

# Whither the CRP: expirations, enrollments, and responses to changing commodity prices

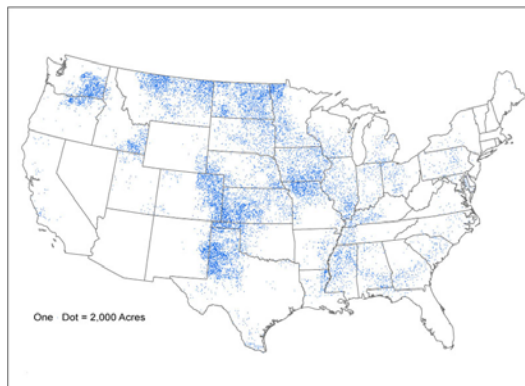
Extension Section Crops Outlook track session  
AAEA Annual Meeting, July 2010  
Denver, CO

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*The views expressed are the authors and should not be attributed to the Economic Research Service or the USDA*

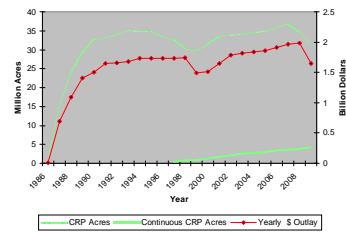


## Background

Current enrollment (4/2010): 31.3 million acres



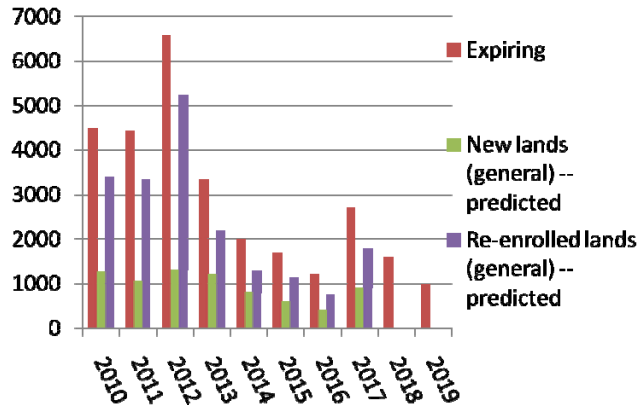
Source: ERS using FSA CRP contract data as of October 2009



- Current acreage is a 5.5 million acre drop from the 2007 peak (36.8 million)
- Current acreage includes 4.5 million acres of continuous signup
- Average cost per acre: \$45 for general, \$102 for continuous

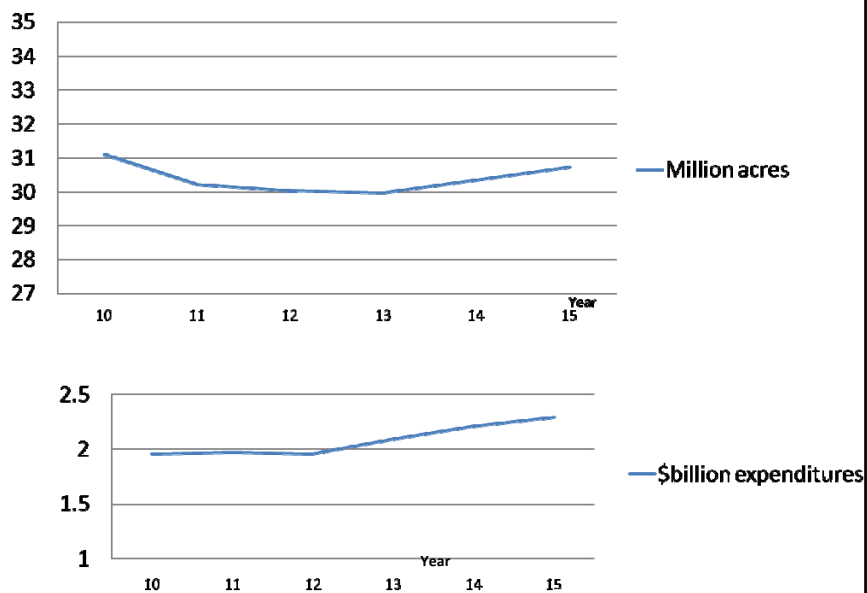
The future ....

