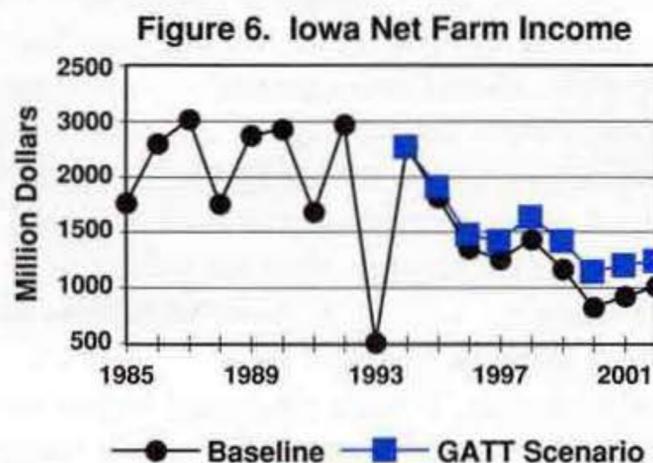
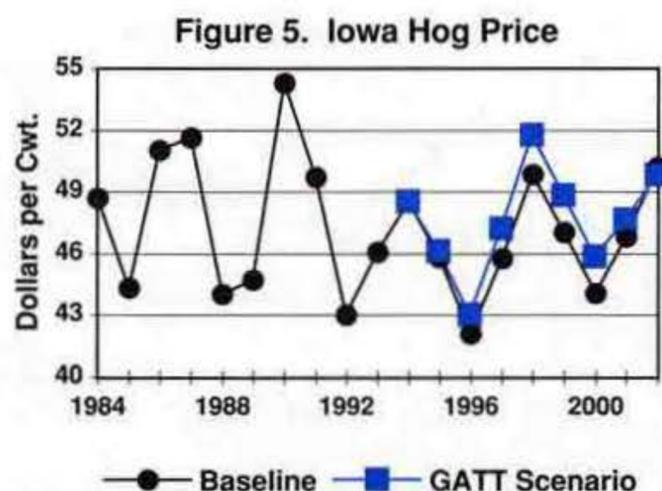


The Iowa pork sector benefits most from the GATT agreement. U.S. producers are expected to fill the gap created by the EU export reductions and increased market access, particularly to non-EU Western Europe, Japan, and Hong Kong. The U.S. net pork trade position improves by nearly 1 billion pounds, 6 percent of production by 2002, supporting breeding herd increases of almost 7 percent (see Figure 5). Barrow and gilt prices average 2.7 percent higher than baseline levels over the 1995 to 1999 phase in period and 1.6 percent higher than baseline levels over 2000 to 2002 period.



Corn and hog cash receipts account for most of the increase in Iowa cash receipts. By 2002, corn receipts are \$184.1 million higher than the baseline and hog cash receipts are \$110.8 million higher. Soybean and cattle cash receipts also benefit from GATT with an \$83.1 million increase in soybean receipts by 2002 and an expected increase of \$92.6 million in cattle cash receipts by 2002. Of course with higher corn and hog production, Iowa farm production expenses are also expected rise. Total production expenses are expected to be \$221.1 million higher by 2002, an increase of 2.0 percent. The bottom line for Iowa net farm income shows an increase of \$225.5 million by 2002, averaging \$205.2 million higher each year over the 1995 to 2002 period (see Figure 6).

The Conservation Reserve Program

(John R. Kruse 515-294-6183)

The Conservation Reserve Program (CRP) was originally created in the 1985 Food Security Act to "assist owners and operators of highly erodible cropland in conserving and improving the soil and water resources of their farms or ranches." In exchange for a ten-year contract removing land from agricultural production and devoting it to a conserving use, farmers were to be paid a per acre payment each year for ten years. In addition, a cost share program was set up to assist producers with the cost of converting the land from agricultural production to conserving uses. The program was legislated in the 1985 Farm Bill to begin in 1986 with 40 to 45 million acres bid into the program by 1990. In addition, yearly goals were set up for the amount of acreage bid into the program. By the end of the 1986 crop year, 5 million acres were to be bid into the program. Before the end of the 1987 crop year, 15 million acres were to be enrolled. A total of 25, 35, and 40 million acres were to be enrolled by the end of the 1988, 1989, and 1990 crop years, respectively.

