



Getting Conservation on the Ground by Using Incentives.

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Getting Conservation on the Ground – Using Incentives

- Three objectives for this presentation:
 - Describe how the new Conservation Security Program (CSP) was designed as a program with a cap on its total expenditures over multiple years – a capped entitlement program.
 - Explain how the implementation of CSP has spawned the notion of incentives that are actually an “intensification” of critical management activities. “Reward the best ... and motivate (incentivize) the rest.”
 - Describe the results of the 2004 and 2005 sign ups and assess farmers and ranchers interest in new enhancements and incentives.



Greatest Challenge

- The greatest challenge in implementing CSP was to design a new conservation entitlement program with a cap on its total expenditures – a capped entitlement.
- The statute did not provide direction as to how the Secretary should implement a broad entitlement program with these significant statutory fiscal constraints.



Incredible expectations

- USDA's Economic Research Service (ERS) estimates that over 1.8 million farms and ranches on nearly 900 m acres may be eligible for CSP, based upon the land eligibility criteria found in the original legislation.
- If all of these agricultural operations were enrolled, the cost of the program would far exceed the \$6 billion cap - potentially in the first few sign-ups.



Everyone Wants to Participate

- Furthermore, NRCS expected that a large number of producers would seek participation in CSP and ask for assistance to determine their potential eligibility for the program.
- Thus the statutory cap on technical assistance of 15% becomes another limiting factor for implementing CSP.



15% TA Cap

- By law, NRCS cannot incur technical assistance costs to conduct the sign up for NRCS employees or approved technical assistance providers in excess of 15 percent of the available funds.
- This realization led to the development of the Self Assessment Tool – a tool that producers use to assess their own readiness for CSP. Available in hardcopy, CD-ROM and on the Web.



The NRCS Preferred Approach

- Through the process of rulemaking.... the Secretary proposed ways to address the capped entitlement issue and still deliver an effective CSP program.
- The following techniques have been incorporated into CSP regulations to allow the program to be operated within the available funding:



Proposed Rule – 5 elements

1. **Limit Sign-ups:** Conduct periodic CSP sign-ups rather than continuous sign ups.
2. **Eligibility:** CSP eligibility now requires that applicants have already fully address both soil quality and water quality as significant resource concerns.
3. **Contracts:** CSP requires that producers address a third resource concern for Tier II and that all Tier III contracts treat riparian corridors and provide active monitoring on grazing lands.



Enrollment Categories

4. Enrollment Categories: Prioritize funding to ensure that those producers with the highest commitment to conservation are funded first. (* idea borrowed from VA). For 2006, priority placed on whole farm offers in Tier II and Tier III.
5. Payments: Structure payments (limits) to ensure that environmental benefits will be achieved; reduce static payments such as stewardship and existing practice, and instead focus on incentives in the enhancements.



CSP Enhancements

- CSP enhancements are designed to provide incentives for producers to move to a higher level of conservation treatment.
- Enhancements are defined as activities that exceed the minimum requirements of the Tier and practice criteria.
- For example, producers utilizing GPS technology for variable rate fertilizer and pesticide application would qualify for a payment on that activity – it exceeds the minimum requirement.



Other Enhancements

- Energy – CSP offers incentives for producers who are willing to conduct energy audits, reduce their consumption from the grid, and to utilize bio-fuels.
- CSP offers strong incentives for producers to improve their soil quality and provide a wide array of other resource benefits, including carbon sequestration.
- Water Management – CSP offers incentives to improve their system efficiency and earn payments for improved system performance.



