

**IMPLEMENTING THE AGRICULTURAL ACT OF  
2014: COMMODITY POLICY AND CROP  
INSURANCE**

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**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON  
GENERAL FARM COMMODITIES  
AND RISK MANAGEMENT  
OF THE  
COMMITTEE ON AGRICULTURE  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED THIRTEENTH CONGRESS

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**IMPLEMENTING THE AGRICULTURAL ACT OF  
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**THURSDAY, JULY 10, 2014**

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON GENERAL FARM COMMODITIES AND RISK  
MANAGEMENT,  
COMMITTEE ON AGRICULTURE,  
*Washington, D.C.*

The Subcommittee met, pursuant to call, at 9:31 a.m., in Room 1300 of the Longworth House Office Building, Hon. K. Michael Conaway [Chairman of the Subcommittee] presiding.

Members present: Representatives Conaway, Neugebauer, Rogers, Gibbs, Austin Scott of Georgia, Crawford, Gibson, Hartzler, Noem, LaMalfa, Hudson, Davis, Collins, McAllister, Lucas (*ex officio*), David Scott of Georgia, Vela, Enyart, Vargas, Bustos, Maloney, Walz, Negrete McLeod, Costa, Garamendi, and Peterson (*ex officio*).

Staff present: Bart Fischer, Kevin Kramp, Matt Schertz, Nicole Scott, Skylar Sowder, Tamara Hinton, Anne Simmons, Liz Friedlander, Mary Knigge, John Konya, and Riley Pagett.

**OPENING STATEMENT OF HON. K. MICHAEL CONAWAY, A  
REPRESENTATIVE IN CONGRESS FROM TEXAS**

The CHAIRMAN. This hearing of the Subcommittee on General Farm Commodities and Risk Management to discuss the implementation of the Agriculture Act of 2014, including commodity policy and crop insurance, will come to order.

I want to thank Michael Scuse, the Under Secretary for Farm and Foreign Agricultural Service, for being here. He has got quite the title. Michael and I had the chance to meet for the first time the day before yesterday. And I told him we were going to beat him about the head and shoulders today. I was teasing him about the setup here. We have this august body sitting up here. We have him way down there at a lower table, so we are looking down on him. It is the one time Congress has the advantage over the Administration, or the Executive Branch, and we take full advantage of that. So it is good to have you.

It has been 5 months since the farm bill became law. And the purpose of this hearing is to evaluate the implementation of the commodity and crop insurance titles. Again, I want to welcome our witness, Under Secretary Scuse.

The commodity title provisions of previous farm bills included direct payments, counter-cyclical payments, ACRE, SURE, which were repealed by the 2014 Farm Bill. These provisions were replaced by a choice of two policies that will only trigger when a producer suffers a loss. During consideration of the farm bill, the Congressional Budget Office predicted this would reduce spending under that bill and would be something on the order of \$18.4 billion. These budget savings and reforms came with the promise of enhanced risk management tools under crop insurance. I understand the lift that the Department has in implementing these provisions. I appreciate the complications involved. This is why the farm bill provided extra funds to the affected agencies. And while I commend the Department for their efforts so far, I want to challenge the Department to fully deliver on the promise of the farm bill.

The Department's assurance of a timely, if only partial, implementation of the Supplemental Coverage Option is appreciated. We appreciate the RMA Administrator, Brandon Willis, for working to ensure that SCO is properly implemented. We hope to learn more today about the Department's plans for a full implementation of SCO for all crops and counties as required by the farm bill. We are encouraged by RMA's efforts to move forward with crop margin coverage, enterprise units by practice, coverage levels by practice, STAX, beginning farmer and rancher provisions, and peanut revenue coverage. The Committee appreciates that there is an effort to get the job done on each of these fronts. And while some delays are understandable, they should be held to a minimum.

I am deeply troubled though over the Department's handling of two very important issues that we will discuss today. The first is the Actual Production History Adjustment that will provide critical relief for those producers struggling through severe drought for a number of years. And the second is the rollout of conservation compliance, which I fear will undermine crop insurance and our overall conservation goals if the approach is overly punitive.

There are farmers and ranchers who have experienced severe drought for 3 years. Many remain in severe drought this year. And a good many of these areas are in D4 drought conditions. Despite all this, we understand that the Department intends to administratively delay the APH Adjustments relief until 2016, which would be the third year of our 5 year farm bill. I respectfully urge the Department to respond to this natural disaster in states like Texas and Oklahoma, New Mexico and Colorado and other states around the country with the same speed and determination as one would expect in the case of a wild fire or a hurricane.

One other farm bill provisions where the Department has said it can only partially implement a provision on time, we hope to exhibit patience. All we ask on the APH Adjustment is that some effort be made to partially implement the provision in time for the 2015 crop year where relief is needed the most.

Beyond providing immediate relief to farmers and ranchers who were hit the hardest, timely action might help insulate the Department from legal challenges. The APH Adjustment is meant to be self-executing. Farmers were not meant to have to ask permission

to exclude qualifying yields. The right is the producers, and it became the producers' right on the day the farm bill became law.

My second concern regards conservation compliance. This was never a smart provision, and the interim rule explains why so many of us were concerned with it. For example, page 11 of the rule says that if a farmer plants a crop next spring and it is found to be non-compliant on June 1, even if he or she were to come back into compliance by July 1, within a month, the farmer would still be denied premium support for 2016. This effectively means no insurance. As bad as the compliance provision is, the objective was to impose the penalty in the following year, and only if the producer did not come back into compliance.

I maintain that farmers are our best conservationists. They know their land, and they know better than you and I how to keep it productive. From my experience, farmers are at their best in making conservation investments when they are profitable. This provision as interpreted by the Department, along with the EPA's new waters of the U.S. regulation, are just two examples of why farmers and ranchers are scared to death about the regulatory overreach of this Administration.

Finally, on two positive notes, I want to commend the Administrator of the Farm Service Agency, Juan Garcia, for his exemplary work in implementing Livestock Disaster Assistance. We hit some bumps along the road early on, but this was the first rule out of the gate and it turned out well. We really appreciate Juan and his team's excellent work. And, second, I want to commend the Secretary for the role that he played in securing passage of the farm bill and his responsiveness during implementation. Fully implementing the farm bill in a timely way not only fulfills a pledge to farmers and ranchers, but it honors the work that the Secretary did to help the farm bill happen.

[The prepared statement of Mr. Conaway follows:]

PREPARED STATEMENT OF HON. K. MICHAEL CONAWAY, A REPRESENTATIVE IN  
CONGRESS FROM TEXAS

It has been 5 months since the farm bill became law. The purpose of this hearing is to evaluate implementation of the commodity and crop insurance titles.

I want to welcome our witness, Under Secretary Scuse.

The commodity title provisions of previous farm bills, including Direct Payments, Countercyclical Payments, ACRE, and SURE, were repealed by the 2014 Farm Bill. These provisions were replaced by a choice of two policies that only trigger when a producer suffers a loss. During consideration of the farm bill, the Congressional Budget Office predicted this would reduce spending by \$18.4 billion.

These budget savings and reforms came with the promise of enhanced risk management tools under crop insurance.

I understand the lift the Department has in implementing these provisions. I appreciate the complications involved. This is why the farm bill provides extra funds. And, while I commend the Department for efforts so far, I want to challenge the Department to fully deliver on the promise of the farm bill.

The Department's assurance of a timely—if only partial—implementation of the Supplemental Coverage Option is appreciated. We appreciate RMA Administrator, Brandon Willis, for working to ensure that SCO is properly implemented. We hope to learn more today about the Department's plans for the full implementation of SCO for all crops and counties as required by the farm bill.

We are encouraged by RMA's efforts to move forward with Crop Margin Coverage, Enterprise Units by Practice, Coverage Levels by Practice, STAX, Beginning Farmer and Rancher provisions, and Peanut Revenue Coverage. The Committee appreciates that there is an effort to get the job done on each of these fronts. While some delays are understandable, they should be held to a minimum.

I am deeply troubled over the Department's handling of two very important but very different issues. The first is the APH Adjustment which would provide critical relief for those struggling against severe drought. The second is the rollout of conservation compliance which I fear could undermine crop insurance and our overall conservation goals if the approach is overly punitive.

There are farmers and ranchers who have experienced severe drought for 3 years. Many remain in severe drought this year. A good many of these areas are in D4 drought condition. Despite all of this, we understand the Department intends to administratively delay APH relief until 2016, the THIRD year of a FIVE year farm bill.

I respectfully urge the Department to respond to this natural disaster in states like Texas, Oklahoma, New Mexico, Colorado and other states around the country with the same speed and determination as one would expect in the case of a wildfire or a hurricane.

On other farm bill provisions where the Department has said it can only partially implement a provision on time, we are exhibiting patience. All we ask on APH is that some effort be made to partially implement the provision in time for 2015 where relief is needed most.

Beyond providing immediate relief to farmers and ranchers who are hit the hardest, timely action might help insulate the Department from legal challenges. The APH adjustment is meant to be self-executing. Farmers were not meant to have to ask permission to exclude qualifying yields. The right is the producer's and it became the producer's right on the day the farm bill became law.

My second concern regards conservation compliance. This was never a smart provision and the interim final rule explains why many of us remain concerned.

For example, page 11 of the rule says that if a farmer plants a crop next spring and is found to be non-compliant on June 1, even if he were to come back into compliance on July 1, within a month, the farmer would still be denied premium support for 2016. This effectively means no insurance. As bad as the compliance provision is, the objective was to impose the penalty in the *following* year and only IF the producer did not come back into compliance.

I maintain that farmers are the best conservationists. They know their land and they know better than you or I how to keep it productive. From my experience, farmers are at their best in making conservation investments when they are profitable.

This provision, as interpreted by the Department, along with EPA's new waters of the U.S. regulation, are just two examples of why farmers and ranchers are scared to death about the regulatory overreach of this Administration.

Finally, on two positive notes: I commend the Administrator of the Farm Service Agency, Juan Garcia, for his exemplary work in implementing livestock disaster assistance. We hit some bumps along the road early on but this was the first rule out of the gate and it turned out well. We really appreciate Juan and his team's excellent work. Second, I commend the Secretary for the role he played in securing passage of the farm bill and for his responsiveness during implementation. Fully implementing the farm bill in a timely way not only fulfills a pledge to farmers and ranchers but it honors the work that the Secretary did to help make the farm bill happen.

I now recognize the Ranking Member, my good friend, Mr. Scott, for any remarks he may have.

The CHAIRMAN. I now recognize my good friend, Ranking Member David Scott, for any remarks he may have. David?

**OPENING STATEMENT OF HON. DAVID SCOTT, A  
REPRESENTATIVE IN CONGRESS FROM GEORGIA**

Mr. DAVID SCOTT of Georgia. Thank you, Chairman Conaway. And let me thank you for putting this very critical hearing together, focusing on crop insurance. I am mainly concerned with Title I and Title XI. Of course, Title I defines the commodities of peanuts, rice, soy beans, wheat, corn, so forth. Title XI specifically enhances the coverage of the permanently authorized Federal insurance program. It is very important for us to understand that this farm bill completely, completely changes the way in which farmers receive assistance now. Farmers must now make a decision as to which crop insurance program they will sign on to this fall,

either the agriculture risk coverage, ARC, or price loss coverage, PLC. And then once the farmer makes that decision, they are committed to it for 5 years. For this reason, it is critical that we take the time, make sure our farmers and our producers get the correct information, the right information, so that they can make the right decisions.

And, specifically, I want to start with Title XI. There has been great concern, and Chairman Conaway has already alluded to it, regarding the Risk Management Agency which largely administers the Federal Crop Insurance Program. The issue is why the RMA imposes what is known as downward trending adjustment on the Actual Production History, or the APH in Georgia and South Carolina, while waiving this requirement on all the other states? That is not right. In the case of South Carolina and the case of Georgia peach producers, the APH of the producer is based on the preceding 5 years of the Actual Production History. However, in Georgia, in South Carolina, peach growers, the proven yield of the producers that comprise their APH are then administratively adjusted downward by the RMA, and this effect of this downward adjustment makes for a reduction in the yield levels that the producer may insure. This imposes a tremendous hardship on the peach producers in my State of Georgia who I have represented here in Congress for 12 years, represented in the State Legislature and the State Senate for 20, represented in the State Representative House for 8. And that is 40 years. And then on top of that, I was born in South Carolina, grew up on a farm there. So when you talk about Georgia, you talk about South Carolina, you are hitting David Scott right in the heart.

So we need to get a better understanding from the Under Secretary today. We understand the theory behind the downward adjustment is that it is—they say it is necessary in order for an insurance guarantee to be consistent with the production expectations for the peach crop, which is anticipated to be lower in the earlier years of perennial crop. However, any lower yield associated with the peach crop is already reflected in the APH of the Georgia and South Carolina producers, which is based on its 5 year history. Therefore, this downward trending adjustment is unnecessary. It is punitive. It is discriminatory to Georgia and South Carolina peach growers. This is not right. And we have to correct it, Mr. Under Secretary.

As I mentioned, the downward trending adjustment has been waived in each of the 2011 through 2014 crop years for the producers of perennial crops, including peaches, in states from Maine to North Carolina. However, the same relief was not granted to my farmers in Georgia or in South Carolina. South Carolina and Georgia peach growers suffered a devastating freeze in March, costing millions of dollars in losses, losses that were exacerbated by the RMA's discriminatory treatment. And this downward trending adjustment must be waived also for Georgia and South Carolina as they are in states from Maine to North Carolina. All we are asking for is to be treated equal. And as my granddaddy used to say on the farm, "We all want to be fed out of the same spoon."

Now, my other concern is with regards to peanuts, and again Title XI. The 2014 Farm Bill contains provisions providing for what

is called revenue assurance, specifically for peanut farmers beginning with the 2015 crop year. Funds for this initiative were included in the existing farm bill. We need to know more about this program. We need to know how much money is in the program. We need to get a clear understanding of how this money, these funds, will be used, the accessibility and benefit for our peanut farmers.

In conclusion, Mr. Chairman, we are here at this hearing today because of these changes. I just briefly want to highlight how dramatic these are. First, direct and counter-cyclical payment programs in the state based revenue program known as ACRE, Average Crop Revenue Enhancement Program, have all been eliminated. And in their place, as I mentioned earlier, a farmer now has to choose one of two farm programs that begin with the 2014 crop year. One, price loss coverage. And what this program does, it makes a payment to a producer when the market price for a covered crop is below a fixed reference price. Or there is the Agriculture Risk Coverage, ARC, a program that makes a payment when either the farm's revenue from all crops that account for the revenue from a crop, the farmer has to choose the alternatives below 86 percent of the pre-determined bench value. Together, it is important that we have these programs. And a highlight is that the savings should be \$16.6 million.

And, finally, it is important for us to recognize our cotton growers who are no longer coming under these programs, but we put a different program in called the Stacked Income Protection Program for Upland Cotton acreage. And it is an additional area of revenue that a cotton producer may use alone or in combination.

And, finally, the second program, the supplemental coverage option, provides all crop producers with the option of purchase. So we have a lot of issues here. I look forward to hearing the Under Secretary. Thank you very much for coming. And thank you, Mr. Chairman.

The CHAIRMAN. Thank you, David, I appreciate your comments.

We will now recognize the Chairman of the Committee, Frank Lucas, for any comments he might have.

**OPENING STATEMENT OF HON. FRANK D. LUCAS, A  
REPRESENTATIVE IN CONGRESS FROM OKLAHOMA**

Mr. LUCAS. Thank you, Mr. Chairman. Under Secretary Scuse, I appreciate your being here today. And I appreciate all of the hard work that you and your staff have been doing over the last several months. The Agricultural Act of 2014 is a shift to a more risk based safety net. Gone are the days of making payments regardless of market conditions. Congress gave you a large task, and I appreciate the willingness of the Secretary and the Department to listen and act when problems arise.

The Secretary and you have worked with this Committee on issues that have arisen in the Livestock Disaster Programs, and many of the improvements Congress made to the crop insurance title. And I sincerely thank you for that.

That being said, I am concerned about a few key insurance problems which Chairman Conaway has already highlighted. Producers in my state pay incredibly high premiums for their crop insurance coverage, often much higher than their colleagues in other parts of

the country. For example, compared to wheat producers in your home State of Delaware, wheat producers in Oklahoma pay almost three times more for their crop insurance coverage. We have more yield variability in Oklahoma, so we pay higher rates. And that is understandable, at least to a degree. But after years of prolonged drought, we are now paying much higher rates. To add insult to injury, the amount of production my producers can ensure has been decimated as well, even though that loss in yield was through no fault of their own.

This second factor is precisely why I included the APH Adjustment in the farm bill. For anyone who is facing the prospect of drought, or who has been suffering for years through prolonged drought, this provision is designed to provide immediate relief. We are almost finished with wheat harvest in Oklahoma. Four years of drought, combined with widespread freeze damage, have yielded one of the worst crops in state history. The APH Adjustment would provide widespread relief for wheat producers, planting and insuring their crops this fall. Congress was clear: all producers who have been affected by droughts should be able to exclude those years. They should be able to do so immediately. I understand there are challenges, but I think producers affected by drought deserve the effort.

Again, I thank you for all that you have done, and I look forward to working together in the future to ensure that our producers have the full benefits of the new safety net that we all worked so hard together to provide.

Thank you, Mr. Chairman. I yield back.

[The prepared statement of Mr. Lucas follows:]

PREPARED STATEMENT OF HON. FRANK D. LUCAS, A REPRESENTATIVE IN CONGRESS  
FROM OKLAHOMA

Mr. Scuse, I appreciate you being here today and I appreciate all of the hard work that you and your staff have been doing over the last several months. The Agricultural Act of 2014 is a shift to a more risk-based safety net. Gone are the days of making payments regardless of market conditions.

Congress gave you a large task and I appreciate the willingness of the Secretary and the Department to listen and act when problems have arisen. The Secretary and you have worked with this Committee on issues that have arisen in the livestock disaster programs and many of the improvements Congress made to the crop insurance title, and I sincerely thank you for that.

That being said, I am concerned about a key crop insurance provision, which Mr. Conaway has already highlighted.

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Congress was clear. All producers who have been affected by drought should be able to exclude those years, and they should be able to do so immediately. I understand there are challenges, but I think producers affected by drought deserve the effort.

Again, I thank you for all that you have done and look forward to working together in the future to ensure our producers have access to the full benefits of the new safety net that we all worked together to provide.

**Background Note:** *In 2014, wheat producers in Delaware paid \$0.0284 for \$1 of crop insurance coverage. By contrast, wheat producers in Oklahoma paid \$0.0812 per \$1 of crop insurance coverage, almost three times the rate in Delaware.*

The CHAIRMAN. I thank the gentleman. The chair will request that other Members submit their opening statements for the record so that our witness may begin his testimony, and to ensure there is ample time for questions.

I welcome to our witness table today, the Honorable Michael T. Scuse, Under Secretary for Farm and Foreign Agricultural Services, United States Department of Agriculture, Washington D.C.

Michael, the floor is yours for your comments. Thank you.

**STATEMENT OF HON. MICHAEL T. SCUSE, UNDER SECRETARY,  
FARM AND FOREIGN AGRICULTURAL SERVICES, U.S.  
DEPARTMENT OF AGRICULTURE, WASHINGTON D.C.**

Mr. SCUSE. Thank you. Chairman Lucas, Chairman Conaway, Ranking Member Scott, and Members of the Subcommittee, I am pleased to be here today to update you on the United States Department of Agriculture's progress in implementing the commodity and crop insurance titles of the 2014 Farm Bill.

The new farm bill improves the safety net for producers, expands crop insurance tools and continues our market development programs. Implementations of these programs is a top priority for USDA. In roughly 5 months since enactment, USDA has made considerable progress in implementing key provisions.

USDA's first priority was to implement the disaster relief programs for livestock producers. LSP, LIP, ELAP and TAP were implemented in 60 days. As of July 2, USDA has provided more than \$1.2 billion under LFP and LIP to livestock producers.

On June 9, CRP continuous signup was restarted, as was the CRP transition incentives payment for beginning and socially disadvantaged producers. In lieu of a general signup this year, we are allowing producers with CRP contracts expiring in September to receive a 1 year contract extension.

Another priority for USDA and FSA is helping producers understand ARC, PLC, margin protection program for dairy, and NAP buy-up programs, and what these programs mean for them and their families. On May 29, USDA announced awards totaling \$6 million through our university partners for the development of on-line decision tools and producer education on these programs. The University of Illinois and the University of Missouri with Texas A&M will simplify complex decisions that producers need to make by easy to use tools that producers can access on their home computers. State extension specialists will be trained on these tools and host meetings to educate producers later this fall.

This summer, FSA plans to provide producers' information on their current base acres yields and 2009 to 2012 planting history, and offer them an opportunity to verify this information with their

local Farm Service Agency office. Later this fall, there will be an opportunity to update yields and reallocate bases, the critical first step in implementing ARC and PLC. By mid-winter, all producers on a farm will be required to make a one-time unanimous election between price protection, county revenue protection and individual revenue protection for the 2014 through 2018 crop years. By early 2015, producers can expect to sign contracts for ARC and PLC for the 2014 and 2015 crop years. FSA plans to implement the margin protection program for dairy by September 1.

The Committee can also expect to see a proposed definition of *significant contribution of active personal management* later this year.

Crop insurance has become an increasingly important component of the farm safety net. Due to efforts that RMA began last summer, a whole farm revenue protection program was approved by FCIC in May. RMA expects information about this program to be available in time for producers to make decisions for the 2015 crop sales. Last week, RMA published an interim rule on seven sections of the farm bill. That rule will apply to producers as soon as this fall, including beginning farmer and rancher provisions, the authority to correct errors and make late payments, and restrictions for producers who plant on native sod. RMA expects to offer enterprise units for irrigated and non-irrigated crops, and coverage levels by practice for the 2015 spring crops. APH adjustment will be available for crops planted in the fall of 2015.

The rule links eligibility for any premium subsidy paid by FCIC on a policy or plan of federally reinsured crop insurance to compliance with highly erodible land conservation and wetland conservation compliance provisions. Although no producers will lose premium subsidy for the current reinsurance year, first time compliers will need to visit a Farm Service Agency to certify their compliance if they have not already done so. USDA intends to provide more details on the new conservation compliance requirements later this fall. Education on this requirement will be a priority for USDA in the coming months.

RMA plans to release supplemental coverage option materials later this month, and information for corn, grain, sorghum, rice, soybean, spring wheat and cotton will be made available later this summer or early fall. In addition, RMA will be able to offer SCO for spring barley beginning in 2015. Also this fall, RMA will be examining additional crop and county coverage under SCO. We understand that producers need as much information as possible regarding when they make their ARC and PLC election. Policy materials and county availability for the Stacked Income Protection Plan for producers of Upland Cotton will be made available in August, and RMA anticipates that STAX will be available for over 98 percent of cotton acreage in production. Additionally, FSA will have information on the Cotton Transition Assistance Payment Program available later this summer.

In closing, I would like to thank the Committee for this opportunity to update you on USDA's progress in implementing title I and title XI of the 2014 Farm Bill. Farmers, ranchers, rural communities and other USDA stakeholders have waited several years

for this legislation, and USDA has made significant implementation progress.

I would be happy to answer any questions that you may have at this time. Thank you, Mr. Chairman.

[The prepared statement of Mr. Scuse follows:]

PREPARED STATEMENT OF HON. MICHAEL T. SCUSE, UNDER SECRETARY, FARM AND FOREIGN AGRICULTURAL SERVICES, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Chairman Conaway, Ranking Member Scott, and Members of the Subcommittee, I am pleased to be here before you today to provide an update of the U.S. Department of Agriculture's (USDA) progress in implementing Title I, the Commodity Title, and Title XI, the Crop Insurance Title, of the Agricultural Act of 2014, also known as the farm bill.

The new farm bill improves the safety net for producers, expands critical crop insurance tools and continues our market development programs. USDA and the Farm and Foreign Agricultural Services (FFAS) Mission Area have made the implementation of these programs a top priority. In the roughly 5 months since enactment, the three agencies under FFAS, the Farm Service Agency (FSA), the Risk Management Agency (RMA) and the Foreign Agricultural Service (FAS) have made considerable progress in implementing many of the key provisions. Today I will focus on titles I and XI.

In the Commodity Title, USDA's first priority was to implement the disaster relief programs for livestock producers. With enactment of the farm bill in February, Secretary Vilsack directed FSA to implement the livestock assistance programs by April 15th, and we met that goal. In fact, we implemented the disaster programs—including the Livestock Forage Program (LFP), Livestock Indemnity Program (LIP), the Emergency Livestock Assistance Program (ELAP) and the Tree Assistance Program (TAP)—in just 20 percent of the time it took USDA to implement in 2008. USDA has, through LFP and LIP, provided more than \$1.2 billion in help to livestock producers, many of whom had been waiting for over 2 years for assistance.

