



Proposed Economic Relief and Stimulus Policy Measures

April 15, 2020

American Farmland Trust (AFT) applauds the work that Congress has done in response to the COVID-19 pandemic. Our organization supported the Coronavirus Aid, Relief, and Economic Stimulus (CARES) Act and appreciates its recognition of the unique challenges facing our nation's farmers and producers. AFT is especially grateful for the \$14 billion replenishment of the Commodity Credit Corporation and the \$9.5 billion investment in funding for impacted producers, which includes local, direct-sales, specialty crop, dairy, and livestock producers.

As the impact of the COVID-19 pandemic on the nation continues to increase, so does the need for additional bold actions to restore our economy. In this spirit, AFT suggests additional policy ideas for consideration by Congress for subsequent stimulus legislation. Some could provide relatively quick relief to farmers and ranchers; others may be more appropriate once more is known about the exact impacts of the pandemic on agriculture as well as the effects of previous stimulus measures.

One of AFT's top priorities is to meet the needs of vulnerable producers who operate largely outside of federal farm safety net programs because of their small size and diversity of products. These include farmers and ranchers engaged in direct sales who are facing significant losses due to closure or restrictions on restaurants, schools, and other institutions, as well as farmers markets and CSA sales. Without support, many of these producers will go out of business. AFT is committed to not letting this happen.

AFT also recognizes that a far larger group of farmers and ranchers are being significantly impacted by the pandemic. Some producers are seeing severe price fluctuations, others are unable to maintain adequate farm labor. Still other producers are being damaged by loss or disruptions in trade or supply chains, or reduced demand for products. Because of this, AFT believes additional assistance is needed across the agricultural spectrum.

This crisis has made us take a hard look at how we, as a nation, deal with major, unanticipated, disruptions. AFT's suggestions below are focused on providing relief and stimulus to producers in a way that moves American agriculture toward a more viable, sustainable, and – above all – resilient system better able to withstand future natural, economic, and health shocks. We believe that there is not a moment to lose. To that end, we hope that Congress will incorporate into its response to the pandemic various strategies that can help put agriculture on a more resilient path.

This document is organized into two sections. The first are policy concepts that would provide needed relief or stimulus to producers while also improving health and/or conservation outcomes. The second are concepts focused on stabilizing the nation's agricultural land base, which AFT believes will be more vulnerable as farmers and ranchers face growing uncertainty about the economy and their future in agriculture.

We welcome the opportunity to engage with you and your team on these ideas and to explore other policy opportunities not included within this document. It is important to note that this document is not intended to present a full list of the relief and stimulus measures AFT supports. There are a great many creative policy solutions to this crisis that AFT would like to see Congress enact. Rather, this document focuses only on those ideas AFT is uniquely positioned to champion.

Relief and Stimulus Initiatives

A top priority must be to provide immediate financial relief to the most impacted farmers and ranchers. The CARES Act marks a critical first step toward this goal. Looking forward, AFT believes that, as much as possible, new efforts should be multipurpose – helping farmers while also providing additional health or conservation benefits. In addition, AFT recommends that if future relief and stimulus require applications, they be accessible to a wide range of farms and ranches.

Establish a Debt for Working Lands Program and Increase FSA Loan Flexibility

AFT supports additional loan and debt flexibility for farmers in order to ease their financial burden during this time of crisis. Low and zero-interest loans should be made available through the Farm Service Agency (FSA) to tide farmers over until market conditions improve. Similarly, the federal government should waive any FSA direct loan repayment for at least a year and suspend foreclosures on farms and ranches for a year.

AFT also recognizes that the needs of some impacted producers may extend beyond loan deferment to potential debt forgiveness. Debt restructuring may be an essential lifeline to borrowers whose markets have been completely upended by the pandemic. To this end, a “Debt for Working Lands Program” could be authorized within FSA to provide needed debt relief while expanding agricultural land protection. This program would be modeled off of the current Conservation Contract Program. Instead of removing land from production, this program would offer debt relief for existing FSA loans in exchange for protecting agricultural land through a permanent agricultural conservation easement or a long-term covenant. The amount of debt relief would be commensurate with the value of the agricultural conservation easement.

Guidelines for this program could include:

1. Use of alternative valuation methods as an option to save the time and expense of full appraisals
2. A minimum threshold of prime or statewide important farmland in order to qualify (to be consistent with ACEP-ALE, this would be 50%)
3. Allow the easement to be held by a state Purchase of Agricultural Conservation Easement (PACE) program or land trust rather than held by FSA
4. Allow the state program or the land trust to develop easement deed terms and conditions that protect the agricultural use and future viability, and related conservation values, of the land.
5. Require a conservation plan for any highly erodible land included in the easement.

