

## Modernizing Crop Insurance in the 2023 Farm Bill

Agriculture is part of the problem, but it can be part of the solution.

Non-point source pollution from agriculture is the leading cause of pollution in lakes, rivers and streams in the United States. The agricultural system is responsible for approximately one-third of all U.S. GHG emissions, when all factors are considered. Addressing the scale of this problem requires us to pursue cost-effective and scalable solutions that reward farmers who help the environment.

Regenerative agriculture can make farms resilient to a changing climate, reduce water pollution, improve water efficiency, bring back impaired wildlife and pollinator populations, and sequester carbon in soils, helping to fight climate change. Right now, few farms are managed regeneratively, and this is partially due to federal policies that drive a risky and harmful agricultural system, rather than a regenerative one. Crop insurance is one major federal policy lever that is ripe for change.

What is the problem with crop insurance?

The Federal Crop Insurance Program (FCIP) is the largest farm subsidy funded by the Farm Bill. Federal taxpayers subsidize the cost of crop insurance that helps farmers and ranchers manage risk, by paying about 60% of the cost of premiums paid by farmers and by paying private insurance companies to deliver crop insurance to farmers and administer claims for losses due to natural causes. While crop insurance is an important source of financial security for many farmers, there is evidence that the crop insurance program might be driving risky behavior; for example, enabling farmers to grow water-thirsty crops in dry climates that they normally wouldn't grow there. Drought and flooding are the two largest categories of loss. By subsidizing what farmers pay for crop insurance, the federal program reduces the risk of failure for farmers who farm marginal land (such as highly erodible or frequently flooded land), or who convert native prairie to cropland in areas like the Great Plains.

Meanwhile, small family farms are less likely to participate in crop insurance, and therefore receive less financial support from the program than mid-size and large farms. This exacerbates existing inequities and contributes to the trend toward larger farms, which tend to be less diverse in what they grow. This in turn drives monoculture systems that threaten soil health, wildlife, and water quality. Compounding this problem, the system has historically rewarded farmers who plant conventional crops like corn, soybeans, wheat or cotton. Policies are now available for over 100 crops, for livestock, and a whole farm insurance option that is great for small, diversified farms. However, fruit and vegetable crops, referred to as "specialty crops", make up less than 20% of total liabilities in the crop insurance program.

Clearly, there is room for improvement in the program to make it more accessible to diverse farms that offer more ecosystem benefits, and to revise policies that might adversely affect the environment.

# How to improve crop insurance in the next Farm Bill:

**Soil Health Discount:** Soil health is important in its own right, and also has benefits for water quality, water-use efficiency, and climate resilience. Soil health practices like reduced tillage, planting cover crops, using diverse crop rotations, and management intensive rotational grazing have been shown to regenerate soil health. That allows water to infiltrate a field so the soil can store more precipitation, reducing the likelihood of crop or forage loss due to flooding or drought. Congress should direct USDA's Risk Management Agency to act on its existing authority to offer a crop insurance incentive for farmers who adopt soil health practices -- like a 'good driver discount' on auto insurance -- and should instruct USDA to establish a pilot program to test the concept and develop appropriate discount levels.

**Nationwide Sodsaver:** In an effort to reduce federal subsidies that support the destruction of native prairie in the northern Great Plains, Congress enacted a Sodsaver provision in the 2014 Farm Bill. The provision reduces the taxpayer-paid subsidy for crop insurance premiums on land converted from native prairie to cropland, for a period of four years. Sodsaver should be expanded beyond the six states it covers (Montana, North Dakota, South Dakota, Nebraska, Minnesota, and Iowa) to protect native grasslands throughout the nation. It should also be strengthened to entirely eliminate crop insurance subsidies on converted land.

**Whole Farm Revenue Protection (WFRP):** An alternative to traditional yield-based crop insurance, this program is based on total farm revenue rather than the yield of individual crops, and may be a preferable alternative for small, diversified farms and beginning farmers. Currently a small program, the WFRP allows farmers to insure more diverse crops and allows insurers to take a broader view of farm success than the yield of individual commodity crops. Greater investments in staff training and resources for the WFRP in the Farm Bill could increase awareness about the program and help support regenerative farmers and farmers transitioning to regenerative agriculture.

**Enforce and Expand Conservation Compliance:** Conservation compliance is a long-standing compact between taxpayers and farmers, to ensure that federal dollars do not have adverse impacts on the environment. Conservation compliance is not a regulation, but an eligibility requirement for subsidies, that simply requires farmers not to drain wetlands or farm highly-erodible land without a conservation plan. Unfortunately, reports indicate that USDA enforcement of conservation compliance has been inconsistent. The next Farm Bill should strengthen conservation compliance enforcement by designating authority to enforce compliance to a separate agency from NRCS, freeing NRCS to focus on providing farmers with technical assistance with their conservation plans.

The Clean Water for All Coalition brings together advocates with diverse backgrounds and interests at local, regional, and national levels, to promote and conserve clean water for everyone. This factsheet was produced by Clean Water for All to advance the principles of the coalition; however, unless endorsement by an organization is specifically stated, statements and positions in this document should not be interpreted as endorsement by all of our members.