

Conservation and the 2002 Farm Bill



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January 15, 2002

Background



- 2002 Farm Bill currently being debated
- Conservation title is controversial – role of environmental groups is increasing
- Lots of \$\$ at stake

Why Do We Care About Ag. Conservation Programs?

- Agriculture affects a lot of resources.
- Conservation funding under the farm bill is a large portion of Environmental \$\$.
- Seen as a “trade-friendly” way to transfer income. (Holy Grail of farm programs)

Outline

- Brief History of Ag. conservation programs
- Current Programs
- Proposed Changes in the 2002 Farm Bill
- Relationship with Commodity Programs
- Issues

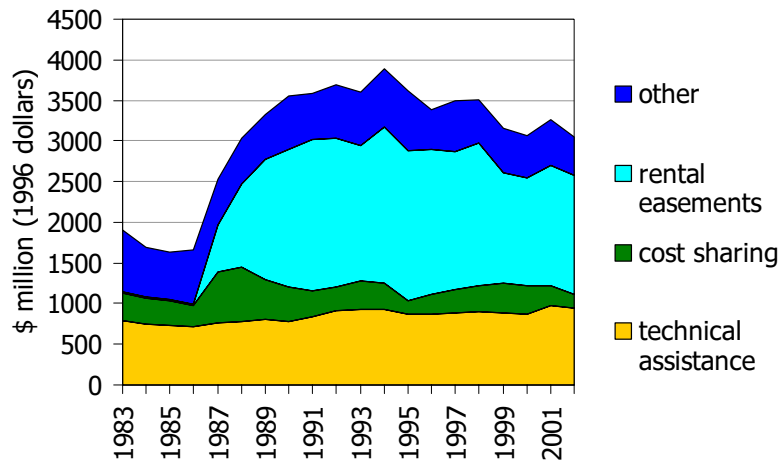
Brief History - the early years

- Begins in 1930s
 - Land Retirement:
 - | Ag. Conservation Program 1936 (also included cost-share component);
 - | Conservation Adjustment program 1933;
 - Technical Assistance
 - | Soil Conservation Service (est. 1935)

Types of Conservation Programs

Land Retirement	Working Lands	Regulatory/ Compliance
CRP (cropland)	EQIP	Sodbuster/ Swampbuster
WRP (wetlands)	WHIP (wildlife habitat)	Clean Water Act
FPP (urban fringe)		Endangered Species Act

Conservation expenditure



Source: USDA 2001

Current Programs - CRP

■ What?

- | 10-15 year contracts for idling cropland
- | At soil adjusted county rental rate

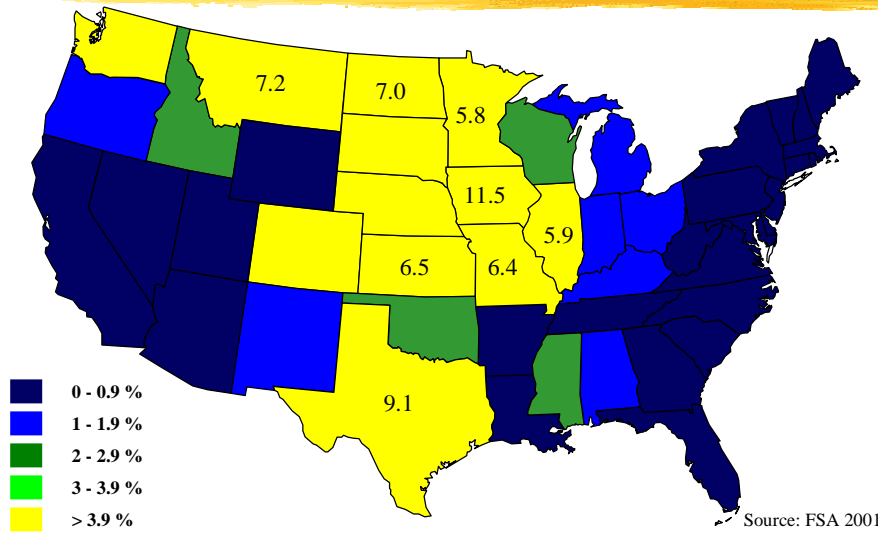
■ How Much?

