

# Double Dippers

How Big Ag Taps Into  
Taxpayers' Pockets – Twice

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## Executive Summary

# Double Dippers: How Big Ag Taps Into Taxpayers' Pockets — Twice

Some of America's richest agribusinesses are double dipping from U.S. taxpayers' pockets at a rate of hundreds of millions of dollars a year, according to an Environmental Working Group (EWG) computer investigation of federal crop and water subsidies to California's Central Valley Project (CVP).

At a time of record federal budget deficits and scarce, expensive water, thousands of Central Valley farms get cheap, taxpayer-subsidized water to grow surplus crops the government subsidizes a second time with price supports. EWG found that in 2002, the latest year for which figures are available for both types of subsidies, the approximately 6,800 farms in the CVP, the largest federally-operated irrigation system in the nation, took in by conservative estimate \$538 million in crop and water subsidies combined.

The figure is based on an earlier EWG investigation that used state and federal data to calculate the value of CVP water subsidies from the Bureau of Reclamation at \$416 million in 2002. Now, using Department of Agriculture (USDA) crop subsidies data compiled annually by EWG, we have documented that many of these same farms are also getting hefty crop subsidy payments — \$122 million in 2002 alone, and \$891 million from 1995 to 2004.

EWG found:

- In 2002, almost one in five CVP farms got both crop and water subsidies. These farms received water subsidies worth an estimated \$121.5 million, and crop subsidy checks totaling another \$122.3 million. Combined, the average subsidy payment was almost \$200,000 per farm.
- More than one in four CVP farms got double subsidies for at least one year between 1995 and 2004. Crop subsidy checks to these farms in that period totaled more than \$891 million. These farms received more than \$152 million worth of water subsidies in 2002 alone, so their combined

subsidy take over ten years could well top \$2 billion.

- Roughly one-third of the 2.7 million acre-feet of subsidized irrigation water the CVP delivered in 2002 went to grow crops eligible for USDA subsidies. Cotton and rice were the biggest subsidy sweepstakes winners by far. These two crops accounted for more than one-fourth of CVP irrigation water delivered in 2002 and 92 percent of the crop subsidies received by CVP farms that year.
- Some California dairy operations are not double dippers but triple dippers. They receive taxpayer-subsidized water to grow corn, for which they receive crop subsidies. They feed the corn to cattle to produce milk, cheese and other products eligible for federal dairy subsidies. EWG identified 23 of these triple dippers in the CVP. Together they received more than \$3 million in combined subsidies in 2002.

In 2002, the ten biggest double dippers in California reaped almost \$20 million in water and crop subsidies combined. The five biggest — Dresick Farms of Huron, Burford Ranch of Fresno, Hansen Ranches of Corcoran, Sumner Peck Ranches of Madera, and Starrh & Starrh Cotton Growers of Shafter — each received more than \$2 million in combined federal subsidies in 2002.

TABLE: Top 10 double dippers in 2002

Farm name	Farm location	Crop subsidy payments received		Estimated water subsidies received (2002)	Total crop and water subsidies received (2002)
		1995-2004	2002		
DRESICK FARMS INC	Huron	\$326,350	\$12,907	\$2.3-2.7 million	\$2.3-2.7 million
BURFORD RANCH	Fresno	\$1,433,593	\$64,119	\$2.1-2.5 million	\$2.1-2.5 million
HANSEN RANCHES	Corcoran	\$9,996,854	\$2,143,732	\$1,500	\$2.1 million
SUMNER PECK RANCH	Madera	\$5,446,924	\$1,905,232	\$220,000	\$2.1 million
STARRH & STARRH COTTON GROWERS	Shafter	\$8,816,433	\$1,976,882	\$110,000	\$2.1 million
HARRIS FARMS	Coalinga	\$783,927	\$40,000	\$1.8-2.2 million	\$1.9-2.2 million
VANN BROS.	Williams	\$2,942,285	\$727,348	\$1.0-1.2 million	\$1.7-1.9 million
K-4 FARMS	Yuba City	\$4,661,624	\$739,278	\$910,000	\$1.6 million
KODA FARMS	South Dos Palos	\$3,968,541	\$1,116,582	\$470,000	\$1.6 million
HALL COMPANY	Firebaugh	\$4,087,798	\$874,919	\$590,000	\$1.5 million

Sources: [3,4]



The distribution of both crop subsidies and water subsidies in the CVP is highly uneven, with the biggest farms getting most of the subsidies. Not surprisingly, the same skewed distribution is true among double dippers.

We looked at farms that got CVP water subsidies in 2002 and crop subsidies for at least one year between 1995 and 2004. Ten percent of the farms accounted for 51 percent of all of the crop subsidies, with the average payment per farm totaling more than \$2.4 million during the ten-year period. The top 5 percent, fewer than 100 farms, got 34 percent of the crop subsidies — more than \$3 million each on average.

To put these figures into perspective, in 2002 the average crop subsidy payment nationwide was \$18,321. That year the average payment to CVP farmers was \$99,614. It's clear that double dipping is not a policy that helps struggling family farmers make a living — the original intent of both crop and water subsidies — but an opportunity for wealthy agribusiness corporations to “game” the system so that taxpayers pay for their finished products and raw materials.

Eleven times since 1982, Congress has considered legislation to prohibit farms from receiving both water and crop subsidies. Each bill was blocked by the agricultural lobby. Both the National Academy of Sciences and the Government Accountability Office have called for an end to double dipping, and in 1990 the Interior Department's Inspector General told the Bureau of Reclamation it should work with USDA to “discontinue expeditiously...the practice of providing dual subsidies.” [1] Neither the Bureau nor USDA did anything to end or reduce double dipping.

