

Economic Impacts of the CSP for Crop and Cattle Producers

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CSP DEFINED

- CSP helps support those farmers and ranchers who reach the *pinnacle* of good land stewardship, and encourage others to enhance the ongoing production of clean water and clean air on their farms and ranches – which are valuable commodities to all Americans.



SECRETARY'S VISION FOR CSP

- Identify and reward those producers meeting the very highest standards of conservation and environmental management
 - Create 'powerful' incentives for others to attain similar levels of performance
- “CSP should reward the best and motivate the rest”***



CSP

- ❑ Tier I \$20,000 per year per contract with 25% of base payment max (\$5,000) – 5 years
- ❑ Tier II \$35,000 per year per contract with 30% of base payment max (\$10,500) – 5 to 10 years
- ❑ Tier III \$45,000 per year per contract with 30% of base payment max (\$13,500) – 5 to 10 years



PAYMENTS

1. Base conservation stewardship payment
2. Maintenance payment
3. New practice cost-share payment
4. Enhancement payment



Economic Decision for the Producer

- Current situation
- Potential payoff
- Will it pay me to make improvements?



PRODUCER COSTS

- Costs a producer may incur, depending on their enrollment tier and land enrolled-quantity
 - Pre-enrollment conservation practice implementation costs
 - Costs associated with the maintenance of existing practices
 - Costs to install new practices
 - Costs associated with enhancement activities



Factors in this decision

- Number of acres
- Current practices
- Willingness to change
- Amount of owned or rented land and leasing arrangements



Example Row-Crop Producer

- Farms 1,000 acres
 - 600 acres of cotton
 - 200 acres of peanuts
 - 200 acres of corn
 - 200 acres of double-crop wheat
- 500 acres are irrigated
- Strip-tills 800 acres



Example Beef Cattle Producer

- ❑ 100 cows
- ❑ 150 ac of permanent pasture
 - 75 bermuda
 - 75 bahia
- ❑ 100 acres of winter annuals
 - 75 acres of overseeded winter annuals
 - 25 acres of double-crop annuals
- ❑ 25 acres of summer annuals
- ❑ Rotationally grazes by moving cows once per week
- ❑ Has all water sources located within 800' of cattle



Results for Row-Crop Example Tier II

| Item | Unit | Number of Units | \$/Unit | Total |
|--|------|--------------------|-----------|---------------------|
| Base Conservation Stewardship Payment - Non-irrigated | Ac | 500 | \$ 2.05 | \$ 1,025.00 |
| Base Conservation Stewardship Payment - Irrigated | Ac | 500 | \$ 5.60 | \$ 2,800.00 |
| Maintenance Payment - Non-Irrigated | Ac | 500 | \$ 0.51 | \$ 256.25 |
| Maintenance Payment - Irrigated | Ac | 500 | \$ 1.40 | \$ 700.00 |
| New Practice cost-share Payment - Filter Strips | Ac | 25 | \$ 125.00 | \$ 1,562.50 |
| Enhancement Payment - Grid Sampling (10 acres or less) | Ac | 1000 | \$ 10.00 | \$ 10,000.00 |
| Enhancement Payment - Split Fertilizer Applications | Ac | 1000 | \$ 6.00 | \$ 6,000.00 |
| Enhancement Payment - Residue Management | Ac | 1000 | \$ 7.00 | \$ 7,000.00 |
| Total First Year Payment | | | | \$ 35,093.75 |
| Total Annual Payments | | | | \$ 27,781.25 |
| Annual Payments/ Crop Acre | | | | \$ 23.15 |



Results for Cow-Calf Example

Tier II

| Item | Unit | Number of Units | \$/Unit | Total |
|---|------|--------------------|----------|--------------------|
| Base Conservation Stewardship Payment | Ac | 175 | \$ 2.05 | \$ 358.75 |
| Maintenance Payment | Ac | 175 | \$ 0.51 | \$ 89.69 |
| New Practice cost-share Payment | Ft | 5280 | \$ 0.90 | \$ 2,376.00 |
| Enhancement Payment - Livestock travel less than 800' | each | 7 | \$ 25.00 | \$ 175.00 |
| Enhancement Payment - Interseeding legumes | ac | 175 | \$ 10.00 | \$ 1,750.00 |
| Enhancement Payment - Manure application based on P | ac | 175 | \$ 20.00 | \$ 3,500.00 |
| Total First Year Payment | | | | \$ 9,605.69 |
| Total Annual Payments | | | | \$ 5,873.44 |
| Annual Payments/Acre | | | | \$ 33.56 |
| Annual Payments/Cow | | | | \$ 58.73 |



