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May 18, 2018

The Honorable Charles E. Grassley
Chairman
Committee on the Judiciary
United States Senate

Farm Programs: Information on Payments

Dear Mr. Chairman:

For each crop year,[1] the U.S. Department of Agriculture (USDA) makes billions of dollars in payments to agricultural producers for which being actively engaged in farming is a requirement.[2] The largest programs in terms of payments are the Price Loss Coverage program, which makes payments in years in which a crop's market price is less than a statutorily set price, and the Agriculture Risk Coverage program, which makes payments in years in which a crop's revenue is less than a revenue guarantee.[3] These payments are to go to producers, both individuals and entities, such as partnerships, corporations, and trusts.[4] Under the Agricultural Act of 2014 (2014 Farm Bill), each member of a farming operation that is a general partnership can generally receive directly or indirectly up to $125,000 per year through the applicable programs if the member meets eligibility requirements, including being determined to be actively engaged in farming.[5]

After publicized instances of farm payments going to individuals not involved in farming, Congress enacted the Agricultural Reconciliation Act of 1987, commonly referred to as the Farm

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[1]For these farm programs, USDA makes payments by program, or crop, year—that is, the year in which the crop is harvested. According to USDA, a crop year is the 12-month period starting with the month when the harvest of a specific crop typically begins.

[2]Being actively engaged in farming is not required for numerous USDA program benefits. For example, being actively engaged in farming is not required for payments made through USDA's conservation and disaster assistance programs or for participation in USDA's federal crop insurance program.

[3]Under the Agricultural Act of 2014 (2014 Farm Bill), Pub. L. No. 113-79, 128 Stat. 649, for each eligible crop, farmers had a one-time choice between participating in the Price Loss Coverage or the Agriculture Risk Coverage programs. Price Loss Coverage payments make up the difference between a crop's statutory "reference price" and its national season average farm price. Agriculture Risk Coverage payments generally make up the difference between a county revenue guarantee and actual crop revenue.

[4]Entities also include other legal organizations such as joint ventures, limited liability companies, limited partnerships, limited liability partnerships, estates, and charitable organizations.

[5]A farming operation is a business enterprise engaged in the production of agricultural products, commodities, or livestock that is operated by an individual legal entity or joint operation. A farming operation member can be either an individual or an entity. According to an FSA handbook, a general partnership is composed of two or more individuals or entities, formed under state law and subject to the terms of a formalized agreement. In a general partnership, members share responsibility for management, profits, and the liability for debts.

Program Payments Integrity Act.[6] Among other things, the act established eligibility criteria that limit receipt of certain farm program payments to individuals and entities that are "actively engaged in farming." It also established criteria that discourage farming operations from avoiding program payment limits by adding individuals or entities to their operation.[7]

For an individual to meet the criteria for being actively engaged in farming under the act, he or she must make significant contributions to a farming operation in two areas: (1) capital, land, or equipment (or some combination of the three) and (2) active personal management or personal labor (or a combination of the two).[8] For an entity, such as a corporation, to meet these criteria, it must separately make a significant contribution of capital, land, or equipment, and its members must collectively make a significant contribution of active personal management or personal labor to the farming operation. For both individuals and entities, their share of a farming operation's profits or losses must be commensurate with their contributions to the farming operation, and those contributions must be at risk.[9] USDA's Farm Service Agency (FSA) is responsible for administering the Farm Program Payments Integrity Act and ensuring that (1) farming operation members meet the actively engaged in farming criteria and (2) they do not receive payments in excess of program payment limits.

In September 2013, we reported that USDA's broad definition of active personal management made it difficult for USDA to determine whether an individual's contribution is significant.[10] We also reported that, under this broad definition, management responsibilities could be distributed among farming operation members to increase the number of members who could claim eligibility for payments. For example, we reported that a farming operation received payments of about $651,000 in 2012. This farming operation had 22 members, and 16 of these members claimed contributions of active personal management. We recommended that Congress consider modifying the definition of significant contributions of management activities.

The 2014 Farm Bill required USDA to promulgate new regulations to define a significant contribution of active personal management for farming operations that were not comprised entirely of family members (nonfamily farming operations). The 2014 Farm Bill also directed that farming operations comprised solely of family members be exempt from the new restrictions on contributions of active personal management in the new regulations. In 2015, USDA issued new regulations.[11] Among other things, these regulations added a new, more specific definition for

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[6]The Agricultural Reconciliation Act of 1987 was enacted as title I of the Omnibus Budget Reconciliation Act of 1987, Pub. L. No. 100-203, 101 Stat. 1330. The relevant provisions of the act became effective in the 1989 crop year.