That's not acceptable — especially now.

The Bureau of Reclamation is in the process of renewing long-term contracts for CVP irrigation districts that promise 43 percent more subsidized water by 2030, even though hundreds of thousands of acres are going out of crop production. Renewing the water contracts at bargain-basement prices, while ignoring the inherent conflict of growing subsidized crops with subsidized water, will lock in double dipping for another 25 to 50 years.

Meanwhile, the federal crop subsidy program grows more bloated each year, with new EWG figures showing \$12.5 billion in price supports paid nationwide in 2004. The U.S. is under pressure to comply with a World Trade Organization ruling that U.S. cotton subsidies are illegal and harmful to Third World economies. Earlier this year, President Bush proposed reducing crop subsidies, then backed down after an outcry from the farm lobby. But on July 7, at the G8 summit in Scotland, Bush renewed his call for subsidy

reform, saying the U.S. “want[s] to work with the [European Union] to rid our respective countries of agricultural subsidies” by 2010. [2]

There’s no need to wait. Eliminating double dipping is a common-sense idea the White House could accomplish with a stroke of the pen. It would make federal farm policy more fair to the majority of farmers in California and other states, who receive neither crop nor water subsidies. It would save taxpayers hundreds of millions of dollars a year. If the president is serious about getting rid of wasteful and inequitable farm subsidies, ending double dipping is an ideal place to start.







## Part 1

# Findings

We the people pay for the water, then pay again for part of the grain and cotton it yields because otherwise there would be too weak a market for them. A man from Mars to whom you tried to explain the system might not understand.

— “Watering the West,” editorial,  
The Washington Post, March 14, 1988

At a time when the federal budget deficit has reached historic levels and California water is increasingly scarce and expensive, taxpayers are providing Central Valley farms with crop and water subsidies that together are worth hundreds of millions of dollars a year, according to an Environmental Working Group investigation that calculated for the first time the cost of providing these inherently conflicting subsidies to 6,800 farms in the Central Valley Project.

These “double dippers” not only get federal irrigation water delivered at cut-rate prices. They then turn around and get cash payments from the government for growing subsidized crops they have irrigated with highly subsidized water. EWG’s analysis shows that more than one-quarter of all farms in the CVP got double subsidies for at least one year between the period of 1995 and 2004. In some cases these subsidies totaled millions of dollars.

Previously, EWG calculated that CVP farms received \$416 million worth of water subsidies in 2002. † [3] For our new analysis we matched farm names and addresses of CVP water subsidy recipients with names in EWG’s nationwide crop subsidy database, which compiles USDA records of cash payments made to farmers since 1995. We were then able to identify the more than 1,200 farms in the CVP that got both water and crop subsidies during 2002, and the more than 1,800 farms that received water subsidies in 2002 and crop subsidies for at least one year between 1995 and 2004.

† Based on studies by the Bureau of Reclamation and the state Department of Water Resources of the projected cost of water from proposed new dams on the San Joaquin River. The actual cost of this water could be twice as high as estimated.

EWG found:

- In 2002, 18 percent of farms in the CVP got both crop and water subsidies. These 1,228 farms received water subsidies worth \$121.5 million and crop subsidy checks totaling another \$122.3 million. Combined, the average subsidy payment was almost \$200,000 per farm.
- The pot of gold grows larger when you consider the farms that got water subsidies in 2002 and got crop subsidies for at least one year between 1995 and 2004, as did 27 percent of all CVP farms. These 1,864 farms received more than \$152 million worth of water subsidies in 2002. From 1995 to 2004 they also received crop subsidy checks totaling over \$891 million. Their total take from federal farm subsidies during this period is at least \$1 billion and most likely exceeds \$2 billion.

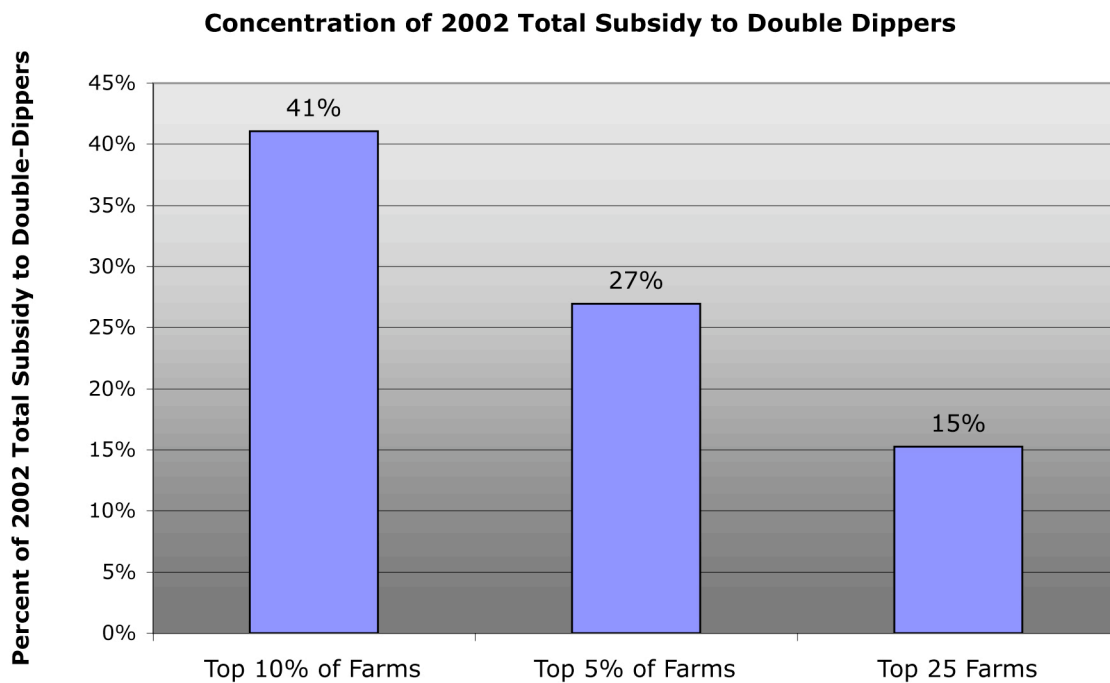
The distribution of crop and water subsidies within the CVP is highly uneven. EWG previously found that the top 10 percent of CVP farms, in terms of total water use, got 67 percent of all the irrigation water delivered by the Project in 2002. Crop subsidies to CVP farmers are almost as unevenly concentrated.

