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Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to discuss the conservation title of the farm bill. I represent the Minnesota Project, now in our 28th year of working to ensure strong local economies, vibrant communities and a healthy environment. We support policies for profitable farms that protect the environment, clean energy, and local foods. We are members of the Sustainable Agriculture Coalition, an alliance of grassroots farm, rural, and conservation organizations advocating for federal policies to support the long-term economic and environmental sustainability of agriculture and rural communities. I am also on the board of the National Campaign for Sustainable Agriculture, a national network helping grassroots concerns and priorities be heard in Washington, D.C., and serve as Chair of its Stewardship Incentives Committee.

I have been asked by the Subcommittee to focus my remarks on the **Conservation Security Program**. I will also touch on other aspects of the conservation title, including **renewable energy** implications for the environment.

The significant question for the next farm bill, as for all farm bills, is what do we want for the future of agriculture? Will the policies you enact this year enable us, and our children and future generations, to produce healthy food, a safe environment, clean energy, and vibrant rural communities?

I believe that the conservation title of the farm bill is possibly our nation's most important environmental law. The farm bill determines how half of the nation's land is cared for, land for which farmers and ranchers are the stewards. This is where the fate of water quality lies – in the farm bill. So too the fate of wildlife habitat, soil quality, the Mississippi River Dead Zone, groundwater, and even the long-term food security of our nation – all shaped by the conservation title. A nation that cannot feed itself because of degraded soils, or drink its own water, can never control its own destiny. Add to that the huge positive contribution agriculture is poised to make toward the most pressing issues of our time – national energy security and global climate change – and we see that these conservation programs are central to our nation's future.

I just arrived from Canton, Minnesota, and I can tell you there is optimism in the countryside these days. Farmers believe they can help the country move toward homegrown, renewable energy, while they take care of the environment on their working farmlands. I see a fundamental shift in the American perception of farmers. Of course, they produce our food and fiber, but now

they are also being called upon to produce clean water, renewable energy and a more stable climate. Americans depend on farmers to be stewards of vast resources, and they want to invest in helping them provide conservation benefits for us all.

The Conservation Toolbox for Working Lands

It helps to think of the array of working lands conservation policies as a “toolbox” of complementary solutions to different problems. A farmer or rancher may reach in to the toolbox and pick up a hammer, a pruning shears, or a wrench, depending on the specific need. In this conservation toolbox there are four voluntary program types.

- The first tool is Conservation Compliance, which sets very basic requirements to control erosion and preserve wetlands and grasslands, in return for gaining eligibility for all manner of farm bill benefits.
- The second tool is the Environmental Quality Incentives Program, for those who are not yet ready or able to achieve a total resource management systems level of conservation. Ideally, EQIP helps participants find the individual practices they need to adopt to put themselves on the road to achieving sustainable natural resource use and protection.
- The third tool is the Conservation Security Program, the first national program to support comprehensive conservation on working farmlands at high levels of natural resource protection. Ideally, it offers financial incentives commensurate with environmental benefits delivered, for all types of farms and ranches in all regions of America who are able, with assistance, to reach and exceed the resource non-degradation and sustainable use levels.
- Fourth are the easement programs, for land that needs to be protected from conversion to non-agricultural uses or inappropriate agricultural uses while being farmed in a manner consistent with good conservation and habitat protection.

These four types of tools should fit together in a seamless offering of technical and financial assistance that will impel farmers and ranchers to better conservation performance. And I suggest that while all four need your attention, the Conservation Security Program deserves your most urgent attention, as the program that received the least attention by this Subcommittee and Committee during consideration of the last farm bill and as the program with the best potential to deliver the greatest benefits to the land, water, farmers, and all Americans.

Conservation Security Program is Unique

Why is the CSP so important? CSP is unique because it is the only farm bill conservation program that requires farmers to actually solve resource problems to a sustainable level on working acres and then encourages farmers through enhancements to exceed that high standard. CSP focuses on the whole farm, with three enrollment tiers, encouraging farmers to start if need be with part of their farm, and then move up through the tiers until they achieve success with all of their natural resources. CSP is the only program that is focused on outcomes, allowing farmer innovation to determine the best way to meet and exceed explicit conservation goals. CSP has a sensible set of payment limitations, maxing out at \$45,000 for Tier 3 for the very best performers. CSP is trade neutral, with payments consistent with world trade rules. These

attributes come together to create a new paradigm for farm programs – a green payments program that rewards all farmers for their stewardship rather than production.

