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**Agricultural Policies and Soil Degradation
in Western Canada:
An Agro-Ecological Economic Assessment
(Report 5: Project Summary)**

(Technical Report 2/95)

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FOREWORD

The Policy Branch of Agriculture and Agri-Food Canada has a mandate to provide the Government of Canada with timely information on the impacts that proposed new policies could have on the agricultural sector, or what the possible outcome would be if existing policies and programmes are altered. Increasing emphasis is being placed on the interrelationships between environmental stability and the farm management practices promoted by agricultural policies. However, to date there has been a lack of quantitative tools which could be used to address this issue.

This is a one of a series of five Technical Reports which document an integrated agro-ecological economic modelling system based on the Canadian Regional Agricultural Model (CRAM) and the Erosion Productivity Impact Calculator (EPIC). The system incorporates a multidisciplinary approach that can be used to simultaneously assess the economic and the soil erosion impacts of agricultural policies on the Prairies. It provides a link between the scientific investigation of the erosion process on a micro-scale or field level, and the higher level of aggregation such as the regional, provincial and national levels of interest to policy makers. The model provides a quantitative tool which can contribute additional information to the analysis of the economic and the environmental impacts of agricultural policy decisions.

The initial development of the modelling system was contracted to the Center for Agricultural and Rural Development at Iowa State University, with collaboration from the Policy and Research Branches of Agriculture and Agri-Food Canada. This system represents the first step in the development of quantitative tools needed for the environmental assessment of agricultural policies. The Department is committed to expanding this capability to provide scientifically based information for assessing the sustainability of the sector.

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TABLE OF CONTENTS

I. Introduction	1
II. The Integrated Modelling System	4
A. The Environmental Component	4
A.1. The Environmental Database	5
A.2. EPIC Testing and Regional Simulation Results	6
A.3. The Environmental Metamodels	7
B. The Agriculture Decision Component	8
B.1. Tillage Specification	9
B.2. Addition of Lentils and Field Peas	10
B.3. Incorporation of Revised Yields	10
B.4. Returns to Crop Production with Crop Insurance and GRIP	11
B.5. Risk	12
B.6. Incorporation of the Environmental Metamodels	12
III. Policy Analysis Results	14
A. GRIP	14
A.1. Sensitivity of GRIP Results to Risk (GRIPNR and GRIPHR)	16
B. Tillage Practice Sensitivity (TELL)	17
C. Industrial Crops Sensitivity ((NDCROP)	18
IV. Future Recommendations	19
A. Recommendations for the Environmental Component	19
B. Recommendations for the Agricultural Decision Component	21
C. Expanded Applications for Other Regions	22
D. Expanded Applications for Other Environmental Indicators	23
D.1. The Incorporation of Other Environmental Models	26
V. Summary	29
References	31

I. Introduction

Policymakers are facing increasing pressure to ensure that agricultural policies are environmentally sound as well as economically viable. In Canada, an environmental screening process must be performed for all new policy and program proposals that are brought before the Federal Cabinet. In addition, periodic post implementation reviews must be carried out of all new farm income and stabilization programs, to ensure that farm programs adequately integrate environmental values with economic considerations under important farm programs. In order to perform these assessments, improved tools are required that can provide reliable estimates of economic and environmental indicators of proposed Canadian agricultural policies.

To help address this need, an integrated agro-ecological economic modeling system has been constructed around Agriculture Canada's Canadian Regional Agriculture Model (CRAM) (Webber et al. 1986 and Homer et al. 1992) for the prairie provinces of Alberta, Saskatchewan, and Manitoba (Figure 1). This system incorporates a multidisciplinary approach that can be used to comprehensively assess the economic and soil degradation (wind and water erosion) impacts of proposed policies for the Prairies. It follows the emerging trend of integrated modelling systems that have been constructed for other applications at the farm level (Cole and English 1990; Taylor 1990; Wossink et al. 1992), watershed level (Milon 1987; Bouzaher et al. 1990; Lakshminarayan et al. 1991), and regional level (Bouzaher et. al 1994; Setia and Piper 1992).

The resource neutrality of the Gross Revenue Insurance Program (GRIP) in the Prairies¹ is evaluated as an initial application to test the performance of the integrated system. GRIP is a farm program that offers insurance against yield and price risks. Concern has been expressed that GRIP is not resource neutral and will encourage production on economically and environmentally marginal lands, leading to higher erosion rates and increased soil degradation. Additional simulations are performed to assess the sensitivity of the system to variations in tillage and crop mix distributions.

Detailed descriptions of the conceptual framework, environmental modelling system, integration of the environmental and economic components, and CRAM modifications and policy analysis results are given in Agriculture Canada (1993a, 1993b, 1994, and 1995), respectively. This report summarizes the major findings of the study in four sections: (1) the integrated modelling system, (2) policy analysis results, (3) future recommendations, and (4) summary.

¹Originally, it was also intended to evaluate the Net Income Stabilization Account (NASA), that was designed to protect eligible producers against income volatility (especially during low-income years). However, a well developed theoretical framework does not currently exist for NASA, so it cannot currently be evaluated with the integrated system.

