Taxpayer Savings in Agriculture and Conservation Programs

TAXPAYERS for COMMON SENSE

July 2021

With pressing climate, drought, and water quality challenges around the country, now more than ever is an opportune time for policymakers to consider ways to reform agriculture and conservation programs to achieve taxpayer savings while also improving environmental outcomes. The current farm safety net prioritizes input-intensive production over conservation practices, leading to increased water pollution, soil erosion, and the loss of wetlands and grasslands that sequester carbon.

The farm safety net as a whole can better promote conservation practices that reduce costs, improve farmer profitability, save taxpayer dollars, and free up additional federal dollars to help implement additional smart conservation practices on more acres, at lower cost. Prioritizing federal dollars toward conservation measures in targeted locations that return the most benefits for taxpayers' investment will improve the cost-effectiveness of the farm safety net. Farmers will also be better equipped in preparation for the next disaster and less reliant on government bailouts and ad hoc disaster funding, costs that have skyrocketed in recent years. While the 2014 farm bill consolidated certain agricultural conservation programs, more can be done to spend taxpayer dollars wisely and streamline programs for better short- and long-term results. Improving accountability, transparency, and responsiveness of federal farm and conservation programs will also achieve taxpayer savings and spread limited federal dollars out to more producers, particularly small, beginning, young, and/or socially disadvantaged farmers.

> If agriculture subsidies and conservation programs are reformed to promote resilience instead of dependence on federal programs, farmers, taxpayers, and the environment alike will be better off in the long-run.

Legislative and administrative calls to spend billions more on conservation programs or a carbon bank without reforms to existing programs will fail to deliver the climate and environmental benefits that proponent seek. However, reform proposals listed below, if implemented properly, can provide significant taxpayer, climate, environmental, and producer benefits.

Taxpayer Savings in Agriculture and Conservation Programs

TAXPAYERS for COMMON SENSE

Cost-Effectiveness

- **Eliminate underlying duplicative and wasteful subsidies:** First and foremost, perverse incentives in commodity and crop insurance programs that work at cross-purposes with conservation goals should be eliminated for not only taxpayer savings but also to help the climate, water quality, and the environment. Taxpayers currently subsidize an average of 60 cents for every one dollar of federal crop insurance coverage, meaning taxpayers shoulder an undue share of risk for crop disasters. Researchers found that the availability of generous crop insurance subsidies decreases participation[i] in the Conservation Reserve Program (CRP). Hence, subsidies promoting risk taking at taxpayer expense should be eliminated in favor of policies that instead promote the uptake of cost-saving, risk-reducing conservation practices.

- **Allow agribusinesses to compete for federal conservation funding:** If applicants for both working-lands and set-aside conservation programs were allowed to competitively bid for conservation program funding, taxpayer dollars could achieve more benefits at lower cost. Program funding could also reach more producers if dollars were spent more cost-effectively. While competitive bidding[ii] is no longer allowed in the Environmental Quality Incentives Program (EQIP), a working lands program, the program historically achieved greater return on investment when this practice was allowed.

Water pollution and soil erosion, field in northeast Nebraska, May 2021

- **Risk sharing with agribusinesses and other entities:** Instead of shifting a significant amount of risk onto taxpayers, agribusinesses should assume more of their own business risks through options such as private insurance, diversification, forward contracting, etc. Numerous conservation risk management options also exist, like installing grassed waterways to reduce the risk of flooding and planting cover crops to minimize soil erosion. These can be implemented through federal conservation programs but also innovative public-private partnerships, state-national partnerships, etc. Recent cover crop incentives have been offered in certain states such as Iowa.[iii] This relieves pressure on federal taxpayers to be one of the primary sources of agricultural conservation funding.

  Better coordination and cost-sharing between the federal government and state incentives/partnerships can further leverage federal taxpayer dollars. The Agricultural Conservation Easement Program (ACEP) is one such effective program that can be further leveraged to achieve taxpayer and environmental benefits, in addition to more resources for technical assistance that reaches more producers at a lower cost to taxpayers.

- **Target spending toward the most cost-effective projects with the best return on investment:** To achieve full cost-effectiveness, conservation program funding must be targeted to areas with the most pressing challenges and to practices with the greatest measurable benefits. Overall, if projects were first screened for certain characteristics – for instance, soil carbon, topography, soil type, likelihood of runoff, and proximity to waterways – taxpayer dollars could be spent more wisely and achieve more benefits. While the U.S. Department of Agriculture (USDA) has taken steps to incorporate Environmental Benefits Index (EBI) information into program ranking (in CRP, for instance), more can be done to improve programs' cost-effectiveness and prioritize funding toward areas with the greatest resource needs, such as particular watersheds.[iv] New incentives in USDA's Conservation Reserve Program (CRP) – a land retirement program – will prioritize funding on grasslands, tree plantings, wetland restoration, and other measures to sequester carbon – with water quality benefits as well.[v] USDA also recently implemented increased CRP payments for practices that improve water quality – including "grassed waterways, riparian buffers, and filter strips."[vi] These steps in the right direction should be expanded within CRP and other conservation programs. Customization and flexibility should also take into account local conditions since certain conservation practices are effective in some areas but not others.

