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INTERAGENCY NEWS RELEASE

Market Prices May Affect Conservation Compliance

INDIANAPOLIS, May 1, 2007—We hear it every day. Market prices are enticing farmers to make changes and grow more corn. “The price for corn took quite a jump last year, and is the highest it has been in a long time,” says State Executive Director Kenny Culp with the Farm Service Agency. “There are some who think the price will stay high for several years, and that could change the footprint that agriculture leaves on the land. This could ripple through the farm economy for quite a while.”

“Farmers will look at their own situation and make a decision about how much corn to plant. One thing we want to be sure farmers think about is staying in compliance with the Farm Bill,” explained State Conservationist Jane Hardisty with the Natural Resources Conservation Service (NRCS). There are several compliance provisions in the 1985 Farm Bill, which have continued in the 1990, 1996 and 2002 versions, including “sodbuster” and “swampbuster”. “In the 1985 Farm Bill these were new provisions and NRCS spent a lot of time helping farmers become familiar with them. These provisions took a lot of marginally productive and fragile lands out of production.”

One of the keys to compliance rules is that before manipulating land that does not have a cropping history (pasture, woodland, wet spots, fencerows, etc.), producers should check to see if the land is subject to one of the provisions. Here is how the provisions work:

- Sodbuster – Highly erodible land with no cropping history being converted to production may be subject to sodbuster provision. Farmers are required to treat highly erodible land with rotations or reduced tillage to control the amount of erosion in order to stay eligible for USDA benefits. Check with your local USDA service Center for more information or a determination.
- Swampbuster – Wetlands being converted to crops may cause a loss of eligibility for USDA programs. For a wetland determination, check with your local USDA Service Center.

It is important to stay in compliance because all USDA benefits, including Conservation Programs, Farm Loan Programs, Disaster Assistance, Commodity Price Supports and Direct and Counter Cyclical Programs are affected by being out of compliance. “We are concerned that producers looking to plant more corn might see marginal land they have taken out of production as the easiest places to plant. Producers can certainly make that decision, but they should be knowledgeable on the compliance issues to avoid costly penalties,” said Hardisty.

Cropping and management changes can also affect current conservation program contracts, outside of the conservation compliance issues. For example, a conservation contract may need to be revised if tillage practices or cropping rotations change, as these management decisions can affect program eligibility. For instance, a farmer’s land in CRP that comes out of the contract could make that farmer ineligible, or affect the level of payments, under another program like the Conservation Security Program (CSP). Another example is that a change in the operation of a farm enrolled in CSP can reduce CSP contract payments, because management changes may affect the eligibility assessment that was conducted to allow the farm into the program. In these cases it’s a good idea to check with your local USDA Service Center to find out if cropping or management decisions on lands enrolled in conservation programs could have an impact.

“If a farmer decides to cancel a conservation contract early in order to plant corn, the penalties may outweigh the benefits,” explains Gail Peas, Conservation Specialist with the Farm Service Agency. Peas outlines an example of how that could work:

If a producer has a 10 year Conservation Reserve Program (CRP) contract for 15 acres, and decides to cancel the contract in year seven, they will be responsible for refunding seven years of payments, liquidated damages and interest. The landowner would have received \$1,335 per year payments for the last seven years (15 acres X \$89 annual rental rate), plus a one time payment of \$675 to cost-share on practice implementation. The landowner needs to refund \$10,020 in payments. In addition, the landowner would be responsible for \$333.75 in liquidated damages, plus interest. Liquidated damages are an administrative penalty for breaking the contract, and would cost 25 percent of the 89 dollar annual rental payment per acre ($\$22.25 \times 15$ acres). “In this kind of scenario, the landowner would have to repay the \$10,020 in payments, \$333.75 in damages, and would have lost the use of that land for farming income for the last seven years. Farmers will have to ask themselves if they can make up for those losses by taking the land out of the conservation program,” said Peas.

As crop prices rise, the potential for land currently subject to the compliance provisions to be put in production increases. Hundreds of thousands of acres across Indiana are enrolled in the Conservation Reserve Program alone.

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