



2008 Farm Bill: Wisconsin Focus

Title 1: Payment Limitations¹



Key Features

A common criticism of past farm bills was that they allowed non-farmers to collect subsidies and income supports. The 2008 Farm Bill still allows this to happen but steps have been taken to reduce the likelihood that non-farmers will collect farm program benefits. The current farm bill contains an income eligibility requirement which says persons cannot receive farm program payments if the non-farm income portion of average adjusted gross income (AGI) is \$500,000 or greater.

Past farm bills have also been criticized because they allowed large scale farmers with high incomes to collect farm program benefits. In response to this criticism, Congress has put a farm income limit of \$750,000 into the 2008 Farm Bill. This farm income limit only applies to the eligibility of producers to receive direct payments. So the farm income cap is not as restrictive as it may seem because it still allows large scale farms to collect counter-cyclical payments and loan deficiency payments.

There are also limits to the amount of payments producers can receive as direct payments and counter-cyclical payments. No more than \$40,000 of direct payments can be collected by a producer and total counter-cyclical payments for a producer are limited to \$65,000. Thus total payments to a producer, in the form of direct and counter-cyclical payment, are limited to \$105,000.

In 2009 farmers will have the option of enrolling in a new program called Average Crop Revenue Election (ACRE). Participation in this revenue protection program will not reduce the total amount of benefits farmers can receive as direct and counter-cyclical payments. It will however change the payment limits for these two other subsidy programs. The direct payment limit drops to \$32,000 (80% of the \$40,000 lease limit) while counter-cyclical payment limit rises to \$73,000 (\$65,000 plus the \$8,000 forfeited on direct payment). This dollar for dollar trade-off in the payment caps for direct and counter-cyclical payment keeps farmers' total payment limits at \$105,000.

How is Wisconsin Affected?

The income eligibility requirements established in the 2008 Farm Bill are not likely to affect the amount of farm program payments flowing into Wisconsin. The income limit of \$500,000 for non-farm income is pretty much a non-factor because few farms in Wisconsin are controlled by high income, non-farmers. The 2002 Census of Agriculture reported that of the 692 Wisconsin

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farms with sales of \$1,000,000 or more, only 25 were non-family held corporations and 197 were partnerships. So the possibility of non-farmers losing farm program benefits is rather low since few non-farmers are involved in Wisconsin agriculture.

The \$750,000 farm income test, which determines whether farmers are eligible to receive direct payments, is not likely to be an issue in Wisconsin. USDA-ERS data from the Farm Business and Household Survey show that in 2006 only 1,077 Wisconsin farms had \$1,000,000 or more of gross income and average net farm income of just under \$620,000. Given that these earnings are well below the 2008 farm Bill income eligibility requirements, few Wisconsin farmers will be ineligible to receive direct payments.

Where can I get more information?

The section of the 2008 Farm Bill concerned with Crop Subsidy, Deficiency Payments and Loan Rates can be found at the following section of the UW Understanding Dairy Markets website: http://future.aae.wisc.edu/publications/farm_bill/direct_payments.pdf.

You may also want to examine a couple of USDA, Farm Service Agency's Fact Sheets (although they have not been updated):

- [Direct and Counter-Cyclical Payment Program](#) (March '06)
- [Payment Eligibility and Limitations](#) (May '07)

UPDATED: May 30, 2008