

The Conservation Reserve Program: Changes on the Horizon

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Ten years ago, Congress passed the foundation of current conservation programs--the Food Security Act of 1985. Today, one program in particular, has exceeded many peoples' expectations. The Conservation Reserve Program (CRP) was designed to take 40 - 45 million acres of highly erodible cropland out of production for a 10 - 15 year period. As the first CRP contracts begin to expire, Congress and the Administration are grappling with the program's future in the context of the 1995 farm bill. Will the program be continued? Will existing contracts be extended? What will happen on the land after CRP contracts expire? At this point, we have more questions than answers.

The CRP has evolved into a program with multiple goals, including: 1) reducing soil erosion; 2) improving water quality; 3) decreasing excess supplies of agricultural commodities (thus supporting farm income), and 4) enhancing wildlife habitat. Voluntary in nature, landowners bid acreage into the program during 12 organized sign up periods. Acres acceptable into the program receive annual rental payments and cost-share assistance for the establishment of approved vegetative covers. The CRP was the template used in the Wetlands Reserve Program (WRP) which provides permanent easements on wetlands in exchange for monetary payments. The Emergency Wetlands Reserve Program was used to provide land use option to landowners damaged by flooding in 1993 and 1995.

A total of 36.4 million acres--almost 10 percent of the nation's cropland--have been enrolled in the CRP since 1986. Due primarily to a lack of funding, (the CRP was shifted to a discretionary program in 1986) the program never reached its goal of idling 40 - 45 million acres. The 36.4 million acres represent approximately 375,000 contracts with an estimated total outlay of \$19.5 billion through 2002. The annual cost of existing CRP contracts is \$1.8 billion. The average annual rental rate for the U.S. is \$56.55/acre--the maximum being \$200/acre and the minimum annual rental rate of \$4/acre. The average erosion rate on CRP land prior to the program was 18.62 tons per acre annually. The average erosion rate with the CRP has fallen to 1.38 tons per acre annually. The total soil saved per year in the U.S. is estimated at between 370 - 700 million tons annually.

The CRP has resulted in environmental and economic benefits of approximately \$13.4 billion, according to Paul Johnson, Chief of the Natural Resources Conservation Service. Of this amount, \$8.6 billion is attributed to fish and wildlife, \$3.1 billion to water quality, \$1.3 billion in soil productivity and \$400 million to wind erosion. Estimates of actual soil erosion reduction vary from about 370 to 700 million tons annually. Federal outlays for the CRP are

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not totally additive in that they offset payments for commodity price supports and the implementation of conservation structures such as terraces.

Both Congress and the Administration are carefully considering the fate of the CRP as existing contracts begin to expire. The program has been deemed a success in many respects, but changes are being examined by Congress to make the CRP more cost-effective and efficient. Also, continued fiscal constraints and expanding goals have fueled calls for a more targeted approach to land retirement. Although there is general consensus the CRP has reduced soil erosion, several conservation groups have proposed changes which focus more on water quality and wildlife habitat. The General Accounting Office has written on the merits of shelterbelts.

In December, 1994, Secretary of Agriculture Mike Espy announced several changes in the program, including subject to some caveats, all existing CRP participants would be given the opportunity to modify or extend their contracts. As of June, the regulations to implement this announcement are still being drafted and will likely be delayed until the completion of the 1995 farm bill. The Secretary also announced a period in which landowners could terminate existing contracts without repayment of rental payments or interest. The early out period was May 15 to June 2.

Despite the Secretary's announcement, the Congressional Budget Office (CBO), did not include full funding for the CRP in its most recent budget projections. The CBO assumed funding for roughly one-half of the current CRP acreage. This is noteworthy because funding above CBO's level will require an offset--a like reduction in spending from another program. Given the budget constraints facing commodity programs, this is not likely.

Finally, many issues surround acreage that comes out of the CRP. How many acres will return to crop production? How many acres will be planted outside federal farm programs where conservation compliance is not in effect? What will the impact be on crop and livestock prices?

In November 1994, researchers from the University of Missouri met to discuss the future of the CRP and possible implications for Missouri. The College of Agriculture, Food, and Natural Resources and University Extension have several research projects underway that focus on various agronomic, wildlife, and economic issues that relate to the expiration, or future management, of the CRP.

In December, the working group was expanded to include an in-depth review of the options currently being considered by Congress. In addition to University of Missouri researchers, a working group comprised of representatives of state and federal agencies, and several farm, commodity and conservation organizations was formed to address the options from many different perspectives. Representatives of the University of Missouri's Food and Agricultural Policy Research Institute (FAPRI) served as facilitators throughout the project. This report does not make specific recommendations and is not endorsed by the organizations which were involved in the working group. The report is intended to highlight areas of interest and concern that represent a broad array of views.

Areas of Interest

The CRP Should be Continued--The program has achieved significant success in reducing soil erosion, improving water quality and enhancing wildlife habitat. The concept of voluntary longer-term land retirement programs is sound.

Soil Erosion Should Remain the Primary Focus of the CRP--Excessive soil erosion could threaten the long-term productivity of agricultural land and the quality of surface and ground water. The CRP has been an effective tool in placing millions of acres of highly erodible cropland into an approved cover crop.

