U. S. CROP SUBSIDIES

Born in the 1930's during the Great Depression, crop subsidies were originally a deliberate policy of the government to preserve the nation's food supply and help support the 25% of the population then living on farms. At that time, there were 6.8 million farms in the U. S., and they were small and diversified in what they produced. The subsidies were mostly loans and direct payments to cover crop losses.

Today, there are many fewer farms, only 1-2% of the population lives on farms, and farms have generally become larger and tend to raise only one crop. In recent years, crop subsidies have been extended to cover what is sometimes referred to as "Food, Fuel, and Fiber." Federal Commodity Programs are "a combination of loan programs and direct payments (subsidies) to farmers intended to ensure that U. S. farms and ranches produce annually adequate quantities of what the USDA considers to be essential farm products." Between 1995 and 2012, the government spent $292.5 B on various subsidies for agriculture. Of this, $177.6 B was for commodity subsidies, $53.6 B was for crop insurance subsidies, $38.9 B in conservation subsidies, and $22.5 B in disaster subsidies. During this period, 62% of farmers in the U. S. did not collect any subsidy payment. Seventy-five% of all subsidies were collected by 10% of U. S. farmers. And there has been extensive attention paid to the fact that most of the subsidies went to large, industrial-model farmers.

Government money is used directly for loans to buy farms and farm machinery, disaster assistance, crop insurance (100 crops are eligible for crop insurance, but just four --corn, cotton, soybeans, and wheat-- account for over two thirds of all enrolled acres), price supports for commodity crops, livestock, and dairy farmers, and conservation projects. Indirect support consists of scientific research, statistical updates, educational services, and inspection, legal, and enforcement services. The true costs of government support is probably unknowable because of the overlap of services and expenses, some of which are borne by other departments. For example, the Department of Justice has an entire department which reviews potential anti-trust actions throughout the U.S., including agricultural businesses. It has gone to court over collusion in pricing for agricultural-used chemicals, DNA and seed research, and potential anti-trust violations.

The Farm Bill, an omnibus package of legislation passed by Congress every 5 years or so, has had, up until now, three main areas. For 2002 – 2012:

1. Food stamps and nutrition programs - $470.2B - 72%
2. Income and price support for commodity crops - $133.8B - 22%
3. Conservation incentives - $37.2B - 6%

But these allocations are changing. The trend in recent years has been to move away from the various direct cash aid programs and emphasize instead crop insurance. The 2012,13,14 Farm Bill now under consideration either does away with direct payments at once or phases them out over the next several years. Critics fear that this means less transparency about who will receive the various types of insurance payments since no disclosure is required, an increase in subsidies for the industrial farms, and unanticipated higher costs to the US taxpayer. Some also worry that crop insurance may lead to increased use of marginal farmlands because farmers are paid based on acreage planted.

The 2012 Farm Bill, extended through 2013, and now before Congress, has increased the Crop Insurance amount significantly from previous years. Here is a summary of the House version, which allocates $939.5 billion over the next 10 years and is 629 pages long.

Food stamps and nutrition - 79.2% of the total, $743.9B over next 10 years.

Commodity Programs – 4% of the total, $40.1B over the next 10 years

The Federal Commodity list as defined in the 2008 Farm Bill includes

- **Food grains** – wheat, rice
- **Feed grains** – corn, sorghum, barley, oats
- **Oilseeds** – soybeans, sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, Canola, crambe, and sesame seed
- **Pulse crops** – dry peas, lentils, small and large chickpeas
- **Upland cotton**
- **Peanuts**

Crop Insurance – 9.9% of the total, $93B over the next 10 years

Heavily government subsidized (60% plus) crop insurance premiums to protect farmers from financial devastation from crop failures because of natural disasters such as droughts, frosts, and plant disease epidemics. In 1988, 25% (13.9 million acres) of farmland was covered by the Federal Crop Insurance Program. In 2010, 85% (265.8 million acres) of farmland was covered. In 2012, 500,000 U. S. farmers held $1.4M in crop insurance policies worth over $114B in liability costs to the U. S. taxpayer.

- Conservation – 6% of the total, $56.7B over the next 10 years
- Trade - $3.6B over the next 10 years
- Energy - $243M over the next 10 years
- Miscellaneous - $1.5B over the next 10 year

PROS AND CONS OF SUBSIDIES

Opponents of farm subsidies are legion and vocal. As an example, the conservative Cato Institute lists eight types of farm subsidies, and it is sure that none of them is performing well in its current form. This includes direct payments, marketing loans, countercyclical payments, conservation subsidies, crop insurances, disaster payments, export subsidies, and agricultural research and statistics. Environmentalists are concerned that policies that encourage conservation will be nullified by the expansion of crop insurance, as some farmers will then have an incentive to farm all land available, despite its quality for farming or value as natural habitat. Others worry that current agricultural practices are simply unsustainable in the long run. And the Congressional Research Service reports that some say that "the adoption of expanded farm subsidy programs has undermined U. S. credibility in world trade negotiations, where the United States has called on other countries to reduce their own trade distorting agricultural subsidies."

On the other hand, those who support the crop subsidies say that "commodity programs provide needed support to farmers who otherwise would see plunging incomes and asset (e.g., land) values due to unfavorable and unpredictable price and market conditions worldwide." And, indubitably, the nation has a vested interest in having food available for its residents.

One might reasonably ask how it is that crop subsidies, in all their many current options, have managed to survive with such contentious discussion through the years. The answer lies in the provisions of the Farm Bill, which include sections that attract support from urban representatives because of the connection with food stamps and nutrition, and the support offered by environmentally inclined representatives who appreciate the conservation aspects of the bill. And, of course, those states with strong farming sectors are guaranteed that their representatives will be supportive of some form of safety net for the agricultural economy.