Credit, crop insurance and sustainable agriculture

Abstract: Various factors make it harder for farmers using sustainable practices to access financial resources. This project used surveys and interviews to pinpoint what these factors are and how they might be alleviated.

What was done and why?

The Iowa Farmers Union (IFU) and the Center for Rural Affairs (CFRA) gathered data and analyzed the interplay of Iowa farmers engaged in sustainable farming operations and two major financial components of American agriculture, crop insurance and credit. IFU is an organization of independent family farmers whose mission is to build strong rural communities while protecting Iowa’s natural resources for future generations. CFRA is one of the nation’s leading rural advocacy, research and service organizations.

Based on previous research by CFRA and others, this project investigated the hypothesis that the mechanisms that provide the financial underpinning of modern farming are biased toward systems (notably intensive commodity agriculture) that reduce the risk of lenders, insurance companies and the government. The biases appear to be centered on a lack of knowledge about sustainable agriculture and a perception that sustainable agricultural practices and systems are not economically viable. The project tested this hypothesis in Iowa by gathering data on the experiences and perceptions of farmers, agricultural lenders and crop insurance agents, and provided policy recommendations that mitigate such biases and promote use of sustainable agriculture practices.

What did we learn?

A statewide information and outreach effort targeted toward traditional lenders, demonstrating the profitability and market potential for such operations would be beneficial for the growth of sustainable agricultural opportunities across the state. Iowans can use these project recommendations and conduct outreach to promote the adoption of sustainable agriculture practices. There needs to be a strong shift in policy to further sustainable agriculture goals as well. Crop insurance is a barrier under the current federal policy. If the new Farm Bill makes positive changes to crop insurance, it will provide an opportunity for more farmers to consider sustainable and organic agricultural systems.