

**For:** State and County Offices

**SRR's for FY 2020**

**Approved by:** Deputy Administrator, Farm Programs



**1 Overview**

**A Background**

SRR's are soil-specific estimates of dryland rental rates used to set maximum annual payment rates for CRP cropland offers and contracts.

SRR's are regularly updated, most recently in 2018. Periodic reviews and updates ensure that payment rates are set at the minimum amount needed to attract offers to enroll in CRP, minimizing market distortions.

Historically, SRR's for each county have been calculated by the National Office by multiplying the county average dryland rental rate (county AVGRT) by a set of soil-specific productivity factors for the county.

The Cash Rents Survey administered by NASS generates county average dryland cash rent estimates, which have been the foundation for the county average rental rates.

Section 2207(c) of the Agriculture Improvement Act of 2018 (2018 Farm Bill) specified certain actions for establishing the county AVGRT for CRP. It also provided some additional notification requirements and adjustments to calculations of SRR's, some of which are detailed in this notice.

| <b>Disposal Date</b> | <b>Distribution</b>   |
|----------------------|---|
| December 1, 2020     | State Offices; State Offices relay to County Offices and NRCS State Offices |

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**1 Overview (Continued)**

**B Purpose**

This notice:

- updates policy on determining new FY 2020 SRR’s
- announces that county AVGRT’s will be updated based on either of the following:
  - 2019 NASS Cash Rent Survey estimates for dryland cropland
  - an alternative rate, upon adequate justification and approval by DAFP
- provides policy for State and County Offices to submit alternative rates.

**2 Updated SRR’s**

**A Calculating FY 2020 SRR’s**

FY 2020 SRR’s will be based on multiplying:

- county AVGRT by
- soil-specific productivity factors and
- a statutorily required percentage for each signup type.

The percentage is 85 percent for general signup and 90 percent for continuous signup.

| <b>State</b> | <b>County</b> | <b>County AVGRT <u>1/</u></b> | <b>Map Unit Symbol</b> | <b>Productivity Factor</b>        | <b>Base SRR</b> | <b>Prorated General Signup SRR</b> | <b>Prorated Continuous Signup SRR</b> |
|--------------|---------------|-------------------------------|------------------------|-----------------------------------|-----------------|------------------------------------|---------------------------------------|
| any State    | any county    | \$100                         | ADC1                   | .5                                | \$50            | \$43                               | \$45                                  |
| any State    | any county    | \$100                         | CR1                    | 0.75                              | \$75            | \$64                               | \$68                                  |
| any State    | any county    | \$100                         | PVa                    | 1.0                               | \$100           | \$85                               | \$90                                  |
| any State    | any county    | \$100                         | PVb                    | 1.25<br>(capped at 1.0) <u>2/</u> | \$100           | \$85                               | \$90                                  |

1/ On the COLS SRR posting reports by signup, the county AVGRT may be prorated by 85 or 90 percent. The prorated SRR’s only reflect 1 signup proration.

2/ Productivity factors are also currently capped at 1.0.

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### 3 Reviewing County AVGRT's

#### A Conservation Division's (CD) New USDA Connect CRP-SRR Subcommunity

CD's USDA Connect CRP-SRR Subcommunity is located at <https://connections.usda.gov/communities/service/html/communitystart?communityUuiid=f03ad708-6e1f-4dfc-b91c-b8d2567cf308>.

This subcommunity is for sharing CRP AVGRT and SRR related information. From the CRP-SRR community front page:

- scroll down to the "Files" header
- CLICK the "Folders" tab to find the appropriate folder.

**Note:** If you have trouble accessing the site, e-mail [gregory.edwards@usda.gov](mailto:gregory.edwards@usda.gov).

#### B National Office Posting of Preliminary FY 2020 County AVGRT's

By **COB Thursday, September 12, 2019**, the National Office will post FY 2020 preliminary rates for review in the "**2020SRRs - Proposed Rate Spreadsheets**" folder in CD's USDA Connect CRP-SRR subcommunity described in subparagraph A.

#### C State Office Sharing of Preliminary FY 2020 County AVGRT's for Review

State Offices will download and share with their County Offices the spreadsheet for their State from the folder described in subparagraph B, which includes columns for:

- current posted county AVGRT's
- NASS 2019 estimates
- proposed alternative rate
- an indicator whether an alternative rate is being proposed.

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### 4 Recommending Alternative Rates

#### A Opportunity to Propose Alternative Rates

State and County Offices, in consultation with STC's and COC's, may review the initial rates, and propose alternatives if adequate justification is provided, according to subparagraph D. If a State Office does not recommend an alternative rate, the county AVGRT will be the 2019 NASS rate, subject to any caps, proration, and/or reductions. To recommend an alternative rate for consideration, State Offices must visit CD's USDA Connect Site described in subparagraph 3 A and meet **all** deadlines and requirements in this paragraph.

#### B Deadline for Identifying Counties With Proposed Alternative Rates

By **COB Monday, September 23, 2019**, State Offices must upload to the “**2020 SRRs - Proposed Alternative Rate Memos and Documentation**” folder in CD's USDA Connect CRP-SRR subcommunity, described in subparagraph 3 A, a signed memorandum from the SED to DAFP with a list of all counties where alternative rates will be proposed.

A negative report **is** required.

#### C Deadline to Submit Alternative Rates and Documentation

COC or its designee must submit requests to STC for consideration to update their county AVGRT. Requests must include adequate justification as described in subparagraph D. STC must review each request to ensure completeness and accuracy.

