

# The Concentration of U.S. Agricultural Subsidies

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U.S. agricultural subsidies are easy to criticize because they are far from uniformly distributed. Subsidies are concentrated geographically, they are concentrated on relatively few crops, and they are concentrated on relatively few producers. The accompanying three charts illustrate these three dimensions of concentration.

Figure 1 shows the concentration of subsidies across U.S. agricultural products. Crops and livestock products were ranked according to their share of subsidy relative to their share of value in 1999. According to this measure, rice is the most heavily subsidized crop, receiving 5 percent of U.S. subsidies but contributing only 0.7 percent of the value of U.S. agricultural production. Cotton is next, with a 13 percent share of subsidies and a 2 percent share of value. Corn is the tenth most subsidized commodity, with a 27 percent subsidy share and a 10 percent value share. In 1999, soybeans received relatively low subsidies, with a 10 percent subsidy share and a 7 percent share of value. The reason for this low ranking is that soybeans did not qualify for Agricultural Market Transition Assistance (AMTA) payments. In the next farm bill, soybean supporters want soybeans to be treated as a full-fledged program crop with all the resulting subsidies.

Most of U.S. agriculture receives little or no subsidies, with 60 percent of the value of U.S. agricultural production receiving a 3 percent subsidy share in 1999. This concentration of benefits on a relatively few commodities is an artifact of the way that commodity programs were initially set up in the 1930s. Tobacco, barley, corn, wheat, cotton, oats, rice, and grain sorghum were by far the most important commodity crops that had firm political backing because production was geographically concentrated in a relatively small number of states. Livestock production was much more widely distributed throughout the states, and a significant portion of livestock products were consumed on-farm or locally. Soybeans was a relatively minor crop. Because today's farm programs are still based largely on the reality of agriculture from 50 to 60 years ago, we see the concentration patterns shown in Figure 1.

Figure 2 shows that concentrating subsidies on crops also results in a geographic concentration of subsidies. The ratio of subsidies to value is highest in the states that grow primarily program crops and that have relatively small livestock sectors. This

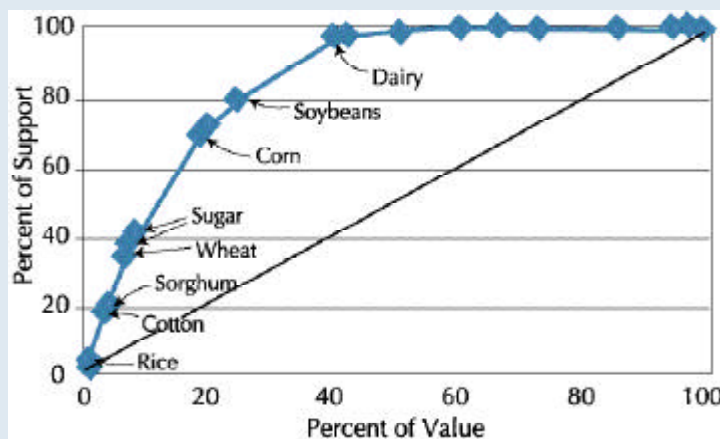
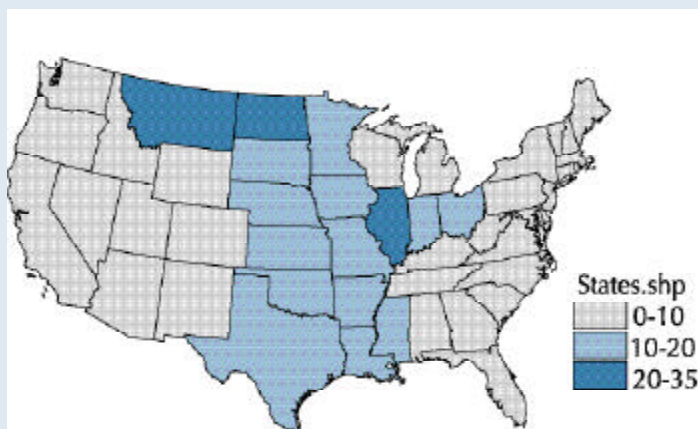


FIGURE 1. CONCENTRATION OF U.S. AG SUBSIDIES IN 1999



**FIGURE 2. RATIO OF GOVERNMENT SUBSIDIES TO VALUE OF PRODUCTION IN 1999**

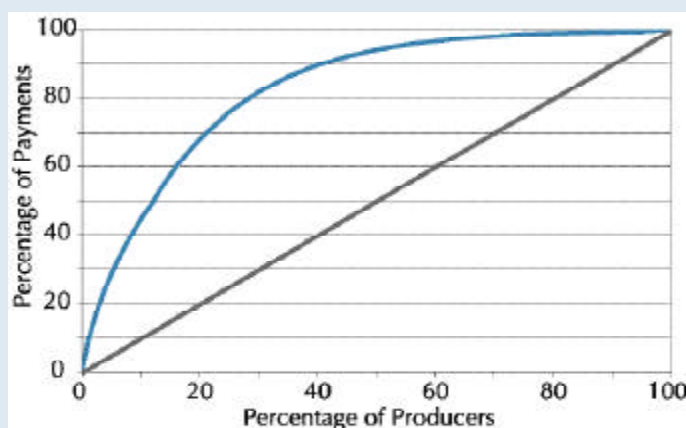
includes Illinois, North Dakota, and Montana. Although Iowa grows mostly corn and soybeans, as Illinois does, it is a large producer of cattle, hogs, dairy, and eggs. Note that no state outside of the Central United States receives subsidies that total more than 10 percent of the value of production. This geographic concentration of subsidies largely explains the political longevity of farm programs. Corn Belt

legislators work with Cotton Belt and Wheat Belt legislators for mutual gain.

Figure 3 captures the dimension of concentration that draws the most focus of farm program critics. This is the concentration of payments to eligible producers. In Iowa, 10 percent of producers who received subsidies from 1996 to 1998 received 45 percent of the subsidies. In Texas over the same period, the top 10 percent of producers received 65 percent of the payments. Iowa's relative egalitarianism results from the fact that nearly all producers in Iowa received some subsidies.

The reason for this high concentration is that the total amount of subsidies received on a farm depends on the total amount of program crops produced on that farm. Only if all farms were of equal size and all land were equally productive across Iowa would payments be equal. But we know that there is a mixture of large and small farms in Iowa, and some of the largest farms contain some of the most productive soils. Combining this heterogeneity with program rules that do not limit the amount of subsidy an individual farmer can receive results in the type of subsidy concentration shown in Figure 3.

Critics often charge that farm programs are really all about transferring income from taxpayers to wealthy farmers. U.S. Department of Agriculture data confirm that



**FIGURE 3. CONCENTRATION OF PAYMENTS TO IOWA PRODUCERS FROM 1996 TO 1998**

large commercial farms typically have net incomes higher than those of average U.S. households. The Figure 3 data show that the largest commercial Iowa farms do, in fact, receive the most subsidies. ♦