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Appropriations

FARM SERVICE AGENCY
Statement of Val Dolcini, Acting Administrator
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies

Mr. Chairman and Members of the Subcommittee, I appreciate this opportunity to discuss Farm Service Agency (FSA) issues and funding. Our Fiscal Year (FY) 2012 budget emphasizes a service-oriented agency with a commitment to efficiency. We seek to improve program delivery by focusing on support for our county office staff and investments in crucial information technology (IT) modernization priorities, while streamlining our operating costs in an environment of constrained discretionary spending.

AGENCY OPERATIONS

FSA administers many of the programs authorized by the 2008 Farm Bill as well as programs under other authorities. We deliver these programs through 2,248 county level USDA Service Centers, 50 state offices, and an office in Puerto Rico. FSA has headquarters offices in Washington, DC, Kansas City, Salt Lake City, and St. Louis. At the end of FY 2010, the Service Centers were staffed by a total of 8,686 non-Federal and 2,251 Federal FSA employees working directly with producers. The total number of Federal employees working in state offices was 1,502 and the total in headquarters was 1,519.

Business Processes and IT

As you know, FSA farm programs rely on one of the oldest information technology systems within the Department of Agriculture. As the Agency looks to cut unnecessary operations and spending, but strengthen program delivery and provide for the most efficient possible service to producers, a stable IT infrastructure is critical. The

Committee has provided $117.3 million through the Recovery Act and the FY 2010 regular appropriation for our modernization efforts. The FY 2011 Continuing Resolution provides $67.3 million in base funding that enables us to continue these modernization efforts. This is critical support in view of the challenges the Committee faces during this time of budgetary constraint.

FSA's objectives are to (1) maintain and enhance the current infrastructure at a level that supports required operations, services and program delivery; (2) modernize FSA's IT environment to eliminate the reliance on outmoded technology; and (3) improve the quality, reliability and availability of data to more effectively support FSA programs.

Over the past year, FSA has successfully expanded the presence and effectiveness of web-enabled program delivery applications. FSA has deployed this technology to improve Direct and Counter-Cyclical Payments (DCP) and Conservation Reserve Program (CRP) payments, making the payment process faster and more efficient for producers and staff. In addition, FSA implemented web applications to support the Tree Assistance Program (TAP), Livestock Indemnity Payments (LIP), Emergency Conservation Program (ECP), Supplemental Revenue Assistance Payments (SURE), the Dairy Economic Loss Assistance Payment Program (DELAP) and the Emergency Forestry Restoration Program (EFRP). For example, a new web conservation payment system correctly issued one million CRP annual rental payments worth nearly $1 billion in less than two hours. In the 2010 crop year, electronic warehouse receipts for grain have been approved for a trial program for the Marketing Assistance Loan (MAL) program. FSA also implemented reusable common automated processes for direct attribution, payment limitation, eligibility, adjusted gross income (AGI) determination, entity and combined producer processing. The Natural Resources Conservation Service (NRCS) uses the FSA web services for similar applications to support the delivery of its programs. FSA also implemented central claims, receivables, and collections processing. All of these new systems are beginning to work in concert, giving our field staff more time to focus on producer service as opposed to payment troubleshooting.

In recent years, FSA has improved the operational effectiveness and efficiency of the Farm Loan programs through program streamlining and information technology initiatives. In FY 2012, FSA will transition all direct loan servicing information technology applications into a single, web-based application, allowing FSA to improve service to its delinquent and financially distressed borrowers.

Finally, FSA continues to make progress to the Modernize and Innovate the Delivery of Agricultural Systems (MIDAS) project. In the fourth quarter of 2010, the MIDAS team completed the planning and requirements development phase. In 2011, MIDAS is continuing the system development cycle by designing and gathering information on requirements. For example, FSA is developing scenarios of various applications and then assessing the impact on business processes. Adjustments and prioritization of next steps and actions will be done to best serve FSA's Farm Programs mission priorities. In FY 2012, FSA intends to begin initial deployment of some applications.

