



Farm subsidies a complex mix of financial aid, politics and markets

By RUFFIN PREVOST

WyoFile.com

| **Posted: Thursday, March 31, 2011 8:30 pm**

CODY, Wyo. — Since the 1930s, the federal government has managed an increasingly complex system of subsidies, direct payments, incentives and other financial assistance to American farmers, all with the goal of making the difficult and risky work of farming less volatile and more sustainable, particularly for small, family operations.

But even some who participate in the system concede that it is far from perfect, often producing unintended consequences and counter-intuitive results.

“In some respects, the ag industry is every bit as much a leech in taking what it can get out of the government as any sector receiving money from the government,” said Rep. Hans Hunt, a Newcastle rancher whose family business has received more than \$16,000 in farm subsidies from 2005-08.

Hunt said the payments are necessary to stay competitive with other local farmers who also participate in the subsidy programs, a view expressed by other Wyoming legislators as part of a broader discussion of differing views of federal assistance programs, including farm subsidies and unemployment benefits.

Transparency sought

While Congress continues to struggle to reform the system, some groups are pushing for more transparency in how subsidy payments are reported to the public.

“We’re for a measure of support for farmers. Farming’s tough, and I like to eat. It’s also an economic driver for our country,” said Don Carr, a spokesman for the Environmental Working Group.

Carr’s organization publishes an online database tracking farm subsidy payments to help inform the public about the true cost of the system, as well as how it often disproportionately benefits large, corporate farms. Subsidy programs like direct commodity payments mainly help a narrow range of farmers growing specific crops, and most farmers don’t participate in such programs, Carr said.

The U.S. Department of Agriculture classifies all farm subsidies — even guaranteed farm loans — as “financial assistance.” None of the programs are means-tested, and EWG research has found that from 1995-2009, the largest and richest 10 percent of recipients got 74 percent of all subsidies.

Kent Politsch, chief of public affairs at USDA Farm Service Agency, did not respond to a message seeking comment.

Commodity payments

EWG’s database presents the payments in three broad categories: conservation payments, disaster payments and commodity payments.

Commodity payments include direct payments made to farmers for crops like corn, cotton, wheat, barley and oats, regardless of whether the farmer needs the money. Other forms of commodity payments are tied to market prices and other variable factors. The intent is to smooth out market volatility, but critics charge that commodity payments often amount to needless corporate handouts.

Conservation payments cover a wide range of programs, including cost sharing for developing environmentally sound farming practices or rental payments to farmers who take sensitive lands out of production.

Carr said the EWG database is designed, in part, to show how conservation programs are “constantly getting shortchanged in favor of bigger payments to commodity farmers.”

Disaster payments include funds provided to offset losses from drought, hail, freezes or other devastating events. USDA pays to insure up to 50 percent of a farmer’s crop for free — the farmer pays only a \$100 administrative fee per crop. They may buy additional insurance at subsidized rates.

Costs billions

Critics of farm subsidies, including the conservative Heritage Foundation and libertarian CATO Institute, argue that the system costs taxpayers billions while inflating food prices and ultimately weakening the free-market farm economy.

Supporters say it preserves open spaces, protects family farms and safeguards the nation’s food supply.

Carr said arguments by farmers that they need the system to remain competitive don’t always hold water.

He pointed to a concession made by U.S. trade negotiators last year that requires American taxpayers to funnel \$147 million per year to Brazilian cotton farmers. The deal was struck to avoid more than \$500 million in sanctions set to be imposed against the U.S. by Brazil as authorized by the World Trade Organization. The settlement allows the U.S. to continue subsidizing American cotton farmers, but only as long as the U.S. subsidizes Brazilian farmers, too.

Rep. John Eklund, Jr., a Cheyenne-area rancher who has received \$298,966 in farm subsidy payments from 1995-2009, said he was “not necessarily in favor of the farm subsidy program.”

“I guess I believe at some point in time our people are going to have to decide whether or not they’re going to be a socialist state like Sweden, where you virtually can’t fail,” Eklund said.

According to the Organization for Economic Cooperation and Development, European Union nation farm subsidies are typically more than double those in the U.S. But Sweden is hardly leading the charge to prop up farmers.

In 2007, Sweden was the first country to call for an end to all export, intervention and production farm subsidies among EU member nations.