

Farm Subsidies in California: Skewed Priorities and Gross Inequities

by Kari Hamerschlag, Senior Analyst

Although cotton and rice constitute a tiny portion of California's nation-leading farm production, those two crops – rather than the state's vast harvest of fruits and vegetables – continue to get the lion's share of federal farm subsidies in the state, according to the latest update of the Environmental Working Group's Farm Subsidy Database. (Available at farm.ewg.org)

The market value of the cotton and rice crops was less than 3 percent of the state's total agricultural output in 2008, the latest year for which crop values are available. Nevertheless, more than 44 percent of federal crop subsidies in 2009 went to cotton and rice growers, U.S. Department of Agriculture (USDA) figures show. Cotton growers received almost \$198 million and rice growers received more than \$73 million.

And even though cotton acreage has dramatically declined in California in recent years, 15 of the 20 top subsidy recipients in 2009 were primarily cotton growers. Much of these subsidies came from programs that paid based on past production, whether or not cotton was still being grown.

The EWG Farm Subsidies database starkly reveals the imbalance, waste and skewed priorities of federal farm programs in California. It is a system that disproportionately benefits relatively few big growers of thirsty, chemical-dependent crops while failing to address the environmental challenges facing California agriculture.

In addition, EWG's analysis found:

- In any given year, only about 10 percent of California's farmers receive direct subsidies. This money is then concentrated disproportionately in the hands of a very small number of producers of five subsidized commodities – cotton, rice, wheat, livestock and corn – with the vast majority going to cotton and rice growers. Fruit, vegetable and nut producers, the so-called specialty crop growers who account for about half of the \$36 billion value of the state's agricultural economy, get almost no direct support.
- In 2009, the top one percent of subsidy recipients in California, some 125 growers, reaped \$57 million in subsidies, a whopping \$453,000 per recipient. That was nearly double the amount spent promoting the state's entire fruit, vegetable and nut crop worldwide.

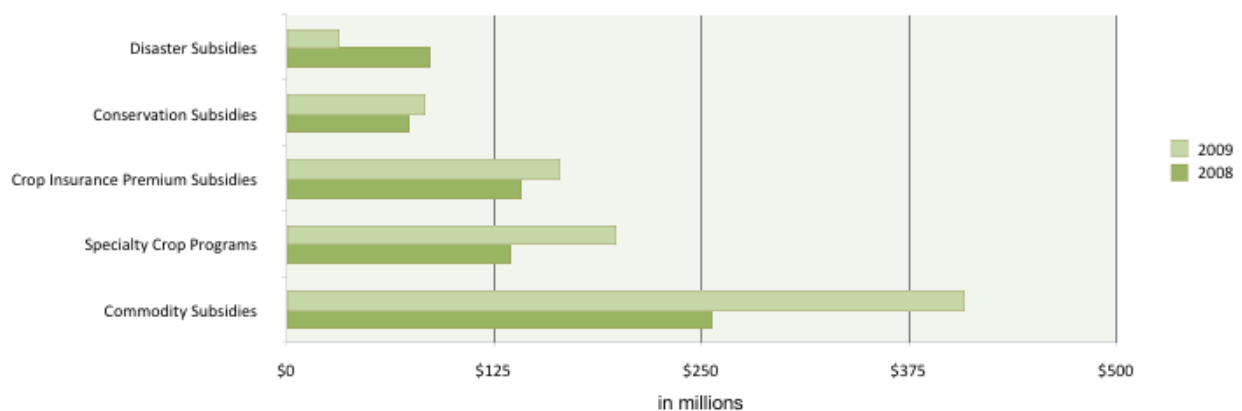
- From 1995 to 2009, just 10 percent of California’s subsidy recipients collected 73 percent of all federal payments, at an average of almost \$65,000 a year. The bottom 80 percent got less than \$1,400 a year on average.
- An elite group of 567 farming entities – just 1 percent of all subsidy recipients in the state – received \$2 billion between 1995 and 2009, almost 5 times the \$456 million spent statewide on all programs to help farmers conserve animal habitat, curb air and water pollution, and reduce water use during that time.
- Nationally, EWG’s analysis found that the \$13 billion paid out in 2009 in federal commodity subsidy payments and crop insurance premiums outpaced funding for agricultural conservation programs by more than 3-to-1. In California, the disparity was even greater: Subsidies outpaced conservation funding for agriculture by a more than 5-to-1 margin.