From 1985 to 1990 the program was administered at the county ASCS level. Counties within a state were grouped together and a multicounty maximum acceptable rental rate was assigned to each group. As long as the bid submitted by the producer was lower than the multicounty maximum acceptable rental rate and the land was "highly erodible", the bid was accepted. With the enrollment goals legislated in the 1985 Farm Bill, ASCS found itself looking for acres to enroll. To comply with the law, some acreage with only marginal erodibility was accepted into the program. In addition, the multicounty maximum acceptable rental rates were more competitive with wheat returns in the western United States than with corn and soybean returns in the Midwest. Subsequently, a large proportion of the acreage bid into the CRP program was wheat acreage. Over the 1985 to 1990 period, 30 percent of the acreage bid into the program was wheat base compared with only 11 percent of the acreage being corn.

Enrollment in the CRP program never reached 40 million acres. Concerns over the federal deficit reduced appropriations for the CRP program and only 33.9 million acres were bid into the program over the 1985 to 1990 period. With passage of the 1990 Food, Agriculture, Conservation, and Trade Act (FACTA),

expectations for the CRP program enrollment were scaled back to 38 million acres by 1995. In addition, the program was redefined to target not only highly erodible cropland but also to achieve other social benefits. Administration of the program was changed from local ASCS offices to the national ASCS office in Washington, D.C. Bids were no longer to be evaluated on the basis of multicounty maximum acceptable rental rates. Instead, a formula for calculating the societal and environmental benefits per dollar of federal cost was used to evaluate bids. In addition to erosion, this formula included other factors such as proximity to a densely populated area, leaching potential of the land, surface runoff potential, and location. While all of these factors were important in the formula, the inclusion of location allowed higher, more competitive bids with respect to corn and soybean acreage to be accepted in the Midwest. In the tenth sign-up, the proportion of corn acres enrolled jumped to 18 percent while the proportion of wheat acres enrolled dropped to 20 percent.

Three more sign-ups have been held since the 1990 FACTA bringing the total CRP sign-ups to twelve. Current enrollment stands at 36.5 million acres, 1.5 million acres short of the 38 million acre goal. With continuing concern over the federal budget deficit, it appears unlikely that the additional enrollment of 1.5 million acres will be funded. The contracts for 1986 are due to expire in 1995. With the future of the CRP program likely to be decided in 1995 legislation, USDA has announced a one-year extension option for contracts expiring in September 1995. Beyond 1996, no funding has been appropriated to continue CRP contracts. There has been considerable discussion over the possibility of extending CRP contracts. Among the possibilities is a reduced program that targets only certain types of land and seeks permanent easements on agricultural production. If CRP contracts are extended or rebid, it appears that at least some portion of the required funding may come from deficiency payments through lower target prices or higher normal flex rates.

Implications of Extending the Conservation Reserve Program for Iowa

(John R. Kruse 515-294-6183)

A variety of alternatives have recently been proposed for the future of the Conservation Reserve Program (CRP) program. Among the proposals are: elimination of the program, targeting specific land types for reentry into the program, allowing renewal of all contracts, and redefining the program to bid land in for a one time permanent easement payment. CARD evaluated five possible alternatives for extending the CRP program. The results of these scenarios are discussed below and presented in the corresponding graphs. Note that the results for Iowa should not be extrapolated to the whole United States. Results for the United States are different because other relevant crops, particularly wheat, are included.

Critical to the analysis are the assumptions about how CRP acreage returns to production after the contracts expire. The assumptions used in the CARD CRP analysis are based on a 1991 survey of farmers conducted by the Soil Conservation Service (SCS) to determine farmers' intentions after their CRP contracts expire. The survey indicates that only about 65 to 70 percent of all CRP acres would reenter field crop or hay production. However, the percentage reentering production varies by crop, with a higher proportion of corn base acres reentering production than wheat base acres. This result is incorporated in the assumptions made for each of the CRP scenarios. In addition, each of the scenarios assumes that land returns to production in the crop base from which it was bid out. In other words, if corn base was enrolled into the CRP program, it is assumed that when the contract expires, about 70 percent of the initial acreage will reenter corn production with the remaining 30 percent distributed among pasture, hay, trees, or wildlife areas. A more detailed discussion of assumptions will be included in the forthcoming CARD Staff Report entitled "Implications of Extending the Conservation Reserve Program."

CARD evaluated five possible alternatives for extending the CRP program: elimination of the program, renewal of contracts on land with greater than 30 tons of erosion per acre (14 percent of all acres contracted in Iowa), renewal of contracts on land with greater than 20 tons of erosion per acre (42 percent of all acres contracted in Iowa), renewal of 50 percent of all acres contracted without targeting acreage, and 100 percent renewal of contracts.