Chapter 5.1

Conservation Policy Overview

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USDA implements a broad range of conservation programs intended to protect natural resources and the environment. The Farm Security and Rural Investment Act of 2002 sharply expanded funding for conservation programs, focusing much of the increase on programs for working agricultural lands, e.g., cropland and grazing land.

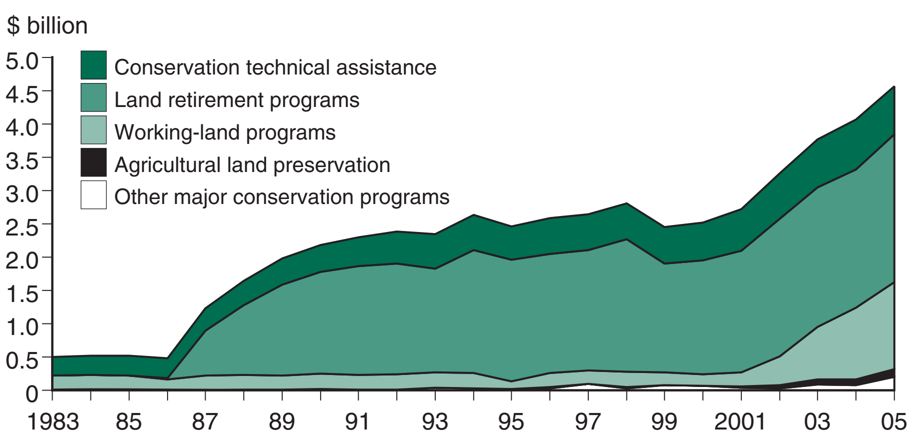
Introduction

Some farming practices (excess fertilization and manure, for example) can degrade our Nation's natural resources while others (such as land reservation for wildlife) can enhance our natural heritage. Policymakers have been devoting more attention and funding to conservation programs that support environmental enhancement and reduce the potential for environmental harm. Until 2002, the bulk of conservation funds went toward land retirement: paying farmers to remove environmentally sensitive land from crop production for a specified time. With the 2002 Farm Security and Rural Investment Act (2002 Farm Act), policymakers substantially increased conservation funding, especially on lands used for crop production and grazing (fig. 5.1.1).

By 2007—if authorized levels are realized—conservation funding will be double the level under the previous farm bill (1996-2001), with about two-thirds of the new funds going to programs emphasizing conservation on working lands.

Figure 5.1.1

Trends in USDA conservation expenditures, 1983-2005



Source: ERS analysis of Office of Budget and Program Analysis data.

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USDA Conservation Programs in Relation to All Environmental Expenditures

Agricultural conservation programs are part of a larger Federal effort to protect and preserve natural resources (table 5.1.1). Conservation and land management efforts include agriculture, but also encompass programs of the Forest Service, Bureau of Land Management, Fish and Wildlife Service, and other Federal agencies (see Chapter 5.7, “Federal Laws Protecting Environmental Quality”). Funding for water resource programs, recreational services, and pollution control/abatement activities also come under the general rubric of natural resources. Agricultural conservation spending was about 17 percent of the $32.7 billion in Federal spending for natural resources in fiscal year 2004.

Table 5.1.1

Federal natural resources expenditures (budget authority), FY 2004

Subfunction and agency/activity	Discretionary programs	Mandatory programs	Total
		$million	
Water resources			
Corps of Engineers	4,424		4,424
Bureau of Reclamation	906		906
Watershed, flood prevention, and other	357		357
Conservation and land management			
Forest Service	5,116		5,116
Bureau of Land Management	1,776		1,776
Conservation of agricultural lands	900	4,598	5,498
Fish and Wildlife Service	1,222	1,222	
Other conservation and land management programs	754		754
Recreational services			
Operation of recreational resources	2,340	956	3,296
Other recreational resource activities	28		28
Pollution control and abatement			
Regulatory, enforcement, and research programs	3,188		3,188
State and tribal assistance programs	3,877		3,877
Hazardous substances superfund	1,258	85	1,343
Other pollution control and abatement activities	164		164
Other natural resources			
National Oceanic & Atomospheric Administration	3,738		3,738
Other natural resource program activities	1,101		1,101
Fee and mandatory programs	14		14
Total gross budget authority	31,149	5,653	36,802
Offsetting receipts	-15	-4,065	-4,080
Net budget authority	31,134	1,588	32,722

Source: Office of Management and Budget (OMB).