- For the farms that got double subsidies in 2002, 47 percent of the crop payments went to just 10 percent of the farms. The checks going to these 123 farms averaged more than \$468,000 each. The top five percent, or 61 farms, accounted for 31 percent of the crop subsidies in the CVP in 2002, for an average payment worth almost \$628,000. The top 25 farms accounted for 18 percent of the total, with the average check reaching \$884,874.
- For the farms that got water subsidies in 2002 and crop subsidies for at least one year between 1995 and 2004, the concentration figures were even more skewed. Ten percent of the farms accounted for 51 percent of all of the crop subsidies, with the average payment per farm for this 10-year period totaling more than \$2.4 million. The top five percent, or 93 farms, got 34 percent of the subsidies; their subsidy checks were worth more than \$3 million on average. The top 25 farms got 14 percent of total crop subsidies, receiving an average of \$5 million each between 1995 and 2004.

To put these figures into perspective, in 2002 the average crop subsidy payment nationwide was \$18,321. The average payment to CVP farmers that year was \$99,614, more than five times as much. Still, this figure is probably an underestimate. Since EWG matched

up water and crop subsidy recipients by comparing names and addresses, discrepancies between either of these two fields would lead to undercounting.

For example, Hansen Ranches — the third largest double dipper that we identified — is listed as only receiving \$1,500 in water subsidies in 2002. Yet in our water subsidies database there is also an entry for “Hansen Ranches/Eric, Phil,” that got \$210,000 worth of subsidized water that year. Both of these farms had the same contact person listed on their pesticide use permit in 2002: Eric Hansen. Although they are almost certainly the same farm, we chose to be conservative and identify only the first farm as a double dipper. In all cases, we considered to be double dippers only those farms with matches in the name and address fields of our farm subsidies database and our water subsidies database. Our figures should therefore be considered underestimates.



<b>Number of farms</b>	123	61	25
<b>Estimated total subsidy (2002)</b>	\$99,620,000	\$65,186,000	\$36,569,000
<b>Average total subsidy (2002)</b>	\$810,000	\$1,069,000	\$1,463,000

Sources: [3,4]

In terms of the total crop and water subsidies that went to double dippers in 2002, 41 percent of the \$244 million in subsidies went to ten percent of the farms. The average take for these 123 farms was \$810,000 — more than four times the already substantial average combined subsidy of \$199,000. The top five percent of farms accounted for 27 percent of the total combined subsidy, and the top 25 farms got 15 percent of the crop and water subsidies in 2002.

The five biggest subsidy double dippers were Dresick Farms of Huron (Fresno County), Burford Ranch of Fresno, Hansen Ranches of Corcoran (Kings County), Sumner Peck Ranches of Madera (Madera County), and Starrh & Starrh Cotton Growers of Shafter (Kern County). Each of these farms received more than \$2 million in water and crop subsidies combined in 2002. Another 20 farms got more than \$1 million in combined subsidies in 2002.

