FUTURE OF THE CONSERVATION RESERVE PROGRAM

JOINT HEARING

BEFORE THE

SUBCOMMITTEE ON ENVIRONMENT, CREDIT, AND RURAL DEVELOPMENT

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

AND THE

SUBCOMMITTEE ON AGRICULTURAL RESEARCH, CONSERVATION, FORESTRY, AND GENERAL LEGISLATION

OF THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
U.S. SENATE

ONE HUNDRED THIRD CONGRESS

SECOND SESSION

SEPTEMBER 1, 1994, ABERDEEN, SD

Serial No. 103–92

Printed for the use of the Committee on Agriculture

U.S. GOVERNMENT PRINTING OFFICE
87–936 WASHINGTON : 1995

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-046834-5

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THE FUTURE OF THE CONSERVATION RESERVE PROGRAM

THURSDAY, SEPTEMBER 1, 1994

HOUSE OF REPRESENTATIVES: SUBCOMMITTEE ON ENVIRONMENT, CREDIT, AND RURAL DEVELOPMENT, COMMITTEE ON AGRICULTURE; JOINT WITH THE U.S. SENATE: SUBCOMMITTEE ON AGRICULTURAL RESEARCH, CONSERVATION, FORESTRY AND GENERAL LEGISLATION, COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,

Aberdeen, SD.

The subcommittees met, pursuant to call, at 9:30 a.m., at the Ramkota Inn, 1400 8th Avenue, NW., Aberdeen, SD, Hon. Thomas A. Daschle (chairman of the Subcommittee on Agricultural Research, Conservation, Forestry and General Legislation) presiding.

Present from the Subcommittee on Agricultural Research, Conservation, Forestry and General Legislation: Senator Daschle.

Present from the Subcommittee on Environment, Credit, and Rural Development: Representatives Johnson and Peterson.

Staff present from the Committee on Agriculture, Nutrition, and Forestry: Tom Buis and Craig Cox.

Staff present from the Committee on Agriculture: Anne Simmons and Dwight Fettig.

OPENING STATEMENT OF HON. THOMAS A. DASCHLE, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Senator DASCHLE. The hearing will come to order. The purpose of the hearing today is to gather input regarding the future of the conversation reserve program. This is a joint hearing of the House Agriculture Subcommittee on Environment, Credit, and Rural Development, chaired by my colleague and very close friend, Tim Johnson—and attended, I might add, by the Congressman from the southern district of Minnesota and also a good friend, Collin Peterson—and the Senate Agriculture Subcommittee on Agricultural Research, Conservation, Forestry and General Legislation, which I chair.

I am very pleased to have the opportunity to work with Tim and Collin on this exercise, and very confident that this cooperative effort between the House and Senate Agriculture Committees will pay dividends when Congress writes the 1995 farm bill next year.

The CRP was created, as everyone knows, in 1985 to control soil erosion on the Nation's most highly erodible acreage. The first sign-up period saw approximately 2 million acres enrolled, including about 3,000 in South Dakota, for a period of about 10 years. Enroll-

ments have increased the acreage in the program to about 38 million acres nationwide and over 2 million acres in our State.

I believe the CRP program has succeeded in its original goal of reducing soil erosion on our Nation's most fragile farmland because all you have to do is look at the facts. Soil erosion has been reduced by 693 million tons annually across the Nation and 22 million tons annually in our State.

The CRP has also provided significant economic benefits to farmers in rural communities. During the past 9 years, CRP payments to farmers have totaled well over $19 billion in the United States and almost $1 billion here in South Dakota. But there are other positive benefits of the CRP program, intended or incidental, that we should also note. The repopulation of endangered wildlife and plant species, the improvement of water quality and the economic benefits provided to rural communities as a result of increased revenues derived from hunting and tourism are assets directly attributable to the CRP which should not be overlooked.

We should also note that some of the negative aspects of CRP have become more evident in recent years. In some areas of the United States, the CRP has had an adverse impact on rural economies. In counties where CRP sign-up has been high, the impact on agribusiness has been significant. Many farm input businesses such as chemical, fertilizer, and implement and grain companies have gone out of business or have significantly scaled down their operations, reducing employment and tax bases for rural communities.

A second criticism of the program is the lack of noxious weed control on enrolled acreage. In some areas, Canadian thistle and leafly spurge have taken over thousands of CRP acres and will continue to spread if we don't control them more effectively. The proliferation of noxious weeds on CRP land has caused problems for producers attempting to produce crops on adjacent land, and simply can't be tolerated.

Additionally, CRP rental rates have drawn criticism from non-CRP participants because they are often out of line with local cash rental rates. When the CRP rental rates are too high, they often drive up cash rent in the area and create difficulty for those farmers trying to make a living by producing a crop.

Nevertheless, taking both the positive and negative aspects of the CRP into account, I personally believe the program has had beneficial impact upon all of rural America. It has significantly reduced soil erosion, as we indicated, improved our natural environment, increased farm income, stabilized wildlife and plant species and reduced the oversupply of farm commodities. In my opinion, it should be continued.

There are two options for continuing the program. First, Congress can reauthorize the program in the 1995 farm bill or, second, the Secretary can exercise his discretion to extend current contracts as they expire.

In my view, the Secretary deserves credit for recently taking the initial step in pursuing the second option. Last week, as all of you know, he announced that he would use his discretionary authority to extend for 1 year all CRP contracts that are due to expire in

1995. This is a good beginning, and I am hopeful that eventually he will extend all contracts.

Unfortunately, a major problem that still faces the program is the same problem facing all Federal programs—money. How do we pay for CRP, which costs $1,800,000,000 a year, at a time when everyone is looking for ways to balance the budget.

Currently, the CRP is not included in the Congressional Budget Office 1995 baseline for Federal program spending. This presents a significant obstacle, because if CBO does not include the CRP in the budget, then Congress would have to cut commodity programs if we choose to extend the CRP. Realistically, that probably won't happen as most farmers, if given the choice, would prefer to reduce the CRP and keep the commodity programs at their current levels. But we are here to look at the process, to work with the Secretary of Agriculture, to encourage CBO to revise their budget baseline projections just as soon as possible.

Again, the purpose of this hearing is to solicit opinion about the future of the CRP. We can start with a blank slate. We can start to recreate the program as we wish to see it for the next 10 years. We want to hear our witnesses' testimony as well as the thoughts of others during the open mike segment on whether we should extend the program in its present form, make major modifications or, frankly, eliminate it. And if changes are necessary, what changes would you recommend that we make? These are the questions to which we are seeking answers today.

We have a number of excellent witnesses and we look forward to calling upon them. But before I do, let me call on our cochairman this morning, my friend and our Congressman, Tim Johnson.

OPENING STATEMENT OF HON. TIM JOHNSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH DAKOTA

Mr. JOHNSON. Thank you, Senator Daschle. And thank you to South Dakotans taking part in the hearing, as well as just listening to the testimony that is going to take place today. A special thank you to the panelists who will provide us with the testimony.

Of all the ag issues that people approach me about as I travel around the State of South Dakota, I think in recent months the CRP has probably been the one that I hear the most about. Obviously, there are supporters and there are critics of the CRP; and the program does have its strengths and it has its weaknesses. Critics observe that it does serve to drive up rental prices in non-CRP land; that it can in areas where there is a large CRP sign-up have negative consequences for agribusinesses on Main Street; that in some instances the way the program is implemented, it has rewarded poor past conservation practices; and it has led in some areas to some weed control problems.

On the other hand, I have to say that of the South Dakotans who have talked to me the general attitude has been supportive of the CRP, recognizing that it has played an important role in enhancing wildlife habitat, which has not only promoted a way of life that we have in South Dakota but the economy of many of our small communities, as well; that it has been an important income source to a lot of people around our State. One out of every four Federal dollars that came to South Dakota through agricultural programs this

last year was a CRP dollar. And it has undeniably played a major role in soil conservation throughout South Dakota.

The challenge that Congress and this administration is going to have on the CRP is really twofold. One is, will we have the budget baseline to continue a conservation program of any kind? As you well know, there are about 36,500,000 acres of CRP enrolled nationwide at this time, about 2,100,000 acres here in the State of South Dakota. But the total price tag comes to about $1,800 million per year.

Now, CBO tells us that if we were to discount the savings from deficiency payments that do not need to be made, because obviously there are no crops being grown, that the price comes closer to $1 billion. But in any event, it is a large price tag. There is no denying that. And one of the great unknowns that we have to deal with right now is how much money are we going to be able to have in the ag budget, or are we going to be able to collect money from any other sources in order to fund a strong conservation reserve program of some kind? We don't know that at this point, and that is why we are holding hearings and having conversations with the Secretary of Agriculture and other people involved with the budget.

The good news is that we have reduced the Federal budget deficit, annual deficit by 40 percent over the last 18 months. The bad news is, of course, the other side of that sword—that we have fewer and fewer resources available to us for any kind of Government spending program, including CRP, and that the tug-of-war is fiercer now than it ever has been before.

Nonetheless, I remain confident that we will find the resources to have some kind of major conservation reserve program. But certainly, we are going to have to debate how we can run a program perhaps with fewer dollars, whether that involves a narrower definition of soil or land eligibility, whether we have to take another look at how we bid this land in. Can we pay less for some kinds of land?

It has been pointed out and critics have observed that the CRP payments are in some areas three and four times what the cash rent is in the same county. I think we have to evaluate that, whether in fact we can run a strong CRP program perhaps with fewer dollars and perhaps with a more narrowly defined mission.

I think it is very unlikely that a renewal of the CRP will be a simple matter of telling people who currently have CRP contracts that we are going to extend it on the same terms for another 10 years. That may be the case, but I think we have to be aware that even if we continue a CRP program, that it is very likely that there will be some substantial changes, both in terms of eligibility and in terms of the bidding process that goes forward. Nonetheless, I think it has been an important program. Here in the State of South Dakota, we not only have 2,100,000 acres enrolled, but the total value of those contracts over 10 years has been almost $1 billion into the State of South Dakota. We have saved almost 22 million tons of soil annually because of the CRP program just here in the State of South Dakota. So while it has its critics, it also has had a very positive role, as well, to play. I am looking forward to the insights of the panelists, as well as from other citizens who want to take advantage of an open mike opportunity that we will have

here later on as the hearing progresses. And the testimony today will be shared with other members and staff of the House Agriculture Committee.

I chair the Environment, Credit, and Rural Development Subcommittee in the House. Of the 49 members of the House Agriculture Committee, only 13 of us were around for the last farm bill debate in 1990. So we have a lot of education to go on, not only with our colleagues from urban and suburban areas, but even with our own rural colleagues, who have, for the most part, never before participated in a real farm bill debate and were not present in the last debate, about the viability of the conservation reserve program. So I appreciate your insights here. They are going to be valuable to us. We need to be building this program and continuing this program from the ground up, not sitting in Washington in some isolated situation thinking about what is good for South Dakotans, but rather South Dakotans speaking up about where they want to go with the CRP.

So thank you again for your participation. I yield back to Chairman Daschle.

Senator DASCHLE. Thank you, Congressman Johnson.

As I indicated, we are very pleased to have with us this morning one of our colleagues from Minnesota. Collin Peterson is a lifelong advocate of agriculture and has represented the district in northern Minnesota extremely well now for some years. He is a pilot and flew over himself last night to be with us today. And I welcome Congressman Peterson for any opening remarks that he would like to make.

OPENING STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. PETERSON. Thank you, Mr. Chairman. I will try to be brief. I appreciate being invited to come over, and I appreciate your leadership and Tim Johnson's leadership on this issue. I think the work that you have done in your committees has helped to bring to light some issues that need to be focused on and have helped us.

I also want to thank the Secretary for moving ahead with the extension and hope that he continues to move along the track so we can get this program reauthorized. One of the reasons I am here today is that if I get reelected, my top priority next year is going to be to reauthorize as much of the CRP as we can.

And what I am going to talk about today is not so much the agricultural aspects—I think you will hear a lot about that; what I have been working on are the wildlife aspects of the CRP program, which I think sometimes get overlooked in the big debate. I have introduced a bill in the Congress to reauthorize the CRP in its entirety as it was originally in the 1995 farm bill. We have made this a priority in the sportsmen's caucus in Congress, of which I am one of the members of the executive committee; and we understand that there are some concerns and some fine-tuning that some people want to do, but we have taken the position that we want to reauthorize the entire program.

We are going to try to make this a political issue in that we are going to try to get Members of Congress and candidates for Con-

gress to take a position in this election in favor of extending the CRP, so that we have as much political support as we can have when we get in the next Congress and in the fight on the farm bill. And we are trying to marshal support outside of the agricultural community for extension of the CRP, primarily with hunting groups and fishing groups and others that are very interested.

When I was a kid over in Clay County, Minnesota, I used to go home after school and shoot my limit of pheasants because of the soil bank. We had a lot of soil bank land, which I think was called the conservation reserve program although the popular term was the "soil bank"; and we had tremendous amount of wildlife back in those days, I think largely because of the Soil Bank, and we had made a mistake, in my opinion, in allowing that to be plowed up and losing the benefits of that. I am concerned that we are going to make the same mistake again, or the possibility exists that we might make the same mistake again with the CRP if we allow it to expire.

I think that there are tremendous economic benefits from CRP to these small communities in terms of the hunting and all of the activity that is generated because of the opportunity created by this additional wildlife land. I think the ducks that are coming back this year, some of that can be attributed to CRP. And so from a wildlife point of view, I think it is an important program.

I had opportunity, I think I had the opportunity to come over and hunt in, what, Lyman County? We used the walk-in hunting program, which I think is a real model that I am going to try to incorporate somehow or another in whatever the CRP final decision is in Washington, because I think it is an excellent idea and program that you have developed here in South Dakota. One of the big problems that hunters have all over this country is figuring out where to hunt and being able to figure out who owns the land and how to get permission and all that sort of thing, which you have largely solved in South Dakota with this walk-in hunting program. And so we hope to take what you have done here and try to somehow or other weave this into the CRP legislation that—whatever ends up coming out of the Congress.

I don't want the Federal Government to run this. I want it left to the States, because we would probably screw it up if we try to run it in Washington. But I think somehow or other we can help the States and encourage them to do something similar in the other States that we have done—or you have done here in South Dakota.

So I am just happy to be here today. As you can probably tell, I am an advocate for continuing the CRP, so I am not unbiased, and you will just have to understand that. And again, I appreciate the leadership of all the panelists on this issue. You people have been doing a good job. I am glad to be here.

Senator DASCHLE. Thank you very much, Collin.

Our first witness is also a participant on the dais. He has come a long way in many respects. But we are very honored and pleased that he could be with us here this morning. He has been our Secretary of Agriculture now for 20 months. He visited South Dakota almost immediately upon attaining the position and has been back on a number of occasions. He came back, perhaps most promi-

nently, when we needed him the most, during our disaster last year and responded in unprecedented fashion by creating a disaster program that, in my mind, is probably one of the best, if not the best that we have ever had. So we thank him for his leadership, his participation, and the incredible partnership that he has provided us on the House and Senate Agriculture Committees for so long.

It is certainly no accident that he would be here this morning, given his interest in the CRP program. Just last week, we met with him privately to talk about his intentions and what plans he may have for the future, and expressed to him our sincere hope that we can move along with this with the expectation that we have to make some very difficult decisions in the not-too-distant future. So it is with that in mind and, again, realizing his busy schedule, that we are very pleased that he could be with us this morning. And so let us officially welcome our Secretary of Agriculture, Mike Espy.

STATEMENT OF MIKE ESPY, SECRETARY, U.S. DEPARTMENT OF AGRICULTURE

Secretary ESPY. Thank you. I compliment you Senator Daschle and Congressman Johnson for holding this hearing here in South Dakota on this very important subject.

I also want to welcome Congressman Peterson. I want to ask him to explain himself, saying that we will screw it up; but I understand what he is talking about.

Senator DASCHLE. I am glad that you are at both ends of the table.

Secretary ESPY. I am glad we are friends.

Mr. Chairman, I want to thank you for the opportunity to respond on behalf of the U.S. Department of Agriculture as an official witness, but also allowing me to sit on the dais with you and perhaps ask questions of the additional panelists as they present their points of view. I do have a written statement. I don't think it is necessary for me to read the entire statement. I have a few points I would like to make on the record. But if you will allow me, if you would give unanimous consent, I could include my statement as an official part of the record.

Senator DASCHLE. Without objection, it will be made a part of the official record.

Secretary ESPY. Additionally, Mr. Chairman, I have a written statement which was given by our Chief Economist, Keith Collins, in front of Congressman Johnson at a recent hearing he had on this issue on August 2, 1994. It is very detailed. It is very lengthy, but it is very good; and again, I don't think I need to go through each point, paragraph, and comma, but I would like to, without objection, submit it as a part of the record.

Senator DASCHLE. Without objection.

[The information appears at the conclusion of the hearing.]

Secretary ESPY. Having said that, I want to emphasize here this morning that the Department believes that the CRP has been a tremendously beneficial program for producers and for the general public at large. The CRP has saved soil; expanded wildlife habitat and populations; improved soil, air, and water quality; enhanced wetlands; and encouraged tree plantings. At the same time, as has

already been noted, it has reduced deficiency payments, strengthened farm income, and helped balance supply and demand. It has been a very good program from our point of view.

The program has also provided a transition period to assist farmers in meeting conservation compliance requirements. So given its success and its popularity, we believe that the CRP will play an important role in the 1995 farm bill debate.

The first CRP contracts, covering about 2 million acres will expire on September 30, 1995, probably prior to the passage of the 1995 farm bill. CRP contracts covering 22 million acres will expire in 1996 and 1997. When these contracts expire, the acreage will be available to return its previous use as cropland. The existing forage will be available for commercial use and the enrolled base will be eligible for annual commodity program participation. However, it should be noted current statutory provisions allow crop acreage bases, quotas, and allotments on farms enrolled in the CRP to continue to be protected with limited use after contracts expire if the participant agrees to keep the land in conserving uses that maintain adequate vegetative cover. So, Mr. Chairman, we continue to study our options in this regard as the farm bill debate approaches.

We believe that in order to provide Congress, USDA, and the public maximum flexibility in continuing the CRP in the 1995 farm bill, the most appropriate course of action at this time would be to offer holders of contracts that expire on September 30, 1995, the opportunity to modify those contracts to extend the expiration date for a period of 1 year. And as you noted, we have in fact done that and we made the announcement last week. We think that this action will provide a simple, straightforward bridge to allow participation by these contract holders in CRP policies that will be included in the 1995 farm bill. It will also allow the wise participation by Congress, producers, interest groups, and the general public in determining policies affecting future use and protection of CRP acreage.

As you and Congressman Johnson have noted very adequately, USDA in league with the OMB, the Office of Management and Budget, has a technical disagreement with the CBO, the Congressional Budget Office, over the issue of the Budget Enforcement Act and whether or not the Secretary should use his authority in extending the CRP baseline. I am hopeful that as we move forward in the coming weeks, we can resolve this technical disagreement. If we can, then I won't have to take further action.

If we can't reach an agreement on the technical matter, then, as I told you and other Senators last week, I will go back to the Department and survey all of my options and perhaps take additional action relating to protecting the baseline for CRP spending. But I am hopeful and I believe that we can resolve this technical disagreement on Budget Enforcement Act requirements.

Although the CRP selection process did not specifically focus on wildlife habitat protection, acreage in the CRP provides significant wildlife benefits, as noted by Chairman Peterson. According to Ducks Unlimited, the CRP is making a positive difference in waterfowl populations. For example, in North Dakota, waterfowl nesting success has tripled within the prairie pothole region. Other bird populations have reversed their declines in northern prairie States

as a result of the CRP, and the CRP is also rebuilding threatened and endangered species populations in Idaho and Colorado.

Currently, we have about 36.4 million acres enrolled in the program, involving about 23.3 million acres of commodity program crop base, including crop acreage bases for wheat, about 10.4 million acres; corn, 4.3 million acres; and barley, 2.8 million acres. Soil erosion, as you have already noted, has been reduced by nearly 700 million tons per year or 19 tons per acre per year, compared with conditions that existed in 1985. This represents an incredible 22 percent decline in U.S. cropland erosion.

CRP program participants currently receive about $1.8 billion in rental payments annually over the entire period of existing CRP contracts. The program will help provide farmers with $20.4 billion in rental payments and cost-share assistance for vegetative cover establishment. As you know, this program has been very popular here in South Dakota, as well as North Dakota, resulting in the enrollment of over 5,370,000 acres in the program, with the farmers currently receiving about $210 million annually in CRP rental payments.

It is clear that the fate of the CRP is very important to producers in this area of the country. And you, sir, have well made that known to me. In addition, the U.S. Fish and Wildlife Service has indicated that in North and South Dakota, as well as other States, the CRP has been enormously beneficial to populations of wildfowl, upland game species, and songbirds. Therefore, those of us in the Department believe that this is a viable, beneficial, and very important program. It has enjoyed widespread success, and the continuation of the CRP will be one of the USDA's top priorities during the 1995 farm bill debate.

We plan on working closely with you, the other Members of the Senate and the House of Representatives, and all interested parties to continue the CRP in order to meet our conservation, wildlife, and agricultural objectives in the 1995 farm bill.

Thank you.

[The prepared statement of Mr. Espy appears at the conclusion of the hearing.]

Senator DASCHLE. Thank you, Mr. Secretary. Let me, just for the record and for the benefit of all participants, try to elaborate just a little bit more with regard to this issue we have made reference to now a couple of times, the CBO baseline.

As you know, there are two budget cops in Washington that have been given additional power over the last several years and, frankly, I think it has worked. This is the third year in a row now the deficit has come down. We have never had 3 years of successive deficit reduction since Harry Truman. We have cut the deficit in half, but that has very significant repercussions with all of the programs. We are living now under a 5-year budget freeze, which means that if we spend anything in one area above what was spent last year, it has to be taken from some other program and those money used for this new spending.

So the implications for the baseline, that is, if CBO, one of the two budget cops—OMB, the Office of Management and Budget; CBO, the Congressional Budget Office; both have to agree what is in the budget. CBO has not agreed that the CRP program is in the

budget for the next several years. So what that means, if they do not agree, we are going to have to take some $12 billion to $14 billion in farm program spending over the next 10 years and shift it into the CRP program. So it is very important that in the very near future, sometime hopefully in the next couple of weeks, we can come to some understanding about that baseline, about that budget, so as not to endanger whatever opportunities we have for programs, as well as for the CRP program. That is the best explanation I can give. But I would ask the Secretary two questions in that regard.

First of all, what is the timeframe that you believe would have to be achieved in order for us to have the confidence that we can work this out before you have to take additional action? And second, what actions do you think would be necessary to make sure CBO does include CRP in its budget baseline?

Secretary ESPY. Well, two very good questions.

I would say that first of all, I must go directly to Alice Rivlin, the Director of the Office of Management and Budget, and have a discussion with her about this matter. Because of the schedule of the Congress, because you are out on break and many of those in the administration are either out on hearings like this one or on vacation, it has been hard to get an audience with her.

Similarly, we have to then go to Mr. Reischauer, Director of the CBO, Congressional Budget Office, and sit down, shut the door and discuss this point of disagreement. I am hopeful that we can at least have an audience with him by the second week of this month. I am very hopeful. We are trying to secure an appointment there.

He is not refusing to give an appointment; we don't have a problem with that. It is just the difficulty in arranging schedules and having all the economists and all the budget gurus together in one room at one time is difficult to achieve. But I am hopeful that we can get this done.

If it goes on much beyond the middle of September, then I am going to go back to the Department, and in a session with OMB, make the decision to assess our options and then make a decision. And the decision with regard to the extension of contracts expiring in September 30, 1995, has already been made. If we can't get a meeting, or if the meeting is unsatisfactory at the conclusion, then we will have to go back and consider actions that would lead CBO to extending the baseline.

So, I am giving the USDA a deadline of around the middle of September in order to get this done. I am glad you explained the budget dilemma, so well—it is a dilemma—because I believe that I am correct in saying that in the USDA, we only have about $14 billion in discretionary spending ability anyway. And you know, if the CRP isn't included in the baseline, and if we want to continue the program, as we do, then you can see the dramatic ramifications that the exclusion of CRP extension from the budget baseline would have on the other discretionary programs in the USDA—we wouldn't have any room to spend much else. And so, I think that an adequate resolution of this problem is urgently needed. It is just a problem of getting an audience, making the decision and doing it. We will not hinder this process. We will move forward.

Senator DASCHLE. I know that Congressman Johnson and Congressman Peterson also have questions. But let me ask one more.

Obviously, as we look to the future, there is a good deal of interest in what reforms may be contemplated, having to do with how we might target the land for CRP enrollment, what we might use as a mechanism to determine what the payments will be, whether they ought to be set in a different way than they are set right now. Could you, in a more specific way than you have so far, articulate for us what considerations you will be giving to reforms as we work through the CRP program in the future?

Secretary ESPY. That is a difficult question to answer, in all honesty, because I want to take my signals from hearings such as this one. I want to sit and listen to the opinions from those on the ground. I want to see the record of testimony, sift through it, take it to our economists and those within the Soil Conservation Service, sit down and try to come up with a USDA approach, if you will.

Second, we are preparing for the farm bill debate. We are well ahead during the summer. I have appointed different issue groups—one issue group on this very subject. They have a draft paper. I met with them last week and reviewed that paper. I had some criticisms and asked them to go back and reform, modify these papers, and they will be coming to me after I return from Russia with a completed draft paper on the issue. And it wouldn't be proper for me to preempt them and their paper by going through a detailed explanation of what we expect the CRP is going to look like.

I will just simply say that, first of all, we believe that this program has a future. We think that the money to be spent on this program should be protected. And that involves this baseline argument that we are talking about. So we want to make sure that we have the money to pay for at least the current acreage enrolled in the program.

It doesn't mean that this program is going to look the same as it does now. Mr. Johnson reviewed some points with regard to some differences in cover establishment and rental payments that sometimes apparently occur, depending on which State and county, that you look at. The purposes of the program could also be changed and the eligibility guidelines could be changed.

What I want to say right now is that we think the program has a future. We want to secure that future by locking in the money that we have to spend for it—that can allay a lot of the anxieties that producers and landowner have—and then go back and really look at the specifics and the eligibility guidelines of the program.

I think that should be done within the farm bill debate. I think that should be done principally by the Congress of the United States in its writing of the farm bill. The USDA will be a full partner, but after all, it will be written by the Congress of the United States.

Senator DASCHLE. Thank you, Mr. Secretary.

Congressman Johnson.

Mr. JOHNSON. Thank you, Mr. Secretary, again, for being present for this hearing and your ongoing contributions to this important debate. Again, it can't be stressed too much the importance of your

leadership in working through both the Office of Management and Budget and the CBO on the CRP baseline.

The very last thing we want to have ourselves confronted with in the Agriculture Committees is a zero sum gain conflict between CRP and our commodity programs and our export programs. We don't want to have to make a trade-off between target prices and CRP. We don't want to have to make a trade-off between EEP and the other programs, which you have ably indicated have already been reduced significantly in terms of their budget size over the last number of years. So it is important that we continue to work in this case with the CBO, in particular, on preserving that budget baseline.

I think that your extension announcement, based on what the CBO testified to my subcommittee earlier this year, is a positive signal to them. I think they are waiting for that signal, and I certainly congratulate you for that wise decision you took.

I appreciate that CBO has been tied up on other matters. Health care, in particular, I think has consumed a lot of their time in recent weeks. But you have a working group within USDA on the CRP that, as you say, is still working on the details of what USDA will be recommending. Will you withhold the recommendations of that working group until you have a total farm bill recommendation to Congress, or will you release recommendations separately, for instance CRP, perhaps ahead of when you might have recommendations on commodity programs or trade programs or other kinds of things?

Secretary ESPY. I believe that the recommendations of this issue group, when approved in final draft, will then be presented to the public at large. We expect the USDA to undertake the invitation for comment and response for these program proposals. I think we will release the CRP recommendation simultaneously with recommendations on commodity programs, rural development, food and nutrition and other areas as well. I think that is the most appropriate way to proceed. That is on a different track totally from this budget baseline problem.

I want to make this very clear. I think this is a critical problem; and we are going to go to Mr. Reischauer, and we hope to resolve that very soon. That means that we protect the ability to spend money for the CRP in the out years. That is completely separate from proposals for key features of a "new" CRP such as possible provisions in the eligibility and acreage selction process. But I think that should be done separately from the budget baseline debate. On the rest of the farm bill issues, the proposals ought to go forward together.

Mr. JOHNSON. I would agree with you. The CBO is the threshold question. If that is not resolved, then nothing else follows.

We are continuing to struggle with, and it appears that it is very unlikely that Congress will resolve Clean Water Act legislation in this final month of the Congress. The whole issue of delineations of wetlands has been a particularly sensitive and difficult issue for us here in the prairie pothole region of the country in particular.

Do you see any likelihood that—and I don't want to get into that issue because we are talking about CRP and we could spend a lot of time on that issue, but do you see a likelihood that the CRP may

place greater emphasis on wetlands preservation and that people may have options about compensation for lost production on areas that are delineated as wetlands?

Secretary ESPY. If you will allow me to slip that question, too, I think that we have achieved a great deal of success on the overall question of wetlands. We have worked with the EPA, we worked with the Corps of Engineers in making a joint decision that when the issue of wetlands arises, wetlands on agricultural acreage, that the farmers deserve to know which agency is going to resolve the question. And we have agreed jointly that the agency will be the USDA and the Soil Conservation Service within the USDA, and I think that is a big achievement. The Corps of Engineers has already acquiesced to that.

We are now, within our USDA reform restructuring proposal, trying to come up with a delineation of issues within our USDA family; and we have agreed that within the family members, the Soil Conservation Service and its successor agency, the Natural Resources Conservation Service, will be responsible for questions of wetlands delineation and so forth. And I don't want to get ahead of that process in answering your question.

Mr. JOHNSON. Thank you. And I yield back to the chairman.

Senator DASCHLE. Congressman Peterson.

Mr. PETERSON. Thank you.

I don't want to beat this CBO question to death, but I am reading the testimony of Tim Johnson, who did a good job of trying to interrogate the CBO on the committee that day. And they were talking about whether the 1-year extension would be sufficient, and from what I can tell, they basically said that it would help. And she said that in this that they had to have some kind of a better signal by January of 1995. So as I understand what you are doing, you are going to try to sit down and negotiate this out and to try to get them to change their position; and if they don't, you are going to go back and—I don't want to pin you down too much.

Secretary ESPY. You are trying to do a good job.

Mr. PETERSON. Well, it is an important issue. So, apparently, I would assume that you are going to have to make some kind of decision by January, because what she says here is that they need to know in order to get this midline, midterm correction or whatever it is, they have to know by January. So is that kind of the timeframe, if you can't get them to acquiesce, that you are going to have to make some other kind of decision?

Secretary ESPY. I don't think we are going to wait till January. That is far too long. They look for signals from the administration. We have already sent the signal. We have included it. They decided we didn't include it. We have a disagreement; we think it is in there.

So we sent them another signal. I said, OK, I am going to make an administrative decision to require, or to allow, the extension for a period of 1 year all contracts set to expire on September 30, 1995. That is a pretty good signal. That is a very clear signal that, (A), we believe in this program; (B), we want to alleviate any frustration on the part of producers with acreage enrolled in this program, because we will be debating their future in the farm bill.

So we tried to allow for this so-called bridge. And I am hopeful that that is enough of a signal that we think this program has a future. If it is not, then we will go to them and sit down, shut the door and say, we believe it is in there, OK? I think that is the way to proceed.

If they disagree—I am not saying they do—if they disagree, then I will return to my office and in association with the OMB, we will make a decision. I am hopeful that that decision will resolve this budget matter.

Mr. PETERSON. One further question. Have you ever heard of the walk-in hunting program before?

Secretary ESPY. Excuse me?

Mr. PETERSON. Have you ever heard of the walk-in hunting program before today? I want to use this opportunity to educate you a little bit, if I could. But it is a program—when the CRP was originally set up, there was some discussion about having a mandatory requirement that the land be made available to the public. It was very controversial, and it was not adopted, and I don't think that we should adopt anything like that.

But what they have done in South Dakota here is, they have a program—I think some State money and some Federal money—where the farmers, for so much an acre, agree to open up their land to hunting; and the State game department puts signs up and also prints a map that you can get, that has just been released, I think for South Dakota, that shows you all the areas that you can hunt on CRP land, and it is substantial. And that was what I was talking about in my opening remarks. We will send you over this information; I hope that you would consider looking at this, because I really think it is a positive thing that could be used all around the country.

And last in the sportsmen's caucus, we have set up a little hunting trip on some of this walk-in hunting program after the election. We would like to invite you along, if you would like to come back to South Dakota one more time and see if we can find some pheasants.

Secretary ESPY. There are so many conflicting ethics rules and regulations, I am not sure if I can pay for this glass of water, frankly. So I would be glad to if I am allowed to.

Mr. PETERSON. OK.

Secretary ESPY. I would certainly be glad to.

Mr. PETERSON. All right.

Senator DASCHLE. All right. We are moving right along.

Secretary ESPY. Mr. Chairman, could I announce there are top Aministrators from the USDA, Grant Buntrock of the USDA is here. We have, of course, the State Director for Farmasol, State Director for ACS, Soil Conservation Service staff, and State conservation—I don't see them here, but he might be here. And if they have answers to some of the questions, I will invite them to send me a note or to approach the dais, if you wouldn't mind.

Senator DASCHLE. Absolutely. The whole idea is to get as much information for the record as we can, we would invite your comment.

Just use the open mike, if you wish, and we will take your comments, Grant.

I think it will be very helpful if Grant and all those public officials have an opportunity to speak—let's go on to our panel of witnesses. We have five witnesses, from around South Dakota, Minnesota and Colorado. We are very pleased that they could all be here with us.

Dr. David Bryant is the dean of the college of agriculture and biological sciences for South Dakota State. Mr. Dave Nomsen is the regional executive for Pheasants Forever of St. Paul, Minnesota. Lee Swenson, a native of South Dakota, is president of the National Farmers Union located in Denver. Gene Williams is the South Dakota Association Conservation Districts representative in Pierre. Mr. Carl Anderson, the executive secretary of the South Dakota Grain and Feed Association is from here in Aberdeen.

Gentlemen, thank you all for being here this morning. We would like to limit your public testimony, your open remarks, to 10 minutes, and then we will take questions of the entire panel once the five witnesses have made their testimony.

Lee Swenson, let's begin with you.

STATEMENT OF LELAND SWENSON, PRESIDENT, NATIONAL FARMERS UNION

Mr. SWENSON. Thank you, Chairman Daschle, Chairman Johnson, Congressman Peterson, and Secretary Espy. I appreciate the opportunity on behalf of the 250,000 family farm and ranch members of the National Farmers Union to appear at this hearing and commend you for holding it and want to commend you especially for the format, the open mike, to allow individuals to contribute.

I will submit for the record a copy of my written testimony and accompanying exhibits and just highlight key points in my allotted time.

Let me point out, if I may, National Farmers Union policy, because it does strongly support the extending the conservation reserve program; and we strongly recommend that the program be better focused to serve the needs of family farmers and ranchers and to protect highly erodible and other environmentally sensitive lands. And we favor CRP contracts and contract extension for periods of up to and not less than 10 years, and we favor programs which maintain CRP lands in private ownership in the hands of resident family farmer ranch operation. National Farmers Union does support the 25 percent county acreage limitation of the agricultural resource conservation program.

As you have mentioned, all of you, the depressing problem in discussing the continuation of the CRP program is the inclusion of the budget outlay within the budget baselines of OMB and CBO. I want to point out for the record, and a copy is attached to my testimony, a letter that was personally delivered to Secretary Espy that is signed by approximately 20 agricultural groups, general farm organizations and commodity organizations that are united in the need for the Congressional Budget Office and OMB to baseline the extension of the CRP. This is a budget issue the manner in which the extension and the defined structure of the program will be dealt with in the development of the 1995 farm bill. But we are united. And I really want to point that out for the record because of its significant importance if we are to continue the program.

And we stress that because of what you have pointed out and the concern over where we would come up with the money otherwise and the reductions that the agricultural budget overall has taken over the last number of years as we have tried to achieve and be a participant in deficit reduction. And so I point that out for the record.

And we have talked about the fact that OMB has recognized the expected budget with a footnote highlight, but we urge your continued assistance, and we pledge our cooperation in encouraging them to have it in the figures as well as CBO protection in its baseline.

Let me respond to NFU policy as to how we better focus benefits. And I don't want to be seen as a critic of CRP, but as a contributor of constructive, positive change to make the program even better for producers in achieving the goal of conservation, as well as the other issues that have been touched on today.

As we take a look at what can be done, we believe that the criteria for a new or extended CRP should be directed to the most highly erodible land. Compensation should include an analysis of local area cropland, as well as pastureland rental rates, as well as the value of a parcel of land to the individual landowners and current operators, including field viability. The program should reward good stewardship and good conservation practice, rather than be a rescue program to bail out individuals who have destroyed fragile habitat or farmlands which are subject to exceptional erosion.

Farmers Union would support the development of a number of programs involving land which will not be reenrolled in the CRP program. We would like to encourage you to consider tax incentives to present CRP landowners if they lease or sell to a beginning, new, young farmer or rancher; second, financial and technical assistance to producers in preparing CRP acreage for sustainable agencies that will meet established conservation standards; looking at reduced property taxes for the planting of shelter belts or other conservation measures such as filterstrips, wildlife habitat, et cetera.

In closing, conservation programs should be good for the environment, reward stewardship, discourage speculative development of fragile land resources, strengthen family farming and enhance rural communities. We must also interlock the objectives of the income support program and the conservation, so they are not at cross-purposes, nor pit agency against agency in the interpretation, enforcement and compensation.

I will be glad to answer any questions.

[The prepared statement of Mr. Swenson appears at the conclusion of the hearing.]

Senator DASCHLE. Thank you very much, Lee.

Let us now call upon Dean David Bryant for his testimony.

STATEMENT OF DAVID A. BRYANT, DEAN, COLLEGE OF AGRICULTURAL AND BIOLOGICAL SCIENCES, SOUTH DAKOTA STATE UNIVERSITY, ACCOMPANIED BY FRED A. CHOLICK, DIRECTOR, AGRICULTURAL EXPERIMENT STATION

Mr. BRYANT. Thank you, Mr. Chairman. It is indeed a pleasure to be here today. My comments will highlight written testimony

that has been submitted by myself and Dr. Fred Cholick, who is director of our experiment station here in South Dakota. My comments will highlight the written testimony. I would first like to summarize findings of South Dakota State University research on CRP that looks at what contract holders would do if the program were not renewed.

First of all, let's take a look at that. Our study involved a survey of 556 South Dakota CRP contract holders. These CRP contracts cover 181,000 acres or approximately 90 percent of the 2,100,000 acres.

We asked producers about their post-CRP land use intentions and found that: 52 percent would convert CRP acres back to cropland; 29 percent would keep the acres as grassland; and 19 percent were undecided.

We also found that several economic and public policy factors may influence and possibly change producers' actual post-CRP land use decisions. I would like to run through some of these key factors. One, 62 percent said that the market price for crops versus livestock was very important; two, 56 percent said that the expected cost of crop production on CRP lands were very important; three, 46 percent said the cost of soil conservation practices was very important; and four, 45 percent said Federal crop program provisions were very important.

Other important considerations that came out of the survey included the availability of cost-sharing programs for soil conservation compliance; 40 percent of the respondents were interested in this. Promoting wildlife habitat, 38 percent of the respondents listed this as important. And making CRP lands suitable for livestock grazing, 41 percent of the respondents were interested in this.

The expected selling price of CRP land or the retirement of it from farming and ranching were other important factors to nearly 27 percent of the respondents. We found the decision, what to do with the land, will also be based on the economic costs, returns and risks, prevailing at the time contracts expire. However, the decision of the contract holders will be greatly influenced by public policies related to CRP lands, and these include: Provisions for renewal of CRP contracts and available funding; availability and adequate funding of cost-sharing programs that can be used to assist post-CRP land use conversion; incentives for use of CRP crop base acres; and conservation compliance requirements applicable to CRP acres.

Now, in addition to this survey of contract holders, we have been involved in research for a number of years looking at the management of CRP land for ag production, the economic benefit to farmers and ranchers and consideration of other natural resource values connected with CRP acreage. And I would like to just briefly highlight a couple of the studies, research studies along these lines, that we have been involved in.

The first one is an initial study that was conducted from 1989 to 1993 in eastern South Dakota. It was focused on evaluating selected production practices on land being returned to production coming out of a simulated CRP situation. And this project involved several agencies and entities; it was truly a cooperative effort. It involved researchers from South Dakota State University, the North Central Soil and Water Conservation Laboratory, USDA/Ag-

ricultural Research Service, Morris, Minnesota, USDA/ASCS, USDA/SCS and the west central experimentation farm, University of Minnesota, and was part of a north central regional project on soil erosion and productivity. This research demonstrated that no-till into killed sod was an effective technology for reducing soil and water losses and an economical option in returning CRP land to production. Conventional tillage practices resulted in immediate increases in soil and water losses. The continuous corn rotation use resulted in a steady loss of surface residue and a reduction in below-ground biomass over the course of the study. In order for no-till technology to promote sustained production with minimal loss of soil and water, it will be required that rotations be developed with this technology for a given production region.

I would also like to mention a new project that we are just commencing. This is being established and expands the objectives and scope of this initial project and utilizes CRP lands directly. This project is being conducted cooperatively with the same organizations that I referenced for you with the addition of the Cooperative Extension Service, South Dakota State University. The project concentrates on evaluating soil management systems for use after CRP contracts expire, investigates soil properties in relation to local biostress implications—water availability and soil degradation—and properties that have global biostress implications, in other words, global warming through carbon dioxide release. Sites were selected that span three climatic production areas in the northern Great Plains. These sites are located at Morris, Minnesota, Presho, South Dakota, and Rapid City, South Dakota, representing traditional corn-soybean to Winter wheat production systems. An evaluation of rotations in no-till more complex than monocropping is included.

There appear to be differences in the amount and quality of residue cover and their impact on soil properties depending on the type of rotation used in no-till. This preliminary information is suggested by an additional ongoing study being conducted by the Dakota Lakes Research Station and funded in part by the South Dakota Wheat Commission. Not all no-till systems will work equally well to minimize the effects of crop production on the environment after CRP. Additional work is needed to refine and adapt this promising technology for use in post-CRP crop production systems as needed, as well as our ongoing conservation efforts.

I would like to emphasize the importance of the cooperative nature of all of this research and the regionality of it. This is best exemplified probably by an additional document I have submitted, Future Use of Conservation Reserve Program Lands in the Great Plains. This is a Great Plains Ag Council Task Force report on the future use of CRP lands.

I would like to stop here with the understanding that I do have Dr. Cholick, new head of our South Dakota Ag Experiment Station, here with me today; and he is available to provide additional research detail as may be needed.

Thank you very much.

[The prepared statements of Mr. Bryant and Mr. Cholick appear at the conclusion of the hearing.]

Senator DASCHLE. Thank you very much.

Let us now ask Carl Anderson, the executive secretary of the South Dakota Grain and Feed Association, for his testimony.

STATEMENT OF CARL G. ANDERSON, EXECUTIVE SECRETARY, SOUTH DAKOTA GRAIN AND FEED ASSOCIATION

Mr. ANDERSON. Chairman Daschle, thank you for inviting me and giving me the opportunity to testify. Thank you, Representatives Johnson, Peterson, and Secretary Espy also.

My name is Carl Anderson. I am the executive secretary of the South Dakota Grain and Feed Association, a trade association made up of 250 members and associate members, primarily grain elevators. I was told I had a daunting task if I was going to come before the committees and suggest removing idle acres and putting them back into production, considering today's farm prices. But judging from the testimony that was—or not testimony, the comments made in Representative Johnson's cracker-barrel meeting the other day, I guess I am not alone in advocating that.

In addition to taking care of the erosion problems, I think one of the other objectives of idling acres over the years and the soil banks of the 1950's and 1960's—and I believe it was called the crop adjustment program of the 1970's, the objective was to increase commodity prices. In retrospect, these programs produced a lot of great pheasant hunting, and the CRP will, no doubt, do the same, but I think we need to stand back and see what these fixes have accomplished or not accomplished for agriculture.

We do not have higher prices. We have seen the demise of a lot of small communities because the farmers are leaving the land. One elevator manager told me that he estimated that 25 percent of the farmers were removed by the original soil bank program, and he wonders what the CRP will do to the remaining farm population. If you look at a lot of our troubled small communities, there is little left besides the grain elevator, a bar and, hopefully, a church. Let me be quick to say that we realize that CRP was, by no means, the only factor in this change.

What else have we accomplished? According to the USDA and Commodity Year Book, it shows that we have managed to reduce the United States' share of world grain and oilseeds production. We have learned a bitter lesson that what the United States does not produce in grain to fulfill world demand will be filled by someone else. The National Grain & Feed Association, of which our organization is an affiliate member, commissioned the firm of Abel, Daft & Early, which is an economic research firm. That is an interesting name. I hope that is not a description of the partners: One is able, one is daft, and one is always early. I don't know. But I am going to submit that report for the record.

If there is anything you take away from this hearing it is a call to action on your part to make this report part of your must-read literature. In text and graphics, it details where we have been, why our great agricultural machine seems to be stuck in second gear, and what we could do about it by a gradual return to cultivation of some CRP acres.

I wish to make this next item a major point of my remarks. This report is not in complete disagreement with CRP, nor is the National Grain & Feed Association or the South Dakota Grain and

Feed Association. There is no argument that some of the land idled should remain in CRP and never should have been cultivated in the first place.

Again, referring to Representative Johnson's comments at his cracker-barrel meeting, it is heads-up time for farm programs. Every agricultural publication I read says the crunch is coming. The perception in more urban States is that these programs benefit most those who need it least. Right or wrong, they have the political clout to keep these tax dollars at home.

In conclusion, as things go for the farmers, so they go for the rest of us in the Midwest. With less and less farm income originating in Washington, increased production and export, not suppressed production, will be the key to agricultural growth and prosperity.

Let me say, I am in favor of giving land back to the pheasants and other game and to the buffalo, but at the same time, let's not fulfill the buffalo commons predictions made by the husband and wife professor team from Rutgers University. And with that, I will conclude.

Thank you for listening.

[The prepared statement of Mr. Anderson appears at the conclusion of the hearing.]

Senator DASCHLE. Very good. Thank you, Carl.

Next, Mr. Gene Williams.

STATEMENT OF GENE S. WILLIAMS, VICE PRESIDENT, SOUTH DAKOTA ASSOCIATION OF CONSERVATION DISTRICTS, ALSO ON BEHALF OF THE SOUTH DAKOTA CONSERVATION RESERVE PROGRAM WORKING GROUP

Mr. WILLIAMS. Chairman Daschle, Congressman Johnson, Congressman Peterson, and Secretary Espy, I appreciate the opportunity to address you this afternoon. As Senator Daschle has pointed out, I am vice president for the South Dakota Association of Conservation Districts. This is not my only title. I am also a rancher and a farmer from west of Kadoka, South Dakota. That is the way I make my living.

