

## Chapter 9. Agriculture and the Environment

### Trends in New York Land Use and Highlights of the 2008 Farm Bill

Nelson Bills, Professor, AEM  
Gregory Poe, Associate Professor, AEM

---

When preparing last year's 2008 Agriculture and the Environment Outlook Chapter, our intention was to report on a 2007 Farm Bill. An initial bill had been introduced and passed by the House in May 2007 and the Senate was deliberating on the farm legislation. However, it was not until mid-December that the Senate passed their version of the Farm Bill, and it then took over six months, of what has been referred to as a "long and contentious" conference, for the House and the Senate to come to terms. Congress passed the conference version in May 2008, which was promptly vetoed by President Bush. It was only in June, after a technical complication was addressed, that the President's veto was finally overridden by Congress and the 2008 Farm Bill (H.R. 6124, Public Law:110-246), entitled the "Food, Conservation and Energy Act of 2008", was enacted into law.

Much of the debate over the 2008 Farm Bill centered on what President Bush referred to as fiscal discipline and a lack of program reform "in a time of record high food prices and record farm income", but there were many other voices wielding influence over program direction; all clearly understand that this legislation is sweeping and addresses numerous concerns beyond agricultural commodity programs. The concern we address here relates to environmental management. The 2008 legislation follows precedent established in the mid-1980s and enshrines environmental programming for agriculture in a separate conservation title. Although many groups would have liked the conservation title to have taken a different direction from what was ultimately enacted, the Conservation Title of the 2008 Farm Bill, we see only marginal shifts in emphases. There are modifications, outlined later in this chapter, but the palate of conservation programs follows the same trajectory as the 2002 Farm Bill, with provisions for farmland retirement, stewardship of land and water resources, and farmland protection.

Despite the lack of major shift in direction, this is an opportune time for us to showcase the Farm Bill Conservation Title. This legislation will govern the bulk of Federal agriculture and related programs for the next five years, interacting with and complementing other initiatives at both the state and Federal levels. That is, the direction of Federal farm programs for conservation and the authorities granted the USDA to fund them are absolutely critical elements in the emergent policy mosaic in New York. Moreover, in recent years, largely because of the expansion of the working lands programs, instead of land retirement efforts, this legislation has emerged as a relatively important financial input to New York State farmers. With \$4 Bil. in additional and conservation program funding under the 2008 Farm Bill, this role could increase. Beyond immediate financial considerations, these programs offer assistance to and opportunities for farmers and landowners to adopt practices that meet water quality and other environmental demands that have become more prominent in recent years, with new program offerings that will become available to New York State farmers in targeted areas.

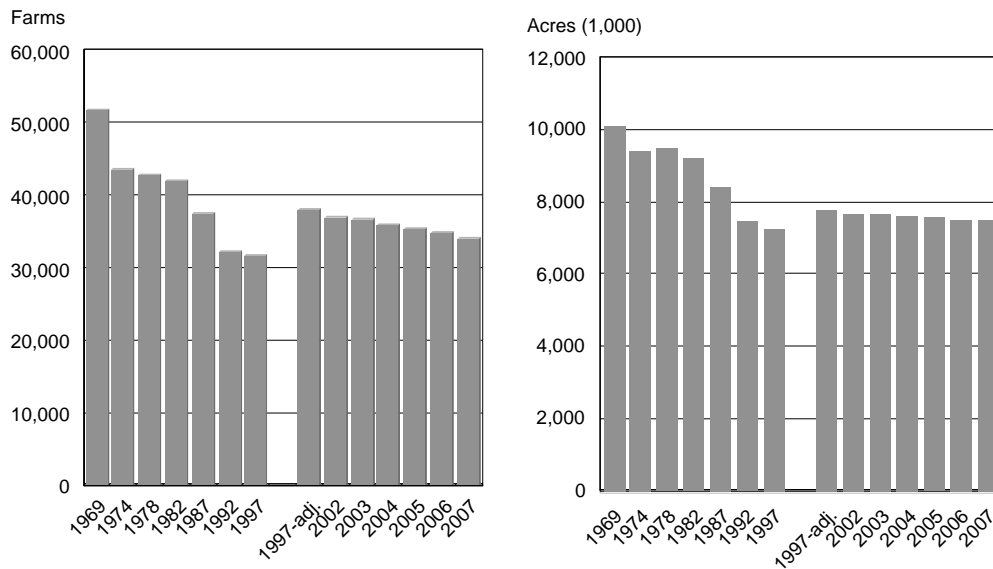
To begin the discussion here, we review broad trends in land use in New York State by updating some information provided in this chapter in years past.

**I. Agricultural Land Use in New York**

New York's land resources are key ingredients for agricultural commodity production. Crop and livestock production has always been a predominant feature of the New York State landscape. After the American Civil War, New York State led the nation in farmland acreage. As late as a century ago, about three-fourths of the State land base was counted as land in farms. But during much of the twentieth century, agricultural lands in New York, indeed throughout the Northeast, have slowly been converted or reverted to alternate uses and, due to consolidation and other socio-economic trends, the number of farms has declined. Some of the acreage released from farm use has been converted to a developed use, but millions of acres sprouted brush, then small trees and, over time, woodland that can again reclaim the title of forest.

