

# Background

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## Federal Farm Subsidy Programs: How to Discourage Congressional Conflicts of Interest

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Sometime during 2007, Congress will attempt to reauthorize the nation's farm legislation and will likely continue to bestow substantial financial benefits upon a relatively small number of the largest and wealthiest farmers. U.S. Department of Agriculture (USDA) data reveal that this group of direct financial beneficiaries includes many Members of Congress who receive USDA subsidies and who will be voting on the farm bill reauthorization. Under current law, many Members and their families who engage in farming receive direct cash payments from the U.S. Treasury courtesy of the taxpayer, whose standard of living has been reduced by the higher taxes needed to fund the farm program and by the higher food prices caused by agriculture subsidies, restrictions, and regulations.

While the best solution to these conflicts of interest would be to abolish the farm subsidy program, a backup plan would be to apply strict conflict-of-interest principles to the program by requiring that Members of Congress who benefit from it financially either recuse themselves from voting on any farm legislation or forgo any farm subsidies for which they and their families and relatives would be eligible.

### **Inconsistencies in Federal Conflict-of-Interest Rules**

Of the three branches of the federal government, Congress has the fewest prohibitions on conflicts of interest and acts of self-dealing. Officials in the executive branch and judiciary are required to divest themselves of any investment in or ownership of for-profit entities that may be within the purview of their agency

### **Talking Points**

- Federal farm programs provide substantial subsidies to some of America's wealthiest farmers.
- Among the wealthy farmers receiving such subsidies are Members of Congress who vote for these subsidies. For example, Representative John Salazar (D-CO) received \$161,084 in USDA subsidies between 1995 and 2005, and Senator Gordon H. Smith (R-OR) and his wife have received USDA subsidies of \$45,400 between 1995 and 2005.
- Members of Congress who receive such subsidies should declare them in annual financial disclosures and then recuse themselves from voting on any legislation that would provide them with direct financial benefits.
- Alternatively, Members who would otherwise be eligible to benefit from USDA subsidies should agree not to accept them and should provide the public with detailed information on family members who will benefit financially from their vote in support of farm subsidies.

This paper, in its entirety, can be found at:  
[www.heritage.org/Research/Agriculture/bg2045.cfm](http://www.heritage.org/Research/Agriculture/bg2045.cfm)

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or court. They are also under strict limits on the extent to which members of their immediate families may benefit directly from their position.

In contrast, Members of Congress are not required to divest themselves of any financial interest, even if that interest is subject to their official oversight and influence. Nor are they required to recuse themselves from voting on issues that may harm or benefit the personal investment interests of themselves or their relatives.

Although Congress continues to operate without the strict ethical requirements common to the executive branch and judiciary, it has become increasingly uneasy with the extent to which some Members have taken advantage of this ethical lacuna and the unfavorable media attention it has drawn.

In response, Members of Congress have introduced legislation that would deter conflicts of interest in some federal spending decisions, although these limits would apply only to earmarks. Having finally recognized and proposed remedies for the conflicts of interest inherent in one source of spending, a good place for Members to begin expanding the ethics enhancement process would be the \$25 billion per year that the federal government spends on subsidies to farmers and ranchers.<sup>1</sup>

### Many Members of Congress Benefit Personally

Exactly how many Members of Congress benefit directly from USDA subsidies has not been fully established, but several studies and articles have uncovered some information,<sup>2</sup> and the record indicates that some Members and their families receive substantial financial benefits. Some of these Members have been serving in Congress for many years, including extensive service on the agriculture committees. Others have just been elected to Congress and, while they have yet to take a stand on agricul-

ture spending, nonetheless confront the challenge of a potential conflict of interest.

The following examples represent a cross-section of Members of Congress who have received USDA subsidies between 1995 and 2005. The list is not intended to be definitive, and other examples will likely come to light, but this sample illustrates the extent to which these potential conflicts of interest exist and the significant amounts of money that are involved. The information was compiled by the Environmental Working Group from USDA data.<sup>3</sup>

**Big Subsidies in Big Sky Country.** Senator R. Jon Tester (D–MT), newly elected in November 2006, and his wife Sharla are equal co-owners of T-bone Farms, Inc., in Big Sandy Springs, Montana. Between 1995 and 2005, the farm received \$232,311 in USDA subsidies for oats, wheat, barley, and dry peas and assistance for miscellaneous disasters.<sup>4</sup>

Members of the family of Montana's senior Senator, Max Sieben Baucus (D–MT), own the Sieben Ranch Company in Wolf Creek, Montana. Between 1995 and 2005, Sieben Ranch (co-owned by six members of the Baucus family) received \$230,237 from the USDA.<sup>5</sup> There are conflicting reports on the Senator's financial ownership interest in the enterprise, and queries to his office on this matter were not answered.

