



2007 Farm Bill Policy Recommendation

Green Payments

Recommendation

Provide green payments to all agricultural producers who manage land and provide environmental benefits, including specialty crop producers and ranchers. These payments would be based on a simple, transparent, and reliable measure of environmental performance.

Rationale

Green payments would reward farmers and ranchers for sound land management and resource conservation on the nation's privately owned and managed agricultural lands. This concept, which enjoys broad public support, would provide a steady, reliable stream of revenue for farmers and ranchers. Green payments are also a publicly defensible, WTO compatible and sustainable method for providing support to agricultural producers. In essence, a system of green payments allows farmers to "sell" environmental services—thus providing revenue for producers as well as environmental benefits for the public. Environmental benefits could include sequestering carbon, controlling floodwaters, providing wildlife habitat, supplying groundwater recharge areas, increasing biodiversity and providing cleaner air and water.

Description

Green payments would be made universally available to all agricultural producers who manage land and provide environmental benefits, regardless of the size of operation, products produced, or geographic location. These payments would be based on environmental performance rather than the application of specific practices. This approach provides producers with the flexibility to achieve environmental goals as they see fit. Payments would be based on a simple, transparent, and reliable measure of environmental performance, such as a composite conservation benefits index or a certified whole-farm conservation plan. Payments would be made on a graduated scale in order to encourage higher levels of environmental stewardship. The funding for the new green payments program could be based on the existing commodity-based direct payments program. The direct payments (~\$5 billion) could be phased into green payments over a period of time to allow current direct payment recipients to adjust.

Mechanics

Green payments would be available annually to all eligible agricultural producers. The level of payment would be determined by each producer's level of stewardship based on environmental performance. Producers would have the flexibility to achieve environmental goals at the lowest cost for their own resource concerns. The payments would reward environmental performance already *attained*, in contrast to conservation cost-share programs, such as EQIP, which provide funds to *improve* environmental performance. Thus, green payments leverage farm bill dollars in a way that conservation cost-share programs cannot, because they combine aspects of traditional entitlement

support programs (e.g. direct payments) with the goals of environmental benefits. Producers receiving green payments will also likely seek cost-share assistance from other conservation programs in order to move to higher levels of performance and thus higher subsequent payments.

Green Payment Performance Criteria

Payments under a green payments system are based on a producer's individual environmental performance. Producers who improve their performance would be eligible for higher payments in the following year. Green payments could be calculated as follows: $Green\ payment = (performance\ multiplier) \times (per\ acre\ payment\ rate) \times (total\ acres)$. A performance multiplier could range from 0 to 100 percent depending on a producer's level of environmental performance. A producer's performance could be measured in any given year based on either a composite conservation benefits index or the level of completion of a producer's whole farm conservation plan:

- *Composite Conservation Benefits Index*
A composite index would focus on the resource concerns of water, air, soil, wildlife, and possibly open space. A composite conservation benefits index can be used as a measure of a producer's level of environmental stewardship and sound land and resource management. The use of a composite index rewards farmers for performance, rather than for specific conservation practices. An index approach would make a green payments program more transparent, more predictable for farmers, and easier to administer.
- *Certified Whole-Farm Conservation Plans*
A producer's environmental performance could be based on the level of implementation of a certified whole-farm conservation plan. Measuring performance through a certified whole-farm conservation plan is an individualized method for evaluating a producer's relative level of environmental stewardship. By using a certified whole-farm plan as a basis for evaluating environmental performance, producers are rated against their own applicable environmental goals including national, state, local and individual farm priorities.

Phase-in Period

Direct payments would be phased into green payments over a period of time to allow recipients to adjust to a new allocation formula. During this phase-in period, current recipients of direct payments would be guaranteed a minimum payment that would decline over time. For example, current direct payment recipients would have a guaranteed floor of 100 percent of their current direct payments in year one; 80 percent in year two; 60 percent in year three, etc. By year six, all current commodity-based direct payments would be reallocated to the new green payments program. During the phase-in period, current recipients would be able to increase their annual payments above their guaranteed floor, if they meet the performance criteria for the green payment.

