

Conservation and Research in the 2007 Farm Bill



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Farm Bill Titles

-  Commodity Programs
-  Conservation
-  Trade
-  Nutrition Programs
-  Credit
-  Rural Development
-  Research and Related Matters
-  Forestry
-  Energy
-  Miscellaneous



Title I. Commodity Programs

- Market assistance loans
- Direct payments
- Counter cyclical revenue payments
- WTO compliance

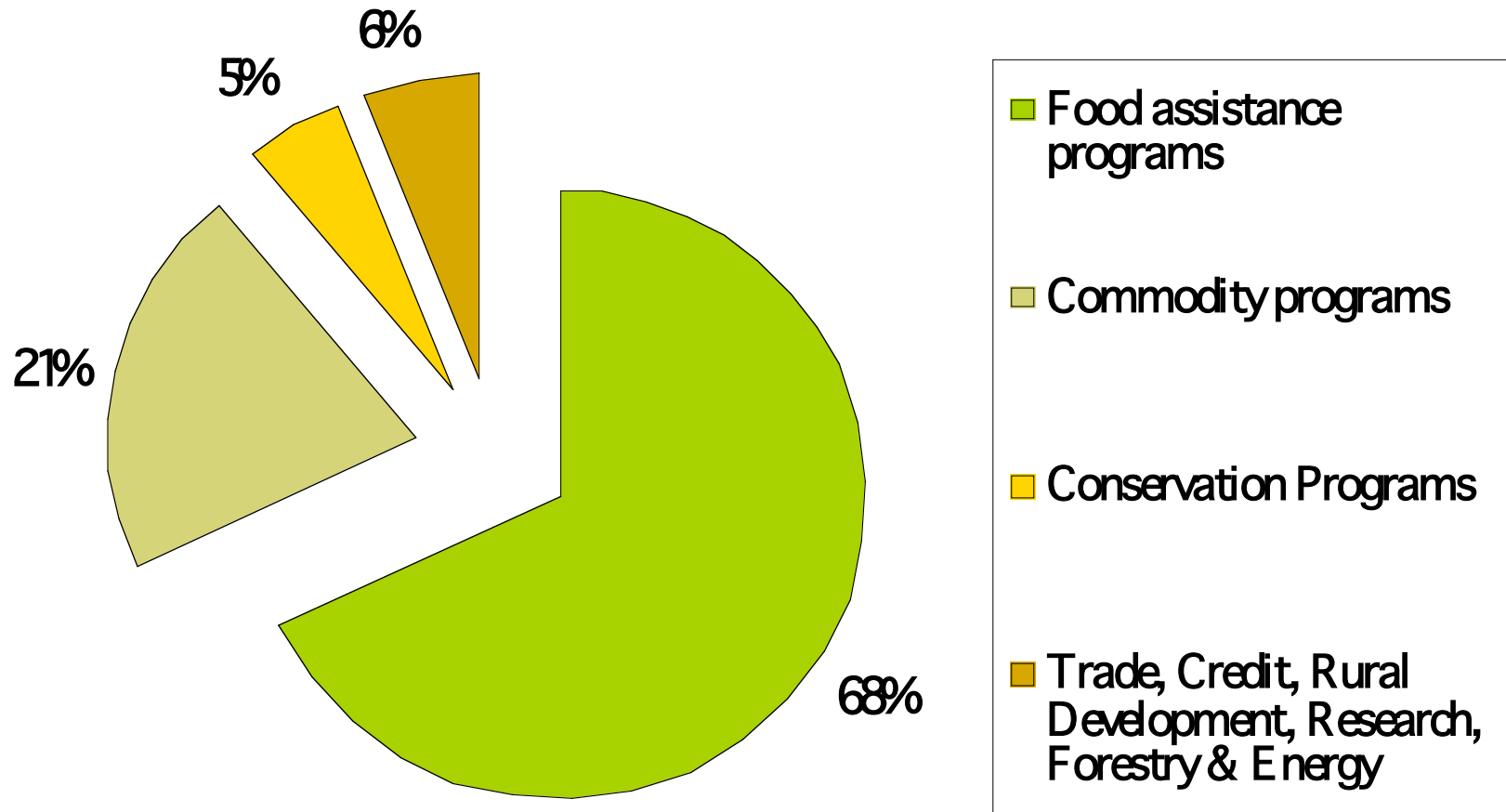
Title II. Conservation

- Environmental Quality Incentives Program
- Conservation Security Program
- Private Lands Protection Program
- Conservation Reserve Program
- Wetlands Reserve Program
- Sod Saver to Discourage Conversion of Grassland
- Access for Beginning and Socially Disadvantaged Producers

