



Conservation Reserve Program (CRP): Status and Issues

Megan Stubbs

Specialist in Agricultural Conservation and Natural Resources Policy

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Summary

The Conservation Reserve Program (CRP) provides payments to agricultural producers to take highly erodible and environmentally sensitive land out of production and install resource conserving practices for 10 or more years. CRP was first authorized in the Food Security Act of 1985 (P.L. 99-198, 1985 farm bill) and is administered by the U.S. Department of Agriculture's (USDA) Farm Service Agency (FSA) with technical support from other USDA agencies. Participants offer land for enrollment through two types of sign-up: general and continuous. General sign-ups are competitive and only open during select times. Continuous sign-ups are not competitive, always open for enrollment, and offer additional financial incentives to those who qualify. Continuous sign-ups are targeted to specific environmental and resource concerns and operate through a number of initiatives. The largest and most well known is the Conservation Reserve Enhancement Program (CREP), which partners with states to address agricultural-related environmental concerns in specific geographic regions. While the majority of current acres enrolled were under general sign-ups (24.3 million acres), an increasing number are enrolled under continuous sign-ups (5.3 million acres).

Program and funding authority for CRP expired on September 30, 2012. Without reauthorization or an extension of authority the agency cannot approve any contracts or process any offers for enrollment. Congress continues to debate the reauthorization or extension of the 2008 farm bill, which authorized CRP to enroll up to 32 million acres. Both the House Agriculture Committee-reported (H.R. 6083) and the Senate-passed (S. 3240) farm bill would reduce the authorized number of acres to 25 million and reauthorize the program through FY2017.

A number of factors have impacted CRP enrollment recently, mainly high commodity crop prices. These high crop prices have increased demand to put CRP acres back into production, even marginal acres. This pressure could potentially reduce the number of CRP acres offered for reenrollment once they have expired or cause existing current CRP participants to seek an early release from their CRP contract. Some participants also have cited a potentially low CRP rental rate compared to the market rental rate as a reason for decreased enrollment interest. Despite these factors, enrollment has increased under continuous sign-ups and demand for the program, in general, still exceeds the enrollment cap.

CRP has contributed to a number of environmental benefits including reduced soil erosion, improved water quality through wetlands and field buffers, reduced fertilizer use, and increased wildlife habitat. The recent expiration of a number of acres from the program, and a reduced reenrollment, has some concerned that a number of the environmental benefits gained under CRP could be lost or reduced if land is returned to production.

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The Conservation Reserve Program (CRP) is the largest federal, private-land retirement program in the United States. The program provides financial compensation for landowners to voluntarily remove land from agricultural production for an extended period (typically 10 to 15 years) for the benefit of soil and water quality improvement and wildlife habitat.

The program was first authorized in the Food Security Act of 1985 (1985 farm bill, P.L. 99-198), initially as both a supply management tool for removing land from agricultural production, thus lowering commodity supply and potentially raising prices, and for providing environmental benefits. Currently over 30 million acres are enrolled in the program with total funding of more than \$2 billion annually.

Acres enrolled in CRP have shown a number of positive environmental benefits including reduced soil erosion; water quality improvements through vegetative cover, buffer strips, and reduced fertilizer application; and wildlife population improvement from increased habitat. While a number of natural resource improvements are attributed to the program, the program contains a number of controversial elements as well, including the economic and environmental effect of haying and grazing on CRP acres; the expiration of program authority; and the early termination of contracts and reduced enrollment due to high crop prices. Program and funding authority for CRP expired September 30, 2012, and reauthorization or possible extension is being debated by Congress as part of the larger farm bill reauthorization debate.

How CRP Works

The program is administered by the Farm Service Agency (FSA) at the U.S. Department of Agriculture (USDA), with technical support from the Natural Resources Conservation Service (NRCS) and other USDA agencies.

Enrollment

In total, no more than 32 million acres may be enrolled in CRP at any given time. There are two main types of enrollment into CRP: general sign-up and continuous sign-up. Several continuous sign-up “initiatives” focus enrollment on specific resource concerns or conservation practices.

General Sign-Up

CRP is a competitive program, in which landowners offer eligible land for enrollment into the program. A general sign-up is a specific period of time during which FSA accepts these offers. Offers are ranked according to an Environmental Benefits Index (EBI, see text box) to determine the relative environmental benefits for the land offered.

For each general sign-up, FSA collects data on each of the EBI factors and ranks all eligible offers across the country. After the sign-up ends, USDA determines an EBI threshold. Acceptance for enrollment into CRP is extended to offers that scored above the EBI threshold. This threshold varies by sign-up depending on the offers received. Producers generally try to maximize EBI points and increase the likelihood that their offer will be accepted for enrollment.

As of August 2012, 24.3 million acres were enrolled in CRP under general sign-up contracts, or 82% of total CRP acres. This includes 320,828 contracts on 212,094 farms.² During the most recent general sign-up (#43), 4.5 million acres were offered for enrollment and 3.9 million acres were accepted. General sign-up contracts are effective on October 1 of the next fiscal year.

Continuous Sign-Up

Continuous sign-up is designed to enroll the most environmentally desirable land into CRP through specific conservation practices or resource needs. Unlike the general sign-up process, land offered under continuous sign-up may be enrolled at any time and is not subject to competitive bidding. If offers meet certain eligibility requirements then they are automatically accepted. Contracts are effective the first day of the month following the month of approval and typically include additional financial incentives.

