



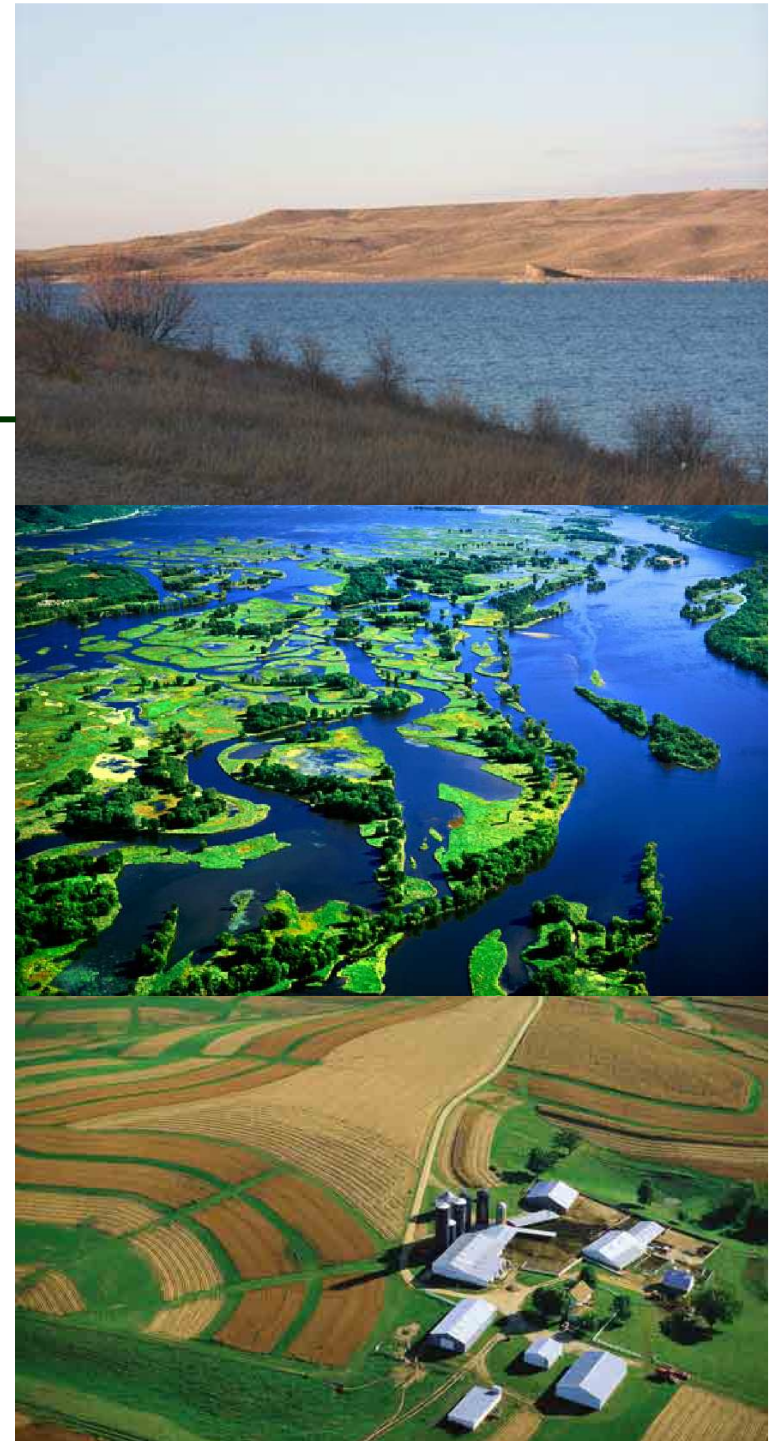
# 2012 Farm Bill: Stewardship, Prosperity, and Fairness

**Brad Redlin, Director**  
**IWLA Agricultural Programs**

**Missouri River**  
**Initiative**

**Upper Mississippi River**  
**Initiative**

**Agricultural**  
**Conservation**



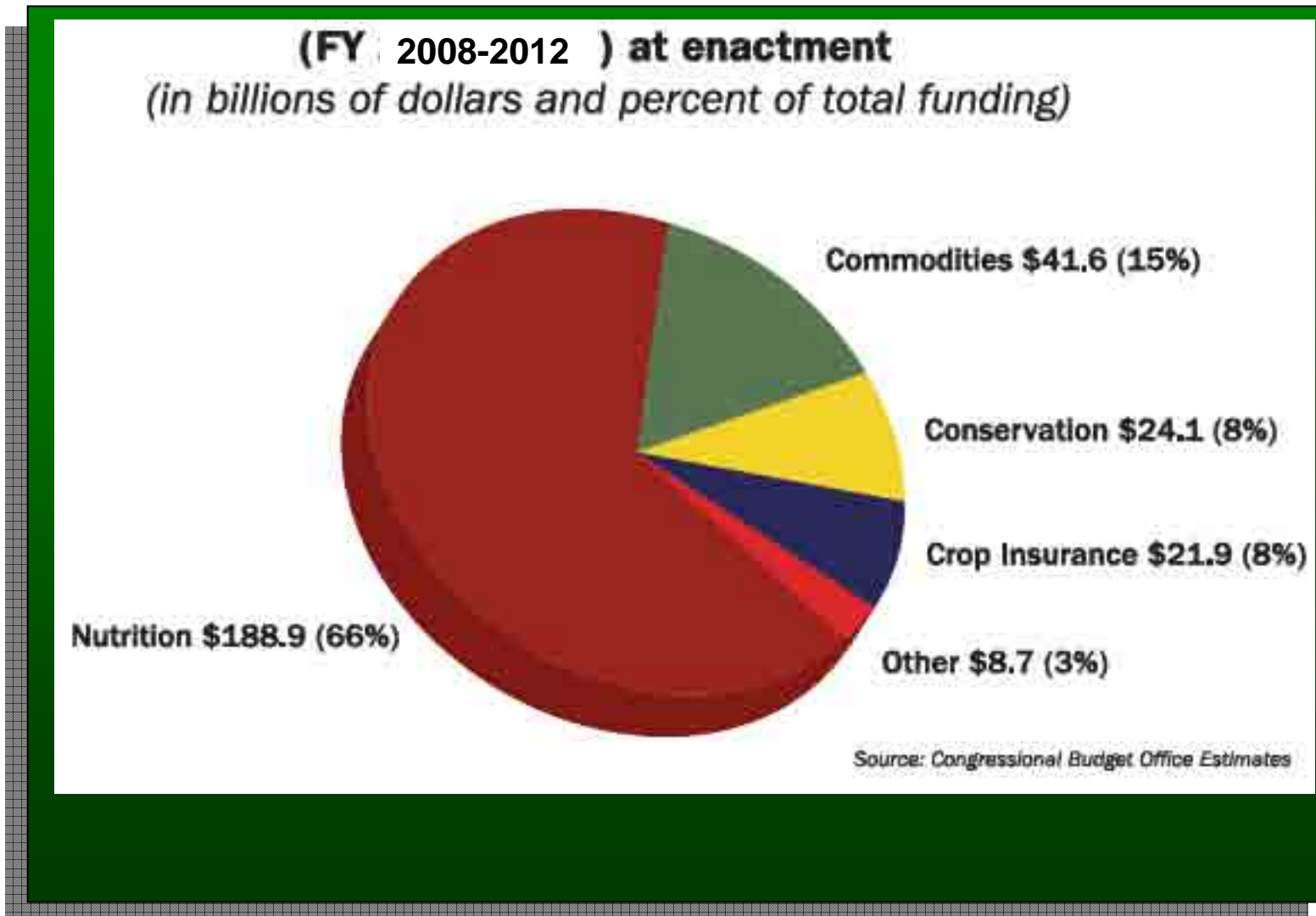


## **1. Farm Bill and Conservation**

## 2. Conservation Compliance

## 3. 2012 Farm Bill

- ▶ There are **3 means for delivering \$** to agriculture via Farm Bill.
- ▶ Commodity Subsidies, Conservation Programs, Crop Insurance.