Title X. Miscellaneous

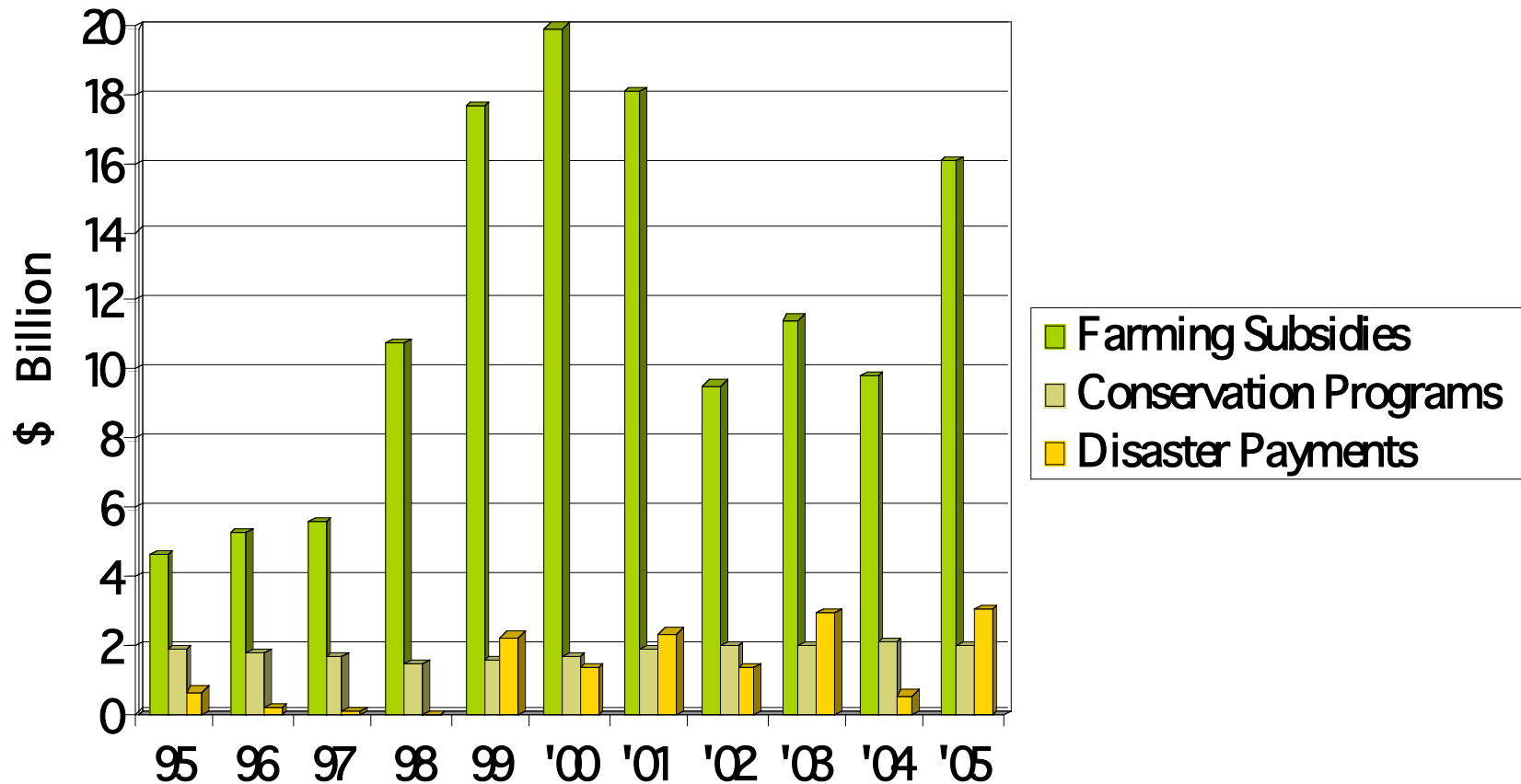
- Crop Insurance
- Organic Farming Initiatives
- Increase Section 32 Purchases of Fruits and Vegetables

US Agricultural Program Funding



Shares are based on 2002 Farm Act projected spending 2002 – 2011.
Source: Congressional Budget Office, March 2002.

