

Failing Farmers Learn to Profit From Federal Aid

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FORT BENTON, Mont. For somebody who works the hard northern land that was first cut by homesteaders' plows less than a century ago, the big harvest of government checks usually happens in the fall, \$40,000 for just being a farmer, another \$40,000 for emergencies like bad market conditions, more than \$100,000 for not making any money on what is grown, and \$50,000 for taking other land out of production. Good crops or bad, high yields or low, it hardly matters, the checks roll in from the federal government, the biggest payroll in farm country. By the end of the year, some farmers can receive up to \$280,000 simply by having another miserable year of failure.

Perhaps never in the history of a nation founded by agrarian self-starters has the federal government propped up rural America to such a degree. This year, the government distributed a record \$28 billion in direct payments, accounting for half of all the money made by farmers. In eight states, including Montana, government assistance made up 100 percent of overall farm income. What these institutionalized bailouts have done, say many farmers who curse the government but take the checks, is strengthen a culture of dependency in a large part of the United States that consistently votes Republican and touts its feisty independence from Washington.

This dependency has only become more entrenched in the four years since Congress passed a farm bill that was supposed to wean food producers off government aid. Direct payments to farmers have tripled since 1996, and food producers who had never taken a significant piece of the aid pie are now getting big chunks of it, from apple farmers in Washington State to rice farmers in California. "All that farm bill has done is opened the door for people to get bigger and bigger payments from the government," said Mike O'Hara, a wheat farmer whose grandfather homesteaded the Montana prairie just north of this little county seat and who relies on federal subsidies for his farm income. "It's been an absolute disaster."

The funnel of money from the capital to the heartland has created an unusual welfare state in places like Chouteau County, an expanse of slumbering winter wheat on the Montana high plains that slope to the Missouri River. This is one of the premier grain-producing areas in the world. But it is also essentially a ward of the federal government, a slow-fading county of barely 5,000 people that received \$51 million in direct assistance this year. Only three farmers in all of Chouteau County do not receive government payouts, according to the Agriculture Department. "At one time we were fairly independent, but through no fault of our own have become as dependent as anyone in American society on government assistance — and it's deeply troubling," said Bruce Nelson, a third-generation Montana grain farmer, who just stepped down as head of the Farm Service Agency, which distributes government checks in Montana. Despite the extraordinary reliance on government payments, these areas are still losing people, jobs and farms, all the things these payments were intended to support. Farmer dependence on federal money is even higher now, in both percentage terms and real dollars, than it was at the depth of the Great Depression.

The departing agriculture secretary, Dan Glickman, says farming has "become largely an income transfer program," with the government underwriting rural businesses and requiring very little in return. Farmers throughout this state, who seem genuinely torn by the disconnect between their ingrained philosophy of independence and their reliance on federal money to make a living, echoed his conclusion in numerous interviews. There seems to be a gradual realization in farm country that federal subsidies in the United States — like those in much of Europe — are not so much about food supply anymore as they are about keeping the least-populated parts of the country afloat. So while he criticizes the size of some of the handouts, Mr. Glickman says that without the government, thousands of farmers and the businesses that depend on them would go bankrupt within a year or two. The money keeps banks, schools, hospitals and small businesses afloat in counties that are one step short of the grave. But it also provides better than average incomes for farmers who have learned to take advantage of all the federal programs.

Over the last four years, the top 1 percent of farmers in this county — about 15 farmers — received an average of \$616,000 each from the government. The top 10 percent — about 150 farmers — were paid an average of \$308,000 per farmer over the last four years. These numbers do not include the record payout for the year 2000. "It has created some huge dependencies, no doubt about it," said Wiley Good, a Chouteau County grain farmer and businessman. "It's easy to say, All this cash is out there, now what can I do to farm the government."

Mr. Good lives a comfortable life in a big house, travels to Europe on long vacations, and partakes of the various government programs for most of his farm income. He shrugs at the fact that the free enterprise system has virtually disappeared from the farm economy of Montana, the nation's No. 2 farm state by amount of acreage. "It'd be nice to go to the local grain elevator and sell your stuff for a price close to what it cost you to produce it," Mr. Good said. "But it's just not in the cards." Though the aid programs go against their market-oriented philosophy, Republicans have been reluctant to criticize the swelling farm aid programs because a majority of the money has been sent to states that traditionally send Republicans to Congress. The farm aid map is less favorable for Democrats. But a handful of crucial swing states that

Democrats count on in major election years — Iowa, Missouri and Illinois among them — are also among the biggest farm bailout recipients.

