

A CREP Proposal for the James River Watershed Basin

(Latest Draft 3/12/08)

Background

The Department of Game, Fish & Parks (GFP) has identified the Conservation Reserve Enhancement Program (CREP) as a powerful tool to meet new goals identified in a broad based initiative aimed at providing additional undisturbed habitat for wildlife and public hunting and fishing access.

What is CREP?

- Administered by USDA's Farm Service Agency (FSA), CREP is simply a "state-sponsored" Conservation Reserve Program (CRP).
- The primary goal of CREP is to establish a unique CRP program initiative through which all parties involved can target and address specific high priority conservation and environmental objectives of the state.
- CREP agreements are usually designed for specific geographic areas (typically watersheds) and must be designed to target 1 or more of the following that are applicable to South Dakota:
 - Restore/establish wildlife habitat
 - Enhance water quality
 - Reduce soil erosion
 - Restore/establish wetlands
 - Enhance critical threatened and endangered plant and animal species survival
- Must address recognized resource conservation concern of State or national significance, and demonstrate the ability to achieve substantial environmental benefits in a cost-effective manner.
- Must present clear program goals with measurable natural resource and/or environmental protection targets reflecting the anticipated level of benefits the program will achieve when fully enrolled.
- Provide a substantial financial commitment by State CREP partners. This commitment shall not be less than 20% of the total project cost. In addition, not less than 10% of the total project cost must be provided by State CREP partners in the form of either of the following:
 - Direct new payments to program participants
 - New funding for a CREP project
- Conservation practices authorized for CREP must be consistent with practices authorized for CRP and meet Natural Resources Conservation Service (NRCS) Field Office Technical Guide (FOTG) standards.
- CREP proposals may do either of the following: limit the approved practices to 1 or 2 specific practices **or** permit a justified variety of CRP practices
- The duration of contracts to be offered under CREP shall be a minimum of 10 years, but not exceed 15 years.
- What is in it for the state of South Dakota?—CREP is a great way to leverage federal dollars to establish wildlife habitat associated with public access in targeted areas and address water quality and soil erosion issues.

Justification

South Dakota's agricultural landscape is changing rapidly and it will continue to do so in the near future, with many of those changes having an adverse effect on wildlife habitat. With near record high commodity prices, record cash rental rates and land prices, changes in landowner demographics, extremely high interest in corn based ethanol, thousands of acres of CRP expiring and lack of general CRP sign-ups, native grassland conversion and an increase in wetland drainage pressure, our wildlife and other natural resources that are so important to South Dakota residents and visitors are at great risk.

With a pheasant population at a 44-year high, pheasant hunting annually provides approximately \$163.4 million dollars to the state's economy. The undisturbed nesting cover provided by CRP has undoubtedly contributed to the current pheasant and other wildlife population levels in South Dakota. Habitat made available by CRP has also provided the foundation for the Walk-In Area Program.

Approximately 300,000 acres of CRP expired on October 1, 2007, and we can only assume that most of these acres will go back into crop production. Significant acres of CRP will also expire from 2008-2013, thus removing additional large blocks of undisturbed nesting cover and will likely result in loss of high quality hunting habitat from the Walk-In Area Program.

A GFP CREP Planning Team meeting was held in Huron on February 7-8 to discuss GFP's role in developing and implementing a CREP proposal that would provide large blocks of habitat associated with public access. There was consensus among the GFP CREP Planning Team that the location for such a program that would be appropriate, justifiable, and provide the biggest return for the investment from a wildlife habitat, soil erosion, water quality and flood reduction perspective would be the James River Watershed Basin (Figure 1).

The James River Watershed Basin, a total of 8,122,568 acres in size, includes the Elm, Upper James, Mud, Snake, Middle James, Turtle, and Lower James 8-digit Hydrologic Unit Codes (HUC's) (Figure 2). Twenty-three counties lie within this watershed (Figure 3), and there is a need to provide additional public hunting and fishing access to our state's wildlife resources in this area (Figures 4-5).

Aside from its importance and potential for wildlife habitat, the James River Watershed Basin may be more recognized for its need for improved water quality, reduced soil erosion and the opportunity to restore its floodplain and associated wetlands to reduce severity of flood related losses on private land and to cities along the river. The South Dakota Department of Environment and Natural Resources (DENR), USDA-NRCS and its partners have excellent data that can be used as a baseline to monitor and evaluate such a program for water quality improvements and soil erosion reduction.

In evaluating the cost to implement such a program and the overall environmental benefits, it obviously becomes less expensive as one travels north and west across South Dakota from the southeast portion of the state (Figure 6).

Taking the above factors into consideration, the GFP CREP Planning Team recommends the James River Watershed Basin as the geographic target with a goal of 100,000 acres as a fully subscribed CREP project.

CRP Practices & Estimated Allocation of Acres

The following list of conservation practices was developed to meet the four primary environmental objectives (wildlife habitat, water quality, soil erosion and flood reduction). A minimum size of 40.0 contiguous acres including eligible land enrolled into CREP and/or other state-sponsored habitat and access programs will be required for enrollment into this CREP proposal. Refer to Figures 7-9 to review examples of how the practices listed below can be used to address resource concerns.

Please note that CP-10 will be used to enroll entire/partial tracts of expiring CRP contracts or other eligible vegetative cover and CP-4D may be used to enroll entire/partial tracts of land currently not enrolled in CRP.

