AGree Transforming Food & Ag Policy

ECONOMIC + ENVIRONMENTAL RISK COALITION

April 29, 2021

Chief Economist Seth Meyer
Office of the Chief Economist
Washington, D.C., 20510

Dear Chief Economist Seth Meyer,

On behalf of the AGree Economic and Environmental Risk Coalition, we thank you for the opportunity to provide input on the U.S. Department of Agriculture's (USDA) climate strategy. USDA has several immediate opportunities to encourage the voluntary adoption of climate-smart agricultural practices through improving data collection, sharing, and analysis; incentivizing climate-smart practices through crop insurance rates and policies; and making rule changes to promote cover crop adoption. By implementing policy changes to promote broader adoption of agricultural conservation practices on working lands, USDA can improve farm profitability, increase resilience, reduce risk, enhance environmental performance, and sequester carbon.

Increased USDA Agricultural Data Integration and Analysis

As you know, USDA is home to a vast resource of agricultural data collected from producers by various agencies. Increased integration and analysis of this agricultural data is key to supporting innovative analyses by university researchers to understand how the food and agriculture sector can develop and implement solutions to climate change. Questions that should be addressed by increased USDA data integration and analysis include:

- How can agricultural enterprises become more efficient, resilient, and sustainable?
- How are yield variability and risk affected by soil health for major crops?
- What conservation practices and enhancements, alone or in combination, work best, where?
- What conservation practices and enhancements are most effective in reducing farm risk due to extreme weather events and climate variability?
- How can the food and agriculture sector develop and implement solutions to climate change? In doing so, how can we measure and verify these important contributions?
- What legislative and administrative policy changes to federal farm, conservation, and food security programs are needed in order to make them more cost-effective, efficient, equitable, and sustainable?

USDA has several opportunities to act immediately to improve data innovation and research, both internally at the agency and externally by partnering with trusted researchers at land grant institutions. Our recommendations include:

- Identify data sets needed to understand the impacts of conservation practices on crop yields, soil health, carbon sequestration, and reducing risk. Integrate and analyze the data to consider the multiple benefits of conservation practices.

- Establish a conservation and farm productivity data warehouse to make the results of the data collection and analysis available to academic institutions and researchers.
- Improve the interoperability of datasets collected by USDA.
- Widely disseminate the research, analyzed data, and other information obtained that demonstrates the impacts of conservation and planting practices on enhancing crop yields and soil health, reducing risk, improving farm and ranch profitability, and increasing ecosystem services in a manner that makes it easily used and implemented by producers and other stakeholders.

USDA can support new and innovative research by land-grant universities using the agricultural data it collects. USDA should establish agreements with trusted researchers to answer key research questions. This expanded research capacity will help to create the strong scientific basis to drive climate-smart practice adoption. We know that these innovations in data sharing and analysis can be executed in a way that ensures data privacy and protects producers' personally identifiable information.

Incentivizing Climate Smart Agriculture Through Crop Insurance Rates and Policies

There is a growing recognition in the food and ag sector that many parts of the agriculture finance and insurance system do not adequately reflect the risks of climate change. USDA can revise crop insurance rates and policies to explicitly recognize the risk reduction benefits of conservation investment and re-align financial signals and incentives to drive greater adoption of conservation practices on working lands. Our recommendations for how RMA can incentivize climate smart agriculture include:

- Request a report from RMA on the potential to encourage climate smart agriculture through the crop insurance program.
- Encourage RMA to support crop insurance products under development that would address the risks producers may face when they use regenerative agricultural practices that are intended to conserve resources, improve soil health, and reduce greenhouse gas emissions.
- Support an independent review of RMA's risk rating model to review its assessment of climate resiliency and risk attributes of agricultural conservation practices, including cover crops, crop rotations, and reduced and no till systems.

Administrative Changes to Promote Cover Crop Adoption

Cover cropping is a recognized good farming practices that reduces soil erosion, improves soil health, suppresses weeds, retains moisture, and reduces nutrient runoff – all factors that reduce the environmental impacts of agriculture. However, there remain federal policy hurdles to farmer adoption of cover cropping, and USDA can do more to promote their adoption. In order to support farmer adoption of cover crops, USDA can take administrative action to:

- **Remove prohibitions on grazing, harvesting, and selling cover crops** that are supported by conservation program incentive payments that are not limited in a fashion that is tied directly

to conservation outcomes. The ability to use cover crops as a new revenue stream will expand farmer adoption.

- **Allow cover crops to be harvested for seed, and also allow small grain crops to be sold as cover crop seed if they fail to make food grade specifications** in order to provide multiple markets for some cover crops, such as oats. Improved market opportunities for selling cover crops will promote farmer adoption.
- **Remove rules in the federal crop insurance program that prohibits inter-seeding cover crops**. This practice is helpful to producers because they can use the cover crop for grazing immediately after harvesting their cash crop.
- **Revise the cover crop termination guidance document to improve its readability and make it more farmer friendly.** Cover crop termination guidance needs to be presented in a clear and comprehensive manner in order to reduce the number of individual Good Farming Practices determinations that must be made and reduce farmer perception of insurance problems with cover cropping.
- **Add a new provision to the cover crop termination guidance that clarifies that planting green and intercropping, including inter-seeding, overseeding, relay planting, and strip intercropping, do not affect the insurability of crops.**
- **Adjust the use of Environmental Quality Incentives Program (EQIP) cover crop payments to create the greatest impact**. Currently, EQIP payments for cover crops are around $50 per acre for three years. SARES's national economic report on cover crops showed that the net cost for cover cropping starts at $30 - $40 per acre in year one but rapidly declines as net profit improves. By year three, farmers typically break-even planting cover crops. If incentive payments used a step-down approach over three or four years, EQIP would incentivize 50% more acres and help demonstrate that cover crops pay for themselves over time.
- **Increase Conservation Stewardship Program (CSP) payments for cover cropping.** Currently, CSP payments for the basic cover crop practice are 10 percent of EQIP rates, or about $5 an acre, and the payments for cover crop enhancements are about $12 an acre. While the structure and purposes of CSP and EQIP are different, CSP payment rates should be set considerably higher than current levels to reflect the importance of cover cropping.

In summary, improving agriculture data integration and analysis, incentivizing climate-smart practices through crop insurance rates and policies, and making rule changes to promote cover crop adoption will encourage the voluntary adoption of climate-smart agricultural and forestry practices. These initiatives are supported by the members of the AGree Economic and Environmental Risk Coalition, which include researchers, academics, producers, former officers of USDA, and NGO leadership, who stand ready to lend support to USDA as implementation partners.

We appreciate your leadership in ushering in this new era of climate-smart agriculture and look forward to reviewing the final strategy.

Sincerely,

The AGree Economic and Environmental Risk Coalition