
Farm Bill 2002: Title II - Conservation Reserve Program (CRP)

Quick Notes...

The CRP is a long-term land retirement program for environmentally sensitive land established in 1985.

Changes for 2002:

- Act requires equitable balance among the CRP conservation objectives
- Certain marginal pastureland converted to wetlands or established as wildlife habitat is eligible.
- Marginal pastureland devoted to appropriate vegetation is eligible.
- Permanent sod grass waterways are eligible.
- Act provides for managed haying and grazing and construction of wind turbines on the CRP Lands.
- Lands under expiring contracts are automatically eligible to be considered for renewal.

Overview

The Conservation Reserve Program (CRP) was established in 1985. The CRP is administered by USDA's Farm Services Agency (FSA) and is funded through the Commodity Credit Corporation (CCC). The CRP is a long-term land retirement program, providing farm owners or operators with an annual per-acre rental payment and half the cost of establishing a permanent land cover, in exchange for retiring

environmentally sensitive cropland from production for 10 to 15 years. In 1996, the CRP was limited to 36.4 million enrolled acres at any time. The 2002 Farm Security and Rural Investment Act increased the enrollment limit to 39.2 million acres out of approximately 350 million acres of farmland in the US. The Congressional Budget Office (CBO) anticipates increased spending of \$1.5 billion from 2002-2011 on the CRP. Producers can offer land for competitive bidding based on an Environmental Benefits Index (EBI) during periodic signups, or can automatically enroll more limited acreages in practices such as riparian buffers, field windbreaks, and grass strips on a continuous basis.

Program Background and History

Traditionally, the CRP has assisted producers in establishing management plans for planting long-term resource-conserving covers to improve soil erosion, water quality, wildlife resources, forestland and wetland resources. The CRP encouraged farmers to take highly sensitive erodible cropland or other environmentally sensitive acreage out of production by introducing tame or native grasses for ground cover, wildlife planting, trees, filter strips, or riparian buffers. The conservation plans included 10 to 15 year set aside agreements. Producers who volunteered their land and follow their management plan guidelines, receive cost share and/or technical assistance, land rental and incentive payments for the length of the contract. The main priority

areas were: riparian buffers, filter strips, grass waterways, shelter belts, field windbreaks, living snow fences, contour or grass strips, salt tolerant vegetation or shallow water areas for wildlife. Other related areas of concern were soil erosion, water quality, wildlife resources, forestlands and wetland resources.

Under the 1996 FAIR Act, land was eligible for CRP enrollment if it was cropped in at least 2 of the crop years from 1995-1999, was legally and physically capable of supporting agricultural production, and met one or more of the following criteria:

- Had an erodibility index (EI) of 8 or higher;
- Was considered a cropped wetland;
- Was associated with or surrounding non-cropped wetlands;
- Was devoted to a highly beneficial environmental practice (e.g., filter strips, riparian buffers);
- Was subject to scour erosion;
- Was located in national or state CRP conservation priority areas.

Haying and grazing could be permitted on CRP land during drought emergencies. In addition, ranking criteria based on the Environmental Benefit Index (EBI) factors were as follows:

- Wildlife habitat benefits
- Water quality benefits from reduced erosion, runoff, and leaching;
- On-farm benefits of reduced erosion;
- Enduring benefits;
- Air quality benefits from reduced wind erosion;
- Benefits of enrollment in conservation priority areas where enrollment would contribute to the improvement of identified adverse water quality, wildlife habitat, or air quality; and
- Cost.

2002 Eligibility in the CRP

Many features of the CRP program remain intact including continuous and noncompetitive sign-up for high priority practices including riparian buffers, filter strips, and grass waterways. Acres enrolled under continuous sign-up are eligible for higher annual payments than land enrolled under the competitive process. In the 2002 Act, producers may enroll entire fields as buffers through the continuous sign-up when more than 50% of the field is eligible and farming is infeasible on the remainder of the field.

Under the 2002 FSRIA a number of important changes in the CRP have been instituted. For example, the 2002 Act requires an equitable balance among the CRP's conservation objectives of soil erosion control, water quality protection, and wildlife habitat. Lands considered eligible for the CRP under the new Farm Bill must:

- Be highly erodible cropland that, if left untreated, would erode soil, water or air quality and could reduce future agricultural production;
- Have been planted or considered to be planted in an agricultural commodity 4 of the 6 crop years immediately preceding 2002;
- Be physically and legally capable of being planted in a normal manner that would not restrict the improvement of soil, water, and wildlife resources of the land.