[7]Congress approved statutory limits for certain farm program payments that established, for various program payment types, the maximum amount that an individual or entity can receive each year.

[8]USDA regulations define active personal management to include such tasks as arranging financing for the operation, supervising the planting and harvesting of crops, and marketing the crops. A landowner may be considered actively engaged in farming with respect to the owned land without providing a significant contribution of personal labor or active personal management, so long as he or she received rent or income based on the land's production or the farming operation's results, his or her share of the profits is commensurate with the landowner's contributions, and those contributions are at risk.

[9]For such contributions to be considered at risk, there must be a possibility that the individual or member of an entity could suffer a financial loss.

[10]GAO, *Farm Programs: Changes Are Needed to Eligibility Requirements for Being Actively Involved in Farming*, GAO-13-781 (Washington, D.C.: Sept. 26, 2013).

[11]Payment Limitation and Payment Eligibility; Actively Engaged in Farming, 80 Fed. Reg. 78119 (Dec. 16, 2015).

“active personal management.” This definition includes a list of critical management activities that qualify as a significant contribution if such activities are annually performed to either of the minimum levels established (500 hours or 25 percent of the total management hours required for the operation).

For nonfamily farming operations, the 2014 Farm Bill directed USDA to determine whether it would be appropriate to establish limits on the number of persons per farming operation who may be considered actively engaged in farming based on a significant contribution of active personal management. USDA’s subsequent 2015 regulations limit nonfamily farming operations—specifically general partnerships and joint ventures—to no more than three members qualifying for payments by contributing active personal management or a combination of management and labor.[12] Farming operations comprised entirely of family members are exempt from the new restrictions on contributions of active personal management and have no limit on the potential number of members qualifying for payments.[13]

You asked us to update selected information from our September 2013 report, specifically information on farm program payments to farming operations and the contributions that these operations’ members claimed in order to qualify as being actively engaged in farming. This report responds, in part, to your request.[14] Our objective was to provide 2015 crop year information on (1) the distribution and amount of payments to farming operations by type of entity, (2) entities with the highest farm program payments, and (3) general partnership members’ claimed contributions of active personal management or personal labor.

To address this objective, we obtained and analyzed FSA data on applicable farm program payments made to entities for the 2015 crop year, which was the most recent year for which data were available at the time we obtained data for our analysis. In addition, we analyzed FSA data on farming operation members’ contributions of active personal management, personal labor, or a combination of both to farming operations to meet the requirements to be actively engaged in farming and FSA data on applicable farm program payments attributed to these members. We also analyzed the data to determine the payments and contributions claimed in farming operations, categorized by the number of farming operation members. To assess the reliability of both FSA datasets, we reviewed our previous assessments of the data’s reliability. In addition, we (1) performed electronic tests of pertinent data elements, (2) reviewed information about the data, and (3) interviewed agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of determining the distribution and amount of payments to farming operations based on members’ claims of active personal management or personal labor contributions.

[12]FSA defines a joint venture as a short-term association of individuals or entities, where the association exists without an actual partnership. The joint venture’s members share the liability for debts.

[13]The 2015 regulations apply to eligibility for payments earned for the 2016 crop year for farming operations with only 2016 spring-planted crops and to eligibility for payments for the 2017 and subsequent crop years for all farming operations (those with either spring- or fall-planted crops). USDA estimated that the new regulations on nonfamily general partnerships and joint ventures would affect about 3,200 operations for the 2016 through 2018 crop years.

[14]We have additional ongoing work on requirements for being actively engaged in farming that responds to the remainder of the request.

To obtain information about the number of members who claimed contributions of management or labor to the 20 farming operations that received the highest payments for 2015,[15] we contacted the seven FSA state offices responsible for administering payment eligibility requirements for these farming operations. We also obtained information about these operations for 2016.[16] To assess the reliability of the information that we obtained from FSA state offices, we compared it with information from the FSA datasets. We determined that the data were sufficiently reliable for our purpose.