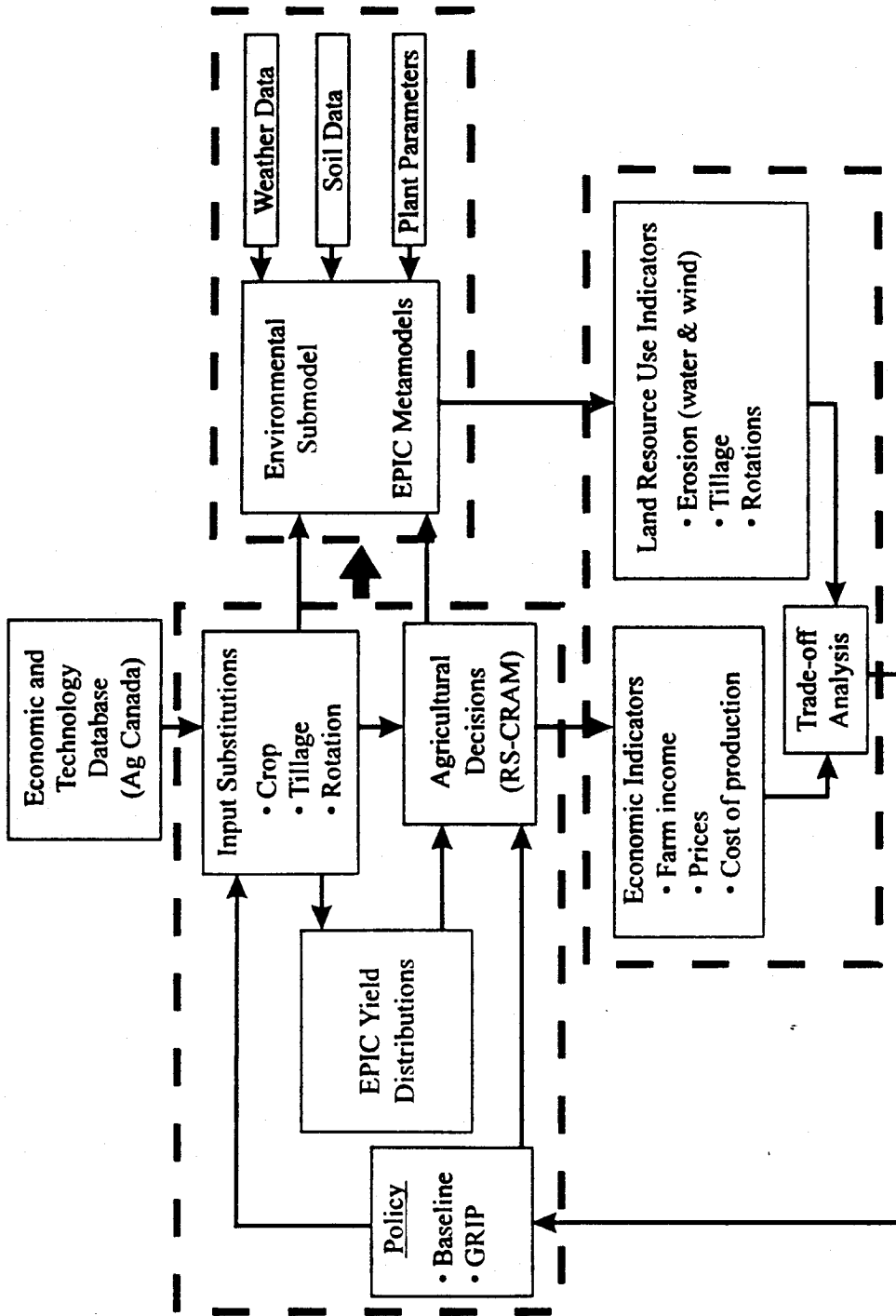


Figure 1. General conceptual framework

II. The Integrated Modelling System

The integrated modelling system consists of two major components: (1) agricultural decision and (2) environmental (Figure 1). The agricultural decision component is a revised version of CRAM called RS-CRAM (denoting resource sensitive CRAM) that incorporates new input substitution and producer risk modules. The environmental component consists of environmental metamodels (summary response functions) that are constructed on the basis of a statistically designed set of simulations performed with the Erosion Productivity Impact Calculator (EPIC), a model developed by the USDA-ARS to estimate the long-term impacts of erosion upon soil productivity (Williams et al. 1984; Williams 1990; Agriculture Canada 1993b). The metamodels allow for a consistent interface between the disparate spatial and temporal scales, and cropping systems scenarios, that are simulated in the agricultural decision and environmental components.

A. The Environmental Component

The major soil degradation problems observed on the Prairies are wind and water erosion, salination, and organic matter depletion (PFRA 1990). Additional soil degradation and environmental concerns have been raised over soil compaction and surface and groundwater quality pollution from agricultural nonpoint sources of pesticides and nutrients. The environmental modelling system discussed here is configured to provide indicators of wind and water erosion for nine different crops grown in a suite of rotations.

A.1. The Environmental Database

An environmental database is constructed for the environmental component of the integrated modeling system that consists of two main sub-databases: (1) a soil layer and landform database and (2) a weather database. A detailed description of the linking processes used to create these databases is given in Agriculture Canada (1993b). Additional details are provided in Agriculture Canada (1994 and 1995).

Soil layer data are obtained separately for each of the three provinces that are applicable at either the landscape polygon, Agroecological Resource Area (ARA), or CRAM production region level. Landform data are obtained from the Soil Landscapes of Canada database (Shields et al. 1991) that are identified by one dominant and one subdominant landscape, and associated soil series, that are applicable at the landscape polygon level. The landscape data are initially linked with the layer data on the basis of consistent matching between landscape polygon, Agroecological Resource Areas (ARAB) and soil series codes. Further links are made to spatially locate landscape polygons and ARAs that cross CRAM region boundaries. In all, three EPIC soil layer files and three landform databases are created, one for each province.

