

Farm Bill Policy Priorities

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About AGree

For the last decade, the AGree Initiative¹ has developed innovative and scalable policies and pilot programs that support farmers in improving agronomic and environmental outcomes while adapting to weather variability.

AGree members work together to drive adoption of agricultural conservation practices through improvements in federal policy related to climate, agriculture data innovation, crop insurance, finance, and technical assistance.

Representing a diverse range of interests, our members include researchers, academics, farmers, food companies, former officers of the U.S. Department of Agriculture (USDA), former Congressional staff, and NGO leadership. Together, we advocate for common-sense policies that protect both natural resources and farmers' livelihoods.

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*Members marked with an asterisk below do not participate in lobbying.

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¹ AGree is an initiative of Meridian Institute and the Meridian Implementation Fund.

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Introduction

AGree develops bipartisan policy recommendations that recognize the connection between conservation practices, reduced agricultural risk, and improved environmental and financial performance.

With that in mind, AGree has developed a suite of policy recommendations for the 2023 Farm Bill that would support farmers with the information, risk management tools, and financial resources needed to build their environmental and economic resilience. These recommendations fall into five categories, which include:

- Agriculture Data and Research
- Technical Assistance
- Crop Insurance
- Finance
- Climate-Smart Commodities

These categories represent a systems approach to supporting widespread adoption of conservation practices on U.S. working lands through voluntary, bipartisan policy solutions.

The farm bill represents an enormous opportunity to support farmers and the environment. Implementing policy changes to support broader adoption of agricultural conservation practices on working lands can help improve farm profitability, increase resilience, reduce risk, enhance environmental performance, and sequester carbon. We urge Congress and the President to consider these opportunities as they work to enact this critical piece of legislation.

Agriculture Data and Research

We believe that unlocking USDA's vast archive of agricultural data for the purposes of research is critical to helping farmers and ranchers increase their productivity, profitability, and environmental performance. The results of collecting and analyzing data can inform agricultural policy, crop insurance ratings, technical assistance programs at USDA, and farmer decision-making.

Objectives

- Employ data and analysis to conduct research and provide insights that improve public policy, enhance farm profitability, and create positive environmental outcomes.
- Improve access to USDA administrative datasets for qualified researchers in a manner that protects producer privacy.
- Improve data quality and collection by USDA on the continuous use of conservation practices and land conversion of critical habitats.
- Streamline USDA's data collection process to reduce the reporting burden on producers, reducing redundancy where feasible.
- Improve data systems so they facilitate better data collection on small and diversified farmers. Current data collection mechanisms are designed for producers with a small number of crops, making data collection and reporting difficult for diversified farms. Better data collection mechanisms will support equitable access to USDA programs and better research on the environmental impacts of these types of production systems.
- Catalyze research on how agriculture can mitigate and adapt to climate change, to inform public and private investments in advancing climate-smart agriculture and avoid conversion of critical habitats.

1. ESTABLISH A SECURE DATA SERVICE TO COLLECT, LINK AND ANALYZE DATA ON CONSERVATION PRACTICES

POLICY PROPOSAL: Incorporate the text of the Agriculture Innovation Act into the 2023 Farm Bill.

The Agriculture Innovation Act directs USDA to:

- Identify, collect, link, and analyze data on conservation and other production practices.
- Establish procedures and incentives for producers to voluntarily elect to submit data that may be useful in understanding the impacts of the adoption of conservation and other production practices on crop yields, soil health, ecosystem services, and production and income risk;
- Establish a secure data center; and
- Make anonymized and aggregated data available to qualified academic institutions and researchers for analytical and research purposes.

To read the full bill text and a section-by-section explainer, <u>click here</u>.

2. EMPIRICALLY DEMONSTRATE THE IMPACTS OF CONSERVATION PRACTICES AND DIVERSIFIED FARMING SYSTEMS

POLICY PROPOSAL: Direct USDA to conduct additional data pilot projects in collaboration with external partners to answer critical questions about the environmental impacts of different farming systems.

