6.2 Conservation Reserve Program

Total enrollment in the Conservation Reserve Program (CRP) stands at 36.4 million acres, and no enrollment opportunities have been held since June 1992. The first CRP contracts, covering 2 million acres, are scheduled to expire September 30, 1995, while contracts on more than 22 million acres expire in 1996 and 1997. In August 1994, USDA announced that producers with contracts expiring in 1995 can extend their contracts for 1 additional year and in December 1994 announced the intention to offer all CRP participants the opportunity to modify contracts and extend expiration dates 5 - 10 years.

CRP Enrollment Halted at 36.4 Million Acres

Now in its ninth year, the Conservation Reserve Program (CRP) has converted a total of 36.4 million acres of cropland to conservation uses (table 6.2.1, fig. 6.2.1). Farmers enrolled this land, about 8 percent of U.S. cropland, in 12 separate signup periods from March 1986 to June 1992. About 375,000 CRP contracts of 10-15 years have been established.

Congress established the CRP in Title XII of the Food Security Act of 1985 (P.L. 99-198) as a voluntary long-term cropland retirement program. USDA provides CRP participants (farm owners or operators) with an annual per-acre rent and half the cost of establishing a permanent land cover (usually grass or trees) in exchange for retiring highly erodible or other environmentally sensitive cropland for 10-15 years. The

Table 6.2.1—Enrollment in the Conservation Reserve Program by signup period and fiscal year, 1986-93

Item	Number of contracts	Number of acres	Average rental payment	Average erosion reduction
	1,000	*Million acres*	*$/acre/year*	*Tons/acre/year*
Signup period:				
#1 March 1986 [1]	9.4	0.75	42.06	26
#2 May 1986	21.5	2.77	44.05	27
#3 August 1986 [2]	34.0	4.70	46.96	25
#4 February 1987 [3]	88.0	9.48	51.19	19
#5 July 1987	43.7	4.44	48.03	17
#6 February 1988 [4]	42.7	3.38	47.90	18
#7 July 1988	30.4	2.60	49.71	17
#8 February 1989 [5]	28.8	2.46	51.04	14
#9 July-August, 1989	34.8	3.33	50.99	14
#10 March 1991 [6]	8.6	0.48	53.66	17
#11 July 1991	14.7	1.00	59.37	15
#12 June 1992	18.5	1.03	62.98	16
Total	375.2	36.42	49.67	19
Cumulative enrollment by fiscal year:				
1986	21.0	2.04	43.11	28
1987	145.9	15.71	49.15	23
1988	233.5	24.47	48.52	21
1989	295.4	29.82	48.78	20
1990	333.4	33.92	48.93	19
1991	342.0	34.40	49.00	19
1992	356.7	35.40	49.29	19
1993	375.2	36.42	49.67	19

[1]Eligible acres included cropland in land capability classes II-V eroding at least three times greater than the tolerance rate, or any cropland in land capability classes VI-VIII.

[2]Eligible acres expanded to include cropland in land capability classes II-V eroding at least two times the tolerance rate and having gully erosion.

[3]Eligible acres expanded to include cropland eroding above the tolerance rate with an erodibility index of 8 or greater.

[4]Eligible acres expanded to include cropland in land capability classes II-V eroding at least two times the tolerance rate if planted in trees. Eligibility also extended to cropland areas 66-99 feet wide adjacent to permanant water bodies for placement in filter strips.

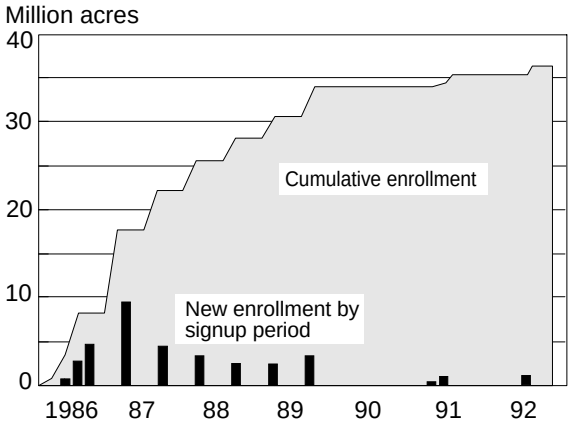
[5]Eligible acres expanded to include cropped wetlands and cropland areas subject to scour erosion.