USDA Conservation Programs: A Portfolio Approach

USDA conservation programs have traditionally used voluntary approaches to natural resource issues. These approaches can avoid the inherent difficulties in regulating nonpoint sources of pollution and can minimize economic harm to farmers by educating them and providing them with incentives to willingly improve production practices. In passing the 2002 Farm Act, Congress reaffirmed a preference for addressing natural resource problems on private land through a consolidated set of financial assistance programs supported by research and education. In a notable exception, Conservation Compliance (see Chapter 5.3, "Compliance Provisions for Soil and Water Conservation"), which requires wetland conservation and soil conservation on highly erodible cropland for producers receiving Federal farm program payments, was continued. USDA programs now, more than ever before, offer producers a range of options for assistance with conservation efforts, among them (see table 5.1.2):

- Land retirement programs generally remove land from agricultural production for a long period (at least 10 years) or, in some cases, permanently.

- Working-land programs provide technical and financial assistance to farmers who install or maintain conservation practices on land in production.

- Agricultural land preservation programs purchase rights to certain land uses, such as development, in order to maintain land in agricultural use.

- USDA provides, through Conservation Technical Assistance, ongoing technical assistance to agricultural producers who seek to improve the environmental performance of their farms.

Table 5.1.2

Funding for major USDA conservation programs, 2002-2005

Program type and program	2002	2003	2004	2005[1]
		$ million		
Land Retirement				
Conservation Reserve Program	1,785	1,789	1,799	1,937
Wetlands Reserve Program	284	309	285	268
Working Land				
Environmental Quality Incentives Program	390	331	904	995
Ground and surface water	25	54	66	54
Klamath Basin	2	12	19	9
Wildlife Habitat Incentives Program (	15	24	38	47
Conservation Security Program			41	202
Agricultural Land Preservation				
Farm and Ranch Land Protection Program	51	78	91	112
Other				
Grassland Reserve Program		39	55	128
Emergency Conservation Program	32	47	23	80
Conservation Technical Assistance	679	716	742	720
Total, major conservation programs	3,263	3,398	4,062	4,552

[1]Estimated

Source: ERS analysis of Office of Budget and Program Analysis data.

This “portfolio” approach to conservation policy provides the flexibility needed to address agri-environmental issues. Most producers—regardless of their agri-environmental problems, resource settings, and the size and management structure of their operation—have options for receiving Federal assistance for conservation.

Smaller operations—those with sales of less than $250,000 per year—produce roughly one-third of U.S. agricultural output but include nearly three-quarters of all producer-owned land. Operators of these farms often receive a larger share of their household income from land retirement payments and nonfarm sources than from the sale of agricultural products.

Larger farms, on the other hand, produce two-thirds of U.S. agricultural output while accounting for only one-fourth of the land. These farms are generally more commercially oriented and their operators receive most of their household income from farm sources. The 2002 Act’s increased funding for conservation on working lands, along with a greater focus on livestock operations and relaxation of conservation payment limitations, is expected to raise conservation participation by larger farms.

Expanding Conservation on Working Lands

Authorized funding for the **Environmental Quality Incentives Program (EQIP)**, the major working lands program (see Chapter 5.4, “Working-Land Conservation Programs”), jumped five-fold with the 2002 Farm Act, approaching $5.8 billion for 2002-07. Of the $3.3 billion authorized for FY2002-2005, $3 billion (91 percent) has been made available.

Through EQIP, crop and livestock producers can get information and technical/financial assistance in designing and implementing conservation practices (structural or land management) on their land. In response to new (2003) Clean Water Act regulations on animal feeding operations, EQIP now provides more incentives for livestock producers to participate. At least 60 percent of the program’s funding is targeted for livestock producers, up from 50 percent in the 1996 Farm Act. Limits on the size of participating livestock operations have been removed, and maximum payment levels per year have been increased. EQIP will also put greater emphasis on water conservation. A new, separate fund for ground- and surface-water conservation activities was established within EQIP, as well as a special fund for water conservation in the Klamath Basin in California and Oregon.

