

Land Use When CRP Payments End: What History Tells Us in Georgia¹

Coleman W. Dangerfield Jr., Economist

David J. Moorhead, Forester

David H. Newman, Forest Economist

Larry W. Thompson, Associate Chief, Forest Management

Conservation Reserve Program - Forest Landowner Team

The University of Georgia Extension Forest Resources

Georgia Forestry Commission



The Entomology and Forest Resources
Digital Information Work Group

Marginal land in Georgia

In 1986, Georgia was estimated to have over 1.5 million acres of cropland and pasture classified as highly erodible or marginal in agricultural productive capacity. This is acreage that is much better suited for growing trees than for other, more intensive cropping uses. It also represents the most profitable opportunity for increasing Georgia's timber supply, as the cost of conversion to pine plantations averages only \$60 per acre.

Unfortunately, while most of the land in the state is best suited for timber and forest production, there has been a persistent, perceived problem with landowner management. Substantial areas of marginal land growing forest crops have had timber periodically removed with land converted to agricultural uses, or timber has been harvested with no provision for regenerating the land to suitable tree crops.

To counter this reduction in forestry activities, both federal and state policies have been implemented that attempt to induce people to manage their land for trees. These programs have ranged from information and education activities designed to increase landowner's knowledge about forestry activities, to direct cash subsidies tied to planting or management activities.

Soil Bank Program (SB), 1956-1960

The Conservation Reserve Program (CRP) was initiated in 1956 as one part of the Soil Bank Act. Thus, the original CRP was commonly referred to as the "Soil Bank Program." (SB) The SB was designed to divert land regularly used for crop production to conservation uses. The 1956-60 SB enrolled 28.7 million acres nationwide. Of this total, 2.2 million acres were planted to trees. Tree planting in the 12 Southern States (Virginia, South Carolina, North Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, Arkansas, Louisiana, Texas and Oklahoma) under the SB totaled 1,922,604 acres. SB pine plantations in Georgia totaled 676,914 acres, mostly slash and loblolly.

The SB provided 80 percent cost share of converting to conservation uses. In addition, annual payments in Georgia, and in the South, varied from \$8.68 per acre in 1956 to \$11.85 per acre by 1960. The contracts for annual payments were for 10 years.

A 1976 study showed that by average age 18 years, 83.1 percent of Georgia SB tree plantings were still in trees. Of the approximately 17 percent without trees, 14.5 percent were

¹Conservation Reserve Program. Forest Land Opportunities Leaflet Notebook. vol. 1 num. 1, September 1995.

clearcut and mostly idle without being restocked. Urban or other development accounted for 0.8 percent. Another 1.1 percent was converted back to agriculture. The status was not clear on the remaining 0.6 percent (cleared, but intent not known). In 1976, the tree acres were producing an estimated \$30 worth of wood per acre per year.

A 1992 national study revealed that by average age 33 years, 80 percent of SB tree plantings were still in forests. Of these acres, 35 percent were in the original plantings and 45 percent were in other forest types or had been replanted. Only 2.5 percent had been returned to cropland and another 5 percent to pasture.

In Georgia 23 percent of the acreage was in the original pine plantings and 73 percent had been replanted for a total of 96 percent of original SB tree plantings remaining in trees.

Conservation Reserve Program (CRP), 1985-1992

The 1985 Farm Bill (Food Securities Act of 1985 [P.L.99-198] Subtitle D) authorized the Conservation Reserve Program to:

- Reduce soil erosion
- Improve water quality by reducing soil erosion
- Curb production of surplus commodities
- Enhance fish and wildlife habitat
- Reduce sediment in streams and along road sides
- Provide income support to farmers

The objective of the CRP program was to convert highly erodible cropland to a less intensive use. Among the land use options of the CRP are permanent grass, legumes, forbs, shrubs, and trees.

The program is under the direction of

the Secretary of Agriculture, funded through the Commodity Credit Corporation and administered by the Consolidated Farm Service Agency (formerly the Agricultural Stabilization and Conservation Service). Payments are authorized to landowners or operators for annual land rent and one-half cost-share for establishment and maintenance of conservation practices during a 10 year contract.

Nationally, 36.4 million acres have been put under contract over the life of the program. Over the past eight years 2.4 million acres of trees have been planted under CRP. Georgia leads the nation in CRP tree planting, with 645,931 acres since 1986, see Table 1.

