



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Farm programs and rural economies

by Neil Conklin, Mark Calabria, and Terry Barr

Figure 1. Counties with payment-dependent farms are concentrated in the Great Plains and Mississippi Delta
Government payments as a percentage of net cash receipts plus payments, 1992

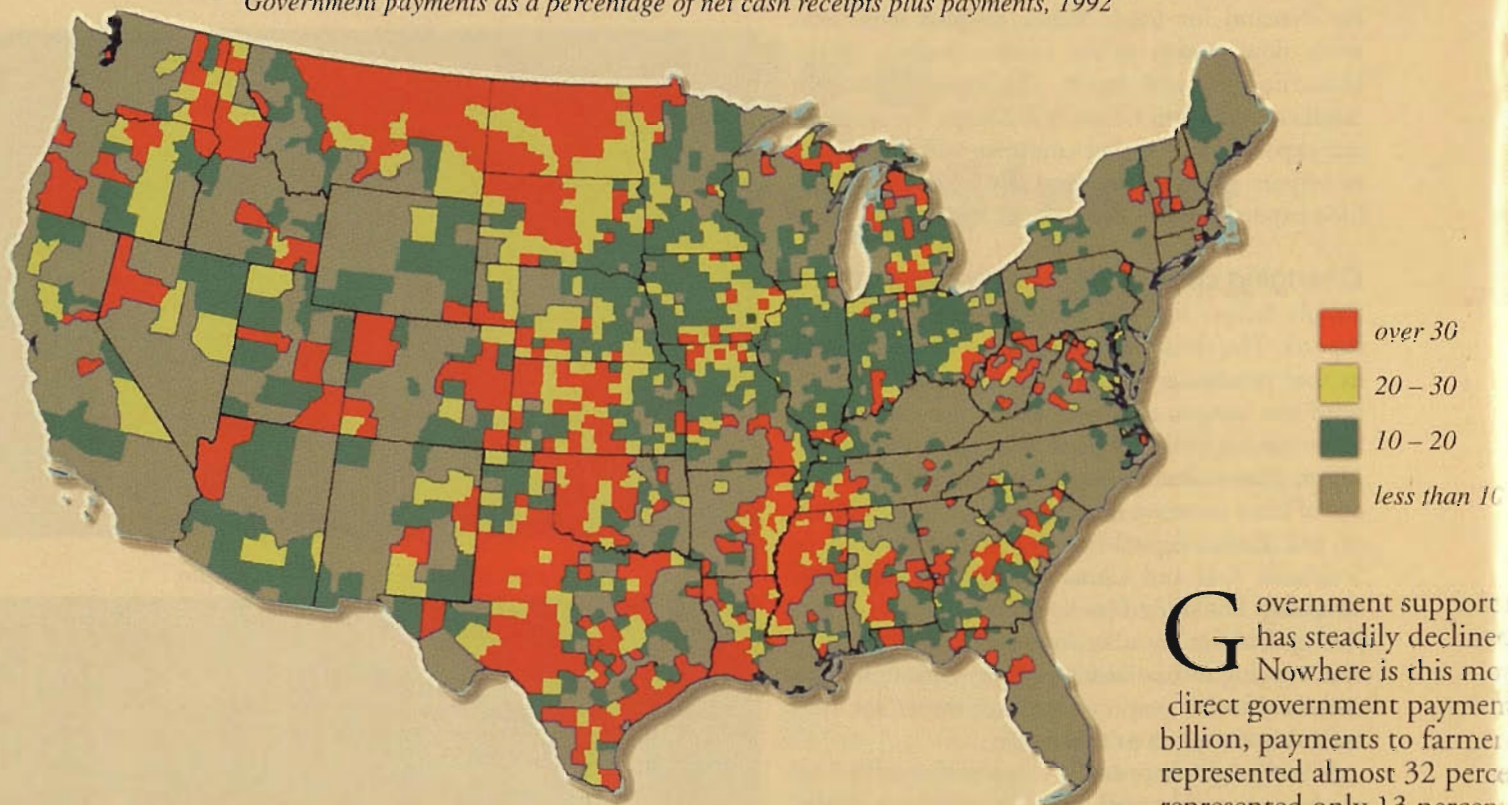
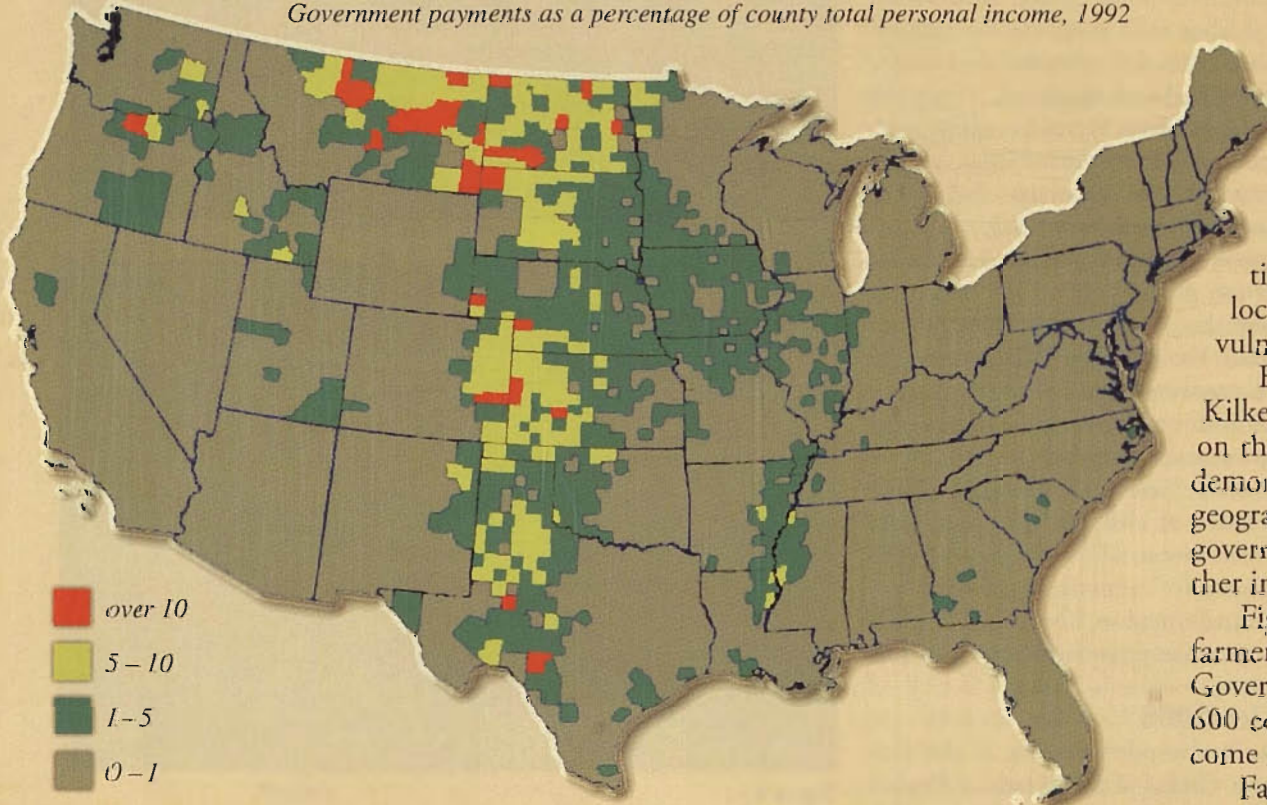


