

Issues and Economics Involved in Breaking Out CRP Land

Dr. Michael Brady

IMPACT Center

School of Economic Sciences

Washington State University

bradym@wsu.edu

The Issue and Questions

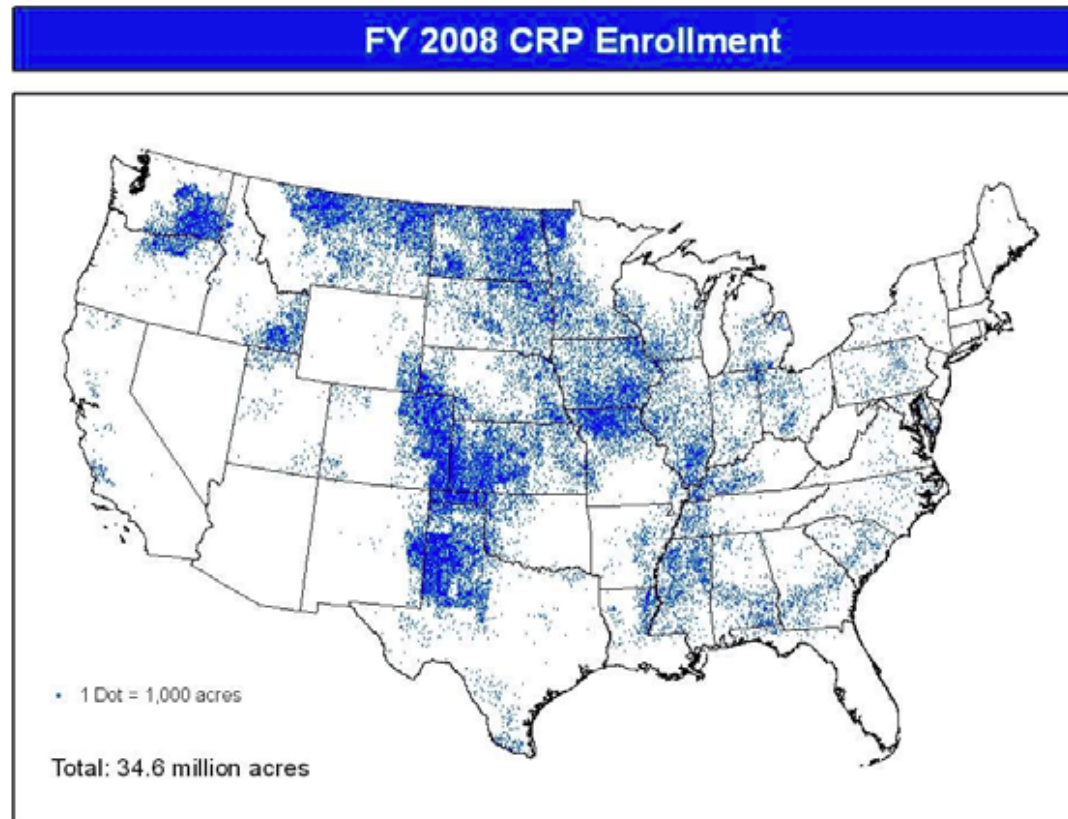
➤ **Farmland exiting CRP in the near future**

1. CRP acres in WA have almost double in the last 12 years.
2. Expectation of loss or no growth in CRP acreage due to
 - 2008 Farm Bill
 - County limits
 - Commodity prices

➤ **Questions**

1. How much land will exit in Washington?
2. How will exiting land be broken out?
3. Characteristics of land vs. land owner?
4. Are there innovative new land use options that are a middle ground between full scale production and CRP?

Source: USDA Farm Service Agency



CRP Overview

➤ National in FY2010

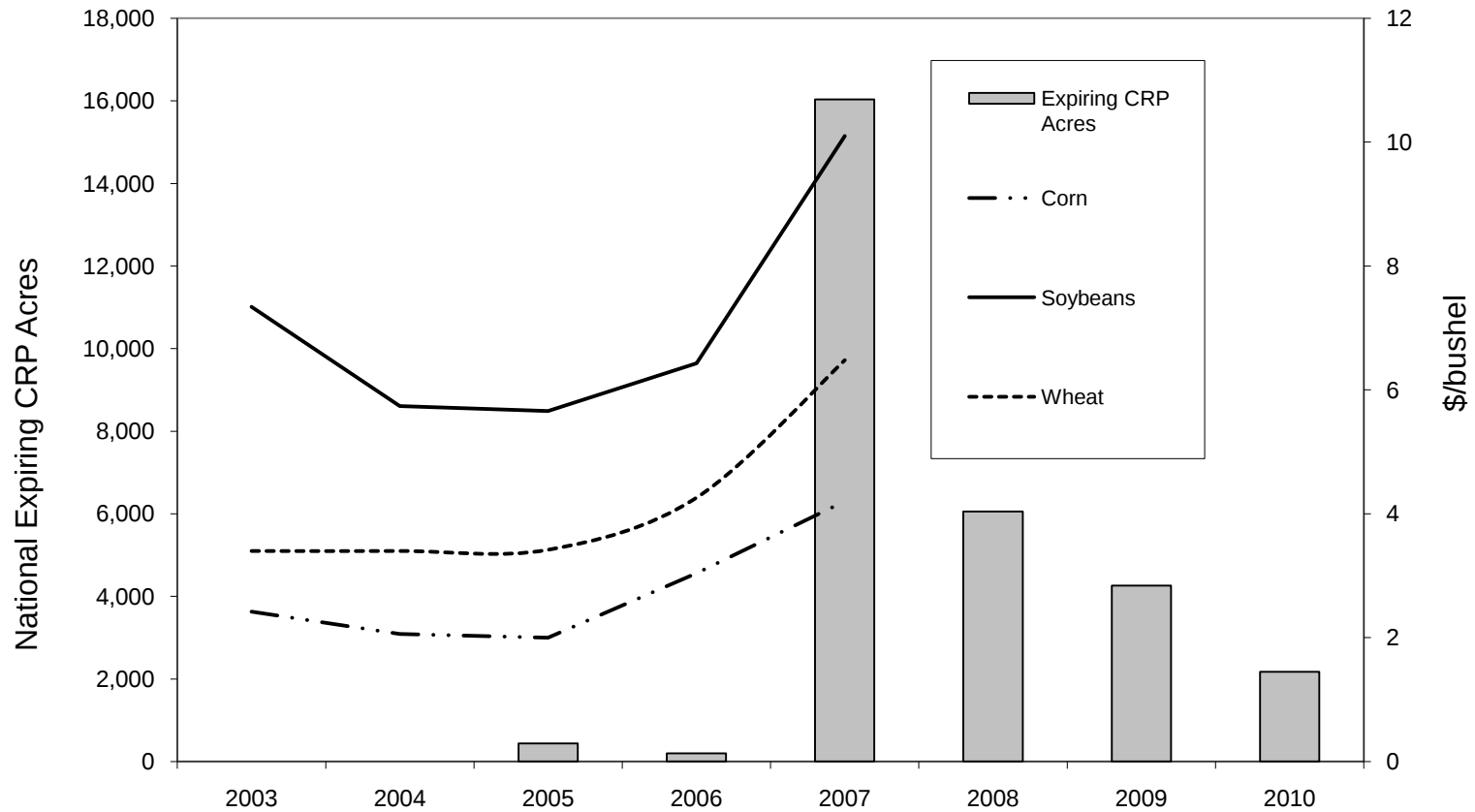
1. \$1.7 billion
2. 758,000 contracts on 424,000 farms
3. General sign-up: 29.4 million acres (bit smaller than total area of Iowa)
4. 4.4 million acres in continuous sign-up
5. \$51.52 per acre is national average

