

## **FARM SERVICE AGENCY**

### **Statement of Val Dolcini, Administrator**

#### **Before the Subcommittee on General Farm Commodities and Risk Management**

Mr. Chairman and members of the Subcommittee, I appreciate this opportunity to provide information on the Farm Service Agency's (FSA's) implementation of the Agricultural Act of 2014 (the 2014 Farm Bill). We have implemented the farm bill programs in record time, providing safety net assistance to producers in every state within just a few months of bill passage. FSA's 10,000-plus employees at over 2,000 local offices are working long hours to provide the most effective customer service possible to producers as we finalize the push to enroll producers in the new Title I crop safety net programs.

#### Disaster Assistance

FSA focused early last spring on implementing the livestock and tree disaster assistance programs. These programs, which had been expired for nearly three years, were resumed in approximately 60 days following enactment of the 2014 Farm Bill—80 percent faster than in 2008. This assistance benefitted a diverse array of producers who were hit hard by natural disasters, ranging from wildfire to drought. FSA continues to process payments for 2012 through 2014 disaster programs—including the Livestock Forage Disaster Program (LFP); the Livestock Indemnity Program (LIP); the Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP); and the Tree Assistance Program (TAP). So far, FSA has issued approximately 600,000 payments to producers since last spring, totaling nearly \$5 billion.

The LFP program has accounted for the bulk of these payments, particularly to producers in the Plains States, but also across the country, who have suffered from extreme weather conditions. LIP payments are helping producers who incurred livestock deaths, such as those affected by the Atlas Blizzard that hit the northern Plains in 2013. TAP payments are helping producers in Florida who are suffering from citrus greening disease, as well as orchard producers in other states across the country. ELAP payments are helping many producers who do not

benefit from the other livestock disaster programs, including bee keepers who are suffering from colony collapse disorder.

### ARC/PLC

The 2014 Farm Bill made significant changes to FSA's safety net programs. The 2008 Farm Bill's Direct and Counter-Cyclical Program (DCP) and the Average Crop Revenue Election (ACRE) program were repealed and replaced by two new programs: Price Loss Coverage (PLC) and Agricultural Risk Coverage (ARC). The window for farmers to take advantage of the one-time opportunity to reallocate a farm's base acres and to update payment yields will close on March 31. March 31 also is the deadline to elect ARC or PLC coverage for their farms.

Participation in the base reallocation, yield updating, and ARC/PLC election processes is rapidly progressing. The rate at which producers have made their election at their local county offices has jumped by 8-10 percent (or more) per week. As of March 19, about 94 percent of farms likely to enroll in ARC/PLC (e.g., those who had a DCP/ACRE contract) have made their base reallocation and yield updating decisions, and about 77 percent of farms likely to enroll have made their election. We expect these numbers to continue to increase significantly by the end of the month. All producers who have contacted their local offices to file their ARC/PLC paperwork by March 31 will be allowed to enroll for ARC/PLC for the 2014 crop year.

Implementing a farm bill requires an "all hands on deck" approach to reach producers, and much of this success is the result of close collaboration between our university and extension partners and, of course, our dedicated FSA staff. We worked closely with our university partners at Texas A&M, the Food and Agricultural Policy Research Institute, the University of Illinois, and others, who developed on-line web-based decision tools so that farmers can input data and explore various scenarios associated with adopting ARC or PLC for their individual operations.

Further, we worked—and are continuing to work—with extension specialists in virtually every state on an extensive ARC/PLC education and outreach effort. As of mid-March, over 400,000 attendees have participated in approximately 5,700 local ARC/PLC informational events that provide producers with the substance to think about how to best manage risk on their farms.

The ARC/PLC webtools were demonstrated at over 2,500 of these events and the tool developers are hosting help desk “hotlines” for producers who are in need of additional help.

In addition to collaboration with our partners, we have had extensive interaction through the media. FSA has issued 8 national news releases informing producers and the general public about ARC/PLC resources and deadlines, and I have personally conducted over 100 media interviews regarding these new programs. Over 700 ARC/PLC news stories have appeared in the media as of Friday, March 20.