USDA's next priority for the mission area was resuming conservation efforts. On June 9, FSA restarted continuous sign-ups in the Conservation Reserve Program (CRP), as well as the CRP Transition Incentives Program (TIP) for beginning and socially disadvantaged farmers and ranchers. In lieu of a general sign-up this year, we're allowing producers with CRP contracts expiring this September to receive a 1 year contract extension. And we've implemented the farm bill requirement that in certain cases producers enrolled through general sign-up for at least 5 years can opt-out of their contracts.

Another important priority for USDA and FSA is helping farmers and ranchers understand the new farm bill safety net programs including Agriculture Risk Coverage (ARC), Price Loss Coverage (PLC), Margin Protection Program (MPP) for dairy, and enhanced protection under Noninsured Disaster Assistance Program also known as NAP buy-up—and what these programs mean for their families. On May 29, USDA announced \$3 million for two teams of universities representing the geographical diversity of agriculture—one led by the University of Illinois, and another led by the Food and Agricultural Policy Research Institute (FAPRI) at the University of Missouri and the Agricultural and Food Policy Center (AFPC) at Texas A&M. The awardees are tasked with integrating the complex data and scenarios of the new safety-net programs into easy-to-use tools that producers can access on their home computers to explore program options and coverage levels. These tools will be available later this summer and in early fall.

Experts at the state cooperative extension services will be trained and, starting in late summer, producers will be able to pose questions to and seek advice from extension agents about the new safety net programs. FSA also recently launched a website with tables of monthly updated data for those who want to begin exploring how the ARC and PLC guarantees and payments will be determined for the 2014 crop.

Late this summer FSA also plans to provide producers information on their current base acres, yields and 2009–2012 planting history and offer them an opportunity to verify this information with their local FSA office. Then later this fall, there will be an opportunity to update yields and reallocate bases—this is the critical first step in implementing the ARC and PLC programs. By mid-winter all producers on a farm will be required to make a one-time, unanimous and irrevocable election between price protection, country revenue protection and/or individual rev-

enue protection for 2014–2018 crop years. By early 2015 producers can expect to sign contracts for ARC or PLC for the 2014 and 2015 crop years.

Late this summer, FSA also plans to implement MPP for dairy. The farm bill has a target for MPP to be in effect by September 1 and USDA's goal is to meet that deadline. Late this summer FSA also plans to publish the details on the Dairy Product Donation Program (DPDP). While current margins are well above \$4 per hundredweight and DPDP is not expected to trigger, USDA will have the program details finalized.

By law, dairy producers may not participate in both MPP and RMA's Livestock Gross Margin for Dairy (LGM-Dairy) programs. As a result, FSA and RMA jointly sent guidance at the end of June on the transition period, which will afford dairy producers maximum flexibility by allowing them to transition to the MPP-Dairy program in either 2014 or 2015. This flexibility will allow producers under LGM-Dairy, who already have LGM-Dairy target marketings that go into 2015, to participate in MPP-Dairy in 2015 after their insurance contract is over, as opposed to keeping these producers out until 2016.

Later this year, the Committee can expect to see a proposed definition of "significant contribution of active personal management."

The crop insurance program has become an increasingly important component of the farm safety net, and crop insurance protections for all farmers, particularly beginning farmers and ranchers, have been strengthened under the new farm bill.

In order to implement the numerous crop insurance changes as quickly as possible, the Risk Management Agency (RMA) began preparing to implement the Stacked Income Protection Plan (STAX) and Supplemental Coverage Options (SCO) programs months before farm bill passage. Specifically, since both the House and Senate had similar provisions related to STAX and SCO, RMA began efforts to develop and implement policies and procedures soon after passage. These efforts have paid dividends, and RMA will have information on SCO availability this month and STAX availability in August.

In April, RMA began revising the premium rates charged for Catastrophic Risk Protection Endorsement (CAT) coverage base them on the average historical "loss ratio" plus a reasonable reserve. This change will not increase costs for growers. RMA will update actuarial documents throughout the year as applicable to fully implement this section. Additionally, in April RMA implemented a prohibition of catastrophic coverage on crops used for grazing by issuing a guidance document to amend the Special Provisions for the annual forage policy.

In May, RMA completed the update to its systems to reflect the permanent enterprise unit subsidy as mandated by the farm bill. Also in May, due to efforts that RMA began last summer, a Whole-Farm Revenue Protection program, as required by the farm bill, was approved by the FCIC Board of Directors. RMA expects the Whole-Farm Revenue Protection product information to be available to farmers later this year in time for producers to make plans and decisions for 2015 crop sales. In mid-May, RMA's Risk Management Education Request for Application (RFA) for Risk Management Education Partnerships grants and Crop Insurance in Targeted States grants were published in the *Federal Register*. These RFAs provide funding opportunities related to financial benchmarking.

Last week RMA published an interim rule on seven sections from the farm bill: highly erodible land and wetland conservation for crop insurance, enterprise units for irrigated and non-irrigated crops, adjustment in actual production history (APH) to establish insurable yields, crop production on native sod, coverage levels by practice, beginning farmer and rancher provisions, and authority to correct errors.

This rule will allow RMA to begin offering some of these benefits to producers as soon as this fall, including the beginning farmer and rancher provisions, the authority to correct errors and make late payments, and restrictions for producers who plant on native sod. RMA expects to offer enterprise units for irrigated and non-irrigated crops and coverage levels by practice for spring crops in 2015. Adjustment in APH will be available for crops planted in the fall of 2015. This was one of the few crop insurance provisions that did not exist in either the House or Senate version of the farm bill prior to conference. While RMA understands how important this provision is to many farmers who have suffered from natural disasters, it is not possible to implement this provision for the 2015 crop year.

The interim rule links eligibility for any premium subsidy paid by FCIC on a policy or plan of federally reinsured crop insurance to be in compliance with Highly Erodible Land Conservation (HELC) and Wetlands Conservation (WC) provisions. Although no producers will lose premium subsidy for the current reinsurance year, "first time compliers" will need to visit a FSA office to certify their compliance if they have not already done so. USDA intends to provide more details on the new

conservation compliance requirements by the fall. New conservation compliance requirement education will be a priority for USDA in the coming months.

RMA plans to release policy materials later this month for SCO, which provides coverage for the layer of risk between 86 percent and the coverage level selected by the insured. This means an insured that elects a 70 percent coverage level could elect to cover an additional 16 percent of risk under SCO. County availability for winter wheat will be published this month. Information for other crops such as corn, grain sorghum, rice, soybeans, spring wheat, and cotton will be made available later this summer or early fall for the spring planting. I am pleased to announce that in addition to these crops, RMA will be able to offer SCO coverage for spring barley beginning in 2015. This fall, RMA will look at additional crops that can receive SCO coverage as well as additional counties. USDA and I understand that producers need as much information as possible regarding when they are required to make their ARC or PLC election because producers who elect ARC on a farm will not be eligible for SCO, and RMA is working to provide additional information on new crops and counties that may have SCO prior to the ARC and PLC election period.

Policy materials and county availability for STAX will be made available in August. RMA anticipates that STAX will be available for over 98 percent of cotton acreage in production. FSA plans to have more information on cotton transition payments available later this summer. For the counties where STAX is not available in 2015, upland cotton producers will be eligible for an additional transition payment.

RMA is also preparing statements of work and cost estimates for contracted feasibility studies on food safety and swine catastrophic loss. In addition, it will be issuing a consultation notice as a first step in the research and development of a policy to insure biomass sorghum and sweet sorghum grown for the purposes of producing a feedstock for renewable biofuel, renewable electricity, or biobased products.

Finally, RMA appreciates that Congress recognized the importance of program maintenance and program integrity by providing \$9 million to conduct policy reviews and to ensure actuarial soundness and financial integrity. As crop insurance continues to be more important to our farmers and ranchers, it is vital that we also protect the interest of taxpayers. This money will enhance RMA's investments from discretionary funding for these activities. At this moment, I would like to express my thanks to the FSA and RMA employees who are working tirelessly to assist the American farmers and ranchers who waited so patiently for these programs. I commend the FSA and RMA employees for their hard work.

In closing, I would like to again thank the Committee for this opportunity to update you on USDA's continued progress in implementing title I and title XI of the 2014 Farm Bill. Farmers, ranchers, rural communities and other USDA stakeholders have waited several years for this legislation, and USDA has made significant progress to implement each provision of this critical legislation.

The CHAIRMAN. Thank you, Michael.

The chair will remind Members that they will be recognized for questions in order of seniority for Members who were here at the start of the hearing. After that, Members will be recognized in order of arrival. And I appreciate our Members' understanding.

I now recognize myself for 5 minutes.

Michael, thank you for all the great work that RMA and FSA and your team have done. You laid out a few of those accomplishments, particularly Livestock Disaster Assistance, and we are truly thankful for the hard work. But under the guise of, "What have you done for me lately?", we will have some questions about some of the things that are yet to be done. I don't want to take the edge off how appreciative we are of what you have accomplished, but there are some things that are of concern to us. I also want to thank your FSA team; they are anxiously waiting for a lot of the stuff that you are trying to kick out to them so that they can actually work with their producers. There is a sincere joint effort in all of that.

Talking about the APH Adjustment, we have had a lot of back and forth with your staff. I need some help understanding why this is going to be so difficult, why you say you can't we get it done in

2015. We had an intern last week pull down 20 years' worth of NASS data for 54 counties in Texas on wheat. It covered about 75 percent of the wheat crop. They did the calculations. They figured out which years could be kicked out under the APH Adjustment. So, if we were able to do that with the resources we had, why can't RMA, with the new resources they have, and the broader access to data that they have, can't get at least a partial roll out of the APH quicker than the 2016 crop year?

Mr. SCUSE. Mr. Chairman, I appreciate the concern about getting the APH done as soon as we possibly can. And we very much would like to do that.

If you look at everything that RMA is going to be rolling out for 2015, and the resources that it takes for the Risk Management Agency to roll out those programs for 2015, it is no small task just on those. One of the reasons why the Risk Management Agency is able to roll out this many programs for 2015, Risk Management Agency looked at the bills that had been passed by the House and Senate previous to the bill that was ultimately passed by both and signed by the President. We anticipated these programs, so we started to work on these programs long before the final bill was passed and signed into law.

The APH was not in any of those previous forms of legislation. And it was a last minute addition to the final farm bill, and one that we did not anticipate having to implement. Having said that, it is not just about going back and getting 20 years of data for every single county, but it is 20 years of data for every single county for every single crop that is grown in that county. And on top of that, we also have to work with our approved insurance providers, the 18 companies out there that are responsible for writing the crop insurance. It is no small effort to do the IT programs for all the commodities that are grown in all of the counties in the entire United States.

So what I am going to offer up, Mr. Chairman, to the Committee, if you will, I will offer up a detailed written explanation of the issues that we are facing in trying to implement APH.

[The information referred to is located on p. 37.]

The CHAIRMAN. Okay. I appreciate that. As I mentioned in my opening statement, the APH Adjustment is self-executing. The law says producers shall be able to do this. Given that, what is going to happen if producers take it upon themselves to make their own adjustments, do their own calculations, and then work through the process? Wouldn't it be better for the Agency to do it *versus* each individual producer taking it upon themselves to say, "Hey, the law says I can do this, and I am going to do it on my own?" What do we tell producers?

Mr. SCUSE. We can't implement something that we do not have the information on.

The CHAIRMAN. Okay.

Mr. SCUSE. And if we do not have the information that has been verified by the Agency, then it is something that is very difficult for—and impossible for us to implement. And on top of that, we also have to—Mr. Chairman, we actually have to go back and work with the companies. We also have to look at the actuarial sound-

ness of these changes and what rates may change because of this legislation.

The CHAIRMAN. Right. I certainly understand the impact on rates, but there is no actuarial soundness to the production issue itself. That is just a fact that is out there though, right? I understand you have something to do after you have the——

Mr. SCUSE. Right. After we get the——

The CHAIRMAN. Right.

Mr. SCUSE. At some point in time, you are going to have to verify the actuarial soundness of these changes.

The CHAIRMAN. Right. All right. Well, we have a few follow-up questions of a more legal nature that we will submit for the record. So with that, I would recognize my Ranking Member for 5 minutes, David?

Mr. DAVID SCOTT of Georgia. Yes. Thank you, Mr. Chairman.

Mr. SCUSE. Yes. Thank you.

Mr. DAVID SCOTT of Georgia. And our Ranking Member of the Full Committee, Mr. Peterson has come in. So I would love to allow him to say something.

The CHAIRMAN. Do you have an opening statement?

Mr. PETERSON. Well, I am going to ask a couple questions. I can do it now or—I thank the gentleman.

The CHAIRMAN. Go right ahead.

Mr. PETERSON. Yes. My concern is on the implementation of the dairy program. I had a discussion with the Secretary last week. So I am a little unclear about exactly what the situation is. But I am concerned that this thing is not going to get rolled out quick enough, and we are going to have a problem getting people to understand this. Talking to dairy farmers in my area, especially the smaller ones, they have no idea that we have done anything. They have no idea that this margin insurance exists. They are not used to going into the FSA office. A lot of them aren't in the program. The rates are in the statute, so there is no rulemaking or anything. The rates are in the statute in terms of what the insurance costs for the different sized producers. The issue is determining what the base is and determining what new producers are—and so forth and so on. But I don't think that is going to affect the decision making.

I just think that you need to get your FSA people up to speed on this. Because in talking to them, they don't know anything about this. I think you need to get this information out for the dairy farmers that this new margin insurance program exists, that these are what the rates are, that they need to start thinking about this. I am just worried that we are going to get a very poor enrollment from what I am hearing out there. And especially because we have some of the best prices we have ever had, and people are going to think, "Well, what the heck, I don't need any insurance, because I have \$20+ milk." Everybody knows high prices bring low prices. It is going to be a problem. So I just think you need to get your FSA people up to speed as soon as you can. You need to get something out to the dairy farmers that this is coming. And you need to do it now instead of in September, I believe. And so I don't know what your timeframe is, but——

Mr. SCUSE. We take the education and outreach for all of these programs very seriously. And I understand your concerns.

The Committee that is working on the dairy program will be in Washington next week. We are going to finalize that program as quickly as we can. And as soon as we finalize it and we have the educational tools from the universities, we will do all the outreach that we possibly can to the industry, working with the industry, working with cooperative extension, working with our Farm Service Agency and the 2,100 offices around the United States. But, Congressman, we take our responsibility for the education and outreach very seriously, and we are going to do everything that we can to reach as many of those producers as we possibly can as soon as we can.

Mr. PETERSON. So from what I understand, you are kind of holding things up until you figure out the answers on the base and the new producers and so forth? You want to have everything done before you roll this out? Is that what I understand?

Mr. SCUSE. Yes. We would like to have it completed before we roll everything out, and answer as many of the questions as we possibly can to eliminate any of the confusion that may exist if we roll it out piecemeal.

Mr. PETERSON. Well, I just don't agree that there is going to be confusion, because the decision that people are going to make is not going to be, in most cases, based on what their base is. That is going to be pretty obvious: 2011, 2012 or 2013 is going to be pretty obvious what is going to be the best situation. Very few people are going to be affected by the new producer stuff and having sold the dairy and so forth. So you are holding up the whole situation over things that are not central to making this decision. The problem I am picking up out there, people have no idea that this even exists. Why couldn't the FSA office, or somebody, send a letter to these dairy farmers saying that there is a margin insurance program coming, these are the rates that are in the statute, we are going to be finalizing the base issues and so forth later on. Just so they understand this is coming, because I am really worried that—

Mr. SCUSE. Congressman, I will take that under consideration. I will go back and look at it and see if we can do something about getting notification out to the dairy producers, just notifying them that this is coming, and the timeframes.

Mr. PETERSON. Yes.

Mr. SCUSE. So I will go back and take a look at it, Congressman.

[The information referred to is located on p. 38.]

Mr. PETERSON. I appreciate that, and I thank the Chairman. I yield back.

The CHAIRMAN. The gentleman yields back. Thank you. I recognize David Scott now for 5 minutes. David?

Mr. DAVID SCOTT of Georgia. Thank you, Mr. Chairman.

Under Secretary, let us go immediately to the point I brought up concerning the treatment of the downward adjustment trend to Georgia and South Carolina peach producers. First of all, we need to correct that. It is very punitive. It is not fair. It is costing. And it is not a level playing field. Can we get your commitment to address this issue for the satisfaction of the peach farmers in Georgia and South Carolina?

Mr. SCUSE. I will do even better than that. We have the Administrator for the Risk Management Agency in South Carolina today

who will be leaving South Carolina and going to Georgia. We are looking at this issue as we speak, and we are taking it very seriously. And we are looking for a solution.

Mr. DAVID SCOTT of Georgia. And what would that solution be? What would be a part of that solution? And will a part of that solution take into consideration that extraordinary freeze in March that affected Georgia and South Carolina to the tune and the losses of millions of dollars? Will that be taken into consideration as well, as you attend to this issue?

Mr. SCUSE. It is—it would be premature for me to speculate on what the solution might be. I haven't—again, the Administrator is down there today and the rest of this week talking with the producers, and talking with the staff. So it would be premature for me to speculate at this time what the solution ultimately will be. But we do take this very seriously.

Mr. DAVID SCOTT of Georgia. Well, would a part of that solution be to give Georgia and South Carolina the same waivers and consideration that you give the other peach growers from Maine to North Carolina?

Mr. SCUSE. That is one of the options we are looking at.

Mr. DAVID SCOTT of Georgia. Good. And would you please work with my office, and the people in Georgia and South Carolina, to give us updates on this?

Mr. SCUSE. Sure. And, again, when the Administrator returns to Washington, as we make progress in this, we will be more than glad to keep your office posted.

[The information referred to is located on p. 39.]

Mr. DAVID SCOTT of Georgia. And let me just ask you, is there—why in the first place would we have these waivers for some peach farmers from Maine to North Carolina and we didn't have it in the first place for South Carolina and Georgia? Is there something I am missing?

Mr. SCUSE. And I can't answer your question. I will get you a response. But that was done before I came into office. But we will get you a response.

Mr. DAVID SCOTT of Georgia. Okay. I just want you to know I am very concerned about that. I would like to work with you and follow-up on that to make sure we correct that to the satisfaction of everyone. Our farmers are faced with tremendously devastating issues right now. It is almost so difficult for them to actually farm for the amount of other things that they have to deal with. Now, let me go to the other issue I raised about this reserve assurance fund for peanuts. Can you tell us about that? And I do recall that we put money in there in this fund. I would like to know how much money did that finally come to, how will that be utilized?

Mr. SCUSE. Congressman, I will be perfectly honest with you. I am not aware of any money that was put in a fund. I do know that there was a requirement for us to come up with a peanut insurance policy. It is one that we have been working on now for quite some years. I know it is of great concern for the producers in your state. We continue to work on a peanut revenue policy. I think the requirement is for us to have one rolled out by 2015. That will depend on a couple different factors, whether we have a—someone do a private submission, or if we have to go out and develop it through

the Risk Management Agency. So it is something that we take very seriously, and we are looking into.

Mr. DAVID SCOTT of Georgia. Okay. And, again, you will keep me appraised of that?

Mr. SCUSE. Yes, sir.

[The information referred to is located on p. 39.]

Mr. DAVID SCOTT of Georgia. I mean, after all, my State of Georgia leads the nation in peanuts and peaches, as well as poultry and pecans.

Mr. SCUSE. Understood.

Mr. DAVID SCOTT of Georgia. Watermelons and blueberries. Thank you, Mr. Under Secretary.

The CHAIRMAN. The bragging is unflattering. Mr. Neugebauer, 5 minutes.

Mr. NEUGEBAUER. Thank you, Chairman Conaway. Thanks for having this important hearing. Mr. Secretary, thank you for being here this morning.

First of all, I want to start off with thanking you for the progress that you have made, and the hard work that your folks are doing to implement this very important farm bill.

Unfortunately, these hearings are generally not about all the things that you are getting done, it is about the things that you didn't get done because those are the things that we are hearing about. You and I had a conversation yesterday about the implementation of the APH. And one of the things that we were talking about was that Congress had put about \$70 million into the implementation for title XI. I think you weren't aware that they had put that much money. You thought that that was for title I, but in fact Congress put \$70 million in for implementation of title XI. And additionally, section 20 provides \$9 million which you mentioned in your testimony, and it gives the Secretary discretion to move these dollars for implementation. I know that you have a lot to implement. I think one of the things that was so important about putting this implementation of the crop insurance, just because some of the commodity titles aren't really eligible for any title I programs. And one of those is cotton. Is there a misunderstanding here about what the money is for and how it should be used? And if so, do we need to clarify that?

Mr. SCUSE. We are definitely going to need to clarify that, because I am not aware of \$70 million for us to implement these policies or provisions for the crop insurance title. So I am at a loss. And we will have to have a follow-up conversation.

Mr. NEUGEBAUER. Please do, because we recognize we have given you a big task to complete in a very short period of time. And so it is my understanding that this money was put into the farm bill. And if it is not, then I stand corrected. But if it is, and you didn't know about it, then we need to clarify that as quickly—

Mr. SCUSE. We certainly do. And we will look to clarify that.

Mr. NEUGEBAUER. I think along those same lines, because what you said was the APH issue wasn't necessarily about the money but just about the timeline, and I guess the importance about if there is a way here to put additional resources to work to speed up that timeline. I think something that Chairman Conaway mentioned that sparked a question on my part is if we do have these

areas where that production history is critical to next year, is there an opportunity for say a partial implementation earlier for some of those areas, for example, Texas, Oklahoma and other states that have been involved in this serious drought so that they can go ahead and benefit from making that election on the production history?

Mr. SCUSE. I can't give you an answer to that right now, because we would have to go back and take a look within the Agency about everything that would be impacted by making that decision. We would also have to go back and talk to the 18 approved insurance providers about the impacts for writing the policy. So there would be a lot of questions that we would have to answer if we were able to—before I could give you an answer on whether or not we would be able to do a partial implementation.

Mr. NEUGEBAUER. Well, the reason that is important is because, as I said, for commodities like cotton, basically the crop insurance program is their safety net. And so delaying the implementation of that becomes a critical issue to them. I want to go back to something else that we had a conversation about. What you and I agreed was that we have lawyers with different opinions, but that is on the enterprise units.

Mr. SCUSE. Yes.

Mr. NEUGEBAUER. The statute says—or the law—the bill said the corporation shall make available separate enterprise units for irrigated and non-irrigated acreage. The current interpretation that your agency has is that if you elect one, you have to elect the enterprise for the other. I do not think that was the original intent. We may try to get the lawyers to take another look at that. But what I would like to hear from you is if in fact we have an unintended consequence there that which caused that interpretation, I would love to hear that you would help support some efforts to clarify that.

Mr. SCUSE. Well, yes, most definitely we will look at getting some additional clarification on the issue. But I do want to point out that under that program previously—under enterprise units, if you had one farm in a county, or five farms, you had to enroll every farm in the enterprise units. Every farm within that county that you were tilling had to be part of that enterprise unit. If you look at how the program has been previously run, and then the legislation now to give you the ability to separate irrigated and non-irrigated, I think that is still keeping with how the original law was intended. And, again, I am not an attorney. I think that was part of what we were looking at when that decision was made.

[The information referred to is located on p. 40.]

Mr. NEUGEBAUER. Well, and one of the things that we tried to do in this farm bill is expand the choices and the opportunities. And so what we did previously, particularly with the fact that we are shifting the safety net to more of a crop insurance oriented—anyway, I would love to—

Mr. SCUSE. And as I pointed out, there is the provision where you can, if you don't want to go with enterprise units, you can get separate insurance for irrigated and non-irrigated, which has been an issue for many of our producers around the United States for a long time. So, that was a really good addition to the farm bill

that is going to help a lot of our producers that have both irrigated and non-irrigated.

Mr. NEUGEBAUER. I yield back.

The CHAIRMAN. The gentleman's time has expired. Mr. Vela, for 5 minutes.

Mr. VELA. Yes. I just have the same concerns that my Texas colleagues do in terms of the implementation of the APH Adjustments. I think you have kind of responded. You are going to come up with a detailed response and explanation on that. When can we expect that?

Mr. SCUSE. We will have that to the Committee next week.

Mr. VELA. Okay. Thank you.

Mr. SCUSE. Okay.

Mr. VELA. Mr. Chairman, I yield back.

The CHAIRMAN. Thank you, Mr. Vela. Mr. Crawford, for 5 minutes.

Mr. CRAWFORD. Thank you, Mr. Chairman.

