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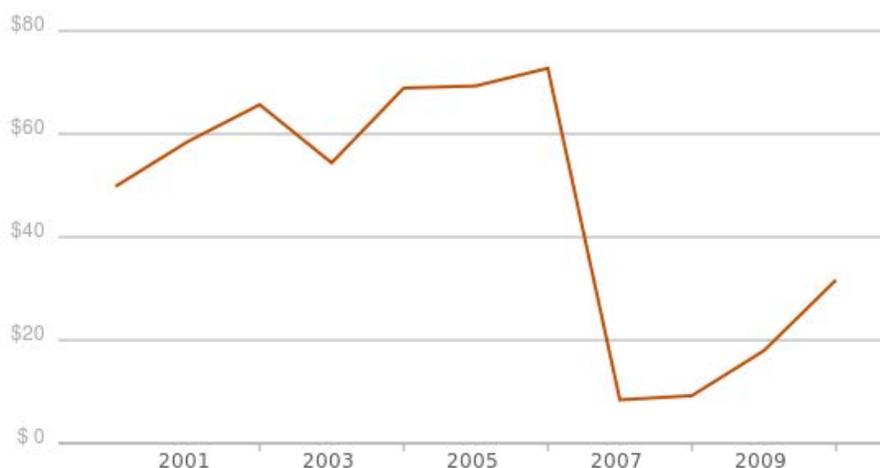
Direct Expenditures in the Agriculture Sector

Grants in the Agriculture Sector

The federal government spent at least \$31.3 billion¹ in fiscal year 2010 on grant programs that may provide a subsidy to the Agriculture sector. This spending, administered by four agencies (the Department of Agriculture, the Department of Health and Human Services, the Agency for International Development, and the Department of the Interior)² across more than 100 active programs (Table 1), accounted for almost four percent of all government grants made that year (\$822.6 billion).³

Subsidyscope reports the total amount spent on grants and contracts that are most likely to contain any subsidy. Since not all the spending in these programs would properly be counted as a subsidy, the spending estimates presented here constitute the upper bound of government subsidies in a sector. For example, there is a distinction between *spending* on grants and contracts and the *subsidies* conveyed through that spending. Not all of the money obligated to a grant or contract ends up subsidizing the sector. Some funds are devoted to administering the grants or other activities that do not affect supply or prices. However, little data are available that would help estimate just the subsidy portion of spending on grants and contracts.

Figure 1: Expenditures on Grant Programs in the Agriculture Sector, Fiscal Years 2000-2010 (\$ billions)



Source: Subsidyscope analysis of data from USASpending.gov. Estimates are in nominal dollars and reflect the data as they appear in USASpending.gov at the time of this analysis.

Note: Data presented are obligations to programs that, based on the Subsidyscope methodology, are likely to contain a subsidy. All grant programs in Subsidyscope's definition of the Agriculture sector are included, although some programs may not have reported dollar amounts in USASpending.gov. Changes in government reporting methods during fiscal year 2007 make the estimates for that year highly unreliable. See footnote 1 below for specific information on two programs that are underreported in USASpending.gov. For more information about the quality of these data sources, visit Clearspending.org.

The direct expenditure totals presented on this Web page are compiled using government data from USASpending.gov and the Catalog of Federal Domestic Assistance (CFDA).⁴ As [previously noted](#), these data may not include some types of subsidies and may contain gaps that prevent allocating some published subsidy data to the Agriculture sector. All of these limitations can result in omissions of federal support that may, nonetheless, influence markets. However, they are the best data available and they provide a baseline for comparing subsidies across economic sectors. By publishing these estimates, Subsidyscope makes these data more accessible and their shortcomings can be more easily identified and, ultimately, improved.

