

***An Analysis of USDA Farm Program  
Payments and Rural Development Funding  
In Low Population Growth Rural Counties***

***Jon M. Bailey  
Kim Preston***

***Center for Rural Affairs  
Rural Research and Analysis Program***

***July 2007***

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## Introduction

The mission of USDA Rural Development is to help “improve the economy and quality of life in all of rural America.”<sup>1</sup> To accomplish this mission, Congress has authorized and funded a variety of rural development programs within the jurisdiction of USDA Rural Development.

Many say farm commodity program payments also have a rural development use in bolstering the economy of rural areas.

*However, recent research suggests that farm program payments are negatively associated with population growth, economic growth, job growth and new business growth in rural areas.<sup>2</sup>*

Given the mission of USDA Rural Development, rural development funding should be used to address those challenges.

This report seeks to determine if rural development funding, when compared to the payments made to the largest farm businesses in selected states, is addressing the economic and quality of life challenges presented in those counties most in economic and demographic distress. This report also seeks to quantify through the most available and current data whether rural development is providing an opportunity for future viability to rural communities or whether continued large

farm payments to large farm businesses doom rural communities to, in the words of the Federal Reserve Bank of Kansas City, an “ongoing pattern of economic consolidation.”<sup>3</sup>

## Definitions and Data Sources

This report compares the amount of money going to the top 20 business recipients of farm program payments in selected states for the period 2003 to 2005 to rural development grant funding in certain counties in the same states for the period 2001 to 2003. Definitions and data sources used in this report are outlined below.

The data source for federal crop payments is the Environmental Working Group (EWG) “farm subsidy database” located at <http://mulchblog.com/>. Federal crop payments represented in this database are direct payments, counter cyclical payments, loan deficiency payments, marketing loan gains, and commodity certificates. Amounts received from federal conservation programs are also included in EWG’s database of federal payments. Federal crop program payments in EWG’s database represent program years 2003, 2004 and 2005; conservation payments are for calendar years 2003, 2004, and 2005. Top 20 farm business recipient lists can be found on individual state pages at the website listed above.

Rural development funding was obtained through the Federal Funds Analysis database developed by the Southern Rural Development Initiative (SRDI) and the Rural Policy Research Initiative at the University of Missouri (RUPRI). The source of information for this database is

<sup>1</sup>See, <http://www.ruraldev.usda.gov/rd/index.html>, accessed July 6, 2007.

<sup>2</sup>Drabenstott, M. “Do Farm Payments Promote Rural Economic Growth?” *The Main Street Economist*, March 2005. Kansas City, MO: Center for the Study of Rural America, Federal Reserve Bank of Kansas City.

<sup>3</sup>Id.

the U.S. Census Bureau's *Consolidated Federal Funds Reports* for fiscal years 2001, 2002 and 2003. These reports list all federal expenditures by federal agency and type of expenditure.<sup>4</sup>

The Economic Research Service of USDA has also analyzed the federal funds reports and developed a typology of federal program function that denotes the general intended use of that program or fund. For this report we employ the "Community Resources" function area of USDA funding as a definition of "rural development funding." The "community resources" function of USDA funding is a group of 18 programs concerning business assistance, community facilities, community and regional development, housing and community infrastructure in rural communities, the type of initiatives needed to maintain and attract people.<sup>5</sup>

The SRDI/RUPRI database lists federal expenditures by county and function type. While funding criteria for USDA Rural Development programs vary by program, funding generally goes to municipalities and rural areas below 50,000 in population.

The counties examined in each state are those non-metropolitan counties with the greatest population decrease or lowest population increase from the 1980 to the 2000 Census.

Those counties that are eligible under the New Homestead Act are included in the analysis; in states where more than 20 counties are New Homestead Act eligible, only the 20 counties with the lowest net migration rate are included. Colorado, Idaho, Indiana and Missouri do not have 20 New Homestead Act-eligible counties. To include 20 counties from those states in this analysis, those non-metropolitan counties with population declines from 1980 to 2000 (but not eligible for the New Homestead Act) or those non-metropolitan counties with the lowest population increases from 1980 to 2000 were added in sufficient numbers to reach 20 counties for each state.

County population figures are the official population counts from the 2000 Census. The number of incorporated municipalities in each county included in this analysis was gathered from a database of the National Association of Counties ([www.naco.org](http://www.naco.org)).