Corresponding trends in farm numbers and farm acreage in New York are shown in Figure 9-1. For 2007, the USDA farm estimate for New York is 34,200 farms, down 800 farms from the number reported in 2006. The farmland base--acreage used for crops, pasture, and support land-- stabilized in the early 2000s at about 7.5 million acres across New York State.<sup>1</sup>

FIGURE 9-1. FARMS AND LAND IN FARMS, NEW YORK, 1969-2007



Source: 2002 Census of Agriculture, NYS Agriculture Statistics Service, and USDA-National Agricultural Statistics Service

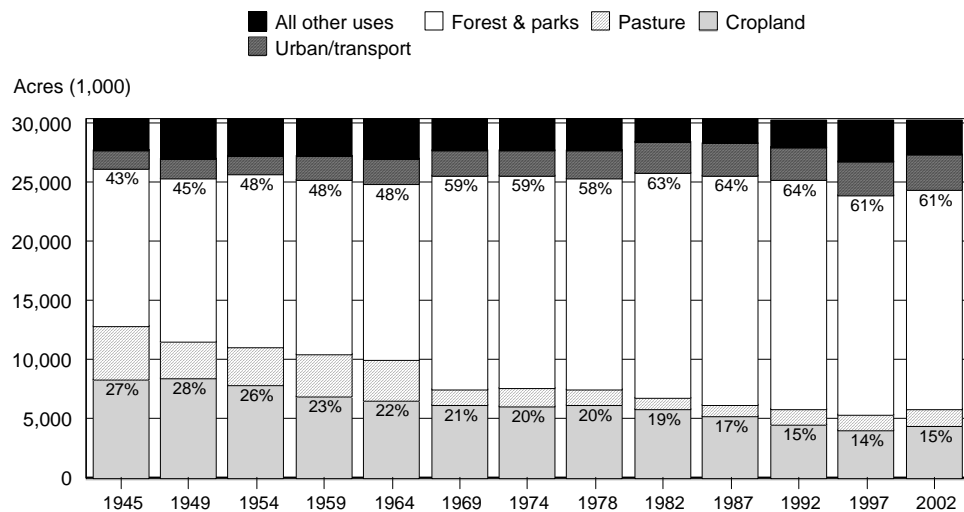
The value of crops and livestock produced on these farms hovered in the \$3 Bil. range during the 1990s and into this decade with some variation due to fluctuating milk and crop prices. Since 2000 total receipts have trended upward, with gross farm income increasing sharply to \$4.5 Bil. in calendar 2007, largely fueled by increased commodity prices. Farm businesses also support industries that process raw farm

<sup>1</sup> Some of these land-use developments are masked by changes in data management. For the 2002 Census of Agriculture, the USDA adopted new measures to correct for under-counting of farm operations. As indicated in Figure 9-1 these adjustments led to a notable rise, for calendar 2002, of approximately 20% in the estimated number of farm operations and a corresponding, but lesser, increase (8%) in estimated farm acreage.

commodities and supply inputs needed for commercial farm production. Statistics of these data are less frequently reported. In 2007, the value of gross output originating on New York farms and with businesses classified as agricultural services or food/beverage manufacturing totaled \$31.2 billion.

New York State has not conducted a comprehensive inventory of land uses since the late 1960s, making for a good deal of uncertainty over the status of overall land use. Two USDA agencies—the Economic Research Service (ERS) and the Natural Resources Conservation Service (NRCS)—attempt to fill that void with published estimates of land use and land cover. Because of budget considerations, the Federal land-use estimates are either dated, published only for multistate areas, or both. Widely circulated trend data estimated in a consistent manner by ERS since the late 1940s are shown in Figure 9-2. They showed land-use estimates through 2002 and indicate that, as in years past, forest cover predominates for New York State as a whole; more than six of every 10 acres are classified as forest by the USDA. USDA crop and pasture estimates track the census data reported above and show marginal decreases in both categories moving into this decade. This USDA data series uses a conservative estimate of urbanized land, using Census definitions. Urbanized land by Census definition includes incorporated cities and villages with a population of 2,500 or more and adjacent densely populated territory. In 2002, slightly more than 2.5 million acres fell into this urban land category as shown in Figure 9-2. USDA estimates from the 2003 NRCS National Resources Inventory (NRI) are more expansive in definition and put urban and built-up acreage in the range of 3.7 million acres five years ago.

