

Conservation spending on working lands and cropland values in Louisiana

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Annual cropland values in Louisiana in 2018 rose by approximately 3% from 2017 values (Figure 1), the highest among the Delta States. The rate of change in farmland values over the 3-year period (2015-2017) is in the same range, an average of 3% increase. A state consisting of a diverse mix of crops, corn, soybeans, rice, sugarcane, the cropland values presents a strength driven not just by land suitability to grow a range of crops but also backed by strong conservation motives.

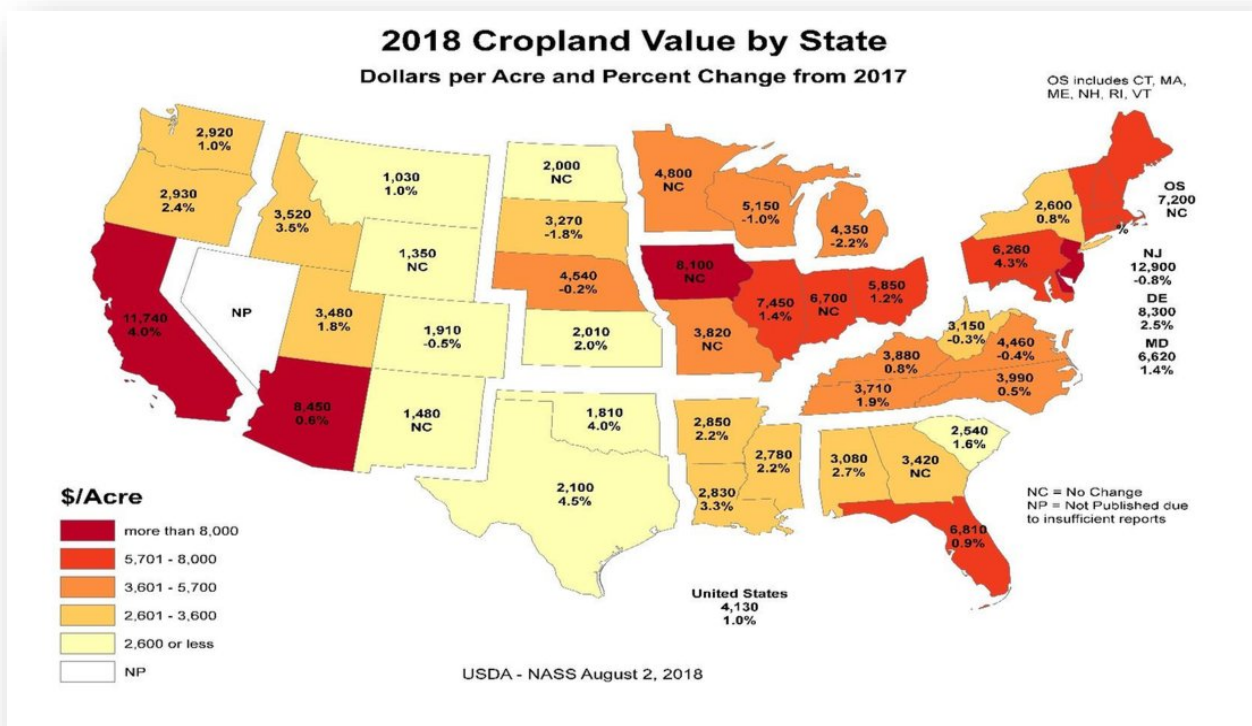


Figure 1: Cropland Values by State

Source: USDA Economic Research Service calculations using data from National Agricultural Statistics Service.

Among many factors that explain farmland values that vary across regions, the motive of implementing conservation and addressing natural resource concerns on the farm may be capitalized into the value of farmland. It is often cited that commodity prices compete with conservation interests. In other words, when commodity prices are high, there is a downward trend in conservation program enrollment and conservation implementation. Although this could be true where enrollment in the Conservation Reserve Program declined during 2005-2017, as well as payments (total obligations) by 76% in Louisiana (Figure 2a), during the same time, payments (total obligations) for Environmental Quality Incentives Program (EQIP) and Conservation Stewardship Program (CSP) increased by 64% and 156%, respectively (Figure 2b). Such trends show that changing landscapes driven by conservation motives have some role to play in addition to

commodity prices in land valuation. The programs that benefit working lands, the CSP and the EQIP, cost-share on practices that favor conservation interests while the land is in active production. Hence, it is important to account for the increasing interest in working lands programs that hint at the emerging priorities of farmers.