RESULTS - 2004 Year

- \$41 million budgeted
- 18 Watersheds
- 22 States
- 2,180 contracts

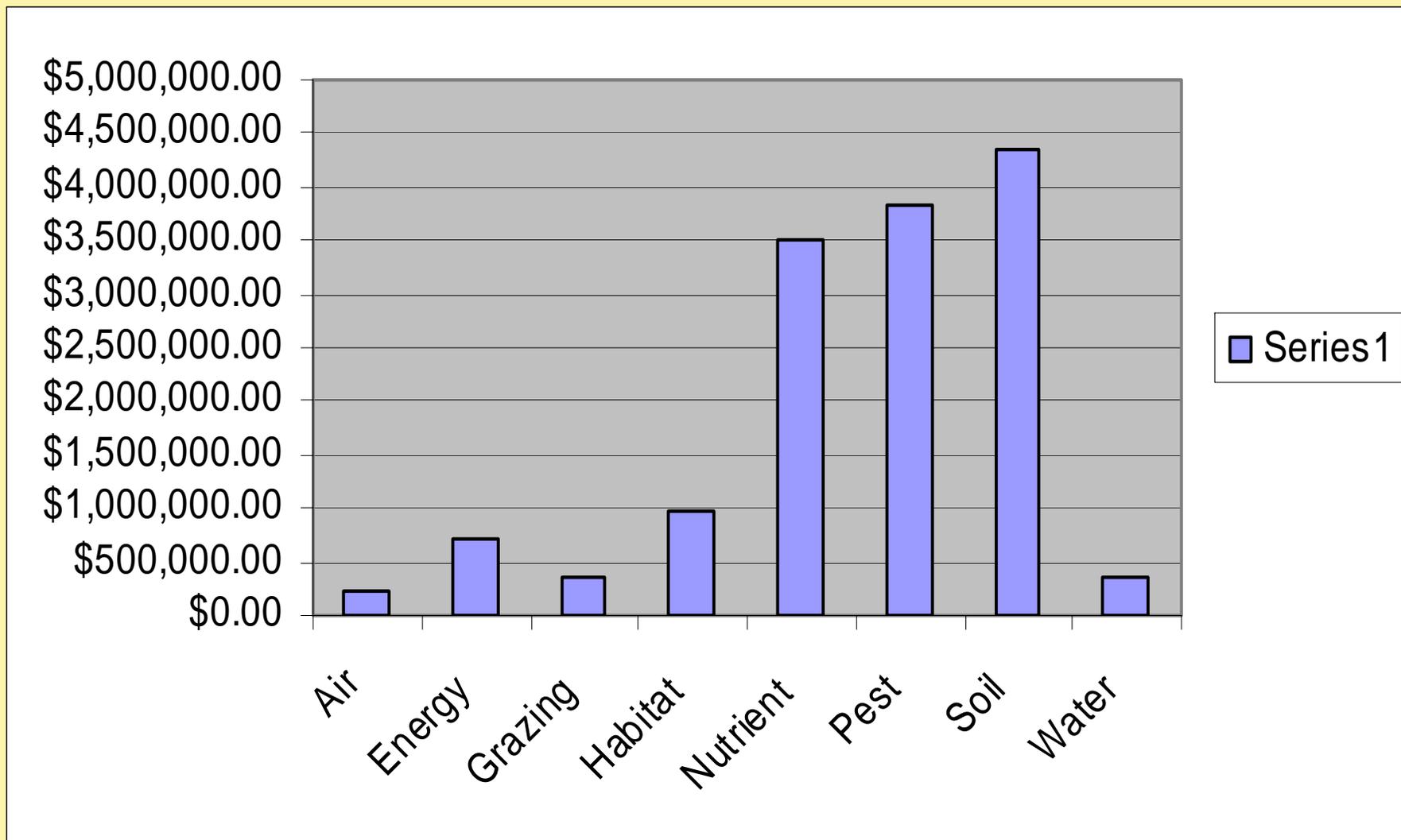


2004 Break Down

- 2180 contracts
- \$9,500 average payment
- Tier I – 37%
- Tier II – 40%
- Tier III – 23%



2004 Enhancements





RESULTS - 2005 Year

- \$202 million budgeted
- 220 Watersheds
- All 50 States and Caribbean
- 12,787 contracts written



2005 Break Down

- 12,787 contracts
- 10,236,476 acres
- \$11,500 average payment
- Tier I – 50%
- Tier II – 30%
- Tier III – 20%