FIGURE 9-2. MAJOR USES OF LAND, NEW YORK, 1945-2002

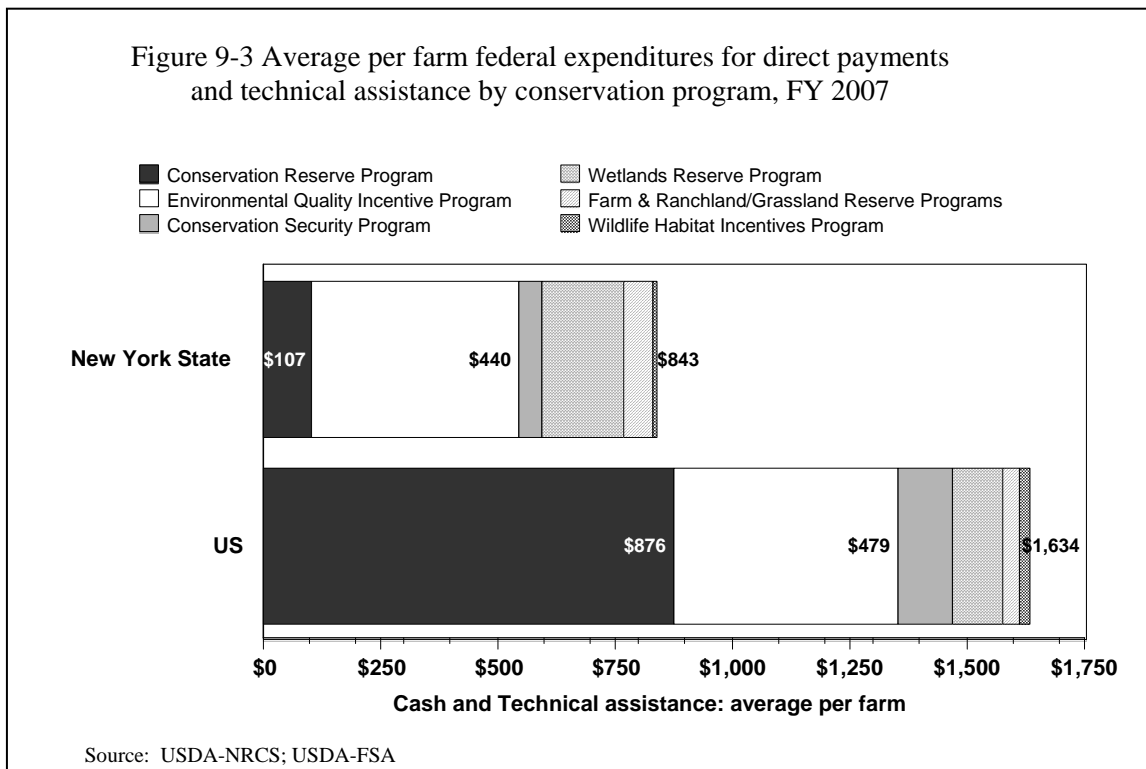


Source: USDA-ERS.

**II. The Conservation Title of the Farm Bill, Federal Funds in Perspective**

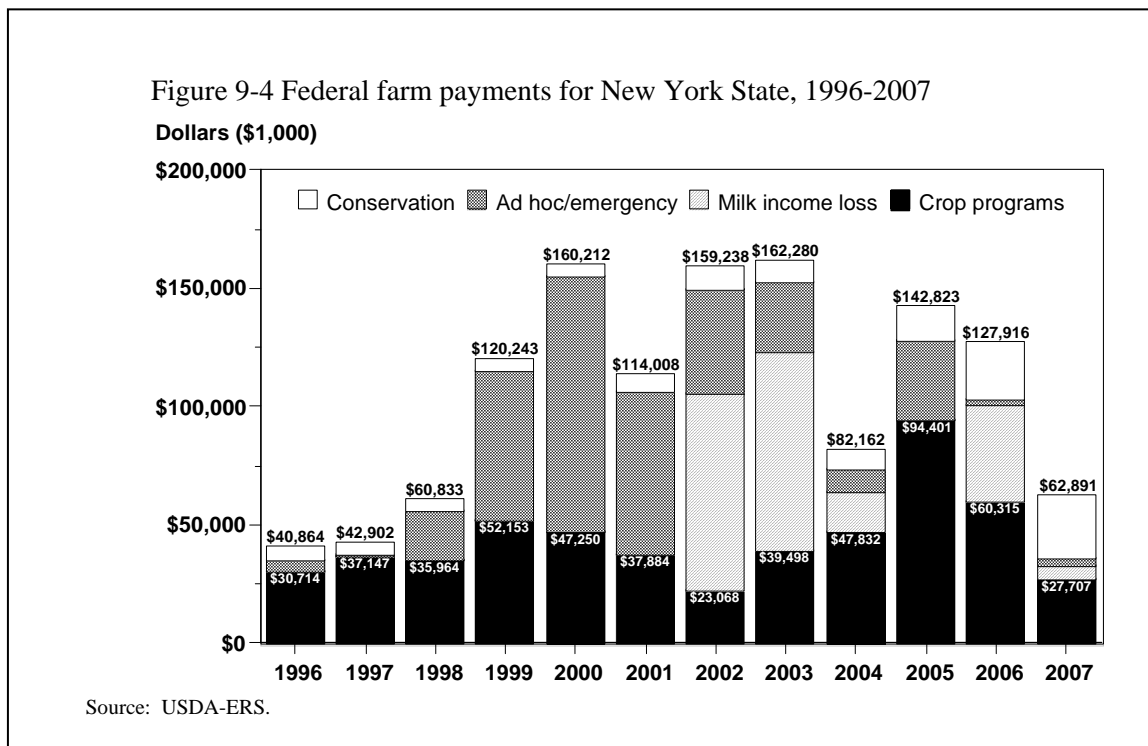
The interplay between food production, land use and the environment has always been part of the American conservation movement. Today, even though many state and local governments are active partners, the larger discussion about public support to achieve satisfactory environmental outcomes on US farm and ranchland typically centers on a suite of USDA programs designed to secure environmental services from farmers and ranchers with Federal funds. Federal cost sharing and technical assistance on the installation and maintenance conservation practices on farms dates to the Great Depression. On several occasions in more recent years, long-lived programs have been repackaged and rolled out under new names. Despite unprecedented amounts of discussion about new program directions, the 2008 Farm Bill and its conservation title are very much in step with past efforts

For some time the authors of this chapter have argued that New York State’s share of the conservation title program funding has been disproportionately small relative to other states, particularly the Midwest. On grounds related to the relatively large environmental benefits that would accrue in the northeast, it would make economic sense to target New York State and the Northeast for many of these programs. However, such academic arguments have paled in respect to the political powers that govern the allocation of Federal Agricultural Dollars. While there has been some shift in interregional allocations over the last decade, the momentum of funding continues, and New York State’s claim on major conservation title programs remains small relative to the rest of the country. This comparison is provided in Figure 9-3.



