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ROLL NUMBER

DESCRIPTION

4015

2007 SENATE AGRICULTURE

SCR 4015

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 4015

Senate Agriculture Committee

Check here for Conference Committee

Hearing Date: February 8, 2007

Recorder Job Number: 3197

Committee Clerk Signature

Cassie Crow

Minutes:

Sen. Flakoll opened on hearing on SCR 4015, a concurrent resolution urging the Secretary of the US department of Senate Agriculture to restore full funding to the Conservation Security Program, address and resolve problems in the administration of the program, and to compensate individual farmers for damages incurred which were caused by a lack of clarity in the general provisions of the program and how these provisions were communicated to participants. Members (6) were present, absent (1) **Sen. Heckaman**.

Sen. Klein, district 14, testified in favor of the bill.

Sen. Klein- What we have before us is a resolution urging the Secretary of the Dept of Senate Agriculture to fully fund the conservation security program. It has been brought to my attention that there has been some issues out there that the producers who complied to what they believed were all the rules and then when it was time to cash in on what was suggested to them that it wasn't there. What we are hoping to do here is that if you have a program in place and you say you are going to fund it please do so.

Jeff Faul, farmer, testified in favor of the bill. See attached testimony.

Sen. Erbele- when did you first sign up on the program?

Jeff Faul- I signed in to the program in 2005, I was accepted in tier 3 and have not modified the contract in any way since then.

Sen. Klein- I think this goes beyond what the legislator can do have you talked with the congressional delegation?

Jeff Faul- I have attempted to do that, I have attempted to talk to out congressional delegation unfortunately I thought about it a little to late and as of yet I have not received any communication back.

Sen. Klein- I did talk to the NRCS here in Bismarck and invited somebody here but they were unable to come today cause I thought it would be good to hear that side and that maybe they could respond.

Sen. Behm- is this program more or less just for the western part of the state?

Jeff Faul- the focus has been to implicate one water shed in each state per year, I have learned that in 2007 there will be no offerings of conservation security due to some of the problems.

Sen. Taylor- I am curious as to what your operation consists of, are you a mix of crop and livestock?

Jeff Faul- I am strictly a crop producer and a very small producer.

Richard Schlosser, representing ND Farmers Union, testified in favor of the bill.

Richard Scholsser- We stand in support of the resolution.

No opposition to the bill.

Sen. Flakoll closed the hearing.

Sen. Klein motioned for a do pass and was seconded by **Sen. Wanzek**, roll call vote 1: 6 yeas, 0 nays, 1 absent. **Sen. Klein** was designated to carry the bill to the floor.

REPORT OF STANDING COMMITTEE (410)
February 8, 2007 1:32 p.m.

Module No: SR-27-2548
Carrier: Klein
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SCR 4015: Agriculture Committee (Sen. Flakoll, Chairman) recommends DO PASS
(6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SCR 4015 was placed on the
Eleventh order on the calendar.

2007 HOUSE AGRICULTURE

SCR 4015

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SCR 4015

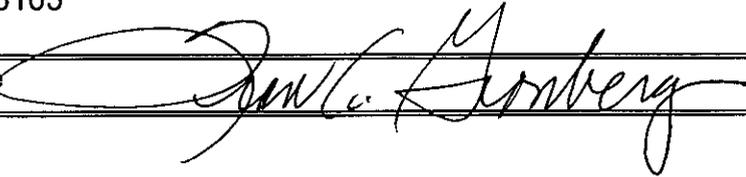
House Agriculture Committee

Check here for Conference Committee

Hearing Date: 3-15-07

Recorder Job Number: 5105

Committee Clerk Signature



Minutes:

Chairman Johnson opened the hearing on SCR 4015.

Senator Klein: This bill is a result of a constituent I have who thought he had participated and followed all the rules on the conservation security program. He banked on it. And when he came to collect on what he believed was what he going to get, he came to find that the money wasn't there and that he was short changed considerably. The conservation security program is an incentive program to help with the conservation of natural resources including soil, water, and air. He farms in two counties and what was in compliance in one county was not compliance in the other. The resolution is to direct the secretary to take a look at this method of this program.

Rep Onstad: Did he sign a contract?

Klein: It's my understanding that as he followed through, he believed the contract indicated so many dollars for every one of the programs and every one of the additional programs he did. So at the end of the day when he thought he was going to get the \$43,000, it turned into \$4300. I don't know if there was any signed documentation. The issue here is if they are going to put the program out there, he'd like to see them funded at the level that they were promised.

Rep Froelich made a Do Pass Motion

Rep Brandenburg seconded the motion

The Resolution Passed Unanimously on a Voice Vote

REPORT OF STANDING COMMITTEE

SCR 4015: Agriculture Committee (Rep. D. Johnson, Chairman) recommends DO PASS and BE PLACED ON THE CONSENT CALENDAR (10 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SCR 4015 was placed on the Tenth order on the calendar.

2007 TESTIMONY

SCR 4015

Address Mr. Chairman, Senator Klein and gentlemen of the committee

Thank them for the opportunity to testify in favor of 4015

Information packets- distribute and explain

Farm bill of 2002 created the CSP. For many farmers the CSP was the impetus to look at conservation of natural resources seriously. Many said, "Finally we have real incentives to be conservation minded."

Personally, I was thrilled when I learned that many of the conservation measures that I wanted to implement on my farm but could never afford would now become affordable due to the incentive payments that were available.

I applied to enroll in the CSP as soon as it became available in my watershed and was told that due to a shortage in funding that I would have to take a 20-25% reduction in my first payment. At that same time I was also told that after the first year there would be no further limitations to the payments- that all the money was appropriated. And that my contract would be honored.

I have since learned that this information was completely false.

What I have learned is this:

- 1) Appropriations to fund the CSP are on an annual basis contrary to what I was told
- 2) There is no guarantee that any funds will be made available in a particular year
- 3) Even though participants may be paid only a portion or perhaps not even paid at all, those participants are expected to fulfill completely the conservation measures outlined in the contract. This would be like telling a plumber to come fix your problem and then when he is finished you might pay him. No one is allowed to operate this way- why should the NRCS be allowed
- 4) Since the CSP was conceived about 4.3 Billion dollars have been diverted from it into other programs within USDA. **Draw their attention to page 3 of handout 4**

Full funding of the CSP is an absolute necessity and this is the first of three areas that I urge you to support in your consideration of 4015 and hopefully USDA will no longer be allowed to use these funds as a soft money or slush fund.

Secondly, I would like to bring your attention to the questionable administration and implementation of the program.

