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How Taxpayers are Subsidizing the Demise of the Family Farm

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Environmental Working Group™

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Environmental Working Group

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Executive Summary

Taxpayers may not realize it, but the money they send to Washington is hastening the demise of family farms through the agricultural subsidy programs that purport to save them.

A computer investigation by the Environmental Working Group (EWG) concludes that the flow of farm subsidies has never been more biased in favor of large operations than it has been in recent years under the controversial "Freedom to Farm" policies introduced in 1996.

The study comes at a time of severe economic distress for many family farmers. A growing number of farmers and many farm state leaders are calling for a moratorium to cool down the merger mania in agriculture that is concentrating ownership and control at every level in the food and fiber system, including farms and the companies that supply their inputs and buy their products.

EWG analyzed more than 30 million USDA subsidy payment records for the years 1996 through 1998 and found:

- Taxpayers provided $22.9 billion in subsidies during the first three years of the "Freedom to Farm" law, but 10 percent of the recipients (144,000 participants) collected 61 percent of the money.

- Nationwide, recipients among the top 10 percent averaged $32,000 in payments per year, 27 times more support than the $1,200 the typical participant received annually. Recipients in the top 1 percent of subsidy payments collected $249,000 over the three years—about $83,000 per year.

- Some states showed an especially high concentration of payments to the largest recipients. In Mississippi, the state where the subsidy inequities were greatest, 10 percent of the participants took in 83 percent of all payments to the state—an average of $217,000 per recipient over three years. Payments were also highly concentrated in Alabama, Tennessee, and South Carolina.

- Arizona's biggest recipients (the top 10 percent) took in more than $521,000 apiece over three years.

The EWG investigation did not include payments made to farmers in 1999, when Congress approved an across-the-board doubling of subsidies for all recipients and loosened payment limits on large farms, allowing them to collect even more federal money. The study argues that the 1999 bail-out package was even more inequitable than Freedom to Farm, and heavily favored large operations.

Returning to the old farm subsidy programs is not the answer either. EWG says that earlier programs also concentrated program payments in the hands of the largest farms. The Freedom to Farm law simply magnified the problem.

EWG urged a series of reforms.

- Farm subsidy recipients should be required to document their financial need before being eligible for farm subsidy payments, and aid should be targeted to working farmers. Assistance for conservation and environmental improvements should be increased.

- Payment limits should be sharply reduced to no more than $25,000 per recipient total, and payments should be eliminated to recipients who benefit from "paper farms" devised to funnel multiple payments to large landowners.

- Payments to investors and absentee owners not fully engaged in farming should be phased out. Those funds should be devoted to conservation investments on the land.

- Subsidies should be reapportioned to reflect rural needs, particularly in New England states, California, Florida and other states fighting to preserve green space and promote farming systems that protect the environment.

- Support should be authorized to help farmers make the transition to organic farming, and environmental stewardship payments should be provided to those who have already made the transition.

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The Distribution of "Freedom to Farm" Payments, 1996-1998
1996 Subsidy Program Leaves Most Farmers Behind

A state-by-state analysis of federal farm payments from 1996 through 1998 shows that the 1996 Freedom to Farm bill and subsequent legislation provided minimal financial assistance for the large majority of farmers. Hundreds of thousands of small and medium-sized operations receive meaningless amounts of subsidies under Freedom to Farm programs. At the same time, the largest farming operations were generously compensated by Freedom to Farm, and many of the top subsidy recipients were paid hundreds of thousands of dollars over the three-year period studied. Large operators received these enormous subsidies, even as operators of smaller farms (with average annual sales of $50,000 or less) actually lost money. According to the U.S. Department of Agriculture, these farms realized an average net loss of $3,400 in income from their farming operations in 1996 alone.

From 1996 through 1998 nearly 61 percent of all federal Freedom to Farm subsidies–approximately $13.8 billion in total–went to the 144,000 individuals, corporations and farm partnerships among the top 10 percent of subsidy recipients. A recipient among the top 10 percent was paid an average of $95,875 over the three years studied. These subsidies were on top of any profits these recipients earned from the sale of agricultural commodities, and do not include payments made under federal conservation, disaster or crop insurance programs.

In contrast to the largest farmers, the majority of subsidy recipients saw very little benefit from Freedom to Farm. Half of all subsidy recipients were paid less than $3,600 in total from 1996 through 1998, or an average of about $1,200 per recipient, per year. By way of comparison, a farmer, investor or agribusiness among the top 10 percent of Freedom to Farm subsidy beneficiaries was paid, on average, at least 27 times as much as the 700,000 farm subsidy recipients in the bottom half of the subsidy scale.

