

Viewpoint: A Solution for 1996—and Beyond

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BBROADLY SPEAKING, THE CONSERVATION Reserve Provision (CRP) of the 1985 Food Security Act (FSA) has two major goals. The first is to reduce national crop commodity surpluses by controlling farm production. The second is to reduce soil erosion and water quality problems arising from farming marginally suited lands (Goetz 1988).

Whether or not these goals will be reached over the long term is still open to speculation. Similar past CRP and set-aside programs have not been successful in achieving very similar objectives. For example, the 1956 Soil Bank Act and its Conservation Reserve Program failed in the final analysis to both divert land from crop production and keep marginal farmland in permanent cover (Laycock 1988). The program goals and subsidy structure of the Soil Bank CRP and the FSA—CRP are similar in many respects. Hopefully, their epitaphs will be different. Perhaps only the strength of our desire not to repeat history will make that so.

Over 45 million acres were targeted for enrollment in the 1985 FSA—CRP. The U.S. Department of Agriculture is now preparing to make \$1.2 million in subsidy payments for lands enrolled in the program between 1986 and 1988. It should be no surprise then, considering those staggering figures, that the most commonly asked questions in agriculture and natural resources conversations today relate to the fate of CRP lands. Will they be plowed and farmed again? Should they be? And if they should not be plowed, what can be done to prevent that from happening? The taxpaying public has a substantial monetary investment in the CRP, especially when one considers the huge federal budget deficit, other pressing domestic concerns, and the dismal record of past CRP-type government programs. Taxpayers should not be too anxious to see this large investment in soil and water conservation disced under seven years from now.

THE DETAILS OF THE NEXT FARM BILL are now being considered. This may be our best chance to secure our investment in the CRP. It is encouraging to note that despite the great diversity of groups and individuals involved in the drafting process, all want to devise some way to keep the CRP-enrolled acres in grass long after 1996. The big question is how to most effectively, and fairly, accomplish that goal.

The most efficient way that the new Farm Bill can keep marginal farmland in permanent cover after 1996 is through a carefully designed economic incentive pack-

age. This incentive package should be designed to accomplish two general objectives. First, it must **encourage** landowners to maintain CRP grass stands by helping develop them in such a way as to produce an income source. Second, it must **discourage** myopic plowing for farming purposes.

REGULATIONS, PROHIBITIONS, subsidies, and special taxes are the four tools at our disposal to reach these objectives (Seneca and Taussig 1974). We probably agree that regulation and prohibition are unpopular and are often viewed as inefficient and unnecessary forms of government meddling in private enterprise. Fortunately, the new farm package does not need to regulate or prohibit behavior to make the CRP a success long after 1996. Instead, this legislation simply needs to send appropriate signals to the economic marketplace so that behavior will be directed in the desired fashion. An incentive package composed of subsidies and special taxes could achieve exactly that and cause the FSA—CRP to succeed where the Soil Bank Act CRP failed.

LET US EXAMINE THE SUBSIDY side of the question first. Subsidies should be made available to ease the transition from past farming activities on CRP-enrolled acres to other activities that encourage the maintenance, enhancement and long-term stability of the newly established permanent cover. When farmers originally submitted bids, the understanding was that that land could come back into production after 1996. Now we are reversing our position by saying that these lands should not come back into production. To be fair, some assistance should be provided so that farmers can get out of the business of farming marginal land by 1996 and undertake enterprises that compliment the seeded cover. In other words, the message sent to the landowners through these subsidies must be clear and strong: "Society does not think it wise to farm erosive lands. We will no longer subsidize this type of behavior. Because we know that this creates a hardship, we are willing to help you make the transition to production enterprises that use resources in a wiser fashion."

The distribution of these special subsidies should be specific. Monies should be made available for water developments, fencing, and other range improvements on a cost-share basis for all land now in CRP. This will encourage the development of CRP seedings for livestock, wildlife, and other range-related uses. In addition, no payments of **any kind** should be made for activities that encourage plowing or farming on land in CRP if that land

is rated in capability classes III-VIII. Class III land provides a workable lower limit for subsidy distribution. Lands in class III have severe crop and soil limitations for farming and those restrictions become progressively greater as the class number increases. This limitation produces the secondary benefit of forcing money for farm programs to lands in capability classes I and II which are best suited for cropping.

AT THE HEART OF THE NEW FARM BILL must be a clear recognition by all that plowing marginal farmland creates costs that are not immediately borne by the individual landowner but by society as a whole. Economists refer to these social costs as *externalities*. Externalities are costs created by the production of a good or service that are not borne by the manufacturer of that good or service (Seneca and Taussig 1974, Stroup and Baden 1973). It is fine to subsidize the initial reconversion of marginal farmland to permanent cover, but to continue to ask society to pay to maintain grass stands after 1996 is both unrealistic and unfair. Many problems associated with soil erosion and lowered water quality as a result of farming marginally suited ground are externalities. They are created by the individual producer but are borne by all society. The solution to this type of problem is to transfer those costs back to the individual offender and thereby internalize external costs.