I have already outlined one of the areas of mis-information in this presentation when I mentioned the false statements about future funding. Please allow me to bring out a few more.

- 1) During the sign-up period there was a lot of confusion on the part of field office staff. It was completely common to ask a question in one county, ask the same question in another county and get not only different but conflicting answers. And this is still happening to this very day. Case in point- some participants are being told that they will receive full payment when funds become available- this is common in Sheridan county- I live in Wells county and have been told on three separate occasions that the amount of my continuing resolution limit will never be paid. In my case the CRL amounts to \$8500. 6370
- 2) It seems that there is an inverse correlation between the number of acres enrolled in the program and the size of the reduction in payment. ie smaller producers take a bigger hit. I have asked repeatedly for the formula that is used in determining the payment reductions and nobody knows what this formula is nor do they no how it was determined and nobody knows who decides when the formula is enacted. CONFUSION
- 3) One more--- There are several enhancements in the CSP that are designed to improve wildlife habitat. I happen to be enrolled in two of them. The first is an enhancement where I leave a percentage of my crop stand as a food plot for wildlife and the second is similar. I leave some native hayland uncut for wildlife cover. In December of 2006, when I was asked to bring in my paperwork to certify that I had done these enhancements, I was asked to draw them out on the maps and define specifically which areas had been left unharvested or uncut. When I came back in to the county office in January I was told that these were enhancements that should have been done in 2007 rather than 2006 and as a result I would not be paid for doing them. Meanwhile, in the neighboring county to the west, those farmers were notified in early September that they didn't need to do those same enhancements. Now this might sound like ineptitude on the part of the office staff in my county but that is not the case at all. I was present when the staff person in my county was on the phone with his superior in either the district or state office discussing which year these enhancements were to be started. Another example of confusion and conflicting information at all levels of NRCS and another reason I urge you to lend your support to 4015.

Finally let us draw our attention to the third part of this resolution. Compensation for damages. In this area I would offer two examples to illustrate the nature of damages caused by the faulty administration of a government program.

- 1) I'd like to refer back to the example I just used about the wildlife enhancements where I was not paid for an enhancement even though I had complied completely with the provisions of the contract. The amount of payment I was to receive for the food plot was about \$2100; and for leaving the hayland uncut the payment should have been \$1500. However at this point in time the unharvested grain is ruined and the uncut hay is worthless. Had these two crops been harvested in season they would have given me an additional \$3-4000 income.
- 2) Being that I have not been paid as outlined in the contract my cash flow has been disrupted, I've been forced to delay payment of an operating note bringing about a substantial increase in interest expense, and my credibility at my lending institution is greatly diminished. It is very difficult to put a value on personal credibility but I know that this incident will have far reaching effects on my future ability to obtain operating capital.

Gentlemen, it would be a great dis-service if USDA & NRCS were allowed to continue to administer the CSP in the manner that they have demonstrated thus far and they need to be called to task. It would be a dis-service to individual producers who want to be good stewards of our natural resources, it would be a dis-service to the ecology and above all a dis-service to the taxpayers of this country who are funding a truly good program that is being handled poorly.

I strongly urge you to consider all of these factors and to vote in favor of resolution 4015. Thank You

If any questions I'll attempt to answer them

11 January, 2007

Dear Senator Klein,

The purpose of this letter is to alert you to a situation that is happening to farmers in the Upper Sheyenne watershed and in watersheds all across the country. The Upper Sheyenne watershed encompasses the northwestern corner of Wells county, roughly half of Sheridan county, large portions of Pierce and Benson counties and small areas in McHenry and Eddy counties. As you know, the Farm Bill of 2002 made a substantial commitment to conservation with the Conservation Security (CSP) provisions of the bill. The program is being administered poorly and in some respects is discriminatory against the smaller operator. CSP participants are being given inaccurate information and - depending on which county you live in - seem to be receiving conflicting information with regard to the actual rules of the program. Employees working in the county offices admit to confusion during the sign-up periods.

Between the Christmas and New Year holidays information became available telling us (the holders of CSP contracts) that there would be a reduction in payments due to budget constraints. Once again there is confusion and conflicting information coming out of the county NRCS offices as to how these payment reductions are being determined.

To give you an idea of the severity of the reductions and the scope of the misinformation, I will give you a few numbers that apply to my own CSP contract. In mid December when I completed the paperwork to document my compliance with the program, I was assured that my payment would be \$13450.00. At that time I was asked to define which particular acres had been left to stand over winter for wildlife food plots, which acres were left for wildlife habitat, (native herbaceous cover) along with providing my records for field scouting to reduce the use of pesticides, etc. I was told that all of my paperwork was in order, my payment would be processed, and I could expect payment shortly after the New Year.

On January 9th I received a call from the NRCS office in Fessenden asking me to come in to sign the paperwork for my payment of \$440.00 This is about 3% of what I was promised less than one month earlier!!

Needless to say I was shocked and set out to investigate the discrepancy. I visited with other contract holders in Wells and Sheridan counties and learned every one of them had received conflicting information. Some were told to expect 25% of their payment now and the balance in July 2007, others were told to expect 25% now and an amount to be determined later- possibly in July- and some were told that most of the moneys we were promised would never be paid.

In addition to the payment reduction fiasco, it has come to my attention that those who left wildlife food plots were given erroneous information and consequently will not be paid for the crop that was left standing in the field, plus we were not allowed to harvest it. In other words, we took a loss twice on the same acres because of slipshod administration of a farm program. In my case alone, that single item cost me roughly \$4200.00 (2100 in lost CSP payment and an additional 2100 in crop that stayed in the field). There are additional scenarios on my operation where similar losses were incurred.

I realize that all of this information is about a farm program on the federal level. My request of you is that the ND Senate draft a resolution to Secretary of Agriculture Johanns, urging him to 1) restore full funding to the Conservation Security program, 2) clear up the problems in the administration of the program, and 3) compensate people such as myself for damages that were caused due to the lack of clarity in the general provisions of the program. In addition, contact should be made with our US Congressional delegation and especially Senator Harkin of Iowa who had much to do with authoring the Conservation Security to inform them of the messy situation.

I realize that all of this information is a bit confusing. I would be happy to meet with you in person to help clarify, and also to document the information that I've provided.

I thank you for your attention to this matter and look forward to hearing your reply.