Passed into law as part of the 2002 Farm Bill and implemented by the US Department of Agriculture beginning in 2004, the CSP has proven to be an effective and popular program with enormous potential. In three years, with a short enrollment period each year, some 20,000 farmers in 280 watersheds have enrolled 16 million acres, securing over \$2 billion in long-term commitments for excellence in land care.

Given the size and timing of the three enrollment periods to date, these are impressive numbers. However, there is a flip side to the record. You are no doubt all aware of CSP's rocky start, with multiple funding cuts by Congress, now totaling some \$4.3 billion, as well as program implementation decisions by the Administration that have had the net result of the program so far having been offered in less than 15 percent of the nation's watersheds. On its present course it would take as long as three decades for every farmer to have a chance to enroll – and that is neither fair nor effective and must be fixed.

Just counting the funding cuts made to the program within the current farm bill cycle's budget years, over 90,000 farmers and ranchers have been denied the opportunity to enroll based on an extrapolation of 2005 and 2006 sign-up data, representing not only a loss for those producers but also lowered investment in nutrient management and pesticide use reduction, grazing management and wildlife habitat, and water and energy conservation. Even as we sit here today, the fate of the 2007 sign-up for the CSP hinges on whether the conferees for the supplemental appropriations agree to restore the funds for the 2007 sign-up in that bill. This off again, on again, stop and start approach must come to an end, and we hope this subcommittee will provide the leadership to ensure that it does.

An Assessment of CSP Implementation in Five Midwestern States

Today we are issuing the first comprehensive assessment of how the Conservation Security Program is working on the ground in the Midwest. Entitled *Conservation Security Program Drives Resource Management*, this new report was written by the Minnesota Project, based on 67 in-depth interviews of farmers and NRCS staff conducted by collaborating Midwest farm organizations in Illinois, Iowa, Minnesota, Missouri and Wisconsin.

The report finds that the CSP is indeed proving to be a catalyst for new conservation practices by Midwest farmers. The majority of farmers enrolled in the program are taking advantage of its incentives by adding new practices to their farms that protect identified critical natural resources. This happens in three ways. Farmers often add new practices as part of their initial Conservation Security Program contract. They can also modify their contracts annually and receive higher payments by addressing additional resources of concern, adding new conservation enhancements, adding more qualifying acres if they are in Tier 1, and moving up by tiers if they are able to reach the resource management system level for more resources of concern. In fact we learned that many farmers add conservation practices before they even have a chance to enroll, because they are getting ready for the day when they get the opportunity to enroll. The

report finds that new wildlife habitat has proven to be the most popular new conservation benefit added to CSP farms, followed by soil and nutrient management practices and activities.

Other key findings:

- Farmers appreciate being rewarded for their conservation efforts, and noted that CSP helped make their farms more profitable.
- CSP is reaching all types of farms, as evidenced by the enrollment of a wide range of farm sizes, and a variety of cropping systems and livestock systems.
- CSP is effective at addressing the whole farm; all those who enroll or graduate to Tier 2 and 3 have met the applicable NRCS resource concern high standards on every acre.
- CSP works for rented land, demonstrated by the fact that half of the acres in the contracts were rented by the operators. That matches real world proportions and touches a land base that has not been well served by conservation programs in the past.
- When asked, every farmer and staff person interviewed said they want CSP to be continued in the new farm bill, even farmers who were turned down the first time.