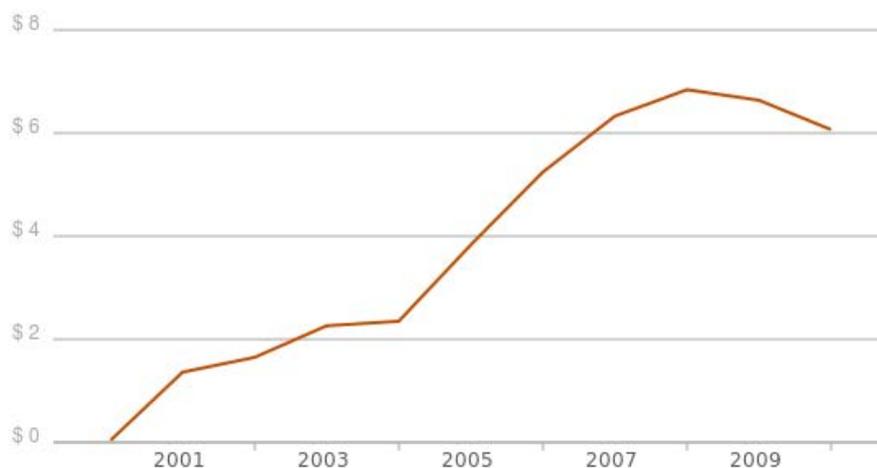
Contracts in the Agriculture Sector

In addition to awarding grants, the government directly contracts with organizations to provide agriculture-related goods and services. During fiscal year 2010, all agriculture-related contracts reported in USASpending.gov totaled \$13.8 billion, almost 3 percent of all government contracts (\$537.8 billion).⁵ Of the \$13.8 billion in total agriculture-related contracts, \$6.0 billion, or 43 percent, were not competed.⁶ While not all contracts contain a subsidy, non-competed contracts are more likely to contain a subsidy than competed contracts.

Subsidyscope's focus on non-competed contracts reflects that the federal government generally prefers agencies to compete contracts because competition is expected to result in lower costs and/or better quality goods and services. In contrast, non-competed contracts generally are assumed to be more likely to cost the government more than the fair market value.⁷

Subsidyscope presents spending on programs deemed likely to contain a subsidy, rather than the subsidy amount itself. Under a contract, a subsidy occurs when the government pays more than fair market value for a good or service. It is difficult to determine when and how much of a subsidy is included, as the fair market value may be open to interpretation. Subsidyscope does not differentiate between specific contracts that may or may not include a subsidy or measure the amount of the subsidy. However, competed contracts—contracts that are subject to an open bidding process—generally are less likely to have a subsidy component, even though the bidding process may include certain preferences. Therefore, Subsidyscope does not analyze competed contracts. This does not mean non-competed contracts contain a significant subsidy, only that they are more likely to do so. There may be various reasons why the government uses non-competed contracts, for example, there may be only one provider of the service, there may be unique experience required, or it may be more expedient or convenient. For more information on contracts, see Subsidyscope's [Contracts](#) page.

Figure 2: Expenditures on Non-competed Contracts in the Agriculture Sector, Fiscal Years 2000-2010 (\$ billions)



Source: Subsidyscope analysis of data from USASpending.gov. Estimates are in nominal dollars and reflect the data as they appear in USASpending.gov at the time of this analysis.

Note: Any increases or decreases may reflect poor data resulting from reporting variation, in addition to actual spending increases or decreases in agriculture-related contracts.

To search Subsidyscope's direct expenditures data from the federal government's USASpending.gov Web site, click [here](#) for grants and [here](#) for non-competed contracts. The table below provides an aggregate summary of the grants made by each program in the Agriculture sector in fiscal years 2009 and 2010, retrieved from Subsidyscope's searchable database of grants.

Table 1: Agriculture Sector Direct Expenditure Programs, Fiscal Years 2009 and 2010 (\$ thousands)

CFDA #	CFDA Program Title	FY 2009	FY 2010
10.551	Supplemental Nutrition Assistance Program	\$4,335,898	\$10,620,032
10.055	Direct and Counter-cyclical Payments Program	\$856,911	\$6,674,955
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	\$4,099,495	\$3,700,169
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	\$2,541,120	\$2,063,665
10.090	Supplemental Revenue Assistance Program	not reported	\$1,603,245
93.045	Special Programs for the Aging_Title III, Part C_Nutrition Services	\$1,175,949	\$1,193,467
10.085	Tobacco Transition Payment Program	\$290,824	\$955,067
10.500	Cooperative Extension Service	\$483,490	\$530,505
10.080	Milk Income Loss Contract Program	\$742,022	\$455,339
10.566	Nutrition Assistance For Puerto Rico	\$300,122	\$308,041
10.089	Livestock Forage Disaster Program	\$34	\$265,668
10.028	Wildlife Services	\$562,299	\$246,473
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act	\$195,286	\$202,125
10.601	Market Access Program	\$200,480	\$200,794
10.560	State Administrative Expenses for Child Nutrition	\$180,126	\$191,633
10.051	Commodity Loans and Loan Deficiency Payments	\$23,386	\$191,599

