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Measuring Farm Policy, Part 3: Year One with Inflation Reduction Act Funding

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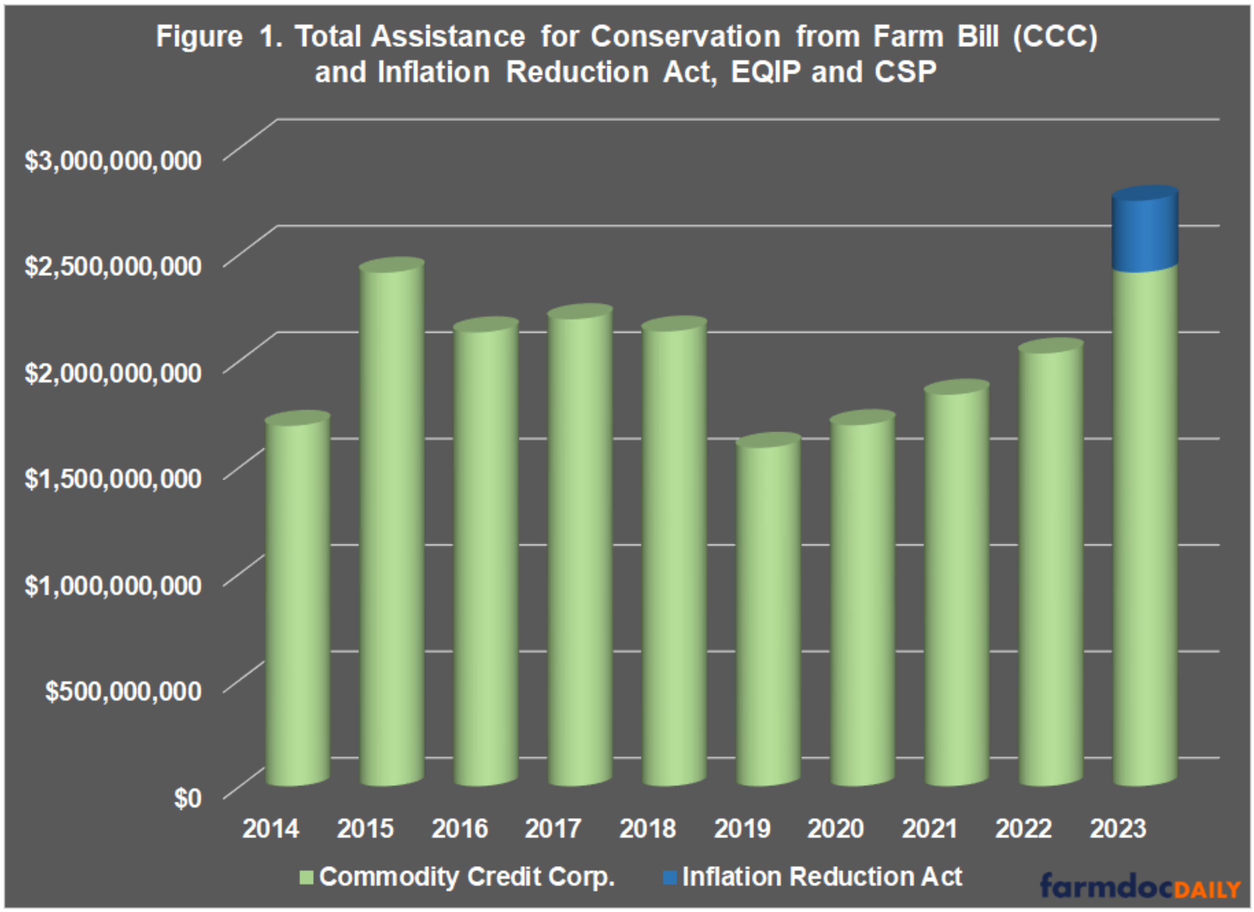
The month of March opens with hope and reality for Farm Bill reauthorization seeming to collide much like the alternating weather patterns of the transition from winter to spring (see e.g., Stein, March 2, 2015; Farmers Almanac, January 25, 2024). Whether the winter of impasse—the product of unspecified demands combined with Congressional dysfunction—can give way to a productive spring season on Capitol Hill remains uncertain at best (Barnett, March 5, 2024; Clayton, March 5, 2024; Hanrahan, February 28, 2024; Downs, February 26, 2024). Unlike the weather, the legislative calendar does not become more favorable with the passage of days into spring and then summer; the future climate for the Farm Bill may become more unfavorable still. On the bright side, farmers have received a fiscal year's worth of the additional investments in conservation from the Inflation Reduction Act of 2022 and this article measures that first year under the combined funding.

