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Senate Ways & Means Committee

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**RE: Statutorily authorizing a state
Conservation Reserve Enhancement Program (CREP).**

Thank you, Chair McGinn and members of the Senate Committee on Ways & Means, for the opportunity to appear today and comment on a proposal to statutorily authorize a Conservation Reserve Enhancement Program (CREP) in Kansas. I am Leslie Kaufman, President/CEO of the Kansas Cooperative Council. We share many common members with both the Kansas Grain & Feed Association and the Kansas Agribusiness Retailers Association and they join me in these comments. Between us, we represent all segments of the grain handling industry and those engaged in a variety of crop service, nutrition and protection industries.

I doubt that it is any surprise for those who have served in the legislature for the past several years, particularly those involved with the budget process, that we would appear today in opposition to this measure. Our associations' members support water conservation programs that do not rely on prescriptive land use restrictions to meet environmental goals. We have never agreed with the philosophy that all crop production on a parcel of land must cease in order to obtain a reduction in irrigation rates. We believe that partnering with the federal government through programs such as the Environmental Quality Incentives Program (EQIP) or Kansas' Water Transition Assistance Program (WTAP) achieve desirable conservation goals without eliminating portions of the local economic production capabilities.

CREP, as with the umbrella federal Conservation Reserve Program (CRP) under which it falls, pays farmers and ranchers not to farm. The original CRP targeted highly erodible lands. Since its inception in the 1980s, the program has expanded to encompass wildlife habit considerations, too. This additional criteria has, in some cases, expanded the program to idling farm ground that could be productive crop acres.

Reliance on CREP for addressing water quantity issues discounts any advances in seed technology, crop drought tolerance, irrigation advancements, or crop-mix alternatives. In a world that needs to dramatically increase crop production by 2050 to feed our growing world population, mandating that acreage be idled is short-sighted. When CREP was first considered here in Kansas, restricting land use was described as a means of enforcing the move away from irrigation. We do not have to rely on such a mandate to enforce reductions in irrigation. That is evidenced by the Kansas Dept. of Agriculture's proposals this session to allow for the partial retirement of water rights.

Our associations have not supported the CREP as it mandates land be idled even if that ground could sustain dryland crop production. Our members livelihoods depend on growing crops. Without crops to protect and grain to handle, our members businesses could not continue. But, our members are tax payers, as well. With CREP, our

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taxpayer members have to watch as public dollars are used to advance a program that can have negative impacts on their own operations. It doesn't get any more palatable if the state matching dollars are sourced from the state water plan as fees on fertilizers and pesticides registrations account for nearly 30 percent of the SWPF revenues.

We understand the appeal of leveraging the federal dollars available under this specialized CRP program and know that the same financial support has not been available with other working lands conservations programs. But, when you consider the cost of lost production under the CRP/CREP model, we believe other mechanisms better serve our economic and conservation needs, even if the federal match isn't there.

This state is taking a new direction in water management, under which the entire underlying philosophy is focusing more on conservation. It is these efforts we need to target and advance. In addition, the current farm bill is nearing expiration. We are uncertain what the next farm bill will look like, but there is no doubt that USDA funding will be reduced. The U.S. House and Senate Agriculture Committees, in their recommendations to the "super committee" on budget reduction, recommended a cut in CRP acreage from the current 32 million to 25 million acres. The uncertainty of farm bill programs, which drive CREP/CRP, is a significant reason that we think any state funding for water rights buy-out should be flexible to encompass not only CREP, should this program continue, but other transition programs such as WTAP.

In addition to these general positions on CREP, we have the following specific comments in regard to the measure before you:

Section 1(b) identifies the purpose for a CREP. Should the state move forward with such a program, it should be targeted at reducing demands on the high plains aquifer, as noted, but not specifically include enhancing wildlife habitat as a goal. We understand that enhanced habitat may be an ancillary benefit but, in our view, that should not be a statutorily defined goal of the program.

