

For: State and County Offices

Reviewing and Adjusting CRP Rental Rates

Approved by: Deputy Administrator, Farm Programs



1 Overview

A Background

CRP rental rates provide the basis for maximum payment rate calculations used to determine annual rental payments on a per acre basis. CRP rental rates must be established and maintained to conform to current dryland agricultural cash rents.

2-CRP, Part 7 provides policies and procedures for County Offices to follow to establish and maintain CRP rental rates. 2-CRP, subparagraph 155 A provides for County and/or State Office-initiated periodic reviews of posted rental rates to ensure that they reflect cash rents that can fluctuate over time. In addition, CRP notices have been issued before each general signup, beginning with signup 13 in 1996, prompting all State and County Offices to review and adjust CRP rental rates.

With the recent dramatic increase on commodity prices, a number of complaints have been received that some CRP rental rates are not consistent with current dryland agricultural cash rents.

B Purpose

This notice summarizes the CRP rental rate policy and requires all State and County Offices to thoroughly review and adjust rates by the deadlines provided in Exhibit 1.

Although there are many county locations for which the current rental rates are set at correct levels, changes in rates are apparently needed for a number of counties. A thorough rate review, including the development of supporting documentation, is needed for all locations to ensure that market-based rates are used in CRP offers and contracts.

Disposal Date	Distribution
January 1, 2008	State Offices; State Offices relay to County Offices and NRCS State Offices

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1 Overview (Continued)

B Purpose (Continued)

This review process requires a substantial analytical effort and time commitment from State and County FSA and, to the extent that staff time is available, NRCS Offices. These efforts must be given **high priority** in all offices. CRP rental rates must be set at market levels to ensure that program operations do not distort local rental markets, program costs are minimized, and program benefits are achieved.

2 CRP Rental Rates - Soil Rental Rates (SRR's) and Marginal Pasture Land Rental Rates (MPLRR's)

A Rate Establishment Policy Summary

For cropland, 2-CRP requires that SRR's be established based on the unique soil type, that is NRCS "soil map unit," within an NRCS Soil Survey Area within a county. These SRR's must reflect average **nonirrigated** cash rents for the 3 most recent years for the production of predominant annually tilled crops.

All SRR's shall be established and maintained for cropped soils types, including hay crops, as currently published in soil surveys by NRCS and listed in the applicable Field Office Technical Guide (FOTG). The exact soil map unit symbols (MUSYM's) published with these soil surveys **must** be used for CRP SRR posting to support proper technical determinations including CRP GIS tool use.

For marginal pastureland, 2-CRP requires that MPLRR's be:

- established based on whole county
- set at levels that reflect **nonirrigated** riparian corridor grazing land rental rates for the 3 most recent years.

For those counties in Western States (North Dakota, South Dakota, Kansas, Oklahoma, Texas, and all States west of these States, excluding Hawaii and Alaska), 2-CRP provides that separate county MPLRR's be established for marginal pastureland adjacent to seasonal and perennial water bodies.

All rental rates established for CRP are recorded and maintained by State FSA and NRCS Office staff through the CRP Soils Data Management System at <https://indianocean.sc.egov.usda.gov/soilDbMgmt/SoilWelcome.do>.

Important: NRCS is an integral component of both State and County Rental Rate Review Teams and their full support is welcomed and needed at both State and County levels. See Exhibit 2 for more information about FSA and NRCS SRR review support.

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2 CRP Rental Rates - Soil Rental Rates (SRR's) and Marginal Pasture Land Rental Rates (MPLRR's) (Continued)

B Comparison and Review of County Average SRR's Versus County Average Cash Market Dryland Rents

County average SRR's are printed on Posting Reports available at the CRP Soils Data Management System at <https://indianocean.sc.egov.usda.gov/soilDbMgmt/SoilWelcome.do>.

To provide State and County Offices with additional analysis information, the Posting Report now includes the following 2 county average SRR's:

- "County Weighted Average SRR" reflects the county average SRR based on all soil records, that is weighted based on number of MUSYM's per SRR group

Note: This "County Weighted Average SRR" is the same SRR average that has been historically displayed on this report.

- "County Simple Average SRR" reflects the average of the SRR groups.

