Order Code RS21739
February 17, 2004

CRS Report for Congress

Received through the CRS Web

The Conservation Security Program in the 2002 Farm Bill

Barbara A. Johnson
Analyst in Agriculture and Natural Resources Policy
Resources, Science, and Industry Division

Summary

The Conservation Security Program (CSP), a new program enacted in section 2001 of the 2002 farm bill (P.L. 107-171) and administered by the Natural Resources Conservation Service, creates a three-tiered system rewarding increased levels of conservation on agricultural operations with increased payments. Payments include a base payment for acreage enrolled, a payment for new or existing conservation practices, and an "enhancement" payment for conservation exceeding minimum program standards. The program is open to many types of producers and different land uses, and enjoys wide support. The farm bill placed no limits on program enrollment, acreage, or funding. However, the FY2004 Consolidated Appropriations bill limited FY2004 CSP spending to $41 million (P.L. 108-199, Division A, §752).

This paper, which will not be updated, describes the CSP as it was enacted. NRCS issued a proposed rule for CSP on January 2, 2004 which would set strict eligibility criteria for CSP funding. The proposed rule is discussed in CRS Report RS21740, *Conservation Security Program: Proposed Implementation Rule.*

What Is the Conservation Security Program (CSP)?

The Conservation Security Program (CSP) is a new voluntary conservation program authorized by the 2002 farm bill and administered by the U.S. Department of Agriculture's Natural Resources Conservation Service (NRCS). CSP funding is provided by the Commodity Credit Corporation, and the farm bill did not specify any enrollment, funding, or acreage limits for the program. As such, it is the first program designed to enroll all producers who wish to participate (assuming available funding).

Like other conservation programs, CSP assists producers to practice conservation and pays them for agriculture-related environmental services. Unlike other programs, CSP does not require farmland to be retired (as does the Conservation Reserve Program), does not focus on cleaning up environmental problems (as does the Environmental Quality Incentives Program), and does not target one natural resource (as does the Wetlands Reserve Program). CSP rewards producers who practice conservation on working farms.

CSP requires a producer to conserve at least one resource (soil, water, air, or others as specified in NRCS guidance) on at least part of a farm, and producers can receive larger payments for conserving all resources farm-wide. To encourage this, CSP creates a three-step ladder of financial incentives tied to levels of conservation: the greater the farm area covered and the more resources conserved, the higher the potential payments. Table 1 shows how CSP links different levels ("tiers") of contracts to conservation levels.

Table 1. CSP Tiers of Participation

Contract Level ("Tier")	Number of Resources Addressed	Extent of Farm Area Addressed	Length of Contract	Maximum Annual Payment
I	At Least One	Part of Farm	5 Years	$20,000
II	At Least One	All of Farm	5-10 Years	$35,000
III	All Resources	All of Farm	5-10 Years	$45,000

Source: P.L. 107-171, §2001(a), Congressional Research Service.

As shown in Table 2, CSP payments include three components: (1) a percentage of a producer's "base" payment[1]; (2) a payment for new and existing conservation practices; and (3) an "enhanced payment," for producers who exceed minimum requirements for the tier in which they enrolled.

Table 2. Three Components of CSP Payments

<table>
<tr><th>Contract Tier</th><th>% Base Payment</th><th>New and Existing Practice Payment</th><th>Enhanced Payment if Producer (in any Tier):</th></tr>
<tr><td>I</td><td>5% of Base (up to $5,000)</td><td rowspan="3">up to 75% Cost-Share

Beginning Farmers and Ranchers may receive up to 90% cost-share</td><td rowspan="3">-- Exceeds Minimum Requirements of Tier
-- Addresses Local Priorities
-- Does On-Farm Projects
-- Participates in Regional Conservation Plan; or
-- Assesses Farm Conservation Practices</td></tr>
<tr><td>II</td><td>10% of Base (up to $10,500)</td></tr>
<tr><td>III</td><td>15% of Base (up to $13,500)</td></tr>
</table>

Source: P.L. 107-171, §2001(a), Congressional Research Service.

Which Producers are Eligible for CSP? According to the 2002 farm bill, any producer who meets the following criteria would be eligible to enroll in CSP.

