



Conservation Compliance in the U.S. and Europe: An International Comparison

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Compliance Concepts

- Conservation compliance in U.S.
- A Simple *Quid pro Quo*
- Effectiveness depends on:
 - Spatial variation in participation
 - Temporal variation in participation
 - The size of the payment being leveraged
 - Opportunities for “slippage”

Evolution of Conservation Compliance

- **1980 RCA National Conservation Program**
- **Discussed in 1981 Farm Bill debate**
- **1985 Food Security Act**
- **1990 Food, Agriculture, Conservation and Trade Act**
- **1996 Federal Agricultural Improvement and Reform Act**

Payments Leveraged

- Price and income support payments
 - Production Flexibility Contracts (AMTA)
 - Loan Deficiency Payments (LDP)
 - Price Support and Marketing Loans
 - Market Loss Assistance Payments
 - Other direct payments
- Conservation payments (CRP, WRP, EQIP)
- Crop insurance (prior to 1996)

Highly Erodible Land (HEL) Conservation

- Conservation compliance
 - HEL cropped in 1981-85
 - Actively applying conservation systems
 - Substantial (at least 75 percent) reduction in erosion
- “Sodbuster”
 - HEL not cropped in 1981-85
 - Reduce erosion to soil loss tolerance (T value) and
 - Prevent a substantial increase (25 percent of potential erodibility) in erosion

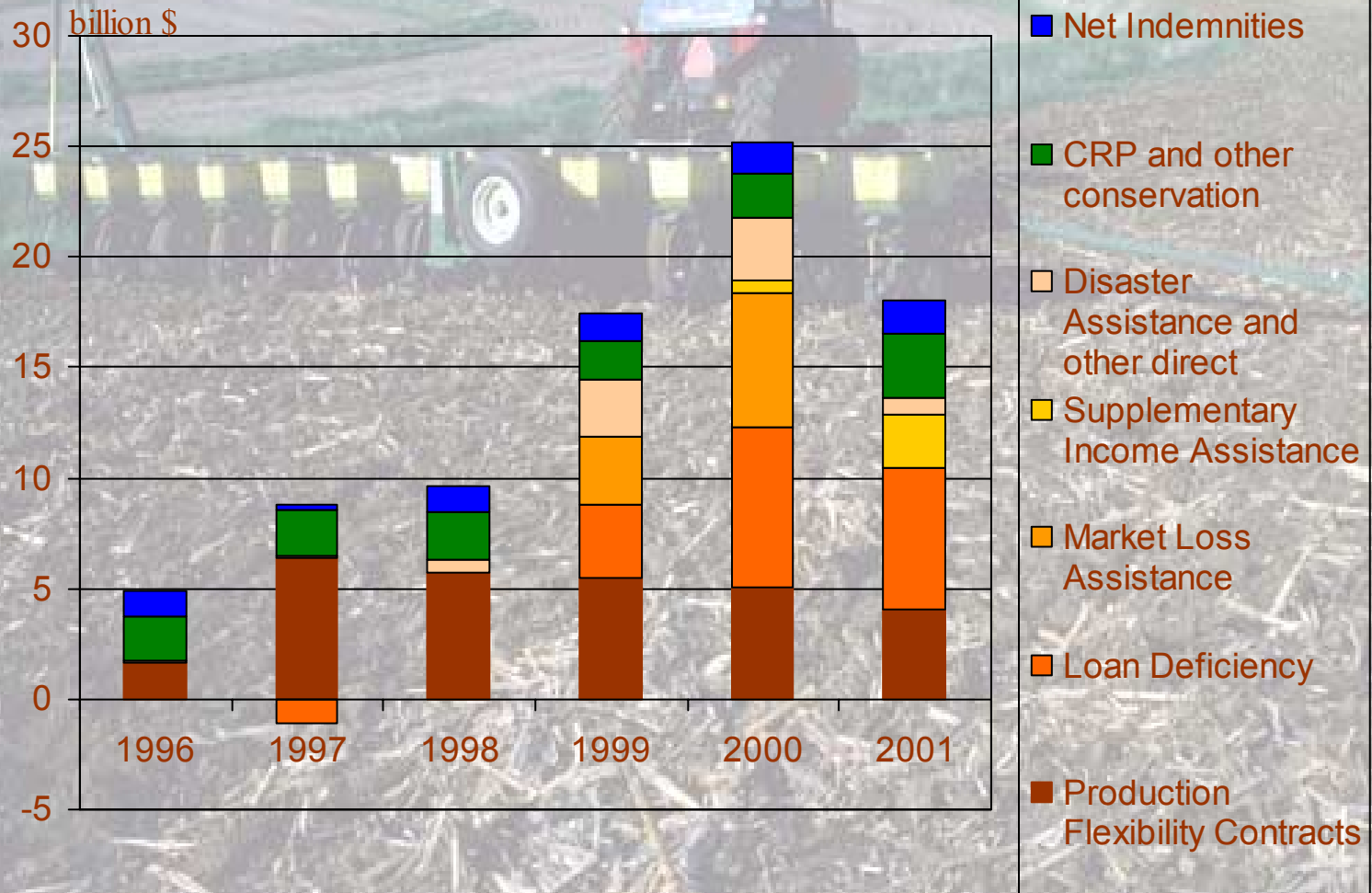
Wetland Conservation “Swampbuster”

- A farm operator is ineligible for payments for any year in which an annual crop is planted on wetlands converted after 1985
- Also covers conversion to make land capable of planting an annual crop

Leverage for Compliance

- 1986-95
 - Income support ranged from \$11.7 B (1988) to \$4.0 B (1995)
 - 1986-95 participation was 77-87 percent
- 1996 FAIR Act
 - Production Flexibility Contract payments peaked at \$6.4 B (1997) to \$4 B (2002)
 - 98 percent participation
- PFCs supplemented by disaster payments, marketing assistance, LDPs

