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EXPLAINER

The High Price of Federal Agriculture Subsidies:

What's the True Cost of Farming as Usual?

May 2024

Key Programs and Terms

Three major programs—agriculture risk coverage (ARC), price loss coverage (PLC), and crop insurance—make up the bulk of the farm income safety net.

Program Terms

ARC and PLC:
Price or revenue guarantees for a favored handful of crops like corn, soybeans, and wheat.

Crop Insurance:
Administered by private companies guaranteed a top-dollar rate of return, crop insurance shifts much of the risk involved in farming to taxpayers, who cover over 60 percent of the crop insurance premiums.

IMPORTANT NOTE

The Congressional Budget Office (CBO) estimates that ARC, PLC, and crop insurance could cost **$181.8 billion** over the next 10 years.

Summary

The true cost of propping up farm incomes and shielding agribusiness from the competitive market forces other industries face is extremely high. While this lucrative subsidy regime benefits certain crops and the largest, wealthiest farms, it does so to the detriment of many other factors—from the environment to small, beginner farmers to individual taxpayers' wallets.

As the price to maintain the status quo keeps mounting, Congress should consider if it's worth the cost.

The Off-Budget Costs of Federal Farm Subsidies

- Guaranteed profits can incentivize farmers to plant on marginal or sensitive land, such as highly erodible areas or wetlands.
- Subsidies can create an artificial market, making it lucrative to repeatedly grow the same crop on the same acreage for multiple growing seasons, thus depleting the soil of nutrients.
- Federal favoritism toward a handful of commodities can result in riskier farm operations that can be more vulnerable to blight, pests, and weather events.
- Subsidies favor thirsty crops and insulate producers from the true cost of water extraction, exhausting essential aquifers at unsustainable rates.
- Subsidies prop up land prices, which benefits wealthy landowners like hedge funds and investors at the expense of the many farmers who rent.
- The combination of inflated land prices and unlimited subsidy payments exacerbates farm consolidation.
- High land prices create a major barrier for new agribusinesses, particularly young farmers.
- $TATU$ QUO — Federal subsidies give farmers little reason to change where or how they grow products, despite risky business practices or repetitive losses.
- Subsidies impede innovation and reward the status quo.
- Subsidies are holding back the U.S. farm industry's potential.

What Congress Can Do

Congress should consider reforms that would be **cost-effective, transparent, sensible, responsive, fair, and simplified**. These bipartisan principles would help drive down the unintended consequences and costs of our current federal policies, particularly those that distort markets and heap risk onto taxpayers.

Here are some specific options:

The CBO's most recent report on deficit reduction suggested eliminating Title I agriculture programs (ARC and PLC), reducing crop insurance premium subsidies, limiting taxpayer-funded reimbursement for insurance companies' administrative costs, and reducing crop insurers' already above-market rate of return.

The Government Accountability Office recommends reducing insurance premium subsidies for wealthy farmers and bringing crop insurer profits in line with market returns.

Contact Us

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