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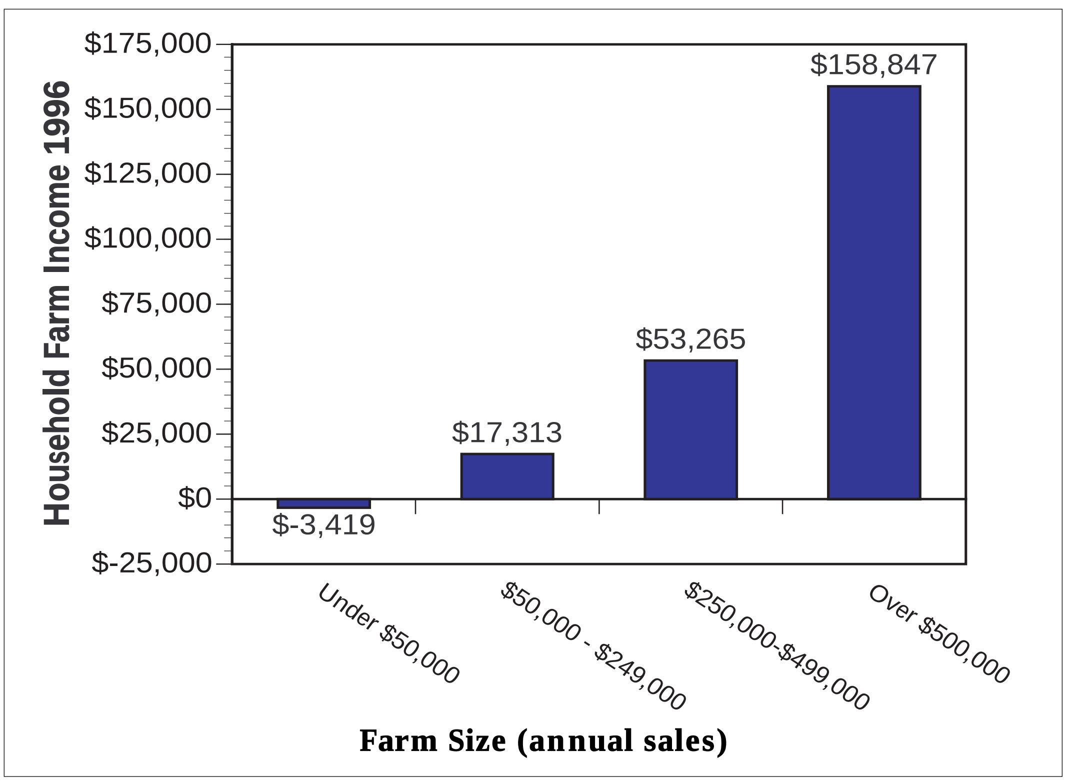
States varied considerably in the extent to which payments were concentrated in the hands of a few recipients. In several states, the concentration of subsidies among large farms was extreme. In Mississippi, recipients among the top 10 percent were paid an average of $218,000 each over three years. These 1,985 top recipients were paid a total of $433 million dollars over the period studied, more than 83 percent of total subsidies to the state. The average recipient in Mississippi did not fare nearly so well; the median payment to a Mississippi Freedom to Farm recipient from 1996 through 1998 was just $1,092 for all three years, or less than $370 annually. This means that the top ten percent of recipients in Mississippi received, on average, 200 times as much as the typical recipient was paid.

Iowa, by comparison, showed a lower degree of payment concentration. However, even in Iowa the top 10 percent of recipients collected 45 percent of all subsidy payments in the state. On average, the top ten percent of recipients in Iowa each received $80,546 each over

Figure 1: In 1996 farmers with less than $50,000 in sales realized a net loss from their operations.



Source: USDA Economic Research Service, Resource Economics Division, 1996 Agriculture Resource Management Study.

the three years studied, about 10 times as much as the $7,952 paid to the median subsidy recipient in the state over the same period.

The considerable disparities between payments to large farms and the average subsidy recipient to call into question the fundamental rationale for the Freedom to Farm program, as well as the effects of the program on the structure of the farm sector. Like the programs it replaced, Freedom to Farm apportions federal subsidies based on the amount of farmland that is owned by a given recipient: the more land that a recipient owns or operates, the more subsidy that recipient is paid. As a consequence, the program is heavily biased in favor of large, corporate farms and agribusiness partnerships, and biased against small and medium sized producers, many of whom are eligible for only minimal subsidies under current program rules.

Large corporate farms and agribusiness partnerships already enjoy significant competitive advantages over smaller farming operations in availability of capital, economies of scale, and overall profitability of farming enterprises. According to USDA's Economic Research Service, farm operator households for farms with sales of $500,000 or more averaged $153,847 in farm income in 1996, while operators of farms with between $250,000 and $500,000 in sales averaged $53,265 in household farm income in the same year. In contrast, operators of farms with between $50,000 and $250,000 in farm sales had an average household farm income of just $17,313, and operators of farms with less than $50,000 in sales realized a net loss of income from their farm operations. (Figure 1.)

These trends were undoubtedly exacerbated by the Freedom to Farm program. Although many smaller farms were eligible for some level of assistance under the program, the few hundreds or thousands of dollars they received each year barely improved their overall financial picture, which was often quite grim. On the other hand, taxpayers paid tens or hundreds of thousands of dollars to very large corporate farms that may not have been in financial need. Taxpayer subsidies for some of these operations no doubt amounted to little more than extra profits for farm operations that were already highly profitable, and that had no need for additional subsidies. In many cases, these farms were rewarded simply for being large, not because the farm's owners and operators needed the money.

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Not only is the Freedom to Farm law biased against small and medium sized farms, it may actually be assisting individuals who aren't farmers at all.