Advancing data pilot projects in collaboration with USDA through public-private partnerships can answer high-priority research questions and advance innovations in data collection, integration, and sharing, while maintaining privacy protections for producer data. Research pilots such as the <u>Conservation and Crop Insurance Research Pilot</u>² demonstrate how integration of datasets across multiple USDA agencies can inform policy and farm-level decision making while also revealing data gaps that can guide USDA's ongoing efforts to improve agency data systems.

Potential topics for future pilots authorized through the 2023 Farm Bill or administrative action, using existing authorities and funding, include analyzing:

- Connections between diversified agricultural systems, agriculture risk, and resilience;
- Carbon sequestration potential of regenerative agriculture practices in certain geographies;
- Co-benefits of soil health practices in certain geographies (e.g., water quality and quantity, efficient use in fertilizer input and animal feed costs, labor, and machinery costs);

² AGree is currently implementing the <u>Conservation and Crop Insurance Research Pilot</u> to analyze USDA and thirdparty datasets to understand how current and historic cover crop and/or no-till practices affected whether fields could be planted in 2019, when they could be planted, and the yield that was obtained. This research pilot establishes a framework for collaboration between USDA and land grant universities to facilitate research that will assist USDA in advancing its conservation and crop risk management mission areas.

- Co-benefits of rotational grazing systems;
- Connections between the impacts of farming practices on food composition and human health outcomes; and
- Measuring the impacts of climate-smart farming practices (e.g., how to measure the reduced environmental and/or climate impacts of commodities with the intent of marketing them as tradable offsets or credits).

3. IMPROVE DATA COLLECTION ON DIVERSIFIED SYSTEMS

POLICY PROPOSAL: Require USDA to expand data collection on diversified systems to allow for analysis on the economic and environmental benefits. Data should be collected to measure multiple metrics of success, including economic, social, and environmental. Diversified systems include agroforestry, crop-livestock integration, perennial, and resource-conserving crop rotations, among others.

4. PRIORITIES FOR USDA RESEARCH ACTIVITIES

POLICY PROPOSAL: Invest in research to catalyze innovation, build the business case for climate-smart agriculture, and ensure the continued improvement of climate models and measurements.

- Direct research assets to conduct precompetitive analysis and modeling that demonstrates the economic value associated with the implementation of climate-smart agricultural practices and protecting critical habitats from land conversion (e.g., grasslands).
- Fund research to understand the impacts of climate-smart agricultural practices and to develop new practices.
- Expand economic research and behavioral studies about what types of financial incentives and technical assistance are helpful in motivating farmers to transition to conservation practices.
- Improve the rigor and transparency of climate models and measurements through expanding soils and greenhouse gas data collection on different farming systems and leveraging programs such as the Partnerships for Climate-Smart Commodities Program. These investments should support the efforts of the U.S. Greenhouse Gas Inventory and private ecosystem service markets.

Technical Assistance

The current demand for conservation technical assistance exceeds

existing capacity, leaving many farmers with long wait times or insufficient support to implement practices critical to the health of their land. Given this challenge, USDA and Congress have several opportunities to invest in social innovation to create strong networks and communities around conservation, expand the use of partnerships to bolster and improve technical assistance, and create opportunities to research and co-create knowledge with producers.

Objectives

- Assess the status of the nation's technical assistance system and pilot innovative solutions for improving information delivery to farmers, ranchers, and foresters.
- Streamline and expand access to technical assistance for implementing climate-smart agriculture practices.
- Improve the effectiveness of existing conservation programs.

1. COMPREHENSIVE TECHNICAL ASSISTANCE ANALYSIS AND PILOT INCUBATION

POLICY PROPOSAL: USDA should conduct a comprehensive stakeholder engagement and analysis process to understand how federally funded technical assistance can meet the needs of a diverse array of stakeholders and regionally specific needs. With this assessment in hand, USDA should then design, pilot, and scale innovative projects that demonstrate how the nation's technical assistance system could be reimagined at scale.