- CP-4D—Permanent Wildlife Habitat (20,000 acres)
- CP-10—Vegetative Cover-Grass-Already Established (35,000 acres)
- CP-18B—Vegetation to Reduce Salinity (2,500 acres)
- CP-18C—Permanent Salt Tolerant Vegetative Cover (2,500 acres)
- CP-22—Riparian Buffer (1,000 acres) **restricted to main stem of James River**
- CP-23—Wetland Restoration—100 year floodplain (2,000 acres)
- CP-25—Rare and Declining Habitat (2,000 acres)
- CP-27 & 28—Farmable Wetlands Program—wetland/buffer (25,000 acres)
- CP-29—Marginal Pastureland-Wildlife Habitat Buffer (10,000 acres)
- CP-30—Marginal Pastureland-Wetland Buffer (5,000 acres)

The GFP CREP Planning Team agreed not to include CP-37 (Upland Duck Nesting Cover Initiative) and CP-38 (State Acres for Wildlife Enhancement) as practices within this CREP proposal. Landowners can still enroll CP-37, CP-38 and other practices not mentioned in the CREP proposal in the James River Watershed Basin. These practices would not count toward the acre allotment in CREP nor would they be eligible for the state incentives or requirements mentioned in the CREP proposal.

USDA—State of South Dakota CREP Partnership

Please refer to Tables 1 and 2 to review cost analysis for installation of conservation practices and FSA rental rates and state habitat and access incentives. FSA rental rates updated in June of 2007 were used in this cost analysis. Future rental rate modifications will likely increase the overall cost of this CREP proposal. Therefore, it may be advantageous to limit enrollment into the program for a 2-3 year period.

USDA

Subject to contract terms and certain limitations, CREP participants will be eligible for the following types of USDA payments:

- Annual rental payments for a 10-15 year period based on the weighted average dryland cash rent.
- Incentive amount equal to 20 percent of the weighted average dryland cash rent for approved practices (state will request for all practices)
- Upfront CRP signing incentive payment of \$100 per acre after the contract is approved and all payment eligibility criteria are met (should request for all practices).
- Cost-share Assistance (up to 50% cost-share for establishing permanent cover)
- Practice Incentive Payment equal to 40% of the eligible costs of installing the practice (state will request for all practices).
- A per-acre maintenance incentive payment
- Administer CRP contracts for lands enrolled under CREP
- Conduct compliance reviews according to the 2-CRP Handbook to ensure compliance with the CRP contract
- Share appropriate data, in accordance with procedures and restrictions and exemptions established under the Federal Freedom of Information Act, federal privacy laws and other applicable laws, with South Dakota to facilitate State monitoring efforts

State of South Dakota (SD GFP & Partners)

Subject to contract terms and certain limitations, CREP participants will be eligible for the following types of State of South Dakota incentive payments:

- 40% increase of the base average dryland cash rent for establishing habitat and providing public hunting and fishing access.
- Cost-share the remaining costs of practice installation. Total of all cost share payments, from any sources, shall not exceed 100 percent of the producer's out of pocket expenses.
- Pay all costs of acres enrolled in other GFP hunting and fishing access programs for adjacent non-CREP acres used to either round out CREP tracts or to improve access to CREP acres.
- Cover all costs associated with the annual CREP monitoring report
- Provide assistance to help market and promote CREP project.
- Provide a CREP Coordinator to serve as liaison with USDA and other partners, lead monitoring program, provide annual reports and complete contracts with participating landowners to cover non-federal match.

A fully subscribed CREP Project at 100,000 acres for 15-years would cost the following (see Tables 1 & 2):

FSA Rental Rates & State Incentives: \$151,000,000

Total Installation Costs: \$7,500,000

Total Cost (excluding non-federal in-kind services): \$158,500,000

Estimated USDA Costs: \$120,000,000 (75.7%) or \$8,000,000 per year

Estimated State Costs: \$38,500,000 (24.3%) or \$2,570,000 per year (does not include monitoring, marketing or state coordination)

Potential List of Partners (to be approached in developing the proposal)

Financial (although SD GFP is willing to provide state match, any financial assistance would be greatly appreciated)

- Local cities/towns and their respective chamber of commerce, James River Watershed Development, SD Dept. of Tourism, SD Dept. of Environment and Natural Resources, SD Dept. of Agriculture, Non-governmental Organizations (such as Pheasants Forever, Whitetails Unlimited, National Wildlife Federation, National Wild Turkey Federation, Ducks Unlimited, The Nature Conservancy and Northern Prairies Land Trust), private citizens with a financial interest, retailers (such as Cabela's, Wal-Mart, Scheels, Sportsman's Warehouse), State Conservation Commission, SD Parks & Wildlife Foundation, National Fish & Wildlife Foundation, local sportsmen's clubs, ethanol industry, agri-business groups, and utilization of tax or license donations.