CSP Recommendations

We would urge the Subcommittee to adopt a set of CSP reforms to achieve the following key goals:

- **Funding:** While envisioned as a nationwide program, the congressional funding cutbacks, combined with the USDA decision to scale back technical assistance funds available to the program, resulted in the NRCS decision to deliver the program on a rotating watershed basis. These constraints have led to many of the program's flaws and challenges. Congress should provide adequate and protected funding to ensure implementation of a true nationwide program serving all of agriculture. This is our top recommendation and you are undoubtedly hearing it from farmers and ranchers all over America – a growing sense of unfairness among farmers who want the chance to enroll.
- **Regular Signup:** Providing fair enrollment opportunities on a predictable and reasonable timetable to all farmers and ranchers who want to participate is also critical to the long-term success of the program. We are pleased that the Administration has also recommended dropping the watershed approach and finally recognizes that enrollment opportunities must be extended to every eligible farmer and rancher in the nation in order to achieve fairness. Ideally, farmers and ranchers could all do their benchmark resource assessments, improve needed conservation practices, and then come in to apply for CSP at a time that is convenient for them, preferably on an annual basis.
- **Transparency:** Funding limitations have led to a frustrating level of complexity in administration, as well as a lack of transparency, so that some farmers have little idea how their conservation practices and systems relate to their payments. In order to function as a true incentive program, CSP needs to motivate farmers with clear lists of payments, practices and outcomes so that farmers and ranchers can choose to change their practices with full knowledge of what the incentive payments will be.

- **Strengthened Planning and Standards:** The central importance of comprehensive conservation planning to the CSP has unfortunately been de-emphasized by USDA during initial implementation, and should again be emphasized in the farm bill by re-enforcing existing statutory provisions. In addition, we would support codifying the administrative decision to require all CSP participants to reach high standards for soil and water quality, and we would also support codifying the addition of wildlife benefits as a required resource concern at Tier 2 and above. Conservation system requirements at Tier 3 should emphasize sustainable farming systems approaches, again by adding more emphasis to existing statutory provisions. As part of its CSP implementation efforts, NRCS engaged in a nationwide process of improving the content and clarity of its technical guide standards for resources of concern and is to be commended for doing so. The new farm bill should encourage continual improvement of those standards to ensure they are as robust and up-to-date as they can be.
- **Streamlined Payment Structure:** The last farm bill included a four-part CSP payment structure that was made more complicated during program implementation through the addition of numerous complex payment restrictions, some of which changed from sign-up to sign-up. We believe the CSP payment structure can and should be streamlined. The base and maintenance payments should be completely replaced by a simple lump sum payment, graduated by tier, for conservation planning and plan monitoring and evaluation. This would reduce costs and simplify the program while providing an incentive to restore comprehensive conservation planning to the central role intended for it by the last farm bill. New practice cost-share payments, on the other hand, while required by law, are not in fact being offered by USDA. We believe these payments should be restored. Finally, enhancement payments, which are by far the most significant of the CSP payments, should continue to receive the greatest emphasis, and should be oriented even more than is already currently the case to rewarding high levels of management-intensive conservation activities and the very best conservation systems. The overall payment limitations for the program should be retained, including direct attribution rules which are required by statute but which unfortunately USDA is failing to implement.
- **Modification Process:** The existing contract modification language should be retained, but the current administrative use of that contract modification process as the primary locus of farmer decisions to add new resource concerns and new conservation practices and activities to the CSP contract should be reversed. With regular sign-up periods, improved technical assistance (see below), and renewed attention to conservation planning, the initial CSP contracts should include the new practices and activities that are currently being shunted off to the contract modification process. By moving them forward in time, the process will be more streamlined, the producers will have a clearer sense of the requirements and rewards of participation, and the congressional budgeting process will be far less complex.
- **Technical Assistance:** One key factor limiting the availability of CSP is a tight cap on technical assistance that USDA has in part imposed on itself. The CSP technical assistance provision should be fixed to unambiguously provide for sufficient and timely technical assistance capacity. If a statutory percentage cap on CSP technical assistance is retained, the cap should clearly apply to the total contract obligation amounts, not just to first year funding. Interestingly, farmers in our study were pleased with the technical and administrative assistance they received from NRCS staff. But NRCS staff in our study often

felt burdened and even overwhelmed by the CSP paperwork required by their agency. NRCS needs to develop its own capacity, as well as the training and certification of outside technical service providers, to deliver resource assessments and farm and ranch conservation planning for CSP. NRCS funding for technical assistance should be expanded to cover outreach and preparation of farmers and ranchers prior to the time they enroll. NRCS cannot do this alone. The Minnesota Project is demonstrating that agronomists and crop advisors are interested and able to assist NRCS by helping farmers. In 2006 we trained 32 agriculture professionals (25 crop advisors and 7 local government staff) who are pursuing certification to help their clients prepare for EQIP and CSP. Farmers and their consultants are willing to respond to conservation programs.