FSA is making a final push to reach all landowners and producers who have a stake in the ARC/PLC decision. Early in the calendar year, we mailed 2.9 million postcards to landowners and producers as a reminder about base reallocation and yield updating deadlines, and stated that producers who do not elect ARC or PLC are not eligible for 2014 crop year ARC or PLC payments. The only option for producers who do not elect is to be enrolled in PLC for the 2015-18 crop years. Another 2.2 million postcards were mailed starting on March 16 to owners, operators, and other producers linked to at least one farm that had not yet made an election. Our county office staff is geared up and ready to greet these producers and help them to make their decisions in the final days of March.

Under the 2014 Farm Bill, upland cotton is no longer a covered commodity and is not eligible to participate in ARC or PLC, but rather, is eligible for the new Stacked Income Protection Plan (STAX) offered by the Risk Management Agency (RMA). Until STAX becomes available in a county, upland cotton is eligible for the Cotton Transition Assistance Payments program (CTAP) for 2014 and 2015 crops. FSA has paid about \$540 million to over 184,000 farms for 2014 CTAP payments; 2015 CTAP payments will drop off dramatically in 2015 as STAX becomes available.

#### Dairy, NAP, CRP

FSA has implemented the new Margin Protection Program for Dairy (MPP-Dairy) and over 23,000 producers—over half of all U.S. dairy operations—have enrolled for calendar year 2015 coverage. The new MPP-Dairy offers dairy producers: (1) catastrophic coverage, at no cost to the producer after an annual \$100 administrative fee; and (2) various levels of higher coverage. Catastrophic coverage provides payments to participating producers when the national

dairy production margin is less than \$4 per hundredweight (cwt). Producers may purchase higher coverage, for a premium, that provides payments when margins are between \$4 and \$8 per cwt. During the three months of enrollment, FSA held more than 500 public meetings, sent out nearly 60,000 direct mailings, and conducted more than 400 demonstrations of the web-based MPP-Dairy tool designed to help applicants calculate their specific coverage needs.

The Noninsured Crop Disaster Assistance Program (NAP) was also expanded in the 2014 Farm Bill to include protection at higher coverage levels, similar to provisions offered under the Federal crop insurance program. NAP continues to offer coverage at the catastrophic level based on 50 percent of expected production at 55 percent of the average market price for the crop. Now, producers can obtain additional coverage levels ranging from 50 to 65 percent of expected production, in 5 percent increments, at 100 percent of the average market price for the 2014-18 crops years. The majority of 2015 NAP-eligible spring-seeded crops had an application closing date of March 15, 2015.

The 2014 Farm Bill also included retroactive NAP assistance for losses to 2012 fruit crops grown on trees and bushes that had Secretarial disaster designations for frost or freeze. To date, FSA has made 635 payments totaling over \$13.3 million for NAP frost/freeze.

In addition to the ARC/PLC tools noted earlier, the University of Illinois and their partners developed decision tools for both MPP-Dairy and NAP. These tools help producers make decisions about the optimal level of coverage for their operations, and have been widely accessed by producers. Further, nearly 14,000 producers have participated in MPP-dairy educational meetings and nearly 17,000 producers have participated in NAP meetings.

Currently, 24.3 million acres are enrolled in Conservation Reserve Program (CRP) contracts, including 18.2 million acres in general enrollment authority and 6.1 million acres in continuous enrollment authority. CRP contracts on 1.9 million acres are set to expire September 30, 2015. With the enactment of the 2014 Farm Bill, the number of acres available nationwide for enrollment was reduced to 24 million acres starting in 2017; as a result, we expect general enrollments to become much more competitive in the future, increasing the environmental benefits per acre. We will also continue to pursue continuous enrollments to target the most environmentally-sensitive acreage.

#### Credit

Almost all farm loan programs are authorized permanently through the Consolidated Farm and Rural Development Act. However, the 2014 Farm Bill makes several program changes and enhancements, provides some additional authorities, and reauthorizes the Mediation Program and the Individual Development Account (IDA) grant pilot program, which supports a savings incentive program for low-income beginning farmers. Several of the changes are mandatory and were implemented by FSA in March of 2014. These changes provide more favorable interest rates for joint financing arrangements, provide a larger percent guarantee on guaranteed conservation loans, increase the loan limits for the down payment loan program from \$225,000 to \$300,000, make youth loans available in urban areas, and eliminate the term limits for guaranteed operating loans.