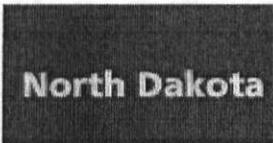
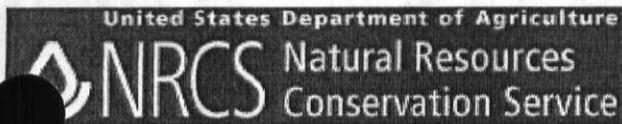
Jeff Faul

2770 25th St. NE

Harvey, ND 58341

701-324-2905

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2006 Upper Sheyenne River Watershed

Description of Watershed

Hydrologic Unit Code (HUC): 09020202

The Upper Sheyenne River sub-basin is approximately 1,252,400 acres covering parts of seven counties (Benson, Eddy, McHenry, McLean, Pierce, Sheridan, and Wells) in the Red River of the North Basin. Of the 1,252,400 acres, Benson County contains 28%, Eddy has 3%, McHenry has 5%, McLean has <1%, Pierce has 26%, Sheridan has 27%, and Wells has 11%. There are 802 farms in the sub-basin.

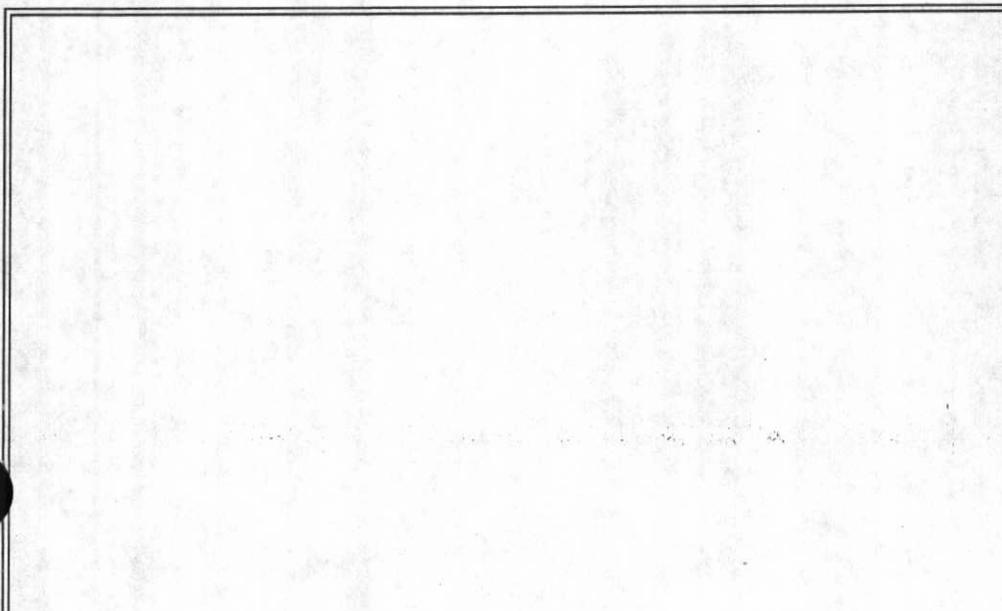


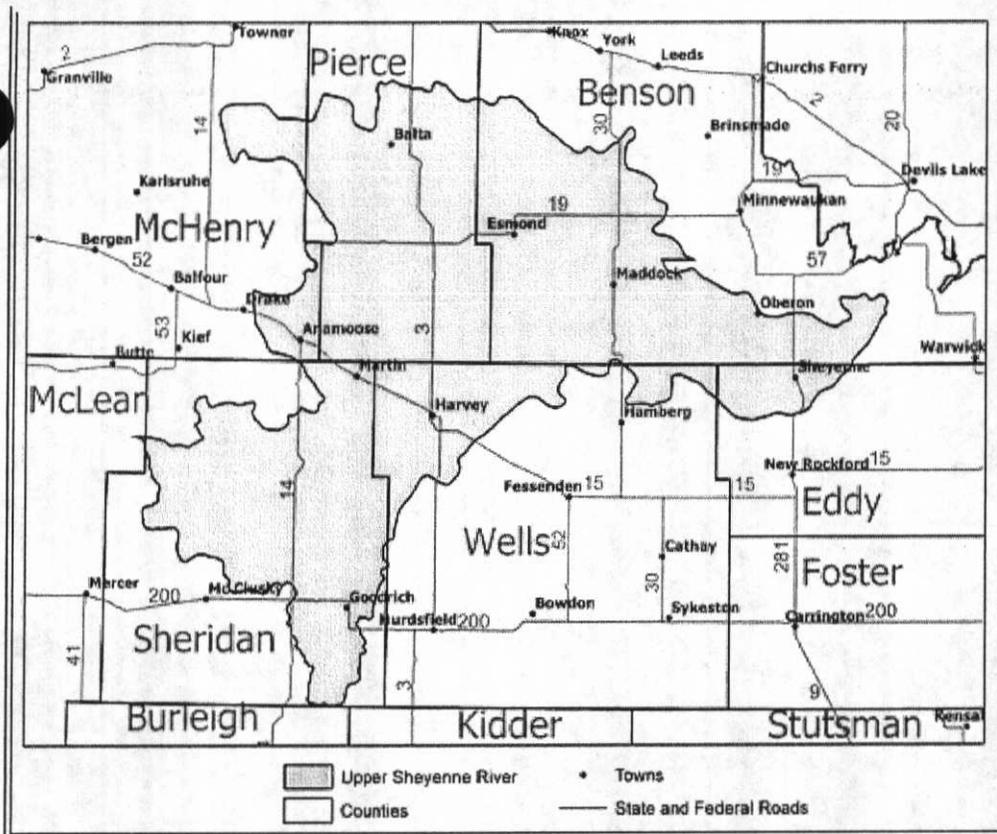
This sub-basin encompasses commodities ranging from sunflower, canola, corn, and soybeans, and multiple small grain crops to beef cattle and swine. Conservation assistance is provided by six NRCS Service Centers, one Soil Survey office, and four Resource Conservation & Development offices.

Private Agricultural Land Cover/Use

Land Use	Acres
Cropland	655,700
Pastureland/Hayland	72,700
Rangeland	280,900
Total Private Agricultural Land	1,009,300

Map of Upper Sheyenne River Watershed





Counties in Watershed

County	Office	NRCS Conservationist	Phone Number
McHenry	Towner	Doug Dragseth	701-537-5138
Sheridan	McClusky	Jarvis Keney	701-363-2252
Pierce	Rugby	Russ Jordre	701-776-2207
Wells	Fessenden	Pam Copenhaver	701-547-3622
Eddy	New Rockford	Steve Kassian	701-947-2436
Benson	Minnewaukan	Karyn Neve	701-473-5324

The following documents require Adobe Acrobat. 