USDA Commodity and Conservation Program Expenditures



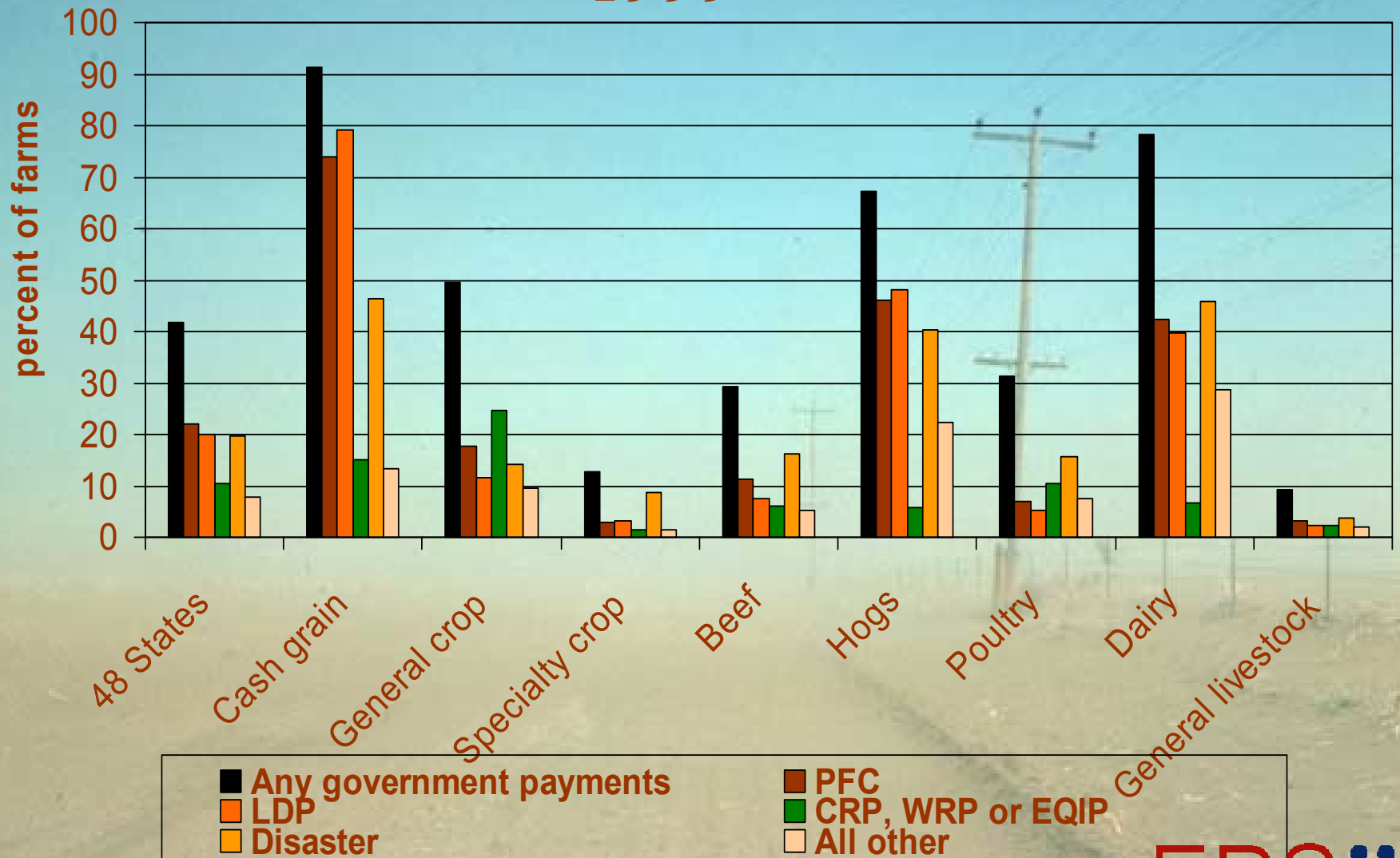
2000 is current estimate, 2001 is budget request.

Source: ERS analysis of OBPA data.

Participation by Farm Type Varies

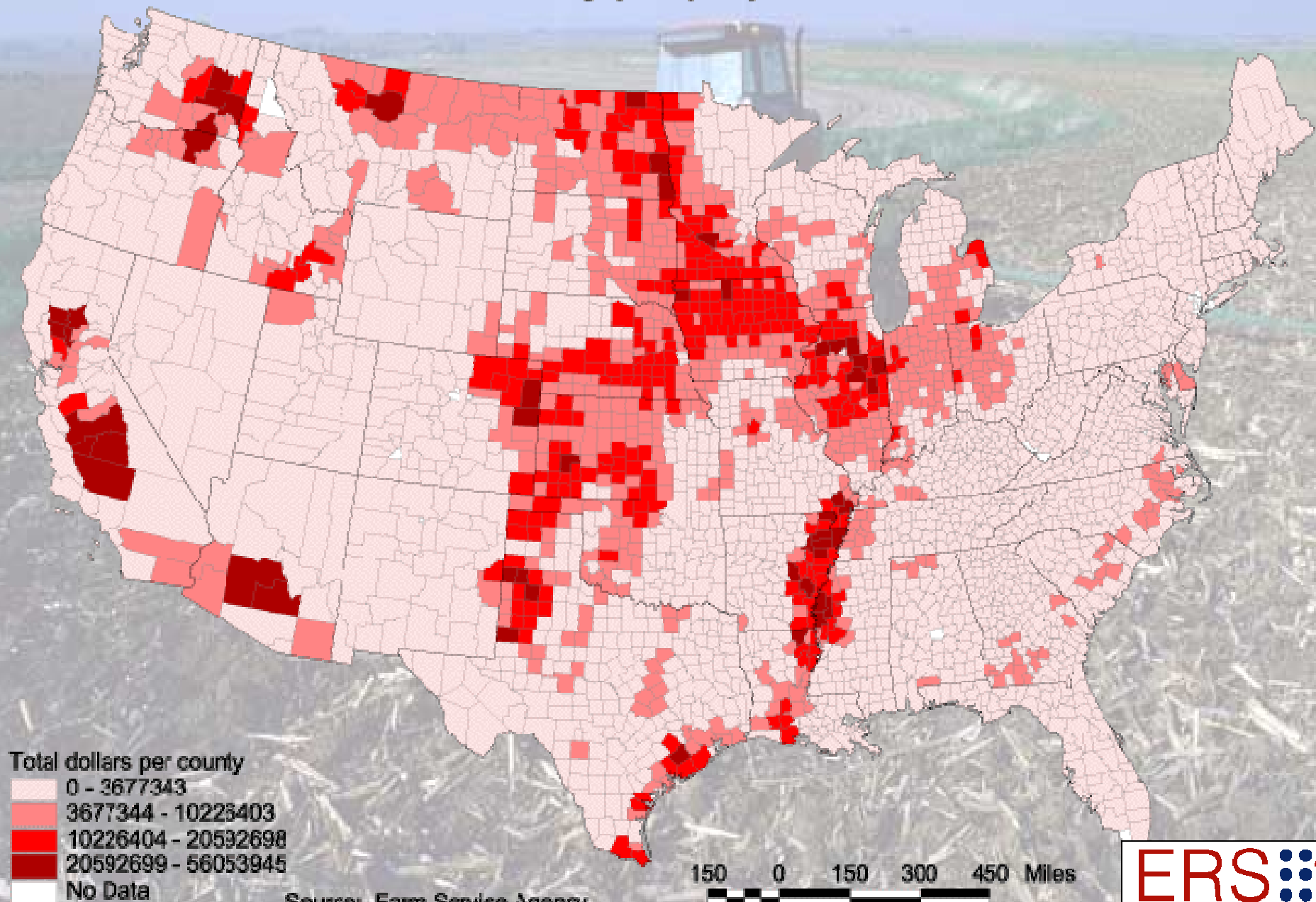
- **Only 42 percent of farms received payments**
 - 91 percent of cash grain farms
 - 13 percent of hog farms
- **Average payment was \$6,966 per farm**
 - \$25,460 for cash grain
 - \$9,119 from PFCs
 - \$9,852 from LDPs

