Government Payments

Farm program payments can be sorted into two groups—commodity-related and conservation (see box, "Types of Farm Program Payments"). Commodity-related payments in total are much larger than conservation payments, accounting for more than four-fifths of all payments made to farmers in the 2004 ARMS data.[8] About 39 percent of farms received government payments of some type in 2004, but the relative shares of government programs varies widely by farm type (fig. 12). Medium-sales, large, and very large farms were more likely to receive government payments—especially commodity-related payments—than smaller farms.

Commodity-Related Programs

Commodity programs target specific commodities, largely feed and food grains, cotton, and oilseeds. Payments are tied to the amount of cropland enrolled in programs and yield histories. Specialty crops (except dry peas, lentils, and small chickpeas) and livestock (except dairy, wool, mohair, and honey) are not supported by traditional commodity programs. Producers of nonprogram commodities—as well as producers of program commodities—may also receive disaster assistance and occasional *ad hoc* payments. Farms producing nonprogram commodities may receive substantial payments, if they also produce program commodities or did so in the past.

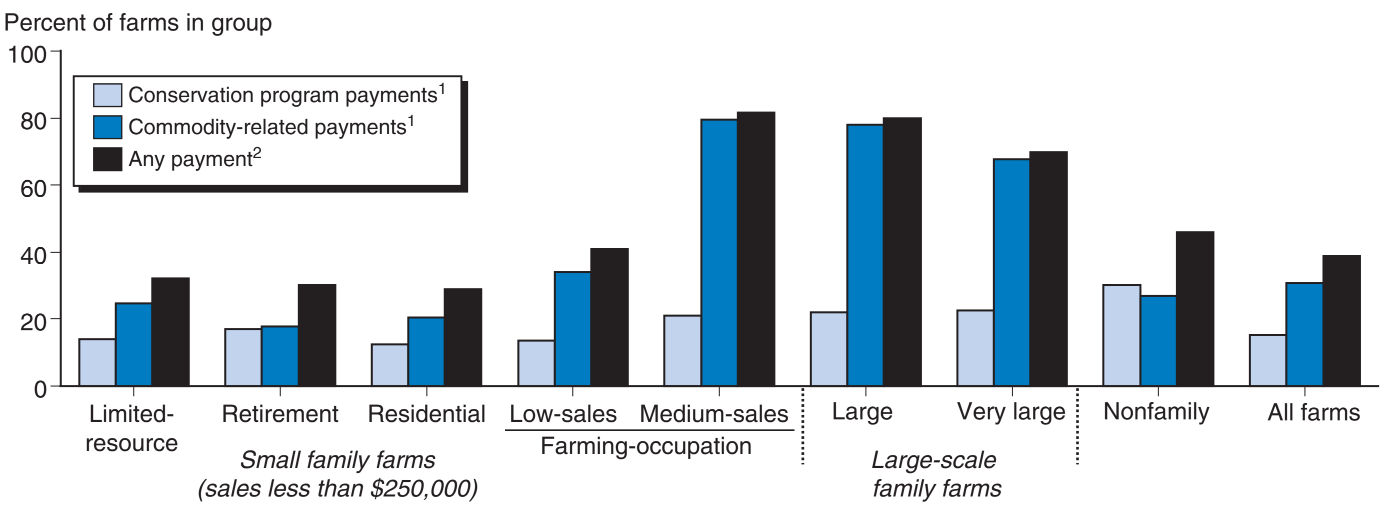
Most medium-sales and large-scale farms—70 to 80 percent—receive commodity-related payments. These farms collectively received 78 percent of commodity program benefits paid to farmers in 2004, roughly propor-

[8]ARMS data rely entirely on the respondent for program-related information. As a result, the survey shows different levels and composition of government payments than do administrative data, which are based on payment records kept by the agencies involved. In addition, ARMS records only the payments received by farmers, while the administrative data include payments received by persons who do not farm, mainly nonoperator landlords.

Figure 12

Farms receiving payments from conservation or commodity programs, 2004

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



[1]For definitions of conservation program payments and commodity-related payments, see box, "Types of Farm Program Payments."

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

Source: USDA, Economic Research Service, 2004 Agricultural Resource Management Survey, Phase III.

Types of Farm Program Payments

The payments covered by the 2004 ARMS are listed below, sorted into two major categories.