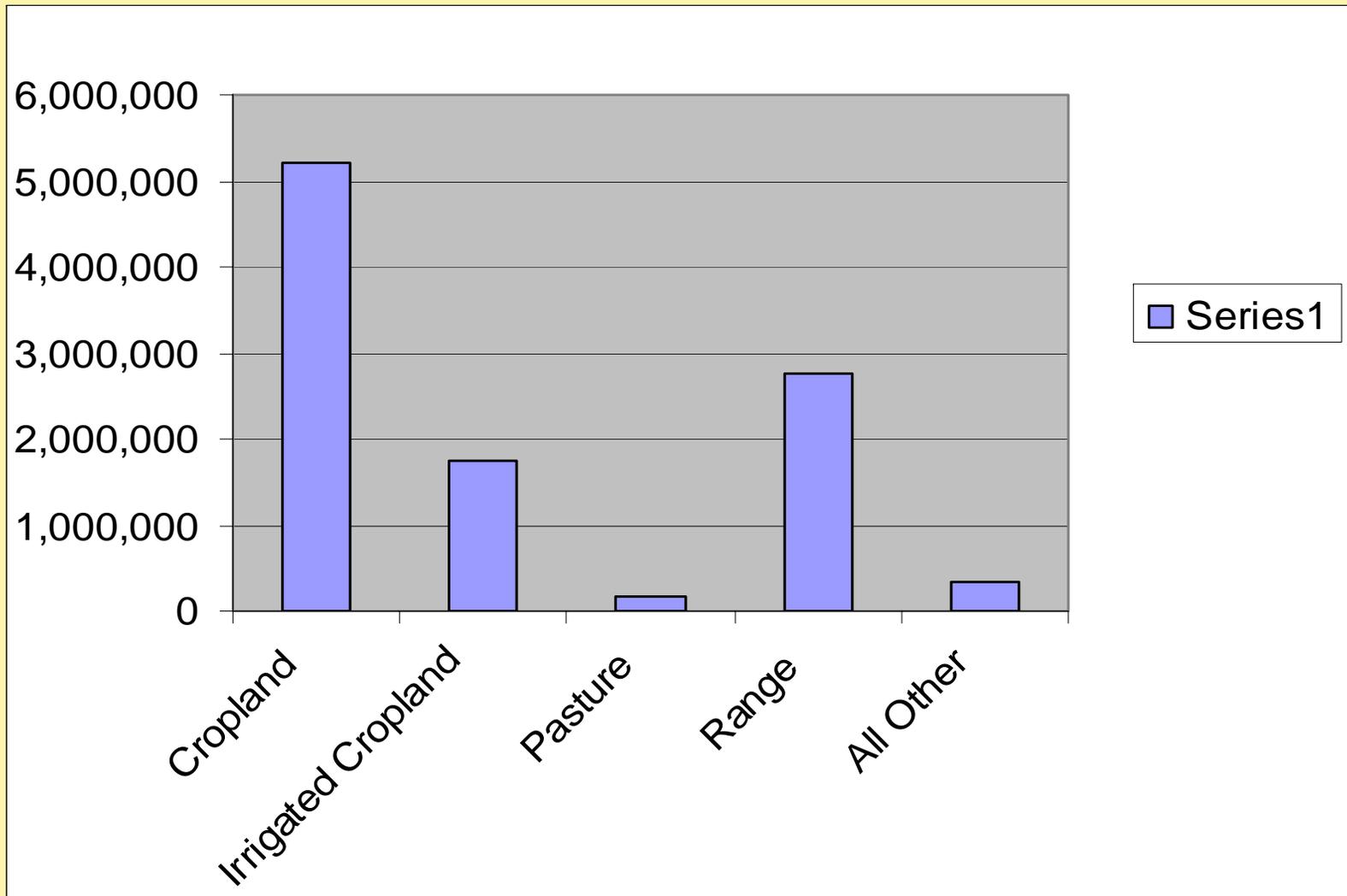


2005 Land Use Breakdown

- Cropland – 5,209,230 ac.
- Irrigated Crop – 1,731,568 ac.
- Pasture – 180,766 ac.
- Range – 2,768,423 ac.
- All Other – 342, 478 ac.
- Total = 10,236,476 acres