Dennis Rehberg (R–MT), Montana's lone Representative, and his wife Janice have received USDA subsidies in the past but nothing in recent years.

**Senator Gordon H. Smith (R–OR).** Senator Smith and his wife Sharon co-own Smith Frozen Foods in Umatilla, Oregon. The company received \$45,400 in wheat-related subsidies between 1995 and 2005.<sup>6</sup>

**The Salazars of Colorado.** Senator Ken Salazar (D–CO), elected in November 2004, and his brother, Representative John T. Salazar (D–CO), also elected in

1. Brian M. Riedl, "Lawmakers Should Reject Another Irresponsible Supplemental Farm Bailout," Heritage Foundation *WebMemo* No. 1452, May 10, 2007, at [www.heritage.org/Research/Budget/wm1452.cfm](http://www.heritage.org/Research/Budget/wm1452.cfm).
2. Brian M. Riedl, "Another Year at the Federal Trough: Farm Subsidies for the Rich, Famous, and Elected Jumped Again in 2002," Heritage Foundation *Backgrounder* No. 1763, May 24, 2004, at [www.heritage.org/Research/Budget/bg1763.cfm](http://www.heritage.org/Research/Budget/bg1763.cfm).
3. See Environmental Working Group, Farm Bill 2007 Policy Analysis Database, at [www.ewg.org](http://www.ewg.org) (June 14, 2007).
4. *Ibid.*, "T-bone Farms Inc.," at [www.ewg.org/farm/persondetail.php?custnumber=009375499](http://www.ewg.org/farm/persondetail.php?custnumber=009375499) (June 14, 2007).
5. *Ibid.*, "Sieben Ranch Co.," at [www.ewg.org/farm/persondetail.php?custnumber=009370410](http://www.ewg.org/farm/persondetail.php?custnumber=009370410) (June 14, 2007).
6. *Ibid.*, "Smith Frozen Foods Inc.," at [www.ewg.org/farm/persondetail.php?custnumber=009417987](http://www.ewg.org/farm/persondetail.php?custnumber=009417987) (June 14, 2007).

November 2004, sit on the agriculture committees of their respective legislative bodies. From 1995 through 2005, the Representative received \$161,084 in agricultural subsidies from the U.S. Treasury, and the Senator received \$770 in 2002.<sup>7</sup>

**The Family of Senator Charles Grassley.** Senator Charles Grassley (R–IA) has extensive farm interests, as do some members of his immediate family. Listing his home address as Arlington, Virginia, Grassley received \$225,041 in USDA subsidies for corn and soybeans and disaster assistance between 1995 and 2005.<sup>8</sup>

In New Hartford, Iowa, Senator Grassley's son Robin has received \$653,833 in subsidy payments, mostly for corn and soybeans.<sup>9</sup> Patrick Grassley, the Senator's grandson, who also lives in New Hartford, received \$5,964 in subsidies in 2005.<sup>10</sup>

**The Herseths of South Dakota.** Representative Stephanie Herseth Sandlin (D–SD), elected in November 2002, was appointed to a seat on the House Agriculture Committee. While records indicate that she receives no USDA subsidies, her father and former South Dakota governor, Ralph Lars Herseth, is a major beneficiary of federal farm programs. Between 1995 and 2005, he received \$789,575 in federal farm support for a diversified portfolio of crops and farm activities.<sup>11</sup>

**The Brownbacks of Kansas.** Senator Sam Brownback (R–KS) received \$40,403 in farm subsidies (mostly for conservation) between 1995 and 2005.<sup>12</sup> His father, Glenn Robert Brownback of Parker, Kansas, received \$319,662 over the same period, and his brother, John R. Brownback, also of Parker, received \$286,082.<sup>13</sup>

**Lugar Stock Farms, Inc.** Senator Richard Lugar (R–IN), who is a senior member of the Senate Agricul-

ture Committee, and his wife Charlene own just over 12 percent of Lugar Stock Farms in Oxford, Indiana. The other 88 percent is owned by 13 other family members. Between 1995 and 2005, Lugar Stock Farms, Inc., received \$126,555 in USDA subsidies.<sup>14</sup>

**Many More, Past and Present.** These elected officials are among a number of Senators and Representatives—including Representative Dennis Hastert (R–IL), Senator Blanche Lincoln (D–AR), and many others no longer in office<sup>15</sup>—who have received federal farm subsidies at some point over the past 10 years. They are included in this report because earlier similar articles have identified them as farm subsidy recipients and/or because other sources of information, including biographical material, indicate that they and/or their family members have received USDA subsidies.