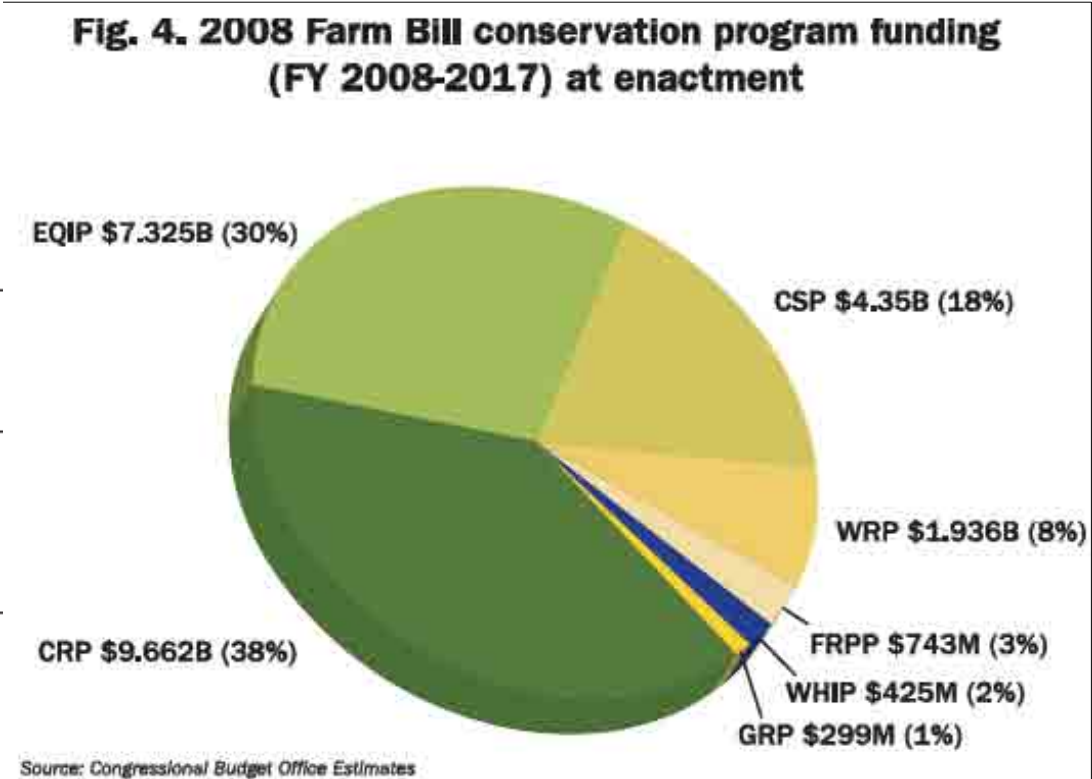


Healthy Forests Reserve Program	HFRP
Grassland Reserve Program	GRP
Wetlands Reserve Program	WRP
Conservation Reserve Program	CRP
Continuous Conservation Reserve Program	
Conservation Reserve Enhancement Program	
Wildlife Habitat Incentives Program	WHIP
Environmental Quality Incentives Program	EQIP
Conservation Stewardship Program	CSP

► Conservation Title contains a suite of programs.

► Programs meet different goals and utilize different methods.

► 2012 Farm Bill baseline WRP, GRP, FRPP, other: \$0



## **HR 1 Continuing Resolution FY11**

**Conservation Stewardship Program** cut \$39 million.

**Wetlands Reserve Program** cut 19% or 48,000 acres.

**Environmental Quality Incentives Program** cut \$350 million.

## **President's FY12 Budget**

**Conservation Stewardship Program** cut 764,204 acres.

**Environmental Quality Incentives Program** cut \$342 million.

**Grassland Reserve Program** cut 30% or 165,684 acres.

**Wetland Reserve Program** cut 158,895 acres.

**Wildlife Habitat Incentives Program** cut \$12 million.

## **U.S. House FY12 Budget**

**Conservation Stewardship Program** cut \$171 million, or 21%.

**Environmental Quality Incentives Program** cut \$350 million, or 20%.

**Farm and Ranchland Protection Program** cut \$50 million, or 25%.

**Grassland Reserve Program** cut 96,000 acres, equal to \$30 million.

**Wetland Reserve Program** cut 64,000 acres, equal to a \$200 million cut, or 26%.

**Wildlife Habitat Incentives Program** cut \$35 million, or 41%.

**Voluntary Public Access and Habitat Incentives Program** cut total \$17 million.

**Conservation Operations** cut \$99 million below FY11.

► **Cuts contained in debt-ceiling deal?**

# IWLA Agricultural Programs

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1. Farm Bill and Conservation

**2. Conservation Compliance**

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# The Conservation Compliance

Highly Erodible Land (HEL) Compliance, Sodbuster, Wetland Conservation (Swampbuster)

## Covenant

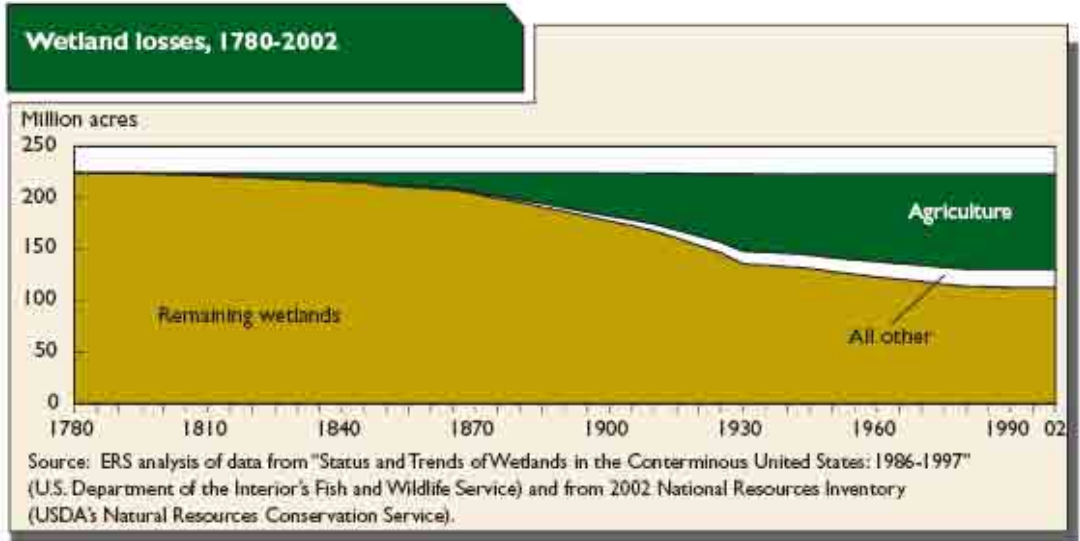
- ▶ Public provides financial support via USDA payments.
- ▶ Recipients protect soil and wetlands for the public.
- ▶ *Penalties are **reduction or loss** of farm program payments for draining existing wetlands or not maintaining soil protections.*