 [Upper Sheyenne River Watershed Profile](#)

CSP Payment Components

-  [Stewardship Payment](#)
-  Existing Practice Payment (Equates to 25% of Stewardship payment)
-  [New Practice Payment](#)
-  [Enhancement Activities](#)

- ENHANCEMENT JOB SHEETS and DESCRIPTIONS
 -  [Annual Soil Testing Enhancement](#)
 -  [Crop Diversity Enhancement](#)
 -  [Integrated Pest Management Enhancement](#)

- Pesticide & Nutrient Enhancement
- Soil Conditioning Index Enhancement
- Fall Alternative Grazing Enhancement
- Grazing Periods Enhancement
- Improved Grazing Distribution Enhancement
- Limited Access to Water Enhancement
- Management of Legumes in Pasture Land Enhancement
- NUTBAL Enhancement
- Rangeland Grazing Management Enhancement
- Recycled Oil Enhancement
- Refrain Cultivating Temporary and Seasonal Wetland Enhancement
- Un-harvested Tame Hayland Enhancement
- Wildlife Food Enhancement
- Native Herbaceous Upland Cover Plots Enhancement
- Perennial Buffer Enhancement
- Undisturbed Residue Enhancement
- Winter Cereals Enhancement
- Woody Cover Plots Enhancement

North Dakota Program Contacts

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* - 2005 Conservation Security Program

The Conservation Security Program: An Assessment of Farmers' Experience with Program Implementation



Traci Bruckner
Center for Rural Affairs
September 2006

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Acknowledgements

The author wishes to acknowledge those who assisted in the production of this project. We particularly acknowledge those whose involvement made the interviews with farmers and ranchers possible, Jeanne Merrill with Michael Fields Agricultural Institute, Adam Warthesen with Land Stewardship Project and Practical Farmers of Iowa. We thank the participating farmers and ranchers for their time and contributions to the interviews.

We would like to acknowledge the Board of Directors of the Center for Rural Affairs, who made the hotline and preparation of this report a priority project of the organization.

Finally, we would like to thank those whose financial support made this report possible. Funding for the Conservation Hotline was made possible by the Joyce Foundation of Chicago, Illinois, and by the generous donations of supporters of the Center for Rural Affairs. We are grateful they trust us with their support to offer research and action that will benefit the communities and people of this region.

Introduction

The Conservation Security Program (CSP) is a voluntary stewardship incentives program designed to reward farmers and ranchers for adoption of advanced conservation systems that provide environmental services benefiting the country as a whole. This landmark "green payments" program, created by the 2002 Farm Bill and first implemented by the US Department of Agriculture (USDA) in 2004, pays farmers for clean water, better soil management, improved habitat, energy efficiency, and other natural resource benefits. The CSP provides farm support in a manner consistent with the public interest and world trade rules and obligations.

At its heart, the purpose of CSP is to vastly improve farmland conservation and environmental protection by rewarding farmers across the country for long-term and steadily-improving conservation practices on their land over a period of years, based on carefully developed and reviewed conservation plans. However, since the passage of the CSP, there have been several administrative policy decisions and congressionally-approved funding cuts that have limited the program severely to the detriment of many conservation minded farmers and ranchers.

*We hope the
recommendations in this report
will be enacted and lead to a CSP
that truly "rewards the best and
motivates the rest."*

Through this paper we hope to address some of the many issues impacting the effectiveness of the CSP. We will examine these issues by taking a look at the program with the assistance of farmers' perspective, provided through calls to the Center for Rural Affairs' sponsored National Conservation Hotline and enhanced by follow-up interviews. This study explores the farmers/ranchers experience with the 2004, 2005 and 2006 CSP sign-ups. For this program to be successful in its mission of "rewarding the best and motivating the rest," it is critical that we listen to and learn from the farmers and ranchers that have explored and/or completed a CSP contract. Their perspective offers insights on CSP's strengths, weaknesses and barriers that are delaying conservation on working land.

This paper will examine the challenges of the CSP; discuss what we have learned through the National Conservation Hotline and the interviews; and conclude with recommendations for the future years of the CSP. We also discuss CSP history and its impact on the resource stewards it was designed to serve.

The Founding and Historical Challenges of the Conservation Security Program

The birth of the CSP can be traced back to the farmers and ranchers it was designed to serve. Through the Sustainable Agriculture Coalition (SAC), conservation minded farmers and ranchers advocated for a program to benefit innovative farmers and ranchers utilizing sustainable agriculture and conservation systems. The Coalition stated, "With the CSP being designed as a conservation systems approach rather than a single practice approach, by requiring that real resource problems be solved to a sustainable use level, and by emphasizing cost-effective management practices, resource enhancement, and monitoring and assessment, it marks the most comprehensive and rigorous federal agricultural conservation incentive program to date."¹

Since CSPs birth many barriers have been erected, impeding the ability of all conservation minded farmers and ranchers to participate. Though the farm bill provided CSP with full mandatory funding, through the Commodity Credit Corporation, it was quick to change.

There were three big cuts – first one for disaster offset in Fiscal Year (FY) 03 appropriations, which was then restored in FY04. Then they cut it again for disaster assistance in FY05, and that one hasn't been restored. Then in budget reconciliation, they cut it even more. Those big cuts alone reduced the program by \$4 billion. Then each year in annual appropriations bill, the House proposes to clamp down on annual spending, while the Senate honors the farm bill and does not cap the program. But each year the House and Senate compromise, further reducing CSP spending amount by \$180 million, with the 2007 bill still pending.

Annual budget cuts have been much to the detriment of the program.

These cuts and a slow rulemaking process by USDA have impeded participation. The 2002 Farm Bill directed USDA to complete rules for the CSP by February of 2003. Instead USDA released that month an Advanced Notice of Proposed Rulemaking seeking comments on how to write the proposed rule. That was followed by a Proposed Rule almost a year later in January of 2004. Following this, USDA published an Interim Final Rule in June of 2004, which guided the initial CSP sign-up for FY2004. The most recent rule published for the CSP was the Amended Interim Final Rule, released on March 25, 2005 and it guided the FY2005 and FY2006 sign-up periods.

The scope of the program was further narrowed by USDA's decision to restrict the amount of funding available through the farm bill for staffing and technical assistance to run the program. The statute allocated up to 15 percent of CSP funds for technical assistance, but USDA chose to interpret that restrictively as 15 percent of current year funding rather than of the total value of CSP contracts. That reduced staff for implementation, severely limiting the number of watersheds open to CSP each year.

