



# Agricultural and Resource Policy Report

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## FOOD, CONSERVATION AND ENERGY ACT OF 2008: CONSERVATION STEWARDSHIP PROGRAM (CSP)

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### *What is the Conservation Stewardship Program?*

The Conservation Stewardship Program (CSP) rewards farmers and ranchers with the best conservation and stewardship practices on their working lands by providing them with financial and technical assistance. The CSP covers various areas of conservation, including soil, water, air, energy, and plant and animal life. CSP differs from other USDA conservation programs because it focuses on operations that have already addressed potential environmental impacts while keeping the land in production, whereas other programs focus on addressing environmental problems through financial assistance, by retiring the land from production, or by preventing land from being developed.

The CSP was first established as the Conservation Security Program under the 2002 Farm Bill. This program allowed a variety of conservation practices, but focused on land-based practices and specifically excluded livestock waste handling facilities. The current incarnation of the program, established in the 2008 Farm Bill, is the Conservation Stewardship Program. Resources of concern for the Conservation Stewardship Program include soil, water, and wildlife habitat. Contracts made under the Conservation Security

Program will continue until they expire, even though the program has changed.

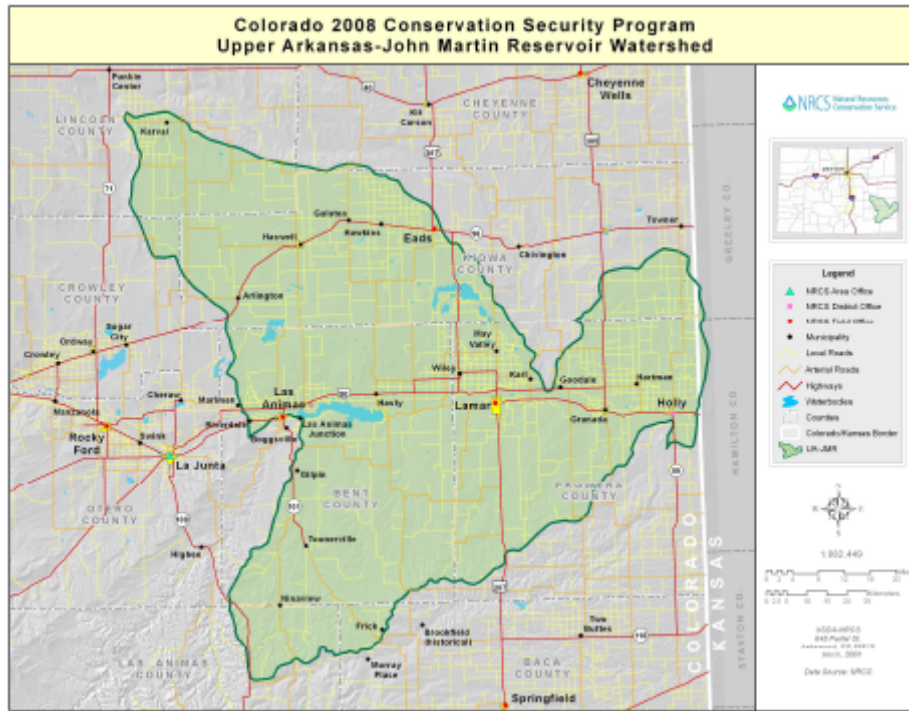
A five-year extension of contracts is now allowed. State acreage allocations are determined using each state's proportion of eligible acres to the total eligible acres nationwide. Workers transitioning from land retirement programs are encouraged to enroll in working lands programs such as the CSP. There is a limit on payments of \$200,000 in any 5-year period. An additional 12.8 million acres are authorized for enrollment annually from 2008-2017 and funding increases to \$1.1 billion above the current budget baseline for fiscal years 2008-2017.

### *How does it affect Colorado?*

Colorado's state National Resources Conservation Service (NRCS) office funded 297 contracts over the course of the 2002 Farm Bill, for a total of 653,207 acres and \$16.1 million in funding. Colorado's eligible watershed in 2008 is the Upper Arkansas – John Martin Reservoir (watershed number 11020009) that comprises an estimated 839 farms and 1,657,883 acres. The following map shows the John Martin Reservoir.

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Extension programs are available to all without discrimination.



A 2006 Farm Foundation survey of Colorado producers asked about changes to the CSP. The majority of respondents (55.0 percent) favored continuing the program in its current state, with implementation on a rotating watershed basis. Increasing funding to allow immediate nationwide implementation was favored by 24.4 percent of respondents, while 20.6 percent favored eliminating the CSP as current contracts expired.