[6]Eligible acres expanded to include cropland devoted to easement practices, cropland in State water quality areas, cropland in conservation priority areas, and cropland within established wellhead protection areas. Farmed wetlands, even if otherwise eligible, were ineligible for enrollment.

enrollment mandate established in the 1985 Act was 40-45 million acres by the end of the 1990 crop year. The primary goal of the CRP during 1986-89 was to reduce soil erosion on highly erodible cropland. Secondary objectives included protecting the Nation's longrun capability to produce food and fiber, reducing sedimentation, improving water quality, fostering wildlife habitat, curbing the production of surplus commodities, and providing income support for farmers. The Food, Agriculture, Conservation, and Trade Act (FACTA) of 1990 (P.L. 101-624) extended the CRP enrollment period through calendar 1995, and gave increased emphasis to improving water quality, wildlife habitat, and other environmental concerns.

Acres enrolled in the CRP are concentrated in the Northern Plains, Mountain, Southern Plains, and Corn Belt regions, although enrollment after the 1990 Farm Act shifted to the Corn Belt and Lake States regions as a result of revised bid acceptance rules (table 6.2.2, fig. 6.2.2). Annual CRP rental payments made by USDA to participating farmers total $1.8 billion and average $50 per acre. The CRP has reduced soil erosion by nearly 700 million tons per year, or 19 tons per acre on average. This is a 22-percent reduction in U.S. cropland erosion

Figure 6.2.1
CRP enrollment, signups 1-12, 1986-93



Source: USDA CRP contract data.

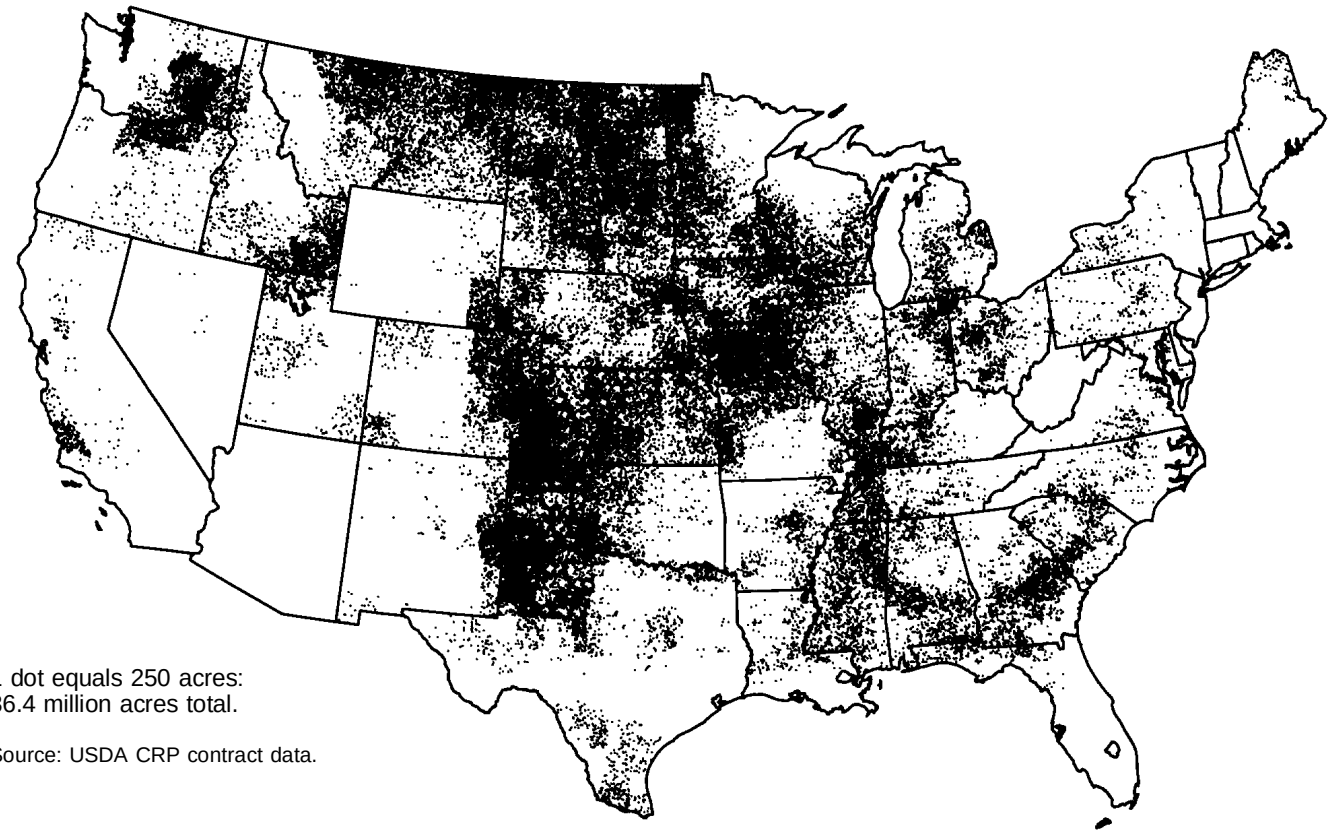
Table 6.2.2—Regional CRP enrollment, signups 1-12

