



# Agricultural and Resource Policy Report

Colorado  
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## FOOD, CONSERVATION AND ENERGY ACT OF 2008: GRASSLAND RESERVE PROGRAM (GRP)

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### *What is the Grassland Reserve Program?*

The Grassland Reserve Program (GRP) is a voluntary program that assists farmers and ranchers to maintain grasslands as grazing land and prevent conversion of grassland into other uses, such as cropping or urban development. The program focuses on supporting working grazing operations, protecting grassland, and enhancing biodiversity through provision of habitat. Normal haying and grazing activities are allowed under GRP. Producers must also restore and maintain appropriate grasses, forbs, and shrubs and address resource concerns such as soil erosion.

Participants apply for an easement or rental agreement with the Natural Resources Conservation Service (NRCS) or the Farm Service Agency (FSA). Once they have an easement or rental agreement in place, the participant agrees to limit future development and cropping activities but retain rights to grazing activities and haying activities (subject to restrictions, especially during bird nesting season).

The 2002 Farm Bill established the GRP, which is administered jointly by the Natural Resources Conservation Service, the Farm Service Agency, and the Forest Service. Enrollment was initially capped at 2 million

acres. This has since been amended with an acreage enrollment goal of an additional 1.22 million acres by 2012. Sixty percent of the funding for GRP must be used for easements, while the other 40% will go to short-term contracts. In 2008, Congress set a priority for enrolling Conservation Reserve Program (CRP) land in the GRP after the expiration of the CRP contract.

### *How does it affect Colorado?*

Over the course of the 2002 Farm Bill (from 2003-2008), the Colorado NRCS office funded 20 GRP contracts on 39,974 acres. The map on page 2 shows national GRP funding allocations to states in 2007.

Producers nationwide were asked to prioritize five alternatives for funding the preservation of open space and farmland in a 2006 Farm Foundation survey. The top-ranked alternative was supporting entrepreneurial programs to increase agricultural competitiveness. The next alternatives in order of preference were encouraging voluntary donations of conservation easements to conservation foundations, providing federal funding to purchase development rights and conservation easements, then providing private funding to purchase development rights and conservation easements. The least-favored alternative was providing federal support

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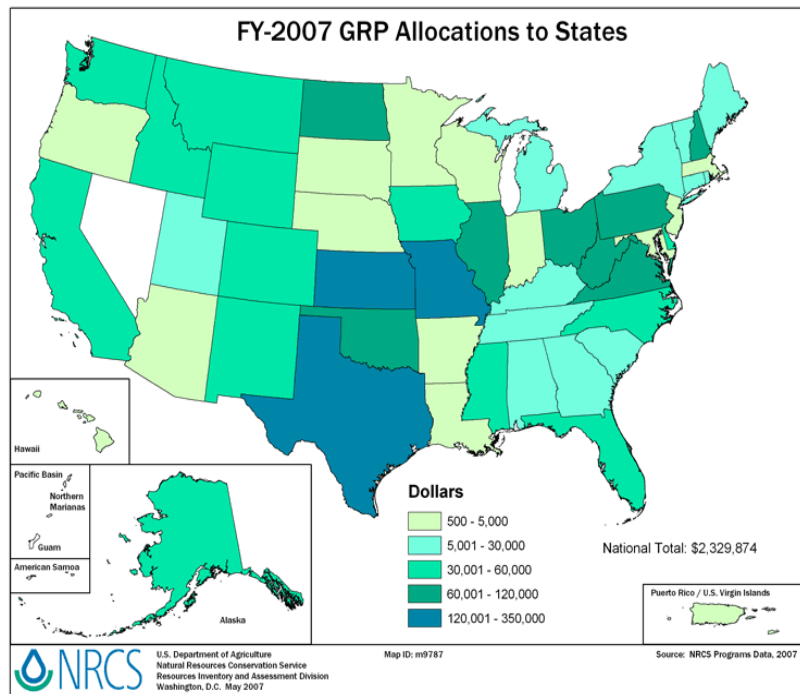
to local governments to allow transfer-of-development-rights programs. Colorado producers' responses to the same question were in line with national responses for both small producers (less than \$100,000 annual market value of product sold) and large producers (\$250,000 or greater in annual market value of product sold).