Continuous sign-up includes a number of initiatives that target acres with specific resource concerns or support additional conservation practices. These are described in the **Appendix**. As of August 2012, 5.3 million acres were enrolled in CRP under continuous sign-up, or 18% of total CRP acres. This includes 1.6 million enrolled through the two statutorily created sub-programs—the Conservation Reserve Enhancement Program (CREP, 1.3 million acres) and farmable wetlands (316,000 acres).³ The remaining 3.7 million acres were enrolled in other continuous sign-up initiatives.

Eligibility

Producer/Landowner

To be eligible for CRP enrollment, a producer must be an owner, operator, or tenant of the land for at least 12 months prior to the close of the CRP sign-up period, and show control of the land

Environmental Benefit Index (EBI)

Following the 1990 farm bill (P.L. 101-624), CRP was required to consider the environmental benefits of the land offered for enrollment. The formulation of the EBI has changed over time, including becoming more transparent to participants. Generally, the EBI is a standardized way to compare different land types with different resource needs across the country. The EBI is designed to compare the benefits that offered land can provide.

Presently, FSA collects data for each of the EBI factors for the land offered. These factors are weighted and scored based on the land's potential to generate the desired environmental benefits. Some factors are made up of sub-factors (listed in parentheses). The most recent general sign-up (#43) included the following factors and weights:¹

- **Wildlife Factor** evaluates the expected wildlife benefits of the offer (wildlife habitat cover benefits, wildlife enhancement, and wildlife priority zones)— *0-100 points*
- **Water Quality Benefits Factor** evaluates the potential impact that the offer may have on both ground and surface water quality (location, ground water quality, and surface water quality)— *0-100 points*
- **Erosion Factor** evaluates the potential for the land to erode from wind or water and is measured using an erodibility index— *0-100 points*
- **Air Quality Benefits Factor** evaluates the air quality improvements made by reduced particulate matter and increased carbon sequestration (wind erosion impacts, wind erosion soils list, air quality zones, and carbon sequestered)— *0-45 points*
- **Cost** of environmental benefits per dollar expended (cost of the offer and how much the offer is below the maximum payment rate)— *0-25 points*.

¹ USDA, FSA, *Conservation Reserve Program Sign-Up 43 Environmental Benefits Index (EBI)*, Fact Sheet, February 2012, http://www.fsa.usda.gov/Internet/FSA_File/g43ebi.pdf.

² USDA, FSA, *Conservation Reserve Program*, Monthly Summary, August 2012, http://www.fsa.usda.gov/Internet/FSA_File/crpstataug2012.pdf.

³ Both CREP and the farmable wetlands programs are discussed in the **Appendix**.

for the duration of the contract. The land may be eligible if owned for less than 12 months and if (1) the land was acquired due to the previous owner's death; (2) the ownership change occurred due to foreclosure where the owner exercised a timely right of redemption in accordance with state law; or (3) adequate assurances are made that the new owner did not acquire the land for the purpose of placing it in CRP.⁴

Land

For land to be eligible for CRP, USDA may consider the following land types for enrollment:⁵

- highly erodible cropland that (1) if untreated could substantially reduce the land's future agricultural production capability or (2) cannot be farmed in accordance with a conservation plan;⁶ and has a cropping history or was considered to be planted for four of the six years between 2002-2007 (except for land previously enrolled in CRP);
- marginal pasture land converted to wetland or established as wildlife habitat prior to November 28, 1990, or devoted to appropriate vegetation or water quality purposes;
- cropland that is otherwise ineligible, if it is determined that (1) if permitted to remain in agricultural production, it would contribute to the degradation of soil, water, or air quality; (2) the land is a newly-created, permanent grass sod waterway, or a contour grass sod strip; (3) the land will be devoted to newly established living snow fences, permanent wildlife habitat, windbreaks, shelterbelts, or filterstrips devoted to trees or shrubs; (4) the land poses an off-farm environmental threat; or (5) enrollment of the land would facilitate a net savings in groundwater or surface water resources; or
- certain land enrolled as a riparian buffer or for similar water quality purposes.

Payments

In exchange for enrollment into CRP, participants receive payments from USDA. These payments offset the cost of temporarily retiring the land from production and implementing resource-conserving and wildlife-promoting practices. A number of payment types under CRP are highlighted in **Table 1**.

The authorizing statute establishes the maximum number of acres that can be enrolled in the program at any one time.⁷ The program is authorized to spend such sums as necessary to enroll up to the maximum level of allowable acres. This funding is mandatory (i.e., not subject to annual appropriations) and is provided through the borrowing authority of the USDA's Commodity Credit Corporation (CCC). In total, the average annual federal cost for CRP is close to \$2 billion.

⁴ 7 C.F.R. 1410.5. Producers must also meet broader eligibility requirements related to adjusted gross income limits (not more than \$1 million) and compliance requirements.

⁵ 16 U.S.C. 3831(b).

⁶ Refers to a conservation plan developed under the highly erodible land conservation provisions. For additional information, see CRS Report R42459, *Conservation Compliance and U.S. Farm Policy*, by Megan Stubbs.

⁷ 32 million acres under the 2008 farm bill authorization, 16 U.S.C. 3831(d).