Nevertheless the amount of Federal expenditures averaged across all New York State farmers is not inconsequential. Moreover, averages only tell part of the story: because programs are concentrated in certain areas and subscription to the programs is not universal, Federal Conservation expenditures do play a major financial role in the operations of some farms (and are non-existent on others).

It is useful to compare these expenditures to other Federal sources of flows to New York State landowners. Figure 9-4 provides one perspective of conservation title expenditures vis-à-vis other major Federal farm payments. A broad trend is that nominal conservation program payments have consistently increase over the 12 years covered in the figure. As a result of this trend and rising commodity prices in recent years (with the subsequent drop in crop program expenditures) the relative role on conservation payments in New York State Federal farm expenditures is now prominent. Indeed, in 2007, conservation program expenditures in New York State, estimated at \$26.1 Mil., approximated that of the commodity programs (\$27.7 Mil.) While the monies allocated to conservation programs are scheduled to rise with the 2008 Farm Bill, sometimes in mandated amounts, it remains to be seen whether high crop prices and corresponding low commodity payments will be sustained over the five year life of the 2008 legislation.



Some perspective is also gained by comparing the expenditures associated with these Federal programs with selected conservation expenditures by the State of New York, which has an impressive history in the conservation arena. For example, as we have emphasized in previous years, New York State has a 40-year history of leadership and investment in farmland protection. More recently, a statewide Agricultural Environmental Management (AEM) Program and Nonpoint Source Pollution Grants have forged new opportunities to reduce agricultural nutrient runoff and other environmental impacts. Table 9-1 provides a listing of major Conservation Title expenditures averaged across New York State's 34,200 farms and a like listing of key New York State conservation programs. This direct comparison on a per farm basis for 2007 shows that New York State's contribution far exceeds that of the USDA. On a per farm basis, we estimate that the State generates more than \$5,700 in benefits, compared to an estimated \$843 at the Federal level, a nearly seven-fold advantage from State sources.

These results are surprising and beg for elaboration. First, like recent trends in crop prices and consequent effects on Federal crop payments, this ratio has been overtaken by events in the last few years. Specifically, the total value of tax relief encompassed by the Farmers School Tax Credit and Agricultural and Farm Building Assessments has ballooned in the last three years as local governments have dramatically increased local property tax levies. These levy increases have been largely offset by larger exemptions afforded farm operators and landowners under New York State law. According to our calculations, the aggregate amount of property taxes avoided during the 2007 tax year was \$36.0 Mil., \$128.4 Mil., and \$14.4 Mil., respectively for the Farmers School Tax Credit, agricultural (farmland) and farm building assessments. This aggregate amount-\$178.8 Mil.-is up from \$135 Mil. in 2004 (a 32% increase in the 3-year span). These increases are driven, to varying degrees depending on the local jurisdiction, by increases in property values and increases in local property tax levies as local governments scramble to secure the funds needed to supply local services. Similarly, higher property taxes levies for local schools have dramatically increased the benefits generated by the refundable income tax credit available for farm operators who qualify for the Farmers School Tax Credit. Secondly, the primary New York State expenditure categories focus on programs to provide tax relief and keep farmers on the land. Although conservation programs often have a similar auxiliary motivation, their paramount objective is to reduce the environmental effects of agricultural practices. Thus, the Federal and state expenditures are to some extent non-comparable, and instead can be viewed as part of a complete package addressing both the positive and negative external effects of agriculture in New York State. As such, we argue that it is most appropriate to view past, present and future Federal conservation expenditures in the context of a larger suite of programs intended to address or enhance the environmental contribution of agriculture to society.

TABLE 9-1. ESTIMATED AVERAGE, PER FARM BENEFITS FROM FEDERAL AND NEW YORK STATE CONSERVATION PROGRAMS IN 2007

Item	Dollars
Conservation Reserve (CRP)	\$107
Environmental Quality Incentives (EQIP)	440
Conservation Security (CSP)	51
Wetlands Reserve (WRP)	171
Farm and Ranch Lands Protection (FRPP) & Grassland Reserve (GRP)	62
Wildlife Habitat Incentives (WHIP)	12
<b>Total-Federal Programs</b>	<b>\$843</b>
Purchase of Development Rights (PDR)	\$420
Reduced State Income Taxes: Farmers School Tax Credit	1,053
Reduced Property Taxes: Agricultural Assessments	3,754
Reduced Property Taxes: Farm Building Exemptions	428
NYS-Agricultural Environmental Management (AEM)	77
<b>Total-New York State Programs</b>	<b>\$5,733</b>

Source: Derived from data obtained from USDA-ERS, USDA-NASS, NYS Dept. of Agriculture and Markets, NYS Office of the State Comptroller, NYS Dept. of Taxation and Finance, and the NYS Office of Real Property Services

### **III. The 2008 Farm Bill and Conservation**

Following the current USDA nomenclature, Federal Conservation Title payment programs can be conveniently grouped around land retirement, working lands, and land preservation. Federal outlays for those programs were about \$3.7 Bil. in 2007, according to USDA budget data, and is expected to grow to over \$5 Bil. by 2012. As indicated above, this expansion largely follows the path laid out in the 2002 Farm Bill. However, there are some directional changes at the national level, notably: there is an increased emphasis on working lands programs as evidenced by growth in EQIP and shrinkage of Conservation Reserve Program acreage; the Conservation Security Program (now the Conservation Stewardship Program) is no longer limited to specific watersheds but will now be offered on a broader scale; and New York State landowners in the Susquehanna River basin are eligible to participate in a new Chesapeake Bay Watershed Program.

