

Government Payment Limitations:

A Threat to the Agriculture
of Arizona and Especially to
That of Pinal County

by Robert S. Firch*

The success of Arizona's large scale cotton production has been placed in jeopardy by the present threats of limits being placed on government payments to individual farms. The U. S. House of Representatives in both 1968 and 1969 passed legislation which would limit government payments to individual farms to no more than \$20,000. In 1968, the Senate refused to endorse the payment limitation feature, and as of the date of this writing, the Senate appears likely to block the payment limits again in 1969. But, the sentiment in the Congress for payment limits seems to be growing. Relatively few people realize the extent to which the effects of payment limits would be concentrated geographically.

Under the government program for upland cotton for the 1969 crop, producers are paid a price support payment of 14.73 cents per pound of lint on the projected yield of their domestic allotments. The domestic allotment is equal to 65 percent of the total upland cotton acreage allotment on each farm.

Arizona farmers have been very successful in gaining control of and effectively combining large quantities of resources into large, efficient farming operations. Income per Ari-

zona farm leads all other states and surpasses the state with the next largest income per farm by a wide margin.

The accompanying table shows that this large, efficient organization of Arizona farms also has been achieved in cotton production. The average upland cotton acreage allotment per Arizona farm having an allotment is 187 acres, whereas the same average for the entire United States is 32.8 acres. With the exceptions of California with 104.6 acres and Texas with 64.8 acres of cotton per allotment farm, all of the other major cotton growing states have averages of less than 43 acres. Pinal County has an average allotment per farm which is almost twice the size of the state average.

Evidence of the success of these large scale farming organizations is seen in the fact that Arizona farms with 15 to 30 acres of upland cotton allotment have an average projected yield of 1,072 pounds of lint per acre, while farms of 350 to 500 acres have an average of 1,257 pounds and farms with over 1,000 acres of upland cotton allotment have an average projected yield of 1,187 pounds. The decline in yield from the 350 to 500 acre class to the over 1,000 acre class of farm

is probably more than offset in per unit cost of production by additional economies in the purchase of inputs and utilization of machinery.

A publication by the Agricultural Stabilization and Conservation Service titled, *1968 Feed Grain, Wheat, and Cotton Programs: Frequency Distribution of Participating Farms by Size of Allotment or Base*, provided the basis for an analysis of the effects of payment limitations on the United States. Pinal County was selected for more detailed study because it has larger allotments per farm than other Arizona counties and each of its 430 allotment farms was studied individually. The results reported in the accompanying table are definitely lower limit estimates of the effects of payment limitations since they ignore the fact that many of these farms grow American-Egyptian cotton and other crops that also receive direct government payments. The analysis also ignores the fact that some of the larger farms may also grow cotton in other counties in addition to Pinal.

Table 1 shows for the United States, Arizona, and Maricopa, Pima, Pinal and Yuma Counties the number of acres of domestic allotment.¹ This

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Table 1. Effects of Government Payment Limitations on Upland Cotton Production for the U.S. and Principal Cotton Growing Counties for Arizona.

	UNITED STATES	MARICOPA COUNTY	PIMA COUNTY	PINAL COUNTY	YUMA COUNTY	ARIZONA
Cotton Allotment acres per farm	33	194	383	292	152	187
Acres of domestic allotment	9,248,768	80,961	13,951	82,021	21,814	214,347
Maximum Payment per farm	<i>Acres Excluded From Payments</i>					
\$10,000.	1,495,780	53,291	10,353	61,347	15,193	143,459
20,000.	769,592	37,990	7,929	47,468	11,400	105,875
30,000.	514,617	29,181	6,434	36,154	8,965	81,224
40,000.	433,680	23,315	5,407	29,813	7,347	66,123
50,000.	336,555	19,106	4,685	24,545	6,175	54,695
Maximum Payment per farm	<i>Percent of Domestic Allotment Qualifying for Payments</i>					
\$10,000.	83.8	34.2	25.8	25.1	30.3	33.1
20,000.	91.7	53.1	43.2	42.1	47.7	50.6
30,000.	94.4	63.9	53.9	55.9	58.9	62.1
40,000.	95.3	71.2	61.2	63.6	66.3	69.2
50,000.	96.4	76.4	66.4	70.0	71.7	74.5

is the maximum number of acres eligible for payments with no restrictions on maximum payments per farm. The next section of the table shows the number of acres excluded from payments by payment limitations of \$10,000 to \$50,000 per farm. It can be seen that a limit of \$20,000 per farm would exclude over three-quarters of a million acres of upland cotton from payments for the entire United States. The acres excluded for Arizona and Pinal County at the same payment limit level would be about 106,000 and 47,500.

The bottom section of the table gives the percent of the domestic

¹ Cochise, Graham and Greenlee County data is omitted from Table 1 because these counties were found to not be substantially affected by payment limitations. A more detailed report may be obtained by writing to the author, Dr. Robert S. Firch, College of Agriculture, University of Arizona, Tucson, Arizona 85721.

allotment qualifying for payments at various payment limitation levels. With a \$20,000 per farm limit, over ninety percent of the domestic allotment for the United States would still qualify for payments. For the state of Arizona a little over half would still qualify, while in Pinal County only a little over forty percent of its domestic allotment would still qualify for payments with a \$20,000 limit. It is clear from this table that Arizona would be affected a great deal more by payment limitations than the United States as a whole, and Pinal County would be affected significantly more than the state of Arizona as a whole.

To the extent that cotton growers still found it profitable to grow cotton on the land without the direct government payments, the effect of payment limitations would be borne al-

most entirely by the owners of the land excluded from payments. In the current crop year the difference between the total allotment and the domestic allotment is not eligible for government payments if either planted or not planted in cotton. Apparently, a large number of cotton growers in Pinal County found it unprofitable to grow cotton without the direct government price support payments because only forty percent of the land that could have been planted in cotton in 1969 without the payments was actually planted. Of this land not planted to cotton, about half was planted to other crops and half remained idle. It appears then that payment limitations would result in substantial reductions in land planted in cotton and substantial effects on firms supplying inputs used in cotton production, as well as local merchants in cotton growing areas of Arizona.

Table 2. Number of Farms Receiving Various Size Payments for Upland Cotton.

Dollars paid per farm	Cochise	Graham	Greenlee	Maricopa	Pima	Pinal	Yuma	Arizona
0-\$10,000.	155	138	47	301	11	116	102	870
10- 20,000.	24	19	3	142	19	92	40	339
above 20,000.	14	2	0	199	26	225	79	545
Total	193	159	50	642	56	433	221	1,754