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Testimony on “*Formulation of the 2012 Farm Bill: Conservation Programs*”

To the
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Subcommittee on Conservation, Energy and Forestry

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Good Morning,

Chairman Thompson, Ranking Member Holden and other Members of the Committee, thank you for inviting me to testify today. My name is Jon Scholl. I am the President of American Farmland Trust, which is headquartered in Washington, DC. I am also a partner in a family farm in McLean County, Illinois.

American Farmland Trust is an organization that has for the last thirty years worked at the intersection of agriculture and the environment. We work to protect farmland and promote sound stewardship while keeping farms and ranches economically viable. Before joining American Farmland Trust, I had the privilege of serving for four years as the Agricultural Policy Counselor to the Administrator of the United States Environmental Protection Agency during the Administration of George W. Bush. Before that, I worked at the Illinois Farm Bureau for 25 years in a variety of capacities.

I want to start by thanking Chairman Lucas and Ranking Member Peterson, as well as Subcommittee Chairman Thompson and Ranking Member Holden, for taking the initiative to work on the Farm Bill this year in the midst of all the partisanship and budget challenges here in Washington. I look forward to working with you to pass a Farm Bill this year, because we all know that the budget situation will likely be worse if we are forced to wait a year.

As someone involved in my family’s farm operation, a former EPA agricultural appointee, and the President of American Farmland Trust, I have seen the benefit of the Farm Bill conservation programs from many different angles. These programs are critically important tools for meeting the conservation challenges that we face.

Having spent my life in agriculture, I know that farmers and ranchers across this country feel increasing environmental pressure as concerns mount over threats to soil, water quality, air quality, and wildlife. This pressure is coming not just from regulators, but from citizens and, increasingly, the corporations to whom we sell our products. At the same time, I know that farmers and ranchers have a deep regard for the land and take their responsibility as stewards very seriously. The Farm Bill conservation programs are the key bridge between this stewardship ethic and the pressures that farmers face. They are the “fair deal” between producers and the rest of society, where both parties contribute resources and both benefit, whether from greater resilience and efficiency on the farm or from abundant natural resources and a cleaner environment. In a world where we try to solve most environmental problems through regulations, these programs are voluntary and incentive-based. They work for farmers, which means that they also work for the environment.

Between the conservation programs, conservation compliance, and independent efforts, farmers and ranchers have already made big conservation gains. They reduced soil erosion by 40 percent between 1982 and 1997. They retired over 30 million of their most sensitive acres, turning them over to native plantings that provide wildlife habitat and build healthy soils. And they reduced losses of nitrogen and phosphorous by a fifth to a half in the Upper Mississippi River Basin and the Chesapeake Bay Region. Benefits in other areas of the country will be disclosed in future USDA reports.

Nevertheless, there is much more work to be done. Indeed, the U.S. Department of Agriculture indicates that the agriculture sector is the largest source of nutrient loading in the country’s impaired rivers and lakes and a major source of air pollutants like ammonia, nitrous oxide, and methane. Agriculture is also the source of seven percent of U.S. greenhouse gas emissions. According to USDA, 62 percent of the cropped acres in the Upper Mississippi River Basin require additional conservation treatment, and 15 percent are “critically under-treated.” In the Chesapeake Bay, 80 percent need treatment and 19 percent are critically under-treated. These numbers are not just abstract figures; they are a threat to the strength and resilience of American agriculture. Farm and ranch production depends on natural resources like healthy soil and abundant, clean water.

At the same time, world food demand is exploding. By 2050, the world will hold 2.3 billion more people. Incomes will rise, leading to more demand for meat and dairy products. World consumers will require over a billion more tons of grain and 200 million more tons of meat. Overall, food production will have to increase by 70%. This astonishing rise in demand represents an opportunity for agriculture as an industry, but it will also intensify pressure on natural resources.

Clearly, if we are going to maintain a thriving agriculture sector, continue to protect our natural resources, and provide the food security that is so central to our national security, we must have a strong Conservation Title in the next Farm Bill. We cannot lose ground. This will be a challenge given the budget constraints that we face, but we at American Farmland Trust have some proposals that can help achieve that goal. We developed these proposals through workshops with farmers and ranchers from across the United States and extensive research.

