



How the Bush Administration Gave Subsidy-Rich California Farmers a \$17 Million Christmas Bonus

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For decades taxpayers have provided subsidized water to California farmers at rates far below fair market value. When the amount of cheap water delivered to farmers was reduced during the severe drought of the early '90s to protect two species of endangered fish, a group of San Joaquin Valley water districts representing some of the nation's biggest farming operations sued the government for "taking" what they claimed was their private property.

But an Environmental Working Group (EWG) investigation of state and federal data found that from 1995 to 2003, those same farms received a total of \$248 million in federal farm subsidies. And since 2001, the water district representing nearly all of those farms made almost \$40 million in profit by selling subsidized water back to the taxpayers at market rates.

Which of the following was the Bush Administration's response to the lawsuit?

- (a) The farmers didn't own the water in the first place — it belongs to the public.
- (b) Why do rich farmers who already get big taxpayer subsidies deserve even more?
- (c) OK, here's another \$17 million.

On Dec. 21, 2004, the Administration announced it would settle the lawsuit by paying the water districts \$16.7 million for "taking" the water. It was not only a tidy Christmas bonus for a group of farmers that includes the world's biggest cotton grower and a Beverly Hills mail-order tycoon who owns the largest farm operation in the country. The decision, over the objections of California officials from both parties and the Administration's own fisheries management agency, also represented a radical extension of the right-wing "Wise Use" ideology that regards environmental protections as unconstitutional infringements on property rights.

The Tulare Lake case, as it is known, marks the first time that restrictions imposed under the federal Endangered Species Act have been interpreted as a government taking of private property without "just compensation," which is prohibited by the Fifth Amendment. It opens the floodgates for lawsuits involving much larger claims: A similar case seeking \$100 million in compensation for farmers in Northern California and Oregon will be heard in federal court Feb. 14, 2005. It also threatens California's ability to balance fairly the competing needs of agriculture, cities and the environment for increasingly scarce and expensive water.

Applying the takings doctrine to the Tulare Lake case requires the suspension of reality, because the water districts sued for the loss of "property" that exists only on paper – cut-rate contracts to buy an unspecified amount of water that fluctuates from year to year, depending on how much is available. The case exposes the political hypocrisy of farmers who rail against environmental protections but are happy to accept government subsidies and government-approved water trading schemes allowing them to profit from selling a public resource they don't own. Finally, it is more evidence that crop and water subsidies, intended to help small family farmers, have become inequitable corporate welfare programs for big agribusinesses.

Under state law, water districts don't have to make public the names of farms they serve. EWG used mapping software and state pesticide use data to identify farms in the districts that sued, and matched the names against our Farm Subsidies Database, which lists recipients of federal crop subsidies from 1995 to 2003. We also accessed publicly available state data on the profits the water districts made from 2001 to 2004, under trading schemes that allow them to sell water they don't use back to the state for fish and wildlife restoration.

The farmers' take from the taxpayers dwarfs the Tulare Lake settlement. Of the farms sharing in the settlement, the top 20 alone took in \$121 million in crop subsidies from 1995 to 2003. One company, cotton giant J. G. Boswell Co., got \$24 million in federal farm subsidies. The sheer size of these farmers' reliance on subsidies raises loudly the question of who is really doing the taking — the government, which cut water deliveries to protect public resources, or the farmers, who believe they're entitled to crop payments and cheap water? Boswell, the world's largest cotton producer with about 150,000 acres in the Tulare Lake Basin Water District and 18,000 acres in three other districts, is an extreme example that shows how far the federal farm subsidy system goes to benefit growers of a few favored commodities. Not only did Boswell receive \$17.3 million in crop subsidies from 1995 to 2003, but another \$6.6 million under a subsidy called Step 2.

Step 2 gives money to companies that, like Boswell, process cotton for export, to help them buy U.S.-grown cotton. This incentive is necessary because American cotton is much more expensive than cotton grown elsewhere around the world. Why? Because of the crop subsidies provided to American cotton farmers, which artificially push the price of U.S. cotton above world market levels.

Boswell's home town of Corcoran, Kings County, is the state's epicenter of rich farms that get huge farm subsidies. Of the 20 Tulare Lake settlement recipients who got the most in crop subsidies, eight are in Corcoran or neighboring Stratford. Collectively they received more than \$62.8 million in federal farm subsidies from 1995 to 2003.