A quick question on the cotton transition program, Mr. Secretary. Is USDA still on track to conduct a sign-up for the cotton transition program in August and issue payments in October?

Mr. SCUSE. Yes.

Mr. CRAWFORD. Okay. Good. All right. Let me ask you about peanuts. I certainly appreciate the efforts to ensure that peanut revenue coverage is in place for the 2015 crop year. Do you have an update on that, how we are progressing there?

Mr. SCUSE. Again, we have been working on that program now for quite some time. We will continue to look at it and monitor and review any submissions that come before the Board. It would be my wish that we could have something by 2015. But, again, whatever is submitted has to have the approval of the FCIC Board before we can implement it. So if there is approval by the Board for a program this year, we could implement it for the 2015 crop year. Again, as I pointed out, if there is not a private submission that the Board could approve, then we would be tasked to go out and have a contractor develop one on our own in-house. And if that were the case, then the earliest that we would be able to do one would be 2016.

Mr. CRAWFORD. Okay. One of the challenges in particularly my district with rice producers is crop insurance trying to find a crop insurance product that works. There is an authorization for RMA to develop a margin product. It may be a little early. But can you comment on what the progress has been on that?

Mr. SCUSE. It is a bit early to—and premature to comment on anything that we have done so far with that. We do know that it has been an issue for the rice producers. Again, this is something that the rice producers have brought to our attention for several years. And it—and I agree with your point, they are growing a crop in water, so it is not—they are not looking at crop failure. They are looking at revenue.

Mr. CRAWFORD. Right.

Mr. SCUSE. So it does create a little bit of a different scenario for us to get a product for the rice producers out there that they are going to be satisfied with, again that the companies can run that is going to be actuarially sound.

Mr. CRAWFORD. Well, and you mention actuarially sound. And we are only talking about probably this year, 3 million acres at the most, by comparison.

Mr. SCUSE. Yes.

Mr. CRAWFORD. That makes it difficult for an actuary base to exist. Is that a fair statement?

Mr. SCUSE. I think you understand some of the problems that we face in developing a product. Okay.

Mr. CRAWFORD. Well, I just want to kind of keep my eyes on that one for obvious reasons. My district is probably the biggest rice producing district in the country. About  $\frac{1}{2}$  of the rice crop is produced there. Let me switch gears, supplemental coverage option. One of the inequities that is resulting from the delay in SCO implementation is that farmers must elect sometime later this year, or early next year, between PLC and SCO *versus* ARC. For some farmers, SCO won't be available yet. So you can see where the problem exists there. It means that some farmers have to make a choice on whether or not supplemental coverage will be available. Can you comment on—is it safe for them to make that election for the 2015 crop year? Are we going to have that in place?

Mr. SCUSE. This is one of the hopes that the decision tools will be able to provide the information for them. They will be able to plug in the yields, the prices for the different programs, and see the overall impacts and make a decision for when SCO actually becomes available to them. Right now, SCO will be available in the 2015 crop year to 90 percent of the corn farmers in the United States, 90 percent of the soybean farmers in the United States, 95 percent of the cotton producers in the United States, 80 percent of the wheat, and 70 percent of the rice producers. That is for the 2015 year. And we will continue to take a look at that and add to that in the coming year, and for the 2016 crop year. So the majority of producers will have SCO available to them in the 2015 crop year.

Mr. CRAWFORD. Excellent. Thank you, Mr. Secretary. I yield back.

The CHAIRMAN. The gentleman yields back. Mr. Maloney, for 5 minutes?

Mr. MALONEY. Thank you, Mr. Chairman. Again, Under Secretary Scuse, the farm bill contains a number of provisions that help small diversified producers like the ones I represent in the Hudson Valley of New York. And a number of us, including my colleague, Chris Gibson, who represents the same region of New York—a number of us worked on a number of provisions to help those types of farmers. In particular, I am interested in the whole farm revenue insurance program. The Secretary recently announced he thought those programs would be available for the 2015 crop year. I was just hoping you could expand on that and give us a little update on that timeframe and whether you are comfortable with that?

Mr. SCUSE. The whole farm revenue will be available in a pilot in 2015 for the areas where we had AGR and AGR-Lite. And so it will be available to those producers where we had those programs the last few years in a pilot, and then it will be expanded in 2016.

Mr. MALONEY. Well, and you anticipated my next question, which is how will the program, if you can tell us, differ from this existing AGR and AGR-Lite programs?

Mr. SCUSE. I would have to provide that to you in writing what the differences are. There are some differences between how the programs are going to be functioning. But we will provide you those differences in writing.

[The information referred to is located on p. 41.]

Mr. MALONEY. That would be wonderful. Thank you. And as you know, there is also a provision in the bill called the CROP Act, which is dear to my heart, that I worked on. And that would help facilitate the development of new insurance, particularly for these smaller specially crop and diversified family farms that I mentioned. And one aspect of that is to allow the RMA to develop these plans in-house. Is there work being done on that that you can give us an update on?

Mr. SCUSE. We greatly appreciate your efforts and the efforts of other Members of the Committee in getting that language put in there to allow RMA to develop some of these. As you know, there are products out there that some of the larger companies may not want to develop because of the time or the money that it would take and what little return there might be on that investment. And this gives RMA an opportunity to look at some of those products. There has been a demand for crop insurance for additional products now for quite some time. I think this will allow us an opportunity to develop some of those products in-house, and help many of those smaller producers that aren't able to get coverage today. So it is one of the things that we are going to look at as the demand comes in for new products. We will take a look at developing those.

Mr. MALONEY. Is there any specific work being done now?

Mr. SCUSE. Not at this moment. But, again, we continue to look at the demand. And as the demand for products comes in, then we will look at developing some of these products in-house.

Mr. MALONEY. Well, I appreciate that. And I appreciate your attention to that, because it is really very important for the types of farms that we have in the Hudson Valley in New York. So I am very glad to hear that you are eager to utilize those provisions.

Mr. SCUSE. We greatly appreciate that.

Mr. MALONEY. Finally, let me just ask you, sir, a question about fraud and the crop insurance program. You know, we had quite a debate in this Committee around nutrition assistance and around possible fraud in the SNAP program. There has been some attention paid recently to instances of fraud in the crop insurance program. I would like to give you an opportunity to speak about that since there are considerable amounts involved in these programs. Is this a concern? What is being done on it? And can you give us an update on that?

Mr. SCUSE. Well, let me start out by thanking the Members for the money that was added to the title XI to help us look at some of the issues that we have faced. That funding is greatly appreciated.

We are looking at—we do data mining to go back and look at the producers, look at the acreage, look at the yields, look at the in-

come. We also go out and do field spot checks. The Risk Management Agency works with the Farm Service Agency to go out and do those checks to verify production or non-production. We are going to be looking at using some of that funding to hire additional staff, again, to help us look at different policies and additional data mining so that we can have any abuse of the system cut to a bare minimum. So, again, we greatly appreciate the funding that was put in the farm bill for the use for us to look at those issues.

Mr. MALONEY. Thank you. Mr. Chairman, I yield back.

The CHAIRMAN. The gentleman yields back. Thank you. Mrs. Hartzler, for 5 minutes?

Mrs. HARTZLER. Thank you, Mr. Chairman. First, I want to start off and thank you for the good work that you and the USDA has done to implement the Livestock Disaster Programs in such a timely fashion. I can tell you from my constituents in Missouri that the money is going out, and it is very much appreciated. Obviously, they were devastated with those droughts a couple years ago. So we very much appreciate that.

We do have one concern though as it relates to the forage programs and the dairy farmers in our area. As you know grazing dairies intensively manage their operations, and this management practice allows them to meet the greater forage need of the dairy cows in their program. However, the current formulas used by the USDA uses beef cow forage values on a per unit basis that are significantly less than the needs of a dairy cow. And my office and others have raised this issue with the USDA. And I would like to know if the USDA plans to explore this inequity to address the concerns of these operations?

Mr. SCUSE. Thank you. And I visited your state in 2012 on several occasions. And I personally saw the effects of the drought and the impact that it had on your producers. In fact, on April 16, I went back to your state and I visited a dairy operation that we were going to be able to give LFP funding to. So—and they were very appreciative. But we—it is something that we take seriously. This is not the first time the issue has been brought up. There is a difference between dairy operations and beef operations and the pasture, the amount of forage that it does take. It is an issue, and it is something that we are looking into. I don't know that we are going to be able to address the problem. But it is something that we are looking at. And I would ask that the producers—the dairy producers that feel that they have been adversely affected work with Cooperative Extension, get better information and deliver that information to our Farm Service Agency offices so that we will have a better understanding of exactly what the issue is.

Mrs. HARTZLER. Okay. Well, thank you for looking in that. And we will certainly pass that on as well. On another topic, many producers have been chomping at the bit to learn more about the signup for the safety net programs. I understand they may start this fall. And the farm bill provides \$3 million for decision making tools. And the USDA decided to split that money between two separate consortiums of universities. And I want to thank you again that the University of Missouri is part of that. But I was curious. Can you provide a little more insight into the reason USDA decided

to create two separate tools as opposed to focus the resources on just a single tool?

Mr. SCUSE. We discussed that quite a bit about the funding. Of course, we went out—it was an open process. You know, it was open to any university to apply for the funding. When we look at the proposals that came back, and you looked at the proposal from Illinois and A&M, these were two very, very good proposals. One went a little bit further than the other when it came to the dairy and to the NAP buy-up. And we felt that the other proposal was a solid proposal for ARC and PLC. And then if you look at the comfort level for the producers and what they are going to be comfortable—which tool they would be comfortable using, to us it made a lot of sense to split the funding and allow the one group to do ARC/PLC dairy and the NAP buy-up, and then the other group to do ARC and PLC. We just thought it was really good to have two different tools out there for our producers to take a look at.

Mrs. HARTZLER. I am sorry. I just wanted to clarify. Did you say that both of them though will be doing PLC and ARC?

Mr. SCUSE. Both groups will have PLC and ARC.

Mrs. HARTZLER. Now, will that be divided up by county? So if a farmer in one county uses one tool and then somebody—or is it—

Mr. SCUSE. In theory, both tools should work the same way anywhere.

Mrs. HARTZLER. Okay. Just hope it doesn't cause confusion like medical records like—

Mr. SCUSE. Understood.

Mrs. HARTZLER. Electronic medical records.

Mr. SCUSE. One of the things that—one of the requirements is that before these tools are released, they will come back to USDA and they will be tested for accuracy.

Mrs. HARTZLER. Okay. Very good. Well, I have more questions. Time is up. Thank you very much. Thank you, Mr. Chairman.

The CHAIRMAN. The gentlelady yields back. Rodney Davis, for 5 minutes?

Mr. DAVIS. Thank you, Mr. Chairman. And thank you, again, Mr. Scuse, for being here. I appreciated our conversation before the hearing began. And a lot of the questions that I had planned to ask have already been asked. That is the detriment of being a freshman and to being a little further down the dais. But I do want to thank you for what you guys are doing in implementing many of the provisions in the farm bill. As a freshman legislator and as a Member of the conference committee on the farm bill, it has been a great learning experience for me. And it is also something that I look forward to working with your agency on to further our implementation goals.

I had one question though, and it is in regards to the standard reinsurance agreement. And the 2008 Farm Bill authorizes the SRA to be renegotiated every 5 years. And the last SRA was negotiated in 2010 and implemented in 2011. Are there any plans within your Department to renegotiate the SRA next year?

Mr. SCUSE. Not at this time.

Mr. DAVIS. All right. Do you have any plans to renegotiate the SRA down the road?

Mr. SCUSE. I can't make that determination today. I don't know what is going to come down the road. But we have no intentions of renegotiating the SRA next year.

Mr. DAVIS. Okay. Well, I look forward to your written responses to some of the questions that were asked earlier. And I look forward to working with you on implementing some of the new provisions, especially in relation to the crop insurance which is crucial to my district in central Illinois.

And thank you for your visits. And I yield back the rest of my time.

The CHAIRMAN. The gentleman yields back. Mr. Scott, do you want to give it a go?

Mr. AUSTIN SCOTT of Georgia. Thank you, Mr. Chairman. I will do my best to get—I have been a little under the weather lately. But just to share my colleague from Georgia's concerns about the peaches and the peanuts, and certainly appreciate seeing your response to that. And I will submit my other questions in writing. Thank you.

Mr. SCUSE. Thank you.

Mr. AUSTIN SCOTT of Georgia. I yield back.

The CHAIRMAN. The gentleman yields back. Mr. LaMalfa, for 5 minutes?

Mr. LAMALFA. Thank you, Mr. Chairman. Thank you, Mr. Scuse, for appearing here today. I know you have as many different Members as there are here as there are different aspects of the programs you have to administer and make work. So I know it is not easy. As you know in California, we are facing huge drought problems with many constituents affected different ways over—at least over  $\frac{1}{3}$  of the state is suffering under some of the worst of the drought conditions. And it seems to be getting worse. Optimism for the El Niños coming off of—filling up the reservoirs next year. So I don't know. We are looking pretty tough.

Mr. Crawford talked pretty well about some of the rice issues earlier that affect a lot of my constituents. I am a rice grower myself. But also, we have great concerns with our livestock growers as well with the disaster funding that has been very critical for them. And, again, their concern that there has been a backlog ever since the passage of the farm bill that the offices aren't able to keep up with that. And so I know you have staffing issues there. And there is kind of a which one do you work on the most of the different aspects you have to try and catch up to in the short amount of time.

In two of my 11 counties, for example, I represent, cattle outnumber the people. So you can understand how big of a deal this is for those payments to be made for these ranchers up there. And some of them are still waiting on 2013 payments, and that the 2014 payments are going to be behind. So can you just speak briefly about how we can assure them that we are going to catchup to the backlog as you are balancing everything that you are dealing with there?

Mr. SCUSE. Sure. I visited your state earlier this year. I went to one cattle operation. And, unfortunately, the day that I was there, the gentleman was dividing his herd into two. And  $\frac{1}{2}$  the herd was going to be sold that day because of the lack of pasture. I visited

another sheep operation where they could no longer irrigate out of the river because of the salt line, and the cost for drilling a well was going to be prohibitive. So I can appreciate what your constituents are going through.

What we are doing, we have hired temporary staff in offices where we know that we need additional staffing levels. On top of that, we have asked the SEDs in each state to look at their staffing levels, where they currently are, and if they are in non-livestock production areas to see about a temporary shift of those workers into areas where we have the livestock production taking place. So we are looking at different ways to manage—to better manage the resources that we have available so that we can get through the signup.

Mr. LAMALFA. Do you squeeze the balloon there, then it starts to fall short on the PLC program, for example, was—

Mr. SCUSE. Well, that is why we want to get—that is why we want to do the shift now. That is why we want to get as many resources in place today as we can, because we recognize the fact that we are going to have ARC and PLC signup, and we will be hiring additional temporary staff to help us with the signup for ARC and PLC and that work later this year. So we are trying to get as much—keep trying—

Mr. LAMALFA. Would that still be—keep people on time for 2015?

Mr. SCUSE. Pardon?

Mr. LAMALFA. It will still keep people on time for 2015?

Mr. SCUSE. Yes.

Mr. LAMALFA. And then some of the 2014, we are wondering about that. Is that going to catch up here pretty soon for those that are still—

Mr. SCUSE. Yes. You—

Mr. LAMALFA. And adding the 2014 Fiscal Year as well?

Mr. SCUSE. And I appreciate your concern. But we are asked at the Farm Service Agency to do 3 year's worth of work in just a very short time period. The 2008 Farm Bill—these disaster programs expired before the 2008 Farm Bill did. So they weren't in existence in 2012. In 2013, these programs—when the farm bill was extended, these programs were included in that extension but were not funded. And now, if you look at the drought in California, as well as the Southwest, we are now asking our office staff to do 3 years' worth of work in a very short period of time. And in spite of that, I think they are doing a very, very good job. I will brag on my staff. I think I have the best workforce in all the Federal Government in those county offices. So we are looking at managing our resources as best we can to get as much of that backlog taken up as quickly as we can.

Mr. LAMALFA. All right. Maybe you can comment more—my time has expired—on what is it we need to provide either in legislation or funding efficiently to help catch you up even more so, so we don't face 2015 problems. Thank you.

The CHAIRMAN. The gentleman's time has expired. Mr. McAllister, for 5 minutes?

Mr. MCALLISTER. Thank you, Chairman. And thank you, Secretary. I will try to be—me being from Louisiana and being under

the weather, it is probably going to be really tough to understand me. But I will try to be as clear as possible.

I have just a couple of quick questions. We know farmers know how to farm. And when they farm, they do their job. But when it comes to implementation of crop insurance, some of the concerns I have is there are a couple of very important issues that were included in the farm bill. One provision just tells the FSA to be sure to share important information with the producers' crop insurance agent so that the agent has all the information they need to write the policy and not have it canceled because of some error. The provision is really aimed to avoiding errors in the first place. The second provision allows the agents to correct honest errors that have in the past led to the nullification of a policy, which is pretty harsh medicine to the farmer. We certainly hope and expect the Department to implement these provisions in a way that it in fact prevents errors from ever occurring in the first place. But if they do occur, as they will, to allow the errors to be corrected without yanking coverage from a producer. How is this implementation coming on these fronts?

Mr. SCUSE. Those are some of the things that we are looking at and taking very seriously. As you pointed out, we don't want any of our producers to be put at a disadvantage because there may not be proper information. One of the ways that we hope to accomplish this is there was funding in the farm bill for the acreage, crop reporting streamlining initiative. And what this does is this will allow us to share information between the Farm Service Agency, Risk Management Agency and *vice versa*, so that we don't have the two different crop reports, so we don't have a risk of misinformation unintentionally being given to one or the other. So those are some of the things that we are looking at. We also have the system, SCIMS where we can share information between the Farm Service Agency and the Risk Management Agency. So we take that very seriously. And we want to do everything that we can to make sure that our producers have the very best information, as well as their agents.

Mr. MCALLISTER. I appreciate that. And then second is I appreciate all your efforts to ensure that STAX is made available to all the cotton producers in all the counties and parishes in Louisiana, where we have the parishes, in time for the 2015 crop year. But I have heard that you expect the STAX to be made available to about 98 percent of cotton acreage by 2015 crop year. Can you tell us what cotton producing counties or parishes you are having difficulty with, and when you expect those difficulties to be resolved so that we have 100 percent availability?

Mr. SCUSE. Those maps will be released I believe next month, so we will be able to see where these programs are going to be—where they are going to be available. But, again, it is 98 percent of the production will be available to get that product. We are going to release the maps next month.

Mr. MCALLISTER. Okay. Well, I appreciate all the hard work. We know this has been a monumental task. And these are one of the—this is one of the agencies that does work well sometimes. So anything that we can do, we appreciate the hard work. And I yield back my time, Chairman.

Mr. SCUSE. Thank you. And I didn't have any trouble understanding you because Commissioner Strain is a good friend of mine.

Mr. MCALLISTER. There you go.

The CHAIRMAN. The gentleman yields back. Mrs. Noem, 5 minutes?

Mrs. NOEM. Yes. Thank you for being here. I am from South Dakota, so we are home of the disaster of Winter Storm Atlas that hit us last October. And so I want to really tell you how much I appreciate the fact that when we had signup for the Livestock Indemnity Program on April 15, my producers came back telling me that within 6 to 7 days, they had checks in their hands. So that was real help that was desperately needed, especially since we have been hit with the drought of 2012 as well. And so a lot of these guys took two hits right in a row. And that was absolutely devastating for South Dakota. So that gave them a little hope that they would be able to stay on their ranches and maybe someday see cattle back in their pastures. So thank you for that hard work and making it a priority, which we had asked and you really followed through and did that.

I do have some concerns about the Livestock Forage Program, because I understand that there is some backlog that is going on and that you are moving people around trying to deal with the backlog that is happening across the country in some areas. Can you speak to that?

Mr. SCUSE. Yes.

Mrs. NOEM. And also, when you speak to it, give us an update on where we are as far as dollars out the door on the indemnity program and on the forage program, on both of those?

Mr. SCUSE. I don't have that particular breakdown. But if you look at the combination of the both, we are looking at \$1.2 billion in money out the door. The last week of June, for the example, we had just over 17,000 applications done that week. So we are still receiving a tremendous amount of applications. We are looking at not only hiring temporary staff and reallocating resources within the state, but we have also put together jump teams from other states that don't have livestock to go into those states where we do have a backlog and try to deal with that backlog and get it taken care of as quickly as possible. So we have used a combination of things, temporary staff, reallocation of resources in-state, and jump teams from other states to help us get through this.

Mrs. NOEM. Do you have an end date on when—like an occurrence like Winter Storm Atlas that we had—an end date where applications will no longer be accepted?

Mr. SCUSE. I believe—let me get that to you. I believe it is later on this year.

Mrs. NOEM. Okay. Okay. And then we have some—

Mr. SCUSE. January—

Mrs. NOEM. 2015?

Mr. SCUSE. That is really good. January of 2015. I didn't want to give you a wrong date.

Mrs. NOEM. Oh, you have staff back there? Yes, that is great.

Mr. SCUSE. But it is January. I have visited your state.

Mrs. NOEM. Yes.

Mr. SCUSE. I was there after the blizzard. I was there in 2012. And I was also there for the first day of signup on April 15.

Mrs. NOEM. I appreciate that. Also, I have heard some instances where extreme heat losses are not covered. Again, we have that in South Dakota. Unfortunately, while we are a land of extremes, but once in a while we will lose some cattle due to extreme heat and feed lots, especially. Can you speak to why that would happen that there would be a denial based in that program?

Mr. SCUSE. I will have to get back to you on what is and is not covered, because there are some things that are covered under LIP. [The information referred to is located on p. 43.]

Mrs. NOEM. Okay. Yes.

Mr. SCUSE. And then there are other things that are covered, or maybe covered, under the Emergency Livestock Assistance Program.

Mrs. NOEM. Okay. I have another question about conservation compliance, because I am concerned about how that—the rules are being written and how they will be implemented. But the interim rule suggests that all farmers need to sign up for all acres and show that they are in compliance. But yet the law is written such that they will only have to be in compliance on tillable acres that they till each year. So can you speak to why that appears to be being implemented a little bit differently than how the law states that—the law states that they will have to be required annually on tillable acres to be in compliance, rather than the producer having to come in and sign up there?

Mr. SCUSE. Because the conservation is now tied to crop insurance, so it is directly tied to the subsidy for the land that you are farming.

Mrs. NOEM. Yes. But it is only going to be tied to tillable acres?

Mr. SCUSE. I don't—you have to have a—you will have to have a conservation plan for your farm in effect when you sign up to give the 1026 Form, which those that do not currently have a 1026 Form filed with the FSA office will have to do so by the 1st of June next year.

Mrs. NOEM. Okay. So then if a producer is found to be out of compliance in 2015, my understanding is that they could not receive the subsidy in 2016 and could not be reinstated till 2017, which seems as though even if it is a good faith effort, honest mistake, not someone who knowingly violated the conservation practice laws, is that true?

Mr. SCUSE. Yes. If you are not in compliance, you cannot receive the subsidy.

Mrs. NOEM. So even if a producer in 2016 went back in good faith and fixed that conservation practice, they are still going to be ineligible for—

Mr. SCUSE. They are going to be—they will be ineligible for 2016.

Mrs. NOEM. That is a heavy penalty for producers, considering the amount of subsidy on crop insurance policies to not be reinstated until 2017.

Mr. SCUSE. Well, remember, we are asking them to sign up that they will be in compliance on June 15. And then they are given a period of time to come into compliance.

Mrs. NOEM. How long is that period of time?

Mr. SCUSE. They will have until the next—now—I can't answer that right now, because that is going to be in the rule when it is ultimately—

Mrs. NOEM. Well, if they are—and that is what I would like the rule to reflect is that if they are found to be in violation and they can show that it is a good faith mistake, that they didn't knowingly violate their conservation practice, if there is a period of time for them to fix that and come back and repair what was done without losing the subsidy, that is how I would prefer to see it written, because I know producers out there many times are busy. They have a lot of acres they are covering. They may knowingly make a change—or unknowingly make a change, and to make it whole before they lose that subsidy would be the right thing to do.

Mr. SCUSE. Again, they are having—they have the ability to come into compliance before the 2016 crop year.

Mrs. NOEM. Yes, let me know what that timeframe is.

Mr. SCUSE. Okay.

Mrs. NOEM. How much time they—

Mr. SCUSE. They have the ability to come into compliance. That is the way the law is written, before the—crop year so that they will not lose that subsidy.

Mrs. NOEM. Okay. Yes—

The CHAIRMAN. The gentelady's time has expired. Mr. Gibson, your 5 minutes?

Mr. GIBSON. Thanks, Mr. Chairman. And I thank you and the Ranking Member for your leadership in pulling this together today. And, Mr. Under Secretary, thank you. This has been an informative hearing, and I appreciate your leadership and the work of the great Department.

