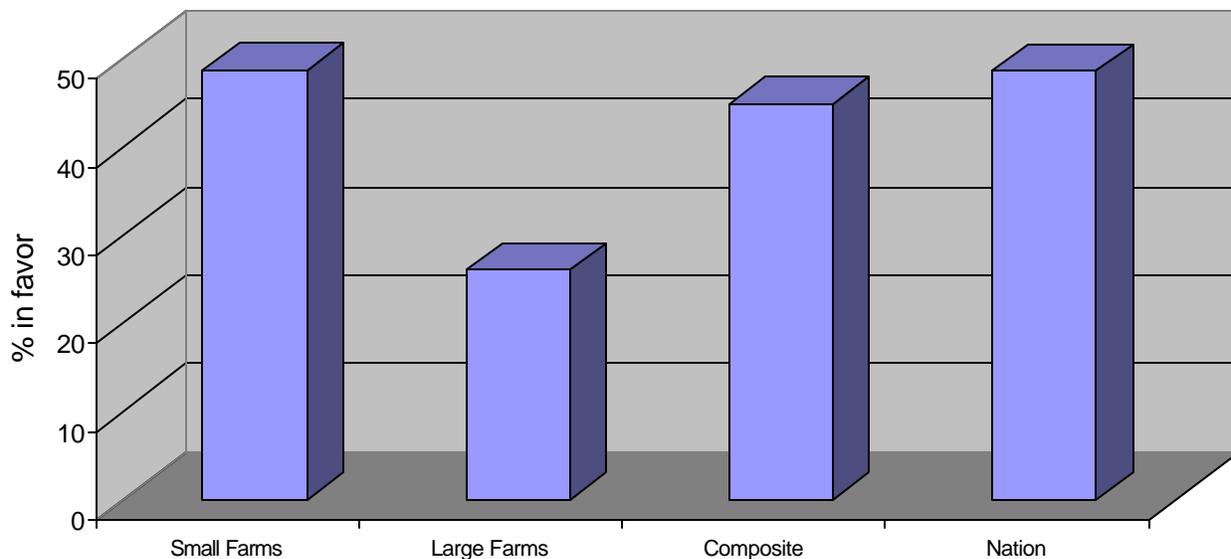


Figure 30 indicates the degree of producer support for labeling food products made with biotechnology, even if there is no scientifically established difference found between the biotech and non-biotech food. In this case, support for labeling wanes considerable, particularly among large Colorado farms. However, except for large producers (37%), majority support (57% to 61%) for product labeling products is revealed, even if there is no

scientifically established difference among them.

Figure 31 illustrates the support for food labels describing production practices even where no scientifically determined difference exists among production practices. No producer category provides majority support of such a program and large Colorado producers are least supportive (26%) of this labeling option.

**Figure 31: Food labels should explain production practices even if there is no scientifically-determined difference in the product**



**Figure 32: The federal government should increase efforts to improve traceability from consumer back to producer to improve food safety and tracking**

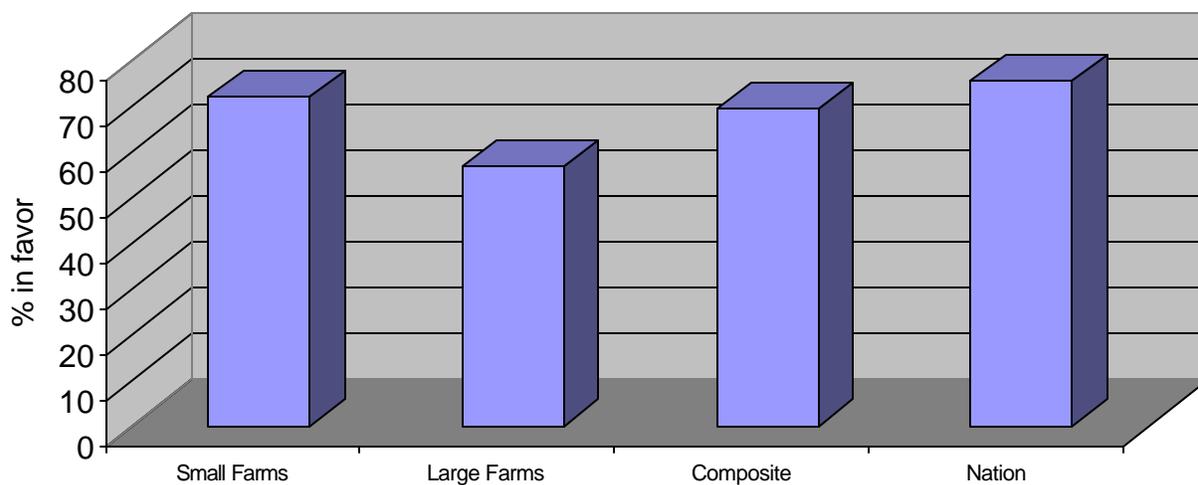


Figure 32 provides an illustration producer support of government involvement in improving trace-ability from consumer to producer in order to improve tracking and food safety. U.S. (76%) and small Colorado producers (72%) were the strongest supporters

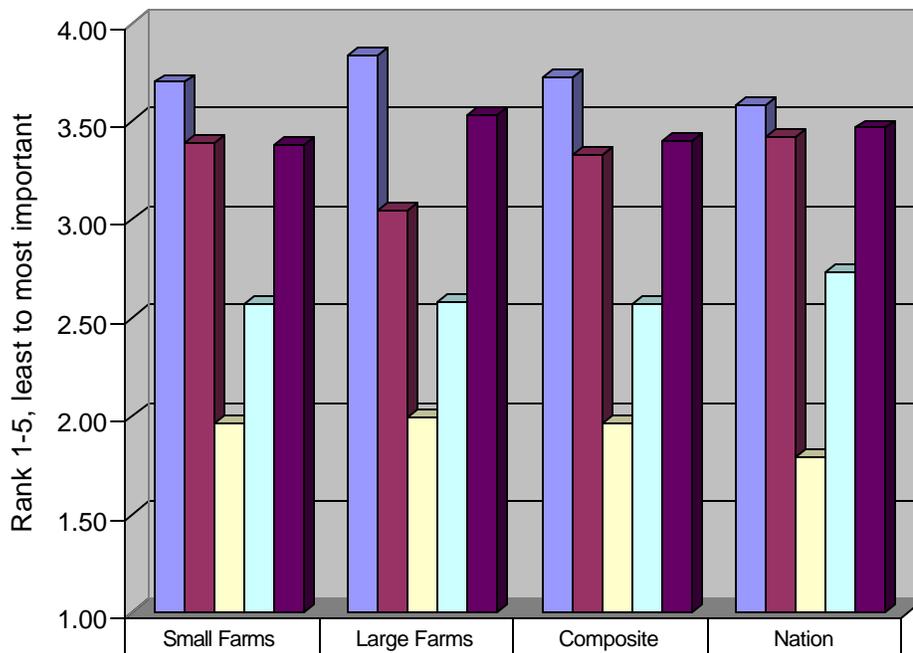
of measures to improve the trace-ability of food products from the consumer back to the producer in order to improve food safety, while large producers (57%) showed the least support, though obtaining the support of a comfortable majority of respondents.

### Structural Issues

The national producers' policy preference survey solicited Colorado producers' opinions regarding the structure of agriculture and the rural economy. Queried topics included: rural development, credit programs, income support payment targeting, agribusiness concentration,

market information, labor issues, check off programs, and estate taxes. Colorado and U.S. producer responses are highlighted in Figures 33-42. Whereas, Figure 43 highlights large and small Colorado farmers only, since this optional pool question was posed to few states.

**Figure 33: If funding for rural development programs were increased, which of the following approaches would be most preferred?**



■ Improve access to capital for business expansion and development in rural areas	3.70	3.84	3.72	3.58
■ Improve education and training programs for rural development	3.39	3.05	3.33	3.42
□ Increase rural access to the Internet	1.96	1.99	1.97	1.79
□ Increase federal funds for local government infrastructure and services	2.57	2.58	2.57	2.73
■ Increase funding for business development and job creation in rural areas	3.38	3.53	3.41	3.47

Figure 33 graphically illustrates ranked producer preferences for five rural development programs: capital access for business, education and training programs, rural internet access, rural government infrastructure and services funding and business development and job creation. The ranking of responses were consistent throughout Colorado as well as US producers for the policy of highest priority: improve access to capital for business expansion

and development in rural areas. Rankings were also consistent for the lowest and second lowest priority policies: increased Internet access and support for government infrastructure and services. In all but small farms, the second highest priority was the increase funding for business development and job creation in rural areas. The third highest response was for improvement of education and training program in rural areas.