Region	Number of contracts	Total cropland enrolled	Trees planted	Reduced commodity base	Average annual rent payment	Average erosion reduction
	1,000	*Million acres*	*1,000 acres*	*Million acres*	*$/acre*	*Tons/acre/year*
			Signups 1-9 under 1985 Farm Act			
Northeast	5.5	0.20	8.9	0.07	59.62	13
Appalachian	26.0	1.06	139.6	0.53	53.83	26
Southeast	31.4	1.57	1,207.4	0.73	42.60	15
Delta States	16.3	1.09	625.3	0.43	43.93	19
Corn Belt	80.1	4.73	62.9	2.65	73.04	18
Lake States	47.2	2.63	97.2	1.63	58.54	16
Northern Plains	73.4	9.43	8.4	6.48	45.94	15
Southern Plains	26.6	5.08	19.4	4.09	40.19	32
Mountain	20.3	6.44	4.4	4.02	39.73	19
Pacific	6.5	1.70	5.7	1.14	49.29	13
United States	333.4	33.92	2,179.3	21.76	48.93	19
			Signups 10-12 under 1990 Farm Act			
Northeast	0.6	0.02	1.5	0.01	56.32	6
Appalachian	2.6	0.10	12.8	0.05	55.39	19
Southeast	2.6	0.12	90.2	0.07	43.84	12
Delta States	2.4	0.16	119.6	0.08	46.54	11
Corn Belt	18.1	0.88	40.0	0.48	80.85	15
Lake States	8.9	0.38	38.4	0.22	59.45	10
Northern Plains	3.0	0.23	1.5	0.16	48.35	17
Southern Plains	1.9	0.27	3.5	0.21	40.20	28
Mountain	1.0	0.25	0.4	0.16	38.12	16
Pacific	0.6	0.09	0.5	0.07	54.40	12
United States	41.8	2.50	308.4	1.51	59.77	15

Source: USDA CRP contract data.

Figure 6.2.2

CRP enrollment through signup 12



1 dot equals 250 acres:
36.4 million acres total.

Source: USDA CRP contract data.

compared with conditions prior to CRP. Most CRP acres are planted in grass, but the CRP also includes 2.4 million acres of trees, 2 million acres of special wildlife practices, 410,000 acres of wetlands, and 5,200 miles of filter strips along waterways.

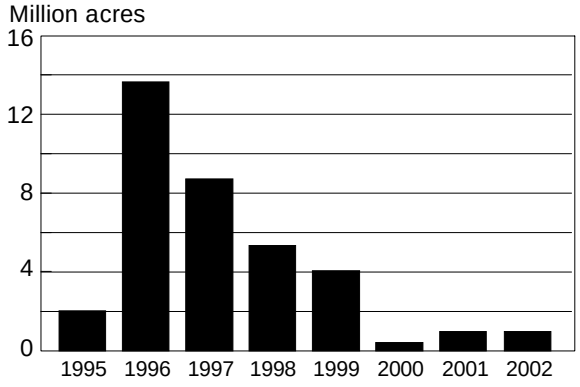
Under FACTA (1990), Congress directed USDA to enroll by the end of 1995 a minimum of 40 million acres in the CRP and Wetlands Reserve Program combined. In addition, Congress instructed that 1 million acres of CRP enrollment be reserved for 1994, and another million acres be reserved for 1995, to provide an option for farmers with highly erodible cropland that could not be treated with a conservation plan under the conservation compliance provision. However, due to Federal budget pressures, subsequent legislation capped total CRP enrollment at 38 million acres, and no funding for new CRP enrollment has been appropriated since 1992. The 1995 Federal budget continues this trend.