Technical

- USDA (both FSA and NRCS), US Fish & Wildlife Service, Pheasants Forever, National Wild Turkey Federation, Ducks Unlimited, 319 Project Coordinators, Conservation Districts, James River Watershed Development, SD Dept. of Environment and Natural Resources, US Environmental Protection Agency and the US Corps of Engineers

Need to Inform

- Agricultural interests (such as Farm Bureau, Farmers Union, etc.), livestock interest (such as SD Stockgrowers Association, SD Cattlemen's Association, and SD Grasslands Coalition), Hutterite Colonies, ethanol industry, general population in watershed, Governor Rounds, sportsmen groups, hunting and fishing license holders, Prairie Pothole Joint Venture, city governments within the James River Watershed Basin, GFP staff and commission, academic/research at South Dakota universities, legislators (national and local), National FSA CREP coordinator, state FSA/NRCS office and state technical committee

CREP Proposal Timeline

Green: Scheduled or Completed; Red: Need to Schedule or Complete

- 1) CREP Concept Paper (Feb. 15th)
 - By Feb. 20th, present to Jeff, Tony & George
(Meeting completed on 2/14 at 4:00 p.m. in Pierre)
- 2) In meantime, discuss with Daryl and Janet the proposal and help put together partners for review and buy-in by Feb. 22nd
(Meeting completed with FSA & NRCS on 2/21 at 3:00 p.m. in Huron)
- 3) Get CREP sub-committee informed with concept paper/CREP proposal
(Will be done between 2/22 and 2/28)
- 4) Inform State Technical Committee Meeting of CREP proposal and the need to get the sub-committee together.

(Draft proposal was announced on 2/28 at meeting in Huron. CREP sub-committee met on the afternoon of 2/28 in Huron)

- 5) Mailed cover letter, executive summary and CREP proposal to potential partners on **March 13, 2008**
- 6) Teleconference call with CRP Sub-committee by **May 15th**
- 7) Present final draft of CREP proposal to State Technical Committee Meeting On **May 20th**
- 8) Governor Rounds signs and forwards to National FSA Office by **June 1st**

While all of these activities are going on, we will be working with national FSA Office on Environmental Assessment

- 7) Deputy Administrator for Farm Programs (DAFP) shall conduct an interagency review of the proposal and submit comments to the Governor within 60 calendar days. Generally the Conservation and Environmental Programs (CEPD) representative will meet to discuss the proposal with state representatives
- 8) The CREP planning team shall revise the proposal, as necessary, based on comments
- 9) CEPD shall request State FSA Office to complete a programmatic Environmental Assessment
- 10) Following initial approval of a proposal, the Governor shall submit a draft agreement along with the revised CREP proposal to DAFP
- 11) FSA, working with other Federal and State partners, will develop State-specific CREP procedures, which must be approved by DAFP before CREP enrollment begins
- 12) DAFP and the Governor shall negotiate the final terms for the Agreement
- 13) The Secretary of Agriculture and Governor shall the sign the agreement

Table 1. Cost Analysis for Installing Conservation Practices.

Cost Analysis of Installing Practices

Practice	Estimated Acres Enrolled in CREP	Average Cost of Practice Installation/Acre	Average Cost of Grass Seed & Trees/Acre	Total Cost Estimate/Acre	Total Cost	USDA Cost-Share (50%)	USDA Practice Incentive Payment (40%)	USDA Cost/Acre	FSA Total Cost	State Cost-Share %	State Cost/Acre	State Total Cost
4D	20,000	\$50.00	\$60.00	\$110.00	\$2,200,000.00	\$1,100,000.00	\$880,000.00	\$99.00	\$1,980,000.00	10%	\$11.00	\$220,000.00
10	35,000	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0%	\$0.00	\$0.00
18B	2,500	\$50.00	\$50.00	\$100.00	\$250,000.00	\$125,000.00	\$100,000.00	\$90.00	\$225,000.00	10%	\$10.00	\$25,000.00
18C	2,500	\$50.00	\$50.00	\$100.00	\$250,000.00	\$125,000.00	\$100,000.00	\$90.00	\$225,000.00	10%	\$10.00	\$25,000.00
22	1,000	\$0.00	\$2,100.00	\$2,100.00	\$2,100,000.00	\$1,050,000.00	\$840,000.00	\$1,890.00	\$1,890,000.00	10%	\$210.00	\$210,000.00
23	2,000	\$50.00	\$50.00	\$100.00	\$200,000.00	\$100,000.00	\$0.00	\$50.00	\$100,000.00	50%	\$50.00	\$100,000.00
25	2,000	\$50.00	\$125.00	\$175.00	\$350,000.00	\$175,000.00	\$0.00	\$87.50	\$175,000.00	50%	\$87.50	\$175,000.00
27	5,000	\$50.00	\$50.00	\$100.00	\$500,000.00	\$250,000.00	\$200,000.00	\$90.00	\$450,000.00	10%	\$10.00	\$50,000.00
28	15,000	\$50.00	\$50.00	\$100.00	\$1,500,000.00	\$750,000.00	\$600,000.00	\$90.00	\$1,350,000.00	10%	\$10.00	\$150,000.00
29	10,000	\$0.00	\$10.00	\$10.00	\$100,000.00	\$50,000.00	\$40,000.00	\$9.00	\$90,000.00	10%	\$1.00	\$10,000.00
30	5,000	\$0.00	\$10.00	\$10.00	\$50,000.00	\$25,000.00	\$20,000.00	\$9.00	\$45,000.00	10%	\$1.00	\$5,000.00
TOTAL	100,000				\$7,500,000.00	\$3,750,000.00	\$2,780,000.00		\$6,530,000.00			\$970,000.00

CP-22 (1,000 acres is equivalent to 182 quarter mile plantings with a width of 180 feet **restricted to the main stem of the James River**)

CP-29 & CP-20 (cost is difficult to determine as fencing needs are unknown)

Includes USDA 50% cost-share and a practice incentive payment (PIP) equal to 40% on eligible practices.