I have had the opportunity to be one of the chairmen for the South Dakota conservation reserve program forum this summer and past spring. And this forum's intent and goal was to bring together differing groups that had interest in the conservation reserve program and interest in where it was going in the future. We invited approximately 40 different groups, of which all of the panelists on this dais were members or their groups were members in this discussion. Some of them attended, some of them didn't, but they were all invited at some point in time to come and give their thoughts and ideas.

We have had an interesting discussion. One of the things that has come from it is that we all found that there are a lot of differing perceptions with what takes place with the CRP, as you are finding out today. We also found that amongst the groups that were represented, most of them had a common goal, and that was to extend the conservation reserve program with certain conditions.

Many of the benefits which you have pointed out, earlier in the day, have been talked about and were all brought forth and promoted at this forum by the varying groups. The recommended com-

ponents that we came up with from—before a revised conservation reserve program include the use of a State technical committee for oversight and local control. Issues that this could address would include research, special projects, dispute resolution, policy, procedure guidelines, consistency in management options.

Now, if you are familiar with the State technical committee, this has been proposed by former farm bills and various other Federal policy. It has never really been set up and actually utilized in this State. We feel that this would allow for local control, but not such local control that there would be unfortunate biases by people that are directly impacted with conservation reserve acres in their own backyards.

Another one of the recommended components is mandatory use of the coordinated resource management to resolve disputes and reach consensus on issues of regional concern. Some of these may include weed control problems. Another one of the recommended components is that sensitive lands should be targeted with priorities.

I think what Mr. Anderson spoke of a few minutes before, as far as some of the acres that never should have been farmed, those are acres that we obviously want to keep in the conservation reserve program at all costs. Some of these sensitive lands would include reparian areas not eligible for the wetlands reserve program, wellheads, wetlands not eligible for other programs, and highly erodible lands which are land capability classifications IVe–V, –VI, –VII and –VIII. The cropland should be prioritized, but special projects should be allowed on noncropland as designated by the State technical committee.

The program should be fiscally responsible and cost effective—I think that goes without saying—due to the budget constraints in Washington. I hope that that will be a consideration that all of us can live with.

Total acres enrolled in each county should not be greater than the current cap of 25 percent or the amount of the current waiver, whichever is larger.

The program needs to remain a voluntary participation program. We do not need more programs with mandates.

The contracts need to be no less than 10 years.

A component could be added to add voluntary recreation access opportunity. This would be under the oversight of the State technical committee in each State.

The program needs to protect the base acreage and offer the Federal Government and landowners the opportunity to adhere to the contractual law to make sure that individuals' private property rights are protected. This is probably one of the most heavily debated and argued about components of our forum was to make sure that once there is some type of contractual law put in place that all the people involved adhere to it, not to start changing the rules 2 months, 3 months, 6 months down the road, whichever—whenever it becomes politically or financially favorable to do so. And that is something that I think that all of the participants agreed was very important to make sure that the program would fly with our urban friends.

The bid process and the contract should be clearly defined, clearly understood, and consistent.

The contract price should be realistic relative to the local area with it open to all eligible lands.

There should be some method to allow research on the impact of CRP, not only the benefits of CRP but also the potential problems with it. That would include being a host site for disease, pests, and weeds and the controls of these disease, pests, and weeds.

Also looking at the negative and the positive socioeconomic conditions and environmental factors, the research should be under the oversight of the State technical committee.

Allow vegetation management flexibility based on the ecosystem with the forage reserve option to replace emergency haying and grazing. To explain that in a little greater detail, what our group was looking at was the possibility of having, for instance, on a 10-year contract, 25 percent of the acreage being hayed every year after a 2-year establishment period. This would help to reduce the outlay from the Federal budget, and, at the same time, would also build in some type of a strategic hay reserve so we wouldn't run into problems where we have bust or famine from year to year in different parts of the country. If there is some way a farmer can hay part of the CRP and knows that that is going to be available, he should store it a little while so that if he does have a drought a couple years from now, the number of disaster payments don't have to be so great into that area to offset those problems.

Also, to encourage better use of plant materials, distribution for better plant biodiversity. That goes to the idea of having more native plants being planted into the CRP fields that are being reseeded, not allowing so much tame vegetation as has occurred in much of western South Dakota. And this would help to encourage, promote the tall-grass prairie or the short-grass prairie, as is the case in our area.

As I said, we had approximately 40 different organizations that were involved in coming up with this. We have approximately 16 that have signed on in one shape or form to this document, signed on as participating and agreeing to support the recommendations: South Dakota Association of Conservation Districts; South Dakota Farm Bureau; South Dakota Wheat, Incorporated; South Dakota Pheasants Forever; South Dakota Women Involved in Farm Economics; South Dakota Resources Coalition; South Dakota Department of Game, Fish & Parks, the Division of Wildlife; South Dakota Association of County Weed Boards. South Dakota Department of Agriculture, Division of Regulatory Services; South Dakota Wildlife Federation, and South Dakota Society for Range Management.

These organizations signed on as active participants, but they do not necessarily support these recommendations—excuse me, did not actively participate, but they do support these recommendations: The South Dakota Soybean Association; South Dakota Stockgrowers, and South Dakota Corn Growers Association.

And the undersigned organizations actively participated in the discussion. Those were: The South Dakota State University Economics Department, and the South Dakota State University Geography Department.

We had a very diverse and wide-ranging group that participated in this. I think the recommendations that they came up with are far reaching and are very broad in what they try to deal with with CRP.

One final thing that you have alluded to this morning is the need for the CRP to be funded as a separate program, not as a component of other commodity programs dealing with the baseline recommendations. That is true, but the need for CRP to be funded separately doesn't preclude the necessity of it being considered while conservation programs and commodity programs are debated in the 1995 farm bill.

The group that met as the conservation reserve program forum has now decided to take on the farm bill, and we are working currently on issues that will relate to the 1995 farm bill and hopefully will have some ideas and thoughts to present to you at a later time.

Thank you all for your time.

[The prepared statements of Mr. Williams appears at the conclusion of the hearing.]

Senator DASCHLE. Thank you very much, Gene.

Our final witness, Mr. Dave Nomsen.

STATEMENT OF JEFFERY S. FINDEN, EXECUTIVE DIRECTOR, PHEASANTS FOREVER, INC., PRESENTED BY DAVE NOMSEN, REGIONAL EXECUTIVE

Mr. NOMSEN. Thank you, Mr. Chairman, members of the joint committee, and Secretary Espy. Thank you for allowing me to appear here today on behalf of Pheasants Forever to talk about the conservation reserve program. Please accept for the record my written comments and attachments, and I would like to highlight a few points.

Senator DASCHLE. Without objection, your whole statement will be made a part of the record.

Mr. NOMSEN. Pheasants Forever is the Nation's largest upland wildlife conservation organization. We have 70,000 members in 435 chapters in 26 States. Here in South Dakota, we are well represented by 23 chapters and 3,000 active members.

I am very pleased to tell you today that Pheasants Forever is working with a coalition of leading national wildlife conservation organizations who support continuing and fully funding the conservation reserve program. These groups include the Delta Waterfowl Foundation, Ducks Unlimited, Quail Unlimited, the Wildlife Society, the Wildlife Management Institute, and the Izaac Walton League of America.

Simply stated, we believe the conservation reserve program has been the most successful farmland conservation initiative in the Nation's history. Evaluated on environmental, economic, or fiscal grounds, CRP has produced landmark benefits for soil, water, wildlife, farmers, taxpayers, sportsmen and women, and society at large. Our message to you today is very simple: CRP works, and we urge you to renew it for another 10 years in the 1995 farm bill.

Several statements have been made of the tremendous environmental benefits of the CRP program. Among them include a sav-

ings of $1.6 billion in reduced soil erosion, $500 million in reduced wind erosion, and water quality gains of $3.6 million.

Farmland wildlife populations have flourished under the conservation reserve program. I would refer you to the chart to your right that highlights Minnesota's conservation reserve program acres and pheasant harvest. As you can see, the message there is very simple. It is nothing but a great relationship. We have essentially seen pheasant populations double or triple across most of the pheasant range.

Here in South Dakota, when I left this State in 1986, unfortunately, the pheasant population was at a 15-year low. Only 5 years later, thanks to CRP, the pheasant population was at a 25-year high. Research supported by Ducks Unlimited and the Delta Waterfowl Foundation estimates that 3 million additional ducks are produced in the Dakotas and northeastern Montana alone because of the conservation reserve program.

The recent analysis by Richard Johnson in "The Economics of Wildlife and the CRP" suggests that CRP has generated $8,600 million in increased small game and waterfowl hunting. This produces tremendous economic benefits for rural small towns, including ammunition, food and gas, lodging sales. For example, last year, the first 6 days of the pheasant season alone represented over $1 million in revenue to Jones County here in South Dakota.

CRP has also benefited farmers greatly through increased stability of their incomes, increased commodity prices and reductions through annual set-aside programs. The recent report by the Sparks Companies highlights the devastating effects on farm income if CRP were terminated. The study concludes the wheat prices would drop almost 12 percent, and that barley would dive almost 22 percent without the CRP program. If you look at the chart to your left—while I am a wildlife biologist and not an economist, I get the message from this thing, and it is fairly simple—it is the message that is understood by Pheasants Forever members and, I think, by taxpayers. This chart represents research done by Dr. Robert Young at the University of Missouri, Food and Agricultural Policy Research Institute, and essentially it shows us that the conservation reserve program saves taxpayers up to $2 billion a year in commodity program savings. And from this chart, you can see that from our standpoint, more is better. A 100 percent extension of this program provides up to four times the commodity program savings over a 50 percent extension.

In our view, the bottom line on CRP is clear. The program: Generates landmark soil, water, and wildlife conservation benefits; increases farm income through rental payments and higher commodity prices; and saves taxpayers and the Federal Government money. That is why the conservation reserve program is strongly supported by such a broad range of grassroots farm, commodity, conservation, and wildlife groups.

We believe the record provides overwhelming evidence that CRP has been a very wise Federal investment. We urge you to renew and fully fund it through the 1995 farm bill, and we especially urge Congress to maintain CRP's focus on conservation of large blocks of grassland in the Great Plains.

On behalf of Pheasants Forever, and all of the other groups that I have mentioned, I pledge our help and our cooperation to make this goal a reality.

Thank you very much.

[The prepared statement of Mr. Finden appears at the conclusion of the hearing.]

Senator DASCHLE. Thank you, Dave.

We appreciate the testimony provided by all of our witnesses and we have some questions of them. But prior to the time we go to questions, Secretary Espy has a plane to catch in about a half-hour. I wanted to invite him to make any final comments that he would make, as well as ask any questions of our panelists.

Mike.

Secretary ESPY. Thank you, Mr. Chairman. I have been in South Dakota for the last day and a half. I have been a part of many interesting and important events. I return to Washington this afternoon with several impressions.

First of all, you have probably got the best State fair in the country. Second, it is something that this panel probably can't say, but I can since I am no longer in Congress. The fact is that this is usually the vacation period for Members of Congress and Senators. And I know for a fact that there are many pleasant, warm weather beach sites with new visitors during this month of the annual congressional recess. And these three Members are here in South Dakota, when they could be somewhere else, doing the hard work that must be done. And I think sometimes Congress gets a bad rap, but you know, it is undeserved for the most part, honestly. You have Members like these three Members doing hard work.

And, third, I just agree, Tim, particularly about Dr. Bryant when he announced a survey of what would happen, the intention of those with contracts set to expire 1995, 1996, and 1997, what would be done with their property, with the land if they couldn't reenroll in the CRP project.

We had also done a survey, 1993, of 17,000 CRP participants. That is about 5 percent of those who participate in the program. And we asked them, assuming that the authority would not be extended, what would you do with the property? And the survey indicated that 63 percent intended to return their acreage to crop production; 23 percent, to put in grass for hay production or forage for grazing livestock; 4 percent, in trees for commercial wood products; 2 percent, in grass; 3 percent, in grass with no anticipated use; and 3 percent said they would sell it.

Well, this kind of information is exactly the kind of information that the American taxpayer needs to be presented with, because everything is related, of course. With prices what they are—hopefully, they will increase—but the fact is that if they don't and we don't extend the CRP program, we are going to have some very dramatic impacts on deficiency payments; and farm program outlays will increase, and that will make it harder for us to do the kind of work we need to do in the farm bill.

So I think that this hearing, to bring forth this kind of information is very timely.

And, last, the impression I will take away with me on this hearing, at least, is that most folks here probably want this program

to continue for all the reasons that we have enumerated. As serious as we are about preserving the program, we are also as serious in reforming the program. So the sooner I get back to Washington, the sooner I can meet Mr. Reischauer and take care of the question of the program being extended. I am serious about it. I want to go back and talk to him and resolve the problem.

It is a technical problem. It is not a political problem; it is a technical problem, and we will sit down and we will work it out. Then we will review the results of this hearing. We will work with the Senate and the House, and we will begin a reform of the program.

So, again, thank you for inviting me here to South Dakota. I had a great day yesterday at Congressman Johnson's farm bill forum. I had a chance, as I said, to go to the South Dakota State Fair and a chance today to have breakfast at an ethanol plant, which has every right to believe that its operation will expand, because we are going to go from a capacity already which is pretty good, and we are going to increase it 70 percent because of action recently taken by the EPA—with some prodding and pushing, of course—to make sure that ethanol has a positive future in the security of this country. I am hopeful because the capacity will expand, more plants will be needed, and more jobs, of course, will follow. Hopefully, those jobs will be placed here in rural America.

And it has been a great day and a half. I have learned a lot. I have listened a lot. And I am going to go back and put what I have heard to work. Thank you.

Senator DASCHLE. Thank you, Mr. Secretary, and we wish you well as you travel back to Washington. We appreciate very much your willingness to spend as much time as you have here in South Dakota.

Let me begin the questions. We want to be sure to leave time for others to testify. But let me ask a couple of questions of our panelists.

The impression I have is that there are varying degrees of support for the CRP program, probably one end with Carl Anderson.

I would just ask, Carl, do I understand your position and that of your organization to be, you don't mind that CRP be extended but you think it ought to be much more targeted and constrained in the number of acres enrolled? Is that a proper sort of a concentrated position for your organization?

Mr. ANDERSON. You just said in a few words what I took quite a few minutes to say. But, yes, I think that is essentially our message, that the South Dakota National Grain and Feed Association is advocating a gradual return of some of these acres back into production; and then this report I referred to goes on to say what that effect has—rippling effect that has on the farm economy. But yes.

Senator DASCHLE. I wanted to take your position and use it as a premise for my question. I think it is also understood from the testimony presented that everybody also believes that it ought to be changed, that there ought to be reforms, that there are a number of things we ought to do to make it work better.

What Carl's organization is suggesting is that the way they would make it work better is to target and taper down, concentrate much more of the effort in much fewer acres, turning gradually more and more acres over to production once again. What I would

like, if I could, is your single most significant priority with regard to reform. If you had to say what is the best thing we could do to reform this program as we go to the next phase, the next 10 years, what would it be?

Let me start with Gene Williams.

Mr. WILLIAMS. I guess the thing that came out again and again with our group was the need for a State technical committee to have oversight and have local control of this issue, because what would be right for CRP in Ohio versus what is right for CRP in South Dakota, or even for eastern South Dakota versus western South Dakota, is such a tricky issue to put a finger on that it needs to be at a local level where people can address the specific questions and issues that arise on a day-to-day basis, rather than trying to draw up a blanket statement for the entire country.

Senator DASCHLE. So more local control. You would like to see a State board have the opportunity to make managerial decisions at the State level with regard to CRP ground?

Mr. WILLIAMS. Yes, use of the State technical committee as it was originally presented and as discussed in previous farm bill discussions.

Senator DASCHLE. Lee Swenson.

Mr. SWENSON. I think you should take a look at the modifications of an extended program as the criteria of highly erodible land and appropriate compensation in the manner in which that highly erodible land is taken out of production and used then for conservation resource purposes.

Senator DASCHLE. Do I take it your comment would be, in other words, define "highly erodible" more effectively and use that as the criteria by which land is enrolled? If it isn't highly erodible, you wouldn't put it in, is that what you are saying?

Mr. SWENSON. I think, as Mr. Williams pointed out, there are classifications of land that fit into the criteria; and focusing on that land as the land which is priority enrollment and then with the appropriate compensation so that we don't have a situation, as we have seen under the initial launch from the CRP, where some excessively high compensations were made which, in comparison to cropland rental—and we had some cases where land was then taken away, in rental situations, from other young farmers and farmers on the land. We have to avoid that if we are going to maintain the integrity of our conservation reserve program with its intent. So it is putting those two together.

Senator DASCHLE. I see.

Dave Nomsen.

Mr. NOMSEN. Thank you, Mr. Chairman. If I were to gaze into a crystal ball and look at potentially what the new CRP program would look like, I would see something that first of all, maintains at a minimum the existing levels that we have right now, the 38 million acre base acreage. It would be my hope and I would offer our assistance and that of the entire conservation community to work together to see that future sites that are enrolled in the new CRP program are done so on the basis of equal consideration for soil resources, water resources, and wildlife resources.

I might close by saying that there are a number of opportunities as lands go in and come out of a potential new program to main-

tain benefits for all of these acres. The bottom line is, the reason we have seen such tremendous benefits from the program is because of the amount of acreage that we have; and we would certainly want to see that maintained as a minimum starting point.

Senator DASCHLE. Dave Bryant.

Mr. BRYANT. Mr. Chairman, really, the bottom line from our perspective as it relates to the research we have had an opportunity to do up to this point would relate to land that would possibly go back into production after it comes out of CRP. Attention to that land going back into cropping from the standpoint of emphasizing the importance of tillage practices that conserve our soil and water resources—no-till, different cropping rotations, other conservation practices that focus on really the bottom line, which is hopefully minimizing soil and water erosion. And I think that is where we are coming from.

Senator DASCHLE. Let me ask one other question, and then I am going to turn it over to my colleagues. We have all made references to the budget baseline, the very severe difficulties, constraints we are working under budgetarily right now. We also have talked about perhaps expanding the program to more acres, trying to find ways in which to make the current dollars we spend go farther.

As I compare the CRP payment rates to local land rental rates, I find a very significant disparity in some counties. I am wondering whether there would be—what advice you would give me—let me phrase it that way, what advice you would give me as to how to deal with that disparity and whether or not it would be worth our while to consider reducing CRP payment rates to allow more acres to be enrolled and to bring them more in line with local rental rates.

Anybody can respond to the question if you have an interest in doing so. Do so at your own risk, I guess.

Mr. SWENSON. Mr. Chairman, I believe that you look at the discrepancies that do exist—and they don't exist in every county—is that they have to be addressed within the modification and reauthorization of the program. I do believe that you can best address that issue the more you localize the involvement within the manner in which there is the bid consideration and even the caps that are put in place or considered, rather than making a judgment call and doing a whole State under one cap or one level.

And so, again, it is a combination of what is the goal or objective, and is it to include within the analysis pastureland rental, cropland rental and local consideration, input into that process. If we do not structure in that manner, we will have the discrepancies again which, then, Paul Harvey and others will show on the news to discredit the whole integrity, intent of the program. And it is not only farmers that suffer then. It is the conservation that is suffering, it is the environmentalists, the wildlife that all suffer as the integrity of that program is scrutinized in that manner.

Senator DASCHLE. Gene.

Mr. WILLIAMS. I guess as far as the bidding process and the cash rental, the biggest problem that I see is what Mr. Swenson had alluded to earlier, that some of your poorer ground is getting a premium bid on it. And in order for this to be a fiscally responsible type of bid, I think you have to have varying types of bids in each

county, and that is something that a technical committee at a local level or the State level could possibly authorize.

If you have some of your poorer ground in the county bringing more on a cash bid basis than some of your best, there is obviously something wrong with the program. And it is a real disincentive for young farmers and ranchers to try and rent ground when a guy can rent it to the Government, not have to deal with me driving my tractor through his yard or something, and can get a higher price than what I can possibly afford to pay with the way grain prices are.

Senator DASCHLE. Carl.

Mr. ANDERSON. Could I address a question to the experts up here? What, realistically, do you think is the chance that Congress is going to be in the mood to refund this at current levels? Do you think they are going to—in the present mood in Washington, what if we had a—is there a plan afoot as to what we do if all of a sudden there is dramatic reduction?

Senator DASCHLE. I think the very best—my colleagues can address this question. But I think the very best we could expect is the current level of funding. I don't know that there will ever be a chance to increase the level of funding simply because we are working under a 5-year freeze as it is. So we would consider it a victory to be able to allocate the resources we are currently spending on the CRP program for the foreseeable future.

But that doesn't take into account inflation. There is no cost of living increase built into that freeze. So we take 1993 dollars and extend them out for the balance of the decade. So obviously our purchasing power goes down a certain extent with each year because inflation, even as small as it is, eats into that price. So we obviously are in a very tight budgetary constraint. That is why I am asking the question, can we make the dollars we are spending go farther by doing whatever to allocate resources more effectively?

But that is my best guess. If there are no other answers to that question, let me turn it over to my colleague, Congressman Johnson, for his questions of the panel.

Mr. JOHNSON. Thank you, Senator Daschle.

Lee, let me ask you about million-dollar CRP contracts, a sensitive issue. We have 375,000 CRP contracts in the country; about 179 of them pay over $1 million. It is not that anybody is getting necessarily any excessive payment per acre; it is just that they happen to own one heck of a lot of highly erodible acres. That is the way the program works. It is designed to take highly erodible acres out of production regardless of whether you own 100 or 100,000 of them.

I would have to say three of the six largest CRP contracts are two in South Dakota. Two of them are next door in Edmunds County. Does that cause you any policy qualms; or do you think, if you have highly erodible acres, let's take care of highly erodible acres and not pay very much attention to how many people own them, let's just worry about getting acres out of production and not worry about whether there are some multimillion dollar payments?

Mr. SWENSON. Mr. Chairman, I think, as you take it, try to break down that question, first of all, you have to look back at the point in time in which the conservation reserve program was imple-

mented. It was implemented to address a situation of significant, skyrocketing erosion problems and concerns that existed, and much of that, I believe, created because of the structure of our income support program, which was advantageous to break up some of that rangeland, pastureland, put it into cropland; and it created some of the situations which you began to address by the concerns of CRP.

Then the bidding process at that time, as was pointed out by Mr. Williams, made it financially beneficial to put it into CRP in an enrollment versus that of the cropland. And so, as we look now at the future versus what we addressed when the program was first implemented, I think we have to consider, is the intent to deal with highly erodible, environmentally sensitive land? That is the number one priority.

Second, is that land that is not continued then—as Dr. Bryant pointed out, what are going to be the farming practices and what are going to be the incentives that accompany that modification of the program? Or do we go back to recreating many of the problems which we tried to address by establishing the CRP?

So it is not just, no, we don't like certain individuals getting $1 million payment versus what is the intent of the program, how do we achieve its goal or objective? The concern I have as we take a look at CRP coming out, much of the land has been held by landowners—especially if a full farm went in—that had probably liquidated their equipment, don't intend to go back into production; and where will that land go back into production? Will there be incentives to help establish new, beginning, young farmers?

Mr. JOHNSON. Mr. Nomsen and Mr. Williams, or Pheasants Forever and Conservation Districts, clearly a continuation of the CRP is going to have to involve a political dynamic where we work with coalitions, with the conservation and environmental groups. That is the only way this is going to go.

One of the thoughts that some people have had is perhaps we could do with fewer dollars and that producers could live with a lesser payment if they were given greater flexibility on haying, at least seasonally, those CRP acres. Is that an idea to pursue from a conservation—from a habitat perspective that you two gentlemen bring to this panel? Because obviously you two would be the two probably most sensitive to that issue. Or is that sort of a nonstarter idea from your perspective?

Mr. NOMSEN. Congressman Johnson, no, that is not a nonstarter. And in fact, frankly, it is necessity. In order to maintain the productivity of that land, whether it is for an agricultural commodity or a crop such as wildlife, it does need to be managed. And in fact one of the things that we perhaps could do that would maintain the benefits for wildlife, which is certainly our first consideration, would be to allow delayed haying in some areas. We would consider blocks as a priority over strips. We would certainly consider programs that would delay haying and grazing until after the main portion of the nesting season as a priority.

I think we need to take a very serious look at the—in fact, the idea presented by Mr. Williams to talk about a 25 percent, perhaps, level rotational program for grazing and haying.

And I also might take this opportunity—you mentioned coalitions, to just let you know that several months ago, we met with Assistant Secretary Jim Lyons in the Department of Agriculture; and as a result of that, we have and are currently forming the coalition that I mentioned during my testimony. And as a spin-off from that, we are also working with the Wildlife Management Institute. In fact, I was in DC last week for a meeting to get better information that everyone is calling for on what the wildlife priorities are. Where are the critical acres? Where are the hotspots for wildlife? And we hope to have that type of information available for the debate over the 1995 farm bill.

Mr. JOHNSON. Gene, do you have anything?

Mr. WILLIAMS. Yes. When Senator Daschle had asked about ways to spread the dollars further, I think this is one of the things that our coalition had came up with that looked like a viable alternative to the current financing. For instance, 25 percent of the payments would be bound by allowing this person to hay 25 percent of the acreage. The only thing that could be looked at as a budget helper, as far as this goes, would be the reduction in disaster payments that would have to be paid out to counties if this was used as a strategic hay reserve.

I think both of those are very good reasons to do it, and as he has mentioned, establishment and maintenance of the stand would be improved.

Mr. JOHNSON. One last point that has been touched on several times, but I guess it is so fundamental that I want to pursue it a little more, is the whole business of how best to bid CRP contracts.

Gene, you ranch near Kadoka, but it is Jackson County?

Mr. WILLIAMS. Yes.

Mr. JOHNSON. According to ASCS, the average CRP bid in Jackson County is $38.49. But the average cropland, which would be your better land, rent is $15.40, less than half, substantially less than half of CRP.

What would you say if there was no bid cap at all and you just had producers competitively bid their land into CRP, and the local committee takes the lowest bids? Frankly, would that or some other scheme work to still fairly compensate producers for their CRP acres, but at the same time, perhaps allow us to more equitably divide the dollars and the CRP acres up?

Mr. WILLIAMS. The majority of acres in our county that are in CRP currently, according to the parameters that this working group came up with as far as areas that would be classified as highly erodible, a great number of those acres wouldn't meet those qualifications. Most of the acres that have been classified as highly erodible that are in CRP in our areas are because of wind erosion. If they had to meet the compliance requirements of the 1990 farm bill, there shouldn't be a wind erosion problem. You shouldn't have a problem with any type of water erosion on most of those acres if those compliance plans are followed, as well.

The big problem with the way the CRP was administered is that it was a blanket approach. There may have been 20 acres of problem on a particular tract of land, but you took 160 acres to solve that 20 acres of problem. And in our areas, the top bid was $40

per acre and that, as you can see, the majority of acres went in for that bid and you had to be a blind man not to take that.

Mr. JOHNSON. Right. That cap came through from the base of the bidding, and that is why there is a lot of head scratching going on, I think, right now in Washington about how best to approach the bidding process in the future.

I appreciate your insights. I don't know if any other members of the panel want to address that particular issue. But we want to preserve time for open mike time here, as well. And so I will say I appreciate very much the insights that this panel has contributed to the discussion. This is only part of an ongoing dialog on CRP. It doesn't end today by any means.

But I thank you again, and I yield back to the chairman.

Senator DASCHLE. I thank our panel members. Congressman Peterson had to participate in a conference call and will be back in a moment. In a hearing like this, we are able to do things that we are not able to do in Washington. Obviously, we don't have open mikes in Washington and we don't do what I am about to do, but I think that it is very helpful for us.

As Members who are beginning to lay the record for the CRP, hearings like this are very important. First of all, we try to get ideas and then, second, we try to judge the level of support. And then finally through the hearings process, we begin to take those ideas and form them into legislation which ultimately become the program.

I would be very interested just in a show of hands for the record here—I will note for the record what the vote will show. But I would be interested, just given the fact that we have mostly producers and people who live on or near the farm, if you could indicate your support for the CRP program, just by asking the following question:

How many people would support an extension of the CRP program? Raise your hands. [Show of hands.]

How many people would oppose the CRP program? Raise your hands. [Show of hands.]

The record should show that, I would say, about 98 percent support extension of the CRP program; about 2 percent or 3 percent oppose it.

Of those people who support extension of the CRP program, how many believe, think it ought to be reformed in some fashion?

How many people oppose or believe that the program is fine just as it is? Raise your hands. [Show of hands.]

Let the record show just a rough estimate, it would be about a 90 percent to 10 percent who believe it should be reformed versus those who believe that it is fine as it is.

Grant Buntrock, as you know, is the National ACS Director in Washington—from Columbia, I might add, a neighbor and a good friend of many of ours. Grant wanted to add a couple of comments prior to the time we take open mike testimony, but let me invite him to do so at this time.

STATEMENT OF GRANT BUNTROCK, ADMINISTRATOR, NATIONAL ASCS

Mr. BUNTROCK. Senator Daschle and Chairman Johnson, thank you for the opportunity to comment. I wanted to make one clarification.

There was a reference here a little bit earlier in terms of the total annual amount of payments that were eligible. Someone made reference to $1 million in some of these contracts. I just wanted to clear up for the record that there is a $50,000 payment limitation annually per person on these contracts. And since it is for the record here, I want to make certain that this did not get taken out of context.

Senator DASCHLE. Let me clarify.

Mr. JOHNSON. That is right. We were talking 10-year value of the contracts, not annual payments. That is correct.

Mr. BUNTROCK. If you had 10 producers, you could have a $1 million contract over a 10-year period. The annual payments are $50,000 per person, maximum.

Senator DASCHLE. I guess you would probably also want to acknowledge that there are loopholes that have allowed some people to avoid that $50,000 limit. Is that also the case?

Mr. BUNTROCK. Well, it is a current payment limitation procedure that we have applied to the CRP contracts; and as you know, under the recent changes in the payment limitation procedure, there can be more than one entity where they have large holdings. It is a maximum of three the way we have it set up now. So you could have an interest in more than one, but not more than three entities.

Senator DASCHLE. Very good. Thank you for that clarification.

I indicated prior to the time that the hearing started that the rules require that each of the witnesses fill out the necessary information that we will make a part of the official record. I would now encourage you to come to the microphone if you have comments you wish to make, comments or questions. But either prior to or immediately following the time you have made those comments, I hope you will fill out the card.

If you will come to the microphone, state your name and where you are from, that will then allow us to make reference to the card that is filled out later. Let me begin over here.

STATEMENT OF IRWIN SWANSON, PRODUCER, CARRINGTON, ND

Mr. SWANSON. I am Irwin Swanson from Carrington, North Dakota. I farm about 15 miles north of these hearings.

Let's give Uncle Sam a break. Like $5 trillion in debt is way beyond my imagination. You know, they made a tax receiver out of me, and I don't like it. I would rather be a taxpayer. If you want to control the CRP or get rid of it, let's raise the loan rate up, say, to 75 percent of parity. Let the farmers farm their own land and just control the bushels. Put a control of bushels that you would bring to market, and you could eliminate a lot of these expensive programs you now have, and the farmers would be better off. You would see your small communities come back to life.

The CRP up in our area—is closing down schools, has closed down implement dealers; it has closed down bulk stations. And if we return to a loan—75 percent of parity—it wouldn't cost the Government anything, except the farmer would have to pay a little bit of interest on it.

And I would suggest that you don't pay any storage payments because we have gone that way before.

Senator DASCHLE. Thank you very much.

I want to make sure we accommodate as many of our open mike witnesses as we can. In order to do that, I think we will limit comments to 3 minutes. And then we can be sure to get to as many as possible.

We will start now at this microphone. Please introduce yourself.

STATEMENT OF RON HEPPER, PRODUCER, ISABEL, SD

Mr. HEPPER. I am Ron Hepper from Isabel, South Dakota. I would like to make the comment, if something is working, I don't think we should reform it too much. I am definitely against the haying of CRP acres because I think it complicates it. It hurts the people who are trying to sell hay. And when you contract to take land out of production, I think it should stay that way. A contract is to be bound by both parties.

I want to touch on one thing about beginning farmers and closing businesses. I think that we were in a time when there was going to be some business closing had there not been a CRP. We were heading for a time where it is going to be hard to get farmers started, and maybe CRP has helped a lot of farmers maintain their land.

Thank you for your time.

Senator DASCHLE. Thank you.

STATEMENT OF JOHN C. KIPPLEY, PRODUCER, ABERDEEN, SD

Mr. KIPPLEY. I am John Kippley from Aberdeen, South Dakota. And I am one that would like to see the CRP program continued but for some options to help control costs. I am just the opposite of the last gentleman. I think we should be able to hay one-third of our CRP acres every year, and in the same token, take the reduction in pay, just like we are in the last couple of years when we had the disaster program. That would cut back on some of the cost of it.

But another thing that we need to do is that we need to go after the people on the wildlife that are benefiting from the CRP. We need to go after all the people that are hunting on this ground—the ducks, for example, the pheasants, the deer—all the programs that we are helping with the CRP. We need to tap some of their source of income in order to help fund the CRP. Without this, we don't have—it is going to be hard for us to keep the program going.

I would like to see something that allows us to level some of this land before haying or grazing every third year, because if any of you have hayed any of your ground the last couple of years with the disaster program, you are going to know that it is awful rough and awful hard on equipment. So we need to have—allow us to do some leveling of some sort.

And by haying our grazing, we are going to see our weed problem out there. And farmers are good. They will take care of their ground if they are aware of it. But when it is in CRP and you drive by the road, a lot of times you cannot see the weeds out there. And with the haying and grazing, the weed problem, I think, will be basically eliminated.

For the new, beginning farmers that we are hearing complaints about, I would like to limit a percentage of the farm that can go into CRP so we don't have the whole farm into the CRP. I am recommending the example of 25 percent of your whole farm, of the whole crop acres that you have, as the most that can go into CRP. That way, the retired people are going to have to rent out their land, and along with one-third of their land being hayed every year, we are going to have more operators back on the land but also help control everything else.

I also think we need to open up new contracts. We don't just want highly erodible land. We also need some potholes in order to keep the CRP growing and also for all our wildlife.

But another thing that I think that we need to consider—and I don't know if Congress will consider it, but that is with all the chemical that everybody is talking about and all the fertilizer that everybody is talking about, I think this is a source of land that we can always fall back on if we get the CRP program to come back and start farming again. If we discover we are going to die from these chemicals that are used on the other land, we will have land to come back into production.

Senator DASCHLE. Thank you, John. I am sorry to cut you off.

I want to encourage everybody. We have long lines. We are going to take everybody who wants to comment, so I encourage everybody to be as brief as they can.

We will move over to my right and ask Sam for his comments.

STATEMENT OF R. SAM HEIKES, VICE CHAIRMAN, SOUTH DAKOTA OIL SEEDS COUNCIL

Mr. HEIKES. Senator Daschle, I would like to thank you for the invitation to be here. Tim Johnson, thank you.

My name is Sam Heikes. I live out in Ft. Pierre. I am a sunflower agronomist, involved with the South Dakota Oil Seeds Council initially when it was formed as a sunflower council facilitating the formation of a National Sunflower Association. Those of you who travel around South Dakota have seen the amount of yellow that there is this year, and our interest as an oil seed group is what is going to happen with CRP? We are up to about three-quarters of 1 million acres of sunflowers right now, and I remind you sunflowers are an oil seed. Soybeans are not an oil seed; they are a protein crop.

Our question is, in the future, as we see budgetary restraints, which are pretty obvious, and I followed the discussion; I have listened to the testimony. I listened to Secretary Espy this morning.

I live out in Ft. Pierre; that is Stanley County. You can look on your record there, Tim, and see the percentage of CRP that there is in South Dakota in Stanley County. It is a big county. And most of that land was farmed half section at a time, full section at a

time when there was 30-cent diesel fuel and $5 wheat, and wheat flour works real good then.

Our interest in the oil seed business is where those acres are going to go to when they come out. And as we have seen the movement of oil seed acres in South Dakota, now we represent sunflowers, safflower, canola, and flax, the nonflower oil seeds. We have seen the movement of those acres move West and South, mainly because of the native adaptability of the crop. There is a limit how far soybeans will go West.

Sunflowers work really great through some of the central and western areas. Safflower works great in western South Dakota in hot, dry conditions.

We produce oil. The demand is very strong for oil. The zero 1992 program has given growers the flexibility, the opportunity to grow a crop. We have had limitations from the Soil Conservation Service and conservation compliance that has limited growers' ability to exercise their 0/92 option because it doesn't fit their "rotational schemes."

We have seen loss of local authority at the conservation, local elected officials and their authority to approve or disprove compliance. We are offering another alternative and I guess this may be a personal view of mine.

We hear a lot about soy diesel, but we don't hear much about sunflower or safflower or others. Again, soybean is a protein crop. The potential that exists in a rotation, a 3-year or 4-year rotation, on CRP ground to include oil seeds in the rotation with grass and with other crops give us a way that we can phase out CRP, produce profitable oil seeds and possibly use them as fuel in combination with alcohol, because the oil-alcohol combination is where the diesel fuel potential is.

Thank you very much, Tom.

Senator DASCHLE. Thank you.

STATEMENT OF TOM H. PUTZIER, ON BEHALF OF THE SOUTH DAKOTA WILDLIFE FEDERATION

Mr. PUTZIER. I am Tom Putzier from Aberdeen. I represent the South Dakota Wildlife Federation with a membership of nearly 5,000 members.

The South Dakota Wildlife Federation is associated with the National Wildlife Federation with a membership of 5,600,000 members. It is the Nation's largest conservation/education organization.

We are asking that the CRP be fully extended for another 10 years because of the positive effects that it has on the soil, the water, the wildlife conservation and for the farmers, the taxpayers, the sportsmen, and the rural communities.

The South Dakota Wildlife Federation recently proposed resolution at the 1994 annual meeting of the National Wildlife meeting in Austin, Texas. It was passed unanimously, supporting the continuation of expansion of the CRP program.

In 1991, the CRP habitat helped South Dakota produce the highest pheasant population in 25 years, and 1994 looks very good. It has also helped South Dakota become the No. 1 duck producer in the United States for the past 3 years.

Our concern is not only for the wildlife. It is for the quality of life of each and every one of us and for the future generations that they may experience a life with clean air, good soil, and clean water. Extending the CRP program is one step in the right direction that we can take to ensure that farmers, taxpayers, rural communities, and the next generations will all benefit, now and for the years to come. So it is—the South Dakota Wildlife Federation encourages us to support the CRP program in the coming years.

Thank you.

Senator DASCHLE. Thank you very much.

STATEMENT OF STEVE BLOMEKE, DIRECTOR, PRAIRIE WETLANDS RESOURCE CENTER, NATIONAL WILDLIFE FEDERATION, ALSO ON BEHALF OF WAYNE BARON, STAFF DIRECTOR, CENTRAL DIVISION; AND DAN LIMMER, REGIONAL EXECUTIVE

Mr. BLOMEKE. Steve Blomeke is my name. I am director with the Prairie Wetlands Resource Center of the National Wildlife Federation from Bismarck, North Dakota. I would like to have a copy of my written statement part the record.

Senator DASCHLE. No objection.

Mr. BLOMEKE. We would like permission for a written statement to be submitted in 30 days.

Senator DASCHLE. We are only allowed to keep the hearing record open 14 days, but within the next 2 weeks will be good.

Mr. BLOMEKE. Fine. I will make a statement. CRP is championed by both farmers and environmentalists. I can't think of another EPA program that is supported as universally as the current CRP program. CRP has been a great success for soil, water, and wildlife conservation, as well as for farmers, taxpayers, sportsmen, and rural communities, especially in the prairie States. It has achieved significant and readily documented successes in reducing topsoil loss and increases in waterfowl and wildlife populations that have been able to use the habitat the CRP provides. CRP has been an integral element in reducing surplus grain supplies and improving farm income.

If CRP is not extended, much of the existing grasslands will be converted to cropland, and our water, soil and wildlife will be placed once again at risk. To avoid the reversion of CRP acres back to cropland and the resulting soil erosion, water degradation, and loss of wildlife habitat, and likely increased commodity program costs, it is necessary that producers be given the option to retain their lands for conservation uses.

The NWF supports maintaining the existing total acreage of 36,500,000 acres at the existing funding level in the present program. We applaud the Secretary's action last week, and we urge him to move forward with the CBO resolution of the issue as well.

As the debate continues on CRP, there are those arguing that CRP funding needs to be changed drastically to become more flexible, target other environmental problems, and reduce the number of acres in the current program. We strongly disagree. CRP is like the old saying, "A bird in the hand is worth two in the bush." CRP is a known program with measurable success. We must continue to recognize the importance and value of CRP on the highly erodible

lands in the Great Plains. CRP should not be put in a position of being last hired and first fired when it comes to the Federal budget.

NWF also endorses pursuing funding for environmental programs in addition to CRP, as Congress continues the debate on the 1995 farm bill. Further consideration should be given to such reforms as a stewardship payment system and an expanded water quality program during these considerations.

Thank you very much.

[The prepared statement of Mr. Blomeke, Mr. Baron and Mr. Limmer appears at the conclusion of the hearing.]

Senator DASCHLE. Thank you. Next, Mr. Clemens.

STATEMENT OF MICHAEL G. CLEMENS, SALESMAN, SIOUX FALLS, SD

Mr. CLEMENS. Thank you, I am Michael Clemens. I am from Sioux Falls. I would like to address this meeting today on four points—as a taxpayer, a U.S. citizen; as a resident of South Dakota; and as a husband and a father.

First of all, I would like to say that I am a strong supporter of CRP. I would like to see it continued. I think it makes good common sense, something that is not always available in Washington. As a program that puts money in the rural communities, it reduces our surplus grain. It may hurt some people that are commodity traders in Kansas City, St. Louis, and on Wall Street, but it certainly helps the rural communities.

There has been some talk that some small towns in certain areas have been hurt because of the large concentration of CRP. Several years back, there was a banker's report that said that CRP actually helped financially stabilize some of these marginal farmers. In fact they had some additional secure income that came in that allowed them to purchase machinery, which they may not have before, which allowed them to purchase some chemicals, which they may not have before. Which allowed them to rent some ore land, which they may not have before.

But because of some poorer ground that they put in the CRP, it allowed them that flexibility. So it is a program where we, as taxpayers in this country, actually turn around and put the money back to us, rather than growing surplus commodities, shipping them off to the countries that do not pay us for them or don't appreciate it.

Second, the CRP program in South Dakota has benefited almost everybody. We have a big tourist State and there are a lot of people that come in from outside to hunt and fish. Sometimes it is forgotten that CRP has also benefited the fisheries, because it has helped clean up our sloughs and some of our streams where our fish go in to spawn. So from the gas station attendants to the waitresses in the restaurants to the hotel/motel owners, to the highway workers that are hired by the State of South Dakota, everybody has benefited from this program because people have come in to use it.

Third, it is kind of nice to take my wife out, and my father and my brother, and go and knock on some farmers' doors and have them give me some opportunity to go out and enjoy a nice, clean recreational sport. You don't always get allowed on land, but it is

certainly nice. It builds a rapport between city boy and the farmers, and we need more of that in the future. I have a little son growing up, and I hope that he gets the opportunity to get out there and chase some of those ducks and pheasants, also.

Thanks.

Senator DASCHLE. Thank you. Well stated. Next, Mr. Thelen.

STATEMENT OF JEROME P. THELEN, PROJECT COORDINATOR, BAD RIVER WATER QUALITY PROJECT, STANLEY COUNTY CONSERVATION DISTRICT, STATE OF SOUTH DAKOTA

Mr. THELEN. Jerry Thelen representing Stanley County Conservation District, more specifically, the Bad River Water quality project. I would like to address the issue that has been brought up of the rates paid per acre on CRP. I think when we consider the rates paid, we need to take into consideration the off-site impact of the erosion problems that we do have in these highly erodible lands.

There are certain lands that I believe are going to be worth more than normal to take out of production from the environmental standpoint than the going cash rate to rent. Therefore, I believe the program must include a provision for a local committee, in cooperation with the potential State technical committee, to have flexibility in establishing some of those acreage rates.

That is all I have to say.

Senator DASCHLE. Thank you very much. Next, Mr. Lines.

STATEMENT OF KEVIN J. LINES, PROGRAM LEADER, FARMLAND WILDLIFE, MINNESOTA DEPARTMENT OF NATURAL RESOURCES

Mr. LINES. Good morning. My name is Kevin Lines. I am a wildlife program leader from the Minnesota Department of Natural Resources.

The State of Minnesota has 1,900,000 acres of CRP land, and we are obviously very concerned about the continuation of the program. We enthusiastically support the continuation and would suggest an expansion is needed. Throughout the 451 million acres of agricultural cropland in the country, approximately 120 million acres of that is highly erodible. As good as CRP has been, we still need more conservation in our agricultural community.

I would like to also add that we also feel that our farmers are our most important wildlife managers, and what we need to do is develop programs and mechanisms like CRP, like the wetland reserve program that provide them the benefits—incentives so that they continue to be our most important wildlife managers.

Last, I would like to say that as we move into the 21st century, I think we need to better recognize all of the benefits that our farmers and land managers provide us as a society; and we need to be sure that there are programs that allow them to fulfill those responsibilities. I would like to introduce the Minnesota Department of Natural Resources position paper regarding the 1995 farm bill and the continuation of CRP on the record.

Senator DASCHLE. Without objection, it will be made a part of the record.

[The information appears at the conclusion of the hearing.]

Senator DASCHLE. As I indicated earlier, the record will be held open for two additional weeks if people wish to submit written testimony. We will be happy to make it part of this official record.

Next, Mr. Asbridge.

STATEMENT OF TOM W. ASBRIDGE, NATIONAL EXECUTIVE DIRECTOR, AMERICAN AGRICULTURE MOVEMENT, STATE OF WASHINGTON

Mr. ASBRIDGE. Senator Daschle, Congressman Johnson, I am Tom Asbridge. I am the national executive director of the American Ag Movement in Washington. I am also a rancher from Grant County, North Dakota.

Our organization is fully supportive of reimplementing the contracts in the form that they are in without any reduction in cost. We also would favor an expansion of the program if you can find a mechanism by which to do it. We believe it is one of the programs that has generally worked very well for the Nation.

One thing we believe should be considered is the reason for the existence of the program in the first place. It was a response not to erosion nearly as much as it was to an income problem in agriculture. And it was touted at its inception as a mechanism to raise farm income by raising commodity prices by reducing the alleged surplus. Obviously it hasn't worked in that fashion. However, we might say that maybe we would be worse off today if we hadn't had the program.

We would suggest to you that this is a farm program made necessary by the old Earl Butz program of the 1970's. Agriculture, the producers here, haven't been the ones that caused the problem; we were the victims. It was low farm prices that caused the necessity of this program, and we want to assure you that low farm prices are basically the problem in agriculture today.

As far as young people coming into agriculture, with commodity prices at this level, it has nothing to do with CRP. It is an income problem. As a matter of fact, at home, I have a neighbor that gave each one of his kids a quarter of land. They prosecuted him for child abuse. So we want you to be aware that the real problem in rural America is income; and CRP, to the degree that it can help benefit rural America and the Nation, we want to fully support it and urge you to continue the program.

Senator DASCHLE. Thank you very much. We appreciate your coming. Next, Mr. Rix.

STATEMENT OF ROGER L. RIX, PRESIDENT, SOUTH DAKOTA WHEAT, INC.