Government Payments by Farm Type, 1999



Source: ERS, USDA, 1999 Agricultural Resource Management Study data.

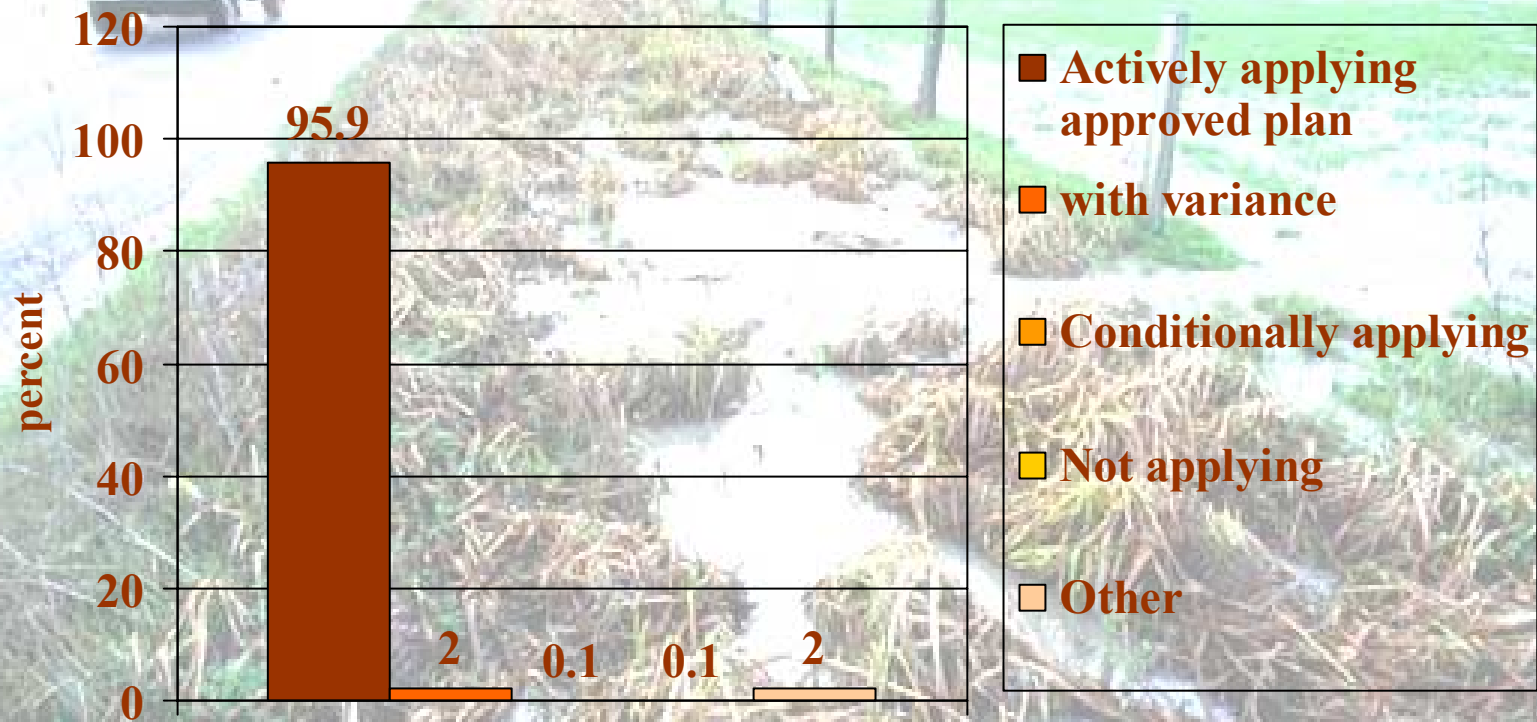
Production Flexibility Contract (PFC), Market Loss Assistance (MLA), and Loan Deficiency (LDP) Payments, 1998