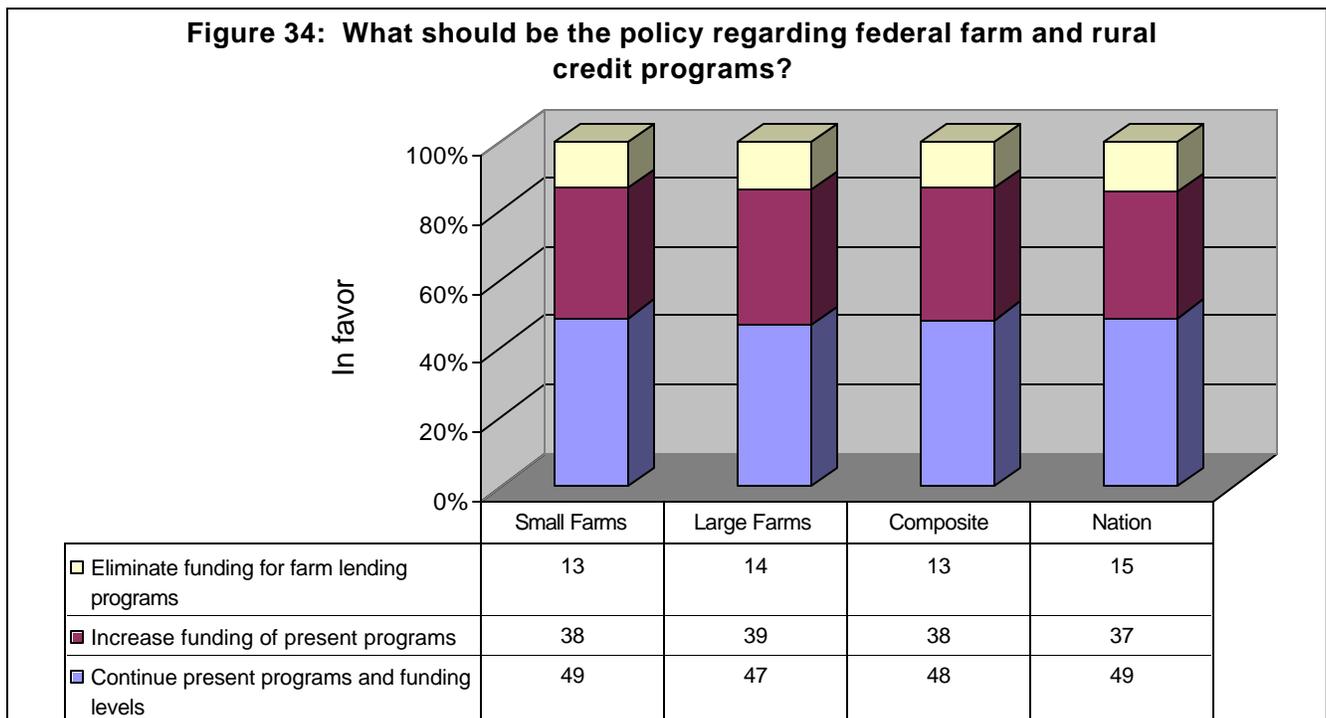


Figure 34 illustrates producer preferences for alternative policies regarding rural credit programs. Across farm categories, just less than 1/2 of respondents prefer the status quo to increases in or elimination of support for federal

farm and rural credit programs. More than 1/3 of respondents across categories favor increased support, while fewer than 1/6 favor elimination of rural credit programs.

**Figure 35: Should farm and rural credit programs be targeted to select populations?**

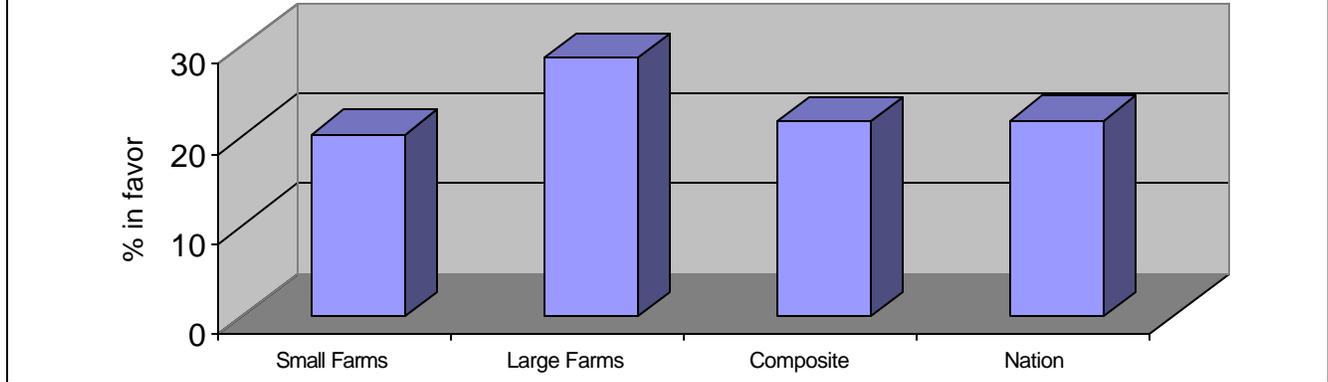
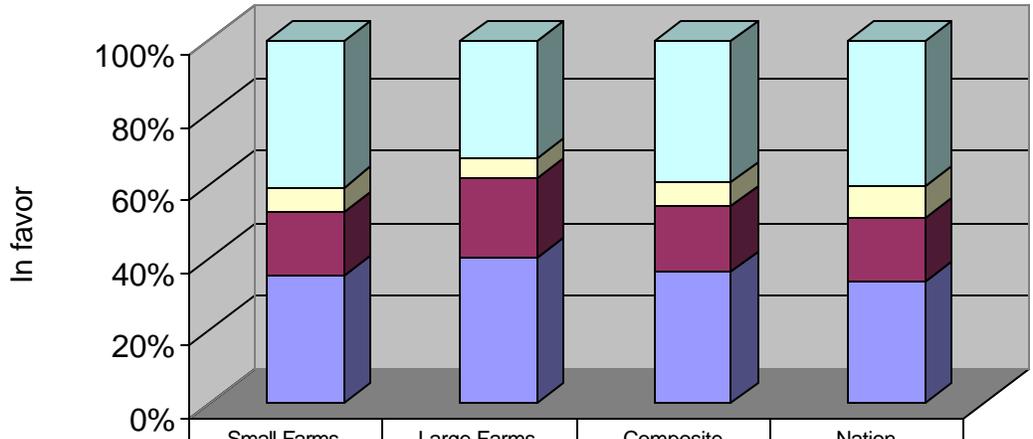


Figure 35 illustrates producer preferences for targeting rural credit programs to particular populations. Interestingly large Colorado farmers, who are unlikely to benefit from targeting, are in stronger favor of targeting subsidized credit programs than are small Colorado farmers or the national average. However, such targeting is highly unpopular across farm categories.

Figure 36 graphically illustrates preferences for the targeted audience for credit programs if targeting were to take place. If credit programs were targeted, producers have clear preferences

as to whom they should be directed. Nationwide, producers prefer low-income farmers (63%), as do small Colorado producers (62%). Large Colorado producers (59%) would prefer to target beginning farmers, where this is the U.S. producer's second priority. Small Colorado producers (55%) concur with U.S. producers (53%) that beginning farms would be the second highest priority. The third highest priority for all four areas is new enterprises and diversification (27% to 32%). The least supported audience for directed farm and rural credit programs are socially disadvantaged groups.

**Figure 36: If credit programs were targeted, who should be the targeted audience?**



	Small Farms	Large Farms	Composite	Nation
Low-income farms and rural areas	62	48	60	63
Socially-disadvantaged groups	10	8	10	13
New enterprises and diversification	27	32	28	27
Beginning farmers	55	59	55	53

**Figure 37: Should farm income support programs be modified to target benefits to small farms?**

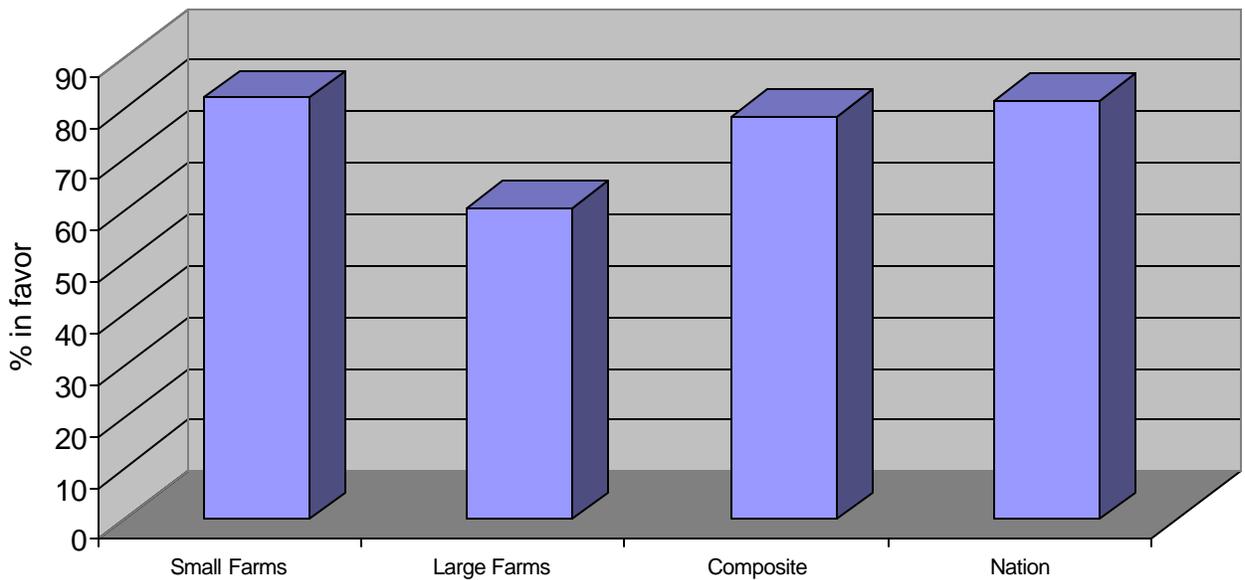
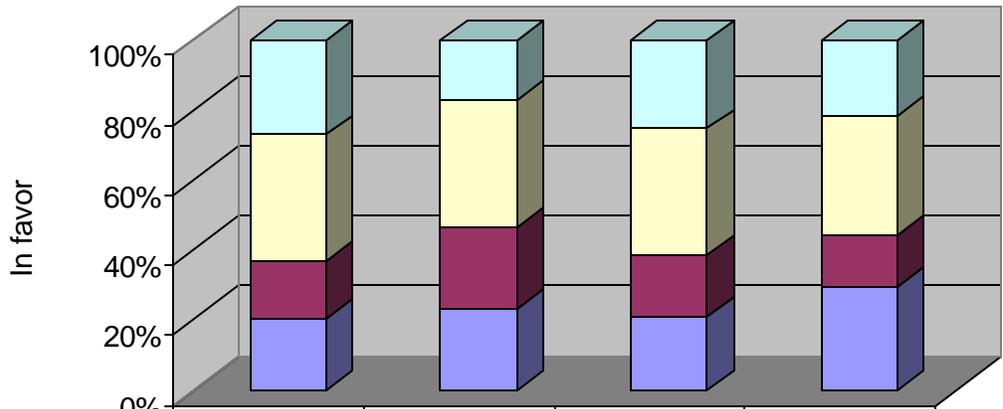


Figure 37 illustrates producer support for targeting farm income support to small farms. U.S. producers (81%) and, understandably, small Colorado producers (82%) are strongly in

favor of targeting small farms for program support. Large Colorado producers (61%) fell well below the national average in support of directing income payments toward small farms.

