Budget Reconciliation
Promote Resilience and Maximize Returns

TAXPAYERS for COMMON SENSE

Agriculture

The budget reconciliation process outlined by S. Con. Res. 14 – the FY2022 budget resolution – enables Congress to spend significant sums and implement sweeping reforms. To protect taxpayers, Congress must ensure the reconciliation package furthers legitimate public needs, includes only fiscally sustainable policies, and avoids creating liabilities for taxpayers down the line. Allocating federal dollars alone, however, would limit what the reconciliation package can accomplish. Congress must capitalize on this opportunity to implement overdue reforms that will align revenue with spending, improve the grave budget outlook, and foster resilience instead of dependence on federal subsidies.

Below are brief descriptions of overdue reforms to agricultural policy that Congress should enact to promote resilience and maximize return on investment for both taxpayers and agricultural businesses.

Increase Data Sharing

The U.S. Department of Agriculture (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 Agency 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. Congress should fund development of 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 farming and ranching operations.

Invest in Effective Conservation

Reconciliation should build on past efforts at USDA to quantify the impact that 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. Any additional federal investments in conservation programs should also be prioritized on the programs that help producers overcome technical barriers or build capacity to help themselves, such as technical assistance, cost-share programs, public-serving research, and practices within existing programs that promote farmer adoption of additional cost-effective conservation measures. While agricultural conservation programs have historically had more applicants than available funding, the federal government can spread dollars further, increase equity, and improve environmental outcomes by implementing competitive bidding, targeting, prioritization, and other measures to improve cost-effectiveness. These conservation investments should be long-term, increase resilience to climate change, enhance carbon sequestration, and improve soil and water quality. Taxpayers should not be on the hook, however, for subsidizing normal costs of doing business.

Remove Roadblocks to Innovation and Responsible Risk Management

Federally subsidized crop insurance is 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 the total premium is subsidized), to private companies for servicing policies ($1.5 billion), and underwriting agreements where taxpayers bear most risk of loss. Reconciliation is an opportunity to reform crop insurance to operate more like other insurances, where all parties are encouraged to reduce risk of loss rather than seek maximal subsidies. This can be accomplished by supporting research efforts to ensure USDA's risk ratings accurately assess the risk reduction benefits of conservation practices. In addition, Congress and the Administration should explore opportunities to reform delivery and risk sharing subsidies to ensure subsidized crop insurance companies carry their fair share of risk, which can save taxpayer dollars.

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 in 2020 drove federal farm income subsidies to $47 billion, constituting 48 percent of net farm income (the second-highest level on record), 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 Commodity Credit Corporation (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 reconciliation package must support, not undermine, the risk management-based farm safety net while promoting environmental and economic resilience. No new income or ad hoc disaster subsidies should be established, but rather federal supports should be shifted in the direction of a more cost-effective, transparent, and accountable farm safety net that is responsive to taxpayers' and producers' needs.

While more recommendations can be found here, Congress should ensure – at a minimum – that any federal agricultural supports are tied to common sense conservation standards and promote resilience instead of dependence on federal subsidies. Federal supports should forgo taxpayer promotion of risky planting decisions in favor of those that encourage innovation, opportunity, and better preparation for future disasters. In addition, payment limitations and actively engaged policies should be revisited to ensure that taxpayer dollars are not promoting corporate welfare and being sent to producers who do not need them.

Avoid Investment in False Climate Solutions Such as Bioenergy

In the past, federal dollars have subsidized special interests and mature energy sources such as biofuels and biomass that may increase – instead of decrease – greenhouse gas (GHG) emissions. To reach the President's climate goals, Congress and the Administration must forgo repeating past mistakes, including subsidizing forms of bioenergy that do more harm than good. Federal mandates, tax credits, and subsidies for bioenergy – including those in the farm bill – have distorted markets, led to the loss of carbon-rich land, resulted in higher food and feed prices, and increased long-term liabilities and costs for both taxpayers and consumers. Biomass subsidies have also promoted increased use of wood in the heat and power sector, without resulting decreases in GHG emissions as once promised. For these and other reasons, federal bioenergy subsidies should be scaled back – instead of expanded – to improve climate outcomes and ensure taxpayer dollars are spent wisely.