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President's budget phases out direct payments to large farms

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Confirming Agriculture Secretary Tom Vilsack's Feb. 9 warning to the National Association of Wheat Growers, President Barack Obama's proposed budget released Thursday shows that direct farm program payments to farms with sales over \$500,000 would be phased out over three years.

As reported by Agri-Pulse on Feb. 9, Vilsack warned the Wheat Growers that "the future of direct payments is not going to be an easy future." He added that "if it looks to be as if direct payments will at some point in time. . . have a limited future, what is the substitute? I would suggest to you that you should look very strongly, very strongly, about using climate change as a way of dealing with this."

The President's budget, titled "A New Era of Responsibility - Renewing America's Promise," answers the questions raised by Vilsack over two weeks ago with this "Green Our Nation's farms" initiative:

"The Budget increases funding levels over those provided in previous years for programs, such as the Conservation Stewardship Program and the Environmental Quality Incentives Program that provide incentives for farmers to better conserve their lands and reduce pollution such as from animal feeding operations. In addition, USDA intends to work with farmers to help them take advantage of opportunities to participate in emerging markets for carbon credits, alternative energy and in other environmental services, such as wildlife habitat, clean water, and clean air."

With federal support for conservation programs and biofuels headed up, federal support for large farms is proposed to be phased out, both changes coming just as Vilsack had predicted.

For large farming operations, the budget's message is stark:

"Reducing Direct Payments to Farmers. The President wants to maintain a strong safety net for farm families and beginning farmers while encouraging fiscal responsibility. As part of a broad effort to move farmers from a program of direct payments to a program where agricultural producers earn payments from

environmental improvements, the President's Budget phases out direct payments over three years to farmers with sales revenue of more than \$500,000 annually. Presently, direct payments are made to even large producers regardless of crop prices, income, and profits or whether the land is still farmed."

Secretary Vilsack told reporters at USDA's Outlook Conference Thursday that the direct payment phase-out is likely to affect some three percent of U.S. farming operations. USDA Chief Economist Joseph Glauber noted that it will be hard to predict the exact portion of approximately \$5 billion in direct payments which will be affected by the phase-out. He explained that an unpredictable number of larger farms can be expected to restructure, breaking into smaller units which would be under the new \$500,000 ceiling.

For full details on the overall budget proposals for USDA, click on:
click on: <http://www.agri-pulse.com/uploaded/20090226H1.pdf>

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