

January 12, 2000

Freedom to Farm in Iowa 1996-1998 1996 Subsidy Program Leaves Most Iowa Farmers Behind

The first analysis of Freedom to Farm payments in Iowa shows that the program provided the vast majority of recipients with financially meaningless amounts of aid, often just a few hundred dollars per farm, just as a major economic crisis was tightening its grip on the farm belt. At the same time, a handful of Iowa's largest farming operations came away with hundreds of thousands of dollars in payments during the program's first three years.

The analysis, the first in a series of computer investigations by the Environmental Working Group, found that half of the \$2 billion in Freedom to Farm subsidies that came to the state between 1996 and 1998 was collected by 12 percent of the recipients—about 14,000 individuals, partnerships, corporations and other entities (Tables 1 and 2). The analysis did not include crop insurance, conservation or other forms of subsidy.

The EWG review found that, contrary to expectations when Freedom to Farm was enacted, overall taxpayer subsidies to Iowa farms actually increased during the first three years of the new program, compared to the \$1.7 billion in subsidies provided in the final three years (1993 through 1995) of the programs that Freedom to Farm replaced. Freedom to Farm payments were generous by design in 1996 and 1997, even though farm prices remained relatively robust, because Congress committed to phasing down payments thereafter. As the farm economy deteriorated, however, Congress departed from the phase-down schedule and boosted Freedom to Farm assistance, first in 1998 and again last year.¹

Although Congress justified the supplemental funds on grounds of economic emergency, significant additional aid in fact went only to a relatively small number recipients—the very same ones who were already getting the most government farm money. Top recipients automatically received emergency bonuses of tens of thousands of dollars in 1998. Yet most Iowa farms got very little as the economic crisis deepened. Even with additional subsidies paid in 1998, the median annual payment to an Iowa

¹ Payment data for all of 1999, including additional Freedom to Farm payments approved by Congress in October, are not yet available from USDA and therefore are not included in this analysis.

recipient during the program's first three years was just \$2,818. Government records show that 420 Iowa farmers received annual payments of less than \$10 per year under Freedom to Farm, and total payments averaging eight dollars (\$8) between 1996 and 1998 (Tables 4 and 5).

Some defenders of Freedom to Farm claim it is unfair to criticize the program because it was always intended as part of a broader package of farm assistance measures that were not acted upon, including tax breaks, policies to boost exports, and relaxation of environmental regulations.

But Iowa's bigger farmers have not had to wait (Table 3). The relative few at the top of the Freedom to Farm pyramid received far more in government subsidies alone than the average Iowa family earns from all sources in a year (according to U.S. Census data², in 1998 the median household income in Iowa was \$37,019). Seventeen Iowa recipients collected an average of more than \$100,000 each year, and averaged \$322,515 each in total subsidy payments over the first three years of Freedom to Farm. Another 35 recipients took in between \$75,000 and \$100,000, claiming an average of \$232,952 in subsidies over the three years.

At the opposite end, thousands of Iowa farms received less than a welfare recipient—and far less than would make a difference in the finances of even a small-sized farming operation.

Freedom to Farm locked in the payment inequities that characterized the programs it replaced. Congress has compounded those inequities with supplemental assistance prorated to automatically favor larger recipients.

Freedom to Farm, like the programs that preceded it, provides subsidies to farmers without regard to their income or any measure of their financial need. Ownership of land that received subsidies in the past is the determining factor. The analysis raises the question of whether it makes sense for the government to continue to provide billions of dollars in economic assistance without any attempt to direct the aid to the Iowa farmers most in need of help.

Total Farm Subsidy Payments in Iowa, 1996-1998

From 1996 through 1998, USDA paid more than \$2 billion in farm subsidies to recipients in Iowa (Table 1). Subsidies to Iowa recipients increased over the period, totaling \$441 million in 1996, \$646 million in 1997, and \$929 million in 1998.

² <http://www.census.gov/statab/ranks/rank18.txt>

More than 118,000 individuals, corporations, joint ventures and other entities participated in farm programs in Iowa over the period studied. There were 106,765 participants in Iowa in 1996, 107,713 participants in 1997, and 106,017 participants in 1998.

According to USDA's Census of Agriculture, there were 90,792 farms in Iowa in 1997 — meaning that there were nearly 17,000 more farm subsidy recipients in Iowa in 1997 than there were farms.

Freedom to Farm subsidies in Iowa totaled \$1.57 billion, or three-quarters of all farm subsidy payments in Iowa over the three-year period. Market Loss Assistance payments, which were authorized by Congress in 1998 to provide farmers with extra subsidies when market prices were low, totaled \$266 million. Loan deficiency payments, which are made when market prices for a given commodity fall below a federally-guaranteed loan rate, totaled \$160 million in 1998.

