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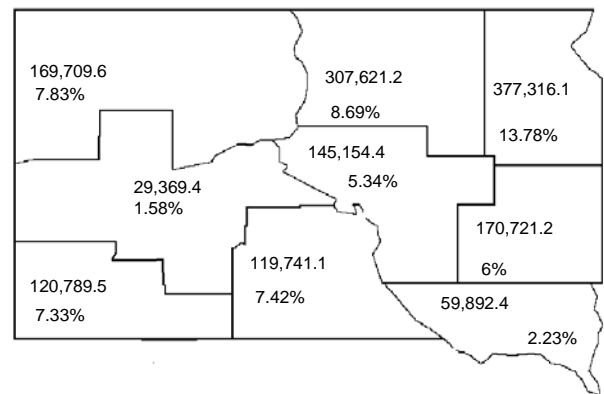


## CRP IN SOUTH DAKOTA: POTENTIAL EFFECTS ON SOUTH DAKOTA AGRICULTURE

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The Conservation Reserve Program (CRP) is set to end in 2007 with the expiration of the 2002 farm bill. Additionally in 2007, CRP contracts covering approximately half of the acres enrolled in the program in South Dakota are due to expire. This will provide an opportunity for producers to re-evaluate their options for potential uses of these currently idle acres. To determine what producers are considering doing with this land researchers in the Department of Economics have developed surveys and elicited responses from producers with current CRP contracts to determine their preferences for the potential uses of this land. CRP related results from the 2006 SDSU Farmland Market Survey are also reported.

**Figure 1. Active CRP Acres and CRP as a Percentage of Cropland in South Dakota, by Agricultural Statistics District, 2006.**



### CRP in South Dakota

South Dakota currently has 1,470,945.5 acres actively enrolled in the CRP (Table 1 and Figure 1). In 2007, contracts on 729,397 acres are scheduled to expire. Approximately 47% of the CRP land in the state is concentrated in two agricultural statistics districts, the North Central

**Table 1. South Dakota Conservation Reserve Program Statistics**

Region	Active CRP acres	Acres expiring in 2007	Total Crop Land	CRP as a % of Crop Land	% expiring in 2007
Southeast	59,892.4	9,835.4	2,680,713.2	2.23	16.4
East Central	170,721.2	59,794.2	2,846,829.4	6.00	35.0
Northeast	377,316.1	189,028.4	2,737,630.8	13.78	50.0
North Central	307,621.2	135,422.8	3,540,306.5	8.69	44.0
Central	145,154.4	67,526.2	2,716,111.8	5.34	46.5
South Central	119,741.1	77,993.7	1,614,062.3	7.42	65.0
Southwest	120,789.5	66,831.9	1,647,894.7	7.33	55.0
West Central	29,369.4	0.0	1,852,158.0	1.58	0.0
Northwest	169,709.6	122,964.4	2,168,164.8	7.83	72.5
<b>State Totals</b>	<b>1,470,945.5</b>	<b>729,397</b>	<b>19,951,713.5</b>	<b>7.37</b>	<b>49.6</b>

and Northeast. Nearly 14% of the cropland in the Northeast district is enrolled in CRP and almost 9% of the North Central area is in the program. Participation in the other 5 districts ranges from just over 2 to nearly 8% of their total cropland. There are a number of options producers may consider for uses of these acres after 2007. There is the possibility that the program will be extended in the next farm bill and producers may decide to extend their contracts or bid for new contracts. If they decide not to re-enroll in the program the land could be used to produce crops, be converted to pasture, or be left for wildlife cover.

In the 2005 National Agricultural, Food, and Public Policy Preference Survey optional questions were developed to determine what producers would do with their CRP acres if the program was not continued in the next farm bill. Producers were given six different alternative uses for the acres that would be coming out of CRP: plant corn, plant soybeans, plant wheat, plant another crop, convert the land to pasture, or leave the acres in wildlife cover. For each of the options the most popular answer was no opinion or don't know (Table 2). From 24 to 28% of the responses for each option fell into this category. Each of the six options was considered separately. That is, only one alternative use was considered at a time. When asked about producing corn on this land 24.65% would not produce corn while 32.46% would. 16.1% were neutral about corn production and 26.75% had no opinion or didn't know what they would do with the land. If the option were to plant soybeans on the land, 28.15% would not, 29.74%

would, 15.26% were neutral and 26.84% were undecided. If the option was to produce wheat, 32.7% would not, 18.92% would, 20.27 were neutral and 28.1% were undecided. Given the option to produce some other crop on the land, 26.31% would not, 26.58% would, 18.88% were neutral and 28.19% were undecided.

