



CRS Report for Congress

Conservation Reserve Program: Status and Current Issues

Tadlock Cowan

Analyst in Agriculture, Natural Resources, and Rural Development Policy
Resources, Science, and Industry Division

Summary

The Conservation Reserve Program (CRP), enacted in 1985, provides payments to farmers to take highly erodible or environmentally sensitive cropland out of production for ten years or more to conserve soil and water resources. It is the federal government's largest private land retirement program. The program is administered by the Farm Service Agency of the U.S. Department of Agriculture (USDA), with technical assistance provided by USDA's Natural Resources Conservation Service. CRP has several subprograms, the best-known of which is the Conservation Reserve Enhancement Program (CREP).

Congress reauthorized and amended the CRP through FY2007 in the 2002 farm bill and increased the CRP enrollment cap from 36.4 million acres to 39.2 million acres. Congress also added wildlife resources as a CRP objective and allowed participants to extend certain contracts up to 15 years. Along with a "general sign-up" in 2004 for landowners to submit bids to enroll acreage, USDA also announced two CRP initiatives: one to enroll 250,000 acres of bobwhite quail habitat and a second to enroll 250,000 acres of non-floodplain wetlands. Landowners may apply to enroll in these initiatives any time through December 31, 2007, or until the enrollment caps are reached.

Between 2007 and 2010, 28 million acres under CRP contracts will expire, with 16 million acres in 2007 alone. In June 2006, USDA announced that contracts for approximately 13 million acres were renewed. An additional 1 million acres were also added under the latest general sign-up. Reenrollments for contracts expiring 2008-2010 were announced in late summer 2006. This report will be updated periodically.

Background

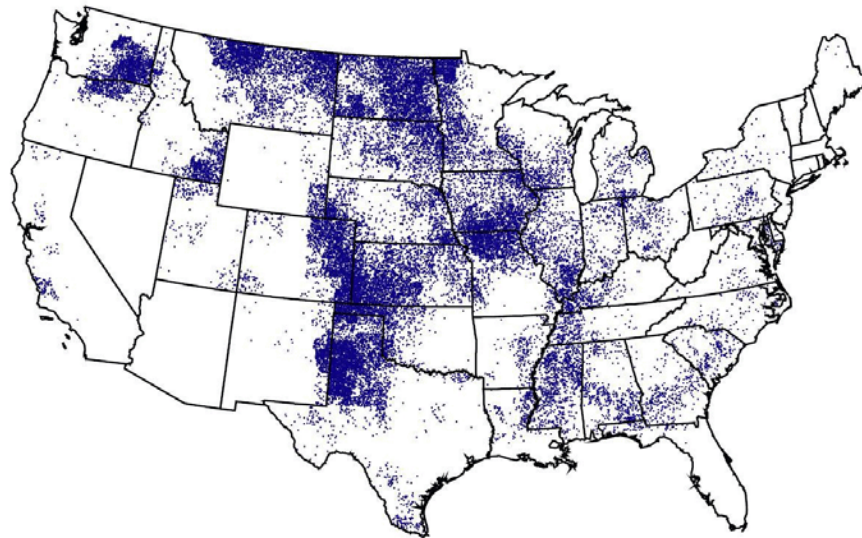
The Conservation Reserve Program (CRP) is the federal government's largest land retirement program for private land.¹ It was first enacted by Congress in 1985 to help

¹ This report is an updated and revised version of a report originally written by former CRS
(continued...)

control soil erosion, stabilize land prices and control excessive agricultural production. Since then, program purposes have been expanded to include environmental goals. The program is administered by USDA's Farm Services Agency (FSA), with technical assistance from USDA's Natural Resources Conservation Service (NRCS) and funding from USDA's Commodity Credit Corporation (CCC). The FSA makes annual rental payments based on the agriculture rental value of the land, and provides cost-share assistance for up to 50% of the participant's costs in establishing various approved conservation practices (e.g., planting a cover crop on the land to reduce erosion). Participants enroll in CRP contracts for 10 to 15 years. The 2002 farm bill authorized CRP to enroll 39.2 million acres at any one time through 2007.