In exchange for lowered debt obligations, this concept could also allow less-than-permanent land protection options, such as a 10-year non-development covenant. This concept might also be expanded to allow FSA to lower a borrower’s debt obligations in exchange for a multi-year agreement to adopt soil health practices such as cover crops or no-till on a certain percent of farm acres, perhaps to be verified by NRCS.

Replicate Nationally the Massachusetts Healthy Incentives Program (HIP)

AFT believes that there are opportunities to simultaneously address the food insecurity faced by many Americans who have lost livelihoods as a result of the pandemic *and* meet the needs of many farmers who have lost access to their usual markets.

In recent years, a growing number of states, cities, and counties have implemented programs that incentivize SNAP recipients to purchase fresh fruits and vegetables directly from farmers by providing a financial match or rebate. The benefits are multifold – food-insecure individuals have increased purchasing

power for healthy foods, thereby improving health outcomes, and direct-sales farmers have additional customers, which supports the local economy.

One such program is the Massachusetts Healthy Incentives Program (HIP), which provides a dollar-for-dollar match for each SNAP dollar spent on fruits and vegetables purchased at farmers markets, farm stands, and Community Supported Agriculture (CSA) farms statewide, up to a certain value. The HIP program has been an extraordinary success. While the national increase in SNAP redemptions among Direct Market Farms (DMFs) was 30 percent between FY 2013 and FY 2019, the increase in Massachusetts was a staggering 1,214 percent. These redemptions from DMFs in FY 2019 were valued at over \$4.4 million – sales that directly benefited the state’s direct market producers.

The current crisis offers an opportunity to build off the work done by state and local nutrition incentive programs – often funded through the Gus Schumacher Nutrition Incentives Program (GusNIP) – with a national program that provides every SNAP household a monthly incentive that can be spent only at farm direct-to-consumer markets (e.g., farm stands, farmers markets, CSAs).

The benefit could be limited to produce or expanded to all farm products. The benefit could also be scaled based on family size. While some technology modifications may be required, current EBT terminals already distinguish between SNAP dollars used at retail store and those used at Direct Market Farms. Additionally, farmers and farmers markets should receive funding to upgrade their systems so that they are able to accept EBT payments online to allow for food deliveries and pick-ups.

Increase Funding for the Local Agriculture Market Program (LAMP)

Funding should be increased for the Local Agriculture Market Program (LAMP) to support farmers, farmers markets, and local food organizations. Farmers markets are important sources of fresh food for many communities, and important revenue streams for many small producers. Markets are at risk of losing significant patronage or closing entirely without serious overhauls on how they function.

New protocols to keep markets and farm stands safe for producers and patrons will require producers and markets to retool their infrastructure. Many farmers will also need financial and technical assistance to change their business models – for instance, improved technology to implement pre-paid “grab and go” boxes at farmers markets, or access to delivery vehicles in order to adopt a home delivery model. LAMP can help to fund these important business model changes.

Increase ACEP Funding

The Agricultural Conservation Easement Program – Agricultural Land Easements (ACEP-ALE) provides funding that enables local and state partners to work with farmers and ranchers to permanently protect their land. At a point in time when farmers, ranchers, and farmland owners are facing economic stress, increased funding for ACEP-ALE would provide a valuable revenue source for producers to convert some of the equity in their land into cash for business and family needs. Current ACEP-ALE funding levels are expected to only satisfy a small fraction of program need. Increased ACEP funding would not only provide landowners with critical additional revenue, but would also help to keep land in agriculture at a time when it is at especially high risk of development.

Create a Multi-Billion-Dollar Regenerative Agriculture Initiative

A multi-billion-dollar initiative for regenerative agriculture could be a win-win opportunity to provide revenue to farmers while improving the resiliency of the food system, reducing agriculture's environmental impacts, and mitigating climate change.

Regenerative agriculture is defined as practices that enhance soil health, sequester carbon, improve air, water, and wildlife habitat quality, build resilience to the impacts of climate change, produce abundant, healthy food, and support the economic and social health of those engaged with agriculture. While numerous practices can be implemented to achieve a regenerative agricultural system, key practices include cover crops, conservation tillage, diverse crop rotations, rotational grazing practices, and sound nutrient and water management practices.