TABLE: Top 25 double dippers

Farm name	Farm location	Crop subsidy payments received		Estimated water subsidies received (2002)	Total crop and water subsidies received (2002)
		1995-2004	2002		
DRESICK FARMS INC	Huron	\$326,350	\$12,907	\$2.3-2.7 million	\$2.3-2.7 million
BURFORD RANCH	Fresno	\$1,433,593	\$64,119	\$2.1-2.5 million	\$2.1-2.5 million
HANSEN RANCHES	Corcoran	\$9,996,854	\$2,143,732	\$1,500	\$2.1 million
SUMNER PECK RANCH	Madera	\$5,446,924	\$1,905,232	\$220,000	\$2.1 million
STARRH & STARRH COTTON GROWERS	Shafter	\$8,816,433	\$1,976,882	\$110,000	\$2.1 million
HARRIS FARMS	Coalinga	\$783,927	\$40,000	\$1.8-2.2 million	\$1.9-2.2 million
VANN BROS.	Williams	\$2,942,285	\$727,348	\$1.0-1.2 million	\$1.7-1.9 million
K-4 FARMS	Yuba City	\$4,661,624	\$739,278	\$910,000	\$1.6 million
KODA FARMS	South Dos Palos	\$3,968,541	\$1,116,582	\$470,000	\$1.6 million
HALL COMPANY	Firebaugh	\$4,087,798	\$874,919	\$590,000	\$1.5 million
FORTUNE FARMING	Dos Palos	\$3,845,670	\$674,057	\$680,000-770,000	\$1.4 million
HAMMOND RANCH	Firebaugh	\$1,436,457	\$352,200	\$1.0-1.1 million	\$1.4 million
BROOKS FARMS	Firebaugh	\$5,477,539	\$563,638	\$730,000-820,000	\$1.3-1.4 million
BORBA BROTHERS FARMS	Riverdale	\$1,765,025	\$127,971	\$1.1-1.3 million	\$1.2-1.4 million
RICHTER BROTHERS	Knights Landing	\$1,004,331	\$162,687	\$1.0 million	\$1.2-1.3 million
TERRA LINDA FARMS II	Riverdale	\$786,951	\$39,809	\$1.1-1.2 million	\$1.1-1.3 million
CLARKLIND FARMS	Tulare	\$4,145,289	\$814,874	\$390,000	\$1.2 million
RIVER GARDEN FARMS	Knights Landing	\$4,845,248	\$902,827	\$260,000	\$1.2 million
MATTEOLI BROS.	Robbins	\$2,035,418	\$177,969	\$930,000	\$1.1-1.2 million
QUAD H RANCHES/HOFFART FARMS	Robbins	\$181,459	\$939	\$1.1-1.2 million	\$1.1-1.2 million
EASTMAN RANCH	Woodland	\$4,569,791	\$395,147	\$730,000	\$1.1 million
PEREZ FARMS	Firebaugh	\$2,960,006	\$583,872	\$530,000	\$1.1 million
BOYETT FARMS	Corcoran	\$2,579,393	\$845,624	\$260,000	\$1.1 million
HOULDING FARMS	Madera	\$4,787,358	\$1,019,857	\$65,000	\$1.1 million
CANAL FARMS	Maxwell	\$6,746,781	\$489,530	\$540,000-600,000	\$1.0-1.1 million

Sources: [3,4]

As if double dipping weren't enough, some California dairy operations actually triple dip into taxpayers' pockets. These farms receive taxpayer-subsidized water to grow corn, for which they receive crop subsidies from USDA. They then feed this corn to cattle to produce milk, cheese and other products eligible for federal dairy subsidies. EWG identified 23 of these triple dippers in the CVP. Together these triple dippers received \$1.2 million in corn and dairy subsidies plus another \$1.2 million in total water subsidies in 2002. But they didn't stop there: That year these 23 farms received \$798,000 through other subsidy programs, including subsidized wheat for cattle feed, for a combined take of more than \$3 million in 2002 alone.

The largest of these triple dippers was Tri Iest Dairy of Madera with more than half a million dollars of crop and water subsidies in 2002. The second largest was Iest Family Farms, also of Madera, with roughly \$350,000 in combined subsidies. Although these two farms had different addresses listed with the USDA and the California Department of Pesticide Regulation, it is likely that they are actually part of one large farm. Both farms had the same contact person — with the last name of Iest — listed on their pesticide use permits in 2002. This is notable because artificially subdividing farms is a common method that farmers use to get around acreage restrictions that would otherwise limit how much subsidized water they could obtain.

Under the Reclamation Act of 1902, farmers were only allowed to get federally subsidized water for 160 acres of cropland, and they had to live on or near this land. The original intent of the law was to promote small family farms by enabling farmers to get cheap water. The acreage limitation was put in place to limit the amount of federal benefits to any one party. The law has since been revised to allow farmers subsidized water for up to 960 acres of land; after that they supposedly must pay full price for the water. But many farmers get around this rule by dividing up their land holdings through a combination of partnerships, corporations or trusts. A 5,000 acre farm becomes five or six smaller farms on paper. In reality, farmers continue to work the land as one unit and get subsidized water to irrigate all of it. [3]

Roughly one-third of the 2.7 million acre-feet of irrigation water delivered by the CVP in 2002 went to grow crops eligible for USDA subsidies. (An acre-foot, the amount of water needed to cover one acre one foot deep, is 325,851 gallons.) Although the eligible crops included wheat, corn, oats, sorghum, barley, and a variety of oilseeds (soybean, mustard, safflower, and sunflower), the vast majority of the subsidies went to just two crops: cotton and rice.

Overall, cotton accounted for 56 percent of the crop subsidies given to CVP farmers in 2002, while rice accounted for another

