



Conservation Programs in the 2018 Farm Bill

Erik Lichtenberg

Department of Agricultural and Resource Economics

University of Maryland, College Park

The two faces of conservation programs: environmental protection vs. income support

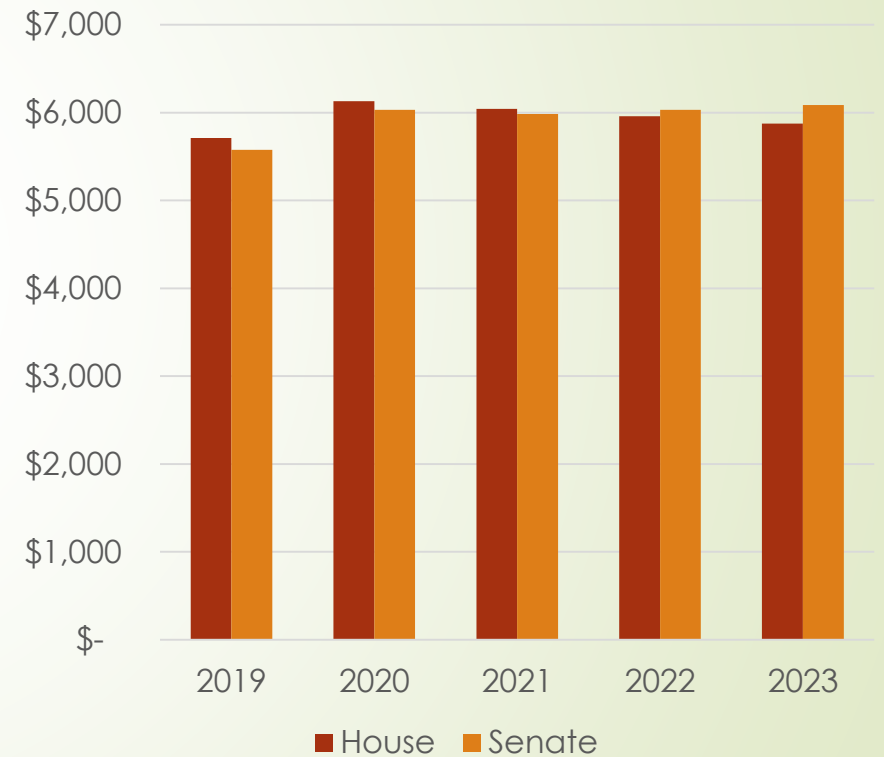
- ▶ In the 1930s, erosion mitigation from land diversion, installation of erosion control measures combined farm income support and environmental protection.
- ▶ Complementarity between these goals no longer close as intensification of agriculture creates water quality problems from fertilizer and pesticide runoff.
 - ▶ Agriculture accounts for 70% of nitrogen and phosphorus delivered to Gulf of Mexico and 40-50% of nitrogen and phosphorus delivered to Chesapeake Bay.
- ▶ Conservation programs remain the main way we address environmental problems for agriculture—but a program structure carried over from Depression Era has limited what they can achieve.
- ▶ How does the 2018 farm bill affect potential for environmental quality improvements?

Major Programs in the Conservation Title

- ▶ Land retirement programs:
 - ▶ Conservation Reserve Program (CRP): Convert highly erodible cropland to conservation uses.
 - ▶ Agricultural Conservation Easement Program (ACEP): Maintain/restore wetlands/grasslands, farmland preservation easements.
- ▶ Subsidies for installing/maintaining conservation practices on working farmland:
 - ▶ Environmental Quality Incentives Program (EQIP): Shares costs of installing conservation structures or equipment on working farmland.
 - ▶ Conservation Stewardship Program (CSP). Payments for maintaining suite of conservation practices on working farmland.
- ▶ Regional Conservation Partnership Program (RCPP).
 - ▶ Funds both land diversion and working farmland subsidies in government/NGO programs at regional/watershed scale.