The majority of this cost is annual rental payments, which averages \$57.35 per acre, but can vary greatly by location.⁸

Table 1. CRP Payments

Payment Type	Description	Limit	Sign-up Type
Rental Payment	Annual payment to participants. Based on soil productivity for each county and the average dryland case rental rate.	\$50,000 annually for any person or legal entity	general and continuous sign-up
Cost-share Payment	Payment for a percentage of installing or establishing an eligible practice.	No more than 50% of the actual or average cost of establishing the practice.	general and continuous sign-up
Maintenance Incentive Payment	Reimburses participants for the average annual cost of certain practice maintenance.	\$5 per acre per year	certain continuous sign-up practices
One-time Sign-up Incentive Payment (SIP)	One-time incentive payment made to participants that enroll certain practices.	\$10 per acre per year enrolled (not to exceed 10 years)	certain continuous sign-up practices.
One-time Practice Incentive Payment (PIP)	One-time incentive payment for eligible installation costs for certain practices	40% of the eligible cost of practice installation	certain continuous sign-up practices.
Other Financial Incentive	Additional incentives, as part of annual rental payments, for windbreaks, grass waterways, filter strips, and riparian buffers	Up to 20% of the annual rental payment	certain continuous sign-up practices.

Sources: 16 U.S.C. 3834, 7 C.F.R. 1410.40-1410.42, and USDA, FSA, *Conservation Reserve Program Continuous Sign-Up*, Fact Sheet, July 2010, http://www.fsa.usda.gov/Internet/FSA_File/crp_contsignup_072610.pdf.

Practices

Producers have a number of conservation practices to consider for installation on their land when enrolling in CRP. The selection of practices is part of the voluntary enrollment process and is determined by the landowner, with assistance from USDA, while developing a CRP offer. Once an offer is accepted for enrollment, the participant must develop a conservation plan of operation, which serves as a guide for which practices will be used, where, and for how long. Once the plan is approved and the contract signed by the participant, the land is considered enrolled in CRP. Certain continuous sign-up initiatives require specific conservation practices for enrollment. The most widely applied conservation practices are described in **Table 2**.

⁸ For example, the highest average rental payment per acre for a state (for all CRP sign-ups) is in Massachusetts at \$207.20/acre. Only 10 acres are enrolled in Massachusetts. The lowest average rental payment for a state is in Wyoming at \$26.85/acre. The state with the most acres enrolled—Texas with 3.4 million acres—averages \$36.55/acre for rental payments.

Table 2. Top Five Conservation Practices Installed on CRP Acres
(Current as of August 2012)

Practice Code	Practice Description	Acres Enrolled	Leading States
CP10	Already established vegetative cover (grasses and legumes)	8,594,358	Texas, Montana, Colorado
CP2	Establishment of permanent native grasses	6,555,793	Texas, Kansas, Washington
CPI	Establishment of permanent introduced grasses and legumes	2,754,272	Montana, Missouri, North Dakota
CP4D	Permanent wildlife habitat	2,338,285	Colorado, North Dakota, Minnesota
CP25	Rare and declining habitat	1,601,027	Kansas, Montana, Nebraska

Source: USDA, FSA, *Conservation Practices Installed on CRP (acres), Cumulative, August 2012.*

Note: Based on total acres enrolled in practices for all sign-up types.

Current Issues

Farm Bill Expiration, Extension, and Reauthorization

The 2008 farm bill (P.L. 110-246) authorized CRP (both program and funding) to operate until September 30, 2012. Without program and funding authority USDA cannot enroll any additional acres into the program. Contracts in place before September 30, 2012, will receive payments, including incentive payments, and will continue to be enforced.⁹ Without reauthorization or an extension of authority the agency cannot approve any contracts or process any offers for enrollment. While all sign-up types are affected by the lack of program and funding authority, continuous sign-up acres could be more impacted than general sign-ups in the short-term because acres are usually enrolled year-round.

The 112th Congress continues to debate the reauthorization of many farm bill programs, including CRP. Both the Senate-passed (S. 3240) and House Agriculture Committee-reported (H.R. 6083) versions of the 2012 farm bill would reauthorize CRP through FY2017. Both versions would also incrementally reduce the maximum enrollable acres from 32 million to 25 million. According to the Congressional Budget Office (CBO), this reduction would save between \$3.6 billion and \$3.8 billion over ten years, compared with continuing current law.

While many viewed a reduction in CRP acres as inevitable in the current fiscal climate, conservation and wildlife groups caution that too large a reduction could have adverse environmental and ecological impacts.¹⁰ These groups point to the release of more than 20% of the current program acres as potentially causing a reduction in critical species habitat and an increase in soil erosion and decrease in water quality caused by planting highly erodible and

⁹ USDA, FSA, *Information About CRP Authority After September 30, 2012*, Notice CRP-724, September 20, 2012.

¹⁰ Sara Hooper, Environmental Defense Fund, *Statement for the Record*, Testimony before the U.S. House of Representatives Committee on Agriculture Subcommittee on Conservation, Energy, and Forestry, Concerning Formulation of the 2012 Farm Bill: Conservation Programs, April 26, 2012, <http://agriculture.house.gov/sites/republishers.agriculture.house.gov/files/pdf/hearings/Hopper120426.pdf>.

marginal land.¹¹ Livestock and grain producers, on the other hand, generally support some reduction in CRP acres, citing high commodity and feed prices as a reason for additional land needed to expand feed grain production.¹² Other groups cite advances in technology and sustainable production practices in the last 10 to 15 years as a reason for reduced CRP acres.¹³

Some forecast that the current high commodity price level will continue for the foreseeable future, thus possibly shrinking farmer interest in CRP for some time (see “Enrollment” discussion below).¹⁴ Also, increased commodity prices can lead to increased land rental rates, which in turn increases the cost of land retirement programs such as CRP. These factors could signal a shift in farm bill conservation policy away from the traditional land retirement programs toward an increased focus on conservation working lands programs—which keep land in production while implementing conservation practices that address natural resource concerns—e.g., the Environmental Quality Incentives Program (EQIP) or the Conservation Stewardship Program (CSP).