The 2004 enrollment was available in only 18 watersheds across the country. In 2005 CSP was available in 202 new watersheds. In addition, farmers and ranchers in the initial 18 watersheds were given a second chance due to the short notice for the 2004 enrollment. The 2006 enrollment was scaled back from 110 watershed to 60 because of funding cuts. Consequently, enrollment has been limited to 20,000 farmers in 280 watersheds.

¹ Sustainable Agriculture Coalition, Comments to Proposed Rule, arch 2, 2004. This statement reflects the original intent of the CSP and what the conservation-based farmers envisioned when working towards the CSP. The desire to examine the CSP implementation process through the farmers' perspective comes from our desire to preserve the original intent of the program, which as indicated above was driven by conservation-based farmers.

Methodology

We gathered information in two ways: first, through our National Conservation Hotline for farmers and ranchers seeking CSP information; and second, through interviews of farmers and ranchers regarding their experiences with the CSP sign-ups.

Both provided a clear view of CSP implementation from farmers and ranchers perspective. We did not set out to do a scientific study. Rather we sought insights from farmers and ranchers to inform CSP implementation and the upcoming farm bill debate.

The Center for Rural Affairs National Conservation Hotline is operated by Traci Bruckner, Assistant Director of the Rural Policy Program, and Kim Preston, Research Assistant for the Rural Research and Analysis Program. We fielded calls from across the country, including farmers and ranchers in the applicable watersheds as well as those that were not but nonetheless wanted to learn about CSP.

The interviews were conducted on the 2004, 2005 and 2006 sign-up periods, either via phone or face-to-face.

For the interviews we contacted farmers we knew had been in applicable watersheds to inquire about their experience with the CSP sign-up. We also interviewed farmers who had originally contacted the hotline. These farmers implement a range of different farming systems and practices, including highly diversified cropping systems to less diversified, no-till cropping systems.

We asked what their farms looked like and what types of conservation practices they had been implementing; whether CSP adequately compensated them for their conservation efforts; whether CSP motivated them to do more conservation; whether the program was fair to all types of operations; whether it was biased toward any specific practice; whether they agreed with watershed rotation; and their views on program strengths and weaknesses and suggestions for improvements.

What We Have Learned

We have found that CSP is a very promising conservation program. Farmers and ranchers are very excited about its potential. But cuts in program funding have prevented it from achieving its full potential. Moreover, it has been further impeded by administrative implementation problems.

The National Conservation Hotline and Farmer Interviews

The National Conservation Hotline and interviews enabled farmers and ranchers to share their concerns with CSP, which are significant. But they also shared their belief in the concept of rewarding sound conservation and overwhelmingly support such a policy direction.

One farmer stated, "We finally have a government program that pays for social and environmental benefits and it is a step in the right direction and has good bi-partisan support."

Another farmer noted, "There are a lot of good points and strengths. In our circumstance on our farm it showed that you can still use tillage and don't need to be no-till. I always tried to farm the way that I thought was conservation oriented and this is a way to have a third party verify our practices make sense. Basically, it gives credibility to our way of farming."

The above statements demonstrate the strengths of the CSP and the difference it has made to farmers who have always farmed with conservation, rather than against it. In that spirit, this report looks at problems with the program and how they can be strengthened.

The hotline and the interviews highlighted some recurring themes. The most prominent program weaknesses in CSP implementation include: 1) Restricting enrollment to a small number of watersheds. 2) Deficiencies in the Soil Conditioning Index and RUSLE2 software on which it is based; 3) The need for on-farm research and demonstration; 4) Problems with payment rates; 5) Difficulties with measures used to narrow program participation; and 6) other concerns such as administrative complexity and the administratively fashioned per acre contract limit, used in the 2004 sign-up only, was biased against smaller farms.

Program Implementation Weaknesses

1) Restricting Enrollment to a Small Number of Watersheds and Lack of Full Funding

Despite the fact that the 2002 Farm Bill provided for nationwide CSP enrollment, USDA implemented the program in a limited number of watersheds each year. Its plan is to eventually reach every watershed in the country, on an ongoing "watershed rotation" basis, but at the current pace it will take an entire generation to just get through the first rotation.

Due to the limited geographic scope of the watershed rotation, many of the initial calls came from folks wondering whether they were in an eligible watershed. Those callers wanted to know when their area would be eligible and they wanted to learn as much as they could about the program.

The farmers and ranchers interviewed disagreed with the watershed rotation. They expressed concern that CSP will not be open to all farmers and ranchers who deserve to participate. They indicated the program should be fully funded and available nationwide.

*...at the current pace it will
take an entire
generation to just get through
the first rotation.*

A few farmers understood the rationale of using the watershed rotation given the complexity of the program. One farmer said, "I understand the rationale. But once the learning curve is over CSP should be implemented as a fully funded program open nationwide."

Following the 2006 sign-up, farmers contacted the hotline upon determination that their contracts were not approved due to the funding running out before it reached their applicable category. NRCS created a ranking system that limits CSP eligibility to particular, unspecified "categories" and "subcategories" of farmers and ranchers. This limitation is contradicted by the clear language of the statute. Eligible producers are clearly defined by the law. To participate in the CSP, eligible producers must meet the

statutory requirements of the program, including the minimum requirements for each tier determined and approved by the Secretary. The Secretary has the authority to set reasonable environmental requirements for the conservation plans required for participation in each tier but does not have the authority to make otherwise eligible producers ineligible based on selection categories unrelated to the tiers.

This is creating controversy amongst farmers. Those who did not get a contract believe it will result in additional competition for land because their neighbors that did receive a contract will have additional funds in which to accrue more acres. This certainly makes the case for fully funding the program. It was not designed to provide a competitive advantage to one type of producer over another or producers in one watershed of producers in another watershed, but rather to reward effective conservation systems. To the extent it provides a competitive advantage, it is intended to do so by providing the advantage to those who practice good stewardship.

2) The Soil Conditioning Index (SCI) and RUSLE2 Software.

The impact of the Soil Conditioning Index (SCI) on eligibility and payment rates is of great concern to farmers and ranchers. The SCI is a predictive model that estimates trends in organic matter, not the amount of organic matter. A higher score is indicative of "more confidence that a trend in soil organic matter will be significant."² In other words, it is not a measure of actual soil quality but rather a measure of whether a management regime is likely to improve soil quality and by how much. The SCI score is also focused solely on soil carbon (organic matter) and not on any of the other important components of overall soil quality.