We conducted this performance audit from July 2017 to May 2018 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

To be considered actively engaged in farming, the Farm Program Payments Integrity Act requires that an individual or entity provide the farming operation with a significant contribution of inputs of capital, land, or equipment as well as a significant contribution of services of active personal management or personal labor. Figure 1 shows the input and service contribution requirements that farming operation members must meet to be considered actively engaged in farming.

Figure 1: Input and Service Contribution Requirements for Farming Operation Members to Be Considered Actively Engaged in Farming

Input contribution	Service contribution
Significant contribution to the farming operation of one or a combination of	Significant contribution to the farming operation of one or a combination of
• capital, • land, or • equipment.	• active personal management or • personal labor.

Sources: GAO analysis of the Farm Program Payments Integrity Act and the Farm Service Agency's handbook on payment eligibility and payment limits. | GAO-18-384R

[15]We analyzed FSA data to identify the 20 farming operations that received the highest payments for 2015. We did not obtain information for one of these farming operations because the applicable FSA state office was experiencing an unusually heavy workload at the time we contacted the state offices in February 2018.

[16]Although the 2015 crop year was the most recent year for which data were available at the time we obtained data from FSA's data center for our analysis, FSA state offices had data for the 2016 crop year at the time we contacted them in February 2018.

As stated in FSA's handbook on payment eligibility and payment limits, to satisfy the actively engaged in farming criteria, an active personal management contribution must, among other things, be critical to the profitability of the farming operation.[17] For personal labor, the contribution is to be an amount that is the smaller of 1,000 hours annually or 50 percent of the total hours that would be required to conduct a farming operation comparable in size to the individual's or legal entity's commensurate share in the farming operation.

In addition to meeting the input and service contribution requirements, under current regulations, a farming operation member's contributions to the farming operation must be in proportion to his or her share of the operation's profits and losses, and the contributions must be "at risk."[18] For a member's contribution to be considered at risk, there must be a possibility that the member could suffer a financial loss. For example, if a member of a general partnership or joint venture receives a guaranteed payment for any part of a contribution of labor or management, that contribution is not at risk and is to be excluded in determining whether that member is actively engaged in farming.

In addition to the requirements specified in the act, FSA's handbook and its website provide direction for actively engaged in farming determinations involving spouses. According to FSA, both spouses may be considered "actively engaged in farming" and qualify for farm program payments if one spouse makes the requisite contributions to meet the actively engaged in farming requirements.[19]

Table 1 shows the farm programs and types of payments for which the requirement of being actively engaged in farming applies and the payment limits for these programs based on our analysis of FSA documents. An eligible individual or entity can receive payments from one or more of these programs. Each payment limit shown in the table is a separate payment limit. For example, an individual could receive $125,000 for crops other than peanuts and an additional $125,000 for peanuts.

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[17]U.S. Department of Agriculture, Farm Service Agency, ***Payment Eligibility, Payment Limitation, and Average Adjusted Gross Income—Agricultural Act of 2014***, 5-PL, Amendment 3.

[18]7 C.F.R. §§ 1400.201(b)(1); 1400.204(a).

[19]U.S. Department of Agriculture, Farm Service Agency, *Actively Engaged in Farming*, accessed April 11, 2018, https://www.fsa.usda.gov/programs-and-services/payment-eligibility/actively_engaged/index.

Table 1: Farm Programs and Types of Payments for Which Being Actively Engaged in Farming Applies and Payment Limits for These Programs and Payment Types

Farm programs/payment types	Payment limit per crop year (in dollars)
Price Loss Coverage, Agriculture Risk Coverage, loan deficiency payments, marketing loan gains[a]	
• for crops other than peanuts	125,000
• for peanuts	125,000
Cotton Transition Assistance Program[b]	40,000
Cotton Ginning Cost-Share Program[c]	40,000

Source: GAO analysis of Farm Service Agency documents. | GAO-18-384R

Notes: The payment limit for general partnerships and joint ventures is per member or partner who meets payment eligibility requirements, including being actively engaged in farming. The payment limit for corporations, limited liability companies, and other entity types is per entity that meets payment eligibility requirements. An eligible individual or entity can receive payments up to the limit from one or more of the programs for which being actively engaged in farming applies.

[a]A farming operation realizes a marketing loan gain if it repays a marketing assistance loan at less than the amount of the loan principal. Similarly, a farming operation can realize a gain through the use of a commodity exchange certificate. Being actively engaged in farming and payment limits do not apply to a gain realized from the use of commodity exchange certificates.