A detailed analysis of proposed changes to CRP may be found in CRS Report R42552, *The 2012 Farm Bill: A Comparison of Senate-Passed S. 3240 and the House Agriculture Committee’s H.R. 6083 with Current Law*.

Harvesting and Grazing

Harvesting and grazing is permitted on CRP land under certain conditions. Managed harvesting (including harvesting biomass) is permitted one out of every three years if approved in advanced and conducted according to a vegetative management plan. Routine grazing is permitted for the control of invasive species, also if approved in advanced and conducted according to a vegetative management plan and schedule. In limited situations, harvesting and grazing may be conducted in response to drought or other emergency. All harvesting and grazing, including in the event of an emergency, is prohibited during primary nesting season for birds. All activities also require a payment reduction commensurate with the economic value of the authorized activity.¹⁵ Historically, this reduction ranges between 10%-25% of the annual rental payment. In many cases environmentally sensitive land is ineligible for harvesting and grazing.

During the summer of 2012, USDA announced a new process for responding to natural disasters, including emergency harvesting and grazing under CRP.¹⁶ USDA lowered the payment reduction rate for emergency harvesting and grazing from 25% to 10%. In August 2012, USDA announced

¹¹ Josephine Marcotty, “Open Land Falling to the Plow,” *StarTribune*, August 6, 2012.

¹² Chris Clayton, “NGFA Wants to Take a Bite Out of CRP,” *DTN Progressive Farmer*, April 4, 2012.

¹³ Bruce Knight, *ReGaining Ground: A Conservation Reserve Program Right-Sized for the Times*, Strategic Conservation Solutions for National Grain and Feed Foundation, June 2012, <http://www.ngfa.org/files/SCSReGainingGroundResearchStudyforNGFF%286-8-2012%29.pdf>.

¹⁴ Daniel Hellerstein and Scott Malcolm, *The Influence of Raising Commodity Prices on the Conservation Reserve Program*, USDA, ERS, ERR-110, Washington, DC, February, 2011, <http://www.ers.usda.gov/Publications/ERR110/ERR110.pdf>.

¹⁵ 16 U.S.C. 3832(d).

¹⁶ USDA, FSA, “USDA Announces Streamlined Disaster Designation Process with Lower Emergency Loan Rates and Greater CRP Flexibility in Disaster Areas,” press release, July 11, 2012, http://www.fsa.usda.gov/FSA/printapp?fileName=nr_20120711_rel_0228.html&newsType=newsrel.

an additional 3.8 million CRP acres could be eligible to harvest and graze.¹⁷ Many of these acres had previously been ineligible due to wetland characteristics and sensitive specialty practices (see the programmatic environmental assessment discussion in the text box below). As of October 2, 2012, 2,957 counties had been approved for emergency harvesting and grazing under CRP.

CRP and the National Environmental Policy Act (NEPA)

In May 2008, USDA announced that 24 million acres of CRP land could be applied in 2008 to a critical feed use (CFU) initiative. The initiative allowed CRP participants with established vegetative cover to voluntarily modify their CRP contracts to use certain CRP lands for managed harvesting and grazing without a payment reduction. The National Wildlife Federation (NWF) and NWF chapters in six states sought an injunction against USDA for failure to conduct an appropriate environmental review of the proposed CFU initiative. In June 2008, the U.S. District Court for the Western District of Washington agreed with NWF and issued a temporary restraining order (TRO). By July 2008, the court issued a permanent injunction, suspending the CFU initiative except for those who had been approved by or had applied to FSA prior to the TRO, or who had invested at least \$4,500 toward harvesting or grazing equipment and preparation prior to the TRO.¹⁸

Following the passage of the 2008 farm bill, FSA issued a final supplemental environmental impact statement (SEIS) in June 2010.¹⁹ In large part, the SEIS only evaluated the potential environmental impacts resulting from changes made by the 2008 farm bill. CRP harvesting and grazing activities were conducted in accordance with the 2010 SEIS until 2012, when USDA announced a modified use of emergency harvesting and grazing on CRP land. Because the 2012 emergency harvesting and grazing announcement authorized certain practices that were ineligible under the 2010 SEIP, FSA issued a final Programmatic Environmental Assessment (PEA) in August 2012.²⁰ The PEA included a mitigated finding of no significant impact (FONSI). FSA determined that certain mitigation measures were required to ensure that there are no significant environmental impacts, including: implementing a modified conservation plan, leaving 25% of the field ungrazed or no more than 75% of the approved stocking rate may be used, leaving 50% of each field unharvested, not harvesting or grazing the same acreage more than once, and limiting harvesting to one cutting.

The 2012 drought has fueled questions about the potential reduction of CRP acres (see “Farm Bill Expiration, Extension, and Reauthorization” above). It is unclear what level of relief to livestock is achieved through the emergency harvesting and grazing during drought or if there is any long-term impact on wildlife habitat. Other questions remain, including, if fewer acres were enrolled in CRP for conserving uses, or if enrollment were limited to more sensitive land that would not support harvesting and grazing, what impact would this have on livestock when drought strikes again? Is the role of CRP to provide drought relief or is that beyond the scope of the program? What level of payment reduction, if any, should be required for emergency harvesting and grazing? What are the positive and negative effects of harvesting and grazing, whether managed or in the event of emergency, that might impact wildlife, plant quality, and erosion control?

