THE CONSERVATION COMPACT AND CROP INSURANCE

Twenty-seven years ago, Congress recognized the need to protect water, soil and wetlands by writing the so-called “conservation compliance” provisions into the 1985 farm bill. These provisions established a compact that defined the shared responsibility of taxpayers, farmers and landowners to ensure that our land remains productive and our streams run clear.

In return for generous taxpayer support, growers agreed to undertake simple, reasonable, common-sense measures to limit polluted runoff and soil erosion and protect wetlands. The 1985 compact required that farmers conserve the land in order to receive crop insurance subsidies from the taxpayers.

In 1996, Congress dropped the conservation requirement and at the same time boosted the taxpayers’ contribution to farmers’ insurance premiums. Over the past 9 years, premium subsidies have exploded by 500 percent, from $1.5 billion in 2002 to $7.4 billion in 2011.

Guaranteeing farmers income from crop sales has become the single most expensive farm subsidy – with no conservation strings attached. American taxpayers deserve better.

Conservationists believe it’s only fair to compensate the taxpayers by restoring the condition that those who receive government support for crop and revenue insurance should undertake responsible conservation measures. The National Farmers Union agrees. Its official policy:

> *NFU supports reestablishment of compliance requirements for federal crop insurance eligibility so that all existing or new crop and revenue insurance or other risk management programs are subject to all conservation compliance provisions.*

Other farm organizations resist change. Some are even spreading myths that restoring the conservation compact will undermine farmers’ insurance options. The facts:

-- Farmers WILL NOT lose access to crop insurance. Some farmers’ insurance costs might rise if they intentionally refused to apply soil conservation practices or destroyed a wetland. Farmers who purposely break the compact risk losing premium subsidies *only* until they remedy the violation. They can still buy crop insurance. They have a grace period of a year, sometimes more, to get things right before their premium subsidies are interrupted.

-- A torrential rainstorm WILL NOT trigger the compact. A long list of safety valves protects farmers who fall outside the compact through no fault of their own. The compact has explicit exemptions for bad weather, pest and disease outbreaks and extreme personal hardship. Rather than impose penalties, the U.S. Department of Agriculture works with farmers to help rectify such problems.

It is all the more urgent that insurance work in tandem with conservation because subsidies actually worsen environmental damage. A USDA Economic Research Service analysis concludes:

> *Lands brought into or retained in cultivation due to crop insurance subsidy increases are, on average, less productive, more vulnerable to erosion, and more likely to include wetlands and imperiled species habitats than cultivated cropland overall,….[They are] associated with higher levels of potential nutrient losses per acre….Policies that increase incentives for crop cultivation and stimulate production on economically marginal land may have disproportionately large unintended environmental consequences.*

The conservation compact has worked well for farmers and the environment for nearly three decades. Bringing crop and revenue insurance and conservation back into harmony will ensure that U.S. farm policy serves the interest of all Americans.

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HOW THE CONSERVATION COMPACT WORKS

Who Is Covered by the Conservation Compact Now

The conservation compact applies to any ***annually tilled*** cropland on which an agricultural commodity is planted. Rangeland, pasture, hayfields and specialty crops that are not annually tilled are not subject to the compact provisions.

The compact asks farmers to do two things in return for farm and conservation subsidies:

1. If their annually tilled cropland is considered highly erodible, farmers must implement a soil conservation plan that achieves a "substantial reduction" in soil erosion. Twenty-eight percent of cropland acres, about 104 million acres, are considered to be highly erodible.
2. If their annually tilled cropland includes wetlands, then farmers must agree not to "improve drainage" of those wetland basins. During dry years, farmers can till and plant crops in the wetland basins.

How Is Conservation Compliance Enforced Now

Each year USDA's Natural Resources Conservation Service (NRCS) spot-checks about 1 percent of the crop fields covered by the conservation compact. If NRCS determines the compact has been broken, the Farm Service Agency is notified. FSA has primary responsibility for administering the conservation compact.

If NRCS and FSA determine that the farmer acted in good faith, that is he or she did not purposely break the compact then the farmer has at least one-year to correct the problem before any loss of benefits or penalties are applied. In addition to the one-year grace period, there are specific exemptions and variances for:

- Extreme weather events.
- Pest and diseases outbreaks.
- Undue economic hardship.
- Extreme personal hardship.

How Would the Conservation Compact Work in Crop Insurance

If crop and revenue insurance was brought back under the conservation compact, USDA's Economic Research Service (ERS) estimates that 17 million acres of cropland would be subject to the compact for the first time.

In the extreme case, a farmer who purposely breaks the compact, refuses to remedy the situation and does not qualify for any variances and exemptions would no longer be eligible for premium subsidies. The farmer could buy any of the insurance policies available in his or her area, but would have to pay the full cost of the premium.

A farmer who acted in good faith and remedies the situation will see no change in his or her insurance premiums.

The Compact Will Be Toothless if Direct Payments Are Eliminated

ERS estimates that, if direct payments are eliminated and crop insurance is not covered by the compact only 39 million acres of cropland will still be subject to conservation requirement.

Even if crop insurance is brought under the compact, eliminating direct payments would reduce covered cropland by 33 million acres.