Producers were also given the option of converting the land to permanent pasture. 23.69% would not make this change, 37.5% would convert the land to pasture, 14.06% were neutral and 24.73% were undecided. The final option was to leave the land in wildlife cover. 40.74% would not pursue this option, 20.9% would, 14.55% were neutral and 23.8% were undecided.

A second question dealt with the alternative of the program being reauthorized. If the CRP was continued in the next farm bill, would producers re-enroll in the program? If they did re-enroll, what level of payment would be required? 17.5% of producers would not re-enroll in the program. Of those who chose to consider re-enrolling, 11.5% would require \$45 or less per acre as a payment, 33.8% would require between \$46 and \$70 per acre, 22.9% would require between \$71 and \$95 per acre, and 14.2% would require more than \$95 per acre. The average accepted bid in CRP signup 33 was in the \$40 range and was \$5 more than other CRP contracts. (See Figure 2.) Results from this question show that 70.9% of producers would require more than the average

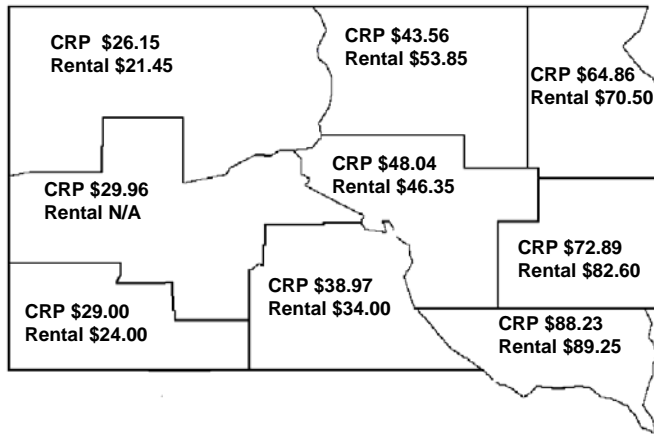
**Table 2. Uses for Land that was Formerly Enrolled in the Conservation Reserve Program Actual Number of Responses and Percentages**

Land uses	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total*
Plant corn	69 17.9%	26 6.75%	62 16.1%	72 18.7%	53 13.76%	103 26.75%	385
Plant soybeans	77 20.26%	30 7.89%	58 15.26%	66 17.37%	47 12.37%	102 26.84%	380
Plant wheat	80 21.62%	41 11.08%	75 20.27%	45 12.16%	25 6.76%	104 28.1%	370
Plant another crop	70 18.61%	29 7.7%	71 18.88%	29 7.7%	71 18.88%	106 28.19	376
Convert to pasture	60 15.62%	31 8.07%	54 14.06%	63 16.4%	81 21.1%	95 24.73%	384
Leave in wildlife cover	110 29.1%	44 11.64%	55 14.55%	35 9.26%	44 11.64%	90 23.8%	378

\*Percentage totals may not equal 100 due to rounding

bid for signup 33 to re-enroll in the program and 37.1% would require significantly more, at least \$71 per acre.

**Figure 2. Average CRP Bid Accepted in Signup 33 and Average Rental Rates by Agricultural Statistics District, 2006.**



In the 2006 SDSU Farmland Market Survey, producers were asked about their intentions for CRP acres if the program is not reauthorized and these opinions were also broken down by Agricultural Statistics Reporting District. If the program was not reauthorized producers are expected to convert 61.2% of the former CRP acres to cropland, 26.6% to

pasture, and 12.2% to wildlife habitat. These are statewide averages and vary by reporting district. The conversion to cropland would be highest in the North Central and much lower in the South Central district. Conversion to pasture would be highest in the western regions and lowest in the North Central district. Conversion to wildlife habitat would be lowest in the Northwest and Southwest districts.

### Implications

Due to budgetary considerations the increases in land rental rates over the last ten years could also have a significant impact on enrollment levels in the CRP. Rental rates have increased more than 60% over the last ten years. If the CRP was funded at the same dollar level as in the previous farm bill, it would stand to reason that fewer acres would be enrolled. This increase in rental rates would suggest a decrease from approximately 1.45 million acres to about 900,000 CRP acres being reauthorized. Regional distribution of acres could also be influenced due to the rental rate changes as well.

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