The average cost share payments for establishment of trees is \$42.30 per acre. Average annual per acre rental payment for maintenance of trees is \$43.06.

Economic opportunities for CRP lands planted in trees

Ten-year contracts for CRP lands in Georgia will begin expiring in October 1995, Table 2. Many opportunities face owners of CRP tree contracts. Among others identified, these include: growing the tree rotation to financial maturity; selling/leasing pre-merchantable trees at CRP contract maturity and maintaining land ownership; clear-cutting trees at CRP contract maturity; or converting land use to annual crops.

Preliminary results from a recent national survey made to determine CRP participants anticipated post-contract land use decisions are shown in Table 3. Nationally, only 4 percent of the survey respondents expected to leave land in trees for commercial wood production. Nationally 6.8 percent of total CRP acres were planted to trees representing 16.8 percent of all contracts.

In Georgia 94.4 percent of the CRP

contracts were for tree planting accounting for 91.4 percent of all CRP acres. Nationally, the average CRP contract, at 97.1 acres, was over twice the size of the average CRP tree contract at 39.5 acres. Preliminary results released from the survey did not stratify respondents by CRP land use.

Implications for the CRP landowner

Tree plantings from the Soil Bank Program have remained almost totally in production forest in Georgia since 1956. CRP tree plantings from the 1985-1993 period should remain likewise. Landowners will earn attractive returns from continued land use in trees on marginal cropland currently in the CRP. This is consistent with results of earlier studies showing that pine plantations are more profitable on marginal row crop land in Georgia than either corn or soybeans except under the most optimistic price assumptions. Further, real prices of most agricultural crops are projected to decline whereas real tree product prices are expected to remain constant or increase

slightly.

Almost 50,000 acres of CRP tree plantings in Georgia will be released from contract at the end of 1995. More than 200,000 acres will be released at the end of 1996. Potential investors in these pre-merchantable tree crops could include manufacturers in the timber industries and firms specializing in timber investments. For these potential investors, an important criteria would be their alternative investment discount rate. Landowners may face different alternative investment opportunities than manufacturers or investment firms.

Keeping these lands planted in trees will also reduce soil erosion while increasing the future supply of timber in Georgia. Other benefits of keeping CRP land in trees include improved water quality, enhanced fish and wildlife habitat, reduced stream and road-side sediment, and reduced production of surplus agricultural commodities. In addition, pesticide application on forest land is greatly reduced relative to row-crop land.

Table 1. Conservation Reserve Program enrollment, sign-up periods 1-12, March 1986-June 1992.

Area	No. Contracts	Total Acres	Av./Ac./ Contract	No. Contracts	Total Acres	Av./Ac./ Contract	Rental Rate	Cost Share
	-----	<i>All Contracts</i>	-----	-----	<i>Tree Contracts</i>	-----	<i>\$/Acre Tree Contracts</i>	
U.S.	375,205	36,422,733	97.1	63,005	2,487,767	39.50	49.67	42.30
Southeast	34,065	1,692,580	49.7	28,440	1,297,565	45.60	42.69	N/A
Georgia	14,718	706,459	48.0	13,896	645,931	46.50	43.06	N/A

Table 2. Timetable for expiration of CRP contracts.

Area	Year CRP Contracts Expire							
	1995	1996	1997	1998	1999	2000	2001	
	Acres Released From Contracts							
U.S.	2,043,038	13,669,641	8,756,467	5,354,649	4,098,104	475,179	998,211	1,027,444
Southeast	151,731	607,765	389,805	304,885	117,026	32,783	37,091	51,495
Georgia	48,858	213,819	176,741	159,959	63,779	11,396	14,476	17,431

Table 3. Participants' anticipated post-contract uses of CRP land (preliminary).

Planned Land Use	% of CRP Survey Respondents
Plant to a crop	43
Idle to meet annual commodity program set-aside requirements	4
Enroll in 0/92 or 50/92 programs	3
Rent or lease land to other farmers	13
Leave in tree cover for commercial wood production	4
Leave in grass cover for hay production or livestock production	23
Leave in grass or tree cover for wildlife/recreation (no grazing, haying, or tree cutting)	2
Leave in grass or tree cover with no specific use planned	3
Sell	3
Other uses or unknown	2
TOTAL	100