A Riff from RaFF

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Could Expiring CRP Acres Make a Difference?

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VOL. 1, ISSUE 4, MAY 2022

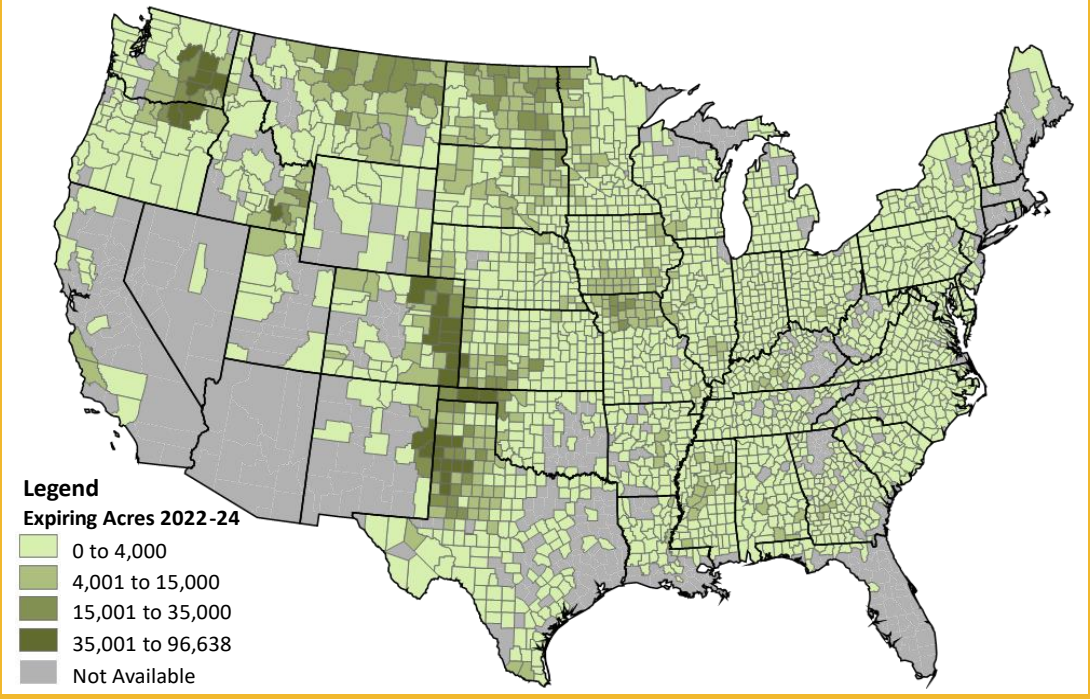
Strong demand, current world events and poor wheat crop conditions in the U.S. and China are leading to extreme moves in commodity prices, stoking food shortage and price inflation worries around the globe. While farmers need higher prices given the rapid increases in production costs, concern about food price inflation and possible shortages in some markets exist. Over the next few growing seasons, where might additional supply come from? Could planted acreage increase in the U.S.? Could expiring Conservation Reserve Program (CRP) acres could make a difference? Understanding the scale, location and productivity of the expiring acres is key to answering these questions.

Could Expiring CRP Acres Increase Production?

From September 2022 through 2024, almost 6.5 million acres of CRP contracts will expire. The map below shows the distribution of expiring CRP acres by county. The expiring acres are concentrated by region, as a function of when the land was enrolled in CRP, about 10 years ago. Over half of the acres expiring are in the wheat and barley producing regions of the plains and mountain states. Thus, expiring acres returning to production would positively impact those crops the most. Fewer acres are expiring in the most highly productive areas of the Corn Belt and Delta states, indicating corn and soybean production would be impacted less if returned to crop production.

One of the many uncertainties surrounding the discussion of acres returning to production is the possibility of early exits from CRP contracts, which could further increase acres in production. Landowners could pay a penalty to exit contracts early and some have argued for reducing the penalties for early exit. Given the loss of conservation benefits occurring when land leaves CRP, such as habitat loss and sequestered carbon release, other CRP stakeholders will challenge efforts to reduce incentives to renew contracts or reduce penalties for early withdraw.

Expiring CRP Acres by County 2022-24



Note: Map reflects gross expiring CRP acres and are not a share of county land area or crop acres. Data for Alaska and Hawaii were not available.
Source: Rural and Farm Finance Policy Analysis Center graphic using data from the USDA Farm Service Agency.

Putting Expiring CRP Acres in Perspective

Could the expiring acres contribute to a meaningful contribution to production and supply? The figure to the right compares the 2022-24 expiring acres to the planted acres of our three largest food and feed crops – corn, soybeans, and wheat, 2021. The acres of CRP that potentially could re-enter production over the next three years represent less than three percent of last year's crop acres devoted to corn, soybeans, and wheat and less than two percent of U.S. cropland planted.

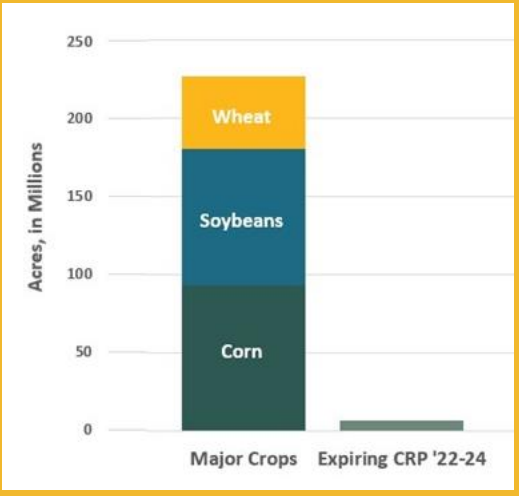
The share of the expiring acres relative to existing planted acres suggests expiring CRP acres will likely have little impact on commodity supply and food prices levels, especially in the near-term. Besides scale, the expiring acres are overwhelmingly located in the regions with lower crop productivity and only some fraction of acres will return to production if current CRP incentives are maintained. Thus, the scale, productivity, and likelihood of some level of CRP contract renewal, all limit the potential for expiring CRP acres to significantly impact supply.

In summary, CRP acres are unlikely to make a large difference in the supply-demand conditions in nearby production years. Depending on contract renewals, expiring CRP acres could make a slight difference in planted acres, particularly for wheat. The recent spike in food price inflation has clearly become an item of concern for U.S. consumers and policymakers. When the next farm bill debate heats up in 2023, these issues could enter the discussion, perhaps in the context of the CRP program. Informed perspective on the all the costs and benefits of maintaining, reducing, or increasing CRP acres will be important.

For more on the future of CRP, see the April Riff, available at raff.missouri.edu/publications

All Riffs from RaFF are available at raff.missouri.edu/publications

Expiring CRP Acreage Relative to U.S. Cropland, 2021



Source: Rural and Farm Finance Policy Analysis Center graphic using data from the USDA NASS & FSA

Key Takeaways

- Drought conditions and conflict in major world crop areas has led to concerns about food price inflation and shortages.
- Expiring CRP acres could potentially re-enter production.
- The number of expiring acres is small relative to planted acres, are not located in highly productive regions and only some fraction of acres will return to production if current CRP incentives are maintained.
- While there is potential for expanded wheat and barley acres in the mountain and plains states, the potential for expiring CRP acres to impact overall commodity supply seems minimal.

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The Rural and Farm Finance Policy Analysis Center (RaFF) at the University of Missouri aims to help policymakers and stakeholders understand rural economic and financial conditions and trends and explore how existing and proposed policies affect rural and farm finances.