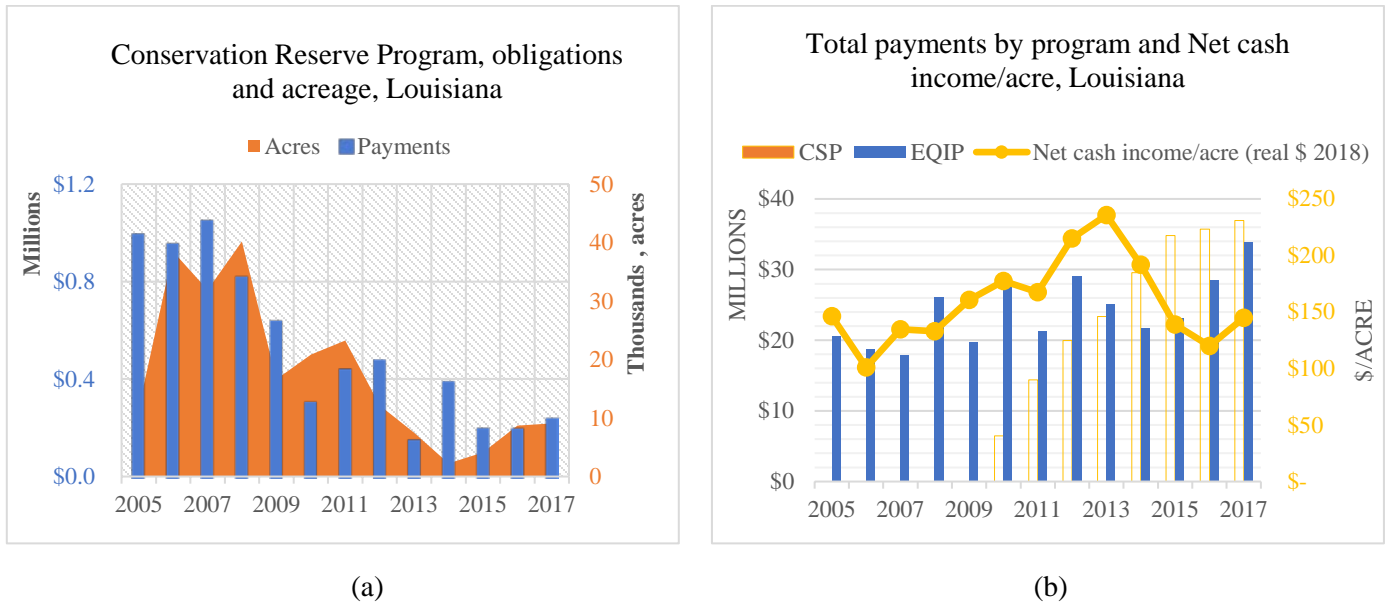


Figure 2a. Conservation Reserve Program, Louisiana, enrollment acres and payments, \$. Figure 2b. CSP and EQIP payments in Louisiana. Source: Natural Resources Conservation Service RCA report. 2018.

Although CRP has been the flagship conservation program, demand for food across the globe has taken the forefront of national policies of several countries. In such a political environment, it is important to support conservation efforts in the interest of protecting the future of working lands so that the land stays in food production to meet the growing demand for food. As a result, the role of working land conservation programs is critical to the farm sector and should not be overlooked.

As food security and environmental sustainability agenda come face to face, changing land values effect business decisions such as a change in ownership, consolidation, borrowing, among others. Keeping aside who owns and actively manages the land, there is a longstanding interest in investing in agriculture and facilitate conservation implementation. These practices are believed to enhance the productivity of the land. It is evident from the literature that there are long-term benefits of conservation practices. As a result, positive farm real estate values can entice additional farmland purchases, promote active engagement in agriculture, enhance understanding of potential relationships to conservation and productivity, consequently continuing support for the working lands conservation programs.

Despite the increase in land values during the past few years, the Delta states have seen a reduction in cropland appreciation compared to the early 2010s. Cropland values increased by 8% during 2003-2008, 6% during 2009-2014, and by only 3% during 2015-2017. This change in appreciation could reflect falling farm income as well as commodity prices. Net cash income per acre in Louisiana during 2010-2017, reached a high of \$236/acre in 2013 and is at \$145/acre in 2017, a decrease of 45% (real 2018 \$). However, regional and temporal differences in land values may be due to varying demands for cropland for nonagricultural purposes. Nevertheless, the market recognizes the condition of land, with better land selling for higher prices. Cropland prices are influenced by not just immediate yield benefits but to the expectation of long-term benefits through productive soil resources and avoidance of costs for land improvements. As a result, it appears that not just immediate yield, but a wide spectrum of conditions has been used by buyers in farmland transactions reflecting encouragement for soil and water conservation.