CRP Overview

➤ Washington

1. \$82 million in payments per year
2. 12,566 contracts on 5,119 farms
3. Acres
 - Total: 1.44 million acres @ \$55.09/acre
 - General Sign-up: 1.33 million acres @ \$52.88/acre
 - Continuous: 100K acres @ \$81.71/acre
 - Continuous CREP only: 12K acres @ \$172.33/acre
4. Loss of 70,000 acres from September 2009 to March 2010

CRP expiration became a big question in 2007



2008 Farm Bill

- Enrollment authority reduced from **39.2 million** acres to **32 million acres** for FY2010-12.
- Adjust rental rates to keep CRP competitive.
- Alfalfa rotation qualifies land for eligibility.
- Incentives for beginning or socially disadvantaged farmers and ranchers to transition land from CRP to production.

Topics

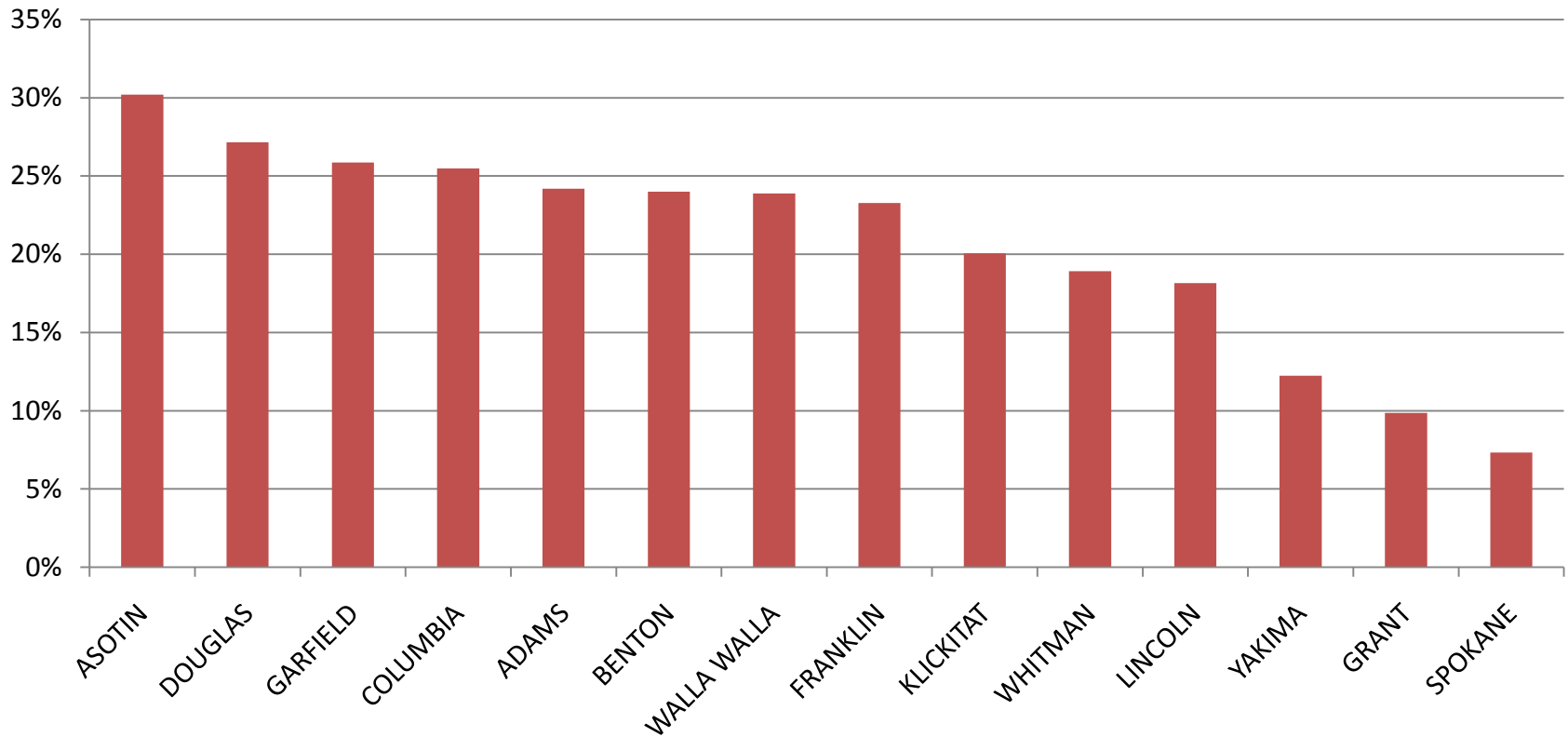
1. Projecting land exits
2. Landowners
3. Alternative land use options
4. Information needs and questions remaining