• Assessment Process: USDA should conduct an assessment of regional differences in TA needs, current limitations of technical assistance, and generate creative ideas for how the TA system could better assist farmers and ranchers in adopting climate-smart agriculture

practices. The assessment process should be grounded in a comprehensive stakeholder engagement process, including extension, tribal extension services, crop advisors, private sector consultants, BIPOC and beginning farmer groups, academics (HBCUs and land grants), producer check-off representatives, relevant NGOs, USDA and other relevant federal personnel, state government, and corporations. It should be designed to ensure that the needs of a diverse array of stakeholders as well as regionally specific variations are considered and incorporated into the pilot design phase.

- **Pilot Phase:** Based on the assessment of the current technical assistance system, USDA should co-create pilots in representative regions and communities to test technical service delivery solutions. These pilots would be designed and carried-out in partnership with tribes, organizations, companies, academia, and government to ensure stakeholder buy-in and improve likelihood that implementation mechanisms will be durable and flexible to meet the changing needs of producers.
- Scaling Lessons Learned: USDA should evaluate the pilots and make recommendations for scaling technical services nationally, including various funding mechanisms and modes of delivery.

Crop Insurance

Given high enrollment and significant federal subsidization, crop insurance has the potential to drive broader adoption of agricultural conservation practices that reduce risk and provide economic and ecological co-benefits. Although many conservation practices improve soil health and reduce risk, these benefits are not incorporated into the Federal Crop Insurance Program (FCIP). Improvements to the FCIP can eliminate barriers to conservation and help farmers cover the risk of adopting new conservation practices.

Objectives

- Strengthen the Federal Crop Insurance Program (FCIP) long-term by providing the backstop for farmers to make the transition to conservation agriculture.
- Remove remaining policy barriers to conservation practice adoption within the Federal Crop Insurance Program (FCIP).
- Improve insurance products for diversified farming systems.

1. STRENGTHEN THE FEDERAL CROP INSURANCE PROGRAM LONG-TERM BY PROVIDING A BACKSTOP FOR FARMERS TO MAKE THE TRANSITION TO CONSERVATION AGRICULTURE

POLICY PROPOSAL: Create a Farmer Innovation Transition Program to manage financial risks associated with conservation adoption and innovation.

Policy support for managing the risks of transitioning to conservation agriculture is often cited by farmers as an unmet need that must be addressed before widespread conservation adoption will occur. For example, farmers mention concerns about jeopardizing their crop insurance coverage as a disincentive to implementing conservation practices. Likewise, such concerns inhibit innovative farmers from experimenting with conservation practices, which are the first step in broader adoption. Voluntary USDA conservation programs such as EQIP and CSP provide cost-share assistance, but there is typically more demand for those programs than resources available. A better option to manage risks associated with the transition to conservation agriculture – and one that would be available to every farmer using the federal crop insurance program on a voluntary basis – is to set a floor under the farmer's APH for a year in which an approved conservation practice is utilized on a given field. For farmers using the practice, in the event of yield loss, that year's APH would be cupped at 95%. The APH cup would not change the amount or calculation of an indemnity payment.

Farmers seeking to avail themselves of such protection would certify to USDA that they are implementing a specific eligible conservation practice approved by the Secretary and the protection would kick in the first year that practice is in place. Every two years, the Secretary would be required to review the list of eligible conservation or innovative farming practices, as well as other conservation or innovative practices, and update the list of eligible conservation or innovative farming practices. Farmer eligibility for the program would expire after five years of participation.

For farmers, the Farmer Innovation Transition Program helps to de-risk adoption and innovation of new conservation practices by protecting against APH deterioration. In years with increasing yields, that year's APH for that field would increase as it would in the absence of this program.

2. REMOVE OBSTACLES TO CONSERVATION ADOPTION IN THE FEDERAL CROP INSURANCE PROGRAM

POLICY PROPOSAL: Identify remaining barriers to adoption of conservation within the FCIP and either justify their continuation or eliminate them.

