Climate Change and Agriculture: Washington Must Promote Resilience Not Dependence

Increasingly volatile weather combined with consumer pressure have led much of the agriculture sector to explore how to reorient farming and ranching's role in combating climate change. The transition from the Trump Administration to the Biden Administration brings a renewed focus on federal policy and its role in addressing climate change. Most of the discussions, from industry to former USDA officials to the Biden Administration, primarily focus on how best to incentivize (i.e. subsidize) adoption of climate-smart practices by agricultural businesses. Little focus is given to how federal farm safety net policies at times actively discourage or unintentionally erect roadblocks to agricultural businesses adopting various conservation practices to improve soil health, reduce greenhouse gas emissions, or increase other environmental benefits while improving the operation's financial health.

While lawmakers explore the merits of increased federal spending to improve agriculture's contribution to efforts to combat climate change, they must also work to reorient existing programs. Farmers and ranchers, as well as taxpayers footing the bill, need to focus on increasing the economic resilience of agricultural businesses to navigate the effects of climate change.

Agriculture and Climate Change – Victim, Problem, Potential Solution

Farming and ranching businesses are significantly affected by climate change. Unpredictable weather patterns increase the volatility of an already cyclical business cycle. Climate change is increasing the frequency and intensity of adverse weather undermining long-established tools farmers and ranchers use to reduce economic risk. Most federal financial safety net programs (subsidized crop insurance, farm bill commodity programs, and "emergency" supplemental appropriations) also compensate producers for losses of crop or income after the fact while not actually decreasing their likelihood of future losses.

But policymakers must acknowledge that agriculture is also a key contributor to climate change. All types of crop and livestock production produce various greenhouse gas emissions. The production, storage, and transport of both agricultural products and inputs (feed, fertilizers, pesticides, etc.) result in the production of not just CO2 but other greenhouse gas emissions. No effort to combat climate change will be effective if it ignores agriculture's contribution to climate change.

Agricultural businesses are also well-positioned to be a partial solution to climate change. The vast amounts of privately owned crop, range, and forest land provide multiple opportunities to reduce the production of greenhouse gases and even potentially offset the impacts from other sectors. Equipping agricultural businesses with the tools to increase their resilience in light of these changes is key to having a viable and productive agriculture sector.

Productively Engaging Production Agriculture on Climate Change

The Biden Administration's January 27th Executive Order on Tackling the Climate Crisis at Home and Abroad mandates a number of reports on how to better employ agricultural lands as a tool to combat climate change. While these reports may provide value, like most other proposals provided the administration, their primary focus is on increasing federal spending on agriculture through added investment in existing farm bill conservation programs or creation of new initiatives, such as a "carbon bank" funded and administered by the USDA. Increased federal investment may be an important tool, if applied judiciously, narrowly, and transparently. There are, however, many steps the administration can take other than relying on immediately increasing spending or creating new income subsidy programs.

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- **Increase Data sharing**
  The USDA houses a wealth of data on the interplay between on-farm conservation practices, crop yields, and safety net programs. This data, spread across the Natural Resources Conservation Service, Risk Management Agency, and Farm Service Administration can provide valuable insights into conservation practices and their effect on farm profitability, yet most of this data is effectively off limits to researchers and farmers. The administration should create a data warehouse and procedures for granting access to this valuable taxpayer funded resource. Researchers, state agricultural agents, and producers should not have to go it alone when trying to improve the financial and environmental performance of their operations.

- **Prioritize Effective Conservation**
  Not all conservation programs or practices provide the same level of benefit to producers or taxpayers. The Biden Administration should build on past efforts at USDA to quantify the impact voluntary conservation programs and practices have on both conservation goals and the bottom lines of farm businesses. Creation of a data warehouse and procedures for accessing this data would help facilitate this research. Increased investment in tools to monitor, measure, and model these practices in real world settings is also important. Future federal investments in conservation programs should also be prioritized on the programs most likely to achieve measurable outcomes efficiently, equitably, and substantially.

- **Remove Roadblocks to Innovation and Responsible Risk Management**
  Federally subsidized crop insurance is on average the most expensive farm bill authorized farm income subsidy program, costing on average $8.5 billion annually. While called insurance, many of the market signals in traditional insurance are muted because of taxpayer subsidies to purchase policies (60% of total premium is subsidized), to private companies for servicing policies ($1.5 billion), and underwriting agreements where taxpayers bear most risk of loss. The Biden Administration should take steps to reform crop insurance to operate more like other insurance, where all parties are encouraged to reduce risk of loss rather than seek maximal subsidies. They can do this by supporting research efforts to ensure USDA's risk ratings accurately assess the risk reduction benefits of conservation practices. In addition they should explore opportunities to reform the delivery and risk sharing subsidies to ensure subsidized crop insurance companies carry their fair share of risk.

- **Support a Stable and Predictable Farm Safety Net**
  The federal government poses one of the largest obstacles to innovation and adoption of climate-smart financial and production practices to mitigate risk. Even before payments to offset perceived losses due to COVID-19 drove federal farm income subsidies to $52 billion and government payments constituting 44 percent of net farm income (a 20-year high), government subsidies played an outsized role in agricultural income. Through duplicative "shallow loss" farm bill programs, revival of annual ad hoc disaster supplementals, and arbitrary and unprecedented use of USDA's CCC Charter Act authority to replace trade with federal aid, Congress and the Trump Administration are both culpable for the massive increase in federal farm subsidies. This subsidy tsunami over-insulates favored producers from the financial risks of climate change, shifting financial responsibility to taxpayers. The Biden Administration should immediately eschew ad hoc aid, be it from Congress or the Secretary of Agriculture, in favor of farm policy developed in an open, transparent, farm bill process.

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