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Why do taxpayers subsidize rich farmers?

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Every year, when the data on which farms get which money come out, there are headlines like this, from Bloomberg: “Taxpayers turn US farmers into fat cats with subsidies.” And, every year, there are charts showing that very large farmers — as measured by production — get very big subsidies. There’s no question there.

The question that’s been gnawing at me, though, is whether those farmers are still wealthy once you take the expenses of farming into consideration. After all, sometimes the price of commodities dips below the cost to produce them, and if that’s the case the biggest farmers might be in the biggest holes.

Do farmers with high household income get substantial subsidy money?

You bet they do.

Late last year, the USDA released a report with some household income data — the first I’ve seen. The report doesn’t include all farm bill dollars, but for most of the programs it does include, about half the money went to farmers with household incomes over $150,000. That means billions of dollars, every year, go to households with income nearly three times higher than the median U.S. household income, which was $55,775 that year. (Shout-out to report author Jonathan McFadden, who was immensely helpful in walking me through the data.)

If we look just at commodity payments, which farmers get when either crop prices or farm income goes below a particular level, payouts in 2015 (the last year included in the report) were just over $5 billion — $2.5 billion of which went to $150,000-plus households. (Full disclosure: My own farm has received some payments from the conservation provisions of the farm bill.)

How can we justify giving billions of dollars to relatively high-income Americans? I asked around.

My first stop was the American Farm Bureau Federation, the largest group representing farmers. Dale Moore, executive director for public policy, outlined the function of farm subsidies in general: They’re a safety net and a risk management tool whose purpose is to ensure a stable and affordable food supply, given that farmers have no control over the price of their crops, or the weather. Their income can be spectacularly variable, and they have to buy and maintain extremely expensive equipment. (One reason I prefer household income to total sales as a gauge is that it takes into account debt service.)

We can argue about whether stability and affordability are really on the line (and people do), but the question on the table is a much easier one. Let’s grant that it’s in the public’s interest to provide some kind of safety net and risk management help for farmers. How do payments to farmers in very, very good years jeopardize that mission? After all, an adjusted gross income (AGI) of $900,000 already makes you ineligible for most subsidies (although they still get crop insurance premium subsidies), and the new Trump budget proposes a $500,000 AGI cutoff for virtually all payments.

Moore, who made it clear that the Farm Bureau doesn't support any means-tested limits on payments, made a couple of points. First, if the largest farmers don't get insurance premium subsidies, they might opt out of the system altogether and make it more expensive for everyone else. (If that happened, I think I'd be okay with using some of the money we didn't pay to the very wealthiest to help out the not-so-wealthy.)

Then there was the ideology. Moore told me that taking subsidies away from very successful farms is "social engineering," the equivalent of the government telling you what kind of farm you should have. Let's just say there's not broad sign-off on Moore's take outside farm groups.

There's not even a universal objection to a means-test inside farm groups. The National Farmers Union, a smaller and more left-leaning farm organization, would like to see "more meaningful and realistic" income limits, and a "modest ratcheting down" of the current cap, according to Zack Clark, government relations representative. The union has gone on record supporting a decrease from $900,000 to $750,000.

I asked Clark what he'd tell the owners of the mom-and-pop grocery store, a couple making $75,000 a year (the median income of self-employed households). Do you expect them to be okay with using their tax dollars to subsidize a family making 10 times what they make?

"It's an uncomfortable conversation," he admitted — both between him and me, and among his membership.

Former USDA chief economist Joe Glauber acknowledges that farmers face huge challenges, and some deal with real hardship but pulls no punches about the argument over a means-test at an income level that is farcically unrealistic for most Americans. "There was nothing like the teeth-gnashing that went on when they reduced the [subsidy eligibility] cutoff from a million to 900,000," he said of the political fight over the last farm bill. "But then you have a knockdown drag-out over whether you'll give SNAP payments to someone earning $26,000 instead of $25,000. Give me a break."

Even so, Glauber doesn't like the "fat cat" media angle. "Why pick on the individuals? Get rid of the programs." If the programs are there, no one should begrudge farmers' taking advantage of them.

One of the key questions is what would happen if subsidies were scaled back significantly. Bob Stallman, former Farm Bureau president, was a member of a government commission that sought to answer that question back in 2001. "Within about five years you'd have a restructuring," he told me, "including reduced acres of heavily subsidized crops." And farms would get more efficient — and larger.

"We would not have a national security crisis or a lack of food," he said when I asked him about the larger implications. "They kept trying to put that in my speeches, and I would always take it out," he said of his time at the Farm Bureau.

Stallman dismisses outright the claim that farmers couldn't survive without subsidy money. "Why does the livestock industry survive without subsidies?" he asks. "Why does the specialty crop [fruit and vegetable] industry survive?"

I asked a large farmer of my acquaintance, Ray Gaesser, who grows corn and soy on several thousand Iowa acres, what he would do if subsidies were means-tested at something like $400,000. While he made it clear that he didn't support that idea, he said that his farm "will be competitive; we will adapt."

Which, I guess, is exactly what I'd expect from farmers. In my experience, they're a tough lot, committed to growing food and accustomed to overcoming obstacles. They're also generally right-leaning, with a personal-responsibility, small-government ethos — a demographic characteristic that opens them up to charges of hypocrisy. I think, though, that it's very human to believe that what's in our self-interest as not just good and right and true but also completely consistent with whatever ideology we happen to hold. Heaven forfend that perfect consistency is required of any of us.

Subsidy reduction is an outlier of an idea in Washington because it has what almost nothing does these days — support from the right and left. On the right, groups like the Heritage Foundation and the Cato Institute are finding common ground with left-leaning groups like the Environmental Working Group. Even the Congressional Budget Office, which generally avoids policy prescriptions, has issued a report on how to reduce the costs of crop insurance.

Read that report, and you get a sense of how complicated subsidies are. But step back from the complexities, and I think there's a very simple idea at play here: Most Americans balk at giving hard-earned taxpayer dollars to people who make many times what most Americans do. By all means, let's have a safety net. But, in years when farmers make hundreds of thousands of dollars, I think they're pretty safe already.