Large farming operations may have used the additional profits they received from Freedom to Farm to purchase more equipment and land, or to secure more capital from the private sector to expand their operations. Such capital investments may have allowed large farms to increase their competitive advantage over smaller producers, making it that much more difficult for small and medium sized farmers to make a profit from their farming operations. To the extent that large operations used Freedom to Farm subsidies to expand their operations, Freedom to Farm may actually have had substantial adverse economic impacts on small and medium-sized farmers, despite any subsidies they received from the program.

Ironically, then, the large government payments confer an additional advantage for the top recipients: these payments give a larger farm a far better chance than a smaller farm to further expand the scale of their operation and reap even more subsidy payments.

Not only is the Freedom to Farm law biased against small and medium sized farms, it may actually be assisting individuals who aren't farmers at all, and are at most peripherally involved in the farm economy. Prior to enactment of Freedom to Farm, billions of dollars in federal subsidies were paid to residents of large cities and suburbs, many of whom were absentee investors who rarely, if ever, visited their farms. (See, *e.g.*, the 1995 Environmental Working Group report, "City Slickers".) Freedom to Farm did absolutely nothing to prevent this sort of abuse. In fact, it may have worsened it by severing all connection between eligibility for subsidies and the production of an agricultural commodity.

One of the "benefits" touted by supporter of the Freedom to Farm policy was that subsidy recipients were free to plant any crop they wanted, or no crop at all, and still be eligible to receive subsidies. While this policy may have allowed farmers to follow market signals more closely, it also may have allowed some recipients to stop farming entirely, while still retaining full eligibility for Freedom to Farm subsidy benefits. As a result, federal farm subsidies, which are often justified to the public as providing assistance to "family farms," may actually be assisting passive investors, absentee landowners, and others who have little or no connection with the farm economy.

Recent developments in agricultural policy may have worsened the disparity in subsidy payments between large and small farms. In 1999, congress passed a Market Loss Assistance program that effectively doubled the payments made under Freedom to Farm contracts. For the majority of small and medium-scale farmers, this program meant a few thousand extra dollars in farm income – certainly a welcome boost, but barely enough to compensate for the precipitous declines in commodity prices experienced during that year. Thus, despite the extra subsidies under the Market Loss Assistance program, the collapse in farm prices left many farmers facing dire economic straits.

For the largest agribusinesses, however, the drop in commodity prices could be considered an expected and manageable part of the agricultural business cycle; many larger farms remained profitable despite the price collapse. Even though these larger farms were the ones that were best able to endure the crisis in the agricultural economy, these same farms reaped the greatest benefits from the additional Market Loss Assistance subsidies authorized by congress. While the recipients near the median may have seen a one-time subsidy increase in the range of $1,000 to $2,000, the top recipients were likely paid tens or even hundreds of thousands of additional dollars. Similarly, a decision by USDA Secretary Glickman in 1999 to open up a commodity certificate program to all farmers, without regard to payment limitation rules that might otherwise have applied to the largest farms, undoubtedly allowed the top recipients to reap even more benefits from USDA programs.

Congress recently authorized an additional $7.1 billion in the USDA budget, ostensibly to help the agency address the continuing economic crisis in the agricultural sector. If this money is spent in the same manner as previous Market Loss Assistance monies, it will provide negligible assistance to small and medium-sized farmers. Moreover, it may actually worsen the crisis faced by small farmers, by providing larger farmers with sufficient capital to drive smaller farming operations out of business.

The fact that Freedom to Farm benefits large agribusinesses far more than it benefits small and medium sized farmers—and that the program may even provide subsidies to individuals who are minimally connected to the farm economy—raises serious questions about the efficacy and fairness of the program. Defenders of the current subsidy system may argue that small and medium sized farms still receive some financial benefits the program; or they may argue that the definition of a "family" farm should be enlarged to encompass the sorts of agribusinesses that currently benefit most from the program. Nevertheless, the data suggest that Freedom to Farm programs are not supporting legitimate, small to medium sized family farms, and are not targeting assistance to farmers who are genuinely in need. Furthermore, by over-investing in large agribusiness operations, Freedom to Farm is under-investing in

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Table 1: Nationwide, $22.9 billion in Freedom to Farm subsidies were paid from 1996 through 1998.

Year		Freedom to Farm Contracts	Market Loss Assistance	Loan Deficiency	Market Gains	*Total Farm Payments*
1996-1998 Total	**subsidies**	$ 18,093,395,962	$ 2,809,143,889	$ 1,782,905,480	$ 170,926,426	*$ 22,856,371,757*
	recipients	1,434,198	1,269,755	564,099	51,130	*1,443,389*
1996	**subsidies**	$ 5,973,002,030	$ -	$ (11,167)	$ (158,424)	*$ 5,972,832,439*
	recipients	1,275,255	-	414	141	*1,275,332*
1997	**subsidies**	$ 6,119,813,779	$ -	$ (57,558)	$ (34,172)	*$ 6,119,722,050*
	recipients	1,291,212	-	22	122	*1,291,271*
1998	**subsidies**	$ 6,000,580,153	$ 2,809,143,889	$ 1,782,974,205	$ 171,119,022	*$ 10,763,817,268*
	recipients	1,294,208	1,269,762	564,093	50,906	*1,305,144*

Source: Environmental Working Group. Compiled from USDA data.

rural economic development, needed upgrades to rural water and sewage treatment systems, and other pressing conservation, economic and environmental priorities in rural America.