Farm Program Expenditures



Source: Environmental Working Group

Current Farm Program Payments

- \$165 billion spent on commodity, disaster, and conservation programs from 95 – 05.
- 73% of payments to farmers went to 10% of those receiving subsidies from 1995 – 2005. (Environmental Working Group).
- 9% of farms collect 54% of all commodity payments.

Major USDA Conservation Programs

- Land Retirement Programs
 - Conservation Reserve Program (CRP)
 - Wetlands Reserve Program (WRP)

- Working Lands Conservation Programs
 - Environmental Quality Incentives Program (EQIP)
 - Wildlife Habitat Incentives Program (WHIP)
 - Conservation Security Program (CSP)

- Other Conservation Programs
 - Conservation Technology Assistance
 - Farm and Ranch Land Protection Program
 - Grassland Reserve Program

Land Retirement Programs

- Conservation Reserve Program (CRP)
 - Offers annual payments and cost sharing to establish long-term cover, usually grass or trees, on environmentally sensitive land.
- Wetlands Reserve Program (WRP)
 - Provides cost sharing and/or long-term or permanent easements for restoration of wetlands on agricultural land.

Working Lands Conservation Programs

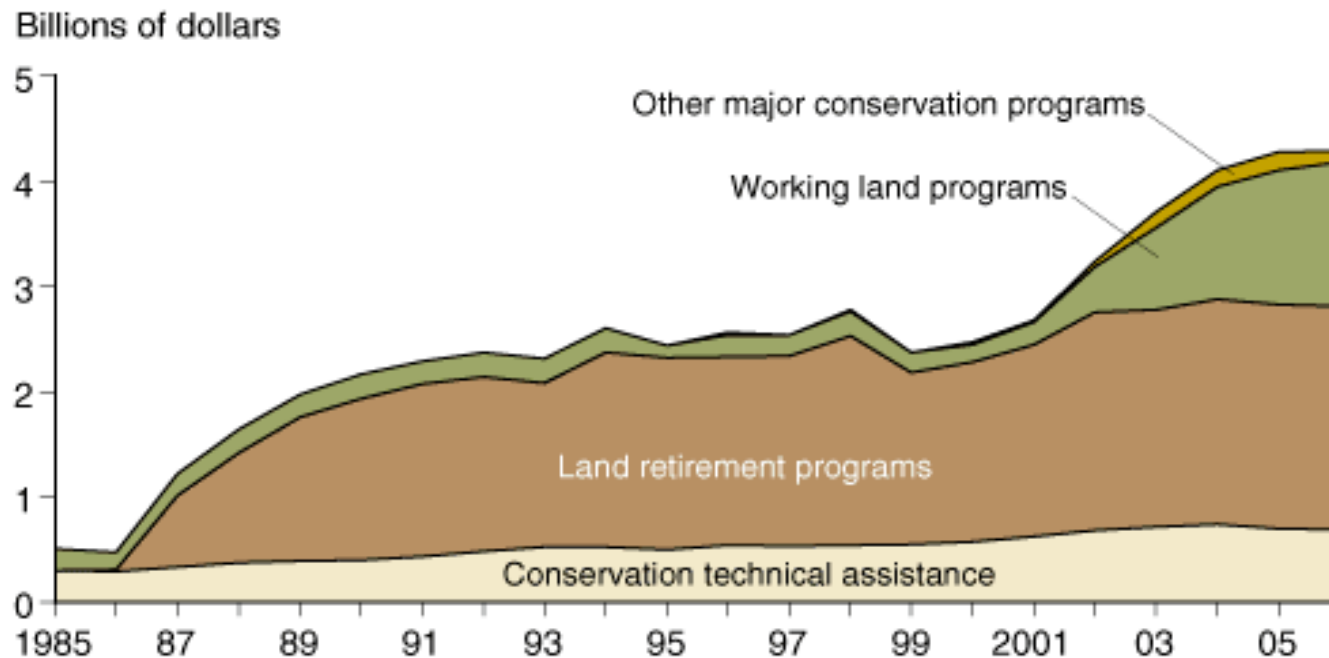
- Environmental Quality Incentives Program (EQIP)
 - Provides technical assistance, cost sharing, or incentive payments to assist livestock and crop producers with conservation and environmental improvements on working lands. 60% slated for livestock including CAFO's for manure handling and disposal.
- Wildlife Habitat Incentives Program (WHIP)
 - Provides cost sharing to landowners to develop and improve wildlife habitat.
- Conservation Security Program
 - Focuses on good stewardship, also provides incentives for improving conservation performance related to soil and water quality. Offered only in selected watersheds in any one signup. Three CSP "tiers" of participation.