Participants bid to retire land from production for 10-15 years. Contracts are awarded by FSA based on their assessment of the land's environmental value using an Environmental Benefits Index (EBI). If the land is accepted, the landowner may enroll the land, receive annual rental payments for it, and maintain the land under an approved conservation plan. According to FSA data, the CRP had 36.7 million acres enrolled as of December 2006, including the various subprograms (e.g., Conservation Reserve Enhancement Program, Farmable Wetlands).² Up to 25% of a county's cropland may be enrolled in CRP. Over 80 counties have reached this limit.

Figure 1. CRP Acreage, FY2005 (cumulative)
(1 dot = 1,000 acres)



Source: Farm Service Agency

After a CRP contract expires, federal payments cease. If the land in question is "highly erodible" (about 75% of the land enrolled in the CRP meets this definition) and participants decide to return the land to production, they must manage this land under an

¹ (...continued)
analyst Barbara Johnson.

² States with the most enrolled acres are Texas (4.1 million acres), Montana (3.5 million acres), North Dakota (3.4 million acres), Kansas (3.3 million acres), and Colorado (2.5 million acres).

approved conservation system if they wish to be eligible for some federal farm programs (including commodity payments).

Enrolling in CRP

There are four types of sign-ups for enrolling land in the CRP: general, continuous, Conservation Reserve Enhancement Program (CREP), and Farmable Wetlands Program (FWP). As of January 2007, there were 427,742 CRP contracts on 276,066 farms.

General Sign-up. General sign-ups are specified enrollment periods during which landowners compete nationally to enroll land in CRP. Nearly 90% of CRP acreage (33.0 million of 36.8 million) is enrolled through general sign-ups. Applicants must meet certain eligibility criteria, evaluate their land according to FSA's Environmental Benefits Index, and submit bids to FSA for enrollment. FSA accepts applications that show the highest environmental benefits. These sign-ups are always competitive. For CRP's most recent general sign-up (Number 33), which ran from March 27 to April 28, 2006, USDA selected 1 million acres of the 1.4 million acres offered. The most recently accepted acreage includes about 673,000 acres of land located within conservation priority areas, about 629,000 acres with an erodibility index of eight or greater (highly erodible), and about 265,000 acres to be restored to rare and declining habitats.

Environmental Benefits Index (EBI). As CRP has been expanded to include broader environmental goals, FSA has adjusted the categories and points awarded under the EBI. For example, FSA announced in June 2003 that, for the first time, it may award points to projects which have the potential to sequester carbon (reducing greenhouse gas emissions). Other factors include wildlife habitat benefits from planted cover crops, water quality benefits from reduced erosion, and whether benefits will endure beyond the contract period. Offers that included a willingness to accept less than the maximum rental rate for acreage (thereby reducing the cost to the government), as well as offers to reenroll land, may have received additional points. FSA ranks all applications nationally, and then sets an EBI score cutoff above which applications will be accepted.

Continuous Sign-up (includes Bobwhite Quail and Non-Floodplain Wetlands). Environmentally desirable land devoted to specific conservation practices with high environmental benefits may be enrolled in CRP at any time for 10-15 years under continuous sign-up.³ Offers are automatically accepted (provided the land and producer meet certain eligibility requirements) and are not subject to competitive bidding. Contracts usually include additional incentive payments. The 2002 farm bill reserved 4 million acres (of the 39.2 million enrollment limit authorized) for land to be enrolled under continuous sign-up or CREP sign-up (see below). Within the continuous sign-up program there are some options tailored to certain conservation needs, such as restoring floodplain wetlands and native hardwood trees in wetlands. On August 4, 2004, the Administration announced two more initiatives: a 250,000-acre initiative to restore bobwhite quail habitat in the Midwest and the Southeast, and a 250,000-acre initiative to restore wetlands located outside floodplains (including Great Plains playa lakes). These

³ Specific conservation practices include filter strips, riparian buffers, grass waterways, shelterbelts, field windbreaks, living snow fences, salt-tolerant vegetation, shallow water areas for wildlife, wetland restoration, and wellhead protection areas.

two initiatives begin October 1, 2004 and continue through December 31, 2007. There are currently 2.6 million acres enrolled under continuous sign-ups (excluding CREP acreage).

