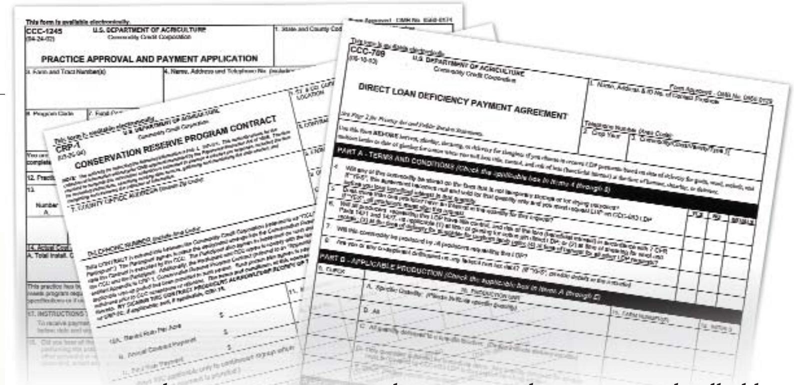

Who Gets Farm Program Payments?

There are two main types of farm program payments—commodity-related and conservation. Most commodity program payments (77 percent) go to family farms with sales of $100,000 or more, while most conservation payments (71 percent) go to smaller family farms. Commodity-related payments in total are much larger than conservation payments, accounting for more than four-fifths of all payments. Government payments fluctuate widely from year to year (see "In the Long Run," page 43), due mostly to changes in commodity-related payments.

Commodity programs target specific field crops, largely feed and food grains, cotton, and oilseeds. Payments are tied to the amount of cropland enrolled in programs and yield histories. Specialty crops and livestock are not supported by traditional commodity programs, but may be covered by disaster assistance and occasional ad hoc payments. Farms producing nonprogram commodities may receive substantial payments, however, if they also produce program commodities or did in the past.

Commodity program payments to farms are made roughly in proportion to their share of harvested acreage of traditional program crops. Medium-sales, large, and very large farms accounted for 13 percent of all farms in 2003, but they together received 77 percent of commodity-related payments, reflecting a similar share of program crop acreage.

USDA's Conservation Reserve Program (CRP), which accounts for most conservation payments, targets environmentally sensitive land, not specific commodities. Retirement farms and residential/lifestyle farms received 46 percent of conservation payments in 2003. Low-sales farms received another 18 percent. This distribution reflects the large numbers of these three groups, their extensive landholdings, and their tendency to enroll large shares of cropland when they participate in CRP.

Residential/lifestyle farm operators spend most of their work time off the farm. The low labor requirements of the CRP also appeals to many retired farmers (average age of 69 years) and some low-sales farmers—56 percent are 55 or older. A substantial share of all three farmer groups find the CRP financially attractive and have cropland available to enroll in conservation land retirement programs.

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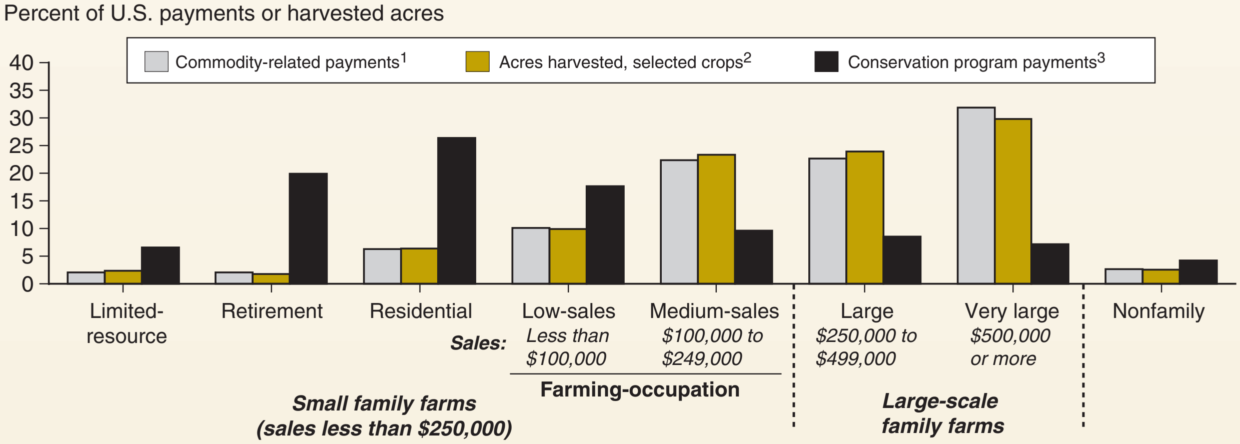
This finding is drawn from . . .

Structure and Finances of U.S. Farms: 2005 Family Farm Report, by Robert A. Hoppe and David E. Banker, EIB-12, USDA, Economic Research Service, May 2006, available at: www.ers.usda.gov/publications/eib12

Most commodity program payments go to larger farms; most conservation payments go to smaller farms

Percent of U.S. payments or harvested acres



[1]Direct payments, countercyclical payments, loan deficiency payments, marketing loan gains, net value of commodity certificates, peanut quota buyout, milk income loss contract payments, etc.

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

[3]Payments from the Conservation Reserve Program, Wetlands Reserve Program, and Environmental Quality Incentives Program. Smaller conservation programs are included in a miscellaneous category under commodity-related payments.

Source: USDA, Economic Research Service, 2003 Agricultural Resource Management Survey, Phase III.