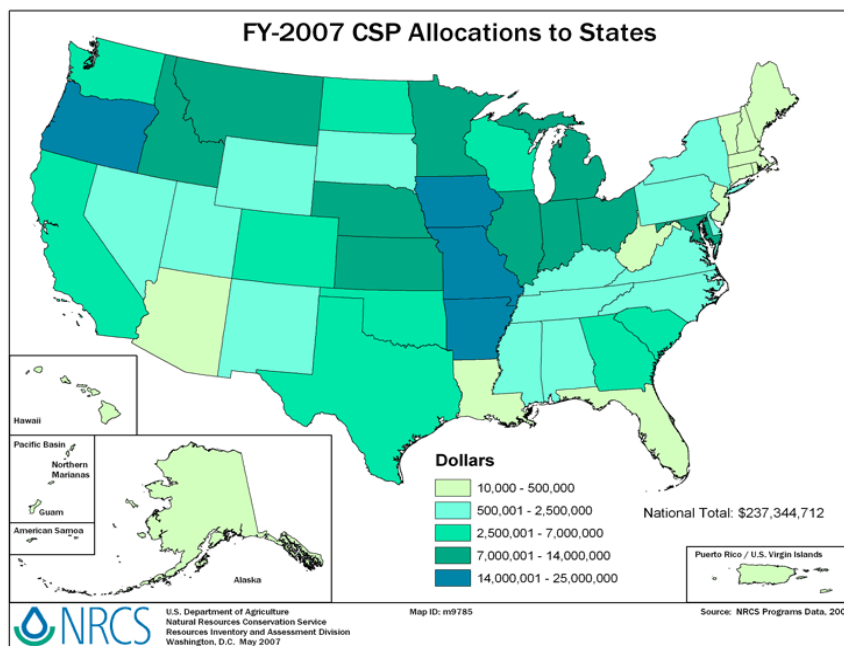
Water and soil erosion topped national producer conservation goals in this survey, favored by 84% and 88% of producers respectively. The survey asked what types of federal assistance producers preferred to meet several environmental policy objectives. For water quality protection goals, Colorado producers' responses were very similar to those of producers nationally: 20.1 percent of Colorado producers and 19 percent nationally favored technical assistance only, while 62.6 percent of Colorado producers and 65 percent nationally favored a combination of technical and financial assistance. Some producers (7.5 percent in Colorado and 7 percent nationally) preferred no federal assistance, while others (9.8 percent in Colorado and 9 percent nationally) had no opinion.

When asked what kind of federal assistance they thought should be provided for soil erosion control,

which has been a focus of conservation titles since the 1985 Farm Bill, the clear majority of producers preferred a combination of technical and financial assistance. Specifically, 58.8 percent of Colorado producers and 65 percent of producers nationally favored this combination of support. Another 25.8 percent of Colorado producers and 23 percent of national producers preferred technical assistance only. Only 7.7 percent of Colorado producers and 7 percent of national producers wanted no technical assistance, while 7.6 percent in Colorado and 7 percent nationally had no opinion.

For the wildlife habitat protection goal, 28.5 percent of Colorado producers favored technical assistance, 44.4 percent preferred a combination of technical and financial assistance, 17.5 percent favored no assistance, and 9.5 percent had no opinion. These were in line with opinions in the nation overall, where 28 percent of producers were in favor of technical assistance only, 44 percent in favor of a combination of technical and financial assistance, 17 percent preferred no assistance and 10 percent had no opinion.

The following map shows federal NRCS funding allocations to states in fiscal year 2007.



**What has changed for the 2008 Farm Bill?**

The following table presents national-level changes to the CSP under the new Farm Bill.