Specialty Crops Lag Far Behind: Major farm bill programs in 2008 and 2009

		Commodity Subsidies	Crop Insurance Premium Subsidies	Conservation Subsidies	Disaster Subsidies	Specialty Crop Programs
2008	US payments (in millions)	\$6,209	\$5,691	\$3,073	\$2,064	\$649
2009	US payments (in millions)	\$7,786	\$5,425	\$4,030	\$244	\$825

The 2008 Farm Bill made modest but important gains for programs that support conservation and the healthy specialty crops that California is known for. EWG’s analysis, however, shows that these programs are still dwarfed by programs tailored to a handful of commodity crops – corn, soybeans, cotton, rice and wheat – that are primarily grown in the Midwest and South. That leaves California specialty crop growers at a major disadvantage.

Commodity Subsidies in California Overwhelm Payments to Much Larger Fruit and Vegetable Sector



These inequities have especially serious consequences for California’s environment and its 35 million food consumers, many of whom lack access to healthy and affordable fresh fruits and vegetables. The impact reaches well beyond California, however, since the state is the nation’s single largest agricultural producer. Failure to support fruit and vegetable production has negative consequences for consumers’ food choices, nutrition and health nationwide. In 2008, the state’s \$36.2 billion agriculture industry represented 11.2 percent of the nation’s total agricultural production revenue, surpassing second place Iowa by \$11 billion.

Federal farm program allocations are entirely out of step with the state’s agriculture-related environmental, economic and public health needs. The system disproportionately benefits relatively few big growers of thirsty, chemical-dependent crops while failing to address the state’s numerous food- and agriculture-related environmental and public health challenges.

Federal Farm Payments Do Not Help Most California Farmers

The distribution of federal Farm Bill dollars in California mirrors the gross inequities in allocations nationally, with the vast majority of payments going to a small number of growers to support the production of just a handful of commodities. These payments primarily come in the form of commodity subsidies such as direct payments, countercyclical payments, loan deficiency payments and commodity certificates.

California’s top recipient of federal farm payments in 2009 was SJR Farming of Los Banos, Merced County, a partnership controlled by the Skinner and Mueller families, which received \$2,069,453 from several cotton subsidy programs. SJR Farming was the fourth-largest recipient of subsidies in the United States.

Top 10 California Recipients of Federal Farm Subsidies, 2009

Recipient	Farm Location	2009 Subsidies	Primary crop
SJR Farming	Los Banos	\$2,069,453	cotton
Bowles Farming Co.	Los Banos	\$1,290,061	cotton
Dublin Farms	Corcoran	\$1,223,779	cotton
Red River Farms	Blythe	\$1,145,206	cotton
Buttonwillow Land & Cattle Co.	Buttonwillow	\$1,020,984	cotton
Sandridge Partners	Kings County	\$999,693	cotton
Lionel Coffey	Butte County	\$963,813	biomass*
The Chip Monks Inc.	Fresno	\$932,007	biomass
Cloverdale Farms	Hanford	\$897,208	cotton
Hansen Ranches	Corcoran	\$831,066	cotton

EWG's analysis found that from 1995 to 2009, 10 percent of California's subsidy recipients collected 73 percent of all federal payments, at an average of almost \$65,000 a year, while the bottom 80 percent received an average of less than \$1,400 a year.

In 2009, 44 percent of federal farm payments in the state flowed to cotton and rice growers, even though together these crops accounted for just 3 percent of California's total agricultural output. These two crops, with a 2008 market value of less than \$1.2 billion, raked in \$271 million in direct subsidies, compared to \$198 million in indirect support for specialty crop growers generating \$18.2 billion in market value.