Three types of weather data sets are created for the weather database. Individual files are created for each province, resulting in nine total data sets. Daily EPIC weather data sets are developed for each ARA that contained precipitation and maximum and minimum temperature data by transforming 31-year ARA historical weather data sets (Kirkwood et al. 1993) into the proper EPIC format. EPIC weather generator tables are constructed for each ARA by linking available climate normal data with statistical data generated for each daily weather file using a utility program provided with EPIC. Wind speed and direction files are also created for each ARA.

A.2. EPIC Testng and Regional Simulation Results

EPIC has been undergoing continuous development in the United States since its inception in the early 1980s. An initial foundation for testing the EPIC model under prairie conditions was laid by Izaurralde et al. (1992), who tested various components of the model at various scales, ranging from field research plots to ARAB. Testing of the crop parameters for several crops is performed by comparing EPIC predicted yields with measured yields available in the literature. Additional tests are performed with 25-year continuous wheat and wheat-fallow data sets obtained from the Agriculture Canada Research Station at Swift Current, Saskatchewan and other site specific data. These tests indicate that EPIC is accurately simulating the long-term average yields but is not capturing year-to-year yield variability.

Testing is conducted on a new wind erosion submodel that was inserted in EPIC 3090. It is concluded

that this new model is performing better than the previous one, based on expert opinion provided by Tajek (1993). Further testing of the erosion submodels reveals that the model is overpredicting crop residue accumulations, due to the cooler and dryer conditions that persist in the region (Agriculture Canada 1995). Thus, adjustments are made to the crop residue decay and incorporation of standing dead residue functions in EPIC to overcome this problem.

An experimentally designed set of EPIC simulations is performed for the entire study region. Yield responses are sensitive to regional productivity and climatic differences. Tillage

has little impact on the estimated yields. The EPIC yield estimates are higher than the 10-year average census yields previously used in CRAM. Fallowing is predicted to be very beneficial for wheat and canola yields in the Brown soil zone, but not in the other soil zones. The weakest performance of the model is in the regions representative of the Dark Brown soil zone, where fallow is known to provide definite yield improvements over stubble cropping.

The greatest wind and water erosion rates are predicted for fallow conditions. The highest wind erosion rates are predicted to occur in southern Alberta and southern Saskatchewan. These results follow expected trends. Predicted EPIC water erosion rates compare favorably with previous USLE erosion rate estimates for Alberta. Reduced levels of tillage result in lower erosion rates for crops grown on stubble. However, tillage has little impact on predicted erosion rates for crops grown on fallow.

A3. The Environmental Metamodels

An experimentally designed set of EPIC simulations is performed based on a stratified random sampling scheme, with a complete factorial design, of the soil series, slope gradient, and slope length combinations that exist in each of the three provinces. An automatic input file builder and control program is constructed to facilitate the execution of the experimentally designed EPIC simulation set and the development of the environmental metamodels. The total number of simulations performed for Alberta, Saskatchewan, and Manitoba are 7,734; 9,750; and 4,455, respectively.

Ordinary least squares regression models are used to construct the wind and water erosion metamodels for each crop and crop sequence (stubble or fallow). Fourth-root transformations of

8

both the wind and water erosion data are performed to ensure normality. The wind and water erosion metamodels are very robust in replicating the EPIC model simulations, with the majority of the R-square values falling in the range of 0.8 to 0.95. The predictive power of the metamodels is confirmed in validation tests comparing metamodel output with the original simulation data. These validation tests include a comparison with the entire set of simulated data and two cross-validation tests.

B. The Agriculture Decision Component

Modifications to CRAM are confined to production regions within the provinces of Alberta, Manitoba and Saskatchewan. The changes are made only to crop production activities for the major crops simulated in RS-CRAM, which include the new crops of field peas and lentils in addition to the previous barley, canola, flax, and wheat that were simulated in CRAM. The major structural modifications are: (1) three alternative tillage practices defined as conventional, reduced and no-till are simulated for each crop production activity, rather than the previous single representative tillage system, (2) lentils and field peas are added to the list of crop production activities, (3) returns to the crop production activities are modified to include expected returns to crop and/or revenue insurance programs, (4) price and yield risk are explicitly incorporated into the model, and (5) the execution of the environmental metamodels is incorporated as a fourth phase.

B.1. Tillage Specification

The tillage systems are defined in RS-CRAM on the basis of percent residue cover as: (1) less than 30 percent for conventional, (2) 30 to 70 percent for reduced, and (3) greater than 70 percent for no-till. Thus, crop production activities are defined in RS-CRAM by production region, crop, crop sequence (stubble/fallow), and tillage level. A major challenge is encountered in calibrating these tillage systems within the Positive Mathematical Programming (PMP) framework used in RS-CRAM. The PMP framework contains three phases: (1) a pre-calibration phase, (2) a calibration phase, and (3) an execution phase of the calibrated PMP model. In

the first two phases, crop production aggregate activities are constrained to observed levels and fallowed area is allocated among crops in each region according to net returns. The resulting marginal values of production are used to derive coefficients for the PMP model executed in the third phase.