What can you afford to spend to receive these \$\$

- Row-crop = \$125-\$130k
 - C/T equipment
 - GIS-equipment
 - Other?
- Pasture = \$35-\$45k
 - Water tanks
 - Cross-fencing
 - Limited access areas
 - Other?



Results for Row-Crop Example Tier III

| Item | Unit | Number of Units | \$/Unit | Total |
|--|------|--------------------|-----------|---------------------|
| Base Conservation Stewardship Payment - Non-irrigated | Ac | 500 | \$ 4.60 | \$ 2,300.00 |
| Base Conservation Stewardship Payment - Irrigated | Ac | 500 | \$ 12.50 | \$ 6,250.00 |
| Maintenance Payment - Non-Irrigated | Ac | 500 | \$ 1.15 | \$ 575.00 |
| Maintenance Payment - Irrigated | Ac | 500 | \$ 3.13 | \$ 1,562.50 |
| New Practice cost-share Payment - Filter Strips | Ac | 25 | \$ 125.00 | \$ 1,562.50 |
| Enhancement Payment - Grid Sampling (10 acres or less) | Ac | 1000 | \$ 10.00 | \$ 10,000.00 |
| Enhancement Payment - Split Fertilizer Applications | Ac | 1000 | \$ 6.00 | \$ 6,000.00 |
| Enhancement Payment - Residue Management | Ac | 1000 | \$ 7.00 | \$ 7,000.00 |
| Total First Year Payment | | | | \$ 41,000.00 |
| Total Annual Payments | | | | \$ 33,687.50 |
| Annual Payments/ Crop Acre | | | | \$ 28.07 |



Results for Cow-Calf Example Tier III

| Item | Unit | Number of Units | \$/Unit | Total |
|---|------|--------------------|----------|---------------------|
| Base Conservation Stewardship Payment | Ac | 175 | \$ 4.60 | \$ 805.00 |
| Maintenance Payment | Ac | 175 | \$ 1.15 | \$ 201.25 |
| New Practice cost-share Payment | Ft | 5280 | \$ 0.90 | \$ 2,376.00 |
| Enhancement Payment - Livestock travel less than 800' | each | 7 | \$ 25.00 | \$ 175.00 |
| Enhancement Payment - Interseeding legumes | ac | 175 | \$ 10.00 | \$ 1,750.00 |
| Enhancement Payment - Manure application based on P | ac | 175 | \$ 20.00 | \$ 3,500.00 |
| Total First Year Payment | | | | \$ 10,163.50 |
| Total Annual Payments | | | | \$ 6,431.25 |
| Annual Payments/Acre | | | | \$ 36.75 |
| Annual Payments/Cow | | | | \$ 64.31 |



Comparison of Tier II and III

Row-crop producer

- Tier III worth about \$5,000-\$10,000 per year
- Can afford to invest additional \$10,000 initially

Cattle Producer

- Tier III worth about \$500-\$1,500 per year
- Can afford to invest additional \$5,000 initially



Other Considerations

- ❑ Will CSP be the mechanism by which producers receive subsidies in future Farm Bills?
- ❑ If so, producers should be making the necessary arrangements to participate in CSP when it comes to your watershed.
- ❑ Utilize existing cost-share programs (EQIP, etc) to get yourself in position to participate in CSP.



Summary

- ❑ CSP is a government entitlement program designed to reward the best producers
- ❑ Currently it appears that larger, conservation minded row-crop producers benefit the most.
- ❑ Although total dollars are less, progressive cattle producers can significantly increase revenue per cow
- ❑ Producers should strongly consider taking the necessary steps to go to Tier III

