



Agricultural and Resource Policy Report

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FOOD, CONSERVATION AND ENERGY ACT OF 2008: ENVIRONMENTAL QUALITY INCENTIVES PROGRAM (EQIP)

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What is the Environmental Quality Incentives Program?

The Environmental Quality Incentives Program (EQIP) is a voluntary program designed to promote agricultural production and environmental quality as dual goals by aiding agricultural producers who face environmental threats to their lands. Under EQIP, the Natural Resources Conservation Service (NRCS) provides assistance to producers to optimize environmental benefits.

EQIP came out of the 1996 Federal Agriculture Improvement and Reform Act (FAIR) as a way to consolidate and organize the functions of several previous programs: the Agricultural Conservation Program, the Water Quality Incentives Program, the Great Plains Conservation Program and the Colorado River Basin Salinity Program. The National Resource Conservation Service (NRCS) administers EQIP, and the Commodity Credit Corporation (CCC) funds it. Areas of focus include improved water quality, reduced soil erosion, surface and ground water conservation, and rangeland improvement.

The national program priorities are:

- reduction of non-point source pollution, reduction of groundwater contamination, and conservation of ground and surface water resources
- reduction of emissions such as particulate matter,

nitrogen oxides, volatile organic compounds, ozone precursors, and depleters

- reduction in soil erosion and sedimentation to acceptable levels on agricultural land
- habitat conservation

Funds are allocated nationally to the states according to these priorities; from there, the State Conservationist identifies specific state priorities and allocates accordingly. Some authority may also be shared at the local level.

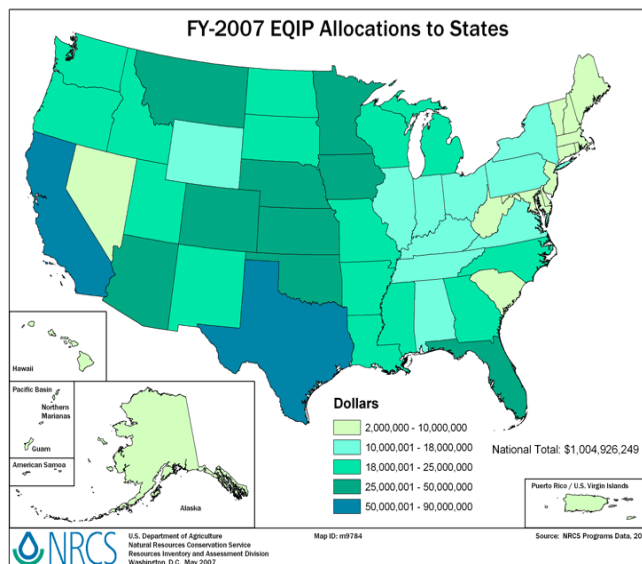
In the 2008 Farm Bill, payments are limited to 75% of the project costs and individual payment limits are set at \$300,000 during any 6-year period (except in cases of significant environmental significance). Sixty percent of the payments continue to go to livestock production. Of all of the money spent on this program, \$37.5 million annually goes to help farmers implement environmental quality plans. Congress mandated annual funding at \$73 million for fiscal years 2009-2010, \$74 million for 2011, and \$60 million annually for each year 2012 or later. There are also provisions for farmers changing to organic farming with 3-4 years of protection.

How does this affect Colorado?

Over the course of the 2002 Farm Bill (from 2003-2008), the Colorado state NRCS allocated

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\$171 million to EQIP programs. This covered 6,923 contracts on 3,335,703 acres. The above map shows state EQIP funding allocations for fiscal year 2007; Colorado is in the second-highest funding tier. As of October 16, 2008, national funding for EQIP for 2008 has increased \$200 million over the original \$7.325 billion award for fiscal years 2008-2012. Project areas for Colorado include agro-forestry, forestry, grasslands, livestock waste, riparian, river restoration, salinity, soil erosion, water quality and quantity, and wildlife.



What has changed for the 2008 Farm Bill?

The following table presents a comparison of EQIP provisions in the present versus past legislation:

Previous Legislation	2008 Farm Bill
EQIP funding was \$4.92 billion for FY 2002-07.	Mandates Commodity Credit Corporation (CCC) funding of \$7.325 billion for FY 2008-12. Subject to conservation access provision requiring 5% of funds be made available for beginning farmers and another 5% for socially disadvantaged producers.
Purpose was to promote agricultural production and environmental quality as compatible goals and to optimize environmental benefits.	Revises purpose to "promote agricultural production, forest management, and environmental quality as compatible goals."
Nearly all types of agricultural land were eligible for EQIP, but 60% of funding was set aside for livestock producers. Eligibility of livestock farms was no longer limited by number of animal units.	Retains provision
No similar provision.	Conservation practices related to organic production and transition are now eligible, but payments to producers or entities are limited to \$20,000 annually and \$80,000 over 6-year period.
Participants were required to develop conservation plan stating intended practices and describing environmental purposes. Confined livestock feeding operations also had to prepare comprehensive nutrient management plan.	Retains provision
Contracts were for 1-10 years.	Contract length is unchanged.
Cost sharing for most structural and vegetative practices was at 50% rate, but cost sharing could be as high as 75% (90% for limited-resource or beginning farmer or rancher). Land management practices and comprehensive nutrient management plans were eligible for 3 years of incentive payments in amounts necessary to induce adoption.	Extends cost sharing to include land or forest management practices and development of conservation or comprehensive nutrient management plans. Limits payments for any practice to 75% of practice costs and 100% of income foregone from practice installation. Beginning, limited-resource or socially disadvantaged farmers or ranchers are eligible for cost-share rates at least 25% above otherwise applicable rates (up to 90%) and advance payments of up to 30%.