Background

In the Inflation Reduction Act of 2022 (IRA), Congress appropriated an additional $18 billion to four conservation programs authorized in the Farm Bill: Agricultural Conservation Easement Program (ACEP), Conservation Stewardship Program (CSP), Environmental Quality Incentives Program (EQIP), and Regional Conservation Partnership Program (RCPP) (P.L. 117-169). The IRA appropriations are in addition to the authorizations in the Farm Bill for these four programs, which funds them through the authorities of the Commodity Credit Corporation (CCC) (see e.g., *farmdoc daily*, November 16, 2023).The first federal fiscal year (FY) of operation of the IRA was FY2023. Figure 1 illustrates the total spent on assisting farmers with conservation by EQIP and CSP back to the 2014 Farm Bill.

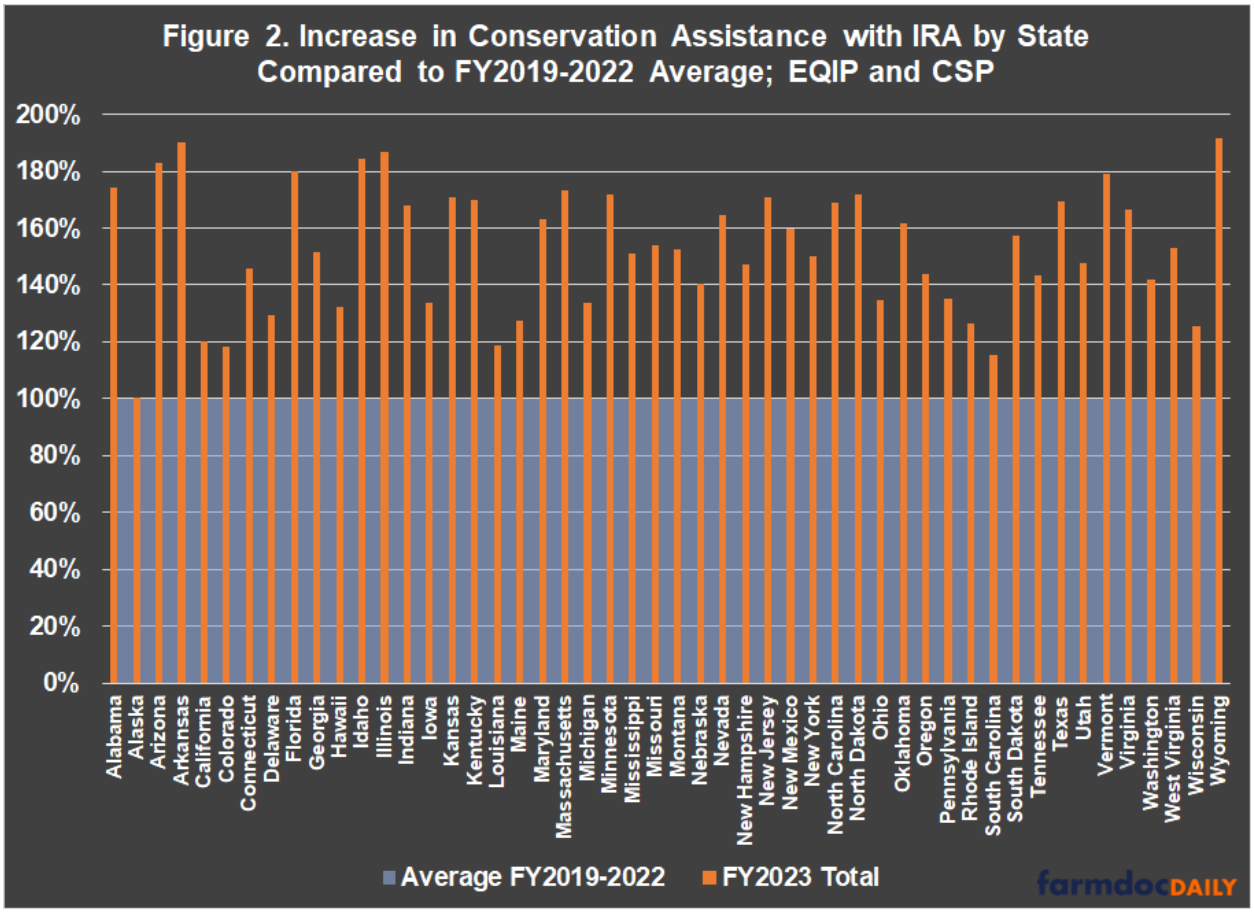


The total combined investment in conservation from the CCC and the IRA exceeded $2.75 billion for EQIP and CSP in FY2023. That amount represents 137% of the average CCC funding from the Farm Bill for FY2014 to FY2023. The previous high level of assistance was in FY2015, at over $2.413 billion. The FY2023 total amount is 114% of that previous high. It is also notable that the total EQIP and CSP assistance from CCC funds was higher than FY2015, at $2.414 billion. The addition of IRA funding has not displaced funding from the CCC.

Discussion

The IRA's additional investments in conservation pushed total assistance from EQIP and CSP to a record level nationally in FY2023. This level is particularly noticeable given the lower level of funding since the 2018 Farm Bill. For example, the four-year average assistance from FY2019 to FY2022 was roughly 81% of the four-year average assistance from FY2015 to FY 2018. Including all ten years of the previous two Farm Bills, the total assistance from EQIP and CSP under the 2018 Farm Bill (FY2019-2023) was nearly $1 billion less than under the 2014 Farm Bill (FY2014-2018). The first year of IRA funds made up roughly one-third of that decrease in conservation.