The Top of the Pyramid

Farm subsidy payments in Iowa were concentrated in the hands of a relatively small number of recipients. The top 10 percent of all farm subsidy recipients in Iowa – 11,885 individuals, corporations, joint ventures, partnerships, and other entities – received more than 44 percent of total subsidies in the state. (As noted above, half of the money went to just 12 percent of the recipients.) Seventeen (17) recipients in Iowa averaged more than \$100,000 per year of participation in farm programs. A total of 1,134 Iowa recipients averaged \$40,000 or more each year they participated in the programs. These subsidy payments are in addition to any receipts from selling crops or livestock on the market, income from off-farm jobs or investments, and are in addition to any conservation, disaster or loan benefits these recipients received from USDA.

Our analysis almost certainly underestimates the extent to which big farm operations capture most of the Federal farm payments. Some of the larger individual subsidy recipients may also have received subsidies indirectly, through corporations, joint ventures, partnerships or other entities in which they had a business interest. In addition, some recipients' families may have received subsidies through two or more family members (e.g., husband, wife and child). Large subsidy recipients often hire lawyers to help reorganize their farming operations into "paper farms," in order to maximize Federal farm subsidies while ostensibly complying with Federal "payment limitation" rules.

The Bottom of the Pyramid

In contrast with the subsidy recipients at the top of the income scale, there were a large number of recipients who were paid minimal amounts of money. In Iowa, 29,519 subsidy recipients (21 percent) were paid less than \$1,000 per year of participation in the

farm programs. Of these recipients, 4,041 received less than \$100 per year of participation—enough to buy a single sack of high quality corn seed that would cover 2 to 3 acres, but not enough to plant, fertilize or harvest it.

Freedom to Farm Means Continued Subsidy Dependence

Prior to the enactment of Freedom to Farm legislation in 1996, the bulk of federal farm subsidies were paid out in the form of “deficiency payments” which paid farmers for the difference between the prevailing market price for a given commodity and a government-established “target” price for that commodity. One criticism that was leveled against deficiency payment programs was that, when commodity prices fell, federal outlays for the farm programs skyrocketed. In the view of some policy makers, the deficiency programs kept farmers dependent on agricultural subsidies, and kept farm policy in the hands of government agencies, rather than the free market. At the time that the Freedom to Farm legislation was signed into law, it was said that the new programs would reduce farmers’ dependence on government payments, and help ease the transition to a more market-oriented farm economy.

By any measure, Freedom to Farm has failed to end farmers’ dependence on government payments. In the 3 years prior to the enactment of Freedom to Farm, farm subsidy outlays in Iowa totaled \$1.77 billion. In the first three years of Freedom to Farm, farm subsidy outlays totaled \$2.02 billion — over \$243 million more than the corresponding period prior to enactment of Freedom to Farm.

About EWG’s Farm Subsidy Database

This report is based on original EWG analyses of more than 30 million computer records – a record of every check written to every farm subsidy recipient, from every county office of USDA’s Farm Service Agency, from 1996 through 1998. These records were obtained by EWG through a series of Freedom of Information Act requests.

The farm subsidy payments from 1996 through 1999 that were analyzed in this report include “Production Flexibility Contract” payments (also known as Freedom to Farm payments), “Market Loss Assistance Payments,” “Loan Deficiency Payments,” and payments for a variety of smaller farm programs. The analysis does not include payments made for conservation programs, including the Conservation Reserve Program, or for disaster or emergency farm assistance programs.

Farm subsidies for the period 1993 through 1995 included deficiency payments, which are the precursors to the current Freedom to Farm and Market Loss Assistance programs, as well as other similar programs related to production of an agricultural commodity.

Table 1. USDA farm programs paid \$929 million to Iowa farms in 1998.

Type of Payment	1996		1997		1998		Total	
	Total payments	Number of Recipients	Total payments	Number of Recipients	Total payments	Number of Recipients	Total payments	Number of Recipients
Freedom to Farm	\$440,856,760	106,680	\$645,788,653	107,214	\$479,781,368	105,227	\$1,566,426,782	117,122
Market Loss Assistance	-	-	-	-	\$266,108,800	103,625	\$266,108,800	103,625
Loan Deficiency	-	-	-	-	\$160,097,307	57,809	\$160,097,307	57,809
Other Farm Programs	(\$5,590)	N/A	\$379,925	N/A	\$23,124,117	N/A	\$23,498,452	N/A
Total	\$440,851,170	106,765	\$646,168,578	107,713	\$929,111,593	106,017	\$2,016,131,341	118,848

Source: Environmental Working Group. Compiled from USDA data.

Note: Data do not include payments for conservation or disaster programs. Recipients may include corporations, joint ventures and other business entities.

Table 2. The top 20 percent of farm subsidy recipients in Iowa received more than 65 percent of all payments.

