Government Payments

Government payments are set by legislation and can be an important source of income to farms participating in farm programs. Government payments (measured in dollars or as a percentage of GCFI) fluctuate widely from year to year (fig. 9). Most of the recent variation has been due to changes in commodity-related payments, triggered by changing market conditions, policy decisions, natural disasters, and other factors. Payments from conservation programs—mostly from CRP—have been relatively stable since 1987, ranging between $1.7 billion and $2.6 billion, measured in 2003 dollars.

Government payments peaked twice at 10 percent of GCFI. The first time was in 1987, just after the end of the farm financial crisis.[13] The second peak occurred in 2000, due to large ad hoc and emergency payments enacted by Congress in response to falling export demand and crop failures in parts of the Nation (Gardner, 2002, p. 220). Payments reached 7 percent of GCFI in 1993, due largely to high feed grain production and disaster payments for droughts and floods (Harrington et al., 1998, p. 48).

[13]The farm financial crisis is generally dated from 1982 to 1986 (Stam and Dixon, 2004, p. 19).

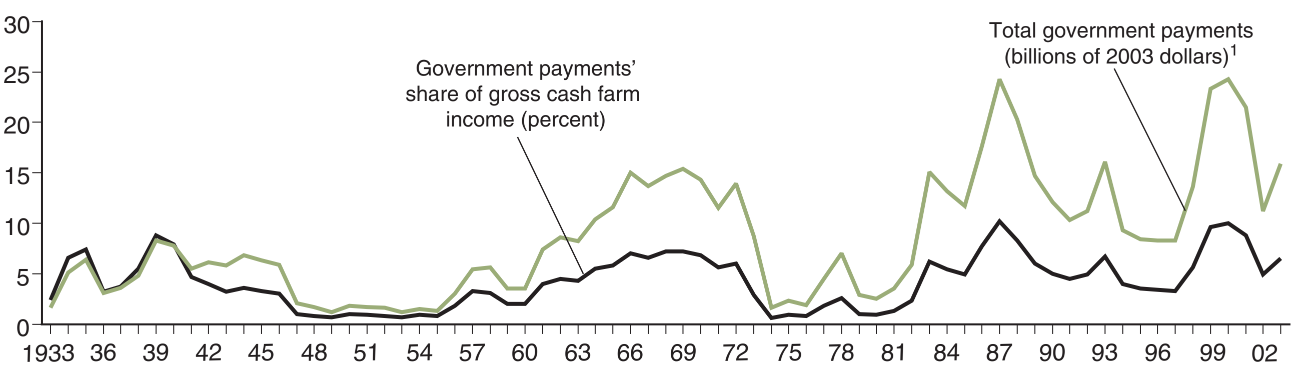
Recipient Farms

About 39 percent of farms received government payments in 2003, and the relative importance of government programs varies by farm type (fig. 10). For example, between 71 and 84 percent of medium-sales small farms and large-scale farms receive government payments, due largely to participation in commodity programs. These farms receive 77 percent of commodity program payments, roughly proportional to their share of harvested acres of program crops (fig. 11). Very large family farms alone receive 32 percent of commodity-related payments.

Figure 9

Government payments and their share of gross cash farm income, 1933-2003

Government payments peaked at 10 percent of gross cash farm income in 1987 and 2000



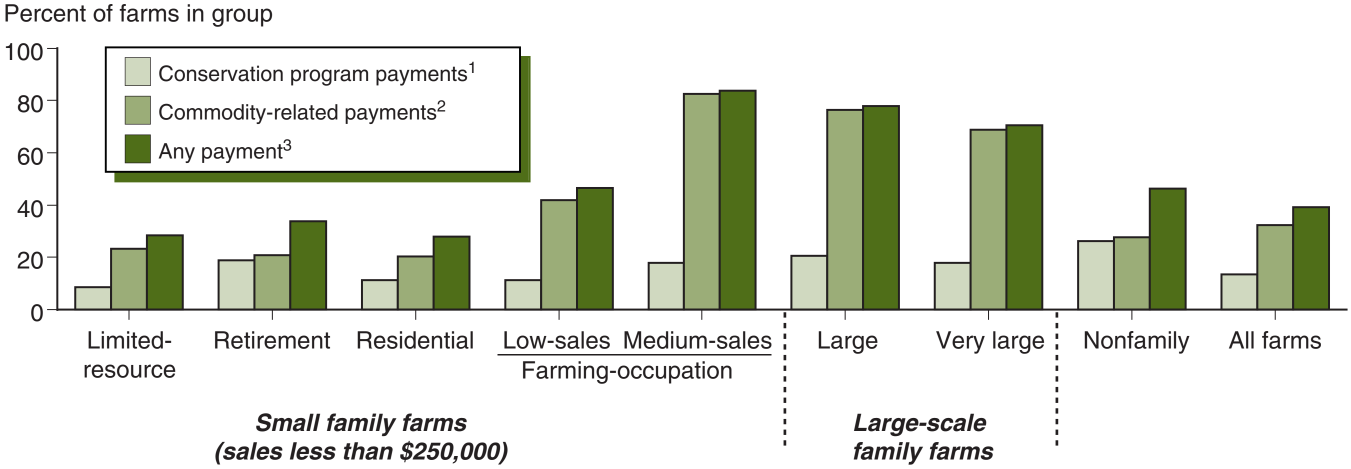
[1]Deflated with GDP chain-type price index. Deflating with the GDP price index shows the purchasing power of government payments relative to the rest of the economy.