If (PIP) is approved for all practices, cost-share rates for CP-23 & CP-25 would be adjusted accordingly.

Table 2. Cost Analysis of FSA Rental Rates and State Habitat & Access Incentive

Practice	Estimated Acres Enrolled in CREP	Current CRP Rental Rate	FSA Rental Rate Incentive	FSA Rental Rate with Incentive	Signing Incentive Payment	Maint. Rate	FSA Rental Rate with Both Incentives & Maint.	FSA Total Cost	State Incentive for Habitat & Access	State Incentive on top of Ave. Base Rental Rate	State Total Cost	Average Total Rental Rate
4D	20,000	\$64.79	10%	\$71.27	\$0.00	\$4.00	\$75.27	\$1,505,400.00	40%	\$25.92	\$518,320.00	\$101.19
10	35,000	\$64.79	0%	\$64.79	\$0.00	\$4.00	\$68.79	\$2,407,650.00	40%	\$25.92	\$907,060.00	\$94.71
18B	2,500	\$64.79	0%	\$64.79	\$0.00	\$4.00	\$68.79	\$171,975.00	40%	\$25.92	\$64,790.00	\$94.71
18C	2,500	\$64.79	0%	\$64.79	\$0.00	\$4.00	\$68.79	\$171,975.00	40%	\$25.92	\$64,790.00	\$94.71
22	1,000	\$64.79	20%	\$77.75	\$10.00	\$6.00	\$93.75	\$93,750.00	40%	\$25.92	\$25,916.00	\$119.67
23	2,000	\$64.79	0%	\$64.79	\$0.00	\$4.00	\$68.79	\$137,580.00	40%	\$25.92	\$51,832.00	\$94.71
25	2,000	\$64.79	0%	\$64.79	\$0.00	\$4.00	\$68.79	\$137,580.00	40%	\$25.92	\$51,832.00	\$94.71
27	5,000	\$64.79	20%	\$77.75	\$10.00	\$4.00	\$91.75	\$458,750.00	40%	\$25.92	\$129,580.00	\$117.67
28	15,000	\$64.79	20%	\$77.75	\$10.00	\$4.00	\$91.75	\$1,376,250.00	40%	\$25.92	\$388,740.00	\$117.67
29	10,000	\$50.00	20%	\$60.00	\$10.00	\$4.00	\$74.00	\$740,000.00	40%	\$20.00	\$200,000.00	\$94.00
30	5,000	\$50.00	20%	\$60.00	\$10.00	\$4.00	\$74.00	\$370,000.00	40%	\$20.00	\$100,000.00	\$94.00
TOTAL	100,000							\$7,570,910.00			\$2,502,860.00	

Current CRP Rental Rate: Average rental rate for all counties included in watershed
 CP-29 & CP-30 Rental Rates were set at \$50/acre for an estimated average across the watershed
 State Incentive for Habitat & Access includes a 40% incentive on top of the FSA Base Rental Rate

Fully subscribed CREP Project at 100,000 with 15-year contracts
 FSA Rental Rate & State Incentives: \$151,000,000
 Total Installation Costs: \$7,500,000
 Total Cost (Excluding In-Kind Services): \$158,500,000

Estimated FSA Costs: \$120,000,000 (75.7%)
Estimated State Costs: \$38,500,000 (24.3%) 2.57 million/year

Figure 1. Shaded Relief Map of James River Watershed Basin in South Dakota.

