

Cover Crop Cost-Share Program Payments

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Conservation practices that are costlier to implement typically require incentive payments to encourage adoption. Cover crops are perceived by farmers as a costly conservation practice, making it important for agricultural policy to provide the monetary incentives necessary to encourage adoption. Benefits of cover crop utilization are realized on-farm, but many more are realized off-farm, helping to justify policies that create funding for education or monetary incentives for farmers to adopt conservation practices. It is important for policymakers to identify effective policy measures to increase the adoption rates of cover crops in agricultural production. This publication discusses the effectiveness and challenges of current cost-share programs in encouraging cover crop adoption based on the results from our cover crop survey conducted in 2021. We also discuss important factors to consider for policymakers when deciding on the measures that can be implemented to encourage further implementation of sustainability measures in agricultural production.

Cost-share assistance can help reduce the risk that is typically observed at the outset of adoption. For many farmers, agricultural program payments are an integral part of their livelihood. Programs, such as the Environmental Quality Incentives Program (EQIP) and Conservation Stewardship Program (CSP) provided by the U.S. Department of Agriculture Natural Resources Conservation Service (NRCS), are necessary to encourage adoption of conservation practices while providing financial assistance to help farmers implement more environmentally sustainable practices. Practices that are highly attractive to landowners may not require monetary incentives to encourage adoption. Instead, extension programs can be an effective means of educating farmers and provide the necessary education and support to encourage further adoption.

In the past, more farmers have participated in implementing conservation practices if incentive payments increased over time, indicating that subsidies provided to farmers who implement these practices will cause a significant increase in the adoption rate. In a study conducted by Singer, Nusser, & Alf (2007), more than half of farmers said they would plant cover crops if a cost-share program were available to help offset some of the costs associated with

implementation into the rotation. Those practices that are more cost-responsive can be implemented at a lower cost-share rate while simultaneously achieving a higher adoption rate. Programs that provide higher payments than others but result in the same adoption rate are less cost-effective. It is important to determine the maximum efficiency level of program payments to achieve the desired outcome (Sawadgo & Plastina, 2021).

Figure 1 shows the results of cost-share program participation for cover crops from a survey conducted by the University of Georgia Cooperative Extension. The survey was conducted from January 28, 2021, to March 31, 2021, throughout Georgia, Alabama, and Florida to identify current production practices of cover crop planting to understand further the missing links that currently inhibit cover crop adoption in the Southeast. The survey results show only 11 of 39 farmers participated in a cost-share program for cover crops. For those who participated in a cost-share program for cover crops, the average payment received (Table 1) was \$40.92/acre, with the smallest payment received being \$10.00/acre and the largest payment being \$61.54/acre.

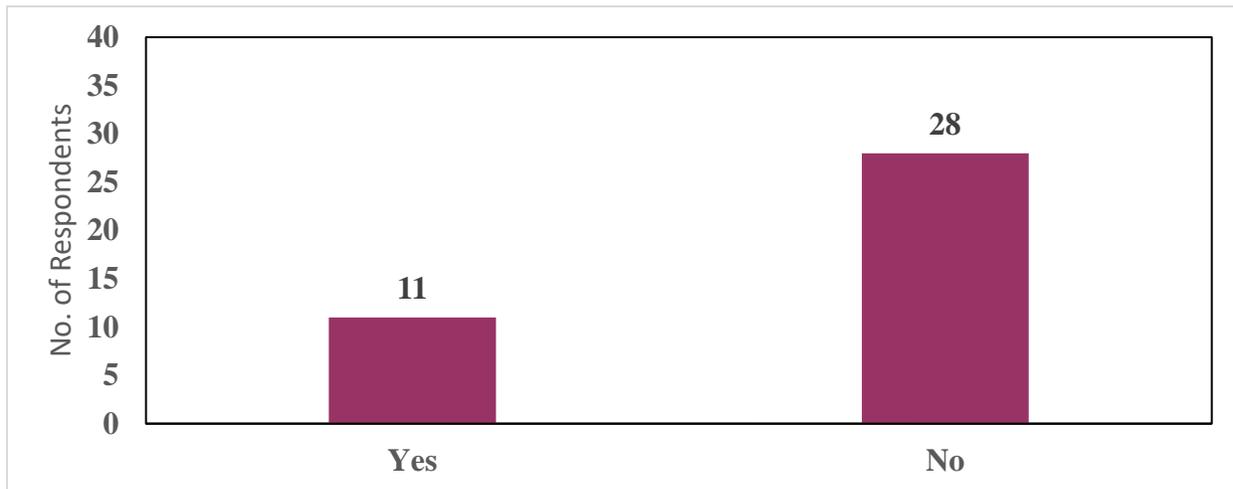


Figure 1 Survey responses for cover crop cost-share program participation.

Table 1 Survey responses for cover crop cost-share program enrollment acreage and payment amounts received.

