

IV.6 Government Support

One way to measure the effect of government subsidies on agricultural commodities is the “producer subsidy equivalent” (PSE), which is designed to capture the total benefits to recipients of government policies and supports. A PSE for any given commodity includes the value of direct payments and also indirect assistance through import barriers, government research outlays, input assistance, marketing orders, and any other support. Government assistance contributes an important part of revenue for producers of dairy products and several field crops.

- Although California accounts for about 13.1% of national cash receipts from agriculture, it receives only about 3% of direct government payments to agriculture. One reason is that California’s fruit, tree-nut, and vegetable crops are not among those commonly provided such payments.

TABLE 48

Direct Federal Government Payments to Farmers, 1960 - 1999

Year	United States Payments (\$ million)	California	Payments in California as a % of United States
1960	702	22	3.1
1970	3,717	132	3.5
1980	1,286	14	1.1
1990	9,298	252	2.7
1995	7,253	238	3.3
1996	7,340	301	4.1
1997	7,495	220	2.9
1998	12,220	353	2.9
1999	20,594	651	3.2

Source: USDA, Economic Research Service, Farm Business Economics Briefing Room, online data.

- With 45% of the California total PSE (direct payments plus other assistance), dairy producers receive far more total assistance than producers of any other commodity. This is because (1) the dairy industry is so large and (2) dairy trade barrier benefits are significant. Cotton and rice farmers also receive large shares of the total PSE outlay in California. However, sugar beets had the largest subsidy rate (PSE as a percent of cash receipts) during 1994-1996, followed by wheat and rice.

TABLE 49

California Average Producer Subsidy Equivalent by Commodity		
Commodity	Average PSE, 1994 - 1996 (\$1,000)	Average PSE as a % of Total Cash Receipts in 1995
Sugar Beet	69,829	64.7
Wheat	57,954	42.5
Rice	116,794	41.9
Milk/Dairy	1,055,266	34.3
Feed Grains	26,235	24.8
Alfalfa & Other Hay	89,350	13.3
Cotton	169,928	12.2
Citrus and Olive	62,495	8.6
Avocado	16,409	7.1
Walnut and Pistachio	24,566	6.6
Treefruit	56,298	6.5
Almond	48,848	5.5
Grape	89,411	5.5
Cattle & Calves	67,671	5.2
Strawberry	26,726	4.2
Tomato	36,218	4.2
Broccoli	11,165	3.5
Poultry	30,972	3.5
Nursery & Flowers	75,654	3.5
Melon	14,079	3.5
Lettuce	46,018	3.3
Other Fruit/Tree-Nuts	7,383	4.4
Other Vegetables	81,570	3.2
Other Field Crops	47,112	8.1
Other Livestock	10,102	3.4
Total	2,338,054	10.6

Notes: Total cash receipts for 1995 are \$22,895,100 from CDFA data. About 3.52% of total receipts is derived from farm related income that is not attributed to commodity sales. Support was calculated by authors using USDA formulas.

Source: Sumner, Daniel A., and David Hart, "Government Policy and California Agriculture," in *California Agriculture, Issues and Challenges*, August, 1997.

■ Water subsidies, about half of total input assistance, contribute around \$236 million a year. Within crops, alfalfa receives the largest water subsidy, about \$70 million, which is more than 10% of its gross value. Alfalfa is also one of the crops most economically dependent on water. For example, water costs are about 20 percent of total costs for growing alfalfa in the Tulare Lake Region of the San Joaquin Valley. (See section II.4 for more on water costs.)

FIGURE 63
Share of Total Government Support in California by Commodity

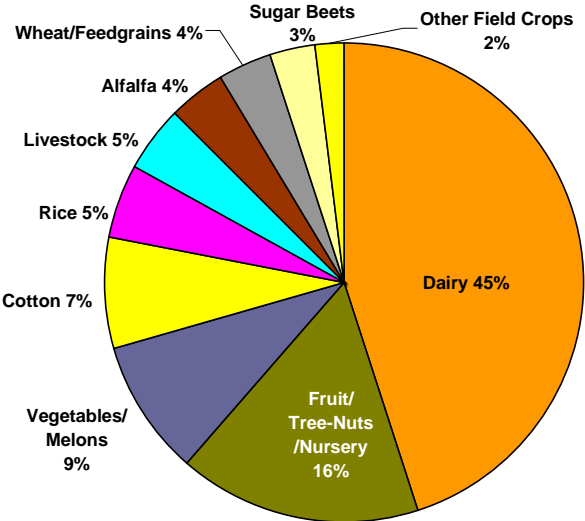
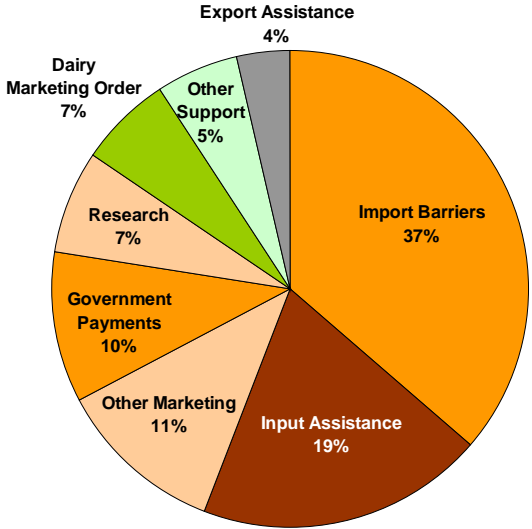


FIGURE 64
Share of Total California Agriculture Support by Policy Area



Source: Sumner, Daniel A., and David Hart, "Government Policy and California Agriculture," in *California Agriculture, Issues and Challenges*, August, 1997.