Here we summarize major Conservation Title programs affecting New York State, noting that the details on some of the new programs, and the implementation for conservation programming in New York State, will not emerge until rulemaking is completed next spring.

#### **Land Retirement Programs**

**Conservation Reserve Program (CRP):** Created by the 1985 Farm Bill, the CRP is the Nation's flagship land conservation program. The CRP offers annual rental payments and cost-share assistance to landowners to establish long-term resource conserving land covers (e.g., grass and trees) on eligible land to improve the quality of water, control soil erosion, and enhance wildlife habitat. Having evolved through subsequent Farm Bills, the CRP now consists of three programs. The most established program is the General Sign-Up CRP, which in 2007 contracted over 32.9 million acres on more than 276,000 farms nationwide. Participants enroll in the General Sign-Up CRP by contracting their land for 10 to 15 years. The rental contracts are competitive, operating through periodic sign ups in which landowners submit offers indicating the amount that they would be willing to accept as compensation for retiring their land (annual compensation or rental rates must be equal to or less than the average dry land soil rental rate for the county in which the land is located). Each offer is compared to an environmental benefits index calculated for the specific parcel under consideration, placed in a nationwide pool, and then ranked on the basis of relative costs and benefits of enrolling individual parcels.

Beginning in 1996, the Continuous Sign-Up was added to the CRP. This program offers greater financial incentive than the general CRP, and it allows landowners to sign up at any time as opposed to the one or two announced sign-ups each year. It targets highly valued environmental practices including filter and contour grass strips, riparian, wildlife and wetland buffers and a number of other specified practices. Like the CRP, farmers receive cost share assistance and land is enrolled for 10 to 15 years. Additional incentives for specific practices are available.

The Conservation Reserve Enhancement Program (CREP) represents the third leg of the CRP. Established at local or state levels through individual Federal/State partnerships, the CREP program currently operates in 24 states, implementing projects designed to address specific environmental objectives. The program retains the essential characteristics of general CRP, establishing 10 to 15-year contracts with landowners to retire environmentally sensitive land. Like the continuous sign-up, enrollment is available on a continuous basis. However, the CREP program differs from the other programs previously described in that, recognizing that land enrollment decisions are sensitive to contract prices, it offers substantially higher incentives for enrollment. Recent research by the co-authors demonstrates that landowners are responsive to these incentives. Since 2003, New York has had three CREP programs: the Syracuse/Skaneateles Lake Watershed Program (1,000 acres enrollment), the New York City Watershed Program (5,000 acres enrollment target), and the New York State CREP program (40,000 acres enrollment target).

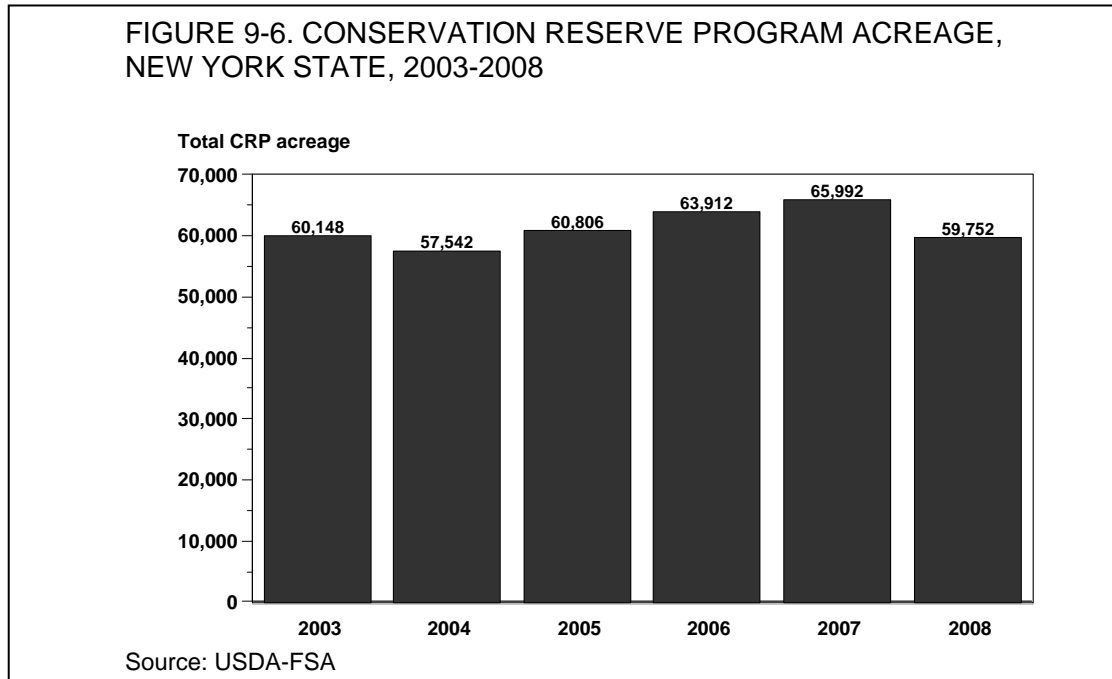
TABLE 9-2 CONSERVATION RESERVE ENROLLMENTS,  
NEW YORK STATE AND THE US, 2008

<u>Item</u>	Number of Farms	Acres	Annual Rental (\$1,000)	\$/Acre
<u>New York</u>				
General Sign Up	1,052	39,851	1,640	\$41.16
Continuous, Non CREP	590	8,988	472	\$52.56
CREP	623	10,913	1,677	\$153.68
<u>United States</u>				
General Sign Up	253,892	30,542,941	1,346,017	\$44.07
Continuous, Non CREP	183,413	2,864,736	255,477	\$89.18
CREP	42,376	1,126,710	143,424	\$127.29