Commodity-related: Direct payments, countercyclical payments, loan deficiency payments, marketing loan gains, net value of commodity certificates, peanut quota buyout, milk income loss contract payments, agricultural disaster payments, and any other State, Federal, and local payments.

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

tional to their share of harvested acres of program crops (fig. 13). Very large family farms alone received 35 percent of commodity-related payments.

Conservation Programs

Nearly 90 percent of conservation payments going to farmers were paid by CRP. The Environmental Quality Incentives Program (EQIP) has expanded since the 2002 Farm Act (Claassen and Ribaudo, 2006), but it still accounted for only 10 percent of conservation payments in the 2004 ARMS. Medium-sales farms received the largest share of EQIP payments, about 46 percent. WRP contributed about 1 percent of conservation payments.

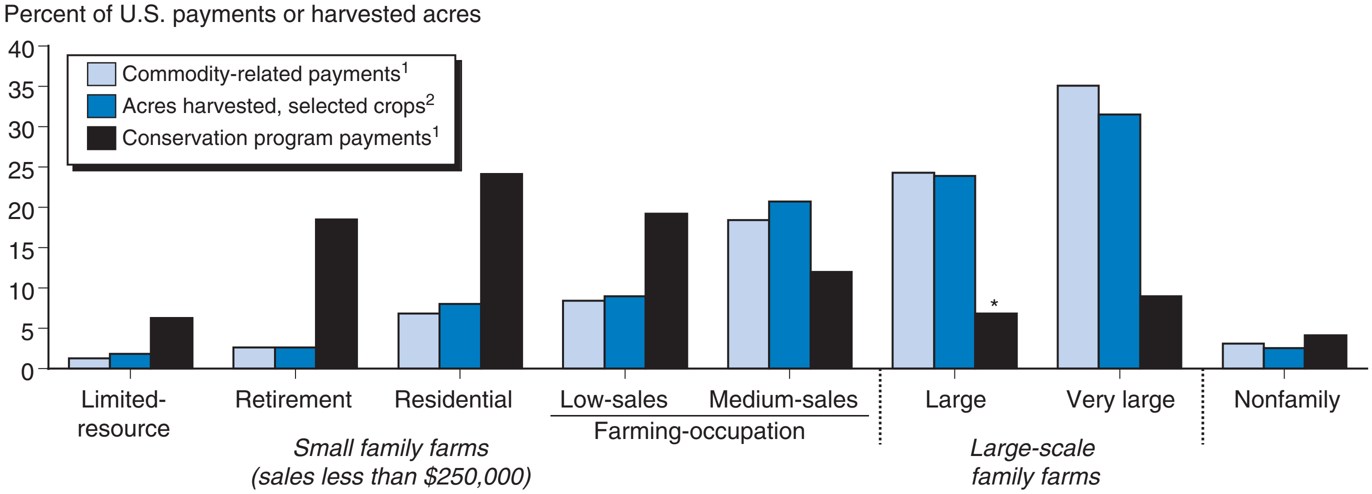
The target of CRP (and WRP) is environmentally sensitive land, rather than the production of specific commodities, so the distribution of conservation payments differs from that of commodity-related payments. Retirement, residential/lifestyle, and low-sales farms received 62 percent of conservation payments in 2004, reflecting their large numbers (75 percent of all farms), their large share of farmland (43 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 47 percent of the land operated on participating retirement farms, 35 percent on participating residential/lifestyle farms, and 25 percent on participating low-sales farms. In contrast, enrollment ranges from 6 percent to 11 percent for participating medium-sales 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 land enrolled in CRP and WRP requires little labor or capital investment and provides a guaranteed income stream, residential/lifestyle farmers may find the programs financially attractive, particularly if their farms are not highly profitable. Given their age, many retired farmers and older low-sales farmers have land available to put into conservation uses (Lambert et al., 2006, pp. 20-26).

Figure 13

Distribution of payments from conservation and commodity programs, 2004

Acres of program commodities explain the distribution of commodity program payments



* = Standard error is between 25 percent and 50 percent of the estimate.

[1]For definitions of commodity-related payments and conservation program payments, see box “Types of Farm Program Payments.”

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

Source: USDA, Economic Research Service, 2004 Agricultural Resource Management Survey, Phase III.