Conservation Reserve Enhancement Program (CREP). This is a joint federal-state continuous sign-up program available in parts of 28 states. CREP targets geographic areas with agriculture-related environmental problems, such as Maryland's Chesapeake Bay and Florida's Everglades. Some states (including New York and Ohio) have multiple CREPs, each targeting a different area of the state. USDA provides 80% of the funding, and a non-federal entity (typically the state) contributes the remainder. States may automatically enroll up to 100,000 acres, thereby avoiding the need for landowners to compete in the general sign-up. Unlike the general sign-up, CREP both encourages landscape-scale conservation efforts and offers the flexibility to address locally identified needs. Generally, CREP rental payments are higher to attract participation. Landowners may bid to enroll in CREP at any time. As of January 2007, 917,480 acres were enrolled in CREP (70,000 acres added in 2006).

Farmable Wetlands Program (FWP). As authorized under the 2002 farm bill, this allows farmable wetlands — those that have been partially drained, or are naturally dry enough to allow crop production in some years, but otherwise meet the definition of a wetland — to be enrolled in CRP on a continuous basis. Up to 100,000 acres may be enrolled from any state (this may be increased to 150,000 acres after three years). The farm bill reserved 1 million acres for farmable wetlands enrollment. Currently, there are 161,451 acres enrolled (14,000 added in 2006).

Program Costs and Benefits

Acreage enrolled in CREP, continuous enrollment, or the farmable wetlands programs is generally eligible for higher payments than acres enrolled under general sign-ups because of their higher environmental benefits, location and prevailing rental rates, and additional financial incentives for participation. However, such contracts involve much smaller acreage on average. CREP payments average \$121 per acre and the FWP \$119, versus an average per acre payment of \$44 for the general sign-up acreage under CRP.⁴

Total outlays for CRP in FY2006 were \$1.80 billion. The Congressional Budget Office estimates CRP contract obligations will cost \$1.92 billion in FY2007.⁵ NRCS estimated that, prior to 2003, monetized CRP benefits (such as increased wildlife habitat and small game hunting) totaled about \$1.4 billion per year. This figure does not include non-monetized benefits such as improved groundwater quality and wetland restoration. Critics allege that CRP is an expensive program, and that its benefits can be temporary since participants are under no obligation to continue conservation practices after contracts end. Proponents counter that the estimated benefits document CRP's worth, and that not all of CRP's benefits have been or can be monetized. Moreover, proponents argue that it provides an incentive (especially for small farmers) to carry out land and

⁴ Approximates FY2008 payments, before adjustments for haying/grazing, non-compliance, terminations, part-year contracts, and contracts not yet recorded.

⁵ Congressional Budget Office, January 2007 Baseline.

water conservation practices they otherwise might not be able to afford, and that these practices have public benefits.

Rental Rates for CRP Acreage. The average rental rate for all CRP land was \$49 as of January 2007. Rental rates ranged from an average of \$44 for general sign-up acreage to \$121 for CREP acreage. CRP rental rates are based on the three-year average of local dry-land cash rental rates. Certain monetary incentives, such as an incentive to perform particular maintenance obligations, may also apply. Producers can offer land at that market rate or may offer a lower rental rate to increase the likelihood that their offer will be accepted. CRP cost-sharing assistance is available to eligible participants for up to 50% of the eligible costs of establishing the approved practice.

CRP Environmental Results. FSA estimates that, compared with 1982 erosion rates, CRP has reduced erosion by over 454 million tons per year on the 36.7 million acres enrolled in the program. Other conservation benefits NRCS has documented on these lands include the sequestration of over 48 million metric tons of carbon annually; over 3.2 million acres of wildlife habitat established; and a reduction in the application of nitrogen (by 681,000 tons) and phosphorus (by 104,000 tons). Also, participants have planted about 2.7 million acres to trees, making it the largest federal tree-planting program in history.⁶ Through April 2006, CRP has restored 2 million acres of wetlands and 2.5 million acres of buffers. Some observers have noted that the benefits are unevenly distributed. CRP lands are scattered across the nation, which can make it more difficult to restore wildlife populations and improve water quality in important watersheds. Some enrolled lands may be planted to less appropriate cover types which may provide more limited wildlife benefits.