First CRP Contracts Begin Expiring in 1995

At the end of the CRP contract period, annual rental payments made by USDA to CRP contract-holders will cease, and contract-holders will decide the next use of their land. Concern is building over the amount of CRP land that could return to crop production, and the accompanying loss of environmental benefits, especially if prices and/or commodity programs are favorable when CRP contracts expire.

The first contracts, covering 2 million acres, expire on September 30, 1995 (fig. 6.2.3), and current procedures allow contract-holders to begin preparing seed beds for fall crops 90 days earlier. Because a 1995 farm bill is unlikely to be completed by this date, USDA announced in August 1994 that producers with contracts expiring in 1995 can extend their contracts for 1 additional year. This will enable contract-holders to make informed decisions about the next use of their CRP acres in light of changes to conservation and commodity programs, including possible successors to the CRP,

Figure 6.2.3
Postcontract availability of CRP land, 1995-2002



Source: USDA CRP contract data.
Note: A small number of acres shown for 2000-2002 are covered by useful-life easements of 15 or 30 years.

enacted by the 1995 farm bill. The bulk of CRP land, 22 million acres, is scheduled to come out of contract in late 1996 and 1997.

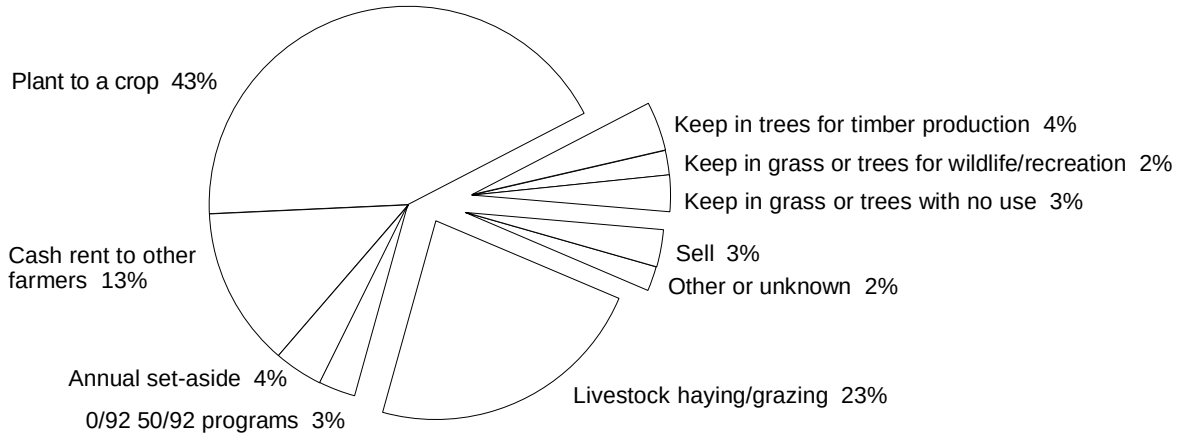
Contract-Holders Intend To Return Most CRP Acres to Crop Production

As the date for expiration of CRP contracts draws closer, policymakers are increasingly concerned with the fate of CRP acres under various postcontract policy options. Several surveys of CRP participants have been conducted over the past 2-3 years, including two national-level surveys by the Soil and Water Conservation Society (SWCS). The most recent and comprehensive of these surveys occurred during the last months of 1993.