93.053	Nutrition Services Incentive Program	\$157,080	\$156,902
10.200	Grants for Agricultural Research, Special Research Grants	\$139,235	\$143,972
10.001	Agricultural Research_Basic and Applied Research	\$130,184	\$137,885
10.310	Agriculture and Food Research Initiative (AFRI)	\$49,809	\$137,025
10.568	Emergency Food Assistance Program (Administrative Costs)	\$88,846	\$125,574
10.073	Crop Disaster Program	\$66,281	\$109,139
10.578	WIC Grants To States (WGS)	\$34,076	\$99,314
10.088	Livestock Indemnity Program	\$3,876	\$93,719
10.054	Emergency Conservation Program	\$54,979	\$82,545
10.309	Specialty Crop Research Initiative	\$91,388	\$46,668
10.205	Payments to 1890 Land-Grant Colleges and Tuskegee University	\$42,926	\$45,750
10.303	Integrated Programs	\$39,808	\$42,784
10.769	Rural Business Enterprise Grants	\$44,473	\$40,653
10.565	Commodity Supplemental Food Program	\$31,359	\$38,527
10.606	Food for Progress	\$40,648	\$38,418
10.567	Food Distribution Program on Indian Reservations	\$40,365	\$37,537
10.771	Rural Cooperative Development Grants	\$7,614	\$35,582
10.170	Specialty Crop Block Grant Program - Farm Bill	\$10,273	\$34,028
10.600	Foreign Market Development Cooperator Program	\$33,525	\$34,016
10.216	1890 Institution Capacity Building Grants	\$339	\$32,514
10.950	Agricultural Statistics Reports	\$32,551	\$30,851
10.202	Cooperative Forestry Research	\$25,947	\$27,389
10.579	Child Nutrition Discretionary Grants Limited Availability	\$104,689	\$26,835
10.350	Technical Assistance to Cooperatives	not reported	\$23,588
10.212	Small Business Innovation Research	\$16,287	\$22,995
10.091	Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program	not reported	\$21,472
10.307	Organic Agriculture Research and Extension Initiative	\$17,198	\$19,117
10.311	Beginning Farmer and Rancher Development Program	\$17,186	\$18,141
10.608	Food for Education	\$32,358	\$17,153
10.163	Market Protection and Promotion	\$22,956	\$16,159
10.215	Sustainable Agriculture Research and Education	\$14,291	\$13,413
10.304	Homeland Security_Agricultural	\$9,359	\$9,851
10.223	Hispanic Serving Institutions Education Grants	\$5,944	\$8,810
10.580	Supplemental Nutrition Assistance Program, Outreach/Participation Program	\$5,779	\$8,133
10.207	Animal Health and Disease Research	\$2,051	\$7,697
98.009	John Ogonowski Farmer-to-Farmer Program	\$9,635	\$7,650
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$19,682	\$6,664
10.305	International Science and Education Grants	\$3,346	\$6,443

10.574	Team Nutrition Grants	\$6,653	\$6,238
10.219	Biotechnology Risk Assessment Research	\$3,715	\$6,124
10.458	Crop Insurance Education in Targeted States	\$4,452	\$5,898
10.217	Higher Education Challenge Grants	\$5,435	\$5,303
10.225	Community Food Projects	\$9,600	\$5,097
10.250	Agricultural and Rural Economic Research	\$2,796	\$4,286
10.210	Food and Agricultural Sciences National Needs Graduate Fellowship Grants	\$1,415	\$4,123
10.455	Community Outreach and Assistance Partnership Program	\$6,266	\$3,857
10.317	Food Aid Nutrition Enhancement Program	not reported	\$3,729
10.221	Tribal Colleges Education Equity Grants	\$3,231	\$3,342
10.228	Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	\$3,057	\$3,044
10.253	Food Assistance and Nutrition Research Programs (FANRP)	\$193	\$2,906
10.604	Technical Assistance for Specialty Crops Program	\$1,357	\$2,876
10.603	Emerging Markets Program	\$2,507	\$2,845
10.572	WIC Farmers' Market Nutrition Program (FMNP)	\$3,722	\$2,821
10.700	National Agricultural Library	\$1,123	\$2,108
10.320	Sun Grant Program	not reported	\$2,106
10.092	Tree Assistance Program	not reported	\$1,829
10.227	1994 Institutions Research Program	\$2,265	\$1,773
10.576	Senior Farmers Market Nutrition Program	\$2,318	\$1,748
10.220	Higher Education Multicultural Scholars Program	\$1,456	\$1,658
10.308	Resident Instruction Grants for Insular Area Activities	\$761	\$1,544
10.319	Farm Business Management and Benchmarking Competitive Grants Program	not reported	\$1,439
10.086	Aquaculture Grants Program (AGP)	\$47,621	\$1,083
10.306	Biodiesel	\$960	\$960
10.316	Healthy Urban Food Enterprise Development Center (HUFED)	\$900	\$900
10.456	Partnership Agreements to Develop Non-Insurance Risk Management Tools for Producers (Farmers)	\$1,025	\$892
10.314	New ERA Rural Technology Competitive Grants Program	\$693	\$810
10.256	Consumer Data and Information Program	\$160	\$801
10.605	Quality Samples Program	\$677	\$800
10.226	Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	\$877	\$771
10.169	Specialty Crop Block Grant Program	\$6,699	\$728
10.585	FNS Food Safety Grants	not reported	\$582
10.558	Child and Adult Care Food Program	\$2,878	\$515
10.255	Research Innovation and Development Grants in Economics (RIDGE)	not reported	\$500
10.459	Commodity Partnerships for Small Agricultural Risk Management Education Sessions	\$84	\$403