2005 Land Use Breakdown



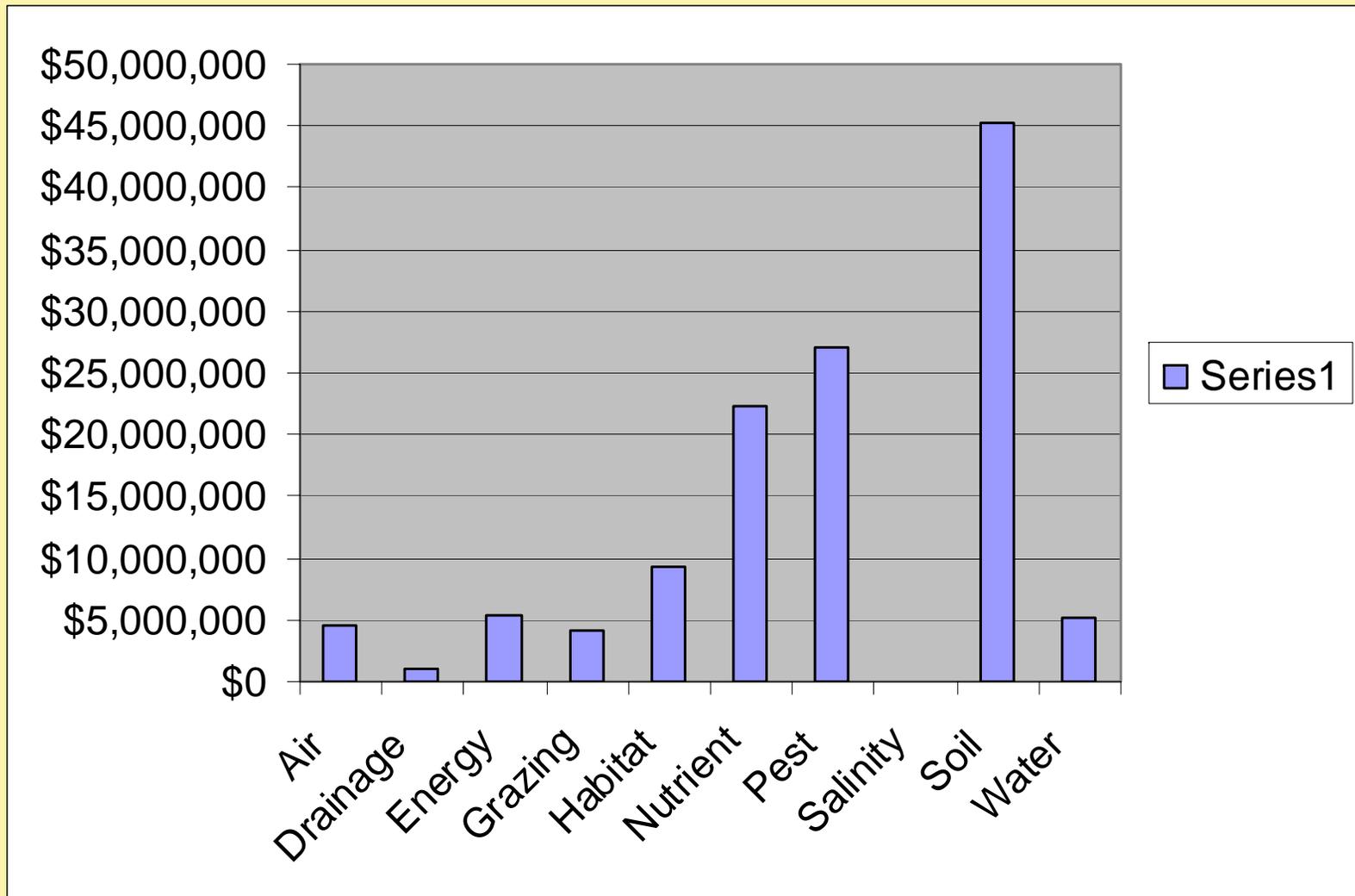


2005 Enhancements . . . Incentives at Work

- Air \$4,502,912
- Drainage \$965,891
- Energy \$5,470,435
- Grazing \$4,066,075
- Habitat \$9,394,906
- Nutrient \$22,233,893
- Pest \$27,064,962
- Salinity \$2,067
- Soil \$45,254,192
- Water \$5,174,373