SWCS sent their 1993 questionnaire to more than 17,000 individuals—a random 5-percent sample of CRP contract-holders. Completed questionnaires were returned by 68 percent of those contacted. Results indicate that contract-holders expect to return 63 percent of their CRP acres to crop production; keep 23 percent in grass for hay production or grazing livestock, 4 percent in trees for commercial wood products, 2 percent in grass or trees for wildlife, and 3 percent in grass or trees with no anticipated use; and sell 3 percent (fig. 6.2.4). The remaining 1 percent represents acres that would be devoted to other uses or instances where the contract-holder was undecided. Embedded in the 63 percent of CRP acres slated for crop production are several subcategories of use: planting by the producer, 43 percent of total CRP acres; renting or leasing CRP land to other producers, primarily for crop production, 13 percent; idling CRP land to meet annual commodity program set-aside requirements, 4 percent; and enrolling CRP land in the 0/92 or 50/92 programs, 3 percent.

In the survey, contract-holders were asked to respond based on the assumption that crop prices remained at 1993 levels. Prices could be higher or lower when CRP contracts actually expire. Consequently, contract-holders were also asked how they would use their land under different price conditions. If crop prices were 20 percent lower than in 1993, contract-holders said they would return 58 percent of their CRP acres to crop production. If crop prices were 20 percent higher, they indicated they would return 78 percent of their acres to crop production.

Figure 6.2.4
Anticipated postcontract CRP land uses (preliminary)



Source: Osborn and others, 1994.

Contract-Holders Favor Contract Extensions

According to current regulations, USDA must preserve crop acreage bases on CRP land and permit limited haying and grazing for 5 years after a contract expires if the producer keeps the land in conserving uses. Although CRP rental payments would end, this provision was enacted so that producers will not have to replant CRP acres solely to preserve base history. The 1993 survey asked contract-holders if they would maintain their CRP vegetative cover under these conditions. Based on their responses, vegetative cover would be maintained on 20 percent of CRP acres. On 46 percent of CRP acres, base protection with limited haying or grazing would not result in continuation of CRP covers. On 34 percent of CRP acres, contract-holders were unsure how they would react. As a group, contract-holders that would maintain vegetative cover under this option planned to crop only 20 percent of their CRP acres. This can be compared with a planned recropping rate of 63 percent for all CRP acres. It appears that continued base protection alone would probably not be very effective in keeping many CRP acres from returning to crop production.

Another postcontract CRP policy option would be to provide contract-holders with cost-sharing for constructing fencing and watering systems to assist the conversion of CRP acres to livestock production. The 1993 survey asked contract-holders if they would keep their CRP acres in grass and follow a grazing plan for at least 5 additional years after the contract, with no rental payment, if the Government provided half the cost of constructing needed fencing and livestock watering systems. Based on their responses, contract-holders would be willing to do this on only 11 percent of CRP acres. This option was rejected or was not applicable on 59 percent of CRP acres, and contract-holders were undecided on the remaining 30 percent.

To gauge contract-holders' acceptance of CRP contract extensions, the 1993 survey asked farmers if they would extend their contract for 10 years at some percentage of their current annual rental payment. Percentages ranged from 35 percent to 135 percent of the current payment. At 55 percent of the current rent, contract-holders would be willing to extend contracts on just 9 percent of CRP acres. At 80 percent of the current rent, they would be willing to extend contracts on nearly 31 percent of CRP acres. And, at 100 percent of the current rental payment and above, contracts covering 68 percent of CRP acres would be extended. These numbers reflect a downward adjustment of farmers' rental payment expectations from earlier surveys.

Another postcontract policy option is government purchase of permanent easements on CRP acres. Contract-holders were asked on how many acres they would grant a permanent easement to the Government, and what lump sum per-acre price they would require. They indicated that they would sell a permanent easement on 19 percent of CRP acres for an average per-acre cost of nearly $600. This demonstrates less acceptance of permanent easements than evidenced in an earlier survey where contract-holders were willing to sell permanent easements on 27 percent of their CRP acres at an average per acre cost of $773.

Benefits and Costs of the CRP

By idling highly erodible or other environmentally sensitive cropland, the CRP produces a wide range of economic effects. Some effects, such as improved environmental quality and higher food costs, represent changes in the quantity or quality of real goods and services valued by society. These are the social benefits and costs. Other effects, including the disbursement of annual CRP rental payments and reduced outlays for USDA commodity programs, are not changes to real goods or services, but instead represent transfer payment adjustments between regions or sectors of the economy. Due to this fundamental difference, the overall effect of the CRP cannot be determined by simply adding up all the individual effects. Two separate accounting frameworks are necessary. The first focuses on the net effect CRP has on social welfare, while the second summarizes the program's net effect on government spending.