10.318	Women and Minorities in Science, Technology, Engineering, and Mathematics	not reported	\$378
10.435	State Mediation Grants	\$2,419	\$310
10.053	Dairy Indemnity Program	\$656	\$156
10.082	Tree Assistance Program	not reported	\$90
10.167	Transportation Services	\$99	\$39
10.962	Cochran Fellowship Program-International Training-Foreign Participant	\$429	\$34
10.077	Livestock Compensation Program	\$524	\$15
10.569	Emergency Food Assistance Program (Food Commodities)	\$16	-\$1
10.443	Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	\$16,663	-\$81
10.855	Distance Learning and Telemedicine Loans and Grants	\$36,192	-\$984
10.206	Grants for Agricultural Research_Competitive Research Grants	\$97,954	-\$1,004
10.066	Livestock Assistance Program	not reported	not reported
10.081	Lamb Meat Adjustment Assistance Program (LMA)	not reported	not reported
10.084	Dairy Market Loss Assistance Program	\$3	not reported
10.087	Biomass Crop Assistance Program	not reported	not reported
10.095	Durum Wheat Quality Program	not reported	not reported
10.103	2009 Aquaculture Grant Program	not reported	not reported
10.104	Poultry Loss Contract Grant Assistance Program	not reported	not reported
10.153	Market News	\$475	not reported
10.155	Marketing Agreements and Orders	\$96	not reported
10.156	Federal-State Marketing Improvement Program	\$1,370	not reported
10.162	Inspection Grading and Standardization	not reported	not reported
10.164	Wholesale Farmers and Alternative Market Development	\$138	not reported
10.165	Perishable Agricultural Commodities Act	not reported	not reported
10.168	Farmers' Market Promotion Program	\$4,397	not reported
10.171	Organic Certification Cost Share Programs	not reported	not reported
10.222	Tribal Colleges Endowment Program	not reported	not reported
10.224	Fund for Rural America_Research, Education, and Extension Activities	not reported	not reported
10.254	Program of Research on the Economic of Invasive Species Management (PREISM)	not reported	not reported
10.290	Agricultural Market and Economic Research	\$33	not reported
10.313	Veterinary Medicine Loan Repayment Program	not reported	not reported
10.315	Trade Adjustment Assistance for Farmers Training Coordination Program (TAAF)	\$17,640	not reported
10.322	Distance Education Grants for Institutions of Higher Education in Insular Areas	not reported	not reported
10.324	Afghanistan Agricultural Extension Project (AAEP)	not reported	not reported
10.352	Value-Added Producer Grants	not reported	not reported
10.451	Noninsured Assistance	not reported	not reported
10.452	Disaster Reserve Assistance (DRAP)	not reported	not reported

