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Wealthy continue to get farm subsidies, GAO finds

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WASHINGTON -- Millionaire farmers continue to pluck crop subsidies they don't deserve, federal investigators say.

At least 2,702 farmers nationwide received subsidies between 2003 and 2006 even though they were making more than the \$2.5 million gross income cutoff. The unwarranted payments totaled \$49 million and exposed enduring Agriculture Department management problems, investigators concluded.

"USDA cannot be assured that millions of dollars in farm program payments it made are proper," the Government Accountability Office investigators noted in the report issued Monday.

In one case, investigators noted, "an individual with ownership interest in a professional sports franchise received a total of more than \$200,000 in farm program payments for 2003, 2004, 2005 and 2006."

Other rich and unjustified crop subsidy recipients identified by investigators included "a top executive of a major financial services firm," a "founder and former executive of an insurance company" and a "former executive of a technology company."

The department's Farm Services Agency stated in its official audit response that it "made the best use of the resources available" and further stressed that the reported improper payments amounted to less than 1 percent of total crop subsidy payments.

But the critical findings do not entirely surprise activists who tried with minimal success last year to restrain crop subsidies in the latest \$286 billion farm bill. They also underscore some of the major challenges facing whomever President-elect Barack Obama taps as the new agriculture secretary.

"You have to have the right management team in place," former Agriculture Secretary Ann Veneman said in an interview Monday.

No clear front-runner has yet appeared in the Agriculture Department sweepstakes. When the new secretary takes office, he or she will find the latest 48-page GAO report figuratively sitting atop a stack of previous audits, investigations and congressional hearing transcripts that convey a common message.

"Without better oversight to ensure that farm program funds are spent as economically, efficiently and effectively as possible, USDA had little assurance that these funds benefit the agriculture sector as intended," the new report warns.

Previous investigations likewise found loopholes and shortcomings in the management of crop subsidies and other direct payments, which currently total about \$16 billion annually. The payments favor Midwestern and Southern states dominated by commodities such as wheat, corn, rice and cotton. Fruit and vegetable growers don't receive direct subsidies.

California farmers, for instance, received \$166 million and Florida farmers only \$11 million in 2005, according to a database compiled by the Environmental Working Group. In wheat-rich Kansas, subsidies totaled \$333 million.

The 2008 farm bill imposes some new income restrictions on these subsidy recipients, while not going as far as self-styled reform groups hoped.

"There has been resistance to lessening farm subsidies, even when President Bush proposed it," Veneman noted, adding that cracking down on overpayments "is also a matter of enforcement."

Arizona, California, Florida, Illinois and Texas accounted for one-third of the individuals receiving unwarranted subsidies, investigators found.

The new study matched IRS tax return data with payment records for 1.8 million subsidy recipients, and also zeroed in on specific farm payments in Mississippi and Louisiana. Of the 2,702 subsidy recipients whose average gross income exceeded \$2.5 million, 427 received potentially improper payments for every year studied.

The improper recipients included a mix of corporations, partnerships and trusts, although specific beneficiaries are not named.

Auditors attributed the problem in part to the Agriculture Department failing to systematically check tax returns on subsidy recipients. Agriculture Department officials retorted that they currently lack the legal authority to do so.

The 2008 bill changes the \$2.5 million income cutoff for subsidy recipients. Now, subsidies are banned from farmers with off-farm income exceeding \$500,000 or on-farm income exceeding \$750,000.