I just have a few points. I just want to follow-up on a few things. The first thing with regard to what Mr. Peterson was talking about earlier, I share the concern that we get the widest dissemination about the margin insurance program. I am doing my part on that doing a series of events to get the word out. I am encouraged to hear you are considering a letter that would go out to dairy farmers. And should you decide to do that, I would love to get a copy of it. Maybe we can get it to the Cornell Cooperative Extension and the Farm Bureau. I can use it, going forward, in radio engagements and the like. I think that is something we can do together, continue to get the word out on that.

Likewise, on risk management—and I appreciated your colloquy with my colleague, Mr. Maloney, and that part of the intent of when we drew up some of the language was to bring in closer the Department with our farmers to collaborate, to take their input as you work together with the RMA to come up with new products. And I am just curious, have you come forward with any processes that would get the input of farmers for these new products?

Mr. SCUSE. Well, the way that this works, I travel a great deal around the country to meet with different producers, as does the Administrator. As I pointed out earlier, Administrator Willis is in South Carolina and Georgia this week. And we get feedback from producers on what products they would like to see us develop. Some of the products that have been developed in the past have come from the agricultural community, because that is what they

have asked us for. We have been asked, for a period of years, for a peanut program and one for rice as well. And these are some of the things that we have taken very seriously and looked at. So a lot of the times, it comes from our visits out in the countryside talking with the producers and what they would like to see. A good example would be several years ago, sweet potatoes in Louisiana, the producers came. There was an opportunity there to have a facility built, but the farmers weren't willing to grow the sweet potatoes unless there was a revenue product or a crop insurance product out there for them. So we worked with them and developed that and helped build an entire industry down there. So that is a good example of how the system works that when they come to us with their concerns or with a product that they would like to have developed, we take it seriously and take a look at it in-house and then see if there is a private submitter that is interested.

Mr. GIBSON. Well, thank you. And on behalf of my colleague, we would invite you to the Hudson River Valley. We have had the Secretary before as well. So our staff will be reaching out. We would love to have an event where you get to hear firsthand, from especially our crop growers, as you pull together these products. So we will be reaching out to your staff on that. And thank you for your willingness to move all about the country on this. It is very important.

Last—similarly, the young farmers program—Sergeant Major Walz and I worked together on that. And I have one of the leaders in the Younger Farmer's Coalition right in our district, Lindsey Shute. And I am curious how the expansion we put in there for this farm bill, how that is coming along, and would likewise offer that if I could be of assistance linking you up with some of the leadership in the Young Farmer's Coalition as you roll out implementation, I would be honored to do it.

Mr. SCUSE. Those benefits for the young and beginning farmer programs will start in 2015. I think those were really outstanding provisions. As you know, the average age of the American farmer continues to get older. I finally surpassed it. But it does continue to increase in age. We need to do everything that we can to get that next generation involved in farming. The Department has worked—it is something that is near and dear to Secretary Vilsack and Deputy Secretary Harden's heart. They have worked very, very hard on some of these programs. And so we take it quite seriously. And we think that these were great additions to the farm bill to help those young producers get started in farming. I think with the—not just the provisions that pertain to them in the farm bill, but the provisions in general in the farm bill that is the safety net that they so desperately need, I think that is a help. And then if you look at the current prices for livestock and some of the grains, good prices help entice the next generation. I think a combination of things, we are looking better.

Mr. GIBSON. Well, thanks, Mr. Under Secretary, and look forward to working with you. With that, I yield back.

The CHAIRMAN. The gentleman's time has expired. Mr. Rogers, for 5 minutes?

Mr. ROGERS. Thank you, Mr. Chairman. I just had a comment. As you know, this farm bill was very difficult to get through Con-

gress. It gets increasingly difficult each cycle. It is very complex politically. And I recognize for you it is going to be very complex undertaking to implement. But I would remind you that there is a whole universe of producers out there that are excited but also anxious about how you are going to choose to implement it. One of the evidences of that came with Kristi Noem's question about this time period. So I would urge you that as you walk along on this that you stay in touch with this Committee about Congressional intent. If you do get to an implementation component that you have questions about, I can assure you that I will meet with you at any time. And I am sure the other Members of this Committee would explain why a provision was inserted, because I can tell you it wasn't easy for us to explain why we put an extra \$100 million in for implementation. So be good with it. And be sure and stay in touch with us.

And that is all I have, Mr. Chairman.

The CHAIRMAN. Thank you. The gentleman yields back. We have time for a second round of questions. I think Mr. LaMalfa has another question and I have a couple more to ask.

Michael, again, I appreciate you being here today. Thank you. Given that we have begun to blend title I and crop insurance and the decision making tools that have been referenced that are about to be released, and that your FSA folks are excited about and so are the producers, can you give us the assurance that RMA and FSA are working together to make sure those decision tools are appropriate with that blend between the two programs? Let us say you have one that does PLC and the other one does—

Mr. SCUSE. I can assure you that they are working closely together. Both of those—the Farm Service Agency and Risk Management Agency, they both are under me. And if I thought for 1 minute that they weren't working together in getting this done, they would know how I feel about it real quick. Let us put it that way.

The CHAIRMAN. It is good to hear that. Thank you. And then following up on conservation compliance: If a producer is in compliance today, as we understand compliance, will they be in compliance, going forward? I mean, are you going to be moving the goal post on them?

Mr. SCUSE. No. No, we are not going to move the goal post. If they are in compliance today, they are in compliance for next—for the next crop—unless they do something—

The CHAIRMAN. Right, right, right.

Mr. SCUSE.—subject to some change. If they don't do anything—

The CHAIRMAN. Yes, subject to some change.

Mr. SCUSE. But if there is no change to their operation—if they are in compliance today—

The CHAIRMAN. If they are in compliance and they don't do any change to get out of compliance, they are good to go?

Mr. SCUSE. No—yes.

The CHAIRMAN. Okay. Thank you. Mr. Scott?

Mr. DAVID SCOTT of Georgia. Thank you very much, Mr. Chairman. Thank you, Under Secretary.

Let me ask you, because there are two safety net issues—risk areas to the future farming, and threats. One we touched upon. And that is you touched upon a little bit earlier. And that is the age of the average farmer is now right at 60 years of age. Each year, it continues to escalate. And I am wondering if the Department—the Agriculture Department is really looking at this in a way in which to truly address this issue. And I know the waiving of \$300 for the administrative fee—I mean, that is sort of like a little—not even a drop in the bucket. And I know you are doing some other things. But why not take a look at the farm bill, and how creative have you all been, in looking at how we can really put some incentives in here to really, truly help beginning farmers? We have land-grant universities, and most of which are in Farm Belt states. Florida, you have University of Florida, and you have Florida A&M University. Alabama, you have University of Alabama, Alabama A&M. Georgia, you have the University of Georgia, you have Fort Valley State, 1890s, 1862s institutions. We put millions of dollars in the farm bill for these. But we do not allow any of that money to be used for scholarships for those who would study Agriculture. Incentives for loan forgiveness for those students who will go into agriculture. I think that would be a very, very important step that we could take forward. Would the Agriculture Department be interested in taking a look at this, and it only would require some language change in the farm bill that would just simply say in addition to research, in addition to the other things that we put in there for these, that some of this money could be used to give kids scholarships to go into agriculture and farming, or pay their loans?

Mr. SCUSE. The Department continually looks at ways to get new people involved in agriculture, whether it be a young producer or someone that is coming out of another occupation, or our veterans. As I pointed out earlier, this is something that the Secretary and the Deputy both take very, very seriously and push very, very hard for us to look at in the Department. We are open, Congressman, to any suggestions.

Mr. DAVID SCOTT of Georgia. Okay. Great.

Mr. SCUSE. If you look at our microloan program and the success of that program that the Department created, and the farm bill increased the funding for that microloan program, that has helped a lot of people get involved in agriculture. But we are open to suggestions and any help that this body can give us.

Mr. DAVID SCOTT of Georgia. Well, that is one we are percolating on, and we will be working with you on that. Another is that some of the groups outside of Congress, like Farm Credit for example, and AgSouth we call it down in our part of the country, have an excellent program that they are moving with with getting beginning farmers. I was wondering if you all at the Agriculture Department were familiar with what Farm Credit was doing and how you might be able to work with them?

Mr. SCUSE. I think if you look at our loan program at the Department, there is a very high percentage of our loans that are targeted for young, beginning and socially disadvantaged producers out there. But, again, we are open to suggestions. Any way that we can

get that next generation or someone new involved, we are looking for suggestions and help.

Mr. DAVID SCOTT of Georgia. Yes. I would encourage you to look at the Farm Credit. Now, the other area to mention, if I may, that we really have to seriously address, and that is workers for these farms and for our producers. I hear it all the time, they can't find workers to pick the blueberries. They are on the ground. They can't find workers to get the peach crop, pecans, so forth. Has the Department taken a strategy of being able to separate this issue and focus on the dire consequences that face this country and the future of agriculture and getting food into Publix and into Kroger for our American people, if we don't have workers, if we don't address this? I mean, there is a cry out there from wherever we hear it throughout the country from our farmers, we need to address this problem. If it is guesswork or whatever it is. And I was wondering if the Agriculture Department is developing a strategy in which they could deal with this in a way away from this—deal with it as a basic labor and economic issue facing the future of farming?

Mr. SCUSE. The labor issue is, as you pointed out, of great concern almost in every state. I think the Secretary, on numerous occasions, as have I when we have had the opportunity, have said that we desperately need for the sake of agriculture, meaningful immigration reform. Agriculture needs a workforce and a workforce that we know will be there, one that we can depend on. I personally have visited farms that had crops rot because we could not get a workforce to harvest those crops. If you look at our processing plants, if you look at our dairy operations, if you look at our fruit and vegetable operations, all of these are very dependent on a workforce. So we have spoken repeatedly on the need for meaningful reforms so that the agricultural community will in fact have that workforce available to them.

Mr. DAVID SCOTT of Georgia. Thank you, Mr. Under Secretary. Thank you, Mr. Chairman.

The CHAIRMAN. The gentlemen's time has expired. Mr. LaMalfa, 5 minutes?

Mr. LAMALFA. Thank you, Mr. Chairman. I will try to move quickly here. There is a lot to cover.

We were talking earlier about the moving around of resources and personnel within USDA to address the backlog—on the livestock, forage program backlog portion. In California, we face droughts. Some areas are having trouble getting grazing permits, as they had been in the past with sage grouse going on, even wild horses. And so especially northeast California faced some really acute problems with grazing there. So can you address this—have you had the opportunity to push the resources up into that portion of the state with the acute problem there is there?

Mr. SCUSE. I am not aware of where we have moved our resources in the State of California. But we could get the information. I can get in touch with our State Executive Director, and we can provide you with that information on what we have done and what the issues are in that part of the state.

[The information referred to is located on p. 43.]

Mr. LAMALFA. All right. I appreciate being able to work with you on that. On the—with the Act in 2014—the Agricultural Act, we

have more important key roles for the FSA and RMA they are going to be taking on. And so in implementing the new law, we are wondering are they going to be able to speak the same language? Because you are going to have growers that are going to have types of crops that are in the category of each of those organizations. And so are they going to be able to coordinate and work well together? Do you see any roadblocks or any hurdles that—

Mr. SCUSE. Congressman, I don't see any issues with us working together through the Farm Service Agency and Risk Management Agency. Both organizations know that we are there for the same purpose, and that is to serve our producers to the very best of our ability. So we will continue to look for ways to work together. I think right now, there are agencies along with NRCS. I think everyone right now is working together more closely than we have at any other time. I know Chief Weller has been great for us to work with at NRCS. We understand the importance of all of us getting together, especially because of this farm bill—

Mr. LAMALFA. Well, being able to share data and things like that should be—

Mr. SCUSE. Yes. And so we understand the importance of working together, sharing the data, sharing the information and trying to get things done for our producers.

Mr. LAMALFA. Good. Thank you. Finally, on specialty crops here, we have, in California, Mr. Gibson was talking about how important they are up in his state. And it is really huge in California, as you know, that the changes involved in the Whole Farm Insurance Program, and that overlaid on top of the catastrophic coverage, we are understanding the requirements there might be that they are going to have to have duplicate coverage for the same proportion of the crop—the amount of crop. I don't think that would really be the intended consequence, but it would make it very, very difficult for specialty crop growers to be able to be in both and participate in both, because it is not going to pencil out for them. So we don't think that was the intention in the farm bill, but we are getting feedback that that might be the direction the USDA is trying to take this. What can you say on that?

Mr. SCUSE. We will take a look at it.

[The information referred to is located on p. 44.]

Mr. LAMALFA. Okay. Because the overlap just blows up the program for the ability of the farmers to be in—the specialty crop growers to be in the catastrophic program as well as overlapping with the other aspects of the two. So anyway, I appreciate the time, Mr. Chairman. Thank you. And I thank you for appearing with us today.

Mr. SCUSE. Thank you.

The CHAIRMAN. The gentleman yields back. Mrs. Bustos, for 5 minutes?

Mrs. BUSTOS. Thank you, Mr. Chairman. Mr. Scuse, thank you for your work on behalf of the American farmer, and especially as it pertains to crop insurance. When I go around and talk to our farmers, it is the issue I hear more about than anything. So thank you for your hard work on that.

As you know, there are as many parts of the country where farmers and many of us have to worry about either too much water or

not enough. And when you have a district like mine where your entire western border is the Mississippi River, and then you have the Illinois running through—the Illinois River running through the southern part, it is—we have had a lot of water, and we have had a lot of rain lately, as you may know. What I am wondering about is producers are dealing with the crop insurance prevented planting rules, and can you walk me through how this policy works for crop insurance?

Mr. SCUSE. Sure. I can give you the basics. Preventive planting, if a producer does not plant the crop and does not harvest, then they will get 60 percent of their premium.

Mrs. BUSTOS. Okay.

Mr. SCUSE. If in fact they end up planting a second crop later on in the year, they will receive 35 percent of the premium. Their yield, that will not be held against them because they—in the first scenario, if they didn't plant it and didn't harvest it, the zero yield would not be held against them. That is the basic.

Mrs. BUSTOS. Okay. So how is prevented planting treated for Actual Production History?

Mr. SCUSE. The zero will not count.

Mrs. BUSTOS. Okay. Okay. All right. Good. That is all I need.

Mr. SCUSE. Okay.

Mrs. BUSTOS. Thank you, sir.

The CHAIRMAN. The gentlelady yields back?

Mrs. BUSTOS. Yes, I do. Thank you.

The CHAIRMAN. Okay. The gentlelady yields back.

Before we adjourn, I would like to invite the Ranking Member, Mr. Scott, for any closing remarks he has. David?

Mr. DAVID SCOTT of Georgia. Thank you, Mr. Chairman. And thank you, Mr. Under Secretary. You have given an excellent presentation, very informative, very straight forward. As you have noted, we have a number of challenges. And we really, really appreciate you looking very, very closely at the Georgia/South Carolina situation regarding peaches and the adjustable downward trend methodology. They hope you will correct that. And we look forward to working with you with my office on that particular issue, as well as moving forward on the peanut issue as well. Thank you very much for being with us.

The CHAIRMAN. The gentleman yields back.

Mr. Scuse, I too want to thank you for your appearance today. You have made reference to the best workforce, particularly at the county level, in the government, and I would not disagree with that. You have great folks. And please express to them our appreciation for the hard work they are doing. A lot of them will work a lot of extra hours over the next several months, making sure the producers that they live next door to are taken care of. It is a labor of love. I want to thank them in advance for all they will do. Thank you to your team and everything that you are working on. I know they are working really hard at it.

I would like to just reiterate one more time how important the Actual Production History Adjustment is and making that work. The intensity of your answer a while ago on making sure that RMA and FSA work together on the decision tools, and that there are no conflicts, I would hope you bring that same kind of intensity to tak-

ing a hard look at whatever the barriers might be with respect to making the Actual Production History Adjustment available to producers, particularly in those areas of our country that have been really hard hit. I don't know it has to be an all-or-nothing kind of circumstance. I would appreciate you continuing to push. If you have the authority to contract out some of that kind of thing, if that needs to get done. It is important to us, I appreciate your efforts so far.

Most of what we have said, we have talked about the things that were of concern, going forward. Again, please don't let that taint the hard work you have already done, and the recognition for what your team has put in place. My producers are just normally anxious at the beginning of every farm bill. This isn't their first rodeo. They have seen it before. Your FSA folks and RMA folks have seen it as well. So we will get through these transition periods, and quickly, hopefully. And with as little impact—negative impact as we can. We know that is your goal. We are on the same side. We just wanted to make sure that we are doing our job to make sure that the resources available to you, that have been made available to you, are properly structured. So again, thank you very much for being here.

Under the rules of the Committee, the record of today's hearing will remain open for 10 calendar days to receive additional material and supplemental written responses from the witness. You have mentioned several times you will get us written responses to some things posed by the Members at this hearing.

The Subcommittee on General Farm Commodities and Risk Management is adjourned.

[Whereupon, at 11:12 a.m., the Subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

SUPPLEMENTARY INFORMATION SUBMITTED BY HON. MICHAEL T. SCUSE, UNDER SECRETARY, FARM AND FOREIGN AGRICULTURAL SERVICES, U.S. DEPARTMENT OF AGRICULTURE

**Insert 1**

The CHAIRMAN. . . .

Mr. SCUSE. .

Talking about the APH Adjustment, we have had a lot of back and forth with your staff. I need some help understanding why this is going to be so difficult, why you say you can't we get it done in 2015. We had an intern last week pull down 20 years' worth of NASS data for 54 counties in Texas on wheat. It covered about 75 percent of the wheat crop. They did the calculations. They figured out which years could be kicked out under the APH Adjustment. So, if we were able to do that with the resources we had, why can't RMA, with the new resources they have, and the broader access to data that they have, can't get at least a partial roll out of the APH quicker than the 2016 crop year?

Mr. SCUSE. Mr. Chairman, I appreciate the concern about getting the APH done as soon as we possibly can. And we very much would like to do that.

If you look at everything that RMA is going to be rolling out for 2015, and the resources that it takes for the Risk Management Agency to roll out those programs for 2015, it is no small task just on those. One of the reasons why the Risk Management Agency is able to roll out this many programs for 2015, Risk Management Agency looked at the bills that had been passed by the House and Senate previous to the bill that was ultimately passed by both and signed by the President. We anticipated these programs, so we started to work on these programs long before the final bill was passed and signed into law.

The APH was not in any of those previous forms of legislation. And it was a last minute addition to the final farm bill, and one that we did not anticipate having to implement. Having said that, it is not just about going back and getting 20 years of data for every single county, but it is 20 years of data for every single county for every single crop that is grown in that county. And on top of that, we also have to work with our approved insurance providers, the 18 companies out there that are responsible for writing the crop insurance. It is no small effort to do the IT programs for all the commodities that are grown in all of the counties in the entire United States.

So what I am going to offer up, Mr. Chairman, to the Committee, if you will, I will offer up a detailed written explanation of the issues that we are facing in trying to implement APH.

*APH Adjustment Issue*

Question. Why isn't the APH provision being implemented sooner?

- One reason RMA was able to implement so much of the farm bill so quickly was that they began preliminary work before the farm bill passed on many of the changes that were consistent between the two bills. For example, the House and Senate each had similar language for SCO and STAX.
- I appreciate that the APH adjustment is important to producers who have suffered multiple years of widespread drought. However, this was one of the very few provisions, as ultimately written, in the Crop Insurance Title that wasn't in either the House or Senate passed version of the farm bill. This provision was significantly revised during Conference.

Question. Why this cannot be completed for 2015?

- Determining what counties qualify
  - There is a significant amount of administrative work involved in not only determining which counties will qualify, but also which historical years will qualify for the yield exclusion. For example, to identify whether crop year 2012 qualifies for exclusion for irrigated corn in 2012, yield data must be compared to crop years 2001–2011, 2011 must be compared to 2000–2010 and so forth, spanning numerous years of past history for which the data is not consistently available for all crops by practice and location. At a minimum, to assess qualifying years back to 2001 requires consistently reported yield data from 1991 to present. This must also be done at the irrigated and non-irrigated practice basis.
  - RMA must establish procedures for how to address sporadic and limited yield histories outside of the primary growing regions to determine qualifying years. This will require decisions regarding imputation, substitution or other

legal alternatives of missing years and data for counties in order to make the option widely available.

- For example, the National Agricultural Statistics Service (NASS) did not publish crop level wheat estimates for Roger Mills County, Oklahoma in 2008 or 2013. In addition, practice specific (irrigated *vs.* non-irrigated) estimates have not been reported since 2007.
  - RMA is establishing a framework to address these situations with the implementation of STAX. RMA intends to use lessons learned from STAX in the implementation of Section 11009 (as well as further refinement and expansion of SCO in 2016 to more effectively align the coverage with practice (*i.e.*, irrigated *vs.* non-irrigated).
  - While the data compiled for SCO could be utilized for Section 11009, this data is largely at the county level and does not reflect or differentiate between irrigated and non-irrigated acreage. RMA intends to utilize crop insurance data for SCO beginning with 2016 that allows for more offers at the practice specific level, at which time APH yield exclusions can also be appropriately aligned.
- IT Issues
    - This complexity also carries over to the IT systems and with the effort involved in SCO and STAX there simply isn't the manpower to get this up and running this year. Adjustments to APH requires substantial programming modifications for RMA's business support systems to accept the APH yield exclusions submitted by insurance providers. RMA has an obligation to consider program integrity and considerations of improper payments with the Improper Payments Elimination and Recovery Act of 2012. RMA verifies the calculation of approved yields in these cases, and validates the year(s) qualifying for the exclusion.
    - RMA's Actuarial Filing System (an RMA Mission Essential Function) has to develop an entirely new actuarial processing standard to detail to AIPs and producers which years are eligible for exclusion appropriately for each crop and county. RMA's Policy Acceptance Storage System (PASS) Yield and Yield History processing records have to be modified to validate proper eligibility for which years can and can't be substituted. This all requires substantial time to reprogram systems.
    - Other considerations that must be addressed for the yield exclusions include validation and edit checks to recognize the excluded years, and including other new farm bill changes like the 80 percent T-Yield plugs for beginning farmer and rancher, conservation compliance, enterprise units by practice, coverage levels by practice, as well as changes in subsidy for beginning farmer and rancher along with crop insurance on native sod that will have indirect impacts stemming from this significant farm bill change. RMA, AIP, and Agent automation tools that include quoting software changes must be made to accommodate all the various choices of yield exclusions and substitutions impacting the overall guarantee and policy premium so producers can make informed buying decisions.
  - In addition, this section requires substantial data analysis and actuarial review/rating adjustments to ensure actuarial soundness and maintain program integrity. By law, RMA must assess actuarial soundness of existing premium rating methodology in light of this provision and make appropriate adjustments, if necessary. To the extent that yield exclusions increase coverage, expected indemnities are also likely to increase requiring RMA to calculate the amount of premium increase that may be needed to cover anticipated losses. In addition, if the premium rate changes needed are outside what the current methodology produces, then an alternative mechanism will be needed for assessing appropriate premium rate charges. The actuarial analysis considerations span roughly 39,000 county crop programs, or half the Federal crop insurance program.

#### Insert 2

Mr. PETERSON. So from what I understand, you are kind of holding things up until you figure out the answers on the base and the new producers and so forth? You want to have everything done before you roll this out? Is that what I understand?

Mr. SCUSE. Yes. We would like to have it completed before we roll everything out, and answer as many of the questions as we possibly can to eliminate any of the confusion that may exist if we roll it out piecemeal.

Mr. PETERSON. Well, I just don't agree that there is going to be confusion, because the decision that people are going to make is not going to be, in most cases, based on what their base is. That is going to be pretty obvious: 2011, 2012 or 2013 is going to be pretty obvious what is going to be the best situation. Very few people are going to be affected by the new producer stuff and having sold the dairy and so forth. So you are holding up the whole situation over things that are not central to making this decision. The problem I am picking up out there, people have no idea that this even exists. Why couldn't the FSA office, or somebody, send a letter to these dairy farmers saying that there is a margin insurance program coming, these are the rates that are in the statute, we are going to be finalizing the base issues and so forth later on. Just so they understand this is coming, because I am really worried that—

Mr. SCUSE. Congressman, I will take that under consideration. I will go back and look at it and see if we can do something about getting notification out to the dairy producers, just notifying them that this is coming, and the time-frames.

Mr. PETERSON. Yes.

Mr. SCUSE. So I will go back and take a look at it, Congressman.

USDA Farm Service Agency will be sending guidance to state offices, including a draft form letter to producers, that can be sent out in advance of the implementation of the program to ensure producers are aware of the program and options available to them.