- **Only pay for additional conservation practices:** Instead of paying agribusinesses to implement conservation practices that they would employ on their own, either as routine business practice or in response to reasonable health and welfare regulations, hundreds of millions of taxpayer dollars could be saved by only paying for *additional* practices. If Confined Animal Feeding Operations (CAFOs) must meet manure regulations on their own, taxpayers should not be on the hook for subsidizing lagoons and other manure management. Similarly, if a farmer plans to plant trees next to a new house, for instance, he or she should bear this cost so taxpayer dollars can be prioritized elsewhere, toward practices with the greatest return on investment - not on practices that producers would implement anyway with their own dollars. Similarly, new calls for carbon sequestration subsidies should be considered in light of taxpayer costs and the opportunity for real, measurable benefits instead of subsidies for business-as-usual practices.

  USDA's Economic Research Service (ERS) researchers found that only paying for *new* conservation practices "achieves 12 times the improvements in environmental performance" as compared to paying agribusinesses for something they were already doing.[vii] ERS also estimates that a performance-based system paying only for additional conservation practices would result in 14 to 15 percent less nitrogen leaching and phosphorus runoff, up to 21 percent less soil and wind erosion, up to 300 percent greater soil productivity gains, and nine percent less pesticide leaching. Since some conservation programs such as CRP and the Conservation Stewardship Program (CSP) pay for practices that would have been employed anyway - plus EQIP pays for normal business costs that should be borne by agribusinesses themselves, taxpayer dollars could be better spent and reach more producers if conservation programs were further reformed.

  The farm safety net should promote conservation instead of discouraging it. Additional incentives such as premium subsidy reductions for conservation practices within crop insurance that reduce risk and improve resilience, for instance, should be implemented in the next farm bill.

Accountability

- **Limit market intrusions of agriculture subsidy programs and promote conservation:** Farm subsidy programs should not distort agricultural markets, perpetuate unintended consequences, inflate land prices, alter planting decisions, or promote excessive risk taking at taxpayer expense. Subsidies should not incentivize agribusinesses to plant crops on marginal lands where success is unlikely – land that would not be cultivated without subsidies. When conservation program funding works at cross purposes with production-based agriculture subsidies, both taxpayers and producers lose.

- **Meet minimum accountability standards:** Agribusinesses must utilize minimum conservation best management practices in exchange for any taxpayer support. Rotating crops, conserving wetlands and grasslands, planting grassed buffers, using conservation tillage practices in certain areas, and other time-tested industry-standard means should be employed to reduce downstream costs of agricultural pollution, conserve land for future generations, and reduce taxpayer liabilities. While the 2014 farm bill took some positive steps toward ensuring that farmers conserve land in exchange for crop insurance subsidies (in addition to farm subsidies), more must be done to ensure these provisions are implemented and monitored properly, in addition to reflecting on-the-ground realities.[viii] Requiring certain minimum conservation accountability standards also helps reach more producers and acres, when tied to a wider reach of federal programs.

More soil erosion and lack of grassed buffer near waterway, field in northeast Nebraska, May 2021

- **Achieve measurable results and improve data sharing and reporting:** Taxpayers have a right to know which federal conservation programs are achieving measurable results and have the best return on investment. Agricultural conservation programs must have improved performance measures, metrics, monitoring, and reporting so that spending can be better prioritized toward practices and programs with the best bang for taxpayers' buck. The President's FY22 budget request[ix] briefly mentioned a priority to this end, particularly on carbon sequestration and greenhouse gas emission reporting within USDA, but no further details have yet been released.

- **Eliminate barriers and target federal support to reach more producers:** Federal taxpayers cannot afford to dispense conservation payments to the largest and wealthiest agribusinesses

and/or landowners.[x] More reasonable limits and stricter definitions on which agribusinesses qualify for subsidies must be implemented to ensure that federal programs reach more producers and do not work at cross-purposes or unintentionally incentivize consolidation of agriculture. Currently, the EQIP payment limit is $450,000, far more generous than the previous payment limit of $40,000 for direct payments, for instance.[xi] Recent COVID-19 and ad hoc disaster payments have been distributed at higher levels than those set in the last farm bill, leading to more taxpayer dollars lining the pockets of some landowners who do not need federal support. Half of EQIP funding is currently set aside for livestock producers as well, which should be eliminated to ensure program funding can be targeted at practices with the best return on investment and best environmental outcomes.[xii]

Transparency

- **Increase transparency and data accessibility of conservation programs:** Conservation program spending, in addition to all other agriculture subsidy programs, should be transparent and publicly available in an easily accessible, searchable, and understandable format. Environmental outcomes of conservation programs should also be made known to not only taxpayers but also farmers making short- and long-term investments to reduce long-term liabilities such as water pollution and soil erosion. Data should be available to researchers and farmers online so producers do not have to reinvent the wheel. Better data sharing can also help speed the flow of information on cost-saving conservation practices from researchers to university extension agents, for instance, who not only work on the ground with farmers but are also a trusted source of information.