The Environmental Working Group's USDA list of subsidy recipients does not include any information beyond the name, farm, and location of the beneficiary and thus makes no distinction between elected officials and all others. As a result, a search of the data reveals many other subsidy recipients with names similar to a Member of Congress. However, limitations on available materials and an absence of corroborating information discourage their inclusion at this time. In a country of more than 300 million people, linking a specific individual to a specific payment is often difficult.

Complicating efforts to conduct an accurate and comprehensive search is the fact that some Members use different names professionally and some maintain residences in the Washington, D.C., area.

- Representative Stephanie Herseth is actually Stephanie Sandlin by marriage but maintains her maiden name.

7. *Ibid.*, "Kenneth J Salazar," at [www.ewg.org/farm/persondetail.php?custnumber=011955769](http://www.ewg.org/farm/persondetail.php?custnumber=011955769) (June 14, 2007), and "John T Salazar," at [www.ewg.org/farm/persondetail.php?custnumber=008424331](http://www.ewg.org/farm/persondetail.php?custnumber=008424331) (June 14, 2007).

8. *Ibid.*, "Charles Grassley," at [www.ewg.org/farm/persondetail.php?custnumber=006828730](http://www.ewg.org/farm/persondetail.php?custnumber=006828730) (June 14, 2007).

9. *Ibid.*, "Robin Grassley," at [www.ewg.org/farm/persondetail.php?custnumber=007143444](http://www.ewg.org/farm/persondetail.php?custnumber=007143444) (June 14, 2007).

10. *Ibid.*, "Patrick Grassley," at [www.ewg.org/farm/persondetail.php?custnumber=012792009](http://www.ewg.org/farm/persondetail.php?custnumber=012792009) (June 14, 2007).

11. *Ibid.*, "Ralph Lars Herseth," at [www.ewg.org/farm/persondetail.php?custnumber=007712074](http://www.ewg.org/farm/persondetail.php?custnumber=007712074) (June 14, 2007).

12. *Ibid.*, "Sam Brownback," at [www.ewg.org/farm/persondetail.php?custnumber=007986985](http://www.ewg.org/farm/persondetail.php?custnumber=007986985) (June 14, 2007).

13. *Ibid.*, "Brownback," at [www.ewg.org/farm/addrsearch.php?s=yup&stab=KS&city=&zip=&last=Brownback](http://www.ewg.org/farm/addrsearch.php?s=yup&stab=KS&city=&zip=&last=Brownback) (June 14, 2007).

14. *Ibid.*, "Lugar Stock Farm Inc.," at [www.ewg.org/farm/persondetail.php?custnumber=003165813&sumlevel=whois](http://www.ewg.org/farm/persondetail.php?custnumber=003165813&sumlevel=whois) (June 14, 2007).

15. Among them are Cal Dooley, Charles Stenholm, members of the Pombo family, Earl Ravenal, and Mike DeWine.

- Senator Jon Tester receives his USDA subsidies as R. Jon Tester, so a search of USDA files for just “Jon Tester” would yield nothing, as would a similar search for former Senator Mike DeWine (R–OH), who receives his subsidies as R. Michael DeWine.
- Senator Blanche Lincoln (D–AR) received her earlier USDA subsidies under her maiden name: Blanche Lambert of Arlington, Virginia.
- Similarly, Senator Grassley receives subsidy payments for corn and soybeans grown in Iowa as Charles Grassley of Arlington, Virginia.

Many Members receiving USDA subsidies may be difficult to find or identify because of similar naming and geographical uncertainties.

### Other Politically Influential Recipients of Subsidies

Members of Congress are not the only politically influential individuals and institutions that receive USDA subsidies. Professional lobbyists, leaders of agriculture trade associations, state agencies, and politically active not-for-profit organizations also receive funds from the USDA.

**The State of Montana.** Two agencies of the State of Montana receive substantial subsidies for farm land that they own or hold in trust. The Montana Department of Natural Resources and Conservation’s Trust Land Management Division received \$35,314,692 from the USDA between 1995 and 2005, making it the largest subsidy recipient in the state.

The second largest recipient was the Montana Board of Investments, which manages and invests the cash balances, trust funds, and pension pools controlled by Montana state and local governments and other public entities. Included in its investment portfolio are agriculture lands eligible for USDA payments. Between 1995 and 2005, the board received \$21,062,181 from the USDA.