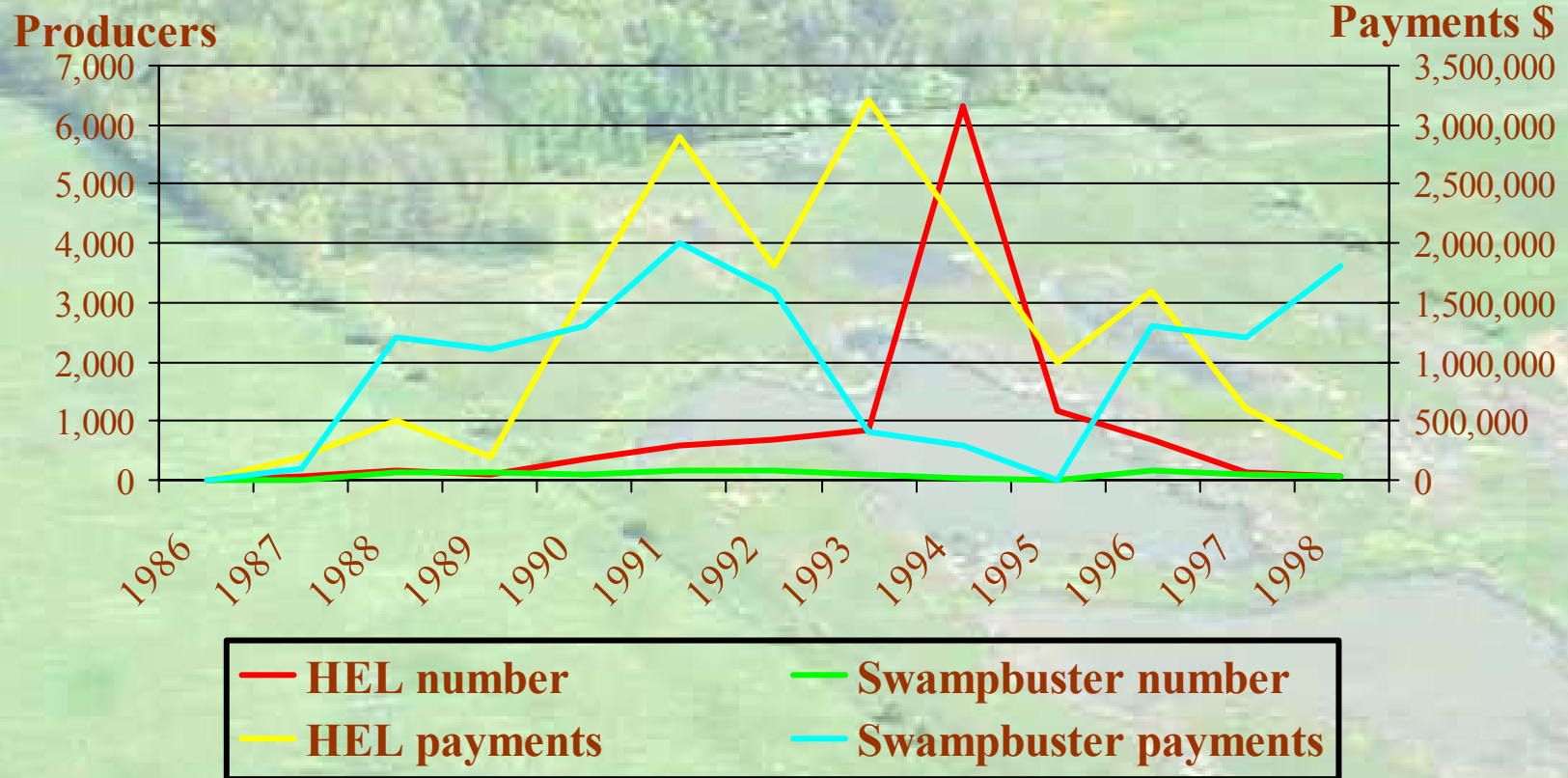
Source: Farm Service Agency



Status of HEL Compliance, 1997

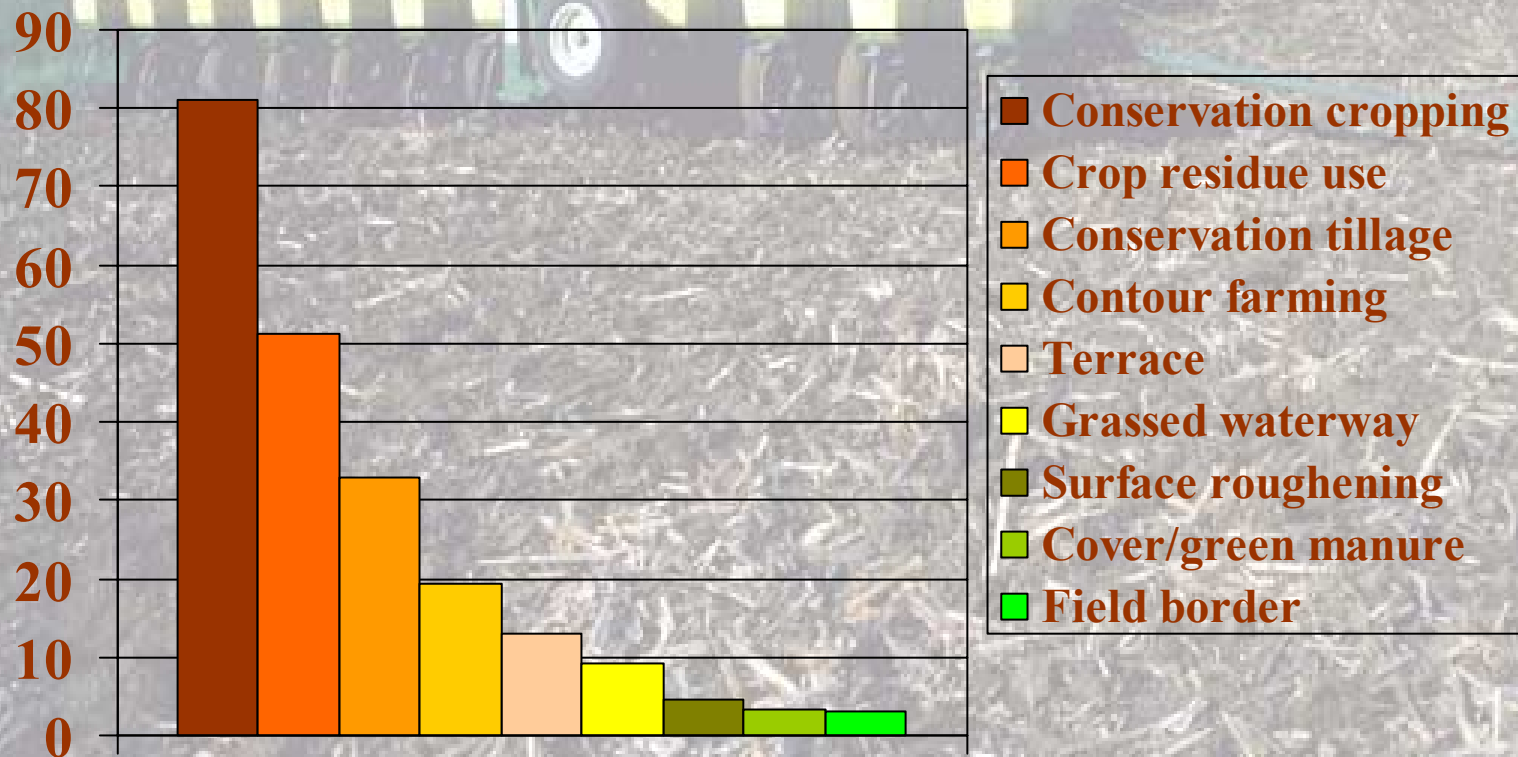


Conservation Compliance Violations, 1986-98