TABLE: Triple Dippers in 2002

Farm Name	Farm location	Estimated water subsidies (2002)	Crop subsidies (2002)			Total water and crop subsidies (2002)
			Corn subsidies	Dairy subsidies	Other crop subsidies	
TRI IEST DAIRY	Madera	\$410,000	\$19,318	\$34,884	\$72,506	\$530,000
FAWCETT FARMS	Los Banos	\$250,000 to	\$2,841	\$27,311	\$18	\$280,000 to 450,000
IENT FAMILY FARMS	Madera	\$260,000	\$14,784	\$34,884	\$33,976	\$350,000
DE GROOT & SON, JOHN	Fresno	\$6,000	\$14,756	\$73,116	\$102,539	\$200,000
OASIS HOLSTEIN DAIRY	Shafter	\$110,000	\$332	\$34,884	\$24,340	\$170,000
WAGNER DAIRY	Escalon	\$9,000	\$5,441	\$73,116	\$78,978	\$170,000
MACHADO DAIRY FARMS	Manteca	\$1,800	\$24,669	\$111,108	\$22,583	\$160,000
DOORNENBAL DAIRY	Escalon	\$1,400	\$6,883	\$59,729	\$87,912	\$160,000
MILKTIME DAIRY	Madera	\$80,000	\$11,966	\$23,239	\$30,523	\$150,000
MATTOS BROS.	Hanford	\$940	\$3,340	\$73,116	\$32,112	\$110,000
HILLVIEW DAIRY	Fresno	\$2,400	\$18,350	\$73,116	\$13,140	\$110,000
VALLEY VIEW FARMS	Hanford	\$2,800	\$3,376	\$73,116	\$25,248	\$100,000
GOMES, ED	Chowchilla	\$1,300	\$7,510	\$14,849	\$76,313	\$100,000
FOUR STAR DAIRY	Tulare	\$1,200	\$2,144	\$73,116	\$14,070	\$91,000
GOMES HOLSTEIN DAIRY	Willows	\$11,000	\$4,112	\$28,522	\$31,762	\$76,000
ROCHA, MANUEL	Gustine	\$12,000	\$9,918	\$31,646	\$20,807	\$75,000
A & T DAIRY	Chowchilla	\$1,400	\$1,064	\$57,480	\$13,632	\$74,000
LUIS DAIRY	Escalon	\$850	\$4,894	\$24,213	\$41,310	\$71,000
AZEVEDO, FRANK II.	Patterson	\$2,200	\$4,738	\$18,598	\$30,219	\$56,000
KAISER-GALLO DAIRY	Hamilton City	\$1,400	\$1,272	\$27,768	\$24,089	\$55,000
ZYLSTRA DAIRY INC	Turlock	\$1,600	\$590	\$28,636	\$13,605	\$44,000
GERRITT GROENEWEG	Chowchilla	\$2,000	\$65	\$29,686	\$8,151	\$40,000
JOSEPH ANDRADE	Chowchilla	\$1,300	\$612	\$32,659	\$0	\$35,000
<b>Total</b>		<b>\$1.2-1.3 million</b>	<b>\$162,973</b>	<b>\$1,058,791</b>	<b>\$797,835</b>	<b>\$3.2-3.4 million</b>

Sources: [3,4]

36 percent. Cotton uses by far more water than any other crop in the CVP, an estimated 442,000 acre-feet in 2002. Rice was second with an estimated 262,000 acre-feet. Together, these two crops accounted for more than one-fourth of CVP irrigation water delivered in 2002 — enough water to supply 1.4 million households with water for a year.

Not surprisingly, the two crops also dominated the list of double dippers. The five farms that received the most total subsidies in 2002 received 97 percent of their crop subsidies from cotton. The next 20 farms in terms of total subsidies received 64 percent of their crop subsidies from cotton in 2002 and another 32 percent from rice. The share of combined subsidies to rice growers would be much greater if it were possible to calculate the value of subsidized water delivered to growers' cooperatives. The Farmers Rice Coop of Sacramento received \$144 million in federal crop

subsidies from 1995 to 2004, ranking third of all crop subsidy recipients nationwide, but because the list of its members is not a public record, we could not calculate the value of the CVP water they received.

Although the 25 biggest double dippers in the state are located in 19 different CVP irrigation districts, more than half the water they received in 2002 went to farms in just one district: Westlands Water District. Westlands, encompassing more than 600,000 acres in Fresno and Kings counties, receives more than a quarter of all irrigation water delivered by the CVP. EWG previously calculated that, depending on how the market value of the water is calculated, Westlands received 26 percent to 40 percent of all of water subsidies in the CVP in 2002 — between \$24 million and \$110 million a year. [3] EWG's new analysis found that 44 percent of Westlands farmers received both crop and water subsidies in 2002.

We found no relationship between the amount of water subsidies and crop subsidies that a farm received, and this held true no matter where a farm ranked in our subsidy databases. This was not surprising given that only a subset of crops are eligible to receive crop subsidies from USDA. In addition, many large CVP farms also harvest land in other parts of the state or in other states. As a result, the crop subsidy checks some farms are getting probably cover more cropland than is accounted for in our water subsidy database.

The key difference in federal water and crop subsidy programs is how the benefits reach the recipient. Water subsidies come in the form of discounted water prices given to farmers and are equal to the difference between the market rate of water and the price paid by irrigation districts. Since records on how much irrigation water individual farmers use in a given year are by state law shielded from the public, the value of these water subsidies can be tricky to calculate — though no less real.

The CVP is also awash in other hidden subsidies. Taxpayers built the system at a cost of \$3.6 billion; irrigators were obligated to repay \$1 billion within 50 years of the Project's completion. But the repayment schedule has been extended by several decades, and the government doesn't charge the irrigators interest. If irrigators are still unable to pay back what they owe, the government will further subsidize their debt by overcharging urban users of the electricity produced by the project's dams. [3]

Crop subsidies, by contrast, are cash on the barrelhead. Farmers who grow the "right" crops — cotton, rice, barley, corn, oats, oilseeds, peanuts, sorghum or wheat — get checks from the USDA, typically every year. Some also get significant amounts



of money year after year in the form of federal “disaster” aid. Between 1995 and 2004, more than two-thirds of the \$11.9 billion in disaster aid went to “disaster-prone” farms that got payments in at least one out of three years. [4]

EWG’s analysis of the CVP is the first attempt to identify crop and water subsidies double dippers anywhere in the country. The lack of data for water subsidies in states outside of California made it impossible to calculate the cost of double dipping in the 135 other federal water projects providing subsidized irrigation water in 17 Western states. The CVP is by far the largest of these projects, but considering that double dippers in California got water and crop subsidies worth more than \$240 million in 2002, it is clear that the cumulative cost to U.S. taxpayers of the double subsidy system reaches billions of dollars per year.

