

PolicyPennings by Daryll E. Ray & Harwood D. Schaffer

Crop insurance and conservation

The unwillingness of the House leadership to bring a Farm Bill that had been adopted by the House Ag Committee to the floor for a vote in 2012 resulted in a 9-month extension of the 2008 Farm Bill during the “fiscal cliff” negotiations. The resulting bill ignored the work of both the Ag committees and continued the Direct Payment Program while leaving some other programs unfunded.

In eliminating the Direct Payment Program, the Senate bill reattached conservation compliance to the crop/revenue insurance program that was subsidized by the Federal Government. The House bill, on the other hand, did not require conservation compliance for participation in the subsidized insurance program.

As long as the direct Payment Program remains in effect under the extension, the 95 percent of wheat farmers, 98 percent of corn and soybean farmers, and the 99 percent of rice and cotton farmers who also participate in the insurance program are already participating in conservation compliance.

In 1985, as it became apparent that the farm program safety net encouraged farmers to drain additional wetlands and keep cropland in production that was contributing to excessive erosion, the 1985 Farm Bill authors required conservation compliance in exchange for participation in farm program benefits, including crop insurance. Conservation compliance requirements were applied to two types of land: Highly Erodible Land (HEL) (104 million acres) and wetlands that were not converted to cropland prior to 1985 (28 million acres).

The original legislation provided farmers with 5 years to come into compliance with the new conservation requirements. Though no working acres were excluded from production, some farmers did put vulnerable HEL in the Conservation Reserve Program in addition to wetlands.

In his paper, “Conservation Compliance: A 25-year Legacy of Stewardship,” USDA Former Deputy Secretary Jim Moseley reports that “because conservation treatments have been applied to over 140 million acres, farmers have saved 295 million tons of soil per year—soil that has been held in place and kept from entering our rivers, lakes, and streams. Further, an estimated 1.5 million to 3.3 million acres of vulnerable

wetlands have not been drained as a result of compliance.”

So in one sense, conservation compliance can be viewed as a type of social contract reached between the public and farmers. In exchange for giving farmers some protection from the economic vicissitudes of life—crop failure and chronic low prices—the public is requiring that farmers leave wetlands untouched and engage in conservation practices on HEL.

With the elimination of direct payments almost a certainty—either in the next farm bill or other legislation—some (to many) farmers might decide to jettison participation in the farm program altogether, freeing themselves from conservation compliance and other farm program rules. Under the bill proposed by the House in 2012, those farmers could continue to buy existing federally subsidized crop insurance without being subject to conservation compliance. Not so, in the 2012 bill proposed by the Senate.

But there are other alternatives. For example, the aforementioned social contract between the public and farmers could be terminated. Then farmers could decide if converting wetlands to crop production or reverting to traditional farming practices on HEL is worth paying 100 percent (or some other large percentage) of their crop insurance premiums on all of their crop production rather than the federally subsidized 38 percent that they pay now. The “public” would no longer receive the benefits of conservation compliance on the converted acres. But neither would the public would be paying for benefits they do not receive.

Of course, if doing away with conservation compliance meant dropping out of the farm program, farmers would also forgo any other government aid should crop prices drop well below the cost of production.

Daryll E. Ray holds the Blasingame Chair of Excellence in Agricultural Policy, Institute of Agriculture, University of Tennessee, and is the Director of UT’s Agricultural Policy Analysis Center (APAC). Harwood D. Schaffer is a Research Assistant Professor at APAC. (865) 974-7407; Fax: (865) 974-7298; dray@utk.edu and hdschaffer@utk.edu; <http://www.agpolicy.org>.