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The Conservation Reserve Program: Economic Implications for Rural America

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The Conservation Reserve Program (CRP), begun in 1985, currently retires approximately 34 million acres of highly erodible, and other environmentally sensitive, land from crop production for up to 15 years per enrolled acre. Land enrolled in the program is planted to grasses, trees, and other cover, thereby reducing erosion and water pollution, enhancing wildlife populations, and providing other environmental benefits. These benefits, as well as benefits to CRP participants and other crop farmers, have made the program a recurring focus of farm program legislation. From its beginning, however, the program's potential effect on rural economic vitality has been a concern.

What Is the Issue?

Geographically concentrated enrollment in CRP can reduce demand for farm inputs and agricultural marketing services. As a result, it is presumed that the economies of farm communities in areas with high proportions of farmland enrolled in CRP can be adversely affected, and that consequential job losses could contribute to ongoing population decline in such rural areas.

This report, initially prepared at the request of Congress, addresses several questions about CRP's economic, social, and land-use effects. Of particular interest are the effects of CRP enrollment on:

- rural employment and businesses;
- rural population and beginning farmers; and
- opportunities for recreational activities (including hunting and fishing).

What Did the Study Find?

This report finds that, in aggregate, the adverse impacts of the CRP are generally small and fade over time, and that CRP enrollment can have offsetting beneficial effects on rural economies.

High rates of CRP enrollment were associated with some loss of jobs in rural counties between 1986 and 1992, but this negative relationship did not persist through the 1990s. Farm-related businesses, such as input suppliers and grain elevators, continued to lose numbers throughout the 1990s, but nonfarm business expansions eased the community impact. The regional impacts of CRP vary widely and there are economic sectors, households, and communities that benefit

from high levels of CRP enrollment as well as those that are adversely affected. The proportion of whole-farm enrollees (participants who enroll the bulk of their land in the program) relative to partial-farm enrollees (participants who enroll only a fraction of their land) had little impact on employment trends.

At the county level, rural populations were already declining in the early 1980s, and post-1985 population trends were largely unaffected by high levels of CRP enrollment. The level of total CRP enrollment had little bearing on changes in the number of beginning farmers, though whole-farm enrollment was negatively and partial-farm enrollment was positively associated with beginning farmer trends. We found no statistically significant evidence that CRP participation encourages absentee ownership.

CRP has been shown to reduce soil erosion, improve surface water quality, and help support wildlife populations. An overall measure of the benefits attributable to CRP's effects on wildlife and outdoor recreation is not available, but we estimate the program contributes up to \$300 million per year in increased recreational expenditures each year.

How Was the Study Conducted?

ERS analysts employed a number of different datasets and models in conducting this study. Trends in the geographic distribution of CRP land and the characteristics of farm operators participating in the CRP were analyzed using CRP contract data and survey data on farm enterprises. Special attention was given to the differences between whole-farm operators and partial-farm operators. A literature review detailed some of the known environmental and recreation impacts of the CRP, including impacts on soil erosion, wildlife-based recreation, and water-based recreation.

Several approaches were used to investigate whether CRP enrollment affected county-level employment, income, and population. Starting with an econometric analysis of about 1,500 counties where CRP might be important to the local economy, we developed a matched-pair analysis which compares pre- and post-CRP socioeconomic trends in about 200 "high-CRP" to (otherwise similar) "low-CRP" counties. Special attention was given to the effects of whole- versus partial-farm enrollment, the prevalence of absentee landlords, and CRP's impact on farm-related businesses and beginning farmers.

This retrospective analysis is complemented by a separate simulation of a hypothetical termination of the CRP, to predict effects on farm businesses and agricultural production. Data from several years of a national land-use survey are used to predict the disposition of current CRP acreage (if the CRP were terminated), and the resulting changes in agricultural production. Using a model of the U.S. agricultural sector, simultaneous price changes are also predicted. In addition, changes in recreational expenditures are predicted, using data on recreational trips and data on farm receipts for recreational access to CRP land. Predicted changes in production, agricultural prices, and recreational expenditures were then fed into a social accounting matrix multiplier model, yielding predictions of changes in output, employment, and income for several multistate regions under the hypothesized scenario.