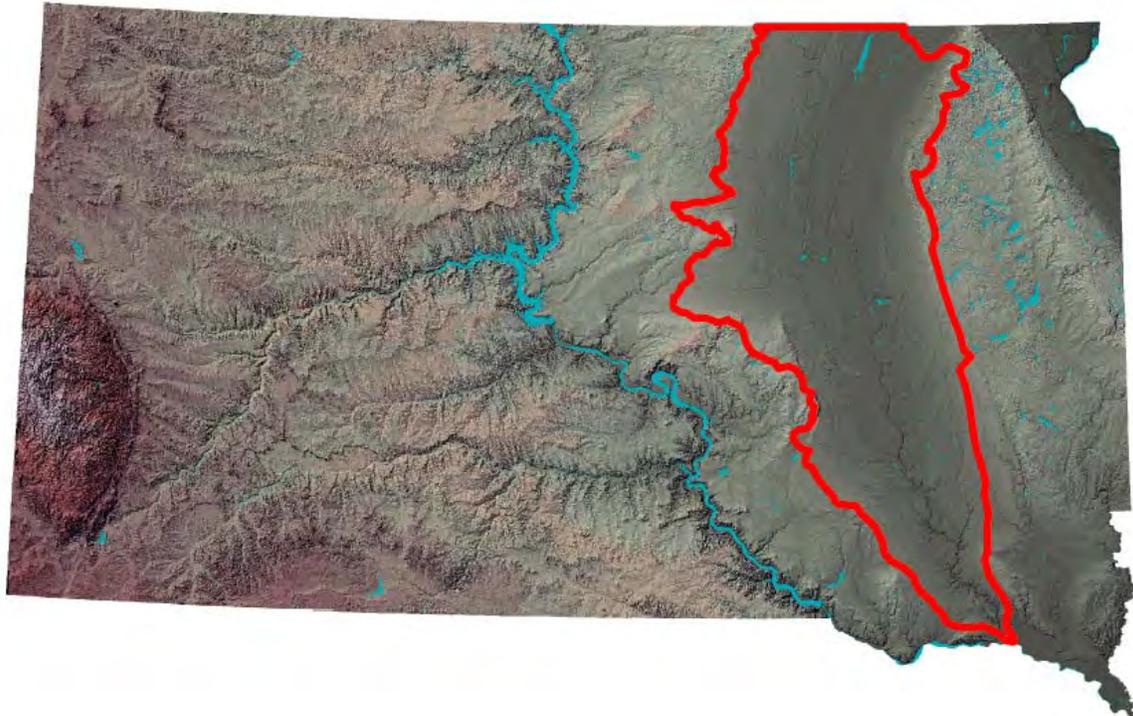
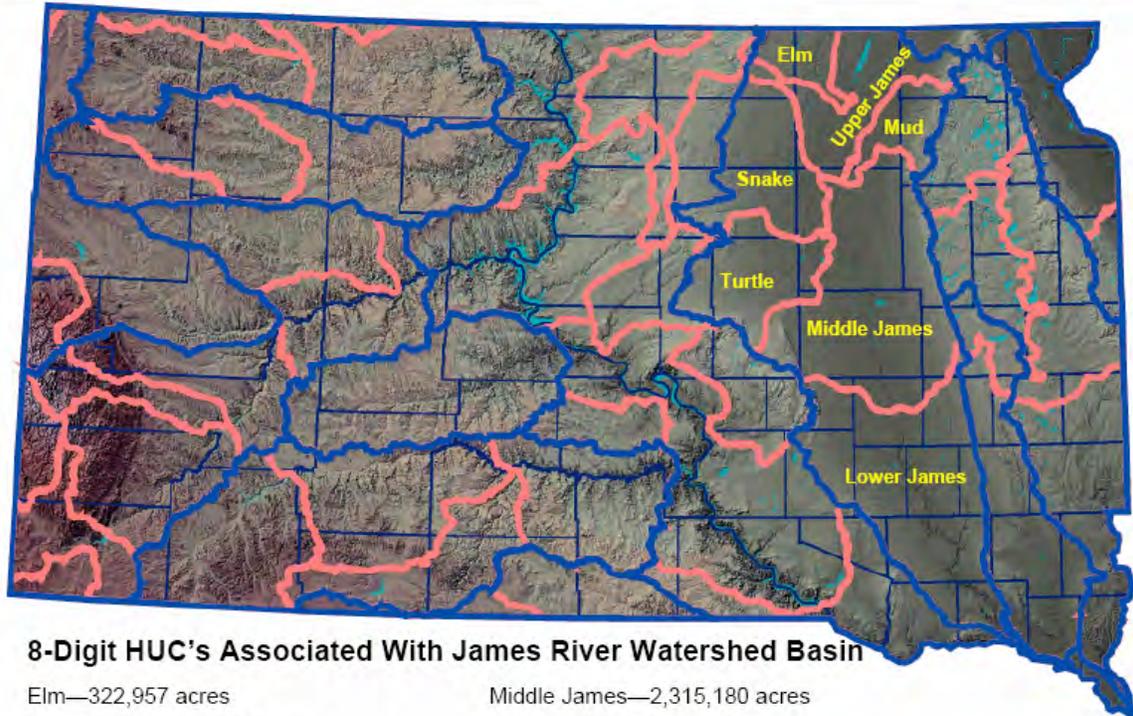


Figure 2. 8-Digit HUC's Associated with James River Watershed Basin in SD.



8-Digit HUC's Associated With James River Watershed Basin

Elm—322,957 acres

Upper James—913,285 acres

Mud—430,464 acres

Snake—983,656 acres

Middle James—2,315,180 acres

Turtle—898,729 acres

Lower James—2,253,866 acres

Total James River Basin—8,122,568 acres

Figure 3. County Boundary Map of James River Watershed Basin in SD.