CRP Acres in WA Over Time

For Comparison

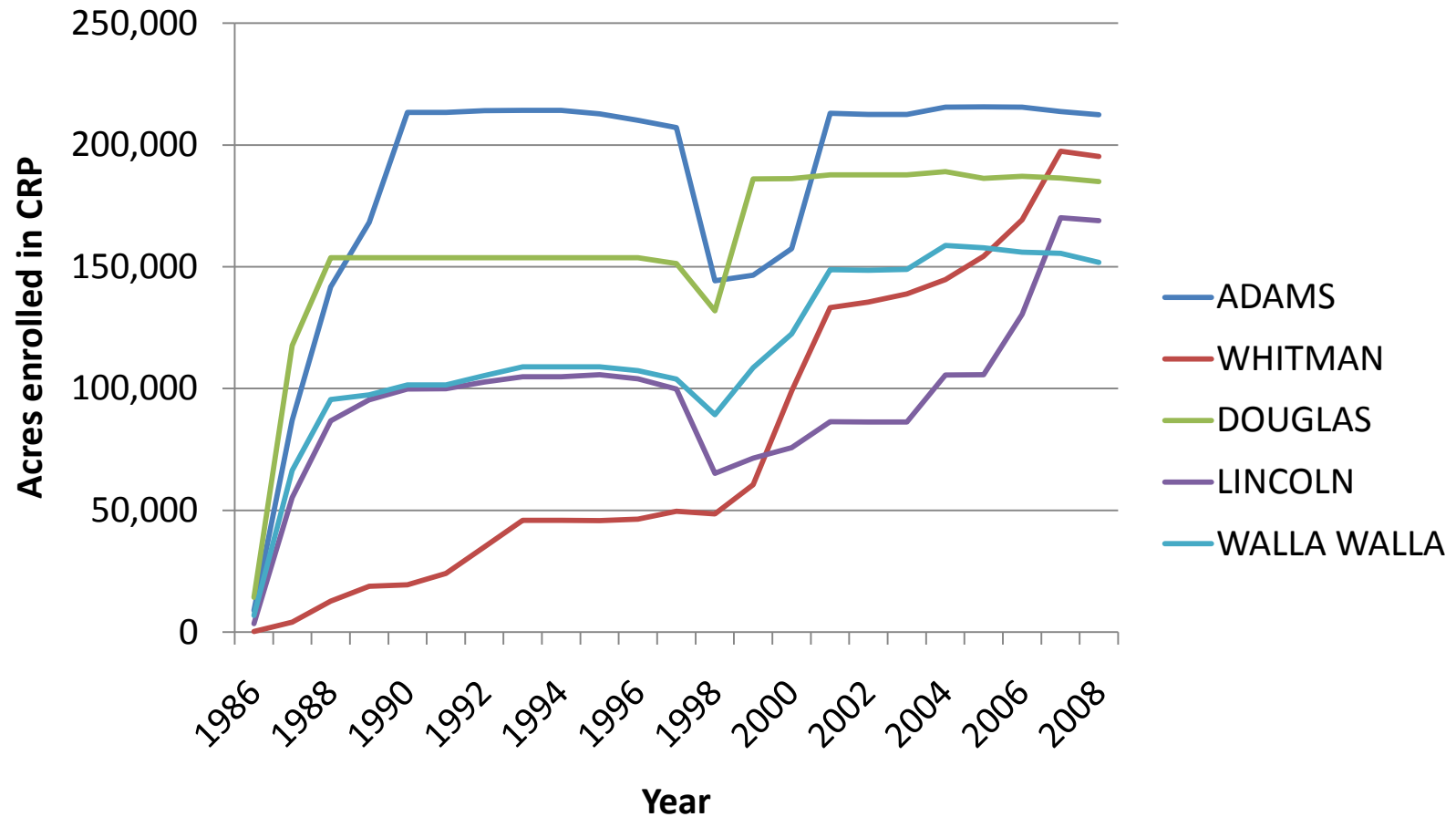
- According to the 2007 Census of Ag, in WA:
- About 15 million acres of “Land in Farms”
 - 7 million acres of cropland
 - 4.8 million acres of harvested cropland
 - 1.4 million acres of land in CRP