#### **Insert 3**

Mr. DAVID SCOTT of Georgia. Thank you, Mr. Chairman.

Under Secretary, let us go immediately to the point I brought up concerning the treatment of the downward adjustment trend to Georgia and South Carolina peach producers. First of all, we need to correct that. It is very punitive. It is not fair. It is costing. And it is not a level playing field. Can we get your commitment to address this issue for the satisfaction of the peach farmers in Georgia and South Carolina?

Mr. SCUSE. I will do even better than that. We have the Administrator for the Risk Management Agency in South Carolina today who will be leaving South Carolina and going to Georgia. We are looking at this issue as we speak, and we are taking it very seriously. And we are looking for a solution.

Mr. DAVID SCOTT of Georgia. And what would that solution be? What would be a part of that solution? And will a part of that solution take into consideration that extraordinary freeze in March that affected Georgia and South Carolina to the tune and the losses of millions of dollars? Will that be taken into consideration as well, as you attend to this issue?

Mr. SCUSE. It is—it would be premature for me to speculate on what the solution might be. I haven't—again, the Administrator is down there today and the rest of this week talking with the producers, and talking with the staff. So it would be premature for me to speculate at this time what the solution ultimately will be. But we do take this very seriously.

Mr. DAVID SCOTT of Georgia. Well, would a part of that solution be to give Georgia and South Carolina the same waivers and consideration that you give the other peach growers from Maine to North Carolina?

Mr. SCUSE. That is one of the options we are looking at.

Mr. DAVID SCOTT of Georgia. Good. And would you please work with my office, and the people in Georgia and South Carolina, to give us updates on this?

Mr. SCUSE. Sure. And, again, when the Administrator returns to Washington, as we make progress in this, we will be more than glad to keep your office posted.

USDA Risk Management Agency continues to work on this issue and will schedule a follow-up phone call with Rep. Scott's staff to summarize the resolution for the peach growers in this region.

#### **Insert 4**

Mr. DAVID SCOTT of Georgia. Okay. I just want you to know I am very concerned about that. I would like to work with you and follow-up on that to make sure we correct that to the satisfaction of everyone. Our farmers are faced with tremendously devastating issues right now. It is almost so difficult for them to actually farm for the amount of other things that they have to deal with. Now, let me go to the other issue I raised about this reserve assurance fund for peanuts. Can you tell us about that? And I do recall that we put money in there

in this fund. I would like to know how much money did that finally come to, how will that be utilized?

Mr. SCUSE. Congressman, I will be perfectly honest with you. I am not aware of any money that was put in a fund. I do know that there was a requirement for us to come up with a peanut insurance policy. It is one that we have been working on now for quite some years. I know it is of great concern for the producers in your state. We continue to work on a peanut revenue policy. I think the requirement is for us to have one rolled out by 2015. That will depend on a couple different factors, whether we have a—someone do a private submission, or if we have to go out and develop it through the Risk Management Agency. So it is something that we take very seriously, and we are looking into.

Mr. DAVID SCOTT of Georgia. Okay. And, again, you will keep me apprised of that?

Mr. SCUSE. Yes, sir.

USDA Risk Management Agency continues to work on this issue and will schedule a follow-up phone call with Rep. Scott's staff to summarize the status of the peanut revenue policy.

#### Insert 5

Mr. NEUGEBAUER. The statute says—or the law—the bill said the corporation shall make available separate enterprise units for irrigated and non-irrigated acreage. The current interpretation that your agency has is that if you elect one, you have to elect the enterprise for the other. I do not think that was the original intent. We may try to get the lawyers to take another look at that. But what I would like to hear from you is if in fact we have an unintended consequence there that which caused that interpretation, I would love to hear that you would help support some efforts to clarify that.

Mr. SCUSE. Well, yes, most definitely we will look at getting some additional clarification on the issue. But I do want to point out that under that program previously—under enterprise units, if you had one farm in a county, or five farms, you had to enroll every farm in the enterprise units. Every farm within that county that you were tilling had to be part of that enterprise unit. If you look at how the program has been previously run, and then the legislation now to give you the ability to separate irrigated and non-irrigated, I think that is still keeping with how the original law was intended. And, again, I am not an attorney. I think that was part of what we were looking at when that decision was made.

Question: Why has the Risk Management Agency (RMA) written the new regulations regarding enterprise units for irrigated and non-irrigated acreage to require an insured producer to qualify independently for each practice in order to be eligible as opposed to allowing Enterprise units on one practice coupled with non-enterprise units on the other practice?

Response: Section 11007 states that “the Corporation shall make available separate enterprise units for irrigated and non-irrigated acreage of crops in counties.” We believe that this section simply allows an existing enterprise unit, as currently defined in the crop insurance policy, to be divided into two enterprise units, one for irrigated and one for non-irrigated acreage. Since nothing in the section otherwise modifies the existing definition of an enterprise unit, each of these units must still qualify as enterprise units as defined in the policy. This definition requires an enterprise unit to include all the acreage of the crop in the county, and such acreage must be located in two or more sections, section equivalents, FSA farm serial numbers, or units established by written agreement. In addition, two or more of the sections, section equivalents, FSA farm serial numbers, or units established by written agreement must each have planted acreage that constitutes at least the lesser of 20 acres or 20 percent of the insured crop acreage in the enterprise unit. Section 11007 does not provide RMA authority to define an enterprise unit differently for different purposes. This means that acreage not meeting all the requirements for an enterprise unit cannot qualify as enterprise units.

This is consistent with the premise of enterprise unit construction stemming from the 2008 Farm Bill, and follows current rules for an enterprise unit (EU) which requires all the acreage within a county to be in one EU. The new policy provision published in the Interim Rule follows similar rules, and allows for one EU to be subdivided into two EU's, one for all the irrigated acreage in the county and one for all the non-irrigated acreage in the county.

If a producer does not qualify for separate irrigated and non-irrigated EUs, there are two options based on the timing of the discovery: (1) If the discovery is made on or before the acreage reporting date (ARD) the insured may have one EU, if they

qualify, which is the same as current rules. Or they will have basic (BU) or optional (OU) units depending on which unit structure the insured has reported on the acreage report; and (2) If the discovery is made after ARD, the policy allows the insured to have one EU if they meet the qualifications, or a BU will be assigned. In addition, allowing EU for one practice and another unit structure for the other practice complicates program administration and premium subsidy determinations.

Meeting the enterprise unit requirements specified above is critical in justifying, on an actuarially soundness basis, the current enterprise unit discount. For example, to qualify as an enterprise unit, the producer must have acreage planted in least two sections, with a minimum of 20 acres (or 20 percent of all acres) of the unit in each section. This is because the enterprise unit discount, and the higher premium subsidy that goes with it, is based on the risk-reducing effects of spreading production over a wider area. For example, if you currently have a 500 acre EU made up of both irrigated and non-irrigated acreage, and you decide to have separate EUs by irrigated and non-irrigated practice, the smaller premium discount associated with 250 acres will apply to EU by practice instead of the larger premium discount associated with what would have been the 500 acre EU.

The larger the enterprise unit, the lesser the risk and the greater the enterprise unit discount. To the extent smaller tracts of land may be considered as enterprise units, the average size of the discount diminishes and the premium subsidy will be commensurately reduced.

Subdividing EU's by practice has implications for the EU subsidy. The 2008 Farm Bill directed RMA to set the EU subsidy rates such that a grower would get about the same number of subsidy dollars per acre as if he or she had selected optional or basic units. For example, if EU's are around 30 percent cheaper (due to lower risk), then the EU subsidy rate would need to be 30 percent greater to keep the number of subsidy dollars the same with optional/basic units.

The reduction in risk for EU's is due to their size and geographical spread. On average, the bigger the EU, the more that risk is diversified away, and the bigger the discount.

The 2014 Farm Bill now allows for EU to be subdivided, which undermines the risk reducing effects of combining land together, and reduces the EU discounts. The smaller discounts require decreased subsidy rates to equalize the subsidy dollars between EU's and optional/basic units

The more that EU's start to resemble optional/basic units, the more that the EU subsidy rates will resemble those for optional/basic units.

The enterprise unit qualification standards are intended to ensure that only those producers whose risks have truly been reduced receive the additional benefit of the enterprise unit discount and increased subsidy. For example: Allowing a producer to choose EU on irrigated acreage and optional units on non-irrigated acreage because the non-irrigated acreage is in locations more susceptible to early season flooding, and other acreage more prone to later season drought and hail, would not necessarily be reducing their risk, but adversely selecting against the program while taking advantage of increased subsidy on the least risky acreage.

#### **Insert 6**

Mr. MALONEY. . . . In particular, I am interested in the whole farm revenue insurance program. The Secretary recently announced he thought those programs would be available for the 2015 crop year. I was just hoping you could expand on that and give us a little update on that timeframe and whether you are comfortable with that?

Mr. SCUSE. The whole farm revenue will be available in a pilot in 2015 for the areas where we had AGR and AGR-Lite. And so it will be available to those producers where we had those programs the last few years in a pilot, and then it will be expanded in 2016.

Mr. MALONEY. Well, and you anticipated my next question, which is how will the program, if you can tell us, differ from this existing AGR and AGR-Lite programs?

Mr. SCUSE. I would have to provide that to you in writing what the differences are. There are some differences between how the programs are going to be functioning. But we will provide you those differences in writing.

USDA's Risk Management Agency shared information highlighting the key differences between Whole Farm and AGR/AGR-Lite with Rep. Maloney's staff the week of July 14. A summary is below and a table is attached with more details.

- Whole-Farm Revenue Protection covers 50 to 85 percent of revenue. AGR/AGR-Lite previously covered 65–80 percent. The change reflects diversified farmers

who wanted to be able to insure lower levels and farmers that were not as diversified that wanted to be able to purchase higher levels of coverage.

- The Whole-Farm Revenue Protection product does not have ‘payment rates’ that were present in the AGR/AGR-Lite programs (75% and 90%) so once the loss threshold is met, 100 percent of the loss is paid.
- Sales closing dates for Whole-Farm Revenue Protection will be the spring sales closing dates applicable for the county, or January 31, February 28, and March 15. Previously AGR had a sales closing date of January 31 in all areas and AGR-Lite allowed new insured’s to purchase their policy on March 15 but returning insured’s had to purchase by January 31.
- Liability limits—Whole-Farm Revenue Protection has an \$8.5 million liability limit compared to the AGR limit of \$6.5 million and the AGR-Lite limit of \$1 million. Eligibility also requires no more than 35 percent or \$1 million of expected revenue to come from animals and animal products. AGR previously had a 35 percent limitation for animals and animal products to a maximum of 35 percent or \$1 million and there was not a limit for AGR-Lite. Whole-Farm Revenue Protection also has an eligibility requirement of no more than 35 percent or \$1 million of expected revenue from greenhouse/nursery and neither AGR/AGR-Lite had this limit.
- The Whole Farm Revenue Protection recognizes that farm operations may be expanding and that prices change over the years and includes a new calculation in the determination of the amount of insured revenue that allows for expanding operations in addition to the indexing procedure that was also available in the AGR/AGR-Lite programs.
- Whole-Farm Revenue Protection has a “market readiness” feature that allows the value of washing, trimming, packing, packaging, labeling, and any other similar on-farm activity that is the minimum necessary to make the commodity market ready to not be deducted from the revenue amount insured. (Not covered under market readiness are activities that change the form of the commodity (such as slicing apples), storage costs, added value (gift baskets/wine, etc.), or any off-farm activities.)
- Replanting coverage—Under Whole-Farm Revenue Protection, producers may receive payment for replanting annual crops, when appropriate. This coverage was not available under AGR/AGR-Lite.
- The new Whole-Farm Revenue Protection product requires a Farm Operation Report to be filed during the common acreage reporting period of July which is a new requirement that was not previously present in AGR/AGR-Lite.

**Whole-Farm Revenue Protection  
What Changed Compared to AGR and AGR-Lite?**

[As of July 30 2014.]

Comparison	AGR-Lite	AGR	WFRP
Liability Limit	\$1 Million	\$6.5 Million	\$8.5 Million
Coverage Level	65, 75, 80*	65, 75, 80*	50–85 in 5% increments
One Commodity	No Restriction	No Restriction	3 Commodities for 80 and 85% Not eligible for WFRP if only one commodity and that commodity has an MPCl revenue product available.
Payment Rate	75, 90	75, 90	None
Animal or Animal Product Limit	None	35% of Expected Income	35% of expected revenue up to \$1 million (Max)
Nursery and Greenhouse Limit	None	None	35% of expected revenue up to \$1 million (Max)
Potato Requirement	Minimum of 2 Commodities (with calculation)	Minimum of 2 Commodities (with calculation)	Minimum of 2 Commodities (with calculation)
Replant Payments	None	None	Up to 20 percent of expected revenue for annual commodity with 20 acres or 20 percent of crop needing replant. Not allowed if also insured under MPCl with replant provisions.
Other Federal Crop Insurance	Optional	MPCl required if 50% of expected income from MPCl crops and allowed otherwise—CAT level allowed	Optional—MPCl allowed—No CAT level MPCl allowed.

**Whole-Farm Revenue Protection—Continued  
What Changed Compared to AGR and AGR-Lite?**

[As of July 30 2014.]

Comparison	AGR-Lite	AGR	WFRP
Market readiness amounts left in insured revenue	No	No	Yes
Expanding operations	No	No	Average allowable historic revenue increased by 10% if approved by AIP, to allow for minor farm growth that might not trigger indexing.
Cancellation/Termination	31-Jan	31-Jan	Same as sales closing date for county. (2/28, 3/15)
Contract Change	31-Aug	31-Aug	31-Aug
Sales Closing Date	March 15 New Jan 31 Carryover	31-Jan	In Actuarial Documents—same as dates for spring crops for county: 2/28 and 3/15 depending on county
Rating Methodology	Same as AGR	Rates revenue variability of individual commodities.	Same as AGR

\* 3 Commodities.

**Insert 7**

Mrs. NOEM. I appreciate that. Also, I have heard some instances where extreme heat losses are not covered. Again, we have that in South Dakota. Unfortunately, while we are a land of extremes, but once in a while we will lose some cattle due to extreme heat and feed lots, especially. Can you speak to why that would happen that there would be a denial based in that program?

Mr. SCUSE. I will have to get back to you on what is and is not covered, because there are some things that are covered under LIP.

Extreme heat is an eligible cause of loss under LIP. An eligible livestock owner on a farm that retains ownership in livestock that are being fattened in a feedlot and that die in the feedlot due to an eligible adverse weather event, such as extreme heat, will be eligible for compensation under LIP, if all other eligibility conditions under the program are met.

**Insert 8**

Mr. LAMALFA. Thank you, Mr. Chairman. I will try to move quickly here. There is a lot to cover.

Mr. LAMALFA. Thank you, Mr. Chairman. I will try to move quickly here. There is a lot to cover.

We were talking earlier about the moving around of resources and personnel within USDA to address the backlog—on the livestock, forage program backlog portion. In California, we face droughts. Some areas are having trouble getting grazing permits, as they had been in the past with sage grouse going on, even wild horses. And so especially northeast California faced some really acute problems with grazing there. So can you address this—have you had the opportunity to push the resources up into that portion of the state with the acute problem there is there?

Mr. SCUSE. I am not aware of where we have moved our resources in the State of California. But we could get the information. I can get in touch with our State Executive Director, and we can provide you with that information on what we have done and what the issues are in that part of the state.

USDA sent the attached summary of applications and payments in Rep. LaMalfa's district on July 16, 2014.

**Livestock Programs in CA-1 (LaMalfa)**

[July 21, 2014]

**2013 NAP:**

Butte County—12 producers have grazing coverage; seven have filed an application for payment for grazing and seven of those have been paid.	
Total NAP paid as of today .....	\$77,096
Glenn County—46 producers have grazing coverage; 46 have filed an application for payment for grazing and 42 of those have been paid.	
Total NAP paid as of today .....	\$1,308,617

**Livestock Programs in CA-1 (LaMalfa)—Continued**

[July 21, 2014]

Lassen/Plumas/Sierra Counties—23 producers have grazing coverage; six have filed an application for payment for grazing and five of those have been paid. Total NAP paid as of today .....	\$72,727
Modoc County—33 producers have grazing coverage; zero have filed an application for grazing and zero have been paid	
Shasta County—26 producers have grazing coverage; eight have filed an application for payment for grazing and six of those have been paid. Total NAP paid as of today .....	\$78,401
Siskiyou County—200 producers have grazing coverage; 13 have filed an application for payment for grazing and 13 of those have been paid. Total NAP paid as of today .....	\$99,149
Tehama County—56 producers have grazing coverage; 39 have filed an application for payment for grazing and 34 of those have been paid. Total NAP paid as of today .....	\$740,854
<b>LFP for 2012, 2013, and 2014:</b>	
Butte—36 payments .....	\$459,165
Glenn—60 payments .....	\$1,662,696
Lassen/Plumas/Sierra—58 payments .....	\$1,899,892
Modoc—60 payments .....	\$1,584,807
Shasta—15 payments .....	\$182,646
Siskiyou—87 payments .....	\$1,127,861
Tehama—60 payments .....	\$1,418,689
<b>CA Statewide FLP Totals:</b>	
2012 Applications—558 Payments .....	\$2,651,413
2013 Applications—1,457 Payments .....	\$18,100,517
2014 Applications—1,539 Payments .....	\$26,563,694
Total Applications—3,554 Total payments .....	\$47,315,694

**Insert 9**

Mr. LAMALFA. Good. Thank you. Finally, on specialty crops here, we have, in California, Mr. Gibson was talking about how important they are up in his state. And it is really huge in California, as you know, that the changes involved in the Whole Farm Insurance Program, and that overlaid on top of the catastrophic coverage, we are understanding the requirements there might be that they are going to have to have duplicate coverage for the same proportion of the crop—the amount of crop. I don't think that would really be the intended consequence, but it would make it very, very difficult for specialty crop growers to be able to be in both and participate in both, because it is not going to pencil out for them. So we don't think that was the intention in the farm bill, but we are getting feedback that that might be the direction the USDA is trying to take this. What can you say on that?

Mr. SCUSE. We will take a look at it.

USDA sent a response to Rep. LaMalfa's office on July 29th via e-mail. A copy of the response follows.

RMA is aware of the questions regarding: (1) CAT level insurance with Multi-Peril Crop Insurance (MPCI), and (2) the requirement of corresponding coverage levels when underlying MPCI coverage is purchased with Whole Farm Revenue Policy (WFRP), as we recently received comments from several of our companies who provided reviews of the WFRP policy.

These questions refer to the dual insurance provisions that allow an insured to buy individual coverage policies under MPCI insurance along with their WFRP insurance. This allows producers to tailor their risk management to still allow individual coverage for a commodity if they so choose without eliminating their ability to insure the rest of their commodities under WFRP. When an insured covers their farm under both types of crop policies, an adjustment to the WFRP premium is made to account for the coverage provided under the MPCI policy. In return, any indemnity paid under the MPCI policy is counted as revenue to count and reduces indemnity paid under the WFRP policy. RMA is working to assure that the premium adjustments made actuarially sound and accurately reflect the remaining risks. Offsetting the individual policy indemnity payments from the WFRP indemnity should ensure that producers do not receive disproportionate benefits.

RMA is in the process of finalizing the WFRP policy and program materials and we are still evaluating these recently identified issues raised regarding coverage level requirements. We will be happy to provide an update once this is finalized.

## SUBMITTED LETTER BY TEXAS WHEAT PRODUCERS ASSOCIATION

BRANDON WILLIS,  
*Administrator,*  
 Risk Management Agency, U.S. Department of Agriculture,  
 Washington, DC 20250

Administrator Willis;

On behalf of the more than 35,000 wheat growers in Colorado, Kansas, Oklahoma and Texas, we are writing to urge you to implement the actual production history (APH) adjustment provisions of the Agricultural Act of 2014 in time for the 2015 crop year.

In the most recent farm bill debate, producers made great sacrifices and worked with decision-makers to implement changes to farm safety net programs that drastically reduced the level of support and predictability traditionally provided by Federal farm programs. Producers were willing to make these sacrifices largely due to the ongoing coverage provided by the Federal Crop Insurance Program and key improvements to the program included in the final bill.

Many of the changes contained in the Agricultural Act of 2014 recognized crop insurance as the center of our modern safety net. Unfortunately, many of our growers have been stuck in the worst drought since the Dust Bowl of the 1930s and have found their crop insurance coverage diminishing at an alarming pace. Back-to-back drought years have reduced producers' APHs to levels that no longer reflect even average production expectations, therefore reducing crop insurance guarantees. Additionally, producers across this region will suffer the effects of this drought for years to come as their APHs are continually punished because a one-in-eighty year drought is included in their 10 year production history.

The farm bill was authored at the height of a drought that gripped the Plains states. In an analysis using National Agricultural Statistics Service data for Colorado, Kansas, Oklahoma and Texas, we estimate that more than 1/2 of the 22 million annually planted wheat acres across these four states would be eligible to drop their 2013 wheat yield due to the severity of the drought. We believe that further analysis would reveal even more eligible years of production due to the ongoing nature of the current drought.

Implementing these provisions in time for the 2015 crop year would allow wheat producers across this region the opportunity to further protect their farms from the effects of drought. While the implementation of these provisions will provide benefits to growers across the country when future adverse weather conditions occur, it will make an immediate and lasting impact for our growers who have been operating under extreme drought conditions. We realize that a change to the APH calculation isn't as simple as flipping a switch. If it is not feasible to implement these provisions nationwide for the 2015 crop year, we ask that they be implemented for growers in states experiencing persistent drought to provide growers the needed benefits of the new provision while not over-burdening your agency.

Thank you for your consideration,

Sincerely,

Colorado Association of Wheat Growers;  
 Kansas Association of Wheat Growers;  
 Oklahoma Wheat Growers Association;  
 Texas Wheat Producers Association.

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 SUBMITTED QUESTIONS

**Response from Hon. Michael T. Scuse, Under Secretary, Farm and Foreign Agricultural Services, U.S. Department of Agriculture**

*Questions Submitted by Hon. Frank D. Lucas, a Representative in Congress from Oklahoma*

Supplemental Coverage Option

*Question 1.* We believe the SCO rule as implemented so far looks good. We would note particularly that the wording is cleared up concerning interaction between SCO and ARC by determining SCO eligibility by farm number and we believe that this is a good solution to what could have been a real implementation problem. Thank you.

We would note one typo and observe one problem on the 2015 wheat deadline to drop SCO if a producer elects ARC. The typo is on page 2, in the second column, in the sixth line from the top. The reference is 5(a) and it ought to be 6(a). The

sentence should read: "Premium for this Endorsement is calculated by multiplying your supplemental protection from section 6(a) by the premium rate and any premium adjustment percentages that may apply." Is our understanding correct?

*Answer.* The Supplemental Coverage Option (SCO) endorsement released by RMA on its website correctly refers to 6(a). The SCO endorsement can be found at the following link: <http://www.rma.usda.gov/policies/2015/15sco.pdf>.

*Question 2.* Section 11003 requires that the Supplemental Coverage Option (SCO) be available to all producers on all insurable crops. The provision became effective on the date of enactment, February 7, 2014, but the statement of managers clarified that SCO would be made available in time for the 2015 crop year to allow ample time for implementation. However, the Risk Management Agency (RMA) has indicated that SCO will only be available on corn, soybeans, wheat, cotton, rice, spring planted barley, and grain sorghum and then only in certain counties. The SCO provision has been in each legislative draft of the farm bill since 2011 giving RMA significant lead time to examine what would be needed to ensure full and timely implementation.

*Answer.* RMA has made every effort to make SCO as widely available as possible given the time frame between the enactment of the 2014 Farm Bill, the work needed to make sure SCO meets the applicable requirements of the Federal Crop Insurance Act, and contract change dates for the 2015 crop year. When SCO first appeared in earlier drafts of the farm bill, RMA began reasonable planning/development efforts—and is why RMA was able to implement SCO in time for the 2015 crop year for a number of crops. While the appearance of SCO early in the farm bill process allowed time for preparation, there were limits to what could be done for a provision that was not yet law.

The initial crops covered by SCO already had area-based insurance coverage developed, making implementation more straightforward. Expanding SCO beyond these crops required significantly more time and development and the process could not be undertaken until the farm bill was enacted.

*Question 2a.* Please provide specific timelines regarding the following: (a) the scheduled availability of SCO in all counties with respect to corn, soybeans, wheat, cotton, rice, spring planted barley and grain sorghum; (b) the scheduled availability of SCO for all other title I commodities in all counties; (c) the scheduled availability of SCO with respect to non-title I commodities. Please explain the reasoning behind each timeline. We request such timelines as part of these questions submitted to you for the record.