While the time periods for commodity payments and rural development funding do overlap, they both represent three year periods and are based on the best and most current data available. In addition, rural development funding represents investments in community business

<sup>4</sup>For more information, see <http://circ.rupri.org/srdi/>, and *The Pattern of United States Department of Agriculture Policy & Funding in Rural America's Low Wealth and Minority Communities*, Southern Rural Development Initiative, June 2007.

<sup>5</sup>Programs included are: Community Facilities Loans and Grants, Empowerment Zones, Rural Business Enterprise Grants, Rural Economic Development Loans and Grants, Rural Housing Preservation Grants, Rural Self-Help Housing Technical Assistance, Small Business Innovation Research, Very Low-Income Housing Repair Loans and Grants, Water and Waste Disposal Systems for Rural Communities, Direct Housing – Natural Disaster Loans and Grants, Emergency Community Water Assistance Grants, Rural Business Opportunity Grants, Rural Cooperative Development Grants, Water and Waste Disposal Loans and Grants, National Forest-Dependent Rural Communities, Housing Application Packaging Grants, and Technical Assistance Training Grants (Water and Waste Disposal).

development, housing and infrastructure projects that were likely implemented and became functional during the time period used for farm program payments.

## Methodology and Purpose

Using the sources outlined below, data were collected for Colorado, Idaho, Iowa, Illinois, Indiana, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, Oklahoma and South Dakota. These states represent a swath of states that have several common characteristics – significant rural populations, many rural counties suffering from the twin challenges of low incomes and depopulation, significant amounts of commodity crop production and members of their Congressional delegations serving on Agriculture Committees with the authority to write the 2007 Farm Bill.

*This report develops the following comparative pieces of data:*

- The top 20 farm program business recipients for each state are considered; an aggregate amount is obtained by adding the top 20 business recipients from each state in question from the EWG database.
- Rural development funding for the 20 non-metropolitan counties in each state with the greatest population decline or the lowest population growth from the 1980 to the 2000 Census.

- Rural development funding in the relevant counties consists of grant funding from programs in the USDA “community resources” function area. Grant funding was selected because it is the source of rural development funding most like the farm program payments represented in the EWG database – it is “hard” funding that does not have to be repaid by communities or other recipients, and it is funding that is directed at projects and community initiatives to develop individual and community assets that most address items related to decline in rural communities (e.g., business and entrepreneurial development, housing and infrastructure).
- Population decline (or slow population growth) is symbolic of the economic and demographic challenges facing many rural communities. Declining population is a factor that significantly influences the economy, quality of life and future of a rural community. Declining population is often evidence of a spiral that begins with a troubled economy, which leads to more migration out of a community, and eventually to few economic opportunities and economic and community institutional consolidation.

*The result of the spiral of depopulation is a lower tax base, leaving small towns hamstrung by an inability to replace or repair vital infrastructure – a key to keeping and attracting people and businesses. Often the only way to address this challenge is through USDA Rural Development programs.*

Given the mission of USDA Rural Development, it follows that funding in the “community resources” function should be maximized in order to address the challenges resulting from this spiral and to “improve the economy and quality of life” in rural communities.

## **Key Findings**

- In all but two of the states examined (Idaho and Minnesota), farm program payments to the 20 largest farm businesses exceeded rural development funding to the rural counties suffering from the greatest population loss. In those 11 states, 220 individual businesses benefited from USDA programs to a greater extent than did all the people and communities in the 220 counties examined (containing nearly 2.5 million people and nearly 1,200 incorporated municipalities).
- Rural counties with the greatest population decline or lowest population growth received on average about \$53 per capita in federal rural development spending over the three-year period in question, compared to an average of just over \$1 million received by the top farm program recipients over a comparable three-year period.

The biggest disparities between farm payments to the largest farm business and rural development funding to counties suffering the greatest population decline are in Nebraska and Kansas, with the largest farm payment recipients in Nebraska and Kansas receiving nearly six and five times, respectively, as much as did rural development projects in the counties suffering from the greatest population loss.

## **Analysis**

Table 1, on the following page, compares farm program payments and counties with the lowest population growth in the states examined.

Table 1 shows that in 11 of the 13 states examined, federal farm program payments significantly surpassed funding for rural development projects in counties suffering from the greatest population loss or lowest population growth. Only in Idaho and Minnesota did federal rural development consistent with this analysis exceed farm program payments to the top 20 producers. It should be noted that Idaho is a special case among the states examined, particularly in comparison to Midwestern and Great Plains states. It was one of the fastest growing states in the nation during the period examined, and several counties included in this analysis had significant population increases even though they were among the slowest growing in Idaho.