Measuring the first year of combined total funding from the IRA and the CCC, Figure 2 illustrates the state-by-state increase in FY2023 as compared to the average for the four years prior to the IRA (FY2019 to FY2022), represented as 100%. No state lost conservation funding in FY2023; every state gained conservation funding, although Alaska just barely. Relative to the average EQIP and CSP conservation assistance from FY2019 to FY2022, Arkansas (190%) and Wyoming (191%) gained the most in FY2023 with IRA supplementing CCC funds, followed by Illinois (187%).



One of the issues with conservation programs is that Congress authorizes a fixed level of funding, effectively capping the amount available to farmers. The capped funding has contributed substantially to the persistent problem with backlogs and the buildup of a conservation bardo—farmers with approved applications that do not receive assistance because funds are insufficient (*farmdoc daily*, September 29, 2023). With capped funding, other issues result from allocations of limited funds among the States and the natural resource conservation needs of farming (*farmdoc daily*, February 8, 2024).

Figure 3 measures conservation funding across four different calculations of state allocations and provides a comparison for the combined conservation assistance from EQIP and CSP in FY2023 from both the CCC and the IRA. Column (A) is each State's share of the combined FY2023 funding. Column (B) is each State's share of a four-year average under the 2014 Farm Bill (FY2015 to FY2018), followed by Column (C) and each State's share of a four-year average under the 2018 Farm Bill (FY2019 to FY2022). Finally, Column (D) presents each State's share of the average of all 10 years of CCC funding (FY2014-2023) without the additional IRA funding in FY2023. The addition of IRA funding, which is limited to a subset of practices eligible for CCC funding in EQIP and CSP, has not altered much the allocation among the states. This is not surprising given that the IRA funds constituted 12% of the total in FY2023.

Figure 3. Measuring Farm Policy: Conservation Spending with Inflation Reduction Act

State share of the total of all states for the fiscal years noted.

