

Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

Conservation in the “New Farm Program”

Market Report	Yr Ago	4 Wks Ago	5/10/02
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt	\$74.89	\$68.55	\$68.72
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt	93.00	83.34	90.46
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	110.36	98.35	90.29
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt	115.00	108.24	106.85
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt	53.00	28.25	36.00
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd	40.00	34.50	35.84
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	125.40	93.13	97.20
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt	84.37	*	*
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	*	143.65	145.10
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu	3.28	2.99	2.91
Corn, No. 2, Yellow Omaha, bu	1.70	1.81	1.98
Soybeans, No. 1, Yellow Omaha, bu	4.21	4.38	4.63
Grain Sorghum, No. 2, Yellow Kansas City, cwt	3.20	3.37	3.56
Oats, No. 2, Heavy Minneapolis, MN, bu	1.39	1.93	1.97
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton	115.00	117.50	105.00
Alfalfa, Lg. Round, Good Northeast Nebraska, ton	82.50	45.00	60.00
Prairie, Sm. Square, Good Northeast Nebraska, ton	105.00	92.50	90.00
* No market.			

Conservation programs took a giant leap forward with the 1985 Food Security Act, which introduced the Conservation Reserve Program (CRP), Wetlands Reserve and Conservation Compliance among other things. Since then, those programs have changed some but have been relatively stable both in terms of funding and type. With the recently completed “**Farm Security and Rural Investment Act of 2002**” conservation programs are poised to move to an even higher plateau.

What is New in the Old?

CRP has had several modifications and extensions since its 1985 inception. The 2002 act extends CRP through calendar year 2007 and increases maximum enrollment from the current cap of 36.4 to 39.2 million acres. A pilot wetlands enrollment project under CRP has been broadened to encompass all states but is limited to a total of 1 million acres, all of which will count towards the overall limit of 39.2 million acres. This program permits entering certain wetlands into the CRP if they had been cropped 3 out of the past 10 years. One subtle addition that may prove useful to Nebraska CRP managers is in the language dealing with haying and grazing. The act states (Sec. 1232 (a.7)) “that the Secretary may permit, consistent with the conservation of soil, water quality and wildlife habitat...(A) managed harvesting and grazing...” The harvesting of forage from CRP includes biomass purposes. The annual CRP payment would be reduced “by an amount commensurate with the economic value of the activity...” if the grazing or haying is approved. Just how this will be managed will depend on the implementation rules and regulations, but it has potential to permit haying and grazing to help maintain stands and offer some use of the CRP while under contract. The payment reduction “commensurate with the economic value” will also apply to grazing and harvesting for drought or other emergencies under the new bill. In the past the reduction for emergency use was a standard amount of one-fourth of the annual payment.

The 1996 Farm Bill established the **Environmental Quality Incentives Program (EQIP)**. It combined several programs including the Agricultural Conservation Program (ACP), the Great Plains Conservation Program, plus others. The



new bill ramps up annual authorized spending to \$1.3 billion by 2007 beginning with \$400 million in FY 2002. EQIP was funded at \$163 million in FY2001 and scheduled to move to \$200 million in FY 2002 in the President's budget. Priority area designation has been eliminated, which should make the funds more easily accessed by all producers. As before, the funds are to be split 60 percent to livestock producers and 40 percent to crops. Cost-share, not to exceed 75 percent (90 percent in case of new or limited resource farmers or ranchers), is provided for qualifying structural practices. Incentive payments are made to producers who implement land management practices or comprehensive nutrient management plans. Land management practice is broadly defined and includes "... a site-specific nutrient or manure management, integrated pest management, irrigation management, tillage or residue management, grazing management, air quality management or other land management practice carried out on eligible land that the Secretary determines is needed..." Payments to an individual or entity are limited to an aggregate not to exceed \$450,000 for all contracts entered into under EQIP for the entire 6 years, 2002 through 2007.