**Figure 38: If support programs were targeted, on what main criterion should farms be classified for targeting?**

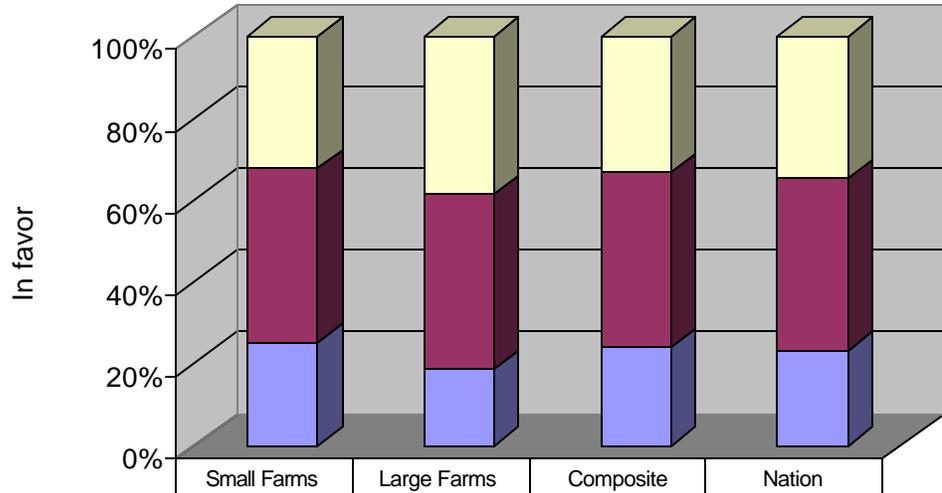


	Small Farms	Large Farms	Composite	Nation
□ Farm and non-farm household income	27	17	25	21
□ Net farm income	36	36	36	34
■ Gross farm sales	16	23	18	15
■ Acreage farmed	21	23	21	30

Figure 38 reflects producer preferences among four alternative criteria for directing farm income support payments. The most popular response, garnering more than 1/3 of responses across respondent categories, was net farm income. Small Colorado farms ranked total household income 2<sup>nd</sup>, acreage farmed 3<sup>rd</sup>, and gross farm sales 4<sup>th</sup>. In contrast, large Colorado farmers were equally supportive of gross farm

sales and acreage farmed and least supportive of total household income as the appropriate criterion from which to classify farms for federal income support. Nationwide, acreage farmed ranked 2<sup>nd</sup>, total household income ranked 3<sup>rd</sup> and gross farm sales was the least preferred classification criterion.

**Figure 39: What should be the policy of the government regarding concentration of agribusinesses?**



	Small Farms	Large Farms	Composite	Nation
Strengthen antitrust laws to reduce concentration in all agribusiness sectors	32	38	33	35
Enforce existing antitrust laws and review impacts on markets and competition before approving mergers or acquisitions	43	43	43	42
Let market forces guide industry consolidation by reducing government antitrust regulation	25	19	24	23

Figure 39 graphically illustrates producer preferences for policies addressing the concentration of agribusinesses are consistent across categories. More than two of five producers in each category preferred the active enforcement of existing antitrust and legislative

review processes to greater or less stringent regulation of the industry. Approximately 1/3 of producers favored strengthening antitrust laws to combat concentration in the agriculture sector while 1/4 or fewer producers preferred a more laissez faire approach to the concentration issue.

**Figure 40: What should be the policy of the government regarding agricultural market information and reporting**

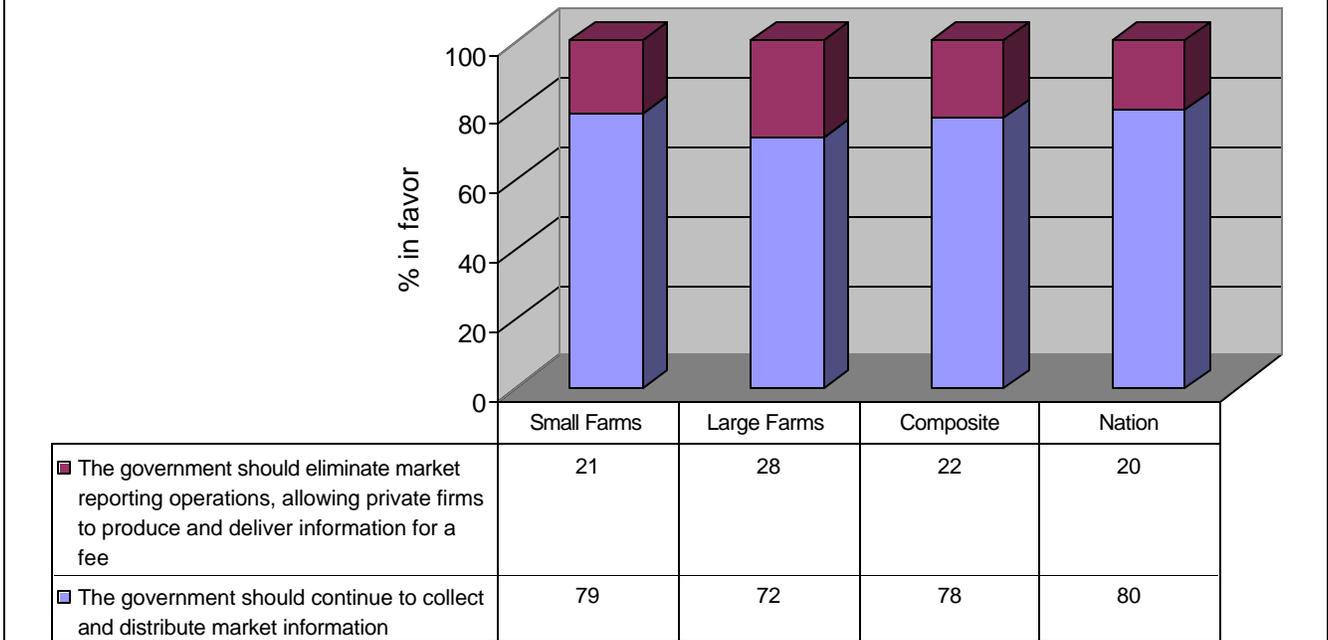
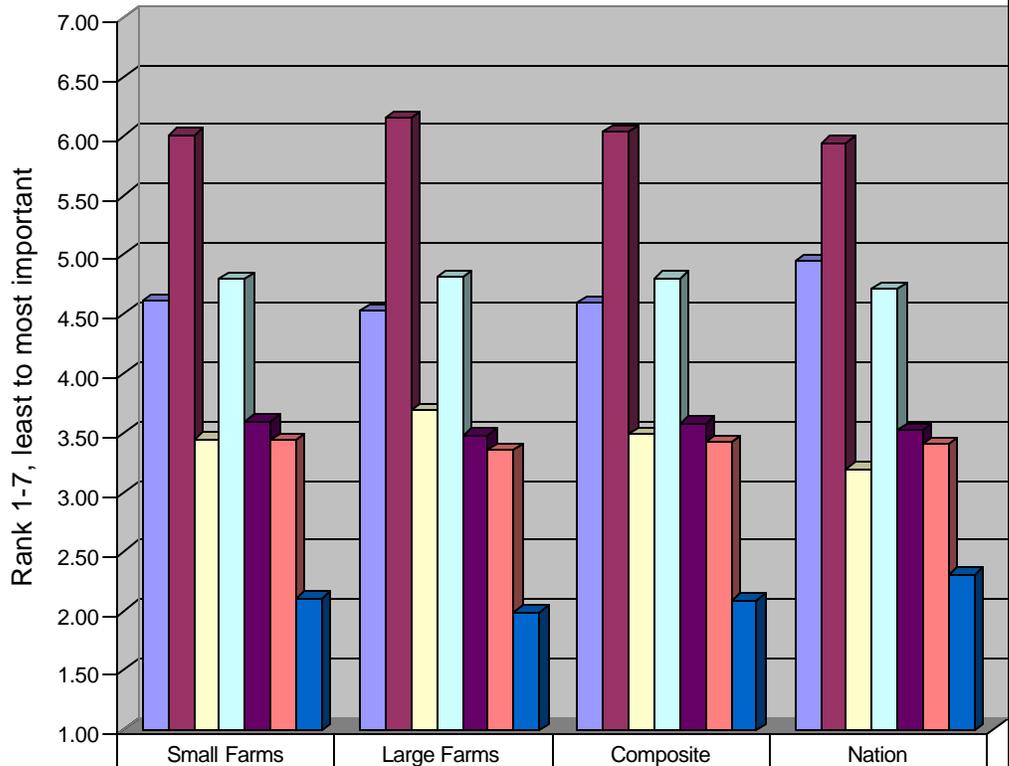


Figure 40 shows producer preferences for agricultural marketing information and reporting. All producer categories strongly favored the government’s continued role in providing market information to privatization of market information services. Large Colorado farms (72%) were somewhat less supportive of government information provision than small Colorado farms (79%) and national averages (80%).

