



## NAVIGATING THE WAVES OF CHANGE

FARM BUREAU - CONFRONTING THE ISSUES

### **CRP – Early Out Policy Development May 2011**

#### **Issue:**

The Conservation Reserve Program (CRP) was created as part of the 1985 Farm Bill to help producers cope with Highly Erodible Land (HEL) restrictions contained in the same bill. At its inception, emphasis was placed on enrolling highly erodible land into the program. Over the years, other environmental concerns have also been incorporated into the enrollment criteria.

Today, ending stocks for many crops are at or near historically low levels. Increasing domestic and export demand is projected to keep stocks at low levels for some time to come. Projections indicate an additional 390 million bushels of corn and 500 million bushels of soybeans will be exported per year by the end of the next decade just to meet the expected export demand. Considering the conservation purpose of the CRP, can some CRP acres be brought out in an environmentally sensitive manner? A penalty-free release of non-sensitive CRP acreage may provide additional acreage to meet growing worldwide demand for agricultural commodities.

#### **Background:**

CRP is a voluntary program that assists farmers, ranchers and other agricultural producers in using their environmentally sensitive land for conservation benefits. Producers enrolling in CRP plant long-term, resource-conserving covers in exchange for rental payments, cost-share and technical assistance. Participants enroll in CRP contracts for 10 to 15 years. Land that comes out of the CRP prior to the contract completion date faces a severe penalty, essentially requiring the farmer to pay back all of the past rental payment, plus other penalties.

The 2008 Farm Bill capped CRP enrollment at 32 million acres. There are two types of enrollment – continuous and general enrollment. Land enrolled in the continuous CRP program tends to be filter strips and riparian buffers that will not return to production. Land enrolled in the general CRP program may return to production under the appropriate economic conditions. Of the 30.9 million acres currently enrolled in CRP, 26.1 million acres are in the general program and 4.8 million acres are in the continuous program.

In September 2011, there will be 4.25 million acres expiring from the general enrollment with an additional 6.25 million acres expiring in September 2012. The acreage enrolled in general contracts expiring in 2013 will decline to 3 million acres and will then decrease 2 million acres per year from 2014-17.

Set aside programs, such as the CRP, are considered non trade distorting by the World Trade Organization since the purpose of the set-aside is for conservation, not supply control. However, early removal of land from CRP strictly to increase production would be considered trade distorting. Reductions in the number of overall acres eligible for the programs due to budget reductions (such as deficit reduction or reductions in farm bill allocations) would not be considered supply related for WTO purposes.

The impact of having land returned to production depends on where the land is located. Release of CRP acres in high production areas will have a greater impact than increasing acreage in less productive areas. Of the 4.25 million CRP general enrollment acres expiring in 2011, about 11 percent are located in the Midwest and 28 percent are located in the Upper Plains. Similarly, of the 6.25 million acres of CRP general enrollment acres expiring in 2012, 15 percent are located in the Midwest and 28 percent are located in the Upper Plains.

An analysis of the production potential of acreage, located in the Midwest, enrolled in CRP suggests that an additional 500 million to 700 million bushels of corn can be produced if that acreage were returned to corn production. Similarly, an analysis of the wheat production potential for acreage enrolled in CRP suggests that in excess of 100 million additional bushels of wheat can be produced if that acreage was returned to production.

**Questions:**

Would a penalty-free release of non-sensitive CRP cropland encourage increased grain supply and benefit farm families?

Would this help meet demand for food and feed?

What are the ramifications to the public?

**Farm Bureau Policy:**

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Lines 1-6: We support the continuation of the Conservation Reserve Program (CRP) and the continuous Conservation Reserve Program. Tenant farmers' rights must be protected. Reasonable limits on participation should be included to protect the economic stability on individual counties or regions. Highly erodible land producing all crops should be eligible for enrollment in CRP.

Lines 18-24: We support: (1) The current rule limiting CRP acres to 25 percent of the total county crop acres including Conservation Reserve Enhancement Program and all experimental pilot projects except for small acreage enrolled in continuous CRP. Any waivers in effect when expiring contracts were enrolled should remain in effect, as determined by the appropriate state Farm Service Agency committee;

Lines 45-47: (9) CRP contracts should be allowed to remain as written. There should be no additional restrictions put on the use of the land when it comes out of the long-range CRP.