Brief History of the USDA Soil Bank Program

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Introduction

During the mid-1950's farm commodity surpluses were increasing and net farm income was declining. The Department of Agriculture, under Ezra Taft Benson's leadership, favored reducing production of surplus commodities by lowering price supports, but Congress resisted this approach. The USDA administration was philosophically opposed to production control through either acreage allotments or marketing quotas. But the Congress and the administration did agree on an alternative--voluntary land retirement through acreage rental payments to farmers. The Soil Bank (Title I of the Agricultural Act of 1956) had multiple purposes--reducing production of basic crops, maintaining farm income, and conserving soil.

Acreage Reserve

The Soil Bank had two components. The Acreage Reserve Program (ARP) was designed for the immediate reduction of the six basic crops--wheat, corn, cotton, tobacco, rice, and peanuts. The Conservation Reserve Program (CRP) sought an enduring reduction in cropland acreage. The one year ARP rental payments varied greatly reflected efforts to take highly productive land out of production. Rates were highest on Midwest corn and lowest on the least productive wheat land. The Acreage Reserve Program ran for three crop years, 1956-1958.

Criticism of ARP

Critics contended that ARP was an expensive means for buying reduced production and higher farm incomes. They pointed out that only the least productive lands were taken out of production. During the 1956-1957 ARP program there were no restrictions on the use of non-contracted farmland. For instance, a farmer could contract to reduce acreage of a basic commodity crop; but increase acreage of other crops. The 1958 program required that the total number of cropland acres be reduced by the number of acres placed in the program. Also, some critics contended that large farms were best able to participate and benefitted most. The 1958 program included a $3,000 payment limit per farm.

Conservation Reserve

The CRP sought an enduring change from cropland to pasture, range, forest, and wildlife uses. Participants could sign 3-, 5-, or 10-year contracts. In addition to annual rental payments, farmers received cost sharing for conservation measures--mainly to establish pasture, range, or trees. (See table 1.) However, provision for wildlife conservation allowed cost sharing for impoundments or flooding of cropland that had drainage systems, and for marshland management. The 10-year contracts, generally reserved for reforestation, were justified on the basis that farmers needed financial support to make a long-term land-use conversion. During 1956 and 1957, farmers could receive eighty percent cost sharing for conservation measures. Afterward, the cost-share rates were the same as those offered under the Agricultural Conservation Program.

Changes in CRP--1959 and 1960

From 1956 to 1958, CRP failed to attract enough participants to exhaust its appropriations because ARP payments were higher. The national average of ARP contracts was $18 per acre, compared to $10 for CRP contracts. With the end of the ARP, changes in the CRP were made to correct problems and to reflect increased emphasis on it as a means of long-term land-use changes. CRP changes in 1959 were as follows: 1. The average annual rental rate was raised from $10 to $13.50 per acre to attract more productive land into the program. 2. To encourage "whole farm" participation, USDA provided farmers with a 10-percent premium if the contract was for 5 years and covered all their cropland. 3. Annual rental payments could not exceed 20 percent of the estimated value of the land. This provision was designed to correct instances in which cumulative annual payments through 5-year contracts exceeded the market value of the land and encouraged speculation. 4. Farmers were given an opportunity to "bid" for their land at a rental rate below the one established by the county ASC committee. The end of the ARP meant that available CRP funds would not satisfy the demand for participation in the conservation reserve.

In 1960, additional program changes affected eligibility for CRP. Land owned by State or local governments was declared ineligible. The change corrected instances in which some leaseholders were receiving Soil Bank payments greater than their lease payments to the government owner of the land. Land that had changed ownership within the previous 3 years (except through inheritance) was also declared ineligible. Some CRP participants had bought land for less than the cumulative Soil Bank payments. In such instances the money was not going to the farm population it was designated to assist. 3. Land operated by tenants in 1958 and 1959 was ineligible for the program unless the contract designated tenants a share in the annual payments.

Results of the Conservation Reserve Program

The whole farm approach and the removal of the competing ARP proved effective. In 1959 the number of CRP participants doubled, and as expected, not enough funds were available to rent all the land offered. In 1960, the CRP totaled 28.7 million acres--6 percent of our cropland. Whole farm units comprised 70 percent of the CRP acres. The participation in CRP was based in part on career decisions as well as the capability of the land retired to conservation uses. Many farmers used the Soil Bank rental payments as an opportunity to retire from farming. Part-time farmers, who received most of their income from off-farm jobs, signed up for the whole farm program. Other farmers, faced with the need to expand their operations to an economical size by buying equipment and farming more land, took the opportunity to quit farming.

Despite these economic and personal considerations, however, there were indications that CRP fulfilled its conservation objectives through retiring erodible land--particularly where erodibility coincided with low yielding cropland. An Iowa study, for example, stated that most land in the Soil Bank was in "counties with rolling land and generally lower-than-average crop yields." Figure 1 shows the distribution of CRP acreage in 1964 with major concentrations in the Great Plains and Southern Piedmont.

The signing of new contracts ceased at the end of the 1960 crop year, although payments continued under existing contracts through 1973. The Soil Bank, especially the whole farm approach, was criticized on the grounds that it was harming the local economy. Agricultural economists generally agreed that farm supply businesses lost some sales. Other aspects of the local economy were not thought to suffer, as the farmers placing land in the Soil Bank planned to continue living on their farms. This criticism was not the reason the program was abandoned. -The incoming Kennedy Administration chose to deal differently with the farm surplus problem.

Values for Reducing Production

While most authors who studied the Soil Bank agreed that it slowed the growth of surplus commodities, not all agreed that it was the most effective or cost-efficient means for reducing production. They argued that an acre of reduced basic crops did not necessarily equal an acre of cropland removed from production. They also pointed out that such programs remove only the least productive acres and that owners farmed the remaining acres more intensively and increased the per-acre production. One professor of agricultural economics, K. L. Robinson, contended that the rental payments on land in 1963-1964 roughly equaled the selling price of the commodities that would have been produced on the land. The major saving to the government was in not having to pay for the handling and storage of the commodities that would have been produced. Most of the studies, including Robinson's, do not attempt to analyze the savings of long-term land-use change, either in terms of reduced commodity support payments or soil conserved.

Long Term Value for Conservation

Tree planting under CRP was concentrated in the Southeast, with South Carolina, Georgia, and Alabama accounting for more than half of the two million acres planted. Personnel of the USDA's Rocky Mountain Forest and Range Experiment Station randomly sampled Soil Bank plantings in Georgia, Mississippi, and South Carolina in 1976. They found that 86 percent of the plantings had been retained in forests. Of the non-retained acreage the uses were: residential (23 percent), farm crops (12 percent), and idle (52 percent). A similar study on the retention of re-vegetated rangeland in the Great Plains would be valuable, but I was unable to find a comparable study for the Great Plains. SCS people with whom I talked believe that expansion of cropland in the early 1970's had a considerable influence on removing rangeland. While most of the conservation benefits of CRP were targeted toward soil conservation, it should be remembered that a part of the program focused on wildlife. Cost sharing provided for establishment of 310,000 acres of wildlife cover and 10,000 acres of marshland from 1956 to 1964.