Figure 41 shows producer rankings the importance of seven labor issues. All Colorado producers agreed with the national average regarding the most (workforce availability) and the least (worker unions and collective

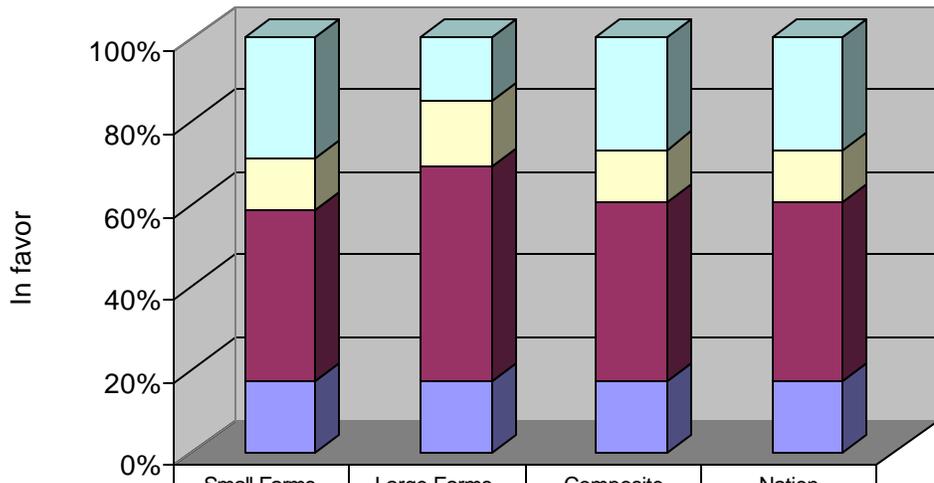
bargaining) important labor issues among the seven options. Moreover, all producers somewhat similar to national averages in ranking the relative importance of the other five labor issues: labor and human resource management (2<sup>nd</sup> nationwide, 3<sup>rd</sup> in small, large), availability of seasonal labor (3<sup>rd</sup> nationwide, 2<sup>nd</sup> in small and large), community impacts of immigrant workers (4<sup>th</sup> nationwide, 5<sup>th</sup> in large farms), independent contractors versus employees (5<sup>th</sup> nationwide, 6<sup>th</sup> in small and large farms), and foreign guest worker programs (6<sup>th</sup> nationwide, 4<sup>th</sup> in large farms, 5<sup>th</sup> in small farms).

**Figure 41: What are the most important labor issues in agriculture?**



	Small Farms	Large Farms	Composite	Nation
■ Labor and human resource management	4.61	4.53	4.60	4.95
■ Workforce availability	6.01	6.15	6.03	5.94
□ Foreign guest worker program	3.45	3.69	3.49	3.19
□ Availability of seasonal labor	4.80	4.81	4.80	4.71
■ Community impacts of immigrant workers	3.60	3.48	3.58	3.53
■ Independent contracts versus employees	3.44	3.35	3.42	3.41
■ Worker unions and collective bargaining	2.11	1.99	2.09	2.31

**Figure 42: What should be the government policy regarding commodity promotion and research checkoff programs?**



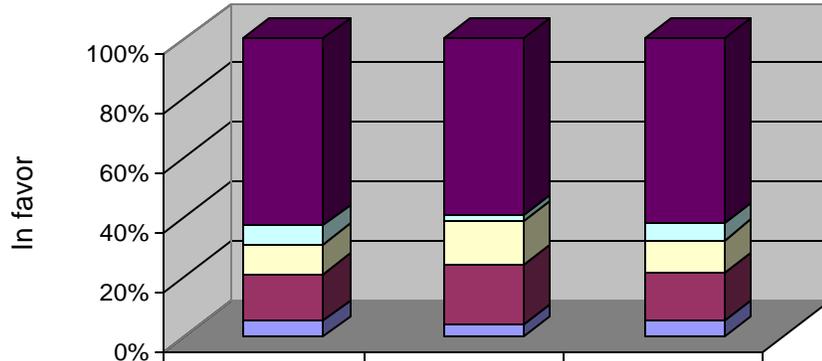
	Small Farms	Large Farms	Composite	Nation
□ Checkoff programs should be eliminated	29	15	27	27
□ Checkoff programs should be subject to referendums by petition or at the Secretary of Agriculture's discretion at any time	12	16	13	12
■ Checkoff programs should be subject to mandatory referendums at 5-year intervals	41	52	43	43
■ Checkoff programs should become permanent upon a vote of producers	17	17	17	17

Figure 42 graphically illustrates producer opinions of what should be the future of federal commodity promotion and research check off programs. Here again, Colorado producer's rankings were parallel to national rankings of alternatives and the relative strength of preferences was also quite similar. Respondents, including national producers (43%), though not a majority, except in large producers (52%), agreed that check off programs should be subject to mandatory referenda at 5-yr intervals. The second most popular response for U.S. producers (27%) called for the elimination of check off programs, followed by making check off programs permanent (17%). The least popular response for producers (12%) was to leave decisions regarding commodity check off and promotion programs to the Secretary of Agriculture. Large Colorado farms differed

slightly in ranking of preferences from the national average putting elimination (15%) just lower in priority than having the Agriculture Secretary manage such programs (16%).

Figure 43 provides an illustration of Colorado producer opinions on federal estate taxes, which are currently scheduled to be phased out through the year 2011. A majority of small (63%) and large (59%) Colorado producers prefer the elimination of estate taxes. If elimination were infeasible for some reason, the second leading policy option among Colorado producers was a general increase in exemption levels followed by an increase in income exemption levels for special classes of estates, presumably including agricultural or land based estates. The status quo and reductions in the estate tax rate were the least preferred options among Colorado producers.

**Figure 43: What should be the government policy regarding estate taxes?**



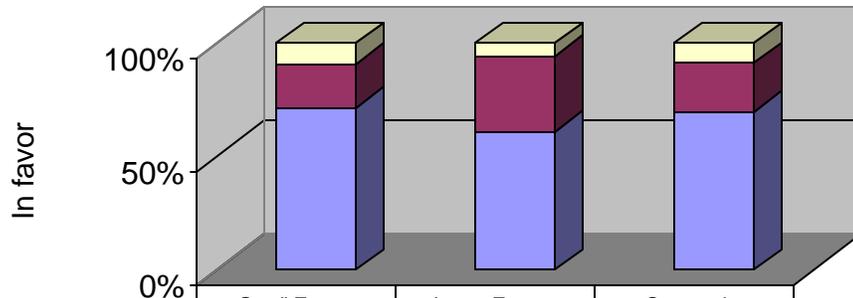
	Small Farms	Large Farms	Composite
Eliminate estate tax provisions	63	59	62
Lower marginal estate tax rates	6	2	6
Raise exemption levels only for special classes of estates	10	15	11
Raise general exemption levels to allow larger estates to avoid estate taxes	16	20	16
Maintain estate taxes	5	4	5

**Research, Extension, and Education**

Figures 44-46 highlight issues regarding public investment, targeting, and new technology in research, extension and education from land

grant universities. These questions were presented to only a select few states and the results highlight only small and large farms in Colorado.

**Figure 44: What should be the policy regarding public investment in research, extension, and education activities at public universities that results in new technology?**

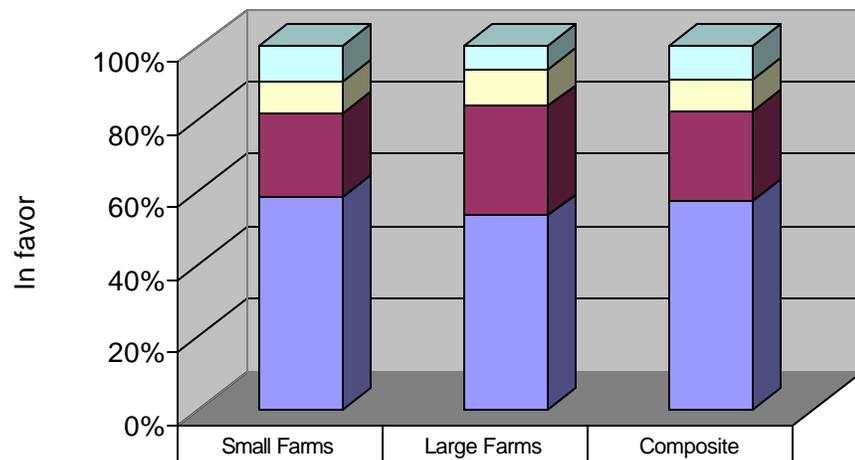


	Small Farms	Large Farms	Composite
Public funding of research activities at public institutions should be reduced or eliminated	9	6	9
Allow university patents and licensing	19	33	22
Make public domain	72	61	70

Figure 44 depicts Colorado producer opinions regarding public investment in research, extension, and educational activities at public universities that result in new technologies. Overall, the vast majority of Colorado producers prefer that new technology resulting from public investment in research activities remain in the public domain (70%), posing a potential fundraising challenge for public universities.

Among Colorado producers, small farms provided the strongest support of this option (72%). The second highest support, particularly among large Colorado operations (33%), was lent to the option of allowing universities to patent and license technological advances they may generate. The least preferred option was to reduce or eliminate public support of research at public universities.