For State Offices, a Beta SRR List will be provided as additional guidance. See subparagraph G. **County average cash market dryland rent estimates** must be developed by State Teams for all counties with any dryland (nonirrigated) cropland, and provided to STC's and COC's. These estimates must be developed from FSA's Land Value Survey (LVS), NASS, and/or other published locally available cash market rent data sources. These estimates must reflect an average of the 3 most current years and must be regionally consistent within States and between States.

Note: LVS, NASS, and other locally available market data estimates may contain errors or other sampling limitations that may necessitate some refinements in the development of these estimates by State Teams before they are used for SRR analysis.

County average SRR's **must be generally consistent with** county average cash market dryland rents.

For county locations with current county average cash market dryland rent estimates higher or lower than both the simple and weighted county SRR averages listed on Posting Reports, SRR changes must be submitted to the State Review Team to ensure that all SRR's reflect market cash rental rates. All SRR increase requests must be submitted with supporting documentation to the State Review Team.

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2 CRP Rental Rates - Soil Rental Rates (SRR's) and Marginal Pasture Land Rental Rates (MPLRR's) (Continued)

B Comparison and Review of County Average SRR's Versus County Average Cash Market Dryland Rents (Continued)

STC's may approve SRR decreases or increases equal to the Beta SRR List for comparable soil map unit symbols and for new and obsolete soils and SRR's. All other changes must be approved by the CRP Program Manager.

Important: For those county locations for which substantial numbers of individual SRR changes are recommended, this supporting documentation must also include these estimates of county average cash market dryland rents. Requests submitted without this supporting documentation may not be approved by STC or the CRP Program Manager.

C Ensuring SRR Consistency and CRP SRR Mapping Tool Use

SRR recommendations must be developed in consultation with neighboring counties to ensure rate consistency across soil survey and/or county lines. The GIS SRR Mapping Tool, used to identify current SRR inconsistencies across boundaries, will be redeployed to support County Offices in this effort. The tool had been deployed to support previous SRR reviews. Training information is available in the "References" section of the FSA GIS intranet site at <http://fsagis.usda.gov/fsagis/>.

Note: County and/or State tool users must ensure that they have downloaded the most current SRR data for their county and surrounding counties before using the tool.

D Using SRR Analysis Report 1 to Identify SRR's That May Need To Be Reduced

The SRR analysis report reflects SRR's from signup 33 offers with rental rates offered (bid rates) that were substantially less than maximum payment rates (bid caps). SRR's listed on this report are set at levels that are higher than market rates, especially when they appear on multiple offers on this report. County Rental Rate Review Teams and COC's shall thoroughly review any SRR's listed on this report for their county and recommend reductions needed to ensure that all rates are market based. By March 23, 2007, the SRR analysis report will:

- be posted at <http://dc.ffasintranet.usda.gov/DAFP/cepdsto.htm>, under item 23, "CRP SU33 Soil Rental Rate Analysis Report 1"
- have a column titled, "Bid Rate as of % of Bid Cap". This reflects rental rates as a percent of maximum payment rates. Lower percentages are strong indicators that current posted SRR's are set at levels that are higher than market levels and need to be reduced.

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2 CRP Rental Rates - Soil Rental Rates (SRR's) and Marginal Pasture Land Rental Rates (MPLRR's) (Continued)

E Ensuring That SRR's Reflect Market Cash Rents in Areas Affected by Peanut and Tobacco Program Terminations

Soil types ideally suited for peanuts and tobacco have often had high SRR's reflecting the relatively high market cash rental rates caused in part because of allotment and quota programs. Because these quota and allotment programs have ended, thorough review of current posted SRR's for these soils is needed to ensure that they reflect market rates. In addition, for applicable counties with these soils and cropping patterns, the county average cash market dryland rent estimates, to be developed according to subparagraph B, must be set at county market levels.

F State Office Oversight and Responsibility

2-CRP provides that STC, in consultation with State Rental Rate Review Teams and NRCS working with COC recommendations, must ensure that all rental rates are established at market rent levels. 2-CRP and this notice provide for a rental rate review process that starts at the county level. However, COC SRR adjustment recommendation reports to State Teams and STC's are only recommendations. FSA State Offices working with NRCS may, where needed, develop and distribute county average cash market dryland rent estimates and proposed changes in individual SRR's to County Rental Rate Review Teams and COC's to expedite the review process.

Important: STC must review and adjust SRR's consistent with subparagraph G, even when COC's submit negative report recommendations.

