

Consolidation Opportunities in Agricultural Conservation Programs



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Background

Now more than ever, government spending should be scrutinized to ensure that taxpayer dollars are being spent wisely and targeted toward the most effective and efficient federal programs. Numerous federal agricultural policies – including conservation programs – could achieve more public benefits at lower cost if taxpayer dollars were better prioritized and programs were consolidated. While several conservation programs were consolidated and streamlined in the 2014 farm bill, more can be done to streamline programs to reflect modern agricultural practices, increase taxpayer return on investment, and allow the private sector to play a greater role in conserving farmland and natural resources for years to come.

Agricultural Conservation Program Descriptions

Agricultural conservation programs pay farmers either a one-time sum or annual payments to conserve soil, water, and wildlife habitat. They are currently separated into three primary categories – working lands, set-asides, or regional programs. Together, they reduce future liabilities and downstream costs of agricultural runoff by improving soil and water quality, lowering water treatment costs, enhancing soil productivity, retaining soil moisture, and reducing the likelihood of flooding.¹ According to the Congressional Budget Office (CBO), taxpayers spent \$4.9 billion on conservation programs in FY2012 and will likely spend \$58 billion over the next decade (which represents approximately six percent of total farm bill spending).²

Working Lands Programs

- Pay producers to implement conservation practices on acres currently in production.
- Largest working lands programs are the Environmental Quality Incentives Program (EQIP) and Conservation Stewardship Program (CSP), introduced in 1996 and 2002, respectively.
- EQIP: about 60 percent of its funding is reserved for cleanup of livestock and poultry waste while the rest funds practices like planting cover crops to limit soil erosion.
- CSP: pays producers implement existing or new practices like rotational grazing, reduced tillage, more efficient fertilizer applications, and transitioning to organic agriculture.

Set-aside Programs

- Offer payments to retire land or wetlands from annual production.
- Introduced in the 1985 farm bill, the largest set-aside program is the Conservation Reserve Program (CRP) while smaller set-aside programs include the Wetlands and Grasslands Reserve Program (WRP and GRP, respectively). In the 2014 farm bill, WRP and GRP were consolidated into the larger Agricultural Conservation Easement Program (ACEP) but continue to maintain their previous functions.
- CRP: provides annual payments on ten- or 15-year contracts to install stream buffers, build terraces, and plant trees and/or grass on land historically in agricultural production.

- WRP: pays landowners to conserve wetlands.
- GRP: pays landowners to conserve grasslands.

Regional Programs

- Targeted initiatives historically focused on the Mississippi River Basin (MRBI), Chesapeake Bay, Great Lakes, and other watersheds which prioritize taxpayer dollars toward specific regions while these programs were consolidated into the new Regional Conservation Partnership Initiative in the 2014 farm bill; funding is tailored for and responsive to on-the-ground, local, and real-world needs.

Recent History of Conservation Program Consolidation

The 2014 farm bill consolidated certain agricultural conservation programs, but opportunities still exist to better prioritize taxpayer spending toward the most worthy projects and areas in greatest need of support. In the farm bill, \$4 billion was cut from conservation funding over the next decade (according to CBO), in addition to enactment of the following reforms:³

- CRP: Enrollment acreage reduced from 32 million acres to 24 million by FY2018.⁴
- EQIP: Spending increased by \$500, but the Wildlife Habitat Incentive Program (WHIP) would also be folded into EQIP so their total budget would be reduced by \$100 million.⁵
- CSP: Enrollment acreage cut from 12.8 to 10 million acres, providing ten-year cost savings of \$2.23 billion.⁶
- New Agricultural Conservation Easement Program (ACEP): one of two new overarching programs, ACEP combines the Wetlands Reserve Program (WRP), the Grasslands Reserve Program (GRP), and Farmland Protection Program (FPP). ACEP received \$1.23 billion in funding over the next ten years, representing a cut to overall program funding from the last farm bill.⁷
- New Regional Conservation Partnership Program (RCPP): RCPP, the second new conservation umbrella program, combines the Cooperative Conservation Partnership Initiative (CCPI), Agricultural Water Enhancement Program (AWEP), and Chesapeake Bay and Great Lakes Programs into one program. RCPP received \$100 million each year from FY2014-18; in addition, six percent of other conservation program funds would be reserved for programs like CCPI and AWEP but since overall funding is cut, fewer resources will be available for these programs. RCPP funding will be spent on the following priorities: 25 percent on critical conservation areas, 25 percent on state-based projects, and the remaining 50 percent on federal initiatives.⁸

Framework for Program Consolidation Leading to Taxpayer Savings

To make conservation programs more efficient and effective, lawmakers should first eliminate perverse incentives in commodity and subsidized crop insurance programs that work at cross-purposes with conservation goals. Then, goals should be defined to ensure that policies are structured to achieve a desired outcome instead of tackling related but less important objectives. For instance, if the goal is reducing nitrogen runoff and water pollution in the Mississippi River Basin, then conservation policies should be tailored to achieve this goal or set of goals. Private sector options should also be explored to reduce taxpayer burdens. If market-based options are

insufficient, targeted and consolidated federal conservation programs should aim to address pressing natural resources issues in the most cost-efficient manner.