[1] The "base" payment is the number of acres enrolled in CSP multiplied by a land rental rate.

- ***Complies with Sodbuster and Swampbuster.*** As with most other commodity or conservation programs, producers must comply with provisions regarding highly erodible land ("Sodbuster") and wetlands ("Swampbuster") provisions to be eligible to enroll in CSP.

- ***Shares in Risk of Production.*** A producer must share in the risk of producing the crop or livestock on the farm, and be entitled to share in the crop or livestock once it is produced. Landlords who "cash-rent" (who receive a fixed amount of rent in cash, regardless of whether the crop or livestock production was successful) are not eligible for CSP.

- ***Shares in Farm Operation.*** A producer cannot receive CSP payments unless he contributes as much to the agricultural operation (in the form of land, labor, management, equipment or capital) as his share of the proceeds. This means that a landlord who collects rent from a tenant, and does not otherwise contribute to the farm operation, cannot collect a CSP payment for a conservation practice installed by the tenant.

- ***Submits Conservation Security Plan.*** Producers must develop and submit a conservation security plan, which should identify the land and resources to be conserved, describe the tier of contract and specific conservation practices involved, and contain a schedule to implement and maintain those practices. This plan must be approved by NRCS.

- ***Signs Conservation Security Contract.*** Producers must enter into a Conservation Security Contract with NRCS in which they agree to carry out their Conservation Security Plan and actively manage their conservation practices. This contract also specifies what payments the producer will receive under CSP.

What Types of Land are Eligible for CSP? The farm bill specifies both what types of land are eligible and what types of land are ineligible.

Eligible Lands. These include cropland, grassland, prairie land, improved pasture land, rangeland, tribal land and forested land that is incidental to an agricultural operation. Also, lands used to produce crops after the enactment of the 2002 farm bill on May 13, 2002, must have been planted (or be considered to be planted) for four of the past six years preceding that date. (This prevents producers from planting land to crops solely to make themselves eligible to enroll in CSP.)

Ineligible Lands. These include lands already enrolled in the Conservation Reserve Program (CRP), the Wetlands Reserve Program (WRP), or the Grasslands Reserve Program (GRP). Producers may enroll different parcels of land simultaneously in CSP, CRP and WRP if program payments are appropriately reduced. However, a producer cannot receive payments under CSP and under another conservation program for the same practices on the same land. In addition, land that has been maintained using long-term crop rotation practices (as determined by NRCS) is ineligible.

Which Conservation Practices are Eligible for CSP funding? Eligible practices include land management practices (such as rotating cattle among different pastures), vegetative practices (such as planting a cover crop on land to reduce soil erosion), and structural practices (such as building terraces to reduce soil erosion and runoff). The 2002 farm bill lists 18 eligible practices such as nutrient management, water conservation, wildlife habitat restoration, and management techniques like contour farming.[2] The Secretary of Agriculture may designate additional eligible practices. However, facilities to treat or store animal waste and equipment or buildings unrelated to land management are not eligible for funding.

Who are the CSP Stakeholders? CSP enjoys widespread support, particularly in the Senate. Both farm and conservation groups have pressed for the implementation of CSP, as have some Members of Congress. The popularity of CSP may be related to both its broad statutory eligibility criteria and its authorization as an entitlement program unlimited by either acreage or funding.

- ***Members of Congress.*** Some Members have expressed their support for CSP, but others have declined to fund the program. The Senate Appropriations Committee provided $53 million in CSP funding for FY2004,[3] and 24 Senators signed a June, 2003 letter to USDA urging publication of CSP rules. However, §745 of the House-passed version of the FY2004 Agriculture Appropriations bill (H.R. 2673) eliminated funding for CSP in FY2004. In response, 44 Representatives signed an October, 2003 letter to the House Speaker urging him to restore funding for CSP. In conference, CSP funding was restored to $41.4 million (P.L. 108-99).[4]

- ***Agricultural Interests.*** Agricultural groups who have written to the administration in support of CSP include the National Association of Wheat Growers, the National Cotton Council, the USA Rice Federation, the National Corn Growers' Association, the American Farm Bureau Federation and the American Soybean Association.

- ***Conservation Interests.*** Environmental and conservation groups expressing support for CSP include Environmental Defense, the Sierra Club, the Natural Resources Defense Council, the National Association of Conservation Districts and the Sustainable Agriculture Coalition.