NRCS photo

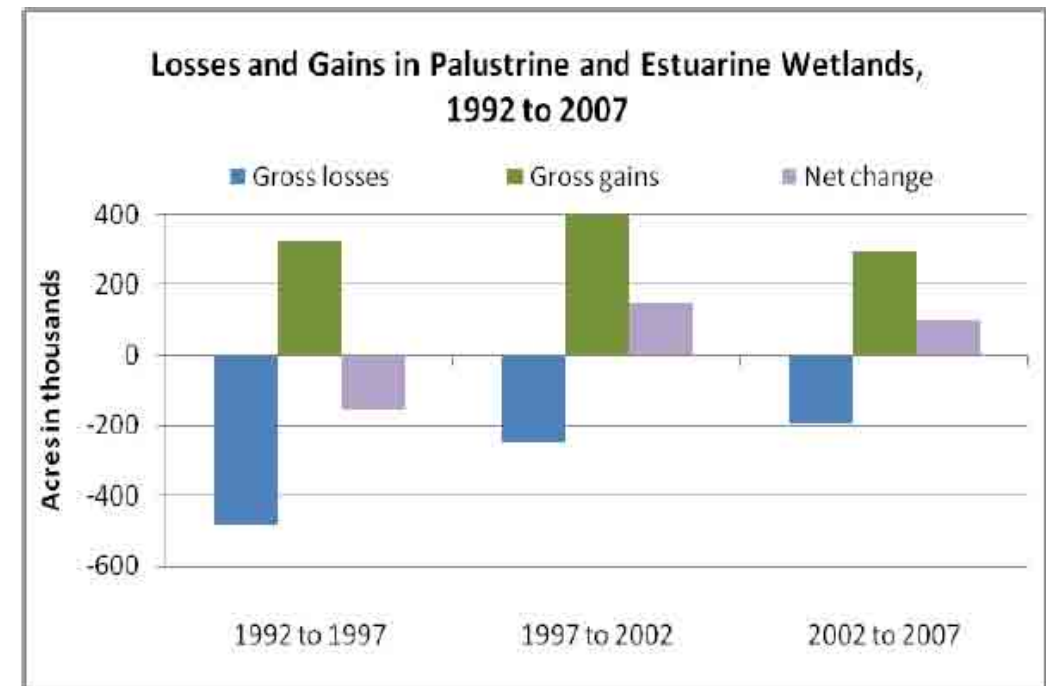


NRCS photo





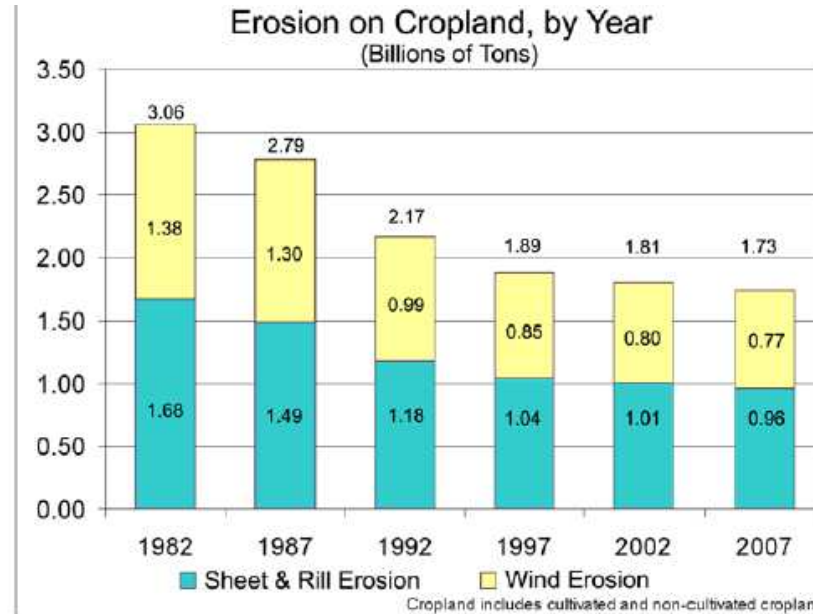
## ► Swampbuster/WC:



SOURCE: 2007 National Resources Inventory, Natural Resources Conservation Service, USDA



## ► HEL Conservation:



SOURCE: 2007 National Resources Inventory, Natural Resources Conservation Service, USDA

► **Trend: 80% of compliance violations waived on appeal.**

Table 1: USDA Benefits Denied Farmers by the Farm Service Agency for Violations of Conservation Provisions, Nationwide, Crop Years 1993-2001 (dollars in thousands)

Crop year	Highly erodible land provisions				Wetland provisions				Total benefits denied
	Tracts with violations	Farmers with violations	Benefits to be denied before appeals	Benefits denied	Tracts with violations	Farmers with violations	Benefits to be denied before appeals	Benefits denied	
1993	1,893	2,592	\$12,748	\$3,005	192	268	\$4,463	\$1,478	\$4,483
1994	1,530	2,303	10,692	2,243	109	180	4,153	1,382	3,625
1995	605	892	2,674	968	28	45	0	0	968
1996	402	491	1,266	492	96	141	1,036	439	931
1997	150	215	1,391	334	33	62	913	69	403
1998	167	220	1,932	301	38	48	1,962	430	731
1999	134	177	2,381	238	46	61	2,296	111	349
2001	118	160	3,617	404	35	36	1,253	231	635
2001	85	137	5,477	150	33	32	908	139	289
<b>Total</b>	<b>5,084</b>	<b>7,187</b>	<b>42,178</b>	<b>8,135</b>	<b>610</b>	<b>873</b>	<b>16,984</b>	<b>4,279</b>	<b>12,414</b>

Source: FSA



► **All Good Faith determinations must be reviewed at state level.**

*SEC. 2002. REVIEW OF GOOD FAITH DETERMINATIONS RELATED TO HIGHLY ERODIBLE LAND CONSERVATION.*

*SEC. 2003. REVIEW OF GOOD FAITH DETERMINATIONS RELATED TO WETLAND CONSERVATION.*

► **Graduated Penalties established for HELC violations.**

**GPR Calculations**

GPR's for HELC violations are calculated by multiplying the number of acres in violation times the GPR amount associated with EI and actual soil loss according to the following table.