Funding

Adequate funding is critical to the success of the conservation programs. However, given the budget environment, we believe that the funding level established in the Agriculture Committees' recommendations to the Super Committee is a fair deal. This proposal limited the Conservation Title cut to roughly \$6 billion, or ten percent of the ten year baseline, and the Senate's draft bill does the same. I urge the House Agriculture Committee to hold the line on this funding level.

The need and demand for the conservation programs is so great that in any other situation I would be telling you that we need more money. We have a great suite of conservation programs in place to deliver that assistance, but the funding is never adequate to meet the demand.. For example, 4 out of every 10 applications for EQIP assistance had to be rejected for lack of funding in FY 2010. The Farm and Ranch Land Protection Program has a backlog of a whole year of projects waiting for funding. Producers are waiting to enroll hundreds of thousands of acres in the Wetlands Reserve Program and Grassland Reserve Program, and millions of acres in the Conservation Stewardship Program. When farmers and ranchers are lined up to do the right thing for their operations and for the environment, and they are making a substantial investment of their own money, Congress should be willing to help. I know that you have difficult decisions to make, but I urge you to keep these important factors in mind when making your funding decisions.

Farmland Protection

One of the most important functions the Conservation Title plays is to protect farm and ranch land from development and ensure that it is available for productive agriculture. The need is great. Our country lost 23 million acres of farmland to development between 1982 and 2007, an area the size of Indiana, yet we are expected to produce more food, fiber and fuel than ever before. Every minute of every day, more than an acre of farm and ranch land is lost to agriculture forever.

Luckily, there is a solution: the permanent protection of farm and ranch land. As of July 2011, state and local government farmland protection programs in 30 states had collectively protected over 2.5 million acres of agricultural land, with help from federal programs. In addition, this mechanism has been shown to help facilitate the transfer of farms to the next generation within farm families, to enable beginning farmers to access land at an affordable price, to support local economic development activity and to encourage investments by farm-based businesses in farm communities stabilized with protected farmland.

Today, both the Farm and Ranch Land Protection Program (FRPP) and the Grassland Reserve Program (GRP) contribute to the permanent protection of farm and ranch land. Since its creation in 1996, FRPP has helped state and local governments and private partners in the land trust community protect over 810,000 acres of valuable agricultural lands. Since FRPP works through local partnerships that leverage state, local, and private funds, FRPP projects have leveraged nearly two non-federal dollars for every federal dollar spent. In addition, the local entities handle the lion's share of the administrative duties involved in completing projects.

Given the budget situation and the call for simpler conservation programs, we support the creation of a consolidated working lands easement structure to take over the functions of FRPP and GRP. We believe this will reduce bureaucracy and make the system easier for farmers and ranchers to use. Both the Super Committee proposal and the Senate draft bill include an Agricultural Land Easement (ALE) option that would achieve this goal.

Any new consolidated easement structure must reflect the core principles that American Farmland Trust has advocated for over many years. We call them the Three P's: purpose, permanence and partnerships. First, the purpose must be to protect working lands and keep them working. Second, all easements must be permanent. And finally, the easements must work through local partnerships that provide flexibility and leverage non-federal funds. As part of the partnership structure, we feel it is important that local entities be required to contribute some cash matching funds to ensure that they have skin in the game. The draft Senate bill's ALE program embodies these principles and I urge this Committee to follow this tried-and-true formula as you put together your easement package.

The Three P's are noteworthy in part because they distinguish working land easements from the other main easement program in the Conservation Title, the Wetlands Reserve Program (WRP). WRP retires land from production rather than protecting working lands, includes term easements as well as permanent easements, and operates in a top-down manner with the Natural Resources Conservation Service (NRCS) executing the transaction directly with the landowner, rather than through state and local partners. While we strongly support WRP and recognize that there is a desire to consolidate all of the easement options into one program, we believe that it is critical that any consolidation proposal reflect these key differences. The Senate's proposed Agricultural Conservation Easement Program achieves this differentiation nicely.