**Figure 45: What should be the policy regarding public funding for research and extension activities in the land grant university system?**

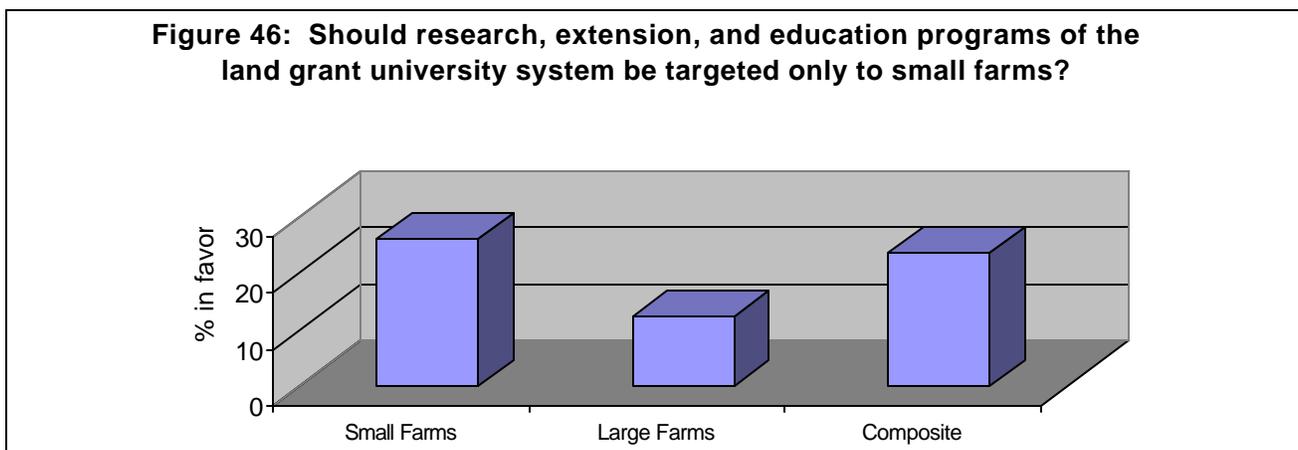


	Small Farms	Large Farms	Composite
□ Eliminate federal funding for research and extension programs	10	6	9
□ Shift federal research and extension funding to competitive funding programs	9	10	9
■ Increase federal formula funds for research and extension	23	30	24
■ Maintain current mix of federal formula funds and competitive grants for research and extension	58	53	57

Figure 45 reveals producer preferences for federal policy related to public funding for research and extension activities at land-grant universities. Across farm categories, more than 80% of Colorado respondents prefer maintaining or increasing federal formula funds for research and extension at public universities to the elimination or shifting of funds toward competitive funding programs. The majority and most preferred option across categories was to maintain the current mix of federal formula funds and competitive grants for research and extension programming. The second most preferred alternative, garnering between 1/4 and 1/3 of responses, was to increase formula funds as opposed to competitive funding programs. About 1/10 of respondents favored shifting

formula funds to competitive grants programs and a similar proportion favored the elimination of federal funding for research and extension programming at public universities.

Figure 46 represents producer responses on the issue of targeting research, extension, and education programs of the land grant university system to small farms. Consistent with producers' opinions regarding targeting of federal farm assistance programs, responses from both large and small farms demonstrate little support for targeting. Not surprisingly, small farms (26%) provided the greatest support for this policy option, while only 12% of large farm respondents supported targeting land grant university programs to small farms.



### Demographics of respondents

Survey respondents were asked 11 questions requesting demographic information covering age, farm sales, sources of income, percentage of income earned from farming, education, program participation, land owned, organizational membership, use of risk management tools, and aspects of farm

operations. Colorado farms responding to this survey totaled 1,064, which included 723 small farms and 293 large farms. Some 48 respondents did not provide farm sales information in their returned surveys. Figures 47-60 review Colorado survey respondents' demographic characteristics.

**Figure 47: What is the age of the principal operator of this farm or ranch?**

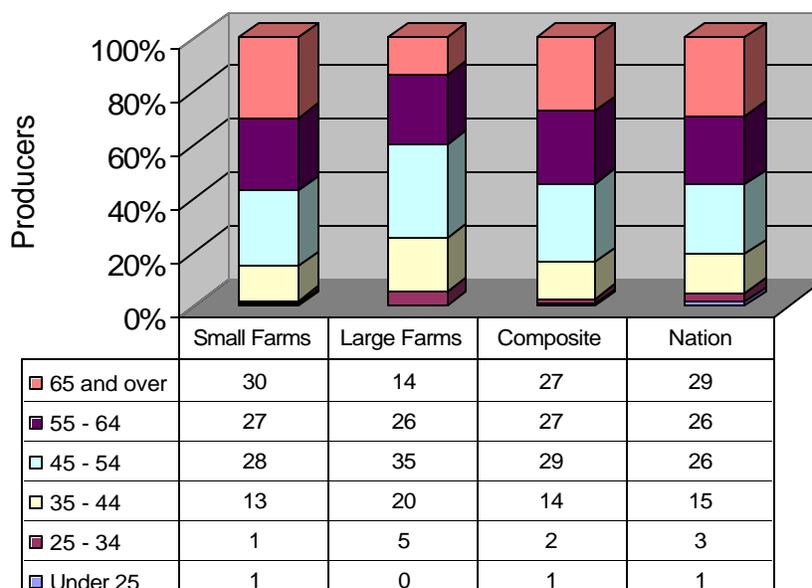
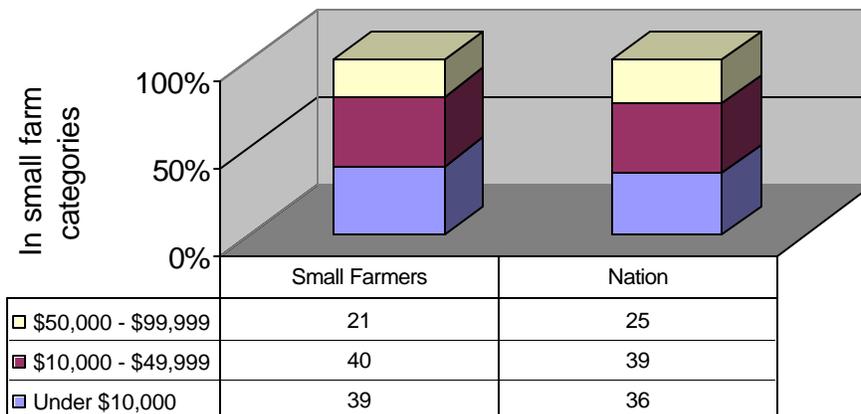


Figure 47 represents the age of Colorado farm operators responding to this survey. The statewide results closely parallel national responses. Small and large farm respondents reveal some differences for principal farm operator's ages within the state. In Colorado, farm operators over the age of 65 are more than twice as likely to be operators of small farms (30% versus 14%). More than 1/3 of large farm

operators are between the ages of 45 and 54 and more than 1/2 are between 35 and 54, somewhat counter to the conventional wisdom regarding the advancing age of Colorado farmers and ranchers. This information may come from a different "spin" on the same information; some 75% of large farm operators in Colorado and 85% of small farm operators are over the age of 45.

**Figure 48: What is the approximate average annual gross sales from your farm in recent years, including government loan program benefits?**

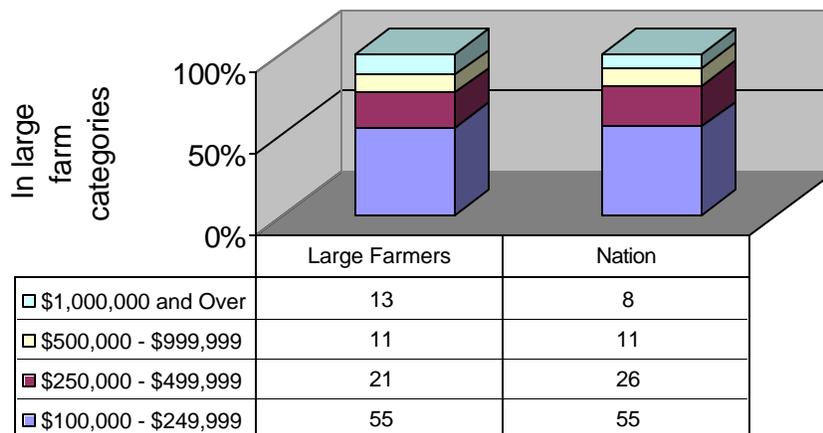


Figures 48 and 49 show the approximate average gross income from farm operations including government payments. Figure 48 indicates the responses among producers with average gross farm income for farms with \$99,999 in sales or less.

Figure 49 includes producers with \$100,000 or more in farm sales. Some 79% of small farms report less than \$50,000 in gross annual farm sales, whereas the national average is 75%. Colorado producers in the \$50,000-\$99,999 category make up 1/5 of small farm responses compared to 1/4 nationwide. Within Colorado and the nation the most producers in the small

farm category report between \$10,000 and \$50,000 in annual average gross farm sales. Colorado mirrors the national responses for sales within the large farm category. A majority of large farm respondents report less than \$250,000 in annual gross sales. About 1/5 of Colorado large farm respondents and 1/4 of large farm respondents nationwide report sales from \$250,000 to \$500,000 and about 1/4 of Colorado large farm responses and 1/5 of large farm responses nationwide report annual sales of greater than \$500,000. Large farm respondents from Colorado are more likely to have sales of more than \$1,000,000 (13%) than the national average of 8%.

**Figure 49: What is the approximate average annual gross sales from your farm in recent years, including government loan program benefits?**