TABLE: TOP 20 SUBSIDY RECIPIENTS

Farm/Farmer Name	City/State	Total Farm Subsidies Received (1995-2003)
1: J G Boswell Company	Corcoran, CA	\$23,919,679
2: Dublin Farms	Corcoran, CA	\$11,913,936
3: Hansen Ranches	Corcoran, CA	\$8,616,787
4: C.J. Ritchie Farms	Visalia, CA	\$8,225,657
5: Buttonwillow Land & Cattle Company	Buttonwillow, CA	\$8,135,045
6: Starrh & Starrh Cotton Growers	Shafter, CA	\$7,991,530
7: Westfarmers	Visalia, CA	\$6,670,547
8: Gilkey 5	Corcoran, CA	\$5,588,236
9: Chicca Twin	Buttonwillow, CA	\$4,897,759
10: Wheeler Farms	Bakersfield, CA	\$3,972,321
11: Torigiani Farms	Buttonwillow, CA	\$3,501,218
12: The Phoenix Farming Company	Corcoran, CA	\$3,441,472
13: Four B'S Farms	Corcoran, CA	\$3,432,123
14: Gilkey Enterprises	Corcoran, CA	\$3,121,774
15: Harry Banducci & Sons	Bakersfield, CA	\$3,107,042
16: Houchin Brothers	Buttonwillow, CA	\$3,074,525
17: Fred Palla Farms	Buttonwillow, CA	\$2,928,370
18: Newton Farms	Stratford, CA	\$2,789,606
19: Cauzza Brothers	Buttonwillow, CA	\$2,735,111
20: Toretta Farms	Buttonwillow, CA	\$2,722,339
Total subsidies for top 20 recipients		\$120,785,076
Source: [34]		

The big Corcoran cotton farms are in the Tulare Lake Basin Water District, which resold no excess water for profit from 2001 to 2004. That prize went to the other main plaintiff in the case, the Kern County Water Agency (KCWA), which serves a consortium of 14 smaller water districts around Bakersfield. Of the 20 settlement recipients receiving the most crop subsidies, the dozen served by the Agency received a total of more than \$57.9 million from 1995 to 2003. State records show that in those years KCWA also made \$36.8 million in profit from reselling subsidized water back to the state for efforts to restore fish and wildlife habitat in the San Francisco Bay-Delta.

KERN COUNTY WATER AGENCY HAS MADE \$38.6 MILLION SELLING WATER TO THE ENVIRONMENTAL WATER ACCOUNT

Year	Acre-feet sold	Profit from sales
2001	20,000	\$6,317,200
2002	97,400	\$12,399,494
2003	125,000	\$14,482,500
2004	35,000	\$5,418,700
Total	277,400	\$38,617,894
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Source: [38]

A closer look at the KCWA reveals even more layers of schemes and sweetheart deals that let rich farmers sharing in the settlement feed at the public trough. The KCWA and three of the water districts it serves own part of a huge underground storage facility called the Kern Water Bank. Most of the remaining interest belongs to the Westside Mutual Water Co. a paper company owned by its only customer, Paramount Farming Co., which with its sibling Paramount Citrus comprises the largest farm operation in the country. Paramount is owned by Stewart Resnick, one of the richest people in Los Angeles and owner of the Franklin Mint.

From 1995 to 2003, Paramount received \$576,000 in federal crop subsidies. Paramount has acreage in both the State Water Project and the federal government's much larger Central Valley Project (CVP). EWG's December 2004 investigation of the CVP estimated that in 2002 alone, Paramount received federal water subsidies worth more than \$1.5 million at the market rate for new agricultural water supplies.

Paramount created Westside to resell part of its SWP contractual allotment – excess water that exists only on paper – to developers who want to turn farmland into planned communities called Tejon Ranch and Newhall Ranch. A top Tejon Ranch executive is a director of the Kern Water Bank, and Newhall's farm operations are served by one of the water districts that owns the bank. From 1995 to 2003, Tejon and Newhall together got more than \$1 million in federal crop subsidies.

The complexity of the corporate connections, subsidy systems and trading schemes make it impossible to say just who is getting how much from the Bush Administration takings settlement. But it is clear that it is far from being just compensation for hard-working farmers whose survival depends on secure water supplies. It is another corporate welfare program for rich agribusinesses who take all they can from the taxpayers and never get enough.