- | 36.4 million acres ceiling (4.2 million especially sensitive land)
- | 25% max per county
- | 31.4 million enrolled by end of FY2001

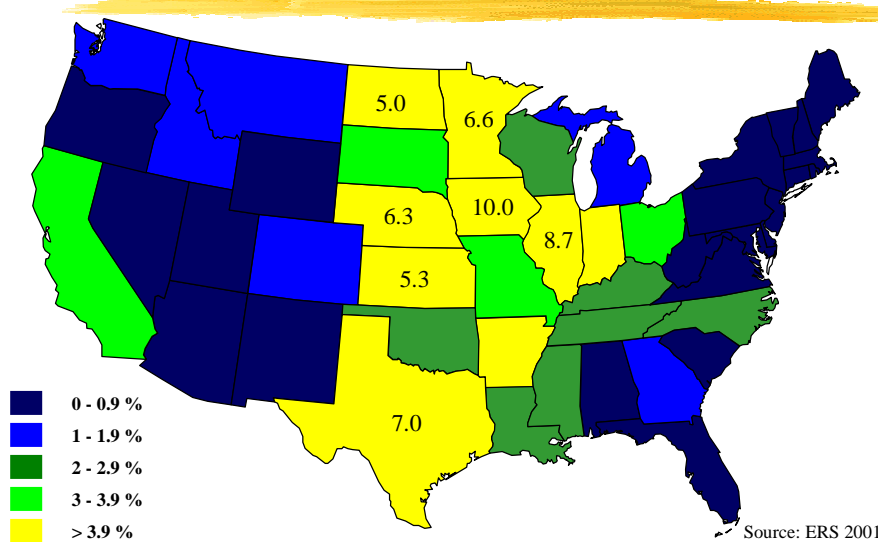
■ Why? (Purpose of Program)

- | soil erosion
- | since 1996, based on Environmental Benefits Index (e.g. water, habitat)
- | supply reduction (?)

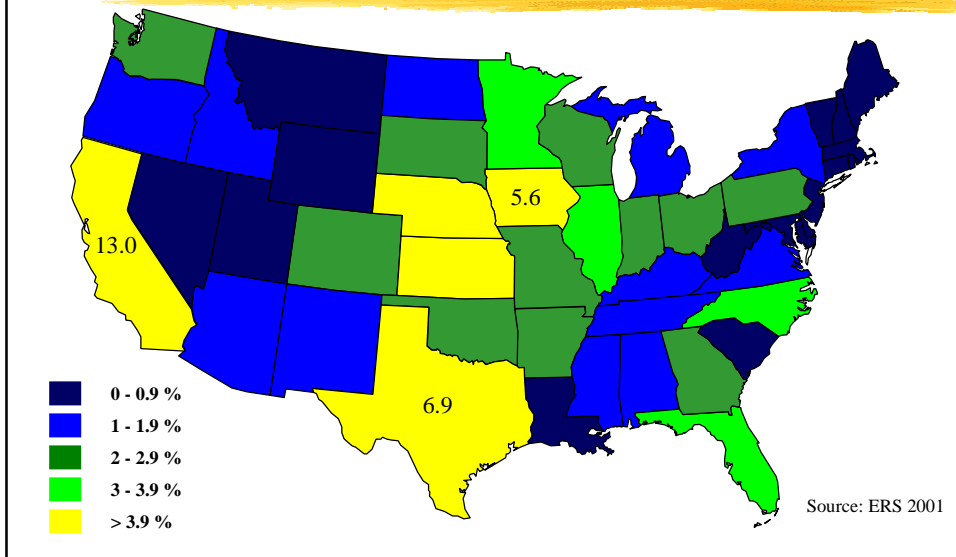
CRP Rental Payments by State, 2001 (% of U.S.)



Direct Commodity Payments by State, 2000 (% of U.S.)



Agricultural Cash Receipts by State, 2000 (% of U.S.)



Other Land Retirement

- WRP, Farmland Protection Program (FPP)
- 92 cents of every \$1 of direct conservation payments go to retired lands.
- Over 1/2 the CRP Payments go to people who are not 'farmers.'