¹⁷ USDA, FSA, “Agriculture Secretary Vilsack Announces New Drought Assistance, Designates an Additional 218 Counties as Primary Natural Disaster Areas,” press release, August 1, 2012, http://www.fsa.usda.gov/FSA/printapp?fileName=nr_20120801_rel_0260.html&newsType=newsrel.

¹⁸ *National Wildlife Federation v. Ed Schaefer, USDA*, CV08-1004-JCC (U.S. District Court Western District of Washington at Seattle 2008).

¹⁹ USDA, FSA, *Conservation Reserve Program—Supplemental Environmental Impact Statement*, Final, June 2010, http://www.fsa.usda.gov/Internet/FSA_File/crpfinalseismaster61010.pdf.

²⁰ USDA, FSA, *Programmatic Environmental Assessment*, Emergency Drought Response on Conservation Reserve Program Lands, August 2012, http://www.fsa.usda.gov/Internet/FSA_File/haygraz_pea_fonziv2_0812.pdf.

Enrollment

The nature of CRP enrollment has changed since the program's inception in the 1985 farm bill. Program priorities have shifted, total acres enrolled has fluctuated (see **Figure 1**), farming technologies have advanced, and producer preferences have changed. Many of these changes are cited as a reason to further alter the level of CRP acres enrolled in the future.

Expiration of Contracts

CRP contracts vary in length, though most are 10 years in duration. At the end of a contract, the participant may seek either reenrollment into the program (via a general or continuous sign-up, if eligible) or let the contract expire. This 10-year cycle resulted in more than 16 million acres enrolled in 1997 potentially expiring all at once in 2007. To stagger this expiration process, USDA offered two- to five-year reenrollment and extension contracts in 2006 to contracts expiring between 2007 and 2010 (27 million acres). While approximately 83% of those offered accepted these extensions (23 million acres), over 8.5 million acres expired from the program during that time.

The 43rd general sign-up in 2012 accepted 3.8 million acres of new and reenrollment offers into CRP. Prior to this reenrollment opportunity, approximately 6.5 million acres under CRP contract (both general and continuous) were scheduled to expire on September 30, 2012.²¹ This was considered to be a relatively large number of acres to potentially expire in one year, given that it will be three years before another six million additional acres under contract are scheduled to expire.²² Since 2007, over 10.8 million CRP acres under contract have expired and were not reenrolled in the program. The majority of these acres are located in the central part of the United States, which also has the largest number of acres enrolled (see **Figure 2**). The number and location of these acres concerns some program advocates because of the potential loss of environmental benefits, particularly migratory and grassland bird habitat.

Reenrollment of Acreage

Under the 1985 farm bill, CRP was initially authorized to enroll up to 45 million acres between crop years 1986 and 1990. USDA did not reach this enrollment cap and subsequent farm bills reduced the authorized level of enrollment.²³ CRP enrollment reached its peak in 2007 with 36.8 million acres. The 2008 farm bill reduced the enrollment cap to 32 million acres, thus reducing the opportunity for reenrollment of expiring acres under contract. Of the 6.5 million acres in CRP that could have expired at the end of FY2012, the most recent general sign-up (#43) reenrolled 3.3 million acres and 560,000 new acres.²⁴ Without a reauthorization of the program and funding

²¹ Excluding additional acres that are projected to be enrolled through continuous sign-up, CRP is expected to close the 2012 fiscal year with close to 27 million acres enrolled. The maximum enrollment level prior to September 30, 2012 (when the program expired), was 32 million acres.

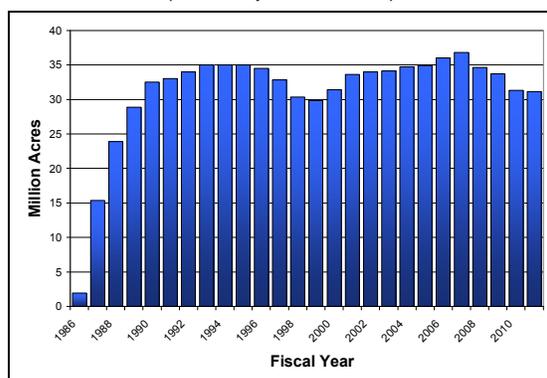
²² Including 3.3 million in FY2013, 2.0 million in FY2014, and 1.7 million in FY2015.

²³ The 1996 farm bill (P.L. 104-127) lowered the enrollment cap to a total of 36.4 million acres through CY2002. The 2002 farm bill (P.L. 107-171) increased the enrollment cap total to 39.2 million acres through CY2007.

²⁴ USDA, FSA, *The Conservation Reserve Program: 43rd Signup Results*, Washington, DC, June 12, 2012, Table 2, http://www.fsa.usda.gov/Internet/FSA_File/su43state072512.pdf.

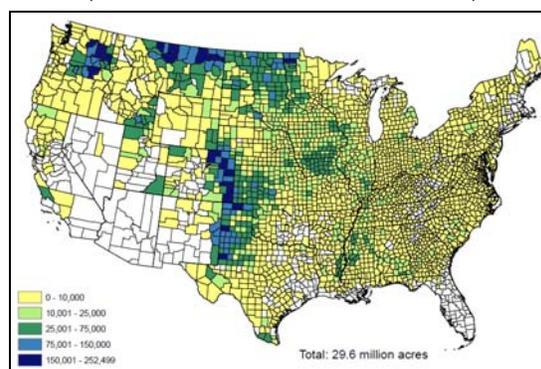
authority, the program will no longer be able to enroll any new acres or reenroll acres as contracts expire.