> "Agricultural extension services, both public and private, have been shown to have a positive impact on [conservation] adoption rates. Connecting these programmes with national extension systems can result in a significant change in agricultural sustainability."
>
> *- Valeria Piñeiro, et al. (2020)*

- **Technical assistance funding increased:** If conservation program dollars are prioritized on technical assistance, agricultural producers are more likely to adopt conservation practices with measurable benefits.[xiii] USDA has announced some steps in this direction - $25 million toward on-farm trials as part of the Conservation Innovation Grants program for climate-smart and soil health practices – but more must be done for broader impact.[xiv]

Responsiveness

- **Eliminate special interest subsidies and parochial programs:** The farm bill should provide an adequate and appropriate agricultural safety net that provides public benefits in true times of need rather than special interest subsidies and parochial programs. Taxpayers cannot afford to insulate individual agricultural businesses from the physical and market conditions impacting their operations, such as protecting individual waterfront resorts from flood risks through USDA's Emergency Watershed Protection Program.

- **Eliminate no-strings attached ad hoc disaster aid**: Ad hoc disaster payment costs have increased in recent years despite a shift to crop insurance subsidies which were meant to cover crop disaster losses through a predictable and stable safety net. With disaster aid going out the door retroactively with little to no conservation strings attached, unnecessary disaster payments must be eliminated. Otherwise, producers become become reliant on federal subsidies while smart conservation practices that can help improve resilience in the face of the next inevitable disaster are disincentivized.

Conclusion

Policymakers should forgo calls to spend more money on agricultural conservation for climate or environmental purposes without first reforming the federal farm safety net – including conservation programs. Federal funding should instead be directed toward the most cost-effective, accountable, transparent, and responsive programs that promote resilience instead of dependence on federal subsidies. Additional steps should be taken to eliminate farm subsidy programs where goals run counter to those of agricultural conservation programs. Then, program funding should be targeted to areas most in need and initiatives with the greatest return on investment without paying for agricultural practices that agribusinesses would already implement with their own dollars. These reforms will not only ensure taxpayer dollars are spent more effectively, but conservation dollars will also be able to reach more producers across additional acres, improve environmental outcomes, reduce climate risks, and ultimately lead to better farmer profitability.

For more information contact Joshua Sewell, josh at taxpayer.net.

---

[i] https://www.cambridge.org/core/journals/agricultural-and-resource-economics-review/article/impact-of-federal-crop-insurance-on-the-conservation-reserve-program/AD977CB2835FD10E803438FD13EFF2AC

[ii] https://www.ers.usda.gov/webdocs/publications/42907/29506_eb3_002.pdf?v=41326

[iii] https://www.cleanwateriowa.org/cropinsurancediscount#:~:text=Program%20Overview,-Crop%20insurance%20in&text=The%20Iowa%20Department%20of%20Agriculture,cover%20crops%20to%20eligible%20applicants.

[iv] https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/FactSheets/2020/crp-56th-ebi-fact-sheet-12-31-2020.pdf, https://www.choicesmagazine.org/choices-magazine/theme-articles/3rd-quarter-2014/conservation-the-farm-bill-and-us-agri-environmental-policy

[v] https://www.fsa.usda.gov/news-room/news-releases/2021/usda-expands-and-renews-conservation-reserve-program-in-effort-to-boost-enrollment-and-address-climate-change

[vi] https://www.fsa.usda.gov/news-room/news-releases/2021/usda-expands-and-renews-conservation-reserve-program-in-effort-to-boost-enrollment-and-address-climate-change

[vii] https://books.google.com/books?id=WrRyEjiwR3UC&pg=PA28&lpg=PA28&dq=%22achieves+12+times+the+improvements+in+environmental+performance%22&source=bl&ots=FRdSy28FXY&sig=ACfU3U2Yic1j6HuVqUTAYC7uDMDGjVyZ_A&hl=en&sa=X&ved=2ahUKEwiv4f-BpOXxAhUIDKwKHRnRBvIQ6AEwAHoECAIQAw#v=onepage&q=%22achieves%2012%20times%20the%20improvements%20in%20environmental%20performance%22&f=false

[viii] https://www.usda.gov/sites/default/files/50601-0005-31.pdf

[ix] https://www.taxpayer.net/wp-content/uploads/2021/04/FY2022-Discretionary-Request.pdf
[x] https://www.aei.org/wp-content/uploads/2017/10/Agricultural-Policy-in-Disarray.pdf?x91208
[xi] https://sustainableagriculture.net/publications/grassrootsguide/conservation-environment/environmental-quality-incentives-program/#:~:text=The%20overall%20EQIP%20payment%20limit,to%20%24140%2C000%20over%20five%20years.
[xii] https://sustainableagriculture.net/publications/grassrootsguide/conservation-environment/environmental-quality-incentives-program/
[xiii] https://www.nature.com/articles/s41893-020-00617-y
[xiv] https://www.fsa.usda.gov/news-room/news-releases/2021/usda-expands-and-renews-conservation-reserve-program-in-effort-to-boost-enrollment-and-address-climate-change