Types of Payments Analyzed

This analysis only includes payments that were made for one of the following subsidy categories: Production Flexibility Contract payments (or “Freedom to Farm” contract payments), Market Loss Assistance payments, loan deficiency payments, and market gain subsidies. These four payment categories comprise virtually all USDA payments that were related to commodity crop production from 1996 through 1998. Because these “four” forms of assistance are all closely linked to the farm policies enacted under the 1996 “Freedom to Farm” law, we refer to these “four” payment categories together as “Freedom to Farm” subsidies. (All payment totals reflect any refunds from recipients to the government for these programs during the period.)

During the three years studied, the large majority of all Freedom to Farm subsidies came in the form of Production Flexibility Contract payments. These contracts, enacted as part of the 1996 Freedom to Farm program, guarantee payments to subsidy recipients over the life of a fixed, seven-year contract. The amount of subsidies paid under a given contract was based, at least in part, on the crop that was previously grown on the land under contract, and on a recipient's eligibility for subsidies prior to enactment of Freedom to Farm legislation. To the extent that subsidy amounts and eligibility under this provision of the Freedom to Farm law are based on eligibility under previous programs, Freedom to Farm merely perpetuates the unequal distribution of subsidy payments that existed prior to its enactment.

Nearly $18.1 billion in production flexibility contract payments were made from 1996 through 1998, or about 79 percent of all Freedom to Farm subsidies. Additional payments through the Market Loss Assistance program, enacted in 1998 in response to a deepening financial crisis in the farm sector, totaled $2.81 billion. Further subsidies were paid in the form of loan deficiency payments and market gains. (Table 1.)

There were several significant sources of additional federal farm subsidies that were excluded from this analysis. The Conservation Reserve Program, which paid out nearly $5 billion from 1996 through 1998, was not considered to be part of the "Freedom to Farm" subsidy package. Similarly, *ad hoc* disaster assistance payments, subsidized crop insurance, and various other direct and indirect subsidies were not included in this analysis. Finally, payments and refunds made under federal commodity programs that predate the passage of Freedom to Farm were omitted from this analysis.

Freedom to Farm subsidies totaled $22.9 billion from 1996 through 1998

Nationwide, Freedom to Farm subsidies from the beginning of calendar year 1996 through the end of calendar year 1998 totaled $22.9 billion. Of this total, $5.97 billion was paid in 1996, $6.12 billion in 1997, and $10.76 billion in 1998. These subsidies were paid to a total of 1.44 million recipients. (Table 1.)

The average payment per recipient over the three-year period studied was $15,835.

States varied widely in the amount of Freedom to Farm subsidies they received over the three-year period. Iowa received $2.12 billion, more than any other state, followed by Texas, which received $1.90 billion, and Illinois, which received $1.84 billion. Seventeen states received more than $500 million in Freedom to Farm subsidies from 1996 to 1998. (Table 2). Several states, including Alaska and Rhode Island, received negligible amounts of assistance paid under Freedom to Farm, and no Freedom to Farm payments were recorded for farming operations located in Hawaii.

Freedom to Farm payments per recipient also varied considerably by state. In Arizona, the average payment per recipient was $102,209 over the three years examined, nearly twice as much as any other state and nearly 7 times as much as the national

Table 2: Eight states received more than $1 billion in Freedom to Farm subsidies from 1996 through 1998.

Rank	State	Number of Recipients 1996-1998	Total payments 1996-1998
1	Iowa	117,877	$ 2,116,616,472
2	Texas	101,510	$ 1,895,433,346
3	Illinois	138,697	$ 1,844,993,823
4	Kansas	115,312	$ 1,666,880,668
5	Nebraska	80,160	$ 1,593,051,522
6	Minnesota	67,339	$ 1,411,378,435
7	North Dakota	46,158	$ 1,062,129,553
8	Arkansas	27,112	$ 1,003,314,062
9	Indiana	72,195	$ 923,831,858
10	California	13,645	$ 753,932,327
11	South Dakota	42,685	$ 705,348,983
12	Missouri	69,087	$ 694,065,821
13	Oklahoma	48,326	$ 626,804,052
14	Ohio	56,679	$ 620,303,264
15	Montana	22,947	$ 557,402,432
16	Louisiana	28,461	$ 528,926,157
17	Mississippi	19,841	$ 520,207,919
18	Wisconsin	50,060	$ 475,640,475
19	Washington	15,279	$ 441,701,598
20	Colorado	21,010	$ 403,853,374
21	Michigan	32,610	$ 403,630,668
22	Idaho	16,904	$ 331,812,702
23	Georgia	22,150	$ 322,889,813
24	North Carolina	29,266	$ 256,723,331
25	Kentucky	56,104	$ 238,359,111
26	Tennessee	34,563	$ 232,670,305
27	Arizona	1,639	$ 167,520,274
28	Oregon	8,239	$ 165,539,074
29	Alabama	20,327	$ 156,550,412
30	New York	11,633	$ 119,044,759
31	South Carolina	11,469	$ 115,280,341
32	Pennsylvania	13,286	$ 90,169,050
33	Virginia	15,590	$ 89,005,532
34	New Mexico	4,314	$ 83,929,521
35	Maryland	4,508	$ 69,224,185
36	Wyoming	3,885	$ 36,967,892
37	Florida	4,925	$ 32,935,836
38	Utah	3,149	$ 32,812,071
39	Delaware	1,188	$ 20,481,521
40	New Jersey	818	$ 11,045,710
41	West Virginia	2,747	$ 8,668,467
42	Vermont	1,355	$ 6,326,734
43	Nevada	421	$ 4,582,028
44	Maine	1,340	$ 4,548,978
45	Connecticut	456	$ 4,428,159
46	Massachusetts	559	$ 2,576,405
47	New Hampshire	328	$ 2,203,583
48	Alaska	70	$ 486,257
49	Rhode Island	48	$ 142,897
	Total, United States	1,443,389	$ 22,856,371,757