The same set of surveys asked producers what kind of federal assistance they thought should be provided for several environmental policy goals. Federal assistance was favored for the open space protection goal: 24.7 percent of Colorado producers and 25 percent of national producers preferred technical assistance only, while 34.7 percent of Colorado producers and 35 percent of national producers preferred a combination of technical and financial assistance. About a quarter of Colorado respondents were against the provision of federal assistance (26.7 percent) compared to 19 percent of national producers. There were 13.9 percent of Colorado producers and 21 percent of national producers who had no opinion.

When asked what kind of federal assistance they thought should be provided for soil erosion control,

***What has changed for the 2008 Farm Bill?***

The following table presents national-level changes to the GRP under the new Farm Bill.



which has been a focus of conservation titles since the 1985 Farm Bill, the clear majority of producers preferred a combination of technical and financial assistance. Specifically, 58.8 percent of Colorado producers and 65 percent of producers nationally favored this combination of support. Another 25.8 percent of Colorado producers and 23 percent of national producers preferred technical assistance only. Only 7.7 percent of Colorado producers and 7 percent of national producers wanted no technical assistance, while 7.6 percent in Colorado and 7 percent nationally had no opinion.

2002 Farm Bill	2008 Farm Bill
Could have enrolled restored, improved, or natural grassland, rangeland, and pasture, including prairie	Eligible land to also include grassland tracts containing historical or archaeological resources.
Could have enrolled up to 2 million acres during FY 2003-07, but CCC funding was limited to \$254 million. For FY 2003-06, \$217 million of CCC funding was provided.	Authorized additional 1.22 million acres for enrollment during FY 2009-12. CCC funding is authorized, but not explicitly limited.
Tracts had to be at least 40 contiguous acres.	Retains provision.
Could have enrolled eligible grassland under: <ul style="list-style-type: none"> <li>• rental agreements of 10, 15, 20, or 30 years</li> <li>• 30-year or permanent easements, or</li> <li>• easements for maximum duration allowed under state law</li> </ul>	No longer authorizes 30-year rental agreements and 30-year easements.
Could have used up to 60% of funds for 30-year rental contracts or 30-year and permanent easements. Up to 40% was available for 10-, 15-, and 20-year contracts.	To extent feasible, 60% of funds are to be used for easements.

Table continued.....

No similar provision.	Gives expiring CRP land priority, if land has high ecological value and is under significant threat of conversion. Priority applies to no more than 10% of acreage enrolled in calendar year.
Annual rental payments could not exceed 75% of grazing value. Permanent easements were purchased at fair market value, less grazing value. Easements of 30 years were purchased at 30% of fair market value, less grazing value.	Retains payment rate on rental contracts. Easement payments to be lowest of: <ul style="list-style-type: none"> <li>• fair market value less grazing value</li> <li>• geographical cap determined by Secretary, or</li> <li>• offer from landowner</li> </ul>
Participants could receive cost sharing of up to 75% of restoration costs on restored grassland and up to 90% on virgin grassland. No similar cap on payments.	Caps restoration cost shares at 50%. Limits rental payments and restoration cost sharing (separately) to \$50,000/person or legal entity/year.
Secretary could transfer easement ownership to State or local governments, Indian tribes, or eligible nongovernmental organizations for monitoring and enforcement.	Retains provision. Secretary may also enter into cooperative agreements with these groups.

Source: USDA ERS (2008).

***How does GRP change the permissible activities on the land?***

Participants may still carry out fire rehabilitation, create firebreaks and fences, and continue common grazing practices and forage or seed production activities. Lands enrolled in GRP are subject to both the highly erodible land and wetland conservation compliance (sodbuster and swampbuster) provisions of the amended 1985 Food Security Act. Once land is under a GRP contract or easement, prohibited activities include producing crops other than hay, producing fruit trees, vineyards that require breaking the soil surface, and other activities that permanently disturb the land surface, except land management activities included in the grassland conservation plan.