10.454	Dairy Options Pilot Program	not reported	not reported
10.457	Commodity Partnerships for Risk Management Education	not reported	not reported
10.553	School Breakfast Program	not reported	not reported
10.555	National School Lunch Program	not reported	not reported
10.556	Special Milk Program for Children	not reported	not reported
10.559	Summer Food Service Program for Children	not reported	not reported
10.582	Fresh Fruit and Vegetable Program	not reported	not reported
10.583	Hunger Free Communities	not reported	not reported
10.586	Office of Research and Analysis (ORA) Grants/Cooperative Agreements to Meet Food, Nutrition and Health Needs of Program Eligible Participants	not reported	not reported
10.609	Trade Adjustment Assistance	not reported	not reported
10.774	National Sheep Industry Improvement Center	not reported	not reported
10.777	Norman E. Borlaug International Agricultural Science and Technology Fellowship	not reported	not reported
10.778	Research on the Economic Impact of Cooperatives	not reported	not reported
10.856	1890 Land Grant Institutions Rural Entrepreneurial Outreach Program	not reported	not reported
10.960	Technical Agricultural Assistance	not reported	not reported
10.961	Scientific Cooperation and Research	not reported	not reported
10.994	Peanut Quota Buyout Program (PQB)	not reported	not reported
10.995	Hard White Wheat Incentive Program (HWW)	not reported	not reported
10.998	Long Term Standing Agreements for Storage, Transportation, and Lease	not reported	not reported
10.999	Long Term Standing Agreements For Storage, Transportation And Lease	not reported	not reported
15.034	Agriculture on Indian Lands	\$8,979	not reported
Grand Total		\$17,746,765	\$31,293,083

Source: Subsidyscope analysis of data from USASpending.gov. Program names are copied directly from USASpending.gov. For more information about the quality of these data sources, visit [Clearspending.org](http://clearspending.org).

Notes: Individual estimates may not sum to the reported total due to rounding. Some programs report negative totals for FY2010. This reflects a downward adjustment to obligations made in previous years. Table excludes loans and loan guarantees.

1. Subsidyscope analysis of USASpending.gov. One driver for the drop-off in agriculture grants spending (from \$71.9 billion in FY2006 to \$8.3 billion in FY2007) is the exclusion of the Supplemental Nutrition Assistance Program (SNAP) for FY2007 and FY2008, which accounts for about half (\$30.7 billion) of the \$63.6 billion difference between FY2006 and FY2007. The Catalog of Federal Domestic Assistance (CFDA) reports obligations of \$30.3 billion to SNAP in FY2007 and \$37.5 billion in FY2008. In FY2009, when SNAP estimates reappeared in USASpending.gov, the amount reported was only \$4.3 billion. This was 14 percent of the amount reported in USASpending.gov in FY2006 and 8 percent of the \$53.9 billion that the CFDA reported for FY2009 [FY2006 data from USASpending.gov and FY2009 data from p. 184 of this [CFDA report](#)]. In addition, programs like the National School Lunch Program, administered by the Department of Agriculture's Food and Nutrition Service, have not reported spending data since FY2006. This was likely due to the switch in reporting to USASpending.gov in 2007 that occurred when the Federal Assistance Award Data System (FAADS) transitioned to FAADS PLUS. For example, [USDA estimated](#) the total dollar amount for the National School Lunch Program to be \$10.8 billion in FY2010, yet there is no spending reported in USASpending.gov for that year.
2. The CFDA numbers for these agencies are as follows: Department of Agriculture (CFDA # 10.**), the Department of the Interior (15.**), the Department of Health and Human Services (93.**), and the Agency for International Development (98.**). For the purpose of counting the number of agencies that administer funding in a sector, Subsidyscope relies on the CFDA's designation of what constitutes a federal agency.
3. Subsidyscope analysis of USASpending.gov. This total is the aggregate of grant spending in Subsidyscope's Agriculture, Education, Energy, Health, Housing, National Defense, Natural Resources and Environment, Science, Space, and Technology, and Transportation sectors. The Nonprofit sector is not included in this total, as it is not mutually exclusive in scope and cuts

across all other sectors.

