

Proposed CRP Policy: On Track or a Source of Concern

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The Conservation Reserve Program (CRP) was originally established in Title XII of the Food Security Act of 1985 as a voluntary, long-term cropland retirement program. The program has been administered by the United States Department of Agriculture (USDA). Original goals of the program included soil erosion reduction, protection of long term productivity of the land, improvement of water quality, enhancement of wildlife, reduction of sedimentation, reduction of surplus commodities, and income support for farmers (Osborn et al. 1992). Permanent vegetative cover was established on contract land in return for annual rental payments disbursed by the USDA.

Nationwide, approximately 36.4 million acres were enrolled in the CRP program through the first 12 sign-up periods ending in June of 1992 (USDA 1994). An additional 650,000 acres were enrolled in the 13th sign-up which took place in the fall of 1995. Of the 36 million acres about 9.7 million were enrolled in the Northern plains states of North Dakota, South Dakota, Nebraska, and Kansas. Another 5.3 million were enrolled in the Southern Plains states of Oklahoma and Texas (Osborn et al. 1995). Annual CRP rental payments average about \$49.67 per acre (USDA 1997 Farm Service Agency personal communication) and total more than \$1.8 billion per year. The future of the CRP program is an important topic for agricultural policy debate, and is particularly important for the plains states.

The benefits of the CRP program have not been easy to quantify, however many benefits exist. For example, the magnitude of soil erosion reduction in Kansas has been estimated at 16 tons per acre per year (Osborn et al. 1995). CRP has also been credited with providing improved wildlife habitat and species distribution (Lee 1994).

Improvements in water quality have been documented (Satterthwaite 1994), and other original goals of the program have been met to varying degrees.

Under the original law, the first CRP contracts were scheduled to expire 30 September 1995. By action of the Secretary of Agriculture, these contracts were allowed to be voluntarily extended for one additional year. Again in 1996, expiring contract holders were given the option to extend for another year. These two actions, combined with a large original sign-up for 1997 expiring contracts, result in an estimated 62% of contracts, representing 67% of total CRP acres in the United States (Table 1) that are scheduled to expire on 30 September 1997. Landowners, and other contract holders, are faced with making decisions affecting large amounts of CRP land in 1997.

The New Farm Bill:

The *Federal Agriculture Improvement and Reform Act* (FAIR) of 1996 was signed into law on 4 April 1996. The act provides for CRP administration to remain with the Farm Service Agency. Specific provisions in the act extend authority for a CRP program through the year 2002, and allow enrollment to be maintained at a maximum of 36.4 million acres. The act, and subsequent actions by congress, required the Secretary of Agriculture to issue specific regulations for implementation of CRP policy by 15 September 1996. The proposed rules regarding CRP were published in the *Federal Register* on 23 September 1996. The proposed rules include provisions for enrolling existing contracts and bidding new acreage into CRP. Changes from previous provisions include a different erodibility index for land to qualify, a much different method of calculating acceptable rental rate bids, and the declaration from the Secretary of

Table 1. The number of acres and contracts originally bid into the Conservation Reserve Program by state, year signed and expiring. (USDA 1997).

Year signed		Colorado		Kansas		New Mexico		Oklahoma		Texas		United States	
	expires	contracts	acres	contracts	acres	contracts	acres	contracts	acres	contracts	acres	contracts	acres
1986	1995	857	358,777	1,320	104,599	310	95,696	423	60,980	687	155,253	21,053	2,047,473
1987	1996	2,809	952,330	8,507	873,485	984	329,867	2,976	463,686	7,508	1,813,223	124,865	13,664,979
1988	1997	1,220	322,691	10,142	1,054,646	144	37,939	2,765	365,116	5,349	1,073,697	87,536	8,756,572
1989	1998	610	158,966	5,362	427,889	62	14,880	1,287	148,640	3,107	575,591	61,951	5,354,732
1990	1999	587	160,279	4,496	401,168	11	2,383	881	117,028	1,617	303,613	37,978	4,098,128
1991	2000	16	1,556	135	8,812	1	29	49	5,647	225	39,029	8,601	475,179
1992	2001	51	14,157	574	40,868	3	1,880	194	22,102	540	86,574	14,730	998,211
1993	2002	57	9,636	484	26,397	3	506	113	9305	729	103,504	18,482	1,027,444
total		6,207	1,978,391	31,020	2,937,863	1,518	483,181	8,688	1,192,504	19,762	4,150,485	375,202	36,422,771
EXPIRE 1997 ¹		4,886	1,633,798	19,969	2,032,730	1,438	463,502	6,164	889,782	13,544	3,042,173	233,454	24,469,024
Percent expiring		78.7%	82.6%	64.4%	69.2%	94.7%	95.9%	70.9%	74.6%	68.5%	73.3%	62.2%	67.2%