**Figure 50: What percent of your total farm or ranch cash receipts in recent years came from the following sources?**

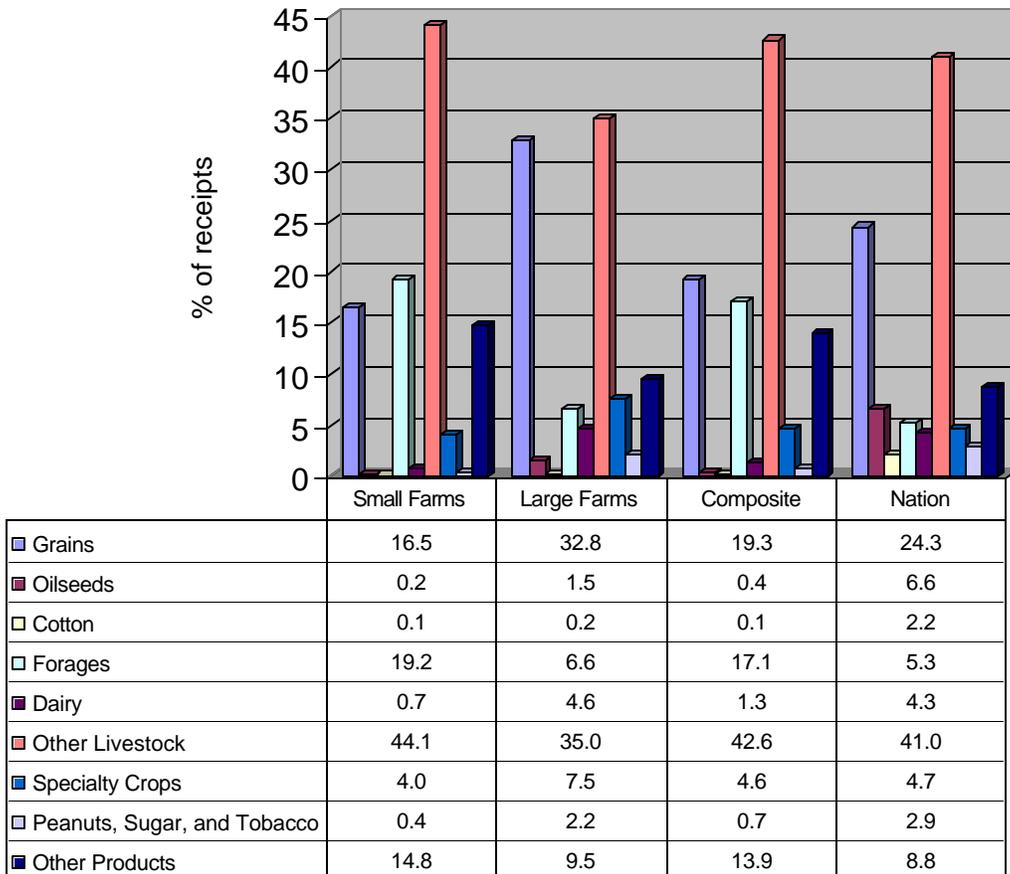
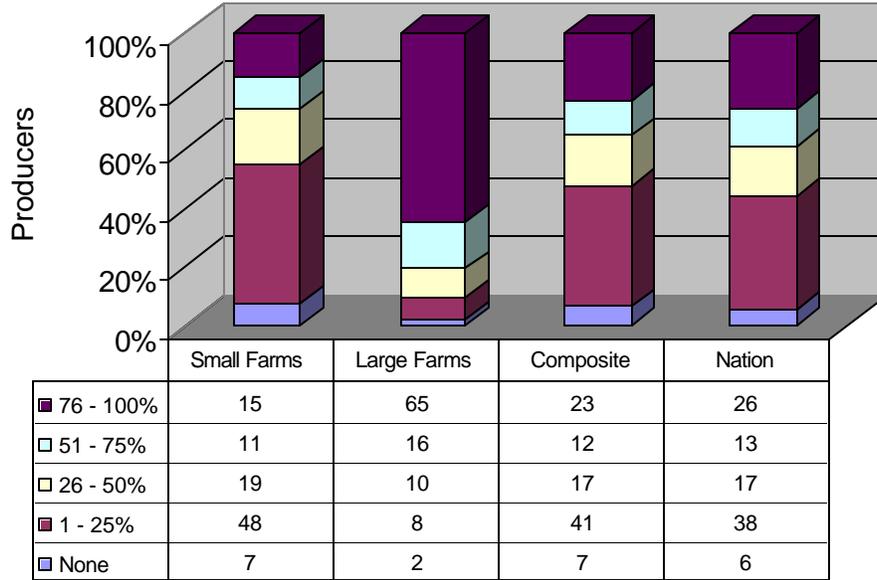


Figure 50 illustrates the proportion of cash receipts derived from separate sources of farming and ranching activities. Livestock comprised of the majority of cash receipts received for producers nationally (41%) and within Colorado (43%). Small producers in Colorado received a larger percentage (44%) from livestock than large farms (35%). The second largest source of cash receipts in Colorado came from the sale of grains (19%), less than the national average of 24%. Large Colorado farms received a larger proportion of cash receipts (33%) from the sales of grain than small farms (17%). Small farms in Colorado received a much higher proportion of cash receipts (19%) from forages than large farms (7%).

Figure 51 depicts the percentage of family income provided by agriculture among survey respondents. U.S. and Colorado results are consistent across separate percentage categories. However, large differences are found between large and small producers of Colorado. Almost 2/3 of large producers depend upon farming and ranching for at least 3/4 of their family income and some 81% of large producers within the state receive more than 50% of family income from farming or ranching. In comparison, about 1/4 of small producers receive 1/2 or more of family income from farming or ranching. More than 1/2 of small producers earn 1/4 or less of family income from farming whereas only 1/10 of large producers fall into this category.

**Figure 51: What percentage of your family income is typically earned from farming or ranching?**



**Figure 52: What was the last year of school completed by the principal operator of this farm or ranch?**

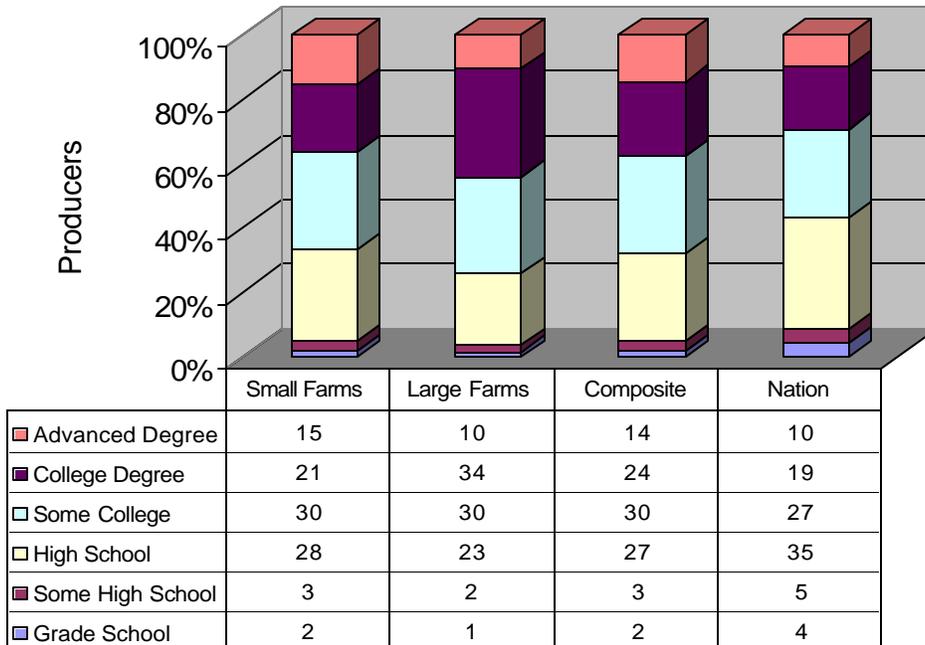


Figure 52 illustrates the level of educational attainment by responding producers within Colorado and nationwide. The general population in Colorado is the second most educated in the nation (to Washington D.C.) with 1/3 of all adults holding a university degree. More than 2/3 of Colorado producer respondents have obtained at least some college

education and more than 1/3 have a college degree, compared to just over 1/2 with some college experience nationwide. Large Colorado producers are more likely to have a college degree (44%) relative to small producers (36%) and the national average (29%). Some 95% Colorado respondents have earned at least a high school diploma.

**Figure 53: What federal farm programs did you receive benefits from or participate in during 2000?**

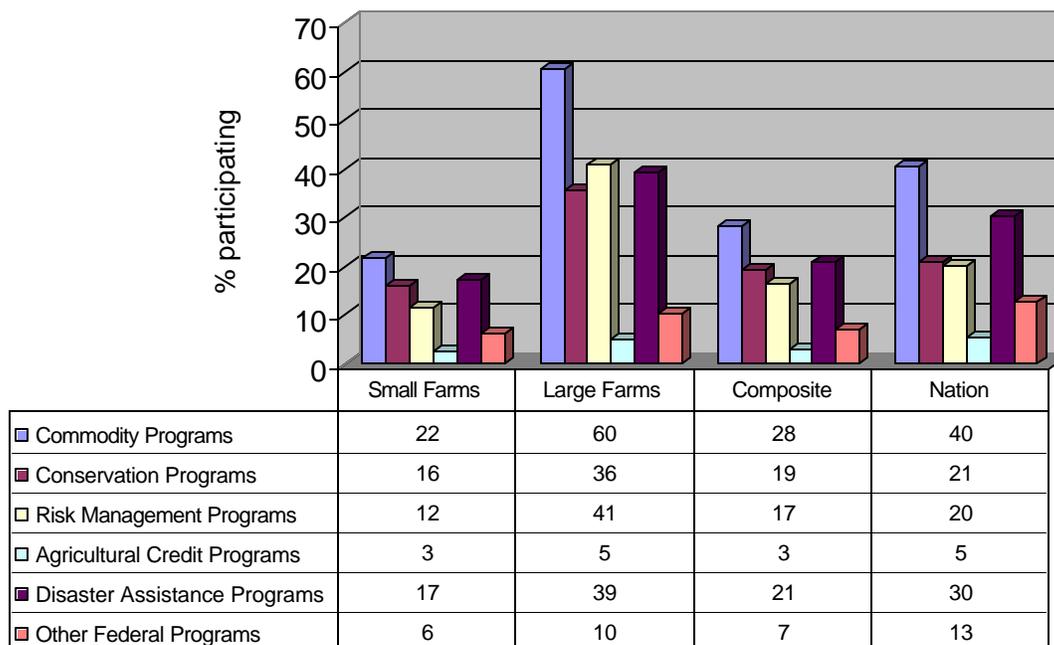


Figure 53 shows what federal programs that Colorado producers have benefited from in 2000. Overall, Colorado producers indicate lower participation for all programs than producers nationwide. While the ordered rank of participation in the various federal farm programs is consistent across respondent categories, distinctions in the rates of participation from large and small Colorado farms and ranches and the national averages are revealed. In most cases, large farm participation rates are double or even triple small farm participation rates within the state. Most

obviously, large Colorado producers' participation in commodity programs (60%) greatly exceeded participation levels for small farms (22%) and national averages (40%). Large Colorado farms indicated particularly strong participation in risk management (41%), conservation (36%), and disaster assistance programs (39%). Low large farm participation in agricultural credit (5%) and other federal programs (10%) most closely paralleled national averages (5% and 13%) and small Colorado farms (3% and 6%).