Other Conservation Programs

- Conservation Technical Assistance
 - Ongoing technical assistance to producers
- Farm and Ranch Land Protection Program
 - Provides funds to state, tribal, or local governments and private organizations to help purchase development rights on farmland.
- Grassland Reserve Program
 - Offers long-term rental agreements (up to 30 years) and easements to conserve native grass grazing lands.

Conservation Program Expenditures

The 2002 Farm Act authorized substantially increased conservation funding, particularly for working lands programs

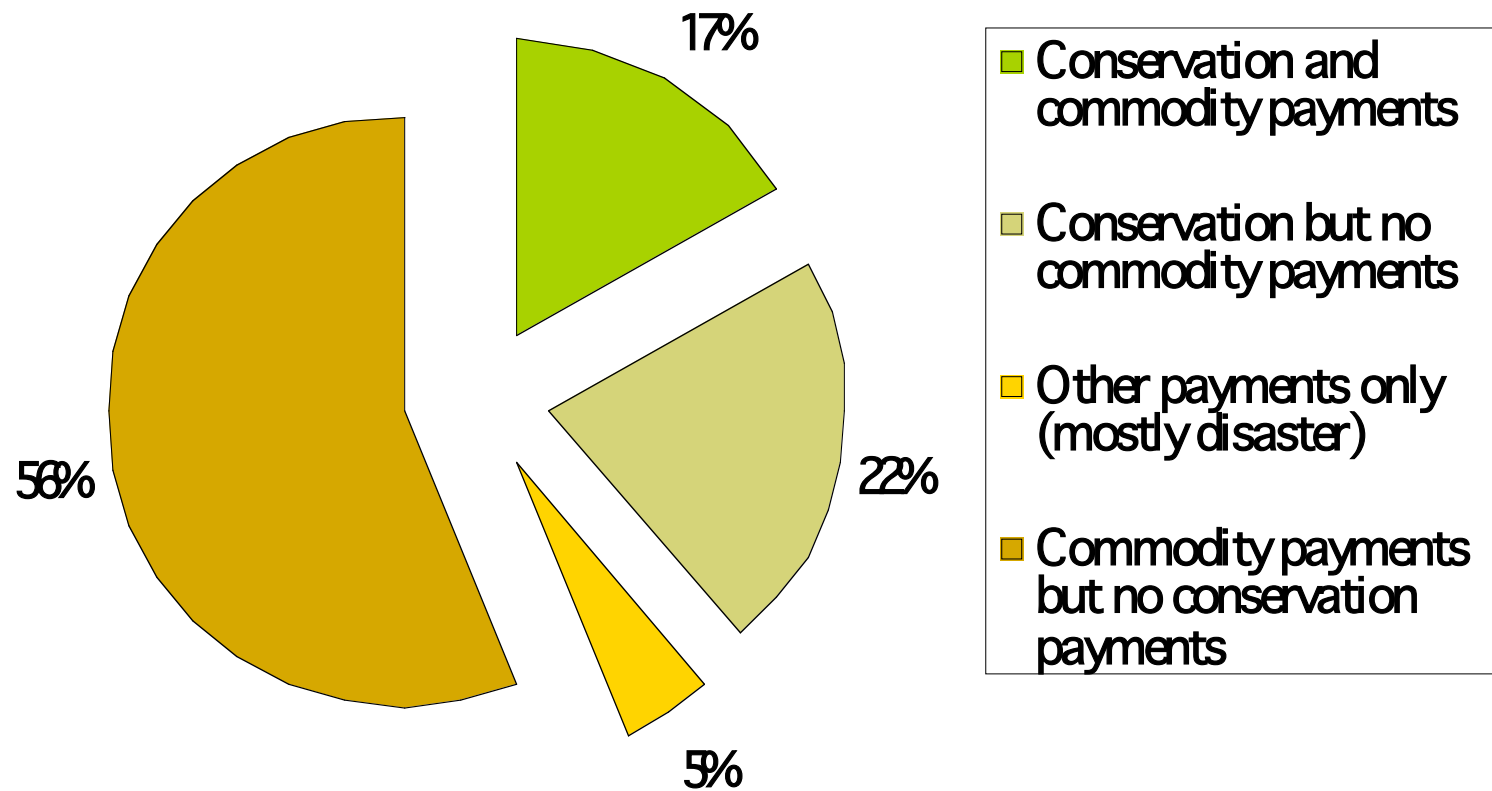


Source: Analysis by USDA, Economic Research Service of data from USDA, Office of Budget and Program Analysis.

Programs and Expenditures Under 2002 Farm Act

Program	Funding 2002 - 2006
Conservation Reserve Program	\$9.2 billion
Wetlands Reserve Program	\$1.3 billion
Environmental Quality Incentives Program	3.9 billion
Wildlife Habitat Incentives Program	\$171 million
Conservation Security Program	\$500 million (2004 -06)
Conservation Technical Assistance	\$3.5 billion
Farm and Ranch Lands Protection	\$426 million
Grasslands Reserve Program	\$236 million (2003 - 06)
TOTAL	\$19.2 billion

Overlap Between Income and Conservation Payments



Ranking Applicants for Conservation Programs

- For EQIP and CRP prospective costs and environmental benefits are used (benefits- costs indices) to select applicants. Producer incentives to apply do not depend on the level of environmental benefits and are the same across producers. Cost based payments.
- CSP bases payments on environmental performance (not cost) only. Payments are performance based, not cost based. May induce producers with the highest environmental benefits to apply.

Environmental Quality Incentives Program EQIP

- NRCS uses national priorities to allocate EQIP funds to states
 - Reduction in non-point source pollution
 - Reduction of emissions, e.g. VOC's
