



Beginning and Minority Farmer Conservation Set-Asides: FY 2010 Results

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Introduction

With generous assistance from USDA's Natural Resources Conservation Service staff in the Resource Economic, Analysis and Policy (REAP) Division, we have assembled the following brief report on farm bill conservation program assistance targeted to beginning and socially disadvantaged farmers and ranchers for the fiscal year 2010 enrollment period.

What is REAP?

The REAP Division's Data and Information Team was established to help to make sure that NRCS is consistent in the way that we share data outside of the Agency. This unit works closely with program and financial managers to assemble interpret and disseminate data. All of the data used in this brief report was provided by the REAP Data and Information Team.

Background in Brief

The 2008 Farm Bill includes special participation incentives and improved access for beginning and socially disadvantaged farmers and ranchers in the two major working lands conservation programs, the Environmental Quality Incentives Program (EQIP) and Conservation Stewardship Program (CSP).

The 2008 Farm Bill provides \$7.325 billion in mandatory funding for EQIP for the years 2008-2012. The conservation access provision requires 5 percent of that total funding to be set aside for beginning farmers and ranchers and another 5 percent for socially disadvantaged producers. Similarly, the 2008 Farm Bill reauthorizes the Conservation Stewardship Program (CSP) and directs the Secretary to enroll 13 million acres in the program each year (through 2017) with an average payment of \$18 per acre per year. A conservation access provision in CSP requires that 5 percent of acres enrolled be made available for beginning farmers and ranchers and another 5 percent of acres for socially disadvantaged producers.

Any set-aside funds or acres that are not used by a certain date during the fiscal year (to be determined by the Secretary of Agriculture) will be re-pooled so that they can be used by other producers in the programs.

In addition to the funding set-aside, both beginning and socially disadvantaged farmers and ranchers, as well as limited resource farmers, are eligible for special higher EQIP payment rates than other farmers. EQIP payments are generally limited to not more than 75 percent of the cost of the conservation practices involved, but for beginning and socially disadvantaged farmers and ranchers the top limit is 90 percent.

The farm bill also mandates that the difference between the normal rate and the special rate must be at least 25 percent. For instance, if the regular payment rate for a particular practice in a particular county is 50 percent, the special rate must be at least 75 percent.

Also, beginning and socially disadvantaged farmers and ranchers, as well as limited resource farmers and ranchers, are eligible to receive up to 30 percent of their total payment in advance to help cover their upfront costs for materials and contracting.

Definitions

Beginning farmers and ranchers (BFR) are those who have operated for 10 years or less and who materially and substantially participate and provide substantial day-to-day on-farm labor and management.

Socially disadvantaged (SDA) farmers and ranchers belong to a socially disadvantaged group (American Indians, Alaskan Natives, Asians, African Americans, Native Pacific Islanders, Hispanics). *(Note -- Unlike USDA farm credit programs, the Farm Bill dictates that women farmers are not considered socially disadvantaged for conservation program participation.)*

Limited resource (LR) farmers and ranchers have gross agricultural sales of less than \$146,400 (in each of the last two years) and total household incomes that are either at or below the poverty level or less than 50 percent of county median household income.

The three categories are not mutually exclusive. BFR includes but is not limited to minority and limited resource beginning farmers. SDA includes but is not limited to SDA farmers who are beginners or limited resource. Some but not all LR farmers are beginners or minorities.

2010 Results

The Fiscal Year 2010 outcomes on EQIP and CSP participation rates for beginning, socially disadvantaged and limited resource farmers and ranchers are shown on the next two pages.

**FY 2010 Beginning, Socially Disadvantaged, & Limited Resource Farmer & Rancher Data
for the Environmental Quality Incentives Program (EQIP) and
Conservation Stewardship Program (CSP) ⁱ**

FY 2010 EQIP (\$ thousands)

EQIP Applications

	Number (Includes All Types) ⁱⁱ	% of Total Number	Total Estimated Dollars ⁱⁱⁱ	% of Total Dollars
Total Applications	98,030	100.0%	\$1,439,485	100.0%
Total BFR Applications	11,709	11.9%	\$189,952	13.2%
Total SDA Applications	4,622	4.7%	\$72,814	5.0%
Total LR Applications	2,928	3.0%	\$37,562	2.6%

EQIP Contracts

	Total Active	% of Total Number	Total Dollars Obligated	% of Total Dollars	% Above or Below 5% Target
Total Contracts	36,499	100.0%	\$838,985	100.0%	
Total BFR Contracts	5,450	14.9%	\$134,944	16.1%	+220%
Total SDA Contracts	2,109	5.8%	\$57,736	6.9%	+38%
Total LR Contracts	1,243	3.4%	\$23,126	2.8%	n/a

EQIP Cost-Share Differential and Advance

BFR/SDA Higher Cost Share Rate: NRCS does not currently collect this data

BFR/SDA Advanced Cost Share Payment: NRCS does not currently collect this data

FY 2010 CSP (\$ thousands)

