



How A Widening Farm Subsidy Gap Is Leaving Black Farmers Further Behind

By Ken Cook, July 2007

Black farmers receive between one-third to one-sixth of the benefits under major federal crop subsidy programs that other farmers receive, and the “subsidy gap” has widened over the past decade. The gap will become more inequitable if a bill reported by the House Agriculture Committee passes the House later this week, researchers said.

The farm subsidy gap is emerged from an analysis of computerized USDA subsidy payment records for individual farm subsidy recipients and farm businesses that previously have not been available to outside researchers. The study was prepared by the National Black Farmers Association (NBFA) and the Environmental Working Group. The two organizations collaborated on a 2003 analysis, *Obstruction of Justice*, that reignited the debate over the injustices tens of thousands of black farmers have experienced in the settlement of the Pigford vs. USDA case involving discrimination in government farm lending. Concern about discrimination against black farmers at USDA has focused primarily on the department’s programs to provide farm acquisition (i.e. “ownership”) and operating loans to farmers whose financial circumstances make it difficult form them to get credit elsewhere. The loans are processed at local USDA offices by the department’s “lender of last resort,” the Farm Services Agency (formerly the Farmers Home Administration).

Only five per cent of the farmers participating in the Pigford racial discrimination lawsuit against USDA made claims based on subsidy programs, which were limited to a total of \$3,500 for the “fast-track” settlement process that was supposed to provide essentially automatic restitution. The majority of these claims involved disaster relief programs. The examples of discrimination were poignant, “[i]n 1994, the entire county of Greene County, Alabama where Mr. George Hall farmed was declared eligible for disaster payments on 1994 crop losses. Every single application for disaster payments was approved by the Greene County Committee except Mr. Hall's application for four of his crops.” Pigford v. Glickman, 185 F.R.D. 82, 87 (D.D.C. 1999). In the Complaint, Mr. Hall further stated that his payment yields were reduced in retaliation after he filed a discrimination complaint challenging the denial. See Seventh Amended Class Action Complaint, Pigford v. Glickman, 97-1978 (PLF). at ¶5(c).

Less attention has been given to disparities between black farmers and others under USDA’s commodity subsidy programs. A pioneering July, 2007 report issued by Oxfam America argued that minority farmers, including black farmers, have been “shut out” of USDA farm programs (*Shut Out: How U.S. farm programs fail minority farmers*). It is often argued that black farmers receive less farm assistance because they operate smaller farms and tend to produce non-subsidized crops and livestock. As the USDA’s 1997 Civil Rights Action Team Report observed, however, discrimination by USDA officials may itself have influenced the make-up of black-operated farms over time.

“[T]he disparity in participation and treatment of nonminority and minority farmers may be partially accounted for by the smaller average size of minority- and female-operated farms, their lower average crop yields, and their greater likelihood not to plant program crops, as well as less sophisticated technology, insufficient collateral, poor cash flow, and poor credit ratings. However, representatives of minority and female farm groups point out that previous discrimination in USDA programs has helped to produce these very conditions now used to explain disparate treatment.” See CRAT at 21-22.

Review of agriculture census data indicates that disparities in subsidy assistance between black and white farm operators cannot be fully explained by the fact that blacks operate smaller farms or tend to grow ‘non-program’ crops. More important is the question of the degree to which discrimination against black farmers by local USDA offices has been a long-term factor in that has limited the ability of black farmers to expand their operations—and thus have ‘average-size farms’--or discouraged them from growing subsidized program crops.

A Subsidy Gap Widens: Crop Subsidy Payments, 1995-2005

Analysis of payments to individual farmers and farm businesses shows that a subsidy gap between black farmers and all others has expanded dramatically in the past decade, from \$2,225 per recipient in 1995 to nearly \$10,000 per recipient in 2005. [Chart 1, Table 1].

The analysis compared black recipients with all other recipients, including individual subsidy recipients who are predominantly white, and farm businesses, which are predominantly white-owned. Analysis of subsidy payments over this period showed that virtually all black farmers received their benefits as individuals, with very few organized for USDA purposes to collect payments as businesses (corporations, partnerships, joint ventures).

Detailed Beneficiary-Level Data, 2003-2005

Release of data collected by USDA under Section 1614 of the 2002 farm bill allows analysis comparing individual beneficiaries by race. These more detailed show that fewer than 8,000 blacks collected crop subsidies each year over that period. The total amount was just over \$23 million per year—out of an average of \$12 billion paid per year under these programs over that period.