4. The CFDA captures domestic grant programs and thus does not include grants administered in a foreign capacity.
5. Subsidyscope analysis of USASpending.gov. This total is the aggregate of total contract spending (competed and non-competed) in Subsidyscope's Agriculture, Education, Energy, Health, Housing, National Defense, Natural Resources and Environment, Science, Space, and Technology, and Transportation sectors. The Nonprofit sector is not included in this total, as it is not mutually exclusive in scope and cuts across all other sectors.
6. Subsidyscope analysis of USASpending.gov. Subsidyscope has previously determined that there can be problems with the quality of the contracts data that are reported by agencies to USASpending.gov. In order to sort government contracts by economic sector, Subsidyscope uses North American Industry Classification System (NAICS) codes to match contracts to the appropriate economic sector, or Product Service Codes if NAICS codes are not available. (See Section C of Subsidyscope's [methodology](#) for more on how contracts are organized by sector.) Specifically, Subsidyscope found that there is significant variation in agencies' use of NAICS codes when reporting contracts to USASpending.gov over the 10-year period from fiscal year 2000 to 2010. For instance, despite there being a requirement that contracting officers identify NAICS codes for each contract, for fiscal year 2000, approximately 88 percent of all contract records are missing NAICS codes while in fiscal year 2010, only 3 percent of records are missing NAICS codes. This inconsistent application of NAICS codes as well as other reporting variations may be responsible for some of the increase in agriculture-related contracts spending in fiscal years 2000 to 2010, as presented in Figure 2 above.
7. U.S. Department of Energy (DOE). "[Competition in Contracting Guide](#)." p. 1.

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Agriculture

+ Grants & Contracts

Tax Subsidies

Loans & Loan Guarantees

Tax Expenditures in the Agriculture Sector

Tax expenditures are government revenue losses resulting from provisions in the tax code that allow an individual or business to reduce their tax liabilities by taking certain deductions, exemptions, exclusions, preferential rates, deferrals, or credits. Tax expenditures reduce the amount of revenue that would otherwise have been collected by the government, and thus have a similar effect on the federal budget as a spending program. They also can benefit recipients in much the same way as direct spending. Subsidyscope illuminates the budgetary costs of these programs; however, any use of these data for policy evaluation must weigh those costs against the benefits they provide. The costs of tax expenditures are estimated by two government entities: the US Department of the Treasury (Treasury), in the executive branch, and the nonpartisan staff of the Joint Committee on Taxation (JCT), a congressional committee. Each uses different methods and formats for calculating and presenting its estimates (see this [Methodology](#) page for more detail). Subsidyscope presents Treasury estimates below that are published by the Office of Management and Budget (OMB).

Table 1: Agriculture Related Tax Expenditures for Individuals and Corporations, Fiscal Years 2009 and 2010 (\$ millions)

Tax Expenditure	FY 2009	FY 2010
Capital gains treatment of certain income	\$700	\$490
Expensing of certain multiperiod production costs	\$120	\$140
Income averaging for farmers	\$90	\$90
Expensing of certain capital outlays	\$70	\$70
Expensing of reforestation expenditures	*	\$50
Deferral of gain on sale of farm refiners	\$20	\$20
Treatment of loans forgiven for solvent farmers	\$20	\$20
Total¹	\$1,020	\$880

Source: Subsidyscope analysis of data from OMB. Budget of the U.S. Government. Fiscal year 2009 figures are from [Analytical Perspectives, FY2011](#), p. 209; fiscal year 2010 figures are from [Analytical Perspectives, FY2012](#), pp. 241-242.

*This tax expenditure was not recorded in the [FY2011 Analytical Perspectives](#).

The largest tax expenditure in the Agriculture sector is the Capital gains treatment of certain income, with an estimated revenue loss of \$490 billion in fiscal year 2010. Current law allows capital gains to be taxed at a preferentially low rate that is no higher than 15 percent for most taxpayers.² Certain agricultural income, such as unharvested crops, qualify for taxation as capital gains rather than ordinary income and, therefore, benefit from the tax rate.³

1. *Summing tax expenditures often provides a reasonably good estimate for the total cost of groups of tax expenditures, though it does not capture potential interactions among tax expenditures or behavioral responses if any single one is changed or repealed. For more on summing tax expenditures and their interaction effects, see Burman, Leonard, Eric Toder and Christopher Geissler. "How Big Are Total Individual Income Tax Expenditures, and Who Benefits from Them?" The Urban Institute. Washington, DC. December 2008. For more on why tax expenditure estimates are not exact estimates of the amount of federal revenue that would be raised if they were eliminated, see the [Methodology](#) page of Pew's Tax Expenditure Database.*
2. Internal Revenue Service (IRS). "[Ten Important Facts About Capital Gains and Losses](#)." Last updated: October 17, 2011.
3. IRS. "[Farmer's Audit Technique Guide](#)." Chapter 3: Basis on Farm Assets, Farm Sale. Last Updated: November 28, 2011.

