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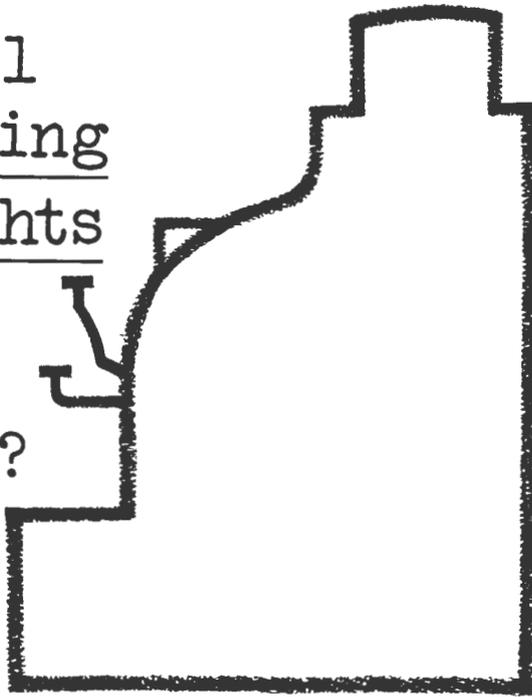
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# Sell Cropping Rights on Your Farm?



by Melvin G. Blase

**W**OULD YOU be willing to “sell” the right to raise certain crops on your farm? One of the *suggested* possible programs for reducing surplus production involves this question. The government would offer to “buy” a part of your farm—not acres of land, but your legal right to raise surplus crops. Essentially, you’d sell your right to produce these crops for some definite period of time by means of land-use easements.

This type of program has been suggested as a long-term measure to cut back production of surplus crops. It is a type of program which isn’t likely to be capitalized into land values. The purpose of this article is to present the idea of an easement program so that you can think about it and consider it along with the other ideas and suggested programs that are being discussed.

## How Would It Work?

Easements are familiar to many

farm people. Your power supplier may have used an easement to acquire the right-of-way for a power line across your or your neighbor’s land. A few farmers have had experience with another use of easements. To compensate owners for occasional brief floods, the government has bought the right to flood farmland around the edges of reservoirs. Instead of being forced off their land when the reservoir was built, farmers have planned and continued their operations—knowing of the possibility of being flooded. Easements have allowed the government to flood the outlying reservoir areas when necessary without buying whole farms.

Likewise, under a land-use easement program to reduce surpluses, the federal government would buy only your right to produce certain crops. The property itself and all other rights in the land would continue to be yours.

In our system of owning property, ownership of a farm or any other real property is the exclusive (but not absolute) possession of a “bundle of rights.” This bundle can be divided. And it’s frequently done. If you’re a tenant, for example, you hold some of the rights in the bundle. One of these is the right to operate the farm for a specified period of time. If

you’ve inherited a life estate in a farm, you have most of the bundle, though not the right to say who will get the farm when you die.

Ownership’s “bundle of rights” can be divided in many ways. The sale of cropping rights through land-use easements would be, in principle, just another way of dividing and selling these rights.

Purchase of rights to produce surplus crops may sound like a modified Soil Bank to you. But there are two important differences. (1) You could use your land in any way you chose except to produce specific surplus crops. (2) The sale of the easement, if you entered such program, would probably be for a longer period of time than the more familiar 3, 5 or 10 years of the Soil Bank or Conservation Reserve.

## What Compensation?

What would be a fair price for land-use easements? Aside from general willingness or unwillingness to participate, this might well be the most critical factor. Since an easement would transfer some rights in land, its price might be closely related to land prices. Land may sell for about 20 times the annual net income it produces if mortgage interest is 5 percent.

That is, if you expect a net income of \$10 per acre annually, you could pay 5-percent interest on an investment of \$200 an acre for the land. If a land-use easement had been sold by the previous owner so that you expected the most profitable nonsurplus crops to yield \$5 net income per acre annually, you might offer as much as \$100 per acre for the land (with a 5-percent interest rate). But how much should the previous owner have received for his land-use easement? To be as well off, he should have received the capitalized value of the difference between the net income from his most profitable crop and the net income from his next best allowable alternative—in this instance \$100 per acre.

The exact price of an easement would depend upon, among other things, the productivity of the soil. Let’s take an example from southern Iowa and look at the

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difference in incomes from the most productive rotation and from permanent pasture—both for an eroded Shelby soil and for a highly productive Grundy soil.