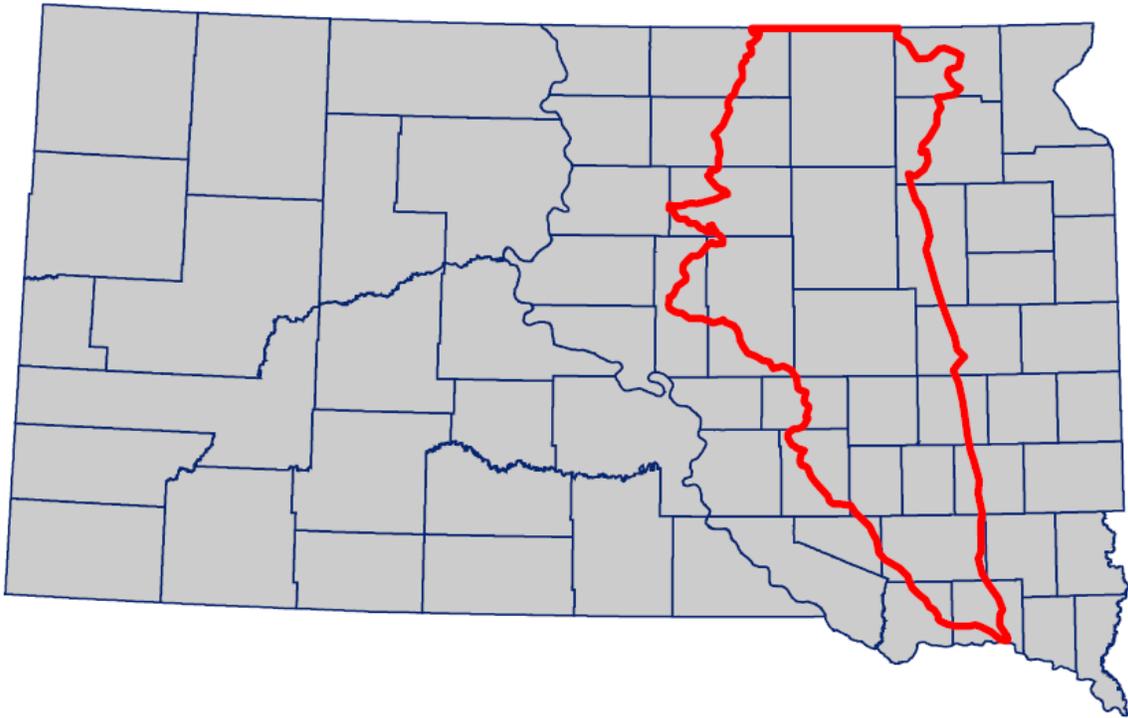


Figure 4. 2007 Walk-In Area Distribution in Relation to James River Watershed Basin.