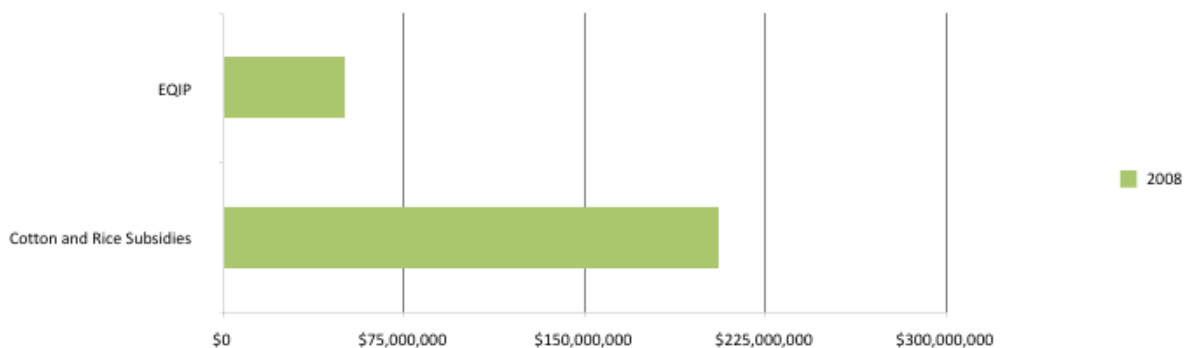
Agricultural Conservation Programs Get Short Shrift

Nationwide, federal support for crop and commodity subsidies outpaces funding for conservation programs by a 3-to-1 margin. In California, the ratio in 2009 was closer to 5-to-1.

Every penny that goes into the pockets of large farming operations to support a handful of commodity crops is money that is not flowing into other Farm Bill programs, such as conservation, that deliver valuable public benefits. These programs help farmers and ranchers reduce pesticide use, improve soil management, reduce air and water pollution and protect wildlife habitat.

California's \$36 billion, chemical-intensive agricultural industry has taken a serious toll on soil, water and air resources, yet Farm Conservation Programs that help to address these impacts and improve water and air quality are woefully inadequate to meet the demand. Last year, the top 1 percent of federal farm subsidy recipients, just 125 entities, took in \$51 million, or \$453,000 each, while more than 4,000 farmers and ranchers who sought funding from the Environmental Quality Incentives Program (EQIP), California's largest agricultural conservation program, were turned away due to lack of funds.

Subsidies to Cotton and Rice Growers Dwarf California's Most Important Farm Conservation Program



These conservation programs, whose budgets are currently facing cuts in Obama's 2011 federal budget request, will become even more important as California agriculture copes with higher temperatures, increasing drought and floods and shrinking water sources brought on by a warming climate.

Federal Assistance for Specialty Crops Lags Far Behind

The 2008 Farm Bill provided modest but important gains for programs that assist specialty crop growers. These include fruit, vegetable, tree nut, nursery and wine grape growers, who produce half of California's agricultural bounty and 40 percent of the nation's fruit and vegetables. The specialty crop sector has historically been left out of agriculture policy altogether, even though it provides foods that are vital for improving America's nutrition and addressing the costly toll of diet-related diseases.

Under the 2008 Farm Bill, funding for programs for specialty crops increased by nearly 30 percent to an estimated \$856 million in 2009. Still, commodity subsidy payments totaled \$7.8 billion, outpacing the specialty crop programs by a 9-to-1 margin. When crop insurance subsidies are included, two-thirds of which go to just four crops, commodity programs dwarfed specialty crop programs by a 16-to-1 margin. The imbalance is even greater when other commodity-oriented farm support programs, such as the \$5 billion Export Credit Guarantee Program, are taken into account.

Government support for the specialty crop sector differs considerably from that given to commodity agriculture. Rather than paying growers directly, these programs provide specialty crop growers with indirect support through procurement, nutrition, marketing and research programs.

The 16-to-1 imbalance in taxpayer spending for commodities versus specialty crops is clearly out of step with the country's nutritional needs. Commodity subsidies for animal feed and highly processed unhealthy foods have played a conspicuous role in creating the obesity and diabetes epidemics that afflict a growing number of Americans.