Many farmers are going broke or barely getting by. And drought conditions over the last few years have made bad positions precarious in states from Texas to the northern Plains. The average government payout for this county this year is \$36,000 — and the growers say that money barely covers the crop production costs, like fuel, machinery, seed, labor and loan payments. Nationwide, 1.6 million farmers received an average of more than \$13,000 each last year in government money. After Congress raised the cap on one of the bigger farm subsidy programs this year, an individual farmer can get more than \$280,000 a year from various payments. "Virtually every farmer in the country is on the dole in one form or the other," said Clark Williams-Derry, a senior analyst with the Environmental Working Group, a nonprofit research organization that has studied farm subsidies. "It's social engineering with nobody at the switch," Mr. Williams-Derry said. Even as the amount of money paid to farm counties has soared, restrictions on who can get those funds and how they are supposed to be used do not form a consistent policy, Mr. Glickman said. "Essentially, the government's role in requiring the farmer to do something in return has been largely eliminated by Congress," Mr. Glickman said. He added, "It's important enough for this country to keep rural communities going. And while I don't like the large payments going to some farmers — that's an outright embarrassment — many of these payments are keeping large sections of rural America from folding up and going down."

What has happened in rural counties like Chouteau completes a full circle, from the creation of farms by government incentive through the Enlarged Homestead Act of 1909 to a period of prosperity and independence in the 1950's and 60's, to the present where government is the only thing keeping people on the old bison grounds of half of Montana. The homesteads have become sources of export crops. Nearly 90 percent of the wheat grown in Montana is sent overseas. But it faces global competition and a glut. Even countries like Pakistan, once seen as a relief target, are now exporting grain. If the Montana growers were to try and get by in the free market, they would lose about \$2 on every bushel of wheat they grow. Farm policy, in part, has been an effort to eliminate subsidized farmers, providing them with relief as they get into something more profitable. But as Congress has been raising the amount of money paid to failing farmers, many of them are making good profits. "The general outlook for many of these farms is not good," said Bill Evans, the government's chief liaison in this county. "But they have become dependent on our office, and we don't want that."

Agriculture policy makers say the aid programs have become so big and are often at cross-purposes, that it is unclear exactly what taxpayers are getting for the \$28 billion sent to rural counties this year. Some of the biggest payouts, like money given to farmers who agree not to grow crops on a piece of ground for 10 years or more, may actually be encouraging the dismantling of fragile rural economies. Roger Axtman, the last farm implements dealer left in Chouteau County, says his family-run, three-generation-old business is slowly going broke even as the millions in farm aid courses through his county. "We're taking very good ground out of production and paying people to do it," Mr. Axtman said. "So where we used to have a hundred regular clients, now we have sixty. And what do they do with the money? Well, some of them buy the Winnebago and hit road. They don't buy a new tractor from me."

Even as federal money to this county has reached record levels, farm employment has continued to fall, declining by 32 percent, more than twice the rate of population decline, over the last 20 years. But Mr. Axtman says that without the federal payments his business would fold, and with it would go most of the human attachments to Chouteau County, a place that calls itself "the birthplace of Montana" because of its proximity to the ancient highway of the big Missouri River. "These farmers sit here and they tell me how much they hate taking the cheese checks from the government," Mr. Axtman said. "They're honest farm people, the majority of them, but they don't know what else to do." Other payouts, like the money from programs in which individual farmers can receive up to \$150,000 a year when commodity prices are particularly low, are disproportionately weighted toward the bigger operations, contributing to the loss of small family farms, according to taxpayer groups that have done independent analyses of farm programs.

But one thing that the people who grow the food and the people who write the checks agree on is that if the government were to suddenly disengage itself from its monumental entanglement with rural America, upwards of half of the 1.6 million farmers in the United States who now receive some form of federal assistance would go out of business. Montana, for example, ranks nearly last in average annual pay and near the top in the percentage of people living below the poverty level. If the \$500 million annual government farm payroll were taken out of the state, the Big Sky country could fall into bleak times rivaling those of the Great Depression, some analysts say. "So maybe it is time we had some intellectual honesty in farm policy," Mr. Glickman said. "Nobody talked about this during the presidential election. And you rarely hear it spoken in Congress. But these farm payments have become truly rural support payments."