**Washington Department of Natural Resources.** Between 1995 and 2005, the Department of Natural Resources received \$11,412,027 in USDA subsidies, making it the largest subsidy recipient in the State of Washington.

**Ducks Unlimited.** Ducks Unlimited, an Oregon-based not-for-profit organization focused on wetlands and other conservation issues, received \$28,338,088 from the USDA from 1995 to 2005. According to the Environmental Working group, which posts the USDA subsidy data:

Over 80 percent of the payments listed for Ducks Unlimited are “cost share” reimbursements for technical assistance to restore wetlands at many locations on private lands not owned by D.U. The technical assistance is provided to private landowners under contractual arrangements through USDA’s Natural Resources Conservation Services.<sup>16</sup>

Nonetheless, these federal payments amount to substantial revenues for the organization and allow it to expand its activities and influence beyond what would be possible without them. Not surprisingly, Ducks Unlimited is a strong advocate of the USDA programs and urges its members to contact their elected representatives to support reauthorization of the farm bill and its conservation components.<sup>17</sup>

**National Association of Wheat Growers.** The National Association of Wheat Growers, the trade association for wheat farmers, is a leading advocate for USDA wheat subsidies. Daren Coppock, chief executive officer of the association and a registered lobbyist in Washington, D.C., is a part owner of Coppock Ranch, Inc., in Umatilla, Oregon, which received \$24,224 in USDA subsidies from 1995 to 2005, mostly for wheat.<sup>18</sup>

**National Corn Growers Association.** The National Corn Growers Association is the leading representative for the nation’s corn farmers and

16. Environmental Working Group, Farm Bill 2007 Policy Analysis Database, “Ducks Unlimited,” at [www.ewg.org/farm/persondetail.php?custnumber=000500754](http://www.ewg.org/farm/persondetail.php?custnumber=000500754) (June 14, 2007).

17. For Ducks Unlimited’s guidance to its members on legislation pending in Congress in May 2007, see Ducks Unlimited, “2007 Farm Bill: How You Can Help,” at [www.ducks.org/Conservation/FarmBill/2824/HowYouCanHelp2007FarmBill.html](http://www.ducks.org/Conservation/FarmBill/2824/HowYouCanHelp2007FarmBill.html) (June 14, 2007).

18. Environmental Working Group, Farm Bill 2007 Policy Analysis Database, “Coppock Ranch Inc.,” at [www.ewg.org/farm/persondetail.php?custnumber=009418619&summlvl=whois](http://www.ewg.org/farm/persondetail.php?custnumber=009418619&summlvl=whois) (June 14, 2007).



urges its members to send letters to their Members of Congress that contain the following language:

I am writing to request your support for an increase in available funding for the 2007 Farm Bill, legislation that will authorize farm, conservation, renewable energy, nutrition and economic development programs that are so critical to the success of family farms and our rural communities. While corn growers understand the urgent need to reduce the nation's budget deficits, we believe additional resources are necessary to maintain the progress to improving on-farm income, protecting our natural resources and revitalizing rural communities.<sup>19</sup>

Gerald Tumbleson—a corn farmer in Sherburn, Minnesota, and this year's chairman of the association—received \$883,240 in USDA subsidy payments between 1995 and 2005 for corn and soybeans.<sup>20</sup>

### First Steps on Conflict-of-Interest Reform

As noted, legislation has been introduced in Congress that would deter at least some of the more common abuses that allow Members to vote for benefits for themselves and for their families.

On January 22, 2007, the Senate passed the Legislative Transparency and Accountability Act of 2007 (S. 1) by a vote of 96 to 2. The bill would impose a number of new restrictions and prohibitions on Member and staff relationships with lobbyists and future employers and would prohibit certain types of earmarks. Section 404, "Prohibition on Financial Gain from Earmarks by Members, Immediate Family of Members, Staff of Members, or Immediate Family of Staff Members," would amend the Senate rules to require that:

No Member shall use his official position to introduce, request, or otherwise aid the progress or passage of a congressional earmark that will financially benefit or otherwise further the pecuniary interest of such Member, the spouse of

such Member, the immediate family member of such Member....

On January 5, 2007, the House of Representatives passed H. Res. 6 to amend the rules that govern the House, including the earmarking process. In what amounts to an indirect prohibition, H. Res. 6 requires a certification that neither the Member nor the Member's spouse has a financial interest in the requested earmark.<sup>21</sup> Although not as strong or inclusive as the language in S. 1, it does reflect a concern that such potential conflicts of interest by Members are frowned upon and should at the least be exposed.