How Specialty Crop Funding Was Allocated, US and California: 2008 and 2009

Specialty Crop Programs* in millions of dollars	2008		2009	
	US	California	US	California
	649.0	134.0	825.2	198.0
<i>Nutrition/Procurement</i>	430.3	109.5	525.4	133.8
<i>Marketing and Promotion</i>	96.0	21.1	130.2	38.2
<i>Marketing/Local and Regional Food Systems**</i>	77.4	2.5	83.0	12.7
<i>Specialty Crop Research</i>	24.0	0.2	66.0	12.2
<i>Nutrition</i>	21.8	0.8	20.6	0.8

*Includes those targeted primarily to specialty crops. For programs supporting both commodities and specialty crops, EWG analyzed grant funding to determine which amount to attribute to specialty crops. Organic agriculture programs are considered separately since it is difficult to know what portions support livestock, commodities or specialty crops.

** The figures for the Business and Industry Loan Program support for local/regional food projects are estimates pending release of detailed information by USDA.

Procurement and Nutrition: In 2009, the largest segment of specialty crop funding in California, 67 percent, went to support purchases for school and nutrition programs. Most of this, \$123 million, went to purchase primarily processed fruits and vegetables for school lunches. Specialty growers benefit indirectly from this program, but the largest beneficiaries are larger wholesalers and agro-processors, as well as the children who get access to these foods in the school lunch program. Two small programs, the Department of Defence Fresh Fruit and Vegetable Program and the Fruit and Vegetable Snack Program, also support purchases of fresh produce for schools.

Marketing and Promotion: The second largest share of specialty crop funding, 25 percent, supported a range of marketing and promotion programs. The largest, the Market Assistance Program (MAP), helps both specialty crop and commodity growers market their products overseas. According to EWG calculations, in 2009 specialty crop growers nationwide received approximately 41 percent of the funds. In California, specialty crop grower associations received more than \$21 million from the program. The other major marketing program, the Specialty Crop Block Grant Program, has evolved to include support for research, nutrition, and conservation-oriented initiatives. This widely popular and oversubscribed program delivered \$16 million in specialty crop-related grant funding. There is also a range of much smaller programs that support local and regional food systems targeted to small-scale growers. These include: direct marketing, farmers' markets, community food projects and loans and grants for value-added projects. In total, these programs supporting local and regional food systems amounted to an estimated \$12 million in California.

Research and Extension: Six percent of the funding went to support specialty crop research. The new specialty crop research and extension program is the largest, channeling \$9 million to the state last year.

Conclusions:

EWG's analysis of the Farm Subsidies database and supplemental specialty crop data starkly reveals the imbalance, waste and skewed priorities of federal farm programs in California. In an era of scarce resources, the agricultural budget is a zero-sum game. Every dollar that goes into wasteful, inequitable programs cannot be committed to solving the real problems in America's agricultural sector, both in California and nationwide. A more intelligent and equitable strategy is needed to help growers and ranchers of all sizes cope with the myriad challenges facing farmers and ranchers in California and across the nation. Here are some key priorities that could be funded with significant reductions in wasteful crop and commodity payment subsidies:

- Significant increases in conservation funding and technical assistance to help thousands of farmers and ranchers who are ready to invest in sustainable practices that will protect wildlife, air and water resources.
- More research and extension services to provide information on efficient and environmentally responsible ways to reduce harmful agricultural emissions and other pollution; enhance food safety; prepare for the impacts of climate change; and combat new pests and invasive species.
- Increased investment in infrastructure and technical assistance to strengthen the viability of local and regional agricultural markets and food-related businesses that deliver healthy food and return a higher percentage of each food dollar back to farmers.
- Support for programs that increase access to healthy food in underserved communities, such as farmers' markets, farm-to-school and fresh fruit and vegetable procurement programs, and urban and community food projects.
- Increased technical, marketing and loan assistance to enhance opportunities for organic, beginning and minority farmers.

The 2008 Farm Bill began to expand these kinds of programs, but much more remains to be done. In a time of large federal deficits and great concern over America's diet, the nation cannot afford greater spending on wasteful subsidies that exacerbate public health problems. Rather, we need agricultural policies that redeploy existing resources so as to maximize public health and environmental benefits while ensuring a real safety net for all farmers when crop and livestock failures occur that are beyond their control.