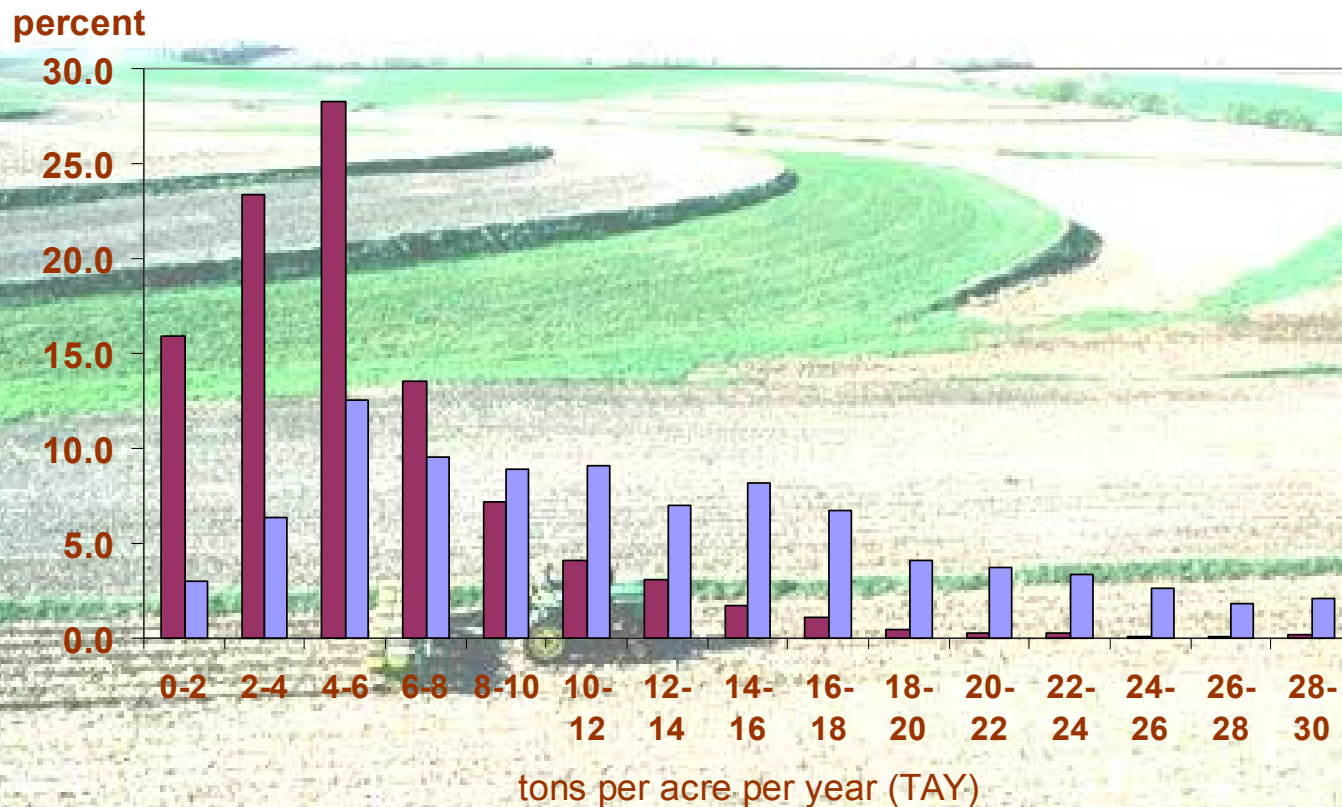


Conservation Technical Practices on Complying HEL, 1997

percent of acres



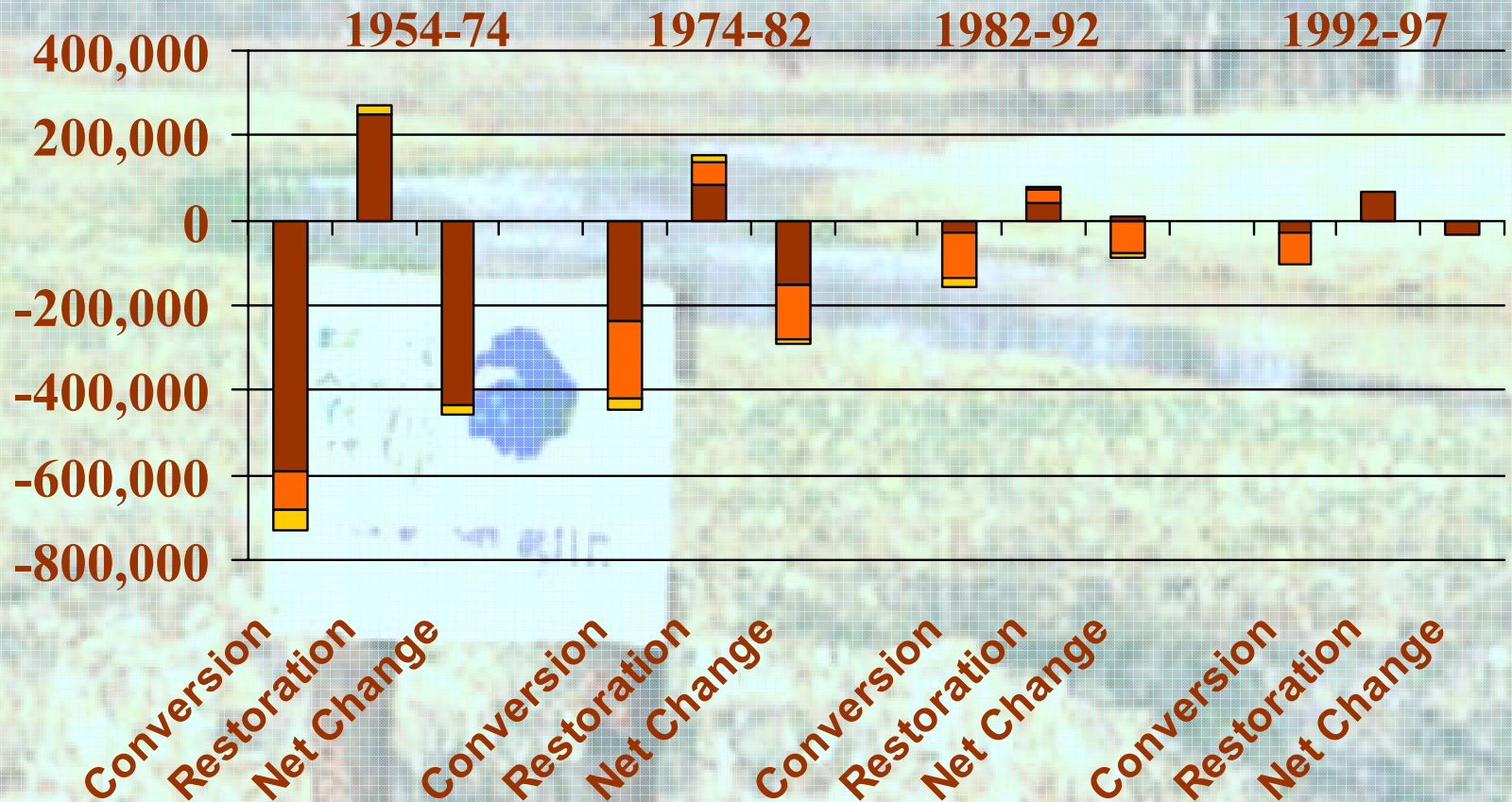
Erosion reductions on land subject to Conservation Compliance



- Percentage distribution of acres after Conservation Compliance
- Percentage distribution of acres before Conservation Compliance