Source: USDA-FSA

In New York State the pattern of CRP enrollment across the three programs has varied substantially from the national averages. As indicated in Table 9-2, the general CRP, continuous CRP and CREP programs respectively constituted approximately 88 percent, 8 percent and 3 percent of total national CRP acreage enrolled in 2007. Comparative figures for New York State were 67 percent, 15 percent and 18 percent. In terms of total CRP acreage, New York State has closely followed national trends in recent years. Most notably as indicated in Figure 9-6, total CRP acreage in New York State fell by almost 10 percent from 2006 to 2007 after inching up for several years. This is largely attributed to the expiration of long-term contracts and lack of reenrollment of those lands.

Although continuing the authorization of the CRP program, the 2008 Farm Bill reduced the national cap to 32 million acres, down from the previous cap of 39.2 million acres. Actual enrollment was 34.7 million acres as of April 2008, reflecting some exiting of the program at the national level. As in New York this drop in national CRP acreage is most likely driven by elevated commodity prices and the consequent opportunity cost of reenrolling land once original contracts had expired.



**Wetlands Reserve Program (WRP):** The (WRP) pays landowners, and provides cost-share assistance, to retire marginal land from agricultural production if those lands are restored to wetlands and protected with 30-year or permanent easements. Landowners receive appraised fair market value for land placed in permanent easements (and 75 percent of appraised value for 30 year easements) and are provided with cost-share assistance to cover restoration expenses. The WRP offers continuous signups in a manner analogous to the continuous CRP.

WRP enrollment in New York State has been quite successful, particularly in comparison to the CRP. Nationwide the CRP to WRP ratio is almost 15 to 1. In New York State it is approaching one-to-one with over 49,000 acres enrolled across over 1,200 WRP contracts in New York State up through 2007.

In contrast to lowering the national cap for CRP, the 2008 Farm Bill lifts the cap for WRP to 3.04 million acres, up from 2.27 million acres in the 2002 Farm Bill. This implies \$1.3 Bil. in additional spending in the new Farm Bill. Through 2007, 1.95 Mil. acres had been enrolled nationwide. Assuming continued enrollment in the New York State program, it is likely that in the future WRP acreage in New York State will exceed that of CRP.

In addition to increasing the acreage cap, the 2008 Farm Bill authorizes a Wetlands Reserve Enhancement Program that follows the success of the CREP initiatives by allowing Federal/State partnerships in the design and selection of contracts.

### Working Land Payment Programs

**The Environmental Quality Incentives Program (EQIP):** First authorized in the 1996 Farm Bill and expanded in the 2002 Farm Bill, EQIP provides assistance to farmers to install or implement conservation practices on eligible agricultural land to protect water, air and soil quality as well as wildlife habitat. Eligible lands include cropland, grassland, rangeland and pastureland, non-industrial private forestland and other farm

lands as determined by the Secretary of Agriculture. Importantly, from the perspective of New York agriculture, EQIP is the only conservation program that sets aside a portion, a minimum of 60 percent nationally, of its funding for livestock producers and serves as a critical source of funding for the development of comprehensive nutrient management plans. Under the 2008 Farm Bill, conservation practices related to organic production and transition to organic production are also eligible for funding.

In New York State EQIP tends to be oversubscribed, with perhaps twice the number of applications than are ultimately funded. Enrollment in EQIP is determined by a ranking program based on four criteria: national, state, and local resource concerns, and an efficiency score. In New York the state technical committee establishes resource concerns to be identified as priorities for funding. Consistent with national priorities, in 2007 these were the reduction of nonpoint source pollutants, reduction of soil erosion and sedimentation, reduction of emissions, and promotion of at-risk species habitat. Local workgroups representing each of the thirteen waterbasins establish local resource concerns. The efficiency score is based on the lifespan and cost of the conservation practices. A procedure consistent with meeting these priority objectives and using approved conservation practices is applied to rank applications and determine funding: each watershed has unique local ranking criteria, eligible practices, and separate funding pools. While EQIP is a continuous signup program, New York State NRCS established ranking periods, to ensure adequate time to process applications, and ultimately sign contracts.

Much of the dramatic rise observed for Conservation Title expenditures in New York State since 2004 can be attributed to a surge in EQIP contract payments over that period. In 2004, statewide payments for 1997 contracts and after were just over \$2.54 Bil. By 2007 these contract payments had risen almost four-fold to over \$9.26 Bil.,<sup>2</sup> with over \$5.20 Bil. of these funds direct to Animal Waste Management Practices. This upward trend is expected to continue as national EQIP funding as authorized in the 2008 Farm Bill will rise from \$1.2 Bil. in fiscal year 2008 to \$1.75 Bil. in year 2012. In 2007, EQIP allocations were just over \$1 Bil. nationwide.