¹ Almost all of the contract holders with contracts scheduled to expire in 1995 and 1996 elected to extend the expiration when offered by USDA. These contracts now expire September 30, 1997.

Table 2. Selected characteristics of the respondents to the survey at the CRP meetings in late 1996.

Item	Colorado	Kansas	New Mexico	Oklahoma	Texas	All ¹
Total usable forms	42	75	45	54	117	338
Average age	57	59	59	61	61	60
Cropland - total acres	140,865	89,172	62,678	69,279	161,269	527,681
- average acres	4,269	1,486	1,649	1,474	1,716	1,905
Grassland - total acres	63,110	48,900	88,448	76,444	133,843	410,999
- average acres	2,630	998	2,948	1,737	1,521	1,734
CRP contracts - total number	128	175	84	162	263	822
- average number	3.0	2.3	1.9	3.0	2.2	2.4
CRP acres - total	53,983	44,118	34,293	45,163	113,294	295,001
- average	1,285	588	762	836	968	873

¹Numbers in "All" column total to more than the "state" columns because some participants did not give their state.

Agriculture that no more one year extensions will be offered. Contract holders, especially those with contracts expiring in 1997, are faced with making a difficult decision that will effect both the land and their financial well being for several years.

The Opportunity to Educate and Gather Information:

Extension specialists and researchers from five states (Colorado, Kansas, New Mexico, Oklahoma, and Texas) put together a multi-state educational program consisting of a series of seven meetings to help contract holders understand the 1996 farm bill as it relates to CRP and to develop a framework for evaluating their options for expiring CRP contracts. Representatives from the Natural Resource Conservation Service (NRCS) and the Farm Services Agency (FSA) cooperated and were heavily involved in each meeting. By coincidence, the meetings were scheduled immediately following the release of the proposed rules by the Secretary of Agriculture. Meetings were held in Goodland, Kansas; Eads, Colorado; Garden City, Kansas; Claude, Texas; Guymon, Oklahoma; Portalis, New Mexico; and Big Spring, Texas between 30 September 1996 and 10 October 1996. Topics presented included an overview of the proposed rules and the conservation compliance provisions, converting post CRP land to haying, grazing, or cropping, and an overall decision making process for evaluating the post CRP land use options. Meeting participants were also provided with a proceedings containing more detail on the above topics (Ohlenbusch 1996). It is estimated that over 700 people attended the series of meetings, with large audiences present at each location.

A survey form was designed and distributed to meeting participants. The objectives of the survey were to gather information about the people attending the meetings as it pertained to their CRP holdings, and to identify concerns regarding the future of the CRP program. A total of 416 survey forms were returned by program participants, with 338 representing CRP contract holders (Table 2). A summarization of the data from the 338 contract holders surveyed reveals that the program was attended by holders of large contracts and contract holders that control a sizable share of the CRP land in the areas where the meetings were held. Contract holders responding controlled a total of 295,000 acres (0.8% of acres) currently in CRP, or an aver-

age of 873 acres per respondent. Survey respondents controlled over 2.7% of CRP acres in Colorado, 1.5% of CRP acres in Kansas, 7.1% of CRP acres in New Mexico, 3.8% of CRP acres in Oklahoma, and 2.7% of CRP acres in Texas.

Contract Holder Intentions and Concerns:

Contract holders were asked to list their intentions for CRP land after contract expiration both before the symposium, and after hearing the presentations. Two interesting observations are worth noting: Many of the participants changed their minds at least somewhat after hearing the presentations; and the vast majority of contract holders were uncertain regarding the use of CRP land after contract expiration, even after the symposium.