[b]Cotton Transition Assistance Program payments were available for the 2014 crop year and, for certain counties, the 2015 crop year.

[c]Cotton Ginning Cost-Share Program payments were available for the 2015 and 2016 crop years.

Information on Farm Program Payments to Farming Operations and Contributions Farming Operation Members Claimed to Qualify as Being Actively Engaged in Farming

For those USDA program payments requiring active engagement in farming, we determined that

- USDA distributed about $2.7 billion in payments to 95,417 entities, such as corporations, general partnerships, joint ventures, and limited liability companies;
- USDA distributed an average of $884,495 in payments to the 50 farming operations receiving the highest payments for 2015; and
- general partnership members' payments were predominantly based on members' claimed contributions of combined management and labor (74.6 percent) and management (23.1 percent), while labor was 2.3 percent.

Distribution and Amount of Farm Program Payments by Type of Entity

For 2015, USDA's farm programs distributed approximately $2.7 billion in payments subject to actively engaged in farming requirements to 95,417 entities. Table 2 categorizes these entities and shows the distribution of payments made by entity type for 2015. General partnerships received the highest total and average payments. Specifically, 22,636 general partnerships received about $1.3 billion, or nearly half of the total payments made to entities, with an average payment of $56,760 per entity. Joint ventures received average payments of $43,282. Corporations received average payments of $25,928, and limited liability companies received average payments of $15,532.

Table 2: Distribution and Amount of Farm Program Payments by Type of Entity, for 2015

	Entities		Payments (dollars)		
Type of entity	**Number**	**Percentage**	**Total**	**Percentage**	**Average per entity**
General partnerships	22,636	23.7	1,284,815,722	46.9	56,760
Joint ventures	4,783	5.0	207,016,584	7.6	43,282
Corporations	30,335	31.8	786,531,333	28.7	25,928
Limited liability companies	23,216	24.3	360,585,017	13.2	15,532
Other[a]	14,447	15.1	102,576,853	3.7	7,100
Total	95,417	**100.0**[b]	2,741,525,508	**100.0**[b]	28,732

Source: GAO analysis of Farm Service Agency data. | GAO-18-384R

Notes: Farm program payments to sole proprietorships are not included in this table. When these payments are included, the total payments that were subject to actively engaged in farming requirements for 2015 were about $8.6 billion.

The farm program payments in this table are payments that are subject to actively engaged in farming requirements. However, we did not include marketing loan gains—gains that a farming operation realizes if it repays a marketing assistance loan at less than the amount of the loan principal—because the data we received from the Farm Service Agency did not include them. For 2015, nationwide marketing loan gains were about 2 percent of the total payments ($8.6 billion) that were subject to actively engaged in farming requirements.

[a]Includes limited partnerships, irrevocable and revocable trusts, estates, churches, charities, and nonprofit organizations.

[b]The percentages may not total to 100 because of rounding.

Payments and Member Contributions for General Partnerships and Joint Ventures with Highest Farm Program Payments

USDA's farm programs distributed an average of $884,495 in payments to the 50 farming operations receiving the highest payments for 2015, 49 of which are general partnerships; 1 is a joint venture. Table 3 categorizes the 50 farming operations into groups of 10 ranked by payment. As shown in the table, the payments were primarily based on individuals claiming contributions of active personal management or a combination of active personal management and personal labor. (See encl. for additional information on 19 of 20 general partnerships and joint ventures that received the highest farm program payments for 2015.)

Table 3: Payments and Claimed Contributions for General Partnerships and Joint Ventures with Highest Farm Program Payments, by Ranked Group of 10, for 2015

			Average number of members claiming management or labor contributions, by type[b]		
Payment rank	**Average payment per general partnership or joint venture (dollars)**	**Average number of members[a]**	**Active personal management only**	**Personal labor only**	**Combination of active personal management and personal labor**
1-10	1,339,065	13.6	8.0	0.1	2.0
11-20	862,195	7.6	5.3	0.0	1.4
21-30	796,746	8.0	2.0	0.0	4.5
31-40	732,037	6.3	2.1	0.6	2.5
41-50	692,433	6.0	1.9	0.0	3.1
1-50	**884,495**	**8.3**	**3.9**	**0.1**	**2.7**

Source: GAO analysis of Farm Service Agency data. | GAO-18-384R

Notes: Among the 50 farming operations, 49 are general partnerships and 1 is a joint venture. The farm program payments in this table are payments that are subject to actively engaged in farming requirements. However, we did not include marketing loan gains—gains that a farming operation realizes if it repays a marketing assistance loan at less than the amount of the loan principal—because the data we received from the Farm Service Agency did not include them. For 2015, nationwide marketing loan gains were about 2 percent of the total payments that were subject to actively engaged in farming requirements.