Another feature that will help working land easements be efficient and effective is a certification process for partners. This will allow highly experienced partners to carry out farmland protection work with fewer bureaucratic requirements from NRCS, including less frequent updates of the partner's formal agreement with the agency. This process reflects the reality that some state and local entities have been engaged in farmland protection work longer than USDA and have sophisticated programs that are tailored to local needs. Certification ensures effective oversight with the minimum regulatory burden. Both current law and the Senate's draft bill include a provision for a certification process for partners, and I encourage the House to do the same.

I urge the Committee to provide robust funding for a consolidated working lands easement option in your final bill. In addition, if you choose to consolidate working lands easements and wetlands easements under one umbrella, there must be a firewall between the funding for the two options. We support the structures in the Super Committee proposal and the draft Senate bill, which achieved this firewall while also allowing some level of flexibility within individual states.

Strategic Conservation

One of the best opportunities we have to advance conservation in spite of tight budgets is to adopt what we call "strategic conservation." Historically, our conservation delivery system has

been designed to provide assistance to anyone who signed up as a cooperator. This has done a great job getting a base of conservation on the land, but when you measure it against the significant challenges we face as an industry, it can amount to what NRCS Chief Dave White calls “random acts of conservation.” Prior Farm Bills have started a move to more strategic conservation through programs like the Cooperative Conservation and Partnership Initiative (CCPI) and the Agricultural Water Enhancement Program (AWEP). We need to continue that move in the coming Farm Bill.

Strategic conservation is founded on the basic principle that all acres are not created equal. Conservation challenges are concentrated in particular parts of the landscape. For instance, some fields are more prone to runoff than others, some watersheds have more acute water quality problems, and some regions contain more threatened wildlife habitat. We need to have a mechanism to concentrate our efforts in these areas and get a critical mass of conservation on the ground. This strategic approach will help us to really move the needle on our most critical conservation challenges, which in turn will help stave off or beat back regulation and demonstrate to the public that agriculture is improving the environment.

Past efforts to focus on critical areas have been derailed when it seemed that bureaucrats were making arbitrary decisions as to which areas were important and which were not. This is why we support a bottom-up model where local stakeholder partnerships identify a conservation challenge and apply through a merit-based system to receive NRCS assistance in addressing it.

One of the most important benefits of strategic conservation is that producers can be involved in driving the effort. Farmers and ranchers know best what works on their land and, with technical assistance support, how to implement it most effectively. Involving them upfront in a strategic initiative with a clearly defined goal can help the initiative succeed by improving participation and developing win-win solutions. For instance, the success of the NRCS Sage Grouse Initiative is due in part to the leadership of local ranchers, who saw the production benefits of improving wildlife habitat.

AFT has had success leading a CCPI project to reduce nitrogen losses in the Upper Salt Fork Watershed in Champaign County, Illinois. This project has significantly raised awareness of the issue and used targeted approaches to increase adoption of innovative practices that retain nitrogen fertilizer on farmland, including split fertilizer applications. Local farmers and conservationists alike have praised the partnership-based project structure.

Strategic conservation can do a lot for the cost-effectiveness of conservation. For instance, according to USDA, conservation efforts in the Upper Mississippi River Basin would be four-to-five times more effective at stopping per-acre phosphorous, nitrogen and sediment losses, if they were applied to the right acres. This shows in stark terms just how effective it is to focus conservation efforts on “critically under-treated acres.” By conducting scientific assessments at the beginning of the effort, strategic conservation efforts can identify these critical acres and direct financial and technical assistance to the producers who manage them. This simultaneously helps the farmers who are most in need and maximizes environmental benefits from our limited conservation dollars.

Finally, strategic conservation can strengthen the current conservation delivery model by enabling partnerships among diverse stakeholders. Partnerships are critical to the success of efforts that involve a wide variety of interests and that cross political jurisdictions, as many resource concerns do. They can improve outreach and engagement, bring additional resources to the table, break down administrative barriers that would otherwise exist, and extend the life of the project beyond the day when the federal funding dries up.

The 2012 Farm Bill must enshrine strategic conservation as an essential tool in the conservation toolbox and outline standards and procedures to ensure effectiveness and accountability. In order to be most effective, individual projects should be able to draw on each of the core conservation programs—working lands, easements, and land retirement—so that they always have access to the right tool for the job. To ensure that the strategic conservation model demonstrates its worth and maintains the support of agricultural producers and taxpayers alike, we propose that every project should be required to collect outcomes data and provide public reports on their achievements. The Super Committee proposal and the draft Senate bill both included a Regional Conservation Partnership Program that fits this model, and I urge this Committee to include a similar structure in your bill.