Regrettably, the House Leadership and Open Government Act of 2007 (H.R. 2316), the House's most recent lobbying reform bill, was passed in May 2007 without any of the explicit prohibitions on conflicts of interest that are included in S.1.

While the enactment of a bill similar to S.1 would make an important contribution to cleaning up the ethical lapses that surround the earmarking process and the lobbying industry, its tighter ethical standards and conflict-of-interest provisions would cover only earmarks in the federal budget, leaving the rest of the federal budget and the hundreds of billions of dollars in spending free of any prohibition on conflicts of interest and nepotism. This begs the question of why strict ethics standards should apply to one type of spending and not to another.

Since Congress has no good reason to justify potential conflicts of interest in one part of the budget but not in another, it should extend the higher standards to all federal spending. The farm bill reauthorization now before Congress would be a good place to start.

### Raising the Ethical Bar with the New Farm Bill

Obviously, the most efficient and equitable way to end these apparent conflicts of interest is to end

19. For the message that the National Corn Growers Association urges its members to send to Congress, see National Corn Growers Association, Legislative Action Center, "Support Funding for Farm, Food and Conservation Programs," 2007, at <http://capwiz.com/ncga/issues/alert/?alertid=9431641> (June 14, 2007).
20. Environmental Working Group, Farm Bill 2007 Policy Analysis Database, "Tumbleson Farms Inc," at [www.ewg.org/farm/persondetail.php?custnumber=004575006](http://www.ewg.org/farm/persondetail.php?custnumber=004575006) (June 14, 2007).
21. H. Res. 6, 110th Cong., 1st Sess., Section 404(b).

the USDA subsidy program. As many analysts have noted, the federal farm program mostly rewards the largest and wealthiest farmers, transfers money from taxpayers of average incomes to farmers with above average incomes, increases food prices for consumers, and distorts international trade patterns to benefit a miniscule number of farmers who are protected by the agricultural regulations.<sup>22</sup>

While neither Congress nor the Administration would likely support such a proposal, a number of interim alternative remedies could be adopted that—even though they would leave in place all of the inefficiencies and excess costs inherent in farm subsidies—would at least enhance the integrity of congressional oversight of the program.

**Subsidy Disclosure and Vote Recusal.** Members of Congress who receive or whose family members receive USDA subsidies should be required to recuse themselves from voting on any legislation that perpetuates those subsidies. S. 1 established the principle that Members of Congress should not benefit personally from the specific components included in any spending legislation, and the recusal requirement would extend that principle to Members who receive USDA subsidies or whose family members receive subsidies. Moreover, Members should be required to include the receipt of USDA farm subsidies on their annual financial disclosure statements.

**Subsidy Payment Refusal.** Some Members may object to the recusal requirement on the grounds that recusing themselves from key farm bill votes would prevent them from serving the interests of their constituents, who elected them in the belief that they would fight for, if not enlarge, USDA subsidies. To the extent that this justifies refusing to recuse themselves from such votes, the subsidy-

receiving Members should pledge that neither they nor the members of their immediate families<sup>23</sup> will apply for or accept USDA subsidies.

Members should be required to identify all such relatives that would otherwise receive USDA subsidies. If family members refuse to comply, the Member should agree to report that refusal and the amount of money involved to the appropriate congressional administrative offices, which would publish the information on the Internet.

**Subsidy Transparency.** Prior to voting on any bill that provides subsidies to farmers, Members should be required to report the extent to which they and their immediate families will receive USDA subsidies from any legislation before Congress. Such reports should identify the programs and the amounts of money involved.

## Conclusion

Congress is moving in fits and starts to enhance its standards of ethical conduct and has made some progress, although many Members of Congress continue to promote measures of less transparency, not more.<sup>24</sup> As a consequence of past earmark excesses and lobbying abuses, the public and media are now more attuned to the potential for congressional ethical lapses and will now likely direct their concern to other programs, including the farm bill now working its way through Congress. If this occurs, Congress could use some combination of the foregoing three recommendations to accommodate voters' legitimate concerns.

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22. See Brian M. Riedl, "How Farm Subsidies Harm Taxpayers, Consumers, and Farmers, Too," Heritage Foundation *Background* No. 2043, June 20, 2007, at [www.heritage.org/Research/Agriculture/bg2043.cfm](http://www.heritage.org/Research/Agriculture/bg2043.cfm).

23. As defined by Standing Rules of the Senate, Rule XXXVII, 15(b)(1), as amended by S. 1, 110th Cong., 1st Sess., Section 404.

24. John Fund, "Earmark Cover Up," *The Wall Street Journal*, March 26, 2007, at <http://opinionjournal.com/diary/?id=110009835> (June 14, 2007).