*Answer.* On November 19, 2014, RMA published a list of crops that it will analyze during the 2015 calendar year to determine if sufficient data exist to offer SCO for the 2016 crop year. In addition, RMA is currently looking at expanding availability for corn, soybeans, wheat, cotton, rice, spring planted barley and grain sorghum, which were first made available in the 2015 crop year for which it previously had group risk plans of insurance developed, making implementation more straightforward.

*Question 3.* SCO is designed to supplement individual insurance policies (not just revenue policies), so delayed implementation of the peanut revenue policy should not prevent timely implementation of SCO for peanuts. Why will SCO not be available to peanut producers for the 2015 crop year?

*Answer.* RMA first made SCO available for crops covered by existing area-based risk plans of insurance making implementation more straightforward. While crop provisions were previously in place for a peanut area-based insurance plan, the peanut area coverage was discontinued in December 2009 due to little or no business and changes in the peanut industry. For 2016, RMA will strongly consider SCO for peanuts. RMA does intend to offer a peanut revenue policy for 2015.

*Question 4.* Given that SCO triggers on an area wide basis, to what extent might currently uncovered counties be covered by triggering indemnities for producers in those counties based on losses experienced by similarly situated covered counties?

*Answer.* In counties where there is insufficient data to establish SCO coverage, the use of data from the NASS crop reporting district, which includes other counties, was considered and utilized for spring crops. For SCO cotton, RMA has examined the use of data from specific, similarly-situated, counties to establish coverage (based on the development efforts for STAX). This approach is planned to be extended to other SCO crops for 2016.

*Question 5.* The farm bill statement of managers expressed our intent that SCO yield and revenue policies be available to hybrid seed crops. What is the status of implementation?

*Answer.* RMA understands the intent of the Managers and is working to make SCO available to the broadest number of crops possible. RMA included Hybrid corn

and grain sorghum seed on a list published November 19, 2014, of crops RMA will analyze to potentially offer SCO for the 2016 crop year.

*Question 6.* The farm bill statement of managers expressed the intent that SCO be made available on a yield basis for cottonseed. What is the status of implementation?

*Answer.* RMA is strongly considering cottonseed for SCO for the 2015 crop year.

*Question 7.* The farm bill statement of managers expressed the intent that Area Risk Protection Insurance be made available to popcorn producers under written agreement until the policy is amended to allow for this. What is the status of implementation?

*Answer.* Area Risk Protection Insurance (ARPI) for popcorn was recently approved by the Federal Crop Insurance Corporation Board of Directors, and is planned for implementation for the 2016 crop year.

#### Enterprise Units by Practice

*Question 8.* Section 11007 reads as follows: “Beginning with the 2015 crop year, the Corporation shall make available separate enterprise units for irrigated and non-irrigated acreage of crops in counties.”

We understand that RMA interprets this text to mean that if a producer elects to insure an irrigated crop of a commodity on an Enterprise Unit (EU) basis that the producer must also insure the non-irrigated crop of the commodity on an EU basis. RMA has offered a number of reasons why the agency arrived at this conclusion.

The first we understood to be a legal justification that the conjunction “and” in the section requires this result. However, had Congress used the conjunction “or” RMA might have just as easily maintained that the agency is free to make available EU for one practice or the other but is not required to make EU available with respect to both practices. The statutory text states that “the Corporation shall make available separate enterprise units” but the text does not require a producer to actually elect EUs with respect to both practices. The producer is free under the text to elect EU for both practices or elect EU for only one practice while electing optional or basic units for the other.

*Answer.* See response to *Question 8a*.

*Question 8a.* During the hearing, Under Secretary Scuse requested and was granted the opportunity to reply in writing to certain questions of Committee Members. In answer to the question regarding this particular issue, the written response of RMA was, “We believe that this section simply allows an existing enterprise unit, as currently defined in the crop insurance policy, to be divided into two enterprise units, one for irrigated and one for non-irrigated acreage. Since nothing in the section otherwise modifies the existing definition of an enterprise unit, each of these units must still qualify as enterprise units as defined in the policy . . . Section 11007 does not provide RMA authority to define an enterprise unit differently for different purposes.” With respect, statutory text enacted into law as part of the farm bill that amends another act of Congress, the Federal Crop Insurance Act (FCIA), is not required to conform to preexisting agency regulations which are subordinate to statutory text. Rather, agency regulations are meant to conform to statutory text. The statutory text supports, and is certainly not inconsistent with, the Congressional intent that a producer be able to elect an EU for all of a crop in a county produced under, for example, a non-irrigated practice without having to elect an EU with respect to the same crop in the county produced under an irrigated practice. In fact, this flexibility is precisely a part of the objective of section 11007 of the 2014 Farm Bill.

*Answer.* RMA believes the Interim Rule regarding Section 11007 is consistent with the statute. RMA is currently evaluating comments provided to the Interim Rule that implemented this provision.

*Question 8b.* Although the agency relies on the 2008 Farm Bill provisions to support this interpretation, nothing in the statutory text nor the statement of managers in that Act supports—much less requires—the agency’s reading of the situation. In fact, we are deeply troubled by a paragraph in the answer to the question that reads in part: “The 2014 Farm Bill now allows for EU to be subdivided, which undermines the risk reducing effects of combining land together, and reduces the EU discounts. The smaller discounts require decreased subsidy rates to equalize the subsidy dollars between EU’s [sic] and optional/basic units.” The response continues at some length on this point declaring that under certain conditions “the premium subsidy will be commensurately reduced,” that the 2014 Farm Bill “reduces the EU discounts,” and “the EU subsidy rates will resemble those for optional/basic units”. We would stress in the strongest possible terms that the amendment made by the 2014 Farm Bill in section 11007 does absolutely nothing to change the requirements

made by the amendments to the Federal Crop Insurance Act made under section 12011 of the 2008 Farm Bill concerning premium support for EUs. Rather, the 2014 Farm Bill confers the same premium support on EUs conferred by the 2008 Farm Bill but changed how EUs are to be understood. The percentage of premium support for EUs is codified and fixed under the 2008 Farm Bill and nothing in the 2014 Farm Bill changed that percentage. Section 11006 of the 2014 Farm Bill merely makes the availability of EUs permanent. The only way the agency could argue differently is if it maintained that the premium support requirements of the 2008 Farm Bill only applied to EUs as EUs were understood prior to the enactment of the 2014 Farm Bill, but this is a wholly unsupported contention. Congress enacted a law to change the manner by which EUs may be elected (*i.e.*, by practice) but Congress did not alter the EU premium support that inures to a producer that makes such an election. In fact, the Congressional Budget Office (CBO) charged Congress for this change to the law (\$533 million) taking into account all of the cost considerations for which RMA now intimates the agency may seek to charge producers. We cannot overstate that the Committee will take strong exception to any action that results in a lower premium support level for EUs, however they are elected by the producer, than what is clearly provided for under section 12011 of the 2008 Farm Bill. Moreover, adhering to the premium support requirements of the 2008 Farm Bill does not permit an offsetting change in premium support for optional units or basic units as the written response of the agency seems to suggest. Nothing in the FCIA allows for this. Never was this discussed during farm bill discussions. Please clarify if the agency has somehow arrived at a different conclusion. Provided immediately below is the complete body of section 12011 of the 2008 Farm Bill, as amended by section 11006 of the 2014 Farm Bill, as it appears today in the FCIA:

(5) ENTERPRISE AND WHOLE FARM UNITS.—

(A) IN GENERAL.—The Corporation may pay a portion of the premiums for plans or policies of insurance for which the insurable unit is defined on a whole farm or enterprise unit basis that is higher than would otherwise be paid in accordance with paragraph (2).

(B) AMOUNT.—The percentage of the premium paid by the Corporation to a policyholder for a policy with an enterprise or whole farm unit under this paragraph shall, to the maximum extent practicable, provide the same dollar amount of premium subsidy per acre that would otherwise have been paid by the Corporation under paragraph (2) if the policyholder had purchased a basic or optional unit for the crop for the crop year.

(C) LIMITATION.—The amount of the premium paid by the Corporation under this paragraph may not exceed 80 percent of the total premium for the enterprise or whole farm unit policy.

Concerning the agency's practical reasons for the inability to allow EU on one practice and optional unit/basic unit on the other practice, the agency appears to rely on a rating issue. In the example, provided in the written answer to a question posed at the hearing, the EU is on the irrigated and the optional unit/basic unit is on non-irrigated. The EU on the irrigated should be rated to show the reduced risk since all the irrigated acreage is together. The non-irrigated optional unit/basic unit is already rated to show its increased risk. So, why would having the EU on the irrigated change that? RMA has always published different rates and reference yields for irrigated and non-irrigated units so why does having the EU on the irrigated acreage change that? It does not in our view.

*Answer.* According to the Federal Crop Insurance Act, the Corporation is required to determine premium subsidy rates for enterprise units such that premium subsidy per acre would, to the maximum extent practicable, equal that of basic or optional units. Given the legislated direction, RMA determined enterprise unit subsidy rates based on an analysis of policyholder data that existed at the time. Enterprise unit subsidy rates have remained constant since the 2009 crop year implementation. Subsequent analysis, based on more recent policyholder data, has yet to support an increase or decrease in enterprise unit subsidy. However, if changes in participation and premium rates (or premium discounts) consistently alters the relationship between premiums across types of units, then RMA is required to adjust enterprise unit subsidy rates. Allowing separate enterprise units for irrigated and non-irrigated acreage does alter this relationship for those making the election. For example, if a producer has a 500 acre enterprise unit consisting equally of irrigated and non-irrigated acreage and the producer elects separate enterprise units by irrigated and non-irrigated practice, then a smaller premium discount applies to each 250 acre unit compared to what would be applicable to the 500 acre enterprise unit. This is highly contingent upon the distribution of irrigated and non-irrigated acreage

within existing policies. To the extent acreage is equally distributed, the effect (reduction in subsidy rate) could be more pronounced. To the extent acreage is dominated by one practice over another, the effect could be minimal if at all differentiable. RMA continues to analyze policyholder data to assess whether this election alters the aggregate relationship.

*Question 9.* Despite significant communication between USDA and the Committees throughout farm bill deliberations, particularly during conference committee, there appears to be many misunderstandings on the import of various provisions where the provisions were written more generally. In the view of the department, would it be useful for Congress to be more prescriptive in future Acts in regard to statutory text and statement of managers, including the statutory nullification of agency regulations or actions where it is believed such regulations or actions may be construed to work to frustrate the requirements of a statutory provision? We are reluctant to go in this direction, but if it would help clear up any possible misunderstandings and expedites proper implementation, we would certainly be willing to pursue this route in future legislation.

*Answer.* RMA strives to interpret the statute in a way that meets congressional intent and that provides a working, useful, and actuarially sound product to the producers. While non-ambiguous statutory text reduces the amount of discretionary decisions needed, the nature of crop insurance requires RMA to implement legislation within already existing confines of contractual agreements with private insurance companies and already existing law such as the requirement that the program remain actuarially sound. Therefore, clear legislative text does not always reduce the number of issues RMA must resolve in implementing new programs.

*Question 10.* You also state in the interim rule that, "Enterprise units by irrigated and non-irrigated practice will be available for any crop in which enterprise units are allowed through the actuarial documents." Please explain the practical implications of this limitation in terms of for what counties and crops producers will not be able to access EU by practice. Also, please explain what the agency will do to obtain the actuarial documents necessary to ensure all producers have access to EU by practice.

*Answer.* The statement was intended to clarify that the actuarial documents will identify where separate enterprise units for irrigated and non-irrigated acreage are applicable since enterprise units are currently not available for all crops. Crops that offered enterprise unit coverage for 2014 include barley, canola, corn, cotton, flue cured tobacco, fresh market beans, grain sorghum, olives, pecans, rice, soybeans, sunflowers, sweet potatoes, and wheat. RMA continues to review crops for enterprise unit expansion, and, has already expanded enterprise units for dry peas and grass seed for the 2015 crop year. RMA also expanded enterprise units for dry beans and popcorn for 2015. In addition, for crop programs that do allow enterprise units, not all counties specify or allow coverage for both irrigated and non-irrigated production. For example, if non-irrigated acreage is currently not insurable in a given county due to excessive risk, then non-irrigated coverage will not be available, nor will separate enterprise units. Last, the provision to allow separate enterprise units for irrigated and non-irrigated acreage will first be available for crops and counties that have a November 30 contract change date (spring 2015 crops).

#### Actual Production History Adjustment

*Question 11.* Section 11009 allows a producer to exclude certain yields from the APH of the producer. The section amends the Federal Crop Insurance Act and the provision became effective upon enactment, February 7, 2014. However, RMA maintains that the provision requires agency implementation and that such implementation will take nearly 2 years, making the provision first eligible with respect to the 2015 fall planted crop. Please explain in detail why any agency implementation is necessary to carry out what we crafted as a self-executing provision and why such a long delay is also necessary? Please also explain why the provision cannot be implemented for the 2015 spring planted crop or partially implemented for this fall with respect to hardest hit regions of the country or crops where the provision is needed the most.

Apart from any other considerations, has RMA evaluated the feasibility of implementing the APH adjustment for 2015, for the fall or spring planted crops, and found that it is technically feasible but that there are other considerations that make implementation for the 2015 crop undesirable from an agency or departmental policy perspective? Or does RMA or the department maintain that implementation for 2015, fall or spring, is infeasible?

*Answer.* To implement the APH adjustments provided for in section 11009, substantial programming modifications must be made to the core foundation of RMA's business support systems to validate and accept the APH yield exclusions impacting

insurance guarantees and associated premium costs submitted by Approved Insurance Providers (AIPs). These adjustments include modifications to be able to determine those producers who may qualify for the yield exclusion, for what years, what crops, what practices, and tracking the producer's elections. Furthermore, RMA's Policy Acceptance Storage System Yield and Yield History processing records have to be modified to validate proper eligibility for which years can and cannot be substituted. This will be accomplished by reprogramming RMA's Actuarial Filing System to develop a new actuarial processing standard to detail which years are eligible for exclusion appropriately for each crop and county.

These modifications must be made to reasonably ensure that the threats of fraud, waste, or abuse to the Federal Crop Insurance Program are detected, deterred, mitigated, and addressed. Without these verifications, FCIC could be in violation of the Improper Payments Elimination and Recovery Improvement Act of 2012 which requires us to limit fraud, waste, and abuse of the program and ensure that improper payments do not occur.

Another significant task will be determining which counties and historical years will qualify for the yield exclusion. The yield exclusion applies if the county yield is less than 50 percent of the simple average of the per planted acre yield of the agricultural commodity in the county during the previous 10 consecutive crop years. This is not a single one year calculation. The 10 year county average must be calculated for each year that may be in the producer's APH database. For example, to identify whether crop year 2012 qualifies for exclusion for irrigated corn in 2012, yield data must be compared to crop years 2001–2011, 2011 must be compared to 2000–2010 and so forth. These calculations must be done in all counties and for all crops where crop insurance is available.

RMA must also make these calculations on an irrigated and non-irrigated practice basis. In many instances, the requisite number of years of past history is not consistently available for all crops by practice and location. At a minimum, to assess qualifying years back to 2001 requires consistently reported county yield data from 1991 to present for irrigated and non-irrigated practices. Therefore, RMA must establish procedures for how to address sporadic and limited yield histories outside of the primary growing regions to determine qualifying years for APH adjustments. This will require imputation or substitution of missing years or alternative approaches, if allowable, in order to make the option widely available. For example, crop level wheat estimates for certain counties were not published in 2008 or 2013. In addition, practice specific (irrigated *vs.* non-irrigated) estimates have not been reported since 2007 for certain counties. Before the Actual Production History adjustment in section 11009 can be implemented, RMA will have to develop policies on these and other issues and these policies will have to be implemented in a manner and on a timetable consistent with the obligations RMA and Federal Crop Insurance Corporation have under the Federal Crop Insurance Act and by agreement.

Thus, RMA does not believe that individual producers, nor crop insurance agents are able or authorized to make these determinations themselves unless offered in the actuarial documents, and hence "self-execute" when a yield may be excluded.

As for when Section 11009 (Yield Exclusion) will be implemented, RMA has determined that Yield Exclusion will be implemented for the following 2015 spring crops: corn, soybeans, wheat, cotton, grain sorghum, rice, barley, canola, sunflowers, peanuts, and popcorn. APH Yield Exclusion is not available for crops offering both winter/fall and spring types of coverage with a June 30, 2014 contract change date. The 2015 crops were chosen for two reasons. First, they are crops with revenue coverage. This allows RMA to leverage the Information Technology (IT) applications that compute the insurance guarantee, premium costs, and data validations for these crops. This already existing IT infrastructure also includes the premium rating methodology appropriate to account for the increase in insurance guarantee as similarly used for yield trend adjustment, another program that provides for higher guarantees. Second, RMA conducted significant analysis and computation of county based production data to help FSA implement Agricultural Risk Coverage/Price Loss Coverage, and that same information can be leveraged to implement APH.

RMA has always been working to implement all parts of the farm bill as quickly as possible. At the time RMA set implementation priorities, the agency felt that there were not enough agency and IT contract resources to implement Yield Exclusion for the 2015 crop year without significant program integrity risk. However, since that time, two key events have occurred that have allowed the agency to move Yield Exclusion implementation forward to the 2015 crop year.

First, RMA and its IT contractors have been able to successfully implement the farm bill planned priorities on schedule and in multiple occasions ahead of schedule, preliminary work estimates creating an opportunity to pursue this important initiative. For example, RMA and its contracted IT resources are now expected to deliver

the premium estimator over two months ahead of schedule to support the upcoming Whole Farm Revenue Protection program, while still adding Enterprise Units and Coverage Levels by Practice to the 2015 crop year implementation schedule.

Second, since July, RMA has worked on the development of a county yield dataset (based on crop insurance data) to support FSA's ARC and PLC programs, and the associated educational tools developed by contractors. This work can be leveraged to provide the data needed to implement Yield Exclusion for major crops in the 2015 crop year.

RMA will not be able to offer Yield Exclusion for 2015 winter wheat because, as described above, up until October 2014 RMA's resources were fully devoted to implementing other key farm bill initiatives, including broad availability of SCO and STAX, offering separate enterprise units by practice, offering separate coverage levels by practice, beginning farmer and rancher provisions, correction of error procedures, administrative relief for debt, native sod procedures, whole farm revenue, and Conservation Compliance. In order to offer Yield Exclusion for winter wheat, the necessary changes would have needed to be made by late summer, which also was prior to completion of the work to support ARC/PLC. RMA simply did not have the human resources to implement the provision at that time without significant program integrity risk, and failure to timely implement and support other key farm bill initiatives.

While RMA fully appreciates why winter wheat growers would want to take advantage of Yield Exclusion, there are two main reasons why RMA is not in a position to offer Yield Exclusion for winter wheat. First, the necessary work required to be able to offer Yield Exclusion to winter wheat growers would not be completed for several months. After this time, in many areas, winter wheat would have already been planted, which means that insurance would have already be in effect. To allow coverage levels to be changed after insurance has become effective, would open the program up to significant program integrity issues since producers would be more likely to know early crop conditions and whether a loss is expected.

Second, allowing Yield Exclusion for winter wheat would violate current existing risk sharing agreements between the USDA and the Approved Insurance Providers (AIPs). By the time winter wheat producers would be able to elect Yield Exclusion, the AIPs would have already decided how much risk they want to share with the USDA for these policies and changing the risk level after the fact would open up the companies to risk they did not anticipate.

*Question 12.* At the hearing, Under Secretary Scuse left open the possibility for a partial implementation. We greatly appreciate Under Secretary Scuse's willingness to work with us on this extremely important issue. Is the agency examining ways to achieve this objective?

*Answer.* RMA has determined that Yield Exclusion will be implemented for the following 2015 spring crops: corn, soybeans, wheat, cotton, grain sorghum, rice, barley, canola, sunflowers, peanuts, and popcorn. APH Yield Exclusion is not available for crops offering both winter/fall and spring types of coverage with a June 30, 2014 contract change date. The 2015 crops were chosen for two reasons. First, they are crops with revenue coverage. This allows RMA to leverage the Information Technology (IT) applications that compute the insurance guarantee, premium costs, and data validations for these crops. This already existing IT infrastructure also includes the premium rating methodology appropriate to account for the increase in insurance guarantee as similarly used for yield trend adjustment, another program that provides for higher guarantees. Second, RMA conducted significant analysis and computation of county based production data to help FSA implement Agricultural Risk Coverage/Price Loss Coverage, and that same information can be leveraged to implement APH.

*Question 13.* In regard to written responses to questions on APH posed at the hearing, we submit the following follow-up questions. We apologize for the specificity of the questions, but we had no opportunity to pursue these issues fully at the hearing. Due to the complexity of the issues, the Under Secretary properly recommended a thorough written explanation of the issues involved. We submit these follow up questions in hopes that they may assist in pursuing a more timely implementation.

RMA response on APH: "There is a significant amount of administrative work involved in not only determining which counties will qualify, but also which historical years will qualify for the yield exclusion." *Question:* Could this work be contracted out? If not, why? Is a staged implementation possible by crop or region? If not, why? It seems to us that this would be the easiest part of the process for major crops.

*Answer.* RMA has already contracted out some of the actuarial analysis for this endeavor under the authority of an existing contract and will be working with the

contractor to make determinations when data is limited. In addition, RMA already contracts out the automated systems programming of the business support systems underlying the Federal Crop Insurance Program. Adjustments to APH requires substantial programming modifications to the core foundation of RMA's business support systems to validate and accept the APH yield exclusions impacting insurance guarantees and associated premium costs submitted by Approved Insurance Providers (AIPs). These adjustments include modifications to be able to determine those producers who may qualify for the yield exclusion, for what years, what crops, what practices, and tracking the producer's elections.

Furthermore, RMA's Policy Acceptance Storage System Yield and Yield History processing records have to be modified to validate proper eligibility for which years can and cannot be substituted. This will be accomplished by reprogramming RMA's Actuarial Filing System to develop a new actuarial processing standard to detail which years are eligible for exclusion appropriately for each crop and county.

In addition, AIPs are required to follow RMA published policy, procedure, calculation requirements, and data processing requirements outlined in the Standard Reinsurance Agreement. RMA has to identify and then verify that the years excluded are eligible for exclusion and that the resulting insurance guarantees and associated policy premium charged are correct. The need to verify that the years excluded are eligible is needed to provide reasonable assurance that the threats of fraud, waste, or abuse to the Federal Crop Insurance Program are detected, deterred, mitigated, and addressed. Without these verifications, the Federal Crop Insurance Corporation could be in violation of the Improper Payments Elimination and Recovery Improvement Act of 2012 which requires us to limit fraud, waste, and abuse of the program and ensure that improper payments do not occur.

*Question 14.* RMA: "RMA must establish procedures for how to address sporadic and limited yield histories outside of the primary growing regions to determine qualifying years. This will require decisions regarding imputation, substitution or other legal alternatives of missing years and data for counties in order to make the option widely available." *Question:* Might contiguous county eligibility resolve much of the problem in this regard? Where it does not, could you use RMA data?

*Answer.* To determine contiguous county eligibility one must first determine the initial qualifying county which is where the sporadic and limited data may exist. RMA is not aware of any authority or ability to interpret the APH provisions of the 2014 Farm Bill to allow it to use contiguous county data to make the determination for an initial qualifying county.

*Question 15.* RMA: "For example, the National Agricultural Statistics Service (NASS) did not publish crop level wheat estimates for Roger Mills County, Oklahoma in 2008 or 2013. In addition, practice specific (irrigated *vs.* non-irrigated) estimates have not been reported since 2007." *Question:* Importantly, this has not prevented RMA from changing the t-yields for Roger Mills County a number of times since 2001 (four times for irrigated and three times for dryland, meaning the agency probably looked at both four times in that timeframe). The t-yield is essentially a 5 year yield per planted acre number while the proposed APH adjustment compares to a 10 year yield per planted acre. This suggests the agency has historical t-yield data for insured crops and at the appropriate practice levels in order to satisfy the types of coverage by practice offered. If so, might RMA use the dataset used to calculate the 5 year averages (augmented with RMA data, as necessary) in order to arrive at the 10 year APH adjustment benchmarks? If so, this would indicate that the agency has the individual years of data to compare to the average in order to establish which years can be excluded. Is this correct?

*Answer.* For determining T-yields in areas where data are sparse, RMA has the flexibility to look at information from other counties and other practices; which is not an option for this APH provision. Unlike T-yields, the analysis for this APH provision requires analysis to determine if each individual year for every county by irrigated and non-irrigated practice, for every year back to 2001, was less than 50 percent of the 10 year average.