International Trade and "Green Box" Programs. Another reason stakeholders may be interested in CSP is that it could prove advantageous to US producers in World Trade Organization (WTO) negotiations. In WTO parlance, programs that pay producers but do not provide direct price supports to them are known as "Green Box" programs. These programs are not subject to spending reductions under the WTO. CSP

---

[2] Contour farming is practiced on hilly land. It means planting crops in row patterns nearly level around the hill, which helps reduce soil erosion and runoff of water and nutrients.

[3] The Senate version of this bill, S. 1427, does not specifically mention CSP. Because CSP is a mandatory program, it is assumed to be funded unless bill language specifically states otherwise. The $53 million figure is a July 21, 2003 estimate by the Congressional Budget Office.

[4] P.L. 108-99, January 23, 2004, §752.

spending appears likely to be classified as "Green Box" spending.[5] Other domestic support programs that pay farmers based on agricultural production (such as price supports for commodities like dairy or sugar) are viewed as distorting international trade and are subject to WTO reduction commitments. (Such programs are called "Amber Box" programs.) Given that the US and other countries have proposed to reduce "Amber Box" subsidies in the latest round of WTO negotiations, some view programs like CSP as the type of farm support most likely to survive future WTO talks.

Legislative History of CSP. Sponsors of CSP legislation introduced versions of the program on multiple occasions in the House and Senate before its inclusion in the 2002 farm bill. In addition, because the program would include more producers and cover more natural resources than other conservation programs, NRCS conducted pilot CSP-type programs on some farms to see what the effects of such a program would be.

Bills in Previous Congresses. Versions of CSP legislation were introduced in the 106th and the 107th congresses. Senator Harkin and Senator G. Smith introduced several versions of original legislation called the Conservation Security Act (S. 1426, S. 3223, and S. 3260 in the 106th Congress and S. 932 in the 107th Congress). Section 2 of S. 3260 noted many reasons for the program, including helping more producers qualify for conservation cost-sharing; helping conserve natural resources; and increasing federal support for conservation on working farms (as opposed to requiring farmers to retire land). The bill also noted the possible "Green Box" benefits of the program. Like the current CSP, the bills would have required participants to conserve resources, established three tiers of conservation practices and based payments on the tier of conservation. Similar legislation was introduced in the House by Representative Minge in the 106th Congress (H.R. 5511) and Representative Thune in the 107th Congress (H.R. 1321 and H.R. 1949). No action was taken on the House or Senate bills beyond referral to appropriate committees.

2002 Farm Bill Debate. The CSP was not considered in the House and was not part of the House-passed farm bill (H.R. 2646). It was included in the Senate version of the farm bill (S. 1731) which was later incorporated into a Senate version of H.R. 2646. The Senate version was similar to the final program as described here, although some of the cost-sharing percentages and payment levels varied slightly. There was little Senate debate on CSP during farm bill consideration. The Senate report accompanying S. 1731 noted similar reasons for CSP as mentioned previously, and that CSP would reward farmers who practiced conservation but who were not eligible for other conservation programs.[6] The conference report noted that conference managers did not intend for NRCS to require producers to compete for program enrollment, but for NRCS to enroll producers who met program standards.[7]

---

[5] Environmental program payments are generally considered "Green Box" spending. For more information, please see CRS Report RL32053, *Agriculture in WTO Negotiations*, by Charles E. Hanrahan.

[6] S.Rept. 107-117, pp. 42-44.

[7] H.Rept. 107-424, pp. 477-479.

Proposed Rule for CSP. NRCS published a proposed rule for the implementation of the CSP on January 2, 2004 (69 FR 194). This proposal reflected a funding cap placed on CSP by the FY2003 Consolidated Appropriations Act, which limited total CSP funding to $3.7 billion through 2013 (P.L. 108-7, Division N, Title II, §216). The FY2004 Consolidated Appropriations bill lifted this cap (P.L. 108-199, Division H, §101), but imposed a separate cap for FY 2004 CSP funding of $41.4 million (Division A, Title VII, §752). For a discussion of CSP as it would be implemented by the proposed rule, see CRS Report RS21740.