Per Acre \$ GPR Penalty				
EI	Actual Soil Loss (Multiples of T)			
	<3T	3T-3.9T	4T-4.9T	5T +
8.0 – 8.9	\$ 13.	\$ 25.	\$ 38.	\$ 50.
9.0 – 11.9	\$ 25.	\$ 50.	\$ 75.	\$ 100.
12.0 – 14.9	\$ 50.	\$ 100.	\$ 150.	\$ 200.
15.0 – 19.9	\$ 75.	\$ 150.	\$ 225.	\$ 300.
20.0 – 24.9	\$ 100.	\$ 200.	\$ 300.	\$ 400.
25.0 and greater	\$ 125.	\$ 250.	\$ 375.	\$ 500.

## Objective 1 – Extent of Grassland Conversions and Associated Costs

- Available data show extensive conversions of grassland to cropland in some areas of the country and that these conversions add significantly to farm program costs in these areas.
  - Data from USDA's National Resources Inventory (NRI), a periodic statistical survey of land use, indicate that the nation's private grassland decreased by 25 million acres from 1982 to 2003 (most recent data). Most of this decrease occurred in the Northern Plains and Intermountain regions. Some of the decrease in grassland is attributable to development. However, the leading cause is conversion to cropland.
  - NRI data also indicate that the following state rangeland of over 400,000 acres each from 1 data): Colorado, Kansas, Montana, Nebraska, Dakota, Oklahoma, South Dakota, and Texas

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- **Sodbuster no deterrent**
- **Payments, insurance are incentive to convert**
- **Grassland conversion counties netted double insurance benefits of other counties**

## Interim Results: Impact of USDA Payments and Sodbuster on Grassland Conversions to Cropland

Briefing for Staff of Senator Tom Harkin  
Chairman, Senate Committee on Agriculture,  
Nutrition, and Forestry  
and  
Representative Collin Peterson  
Chairman, House Committee on Agriculture

May 24, 2007

## Objective 2: Factors Influencing Landowners' Conversion Decisions

- Factors influencing landowners' decisions to convert grassland to cropland include farm program payments, rising crop prices, hardier seed varieties, and new farming techniques.
- According to several studies and USDA officials, farm program payments provide incentives to convert grassland to cropland because they increase the expected profitability of farming while lowering the associated financial risks.
  - Crop insurance and disaster assistance payments reduce a producer's financial risk in the event of crop failure due to drought or other weather-related disasters.
  - A 2006 USDA study found that the availability of crop insurance motivated producers to expand cropland in the contiguous 48 states by an estimated 2.5 million acres in the mid-1990s.

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# Sodsaver

- Proposed Sodsaver provision: Land without a cropping history ineligible for Farm Bill supports.

- Final Farm Bill: Applies to crop insurance subsidies and linked disaster payments; ineligibility limited to Prairie Pothole National Priority Area at the election of ea. Governor (IA, MN, SD, ND, MT)



# IWLA Agricultural Programs

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1. Farm Bill and Conservation

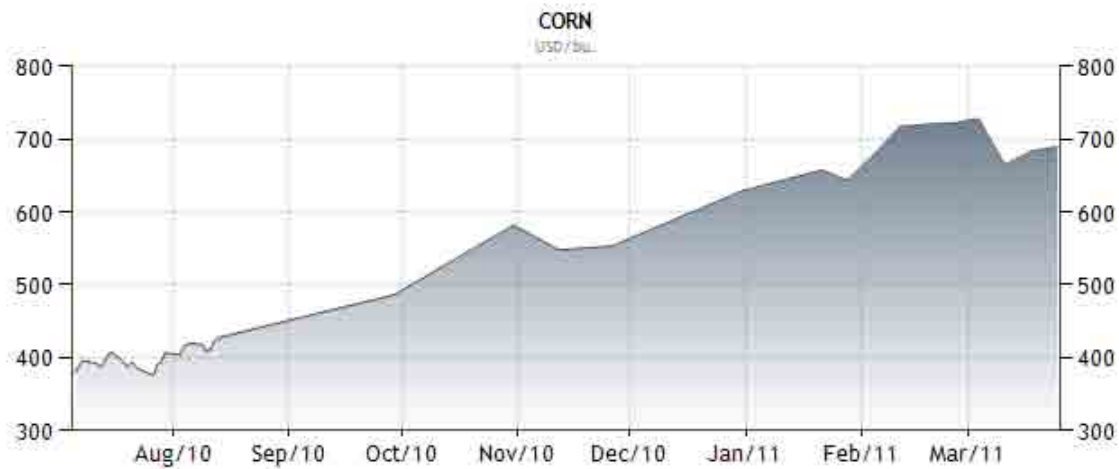
2. Conservation Compliance

**3. 2012 Farm Bill**

► Commodity prices...



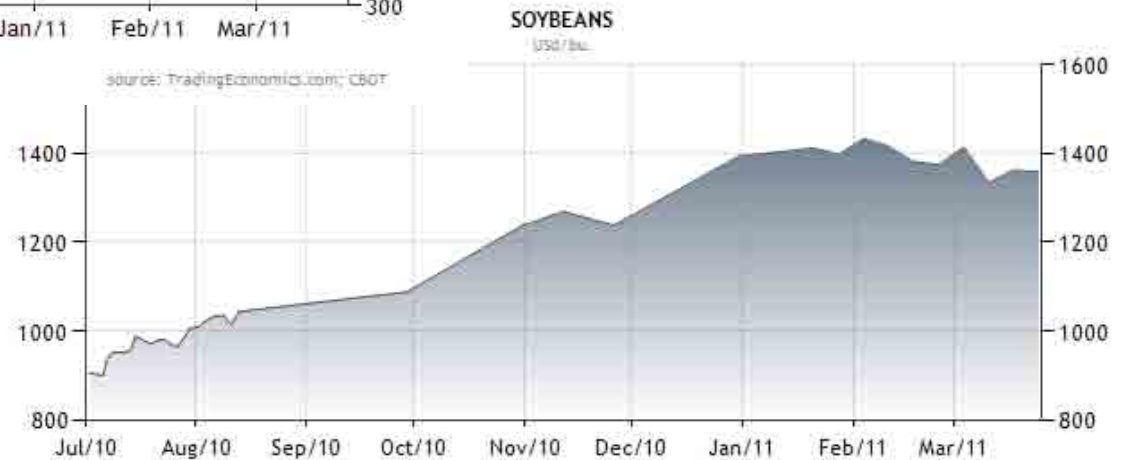
source: TradingEconomics.com; NYMEX



source: TradingEconomics.com; CBOT

...have been...