Mr. RIX. Thank you, Senator, for this opportunity. I am Roger Rix, farmer from Groton, South Dakota. I am here representing South Dakota Wheat, Incorporated, affiliated with the National Association of Wheat Growers. I have written testimony that will be submitted. I would like to briefly go through that with the time constraints we have here.

The conservation reserve program has provided significant environmental and economic benefits to both the public and environmental sectors and it should be continued. In renewing contracts, we encourage USDA to offer producers a variety of options in meet-

ing conservation objectives which will fit their particular operations and which will maximize acreage maintained in continuing use.

For example, we believe highly erodible lands as well as certain less highly erodible lands which could be more easily return to crop production could fit in the extended CRP as they do now. We do feel that class 4 and greater land, that is not highly erodible under proper farming practices, should be looked at more closely as to its useful benefits and purpose in CRP. We understand very well the challenges of financing a continuation of the CRP in its present form with the constraints of the Federal budget. In our view, however, it is essential that the commodity program funding be addressed separately from funding for CRP and other natural resource conservation programs authorized under farm legislation.

Commodity programs are designed to achieve price and income stability, benefiting producers and consumers alike. We believe very strongly that these programs must be supported on their own merits—however, not finance the reductions in price and income support programs. We hope that Congress will consider cost containment and cost offset options to enable continuation of CRP, rather than to significantly downsize or alter the current structure of the program. Such options might include economic use of land and road in CRP such as limited haying, grazing, crediting environmental achievements of land idled under CRP to satisfy other environmental requirements on another farm, rotational—rotation of CRP acres within a farm to improve overall soil fertility on a farm.

We do not believe the Congress should rely on offering payments for permanent easements as a primary means of reducing long-term outlays on the CRP nor should farmers be expected to accept significantly lower rental payments for CRP contracts.

[The prepared statement of Mr. Rix appears at the conclusion of the hearing.]

Senator DASCHLE. Thank you, Roger. Next, Mr. Nelson.

STATEMENT OF WAYNE K. NELSON, PRESIDENT, COMMUNICATING FOR AGRICULTURE

Mr. NELSON. Thank you, Senator Daschle and Congressman Johnson. We are very pleased you are having this hearing today.

My name is Wayne Nelson. I am a farmer from Winner, South Dakota. I am representing Communicating for Agriculture. We very much support the continuation of the CRP program, and we would also like to recommend that we look at some studies of using biomass off of the CRP acres for power generation or the possibility of fuel alcohol and some of these other uses. And some studies should be done to see if this is practical in our area, as well as other areas from the CRP acres.

Thank you, Senator Daschle, for the opportunity to testify. I would ask that my entire testimony be entered into the record.

Senator DASCHLE. Without objection, it will be made a part of the record.

STATEMENT OF JIM DAILEY, FARMER, ON BEHALF OF DAKOTA RURAL ACTION, DEUEL COUNTY, SD

Mr. DAILEY. I will just make some brief comments. My name is Jim Dailey from Deuel County, South Dakota, a member of Dakota Rural Action, whom I am representing today.

I support the continuation of the CRP for the purpose of providing farm income and protecting our farming resources. I think people, especially those who have major problems with CRP, need to remember that CRP provides farmers income, most of which is spent on Main Street. CRP also has achieved environmental benefits like cleaner ground water, reduced soil erosion, and chemical use that benefited farmers in the community.

Farmers benefited from the CRP and the community as a whole has benefited from CRP. There are many other problems with the CRP program that possibly needed to be modified, and I will leave those to written testimony.

Senator DASCHLE. Very good.

Mr. DAILEY. One of my main concerns would be the tenant provision and that hasn't been addressed at all. But I think there could be a real problem in the next—coming 10 years, in the event that it is extended, that many people try to remove their tenants; and in many cases, the tenant is the only person actually out on the land operating a farm now. And if we start taking that away from them and make it an IRA basically for some retired individual, that probably shouldn't be what is done with it, either.

Senator DASCHLE. But as you know, the tenant is still eligible for payment benefits if he is not on the land under the current interpretation of the CRP program.

Mr. DAILEY. Correct. My previous experience as an ASC committeeman, there is quite a move to remove tenants whenever possible. I don't think that should be allowed. Thank you.

[The prepared statement of Mr. Dailey appears at the conclusion of the hearing.]

Senator DASCHLE. Thank you, Jim, very much. Next, Mr. Leif.

STATEMENT OF TONY P. LEIF, WILDLIFE BIOLOGIST, SOUTH DAKOTA DEPARTMENT OF GAME, FISH & PARKS

Mr. LEIF. My name is Tony Leif. I am a wildlife biologist for the South Dakota Department of Game, Fish & Parks. There is little disputing throughout the testimony today. We have heard about wildlife benefits and the increases in our wildlife populations in the State. I don't think I have heard any testimony that would contradict that.

I would like to reiterate those points in that all of our species within South Dakota that benefit from grassland habitat, permanent grassland habitat that is undisturbed, have certainly benefited by CRP.

I work with a program down here called the pheasants for everyone program. This program is directed toward landowners. It is directed toward management of wildlife and wildlife habitat on private land. I work most closely with both landowners and sportsmen in addition to all citizens of the State, of course.

Certainly our program, when we initiated our pheasant management program back in the seventies, our goal was to establish

grassland cover, recognizing that nesting habitat was most likely limiting most of our pheasant and other species numbers in the State. When CRP came along, we took advantage of the opportunity to emphasize other habitat components that are essential to wildlife in the State, namely those of winter habitat and food.

And, third, as Congressman Peterson has mentioned, we have excelled in the area of opening a number of CRP lands to public hunting.

Certainly if we lose CRP, we are going to lose a great deal for wildlife populations in the State, and we are going to lose a lot of opportunity for our sportsmen and landowners to pursue pheasants and other species in the State. I would like to submit that we would certainly hope that the conservation reserve program would be restored at its current levels, if not at a higher level if that funding is a possibility.

Thank you.

Senator DASCHLE. Thank you. Next, Mr. Duerre.

STATEMENT OF ROBERT G. DUERRE, CHAIRMAN, DAY COUNTY CONSERVATION BOARD, DAY COUNTY, SD

Mr. DUERRE. Senator, Congressman, my name is Robert Duerre. I am a farmer and chairman of the Day County Conservation Board. Day County has a very large amount of CRP. We have 83,000 acres in Day County. That is almost 25 percent of our total county's cropland, which is one of the highest in the State; 24,000 acres of those are considered highly erodible. They are currently eroding at less than 1 ton per acre.

If we let these come out of CRP, they will be allowed, under the program, to erode at over 10 ton per acre. The remaining 59,000 acres of CRP, if cropped with no restriction, was returned to the approximate 15 ton per acre. That was the erosion rate that was qualified, to be qualified for the program. Without the protection of CRP, the erosion from this land could easily exceed over 1 million tons per acre in Day County alone.

Day County conservation district is heavily involved in water quality issues. A lot of time, effort, and money, local, State, and Federal, are going into the protection and improvement of the lakes in Day County. We are concerned that all game could be wiped out if the CRP were not continued in some form.

Thank you.

Senator DASCHLE. Thank you very much. Next, Mrs. Beaman.

STATEMENT OF DIANE B. BEAMAN, FARMER, BROWN COUNTY, SD

Mrs. BEAMAN. Congressmen Peterson, Johnson, and Senator Daschle, my name is Diane Beaman. My husband and I farm here in Brown County—an actual farmer here from Brown County to speak about CRP. I would like to tell you about a little bit of the CRP that we have been involved with.

We have four small tracts of land enrolled in the program, and it has been a real privilege to see it grow over the last years. I have some written testimony I would like to submit, and I also have some color photos to go along with it, of the land that I want to

talk about a little bit today. And you can have the photos any time you want. I don't know if you want them.

Senator DASCHLE. Sure.

Mrs. BEAMAN. I am representing just our farm. This 23.7 acres of land is in a transition area between the tall- and short-grass prairie. In the early twenties, it was touched by the plow for the first time. And it soon began to erode after that because the plow showed that it was very fragile, loamy soil and the surface of the land was also quite contoured as it flows to the Jim River flat. Because of these two reasons, it began to erode with every heavy rainfall and every strong wind, which we get quite a bit in South Dakota, occasionally.

It fell under our care in 1986. My husband said, "This land needs a rest," and we planned to attempt to plant an alfalfa crop. Sometimes we farmers are led by trying to reach that financial bottom line which becomes and seems to be becoming even more difficult to reach. So we continued to farm it for two more years.

We enrolled it in 1988 in the CRP program. Sometimes I get a little nervous and a little mixed up; instead of CRP, you will hear me say CPR. But I don't think that is too far off the mark, because with this little 23.7 acres of land, we prepared the soil, planted wheat grass with a nurse crop of alfalfa and breathed life back into soil that was ailing and eroded and very sick.

Today there is a strong, dense stand of wheat grass that stretches to our prairie skies and waves in our prairie winds, and it is cover and shelter for deer, small animals, nesting ducks, nesting birds, and pheasants. It has been a real success. And it is just a microcosm, I think, of the millions of acres of CRP.

I read an interesting article in the August edition of the Farm Journal and it had this statement: "These CRP lands are as close to what the settlers discovered as we are going to get." I think this is really quite a statement, "as close to what the settlers discovered." We have maintained a real renewal, a rebirth here of a lot of sick land.

In our case, the CRP contract expires on this little piece of land in 1997. We hope to maintain our CRP acres as they are now by cutting and selling the grass or by using the land for pasture.

Senator DASCHLE. I am going to have to cut you off.

Mrs. BEAMAN. Economics plays a big part.

Senator DASCHLE. Thank you.

Mrs. BEAMAN. Thank you.

[The prepared statement of Mrs. Beaman appears at the conclusion of the hearing.]

Senator DASCHLE. Thank you very much. Next Mr. McCrea.

STATEMENT OF DON A. McCREA, HABITAT BIOLOGIST, SOUTH DAKOTA DEPARTMENT OF GAME, FISH & PARKS

Mr. MCCREA. My name is Don McCrea, and this past February, I had the pleasure of visiting with both of you in Washington, D.C. That was quite an honor. I am a habitat biologist with the South Dakota Department of Game, Fish & Parks. I have some written testimony I would like to enter.

Senator DASCHLE. Without objection, it will be made a part of the record.

Mr. McCrea. South Dakota has the best farmers in the State and the best ranchers in the Nation, I am glad to say and they have been a pleasure to work with. I have been able to work with them for about 14 years in the career I have had with the game, fish & parks department. I am proud to say that. They are a great group of people to work with.

One thing that I want to talk about with the conservation reserve program is the way we have been able to tailor our private lands programs to complement the conservation reserve program. We will work with anybody. But we have heard a lot today about the benefits of the wetlands and water quality, wildlife, and the whole bit. But I want to talk specifically on how the conservation reserve program has allowed our department to cooperate with over 5,000 farmers and ranchers in this State through food cover plots; settler cultivation; habitat fencing; restoring wetlands; building and repair of dams; stockponds; wildlife and animal damage control programs; and, Collin, a walk-in area program that is approaching 500,000 acres, the majority of which are conservation reserve program acres.

We are spending in our annual budget over $1,500,000 a year that is going out on private land. A lot of those are conservation reserve program acres on cost share with private landowners. So we are doing a lot on those conservation reserve program acres and doing a lot with the guys who are in that program.

I am going to finish by saying that I am proud of the work that we have been able to do with South Dakota's farmers and ranchers. We have shaken hands with an awful lot of them. I am proud of that. They are a great group of people.

I think the quality of the environment and the quality of life that we have here in South Dakota has been greatly increased because of the conservation reserve program.

Senator Daschle. Thank you very much. Next, Mr. Sherburn.

STATEMENT OF JOHN M. SHERBURN, FARMER, MARSHALL COUNTY, SD

Mr. Sherburn. I am John Sherburn. I am a farmer from Marshall County. I highly support the CRP program. I think that maybe as far as—there could be a—some haying percentage on one-third every year, and this would improve the habitat, wildlife, maybe help control weeds and would also ensure a hay supply.

I have my land in the walk-in program, and it is close to town. There are quite a few people that have come on. Birdwatchers walk out there. And everybody gets some use out of it.

I think the CRP program was crucial in the last few years when we had the drought. It helped stabilize some farm income in our area. It did. Anyway, I think until NAFTA and GATT—we find out what they are going to do for us, I really do think we should continue the CRP program.

Senator Daschle. Very good. Thank you.

We will take our last two witnesses here and we will finish up the hearing. Next, Mr. Satrom.

STATEMENT OF JOE A. SATROM, DIRECTOR, THE NATURE CONSERVANCY

Mr. SATROM. Good morning. Thank you, Senator Daschle and Congressmen Johnson and Peterson, for holding this hearing. I am Joe Satrom. I am here representing the Nature Conservancy and, specifically, representing an effort that has been going on in your State, Congressman Peterson, with the Nature Conservancy and quite a large group of organizations looking at the future of CRP. I have provided a statement which outlines some of our positions relative to the reauthorization and full funding of this program.

I would like to point out that we don't as a large organization have an official and definitive opinion on the future of CRP. We are still developing an official position for your information later this year. But I would like to point out five suggestions that have come out of the work in Minnesota.

One of them is that perhaps there is a way that there could be an optional, permanent, perpetual easement on some of these lands. There is a provision for an environmental easement in the 1990 farm bill, and perhaps that could be modified and put into the 1995 farm bill, that might give more permanency and discourage this topic from being—allow some of this topic not to be—revisited every 5 or 10 years, depending on the new bill.

We believe that lands that have the highest and greatest environmental benefit and conservation benefit may—or should, perhaps—receive priority in the enrollment process. We think that payments could be structured around these environmental and conservation issues and commensurate with those values, as well as the productivity value of the soil.

We think that there are ways that the costs of the program may be modified and some of those efforts could have optimal conservation and environmental values, things like planting native cover, which might produce late-season grass that could be, in fact, hayed. We think that periodic burning and haying, in fact, could assist in returning some of these soils to more vigor.

We also believe that planting grass, as opposed to trees, or allowing trees to become the dominant part of the ecosystem, would be beneficial.

And, last, we support the suggestion that I heard earlier concerning empowerment of a State technical committee and county committees to improve the relationship of the program to the people of the State and counties.

Thank you for your patience and perseverance. We will look forward to working with you.

Senator DASCHLE. Thank you very much. Next, Mr. Guy.

STATEMENT OF CARVIN H. GUY, RANCHER, MARSHALL COUNTY, SD

Mr. GUY. I am Herman Guy from Marshall County. I certainly appreciate Senator Daschle and Representative Johnson for having this hearing. I feel that we definitely need the CRP. And what we could do with it and with the next 10 years will depend on how good the information looks here today, and it sure looks like everybody is interested in it. It is just how it should be looked after.

And I am sure that under management, it shouldn't be an expense to the Government. It should be one of the best investments that the Government's ever made where you can hold the land where it is at. It is only the Lord Almighty that can do anything. He can't put the dirt back up or get it out of the ocean or all this. It is certainly under management that we could do it.

And as of now, I know we had a lot of trouble getting it in or a lot of disagreements on what should be right. I spent 30 years on the conservation board myself and know what is right and wrong.

Now, in going in for the next 10 years, just look what you can do with it. It could be available to one thing, that is income to all of us, to everyone in this Nation, whether you are in urban or rural. We only have a limited amount of land and we don't want to lose any more of it.

I live in a range of hills over in the eastern part. If we lose 2 inches, we have lost a lot—even an inch is very important. If we lose 2 inches—and you can do this very easily. And if it does come out, I will guarantee you this, it will all be tore up. And it will only take 1 week to do this, but it took 10 years to build. We have to form our Government to make land pay.

So I urge one other thing. I would like to speak on perpetual easements, I think they should not be advocated and an individual should not have that right to do it. Because we are here today and gone tomorrow. We just use this land; if the land is here, we use it.

It took me 50 years to own mine. Otherwise, I tended it, worked it, labored to work it. I don't think any individual should have a right for perpetual easement. If you do it, you should do it through a hearing.

Senator DASCHLE. Thank you very much.

Let me call upon Congressman Peterson for his closing remarks.

Mr. PETERSON. I think everybody wants to have lunch. I again want to commend you for holding this hearing and for allowing me to be with you, and I look forward to working with you on this issue. Thanks.

Senator DASCHLE. Thank you, Collin.

Congressman Johnson.

Mr. JOHNSON. Again, just very briefly, I want to thank everyone for participating in the hearing, for their insights. We are welcoming additional statements that anyone wants to submit, which will be shared with other members of the Ag Committee and our staffs.

This is, I think, a major portion of the 1995 farm bill debate. I think we need to be thinking now about what it is we want to do with that very important program. And I am encouraged at the breadth of interest demonstrated here today in the CRP and the people who have been contacting me along the way, both as I go around the State and through the mail and phone calls.

We want to work with you and we want to make sure that whatever we do on CRP reflects the perspective of South Dakota producers who are out there and actually have to live with the rules and live with the contracts that are reached. And we want as strong a program as possible. I think we can all benefit by that.

So thanks again for your insights here. Let's continue this dialog as we go on into the farm bill debate.

Senator DASCHLE. I would only reiterate that—much of what Congressman Johnson and Congressman Peterson have said. This is the beginning of what I hope will be is a very significant debate about the direction we take with regard to the conservation reserve program. And I hope that we are guided in part by the realization that our budget is limited, that we must reach out to those nonfarm interests who have to be shown that it is in their interest, as well as ours, to extend this program, that it isn't just an agricultural program but a national program, a national program with very significant implications for nonagricultural entities.

I also take some solace in the recognition this morning of the broad consensus there appears to be with regard to the degree of support for extending the program and reforming the program. We are going to take that to heart. We do hope we can extend it. We do hope we can reform it, and I think that we do hope that in the long term, we can make this a very viable part of farm programs for the long term.

Let me thank my staff and Tim's staff for the excellent job they did in putting all of this together. They are the ones that do all the work and we get the credit oftentimes. They deserve the credit and I want to acknowledge their help in making this a very successful hearing.

With that, the hearing stands adjourned.

[Whereupon, at 12:10 p.m., the subcommittees were adjourned, to reconvene subject to the call of their respective Chairs.]

[Material submitted for inclusion in the record follows:]

STATEMENT BY SECRETARY MIKE ESPY

U.S. DEPARTMENT OF AGRICULTURE

BEFORE THE

SENATE AGRICULTURE SUBCOMMITTEE ON AGRICULTURAL RESEARCH, CONSERVATION, FORESTRY AND GENERAL LEGISLATION

AND

HOUSE AGRICULTURE SUBCOMMITTEE ON ENVIRONMENT, CREDIT AND RURAL DEVELOPMENT

SEPTEMBER 1, 1994

Messrs. Chairman and Members of the Subcommittees, I am happy to be here with you today in South Dakota, to discuss the future of the Conservation Reserve Program (CRP). I am very interested in learning what South Dakotans, and North Dakotans as well, think should happen to the CRP after current contracts expire.

I would first like to emphasize that the Department believes the CRP has been a tremendously beneficial program for producers and the general public. The CRP has saved soil; expanded wildlife habitat and populations; improved soil, air, and water quality; enhanced wetlands; and encouraged tree plantings. At the same time, it has reduced deficiency payments, strengthened farm income, and helped balance supply and demand. The program has also provided a transition period to assist farmers in meeting conservation compliance requirements. Given its success and popularity, the CRP will play an important role in the 1995 Farm Bill debate.

The first CRP contracts, covering roughly 2 million acres, will expire on September 30, 1995, probably prior to passage of the 1995 Farm Bill. CRP contracts covering 22 million acres will expire in 1996 and 1997. When contracts expire, the acreage will be available for its previous use as cropland, the existing forage will be available for commercial use, and the enrolled base will be eligible for annual commodity program participation. However, it should be noted that current statutory provisions allow crop acreage bases, quotas, and allotments on farms enrolled in the CRP to continue to be protected with limited use after contracts expire if the participant agrees to terms to keep the land in conserving uses that maintain adequate vegetative cover. We continue to study our options in this regard as the new farm bill approaches.

Conservation compliance provisions of the Food Security Act of 1985, as amended, will help to control soil erosion on most CRP acres that would return to crop production if the CRP is not extended. Despite conservation Compliance provisions, the 1999 soil erosion could increase an estimated 126 million tons per year compared with projected levels for 1995, if coordinated efforts to continue protection of the most environmentally sensitive CRP lands into the future are not pursued. Conservation compliance, while effective in limiting greater possible increases in soil erosion, may be slightly less effective in protecting water quality and certain types of wildlife habitat.

In order to provide Congress, USDA, and the public maximum flexibility in continuing the CRP in the 1995 Farm Bill, the Department believes the most appropriate course of action at this time would be to offer holders of contracts that expire on September 30, 1995, the opportunity to modify the contracts to extend the expiration date for a period of 1 year. This action will provide a simple, straightforward bridge to allow participation by these participants in CRP policies that will be included in the 1995 Farm

Bill. It would also allow the widest participation by Congress, farmers, interest groups, and the general public in determining policies affecting future use and protection of CRP acreage.

The Administrations FY 1995 July Mid-Session Review Budget made a technical correction to the CRP baseline. The President's FY 1995 February Budget showed that, as contracts begin to expire in FY 1995, no new acres are added to the CRP. The Budget Enforcement Act (BEA), however, requires that mandatory programs with outlays of greater than $50 million shall not be assumed to expire in the baseline. This provision of the BEA requires the Administration to maintain a functioning CRP in the baseline. Therefore, the current services baseline now reflects a program that maintains a 38 million acre base in CRP (annual sign-ups equal to expiring acres). As a result, Mid-Session CRP outlays increase by $3.9 billion through FY 1999 over the February Budget.

Currently, there are about 36.4 million acres that have been enrolled in the program, involving about 23.3 million commodity program crop acreage bases including crop acreage bases for wheat (10.4 million acres), corn (4.3 million acres), and barley (2.8 million acres). Soil erosion has been reduced by nearly 700 million tons per year, or 19 tons per acre per year, compared with conditions that existed in 1985. This represents a 22-percent decline in U.S. cropland erosion.

Although the CRP selection process did not specifically focus on wildlife habitat protection, acreage in the CRP provides significant wildlife benefits. According to Ducks Unlimited, the CRP is making a positive difference in waterfowl populations. For example, in North Dakota, waterfowl nesting success has tripled on CRP acreage within the prairie pothole region. Also, other bird populations have reversed their declines in northern prairie States as a result of the CRP. The CRP is also rebuilding threatened and endangered species populations in Idaho and Colorado.

CRP program participants currently receive approximately $1.8 billion annually in rental payments. Over the entire period of existing CRP contracts, the program will have provided farmers with $20.4 billion in rental payments and cost-share assistance for vegetative cover establishment.

As you know, the CRP has been very popular with farmers in both North and South Dakota, resulting in the enrollment of over 5.3 million acres in the program with the farmers currently receiving about $210 million annually in CRP rental payments. It is clear that the fate of the CRP is quite important to producers in this area of the country. In addition, the U.S. Fish and Wildlife Service has indicated that in North and South Dakota, as well as other States, the CRP has been enormously beneficial to populations of waterfowl, upland game species, and song birds.

Given its success and the wide variety of benefits it provides, the continuation of the CRP will be one of USDA's top priorities during the 1995 Farm Bill discussion. We plan to work closely with the Congress and all interested parties to continue the CRP in order to meet our conservation, wildlife, and agricultural objectives in the 1995 Farm Bill.

I appreciate the opportunity to testify today and I will be happy to respond to your questions.

TESTIMONY OF
LELAND SWENSON

President of the
NATIONAL FARMERS UNION

Chairman Daschle and Chairman Johnson, my name is Leland Swenson. As president of the National Farmers Union, I want to thank you for the opportunity to appear before you today on behalf of more than 250,000 National Farmers Union members across this country. National Farmers Union is pleased with the format you have chosen--we hope the open microphone later in the hearing will give individuals who have their own interests in the future of the Conservation Reserve program ample time to share their views with the subcommittees.

The future of the Conservation Reserve Program (CRP) is a critical component of the 1995 farm bill and future farm bills. Since the CRP's inception in 1985, it has also become a well-received and critical component in the livelihood of thousands of farmers across the United States. Just as importantly, the CRP has established itself as a key component in the environmental framework of this nation. In all my years of involvement in farming and farm policymaking, I have never seen another government farm program win such great acceptance among such a wide range of people, from the most ardent environmentalists to the most independent farmers and ranchers.

The 1994 Policy Manual of the National Farmers Union, which is developed from resolutions approved by thousands of participants in local and county Farmers Union conventions, gives a clear indication of the importance National Farmers Union (NFU) places on the current CRP and its future. For purposes of today's hearing, I submit the most important statements in our policy. They read as follows: **"IN EXTENDING THE CONSERVATION RESERVE PROGRAM AND CRP CONTRACTS, WE RECOMMEND THAT THE PROGRAM BE BETTER FOCUSED TO SERVE THE NEEDS OF FAMILY FARMERS AND RANCHERS AND TO PROTECT HIGHLY ERODIBLE AND OTHER ENVIRONMENTALLY SENSITIVE LANDS ... WE FAVOR CRP CONTRACTS AND CONTRACT EXTENSIONS FOR PERIODS OF NOT LESS THAN 10 YEARS. WE FAVOR PROGRAMS WHICH MAINTAIN CRP LANDS IN PRIVATE OWNERSHIP IN THE HANDS OF RESIDENT FAMILY FARM AND RANCH OPERATORS."**

NFU also urges that those who hold expiring contracts have the right to rebid and accept new contracts.

These facts and overall NFU policy caused us to develop an internal working group to study possible components of the 1995 farm bill debate. While the working group was meant to focus on an area broader than that of just the CRP, it became clear this program was going to take the bulk of the group's time and energy. The fact is, the CRP is the only part of the two previous farm bills which has gained such wide acceptance and, therefore, significant concern about its future.

For us in the agriculture community, and in NFU in particular, the most pressing CRP needs are for an extension of the contracts which will be expiring in 1995, and a requirement that the Congressional Budget Office (CBO) include in its budget baseline the funding levels needed to continue the CRP. If these two needs are not met, the CRP will not survive.

Fortunately, Agriculture Secretary Mike Espy and others have seen the value of the CRP program and have become strong supporters. Secretary Espy has used his authority to extend the oldest contracts for one year. We commend him for that action.

As for the CBO budget hurdle, NFU and representatives of more than 20 other agriculture groups on August 25, 1994, delivered a letter (see attachment) to Secretary Espy and met with him about convincing the CBO that funding for CRP reauthorization MUST be included in the CBO baseline. Secretary Espy assured all present that negotiations between USDA and the CBO were underway and that if the CBO would not move on the CRP issue, the secretary would assess his other options. The groups pledged to assist Secretary Espy in every possible way.

We ask that you aid in convincing the CBO that funding for the CRP belongs in their baseline. NFU pledges to support you in this endeavor, and I am sure I speak for the other organizations who attended the recent meeting with Secretary Espy when I make this pledge.

While the budget baseline is essential to the future of the CRP, the program itself has been referred to by some as the nation's environmental base. While it has been documented that the CRP has provided a stable income base for many program participants, reduced federal outlays for deficiency payments, and stabilized levels of production, other benefits of the CRP are at best estimated rather than documented and at times unacknowledged. That is unfortunate, because if these unheralded benefits could be more accurately quantified, the CRP would likely be more widely considered one of the best investments of U.S. tax dollars available.

If we could only put a financial value on the soil that stays on the land instead of becoming sediment in our lakes and streams, a result which adversely affects navigation and wildlife, that value would likely be in the billions of dollars. If we could put a monetary value on the CRP improvements seen in water quality in lakes and streams as well as in wells and aquifers, that value would be in the billions of dollars. If we could appraise the value of tons of carbon cleaned from the air and sequestered in the soil and the tons of oxygen produced by 38 million acres of green grass and trees, that value would likely be in the billions of dollars. The potential for biomass production which can be developed from these acres would be worth millions, possibly billions, of dollars within a few years. And what would be the worth of the wildlife enhancement which has taken place and the revenues from hunting, fishing and tourism which have resulted from the CRP?

I point these things out for several reasons, but the main reason is there is a pervasive view the CRP is a farm program that should be paid for by budget cuts in other farm programs. **NATIONAL FARMERS UNION DOES NOT ACCEPT THAT PREMISE.**

That premise would assume that robbing Peter to pay Paul is good government policy. The result of that premise is lower net farm income at a time when the American family farmer needs all the income stability he or she can get, especially when one considers the uncertainties related to the current and pending trade legislation.

There are a number of other premises which are acceptable.

It is assumed that a reauthorized CRP would be somewhat different form the current version.

An initial point is taxpayers should get the best possible return for their investment. That would mean that land which does not meet Highly Erodible Land (HEL) guidelines should not be in the CRP unless other circumstances override those guidelines, such as water quality enhancement or reduced runoff. **The criteria for a new CRP should include targeting to the most erodible land and to the most valuable wetlands.**

NFU supports that suggestion, with the following caveat: If some of the land in an enrolled field or farm does not qualify as HEL and is no longer accepted into the program, this unaccepted land must constitute a viable field to the current operator. If it is too small for his current machinery, if its boundaries are extremely serpentine, or if its proximity to his other land makes it nonviable, the farmer should have the choice to re-enroll it, redraw the boundaries, or farm it.

The next point is that the targeting benefits of the CRP should be both financial and environmental. This would require a careful analysis of cropland rental in local areas. It should consider ALL types and aspects of land rental from cash rent to share crop. The operating costs as related to the rate of return from commodities produced from marginal to high quality land must be considered, keeping in mind that marginal and high quality land can exist in the same field. In studying this, ALL land characteristics must be included, even those items which go beyond actual soil quality and extend to the value a parcel of land to the individual landowner and current operator, including field viability.

To ensure a high level of integrity inherent in a new CRP is established, NFU suggests interested parties from all sides have input. The environmental community as well as agricultural interests should be included in discussions.

Since the inception of the 1985 Farm Bill, American farmers have provided an ever-increasing level of environmental enhancement----with the help of programs like the CRP.

America's family farmers will continue to provide the above, **BUT THEY CANNOT BE EXPECTED TO DO ALL THIS AND PAY FOR IT FROM THEIR OWN MEAGER PROFITS.**

In conclusion, we note the environmental benefits provided by American family farmers enhance the lives of every American and the lives of many people beyond U. S. borders. Every person who benefits from these good environmental practices--farmers included--must be expected to pay for those benefits, regardless of location, occupation, or area of interest in political matters.

Farmers should not see reductions in the level of compensation they receive from CRP contracts only to reduce government outlays. Any reductions should be related to the value of the land in the program.

National Farmers Union is here to work with you on the premise of fairness.

Thank you, and I will gladly answer questions.

(Attachments follow:)

August 25, 1994

The Honorable Mike Espy, Secretary
U.S. Department of Agriculture
Washington, D.C. 20250

Dear Mr. Secretary:

The undersigned organizations join in expressing concern about future funding for the Conservation Reserve Program (CRP). While many of our groups are still considering exactly how the CRP should be operated in the future, we come together united today to ask you to take immediate steps so that we might have the flexibility to work together on long-term reauthorization of the CRP in the 1995 Farm Bill.

As you are aware, unlike the Office of Management and Budget (OMB), the Congressional Budget Office (CBO) has not adjusted its baseline projections to take into account a future CRP. Consequently, there is no baseline provided for Congress to extend contracts or authorize new sign-ups because CBO assumes that the CRP disappears as contracts expire, starting in September 1995.

Unless CBO adjusts its baseline, any new spending authorized by Congress for contract extensions or new CRP sign-ups must be offset. If this occurs, Congress may be forced to further cut already reduced agriculture programs by as much as $13 billion to continue the CRP at current levels. (See Chart 1)

CBO officials recently stated that the agency will adjust its baseline only if the Administration takes the following steps:

- Makes a clear and unequivocal statement of its intent to extend CRP contracts. This must be more than a one-year extension of expiring contracts. Intent to extend future expiring contracts is required in order to retain the CRP funding baseline in the out years. This statement must provide CBO with enough detail to enable it to estimate the number of acres which will be extended under current authority.

- Along with the above-mentioned statement, definitive action to offer and accept bids to extend the two million acres scheduled to expire in 1995 for an additional 10 years must occur immediately in order for CBO to include these levels in its February 1995 baseline. CBO testified that simply making a general policy statement concerning CRP is not enough.

Additional charts attached to this letter clearly show why agriculture cannot afford to lose the funds invested in CRP. We urge your swift action to preserve these dollars for agriculture. Thank you for considering our views. We pledge our assistance as we work together to benefit agriculture and rural America.

Sincerely,

American Corn Growers Association
American Soybean Association
National Assn. of Wheat Growers
National Cattlemen's Assn.
National Corn Growers Assn.
National Grange
Texas Corn Growers Association
American Farm Bureau Federation
Communicating for Agriculture
National Association of Farmer-Elected Committeemen
National Family Farm Coalition
National Milk Producers Federation
American Sheep Industry Assn.
National Assn. of Barley Growers
National Cotton Council
National Council of Farmer Coops
National Farmers Union
National Pork Producers Council

CHART 1

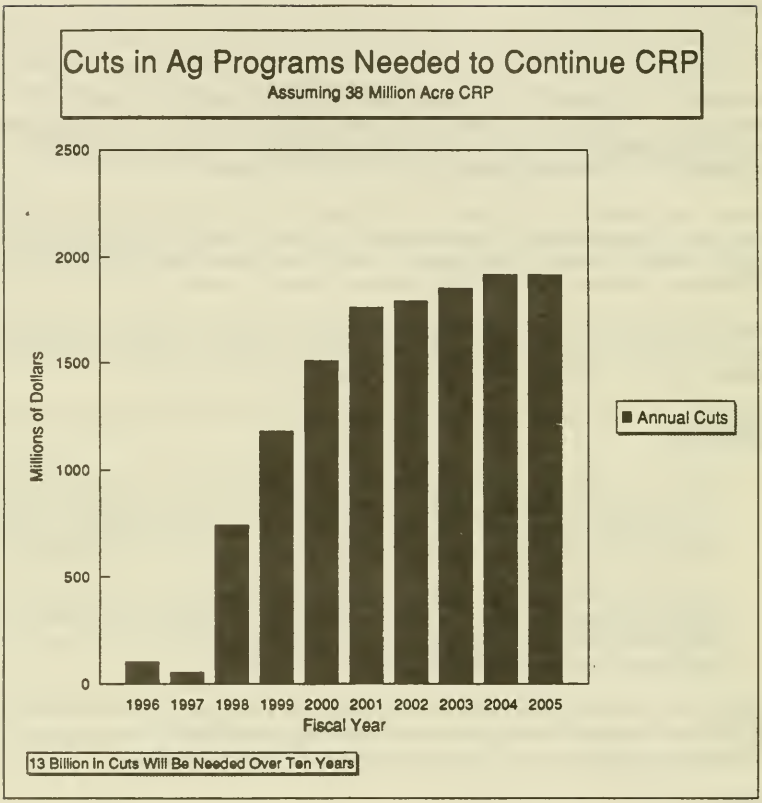

Cuts in Ag Programs Needed to Continue CRP
Assuming 38 Million Acre CRP
2500
2000
1500
1000
500
0
Millions of Dollars
1996 1997 1998 1999 2000 2001 2002 2003 2004 2005
Fiscal Year
Annual Cuts
13 Billion in Cuts Will Be Needed Over Ten Years

CHART 2

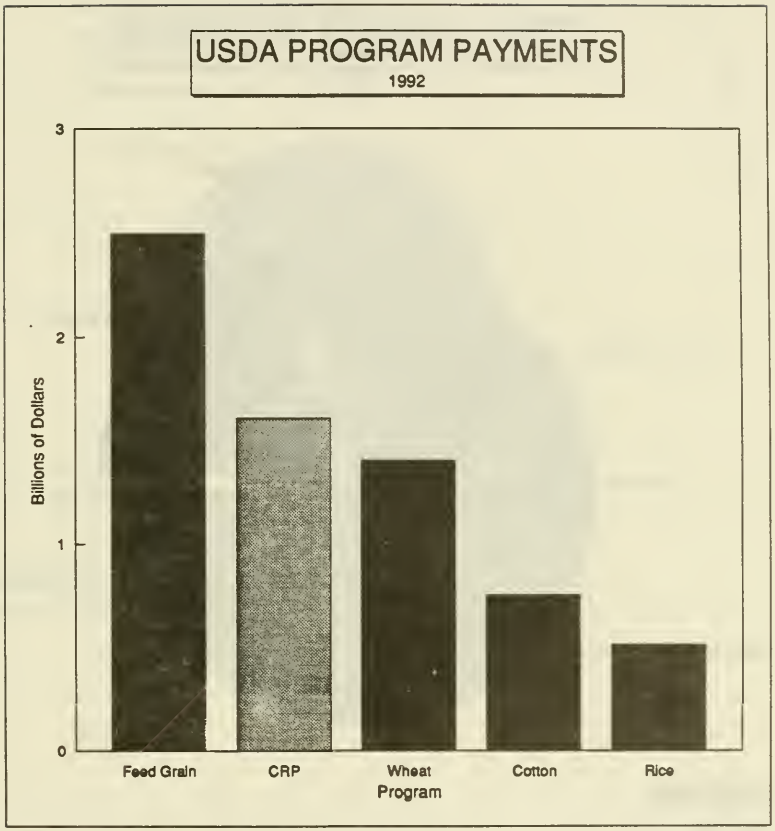

USDA PROGRAM PAYMENTS
1992
Billions of Dollars
3
2
1
0
Feed Grain
CRP
Wheat
Cotton
Rice
Program

CHART 3

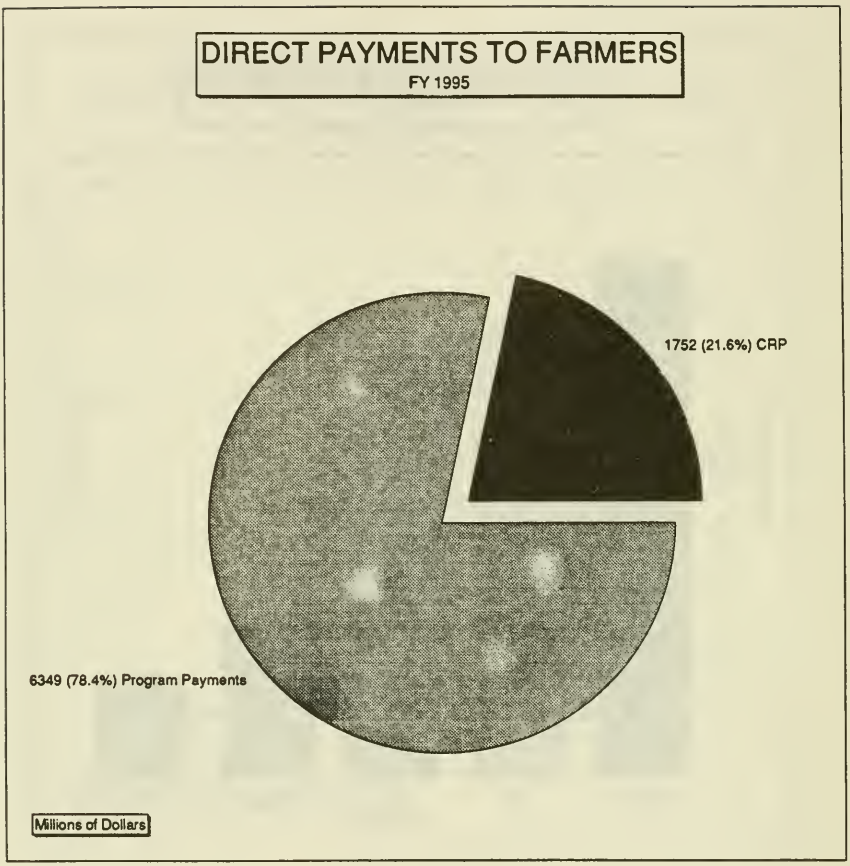
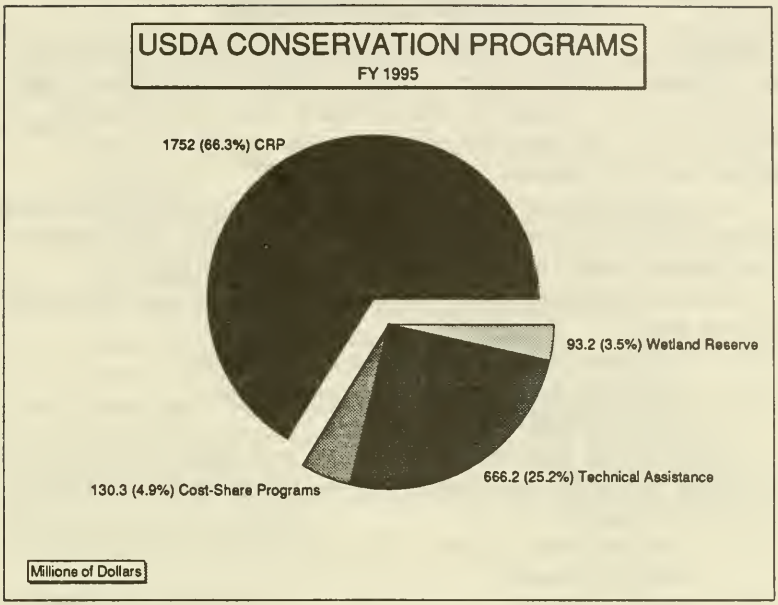

DIRECT PAYMENTS TO FARMERS
FY 1995
1752 (21.6%) CRP
6349 (78.4%) Program Payments
Millions of Dollars

CHART 4


USDA CONSERVATION PROGRAMS
FY 1995
1752 (66.3%) CRP
93.2 (3.5%) Wetland Reserve
666.2 (25.2%) Technical Assistance
130.3 (4.9%) Cost-Share Programs
Millions of Dollars

CONSERVATION RESERVE PROGRAM
Testimony by
Dr. David A. Bryant
Dean, College of Agriculture and Biological Sciences
South Dakota State University

DR. BRYANT: Senator Daschle, Congressman Johnson, Secretary Espy, friends of agriculture. It's a pleasure to be here today to summarize the findings of South Dakota State University's research on how CRP contract holders would use land if the program were not renewed.

Our study involved a survey of 556 South Dakota CRP contract holders. These CRP contracts cover 181,000 acres, or 9 percent of the nearly 2 million acres enrolled in South Dakota.

We asked producers about their post-CRP land use intentions and found that:

* 52% would convert CRP acres to cropland;
* 29% would keep the acres as grassland;
* 19% were undecided.

We also found that several economic and public policy factors may influence and possibly change producers actual post-CRP land use decisions.

1) 62% said that market price of crops vs. livestock was very important;
2) 56% said that the expected costs of crop production on CRP lands was very important;
3) 46% said the cost of soil conservation practices was very important;
4) and, 45% said Federal crop program provisions were very important.

Other very important factors included:

* the availability of cost-sharing programs for soil conservation compliance - 40%;
* promoting wildlife habitat - 38%;
* and, making CRP lands suitable for livestock grazing - 41%.

The expected selling price of CRP land or retirement from farming/ranching were very important factors to nearly 27% of respondents.

We found that the decision of what to do with the land will also be based on the economic costs, returns and risks prevailing at the time their contracts expire. However, their decision will be greatly influenced by public policies related to CRP lands, including:

1) provisions for renewal of CRP contracts and available funding;
2) availability and adequate funding of cost-sharing programs that can be used to assist post-CRP land use conversion;
3) incentives for use of CRP crop base acres;
4) and, conservation compliance requirements applicable to CRP acres.

Our scientists have been studying the management of CRP land for agricultural production, economic benefit to farmers and ranchers, and consideration of other natural resource values. I've asked our Ag Experiment Station Director, Dr. Fred Cholick, to summarize their findings.

(Attachments follow:)

Conservation Reserve Program
Testimony by
Dr. Fred A. Cholick
Director, Agricultural Experiment Station
South Dakota State University

Protection of natural resources and the maintenance of an agricultural system for the production of food and fiber are required for the long-term security and prosperity of our nation. The CRP program has reduced environmental degradation and has helped to maintain land productivity for future generations, but this program must be viewed as part of an overall package of maintaining our agricultural productivity. Permanent sustainable programs are needed to accomplish this long-term objective. Just as we would not expect a car to be maintained with a single trip to the garage, we cannot expect a single or temporary conservation program to sustain our resources.

The CRP program was targeted at highly erodible lands. Much of this land, if returned to production using prior practices, will again degrade, resulting in negative environmental impact and reduced agricultural productivity in the future. The present CRP program is not sustainable without changes, but it is critical that we maintain the concept.

The Great Plains Agricultural Council has developed a document, "Future Use of Conservation Reserve Program Lands in the Great Plains", which addresses issues and recommendations. This document developed by the land grant university and federal agencies in the Great Plains outlines approaches for maintaining the concepts of conserving our natural resources, targeting sensitive lands and taking the economic sustainable approach.

Two general problems associated with the implementation of future policy scenarios are: 1) the identification of extremely sensitive lands that are not amenable to crop production with existing technology; and 2) the development and refinement of conservation technology for use on CRP lands that will be returned to crop production.

The following highlight some on-going research being conducted through the South Dakota Agricultural Experiment Station (SDAES) that is designed to address these problems. First, it is important to note these are cooperative projects that cross disciplines and agencies within the region.

South Dakota is unique in that we have a high percentage of wetlands relative to other states in the Great Plains. An ongoing project is developing a Geographic Information System (GIS) to be used as part of a decision-support system to identify sensitive lands, emphasizing the linkage of groundwater via wetlands. The present system overlays maps of CRP tracts, wetlands, and the Big Sioux Aquifer. We hope to expand the system to develop information based on agronomic, wildlife and economic considerations.

An initial study was conducted from 1989-1993 in Eastern South Dakota to evaluate selected production practices on land being returned to production coming out of a simulated CRP situation. The cooperative project involved researchers from SDSU, the North Central Soil and Water Conservation Laboratory, USDA/ARS (Morris, Minnesota), USDA/ASCS, USDA/SCS and West Central Experiment Farm (U of M), and was part of a North Central Region project on soil erosion/productivity. This research demonstrated that no-till into killed sod was an effective technology for reducing soil and water losses and an economical option in returning CRP land to production. Conversely, conventional tillage practices resulted in immediate increases in soil and water losses. However, the continuous corn rotation used resulted in a steady loss of surface residue and a reduction in below-ground biomass over the course of the study. In order for no-till technology to promote sustained production with minimal loss of soil and water, it will be required that rotations be developed with this technology for a given production region.

A new project is now being established that expands the objectives and scope of the initial project and utilizes CRP lands. This project is being conducted cooperatively with the same organizations with the addition of the Cooperative Extension Service - SDSU. The project concentrates on evaluating soil management systems for use after CRP contracts expire, investigating soil properties in relation to local biostress (water availability, soil degradation) and properties that have global biostress implications (global warming through carbon dioxide release). Sites were selected that span three climatic production regions in the Northern Great Plains. Study sites are located at Morris, MN; Presho, SD; and Rapid City, SD, representing traditional corn-soybean to winter wheat production systems. An evaluation of rotations in no-till more complex than mono-cropping are included.