% of Total Cropland in CRP

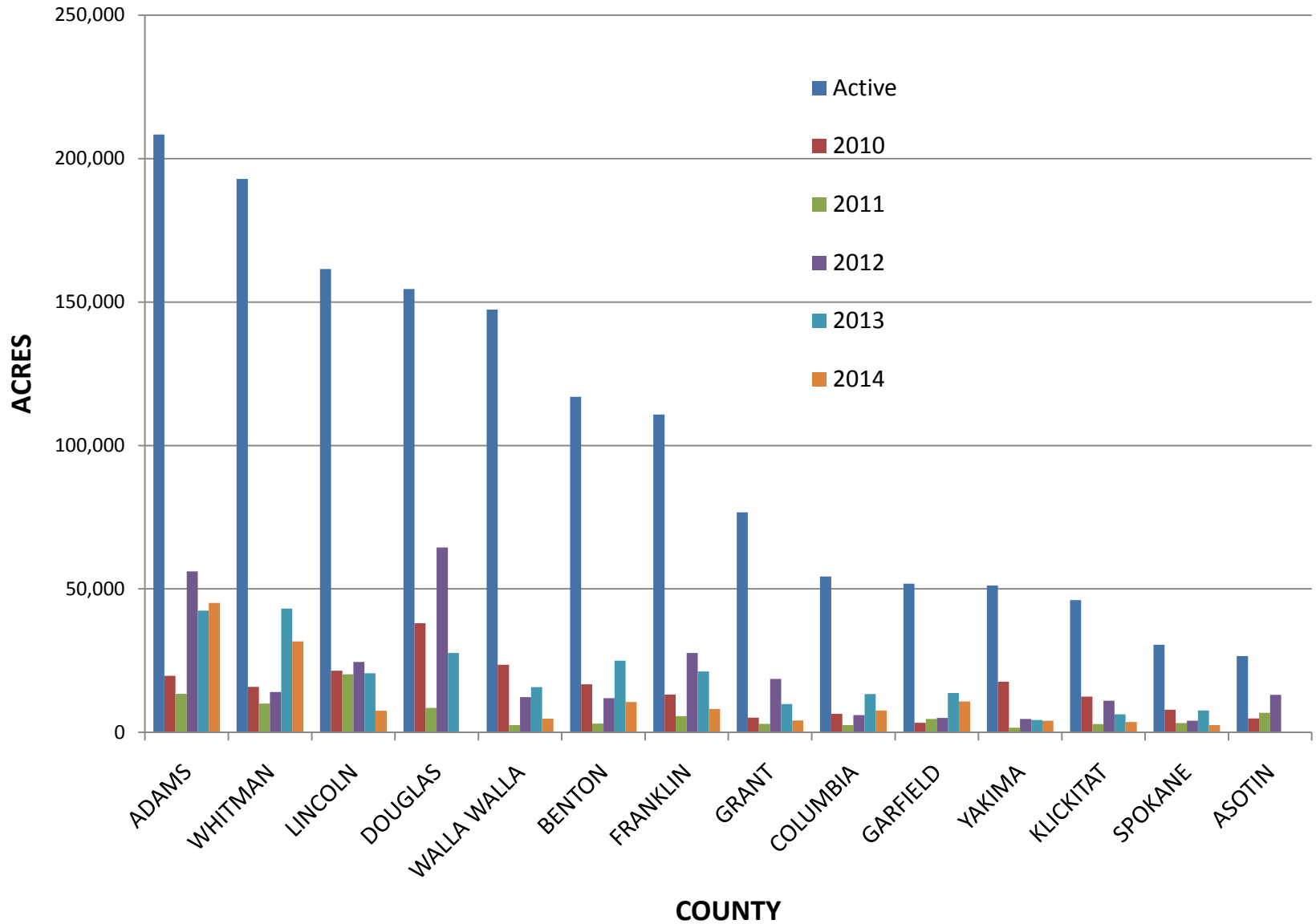


About 100 counties exceed the 25% of total cropland limit

Land in CRP by Year



Acres enrolled in CRP in 2009 and acres expiring by year



Total acres expiring by year in WA

- Year → Acres
- 2010 → 208,323
- 2011 → 89,094
- 2012 → 275,149
- 2013 → 254,062

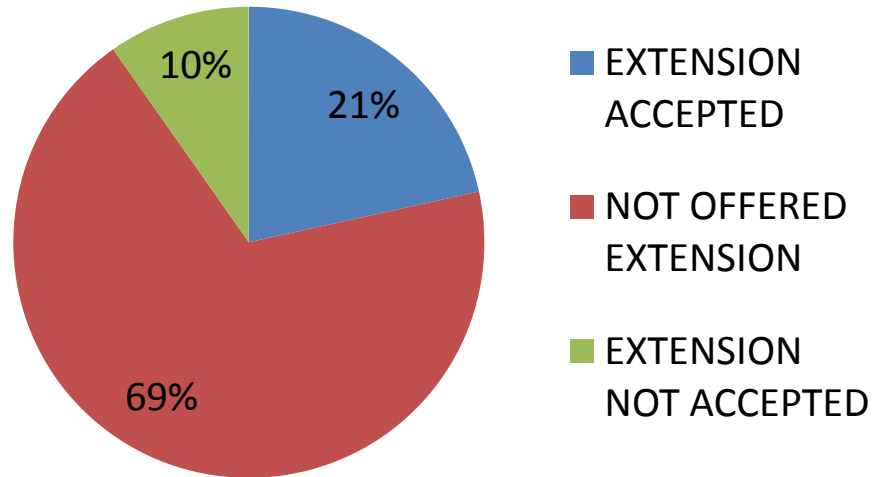
❖ Over a half million acres expiring in 2012-13.

❖ Are there new innovative land use management options for those with expiring acres that non-operator owners should consider?

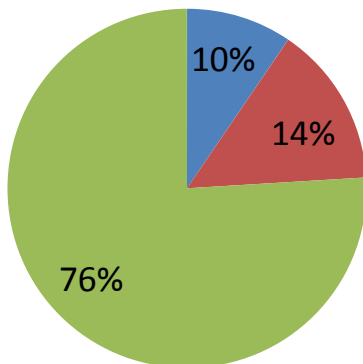
❖ Non-CRP owners and operators...how will this affect me?

Fate of CRP acres with contracts expiring in 2009

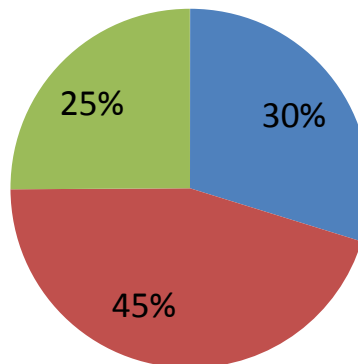
Washington (98K acres)



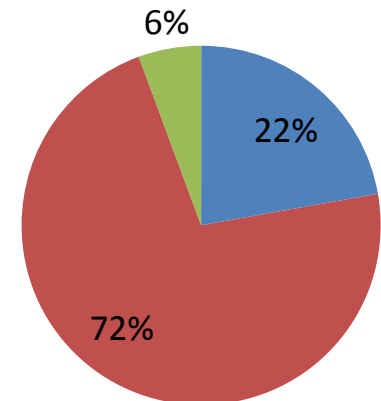
Iowa (88K acres)



Montana (199K acres)



Kansas (425K acres)