CSP Applications

	Number (Includes All Types)	% of Total Number	Total Estimated Dollars^{iv}	% of Total Dollars
Total Applications	38,501	100.0%	<i>data not available</i>	100.0%
Total BFR Applications	2,172	5.6%	<i>data not available</i>	<i>data not available</i>
Total SDA Applications	662	1.7%	\$12,238	<i>data not available</i>
Total LR Applications	612	1.6%	<i>data not available</i>	<i>data not available</i>

CSP Contracts

	Total Active	% of Total Number	Total Dollars Obligated	% of Total Dollars	% Above or Below 5% Target
Total Contracts	20,567	100.0%	\$320,399	100.0%	
Total BFR Contracts	1,496	7.3%	\$14,590	4.6%	-8%
Total SDA Contracts	378	1.8%	\$9,897	3.1%	-38%
Total LR Contracts	317	1.5%	\$2,199	0.7%	n/a

ⁱ **Data source for contract numbers:** NRCS ProTracts contract management application.

Data source for financial assistance dollars obligated: NRCS Foundation Financial Information System (FFIS) for fiscal year 2010.

ⁱⁱ **Application types include:** Preapproved, Approved, Pending, Eligible, Deferred, Ineligible, Cancelled and Terminated

ⁱⁱⁱ These figures may not represent the full estimated costs as all producers might not have supplied this information.

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Discussion

A broader time series would be necessary to make any broad statements about the utility of the set-aside provisions. But based on more limited information available to us, it appears the set-asides have been quite useful in increasing the success rates of beginning and minority farm applicants within EQIP and when comparing the old Conservation Security Program with the new Conservation Stewardship Program. The ability to compete within smaller pools of similarly situated producers appears to improve participation rates among historically underrepresented groups.

Within EQIP, the beginning farmer participation level is far higher than the statutory set-aside, while minority farm participation in 2010 just exactly equaled the set-aside target. In both cases, the percentage of total contracts for the targeted group is higher than the percentage of total applications represented by members of those groups. In the case of beginning farmers, the number of successful applicants was three percent higher than the number of total applicants and the same was true with respect to total dollars. In the case of minority farmers, the number of successful applicants was one percent higher than the percentage of total applications while total dollars were two percent higher. This higher success rate relative to the rest of the total EQIP pool tends to also suggest that the ability to compete in a smaller pool is an important advantage for the targeted classes.

The fact that beginning farmer participation rates far exceed the set-aside amount suggests that that the original Beginning Farmer and Rancher Opportunity Act of 2007, the precursor to the final 2008 Farm Bill language, may have been more on target in seeking at least a 10 percent set-aside. Even a 10 percent set-aside would have been exceeded significantly in 2010.

There is less application information available for CSP than there is for EQIP. This prevents a full comparison of CSP success rates for the targeted groups. For both programs, however, it is important to stress that application information is the best available, but, especially with respect to dollars requested, may not be completely accurate. Costs at the application stage of the process are estimated and some cost information may not have been provided by the producer or may not have been recorded by the agency during the sign-up process. For the 2011 sign-up and all sign-ups in the future, it is our hope that more complete data can be captured and reported, recognizing of course that it cannot in any event be a perfect detailed measurement.

The total number and percentage of beginning and socially disadvantaged producers applying to CSP is substantially lower than for EQIP. Part of the explanation for this is undoubtedly the newness of the program. As CSP becomes better known, this could recede as a factor, though of course only if the agency also does a good job of targeted outreach.

Part of the difference can also be explained by the different size and nature of the programs. EQIP has greater funding and provides one-time cost share assistance for particular practices or structures that address natural resource and environmental problems on a farm. CSP has less money and provides ongoing assistance for advanced management and continual improvement of conservation systems that are well enough established that the producer can meet the higher environmental standards required for entrance into the program. To some extent, this will always favor more

established farmers to some extent and, by the same token, beginning farmers and limited resource farmers may always generally have a higher immediate need for cost-share assistance.

We would suggest, however, that part of the explanation also lies with structural barriers in program implementation. Beginning farmers, for instance, should be provided with an alternative means of accounting for and crediting baseline conservation activity if they are in the first years of starting out in farming. Some beginning farmers have also had a difficult time obtaining the required Farm Service Agency farm records. While the final rule for CSP has established a \$1,000 minimum payment rate for smaller acreage farms operated by beginning, socially disadvantaged, and limited resource farmers, that rate is in our opinion still too low. These and other obstacles should be addressed administratively and also where needed in the next farm bill.

The effect of competing in a smaller pool does appear to have a similar directional impact for CSP as for EQIP. The percentage of the successful beginning and minority farmer applicants is higher compared to the respective percentage of the total applicant pool. Interestingly, the opposite is true for limited resource farmers, suggesting, perhaps, that the lack of a separate pool for limited resource farmers may have had an impact.

The higher cost share rates stipulated by the 2002 and the 2008 Farm Bills as well as the advanced payment option stipulated by the 2008 Farm Bill are important advances in tailoring conservation assistance to these targeted groups. It would be very helpful to have data on both of these farm bill stipulations, especially in light of a great deal of anecdotal evidence of beginning and minority farmers not being told about their rights to higher cost share rates and/or advanced payments during the sign-up and enrollment process. It is our hope that starting with the 2011 program year or at least by 2012, this information is tracked and reported.