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Black Farmer	\$1,841	\$1,176	\$1,025	\$1,565	\$3,277	\$2,076	\$2,591	\$2,170	\$2,769	\$2,505	\$4,291
All Other	\$4,066	\$3,965	\$3,596	\$5,611	\$9,416	\$8,634	\$8,982	\$6,313	\$8,912	\$9,555	\$13,846
Subsidy Gap	\$2,224.89	\$2,788	\$2,571	\$4,046	\$6,139	\$6,558	\$6,391	\$4,143	\$6,143	\$7,050	\$9,555

Source: Environmental Working Group and National Black Farmers Association, derived from USDA subsidy payment records obtained under the Freedom of Information Act.

In every single category of aid, and for every crop, black beneficiaries received a fraction of the aid that other beneficiaries received.

Black beneficiaries of federal farm subsidy programs averaged \$7,363 each in subsidy payments between 2003 and 2005 according to the latest USDA data, an average of \$2,454 per beneficiary per year. This is one-third the amount received on average by all other beneficiaries--\$22,506 over the 3 program years, or about \$7,502 per beneficiary per year.

All but a few black farm program beneficiaries fall in the bottom rung of farm subsidy payments nationally. Eighty (80) percent of black beneficiaries during the years 2003-2005 (7,680 individuals) shared less than \$6 million, which amounted to less than \$260 per person per year. By comparison, the bottom 80 percent of all other beneficiaries collected six times that amount, an average of \$1,628 per year.

Direct Payments

These payments are rigidly formulaic and are determined by past production—acreage and per acre yield histories registered with local USDA offices for the specific crops that are eligible. *Any factor that served to reduce either acreage or yields for a farmer during that historical base period would serve to lower direct payments.* Those factors would include any unfair, inequitable or discriminatory treatment black farmers may have experienced in applying for the programs or program benefits.

Direct payments to black beneficiaries \$3,206 on average between 2003 and 2005, just over \$1,000 per year. Direct payments to all other beneficiaries were over three times higher--\$10,346 over the period.

Most of the subsidies that will be paid under the House Agriculture Committee's proposed farm bill would be direct payments. As a result, the inequity affecting black farmers will be locked in for five more years.

Counter-cyclical and Crop Loan Payments.

These payments are directly related to crop yields and market prices, relative to various price triggers set by Congress.

Black beneficiaries of received an average of \$4,338 in counter-cyclical payments over the period, versus \$5,708 for all other beneficiaries. For loans, the figures were \$6,553 for black beneficiaries versus \$12,642 for all other beneficiaries. These were the only categories of federal farm subsidy payments where black beneficiaries received half the amount all other farmers received. In all other program categories, the discrepancy was greater. Our preliminary analysis indicates that variation in the amount counter-cyclical payments for peanuts were not as great for black farmers and other farmers.

Payment Discrepancies by Crop

Corn. The average subsidy for all non-black corn program beneficiaries in the U.S. was \$15,843 over the three program years of 2003 through 2005. Black beneficiaries averaged \$1,296 in corn payments over that period.

Cotton. Black beneficiaries of the farm programs averaged \$12,174 in cotton payments over the period. All other beneficiaries received on average three times that amount (\$38,278) for all other farmers.

Rice. As with cotton, rice benefits were three times higher for all other beneficiaries (\$39,036) than for black counterparts (\$11,218).

Peanuts. Because peanuts have been produced on small farms for generations, one might expect disparities in federal farm program benefits would be narrower for black farmers. The data bear out only a very slight difference, however. Black beneficiaries of peanut subsidies collected \$10,152 on average over three years, compared to \$25,328 for all other beneficiaries.

Soybeans and Wheat. Over the three years examined, black beneficiaries of subsidies collected \$677 for soybeans (\$225 per year) and \$830 for wheat (\$276 per year). On average, all other beneficiaries collected 3.7 times more in soybean benefits (t\$2,546) and 4.6 times more in wheat benefits (\$3,878).

Conclusions

Our review does not prove that discrimination in federal farm program design or delivery explains the difference in subsidy benefits received by black farmers, compared to other farmers. Nor does our review prove that the growing subsidy gap we have documented results from discrimination alone. We do believe, however, that decades of discrimination against black farmers by USDA, particularly at the local level, are almost certain to have been and continue to be *a very significant factor* explaining why black farmers have smaller operations, often grow non-program crops, and receive significantly less in farm bill subsidy assistance than other farmers. Needless to say, this discrimination can, and must, be eliminated. Significantly, black beneficiaries do better in comparison with other beneficiaries in programs where commodity crop specialization is not a factor: disaster aid and conservation.

It is essential that the next farm bill include a major increase in programs targeted to black, other minority, and limited resource farmers. It is also vital that the farm bill commission an independent review of discrimination in USDA programs. Both NBFA and EWG also strongly support enactment of the Pigford Claims Remedy Act as soon as possible.