The CRP has changed from its inception to focus more on factors such as water quality. The working group did not disagree with the focus of the CRP, but did express reservations about further modifying the eligibility criteria in a manner which eliminates the existing highly erodible requirement. The group recognized that soil erosion is often a primary source of surface water contamination.

Current CRP Participants Should Have Priority For Enrollment Under Any New Program Guidelines--It appears likely that there will be changes in existing program parameters such as annual rental rates and enrollment indices. As these changes occur, participants with existing contracts should be given the first opportunity to extend or modify their contracts under a new program. Signups for new enrollments should occur only when funds are available in excess of those needed to extend existing contracts.

Tree Plantings Should Remain A Cover Option But Only in Areas Deemed Biologically Suitable--The FSA85 stated that "to the extent practicable", not less than one eighth of the number of acres of land enrolled in the CRP should be devoted to trees. After 12 sign up periods, a total of 2.3 million acres (6.3 percent) have been planted to trees. However, the tree planting goal should not be pursued in a manner that permits trees to be planted in areas in which they are not suited for biological or other reasons.

States Should Retain the Authority to Offer Additional Incentives--States should retain the authority to complement federal dollars to expand acreage enrolled in the CRP or provide additional cost-share for certain vegetative covers and a dedicated tax for fish, forest and wildlife.

Block Grants For State Administration Warrant Further Review--The concept of greater state control over the CRP has merit, however many important issues need to be addressed:

- * What agency would administer the program at the state level?
- * Would a technical committee be formed to develop statewide priorities?
- * Would existing contracts be handled differently than new contracts?
- * How would dollars and acres be allocated at the national level?

The working group expressed interest in a block grant pilot program, perhaps in Missouri. This would allow the concept to be evaluated on a small-scale basis prior to major modifications in the existing administrative process.

The Environmental Benefits Index (EBI) Should Include Wildlife--Since the tenth sign-up period, acreage has been enrolled based on the EBI--an index composed of seven separate items of environmental importance. The EBI consists of surface water quality, ground water quality, soil productivity, tree planting, hydrologic unit area demonstration project design, conservation priority area designation, and the cost of enrolling the acreage in the program. Given the significant benefits to wildlife of the CRP, there is interest in including a specific wildlife factor in EBI calculations.

Priority Practices Should Not Include A Useful Life Requirement--Under the current enrollment process, "priority practices" (filter strips, windbreaks and wellhead protection) do not have to meet the highly erodible criteria and are not subject to evaluation under the EBI. However, these items must pass the existing ownership rules and the bid screen.

Under existing regulations, CRP acres cannot be devoted to these practices unless the contractor agrees to maintain the practice for its entire useful life. In some cases, the useful life significantly exceeds the contract period. This has proven to be a disincentive to implementing these practices.

Up to 20 Percent of Acreage For Each Sign up Allocated to States For Priority Areas--Under the existing program, certain geographic areas are eligible for the CRP without meeting the highly erodible or EBI criteria. These "priority areas" are eligible for enrollment based on factors such as water quality or other factors such as wildlife.

Each state has unique environmental concerns in which the CRP could be an important tool. At a state's request, up to 20 percent of its acreage allocation for each sign up could be designated a priority area. This would allow the states greater flexibility in addressing more localized environmental concerns. The priority areas would be determined by a technical committee comprised of representatives of state and federal agencies, and the agricultural and conservation communities.

Areas of Concern

Economic Use of CRP Acres Results in Inequities--Existing regulations prohibit economic use of CRP acres, except by authority of the Secretary of Agriculture in the case of an emergency. For example, the Secretary has authorized emergency haying and grazing as a result of a natural disaster such as a drought. In these cases, annual rental payments have been reduced to account for the limited economic use.

Despite the precedent of reducing annual rental payments, economic use is a concern to several organizations in that it can distort markets and result in economic inequities. For example, allowing limited haying or grazing can affect non-participants by reducing local hay prices or pasture rental rates. There is concern that this would impact cattle prices in the

short and long-term. Also, there are questions about how the rental rate reductions would be calculated for different economic uses and whether or not the reductions would truly represent the value of the economic use.

Long-Term or Permanent Easements Should Not Replace 10 Year Contracts--There was no consensus on adding long-term or permanent easements as a CRP option, but there was little support for eliminating the current 10-15 year contracts. In addition, the working group feels that increases in contract length should only be made in exchange for increased payments.

Soil erosion is a global issue which warrants federal involvement. According to a recent article in Science magazine, each year 75 billion metric tons of soil are removed globally from the land by wind and water erosion--most from agricultural land. Total off and on-site costs of soil erosion from agriculture is estimated at \$44 billion annually in the U.S..

Conclusion

The CRP has succeeded in its primary mission--to reduce soil erosion by taking highly erodible cropland out of production. Can changes be made which improve the program's cost-effectiveness and efficiency? Perhaps. Should the program be better targeted to specific goals? Maybe. But, the CRP has proven its worth and will likely continue as an environmental tool to help preserve the long-term viability of U.S. agriculture.

As of June, the Senate and House Agricultural Committees had not endorsed plans regarding the future of the CRP. However, it appears that funding will be a constraint given the extent (\$6.9 billion) of cuts in spending on commodity programs through the year 2000.

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