

FY2013 GRP GARC FOR KENTUCKY

Grassland Reserve Program FY 2013 Geographic Area Rate Cap

Each fiscal year a Geographic Area Rate Cap must be set for the Grassland Reserve Program (GRP). The Geographic Area Rate Cap (GARC) for GRP was determined to be \$2750 in FY 2012 for Kentucky. This was the first use of an AWMA to help establish a GARC for GRP in Kentucky. Although the FY2012 GARC was set based on the value obtained in the AWMA, Kentucky utilized the appraisal method to determine its GRP easement compensation values. Kentucky believes using the appraisal method takes into account the diversity of land values that we have seen in our small GRP program. For FY 2012 Kentucky performed two appraisals to determine the easement compensation values. One was performed in the far western part of the state and the other was performed in the Central part of the state. Each appraisal had an easement compensation value that was lower than the FY 2012 GARC therefore the appraisal determined the compensation values. In FY 2013 Kentucky proposes using a Geographic Area Rate Cap and using individual appraisals of property for determining easement compensation values.

The GRP enrollment for Kentucky is very limited due to the historical funding levels and the USPAP appraisal provides the best manner to determine the loss of value due to GRP easement restrictions. The USPAP gives a before and after value that provide the most accurate way to document the effect of placing a GRP easement on a parcel of land in Kentucky. Kentucky typically enrolls one to four easements into GRP per fiscal year and the use of any other means of easement compensation does not accurately reflect values for such a small program. The amount of funding and the amount of prospective easement enrollees necessitate an individual appraisal approach to obtain the most accurate value for the diversity of land being offered.

Kentucky has a diverse mixture of pastureland values throughout the state. Kentucky contains many different geographic regions from the Appalachian are in the east to the flat Mississippi River bottom areas of the far western end of the state. The differences in the regions of the state are evident in the Land Value and Cash Rent Survey (AEC-97) conducted by the University of Kentucky Cooperative Extension Service and published in March of 2011. The state was divided into three regions which then contained a total of 8 subregions. The land values for pasture land ranged from \$4400 to \$1500 per acre across the subregions. The variations in land values in the state from region to region in Kentucky make it imperative to use appraisals to determine the easement value.

The National Agricultural Statistics (NASS) Service publishes a land value summary in August of each year. Pasture, grazing and grassland value is considered as land that is normally grazed by livestock according to the NASS definition. We believe the GRP GARC for Kentucky should be the average pasture value for Kentucky determined by NASS in the Land Values 2012 Summary. Kentucky will obtain GRP appraisals of the offered land area and make easement offers based on the lowest of the appraisal, GARC, or landowner offer.

Each year the State Technical Committee is briefed on the new fiscal year GARC and allowed review the process. Thank you for reviewing this process and your commitment to conservation in Kentucky. Any comments, questions, or suggestions for the FY2013 GRP GARC should be sent to Jacob Kuhn at 859-224-7371 or jack.kuhn@ky.usda.gov. Please submit any responses within 2 weeks of the posting date.