Fifteen years ago, the last time the government took a serious look at double dipping, several federal agencies made attempts to estimate the costs of double subsidies to farmers in the West. Their studies agreed that between 33 and 38 percent of the land receiving federally subsidized irrigation water was being used to grow federally subsidized crops, but estimates of the value of the subsidies varied widely. [1]

- A report by the Interior Department calculated that in 1986 the federal government provided \$534 million worth of irrigation subsidies to farmers in the 17 western states. Interior found that fully 43 percent of this money — \$203 million — was associated with the production of subsidized crops.
- The Bureau of Reclamation’s estimates for the cost of double dipping were significantly higher. Using a slightly different methodology, the Bureau calculated that irrigation subsidies throughout the West totaled \$2.2 billion in 1986, of which \$830 million went to subsidized crops. [1,5]
- Another study from USDA’s Economic Research Service calculated that farmers who got double subsidies in 1986 received \$85 million worth of irrigation subsidies and \$496 million worth of crop subsidies, for a total of \$581 million in taxpayer funded subsidies. [6]
- An audit by the Department of Interior’s Office of Inspector General concluded that in 1986 farmers received irrigation subsidies “conservatively estimated” at \$66 million while USDA was “paying the same farmers an estimated \$379 million to limit surplus crop production,” for a total subsidy of \$445 million. [1]

TABLE: Government estimates of double subsidies given to western farms in 1986

Federal agency conducting study	West-wide irrigation subsidies		USDA subsidies given to crops grown with subsidized water	Source
	All crops	Surplus crops		
Department of the Interior	\$534 million	\$203 million	–	[1,5]
Bureau of Reclamation	\$2.2 billion	\$830 million	–	[1,5]
USDA Economic Research Service	–	\$85 million	\$496 million	[6]
Interior Dept. Office of Inspector General	–	\$66 million	\$379 million	[1]

Sources: [1,5,6]



## Part 2

# Two Flawed Programs Make One Bad Policy

Far from saving America's family farms, the current farm subsidy system is destroying them.

— “How farm subsidies became America's largest corporate welfare program,”  
The Heritage Foundation, Feb. 25, 2002

What do you get if you take two wasteful and inequitable programs and put them together? In the case of crop and water subsidies, you end up with a bigger mess than before, and a farm policy as antithetical to the free market as anything out of Soviet central planning.

During a 1987 hearing in the House Subcommittee on Water and Power Resources, Rep. George Miller of California, the leading watchdog in Congress on water subsidies, called the double subsidy system an “unsound and fiscally irresponsible practice.” He said:

“What we have are two government-funded, government-run programs which conflict with each other. We have taxpayer-subsidized projects delivering taxpayer-subsidized water to farmers, who use it to produce subsidized and surplus crops. This is not rational. This is a waste of taxpayer dollars.” [7]

Two years later, Rep. Sam Gejdenson of Connecticut introduced a bill to end double dipping. Gejdenson, who retired in 2000, said double dipping “destroys the credibility of federal farm policy.” Gejdenson's bill attracted 111 co-sponsors, but as with the 10 other double dipping reform bills introduced since 1982, it was opposed by the agricultural lobby and never reached a floor vote.

Politicians aren't the only ones who have criticized the inherent conflict of providing subsidized water to grow subsidized crops. In 1989, in a report on the impacts of irrigated agriculture, the National Academy of Sciences (NAS) identified double dipping as

a “particular concern.” [8] More recently, the respected resource economist Dr. Norman Myers of Oxford University, a longtime advisor to U.S., European and United Nations science agencies, called double dipping a “perverse” subsidy — “adverse in the long run to both the economy and the environment.” [9]

In its report on irrigation, NAS identified three key problems with water subsidies — each made worse when crop subsidies are added to the equation. [8] Although it’s been 16 years since the report was issued, the problems have not changed:

- Farmers rarely end up paying back the costs of constructing federal water projects because the Bureau of Reclamation sets water prices too low to actually recover the capital costs.
- The nation ends up with an artificial farm economy that lacks the financial resources and incentives to deal with the environmental and other consequences of irrigated agriculture.
- By their very nature, water subsidies reduce farmers’ incentives to use water as efficiently as possible.

By law, CVP irrigators were obligated to pay back \$1 billion of the project’s \$3.6 price tag within 50 years of its completion. But in 2002 — 60 years after the water began flowing — CVP farmers had only paid back 11 percent of their obligation. [3] Until recently many of the long-term contract rates were so low that they didn’t even cover the costs to the government of delivering the water, much less repay the farmers’ debt to the government. In 2002, the contract rate for 17 CVP water districts, that together paid for almost 300,000 acre-feet of water, was just \$2 per acre-foot. Yet the cost for delivering this water to these districts was more than \$10 per acre-foot. Nineteen CVP irrigation districts had repaid nothing in capital costs. Two districts did better: They had repaid \$2 and \$1. [3]

In response, the Bureau of Reclamation has repeatedly promised that the base price of water will go up in the new contracts now being executed, and that the rates can be adjusted every year to ensure that irrigators will pay back what they owe by 2030. Although in many cases the new rates in the contracts executed so far are marginally higher than the old rates, CVP-wide water rates actually decreased between 2004 and 2005 by an average of 81 cents an acre-foot on average — as much as \$8.78 an acre-foot in some cases. [10]

The second problem the NAS identified is that water subsidies eventually create a farm economy that is dependent on continued

subsidies. The Academy said the West has “many marginal irrigation projects,” and that over time the dependency on federal subsidies “becomes fundamental to local lifestyles, and there is an expectation of unending support.” [8]

The agricultural lobby has fought tenaciously to ensure that the new CVP water contracts will continue to provide large amounts of highly subsidized water to agribusiness. They have mounted large-scale lobbying and public relations campaigns insisting that cheap federal water is a matter of life and death for small farms. [See <http://www.cfwc.com/>] But as we have seen, CVP water and water subsidies are overwhelmingly concentrated in the hands of the largest, richest farms.