- **Organic Enhancements and Coordination:** Organic farming systems that meet or exceed the sustainability criteria should be eligible for enhancements in all states and watersheds, not just in a few as is currently the case. To facilitate this, NRCS should adopt a national conservation practice standard for organic agriculture which each state, with advice from their respective state technical committees, could modify for the specific conditions of organic production in their states. In addition, there should be a crosswalk between the National Organic Program and the CSP, with a clear mechanism created for coordinated participation in both. Producers with approved organic certification plans should have the option to simultaneously certify under both the CSP and NOP. Organic systems should be added to the field office technical guides to foster maximum environmental benefit from organic systems and facilitate the expanded use of NRCS services in meeting the needs of the steadily growing number of organic producers.
- **Outreach:** NRCS needs to support extensive outreach to farmers and ranchers who are not now their clients. This is especially true for regions of the country that may not have participated in conservation programs previously, and for minority, beginning, and women farmers and ranchers.
- **Streamlined Paperwork:** All sign-ups should be scheduled by appointment and include a completed, simple document – call it a CSP EZ Form – that includes the calculated soil conditioning index (or comparable index); water quality resource concerns report, and other calculations such as habitat assessment.
- **Continuous Evaluation:** CSP should be assessed annually for environmental outcomes and cost-effectiveness. As we learn which enhancements are most cost-effective, and what level of payment is necessary to induce participation, NRCS should make annual adjustments.

Renewable Energy

Turning to another farm bill priority, I'd like to share our thoughts on the implications of renewable energy production on the environment. I am really glad that this subcommittee combines energy, conservation and research, because truly the policies we need are embedded in each of those titles of the farm bill. The most important thing is for you to focus on the transition to the next generation of biofuels – to help accelerate the nation's shift to cellulosic biomass energy.

There seems to be a consensus that corn feedstocks will reach their limit – maybe we are already very close to maximizing the acreage that should grow corn. So we must add cellulosic feedstocks as soon as possible, to increase the amount of ethanol that agriculture can produce, and to do it far more sustainably than corn or annual crops. After all, energy security and environmental security are both equally important. We envision locally-owned biomass facilities supporting regionally-based biomass production, taking in a mix of perennial feedstocks that vary field by field, year by year, and bringing prosperity as well as clean water and good habitat to the rural economy.

Perennial biomass must be the focus of intensive research and on-farm production for the next few years. Perennials are essential because they maximize environmental benefits. Perennials can be grown with virtually no tillage after establishment, resulting in little erosion. Perennial roots hold the soil and sequester carbon, while the plants grow living cover over the soil for most if not all of the year. Wildlife can thrive in perennial landscapes, while mixtures of grasses, hay, shrubs, or other species enable better resistance and resilience to variable weather and pests.

Indeed perennial biomass can be a triple winner for addressing climate change. First, renewable fuels contribute no net carbon from burning the fuels. Second, the perennial biomass captures carbon and holds it in the soil. And third, biomass can be the carbon neutral fuel for the corn ethanol plants which are now burning natural gas or even coal. We have two ethanol plants in Minnesota doing this now, as they maximize their contribution to slowing global climate change. Agriculture can play a huge role in climate change solutions.

The Conservation Security Program is an ideal framework from which to address all of these emerging energy and climate change issues. We propose that an enhancement payment be added to encourage farmers to get out there and experiment now with one of their fields, to try perennial biomass mixtures and work out the kinks of planting, managing and harvesting. “Cellulose crop-sheds” could be designated to focus CSP incentives in a way that encourages feedstock production to ramp up in concert with cellulosic ethanol facility planning.

We support extensive investment in research related to the next generation biofuels – and we strongly urge you to partner on-farm research with the scientists. We will lose too much precious time if the scientists and consultants are not grounded in the real world of farm production. CSP is already set up to help farmers participate in research, demonstrations, and assessments.