*Question 16.* RMA: "RMA is establishing a framework to address these situations with the implementation of STAX. RMA intends to use lessons learned from STAX in the implementation of Section 11009 (as well as further refinement and expansion of SCO in 2016 to more effectively align the coverage with practice (*i.e.*, irrigated *vs.* non-irrigated)." *Question:* Could RMA use the county data already compiled for STAX/SCO to calculate the counties eligible for APH adjustment? Could RMA deal with missing county data using its own data or the contiguous county provision?

*Answer.* Yes, RMA can use the county data already compiled for STAX/SCO to calculate the counties eligible for APH adjustment; however, additional analysis is re-

quired to determine if each individual year for every county with an irrigated and non-irrigated practice, for every year back to 1995, was less than 50 percent of the 10 prior year average. Additionally, as stated in the response to *Question 15*, RMA is not aware of any authority that allows it to use contiguous county data to determine an individual qualifying county. RMA plans to use its data along with NASS data in the analysis of qualifying counties in an attempt to deal with missing county data.

*Question 17.* RMA: “While the data compiled for SCO could be utilized for Section 11009, this data is largely at the county level and does not reflect or differentiate between irrigated and non-irrigated acreage. RMA intends to utilize crop insurance data for SCO beginning with 2016 that allows for more offers at the practice specific level, at which time APH yield exclusions can also be appropriately aligned.” *Question:* Is data compiled for SCO practice-specific already for counties that offer coverage by practice? In cases where it is not, is it an all-crop offer where eligibility for the APH adjustment would be determined on that basis?

*Answer.* With the exception of cotton, practice-specific data has been compiled for SCO where such data is available from NASS. In cases where it is not, it is an all-crop offer where eligibility for the APH adjustment will be determined on that basis. SCO for cotton will be based on yield data reported to RMA from insured growers and is under development.

*Question 18.* RMA: “This complexity also carries over to the IT systems and with the effort involved in SCO and STAX there simply isn’t the manpower to get this up and running this year.” *Question:* Doesn’t RMA have the ability to contract some of this out? Could RMA contract out the data analysis/compilation portion and focus in-house activities in this regard on the programming changes?

*Answer.* RMA already contracts out the programming of the business support systems underlying the Federal Crop Insurance Program. For the 2016 crop year, RMA has contracted out additional data analysis to assist in reviewing and expanding more crops.

*Question 19.* RMA: “RMA’s Actuarial Filing System (an RMA Mission Essential Function) has to develop an entirely new actuarial processing standard to detail to AIPs and producers which years are eligible for exclusion appropriately for each crop and county.” *Question:* Could the eligible years be stated in the Special Provisions?

*Answer.* The eligible years could be stated in the Special Provisions, but that significantly complicates the Approved Insurance Provider’s and RMA’s ability to absorb the information and properly calculate insurance guarantees and associated policy premiums. The Special Provisions are hard copy documents that do not provide for an automated means to portray fluid information, process the information and validate information, but are used primarily for conveying regional underwriting rules or constraints, which is why Special Provisions are not the most efficient means to handle this provision. RMA’s Policy Acceptance Storage System Yield and Yield History processing records have to be modified to validate proper eligibility for which years can and cannot be substituted. This can only be accomplished by reprogramming RMA’s Actuarial Filing System to develop a new actuarial processing standard to detail which years are eligible for exclusion appropriately for each crop and county.

*Question 20.* RMA: “RMA, AIP, and Agent automation tools that include quoting software changes must be made to accommodate all the various choices of yield exclusions and substitutions impacting the overall guarantee and policy premium so producers can make informed buying decisions.” *Question:* Can AIP software be modified to allow automatic or manual exclusions? Some AIPs may already have the ability to do this manually. The key is RMA being able to verify that the years excluded are in fact eligible to be excluded and obtaining the resulting APH calculation once the database with the county name and eligible years is created, isn’t it?

*Answer.* AIPs are required to follow RMA published policy, procedure, calculation requirements, and data processing requirements outlined in the Standard Reinsurance Agreement. The changes necessary to deliver this coverage may have varying degrees of complexity and success across AIPs being able to deliver associated IT changes. Regardless of whether a given AIP delivers this manually or systematically, as noted, RMA has to identify and then verify that the years excluded are in fact eligible to be excluded and that the resulting insurance guarantees and associated policy premium charged are correct. This is to provide reasonable assurance that the threats of fraud, waste, or abuse to the Federal Crop Insurance Program are detected, deterred, mitigated, and addressed. Without these verifications, FCIC could be in violation of the Improper Payments Elimination and Recovery Improve-

ment Act of 2012 which requires us to limit fraud, waste, and abuse of the program and ensure that improper payments do not occur.

*Question 21.* Given that section 11009 was made effective on February 7, 2014 and the provision is self-executing, is RMA concerned about the potential for litigation by producers who would be denied the relief the law provides to them? For example, the disclaimer in RMA's Common Crop Insurance Policy reads: "AGREEMENT TO INSURE: In return for the payment of the premium, and subject to all of the provisions of this policy, we agree with you to provide the insurance as stated in this policy. If there is a conflict between the Act, the regulations published at 7 CFR chapter IV, and the procedures as issued by FCIC, the order of priority is: (1) the Act; (2) the regulations; and (3) the procedures as issued by FCIC, with (1) controlling (2), *etc.* . . . The disclaimer in the SRA similarly reads: "Unless specifically provided for in this Agreement, if there is a conflict between a provision of the Act, the regulations, or FCIC procedures with the terms of this Agreement, the order of precedence will be: (1) the provisions of the Act; (2) the regulations; (3) this Agreement; and (4) FCIC procedures, with (1) controlling (2) and (2) controlling (3), *etc.*" (emphasis added). If a producer files a lawsuit seeking the relief that section 11009 was intended to immediately provide them and both the policy and the SRA (naturally) declare that the statute controls where there is any conflict between the statute and a policy or a contract, *etc.*, how does the agency intend to prevail in the event of such a lawsuit when the law, the policy, and the SRA are all opposed to the agency's position? Please provide a detailed explanation.

*Answer.* RMA cannot speculate on the outcome nor discuss any potential legal strategy of any potential lawsuit; however, as indicated above in FFAS 17 above, RMA does not believe section 11009 is self-executing.

*Question 22.* Finally, we have heard at least some rumbling that the agency may choose to set rates for producers that wish to exercise their right under this provision at so high a level that the producer would not elect to exclude any yield. We trust the agency would not set rates artificially high to frustrate the laws of Congress. Does RMA intend to have proposed rates for the APH adjustment and other provisions peer reviewed by actuarial experts to ensure their appropriateness? If not, what assurance can the department provide to Congress that rates are being set appropriately?

Again, we greatly appreciate Under Secretary Scuse's willingness to look into ways to partially implement this extremely important provision.

*Answer.* RMA establishes premium rates based on the risk of loss, and does not set rates high to dissuade certain buying decisions or actions by producers. RMA is commissioning an external review of the application of the premium rating methodology approach to be used for the APH adjustment. As required by the Federal Crop Insurance Act, 7 U.S.C. 1506(n), RMA must operate in an actuarially sound manner.

#### Specialty Crops

*Question 23.* We understand that the Whole Farm Revenue Protection product was recently approved to combine the AGR and AGR-Lite policies. While the intent is good, we are hearing concerns about two specific changes that were apparently made. The first change is the disallowance of CAT as an underlying policy. The second change is that the Whole Farm Buy-up level has to be the same as the underlying coverage. We believe these changes need to be dropped or risk crop insurance taking a major step backward for specialty crops. Can you provide details on how the agency is implementing the Whole Farm Revenue Protection product, specifically in regards to these two issues?

*Answer.* RMA has changed the requirement for similar coverage levels to simply require producers who choose to have an underlying policy to choose any level of additional (buy-up) insurance. Allowing the use of a fully subsidized CAT level MPCI insurance policy to offset the cost of the WFRP policy effectively increases the overall subsidy rate for WFRP coverage. In addition, CAT coverage has not been offered as an option for any other revenue product—once again due to its being fully subsidized. Therefore, RMA plans to maintain the restriction on purchasing a CAT policy with WFRP.

#### Crop Insurance Implementation Funding

*Question 24.* Section 11021 of the farm bill provides a substantial amount of new funding every year for the department to implement crop insurance provisions of the farm bill, including \$70 million over FY 2014–FY 2018 for information technology and an additional \$9 million per year for, among other things, reimbursing expenses incurred for the operations and review of policies, plans of insurance, and related materials. Regarding the additional \$9 million per year, the Secretary was given

added discretion in allocating those funds. Can you tell us how much of the funding made available for FY 2014 has been spent and exactly how that funding has been spent? Also, can you tell us how the agency intends to spend future dollars required to be made available under this section.

*Answer.* First, I want to express appreciation to Congress for providing funding that will enable the Risk Management Agency (RMA) to hire additional staff and contract resources. The additional staff and contract resources will allow RMA to implement the program changes included in the 2014 Farm Bill, maintain current and new programs, and to improve program integrity. RMA intends to use all of the \$9 million per year to improve program integrity and to aid in program maintenance and farm bill implementation in FY 2015. Due to the time needed to recruit and hire employees, all of the money was not allocated for FY 2014. However, these funds have already allowed RMA to hire new employees to improve RMA's program integrity efforts, and to implement programs from the 2014 Farm Bill. For FY 2014, RMA has obligated approximately \$5.3 million of the \$9 million made available from Section 11021. RMA has used these funds on SCO implementation and for program integrity efforts. Specifically, RMA entered into contracts for additional work that allow a significant expansion of SCO crops for 2016 and to address backlogged arbitration awards and settlements. RMA also entered into an agreement to improve improper payments and update program integrity processes. In addition, in an effort to improve the integrity of the tobacco crop insurance program, RMA partnered with the Agricultural Marketing Service to implement a tobacco crop insurance grading system.

RMA plans to hire approximately 60 employees once RMA's hiring plan is complete. These employees will be focused upon operation and day to day maintenance of farm bill programs and issues related to program integrity. While RMA was not able to bring on board all the employees in FY 2014, many are now arriving and are on board. Starting in FY 2015, RMA expects the full \$9 million to be obligated annually.

#### Peanut Revenue Coverage

*Question 25.* Will the new peanut revenue policy be available in time for the 2015 crop year as required by section 11018 of the farm bill and as indicated by both the agency and the department? Does the peanut revenue policy provide a possible roadmap for producers of other crops where such crops are primarily sold under contract and not publicly traded on an exchange?

*Answer.* On September 18th, 2014 the FCIC Board approved a peanut revenue policy. The peanut revenue policy will be it available for the 2015 crop year. While it is premature to know whether the peanut revenue can be used as a roadmap, experience with peanut revenue will provide insights into whether it is a possible roadmap for other crops that are not publicly traded on an exchange.

#### Information Sharing and Authority to Correct Errors

*Question 26.* Section 11019 reads in relevant part: ". . . the Corporation shall establish procedures that allow an agent or an approved insurance provider . . . at any time, to correct electronic transmission errors that were made by an agent or approved insurance provider, or such errors made by the Farm Service Agency or any other agency of the Department of Agriculture in transmitting the information provided by the producer for purposes of other programs of the Department to the extent an agent or approved insurance provider relied upon the erroneous information for crop insurance purposes."

The background in the interim rule similarly states, "Lastly, electronic transmission errors, such as transpositions, committed by the insurance provider, agent or any agency within USDA can be corrected by the insurance provider at any time the error is discovered."

However, in the actual amendments to the regulations, the interim rule states, "At any time, any incorrect information if the incorrect information was caused by electronic transmission errors by us or errors made by any agency within USDA in transmitting the information provided by you for purposes of other USDA programs."

We are concerned that the actual amendment is not consistent with the background in the interim rule nor, more importantly, with the statutory text. The correction of transmission errors that are made by an agent or approved insurance provider is not confined to the correction of errors "caused by electronic transmission errors by us [the Risk Management Agency] or errors made by any agency within USDA in transmitting the information provided by you for purposes of other USDA programs." This limitation applies only to "such errors made by the Farm Service Agency or any other agency of the Department of Agriculture." If Congress had

meant to subject the correction of electronic transmission errors made by an agent or approved insurance provider to this limitation we would have drafted the language as follows: “. . . the Corporation shall establish procedures that allow an agent or an approved insurance provider. . . at any time, to correct electronic transmission errors that were made by an agent, approved insurance provider, the Farm Service Agency, or any other agency of the Department of Agriculture in transmitting the information provided by the producer for purposes of other programs of the Department to the extent an agent or approved insurance provider relied upon the erroneous information for crop insurance purposes.”

We appreciate that there was opposition to this section within the Department and we have no doubt that the opposition was motivated to protect program integrity which we also strongly support. However, we worked with the Department to arrive at an acceptable provision, taking into account these concerns. To administratively unravel what was agreed to in the legislative process would be a breach of the agreement we all worked hard together to reach in order to arrive at an outcome acceptable to all parties. Is the Department committed to adhering to what was agreed to during the farm bill as it is expressed in the statutory text and explained in the background of the interim rule as opposed to the actual amendment which does not reflect the agreement reached?

*Answer.* The preamble to the Common Crop Insurance Policy Basic Provisions, published at 7 CFR § 457.8, provides, in pertinent part, that throughout this policy, “you” and “your” refer to the named insured shown on the accepted application and “we,” “us,” and “our” refer to the insurance company providing insurance. This preamble is similarly applied to other regulations that were impacted by the interim rule. Therefore, the limitations of who can correct an error is not limited to just RMA or any other USDA agency, but also includes the AIP. Additionally, consistent within the crop insurance program, references to the AIP, also include the agent or AIP representative who does business on behalf of the AIP. This is consistent with the farm bill provision which articulates that electronic transmission errors committed by the insurance provider, its agent, RMA, or any other USDA agency may be corrected at any time to the extent an agent or approved insurance provider relied upon the erroneous information for crop insurance purposes.

#### Conservation Compliance

*Question 27.* This excerpt from the Interim Final Rule has generated considerable concern: “This means that an insured who is determined to be non-compliant on June 1, 2015, (2015 reinsurance year) will, unless otherwise exempted, be denied premium subsidy effective July 1, 2015, the start of the 2016 reinsurance year, and will not be eligible for any premium subsidy for any policies during the 2016 reinsurance year. Even if the insured becomes compliant during the 2016 reinsurance year, the insured will not be eligible for premium subsidy until the 2017 reinsurance year starting on July 1, 2016.”

Chairman Conaway, in his opening remarks, and Rep. Noem, during questioning, raised this issue during the hearing. Rep. Noem specifically inquired whether a producer found to be out of compliance in 2015 would then be ineligible for crop insurance premium support during the 2016 reinsurance year and not be eligible for reinstatement of such support until the 2017 reinsurance year even if the producer had acted in good faith (*i.e.*, without intent to violate compliance requirements) and came back into compliance for 2016. To this question, Under Secretary Scuse affirmed that a producer in such a circumstance would, in fact, be denied premium support in the 2016 reinsurance year but then stated several times that the producer would have a period of time to come back into compliance so as not to lose premium support for the 2016 reinsurance year. The Under Secretary stated that the amount of time permitted to the producer to come back into compliance would be established under the rule. Can the Department assure us that Under Secretary Scuse, and not the excerpt from the Interim Final Rule, is correct? Nobody that we are aware of intended that a producer who acts in good faith and who comes back into compliance should still be penalized by losing premium support. Should the Interim Final Rule be correct, it would not only harm producers relying on crop insurance but also conservation efforts on the farm. We predict this would also result in the repeal of the conservation compliance provision in fairly short order.

*Answer.* It is important to distinguish between failure to certify compliance and a substantive violation of wetland or highly erodible land (HEL). Producers that do not certify compliance with WC and HEL by June 1, 2015, which means not having an AD-1026 on file with FSA by June 1, 2015, will not be eligible for premium subsidy for the 2016 reinsurance year. As for substantive violations of wetland and HEL, as in the producer planted on HEL without a conservation plan or converted a wetland and planted an agricultural commodity, the producer may have one or

more reinsurance years to come back into compliance before losing premium subsidy. The 2014 Farm Bill provides extra time for producers that are new to compliance, acted in good faith, have access to a new crop insurance policy, or are unable to comply due to the actions of their landlord. These exemptions will be explained in a regulation to be published by USDA early next year.

*Question 28.* Chairman Conaway inquired whether a producer who is in compliance with conservation requirements today for purposes of title I eligibility would be in compliance for purposes of crop insurance conservation compliance under this section of the farm bill provided the producer took no action to fall out of compliance. Under Secretary Scuse stated that such a producer would in fact be in compliance with conservation compliance requirements for crop insurance purposes. Chairman Conaway further inquired whether the goalposts for conservation compliance would be moved to put such a producer out of compliance and Under Secretary Scuse stated that, no, the goal posts would not be moved and the producer would be good to go, in Chairman Conaway's words. Is the Committee correct in understanding that if a producer is considered in compliance for purposes of title I for the 2014 crop year that the producer, absent any action by the producer to affect compliance, would be considered in compliance for purposes of the crop insurance conservation compliance provision?

The AD-1026 appendix indicates that; *"Producers obtaining federally reinsured crop insurance will not be eligible for any premium subsidy paid by the Federal Crop Insurance Corporation (FCIC) for any policy or plan of insurance if the producer has not filed a completed Form AD-1026 with FSA certifying compliance with HELC and WC provisions OR is not in compliance with HELC and WC provisions."*

*Answer.* Yes, a person who participates in Title I programs for 2014 and is in compliance with the conservation compliance provisions for purposes of 2014 program benefits under Title I that are subject to the provisions is also in compliance with the provisions for purposes of eligibility for Federal crop insurance premium subsidy, absent any action by the person that would change that status.

*Question 29.* The 2014 Farm Bill states that producers who are not planting an "agricultural commodity" (defined as one requiring annual tilling of the soil) are exempt from the conservation compliance mandate. By definition, exempted crops are in compliance with HELC and WC provisions since none exist. Therefore, it is unnecessary for producers not planting an "agricultural commodity" (as defined in statute) and only growing an exempted crop to do anything other than certify that they are not planting an "agricultural commodity" (or certify that they are growing only exempted crops). Why is it necessary for the AD-1026 form to require any additional information be filed for those crops or for USDA to require/undertake any additional action?

*Answer.* The 2014 Farm Bill does not "exempt" any producer from the conservation compliance provisions. Section 1221(c)(3)(E) of the Food Security Act of 1985 as amended by section 2611 of the 2014 Farm Bill, requires any producer receiving premium subsidy for crop insurance to certify that they are in compliance with HELC and WC provisions.

*Question 30.* The production practices within the specialty crop industry vary by commodity. In many cases, exempted commodities engage in regular replanting of new trees, vines, shrubs, *etc.* to keep an orchard healthy. In other cases, phytosanitary issues or lack of adequate water may require acreage to be placed in an idle state temporarily. It is our understanding that permanent crop acreage that is replanted or made temporarily idle will remain in its exempt status, so long as an exempted crop is intended to be planted there in the future. Is this an accurate understanding?

*Answer.* The 2014 Farm Bill does not exempt any producer or land from the conservation compliance provisions. USDA does not consider a perennial growers' rotation practices as constituting an annually tilled crop. Therefore, generally, leaving land idle with no agricultural commodity planted or produced on the land is not a violation of the provisions. Producers are encouraged to contact their local USDA Service Center to obtain information and assistance regarding their specific farming operation situation.

*Question 31.* Does the mere filing of an AD-1026 form require NRCS to make site visits on farms to verify the type of activity (exempt or covered) that is occurring there? If not, how will the information be confirmed?

*Answer.* No, filing the form does not automatically result in a NRCS site visit. NRCS may visit a farm or ranch if the producer indicates "yes" in any of the boxes in Part B, HELC/WC Compliance Questions or when the producer's farm or ranch is selected for quality assurance purposes. When a producer's farm or ranch is se-

lected for a spot check NRCS will verify the accuracy of the certification, which may require a site visit.

*Question 32.* Many specialty crop producers are involved in diversified operations that may include both exempt and covered crops. Assuming that these are affiliated entities where crop insurance has been purchased for each individual crop, if such a producer becomes out of compliance on a covered crop, how will that status affect their ability to purchase crop insurance for the exempt crops that are part of his/her operation?

*Answer.* As required in the 2014 Farm Bill, a producer found to be in violation of the conservation compliance provisions will not be eligible for premium subsidy on any crop insurance policy. This approach is consistent with FSA's current rules which applies a violation to all farms not just the farm where the violation occurs. The 2014 Farm Bill did provide for a tenant exemption, which would limit the impact of the provision in certain cases. USDA will publish rules explaining the tenant exemption as well as other exemptions in early 2015.

*Question 33.* For diversified operations involving affiliated entities that comprise both exempt and covered crops where the producer has elected NOT to purchase crop insurance on their covered crops (or if no policy is available), how will that status affect their ability to purchase crop insurance on their exempt crops? Will their covered crops be required to be compliant, even if they receive no benefit via the Federal crop insurance subsidy?

*Answer.* The conservation compliance provisions do not effect what crops may be insured or a person's ability to obtain Federal reinsured crop insurance. The Food Security Act of 1985 requires the conservation compliance provisions apply to all land in which the person has an interest, not just the land or crops for which the person is seeking program benefits or crop insurance. Therefore, a person must be in compliance with the conservation compliance provisions on all their land in order to be eligible for Federal crop insurance premium subsidy. This approach is consistent with FSA's current rules, which applies a violation to all farms not just the farm where the violation occurs.

#### APH Issue for Peaches

*Question 34.* The farm bill statement of managers expressed the intent that downward trending adjustments be discontinued with respect to perennial crops including peaches. The 2008 Farm Bill required a study on this issue. USDA conducted a study and found that using a shorter APH period of 4–6 years was adequate to reflect the lower yield expectation in the earlier years of a perennial crop. Regional offices on the East Coast discontinued the downward trending adjustment for perennials, including peaches, from Maine to North Carolina and west to Michigan. South Carolina and Georgia peach farmers, however, have remained subject to this unnecessary penalty that exacerbated their losses from the spring freeze of this year. Amendments to agriculture appropriations were introduced in both Chambers and would have been adopted had the bills not been pulled from floor consideration. The amendments continue to enjoy strong, bipartisan support and the Committee remains committed to their inclusion in the final appropriations measure. Will the relief sought by Rep. David Scott and others for Georgia and South Carolina peach producers be granted by RMA?

*Answer.* After considerable consultation and outreach with producers, RMA released a Manager's Bulletin on October 15, 2014, addressing this issue.

#### Policy Development and Approval Issue for Grain Sorghum

*Question 35.* The farm bill statement of managers expressed the intent that high priority be placed on the approval of a specialized irrigated grain sorghum policy that establishes improved rates and t-yields based on a certain high level of crop management. What is the status of implementation?

*Answer.* RMA has discussions with private parties working on such a policy; however, as of December 10, 2014, no submission has been submitted under Section 508(h) of the Act. If the private parties do not prevail in developing such a policy, RMA will consider contracting for a feasibility study and developmental efforts if warranted.

#### Administration—FSA County Office Closings

*Question 36.* Please update the Committee on the Central, Branch and Satellite office structure and describe the criteria being used to determine office closures? In addition, does your agency plan to close any county offices before the end of calendar year 2014?

*Answer.* No office closure plan has been approved at this time and the Agency has not developed a list of offices to close. FSA recognizes that overall reductions in

funding limit the ability to staff field offices to levels as in the past. FSA offices traditionally have used a one-size-fits-all model, with each of its 2,124 locations processing the full array of FSA programs. With overall staffing levels down by roughly 20 percent since FY 2010, many FSA offices now are staffed inadequately or aligned improperly with program activity level.

FSA is working on a service center structure concept to realign workforce and invest in technology to improve quality customer service to the full range of FSA programs, including expanded customer flexibility and options in program delivery, while serving as a referral gateway to other agricultural and rural services.

The concept will establish a more flexible footprint in each State to best use staff resources, improve program outreach to new and current customers and enhance cross training of FSA employees.

Consistent with provisions of the Food, Conservation, and Energy Act of 2008 (P.L. 110–246), FSA will hold public meetings in each impacted communities. Following the public meetings, USDA will issue notification to Congress at least 90 days before any closure is approved by USDA.

*Question 37.* The Committee understands that FSA periodically conducts workload analysis to determine state and county specific staffing levels. How does the agency determine these staffing recommendations?

*Answer.* FSA determines staffing allocations in part based on workload. FSA programs, including assumptions for new programs (*i.e.*, ARC/PLC and Disaster programs) and FSA program activity files are used as a basis for measuring the time required to support FSA customers and program implementation activities in county offices. The measurement of work associated with the actual units (*i.e.*, number of farms, producers and program participation in each state) with a standard time component applied to each unit, provides a projection of our overall staffing needs. The estimated total workload is factored against our available resources for distribution to state and county offices.