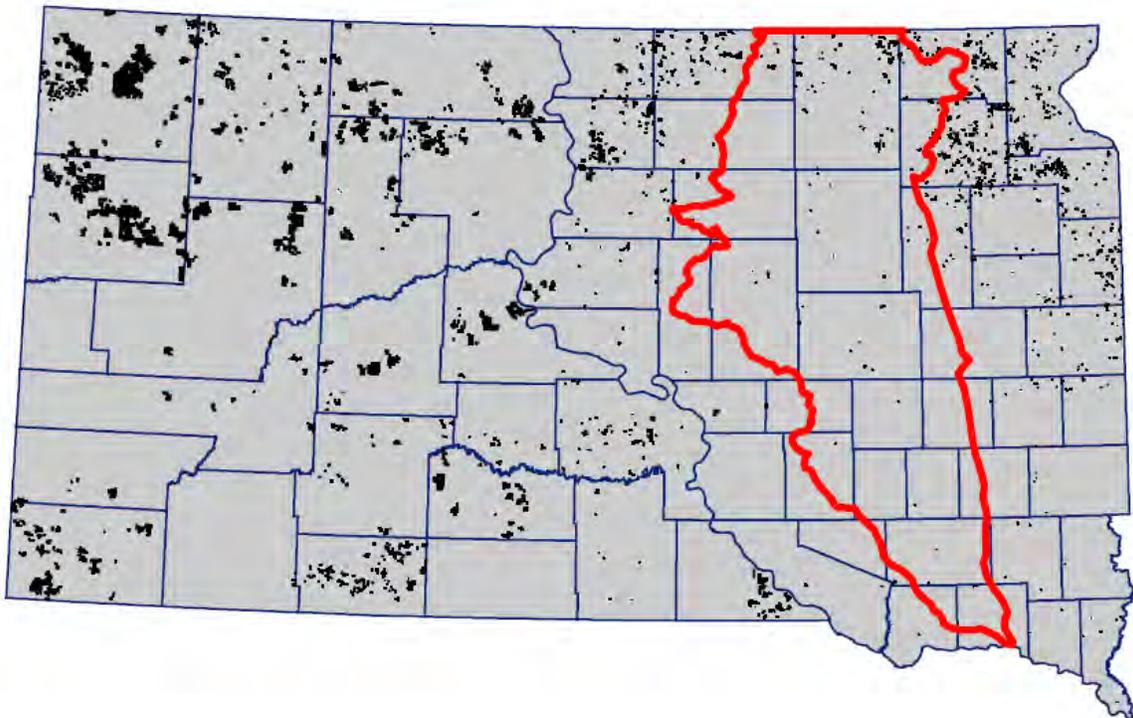


Figure 5. 2006 Pheasant Hunter & Harvest Distribution Map

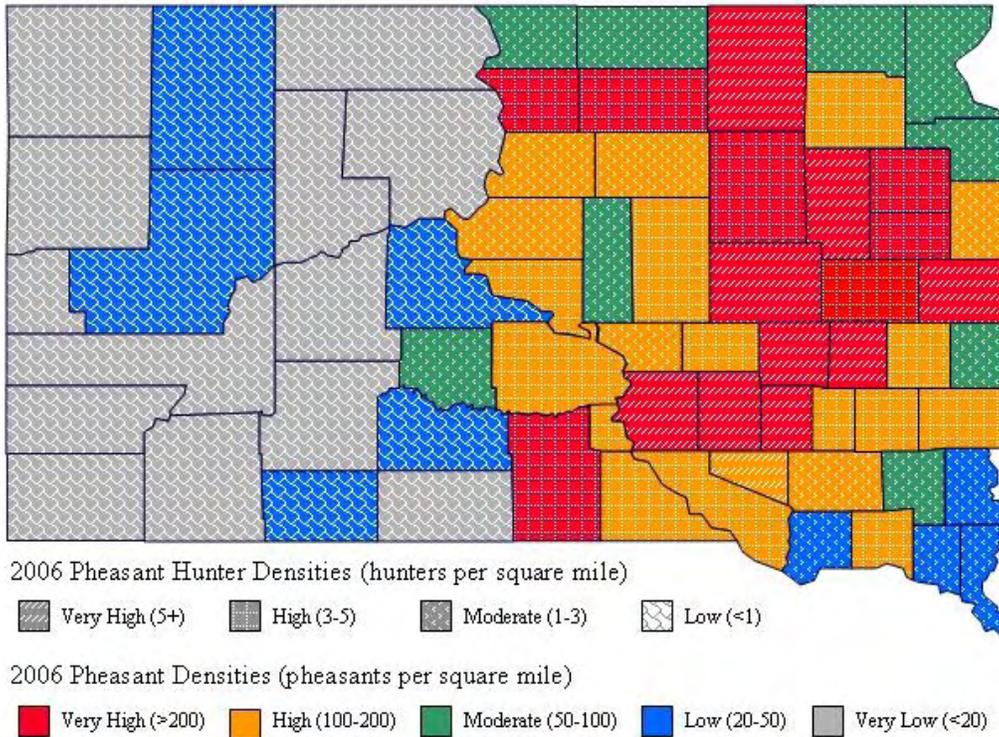


Figure 6. A Comparison of Average 2007 CRP Rental Rates vs. 2007 Maximum NASS Data.

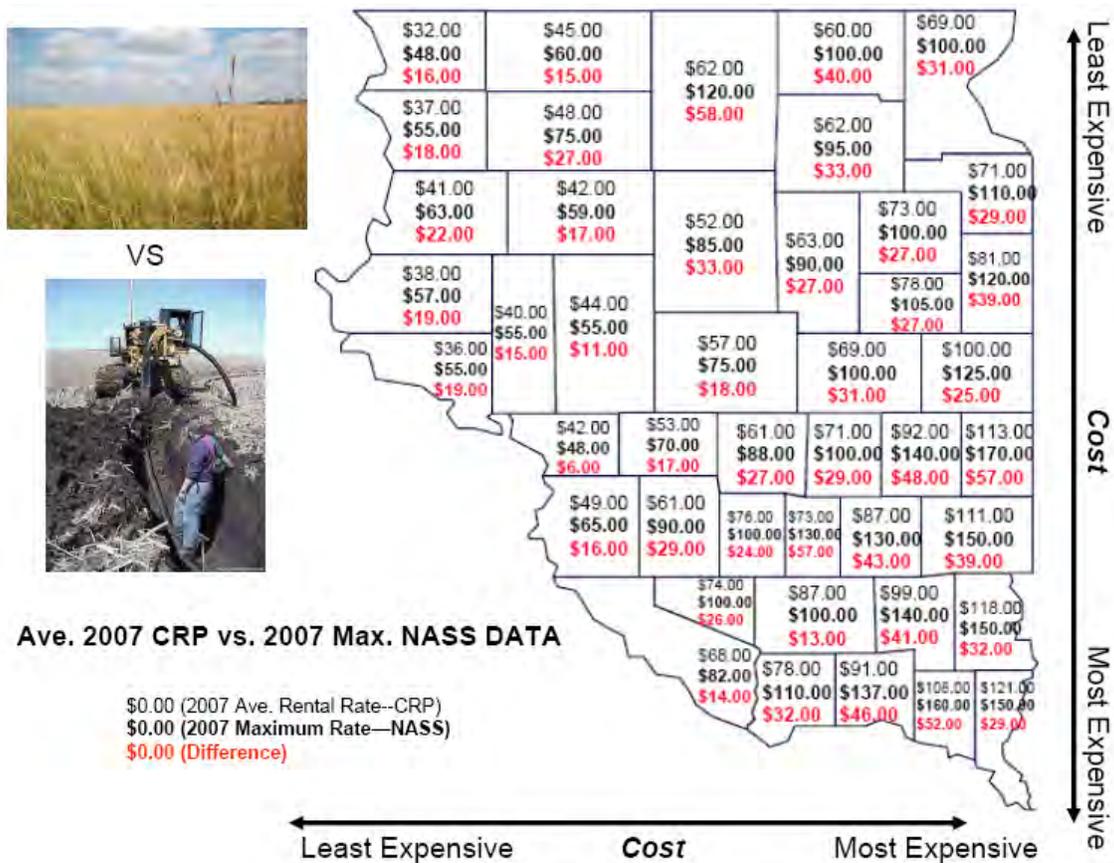


Figure 7. Example of enrolling a riparian area and associated upland.

