

Increased Energy Costs

Issue

Agricultural producers who have signed EQIP contracts have and continue to experience increases in the cost for materials. Some may not be able to complete their projects.

Problem

Once a contract is signed by a producer, he/she is locked into the price offered on that date. Often the actual funding for the contracted practice does not become available to the producer for several months after a contract is signed and many projects require multiple years to complete. Unless addressed the increased cost of materials (up to 20 percent) will need to be born by the producer. Where a producer is unable to finish a project he/she may be liable to the federal government for the cost of planning, contracting, etc. The individual producer who had in good faith planned to improve soil and water quality, as part of an overall irrigation company project committed to by stockholders, now has a problem.

Though NRCS recently recognized this and under the EQIP Energy Initiative has offered a one time 15% payment adjustment in contracts written from 1997-2004, it may not be enough to keep some producers from canceling contracts. To receive the pay adjustment a practice must be installed between March 1 and June 30, 2006. In announcing the program, Agriculture Deputy Secretary Chuck Conner stated, *“There are many conservation practices that farmers and ranchers have put on hold because of increasing energy prices. This adjustment will help our producers to fully implement those practices which will increase the protection of our natural resources and in some cases, lessen the impact on high energy prices by reducing producers’ need for energy and energy-related inputs.”* Though helpful contracts signed after 2004 are not covered by the Energy Initiative and for eligible contracts the energy increase is limited to irrigation water conveyance systems (does not address the increased cost of on-farm sprinkling systems).

How this will affect your constituents

As stated by one irrigation company board member *“...this situation is ripe for an unfinished disaster. We do not want to see that happen. There are a few problems I can see on the horizon, one is that some people have their water tied to a mortgage on their farm, which makes obtaining loans (to offset the increased costs) almost impossible. Another is that people have been solicited with 75% / 25% cost share, and when it all shakes out at the end, it’s nowhere close to that. ... if the Feds are serious about removing salt from the Colorado River they need to see it through and remain committed to the end, no loose ends.”*

What you can do about this issue

Insist that the NRCS cost share rate offered be held constant throughout the life of a project or program. If costs increase due to inflation, energy costs, etc, the program should allow for price adjustments.

Encourage NRCS to update the EQIP cost list for contracting estimates once a year or more often if actual costs increase above the annual cost estimates.

Changes the Farm Bill EQIP program so that when a producer has signed a contract in good faith and due to increases in material costs or other hardship a contract could be canceled without penalty.

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