How Federal Conservation, Energy and Climate Policy Affects Western Agriculture

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Issues

• What have we got?
• Where are we going?
• Who benefits?
  – How might that change with the new farm bill?
• What would good policies look like?
• Would a new farm bill be a positive change?
What have we got?
US Farm Subsidies 1995–2011 ($277 billion)
Source: Env Working Group database
What have we got?
Conservation & environment

• Since 1980s, a growing mix of conservation programs
  – built on soil and water conservation tradition
    • CRP, EQIP, CSP,…
  – growing recognition of other environmental benefits
    • e.g., WHIP, new initiative to create wildlife habitat on CRP land
  – “conservation compliance” introduced in 1985
    • limits subsidies on land vulnerable to erosion
    • crop insurance removed from compliance in 1996
Are soil erosion-based conservation programs relevant to Western Agriculture?
What have we got? Energy & climate

• Energy title introduced in 2002
  – Various programs to subsidize renewable energy development and utilization of feedstocks, for grain commodities & by-products
  – 2008 extended to non-corn feedstocks, woody biomass
  – subject to conservation compliance
    • DOES include greenhouse gas performance standards
• Climate mitigation and adaptation NOT explicit part of 2008 bill or new bills
  – regional and state initiatives continue apart from federal
  – research funding is substantial part of USDA’s competitive grants program (NIFA)
  – weather-related disaster programs, crop insurance address weather risks but not linked to climate adaptation
    • work against conservation, adaptation goals?
Where are we going?
Conservation and environment

• Consolidate programs
  – CRP, EQIP CSP reauthorized, others combined into new programs for easements and regional programs

• Reduce funding: $6b over 10 yrs?

• Senate would add conservation compliance to crop insurance; House would not
  – proposal by conservation and environmental organizations supports inclusion
  – potential to substantially reduce incentives for soil conservation requirements with elimination of direct payments
Where are we going? Energy & climate

• Energy title maintained, with some provisions eliminated, some difference between Senate and House (e.g. forest biomass program, infrastructure study, ...)

• Funding is main difference in Senate & House
  – Senate: substantial mandatory funding (REAP, BCAP, biorefinery, biomass research)
  – House: no mandatory funding, authorizations subject to appropriations

• No explicit climate mitigation or adaptation funding; cuts in research funding?
Who benefits?

• US ag census data, 2007
• Compare by type, size and profitability
• Five farm types:
  1. rainfed small grain-based
  2. corn, soy & other rainfed
  3. irrigated
  4. cattle
  5. other livestock
Who benefits?

1. rainfed small grain
2. corn, soy & other rainfed
3. irrigated
4. beef cattle
5. other livestock

Pacific Northwest
(east of Cascades)
Who benefits?

PNW farms with positive net returns

1. rainfed small grain
2. corn, soy & other rainfed
3. irrigated
4. beef cattle
5. other livestock

PNW farms with negative net returns
What would good policies look like?

• Two motivations for intervention
  – market failure
    • pollution
    • common property resources (water, climate)
  – public goods
    • research
    • ecosystem services

• How could – or should – we address these issues efficiently and equitably with federal policy?
  – what should be part of a “farm bill?”
  – combination of positive and negative incentives, regulation (Payments for Ecosystem Services? CSP?)
  – very different outcomes than current array of conservation programs
Is a new farm bill likely to be better?

- Conservation: risk of diminished incentives for soil and water conservation
  - how effective are current policies?
  - research shows reductions in erosion, but value and cost unclear
- Energy: could encourage non-corn alternatives, or could be left with only RFS for ethanol
- Does not address agriculture’s role (positive and negative) in climate change
- Does not prioritize environmental services according to benefit-cost criteria
  - Western communities & ag would benefit from such changes!