Figure 1. Cumulative CRP Enrollment
(Acres by Fiscal Year)



Source: USDA, FSA, *Conservation Reserve Program—Cumulative Enrollment by Year (Acres)*, http://www.fsa.usda.gov/Internet/FSA_File/historystate121911.xls.

Figure 2. CRP Enrollment
(Acres Enrolled as of October 2011)



Source: USDA, FSA/EPAS/NRA, *CRP Enrollment - October 2011*, http://www.fsa.usda.gov/Internet/FSA_File/crpenrolloct2011.pdf.

Sixty-one percent of 2012 acres expiring under CRP contract were offered for reenrollment in sign-up #43. While this is below the 83% reenrollment rate under the 2006-2010 effort, it is consistent with other general sign-ups.²⁵ Other factors, such as higher commodity and land prices, may explain the decline, as well as potential differences between CRP annual rental payments and local rental rates (see “Rental Rates” section).²⁶

Contract Termination and Early Release

Under current law, a producer wishing to terminate a CRP contract early faces a penalty of full repayment, with interest, of all the funds already paid to the producer, including any cost-share payments and other financial incentives, plus a fee of 25% of rental payments received.

As demand for farmland increases, so does the pressure for USDA to “release” or terminate CRP contracts early and possibly waive any penalty. This has been particularly true since 2008 when corn prices hit record highs and have remained high.²⁷ A number of commodity organizations and livestock associations have been vocal about seeking release of CRP land from its contracts in order to expand crop production.²⁸ Conversely, others have pointed out that CRP is a voluntary

²⁵ Personal communication with FSA staff, June 1, 2012.

²⁶ Daniel Hellerstein, *Recent Conservation Reserve Program Enrollments Signal Changing Priorities*, USDA, ERS, Amber Waves, March 2012.

²⁷ Beginning in 2007, agricultural commodity prices rose significantly. These prices remain high today and according to USDA’s long-term agricultural projection are expected to continue for corn, oilseeds, and many other crops at historically high levels. See, USDA, Office of the Chief Economist, *USDA Agricultural Projections to 2021*, OCE-2012-1, Washington, DC, February 2012, <http://usda01.library.cornell.edu/usda/ers/94005/2012/OCE121.pdf>.

²⁸ While many requested a CRP “early-out” option in 2008, the Bush Administration took no action regarding this option. See May 27, 2008, press call with Secretary Schafer, <http://www.usda.gov/wps/portal/usda/usdahome?contentidonly=true&contentid=2008/05/0138.xml>. Instead, the Administration allowed for expanded harvesting and (continued...)

program, in which land is competitively enrolled. Participants accepted federal funds in exchange for retiring land from production and converting it to conserving uses. If acres were allowed to return to production without penalty some question whether this violates the purpose of the program and diminishes the program's environmental gains.²⁹

Although the Secretary of Agriculture always has the authority to release land from CRP without penalty, this option has not been commonly used. In program history, this option has been exercised twice—in 1995 and 1996—when acres were allowed a voluntary, penalty-free early release in order to enroll more environmentally sensitive cropland. In both cases, environmentally sensitive acres were not released and certain restrictions applied to acres returning to production or harvesting and grazing.

Rental Rates

CRP rental payments are based on two main factors: the county average rental rate and soil productivity. The county average rental rate uses the National Agricultural Statistics Service's (NASS) survey of county average rental rates for cropland and pastureland. Soil productivity is based on a Natural Resources Conservation Service (NRCS) calculation that uses data of the local soil, landscape, and climate to determine the ability of the land to produce crops on non-irrigated soil. The average CRP rental payment rates are as follows: \$47.28 per acre for general sign-up, \$93.06 per acre for non-CREP continuous sign-up, \$131.81 per acre for CREP continuous sign-up, and \$110.86 per acre for farmable wetlands.

Rental rates for CRP contracts became an important issue to some producers when commodity prices began to rise in 2008. Commodity prices have remained high, causing producers to claim that CRP rental rates are significantly lower than the producers could get by renting their land out for production. On the other hand, contracts are for ten or more years and could be viewed as long-term investments rather than reactions to short-term commodity price fluctuation.

Economic Research Service Study

If rental rates are set too low, producers might decline to enroll their land, or, if already enrolled, they might decline to renew their contracts at expiration. A 2011 study by the Economic Research Service (ERS) at USDA, modeled the effect of increasing commodity prices on CRP enrollment.³⁰ The study suggested that maintaining CRP under its current configuration could lead to program cost increases. When constraints were placed on increasing rental rates, the study suggested that enrollment goals could be met with moderate increases in the CRP rental rates. The latter scenario might mean that enrollment goals could be met, but at the cost of applying a lower EBI, as producers with profitable, but environmentally sensitive, acreage choose not to enroll.

(...continued)

grazing, which resulted in a lawsuit (see text box above). The pressure for early contract termination continues; for example, in 2011, Representative Nunes, along with 25 other Members of Congress, signed a letter asking the President to release CRP land without penalty for the purpose of grain production. Letter from Devin Nunes, Representative, to Barack Obama, President, April 8, 2011. The Obama Administration did not allow CRP contract terminations without penalty.

²⁹ Allison Winter, "USDA conservation program imperiled by soaring crop prices, floods," *Greenwire*, June 26, 2008.

³⁰ Daniel Hellerstein and Scott Malcolm, *The Influence of Rising Commodity Prices on the Conservation Reserve Program*, USDA, ERS, Economic Research Report number 110, February 2011.