The introduction of tillage in RS-CRAM presents problems for the calibration process because observed data for crop production by region, crop, and tillage are unavailable. Crop acreages by summerfallow and stubble are derived in the "pre-calibration" phase according to the relative returns of each crop on fallow and stubble and the observed relative amount of all crops grown on fallow and stubble. Tillage is allocated to summerfallow and stubble in the same manner as to crops. However, the proportion of each crop by tillage is specified according to observed data on aggregate proportions in each region; i.e., all crops within a region have the same tillage patterns. Therefore, the model is used to allocate summerfallow and stubble across observed crop and tillage areas. The demand, transportation and livestock sectors are unaffected

10
by the tillage specification. Where linkages between these sectors and the crop production sector occur, aggregated crop numbers are used.

B.2. Addition of Lentils and Field Peas

Crop production activities for lentils are added for summerfallow and stubble. Activities for field peas are added for stubble only. Historical acreages for the "other crops" activities are adjusted to account for this explicit inclusion of lentils and field peas. These crops are calibrated by PMP in the same manner as other crops. The demand for lentils and field peas are recorded at the national level and are completely disposed of in the national market. The prices for both crops are specified exogenously. Transportation from the region to the national level for both crops is included. There is no interaction of either lentils or field peas with the livestock sector in RS-CRAM, because neither crop is included in the list of commodities fed to livestock.

Besides the addition of lentils and field peas to RS-CRAM, other modifications are made to the cropping activities that are used in CRAM. Flax is simulated only for stubble cropping in RS-CRAM; previously it was simulated only for fallow cropping. The barley fallow crop activity is also eliminated, resulting in only stubble-cropped barley being simulated in RS-CRAM. The wheat, canola, and "other" crop activities are simulated for both stubble and fallow cropping in RS-CRAM, as before.

B.3. Incorporation of Revised Yields

The average census yields used in CRAM are modified in RS-CRAM to account for the impact of tillage, and stubble versus fallow cropping, as predicted by EPIC. The EPIC yield

11

estimates are generated from the experimentally designed simulation set that is used to construct the wind and water erosion metamodels. As previously discussed, the EPIC yield estimates are typically higher than the average census yields used in CRAM. This is especially true for the EPIC simulated stubble cropped yields in the soil zones outside of the Brown soil zone. Thus, the magnitudes of the EPIC yields are reduced as described in Agriculture Canada (1994 and 1995) in order to ensure that no distortions occur in RS-CRAM.

B.4. Returns to Crop Production with Crop Insurance and GRIP

The 1992 baseline for the analysis performed by CARD assumes 100 percent participation in crop yield insurance. Indemnity payments and the producer share of premiums are calculated explicitly for the baseline in RS-CRAM. Previously, payments from crop yield insurance were summed with payouts from several other programs including the Western Grain Stabilization Act, Agricultural Stabilization Act, Federal and Provincial Red Meat Stabilization Program and several others into a single government payment (Homer et. al. 1992). In Alberta, Saskatchewan and Manitoba, these payments are replaced by the net of expected crop insurance indemnity payments and premiums. In other provinces, the government payments used in the previous version of CRAM are left in the model (MacGregor 1993).

To evaluate GRIP, one hundred percent participation is assumed and the 1991 program is modeled. Expected indemnity payments and premiums are calculated for each of the crop production activities. The discussion in the previous paragraph regarding government payments from other programs also applies for the

GRIP policy run.

12

B.5. Risk

Because crop insurance and GRIP are policies that are designed to reduce the fluctuations in returns experienced by producers, risk is modeled in RS-CRAM. The methodology used was devised by Hazell and Scandizzo (1974 and 1977). It is the most practical method of including price and yield risks in the objective function of a sector model with endogenous commodity prices (Hazell and Norton 1986). The methodology closely follows that used by House (1989) in the USMP regional agricultural model.

B.6. Incorporation of the Environmental Metamodels

The interface between the agricultural decision and environmental components is accomplished by passing the mix of management practices and input use for every CRAM region predicted by RS-CRAM for a given policy scenario to the environmental metamodels to evaluate soil degradation impacts. This linkage is the fundamental relationship between producer responses to agricultural policies and their impacts on resource use. Aggregation of the metamodel output can then be performed at the soil, landscape polygon, ARA, CRAM region, or province level, depending on the type of analysis desired.

In order to compare environmental indicators with economic indicators in a consistent manner for each policy scenario, the environmental indicators must be aggregated from the landscape polygon level to the CRAM production region level. This is a multi-step process that begins with inputting predicted RS-CRAM cropping patterns and tillage distributions to the metamodels, and then aggregating the environmental indicators back up to the production regions. Crop and tillage weighted erosion rates are estimated for each landscape polygon-soil type combination available in the total population of the environmental database for each scenario. The next step is to aggregate the indicators to the ARA/CRAM production region level using weights based on the total cropped acres of each soil type in each landscape polygon. Thus, greater weight is placed on those landscape polygon-soil combinations that occupy the most area.

14

III. Policy Analysis Results

As a test of the integrated system, economic and environmental (erosion) indicators are evaluated for several different policy scenarios. Following an initial GRIP run, four sensitivity runs are performed defined as: (1) GRIP without risk, (2) GRIP with "high" risk, (3) industrial crop, and (4) revised tillage distribution. The GRIP scenario is described first followed by the sensitivity runs.

A. GRIP

The 1991 Gross Revenue Insurance Plan (GRIP) is modeled for Saskatchewan, Alberta, and Manitoba in the same manner as crop insurance in the baseline. Annual net returns for 1980-1992 are simulated assuming 100 percent participation in both GRIP and crop insurance. Mean indemnities and premiums are computed for each activity time series, and the variance-covariance matrix for the objective function is re-estimated using these simulations.