Source: Environmental Working Group. Compiled from USDA data.

average. California recipients averaged $55,253 each over the period studied, followed by Arkansas with $37,006 per recipient, Washington with $28,909 per recipient, and Mississippi, with $26,219 per recipient. (Table 3.)

The large majority of Freedom to Farm subsidies went to a relative handful of recipients

Nationwide, the top 10 percent of recipients took in 61 percent of all Freedom to Farm subsidies. The average member of this small group of top recipients, just over 144,000 in number, received $95,875 from 1996 through 1998. The remaining 90 percent of program participants received just 39 percent of all Freedom to Farm subsidies paid over the three-year period. These 1.3 million recipients averaged just $6,941 a piece over three years, or about $2,300 per year. (Table 4.)

Some states showed an especially high concentration of payments to the largest recipients. In Mississippi, the top 10 percent of all recipients received 83 percent of all Freedom to Farm subsidies in the state. These 1,985 recipients were paid an average of $217,917 each over 3 years, or nearly $73,000 per year. Payments were so heavily concentrated in Mississippi that the top 1 percent of recipients received a full 28 percent of the state's Freedom to Farm subsidies. (Table 5.)

Table 3: Nationwide, the average Freedom to Farm subsidy recipient was paid $15,835 from 1996 through 1998.

Rank	State	Average Payment per recipient 1996-1998	
1	Arizona	$	102,209
2	California	$	55,253
3	Arkansas	$	37,006
4	Washington	$	28,909
5	Mississippi	$	26,219
6	Montana	$	24,291
7	North Dakota	$	23,011
8	Minnesota	$	20,959
9	Oregon	$	20,092
10	Nebraska	$	19,873
11	Idaho	$	19,629
12	New Mexico	$	19,455
13	Colorado	$	19,222
14	Texas	$	18,672
15	Louisiana	$	18,584
16	Iowa	$	17,956
17	Delaware	$	17,240
18	South Dakota	$	16,525
19	Maryland	$	15,356
20	Georgia	$	14,577
21	Kansas	$	14,455
22	New Jersey	$	13,503
23	Illinois	$	13,302
24	Oklahoma	$	12,970
25	Indiana	$	12,796
26	Michigan	$	12,378
27	Ohio	$	10,944
28	Nevada	$	10,884
29	Utah	$	10,420
30	New York	$	10,233
31	South Carolina	$	10,051
32	Missouri	$	10,046
33	Connecticut	$	9,711
34	Wyoming	$	9,516
35	Wisconsin	$	9,501
36	North Carolina	$	8,772
37	Alabama	$	7,702
38	Alaska	$	6,947
39	Pennsylvania	$	6,787
40	Tennessee	$	6,732
41	New Hampshire	$	6,718
42	Florida	$	6,687
43	Virginia	$	5,709
44	Vermont	$	4,669
45	Massachusetts	$	4,609
46	Kentucky	$	4,249
47	Maine	$	3,395
48	West Virginia	$	3,156
49	Rhode Island	$	2,977
	Total, United States	$	15,835

Source: Environmental Working Group. Compiled from USDA data.

Table 4: The top 10 percent of all recipients in the United States were paid 61 percent of all USDA subsidies.

Percent of recipients	Percent of payments	Number of recipients	Total payments 1996-1998	Average Payment per recipient 1996-1998
Top 1%	16%	14434	$ 3,605,246,059	$ 249,774
Top 2%	24%	28,868	$ 5,583,250,053	$ 193,406
Top 3%	31%	43,302	$ 7,189,204,390	$ 166,024
Top 4%	37%	57,736	$ 8,540,559,309	$ 147,924
Top 5%	42%	72,170	$ 9,707,547,371	$ 134,509
Top 6%	47%	86,604	$ 10,730,666,489	$ 123,904
Top 7%	51%	101,038	$ 11,637,229,400	$ 115,176
Top 8%	54%	115,472	$ 12,448,441,953	$ 107,804
Top 9%	58%	129,905	$ 13,177,981,478	$ 101,443
Top 10%	61%	144,339	$ 13,838,571,867	$ 95,875
Remaining 90%	39%	1,299,050	$ 9,017,799,889	$ 6,941
All recipients	***100%***	***1,443,389***	***$ 22,856,371,757***	***$ 15,835***

Source: Environmental Working Group. Compiled from USDA data.