Barriers continue to exist within the FCIP that impede adoption of conservation practices, including RMA control of farm conservation practices because they do not meet what it calls "Good Farming Practices." The RMA Good Farming Practice Standards Handbook clearly asserts any adoption of a farming practice (conservation based or not) could trigger loss of insurance coverage if the practice results in a yield decline that varies from its historical APH yield. **RMA should modify the Handbook by deleting the** <u>underlined and italicized</u> language below:

The use of NRCS Conservation Practices will generally be recognized by agricultural experts for the area as considered good farming practices. Therefore, the use of NRCS Conservation Practices will have no impact on Federal crop insurance coverage, provided the adoption of such practice does not negatively impact the insured crop's ability to make normal progress toward maturity and produce at least the yield used to determine the production guarantee or amount of insurance and provided the NRCS

<u>Conservation Practice is not an uninsurable practice under the terms and conditions of</u> <u>the individual crop insurance policy.</u>

3. IMPROVE INSURANCE PRODUCTS FOR DIVERSIFIED FARMING SYSTEMS

POLICY PROPOSAL: Identify remaining barriers to adoption of conservation within the FCIP and either justify their continuation or eliminate them.

WFRP is currently the only risk management policy that insures the totality of diversified farming systems. While the policy provides a valuable safety net for diversified producers, it has struggled with widespread adoption since its creation in the 2014 Farm Bill. Both producers and crop insurance agents have concerns about the policy, including paperwork requirements, agent commission rates, and coverage levels. RMA approves and implements annual updates to the policy, which can provide helpful but piecemeal changes. A comprehensive review of WFRP will give USDA a full picture of what is needed to enhance the policy and strategically address the issues for the benefit of producers.

Finance

Exploring how the agricultural finance system can incorporate the riskreducing benefits of conservation investments is critical to making the food and agriculture system more resilient to climate change. Policy action can build understanding of the financial risks of climate change in agriculture and incentivize finance providers to incorporate the benefits of conservation practice adoption into investment and lending practices

Objectives

- Build agriculture finance community understanding of the financial risks of climate change in agriculture and the potential risk reduction benefits of agricultural conservation practices and diversified agricultural systems.
- Support and promote innovative private financial tools, policies, and programs that de-risk conservation practice adoption and implementation of diversified agricultural systems, thereby encouraging the adoption and scaling of conservation practices and diversified agricultural systems.
- Leverage public lending authorities, in combination with private finance, to expand financial support of conservation practice adoption, diversified agricultural systems, water quality improvements, and/or risk mitigation, particularly for producers who are underserved by current agricultural finance tools.

1. BUILD EVIDENCE OF LOWERED FINANCIAL RISK OF CONSERVATION

POLICY PROPOSAL: Establish the Center for Conservation Economics to coordinate farm financial benchmarking efforts focused on economic analysis of conservation practices across states. With \$10 million in annual funding, the Center would provide capacity building and training support to farm financial benchmarking programs and administer grants for conservation economics data gathering projects.

The Center would support open-source farm financial benchmarking programs with a particular focus on financial benchmarking of climate-smart practices and diversified agriculture systems.

The Center would specifically support farm financial benchmarking programs (both whole farm and enterprise level) across the country to expand their analysis of the farm financial impacts of conservation adoption and weather impacts associated with climate change. It would support the development of projects that connect financial benchmarking data to environmental performance data where possible. The Center would coordinate financial benchmarking programs across the country inputting their data into the FINBIN database — the largest publicly available farm financial database in the country. The Center would also provide capacity, funding, and training support to establish new farm financial benchmarking programs in states where they do not yet exist in order to better support both diversified and conventional farming operations.

Benefits of the center include:

- Publicly provide real-world data from a wide diversity of metrics, including farm size, commodities produced and geographic distribution, that will allow producers considering adoption of climate-smart conservation practices to evaluate the financial impact on their operation before implementation.
- Providing anonymized and trusted farm financial data about climate-smart agriculture practices to inform federal and state conservation incentive programs, corporate value chain incentive programs, financial products, and producer decision-making.
- Increasing farm financial benchmarking program capacity and multi-state data gathering, analysis and dissemination that will provide decision-making information of value to more regions and types of agricultural production systems.
- Providing data to the FINBIN database that carries integrity of college faculty "groundtruthing"
- Preparing regional reports of economic data that producers can utilize to make conservation practice decisions.
- Centralizing leadership and data standardization across states will increase the value of benchmark data collected and provide capacity to generate reports in response to almost unlimited online specifications of farm characteristics.
- Providing a single point of contact for organizations and other stakeholders who are seeking. conservation economic data.
- Developing national "norms" in data trends by eliminating data collection differences.