G Development of New SRR's

In May 2003, 2-CRP was amended to provide for periodic reviews and SRR adjustments because market cash rental rates for cropland may fluctuate. However, a number of comments indicate that CRP rental rates have not been adjusted, as appropriate, to be consistent with market-based dryland agricultural values.

As a beta test, a new schedule of SRR's for soils in each county will be posted by April 6, 2007, for State Offices to use in establishing updated SRR's. Under the Beta SRR List, each county's average cash market dryland estimates are determined based on Land Value Survey results and other pertinent data, including NASS and State-produced reports of rental rates and yields.

County average cash market dryland rental rates along with individual soil rental rates (by soil survey, county, or map unit symbol) will be posted by April 6, 2007.

State Offices must review the posted data along with all other applicable data sources (NASS, CSREES publications, etc.) to develop recommendations on individual SRR's. Recommended changes to the Beta SRR List must be submitted according to Exhibit 1, step 5A, with supporting documentation and sufficient justification.

Tasks/Deadlines

Step	Task	Deadline
1	State Teams shall develop and distribute county average cash market dryland rent estimates as outlined in subparagraph 2 B.	April 13
2	<p>County Rental Rate Review Teams, including NRCS, shall:</p> <ul style="list-style-type: none"> • thoroughly review current posted SRR’s and MPLRR’s according to 2-CRP and this notice, including: <ul style="list-style-type: none"> • notifying all continuous/CREP/FWP producers who submitted an offer on CRP-1 or CRP-2C, for which a binding CRP-1 has not yet been approved by COC that CRP rental rates are currently under review and subject to increases and/or decreases <p>Note: These producers should be provided the opportunity to withdraw any offer without penalty and resubmit at a later date, though they should be aware that some rates may be decreased.</p> <ul style="list-style-type: none"> • developing and reviewing GIS SRR maps according to subparagraph 2 C if NRCS SSURGO shape files are available • reviewing county average SRR’s and county average cash market dryland rent estimates obtained from State Teams according to subparagraph 2 B • reviewing any soils and SRR’s listed in SRR Analysis Report 1 according to subparagraph 2 D • consulting with neighboring County Offices to ensure rate consistency for applicable soils • recommend any needed changes by marking up a copy of the current Posting Report and forwarding with supporting documentation to COC • review and recommend the following: <ul style="list-style-type: none"> • SRR and MPLRR increases and/or decreases • new cropped soil and SRR records that need to be added • obsolete soil and SRR records that need to be removed. <p>Note: The current Posting Report should be printed from the CRP Soils Database Management System to ensure that the most current rates are reviewed.</p>	April 27

Tasks/Deadlines (Continued)

Step	Task	Deadline
3	<p>COC's shall:</p> <ul style="list-style-type: none"> • review County Team recommendations and submit COC recommendations to the State Team according to 2-CRP, using CRP-99 (Exhibit 3) as a cover memorandum • document in the COC minutes all COC SRR: <ul style="list-style-type: none"> • reviews • adjustment recommendations, including negative reports • copies of completed CRP-99's. 	May 25
4	<p>The State FSA/NRCS Rental Rate Review Team shall:</p> <ul style="list-style-type: none"> • review COC SRR recommendations • modify if/as needed COC recommendations to ensure that the requirements of 2-CRP and this notice are met • submit State Team recommendations to STC. 	June 15
5 A	<p>STC's shall review and submit SRR increases to the Program Manager with supporting documentation.</p> <p>Notes: Use 2-CRP, Part 7 format only and submit to:</p> <p style="padding-left: 40px;">Karen McGinnis USDA/FSA/ITSD/AMC/PMO/PMG STOP 8408 6501 Beacon Dr. Kansas City, MO 64133-4676</p> <p style="padding-left: 40px;">E-mail to: karen.mcginis@kcc.usda.gov FAX: 816-823-1877 Phone: 816-926-2164</p> <p>State NRCS and neighboring State FSA Office concurrence is required for SRR increases and must be indicated in a cover memorandum. State Offices must submit all increase requests at the same time with only 1 cover memorandum. Do not send in requests piecemeal.</p>	June 29

Tasks/Deadlines (Continued)