Previous Legislation	2008 Farm Bill
Predecessor program was Conservation Security Program.	Replaces Conservation Security Program with Conservation Stewardship Program, 2009-12. Existing Conservation Security Program contracts to continue as written, but no new contracts will be initiated after Sept 30, 2008. CCC funds, as necessary, to be available to fund these contracts.
Conservation Security Program funded through CCC as "capped" entitlement program, with program spending capped at \$794 million for FY 2002-07. Limited annual enrollment to selected watersheds; total of 331 watersheds for FY 2002-07. Applicants were ranked using category system based largely on producer stewardship.	Enrollment of acreage into program is authorized through FY 2017. Enrolls 12.77 million acres/year at average cost of \$18/acre/year, including financial assistance, technical assistance, and other expenses. Requires 5% of acres be made available for beginning farmers and another 5% of acres for socially disadvantaged producers.
All cropland and grazing land was eligible for Conservation Security Program enrollment, except: <ul style="list-style-type: none"> <li>land must have been cropped in 4 of 6 years prior to 2002</li> <li>land enrolled in CRP, WRP, or Grasslands Reserve Program was not eligible</li> </ul>	All privately owned cropland and grazing land (including land under jurisdiction of Indian tribe) is generally eligible for enrollment, except: <ul style="list-style-type: none"> <li>land must have been cropped in 4 of 6 years prior to 2008 (except land in long-term rotation)</li> <li>land enrolled in CRP, WRP, or Grasslands Reserve Program is not eligible</li> <li>Nonindustrial private forest land incidental to agricultural operation is also eligible but cannot account for more than 10% of acres enrolled in any given year.</li> </ul>

Table continued....

<p>No similar provision.</p>	<p>Program acreage to be allocated to States based primarily on each State's proportion of total national eligible acres, but also taking into account:</p> <ul style="list-style-type: none"> <li>• extent of conservation needs in each State</li> <li>• degree to which CSP can help address these needs</li> <li>• other considerations in order to achieve equitable distribution of funds, as determined by Secretary</li> </ul>
<p>Producers could participate at 1 of 3 tiers. Higher tiers required greater conservation effort but offered larger payments.</p> <p>Tier I: Producer had to address soil quality and water quality concerns on at least part of agricultural operation; contracts were for 5 years</p> <p>Tier II: Producer had to address soil quality and water quality on entire operation and agree to address additional resource concern (e.g., wildlife habitat); contracts were for 5-10 years and could be renewed</p> <p>Tier III: Producer had to fully address all resource concerns (e.g., soil quality, water quality, wildlife habitat, etc.) on entire operation; contracts were for 5-10 years and could be renewed</p>	<p>Requires producer contract offers to include all eligible land within farm. At minimum, contract offers must:</p> <ul style="list-style-type: none"> <li>• demonstrate that stewardship threshold is being met for at least 1 resource concern</li> <li>• agree to address at least 1 priority resource concern by end of stewardship contract</li> </ul> <p>Contract offers to be ranked for program enrollment according to:</p> <ul style="list-style-type: none"> <li>• level of existing conservation treatment on all resource concerns at time of CSP application, measured using conservation measurement tools</li> <li>• level of proposed treatment of priority resource concerns, measured by conservation measurement tools</li> <li>• number of priority resource concerns that would be addressed to stewardship threshold</li> <li>• extent to which other resource concerns would be addressed</li> <li>• extent to which environmental benefits are provided at least cost (although producers cannot improve their rank by offering to take lower payment)</li> </ul> <p>All Conservation Stewardship Program contracts to be 5 years in length and can be renewed for 1 additional 5 year period if producer demonstrates compliance with contract terms and agrees to adopt new conservation activities, as determined by Secretary.</p>
<p>No similar provision.</p>	<p>Establishes means for producers to initiate organic certification while participating in new CSP.</p> <p>Ensures that outreach and technical assistance are appropriate and available to organic and specialty crop producers.</p>

Table continued.....

Producers could receive 4 types of payment:

- 1) Annual Stewardship Payments based on tier level were percentage of local (county) average land rental for specific land use: 1.25% for tier I; 5% for tier II; 11.25% for tier III
- 2) Annual Existing Practice Payments (for maintenance of existing practices) were 25% of Stewardship Payment.
- 3) New Practice Payments were up to 50% of cost of new conservation practices applied as part of CSP contract (65% for beginning and limited-resource producers).
- 4) Annual Enhancement Payments were based on adoption of additional conservation practices that:
  - enhanced resources beyond basic conservation standards or
  - addressed local resource concerns

Annual overall payments limits ranged from \$20,000 (Tier 1) to \$45,000 (Tier III).

Additional limits applied to specific payments and payment components.

In Conservation Stewardship Program, payments to compensate producers for:

- installing and adopting additional conservation activities
- improving, maintaining, and managing conservation activities already in place
- adoption of resource-conserving crop rotations

Payment amounts are to be based on:

- cost of installing, adopting, or maintaining conservation activities
- income forgone by producer
- expected environmental benefits as determined by conservation measurement tools.

Payments cannot be made for expenses associated with animal-waste storage or treatment facilities or related waste transport or transfer devices for animal feeding operations.

Total CSP payments to any 1 person or legal entity cannot exceed \$200,000 during any 5-year period.