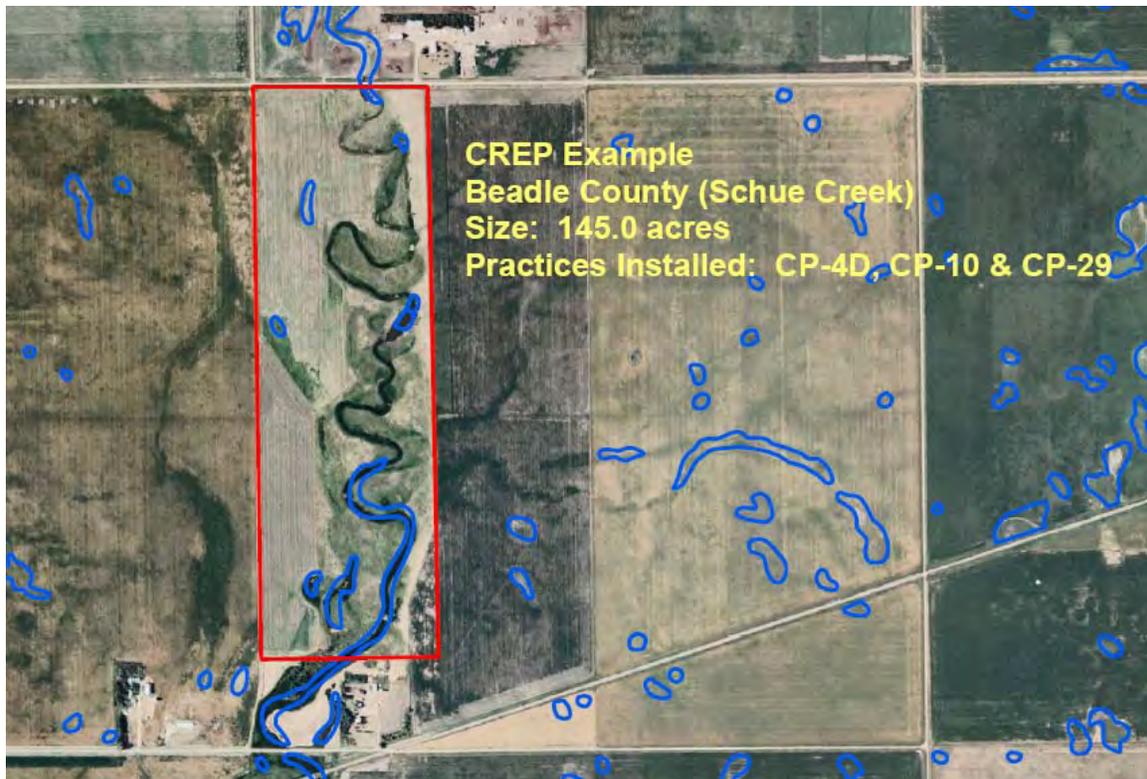


Figure 8. Example of enrolling cropland with high wetland densities.

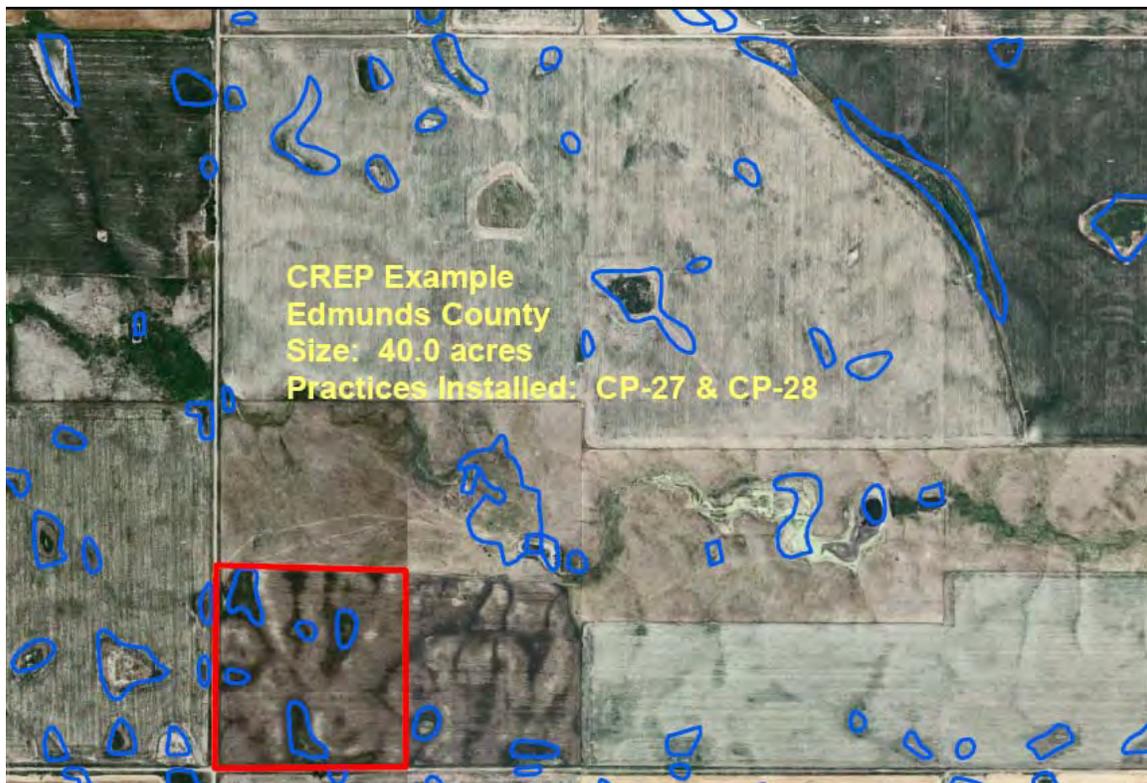


Figure 8. Example of enrolling James River floodplain.