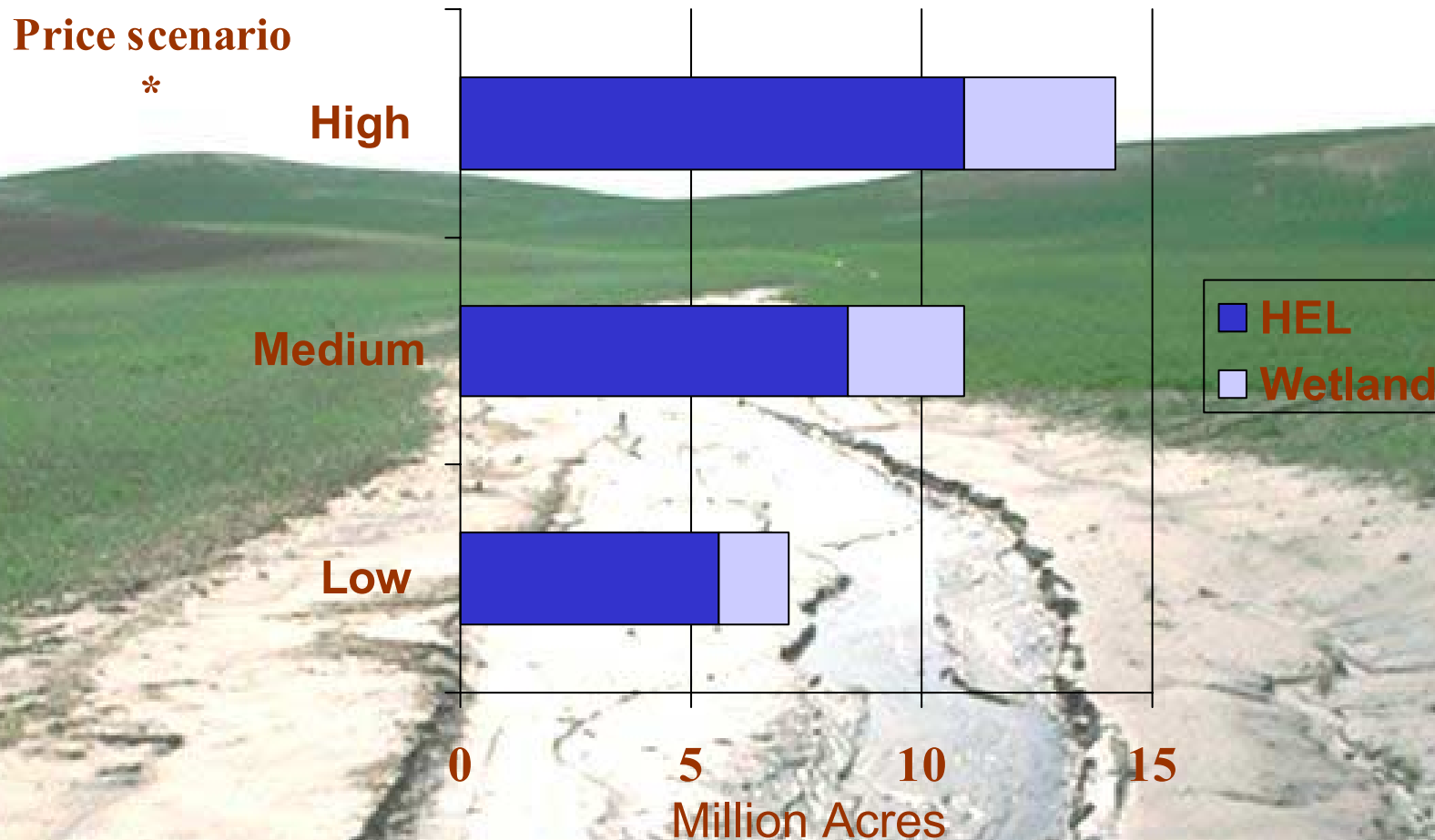
Wetland Losses, 1954-97

Acres Per Year



Agriculture
 Urban and Other
 Deepwater

Potentially convertible acreage of wetland and highly erodible land (HEL)



*High-, medium-, and low-price scenarios correspond to projections for 2004, 2001, and 1999, respectively, from *USDA Agricultural Baseline to 2007*, February 1998.

Future Effectiveness of Conservation Compliance

- Effectiveness depends on:
 - Value of program payments at risk
 - Participation in programs
 - Direct and indirect (opportunity) costs of complying
- Will value of leveraged payments exceed returns from converting HEL and wetlands?

European Cross Compliance

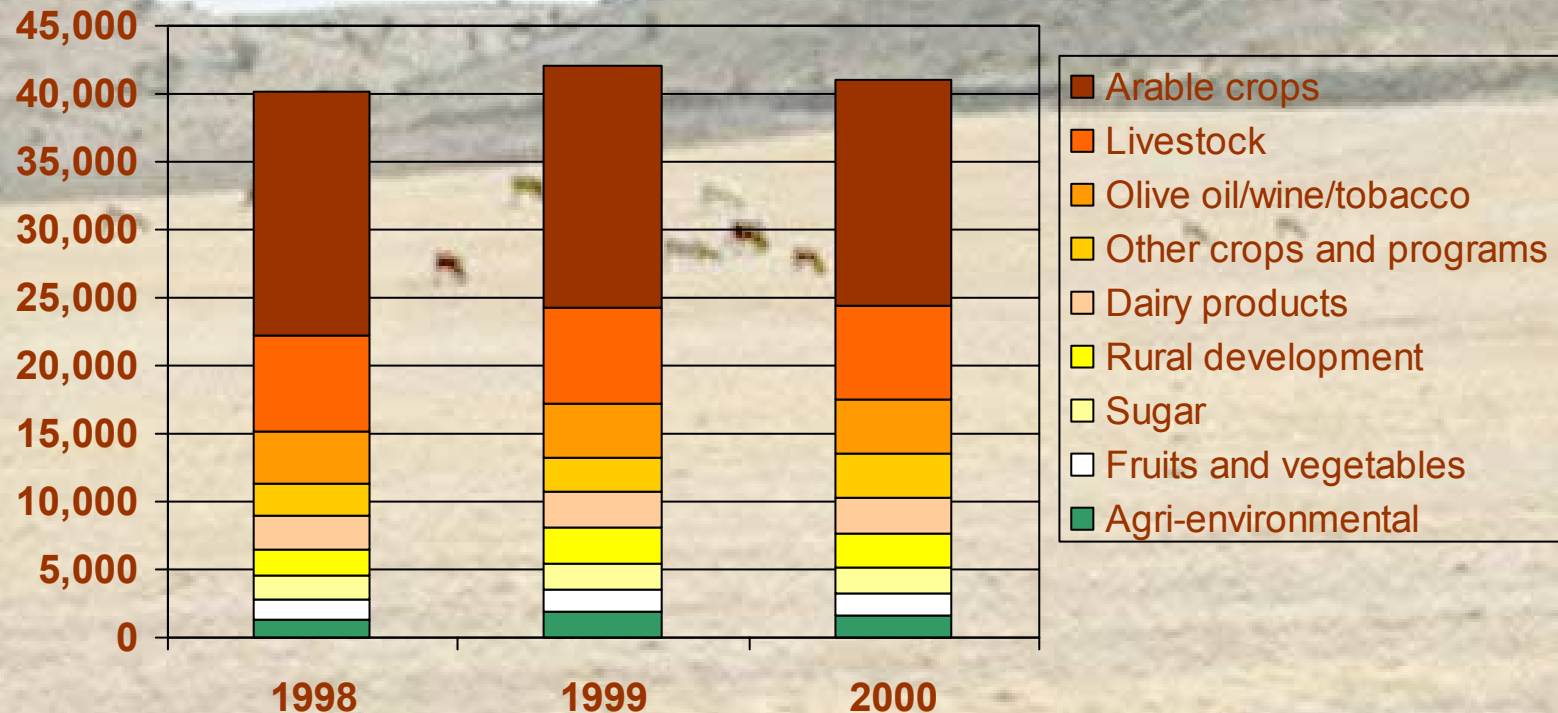
- New Opportunities in CAP Reform
- The “Horizontal” Regulation (EC Council Regulation No. 1259/1999)
- Article 3, Environmental Protection Requirements--Member States can:
 - make agri-environmental payments
 - pass mandatory environmental requirements
 - make specific environmental requirements as a condition for direct payments

