



What is the Conservation Reserve Program and How is it Working?

BACKGROUND

The Conservation Reserve Program (CRP) is a voluntary conservation program, administered by the Farm Service Agency (FSA), aimed at conserving soil, water, and wildlife resources by removing highly erodible and environmentally sensitive lands from agricultural production and installing resource conserving practices for 10 to 15 years in length. Contracts provide a yearly rental payment for removing these lands from production. Participants offer land for enrollment through general and continuous sign-ups. 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 (19.7 million acres), the number enrolled under continuous sign-ups is increasing (5.8 million acres).

The 2014 Farm Bill provided for a “step down” of the acreage cap, reducing enrollment from 32 million acres to 24 million acres in 2018. Emergency harvesting, grazing, and other use of forage are permitted, in some cases, without a reduction in rental rate, as well as livestock grazing for a beginning farmer or rancher. Other approved activities, such as annual or routine grazing, may continue to require a reduction in rental rate. The 2014 Farm Bill incorporated the Grassland Reserve Program (GRP) into CRP and allowed a one-time, penalty-free, early-out in FY2015 for contracts enrolled longer than five years and containing no environmentally sensitive practices.

Four factors are converging to create a highly competitive environment for CRP sign-ups: first is the declining cap on authorized CRP enrollments; second is a sustained decline in commodity prices; third is the inclusion of acreage in CRP that was eligible under the former Grassland Reserve Program; and fourth is the level of interest in re-enrolling expiring CRP contracts.

The most recent general sign-up period was one of the most selective sign-up periods in CRP’s 30-year history, with a record-high Environmental Benefits Index (EBI) cutoff and the lowest percentage of applications accepted. For the general enrollment, 26,279 offers were made totaling 1.857 million acres, and of those, 4,857 offers totaling 410,773 acres met the EBI threshold and were accepted. Offers were selected by weighing environmental factors plus costs, including wildlife enhancement, water quality, soil erosion, and air quality. Coming off a record-setting 2015 continuous enrollment exceeding 860,000 acres, more than 364,000 acres already have been accepted for the 2016 CRP continuous enrollment — triple the pace of last year.

USDA announced it may consider additional offers based on specific program objectives, including Farmable Wetlands, Wetlands Restoration, Buffers, Grass Waterways, Upland Bird Habitat, Pollinator Habitat, Wind Erosion, and State Acres for Wildlife. As a result of the first-ever enrollment period for CRP Grasslands, USDA will also accept 101,293 acres in that program, providing participants with

financial assistance for establishing approved grasses, trees, and shrubs on pasture and rangeland that can continue to be grazed. Only 383 offers were approved out of the 4,629 applicants covering 1.014 million acres.

Expiring contracts create an additional level of competitiveness for CRP sign-ups. The rate of exit from the CRP program has been declining as commodity prices decline. That rate of decline is expected to continue as long as commodity prices are trending lower. The following table shows the upcoming expiring CRP contract acres by year of expiration.

CRP Contract Expirations by Year (in acres)							
2016	2017	2018	2019	2020	2021	2022	2023+
1,657,943	2,523,312	1,496,505	975,366	4,464,496	3,056,944	4,102,721	5,432,905

If the 2016 acres exiting the program are about one million acres (the 2015 rate) and there are approximately 1.657 million acres eligible to leave the program, then 657,000 acres might go back into the program, or be re-enrolled. From 1997 to 2015, there has been an average of 460,000 acres of new continuous sign-ups. If the projected expirations continue to exit the program at 60 percent and re-enroll at 40 percent, then the following table shows how much acreage would be over the cap or how much room there is under a 24 million acre cap for new enrollments through general sign-ups. If the renewal rate of existing CRP acres is above 40 percent, then there would be less acreage available for general sign-up. As noted above, when there is less room for acreage to be accepted within general sign-ups, USDA tends to increase the level of EBI for accepted acreage. This means the new acreage accepted into the CRP program tends to have a higher EBI than prior enrolled acreage and increases the environmental benefits of the program overall.

For 2016, it is likely that USDA can remain within the statutory cap on CRP acres by managing the level and pace of renewals of expiring contracts, or by seeking a one-year exemption to the statutory cap. For 2017 and beyond, if renewal of expiring acres remains at the 40 percent level, then there will be room for some new CRP enrollments through periodic general sign-ups. However, if the renewal rate for expiring CRP acres rises to 60 percent due to continued low commodity prices, then by 2020, total acreage enrolled in the CRP would exceed the statutory cap and either renewals would need to be restricted, the continuous sign-ups would need to be further restricted, or the statutory cap would need to be raised. To fully accommodate a rise in the renewal rate due to low commodity prices and to continue to accommodate the continuous sign-ups, but with no new general sign-ups, the cap on the total CRP acreage may need to be raised to at least 26 million acres.

CRP Acres for 2016 and Projected Years							
	2016	2017 Projected	2018 Projected	2019 Projected	2020 Projected	2021 Projected	2022 Projected
Program Cap	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000
Current Enrollment	23,709,982	24,051,216	22,997,229	22,559,326	22,434,106	20,215,408	18,841,242
Expiring Acres	1,657,943	2,523,312	1,496,505	975,366	4,464,496	3,056,944	4,102,721
Exiting Acres (Assumed 60%)	-994,766	-1,513,987	-897,903	-585,220	-2,678,698	-1,834,166	-2,461,633
Expiring Acres Renewed (Assumed)	663,177	1,009,325	598,602	390,146	1,785,798	1,222,778	1,641,088
General Sign-up	+876,000	0	0	0	0	0	0
Continuous Sign-up (Average)	+460,000	+460,000	+460,000	+460,000	+460,000	+460,000	+460,000
Net Enrollment Projections	24,051,216	22,997,229	22,559,326	22,434,106	20,215,408	18,841,242	16,839,609
(Over Cap) or Available for General Sign-up	(51,216)	1,002,771	1,440,674	1,565,894	3,784,592	5,158,758	7,160,391
Acreage Available for General Sign-up if Renewal Rate rises to 60% in 2017 & Beyond		498,109	643,264	448,191	(444,708)	(1,056,097)	(1,876,641)

OPTION #1

Should the cap on CRP authorized enrollment be changed from its current statutory level of 24 million acres?

OPTION #2

If the cap on CRP enrollment limits new enrollments through general sign-ups, it creates more competition for CRP enrollments and it is likely that future general sign-ups will not accommodate all acres that are submitted for enrollment. Is increasing the EBI threshold for new general sign-up enrollments an acceptable means for limiting new enrollments so that the level of total CRP acreage stays within the cap?