The potential benefits of strategic conservation are so great that we would support devoting up to 20% of the mandatory funding for the core conservation programs to this approach. This would reserve the majority of conservation funding for producers across the landscape, while making a bold investment to help solve the most vexing conservation challenges that we face.

Conservation Stewardship Program

We strongly support the Conservation Stewardship Program (CSP) because we believe it plays a unique role in the suite of conservation programs. In light of budget constraints, CSP's distinctive aspects must be accentuated to ensure that it complements the Environmental Quality Incentives Program, and steps must be taken to ensure that CSP is delivering the maximum additional benefits with every contract.

CSP's unique features include:

- 1) Whole-Farm Systems: CSP requires producers to enroll their entire operations and focuses on management-based conservation systems that apply to the entire production system, not single practices for individual areas of the farm.
- 2) Five-to-Ten-Year Contracts: CSP contracts last for five years with the possibility of renewal for another five years, as opposed to EQIP contracts, which finish when the conservation practice has been applied. This enables adoption of more complex conservation systems.
- 3) Baseline Performance: Producers must have attained a “stewardship threshold” of conservation for at least one resource concern prior to enrolling in the program, which gives producers an incentive to apply basic conservation, either through EQIP or independently, in order to gain acceptance into CSP.
- 4) Minimum Performance Requirement: Producers must attain the stewardship threshold for at least one priority resource concern by the end of their contract term. This focuses the program on the most important local problems and gives producers a target to shoot for.

- 5) Performance Measurement: Acceptance into the program and level of payments are based on the additional conservation performance that producers commit to achieve over the life of their contract. This represents the beginning of a much-needed paradigm shift in the conservation programs, from focusing on the “outputs” that program can achieve, such as acres of practices or miles of fence, to focusing on the actual conservation “outcomes” that deliver real benefits for the land.

Given these unique benefits of CSP, we believe that EQIP and CSP must remain separate, rather than being merged. The distinctions between them are too great. However, it is imperative that EQIP and CSP be coordinated so that producers are not confused and each program can specialize and excel in its own objectives. We believe that the following proposed changes would make CSP both more distinct from EQIP and more complementary of it. Our three main program changes—strengthening the focus on priority micro-resource concerns, improving additionality, and continuing the move towards pay-for-performance conservation—make it clear that CSP is focused on helping farmers and ranchers *take additional steps to achieve a high level of conservation performance on a whole-farm basis*. EQIP remains the go-to program for addressing discrete conservation challenges on an operation and implementing a basic level of conservation.

First, we propose that the program ranking criteria be modified to strengthen the focus on local conservation priorities. Currently, NRCS state conservationists select 3-5 priority *macro*-resource concerns, out of a total of 8, to focus on in the different regions of their state. These *macro*-resource concerns are relatively blunt instruments: Soil Erosion, Soil Quality, Water Quantity, Water Quality, Air Quality, Plants, Animals, and Energy. We recommend that state conservationists instead be required to select 5-6 priority *micro*-resource concerns out of a total of 28. *Micro*-resource concerns are much more detailed. Examples include gully erosion, soil salinity, insufficient water, nutrient loss, airborne soil particulates, and terrestrial wildlife. Prioritizing at this finer level would significantly strengthen the program’s focus on the most pressing concerns, yet allow flexibility as priorities change from year to year. It would more precisely reflect the challenges in each CSP sub-state ranking area and provide a greater measure of local control.

Second, steps must be taken to increase the amount of additional conservation performance producers are required to achieve during their contracts. Most importantly, the eligibility requirements should be modified. Currently, the eligibility requirements for initial contracts only require producers to address one priority macro-resource concern to the stewardship threshold by the end of the contract period. We recommend that producers be required to achieve the threshold level for two priority macro-resource concerns. In addition, the contract ranking factors should be tweaked to ensure that new conservation performance is weighted more highly than existing performance. Finally, eligibility requirements for CSP contract renewals must be increased to ensure that producers are providing significant additional conservation benefits through their renewed contracts.