CRP enrollment activity summary (FY 2011 President's budget, mid session review)

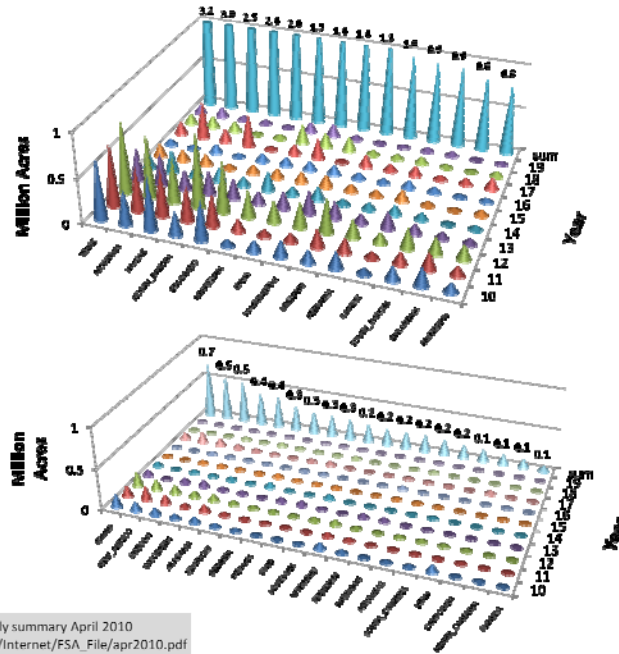


Source: USDA/FSA (<http://www.fsa.usda.gov/FSA/webapp?area=about&subject=landing&topic=bap-bu-ce>), June 2010

CRP: projected acreage and budget (FY 2011 President's budget)



CRP expirations, 2010 to 2019. By State



Source: USDA/FSA monthly summary April 2010  
[http://www.fsa.usda.gov/Internet/FSA\\_File/apr2010.pdf](http://www.fsa.usda.gov/Internet/FSA_File/apr2010.pdf)

### Issues

- Next signup ..

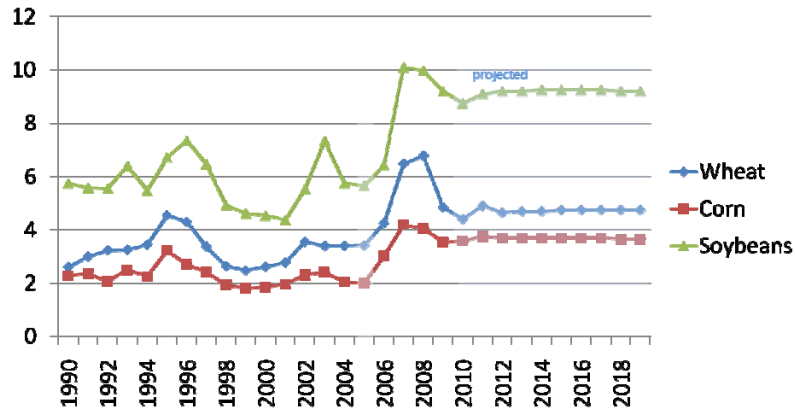
- About 4.5 million acres are set to expire on 9/30/2010
- Anticipate a general signup sometime mid – Summer 2010.
- Goal is to reach, or get near to, the 32 million acre program cap

- What about continuous (including CREP)

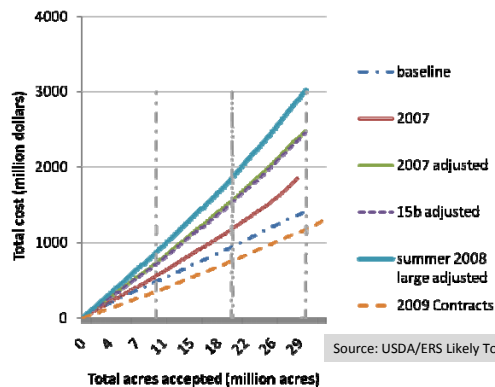
- FSA can enroll 4.2 million acres and still have room for expected growth in continuous signup
- A long term notion:
  - keep “a few hundred thousand acres” on reserve
  - refresh this reserve on a yearly basis (using expiring general signup acres)
- How much should continuous grow?
  - What are appropriate incentives?
  - What initiatives (sage grouse, lesser prairie chickens, hypoxia, etc) should be prioritized.