2. DEVELOP A MULTI-YEAR DEVELOPMENTAL LOAN PILOT

POLICY PROPOSAL: Provide flexible and bundled financing options that help beginning farmers and ranchers grow equity in operations to support long term success.

Beginning farmers face significant start-up costs in their first years of operation and need time to accumulate working capital and develop their production and marketing systems. In addition to annual operating credit needs, start-up operations also have substantial intermediate credit needs to establish their financial management systems, accumulate the necessary equipment, and build their business infrastructure for crop records, payroll, food safety, regulatory requirements, etc. The current structuring of finance with annual operating loans isn't conducive to intermediate credit needs and to the accumulation of production income because the terms of repayment are too short. Extending the term of the loan so the annual cost of capital isn't so high would address that, allowing production income to meet the cost of capital while also accumulating some equity.

Collateral requirements, too, can be prohibitive and collateral requirements in excess of the value of the asset prevent access to other credit. Lowering collateral requirements for annual and multi-year operating loans to the value of the loan plus a margin for the cost of loan recovery would address this problem.

An additional benefit of this program is that it will reduce administrative costs for the USDA Farm Service Agency (FSA) and guaranteed lenders. Since current repayment terms are shorter than beginning farmers can afford, many of the current loans need to be restructured, creating an administrative burden for FSA and guaranteed lenders. This new program, with longer and more reasonable pay-back periods built in, will require fewer hours to administer.

The program would utilize the current credit title definition of beginning farmer and rancher. Eligible borrowers would need to be qualifying beginner farmers or ranchers at the time of loan initiation, but not for the duration of the entire loan term. The program would utilize all other credit title eligibility requirements. All eligible uses of conservation loan programs would apply for multiyear development loans.

The pilot program should be undertaken in 10 states, and if FSA determines the pilot is operating successfully, the agency should be authorized to transform it into a permanent nationwide program offering.

The new program would address multiple barriers for beginning farmers and ranchers by featuring:

• Annual operation loans packaged with a new intermediate credit loan (both direct and guaranteed) for up to a 10-year term.

- Reduced collateral requirements for both the annual operating loan and intermediate credit loan of not greater than 85% loan to value.
- Revised direct operating loan (DOL) interest rate for both the annual and intermediate loan to cover taxpayer cost of capital, i.e., instead of a flat 1% above cost of money to the government, make it a flexible 0-100 basis points above 30-year Treasury rate depending on the current credit subsidy rate.
- For the intermediate credit loan, there would be required mandatory interest payments every year, but with flexible principal repayment (but not less than 1% of remaining balance annually) depending on the borrower's production year and farm plan for the following year.
- Exemption of the Beginning Farmer and Rancher (BFR) Development Loan package from the farm bill's DOL 7-year term limit provision.
- A loan limit for intermediate credit loans of \$150,000, for both direct and guaranteed loans. This loan limit will operate independently from the existing DOL and Guaranteed Operating Loan (GOL) limits.
- An option for borrowers to have their Development Loan package administered in concert with an FSA BFR Down Payment Loan (DPL), BFR Participation Loan, BFR Land Contract Guarantee, or any other BFR direct farm ownership loan (DFO) or beginning farmer guaranteed farm ownership loan (GFO).
- An enhanced Borrower Training component designed to provide accessible and comprehensive, wrap-around training and support to Development Loan borrowers through FSA-accredited programs sponsored by NGOs, Extension, or educational institutions, including those that have or will receive funding through NIFA's BFR Development Program or Extension Risk Management Education Program, or other relevant USDA or State programs. Learnings from this enhanced program option would be utilized by FSA to make improvements should the Development Loan option become a permanent, nationwide program as well as to help guide future improvements to the Borrower Training program across the board.