If crop prices remain high and enrolling environmentally sensitive land continues to be a program priority, then finding the level of rental payments that encourages enrollment and keeps the cost of the program acceptable to policy makers might continue to be an issue.

Office of the Inspector General Report

In July 2012, the USDA Office of Inspector General (OIG) issued a report on the use of CRP rental rates.³¹ The report concluded that for the 39th general sign-up in 2010, FSA (1) did not use the most recent NRCS soil productivity factors; and (2) allowed states and counties to propose alternate rates that did not adhere to its own policies for reviewing and approving the alternate rates.³² OIG accepted two of the four agency responses to its recommendations. The two responses that it found unacceptable concerned the use of the most recent NRCS productivity data and establishing procedures for approving alternate county average rental rates. It is unclear what follow-up action, if any, will be taken by FSA to address the remaining concerns.

Increases in Enrollment

Despite the potential limiting factors affecting CRP enrollment, the number of acres enrolled under continuous sign-ups, including for the Conservation Reserve Enhancement Program (CREP, see **Appendix**), has increased. Continuous sign-ups allow landowners to enroll land in certain high priority practices in exchange for additional financial incentive. As of July 2012, over 5.3 million acres (18%) are enrolled through continuous sign-up, an increase of 1.7 million acres since 2007. The additional financial incentive under continuous sign-up could offset the potential gap between CRP rental payments and local rental rates to enroll more environmentally sensitive acres. Currently, more contracts and farms are enrolled under continuous sign-ups (417,445 and 242,311, respectively) than for general sign-ups (320,828 and 212,094, respectively).³³ Continuous sign-up enrollment represents a fraction of the total CRP acreage because, in general, these enrollments involve only a small portion of a farmer's total acreage.

Environmental Benefits

The greatest concern over a reduced level of CRP acres is a reduced level of environmental benefits. Since its inception, research has shown that CRP has contributed to reduced levels of soil erosion, water quality improvement, and wildlife habitat development. While these benefits vary across the country, some conclude that without CRP there could be additional environmental degradation from agricultural production.³⁴ **Table 3** includes a list of conservation practices

³¹ USDA, OIG, *Farm Service Agency, Conservation Reserve Program - Soil Rental Rates*, Audit Report 03601-0051-Te, July 2012.

³² For example, “of the 687 proposed alternate rates it received, FSA’s national office approved 686, even though it determined the majority (669 of 687) of the proposals contained evidence to support the alternate rates to be less than strong.” Under the 41st general sign-up, a total of 271 proposals were submitted for alternate county average rental rates. According to OIG, one official approved 150 rates—105 exceeded the NASS rate and 45 were lower than the NASS rate. *Ibid.*

³³ USDA, FSA, *Conservation Reserve Program, Monthly Summary*, July 2012, http://www.fsa.usda.gov/Internet/FSA_File/july2012crpstat.pdf.

³⁴ JunJie Wu and Bruce Weber, *Implications of a Reduced Conservation Reserve Program*, The Council on Food, Agriculture & Resource Economics, July 2012.

applied on CRP land that is set to expire from the program between FY2013 and FY2017. It is unknown how many of the practices would expire as a result of acres not reenrolling in CRP due to the reduced number of authorized acres. It is also unknown whether these practices would be maintained without a CRP contract. Landowners may choose to continue these practices voluntarily or through other federal, state, or local assistance. In large part, the majority of practices that could be lost if allowed to expire would be grasslands, both native and introduced species, new and existing plantings.

According to FSA, since 2002, CRP has reduced soil erosion by 325 million tons from pre-CRP levels each year. Since the program’s inception in 1986, CRP has reduced more than eight billion tons of soil erosion. Through FY2010, CRP has enrolled more than two million acres in wetlands and over two million in buffers. Other annual conservation benefits include an equivalent of approximately 52 million metric ton net reduction in carbon dioxide (CO₂) from sequestration, reduced fuel use and nitrous oxide emissions avoided from no fertilizer use; more than two million acres of wildlife habitat established; and a reduction of about 607 million pounds of nitrogen and 122 million pounds of phosphorus.³⁵ From a wildlife perspective, it is estimated that CRP land produces over 13.5 million pheasants and 2.2 million ducks each year through habitat availability.³⁶

Table 3. Top Ten Expiring CRP Conservation Practices
(By expiring year in total acres applied)

Practice Code	Practice Description	2013	2014	2015	2016	2017
Total Expiring Acres		3,315,975	1,992,756	1,674,088	1,195,403	2,647,137
CP01	Introduced grasses and legumes	366,911	140,314	135,100	106,925	188,275
CP02	Native grasses	1,126,244	584,006	488,526	316,164	283,793
CP03H	Hardwood trees	51,586	77,873	59,385	5,388	31,800
CP04D	Permanent wildlife habitat	310,700	218,588	127,960	120,415	119,064
CP10	Existing grasses and legumes	839,532	222,604	164,116	81,697	1,353,896
CP11	Existing trees	82,157	17,853	39,479	36,817	112,723
CP21	Filter strips-grass	86,656	79,627	108,748	114,998	95,129
CP22	Riparian buffers	48,888	52,769	113,686	137,180	110,529
CP23	Wetland restoration	194,837	278,146	96,512	26,808	29,702
CP25	Rare and declining habitat	83,837	145,356	130,978	58,277	17,944

Source: CRS, developed from USDA, FSA data, April 2012.

³⁵ USDA, FSA, *The Environmental Benefits of the Conservation Reserve Program*, United States—2010, July 2011, http://www.fsa.usda.gov/Internet/FSA_File/united_states.pdf.