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Agriculture

+ Grants & Contracts

Tax Subsidies

Loans & Loan Guarantees

Loans, Loan Guarantees, and Insurance in the Agriculture Sector

Agriculture Sector Direct Loan Programs

In the case of direct loans, the government lends money directly to the borrower and services the loan by collecting repayments. When the government offers direct loans at below market interest rates, or terms more generous than what private markets would provide, there is a subsidy. The government estimates the subsidy conveyed through such credit programs as the net cost to the government of a loan or loan guarantee, calculated by summing all the expected future cash flows to and from the government; this is the cost the government is required to present under the 1990 Federal Credit Reform Act (FCRA).¹

Many argue that there is also an implicit subsidy, not measured by the government under FCRA, that results from excluding the costs of program administration and market risk (which arises from volatility in the economy).² This implicit subsidy is generally the difference between the terms the recipient would get in a competitive market and those offered by the government. The estimates below do not include the implicit subsidy because the government does not measure it.

Tables 1 and 2 provide information about loan and loan guarantee programs. The "obligations" and "commitments" columns, respectively, illustrate the breadth of the government's role in the sector (the amount of loans disbursed or authorized and loan guarantees backed), but does not measure the subsidy costs that will ultimately be incurred. The "subsidy rate" column presents the government's reported subsidy rate for these programs, as required by FCRA, which can be defined broadly as the ratio of the subsidy to the disbursement.³

Table 1: Direct Loans in the Agriculture Sector, Fiscal Years 2009 and 2010

Program	Agency	2009 Subsidy Rate (%)	2009 Obligations (\$ millions)	2010 Subsidy Rate (%)	2010 Obligations (\$ millions)
Farm Ownership	USDA - Agricultural Credit Insurance Fund	6.35	200	4.08	650
Farm Operating	USDA - Agricultural Credit Insurance Fund	11.79	749	4.74	1,002
Farm Operating - ARRA	USDA - Agricultural Credit Insurance Fund	*	*	4.74	8
Indian Tribe Land Acquisition	USDA - Agricultural Credit Insurance Fund	6.29	4	-37.37	4
Emergency Disaster	USDA - Agricultural Credit Insurance Fund	14.22	50	3.69	56

Boll Weevil Eradication	USDA - Agricultural Credit Insurance Fund	-0.56	100	-1.14	100
Indian Highly Fractionated Land	USDA - Agricultural Credit Insurance Fund	.....	.....	7.93	10
Conservation - Direct	USDA - Agricultural Credit Insurance Fund	.....	.....	1.42	75
Farm Storage Facility Loan Program	USDA - Farm Service Agency	6.25	150	-1.01	150
Sugar Storage Facility Loan Program	USDA - Farm Service Agency	-1.08	3	0.61	3
Distance Learning and Telemedicine Loans	USDA - Rural Utilities Service	2.46	22	2.78	6
Total Obligations			1,278		2,064

Source: Subsidyscope analysis of data from the Federal Credit Supplement (FCS). 2009 figures are from the [FCS FY2010](#), Table 1; 2010 figures are from the [FCS FY2011](#), Table 1.

*This loan was not reported in the [FCS FY2010](#).

The vast majority of loans in the Agriculture sector are administered through the U.S. Department of Agriculture's (USDA) Agricultural Credit Insurance Fund.

Between fiscal year 2009 and fiscal year 2010, there was approximately a 62 percent increase in the amount of loans made within the Agriculture sector. As seen in Table 1, the majority of this increase came from higher allocations to Farm Ownership and Farm Operating loans, which made up 80 percent of the nearly \$2.1 billion of loans administered in fiscal year 2010.

Agriculture Sector Loan Guarantees

In the case of a government loan guarantee, a private lender disburses the loan to the borrower, and the government acts as the guarantor of the loan by agreeing to make payments should the borrower fail to do so. Such a guarantee often allows a borrower to secure a loan at a lower interest rate than the borrower could otherwise obtain. Even if the interest rate is a market rate and the loan is repaid in full, there could be a subsidy if the borrower did not pay an upfront fee for the guarantee as may be the case with a private lender. In addition, a government guarantee encourages lenders to offer loans to borrowers to whom they might otherwise not extend credit because they are more of a credit risk. As with loans, the government does not include administrative costs or market risks in the subsidy calculation.