Percentile	Percentage of total payments to percentile	Number of recipients in percentile	Total payments to percentile	Average payment per recipient in percentile
1	8.7	1,189	\$175,220,322	\$147,368
2	14.8	2,377	\$298,714,287	\$125,669
3	20.0	3,566	\$402,979,834	\$113,006
4	24.5	4,754	\$494,287,529	\$103,973
5	28.6	5,943	\$576,508,158	\$97,006
6	32.3	7,131	\$651,128,734	\$91,310
7	35.7	8,320	\$719,858,664	\$86,521
8	38.9	9,508	\$783,412,164	\$82,395
9	41.8	10,697	\$842,711,608	\$78,780
10	44.6	11,885	\$898,190,228	\$75,573
11	47.1	13,074	\$950,401,843	\$72,694
12	49.6	14,262	\$999,565,097	\$70,086
13	51.9	15,451	\$1,046,207,518	\$67,711
14	54.1	16,639	\$1,090,406,973	\$65,533
15	56.2	17,828	\$1,132,412,752	\$63,519
16	58.2	19,016	\$1,172,311,612	\$61,649
17	60.0	20,205	\$1,210,236,513	\$59,898
18	61.8	21,393	\$1,246,285,698	\$58,257
19	63.5	22,582	\$1,280,683,300	\$56,713
20	65.1	23,770	\$1,313,403,493	\$55,255

Source: Environmental Working Group. Compiled from USDA data.

Table 3. 13 Iowa farm subsidy recipients received more than \$300,000 in subsidy payments between 1996 and 1998.

Rank	Total farm subsidies, 1996-1998
1	\$631,151
2	\$411,632
3	\$388,745
4	\$349,928
5	\$339,336
6	\$337,242
7	\$336,640
8	\$336,186
9	\$322,304
10	\$314,302
11	\$310,831
12	\$304,921
13	\$304,102

Source: Environmental Working Group. Compiled from USDA data.

Table 4. In Iowa, 17 recipients got more than \$100,000 each year they were in the farm programs from 1996 through 1998.

Payments per year of participation (dollars)	Total payments 1996-1998 (dollars)	Number of recipients	Average number dollars per recipient over 3 years
100,000 and up	5,482,763	17	322,515
75,000 - 100,000	8,153,316	35	232,952
50,000 - 75,000	61,218,395	380	161,101
40,000 - 50,000	90,084,715	702	128,326
30,000 - 40,000	176,537,472	1,779	99,234
25,000 - 30,000	137,510,446	1,721	79,901
20,000 - 25,000	186,554,393	2,860	65,229
15,000 - 20,000	252,938,787	5,018	50,406
10,000 - 15,000	332,910,574	9,316	35,735
7,000 - 10,000	230,826,951	9,528	24,226
5,000 - 7,000	165,066,011	9,742	16,944
3,000 - 5,000	174,392,808	15,932	10,946
1,000 - 3,000	161,563,283	31,804	5,080
500 - 1,000	23,449,093	12,311	1,905
refund - 500	9,442,332	16,931	558
Total	\$2,016,131,340	118,076	\$17,074

Source: Environmental Working Group. Compiled from USDA data.

Table 5. Detailed breakdown of Freedom to Farm payments by payment level, 1996-1998.

Payments per year of participation (dollars)	Total Payments 1996-1998 (dollars)	Number of Recipients	Average number of dollars per recipient over 3 years
100,000 and up	\$5,482,763	17	\$322,515
75,000 - 100,000	\$8,153,316	35	\$232,952
50,000 - 75,000	\$61,218,395	380	\$161,101
40,000 - 50,000	\$90,084,715	702	\$128,326
30,000 - 40,000	\$176,537,472	1,779	\$99,234
25,000 - 30,000	\$137,510,446	1,721	\$79,901
20,000 - 25,000	\$186,554,393	2,860	\$65,229
15,000 - 20,000	\$252,938,787	5,018	\$50,406
10,000 - 15,000	\$332,910,574	9,316	\$35,735
9,000 - 10,000	\$74,161,216	2,704	\$27,426
8,000 - 9,000	\$76,889,581	3,133	\$24,542
7,000 - 8,000	\$79,776,155	3,691	\$21,614
6,000 - 7,000	\$83,765,845	4,520	\$18,532
5,000 - 6,000	\$81,300,166	5,222	\$15,569
4,000 - 5,000	\$87,627,047	6,955	\$12,599
3,000 - 4,000	\$86,765,762	8,977	\$9,665
2,000 - 3,000	\$87,941,420	12,959	\$6,786
1,500 - 2,000	\$40,321,271	8,625	\$4,675
1,000 - 1,500	\$33,300,592	10,220	\$3,258
900 - 1000	\$5,738,646	2,318	\$2,476
800 - 900	\$5,570,294	2,517	\$2,213
700 - 800	\$4,702,902	2,474	\$1,901
600 - 700	\$3,840,271	2,373	\$1,618
500 - 600	\$3,596,979	2,629	\$1,368
400 - 500	\$3,244,623	2,906	\$1,117
300 - 400	\$2,437,080	2,861	\$852
100 - 300	\$3,316,476	7,123	\$466
10 - 100	\$458,359	3,611	\$127
0 - 10	\$3,509	420	\$8
Net refund	(\$17,715)	10	(\$1,771)
Total	\$2,016,131,340	118,076	\$17,075

Source: Environmental Working Group. Compiled from USDA data.