[a]The number of members consists of the number of entities and individuals who are members of the general partnership or joint venture. The number of members is not equal to the sum of active personal management only, personal labor only, or combination of the two because the number of members includes (1) entities—entities cannot provide management or labor—and (2) individuals who did not claim contributions of personal management or personal labor. For example, if spouses are farming together in a general partnership and one spouse is determined to be making a significant contribution of active personal management, the other spouse is credited with a significant contribution of active personal management.

[b]Members can be individuals or entities. However, only members who are individuals can make contributions of personal management or personal labor.

Payments and Contributions Claimed in General Partnerships by Number of Members

For 2015, general partnerships received a high proportion of their payments based on members' claims of contributing active personal management, either management only (23.1 percent) or management in combination with labor (74.6 percent). Table 4 shows the payments and contributions claimed in general partnerships by the number of members and type of contribution.

Table 4: Farm Program Payments and Contributions Claimed in General Partnerships, by Number of Members, for 2015

			Type of contribution					
			Active personal management only		Personal labor only		Combination of active personal management and personal labor	
Number of members	Number of general partnerships	Payments (dollars)	Payments (dollars)	%	Payments (dollars)	%	Payments (dollars)	%
1	486	7,504,982	2,558,034	34.1	125,648	1.7	4,821,299	64.2
2	12,213	501,134,456	67,183,912	13.4	7,059,889	1.4	426,890,655	85.2
3-5	8,287	493,937,208	125,202,189	25.3	14,566,907	2.9	354,168,111	71.7
6-10	1,107	111,769,863	54,614,878	48.9	4,349,072	3.9	52,805,913	47.2
11 or more	150	12,086,225	10,259,152	84.9	170,435	1.4	1,656,637	13.7
Total	**22,243**[a]	**1,126,432,734**[a]	**259,818,165**	**23.1**	**26,271,952**	**2.3**	**840,342,616**	**74.6**

Legend: % = Percentage of payments for that type of contribution.

Source: GAO analysis of Farm Service Agency data. | GAO-18-384R

Notes: The farm program payments in this table are subject to actively engaged in farming requirements. However, we did not include marketing loan gains—gains that a farming operation realizes if it repays a marketing assistance loan at less than the amount of the loan principal—because the data we received from the Farm Service Agency did not include them. For 2015, nationwide marketing loan gains were about 2 percent of the total payments that were subject to actively engaged in farming requirements.

The percentages of payments based on contributions in this table may not total to 100 because of rounding.

[a]Not all general partnerships and their related contributions data are included in the Farm Service Agency's contributions database. For some of the general partnerships included in the Farm Service Agency's contributions database, no contribution was identified. We did not include these general partnerships and their payments in this table.

Agency Comments

We provided a draft of this report to USDA for comment. USDA did not provide comments on this draft. However, FSA provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Agriculture, and other interested parties. In addition, the report is available at no charge on the GAO website at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-3841 or morriss@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report include Thomas M. Cook (Assistant Director), Gary Brown (Analyst in Charge), John Barrett, Kevin S. Bray, Keya Cain, Tara Congdon, Michael Kendix, Dan Royer, and Kiki Theodoropoulos.

Sincerely yours,

Steve D. Morris
Director, Natural Resources and Environment

Enclosure

Enclosure

Table 5 lists additional information on 19 of 20 general partnerships and joint ventures that received the highest payments for the 2015 crop year.[20] For each of these farming operations, the table shows the Census Bureau region in which it is located; the operation's total payments that are subject to being actively engaged in farming; the three crops for which the operation received the highest payments (ordered by payment amount); the number of members (individuals and entities); and the number of members (individuals) claiming contributions of active personal management, personal labor, or a combination of both.