Figure 3. Payment-dependent counties are concentrated in the Great Plains
Government payments as a percentage of county total personal income, 1992



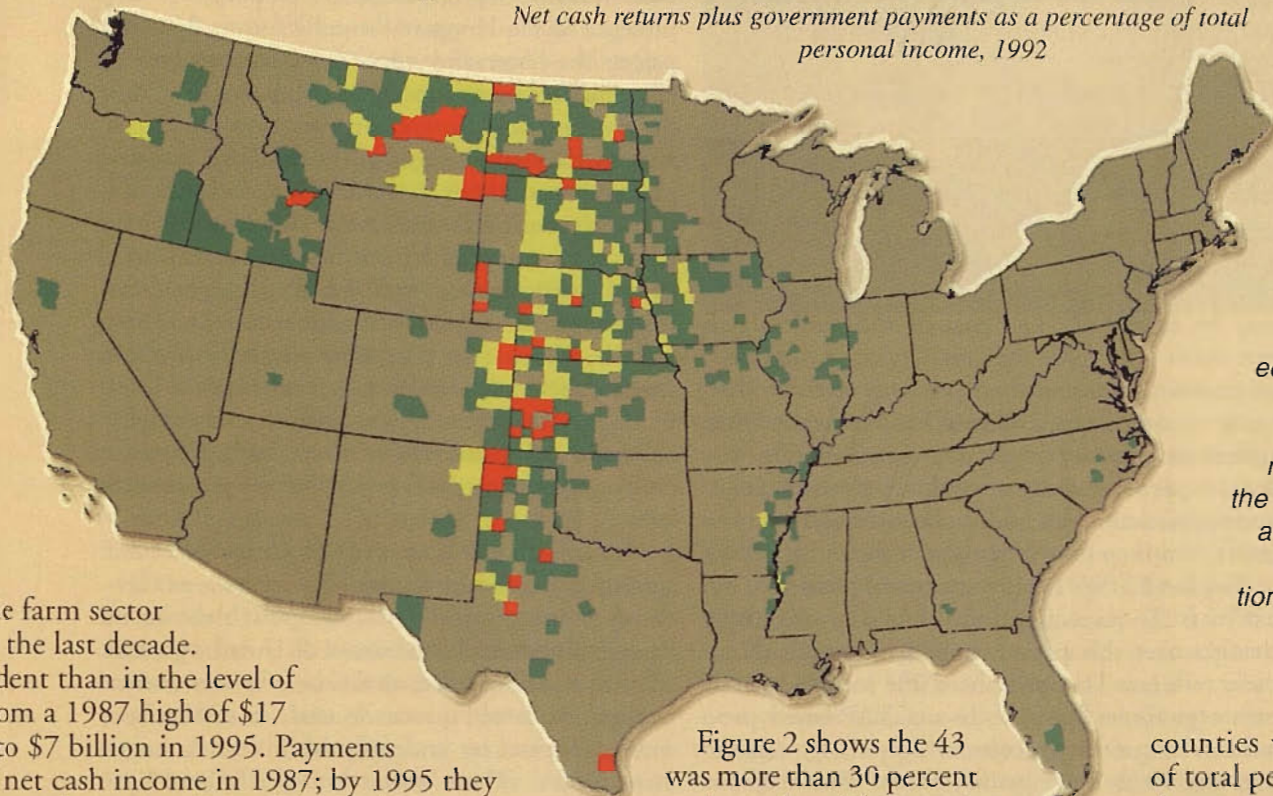
Government support has steadily declined. Nowhere is this more so. In 1992, direct government payments to farmers totaled \$10 billion, payments to farmers represented almost 32 percent of net cash receipts; in 1982, direct payments was only 13 percent of net cash receipts. This increase was due to rising farm prices, which were 10 percent higher than in 1982. In the past farm programs, which were based on Federal Agricultural Income Risk Insurance (FAIR) decouples direct payments and gives farmers much more control to bring the highest returns. The decline by nearly 30 percent in government payments will not affect counties which have historically high government payments locations where soil and climate are vulnerable to market price declines.