Certain marginal pastureland converted to wetlands or established as wildlife habitat prior to November 28, 1990 is eligible under the 2002 Act. Marginal pastureland devoted to appropriate vegetation, including trees, in or near riparian areas, or devoted to similar water quality purposes is eligible. Land in newly created permanent sod grass waterways is eligible as are contour grass strips established

as a part of a conservation plan. The 2002 Act provides for managed haying and grazing and construction of wind turbines on CRP lands, if consistent with the conservation objectives of the CRP and subject to a commensurate reduction in payment.

Finally, land under expiring contracts is automatically eligible to be considered for re-enrollment, contracts expiring during 2002 can be extended for one year at the request of the landowner and hardwood tree contracts entered into prior to October 1, 1990 can be extended by 5 yrs. It is likely that a CRP sign up will be some time after 01 Oct 2002.

Funding/Payment

The CRP is funded at \$1.517 billion over the period FY2002-11 to assist farmers to implement conservation systems that protect water quality/quantity, reduce soil erosion, protect and improve wildlife habitat and wetlands, and carbon sequestration. Rental payments are capped at \$50,000 in any fiscal year. Cost share payments are capped at 50% of the cost to establish conservation measures.

The CRP allows a maximum of 25% of county cropland to be enrolled in the CRP and the Wetlands Reserve Program (WRP) combined. Prior to the 2002 Act, producers could bid down land at the rate or a lower rental rate to increase the likelihood that their offer would be accepted. Bidding down is no longer to be permitted. The CCC has offered additional financial incentives up to 20% of the annual payment for certain continuous sign-up practices and has encouraged the restoration of wetlands by offering a onetime incentive payment equal to 25% of the hydrology restoration costs incurred. This has been in addition to 50% cost share provided to establish approved cover and these practices appear to be continuing under the new Act.

Conservation Reserve Enhancement Program (CREP) under CRP

The CREP is a joint, state-federal land retirement conservation program aimed to address state and nationally significant agriculture-related environmental concerns. CREP was initiated as a distinct program from the CRP under the 1996 Farm Bill. The CRP umbrellas the CREP under the 2002 Farm Bill and CREP acres count against the CRP acreage cap.

Perspectives on the CRP

Land retirement programs (CRP and WRP) in the Conservation Title increased by 4 million acres (11%) over the current Bill. It has been argued that set aside programs will increase the prices received for crops grown on remaining acres. It is also argued that set aside programs create local “hotspots” of high land prices creating difficulties for new or young farmers and for producers dependent upon land rental and reduced local agribusiness activity.

Due to the global nature of trade in most agricultural commodities, it appears unlikely that setting aside as much as 11% (39/350 million acres) of the least productive US farmland will result in substantially higher prices received by US farmers. Moreover, due to the 25% county level cap, the substantially lower average rate of land retirement due to federal programs, and the significance of other drivers of rural land prices (e.g., growth, affluence, commodity programs) in many agricultural areas of the United States, it is unlikely that the CRP significantly hampers the entry of new farmers, increases the costs of production of current farmers, or encourages the concentration of the agribusiness sector. Since the program is voluntary, it can be assumed that the compensation paid to program participants

exceeds any costs incurred due to their participation. The water quality, flood control, and habitat provision benefits accruing to non-landowners and program non-participants are likely to outweigh any costs imposed on nonparticipants due to higher land prices or other input costs attributable to the CRP.

CRP in Colorado

In FY 2001, more than \$70.5 million in CCC payments went out to Colorado producers for the CRP. Currently there are 2,199,105 CRP acres and approximately 32 million acres dedicated to agriculture in Colorado. In Colorado in FY 2002 CRP contracts on 6,310 acres will expire and 1,069 acres in FY2003.

CRP Resources

- USDA Farm Bill site:
www.usda.gov/farmbill/
- USDA CRP site:
<http://www.fsa.usda.gov/pas/farmbill/faqmain.asp?catcode=9>
- FSA site:
<http://www.fsa.usda.gov/co/co.htm>
- Environmental Working Group Database: <http://www.ewg.org/>
- Farm Foundation Farm Bill site:
http://www.farmfoundation.org/2002_farm_bill.htm
- ERS site:
<http://www.ers.usda.gov/briefing/ConservationandEnvironment/>

*Notes...
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