 - Reduction in soil erosion and sedimentation
 - Habitat conservation for at-risk species
- NRCS State Conservationist decisions
 - How funds will be allocated within the state
 - What practices will be offered
 - Cost share rates
 - Ranking process to prioritize contracts
 - Which authorities will be delegated to the local level

Environmental Quality Incentives Program (EQIP)

- A voluntary program providing assistance to growers established in 1985
 - Promote environmental quality
 - Optimize environmental benefits
- Cost share
 - Up to 75% of costs on practices such as grassed waterways, filter strips, manure management facilities
- Incentive payments for land management
 - Nutrient management
 - IPM
 - Irrigation water management
 - Wildlife habitat management

Environmental Quality Incentives Program (EQIP) Contract Details

- Practices to be implemented
- When they will be implemented
- USDA assistance provided
- Length of the contract
 - minimum one year after the last practice is installed, max of 10 years
- Aggregate total payment limit \$450,000

Conservation Security Program (CSP)

- ❑ A voluntary program that supports ongoing stewardship of private ag lands by providing payments for maintaining and enhancing natural resources.
- ❑ Focus on ag operations that already have addressed environmental problems.
- ❑ Implemented in 2005
- ❑ CSP signups are offered in selected watersheds
- ❑ NRCS interview to determine eligibility and program “tier” for participation

Conservation Security Program

Tiers

- **Tier I** 5 year contracts, max \$20K per year
 - must have already addressed soil and water quality to the described minimum level on part of the ag operation.
 - Soil quality practices include crop rotations, cover crops, tillage practices, prescribed grazing, and wind barriers.
 - Water quality practices include conservation tillage, filter strips, terraces, grassed waterways, nutrient and pesticide management, and irrigation and water management.

