

Conclusions

A green payment program that integrates commodity and conservation program objectives would provide both income support and environmental gain over a wide range of program designs. Our estimates indicate that 50 percent or more of payments could support farm income and that conservation treatment could be applied to several hundred million acres, given program budgets of \$5 billion to \$15 billion (total over 5 years). Nonetheless, the overall level of environmental gain and the distribution of income support can differ widely across green payment program designs.

If policymakers want the distribution of income support in a green payment program to approximate that of existing commodity program payments, they will need to accept less environmental gain than could be realized from a program designed from an environmental point of view. Opportunities for cost-effective conservation treatments do not always occur on farms that receive existing commodity program payments. A dollar spent on conservation in the environmental compliance scenarios would yield less environmental gain than it would if spent on conservation through one of the environmental performance scenarios. In general, green payments will be more environmentally cost effective when eligibility is broad, incentives encourage producers to take actions that yield high environmental benefit at low cost, and program participation requirements are flexible enough to allow producers to pursue these actions. Focusing on existing commodity program participants will exclude many producers who could deliver cost-effective environmental gain.

Of course, a program developed from a purely environmental point of view will also yield a dramatically different distribution of income support from that of existing direct payments. Although total income support is estimated to be similar in magnitude across all of the green payment scenarios we considered, those focused on environmental performance would spread income support more evenly across farms and regions. Crop farms would tend to realize less income support when compared to a program similar to the existing direct payment program while livestock farms (especially beef farms) would likely realize similar or larger support. Regions where small farms and livestock farms dominate (the Eastern Uplands and Basin and Range) would see a significant increase in support largely at the expense of regions that dominate existing farm commodity programs. Moreover, because participation is estimated to be greater in designs that focus on environmental performance, more producers benefit but income support per farm is much smaller than it would be for designs where eligibility for existing commodity programs is a starting point.

According to economic theory, accomplishing two goals in a cost-effective way will generally require two programs or policy instruments. That means that a single program of green payments will be less cost effective in achieving program goals than would separate programs for environmental gain and producer income support. As already shown, the combination of a program targeting environmental gain (similar to the *Environmentally Efficient* scenario) and another targeting income support (similar to the existing direct payments) can achieve a cost-effective outcome without restricting the distribution of income support. An environmental program

similar, perhaps, to EQIP with competitive bidding, could be used to obtain environmental gain.

If policymakers decide to go forward without considering the existing distribution of commodity program payments, a green payments program could provide an alternative rationale for income support. Performance-based payments (analyzed in the *Improved Performance* and *Good Performance* scenarios) would allow producers to produce environmental “goods” for a price established by the Government. This approach would be somewhat similar to that of the Conservation Security Program (CSP), where some payments are currently based on reaching a threshold of environmental performance and other payments are based on environmental gain, measured by an environmental index. If policymakers view green payments as a long-term approach to income support and environmental gain, a mix of payments for new environmental gain and ongoing environmental stewardship may encourage producers to improve and, ultimately, maintain high environmental performance.