There appear to be differences in the amount and quality of residue cover and their impact on soil properties depending on the type of rotation used in no-till. This preliminary information is suggested by an ongoing study being conducted by the Dakota Lakes Research Station and funded in part by the SD Wheat Commission. Not all no-till systems will work

equally well to minimize the effects of crop production on the environment after CRP. Additional work is needed to refine and adapt this promising technology for use in post-CRP crop production systems as well as our ongoing conservation efforts.

Region-oriented research is also being conducted to investigate the economic and socio-economic implications of present and potential post-CRP programs. These are essential factors that must be considered when developing conservation programs.

There is also a need to provide information about residue management, conservation compliance, and post-CRP crop production systems to the producer. Dr. William C. Moldenhauer (former National Erosion Laboratory director), working through an arrangement with SDAES for USDA/ARS, has provided the leadership in developing publications on residue management designed to be used by USDA/SCS and extension personnel for conservation compliance. The chapters within this publication describe the current residue management technology available to individuals within each of six regions of the United States. These publications serve as a guide to current state-of-the-art residue management. However, significant gaps exist in our understanding of how these technologies apply to post-CRP production systems.

These projects are designed to quantify the effects of conservation management strategies on sensitive land. Quantification of effects is needed in order to make progress in the application of appropriate soil management practices for post-CRP management and as part of sustaining the productivity of agriculture.

ECONOMICS
COMMENTATOR

SOUTH DAKOTA STATE UNIVERSITY
No. 338 July 8, 1994

CONSERVATION RESERVE PROGRAM LAND USE DECISIONS IN SOUTH DAKOTA

by

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The Conservation Reserve Program (CRP), authorized in the Food Security Act of 1985, was enacted with the goal of removing highly erodible and some other environmentally sensitive cropland from production. In this voluntary program, landowners with qualifying cropland could submit bids during various signup periods. CRP landowners (contract holders) received annual payments for 10 years to remove land from crop production and convert it to a conserving use.

Major questions surround post-contract land use decisions of land managers controlling 36 million acres of Conservation Reserve Program (CRP) lands in the United States during the 1996 - 2001 release dates. The decisions of CRP contract holders will impact various crop and livestock commodity markets, farm-level costs and returns, environmental (soil erosion and water) quality, wildlife habitat, and the overall economic well being of many local communities. The greatest regional impacts will occur in the Great Plains states, including South Dakota, where most of the CRP land acres are located.

This report is focused on: (1) key characteristics of CRP contract holders and their CRP contracts, and (2) the post-CRP land use and land management intentions of South Dakota contract holders. The major data source is a 1993 CRP survey mailed to a random sample of 8.3% of South Dakota CRP contract holders. The survey was completed by 556 persons controlling 181,000 CRP acres, 9% of the nearly 2 million South Dakota cropland acres enrolled in CRP. Policy options for the Conservation Reserve Program in 1995 farm legislation will be discussed in a future issue of the Economics Commentator.

RESPONDENT / CRP CONTRACT CHARACTERISTICS

Most South Dakota CRP contract holders are land owners and farm operators; they will be the main decision makers about post-CRP contract land uses. The principal occupation of most South Dakota CRP contract holders (61% of respondents) is farming or ranching. Approximately 21% are retired and the remainder are working in a nonfarm business or occupation. Farmers and ranchers control at least two-thirds of CRP acres.

South Dakota CRP contract holders are well educated, with 85% having completed high school or above. Nearly 50% have some post-high school education and 29% have completed a college degree. The distribution of reported family household income is similar to the Census reported distribution of household income among all South Dakota families.

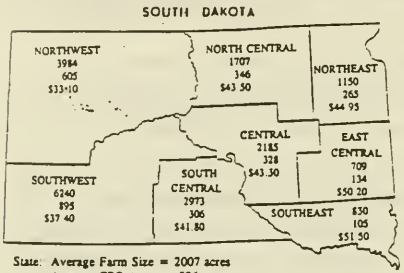
In general, CRP contract holders are older than the average farmer or business person. The average and median age of CRP respondents is 56 years, compared to 49 years for all South Dakota farmers. Only one-fourth of CRP respondents are 20 - 44 years old, while 29% are 65 to 87 years of age.

Land under CRP Contracts

Respondents tend to operate larger than average size farms and their CRP acres are only a modest proportion of total farm acres. Respondents owned or leased an average of 2,007 acres of South Dakota farm/ranch land, including 326 acres of CRP lands, 680 acres of other cropland, and nearly 1,000 acres of pasture, range, or other land uses. Respondents control 181,000 acres of CRP land, or 9% of SD CRP acres.

Respondents with CRP contracts in the southwest region of the State operate the largest average farm size (6,240 acres) and the largest average number of CRP acres (895 acres). The southeast region has the smallest average number of CRP acres (105 acres) and has an average farm size of 830 acres per respondent (Figure 1). The largest portion of CRP acres (43%) are located in northeast and north central SD. Forty one percent of the CRP acres are located west of the Missouri River.

Figure 1. Distribution of Average Farm Size, Average Number of CRP Acres and Average CRP Payment per Acre by Region, South Dakota CRP Respondents, 1993.



State: Average Farm Size = 2007 acres
Average CRP Acres = 326 acres
Average CRP Payment = $44/acre

Source: 1993 South Dakota CRP Survey.

CRP Payment Rates

The statewide average CRP payment per respondent is $44.00 per acre, as compared to a statewide average cash rental rate on non-CRP cropland of $30.50 in 1993. The eastern regions of South Dakota have the highest average CRP rental rates ($44.95 or more), followed by the central ($41.80 or more) and western ($33.10 or more) regions (Figure 1).

Cash rental rates are a relatively good measure of current returns to agricultural land. CRP payments per acre greatly exceed cash rental rates for rangeland in all regions and exceed cropland cash rental rates in western and central regions of South Dakota (see Economics Commentator June 20 issue #337 for the most recent data on cash rental rates). If cash rental rates at the time of CRP contract expiration are close to present cropland cash rental rates, either of two cases may result: (1) CRP contract holders may prefer to extend their CRP contracts, if this policy option is available, or (2) if they return their CRP acres to agricultural production, cash rental rates for cropland and rangeland may decline in some areas, with a subsequent reduction in agricultural land values.

Land Capability Class of CRP Contracts

Land Capability Class (LCC) is a major determinant of the agricultural uses that can be soundly applied to the land. The land capability class of CRP acres is an indicator of the ease of converting CRP acres to cropland. Nearly 22% of respondent CRP acres are in LCC I or II, with few or moderate limitations for conversion to crop production. Almost 42% of CRP acres are Class III lands which have considerable limitations for crop production or require special conservation practices or both. Another 23% of CRP acres are primarily Class IV lands with very severe limitations for cropland use, and 13% of CRP acres (Class V, VI, or VII) should not be used as cropland.

Most CRP tracts have highly erodible lands, while some CRP contracts in the central, north central, northeast and east central regions have considerable amounts of enrolled wetland acres. The Soil Conservation Service (SCS) estimates that the average reduction in soil erosion on respondents' CRP lands is 10.6 tons/acre/year. The most highly erodible land is located in the southwest and southeast regions, with an average of 13 - 14 tons/acre/year net erosion reduction.

Conservation Practices and Existing Improvements on CRP Lands

Four major conservation practices were adopted and cost-shared on South Dakota CRP acres: (1) permanent and introduced grasses, (2) permanent wildlife habitat, (2) native grasses, and (4) vegetative cover. The predominant conservation practices in South Dakota are permanent and introduced grass and permanent wildlife habitat (85% of respondent CRP acres). Alfalfa - tame grass mixtures are reported as the vegetative cover on three-fifths of respondent CRP acres.

Respondents were asked about the presence of fences, water sources, and other improvements on their CRP contract acres. A total of 453 of 556 respondents answered this question. More than half indicated that they have fences on their CRP lands. Another 34% said they have waterways, followed by 29% reporting sl elterbelts/windbreaks and 28% reporting livestock water sources.

POST-CRP LAND USE MANAGEMENT PLANS

A summary of post-CRP land use intentions of 556 respondents controlling 181,000 CRP acres indicates 52% of CRP acres will be converted to cropland, 29% of CRP acres will remain as grassland, and projected land use of 19% of CRP acres is uncertain (Table 1). For the 496 respondents with specific intentions, 32% plan to convert all of their CRP lands to cropland, 28% plan to keep all CRP land as grassland, while 40% plan to use about three-fifths of their CRP acres for cropland and retain two-fifths of their CRP acres in grassland.

Table 1. Post-CRP Land Use Intentions by Region, South Dakota, 1993.

Region	Respondent CRP Acres (1000)	Post-CRP Intended Land Use		
		Crop	Grass	Uncertain
		--- % of CRP acres ---		
Eastern	47.7	66%	23%	11%
Central	79.9	57%	30%	13%
Western	53.4	31%	34%	35%
State	181.0	52%	29%	19%

Eastern = southeast, east central and northeast regions
Central = south central, central, and north central regions
Western = southwest and northwest regions
Source: 1993 South Dakota CRP Survey.

There are major regional differences in CRP land use intentions. For example, respondents intend to convert 66% of their CRP acres in eastern South Dakota to cropland, compared to only 31% of CRP acres in western South Dakota. Respondents in the western regions intend to retain a higher proportion of CRP acres in permanent pasture or are "uncertain" about land uses that will meet conservation compliance requirements.

There are modest differences in CRP land use intentions by land class. Sixty nine percent of CRP acres intended for cropland use are in land capability classes I-III, compared to 57% of CRP acres intended for grassland use. Thirty one percent of CRP acres intended for cropland use and 43% of CRP acres intended for grassland use are in land capability classes IV-VII.

Cropland Use and Management Considerations

Cropland tillage practices intended for post-CRP cropland include chisel plow tillage (61% of cropland use respondents), some no-till farming (26%), other conservation tillage methods (12%) and moldboard plow tillage (30%). Moldboard plow use is favored in much of eastern SD and some of it is only intended for initial tillage of the sod.

Conservation practices expected to be used by more than one-fourth of cropland use respondents include crop rotations (28%) and grass waterways (32%). Another 12% of these respondents, located in central and western regions, plan to use windstrip cropping practices. Very few cropland use respondents plan to use contour farming (7%) or terraces (3%).

A majority of CRP acres (51%) planned for crop production are intended for wheat production. Another 16% of post-CRP cropland acres are intended for corn production, while the remaining 33% are intended for other crops.

Almost all respondents have some Federal crop program base acres on their CRP lands. Fifty eight percent of respondent CRP acres (105 of 181 thousand acres) are crop base reduction acres. Thirty one percent of respondents with a high proportion of crop base acres (68%) on their CRP land intend to return most of their CRP acres to crop production to maintain their total farm program crop base. Another 10% of respondents (with a much smaller number of and percent of CRP crop base acres) intend to use all of their CRP crop base acres to meet set aside and/or normal flexible acres requirements, if permitted. Overall, the extent of crop base acres on CRP lands is an important consideration to a majority of the 370 respondents intending to return some or all of their CRP acres to crop production.

Results from various statistical analyses indicate respondents with CRP lands in eastern SD, with a higher proportion of crop base acres, and with a greater reliance on Federal commodity programs are more likely to convert their CRP lands to cropland, after contract expiration.

Grassland Use and Management Considerations

Two-thirds (334 of 496) of respondents with post-CRP land use intentions plan to keep some of their CRP acres in grass production. Grassland is the intended post-contract use of 29% of respondent CRP acres, with 51% of the planned grassland acres located in western South Dakota. Most of these respondents intend to use the grassland for livestock grazing and/or hay production. Nearly 45% plan to manage some of their grassland acres for improving wildlife habitat.

All respondents were asked to evaluate the suitability of their CRP lands for livestock grazing. Nearly 30% of the 536 respondents answering these questions indicated their CRP land is ready for grazing. Almost 65% of respondents said some or all of the necessary fences need to be built, and 40% indicated e: isting fences need repair before their CRP lands would be suitable for livestock grazing. Nearly 48% stated that a livestock water source needs to be established, while 18% indicated an existing water source needs repair before their CRP lands would be suitable for livestock grazing.

Results from various statistical analyses indicate that respondents' post-CRP grassland use intention is significantly ($p <= 0.05$) related to ownership of hay equipment and to their assessment of suitability of CRP lands for livestock grazing. Five-sixths (84%) of

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respondents reporting their CRP lands are ready for grazing intend to use their CRP lands for livestock grazing. By comparison, only three-fifths of contract holders reporting fences need to be built or water sources need to be established plan to use some of their CRP land for pasture after contract expiration.

Important Factors that may Influence or Change Post-CRP Land Use Intentions

Respondent contract holders indicated that several economic and public policy factors will influence and may possibly CHANGE their post-CRP land use decisions from their current intentions. The most important factors influencing respondents' actual land use decisions are: (1) market prices of crops vs. livestock (62% stated this factor was very important), (2) expected costs of crop production on CRP lands (56%), (3) cost of soil conservation practices (46%), and (4) Federal crop program provisions (45%). Availability of cost-sharing programs for soil conservation compliance, promoting wildlife habitat, or making CRP lands suitable for livestock grazing were "very important" factors to 40%, 38% and 41%, respectively, of respondents. Expected selling price of CRP land or retirement from farming / ranching were "very important" factors to nearly 27% of respondents.

SELECTED IMPLICATIONS

Respondents to CRP surveys in South Dakota (and in other States) indicate plans to return a majority of CRP acres to cropland after their contracts expire. Economic costs, returns and risks prevailing at the time their CRP contracts expire will have the greatest influence on their ACTUAL post-CRP land use decision.

However economic costs, returns and risks associated with alternative post-CRP land use decisions will be greatly influenced by public policies related to CRP lands. The public policy factors that are important to these land use decisions include: (1) provisions for renewal of CRP contracts and available funding, (2) availability and adequate funding of cost-sharing programs that can be used to assist post-CRP land use conversion, (3) incentives for use of CRP crop base acres, and (4) conservation compliance requirements applicable to CRP lands.

Regardless of public policy outcomes concerning the future of CRP, applied management research and education programs targeted to post-CRP land use decision should have high payoffs to society over the next 5-7 years.

We wish to thank all respondents to the South Dakota CRP Survey for their contribution to this project. For more detailed information, readers are encouraged to contact the SDSU Economics Department for Economics Staff Paper 94-3: Factors Influencing Post-Contract CRP Land Use Decisions in South Dakota.

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ECONOMICS
COMMENTATOR

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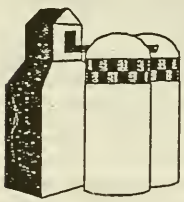
475 copies of this newsletter were produced at a cost of less than $100

FUTURE USE OF CONSERVATION RESERVE PROGRAM LANDS IN THE GREAT PLAINS



Great Plains Agricultural Council
Task Force on the
Future Use of CRP Lands

Richard T. Clark, Editor
University of Nebraska
March, 1994

EXECUTIVE SUMMARY

"The Soil Bank has inestimable portents for the future because much land in reserve will become retired from food and fiber production indefinitely and will serve more immediate needs for wildlife habitat and outdoor recreation" (Parson, 1964, p. 149).

Problem

The above statement, made with respect to the Soil Bank of the 50s and 60s, could have been made for the current Conservation Reserve Program. Many had similar expectations for the CRP which has enrolled over 36 million acres of land nationwide.

The Great Plains States contain over 20 million acres or 55 percent of the CRP land. In 21 percent of Great Plains counties, CRP enrollment equals or exceeds 25 percent of the total cropland. The contracts under which the land was enrolled begin expiring in 1995 and will continue to expire for an additional seven years unless Congress acts to extend or renew the program. Nationwide, contracts for two million of the total 36.5 million acres enrolled may expire in 1995. By the end of 1997 an additional 22.4 million acres will return to producers for decisions about its future use. The large acreage potentially returning to production could have major impacts on environmental quality, wildlife habitat, commodity production and prices, and the economies of cities and towns throughout the Great Plains.

The overwhelming majority of producers would like to have the contracts renewed with current rental payments and conditions. Yet, the present budget climate in Washington makes the likelihood of renewal seem remote. Surveys indicate that as many as half of the CRP acres will go back to crop production under current economic conditions unless incentives are offered. The choice for policy makers is whether to develop strategies to identify and retain in permanent cover that CRP land which provides the most public benefits or to do nothing and let producers decide the fate of such lands according to their own interests.

Post Contract Uses of Land

Recent surveys in several Great Plains states and the nation indicate that producers plan to return 36 to 64 percent of CRP land to crop production if contracts are permitted to expire. Results from a 1990 National survey indicate that, of those producers with plans for their CRP, nearly half of their CRP land would return to crop production. Several Great Plains states have conducted their own surveys. These studies corroborate the national survey although distinct differences by area of the state have been reported at least in Kansas and Nebraska. In summary, without contract extensions and/or other incentives, producers intend to return a significant portion of CRP land to production of annually tilled crops.

The Economic Research Service (ERS) of the USDA modeled the U.S. agricultural economy in an effort to discern future use of CRP land. Their first scenario assumed no change in demand for commodities over 1990 and that the ARP would remain at five percent for all program crops. If all CRP land is released from contract, they concluded that acreage devoted to crop production would increase about four percent or 13 million additional acres to be planted to crops. This increase would likely come from the released contracts and amounts to 38 percent of total CRP enrollment. *Acreage devoted to crop production in the Great Plains states would increase by only one percent under this scenario.*

If the demand for wheat and feed grains increased by 15 percent and the ARP remained constant, net cropped acreage would expand by 11 percent or 35.8 million acres–nearly equivalent to the CRP enrollment. *Land devoted to crop production in the Great Plains would increase by 18 percent or 24.3 million acres– four million acres more than Great Plains CRP enrollment.*

The ERS analysis also examined the impacts of a decrease in crop demands of five percent. They again assumed a constant five percent ARP. Under those assumptions, net acreage in crop production increased by only two percent or 6.2 million acres. That increase would be equivalent to 17 percent of the CRP enrollment. *Acreage devoted to crop production in the Great Plains was projected to decrease by about three percent or four million acres, and erosion would decrease by 38 million tons per year.*

The economic models show that crop acreage responses in the Great Plains do not necessarily mirror those for the nation. Part of the reason for that is the disproportionate amount of CRP enrollment in the Great Plains.

Without CRP's supply control features, USDA may need to counteract increased production and lower prices in all but the large, demand increase scenarios. The most likely counteraction would be by increasing the annual set-aside or ARP requirement. A switch from long term to annual set-aside would provide poorer environmental performance with ensuing losses in wildlife habitat, water quality and other environmental benefits realized under the CRP.

Models and surveys alike show significant acreage of CRP land returning to crop production after contract expiration unless crop prices and other economic conditions are below current levels. With expected benefits from GATT and NAFTA, it does not seem likely that the demand conditions for wheat and feed grains will deteriorate in the future; consequently, much of the investment in permanent cover and associated environmental benefits could be sacrificed without action.

What Do We Have to Lose?

If substantial acres are returned to crop production, should we care? If the "right" land goes back to production, the answer may be, "no." Of course, determining the right land is part of the issue. The right land to meet one program purpose may not be the same as land for other objectives.

Price and Deficiency Payments

Returning large acreage of CRP to crop production could impact deficiency payments and prices. If demand is steady to lower, then deficiency payments are likely to increase in the face of falling prices. Economists in ERS estimated a potential drop in commodity prices of from five to 15 percent and an increase of 21 to 42 percent in deficiency payments if CRP land becomes available for crop production under varying demand conditions and without offsetting changes in set-aside levels.

CRP Payments

The payments generally offset the returns producers could have earned from planting crops. Nationwide over $1.8 billion of annual rental payments are made. *Almost half or nearly $900 million of those rental payments go to producers in the 10 Great Plains states.* When those payments end, how will producers replace that lost income? Returns per acre from non-crop enterprises such as cattle are normally lower than for crops. Without the CRP rental payments, producer net returns could be lower thus putting pressure on producers to re-crop or reduce their levels of spending thus also impacting the agri-business community.

Water and Air Quality

The loss of up to 50 percent the CRP land presently in permanent cover will increase soil erosion. CRP has been credited with reducing sheet and rill and wind erosion by about 700 million tons per year or over 20 percent nationwide. With increasing soil erosion, the quality of air and water will deteriorate; however, it is not likely to return to pre-CRP levels since conservation compliance will help reduce erosion especially in the Great Plains where participation in USDA farm programs and Federal Crop Insurance is relatively high.

Investment in Cover

About $1.3 billion cost-share was invested in establishing permanent cover. *Over $700 million of the cost share was for cover establishment in the Great Plains.* In many instances, especially in the more arid parts of the Great Plains, cover establishment was difficult and took place over multiple years. Once the cover was established, wildlife populations began to build. In addition, it is unlikely that the cover will be re-established once destroyed, since additional cost share for re-establishment would probably be unavailable.

Wildlife Benefits

Evidence suggests that many populations of wildlife species have improved in response to the greater availability and distribution of habitat provided by the CRP. The habitat and environmental benefits of this program have resulted in increased consumptive and non-consumptive recreation throughout the Great Plains. The Northern Great Plains have enjoyed improved reproductive performance for waterfowl. Sharp-tailed grouse have expanded their range. Populations of ring necked pheasants, a favorite for hunters, have increased significantly. The program has improved habitat for numerous non-game species and has been particularly beneficial to big game species, chiefly white-tailed deer.

Destruction of CRP cover in the short run would harm wildlife populations established over several years. While the use of reduced tillage associated with most conservation compliance plans is more beneficial to wildlife than clean till farming, it is not as helpful as provision of long-term cover for reproduction and winter survival. In addition, reduced tillage may have some negative trade-offs such as use of more chemicals for weed control. The pattern of how the land that is re-cropped is important. Large blocks of CRP are most beneficial to indigenous grassland species such as Baird's sparrow and the greater prairie chicken. Grassland interspersed with cropland is most beneficial to species such as white-tailed deer, pheasants and quail that can benefit from agricultural production.

Policy Alternatives

Policy Goals

Survey results clearly indicate that producers across the country and in the Great Plains would like to see CRP contracts extended another five or ten years with the same conditions. Given budget cuts in Washington, however, extending all contracts does not seem likely.

A more plausible goal is to keep a smaller, more critical acreage in permanent cover by targeting the most environmentally sensitive land. The main issues in such a reduced program are how many acres and what selection criteria should be used. ERS examined alternative sizes of programs with acres selected under differing criteria. They also developed a revised Environmental Benefits Index (EBI) that included measures for wind erosion and wildlife habitat which were not included in the original EBI to assess bids for the 10th through 12th CRP sign-ups. With the revised EBI and taking the first five million acres that would generate the highest EBI/$ of rental cost, 62 percent of those acres would be in the 10 Great Plains States. Expanding the acreage to 10, 15 and 20 million acres resulted in 68, 67, and 66 percent of acres coming from the Great Plains.

ERS also looked at alternative selection criteria. If the goal for a five million acre reserve is to maximize soil erosion savings per dollar of rental, then 93 percent of those acres would be in the Great Plains; or if the goal is to minimize total rental cost for the five million acres, then 94 percent would be in the Great Plains. If the unrevised EBI is used to rank EBI/$ of rental cost, only 34 percent of a five million acre CRP pool would be located in the Great Plains states. Use of the revised EBI as the selection criteria would locate 62 percent of CRP in the Great Plains states. Giving greater weight to the wind erosion and wildlife habitat components of the EBI would shift more enrollment to the Great Plains under an EBI cost-effectiveness criterion, but still less than using soil erosion or cost minimization criteria.

Implementation Strategy

Once a policy goal is established, the policy must be implemented. Possible approaches cover a wide spectrum from very indirect methods, e.g. education to purchase of critical land. Producer surveys have provided some information as to potentially feasible strategies. The difficult part is knowing for sure which lands will remain in acceptable (to society) uses without any incentives. If the land that producers intend to keep in acceptable uses coincides with society's desires, then no implementation program would be needed. Should we wait and see if such a happy situation occurs? The risks of losses may be higher than society is willing to take.

Some strategies that were favorable to a significant number (over 25 percent) of producers surveyed include conservation easements and using the land for permanent set-aside. Permitting haying and grazing on targeted land would reduce the size of rental payment necessary to induce some producers to keep their CRP land in permanent cover. Providing cost share for establishing fencing and watering facilities did not appear to be an option that would influence the decision about how to use the land for many producers.

Issues and Recommendations

The major issues along with recommended actions are categorized into major groups with multiple sub-categories. It is recognized, however, that some issues are broader than their specific category.

Policy

Issue: Budget pressures in Congress preclude wholesale renewal of CRP contracts even though that

would be a popular choice for Great Plains producers.

•Recommendation: A limited program, targeted to lands deemed critical for providing public benefits would reduce budget pressure.

Identify Critical Land and Implement a Program

Issue: A limited program, targeted to lands deemed critical suggests a need for identifying those critical lands. The reality that not all CRP land will or should remain in long-term cover dictates that a "triage" approach be taken to identify lands that need the most attention.

•Recommendation: Develop an identification process for CRP land that would place the land in one of three categories: 1) lands that have extreme environmental consequences, if farmed; 2) lands that have moderate risk in most years but high risk during drought years; and 3) lands that have few or no negative consequences when farmed appropriately. Land in categories 1 and 2 could be targeted to ensure that the public gets the most benefits for tax dollars invested. Options designed for categories 1 and 2 should be different. Land in category 3 would not be targeted for any special funds or programs other than being subject to conservation compliance requirements if highly erodible.

Issue: The type of land critical for providing public benefits (categories 1 and 2 above) is likely to vary by section of the country.

•Recommendation: A targeted program that permits local and state entities (public and private) to help identify lands critical for their area and that encourages these entities to become partners in developing programs including cost-sharing to ensure that targeted land remains in sustainable uses could reduce federal costs. Such entities should at least include those interested in agriculture, wildlife, air and water quality, recreation and community economics.

Issue: Large acreages of CRP land in the Great Plains were eligible for the program because of wind erosion. Any program targeted to land that primarily improves water quality will place the Great Plains at a competitive disadvantage. Furthermore, analysis has shown that inclusion of wildlife habitat measures in the selection criteria benefits the Great Plains.

•Recommendation: If a targeted program is established, recognition of the public costs of wind erosion and loss of wildlife habitat would be selection criteria important to the Great Plains.

Future Use Options

Issue: Maintenance of the Crop Acreage Base (CAB) that was temporarily retired upon CRP enrollment is of extreme importance to producers. While removal of the CAB reduces the incentive to re-crop the land, it does not ensure that the land will remain in permanent cover. Producers may plant non-program crops or choose not to enroll in commodity programs and plant whatever they wish.

•Recommendation: A one-time purchase of the CAB along with forfeiture of cropping rights to any CRP land targeted for maintenance of permanent cover would be more expensive than contract extensions in the short run, but would be less expensive in the long run and provide permanent protection. This would be an "easement" for the land deemed critical for maintaining in permanent cover.

Issue: Effective conservation compliance depends on producer participation in USDA programs as the incentive to develop and implement conservation plans. Some have suggested strengthening conservation compliance requirements for land leaving CRP. However, to do so now would in effect require retroactive changes in the contracts producers signed when entering land into CRP. Furthermore, budget issues suggest that the level of USDA program benefits is likely to decline thus reducing the overall effectiveness of Conservation Compliance.

•Recommendation: Strict conservation compliance could be required on any new, extended or renewed contracts. However, retroactive changes in compliance requirements for currently enrolled CRP land appears to be changing the rules after the fact.

Issue: Whether contracts are extended, easements purchased or other incentives offered to keep land in perennial grasses, total non-use of these grasses threatens their health and future productivity.

•Recommendation: Some use or at least maintenance measures, such as fire, where appropriate to maintain the health and vigor of grass stands should be encouraged. This could

include haying and grazing if restricted in a way to protect wildlife.

Issue: The environmental benefits of the CRP extend well beyond the land enrolled. The involvement of non-farm public in future agricultural policies is increasing partly due to concerns about environmental and health issues associated with agricultural production. Future legislation must address environmental quality if continued advocacy for agricultural producers and rural economies is to be expected from the American public.

*Recommendation: Farm income support based at least in part on improved environmental conditions, rather than payments tied solely to land in production, could be a major goal of upcoming USDA policies. Future USDA programs that are designed to address landscape scale (e.g., county, drainage basin) priorities and permanently enhance environmental and habitat quality in agricultural systems would improve the consistency between the USDA programs.

Education and Technical Assistance

Issue: Producers are questioning what the future holds for their CRP land. They often do not understand their current and future alternatives, including those that may be legally available. Furthermore, there is some danger that producers may take a very short run view of their alternative uses upon contract expiration.

*Recommendation: The Council should strongly support, integrated educational efforts directed to the CRP contract holders. These efforts should involve all relevant federal, state and local agencies interested in the future of the CRP land. The Council should commit resources of their respective agencies to ensure that such a program takes place. The educational efforts may include evaluations of CRP land directed towards maintaining environmental benefits even on land returning to crop production.

Issue: Decisions affecting future use of CRP land, including contract extensions if offered, will be made by the landowners and operators. Appropriate use of the CRP land will require planning. Operators and landowners can best be approached during the few years before rental payments stop rather than waiting until contracts expire. Both pre- and post-contract programs will be needed to successfully transition CRP land to long-term, sustainable uses.

*Recommendation: The Council should support development of educational and technical assistance programs directed towards helping operators decide on and implement appropriate plans for the future use of their CRP land. The Council should also encourage Congress to offer positive incentives for retaining any targeted CRP land in permanent cover or other sustainable use.

Issue: The ending of CRP contracts will affect cash flows to the producers and possibly tax valuation categories for the land especially if the land remains in perennial grass cover. The economies of some communities may be altered including their assessed valuation for property tax.

*Recommendation: Support educational and informational programs that will alert communities and their citizens to potential problems in advance of the expiring contracts. Communities should be encouraged to plan for any projected changes in tax bases and income flows so they can make any necessary adjustments in a logical and timely manner.

TESTIMONY OF CARL ANDERSON
EXECUTIVE SECRETARY OF THE SD GRAIN & FEED ASS'N
CONSERVATION RESERVE PROGRAM
September 1, 1994, Ramkota Inn, Aberdeen, South Dakota

Sen Daschle, Rep. Johnson and Secretary Espy, thank you for the opportunity to appear before this hearing. My name is Carl Anderson and I am the Executive Secretary of the South Dakota Grain & Feed Association (SDGFA), a trade association made up of approximately 250 members and associate member firms. The member firms consist primarily of farmer owned elevators and cooperatives as well as privately owned elevators across South Dakota.

You have (will) hear much positive testimony about the "up side" of the conservation reserve program (CRP). My role here today is to be a "contrarian," to use a new word that has crept into our language. I told an agricultural official I would be here today advocating the return of idled acres to production. He told me I faced a "daunting task" in view of today's prices (Prices at the close last Monday, cash price for new crop corn was $1.78/bu., 15 pro wheat at $3.84/bu. and soy beans around $5.15/bu). I took some comfort in the article that appeared in Monday's *Aberdeen American News* about your town meeting, Rep. Johnson, at which others talked to the "down side" of CRP.

Idling acres to decrease production in an attempt to increase commodity prices is nothing new. In the late 1950's and early 1960's there was the Soil Bank. In the late 1960's and early 1970's, we had the Cropland Adjustment Program. In retrospect, these programs produced the greatest pheasant hunting since the great depression. The CRP will, no doubt, do the same, but let us stand back and take a look at what these quick fixes have accomplished and not accomplished for agriculture.

Do we have higher prices? No. Did we really reduce production or did our farmers do a better job with the acres remaining active. What have we accomplished? An elevator manager told me that he estimates that the early Soil Bank Program took 25% of the farmers off the land. He wonders what the CRP will do to the remaining farm population. Look at our small troubled communities. Without the farmers as customers, they are folding; gone are the hardware stores, local grocery stores, and implement dealers. In many small communities, there is little left but the grain elevator, a bar and hopefully a church. Let me be quick to say that we realize that CRP was, by no means, the only factor. The revolution in farm equipment and better roads are just a couple of other factors that come to mind. In my opinion, however, acreage reduction has been a primary factor.

What else have we accomplished? The *USDA & Commodity Year Book* shows we have managed to dramatically reduce the United States' share of world grain & oilseed production. Limiting production and "using food as a political tool" has taught us a bitter lesson. <u>What the United States does not produce in grain to fulfill world demand, someone else will</u>. Remember when we used to proudly proclaim our selves to be the bread basket of the world.

The National Grain & Feed Association (NGFA), of which our organization is an affiliate, has long advocated increased production and increased exports and to do otherwise would be at cross purposes with our efforts to reduce a staggering trade deficit. In June of this year, a report called *U.S. Agriculture 20/20* was released. The report was commissioned by the National Grain & Feed Foundation and 165 companies and organizations representing agribusiness, food companies, processors, input suppliers, grain handlers and warehouses, exporters, livestock, poultry, transportation, equipment manufacturers and others dependent on a healthy U.S. Agriculture.

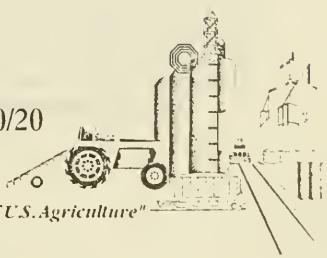
We have been asked to limit our remarks so I have talked in general terms. *U.S. Agriculture 20/20*, prepared by Abel, Daft and Early, an Alexandria, Virginia economic research firm, will give you the specifics. In text and graphics, it details where we have been, why our great agricultural machine is stuck in second gear and what we could do about it by gradual return to cultivation of some of the CRP acres. I wish to make this next item a major point of my remarks. This report is not in complete disagreement with the CRP nor are the NGFA and the SDGFA. There is no argument that some of the land idled should remain in the CRP and never should have been cultivated in the first place. If you take only one call to action from my remarks, let it be to put *U.S. Agriculture 20/20* at the top of your "must read" list.

Again referring to Rep. Johnson's comments at his cracker-barrel meeting, it's "Heads up" time for farm programs. Every agricultural publication I read says that the crunch is coming. The perception in more urban states is that these programs benefit most those who need it least. Right or wrong, they have the political clout to keep those tax dollars at home.

In conclusion, as things go for the farmer, so they go for the rest of us in the Midwest. With less and less farm income originating in Washington, increased production (and export), not suppressed production will be the key to agricultural growth and prosperity. Yes, let's give some of the land back to the pheasants, other game and the buffalo. At the same time, let us not fulfill the "Buffalo Commons" predictions made by the husband and wife professor team from Rutgers University. I cannot resist this opportunity to make this additional call for "moderation" as discussion begins on the 1995 Farm Bill. Please, limit government's presence in our workplace. It is the old alligator/drain the swamp story. Elevator managers are frustrated; we have so much OSHA, EPA, ADA, PUC, IRS, MSDS, Use Tax, Gas Tax, Sales Tax.....to contend with that there is little time to do what we set out to do. Thank you for listening.

(Attachment follows:)

Growing U.S. Agriculture in a More Open Global Economy



U.S. AGRICULTURE 20/20

"Restoring Growth and Profitability to All Sectors of U.S. Agriculture"

U.S. Agriculture 20/20 is a research and education project conducted under the auspices of the National Grain and Feed Foundation, supported by financial and other contributions from more than 165 companies and organizations representing agribusiness, food companies, processors, input suppliers, grain handlers and warehouses, exporters, livestock, poultry, transportation, equipment manufacturers and others dependent on a healthy U.S. Agriculture.

The purpose of the **U.S. Agriculture 20/20** effort is to:

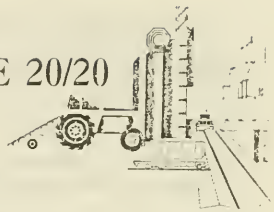
➢ develop substantive information, through research, on the adverse impacts of artificially-induced farm resource allocations;

➢ inform and educate public policy-makers and various sectors dependent on a healthy agriculture about sound economic growth policies that benefit all segments of U.S. agriculture and the general economy; and

➢ to provide public forums to foster broader understanding of the economic linkages and interdependencies among various sectors of agriculture, and stimulate active discussions among producers and agribusiness on policies that benefit all sectors of U.S. agriculture.

1201 New York Ave., N.W., Suite 830, Washington, D.C., 20005-3917
(202) 289-0873, Fax: (202) 289-5388

U.S. AGRICULTURE 20/20



JUNE 1994

GROWING U.S. AGRICULTURE IN A MORE OPEN GLOBAL ECONOMY

The world experienced strong growth in grain and oilseed production, consumption, and trade over the past 30 years. The U.S. benefitted greatly from this growth in the 1970s, but through the 1980s and early 1990s U.S. agriculture stagnated. In the 1980s the U.S. chose a policy of unilaterally idling massive land resources, but no other nations followed this practice. The result was a significant loss in U.S. market share, a depressed agribusiness infrastructure, more acute economic problems for rural areas and a shrinkage in farmers' ability to earn income from the marketplace.

As the world economy becomes more open and competitive, traditional programs of supply control no longer benefit U.S. agriculture. When we produce less, other nations are willing and have capacity to produce more. NAFTA and GATT will create an even more open world trading environment, expanding trading opportunities, but also increasing the level of competition. The U.S. stands to benefit from increased trading opportunities, only if it abandons traditional acreage idling and other supply restricting programs. The experience of the 1980s and early 1990s has amply demonstrated that world agriculture can continue to grow without the U.S. participating.

This paper is presented in two sections. The first section reports a summary of a research study: Large-Scale Land Idling Has Retarded Growth of U.S. Agriculture, prepared by Abel, Daft and Earley, an Alexandria, Virginia economic research firm. The second section presents a strategic plan for long-term sustainable growth for U.S. agriculture, based upon the findings of the research.

The research demonstrates that idled land can be returned to production in a way that does not jeopardize the environment. Idling less land also can assist U.S. agriculture in becoming more cost-efficient, thus improving both competitiveness and net farm income prospects. The research estimates that 38.3 million acres could be returned to production over a nine-year period without significantly depressing prices, because world demand growth can readily absorb the increased production. The benefits of such policies would be widespread among farmers, agribusiness and rural economies. The total value of U.S. production would expand by $8 billion annually. Input use (seed, fertilizer, machinery, etc.) would expand by $4 billion. The expanded economic activity that would flow from larger grain and soybean output would add $29 billion to national income (GDP) and generate 225,000 full-time equivalent jobs.

Federal budget pressures and international obligations to reduce subsidies under GATT will force American farmers to increasingly seek additional income from the market. Shifting our policy course now to commit to greater productive use of resources and restructuring income support programs to eliminate growth impediments could reap substantial benefits. Not only will farm income expand to replace government income support, but also agriculture can make a substantial contribution to national economic growth and employment.

SECTION I.

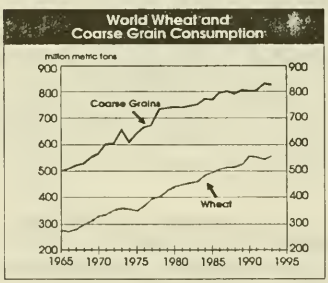
Large-Scale Land Idling Has Retarded Growth of U.S. Agriculture

(This section presents a summary of research conducted by Abel, Daft and Earley for the ***U.S. Agriculture 20/20 project*** *of the National Grain and Feed Foundation. The study was released in May 1994.)*

A. Despite U.S. Pessimism, World Markets Continue Strong Upward Trend.

Between 1965 and 1993, world wheat consumption expanded from 278 million metric tons (mmt) to 556 mmt, an annual increase of 2.7 percent (see Figure 1.) World coarse (or feed) grain consumption has also continued to grow. Across the entire period, annual growth averaged 1.9 percent, but looking only at the 1979-93 time frame, the growth rate appears to have slowed to 0.9 percent. Factors tempering the growth in coarse grains include: substitution of wheat and rice for coarse grains in direct human consumption; growing efficiency in animal feed conversion; and increased competition from substitute feedstuffs such as tapioca, corn gluten and wheat.

Figure 1



World consumption of protein meals and vegetable oils has expanded even more impressively (see Figure 2). From 1965 to 1993 world oil consumption grew at a rate of 6.7 percent annually. Protein meals grew at an annual rate of 5.8 percent. There is every reason to believe that these general growth trends for grains, oilseeds and related products will continue into the foreseeable future; in fact they may increase as the world begins to reap benefits of more open trade.

Figure 2

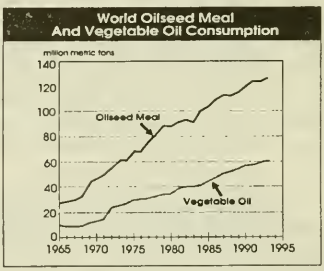
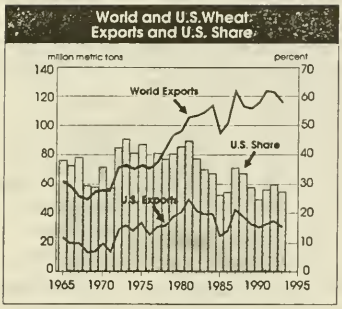


Figure 3 reflects the performance of world and U.S. wheat trade. World wheat trade has been increasing since the early 1970s. Trade increased rapidly in the 1970s, and has continued a trend of growth, albeit slower, in more recent years. U.S. market share remained in the 40 percent range throughout the 1970s, as U.S. growth paralleled the growth of worldwide consumption and trade. But clearly, the 1980s reflects a lower level of performance by the U.S. Both actual volumes of U.S. exports and market share have slipped. U.S. market share of world wheat trade is now typically 30 percent or less.

FIGURE 3



World protein meal exports have continued strong growth (see Figure 4) throughout the last two decades. U.S. exports followed a slow, but steady growth from 1965 through 1979. Since 1980, however, U.S. exports have been level or slightly down-trending. The result has been that U.S. market share slipped below 20 percent in the 1980s, and is now approaching an historic low nearing 10 percent.

FIGURE 4

Trends in both world consumption and world trade of raw and semi-processed commodities offer reasons to be optimistic about agriculture's future. Trends in higher value-added products may even be more promising. Figures 5 and 6 reflect trends in world and U.S. trade in broilers and pork. In general, world trade in these products has been on a sharp upward trend since at least the mid-1980s. A similar pattern has emerged for beef exports (not shown). Because of high production costs and environmental problems, growth in animal production will be limited in countries such as Japan, Taiwan and South Korea, while consumption in these and other nations continues to grow. Thus, future U.S. animal product exports are very promising if the U.S. will maintain policies that assure adequate feedstuffs at world competitive prices. This is a critical issue, because feed costs account for 60-70 percent of total cash costs of red meat and poultry production.

FIGURE 5

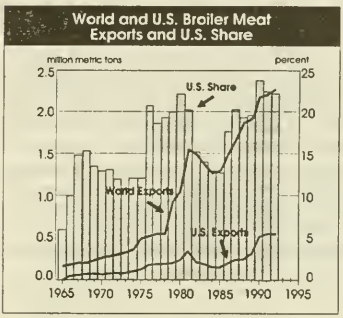
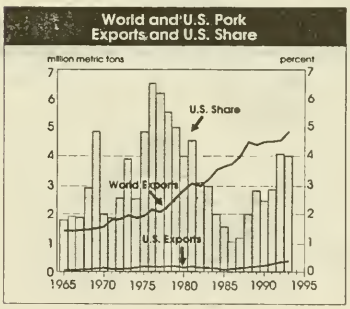


FIGURE 6

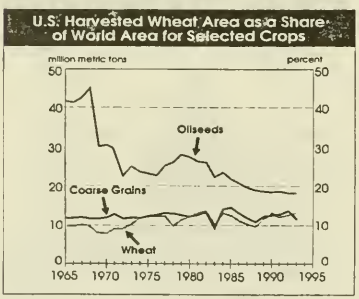


B. The World Continues Production Growth; The U.S. Stagnates

While world consumption and markets continue an upward growth trend that offers much to be optimistic about, the U.S. has not been successful in capturing any new growth since 1980. In the 1980s the U.S. embarked on policies to idle land and to restrict output through a variety of programs such as the huge payment-in-kind (PIK) program in 1983, paid land diversion programs in some years, annual set-asides (ARPs) and the long-term Conservation Reserve Program (CRP). The principal objective of each of these efforts was to raise prices. By 1991, 65.5 million acres were idled, equivalent to 26 percent of the combined plantings of wheat, feed grains, cotton, rice and soybeans. The result is that while world consumption has grown substantially since the 1980s for all major grains and oilseeds, U.S. production is no higher today than it was in the early 1980s, and in some instances somewhat lower.

Figure 7 indicates the trend in U.S. harvested acres expressed as a percentage of world harvested acres. The most dramatic decline is in oilseeds, but wheat and coarse grain acreage is also down slightly relative to the rest of the world. The U.S. unilateral attempt to control supplies was met with a response by competitors to expand output more rapidly through both higher plantings and increased yields. Competing nations thus captured virtually all the world consumption growth that occurred in the 1980s and early 1990s. And in the case of whole grain exports, much of the expanded volume of competitors was the result of actual declines in U.S. export volumes.

Figure 7



Clearly the U.S. unilateral efforts at supply control have been disastrous for market volume, but have acreage idling programs successfully accomplished their primary purpose -- to raise market prices? The answer is clearly no. Figures 8, 9 and 10 compare U.S. plantings to average prices received by farmers. The highlighted years are those illustrating unusual weather or other transitory factors that had a short-term impact on price. While there is some short-term price sensitivity to U.S. plantings (negative short term relation between plantings and price), it is clear that in the longer-term, both plantings and prices have been downward. And this occurred while world consumption, production and trade were expanding. Unilateral U.S. acreage idling does not raise prices received by producers over the long run. The world has had, and will continue to have, enough production capacity to more than offset policy-induced declines in U.S. supplies. U.S. farmers have not received any long-term benefits from acreage idling. In fact, they have been harmed by annual acreage idling programs that undermine individual farm efficiency by forcing up per unit fixed costs.

Figure 8

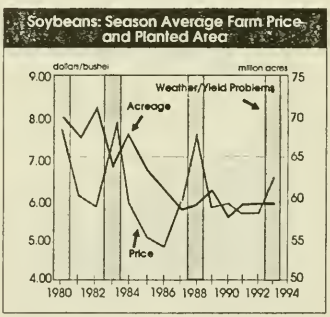


FIGURE 9

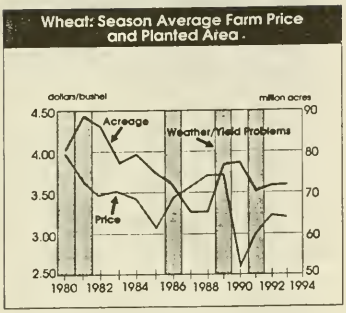
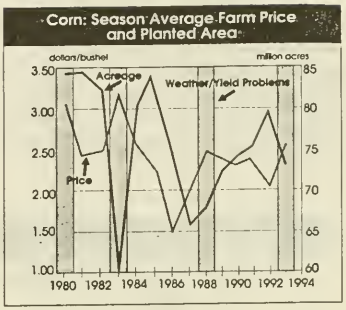


FIGURE 10



C. Reviving Economic Growth in U.S. Agriculture

Growing populations, growing incomes, and higher levels of international growth spurred by GATT and NAFTA are all reasons to be optimistic about future growth in world grain and oilseed consumption and trade. However, the experience of the 1980s and early 1990s has amply demonstrated that the world can prosper while U.S. agriculture stagnates or even declines. Unless the U.S. takes positive steps to reverse its own policies of idling productive resources, this may be repeated.

