

PolicyPennings by Dr. Daryll E. Ray

## The true beneficiaries of recent farm programs: Those who are now complaining

The current reaction to higher corn prices brings to mind the old saying, “Time reveals all.” The truth or the “rest of the story” generally does come out in the long-run.

For years now, crop farmers have been on the receiving end of criticisms of the prevailing subsidy program. The list of persons and entities receiving farm subsidy payments has been posted on the internet for all to see.

Crop farmers have been accused of living the “Life of Riley” on a government largesse that allows them to overproduce and drive prices downward. The crops are then dumped onto world markets at prices well below the cost of production, harming farmers around the world.

With the elimination of set-aside and other inventory management tools, there is no doubt that the current policy regimen with fixed contract payments, Loan Deficiency Payments, Marketing Loan Gains, generic certificates, and Counter-Cyclical payments have been a major factor in the generally low prices of the last decade.

It is also true that these low prices have been transmitted to markets around the world, driving down cotton prices in Mali, corn prices in Mexico and Zimbabwe, and rice prices in India.

In this scenario, it would be natural to believe that the US crop farmers are the beneficiary of a too generous federal government. But, is the US crop producer the true beneficiary of the current low price program?

With the nearest corn futures on the Chicago Board of Trade currently dancing around at just over \$4.00 per bushel we begin to get a clearer picture of those who are the real beneficiaries of the low-price policy, and it is not your dusty-faced crop farmer climbing down off the combine.

Integrated livestock operators, who depend upon a steady supply of cheap feed grains, are complaining about the impact of higher corn prices on their operations at a time when crop producers have just begun to operate in the black based on market receipts.

These complaints buttress the argument that we have been making for a long time. The real beneficiaries of the current set of farm subsidy payments are not the crop farmers who receive them but instead are the integrated livestock producers, seed and chemical companies, agribusiness processing firms, and importing countries.

In the midst of the current corn price boom we would suggest that our readers take note of those who complain the loudest about high corn prices. It is very likely that they are the ones who have benefited the most from government crop subsidies. In this case time, indeed, reveals all.

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