Getting Stakeholders Involved in Conservation

Agricultural conservation programs could be further consolidated if other policy options were employed or the private sector took on a greater role to protect soil and water resources. Various options, some of which have proven more effective than others, include trading systems, outreach and education opportunities, power of information, regulations, or changes to tax incentives.⁹ As an example, Australia has greatly reduced federal funding for agriculture and instead focused on engaging in partnerships with nonprofit organizations, volunteers, and industries to improve conservation outcomes. Australia's Biodiversity Conservation Strategy for 2010-2030 strives to supplement public resources with tax incentives, technical assistance, monitoring activities, wildlife reserves, and market-based incentives on private land.¹⁰

As federal conservation funding is squeezed, agribusinesses should take on more risk and assume more responsibility for the future of their operations. Producers receiving agricultural subsidies should be accountable to taxpayers by meeting basic best management practices and forgoing planting crops on sensitive land. By nature, on-farm producers have an incentive to conserve land and water resources.¹¹ However, they have less concern about downstream effects or unseen impacts (like nitrogen and pesticide runoff into water supplies).¹² Some landowners may simply need access to better education, information about new technologies like soil testing, or good examples set by neighbors or other trusted sources.¹³ Others may only need to hear from downstream users to better understand how their operations affect industries or communities relying on clean water sources.¹⁴

The U.S. Department of Agriculture's Economic Research Service (ERS) reports that "in some cases, farmers are willing to adopt conservation practices that reduce profits if they believe that others will benefit from the subsequent change in environmental quality."¹⁵ However, fewer conservation practices are employed on land where tenants attempt to obtain short-term gains at the expense of long-term soil productivity.¹⁶

Policy Platform for More Targeted, Cost-effective Conservation Programs

In order for conservation programs to achieve the greatest return on investment, they must be consolidated and targeted to areas most in need. No longer can taxpayers afford to pay for conservation practices that would have been employed regardless of federal funding. And gone are the days when taxpayers should be forced to pay for routine agriculture business costs like cleaning up manure from large animal feeding operations. Some agricultural conservation programs have been more effective than others so the best qualities should be taken from each and applied to consolidated programs that achieve measurable results.

Principles for creating more cost-effective conservation programs include targeting, additionality, and competitive bidding:

Targeting Areas Most in Need: Recently, working lands program funding has surpassed spending on land set-aside programs like CRP. This reflects the reality that federal agricultural and energy policies helped spur higher crop prices and the conversion of sensitive land to cropland. If perverse incentives were eliminated, more funding would be available for areas most in need – like reducing nitrogen and pesticide runoff in the Mississippi River Basin, Chesapeake Bay, and other areas. If conservation program funding was targeted to areas most in need by first screening for land characteristics – like climate, topography, soil type, likelihood of runoff, and proximity to waterways – taxpayer dollars could be spent more wisely.¹⁷ Alternatively, when all states receive a minimum amount of funding (through a regional equity provision in the 2002 and 2008 farm bills), conservation programs generate less public benefits.¹⁸

Only Paying for Additional Conservation Practices: To be cost-effective, environmental objectives should be attained at the lowest possible cost to taxpayers and society as a whole.¹⁹ Since some CRP and CSP contracts pay for practices that would have been employed anyway and EQIP pays for routine business costs that should be borne by agribusinesses themselves, taxpayer dollars could be better spent on additional conservation practices. Some farmers already employ conservation tillage and crop rotations, so why should taxpayers fund best management practices that would be employed anyway?²⁰ ERS researchers found that only paying for new conservation practices “achieves 12 times the improvements in environmental performance” as compared to paying agribusinesses for something they were already doing.²¹ Real savings can also be seen by downstream water users. ERS estimates that a performance-based system paying only for additional conservation practices would result in 14 to 15 percent less nitrogen leaching and phosphorus runoff, up to 21 percent less soil and wind erosion, up to 300 percent greater soil productivity gains, and 9 percent less pesticide leaching.²² ERS also notes that cost-effectiveness increases when working lands and set-aside applications and short- and long-term proposals compete for funding, rather than each subset receiving its own pot of money.

