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DIRECT GOVERNMENT PAYMENTS to farmers are expected to total $4.1 billion in 1972—the largest ever and nearly one-third more than last year, when payments declined. The bulk of the increase in payments, which farmers began receiving July 1, will go to feed grain producers. Payments under the 1972 feed grain program are estimated at $1.9 billion, $850 million more than under the 1971 program. Participants in the wheat program, who will receive an additional $200 million this year, account for the remainder of the increase in total payments.

The higher payments this year reflect a boost in the rates paid for "setting aside" additional acreage from production and an attendant increase in acreage idled for payment. Both feed grain and wheat acreage set-aside this year were nearly double that of a year ago. Over 37 million acres were removed from feed grain production, and 20 million wheat acres were idled.

Based on other recent years, farmers in the Seventh District states of Illinois, Indiana, and Iowa will receive over $600 million of this year's feed grain payments—$140 million more than last year. Farmers in Michigan and Wisconsin, where feed grain production is less important, probably will receive about $125 million in payments, just over 3 percent of total payments but $36 million more than in 1971.

Changes in government farm programs in the early 1960s resulted in a shift from a high price support policy and government stockpiling of excess production to lower price supports and direct payments to farmers for restricting production. As a result, direct payments to farmers have moved irregularly higher from only $700 million in 1960 to the current estimate of $4.1 million in 1972. The increasing payments simply reflect a change in the *method* of supporting farm income rather than stepped-up government outlays for these activities. Indeed, government outlays for "farm income (price) support and related programs" averaged about the same in the early 1960s as in recent years.

Agricultural support programs have always been based on the amount of commodities produced, which is largely dependent on acres operated. The greatest beneficiaries of these programs are large producers and landowners. The largest 9 percent of U. S. farm operators (those with over $40,000 in annual sales) produce nearly 60 percent of all farm commodities and, therefore, benefit far more from government price and income supports than their numbers alone would indicate. These large farmers, on average, have collected around one-third of the total annual direct payments in recent years. Under the earlier price support and stockpiling programs, large farmers received a relatively greater share of the benefits, too, but remained anonymous because all their benefits were derived from selling at artificially high prices in the marketplace and indirectly to the government.

A payment limitation of $55,000 was incorporated in the Agricultural Act of 1970 partly because of the rapid increase in total direct payments, but largely because of extremely large payments to a few individual producers. In 1969, for example, five individuals received payments of $1 million or more. Under the payment limitation, which went into effect last year, producers could receive $55,000 per program. Theoretically, a farmer in the cotton, wheat, and feed grain programs could receive a maximum of $165,000.

The main result of the payment limitation has been to cause large landowners to split up their holdings through leases, additional corporate entities, and other legal means, in order to circumvent the limitation. Although 1,350 producers had payments of over $55,000 in 1970, only 466 had their payments reduced in 1971. As a result, the Department of Agriculture estimates the reduction in total direct payments due to the payment limitation was only $2 million, or just over half of 1 percent of total payments.

A $20,000 limit on payments has been proposed several times since 1971. Based on last year's program, this stricter limitation, if effectively implemented, would involve only some 10,000 producers (mostly cotton growers) and could potentially reduce direct payments by nearly $149 million, an amount equal to about 4 percent of estimated payments in 1972. Some producers, however, would likely devise means to circumvent the limitation in the same manner as they did to get around the $55,000 limit in 1971. Nevertheless, when the current farm act expires in June of next year, a lower payment limitation is almost certain to be given major consideration.

If a $20,000 limitation were enacted, it would have only slight effect on Seventh District farmers, who are mainly feed grain producers. Only 245 producers out of more than 1.7 million participants in the 1971 feed grain program received payments in excess of $20,000. About 100 of these farmers were in Seventh District states.

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