Source: USDA, Economic Research Service, U.S. and State Farm Income Data.

Figure 10

Farms receiving payments from conservation or commodity programs, 2003

Most medium-sales and large-scale farms receive payments from commodity programs



[1]Payments from the Conservation Reserve Program (CRP), the Wetlands Reserve Program (WRP) and the Environmental Quality Incentives Program (EQIP).

[2]Direct payments, counter-cyclical payments, loan deficiency payments, marketing loan gains, net value of commodity certificates, peanut quota buyout, milk income loss contract payments, etc.

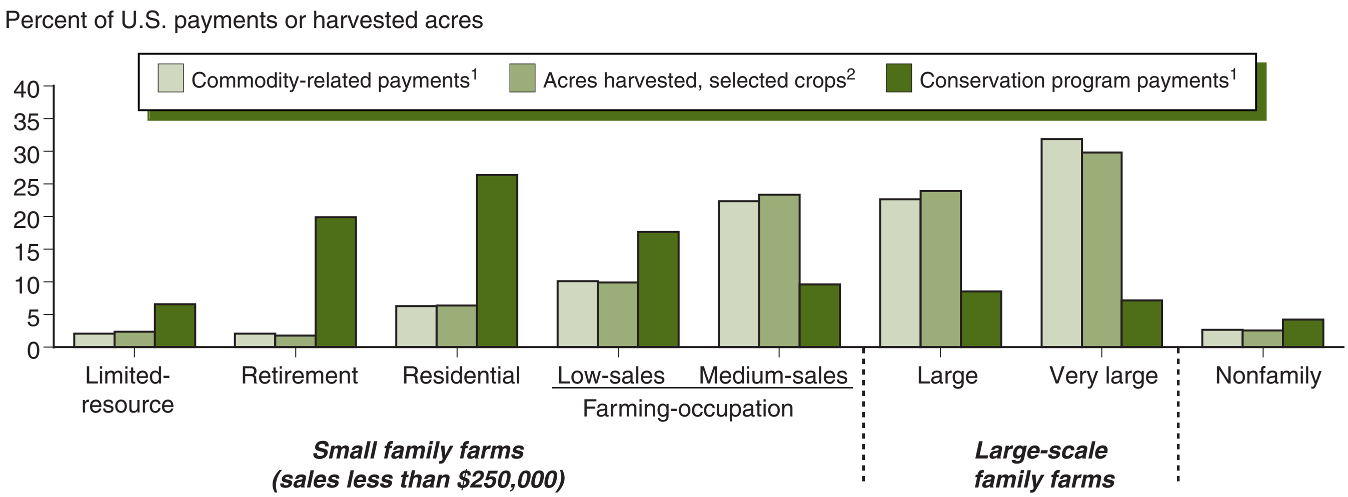
[3]Receives payments from the conservation programs and/or commodity-related programs. Because some farms receive both types of payments, the number of farms receiving commodity payments plus the number of farms receiving conservation payments sums to more than the number of farms receiving any government payment.

Source: USDA, Economic Research Service, 2003 Agricultural Resource Management Survey, Phase III.

Figure 11

Distribution of payments from conservation and commodity programs, 2003

Acres of program commodities explain the distribution of commodity program payments



[1]For definitions of commodity-related payments and conservation program payments, see the previous figure.

[2]Food and feed grains, soybeans, other oilseeds, cotton, and peanuts.

Source: USDA, Economic Research Service, 2003 Agricultural Resource Management Survey, Phase III.

Conservation Programs

CRP and WRP target particular types of land rather than the production of specific commodities. Retirement and residential/lifestyle farms receive 46 percent of conservation payments, and low-sales farms account for another 18 percent. The three groups' high share of conservation payments reflects their large numbers (74 percent of all farms), their large share of farmland (50 percent of the land owned by farms), and their tendency to enroll large shares of their land in CRP and WRP when they do participate. CRP and WRP enrollments account for 46 percent of the land operated on participating retirement farms, 28 percent on residential/lifestyle farms, and 23 percent on low-sales farm. By contrast, enrollment ranges from 5 percent to 9 percent for participating medium-sales small farms and large-scale farms.

Residential/lifestyle operators' main reported occupation is off the farm, which limits the amount of time they spend farming. Since WRP and CRP have relatively low labor requirements, residential/lifestyle farmers may find the programs financially attractive, particularly if their farms are not highly profitable. Given their life-cycle position, many retired and low-sales farmers have land available to put into conservation uses (Lambert et al., 2006, pp. 20-26).