Other states with a high concentration of payments to the top 10 percent of recipients included Alabama (81 percent), Tennessee (79 percent), South Carolina (77 percent), Kentucky (75 percent), Florida (74 percent), Virginia (74 percent), North Carolina (73 percent), Louisiana (71 percent), and Georgia (69 percent). (Table 6.)

In absolute dollars, several states showed very high per-recipient payments to the top 10 percent of recipients. In Arizona, for example, recipients among the top 10 percent in the state were paid an average of $521,191 each over 3 years. The top 10 percent of recipients in California each received $275,078; in Mississippi, as was mentioned earlier, the top 10 percent received $217,917; and in Arkansas, the top 10 percent received $212,778. In 14 states, the top ten percent of recipients averaged more than $100,000 in Freedom to Farm payments each from 1996 through 1998. (Table 7.)

To measure the extent to which subsidy payments are inequitably distributed within each state, we introduce a measure called the "subsidy concentration index". This index is defined as the ratio of the average (mean) subsidy payment among the top ten percent of recipients in a given state or region, to the median payment for all recipients in the region. The subsidy concentration index can also be described as the average payment to a recipient among the top 10 percent, ex-

Table 5: The top 10 percent of all recipients in Mississippi were paid 83 percent of all USDA subsidies for the state.

Percent of recipients	Percent of payments	Number of recipients	Total payments 1996-1998	Average Payment per recipient 1996-1998
Top 1%	28%	199	$ 143,859,020	$ 722,909
Top 2%	41%	397	$ 214,451,218	$ 540,179
Top 3%	51%	596	$ 263,793,647	$ 442,606
Top 4%	58%	794	$ 301,100,054	$ 379,219
Top 5%	64%	993	$ 331,343,242	$ 333,679
Top 6%	69%	1,191	$ 357,851,751	$ 300,463
Top 7%	73%	1,389	$ 380,953,249	$ 274,264
Top 8%	77%	1,588	$ 400,985,216	$ 252,509
Top 9%	80%	1,786	$ 418,140,309	$ 234,121
Top 10%	83%	1,985	$ 432,565,303	$ 217,917
Remaining 90%	17%	17,856	$ 87,642,616	$ 4,908
All recipients	***100%***	***19,841***	***$ 520,207,919***	***$ 26,218***

Source: Environmental Working Group. Compiled from USDA data.

pressed as a multiple of the payment made to the average recipient in the region. This index provides a rough measure of the extent to which federal farm subsidies are concentrated in the hands of the top recipients in a given region: the higher the payment concentration index, the greater the degree of inequity in the distribution of Freedom to Farm payments.

For the nation as a whole, the subsidy concentration index was determined to be 27. In other words, recipients among the top 10 percent nationwide were paid an average of $95,875 each, which is 27 times as much as the $3,565 that was paid to the median recipient in the country.

The concentration index for several states was exceedingly high. For Mississippi, the concentration index was determined to be 200, more than double that of any other state. The average payment among the top 10 percent of Mississippi recipients was nearly $218,000 over three years, more than twice the national average. At the same time, the median Mississippi recipient was paid a mere $1,092, or less than a third of the national average. Other states with high payment concentration indices included Louisiana (93), Alabama (87), South Carolina (70), North Carolina (65), and Tennessee (60). At the other end of the concentration scale were Alaska (9), Iowa (10), Vermont (10), Rhode Island (11) and Minnesota (12). (Table 8.)

Recipients among the top 10 percent nationwide were paid an average of $95,875 each, which is 27 times as much as the $3,565 that was paid to the median recipient in the country.

Table 6: In ten states the top 10 percent of all farm subsidy recipients received over two-thirds of the USDA payments.

