Congressional Briefing:
The Future of Highly Erodible Land and Wetland Conservation and Sodsaver

Frequently Asked Questions

The following frequently asked questions relate to the proposal to reattach conservation compliance to the federal crop insurance premium subsidy and to attach a new Sodsaver provision.

Q: What is the key reason why it is important to reattach compliance to the crop insurance premium subsidy?

- A: Conservation compliance has been a key element of a successful and balanced farm safety net since 1985 and the gains that have been made both on the landscape and in the public's willingness to support the safety net must not be eroded simply because the nature of the safety net is changing. In short: compliance works, we are at risk of losing it, and it needs to be applied to the new safety net.

Q: Would reattaching compliance to crop insurance stop farmers from getting crop insurance?

- A: No, this will not have any impact on farmers' ability to purchase crop insurance. Compliance would only attach to the federal crop insurance *premium subsidy*, so farmers who are out of compliance and unwilling to come back into compliance would still be able to buy crop insurance; they simply wouldn't get the taxpayer subsidy.

Q: Would reattaching compliance to crop insurance stop farmers from being able to get an operating loan from their bank?

- A: No, as the previous answer explains, farmers will still be able to purchase crop insurance, which is the key to being able to get operating loans. In addition, the small minority of farmers who are found to be out of compliance will not lose their crop insurance, so they will also not lose their loans.

Q: Would reattaching compliance to crop insurance slow down the process by which producers receive crop insurance indemnities?

- A: No. Since the compliance provisions would apply to the federal crop insurance premium subsidy only, not to the crop insurance policy, crop insurance indemnities would not be held up.

Q: What would the impact be if a producer is found to be out of compliance?

- A: If a producer is found to be out of compliance, they would enter the normal system for processing compliance determinations. This system provides a one-year grace period for producers to come back into compliance. If the producer comes back into compliance by the end of this grace period, there would be no consequences for their operation. If not, then the penalty system would apply, and the producer would be ineligible for some or all of the federal crop insurance premium subsidy in future years. The graduated penalty would still apply, so producers with minor violations may not lose the entire crop insurance premium subsidy.

Q: Would a producer who is out of compliance lose the crop insurance premium subsidy on their whole farm or just on the parcel that is out of compliance.

- A: Since it was put in place in 1985, compliance has applied to the "person" whose operation is out of compliance, so every farm that person operates is impacted. This system would remain the same for compliance on crop insurance. However, under the proposed Sodsaver provision, farmers would only lose the premium subsidy for the parcel where new ground is broken out.

Q: How many farmers would reattaching compliance to crop insurance impact?

- A: ERS data has shown that only about 2% of production could even theoretically be impacted by expanding compliance to crop insurance. This is because 98% of production is already covered by compliance or doesn't get crop insurance. The 2% impact is a high estimate because much of this production takes place on land that is not highly erodible and is therefore not subject to compliance (only 25% of cropland is designated as HEL).
- The specific ERS figures on the percent of production that would be impacted are:
    - Rice and Cotton – less than 1%
    - Corn and Soybeans – 2%
    - Wheat – 5%

Q: Who are the farmers that would be impacted? Who is it that buys crop insurance but doesn't have compliance?

- A: There are a couple of types of farmers who we would expect to fall into this camp. First, the ultra-large farmers who are not eligible for USDA payments because they exceed the maximum AGI level. Those operations would have to begin playing on the same playing field as all other producers. Second, farmers who have recently broken out native sod so they do not have a cropping history, and therefore are not eligible for Direct Payments.

Q: If the impacts of reattaching compliance to crop insurance on farmers and crop insurance are minimal, then why is it important?

- A: The immediate impacts of this change would be minimal because it essentially continues the status quo. However, if this change is not made, the highly successful conservation compliance program would be eroded as the safety net changes and Direct Payments go away. Reattaching compliance to crop insurance is important because it makes sure that compliance will continue to be a successful part of the safety net in the future.

Q: Will this mean that farmers will have to deal with more government enforcement agents on their land?

- A: No. Producers would be able to purchase crop insurance by self-certifying that they are in compliance. The enforcement system would remain the same, with NRCS providing the technical determination and then FSA checking any enforcement claims. NRCS would still just perform random spot checks for compliance; they would not target those who are subject to compliance because of crop insurance.

Q: Will this put RMA agents in an enforcement role?

- A: No. See above answer.

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Q: Why do you want to add another layer of government red tape to farmers' lives?

- A: This change would not add another layer of red tape to farmers' lives. The only paperwork difference would be that farmers would have to attest that they are in compliance when they sign up for crop insurance, just as they do today for the commodity programs.

Q: How would reattaching conservation compliance to crop insurance help farmers?

- A: Reattaching conservation compliance to crop insurance is an important accountability measure that will help to sustain public support for this crucial risk management program. Crop insurance is projected to become the dominant safety net program and to spend $9+ billion annually during the next farm bill, so in these times of tight budgets there will be a large target on its back, increasing the need for public support.

Q: How much of the cost of crop insurance premiums is subsidized by the government?

- A: The percent of the total cost that is covered by the subsidy varies depending on the policies that farmers purchase. In recent years, the average subsidy has climbed to over 60% of the total premium.

Q: What have you heard from the commodity groups on this issue?

- A: Jon Scholl of American Farmland Trust was at the Commodity Classic and had many conversations about this issue. For the most part, commodity producers at the Classic understood the importance of conservation compliance and agreed that it is the right thing for American agriculture. They were mainly concerned that USDA would not be able to administer the program in a way that does not impede their ability to purchase crop insurance in a timely and efficient manner.

Q: Would reattaching conservation compliance to crop insurance reduce enrollment in the crop insurance program?

- A: Given the strength of the crop insurance program, with better than 80% participation, and the importance of crop insurance for risk management, it seems highly unlikely that this would significantly reduce enrollment. Very few producers reject Title 1 support today because of conservation compliance. In addition, since less than 2% of production would have a new compliance requirement, the potential impact on enrollment is minimal.

Q: Would reattaching conservation compliance to crop insurance cause a big workload issue for USDA?

- A: No. Since most program crop producers are currently covered by compliance, very little new work would be required for either new conservation plans or additional spot checking. Also, USDA already has an organized process for any potential new customers, such as when a farm changes ownership, so any potential workload would be handled by the normal process.

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Q: Would reattaching compliance to crop insurance stop farmers from tiling their land?

- A: It depends on the type of land that they have:
  - For highly erodible land with a cropping history, this will not necessarily keep farmers from tiling their land. Farmers would be able to work with their NRCS agent to update their conservation plan, just as they would for any routine change in their farming practices. If tiling worked within a broader plan that achieved the soil erosion reduction requirement, it would be allowed.
  - For wetlands, the current system would continue to be followed, so farmers who want to continue receiving the crop insurance subsidy would not be allowed to tile-drain wetlands.
  - For native grasslands without a cropping history, the new Sodsaver requirement would apply, so farmers who want to continue receiving the crop insurance subsidy would not be allowed to convert native grasslands for crop production, whether or not tile drains are used.