The score a farmer receives under the SCI is heavily influenced by the number of field operations that stimulate organic matter breakdown. Therefore, it appears that the SCI is weighted toward cropping systems that use very limited tillage or no tillage at all. Farmers and ranchers indicated they believe the program is biased and tilted towards no-till, mono-cropping agriculture systems.

...SCI is weighted toward cropping systems that use very limited tillage or no tillage at all.

The SCI score appears to be impacted by soil type as well. A Minnesota farmer indicated that there are certain soil types that are difficult to ever build proper organic matter irregardless of the cropping and tillage systems being used. The SCI score that was low on those soils and was having a negative impact on the eligibility of this farmer's entire farm as well as the payment rates he would receive through the CSP. This farmer indicated that some farmers were receiving high payment rates based on their SCI score, which was heavily influenced by the soil type of the farm not necessarily their farming practices.

The sole reliance on the SCI to determine CSP eligibility and payment rates for soil quality is unfortunate, especially in light of reviewing the Natural Resource Conservation Service's own materials that caution against the use of SCI as the sole assessment of soil quality or conservation planning. The document states:

²Interpreting the Soil Conditioning Index: A Tool for Measuring Soil Organic Matter Trends. Soil Quality Institute—Agronomy Technical Note No. 16.

As with any model or assessment tool, the SCI should be used in combination with other observations and evaluations...In addition to the level of organic matter, other important aspects of soil quality are the quality of organic matter, compaction, crop diversity, salinity, sodicity, sedimentation, soil biota, nutrient management, contaminants, and the effects of irrigation management. These are related to the level of organic matter but are not directly reflected in the SCI. For example, crop diversity is not directly considered in the SCI estimates. Crop diversity has important impacts on organic matter quality and soil quality generally.³

This reflects the shortsighted nature of using only the SCI to determine eligibility for a comprehensive conservation program such as the CSP. Farmers we interviewed believe there should be a diversity index and a resource conserving crop rotation eligibility standard integrated into the CSP to fully address this concern. The diversity index would give credit for adopting resource conserving crop rotations, such as diverse rotations that include alfalfa, sod producing crops and other soil building crops.

Moreover, the SCI has an impact that goes beyond eligibility. The SCI is also being used in determining some enhancement payment rates. For example, under the enhancement category for soil, depending on where one falls with his/her SCI score, contracts can reap as little as \$1.16 per acre for an SCI of .1 or as much as \$29.00 per acre for an SCI of 2.5 or higher. When dealing with a program that has limited funds as is currently the case, it seems unreasonable to set such high payment rates based on a model that does not account for all the factors that build and improve soil quality.

A related issue is the RUSLE2 system, the software model being used to compute SCI scores. One farmer indicated that if it hadn't been for the local NRCS staff person that understood his farming system, he would have never been accepted into the program. This staff person had to manually override nearly all of the assumptions the software made. This particular farmer has an exemplary conservation-based farming system and in the end that was recognized when he was awarded a Tier III contract.

Another farmer from Iowa indicated she had both organic and conventional acres and only her conventional acres were accepted into the program. She indicated that her organic system was too comprehensive for the software and it could not handle all of that information. So those acres were not accepted. It appears the software has problems in computing highly diversified cropping systems and the information was too complex for this software model.

3) On-Farm Research and Demonstration

On-farm research and demonstration is one of the five factors for which CSP can provide enhancement payments. But USDA has chosen to implement it in a very few places and under very limited conditions. On-farm research and demonstration is very important to a majority of the farmers with whom we spoke and they would like CSP to recognize it.

One farmer indicated that he would never have adopted the practices that qualified him for the CSP without participating in research and demonstration project. He indicated that nitrogen rates and timing of application were the make or break point for him being accepted into the program. This farmer's nitrogen management plan, including modest application rates in the spring of the year, resulted from an on-farm research and demonstration project sponsored by Practical Farmers of Iowa. This project allowed him to see that lower application rates would work.

³ Interpreting the Soil Conditioning Index: A Tool for Measuring Soil Organic Matter Trends. Soil Quality Institute—Agronomy Technical Note No. 16.

Farmers see on-farm research and demonstration as an important part of their operations that should be an important part of the CSP. Most of these farmers have been doing such research and demonstration for more than a decade. Some of the areas that farmers would like to see emphasized through on-farm research and demonstration are: rotational grazing, pasture development and water distribution; organic methods for parasite control; prairie restoration; nitrogen availability from cropping system through organic matter on the farm; the affect of beneficial insects and flora; recycling manure in response to changed cattle wormers; and improvement of fescue pasture through introduction of other plant species.

Farmers and ranchers have many ideas to explore, ideas that can lead to better farming practices, better stewardship of the land and positive environmental outcomes. The CSP should support such enthusiasm and work with farmers and ranchers to promote their findings to others in an effort to foster even greater conservation.

4) Payment Rates

Farmers interviewed believed it was gratifying that they were finally being rewarded for their conservation efforts. And for the most part, all of them were satisfied with the level of compensation through the CSP. However, farmers do have some concerns regarding certain payments.

...declining enhancement payments may be antithetical to promoting conservation.

For example, those farmers that earned a contract in 2005 are disappointed with the nature of the declining enhancement payments and believe it is antithetical to promoting conservation. This provision simply limits the CSP enhancement payments for *existing* conservation systems to four years, paid out over seven years in declining amounts. In sharp contrast, USDA's approach to CSP provides ongoing, unlimited enhancement payments for *new* conservation practices and activities added during the five or ten year CSP contract period. With the bulk of the payments being earned through enhancement activities, this declining payment feature only serves to penalize the farmers and ranchers who have always practiced good stewardship. Such provisions do not reflect the "reward the best and motivate the rest" concept as it fails to adequately reward existing sound conservation.

The payment rates for cost-share incentives also fall short. The cost-share rates under CSP are not equal to those offered through other programs such as the Environmental Quality Incentives Program (EQIP). Most cost-share for the CSP is set at 50 percent or lower, much lower for some practices and in some areas. For example in the 2004 sign-up, Kansas was only offering 25percent cost share rate for practices. Farmers believed CSP cost-share rates should be the same as other programs. Many also expressed concern that while new practice cost share payments were advertised as being part of the program, they were not actually being offered during the enrollment process.

Farmers also issued concern regarding the payment rates that were being used for certain practices. For instance, a farmer from Minnesota informed us that the payment rate to delay mowing hay until after the nesting season was set at an extravagantly high \$320 per acre. This farmer was a recipient of this payment and believed it should have been reduced to enable the program to spread. After looking at the Minnesota CSP website it appears this payment level has since been lowered.