**Figure 54: What percent of the land that you farm or ranch do you own?**

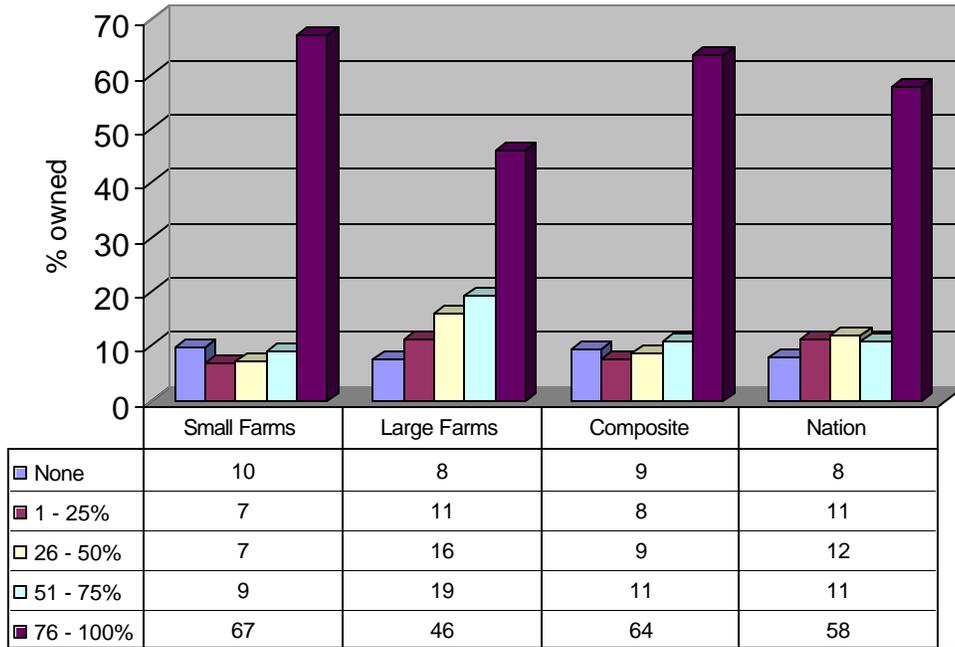


Figure 54 indicates the percentage of land farmers and ranchers own and use for farming practices. In general, more Colorado respondents own  $\frac{1}{2}$  or more of the land they farm (64%) than producers nationally (58%). Three quarters of small producers in Colorado own at least half of the land they farm; where as 65% of large producers own this proportion. Small farmers and ranchers in Colorado are

much more likely to own between 76-100% of the land they farm (67%) than large producers (46%). As a result, it can be expected that the inflationary effect of federal agricultural policies and population growth pressures on agricultural land values in Colorado would be reflected in agricultural lease rates and would, therefore, be more likely to influence large Colorado producers than smaller producers.

**Figure 55: Did you draw on existing farm or personal equity to finance you farm or ranch in the past 3 years?**

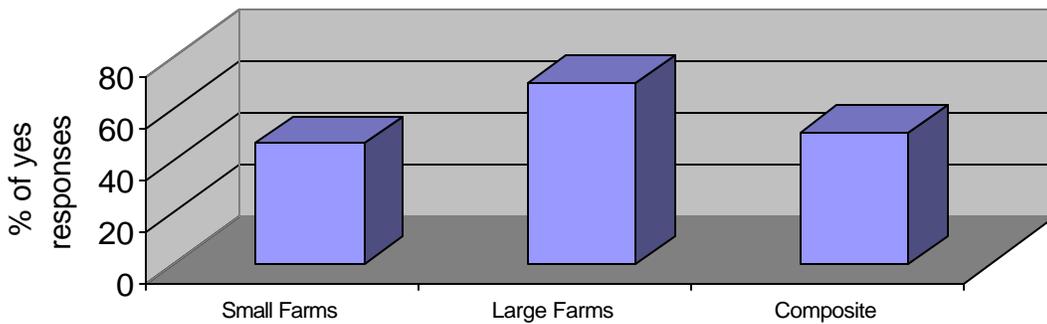


Figure 55 indicates the proportion of Colorado producers drew on personal equity to finance their farm or ranch in the past three years. Large farms in Colorado used personal equity much more extensively to finance their farm or ranch in the past three years (70%) than small farms

(47%), potentially reflecting the greater reliance of large farms on agricultural income as a proportion of total family income. Overall, approximately 50% of Colorado producers have drawn on personal equity within the past 3 years.

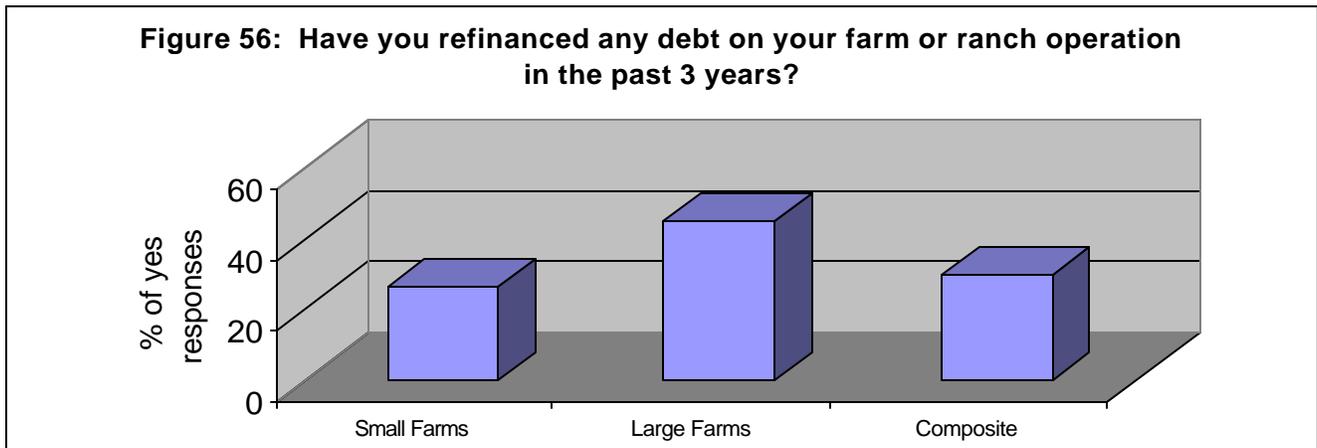


Figure 56 depicts the proportion of Colorado producers that have refinanced any debt on their farm or ranch in the past three years. More large producers have taken advantage of low interest rates in the past three years relative to the

proportion of small producers who have done so. Overall, 30% of Colorado producers have refinanced (45% of large producers and 27% of small producers) in this time period.

**Figure 57: Agricultural organization membership in 2000**

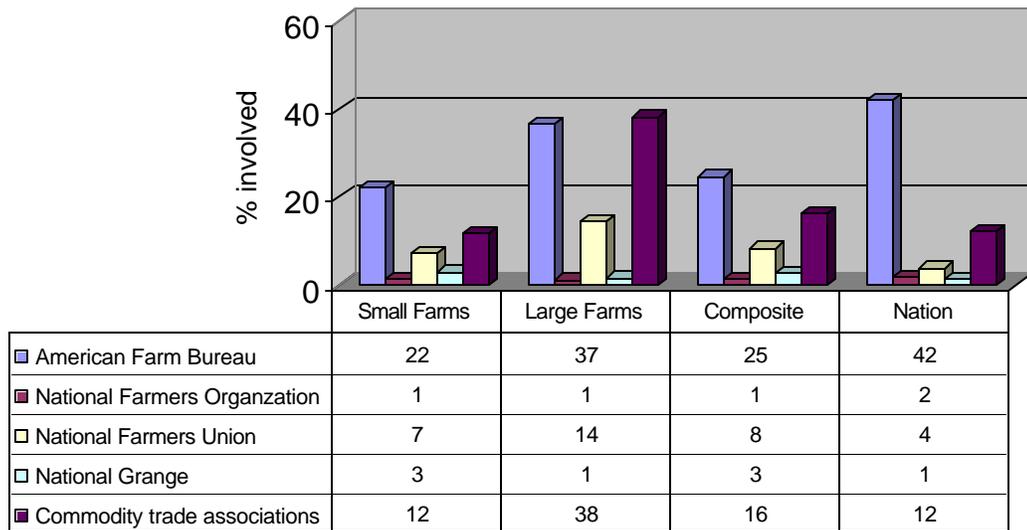
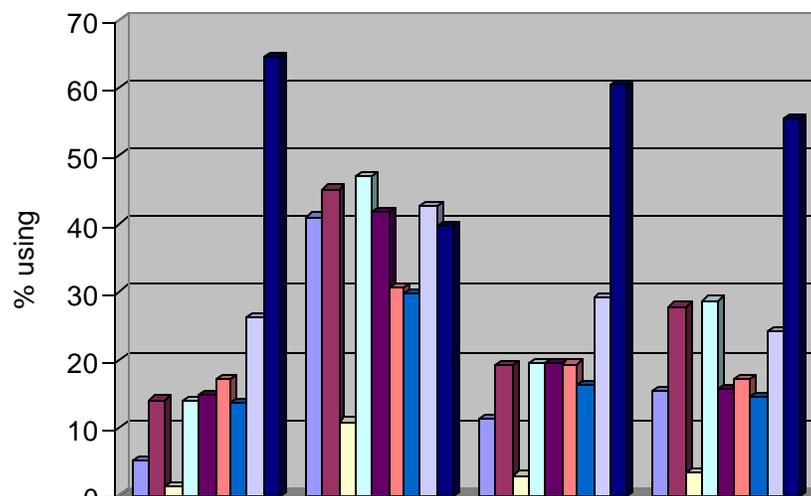


Figure 57 demonstrates Colorado producers' rate of participation in agricultural organizations. While the Farm Bureau is the most popular organization among survey respondents in Colorado, overall participation rates (25%) are low compared to the national rate of participation (42%), whereas Colorado Farmers' Union rates (8%) are double the national average (4%), and commodity and trade associations 1/3 more popular in Colorado

(16%) as is reported nationwide (12%). On average, large Colorado farm membership in farmers' organizations in Colorado is approximately double small farm participation rates and triple for commodity and trade associations. Reported membership in Colorado Farm Bureau versus Colorado Farmers Union fails to definitively illustrate the commonly presumed large farm and small farm orientation of each organization, respectively.

