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The Conservation Reserve Program: Then and Now

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Market Report	Yr Ago	4 Wks Ago	3/23/01
Livestock and Products, ***Average Prices for Week Ending***			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt	$72.83	$79.86	$78.14
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt	93.99	92.75	95.09
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	98.18	98.33	98.84
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt	112.46	122.58	119.19
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt	42.00	42.75	45.50
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd	62.50	55.00	*
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	*	115.00	129.30
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt	79.00	95.50	76.37
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	170.00	168.00	171.00
Crops, ***Cash Truck Prices for Date Shown***			
Wheat, No. 1, H.W. Omaha, bu	2.73	3.15	3.08
Corn, No. 2, Yellow Omaha, bu	2.05	1.91	1.84
Soybeans, No. 1, Yellow Omaha, bu	4.99	4.29	4.16
Grain Sorghum, No. 2, Yellow Kansas City, cwt	3.59	3.59	3.43
Oats, No. 2, Heavy Sioux City, IA , bu	1.35	1.35	1.34
Hay, ***First Day of Week Pile Prices***			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton	105.00	115.00	115.00
Alfalfa, Lg. Round, Good Northeast Nebraska, ton	85.00	70.00	70.00
Prairie, Sm. Square, Good Northeast Nebraska, ton	*	110.00	112.50

* No market.

Historical Perspective

The Food Security Act of 1985 first authorized the Conservation Reserve Program (CRP). Since that time CRP has undergone numerous changes with the passage of the Food, Agriculture, Conservation and Trade Act (FACTA) in 1990 and the Federal Agriculture Improvement and Reform Act (FAIR) in 1996. Nonetheless, CRP has survived, and today enjoys an enrollment not much smaller (33.4 million acres) than its peak of about 36.4 million acres, nationwide. Most contracts for enrollment in CRP were, and currently still are for 10 years. There are some exceptions such as land enrolled for tree practices and other conservation specific practices, which resulted in 15-year contracts. The initial 10-year contracts have ended and some of the land has reverted to crop production or remained in permanent cover. Yet other acres were re-enrolled into CRP for another 10-year or longer period. Since some contracts were for periods longer than 10 years, Nebraska has a few acres in CRP that were enrolled as early as 1987. Most of the acres still under active contract, enrolled for 1991 or before, are in tree contracts.

One of the largest changes to occur for CRP was in 1990 when FACTA was passed. The rules of how CRP could be bid and ranked for acceptance changed. Initially, producers bid a flat dollar amount per eligible acre. These bids were ranked and accepted according to dollars available. Beginning with sign-ups 10 and 11, bids were first measured against a county rental rate based on cash rental rates in the area. The last sign-up under FACTA measured bids against tract specific rental rates based on cash rates and the specific soil characteristics of the tract under consideration. If the bid exceeded the soil rental rate it was rejected. This process favored higher producing soils, since they ended up with higher rental rates. If the bid passed this first screen, then it was ranked by the ratio between the environmental benefits index (EBI) and the government cost of the contract. The EBI was based on seven factors: surface water quality improvement; potential ground water improvement; preservation of soil productivity; assistance to farmers most affected by conservation compliance; encouragement of tree planting; enrollment in Hydrologic Unit Areas identified by the President's Water Quality Initiative; and enrollment in estab-

lished conservation priority areas. Since sign-ups 10 and 11 the procedure for ranking has changed some, but remains similar to that described. The soil rental rates procedure continues in a modified form.

Current Enrollment Patterns and Rental Rates

A major goal of the change to the EBI was to enroll the most environmentally sensitive land. And it appears that the criteria favored enrolling land in areas that impact water quality the most. It was thought by some that wind erosion areas of the Plains, and Nebraska in particular, would not fair as well under the new rules. All but 36,000 acres of Nebraska's currently active contracts were enrolled in 1992 or later, well after new bid acceptance rules were implemented. Have the new procedures altered enrollment patterns in the state? Table 1 shows the distribution by Agricultural Statistics District in Nebraska for the first 9 sign-ups and for the currently active contracts. It appears that the Southeast and East ASDs have gained CRP relative to other parts of the state. While the Northwest (Panhandle) retains the largest enrollment, its enrollment has dropped by about 37,000 acres. Enrollment in Northeast Nebraska has also dropped by about 70,000 acres. Enrollment in the Southeast and East ASDs has actually increased by a combined 42,000 acres. It seems that within Nebraska the new rules have shifted CRP enrollment to areas where water quality may be a larger concern than either wind or water erosion.

Nebraska producers receive annual payments exceeding $60.3 million for retiring land in CRP. That translates to an average payment of $53.23/acre statewide. The average rental payment for the first 9 enrollment periods was similar at $55.45/acre statewide. Rental payments vary across the state. Table 2 shows the average rental payment for all active contracts by ASD. Table 2 also displays current cash rental rates for dry cropland as reported by Bruce Johnson in his annual survey. A cursory comparison shows that CRP rental payments tend to run higher than current rental rates in the western, wind erosion areas of the state. Rental rates for CRP are also higher in the Southeast ASD compared to cash rates. Part of the latter disparity may be due to the emphasis on attracting land that could influence water quality. Such land may be of equal or higher cropping value than that normally rented. In the western part of the state cash rental rates may not reflect overall rental values as well, since much of the land is leased on a share basis.

Although diminished from its peak enrollment of about 1.4 million acres, CRP is still an important conservation program in Nebraska.

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Table 1. Enrollment in CRP by ASD for First 9 Sign-up Periods and Currently Active Contracts

ASD	Periods 1 - 9		Currently Active Contracts	
	(1,000 acres)	Distribution (%)	(1,000 acres)	Distribution (%)
Northwest	375	28	338.0	29.8
North	117	8.7	85.0	7.5
Northeast	284.3	22.2	213.8	18.9
Southwest	127.2	9.5	93.6	8.3
Central	75.4	5.6	41.7	3.7
East	87.5	7	105.9	9.3
South	62.7	4.7	40.5	3.6
Southeast	190.0	14.3	214.3	18.9
State	**1,320**	**100**	**1,132.9**	**100**

Table 2. Comparison of CRP Payments and Current Cash Rental Rates

ASD	Currently Active Contracts			Dry Cropland
	(1,000 acres)	Average CRP Payment ($/acre)	Total Payments ($1,000)	Cash Rental Rates for 2001 ($/acre)*
Northwest	338.0	31.46	10,633.5	20
North	85.0	38.22	3,247.8	38
Northeast	213.8	72.43	15,484.4	78
Southwest	93.6	35.74	3,344.5	29
Central	41.7	51.32	2,142.1	53
East	105.9	77.09	8,165.6	86
South	40.5	47.53	1,927.1	51
Southeast	214.3	71.67	15,359.8	64
State	**1,132.9**	**53.23**	**60,304.8**	**NA**

* Source: Cornhusker Economics March 7, 2001