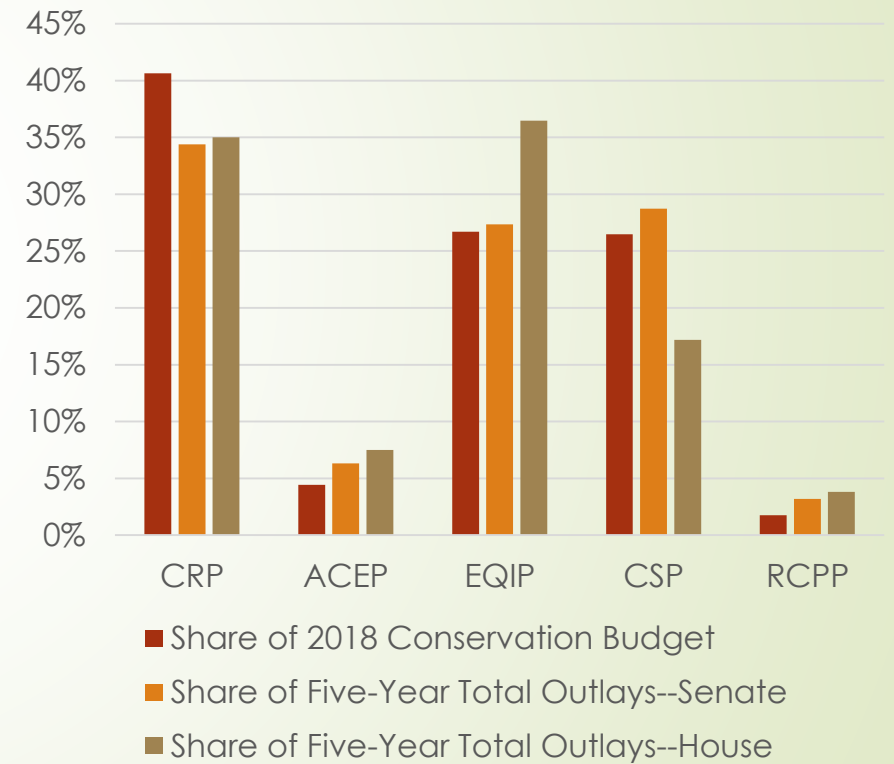
CBO Spending Projections

- Spending at roughly \$6 billion annually.
- Conservation programs account for about 30% of direct farm payments (commodities + crop insurance + conservation).



CBO Spending Projections

- Both Senate and House bill retain relative shares of spending on working farmland vs. land diversion from 2014 farm bill.

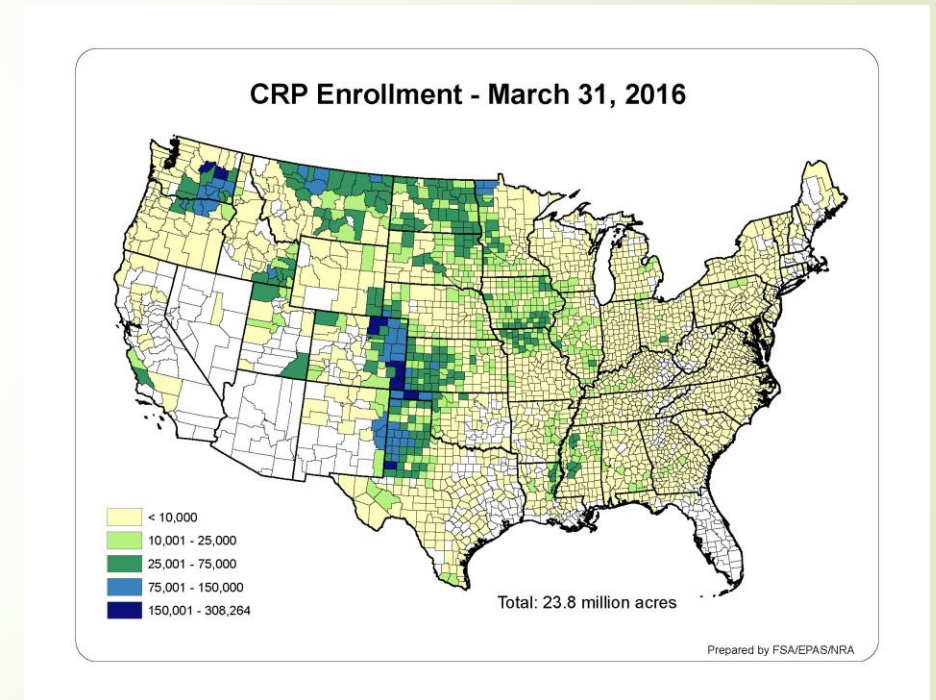


Conservation Reserve Program (CRP)

- ▶ Long term contracts. Farmers put highly erodible cropland into conservation uses, receive annual rental payment plus cost share for conversion.
- ▶ Conference committee report: Compromise between Senate and House bills:
 - ▶ Cap on acreage rises from 24 million acres in 2109 to 27 million acres in 2023.
 - ▶ Rental rates capped at 80% of county average.
- ▶ Potential limitation on improved environmental performance:
 - ▶ Rental rate cap may prevent enrollment of land with very high environmental benefits—bids should be evaluated relative to benefits attained, not quantity of land rented.

Geographic distribution of CRP remains highly skewed toward areas with low environmental benefits

- ▶ Administrative source of problem: deficiencies in Environmental Benefits Index used to evaluate bids by overweighting wildlife habitat, wind erosion benefits, failing to adjust for affected population size.
- ▶ Provisions that could prevent improvements in environmental performance by:
 - ▶ Requiring that each state get at least 60% of 2007-2016 average acreage.
 - ▶ Grassland set aside cannot be allocated to other uses.



