Do Cropland Diversion Programs Harm Rural Economies?

Acreage reduction programs have been used in the United States since the 1930s to reduce commodity production and improve the environment. These programs make use of four instruments: (1) acreage limitations, (2) set-asides, (3) required diversions, and (4) long-term cropland conservation. Here we refer to these four instruments as cropland "diversion," or cropland "retirement."

The 1956 Soil Bank program was the first to offer a major annual diversion and a long-term conservation program. Various annual diversion and long-term conservation programs have been in effect since. In 1994 farmers took 11.1 percent (49 million acres) of total U.S. cropland out of production. They enrolled almost three quarters of total diversions in the long-term (ten-year) Conservation Reserve Program.

Effects on rural areas

For the last half-century, the population of small rural communities has declined as a percentage of the total (figure 1). Towns of less than 1,000 have lost population in both absolute and relative terms.

Cropland diversion programs affect the rural nonfarm population in two offsetting ways. On the plus side, higher crop prices, program payments, and the incentive to substitute purchased inputs for land increase the demand for goods and services supplied by rural nonfarm people. However, the removal of land from production decreases demand for purchased inputs that otherwise would have been applied to this land. Which effect dominates?

**Program effects on rural population**

We found that diversion of each 1,000 acres from crop production reduced the number of rural nonfarm people in each county by about fifty per decade. This translates to an average rural nonfarm population loss of 7.4 percent per decade in each county, or roughly 30 percent over the 1950-90 period.

Whether the programs had a similar effect across the entire country is hard to say. The higher percentage of cropland diverted nationwide (table 1) suggests that the general effect may have been even greater than indicated from our sample data. On the other hand, where farming is less dominant, other industries can more readily provide alternative employment opportunities.

**True program costs**

Although the cropland diversion programs may have attained their primary goals—supply reduction and environmental protection—if our sample counties represent the larger population, they also appear to have contributed to the economic and demographic decline of rural America.

**For more information**


**Method of Analysis**

To make our assessment, we used data from the four decades 1950 to 1990 for 100 randomly selected farming-dependent counties (Van der Sluis). Farm policy changes affect these counties in particular because they, more than most, rely on federal subsidies and lack economic alternatives to agriculture. The sample counties are spread throughout the United States, but are heavily concentrated in the Great Plains from North Dakota to Texas. Table 1 summarizes the U.S. and sample county program enrollment for Census of Agriculture years. We used an adaptation of the Peterson and Kislev labor push/pull model to measure the impact of diverted acres on number of rural nonfarm people.

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Figure 1. Relative decline of rural nonfarm population

Table 1. Cropland diverted in annual and long-term conservation programs, percentage of total cropland

<table>
<thead>
<tr>
<th>Year</th>
<th>United States*</th>
<th>100-County Sample</th>
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<tbody>
<tr>
<td>1964</td>
<td>12.7</td>
<td>10.5**</td>
</tr>
<tr>
<td>1969</td>
<td>12.5</td>
<td>11.0**</td>
</tr>
<tr>
<td>1974</td>
<td>0.6</td>
<td>3.4**</td>
</tr>
<tr>
<td>1978</td>
<td>4.0</td>
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<td>2.6</td>
</tr>
<tr>
<td>1987</td>
<td>17.5</td>
<td>14.6</td>
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*Source: Daugherty
**previous year's observation