The Farm Subsidy Bait and Switch

The existing subsidy, called the direct payment program, “was created in 1996 as a way to wean farmers off all such supports — and instead was made permanent a few years later,” Neuman writes. Now Congress is going to try to wean farmers off direct payments, which they receive regardless of market conditions, and onto a “shallow-loss” program, whereby the government would “guarantee 10 to 15 percent of a farmer’s revenue,” says Neuman, describing it as “a free insurance policy to cover commodity farmers against small drops in revenue.”

This, by the way, would come on top of $6 billion in federal subsidies to pay over half the cost of farmers’ crop insurance premiums. Crop insurance policies “typically guarantee 75 to 85 percent of a farmer’s revenue” in the event of crop damage or a market drop, Neuman explains. Should a shallow-loss program be enacted, farmers would be guaranteed up to 100 percent of their current revenue for a very small personal investment.

Americans without powerful lobbies in Washington would surely be thrilled to have their incomes guaranteed at others’ expense. Many, however, have lost their jobs and their homes; most are finding their incomes stagnating, unable to keep up with the rising cost of living.

Farmers, meanwhile, are forecast to reap 24 percent more profits this year than last year, bringing profits to their highest level since 1974. In addition, says Neuman, “the average income for farm households has been higher than general household incomes every year since 1996.” As Craig Cox, a senior vice president of the Environmental Working Group, asked Neuman, “How do you justify this kind of money going to a sector of the economy that’s booming while other folks in the country are suffering?”

Moreover, most of the subsidies, which total $18 billion a year, do not go to small family farms but to agribusiness. Newman writes that “most of the benefits” of the proposed shallow-loss subsidy would accrue “to large farms that grow commodity crops like corn, soybeans, wheat and cotton.”

In addition, the new program could end up being far more costly than the current one. Proponents argue it would cost about $4 billion per year, slightly less than the direct payment program. But Montana State University professor of farm economics Vincent H. Smith told Neuman, “The cost could be much greater because the plan used recent high crop prices as its benchmark.”

“If farm prices move back towards what are widely viewed as more normal levels than their current levels, farmers will be compensated for going back to business as usual,” Smith said.

Taxpayers, however, will experience little relief in such circumstances. Whatever they may save at the supermarket will likely be eaten up in subsidies to prevent farmers from ever experiencing a downturn.

Not surprisingly, the shallow-loss subsidy is being pushed by legislators from farm states, particularly Sens. Sherrod Brown (D-Ohio) and John Thune (R-S.D.). (Thune, Neuman points out, is “a leading voice in favor of deficit reduction" except when it comes to spending that benefits his constituents.) Rep. Marlin A. Stutzman (R-Ind.) and Sen. Richard Lugar (R-Ind.) "included the Brown-Thune plan in matching farm bills they introduced this month," Neuman reports.

Of course, if these men were abiding by their oaths to uphold the Constitution, there would be no farm bill in the first place, except one to repeal — and not replace — all existing subsidies.