Future Trends

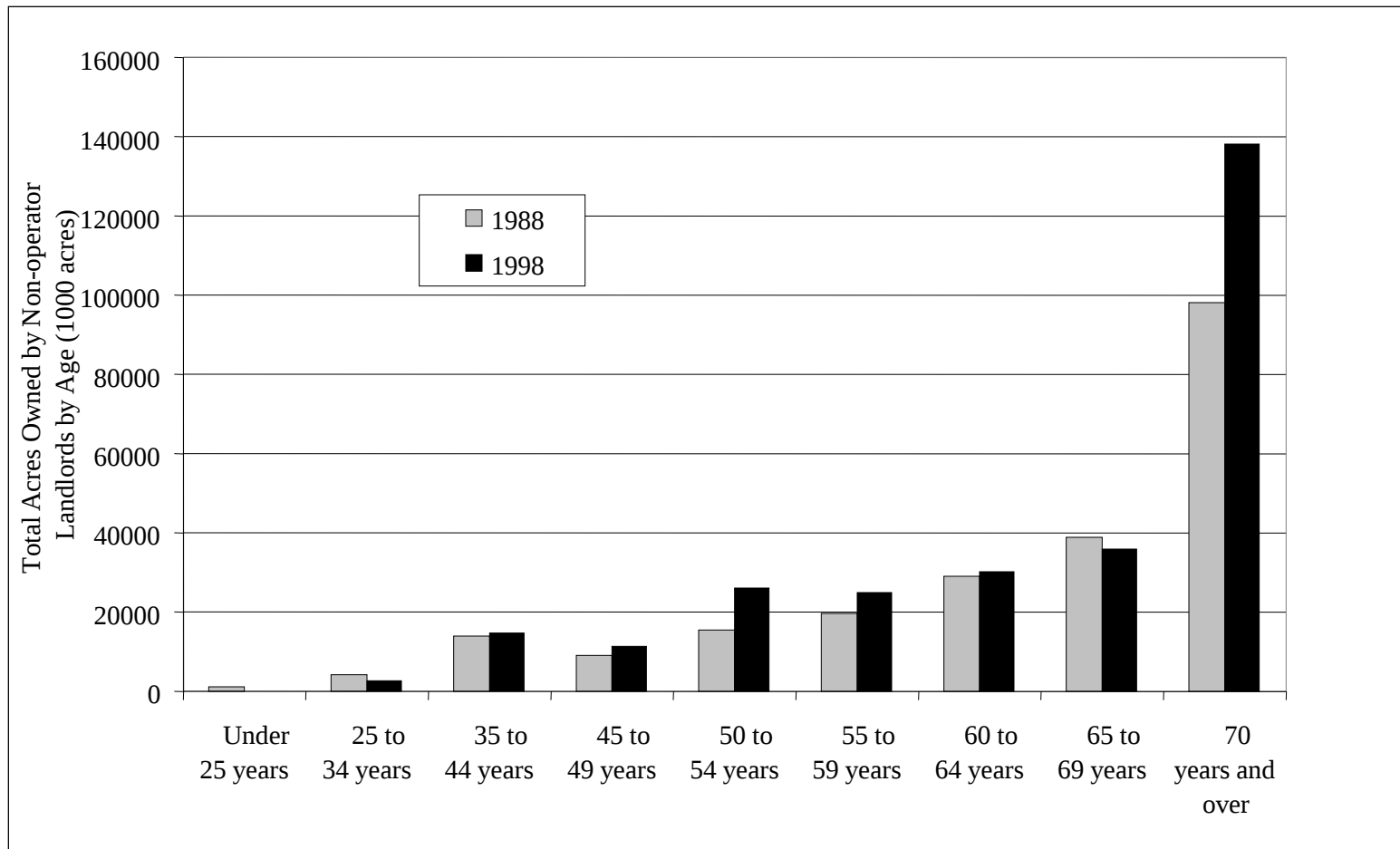
- Loss of CRP in the Cornbelt may make the 32 million acre cap nonbinding.
- However, CRP acreage has been increasing for a number of years in WA. Likely to be flat at the very least.
- Additional factors to consider:
 1. Result of increased emphasis on 'smaller' more flexible conservation programs?
 2. Demographics of rural land ownership
 3. Innovative new land use management approaches