This study examines the impact on agriculture and the national economy of policies to reduce the amount of land idled. The analysis assumes that both annual ARPs and the 0/85/92 program for wheat and feed grains are discontinued and that acreage currently in the CRP falling in land capability classes I-III (land suitable for crop production) using good soil conservation practices, will be returned to production. Under these assumptions, 38.3 million acres would return to crop production by the 2002/03 crop year. Of that amount, 19.5 million acres would be returned to production from the 36 million acres currently idled by the CRP.

The report does not examine income support and price stabilization policies that might be used in the future, because returning idle land to production can be done under various types of income support policies that do not impede the functioning of commodity markets. It is assumed that output from land brought back into production is available to the market and is sold at prevailing market prices.

Figure 11 presents the amount of CRP, by land classes, that will come out of that program between the years 1995 to 2002. By assuming that only land in classes I, II, and III will be available to return to crop production, the increase in output and economic gains to agriculture can be realized without jeopardizing the environment. Over 60 percent of all land enrolled in the CRP is in these top land capability classes.

FIGURE 11

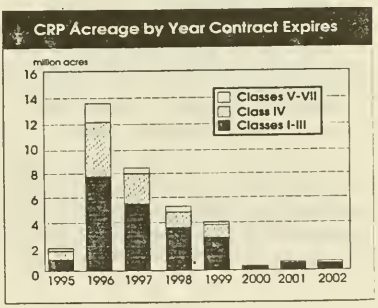


Figure 12 indicates the estimated increased plantings to each crop. These estimates are based upon a number of factors, including traditional cropping patterns by state, base acreage of various crops, and response to market signals. Total plantings to wheat, feed grains, and soybeans would increase by 38.3 million acres from 1993, a 16.6 percent increase. Production from these added plantings, after taking into account yield increases over time, would be over 2.9 billion bushels.

FIGURE 12

Comparison of Planted Acreage in 1993 and 2002 and Impact of Added Acres on Production

	Plantings			Increased Production
	1993	2002	Difference	
	million acres			million bu.
Wheat	72.2	84.2	12.0	400
Corn	73.3	83.3	10.0	1,610
Soghum	10.5	14.3	3.8	255
Barley	7.8	11.1	3.3	220
Oats	7.9	10.7	2.8	142
Soybeans	59.4	65.8	6.4	310
Total	231.1	269.4	38.3	2,937

Figure 13 displays wheat market impacts of expanding production. By the 2002 crop, wheat plantings of 84 million acres and a projected yield of 40 bushels/acre would produce a 2,900 mil. bu. wheat crop, only 125 mil. bu. above the previous record in 1981. Total domestic use is expected to reach 1,420 mil. bu. compared to an estimated 1,213 mil. bu. for 1993. Exports would rise to 1,550 mil. bu. and stocks would trend upward to a modest 800 mil. bu. (only 28 percent of 2002 usage). Exports of 1,550 mil. bu. would be 325 mil. bu. above current levels, but below the previous record level of 1,771 in 1981. Assuming that world wheat trade continues to expand at its historic rate, U.S. exports of 1,550 mil. bu. would represent only a 29 percent share of world trade, still a low level.

It becomes quite clear that returning idle land to wheat production poses no threat of oversupplying the market. To the contrary, the U.S. will be hard pressed to keep up with performance in the rest of the world, even with additional plantings.

FIGURE 13

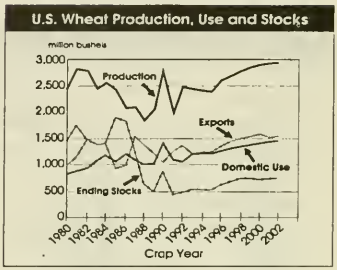
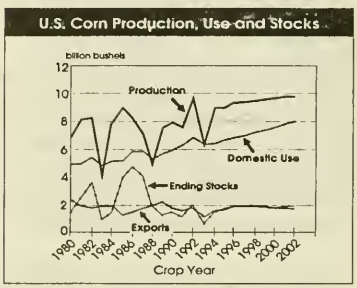


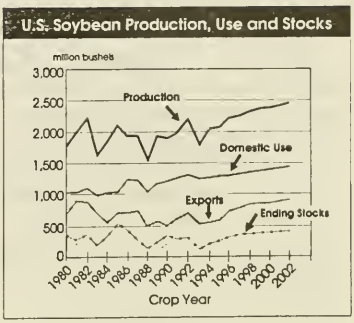
Figure 14 indicates projections that corn plantings will rise to 83 mil. acres from 73 million planted in 1993. A projected yield of 130 bu./acre results in a 9.8 bil. bu. corn crop. Compared to current utilization, feed use is expected to increase about 500 mil. bu. and food, seed and industrial use will grow 765 mil. bu. by 2002. Exports are projected to increase to 2,150 mil. bu. by 1997/98 and then decline to 1,750 mil. bu. by 2002/03 as domestic use bids supplies away from export markets in a relatively tight supply situation. Clearly, the U.S. will have great difficulty in regaining world market share of coarse grain trade, even if it is assumed that coarse grain trade remains stable at current levels.

FIGURE 14



While soybeans have not had a specific annual set-aside program, acreage has been affected by the CRP, idling acreage of other crops and increases in deficiency payments for other crops. Thus, soybeans will benefit from reducing idle acres. Soybean plantings are projected to increase from 59.4 to 65.8 million acres by 2002 (Figure 15). Production would grow from 1,800 million bu. to 2,455 mil. bu., a record level. The larger output would permit domestic soybean crush to expand from current levels of 1,250 mil. bu. to 1,390 mil. bu. by 2002. Exports would also expand sharply from 590 mil. bu. in 1993 to 930 mil. bu. in 2002. Soybean stocks would reach a more comfortable, but clearly not excessive, level of 370 mil. bu. by 2002. The projected performance for soybeans might help arrest the downward trend in world market share, but it is unlikely that the United States will return to market share levels reached in the first part of the 1980s.

FIGURE 15



D. EXPANDING U.S. PRODUCTION AND EXPORTS WILL NOT DEPRESS PRICES

There continues to be some concern that returning idle land to production will result in an oversupply of grains and oilseeds and depressed market prices. These concerns are unfounded for several important reasons. First, idled land will be returned to production over an extended time frame. Secondly, if world consumption and trade in commodities continue to grow as they have, the addition of greater U.S. supplies will represent only a mild increase in competitive pressure on other exporters. The U.S. would merely be sharing in market growth rather than forcing an absolute reduction in competitor output.

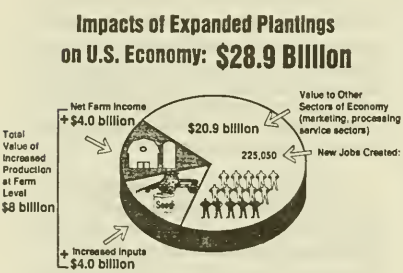
A large body of economic literature supports the view that export markets are very "elastic," and thus rising U.S. exports would have a benign effect on world markets. This means that world markets can absorb greater quantities with a substantially less-than-proportional impact on prices, if done over a period of years to allow adjustment in both consumption and production. Thus, the U.S. can expand its total revenue by expanding its production base. A conscious policy change to reduce idle acreage may also make a difference in terms of competitor behavior. Foreign competitors will be more responsive to a clear, permanent change in U.S. policy toward more production than to a transitory expansion caused by either good weather or a short-term adjustment in acres idled.

Some argue that the U.S. should not expand production until expanding markets clearly emerge. This is myopia in the guise of prudence. Explicit demand for U.S. products may never appear because the rest of the world will continue to expand output at prevailing market prices. That is what the experience of the 1980s and early 1990s tells us and is implied by the very price elastic export demand facing the U.S. in the longer run. If the U.S. fails to take the initiative of putting more acres back to work, such a "waiting game" will only further erode the U.S. position in world grain and oilseed markets.

E. Benefits of Greater Production are Large and Widespread

To evaluate the effect of expanded production on other parts of the economy, it is necessary to place a value on the increased output. Based upon average prices prevailing during 1989-91, a recent representative period, the overall increase in the farm-level value of production is $8.0 billion. Approximately $4.0 billion of this represents an increase in net income to farmers. This is indicative of the incentive to producers to more fully use all their resources, and demonstrates that the market can replace some of the expected decline in income available through government programs. Another $4.0 billion represents increased input usage. Benefits to individual sectors include: 1) increased seed sales of $450 million; 2) increased crop nutrient sales of $860 million; 3) increased sales of crop protectants of $481 million; 4) $858 million in increased machinery purchases; and 5) increased farm purchases of other inputs of $1.3 billion annually.

Figure 16



Beyond these first-order effects, the results of increased production would also reverberate throughout the rest of the economy. Agriculture is part of a food system with a vast and far-flung network of producers, processors, and distributors. Transportation, communication, finance, insurance, construction, packaging, processing, and distribution are but a few of the many sectors that would benefit by increased crop output. Based upon economic multipliers estimated in previous studies, the total increase in national income would be $28.9 billion annually (this includes the $8 billion estimated for gross farm revenue). It is also estimated that expanded acreage will generate over 225,000 more full-time jobs, an increase in employment that exceeds the Clinton Administration's estimates of the overall benefit of NAFTA across all sectors of the national economy.

Farmers are expected to benefit handsomely by committing more acreage to production, but the $4.0 billion in increased farm income is believed to be very conservative, because this estimate does not take into account the fact that increased acreage permits fixed costs to be spread over greater output, thereby reducing average per unit cost. Typically, fixed costs account for around 55 to 65 percent of total economic costs of production for grains and oilseeds. Even allowing for the possibility of accelerated machinery replacement, the reduction in average per bushel cost would be substantial. This is particularly true for annual ARPs for which no offsetting payments are made. And as demonstrated earlier, producers have been further disadvantaged by the absence of any significant long-term price enhancement from curtailing output.

SECTION II

GROWING U.S. AGRICULTURE — A STRATEGIC PLAN FOR GROWTH

The Abel, Daft and Earley study demonstrates that acreage idling programs were the primary reason for the stagnant U.S. agriculture in the 1980s and the tremendous benefits that can accrue to all segments by returning many of those acres to production. In followup to these significant research findings, this section further examines the impacts of resource idling policies on agriculture's economic performance, trade policy and other factors that will play an important role in future growth.

A. ACREAGE IDLING POLICIES DAMAGE THE ECONOMY AND SHOULD BE PHASED OUT

1. Acreage Idling Damages U.S. Market Performance

The Abel, Daft and Earley study documents the devastating effects of acreage idling, and the charts shown below offer further evidence:

➢ World grain consumption grew 18 percent in the last 12 years (Figure 17), but all the benefits of this expanded consumption were reaped by other countries. Foreign production increased **20 percent** to meet growing demand; U.S. production was flat -- **zero growth**.

➢ World soybean consumption in the last 12 years grew even more vigorously (Figure 18), but again, the U.S. realized no benefit. Foreign soybean production expanded **80 percent** while the U.S. had **zero growth**.

FIGURE 17

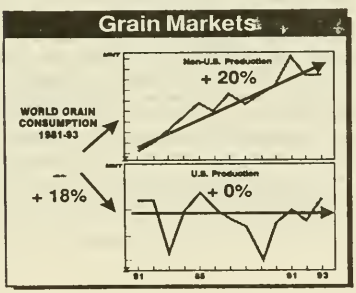
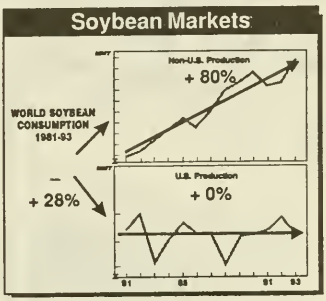


FIGURE 18

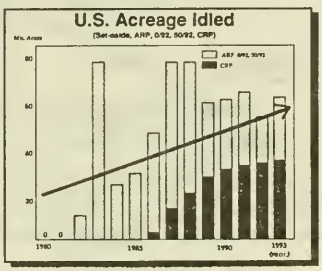


The rest of world agriculture grew in the 1980s and early 1990s while the U.S. was sitting still. Why did this occur? The value of the dollar increased in the early 1980s, but today is at historic lows, which should make the U.S. extremely competitive. Market volumes still have not improved. It is also popular to blame the European Union (formerly E.C.) for all our ills. The policies of the European Union have not helped, but even if E.U.'s growth is excluded, the rest of the world displayed a pattern of consistent, strong growth while the U.S. stagnated. So what is the primary reason for this poor economic performance of U.S. agriculture -- the fundamental difference between

our policies and those in the rest of the world? **The U.S. is the only country that idles significant acreage.**

C. Ford Runge and Willard Cochrane of the University of Minnesota in their recent book, **Reforming Farm Policy**, state, "This type of policy (supply controls), which were originally conceived for a relatively closed domestic market makes no sense in a global marketplace.....It's as if the American taxpayer was indirectly subsidizing the expansion of farms in France and Germany." Professor Thomas Hertel of Purdue University has stated, "Supply control is like an addictive drug---the longer it is used, the larger the dose needed to get high." Figure 19 reflects this growing addiction of U.S. agriculture---our seeming dependence on such policies that are strangling U.S. agriculture's economic performance.

FIGURE 19



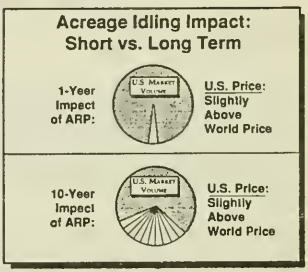
2. Acreage Idling Doesn't Raise Prices---It Exports U.S. Acres

Figures 8, 9 and 10 in the previous section that presented historical data on U.S. plantings and price demonstrated an important point: while prices may respond initially to reductions in plantings, the effect does not last. A recent USDA analysis (Figure 20) indicated that a **10 percent** wheat ARP would raise farm prices **6 percent** in the following year, with market demand shrinking by **60 mil. bu.** But the long-term impact on farm prices (not estimated by USDA) is very close to zero. Worse yet, the loss in markets is cumulative (Figure 21). Persistent and continuing use of annual acreage idling programs will, over time, force a shrinkage in U.S. markets. This is what happened to the U.S. in the 1980s, when we lost 1/4 to 1/3 of our wheat and corn export markets.

FIGURE 20

1994 Wheat -- First-Year Impact Increase in ARP of 10%	
U.S. Farm Price	+ 6 %
Net Farm Income	— 8 %
Market Demand Lost	— 60 mil. bu.

FIGURE 21



Importantly, though, these markets don't just disappear! They are served by our competitors. Figures 22 and 23 reflect this phenomena of the U.S. "exporting acres," rather than exporting product -- as the U.S. has cut its plantings by 10 percent, the rest of the world has expanded cultivated acreage by 1 percent. But because the U.S. only represents about 12 percent of cultivated acreage, the **net change in world acreage has been zero**. Even though the United States has idled the equivalent of all tillable acres in Indiana, Ohio, Oklahoma and Texas combined in recent years, our unilateral acreage idling has not had a long-term effect on world supplies, and thus has not significantly affected world, or U.S. price levels.

FIGURE 22

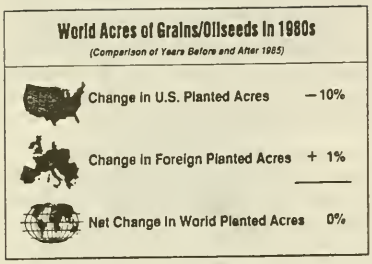
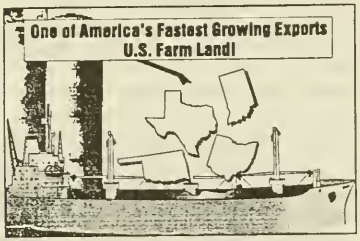


FIGURE 23

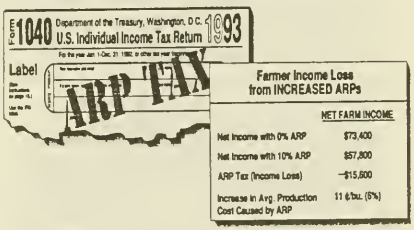


3. Acreage Idling Taxes Farmers and Taxes Economic Efficiency

Annual acreage idling programs have the same consequences as a direct tax on net farm income and reduces the overall efficiency of the U.S. agricultural sector. With annual ARPs **net farm income is impacted five ways and four of them are bad for farmers**: 1) a loss in number of bushels qualifying for deficiency payments; 2) lost government payment per bushel (short-term price rise); 3) loss in production volume to sell; 4) higher average cost per bushel (fixed costs spread over fewer bushels); and 5) temporary gain in price. Because the U.S. does not dominate world production the way it once did, temporary price gains, even in the short-run, are not as responsive as they once were. Thus the positive price impacts are increasingly inadequate to cover the other four sources of loss in farm income, and the net farm income impact is nearly always negative.

The example in Figure 24 shows the impacts of a 10 percent ARP on an 800 acre corn farm. Assumptions are: $2.75 target price, $2.25 market price with no ARP ($2.35 price with a 10% ARP); $145 out-of-pocket expense/acre; $20 out-of-pocket cost per idled acre; $125 land cost per acre; 140 bu./acre actual yield and ASCS yield of 110 bu./acre. The effects of lost production volume, loss in deficiency payments, and higher average cost are not adequately compensated by the price gain. The net effect is a $15,600 loss in net farm income.

FIGURE 24



In developing a strategic growth plan for agriculture, there are two major concerns about acreage idling. First, while all acreage idling programs tax U.S. agriculture and have a negative long-term impact on income, ARPs are the most severe tax, because there is no compensating payment from government (in contrast to the CRP). With federal government budgets declining for agriculture, **there is a real risk that CRP acres that are permitted to be put back into production will only result in successively higher ARPs to limit budget exposure.** This will eliminate farmers' ability to use that acreage to generate income and drive farmers away from programs. But it also will have disastrous consequences for production efficiency, market growth potential and agribusiness as well.

Second, the single most important factor for long-term growth in U.S. agriculture is to maintain or improve fundamental economic efficiency. It does not matter whether you're selling automobiles in a suburban neighborhood or grain and value-

added products worldwide. Consumers the world over are seeking quality products at the lowest delivered price. In the example given in Figure 24, increasing the ARP by 10 percent **raises average cost per bushel by 6 percent. In a highly competitive world, that will only become more competitive as trade barriers fall, the U.S. cannot afford to give up any of its comparative advantage through acreage idling programs.**

4. Massive Acreage Idling -- An Illogical Response to Environmental Concerns

Environmental concerns are becoming increasingly important in national policies. The Conservation Reserve Program, while having some benefits in reducing soil erosion, has proven to be an imprecise instrument for meeting environmental concerns. Over **60 percent** of the land enrolled in CRP is in land capability classes I, II, or III, those classes most suitable for crop production; and Abel, Daft and Earley note that much of the land in the CRP is not highly erodible. Of the total enrollment, 26 percent has an erodibility index (EI) of less than 8, placing it in the least erodible land category and excluding it from conservation compliance requirements. Thomas Hertel, a Professor at Purdue University, has noted that without precise targeting of acres to be idled, such "programs likely exacerbate the chemical pollution of streams and groundwater."

5. Acreage Idling Affects Every Sector of Agriculture

Acreage idling has negatively affected farmers by raising production costs (thus shrinking net farm income prospects) and shrinking markets over time, thus reducing potential income from the marketplace. But acreage idling has affected virtually every other sector of the industry and rural areas most acutely.

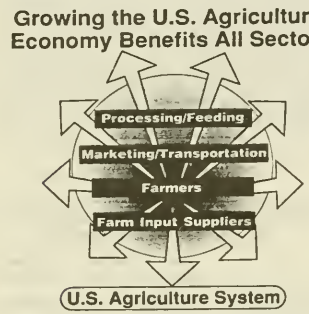
➢ **Rural Communities.** Land idling has shrunk economic activity in many rural communities. Abel, Daft and Earley indicate that 80 percent of the acres enrolled in the Conservation Reserve Program is located in fewer than 600 counties, mostly in the Gre Plains and western Corn Belt where the associated economic losses in employment and income have approached 10 percent.

➢ **Transportation Sector.** Because of slack demand, the number of rail cars available for grain and product shipments shrunk by 30,000 (18 percent) during the last decade (USDA estimate). The grain and processing industries are now encountering occasional rail car shortages, but not because of strong demand. The natural attrition of an aging rail car fleet and the lack of pro-growth farm policies means that America's rail transportation capacity has downsized in expectation of reduced grain and product market volume. This downsizing may limit growth in the future, unless policies are changed to make agriculture more market-responsive.

➢ **Grain elevators.** A recent study at Oklahoma State University indicates that acreage idling has not only reduced volumes being handled, but also significantly shrunk handling margins as excess capacity has developed. The result is that grain storage and handling facilities are being sold at depressed prices. A concrete grain elevator in the Midwest was sold at auction for just over 6 cents per bushel of capacity. That compares to 50 cents per bushel of capacity in the mid-1980s, and construction costs for new facilities range from $1.50 to $3.00 per bushel.

The economic consequences of acreage idling policies extend far beyond production agriculture and the marketing chain. Decreased economic growth also leads to fewer employment opportunities, and less investment by agribusiness. If the U.S. is to maintain its pre-eminence as the world's most efficient marketer and processor of agricultural products, incentives are needed to make new investment to replace out-dated equipment and adopt new technologies.

B. A Strategy for Growth for U.S. Agriculture



Rejuvenating economic growth in U.S. agriculture is important for many reasons:

➢ Growth can create greater opportunities and employment for this generation and future generations;

➢ For depressed rural economies, growth can help arrest the decline and create a more positive economic future by encouraging commercial investment; and

➢ Growth can provide for greater income from the marketplace for farmers, and replace some of the loss expected in government income support.

There can be little doubt that some major adjustments in farm programs are on the horizon. Congressional authorization of the CRP expires in 1995, and the Administration's budget contains no funding for CRP extension. Thus, while some might wish this program could be continued in its present form, it is most likely that funds will be available for continuing only a small portion of current CRP acres. Even then, money to pay for any partial extension may have to come from reductions in other commodity programs. In addition, most observers believe that funding of programs for deficiency payments and other income support may be subject to additional cuts and, if anything, will only decline in future years. Finally, subsidy programs such as the Export Enhancement Program (EEP) are subject to mandatory cuts as dictated by the GATT agreement.

This budget cutting and freer trade environment suggest that farmers' proportion of income from the government will shrink, possibly even more rapidly in the future; and the uncertainty surrounding programs such as CRP and EEP could force a reprioritization in federal farm programs. What role should the government play---what actions should it take---to allow U.S. agriculture to maximize its opportunities in the marketplace? There is a clear and pressing need to develop strategies for long-term, sustainable growth in a new era of more open global markets and lower government funding.

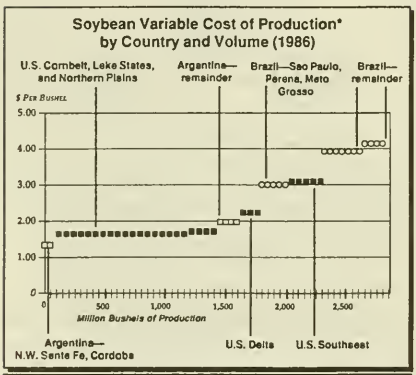
Figure 25

If U.S. agriculture is to grow, there are three critical elements. First and foremost, is economic efficiency. U.S. agriculture competes in a global marketplace and customers the world over are looking for quality products at the lowest delivered price. Economic growth is most likely to come to those countries that are most cost-efficient, both in production and in marketing and processing. Second, we must be a reliable supplier. To encourage steady growth in demand and nurture development of new customer bases will require consistent nourishment. If we fail to consistently make available competitively-priced foodstuffs and feed ingredients, our customer base will look elsewhere or produce it themselves. Third, we must market our products effectively. The government can help the U.S. become a better marketer of its output, but we need to rethink our strategy in some important areas. Each of these elements of growth is explained further in the following text.

1. Economic Efficiency Must Be Optimized

How cost-efficient is the U.S. today compared to our global competitors? Figure 26 compares U.S. soybean production costs to South American competitors like Argentina and Brazil. It indicates that, in fact, the U.S. is not the lowest cost producer. There is a small region in Argentina (shown at the far left side of the graph) that has variable costs of less than $1.50 per bushel. Significantly though, Argentina is only that efficient on about 150 million bushels of production (about 2 percent of world supplies), and neither Argentina nor Brazil is as efficient in major growing regions as U.S. production areas that grow most of our output. Across major commodities, the U.S. is generally not the absolute lowest cost competitor worldwide, but among higher volume nations, our costs are highly competitive.

FIGURE 26



* SOURCE *Basic Elements of Agricultural Competitiveness*, ERS Publication #1510, March 1993.

Acreage idling programs raise unit farm production costs, impeding efficiency. The Abel, Daft and Earley study noted that "...expanding the amount of acreage under cultivation spreads fixed costs over a larger output, thereby lowering the average per unit cost." That research estimated that 38.3 mil. acres are being idled under current programs that could be safely returned to production. On a current planted acreage base of 231.1 mil. acres, that represents an idling of 16.6 percent of our productive farmlands. Abel, Daft and Earley indicate that "fixed costs typically account for 55 to 65 percent of the total economic costs of production." Even with the conservative assumption that fixed costs are only 50 percent of total economic costs, allowing this acreage to come back into production could reduce per unit production costs by 5 to 10 percent.

FIGURE 27

Corn Production and Marketing Costs -- U.S. Vs. Major Competitors*

	Average Cost of Four Major Competitors	Average U.S. Cost
Variable Production Cost	$56 per ton	$59 per ton
Average Marketing Cost	$34 per ton	$25 per ton
Total Delivered Costs	$90 per ton	$84 per ton

*SOURCE: *Indians Agriculture 2000: A Strategic Perspective*: Purdue University, June 1992. (Data are based upon 1986 estimates, presumed to the most recent comparative data available on international competitiveness).

Agricultural efficiency is not just determined at the farm level. The U.S. competes globally on the basis of delivered price, not just value at the farm gate. The efficiency of the U.S. marketing system is a major strength. A recent study by Purdue University compared the corn production costs and marketing costs among the U.S. and four other competing nations: Argentina, Brazil, South Africa and Thailand. The results show that while the U.S. has a slight disadvantage in on-farm production costs, we more than make that up by a $9 per ton ($.23 per bu.) advantage in marketing costs (Figure 27). The efficiency of the U.S. marketing system is a major strength that both ensures America's farmers the best possible price and contributes strongly to overall cost-efficiency of the U.S. production-marketing system. To give agribusiness the incentive to invest toward greater economic efficiency, we clearly need a policy shift demonstrating that the U.S. is clearly committed to greater output and growth.

While this paper does not focus on income support programs, the evidence of past acreage idling programs offers some clear guidance. Historically, the U.S. has maintained policies requiring acreage

idling as a condition of providing government income support. Other programs have invoked planting restrictions that inhibited both flexibility in resource use and responsiveness to market signals. This is a key issue in a growth-oriented policy framework. In a competitive global economy, the U.S. can no longer afford to force U.S. farmers to artificially raise their own cost of production as a requirement for farm program benefits. Overall U.S. agricultural efficiency is damaged and the costs to other segments of the agricultural industry are too great.

2. Being a Reliable Supplier Is Key to Growth

Being economically efficient without being a reliable supplier essentially has no meaning or benefit. It matters not how efficient the U.S. is unless it is willing to affirmatively demonstrate that efficiency by production and availability of grain and oilseeds to the marketplace. In trying to develop a reputation of being a reliable supplier, actions by the government in trade matters have not always been supportive. Trade embargoes have been mistakenly used. Trade continues today to be used as a tool of foreign policy to modify behavior of foreign governments, despite its proven ineffectiveness.

Beyond the misuse of agricultural trade in foreign policy, domestic farm policies increasingly are creating problems for the U.S. reputation as a reliable supplier. Take the corn market as an example. In the 1980s, corn yields were slashed by 30 percent in two disastrous drought years, 1983 and 1988. The U.S. was quite fortunate in both of those years to have had corn stocks on hand that exceeded 40 percent of the expected utilization. But under current policies (last five years), ARPs have been used to keep stocks at 10 to 20 percent of expected use. What would happen if the U.S. once again had a crop shortfall 30 percent below normal? Traditional export customers would have to go wanting. The U.S. would probably have to import substantial substitute feed grains and wheat just to keep livestock herds from being liquidated; and companies dependent on industrial product derivatives of grain might reconsider their need to establish alternative suppliers. Market growth in the future is likely to occur because we steadily and reliably supply those markets and encourage dependence on our supplies. Artificially induced shortages will not be well received by customers, and several years growth in markets is put at risk by trying to manage stocks at an unrealistically low level relative to the risk of a crop shortfall.

Being a reliable supplier means not only growing and storing adequate supplies, but also being willing to sell such supplies at prevailing market prices. The grain reserve program as operated in the late 1970s and early 1980s was an example of this. Grain supplies were adequate, but the release price was so high that supplies were unavailable to the market. The U.S. made a similar mistake in the

FIGURE 28

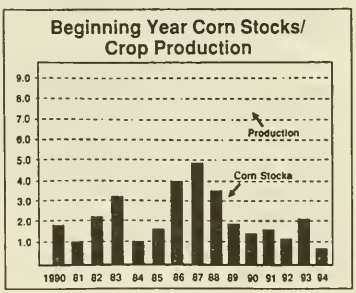
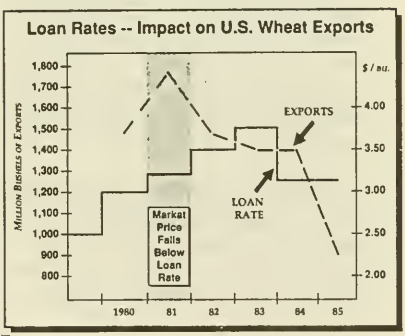


FIGURE 29



early 1980s, when our government began increasing loan rates for wheat and feed grains in an honest effort to support farm prices. By late 1981, loan rates and prices converged to the same level and wheat began to be forfeited to Commodity Credit Corporation rather than being offered for sale in the market. Of course, it did not require much time for our foreign customers to calculate there were plenty of other countries in the world willing to grow and sell grain at prices below the U.S. loan rate. The "economic shock" to U.S. markets achieved maximum intensity in 1985 when U.S. wheat exports reached their modern-era depths. The U.S. exported only 909 mil. bu. that year, a 49 percent decline in four short years.

Of course, some say the issue of "supply reliability" should instead be framed as a problem of "demand reliability." They argue that as soon as expanded demand is amply demonstrated, then expanded production can follow. Abel, Daft and Earley comment on that point, stating, "Explicit demand for U.S. products may never appear because the rest of the world will continue to expand output at prevailing market prices to fill the gap left by the United States." It is the trap that the U.S. falls into as the only country in the world using extensive acreage idling to "balance" supplies and demand. With set-aside acreage, we are positioned to quickly capture any large, significant and highly visible surge in demand (such as occurred with the significant USSR purchases of the 1970s); but we are very ill-equipped to capture even a small share of steady world-wide growth. As indicated earlier, both grain and oilseed markets grew steadily in the 1980s, but the U.S. captured none of the market expansion. The lesson for U.S. policies is that, in a market that experiences steady growth (which is expected for the foreseeable future), increased U.S. production and increased availability of supplies to the market must precede any growth experienced in markets, or the growth never occurs.

As Abel, Daft and Earley noted, "A conscious policy to reduce idle acreage may also make a difference in terms of competitor behavior. Foreign competitors will be more responsive in their production and exports to a clear, permanent change in U.S. policy toward more production and exports than they would be to a transitory increase in U.S. output and exports caused by good weather and yields or a short-term adjustment in acres idled."

There is, of course, concern by some that returning idle land to production will result in an oversupply of grains and oilseeds and depressed market prices. However, the Abel, Daft and Earley study demonstrates that these fears are probably unfounded. Because the U.S. no longer dominates world agricultural markets, nor is it likely to do so ever again because our competitors have grown so rapidly, a gradual increase in U.S. production can be readily absorbed. Putting 38 million acres back to work over a period of time (1995 to 2002 was assumed in the study), would "create only a mild increase in competitive pressure on other exporters. The U.S. would merely share in market growth rather than force an absolute reduction in competitor output. This means that increases in U.S. output and exports will not have a large depressing effect on market prices in the short run and little, if any, effect in the long-run (three years or more)."

3. Marketing U.S. Agricultural Products

The U.S. has expended considerable resources in the past to encourage market development through government-supported programs. However, often these programs did not work as well as they should have because economic performance and market expansion were being constrained by rigid supply control, high loan rates or inaccessible stocks at the same time we pushed for market growth. If the U.S. commits to greater production, improved efficiency and supply reliability, efforts directed at expanding markets will have much more economic validity for both U.S. agriculture and federal government expenditures.

The Uruguay Round agreement is good for agriculture and should be supported. While nearly every segment in U.S. agriculture is disappointed that the agreement did not go further to reduce trade distortions and barriers, it remains a critical linchpin of moving toward freer trade. In the next 60 years, world population is expected to double, but only about 2 percent of that growth is likely to occur in the U.S. For long-term sustainable growth, U.S. agriculture must have increasing access to the global marketplace, and for now, GATT seems to

be one of the best available tools to move us in that direction.

Becoming more customer oriented is critical for U.S. growth. As incomes grow and ethnic diversity expands, tomorrow's consumers will demand more variety in their diets. Niche markets will emerge for grains and oilseeds having specific quality characteristics. This phenomenon is already occurring, as the demand for bio-tech specialty grains with specific quality factors will grow as hog and poultry operations become more integrated. It is happening in wheat markets as the demand for specialty breads and other milled products continues to rise.

While this demand is expanding, a major U.S. baker reports that the milling and baking qualities of domestic wheat has steadily declined in the last decade. As the government shifts to a less influential role in markets and market distortions are reduced, "true" customer demand should be more accurately reflected in prices. This will create a natural transition to more customer-oriented policies. However, to compete effectively, there will be increasing need for "teamwork" between segments and open communications between producers and agribusiness to be more responsive to markets which can contribute the greatest value to production and marketing resources.

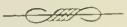
A greater focus on value-added businesses would encourage growth and benefit overall performance. Value-added businesses offer the promise of greater job creation in the domestic economy. Value-added businesses tend to add stability to the demand base for U.S. agricultural products, and as a source of demand, tend to support prices at a higher level, particularly in the immediate market area where located. The most important factor for encouraging value-added industries to locate in the U.S. rather than elsewhere is to commit that the U.S. will maintain policies of supply adequacy in grains and sustain world-competitive prices that will permit sustainable value-added growth. For many of these businesses, the cost of whole grain represents 60 to 90 percent of the value of the processed product. Thus, maintaining access to competitively priced raw materials (whole grain and oilseeds) is essential to growth.

A greater commitment by the U.S. to production and supply availability should make government-supported market development programs both more effective and more important to a growing agricultural economy. GSM credit programs are important for both whole grains and processed commodities. In many cases, to be competitive in specific markets, credit is a necessary vehicle. P.L. 480 also continues to be an important market development tool in expanding U.S. exports.

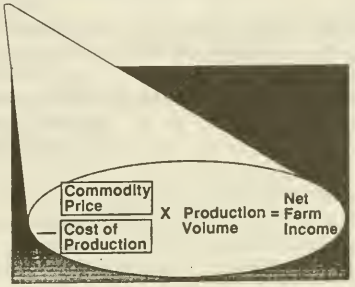
In developing a policy to effectively market U.S. products, we need to develop strategy that allows the U.S. to trade with the world the way the world wants to trade with us. What does this mean? It means that there are potential expansion opportunities in whole grain and oilseed exports; there are opportunities in semi-processed products; and there are opportunities in higher-valued goods. We don't know with certainty which way the market will swing, or where, throughout the world, private companies will make investments. Thus, it is impossible to determine at what level -- whole grain, semi-processed, or higher value -- the greatest growth potential lies. What we can do is to design policies in a way that ensures the U.S. can be consistently competitive in all stages of the production-processing chain to take advantage of any market expansion opportunity that becomes available. The U.S. consumes only about 16 percent of world grain and oilseed output. We produce about 22 percent of output. Thus, we are much more affected by the world marketplace than we are able to affect it with specific unilateral policies (acreage idling, specific segment subsidies, or any other policy). Thus, we need a U.S. pricing structure that is as consistent with world prices as possible, to be able to identify legitimate market opportunities, respond to them and expand markets.

Conclusion

Government has developed many policies over the years in an effort to help farmers and U.S. agriculture in general. Many of these programs have worked at cross-purposes. Or they have worked to enhance short-term goals at the expense of long-term erosion in markets. With no funding for future CRP, with the opening of global markets, and declining income support, the time has come for rethinking the whole nature of government involvement. What kind of support does agriculture really need from government in the 1990s? With so much at stake in the 1995 farm legislation---funding, future of CRP, less influence of farm state members, declining funding for programs---there may not be another good opportunity after 1995 to reshape farm programs to allow a smooth transition to greater marketplace income. With declining government support, the U.S. farmer needs to have a legitimate opportunity to begin growing income from markets before government funds run dry. U.S. agribusiness needs the opportunity to actively invest and compete in markets that have growth potential. Rural economies need the economic activity that increased production and associated businesses can inject. It is time to begin development of a strategic growth plan for agriculture that will be in the best long-term interest of the entire industry.



Focusing on Net Farm Income



With declining government income support and less protection from foreign competition, net farm income from the market can grow, but the policy prescription is different from current programs.

Our focus on net income is often too narrowly focused solely on commodity price. In fact, there are three primary factors comprising "net farm income," each of which are important: 1) commodity price; 2) production cost; and 3) production volume.

There are ways to improve net farm income through all three of these factors:

1. **Reduce idle acres.** This approach offers two ways to increase income by both lowering average unit production costs and expanding production volume. As Abel, Daft and Earley have indicated, every farmer is in a different situation with regard to idled acreage, the proportion of costs that are fixed, land productivity and variable costs. But in virtually every situation, the benefit of spreading fixed costs (land, machinery capacity, unused family labor, etc.) over more acres will expand the net income earning potential of the farm.
2. **Increase planting flexibility.** The "flex acre" concept has begun to move farm programs in this direction, but greater flexibility would be beneficial in allowing farmers to respond to profit opportunities. Current programs continue to restrict flexibility and the economic efficiency that can result from more optimal resource use designed specifically to each farm.
3. **Improving "farm prices" by adding value on the farm.** Every segment of the marketing chain attempts to "add value" and capture that value in the marketplace to expand earnings. The farmer should behave no differently. Options the farmer has include: 1) traditional methods, such as having a livestock enterprise in addition to cash grain farming. Selling corn "on the hoof" at times can be more lucrative than selling the crop for cash, and helps manage price risk; 2) farmers contracting with companies requiring specialty grains. This kind of market is expanding and offers some growers an attractive alternative, often at premium prices; and 3) farmers, through careful production practices and variety selection, growing crops that are more desirable, qualifying for maximum value in commercial markets.
4. **Market-based risk management tools.** Improving average farm returns is important, but reducing the variability of returns is also key. It is important for farm income stability and for sustaining the continuity of the business. In risk management, the U.S. producer has an advantage over foreign competitors. Through futures markets and cash forward contracts, price risk can be managed, and producers have opportunities to take advantage of upswings in price. The U.S. system provides a competitive advantage that should be more fully utilized.

An increasing number of farmers understand the benefits and are using market-based risk management tools. But the likelihood of less market involvement by government will enhance future benefits to those producers familiar with these pricing and risk management mechanisms.

As the government has fewer resources to support farmers directly, it should encourage greater self-reliance and use of proven market-based tools to manage risk and improve net farm income.

TESTIMONY OF JEFFREY S. FINDEN
EXECUTIVE DIRECTOR OF PHEASANTS FOREVER, INC.
BEFORE THE
SENATE AGRICULTURE SUBCOMMITTEE ON AGRICULTURAL RESEARCH, CONSERVATION, FORESTRY, AND GENERAL LEGISLATION
AND THE
HOUSE AGRICULTURE SUBCOMMITTEE ON ENVIRONMENT, CREDIT, AND RURAL DEVELOPMENT
SEPTEMBER 1, 1994

Mr. Chairman, Members of the Joint Committee, thank you for allowing me to testify today about Pheasants Forever's view of the Conservation Reserve Program. Pheasants Forever is the nation's largest upland wildlife conservation organization, with 70,000 members in 435 chapters in 26 states. Here in South Dakota, we have 23 chapters and 3,000 active members.

Pheasants Forever is working with a coalition of leading national wildlife conservation organizations who support continuing and fully funding the Conservation Reserve Program. These groups include the Delta Waterfowl Foundation, Ducks Unlimited, Quail Unlimited, The Wildlife Society, and the Wildlife Management Institute.

Stated simply, we believe the Conservation Reserve Program has been the most successful farmland conservation initiative in the nation's history. Evaluated on environmental, economic, or fiscal grounds, CRP has produced landmark benefits for soil, water, wildlife, farmers, taxpayers, sportsmen and women, and society at large. Our message to the Joint Committee today is very simple: CRP works and we urge you to renew it for another ten years in the 1995 Farm Bill.

I'd like to highlight today just a few of the benefits in each of the three areas I mentioned in order to illustrate the overwhelming success of the CRP. I think they will demonstrate why CRP is not only good conservation policy, but why it's good economic and good fiscal policy as well.

Environmental Benefits: The environmental benefits alone of the Conservation Reserve Program are staggering. According to USDA's own figures, the CRP saves roughly 700 million tons of top soil a year. A 1989 Report by USDA's Economic Research Service says that water quality benefits from CRP are seven times greater than traditional soil conservation programs. By improving water quality, increasing soil fertility, and reducing suspended sediment, the program is also generating billions of dollars worth of environmental benefits. To be specific, according to an analysis by the University of Minnesota Extension Service, CRP has produced savings of $1.6 billion in reduced soil erosion, $500 million in reduced wind erosion, and water quality gains of $3.6 billion.

Farmland wildlife populations have flourished under CRP. Ringneck pheasant populations have doubled or tripled across their range. In Minnesota, populations of greater prairie chickens have increased four-fold, thanks to CRP. A large population of sharptail grouse has returned to Southeastern Wyoming for the first time in decades. Research supported by Ducks Unlimited and the Delta Waterfowl Foundation estimates that three-million additional ducks are produced in the Dakotas and northeastern Montana alone because of CRP. CRP has also benefitted many threatened and endangered species.

Naturally, the increase in gamebird populations also helps to generate increased hunting and recreational spending. A recent analysis by Richard Johnson in "The Economics of Wildlife and the CRP" released earlier this year suggests that CRP has generated $8.6 billion in increased small game and waterfowl hunting. This produces tremendous economic benefits for rural small towns including ammunition, gas, food, and lodging sales. In South Dakota, Jones County received $1 million in extra hunting revenue during the first six days of the pheasant season alone, thanks to CRP. In fact, a study by the National Ecology Research Center of the U.S. Fish and Wildlife Service concludes that "wildlife benefits alone...come close to matching the total rental payment costs of the CRP." The data is clear and decisive: CRP has been a boon to soil, water, and wildlife conservation.

Farm Income/Economic Benefits: CRP has also benefitted farmers greatly. First, the program provides $1.8 billion annually to landowners in rental payments. Second, CRP increases farm income by helping to support commodity prices. Third, CRP boosts farm income by reducing the need for unpaid annual set-asides. Since 1985, roughly 60 million acres of surplus cropland have been idled each year. However, required annual set-asides have dropped from 100 percent in 1985 to zero for most commodities in 1994. If CRP is eliminated, higher annual set-asides will resume. This will lead directly to lower farm income. In contrast, CRP is a vastly superior option for controlling commodity supplies, boosting farm income, and generating natural resource benefits.

A recent report by Sparks Companies, Inc. - commissioned by interests in the grain trade - highlights the devastating effects on farm income if CRP were terminated. The study concludes that wheat prices would drop almost 12 percent, and barley would dive almost 22 percent. Farm income from those two commodities would drop roughly 20 percent and 49 percent respectively. The study concludes that terminating CRP would "weaken farm prices and incomes."

All three factors have a dramatic effect on farm income. The University of Minnesota Extension Service estimates that CRP's direct and indirect benefits to farmers total between $9 billion and $20 billion.

Clearly, farmers understand these benefits. In a July 19, 1994 article, *The Des Moines Register* reported that "three quarters of Iowa farmers want the government to continue the Conservation Reserve Program," according to an Iowa State University poll. The program enjoys similar support across the country.

Fiscal Benefits: Pheasants Forever is well-aware that Congress must evaluate not only the effectiveness of programs, but their cost as well. One of the most compelling reasons to renew CRP, we believe, is that it actually saves the federal government money!

In fact, the Sparks, Inc. study concludes that termination of CRP would lead to "increased government costs," predicting that federal subsidies would skyrocket 37 percent for wheat and an amazing 116 percent for corn. According to research by Dr. Robert Young at the University of Missouri Food and Agricultural Policy Research Institute (FAPRI), CRP saves taxpayers $2 billion per year in commodity program savings, for a net annual savings to the Treasury of $200 million.

Another FAPRI study confirms how important CRP is to restraining the cost of farm programs. The study concludes that "A 100 percent CRP extension provides up to four times the commodity program savings annually over a 50 percent extension." I would like to submit for the record this chart which illustrates CRP's savings from the taxpayer's perspective.

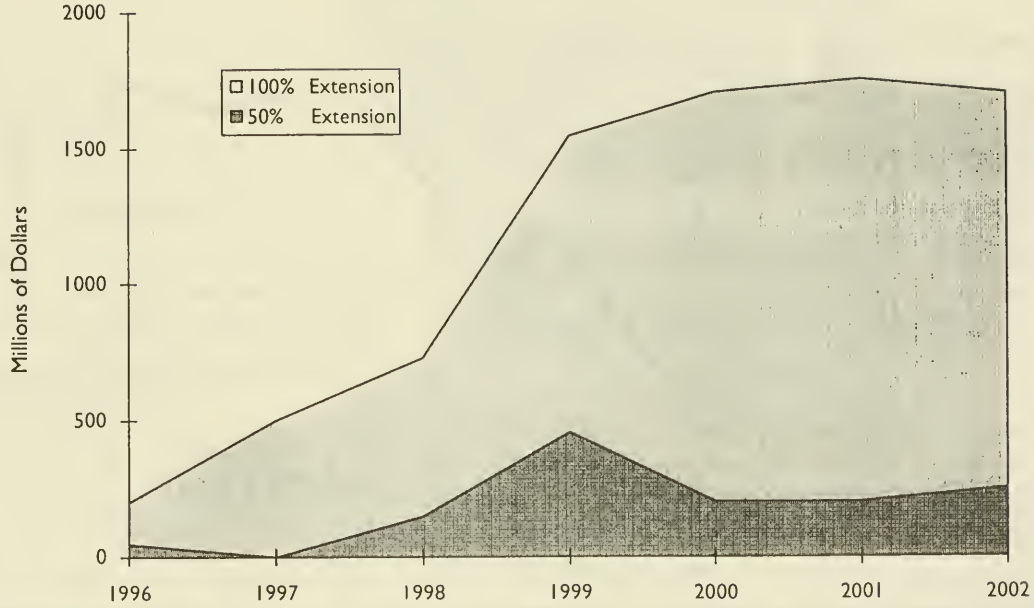
I would also like to include for the record the attached information from the U.S. Fish and Wildlife Service. The Service's data confirms that with CRP, taxpayers save $35 million annually on farm program payments in South Dakota, and, in return, realize natural resource benefits of nearly $17 million in the state. Similarly, comparisons of sixteen Great Plains and corn belt states show savings to the U.S. Treasury of three quarters of a billion dollars annually on farm program payments, plus increased natural resource benefits of $400 million.