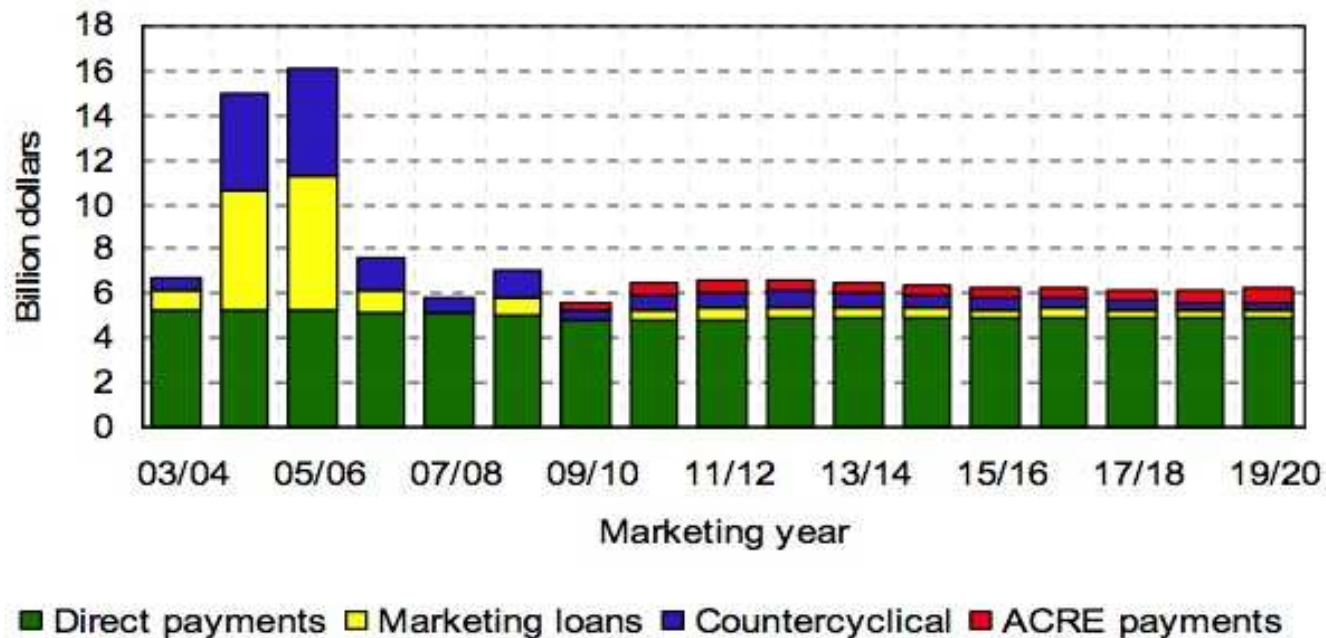
...doing well.



source: TradingEconomics.com; CBOT

- ▶ **Consistently strong commodity prices preclude price-based programs' subsidy payments.**
- ▶ **The Direct Payment Program dominant among all commodity subsidies.**
- ▶ **DPs facing serious scrutiny; Production ag organizations have proposed eliminating and investing savings in Crop Insurance.**

Direct payments dominate program payments



► Participation in Crop insurance is high across major commodities.

► Premiums and indemnities have been growing rapidly.