The results of the simulation run indicate that GRIP has little overall impact on the share of aggregate seeded acres under each tillage system in the Prairies. The cropped acreage under conventional tillage increases by 145 thousand hectares while the acres planted with reduced till systems increase by about a third of the conventional tillage change. The area under no-till increases by only 11 thousand hectares. The percentage changes in areas under each tillage practice are about the same.

The GRIP results also indicate a shift in crop sequencing away from fallowing. The area planted on fallow under GRIP falls by 179 thousand hectares from a baseline of 7.8 million.

15

This implies an equal reduction in the area of cropland being fallowed. The area planted on stubble increases

by 323 thousand hectares from a baseline of 16 million. About 60 percent of the net shift toward stubble planting comes from wheat and the largest shifts occur in Saskatchewan.

According to RS-CRAM, GRIP also favors barley, lentils, and flax relative to the baseline. Because (endogenous) crop prices are left relatively unchanged in the model by GRIP, almost all of the increase in net income per hectare is due to increased returns from revenue insurance relative to yield insurance alone. The biggest increases in per hectare net income are in barley, lentils, and flax; the crops whose areas increase most under GRIP. Barley is a marginal crop in some regions, with a significantly declining market price in recent years. The GRIP support prices (IMAP) in recent years thus tend to support barley net incomes significantly when the average indemnity payments are computed. Similarly, high IMAP prices for lentils and flax increase net activity returns per hectare for those crops. Area planted to field peas also increase due to relatively large increases in per hectare net returns. While net returns per hectare also increase for wheat and canola, the relative increases in net returns are smaller than for the other crops. Thus, the model indicates that wheat and canola are relatively less attractive at the margin under GRIP than are the other crops competing for the same cropland. Accordingly, wheat and canola acreages decline slightly under GRIP.

The reduction in price risk provided by GRIP reduces the aggregate risk premium (value of the risk term of the objective function) significantly relative to yield protection alone. A reduction of 43 percent is predicted, equivalent to 24 million dollars. Producers in Alberta tend to benefit relatively more than those in Saskatchewan and Manitoba in terms of risk reduction,

16

although GRIP increases net incomes relatively more for Saskatchewan producers. Slight reductions in water erosion of 1.4, 0.4, and 0.6 percent are predicted under GRIP for Alberta, Saskatchewan, and Manitoba. Similarly, minor reductions in wind erosion of 2.2, 1.0, and 0.3 percent are predicted for Alberta, Saskatchewan, and Manitoba. The shift away from fallow and towards stubble provides most of the decline in total erosion under GRIP relative to the baseline. The major finding here is that GRIP is not having a significant impact on soil degradation in the Prairies.

A.1. Sensitivity of GRIP Results to Risk Aversion (GRIPNR and GRIPHR)

Two alternative baseline and GRIP runs are made to gauge the sensitivity of GRIP results to risk aversion. In scenario GRIPNR (GRIP with No Risk aversion), the coefficient of absolute risk aversion is set to zero. Risk is thus completely removed from the model formulation in GRIPNR. In scenario GRIPHR (GRIP with High Risk aversion), the estimated coefficient of absolute risk aversion is multiplied by 5, thus increasing the contribution of risk considerations to producers' decisions in the model. For each scenario, a new baseline is computed to reflect the changed risk coefficient. GRIP policy runs are then made and compared to their corresponding baseline, which differ in some respects from the baseline used for comparison in the other sensitivity analyses presented here.

The results indicate that large changes in the risk aversion coefficient do not alter the direction of impacts of GRIP relative to yield insurance alone, but do accentuate the magnitudes of these impacts. Changes in planted acreages and shifts away from fallowing are larger in GRIPHR and smaller in GRIPNR compared to GRIP as expected a peon. Changes in

17

proportions of crops planted to stubble are not significantly affected. Per hectare net returns are also relatively unaffected. However, due to the larger planted acreage increase under GRIPHR, the increase in aggregate net crop income is about 15 million dollars higher under GRIPHR than under GRIP or GRIPNR. Changes in erosion indicators are somewhat higher under GRIPHR than under GRIP or GRIPNR.

B. Tillage Practice Sensitivity (TILL)

The sensitivity of baseline calibration to tillage practice assumptions is gauged by switching the percentage of cropland in each CRAM region under conventional till with the percentage under no-till. For example, suppose that under the baseline 60 percent of cropland in a CRAM region was under conventional tillage, 30 percent under reduced tillage, and 10 percent under no-till. Under the TILL scenario, 10 percent would be under intensive till, 30 percent under moderate tillage, and 60 percent under no-till.

The net result of this change is a 13.4 million hectare shift of land from conventional tillage to no-till. Under this set of tillage assumptions, a larger share of lentils are planted on stubble than in the baseline, but sequencing for wheat and canola are not impacted. Barley yields are consistently higher on no-till versus conventional tillage, but other crop yields do not systematically vary to the degree barley yields do. Production of barley also increases more than production of other crops, due solely to the change in average yields. Similarly, net returns to barley production show the largest change, almost 10 percent compared to the baseline, due to the higher yields under no-till and to the generally lower average costs for barley on no-till

18
relative to conventional tillage. Aggregate net returns increase \$53 million, but 85 percent of that increase is due to higher returns to barley production; the remainder comes almost entirely from wheat production. The aggregate risk premium falls negligibly overall, but increases slightly for Saskatchewan.