#### **The Conservation Security Program (CSP)/ Conservation Stewardship Program (CStP):**

The Conservation Security Program (CSP) was first authorized by the 2002 Farm Bill and provides financial and technical assistance on agricultural working lands to support ongoing conservation stewardship and additional conservation practices or activities that provide increased resource benefits. In many ways this program can be viewed as a first step or experiment in European -like Green Payment schemes that supplant commodity programs with environmental-based support programs. The CSP provides payments to producers who maintain and enhance the condition of natural resources. USDA was directed to implement this program on a pilot basis in 2002-07, resulting in annual enrollments in 331 watersheds, including six in New York (Ausable, Buffalo-Eighteenmile, Niagara, Northern Long Island, Southern Long Island, and Onondaga).

The CSP was structured around three different tiers of eligibility, which are described as follows on NRCS fact sheets. For Tier I, the producer must have addressed soil quality and water quality to the described minimum level of treatment for eligible land uses on part of the agricultural operation prior to acceptance. Soil quality practices include crop rotations, cover crops, tillage practices, prescribed grazing, and providing adequate wind barriers. For Tier II, the producer must have addressed soil quality and water quality to the described minimum level of treatment on all eligible land uses on the entire agricultural operation prior to acceptance and agree to address one additional resource (e.g. wildlife habitat) by the end of the contract period. For Tier III, the producer must have addressed all applicable resource concerns (e.g. soil quality, water quality, wildlife habitat etc.) to a resource management system level that meets the NRCS Field Office Technical Guide standards on all eligible land uses on the entire agricultural operation before acceptance into

---

<sup>2</sup> In addition to new contracts, the upward trend was reinforced by increase implementation and enforcement of earlier contracts.

the program and have riparian zones. Producers could receive four types of payments (annual stewardship payments; annual existing practice payment, new practice payments, and annual enhancement payments for adopting additional practices that go beyond basic conservation standard or address local resource concerns) with the maximum level of payment per contract (\$20,000 to \$45,000), and the length of the contract (5-10 years) varying with the tier. Total CSP financial and technical assistance expenditures in New York State were just over \$1.73 Mil. in fiscal year 2007.

The 2008 farm bill replaced CSP with the Conservation Stewardship Program (CStP). The CStP is intended to be rolled out nationwide, and not restricted to a limited number of watersheds. Allocations across states will hopefully be more equitable: under the 2002 Farm Bill, about 1/3 of total CSP funds were distributed to just four states.

Under this program the USDA is directed to enroll 12.77 million acres/year at average cost of \$18/acre/year including financial assistance technical assistance and other expenditures. Payments are to be based on costs for installation, adoption and maintenance, will include income foregone by producer, and will be related to expected environmental benefits as determined by conservation measurement tools. While some basic parameters have been specified in the law (e.g., a \$200,000 cap to any one person or legal entity during any 5-year period;) and new opportunities will exist (nonindustrial private forest land incidental to agricultural land is now eligible as agricultural operations are defined as all acres of the operation of a producers), the allocation of funds across states, the dimensions of the incentives involved, the prioritization of areas, and numerous other factors will have to be resolved in rulemaking, expected in Spring 2009.

The amounts to be allocated to this program were not specified in the act, but the Congressional Budget Office estimated in May 2008 that spending on existing CSP contracts and new CStP contracts will be \$3.8 billion for FY 2009-12. Flows to New York landowners will be somewhat encumbered by the explicit wording in the act that that “payments cannot be made for expenses related to the design, construction, or maintenance of animal waste storage or treatment facilities or associated waste transport or transfer devices for animal feeding operations.” However, because CStP will be statewide, rather than concentrated in a small number of watersheds, the relative contribution to New York State farms indicated in Table 9-1 is expected to rise.

**Wildlife Habitat Incentives Program (WHIP):** The WHIP provides cost-sharing for landowners to apply an array of wildlife practices to develop habitat that will support upland wildlife, wetland wildlife, threatened and endangered species, fisheries, and other types of wildlife. Land eligible for WHIP includes private agricultural land, non-industrial private forest land, and tribal land. Applications are accepted year round, and contracts are generally 5-10 years although longer term agreements exist for “essential” habitat land. As suggested in Table 9-1 and Figure 9-4, participation in this program is limited in New York State, with only 1,266 enrolled acres in 2007. While national level funding for WHIP is slated to double with the new farm bill, it is unlikely that the acreage enrolled in this program will increase appreciably in New York State.

**Chesapeake Bay Program.** Like the CStP, the full dimensions of the Chesapeake Bay Program will not be known until rulemaking is completed. Nevertheless, our hopes are that this EQIP-like program will provide a source of meaningful conservation funding for producers in the Susquehanna River Basin. Indirectly, this targeted program may lead to more diffuse benefits in New York State if the geographical allocation of funding for other programs is adjusted in response. The program is intended to help producers enhance land and water resources by: controlling erosion and reducing sediments and nutrient levels in ground and surface water; planning, designing implementing, and evaluating habitat conservation, restoration and enhancement measures where there is significant ecological value for retaining the land in its current use or restoring the land to its natural condition. The 2008 Farm Bill provides \$438 million in new funding, to be allocated across

the States in the Chesapeake Bay watershed. New York State is expected to receive 8 to 10 percent of such funding.

