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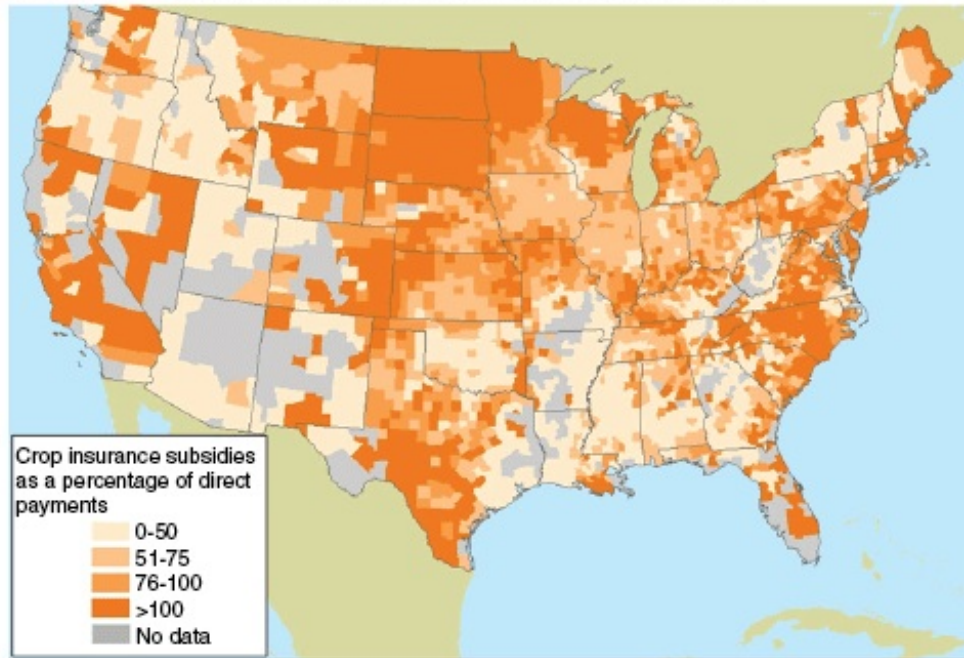
On the Map

by Roger Claassen

Can Crop Insurance Encourage Environmental Compliance?

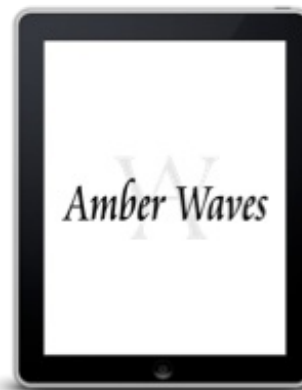
Environmental compliance requires farm program participants to conserve soil on highly erodible cropland and refrain from draining wetlands or risk losing all or part of most farm program payments. Since 2008, "direct payments" have accounted for a large share of payments subject to withholding. Federally subsidized crop insurance is not currently subject to environmental compliance but has been in the past. If direct payments are reduced or eliminated in future farm legislation but crop insurance is again subject to withholding, environmental compliance incentives would change. In many areas where crop production is risky, such as the Northern Plains, crop insurance could provide a conservation incentive that is equal to or even larger than direct payments. In other areas, such as the Mississippi Delta, compliance incentives could decline.

Crop insurance subsidies relative to direct payments, 2005-10



Note: County-level estimates are average direct payments and crop insurance subsidies for 2005-10.

Source: USDA, Economic Research Service analysis of USDA, Risk Management Agency Summary of Business data and Commodity Credit Corporation data provided by USDA, Farm Service Agency.



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