**Instant Expert: Subsidies Edition**

An **agricultural subsidy** is a support payment that the federal government makes to farmers and large agribusiness concerns. These payments began during the Great Depression with the Agricultural Adjustment Act of 1933. Amid the drastically falling price of crops, Congress -- with the backing of President Franklin Roosevelt -- passed legislation that paid small farmers to take cropland out of rotation. The decreased supply of selected crops increased their value.

Today, these payments continue for growers of certain commodities such as wheat, corn, rice, soybeans, cotton, and sugar. The government also guarantees a basic price for these crops. If the market price falls below a guaranteed "price floor," the government makes up the difference. Approved as part of a Farm Bill that is typically reauthorized every five years, the subsidies and price guarantees are intended to do the following:

* **Mitigate the effects of disaster.** Crop yields -- and farm revenues -- fluctuate based on weather conditions and the spread of certain plant diseases. Proponents say that price supports and other subsidies help smooth out any losses farms may experience during lean years.
* **Manage the supply of food.** By guaranteeing prices and managing how much of each crop is grown (or not grown), the government ensures a steady domestic supply of basic commodities for its citizens. Proponents say this protects the United States against fluctuations and interruptions in the global food supply.

But the practice of granting agricultural subsidies is complex and controversial. Critics point to the following issues:

* **American agriculture has changed.** In 1933, 6 million small farms were home to about 25 percent of the population. Today, large corporate farms account for most crop production. Only 2 percent of the population lives on a farm. Rather than helping small farmers, the subsidies provide income to large businesses that have the collective power to lobby Congress and make campaign contributions.
* **Subsidies can stifle competition.** Critics argue that the practice promotes poverty in nations that grow important commodities but are unable to compete on price because of the subsidy. For example, sugar is grown in some of the world's poorest countries. They would benefit from exporting it to the United States. But the combination of a government subsidy for U.S. sugar growers and a tariff -- or fee -- on foreign sugar does not make that economically feasible.
* **Producers and consumers feel the pinch.** Subsidies can often have the effect of inflating the value of a crop. Again, using sugar as an example, Americans pay at least twice as much for sugar than people in other countries do. And companies that depend on sugar -- such as candy manufacturers -- struggle to start or maintain their businesses in the United States.
* **Subsidies drive production decisions.** Currently, subsidies are available to producers of about a dozen commodities. This has the effect of encouraging the production -- or the non-production -- of some crops that no longer have the same demand, such as tobacco. Subsidies are not available for what critics say are crops that would better benefit American health, such as certain fruits and vegetables.

Nevertheless, the payments continue. In the 2008 Farm Bill, Congress authorized billions of dollars in crop subsidies.