State	Number of Recipients among top 10%	Total payments to top 10% 1996-1998	Payment per recipient among top 10% 1996-1998	Percentage of state's money paid to top 10%
Mississippi	1,985	$ 432,565,303	$ 217,917	83%
Alabama	2,033	$ 126,471,832	$ 62,209	81%
Tennessee	3,457	$ 183,865,344	$ 53,186	79%
South Carolina	1,147	$ 88,441,333	$ 77,107	77%
Kentucky	5,611	$ 178,865,642	$ 31,878	75%
Florida	493	$ 24,430,377	$ 49,555	74%
Virginia	1,559	$ 65,623,182	$ 42,093	74%
North Carolina	2,927	$ 188,548,785	$ 64,417	73%
Louisiana	2,847	$ 377,976,382	$ 132,763	71%
Georgia	2,215	$ 221,335,854	$ 99,926	69%
Nevada	43	$ 3,126,175	$ 72,702	68%
West Virginia	275	$ 5,814,753	$ 21,145	67%
Texas	10,151	$ 1,224,200,176	$ 120,599	65%
Missouri	6,909	$ 435,019,670	$ 62,964	63%
Delaware	119	$ 12,783,911	$ 107,428	62%
Oregon	824	$ 101,364,147	$ 123,015	61%
Michigan	3,261	$ 247,083,065	$ 75,769	61%
Maine	134	$ 2,770,808	$ 20,678	61%
Idaho	1,691	$ 201,578,827	$ 119,207	61%
Indiana	7,220	$ 553,472,679	$ 76,658	60%
Kansas	11,532	$ 985,965,594	$ 85,498	59%
Utah	315	$ 19,382,268	$ 61,531	59%
Colorado	2,101	$ 236,159,558	$ 112,403	58%
New Mexico	432	$ 49,036,917	$ 113,511	58%
Maryland	451	$ 40,094,516	$ 88,901	58%
New York	1,164	$ 68,726,806	$ 59,044	58%
Arkansas	2,712	$ 577,052,643	$ 212,778	58%
Oklahoma	4,833	$ 359,718,061	$ 74,430	57%
Ohio	5,668	$ 355,578,624	$ 62,734	57%
Wyoming	389	$ 20,446,985	$ 52,563	55%
Washington	1,528	$ 243,426,466	$ 159,311	55%
Illinois	13,870	$ 992,187,761	$ 71,535	54%
Pennsylvania	1,329	$ 48,294,353	$ 36,339	54%
Montana	2,295	$ 294,696,914	$ 128,408	53%
Massachusetts	56	$ 1,359,797	$ 24,282	53%
Wisconsin	5,006	$ 250,109,033	$ 49,962	53%
New Hampshire	33	$ 1,146,113	$ 34,731	52%
Arizona	164	$ 85,475,385	$ 521,191	51%
South Dakota	4,269	$ 359,335,894	$ 84,173	51%
Connecticut	46	$ 2,242,148	$ 48,742	51%
New Jersey	82	$ 5,523,240	$ 67,357	50%
California	1,365	$ 375,482,047	$ 275,078	50%
Nebraska	8,016	$ 786,777,686	$ 98,151	49%
North Dakota	4,616	$ 504,789,054	$ 109,356	48%
Vermont	136	$ 2,987,206	$ 21,965	47%
Minnesota	6,734	$ 664,432,628	$ 98,668	47%
Rhode Island	5	$ 66,314	$ 13,263	46%
Alaska	7	$ 225,529	$ 32,218	46%
Iowa	11,788	$ 949,475,496	$ 80,546	45%
Total, United States	*144,339*	*$ 13,838,571,868*	*$ 95,875*	*61%*

Source: Environmental Working Group. Compiled from USDA data.

While the subsidy concentration index provides a useful measure of how concentrated payments are within a given state, the index may obscure the extent to which payments are inequitably distributed among different states. Applying the subsidy concentration index methodology across different states in different regions of the country shows particularly striking results. For example, the top 10 percent of recipients in Arizona were paid an average of $521,191 each over 3 years, while the median recipient in Kentucky was paid just $721 over the same period. Across the two states, the subsidy concentration index was 727—meaning that on average, a recipient among the top 10 percent in Arizona collected about 727 times as much as the median recipient in Kentucky.

To a large extent, such payment differentials reflect regional variations in farm size, the number of farms in the state, crops grown, historic yields, irrigation patterns, and other facets of local farm economies. Nevertheless, they do point out the extent to which Freedom to Farm provides sizable economic benefits to large agribusinesses in certain regions

Table 7: In fourteen states the top 10 percent of all recipients received an average of over 107,000 dollars.

Rank	State	Payment per recipient among top 10% 1996-1998
1	Arizona	$ 521,191
2	California	$ 275,078
3	Mississippi	$ 217,917
4	Arkansas	$ 212,778
5	Washington	$ 159,311
6	Louisiana	$ 132,763
7	Montana	$ 128,408
8	Oregon	$ 123,015
9	Texas	$ 120,599
10	Idaho	$ 119,207
11	New Mexico	$ 113,511
12	Colorado	$ 112,403
13	North Dakota	$ 109,356
14	Delaware	$ 107,428
	Total, United States	$ 95,875

Source: Environmental Working Group. Compiled from USDA data.

Table 8: The top 10 percent of all recipients recieved 27 times as much money as the median recipient.