³⁶ National Wildlife Federation, *Maintaining Benefits of Expiring CRP*, <http://www.nwf.org/Wildlife/Policy/Farm-Bill/Farm-Bill-Success-Stories/Success-Expiring-CRP.aspx>.

Conclusion

As Congress considers reauthorization of the program as part of the farm bill, CRP, as the most expensive conservation program, could see a possible reduction of authorized acres to achieve a cost savings. Other pressures from high crop prices, increased demand for land, and the potentially low rental rates could also impact the program's ability to enroll the most desirable acres in the future. Despite these challenges supporters encourage maintaining CRP enrollment because of the numerous environmental gains achieved by the program, including improved water quality, soil health, and wildlife species habitat. Balancing the cost of maintaining such benefits with the cost of the program could continue to be a challenge for Congress.

Appendix. Continuous Sign-Up Initiatives

Continuous sign-up is designed to enroll the most environmentally sensitive land into CRP through specific conservation practices or resource needs. Continuous sign-up includes a number of initiatives that target acres with specific resource concerns or support additional conservation practices. These are described below.

Conservation Reserve Enhancement Program (CREP)

Initially implemented in 1997, CREP is a joint federal-state continuous sign-up program under CRP. CREP targets geographic regions with agricultural-related environmental concerns, such as Maryland's Chesapeake Bay and Florida's Everglades. Some states (e.g., New York and Ohio) have multiple CREP projects, each targeting a different area of the state. Projects are designed to address specific environmental objectives through targeted CRP enrollments. Sign-ups are continuous, non-competitive, and typically provide additional financial incentives beyond annual rental payments and cost-share assistance. There are currently 46 CREP agreements in 33 states.

Farmable Wetlands Program (FWP)

The Farmable Wetlands Program (FWP) enrolls farmable or prior converted wetlands into CRP. In exchange for additional financial incentives, landowners agree to restore the hydrology of the wetland, establish vegetative cover, and prohibit development. For land to be considered eligible it must meet one of the following criteria:

- a wetland or converted wetland cropped at least 3 of the immediately preceding 10 crop years;
- a constructed wetland that receives flow from a row crop agriculture drainage system and is designed to provide nitrogen removal in addition to other wetland functions;
- land in a commercial pond-raised aquaculture in any year between 2002 through 2007; or
- cropland that was cropped at least three of ten crop years between 1990 and 2002, and is subject to the natural overflow of a prairie wetland.

The enrollment of buffer acreage is also permitted to enhance wildlife benefits. No more than 100,000 acres may be enrolled in FWP in any state³⁷ and no more than 1 million acres nationally. The enrollment of wetlands (described under the first and second bullets above) is limited to 40 contiguous acres. "Flooded farmland," or that defined in the fourth bullet above, is limited to 20 contiguous acres, and has a 20-acre limit.

³⁷ This limit may be increased by USDA to up to 200,000 acres per state.

Emergency Forestry CRP

Following the 2005 hurricane season, Congress created the Emergency Forestry Conservation Reserve Program (EFCRP) in the Emergency Supplemental Appropriations Act of 2006 (P.L. 109-148). The program provides assistance to nonindustrial private forest land damaged by the 2005 hurricanes (specifically Katrina and Rita) in Gulf Coast states. Over \$504 million in mandatory funding was authorized to carry out this program. Acreage enrolled in this program does not count toward the total CRP enrollment cap. As of December 31, 2011, a total of 294,318 acres had been enrolled in Alabama, Florida, Louisiana, Mississippi, and Texas, with payments totaling over \$85.8 million.

Transition Incentive Program (TIP)

The 2008 farm bill authorized a new option for expiring CRP contracts. Under the Transition Incentive Program (TIP), land from expiring CRP contracts may be transitioned back into sustainable grazing or crop production by a beginning or socially disadvantaged farmer or rancher. The land must be from a retired or retiring owner or operator (not a family member) in exchange for up to two additional years of annual CRP rental payments following the expiration of the CRP contract. The program was authorized to spend up to \$25 million between FY2009 and FY2012.

Other Initiatives

Several other initiatives under CRP have been developed over time, mostly in response to Administration priorities. **Table A-1** includes a list of recent initiatives and their enrollment size.

Table A-1. CRP Initiatives

Initiative	Year Started	Allocation (acres)	Current Enrollment (acres) ^a
Floodplain Wetlands	2004	600,000	214,778
Bottomland Hardwood Trees	2004	250,000	72,928
Non-floodplain and Playa Wetlands	2005	350,000	184,065
Upland Bird Habitat Buffers	2005	500,000	240,276
Longleaf Pine Plantings	2007	250,000	112,441
Duck Nesting Habitat	2007	300,000	151,838
State Acres for Wildlife Enhancement (SAFE)	2008	1,250,000	680,781
Highly Erodible Land	2012	750,000	b
Pollinator Habitat	2012	100,000	b

Source: USDA, FSA, *Conservation Reserve Program*, Monthly Summary, August 2012, http://www.fsa.usda.gov/Internet/FSA_File/crpstataug2012.pdf.

- a. Cumulative acres as of August 2012. Includes lands with FY2013 contracts; excludes lands enrolled in CREPs; excludes lands that expire September 30, 2012.
- b. To date, sign-up results for this initiative are not available.

Author Contact Information

Megan Stubbs
Specialist in Agricultural Conservation and Natural
Resources Policy
mstubbs@crs.loc.gov, 7-8707