Improved grazing systems under the GRP include rotational grazing that allows grass to regrow, restricting livestock access in sensitive areas, watering facilities that keep livestock out of riparian areas, windbreaks and shelterbelts to disperse herds, manure storage facilities for temporary confinement areas, filter strips to intercept runoff from heavy-use areas, improved grass and legume cultivars, better nutrient management practices, and integrated pest management strategies.

***What are the benefits of GRP?***

Well-managed grasslands provide ecological benefits in addition to their agricultural purposes. These benefits include biodiversity maintenance because they act as wildlife habitat and migration corridors, contribution to hydrologic processes, and carbon sequestration. Furthermore, they prevent resource degradation, such as overgrazing, sediment and nutrient loss to water bodies, and stream-bank erosion.

***What types of agreements may be made?***

1. A permanent easement exists in perpetuity. Payments for this type of easement are based on fair market value (determined by an appraisal) less the grassland value of the land subject to the easement. Grazing values are determined based on local rental rates. Easements have no termination provisions. The USDA will cover administrative costs of securing the easement, including appraisal fees, survey costs, title insurance, and recording fees.
2. A rental agreement may exist for ten, 15, or 20 years. Payments will be up to 50% of the grazing value of the rented land, distributed annually for the life of the agreement.

3. A restoration agreement may be incorporated into either an easement or a rental agreement. The participant submits a plan of restoration activities, and is paid up to 50% of the restoration costs upon certified completion of approved restoration activities.

Cost-share agreements may be implemented when the NRCS, working with the participant and conservation district, determines that it is necessary to restoration of the land. Rental payments and restoration cost sharing are each limited to \$50,000 per person or legal entity per year.

Those landowners who participate in an easement option agree to:

- Provide a written statement of consent to the easement from those holding a security interest or any vested interest in the land;
- Provide proof of clear title;
- Comply with other terms of the easement, grassland resource management plan, and restoration agreement;
- Provide designated access to NRCS or its representative for easement administration and monitoring activities.

#### ***What are the policy implications?***

The GRP and FPP programs are specifically agricultural lands preservation programs. These programs use public sector purchases of permanent easements, temporary easements or rental agreements, and purchase of non-agricultural development rights to keep land in agricultural uses. The primary benefits to this type of program are restriction of development and prevention of fragmentation due to development. Reasons to institute such a program range from preservation of agricultural heritage to preservation of scenic views and recreational activities. These benefits are not generally fully valued in markets, so government intervention is required to provide incentives for producers. By keeping lands in agricultural uses, these programs may also meet national food security goals.

#### ***Who is eligible for GRP?***

Landowners who have clear title to privately-owned lands may participate in either easements or a rental agreement. Both landowners and operators may participate in rental and restoration agreements; operators must have landowner concurrence and prove that they will be in control of the land for the duration of the

agreement. Enrolled land must be a minimum of 40 contiguous acres (unless special circumstances exist, as determined by the NRCS State Conservationist). There is no maximum acreage for enrollment.

As with most Farm Bill programs, participants are subject to the Adjusted Gross Income (AGI) limitation: participating individuals or entities must not have an AGI exceeding \$1 million for the three tax years preceding the year in which the contract is approved. An exception is made when at least 2/3 of AGI comes from farming, ranching, or forestry operations.

#### ***What types of land are eligible for GRP?***

Lands eligible for GRP are privately owned or Tribal lands. These include grasslands; lands that contain forbs; land located in an area that is historically dominated by grasslands, forbs, or shrubland; and land that may potentially serve as wildlife habitat of significant ecological value. The state ranking criteria may give priority points to lands that would allow for protection of declining native plant communities.

#### ***How does the application process work?***

Interested persons submit an application to their local NRCS or FSA office. These applications are evaluated according to ranking criteria developed by the state. These criteria consider threats of conversion including cropping, invasive species, urban development, and other activities that threaten plant and animal diversity on grazing lands.

#### ***Who do I contact for more information?***

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