



2007 Farm Bill Policy Recommendation

Conservation Reserve Program

Recommendation

Improve the Conservation Reserve Program (CRP) by requiring a higher environmental benefit index score for new enrollments and by expanding the Conservation Reserve Enhancement Program (CREP) and the continuous signup under the Buffer Initiative. Explore adding an option to allow participants to opt out early from CRP contracts in order to produce biomass crops for renewable energy (but not row crops). Producers would be offered lower payments during their contract term for the option to exit early to plant a renewable energy crop.

Rationale

Since 1997, USDA has used an environmental benefit index to rank applications for CRP, which has been helpful for concentrating on suitable lands for enrollment. However, the general signups for CRP could be focused more on environmentally sensitive lands and parcels that truly need to be retired from production for environmental gains. Using a higher environmental benefit index score would insure that USDA takes only the most suitable acres and leaves others available as working lands.

In some cases, producers may hesitate to enroll environmentally sensitive lands in CRP because they may consider the ten-year contract too long, which could interfere with market opportunities to safely use the land for raising energy-related crops such as switchgrass.

Our proposal would improve and increase environmental benefits from the program, provide cost savings, and keep other acres as working lands in the local community.

Mechanics

- CRP would be reauthorized in the 2007 Farm Bill with explicit reference to use the EBI to aid in selection of acceptable offers from the general signup.
- At the time of offer selection, the Secretary would be required to choose only those lands that have a significantly higher EBI score than lands from recent signups. This would allow CRP to take the cream of the crop when evaluating offers.
- Expiring contracts would have to compete for re-enrollment as along with new offers.
- The continuous signup and Conservation Reserve Enhancement Program (CREP) part of CRP would not be affected by this proposal and would be acknowledged in the reauthorization of CRP. These two components of CRP could be expanded with greater efforts by USDA and states.
- Authorize USDA to include an option for producers at the time of their original enrollment or re-enrollment, which would allow them to terminate their CRP contract if they chose to plant the covered area into a renewable energy crop (other than row crops that would offer greater risk of erosion or other environmental damage).

- The statute could limit land eligible for the renewable energy opt-out provision to only those acres that are suitable to be farmed and are not the most fragile lands as defined by USDA. For example, the opt-out clause could be structured to apply only to land with an erodibility index less than 15, thus barring more fragile lands from being returned to production.
- The renewable energy exit option for the producer would require a discount in the rental rate during the period the land is actually enrolled, thus achieving a cost savings in CRP rental payments.
- This option clause would enable an opt-out possibility if the market situation for renewable energy improves during the term of the CRP contract. Similarly, if the economics of biomass production improved during this term, a producer would be able to opt out of CRP if they selected this option at the time of enrollment.
- CRP contract payments would cease at the time the producer exercised the option clause to exit CRP for producing a renewable energy crop. However, since the option clause would specify that the renewable energy crop could not be a row crop, that provision of the contract would continue through the original ten years of the CRP enrollment even though payments would cease.
- Possible allowance of lands with high biodiversity values to enter the Grassland Reserve Program upon the expiration of CRP contract. This would require clear guidance from NRCS on biodiversity characteristics.

Advantages

These proposals would continue to allow CRP to focus on maximizing environmental benefits by selecting only those offers with a significantly high EBI score. It would free the remaining acreage to be farmed or used as pasture for livestock. If USDA strongly enforced the 25 percent limit on cropland enrollment from a county, coupled with the higher EBI score requirement these working lands would continue to be managed for profit and would thus support the local agricultural economy—one issue that has been of concern to local communities since CRP has removed so much land from production in selected areas.

The acres within the CRP statutory ceiling (some 39 million acres) not enrolled due to the higher EBI score would be available for enrollment in the high value practices under the continuous signup (like buffer strips adjacent to streams) or through CREP.

The renewable energy clause option would enable some producers to compete for CRP enrollment while the market situation for energy from biomass improves and matures, because it would allow for an exit during the ten-year CRP contract if and when conditions were suitable in that location. Biomass production marketability is dependent on many factors, including location of processing facilities and transportation costs. Thus local market forces will be a controlling factor. However, the clause option would allow exit for producing renewable energy crops, *except for* those crops that have greater vulnerability to erosion and related environmental damages from runoff, such as row crops.