State	Median payment 1996-1998	Average payment per recipient among the top 10% 1996-1998	Subsidy Concentration Index†
Mississippi	$ 1,092	$ 217,917	200
Louisiana	$ 1,432	$ 132,763	93
Alabama	$ 717	$ 62,209	87
South Carolina	$ 1,096	$ 77,107	70
North Carolina	$ 997	$ 64,417	65
Tennessee	$ 892	$ 53,186	60
Virginia	$ 717	$ 42,093	59
Georgia	$ 1,723	$ 99,926	58
Florida	$ 1,007	$ 49,555	49
Kentucky	$ 711	$ 31,878	45
Texas	$ 3,058	$ 120,599	39
Arkansas	$ 5,821	$ 212,778	37
Delaware	$ 3,021	$ 107,428	36
Nevada	$ 2,127	$ 72,702	34
West Virginia	$ 644	$ 21,145	33
Michigan	$ 2,682	$ 75,769	28
Idaho	$ 4,237	$ 119,207	28
Indiana	$ 2,878	$ 76,658	27
Maine	$ 792	$ 20,678	26
Missouri	$ 2,453	$ 62,964	26
Oregon	$ 4,800	$ 123,015	26
New Mexico	$ 4,437	$ 113,511	26
Colorado	$ 4,433	$ 112,403	25
Kansas	$ 3,547	$ 85,498	24
Utah	$ 2,856	$ 61,531	22
Oklahoma	$ 3,492	$ 74,430	21
Ohio	$ 3,127	$ 62,734	20
Washington	$ 7,989	$ 159,311	20
Maryland	$ 4,508	$ 88,901	20
Montana	$ 6,622	$ 128,408	19
California	$ 15,048	$ 275,078	18
New York	$ 3,274	$ 59,044	18
Wyoming	$ 2,970	$ 52,563	18
Illinois	$ 4,125	$ 71,535	17
New Hampshire	$ 2,137	$ 34,731	16
South Dakota	$ 5,487	$ 84,173	15
North Dakota	$ 7,442	$ 109,356	15
Pennsylvania	$ 2,515	$ 36,339	14
Nebraska	$ 6,837	$ 98,151	14
Massachusetts	$ 1,712	$ 24,282	14
New Jersey	$ 5,199	$ 67,357	13
Wisconsin	$ 3,903	$ 49,962	13
Connecticut	$ 3,899	$ 48,742	13
Arizona	$ 42,599	$ 521,191	12
Minnesota	$ 8,399	$ 98,668	12
Rhode Island	$ 1,182	$ 13,263	11
Vermont	$ 2,130	$ 21,965	10
Iowa	$ 7,952	$ 80,546	10
Alaska	$ 3,416	$ 32,218	9
Total, United States	*$ 3,565*	*$ 95,875*	*27*

Source: Environmental Working Group. Compiled from USDA data.

† Average payment to top 10 percent of recipients as a multiple of the median payment in the state (see original table).

of the country, while providing minimal benefits to small and medium size farmers in other parts of the country.

About the Data

The data upon which this report is based were derived from computerized records of more than 30 million farm program checks written by the U.S. Department of Agriculture. These records were obtained by Environmental Working Group through a Freedom of Information Act request to USDA's Kansas City Computer Center. These records represent each payment made, from each county USDA office, to each recipient, during calendar years 1996, 1997 and 1998, for subsidy programs administered by the USDA's Farm Service Agency.

The 30 million check records were compiled to obtain the total subsidy received by each recipient, in each payment category. A recipient may be an individual, a corporation, or a general partnership, joint venture, or some other legal entity. Payment data presented here were net of refunds paid to the government, which were subtracted for each recipient and subsidy category as we tabulated payments.

Possible sources of overestimation of subsidy concentration:

Many of the top farm subsidy recipients were joint ventures, general partnerships, or other business entities comprising more than one owner or partner. For some of these farm businesses, more than one individual, residing in more than one household, benefited from the subsidy payments. For example, a joint venture that received $150,000 in Freedom to Farm subsidies over three years may have been made up of two individuals in a farming partnership who shared these subsidies equally. The data available at the time of this analysis did not allow for an estimate of the extent to which subsidies paid to one recipient actually benefit several farm households.

Many thousands of recipients nationwide received very low levels of subsidies—on the order of $100 per recipient over the course of 3 years. Though the data themselves do not give an explanation of why there were so many recipients of such insignificant amounts of subsidies, we have heard several proposed explanations from USDA officials and others. One plausible explanation is that many of these minimal recipients were members of a farm family, some of whose members received additional subsidies. Subsidies paid to a minimal recipient could legitimately folded into a household's overall total, rather than be counted as subsidies to a distinct recipient. Another explanation is that some of these subsidies were for extremely small "hobby" farms that should not properly be considered actual farming operations. In either case, the existence of these very small recipients decreases both the reported average and the reported median payment per recipient.

A small number of very large recipients may have been Indian tribes or other legal or governmental entities that pooled payments to a large number of recipients.

Possible sources of underestimation of subsidy concentration:

Under current program rules, a subsidy recipient is allowed to receive payments both directly from USDA, and also indirectly through up to two corporations, partnerships or other business entities. In order to maximize a farming operation's eligibility for federal subsidies, many of the largest farms are divided into multiple legal entities (often called "paper farms"), each of which is entitled to receive subsidies. This means that many of the top individual recipients actually received far more payments than the data presented here would indicate, because in addition to receiving subsidies directly, they also received subsidies indirectly through businesses in which they had a share.

The existence of "paper farms" also creates another source of potential undercounting of subsidies to top recipients. Although payments to a joint venture or partnership are often attributed (at least on paper) to more than one individual, in practice there may be a single "real" individual who benefits from most or all of the subsidies to that business. Although USDA rules are designed to prevent this type of abuse, here have been several exposes concerning individuals who have collected significant subsidies through this method.

In addition to this source of undercounting, many farm households contained more than one subsidy recipient. In some households, both the husband and wife, as well as one or more children, receive considerable subsidies; and this phenomenon is compounded when members of a household receive additional subsidies from one or more corporations or business ventures. While this phenomenon does not affect the concentration of payments to direct subsidy recipients, it could lead to significant undercounting of the benefits that particular households derive from the subsidy programs, especially on the top end of the payment scale.

In subsequent reports, EWG will seek to adjust for sources of both over- and under-estimation of subsidy concentrations by identifying the degree to which recipients participate in subsidy-sharing arrangements.

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