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## Farmers and Property Rights: Conservation Compliance Should Not Be Connected to Crop Insurance

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The House and Senate are considering farm bills that would eliminate direct payments to farmers.[1] These are payments that farmers receive regardless of whether they grow any crops. Direct payments provide an incentive for farmers to participate in a program called conservation compliance that conditions federal benefits on farmers complying with certain conservation practices.

By eliminating direct payments, the bills would remove this incentive to participate in conservation compliance. In response, the Senate, unlike the House, has included a provision in its bill that makes receipt of crop insurance benefits contingent on conservation compliance. This provision is misguided and does not respect the fact that farmers, not the federal government, are the best stewards of their land.

**Conservation Compliance.** Conservation compliance, which Congress introduced in the 1985 farm bill, was made mandatory for crop insurance participants until 1996, when Congress removed it in an effort to entice more farmers to participate in the crop insurance program.[2] Currently, the two major programs connected to conservation compliance are conservation program payments and direct payments.

This paper, in its entirety, can be found at
**http://report.heritage.org/ib3946**

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Conservation compliance places two demands in return for crop insurance benefits:

1. Farmers may cultivate highly erodible land only if they develop government-approved conservation systems to address soil erosion, and

2. They may not convert wetlands to crop production.

**Two Wrongs Do Not Make a Right.** Farmers have a strong incentive to maintain their property. For many farmers, their very livelihood depends on the condition of the land. In 2010, farm real estate, including both land and structures, accounted for 85 percent of the total value of farm assets.[3] Property is so important to their bottom line that farmers have every reason to be committed to the long-term viability of their land.

Crop insurance can also create perverse incentives that might alter how farmers use their land. When taxpayers, not farmers, bear much of the risk, farmers could make environmentally unfriendly decisions regarding their properties that they would otherwise not make. In 2000, taxpayers subsidized 37 percent of the premium subsidies that farmers received under the crop insurance program. In 2011, that number was 62 percent.[4]

The problem, though, is with crop insurance and its negative effects, not with farmers and the use of their property. Congress should not try to solve bad policy by creating another bad policy, especially one that harms property rights. The federal government should reform crop insurance and should not interfere with property rights and land use decisions to address some *possible* harms that federal policy may have encouraged in the first place.

**A Disconnected Approach.** Crop insurance is designed to minimize risk to farmers. Conservation compliance, on the other hand, is designed to protect the environment.[5] Linking the two is a forced attempt to develop an incentive to increase conservation compliance using two primarily unrelated programs. As it is, conservation compliance is already connected to conservation program payments, both of which are related.

**The Impact of Eliminating Direct Payments.** Even if direct payments were eliminated, most of the farms participating in conservation compliance would still have been participants because they received conservation payments.[6] If crop insurance were tied to conservation compliance, a significant number of farms with crop insurance but not participating in conservation compliance would have become subject to conservation compliance for the first time. There were 53,000 such farms, or about 16 percent of all farms that received crop insurance in 2010.[7]

**Undermining the Goal of Increasing Crop Insurance Participation.** One major goal for the crop insurance program has been to increase participation rates. Taxpayers are paying far more than ever to subsidize premium subsidies for this very reason. Yet, ironically, at the same time that participation rates are a major goal, conservation compliance is being proposed even though it would likely provide a disincentive to participate in the crop insurance program. This is not unusual when it comes to farm programs, which are filled with inconsistencies and programs that work against each other.

**Reform Crop Insurance, Respect Property Rights.** As the House and Senate move forward with their farm bills, they should make significant reforms to crop insurance, including setting caps on the premium subsidies that farmers can receive and reducing the percentage of premium subsidies currently paid for by taxpayers. They should not, however, try to solve potential problems connected to crop insurance through disrespecting the property rights of farmers.

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1. The Senate farm bill is the Agriculture Reform, Food, and Jobs Act of 2013 (S. 10). The House farm bill is the Federal Agriculture Reform and Risk Management (FARRM) Act of 2013 (H.R. 1947).
2. Megan Stubbs, "Conservation Compliance and U.S. Farm Policy," Congressional Research Service *Report for Congress, April 2, 2012.*
3. USDA Economic Research Service, "Land Use, Land Value, and Tenure," http://www.ers.usda.gov/topics/farm-economy/land-use,-land-value-tenure.aspx (accessed May 21, 2013).
4. U.S. Government Accountability Office, *Crop Insurance: Savings Would Result from Program Changes and Greater Use of Data Mining, GAO–12–256, March 2012,* http://www.gao.gov/assets/590/589305.pdf (accessed May 21, 2013).
5. Natural Resources Conservation Service, "Highly Erodible Land and Wetland Conservation Compliance: Don't Risk Your USDA Benefits!," February, 2012, http://www.ct.gov/doag/lib/doag/farmland_preservation_/nrcs_hel_compliance_flyer.pdf (accessed May 22, 2013)
6. U.S. Department of Agriculture, Economic Research Service, "The Future of Environmental Compliance Incentives in U.S. Agriculture: The Role of Commodity, Conservation, and Crop Insurance Programs," March 2012, http://www.ers.usda.gov/publications/eib-economic-information-bulletin/eib94.aspx (accessed May 21, 2013). About 374,000 farms received conservation payments. There were 322,000 farms that received direct payments but not conservation payments. Therefore, out of this total number of farms (696,000 farms) that participated in conservation compliance, about 54 percent would still be subject to conservation compliance requirements because they received conservation payments.
7. Ibid.