Dramatic declines in both water and wind erosion rates occur for this scenario, demonstrating the sensitivity of the metamodels to tillage. The declines for water erosion are 27.2, 18.3, and 40.4 percent for Alberta, Saskatchewan, and Manitoba. The corresponding declines in wind erosion rates are 25.9, 15.7, and 25.3 percent.

C. Industrial Crops Sensitivity (INDCROP)

In this scenario, the aggregate acreage of canola and flax are increased by 50 percent. The model is allowed to choose which regions in which to increase production. Less than 2 percent of the increased production goes to areas outside of the Prairies, to British Columbia. The acreages of both crops increase by about 49 percent in the Prairies. Per hectare net returns to canola fall by 29 percent and to flax by 40 percent. Per hectare net returns to all other crops increase by 5 to 10 percent. Net crop income for the Prairies fall by 2.2 percent as a whole. Saskatchewan has the largest absolute loss in net income (\$52 million), followed by Alberta (\$27 million) and Manitoba (\$25 million).

Erosion rates increase under this scenario, revealing the more erosive nature of canola and flax. The water erosion rate increases are 3.4, 0.1 and 0.5 percent for Alberta, Saskatchewan, and Manitoba. The total corresponding increases in wind erosion rate are 4.6, 1.6 and 5.8 percent.

19

IV. Future Recommendations

Several recommendations are given in preceding reports for this project regarding continued testing, modification, and enhancements of different parts of the integrated modelling system that could lead to improvements in its overall performance. The major recommendations for continued testing and modification of the two major components of the system are given again here. Recommendations on expanded applications to other regions and for other environmental indicators are also discussed.

A. Recommendations for the Environmental Component

The statistical robustness of the wind and water erosion metamodels is very high. Thus, it would not be expected that major gains would be realized by attempting to improve the statistical procedures used to estimate the metamodels. However, the metamodels could be strengthened by improving the accuracy of the EPIC crop yield and erosion predictions for prairie conditions (which would result in the need to re-estimate the metamodels). Three potential options exist to improve the EPIC estimates: (1) improved calibration of crop parameters and other inputs, (2) modifications of the code, and (3) improved estimates of some of the data incorporated within the environmental database. Based on these possibilities, the following recommendations are given:

(1) A comprehensive review of the soil layer/landform and weather databases should be performed by a team of experts most familiar with the data. Particular attention should be given to the estimation of slope lengths and hydrologic groups, and to the extrapolation

20
of relative humidity and wind data to the ARA level. An additional layer should be built into the environmental database that allows for an overlay of the major soil zones on the landscape polygons, ARAB, and CRAM production regions.

(2) In conjunction with (1), a review of the aggregation process of the environmental indicators is needed. This should begin with the crop acreages assumed in the environmental database, and then cover the techniques that are currently used to aggregate the indicators to the CRAM production region level. It is noted that there are discrepancies in the total cropped acres assumed in the environmental database as compared to the census data used in RS-CRAM. The reasons for this, and the potential implications, need to be better understood.

(3) Additional calibration of the EPIC crop growth model and yield estimates is necessary. Continued testing should be performed with long-term rotation data available for different sites in Western Canada. Crop response to nitrogen and soil moisture should be examined closely for prairie conditions. Regional variation in planting dates and management systems should be incorporated into the modelling system.

(4) Continued testing of the erosion submodels is also required. To the extent possible, erosion estimates should be compared with measured data. Expert opinion should also be sought out to confirm the accuracy of the erosion predictions. Improved estimates of the crop parameters used in the wind erosion submodel are needed.

(5) Code modifications should be considered for those portions of the model that are revealed through testing to be performing inadequately for prairie conditions. The modifications made to the residue decay and standing dead residue functions should be further tested.

21

(6) An interdisciplinary team should be assembled to carry out the efforts to test and modify EPIC. The model developers at the USDA Grassland Research Laboratory in Temple, Texas should be included in this team in an advisory capacity.

B. Recommendations for the Agricultural Decision Component

Recommendations for improvements to the agricultural decision component are focused on data inputs and additional structural enhancements to RS-CRAM. The recommendations are as follows:

(1) Improved cost estimates are needed. The survey data used in this study do not provide reasonable or consistent estimates with respect to tillage practices in many cases. Data are completely lacking for many crop-tillage combinations.

(2) In conjunction with the cost data, reliable estimates of fertilizer use rates are needed in order to accurately account for nutrient loadings in different production regions. This would complement recommendation (3) for the environmental component, in which it is recommended that regionally specific management systems be simulated in EPIC.

(3) Improved reconciliation between EPIC generated yields and the historical average yields used in CRAM, especially with respect to lentils. Reconciliation is critical for proper estimates of insurance premiums and payouts as well as net returns, as used in variance calculations.

(4) Hay acreages in RS-CRAM are presently determined as a function of the demand from the livestock sector. Instead, hay should be treated like other cropping activities so that hay area can respond to the export demand for dehydrated alfalfa.

22

(5) Sunflower and fall rye cropping activities should be built into RS-CRAM. This will require reliable cost data to describe these activities (which are presently not available).

(6) The costs and yields for the "other crops" category in the Prairies needs to be adjusted for the removal of lentils and field peas.

(7) Calibration would be facilitated by selectively omitting cropping activities with very small acreages. Primarily, these are cropping activities that are characterized as fallow and/or no-till cropping, that cover relatively small areas in certain production regions. These activities with small areas make PMP calibration difficult.

(8) Crop specific estimates of tillage percentages would improve model response to policy shocks. Percentages are presently assumed to be the same for all crops in a given CRAM region.