<u>Producer</u>	<u>Number of Acres Enrolled</u>	<u>Total Payment Received</u>	<u>Average \$/ac. Received</u>
1.	650	\$40,000	\$61.54
2.	60	\$3,000	\$50.00
3.	800	\$40,000	\$50.00
4.	415	\$4,150	\$10.00
5.	500	\$25,000	\$50.00
6.	500	\$12,000	\$24.00
Average:	487.5	\$20,691.67	\$40.92

There are many possible explanations for the lack of participation in the current cost-share program for cover crops because the current program has many limitations. Cost-share program payments for cover crops have many regulations that sometimes discourage participation. One issue with the current cost-share program mentioned by farmers in our southeast cover crop survey is the length of benefits. Many farmers stated that the length of the program for each farmer to receive benefits would need to be longer for farmers to fully adopt¹ cover cropping after cost-share program payments have been discontinued. The cost-share program is available to get many farmers started, but funding is oftentimes cut off before the practice has been successfully and fully adopted by a farmer.

Disadoption of cover crops has also been observed in recent years and has limited the net expansion of cover crop area at the national level (Sawadgo & Plastina, 2022). The possibility of adoption is typically abandoned by farmers if the trial does not perform well enough after payments are discontinued. Funding for experimentation is needed so that a farmer has time to determine the mix that works best for their farm and the goals they want the cover crop to meet. Incentive payments that encourage trials help spur improved management practices and cover costs associated with learning a new method. With continued and consistent adoption, these programs could potentially be reduced as the practice becomes more mainstream and returns stabilize in the long run.

The likelihood of partial adoption on portion of farmland and non-continuous adoption of cover crop over time must also be considered when determining effective policy measures. Oftentimes, partial adoption is caused by uncontrollable factors such as weather conditions, the current crop rotation and its compatibility with cover crop use, and the limited availability of inputs. Partial adoption creates a policy risk since it does not guarantee sustained adoption of cover crops and other conservation measures over time.

Current limitations to the species that can be planted as a cover crop and still be covered by Conservation Stewardship Program (CSP) payments decrease farmers' aptitude to plant a cover crop. Farmers can only plant certain species that are considered to be cover crops to be eligible for the cost-share program. Oftentimes, farmers select their cover crops based on the agronomic and economic benefits they have the potential to provide. Suppose that single crop or mix is not included in the cost-share program. In that case, farmers are not likely to incur additional expenses and management hours (required to plant and manage the cover crop through termination) if the desired results cannot be achieved with the covered species. Policies with reduced incentives that favor monocultures in cover crops with mandated tillage applications will need to be drastically changed or eliminated to encourage better practices for a sustainable future.

Historically, the species limitation also hindered a farmer's ability to obtain crop insurance since many policies did not support cover cropping, and if they did, they were very strict about the

¹ In this case, we define full adoption as using cover crops for multiple years after cost-share program payments have been discontinued.

type of cover crop species they allowed. The 2018 Farm Bill declared cover crops “good agricultural practices” if used in accordance with USDA guidelines or guidelines provided by local agricultural consultants meaning producers will be able to obtain crop insurance for their operations. However, most producers’ understanding of the impact of cover crops on crop insurance is still based on their past experience, and education about the changes in the Farm Bill regarding crop insurance for cover crop utilization is lagged behind. Pandemic Cover Crop Program, offered by U.S. Department of Agriculture Risk Management Agency, first introduced \$5 premium support to producers who insured their crop and planted qualifying cover crop during the 2022 crop year. Even though this is a one time premium support, this policy serve as the first step of recognizing cover crop as good agricultural practices.

Additionally, some farmers plant cover crops such as wheat, for example, that can be used not only as a cover crop, but also harvested in the spring and sold as a cash crop, providing additional income and further benefitting the farmer and offsetting the cost of planting the cover crop. This benefit, however, cannot be realized under the current EQIP rules. This would fall outside of the definition of a cover crop since a cover crop excludes the harvest of the crop, which would remove most of the biomass created by the crop. The cover crop seeding rate could also be a challenge for producers enrolling in cost share programs. Producers with different seeding rate for cover crop might get the same payment from the same cost share program, but varied results from the cover crop in regard to how effective it is at controlling erosion, shading out weeds, etc.

In addition to the challenges regarding the cost-share programs, additional challenges may hinder producers’ adoption of cover crop. Some cover crop varieties have had limited seed availability. Many producers consider cover crops as general species, but don’t understand that varieties of cover crops can be as important to distinguish as the varieties of the cash crop that they plant. Although there are many challenges associated with implementing cover crops into the current cash crop rotation, cover crops provide many benefits as well. Among the most important benefits of utilizing a cover crop are the environmental benefits they provide. Natural resource conservation is becoming more important with each passing day as the world’s population grows and farmland acreage shrinks. With improved cost-share program policies and increased educational opportunities, farmers will be able to more successfully and efficiently manage cover crops in the future. As more and more farmers achieve success with cover crops, other farmers will likely adopt cover crops as well. Increased adoption is paramount to the successful and efficient production of row crops in the future.

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