In our view, the bottom line on CRP is clear. The program: 1) generates landmark soil, water, and wildlife conservation benefits 2) increases farm income both through rental payments and higher commodity prices, and 3) saves taxpayers and the federal government money. This is why the Conservation Reserve Program is strongly supported by a such broad range of grassroots farm, commodity, conservation, and wildlife groups.

We believe the record provides overwhelming evidence that CRP has been a very wise federal investment. We urge you to renew and fund it in full in the 1995 Farm Bill. We especially urge Congress to maintain CRP's focus on conservation of large blocks of grassland in the Great Plains. On behalf of Pheasants Forever, I pledge our help and cooperation to members of this panel to help make that goal a reality.

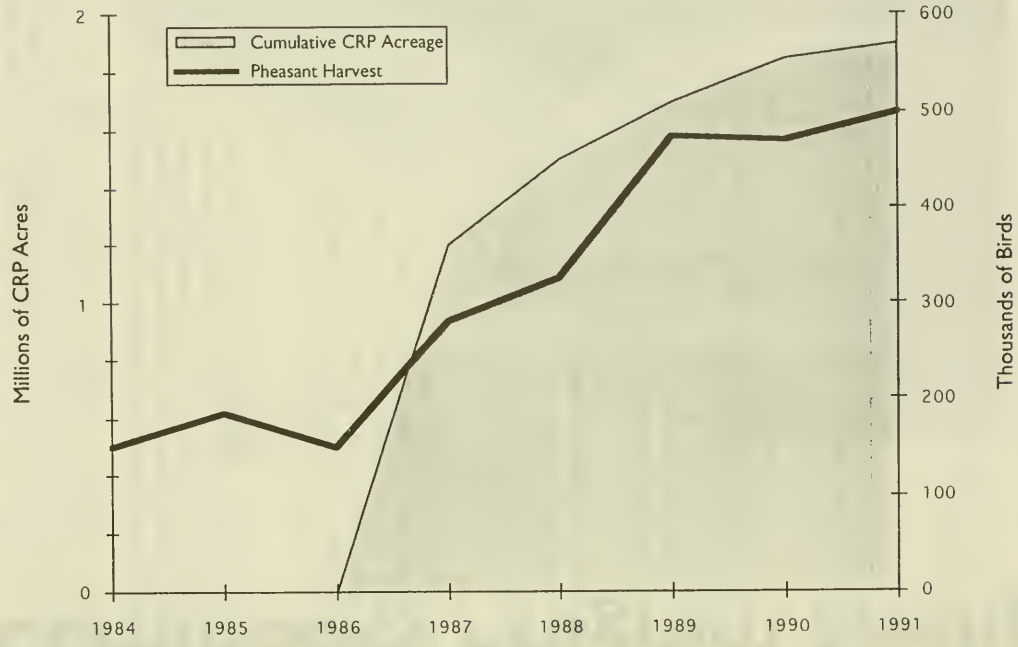
Thank you, Mr. Chairman, and I'll be happy to take questions.

Commodity Program Savings



Source: Robert Young, University of Missouri 1994 SWCS, CRP Conf. Washington D.C

Minnesota CRP Acres and Pheasant Harvest



Source: Minnesota Department of Natural Resources

ECONOMIC COMPARISON OF FEDERAL FARM PROGRAM PAYMENTS IN COLORADO, KANSAS, NEBRASKA, MONTANA, SOUTH DAKOTA AND NORTH DAKOTA WITH AND WITHOUT CRP IN 1991

(EXECUTIVE SUMMARY)

	WITHOUT CRP (Sparks)	WITHOUT CRP (ERS)	WITH CRP
Wheat deficiency payment	$1,569,828,467	$ 1,441,304,521	$ 1,122,381,090
Barley deficiency payment	$ 284,577,499	$ 178,170,241	$ 128,595,118
Corn deficiency payment	$ 688,661,514	$ 625,252,622	$ 480,148,816
Oats deficiency payment	$ 42,778,251	$ 37,025,696	$ 23,204,080
Sorghum deficiency payment	$ 203,706,309	$ 131,239,917	$ 92,465,265
Reserve grain storage payments	$ 10,761,031	$ 10,761,031	$ 9,438,998
Disaster payments	$ 65,261,188	$ 65,261,188	$ 57,731,606
Wheat and wheat flour export enhancement program (EEP)	$ 575,640,946	$ 575,640,946	$ 521,041,245
Barley and barley malt export enhancement program	$ 53,746,006	$ 53,746,006	$ 45,017,792
Foreign Market Development and Market Promotion Program (Wheat and Feed grain)	$ 10,504,875	$ 10,504,875	$ 9,356,424
Loan deficiency payment	$ 24,726,855	$ 24,726,855	$ 22,786,661
ACP	$ 25,989,500	$ 25,989,500	$ 24,612,703
CRP	$ N/A	N/A	$ 626,456,942
TOTALS	$3,556,182,441	$ 3,179,623,398	$ 3,163,236,740
Natural resource benefits of CRP program in above states			$ 124,452,254
Total cost of federal farm payments with natural resource benefits subtracted	$3,556,182,441	$ 3,179,623,398	$ 3,038,784,486

NEWS RELEASE

PHEASANTS forever®

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FOR FURTHER INFORMATION

FOR IMMEDIATE RELEASE:
SEPTEMBER 1, 1994

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PHEASANTS FOREVER ENDORSES CRP BEFORE HOUSE-SENATE AG PANEL

ST. PAUL, MN--Testifying before a joint House-Senate agriculture panel today, Pheasants Forever called on Congress to renew and fully fund the Conservation Reserve Program (CRP) in the 1995 Farm Bill.

At a Congressional field hearing held in Aberdeen, South Dakota, Pheasants Forever Executive Director Jeffrey Finden called CRP "the most successful farmland conservation initiative in the nation's history." The hearing was scheduled by Sen. Tom Daschle (D-SD), Chair of the Senate Agriculture Conservation Subcommittee, and U.S. Rep. Tim Johnson (D-SD), Chair of the House Agriculture Environment Subcommittee, to collect testimony in preparation for writing the 1995 Farm Bill.

"Evaluated on environmental, economic, or fiscal grounds, CRP has produced landmark benefits for soil, water, wildlife, farmers, taxpayers, sportsmen and women, and society at large," Finden said. "Our message to the Joint Committee today is very simple: CRP works and we urge you to renew it for another ten years in the 1995 Farm Bill."

Pheasants Forever is a member of a national coalition of wildlife conservation groups calling for reauthorization of CRP, including the Delta Waterfowl Foundation, Ducks Unlimited, the Wildlife Management Institute, Quail Unlimited, and The Wildlife Society.

In his testimony, Finden highlighted CRP's benefits, including:

* Savings of roughly 700 million tons of top soil a year, according to USDA figures. A 1989 Report by USDA's Economic Research Service concluded that water quality benefits from CRP are seven times greater than traditional soil conservation programs.

* Increased farm income due to CRP rental payments of $1.8 billion annually to landowners and higher commodity prices. A study by Sparks Companies, Inc. concluded that farm income would drop 20 percent for wheat and nearly 50 percent for barley without CRP.

- more -

* Increased small game and waterfowl hunting worth $8.6 billion, according to a 1994 study. CRP also produces benefits to the rural economy, from increased sales of ammunition, gas, food and lodging.

* Savings to the federal government and taxpayers, due to lower farm program costs. The Sparks study also concluded that federal subsidies would climb 37 percent for wheat and skyrocket 116 percent for corn without CRP. Other research has concluded that CRP produces net annual savings to the U.S. Treasury of $200 million.

"In our view, the bottom line on CRP is clear," Finden said. "CRP generates landmark soil, water, and wildlife conservation benefits, increases farm income, and saves taxpayers and the federal government money. The record provides overwhelming evidence that CRP has been a very wise federal investment that deserves to be continued."

Pheasants Forever is the nation's largest upland wildlife conservation organization with 70,000 members in 26 states.

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A VISION FOR AGRICULTURE AND THE 1995 FEDERAL FARM BILL

Minnesota Department of Natural Resources
1995 Farm Bill Working Group

Executive Summary

Agriculture has been, is and will continue to be a primary contributor to America's economic and social health. Increasingly, the American public is demanding seemingly contradictory goals of cheap food and environmentally friendly farming. Today's paramount challenge to agriculture and federal farm policy is to leave legacies of healthy farming economies, vigorous rural economics, and healthy natural environments. This would manifest a truly sustainable agricultural system - an absolutely essential goal for the long-term health of our nation.

Farmers are our most significant and important land managers. Recognizing this key role, and with society's willingness to fund protection of agricultural lands for future generations, a farm program must be crafted that protects public interests within the constraints of private property rights. Therefore, we assert that national agricultural policy must be refocused to primarily aid and reward farmers who manage land in an environmentally-sound manner.

Current federal farm programs transfer public revenues to the private agricultural sector through the vehicle of commodity control. Rather than a commodity control-based farm program, we believe that one based on stewardship should be designed and implemented. Such a program would reward farmers who employ management practices that provide societal benefits such as protecting our land and water from long-term degradation. It would also free farmers to decide which crops to grow according to profitability and soil capability rather than commodity-crop program acreage mandates. This focus would encourage a sustainable and ecologically friendly approach to farm management by rewarding and assisting farmers who implement profitable practices while maintain natural biological systems of the landscapes.

With this philosophy, program benefits should be contingent on managing the land within soil capabilities, for instance keeping soil loss below the allowable loss ("T") and using only necessary amounts of fertilizers and pesticides. This type of management would also encourage the restoration and maintenance of self-sustaining, wild plant and animal communities in sufficient quantity and quality to insure continued recreational and economic uses.

Features of a program necessary to accomplish these objectives are:

* Base program payments on the implementation of whole farm management plans that keep soil loss below "T", minimize fertilizer and pesticide use, and restore and maintain adequate habitat bases for self-sustaining wildlife populations, and NOT ON THE COMMODITY CROP BASES (phase out the use of commodity crop bases to determine payment).

  - provide adequate technical assistance and well-financed, cost-share conservation practices

* Shift land retirement programs from annual to multiyear options to accomplish whole farm management objectives.

- provide perpetual easements to protect environmentally sensitive lands such as highly-erodible areas, restored and undrained wetlands (e.g., WRP), native grasslands, riparian areas and other natural communities, and groundwater recharge areas (e.g., FmHA easements). Easements could vary from limiting certain uses to complete protection

- provide special incentives (e.g., tree planting) and long-term (6-20 yrs; e.g., CRP) land retirement options for highly-erodible and environmentally sensitive croplands to promote the permanent conversion from commodity production to environmentally compatible uses (e.g., timber, biofuel production, wildlife habitat, rotational grazing).

- provide multiyear (3-5 yrs) land retirement options for erodible farmed acres to reduce commodity crop acreage, promote crop rotation and provide a strategic forage reserve (e.g., move away from annual set-asides).

- use annual set-asides only when absolutely necessary. Management practices that protect soil, water and wildlife resources must be required on these acres.

- encourage vegetational diversity of cover plantings on enrolled lands where compatible with management objectives.

* Modify both State and County ASCS Committee memberships to reflect broader public representation (e.g., consumers, resources managers).

* Expand the role of the State Technical Committee to be advisory on all ASCS programs that affect land management (e.g., cover management on annual set-asides).

* Enhance Conservation Compliance by requiring "T" or less on all cropped acres by the year 2005 and strengthen enforcement of Compliance, Sodbuster and Swampbuster features.

* Encourage participation by states with proven easement delivery systems to implement and administer conservation easement programs (e.g., RIM, PWP) using federal block grants or match grants to accomplish mutually agreed upon state objectives.

* Direct agricultural research dollars towards sustainable farming practices that focus on creating new and innovative farming technologies and management strategies that will minimize undesirable or destructive impacts on fragile lands and wildlife habitats.

* Develop programs that maintain existing farmers and encourage the recruitment of beginning farmers.

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A VISION FOR AGRICULTURE AND THE 1995 FEDERAL FARM BILL

Minnesota Department of Natural Resources
1995 Farm Bill Working Group

THE VISION

Agriculture has been, is and will continue to be a primary contributor to America's economic and social health. Increasingly, the American public is demanding seemingly contradictory goals of cheap food and environmentally-friendly farming. Today's paramount challenge to agriculture and federal farm policy is to leave legacies of healthy farming economies, vigorous rural economics, and healthy natural environments. This would manifest a truly sustainable agricultural system - an absolutely essential goal for the long-term health of our nation.

Farmers are our most significant and important land managers. Recognizing this key role, and with society's willingness to fund protection of agricultural lands for future generations, a farm program must be crafted that protects public interests within the constraints of private property rights. Therefore, we assert that national agricultural policy must be refocused to primarily aid and reward farmers who manage land in an environmentally-sound manner.

Current federal farm programs transfer public revenues to the private agricultural sector through the vehicle of commodity control. Rather than a commodity control-based farm program, we believe that one based on stewardship should be designed and implemented. Such

a program would reward farmers who employ management practices that provide societal benefits such as protecting our land and water from long-term degradation. It would also free farmers to decide which crops to grow according to profitability and soil capability rather than commodity-crop program acreage mandates. This focus would encourage a sustainable and ecologically friendly approach to farm management by rewarding and assisting farmers who implement profitable practices while maintain natural biological systems of the landscapes.

With this philosophy, program benefits should be contingent on managing the land within soil capabilities, for instance keeping soil loss below the allowable loss ("T") and using only necessary amounts of fertilizers and pesticides. This type of management would also encourage the restoration and maintenance of self-sustaining, wild plant and animal communities in sufficient quantity and quality to insure continued recreational and economic uses.

PROGRAM FEATURES

Program Payment Criteria

Successful implementation of this program will require the use of whole farm management plans that are designed cooperatively with each farmer. These plans must provide profitability while meeting environmental objectives such as keeping soil loss below "T", minimizing fertilizer and pesticide use, and restoring and maintaining adequate habitat bases for self-sustaining wildlife populations. Program payments will be based on the implementation of the agreed-upon whole farm plan objectives NOT ON COMMODITY CROP BASE EQUATIONS.

Compliance Features

The establishment of conservation compliance features (Compliance, Sodbuster, Swampbuster) in the Food Security Act (FSA) of 1985 provided a stewardship prospective for all future farm programs. These keystone features must be retained and their enforcement strengthened to meet the needs and challenges of the future. In addition, the original objective of the compliance feature must be re-established by requiring "T" or less on all cropped acres by the year 2005.

Land Management Options

Evaluation of the Conservation Reserve Program (CRP), established in the FSA of 1985 have shown this program to be an unqualified success in both its economic and environmental impacts. Retiring 36.4 million acres under CRP, the majority of which was eroding at 3 times or more the soil replacement rate, has resulted in:

- reduced commodity cropland bases of over 23 million acres, thereby reducing more costly Acreage Conservation Reserve (ACR) deficiency payments by an estimated $10-$12 billion over the life the contract period (1986-2002);
- reduced soil erosion by over 700 million tons annually;
- increased wildlife populations, particularly those species dependent on grasslands;
- reestablished 2.5 million acres in trees, removing these acres from future farm program payment involvement
- improved soil tilth;

- improved water quality.

The environmental benefits derived from CRP have been valued at between $6 billion and $13 billion by U.S. Department of Agriculture economists. Considering the additional estimated savings in reduced ACR deficiency payments ($10-$12 billion), CRP savings and benefits will exceed its $19.6 billion outlay by the year 2002. This impressive record is in sharp contrast to the ACR program, which will have cost taxpayers an estimated $117 billion during the same period, with few, if any, environmental benefits.

The unqualified success of CRP in meeting objectives proves the value of and need for long-term land retirement options as an integral part of future U.S. farm programs. To meet future needs, however, program participants must be provided with a range of options that will meet both farm operation needs and environmental objectives. To move away from a dependence on annual set-asides, which have proven to be environmentally harmful, we recommend providing a multiyear and two, long-term land retirement options. The appropriateness of the option will depend on the present use, erodiblity of the land in question, and landowner acceptance. The options we recommend are:

- *perpetual easements* for environmentally sensitive cropland and non-cropland that should not be farmed. This option should be used to protect critical acres such as highly erodible lands (HEL), undrained and restorable wetlands (e.g., Waterbank and Wetland Reserve Programs), native grasslands, riparian areas and other natural communities, and groundwater recharge areas from continued or future cropping. Easements could vary in restrictions from limiting certain uses to complete protection. Adequate funding should be provided to protect at least 25 million of these vulnerable

acres, of which 10 million should be restored wetlands.

- *CRP* (6-20 yrs) for cropland that should no longer be cropped, such as HEL and/or environmentally sensitive (e.g., riparian, groundwater recharge, critical wildlife and plant habitat components. This program should provide special incentives (e.g., tree planting) to promote the permanent conversion from commodity production to uses that provide multiple environmental benefits (e.g., timber plantings and management of native tree species to maintain viable forest communities; biofuel production from native grasses and tree species; rotational grazing systems using cool and/or warm season pastures that provide desired soil, water and wildlife benefits). Adequate funding must be provided to enroll, and hopefully permanently convert to alternative uses, a minimum of 45 million acres in this option.

- *Multiyear set-aside* (3-5 yrs) for cropland acres that can be periodically cropped but require a forb-grass seeding in the rotation to meet "T" requirements. This option would be used to reduce commodity crop acreage, promote crop rotation, provide a critically needed wildlife habitat component (undisturbed grasslands) and, in times of emergency, a strategic forage reserve. Adequate funding should be provided to retire at least 5% of the nation's cropland (20 million acres) under this program. No annual set-asides, however, should be authorized until this minimum is attained.

- *Annual set-asides* for reducing temporary surpluses of commodity crops on croplands that are eroding at less than "T". This option should be used only when absolutely necessary. When this option is used, however, management practices that will protect soil, water and wildlife resources MUST be required on those acres.

Increased vegetational diversity (mixed stands of compatible species) should be encouraged on all enrolled lands.

Essential to the success of this stewardship based program will be adequate and appropriate cost-share and technical assistance, through the federal Natural Resources Conservation Service (former SCS), state natural resources agencies, and local conservation districts, to aid program participants in making and implementing the best decisions to meet operational and environmental objectives.

Administration of Programs

As federal farm programs, (particularly the cropland retirement programs), are refocused to encourage a sustainable and ecologically friendly approach to farm management, the provisions for administrating these programs will likewise have to be altered. In general, the spectrum of input will have to be broadened (e.g., farmer, resource managers, consumers) at all levels (federal, state,and county). In particular, the membership of Agriculture Stabilization and Conservation and Service (ASCS) committees at both the state and county levels will need to be modified. This can be done by designing the voting membership so that it reflects a broader public representation (e.g., consumers, resource managers).

As required under the Food, Agriculture, Conservation and Trade Act (FACTA) of 1990, all state committees MUST establish a State Technical Committee (STC) to advise the state ASCS committees regarding implementation of the conservation provisions. In addition to making sure these committees are established as require by law, the STC's charge should be expanded to advise on all ASCS programs affecting land management, not just those under the

conservation provisions (e.g., cover management on multiyear and annual set-aside, Farmers Home Administration conservation easements).

Future federal farm program practices and options must mesh with and complement other relevant state and federal laws, agencies, and land use programs (e.g., Clean Water Act, Endangered Species Act, Minnesota Wetland Preservation). With broader representation on both the ASCS Committees and the STC's, meeting such requirements should be greatly enhanced.

Further, to reduce duplication of effort, states with proven easement delivery systems should be encouraged to implement and administer conservation easement programs (e.g., Reinvest In Minnesota, Permanent Water Preserves) using federal block grants and match grants to accomplish mutually agreed-upon state objectives.

Fostering Sustainability of Agriculture

The FACTA of 1990 provided incentives to encourage the development and implementation of sustainable agricultural systems that are environmentally friendly. This initiative needs to be continued and expanded by providing more research dollars towards sustainable farming practices that focus on creating new and innovative farming technologies and management strategies that minimize undesirable or destructive impacts on fragile lands and wildlife habitats. Also, additional funding will be required to encourage and assist farmers in making the conversion to the more sustainable, environmentally-friendly systems.

To sustain agricultural production and vital rural communities will require the recruitment of young farmers. A program should be developed that encourages the recruitment of beginning

farmers into agriculture by offering conservation easements to reduce land costs, low interest loans, and debt restructuring with emphasis on the aforementioned sustainable agricultural management systems.

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TESTIMONY PRESENTED

BY

ROGER RIX

ON BEHALF OF SOUTH DAKOTA WHEAT, INC.

Conservation Reserve Program

The Conservation Reserve Program has provided significant environmental and economic benefits to both the public and the agricultural sector, and should be continued. It is important that the CRP continue to serve a range of conservation objectives, including soil erosion reduction, wildlife habitat enhancement and improved water quality and soil productivity.

We urge the Secretary to act immediately to offer producers the opportunity to extend current contracts in order to ensure that the gains in resource conservation the CRP has achieved are not lost. In renewing contracts, we encourage USDA to offer producers a variety of options in meeting conservation objectives which will fit their particular operations and which will maximize acreage maintained in conserving use. For example, we believe that very highly erodible lands, as well as ceratin less highly erodible lands which could more easily be returned to crop production, could fit into the extended CRP, as they do now. Wildlife habitat should include critical habitat for wild game and migratory waterfowl, in addition to critical habitat for endangered species.

We understand very well the challenges of financing a continuation of the CRP in its present form within the constraints of the federal budget. In our view, however, it is essential that commodity program funding be addressed separately from funding for CRP and other natural resource conservation programs authorized under farm legislation. Commodity programs are designed to achieve price and income stability benefiting producers and consumers alike. These are goals which must continue to guide commodity program policy in the coming reauthorization debate. Current farm law also establishes important environmental goals and programs to achieve them, including the CRP. We believe very strongly that these programs must be supported on their own merits, however, and not financed through reductions in price and income support programs.

We hope that the Congress will consider cost containment and cost-offset options to enable continuation of the CRP, rather than to significantly downsize or alter the current structure of the program. Such options might include economic use of land enrolled in CRP, such as limited haying and grazing; crediting environmental achievements of land idled under the CRP to satisfy other environmental requirements on another farm; rotation of CRP acres within a farm to improve overall soil fertility of the farm. We do not believe the Congress should rely on offering payments for permanent easements as a primary means of reducing long term outlays on the CRP. Nor should farmers be expected to accept significantly lower rental payments for CRP contracts.

Dakota Rural Action

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COMMENTS OF JIM DAILEY
CRP - CONSERVATION RESERVE PROGRAM
REPRESENTING DAKOTA RURAL ACTION
THURSDAY, SEPTEMBER 1, 1994 ABERDEEN, SD

My name is Jim Dailey and I am a farmer from Clear Lake, South Dakota. I am here representing Dakota Rural Action today. Our members have begun debating the pros and cons of CRP and we have not finalized our position on CRP yet, but I'll share my views on this program.

Secretary Espy, I'm glad that you authorized an optional one year extension for those with CRP contracts coming up next year. I think it's important that CRP be debated in the 1995 Farm Bill, and without this authorization, it is my understanding that the Congressional Budget Office would be locking in budget figures to phase out CRP entirely. That's a huge policy decision that shouldn't be made strictly by the budget. But Dakota Rural Action urges you to make every effort to get CBO to cooperate and change their baseline projections, so that CRP isn't stopped because the number crunchers wrote it out of the budget.

I support the continuation of CRP for the purpose of providing farm income and protecting our farming resources. I think people, especially those who have major problems with CRP., need to remember that CRP provided income for farmers, most of which was spent on main street. And CRP also achieved environmental benefits like cleaner groundwater, reduced soil erosion and chemical use, that benefit the farmer, the community and consumers. Farmers benefitted from CRP, and the community as a whole has benefitted.

That's not to say that there aren't problems with CRP. There are improvements in administration that need to be made. As a farmer enrolled in CRP, and a former ASCS county committeeman, I see

many things that should be done differently to make this program more effective and less costly.

I expect that some farmers will chose not to renew their CRP contract, should that be an option, at the end of their ten year contract, and that thousands of acres will come back in to production. If the producer is enrolled in the farm program, sodbuster, swampbuster and conservation compliance programs would protect the more fragile lands to an extent. But we know that market prices will go down as land comes out, because grain corporations will use every opportunity to pay less to producers.

That's why we urge you, Secretary Espy, to use your discretion to raise the Commodity Credit Corporation loan rate to a higher level. In fact, the way our current commodity programs are set up, conservation and rotation practices are discouraged, so that farmers who are working to protect their farming resources for future generations are penalized. One of the best ways to overcome this is to raise the CCC loan rates and institute a bushel based supply management program. This would make our commodity programs much more compatible with CRP.

If CRP is continued and contracts are renewed, and new land is allowed in , we think a more targeted use of the program would increase the amount of fragile land that is enrolled. Some county offices and many producers didn't use the partial field enrollment option for such uses as grass waterways, contour strips or field windbreaks which would have had a greater environmental benefit at a lower cost. Since Congress eliminated funding for new enrollments in 1993 and 1994, it is my understanding that partial field enrollments are less common.

Rental rates: One problem that must be overcome is the great differences in rental rates between states and counties. I think the former state ASCS committee and office really failed in bringing farm income to South Dakota when compared to other states by setting some rental rates very low. In western South Dakota, rental rates were lower even than Wyoming. Rental rates in Deuel County were $50 an acre, while identical land in Lincoln County,

Minnesota was bind in at $70 an acre. There should be more balance and less politics with the way rental rates are set, and the state ASCS committee should remember that its role is to work for South Dakota farmers.

We also know of abuses where Minnesota farmers put their land into CRP, then came into South Dakota and cash rented our farm ground for less. That's an abuse that could be avoided if rental rates were set more fairly.

There are other abuses with CRP between landlords and tenants. Some portion, at least 25% of the CRP payment should have to go to the tenant.

Keeping base: Under current CRP contracts, farmers keep their base. If CRP is extended and land enrolled now can be enrolled for another five or ten years, we might consider not protecting that base for additional years.

Haying and grazing: Some people further west have suggested that a producer be allowed to hay 25 - 30% of their CRP land each year, resulting in a better stand. Then the farmer should pay for the hay if they feed it out or sell it. This would make better use of CRP, which is really now a good foreage reserve. But the abuses have to be stopped. some farmers hayed their CRP and sell it, which competes against the person who sells hay for a living. They make two incomes off the land. The government should be paid back, in this instance.

As CRP contracts expire, I think that producers and the 1995 farm bill should consider alternative land uses for CRP besides simply putting the land back into production or taking more land out -- uses that support agriculture and improve farm income.

My operation is an example. I'm creating a fee-for-hunting wildlife area on part of my farming operation. We should also look at establishing a perennial grazing crop, or growing non-program crops. A modified CRP program could provide some kind of transition for CRP land that goes into alternate uses which continue to promote the environmental benefit of CRP.

Finally, there are many suggesting floating around that suggest that as CRP land comes out, landowners should be able to sell to beginning farmers or rent to beginning farmers where the CRP contract would be modified to require grazing plans to ensure soil and water resources and wildlife habitat be protected; or where a seller uses CRP land to sell under contract in the new "beginning farmer bond" program, something DRA has worked for. These are ideas worth thinking about, but Secretary Espy, until FmHA makes a real attempt at returning to its mission and making real changes to get beginning farmers on the land, these ideas are just pie in the sky. You should use your full authority to repair that agency and return it to true lending to beginning farmers. The current program fails miserably in this regard.

Thanks for the opportunity to comment.

Working for the Nature of Tomorrow®

NATIONAL WILDLIFE FEDERATION

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STATEMENT OF

NATIONAL WILDLIFE FEDERATION

BEFORE THE

SUBCOMMITTEE ON AGRICULTURAL RESEARCH, CONSERVATION, FORESTRY AND GENERAL LEGISLATION

OF THE

SENATE COMMITTEE ON AGRICULTURE

AND THE

SUBCOMMITTEE ON ENVIRONMENT, CREDIT AND RURAL DEVELOPMENT

OF THE

HOUSE COMMITTEE ON AGRICULTURE

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DAN LIMMER, NORTH CENTRAL REGIONAL EXECUTIVE
NATIONAL WILDLIFE FEDERATION

SEPTEMBER 1, 1994
FIELD HEARING
RAMKOTA INN
ABERDEEN, SOUTH DAKOTA

INTRODUCTION

The National Wildlife Federation (NWF) is the nation's largest conservation education organization. Founded in 1936, NWF works to educate and assist individuals and organizations to conserve natural resources, and to protect the Earth's environment. We have long been keenly interested in the Food Security Act, and played a key role in the development of the Farm Bill's Conservation Reserve Program (CRP). NWF appreciates this opportunity to testify before this field hearing in Aberdeen chaired by Senator Tom Daschle and Congressman Tim Johnson. We applaud the participation of Secretary of Agriculture, Mike Espy in this hearing, and are pleased with his personal visit to the state to observe the benefits of CRP.

CRP - A SUCCESS STORY

CRP is one government program that is championed by both farmers and environmentalists. We can't think of another USDA program that is supported as universally as the current CRP program. CRP has been a great success for soil, water, and wildlife conservation and for farmers, taxpayers, sportsmen and rural communities, especially in the Midwest and the prairie states. It has achieved significant and readily documented success in reducing topsoil loss and water sedimentation from highly erodible lands, and in increasing waterfowl and other wildlife populations that have dramatically increased as these species take advantage of the habitat CRP makes available. CRP has been a integral element in reducing surplus grain supplies

and in improving farm income.

The over 36 million acres of CRP represent a 19 billion dollar investment in soil and water quality, wildlife habitat, and farm income. CRP alone is estimated to have reduced soil erosion in the United States by over 20 percent. Much of this has occurred on the Great Plains because of the fragile nature of the soils. CRP can continue to protect soil and water quality and wildlife habitat while also protecting the viability and productivity of farmers. If CRP is not extended, much of the existing grasslands will be converted to cropland and our water, soil and wildlife will be placed, once again, at risk. To avoid the reversion of CRP acres back to cropland and the resulting soil erosion, water degradation, loss of wildlife habitat, and likely increased commodity program costs, it is necessary that producers be given the option to retain their lands for conservation uses. NWF supports maintaining the existing total acreage of the 36.5 million acres at the existing funding level in the present program. The Secretary's action last week to extend CRP contracts, which expire September 1, 1995, for one year is the first step and we applaud his action. The second and more critical step is for the Secretary to announce his intention to fully extend CRP. This action will assure that the Congressional Budget Office will place all of CRP's existing acreage in the baseline budget.

As the debate continues on CRP, there are those arguing that CRP funding needs to be changed drastically to become flexible,

target other environmental problems, and reduce the number of acres in the current program. We strongly disagree. CRP is like the old saying -- "a bird in the hand is worth two in the bush." CRP is a known program with measurable success. We must continue to recognize the importance and value of CRP on the highly erodible lands of the Great Plains.

It is critical that a future CRP be implemented so as not to lose the multitude of benefits which have accrued. NWF supports substantial environmental funding for soil and water conservation because today's agriculture causes significant environmental impacts. The tangible funding for the environmental base that is represented by CRP in the federal budget must be maintained. CRP can and should be improved, but it is a framework that serves the broad public interest in agriculture conservation far better than other current forms of income transfers from taxpayers to farmers. Congress must resist trading in a proven program for some other radically-different, unproven proposal. We caution you not to sacrifice CRP in this debate. CRP should not be in the position of being "last hired and first fired" when it comes to the federal budget.

NWF also endorses pursuing funding for environmental programs in addition to CRP as Congress continues the debate on the 1995 Farm Bill. Further consideration should be given to such reforms as a stewardship payments system and an expanded water quality incentive program during these discussions.

(Attachments follow:)

Position Statement on the Future of CRP and Recommendations for the 1995 Farm Bill

Prepared by
The Midwest Private Land Wildlife Management Work Group

Executive Summary

The Midwest Private Land Wildlife Management Work Group believes the Conservation Reserve Program (CRP) is worth extending and it should be reviewed by federal policy makers in the context of a large-scale overhaul of farmland retirement programs. These programs should be changed to take land out of short-term set-asides and to put it into medium- and long-term easements, and to allow for more local involvement by natural resource professionals in the administration of the easements.

Eleven major recommendations are as follows:

- Shift general land retirement programs from short- to long-term.

- Strengthen regulatory mechanisms in conservation compliance, Sodbuster, and Swampbuster.

- Expand the use of easements for protecting wetlands, native grasslands, riparian areas, highly-erodible areas, and other critical habitats; no easement should eliminate income base from eased land.

- Continue and expand CRP and the Wetland Reserve Program (WRP) in scope and volume with additional targeting for environmental needs, and broaden eligibility criteria.

- Activate State Technical Committees as specified in the Food Agriculture Conservation Trade Act of 1990.

- Base future CRP payments on fair market value cash rental rates and abandon bid systems.

- Pay an additional incentive for voluntary enrollment of CRP land into a recreational access program.

- Increase vegetational diversity of cover plantings on enrolled land.

- Implement a strategic forage reserve by shifting 50% of annual set-aside (ACR) to a 3-5 year cover-based set-aside program.

- Eliminate, or improve, the mechanism for the use of CRP as emergency forage. Use the strategic forage reserve instead and establish cover management policies for CRP to be regulated at the local level.

- Establish criteria to determine when a cover crop can be removed from annual and multi-year set-aside acres.

Position Statement on the Future of CRP and Recommendations for the 1995 Farm Bill

Prepared by
The Midwest Private Land Wildlife Management Work Group

Introduction

There is no doubt that the federal Conservation Reserve Program (CRP) has been an ecological blessing to the Midwest. Erosion has been drastically reduced on CRP acres and water in nearby streams runs clearer as a result. Grassland wildlife populations that had been shrinking are now on the rebound. In Minnesota, for example, pheasant numbers have tripled since CRP began in 1986, and counts of booming prairie chickens increased fourfold from 1988 to 1992. According to the USDA's Agricultural Economic Research Service, CRP will generate $10 billion nationwide in improved soil productivity, fish and wildlife habitat, and surface water quality over the program's 10-year life.

Despite these environmental benefits, CRP might become just a fond memory in a few years. Debates fueled by comments in a recent Government Accounting Office report have led to speculation that CRP will largely be allowed to end as current contracts expire. There have been fiscal questions raised regarding the cost/benefit ratio of CRP. Other questions have centered around equitability to landowners and paying poor land stewards to restore abused land while providing few incentives to good stewards.

We believe that any action to end CRP would be short-sighted Though CRP has had its share of problems, it has done more for grassland wildlife and ecosystems than anything since the Soil Bank program of the late 1950s and early '60s. Additionally, reduced crop deficiency and Acreage Crop Reduction (ACR) payments for land enrolled in CRP should be, but have not been considered in reports depicting the cost ineffectiveness of CRP. When considered, these savings tend to greatly improve the cost/benefit ratio of the program CRP can and should be fine tuned to do even more for farmers, taxpayers, and the environment, and the problems identified should be addressed, but the program in whole should not be scrapped.

Further, discussions about the future of CRP must include other aspects of the federal farmland retirement programs that affect wildlife and grassland environments To focus solely on CRP is to miss the broader implication of all federal policy on natural systems.

In short, there is far more land being farmed than necessary. Currently there are 100-120 million acres of cropland not needed for crop production in the United States; there are also approximately 120 million acres of highly erodible land (HEL). Currently about 70 million acres are enrolled in various annual (ACR) and multi-year (CRP, WRP, and Waterbank) retirement program.

We believe the U.S. could improve the farmland environment - including its wildlife populations - while not reducing necessary grain supplies, by putting far more land into long- and intermediate-term easements, such as CRP, and far less into annual easements such as the Acreage Reduction Program (ARP). The 1995 Farm Bill should be engineered to reflect this shift in emphasis from short- to long-term whenever possible. In the discussion that follows, land retirement programs are classified and discussed according to three general categories: long-term (> 10 years), intermediate-term (6-10 years), and short-term and annual (1-5 years).

Finally, compulsory to the success of national goals to curb soil erosion, water degradation, and to encourage general environmental responsibility are the regulatory mechanisms set forth through the Conservation Compliance, Sodbuster, and Swampbuster provisions of previous Farm Acts. Participants concurred that rather than assenting to the trend to weaken these measures, steps should be taken to strengthen them.

Long-term programs

Long-term land retirement programs are basically easement programs such as those employed by the Wetlands Reserve Program (WRP) and FmHA rules for foreclosed lands. These programs are necessary to protect environmentally important (sensitive) or fragile (marginal) lands from being converted, destroyed or otherwise degraded. It is acknowledged that easements cost more than other land retirement options in the short-run, but they tend to provide long-term solutions to persistent problems and are more cost effective in the long-run than are shorter-term programs. There are currently about 300,000 acres held in either long-term or perpetual easement by the USDA in the U.S.

Table 1. Midwest Recommendations for USDA land retirement programs.

Retirement Interval	Approximate Enrollment in millions of Acres		
	Current	Proposed for year 2000	Proposed for year 2005
Long-term (>10 Yrs)	< 1	10	20
Intermediate-term (6-10 Yrs.)	36.5	60	50
Short-term (3-5 Yrs.)	< 1	15	15
Annual	> 30	15	15

Local involvement and natural resource professionals' input are necessary to make any easement program function effectively. Local partnerships should be promoted to improve public approval and commitment, as well as expand the federal dollar. Local retention of easements could improve compliance and reduce federal workloads - such an option should be further explored. A county level acreage cap, set by local committee with sideboards established by the State Technical Committee, is important to ensure that local-government revenue sources are not unduly altered. Finally, regulatory efforts must be fair and consistent to secure voluntary compliance and eventually lead to a shift in land stewardship values. The landowner should retain management responsibility for eased lands.

Easements should be somewhat flexible; rigid formats tend to hinder the achievement of environmental goals. Local committees and State Technical Committees should be given the authority - within national sideboards - to establish tailor-made easements to address unique situations. Easements should not remove the lands' ability to produce income within the scope of un-eased land uses; if such situations arise, purchase in fee title by an appropriate management agency is recommended.

The Work Group recommends that the use of easements be greatly expanded in scope and volume in the 1995 Farm Bill. Native grasslands, wetlands, watersheds, highly erodible areas, riparian areas, and other critical habitats should be protected by easements. This should be a national priority. National objectives of 10 million acres by the year 2000 and 20 million acres by the year 2005 are recommended

Intermediate-term programs

The current primary intermediate-term program is CRP, which has an existing enrollment of about 36.5 million acres. Participants agreed with the GAO report that CRP is a relatively short-duration postponement of environmental problems. However, we believe CRP is necessary as a transitional device to shift from short-term commodity/price related programs to a more comprehensive approach that will actually retire in perpetuity those land uses that are continuously problematic for a given tract of land. This transitional format will also provide for necessary short-term adjustments in production.

CRP has reduced soil erosion and has revived our national consciousness of land stewardship. It has improved water quality and has led to increased wildlife populations. CRP will end up costing about $19.5 billion (GAO, 1993), but along with other provisions of the 1985 and 1990 Farm Acts, has provided immeasurable benefits by starting our country on a heightened course of environmental accountability. The cost, when compared to commodity program savings over the course of the program, and considering its other benefits, renders CRP quite inexpensive.

CRP should be continued, but it should undergo a series of important changes. The 1995 version of CRP should be better targeted to address environmental needs. The program should be broadened to include all environmentally sensitive lands—not merely HEL. To facilitate better targeting, State Technical Committees, as specified in FACTA, should be fully activated and charged with the task. These technical committees by design and makeup are capable of a much more comprehensive approach to targeting than the existing state and county ASCS committees, which are made up entirely of agricultural interests.

Payments should be based on fair market value cash rental rates and not the bid system. The bid system along with its mandated acreage goals led to a less than optimum enrollment distribution and cost/benefit ratio among enrolled acres. In many cases payments exceeded 200 to 300 percent of USDA estimated local rental rates. Due to the enrollment process itself, and exacerbated by its voluntary nature, only 30 percent of the 9.1 million acres of the most highly erodible cropland was enrolled. A fair market value cash rental rate approach should help to better distribute enrollments among land value classes while saving tax dollars.

CRP provided significant wildlife population improvements, which resulted in increased recreational opportunities. Wildlife related benefits estimated at $3.8 billion from small game hunting alone have been attributed to CRP. Future enrollments should include an additional incentive for voluntary enrollment of land into an access program. Such an access, while funded through USDA, should be managed by the state wildlife agency and could be modeled after South Dakota's Walk-In Area Program. Under the Walk-In Area Program landowners are provided a fee, added liability protection (as per state law), and additional law enforcement coverage for their land in exchange for unlimited hunting which is facilitated by the publication and free distribution of an atlas.

In the past there have been many complaints made against USDA for inconsistencies in program administration from one county to the next. Efforts should be made in the future to avoid this problem. State Technical Committee consideration and approval of practices and approaches should help to abate these problems.

Greater efforts to create vegetational diversity in order to increase wildlife benefits should be made in the future whenever possible. CRP enrollments have largely consisted of monotypic grass plantings. Alternating, irregularly shaped blocks of cool season grass/legume mixes with warm season grasses is just one example of how diversity can be achieved. More diverse mixtures of plant materials within a block would also provide greater benefits. Vegetation must also be managed; plant materials and regions of the country differ greatly with regard to which management strategies should be employed. This is another problem whose solution

resides with State Technical Committees.

A recurring complaint and perennial flaw in CRP has been its releases for emergency haying and grazing. The original intent of CRP was to only manipulate the vegetation in order to manage it for its own sake. In 1985 a "hands off" intent was portrayed relative to the use of CRP vegetation. Since that time CRP has been repeatedly released for emergency haying and grazing to the certain detriment of wildlife as well as farmers who normally market hay. Releases have been driven by an apparent forage shortage. Benefits have often been accrued by those who have not been affected by forage shortages as well as by those who are due to poor targeting mechanisms. The solution to this problem is the implementation of a strategic forage reserve made up of land enrolled in a short-term retirement program (3-5 years) that is planted to perennial cover (eg. grass/legume mixtures).

The Work Group recommends that a modified CRP be expanded in scope and volume in the 1995 Farm Bill to a national objective of 60 million acres by the year 2000. In addition, a reduction trend in this category to 50 million acres is recommended by the year 2005 in order to facilitate the shift from intermediate-term to long-term land retirement programs. This trend should be continued until such time that national land stewardship problems have been resolved with long-term solutions.

Short-term and annual programs

Short-term land retirement programs have traditionally been annual in nature. They, along with annual programs, have been utilized as a means of stabilizing crop prices by annually manipulating the supply of a given farm product. The supply-control aspect of annual set aside programs has been tempered by the national security requirement to maintain a strategic reserve of these same products. These are both important national considerations, however, there is enough flexibility within the purpose of their frameworks to enhance land stewardship and achieve greater conservation benefits.

There are currently approximately 30-40 million acres enrolled annually in ACR. Much of this land is left idle and without any cover per se. Subsequently, conservation is often sacrificed for the sake of price control. We believe that between price control and a strategic reserve of farm products there is a window of flexibility that will allow for a longer-term set aside. This multi-year set aside would meet the grain quantity requirements and help to meet conservation needs by providing a short-term permanent cover.

ACR acreages vary from year to year based on supply needs of given farm products. On the other hand, there is always an ACR program and USDA sets a five year ACR prediction. These facts beg the question, could the normal minimum enrollment be used in a multi-year program? And beyond that question, could an additional proportion of a recent average enrollment be shifted to a multi-year set aside with provisions that, in case of a serious production shortfall emergency, necessary enrolled land could be added back to the production rolls prematurely? We believe the answers to both of these questions is yes.

Of course the multi-year set aside concept is not new and in fact it is already law. The problem is that to date there are few additional incentives available in all states to account for the additional risk over and above that of annual set aside (A 25% cost-share is currently available for cover establishment, but only in non-arid states; add reference.). Consequently, few producers have enrolled. Additional incentives need to be established for this practice and the added cost attributed to conservation. In addition, local contributions could help to offset federal costs.

A multi-year set aside would also present a mechanism to drive the forage reserve concept. A forage reserve would act as a buffer for intermediate- and long-term plantings when a forage shortage is declared. Portions of the perennial vegetation established on multi-year set-aside lands would be available for emergency haying

or grazing release only in areas declared a federal disaster. Local oversight could help to better target the release at the local level to ensure that those who are benefitting are actually in need.

ACR cover types are often limited; some counties appear to be predisposed to labeling everything, including volunteer grains and wild annual plants, as noxious weeds, and they therefore commonly require mechanical or chemical control that is often unnecessary. To compound the cover problem, in the small grain regions of our country—which are among the most marginal of lands—there is the practice of summer fallow Summer fallow systems vary from leaving the land idle and allowing weeds to grow, to chemical fallowing, to undercutter fallowing, to the environmentally destructive technique of tilling known as "black-fallowing"—leaving the land devoid of cover. We believe that serious efforts should be made to ensure that cover is a mandatory requirement on ACR for the duration of the contract. Establishment of cover requirements and providing for rules that determine when a cover crop can be removed are two more obvious charges of State Technical Committees.

The Work Group recommends that 5% of the cropland acreage base, which is approximately 50% of ACR, approximately 15 million acres, be mandatorily shifted to a multi-year set aside (3-5 years) with additional incentives for the extra cost and risk to farmers. Benefits derived from the forage reserve and associated conservation values will also offset the added cost. The remaining land enrolled in ACR should have the requirement of being planted to a cover crop for the duration of the contract (or at least 90 days--Kevin) as provided by the State Technical Committee. In addition, we recommend that as additional lands fall into the more permanently retired status that a further shift be made from short- to intermediate-term retirement We believe it to be in the national interest to place these ACR lands into more permanent cover

Summary

There are a number of land retirement programs offered by the USDA. These programs have varying degrees of overlap in mission, but should be revised to complement one another. The general categories of land retirement programs can be divided into three main groups: long-, intermediate-, and short-term/annual

We believe that revising these programs to complement one another will maximize their effectiveness and minimize associated costs. A general shift from short- to long-term programs, along with a more positive reinforcement system of land retirement/conservation payments, will help to engineer a shift in land stewardship values and resolve, rather than merely postpone, environmental problems. In order to achieve voluntary compliance, Sodbuster, Swampbuster, and Conservation Compliance provisions should be strengthened and strictly enforced.

We recommend that State Technical Committees be fully implemented with more than token authorities. In addition, an overhaul of county ASCS committees should be sought to provide for more and broader local involvement (especially natural resource professionals) in decisions that affect more than landowners Efforts should be made to involve local nonprofit organizations in the administration of easements and in assisting in the funding of various conservation practices, we believe that local ownership will lead to better compliance.

A strategic forage reserve should be established by providing added incentives along with increased requirements to landowners for multi-year set-aside enrollments. This will protect the vegetation on intermediate-term programs from being manipulated for economic purposes.

We advocate national goals of 10 million acres for long-term (easements), 60 million acres for intermediate-term (CRP, Waterbank), 15 million acres for short-term (multi-year), and 15 million acres for annual (ACR) enrollments by the year 2000 ACR enrollments should be focused more on conservation, specifically by

requiring ground cover during the entire contract period.

