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Agricultural Outlook Forum

Presented: February 17, 2006

EXTERNAL FORCES AFFECTING CONSERVATION

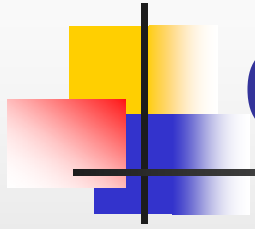
Don R. Parrish  
Senior Director  
Regulatory Relations  
American Farm Bureau Federation



# Conservation and the Farm Bill

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Don R. Parrish  
Senior Director  
Regulatory Relations  
American Farm Bureau Federation



# Outline -

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- Overview
- Politics
- Internal/External Forces
- The \$MONEY\$
- Long-term Outlook



# Conservation Programs

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- Land Retirement
  - CRP
  - WRP
- Working-Lands
  - EQIP
  - Continuous CRP
  - WHIP
  - CSP
- Land Preservation
  - FRPP
  - GRP
- Technical Assistance
- Compliance
  - Conservation Compliance
  - Sodbuster
  - Swampbuster



# Internal/External Forces

## Near-term Outlook

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- Chairmen of both the House and Senate Ag Committees are hearing that farmers like the current Farm Bill
- *Political Dynamic* has changed
- White House wants to be a significant player in the next Farm Bill

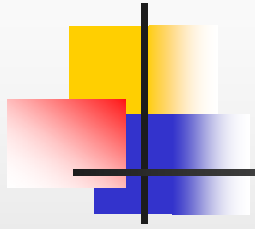


# Internal/External Forces

## Near-term Outlook

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- Some environmental/conservation interests want more resources shifted from commodity programs to conservation programs
- Other environmental/conservation interests want more of the existing conservation resources focused on land retirements
- Farmers and ranchers are interested in maintaining balance
  - Within and Among
    - Commodity funding
    - Land retirement programs
    - Working lands programs



# Initial Policy Forums

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- Farmers and ranchers anticipate change
  - Wants –
    - Better safety net
    - Rewards for conservation
    - Help adjusting and transitioning
    - Regionalization
    - Support for National priorities – energy, food security, rural development





# Initial Policy Forums

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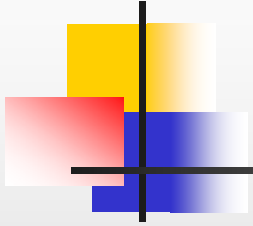
- Environmental/Conservation groups anticipate change
  - Wants –
    - Habitat friendly agriculture
    - Measurable ecosystem improvements
    - Land retirements
    - Conservation Compliance
    - Programs that restore water quality and increase water quantity
    - Programs that address carbon emission/climate change



# Conservation Realities

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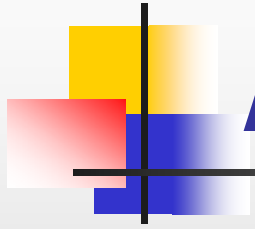
- From 1985 – 2002, most conservation dollars went to retire land from crop production.
- In 2002 – Congress authorized an 80% increase in conservation funding over previous programs – mostly directed at “working lands programs.”



# Issues Revolving Around the 2007 Farm Bill

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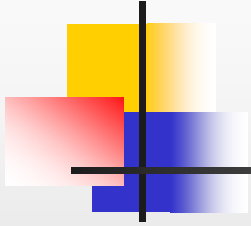
- Income support
  - Direct income supports
  - Indirect price supports
  - Crop Insurance
- Environmental programs
  - Conservation Compliance
  - Land retirement
  - Cost share
  - Land Preservation
  - Green payments
  - Technical Assistance



# Agricultural Diversity

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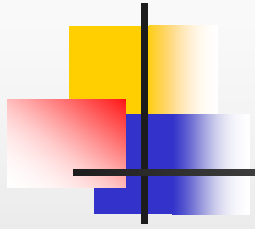
- Over the last 50 years
  - Production has doubled
  - Farm numbers dropped by 2/3
- 150,000 – 250,000 farmers produced most of our food and fiber



# Agricultural Diversity (continued)

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- Program Crops – cotton, corn, soybeans, wheat, rice, barley, grain sorghum, dairy and sugar
- These products, grown on almost every farm in the 1930s, are produced today on approximately 30% of all farms and account for just 20% of the total value of agricultural sales. (*Food and Agricultural Policy- USDA*)

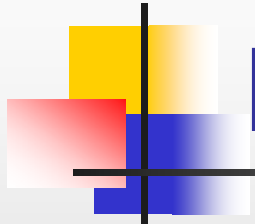


# Agricultural Diversity (continued)

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*In 1999 –*

- *Net Farm Cash Income = \$55.7 billion*
- *Off-farm Sources = \$124 billion*



# Drivers of Change

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- Globalization and competition
- World Trade Rules
- Technology
- Federal Budget and attitudes about appropriate level of entitlements
- Public preferences
- Profitability
- Market based environmentalism (Trading)

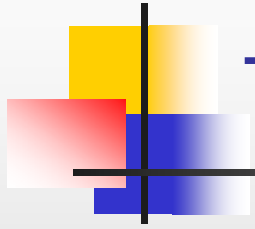


# Future Farm and Conservation Policy

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- What is WTO green box –
  - The amount of payment shall be limited to the extra costs or loss of income involved in complying with government programs.





# The Future of Conservation Policy

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- Currently a blank page
  - Rewards good performers
  - Achieve the most Benefit per \$ expended
  - Assists with regulatory compliance
  - Incentive-based rather than regulatory

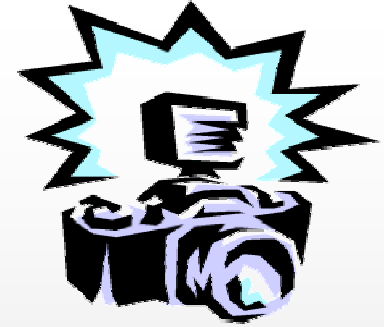
# 2005 CBO Conservation Funding Baseline and % of Total Ag



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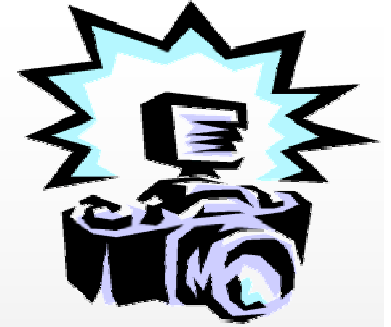
- 2006 ... \$4.3 Billion ... 22.2%
- 2007 ... \$4.6 Billion ... 27.5%
- 2008 ... \$4.7 Billion ... 31.9%
- 2009 ... \$5.3 Billion ... 35.5%
- 2010 ... \$5.2 Billion ... 35.6%

# Future Farm and Conservation Policy



- Political, state and regional differences will become more important –
- Profitability will always be THE key to environmental performance –
  - Voluntary and incentive based
  - Compliance driven

# Future Farm and Conservation Policy



- Agriculture owns and/or manages 2/3 of the Nation's land
- Agricultural "output" will likely be broadly defined –
  - Rural landscape amenities
    - Wildlife habitat
    - Wetlands
    - Water and Air quality
  - Food security
  - Fiber
  - Timber