To estimate the net effect of the CRP on social welfare, it is necessary to estimate product and service value changes that occur with and without the program. In 1990, when the CRP stood at 33.9 million acres, ERS estimated net social benefits of $4.2-$9 billion in present value over the life of the program (Osborn and Konyar, 1990). In other words, the social benefits of the CRP exceeded the social costs by an estimated $4.2-$9 billion. Social benefits included increases in net farm income ($2.1-$6.3 billion), the value of future timber ($3.3 billion), preservation of soil productivity ($0.6-$1.7 billion), improved surface-water quality ($1.3-$4.2 billion), lower damages due to windblown dust ($0.3-$0.9 billion), and enhancements to wildlife ($1.9-$3.1 billion). Social costs included higher food costs to

consumers ($2.9-$7.8 billion), costs of establishing vegetative cover on CRP acres ($2.4 billion), and USDA technical asssistance ($0.1 billion).

In 1990, ERS estimated the net government cost (the second evaluation framework) of the CRP at $6.6-$9.3 billion in present value over the life of the program. Program expenses were estimated at $14.6 billion in present value, of which $13 billion represented annual rental payments. Commodity program cost savings were estimated at $5.3-$8 billion. Estimates of commodity program savings are very sensitive to assumptions about annual acreage reduction programs that would exist in the absence of CRP. For example, estimates of commodity program savings would be much smaller if it were assumed that annual acreage reduction programs in the absence of the CRP would be larger.

Recent Proposals Would Continue Some CRP Contracts

The first major policy statement on the future of the CRP was made in early February 1994 by Richard Lugar (R., IN), at that time minority leader of the Senate Agriculture Committee. Senator Lugar recommended that CRP participants be allowed to extend contracts on up to 25 percent of the land they now have enrolled in the program. His recommendation also would extend contracts on CRP acreage devoted to filter strips, wetland areas, and other sensitive environmental acres, and offer small-scale CRP contracts for acres that would lead to improvements in water quality.

In late February 1994, Representative Doug Bereuter (R., NE) introduced H.R. 3894, the Conservation Reserve Program Reform and Reauthorization Act, based on suggestions from landowners, farmers, and conservation and natural resource officials from Nebraska and elsewhere. H.R. 3894 would allow for early exit of lands from the CRP so that funds could be saved and reinvested in enrollment of more environmentally sensitive lands. The bill would also allow for modification of contracts to permit limited economic uses (that is, grazing, haying, biomass production) on CRP lands in return for rental rate reductions; to provide for more targeted enrollment to highly erodible and other environmentally sensitive land, including partial fields for filter strips, wildlife corridors, waterways, etc.; to allow for sale or transfer of commodity program base acres on CRP land in exchange for a conservation cropping easement; and to require that any future land enrolled in the CRP maintain soil erosion at or below the soil loss tolerance level if returned to production.

Another bill, H.R. 4416, introduced on May 12, 1994, by Representatives Colin Peterson (D., MN) and Pat Roberts (R., KS), would amend the 1985 Farm Act by reauthorizing the CRP through 2005. This would not necessarily extend existing contracts, but would provide more time for USDA to enroll additional acres into the CRP if appropriations were approved.

On September 14, 1994, Senators Kent Conrad (D., ND) and Tom Daschle (D., SD) introduced S. 2437, the Conservation Reserve Program Extension Act of 1994. The bill would require the Secretary of Agriculture to offer contract-holders the option of renewing their current contract for 10 years upon expiration. Acres not re-enrolled would be required to follow a basic conservation system. The bill would also require the Secretary to use a bidding system to enroll new acres into the CRP, targeted to water quality, soil quality, and wildlife habitat. This bill would provide the conditions for the Congressional Budget Office (CBO) to change its current assumptions regarding funding for the CRP. CBO presently assumes that contracts will not be renewed as they expire, allowing CRP funding to dissipate.

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