EWG found that in 2002, ten percent of CVP farms accounted for more than two-thirds of the irrigation water delivered that year. These 683 farms received an average of 2,300 acre-feet of water and an average subsidy worth up to \$349,000. The top five percent, or 341 farms, used 49 percent of the irrigation water delivered by the CVP — an estimated 3,400 acre-feet of water apiece, for a subsidy worth up to \$513,000. Meanwhile, the average CVP farm received just 350 acre-feet of water, for a median subsidy of \$7,056. [3]

The balance is even more uneven when it comes to crop subsidies. From 1995 to 2004, taxpayers spent \$144 billion on federal farm subsidies. But of the 2,128,982 farms counted in the most recent Census of Agriculture, only one-third received government payments of any kind in 2002. Two-thirds of the nation’s farmers get no subsidy payments whatsoever. They don’t qualify because they grow the “wrong” things. Of the farmers who did receive subsidies, 80 percent collected, on average, less than \$7,300 over the ten-year period. Between 1995 and 2004, the top ten percent of recipients took in 72 percent of the total payments, for an average of \$332,835 per farm. The top one percent of recipients alone accounted for almost one-fourth of all the farm payments, with total subsidies averaging more than \$1 million per farm. [4]

The third problem the NAS identified with subsidized water is that it reduces farmers’ incentives to use water as efficiently as possible. [8] Water use inefficiency — planting water-intensive crops like cotton and rice, or using more water than necessary to grow crops — has a variety of negative impacts. Most obviously, when more water goes towards irrigation, less water is available for other purposes. In a state plagued with chronic water shortages at the same time as it is trying to stave off the collapse of the San Francisco Bay/Delta ecosystem, which has been devastated by the diversion of water to the CVP and pollution from toxic agricultural chemicals, there’s never enough water to waste.

There are other consequences to dirt-cheap irrigation water. The NAS said subsidized farm water is “a major culprit contributing to irrigation-induced water quality problems” because it “results in more water being used, it encourages farmers to cultivate less desirable lands, and it leads to increased leaching from subsurface flow.” [8] The problem with “less desirable” lands is that they must be drained because their soils contain higher concentrations of salts and trace elements that are toxic to plants. The resulting drainage water ends up polluting waterways — in some cases with catastrophic results.

In 1982 biologists at the Kesterson National Wildlife Refuge in Merced County began to notice that many ducks and other waterfowl were dying mysteriously. By the next spring, record numbers of migratory birds were emerging from their eggs with massive deformities, including misshapen beaks, twisted legs, missing wings, and incompletely formed skulls. More than 1,000 waterfowl eventually died. Scientists determined that the water in the refuge contained high levels of selenium, a usually benign trace element that can be deadly to wildlife and humans in high concentrations. The compound was reaching the refuge in drainage water coming from the highly saline soils of the San Luis Unit of the Central Valley Project.

Using more water also increases erosion, which dumps more sediment in streams, rivers and bays, and more drainage increases the spread of contaminants such as pesticides and heavy metals. [11] Under the federal Clean Water Act, California must identify all the “impaired” waters in the state — those unsuitable for drinking, swimming, fishing or wildlife habitat. The state’s most recent impaired waters list includes more than 700 miles of rivers, creeks and sloughs in the Central Valley, plus almost 55,000 acres of wetlands and estuaries where impaired water quality is linked to agriculture. [12]

Subsidizing crops compounds all of these water subsidy problems. Making crops cheaper to grow means that it is easier to cultivate lands inherently unsuited to agriculture. Subsidies to water-intensive crops such as cotton and rice are incentives to use more water. Subsidies interfere with the normal signals of what would make ecological sense to grow in a region, and what lands would make sense to cultivate.







### Part 3

## Two Decades of Failed Attempts at Reform

The production of surplus crops with subsidized water adds to the glut of farm products...drive[s] up federal expenditures for USDA commodity programs and place[s] farmers in other areas of the country, who do not receive subsidized water, at a competitive disadvantage in the agricultural marketplace.

— Rep. Sam Gejdenson, Remarks to House of Representatives. May 17, 1989

Policy makers recognized decades ago that the Bureau of Reclamation's water subsidy programs and the USDA's crop subsidy programs worked at cross purposes with each other. Between 1982 and 2003, Congress considered eleven different bills to eliminate double subsidy payments. None made it to the president's desk to be signed into law.

The first attempt came in 1982 when Rep. Berkley Bedell of Iowa proposed an amendment to the Reclamation Reform Act prohibiting the delivery of irrigation water to surplus crops. [13] Although the House passed the amendment, it was severely watered down by a House-Senate conference committee. In the end, the Secretary of Agriculture was required only to conduct a study examining the production of surplus crops on lands served by federally subsidized irrigation water.