**Farm and Ranch Land Protection Program (FRPP) and Grassland Reserve Program (GRP):** Policy interest in poorly timed or excessive conversion of farmland to developed uses is a “baby boomer” issue and evolved out of settlement patterns witnessed in the aftermath of World War II. Those years generated population spillovers from urban cores that coincided with dramatic changes in the structure of commodity agriculture. Those developments created a perfect storm for many rural communities, especially in the more densely populated Northeastern states. An immediate pressure point was the local property tax, a lynchpin source of funds for public services in the Region. New rural residents, along with the courts, pressured local governments to upgrade their property assessment procedures and update the market values assigned to farm real estate for taxing purposes. Tax levies also increased dramatically to fund growing public service needs. In response, State legislatures enacted programs to give farmland owners tax relief by capping or reducing tax liabilities realized by farmers and farmland owners. In New York State, taxes can be reduced with exemptions on new or reconstructed farm buildings, assessment of farmland at use rather than market value, or a refundable state income tax credit for local school property tax levies.

The policy discussion over farmland protection has evolved and deepened over the years. Most notably, several states (and a few local governments) operate farmland purchase of development rights (PDR) programs, which ensure an open space use in perpetuity. Efforts to ‘ease development rights on farmland began in the 1970s when Suffolk County, New York launched the nation’s inaugural PDR program. Since that time, according to the American Farmland Trust, 1.8 million farmland acres nationwide have been brought under this form of easement at an estimated cost of about \$2 billion (a great deal more if expressed in present value terms). This effort has been fueled primarily with public funds. Nonprofit organizations (organized as land trusts in many cases) acquire farmland easements as well, either through outright purchase, owner donations, or partnerships with state and local governments.

Parallel to these private and state/local government initiatives, the Federal Government is increasingly partnering with these entities to protect farmland. Federal efforts to protect farmland began later and with a protracted debate over actually incurring any direct Treasury costs. The Agriculture and Food Act of 1981 required Federal agencies to evaluate the impact of federally funded programs that converted farmland to nonagricultural uses and to consider alternative actions that would lessen the adverse impacts. Direct Federal involvement in permanent farmland protection only began with the 1996 Farm Bill, which overcame longstanding concerns about the Federal interest in farmland conversion and established the Farmland Protection Program (FPP). This program provided cash assistance to State, local, and tribal governments interested in acquiring farmland development rights. The FPP operated on a very modest financial basis in the early years but did distribute about \$50 million in Federal funds during the 1996–2001 span to match state and local dollars.

The 2002 Farm Security and Rural Investment Act reauthorized the FPP and renamed it the Farm and Ranch Land Protection Program (FRPP). FRPP provided funds up to 50 percent of easement costs on qualified, privately owned agricultural land. The 2002 Farm Act authorized funding of \$597 million over FY 2002-07. However, annual appropriations lagged behind the amount of funding authorized for most of those years. The 2002 legislation also established the Grassland Reserve Program (GRP), with a focus on efforts to improve and conserve native-grass grazing lands through long-term rental agreements or 30-year or permanent easements. During FY 2003-05, according to the USDA, \$177 million in financial assistance was made available to landowners through the GRP.

The 2008 Farm Bill returns to language used in the late 1990s and authorizes the USDA to operate a Farmland Protection Program (FPP), along with the ongoing GRP. The new legislation authorizes an

additional 1.22 million acres for GRP enrollment during FY 2009-12. More germane to the New York State scene, the law mandates new Federal spending amounting to \$743 million for FY 2008-12; this is a sizable increase compared to the 2002 Farm Bill.

Program scope appears to be broader under the new legislation, because eligible land now includes forestland and other land that contributes to economic viability of agricultural operation or that serves as buffer from development. In addition, a provision in the 2002 Farm Bill that proved to be troublesome and controversial in the Northeast was eliminated: a 2% limitation on impervious surfaces as a fraction of total easement area. Going forward, eligible entities will be allowed to specify their own limit on impervious surfaces, which should help facilitate program entry for smaller land parcels or parcels with substantial land improvements needed to support livestock, livestock products, or high-value crop production in the Northeast.

#### **IV. Some Concluding Comments**

In the realm of conservation and environmental management, an old economic adage appears to hold true: “follow the money”. Improved conservation behavior on farms has been a well recognized social need in the United States for nearly a century. Billions of taxpayer dollars have been obligated in support of that objective, and today, as in years past, thousands of US farm families act as Conservation Title supported stewards of the nation's land and water resources. Continuing public support is a well-established organizing principal for agricultural conservation policy. This chapter fully acknowledges that legacy and focuses on drawing contrasts and providing perspective on the allocation of scarce public funds for this purpose.

Interest is high this year because the U.S. Congress has re-upped the Federal Farm Bill for another five years. Our assessment shows that the new Farm Bill promises more of the same on the conservation front, with no real changes in the fundamentals of Federal conservation initiatives. We have pointed out several significant, albeit marginal changes in program direction, and we have speculated on what some of these changes might mean to the financial circumstances for farmers and landowners in New York State. But we recognize that the vagaries of Federal funding and rule making will ultimately dictate results in New York State and elsewhere. Namely, only a portion of the monies specified in this legislation are mandated and we will have to wait to see what level of Federal funding is ultimately appropriated for these purposes in upcoming years of expected tight budgets. If appropriations match up well with congressional intent, we expect to see an expanded (renamed) Conservation Security Program and fairly robust increases in funding for farmland protection and EQIP. But, because perceived needs are great, we think it's likely that these programs will continue to be oversubscribed and hence underfunded. While we expect a drop-off in CRP enrollment, there are likely to be increased opportunities for enrollment in the WRP.