How will fixed and declining government payments affect the rural economy? Kilkenney's research shows that government payments on the overall rural economy. As demonstrated that payments to farmers by geography of farm income (net cash receipts) and government payments in counties. Further insight into this question.

Figure 1 reveals that Great Plains farmers in the Mississippi Delta. Government payments made up 600 counties (red) in 1992; they come in an additional 414 counties. Farming-dependent counties

Figure 2. Farm-dependent counties are concentrated in the Great Plains

Net cash returns plus government payments as a percentage of total personal income, 1992



Neil Conklin is vice president and chief economist at the Farm Credit Council, Mark Calabria is a former research associate at the Farm Credit Council, and Terry Barr is chief economist at the National Council of Farmer Cooperatives.

or the farm sector over the last decade. e evident than in the level of s. From a 1987 high of \$17 fell to \$7 billion in 1995. Payments of net cash income in 1987; by 1995 they of net cash income. Part of the decline in prices; crop prices in 1992 averaged 17 87. However, the countercyclical nature of en payments rose as prices fell, ended with the improvement and Reform (FAIR) Act of 1996. ct payments from commodity price movements greater flexibility to plant whatever crops will in the market. These fixed payments will de- t over the next seven years. Under FAIR, gov- longer play an income-stabilizing role. Coun- relied heavily on government payments and mate offer little choice of crops will be more dlines in the future.

ng payments affect rural economies? Maureen farm program payments have significant effects d Judith Sommer and Mindy Petrulis have farmers are geographically concentrated. The ash receipts plus government payments) and s throughout the United States offer some fur-

Plains farmers, from Montana to Texas, and are most dependent on government payments. more than 30 percent of farm income in some y accounted for 20 to 30 percent of farm in- ties (yellow). es are also concentrated in the Great Plains.

Figure 2 shows the 43 counties where farm income was more than 30 percent of total personal income (red) and another 94 counties where it was more than 20 percent (yellow).

counties where farm income of total personal income (red), where it was more than 20 percent (yellow).

Where are the farming-dependent counties whose farms are highly dependent upon government payments? Figure 3 shows that the counties most at risk are concentrated in the Great Plains. Payments to farmers made up more than 10 percent of the county's total personal income (red) in 27 counties. Nine of these are in Montana and six in North Dakota. The most payment-dependent county in 1992 was McCone County, Montana, where government payments to farmers made up 21 percent of the county's total personal income.

Areas with few alternative uses for their resources and heavy dependence on government payments pose the greatest challenges for local, state, and national policy makers. While many of the farming-dependent counties identified here may prosper without direct government support, some are likely to be more vulnerable to market downturns in the future.

For more information

Kilkenny, M. "Rural Urban Effects of Terminating Farm Subsidies." *Amer. J. Agr. Econ.* 75 (November 1993).

Sommer, J.E., and M.F. Petrulis. "The Pattern of Crop Outlays." *Agricultural Outlook*, May 1990.

U.S. Department of Commerce, Bureau of the Census. *Census of Agriculture, 1992: Final County File* (machine-readable data file). Washington DC, 1993.

U.S. Department of Commerce, Bureau of Economic Analysis. *Regional Economic Information System*. Washington DC, 1994.