(9) Data for demand, transportation, and all livestock data are not updated for the 1992 base year. These data should be updated.

C. Expanded Applications for Other Regions

The potential exists to expand the integrated modelling system to other agricultural regions of Canada. Seven other production regions are included in the original CRAM, representing the provinces of British Columbia, Ontario, Quebec, New Brunswick, Newfoundland, Nova Scotia, and Prince Edward Island. These regions are included in the RS-CRAM structure, however, only economic analysis can be currently performed for these production regions within the integrated modelling system. The EPIC model has a very flexible structure that permits the configuration of a large number of management and cropping systems for virtually any combination of

23
environmental (soil, landform, and climatic) conditions. Thus, it can also be adapted to Canadian agricultural regions that lie outside of the Prairies.

There are several key factors that must be considered before expanding the integrated modelling system to other regions. First, as described above, there is continued need to improve the EPIC estimates for crop growth and soil erosion in the Prairies through additional calibration and validation exercises. Second, major data gaps exist in accurately configuring cost data by tillage system and other management criteria for the 22 production regions in RS-CRAM that represent the Prairies. As well, more testing of RS-CRAM under its current configuration is required. Lastly, major data and testing efforts for both EPIC and RS-CRAM would have to be initiated for any new regions to which the models would be applied. Careful calculation must be made as to whether the resources exist to successfully carry out these additional tasks, while adequately updating and maintaining the current modelling system for Alberta, Saskatchewan, and Manitoba.

D. Expanded Applications for Other Environmental Indicators

Besides wind and water erosion, increasing concern has been raised over other potential negative environmental impacts resulting from current agricultural production practices. As stated previously, these impacts include organic carbon depletion, salinity, soil compaction, and pesticide and nutrient contamination of ground water and surface water. Other indicators of climate change are also important. EPIC can be configured to assess many of these concerns, at least in part, for different management systems and environmental conditions that exist in

24

Western Canada. Potentially, other models could be linked into the integrated modelling system to expand its capabilities to address the environmental indicators.

According to PFRA (1990), the most pressing soil degradation problem in Western Canada in terms of economic impact is organic matter depletion. Thus, it is logical to expand the outputs of the system to include indicators of this degradation problem. Organic carbon² changes are generated from EPIC over the 31-year simulation period used for this study. However, these data are output from EPIC by different rotations and thus cannot be linked to specific crops (Agriculture Canada 1994), which is required to interface the indicators to RS-CRAM. Therefore, modifications should be made to the EPIC output routine to allow for metamodels to be constructed of organic carbon depletion that are a function of crop and crop sequence (stubble/fallow). These indicators can then be directly interfaced with RS-CRAM.

Soil salinity has also been identified by PFRA (1990) as having a mayor economic impact on production in Western Canada. The current version of EPIC does not have a soil salinity submodel. A soil salinity routine was constructed for a previous version of EPIC but was never tested (Williams 1992). This routine could be incorporated into an operational version of EPIC and used within the integrated modelling system. Also, according to Williams a soil compaction equation currently exists in the ALMANAC (Kiniry et al. 1992) version of EPTC that is intended to simulate the increase in bulk density as a function of equipment weight and soil depth. This routine is also considered non-operational at the present time but could be potentially linked into the overall

Organic carbon is equal to the ratio of organic matter divided by 1.72.

system. Bulk density changes are output for the current study in the same manner as described above for the organic matter changes.

25

Edge-of-field loadings of nutrients (nitrogen and phosphorous) and pesticides in runoff water, on eroded sediment, and in leachate can be simulated by EPIC. Output of nutrient loading indicators are generated for this current study on both a crop-specific and rotational basis. However, these indicators are of limited value because the ranges of application rates are not simulated for the different management systems. Metamodels of nutrient and pesticide losses could be constructed on a crop and crop sequence basis. Additional work would be required to develop data sets for pesticide application rates, costs, and so forth that would be required for the integrated modelling system.

Finally, the EPIC model can also be applied to provide indicators of the effects of climate change upon crop growth. This is accomplished by accounting for changes of CO₂ concentration upon crop growth processes and subsequent yields (Stockle et al. 1992a). Applications of EPIC for climate change scenarios have been carried out in the U.S. (Stockle et al. 1992b). Touré (1994) plans to use EPIC to simulate the impact of increased CO₂ on crop development across Alberta, Saskatchewan, and Manitoba. Preliminary applications of EPIC have already been performed for assessing the potential damage of grasshopper feeding upon spring wheat yields, as a function of increased greenhouse gases in southern Alberta (Touré et al. 1994). This was accomplished by interfacing EPIC with a population model of grasshopper pests in wheat (Lactin and Johnson 1994), that simulates the temperature-dependent processes of pest development and timing of different life events.

26

D.1. The Incorporation of Other Environmental Models

A plethora of environmental computer models have been developed over the past two decades that can be used to evaluate different agricultural management systems at the field, watershed, and/or river basin scales, and for impacts on groundwater. These models vary in complexity and in the types of environmental indicators that they output. The field-scale models generate edge-of-field indicators in a manner similar to that described for EPIC. Watershed models such as the Agricultural Nonpoint Source Pollution (AGNPS) model (Young et al. 1989) and the Simulator for Water Resources in Rural Basins (SWRRB) model (Arnold et al. 1990) provide output of nonpoint source pollutants at the watershed outlets and at different points within watersheds. River basin models such as the Hydrologic Simulation Program-Fortran (HSPF) (Johansen 1983) provide the ability to estimate runoff loadings of nonpoint source pollutants and to analyze in-stream indicators of pollutant impacts. Comparisons of some of the more widely used field-scale, watershed, and river basin models are provided by DeCoursey (1985) and Crowder (1987).