Table 5: Payments and Claimed Contributions of Management and Labor for Selected Examples of General Partnerships and Joint Ventures for 2015

					Number of members claiming management or labor contributions, by type[c]		
Example	**Census Bureau region[a]**	**Payments (dollars)**	**Primary crops**	**Number of members[b]**	**Active personal management only**	**Personal labor only**	**Combination of active personal management and personal labor**
1	Midwest and South	3,708,108	Rice, soybean, corn	34 (32 corporations and 2 individuals)	25 (plus 10 spouses)	0	0
2	South	1,425,965	Rice, soybean, corn	11 (all LLCs)	10 (plus 2 spouses)	0	0
3	Midwest	1,259,253	Corn, soybean, wheat	11 (7 corporations and 4 individuals)	9 (plus 2 spouses)	0	0
4	South	1,242,019	Peanuts, soybean, canola	8 (all LLCs)	0	1	5 (plus 2 spouses)
5	South	1,241,497	Peanuts, corn, sorghum	7 (all individuals)	6	1	0
6	South	1,100,910	Soybean, rice, corn	15 (9 corporations and 6 individuals)	10 (plus 5 spouses)	0	0
7	South	1,085,836	Corn, sorghum, wheat	8 (all individuals)	0	0	5 (plus 3 spouses)
8	Midwest	1,052,305	Rice, corn, wheat	12 (10 corporations and 2 individuals)	10 (plus 2 spouses)	0	0
9	South	937,700	Corn,	22	18	0	0

[20]We analyzed Farm Service Agency (FSA) data to identify the 20 general partnerships and joint ventures that received the highest payments for 2015. As previously stated, we did not obtain information for one of these farming operations because the applicable FSA state office was experiencing an unusually heavy workload at the time we contacted the state offices in February 2018.

			soybean, cotton	(all LLCs)	(plus 4 spouses)		
10	South	934,739	Rice, soybean, sorghum	10 (7 corporations and 3 LLCs)	8 (plus 3 spouses)	0	0
11	South	923,208	Rice, soybean, wheat	8 (all individuals)	4 (plus 4 spouses)	0	0
12	South	902,808	Peanuts, cotton, corn	4 (all LLCs)	0	0	4
13	South	896,065	Peanuts, corn, wheat	5 (all LLCs)	2	0	3
14	South	891,316	Rice, sorghum, corn	9 (all corporations)	15 (plus 4 spouses)	0	0
15	Midwest	870,954	Corn, soybean, wheat	8 (all LLCs)	4 (plus 4 spouses)	0	0
16	South	842,437	Rice, corn, soybean	9 (all corporations)	5 (plus 4 spouses)	0	0
17	South	827,977	Corn, wheat, sorghum	10 (all individuals)	0	0	8 (plus 2 spouses)
18	Midwest	827,477	Corn, soybean, wheat	10 (8 corporations and 2 individuals)	0	1 (plus 1 spouse)	4 (plus 4 spouses)
19	South	791,731	Peanuts, cotton, corn	5 (all individuals)	0	0	5

Legend: LLC = limited liability company.

Sources: Farm Service Agency state office officials and GAO analysis of Farm Service Agency data. | GAO-18-384R

Notes: We analyzed Farm Service Agency data to identify the 20 general partnerships and joint ventures that received the highest payments for 2015. We did not obtain information for one of these farming operations because the applicable Farm Service Agency state office was experiencing an unusually heavy workload at the time we contacted the state offices in February 2018. These payment amounts provided by officials in Farm Service Agency state offices include marketing loan gains—gains that a farming operation realizes if it repays a marketing assistance loan at less than the amount of the loan principal.

Members of a general partnership or joint venture can be individuals or entities (e.g., corporations or limited liability companies). Each member represents one limitation for payment limitation purposes.

Both spouses may be considered “actively engaged in farming” and qualify for farm program payments if one spouse makes the requisite contributions to meet the actively engaged in farming requirements.

[a]The U.S. Census Bureau divides the 50 states among 4 regions—Northeast, South, Midwest, and West. The Northeast region includes Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont. The South region includes Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia. The Midwest region includes Indiana, Illinois, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin. The West region includes Alaska, Arizona, California, Colorado, Hawaii, Idaho, Nevada, New Mexico, Montana, Oregon, Utah, Washington, and Wyoming.

[b]The number of members consists of the number of entities and individuals who are members of the general partnership or joint venture.

[c]Individuals claim contributions of active personal management and personal labor and can provide these contributions on behalf of entities within a general partnership or joint venture.

