PolicyPennings by Dr. Daryll E. Ray

# The CRP and the Negative Impact on Rural Communities

The USDA recently released a report, “The Conservation Reserve Program: Economic Implications for Rural America,” in which it “estimates the impact that high levels of enrollment in the Conservation Reserve Program (CRP) have had on economic trends in rural counties since the program’s inception in 1985 until today.” The report is available on the internet at http://www.ers.usda.gov/publications/aer834/ .

It would seem relatively obvious that the local suppliers of seed, fertilizer, other farm chemicals, farm equipment and repair, and grain storage, handling, and processing services would feel some impact when acres are taken out of production and put into the CRP for 10-15 years.

It is this concern that four major grain organizations highlighted as part of their argument to the USDA calling for a major reduction in the number of acres enrolled in the CRP. The National Grain and Feed Association, the National Oilseed Processors Association, the North American Export Grain Association, and the North American Millers Association argued that “heavy CRP enrollment, particularly in the plains states, has had a devastating impact on some local economies.”

First, looking at the US as a whole the USDA report found that “[h]igh CRP enrollment was associated with a net loss of jobs in some rural counties between 1986 and 1992, but this relationship did not persist throughout the 1990s. Farm-related businesses, such as input suppliers and grain elevators, continued contracting throughout the 1990s, but other business expansions moderated the CRP’s impact on total employment.”

The report notes that the CRP may be responsible for some of this gain which comes in “increased outdoor recreational expenditures in rural areas.” We write this not to minimize the impact the CRP may have had on individual communities—because we know it was very real in some areas—but to acknowledge that the picture is not one that only shows losses.

The second issue that we would like to raise is whether or not the member firms of the four organizations want to establish community impact as a criterion for determining whether or not they close down a soybean processing plant, a grain operation or a flour mill in a given rural community. Our suspicion is that they don’t. For them the closing of a mill or plant is one of internal economics for the firm and community impact is of minimal concern.

We have yet to see a press release announcing that a company’s management has decided to keep a chronically unprofitable processing plant in operation because closing it would negatively affect the local rural community.

Community impact is by all means important and CRP implementation rules and regs do explicitly take that into account. One could argue that more consideration should be given to CRP impacts on local rural communities. But, unless they are willing to abide by a correspondingly-high decision standard, we are not sure the processing firms are the credible critics in that regard.

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