The Initiative's goal would be to eliminate the most common barriers standing in the way of farmers adopting regenerative agriculture. It would seek to optimize existing programs for regenerative agriculture and establish new incentives which could include:

- **Increase Support for Existing Working Lands Programs** – Increase funding and cost-share for USDA-NRCS conservation programs such as EQIP and CSP for the implementation of regenerative practices.
- **Crop Insurance Rebates** – Iowa and Illinois have successfully launched pilot projects offering a modest per-acre rebate on crop insurance premiums for acres planted with cover crops. This effort has proved an affordable means of incentivizing new practices through a mechanism already familiar to farmers. In addition to implementing this incentive nationally, other practices with demonstrated risk reduction benefits should similarly be considered for incentives. Furthermore, adoption barriers related to crop insurance should be examined and harmonized to work better with regenerative practices.
- **Practice Transition Protection** – There can be a trial and error period for farmers engaging in new practices. As a means of reducing risk, those engaged in new practices would have, for a set period of years, their average income assured in the event that they lose money as a result of transitioning to new practices (similar to revenue insurance). A similar program, titled the “Best Management Practice Challenge”, was piloted by AFT to reduce nitrogen fertilizer application.
- **Technical Assistance Surge** – A dramatic increase in technical assistance provided by both NRCS and third parties would be needed. NRCS would need funding to hire additional staff, and to implement training and education on regenerative practices. Cooperative Extension could also be employed as a means of delivering valuable technical advice. Farmer to farmer outreach that follows current public health protocols should also be included as part of the assistance, with special mentoring and demonstration farms.
- **Regenerative Equipment and Seed Grants** – Cost-share could be significantly increased or grants/rebates provided for the purchase of equipment and seed needed for regenerative agriculture.
- **Increased Research** – Research funding to NIFA and ARS would need to be increased to further demonstrate the benefits of regenerative practices in various soil types and for various crops. This research would feed into efforts to quantify the risk reduction benefits of practices for incorporation into actuarial analysis.
- **Expanded Outcome Assessment** – In order to quantify the environmental and climate benefits of regenerative agriculture, opportunities for outcome assessment and on-site data collection must be increased. This would include improved tools for estimating carbon sequestration.
- **Payments for Practices and Outcomes** – Farmers could be given payments based on the adoption of various conservation practices, and/or based on specific environmental outcomes such as carbon

sequestration or improved water quality. This would require significant accounting of the social benefit of regenerative practices on a per-acre basis, as well as improved methods of measuring carbon sequestration and water quality.

By pursuing regenerative agriculture, AFT believes that it is possible for agriculture to not only be carbon-neutral, but to be carbon-negative, offsetting the emissions from other sectors of the economy while improving the resiliency of our food systems.

Stabilizing the Agricultural Land Base

Economic stress is rising in the agricultural sector, which is likely to have a negative impact on the nation's already threatened agricultural land base. In regions of the country with residential and commercial development pressure, cash-strapped farmers, ranchers, and landowners may seek to sell lots or even the whole farm for development. Where agriculture remains the primary land use, these landowners may sell land to neighbors, increasing farm consolidations, or to energy developers, driving up competition for what agricultural land remains in the community. The suggestions below offer farmers, ranchers, and landowners ways to improve their financial position while retaining and protecting our agricultural land base as a vital part of our nation's infrastructure.

Provide Capital Gains Exclusions for Land Transferred to the Next Generation of Farmers and Exclusions on the Sale of Agricultural Conservation Easements

Incentivizing the sale of agricultural land to new farmers and ranchers can reduce land loss while providing needed tax relief to those selling their land. AFT recommends the tax code exclude from gross income the gain (up to \$500,000 for single returns, \$1 million for joint returns) from the sale of farm property to beginning, socially disadvantaged, veteran, and young farmers who certify that such property will be used for farming purposes for at least 10 years. This policy should include a 10-year recapture provision and require material participation in the management of the farm or ranch.

Incentivizing the sale of an agricultural conservation easement can similarly provide additional tax relief to landowners seeking to protect their land in perpetuity. AFT recommends a comparable exclusion on the gain from a sale of a qualified agricultural conservation easement that permanently protects working farmland and ranchland.

Establish an ACEP-ALE Buy-Protect-Sell Rapid Response Fund

The 2018 Farm Bill strengthened ACEP-ALE by enabling Buy-Protect-Sell (BPS) transactions. As the name suggests, BPS allows for land trusts to buy land, protect it through an agricultural conservation easement, and sell the eased land to a farmer or rancher within three years. BPS can be a powerful tool for land protection at a time when older producers are likely to give up farming and sell off their land, putting it at risk of development. BPS can also be instrumental in transitioning land to the next generation or disadvantaged farmers and ranchers. A special pot of funding (set potentially at \$200 million annually) for BPS projects could serve as a rapid response pool. In addition, the 2018 Farm Bill could be clarified to make BPS projects more workable by enabling the same entity to simultaneously serve as interim landowner and easement holder.

Expand USDA's Conservation Reserve Program (CRP)

The Conservation Reserve Program is a valuable tool for protecting vulnerable lands while also reducing production during recessions, as well as providing landowners with stable income. Funding and acreage should be increased with immediate enrollment. In addition, more funding can be provided to the Conservation Reserve Program – Transition Incentives Program (CRP-TIP) which incentivizes farmers who currently have land enrolled in CRP to transition that land to beginning or historically disadvantaged farmers through purchase or rental.