**Figure 58: Which, if any, of the following tools or strategies do you use to manage risk on your farm or ranch?**

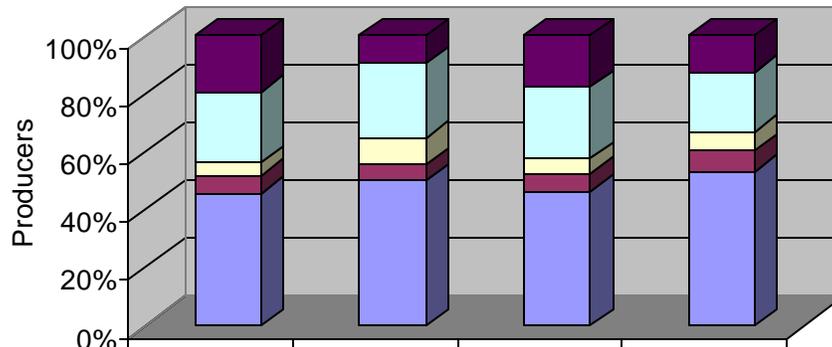


	Small Farms	Large Farms	Composite	Nation
Output Price Hedging	5	41	11	15
Production/Revenue Insurance	14	45	19	28
Input Cost Hedging	1	11	3	4
Grain Storage	14	47	20	29
Diversification	15	42	19	16
Financing or Savings	17	31	19	17
Information from the Internet	14	30	16	14
Management Education	26	43	29	24
Off-Farm Income	65	40	60	56

Figure 58 reports the types of tools used by Colorado producers in order to hedge agricultural risk. The most heavily employed risk management tactic is off farm income for both small producers (65%) in Colorado and producers nationally (56%). The second most commonly used risk management option engaged by small producers is management education (26%), followed by financing or savings (17%) and diversification (15%). Grain storage is the most commonly used tool by large

producers within the state (47%), followed closely by production/revenue insurance (45%) and management education (43%). Between 30 and 40% of large producers in Colorado report use of every risk management alternative available, with the exception of input cost hedging (11%). Large producers in Colorado are taking advantage of a larger portfolio of risk management tools and at greater rates of use relative to small Colorado farms and national averages.

**Figure 59: When I retire, I expect the farm or ranch I operate to be transferred...**



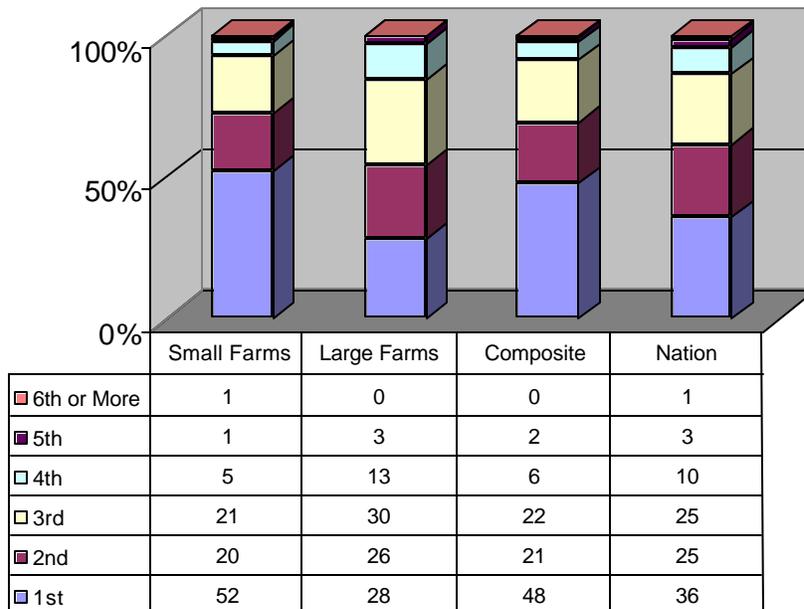
	Small Farms	Large Farms	Composite	Nation
■ To Non-Farm Use	19	10	18	13
□ To Third Party	25	26	25	20
□ To Unrelated Business Partner	4	9	5	7
■ To Relative	6	6	6	7
■ To Children	45	50	46	53

Figure 59 depicts Colorado producers' expectations for the future transfer of their agriculture enterprises. The majority of Colorado producers (46%) and producers nationally (53%) expect to pass the farm to their children. Both large and small Colorado producers (approximately 25%) were more likely to transfer the farm or ranch to a third party, relative to the national rate (20%). Transfers to relatives other than children are consistent for large (6%), small (6%) and national producers nationwide (7%). The most marked distinction between large and small Colorado farm responses was that about 1/5 of small Colorado farmers expect the farm or ranch they operate to be converted to non-agricultural use, twice the large farm rate.

Figure 60 shows the number of generations that a farm or ranch has been in operation. There is some question about respondent interpretation of this question as there is some evidence that some people who responded "1<sup>st</sup> generation" were indicating that their family was the first to

farm the land (potentially several generations ago). However, Colorado results indicate that a larger quantity of 1<sup>st</sup> generation farmers own farms in the state (48%) relative to the national rate (36%). 1<sup>st</sup> generation farmers operate more than half of small farms in Colorado. The second highest proportion of small farm operators is in the 3<sup>rd</sup> generation category (21%), followed closely by 2<sup>nd</sup> generation operation (20%). Large farms are more likely to 3<sup>rd</sup> generation operations, followed by 1<sup>st</sup> generation (28%), and then by 2<sup>nd</sup> generation (26%). Large farms in Colorado under the 4<sup>th</sup> generation of operation (13%) have higher representation than that of small (5%) and producers nationwide (10%). It is highly unlikely for an operation in Colorado to exceed the 5<sup>th</sup> generation of common ownership, which would predate statehood in most cases, accounting for only 2% of small farm operations, and 3% of large farm operations, these both are slightly less than the national 5<sup>th</sup> generation or greater rate of 4%.

**Figure 60: On this farm or ranch, which generation does the current operator represent?**



### Concluding Comments

Results of a national survey of producers' preferences for federal agricultural policy were presented emphasizing Colorado producers' responses. Producers from 27 states representing over 70% of U.S. farm operations participated in the survey. We highlighted responses of large and small farms in Colorado and related them to national composite averages (i.e., farm with sales less than or greater than \$100,000 were weighted according to 1997 Census populations).

The Farm Bill has historically made principal changes or revisited legislation regarding farm income and price support, conservation and environmental policies, and rural development programs every five years. The current Farm Bill expires September of 2002. By comparing and contrasting responses of Colorado to the rest of the nation, issues of common interest were identified as well as issues upon which producers within Colorado differ in their policy preferences and views. Similarly, a comparison within the state between large and small farms

provided the opportunity to identify common ground not afforded by national or regional averages.

While Colorado is often thought to be less supportive of government involvement in agriculture, relative rankings were quite similar between Colorado and U.S. regarding producer preferences for federal farm policies. The majority of producers prefer to maintain or continue funding for farm income support through commodity programs. Producers from Colorado and U.S. would like to see more incentives for conservation and environmental attributes of agricultural lands like water quality, production of fuels from crops and other biomass, and farmland preservation. In addition, producers nationwide expressed more support for the Conservation Reserve Program in 2001 than in a prior 1994 survey. Most producers feel that they benefit from international trade and they would like to see the U.S. pursue continuation of free trade agreements, although the benefit of trade negotiations is believed to be of lesser importance than international trade

itself. Colorado producers were 97% in support while the nationwide producers were 98% in favor of country of origin labeling on food products.

Age demographics from 1992 and 2000 census data indicate that farmers and ranchers are getting older and that it has been increasingly difficult for production agriculture to attract young managerial talent. This trend has occurred in spite of large commodity farm program payments. While both large and small producers feel that if program payments are targeted that they should be targeted at small farms, large farms currently receive the majority of commodity program payments since they based upon gross sales, historical yields and/or planted acreages. Thus, without a significant restructuring of the distribution criteria for current farm commodity payments, small farms will most likely continue to diminish in rural areas as large farms realize cost efficiencies or economies of size by becoming even larger. In addition, despite recent high commodity payment levels, development and other non-farm uses will likely continue to take land out of agricultural production. Results indicate that 18% and 13% of current operators in Colorado and U.S. believe that their land will be converted to non-farm use when they retire.

A wide variety of issues affecting agriculture and rural welfare will be discussed and

addressed in the upcoming Farm Bill. As a result, the Farm Foundation nurtured public policy extension specialists nationwide to produce a document to inform producers and decision-makers regarding the history, status and implications of federal agricultural policy tools and alternatives. The resulting document, entitled *The 2002 Farm Bill: Policy Options and Consequences*, was released in September of 2001 and is available on the Farm Foundation website (<http://www.farmfoundation.org>). In addition, as part of an initiative to provide greater voice to agriculturists in the formation of federal agricultural policy, the Farm Foundation commissioned *The National Agricultural, Food and Public Policy Preference Survey*. The results of this national survey were released on November 5, 2001 and are also available for download at the Farm Foundation website. A companion document, *Western Producers Preferences for Federal Agricultural Policy*, highlighting responses from the West and released in January 2002 is also found on that web site. By placing particular focus on Colorado producer preferences relative to national averages in our report, it is hoped that producers in this state and policy-makers can more readily identify opportunities for collaboration and potential points of departure while making informed decisions on matters of important federal public policy related to agriculture and rural communities.