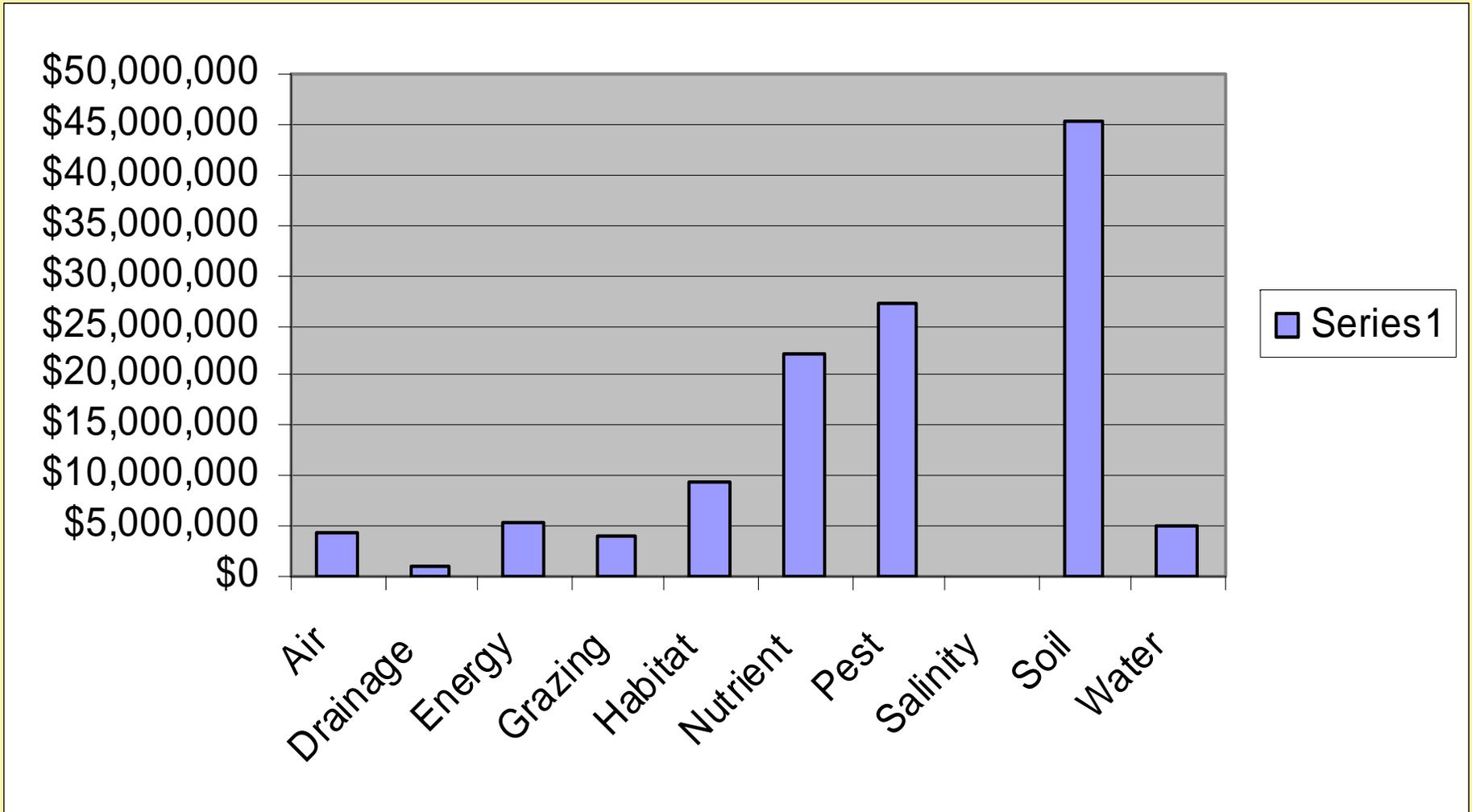


2005 Enhancement Payments





What are the incentives producing?





What are the incentives producing?

Example – Soil Quality:

- Each 1 tenth on the Soil Conditioning Index (SCI) is estimated to sequester 200 pounds of carbon per acre.
- For the 2005 year only, CSP participants had 4,814,614 units of SCI at 0.1 or better. That equates to more than 480,000 tons of carbon for the 2005 year alone.



2006 Year

- Approx \$259 million budgeted
- 2006 Sign-up is underway – Feb 13th to March 31 – 6 week period.
- 60 watersheds selected – based on available. States conducting local meetings and producer interviews right now.
- Offered in all 50 States – plus Pacific Basin and Caribbean.



2006 Program Issues

- Minor changes in rules – Tier III Grazing Land must include active monitoring program.
- All land has to already meet both Soil Quality and Water Quality.
- Emphasis on Tier II and Tier III offers, that include whole farm or ranch, rather than Tier I offers on just part of the farm.
- NHQ is working to help States streamline the procedures and to simplify the sign up process.