5) Measures Used to Narrow Program Participation and Tier Levels

Farmers were concerned about the very arbitrary disqualifying measures being used to narrow program participation. One is the soil testing requirement. Some organic farmers and some grass-based farmers, for example, said they do not typically test their soil because their farming systems do not involve synthetic inputs. The soil test requirement kept them out of the program, even though the actual conservation benefit was questionable and even if they were willing to soil test regularly in the future.

An organic farmer who was initially told he could not sign up because he did not have recent soil tests. He completed soil tests that spring but was told he could not qualify because they had not been completed the previous year, all despite the fact the soil test results were fantastic: his phosphorous was right on target, no excess nitrogen and his soil organic matter was very high. This demonstrates his conservation and stewardship history as a farmer. After making calls to the Iowa State Conservationist and to NRCS national headquarters, stating that the timing of soil test versus the soil test results is a poor eligibility test for this program, this farmer was granted a contract.

One farmer indicated that his Tier II contract was declined because he scored too low on the SCI to be placed in a funded category. USDA had taken the lowest score on his entire farm and used that to judge the entire contract thus placed him in a much lower category, one that the available funding did not reach down far enough to fund. The farmer could have indicated that he would like to scale back to a Tier I application that would have included only the higher scoring fields but the farmer was not armed with the information that would have allowed him to make that decision. This farmer won an appeal and was awarded a contract in the end.

That same farmer was also denied Tier III participation because the grass buffers along a stream were too narrow. This farmer indicated that had he had that information in good time he would have easily been able to make the change to satisfy that requirement. Moreover, he would have been willing to make the change immediately as part of his contractual agreement.

6) Other Concerns

The farmers interviewed regarding the 2004 sign-up felt the process was rushed and didn't enable them to really think in terms of long-term conservation planning. One farmer said, "I just did what was recommended rather than really looking at a conservation plan in the big picture sense." The premise of the CSP is to encourage conservation planning and we believe it should focus on whole farm planning. If the sign-ups are limited to short sign-up periods it will be very limited in that regard.

Farmers also indicated that the program is very complex in regards to the payment structure, paperwork requirements and farm practice requirements. Moreover, information regarding CSP requirements was not provided on a timely basis and they change from sign-up to sign-up. One example is the farmer described above who would have widened his grass buffer if he had known that was required for Tier III.

For the 2004 sign-up, the rule also contained a new payment limit called a contract limit that was biased against smaller farms. All farmers interviewed hit that limit before they hit the legislated payment limits. Fortunately, NRCS removed this provision under the Amended Interim Proposed Rule.

Recommendations and Conclusion

CSP is supported by farmers and ranchers. It is under high demand across the country. But there is certainly room for improvement in regards to funding and implementation. Therefore, the following recommendations are intended to provide some insight into how that can be accomplished.

To address the limited watershed selection process and for the CSP to function as intended, Congress must make the commitment to fully fund the program in the 2007 farm bill. And Congress must stand by that commitment rather than repeatedly cutting CSP to fund other initiatives, effectively treating it as a slush fund. Congress should mandate that all watersheds be open to enrollment every year, preferably on a continuous sign-up basis. The sign-up period must be predictable and farmers and ranchers should be provided with plenty of advance notice to facilitate proper and full understanding of program requirements.

The provision that limits participation through development of the category system as discussed above must be eliminated. The "category" and "subcategory" system USDA created is equal to establishing a ranking system and is explicitly prohibited within the statute. Moreover, USDA changes the categories criteria with each sign-up. That has led to mass confusion amongst farmers and ranchers, essentially making it very difficult to truly plan for the program. USDA must eliminate all category and subcategory systems they created to sort out applications.

The Soil Conditioning Index (SCI) should be complemented with the Soil Management Assessment Framework (SMAF). The SMAF is a comprehensive index measuring actual soil quality on the farm. This will level the playing field for farmers using diverse sustainable and organic farming systems. Because it measures actual soil quality, the SMAF should also be used in determining soil quality enhancement payments.

A crop diversity index should be added to CSP eligibility and enhancement payment criteria. The law mandates that special incentives be designed for resource-conserving crop rotations but there is not currently an index in use for the purposes of determining such eligibility or enhancement payment levels. Such an index would reward farmers and ranchers with diverse systems and provide benefits that stretch well beyond the farm or ranch.

In addition, Tier III participation should require adoption of resource-conservation crop rotations and cover cropping systems on all or most of annual cropland enrolled. A great deal of research suggests that the best way to keep nitrogen out of ground water is to include cover crops and sod-based perennials in crop rotations. CSP should be the program to promote and support such cropping systems.

The on-farm research and demonstration provision of the CSP should be fully implemented by USDA and offered with each annual sign-up.

CSP payment rates should be adjusted. The stewardship and maintenance payment currently being used is complex. To simplify the payment, we recommend converting it to a conservation planning payment for the first year and a conservation practice maintenance payment each additional year of the contract. This could be structured to be higher in higher tiers, for example, \$1,000, \$2,000, and \$3,000

for Tiers I, II and III respectively.

We strongly agree that the bulk of CSP payments should continue to come through the CSP enhancement provision. However, we believe USDA should eliminate the declining payment rate for the enhancement provision as described above. USDA should restore the full enhancement payment provision.

NRCS should eliminate the ceiling on CSP cost-share payments. The statute allows NRCS to provide up to 75% for most farmers and 90% for beginning farmers. NRCS has placed a cap of 50% and 65% (for beginners) on CSP cost share. In contrast the Environmental Quality Incentives Program (EQIP) is not capped in this manner and is allowed the statutory flexibility. All programs should be treated the same and given the same flexibility.

USDA must fix the glitches farmers and ranchers found in CSP that narrowed participation. For example, the current regulatory mechanism that requires farmers and ranchers to achieve one-hundred percent of all aspects of the eligibility bar before being allowed into the program is in conflict with the statute, which requires contractual agreements for these requirements. This requirement has kept some very good stewardship oriented farmers and ranchers out of the program. To fix this, USDA should allow the farmer or rancher to make the needed changes as part of his/her conservation plan and require they implement those practices within the contract period. There should be a time limit for when those practices must be completed, for example, within the first year or two of program participation, delaying enhancement payments until the conservation activities are implemented.

Finally, USDA needs to clearly and strictly follow the 2002 Act on CSP payment limits and direct attribution of all payments to real persons. This is critical both to the program's integrity, to controlling the program cost, and to providing clear information to farmers and ranchers throughout the program's implementation.