- **Tier II** contracts from 5 – 10 years max \$35K per year
 - Soil and water quality addressed on the entire operation AND agree to address an additional resource concern applicable to their watershed.

- **Tier III** contracts from 5 – 10 years max \$45K per year
 - Must have addressed ALL applicable resource concerns on ALL eligible land AND have riparian zones adequately treated before acceptance.

Conservation Security Program Contract Payments

- ❑ Annual stewardship component for the existing base level conservation treatment
- ❑ Annual existing practice component for the maintenance of existing conservation practices calculated at 25% of the stewardship payment
- ❑ New practice component for additional practices on the watershed list up to 50% cost share.
- ❑ Annual enhancement component for exceptional effort and additional activities that provide benefits beyond the minimum requirements.





CSP Contract Payment Enhancement Component

- ❑ An improvement in a priority local resource consideration such as water quality and wildlife
- ❑ Participation in an on-farm conservation research, demonstration or pilot project
- ❑ Cooperation with other producers to implement conservation plan that involves at least 75% of producers in targeted area
- ❑ Implementation of evaluation activities of CSP practices e.g. water quality sampling at field edges, drilling monitoring wells, gathering plant samples for analysis

National Campaign for Sustainable Agriculture Farm Bill Stewardship Incentives





- ❑ Ensure that the Conservation Security Program is the keystone conservation program.
- ❑ Strengthen Conservation compliance, sodbuster and swampbuster as preconditions for participation in programs.
- ❑ Retain CRP and WRP.
- ❑ Restore EQIP payment limitations to \$150,000 over 5 years and restore the ban on the funding for new or expanding CAFO's.
- ❑ Ensure that conservation of natural resources is a major focus of agriculturally based renewable energy production.

USDA Conservation Initiatives

-  Consolidate several existing programs, including WHIP, under EQIP. Invest in the Conservation Innovation Grants program. Total \$4.25 billion.
-  Modify CSP to create a stewardship program that emphasizes incentives for implementing higher levels of conservation practices. Expand enrollment from current 15.5 million acres to 97 million acres. Increase funding by \$.5 billion over 10 years.
-  Consolidate 3 easement programs into one new Lands Protection Program.
-  Enhance CRP to focus on lands that provide the most benefits. Give priority to whole enrollment utilizing biomass production for energy.

USDA Conservation Initiatives






(cont.)

-  Expand conservation compliance to discourage the conversion of grassland to crop production.
-  Designate a portion of each conservation program to beginning and socially disadvantaged farmers.
-  Invest \$50 million over 10 years to encourage new private sector environmental markets.
-  Allow funding to be allocated based on the best use of conservation funds and repeal requirement for a minimum expenditure of \$12 million per state.

Voluntary Conservation Program Specifications

- Who is eligible to receive payments
- For what actions
- Selection criteria and ranking of applicants
- Design options
 - Income support vs. environmental objectives
 - Alternative ways to target programs
 - The use of bidding in determining payments
 - Payments for practices vs. performance

USDA Organic Farming Initiatives

-  Increase certification cost share reimbursement from \$500 to \$750 maximum. Up to \$5 million annually in mandatory funding.
-  Reauthorize and fund data collection to identify and publish organic production market data. Additionally authorize and fund price reporting. \$ 1 million mandatory funding.
-  Invest an additional \$10 million in mandatory research funding focusing on conservation and environmental outcomes
-  Eligibility for EQIP cost-share assistance would include organically farmed land.
-  Expand mandatory funding of Market Access Program and allow organic ag to compete for funds to increase the organic export market.

USDA Specialty Crop Research Initiative

- Invest \$1 billion over 10 years in research for the specialty crop industry.
- Research areas
 - Plant breeding, genetics, and genomics
 - Continuing efforts to identify threats from invasive species
 - Technologies to increase production efficiency
 - Technology to increase mechanization and reduce the reliance on labor