The Intersection of Crop Insurance and Conservation Practices: 

*Status Quo:*
Maintaining The Effectiveness of Both

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Outline

• Brief Context and level-setting of “status quo” terms
• “Fighting over Inheritance with your kids” -- and Other Uneasy Coalitions
  – Implications for Crop Insurance goals
  – Implications for Conservation goals
• Conversation starters.....
• Discussion
Status Quo – some important definitions

• Maintaining program capacity of FCIC programs
  – 200+ crops/policies
  – 80-90% coverage in many major commodities
• Maintaining goal for actuarial accuracy/equity
• Limit pressure for ad hoc disaster relief
• Existing conservation provisions within current program linked to premium assistance eligibility
  – Highly Erodible Land Conservation Compliance
  – Wetlands Conservation Compliance
• **NOT**: effort to eliminate good practice provisions nor to encourage production in non-viable locations
Crop Insurance: Commodity price and participation driven

Source: RMA SOB data
Large Program – virtually all commercially important acres of major crops

Crop Insurance - Acres

Source: RMA SOB data
2.7% of the budget is allocated to the Farm Bill, which is 2.7% of the Total Federal budget.

### 2014-2018

- **Title IV - Nutrition**: 80.7%
- **Title I - Commodities**: 4.9%
- **Title II - Conservation**: 5.8%
- **Title XI - Crop Insurance**: 8.6%

Source: whitehouse.gov and CBO
Ag titles total about $18B, or .5% of budget
Crop Insurance

“Bummer of a birthmark, Hal.”

Gary Larson – The Far Side
About $10B premium, $110 liability, .9 LR (running)

Growing share of scored budget, pressure to shrink

Likely that there will be a negotiations within committee across programs:

- Crop Insurance vs. Commodity vs. Conservation programs?
- How to build “best” support or risk mitigation framework rather than protect maximum transfer (also risk reducing)
- Numerous commodity and interest group proposals surfacing
- “Eggs on my ice cream” problem

“’cause that’s where the money is...”
Some conversation-starting points

• Crop insurance seems to have gained support as backbone of farm programs – *risk management and limit ad hoc payment pressures*

• Conservation title has also grown – *conservation, environmental goals, sustainability*

• Commodity title declining – *income support?*

• Carrot and Stick conversations not always best way to identify good policy options

• Will still be friction over where to spend money within the farm bill. Budget realities will continue.
Some conversation-starting points

• Basic Economic Principles:
  – If a policy objective is agreed upon, least cost option to attain is often preferred
  – If policy objective is not agreed upon, debate often is about how much can be spent to partially attain
  – Distributional effects often debated (difficult to agree upon)
  – Results in debates about where to spend money
    • IMO Conservation or Crop Insurance debate seems counterproductive
    • Use of one to advance other may be inefficient
Some conversation-starting points

• Ratings issues are often separable from view of desirability of production (high yield risk lands that causes no environmental issues vs. low risk lands that do – how to rate?)

• Ratings should be agnostic to other policy goals

• (Op Ed) If a practice improves soil health, condition, sustainability, then likely to improve asset value.

• (Op Ed) If a practice lessens risk for damage, or improves yield potential, or lessens costs, then likely to improve profitability.
Some conversation-starting points

• Crop insurance not likely best vehicle to advance goals of conservation. Likely not worst either....

• Neither should crop insurance encourage “bad” policy outcomes (i.e., encourage production in areas agreed to pose greater risk than benefit).

• Both Crop Insurance and Conservation titles require and deserve significant support to advance important public policy goals
Final thoughts and Observations

• Most farmers are great conservationists, and want to preserve value of their assets.
• Linking to crop insurance may send wrong message
• If major Crop insurance changes occur, could lose avenue for support.
• Ratings by practice -- legitimate actuarial questions
• Efficiency question remains – if you had one more dollar to spend to encourage conservation, would you spend it on a crop insurance incentive?