

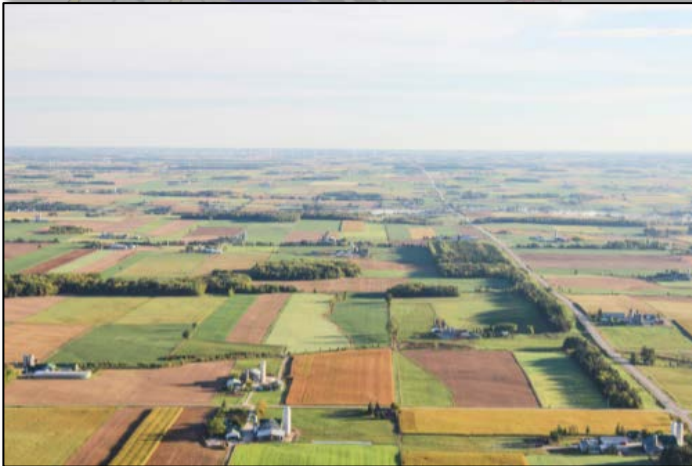
Agriculture

Farmers can receive up to eight different types of farm subsidies: Direct Payments, Marketing Loans, Countercyclical Payments, Conservation Subsidies, Insurance, Disaster Aid, Export Subsidies and Agricultural Research and Statistics.

With billions in subsidies, taxpayers are helping farmers pay their bills even as farm income tops over \$100 billion each year. Farm income has doubled over the years thanks to rising land values and surging exports.

The median income of commercial farm households -- those deriving more than half their income from farming -- was almost 70 percent higher than that of the typical American household.

Although policymakers love to discuss the plight of the small farmer, the bulk of federal farm subsidies goes to the largest farms.



For example, the largest 10 percent of recipients have received 72 percent of all subsidy payments (or \$1+ million each) in recent years. The bottom 80% of policyholders annually collect a few thousand each. Numerous large corporations and even some wealthy celebrities receive farm subsidies because they are the owners of farmland. It is landowners, not tenant farmers or

farm workers, who benefit from subsidies. And one does not even have to be the owner of farmland to receive subsidies: Since 2000 the USDA has paid billions in farm subsidies to people who own land that is no longer used for farming. A substantial amount of these payments are made to owners of land that is no longer even used for farming and the names of those receiving payouts from the program are kept secret.

A Depression-era program intended to save American farmers from ruin has grown into a 21st-century crutch enabling affluent growers and financial institutions to thrive at taxpayer expense. Like most federal subsidy programs, farm programs are subject to bureaucratic inefficiencies, recipient fraud, and congressional pork-barrel politics. As much as half a billion dollars in farm subsidies are paid improperly or fraudulently each year. Farmers create complex legal structures to get around legal subsidy limits and many farmers decide not to pay back their USDA loans with no penalties.

Federal crop insurance policies are sold and serviced by eighteen private insurance companies, which receive federal subsidies for their administrative costs and insurance risks. The firms operate

like a cartel, earning excess profits from the high premiums they charge. They get away with that because the government provides large subsidies for insurance premiums, such that farmers pay only about one-third the full cost of their policies. The cartel-like structure of the current system was made clear in 2005, when, under lobbying pressure from insurance companies, Congress derailed an attempt by a company to offer discount insurance policies to farmers.

After just about any sort of crop damage, Congress jumps in to declare a “disaster” and distribute millions of dollars to farmers, whether farmers actually sustained substantial damage. A Washington Post analysis found that “farmers often get paid twice by the government, once in subsidized insurance and then again in disaster assistance.”

Federal crop insurance encourages farmers to gamble on risky plantings in a program that has been marred by fraud and that illustrates why government spending is so difficult to control.

And the cost is ever increasing. The arrangement is a good deal for everyone but taxpayers. The government pays eighteen approved insurance companies to run the program, pays farmers to buy coverage and pays the bills if losses exceed predetermined limits.



Thousands of acres of land previously used for rice growing in Texas but is now used for suburban housing and other purposes, but the landowners continue to receive federal farm subsidies.

But perhaps the biggest scandal regarding farm subsidies is that congressional agriculture committees are loaded with members who are active farmers and farmland owners. Those members have a direct financial stake whenever Congress votes to increase subsidies, which is an obvious conflict of interest.

For these and many other reasons, I believe all federal farm subsidies should either end or seriously revamped. Just like many other government programs, this one has also been abused for too long. The time has come when many farmers need to survive on their own. By doing this, farm productivity, profitability, and output will soar. Farmers will cut costs, diversify their land use, seek nonfarm income, and develop niche markets. True farmers would prosper and not the so called “farm investors.”

Farmers could still get crop insurance but without federal funding and not from only eighteen insurance companies. This would reduce their cost through healthy competition and true “market-based” insurance prices and therefore no subsidies would be needed with the privatized services. Farmers would also qualify for disaster relief when a natural disaster is declared for their area just like any other business. And farmers like most American industries could fund their own research and development programs.

America! What a great place to live.

Thanks, Semper Fi, and Stay Safe!

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