Table 2: Loan Guarantees in the Agriculture Sector, Fiscal Years 2009 and 2010

Program	Agency	2009 Subsidy Rate (%)	2009 Commitments (\$ millions)	2010 Subsidy Rate (%)	2010 Commitments (\$ millions)
GSM 102 [Export Subsidies]	USDA - CCC Export Loan Guarantees	0.87	5,425	-1.21	5,400
Facilities	USDA - CCC Export Loan Guarantees	4.04	75	11.13	100
Farm Operating - Unsubsidized	USDA - Agricultural Credit Insurance Fund	2.49	1,043	2.34	1,500
Farm Operating - Subsidized	USDA - Agricultural Credit Insurance Fund	13.79	270	14.06	170
Farm Ownership - Unsubsidized	USDA - Agricultural Credit Insurance Fund	0.33	1,274	0.37	1,500
Conservation -	USDA - Agricultural	.....	.....	0.37	75

Guaranteed	Credit Insurance Fund			
Total Commitments			8,087	8,745

Source: Subsidyscope analysis of data from the Federal Credit Supplement (FCS). 2009 figures are from the [FCS FY2010](#), Table 2; 2010 figures are from the [FCS FY2011](#), Table 2.

All reported loan guarantees in the Agriculture sector are administered through the USDA's Commodity Credit Corporation (CCC) and the Agricultural Credit Insurance Fund. As seen in Table 2, the majority of loan guarantees in this sector are part of the GSM-102⁴ program. These loan guarantees made up 62 percent of the more than \$8.7 billion of loans guaranteed in fiscal year 2010. The CCC administers GSM-102 export credit guarantees to assist the financing of U.S. agricultural exports by underwriting credit extended by the private banking sector in the United States and guaranteeing payments by foreign banks.

Box 1: Crop Insurance

Another way that the federal government assumes risk in the Agriculture sector is by insuring against natural disasters through its crop insurance program. Crop insurance protects farmers against low yields and crop quality that may result from bad weather or insect damage. In 2010, federal crop insurance covered approximately \$78 billion worth of crops.⁵

The crop insurance program, administered by the USDA's Risk Management Agency (RMA), provides payments to both farmers and insurance companies that participate. The federal government covers on average about 60 percent of the premiums and covers the full amount of the premium for catastrophic coverage.⁶ Additionally, the federal government reimburses insurance companies for a portion of the administrative and operating costs the companies incur based on how much they collect in premiums.⁷ The RMA keeps track of these various costs, including RMA's administrative costs, in order to tally a total cost to the federal government of crop insurance each year. In fiscal year 2010, the total cost to the government was \$3.7 billion, down from \$7.3 billion in fiscal year 2009.⁸

Transactional data on crop insurance payments are included in USASpending.gov. However, since 2007, the amount of money reported in USASpending.gov for crop insurance reflects payments the Risk Management Agency makes to cover part of the cost of each enrolled farmer's premium, while prior to 2007 the amounts reported on USASpending.gov reflected the total crop liability, or the value of the crops that were insured. As such, USASpending.gov is not a consistent data source with which to analyze crop insurance trends over a ten year period. For these reasons, Subsidyscope does not include the USASpending.gov crop insurance data in its Agriculture database found [here](#).

1. Congressional Budget Office (CBO). "[Estimating the Value of Subsidies for Federal Loans and Loan Guarantees](#)." August 2004. p. 1.
2. *Ibid*.
3. Federal Credit Supplement (FCS). FY2010. p.iii. *The Federal Credit Supplement includes four components that sum together to create the subsidy rate: defaults as a net of recoveries, interest accrued, fees, and an "all other" category. A positive subsidy rate indicates there is a net cost to the government, and that a subsidy is being provided to the borrower. A negative subsidy rate by contrast means that the government predicts it will receive more money than it pays out in a particular program. However, as noted at the top of this page, the government does not take into account the implicit subsidy in these calculations, potentially making government estimates an undercount of the subsidy. See [this page](#) for more on how the government calculates subsidy rates for loans and loan guarantees.*

4. GSM stands for General Sales Manager, which refers to the Foreign Agricultural Service (FAS) official with the responsibility of administering the GSM-102 program.
5. USDA Office of the Inspector General. "Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for Fiscal Years 2011 and 2010." p. 15.
6. Congressional Research Service (CRS). Shields, Dennis A. "Federal Crop Insurance: Background and Issues." December 13, 2010. p. 2.
7. *Ibid.*
8. *Ibid.*, p. 11.

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