We could continue to "bribe" landowners, as we are now with CRP payments, not to farm marginally suited lands after 1996. But by doing that, are we sending the right message to the market—and to landowners? Subsidy payments make certain statements about resource ownership. For example, if you pay me a bribe not to smoke a cigar in your presence because the smoke is irritating, then the implicit message is that I own all property rights to the air we both breathe. But if I own the air, then I have the right to pollute it (ignoring the question of environmental responsibility). The best outcome that you could expect is that I accept your bribe (a subsidy) not to exercise my right.

AS IT NOW STANDS, by the end of 1996 society will have paid landowners collectively a bribe of several million dollars not to exercise **their right** to cause soil erosion, lower water quality, and create other related problems. The value of agriculture to this nation notwithstanding, is it right that a private party be allowed to impose these kinds of costs on society and then expect the tax-paying public to "pick up the tab" for the damage? If society is willing to help landowners retire fragile land and convert to less resource damaging production enterprises, it seems to me that landowners owe society similar consideration.

I am not suggesting that plowing marginal land or CRP seedings to grow crops should be prohibited. In fact, let landowners do exactly that if they are determined. On the other hand, these people must recognize the social costs of their actions and be held accountable. This could be

accomplished by imposing a special tax, say a marginal farmland plowing tax. The tax would apply not only to land now in the CRP, but to other fragile land as well.

Compared with a subsidy payment, the imposition of a special tax conveys a completely different message about resource ownership. Let me use the smoking example again to illustrate my point. If this time you tax me for smoking instead of paying me not to smoke, the implicit message is that air is a commonly owned resource. Smoking degrades the quality of that resource and I am forced to compensate all air users (owners) for the damage. By imposing the tax, the social costs of resource misuse are recognized and compensated.

Theoretically, the amount of this plowing tax would equal the social costs of soil erosion and water quality problems created by the offender (Seneca and Taussig 1974). The increased, but more realistic, production costs now incurred by landowners as a result of the tax would provide a strong economic deterrent to plowing fragile land.

IT WOULD BE DIFFICULT, IF NOT IMPOSSIBLE, to determine the actual social costs of farming marginal land. But the tax could be set as a percentage of the original bid price for CRP acres. It should be made high enough to discourage plowing to produce an agricultural crop (this excludes range seedings) and account for revegetation costs, but not so high that it becomes a *de facto* plowing prohibition. Like subsidies, the tax would be imposed only on lands in capability classes III through VIII. Classes I and II would be exempt. In fact, land capability classes might even form tax brackets; the higher the capability class number, the greater the tax imposed and the greater the deterrent to plowing for farming purposes.

While the imposition of a special tax sounds harsh, there are some real benefits. Landowners would be forced to carefully consider whether plowing a CRP grass stand or native range is the best use of scarce resources. There would be a strong economic, as opposed to regulatory, disincentive to farm marginal ground. The tax will also prevent new fragile land from being plowed if and when commodity prices rise after 1996. This was ultimately the fate of many Soil Bank grass stands during the 1970's (Laycock 1988). Money produced through the tax could be used to fund other agricultural programs. Society would be reimbursed for at least a portion of its tremendous investment in the CRP and soil and water conservation. And as important, society would be sending a long overdue message to landowners and others who misuse natural resources: The social cost of resource misuse will be paid for by the offender.

Many details of the approach that I have proposed here need to be worked out. Impacts on other programs must be assessed. Still, I believe that the basic concept is a sound one. A properly structured economic incentive package, which includes special taxes, is a solution. I will admit that the idea of tax incentives in agriculture is a radical departure from past practice. But then, gas-

guzzler taxes on fuel inefficient automobiles and effluent taxes charged to polluters were radical departures when they were imposed. Whatever form the next farm bill takes, it had better answer this important question: How many more times do we have to fund conservation reserve-type programs before we treat problem causes and not the symptoms?

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A story about India's rangeland Mr. Banshi Dahr “One Man Among Millions”

Dennis R. Phillippi

In India, the Department of Soil Conservation is set up by local area districts or directorates. The northern directorate covers the Jammu and Kashmir Districts. Organizationally, the district is headed by a director who supervises and coordinates the work of several technical scientists. This is where Banshi Dahr lives and works.

Banshi Dhar began working for India's Department of Soil Conservation in 1967. Since about 1971 he has worked with and studied the nomadic and seminomadic movements of the “herdsmen” to the summer pastures and between mountain ranges and narrow valleys of the Himalayas.

According to Banshi, about 1/2 million nomads move 4 million sheep, cattle, goats, and some buffalo from the low subtropical winter range to the high mountain alpine summer pastures and back each year. Although the nomads traditionally use the government forest land, they are required to pay a grazing tax. Nomads winter the livestock in the subtropical zone of Jammu (Novem-



Mr. Banshi Dahr discussing routes of the Nomadic herders near Aru Kashmir, India.

Photo by Dennis Phillippi