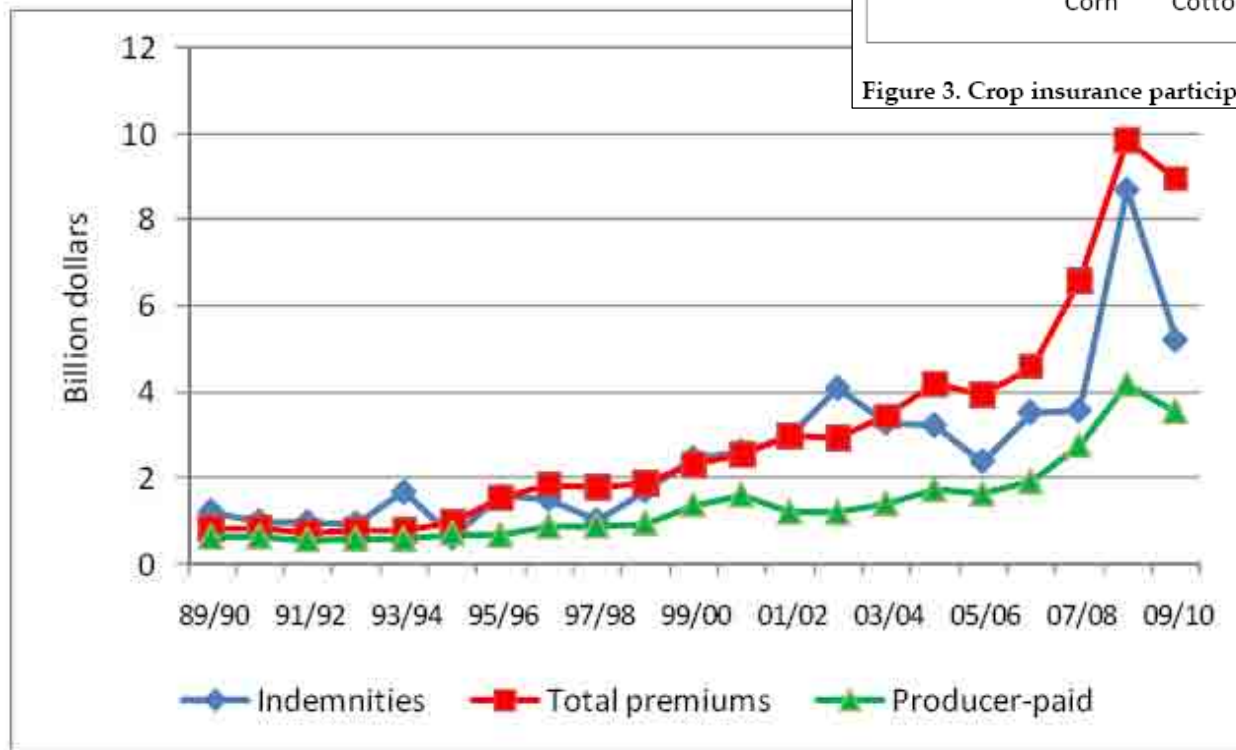
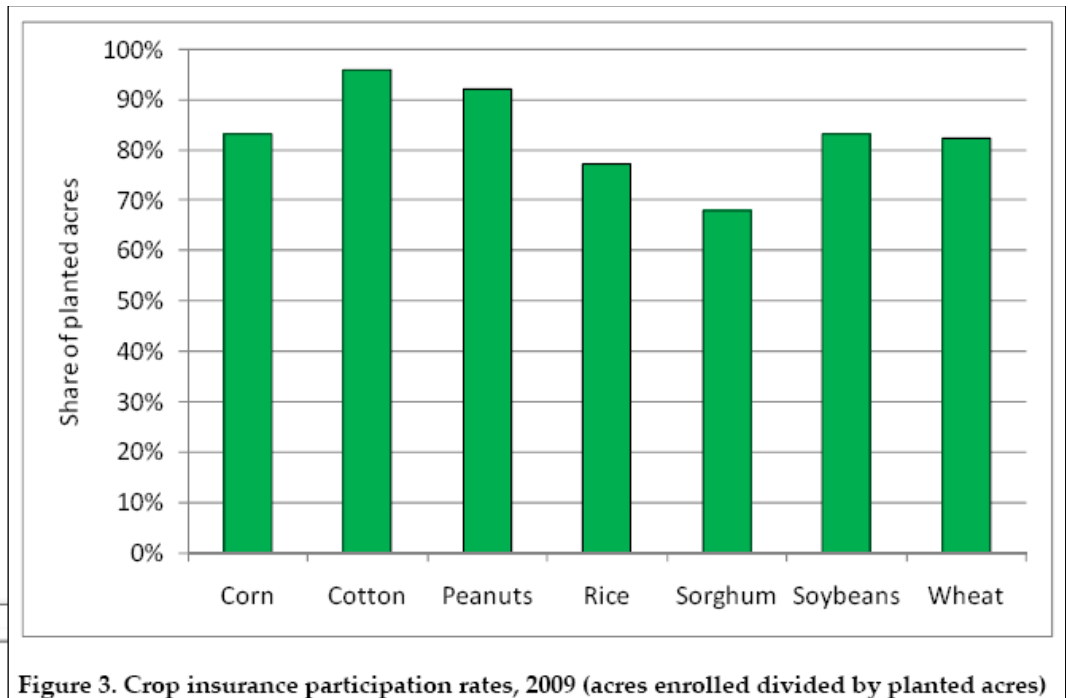
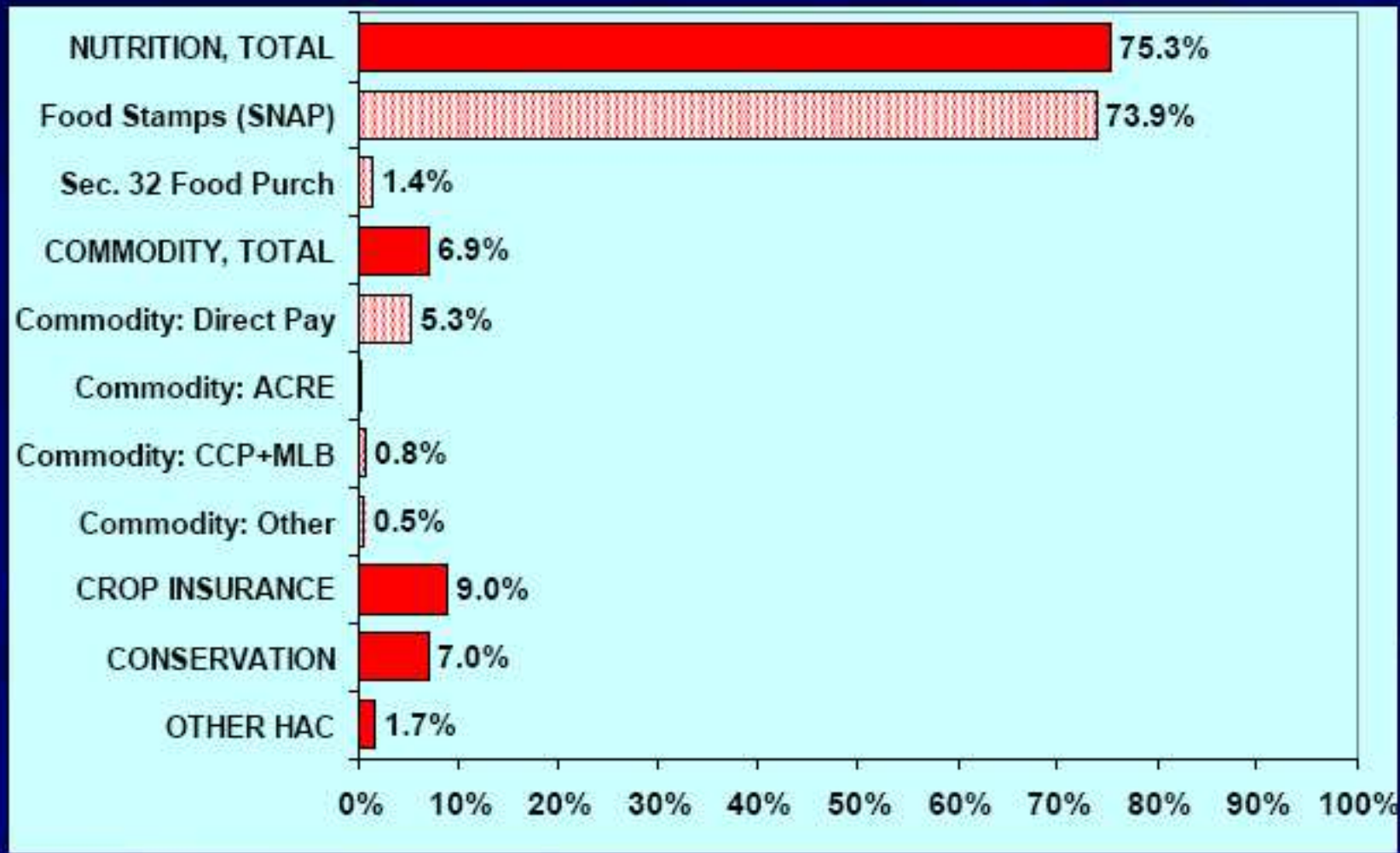


Figure 1. Crop insurance indemnities, total premiums and producer-paid premiums

**The House Ag Committee's \$924 Billion Projected  
10-Year Budget: Percent of Total by Program.**  
*HAC Rackup of CBO March 2010 Baseline: FY 2011-20 Budget Auth.*



► **'12 Farm Bill baseline shows shift to insurance.**

United States  
Department of  
Agriculture



Federal Crop  
Insurance  
Corporation



Risk  
Management  
Agency



- ▶ **Federal Crop Insurance is subsidized for producers and insurance companies.**
- ▶ **National average is 60% of premium is paid by subsidy, often even higher.**
- ▶ **Crop Insurance **exempted** from compliance in 1996 Farm Bill.**



## ► Compliance expansion proposals for 2012 Farm Bill:



► **Require compliance for crop insurance eligibility.**

► **Require “legacy” soil conservation plans (pre-1996) be updated to current HEL standards.**



► **Require soil conservation plans for all land eroding unsustainably (not limited to HEL).**

► **Require nutrient management plans as compliance mechanism.**



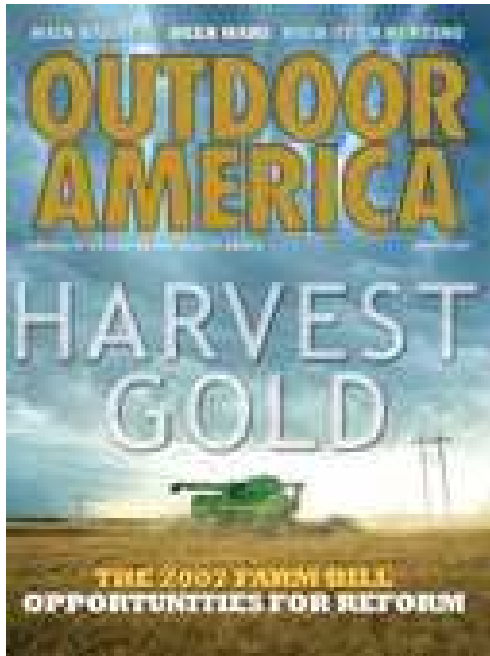
► **Require minimum setback from stream banks as compliance mechanism.**

► Sodsaver  
“Marker Bill”  
in U.S. Senate.