State	Dollars to Top 20 Farm Payment Recipients	Rural Development Funding in Lowest Population Growth Counties	Percent Rural Development Funding of Farm Payments	Ratio	2000 County Population (20 Counties)	Rural Development Funding Per Capita	Number of Municipalities in Counties
CO	\$18,276,241	\$6,481,541	35.5	2.82	153,226	\$42.30	66
ID	\$12,498,852	\$18,045,686	144.4	0.69	309,604	\$58.28	95
IL	\$27,808,390	\$24,965,869	89.8	1.11	453,456	\$55.06	181
IN	\$23,283,530	\$10,319,482	44.3	2.26	573,100	\$18.01	122
IA	\$24,202,440	\$13,004,747	53.7	1.86	315,720	\$41.19	185
KS	\$25,163,064	\$5,478,838	21.8	4.59	182,205	\$30.07	81
MN	\$21,224,770	\$27,038,477	127.4	0.78	201,491	\$134.19	154
MO	\$27,837,812	\$11,176,964	40.2	2.49	206,924	\$54.01	140
MT	\$8,593,568	\$5,703,913	66.3	1.51	98,478	\$57.92	40
NE	\$25,773,276	\$4,296,851	16.7	6.00	64,791	\$66.32	67
ND	\$15,134,315	\$10,248,184	67.7	1.48	82,205	\$124.67	100
OK	\$15,016,638	\$7,241,152	48.2	2.07	245,422	\$29.50	119
SD	\$19,311,899	\$12,105,854	62.7	1.60	79,964	\$151.39	66
<b>Total</b>	<b>\$264,124,795</b>	<b>\$156,107,558</b>	<b>59.1</b>	<b>1.69</b>	<b>2,966,586</b>	<b>\$52.62</b>	<b>1,416</b>

**Table 1. Farm Program Payments and Rural Development Funding in Lowest Population Growth Counties**

In total, rural development funding for 260 counties (with over 1,400 incorporated municipalities and nearly 3 million people) received about three-fifths the amount of the 260 top farm program recipients, and for every dollar invested in rural development projects \$1.69 goes to one of the individuals or business in the top 20 farm program recipient list. In the 260 counties examined, about \$53 in federal rural development spending was received per capita over the three-year period in question, compared to an average of just

over \$1 million received by the top farm program recipients over a comparable three year period.

Nebraska, Kansas and Colorado have the greatest disparities between the top farm program recipients and rural development spending in counties suffering the greatest population loss. Each state has enormous gaps between federal money received by 20 individual businesses in each state and the communities in the 20 lowest population growth counties in each state.

In Nebraska, for every rural development dollar invested by the federal government in these counties, six dollars goes to the top farm program recipients. It should be no surprise that rural counties in those states are among the most depopulated in the nation. Indiana and Missouri show over 2:1 ratios in favor of payments to top farm program recipients.

## **Conclusion**

The data and conclusions outlined here point to one of the primary choices faced by Congress as it develops the 2007 Farm Bill – continue massive subsidies to a limited number of farms and farm businesses or limit farm program payments in order to invest in the future of rural communities housing millions.

Currently, the farm commodity payment system allows larger farm operators and businesses to bypass normal, individual payment limitations through loopholes that allow for the organization of businesses and corporations in a way that leads to the massive payments highlighted here.

*As the 2007 Farm Bill is developed,  
Congress has an opportunity to close  
these loopholes and limit these payments  
in ways that invest in the future of rural  
communities, especially those  
communities facing economic and  
demographic distress.*

Congress has an opportunity to take a status quo that has been shown to be harmful to rural economies and demographics and reform it in ways that creates a future both for family-scale agriculture and rural communities.

## **Acknowledgements**

This report is part of a series of periodic reports and studies that examine rural development and rural asset-building policy issues. We wish to acknowledge the Ford Foundation and Otto Bremer Foundation whose financial support make these reports possible. We are grateful for the trust and support they offer to the Center for Rural Affairs and its research.

## **About the Center for Rural Affairs**

Established in 1973, the Center for Rural Affairs is a private, nonprofit organization with a mission to establish strong rural communities, social and economic justice, environmental stewardship, and genuine opportunity for all while engaging people in decisions that affect the quality of their lives and the future of their communities.

Center for Rural Affairs, P.O. Box 136,  
Lyons, Nebraska, USA 68038

Published July 2007. The printed report is available at no cost on the Center's website, [www.cfra.org](http://www.cfra.org).