The surge of corn production stemming from the potential of corn ethanol itself demands that all of our conservation programs step up to assist farmers in minimizing environmental harm. Removal of biomass in the form of annual crop residues must be carefully assessed, monitored and controlled so that essential organic matter is not stripped from the soil from over harvesting. CSP can be there to help farmers minimize erosion, manage nutrients, and control pesticide runoff while they are producing a needed product. CSP farmers will have a built-in way to monitor residue removal for biomass, through the Soil Conditioning Index. Finally, CSP has the indices and reporting to enable farmers to be paid for their carbon sequestration, in current voluntary programs as well as if a carbon cap-and-trade plan is adopted. Indeed, CSP is the only

established program that gets us there, providing the incentives to get farmers producing biomass while protecting the environment.

In summary, in order to make the Conservation Security Program as strong as possible, fund it fully and extend regular signup opportunities to all farmers and ranchers who want to participate. Create clearer and more streamlined ways for farmers to understand their CSP payments and procedures, and fund technical assistance that will help ease the way to better stewardship through CSP. Furthermore, try CSP as a policy framework for perennial biomass energy feedstocks. Thank you for this opportunity to testify. I will be pleased to try to answer any questions the Members of the Subcommittee may have.

Other Conservation Title Recommendations:

We have a large body of analysis and recommendations on other conservation title programs, but have concentrated on CSP in keeping with the request of the Subcommittee. However, in summary version at least, I would like to mention some other conservation title issues.

Conservation Compliance: Conservation compliance provisions have helped to significantly reduce erosion and wetland conversions. The existence of conservation compliance rules not only improves natural resource protection but also acts as a partial damper to overproduction and low prices. According to USDA's Economic Research Service, compliance rules keep some producers from expanding crop production onto highly erodible land or wetlands. Without compliance requirements, 7 to 14 million acres of highly erodible land and 1.5 to 3.3 million acres of wetlands that are not currently being farmed could be profitably farmed under favorable market conditions, according to ERS. While soil erosion has been reduced substantially since the 1980s, progress has leveled off in recent years. Nearly half of all land with excessive erosion is not technically classified as highly erodible land, and so is outside the purview of conservation compliance rules as currently written. Moreover, at least one-third of all land that is eroding at tolerable rates nonetheless has relatively poor soil quality.

The 2007 bill provides an important opportunity to reassess and improve the conservation compliance regime first established in 1985 to reduce erosion and protect wetlands. The new farm bill should narrow the existing waiver authority and strengthen waiver guidelines and accountability to eliminate the kind of abuse extensively documented by the Government Accountability Office. Waivers should be made subject to independent review.

Conservation compliance should be re-linked to the crop insurance program to help ensure that the over \$3 billion a year in taxpayer funds used each year to discount the cost to the farmer of this risk management program does not inadvertently increase erosion or wetland loss.

In light of the fact that nearly half of all excessive erosion is occurring on non-highly erodible land, compliance requirements should also be extended to all cropland receiving program and insurance benefits and eroding at excessive levels.

In order to protect prairie, critical habitat and biodiversity, reduce the cost of subsidy programs, and take the pressure off of already over-subscribed conservation incentive programs, sodbuster

rules should be strengthened by prohibiting all commodity, insurance, and conservation subsidies on all native prairie and permanent grasslands without a cropping history if such land is cropped in the future.

Environmental Quality Incentives Program: EQIP should be closely coordinated and integrated with the CSP. EQIP can help get producers ready for a higher level of conservation demanded by the CSP. EQIP should provide priority in its ranking system for proposals aimed at making the farm eligible for CSP. EQIP should also be modified to require that all funded projects address priority resource concerns and promote real progress toward, if not actually reach, the quality or non-degradation criteria for the resource concern(s). This change will more closely align the two programs and facilitate enhanced coordination and improved local program delivery. EQIP could also benefit from adopting another key component of CSP for at least some conservation land management practices -- graduated payment levels for increased levels of management intensity and environmental outcomes.

