



Just the FACTS...

... about corporate subsidies in the FARM BILL

The 2014 FARM BILL gives the government too great a role in the agriculture sector. By expanding the overly generous federal crop insurance program and creating new “shallow loss” revenue guarantee entitlements, Congress further distorted agricultural markets while wasting tax dollars at the same time:

1 Fact: Producers already use several tools other than subsidized crop insurance to manage risk, via private futures markets, diversification of planting decisions, vertical integration, use of private crop insurance, and outside income.

2 Fact: Taxpayer-subsidized crop insurance not only insures against catastrophic losses like drought and floods, but also guarantees revenue for already-profitable businesses.

3 Fact: New FARM BILL programs expanded unlimited crop insurance subsidies and created new shallow loss entitlements that will virtually guarantee agricultural producers profits every year regardless of farm income, crop prices, or other factors.

4 Fact: Farm payments and unlimited crop insurance subsidies reduce producers’ business risks, increase returns to scale, distribute resources ineffectively, increase agribusiness income, encourage farm sizes to increase, and consolidate production in fewer hands. They also encourage excessive risk-taking by insulating agribusinesses and passing the risks to taxpayers.

5 Fact: Federal biofuels subsidies also pick winners and losers, causing producers to expand production and plant certain crops like corn and soybeans over others such as forage crops and fruits and vegetables. Mandates and subsidies also increase demand for biofuel feedstocks, causing crop prices to increase and production to expand onto sensitive land like pasture, grasslands, and highly erodible acres if yields cannot keep up with increased demand.

Our Take: If agricultural producers assumed more of their own business risks and better utilized private sector risk management options, agribusinesses would be more resilient and taxpayer spending could be drastically reduced. New shallow loss programs should be reined in since they shift undue risks onto taxpayers and increase long-term federal expenditures.