European Payments Leveraged

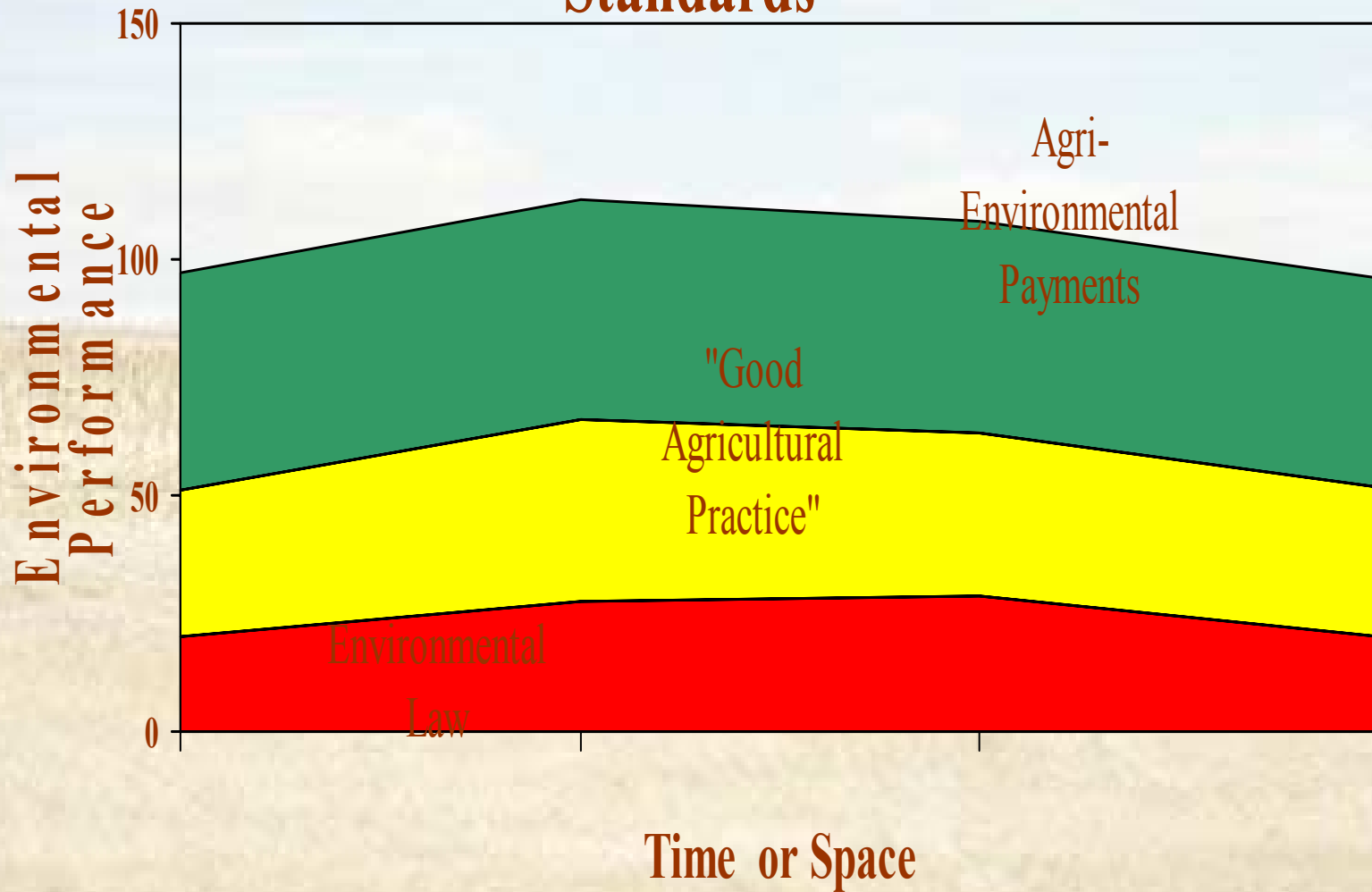
- Area payments--e.g. arable crops, grain legumes, flax, etc.
- Head payments--e.g. beef and veal, dairy, sheep and goats
- Production payments--e.g. potato starch, olive oil, bananas, tobacco, etc.
- Other payments--e.g. cereal transition in Portugal, agri-money, etc.

European Agricultural Payments, 1998-2000

Million U.S. dollars



European Notions of Environmental Standards



Status of Cross Compliance

Country	Cross-compliance	Sectors	Comment
Denmark	YES	Arable + Livestock	fertilizers, green cover, stream buffers
Finland	YES	Arable + Livestock	set aside, stream buffers, green cover, fertilizer, stocking density, overgrazing
France	YES	Water in Arable	water conservation on irrigated land
Greece	YES	Arable + Livestock	code of good agricultural practice
Ireland	YES	Livestock	overgrazing, livestock density
Netherlands	YES	Arable (maize/potatoes)	IPM, pesticide and fertilizer reductions
Spain	YES	Arable + Livestock (olives?)	soil erosion, stubble burning, slurry storage
UK	YES	Livestock + Arable set aside	overgrazing, setaside, timing of operations for wildlife
Italy	IN PREPARATION	Arable + Livestock	drainage on irrigated fields, contouring, slurry storage
Luxembourg	INTENDS TO		
Austria	NO		Voluntary; 72% participation
Belgium	NO		Current regulatory
Germany	NO		Current regulatory
Portugal	NO		no action
Sweden	NO		good agricultural practice under current regulation

Agri-Environmental Payments

- Agri-environmental payments-Farmers contract to provide environmental services and the adopt environmentally-sound farming practices, paid based on:
 - Costs incurred
 - Income forgone
 - An incentive to participate
- Other funding for:
 - Conversion to organic production
 - Afforestation
 - Land improvement
 - Water resources management
 - Landscape conservation

Rural Development Assistance

- Compensatory allowances for farmers in Less-Favoured Areas (LFAs) change from headage count to area basis (1.1 million farms and 78 million hectares).
- Increased special livestock extensification premium to encourage lower stocking densities 2000-01
 - 33 \square for 1.6 -2 LU/hectare
 - 66 \square for less than 1.6 LU/ha
- From 2002
 - 40 \square for 1.4 -1.8 LU/ha
 - 80 \square for less than 1.4 LU/ha
 - Suckler cow premium of 100 \square for stocking density less than 1.4 LU/ha

Comparison of U.S. and EU

- EU is more prescriptive and rigid
- U.S. is more goal-oriented and flexible
- Narrower range of problems in U.S. than in EU
- Narrower range of enterprises and farm types must comply in U.S. than EU
- Leverage of support is broader and deeper in EU, but not clear how much is at risk.