By **COB Monday, October 7, 2019**, State Offices **must** upload both of the following to CD's USDA Connect CRP-SRR subcommunity with file names that begin with the 2-letter capitalized State abbreviation:

- in the “**2020SRRs - Proposed Rate Spreadsheets**” folder, add the updated spreadsheet with proposed alternative rates for each county that was listed on the memorandum submitted under subparagraph B
- in the “**2020 SRRs - Proposed Alternative Rate Memos and Documentation**” folder, add adequate justification for all proposed alternative rates, according to subparagraph D.

DAFP will review and consider each request on a case-by-case basis.

**Note:** If a State Office does not submit an alternative rate for a county, the AVGRT will be the 2019 NASS survey-based rental rate, subject to any caps, proration and/or reductions.

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**4 Recommending Alternative Rates (Continued)**

**D Requirements for Alternative Rate Documentation**

Proposals submitted under subparagraph C **must**:

- include all data on which the alternative county average AVGRT's are based
- describe the approach in sufficient detail to replicate the calculation
- explain why the alternative county AVGRT's are more appropriate than the NASS estimate.

Expert opinion may be submitted with the proposals to support any of these approaches but **cannot** be the only source of supporting documentation.

Adequate justification must consist of an analysis using cash rent, share rent, land value and/or agricultural return data from lease agreements, farm business plans, surveys, and other sources. The quality of the analysis and the amount and quality of the data used will determine acceptability of the proposed alternative rate. Because SRR's are based on data from the 2019 crop year, either the alternate rates must be based on 2019 crop year data, or an explanation must be provided why data from other years are being used.

The alternative county AVGRT **must** be based on 1 or more of the following approaches:

- average of cash rents from a random sample of lease agreements

**Notes:** County Offices **must** maintain copies of all leases until notified otherwise. Do **not** send copies of the leases to the National Office. County Offices are encouraged to use as many lease agreements as possible to support their request (not to exceed 50) and **must** include an Excel spreadsheet with the following data for each lease:

- lease identifier
- 2019 cash rent (\$ per acre)
- total cropland acres leased
- non-irrigated acres leased.

**Example:**

| <b>Lease Identifier</b> | <b>2019 Cash Rent (\$ per acre)</b> | <b>Total Cropland</b> | <b>Non-Irrigated Acres Leased</b> |
|-------------------------|-------------------------------------|-----------------------|-----------------------------------|
| 123ABC                  | \$14,000                            | 25                    | 50                                |

The lease identifier is a unique number for each lease beginning with number 1.

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### 4 Recommending Alternative Rates (Continued)

#### D Requirements for Alternative Rate Documentation (Continued)

- cash rent estimates from a published survey

**Example:** A recent survey of cash rents published by a State land-grant university.

- neighboring county NASS estimate comparisons

**Note:** The comparisons must be to at least 2 adjacent counties and must include information about county similarity, such as yield data, primary soil types, and major crops.

- average of cash rents from FSA farm business plans
- models that estimate cash rents, such as models using returns to crop production or land value data.

**Note:** Models may be used to justify a proposed alternative rate, but State and County Offices **must** include supporting price, yield, and cost documentation.

Any proposals submitted to the National Office must include **all** documentation, including yield and price data. Do not submit actual copies of any leases used or national-level data, such as NASS or ARS.

If submitting an alternative county AVGRT in a county for which share leases are more common than cash leases, include an Excel spreadsheet in the following format with a cover memorandum for the proposal that describes typical lease arrangements in terms of what the landowner shares and the shared expenses are for up to 3 predominant crops.

| State FSA FIPS Code | County FSA FIPS Code | Crop  | Landowner Share % | Along with revenue share, what expenses are typically shared, if any? <sup>1/</sup> |
|---------------------|----------------------|-------|-------------------|---|
| XX                  | XXX                  | corn  | 50                | fertilizer, harvest costs   |
| XX                  | XXX                  | wheat | 33                | none  |

<sup>1/</sup> If no expenses are shared by the landowner, then indicate “none”.

Copies of leases and national-level data must be kept on file in the State or County Offices, as applicable, until further notice and are subject to audit. For lease data, a copy of a legal document is preferred, such as the actual lease agreement or a signed FSA form, such as CCC-510 and CCC-902, but only if it contains the information needed to calculate the **dollar per acre** lease amount, which could be used as supporting documentation for the proposed alternate rate. However, FSA will accept a signed statement from an operator certifying the lease amount (\$ per acre). County Offices must keep all certified statements on file and are subject to audit as documentation for the random sample of lease agreements.

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### 5 Posting SRR's

#### A Internal Availability of AVGRT's and SRR's

**COB Friday, November 1, 2019**, is the projected date the National Office will post updated county AVGRT's on CD's USDA Connect site described in subparagraph 3 A.

SRR's will be updated in the Conservation Soils Data Management System (SDMS) after the AVGRT's are posted.

**Note:** The National Office will continue to update soil productivity factors in Conservation SDMS using the publicly available National Commodity Crop Productivity Index.

#### B Effective Date of SRR's

FY 2020 SRR's will not be effective until a subsequent notice is published announcing their availability. That notice will also provide instructions on how and when to post new SRR's. State and County Offices **must not** share the final county AVGRTs and SRR's publicly until instructed to do so.

### 6 Action

#### A State Office Action

State Offices will:

- follow the provisions of this notice
- ensure that County Offices follow the provisions of this notice.

#### B County Office Action

County Offices will follow the provisions of this notice.