Competitive Bidding for Taxpayer Dollars Achieves More Benefits at Lower Cost: The most effective conservation outcomes can also be achieved if applicants are required to submit competitive bids for program funding.²³ Combined with targeting initiatives, program administrators can determine which applications would achieve the most benefits at least cost. From 1996 to 2002, the average EQIP cost-sharing payment ranged from 35 to 43 percent of the total cost, significantly lower than the maximum of 75 percent.²⁴ While return on investment rates were higher with bidding, lawmakers chose to discontinue competitive bidding in EQIP but retain it for other programs like CRP.²⁵ Bidding, in addition to utilizing fewer and more advanced environmental benefits indices (to streamline programs and reduce administrative costs), should be implemented to achieve more public benefits at a lower taxpayer cost.

Recommendations

To make agricultural subsidy programs more accountable to taxpayers, perverse incentives should be eliminated and agribusinesses should rely more on private sector risk management tools. The federal role in the agricultural safety net is to help protect against risks that the private market is incapable of effectively managing, not crowd out the private sector. Targeted, measurable conservation programs can spend taxpayer dollars wiser by achieving public benefits at least cost, but for this to happen, conservation programs should be better streamlined.

First and foremost, all USDA conservation programs should be administered by the Natural Resources Conservation Service (NRCS) instead of one program – CRP – being administered by a separate USDA agency. Conservation funding can be consolidated and streamlined by:

- Targeting all funding to areas most in need and screening applications for certain qualities,
- Ensuring taxpayer dollars only fund new and additional conservation practices,
- Allowing working-lands, set asides, and short- and long-term funding proposals to compete with one another,
- Ensuring better monitoring and measurement initiatives demonstrate positive on-the-ground impacts,
- Requiring agribusinesses to submit competitive bids for taxpayer dollars, and
- Updating and implementing better and more streamlined environmental benefits indices.

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¹ <http://www.ers.usda.gov/publications/tb-technical-bulletin/tb1922.aspx>

² http://cbo.gov/sites/default/files/cbofiles/attachments/44202_USDAMandator%20FarmPrograms.pdf,
<http://cbo.gov/sites/default/files/cbofiles/attachments/hr2642LucasLtr.pdf>

³ http://www.cbo.gov/sites/default/files/cbofiles/attachments/43053_USDAMandatoryFarmPrograms.pdf

⁴ <http://cbo.gov/sites/default/files/cbofiles/attachments/hr2642LucasLtr.pdf>

⁵ <http://cbo.gov/sites/default/files/cbofiles/attachments/hr2642LucasLtr.pdf>

⁶ <http://cbo.gov/sites/default/files/cbofiles/attachments/hr2642LucasLtr.pdf>

⁷ <http://cbo.gov/sites/default/files/cbofiles/attachments/hr2642LucasLtr.pdf>

⁸ <http://docs.house.gov/billsthisweek/20140127/CRPT-113hrpt-HR2642-SOM.pdf>

⁹ <http://www.ers.usda.gov/publications/err-economic-research-report/err127.aspx>

¹⁰ http://www.edo.org.au/edonsw/site/pdf/pubs/100503private_conservation.pdf

¹¹ <http://www.ers.usda.gov/publications/err-economic-research-report/err14.aspx>

¹² <http://www.ers.usda.gov/publications/err-economic-research-report/err5.aspx>

¹³ http://www.nrcs.usda.gov/Internet/FSE_DOCUMENTS/stelprdb1047816.pdf

¹⁴ http://www.nrcs.usda.gov/Internet/FSE_DOCUMENTS/stelprdb1047817.pdf

¹⁵ <http://www.ers.usda.gov/media/117596/err127.pdf>

¹⁶ <http://www.ers.usda.gov/publications/err-economic-research-report/err14.aspx>

¹⁷ <http://www.ers.usda.gov/publications/err-economic-research-report/err5.aspx>

¹⁸ http://www.ers.usda.gov/media/122701/err98_reportssummary_1_.pdf

¹⁹ <http://www.ers.usda.gov/publications/err-economic-research-report/err5.aspx>

²⁰ <http://www.ers.usda.gov/publications/err-economic-research-report/err14.aspx>

²¹ <http://www.ers.usda.gov/publications/err-economic-research-report/err5.aspx>

²² <http://www.ers.usda.gov/media/851580/err5.pdf>

²³ <http://www.ers.usda.gov/publications/err-economic-research-report/err5.aspx>

²⁴ <http://www.ers.usda.gov/publications/err-economic-research-report/err5.aspx>

²⁵ http://www.ers.usda.gov/media/122705/err98_1_.pdf