For borrowers choosing the option outlined immediately above, further options include utilizing:

- FSA's <u>Conservation Contract Program</u> to provide long-term protection of farm and ranch land and sensitive natural resources such as riparian buffers in exchange for partial real estate loan debt cancellation, and/or
- FSA's Continuous Conservation Reserve Program's <u>Clean Lakes Estuaries & Rivers</u> (CLEAR), <u>State Acres for Wildlife Enhancement</u> (SAFE), or <u>Organic Field Border Buffer</u> initiatives to enroll conservation buffers to protect natural resources while earning an annual rental payment as well as cost share and incentive payments

Climate-Smart Commodities

As the Climate-Smart Agriculture and Forestry Partnership Program is implemented, USDA must leverage all its mission areas to support the pilots undertaken through this innovative program. Likewise, it is imperative that all American agricultural producers are included in the program, especially historically underserved producers. Finally, fundamental to the program's success will be collaborative efforts to translate the outcomes of pilots into innovative policies and programs.

Objectives

- Ensure the success of the Climate-Smart Commodities program.
- Collaborate to ensure the findings and outcomes of the Climate-Smart Commodities program are translated into innovative policy and programs.

1. PRINCIPLES TO INFORM THE IMPLEMENTATION OF THE CLIMATE-SMART AGRICULTURE AND FORESTRY PARTNERSHIP PROGRAM

POLICY PROPOSAL: Expand the Climate-Smart Commodities program to fund additional projects.

The following principles should inform USDA's implementation of the Climate-Smart Commodities program:

- **Promote Innovation:** The Climate-Smart Commodity Partnerships Program is an unprecedented opportunity to pilot and collect data on cutting-edge approaches that can help agriculture mitigate and adapt to climate change. USDA should explore other efficient options for verifying projects will have a finding of no significant impact (FONSI) beyond requiring that projects follow the NRCS Best Farming Practices Handbook or conduct a NEPA review. These current requirements would restrict piloting to known conservation practices and approaches and limit innovation catalyzed by the program.
- **Measure Outcomes:** Measure program success by shifting to an outcomes-based model that prioritizes climate action and reflects the range of contributions that agriculture is making now and in the future to communities, the environment, and food availability.

Ensure that outcomes measurement includes accounting of the holistic benefits of climate solutions to soil, water, air, and human health.

- **Ensure Access:** Ensure that all American agricultural producers and forest owners can participate, with a particular focus on including Black, Indigenous and Latinx farmers, young and beginning as well as established farmers, small-scale and large-scale farmers, and farmers who grow a diversity of crops and/or operate integrated crop-livestock systems. USDA should allow or provide some up-front funding for grantees and other partners who are working on climate-smart commodity projects, rather than re-imbursing all expenses, in order to increase the accessibility of the program.
- Facilitate Research: Promote the coordinated research and science needed to take climate action based on learning from the outcomes of varying strategies implemented.
- Utilize a Suite of Financial and Risk Management Incentives: Better align financial incentives in our risk management and farm finance systems to promote conservation, e.g., by utilizing crop insurance products like the recently approved Post-Application Coverage Endorsement (PACE) for farmers who split-apply nitrogen fertilizers.
- Invest in Technical Assistance: Improve and streamline delivery of climate-smart commodity programs for maximum benefit, including support for the technical assistance system so that producers can take swift action on the ground.



For the last decade, the AGree Initiative has developed innovative and scalable policies and pilot programs that support farmers in improving agronomic and environmental outcomes while adapting to climate change.

AGree partners believe there are real opportunities to use federal agricultural policy to incentivize and scale agricultural practices that reduce greenhouse gas emissions, improve soil health, and enhance water quality while reducing farmer costs and improving profitability.

AGree is an initiative of Meridian Institute and the Meridian Implementation Fund.





Meridian Institute is a mission-driven nonprofit consultancy that builds understanding, guides collaboration, and drives action to address our world's complex challenges.

Meridian Implementation Fund a 501 (c) (4) nonprofit that advocates for legislative action on policies that improve lives, the environment, and the economy. Partnering with diverse partners and experienced lobbyists, we build political support for consensusbased policies developed by groups convened and managed by Meridian Institute.

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