Landowner Characteristics

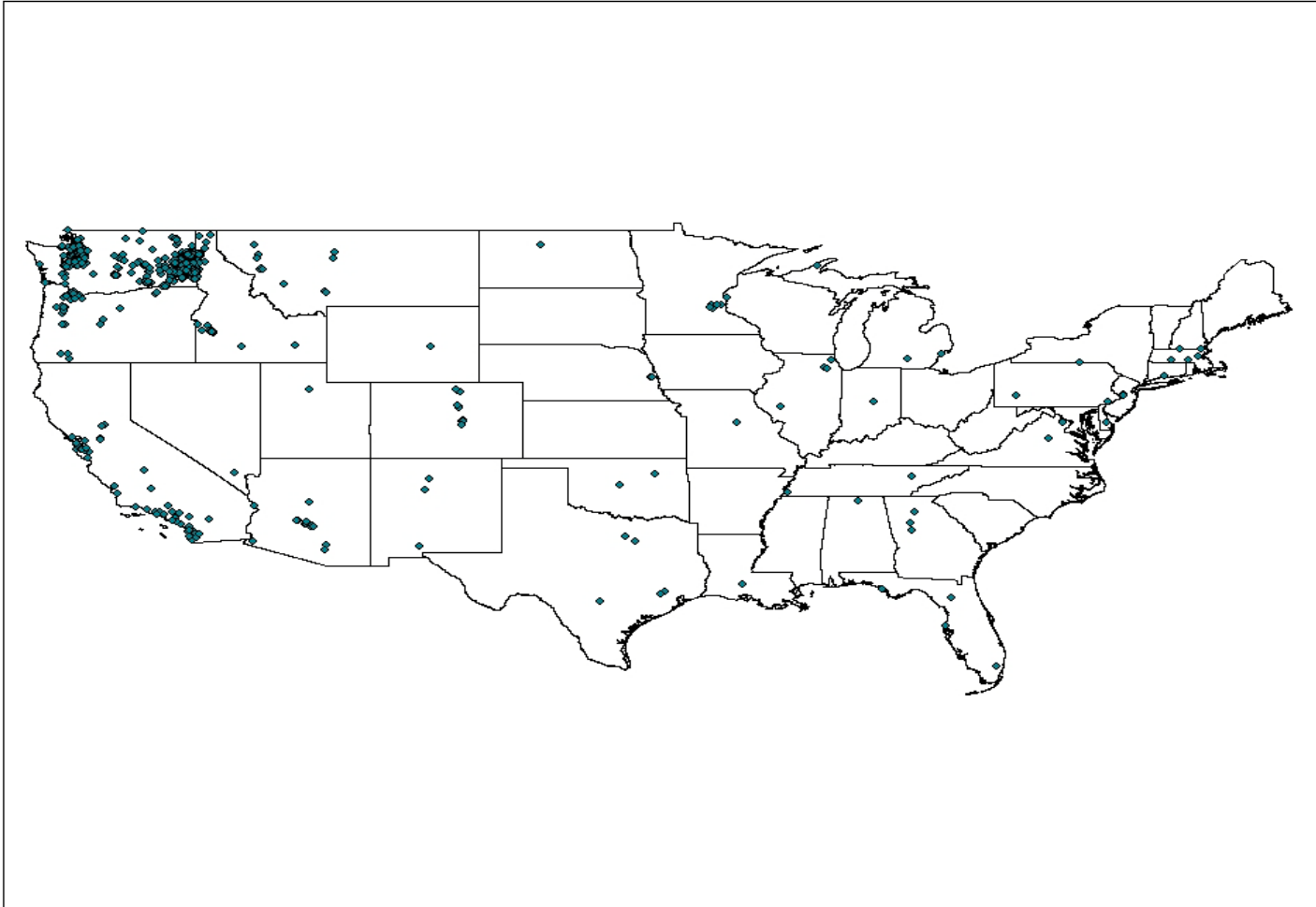
Landowners and land use

- Many different types of rural land owners:
 - Operator owner
 - Retired resident owner
 - Absentee owner
- Different landowners have different objectives, incentives, resources, etc.
 - Cost of time and effort for management
 - Financial resources
 - Location
 - Non-pecuniary returns to land use
 - Risk

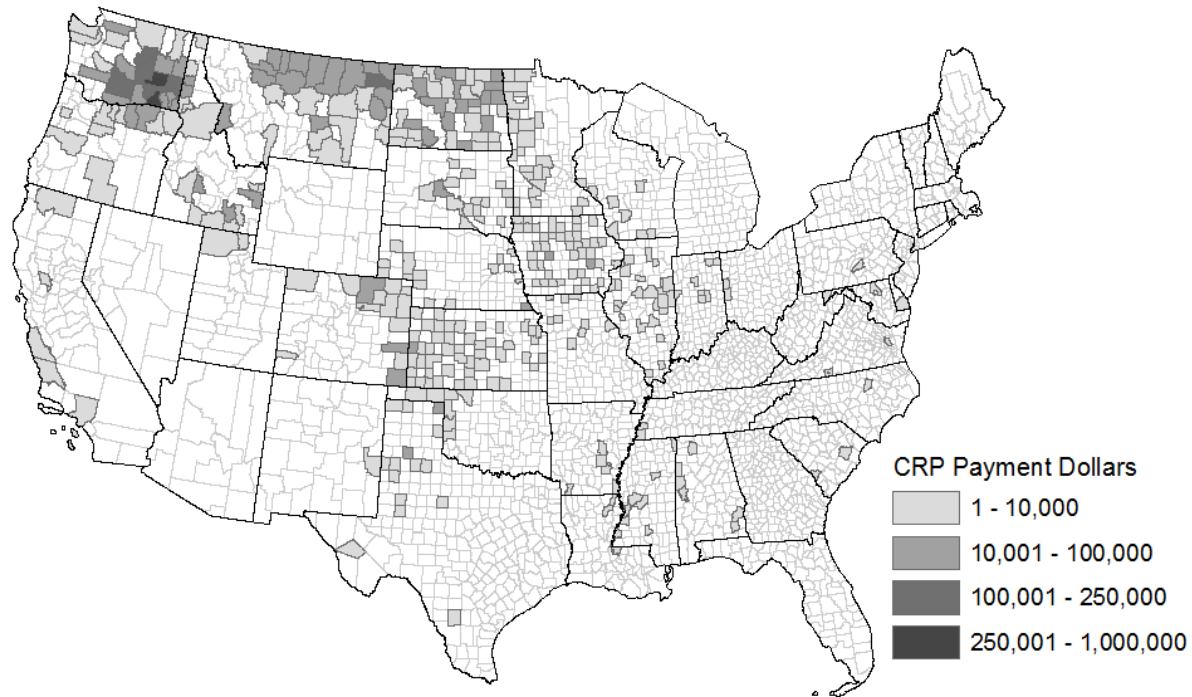
Absentee landowner by age class



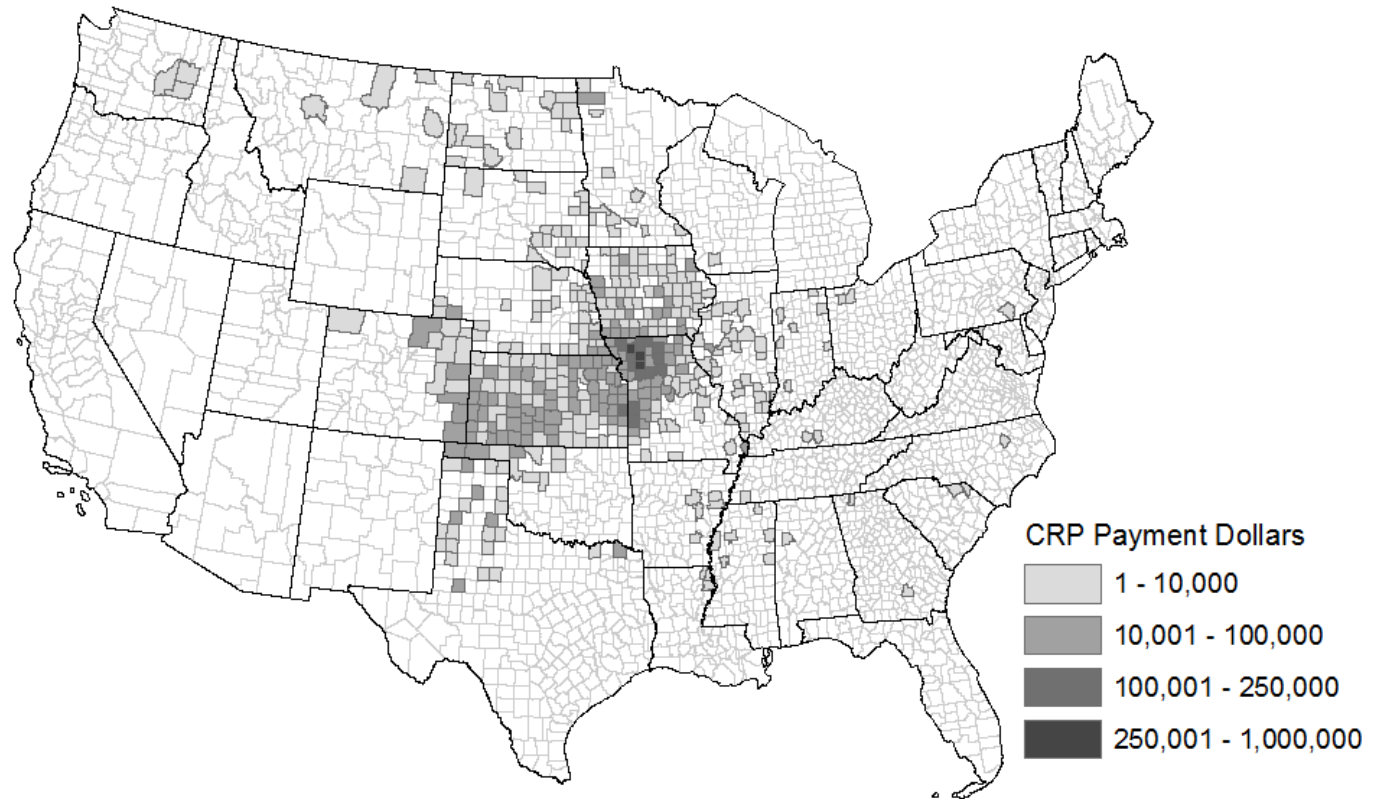
Whitman County CRP Payment Recipient Locations