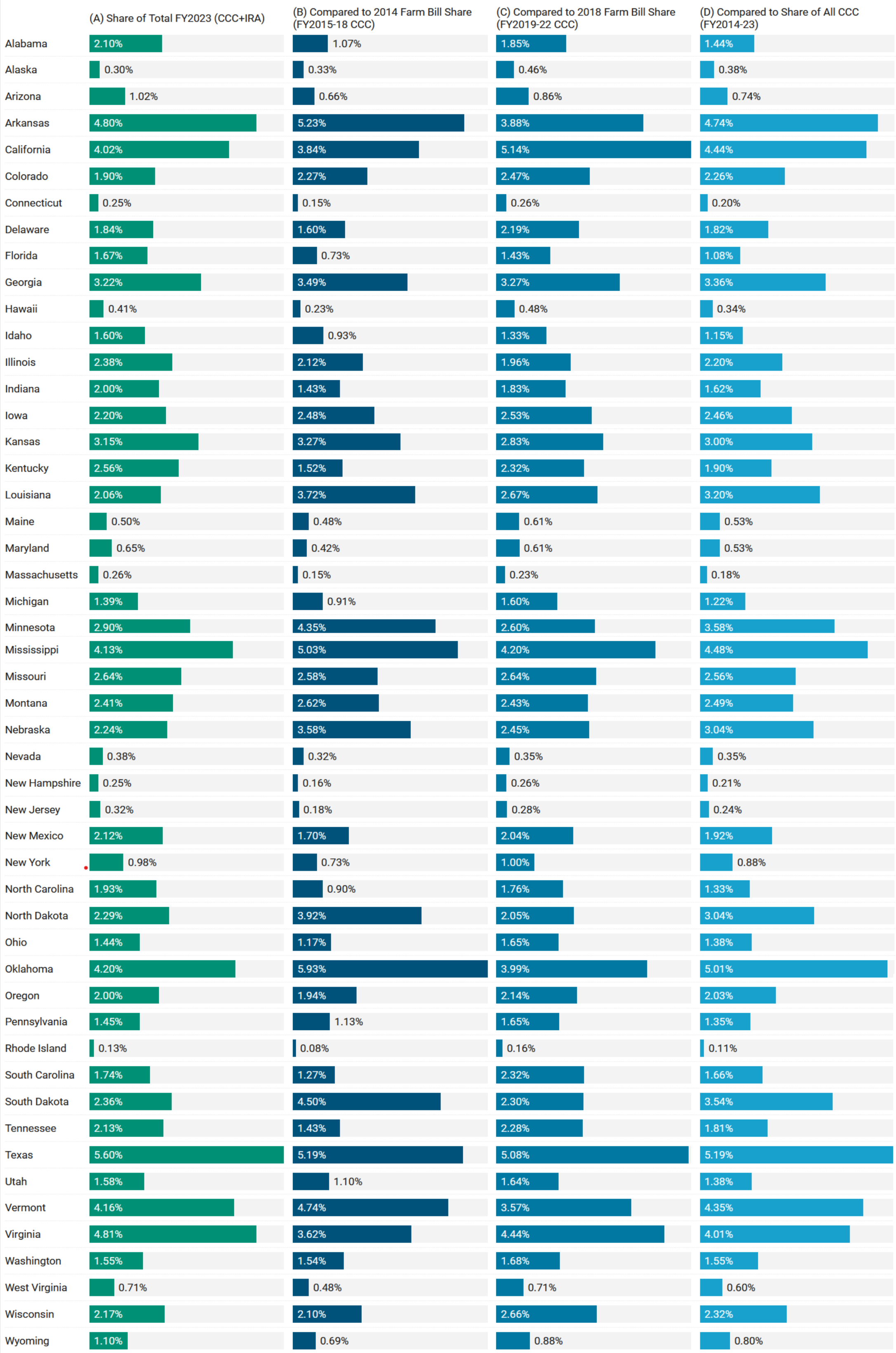


Chart: Jonathan Coppess • Source: USDA-NRCS • Created with Datawrapper

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Concluding Thoughts

Uncertainty envelops Farm Bill reauthorization; it grows with each passing day and odds altered by gambling on gavels. Rapidly approaching are difficult questions about extension rather than reauthorization. If the 118th Congress portends a political climate likely to worsen, a shift from "if" to "how long" may take place. The increased conservation funding provided in the Inflation Reduction Act presents a positive development. The additional funds have reinforced vital investments for farmers in every State in the first year and those investments will continue to grow for the next seven years if Congress does not rescind the appropriations. Combined, such realities bring to mind the saying that "a bird in hand is worth two in the bush." Possibly originating in medieval times and with the practice of falconry, it is generally understood to caution against sacrificing something actual or in one's possession for something potential or in the future that might be more but more likely to be lost in pursuit (see e.g., Burton, March 24, 2017; TheIdioms.com; Bookbrowse.com; Literarydevices.net). Measuring the first year of the combined funding for conservation provides a good first look at the bird in hand.

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