Source: USDA ERS (2008)

### ***What are the policy implications?***

A 2006 nationwide producer survey found that working lands programs were one of the top priorities for producers for the 2007 Farm Bill, especially small producers (those with less than \$100,000 annual income from farm activities). Indeed, federal agricultural policy has been increasingly shifting towards policies such as working lands programs since the 1990s. The majority of USDA conservation payments now come from working lands or land retirement programs.

Working land programs often have greater environmental benefit per program dollar than other program types because environmental practices can be improved on lands that lack sufficient incentive to remove them from production. Because those lands remain in production, payments to producers can be less than the full agricultural value of the land. Such programs can address a broad range of environmental concerns specific to particular areas, and therefore encompass an array of practices. These programs can help producers maintain the long-term productive capacity of the land. Additionally, they may help producers mitigate other regulation costs. Retirement of specific environmentally sensitive sections of larger land parcels (such as stream buffers) is also possible under working land programs without requiring that the entire parcel be retired.

Working lands programs also face challenges. For instance, management for environmental purposes may compete with management for production purposes and the producer will have to allocate activities accordingly. Some conservation practices also require technical support, which is not always readily available, to achieve proper design and implementation. Monitoring and enforcement of recommended practices are also more difficult on working lands than on lands that are not retired from production.

### ***Who is eligible?***

The eligible watersheds rotate each year because the NRCS is only allowed to spend 15% of its expected funds on CSP in any given year. By rotating through a different watershed in each state each year, the government ensures that everyone will eventually have a chance to participate. Participants not in the currently eligible watershed may take steps to improve the desirability of their application for future years. Local preliminary workshops explain the basic eligibility requirements and help the landowner understand the self-assessment workbook and benchmark inventory that are completed for the application. Landowners may use other programs, such as EQIP, to help make their land meet the minimum standards required for CSP participation.

Applicants do not compete with each other for CSP funding; instead, funding is prioritized according to enrollment categories. The order in which categories will be funded will be announced by the NRCS prior to sign-up each year. Sign up occurs in the spring of each year.

The basic eligibility requirements for all applicants are that 1) the land be privately or Tribally owned with the majority of the parcel located within one of the selected watersheds; 2) the applicant is in compliance with the highly erodible and wetland conditions of the Farm Security Act of 1985, has an active interest in the operation, and has control of the land for the life of the contract; and 3) the applicant both shares in the risk and receives a share of the marketed production of the operation.

As with most Farm Bill programs, participants are subject to the Adjusted Gross Income (AGI) limitation: participating individuals or entities must not have an AGI exceeding \$1 million for the three tax years preceding the year in which the contract is approved. An exception is made when at least 2/3 of AGI comes from farming, ranching, or forestry operations.

#### ***What types of land are eligible?***

Eligible types of land include privately or Tribally owned cropland, grassland, prairie land, improved pasture land, and rangeland. Some private, non-industrial forest land that is an incidental part of the operation may also be eligible. To be eligible, cropland (except land in long-term rotation) must have been cropped in four of the six years prior to 2008. Land enrolled in the Conservation Reserve Program (CRP), Wetlands Reserve Program (WRP), or Grasslands Reserve Program (GRP) are not eligible. Nonindustrial private forest land incidental to an agricultural operation is eligible as long as it does not account for more than ten percent of acres enrolled in any given year.

#### ***How do the contracts work?***

Parties may submit only one application per sign-up. Those who have contracts under the current sign-up are not eligible to apply for the next sign-up because the eligible watershed rotates each year. Contract payments will compensate producers for installing and adopting additional conservation activities over and above those already practiced; improving, maintaining,

and managing conservation activities that already exist; and adopting resource-conserving crop rotations.

Contract payment amounts will be based on the costs of installing, adopting, and maintaining the conservation activities; the income forgone by the producer; and the expected environmental benefits of the program according to conservation management tools.

#### ***Who do I contact for more information?***

The CSP Self-Assessment Workbook can help landowners determine whether they are currently eligible for the program and discover what they might do to enhance their eligibility for the future. This workbook is available online at [http://www.nrcs.usda.gov/programs/csp/CSP\\_2008/2008\\_pdfs/SAW2008.pdf](http://www.nrcs.usda.gov/programs/csp/CSP_2008/2008_pdfs/SAW2008.pdf). Several other assessment tools, including the Colorado 2008 Initial Questionnaire, can be found at <http://www.co.nrcs.usda.gov/programs/CSP/CSP2008/CSP2008.html>.

The NRCS Colorado state contacts for this program are:

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