Environmental Quality Incentives Program (EQIP)

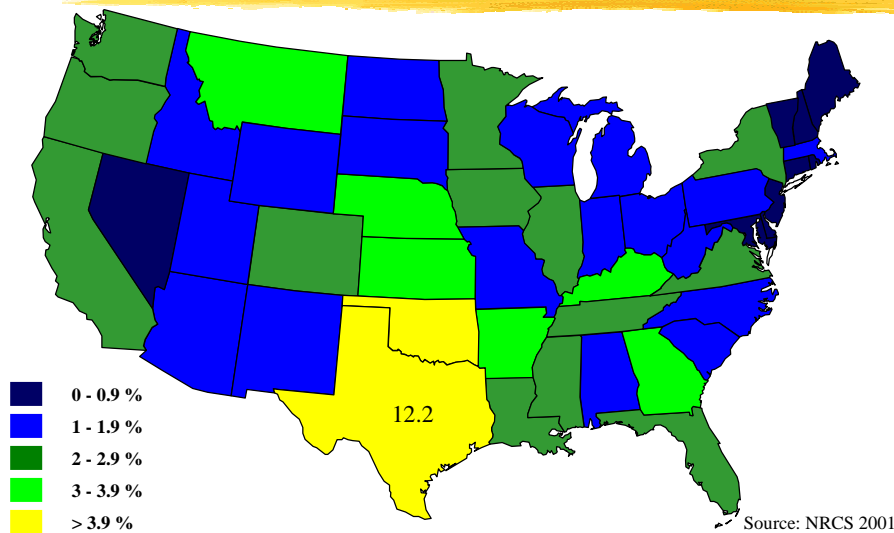
What?

- | Cost-share program
- | 5 to 10 year contracts
- | Funding split between livestock and crops
- | State-determined priority areas

How much?

- | 80,000 contracts, covering 34 million acres
- | backlog of 197,000 applications on 67 million acres
- | Current cost \$200 m.

EQIP Allocation by State, 2001 (% of U.S.)



2002 Farm Bill Debate

- Focus on “working lands” programs.
- Both House and Senate increase CRP cap.
- Both increase EQIP funding (\$200 m to \$1,250 m or \$1,500 m), and increases per producer cap.
- Both introduce Grasslands Reserve Program (GRP) to retire pasture.
- Senate introduces Conservation Security Program (green payments).

Bohlert-Kind & Reid-Leahy Amendments

- Transfer close to \$2 billion/year from commodity programs to conservation.
- take funds from large farms.
- ramped up some programs 10 fold in a few years.
- Bohlert-Kind lost 200 to 226.
- Reid-Leahy also adds water retirement under CRP.

Commodity Title

- Both bills continue fixed payments on updated acres (although Senate bill phases them out).
- Both bills propose 'countercyclical payments' paid on past production.
- Both bills continue loan rates – although Senate increases level and adds commodities.

Proposed Loan Rates

Commodity	2001	House	Senate	2002e price
Wheat (\$/bu)	2.58	2.58	3.00	2.75-2.85
Corn (\$/bu)	1.89	1.89	2.08	1.85-2.15
Rice (\$/cwt)	6.50	6.50	6.85	4.10-4.40
Soybeans (\$/bu)	5.26	4.92	5.20	3.90-4.70
Cotton (\$/cwt)	0.519	0.519	0.55	0.325*
Lentils (\$/cwt)	n.a.	n.a.	12.79	10.60**

* Ave Aug-Nov 2001 ** Ave 2001

Target Prices & Fixed Payments

Commodity	Target Price		Fixed Payments		
	House	Senate	2001	House	Senate
Wheat	4.04	3.45	0.46	0.53	0.45
Corn	2.78	2.35	0.25	0.30	0.27
Rice	10.82	9.30	n.a.	2.35	2.45
Soybeans	5.86	5.75	n.a.	0.42	0.55
Cotton	0.74	0.68	0.067	0.07	0.13

Issues

- Link between conservation and commodity programs (e.g. CRP)
- Market for Green Payments versus Maximizing benefits (WTO-compliant?)
- Is conservation becoming another commodity?
- Other
 - CAFO funding under EQIP
 - Water rights
 - \$\$ for carbon sequestration pilots and other "innovation grants"

CSP

■ Tier 1

- Address 1 resource concern (both new and existing practices), 5 year.
- 6% of county rental rate (for specific land use), \$20,000 ceiling

■ Tier 2

- 1 resource concern for total operation, 5 to 10 year.
- 11% of county rental rate, \$35,000 ceiling

■ Tier 3

- All resource concerns for operation, 5 to 10 year.
- 20% of county rental rate \$50,000

Senate Agriculture Committee Members, 2001