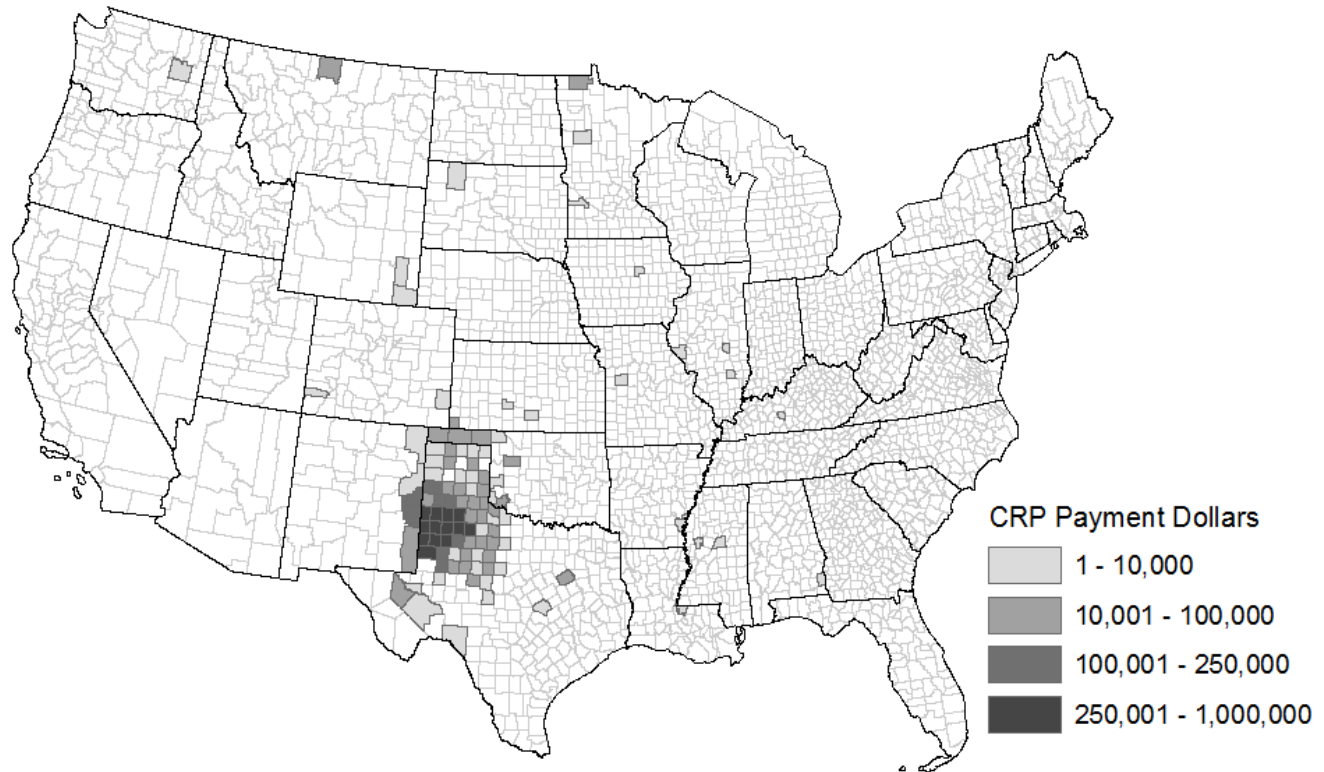
Location of land for Seattle residents with land enrolled in CRP