Environmental Quality Incentives Program (EQIP)

- ▶ Subsidizes up to 75% of cost of installing conservation structures, purchasing specialized equipment for working farmland.
- ▶ Payments limited to \$20,000/year or \$80,000/6 years.
- ▶ Current law: 60% of spending devoted to livestock, 5% for wildlife habitat.
- ▶ Funding allocated on formula basis to states, tracks each state's share of farm operations.
- ▶ Potential performance improvements:
 - ▶ Requires funds to be allocated in accordance with NRCS assessment of conservation needs and performance of existing programs. Could help redirect funds to achieve better environmental performance.
 - ▶ Reduces livestock set aside to 50%.
 - ▶ Conservation Incentive Payments targeted toward

Environmental Quality Incentives Program: Potential Performance Improvements

- ▶ Reduces livestock set aside to 50%.
- ▶ Increases wildlife habitat set aside to 10%.
- ▶ Raises cost share rate to 90% for designated practices that address water quality or other priority resource concerns.
- ▶ Payment limitation raised to \$140,000/5 years for organic production.
- ▶ Conservation Incentive Payments targeted toward watersheds with identified priority resource concerns.
 - ▶ 5-10 year contracts requiring installation/maintenance of practices that address identified priority resource concerns.
 - ▶ Annual payment based on installation/maintenance costs, revenue loss from yield reduction, other losses during transition to resource conservation cropping system.

Conservation Stewardship Program (CSP)

- ▶ Medium term (5-year) contracts with annual payments depending on comprehensiveness of suite of conservation practices used.
- ▶ Current law: Funding allocated to states according to each state's share of cropland.
- ▶ Conference committee: Retains CSP, rejects House proposal to terminate it.
- ▶ Potential performance improvements from Senate bill:
 - ▶ Require that CSP projects be evaluated on basis of resource conservation and environmental benefits (performance) rather than level of conservation activity (effort).
 - ▶ Increase allowable subsidy rates for cover crops.
 - ▶ Add grazing management, comprehensive conservation planning, support for ongoing organic production to set of practices eligible for funding.

Agricultural Conservation Easement Program (ACEP)

- ▶ Combination of wetlands reserve, grasslands reserve, and farmland preservation programs.
- ▶ Geographic distribution of enrollment, spending highly skewed.
 - ▶ 5 states (FL, AR, CA, LA, MT) account for 35% of spending.
 - ▶ 5 states (LA, AR, GA, FL, MS) account for 50% of acreage, 25% of spending.
 - ▶ 6 states (MT, WY, CO, TX, OR, UT) account for ~50% of easements, 12% of spending.
- ▶ Senate and House bills restore funding to pre-2018 levels.
- ▶ Questions about environmental performance:
 - ▶ Need for federal funding of farmland preservation easements unclear—usually effective as part of local land use planning.
 - ▶ Need for grassland reserve unclear given large existing stock.
 - ▶ Wetlands preservation effectiveness can be limited if uncoordinated.

Regional Conservation Partnership Program (RCPP)

- ▶ Created in 2014, funds projects at regional or watershed scale undertaken by state/local government, quasi-governmental agencies, non-profits with goal of enhancing water quality or conserving water.
- ▶ Base funding of \$100 million from CCC plus 7% of funds from EQIP, CSP, ACEP.
- ▶ Allocation: 40% national competitive, 35% to crucial conservation areas, 25% to states to be allocated on competitive basis.
- ▶ Potential performance improvements:
 - ▶ Base budget increased to \$200-250 million.
 - ▶ Funds from EQIP, CSP, ACEP no longer revert to originating program if unused.
- ▶ Limitations on potential performance improvements:
 - ▶ Senate: Expansion of criteria for eligibility to include general natural resource concerns, land protection/sustainability of farming weakens focus on water, environmental quality.
 - ▶ Senate: Funding allocation of 40% to states, 60% national competition.
 - ▶ House: Limit on contract length to 5 years, increases bureaucratic obstacles for continuation of long term projects.

Summing Up

- ▶ Programs in the conservation title likely to remain the principal form of agri-environmental policy.
- ▶ 2018 farm bill largely retains structure and funding levels of conservation programs.
- ▶ Opportunities for improved environmental performance:
 - ▶ Expansion of RCPP.
 - ▶ Change in EQIP funding allocation (Senate bill).
 - ▶ Modifications to CSP in Senate bill.
- ▶ Missed opportunities for improved environmental performance:
 - ▶ Possible retention of formula funding based on farming activity for EQIP, CSP.
 - ▶ Environmental Benefits Index for CRP remains unchanged.
 - ▶ Caps on rental rates in CRP.