Step	Task	Deadline
5 B	<p>STC's may, after receiving State Team recommendations, immediately approve/disapprove the following:</p> <ul style="list-style-type: none"> • SRR decreases consistent with the Beta SRR List (see subparagraph 2 G) • new soils and SRR's • obsolete soils and SRR's • SRR increases consistent with the Beta SRR List (see subparagraph 2 G). <p>Note: SRR decreases and new or obsolete soils and SRR's should be recorded in the CRP Soils Database Management System by FSA State Office staff as soon as approved by STC to be effective immediately.</p>	June 29
6	The CRP Program Manager shall review/approve all SRR increases or decreases except for increases or decreases not authorized by step 5B.	July 20
7	State Offices shall load approved changes in the CRP Soils Database Management System and notify applicable County Offices to print and post the updated Posting Report reflecting the new rates for all counties with any rate changes and/or new/obsolete soil and SRR records.	July 27
8	<p>All County Offices notified of any soil and SRR changes shall:</p> <ul style="list-style-type: none"> • print and post the updated Posting Report from the CRP Soils Database Management System reflecting the new rates • use the CRP GIS tool to make soils-based determinations for CRP scenarios, and download and import the updated SRR's to all PC's that the tool has been loaded on. <p>All other County Offices not notified of any soil and SRR changes shall immediately, after this deadline, print the Posting Report and compare with the current posted SRR's to ensure that the county has the correct rates posted.</p> <p>Counties may also post a copy of rates for neighboring counties for which they administer farms.</p>	August 1

Letter for Conducting Rental Rate Analysis in Support of CRP

United States Department of Agriculture



Natural Resources Conservation Service
 P.O. Box 2890
 Washington, D.C. 20013



Farm Service Agency
 1400 Independence Ave
 Stop 0501
 Washington, D.C. 20250

TO: State Conservationist, State Soil Scientist, State Resource Conservationist,
 NRCS

State Executive Directors and State CRP Specialist, FSA

SUBJECT: Conducting Rental Rate Analysis

NRCS has agreed to provide FSA with analytical and technical support to help maintain the soils data FSA uses for the CRP administration. NRCS State and Field office staff are key members of the County and State Rental Review Teams established in Part 7 of FSA's National CRP Handbook (2-CRP) to recommend needed adjustments in CRP rental rates.

Comprehensive rental rate analysis is essential for program administration. State and County NRCS Offices are requested to support this joint effort working with the respective State and local FSA staff to the extent time is available. Thorough analysis of CRP Rental rates should reflect the dryland market cash rents as outline in CRP procedure.

Arlen Lancaster
 Chief
 Natural Resources Conservation Service

Teresa Lasseter
 Administrator
 Farm Service Agency

MAR 19 2007

MAR 19 2007

CRP-99, COC CRP Rental Rate Review Certification

Following is an example of CRP-99.



**United States
Department of
Agriculture**

Farm and Foreign
Agricultural Services

Farm Service
Agency

Anywhere County
and State FSA Office
Any Town, ST
45678-1423

COC CRP RENTAL RATE REVIEW CERTIFICATION

TO: State Rental Rate Review Team

Date Prepared: _____

The individual rental rates currently reflected on the Posting Report for CRP have been thoroughly reviewed by the COC. This review included:

Check Items 1 and 2:

1. A review of the County SRR Review Team Recommendations and:

- Analysis of the County Posted SRR Averages, and the County Market Cash Rent Averages for this county to ensure the general levels of posted SRR's are consistent with market rates.
- Analysis of each SRR currently posted to ensure they are in the correct SRR group,
- Analysis of GIS SRR Maps (For Counties with SSURGOv. 2 Shape Files only)
- For applicable Counties if listed, review of all soils/SRR's listed on SRR Analysis Report 1 to ensure all needed SRR reduction recommendation have been identified and recommended.

2. Analysis and any needed recommendations for increases or decreases in the posted Marginal Pasture Land Rental Rates (MPLRR's) for this county:

(Note: MPLRR's are to be set a levels that reflect the rental values for marginal pasture land adjacent to rivers, lakes, and streams suitable for riparian and wetlands buffer under MPL practices CP22, CP29 and CP30 which may have higher rental values than whole-field upland pasture/grazing land.)

The individual rental rates currently reflected on the Posting Report for CRP have been thoroughly reviewed by the COC. This review included:

Check Item 3 or 4:

3. The attached marked up Posting Report reflects any needed adjustments recommended by this COC are submitted to the State Rental Rate Review Team with the attached supporting documentation for STC consideration.

4. Negative Report – A signed copy of this Review Certification, without an attached marked up Posting Report indicates that no rental rate changes are recommended.

Sincerely,

COC Chairperson or Designee Signature

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CRP-99 (06-17-05)

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