In addition, EQIP should be amended to restore provisions that ensure that its overall effects on the environment are positive. Progressive conservation planning requirements should be restored and the existing emphasis on cost effectiveness should be strengthened. EQIP payments should not be production incentive payments; payments to build new or expand existing confined industrial livestock facilities should be prohibited. New provisions should promote conservation and farming systems that minimize energy consumption and emphasize pollution prevention. Incentives and funding allocations for ecologically-based pest management and organic farming systems should be increased. The current exorbitant \$450,000 payment limitation should be revised to not greater than \$150,000 in any 5-year period, a level that is three times greater than the 1996 farm bill level and nearly ten times larger than the current existing average. These measures in combination will provide for a more equitable distribution of EQIP funding and increase net long-term environmental benefits.

Cooperative Conservation Partnerships: Section 2003 of the 2002 Farm Bill established a new Partnerships and Cooperation (P&C) Initiative. This authority allows NRCS to designate special projects and enter into stewardship agreements with nonfederal entities, including state and local agencies and non-governmental organizations, to provide enhanced technical and financial assistance through the integrated application of conservation programs. The goal is to help producers solve special resource and environmental concerns in geographic areas of environmental sensitivity such as watersheds and wetlands, or, within a given state or region, to reach particular types of producers willing to undertake specially-targeted intensive conservation initiatives. Producers are encouraged to cooperate in the installation and maintenance of conservation systems that affect multiple agricultural operations, share information and technical and financial resources, achieve cumulative conservation benefits across operations of producers, and develop and demonstrate innovative conservation methods. Partnership approaches are required. The cooperative projects may propose to incorporate special incentives adapted to the particular needs of the project to encourage enrollments of optimal conservation value.

The 2002 Farm Bill's Partnership and Cooperation Initiative should be reauthorized as the Cooperative Conservation Partnership Initiative and significantly strengthened in the next farm bill. The new CCPI should support special projects and initiatives through which multiple

producers can address specific resource concerns or opportunities related to agricultural production on a local, state, or regional scale.

Outreach and technical assistance for the CCPI should be implemented on a competitive basis through intermediaries including producer associations, non-governmental organizations, conservation districts, watershed councils, educational institutions, and state and local agencies.

The full range of resource concerns should be eligible, with a clear priority for projects which simultaneously address rural community development opportunities and environmental enhancement.

The CCPI should be a mandated initiative and be funded through existing state allocations for the full range of farm bill conservation programs. Up to 30 percent of a state's allocation should be available for cooperative conservation projects, with flexibility to match program funding streams and mechanisms to tackle specific local problems. Funds for selected projects should generally include financial and technical assistance, education and outreach, and monitoring and evaluation. The Secretary should ensure that on a nationwide basis, the CCPI option is being used and that its use is growing annually until it reaches 20 percent of total funding.

The bulk of potential funding should be administered on the state level, with significant input to the state NRCS office from the State Technical Committees. Requests for applications and project evaluation factors should be developed through consistent national guidance. Priority should be given to projects that have solid plans already in place and are ready to move into the implementation phase, though a small set-aside could be used for planning grants similar to the current CCPI planning grant program. A small portion of total funding should be reserved at the national level to help support larger, multi-state projects or special national demonstration projects.

Wetlands Reserve Program: We strongly support the WRP and believe it should be replenished in terms of its budgetary baseline, with an enrollment directive of not less than 250,000 acres per year nationwide and a strong priority for permanent easements. We support a legislative fix to the WRP appraisal problem created by the recent administrative change. We also support offering incentives to landowners to allow public access to the land as part of community development plans for hunting, fishing, hiking, birding, and other public recreational amenities.

Conservation Reserve Program: The CRP should be retained as the major land retirement program. We support a congressional directive to improve the environmental benefits index and the cost effectiveness of the program by giving much greater weight to below cost bids. At least 7 million acres, or 20 percent of total CRP acreage, whichever is greater, should be reserved for conservation buffer enrollments through the continuous CRP (CCRP) or CRP enhancement program (CREP). In light of the repeated renewal of many CRP contracts on environmentally sensitive land, voluntary long-term and permanent conservation easements on particularly environmentally sensitive land should be added as a new CRP option. Landowners leaving the CRP should have access to transition options, including CCRP, CSP, organic transition, and transfers to beginning farmers and ranches with special incentives.