*Questions Submitted by Hon. Collin C. Peterson, a Representative in Congress from Minnesota*

#### Crop Commodity + Disaster Programs—FSA

*Question 1.* Have you started training your field staff on the details of the ARC and PLC options as well as the base and yield update opportunities for landowners?

*Answer.* National ARC/PLC training for FSA staff is planned for later this summer and will occur before the implementation of the ARC/PLC programs. Also later this summer, FSA plans to provide producers with written information on their current base acres, yields and 2009–2012 planting history, and offer them an opportunity to verify this information with their local FSA office, in preparation for later this fall, when producers will have the opportunity to update yields and reallocate bases.

*Question 1a.* In your testimony you also mention that Extension specialists will be trained by late summer. How are these trainings being held?

*Answer.* The universities developing the tools have agreed to conduct in-person training, which may be attended by extension specialists, or, if preferred by extension, the training will also be available by webinar.

*Question 2.* Has USDA calculated how many minutes or hours it will take producers to go through the various options available to them, starting with the base and yield update decisions, plus then sign-up for either ARC or PLC?

*Answer.* It is difficult to estimate the amount of time that it will take owners and producers to explore the various options, including electing and enrolling in ARC/PLC, because it depends on the complexity of the operation and the owner's or producer's knowledge of the program. USDA is working to ensure that owners and producers will have the information, education, and time that they need to become fully prepared to make these decisions. A large part of this preparation will include access to the online tools and learning opportunities through the extension services.

*Question 2a.* And can landowners or their tenants do any of the work online or via a website? Or do they have to come in to the local office?

*Answer.* Owners and producers may use the online tools to make their reallocation and yield update decisions before visiting the County Office. However, owners and producers must visit the County Office to reallocate base acres and update yields; elect PLC, ARC County Option (ARC–CO), or ARC Individual Option (ARC–IC); and then enroll in ARC/PLC. They will also be able to use the online tools to prefill forms before visiting the County Office.

*Question 3.* The livestock disaster programs were made permanent in the last farm bill, which is a very good thing. There has been significant flooding in some

parts of the country, so which livestock disaster program do producers apply for if they have lost their feed source due to flooding and how does that program work?

*Answer.* The Emergency Assistance for Livestock, Honeybees and Farm-Raised Fish Program (ELAP) provides emergency assistance to livestock, honeybees and farm-raised fish producers that have suffered eligible losses due to an eligible adverse weather event or loss condition, including floods. The following type of livestock feed losses are considered eligible if incurred due to a flood:

- purchased and mechanically harvested forage or feed stuffs that is damaged or destroyed
- additional livestock feed purchases above normal quantities required to maintain the livestock until additional feed becomes available
- Costs associated with transporting livestock feed to eligible livestock including, but not limited to, costs associated with equipment rental fees for hay lifts and snow removal.

Payments for eligible grazing losses are calculated based on a minimum of 60 percent of the lesser of:

- the total value of the feed cost for all livestock owned by the eligible producer based on the number of days grazing was lost, not to exceed 150 days of daily feed costs for all livestock; or
- Grazing lost for eligible livestock based on the normal carrying capacity of the eligible grazing land for the number of grazing days lost, not to exceed 150 days of lost grazing.

Payments for eligible livestock feed losses are calculated based on a minimum of 60 percent of the producer's actual cost of livestock feed damaged/destroyed, additional costs incurred for transporting livestock feed, and additional cost of purchasing additional livestock feed above normal.

ELAP signup deadline for 2014 losses, losses incurred from October 1, 2013, through September 30, 2014, ends November 1, 2014. To apply for ELAP, producers must submit, to their local FSA service center, an application for payment before November 1, 2014, and a notice of loss within 30 days of when the loss is apparent.

*Question 4.* Where do things stand with the agencies under your mission area in regard to streamlining two sets of data on the same farm? I believe you streamlined some aspects already, including crop reporting, but can the agencies readily share information with each other?

*Answer.* FSA and RMA continue to finalize data element definitions to make them consistent between agencies to support the Acreage Crop Reporting and Streamlining Initiative (ACRSI) as mandated under the 2014 Farm Bill. Regular weekly meetings are being held on this. The agencies have been sharing basic producer, acreage, production, and loss data for several years under the Common Information Management System (CIMS); however, the goal under ACRSI is to support one-stop acreage and production reporting that can be used by both agencies. The agencies are developing an acreage reporting pilot project expected to be rolled out in 2015. The agencies have authorized an outside third party using standardized data elements to participate in this pilot alongside traditional acreage reporting channels.

*Question 5.* In your testimony you said that producers who have LGM-Dairy contracts through 2015 will be allowed to participate in the new margin protection program once their contract is up. Some of these producers entered into these contracts before the ink was dry on the farm bill. What if producers would like to end their contract early in order to participate in the margin program when it is ready in September? Is this something RMA would consider given the uncertain timeline for the farm bill?

*Answer.* Because the LGM-Dairy plan of insurance is a legal contract between the insurance provider and the insured, RMA and the Farm Service Agency worked together to develop a transition period for producers currently enrolled in LGM-Dairy. This transition period will allow producers to switch over to the MPP-Dairy program once they have fulfilled the LGM-Dairy plan of insurance contract requirements. RMA released these guidelines at the end of June.

*Question 6.* When will USDA start publishing margin numbers for dairy producers? I believe this is something that doesn't have to wait until all the rules are written. I understand that it currently takes a full month for USDA to calculate and release price information. Is there any way USDA can get this information out on a timelier basis? Is this something USDA is looking to improve? In this electronic day and age it seems we should be able to quickly provide price information to producers.

*Answer.* The statute provides that the calculations used in MPP-Dairy be made as soon as practicable using the full-month price of the applicable reference month. Full month prices are available a month after the applicable reference month. Therefore, there will be at least a 30 day delay in monthly price announcements.

*Question 7.* The way that this year's growing season is turning out, there is likely the potential need for large scale grain drying. The ability to store larger amounts of propane obtained during non-peak periods is one of the few tools that producers have to deal with the spot shortages experienced during previous harvests.

Can producers who finance the installation of grain bins under the Farm Storage Facility Loan Program include the cost of new or additional propane tanks as part of their loan? If not, can you explain the reasoning?

*Answer.* Farm Storage Facility Loan (FSFL) provisions were recently amended to make liquefied petroleum (LP) tanks to fuel dryers are eligible.

*Question 8.* Where do things stand with getting guidance to the field regarding a landowners' ability to prepare their expiring contract acreage, TIP acres, or early out CRP acreage for planting for the 2015 crop prior to the October 1st contract expiration? In other words, can all three types of landowners do "early land prep", and if so, when are you going to notify them of that ability and let the county offices know how to answer those landowners' questions?

*Answer.* USDA restarted the CRP Continuous Signup and Transition Incentives Program last month and is currently working to clarify policy on early land preparation. In the upcoming weeks, policy will be issued to Farm Service Agency State and County office staff, providing them guidance regarding all three issues.

#### Crop Insurance—RMA

*Question 9.* The Livestock Gross Margin (LGM) program has been successful in the dairy industry but has had limited success with the other livestock sectors. What outreach have you done with the beef and pork industry to make this LGM product something they will utilize? Could we expect changes to any of these programs in the near future?

*Answer.* RMA continues to work with various organizations, including the National Pork Producers Council to create awareness of programs like the Livestock Gross Margin (LGM) program. RMA also provides feedback received from producers about potential changes to the plans of insurance to the private entities that own the products.

Moreover, the Risk Management Education and Community Outreach Program will award 16 projects specifically directed to promote livestock insurance education this year. Since these are privately developed products, any changes would have to be considered by the owner's, go through a review process and be approved by the FCIC Board.

At this time, RMA is not aware of any upcoming changes to these programs.

*Question 10.* Is there a way to make an LGM product that would be helpful to hog producers that are dealing with PEDv?

*Answer.* The Livestock Gross Margin Insurance Plan for Swine (LGM-Swine) provides price protection using Chicago Mercantile Exchange Group futures contracts. However, the owner of the LGM-Swine product never intended to cover loss of livestock due to death or diseases.

*Question 11.* What is the status of meeting the farm bill requirement for price elections for organic crops by the 2015 crop year? Is RMA working with other USDA agencies on sharing data that may be collected already on organic and directly marketed crops?

*Answer.* RMA has made significant progress in the development and implementation of organic price elections for Federal crop insurance programs. RMA has separate organic price elections, projected prices, and harvest prices are currently available for 16 crops: almonds (California), apricots (fresh—Washington), apples (fresh and processing—Washington), avocados (California), blueberries (California, Oregon, and Washington), corn, cotton, fresh stonefruit: freestone peaches, nectarines, and plums (California), grapes for juice (Washington), mint (peppermint), oats, pears (Oregon and Washington), processing tomatoes (California) and soybeans. For the 2015 crop year, RMA will add ten more crops with organic prices elections, which brings the total to 26. The crops to be added for 2015 are as follows: millet, figs, walnuts, flax, popcorn, corn silage, hybrid seed corn, grain sorghum, silage sorghum, and hybrid sorghum seed. RMA has started analyzing crops to be added for the 2016 crop years.

Price elections are developed whenever adequate organic price data is available that allow us to meet statutory mandates to be actuarially sound. We have also developed viable alternatives that increase the amount of organic coverage provided.

These options include price coverage under the Contract Price Addendum, the Actual Revenue History plan of insurance, and the Whole Farm Revenue Protection plan of insurance.

To gather organic price data and information, RMA has also funded research studies and organic price and production surveys. RMA will again contract with NASS to collect organic acreage, production and sales data from certified organic growers for the 2014 crop year. NASS will survey all producers who identified themselves as producing some amount of organic production in the 2012 Census of Agriculture, making the survey the most complete form of data collection RMA is able to obtain. The NASS data from this survey, combined with data from the earlier surveys, will provide three non-sequential years of organic price data during a seven year span.

RMA will continue to pursue opportunities for the acquisition of additional organic price data and information. We will also continue to work toward developing crop-specific organic price elections consistent with our data quality requirements. RMA has also been working with AMS and FSA to explore what information may be available to be shared between Agencies to offer additional coverage for organic crops.

*Question 12.* The FSA released an updated AD-1026 Form which I understand all producers who are participating in crop insurance have to fill out by June 1st of next year. However, I noted that on the actual form, it mentions the original Swampbuster date of December 23, 1985 in regard to drainage work. For producers who haven't previously been subject to compliance, they are only subject to penalties if they take action to drain or alter a wetland after February 7, 2014, correct?

Do you think it is confusing to those producers, many of whom may have never seen an AD-1026 Form before, to only include the 1985 date on the actual form?

*Answer.* The 2014 Farm Bill states that eligibility for Federal crop insurance premium subsidy is not lost due to wetlands conversions prior to February 7, 2014. However, such conversions do result in ineligibility for Title I program benefits subject to the conservation compliance provisions. USDA has used Form AD-1026 since the 1980's to have producers certify compliance with the provisions. The 2014 Farm Bill states that the Secretary shall use existing processes and procedures for certifying compliance. Therefore, the form accommodates certification of compliance for programs that are subject to different dates. The question on Form AD-1026 regarding wetland conversions includes an entry for producers to identify the year the conversion activities took place. The Form AD-1026 Appendix, which is provided to every producer certifying compliance, has additional information about the dates applicable to the different programs. In addition, the USDA Service Center staff where the producer files Form AD-1026 is available to assist the producer to ensure they understand the form and answer any questions the producer may have.

*Question 13.* Your testimony and the FAQs for the RMA Interim Rule indicate that any producer who receives a premium subsidy under crop insurance is subject to the conservation compliance provisions included in the 2014 farm bill. However, in the Background portion of the Interim Rule, it discusses the definition of "agricultural commodity" in Section 1201 of the 1985 Food Security Act. This definition only includes commodities "planted and produced in a state by annual tilling of the soil, including tilling by one-trip planters or sugarcane." There is also a mention of these new provisions being applied "unless specific exemptions apply."

Can you clarify whether any producer who receives a premium subsidy, regardless of the type of crop, forage or livestock that they produce, is covered by the 2014 compliance provisions?

What are the "specific exemptions" that apply?

*Answer.* The 2014 Farm Bill did not exempt any producer or crop from conservation compliance provisions. To be eligible for a premium subsidy for the 2016 reinsurance year and to be in compliance with HELC and WC provisions, a completed and signed form AD-1026 must be on file with FSA by June 1, 2015. The 2014 Farm Bill provided several exemptions that are applicable only to eligibility for Federal crop insurance premium subsidy, such as tenant relief and good faith exemptions for wetland violations only, persons subject to the conservation compliance for the first time because of the 2014 Farm Bill, when certain crop policies become available for the first time, and an exemption to pay an equitable amount instead of mitigating certain wetland conversions. Also, there are exemptions that apply to eligibility for both Federal crop insurance premium subsidy and Title I program benefits, such as tenant relief and good faith exemptions for high erodible land violations, and an exemption for noncommercial production of agricultural commodities on highly erodible acres of 2 acres or less. USDA will publish a regulation in early 2015 that will provide further details about these exemptions.

*Question 14.* You mentioned the \$9 million provided in the farm bill to address program maintenance and integrity. Can you tell us what this funding will be used for?

*Answer.* First, I want to express appreciation to Congress for providing funding that will enable the Risk Management Agency (RMA) to hire additional staff and contract resources. The additional staff and contract resources will allow RMA to implement the program changes included in the 2014 Farm Bill, maintain current and new programs, and to improve program integrity. RMA intends to use all of the \$9 million per year to improve program integrity and to aid in program maintenance and farm bill implementation in FY 2015. In fact, these funds have already allowed RMA to hire new employees to improve RMA's program integrity efforts, and to implement programs from the 2014 Farm Bill. For FY 2014, RMA has obligated approximately \$5.3 million of the \$9 million made available from Section 1102L. RMA has used these funds on SCO implementation and for program integrity efforts. Specifically, RMA entered into contracts for additional work that allow a significant expansion of SCO crops for 2016 and to address backlogged arbitration awards and settlements. RMA also entered into an agreement to improve improper payments and update program integrity processes. In addition, in an effort to improve the integrity of the tobacco crop insurance program, RMA partnered with the Agricultural Marketing Service to implement a tobacco crop insurance grading system.

RMA plans to hire approximately 60 employees once RMA's hiring plan is complete. These employees will be focused upon operation and day to day maintenance of farm bill programs and issues related to program integrity. While RMA was not able to bring on board all the employees in FY 2014, many are now arriving and are on board. Starting in FY 2015, RMA expects the full \$9 million to be obligated annually.

*Question 15.* I hear from producers in my district that RMA's APH transfer policy has allowed more established producers to come in and outbid younger producers on land rents. I also understand that the APH transfer policy is what led in part to the call for the Sodsaver provision in some parts of the country. Did RMA examine their policy and how you have impacted land conversion in the countryside?

*Answer.* RMA's procedures allow insured producers who add land to their existing operation within a county to use the simple average of their own actual production history for the crop in that same county to establish their insurance yield for the added land. Simple average transitional yields (SA T-yields) are available for use by any producer with one or more years of experience in the county to establish the yield for an added land Actual Production History (APH) database when the average of their yield experience in the county is greater than the applicable county T-yield published by RMA.

RMA has implemented Section 11016 of the Agricultural Act of 2014 (2014 Farm Bill) which provides enhanced benefits for Beginning Farmer and Ranchers (BFRs). Benefits include exemption from paying administrative fees, an additional ten percentage points of premium subsidy, and expanded use of the production history of farming operations BFRs were previously involved in the decision making or physical activities of a farm or ranch operation, and an increase from 60 to 80 percent of the applicable T-Yield for Yield Adjustment when replacing a low actual yield due to an insured cause of loss.

The SA T-Yield does not apply to native sod acreage that would fall under the Sodsaver provision (native sod). On native sod acreage the producer's reduced yield is applied using the T-Yield published in the actuarial documents, and the producer of native sod acreage is required to use the published T-Yield for the reduction regardless if the producer is established or a beginning producer. By reducing the yield guarantee, the reduction is carried out uniformly for all producers.

With the constantly changing market conditions affecting land conversions, RMA has taken steps to determine if/how crop insurance plays a role in these conversions. RMA enacted procedures to identify land that has been converted to cropland from acreage that has never been in crop production before (native sod); identify land that has been converted to cropland from acreage that has previously been in crop production, but has been idle for several years (new breaking); and to identify land that has been in USDA programs (such as the Conservation Reserve Program) for several years and is being converted to cropland acreage upon the expiration of the program contract. In addition to identifying the acreage, the yield guarantee for this acreage has been reduced for native sod (a maximum yield guarantee of 65 percent of the T-Yield published in the actuarial documents) and new breaking acreage (a maximum yield guarantee of 80 percent of the T-Yield published in the actuarial documents). As these procedures have been in effect for only a few years, the full impact of crop insurance on land conversion is not known at this time.

Various parties have conducted studies regarding land conversion in the countryside, including the Economic Research Service; however, no study has concluded that the RMA procedures for added land contribute to such conversion.

*Question 16.* What new technologies is RMA looking at to enhance efficiencies in administering the Federal Crop Insurance Program?

*Answer.* RMA is enhancing its technology platform on several levels to increase efficiencies within the program. It is currently re-engineering and modernizing some internal processing systems, particularly its accounting and reporting systems, to reduce costs, increase transparency, and add flexibility to business process improvements. Additionally, RMA is taking part in the Department's Acreage Crop Reporting Streamlining Initiative (ACRSI) with FSA to reduce the producer burden of filing reports to the government. In particular, RMA is upgrading the Common Information Management System (CIMS) to facilitate real-time data sharing between RMA and FSA used in reporting and reconciliation. These changes will also allow Approved Insurance Providers (AIPs) quicker access to the producer data to which they are entitled to better serve those customers. Finally, RMA has developed an educational tool to aid producers in purchasing decisions of key farm bill products like SCO and STAX. This tool is currently available as a web application and as a mobile app for iOS and Android.

*Question 17.* Could new technologies, such as those delivered by unmanned aerial systems, help RMA to improve accuracy of field mapping and crop loss monitoring, and ultimately save Federal resources?

*Answer.* RMA continually evaluates new technologies that may increase efficiencies in the Federal Crop Insurance Program. Unmanned Aerial Systems (UAS) are one of the new technologies that RMA is monitoring. UAS have a host of applications applicable to agriculture, and some may be directly applicable to the delivery and servicing of crop insurance risk management tools. Currently, there are a wide diversity of UAS platforms (the 'flight vehicle,' e.g., multirotor, helicopter, and fixed-wing unmanned aerial vehicle (UAV)) and a diversity of sensor payloads (the camera or remote sensing instrument mounted on the UAV). Each UAV/sensor combination has a distinct use-case as applied to field mapping and crop loss monitoring. In addition, RMA is currently following the development of regulations related to UAS technology, how early case studies document the benefits of their use, and how producer privacy concerns weigh into the application of these technologies.

*Question 18.* Section 11024 of the 2014 Farm Bill adds the purpose of improving the analysis tools regarding crop insurance compliance to the existing partnerships program. How will the RMA be reaching out to third parties to carry out this new purpose? Will there a specific request for proposals? Or are individual entities welcome to approach the Agency with their ideas?

*Answer.* RMA has not determined how it will implement this provision.

*Question 19.* I understand that you are working with the barley industry on a malting barley policy, which will be of great importance to the growers in my district. Will the malting barley policy be available for the 2015 crop?

*Answer.* No, the new policy will not be available for the 2015 crop. A new Malting Barley Revenue policy has been approved by the Federal Crop Insurance Corporation Board of Directors. However, the private submitter is still in the process of finalizing all the relevant policy materials and has advised that they will not have completed their work in time to implement the new policy for the 2015 crop year, and have therefore requested the policy be implemented for the 2016 crop year.

*Question 20.* The RMA fact sheet on Sodsaver implementation indicates that producers will have to bring proof that the land to be insured was "previously tilled" to their approved insurance provider. Was the crop insurance industry consulted on the best way to handle the certification?

*Answer.* Yes, the crop insurance industry was consulted and given the opportunity to review the draft procedures developed by RMA for the native sod provisions.

#### Administration—FSA County Office Closings

*Question 21.* Are the computer systems in the FSA county offices up to the job of handling another round of base and yield updates as well as the multiple options that were set up by the final commodity title provisions?

*Answer.* Yes, the computer systems in the FSA county offices are up to the job. FSA incrementally provided information to the farmers and software to the FSA County Offices to update base and yield information in order to make a final election. All software to support the base acre reallocation and yield update has been provided, with election capability to be provided later this year.

*Question 22.* How does FSA plan to utilize the \$120 million that the Committee made available for administrative costs? What is the breakdown between staffing, computer programming, and other expenses?

*Answer.* FSA will use the \$100 million that was made available in FY 2014 and FY 2015 for implementation of Title I programs for cost for developing software, hiring temporary employees, training field office staff and producer outreach and education. FSA and RMA are working collaboratively to develop a plan for implementing ACRSI at which time a spending plan for the \$20 million (\$10M in FY14 & \$10M in FY15) will be determined.

Below is the breakout between FY 2014 and FY 2015 of cost by category for the \$100 million:

Item	FY 2014	FY 2015 <sup>1</sup>	Total
Staffing	\$2,470,000	\$27,037,000	\$29,507,000
Computer Programming	\$8,978,000	\$20,370,000	\$29,348,000
Other Expenses	\$4,437,122	\$31,827,390	\$36,264,512
Total	\$15,885,132	\$79,234,390	\$95,119,522

<sup>1</sup> FY 2015 is reduced for sequestration.

*Question 23.* Are you planning on utilizing temporary employees to get through the initial heavy workload from now until early next calendar year? And are there temporary folks still available out in the countryside or are you having to train new folks? I have the feeling that many of your former temporaries may have taken permanent positions from county office staff that retired since the last farm bill.

*Answer.* FSA is committed to delivering new farm bill programs and policies in an efficient and timely manner. The use of temporary employees is critical to achieving successful program implementation and FSA plans to have temporary employee resources in the field during both FY 2014 and FY 2015. During the last quarter of FY 2014, FSA had more than 650 full-time temporary employees on board and approximately another 900 intermittent (hourly) temporary employees on the roles and available for program and customer support. Many of these same employees may be extended into FY 2015, as FSA has made available to States, FY 2015 1st and 2nd quarter temporary staffing levels of 830 FTEs. These initial FY 2015 FTEs will carry FSA through peak farm bill workload as the Agency continues to assess temporary staffing needs and available resources for FY 2015.

*Question 24.* The Administration's FY15 budget submission indicated that you were looking at closing 250 FSA field offices. Do you have more details to share with the Committee yet on these plans? Are you still planning to not close any offices before October 1st of this year?

*Answer.* No offices will be closed before October 1, 2014. Moreover, no office closure plan has been approved at this time and the Agency has not developed a list of specific offices to close.

*Question 25.* It is my understanding that your budget submission did not take into account possible farm bill workload. Has the Farm Service Agency done a recent workload analysis that takes into account the potential workload for state and county offices with the new crop and dairy programs to administer? Can you share with the Committee for the record the most recent analysis and what it shows for staffing levels by state?

*Answer.* The Farm Service Agency has developed a data driven workload analysis that included reoccurring activities that the agency performs to administer farm and farm loan programs. The new programs as a result of the Agricultural Act of 2014 such as the Agricultural Risk Coverage/Price Loss Coverage, Dairy- Margin Protection, Livestock Disaster, and new portions of the Non Insured Assistance program were not implemented at the time FSA's workload analysis was completed. Assumptions were made as to the potential workload that could be derived as the new programs are implemented and therefore, an updated analysis would need to be made once the new programs were implemented. Similarly, the Stacked Income Protection Plan (STAX) for cotton has now shifted some FSA workload to RMA. The new program workload assumptions were not totally inclusive in the recent workload analysis. Since further review of new program participation must be conducted to adequately determine how they will affect the distribution of staffing for states and counties, the workload analysis was only used a guide to allocate staffing to the states. Once this review and update is completed, the agency will have a more comprehensive analysis that can provide a more comparative and qualitative distribution of staffing in the future.

*Question 26.* Is the same true that your FY15 budget submission also did not take into account staffing needs and that's part of the reason for the reduction of 815 FTE (Full Time Equivalent) positions? Does the Department still feel there is a need for this reduction?

*Answer.* The FY 2015 budget submission was developed well before the enactment of the 2014 Farm Bill. Certain assumptions regarding staffing requirements were made based on the information available at the time; however, there was much about the final farm bill that simply was not known. The Department believes that there remain opportunities to streamline and right-size Farm Service Agency operations. The Farm Service Agency has developed a data driven workload analysis that includes reoccurring activities that the agency performs to administer farm and farm loan programs. This analysis must be revised and updated based on the new workload requirements of the 2014 Farm Bill.