Current Issues

With the upcoming farm bill reauthorization in 2007, the 110th Congress may follow several CRP issues, including long-term direction of the program, effects of the program on rural economies, and the implications current CRP regulations may have for bioenergy production.

Expiring CRP Contracts and Reenrollment Policy. An immediate issue for CRP is the scheduled expiration of more than 28 million acres between 2007 and 2010. Nearly 16 million of these will expire in 2007 alone. In June 2006, 13 million acres of the 15.5 million acres set to expire September 2007 were reenrolled or extended based on EBI scores and the land's location within national priority areas.⁷ FSA ranked individual contracts into one of five tiers based on the environmental benefits of the original EBI score. Eligible participants ranking in the first tier (81%-100% of the EBI) could reenroll their land in new 10-year contracts. Farmers and ranchers in this top tier with wetlands enrolled, were eligible for 15-year contracts.

⁶ CRP Benefit-Cost Assessment, February 2003, and FY2005 CRP annual summary.

⁷ National Priority Areas named in CRP authorizing legislation are the Chesapeake Bay, Long Island Sound, and the Great Lakes Region. USDA established two other national priority areas: Prairie Pothole Region in the Northern Great Plains, and Longleaf Pine Region in the southeast.

Eligible participants ranking in the second tier (61%-80% of the EBI) could extend their contracts for five years. Third tier participants (21%-40% of the EBI) could receive three-year extensions. Eligible participants in the bottom tier could extend their expiring contracts by two years. Participants with contracts expiring between 2008 and 2010 were also notified by FSA that they could choose to reenroll. These 160,000 participants had a deadline of June 30, 2006, to decide whether to apply for reenrollment. The reenrollment data for these expiring contracts, covering 12 million acres, will be announced in late summer 2006.

Some observers of conservation policy believe that reenrollments could offer an opportunity to refine CRP in ways that enhance the program's capacities for preserving natural resources and improving environmental benefits from agricultural lands. With current high commodity prices, however, renewing CRP contracts may be less attractive for some producers.

Administration's 2007 Farm Bill Proposal. The Administration proposes reauthorizing CRP to focus on environmentally sensitive lands. The criteria for continuous enrollment acreage would be revised. The Administration also proposes prioritizing farmlands planted in a biomass reserve of perennial crops used for cellulosic energy production. Secretary Johanns also announced (February 2007) that there would be no new CRP enrollments in 2007 and 2008, and that the Administration might permit farmers to cancel existing CRP contract to plant corn for ethanol production.

Effects of CRP on Local Economies. Retiring land in rural, largely agricultural economies could result in fewer farmers and fewer farm supply businesses in those areas. Section 2101(b) of the 2002 farm bill directed ERS to study the impact of CRP enrollment on rural economies and population levels. USDA's Economic Research Service (ERS) issued this report in February 2004. The report found that population trends were largely unaffected by high CRP enrollment. It also found that high CRP enrollment was associated with some job loss in rural areas between 1986 and 1992 — the years CRP was first underway — but that this was generally not the case during the 1990s. However, the report noted that national trends may mask regional adjustments, and that "local economic adjustments might be sizeable."⁸ Loss of existing CRP acreage or halting of new enrollments may also have effects on local economies where hunting and fishing are important activities.

Commercial Activity on CRP Lands. The authorizing legislation for CRP prohibited any commercial activity on CRP-enrolled land. The 2002 farm bill, however, made amendments allowing for managed haying and grazing, including the harvesting of biomass.⁹ Currently, managed haying means that once every three years after CRP vegetative cover has been established, participants can harvest the cover, subject to an approved CRP conservation plan and consistent with the conservation of soil, water quality and wildlife habitat. This CRP provision could be the subject of some attention in the 2007 farm bill where certain CRP-approved ground cover is also a desirable feedstock for bioenergy development.

⁸ US Department of Agriculture, Economic Research Service Report to Congress. *The Conservation Reserve Program: Economic Implications for Rural America*. September 2004.

⁹ See 7 CFR 1410.63