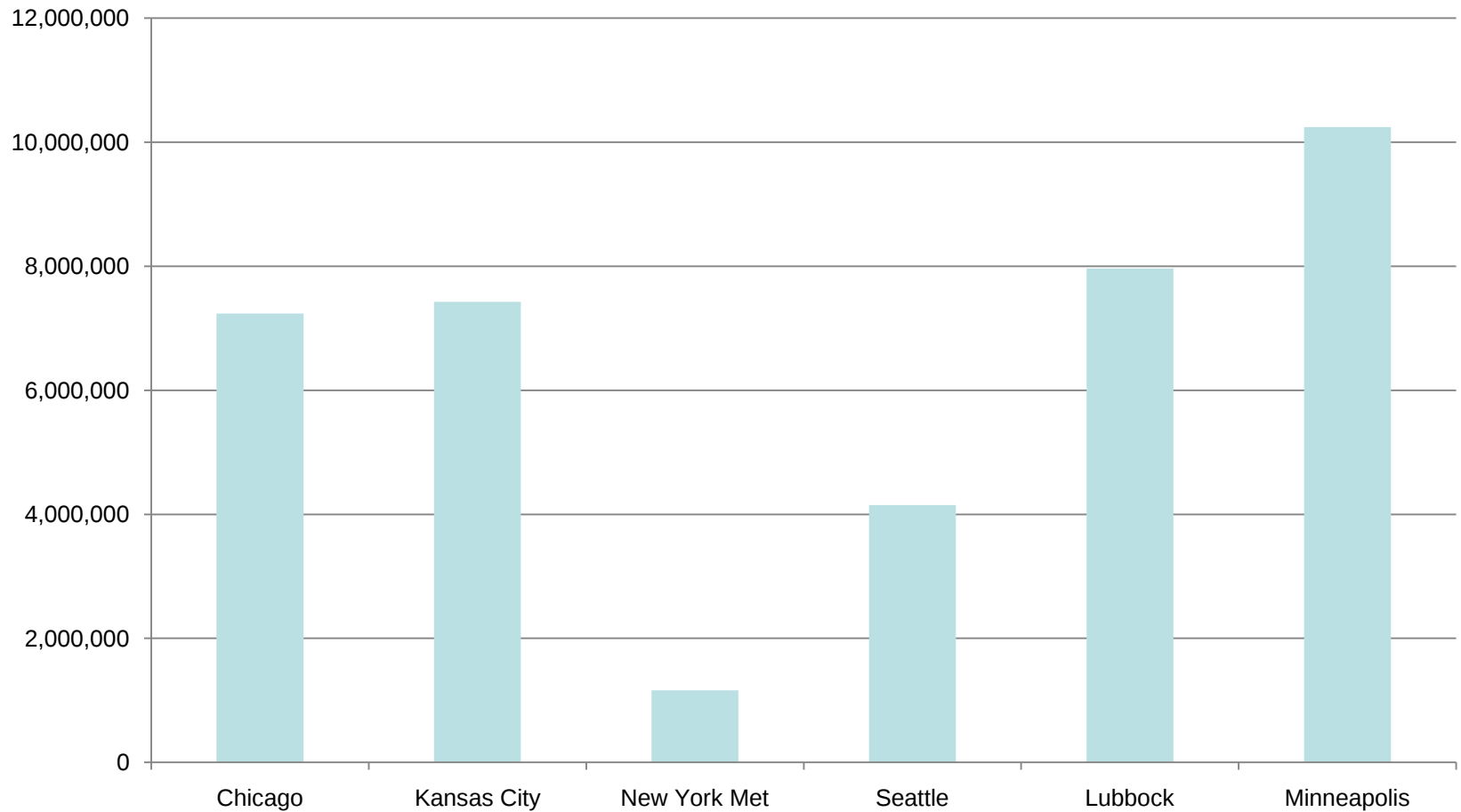
Kansas City



Lubbock, TX



Total CRP Payments to Recipients in Urban Area (\$)



CRP recipient location relative to land

All CRP Payments

Value (\$)	1,776,231,414
# of Payments	808,249
Mean Payment Value	2,198

Same or Adjacent County as Farm

Value (\$)	1,251,692,294
(% of Total)	<u>70%</u>
# of Payments	568,134
(% of Total)	70%
Mean Payment Value	2,203

Non-Adjacent County as Farm

Value (\$)	524,537,591
(% of Total)	<u>30%</u>
# of Payments	240,113
(% of Total)	30%
Mean Payment Value	2,185

Different State than Farm

Total Value	205,188,232
(% of Total)	<u>12%</u>
# of Payments	96,624
(% of Total)	12%
Mean Payment Value	2,124

Same State as Farm

Total Value	1,571,043,182
(% of Total)	<u>88%</u>
# of Payments	711,625
(% of Total)	88%
Mean Payment Value	2,208

Recipients w/o Location Information

146,357,539 (2.1%)

Recipients Outside the U.S.

3,356,904

CRP payment amount by recipient type

Recipient Residence		% of Total	Mean Payment Value	Median Payment Value
Local		70	2289	859
Non-local	Non-Urban	3.8	2585	882
	Urban	26.7	2205	783
Same State		87.7	2290	853
Different State	Non-Urban	1.4	3097	1188
	Urban	10.9	2109	797

Notes: Non-local includes all payment recipients not in the same or adjacent county of the farm. Different state recipients are payment recipients residing in a different state than the farm.

More information needed on landowners

- Extensive surveys on production and land use but **MUCH** less on rural landowners.
- USDA NASS has NOT redone the Agriculture Economics Landownership Survey since 1998.
- This is a critical period due to demographic trends.
- Need to know how land is changing hands and what factors are driving land use decisions by a more heterogeneous group of rural landowners.
- Conservation program participation and non-traditional land use

Back to the Future

Grassland grazing as an alternative land use

Contacts:

Steven Van Vleet: svanvleet@wsu.edu

Shannon Neibergs: sneibergs@wsu.edu

Grassland grazing...a viable option?

- WSU Extension Project (Nelson et al.): Beefing Up the Palouse, Agricultural Pilots Project
- Adams County is likely to have a large number of acres exiting CRP contracts soon.
- Typical CRP contract payment in Adams is \$50-55 per acre.
- Convert CRP acres into grazing resource for grass-finishing beef
 - Lower environmental impact
 - Economically competitive? Low cost but high net revenue?
 - Other barriers?

Grassland grazing...a viable option?

- Spring/early summer grazing April-July
- Estimate forage revenue per acre = \$44.52
- Slightly less than typical CRP payment.
- Use temporary moveable electric fence to lower costs.
- For water, ground storage tanks supplied through truck delivery. Some tradeoffs to consider in long term capital expenditures.
- Compared to cash rental rates? Adjusted for risk?

Summary

- CRP acreage in Washington is likely to flatten at the very least and decrease in some locations.
- Leasing land for filled crop production is a baseline?
- Alternatives include grass finishing beef, but many others.
- Are there environmentally sensitive land use options that provide greater benefit to rural economies than CRP?
- Need more information on rural landowner characteristics that drive land use decisions.