It is in the national interest to streamline programs. Melding conservation and supply goals provides a logical and natural opportunity for streamlining. Improving local involvement within national sideboards is also reasonable and sensible; local support and involvement can only improve the workings of the farm program. There are serious environmental and fiscal concerns facing the United States, and these problems promise to be with us for a long time. It would be irresponsible to retreat from our newly revived environmental consciousness in the face of these national crises.

Mountain-Prairie Region

Rick Dornfeld 303-236-8145 x 626
Arnold Kruse 701-252-5363

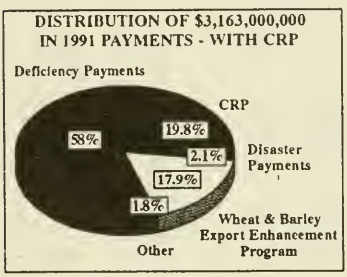
Partners for Wildlife
Partnershare

February 28, 1994

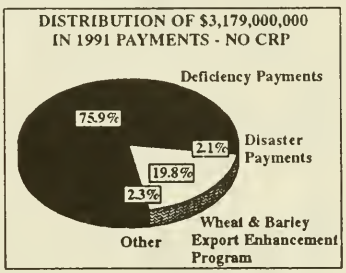
THE BUDGET IMPACT OF CRP

Comparison of Federal Farm Program Payments in CO, KS, NE, MT, SD and ND

With CRP, 1991 Federal payments were $3,163,237,000.



Without CRP, farm program payments would have totalled $3,179,623,000.



The difference in the two scenarios is $124 million in natural resource benefits and 15 million acres of wildlife habitat.

Observations:

* CRP "Green Payments" created 15 million habitat acres in six states - more wildlife habitat than any other public or private program.
* Without CRP, the Federal Government would have paid out $16 million more per year (based on 1991) but received no natural resource or wildlife habitat resource benefits in return.
* CRP is a wildlife bargain for taxpayers but it is scheduled to end. It must be reauthorized in the 1995 Farm Act.

Revised 7/20/94

ERS

EXPENDITURES WITH CRP

Crop	Total Bases	Percent Enrolled	Enrolled Bases	Percent base Elgible/pmt.	Ave. program Yield/acre	Deficiency payment/bu.	Program Cost
Wheat	4,448,666	89.6	3,986,005	70	25.7	1.35	$ 96,806,104
Barle	877,370	67.9	595,734	77.5	41.0	.62	$ 11,736,262
Corn	4,039,998	86.3	3,486,518	77.5	92.8	.41	$102,807,662
Oats	1,277,562	56.2	717,990	85	46.6	.35	$ 9,953,852
Sorghum	320,719	86.5	277,422	77.5	55.3	.37	$ 4,399,156

Reserve Grain Storage payments	= $ 2,600,000
Disaster Payments	= $ 15,000,000
EEP (Wheat and wheat flour)	= $ 46,181,835
EEP (Barley and barley malt)	= $ 5,011,427
Foreign Mkt. Dev. and Mkt. Promotion Prog. (Wheat) ----------Base w/ CRP x $.1478/ac.	= $ 657,513
Foreign Mkt. Dev. and Mkt. Promotion Prog. (Feed grain) ------Base w/ CRP x $.1057/ac.	= $ 553,666
Loan deficiency payments ----------Data not available------	= $
ACP	= $ 2,812,566
CRP	= $ 87,409,339
TOTAL	= $ 385,929,382
Natural resource benefits of CRP program in South Dakota[5]	= $ 16,796,760
Total with Nat. Res. benefits	= $ 369,132,622

[1]Data from ASCS July 1992 report titled " Logo Package ".
[2]Based on ERS modeling in December, 1992 issue of Farm Journal.
[3]Based on best estimate according to ratio of base acres removed by CRP to total base.
[4]EEP, FMD and MPP data based on information from CCC.
[5]Based on Ribaudo, 1989, Jour. Soil & Water Cons. 44(5):421-424.

Revised 7/20/94 ERS

ECONOMIC COMPARISON OF FEDERAL FARM PROGRAM PAYMENTS IN SOUTH DAKOTA WITH AND WITHOUT CRP

Data obtained from USDA-ASCS. All data based on 1991 figures except EEP, FMD and MPP which are based on 1992 data.

EXPENDITURES WITHOUT CRP

Crop	Total Bases	Percent Enrolled	Enrolled Bases	Percent base Elgible/pmt.	Ave. program Yield/acre	Deficiency payment/bu.	Program Cost
Wheat	5,070,010	89.6	4,542,729	70	25.2[1]	1.35+.22[2]	$125,809,970
Barley	1,105,661	67.9	750,744	77.5	39.8[1]	.62+.10[3]	$ 16,672,819
Corn	4,134,416	86.3	3,654,301	77.5	90.8[1]	.41+.11[2]	$133,719,644
Oats	1,046,582	56.2	869,179	85	47.3[1]	.35+.10[3]	$ 15,725,405
Sorghum	421,256	86.5	364,386	77.5	50.9[1]	.37+.10[3]	$ 6,755,835

Reserve Grain Storage payments	Enrolled base w/o CRP / Enrolled base w/ CRP = Stor. pmt w/o CRP / Stor. pmt w/ CRP	10,181,339 / 9,063,069 = X / 2,600,000	= $ 2,920,808
Disaster Payments	Enrolled base w/o CRP / Enrolled base w/ CRP = Dis. pmt w/o CRP / Dis. pmt w/CRP	10,181,339 / 9,063,069 = X / 15,000,000	= $ 16,850,813
EEP[4] (Wheat and wheat flour) $1.23/bu.	32.84% Base w/o CRP / 32.84% Base w/ CRP = EEP pmt w/o CRP / EEP pmt (w/CRP)	1,664,991 / 1,460,942 = X / 46,181,835	= $ 51,608,070
EEP[4] (Barley and barley malt) $.93/bu.	14.98% Base w/o CRP / 14.98% Base w/ CRP = EEP pmt w/o CRP / EEP pmt w/CRP	165,628 / 131,430 = X / 5,011,427	= $ 6,130,555
Foreign Mkt Dev. and Mkt. Promotion Prog. (Wheat)		Base w/o CRP x $.1478/ac.	= $ 749,347
Foreign Mkt Dev. and Mkt. Promotion Prog. (Feed grain)		Base w/ CRP x $.1057/ac.	= $ 608,973
Loan deficiency payments		Data not available	= $
ACP	Total acres / Total/ac w/CRP = ACP pmt / ACP pmt w/CRP	43,000,000 / 40,900,405 = X / 2,812,566	= $ 2,956,947
		TOTAL	= $ 380,509,186

DEPARTMENT OF GAME, FISH AND PARKS
Foss Building
523 East Capitol
Pierre, South Dakota 57501-3182

August 31, 1994

The Honorable Congressman Tim Johnson
Room 2438
House Raybum Office Building
Washington, DC 20515

Dear Congressman Johnson:

Welcome back to South Dakota. It has been our pleasure working with you and your staff in preparation for the upcoming debates over the 1995 Farm Bill. As you know, the five members of my staff who have been involved with the Game Fish, and Parks Department's CRP Task Force have worked closely with your staff in this important process. I can not overstate the importance of CRP to South Dakota's wildlife populations; and it goes without saying that the wildlife increases have paid big dividends in our state's economy and quality of life.

The attached position statement is a product of the Midwest Association of Fish and Wildlife Agencies. It was prepared by an assembly of some of the region's most knowledgeable wildlife professionals who deal with farm program issues on a daily basis. I believe that the suggestions in this document are sound examples of the direction in which 1995 Farm Bill should move.

In addition, my staff worked closely with the group known as the South Dakota CRP Forum in the development of their position statement. The group was broad based, and I feel strongly that the position statement they developed is likely the best gauge of what the general South Dakotan would like to see for the future of CRP.

While you are in the state I hope you will take the opportunity to get out into the field to see for yourself what CRP has done for our wildlife. Thanks to CRP and other important conservation elements of recent farm bills, South Dakota has abundant populations of pheasants, ducks and other wildlife. I think you agree that it would be an American tragedy if the benefits that have been accrued under CRP be threatened—or the giant step toward sustained conservation jeopardized—by a retreat from this new and historic national vision.

Sincerely,

Richard Beringson

Richard Beringson
Secretary

Office of Secretary 605/773-3387 Wildlife Division. 605/773-3381 Parks and Recreation Division· 605/773-3391 FAX: 605/773-6245
TDD· 605/773-3485

STATEMENT OF DIANE BEAMAN

Secretary Espy, Senator Daschel, Congressman Johnson: Congressman Peterson I want to thank you and others gathered here for this opportunity to share a few remarks regarding the Conservation Reserve Program.

My name is Diane Beaman. My husband, Sonnie, and I farm here in Brown County. We have had the priviledge of being involved with CRP as we have four small tracts of land enrolled in the program.

I have read materials researched and written by many people regarding CRP and now have a better understanding of the complexity of the program, especially when the issue of funding is involved.

My remarks will be simple and will focus on the aspect of CRP of which I am familiar - that of our own experience. I would like to share with you a story of a small tract of land - 23.7 acres - located in East Gem Township, Brown County, about 20 miles southeast of Aberdeen.

It lies in the transition area between tall grass and short grass prairie. Plants that originally sprung from it's soil included western wheatgrass, big bluestem, needlegrass. For many years a country school house stood near by and children played games among the grasses and picked the wild flowers that grew there.

Sometime in the early 1920's, this land was touched by a plow. "Turned upside down" with native plants underneath, bare soil on top. Fragile, thin layers of loamy soil were exposed on the surface of the land - land that sloped down to the Jim River flat. Because of the soil type and contour of the land, it soon began to erode. With every strong wind and every heavy rainfall, the productivity of the land wasted away.

It fell under my husband's care in 1986. "This land needs a rest" he said and planned to sow alfafa in an attempt to rejuvenate the soil. But, we continued to farm it for two years for there were land payments to be met and real estate taxes to be paid. Sometimes we farmers are lead, not by what we know is the ideal method of farming but rather by our financial bottom line.

We enrolled this land in CRP in 1988. Once in a while I get mixed up and instead of CRP I say CPR. But, maybe this isn't too farm off the mark. We prepared the soil, planted wheatgrass with a nurse crop of alfafa and life was breathed back into this eroded, ailing land.

Today it is alive and healthy! A dense tall stand of wheatgrass stretches to our prairie sky and waves in prairie winds. It provides cover and shelter for deer and for nesting ducks, pheasants and non-game birds.

This small piece of land - this 23.7 acres - is a microcoism, a little world, among the millions of acres enrolled in CRP - most of which have a similiar story.

One article I read in the August edition of the Farm Journal had this statement: "These (CRP) lands are as close to what the settlers discovered as we're going to get".

As close to what the settlers discovered! How do we maintain this success - this renewal - this rebirth?

In our case; The CRP contract expires on this particular piece land in 1997. We hope to maintain our CRP acres as they are now by cutting and selling the grass or by using the land for pasture. We HOPE this will work - but land payments remain and real estate taxes climb higher and higher. Economics will force many farmers to break up and, once again, farm their CRP acres. History shows us it's not too difficult to take a healthy soil and make it sick. Will this be repeated if CRP contracts expire?

I do take issue with one or two aspects of the program. But, they are minor when compared to the great success of the program. Our own CRP acres have proved that success as they demonstrate, on a small scale, the significant environmental benefits of the Conservation Reserve Program.

It is my hope that CRP be extended in some form that will continue to promote and encourage responsible use of our natural resources, specifically the land that sustains us all.

Thank You.

Diane Beaman
9-1-94
CRP Hearing
Aberdeen, South Dakota

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September 1, 1994

Senator Thomas A. Daschle
United States Senate
317 Hart Building
Washington, DC 200210

Dear Senator Daschle:

I attended your congressional hearing on the Conservation Reserve Program which was held in Aberdeen, South Dakota on September 1, 1994. I would like to commend you and your colleagues Congressman Johnson and Congressman Peterson, as well as Secretary of Agriculture Espy for the exemplary manner in which the hearing was conducted.

Due to the time constraints I was not able to orally testify at the hearing, but I would like these written comments entered into the hearing record.

I am an attorney having practiced in South Dakota since 1966 with my primarily client base being farmers and ag businessmen. In my opinion the Conservation Reserve Program has made a major economic impact in stabilizing our rural economy. In the 1980s I represented numerous farm clients who were in serious financial distress as a result of high interest rates and declining commodity prices. Several of these young and middle-aged farmers were forced out of business. In my opinion, however, many more would have been forced out of farming had it not been for the stabilizing effect of the Conservation Reserve Program. Many of my clients were able to use this stable source of income as a pledgeable asset allowing them to hold on to their farming operation. This in turn not only benefited these farmers, but also the local businessmen from whom they obtained their feed, fertilizer, fuel, equipment, etc.

When one looks at the billions of dollars of uncollectible debt written off by the Farmers Home Administration during that period the CRP looks like an excellent investment.

Apparently there are those who criticize the CRP program payments because they are in some instances higher than the local cash rental rates for agricultural land. There may be some isolated instances where these rates are inappropriately high. However, in my opinion the CRP payments must be higher than the average rental rates in order to get the land enrolled in the program. It would be an economic disincentive to offer the same payment rates for a ten year CRP contract as the average rental cash rents for farm land because of the following:

1. When the land is enrolled in a ten year CRP program, the land owner loses the opportunity to receive a higher rental rate in the event that economic conditions change. One only has to look back to the Russian grain deal when wheat sold for as high as $6.00 per bushel to realize the potential negative economic impact of having the land tied up in a ten year contract.

2. There is no inflation protection in the CRP contracts and even under our present low approximately 3% per year inflation rate, the landowner will receive only 79% in real dollars as much rent at the end of the contract period as he did at its origination.

3. There are costs associated with a CRP contract that are not present in a typical cash rent lease. One such cost is in compliance with the CRP contract provisions that noxious weeds be controlled. My clients indicate to me that their chemical costs alone account for $1.00 to $2.00 per acre per year not counting their costs of labor and equipment to control the growth of noxious weeds. Another cost to the landowner is his unreimbursed share of establishing the permanent vegetative cover on land enrolled in this CRP contract which must be amortized over the life of the contract, but must be paid up front by the landowner.

Another intangible benefit of the Conservation Reserve Program is its strategic value. The CRP land is a block of prime agricultural land that could be rapidly brought back into production in the event of a global disaster resulting in a severely reduced supply of grain.

Finally there are the environmental and recreational benefits of the CRP program which according to some economists are substantially more than the costs of the program, and in fact greatly exceed the agricultural value. Rarely, if ever, do we see a USDA program that has the support of farmers, environmentalists, and sportsmen.

The Conservation program is one which has almost universal support which is a rarity in any federal program. I strongly urge your support of a renewal of the CRP program under the current or expanded acreage.

Respectfully submitted,

Dennis J. Batteen

CC: Congressman Timothy P. Johnson
Congressman Collin Peterson
Secretary of Agriculture Mike Espy

TESTIMONY OF
ALAN BERGMAN

PRESIDENT OF THE
NORTH DAKOTA FARMERS UNION

As the current CRP contracts reach maturity, the pros and cons of CRP are being widely debated in agricultural and environmental communities.

North Dakota Farmers Union members have consistently opposed the expansion of CRP, feeling that over time it has been detrimental to the long-term viability of rural communities.

However, in recent times North Dakota Farmers Union members have been willing to concede that CRP has its good points and the possibility of some sort of modified CRP in the future has been discussed.

The point most often made by North Dakota Farmers Union members is that any program in the future should reward good stewardship and good conservation practices, rather than be a rescue program to bail out individuals who have destroyed fragile habitat or farmed lands which are subject to exceptional erosion.

In the past, it seems that the greatest abusers of the land reaped the greatest benefits, when society determined that their destructive practices should no longer continue.

While we believe CRP should not be expanded, we believe that a positive transition program to bring new people into production agriculture should be implemented as the programs expire. The federal government could allow tax incentives to present CRP landowners if they were to lease or sell to new, beginning farmers.

We would also encourage some type of incentives for the landowners who do not return highly-erodible land to grain production and have implemented a grazing program that controls erosion, enhances wildlife and protects water quality.

In closing, conservation programs should be good for the environment, reward stewardship, discourage speculative development of fragile land resources, strengthen family farming and enhance rural communities.

Attached to this statement is the actual language adopted by North Dakota Farmers Union members at their December 1993 annual convention concerning the issues of soil and water stewardship, a conservation transition program and comments on the current conservation reserve program.

(Attachment follows:)

Section VI
Natural Resources and the Family Farm

Public and privately owned land, mineral and other resources should be conserved and administered in the interest of all people.

1. SOIL AND WATER STEWARDSHIP

Land and water stewardship is part of the social contract between food producers and the rest of the society. Producers have a responsibility to maintain and improve the productivity of the land. In return they should be rewarded for their stewardship by farm programs which provide a reasonable livelihood to the farm family.

Agricultural stabilization and conservation programs should work together to achieve the mutually beneficial objectives of proper stewardship and the maintenance of family farm agriculture. The boom-bust cycle of fence-row-to-fence-row production to massive land retirement programs is destructive to conservation, family farm agriculture and rural America.

A. Conservation Planning

A conservation plan should be jointly developed by the farm operator and the Soil Conservation Service (SCS) for each farm unit. This plan should designate which highly-erodible soils should not be tilled and which can be tilled with approved conservation practices. The plan should clearly map and document both existing and drained wetlands, as well as any drains and channels. The plan would outline the conservation of the wetlands, as well as the maintenance of existing drains and channels.

Such a conservation planning system should replace the existing sodbuster and swampbuster provisions and should be supervised and approved by the ASCS committee process, with the technical assistance of the SCS.

Producers should be allowed to remedy inadvertent or unavoidable failures to carry out conservation plan practices. Otherwise, penalties should be based on the degree of the violation. Loss of full federal farm program benefits should be imposed only in cases of purposeful destruction of conservation practices.

2. CONSERVATION TRANSITION PROGRAM

We call upon Congress to enact a Conservation Transition Program which would provide financial and technical assistance to producers to bring highly-erodible and environmentally-sensitive lands into compliance with established conservation standards. This program would assist producers in simultaneously making land use changes and the transition to farm enterprises which can be sustained by the land under sound conservation practices. This assistance could include cost-sharing, grants, credit and other incentives which would assist the producer in re-establishing an economically viable unit while maintaining a livelihood from the land.

3. CONSERVATION RESERVE PROGRAM

The Conservation Transition Program should replace the Conservation Reserve Program (CRP) and should assist producers in preparing CRP acreages for sustainable agricultural production uses following the expiration of the CRP contracts. While present CRP contracts should be honored and funded, CRP, as currently enacted, should not be expanded.

CRP has become a farmer retirement program which denies or fails to provide opportunity for beginning farmers. At the same time, it has created serious economic distress for many rural businesses and communities. We urge that incentives to aid beginning farm families should be received on land leaving the CRP program.

Conservation programs should be good for the environment, reward stewardship, discourage speculative development of fragile land resources, strengthen family farming and enhance rural communities. CRP does not achieve these combined goals.

In times of extended drought conditions, haying on CRP acres should be allocated by ASCS to all livestock producers based on need, the maximum landowner income not to exceed the annual CRP contract amount. These regulations should be in place so the procedures are known in advance.

STATEMENT OF KEITH COLLINS
ACTING ASSISTANT SECRETARY FOR ECONOMICS
U.S. DEPARTMENT OF AGRICULTURE
BEFORE
THE HOUSE AGRICULTURE SUBCOMMITTEE ON
ENVIRONMENT, CREDIT, AND RURAL DEVELOPMENT

August 2, 1994

Mr. Chairman and members of the Subcommittee, the Department welcomes the opportunity to discuss the Conservation Reserve Program (CRP). Early in 1995, debate on new farm program legislation will begin in earnest. My goal today is to review CRP performance and provide the Subcommittee with an indication of the economic and environmental impacts of the CRP. At the outset, I want to emphasize that the Department believes the CRP has been a tremendously beneficial program for producers and the general public. The CRP has saved soil, enhanced wetlands, improved soil and water quality, expanded wildlife habitat and populations, encouraged tree planting, helped balance commodity supply and demand, reduced deficiency payments, and strengthened farm income. Given its success and popularity, the CRP will play an important role in the 1995 Farm Bill debate regarding environmental and conservation policy options.

Historical Overview

The CRP is a voluntary, long-term cropland retirement program that was established in the Conservation Title of the Food Security Act of 1985 (1985 Act). The 1985 Act specified that 40 to 45 million acres of cropland be enrolled in the CRP by the end of the 1990 crop year. By late 1989, or just prior to the beginning of congressional debate on the 1990 Farm Bill, a total of 33.9 million acres had been enrolled in the CRP in nine signup periods.

2

Important goals of the CRP during 1986-89 were to reduce soil erosion on highly erodible cropland, to facilitate the transition and management of highly erodible cropland to conservation compliance, and to provide a significant multi-year withdrawal of cropland from production for supply control reasons. Secondary objectives included protecting the nation's long-run capacity to produce food and fiber, reducing sedimentation, improving water quality, and fostering wildlife habitat.

The Food, Agriculture, Conservation, and Trade Act of 1990 (1990 Act) extended the enrollment period through 1995, and emphasized water quality and other environmental concerns. The 1990 Farm Bill also altered the payment cap thereby ensuring that rental agreements did not exceed the fair market value of the land. Since 1990, three additional signup periods have increased acreage in the CRP to 36.4 million acres. However, due to Federal budget pressures and changes in the supply-demand picture for major commodities, subsequent legislation capped total CRP enrollment at 38 million acres, and since 1992, funds for additional CRP enrollment have not been appropriated.

Program Requirements: Producers who participate in the CRP must comply with the terms of their CRP contract, which include establishing and maintaining a specified vegetative cover, typically grass or trees, on enrolled land. No haying, grazing, or other commercial use of CRP forage is allowed during the contract period, unless the Secretary makes a special determination allowing such use in response to a drought or other emergency. Participating producers must also agree to a reduction in their aggregate crop acreage base during the period of the CRP contract. The reduction is equal to the ratio of the acreage enrolled in the CRP to the total cropland on the farm.

In return, participating producers receive annual rental payments, 50 percent of the cost of establishing vegetative cover, and conservation technical assistance. When the contract expires, the producer is under no further obligation to maintain the vegetative cover, and the crop acreage base that was reduced during the CRP contract is once again available to the producer. Producers, therefore, have several options for land enrolled in the CRP following contract expiration: returning the land to crop production, designating the land as conserving use under the Acreage Reduction Program (ARP), or under the so-called 0/85 and 50/85 provisions of the commodity programs, using the land for haying and/or grazing livestock, or keeping the land idle or in trees. If the CRP acreage is highly erodible land (HEL), producers must maintain or implement an approved conservation plan to remain eligible for farm program benefits. If the producer maintains the enrolled CRP acreage in appropriate conserving uses, the Secretary is required to extend protection of crop acreage bases, allotments, and quotas.

To enroll cropland in the CRP, producers apply at their county ASCS office during designated signup periods, indicating the fields they propose to enroll and the annual rental payment that they require to retire the land from production for 10-15 years. In signup periods 2 through 9, USDA allowed producers to retire land accepted in the CRP in either the current year or to postpone retirement and payments until the following year.

For the first three signup periods held in 1986, eligibility was based on the land capability class and actual erosion rates. In 1987, eligibility was expanded to include land with an erodiblity index (inherent potential erosion) of eight or greater to provide consistency with conservation compliance. In 1988, filter strips were made eligible for water quality

purposes and eligibility was relaxed for tree planting. Areas subject to scour erosion and cropped wetlands were made eligible in 1989.

Following enactment of the 1990 Act, USDA developed a new CRP bid evaluation and selection process. After determining that the producer and the land met the basic eligibility requirements, eligible bids were compared with a USDA-determined bid cap to ensure that bids exceeding the prevailing rental rate were not accepted. The remaining bids were evaluated based on an environmental benefits index (EBI) as a way of comparing and ranking CRP bids. The higher the overall EBI score per dollar of Federal CRP expenditure, the greater the environmental benefits per dollar spent, if the land is retired from crop production. The EBI employed in the last three CRP signup periods is the summation of these seven separate factors each of which represent a different program goal: surface water quality improvement; potential ground water quality improvement; preservation of soil productivity; assistance to producers most affected by conservation compliance; tree planting; enrollment in State water quality areas; and enrollment in established conservation priority areas. Wildlife habitat was not included because there was no consensus on how wildlife habitat should be measured for EBI purposes, even though the CRP has contributed significantly to wildlife habitat.

Because data for calculating the EBI were not collected prior to the 10th signup period, the Soil Conservation Service (SCS) took a five percent sample of earlier contracts to establish such information for all contracts. These data indicate that a share of CRP acres have a disproportionately high EBI score.

Acreage Enrolled: Since the first signup period held in March 1986 through the 12th

and most recent signup period in June 1992, 375,000 contracts covering 36.4 million acres have been enrolled in the CRP. This represents about eight percent of U.S. cropland. About 60 percent of this enrolled cropland is located in the Northern and Southern Plains and Mountain regions. Texas has the most acreage enrolled in the CRP, 4.2 million acres, followed by North Dakota, Kansas, and Montana.

A major shift in the location of enrolled CRP acres occurred following enactment of the 1990 Act. In the 1990 Act, Congress established conservation priority areas and directed USDA to achieve a significant level of enrollment in these watersheds. The Wetland Reserve Program (WRP) was designed for enrolling wetlands through long-term easements, however, any cropland in the Chesapeake Bay, Long Island Sound, or Great Lakes region conservation priority areas was made eligible for the CRP regardless of erodibility.

There are several differences between enrollment in the first nine signup periods and enrollment in the last three, primarily due to the revised acceptance procedure. For example, about 60 percent of the acreage enrolled in 1986-1989 was located in the Plains and Mountain regions, while 27 percent of post-1990 enrolled acreage was accepted from this region. Post-1990, 50 percent of CRP enrolled acreage was in the Lake States and Corn Belt, while 22 percent of CRP acreage was enrolled in these regions prior to 1990. Twelve percent of post-1990 enrolled acres were planted to trees, compared with 6 percent in 1986-1989. Two-thirds of the erosion reduction in the post-1990 signup periods was water-caused erosion, while most of the erosion reduction in the 1986-1989 signup periods was wind-caused erosion. Both forms of erosion can reduce agricultural productivity, but reductions in water-caused erosion generally produce greater offsite water quality and recreational benefits.

Almost 15 percent of post-1990 acres came from conservation priority area watersheds draining into the Chesapeake Bay, Long Island Sound, and the Great Lakes Region, compared with two percent in the first nine signup periods.

There are a total of 23.3 million acres of crop acreage base that have been temporarily removed from crop production by the CRP. This includes 10.8 million acres of wheat base, 4.3 million acres of corn base, 2.8 million acres of barley base, 2.5 million acres of sorghum base, and 1.4 million acres of upland cotton base. The Department estimates that about four million CRP acres were formerly planted to soybeans.

In the signup periods before 1990, 30 percent of enrolled acres were wheat base and about 10 percent were corn base. Over the last three signup periods, wheat and corn base each accounted for slightly over 20 percent of the enrolled CRP acres.

The first CRP contracts, covering roughly 2 million acres, will expire on September 30, 1995. Current program requirements allow contract-holders to begin preparing seed beds 90 days earlier. The bulk of CRP contracts covering 22 million acres expire in 1996 and 1997.

Direct Costs: USDA currently spends approximately $1.8 billion annually on CRP rental payments. Over the entire period of existing CRP contracts, the program will have provided $19 billion in rental payments and another $1.4 billion in cost-share assistance for establishing vegetative cover. The CRP has represented approximately 50 percent of total Federal spending on agricultural conservation programs since 1986, and 8 percent of farm program spending.

The average annual rental rate for a CRP acre is $49.67, which varies regionally.

The Corn Belt has the highest average rate at $74.26, while the Mountain region has the lowest average rate at $39.67. Some data suggest that a significant number of CRP acres, located mainly in the Plains and Mountain regions, are receiving rental payments that exceed the local prevailing rate for comparable land.

Nominal CRP rental rates have risen over time. The average rental payment for the first signup period in 1986 was about $42. By the ninth signup period, held in August 1989, the average rental payment had risen to $51. The average rental payment for signup periods 10-12 is close to $60 per acre. The increase after 1989 is due primarily to the regional shift in enrollment following enactment of the 1990 Act.

Characteristics of Participants

According to USDA's 1991 Farm Costs and Returns Survey (FCRS), 19 percent of all U.S. farm and ranch operations receive CRP rental payments. These farms and ranches hold 14 percent of all farm assets and account for 23 percent of the total value of U.S. agricultural production. Farm businesses receiving CRP payments were generally more profitable and had higher average net cash and net farm income than other farm businesses in 1991.

The FCRS provides information on the financial and structural characteristics of farm operators receiving CRP payments. CRP enrollees can be categorized into groups based on the percentage of their land enrolled in the CRP.

Low enrollees have less than 33 percent of their acres enrolled in the CRP. These farms account for 75 percent of all enrollees and receive about 40 percent of all CRP payments. These farm operators supply more operator labor, operate more acres, and have

greater investment and higher production than either non-CRP enrollees or operators with a higher percentage of their acres enrolled in the CRP.

High enrollees, or those with more than two-thirds of their acres in the CRP, have, on average, smaller operations, do not consider their primary occupation to be farming, and supply less operator labor. CRP payments comprised 30 percent of gross farm income for these enrollees compared with two percent for low enrollees. While these farms represent 11 percent of enrolled farms, they receive 33 percent of all CRP payments.

Environmental Benefits

The CRP has reduced soil erosion by 700 million tons per year compared with conditions that existed in 1985. This is a 22-percent reduction in U.S. cropland erosion. Post-1990 erosion reductions averaged 16 tons per acre; a net improvement over the 14 ton per acre average of the ninth signup period, the last to be held in the 1986-1989 period. We estimate that 74 percent of CRP acres have an erodibility index that is greater than 8. These acres are subject to conservation compliance.

Today, there are 31.8 million acres (87 percent) of CRP acres planted in grass. Three-quarters of this is tame grass, while native grass was reintroduced, mostly in the Plains and Mountain regions, on most of the remaining quarter. Trees, mostly loblolly pine in the Southeast, are planted on 2.4 million acres (6.6 percent), and 2 million acres (5.5 percent) are devoted to various wildlife practices. The CRP presently also includes 53,000 acres of filter strips, 410,000 acres of wetlands, and 143,000 acres subject to scour erosion.

Although the CRP selection process did not specifically focus on wildlife habitat protection, land in the CRP provides significant wildlife benefits. According to Ducks

Unlimited, the CRP is making a positive difference in waterfowl populations. For example, in North Dakota, waterfowl nesting success has tripled from less than 10 percent before CRP to 30 percent on CRP lands within the prairie pothole region. Also, populations of lark buntings, grasshopper sparrows, and eastern meadowlarks have reversed their decline in northern prairie states. The CRP is also rebuilding threatened and endangered species populations in Idaho and Colorado.

In 1990, USDA's Economic Research Service (ERS) attempted to quantify the environmental benefits of the CRP, which includes reduced erosion, improvements in water quality, and increased wildlife habitat. ERS estimated these benefits at between $4 and $10 billion, in present value, over the life of the program. The largest component of this was improved surface water quality, $1.3 to $3.9 billion, followed closely by improved wildlife habitat, $1.9 to $3.1 billion. Other environmental benefits included reduced damages to households and businesses from wind-blown dust, and preserved soil productivity.

Effects On Rural Areas

Studies of the effect of the CRP on rural areas tend to show that the CRP has generally had a small direct effect on rural economic activity. By idling land that might otherwise produce crops, the CRP tends to reduce employment. ERS estimates that, in the absence of the CRP, employment would increase from less than 0.1 percent in the Macon, Georgia and Tupelo, Mississippi trading areas, to 1.8 percent in the Pocatello, Idaho trading area. Employment would increase by about 1.5 percent in the Great Falls, Montana and Garden City, Kansas trading areas, and job increases in selected Corn Belt trading areas ranged from 0.4 to 1 percent.

Land Use After Contracts Expire

Since 1990, the Soil and Water Conservation Society (SWCS) has conducted two national-level surveys of CRP participants. The most recent survey took place in late 1993 and included 5 percent (17,000) of CRP participants. Assuming that no authority existed to extend existing contracts, the survey results indicate contract-holders intend to return 63 percent of their acres to crop production, keep 23 percent in grass for hay production or grazing livestock, keep 4 percent in trees for commercial wood products, keep 2 percent in grass or trees for wildlife, keep 3 percent in grass or trees with no anticipated use, and sell 3 percent. The remaining 2 percent represents acres that would be devoted to other uses or instances where the contract-holder was undecided.

The 63 percent of CRP acres intended for crop production includes several uses:

- planting by the producer, 43 percent;
- renting or leasing to other producers, primarily for crop production, 13 percent;
- idling to meet annual price support and production adjustment requirements, 4 percent; and
- using the 0/85 and 50/85 provisions of the annual programs, 3 percent.

Of the CRP acres returning to crop production, participants indicated that about two-fifths would be planted to wheat, one-eighth to corn, one-tenth to soybeans, and one-twelfth would be devoted to haying and grazing. The remaining cropped acreage would be planted to a wide variety of other crops.

Of course, the anticipated utilization of CRP acres varied regionally with producers in the Northwest, Plains, and Mountain regions planning to devote about 60 percent of

returning CRP acres to wheat and haying and grazing. Producers in the Corn Belt would plant about one-half of their returning CRP acres to corn and soybeans, while farmers in the South plan to plant or keep trees on about 40 percent of their CRP acres. The SWCS survey indicates that approximately 85 percent of CRP acres planted to trees will remain in trees following contract expiration.

Some Choices For The Future

With the first of the CRP contracts due to expire in 1995, the Department established an interagency team to study various alternatives for dealing with acres coming out of the program. Building on this work, the Department is now exploring options that could be considered in the 1995 Farm Bill deliberations. These options range from no additional signup periods to maintaining the program at the statutory level of 38 million acres. Also, beyond the number of acres in the program, the choice of rental payments or permanent easements, or some combination of the two, will be an important consideration for the Farm Bill.

To provide the Subcommittee with a sense of the impact of some choices for consideration for the 1995 Farm Bill, I would like to examine the effects of alternative acreage levels for the CRP. The three alternatives, which provide a wide range of spending levels for the CRP, are: (1) allow current contracts to expire, (2) allow current contracts to expire with signup periods as needed to maintain enrollment at 38 million acres each year, and (3) allow current contracts to expire with signup periods as needed to maintain enrollment at 15 million acres each year. Under the latter two options, bid acceptance for new CRP contracts is assumed to follow procedures used for signup periods 10-12. Thus,

acceptance of future eligible bids would be ranked based on the ratio of the EBI for the land a producer proposes to be included in the CRP to the government's cost of the contract.

(1) Allow current contracts to expire: Under this option, CRP funding falls from its current level of $1.8 billion to $0.7 billion in FY 1999 and acreage in the CRP falls from its current level of 36.4 million acres to 8.2 million acres in 1999.

Under this option, and assuming no benefits from the Uruguay Round Agreement negotiated under the auspicies of the GATT since implementing legislation has not yet been approved, we project that wheat planted acreage would increase from 70.5 million acres this year to 74.6 million acres in marketing year 1999/2000 with a 5-percent ARP in effect. Wheat production rises from about 2.4 billion bushels this year to nearly 2.6 billion bushels, while wheat prices are projected to be $3.00 per bushel in 1999/2000 compared with $2.95 per bushel, the midpoint of our forecast for this marketing year. These projections for marketing year 1999/2000 were prepared by the Department in May and June 1994 for the Mid-Session Review of the FY 1995 President's Budget.

Corn acreage is also projected to increase from current levels, if CRP contracts are allowed to expire. Corn acreage is expected to rise from nearly 79 million acres this year to 81 million acres in 1999/2000. The corn ARP is projected to rise from this year's 0-percent to 5-percent next year and remain at that level through 1999/2000. Corn production rises from our current projection for this year of 9.0 billion bushels to nearly 9.6 billion bushels, while corn prices are projected to be $2.35 per bushel in 1999/2000 compared with $2.20 per bushel, the midpoint of our forecast for the current marketing year.

These projections do not assume implementation of the GATT Agreement, which,

when implemented, will lead to substantially improved access for U.S. agricultural exports and promote global economic growth, increasing goblal trade and U.S. exports. We expect the GATT Agreement will increase exports of wheat by 7-11 percent and exports of corn by 5-10 percent by the year 2000.

The higher exports that are anticipated under the GATT Agreement may mean that the modest ARP's of 5-percent for wheat and corn projected for 1999/2000 would not be necessary. Thus, following implementation of the GATT Agreement, we expect market prices to rise slightly with modest to 0-percent ARP's, even if existing CRP contracts are allowed to expire.

The decline in CRP acreage from current levels would have significant environmental consequences. There would still be significant negative implications for soil erosion, water quality, and wildlife habitat. While conservation compliance will help ameliorate increases in soil erosion on most CRP acres returning to crop production, conservation compliance may be less effective in protecting water quality, and conservation compliance may not provide as much wildlife habitat benefits as provided by the CRP. Soil erosion would increase by an estimated 126 million tons per year by 1999 compared with projected levels for 1995.

(2) Maintain 38-million-acre CRP each year: Until recently, both the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) assumed in their budget baselines that CRP funding would fall as current contracts expire. However, in the "current services" baseline of the Mid-Session Review of the FY 1995 President's Budget, OMB's baseline assumed that the CRP would be maintained at 38 million acres, the

statutory level, through 1999. OMB believes that prior CRP baseline assumptions were not in compliance with the Budget Enforcement Act of 1990, which states that programs with current year outlays greater than $50 million will not be assumed to expire in the baseline even though authorizing legislation expires. Under this option, annual CRP expenditures increase from $1.8 billion this year to $2.6 billion in FY 1999.

We estimate that maintaining a 38-million-acre CRP rather than allowing existing contracts to expire and having no additional signup periods would lead to about 6 million acres of additional corn base, 6.5 million acres of additional wheat base, and 5.5 million acres of additional land formerly planted to soybeans enrolled in the CRP by 1999. This pattern of enrollment is consistent with enrollments in signup periods 10-12.

The increase in land retired from production under long-term contracts would likely eliminate the need for ARP's by 1999, even in the absence of an GATT Agreement, since the increase in CRP enrolled acres for wheat and corn greatly exceeds the acreage idled under a 5-percent ARP. Even with lower ARP's, deficiency payments are projected to decrease by $800 million during FY 1996-99, because with less land in production due to an extended CRP, prices would be higher. Over the same period, outlays for CRP rental and technical assistance increase by $3.8 billion.

Increased exports under the GATT Agreement and a 38-million-acre CRP would put pressure on the use of cropland and greatly increase commodity prices by 1999/2000. Corn prices are projected to be $0.15-$0.20 per bushel, soybean prices would be $0.55-$0.65 per bushel, and wheat prices would be $0.25-$0.30 per bushel higher in 1999/2000 than if existing CRP contracts are allowed to expire.

Retaining 38 million acres in conserving uses raises environmental benefits above current levels. Because the full environmental benefits of the current CRP have not yet been realized due to the lag between land retirement and measurable water quality and wildlife benefits, a continued CRP would build on the foundation of environmental benefits achieved under the current CRP. Soil erosion decreases by an estimated 23 million tons per year by 1999 under this option compared with expected 1995 levels. With new signup periods based on the EBI, an increase in water quality benefits would also be expected.

(3) Maintain CRP at no less than 15 million acres: For comparative purposes, a third option could be a targeted, 15-million-acre CRP program. Under this option CRP spending declines from this year's level of $1.8 billion to an estimated $0.9 billion in FY 1999.

A 15-million-acre CRP would keep about 11 million acres of crop acreage base out of production. By 1999, we estimate that maintaining a 15-million-acre CRP rather than allowing existing contracts to expire and having no additional signup periods would lead to about 1-2 million acres each of additional corn base and wheat base, and 1-2 million acres of additional land formerly planted to soybeans being enrolled in the CRP.

A CRP of 15 million acres would have limited effects on crop prices in 1999/2000 compared with option 1. This modest change in CRP enrollment would not likely cause ARP levels to be reduced from the 5-percent level under option 1, assuming no GATT Agreement. As under option 1, ARP levels for both wheat and corn are expected to fall to 0-percent under the GATT Agreement.

Crop prices do not rise as much under this option as under the previous option. Corn

and wheat prices for 1999/2000 are projected to be about $0.05 and $0.10 per bushel higher, respectively, under this option, assuming implementation of the GATT Agreement than if existing contracts are allowed to expire with no additional signup periods. Soybean prices would be $0.10-$0.20 per bushel higher than if existing contracts are allowed to expire.

A 15-million-acre CRP could potentially provide much of the current CRP surface water quality benefits, ground water quality benefits, and the water quality priority area enrollment benefits. Compared with 1995 erosion levels, however, soil erosion would increase by an estimated 92 million tons per year by 1999.

Conclusion

The conditions that gave rise to the CRP in 1985 have changed. In 1985, there were enormous crop surpluses, ARP's were at maximum levels, erosion was viewed as one of farming's most serious environmental problems and no conservation plans were designed or in effect. Today, crop surpluses have diminished, ARP's are of minimal levels, erosion reduction has been considerable, and conservation plans are in effect on 120 million highly erodible acres outside of the CRP. Environmental concerns have moved beyond soil erosion to broader issues of soil quality, water quality and nonpoint source pollution, riparian areas, wetland enhancement and restoration, grazing lands, endangered species and wildlife habitat.

Conservation planning has taught the Department's soil scientists and the Nation's farmers much about how to manage and address the Nation's erosion problems. Appropriate management practices and targeted land retirement together can greatly enhance our progress toward ending soil erosion as a national problem.

The next CRP needs to reflect the changes that have taken place in the agricultural

sector since 1985. Budget limitations also raise the question of targeting Federal resources when considering land retirement and environmental stewardship programs. These programs can provide the technical and financial assistance to address soil erosion on farmed land as well as the many environmental issues that go beyond soil erosion, but that are often interconnected with it.

Mr. Chairman, that completes my statement. I would be pleased to address any questions you or the other members might have.

(Attachments follow:)

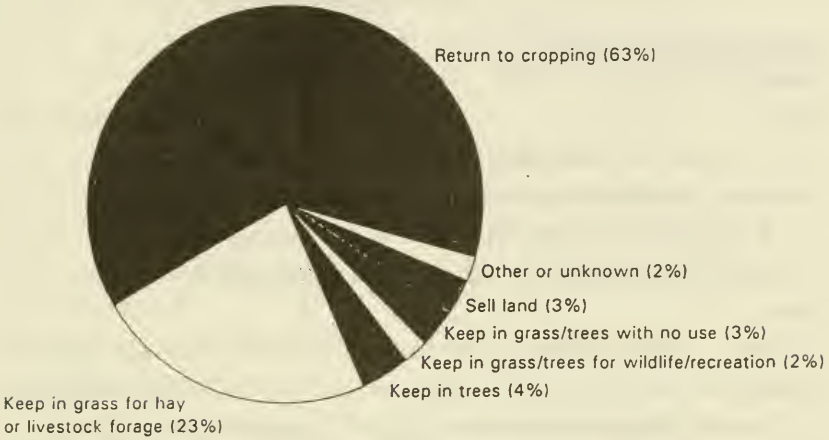
Table 1--Conservation Reserve Program enrollment, signup periods 1-12: March 1986-June 1992

Signup period, region, and State	Number of contracts	Acres enrolled		Acres with tree plantings			Rental rate (dollars per acre per year, weighted average)	Erosion reduction (tons per acre per year, wtd average)	Cropland base reduction acres
		Total	Average per contract	Number of contracts	Total	Average per contract			
United States, Total	375,205	36,422,733	97.1	63,005	2,487,767	39.5	49.67	19	23,278,085
Signup period									
1 - Mar 1986	9,407	753,668	80.1	2,802	107,672	38.4	42.06	26	443,228
2 - May 1986	21,520	2,771,660	128.8	3,832	173,954	45.4	44.05	27	1,771,529
3 - Aug 1986	34,040	4,703,379	138.2	4,762	228,207	47.9	46.96	25	3,211,176
4 - Feb 1987	88,032	9,478,599	107.7	11,508	477,746	41.5	51.19	19	6,023,493
5 - Jul 1987	43,711	4,442,719	101.6	5,499	197,776	36.0	48.03	17	2,785,208
6 - Feb 1988	42,699	3,375,367	79.1	10,523	396,598	37.7	47.90	18	2,105,357
7 - Jul 1988	30,392	2,604,901	85.7	4,925	173,611	35.3	49.71	17	1,658,357
8 - Feb 1989	28,779	2,462,382	85.6	5,353	203,705	38.1	51.04	14	1,589,130
9 - Aug 1989	34,812	3,329,223	95.6	5,341	220,032	41.2	50.99	14	2,175,943
10 - May 1991	8,601	475,179	55.2	2,314	85,119	36.8	53.66	17	277,095
11 - Jul 1991	14,730	998,211	67.8	2,569	99,817	38.9	59.37	15	608,846
12 - Jun 1992	18,482	1,027,444	55.6	3,577	123,530	34.5	62.98	16	628,721
Region									
Appalachian	28,650	1,158,124	40.4	6,957	152,401	21.9	53.97	26	577,831
Corn Belt	98,237	5,603,333	57.0	5,711	102,972	18.0	74.26	18	3,136,938
Delta States	18,770	1,248,403	66.5	12,309	744,904	60.5	44.28	18	504,934
Lake States	56,052	3,008,337	53.7	7,661	135,594	17.7	58.66	15	1,845,327
Mountain	21,359	6,687,264	313.1	108	4,757	44.0	39.67	19	4,181,562
Northeast	6,102	226,411	37.1	649	10,510	16.2	59.27	13	83,837
Northern Plains	76,465	9,664,110	126.4	828	9,814	11.9	46.00	15	6,644,317
Pacific	7,055	1,791,182	253.9	110	6,317	57.4	49.55	13	1,209,674
Southeast	34,065	1,692,580	49.7	28,440	1,297,565	45.6	42.69	14	795,780
Southern Plains	28,450	5,342,989	187.8	232	22,932	98.8	40.19	32	4,297,886
State									
Alabama	10,113	573,190	56.7	6,701	311,130	46.4	42.62	17	226,520
Alaska	40	25,348	633.7	0	0	0.0	36.62	5	16,509
Arizona	0	0	0.0	0	0	0.0	0.00	0	0
Arkansas	3,418	260,006	76.1	1,897	150,862	79.5	48.73	14	140,706
California	511	187,499	366.9	13	1,572	120.9	48.59	14	96,594
Colorado	6,207	1,978,390	318.7	31	642	20.7	41.05	25	1,133,362
Connecticut	1	10	10.0	1	10	10.0	50.00	12	10
Delaware	30	995	33.2	7	173	24.7	66.00	8	611
Florida	2,497	134,860	54.0	2,410	122,967	51.0	41.69	15	50,782
Georgia	14,718	706,459	48.0	13,896	645,931	46.5	43.06	13	384,169
Hawaii	1	85	85.0	0	0	0.0	80.00	4	0
Idaho	3,907	877,059	224.5	49	2,869	58.5	45.70	16	559,679
Illinois	19,685	811,926	41.2	1,859	35,580	19.1	77.13	20	478,439
Indiana	11,539	462,649	40.1	1,057	18,066	17.1	73.96	15	258,999
Iowa	35,667	2,224,834	62.4	1,239	15,957	12.9	82.31	18	1,373,831
Kansas	31,020	2,937,863	94.7	160	3,067	19.2	52.82	16	2,161,826
Kentucky	8,102	451,317	55.7	188	3,878	20.6	59.31	33	241,661
Louisiana	1,785	146,571	82.1	967	79,244	81.9	44.06	12	62,066
Maine	941	38,490	40.9	164	2,569	15.7	49.50	7	6,671
Maryland	707	20,392	28.8	128	1,853	14.5	72.94	9	10,854
Massachusetts	5	32	6.4	1	10	10.0	47.65	7	21
Michigan	8,039	332,853	41.4	1,145	17,342	15.1	59.04	10	185,971
Minnesota	27,224	1,928,954	70.9	2,395	51,974	21.7	55.44	17	1,293,396
Mississippi	13,567	841,826	62.0	9,445	514,798	54.5	42.94	20	302,162
Missouri	22,804	1,726,835	75.7	629	20,920	33.3	63.33	19	836,894
Montana	7,925	2,854,307	360.2	27	1,238	45.9	37.24	13	1,848,192
Nebraska	14,449	1,425,423	98.7	389	4,182	10.8	55.68	22	935,619
Nevada	10	3,123	312.3	0	0	0.0	40.00	16	839
New Hampshire	0	0	0.0	0	0	0.0	0.00	0	0
New Jersey	30	723	24.1	2	27	13.7	52.85	16	184
New Mexico	1,518	483,181	318.3	0	0	0.0	37.83	42	393,611
New York	1,729	64,498	37.3	226	3,627	16.0	54.76	11	25,872
North Carolina	6,497	151,008	23.2	4,327	88,503	20.5	45.71	16	70,620
North Dakota	18,520	3,180,569	171.7	151	1,312	8.7	38.36	14	2,118,042
Ohio	8,542	377,089	44.1	927	12,450	13.4	71.01	10	188,774
Oklahoma	8,688	1,192,504	137.3	50	1,857	37.1	42.48	23	958,041
Oregon	2,012	530,766	263.8	54	3,215	59.5	49.06	11	451,571
Pennsylvania	2,649	101,078	38.2	120	2,242	18.7	63.11	16	39,597
Puerto Rico	8	455	56.9	3	34	11.3	60.36	35	0
Rhode Island	0	0	0.0	0	0	0.0	0.00	0	0
South Carolina	6,737	278,071	41.3	5,433	217,537	40.0	42.37	13	134,309
South Dakota	12,476	2,120,255	169.9	128	1,254	9.8	41.48	10	1,428,829
Tennessee	10,830	475,625	43.9	951	30,275	31.8	51.80	23	226,878
Texas	19,762	4,150,485	210.0	182	21,075	115.8	39.53	35	3,339,845
Utah	997	233,978	234.7	0	0	0.0	40.03	16	120,619
Vermont	10	193	19.3	0	0	0.0	50.00	13	17
Virginia	3,186	79,556	25.0	1,486	29,713	20.0	52.27	17	38,416
Washington	4,483	1,047,029	233.6	40	1,496	37.4	50.28	14	644,999
West Virginia	35	618	17.7	5	32	6.4	48.79	11	256
Wisconsin	20,789	746,530	35.9	4,121	66,277	16.1	66.79	13	365,960
Wyoming	795	257,224	323.6	1	8	8.0	38.43	13	125,260

Source: USDA CRP contract data

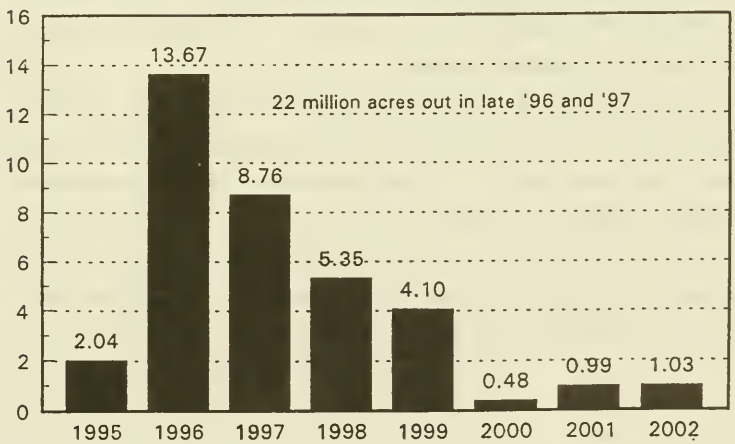
Post-contract plans for CRP acres

1993 SWCS contract holder survey



Post-contract availability of CRP land

Million acres



Source: USDA CRP contract data

Note: A small number of acres shown for 2000-2002 are covered by useful-life easements of 15 or 30 years.

