



Rewarding Farmers and Ranchers for Environmental Stewardship: Green Payments

American Farmland Trust calls for a broad-based *green payments* program—one that pays all farmers and ranchers for providing environmental benefits—as the centerpiece of the next farm bill.

Introduction

Farmers and ranchers work more than half of the land in America. Using this critical national resource, they produce food, fiber and energy for our country and the world. They also produce significant environmental benefits, such as cleaner water and air, improved wildlife habitat, increased biodiversity and improved soils. Farmers and ranchers are outstanding stewards of the land, and they could do more. However they typically aren't compensated for their environmental production—that is, for “growing green.” That leaves everyone worse off: the public, farmers, ranchers and the environment.

In the 2002 Farm Bill, we made a giant step forward in paying farmers and ranchers for environmental services by encouraging more stewardship on our working lands with the Conservation Security Program (CSP). Unfortunately, insufficient funding, program restrictions and implementation issues have limited CSP from realizing the goal of “...providing payments for maintaining and enhancing natural resources...[with] equitable access to benefits to all producers, regardless of size of operation, crops produced or geographic location.” (CSP Fact Sheet). AFT's *Agenda 2007* calls for a new, broad-based green payments program and a doubling of funding for working land conservation programs in the next farm bill. These changes would significantly increase environmental benefits on the ground and would compensate farmers and ranchers with a new, reliable stream of income.

The time is right for a bold proposal that shifts federal resources in response to the enormous pressures on U.S. farm policy. These pressures include a burgeoning federal deficit, the likely incompatibility of current farm programs under World Trade Organization (WTO) rules, and the increased demands from many farmers and ranchers who get little support from current farm programs. The payment of farmers and ranchers for environmental performance through green payments enjoys broad support with the public and with farmers. Green payments are a publicly defensible, WTO-compliant, and sustainable method for providing support to agricultural producers.

Justification for a Green Payments Program

More than half of the land in America is working land—farms and ranches. Use of this land to produce food, fiber and energy has an enormous impact on the natural and human environment. Well-managed agricultural land can supply environmental benefits including cleaner water, increased wildlife habitat, flood control, wetlands protection and air quality improvements.

America's farmers and ranchers serve as indispensable and outstanding stewards of our nation's land and natural resources. Through a variety of sound management practices, farmers and ranchers produce \$35 billion a year in environmental benefits related to water quality, and \$153 billion a year in benefits related to the biodiversity of plants and animals. Agriculture also helps



mitigate global climate change by sequestering carbon through management practices such as conservation tillage.

Ideally, farmers and ranchers would be paid through the free market for the environmental goods they produce, just as they are for food, fiber and energy. Unfortunately, there are no functioning markets for these environmental services. As a result, agricultural producers have little economic incentive to provide these services and thus fewer public benefits are produced. A legitimate role for the government is to address this market failure and support these underdeveloped markets for environmental goods and services. In one sense, the government can provide compensation for these environmental goods and thus allow farmers to “sell” environmental services. This approach would provide an additional revenue stream for farmers and ranchers, helping them diversify their income, while ensuring the efficient production of environmental benefits for the public.

Although some believe that agricultural interests are at odds with environmental goals, this need not be the case. Indeed, creating a market for public benefits such as clean air and water and abundant wildlife is a win-win opportunity for farmers, the public, and the environment. A green payments program, such as the one proposed by AFT, creates this win-win situation by linking financial rewards for farmers to meaningful and measurable levels of environmental stewardship. These green payments would build upon lessons learned from the Conservation Security Program (CSP) and would complement a streamlined CSP. AFT believes a broad-based and widely available green payments program should be the centerpiece of the next farm bill and therefore would constitute a significant percentage of farm bill spending.

Additionally, doubling funding for working lands conservation programs (such as EQIP, WHIP, CSP, FRPP, etc.) would complement the new green payments program. Green payments would reward *attainment* of environmental benefits by paying for the continual stream of environmental benefits that farmers and ranchers produce. In contrast, working lands conservation programs would continue to focus on helping farmers *improve* their environmental performance, thus supporting and complementing the green payments program. Once a green payments program is implemented, producers would be expected to seek conservation programs that provide cost-share assistance in order to improve environmental performance and thus earn higher green payments.

A federal green payments program would reward farmers and ranchers for sound land management and resource conservation on the nation’s privately owned and managed agricultural lands. The 2002 Farm Bill introduced the Conservation Security Program (CSP) as the first comprehensive green payments program that sought to link support for agriculture to environmental outcomes. Disappointingly, CSP has been plagued by a lack of funding and implementation problems, even while enjoying broad support from farmers and ranchers. The green payments proposal could complement and work in conjunction with a streamlined CSP. Green payments would reward all farmers and ranchers for broad-based environmental performance, while CSP would focus on rewarding producers who are meeting the highest standards of conservation and environmental management on their operations—the “best of the best” who use sustainable agricultural systems.



The green payments program proposed by AFT would be available to all agricultural producers who manage land and provide environmental benefits, regardless of the size of operation, crops produced or geographic location, including specialty crop producers and ranchers. Payments would be based on sound performance-based measures rather than on specific practices, which would provide farmers with the opportunity to achieve environmental goals as they see fit. Payments would be tied to a simple, transparent, and reliable measure of environmental performance and would be made available on a graduated scale to encourage continual improvement in environmental stewardship.

A viable, sustainable, and competitive American agriculture must be supported through federal farm policies that enhance farm profitability and environmental stewardship. If properly designed and implemented, green payments will produce real and compelling benefits for taxpayers and the environment while simultaneously providing a more sustainable basis for public support of farmers and ranchers. By making the provision of environmental benefits a primary basis for public support, AFT's green payments proposal builds on the unique status of farmers and ranchers as the caretakers of our land, water, and biodiversity to create a policy that is open to all types of agricultural producers and elicits broad public support.

For more information on *Agenda 2007*, AFT's recommendations for the 2007 Farm Bill:
<http://www.farmland.org/programs/campaign/default.asp#agenda>

For specific details on the green payments program:
http://www.farmland.org/programs/campaign/documents/AFT_Agenda2007_GreenPayments_May06.pdf

Or contact:
Jimmy Daukas
Manager, Farm Policy Reform
American Farmland Trust
jdaukas@farmland.org
202-378-1242