PROGRAM UPDATE

Due to the high number of new programs authorized under the 2008 Farm Bill, during FY 2010, FSA delivered more programs to more farmers and ranchers than ever before. FY 2010 saw another year-over-year increase in demand for farm credit. While USDA is seeing the signs of broadening credit availability for producers, credit was still tight for many. FSA provided over $5.2 billion in loans to more than 36,000 farmers and ranchers across the country —an increase over last year of more than 2,000 farmers and ranchers and more than $700 million.

The regulations for the Conservation Loan Program were published September 3, 2010. This program will make or guarantee qualified conservation loans to eligible borrowers to cover the cost of carrying out a qualified conservation project. In the final month of FY 2010, FSA made more than 70 conservation loans totaling $4.5 million, and

year-to-date, the Agency has made 75 such loans totaling $5.5 million.

Disaster Assistance

Since the beginning of calendar year 2010, FSA has delivered assistance totaling more than $3.3 billion to nearly 100,000 farmers and ranchers through the Farm Bill disaster programs, including the Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program (ELAP), Livestock Indemnity Program (LIP), the Livestock Forage Disaster Program (LFP), and the SURE Program.

Regulations for SURE were published December 28, 2009, and the signup began January 4, 2010, for losses during the 2008 crop year. Within the first 3 weeks, payments of over $870,000 were issued, and to date we have made payments of over $2.1 billion. Thus far, SURE program payments for losses during the 2009 crop year have totaled $35 million.

In 2009, FSA implemented the LIP and Livestock Forage Disaster Program (LFP) to aid livestock producers affected by 2008 and subsequent natural disasters, issuing a combined total of $347 million for 2008 and 2009 losses of livestock under LIP and grazing losses under LFP.

ELAP payments for 2008 and 2009 losses have totaled $22.4 million. Signup for the 2010 ELAP ends on March 15, and payments will be made quickly thereafter.

Regulations for the TAP were published May 7, 2010. TAP provides disaster assistance to eligible orchardists and nursery tree growers to replant or rehabilitate trees, bushes, and vines that were lost due to natural disaster. Orchardists and nursery tree growers who commercially raise trees, bushes, and vines for which there were mortality losses in excess of 15 percent, after adjustment for normal mortality, are eligible for TAP payments. Eligible losses must have occurred between January 1, 2008, and September 30, 2011. USDA has dispersed $4.5 million thus far under TAP.

Regulations for the EFRP were published November 17, 2010. EFRP will provide financial assistance to owners of nonindustrial private forest land to restore land that was damaged by a natural disaster on or after January 1, 2010. USDA has allocated $3.4 million thus far under EFRP.

FSA also published regulations for the Crop Assistance Program (CAP), Poultry Loss Grant Assistance Program (PLGAP) and Aquaculture Grant Program (AGP), on October 25, 2010. Total CAP payments are approximately $260 million. FSA made CAP payments starting in late February 2011 and will have the final payment phase completed by March 31, 2011. The PLGAP provided about $60 million in assistance to poultry growers whose growing arrangements were terminated because of the bankruptcy of the dealer, and the 2009 AGP provided up to $20 million in assistance for aquaculture producers who experienced high feed input costs during the 2009 calendar year.

Biomass Crop Assistance Program

In June 2009, FSA issued a Notice of Funds Availability for matching payments for the collection, harvest, storage, and transportation of eligible biomass materials sold to qualified biomass facilities for the Biomass Crop Assistance Program (BCAP), with the first payment issued in August. On February 8, 2010, FSA published a proposed rule with a 60-day comment period to fully implement the second phase of BCAP, which includes establishment and annual payments. The final rule for BCAP was published October 27, 2010.

Conservation Reserve Program

As of January 31, 2011, total CRP enrollment stood at 31.2 million acres under 745,000 contracts on 140,000 farms; 4.9 million acres enrolled under 408,000 contracts are for continuous signup practices. In 2010, FSA held the first general signup since 2006, enrolling 4 million acres. FSA anticipates enrollment to be about 31.8 million acres at year end. For FY 2012, the budget projects enrollment of about 31.9 million acres, just below the statutory cap of 32 million acres. In addition, FSA implemented the

Conservation Reserve Transition Incentives Program during FY 2010, which offers retiring landowners an added CRP benefit to transition expiring CRP acres to a new or socially disadvantaged farmer – who in turn enters the land into production using sustainable growing practices. FSA has had unexpectedly high signup for the program, enrolling 372 producers last year.

