

MI WATCHDOG

Critics question need for federal farm subsidies

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Michigan farm owners and businesses received \$305 million in federal subsidies in 2017, even though official statistics show agriculture accounts for less than 1 percent of the state economy. Critics say the generous taxpayer support contrasts with other industries that get fewer or no federal handouts but contribute far more to the economy.

The \$305 million in subsidies was released in a report by the Environmental Working Group, which gets its data from the U.S. Department of Agriculture.

When asked about the subsidies, the Michigan Farm Bureau declined to comment, but a representative provided a link to a recent paper by a Michigan State University economist on the economic impact of the state's food and agriculture system. It suggests that when indirect jobs are included, agriculture accounts for more than one out of every six Michigan jobs.

A different impression comes from James Hohman, a fiscal policy analyst at the Mackinac Center for Public Policy. He points to statistics from the U.S. Bureau of Economic Analysis, which show that in 2017, there were 64,860 Michigan residents classified as farmers or farm workers. That amounts to less than 1.1 percent of all Michigan jobs.

Hohman said that several industries play a much larger role in this state's economy while also receiving little or no annual subsidy payments from Washington. In contrast to farming, he said, 680,278 people are employed in the health care industry, 613,291 work for governments, 408,621 people have professional and business service jobs and 255,639 work in finance.

The farming industry, he added, directly added about \$3.1 billion to Michigan's economy – a mere 0.6 percent of the total state GDP. Each of the other industries mentioned accounted for far more of the state's economy: \$89.3 billion for finance, \$66.2 billion for professional and business services, \$53.9 billion for government and \$41.1 billion for health care.

“Every industry is connected to each other and some are more connected to others,” Hohman said. “And if you work in agriculture, it is the most important industry to you. But it's a small part of the total state economy and nowhere close to Michigan's second largest industry.”

His conclusion on the farm subsidies was, “We should look at how to secure our food system without them.”

Chris Edwards, the director of tax policy studies at the Cato Institute in Washington, D.C., told Michigan Capitol Confidential that there is no justification for massive subsidies to U.S farmers.

“There's nothing unique about farming, really,” Edwards said.

Subsidies do nothing to keep food prices down, Edwards continued. The arguments in favor of subsidies tend to be based on the lack of stability and the fluctuation of prices and uncertainty of the products, he said. But, he said, this is not substantially different from a lot of other industries, such as energy and mining, which don't get massive subsidies each year.

"I don't see any reason for any [government] involvement," he said.

The Michigan State University working paper that the Michigan Farm Bureau pointed to was written by William Knudson, a product-marketing economist at the MSU Product Center. He estimated that the farming industry contributed some \$104.7 billion annually to Michigan's economy from 2014 to 2016 and accounted for 805,000 jobs, of which 256,000 were from what he called "indirect or induced effects." The larger jobs figure would mean that agriculture accounts, at least in part, for more than 17 percent of the 4.698 million Michigan jobs reported by the state in September 2018.