Finally, CSP must continue to advance toward measuring producers’ actual conservation performance. This presents a technical challenge for NRCS, and must be balanced against concerns for user-friendliness, but it would greatly improve the program’s cost-effectiveness,

allow more sophisticated application ranking, and help demonstrate the program's public benefits.

Conservation Reserve Program

The Conservation Reserve Program (CRP) has been the subject of much debate recently, in light of high commodity and land prices. We do not presume to know the right number of total acres for this program. However, we do believe that it is possible to adapt the CRP for today's circumstances. In a nutshell, we believe that CRP must be focused on retiring the most fragile land. There are currently 6-7 million acres of highly productive land in the program, mostly as a result of the practice of enrolling whole fields. Going forward, we believe that whole field parcels in diverse landscapes should be split in order to enroll the more sensitive areas while allowing the productive areas to be farmed. This would increase the overall benefits per CRP acre while integrating it more seamlessly into the working agricultural landscape.

Conservation Loan

I want to briefly mention another powerful tool for stretching conservation dollars: the Conservation Loan Program that was included in the 2008 Farm Bill. While it is located in the Credit Title, this provision must be considered as part of the suite of conservation programs.

The Conservation Loan Program offers a huge bang for the buck. Its budget cost is near zero yet it yields \$150 million in loans for implementing conservation practices based on an approved conservation plan. These loans help producers access upfront capital for large conservation investments and allow them to amortize the cost. Conservation loans must be fully repaid.

This program could be strengthened by revising the current statute to allow USDA to guarantee up to 90 percent of the loan principal amount, rather than 75 percent. This would bring conservation loans in line with other USDA loan programs. In addition, the program must maintain its current balance between direct loans and guaranteed loans. The vast majority of conservation loans currently are direct loans through the Farm Services Agency. However, the Office of Management and Budget is pushing to offer only guaranteed loans. We believe that producers should have the option to either seek a guaranteed loan through a private lending source or to apply for a direct loan through USDA.

Technical assistance

One method of improving the cost-effectiveness of the conservation programs that is often overlooked is to provide adequate technical assistance (TA). TA is the science-based process of assessing resource concerns, educating producers about options for addressing them, and designing conservation plans that fit smoothly within a farm operation. TA helps ensure that producers apply fully functioning conservation practices, reducing the likelihood that a buffer strip erodes or an animal waste lagoon leaks. Producers often cite TA as the most important factor influencing their adoption of conservation measures. In many cases, excellent TA can render financial assistance unnecessary.

The growth of the conservation programs over the past few Farm Bills has severely stretched NRCS's TA resources. We have three proposals to address this concern:

- 1) Align Mandatory TA funding with Producer Needs: Currently, the funding for

- technical assistance from mandatory Farm Bill programs is only available after a contract is signed. This is too late in the planning process. The trigger for charging NRCS technical assistance to mandatory conservation programs should be earlier in the conservation planning process, if the producer's statement of objectives includes obtaining Farm Bill conservation program assistance.
- 2) Leverage Private Resources: The use of third party technical service providers can augment NRCS resources by providing certified soil and water conservation professionals to assist producers plan and implement conservation practices in locations where the workload exceeds the capacity of local field offices.
 - 3) Focus TA Resources on Critical Areas: NRCS must be enabled to focus field staff to address high-priority resource concerns in order to achieve more intensive planning, outreach and implementation on those concerns.

Conservation Compliance

I have laid out a number of changes that we believe can strengthen the Conservation Title programs and make them more cost-effective. There is one additional conservation provision that is highly effective, voluntary, and doesn't add to the federal budget: conservation compliance. Conservation compliance is an important good-government provision. It ensures that we are not paying producers out of one hand to take actions that will negatively impact natural resources, while also paying them out of the other hand to implement conservation practices. It only applies to producers who choose to accept certain USDA program payments. Under conservation compliance, these producers must agree to implement basic conservation measures that protect soil on highly erodible lands and must refrain from draining wetlands for crop production.

Our modest proposal is that this system, which has applied to commodity support payments and other programs since 1985, and which applied to the crop insurance premium subsidies until 1996, be reattached to crop insurance premium subsidies going forward. This has recently become a contentious issue. To my mind the controversy is needless and shortsighted. I would like to offer three main points for consideration on the subject.

