

***Payment for Performance:***  
***Conservation Stewardship Program***

January 2010

The Conservation Stewardship Program (CSP) presents a significant shift in how NRCS provides conservation program payments. CSP participants will receive an annual land use payment for operation-level environmental benefits they produce. Under CSP, participants are paid for conservation performance — the higher the operational performance, the higher their payment.

In CSP, participant's annual payments are not determined using the traditional compensation model where they receive a percentage of the estimated practice installation cost or a per acre rental rate. Instead participants' annual payment level will be unique for their operation and land-uses based on the combined total of environmental benefits from existing and new activities. A CSP participant's annual land use payments are calculated as:

$$\text{Annual Land Use Payment} = (\text{Land Use Acres}) \times (\text{Existing} + \text{New Activities Performance Points}) \times (\text{Land Use Payment Rate})$$

To manage CSP funding and meet legislative requirements, NRCS used the 2009 application period to arrive at a uniform payment rate per land-use conservation performance point. NRCS modeled the annual land use payment rates using the following nationwide sign-up data from 2009 application period pre-approved applications:

- New and existing environmental benefits measured in conservation performance points generated by land-use type,
- Costs incurred and income foregone for conservation activities, and
- Available program funding levels.

Land use payment rates represent the composite costs of existing and new activities per performance point, proportionally adjusted to manage program payments to achieve the national average rate of \$18 per acre.

To set the supplemental payment rate for adopting a resource-conserving crop rotation (RCCR), NRCS technology specialists identified representative resource-conserving crop rotations and associated yields. Variable cost and price information was collected to compare the difference in net-returns between "conventional" and "resource-conserving" rotations. The differences in crop production costs were used to arrive at the supplemental payment rate.

**2009 Application Period — Payment-Setting Results**

| <b>Land Use Payment Rate per Performance Point</b> |          |
|--|----------|
| Cropland   | \$0.0605 |
| Pastureland  | \$0.0329 |
| Rangeland  | \$0.0120 |
| Nonindustrial Private Forestland                   | \$0.0164 |
| <b>Supplemental Payment Rate per RCCR Acre</b>     |          |
|  | \$16.00  |
| <b>Pre-Approved Acres — Percent by Land Use</b>    |          |
| Cropland   | 40%      |
| Pastureland  | 7%       |
| Rangeland  | 45%      |
| Nonindustrial Private Forestland                   | 8%       |