Section 1(d) (1) limits the CREP program to no more than 40,000 acres. Should the state continue with the program, we do support an acreage limit. Section 1(d) (2) further limits the enrollment of CREP acres to one-half of the CRP acres that expired the prior year so long as ag production is prohibited under the federal law. We support such a limitation. A further limitation is contained in Section 1(d) (4) that prevents more than 25 percent of the CREP acres (or 10,000 acres) from being targeted in a single county. These limitations help mitigate the impacts of taking land out of production and help ensure that one particular county does not sustain too great of an economic cost. We believe such limitations are proper and necessary to address the potential for economic loss.

It is important to note that irrigated land is the highest-valued use under the state's property valuation system for agricultural land. State law designates land enrolled in the federal CRP program, which should include CREP, be valued at the dryland rate. Therefore, moving land from irrigated to non-irrigated dryland will have a negative impact on local land valuations.

It is also of significance to understand the loss in economic production that comes along with idling land. As of Sept. 30, 2011, just over 11,000 acres of land were enrolled in the program. The water savings from that acreage is reported as 22,245 acre feet of water. The state investment stands at \$665,260 and over the life of the contracts, the federal government is committed to spending \$1.3 million. Together, that is more than \$1.9 million in taxpayer dollars going into the program (2012 CREP Legislative Report – Kansas Dept. of Agriculture).

23 If 75 percent of those acres were corn acres and we assume a modest 150 bushel per acre and a corn price of \$6.42 per bushel (new crop price as posted on Pride Ag/Dodge City Co-op website 2-19-12), the CREP region loses more than \$7.94 million annually. The total of approved/offered land acres is reported to have increased to 15,353 as of Dec. 15, 2011. Using 75 percent of that updated acreage amount increases the economic loss to more than \$11 million annually. * Remember, the CREP contract with the federal government is a 14-15 year contract, so this economic loss builds for at least the life of the contract, if not longer.

Section 1(d) (3) prohibits lands enrolled in CRP as of Jan. 1, 2008, from enrolling in a CREP. We understand that this bill is attempting to codify a program that was never approved as a stand-alone policy issue. It exists because it was negotiated through the appropriations process and was inserted as a budget proviso. As such, this bill is attempting to bring into statute a program that only continues because of year-by-year appropriations authorization. While the 2008 date may be fitting for the retro-active application of this measure, we wonder if another date needs to be included for contracts entered into prospectively. Now, if the state is only trying to codify retroactively what has been done in a budget proviso, and has no intention of offering new/future contracts, this date issue and ones we describe later, are moot. We would be supportive of limiting CREP contracts to those in existence and not offering additional contracts.

Section 1(d) (5) prohibits the state from purchasing a water right from a governmental entity under the CREP program. The subsection provides an exception for groundwater management districts (GMDs). We do not support the use of taxpayer funds, whether from state or federal monies, to purchase water rights from another governmental entity, including GMDs.

Section 1(d) (6) limits eligibility in CREP to rights in “good standing”. Should you approve this bill, we do support eligibility requirements for enrollment.

Subparagraph (a) requires that 50 percent of the maximum authorized quantity has to have been diverted in any 3 years during 2001-2005. While we see this as a beneficial concept to ensure that the state is actually purchasing “wet” water and not a paper fiction, we do not understand the reasoning for limiting the time period from 2001-2005 for contracts that are entered into moving forward. Technically, as we read the proposal, there is nothing in it that prohibits a new contract from being accepted if they over-pumped after 2005?

We do support the provisions in this bill contained in Section 2. The items enumerated in subparagraphs (a) through (h) are important for gauging the true program impacts, whether they are positive or negative, and analyzing the value of the CREP.

We do appreciate the opportunity to share our thoughts and concerns on the CREP program. It would be our preference that this program not continue and the state instead focus on working lands programs to address conservation needs.

We greatly appreciate the ability to debate this issue in the policy realm, again. We feel strongly that the budget process is not the appropriate avenue for creating substantive programs. We are supportive of the conditions and limitations that have been placed on the CREP program over the years. If it was going to be created through proviso, the corresponding conditions needed to be included in that proviso, which is what has occurred every year of its existence. We can see that those have been carefully carried over into this proposed legislation, and we do appreciate that effort, as well.

Thank you for considering our comments. I would stand for comments at the appropriate time, should you desire.