(Page 1 of 2 pages)

TESTIMONY OF MR. & MRS. ALBERT E. EVEN RESIDENTS OF CORSON CO., MCINTOSH, SD, 57641

Box 70
McIntosh, SD 57641
September 10, 1994

House Committee on Agriculture
1301 Longworth House Office Bldg.
Washington, D C 20515

Sirs:

We attended the CRP meeting held September 1, 1994 by Senator Tom Daschle, Congressman Tim Johnson and Agriculture Secretary Mike Espy in Aberdeen, SD.

We would like to have this testimony entered in the Congressional Record as a definite recommendation that the CRP Program be continued for another 10 years.

CRP is a definite advantage to the land owner in that it allows him to rest and rejuvenate his land without loss of income. It also saved some farmers from bankruptcy.

CRP is an advantage to wild life in giving it good nesting and grazing areas. It also provides good summer and winter habitat for their protection.

CRP has helped the rural communities with added income to spend on Main Street whether they realize it or not. If there are fewer farmers it is as much because of a natural attrition, where more land is needed to sustain a single farm family and larger machinery that enables them to farm more acres, as it is to CRP.

CRP is good for future generations because it will leave good productive land to use as the population increases.

As to a CRP landowner having mandates place on him as to where to live or whether or not he can be retired we do not believe that would be constitutional. It would make as much sense to tell urban dwellers they can only own property in the city in which they live and at certain ages.

Changes in the CRP Program were discussed. It might be good if the land owner were allowed to cut, have cut or graze a portion of the CRP acres each year. Thus reducing payment on the acres cut and reducing the cost of the

program. Before reducing the original rates (without any concessions) one must remember land taxes are always going up and so is the cost of living. Haying or grazing a portion of the CRP acres each year would also insure a hay supply in drought years.

Some were also questioning the need for a whole quarter of land to be included when water might erode only some of the quarter. They were not taking wind erosion into consideration. Since CRP we have not seen the dark clouds of dirt moving across the Northwestern South Dakota sky line that were raised before with even a moderate wind.

As Federal and State control has worked very well in the past we see no need to change guidelines.

In conclusion we would like to say that as far as farm programs go the CRP Program is th best all around program and we would like to see it continued.

Sincerely,

Mr. & Mrs. Albert E. Even

Submitted by Robert Gab

CRP RECOMMENDATIONS

1. Elgibility for enrollment based on land classification only. Past practices should not influence enrollment eligibility--- good "stewardship" such as legume rotation should not disqualify parcel if classification is HEL... likewise poor farming practices causing erosion should not be a criteria for CRP enrollment. Instead, such practices should disqualify such operator from all USDA programs until those practices are corrected.
2. Percentage of land enrolled should be limited per operator, per county, and per township. "Exceptions" could be allowed upon review of local district board with advisory input by SCS. Operator could have privilege of appealing to a State Committee if unsatisfied with local district board's decision. Such "exceptions" should be based on severity of land susceptible to erosion (HEL) and amount of land in a given area.
3. Contract period should be for five years. After five years, local district board would review requests for extension of present contract or a rotation process to other eligible land...maintaining CRP acreage within the "percentage level" established under recommendations above.
4. Any land coming out of CRP must have an approved conservation plan based on SCS recommendations and approved by local district board.
5. Contract payment rate should be based on actual rental rate in area with no more than 20% variation allowed.
6. Operator may request review of contract to adjust practices and/or rate on a biennial basis.
7. Violation of contract will cause operator to forfeit all previous payments with interest and render operator ineligible for any USDA programs. Operator may request review of violation and may be granted reinstatement of elgibility providing all violations are corrected within specified period of time as established by local district board and SCS.
8. CRP land may be released for haying in emergency situations as requested by operator to local district board providing county has been declared a disaster area. In such cases, local district board and SCS shall determine amount of each CRP contract parcel to be hayed.

Aug 31. 1994
Cresbard. S.D.

Representative Tim Johnson

I am a land owner in Faulk co. with 330 Acres in the CRP These are some of my thoughts on same.

The current rent payments on my contract are very good, but the other cash rent payments for cash rent and taxes on land are also rising.

Possibly in 5-10 years the current CRP rent may look cheap.

My contract is for wetlands because it did not qualify as land with erosion.

If contracts that expire next year will be extended for another year I hope mine, that expires in 1999 will also be extended for one year ~~also~~ or possibly 3

would be able to extend my
contract for a period of years.
Hunters and Sportsmen
have been enjoying hunting
the CRP land also.
I also believe that it
could be quite costly for
ASCS for grain storage
and ag. payments if CRP
Contracts aren't extended and
our livestock producers would
suffer as well.

Sincerly
Marion Olsing
HCR1 Box 11
Cresbard SD 57435

9/9/94

Dear Rep Johnson:

I attended the hearing for the CRP program at the Ramkota in Aberdeen, S.D. on Sept 1, 1994 and thought it was very informative. They said it would be open for two weeks for opinions.

I very definitely would like to see it continued after the contracts expire. There were many good reasons given for it that day which I agreed with.

My CRP is in N. Dak. & will expire in 1995.

Thank You!

Sincerely,

Eileen Kukrall

Mrs. Eileen Kukrall
P.O. Box 82
Ipswich, SD 57451

Wildlife Management Institute

1101 14th Street, N.W. • Suite 801 • Washington, D.C. 20005
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ROLLIN D. SPARROWE
President

LONNIE L. WILLIAMSON
Vice-President

RICHARD E. McCABE
Secretary

September 28, 1994

Congressman Tim Johnson, Chairman
House Agriculture Subcommittee on Environment,
Credit and Rural Development
1430 Longworth House Office Building
Washington, DC 20515

Dear Chairman Johnson:

Thank you for the opportunity to provide these comments for the record for the field hearing you sponsored on the Conservation Reserve Program (CRP) in Aberdeen, South Dakota on September 1, 1994.

The U.S. Department of Agriculture (USDA) is a contractor for the American taxpayers, who expect the Department to secure meaningful public values in return for the public's investment in agriculture. Therefore, USDA must begin recognizing that the people to whom it should be accountable, its "customers," are the American taxpayers who pay its way.

The Department can and must secure vastly more public benefits than most of its traditional programs ever have. An objective analysis of the public costs and benefits of subsidy programs would reveal that the many billions of dollars spent annually provide relatively few real public benefits. On the other hand, conservation programs such as the Conservation Reserve (CRP) and the Wetlands Reserve, provide tremendous value to the public for its money.

Despite the cross compliance provisions created in the 1985 Food Security Act, commodity programs effectively still are disincentives for farmers to practice conservation. It is time to end subsidized commodity production and begin a new era of conservation-based public support for agriculture. The 1985 and 1990 farm bills were monumental steps in this direction. The 1995 Farm Bill should continue dramatic forward progress to increase the environmental compatibility of agriculture.

Wildlife Should be Equal to Soil and Water

To achieve greater environmental compatibility, agriculture must accept a broader sphere of environmental responsibility. USDA long ago recognized soil conservation as a primary conservation goal. In 1990, water quality improvement was elevated to a coequal position as the second conservation goal, in recognition of agriculture's impacts on this valuable public resource.

In the 1995 Farm Bill, wildlife should explicitly be adopted as USDA's third conservation goal, coequal with soil and water. Wildlife, like water, is a public resource that has been degraded by agricultural activities. Such an overt recognition of the Department's responsibility to secure habitat for

a valuable public resource would help ensure that wildlife is more seriously and consistently considered in USDA policies and actions.

Wildlife and Habitat Impacts are Reversible

Habitat loss to agriculture is the number one factor in North America that is depressing wildlife populations. The record is clear and indisputable on this point. While a few adaptable species such as white-tailed deer, raccoons and Canada geese are thriving in human-altered environments, many more species that cannot adapt currently are experiencing historic low populations.

Fortunately, habitat degradation and wildlife population declines are reversible. Just as agriculture has been a major factor impacting wildlife on a continental scale, it can be a major factor restoring those wildlife populations to reasonable levels.

Six Critical Features of Wildlife Habitat

To achieve meaningful increases in populations of diverse wildlife species that have been impacted by agriculture, six critical features of suitable habitat are needed in combination.

1) Large size. Habitat alteration by agriculture has been extensive. Today, more than 420 million acres of cropland replaces former wildlife habitat. More than four-fifths of the wetland loss in the U.S. has been caused by agriculture. Meaningful steps toward mitigating these impacts to wildlife populations can be made only if habitat restoration is conducted on a relatively large scale.

2) Nationwide distribution, but prairie emphasis. Some wildlife habitat restoration is needed in all agricultural regions of the country. However, the need for restoration is especially acute in the prairies, one of the most endangered ecosystems in North America. More than 95 percent of the tallgrass prairie and up to 80 percent of the mixed and shortgrass prairie have been converted to rowcrops. As a result, the group of wildlife species dependent on prairie grasslands is declining faster than any other group of wildlife in North America. Some of these, such as the grasshopper sparrow and lark bunting have declined by more than 50 percent in the last 25 years. Restoration of grassland habitat in the prairies can help avoid multiple "train wrecks" in the not-too-distant future.

3) Large blocks of habitat. Small, isolated patches or strips of habitat provide little meaningful value to wildlife populations in many areas of the country, especially the prairie region. Many species will not utilize small, isolated fragments of habitat. Those species that will use such fragments often are subjected to extreme rates of predation. Across the prairies, predators destroy about 90 percent of all the bird nests located in strips of vegetation along wetlands and streams.

4) Relatively undisturbed vegetation. Idle grass is the rarest habitat type in the U.S. Less than 5 percent of the remaining grassland habitat in the U.S.--other than CRP--is free from annual disturbance by haying, grazing, mowing or burning. Undisturbed vegetative cover probably is the most difficult habitat element to achieve, but also may be the most important for many wildlife species.

5) Valuable land types. Landforms such as wetlands, riparian corridors and floodplains, in conjunction with associated uplands, are highly valuable areas for wildlife. More benefits to a wider diversity of wildlife can be obtained by targeting habitat restoration activities to such sites to create habitat complexes.

6) Suitable cover types. In general, diverse cover types composed primarily of native species are most valuable for wildlife. In some parts of the country, mixtures of certain tame covers can provide substantial wildlife habitat benefits. However, extensive monocultures generally provide habitat of relatively little value.

Wildlife Objectives, Strategies and Policy Tools

This crucial combination of six habitat features probably could be provided by a variety of programs. However, it is important to note that CRP is the only existing program that has *proven* successful at providing them.

The specific program by which this combination of features is provided is secondary to *resource objectives* that should be the goal lines by which any conservation program's success is measured. Money and government programs like CRP merely are strategies or inputs to achieve those objectives. Program variations such as annual payments, short-term contracts, permanent easements, etc. simply are tools at USDA's disposal to implement the strategies to accomplish the objectives. If a program tool--for example, permanent easements--does not or cannot achieve the resource objectives, supplemental program tools must be utilized.

Resource objectives also should be the overriding consideration in allocating and targeting taxpayer dollars. Once resource objectives have been set, appropriate program mechanisms and targeting schemes become more readily apparent. Political concerns for congressional districts and regional or local farmer equity should not dilute resource-based targeting of limited conservation funds.

Cropland Retirement

Some environmental problems such as soil erosion and nonpoint source water pollution can be solved largely with best management practices and other technologies. However, practices used to achieve these goals do not necessarily provide wildlife habitat. Suitable wildlife habitat often requires a higher level of conservation achievement than conserving soil or improving water quality. Conversely, quality wildlife habitat virtually always conserves soil and water.

For some types of wildlife in some situations, certain modified farming practices can provide adequate habitat. For many species, though, cropland retirement that provides relatively undisturbed vegetation is the only practical strategy to provide suitable habitats. Since CRP began, American taxpayers, through USDA, have paid to retire an average of about 60 million acres of surplus cropland each year. Of that acreage, only CRP acres were retired for more than one year at a time. If CRP is not continued, large commodity surpluses undoubtedly will reappear. These surpluses most likely will be dealt with by a return to high annual set-asides that provide little or even negative benefit to wildlife, soil and water, while reducing farmer income. Such an alternative should be unacceptable to everyone. Long-term retirement of surplus marginal cropland in ways that provide broad resource benefits is imperative.

There are only two ways to achieve long-term retirement of extensive areas of surplus marginal cropland: 1) remove the conservation disincentives that cause it to be cropped , or 2) provide conservation incentives to retire it. Only *one* of these ways--providing conservation incentives--will produce the desired resource results: marginal cropland retired in a manner that restores quality wildlife habitat, conserves soil and water, and rewards farmers that are providing these valuable public services. This desirable end result would provide taxpayers the meaningful returns they deserve for their substantial support of agriculture.

Thank you for the opportunity to provide these views on CRP, for the record.

Sincerely,

Donald F. McKenzie
Conservation Policy Coordinator

The Nature Conservancy®
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Ramkota Inn, Aberdeen, South Dakota September 1, 1994

TESTIMONY OF JOE SATROM, DIRECTOR OF THE DAKOTAS FIELD OFFICE OF THE NATURE CONSERVANCY BEFORE THE HOUSE AGRICULTURE SUBCOMMITTEE ON ENVIRONMENT, CREDIT AND RURAL DEVELOPMENT AND THE SENATE AGRICULTURE SUBCOMMITTEE ON AGRICULTURAL RESEARCH, CONSERVATION, FORESTRY AND GENERAL LEGISLATION

Secretary Espy, Senator Daschle, Representative Johnson, members of the Committees:

Thank you for holding this joint hearing on the Conservation Reserve Program here in Aberdeen today. I greatly appreciate having the opportunity to testify before you on this very important program.

I am pleased to appear here today on behalf of the Minnesota Chapter of The Nature Conservancy, and the Dakotas Chapter where I am the program director. The Nature Conservancy is a private nonprofit organization dedicated to natural resource conservation. We are interested in the CRP program because of the broad impact this program has had on the landscape and on rural communities here in the Midwest and nationwide.

The Nature Conservancy supports the reauthorization and full funding of the Conservation Reserve Program in the 1995 Farm Bill. This support is shared by many Upper Midwest organizations, some of which are listed on the document entitled "Minnesota Joint Statement on the Conservation Reserve Program." I have provided copies of this statement to the committees.

At this point in time, the Conservancy is not taking a position on the exact form or content of reauthorization language. As an organization that spends most of its time and energy working on the landscape, we would like to offer the following suggestions regarding how a future CRP program might look.

1. **Optional perpetual easements could be allowed, in addition to term contracts.** This could be accomplished by combining the Environmental Easement Program, which is a perpetual easement option provided by the 1990 Farm Bill, into the CRP. If this is done, the Environmental Easement Program should be fully funded. This program could also be modified so it is more like the State of

Minnesota's highly successful and popular program "Reinvest in Minnesota (RIM) Reserve Program," which is a perpetual easement program about which I have provided information for the committees.

2. **Lands which provide the greatest environmental benefits could be given highest enrollment priority.** From the Conservancy's perspective, lands with high environmental benefit include lands adjacent to protected and conservation areas, lands adjacent to or containing endangered and threatened species, and/or lands that are environmentally sensitive or provide critical habitat. A state mechanism, such as a state technical committee, could identify regions in a state where CRP would achieve the greatest environmental benefits.

3. **Payments could be structured so they are commensurate with potential environmental benefits.** The bidding process could be modified so that highest payments go to lands providing the greatest environmental benefits, and bids which are for perpetual easements should receive top priority for enrollment. The Environmental Benefits Index should be modified so that higher scores result for lands adjacent to existing protected or conservation areas, and for lands that provide critical fish and wildlife habitat or habitat for endangered and threatened species. Finally, lands that are managed to provide and maintain optimal environmental benefits, and therefore may be more expensive to manage, could receive higher payments (see #4 below).

4. **Maintenance of optimal environmental benefits on CRP lands should be encouraged.** Unmanaged CRP lands may not provide optimal environmental benefits. The following management practices should be encouraged and higher payments provided, if needed, subject to approval in a plan by the state technical committee or other appropriate body:

- planting to native cover,
- rotational haying to maintain vigorous cover,
- periodic burning to maintain vigorous cover,
- planting to grasses, not trees, in grassland ecoregions.

Where economic benefit is derived from haying or other use of CRP, payments should be decreased. Approved farm plans for CRP lands could ensure that management practices would be implemented so as to avoid degrading environmental benefits.

5. **The diversity of membership on committees making decisions about CRP lands could be increased.** The diversity of county committees and state technical committees could be enhanced by including non-farm entities with interests in the CRP such as sporting and conservation groups, resource management agencies, and local community organizations.

(Attachments follow:)

MINNESOTA JOINT STATEMENT ON THE CONSERVATION RESERVE PROGRAM

The Conservation Reserve Program (CRP) has been extremely beneficial to the farmer and environment in Minnesota and the nation.

We support continuation of the Conservation Reserve Program or its equivalent to maintain and improve soil, water and wildlife resources. Funding should be used to enroll the most appropriate lands, using fixed term contracts and optional permanent conservation easements. Reasonable limits on participation should be included to protect the economic stability of counties and regions. Enrollment should not fall below levels that protect the current national investment in the environment.

MN Farm Bureau Federation
MN Corn Growers Association
Pheasants Forever
Izaak Walton League
Sierra Club, North Star Chapter
Land Stewardship Project
MN Deer Hunters Association
Trout Unlimited, Twin Cities
MN Sport-Fishing Congress
MN Sharptail Society
Safari Club
MN Farmers Union
MN Agrigrowth Council
The Nature Conservancy
National Audubon Society
Cannon River Watershed Partnership
Prairie Chicken Society
Ducks Unlimited
MN Waterfowl Association
MN Ruffed Grouse Society, Twin Cities
MN Conservation Federation

RIM Reserve

The Minnesota Board of Water and Soil Resources and your local soil and water conservation district...working together to protect Minnesota's resources

Minnesota Board of Water & Soil Resources

The mission of the Board of Water and Soil Resources (BWSR) is to provide leadership enabling local governments to properly manage water and soil resources and to help all citizens be stewards of our irreplaceable natural resources.

The mission of your soil and water conservation district (SWCD) is to take available technical, financial and educational resources, whatever their source, and focus on coordinating them so that they meet the needs of the local landuser.

For more information on RIM Reserve, contact your local SWCD; or call the BWSR at 612-296-3767. Hearing or speech impaired can call 612-297-5353 or 1-800-627-3529 and ask to be connected to 612-296-3767.

BWSR is an equal opportunity employer.

The Reinvest in Minnesota (RIM) Reserve Program strives to protect and improve water quality by encouraging landowners to retire environmentally sensitive land from agricultural production. The program reimburses landowners for enrolling their land in a permanent conservation easement, and then provides assistance to restore the area to grass, trees or wetlands. Other benefits of the program include reduced soil erosion and sedimentation, enhanced fish and wildlife habitat, flood control and groundwater recharge.

The program is managed on the state level by the Minnesota Board of Water and Soil Resources (BWSR). Locally, soil and water conservation districts (SWCDs) implement the program.

Eligible lands:

Sensitive groundwater: lands where there is a significant risk of groundwater degradation from activities conducted at or near the land surface (e.g. sinkholes and areas adjacent to public supply wells).

Riparian lands: lands adjacent to public waters, drainage systems, wetlands or locally designated priority waters identified in a comprehensive local water management plan.

Wetland restoration areas: lands containing legally drained wetlands that are feasible to restore to their pre-drainage condition.

Marginal agricultural cropland: lands that are classified as highly erodible and have been cropped two of the five years prior to the date of application.

Other environmentally sensitive lands: lands such as pastured hillsides, agricultural woodlots and living snowfences, which provide protection of water and soil resources and furnish important fish and wildlife habitat.

Program accomplishments:

Nearly 2,000 private landowners enrolled 45,000 acres of land (including 10,000 acres of wetland restoration easements) into the RIM Reserve Program between 1986 and 1993. Strong partnerships with other agencies and organizations have contributed to the program's success. The following organizations have contributed to RIM Reserve with technical, administrative and financial assistance:

- Pheasants Forever
- Minnesota Waterfowl Association
- Izaak Walton League
- U. S. Fish & Wildlife Service
- North American Wetland Conservation Council
- Ducks Unlimited

Permanent Wetland Preserves

The Minnesota Board of Water and Soil Resources and your local soil and water conservation district...working together to protect Minnesota's resources

Minnesota Board of Water & Soil Resources

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For more information on the Permanent Wetland Preserves Program, contact your local SWCD; or call the BWSR at 612-296-3767. Hearing/speech impaired can call 612-297-5353 or 1-800-627-3529 and ask to be connected to 612-296-3767.

BWSR is an equal opportunity employer.

As wetlands continue to disappear from our landscape, more and more people are becoming aware of the unique benefits they provide and specific ecosystem functions they fulfill. Although this new awareness has led many landowners to think twice before draining or filling a wetland, financial considerations often make it difficult to allow these wetland areas to go undeveloped. The Permanent Wetland Preserves Program (PWP) helps balance these competing interests by offering compensation to landowners willing to enroll their wetlands in a permanent conservation easement that will protect the wetland and prohibit cropping and grazing of the easement area.

Program benefits:

- Store surface runoff and reduce flooding damages
- Provide food, shelter and habitat for fish and wildlife
- Replenish subsurface water
- Provide outdoor recreation areas
- Enhance the natural beauty and biodiversity of landscapes

Eligible wetlands:

Type 1 wetlands consist of seasonally flooded basins or upland flats. The soil is occasionally waterlogged or covered with water at various times, but is usually adequately drained during much of the growing season. Vegetation varies from bottomland hardwoods to herbaceous plants.

Type 2 wetlands are inland fresh meadows. The soil is usually without standing water but is waterlogged within a few inches of the surface. Vegetation includes grasses, sedges, rushes and various broad-leafed plants.

Type 3 wetlands are shallow marshes. The soil is often covered with water during the year. Plants such as cattails, arrowheads, pickerelweed, smartweeds, spikerushes and bulrushes are prevalent.

Only existing wetlands and adjacent uplands that provide a buffer for the wetland are eligible. Wetlands that have been partially drained, but are not feasible to restore, are also eligible.

The entire wetland area owned must be offered for enrollment. If the applicant owns only part of a wetland, it will be eligible only if there will be little or no adverse impact to the wetland area by activities that may take place in the non-enrolled portions of the basin.

Program accomplishments:

In 1991, the Legislature created the Permanent Wetland Preserves Program as part of the Wetland Conservation Act. During sign-up periods in the fall of 1992 and the spring of 1993, over 5,000 acres of wetlands and adjacent upland areas were enrolled in the program.

Conservation easements

The Minnesota Board of Water and Soil Resources and your local soil and water conservation district...working together to protect Minnesota's resources

Minnesota Board of Water & Soil Resources

The mission of the Board of Water and Soil Resources (BWSR) is to provide leadership enabling local governments to properly manage water and soil resources and to help all citizens be stewards of our irreplaceable natural resources.

The mission of your soil and water conservation district (SWCD) is to take available technical, financial and educational resources, whatever their source, and focus on coordinating them so that they meet the needs of the local landuser.

For more information on conservation easements, PWP or RIM Reserve, contact your local SWCD; or call the BWSR at 612-296-3767. Hearing/speech impaired can call 612-297-5353 or 1-800-627-3529 and ask to be connected to 612-296-3767.

BWSR is an equal opportunity employer.

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What is a conservation easement?

It involves the acquisition of specific land rights for conservation purposes. Landowners who offer the state a conservation easement receive a payment to stop cropping and/or grazing the land, and in turn the landowners initiate conservation practices such as establishing vegetative cover or restoring drained wetlands. The easement is recorded on the land title at the county courthouse and transfers with the land when the parcel is sold.

Two state programs that involve enrolling land in conservation easements are the Permanent Wetland Preserves Program (PWP) and the Reinvest in Minnesota (RIM) Reserve Program. The Minnesota Board of Water and Soil Resources (BWSR) administers these programs on a state level; locally, they are administered by soil and water conservation districts (SWCDs).

Who is eligible to enroll?

Any individual who has owned the land for at least one year and can provide evidence of a good and marketable land title can apply to enroll eligible land. Landowners must update their property abstract at their own expense. All liens and mortgages must be paid off, or released or consented to by the mortgage or lien holder, before the easement can be completed. Partnerships and corporations must be agricultural in nature and registered with the Minnesota Department of Agriculture to be eligible for the RIM Reserve Program.

What is the payment for a conservation easement?

Payments vary by township and land use history (cropped or non-cropped). They are based on the assessor's township average market value for tillable land. Contact your local SWCD for specific rates.

How long is the easement in effect?

Most easements purchased by the state are perpetual (forever). Some eligible lands may be enrolled under limited duration easements (not less than 20 years) in counties where certain local ordinances are in effect that will protect water and soil resources after the easement has expired.

How will the easement area be managed?

Depending on the site, a combination of conservation practices, such as establishing grass or trees, or restoring drained wetlands, will be required on the easement area. The state will provide financial assistance toward the establishment of the practices outlined in a conservation plan developed by the SWCD in cooperation with the landowner. The landowner is responsible for maintaining the practices and controlling noxious weeds. Any abandoned (unused) wells on the easement area must be properly sealed at the landowner's ex-

Easements continued...

pense and any contaminants, pollutants, or hazardous substances must also be cleaned up at the landowner's expense before enrolling the land.

Who pays the property taxes on the easement area?

The landowner is responsible for paying all taxes and any other levies and assessments that may be assessed on the enrolled land. Assessed values vary from county to county. Contact your local assessor for more information.

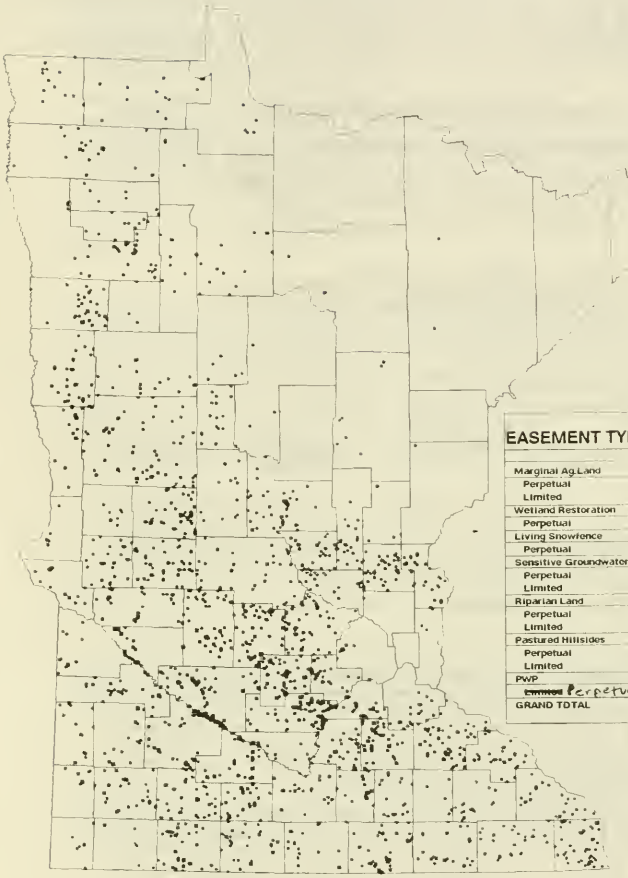
Who controls access to the easement acres?

Access is solely controlled by the landowner. No public access is allowed unless granted by the landowner.

Where can I get more information?

Contact the SWCD in the county where the land is located. The SWCD will assist in determining if the land is eligible and, if so, will assist with completing an application for enrollment. SWCDs may accept applications at certain times throughout the year; please contact your SWCD for specific information. Applications will be considered for funding by the state in the spring and the fall, and those meeting local and state resource protection goals will be prioritized based on resource benefits, local and state priorities and available funding.

CONSERVATION EASEMENT LANDS 2/23/94
RIM RESERVE & PERMANANT WETLANDS



EASEMENT TYPE	TOTAL	
	NUMBER	ACRES
Marginal Ag Land		
Perpetual	398	9705
Limited	887	19319
Wetland Restoration		
Perpetual	318	10787
Living Snowfence		
Perpetual	7	63
Sensitive Groundwater		
Perpetual	22	577
Limited	7	135
Riparian Land		
Perpetual	146	5361
Limited	2	53
Pastured Hillsides		
Perpetual	59	2166
Limited	5	125
PWP		
~~Limited~~ Perpetual	261	10519
GRAND TOTAL	2112	58809

02/23/94
RIM

* RIM Easements
* PWP Easements

Minnesota Board of Water & Soil Resources

DUCKS UNLIMITED INC.

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THE CONSERVATION RESERVE PROGRAM

Building a Wildlife Conservation Legacy

Written Testimony

of

Eric W. Schenck
Manager of Agriculture Policy
Ducks Unlimited, Inc.

Joint Hearing

of the

Senate Subcommittee on Agricultural Research, Conservation Forestry, and General Legislation

and

House Subcommittee on Environment, Credit and Rural Development

Aberdeen, South Dakota

September 1, 1994

Ducks Unlimited, Inc. (DU) is pleased to support the reauthorization and extension of the Conservation Reserve Program (CRP) as our highest priority for the 1995 Farm Bill. Ducks Unlimited is a non-profit conservation organization with more than 530,000 members. Since 1937, DU projects have restored, conserved or enhanced almost 7 million acres of wetlands and associated upland habitat in North America.

CRP has immense potential to improve wildlife populations. CRP has created 36 million acres of new grassland and forest habitat. This area is twice the size of the National Wildlife Refuge System and all state wildlife management areas within the contiguous 48 states. In addition to the highly erodible lands targeted for enrollment, an estimated 2 million acres of previously cropped wetlands also have been enrolled in CRP. This represents nearly half of the wetland acreage found within the entire National Wildlife Refuge System outside of Alaska.

Wildlife Needs CRP

Prior to CRP, wildlife trends associated with agricultural ecosystems were disturbing. Data from the U.S. Fish and Wildlife Service's Breeding Bird Survey indicates that grassland bird populations have been declining at rates of up to 4 percent per year--25-65 percent over the 30 year history of the survey. Populations of grassland nesting waterfowl, such as the northern pintail, blue-winged teal and mallard, have declined 63, 31 and 30 percent respectively since the early 1970s.

Recent reversals of declining waterfowl populations have largely been due to nesting habitat provided by CRP. This year more than half of all waterfowl production came from three states in the prairie pothole region (ND, SD, and MT). Waterfowl nesting success has tripled on CRP lands in this area. CRP in North Dakota, South Dakota and Montana is credited with producing 3 million (25 percent) of the 12 million additional ducks that make up this year's improved fall flight forecast of 71 million birds.

CRP is having a similar positive effect on other grassland wildlife, especially upland gamebirds and neotropic migrants in the Great Plains. Ring-necked pheasant populations have doubled in several states containing large acreages of CRP such as North Dakota, South Dakota and Minnesota. In the northern Great Plains, populations of several grassland birds, such as the grasshopper sparrow, bobolink, and lark bunting, have begun to rebound. CRP also is rebuilding threatened and endangered species populations in Idaho, Colorado and elsewhere.

Wildlife Features of CRP

Six distinct features of CRP are deemed to be most important in determining its value to wildlife.

1. **Vast Amount of Acreage**--The relationship between CRP size and its wildlife benefits is not proportional. Large acreages of CRP representing 10-20 percent of the agricultural landscape are needed to produce measurable wildlife population responses.

2. **Emphasis in the Prairies**--Nearly 95 percent of CRP has been established to grassland, the majority of which is in the Great Plains and other prairie regions. Nationwide, native prairies and grassland wildlife have undergone alarming ecosystem decline. In some areas, CRP represents the majority of available grassland habitat for wildlife.

3. **Large Blocks of Habitat**--Large blocks of CRP habitat (e.g., 80 acres and larger) have been critical in restoring wildlife affected by fragmentation of native prairie habitats. Many bird species require large tracts of habitat for successful breeding. While small parcels and narrow strips of vegetation encouraged by other conservation programs can provide some habitat value, they

are easily exploited by predators.

4. **Relatively Undisturbed Vegetation**--CRP has provided undisturbed multi-year vegetation needed by wildlife for nesting, brood rearing and winter cover. Periodic disturbances to CRP vegetation every four to six years by burning, grazing or mowing mimics natural disturbances and improves its productivity for wildlife.

5. **Vegetation Types Suitable for Wildlife**--Native grass mixtures, wildlife plantings, shallow wildlife ponds (wetlands) and food plots provide more wildlife benefits than monotypic tame grasses.

6. **Protection of Diverse Habitats**--While CRP initially targeted highly erodible lands, it also has restored wildlife habitats on previously cropped wetlands, floodplains and riparian areas adjacent to streams. These unique habitats can be critical for enhancing the diversity of wildlife benefiting from CRP.

Wildlife Objectives for CRP

Various and sometimes competing objectives have existed for CRP that included wind erosion reduction, water quality improvement, commodity supply control and wildlife enhancement. CRP could provide greater cost effectiveness, including expanded conservation benefits, if the program were targeted more carefully to meet multiple overlapping objectives and to emphasize the six features most valuable for wildlife.

CRP could better benefit waterfowl and other wildlife by targeting previously cropped wetlands. The Soil Conservation Service estimates that there are 10 million acres of cropped wetlands on U.S. farmlands. This is more than twice the acreage of wetlands found in the entire National Wildlife Refuge System outside of Alaska. A small change to CRP eligibility could easily enable the program to surpass wetland acreages purchased over fifty years of federal acquisition.

Additional waterfowl benefits could be obtained by giving preference to CRP lands within priority areas identified in the North American Waterfowl Management Plan. To the extent practicable, CRP lands adjacent to existing federal and private investments in wildlife conservation (e.g., refuges) and wetlands previously enrolled in the Water Bank Program (approximately 750,000 acres) also should receive priority for enrollment in a new CRP.

Future of CRP

A grassland restoration program of similar size and scope as CRP, and incorporating improved wildlife objectives, is needed to maintain and enhance existing wildlife benefits. A future CRP-type of program should remain predominately a grassland

restoration program because most marginal cropland was converted from native prairie, and many grassland wildlife populations have been in serious decline. A grassland restoration program also gives farmers opportunities to diversify their operations, and it maintains a readily available cropland reservoir as a hedge against agricultural shortages.

It may be beneficial to link acreage goals of CRP to commodity acreage reduction programs to prevent a return to large acreages of annual land retirement. Since 1985, annual set-aside programs have averaged about 60 million acres each year. Trading CRP for large annual set-aside acreages will negatively impact conservation interests, especially wildlife. Annual set-aside acreages generally provide poor wildlife habitat and in some circumstances have created an ecological trap when wildlife enticed to nest in early season vegetation on set-aside lands are destroyed by mowing, disking and other weed control practices mandated by USDA.

Croplands are Important Too

Not all wildlife gains within agricultural ecosystems are confined to cropland retirement programs such as CRP. In some circumstances, changes to farming practices are benefiting wildlife. In the prairie pothole region, replacement of "black tillage" practices associated with summer fallow with the use of undercutters or chemical fallow techniques is providing improved nesting cover for waterfowl and other wildlife. In the lower Mississippi valley and the central valley of California, winter flooding of rice lands has created a food source for migrating waterfowl and shorebirds that rivals food production of natural wetlands. Many more such opportunities exist for agriculture and wildlife to co-exist on the 400+ million acres of cropland that will remain in agricultural production.

New Conservation Partnerships

The 1995 Farm Bill presents a unique opportunity to build new partnerships between agriculture and conservation interests that promote greater innovation, flexibility and targeting of programs at the local level. One such idea is to create a new Agricultural Conservation Trust that could be used to provide challenge cost-share grants to states, local governments and nonprofit conservation organizations willing to work in partnership with USDA to provide financial and technical assistance to farmers and other agricultural landowners.

Such a trust could be created by earmarking a portion of the funding for existing conservation programs (e.g., CRP, ACP, etc.) to be matched by nonfederal partners and used by them to accomplish high priority conservation projects in targeted geographic areas. Such a trust could leverage greater investments in agricultural conservation programs and broaden their constituencies.

Ducks Unlimited is committed to working with agricultural interests in support of CRP and other cooperative ventures in the 1995 Farm Bill that are good for farmers and good for wildlife. A great deal more can be accomplished by working together on these important programs that affect the future of waterfowl and promise to build a lasting wildlife conservation legacy.

By:

Linda K. Williams
South Dakota Women Involved in Farm Economics

I would like to introduce myself: I am Linda Williams from Philip, SD. I farm and ranch with my husband south of Philip, South Dakota and am representing Women Involved in Farm Economics, a grassroots organization committed to improving profitability in production agriculture through educational, legislative, communicative, and cooperative efforts. I would like to thank you for this opportunity to present our organization's viewpoints on the Conservation Reserve Program.

Attached are two documents, the first is a copy of National Women Involved In Farm Economics' policy on CRP. The second document is the CRP Forum of which South Dakota Women Involved in Farm Economics actively participated in the discussion and formulation and fully supports on the state and local level. We urge you to consider them in earnest, particularly the point of setting objectives and sticking to them. Regardless of what rules, regulations, or objectives that are set, all parties pro and con on CRP ask that the objectives not change half way or even two months into the program.

Thank you for your time and consideration of Women Involved in Farm Economics policy suggestions. If you have any questions concerning CRP or any issues related to the 1995 Farm Bill our organization would be more than happy to answer them.

Linda K. Williams
South Dakota
Women Involved in Farm Economics
HCR 01 Box 53 A
Philip, SD 57567

(Attachments follow:)

National Women Involved in Farm Economics
South Dakota Women Involved in Farm Economics
Conservation Reserve Program Resolution

Whereas, The Conservation Reserve Program has allowed producers who cultivated highly erodible or environmentally sensitive land to retire it from annual production for 10 years.

Whereas, there will be 2 million acres of cropland which will be eligible to be retrieved from CPR in October 1994

Whereas, there are 36.5 million acres nationwide which is 80 percent of all United States cropland, and

Whereas, contracts expire beginning in 1996 and continuing to 2002

Whereas, land use after the expiration of CPR land contracts should be left up to the individual landowners.

Therefore be it resolved, That to do the Environmental Conservation Benefits, the Supply Management Benefits, and the reduced commodity program cuts, WIFE supports a new Conservation Reserve program with consideration to the following points:

A. There should be more stringent weed and pest control.

B. Consideration be given to timber that was planted in the previous CRP contract.

C. Only emergency haying and grazing by the contract holder shall be allowed and it shall not be for resale.

D. Base acreage should be protected.

E. Landowners rights would be preserved and state laws regarding tenant's rights would be preserved.

F. At least the same number of acres in each county that are not renewed should be available for new contracts.

Memorandum of Support for Items of Mutual Agreement
South Dakota Conservation Reserve Program Forum

We, the undersigned, have met and, through a consensus-seeking process, have developed these recommendations regarding the future of the Conservation Reserve Program.

GOAL: Extend the Conservation Reserve Program with certain conditions.

POLICY BENEFITS OF THE CONSERVATION RESERVE PROGRAM:

* Idle and/or protect sensitive areas (highly erodible land, riparian areas, wetlands, wellheads, etc.) for environmental purposes.
* Promote economic stability.
* Promote a safe and plentiful water supply.
* Promote and/or protect wildlife benefits.
* Maintain the proven cost-effectiveness of the program.
* Continue to respect private property rights

RECOMMENDED COMPONENTS OF REVISED CONSERVATION RESERVE PROGRAM

* Use State Technical Committee for oversight and local control. Issues to address include research, special projects, dispute resolution, policy/procedure guidelines consistency, management options, etc.
* Mandatory use of Coordinated Resource Management process to resolve disputes and reach consensus on issues of a regional concern
* Sensitive lands should be targeted with priorities. Sensitive lands would include riparian areas not eligible for the Wetlands Reserve Program, wellheads, wetlands not eligible for other programs, and highly erodible lands which are land capability classification IVe, VI, VII, and VIII. Cropland should be prioritized, but special projects should be allowed on non-cropland as designated by the State Technical Committee.
* The program should be fiscally responsible and cost-effective
* Total acres enrolled in each county should not be greater than the current cap of 25% or the amount of the current waiver
* Voluntary program participation
* Contracts no less than ten years
* Add voluntary recreation access opportunity option under the oversight of the State Technical Committee
* Protect base acreage
* Federal government and landowners adhere to contractual law to protect individual's property rights
* The bid process and contract should be clearly defined, clearly understood, and consistent.
* Contract price should be realistic relative to local area
* Open to all eligible lands

- Allow research on the impact of CRP, including as a host site for disease, pests and weeds; control and/or managment of disease, pests and weeds; socio-economic conditions; and environmental factors. Research should be under the oversight of the State Technical Committee.

- Allow vegetation management flexibility based on the ecosystem with a forage reserve option to replace emergency haying and grazing. Development of such management flexibility should be under the oversight of the State Technical Committee.

- Encourage better use of plant materials distribution for better plant biodiversity

We, the undersigned organizations, participated in the discussion and agree to support these recommendations.

South Dakota Association of Conservation Districts

South Dakota Farm Bureau

South Dakota Wheat, Incorporated

South Dakota Pheasants Forever

South Dakota Women Involved in Farm Economics

South Dakota Resources Coalition

South Dakota Dept. of Game, Fish & Parks Division of Wildlife

South Dakota Department of Agriculture Division of Regulatory Services

South Dakota Association of County Weed Boards

We, the undersigned organizations, did not actively participate in the discussion but do support these recommendations.

South Dakota Soybean Association

South Dakota Stockgrowers

South Dakota Corn Growers Association

We, the undersigned organizations, actively participated in the discussion.

South Dakota State University Economics Department

South Dakota State University Geography Department

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Randall Stoft
South Dakota Association of Conservation Districts

Richard L. Chesbrum
South Dakota Farm Bureau

Brenda R. Jorman
South Dakota Wheat, Incorporated

[illegible]
South Dakota Pheasants Forever

Linda K Williams President
South Dakota Women Involved in Farm Economics

Kaye Hunt, Vice President
South Dakota Resources Coalition

Douglas R. Hansen
South Dakota Dept. of Game, Fish & Parks
Division of Wildlife

[illegible] - Director
South Dakota Department of Agriculture
Division of Regulatory Services

Bob Manz
South Dakota Association of County Weed Boards

SD Wildlife Federation
SD Society for Range Management

We, the undersigned organizations, did not actively participate in the discussion but do support these recommendations.

[illegible]
South Dakota Soybean Association

Darlene Hewett
South Dakota Stockgrowers

[illegible]
South Dakota Corn Growers Association

We, the undersigned organizations, actively participated in the discussion.

[illegible]
South Dakota State University
Economics Department

Roger Hanchett
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South Dakota State University
Geography Department

ISBN 0-16-046834-5