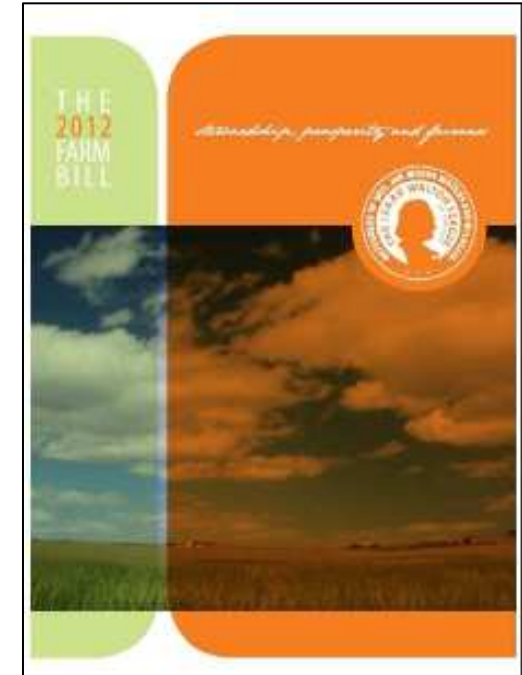
***“Every time someone  
rips up prairie the price  
of grass goes up.”***

–SD Livestock producer’s testimony, US House  
Committee on Agriculture



# Stewardship, Prosperity, and Fairness

The Izaak Walton League of America's values-based vision of agriculture for all of America



**The 2008 Farm Bill: Recommendations and Reality**

The Izaak Walton League of America was closely involved in the multi-year negotiations that ultimately became the Food, Conservation, and Energy Act of 2008. Throughout the process, our commitment was to farm policy that supported prosperity for rural communities and farm families, stewardship of our natural resources, and fairness in the allocation of federal funding.

The Congressional Budget Office has determined that the 2008 Farm Bill overwhelmingly approved by congress will spend \$25 billion for conservation programs and \$35 billion for commodity programs (with \$20 billion for nutrition programs) between 2008 and 2012. Overall, a significant commitment was made to conservation in the legislation, but serious missteps are present, too.

Below are the League's original recommendations at the outset of the Farm Bill process compared to the bill's final outcomes:

IWLA Farm Bill Policy Priorities The Izaak Walton League of America's vision for the new Farm Bill focuses on aligning careful reforms to the commodity title with a renewed commitment to the conservation title. (Jan. 2007)	The Food, Conservation, and Energy Act of 2008 (+) positive result, (-) negative result, (-) somewhere in between. (July 2008)
<b>Commodity Title Proposals</b> <ul style="list-style-type: none"> <li>• Close payment loopholes by eliminating the three-entry rule and unlimited gains from commodity loan certificates and forfeitures.</li> <li>• Fully fund conservation programs with savings from commodity title reform.</li> </ul>	(+) The legislation does eliminate the three-entry rule as we had advocated, and improves the process for verifying payment attribution to individuals.  (-) Unfortunately, in regard to commodity loan certificates and forfeitures, the bill simply removes any limit whatsoever on total amount of payments a producer may receive. This is a serious step backward and is strongly opposed by IWLA.  Additionally, the new legislation contains limits on payments to individuals based on Adjusted Gross Income. Specifically, the means test installed provides that individuals with AGI from non-agricultural income of greater \$300,000 will not be eligible for any commodity payments (marketing loan program, counter-cyclical payments, direct payments, etc.). The previous cap was \$2.5 million in non-agricultural AGI. For agriculturally derived income, the bill sets an AGI limit of \$750,000 but specifies ineligibility for Direct Payments only (all other, and unlimited, commodity payments will continue to be made). Finally, as is currently law.



[www.iwla.org/farmbill](http://www.iwla.org/farmbill)

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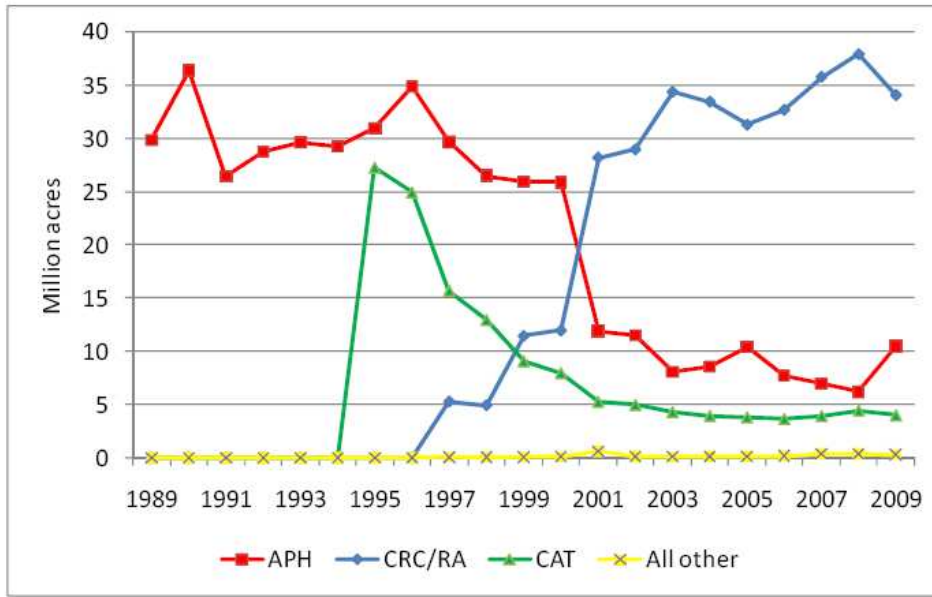


