



The Corporatism of Farm Subsidies by Jordan Cash

Last week, the United States Senate passed a new farm bill which, among its many provisions, changes the way crop insurance is calculated, makes some changes to farm subsidies, and finances new price support programs.[\[1\]](#) While the bill still has to pass the House of Representatives, it once again raises the issue of farm subsidies and their effects on the overall economy.

Farm subsidies first began during the Great Depression when Presidents Hoover and Roosevelt enacted price floors and began paying farmers not to grow crops in order to deal with oversupply and stop prices from falling.[\[2\]](#) Since then, Congress has passed similar farm bills sustaining these subsidies approximately every five years, resulting in a gross distortion of the agricultural markets.

These subsidies were originally intended to help small family farmers from bankruptcy due to falling commodity prices, but they have since become America's largest corporate welfare program. Farm subsidies are awarded based upon the type of crop grown—with 90 percent being awarded for growing corn, wheat, rice, cotton, and soybeans—and the amount of crop grown, with high producers receiving higher subsidies. This means that most subsidies go not to the family farmer who could face bankruptcy in the event of a bad yield, but instead go to large farms and agribusinesses who can afford to produce the favored crops in massive quantities.[\[3\]](#)

The corporate welfare nature of farm subsidies becomes clear when one examines exactly where the subsidies go. Nebraska currently receives \$239 million in direct payment subsidies, the seventh-highest payment in the nation.[\[4\]](#) Those payments go to the 73.2 percent of all Nebraska farmers who collect government subsidies.[\[5\]](#) Of those 73.2 percent, ten percent collected 62 percent of all subsidies awarded in the state. The top ten percent of subsidized farmers in Nebraska collected an average of \$35,752 per year in subsidies between 1995 and 2010, while the bottom 80 percent of Nebraska's subsidized farmers collected an average of \$1,334 per year in subsidies over the same time period.[\[6\]](#)

Adding to the idea that farm subsidies are far from a "safety net" is that fact that Nebraska farmers are currently seeing record-high farm income. In 2011, the net total farm income was \$5.4 billion, a 35 percent increase over 2010, a year where farmers already saw their income increase 49 percent from 2009.[\[7\]](#) Farm income accounted for one-third of the state's income growth in 2011.[\[8\]](#) On a national level, 2010 Census data indicates that the average farm

household income was 25 percent higher than the average for all U.S. taxpayers.^[9]

On top of all this, some of the subsidies go to organizations that do not use farming as their primary income, further diminishing the role of subsidies as a last resort safety net. For example, between 1995 and 2010, the 19th largest recipient of farm subsidies in the state of Nebraska was the University of Nebraska Board of Regents, who received \$2,797,796 in subsidies from the federal government over those 15 years.^[10]

Nebraskans must recognize that we do not need subsidies to have a thriving agricultural sector. The example of New Zealand shows that when a country eliminates subsidies it can actually create innovation which improves the economic health of the agricultural sector. In 1984, the New Zealand government subsidized 44 percent of all sheep farming, meaning that although farmers sold lamb for \$30, it was only actually worth \$12.50 in the international marketplace with the government making up the difference. That same year New Zealand eliminated their sheep farming subsidies. By 1989, after changing how they produced, processed, and sold their product, New Zealand farmers found a new market for their lamb and began selling it for \$30 without government assistance. By 1999, the price had increased to \$115.^[11]

Far from providing a safety net to small farmers-something that is better provided through things like crop and disaster insurance-farm subsidies have become tools for corporate welfare, taking taxpayer money and giving it to organizations that do not need it. Nebraskans should encourage their federal representatives to end farm subsidies and allow farmers to be independent from the government.

[1] Ron Nixon, "Senate Passes Farm Bill With Bipartisan Support," *New York Times*, June 21, 2012. Available at <http://www.nytimes.com/2012/06/22/us/politics/senate-passes-farm-bill-but-tougher-road-seen-in-house.html>, accessed June 27, 2012.

[2] Burton W. Folsom Jr. "The Origin of American Farm Subsidies," *The Freeman*, April 2006, Volume 56, Issue 3. Available at <http://www.thefreemanonline.org/columns/our-economic-past-the-origin-of-american-farm-subsidies/>, accessed June 27, 2012.

[3] Brian Riedl, "How Farm Subsidies Became America's Largest Corporate Welfare Program," Heritage Foundation, February 25, 2002. Available at <http://www.heritage.org/research/reports/2002/02/farm-subsidies-are-americas-largest-corporate-welfare-program>, accessed June 27, 2012.

[4] Joseph Morton, "Senators: It's time to alter farm subsidies," *Omaha World Herald*, June 11, 2012. Available at <http://www.omaha.com/article/20120611/NEWS01/706119945#senators-it-s-time-to-alter-farm-subsidies>, June 27, 2012.

[5] Environmental Working Group, "Farms Getting Government Payments, By State, according to the 2007 USDA Census of Agriculture," 2011 Farm Subsidy Database.

Available at http://farm.ewg.org/farms_by_state.php, accessed June 27, 2012.

[6] Environmental Working Group, "Nebraska Summary Information," 2011 Farm Subsidy Database. Available at <http://farm.ewg.org/region.php?fips=31000&progcode=total>, accessed June 27, 2012.

[7] Henry J. Cordes, "Nebraska farm income 'through the roof,'" *Omaha World Herald* September 29, 2011. Available at <http://www.omaha.com/article/20110929/MONEY/709299924>, accessed June 27, 2012.

[8] Ibid.

[9] Tad DeHaven and Chris Edwards, "Will the House Block the Farm Bill Pig-Out," Cato Institute, June 18, 2012. Available at <http://www.cato.org/publications/commentary/will-house-block-farm-bill-pigout>, accessed June 27, 2012.

[10] Environmental Working Group, "Subtotal, Farming Subsidies in Nebraska, 1995-2010," 2011 Farm Subsidy Database. Available at http://farm.ewg.org/top_recips.php?fips=31000&progcode=totalfarm®ionname=Nebraska, accessed June 27, 2012.

[11] Maurice P. McTigue, "Rolling Back Government: Lessons from New Zealand," *Imprimis*, February 11, 2004. Available at <http://www.hillsdale.edu/news/imprimis/archive/issue.asp?year=2004&month=04>, accessed June 27, 2012.



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