Contract holders were provided with a list of concerns or issues surrounding the CRP contract expiration decision and asked to provide a relative ranking of the importance of that particular issue in making their decision. Respondents were asked to rank each concern or issue on a scale of from 1 (very important) to 5 (unimportant). The rankings of the results are presented in Table 3. Overall, two related issues clearly dominated in terms of importance to survey respondents: "new CRP renewal rental rates if re-enrolled" with the highest ranking in all states; and "local land rental rates and influence of CRP payments" with the second highest overall ranking. One could interpret these high rankings as an indication that many of the current contract holders were considering renewing CRP contracts, but were concerned that renewal rates may not be high enough to provide an incentive to leave the land in permanent cover.

"Effects on land values and borrowing power if left in CRP" was the third highest ranked issue and concern. Effects of CRP land on tax base to fund county government ranked 11. It is interesting that this concern ranked this low and varied greatly among the states. It probably reflects local tax and land value issues rather than a regional issue.

The remaining issues varied greatly between the states reflecting difference in attitudes and economics. As an example, the fourth and fifth highest ranked concerns overall were the price of wheat and grain sorghum respectively reflecting the high value of the two crops in the five state region. However, the price of cotton was the fifth highest ranked issue in New Mexico and seventh in Texas.

Table 3. The rankings of the issues and concerns ranked by participants by states at seven CRP meetings in 1996.

Item	Colorado	Kansas	New Mexico	Oklahoma	Texas	All
New CRP rental rates if re-enrolled.	1	1	1	1	1	1
Local land rental rates and influence of CRP payments.	4	2	2	3	2	2
Effects on land value and borrowing power if left in CRP.	2	4	5	6	5	3
Price of wheat.	3	3	3	2	13	4
Price of Grain sorghum.	6	4	3	4	9	5
Cost, cost-share of improvements in grazing or cropping.	5	10	7	5	3	6
Cost associated with meeting conservation compliance.	10	6	9	10	6	7
Cost, cost-share of perimeter fencing/water developments.	9	8	8	9	4	7
Hay prices and grazing rental rates.	11	7	6	7	10	9
Investment costs in machinery for cropping.	8	14	10	11	8	10
Effects of CRP land on tax base to fund county government.	7	11	12	14	12	11
Investment costs in breeding stock and livestock prices.	12	16	11	8	11	12
Landlord/tenant relationship pertaining to CRP participation.	14	9	13	12	14	13
Price of corn.	13	12	14	13	16	14
Income potential from recreation/wildlife.	16	15	17	15	15	15
Price of cotton.	17	17	15	17	7	16
Price of sunflowers.	15	13	16	16	17	17

Surprisingly, concerns about the landlord/tenant provisions in the proposed rules for CRP renewal were not as highly ranked overall, with an overall ranking of 13.

Investment costs for converting CRP land to alternative uses, and the availability of cost share funds to help offset these costs were generally ranked as being of moderate concern by contract holders. Machinery investment costs for cropping, costs associated with meeting conservation compliance, cost and availability of cost-share funds to develop perimeter fencing and water, and the cost and availability of cost-share funds for other improvements necessary for grazing or cropping received overall rankings of 5–9 with hay prices and grazing rental rates.

The income potential from recreation or wildlife uses of the land if left in permanent cover did not appear to be a very important concern of contract holders. Participants apparently see this as a minor source of income that will not be a primary determinant of the future uses of CRP land. Finally, given that the average age of contract holder respondents to the survey was 60 (Table 2), it is likely that a considerable amount of land currently in the CRP will change hands over the next several years. This point was expressed and verified by several symposium participants.

Conclusions

The proposed rules regarding the extension of existing CRP contracts and entering new land into the CRP have generated a lot of confusion and uncertainty among producers and contract holders. Given the large amount of land in CRP contracts that are scheduled to expire in the next few years, it is important that contract holders carefully evaluate all the options available to them. In the process of conducting a series of seven informational meetings in five plains states, extension specialists and researchers discovered the magnitude of frustration and uncertainty surrounding the CRP policy. Contract holders want and need to

know the "rules of the game" in time to make decisions regarding contracts that are scheduled to expire in 1997. Their financial viability, the economic infrastructure of rural communities, wildlife populations, and erosion controls are dependent upon CRP contract holders making wise, well-informed decisions.

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