A large number of groundwater models have also been developed that can potentially be used to evaluate the movement of agricultural chemical contaminants in aquifer systems. A review of 399 groundwater models is given in van der Heijde et al. (1985). Attempts have been made to link groundwater models with other models that output pesticide and nutrient loadings in leachate from the root zone. Examples of such linked modeling systems for agricultural chemicals are described in Jones (1986) and EC (1991). Applications of models for estimating water and salt movement in subsurface soils, such as those described by Stolte et al. (1992), have also been performed for soil salinity problems.

27

Besides water quality models, other models have been developed to assess the impacts of agricultural production upon soil nutrients (C, N, P, and S) in agroecosystems. One of the most widely used of these models is the Century Model (Parson et al. 1988). The Century model has been applied to the U.S. midwestern region to determine if agricultural management systems can be managed to conserve and sequester C, resulting in a reduction of CO₂ accumulation in the atmosphere. Touré et al. (1994) have also applied the Century model to evaluate its usefulness in assessing climate change impacts in southern Alberta.

Similar to expansion to other regions, there are important factors that should be considered before other environmental models are linked into the integrated modelling system. First, the incorporation of other models would require obtaining additional data and/or reformatting of the current data sets. Also, additional resources would be required in the training of personnel to operate these models. The data gathering and training tasks

would be considerable undertakings for many of these motels. Such efforts court potentially detract from the more important goals of improving the accuracy of EPIC and RS-CRAM as emphasized above.

Second, it appears that several of the most important environmental problems that are occurring in Western Canada are confined to landscapes rather than off-site impacts. Coote (1984) emphasized that erosion assessments and mitigation efforts in Western Canada should focus on landscape productivity rather than off-site sediment loss, because 95 percent of the eroded sediment stays within the original watersheds. This viewpoint was confirmed by de Jong (1993), who stated that very little eroded sediment leaves watersheds in Saskatchewan. Thus, linking watershed or river basin models to the system to study off-site erosion impacts would have limited value.

28

Evaluations of the mechanisms driving soil salinity by Stolte et al. (1992) indicate that this problem is also a function of landscape position. This could potentially be evaluated with a modified version of EPIC, as previously discussed. Alternatively, an additional model could be linked into the system for the expressed purpose of simulating soil salinity impacts. Organic matter depletion and nutrient cycling can also be evaluated for specific landscapes, both of which can be performed in EPIC (as noted previously, organic matter depletion is output on a rotation basis for this study but the results have not been analyzed). It is possible that the application of Century or a similar model may provide additional information on organic matter depletion and nutrient cycling indicators. Off-site movement of agricultural chemicals is a possibility in Western Canada. However, agricultural chemical movement is best assessed using edge-of-field indicators provided by EPIC or a similar model at this time.

29

V. Summary

The ability to assess environmental as well as economic impacts of proposed agricultural policies is becoming increasingly important. To meet this objective, an agroecological modelling system has been constructed for the Prairies around a modified version of Agricultural Canada's CRAM. This modelling system provides the means to analyze both the potential economic and soil degradation (wind and water erosion) impacts of proposed agricultural policies.

The system consists of two major components: (1) an agricultural decision component which is RS-CRAM (resource sensitive CRAM), and (2) an environmental component that consists of an environmental database and environmental metamodels for wind and water erosion. Several additions and enhancements are made to the original CRAM in order to develop RSCRAM. The wind and water erosion metamodels are constructed on the basis of an experimentally designed set of EPIC simulations, and prove to be very statistically robust.

Evaluations of GRIP and four sensitivity scenarios are performed with the integrated system. Little overall impact is predicted to occur under GRIP on the share of seeded acres under each tillage system in the Prairies. It is also indicated by RS-CRAM that GRIP would favor barley, lentils, and flax and that there would be a shift in crop sequencing away from fallow. An overall reduction in price risk of 43 percent is estimated, reducing the aggregate risk premium by \$24 million. Slight decreases in wind and water erosion are predicted for the GRIP scenario, indicating that GRIP would have a negligible impact on soil degradation in the Prairies. Changes in the risk aversion coefficient in RS-CRAM (GRIPNR and GRIPHR scenarios) do not

30
alter the direction of impacts of GRIP relative to yield insurance alone but do accentuate the magnitudes of those impacts.

Dramatic declines in wind and water erosion are predicted for the TILL scenario, demonstrating the sensitivity of the metamodels to tillage. Aggregate net returns relative to the baseline are predicted to increase by \$53 million, 85 percent of which was due to higher returns: to barley production. Per hectare returns to canola and flax drop by 29 and 40 percent respectively, when the acreages of both are assumed to increase by 50 percent under the INDCROP scenario. Net income for the Prairies is predicted to fall 2.2 percent overall. Erosion rates are predicted to increase in response to the INDCROP scenario, showing the more erosive nature of canola and flax.

The application of the integrated modelling system for these different scenarios shows its flexibility in analyzing both the economic and soil degradation impacts of proposed agricultural policies for the Prairies. The current configuration of the system should be thought of as an initial phase. Several recommendations have been given that could improve the reliability of the system for future applications. The system could also be expanded to other environmental indicators and regions. This would enhance the ability of Agriculture Canada to fully assess the ramifications of different agriculture policies before they are implemented.

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