**Deliberating in a Democracy Minnesota Issues**

**Question: Should the United states continue the farm subsidy program?**

**Background**

The federal government provides a “safety net” to farmers to ensure a stable food supply for the country and to help farmers through the variations in agricultural production and profitability from year to year – variations due to weather, market prices, and other factors. However, this support is highly skewed toward the five major “program” commodities of corn, soybeans, wheat, cotton and rice (about 70% of total subsidies to these five). A handful of other commodities also qualify for government support, including peanuts, sorghum and mohair, though subsidies for these products are far smaller. Dairy and sugar producers have separate price and market controls that are highly regulated and can be costly to the government.

Despite the possible long-standing goal of ‘preserving the family farm’, the vast majority of farmers do not benefit from federal farm subsidy programs. Small commodity farmers qualify for little financial support, while producers of meat, fruits, and vegetables are almost completely left out of the subsidy program. (The latter can sign up for subsidized crop insurance and often receive federal disaster payments.)

Ten states….Texas, Iowa, Illinois, Kansas, Minnesota, North Dakota, Nebraska, California, South Dakota and Missouri accounted for 56 percent of total subsidies in 2009. In terms of farmers, just 10 percent collected 74 percent of all subsidies. The Top 10% received an average of $29,700 per year between 1995 and 2009.

**Subsidy Elements**

The subsidized crops benefit from an increasingly complex layering of subsidy programs begun in the 1930s and altered many times since. The primary subsidy system today consists of the following elements:

* **Direct payments** are paid at a set rate every year regardless of conditions. The payments are based on a formula involving the historic production on a given plot of land in 1986. This set payment goes to the current landowner or farm operator every year. This program costs the government about $5 billion per year.
* **Counter-cyclical payments** are triggered when market prices fall below certain thresholds. Congress sets price targets for each of the crops that are included in the program, and when prices drop below those targets, farmers receive a government payment. These payments have declined from about $4 billion in 2005 to $1.2 billion in 2009, because crop prices have been higher than average over those years.
* A new **revenue assurance program** provides for overall profitability for a given crop;
* **Marketing loans** offer very favorable terms whereby farmers can realize tremendous gains through loan deficiency payments (LDPs) and commodity certificates;
* **Disaster payments** recoup large losses due to natural phenomena…..and the government subsidizes crop insurance to further insulate farmers from risk.

**NO**

**YES**

The percentage of the “Farm Bill” that is a safety net for our farmers is only about 34% of the total farm bill. 66% of the farm bill is going to what is called “domestic nutrition programs’ because broad program coverage is needed to get a YES vote, as more members of Congress come from more urban areas than farm belt states.

Less than 2 percent of the nation’s population is now involved with production agriculture. Yet, this small group is charged with providing the nation’s food and fiber needs, plus exports which lowers our trade deficit.

Currently, agriculture’s share of federal spending is just 3.2%.

National ‘food security’ is a critical part of our national defense.

Subsidies are the only guarantee farmers have that they will receive income in bad times and at least receive enough to exist.

Subsidies provide consumers with food at some of the relatively lowest costs in the world. On average, Americans only spend 10% of their average disposable income on food each year.

The farm program helps keep small communities and rural areas viable by supporting a population large enough to support schools, health care facilities, and other community services.

Farming is incredibly risky, capital intensive and economically challenging as a business. Every piece of equipment, seed, ton of fertilizer and chemicals used has doubled, tripled or quadrupled in price since the 1950’s. Commodity prices have not.

U.S farm subsidies were once intended to help farmers ride out variations in their markets. Since then, they have become a massive part of the federal budget, costing taxpayers billions per year.

Because the largest farmers get the most government aid, aid further enriches profitable farms. This system fails to support small farms and creates tougher competition for them.

It is hard to direct payments to farmers who really need aid because enforcement of eligibility requirements is very hard. A 2004 Government Accountability Office report detailed multiple instances of payments to ineligible parties who did not qualify for government assistance.

Although the Obama administration has vowed to modify the program, and Agriculture Secretary Tom Vilsack is now in the process of changing the rules for 2010 recipients, the specifics of these changes have yet to be established.

Large farmers have political clout and will have undue influence on the modification of the rules governing who gets the money.

Today, family farms netting up to $2.5 million after expenses receive government checks. In recent years, Sam Walton’s heirs, Paris Hilton’s grandfather, Microsoft’s Paul Allen and Ted Turner all have received farm subsidies.

Economies of scale give the corporate farmers a big advantage over small farmers, but the subsidies magnify the advantage and drive up the price of farmland by up to 30%.

Small farmers can’t afford to buy more land to grow more crops to make more money. Instead, the larger entities often buy up struggling, small farms, turning the owners into rent/tenant farmers.

**Information Sources:**

U.S. Department of Agriculture

MN Council on Economic Education

Environmental Working Group

American Farm Bureau ‘Farm Facts’

Helium – US Politics (www.helium.com): Should American farmers continue to receive government subsidies?