



TECHNICAL NOTE

FOR IN-SERVICE USE



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What Happens if the Installation of a Conservation Practice is Postponed?

Introduction

Costs of installing conservation practices are likely to increase over time. Why is this important? Farm Bill Program incentive payments do not change throughout the life of a contract. As you

can see below, the prices paid by farmers have steadily increased in the U.S. from 1997 to 2007. The index values in the figure include prices for feed, fuels, fertilizer, agricultural chemicals, retail seeds and farm machinery. Even if the work is going to be done by a contractor, similar price changes may be experienced though different equipment and materials are used.



The Farm Bill Program incentive payment is only a portion of the actual cost of installation. The Farm Bill Program participant is responsible for out-of-pocket costs. What happens to the farmer's out-of-pocket costs when installation is delayed? Because the Farm Bill Program incentive payment remains constant while input prices are likely to increase, the out-of-pocket costs are likely to increase. So basically, when the **program participant signs a contract they agree to absorb any price changes due to inflation that may occur over time.**

National or global events (e.g., sanctions) or natural disasters (e.g., hurricanes, wildfires), decreased supply of resources (e.g., petroleum) could also alter costs. Such events which cannot be foreseen may occur after a cost estimate is prepared and subsequently **after** Farm Bill Program incentive payments are established.

Other situations not effected by inflation may occur that prevents a timely installation of conservation practice(s). Such obstacles may include: 1) Contractor availability; 2) Not having the necessary equipment; 3) Interference with planting or harvesting seasons and 4) Lag time in getting construction financing.

In summary, **getting conservation practices on-the-ground as soon as possible is likely to save money.** Why? Because of two reasons: 1) The amount of the Farm Bill Program incentive payment will not change and 2) The cost of installing conservation practices may increase. Since there are so many factors that influence costs it must be asked; **“Are you ready to install conservation practices even if incentive payments would not be available?”**

References

1. National Agricultural Statistics Service,
http://www.nass.usda.gov/Charts_and_Maps/Agricultural_Prices/pitw.asp.