Table continued....

EQIP payments were not subject to annual limit, but were limited to \$450,000 for any individual or entity, directly or indirectly, during any 6 year period.	Limits EQIP payments in aggregate to \$300,000/person or legal entity during any 6-year period. For projects of special environmental significance, Secretary may allow payments up to \$450,000 during any 6-year period.
Criteria for ranking program applications included national conservation priorities and cost-effectiveness of practices. Removed provision that allowed applicants to be assigned higher priority if producer offered to accept lower payments ("bidding down" option) and precluded prioritizing on basis of least cost.	Additional ranking criteria include how comprehensively project addresses resource issues, and whether it improves or completes conservation system. To the extent practicable, similar crop and livestock applications are to be grouped for evaluation purposes. Maintains "bidding down" prohibition on prioritizing on basis of least cost.

Source: USDA ERS (2008)

What are the policy implications?

A 2006 nationwide producer survey found that working lands programs were one of the top priorities for producers for the 2007 Farm Bill, especially small producers (those with less than \$100,000 annual income from farm activities). Indeed, federal agricultural policy has been increasingly shifting towards policies such as working lands programs since the 1990s. The majority of USDA conservation payments now come from working lands or land retirement programs.

Working land programs often have greater environmental benefit per program dollar than other program types because environmental practices can be improved on lands that lack sufficient incentive to remove them from production. Because those lands remain in production, payments to producers can be less than the full agricultural value of the land. Such programs can address a broad range of environmental concerns specific to particular areas, and therefore encompass an array of practices. These programs can help producers maintain the long-term productive capacity of the land. Additionally, they may help producers mitigate other regulation costs. Retirement of specific environmentally sensitive sections of larger land parcels (such as stream buffers) is also possible under working land programs without requiring that the entire parcel be retired.

Working lands programs also face challenges. For instance, management for environmental purposes may compete with management for production purposes and the producer will have to allocate activities accordingly. Some conservation practices also require technical support, which is not always readily available, to achieve proper design and implementation. Monitoring and enforcement of recommended practices are

also more difficult on working lands than on lands that are retired from production.

What do people think?

Water and soil erosion topped national producer conservation goals in a 2006 Farm Foundation poll, favored by 84% and 88% of producers respectively. The survey asked what types of federal assistance producers preferred to meet several environmental policy objectives. For water quality protection goals, Colorado producers' responses were very similar to those of producers nationally: 20.1 percent of Colorado producers and 19 percent nationally favored technical assistance only, while 62.6 percent of Colorado producers and 65 percent nationally favored a combination of technical and financial assistance. Some producers (7.5 percent in Colorado and 7 percent nationally) preferred no federal assistance, while others (9.8 percent in Colorado and 9 percent nationally) had no opinion.

When asked what kind of federal assistance they thought should be provided for soil erosion control, which has been a focus of conservation titles since the 1985 Farm Bill, the clear majority of producers preferred a combination of technical and financial assistance. Specifically, 58.8 percent of Colorado producers and 65 percent of producers nationally favored this combination of support. Another 25.8 percent of Colorado producers and 23 percent of national producers preferred technical assistance only. Only 7.7 percent of Colorado producers and 7 percent of national producers wanted no technical assistance, while 7.6 percent in Colorado and 7 percent nationally had no opinion.

For the wildlife habitat protection goal, 28.5 percent of Colorado producers favored technical assistance, 44.4

percent preferred a combination of technical and financial assistance, 17.5 percent favored no assistance, and 9.5 percent had no opinion. These were in line with opinions in the nation overall, where 28 percent of producers were in favor of technical assistance only, 44 percent in favor of a combination of technical and financial assistance, 17 percent preferred no assistance and 10 percent had no opinion.

Who is eligible?

Eligible parties are livestock or agricultural producers on various types of land, including cropland, rangeland, pasture, private non-industrial forestland, and other farm or ranch lands. All applicants must comply with the highly erodible land and wetland conservation (sodbuster and swampbuster) provisions of the 1985 Farm Bill.

As with most Farm Bill programs, participants are subject to the Adjusted Gross Income (AGI) limitation: participating individuals or entities must not have an AGI exceeding \$1 million for the three tax years preceding the year in which the contract is approved. An exception is made when at least 2/3 of AGI comes from farming, ranching, or forestry operations.

EQIP payment rates may be up to 75% of practice costs and 100% of the income forgone from practice installation. Such practices include grassed waterways, filter strips, manure management facilities, capping abandoned wells, and other practices that improve and maintain natural resource health.

Beginning, limited-resource or socially disadvantaged farmers or ranchers are eligible for cost-share rates at least 25% above otherwise applicable rates (up to 90%) and advance payments of up to 30%.

How do I apply?

Information for online sign-up by Colorado watershed is available at <http://www.co.nrcs.usda.gov/programs/eqip/eqip.html> under "EQIP Sign-up Information Online." This links you to the eligible conservation practices for your area, the ranking tool that will be used in project evaluation, and the application forms. Applicants must develop a conservation plan that lays out intended practices and describes their environmental

purposes. The USDA also has an online cost determination tool to help producers evaluate their eligibility. This tool is available at <http://www.nrcs.usda.gov/programs/smlfarmer/tool.asp>.

EQIP evaluates applications based on a set of national environmental priorities: reducing nonpoint-source pollution, reducing particulate matter, reducing soil erosion and sedimentation, and promoting habitat conservation. As noted in the chart above, ranking criteria include the application's alignment with national conservation priorities, the cost-effectiveness of those procedures, how completely the project addresses resource issues, and whether it improves or completes conservation systems. Applications will not be evaluated on a least-cost basis.

Who do I contact for more information?

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