The 2002 Farm Act also authorized a new working-land program: the **Conservation Security Program (CSP)**. Like EQIP, CSP encourages producers to address resource concerns such as soil quality, water quality, or wildlife habitat on working land. The differences in these two programs, however, are greater than the similarities. Unlike other conservation programs, CSP was approved as an entitlement program, meaning that eligible producers who meet program requirements can be enrolled at the producers’ option, as in ongoing commodity programs. Before CSP was implemented, however, Congress limited CSP funding, making limitations on enrollment necessary. For FY 2004, $41 million was available for CSP, and $202 million more was available in FY 2005.

Unlike EQIP, CSP requires a substantial level of environmental stewardship before producers become eligible for enrollment. Soil quality and water quality must be addressed (to standards set by USDA's Natural Resources Conservation Service (NRCS)) before land can be enrolled in CSP. CSP rewards these and other past conservation efforts through stewardship payments. CSP also encourages whole-farm conservation by offering higher stewardship payments to producers who undertake farmwide conservation.

CSP also funds "enhancements," which are directed, in part, toward encouraging producers to go beyond basic conservation effort encouraged by more traditional programs like EQIP (e.g., to reduce erosion below the soil loss tolerance—the traditional standard for soil erosion control). While many livestock-related practices can be eligible for CSP, the focus is on land-based practices; livestock waste management structures and handling equipment are specifically excluded. Finally, CSP is a national program, but is available only in selected watersheds for any given signup. Part of the NRCS strategy is to make all 2,119 U.S. watersheds eligible for enrollment at least once over an 8-year period.

The **Wildlife Habitat Incentives Program (WHIP)** provides cost-sharing to landowners and producers to develop and improve wildlife habitat. WHIP funding rose from just over $62 million during 1996-2001 to $360 million over FY 2002-07. For FY 2002-2005, WHIP has received funding of $129 million, 68 percent of the $190 million authorized for that period.

Accompanying the large increase in working-land program funding was a more subtle change in the way funds are awarded through these programs—changes that may reduce environmental cost effectiveness. In EQIP, for example, the 2002 Farm Act eliminated the use of conservation priority areas, which focused the program's effort in areas of highest environmental need. The Act also eliminated "bidding down," which allowed producers to increase their chance of enrollment by offering to take a smaller payment, reducing the cost of contracts and thereby stretching the program budget. For contract offers with comparable environmental values, the Secretary of Agriculture cannot assign higher priority to an application based only on a lower bid from the operator. NRCS may consider costs in ranking potential participants, even though bidding down is no longer allowed.

While the expansion of conservation on working lands offers significant benefits, implementing it may pose additional challenges. Payments for a broad range of conservation practices on working land are now available to a wider range of producers than ever before, expanding the importance of both conservation planning and monitoring of practice implementation and maintenance. This is particularly true for some conservation management practices, such as crop nutrient management, which are less visible and thus more difficult to monitor than changes in tillage or contour cropping. Multiple conservation programs for working lands could also make it more difficult for programs to work together seamlessly and avoid duplication.

Producers participating in new and newly expanded conservation programs will need conservation planning services and technical assistance. To help handle the increased workload, the 2002 Farm Security and Rural Investment (FSRI) Act included funding for certification of third-party technical service providers to supplement NRCS field staff.

Land Retirement

Land retirement programs (see Chapter 5.2, "Land Retirement Programs") pay producers to remove land from crop production. In exchange for retiring land, producers receive rental or easement payments, plus cost sharing and technical assistance to help establish and maintain permanent cover. Economic use of the land is limited.

Land retirement dominated Federal agricultural conservation spending between 1985 and 2002 and continues to be the largest single component of agricultural conservation spending (fig. 5.1.1, table 5.1.2). In FY 2000, 90 percent of cash conservation payments made directly to producers were associated with land retirement. Between 1985 and 2000, roughly 50 percent of all USDA conservation spending was for land retirement. (USDA conservation spending also includes cost sharing and technical assistance for non-land retirement activities, public works, and a range of other administrative, data collection, and research activities.)