On the Shelby soil, a corn-oats-meadow-meadow rotation will return about \$2.50 per acre annually more than permanent pasture. A rotation of corn-corn-corn-oats-meadow on Grundy soil will yield about \$15 per acre annually more than permanent pasture. Capitalizing these returns at 5-percent interest, gives a rough estimate of the cost of a *permanent* easement of \$50 per acre for eroded Shelby and \$300 per acre for the more productive Grundy soil.

From a conservation viewpoint, it might be most desirable to obtain easements on the Shelby rather than the Grundy soil in the example. But an easement for 1 acre of Shelby will reduce production by an average corn equivalent of only 13 bushels per year compared with 34 bushels for 1 acre of Grundy.

It might cost the government less to secure a permanent reduction in surplus crops by easements than by renting the land indefinitely. But would *your* income be lower than under a Soil Bank type rental? Probably not, because your easement payment would be supplemented by annual income from the permanent pasture. This isn't possible under the Soil Bank or Conservation Reserve.

## Why Do Anything?

A large part of the current farm problem is due to surplus production. We're producing so much of certain commodities that prices are being forced too low to give labor and capital under average management in agriculture a return equal to their earnings if employed elsewhere. This has been the case for a number of years, and it appears that the situation will continue unless a solution is found. If some of our farm resources aren't shifted to less intensive uses, farm prices are likely to remain low for a number of years in the future. Attracting land to a less intensive use seems to offer one of the most painless ways of adjusting agricultural production downward.

The farm problem is a "big" and long-run problem. We have on hand more than twice our normal annual carryover of feed grains. This is equal to about half of all feed grains fed to livestock in the 1958-59 feeding year. Our wheat stocks exceed all wheat produced in the nation last year.

In the 1950's the rate of increase in farm output pushed ahead of population growth by 0.6-0.7 percent a year. With no further increase in farm production, it would take population about 5 years to catch up with current production levels. But our surplus crop production isn't standing still while population catches up. Output is increasing more rapidly each year, and our surpluses, thus, grow at an increasing rate also. In this respect, American agriculture is snowballing further *out* of adjustment with population needs.

If and when the demand for our crops takes annual production, we will still have the problem of reducing the huge surpluses in storage. They're already so large that it will take years to eliminate them. It seems that our farm problem won't be solved soon unless we develop more effective programs than we've had.

## This Program Help?

Unless we use some of our land less intensively, our surpluses will continue to grow. How can we make a shift in this direction most effectively? Two guideposts might be used: (1) Land should be removed from intensive use where the cost to society of keeping it in its present use is relatively high and the resources used with land can be transferred to a more productive use elsewhere; this would contribute to national economic efficiency. (2) Land should be aided out of intensive cropping where the erosion hazard is greatest; it makes little sense to produce crops we don't need at the expense of topsoil that future generations may need.

If such a program were adopted, land in the program would shift from producing surplus crops to increased forage and timber production. And since a pound of meat requires more acres if

produced on grass rather than feed grains, this shift would help to shrink farm output in the longer run. Because of the time needed for timber to mature, a shift toward this crop wouldn't affect timber marketings for many years to come.

If the main object is to reduce production, an easement program probably would be most effective if cropping rights to whole farms were bought. This would shift land to less production and also decrease production from other resources now used with the land. If the easements were for only parts of farms, it's likely that production from the remaining acres would increase. But the partial-farm approach has a soil conservation value since the most highly eroded land on farms would be likely to go into the program first.

Thus, a land-use easement program could offer a relatively permanent remedy for our farm problem. If you sold your cropping rights, they'd become property of the federal government. Eventually they'd expire or, if permanent, could be sold back to the landowner in case of an emergency or increased demand for crops now in surplus.

Such a relatively permanent remedy might be cheapest for taxpayers when we consider how large the surplus problem really is. The history of past government farm programs shows that it would have been cheaper for the government to have bought some land earlier than to have paid the costs of so many programs since the early 1930's.

A land-use easement program wouldn't be a complete answer to the farm problem. It may be desirable in addition to use more land for recreation, to expand the conservation program, to make more information about nonfarm job opportunities available to farm youth and to alter the education that our farm boys and girls receive.

There may be other methods of reducing farm output that would be more desirable than land-use easements. But there appear to be many reasons why a land-use easement program would be a step in the right direction for the government to help agriculture.