First, conservation compliance is a highly effective tool in protecting soil and wetlands. The USDA Economic Research Service has reported that in the past 25 years, conservation compliance has reduced annual erosion on our most vulnerable soils by 40%. That comes out to 295 million tons of soil saved annually – enough to cover the National Mall from the steps of the Lincoln Memorial to the steps of the Capitol, at twice the height of the Washington monument. In addition, in that same time period we've gone from losing tens of thousands of acres of wetlands on farms every year, to actually gaining wetlands. Conservation compliance has been a major factor in achieving the goal of no-net-loss of wetlands on farms. In short, compliance works.

Second, we are at risk of losing ground on compliance. It appears that subsidized crop insurance is on track to become the centerpiece of the farm safety net as Direct Payments go away. Since crop insurance is not covered by conservation compliance, this may significantly reduce the incentive for farmers to continue following their conservation compliance plans – putting soil and wetlands in jeopardy. To be clear, compliance would still apply to the conservation

programs, disaster payments, loans and the new Title 1, but if it is not applied to the core of the safety net, its effectiveness will be greatly diminished.

Third, conservation compliance should be integral to the new farm safety net, no matter how it's configured. Since 1985, compliance has been a successful part of farm policy, helping to justify spending taxpayer dollars on commodity programs and giving farmers an additional incentive to protect the long-term productive capacity of their land. This arrangement needs to continue into the future. As crop insurance becomes the focal point of the future safety net, we need to assure that it carries the same responsibility farmers have become accustomed to with farm programs of the past.

I believe compliance represents a covenant between farmers and society. It is reasonable for society to expect a basic level of stewardship to be applied in exchange for programs that help provide some measure of economic stability on the farm. I know farmers know it's the right thing to do, despite the political debate this issue gets caught in here in Washington, DC.

The good news is that if we make this change today, we will spare farmers from difficult changes. They will not face new administrative headaches. They will still be able to purchase their crop insurance, get their bank loans, farm their land and receive crop insurance indemnities, just like they do now. If a farmer is found to be out of compliance at any point, and they exhaust the one-year grace period without coming back into compliance, they would merely lose eligibility for the federal crop insurance premium *subsidy*. Their crop insurance coverage would not go away—and neither would their loans or their indemnities—just the subsidy, and just until they come back into compliance. And just to be very clear, no farmer will ever be kicked out of compliance because of a big rainstorm – the program already has a clear exemption for extreme weather.

If we act now, very few additional farmers would be subject to conservation compliance. The impact would be limited to, at most, five percent of wheat production, two percent of corn and soybean production, and less than one percent of cotton and rice production.

The crop insurance industry also will not face major new headaches. With better than 80% participation and a significant reinvestment in the coming farm bill, crop insurance enrollments are not likely to be in jeopardy. Crop insurance agents would not do any enforcement. NRCS and FSA would spot-check and enforce just like they do now under farm commodity programs.

Conservation compliance is a proven, effective conservation tool and a key accountability measure to help ensure taxpayer support for the farm safety net. It only makes sense that it should be attached to the primary safety net program, as it has been in the past.

Conclusion

As the Members of this Committee well know, our country is richly blessed with abundant natural resources, most of which are on private farms and ranches. When producers and the public cooperate, we can do a lot to safeguard the productive capacity of our farm and ranch land and ensure abundant natural resources for all. The Farm Bill Conservation Title is the opportunity for agricultural producers to come together with their fellow taxpayers to address the

challenges ahead and lay a strong foundation for the future of agriculture. Again, we cannot afford to lose ground.

The Agriculture Committees' recommendations to the Super Committee and the draft Senate bill both contain many excellent conservation provisions. I am confident that this Committee will be able to build on these efforts to craft a robust Conservation Title, despite the budget challenges.

Thank you, Mr. Chairman, for the opportunity to share our views on these important issues. I would be happy to address any questions you have.

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American Farmland Trust is the nation's leading conservation organization dedicated to saving America's farm and ranch land, promoting environmentally sound farming practices and supporting a sustainable future for farms. Since its founding in 1980 by a group of farmers and citizens concerned about the rapid loss of farmland to development, AFT has helped save millions of acres of farmland from development and led the way for the adoption of conservation practices on millions more.