Secretary Vilsack is committed to the conservation benefits of CRP and FSA is currently midway through a general signup for the program which began on March 14.

New Programs

The regulations for the Voluntary Public Access and Habitat Improvement Program (VPA-HIP) were published July 8, 2010. VPA-HIP is designed to encourage owners and operators of private farm, ranch, and forest land to make that land publicly accessible for hunting, fishing, or other wildlife-related recreation under programs administered by the State or Tribal governments.

Regulations for the Asparagus Revenue Market Loss Assistance Payment (ALAP) Program were proposed on July 16, 2010, and the final rule was published February 4, 2011. The ALAP Program will compensate domestic asparagus producers for marketing losses resulting from imports during the 2004 through 2007 crop years. Payments will be calculated based on 2003 crop production.

Regulations for the Durum Wheat Quality Incentive Program (DWQIP) were published July 20, 2010. The DWQIP compensated producers for the cost of fungicide to control fusarium blight.

Regulations for the new Reimbursement Transportation Cost Payment (RTCP) Program for geographically disadvantaged farmers and ranchers were published June 17, 2010. The purpose of the RTCP Program is to assist farmers and ranchers in Hawaii, Alaska and insular areas who incurred costs to transport either an agricultural commodity

or an input used to produce an agricultural commodity. The payments provided by the RTCP Program are intended to offset a portion of the costs of transporting agricultural inputs and products over long distances.

Legislation authorizing payments for dairy farmers was passed in the 2010 Agricultural Appropriations Bill on October 21, 2009. Regulations for the Dairy Economic Loss Assistance Payment Program (DELAP) were published December 17, 2009. Payments began immediately and nearly $270 million of the $290 million appropriated had been paid to farmers by January 5, 2010. DELAP made payments to dairy farmers that were suffering from extremely low milk prices and relatively high input prices during 2009.

BUDGET REQUESTS

Commodity Credit Corporation

CCC FY 2012 baseline expenditures are projected to be $8.5 billion, down from approximately $11.1 billion forecast for FY 2011. In FY 2010, $10.0 billion was expended as compared to a record high of $32.3 billion expended in FY 2000. Commodity prices are expected to remain relatively robust into FY 2012, leading to a continuation of fairly level outlays with direct payments as the largest component.

CCC is authorized to replenish its borrowing authority, as needed, through annual appropriations up to the amount of realized losses recorded in CCC's financial statements at the end of the preceding fiscal year. In FY 2011, the Corporation received $15.1 billion for reimbursement of 2010 losses.

Appropriated Programs

For Farm Loan Programs, the Budget proposes a total program level of about $4.7 billion – nearly $1.6 billion for direct loans and over $3.1 billion for guaranteed loans. These levels reflect credit usage forecasts at the time the Budget was developed.

For Direct Farm Ownership Loans the Budget proposes a loan level of $475 million to encourage beginning farmers to establish more productive farming operations. The FY 2012 amount will provide an additional 566 loans, above the base level of 2,366 to meet demand expectations.

For Direct Farm Operating Loans the Budget proposes a loan level of $1.05 billion to assist family farmers in maintaining productive farming operations. This level should meet demand for direct operating loans in FY 2012. This funding level will provide an increase from 12,222 loans to 16,408 loans and reflects the shift in budget authority from the more expensive guaranteed operating subsidized loan program to the direct operating program. This will also result in an increased ability of the overall farm operating program to meet demand, which is expected to continue at the current level.

For Guaranteed Farm Ownership Loans in FY 2012, the Budget proposes a loan level of $1.5 billion to increase the number of loans by 110, from 4,103 to 4,213. The requested loan level is expected to be able to meet the increased demand for this program based on economic need and private lenders tightening of credit availability. For guaranteed farm operating loans we propose an FY 2012 program level of approximately $1.5 billion. The requested amount will reduce the amount of loans available by 28, from the FY 2011 level of 6,550 to 6,522, but should have a minimal impact and will provide sufficient resources to meet program demand.

