Encyclopedia of Politics of the American West

Subsidies, Agricultural

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Agricultural subsidies emerged during the Depression as a result of continuing declines in agricultural prices following World War I as European economies recovered and had less need for U.S. agricultural exports. In 1933, Congress passed the Agricultural Adjustment Act (Pub. L. 73–10), which introduced price support programs and production adjustments. This statute made price supports mandatory for specific commodities such as corn, cotton, and wheat while also mandating subsidy payments to farmers through the U.S. Department of Agriculture's (USDA) Commodity Credit Corporation (CCC).

Subsequent decades have seen various revisions and amendments to this statute. The 1935 Agricultural Adjustment Act Amendment (Pub. L. 74–230) granted presidential authority to impose quotas when imports interfered with agricultural adjustment programs, and the 1938 Agricultural Adjustment Act (Pub. L. 75–430) allowed price supports for a variety of commodities, including butter, pecans, raisins, barley, sorghum, and wool. The 1941 Steagall Amendment (Pub. L. 77–144) added eggs, hogs, some poultry, and soybeans to the list of items receiving subsidies.

The 1964 Agricultural Act (Pub. L. 88–297) authorized a two-year voluntary marketing certificate program for wheat and a payment-in-kind program for cotton. The 1973 Agriculture and Consumer Protection Act (Pub. L. 93–86) created target prices and deficiency payments to replace former price support payments while setting $20,000 annual payment limits for all program crops and authorizing disaster payments and a disaster reserve of inventories. The 1981 Agricultural and Food Act (Pub. L. 97–88) emphasized enhancing the foreign trade competitiveness of U.S. agricultural commodities while eliminating rice allotments and marketing quotas and lowering dairy price supports. The 1988 Omnibus Trade and Competitiveness Act (Pub. L. 100–418) changed statutory procedures for addressing unfair foreign trade practices and import damage to U.S. industries. This statute also gave the secretary of agriculture authority to trigger marketing loans for wheat, feed grains, and soybeans if unfair trade practices are determined to exist.

Agricultural subsidies are established by quinquennial congressional farm bills. The 1990s saw increased concern in Congress over the high cost of agricultural subsidies and their impact on the U.S. agricultural sector and the federal budget deficit. The 1996 Federal Agricultural Improvement and Reform Act (Pub. L. 104–127) partially removed some federal price supports from grains and cotton target prices and replaced them with seven-year contracts providing fixed but declining market transition payments not tied to market prices. This statute also ended acreage reduction programs, planting restrictions, farmer-owned grain reserves, and the honey support program and set as a goal the end of the dairy price support program by 1999.

This market-oriented trend was reversed in the 2002 Farm Security and Investment Act (Pub. L. 107–171), which continued fixed payments to major crop producers without most planting restrictions. It also created a new system of countercyclical assistance, similar to target price supports, in effect from 1973 to 1995 and reinstated price supports for wool, mohair, honey, and other items. The Congressional Budget Office (CBO) estimated this legislation's cost at $203.1 billion between 2002 and 2006.

The 2008 Food, Conservation, and Energy Act (Pub. L. 110–246) continued the resurgence of federal agricultural subsidies and the emergence of support for “environmentally friendly” agricultural practices. This legislation was vetoed by President George W. Bush, but that veto was overridden by Congress. It increased broadband technology funding in rural areas, augmented support to producers transitioning to organic agriculture, promoted expanded international access to U.S. agriculture, expanded conservation **[p. 622 ↓]** programs emphasizing organic practices, expanded livestock mandatory reporting programs, and added additional commodities to existing country-of-origin labeling programs. Additional aspects of this legislation included promoting renewable energy; assisting locally and regionally produced agricultural products and efforts; promoting biofuel usage, including a temporary production tax credit for cellulosic biofuels; reducing the ethanol tax credit after the ethanol Renewable Fuel Standard is reached; and extending the duty on fuel-use ethanol imports through 2010. CBO's estimated cost of this legislation through 2012 was $307 billion.

Agricultural subsidies in the western United States are geared toward many applications, including dairy, water for irrigation, organic crops and produce, land and soil conservation, disaster assistance, fisheries, viticulture, and horticulture. Such subsidies have become more controversial in recent decades as the percentage of Americans engaged in agriculture continues to decline. Many subsidy recipients are affluent farming operations that don't need governmental support to be successful. Critics from all sides of the political spectrum have maintained that subsidies have not evolved sufficiently to meet contemporary agricultural and economic needs, that they promote environmentally injurious practices, that they foster political corruption, and that they encourage producers to look to the government instead of the private sector for economic agricultural rewards. These critics also maintain that subsidies are oriented toward major crops and argue that legislated target prices and loan rates are set at higher than market prices, encourage the overproduction of supported commodities, and distort market prices and global trade.

Subsidy proponents maintain they provide relative support and stability to farmers and ranchers, who would see plunging incomes and land values due to unfavorable and volatile domestic and international market conditions and prices. These supporters also emphasize that the United States should not unilaterally reduce its own agricultural subsidies until foreign competitors, such as the European Union and Japan, reduce their own high subsidies and barriers to U.S. farm exports.

This debate has continued and intensified during the 2012 Farm Bill preparation, which Congress still had not addressed before the November election, as western farmers and agricultural interest groups make their cases for and against federal agricultural supports in a domestic political and economic environment likely to see significant reductions in existing federal support for agricultural products and producers.

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See also

Further Readings

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