The study was published in 1984. It estimated that 45 percent of cropland receiving subsidized water was being planted with surplus crops that received price supports. [14] The study concluded that top-to-bottom reform was needed to harmonize the conflicting goals of the government's water and crop subsidies. [5] Congress paid little heed. In 1986 Bedell tried to get language outlawing double subsidies into legislation authorizing North Dakota's Garrison irrigation project, but his amendment was narrowly defeated in the House, losing by just four votes. [14]

The following year Rep. Sam Gejdenson of Connecticut proposed sweeping legislation that would have required the Bureau of Reclamation to charge full price for water delivered to crops already subsidized by USDA price support programs. [15] Gejdenson's bill attracted 111 co-sponsors but was nonetheless killed in committee. In 1989 Gejdenson reintroduced this legislation in the House, with a Senate companion bill from Sen. John Heinz of Pennsylvania, but neither bills came close to becoming law. [16,17] Subsequent legislation introduced in 1990, 1995, 1997, 1999 and 2003 met with a similar fate. [18,19,20,21,22,23]

Meanwhile, a number of federal agencies have repeatedly called for the end of double subsidies. In 1990, the Interior Department Inspector General conducted an audit to evaluate the "reasonableness of providing subsidized irrigation water from Bureau of Reclamation projects to those individuals whose lands produce surplus crops and who benefit from Department of Agriculture crop subsidy programs." [1] Interior concluded that "the practice of providing dual subsidies should be discontinued expeditiously," and recommended that the Bureau work with USDA to develop policies to stop it. [1]

The Bureau's own data showed that about four times more subsidized water was being used for subsidized crops than the Inspector General's report estimated. But the Bureau never followed Interior's recommendation. [5] The Bureau said it would be unproductive to take any action before potential legislative requirements became clear. After 15 years of Congressional inaction, the Bureau still seems to be waiting to be told how to fix a system that is clearly broken.

The Government Accountability Office (GAO) has been hammering away on the issues of water and crop subsidies for more than a decade. In a 1991 report GAO highlighted double dipping as one of the problems with the existing federal water contracts and identified it as one of the policy changes needed before these contracts were renewed. [5] The Bureau has also flagrantly ignored this recommendation and is now in the midst of signing hundreds of new 25-to-50 year irrigation water contracts for the CVP, none of which include any language addressing the double subsidy issue.

In 1992 the GAO again spotlighted double dipping in a report on natural resources management issues produced for the Speaker of the House and Senate Majority Leader. [24] Since then the GAO has called for the end of double subsidies in reports and testimony on the federal budget in 1993, 1994, 1995, 2000 and 2003. [25,26,27,28,29,30] The response from Congress, the White

House, the Bureau of Reclamation and USDA has been the same: Nothing.

It would never make sense to let farmers collect double subsidies. But it's looking worse all the time:

- As of 2002, CVP farmers had paid back only 11 percent of their share of the Project. [3] Should they continue receiving hundreds of millions of dollars a year in federal farm subsidies while showing no signs of making a serious attempt to repay their interest-free debt?
- The federal crop subsidy program has become massively bloated, costing taxpayers \$144 billion over the last decade. For the money taxpayers have provided in commodity and disaster subsidies alone over this period, we could have bought outright 25 percent of the farms in 341 counties — land, barns, farmhouses and all. [4] Should the recipients of this windfall also be eligible for more than a hundred million dollars in water subsidies a year in California alone?
- Neither crop nor water subsidies are accomplishing their original purpose of supporting family farms. Two-thirds of the nation's farmers get no subsidy payments whatsoever. Of those that do, the vast majority get chicken feed: Eighty percent of the recipients between 1995 and 2004 received, on average, \$7,211 for the entire period. That comes to \$721 a year, just over \$60 a month. [4] Meanwhile half of the farm payments went to the top 4 percent of the recipients, with these farms receiving a total average subsidy of \$569,755 from 1995 to 2004. The top 1 percent of recipients raked in almost a quarter of the total, for an average subsidy worth more than \$1 million apiece. It's well documented that many of these subsidy millionaires are using their swollen assets to buy out smaller farms, putting more family farmers out of work. Should we continue to help big farms squeeze out smaller ones?
- In March 2005, the Congressional Budget Office projected that the budget deficit would reach \$365 billion this year, not including supplemental appropriations for the war in Iraq and Afghanistan that bring the figure to \$398 billion. [31] With no end in sight to the war on terror, can we afford to give farmers in arid Western states hundreds of millions of dollars a year in water subsidies that are used to grow surplus crops that cost additional hundreds of millions in price supports?

In light of the documented waste and inequities in the water and crop subsidy programs and the nation's fiscal crisis, eliminating double dipping would seem to be a no-brainer. Instead, it's become a non-starter — a sacred cow with so much political clout that most elected officials and bureaucrats are afraid to touch it.







## Methodology

We identified double dippers by matching up the name and address fields within our water subsidies and farm subsidies databases. To be conservative, we counted only those farms with exact address matches and only those that received at least 5 acre-feet of CVP water in 2002. We determined two sets of double dippers: (1) farms that received both water subsidies and crop subsidies in 2002, and (2) farms that received water subsidies in 2002 and crop subsidies for at least one year between 1995 and 2004.

Crop subsidies were calculated by adding up all the different types of farm subsidy payments that the double dipper received in a given year according to US Department of Agriculture records. This included commodity programs, conservation programs and disaster programs. See <http://www.ewg.org/sites/farm/> for more information on these different types of farm subsidies, the farm subsidy program in general, and how we obtained this information.

Water subsidies were calculated by taking the estimated subsidy at the “replacement water rate” as determined by EWG in our 2004 report “California Water Subsidies”. This report [available at <http://www.ewg.org/reports/watersubsidies/>] combined pesticide use records with accepted crop/water use ratios and financial data from the US Bureau of Reclamation to estimate water subsidies for every farm in the Central Valley Project. For more detailed information on how we calculated water subsidies see the methodology section of our 2004 report at <http://www.ewg.org/reports/watersubsidies/part5.php>.



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