Table 6 lists the general partnerships and joint ventures in the same order as table 5, but provides 2016 data about these operations. As previously mentioned, the U.S. Department of Agriculture's (USDA) 2015 regulations limit nonfamily farming operations to no more than three members qualifying for payments by contributing active personal management or a combination of such management and personal labor. Farming operations comprised entirely of family members are exempt from the new restrictions on contributions of active personal management. USDA's 2015 regulations apply to eligibility for payments earned for the 2016 crop year for farming operations with only 2016 spring-planted crops. The regulations also apply to payments for the 2017 and subsequent crop years for all farming operations (i.e., those with either spring- or fall-planted crops). Farm Service Agency (FSA) officials said that because the 2015 regulations were fully implemented for the 2017 crop year, their effects on payments to farming operations are likely to be more apparent after USDA issues payments for the 2017 crop year and when data on those payments becomes available.[21] In table 6, examples 3, 8, 16, and 18 are nonfamily farming operations, and the other examples are family farming operations.

Table 6: Payments and Claimed Contributions of Management and Labor for Selected Examples of General Partnerships and Joint Ventures for 2016

				Number of members claiming management or labor contributions, by type[c]		
Example	Census Bureau region[a]	Payments (dollars)	Number of members[b]	Active personal management only	Personal labor only	Combination of active personal management and personal labor
1	Midwest and South	2,190,115	8 (6 corporations and 2 individuals)	4 (plus 4 spouses)	0	0
2	South	1,132,310	11 (all LLCs)	10 (plus 2 spouses)	0	0
3	Midwest	344,692	11 (7 corporations and 4 individuals)	9 (plus 2 spouses)	0	0
4	South	993,216	9 (all LLCs)	0	0	5 (plus 4 spouses)
5	South	1,213,094	9 (all individuals)	8	0	1
6	South	466,005	6 (all individuals)	3 (plus 3 spouses)	0	0
7	South	873,978	8 (all individuals)	0	0	5 (plus 3 spouses)
8	Midwest	1,389,537	12 (10 corporations and 2 individuals)	0	0	10 (plus 2 spouses)
9	South	149,839	5 (all LLCs)	3 (plus 3 spouses)	0	0

[21]According to FSA officials, USDA will complete the issuance of most 2017 crop year payments late in calendar year 2018.

10	South	576,677	5 (3 LLCs and 2 corporations)	4 (plus 1 spouse)	0	0
11	South	931,924	8 (all individuals)	4 (plus 4 spouses)	0	0
12	South	690,682	7 (all LLCs)	0	0	4 (plus 3 spouses)
13	South	735,189	5 (all LLCs)	1	0	4
14	South	998,811	9 (all corporations)	11 (plus 4 spouses)	0	0
15	Midwest	608,288	6 (all LLCs)	3 (plus 3 spouses)[d]	0	0
16	South	1,048,498	9 (all corporations)	5 (plus 4 spouses)	0	0
17	South	1,082,576	10 (all individuals)	0	0	8 (plus 2 spouses)
18	Midwest	552,262	10 (8 corporations and 2 individuals)	0	1 (plus 1 spouse)	4 (plus 4 spouses)
19	South	506,258	4 (all individuals)	0	0	4

Legend: LLC = limited liability company.

Source: Farm Service Agency state office officials | GAO-18-384R

Notes: All of these examples are family operations, except examples 3, 8, 16, and 18, which are nonfamily operations.

Members of a general partnership or joint venture can be individuals or entities (e.g., corporations or limited liability companies). Each member represents one limitation for payment limitation purposes.

Although the 2015 crop year was the most recent year for which data were available at the time we obtained data for our analysis, Farm Service Agency state offices had data for the 2016 crop year at the time we contacted them in February 2018.

We did not include the three leading crops in 2016 payments for these examples because the information was not readily available.

Both spouses may be considered “actively engaged in farming” and qualified for farm program payments if one spouse makes the requisite contributions to meet the actively engaged in farming requirements.

[a]The U.S. Census Bureau divides the 50 states among 4 regions—Northeast, South, Midwest, and West. The Northeast region includes Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont. The South region includes Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia. The Midwest region includes Indiana, Illinois, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin. The West region includes Alaska, Arizona, California, Colorado, Hawaii, Idaho, Nevada, New Mexico, Montana, Oregon, Utah, Washington, and Wyoming.

[b]The number of members consists of the number of entities and individuals who are members of the general partnership or joint venture.

[c]Individuals claim contributions of active personal management and personal labor and can provide these contributions on behalf of entities within a general partnership or joint venture.

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