

■ Government Payments by Program and State

Government payments were \$7.3 billion in 1995, down 8 percent (\$0.6 billion) from the previous year. Government payments comprised 3.6 percent of gross cash farm income in 1995. Government payments for cotton reached a record low in 1995 due to high cotton prices. Some cotton producers had to refund a portion of the previous fiscal year's advanced deficiency payments because cotton market prices exceeded the established target price. Strong wheat prices kept 1995 wheat Government payments to a low level not seen since 1980. Government payments for feed grains more than doubled in 1995 as record corn production in the fall of 1994 kept corn prices low in 1995.

Government payments are direct, nonrecoverable transfer payments to participating producers. The roles of farm commodity programs and conservation policies instituted through direct Government payments are to support prices through restricting the supply of specific commodities (Acreage Reduction Program, etc.), to directly support farm incomes through cash transfers to farm operators (deficiency payments, etc.), to support farm income in times of adverse weather or natural catastrophes (disaster payments), and to maintain quality production and environmental controls through conservation reserve programs (Wetlands Reserve Program, etc.).

Annual changes in the payment distribution among States reflect farm sector and U.S. economic environment changes, crop yields, weather conditions, market prices, and farm legislation modifications. Farm businesses that participate in commodity programs vary in type and size across States depending on the State's production specialty, environmental and conservational needs, and the number of acres operated.

The Federal Agriculture Improvement and Reform Act of 1996, which was signed into law in April 1996, fundamentally redesigns income support and supply management programs for producers of wheat, corn, grain sorghum, barley, oats, rice, and upland cotton. Government payments to producers who signed up for the program are now fixed and are scheduled to decline through 2002. Dairy policy also changes dramatically as price supports are phased out and milk marketing orders are consolidated. The 1996 Act also alters the sugar and peanut programs. Farmers are freer to alter their crop production in response to relative price signals from the marketplace. Farm income is likely to become more variable under the Act in response to year-to-year changes in the supply and demand for covered commodities. Marketing alternatives to manage price and production risk will become more important for many farmers.

Table 3-7.

Government payments, by program and State, 1995

State	Feed Grain	Wheat	Rice	Cotton ¹	Wool Act	Conservation ²	Miscellaneous ³	Total
				<i>1,000 dollars</i>				
Alabama	3,368	1,740	0	1,611	42	31,713	14,912	53,386
Alaska	57	0	0	0	1	1,056	621	1,735
Arizona	1,904	2,115	0	2,166	771	1,787	758	9,501
Arkansas	6,332	9,759	312,711	1,307	128	15,330	37,698	383,265
California	8,606	11,743	155,898	5,278	5,797	15,379	35,059	237,760
Colorado	43,505	21,733	0	0	4,838	83,149	13,828	167,053
Connecticut	720	0	0	0	20	382	1,260	2,382
Delaware	2,178	151	0	0	1	373	406	3,109
Florida	1,638	215	163	14	4	10,249	43,433	55,716
Georgia	9,812	3,713	0	-176	27	32,169	20,921	66,466
Hawaii	0	0	0	0	0	406	541	947
Idaho		7,555	22,513	0	0	3,078	40,914	15,476
Illinois			453,034	9,270	0	0	384	66,018
15,029	543,735	Indiana	200,255	4,348	0	0	180	35,744
5,539,246,066	Iowa		590,872	87	0	0	1,391	183,685
8,604,784,639								
Kansas	154,847	96,786	0	-3	911	157,489	12,991	423,021
Kentucky	34,005	2,618	33	0	94	28,217	2,406	67,373
Louisiana	4,320	2,259	122,172	2,187	14	9,045	17,318	157,315
Maine	577	0	0	0	54	3,575	9,874	14,080
Maryland	9,724	667	0	0	85	2,370	2,301	15,147
Massachusetts	425	0	0	0	38	498	1,497	2,458
Michigan	86,348	5,190	0	0	475	22,829	36,167	151,009
Minnesota	268,636	27,763	0	0	1,057	106,098	64,347	467,901
Mississippi	3,438	2,588	61,397	4,471	16	38,555	18,696	129,161
Missouri	84,974	11,379	25,097	340	588	119,044	14,574	255,996
Montana	18,141	46,841	0	0	6,983	104,194	9,172	185,331
Nebraska	382,887	20,308	0	0	817	81,412	21,923	507,347
Nevada	108	342	0	0	732	785	2,298	4,265

—continued

Table 3-7 continued.
Government payments, by program and State, 1995 (continued)

State	Feed Grain	Wheat	Rice	Cotton ¹	Wool Act	Conservation ²	Miscellaneous ³	Total
New Hampshire	267	0	0	0	32	575	309	1,183
New Jersey	2,209	129	0	0	28	402	2,724	5,492
New Mexico	7,977	3,412	0	-82	4,753	20,615	18,483	55,158
New York	25,591	1,367	0	0	306	6,157	10,067	43,488
North Carolina	19,860	1,944	0	-666	67	9,213	9,741	40,159
North Dakota	48,132	88,001	0	0	1,761	113,714	44,594	296,202
Ohio	121,510	7,604	0	0	792	28,865	8,536	167,307
Oklahoma	9,631	55,781	227	945	932	52,854	44,304	164,674
Oregon	2,641	12,104	0	0	1,853	28,800	6,652	52,050
Pennsylvania	16,538	432	0	0	434	9,638	14,013	41,055
Rhode Island	5	0	0	0	4	206	103	318
South Carolina	10,165	2,937	0	671	5	12,995	7,009	33,782
South Dakota	104,102	28,629	0	0	5,614	75,900	30,790	245,035
Tennessee	13,236	2,652	177	496	52	25,807	4,918	47,338
Texas	128,230	40,614	106,755	11,397	38,284	174,099	143,499	642,878
Utah	1,622	1,839	0	0	4,759	10,510	5,777	24,507
Vermont	796	0	0	0	100	1,783	1,643	4,322
Virginia	9,645	1,261	0	-36	466	6,526	7,531	25,393
Washington	9,709	33,311	0	0	507	55,912	16,488	115,927
West Virginia	1,470	29	0	0	245	1,635	1,857	5,236
Wisconsin	110,848	717	0	0	354	51,180	20,741	183,840
Wyoming	2,113	1,714	0	0	8,403	11,717	7,279	31,226
United States	3,024,563	588,605	784,630	29,920	98,277	1,891,568	834,707	7,252,270

¹Negative values indicate that the current fiscal year's advanced deficiency payments are less than the refunds from producers to the government because advanced deficiency payments in the previous fiscal year exceeded the final determination of the deficiency payments. ²Includes amount paid under agriculture and conservation programs (Conservation Reserve, Agriculture Conservation, Emergency Conservation, and Great Plains Program). ³The programs included Rural Clean Water, Forestry Incentive Annual, Forestry Incentive Long Term, Water Bank Annual, Water Bank Practice Cost Share, Dairy Indemnity, Dairy Termination, Extended Warehouse Storage, Extended Farm Storage, Colorado River Salinity, Livestock Emergency Assistance, Interest Payments, Disaster, Loan Deficiency, Market Gains, Naval Stores Conservation, Milk Marketing Fee, Options Pilot, Milk Diversion, Emergency Feed, Rice Marketing, 90 Day Rule, Payment Limitation
Source: USDA, Economic Research Service, Rural Economy Division.