CSP should be retained in the next farm bill as the primary stewardship incentives program for working lands.

CSP should be retained in the next farm bill as the primary stewardship incentives program for working lands. Great progress has been made in launching the CSP, but post-farm bill funding cuts and misguided administrative implementation decisions have restricted enrollment opportunities to a limited number of stewardship-based farmers and ranchers. This is in direct contradiction to the intent of the 2002 Farm Bill that the program be available nationwide.

There are problems with the program's implementation. The program was not designed to provide a competitive advantage to one farmer or rancher over another, based on any factor other than environmental stewardship, or to farmers and ranchers in one watershed over those farming solely in another. These problems are a direct result of funding cuts and problematic regulations. We hope the recommendations in this report will be enacted and lead to a CSP that truly "rewards the best and motivates the rest."

November 30, 2006

Dear Agricultural Appropriations Conferee:

As you prepare to give final consideration to the Fiscal Year 2007 Agriculture Appropriations bill in December or early next year, we the undersigned national, regional and local organizations urge you to honor the commitment Congress made in the 2002 Farm Bill and keep the final appropriations bill clean of any limitation on the Conservation Security Program (CSP). Our position on this matter is consistent with the action of the Senate Appropriations Committee and President Bush's FY 2007 budget request.

This is a critical moment for the CSP as we head toward consideration of the next farm bill. The CSP has proven itself to be an effective program to secure comprehensive conservation on America's farms and ranches. Since implementation began in 2004, some 20,000 producers in 280 watersheds have enrolled 16 million acres, securing five to ten year commitments to excellence in land care. Water quality, soil quality, wildlife and other resources are being enhanced and maintained at high levels by CSP farmers and ranchers.

The House bill would stop this momentum in its tracks. By capping the program at \$280 million, the House proposal would force USDA to either cancel the 2007 signup previously announced in 51 watersheds (one in each state plus Puerto Rico), or drastically reduce the conservation enhancements in contract upgrades already committed to by CSP participants enrolled in 2005. The House proposal would provide just barely enough funding to make good on previous contract obligations, cover technical assistance costs, and pay for some but not all of the contract upgrades already submitted. The House bill would not, however, provide sufficient funds for new sign-ups in new watersheds in 2007.

The CSP is an essential program to advance our common goals of resource enhancement, environmental protection, and farm prosperity. As a trade-neutral 'green box' program, it is an increasingly critical component in our farm policy tool box. Unfortunately, budget reconciliation and previous appropriations limitations have already resulted in over \$4.3 billion in cuts to the CSP's current and future funding. Unnecessarily rigid constraints have also been placed on CSP technical assistance. We hope Congress in the next farm bill takes corrective action to restore these financial assistance cuts, remove the budget reconciliation caps, and fix the technical assistance constraints. In the meantime, we urge you to do the right thing and allow the program to proceed in this transitional year of 2007 without any further limitations.

Sincerely,

Agriculture & Land-Based Training Association (CA)

Alliance for a Sustainable Future

Alternative Energy Resources Organization (MT)

American Farmland Trust

Appalachian Crafts

Berkshire Co-op Market (MA)
California Certified Organic Farmers
California Coalition for Food and Farming
California Institute for Rural Studies
Californians for GE-Free Agriculture
Campaign for Family Farms and the Environment
Catholic Charities of Kansas City-St. Joseph, Inc.
Center for Food Safety
Central Coast Vineyard Team (CA)
The Center for Popular Research, Education and Policy (NY)
Center for Rural Affairs
Chesapeake Bay Foundation
Church Women United of Chemung County (NY)
Church Women United of New York State
CitySeed, Inc. (CT)
Conservation Districts of Iowa
Cornucopia Institute
Defenders of Wildlife
Equal Exchange
Endangered Habitats League (CA)
Family Farm Defenders (WI)
Farm Fresh Rhode Island
Field to Table (MA)
Food Alliance
Food & Water Watch
Grassroots International
Gulf Restoration Network
Horseheads Grange #1118 (NY)
Illinois Stewardship Alliance
Iowa Citizens for Community Improvement
Iowa Environmental Council

Iowa Natural Heritage Foundation
Izaak Walton League of America
Just Food (NY)
Kansas Rural Center
Land Management Partners
Land Stewardship Project (MN)
Maine Organic Farmers and Gardeners Association
Michael Fields Agricultural Institute (WI)
Michigan Food and Farming Systems – MIFFS
Michigan Land Trustees
The Minnesota Project
Mississippi River Basin Alliance
Missouri Rural Crisis Center
National Audubon Society
National Bison Association
National Campaign for Sustainable Agriculture
National Catholic Rural Life Conference
National Center for Appropriate Technology
National Farmers Organization
National Farmers Union
National Hmong American Farmers, Inc.
Nature's International Certification Services (WI)
Nebraska Wildlife Federation
New England Small Farm Institute
New York Sustainable Agriculture Working Group
North Carolina Contract Poultry Growers Association
Northeast Organic Dairy Producers Alliance
Northeast Organic Farming Association of Connecticut
Northeast Organic Farming Association of Massachusetts
Northeast Organic Farming Association of New Jersey
Northeast Organic Farming Association of New York

Northeast Organic Farming Association of Rhode Island
Northeast Organic Farming Association of Vermont
Ohio Ecological Food and Farm Association
Organic Farming Research Foundation
Organic Valley
Organic Consumers Association
Organic Seed Alliance (WA)
Parish Social Ministry Dept, Catholic Charities of Louisville
Partnership for Earth Spirituality (NM)
Pesticide Action Network North America
Practical Farmers of Iowa
Presbyterian Church (USA), Washington Office
Regional Farm & Food Project (NY)
Rochester Roots (NY)
Sierra Club - National Agriculture Committee
Social Concerns/Rural Life Department, Catholic Charities, Diocese of Sioux City, Iowa
Southeastern Massachusetts Agricultural Partnership (SEMAP)
Southern Sustainable Agriculture Working Group
Sustainable Agriculture Coalition
Sustainable Agriculture of Louisville (KY)
Trout Unlimited
Tuscarora Organic Growers Cooperative (PA)
Union of Concerned Scientists
United Church of Christ
The United Methodist Church - General Board of Church and Society
Veritable Vegetable, Inc.
Vermont Organic Farmers
Virginia Organic Producers and Consumers
The Washington Sustainable Food and Farming Network
Western Mountains Alliance (ME)
Western Sustainable Agriculture Working Group