**A Speculation:  
Impacts of Higher Commodity Prices on  
the CRP**



Simulated CRP's, under several policy scenarios and their associated commodity prices ...				
	baseline	2007	15 billion gallon biofuel (15b)	Summer 2008
<b>Description</b>	Uses prices prevalent in 2005, which reflect commodity prices prevalent when most current CRP contracts were enrolled	Uses prices prevalent in 2007. These prices are fairly close to "current" prices	Uses ERS's REAP model to generate predicted prices with biofuel production at 15 billion gallons	Uses the "peak" prices observed by USDA in the summer of 2008
<b>Prices</b>	<i>Each scenario is defined by a price regime.</i>			
<b>Corn (\$/bushel)</b>	2.00	3.39	3.80	5.40
<b>Wheat (\$/bushel)</b>	3.42	6.08	6.13	7.25
<b>Soybeans (\$/bushel)</b>	5.66	9.00	9.03	12.25
	<i>One, or several, sets of SRRs were considered for each scenario.</i>			
<b>SRR used</b>	• 2005 SRRs	• 2007 SRRs • adjusted 2007 SRRs	• adjusted 2007 SRRs	• large adjusted 2007 SRRs

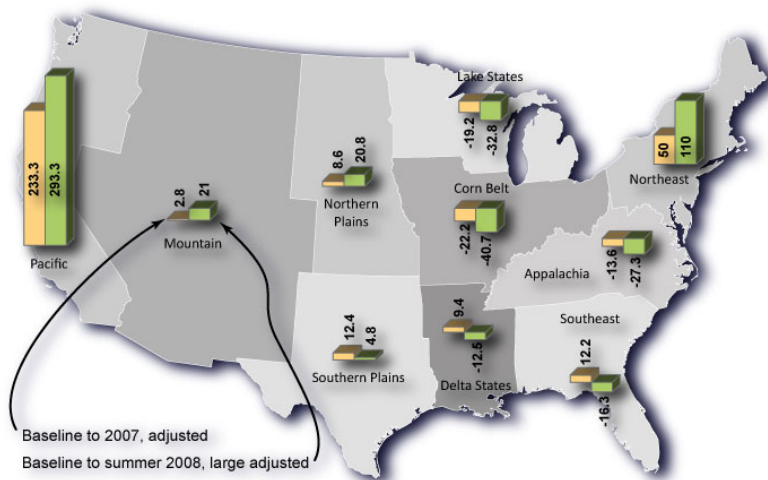


What happens if a \$1.1 billion expenditure cap was imposed?

- In the 2007 scenario, only 20 million acres could be enrolled.
- In the 2007 adjusted and 15b adjusted scenarios (where SRR are increased across the board), only about 15 million acres could be enrolled.

- If commodity prices stay at relatively high levels, impacts on the program can be significant.
- Impacts can be offset by updating CRP rental rates, which will not be cheap
- To the extent that rental rates do not adjust, fewer acres will be offered, with a commensurate decrease in the EBI scores of accepted acres.

Percent change in acreage across different scenarios, by farm production region



**As prices rise, CRP acreage will shift to lower productivity regions.**  
 Note that this assumes "across-the-board" rental rate increases.  
 More geographically disaggregated increases in rental rates could change these results.

Source: : USDA/ERS Likely To Bid model simulations

*For further discussion of the "Impacts of Higher Commodity Prices on the CRP,"*

- check out my poster (at today's 3PM poster session).
- see a recent (June 2010) Amber Waves article  
(<http://ers.usda.gov/AmberWaves/June10/Features/ChallengesFacingCRP.htm>)
- keep an eye open for a USDA report (hopefully in press by 2011)