Figure A.5. US wheat net acres insured by coverage type

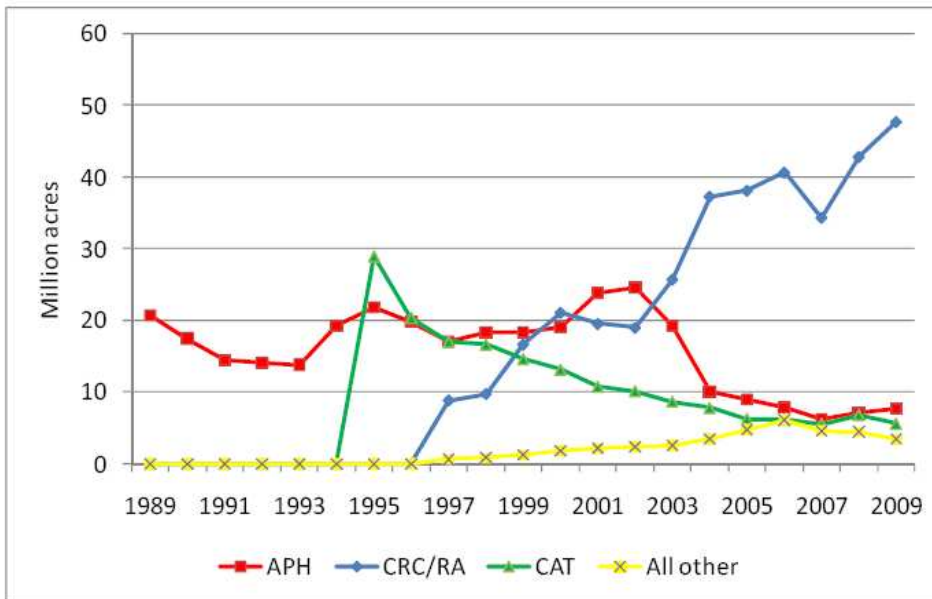


Figure A.3. US soybean net acres insured by coverage type

► The type of insurance has also undergone a change.

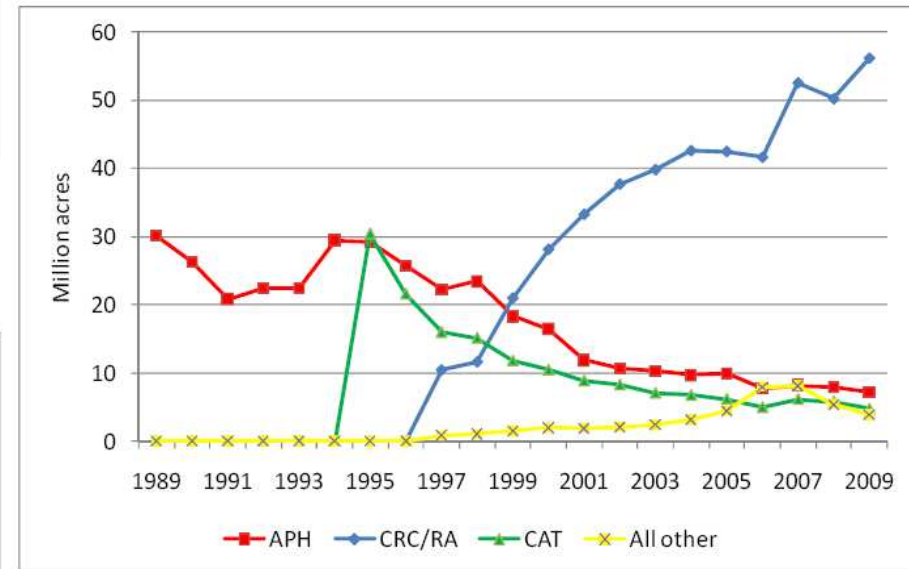
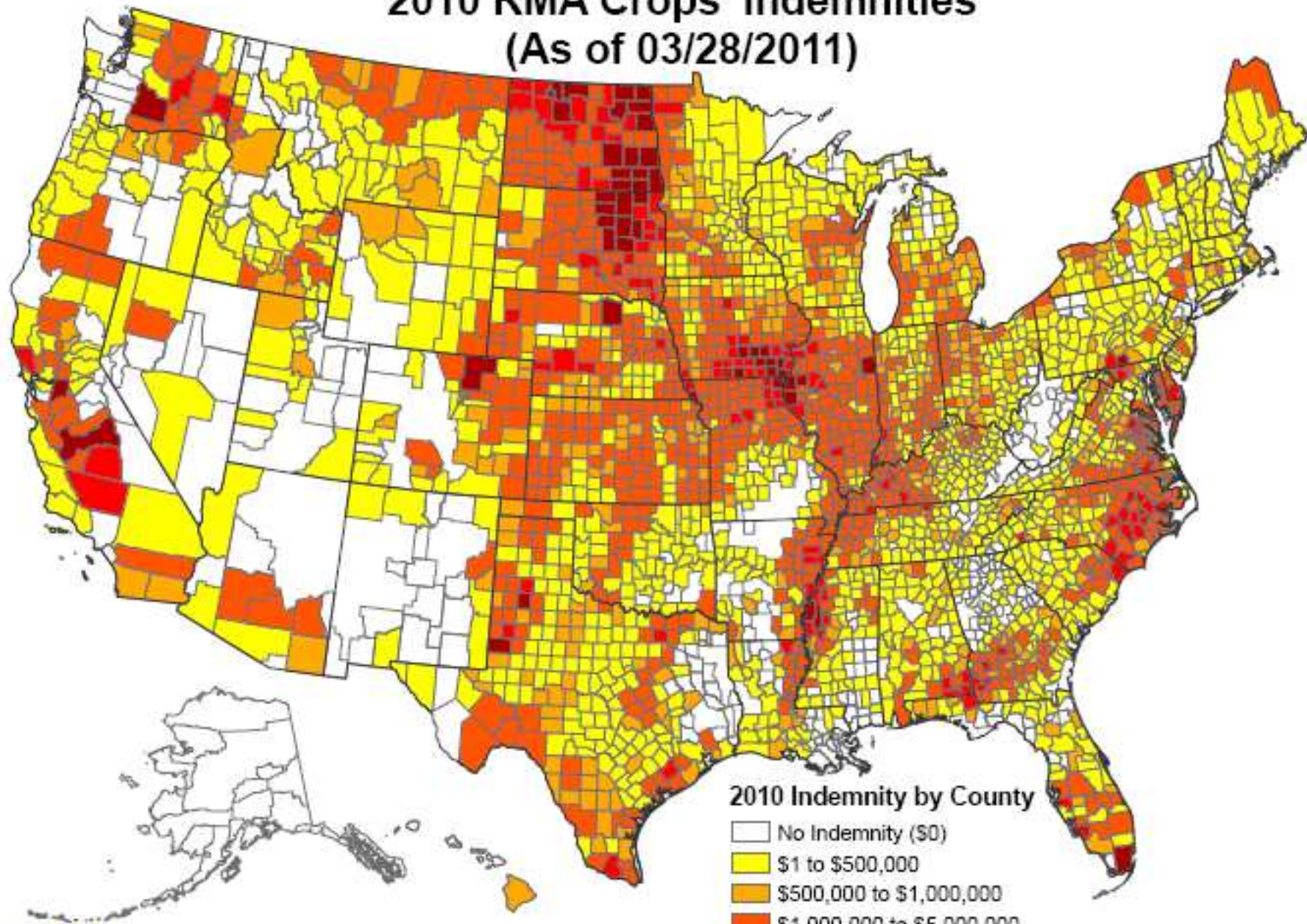


Figure A.1. US corn net acres insured by coverage type

## 2010 RMA Crops' Indemnities (As of 03/28/2011)



### 2010 Indemnity by County

- No Indemnity (\$0)
- \$1 to \$500,000
- \$500,000 to \$1,000,000
- \$1,000,000 to \$5,000,000
- \$5,000,000 to \$10,000,000
- over \$10,000,000