Farmers who produce the most receive the most government payments

A recent article (https://tinyurl.com/y426e7hn) confirmed what we have already known about the market facilitation payments made to compensate farmers for the loss of soybean sales to China as the result of the current trade dispute; a large portion of the funds went to a very narrow slice of farming operations.

That, in itself, is not surprising given the fact that a couple hundred thousand farms, out of 2 million, produce more than half of the agricultural production in the US. The market facilitation payments were paid out on bushels produced and this relatively small number of farms grew a large portion of those soybean bushels.

Because of the current design of farm programs which are based on production, the larger the production the larger the potential payments. This is true for crop insurance, the Agricultural Risk Coverage program, the Price Loss Coverage program, and currently the ad hoc Market Facilitation payment program. As long as the programs are based on "payments per bushel-produced" that will be the result.

To level the playing field a little and inject the perception of fairness into the process, Congress has approved a $125,000 cap on direct government payments for farm programs. That way there is a limit on the amount of payments the largest farms can receive. With some farm operations being owned by multiple related individuals over several generations, farmers are free to adjust the accounting structure of the farm to maintain the smoothest operation while minimizing tax consequences and maximizing government payment opportunities.

When Congress changes the laws, farmers simply go to their tax attorneys and accountants to identify ways to restructure their operation to minimize taxes and maximize government program payments. While we may not like that, there is no way to avoid the problem.

We may think that as farms get larger, they become more efficient and should need fewer tax and program payment benefits, but it is nearly impossible to devise a set of laws to achieve that goal.

At the same time, we have no problem with program and tax auditors cracking down on people who are involved in farming "in name only." If they do not substantially contribute to the farm operation, they should not receive payments.

As long as our farm programs rely on payments, we will have creative accountants and lawyers who will find the best ways to restructure an operation to maximize income which includes government payments.

But that assumes that payments are the only way to write agricultural policy.

A supply management program with a loan rate at 95 percent of the cost of production for corn and at the historic ratio to corn for other crops would eliminate that problem because government payments would no longer be the organizing principle of commodity programs. The money that farmers receive would come from the marketplace. Any surplus crops that are forfeited to the Commodity Credit Corporation in payment of the 9-month marketing loans would most likely come from areas with lower crop prices and higher basis costs and will affect only a small slice of all crop farmers.

And when the time comes to institute an acreage reduction program to balance out supply and demand, a bid process can be instituted where the bids are based on the environmental benefits the farmer will provide on that land. Thus. the payments are paid for services rendered to society in the form of making improvements to the environment.

At that point the criteria are air, land, and water focused and who can provide the greatest benefits environmentally, so society gets the best bang for the buck.

These programs are also less expensive than current programs because we are not making payments on every bushel, bale, and hundredweight of production. With supply management we only pay for the production that is isolated from the market and the storage costs for that production, and in the end most of those costs are recouped when the commodity is sold during a short-production year. In terms of environmental benefits and food security, society gets something for the money it pays.

Until we move away from payment-based farm programs, we will always have the problem that a few get the bulk of the payments.

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