For Emergency Disaster Loans FSA expects to carry over $18 million from amounts previously appropriated for disaster assistance needs. In addition, the Budget proposes program levels of $2 million for Indian Tribe Land Acquisition Loans and $60 million for Boll Weevil Eradication Loans.

FSA also requests funding for two new Farm loan programs authorized under the Farm Bill. The requested FY 2012 program level for Guaranteed Conservation Loans is $150 million. For FY 2011, there will be a loan level sufficient for guaranteed loans. The

Indian Highly Fractionated Land Program is a direct loan program which provides authority to make and insure loans to eligible purchasers of highly fractionated land under the Indian Land Consolidation Act. The requested FY 2012 program level is $10 million and is expected to be adequate to meet the demand for this program.

The 2008 Farm Bill also authorized a pilot program of Individual Development Account Grants to beginning farmers or ranchers with significantly limited financial resources or assets. These grants may be used to purchase or make a down payment on farmland; to purchase breeding stock, fruit or nut trees, or trees to harvest for timber; and for other similar expenditures. FSA requests $2.5 million for this pilot program in FY 2012.

For State Mediation Grants the FY 2012 budget requests $4.369 million, the same as the FY 2011 Annualized Continuing Resolution amount, for grants to 32 States to assist in operating alternative dispute resolution programs that deal with disputes involving a variety of agricultural issues.

For the Dairy Indemnity Program the Budget requests “such sums as may be necessary” as provided in the last three appropriations acts, to compensate dairy farmers and manufacturers when, through no fault of their own, their milk or milk products are removed from commercial markets due to residues of certain chemicals or other toxic substances. The FY 2012 estimate of $100,000 is the amount projected to be used under this indefinite authority.

Since it is impossible to predict natural disasters and difficult to forecast an appropriate funding level for the Emergency Conservation Program, the FY 2012 Budget does not include a request for this program.

FSA Salaries and Expenses

The FY 2012 Budget Request for administrative support within the Farm Service Agency reflects our focus on streamlining processes, investing in more efficient systems, and taking a smart look at our internal costs to cut out unnecessary agency spending. The FY 2012 Budget requests $1.71 billion from appropriated sources including credit reform transfers, for a net increase of $143.3 million over the FY 2011 Annualized Continuing Resolution level. The request includes a decrease of $41.4 million for a buyout of staff years and administrative efficiencies, an increase of $122.3 million to fund critical IT replacement and modernization projects essential to support core agency operations, an increase of $60 million for civil rights settlement costs and an increase of $2.4 million to fund new initiatives to improve Tribal relations.

FSA has taken aggressive action over the past several years and with the FY 2012 budget submission in particular, to reduce discretionary administrative expenditures and operate within available funding. Over the past six years FSA has reduced its workforce by 1,451 staff years in our efforts to be more efficient. The FY 2012 budget reflects a decrease of $27 million for further proposed staffing reductions. This request reflects a difficult choice that was made to help reduce the deficit and FSA Federal staff-years will decrease by 504 from the FY 2011 level. The remaining staffing levels are sufficient to enable FSA to handle the workload associated with the broad array of complex programs entrusted to us. In addition, we will achieve more efficiency reductions in our non-IT service contracts, travel and relocation incentives totaling $14.4 million.

The IT request includes increases of $96.3 million to continue the MIDAS project and $26.0 million to support USDA's effort to modernize and upgrade the Common Computing Environment for the Service Center agencies. When complete, MIDAS will provide benefits to employees, farmers and ranchers and cover FSA's Farm programs including price support programs, conservation and environmental programs, and production and emergency disaster programs. MIDAS will improve service delivery for these programs by providing farmers with faster farm program payments, reducing travel

time and visits to field offices, providing faster customer service, providing faster implementation of new programs, improving access and convenience via web-based systems, reducing paperwork, increasing security and keeping farmers better informed of the status of their applications and requests.

Mr. Chairman, this concludes my statement. I will be happy to answer your questions and those of the other Subcommittee Members.

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