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FARM SECURITY AND RURAL INVESTMENT ACT 2002 TITLE II: CONSERVATION ENVIRONMENTAL QUALITY INCENTIVES PROGRAM

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- *The new EQIP budget is \$9 billion, making it the most highly funded program in the Conservation Title.*
- *Funding caps have increased 9-fold to \$450,000 under the new EQIP.*
- *All livestock operations now have access to all EQIP programs.*

The Environmental Quality Incentives Program (EQIP) was established in the 1996 Farm Bill to provide a voluntary conservation program for farmers/ ranchers facing severe threats to soil, water and natural resources for agricultural related land. EQIP combined the Agricultural Conservation, Water Quality Incentives, Great Plains Conservation, and the Colorado River Basin Salinity Control programs. EQIP is administered by NRCS, funded through CCC, and is facilitated by FSA. CSREES is a partner in the implementation of EQIP. Producers can receive technical, educational and financial assistance for regulatory compliance, environmental enhancement, and conservation planning for implementation of approved practices. Under the Farm Bill 1996 producer demand exceeded the supply of funds for this program by five fold.

Program background and history

Under the 1996 Farm Bill, the Secretary assists producers to implement changes in soil improvement, water and related natural resources including grazing lands, wetlands and wildlife habitat. This assistance is in the form of cost share for conservation practices and incentive payments for environmentally desirable land use practices. All support from EQIP requires the design and implementation of a site-specific conservation plan. Under the 1996 Bill, EQIP contracts commitments were for 5 – 10 years. The cost share for conservation practices shall not exceed 75 percent of the cost of implementation of approved practices. Producers who follow the guidelines and implement the management practices agreed upon in their plan/contract receive technical assistance, education, and/or incentive payments at a rate and amount to be determined by the Secretary. Incentive payments for land management are for less than 3 years in duration and have been allocated for nutrient management, manure management, irrigation water management and incentive program management. EQIP puts a focus on conservation priority areas striving to maximize environmental benefits per dollar spent, and by increasing the involvement of communities through locally led conservation entities.

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Extension programs are available to all without discrimination.

Priority Areas

Under the 1996 Farm Bill, locally identified priority areas drove the EQIP program. Local conservation districts identified local needs and priorities and proposed them to the State Conservationist, who prioritized areas with the assistance of the State Technical Committee. Applications were ranked according to environmental benefits achieved weighted against the costs of applying the approved practices. At least 65 percent of EQIP funds were spent on priority areas and up to 35 percent were used for other statewide natural resource concerns. The principal attributes of priority areas were to be watersheds, regions or areas of special environmental sensitivity or having significant soil, water, or other related concerns involving natural resources. Additional natural resource concerns include soil erosion, water quality/quantity, wildlife habitat, wetlands, forestlands and grazing lands.

Eligibility

Under the 1996 Farm Bill people engaged in livestock or agricultural production were eligible under these conditions:

- Owners and producers of cropland, rangeland, pasture, forestland, and other farm or ranch lands where the program was delivered;
- Owners or producers of large confined livestock operations (>1000 AU) could not receive cost-share assistance for animal waste storage or treatment facilities;
- Large livestock producers could receive technical, educational, and financial assistance for other conservation practices;
- Total cost share & incentive payments could not exceed \$10,000 per year or \$50,000 for the duration of the contract.

Under the 2002 Farm Bill people engaged in livestock or agricultural production were eligible under these conditions:

- A producer that implements an approved structural or land management practice, or develops a comprehensive nutrient management plan will be eligible to receive incentive payments on cropland, grassland, rangeland, pasture, private, non-industrial forestland, and other agricultural land deemed a serious threat to soil, air, water or related resources;
- Large livestock producers are not excluded from cost-share assistance for animal waste storage or treatment facilities;

- Total cost-share & incentive payments should not exceed \$450,000 from FY 2002 to 2007.

Funding/Payment

The total budget for EQIP was \$1.3 billion under the 1996 Farm Bill, \$130 million for FY 1996 and \$200 million/yr for FY1997-2001. Conservation practices for natural resources concerns related to livestock production received greater than or equal to 50 percent of the funding. The remaining budget was intended for other significant conservation priorities such as irrigation, water management for soil erosion reduction and water quality improvements. For FY2001 the \$200 million budget was allocated as follows:

- \$158 million for financial assistance
- \$3 million for educational assistance
- \$38 million for technical assistance

The total budget for EQIP is an estimated \$9 billion under the 2002 Farm Bill, or a six-fold increase in annual budget, making EQIP the most highly funded program in the Conservation Title. The annual EQIP budget will ramp up from \$1.1 billion in FY2002 to \$1.3 billion in FY2004-2007. Conservation practices for natural resources concerns related to livestock production will receive at least 60% of the funding. The remaining 40% is targeted to crop producers. EQIP conservation plans are expanded to include 1 to 10 year contracts. Like the 1996 provisions, cost-share must not exceed 75% of costs. However, beginning farmers/ranchers or limited resource producers can receive up to 90% cost share under the new program.

Other EQIP Changes

Distinct from the 1996 Bill, the Secretary has explicit authority to provide incentive payments to producers of annual and perennial crops, such as tree nuts or fruits. Incentive payments emphasize residue, nutrient, pest, invasive species and air quality management. In addition, the new bill includes competitive grants research into for environmental enhancement and protection at a rate of up to 50% cost share. These grants will be awarded for proposals that include EQIP participant involvement and focus on topics including soil carbon sequestration and market systems for pollution reduction. The 2002 Farm Bill changes the ranking of program priority areas to be based on national rather than state or local environmental priorities, comprehensive nutrient management plans (CNMP) may be acceptable conservation plans for livestock operations and large livestock operations are not eligible for all parts of the program.

Water Conservation Program Under EQIP

The Water Conservation Program (WCP) is found within the EQIP program. Under the WCP, producers shall receive cost share assistance, incentive payments and loans to carry out conservation measures to conserve ground and surface water. The funds shall be used for improved and efficient irrigation systems, less water-intensive agricultural operations as well as dry land farming alternatives. The total budget of \$600 million is to be allocated as follows: \$25 million FY2002, \$45 million FY2003, and \$60 million per year FY2004-2007. In addition, \$50 million shall be used to implement water conservation activities for Klamath Basin (California and Oregon), available as soon as possible at the discretion of the Secretary.

Perspectives on EQIP

According to 2001 National Survey of Producer Preferences for Federal Agricultural Policy, producers were generally supportive of incentive based voluntary environmental programs. However, they were generally opposed to regulatory solutions including the enforcement of total maximum daily load limitations (TMDL) to improve water quality and to federal AFO regulations. The survey revealed that small producers

were less opposed than large producers in both cases. Environmental groups have been generally supportive of incentive based programs like EQIP, but also tend to support regulatory solutions to environmental problems. Significant factions within producer and environmental groups have voiced concerns over the substantially higher payment limits and the inclusion of large livestock operations in the new Bill. The concern is that a disproportionate amount of EQIP funds will now go to subsidize the operation of large livestock operations rather than provide technical assistance to smaller operations. Anticipated changes in the Clean Water Act in 2003 and the Clean Air Act in 2004-5 affecting livestock operations should make EQIP a relatively high profile program.

EQIP Resources

- USDA site: www.usda.gov/farmbill/
- NRCS EQIP site: <http://www.nrcs.usda.gov/programs/eqip/>
- Farm Foundation Publications and National Producers' Survey site: http://www.farmfoundation.org/2002_farm_bill.htm
- Environmental Working Group Database: <http://www.ewg.org/>