



Federal Aid and the Farm Sector

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Eakinomics: Federal Aid and the Farm Sector

A bit over a year ago, Eakinomics [checked in](#) on the financial status of the farm sector. The trade/tariff war with China had added to the woes of a sector that had already been slumping since 2012. Federal direct payments (which omit federal support of loans and other financial arrangements) had reached 11 percent of farm net income in 2017, but the Trump Administration bailout of farmers in the aftermath of the trade war promised to essentially [double](#) this amount.

As witnessed by recent *New York Times* [coverage](#), the issue of large federal subsidies to the farm sector, especially on the eve of the election, continues to command attention. The table updates the farm sector financial picture using data from the United States Department of Agriculture. As before, the most important feature is that farm income in 2019 appears to have rebounded from the recent low in 2016. Of the \$7.5 billion increase in net income in 2019, however, fully \$5.6 billion was due to increased federal aid. Otherwise, receipts declined modestly.

Farm Income (Billions \$)						
	2014	2015	2016	2017	2018	2019
Cash Income						
Receipts	424.0	377.4	358.5	370.4	371.4	370.6
Crops	211.7	187.9	195.8	194.9	195.1	194.6
Animals and products	212.3	189.5	162.7	175.6	176.3	176.0
Federal direct payments	9.8	10.8	13.0	11.5	13.7	22.4
Other income	36.6	34.4	27.9	31.2	29.1	34.7
Gross income	470.3	422.6	399.4	413.2	414.2	427.8
Expenses	339.0	315.8	303.8	311.9	311.4	317.5
Net income	131.3	106.8	95.6	101.3	102.8	110.3

The data also reveal that crops continue to generate 52.5 percent of farm revenue. The mix of crop revenue versus animals, poultry and eggs, dairy products, and miscellaneous other sales remains relatively stable. But the biggest recent increase has been direct payments from the federal government, which are up over 72 percent from 2016. These now constitute over 20 percent of net income.

The trade war and now pandemic have taken a real toll on an already-weakened farm economy. As a result, as the election approaches, the sector is more reliant on federal aid than in the recent past.