The **Wetlands Reserve Program** was reauthorized and remains basically unchanged. The acreage cap has been more than doubled from the current 1,075,000 acres to 2, 275,000 acres. Funding levels for the **Wildlife Habitat Incentives Program** have been greatly increased beginning with \$15 million in FY 2002 and increasing to \$85 million per year beginning in FY 2005. Baseline funding levels have been around \$10 million per year. Funding for the **Farmland Protection Program** (FPP) has also been greatly enhanced from an average over the past 5 years of about \$10 million to \$50 million in FY 2002, \$100 million in FY 2003 and \$125 million in each of FY 2004 and 2005, \$100 million in FY 2006 and \$97 million in FY 2007. The purpose of this program established in the 1990 Farm Bill is to carry out farmland protection by purchasing conservation easements on eligible land that is subject to a pending offer from an eligible entity. An eligible entity is any agency of any state or local government, an Indian tribe or any organization that is organized and operated principally for one or more conservation purposes. Eligible land is farm or ranch land that has prime, unique or other productive soil or contains historical or archaeological resources and is subject to a pending offer from an eligible entity. **Conservation Compliance** continues with only minor administrative changes.

What is New?

Several new conservation programs have been introduced. The following will discuss those that seem to have the most potential for use in Nebraska.

The **Conservation Security Program** is a new program designated for the years 2003 through 2007. The program will be administered through the Natural Resources Conservation Service (NRCS). It will offer incentives to agricultural producers to promote "conservation and improvement of the quality of soil, water, air, energy, plant and animal life, and any other conservation purposes, as determined by the Secretary (of Agriculture)." Incentives may be based on "(i) the average national per-acre rental rate for a specific land use during the 2001 crop year; (ii) or another appropriate rate for the 2001

crop year that ensures regional equity." The second option is undefined at this point, as are many of the programmatic details. Three participation tiers have been defined. Tier one requires a 5-year plan that covers at minimum one "significant resource concern" for the enrolled land. Tier two is similar to one except a 5-10 year plan is required. Tier three requires a 5-10 year plan but must at minimum "apply a resource management system that meets the appropriate non-degradation standard for all resources of concern of the entire agricultural operation." The implementation program that will be developed by relevant Federal agencies will define the minimum for each tier. Incentive payments will be 5, 10 and 15 percent of the incentive base (described above) for Tiers 1, 2, and 3 respectively. The program does not appear to have specific spending limitations or targets as do most of the other programs. The implementation rules for this program will be critical to producers and will merit watching as they evolve.

The **Grasslands Reserve Program** is authorized to enroll a maximum of 2 million acres nationwide in 10, 15, 20 or 30-year rental agreements or 30-year permanent easements. Sixty percent of the funding is reserved for 30-year rental agreements or easements. The legislation provides criteria for ranking of applications for the benefits of this program, which implies that some bidding procedure may be followed for acceptance of land. Funding is limited to a total of \$254 million over the years 2003 through 2007. Normal grazing may continue as long as it is consistent with "maintaining the viability of grassland, forb, and shrub species common to that locality." Haying, mowing or seed harvesting operations may continue on enrolled land with some restrictions that pertain during nesting season for birds that are in significant decline. Payments will be made to the owner for the agreement or easement and for the Federal share (cost-share) of the cost of restoration. Lands that have never been cultivated can receive 90 percent cost-share versus 75 percent cost share for restored grasslands.

The **Ground and Surface Water Conservation** program is established to promote ground and surface water conservation by providing cost-share and incentive payments and loans to carry out "...to - (1) improve irrigation systems; (2) enhance irrigation efficiencies; (3) convert to - (A) the production of less water-intensive agricultural commodities; or (B) dryland farming; (4) improve the storage of water through measures such as water banking and groundwater recharge; (5) mitigate the effects of drought; or (6) institute other measures...as determined by the Secretary..." This program is to be funded from the Commodity Credit Corporation at the rate of \$25 million in FY 2002 and scheduled to increase to \$60 million/year for FY 2004 through 2007.

Several other conservation programs were either reauthorized or authorized for the first time by this legislation. The importance of the implementation rules for all the conservation programs cannot be overemphasized. These rules will ultimately tell who can participate and under what terms. As we learn more about the implementation rules for the programs we will provide information to help Nebraskans understand and utilize, where appropriate, the benefits of this important part of the new farm legislation.

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