On November 7, 2014, FSA implemented additional mandatory changes for farm loans, including raising the borrowing limit of its popular microloan program from \$35,000 to \$50,000, and updating the “farming experience” loan eligibility requirement to include military leadership positions, advanced agricultural education, or other nonfarm management experience. This has already assisted 1,600 farmers by expanding the credit available for their family farming businesses. FSA also received authority to implement a relending program to help Native American producers purchase fractionated interests of land; this program is under development.

### Improving Efficiency

The ability to meet FSA’s program delivery goals depends on information technology systems and services critical to our daily operations. To improve customer service, FSA is moving forward with improvements such as simplifying the printing of farm maps and customized reports, and continuing the integration of systems through common eligibility, payment, and obligation frameworks. These efforts will reduce the need for FSA staff to use multiple systems or perform redundant data entry, helping customers to make fewer—or significantly shorter—visits to their local offices.

With continued attention to business processes and IT integration, FSA can focus on improving customer application processes; streamlining program delivery; providing additional customer technical assistance; sharing data needed for eligibility determination; improving the

timeliness and accuracy of loans, payments, and program compliance; and, providing new customer self-service options. FSA's continued efforts to streamline, modernize, and automate the delivery of farm programs and agricultural systems met two significant milestones this year with the releases of MIDAS Farm Records and Business Partner. MIDAS now combines producer and land information with Geographic Information System (GIS) data, reducing duplicative data when farmers and ranchers conduct business at any FSA County office. The newest business process improvement includes automatic validation of address and tax information at the time of entry, which further reduces improper payments and improves record accuracy.

For FY 2016 and beyond, FSA has placed additional emphasis and resources on ensuring that IT investments, decisions, and operational plans are driven by business needs across the agency and are manageable in size. We look forward to enabling new customer models that support FSA as it becomes the gateway for farmers and ranchers to access rural and agricultural support services.

### Reaching Beginning and Underserved Producers

One of the most important facets of our Agency's implementation of the Farm Bill is service to beginning and underserved farmers and ranchers. FSA is often "the lender of first opportunity" for many new and beginning producers. In addition, we have successfully implemented new provisions of the Farm Bill such as the NAP 50 percent premium discount and waiver of the NAP application fee for for beginning, limited resource, and traditionally underserved farmers. We are working in unique new ways to help these producers automatically sign up for the basic NAP coverage and telling them about the 50 percent premium discount through a coordinated approach between Farm Loan Programs and Farm Programs staff.

FSA's microloan program is also an important access point to credit for some new farmers and ranchers. The 2014 Farm Bill expanded lending opportunities for thousands of farmers and ranchers to begin and continue operations, including greater flexibility in determining eligibility, raising loan limits, and emphasizing beginning and socially disadvantaged producers. Since implementation of the popular microloan program, FSA has helped over 11,000 small, underserved, and beginning farmers obtain operating

credit. Producers can use microloan funds to pay for initial start-up expenses such as land rent, essential tools, livestock and farm equipment, and annual expenses such as seed, fertilizer, utilities, marketing, and distribution expenses.

We are implementing other provisions of the Farm Bill that help these producers, including reinstating the Reimbursement Transportation Cost Payment Program for Geographically Disadvantaged Farmers and Ranchers (RTCP) and the Transitions Incentive Program, which provides funding to encourage the transition of CRP land from a retired or retiring owner or operator to a beginning or socially disadvantaged farmer or rancher to return land to production for sustainable grazing or crop production.

These important policy advancements are part of a larger effort at the Department to enhance assistance to new and beginning farmers and ranchers. In our FY 2016 budget request, FSA has proposed the creation of new and beginning farmer and rancher field positions and additional cooperative agreement funding to help support enhanced financial literacy technical assistance and partnerships. These staff would facilitate and guide beginning farmer outreach, provide support and cross-cutting customer service training for USDA employees in the field, and enhance partnerships within regional, state, and local communities – and additional cooperative agreement funding to help support enhanced financial literacy technical assistance and partnerships.

Our participation in complementary initiatives such as Know Your Farmer Know Your Food and Bridges to Opportunity further enhances our service to beginning and underserved producers, by helping us coordinate programs across the Department. In the process, we also find new opportunities for needed program enhancements such as expansion of cold storage funding under the Farm Storage Facility Loan Program.

Serving beginning and underserved farmers and ranchers well is core to our Agency mission and the future of agriculture.

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

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