While the expansion of working-land programs was the big story in the 2002 Farm Act, land retirement programs also grew, particularly for wetland restoration. While wetland restoration accounts for about 3 percent of current land retirement, 40 percent or more of the authorized increase in retired acreage may be devoted to wetlands restoration. The shift toward wetlands restoration is significant because of the high environmental benefits per acre provided by wetlands relative to other types of land cover (e.g., grass).

The 2002 Farm Act increased the **Conservation Reserve Program (CRP)** acreage cap from 36.4 million acres to 39.2 million acres (table 5.1.3).

The **Wetlands Reserve Program (WRP)** acreage cap was more than doubled from 1.075 million acres to 2.275 million. The Farm Act also required enrollment of 250,000 new acres per year. In addition to the 1.2 million acres added to WRP, the CRP routinely enrolls farmed wetlands that are restored to wetland condition. Up to 500,000 acres of the 2.8-million-acre rise in the CRP could be earmarked for restoration of currently farmed wetlands. At the end of FY 2004—about halfway through the period covered by the 2002 Farm Act—total CRP enrollment stood at 34.9 million acres, while WRP enrollment totaled nearly 1.7 million acres (table 5.1.3).

Table 5.1.3
Acreage-limited programs, pre-and post-2002

Program	Pre-2002 acreage cap	New authority, 2002: Wetlands	New authority, 2002: Other acreage	New authority, 2002: New acreage cap	Enrolled (through FY 2004)
	Million acres				
Conservation Reserve Program	36.4	≥0.5	≤2.3	39.2	34.9
Wetlands Reserve Program	1.1	1.2	0.0	2.3	1.7

Source: ERS analysis of NRCS and Farm Service Agency data.

Agricultural Land Preservation

The **Farm and Ranchland Protection Program (FRPP)** (see Chapter 5.6, “Farmland Protection Programs”) provides funds to State, tribal, or local governments and private organizations to help purchase development rights and keep productive farmland in agricultural use. FRPP received just over $50 million total during 1996-2001. The 2002 Farm Act authorized funding of $597 million over FY 2002-07. For FY 2002-2005, $352 million was made available, 88 percent of the $400 million authorized.

Other Conservation Programs

The **Grassland Reserve Program (GRP)** (see Chapter 5.5, “Conservation on Private Grazing Lands”) is designed to improve and conserve native-grass grazing lands through long-term rental agreements (10, 15, 20, or 30 years) and 30-year or permanent easements. While normal haying and grazing activities are allowed, producers and landowners are required to (1) restore and maintain appropriate grasses, forbs, and shrubs; (2) address all relevant resource concerns (e.g., soil erosion); and (3) refrain from converting the land for crop production, development, or other uses. For rental agreements, annual rental payments equal (up to) 75 percent of grazing value. Permanent easements are to be purchased at fair market value, less grazing value, while 30-year easements are to be purchased at 30 percent of the value of a permanent easement. Cost-sharing is provided for up to 75-90 percent of the restoration and maintenance costs, depending on the type of grassland. GRP enrollment is limited to 2 million acres of grassland. Funding of up to $254 million is authorized over the 6-year life of the Farm Act. During FY 2003-2005, $177 million was made available to producers through GRP.

The **Emergency Conservation Program (ECP)** helps farmers to rehabilitate farmland damaged by natural disasters. In particular, it addresses problems that, if left untreated, would (1) impair or endanger the land, (2) reduce the productive capacity of the land, (3) be so costly to rehabilitate that Federal assistance would be required to return the land to productive agricultural use, or (4) represent damage that is unlikely to recur in the same area.

Watershed Programs and RC&D

A final group of USDA programs provides conservation protection for watersheds and includes Resource Conservation & Development (RC&D) (table 5.1.4). Watershed protection programs generally assist local communities with flood protection, water supply, and water quality.

Table 5.1.4
Watershed programs and RC&D, FY 2002-2005

Program	2002	2003	2004	2005
		$ million		
Watershed and flood prevention operations	210	121	86	75
Watershed surveys and planning	11	11	10	7
Watershed Rehabilitation Program	10	29	30	27
Resource Conservation & Development	48	50	52	51
Total	279	211	178	160

Source: USDA Office of Budget and Program Analysis.